

Town of Gilbert, Arizona Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013



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

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



Government Finance Officers Association

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

Presented to

**Town of Gilbert
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

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

Executive Director/CEO

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2013



John W. Lewis, Mayor

Ben Cooper, Vice Mayor

Eddie Cook, Council Member

Jenn Daniels, Council Member

Victor Petersen, Council Member

Jordan Ray, Council Member

Jared Taylor, Council Member

Patrick Banger, Manager

Prepared by the Finance & Management Services Department

Cindi Mattheisen, Finance & Management Services Director

**TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013**

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Letter of Transmittal	v
Advisory Organization Chart	xii
Organization Reporting Chart	xiii
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (required supplementary information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Streets Special Revenue Fund	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	32
Statement of Fiduciary Net Position - Fiduciary Funds	34
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	35
Notes to the Financial Statements	37
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	72
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Grants Special Revenue Fund	76
Other Special Revenue Funds	77
CDBG/HOME Special Revenue Fund	78
Street Light Improvement District Special Revenue Fund	79
Parkway Maintenance District Special Revenue Fund	80
General Debt Obligations Debt Service Fund	81
Special Assessments Debt Service Fund	82
Streets and Transportation Capital Projects Fund	83
Traffic Control Capital Projects Fund	84
Municipal Facilities Capital Projects Fund	85
Flood Control and Storm Water Capital Projects Fund	86

TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

TABLE OF CONTENTS

	Page
Parks, Open Space and Recreation Capital Projects Fund	87
Redevelopment Capital Projects Fund	88
Schedules of Revenues, Expenses and Changes in Net Position - Budget and Actual:	
Water Enterprise Fund	89
Wastewater Enterprise Fund	90
Environmental Services Enterprise Fund	91
Combining Statement of Net Position - Internal Service Funds	94
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	95
Combining Statement of Cash Flows - Internal Service Funds	96
Schedules of Revenues, Expenses and Changes in Net Position - Budget and Actual:	
Equipment Maintenance Internal Service Fund	97
Copier Services Internal Service Fund	98
Employee Benefit Self-Insurance Internal Service Fund	99
Agency Funds	
Combining Statement of Changes in Assets and Liabilities	102
 STATISTICAL SECTION	
Financial Trends	
Net Position by Component - Last Ten Fiscal Years	107
Changes in Net Position - Last Ten Fiscal Years	108
Program Revenues by Function - Last Ten Fiscal Years	110
Fund Balances of Governmental Funds - Last Ten Fiscal Years	111
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	112
Revenue Capacity	
Taxable Sales by Category - Last Ten Fiscal Years	113
Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years	114
Debt Capacity	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	115
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	116
Direct and Overlapping Governmental Activities Debt - As of June 30, 2013	117
Legal Debt Margin Information - Last Ten Fiscal Years	118
Pledged-Revenue Coverage - Last Ten Fiscal Years	119
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	120
Principal Employers - Current Fiscal Year and Nine Years Ago	121
Operating Information	
Full-time Equivalent Employees by Function - Last Ten Fiscal Years	122
Operating Indicators by Function - Last Ten Fiscal Years	123
Capital Asset Statistics by Function - Last Ten Fiscal Years	124
Other information	
Property Value, Construction and Bank Deposits - Last Ten Fiscal Years	125
System Development Fees - Fiscal Year 2013	126
Property Tax Levies and Collections - Last Ten Fiscal Years	127
Principal Property Taxpayers - Fiscal Year 2013	128



Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



December 9, 2013

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, 2013. 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, 2013. 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

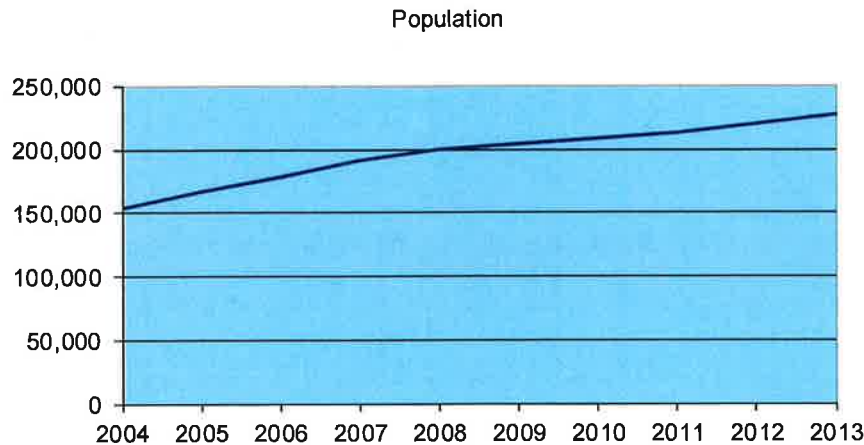
Gilbert is an Arizona Municipal Corporation, operating as a general law community as prescribed in the Arizona Revised Statutes. Gilbert was incorporated July 6, 1920, and operates under the Council-Manager form of government. The Mayor is a member of the Council and is elected by the voters for a four-year 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 2013, the Manager administered Gilbert's operations through a staff of 1,203 budgeted full time equivalent positions.

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

Geography and Population

Gilbert is located in the southeastern section of the greater Phoenix metropolitan area in Maricopa County, bounded on the north and east by the City of Mesa, on the west by the City of Chandler, on the southeast by the Town of Queen Creek, and on the south by the Gila River Indian Community. Gilbert has a planning area of 72.6 square miles. The most recent estimate of population as of July 1, 2013, was 227,598 (this estimate is from the Maricopa Association of Governments), an increase of 3.6% from fiscal year 2012. The following graph depicts the ten-year population trend for Gilbert.



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

There were 2,015 new residential permits and 224 commercial permits issued in fiscal year 2013 which represents a decrease of 316 residential permits and an increase of 42 commercial permits from the prior fiscal year. The total value of all new construction in fiscal year 2013, including commercial, was \$534 million, up from \$475 million in fiscal year 2012, but still down significantly from over \$1 billion in each of the peak growth years of 2004 and 2005.

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 2013, a total of \$48 million was collected in SDF's compared to \$51 million in fiscal year 2012.

Economic Development

With over 227,000 residents, Gilbert, Arizona is a clean, safe and vibrant community and nationally recognized as the 33rd best place to live in the nation (CNN/Money Magazine, 2012); 2nd safest community in the nation (FBI Crime Statistics, 2013); 8th Most Thriving City in the United States (The Daily Beast, 2013) and was the recent recipient of the Freedom Award, the highest recognition given by the U.S. Secretary of Defense to organizations for the support of their employees who serve in the National Guard and Reserve. Gilbert is an educated community with 38.8% of its residents holding a bachelor's degree or higher, compared with 28.1% nationally. While the national unemployment rate has hovered around 7%, Gilbert's unemployment rate as of August 2013 is 5.9%, as compared to the state of Arizona's unemployment of 8.7%.

Currently, Gilbert has an existing commercial portfolio of 7 million square feet of industrial space, 4.5 million square feet of office space, 200 acres light industrial and 663 acres business park. Major employers include: Banner MD Anderson Cancer Center, Go Daddy, Mapfre Insurance, Unicon, Orbital Sciences, Lockheed Martin, Heliae, Cardiovascular & Stem Cell Consultants, Celebration Stem Cell Centre, Banner Health, and Dignity Health.

Economic development activity and growth in Fiscal Year 2013 was a record fiscal year for Gilbert's Office of Economic Development. Business locates and expansions totaled 30 projects which included a capital investment of over \$194 million. As a result, just less than 1.5 million square feet of office, industrial and retail space were absorbed or constructed and 1,645 jobs were added to the local economy. In comparing fiscal year 2012 with fiscal year 2013, these activities represent a 67% increase in projects, a 3% increase in announced jobs, a 230% increase in announced, absorbed or constructed commercial space, and a 170% increase in announced capital investment. Gilbert's job-based economic development strategy specifically identifies: science and technology, aerospace and defense, advanced manufacturing, clean technology and renewable energy, and advanced business services.

Gilbert is committed to attracting higher education institutions to the community. Upon finalizing the development agreement in September, Chicago-based St. Xavier University, a Catholic school founded in 1846, will move forward with its plans to open a campus in Gilbert's Heritage District. The University's presence will enhance the educational opportunities for residents of Gilbert and residents in the region and will generate additional commercial activities in the Heritage District.

Gilbert was recognized by the International Economic Development Council as an Accredited Economic Development Organization (AEDO). This designation acknowledges Gilbert as the first Arizona economic development organization, the second municipality and one of just 35 economic development organizations in the nation to receive the AEDO.

To address long-range infrastructure needs and commercial real estate density along Gilbert's Central Business Corridor, the community worked with Nationwide Realty Investors, Ltd. (NRI) to establish a development agreement for a 250-acre-plus exclusive project that will provide more than three million square feet of Class A office space at the southeast corner of Gilbert Road and the Loop 202 Freeway. The master plan for the development named "Rivulon" calls for 3.1 million square feet of office space, 500,000 square feet of retail space, at least 250 hotel rooms and will result in more than a \$750 million investment. The development will deliver an initial 120,000 square foot, 4-story speculative Class A office building while keeping 250,000 square feet of pad-ready office space available at all times. This project will double Gilbert's office space in a premier location on the 202 Corridor, thereby allowing Gilbert to attract high-wage employers with immediate expansion or relocation needs.

Gilbert's Heritage District is undergoing a revitalization that is shaping the historic, symbolic center and heart of the community. The Heritage District offers opportunity for the adaptation of historic and significant properties in the original downtown area to uses that will have a positive impact on the adjacent residential and commercial sectors. Through its extensive redevelopment, planning, attraction and business retention and expansion efforts, Gilbert has experienced an influx in entrepreneurial restaurant, retail and art and cultural developments within the Heritage District during Fiscal Year 2013. Several steps contributed to the success of Gilbert's Heritage District including:

- Partnership with Arizona State University's Masters of Real Estate Development program to assess and develop solutions for vacant land within the Heritage District
- Recruitment of a Gilbert campus for Chicago-based Saint Xavier University
- Recommendation for a designated arts, culture and entertainment district in the downtown Heritage District
- Development agreement for the Heritage Marketplace, a mixed-use project including restaurants, shops and office space, with the potential addition of residential lofts in a future phase

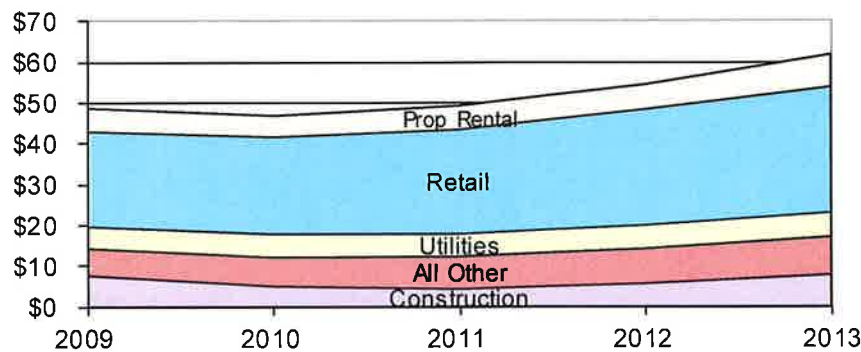
Gilbert’s knowledge assets include Arizona State University (ASU) Polytechnic Campus, Chandler-Gilbert Community College, A.T. Still University, as well as over 69 other colleges, universities and technical schools within a 30-minute commute. Gilbert is also home to Campo Verde High School which has the largest Project Lead the Way Biomedical Sciences Program in the country.

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 robust transportation network provides access to Gilbert-based enterprises while providing reliable and accessible modes of transportation to local, national and international markets. Both the Loop 202 and US-60 are six-lane divided highways that connect to Interstate 10. Located just over 10 miles west of Gilbert, Phoenix Sky Harbor Airport is served by 16 major airlines. Sky Harbor is one of the ten busiest airports in the nation for passenger traffic with 100,000 passengers daily and a \$79 million daily economic impact. Sky Harbor cargo facilities handle over 800 tons of freight a day. Phoenix-Mesa Gateway Airport is located on Gilbert’s eastern border and handles over one million passengers yearly with flights to 35 destinations throughout the United States. The airport also provides air cargo services and is located within a Foreign Trade Zone for duty free business activities and commerce.

Transaction Privilege (Sales) Tax Trend

Sales tax revenues represented 50% of General Fund revenues for fiscal year 2013, totaling approximately \$61.9 million. Local sales taxes are collected by the Arizona Department of Revenue and remitted to Gilbert weekly. The following graph depicts sales tax receipts by source for the past five years.

Privilege Tax by Source
(Millions)



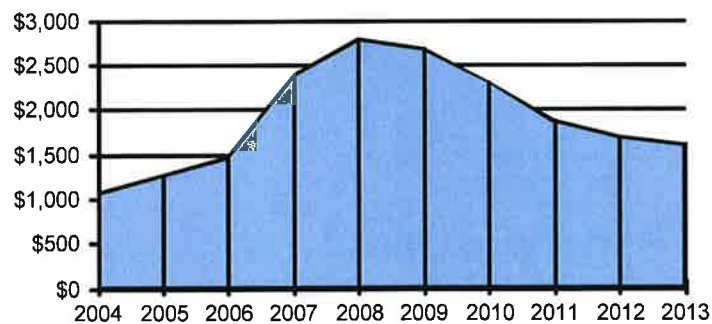
Property Taxes

Gilbert’s property tax rate is \$1.15 per \$100 of secondary assessed valuation and is used exclusively for the payment of voter approved general obligation bond debt. Gilbert does not levy a primary property tax for general operating purposes.

Assessed Valuation

The assessed value of real property within the Gilbert annexed area is a vital economic forecast variable, as the State Constitution contains regulatory restrictions on the amount of debt a community may have outstanding based on secondary assessed valuation. Taking the market value of a property and applying the statutory assessment rate derives the assessed value. Residential properties are assessed at 10%, vacant land is assessed at 16%, and commercial properties are assessed at 20.5% (2004 legislation decreases the commercial property rate 0.5% a year from 25% in 2004 to 20% in 2014). This illustrates how crucial the additions of commercial properties are to the tax base. The assessed valuation decreased by 4.8% in fiscal year 2013 from \$1.675 billion to \$1.595 billion. The following graph depicts the changes in the assessed valuation in Gilbert for the past ten years:

Secondary Assessed Value
(Millions)



State Shared Revenues

State shared revenues totaled \$38 million for the General Fund and \$18 million for the Streets Special Revenue Fund in fiscal year 2013, representing approximately 31% of total General Fund revenues and 98% of total Streets Special Revenue Fund revenues. State shared revenues include allocations of state sales tax, income tax, gas tax, motor vehicle in-lieu tax, and lottery funds. These revenues are shared based upon relative population in the State as determined by census. The 2010 Census established the population at 208,453 compared to 173,072 from the mid-decade census in September 2005.

Budget and Financial Policies

The Town'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 - The Town 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 the Town 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 the Town 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 (GFOA) 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. The Town Council adopted a comprehensive listing of policies of responsible financial management in November of 2011.

Long-Term Financial Planning

In addition to the Town's General Plan and Capital Improvement Program, the Town is developing infrastructure inventories (including repair and replacement plans) and functional area master plans. The Town 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 FranklinCovey's Four Disciplines of Execution, providing an exceptional tool for advancing these goals while managing the challenges of the daily whirlwind. The Town is updating its Long-Term Financial Plan according to the GFOA guidelines offered in the book *Financing the Future* by Shayne Kavanagh.

The key components include:

- Fiscal Environment Analysis (SWOT)
- Long-Term Revenue Forecasting
- Long-Range Expenditure Forecasting
- Debt Analysis
- Financial Balance Analysis
- Financial Strategies Development
- Transition and Implementation
 - Education
 - Policies

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gilbert for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the 22nd 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 14 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 Dana Faulisi, Senior Accountant, who were primarily responsible for preparing this document. In addition, I would like to thank staff from all Town departments for their contributions and assistance.

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

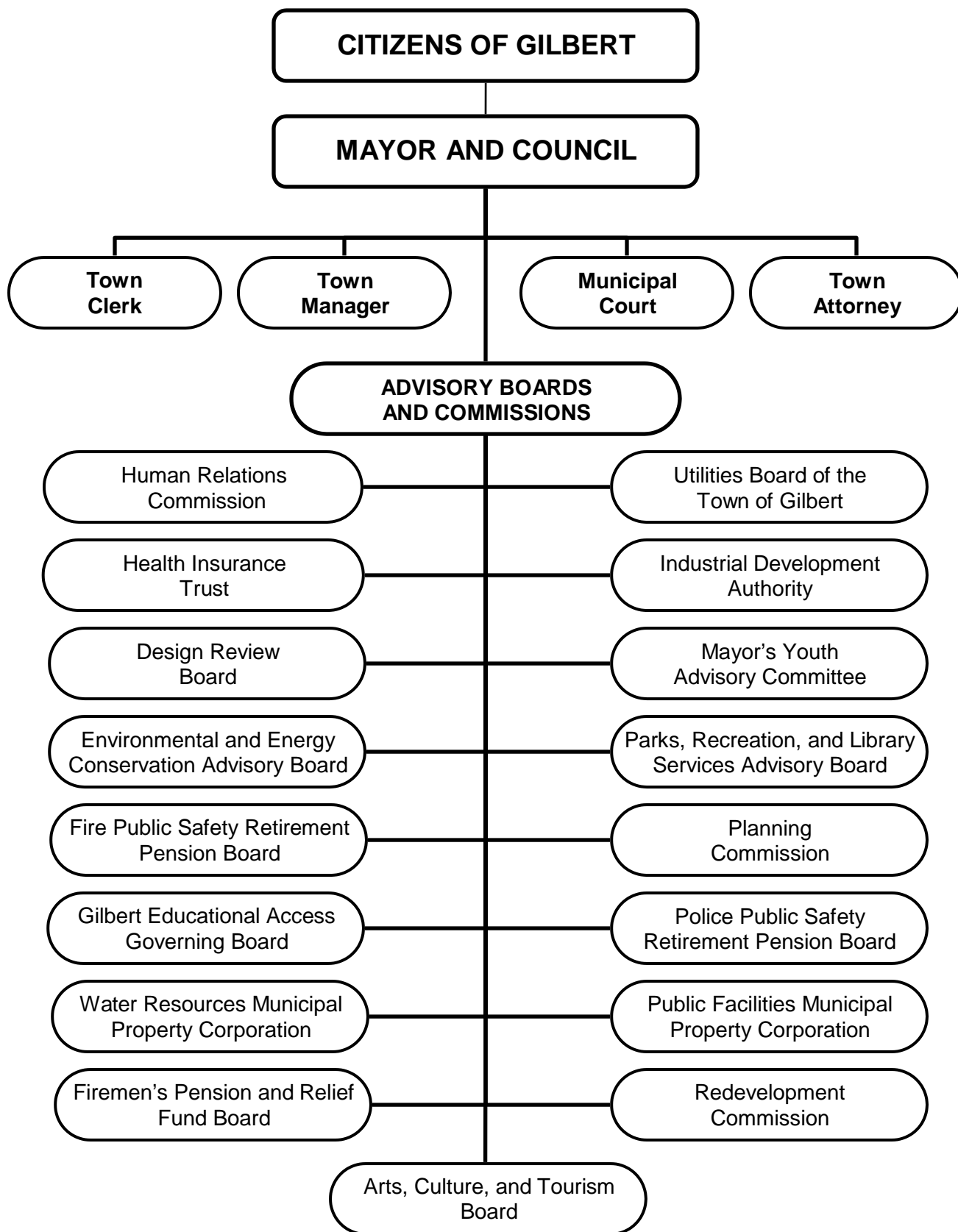
Respectfully submitted,

A handwritten signature in black ink that reads "Cindi Mattheisen". The signature is written in a cursive style with a large initial "C" and "M".

Cindi Mattheisen, CPA
Finance & Management Services Director

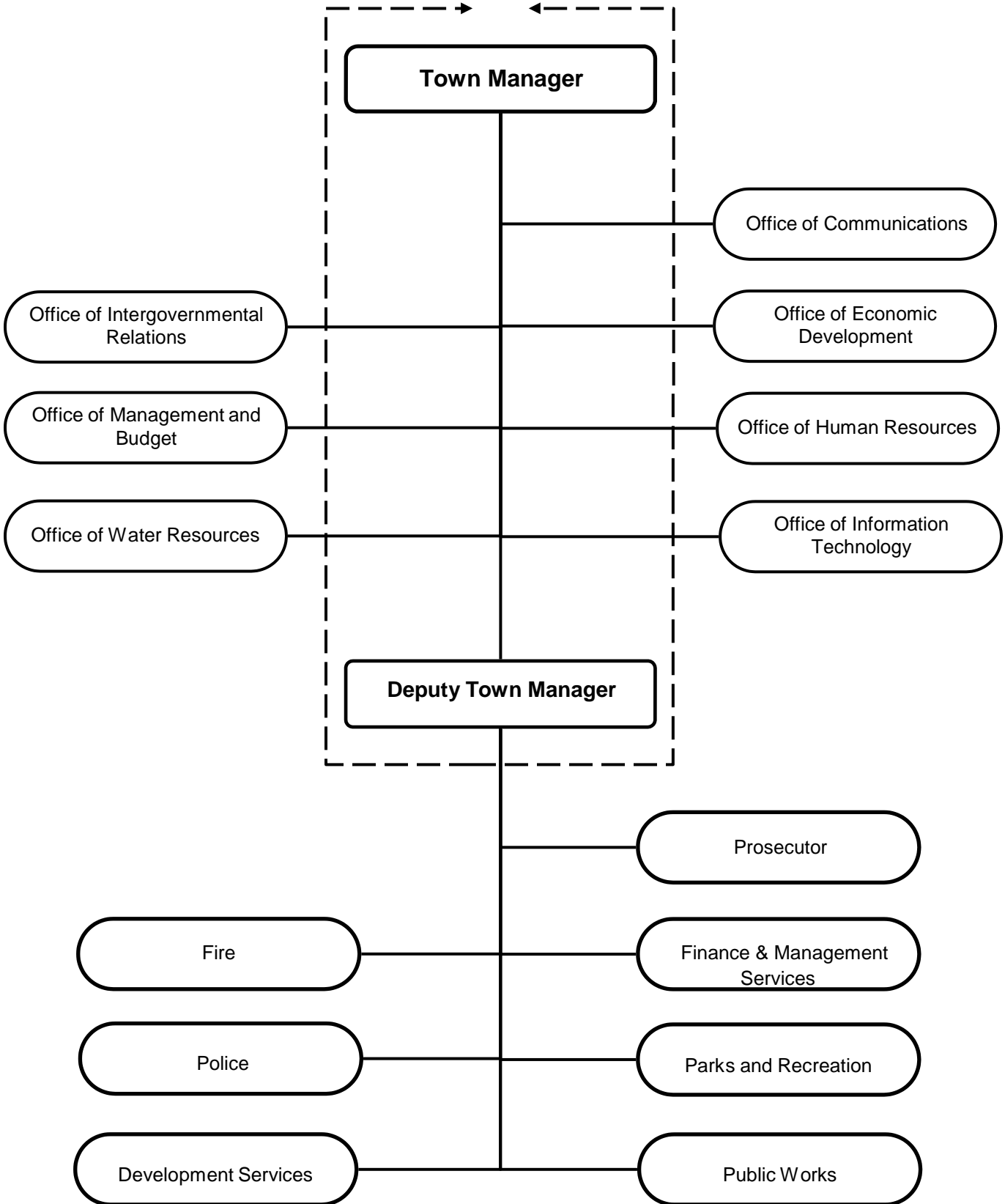


Advisory Organization Chart





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

**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, 2013, 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 Town'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 Town'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, 2013, 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 conformity 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013, 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 on pages 3 through 14 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 9, 2013, 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.
CPAs and Business Consultants

December 9, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with information provided in the transmittal letter.

Financial Highlights

- Gilbert's assets exceeded its liabilities at the end of the fiscal year by \$1.5 billion. Included in this amount defined as net position is \$371 million of unrestricted net position, of which \$142 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$229 million which may be used to fund ongoing operations in future years.
- Net position includes a \$688 million net investment in capital assets such as streets, park land, and municipal buildings and a \$325 million net investment in water, wastewater and environmental services infrastructure and equipment.
- The combined fund balance for all governmental funds is \$195 million, of which \$82 million is unrestricted.
- The General Fund unrestricted fund balance is \$70 million, of which \$10 million has been assigned for capital replacement.
- The remaining General Fund unassigned balance of \$60 million is approximately 58% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$434 million, as compared to \$470 million at the end of fiscal year 2012.

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 and liabilities, 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 93-99.

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 37-68.

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, 2013 and 2012.

Town of Gilbert Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 252,230,825	\$ 238,239,389	\$ 347,855,563	\$ 322,483,617	\$ 600,086,388	\$ 560,723,006
Capital assets	958,295,935	971,493,653	450,584,901	448,330,984	1,408,880,836	1,419,824,637
Total assets	1,210,526,760	1,209,733,042	798,440,464	770,814,601	2,008,967,224	1,980,547,643
Long-term liabilities	303,184,128	327,204,298	120,994,065	135,318,490	424,178,193	462,522,788
Other liabilities	51,735,948	51,053,891	17,232,584	11,754,773	68,968,532	62,808,664
Total liabilities	354,920,076	378,258,189	138,226,649	147,073,263	493,146,725	525,331,452
Net position:						
Net investment in capital assets	687,909,606	695,984,256	325,356,563	316,268,041	1,013,266,169	1,012,252,297
Restricted	60,524,680	52,217,239	70,878,871	71,375,688	131,403,551	123,592,927
Unrestricted	107,172,398	83,273,358	263,978,381	236,097,609	371,150,779	319,370,967
Total net position	\$ 855,606,684	\$ 831,474,853	\$ 660,213,815	\$ 623,741,338	\$ 1,515,820,499	\$ 1,455,216,191

Net position consists of three components. The largest portion of Gilbert's net position (67%) is its investment in capital assets (land, buildings, equipment, infrastructure, etc.), less depreciation and any related debt used to acquire those assets that is still outstanding. Gilbert uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although Gilbert's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt are provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Gilbert's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (24%) includes \$142 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$229 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2013 increased Gilbert's net position by \$24 million, accounting for 40% of the total growth in net position. 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 98.5% of total revenues for governmental activities. Taxes (local and state-shared) were \$124 million, an increase of \$10 million from the prior year. Program revenues were \$76 million, an increase of \$12 million from the prior year which was mostly due to the increase in capital grants and contributions. It should be noted that \$4.6 million of the total program revenues represent capital contributions from developers of street related infrastructure; and, therefore, were not cash revenues available to cover operating expenses.

The other component of the change in net position is expenses. The largest expense functions were public safety which represented 38%, and highways and streets which represented 25% of total governmental activities expenses. Total expenses increased \$3.7 million (2%) over the prior fiscal year. A portion of this increase was due to a \$3.3 million increase in personnel costs for the public safety function.

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

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 19,176,355	\$ 17,013,296	\$ 76,298,150	\$ 77,355,779	\$ 95,474,505	\$ 94,369,075
Operating grants and contributions	21,270,393	21,044,646	-	-	21,270,393	21,044,646
Capital grants and contributions	36,088,697	26,060,002	34,152,978	37,221,712	70,241,675	63,281,714
General revenues:						
Sales taxes	61,813,421	54,513,265	-	-	61,813,421	54,513,265
Property taxes	19,183,696	21,502,322	-	-	19,183,696	21,502,322
State-shared sales taxes	17,062,262	16,288,580	-	-	17,062,262	16,288,580
State-shared income taxes	21,293,026	17,593,587	-	-	21,293,026	17,593,587
Other taxes	4,459,359	3,793,777	-	-	4,459,359	3,793,777
Grants and contributions not restricted to specific programs	1,192,913	1,349,124	-	-	1,192,913	1,349,124
Unrestricted investment earnings	722,141	1,909,629	1,061,205	1,244,149	1,783,346	3,153,778
Other	932,108	4,922,205	1,178,738	1,803,403	2,110,846	6,725,608
Total revenues	203,194,371	185,990,433	112,691,071	117,625,043	315,885,442	303,615,476
Expenses						
Management and policy	10,461,389	2,982,636	-	-	10,461,389	2,982,636
Support services *	-	8,632,288	-	-	-	8,632,288
Finance and management services	4,149,492	1,216,418	-	-	4,149,492	1,216,418
Legal and court	5,474,112	5,409,709	-	-	5,474,112	5,409,709
Development services	6,849,490	8,551,083	-	-	6,849,490	8,551,083
Police	42,759,060	40,466,828	-	-	42,759,060	40,466,828
Fire	25,866,786	24,906,506	-	-	25,866,786	24,906,506
Highways and streets	44,048,280	43,437,623	-	-	44,048,280	43,437,623
Parks and recreation	20,857,878	19,931,592	-	-	20,857,878	19,931,592
Transportation	461,120	1,268,998	-	-	461,120	1,268,998
Non departmental	3,113,705	2,910,114	-	-	3,113,705	2,910,114
Interest and fiscal charges on long-term debt	15,142,477	15,785,320	-	-	15,142,477	15,785,320
Water	-	-	38,339,466	37,694,869	38,339,466	37,694,869
Wastewater	-	-	22,169,529	22,661,900	22,169,529	22,661,900
Environmental services	-	-	15,588,350	14,917,749	15,588,350	14,917,749
Total expenses	179,183,789	175,499,115	76,097,345	75,274,518	255,281,134	250,773,633
Increase in net position before transfers	24,010,582	10,491,318	36,593,726	42,350,525	60,604,308	52,841,843
Transfers	121,249	(690,244)	(121,249)	690,244	-	-
Increase in net position	24,131,831	9,801,074	36,472,477	43,040,769	60,604,308	52,841,843
Net position, beginning of year	831,474,853	821,673,779	623,741,338	580,700,569	1,455,216,191	1,402,374,348
Net position, end of year	\$ 855,606,684	\$ 831,474,853	\$ 660,213,815	\$ 623,741,338	\$ 1,515,820,499	\$ 1,455,216,191

* During fiscal year 2013, the support services function was eliminated. Expenditures previously reported under the support services function were moved to management and policy and to finance and management services.

Business-type Activities

Development related growth increased Gilbert’s net position for business-type activities in fiscal year 2013 by \$36 million including \$30 million in system development fee collections and \$3.8 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities decreased \$5 million from the prior year mainly due to the decrease in capital contributions of \$3 million. Expenses increased \$800 thousand (1%) 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
- Streets and Transportation Capital Projects Fund
- Municipal Facilities Capital Projects Fund
- Parks, Open Space and Recreation Capital Projects Fund

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

As of the end of fiscal year 2013, the governmental funds reported ending unrestricted fund balances totaling \$82 million, an increase of \$24 million in comparison with the prior fiscal year.

**Town of Gilbert
Governmental Funds - Fund Balances
As of June 30, 2013**

	Restricted	Unrestricted	Total
General	\$ -	\$ 69,647,550	\$ 69,647,550
Streets Special Revenue	13,925,796	4,482,970	18,408,766
General Debt Service	9,599,968	1,135,277	10,735,245
Special Assessments Debt Service	40	(638)	(598)
Streets and Transportation Capital Projects	29,484,118	30,142,024	59,626,142
Municipal Facilities Capital Projects	6,894,361	(23,428,795)	(16,534,434)
Parks, Open Space and Recreation Capital Projects	17,136,758	-	17,136,758
Other Governmental Funds	12,613,357	317,480	12,930,837
Total Fund Balances	\$ 89,654,398	\$ 82,295,868	\$ 171,950,266

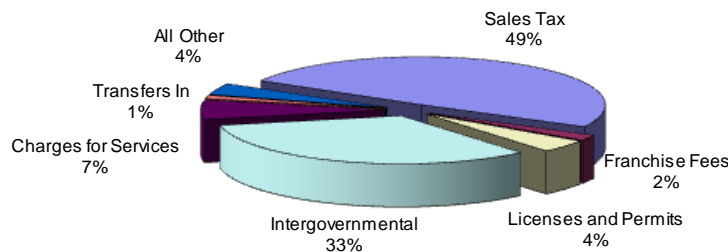
General Fund

The General Fund is the primary operating fund. At the end of fiscal year 2013, the fund balance of the General Fund was \$93.2 million, an increase of \$14.9 million from the prior year mainly due to the increase in local sales tax and intergovernmental revenue. The unrestricted portion of the fund balance was \$70 million, of which \$10 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 58% of total General Fund expenditures for the current year.

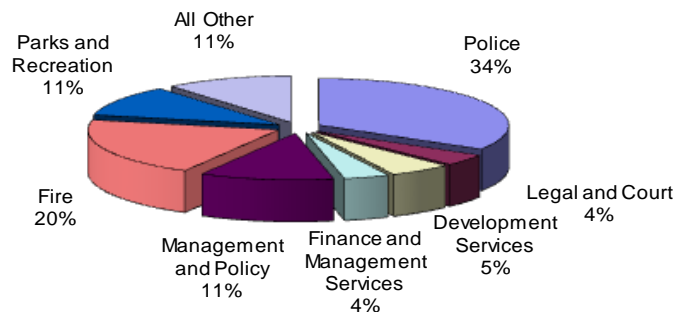
Key elements of General Fund sources and uses are as follows:

- Overall, revenues exceeded expenditures in the General Fund by \$20.7 million; however, transfers to other funds (net) were \$5.8 million resulting in an increase in fund balance of \$14.9 million. The transfers out included \$5.7 million for general debt obligations.
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 83% of the total revenues.
- Local sales tax, which accounts for half of total General Fund revenues, increased \$7.4 million (13.6%) from the prior fiscal year which continues to be due to the economic recovery.
- Intergovernmental revenue increased \$4.6 million (12%) from the prior fiscal year mainly due to increased state shared income tax revenue.
- Public safety expenditures which comprise 57.8% of the total General Fund expenditures increased \$3.8 million (6.7%) over the prior fiscal year mainly due to an increase in personnel costs.
- Management and policy and finance and management services increased in total by \$2.2 million over the prior fiscal year partly due to an increase in personnel costs (due to reorganization, support services function was eliminated and these divisions are now part of management and policy and finance and management services functions).

**General Fund Sources
\$125.5 Million**



**General Fund Uses
\$110.6 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 gasoline taxes 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 \$1.1 million (6%) from the prior year. This was primarily due to increased highway user revenue of \$1 million. Total expenditures increased by \$617 thousand (6%) due to increased highways and streets expenditures. In total, revenues exceeded expenditures by \$6.9 million; however, there were \$4 million in transfers to other funds including \$3.3 million to the Debt Service Fund, resulting in a \$3 million (19%) increase in fund balance.

Other Major Governmental Funds

General Debt Service. The fund balance increased by \$546 thousand during the year. This was primarily due to the current year property tax revenues of \$19.2 million and transfers in from other funds of \$20.2 million offset by the debt service requirements of \$39 million. The remaining fund balance of \$10.7 million will be used to fund future debt service payments on voter approved general obligation bonds.

Special Assessments Debt Service. The deficit balance will be eliminated through future special assessment revenue.

Streets and Transportation Capital Projects. The fund balance decreased by \$7.3 million to \$59.6 million. Current year expenditures exceeded revenues by \$9.8 million but this deficit was covered by existing fund balance.

Municipal Facilities Capital Projects. The fund balance decreased by \$288 thousand during the year from a deficit of \$16.2 million to a deficit of \$16.5 million. Current year revenues and expenditures decreased from prior year by \$2.8 million and \$3.9 million, respectively, due to the completion of a fire station in fiscal year 2012 that was partially funded with a federal grant. The deficit will be covered by future collections of system development fees.

Parks, Open Space and Recreation Capital Projects. The fund balance increased by \$2.5 million to \$17.1 million. Current year revenues of \$9.7 million exceeded expenditures of \$2 million; however, there were \$5.4 million in transfers to other funds which included \$5.3 million to the General Debt Service Fund.

Nonmajor Governmental Funds

All nonmajor governmental funds are combined into one column on the governmental fund statements. The combined fund balance of these funds decreased \$470 thousand (3.8%) to a balance at year end of \$12.9 million. Nonmajor funds represent 6.6% 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 meets all county, state and federal drinking water standards. The water system is also sized and pressurized to provide adequate fire suppression to the entire Town 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 \$18.3 million to \$348 million due primarily to capital contributions of \$19.2 million, including \$16.6 million in system development fees and \$2.6 million in distribution lines contributed by developers. Operating income was \$5.6 million.

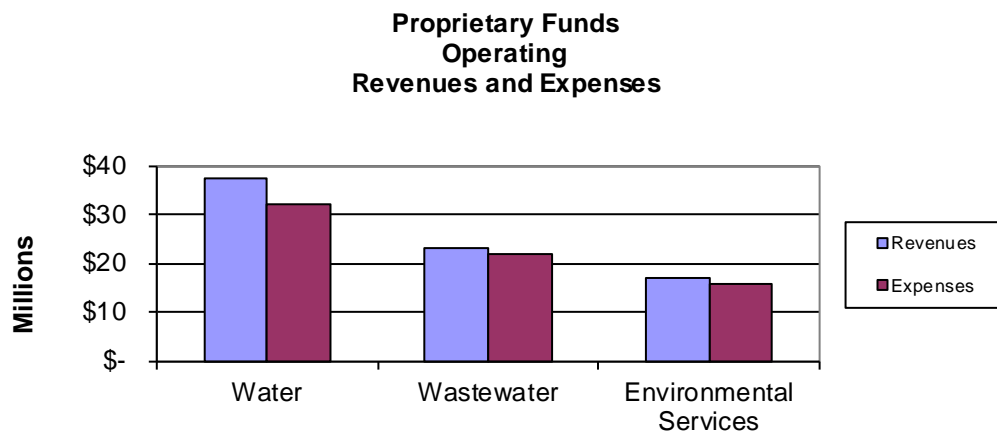
Wastewater Fund

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 \$16.7 million to \$284.4 million due primarily to capital contributions of \$14.9 million, including \$13.8 million in system development fees and \$1.1 million in collection lines contributed by developers. Operating income was \$1 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 \$26.9 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 in total; however, there were several contingency transfers made to the various functions. The final amended budget projected that expenditures would exceed revenues by \$8 million and included \$5.3 million in net transfers to other funds resulting in a \$13.7 million reduction to fund balance per the budget.

During the year actual revenues exceeded the budgeted amount by \$11 million (10%) mainly due to higher than expected local sales taxes. Actual expenditures were less than budgeted by \$18.1 million (15%) mainly due to not needing budgeted contingency. This resulted in an excess of revenues over expenditures of \$29.2 million more than budgeted, resulting in the actual net change in fund balance being \$28.6 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2013, Gilbert had \$1.4 billion in capital assets. Major capital assets completed during the fiscal year included the following:

Governmental Activities

- Streets and traffic signal projects totaling \$19.6 million.
- Developer contributions of street related infrastructure valued at \$4.6 million.

Business-type Activities

- Developer contributions of water and wastewater infrastructure valued at \$3.8 million.
- Completed water system improvements totaling \$12.4 million and wastewater system improvements totaling \$547 thousand.

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2013 and 2012.

Town of Gilbert Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 174,747,784	\$ 173,438,077	\$ 55,731,983	\$ 50,703,249	\$ 230,479,767	\$ 224,141,326
Construction-in-progress	23,134,530	18,101,080	4,117,565	3,044,140	27,252,095	21,145,220
Buildings	148,773,207	157,411,702	-	-	148,773,207	157,411,702
Improvements	38,166,672	40,639,819	-	-	38,166,672	40,639,819
Plant, Machinery & Equip	14,245,745	15,607,655	79,472,310	84,114,653	93,718,055	99,722,308
Water Rights	-	-	7,453,870	7,552,162	7,453,870	7,552,162
Infrastructure	559,227,997	566,295,320	303,809,174	302,916,780	863,037,171	869,212,100
Total Capital Assets	\$ 958,295,935	\$ 971,493,653	\$ 450,584,902	\$ 448,330,984	\$ 1,408,880,837	\$ 1,419,824,637

Total governmental capital assets decreased \$13 million and business-type capital assets increased \$2 million. The majority of the decrease for the governmental capital assets can be attributable to increased depreciation as assets get older and the removal of obsolete or auctioned machinery and equipment assets. The majority of the increase for the business-type capital assets can be attributable to the purchase of land offset by increased depreciation as assets get older.

See Note 6 on pages 50-52 for further information regarding capital assets.

Long-term Debt. At June 30, 2013, Gilbert had total bonded debt obligations of \$307.2 million related to governmental activities and \$127.2 million in business-type activities; \$149.7 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$10.4 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, 2013 was \$95.7 million in the 6% capacity and \$169.3 million in the 20% capacity.

See Note 8 on pages 53-58 for additional information on debt.

The following schedule shows Gilbert’s outstanding debt as of June 30, 2013 and 2012.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
	General Obligation	\$ 147,565,000	\$ 159,465,000	\$ 2,110,000	\$ 3,870,000	\$ 149,675,000
Special Assessment	10,430,000	11,015,000	-	-	10,430,000	11,015,000
Street and Highway User	16,945,000	19,470,000	-	-	16,945,000	19,470,000
Utility Revenue	-	-	13,980,000	15,410,000	13,980,000	15,410,000
Municipal Property Corporation	132,295,000	141,990,000	111,120,000	118,895,000	243,415,000	260,885,000
Totals	\$ 307,235,000	\$ 331,940,000	\$ 127,210,000	\$ 138,175,000	\$ 434,445,000	\$ 470,115,000

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, 2013.

	Moody’s Investor Service	Standard and Poors Ratings Group	Fitch Ratings
General Obligation	Aa1	AA	Not Rated
Street and Highway User Revenue	Aa3	AA-	AA
Water and Wastewater Revenue Refunding	Aa3	AA+	Not Rated
Public Facilities Municipal Property Corporation*	Aa2	AA	AA+
Water Resources Municipal Property Corporation	Not Rated	A+	A+
Improvement Districts	Aa3	A	Not Rated

Economic Factors and Next Year’s Budget

This is an inspiring time for Gilbert. Residential and business communities alike are not only recovering from the recession, but in many cases are thriving. The Town continues to lead the Phoenix metropolitan area in residential permit activity, and is enthusiastic by the tremendous economic development partners that have engaged the community in recent years. Gilbert’s first class neighborhoods and exceptional citizen satisfaction have clearly established Gilbert as an iconic location to live, work, and play.

Our business partners too are accomplishing many amazing things by establishing Gilbert’s presence at the regional, national, and global level. Orbital Sciences is working with NASA to build a satellite to monitor global climate change; Chicago based St. Xavier University, a Catholic based institution founded in 1846, plans to open its first satellite campus in downtown Gilbert; Banner MD Andersen Cancer Center has begun stem cell transplants to treat cancer patients, and has initiated a second expansion of its facility; American Furniture Warehouse is the largest retail project in the state, poised to open a nearly 600,000 square foot retail facility; Heliae, a remarkable success story from ASU Polytechnic, is recognized nationally as the leader in algae technology, and is undertaking an ambitious expansion of its Gilbert facility; and Nationwide Realty Investment is establishing a first class mixed use complex to include over 3,100,000 square feet of new office and retail space at Gilbert’s western entrance along the 202 freeway corridor.

Gilbert is committed to doing its part to ensure the continued success of the community. The Gilbert Town Council made solid responsible decisions during the recession, positioning the Town to succeed during recovery. As the economy began to improve, Gilbert's staff and Council approached recovery just as seriously as it did recession, aligning both short-term goals and resources toward the long-term realization of Gilbert's established strategic initiatives: Community Livability; Technology Leader; Long and Short Term Financial Plans; Infrastructure; Economic Development; and High Performing Government. Town staff continue to employ new and innovative ways to bring strategic focus to our goals and accomplish them with excellence utilizing tools and techniques such as FranklinCovey's Four Disciplines of Execution.

There are many elements to each of our strategic initiatives, and each tie back, in some way, to the long and short term financial plans. Government is a service industry and the compensation strategy for its workforce is a primary driver of costs and a critical element to accurate forecasts. Similarly, having the right classification structure in place is a significant element of developing a High Performing Organization. After completing a staffing vulnerability analysis and establishing a compensation philosophy, the Town partnered with a consultant, Fox Lawson and Associates, to conduct a comprehensive classification and compensation study in fiscal year 2012-13. This was a tremendous undertaking for all involved. Periodically conducting such an analysis will ensure that Gilbert maintains the correct structure and that our employees are competitively compensated based on the value of the service provided to the community.

The fiscal year 2013-14 budget reflects the implementation of the findings from the classification and compensation study. It also demonstrates the Town's commitment to its strategic initiatives and to becoming best in class in all lines of service. Our executive leadership team worked hard to develop a collaborative budget recommendation; one that accomplishes the policy direction laid out by the Town Council and reflects the best interests of the Town as a whole. The resulting budget emphasizes economic development, technology solutions and disaster recovery, restoring maintenance where it had previously been deferred, and positioning the community and the organization for long term success.

Budget Highlights for Fiscal Year 2014

The total adopted budget for fiscal year 2013-14 is \$466,461,200, and includes \$279,835,323 in operating fund expenditures, \$24,137,249 in special revenue and trust accounts, \$97,116,790 in capital improvement funds, and \$65,372,461 in debt service.

Tax Rates: The recommended budget reflects no increases to tax rates.

Balanced Financial Plan: The fiscal year 2013-14 adopted budget is balanced, based upon identified revenues and expenditures.

Constitutional Expenditure Limit: The fiscal year 2013-14 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 fiscal year 2013-14 adopted budget reflects State Shared Revenues based upon statutory distribution formulas, taking into account currently projected State sales and income tax collections (provided by the Arizona League of Cities and Towns), which reflect the state's budgeted HURF distributions.

Secondary Property Tax Rate: Total revenues included in the adopted budget reflect maintenance of the current secondary property tax rate of \$1.15 per \$100 of secondary assessed valuation.

Utility Rate Modifications: The fiscal year 2013-14 adopted budget reflects revenues projected from Gilbert's current water, wastewater, and reclaimed water rates. No rate increases are recommended for this fiscal year.

Capital Project Financing – System Development Fees: The fiscal year 2013-14 adopted budget reflects revenues projected from the continued collection of System Development Fees as allowed under current State Law. Staff has undertaken a comprehensive system development fee study to ensure our continued compliance.

Financial Contact

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

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

TOWN OF GILBERT, ARIZONA

Statement of Net Position

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 203,787,957	\$ 125,696,857	\$ 329,484,814	\$ 14,371
Receivables, net:				
Taxes	5,359,966	-	5,359,966	-
Special assessments	10,557,283	-	10,557,283	-
Accrued interest	482,004	286,712	768,716	-
Accounts	16,304,623	5,011,417	21,316,040	-
Due from other governments	2,863,091	136,545	2,999,636	-
Internal balances	(9,322,475)	9,322,475	-	-
Prepaid items	3,319	-	3,319	-
Inventories	474,747	224,569	699,316	-
Restricted assets:				
Cash and investments	20,046,876	64,463,849	84,510,725	-
Accrued interest	75	63,648	63,723	-
Deferred charges	1,335,046	1,241,838	2,576,884	-
Investment in joint venture	338,313	141,407,653	141,745,966	-
Capital assets:				
Non-depreciable	197,882,314	59,849,547	257,731,861	-
Depreciable, net	760,413,621	390,735,354	1,151,148,975	-
Total assets	<u>1,210,526,760</u>	<u>798,440,464</u>	<u>2,008,967,224</u>	<u>14,371</u>
LIABILITIES				
Accounts payable	7,599,148	4,356,056	11,955,204	-
Accrued liabilities	10,418,526	324,964	10,743,490	-
Accrued interest	-	1,363,675	1,363,675	-
Claims payable	1,211,404	-	1,211,404	-
Deposits held for others	200,536	-	200,536	-
Utility deposits	-	3,210,592	3,210,592	-
Bond interest payable	3,436,676	-	3,436,676	-
Unearned revenue	121,606	-	121,606	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences	4,053,052	737,297	4,790,349	-
Current portion of bonds payable	24,695,000	7,240,000	31,935,000	-
Due in more than one year:				
Compensated absences	7,026,342	1,192,258	8,218,600	-
Bonds payable	295,814,800	119,714,433	415,529,233	-
Post-employment benefits	342,986	87,374	430,360	-
Total liabilities	<u>354,920,076</u>	<u>138,226,649</u>	<u>493,146,725</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	687,909,606	325,356,563	1,013,266,169	-
Restricted for:				
Debt service	20,155,806	20,828,847	40,984,653	-
Capital projects	20,323,593	36,804,300	57,127,893	-
System repair & maintenance	-	13,245,724	13,245,724	-
Highways and streets	13,500,048	-	13,500,048	-
Grant programs	4,226,459	-	4,226,459	-
Court/public safety programs	1,852,986	-	1,852,986	-
Parks and recreation programs	14,392	-	14,392	-
Contract agreements	107,314	-	107,314	-
Special districts	344,082	-	344,082	-
Unrestricted	107,172,398	263,978,381	371,150,779	14,371
Total net position	<u>\$ 855,606,684</u>	<u>\$ 660,213,815</u>	<u>\$ 1,515,820,499</u>	<u>\$ 14,371</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, 2013

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	\$ 10,461,389	\$ 2,931	\$ 32,583	\$ -
Finance and management services	4,149,492	250,894	-	-
Legal and court	5,474,112	762,287	30,000	-
Development services	6,849,490	7,239,914	-	-
Public safety				
Police	42,759,060	5,511,716	215,945	1,941,322
Fire	25,866,786	185,224	1,241,059	2,652,557
Highways and streets	44,048,280	1,516,389	18,467,762	21,296,276
Parks and recreation	20,857,878	3,705,724	1,224,350	9,545,376
Transportation	461,120	-	8,810	653,166
Non departmental	3,113,705	1,276	49,884	-
Interest and fiscal charges on long-term debt	15,142,477	-	-	-
Total governmental activities	179,183,789	19,176,355	21,270,393	36,088,697
Business-type activities:				
Water	38,339,466	36,455,247	-	19,206,550
Wastewater	22,169,529	23,082,930	-	14,946,428
Environmental Services	15,588,350	16,759,973	-	-
Total business-type activities	76,097,345	76,298,150	-	34,152,978
Total primary government	\$ 255,281,134	\$ 95,474,505	\$ 21,270,393	\$ 70,241,675
Component unit				
Industrial development authority	\$ 28	\$ 9,666	\$ -	\$ -

General revenues:

Sales taxes

Property taxes, levied for debt service

In-Lieu property taxes

Franchise taxes

Unrestricted state shared sales taxes

Unrestricted state shared income taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, July 1, 2012

Net position, June 30, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (10,425,875)	\$ -	\$ (10,425,875)	\$ -
(3,898,598)	-	(3,898,598)	-
(4,681,825)	-	(4,681,825)	-
390,424	-	390,424	-
(35,090,077)	-	(35,090,077)	-
(21,787,946)	-	(21,787,946)	-
(2,767,853)	-	(2,767,853)	-
(6,382,428)	-	(6,382,428)	-
200,856	-	200,856	-
(3,062,545)	-	(3,062,545)	-
<u>(15,142,477)</u>	-	<u>(15,142,477)</u>	-
<u>(102,648,344)</u>	-	<u>(102,648,344)</u>	-
-	17,322,331	17,322,331	-
-	15,859,829	15,859,829	-
-	1,171,623	1,171,623	-
<u>-</u>	<u>34,353,783</u>	<u>34,353,783</u>	<u>-</u>
<u>(102,648,344)</u>	<u>34,353,783</u>	<u>(68,294,561)</u>	<u>-</u>
			<u>9,638</u>
61,813,421	-	61,813,421	-
19,183,696	-	19,183,696	-
1,376,579	-	1,376,579	-
3,082,780	-	3,082,780	-
17,062,262	-	17,062,262	-
21,293,026	-	21,293,026	-
1,192,913	-	1,192,913	-
722,141	1,061,205	1,783,346	5
932,108	1,178,738	2,110,846	-
121,249	(121,249)	-	-
<u>126,780,175</u>	<u>2,118,694</u>	<u>128,898,869</u>	<u>5</u>
24,131,831	36,472,477	60,604,308	9,643
<u>831,474,853</u>	<u>623,741,338</u>	<u>1,455,216,191</u>	<u>4,728</u>
<u>\$ 855,606,684</u>	<u>\$ 660,213,815</u>	<u>\$ 1,515,820,499</u>	<u>\$ 14,371</u>

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

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
ASSETS				
Pooled cash and investments	\$ 69,158,457	\$ 17,914,484	\$ 10,526,157	\$ 48
Receivables, net:				
Taxes	5,172,183	-	169,685	-
Special assessments	-	-	-	10,557,283
Accrued interest	192,503	44,343	39,327	281
Accounts	15,020,233	3,944	-	-
Due from other governments	239,935	1,417,739	-	-
Due from other funds	349,332	-	-	-
Prepaid items	3,319	-	-	-
Inventories	-	-	-	-
Advances to other funds	23,523,354	-	-	-
Restricted assets:				
Cash and investments	6,137	-	13,131,677	-
Accrued interest	-	-	75	-
Total assets	<u>\$ 113,665,453</u>	<u>\$ 19,380,510</u>	<u>\$ 23,866,921</u>	<u>\$ 10,557,612</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,971,019	\$ 889,227	\$ -	\$ -
Accrued liabilities	10,268,762	67,065	-	-
Deposits held for others	106,750	15,452	-	-
Due to other funds	-	-	-	2,412
Bonds payable	-	-	9,695,000	-
Interest payable	-	-	3,436,676	-
Advances from other funds	-	-	-	-
Deferred revenue:				
Special assessments	-	-	-	10,555,798
Other	6,144,699	-	-	-
Total liabilities	<u>20,491,230</u>	<u>971,744</u>	<u>13,131,676</u>	<u>10,558,210</u>
Fund Balances:				
Nonspendable	23,526,673	-	-	-
Restricted	-	13,925,796	9,599,968	40
Assigned	10,092,418	4,482,970	1,135,277	-
Unassigned	59,555,132	-	-	(638)
Total fund balances	<u>93,174,223</u>	<u>18,408,766</u>	<u>10,735,245</u>	<u>(598)</u>
Total liabilities and fund balances	<u>\$ 113,665,453</u>	<u>\$ 19,380,510</u>	<u>\$ 23,866,921</u>	<u>\$ 10,557,612</u>

<u>Streets and Transportation Capital Projects</u>	<u>Municipal Facilities Capital Projects</u>	<u>Parks, Open Space and Recreation Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 61,553,393	\$ 204,412	\$ 17,142,877	\$ 12,270,492	\$ 188,770,320
-	-	-	18,098	5,359,966
-	-	-	-	10,557,283
139,743	-	40,289	21,604	478,090
1,175,336	702	17,802	50,363	16,268,380
-	-	31,422	1,173,995	2,863,091
-	-	-	-	349,332
-	-	-	-	3,319
-	-	-	591	591
-	-	-	-	23,523,354
-	6,909,062	-	-	20,046,876
-	-	-	-	75
<u>\$ 62,868,472</u>	<u>\$ 7,114,176</u>	<u>\$ 17,232,390</u>	<u>\$ 13,535,143</u>	<u>\$ 268,220,677</u>
\$ 1,975,957	\$ 125,256	\$ 95,632	\$ 219,648	\$ 7,276,739
13,399	-	-	35,951	10,385,177
78,334	-	-	-	200,536
-	-	-	346,920	349,332
-	-	-	-	9,695,000
-	-	-	-	3,436,676
-	23,523,354	-	-	23,523,354
-	-	-	-	10,555,798
1,174,640	-	-	1,196	7,320,535
<u>3,242,330</u>	<u>23,648,610</u>	<u>95,632</u>	<u>603,715</u>	<u>72,743,147</u>
-	-	-	591	23,527,264
29,484,118	6,894,361	17,136,758	12,613,357	89,654,398
30,142,024	93,857	-	403,442	46,349,988
-	(23,522,652)	-	(85,962)	35,945,880
<u>59,626,142</u>	<u>(16,534,434)</u>	<u>17,136,758</u>	<u>12,931,428</u>	<u>195,477,530</u>
<u>\$ 62,868,472</u>	<u>\$ 7,114,176</u>	<u>\$ 17,232,390</u>	<u>\$ 13,535,143</u>	<u>\$ 268,220,677</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, 2013

Fund balances - total governmental funds		\$ 195,477,530
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	1,493,897,963	
Accumulated depreciation	<u>(535,756,706)</u>	958,141,257
<p>The investment in joint venture is not a financial resource and, therefore, is not reported in the funds</p>		
		338,313
<p>Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.</p>		
Deferred special assessment revenue	10,555,798	
Deferred court revenue	4,877,353	
Deferred other entities participation revenue	1,174,640	
Deferred franchise fee revenue	708,867	
Deferred sales tax revenue	<u>438,069</u>	17,754,727
<p>Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, copy services, and self-insurance to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental fund balance sheet.</p>		
		4,651,892
<p>Long-term 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 fund statement.</p>		
Bonds payable	(307,235,000)	
Compensated absences	(10,934,295)	
Post-employment benefits	<u>(342,986)</u>	(318,512,281)
<p>Bond issuance costs, discounts and premiums are reported as expenditures, other financing uses and other financing sources, respectively, in the governmental funds when paid, but are deferred and amortized over the life of the bonds in the statement of net position.</p>		
Bond issuance costs/discounts/premiums		<u>(2,244,754)</u>
Net position of governmental activities - statement of net position		<u>\$ 855,606,684</u>

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

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
Revenues				
Taxes:				
Sales	\$ 61,889,627	\$ -	\$ -	\$ -
Property	-	-	19,183,696	-
Franchise	2,373,913	-	-	-
Licenses and permits	5,433,766	-	-	-
Intergovernmental	41,347,579	18,389,548	-	-
Special assessments	-	-	-	1,298,984
Charges for services	8,186,206	6,294	-	-
Other entities' participation	-	-	-	-
System development fees	-	-	-	-
Gifts and donations	14,376	-	-	-
Fines and forfeitures	4,123,082	2,776	-	-
Investment earnings	124,866	156,198	154,307	818
Miscellaneous	611,686	161,837	11,184	-
Total revenues	<u>124,105,101</u>	<u>18,716,653</u>	<u>19,349,187</u>	<u>1,299,802</u>
Expenditures				
Current:				
General government:				
Management and policy	12,570,902	-	-	-
Finance and management services	4,234,992	-	-	-
Legal and court	4,410,864	-	-	-
Development services	5,821,962	-	-	-
Public safety:				
Police	37,255,202	-	-	-
Fire	22,442,219	-	-	-
Highways and streets	-	8,804,635	-	-
Parks and recreation	11,879,902	-	-	-
Transportation	451,408	-	-	-
Non departmental	3,063,821	-	-	-
Debt service:				
Principal	-	-	24,120,000	585,000
Interest	-	-	14,857,753	553,258
Fiscal and other charges	-	-	1,210	5,663
Capital outlay	1,230,498	2,980,516	-	-
Total expenditures	<u>103,361,770</u>	<u>11,785,151</u>	<u>38,978,963</u>	<u>1,143,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,743,331</u>	<u>6,931,502</u>	<u>(19,629,776)</u>	<u>155,881</u>
Other financing sources (uses)				
Transfers in	1,411,239	50,000	20,175,402	-
Transfers out	(7,240,729)	(4,025,376)	-	(220,496)
Total other financing sources and uses	<u>(5,829,490)</u>	<u>(3,975,376)</u>	<u>20,175,402</u>	<u>(220,496)</u>
Net change in fund balances	14,913,841	2,956,126	545,626	(64,615)
Fund balances at beginning of year	<u>78,260,382</u>	<u>15,452,640</u>	<u>10,189,619</u>	<u>64,017</u>
Fund balances at end of year	<u>\$ 93,174,223</u>	<u>\$ 18,408,766</u>	<u>\$ 10,735,245</u>	<u>\$ (598)</u>

<u>Streets and Transportation Capital Projects</u>	<u>Municipal Facilities Capital Projects</u>	<u>Parks, Open Space and Recreation Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 61,889,627
-	-	-	2,363,923	21,547,619
-	-	-	-	2,373,913
-	-	-	-	5,433,766
11,176,893	-	31,422	1,958,283	72,903,725
-	-	-	-	1,298,984
-	-	-	1,380,763	9,573,263
2,252,080	-	-	-	2,252,080
-	5,710,765	9,513,954	2,611,545	17,836,264
-	-	-	104,655	119,031
-	-	-	584,736	4,710,594
14,298	7,217	157,697	91,188	706,589
7,851	36,000	-	104,379	932,937
<u>13,451,122</u>	<u>5,753,982</u>	<u>9,703,073</u>	<u>9,199,472</u>	<u>201,578,392</u>
-	-	-	12,799	12,583,701
-	-	-	-	4,234,992
-	-	-	342,315	4,753,179
-	52,090	-	124,542	5,998,594
-	1,762	-	1,560,209	38,817,173
-	3,709	-	96,541	22,542,469
65,265	-	-	1,767,558	10,637,458
-	-	265,488	1,749,779	13,895,169
-	-	-	9,712	461,120
-	-	-	49,884	3,113,705
-	-	-	-	24,705,000
-	-	-	-	15,411,011
-	6,576	-	-	13,449
23,215,797	1,092,968	1,765,899	563,718	30,849,396
<u>23,281,062</u>	<u>1,157,105</u>	<u>2,031,387</u>	<u>6,277,057</u>	<u>188,016,416</u>
<u>(9,829,940)</u>	<u>4,596,877</u>	<u>7,671,686</u>	<u>2,922,415</u>	<u>13,561,976</u>
2,550,894	1,201,402	179,908	204,946	25,773,791
(61,205)	(6,086,470)	(5,361,252)	(2,657,014)	(25,652,542)
<u>2,489,689</u>	<u>(4,885,068)</u>	<u>(5,181,344)</u>	<u>(2,452,068)</u>	<u>121,249</u>
(7,340,251)	(288,191)	2,490,342	470,347	13,683,225
66,966,393	(16,246,243)	14,646,416	12,461,081	181,794,305
<u>\$ 59,626,142</u>	<u>\$ (16,534,434)</u>	<u>\$ 17,136,758</u>	<u>\$ 12,931,428</u>	<u>\$ 195,477,530</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, 2013

Net change in fund balances - total governmental funds		\$ 13,683,225
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	30,849,396	
Depreciation expense	<u>(48,599,223)</u>	(17,749,827)
Repayment of bond principal and bond issuance costs are reported as expenditures in governmental funds and thus have 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. Bond issuance costs, charge on refunding bonds, and bond premium are deferred and amortized over the life of the bonds.		
Principal payments	24,705,000	
Amortization of bond issuance costs	(120,867)	
Amortization of deferred charge on refunding bonds	(151,572)	
Amortization of bond premium	<u>554,422</u>	24,986,983
Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance and copy services, to the individual funds. The adjustments for internal service funds "close" those funds by charging the additional amounts to participating governmental activities to completely cover the internal services funds' costs for the year.		
Operating income	357,016	
Investment earnings	15,552	
Loss on sale of capital assets	<u>(40,060)</u>	332,508
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		4,614,943
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(1,309,800)	
Post-employment benefits	<u>(342,986)</u>	(1,652,786)
Certain revenues are deferred 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.		
Court revenue	25,281	
Franchise fee revenue	708,867	
Sales tax	(76,206)	
Special assessments	<u>(741,157)</u>	(83,215)
Change in net position of governmental activities - statement of activities		<u>\$ 24,131,831</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, 2013

	<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	\$ 55,400,000	\$ 55,400,000	\$ 61,889,627	\$ 6,489,627
Franchise	2,444,210	2,444,210	2,373,913	(70,297)
Licenses and permits	3,131,500	3,131,500	5,433,766	2,302,266
Intergovernmental	40,509,830	40,509,830	41,347,579	837,749
Charges for services	7,329,130	7,329,130	8,186,206	857,076
Gifts and donations	10,000	10,000	14,376	4,376
Fines and forfeitures	3,740,500	3,740,500	4,123,082	382,582
Investment earnings	280,000	280,000	124,866	(155,134)
Miscellaneous	205,000	205,000	611,686	406,686
Total revenues	<u>113,050,170</u>	<u>113,050,170</u>	<u>124,105,101</u>	<u>11,054,931</u>
Expenditures				
Current:				
General government:				
Management and policy	12,876,732	13,783,115	12,570,902	1,212,213
Finance and management services	4,196,285	4,325,885	4,234,992	90,893
Legal and court	4,298,935	4,489,551	4,410,864	78,687
Development services	6,069,427	6,845,070	5,821,962	1,023,108
Public safety:				
Police	35,921,921	37,564,149	37,255,202	308,947
Fire	21,567,256	22,357,684	22,442,219	(84,535)
Parks and recreation	11,996,551	12,522,954	11,879,902	643,052
Transportation	547,700	547,700	451,408	96,292
Non departmental	3,392,270	3,392,270	3,063,821	328,449
Capital outlay	3,826,640	4,253,601	1,230,498	3,023,103
Contingency	16,800,000	11,411,738	-	11,411,738
Total expenditures	<u>121,493,717</u>	<u>121,493,717</u>	<u>103,361,770</u>	<u>18,131,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,443,547)</u>	<u>(8,443,547)</u>	<u>20,743,331</u>	<u>29,186,878</u>
Other financing sources (uses)				
Transfers in	3,746,530	3,746,530	1,411,239	(2,335,291)
Transfers out	(9,025,220)	(9,025,220)	(7,240,729)	1,784,491
Total other financing sources and uses	<u>(5,278,690)</u>	<u>(5,278,690)</u>	<u>(5,829,490)</u>	<u>(550,800)</u>
Net change in fund balances	<u>\$ (13,722,237)</u>	<u>\$ (13,722,237)</u>	14,913,841	<u>\$ 28,636,078</u>
Fund balance at beginning of year			<u>78,260,382</u>	
Fund balance at end of year			<u>\$ 93,174,223</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 18,380,000	\$ 18,380,000	\$ 18,389,548	\$ 9,548
Charges for services	-	-	6,294	6,294
Fines and forfeitures	-	-	2,776	2,776
Investment earnings	15,400	15,400	156,198	140,798
Miscellaneous	45,000	45,000	161,837	116,837
Total revenues	18,440,400	18,440,400	18,716,653	276,253
Expenditures				
Current:				
Highways and streets	8,690,900	9,385,915	8,804,635	581,280
Capital outlay	3,811,530	3,822,689	2,980,516	842,173
Contingency	1,108,317	402,143	-	402,143
Total expenditures	13,610,747	13,610,747	11,785,151	1,825,596
Excess of revenues over expenditures	4,829,653	4,829,653	6,931,502	2,101,849
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(6,395,670)	(6,395,670)	(4,025,376)	2,370,294
Total other financing sources and uses	(6,345,670)	(6,345,670)	(3,975,376)	2,370,294
Net change in fund balances	\$ (1,516,017)	\$ (1,516,017)	2,956,126	\$ 4,472,143
Fund balance at beginning of year			15,452,640	
Fund balance at end of year			\$ 18,408,766	

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, 2013

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
ASSETS				
Current assets:				
Pooled cash and investments	\$ 71,531,833	\$ 39,330,840	\$ 23,214,472	\$ 134,077,145
Receivables (net):				
Accrued interest	156,260	79,218	51,234	286,712
Accounts	3,131,787	1,187,504	692,126	5,011,417
Due from other governments	136,545	-	-	136,545
Inventories	224,569	-	-	224,569
Total current assets	<u>75,180,994</u>	<u>40,597,562</u>	<u>23,957,832</u>	<u>139,736,388</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	58,287,726	6,176,123	-	64,463,849
Accrued interest	63,648	-	-	63,648
Deferred charges	1,033,275	208,563	-	1,241,838
Investment in joint venture	73,674,640	67,733,013	-	141,407,653
Capital assets:				
Non-depreciable	46,064,765	13,784,782	-	59,849,547
Depreciable, net	<u>225,186,551</u>	<u>161,140,227</u>	<u>4,408,576</u>	<u>390,735,354</u>
Total noncurrent assets	<u>404,310,605</u>	<u>249,042,708</u>	<u>4,408,576</u>	<u>657,761,889</u>
Total assets	<u>479,491,599</u>	<u>289,640,270</u>	<u>28,366,408</u>	<u>797,498,277</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,116,432	1,390,290	849,334	4,356,056
Accrued liabilities	158,638	61,698	104,628	324,964
Current portion of accrued compensated absences	365,721	177,363	194,213	737,297
Claims payable	-	-	-	-
Accrued interest	1,363,675	-	-	1,363,675
Bonds payable	6,718,111	521,889	-	7,240,000
Utility deposits	3,188,683	-	21,909	3,210,592
Total current liabilities	<u>13,911,260</u>	<u>2,151,240</u>	<u>1,170,084</u>	<u>17,232,584</u>
Noncurrent liabilities:				
General obligation bonds payable	250,170	-	-	250,170
Utility revenue bonds payable	116,773,585	2,690,678	-	119,464,263
Accrued compensated absences	549,336	365,797	277,125	1,192,258
Post-employment benefits	43,230	15,251	28,893	87,374
Total noncurrent liabilities	<u>117,616,321</u>	<u>3,071,726</u>	<u>306,018</u>	<u>120,994,065</u>
Total liabilities	<u>131,527,581</u>	<u>5,222,966</u>	<u>1,476,102</u>	<u>138,226,649</u>
NET POSITION				
Net investment in capital assets	149,235,545	171,712,442	4,408,576	325,356,563
Restricted for debt service	20,134,070	694,777	-	20,828,847
Restricted for capital projects	36,804,300	-	-	36,804,300
Restricted for system repair & maintenance	7,898,122	5,347,602	-	13,245,724
Unrestricted	<u>133,891,981</u>	<u>106,662,483</u>	<u>22,481,730</u>	<u>263,036,194</u>
Total net position	<u>\$ 347,964,018</u>	<u>\$ 284,417,304</u>	<u>\$ 26,890,306</u>	<u>\$ 659,271,628</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds 942,187
Net position of business-type activities \$ 660,213,815

**Governmental
Activities -
Internal Service
Funds**

\$	6,637,349
	3,914
	36,243
	-
	474,156
	<u>7,151,662</u>
	-
	-
	-
	-
	154,678
	<u>154,678</u>
	<u>7,306,340</u>
	322,409
	33,349
	68,397
	1,211,404
	-
	-
	-
	<u>1,635,559</u>
	-
	-
	76,702
	-
	<u>76,702</u>
	<u>1,712,261</u>
	154,678
	-
	-
	-
	5,439,401
\$	<u><u>5,594,079</u></u>

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

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
Operating revenues				
Charges for services	\$ 36,455,247	\$ 23,082,930	\$ 16,759,973	\$ 76,298,150
Other	1,084,488	4,398	89,852	1,178,738
Total operating revenues	<u>37,539,735</u>	<u>23,087,328</u>	<u>16,849,825</u>	<u>77,476,888</u>
Operating expenses				
General and administrative	1,071,457	564,559	970,222	2,606,238
Personal services	6,766,470	3,711,601	5,535,165	16,013,236
Operation and maintenance	13,114,098	8,633,963	6,892,629	28,640,690
Claims Incurred	-	-	-	-
Depreciation	9,528,009	8,326,684	1,545,518	19,400,211
Allocation of indirect expenses	1,508,992	752,977	668,502	2,930,471
Total operating expenses	<u>31,989,026</u>	<u>21,989,784</u>	<u>15,612,036</u>	<u>69,590,846</u>
Operating income	<u>5,550,709</u>	<u>1,097,544</u>	<u>1,237,789</u>	<u>7,886,042</u>
Nonoperating revenues (expenses)				
Interest expense	(6,278,702)	(171,388)	-	(6,450,090)
Investment earnings	506,447	409,408	145,350	1,061,205
Amortization of bond issuance costs	(110,299)	(27,223)	-	(137,522)
Loss on sale of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>(5,882,554)</u>	<u>210,797</u>	<u>145,350</u>	<u>(5,526,407)</u>
Income (loss) before capital contributions and transfers	(331,845)	1,308,341	1,383,139	2,359,635
Capital contributions	19,206,550	14,946,428	-	34,152,978
Transfers in	-	493,143	-	493,143
Transfers out	(588,142)	(26,250)	-	(614,392)
Change in net position	18,286,563	16,721,662	1,383,139	36,391,364
Total net position, beginning of year	<u>329,677,455</u>	<u>267,695,642</u>	<u>25,507,167</u>	
Total net position, end of year	<u>\$ 347,964,018</u>	<u>\$ 284,417,304</u>	<u>\$ 26,890,306</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				81,113
Change in net position of business-type activities				<u>\$ 36,472,477</u>

**Governmental
Activities -
Internal Service
Funds**

\$ 21,513,852
66,894
21,580,746

837,813
1,481,587
6,141,678
12,641,454
40,085
-
21,142,617

438,129

-
15,552
-
(40,060)
(24,508)

413,621
-
-
-

413,621

5,180,458

\$ 5,594,079

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, 2013

Business-type Activities - Enterprise Funds

	Environmental			Total
	Water	Wastewater	Services	
Cash flows from operating activities:				
Cash receipts from customers	\$ 36,413,917	\$ 23,812,303	\$ 17,018,299	\$ 77,244,519
Other operating cash receipts	1,084,488	4,398	89,852	1,178,738
Cash receipts from other funds for services	-	-	-	-
Cash payments to suppliers for goods and services	(13,138,354)	(8,711,549)	(7,364,231)	(29,214,134)
Cash payments to employees for services	(6,676,265)	(3,583,532)	(5,498,619)	(15,758,416)
Cash payments to other funds for services	(1,508,992)	(752,977)	(668,502)	(2,930,471)
Net cash provided by operating activities	<u>16,174,794</u>	<u>10,768,643</u>	<u>3,576,799</u>	<u>30,520,236</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	-	493,143	-	493,143
Transfers to other funds	(588,142)	(26,250)	-	(614,392)
Net cash provided by (used in) noncapital financing activities	<u>(588,142)</u>	<u>466,893</u>	<u>-</u>	<u>(121,249)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(11,935,184)	(2,694,218)	(608,995)	(15,238,397)
Proceeds from sales of capital assets	-	-	-	-
Proceeds from development fees	16,556,838	13,814,379	-	30,371,217
Cash paid for interest and fiscal charges	(6,366,405)	(171,388)	-	(6,537,793)
Principal payments on bonds	(10,471,421)	(493,579)	-	(10,965,000)
Net cash provided by (used in) capital and related financing activities	<u>(12,216,172)</u>	<u>10,455,194</u>	<u>(608,995)</u>	<u>(2,369,973)</u>
Cash flows from investing activities:				
Interest received on investments	512,618	368,940	141,774	1,023,332
Net cash provided by investing activities	<u>512,618</u>	<u>368,940</u>	<u>141,774</u>	<u>1,023,332</u>
Net increase in cash and cash equivalents	3,883,098	22,059,670	3,109,578	29,052,346
Cash and cash equivalents at beginning of year	125,936,461	23,447,293	20,104,894	169,488,648
Cash and cash equivalents at end of year	<u>\$ 129,819,559</u>	<u>\$ 45,506,963</u>	<u>\$ 23,214,472</u>	<u>\$ 198,540,994</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	\$ 71,531,833	\$ 39,330,840	\$ 23,214,472	\$ 134,077,145
Restricted cash and investments	58,287,726	6,176,123	-	64,463,849
Total cash and cash equivalents	<u>\$ 129,819,559</u>	<u>\$ 45,506,963</u>	<u>\$ 23,214,472</u>	<u>\$ 198,540,994</u>
Reconciliation of operating income to net cash provided by (used in) operations:				
Operating income	\$ 5,550,709	\$ 1,097,544	\$ 1,237,789	\$ 7,886,042
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	9,528,009	8,326,684	1,545,518	19,400,211
Provision for uncollectible accounts	223,445	228,065	207,164	658,674
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(207,894)	501,309	55,898	349,313
(Increase) decrease in inventories	42,919	-	-	42,919
Increase (decrease) in accounts payable	1,004,282	486,973	498,620	1,989,875
Decrease in claims payable	-	-	-	-
Decrease in deposits	(56,881)	-	(4,736)	(61,617)
Increase in accrued expenses	90,205	128,068	36,546	254,819
Total adjustments	<u>10,624,085</u>	<u>9,671,099</u>	<u>2,339,010</u>	<u>22,634,194</u>
Net cash provided by operating activities	<u>\$ 16,174,794</u>	<u>\$ 10,768,643</u>	<u>\$ 3,576,799</u>	<u>\$ 30,520,236</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	\$ 2,649,712	\$ 1,132,049	\$ -	\$ 3,781,761
Total additions to property and equipment	<u>\$ 2,649,712</u>	<u>\$ 1,132,049</u>	<u>\$ -</u>	<u>\$ 3,781,761</u>

**Governmental
Activities -
Internal Service
Funds**

\$	-
	49,254
	21,530,108
	(19,704,740)
	(1,481,277)
	-
	<u>393,345</u>
	-
	-
	-
	-
	722
	-
	-
	-
	<u>722</u>
	15,890
	<u>15,890</u>
	409,957
	6,227,392
\$	<u>6,637,349</u>
\$	6,637,349
	-
\$	<u>6,637,349</u>
\$	<u>438,129</u>
	40,085
	-
	(1,384)
	(6,115)
	(44,513)
	(33,167)
	-
	310
	<u>(44,784)</u>
\$	<u>393,345</u>
\$	-
\$	<u>-</u>

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

TOWN OF GILBERT, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments	\$ 97,229	\$ 210,890
Restricted accrued interest	-	384
	<u>97,229</u>	<u>211,274</u>
Total assets	<u>97,229</u>	<u>\$ 211,274</u>
LIABILITIES		
Guaranty and other deposits	-	\$ 184,483
Due to developers	-	7,849
Medical benefits payable	-	672
Dependent care benefits payable	-	18,270
	<u>-</u>	<u>18,270</u>
Total liabilities	<u>-</u>	<u>\$ 211,274</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 97,229</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, 2013

	<u>Firemen's Pension Trust</u>
Additions	
Interest on investments	\$ 104
Total additions	<u>104</u>
Deductions	
Benefits	2,400
Administration	<u>100</u>
Total deductions	<u>2,500</u>
Change in net position	(2,396)
Net position - beginning of the year	<u>99,625</u>
Net position - end of the year	<u><u>\$ 97,229</u></u>

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



TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, 2013, Gilbert implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes criteria for reporting the consumption and acquisition of net position that is applicable to future reporting periods.

A. Reporting Entity

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

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

Blended Component Units - The Water Resources Municipal Property Corporation (Water MPC) is a legally separate, non-profit corporation which exists solely for the purpose of financing the construction or acquisition of water and wastewater capital improvement projects. The Public Facilities Municipal Property Corporation (Public Facilities MPC) is a legally separate, non-profit corporation which exists solely for the purpose of financing construction of municipal facilities. Each is considered a blended component unit because the Council appoints the five-member board of directors of the MPC, the Council must approve any amendments to the articles of incorporation of the MPC, the Council must approve any debt issues of the MPC, and the MPC provides services solely to the Town of Gilbert. At June 30, 2013, the Water MPC bonded debt is reported within the water fund and the Public Facilities MPC bonded debt is reported within the debt service fund (current portion only) and within the governmental activities in the government-wide statement of net position.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

Williams Gateway Airport Authority (WGAA) 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 (formerly known as Williams 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 2013 (life to date \$7,174,250) to the WGAA 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, are shown as unrestricted.

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of Gilbert's internal service funds are charges to user departments for services provided. The principal operating revenue of Gilbert's enterprise funds are user fees and charges to customers for water, wastewater, and environmental services. Operating expenses for these funds include the cost of sales and services, administrative and payroll expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Fund Accounting

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

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

Governmental Funds

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

Gilbert reports the following major governmental funds:

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

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

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

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Streets and Transportation Capital Projects Fund – The streets and transportation fund accounts for the construction of roadway improvements.

Municipal Facilities Capital Projects Fund – The municipal facilities fund accounts for the acquisition and construction of municipal facilities such as municipal buildings, libraries and fire stations.

Parks, Open Space and Recreation Capital Projects Fund – The parks, open space and recreation fund accounts for the acquisition and construction of parks and recreation facilities.

Proprietary Funds

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

Gilbert reports the following major proprietary funds:

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

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

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

Additionally, Gilbert reports the following fund types:

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

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

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 department. 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.

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 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

H. Inventories

Inventories are recorded in the parkway maintenance district fund, 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.

I. Restricted Assets

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

J. Capital Assets

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

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

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

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

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

K. Compensated Absences

Annual leave is based on a graduated scale of years of employment and is credited to each employee as it accrues. Maximum 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).

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

M. Transactions Between Funds

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. See Note 5 for further discussion of the interfund receivables/payables at June 30.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

N. Property Tax

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

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

Gilbert does not levy property taxes for general operations (primary tax). Secondary property taxes are levied solely for the purpose of retiring the principal, interest, and servicing fees on voter approved general obligation bonded indebtedness. Gilbert may levy the amount deemed necessary to meet its bonded debt service requirements. By Council policy, Gilbert will not issue debt that would require a tax rate of more than \$1.15 per \$100 of assessed valuation.

O. Fund Balance Classifications

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during fiscal year 2011. This statement established new fund balance classifications for governmental funds. It changed the previous terminology of Reserved and Unreserved to five new classifications, which are *Nonspendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. These new 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 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. Council authorized the Finance & Management Services Director to assign fund balance amounts to a specific purpose. Unassigned fund balance represents the residual net resources in excess of the other classifications. The general fund is the only fund that can report a positive unassigned fund balance and any other governmental fund can report a negative unassigned fund balance.

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

As of June 30, 2013, 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	Streets	Municipal Facilities	Parks				
Nonspendable:										
Advances	\$23,523,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,523,354
Inventory	-	-	-	-	-	-	-	-	591	591
Prepaid items	3,319	-	-	-	-	-	-	-	-	3,319
Restricted for:										
Capital projects	-	-	-	-	29,484,118	6,894,361	17,136,758	6,062,187	-	59,577,424
Court/public safety programs	-	-	-	-	-	-	-	1,852,986	-	1,852,986
Debt service	-	-	9,599,968	40	-	-	-	-	-	9,600,008
Grants	-	-	-	-	-	-	-	4,232,987	-	4,232,987
Highways and streets	-	13,925,796	-	-	-	-	-	-	-	13,925,796
Contract agreements	-	-	-	-	-	-	-	107,314	-	107,314
Parks & recreation programs	-	-	-	-	-	-	-	14,392	-	14,392
Special districts	-	-	-	-	-	-	-	343,491	-	343,491
Assigned to:										
Capital replacement	9,381,351	4,482,970	-	-	-	-	-	-	-	13,864,321
Capital projects	416,374	-	-	-	-	93,857	-	202,550	-	712,781
Court/public safety programs	150,000	-	-	-	-	-	-	120,056	-	270,056
Debt service	-	-	1,135,277	-	-	-	-	-	-	1,135,277
Development services	23,500	-	-	-	-	-	-	-	-	23,500
Highways and streets	-	-	-	-	30,142,024	-	-	-	-	30,142,024
Management and policy	116,097	-	-	-	-	-	-	-	-	116,097
Parks & recreation programs	5,096	-	-	-	-	-	-	80,836	-	85,932
Unassigned:	<u>59,555,132</u>	<u>-</u>	<u>-</u>	<u>(638)</u>	<u>-</u>	<u>(23,522,652)</u>	<u>-</u>	<u>(85,962)</u>	<u>-</u>	<u>35,945,880</u>
Total fund balances	<u>\$93,174,223</u>	<u>\$18,408,766</u>	<u>\$10,735,245</u>	<u>\$ (598)</u>	<u>\$59,626,142</u>	<u>(\$16,534,434)</u>	<u>\$17,136,758</u>	<u>\$12,931,428</u>	<u>-</u>	<u>\$195,477,530</u>

P. 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.

Q. 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 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 and amortization of bond issuance costs are expensed on the GAAP basis but are 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 investment of public monies is regulated by Title 35 of the Arizona Revised Statutes. Gilbert limits its investments to the Local Government Investment Pool (managed by the Arizona State Treasurer), U.S. government securities, certificates of deposit, bonds, commercial paper, 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.

At June 30, 2013, Gilbert's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-4</u>
U.S. Government Treasuries	\$111,181,358	\$11,372,513	\$ 99,808,845
U.S. Government Agencies	69,550,599	18,608,932	50,941,667
Municipal Bonds	3,607,029	-	3,607,029
Corporate Notes	36,811,131	4,349,760	32,461,371
State Treasurer's Investment Pool	93,707,538	30,507,636	63,199,902
Money Market – U.S. Treasuries:			
Wells Fargo	11,446,863	11,446,863	-
Bank of NY Mellon	13,730,807	13,730,807	-
Total	<u>\$340,035,325</u>	<u>\$90,016,511</u>	<u>\$250,018,814</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Gilbert addresses credit risk through its investment policy by restricting the allowable investment instruments. As of June 30, 2013, the investments in the U.S. Government Agencies were rated AA+, the investments in Municipal Bonds ranged from AA ratings to AAA ratings, and the investments in Corporate Notes ranged from A ratings to AA+ ratings. Gilbert's investment in the State Treasurer's Investment Pool had a weighted average rating of AA+ at year end as it was invested in obligations of the U.S. Government or obligations guaranteed by the U.S. Government.

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, 2013, Gilbert's bank balance was \$73,095,185 of which \$11,380,082 was with JP Morgan and \$61,715,103 was with Alliance Bank of Arizona. \$11,130,082 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, Gilbert's bank account balance is transferred to a sweep account. This account is invested in U.S. Treasuries only. All of the Alliance Bank of Arizona bank balance was FDIC-insured through the Transaction Account Guarantee Program.

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, 2013, of Gilbert's investments, 33% are in U.S. Government Treasuries, 28% are in the State Treasurer's Investment Pool and 20% are in U.S. Government Agencies.

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

Primary government:	
Carrying amount of cash/deposits	\$ 74,268,333
Carrying amount of investments	<u>340,035,325</u>
Total cash and investments	<u>\$414,303,658</u>
Pooled cash and investments	\$329,484,814
Restricted cash and investments	<u>84,510,725</u>
Total cash and investments (per Statement of Net Position)	413,995,539
Pension trust fund	97,229
Agency funds	<u>210,890</u>
Total cash and investments	<u>\$414,303,658</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Note 4 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2013, includes \$1,485,509 in state shared sales tax and \$3,686,674 in local sales tax due from the State of Arizona. Amounts due from other governments recorded in the streets special revenue fund include \$1,079,446 in highway user revenues and \$338,293 in vehicle license tax both due from the State of Arizona. Other governmental funds include \$399,261 in federal grants from the U.S. Department of Housing and Urban Development, \$68,111 from the U.S. Department of Transportation, and \$19,796 from the U.S. Department of Homeland Security. The balance of these receivables represents various grants from the state and federal governments.

Note 5 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds are short-term loans that cover cash deficits and are recorded in the following funds:

	<u>Due To</u>	<u>Due From</u>
General fund	\$ -	\$ 349,332
Special assessments debt service fund	2,412	-
Other governmental funds	346,920	-
Total	<u>\$ 349,332</u>	<u>\$ 349,332</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>Advance from</u>	<u>Advance to</u>
General fund	\$ -	\$23,523,354
Municipal facilities capital projects fund	23,523,354	-
Total	<u>\$23,523,354</u>	<u>\$23,523,354</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Note 6 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2013, is as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Non-depreciable assets:				
Land	\$ 173,438,077	\$ 1,309,707	-	\$ 174,747,784
Construction-in-progress	18,101,080	26,475,689	(21,442,239)	23,134,530
Total non-depreciable assets	<u>191,539,157</u>	<u>27,785,396</u>	<u>(21,442,239)</u>	<u>197,882,314</u>
Depreciable assets:				
Buildings	216,660,579	70,106	-	216,730,685
Improvements other than buildings	69,654,839	1,092,789	-	70,747,628
Machinery and equipment	54,170,636	2,416,601	(1,964,170)	54,623,067
Infrastructure	928,998,473	25,348,915	-	954,347,388
Total depreciable assets	<u>1,269,484,527</u>	<u>28,928,411</u>	<u>(1,964,170)</u>	<u>1,296,448,768</u>
Less accumulated depreciation:				
Buildings	(59,248,877)	(8,708,601)	-	(67,957,478)
Improvements other than buildings	(29,015,020)	(3,565,936)	-	(32,580,956)
Machinery and equipment	(38,562,981)	(3,680,273)	1,865,932	(40,377,322)
Infrastructure	(362,703,153)	(32,416,238)	-	(395,119,391)
Total accumulated depreciation	<u>(489,530,031)</u>	<u>(48,371,048)</u>	<u>1,865,932</u>	<u>(536,035,147)</u>
Total depreciable assets, net	<u>779,954,496</u>	<u>(19,442,637)</u>	<u>(98,238)</u>	<u>760,413,621</u>
Governmental activities capital assets, net	<u>\$ 971,493,653</u>	<u>\$ 8,342,759</u>	<u>\$ (21,540,477)</u>	<u>\$ 958,295,935</u>

Governmental activities construction-in-progress and related construction commitments at June 30, 2013, were composed of the following:

	<u>Construction- in-progress</u>	<u>Commitments</u>
Redevelopment	\$ 708,236	\$ -
Municipal facilities	1,363,637	-
Parks	2,341,039	189,192
Storm water	43,422	-
Traffic control	482,661	-
Streets capital projects	18,195,535	6,737,600
Total	<u>\$ 23,134,530</u>	<u>\$ 6,926,792</u>

In addition, there were non-construction related commitments at June 30, 2013, as follows:

General	\$ 801,727
Streets special revenue	245,928
Other governmental	156,894
Total	<u>\$ 1,204,549</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

Management and policy	\$ 165,930
Finance and management services	300,855
Legal and court	675,372
Development services	876,302
Police	2,885,955
Fire	3,091,338
Highways and streets	33,395,162
Parks and recreation	<u>6,940,049</u>
Total depreciation expense not including internal service funds	48,330,963
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>40,085</u>
Total depreciation expense - governmental activities	<u>\$48,371,048</u>

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2013, is as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Non-depreciable assets:				
Land	\$ 50,703,249	\$ 5,028,733	-	\$ 55,731,982
Construction-in-progress	3,044,140	14,043,186	(12,969,761)	4,117,565
Total non-depreciable assets	<u>53,747,389</u>	<u>19,071,919</u>	<u>(12,969,761)</u>	<u>59,849,547</u>
Depreciable assets:				
Plant and equipment	131,085,876	1,189,346	-	132,275,222
Water rights	9,146,281	-	-	9,146,281
Infrastructure	409,716,998	11,363,252	-	421,080,250
Total depreciable assets	<u>549,949,155</u>	<u>12,552,598</u>	<u>-</u>	<u>562,501,753</u>
Less accumulated depreciation:				
Plant and equipment	(46,971,223)	(5,831,689)	-	(52,802,912)
Water rights	(1,594,119)	(98,292)	-	(1,692,411)
Infrastructure	(106,800,218)	(10,470,858)	-	(117,271,076)
Total accumulated depreciation	<u>(155,365,560)</u>	<u>(16,400,839)</u>	<u>-</u>	<u>(171,766,399)</u>
Total depreciable assets, net	<u>394,583,595</u>	<u>(3,848,241)</u>	<u>-</u>	<u>390,735,354</u>
Business-type activities capital assets, net	<u>\$ 448,330,984</u>	<u>\$ 15,223,678</u>	<u>\$ (12,969,761)</u>	<u>\$ 450,584,901</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Business-type activities construction-in-progress and related construction commitments at June 30, 2013, are composed of the following:

	<u>Construction- in-progress</u>	<u>Commitments</u>
Water system	\$ 1,170,994	\$ 365,272
Wastewater system	2,946,571	42,070
Total	<u>\$ 4,117,565</u>	<u>\$ 407,342</u>

Note 7 - 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 2013, 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 specific (individual member) coverage for medical claims incurred in excess of \$250,000 with an additional \$75,000 risk retention. Claim settlements did not exceed insurance coverage during any of the last three fiscal years.

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 \$1,211,404 reported in the employee benefit self-insurance trust at June 30, 2013, 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 2013, a decrease of \$32,067 was recorded for IBNR claims under the medical plan and a decrease of \$1,100 was recorded for IBNR claims under the dental plan. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Fiscal year 2013 reflects a decrease in claims costs from fiscal year 2012. Of the \$865,197 decrease in claims costs during fiscal year 2013, \$816,926 was attributable to medical benefits and \$48,271 was attributable to dental benefits.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Changes in the fund's claim liability amount in fiscal years 2012 and 2013 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
2012	\$ 1,080,441	13,506,651	13,342,521	\$1,244,571
2013	\$ 1,244,571	12,641,454	12,674,621	\$1,211,404

Note 8 - 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. General obligation bonds are direct obligations and pledge the full faith and credit of Gilbert.

General obligation bonds outstanding at June 30, 2013, were as follows:

	<u>Governmental</u>	<u>Business-type</u>
2002 General Obligation Refunding Bonds, 3.5% to 5.75%, original amount \$20,960,000, annual retirements due July 1, 2003, through July 1, 2015	\$ -	\$2,110,000
2005 General Obligation Refunding Bonds, 3.0% to 5.0%, original amount \$14,115,000, annual retirements due July 1, 2006, through July 1, 2016	10,715,000	-
2008 General Obligation Bonds, 3.0% to 5.0%, original amount \$187,990,000, annual retirements due July 1, 2009, through July 1, 2023	<u>136,850,000</u>	<u>-</u>
Total	<u>\$147,565,000</u>	<u>\$2,110,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 12,500,000	\$ 6,592,000	\$1,865,000	\$ 121,325
2015	12,350,000	5,967,000	245,000	14,088
2016	17,465,000	5,349,500	-	-
2017	13,200,000	4,476,250	-	-
2018	14,000,000	3,816,250	-	-
2019-2023	<u>78,050,000</u>	<u>8,698,750</u>	<u>-</u>	<u>-</u>
Total	<u>\$147,565,000</u>	<u>\$34,899,750</u>	<u>\$2,110,000</u>	<u>\$ 135,413</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

In prior years, Gilbert refinanced various bond issues through the issuance of refunding bonds that are considered an in-substance defeasance of debt. The securities purchased with the proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. The amount of principal outstanding on the defeased bonds at June 30, 2013, was:

2003 Street and Highway User Revenue Bonds	\$2,525,000
--	-------------

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets, and public safety purposes may not exceed 20% of Gilbert's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of Gilbert's net secondary assessed valuation. In November 2006, voters amended the constitution to move streets, fire, and police from the six percent bond type to the twenty percent bond type. The following is a summary of legal borrowing capacity at June 30, 2013:

<u>Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Purposes Bonds</u>		<u>All Other General Obligation Bonds</u>	
Secondary Assessed Valuation	<u>\$1,594,806,737</u>	Secondary Assessed Valuation	<u>\$1,594,806,737</u>
20% constitutional limit	\$318,961,347	6% constitutional limit	\$95,688,404
Less general obligation bonds outstanding	<u>(149,675,000)</u>	Less general obligation bonds outstanding	_____ -
Available 20% limitation borrowing capacity	<u>\$169,286,347</u>	Available 6% limitation borrowing capacity	<u>\$95,688,404</u>

As of June 30, 2013, Gilbert had authorized, but unissued bonds, approved by the voters as follows:

Revenue bonds	
Water and wastewater	\$ 1,110,000
Electric	<u>27,500,000</u>
Total	<u>\$28,610,000</u>
 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, March 14, 2006, 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, 2013**

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, 2013, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest. 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, 2013, 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	\$ 2,380,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012 through January 1, 2029	<u>8,050,000</u>
Total	<u>\$10,430,000</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>
2014	\$ 470,000	\$ 522,265
2015	475,000	498,045
2016	500,000	473,058
2017	540,000	446,405
2018	570,000	417,958
2019-2023	3,240,000	1,618,137
2024-2028	3,935,000	679,178
2029	<u>700,000</u>	<u>17,850</u>
Total	<u>\$10,430,000</u>	<u>\$4,672,895</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.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

Street and highway user revenue bonds outstanding at June 30, 2013, 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	\$16,945,000

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,030,000	\$ 693,450
2015	2,750,000	632,550
2016	2,845,000	550,050
2017	2,975,000	436,250
2018	3,095,000	317,250
2019	<u>3,250,000</u>	<u>162,500</u>
Total	<u>\$16,945,000</u>	<u>\$ 2,792,050</u>

Utility Revenue Bonds

Water and wastewater revenue bonds are issued as authorized by the voters to provide funds to acquire and construct certain improvements to the water and wastewater systems and to pay the costs incurred in connection with the issuance of the bonds. These bonds are secured by a pledge of revenues from these enterprises, and do not constitute a general obligation of Gilbert backed by the general taxing authority (see also Note 15).

Revenue bonds outstanding at June 30, 2013, were as follows:

	<u>Business-type</u>
2004 Water and Wastewater Revenue Refunding Bonds, 2.0% to 5.0%, original amount \$25,225,000, annual retirements due July 1, 2004 through July 1, 2022	\$13,980,000

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

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,500,000	\$ 610,162
2015	1,585,000	535,163
2016	1,660,000	455,913
2017	1,745,000	372,912
2018	1,380,000	307,475
2019-2022	<u>6,110,000</u>	<u>649,213</u>
Total	<u>\$13,980,000</u>	<u>\$2,930,838</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Municipal Property Corporation (MPC) Revenue Bonds

The Public Facilities MPC exists solely for the purpose of financing the multipurpose public safety complex (the 2001 issue); the service center facility, a police property facility and a sports complex (the 2006 issue); and 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). The Water MPC exists solely for the purpose of financing the construction of water and wastewater capital improvement projects. (See also Note 15 regarding Pledged Revenues.)

Municipal property corporation revenue bonds outstanding at June 30, 2013, were as follows (the 7/1/13 principal payment was deducted as fiscal year 2013 resources were dedicated):

	<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, 2021	\$ 45,095,000	\$ -
2007 Water Resources Municipal Property Corporation, Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds, 4.0% to 5.0%, original amount \$146,175,000, retirements due October 1, 2008, through October 1, 2032	-	111,120,000
2009 Public Facilities Municipal Property Corporation Revenue Bonds, 3.0% to 5.5%, original amount \$80,585,000, retirements due July 1, 2009 through July 1, 2028	68,055,000	-
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	<u>19,145,000</u>	<u>-</u>
Total	<u>\$132,295,000</u>	<u>\$111,120,000</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 10,080,000	\$ 6,458,288	\$ 3,875,000	\$ 5,357,825
2015	7,515,000	6,028,788	4,075,000	5,159,075
2016	7,950,000	5,700,138	4,275,000	4,950,325
2017	8,950,000	5,330,088	4,500,000	4,730,950
2018	10,485,000	4,905,888	4,750,000	4,499,700
2019-2023	44,450,000	16,560,760	27,550,000	18,613,687
2024-2028	42,865,000	7,738,925	35,075,000	11,086,875
2029-2032	<u>-</u>	<u>-</u>	<u>27,020,000</u>	<u>2,120,263</u>
Total	<u>\$132,295,000</u>	<u>\$52,722,875</u>	<u>\$111,120,000</u>	<u>\$56,518,700</u>

During the fiscal year ended June 30, 2013, Gilbert paid \$4,075,000 of the 2007 Water Resources Municipal Property Corporation, Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds. Proceeds collected from the water system development fees were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments of the bonds. Accordingly, the trust account assets and the liability for these bonds are not included in the financial statements. These bonds have been fully defeased.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$159,465,000	\$ -	\$(11,900,000)	\$147,565,000	\$12,500,000
Special assessment bonds with government commitment	11,015,000	-	(585,000)	10,430,000	470,000
Revenue bonds	170,795,000	-	(11,860,000)	158,935,000	11,725,000
Unamortized bond premium	6,762,920	-	(554,423)	6,208,497	-
Unamortized charge - refunding bonds	(2,780,269)	-	151,572	(2,628,697)	-
Total bonds payable	345,257,651	-	(24,747,851)	320,509,800	24,695,000
Compensated absences	9,778,878	8,796,573	(7,496,057)	11,079,394	4,053,052
Post-employment benefits	-	419,047	(76,061)	342,986	-
Total long-term liabilities	<u>\$355,036,529</u>	<u>\$9,215,620</u>	<u>\$(32,319,969)</u>	<u>\$331,932,180</u>	<u>\$28,748,052</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 3,870,000	\$ -	\$ (1,760,000)	\$ 2,110,000	\$ 1,865,000
Revenue bonds	134,305,000	-	(9,205,000)	125,100,000	5,375,000
Unamortized bond discount	(41,247)	-	2,697	(38,550)	-
Unamortized bond premium	483,826	-	(47,070)	436,756	-
Unamortized charge - refunding bonds	(721,159)	-	67,386	(653,773)	-
Total bonds payable	137,896,420	-	(10,941,987)	126,954,433	7,240,000
Compensated absences	1,828,662	1,648,690	(1,547,797)	1,929,555	737,297
Post-employment benefits	-	106,750	(19,376)	87,374	-
Total long-term liabilities	<u>\$139,725,082</u>	<u>\$1,755,440</u>	<u>\$(12,509,160)</u>	<u>\$128,971,362</u>	<u>\$ 7,977,297</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, \$145,099 of internal service funds compensated absences 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, 2013, Industrial Development Authority Revenue Bonds and Master Lease and Sublease Agreements outstanding were \$29,551,982 and \$47,993,320, respectively.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Note 9 - Retirement and Pension Plans

Plan Descriptions and Financial Reports

Gilbert contributes to three retirement plans described below. Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents.

The *Arizona State Retirement System* (ASRS) administers cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plans that cover employees of the State of Arizona and participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling (602) 240-2000 or 1 (800) 621-3778.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven-member board, known as The Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

The *Elected Officials' Retirement Plan* (EORP) administers cost-sharing multiple-employer defined benefit pension and health insurance premium plans that cover State of Arizona and County elected officials and judges, and elected officials of participating municipalities. The EORP is governed by The Board of Trustees of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, it is reported in accordance with GASB Statement No. 45 as an agent multiple-employer plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials' Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and their employers' contribution rates for all plans of the ASRS, PSPRS, and EORP.

Cost-sharing plans - For the year ended June 30, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14% (10.90% for retirement and 0.24% for long-term disability) of the members' annual covered payroll and Gilbert was required by statute to contribute at the actuarially determined rate of 11.14% (10.25% for retirement, 0.65% for health insurance premium, and 0.24% for long-term disability) of the members' annual covered payroll.

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

Fiscal Year Ended	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$3,925,481	\$248,933	\$ 91,364
2012	3,658,186	233,501	96,821
2011	3,236,934	211,964	89,656

Agent plans - For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55% of police member's annual covered payroll and 9.55% for fire member's annual covered payroll. Gilbert was required to contribute at the actuarially determined rate of 17.02% for police personnel, of which 0.39% was the health insurance premium portion; and 12.77% for fire personnel, of which 0.30% was the health insurance premium portion. Active EORP members were required by statute to contribute 11.5% of the members' annual covered payroll; and Gilbert was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 36.44% of the members' annual covered payroll, of which 1.50% was the health insurance premium portion.

Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans 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 presented below provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by Gilbert and plan 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 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 significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements, are as follows:

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	25 years for underfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5.0% - 8.0% for PSPRS and 4.5% for EORP
including inflation rate at	5.0% for PSPRS and 4.5% for EORP

Annual Pension/OPEB Cost – Gilbert’s pension/other post-employment benefits (OPEB) cost for the agent plans for the year ended June 30, 2013, and related information follows (actual contributions made were equal to the annual pension/OPEB cost):

	<u>PSPRS-Police</u>	<u>PSPRS-Fire</u>	<u>EORP</u>
Pension	\$2,892,162	\$1,729,072	\$57,265
Health Insurance	67,826	41,598	2,458

Trend Information—Annual pension cost information for the current and two preceding years follows for each of the agent plans.

<u>Plan</u>	<u>Fiscal Year Ended</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
PSPRS-Police				
Pension	2013	\$2,805,501	100.0%	-0-
	2012	2,439,689	100.0%	-0-
	2011	2,496,320	100.0%	-0-
Health Insurance	2013	65,793	100.0%	-0-
	2012	97,156	100.0%	-0-
	2011	92,055	100.0%	-0-
PSPRS-Fire				
Pension	2013	\$1,672,852	100.0%	-0-
	2012	1,297,068	100.0%	-0-
	2011	1,422,492	100.0%	-0-
Health Insurance	2013	40,245	100.0%	-0-
	2012	62,951	100.0%	-0-
	2011	57,488	100.0%	-0-
EORP				
Pension	2013	\$57,265	100.0%	-0-
	2012	51,135	100.0%	-0-
	2011	45,923	100.0%	-0-
Health Insurance	2013	2,458	100.0%	-0-
	2012	2,934	100.0%	-0-
	2011	2,901	100.0%	-0-

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Schedule of Funded Status and Funding Progress—Following are the schedules of funded status and funding progress of the plans as of the most recent valuation date, June 30, 2013, and the previous two fiscal years. The fiscal year 2013 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2011 actuarial methods and assumptions as described on page 61. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for Gilbert, as a participating government, is not available.

PSPRS - Police

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Pension						
2013	\$51,402,243	68,370,995	(16,968,752)	75.2%	17,167,856	(98.8)%
2012	46,823,028	61,175,480	(14,352,452)	76.5%	16,652,610	(86.2)%
2011	40,140,063	53,624,989	(13,484,926)	74.9%	16,176,077	(83.4)%

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Health Insurance						
2013	\$ -0-	1,808,786	(1,808,786)	0.0%	17,167,856	(10.54)%
2012	-0-	1,663,617	(1,663,617)	0.0%	16,652,610	(9.99)%
2011	-0-	1,575,279	(1,575,279)	0.0%	16,176,077	(9.74)%

PSPRS - Fire

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Pension						
2013	\$40,413,033	42,232,338	(1,819,305)	95.7%	13,278,222	(13.7)%
2012	35,417,839	37,018,127	(1,600,288)	95.7%	13,072,322	(12.2)%
2011	28,233,335	30,559,021	(2,325,686)	92.4%	12,905,560	(18.0)%

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Health Insurance						
2013	\$ -0-	1,251,900	(1,251,900)	0.0%	13,278,222	(9.43)%
2012	-0-	1,097,566	(1,097,566)	0.0%	13,072,322	(8.40)%
2011	-0-	1,027,298	(1,027,298)	0.0%	12,905,560	(7.96)%

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 2013. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

Note 10 - 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, 2013, there are 19 retirees that are currently receiving medical and/or dental benefits.

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

Funding Policy

Gilbert requires retirees to pay 100% of the full blended contribution rate. Gilbert makes no contributions for retirees other than allowing them to participate through Gilbert's pooled benefits. By providing retirees access to Gilbert's healthcare plans, Gilbert is in effect providing a subsidy to retirees. This implied subsidy exists because on average, retiree healthcare costs are higher than active employee healthcare costs. Gilbert pays for and reports retiree benefits on a pay-as-you-go basis, which is the practice of paying for these benefits as they become due each year. As of June 30, 2013, retirees contributed \$198,175 and Gilbert contributed \$95,437 (implied subsidy).

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, 2013:

Annual Required Contribution (ARC)	\$289,950
ARC Adjustment	218,067
Interest on the Net OPEB Obligation	<u>17,780</u>
Annual OPEB Cost	\$525,797
Contributions Made	<u>(95,437)</u>
Increase in Net OPEB Obligation	\$430,360
Net OPEB Obligation – Beginning of year	<u>-</u>
Net OPEB Obligation – End of year	<u>\$430,360</u>

Gilbert’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$525,797	\$95,437	18.15%	\$430,360

Schedule of Funded Status and Funding Progress—Following is the schedule of funded status and funding progress of the plan as of the most recent actuarial valuation date, June 30, 2013:

Actuarial Valuation Date July 1	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funding (Liability) Excess (1)-(2)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
2012	\$ -0-	4,151,069	(4,151,069)	0.0%	58,114,323	(7.1)%

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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 unit credit normal 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 July 1, 2012 actuarial valuation, the unit credit normal method was used along with a discount rate of 3.5%. In addition, the actuarial assumptions included: an annual medical healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after 8 years; an annual dental healthcare cost trend rate of 4.5% initially, reduced to 3.0% after 8 years; and an annual salary increase of 2%.

Note 11 - Capital Contributions

During the year ended June 30, 2013, the Enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions from developers	\$ 2,649,712	\$ 1,132,049	\$ 3,781,761
Development fees	16,556,838	13,814,379	30,371,217
Total	<u>\$19,206,550</u>	<u>\$14,946,428</u>	<u>\$34,152,978</u>

Note 12 – Interfund Transfers

As of June 30, 2013, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General fund	\$ 1,411,239	\$ 7,240,729
Streets special revenue	50,000	4,025,376
General debt service	20,175,402	-
Special assessments	-	220,496
Streets and transportation	2,550,894	61,205
Municipal facilities	1,201,402	6,086,470
Parks, open space and recreation	179,908	5,361,252
Other governmental funds	204,946	2,657,014
Total governmental funds	<u>25,773,791</u>	<u>25,652,542</u>
Enterprise funds:		
Water	-	588,142
Wastewater	493,143	26,250
Total enterprise funds	<u>493,143</u>	<u>614,392</u>
Total transfers	<u>\$26,266,934</u>	<u>\$26,266,934</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 projects or capital replacement. There were no significant transfers during fiscal year 2013 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, 2013

Note 13 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net position at June 30, 2013, were as follows:

<u>Debt service funds</u>	
Special assessments	\$ 598
 <u>Capital projects funds</u>	
Municipal facilities	\$16,534,434
 <u>Special revenue funds</u>	
CDBG/HOME	\$ 73,697

The deficiency in the special assessments fund of the debt service funds will be eliminated through the future collection of principal and interest payments on the improvement bonds.

The deficiency in the municipal facilities fund of the capital projects funds will be eliminated through the future collection of system development fees.

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

Individual funds with an excess of expenditures over appropriations for the year ended June 30, 2013, were as follows:

<u>Debt service funds</u>	
General debt obligations	\$ 2,543
Special assessments	\$ 702

The excess of expenditures over appropriations in the general debt obligations was funded by available fund balance. The excess of expenditures over appropriations in the special assessments was funded by principal and interest payments on the improvement bonds from property owners.

Note 14 – 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 15 – Pledged Revenues

Gilbert has pledged future water and wastewater revenues, net of specified operating expenses, to repay \$25,225,000 in water and wastewater revenue refunding bonds issued in 2004. Proceeds from the bonds refunded various other revenue bonds which provided financing for the construction of and improvements to the water and wastewater systems. The bonds are payable solely from water and wastewater net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$16,910,837. Principal and interest paid for the current year was \$2,111,663, and total customer net revenues were \$24,502,946.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Gilbert has pledged future water connection development fees revenue and future water and wastewater revenues, net of specified operating expenses after debt service payments are made for the 2004 water and wastewater revenue refunding bonds, to repay \$146,175,000 in utility revenue bonds issued since 2007. Proceeds from the bonds provided financing for the construction of a joint use water treatment plant and for the acquisition of additional water production and distribution capacity for the water system. The bonds are payable from water connection development fees revenue and water and wastewater net revenues and are payable through 2032. 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 \$167,638,700. Principal and interest paid for the current year was \$13,317,403 (of which \$4,075,000 in principal was an advance defeasance). Total water connection development fees revenue was \$12,466,409 and water and wastewater net revenues after debt payments were \$22,391,283.

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 8 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 30 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$19,737,050. Principal and interest paid for the current year was \$3,332,400, and the total street and highway revenues were \$11,414,425.

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 and \$20,980,000 in public facilities (MPC) revenue refunding bonds issued in 2011. 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. The bonds are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 16 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds is \$185,017,875. Principal and interest paid for the current year was \$16,568,353, and the total excise taxes and state-shared revenues were \$109,637,647.

Note 16 - 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 as of June 30, 2013, was:

Mesa's Share	\$ 64,583,249
Gilbert's Share	67,733,013
Queen Creek's Share	<u>26,625,541</u>
Total	<u>\$158,941,803</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

Total investment as of June 30, 2013, was:

Gilbert's Share	\$ 73,674,640
Chandler's Share	<u>69,197,886</u>
Total	<u>\$142,872,526</u>

In August 2008, Gilbert entered into an Intergovernmental Agreement with the Cities of Mesa and Apache Junction, Apache Junction Fire District (FD), and the Town of Queen Creek (the Parties) to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (Trunked Open Arizona Network – 700/800 MHz Network procured and built by the City of Mesa). On May 1, 2012, Rio Verde Fire District Joined TOPAZ. The City of Mesa acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network, in addition to providing all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. Gilbert's investment in joint venture is reflected within the governmental activities in the government-wide statement of net position. Separate financial statements are not prepared.

Total investment as of June 30, 2013, was:

Mesa's Share	\$1,567,692
Gilbert's Share	338,313
Apache Junction's Share	94,406
Apache Junction FD's Share	44,781
Queen Creek's Share	21,061
Rio Verde FD's Share	<u>7,193</u>
Total	<u>\$2,073,446</u>

Note 17 - Subsequent Events

Gilbert advance defeased \$3,125,000 of the \$111,120,000 in outstanding Water Resources MPC Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds on October 1, 2013.

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.

Traffic Control - accounts for the acquisition and installation of traffic signals.

Flood Control and Storm Water - accounts for the construction of flood control retention basins and storm drains.

Redevelopment - accounts for the construction of capital improvements in the Heritage District.

TOWN OF GILBERT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
ASSETS					
Pooled cash and investments	\$ 4,179,580	\$ 1,475,891	\$ 12,238	\$ 240,890	\$ 112,826
Receivables, net:					
Taxes	-	-	-	11,206	6,892
Accrued interest	8,710	3,273	27	-	217
Accounts	-	49,948	-	-	-
Due from other governments	76,846	686,482	399,261	-	-
Inventories	-	-	-	-	591
Total assets	<u>\$ 4,265,136</u>	<u>\$ 2,215,594</u>	<u>\$ 411,526</u>	<u>\$ 252,096</u>	<u>\$ 120,526</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 43,218	\$ 10,557	\$ 135,263	\$ -	\$ 25,082
Accrued liabilities	-	29,453	3,040	-	3,458
Due to other funds	-	-	346,920	-	-
Deferred revenue:					
Other	1,196	-	-	-	-
Total liabilities	<u>44,414</u>	<u>40,010</u>	<u>485,223</u>	<u>-</u>	<u>28,540</u>
Fund Balances:					
Nonspendable	-	-	-	-	591
Restricted	4,220,722	1,974,692	12,265	252,096	91,395
Assigned	-	200,892	-	-	-
Unassigned	-	-	(85,962)	-	-
Total fund balances	<u>4,220,722</u>	<u>2,175,584</u>	<u>(73,697)</u>	<u>252,096</u>	<u>91,986</u>
Total liabilities and fund balances	<u>\$ 4,265,136</u>	<u>\$ 2,215,594</u>	<u>\$ 411,526</u>	<u>\$ 252,096</u>	<u>\$ 120,526</u>

Capital Projects			
Traffic Control	Flood Control and Storm Water	Redevelopment	Total Nonmajor Governmental Funds
\$ 4,817,055	\$ -	\$ 1,432,012	\$ 12,270,492
-	-	-	18,098
9,377	-	-	21,604
415	-	-	50,363
11,406	-	-	1,173,995
-	-	-	591
<u>\$ 4,838,253</u>	<u>\$ -</u>	<u>\$ 1,432,012</u>	<u>\$ 13,535,143</u>
\$ 4,544	\$ -	\$ 984	\$ 219,648
-	-	-	35,951
-	-	-	346,920
-	-	-	1,196
<u>4,544</u>	<u>-</u>	<u>984</u>	<u>603,715</u>
-	-	-	591
4,778,348	-	1,283,839	12,613,357
55,361	-	147,189	403,442
-	-	-	(85,962)
<u>4,833,709</u>	<u>-</u>	<u>1,431,028</u>	<u>12,931,428</u>
<u>\$ 4,838,253</u>	<u>\$ -</u>	<u>\$ 1,432,012</u>	<u>\$ 13,535,143</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 1,507,319	\$ 856,604
Intergovernmental	1,048,932	-	826,362	-	-
Charges for services	-	1,380,763	-	-	-
System development fees	-	-	-	-	-
Gifts and donations	-	104,655	-	-	-
Fines and forfeitures	-	584,736	-	-	-
Investment earnings	24,317	16,026	78	-	842
Miscellaneous	86,270	14,901	3	-	505
Total revenues	<u>1,159,519</u>	<u>2,101,081</u>	<u>826,443</u>	<u>1,507,319</u>	<u>857,951</u>
Expenditures					
Current:					
General government:					
Management and policy	-	12,799	-	-	-
Legal and court	-	342,315	-	-	-
Development services	9,643	-	-	-	-
Public safety:					
Police	188,629	1,371,580	-	-	-
Fire	71,892	24,649	-	-	-
Highways and streets	231,823	-	-	1,535,735	-
Parks and recreation	-	180	827,417	-	922,182
Transportation	9,712	-	-	-	-
Non departmental	-	49,884	-	-	-
Capital outlay	77,780	75,533	-	-	-
Total expenditures	<u>589,479</u>	<u>1,876,940</u>	<u>827,417</u>	<u>1,535,735</u>	<u>922,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>570,040</u>	<u>224,141</u>	<u>(974)</u>	<u>(28,416)</u>	<u>(64,231)</u>
Other financing sources (uses)					
Transfers in	10,930	569	-	-	-
Transfers out	(49,194)	(196,387)	(127)	-	-
Total other financing sources and uses	<u>(38,264)</u>	<u>(195,818)</u>	<u>(127)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	531,776	28,323	(1,101)	(28,416)	(64,231)
Fund balances at beginning of year	3,688,946	2,147,261	(72,596)	280,512	156,217
Fund balances at end of year	<u>\$ 4,220,722</u>	<u>\$ 2,175,584</u>	<u>\$ (73,697)</u>	<u>\$ 252,096</u>	<u>\$ 91,986</u>

Capital Projects			
Traffic Control	Flood Control and Storm Water	Redevelopment	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,363,923
82,989	-	-	1,958,283
-	-	-	1,380,763
2,611,545	-	-	2,611,545
-	-	-	104,655
-	-	-	584,736
34,748	-	15,177	91,188
-	-	2,700	104,379
<u>2,729,282</u>	<u>-</u>	<u>17,877</u>	<u>9,199,472</u>
-	-	-	12,799
-	-	-	342,315
-	-	114,899	124,542
-	-	-	1,560,209
-	-	-	96,541
-	-	-	1,767,558
-	-	-	1,749,779
-	-	-	9,712
-	-	-	49,884
358,116	1,292	50,997	563,718
<u>358,116</u>	<u>1,292</u>	<u>165,896</u>	<u>6,277,057</u>
<u>2,371,166</u>	<u>(1,292)</u>	<u>(148,019)</u>	<u>2,922,415</u>
73,118	1,292	119,037	204,946
(6,459)	-	(2,404,847)	(2,657,014)
<u>66,659</u>	<u>1,292</u>	<u>(2,285,810)</u>	<u>(2,452,068)</u>
2,437,825	-	(2,433,829)	470,347
2,395,884	-	3,864,857	12,461,081
<u>\$ 4,833,709</u>	<u>\$ -</u>	<u>\$ 1,431,028</u>	<u>\$ 12,931,428</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 5,000,000	\$ 5,000,000	\$ 1,048,932	\$ (3,951,068)
Investment earnings	-	-	24,317	24,317
Miscellaneous	-	-	86,270	86,270
Total revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>1,159,519</u>	<u>(3,840,481)</u>
Expenditures				
Current:				
General government:				
Development services	-	-	9,643	(9,643)
Public safety:				
Police	-	167,590	188,629	(21,039)
Fire	-	63,900	71,892	(7,992)
Highways and streets	-	232,135	231,823	312
Transportation	-	-	9,712	(9,712)
Capital outlay	-	69,920	77,780	(7,860)
Contingency	5,000,000	4,392,355	-	4,392,355
Total expenditures	<u>5,000,000</u>	<u>4,925,900</u>	<u>589,479</u>	<u>4,336,421</u>
Excess of revenues over expenditures	<u>-</u>	<u>74,100</u>	<u>570,040</u>	<u>495,940</u>
Other financing sources (uses)				
Transfers in	-	-	10,930	10,930
Transfers out	(2,947,000)	(2,947,000)	(49,194)	2,897,806
Total other financing sources and uses	<u>(2,947,000)</u>	<u>(2,947,000)</u>	<u>(38,264)</u>	<u>2,908,736</u>
Net change in fund balances	<u>\$ (2,947,000)</u>	<u>\$ (2,872,900)</u>	531,776	<u>\$ 3,404,676</u>
Fund balance at beginning of year			3,688,946	
Fund balance at end of year			<u>\$ 4,220,722</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,220,000	\$ 1,220,000	\$ 1,380,763	\$ 160,763
Gifts and donations	98,890	98,890	104,655	5,765
Fines and forfeitures	395,890	395,890	584,736	188,846
Investment earnings	1,000	1,000	16,026	15,026
Miscellaneous	-	-	14,901	14,901
Total revenues	<u>1,715,780</u>	<u>1,715,780</u>	<u>2,101,081</u>	<u>385,301</u>
Expenditures				
Current:				
General government:				
Management and policy	92,200	129,700	12,799	116,901
Legal and court	422,780	445,170	342,315	102,855
Public safety:				
Police	1,422,783	1,464,868	1,371,580	93,288
Fire	24,000	28,400	24,649	3,751
Parks and recreation	-	-	180	(180)
Non departmental	49,890	49,890	49,884	6
Capital outlay	-	-	75,533	(75,533)
Total expenditures	<u>2,011,653</u>	<u>2,118,028</u>	<u>1,876,940</u>	<u>241,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(295,873)</u>	<u>(402,248)</u>	<u>224,141</u>	<u>626,389</u>
Other financing sources (uses)				
Transfers in	-	-	569	569
Transfers out	(185,920)	(185,920)	(196,387)	(10,467)
Total other financing sources and uses	<u>(185,920)</u>	<u>(185,920)</u>	<u>(195,818)</u>	<u>(9,898)</u>
Net change in fund balances	<u>\$ (481,793)</u>	<u>\$ (588,168)</u>	28,323	<u>\$ 616,491</u>
Fund balance at beginning of year			2,147,261	
Fund balance at end of year			<u>\$ 2,175,584</u>	

TOWN OF GILBERT, ARIZONA
CDBG/HOME Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,784,530	\$ 1,784,530	\$ 826,362	\$ (958,168)
Investment earnings	-	-	78	78
Miscellaneous	-	-	3	3
Total revenues	<u>1,784,530</u>	<u>1,784,530</u>	<u>826,443</u>	<u>(958,087)</u>
Expenditures				
Current:				
General government:				
Parks and recreation	1,798,007	1,820,087	827,417	992,670
Total expenditures	<u>1,798,007</u>	<u>1,820,087</u>	<u>827,417</u>	<u>992,670</u>
Deficiency of revenues under expenditures	<u>(13,477)</u>	<u>(35,557)</u>	<u>(974)</u>	<u>34,583</u>
Other financing uses				
Transfers out	-	-	(127)	(127)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(127)</u>	<u>(127)</u>
Net change in fund balances	<u>\$ (13,477)</u>	<u>\$ (35,557)</u>	(1,101)	<u>\$ 34,456</u>
Fund deficit at beginning of year			<u>(72,596)</u>	
Fund deficit at end of year			<u>\$ (73,697)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,508,560	\$ 1,508,560	\$ 1,507,319	\$ (1,241)
Total revenues	<u>1,508,560</u>	<u>1,508,560</u>	<u>1,507,319</u>	<u>(1,241)</u>
Expenditures				
Current:				
Highways and streets	1,694,330	1,694,330	1,535,735	158,595
Total expenditures	<u>1,694,330</u>	<u>1,694,330</u>	<u>1,535,735</u>	<u>158,595</u>
Deficiency of revenues under expenditures	<u>(185,770)</u>	<u>(185,770)</u>	<u>(28,416)</u>	<u>157,354</u>
Net change in fund balances	<u>\$ (185,770)</u>	<u>\$ (185,770)</u>	<u>(28,416)</u>	<u>\$ 157,354</u>
Fund balance at beginning of year			280,512	
Fund balance at end of year			<u>\$ 252,096</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 847,760	\$ 847,760	\$ 856,604	\$ 8,844
Investment earnings	-	-	842	842
Miscellaneous	-	-	505	505
Total revenues	<u>847,760</u>	<u>847,760</u>	<u>857,951</u>	<u>10,191</u>
Expenditures				
Current:				
Parks and recreation	1,012,680	1,029,609	922,182	107,427
Total expenditures	<u>1,012,680</u>	<u>1,029,609</u>	<u>922,182</u>	<u>107,427</u>
Deficiency of revenues under expenditures	<u>(164,920)</u>	<u>(181,849)</u>	<u>(64,231)</u>	<u>117,618</u>
Net change in fund balances	<u>\$ (164,920)</u>	<u>\$ (181,849)</u>	<u>(64,231)</u>	<u>\$ 117,618</u>
Fund balance at beginning of year			156,217	
Fund balance at end of year			<u>\$ 91,986</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, 2013

	<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	\$ 19,300,000	\$ 19,300,000	\$ 19,183,696	\$ (116,304)
Investment earnings	50,000	50,000	154,307	104,307
Miscellaneous	-	-	11,184	11,184
Total revenues	<u>19,350,000</u>	<u>19,350,000</u>	<u>19,349,187</u>	<u>(813)</u>
Expenditures				
Debt service:				
Principal	24,120,000	24,120,000	24,120,000	-
Interest	14,856,420	14,856,420	14,857,753	(1,333)
Fiscal and other charges	-	-	1,210	(1,210)
Total expenditures	<u>38,976,420</u>	<u>38,976,420</u>	<u>38,978,963</u>	<u>(2,543)</u>
Deficiency of revenues under expenditures	<u>(19,626,420)</u>	<u>(19,626,420)</u>	<u>(19,629,776)</u>	<u>(3,356)</u>
Other financing sources				
Transfers in	20,173,850	20,173,850	20,175,402	1,552
Total other financing sources	<u>20,173,850</u>	<u>20,173,850</u>	<u>20,175,402</u>	<u>1,552</u>
Net change in fund balances	<u>\$ 547,430</u>	<u>\$ 547,430</u>	545,626	<u>\$ (1,804)</u>
Fund balance at beginning of year			<u>10,189,619</u>	
Fund balance at end of year			<u>\$ 10,735,245</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, 2013

	<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	\$ 1,208,750	\$ 1,208,750	\$ 1,298,984	\$ 90,234
Investment earnings	-	-	818	818
Total revenues	<u>1,208,750</u>	<u>1,208,750</u>	<u>1,299,802</u>	<u>91,052</u>
Expenditures				
Debt service:				
Principal	435,000	585,000	585,000	-
Interest	553,260	553,260	553,258	2
Fiscal and other charges	-	4,959	5,663	(704)
Total expenditures	<u>988,260</u>	<u>1,143,219</u>	<u>1,143,921</u>	<u>(702)</u>
Excess of revenues over expenditures	<u>220,490</u>	<u>65,531</u>	<u>155,881</u>	<u>90,350</u>
Other financing uses				
Transfers out	(205,000)	(205,000)	(220,496)	(15,496)
Total other financing uses	<u>(205,000)</u>	<u>(205,000)</u>	<u>(220,496)</u>	<u>(15,496)</u>
Net change in fund balances	<u>\$ 15,490</u>	<u>\$ (139,469)</u>	(64,615)	<u>\$ 74,854</u>
Fund balance at beginning of year			64,017	
Fund deficit at end of year			<u>\$ (598)</u>	

TOWN OF GILBERT, ARIZONA
Streets and Transportation Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 20,397,000	\$ 20,397,000	\$ 11,176,893	\$ (9,220,107)
Other entities' participation	1,065,000	1,065,000	2,252,080	1,187,080
Investment earnings	-	-	14,298	14,298
Miscellaneous	1,108,400	1,108,400	7,851	(1,100,549)
Total revenues	<u>22,570,400</u>	<u>22,570,400</u>	<u>13,451,122</u>	<u>(9,119,278)</u>
Expenditures				
Current:				
General government:				
Development services	1,075,512	1,109,172	-	1,109,172
Highways and streets	360,000	360,000	65,265	294,735
Capital outlay	65,323,000	71,225,781	23,215,797	48,009,984
Contingency	1,165,000	1,165,000	-	1,165,000
Total expenditures	<u>67,923,512</u>	<u>73,859,953</u>	<u>23,281,062</u>	<u>50,578,891</u>
Deficiency of revenues under expenditures	<u>(45,353,112)</u>	<u>(51,289,553)</u>	<u>(9,829,940)</u>	<u>41,459,613</u>
Other financing sources (uses)				
Transfers in	3,772,000	3,772,000	2,550,894	(1,221,106)
Transfers out	-	-	(61,205)	(61,205)
Total other financing sources and uses	<u>3,772,000</u>	<u>3,772,000</u>	<u>2,489,689</u>	<u>(1,282,311)</u>
Net change in fund balances	<u>\$ (41,581,112)</u>	<u>\$ (47,517,553)</u>	(7,340,251)	<u>\$ 40,177,302</u>
Fund balance at beginning of year			<u>66,966,393</u>	
Fund balance at end of year			<u>\$ 59,626,142</u>	

TOWN OF GILBERT, ARIZONA
Traffic Control Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 624,000	\$ 624,000	\$ 82,989	\$ (541,011)
System development fees	1,000,000	1,000,000	2,611,545	1,611,545
Investment earnings	-	-	34,748	34,748
Total revenues	<u>1,624,000</u>	<u>1,624,000</u>	<u>2,729,282</u>	<u>1,105,282</u>
Expenditures				
Capital outlay	1,201,000	1,201,000	358,116	842,884
Total expenditures	<u>1,201,000</u>	<u>1,201,000</u>	<u>358,116</u>	<u>842,884</u>
Excess of revenues over expenditures	<u>423,000</u>	<u>423,000</u>	<u>2,371,166</u>	<u>1,948,166</u>
Other financing sources (uses)				
Transfers in	249,000	249,000	73,118	(175,882)
Transfers out	-	-	(6,459)	(6,459)
Total other financing sources and uses	<u>249,000</u>	<u>249,000</u>	<u>66,659</u>	<u>(182,341)</u>
Net change in fund balances	<u>\$ 672,000</u>	<u>\$ 672,000</u>	2,437,825	<u>\$ 1,765,825</u>
Fund balance at beginning of year			2,395,884	
Fund balance at end of year			<u>\$ 4,833,709</u>	

TOWN OF GILBERT, ARIZONA
Municipal Facilities Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013

	<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	\$ 3,930,000	\$ 3,930,000	\$ 5,710,765	\$ 1,780,765
Investment earnings	-	-	7,217	7,217
Miscellaneous	-	-	36,000	36,000
Total revenues	<u>3,930,000</u>	<u>3,930,000</u>	<u>5,753,982</u>	<u>1,823,982</u>
Expenditures				
Current:				
General government:				
Development services	-	61,590	52,090	9,500
Public safety:				
Police	-	-	1,762	(1,762)
Fire	-	-	3,709	(3,709)
Debt service:				
Fiscal and other charges	-	-	6,576	(6,576)
Capital outlay	<u>2,071,910</u>	<u>2,128,410</u>	<u>1,092,968</u>	<u>1,035,442</u>
Total expenditures	<u>2,071,910</u>	<u>2,190,000</u>	<u>1,157,105</u>	<u>1,032,895</u>
Excess of revenues over expenditures	<u>1,858,090</u>	<u>1,740,000</u>	<u>4,596,877</u>	<u>2,856,877</u>
Other financing sources (uses)				
Transfers in	2,213,000	2,213,000	1,201,402	(1,011,598)
Transfers out	<u>(12,550,760)</u>	<u>(12,550,760)</u>	<u>(6,086,470)</u>	<u>6,464,290</u>
Total other financing sources and uses	<u>(10,337,760)</u>	<u>(10,337,760)</u>	<u>(4,885,068)</u>	<u>5,452,692</u>
Net change in fund balances	<u>\$ (8,479,670)</u>	<u>\$ (8,597,760)</u>	(288,191)	<u>\$ 8,309,569</u>
Fund deficit at beginning of year			(16,246,243)	
Fund deficit at end of year			<u>\$ (16,534,434)</u>	

TOWN OF GILBERT, ARIZONA
Flood Control and Storm Water Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Capital outlay	373,000	373,000	1,292	371,708
Total expenditures	<u>373,000</u>	<u>373,000</u>	<u>1,292</u>	<u>371,708</u>
Deficiency of revenues under expenditures	<u>(373,000)</u>	<u>(373,000)</u>	<u>(1,292)</u>	<u>371,708</u>
Other financing sources				
Transfers in	373,000	373,000	1,292	(371,708)
Total other financing sources	<u>373,000</u>	<u>373,000</u>	<u>1,292</u>	<u>(371,708)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance at beginning of year			-	
Fund balance at end of year			<u>\$ -</u>	

TOWN OF GILBERT, ARIZONA
Parks, Open Space and Recreation Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 31,422	\$ (68,578)
System development fees	8,750,000	8,750,000	9,513,954	763,954
Investment earnings	-	-	157,697	157,697
Total revenues	<u>8,850,000</u>	<u>8,850,000</u>	<u>9,703,073</u>	<u>853,073</u>
Expenditures				
Current:				
Parks and recreation	497,000	497,000	265,488	231,512
Capital outlay	3,442,000	3,941,000	1,765,899	2,175,101
Total expenditures	<u>3,939,000</u>	<u>4,438,000</u>	<u>2,031,387</u>	<u>2,406,613</u>
Excess of revenues over expenditures	<u>4,911,000</u>	<u>4,412,000</u>	<u>7,671,686</u>	<u>3,259,686</u>
Other financing sources (uses)				
Transfers in	592,000	592,000	179,908	(412,092)
Transfers out	(5,331,810)	(5,331,810)	(5,361,252)	(29,442)
Total other financing sources and uses	<u>(4,739,810)</u>	<u>(4,739,810)</u>	<u>(5,181,344)</u>	<u>(441,534)</u>
Net change in fund balances	<u>\$ 171,190</u>	<u>\$ (327,810)</u>	2,490,342	<u>\$ 2,818,152</u>
Fund balance at beginning of year			<u>14,646,416</u>	
Fund balance at end of year			<u>\$ 17,136,758</u>	

TOWN OF GILBERT, ARIZONA
Redevelopment Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other entities' participation	\$ 349,000	\$ 349,000	\$ -	\$ (349,000)
Investment earnings	-	-	15,177	15,177
Miscellaneous	-	-	2,700	2,700
Total revenues	<u>349,000</u>	<u>349,000</u>	<u>17,877</u>	<u>(331,123)</u>
Expenditures				
Current:				
Development services	-	-	114,899	(114,899)
Capital outlay	<u>7,745,000</u>	<u>7,745,000</u>	<u>50,997</u>	<u>7,694,003</u>
Total expenditures	<u>7,745,000</u>	<u>7,745,000</u>	<u>165,896</u>	<u>7,579,104</u>
Deficiency of revenues under expenditures	<u>(7,396,000)</u>	<u>(7,396,000)</u>	<u>(148,019)</u>	<u>7,247,981</u>
Other financing sources (uses)				
Transfers in	7,037,000	7,037,000	119,037	(6,917,963)
Transfers out	-	-	<u>(2,404,847)</u>	<u>(2,404,847)</u>
Total other financing sources and uses	<u>7,037,000</u>	<u>7,037,000</u>	<u>(2,285,810)</u>	<u>(9,322,810)</u>
Net change in fund balances	<u>\$ (359,000)</u>	<u>\$ (359,000)</u>	<u>(2,433,829)</u>	<u>\$ (2,074,829)</u>
Fund balance at beginning of year			<u>3,864,857</u>	
Fund balance at end of year			<u>\$ 1,431,028</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 36,857,000	\$ 36,857,000	\$ 36,455,247	\$ (401,753)
Other	1,440,000	1,440,000	1,084,488	(355,512)
Total operating revenues	38,297,000	38,297,000	37,539,735	(757,265)
Operating expenses				
General and administrative	67,481	179,956	1,071,457	(891,501)
Personal services	7,853,560	7,928,220	6,708,658	1,219,562
Operation and maintenance	15,542,917	16,347,621	13,114,098	3,233,523
Capital outlay	28,632,780	29,072,241	11,301,474	17,770,767
Allocation of indirect expenses	1,508,990	1,508,990	1,508,992	(2)
Debt service:				
Principal	7,869,530	10,371,420	10,471,421	(100,001)
Contingency	1,765,000	677,857	-	677,857
Total operating expenses	63,240,258	66,086,305	44,176,100	21,910,205
Operating loss	(24,943,258)	(27,789,305)	(6,636,365)	21,152,940
Nonoperating revenues (expenses)				
Interest expense	(6,555,140)	(6,558,640)	(6,278,702)	279,938
Investment earnings	3,394,000	3,394,000	506,447	(2,887,553)
Total nonoperating revenues (expenses)	(3,161,140)	(3,164,640)	(5,772,255)	(2,607,615)
Loss before capital contributions and transfers	(28,104,398)	(30,953,945)	(12,408,620)	18,545,325
Capital contributions	14,000,000	14,000,000	16,556,838	2,556,838
Transfers out	(1,611,000)	(1,611,000)	(588,142)	1,022,858
Change in net position	\$ (15,715,398)	\$ (18,564,945)	3,560,076	\$ 22,125,021

Explanation of difference between budgetary change in net position at June 30, 2013, 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, 2012	900,475
Less compensated absences at June 30, 2013	(915,057)
Add post-employment benefits at June 30, 2012	-
Less post-employment benefits at June 30, 2013	(43,230)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis. 11,301,474

Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis. 10,471,421

Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis. 2,649,712

Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes. (9,528,009)

Amortization of bond issuance costs is recognized as an expense for GAAP purposes but not recognized for budgetary purposes. (110,299)

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

\$ 18,286,563

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>(Negative)</u>
Operating revenues				
Charges for services	\$ 22,935,000	\$ 22,935,000	\$ 23,082,930	\$ 147,930
Other	-	-	4,398	4,398
Total operating revenues	<u>22,935,000</u>	<u>22,935,000</u>	<u>23,087,328</u>	<u>152,328</u>
Operating expenses				
General and administrative	652,288	658,608	564,559	94,049
Personal services	3,041,470	3,689,960	3,594,761	95,199
Operation and maintenance	9,777,667	10,137,994	8,633,963	1,504,031
Capital outlay	3,223,800	3,223,800	156,542	3,067,258
Allocation of indirect expenses	752,980	752,980	752,977	3
Debt service:				
Principal	493,580	493,580	493,579	1
Contingency	2,289,340	1,285,103	-	1,285,103
Total operating expenses	<u>20,231,125</u>	<u>20,242,025</u>	<u>14,196,381</u>	<u>6,045,644</u>
Operating income	<u>2,703,875</u>	<u>2,692,975</u>	<u>8,890,947</u>	<u>6,197,972</u>
Nonoperating revenues (expenses)				
Interest expense	(171,390)	(171,390)	(171,388)	2
Investment earnings	50,000	50,000	409,408	359,408
Total nonoperating revenues (expenses)	<u>(121,390)</u>	<u>(121,390)</u>	<u>238,020</u>	<u>359,410</u>
Income before capital contributions and transfers	2,582,485	2,571,585	9,128,967	6,557,382
Capital contributions	9,000,000	9,000,000	13,814,379	4,814,379
Transfers in	820,000	820,000	493,143	(326,857)
Transfers out	<u>(774,000)</u>	<u>(774,000)</u>	<u>(26,250)</u>	<u>747,750</u>
Change in net position	<u>\$ 11,628,485</u>	<u>\$ 11,617,585</u>	23,410,239	<u>\$ 11,792,654</u>

Explanation of difference between budgetary change in net position at June 30, 2013,
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, 2012	441,571
Less compensated absences at June 30, 2013	(543,160)
Add post-employment benefits at June 30, 2012	-
Less post-employment benefits at June 30, 2013	(15,251)

Capital outlays are not recognized as GAAP expenses but are recognized
as expenses on the budget basis. 156,542

Debt service principal payments are not recognized as expenses on the GAAP
basis but are recognized as expenses on the budget basis. 493,579

Capital assets contributed by developers are recognized as revenue for
GAAP purposes but are not recognized as revenue on the budget basis. 1,132,049

Depreciation is recognized as an expense for GAAP purposes but
is not recognized for budgetary purposes. (8,326,684)

Amortization of bond issuance costs is recognized as an expense for GAAP
purposes but is not recognized for budgetary purposes. (27,223)

Change in net position as reported on the statement of revenues, expenses
and changes in fund net position \$ 16,721,662

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, 2013

	<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	\$ 17,832,000	\$ 17,832,000	\$ 16,759,973	\$ (1,072,027)
Other	74,000	74,000	89,852	15,852
Total operating revenues	<u>17,906,000</u>	<u>17,906,000</u>	<u>16,849,825</u>	<u>(1,056,175)</u>
Operating expenses				
General and administrative	716,654	917,008	970,222	(53,214)
Personal services	5,121,850	5,677,240	5,521,550	155,690
Operation and maintenance	6,142,540	6,890,016	6,892,629	(2,613)
Capital outlay	3,109,000	3,115,124	608,995	2,506,129
Allocation of indirect expenses	668,500	668,500	668,502	(2)
Contingency	2,273,180	763,836	-	763,836
Total operating expenses	<u>18,031,724</u>	<u>18,031,724</u>	<u>14,661,898</u>	<u>3,369,826</u>
Operating income (loss)	<u>(125,724)</u>	<u>(125,724)</u>	<u>2,187,927</u>	<u>2,313,651</u>
Nonoperating revenues				
Investment earnings	74,200	74,200	145,350	71,150
Total nonoperating revenues	<u>74,200</u>	<u>74,200</u>	<u>145,350</u>	<u>71,150</u>
Change in net position	<u>\$ (51,524)</u>	<u>\$ (51,524)</u>	<u>2,333,277</u>	<u>\$ 2,384,801</u>

Explanation of difference between budgetary change in net position at June 30, 2013,
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, 2012	486,616
Less compensated absences at June 30, 2013	(471,338)
Add post-employment benefits at June 30, 2012	-
Less post-employment benefits at June 30, 2013	(28,893)

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

608,995

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

(1,545,518)

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

\$ 1,383,139



INTERNAL SERVICE FUNDS

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

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

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

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

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Net Position
June 30, 2013

	Equipment Maintenance	Copier Services	Employee Benefit Self- Insurance	Total
ASSETS				
Current assets:				
Pooled cash and investments	\$ 841,243	\$ 214,963	\$ 5,581,143	\$ 6,637,349
Receivables (net):				
Accrued interest	953	146	2,815	3,914
Accounts	16,693	-	19,550	36,243
Inventories	474,156	-	-	474,156
Total current assets	<u>1,333,045</u>	<u>215,109</u>	<u>5,603,508</u>	<u>7,151,662</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	223,225	209,894	-	433,119
Less accumulated depreciation	(217,764)	(60,677)	-	(278,441)
Total capital assets (net)	<u>5,461</u>	<u>149,217</u>	<u>-</u>	<u>154,678</u>
Total assets	<u>1,338,506</u>	<u>364,326</u>	<u>5,603,508</u>	<u>7,306,340</u>
LIABILITIES				
Current liabilities:				
Accounts payable	285,925	25,315	11,169	322,409
Accrued liabilities	33,349	-	-	33,349
Current portion of compensated absences	68,397	-	-	68,397
Claims payable	-	-	1,211,404	1,211,404
Total current liabilities	<u>387,671</u>	<u>25,315</u>	<u>1,222,573</u>	<u>1,635,559</u>
Long-term portion of compensated absences	<u>76,702</u>	<u>-</u>	<u>-</u>	<u>76,702</u>
Total liabilities	<u>464,373</u>	<u>25,315</u>	<u>1,222,573</u>	<u>1,712,261</u>
NET POSITION				
Net investment in capital assets	5,461	149,217	-	154,678
Unrestricted	868,672	189,794	4,380,935	5,439,401
Total net position	<u>\$ 874,133</u>	<u>\$ 339,011</u>	<u>\$ 4,380,935</u>	<u>\$ 5,594,079</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, 2013

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 7,445,455	\$ 254,357	\$ 13,814,040	\$ 21,513,852
Other	3,035	-	63,859	66,894
Total operating revenues	<u>7,448,490</u>	<u>254,357</u>	<u>13,877,899</u>	<u>21,580,746</u>
Operating expenses				
General and administrative	68,225	-	769,588	837,813
Personal services	1,481,587	-	-	1,481,587
Operation and maintenance	5,889,535	252,143	-	6,141,678
Claims Incurred	-	-	12,641,454	12,641,454
Depreciation	17,383	22,702	-	40,085
Total operating expenses	<u>7,456,730</u>	<u>274,845</u>	<u>13,411,042</u>	<u>21,142,617</u>
Operating income (loss)	<u>(8,240)</u>	<u>(20,488)</u>	<u>466,857</u>	<u>438,129</u>
Nonoperating revenues (expenses)				
Investment earnings	1,941	1,274	12,337	15,552
Loss on sale of capital assets	-	(40,060)	-	(40,060)
Total nonoperating revenues (expenses)	<u>1,941</u>	<u>(38,786)</u>	<u>12,337</u>	<u>(24,508)</u>
Change in net position	(6,299)	(59,274)	479,194	413,621
Total net position, beginning of year	<u>880,432</u>	<u>398,285</u>	<u>3,901,741</u>	<u>5,180,458</u>
Total net position, end of year	<u>\$ 874,133</u>	<u>\$ 339,011</u>	<u>\$ 4,380,935</u>	<u>\$ 5,594,079</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2013

	Equipment Maintenance	Copier Services	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:				
Other operating cash receipts	\$ 3,035	\$ -	\$ 46,219	\$ 49,254
Cash receipts from other funds for services	7,461,711	254,357	13,814,040	21,530,108
Cash payments to suppliers for goods and services	(5,938,800)	(319,647)	(13,446,293)	(19,704,740)
Cash payments to employees for services	(1,481,277)	-	-	(1,481,277)
Net cash provided by (used in) operating activities	<u>44,669</u>	<u>(65,290)</u>	<u>413,966</u>	<u>393,345</u>
Cash flows from capital and related financing activities:				
Proceeds from sales of capital assets	-	722	-	722
Net cash provided by capital and related financing activities	<u>-</u>	<u>722</u>	<u>-</u>	<u>722</u>
Cash flows from investing activities:				
Interest received on investments	2,554	1,998	11,338	15,890
Net cash provided by investing activities	<u>2,554</u>	<u>1,998</u>	<u>11,338</u>	<u>15,890</u>
Net increase (decrease) in cash and cash equivalents	47,223	(62,570)	425,304	409,957
Cash and cash equivalents at beginning of year	<u>794,020</u>	<u>277,533</u>	<u>5,155,839</u>	<u>6,227,392</u>
Cash and cash equivalents at end of year	<u>\$ 841,243</u>	<u>\$ 214,963</u>	<u>\$ 5,581,143</u>	<u>\$ 6,637,349</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ (8,240)	\$ (20,488)	\$ 466,857	\$ 438,129
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	17,383	22,702	-	40,085
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	16,256	-	(17,640)	(1,384)
Increase in inventories	(6,115)	-	-	(6,115)
Increase (decrease) in accounts payable	25,075	(67,504)	(2,084)	(44,513)
Decrease in claims payable	-	-	(33,167)	(33,167)
Increase in accrued expenses	310	-	-	310
Total adjustments	<u>52,909</u>	<u>(44,802)</u>	<u>(52,891)</u>	<u>(44,784)</u>
Net cash provided by (used in) operating activities	<u>\$ 44,669</u>	<u>\$ (65,290)</u>	<u>\$ 413,966</u>	<u>\$ 393,345</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 8,075,000	\$ 8,075,000	\$ 7,445,455	\$ (629,545)
Other	-	-	3,035	3,035
Total operating revenues	8,075,000	8,075,000	7,448,490	(626,510)
Operating expenses				
General and administrative	91,340	91,340	68,225	23,115
Personal services	1,685,730	1,585,730	1,490,871	94,859
Operation and maintenance	5,790,290	5,909,330	5,889,535	19,795
Depreciation	-	-	17,383	(17,383)
Total operating expenses	7,567,360	7,586,400	7,466,014	120,386
Operating income (loss)	507,640	488,600	(17,524)	(506,124)
Nonoperating revenues				
Investment earnings	-	-	1,941	1,941
Total nonoperating revenues	-	-	1,941	1,941
Change in net position	\$ 507,640	\$ 488,600	(15,583)	\$ (504,183)

Explanation of difference between budgetary change in net position at June 30, 2013,
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, 2012	154,383
Less compensated absences at June 30, 2013	(145,099)
Change in net position as reported on the statement of revenues, expenses and changes in fund net position	\$ (6,299)

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Operating revenues				
Charges for services	\$ 565,000	\$ 565,000	\$ 254,357	\$ (310,643)
Total operating revenues	<u>565,000</u>	<u>565,000</u>	<u>254,357</u>	<u>(310,643)</u>
Operating expenses				
Operation and maintenance	420,000	420,000	252,143	167,857
Capital outlay	250,000	250,000	-	250,000
Depreciation	-	-	22,702	(22,702)
Total operating expenses	<u>670,000</u>	<u>670,000</u>	<u>274,845</u>	<u>395,155</u>
Operating loss	<u>(105,000)</u>	<u>(105,000)</u>	<u>(20,488)</u>	<u>84,512</u>
Nonoperating revenues (expenses)				
Investment earnings	3,000	3,000	1,274	(1,726)
Loss on sale of capital assets	-	-	(40,060)	(40,060)
Total nonoperating revenues (expenses)	<u>3,000</u>	<u>3,000</u>	<u>(38,786)</u>	<u>(41,786)</u>
Change in net position	<u>\$ (102,000)</u>	<u>\$ (102,000)</u>	<u>\$ (59,274)</u>	<u>\$ 42,726</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 14,205,000	\$ 14,205,000	\$ 13,814,040	\$ (390,960)
Other	45,000	45,000	63,859	18,859
Total operating revenues	14,250,000	14,250,000	13,877,899	(372,101)
Operating expenses				
General and administrative	837,850	837,850	769,588	68,262
Claims Incurred	13,610,000	13,610,000	12,641,454	968,546
Total operating expenses	14,447,850	14,447,850	13,411,042	1,036,808
Operating income (loss)	(197,850)	(197,850)	466,857	664,707
Nonoperating revenues				
Investment earnings	13,000	13,000	12,337	(663)
Total nonoperating revenues	13,000	13,000	12,337	(663)
Change in net position	\$ (184,850)	\$ (184,850)	\$ 479,194	\$ 664,044



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, 2013

Flexible Spending	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ 22,956	\$ 337,296	\$ 341,310	\$ 18,942
Total assets	<u>\$ 22,956</u>	<u>\$ 337,296</u>	<u>\$ 341,310</u>	<u>\$ 18,942</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 2,552	\$ 2,552	\$ -
Medical benefits payable	9,092	268,789	277,209	672
Dependent care benefits payable	<u>13,864</u>	<u>68,507</u>	<u>64,101</u>	<u>18,270</u>
Total liabilities	<u>\$ 22,956</u>	<u>\$ 339,848</u>	<u>\$ 343,862</u>	<u>\$ 18,942</u>
Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ 136,900	\$ 47,312	\$ 113	\$ 184,099
Restricted accrued interest	<u>306</u>	<u>384</u>	<u>306</u>	<u>384</u>
Total assets	<u>\$ 137,206</u>	<u>\$ 47,696</u>	<u>\$ 419</u>	<u>\$ 184,483</u>
<u>Liabilities</u>				
Guaranty and other deposits	<u>\$ 137,206</u>	<u>\$ 47,674</u>	<u>\$ 397</u>	<u>\$ 184,483</u>
Total liabilities	<u>\$ 137,206</u>	<u>\$ 47,674</u>	<u>\$ 397</u>	<u>\$ 184,483</u>
Payback Agreement				
<u>Assets</u>				
Restricted cash and investments	\$ -	\$ 43,844	\$ 35,995	\$ 7,849
Total assets	<u>\$ -</u>	<u>\$ 43,844</u>	<u>\$ 35,995</u>	<u>\$ 7,849</u>
<u>Liabilities</u>				
Due to developers	\$ -	\$ 87,688	\$ 79,839	\$ 7,849
Total liabilities	<u>\$ -</u>	<u>\$ 87,688</u>	<u>\$ 79,839</u>	<u>\$ 7,849</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2013

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	\$ 159,856	\$ 428,452	\$ 377,418	\$ 210,890
Restricted accrued interest	<u>306</u>	<u>384</u>	<u>306</u>	<u>384</u>
Total assets	<u>\$ 160,162</u>	<u>\$ 428,836</u>	<u>\$ 377,724</u>	<u>\$ 211,274</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 2,552	\$ 2,552	\$ -
Guaranty and other deposits	137,206	47,674	397	184,483
Due to developers	-	87,688	79,839	7,849
Medical benefits payable	9,092	268,789	277,209	672
Dependent care benefits payable	<u>13,864</u>	<u>68,507</u>	<u>64,101</u>	<u>18,270</u>
Total liabilities	<u>\$ 160,162</u>	<u>\$ 475,210</u>	<u>\$ 424,098</u>	<u>\$ 211,274</u>



Statistical Section

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

Other Information

STATISTICAL SECTION

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

Contents	Page
Financial Trends	107
<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	113
<i>These schedules contain information to help the reader assess Gilbert's most significant local revenue source, sales tax.</i>	
Debt Capacity	115
<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	120
<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	122
<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	125

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)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities										
Net investment in capital assets	\$ 414,678,279	\$ 463,258,205	\$ 513,996,466	\$ 596,974,293	\$ 688,393,175	\$ 704,908,142	\$ 707,099,883	\$ 705,986,213	\$ 695,983,103	\$ 687,909,606
Restricted	51,872,071	49,646,029	47,715,687	42,681,149	34,925,873	24,035,677	43,766,457	38,404,141	52,218,392	60,524,680
Unrestricted	19,536,802	38,750,945	48,970,671	67,609,797	48,021,680	63,993,988	66,029,993	77,283,425	83,273,358	107,172,398
Total governmental activities net position	<u>\$ 486,087,152</u>	<u>\$ 551,655,179</u>	<u>\$ 610,682,824</u>	<u>\$ 707,265,239</u>	<u>\$ 771,340,728</u>	<u>\$ 792,937,807</u>	<u>\$ 816,896,333</u>	<u>\$ 821,673,779</u>	<u>\$ 831,474,853</u>	<u>\$ 855,606,684</u>
Business-type activities										
Net investment in capital assets	\$ 222,199,341	\$ 269,420,086	\$ 347,212,432	\$ 386,129,911	\$ 273,512,939	\$ 261,027,688	\$ 276,058,613	\$ 294,516,202	\$ 316,268,041	\$ 325,356,563
Restricted	44,404,210	52,594,128	62,356,255	103,425,180	106,871,117	91,738,487	86,942,759	76,504,052	71,375,688	70,878,871
Unrestricted	42,045,208	46,529,937	17,926,973	9,480,280	136,635,181	182,089,776	195,803,181	209,680,315	236,097,609	263,978,381
Total business-type activities net position	<u>\$ 308,648,759</u>	<u>\$ 368,544,151</u>	<u>\$ 427,495,660</u>	<u>\$ 499,035,371</u>	<u>\$ 517,019,237</u>	<u>\$ 534,855,951</u>	<u>\$ 558,804,553</u>	<u>\$ 580,700,569</u>	<u>\$ 623,741,338</u>	<u>\$ 660,213,815</u>
Primary government										
Net investment in capital assets	\$ 636,877,620	\$ 732,678,291	\$ 861,208,898	\$ 983,104,204	\$ 961,906,114	\$ 965,935,830	\$ 983,158,496	\$ 1,000,502,415	\$ 1,012,251,144	\$ 1,013,266,169
Restricted	96,276,281	102,240,157	110,071,942	146,106,329	141,796,990	115,774,164	130,709,216	114,908,193	123,594,080	131,403,551
Unrestricted	61,582,010	85,280,882	66,897,644	77,090,077	184,656,861	246,083,764	261,833,174	286,963,740	319,370,967	371,150,779
Total primary government net position	<u>\$ 794,735,911</u>	<u>\$ 920,199,330</u>	<u>\$ 1,038,178,484</u>	<u>\$ 1,206,300,610</u>	<u>\$ 1,288,359,965</u>	<u>\$ 1,327,793,758</u>	<u>\$ 1,375,700,886</u>	<u>\$ 1,402,374,348</u>	<u>\$ 1,455,216,191</u>	<u>\$ 1,515,820,499</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses										
Governmental activities:										
General government:										
Management and policy	\$ 1,884,140	\$ 2,155,340	\$ 2,900,380	\$ 3,070,422	\$ 3,166,667	\$ 3,068,178	\$ 2,830,563	\$ 3,109,759	\$ 2,982,636	\$ 10,461,389
Support services	5,760,253	7,138,828	8,854,240	9,827,763	10,351,241	10,137,539	9,297,428	8,503,492	8,632,288	-
Finance and management services	-	-	-	-	-	-	-	1,286,659	1,216,418	4,149,492
Legal and court	2,875,580	3,685,456	4,352,048	5,316,211	5,848,004	5,838,172	5,937,288	5,126,039	5,409,709	5,474,112
Development services	7,790,502	8,824,753	11,231,950	13,394,123	14,500,727	12,242,742	10,084,501	8,201,314	8,551,083	6,849,490
Public works	3,229,684	2,621,289	4,280,669	914,339	978,662	1,451,083	2,782,252	-	-	-
Public safety:										
Police	19,374,504	22,908,779	29,764,753	34,021,950	39,640,802	42,109,036	41,327,582	38,868,835	40,466,828	42,759,060
Fire	9,898,603	11,288,467	15,377,613	18,872,416	22,563,858	24,255,563	22,871,289	24,473,377	24,906,506	25,866,786
Highways and streets	19,613,335	25,100,705	24,852,381	31,052,006	36,385,215	38,540,677	36,905,783	40,440,136	43,437,623	44,048,280
Parks and recreation	8,526,959	10,114,095	11,238,766	15,925,776	16,175,710	19,349,722	19,825,728	19,763,971	19,931,592	20,857,878
Transportation	1,461,861	1,548,928	1,621,910	1,438,736	1,562,754	1,681,640	1,170,305	1,009,897	1,268,998	461,120
Non departmental	-	-	-	-	-	-	-	2,194,132	2,910,114	3,113,705
Interest and fiscal charges on long-term debt	6,415,295	6,555,140	7,943,561	9,531,956	8,893,365	17,096,048	18,417,745	17,674,873	15,785,320	15,142,477
Total governmental activities expenses	<u>86,830,716</u>	<u>101,941,780</u>	<u>122,418,271</u>	<u>143,365,698</u>	<u>160,067,005</u>	<u>175,770,400</u>	<u>171,450,464</u>	<u>170,652,484</u>	<u>175,499,115</u>	<u>179,183,789</u>
Business-type activities:										
Water	18,414,133	20,460,920	25,234,199	24,029,873	34,277,527	35,450,601	36,163,481	36,863,531	37,694,869	38,339,466
Wastewater	10,129,148	13,023,131	19,061,223	19,873,117	23,507,048	22,398,407	23,002,202	23,038,634	22,661,900	22,169,529
Environmental services	8,044,860	9,372,049	11,359,522	12,978,271	14,782,904	13,843,596	13,852,222	14,254,817	14,917,749	15,588,350
Irrigation	37,071	40,356	38,615	29,956	66,626	157,865	53,690	-	-	-
Total business-type activities expenses	<u>36,625,212</u>	<u>42,896,456</u>	<u>55,693,559</u>	<u>56,911,217</u>	<u>72,634,105</u>	<u>71,850,469</u>	<u>73,071,595</u>	<u>74,156,982</u>	<u>75,274,518</u>	<u>76,097,345</u>
Total primary government expenses	<u>\$ 123,455,928</u>	<u>\$ 144,838,236</u>	<u>\$ 178,111,830</u>	<u>\$ 200,276,915</u>	<u>\$ 232,701,110</u>	<u>\$ 247,620,869</u>	<u>\$ 244,522,059</u>	<u>\$ 244,809,466</u>	<u>\$ 250,773,633</u>	<u>\$ 255,281,134</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Development services	\$ 8,212,207	\$ 11,917,811	\$ 11,432,135	\$ 10,227,269	\$ 7,385,200	\$ 3,773,261	\$ 4,027,463	\$ 3,177,940	\$ 5,346,632	\$ 7,239,914
Police	2,430,266	2,972,598	3,749,728	6,014,921	6,358,381	6,594,319	6,374,267	2,890,874	5,584,595	5,511,716
Fire	499,102	881,962	794,767	100,360	71,807	100,218	78,550	135,732	128,955	185,224
Highways and streets	865,437	1,111,282	1,258,182	1,396,499	1,265,289	1,454,141	1,659,066	1,739,467	1,497,069	1,516,389
Parks and recreation	2,149,622	2,222,258	2,464,365	2,954,876	3,129,436	3,192,962	3,734,602	3,739,896	3,594,859	3,705,724
Other activities	435,406	491,167	542,843	502,682	707,251	702,607	788,789	853,239	861,186	1,017,388
Operating grants and contributions	14,351,688	15,251,531	17,078,782	22,465,988	22,630,806	21,183,148	19,206,066	21,167,633	21,044,646	21,270,393
Capital grants and contributions	53,754,550	61,048,198	43,855,523	70,075,655	45,821,379	31,493,349	39,631,744	28,002,037	26,060,002	36,088,697
Total governmental activities program revenues	<u>82,698,278</u>	<u>95,896,807</u>	<u>81,176,325</u>	<u>113,738,250</u>	<u>87,369,549</u>	<u>68,494,005</u>	<u>75,500,547</u>	<u>61,706,818</u>	<u>64,117,944</u>	<u>76,535,445</u>

Business-type activities:										
Charges for services:										
Water	17,967,291	20,418,403	24,126,163	28,244,561	32,320,937	33,416,401	34,601,338	35,966,037	36,692,434	36,455,247
Wastewater	11,139,203	12,105,571	13,989,496	16,173,220	18,440,258	19,721,549	21,024,189	21,677,621	22,739,462	23,082,930
Environmental services	9,324,084	10,255,707	11,307,240	13,885,607	15,642,418	16,591,602	16,566,987	17,194,313	17,923,883	16,759,973
Irrigation	16,646	18,775	16,634	17,622	17,500	18,513	24,639	-	-	-
Capital grants and contributions	41,129,808	49,378,551	59,182,705	64,673,795	34,555,868	19,228,350	22,026,098	18,324,573	37,221,712	34,152,978
Total business-type activities program revenues	79,577,032	92,177,007	108,622,238	122,994,805	100,976,981	88,976,415	94,243,251	93,162,544	114,577,491	110,451,128
Total primary government program revenues	\$ 162,275,310	\$ 188,073,814	\$ 189,798,563	\$ 236,733,055	\$ 188,346,530	\$ 157,470,420	\$ 169,743,798	\$ 154,869,362	\$ 178,695,435	\$ 186,986,573
Net (Expense)/Revenue										
Governmental activities ^a	\$ (4,132,438)	\$ (6,044,973)	\$ (41,241,946)	\$ (29,627,448)	\$ (72,697,456)	\$ (107,276,395)	\$ (95,949,917)	\$ (108,945,666)	\$ (111,381,171)	\$ (102,648,344)
Business-type activities	42,951,820	49,280,551	52,928,679	66,083,588	28,342,876	17,125,946	21,171,656	19,005,562	39,302,973	34,353,783
Total primary government net revenue (expense)	\$ 38,819,382	\$ 43,235,578	\$ 11,686,733	\$ 36,456,140	\$ (44,354,580)	\$ (90,150,449)	\$ (74,778,261)	\$ (89,940,104)	\$ (72,078,198)	\$ (68,294,561)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 34,972,908	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907	\$ 49,060,234	\$ 47,118,885	\$ 49,248,759	\$ 54,513,265	\$ 61,813,421
Property taxes, levied for debt service	10,407,422	12,026,288	14,053,737	16,499,669	26,345,117	30,836,167	30,116,881	25,796,000	21,502,322	19,183,696
In-Lieu property taxes	304,844	378,782	372,682	376,101	831,159	948,510	1,327,755	1,351,479	1,331,051	1,376,579
Franchise taxes	1,532,695	1,711,290	2,010,931	2,360,909	2,595,154	2,543,688	2,448,514	2,401,013	2,462,726	3,082,780
Unrestricted state shared sales taxes	9,228,830	10,162,364	12,088,197	16,594,671	16,316,998	14,125,962	13,029,141	13,787,266	16,288,580	17,062,262
Unrestricted state shared income taxes	9,891,309	10,084,177	11,485,210	19,761,466	24,985,772	26,434,943	22,922,794	17,280,849	17,593,587	21,293,026
Unrestricted grants and contributions	2,196,572	2,491,151	3,157,577	3,157,008	2,195,293	939,018	1,235,571	863,570	1,349,124	1,192,913
Unrestricted investment earnings	1,181,254	2,314,665	7,018,569	8,508,485	4,462,545	2,003,235	1,300,903	2,137,352	1,909,629	722,141
Gain on sale of capital assets	161,390	55,232	215,647	23,880	260,422	151,709	73,744	-	177,899	-
Miscellaneous	319,327	602,281	614,602	620,185	543,818	668,784	679,801	355,415	4,744,306	932,108
Transfers	48,382	679,314	54,183	609,993	1,256,760	1,161,224	(345,546)	537,225	(690,244)	121,249
Total governmental activities	70,244,933	83,665,127	100,269,591	126,209,863	136,772,945	128,873,474	119,908,443	113,758,928	121,182,245	126,780,175
Business-type activities:										
Investment earnings	812,801	2,835,377	5,144,180	5,287,992	7,509,250	1,066,552	739,124	1,011,691	1,244,149	1,061,205
(Loss)/Gain on sale of capital assets	-	59,994	131,387	(376,397)	55,471	51,813	148,135	164,047	38,279	-
Miscellaneous	303,089	626,001	801,446	405,850	400,069	753,627	1,544,141	2,216,125	1,765,124	1,178,738
Transfers	(48,382)	(679,314)	(54,183)	(609,993)	(1,256,760)	(1,161,224)	345,546	(537,225)	690,244	(121,249)
Total business-type activities	1,067,508	2,842,058	6,022,830	4,707,452	6,708,030	710,768	2,776,946	2,854,638	3,737,796	2,118,694
Total primary government	\$ 71,312,441	\$ 86,507,185	\$ 106,292,421	\$ 130,917,315	\$ 143,480,975	\$ 129,584,242	\$ 122,685,389	\$ 116,613,566	\$ 124,920,041	\$ 128,898,869
Change in Net Position										
Governmental activities	\$ 66,112,495	\$ 77,620,154	\$ 59,027,645	\$ 96,582,415	\$ 64,075,489	\$ 21,597,079	\$ 23,958,526	\$ 4,813,262	\$ 9,801,074	\$ 24,131,831
Business-type activities	44,019,328	52,122,609	58,951,509	70,791,040	35,050,906	17,836,714	23,948,602	21,860,200	43,040,769	36,472,477
Total primary government	\$ 110,131,823	\$ 129,742,763	\$ 117,979,154	\$ 167,373,455	\$ 99,126,395	\$ 39,433,793	\$ 47,907,128	\$ 26,673,462	\$ 52,841,843	\$ 60,604,308

^a The increase in Net Expense for Governmental activities in fiscal year 2006 is due to a 32% increase in public safety expenses (hiring more police and fire personnel - see Schedule 16 for details) and a 28% decrease in capital grants and contributions (developer contributions).
The increase in Net Expense for Governmental activities in fiscal year 2008 is due to a 18% increase in public safety expenses (hiring more police and fire personnel - see Schedule 16 for details) and a 35% decrease in capital grants and contributions (developer contributions).
The increase in Net Expense for Governmental activities in fiscal year 2009 is due to a 92% increase in interest and fiscal charges on long-term debt (interest and principal payments on general obligation bonds issued at end of 2008) and a 31% decrease in capital grants and contributions (developer contributions).
The increase in Net Expense for Governmental activities in fiscal year 2011 is due to a 29% decrease in capital grants and contributions (developer contributions).

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Function/Program										
Governmental activities:										
General government:										
Management and policy	\$ 44,198	\$ 29,848	\$ 66,402	\$ 70,147	\$ 46,632	\$ 11,140	\$ 10,406	\$ 15,064	\$ 15,762	\$ 35,514
Support services	163,215	197,938	236,754	1,132,587	1,183,621	128,102	214,748	648,385	241,727	-
Finance and management services	-	-	-	-	-	-	-	9,256	11,173	250,894
Legal and court	268,998	306,429	343,835	412,084	674,849	585,944	596,714	596,752	669,895	792,287
Development services	9,359,374	12,331,975	12,326,494	11,661,699	8,100,907	4,571,108	4,575,690	4,273,289	6,891,297	7,239,914
Public works ^a	3,080,949	1,122,359	1,976,224	5,837,055	1,948,470	901,345	1,005,068	-	-	-
Public Safety:										
Police	5,225,499	6,018,763	7,139,932	9,629,340	8,491,397	7,838,153	8,494,631	3,989,076	7,689,049	7,668,983
Fire	2,838,497	4,576,385	5,196,579	5,286,529	4,223,014	4,385,765	3,446,899	3,162,871	6,891,607	4,078,840
Highways and streets ^b	52,716,860	57,449,518	40,427,704	65,949,321	52,536,064	39,125,537	45,193,392	39,324,239	25,633,784	41,280,427
Parks and recreation	8,817,868	13,477,053	13,312,782	13,248,549	9,861,396	10,538,978	11,649,317	9,422,037	15,314,154	14,475,450
Transportation	182,820	386,539	149,619	510,939	303,199	407,933	313,682	214,932	624,105	661,976
Non departmental	-	-	-	-	-	-	-	50,917	135,391	51,160
Subtotal governmental activities	<u>82,698,278</u>	<u>95,896,807</u>	<u>81,176,325</u>	<u>113,738,250</u>	<u>87,369,549</u>	<u>68,494,005</u>	<u>75,500,547</u>	<u>61,706,818</u>	<u>64,117,944</u>	<u>76,535,445</u>
Business-type activities:										
Water	41,402,414	47,216,223	55,933,046	64,313,182	52,172,311	43,997,487	47,232,137	46,132,685	56,904,451	55,661,797
Wastewater	28,833,888	34,669,529	41,365,318	44,778,394	33,144,752	28,368,813	30,419,488	29,835,546	39,735,444	38,029,358
Environmental services	9,324,084	10,272,480	11,307,240	13,885,607	15,642,418	16,591,602	16,566,987	17,194,313	17,937,596	16,759,973
Irrigation	16,646	18,775	16,634	17,622	17,500	18,513	24,639	-	-	-
Subtotal business-type activities	<u>79,577,032</u>	<u>92,177,007</u>	<u>108,622,238</u>	<u>122,994,805</u>	<u>100,976,981</u>	<u>86,976,415</u>	<u>94,243,251</u>	<u>93,162,544</u>	<u>114,577,491</u>	<u>110,451,128</u>
Total primary government	<u>\$ 162,275,310</u>	<u>\$ 188,073,814</u>	<u>\$ 189,798,563</u>	<u>\$ 236,733,055</u>	<u>\$ 188,346,530</u>	<u>\$ 157,470,420</u>	<u>\$ 169,743,798</u>	<u>\$ 154,869,362</u>	<u>\$ 178,695,435</u>	<u>\$ 186,986,573</u>

^a In fiscal year 2003, the Town received \$6,510,000 in improvement bonds for the construction & installation of certain water and sewer improvements.

^b The decrease in governmental activities revenue in fiscal years 2008, 2009, and 2011 is mainly due to decreased developer contributions.

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

	2004	2005	2006	2007	2008	2009	2010	2011 ^c	2012	2013
General fund										
Reserved	\$ 1,258,466	\$ 233,555	\$ 441,157	\$ 16,082,035	\$ 16,015,075	\$ 17,630,101	\$ 21,382,756	\$ -	\$ -	\$ -
Unreserved	19,486,079	39,220,868	37,670,366	33,431,047	38,375,273	36,244,514	33,168,053	-	-	-
Nonspendable	-	-	-	-	-	-	-	22,317,444	23,213,179	23,526,673
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	10,729,403	10,797,540	10,092,418
Unassigned	-	-	-	-	-	-	-	33,520,702	44,249,663	59,555,132
Total general fund	<u>\$ 20,744,545</u>	<u>\$ 39,454,423</u>	<u>\$ 38,111,523</u>	<u>\$ 49,513,082</u>	<u>\$ 54,390,348</u>	<u>\$ 53,874,615</u>	<u>\$ 54,550,809</u>	<u>\$ 66,567,549</u>	<u>\$ 78,260,382</u>	<u>\$ 93,174,223</u>
All other governmental funds										
Reserved ^a	\$ 70,452,920	\$ 56,413,890	\$ 108,785,039	\$ 69,735,445	\$ 42,862,953	\$ 67,625,941	\$ 45,147,155	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	16,265,034	16,737,129	28,238,612	28,546,101	29,347,664	25,886,221	27,634,524	-	-	-
Debt service funds	(3,221,527)	(4,744,264)	(4,500,716)	-	-	-	-	-	-	-
Capital projects funds ^b	(9,047,787)	(6,395,978)	(3,626,775)	(17,761,932)	(36,580,485)	99,569,767	86,482,204	-	-	-
Total Unreserved	3,995,720	5,596,887	20,111,121	10,784,169	(7,232,821)	125,455,988	114,116,728	-	-	-
Nonspendable	-	-	-	-	-	-	-	4,248	1,666	591
Restricted	-	-	-	-	-	-	-	108,050,638	100,571,955	89,654,398
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	28,261,048	26,159,605	36,257,570
Unassigned	-	-	-	-	-	-	-	(20,781,250)	(23,199,303)	(23,609,252)
Total all other governmental funds	<u>\$ 74,448,640</u>	<u>\$ 62,010,777</u>	<u>\$ 128,896,160</u>	<u>\$ 80,519,614</u>	<u>\$ 35,630,132</u>	<u>\$ 193,081,929</u>	<u>\$ 159,263,883</u>	<u>\$ 115,534,684</u>	<u>\$ 103,533,923</u>	<u>\$ 102,303,307</u>

^a In fiscal year 2004, the increase in reserved fund balance was due to unspent bond proceeds that were encumbered during the period for various streets capital projects. In fiscal year 2006, the increase in reserved fund balance was also due to unspent bond proceeds that were encumbered for the South Area Service Center municipal facilities capital project and the Elliot Road District Park capital project.

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

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues										
Taxes:										
Sales	\$ 34,972,908	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907	\$ 48,736,286	\$ 46,872,739	\$ 49,315,215	\$ 54,502,627	\$ 61,889,627
Property	11,609,075	13,482,146	15,671,497	18,528,637	28,302,870	33,130,496	33,073,003	28,731,573	24,045,259	21,547,619
Franchise	1,532,695	1,711,290	2,010,931	2,360,909	2,595,154	2,543,688	2,448,514	2,401,013	2,462,726	2,373,913
Licenses and permits	6,281,477	9,192,849	8,539,210	6,818,495	4,734,163	2,459,042	2,614,273	2,364,910	3,995,370	5,433,766
Intergovernmental	34,440,730	40,149,322	46,258,664	65,758,839	73,255,188	67,053,476	72,535,194	55,361,498	61,468,511	72,903,725
Special assessments	1,924,451	1,552,289	1,425,857	355,124	2,121,038	421,894	437,493	559,284	878,981	1,298,984
Charges for services	7,135,507	8,479,154	9,536,324	9,391,341	9,593,874	8,596,016	8,795,326	7,288,394	8,163,691	9,573,263
Other entities' participation	2,156,627	2,845,785	2,325,967	6,081,523	1,619,694	1,055,416	1,233,559	2,313,197	1,300,573	2,252,080
System development fees	14,662,061	21,773,077	22,959,373	23,014,785	15,566,498	8,394,562	11,607,702	8,735,768	17,957,172	17,836,264
Gifts and donations	122,861	150,652	341,965	502,490	176,612	114,127	124,185	176,408	185,771	119,031
Fines and forfeitures	2,115,055	2,417,453	2,832,536	4,094,156	4,563,842	4,222,855	4,444,521	4,350,499	4,441,872	4,710,594
Investment earnings	1,173,164	2,277,133	6,933,872	8,386,063	4,344,980	1,978,090	1,286,054	2,105,783	1,888,868	706,589
Miscellaneous	480,717	651,072	799,218	669,913	800,050	618,714	753,545	355,415	4,946,915	932,937
Total revenues	<u>118,607,328</u>	<u>147,841,805</u>	<u>168,833,670</u>	<u>203,659,771</u>	<u>204,653,870</u>	<u>179,524,662</u>	<u>186,226,108</u>	<u>164,058,957</u>	<u>186,238,336</u>	<u>201,578,392</u>
Expenditures										
Current:										
General government:										
Management and policy	2,182,793	2,461,684	3,229,903	3,821,539	3,919,054	3,642,307	3,457,728	3,844,801	3,675,707	12,583,701
Support services	6,821,426	7,460,561	8,722,221	9,770,935	10,813,606	10,385,787	10,256,878	9,239,397	9,159,579	-
Finance and management services	-	-	-	-	-	-	-	1,416,227	1,721,856	4,234,992
Legal and court	2,850,975	3,070,512	3,714,232	4,681,581	5,222,500	5,202,603	5,261,063	4,402,494	4,617,467	4,753,179
Development services	7,694,887	8,614,412	10,966,867	12,693,286	14,023,620	11,320,737	9,204,352	7,160,069	7,513,803	5,998,594
Public works	1,540,331	1,231,658	1,411,727	1,254,628	1,328,552	1,797,804	1,224,936	-	-	-
Public safety:										
Police	18,772,923	21,197,065	27,835,183	31,534,516	36,126,310	37,851,358	37,668,983	35,007,296	36,384,051	38,817,173
Fire	9,359,511	10,491,040	13,982,418	17,223,948	20,521,025	21,171,212	20,115,006	20,199,917	21,551,889	22,542,469
Highways and streets	5,592,356	9,149,173	7,505,334	9,423,732	10,631,061	10,377,669	10,096,952	9,736,165	10,815,195	10,637,458
Parks and recreation	6,770,499	7,675,098	8,513,797	12,724,944	12,567,656	13,151,552	12,683,389	12,590,715	12,688,165	13,895,169
Transportation	1,461,861	1,548,928	1,621,910	1,438,736	1,562,754	1,681,641	1,170,305	1,009,897	1,268,998	461,120
Non departmental	-	-	-	-	-	-	-	2,194,132	2,910,114	3,113,705
Debt service:										
Principal	12,171,072	14,964,964	15,100,000	20,305,000	36,350,000	29,805,000	31,855,000	29,215,000	23,055,000	24,705,000
Interest	6,392,593	6,540,937	7,906,095	9,578,451	8,961,189	16,500,714	18,553,369	18,451,295	15,991,746	15,411,011
Bond issuance costs	166,468	59,572	424,807	-	98,263	670,289	-	-	402,163	-
Fiscal and other charges	22,054	11,851	49,079	45,054	28,809	11,766	9,304	20,083	9,189	13,449
Capital outlay	69,663,246	65,598,244	83,798,196	106,748,401	87,528,247	134,013,578	58,784,547	41,934,425	34,499,875	30,849,396
Total expenditures	<u>151,462,995</u>	<u>160,075,699</u>	<u>194,781,769</u>	<u>241,244,751</u>	<u>249,682,646</u>	<u>297,584,017</u>	<u>220,341,812</u>	<u>196,421,913</u>	<u>186,264,797</u>	<u>188,016,416</u>
Excess (deficiency) of revenues over (under) expenditures	(32,855,667)	(12,233,894)	(25,948,099)	(37,584,980)	(45,028,776)	(118,059,355)	(34,115,704)	(32,362,956)	(26,461)	13,561,976
Other financing sources (uses)										
Transfers in	24,334,654	19,512,534	45,391,786	77,501,538	45,661,293	90,679,697	26,608,323	25,272,656	25,195,278	25,773,791
Transfers out	(24,286,272)	(18,833,220)	(45,337,603)	(76,891,545)	(44,404,533)	(89,518,473)	(25,634,471)	(24,586,342)	(25,885,522)	(25,652,542)
Bonds issued	52,300,000	18,750,000	103,230,000	-	3,759,800	273,490,200	-	-	37,925,000	-
Premium on bonds	602,954	51,095	3,078,293	-	-	343,995	-	-	4,110,575	-
Payment to refunded bond escrow agent	-	-	(14,871,894)	-	-	-	-	-	(41,626,798)	-
Total other financing sources and uses	<u>52,951,336</u>	<u>19,480,409</u>	<u>91,490,582</u>	<u>609,993</u>	<u>5,016,560</u>	<u>274,995,419</u>	<u>973,852</u>	<u>686,314</u>	<u>(281,467)</u>	<u>121,249</u>
Net change in fund balances	\$ <u>20,095,669</u>	\$ <u>7,246,515</u>	\$ <u>65,542,483</u>	\$ <u>(36,974,987)</u>	\$ <u>(40,012,216)</u>	\$ <u>156,936,064</u>	\$ <u>(33,141,852)</u>	\$ <u>(31,676,642)</u>	\$ <u>(307,928)</u>	\$ <u>13,683,225</u>
Debt service as a percentage of noncapital expenditures	22.7%	22.8%	20.7%	22.2%	27.9%	28.3%	31.2%	30.9%	25.7%	25.5%

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Construction	\$ 8,777,849	\$ 15,670,222	\$ 15,457,650	\$ 19,373,957	\$ 15,416,006	\$ 7,804,840	\$ 5,193,872	\$ 4,389,279	\$ 5,718,727	\$ 7,867,067
Manufacturing	461,330	643,826	734,423	684,148	789,804	650,179	635,188	706,514	727,755	763,152
Communications & Utilities	2,748,392	3,630,952	4,028,971	4,548,528	5,269,633	5,303,338	5,724,639	5,562,364	5,774,403	5,931,935
Wholesale	556,862	335,857	446,597	483,943	577,086	527,933	610,065	854,466	965,523	1,100,749
Retail	14,317,055	15,861,398	19,598,312	21,385,004	23,550,094	23,305,081	23,775,975	25,540,515	28,390,526	30,784,509
Restaurant & Bar	1,673,327	2,045,005	2,501,237	2,972,678	3,228,910	3,509,671	3,566,427	3,820,368	4,072,187	4,402,299
Real Estate, Rental & Leasing	3,153,884	3,383,290	4,299,410	5,276,563	5,538,416	5,751,120	5,249,645	5,874,288	6,078,364	7,944,973
Accommodation ^a	-	-	-	-	-	-	-	252,974	299,270	377,228
Services	2,018,946	818,873	945,003	973,552	1,729,464	1,039,678	1,002,691	1,069,661	1,211,864	1,369,608
Other ^a	1,022,984	346,103	711,618	1,491,268	319,810	243,510	481,122	652,042	520,302	487,279
Transportation & Warehousing ^b	29,060	7,773	9,906	17,264	13,347	12,575	16,464	21,161	25,830	25,667
Finance & Insurance ^b	100,986	61,734	63,851	73,410	93,008	100,490	100,293	89,990	112,496	154,772
Public Administration ^b	6,214	5,900	9,819	11,416	8,272	4,748	9,503	-	4,586	2,271
Arts & Entertainment ^b	106,019	348,650	391,459	405,765	446,057	483,123	506,855	481,592	600,794	594,043
Total	\$ 34,972,908	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907	\$ 48,736,286	\$ 46,872,739	\$ 49,315,215	\$ 54,502,627	\$ 61,805,552
Gilbert's local sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

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

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

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

Schedule 7

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013^a</u>
Town Direct Rates:										
Hotel/Transient Lodging	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
All Others	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
County Rates:										
Hotel/Transient Lodging	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%
All Others	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
State Rates:										
Hotel/Transient Lodging	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	6.50%	6.50%	6.50%	6.50%
All Others	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	6.60%	6.60%	6.60%	6.60%

Source: Gilbert Development 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	General Obligation Bonds	Special Assessment Bonds	Water and Wastewater Revenue Bonds	Municipal Property Corporation Revenue Bonds			
2004	\$ 75,735,000	\$ 8,544,965	\$ 38,125,000	\$ 36,900,000	\$ 15,080,000	\$ 150,035	\$ 26,685,000	\$ 8,575,000	\$ 209,795,000	4.83 %	\$ 1,360
2005	87,195,000	5,825,000	36,555,000	35,450,000	14,600,000	-	25,540,000	72,950,000	278,115,000	5.77	1,660
2006	90,715,000	4,505,000	34,095,000	107,370,000	13,080,000	-	23,225,000	60,590,000	333,580,000	6.39	1,874
2007	79,450,000	4,380,000	32,300,000	105,845,000	11,725,000	-	21,995,000	194,685,000	450,380,000	7.87	2,355
2008	57,369,800	2,990,000	31,300,000	100,635,000	10,335,000	-	20,745,000	182,950,000	406,324,800	6.65	2,028
2009	225,935,000	11,590,000	29,375,000	175,810,000	8,885,000	-	19,465,000	167,125,000	638,185,000	10.24	3,116
2010	204,055,000	11,505,000	27,325,000	169,750,000	7,115,000	-	18,150,000	160,475,000	598,375,000	9.39	2,871
2011	178,635,000	11,415,000	25,150,000	161,045,000	5,530,000	-	16,795,000	143,270,000	541,840,000	8.56	2,545
2012	159,465,000	11,015,000	19,470,000	141,990,000	3,870,000	-	15,410,000	118,895,000	470,115,000	7.53	2,141
2013	147,565,000	10,430,000	16,945,000	132,295,000	2,110,000	-	13,980,000	111,120,000	434,445,000	6.15	1,909

Note: See Schedule 13 for personal income and population data.

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

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding^b</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Secondary Assessed Property Value^a</u>	<u>Percentage of Secondary Assessed Property Value</u>	<u>Per Capita</u>
2004	\$ 90,843,435	\$ 6,697,401	\$ 84,146,034	\$ 1,052,321,817	7.99 %	\$ 545.16
2005	101,820,850	7,427,782	94,393,068	1,251,765,751	7.54	563.40
2006	103,838,670	10,224,408	93,614,262	1,466,841,566	6.38	525.63
2007	91,216,012	11,087,607	80,128,405	2,370,134,999	3.38	418.85
2008	67,743,161	7,279,915	60,463,246	2,768,391,194	2.18	301.65
2009	234,931,034	6,655,504	228,275,530	2,672,949,852	8.54	1,113.97
2010	211,275,208	6,720,588	204,554,620	2,297,228,317	8.90	980.79
2011	184,262,965	6,927,284	177,335,681	1,861,193,961	9.52	832.61
2012	163,424,952	10,189,619	153,235,333	1,675,360,422	9.14	697.33
2013	149,756,103	10,735,245	139,020,858	1,594,806,737	8.72	610.82

^a Maricopa County Assessor's Office

^b Includes unamortized bond premiums and unamortized charge on refunding bonds.

Note: See Schedule 13 for population data.

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

Schedule 10

Town of Gilbert, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

<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	4.95%	\$ None
Maricopa County Community College District ^c	712,735,000	4.95%	35,280,383
Maricopa County Hospital District No. 1	None	4.95%	None
Gilbert Unified School District No. 41	135,405,000	69.85%	94,580,393
Higley Elementary School District No. 60	61,195,000	87.46%	53,521,147
Chandler Unified School District No. 80	193,825,000	10.17%	19,712,003
Mesa Unified School District No. 4	226,400,000	0.30%	679,200
East Valley Institute of Technology District No. 401 ^d	None	11.42%	None
			<hr/>
Subtotal, overlapping debt			203,773,126
Town of Gilbert direct debt ^e	320,509,800	100.00%	<u>320,509,800</u>
Total direct and overlapping debt			<u>\$ 524,282,926</u>

Source: The various jurisdictions

^a Proportion applicable to Town of Gilbert, Arizona is computed on the ratio of secondary assessed valuation for fiscal year 2013/14.

^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 bonds, unamortized bond premiums and unamortized charge on refunding bonds.

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>20% Limitation</u>										
Debt limit equal to 20% of assessed valuation	\$ 210,464,363	\$ 250,353,150	\$ 293,368,313	\$ 474,027,000	\$ 553,678,000	\$ 534,590,000	\$ 459,446,000	\$ 372,239,000	\$ 335,072,084	\$ 318,961,347
Total net debt applicable to 20% limit	<u>35,075,000</u>	<u>32,570,000</u>	<u>31,215,000</u>	<u>78,050,000</u>	<u>51,705,000</u>	<u>217,730,000</u>	<u>195,320,000</u>	<u>175,915,000</u>	<u>163,335,000</u>	<u>149,675,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 175,389,363</u>	<u>\$ 217,783,150</u>	<u>\$ 262,153,313</u>	<u>\$ 395,977,000</u>	<u>\$ 501,973,000</u>	<u>\$ 316,860,000</u>	<u>\$ 264,126,000</u>	<u>\$ 196,324,000</u>	<u>\$ 171,737,084</u>	<u>\$ 169,286,347</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	16.67%	13.01%	10.64%	16.47%	9.34%	40.73%	42.51%	47.26%	48.75%	46.93%
<u>6% Limitation</u>										
Debt limit equal to 6% of assessed valuation	\$ 63,139,309	\$ 75,105,945	\$ 88,010,494	\$ 142,208,100	\$ 166,103,000	\$ 160,377,000	\$ 137,834,000	\$ 111,672,000	\$ 100,521,625	\$ 95,688,404
Total net debt applicable to 6% limit	<u>47,970,000</u>	<u>60,030,000</u>	<u>64,870,000</u>	<u>3,550,000</u>	<u>855,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 15,169,309</u>	<u>\$ 15,075,945</u>	<u>\$ 23,140,494</u>	<u>\$ 138,658,100</u>	<u>\$ 165,248,000</u>	<u>\$ 160,377,000</u>	<u>\$ 137,834,000</u>	<u>\$ 111,672,000</u>	<u>\$ 100,521,625</u>	<u>\$ 95,688,404</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	75.97%	79.93%	73.71%	2.50%	0.51%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2013

Net secondary assessed valuation as of June 30, 2013	\$ 1,594,806,737
<u>20% Limitation</u>	
Debt limit equal to 20% of assessed valuation	318,961,347
Debt applicable to limit:	
General obligation bonds	<u>149,675,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 169,286,347</u>
<u>6% Limitation</u>	
Debt limit equal to 6% of assessed valuation	95,688,404
Debt applicable to limit:	
General obligation bonds	<u>0</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 95,688,404</u>

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

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

Fiscal Year	Special Assessment Bonds				Highway User Revenue Bonds				Public Facilities Municipal Property Corp. Revenue Bonds			
	Special Assessment Collections	Debt Service		Coverage	Highway User Tax Revenue	Debt Service		Coverage	Excise Taxes & State-Shared Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2004	\$ 1,924,451	\$ 1,861,072	\$ 564,126	0.79	\$ 7,594,672	\$ 1,570,000	\$ 1,425,365	2.54	\$ 64,525,103	\$ 1,450,000	\$ 1,596,612	21.18
2005	1,552,289	3,274,964	398,660	0.42	7,975,941	1,660,000	1,604,050	2.44	69,209,221	1,500,000	1,553,113	22.67
2006	1,425,857	765,000	262,458	1.39	8,782,895	1,750,000	1,522,950	2.68	79,497,344	1,525,000	3,155,681	16.98
2007	355,124	125,000	231,010	1.00	12,355,280	1,845,000	1,437,450	3.76	102,525,938	5,210,000	4,753,688	10.29
2008	2,121,038	1,390,000	191,620	1.34	12,333,576	1,925,000	1,347,313	3.77	107,273,375	5,410,000	4,567,400	10.75
2009	421,894	75,000	153,530	1.85	10,651,366	2,050,000	1,251,063	3.23	97,901,565	6,060,000	5,404,460	8.54
2010	437,493	85,000	149,370	1.87	10,090,894	2,175,000	1,148,563	3.04	91,609,318	8,705,000	8,014,525	5.48
2011	559,284	90,000	587,245	0.83	10,356,131	2,275,000	1,039,813	3.12	89,202,148	9,030,000	7,705,188	5.33
2012	878,981	400,000	574,655	0.90	10,437,844	2,400,000	570,375	3.51	97,342,250	9,335,000	7,149,316	5.91
2013	1,298,984	585,000	553,258	1.14	11,414,425	2,525,000	807,400	3.43	109,637,647	9,695,000	6,873,353	6.62

119

Fiscal Year	Water and Wastewater Revenue Bonds						Water Resources Municipal Property Corp. Revenue Bonds					
	Operating Revenues ^a	Less: Operating Expenses ^a	Net Available Revenue	Debt Service		Coverage	Net Available Revenue ^b	Water System Dev't Fee	Wastewater System Dev't Fee	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2004	\$ 29,326,860	\$ 18,940,817	\$ 10,386,043	\$ 1,045,000	\$ 1,045,563	4.97	\$ 8,295,480	\$ 14,803,415	\$ -	\$ 3,555,000	\$ 766,180	5.35
2005	32,977,355	21,010,668	11,966,687	1,135,000	954,994	5.73	9,876,693	15,184,009	-	-	274,400	91.33
2006	38,518,047	28,439,547	10,078,500	1,180,000	927,263	4.78	7,971,237	-	20,491,288	-	4,332,600	6.57
2007	44,698,632	28,173,011	16,525,621	1,230,000	897,913	7.77	14,397,708	-	17,033,202	2,130,000	2,629,122	6.60
2008	51,061,203	32,100,716	18,960,487	1,250,000	866,563	8.96	16,843,924	11,697,125	10,923,733	-	9,130,452	4.32
2009	53,633,557	32,618,247	21,015,310	1,280,000	835,313	9.93	18,899,997	6,329,797	6,190,815	3,200,000	7,808,650	2.85
2010	57,096,936	32,034,177	25,062,759	1,315,000	803,313	11.83	22,944,446	8,491,638	8,715,622	3,300,000	7,910,188	3.58
2011	59,780,559	33,231,244	26,549,315	1,355,000	763,863	12.53	24,430,452	6,485,383	6,878,502	3,400,000	7,198,049	3.57
2012	61,087,190	34,505,518	26,581,672	1,385,000	723,213	12.61	24,473,459	13,590,998	15,154,154	3,550,000	6,096,337	5.52
2013	60,627,063	36,124,117	24,502,946	1,430,000	681,663	11.60	22,391,283	12,466,409	-	3,700,000	5,542,403	3.77

^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.

Schedule 13

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

Fiscal Year	Population	Personal Income (in thousands) (estimate)	Per Capita Income (estimate)	Median Age	School Enrollment	Unemployment Rate
2004	154,299	4,348,000	28,177	30.1	35,410	3.5%
2005	167,497	4,817,000	28,759	30.1	37,194	2.9%
2006	178,015	5,222,000	29,334	30.1	37,662	2.2%
2007	191,206	5,721,000	29,920	31.3	37,979	2.0%
2008	200,314	6,113,000	30,518	31.3	38,662	2.4%
2009	204,821	6,230,000	30,416	30.4	39,142	4.6%
2010	208,453	6,370,000	30,559	30.7	39,089	5.1%
2011	212,869	6,329,000	29,731	32.7	38,660	5.1%
2012	219,617	6,240,000	28,413	31.5	38,696	5.4%
2013	227,598	7,064,000	31,035	33.1	38,573	5.7%

Sources: Population figures obtained from the Maricopa Association of Governments. Personal income estimated based on population and per capita income. The 2004 and 2006 through 2010 per capita income figures are estimates. The 2005 and the 2011 through 2013 per capita income figures were obtained from the American Community Survey. The 2004 through 2010 median age, school enrollment, and unemployment rate were obtained from Gilbert's Development Services Department. The 2011 through 2013 median age was obtained from the American Community Survey. The 2011 through 2013 school enrollment was obtained from the Gilbert Public Schools website. The 2011 through 2013 unemployment rate was obtained from the azstats.gov website.

Schedule 14

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

Employer	Fiscal Year 2013			Fiscal Year 2004		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Gilbert Unified School District	3,642	1	4.55%	3,900	1	11.55%
Banner Health	2,268	2	2.84%	---		---
Mercy Gilbert Medical Center	1,233	3	1.54%	---		---
Town of Gilbert	1,191	4	1.49%	865	3	2.56%
Fry's Food and Drug	966	5	1.21%	---		---
Go Daddy Software, Inc.	950	6	1.19%	---		---
Wal-Mart Stores, Inc.	791	7	0.99%	---		---
Chandler Unified School District	518	8	0.65%	---		---
B H Drywall	500	9	0.63%	1,000	2	2.96%
Dillard's Retail and Distribution	490	10	0.61%	726	4	2.15%
Gorilla Co. LLC	---		---	500	5	1.48%
Spectrum Astro	---		---	389	6	1.15%
Superstition Contracting Inc.	---		---	350	7	1.04%
Earnhardt Auto Center	---		---	331	8	0.98%
Hunter Contracting	---		---	300	9	0.89%
Structures, Inc.	---		---	300	10	0.89%
Total	12,549		15.70%	8,661		25.65%

Source: Maricopa Association of Governments

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

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	82.5	91.5	100.5	30.8	32.0	32.2	29.2	21.2	22.2	88.5
Support services	N/A	N/A	N/A	91.00	92.8	91.3	88.3	62.0	62.0	N/A
Finance and management services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18.3	19.3	29.0
Legal and court	31.5	31.6	35.1	51.3	53.3	52.3	52.9	52.9	51.9	49.9
Development services	93.2	97.2	98.4	115.6	99.1	70.5	70.5	72.5	72.5	69.6
Public works	25.5	26.0	28.0	17.3	18.0	17.5	17.5	-	-	-
Public safety:										
Police	270.0	276.0	309.0	330.0	352.5	347.0	346.0	346.0	346.0	346.0
Fire	110.8	122.5	139.0	173.8	193.0	199.5	197.0	197.0	197.0	197.0
Highways and streets	40.5	45.0	47.5	54.5	55.3	55.3	49.3	49.3	49.3	51.0
Parks and recreation	111.0	109.1	113.2	114.4	120.0	117.1	106.8	101.7	102.0	106.8
<u>Enterprise Funds</u>										
Water	58.0	60.0	63.5	69.0	72.0	79.0	83.0	118.1	120.0	118.2
Wastewater	26.0	26.0	30.0	33.0	35.0	40.7	40.7	40.7	41.7	41.7
Environmental services	52.0	57.5	63.1	71.3	77.1	79.0	79.0	79.0	78.5	79.0
Irrigation	0.5	0.5	0.5	0.5	0.7	0.7	0.7	-	-	-
<u>Internal Service Funds</u>										
Equipment maintenance	19.0	21.0	21.0	24.0	26.0	26.0	26.0	26.0	26.0	26.0
Total	920.5	963.9	1048.8	1,176.5	1,226.8	1,208.1	1,186.9	1,184.8	1,188.4	1,202.7

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.

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	81%	88%	88%	90%	87%	89%	86%	90%	N/A ^c	77%
Number of recruitments	129	131	171	246	107	87	90	86	79	110
Employee turnover	9.2%	12.5%	13.1%	9.5%	9.2%	8.1%	4.9%	6.6%	6.8%	8.0%
Legal and court										
Case filings	28,080	23,034	29,175	38,315	37,821	36,890	32,299	25,888	26,271	31,794
% of cases charged after review	67%	62%	61%	66%	61%	61%	64%	64%	72%	72%
Development services										
Building permits issued	7,457	7,348	6,750	5,322	3,663	2,054	2,506	2,219	3,474	3,418
Value of permits issued (in millions)	\$1,004.1	\$1,121.6	\$ 983.3	\$ 825.5	\$ 539.6	\$ 266.3	\$ 324.3	\$ 238.7	\$ 474.9	\$ 534.4
Public Safety:										
Police										
Number of arrests	5,361	6,237	8,845	13,324	10,528	12,487	11,411	8,330	10,618	10,250
Crimes per 1,000 population	37.0	27.4	28.3	26.6	25.4	23.3	20.4	19.3	18.3	16.5
Fire										
Number of emergency calls	9,870	10,225	11,718	12,260	13,259	12,972	13,566	13,946	14,133	15,511
Response time average from time of alert at station to on-scene	5 min 33 sec	5 min 39 sec	5 min 17 sec	5 min 2 sec	5 min 8 sec	4 min 11 sec	3 min 43 sec	3 min 37 sec	3 min 49 sec	3 min 47 sec
Highways and streets										
Average pavement condition index	88	89	89	90	91	91	91	91	91	80
Parks and recreation										
Facility reservation requests	9,983	11,346	15,505	17,434	18,691	19,222	15,681	16,637	16,880	16,277
Participants in recreation programs	46,499	49,262	57,122	45,516	54,815	48,892	50,038	47,493	48,725	52,714
Transportation										
Average daily ridership	346	385	523	388	421	1,039	835	845	560	635
Water										
Daily average water production (mg)	36	38	40	44	42	44	42	42	43	43
Average # of meters read per month	54,160	58,420	60,190	64,320	68,447	70,630	71,814	71,910	73,469	75,718
Number of utility locates	37,085	35,621	35,265	26,616	16,451	12,000	12,373	10,576	15,190	23,663
Wastewater										
Daily average wastewater influent (mg)	9.46	10.46	10.71	11.71	12.32	12.37	12.91	12.67	12.18	12.90
Annual effluent produced/reused (mg)	2,627	2,596	2,599	3,417	4,174	4,160	4,420	4,840	4,651	4,529
Environmental services										
Solid waste tonnage	85,779	91,278	101,168	112,880	113,777	110,144	110,403	111,943	109,472	110,905
Recycle tonnage	14,421	16,538	17,084	18,388	19,055	18,810	19,191	19,242	18,653	19,200
Irrigation										
Cost per house irrigated	\$ 294	\$ 323	\$ 309	\$ 309	\$ 384	\$ 1,532 ^a	\$ 542	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 not completed.

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

Function	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public safety:										
Police										
Number of police cars	109	126	142	150	151	162	156	166	164	164
Fire										
Fire stations	6	8	9	9	9	9	9	9	10	10
Highways and streets										
Street center line miles (estimate)	806	883	986	1,013	1,017	872	903	923	979	989
Traffic control signals	80	89	111	137	159	169	168	173	175	177
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	676	676	676	676	676	676	690	690	652	653
Water										
Miles of water main	591	642	825	900	1,067	1,137	1,175	1,189	1,216	1,219
Wastewater										
Miles of wastewater main	455	480	487	770	809	843	860	868	970	976
Environmental services										
Garbage trucks	46	55	51	52	52	54	57	61	61	61

Source: The various departments

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

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

Fiscal Year	Residential Construction ^a		Commercial Construction ^a		Other Construction ^a		Secondary Assessed Property Value ^b	Maricopa County Bank Deposits
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value		
2004	4,769	\$ 753,517,139	274	\$ 189,583,027	2,414	\$ 61,006,431	\$ 1,052,321,817	\$ 39,014,589,000 ^c
2005	4,006	727,496,972	432	297,406,547	2,910	96,709,861	1,251,765,751	46,392,368,000 ^c
2006	3,638	589,698,508	500	304,955,513	2,612	88,679,208	1,466,841,566	54,925,528,000 ^d
2007	2,896	474,991,497	430	252,353,478	1,997	98,134,107	2,370,134,999	55,663,285,000 ^d
2008	1,536	268,197,375	349	180,776,005	1,778	90,605,562	2,768,391,194	55,054,948,000 ^d
2009	1,038	161,128,906	151	60,768,344	865	44,414,870	2,672,949,852	55,358,822,000 ^d
2010	1,427	213,032,031	147	67,488,230	932	43,754,466	2,297,228,317	61,925,568,000 ^d
2011	1,130	182,201,825	180	25,831,880	909	30,710,863	1,861,193,961	60,408,631,000 ^d
2012	2,331	408,322,951	182	31,550,416	961	35,017,191	1,675,360,422	61,673,751,000 ^d
2013	2,015	385,182,885	224	102,447,825	1,179	46,773,456	1,594,806,737	65,485,982,000 ^d

^a Development Services Department

^b Maricopa County Assessor's Office

^c Arizona Banker's Association

^d Federal Deposit Insurance Corporation

**Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2013**

	<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	\$ 2,380,294	2,611,545	32,565	(257,462)	\$ 4,766,942
Police system development fee	(1,081,354)	1,925,277	7,689	(2,681,361)	(1,829,749) ^a
Fire system development fee	(17,187,853)	2,592,575	-	(965,078)	(15,560,356) ^a
General government system development fee	(4,844,202)	1,192,913	-	(2,481,258)	(6,132,547) ^a
Parks and recreation system development fee	14,274,024	9,513,954	113,715	(6,889,551)	17,012,142
Water system development fee	18,686,846	12,466,409	159,845	(13,005,368)	18,307,732
Water resources system development fee	10,963,762	4,090,429	78,761	(4,597,697)	10,535,255
Wastewater system development fee	(24,731,266)	13,814,379	13,155	(1,250)	(10,904,982) ^b
Totals	\$ (1,539,749)	48,207,481	405,730	(30,879,025)	\$ 16,194,437

Equivalent Residential Unit

Water system development fee	5,042
Wastewater system development fee	5,866

Source: Gilbert Finance & Management Services Department

^a The negative ending balances for the police, fire, and general government system development fees are funded by the general fund. The general fund had a cash balance of \$69,158,457 at June 30, 2013.

^b The negative ending balance for the wastewater system development fee is funded by the wastewater operating fund and the wastewater equipment replacement fund. These funds had a combined cash balance of \$49,379,910 at June 30, 2013.

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

Fiscal Year	Adopted Tax Levy	Initial Year Collections				Cumulative Collections				
		County Resolutions	Net Tax Levy	Current Collections	Percent Of Levy	County Resolutions	Net Tax Levy	Delinquent Collections	Total Collections	Percent of Levy
2004	\$ 10,423,961	\$ (21,510)	\$ 10,402,451	\$ 10,192,801	97.98%	\$ (21,695)	\$ 10,402,266	\$ 207,199	\$ 10,400,000	99.98%
2005	12,110,279	(41,940)	12,068,339	11,796,111	97.74%	(114,146)	11,996,133	197,668	11,993,779	99.98%
2006	14,395,693	(79,702)	14,315,991	13,928,035	97.29%	(185,897)	14,209,796	280,050	14,208,085	99.99%
2007	16,913,578	(199,706)	16,713,872	16,226,531	97.08%	(293,895)	16,619,683	391,241	16,617,772	99.99%
2008	27,315,101	(402,220)	26,912,881	25,797,060	95.85%	(497,142)	26,817,959	1,018,331	26,815,391	99.99%
2009	31,332,659	(134,438)	31,198,221	29,744,757	95.34%	(299,819)	31,032,840	1,253,523	30,998,280	99.89%
2010	30,389,882	(153,319)	30,236,563	28,984,405	95.86%	(386,874)	30,003,008	914,009	29,898,414	99.65%
2011	26,198,053	(107,618)	26,090,435	25,253,466	96.79%	(249,171)	25,948,882	680,050	25,933,516	99.94%
2012	21,380,254	(96,162)	21,284,092	20,772,494	97.60%	(168,945)	21,211,309	422,884	21,195,378	99.92%
2013	19,253,745	(93,969)	19,159,776	18,855,977	98.41%	(93,969)	19,159,776	-	18,855,977	98.41%

Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2013**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Secondary Assessed Valuation</u>	<u>As % of Town's Total Secondary Assessed Valuation</u>
Westcor Santan Village LLC	Shopping Center	\$ 22,760,692	1.43%
Verizon Wireless	Communications	9,693,942	0.61%
Southwest Gas Corporation (T&D)	Utility	6,212,452	0.39%
Power Ray Road Investors LLC	Commercial	5,800,963	0.36%
Cole MT Gilbert San Tan AZ LLC	Real Estate Development / Holdings	5,638,409	0.35%
Vestar CTC Phase 1 LLC	Shopping Center	5,411,626	0.34%
Target Corporation	Retail	4,867,006	0.31%
Qwest Corporation	Communications	3,744,132	0.23%
SY Gilbert Commons I LLC	Shopping Center	3,342,412	0.21%
Lowe's HIW Inc	Retail	3,329,067	0.21%
Dillard's Properties Inc	Retail	3,230,955	0.20%
Arizona Public Service Company	Utility	3,127,459	0.20%
Smiths Food & Drug Centers Inc	Grocery	2,839,590	0.18%
SY Gilbert Commons II LLC	Shopping Center	2,779,453	0.17%
GPO Reserve LLC	Real Estate Development / Holdings	2,745,505	0.17%
SVW Partners LLC	Real Estate Development / Holdings	2,541,635	0.16%
CCMS 2005 CD1 Baseline Road LLC	Real Estate Development / Holdings	2,502,959	0.16%
Branch Brook Gardens	Real Estate Development / Holdings	2,457,550	0.15%
Pillar at Santan LLC	Real Estate Development / Holdings	2,440,000	0.15%
CTC Gilbert LLC	Shopping Center	2,437,499	0.15%
Echostar Holding Corporation	Technology	2,311,472	0.15%
		<u>\$ 100,214,778</u>	<u>6.28%</u>

Source: Maricopa County. Top taxpayers based off Secondary Net Assessed Value of Real and Secured Personal Property for tax year 2013.

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



GILBERT

ARIZONA

50 E. Civic Center Dr.
Gilbert, AZ 85296
(480) 503-6752
www.gilbertaz.gov

