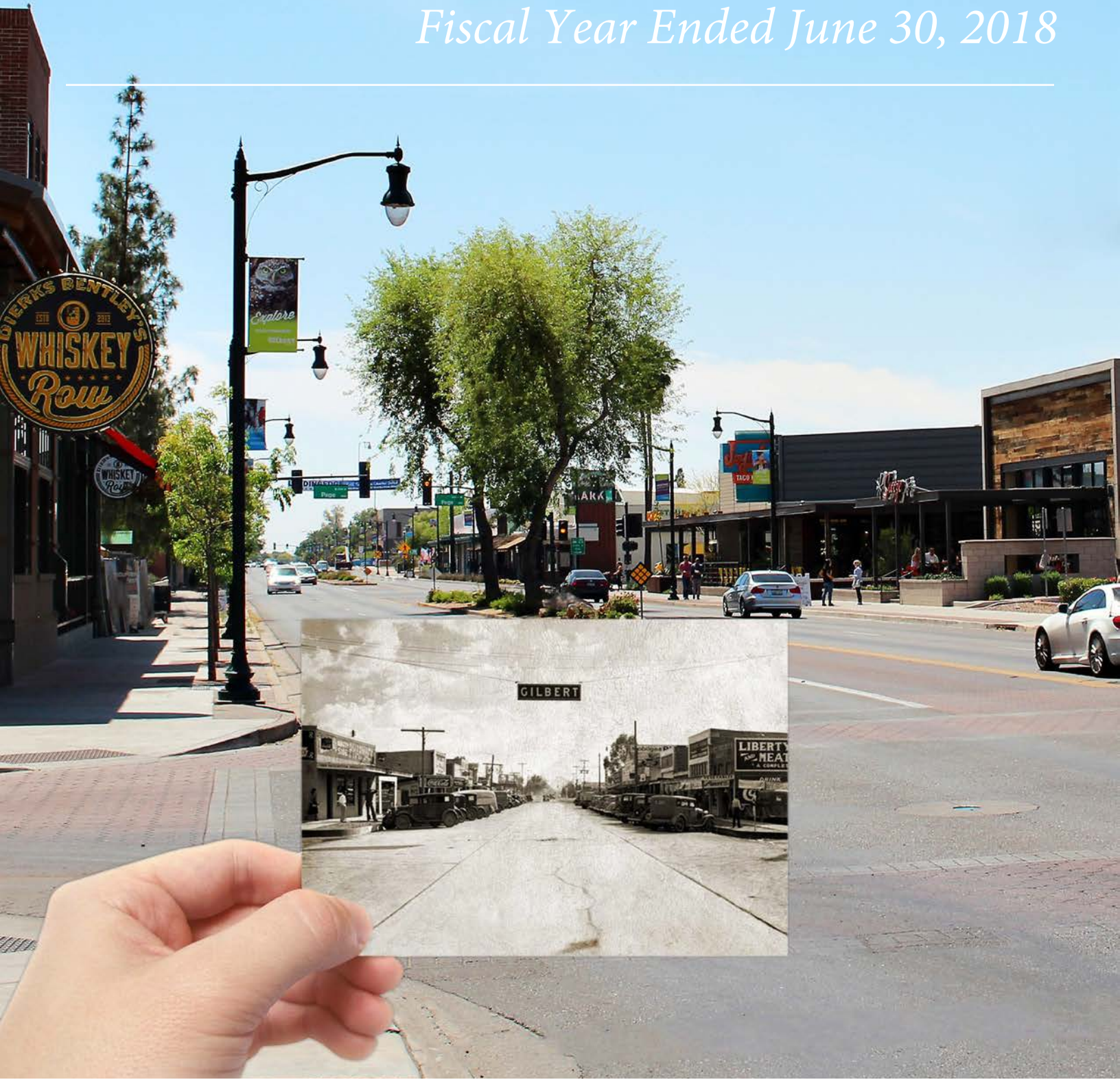


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



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Government Finance Officers Association

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Presented to

Town of Gilbert
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2018



Jenn Daniels, Mayor

Brigette Peterson, Vice Mayor
Scott Anderson, Council Member
Eddie Cook, Council Member

Victor Petersen, Council Member
Jordan Ray, Council Member
Jared Taylor, Council Member

Patrick Banger, Manager

Prepared by the Finance & Management Services Department

Håkon Johanson, Finance & Management Services Director

TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



December 10, 2018

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, 2018. 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, 2018. 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 2018, the Manager administered Gilbert's operations through a staff of 1,358 budgeted full-time equivalent positions.

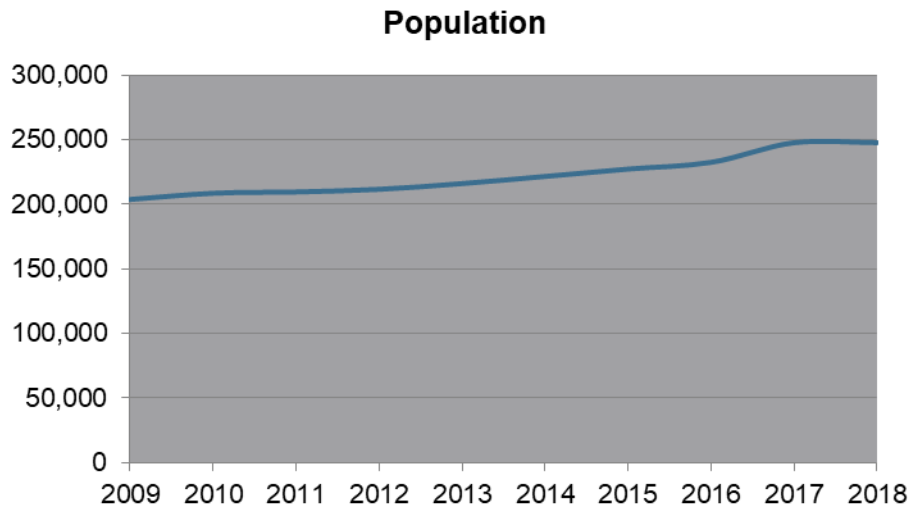
Gilbert provides or administers a full range of services including police and fire protection, development services (planning, code enforcement, and engineering), public works (water, wastewater, environmental services, and streets), and parks and recreation services. Transit and "dial-a-ride" services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

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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, 2018 is 247,600, which was derived from the Gilbert’s Office of Management and Budget. The following graph depicts the ten-year population trend for Gilbert.



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

There were 1,604 new residential permits and 199 commercial permits issued in fiscal year 2018, which represents a slight decrease from the prior fiscal year of 1,754 and 264, respectively. The total value of all new construction in fiscal year 2018, including commercial, was \$531.6 million, down slightly from \$532.2 million in fiscal year 2017.

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 2018, a total of \$36.6 million was collected in SDF’s compared to \$37.0 million in fiscal year 2017.

Economic Development

With nearly 250,000 residents, Gilbert, Arizona is thriving as evidenced by its growth and development, commitment to safety, premier education, playfulness, and innovation. Over the past few years, Gilbert has received numerous awards and recognitions, a few of which are included below.

- General obligation bonds rating upgraded to AAA (Moody’s Investor Service, 2015)
- Water Resources Municipal Property Corporation revenue bonds upgraded to AAA (Standard and Poor’s Ratings Group, 2016)
- Arizona’s Fastest Growing City (WalletHub, 2018)
- 3rd Most Livable City in the U.S. (SmartAsset, 2018)
- 4th Best School District in America - Gilbert Public Schools (Alarms.org, 2018)
- 5th Best Place to Find a Job in America (WalletHub, 2018)
- Most Prosperous City in the U.S. (Economic Innovation Group, 2017)
- 12th Best Place to Live in America (24/7 Wall Street, 2017)
- 2nd Safest City in the United States (Law Street Media, 2016)

- Best Phoenix Suburb (Thrillist, 2016)
- Top 5 Safest Cities to Build Your Startup (Tech.Co, 2016)
- Best City for Raising a Family (Move.org, 2016)

Gilbert is a community committed to education; 43.7% of residents age 25 and older hold a bachelor's degree or higher, compared with about 32% nationally. Notable employers like Banner Health, Dignity Health, Banner MD Anderson Cancer Center, Go Daddy, the worldwide headquarters of Isagenix, Mapfre Insurance, Silent-Aire, Unicon, Northrop Grumman, Lockheed Martin, and Deloitte, benefit from this commitment to education and have helped keep Gilbert's unemployment near 3.2%, as compared to approximately 4.7% for the state. Knowledge assets that support the community include Park University, the University of Arizona, Arizona State University Polytechnic Campus, Chandler-Gilbert Community College, A.T. Still University, and numerous other colleges, universities, and technical schools within a 30-minute commute. Additionally, more than 30 charter/private schools and four A-rated school districts – Gilbert, Higley, Mesa, and Chandler – serve more than 100,000 students as well as the citizens of Gilbert.

The Gilbert Office of Economic Development (OED) is one of approximately 60 Accredited Economic Development Organizations (AEDO) in the nation. Gilbert achieved this accreditation through the International Economic Development Council in 2013 and was the first Arizona economic development organization, and the second municipality in the nation, to do so. In fiscal year 2018, the business development lines of services saw record performance, and Gilbert attracted a diverse mix of projects and property types. Probably the most significant achievement was the attraction of Deloitte, an industry-leading audit, tax, and consulting firm with 245,000 world-wide employees. This announcement brings Deloitte's third U.S. Delivery Center to Gilbert, with the potential to employ 2,500 at an average salary of \$95,000. In addition, Park University, based in Parkville, Mo., chose the Gilbert Heritage District as the location of their newest campus center. These projects, along with 32 other successes in fiscal year 2018, demonstrate the community's commitment to creating the place where the market wants to invest.

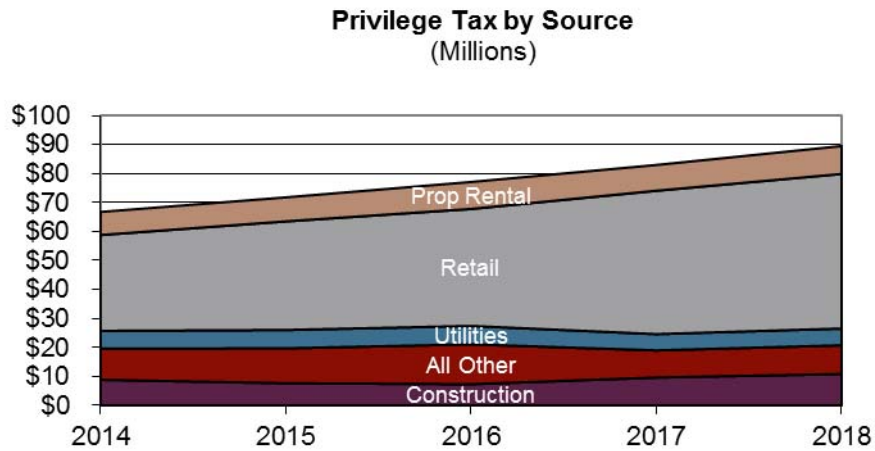
Investment in the Heritage District also continued with a focus on critical infrastructure to support future growth. During fiscal year 2018, the OED underwent a rigorous process to gather stakeholder input and feedback regarding the future of the Heritage District. This input and feedback was a key component of the Redevelopment Plan Update. This plan will guide the growth and development of the Heritage District, a culturally and historically significant part of the community, for the next ten years.

On the tourism front, the Discover Gilbert Official Guide was produced to help inspire more visitation. Substantial efforts were also made to expose new groups to Gilbert including partnering with Condor Airlines and the Arizona Office of Tourism to conduct a familiarization tour for German travel writers, and hosting the Arizona Food and Farm Forum in partnership with the Local First Arizona Foundation.

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

Transaction Privilege (Sales) Tax Trend

Sales tax revenues represented 50.2% of General Fund revenues for fiscal year 2018, totaling approximately \$89.5 million. Local sales taxes are collected by the Arizona Department of Revenue and remitted to Gilbert weekly. The following graph depicts sales tax receipts by source for the past five years.

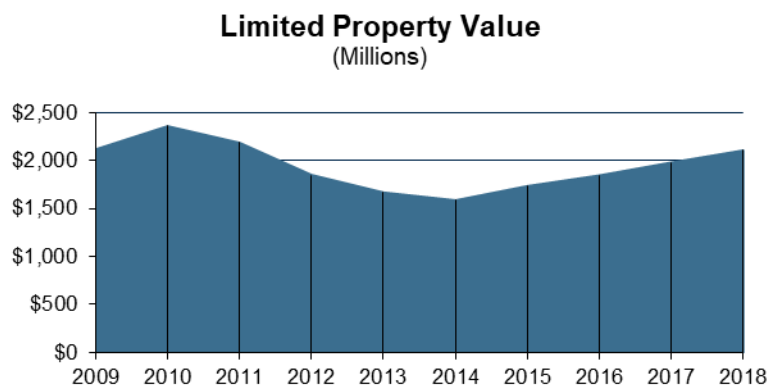


Property Taxes

State law requires municipalities to adopt a property tax levy based on the amount of scheduled and projected debt service for the year plus a reasonable amount for delinquencies and certain costs. For fiscal year 2018, Gilbert’s property tax rate is \$1.03 per \$100 of limited property valuation and is used exclusively for the payment of voter approved general obligation bond debt. Gilbert does not levy a primary property tax for general operating purposes.

Limited Property Value

The limited property value of real property within the Gilbert annexed area is a vital economic forecast variable, as the State Constitution contains regulatory restrictions on the amount of debt a community may have outstanding based on limited property valuation. Taking the market value of a property and applying the statutory assessment rate derives the limited property value. Residential properties are assessed at 10%, vacant land is assessed at 16%, and commercial properties are assessed at 18%. This illustrates how crucial the additions of commercial properties are to the tax base. The limited property valuation increased by 6.3% in fiscal year 2018 from \$1.979 billion to \$2.106 billion. The following graph depicts the changes in the limited property valuation in Gilbert for the past ten years:



State-Shared Revenues

State-shared revenues totaled \$62.0 million for the General Fund and \$15.5 million for the Streets Special Revenue Fund in fiscal year 2018, representing approximately 34.8% of total General Fund revenues and 98.7% 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 the most recent population estimates of the United States Census Bureau.

Budget and Financial Policies

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

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

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

Maximum efficiency – best possible service at the lowest possible cost

Cash solvency – the ability to pay bills

Budgetary solvency – the ability to balance the budget

Long-term solvency – the ability to pay future costs

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

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

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

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

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

Long-Term Financial Planning

In addition to Gilbert's General Plan and Capital Improvement Plan, Gilbert is developing infrastructure inventories (including repair and replacement plans) and functional area master plans. Gilbert also has a total of six strategic initiatives as follows: Long and Short-Term Financial Plans, Community Livability, Technology Leader, Economic Development, Proactive Infrastructure, and High Performing Government, which will be discussed in more detail throughout the document. The Town is also working to set a Moonshot Goal for fiscal year 2019. We have implemented Franklin Covey's *The 4 Disciplines of Execution*, providing an exceptional tool for advancing these goals while managing the challenges of the daily whirlwind, and have begun implementing Lean Six Sigma (Lean) process improvement events to optimize processes throughout the organization. Several staff members have completed Lean certification requirements to further enhance Gilbert's long-term financial resiliency. Gilbert continues to

revenue and spending trends to predict what the financial sustainability of Gilbert would look like if those trends were to continue. The main dashboard contains live “what if” variables that can be easily changed to help decision-makers see the financial impact that individual changes make to the overall budget health into the future.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gilbert for its CAFR for the fiscal year ended June 30, 2017. This was the 27th 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 for 19 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 Tanya Wright, Accounting Manager; Anthony St. George, Senior Accountant; and Florence Shultz, 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,



Håkon Johanson
Finance & Management Services Director

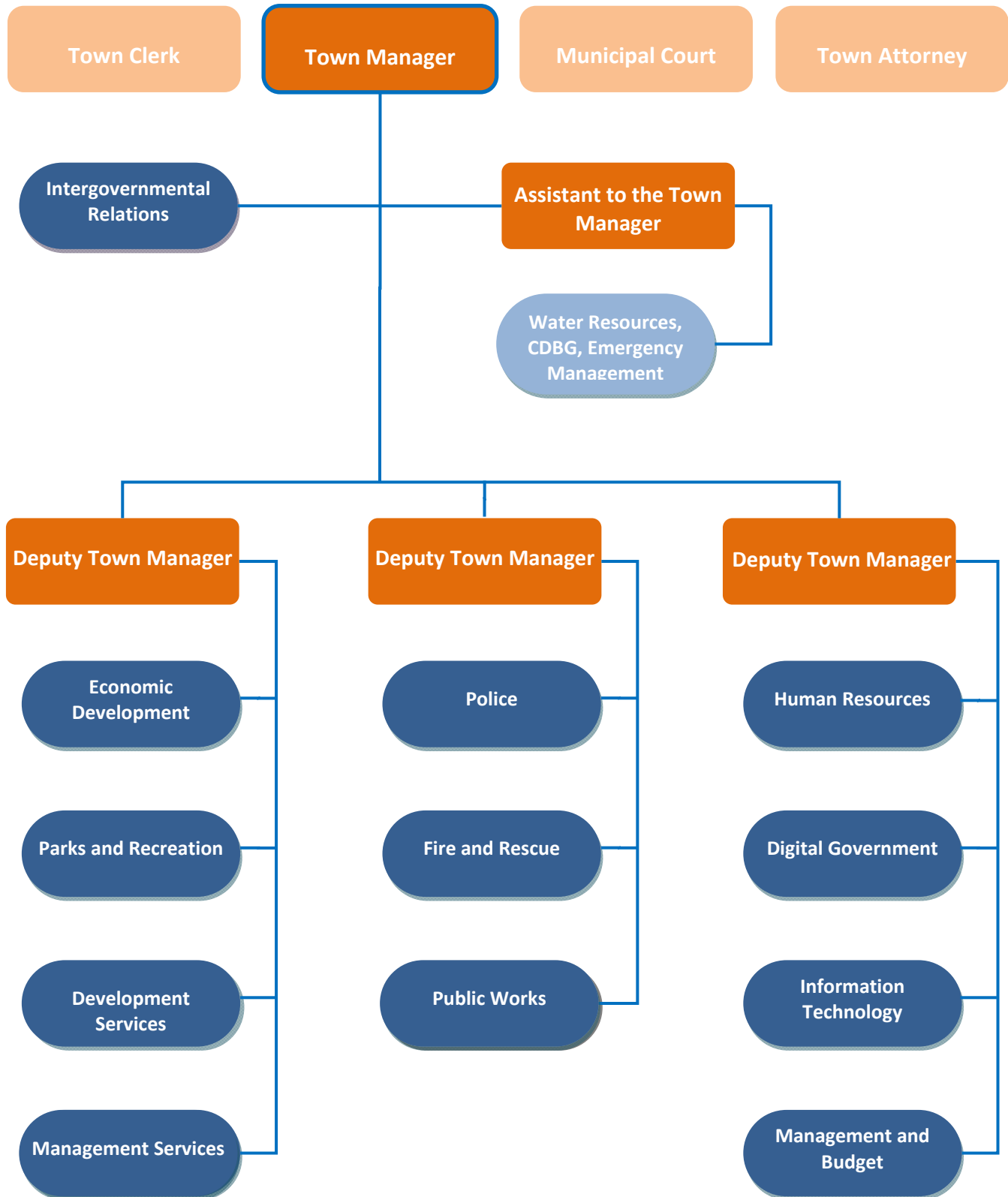


Advisory Organizational Chart





Organizational Reporting Chart





Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

**Combining and Individual Fund Statements
and Schedules**



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Town of Gilbert, Arizona (Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Town of Gilbert, Arizona, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Streets Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, 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, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Combining and Individual Fund Statements and Schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, 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.
Tucson, Arizona
December 10, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with information provided in the transmittal letter.

Financial Highlights

- Gilbert's assets and deferred outflows of liabilities exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$1.7 billion. Included in this amount, defined as net position, is \$435.3 million of unrestricted net position, of which \$149.8 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$285.5 million which may be used to fund ongoing operations in future years.
- Net position includes a \$790.3 million net investment in capital assets such as streets, park land, and municipal buildings and a \$392.6 million net investment in water, wastewater and environmental services infrastructure and equipment.
- The combined fund balance for all governmental funds is \$263.8 million, of which \$111.5 million is unrestricted.
- The General Fund unrestricted fund balance is \$113.8 million, of which \$41.4 million has been assigned for capital replacement and road maintenance.
- The General Fund unassigned balance of \$72.5 million is approximately 42.5% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$406.8 million, as compared to \$413.9 million at the end of fiscal year 2017.
- Gilbert's total net pension liability at the end of the fiscal year was \$144.1 million, as compared to \$150.8 million at the end of fiscal year 2017.
- Gilbert's total other post-employment benefits (OPEB) liability at the end of the fiscal year was \$2.0 million, as compared to \$2.6 million at the end of fiscal year 2017.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

The government-wide financial statements also include the Industrial Development Authority (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 25-27 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 28-37.

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, 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 119-124.

The proprietary fund statements can be found on pages 38-43.

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 44-45.

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 47-85.

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, 2018 and 2017.

Town of Gilbert Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 324,288,568	\$ 343,959,030	\$ 484,532,991	\$ 433,663,204	\$ 808,821,559	\$ 777,622,234
Capital assets	1,003,716,206	995,388,402	538,116,338	518,095,419	1,541,832,544	1,513,483,821
Total assets	1,328,004,774	1,339,347,432	1,022,649,329	951,758,623	2,350,654,103	2,291,106,055
Deferred outflows of resources	48,665,850	57,308,335	5,732,620	7,499,472	54,398,470	64,807,807
Long-term liabilities	387,736,704	430,723,892	184,909,546	152,681,675	572,646,250	583,405,567
Other liabilities	70,078,349	69,076,436	25,636,127	19,003,206	95,714,476	88,079,642
Total liabilities	457,815,053	499,800,328	210,545,673	171,684,881	668,360,726	671,485,209
Deferred inflows of resources	5,905,423	9,119,023	1,369,007	2,607,355	7,274,430	11,726,378
Net position:						
Net investment in capital assets	790,284,938	753,972,864	392,632,143	399,536,898	1,182,917,081	1,153,509,762
Restricted	76,701,521	72,781,019	34,499,382	42,813,414	111,200,903	115,594,433
Unrestricted	45,963,689	60,982,533	389,335,744	342,615,547	435,299,433	403,598,080
Total net position	\$ 912,950,148	\$ 887,736,416	\$ 816,467,269	\$ 784,965,859	\$ 1,729,417,417	\$ 1,672,702,275

Net position consists of three components. The largest portion of Gilbert's net position (68.4%) 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 (6.4%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (25.2%) includes \$149.8 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$285.5 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2018 increased Gilbert's net position by \$26.8 million. Taxes and program revenues (charges for services and grants and contributions that are clearly identifiable to operating functions) were Gilbert's most significant revenue sources comprising 97.4% of total revenues for governmental activities. Taxes (local and state-shared) were \$167.3 million, an increase of \$6.9 million from the prior year. Program revenues were \$80.0 million, a decrease of \$17.1 million from the prior year, which was mostly due to a decrease in capital grants and contributions specifically related to developer contributed capital related to streets projects. It should be noted that \$12.1 million of the total program revenues represent capital contributions from developers of street related infrastructure and, therefore, were not cash revenues available to cover operating expenses.

The other component of the change in net position is expenses. The largest expense functions were public safety, which represented 39.2%, and highways and streets, which represented 23.1% of total governmental activities expenses. Total expenses decreased \$16.3 million (6.7%) over the prior fiscal year.

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

	Changes in Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 18,748,898	\$ 22,013,700	\$ 87,822,540	\$ 84,997,939	\$ 106,571,438	\$ 107,011,639
Operating grants and contributions	28,380,757	33,203,523	1,183,844	952,598	29,564,601	34,156,121
Capital grants and contributions	32,903,842	41,877,118	30,615,480	34,133,557	63,519,322	76,010,675
General revenues:						
Sales taxes	89,497,493	82,797,456	-	-	89,497,493	82,797,456
Property taxes	21,549,105	20,761,108	-	-	21,549,105	20,761,108
Unrestricted state-shared revenue	52,192,543	52,860,596	-	-	52,192,543	52,860,596
Other taxes	4,034,937	3,973,141	-	-	4,034,937	3,973,141
Grants and contributions not restricted to specific programs	2,443,552	2,400,140	-	-	2,443,552	2,400,140
Unrestricted investment earnings	1,549,131	858,725	1,894,199	1,009,127	3,443,330	1,867,852
Other	2,685,193	1,377,777	211,238	213,102	2,896,431	1,590,879
Total revenues	253,985,451	262,123,284	121,727,301	121,306,323	375,712,752	383,429,607
Expenses						
Management and policy	19,176,241	19,454,066	-	-	19,176,241	19,454,066
Finance and management services	2,000,040	2,109,345	-	-	2,000,040	2,109,345
Court	4,078,064	4,299,922	-	-	4,078,064	4,299,922
Development services	10,311,997	9,400,105	-	-	10,311,997	9,400,105
Police	54,116,887	63,151,020	-	-	54,116,887	63,151,020
Fire	34,969,018	42,513,168	-	-	34,969,018	42,513,168
Highways and streets	52,545,194	51,930,598	-	-	52,545,194	51,930,598
Parks and recreation	29,985,036	25,202,281	-	-	29,985,036	25,202,281
Transportation	1,151,199	1,132,340	-	-	1,151,199	1,132,340
Non departmental	7,975,659	13,689,668	-	-	7,975,659	13,689,668
Interest and fiscal charges on long-term debt	10,792,759	10,505,999	-	-	10,792,759	10,505,999
Water	-	-	44,605,188	42,329,438	44,605,188	42,329,438
Wastewater	-	-	27,244,229	26,791,069	27,244,229	26,791,069
Environmental services	-	-	18,182,971	16,857,046	18,182,971	16,857,046
Total expenses	227,102,094	243,388,512	90,032,388	85,977,553	317,134,482	329,366,065
Increase in net position before transfers	26,883,357	18,734,772	31,694,913	35,328,770	58,578,270	54,063,542
Transfers	(63,678)	446,000	63,678	(446,000)	-	-
Change in net position	26,819,679	19,180,772	31,758,591	34,882,770	58,578,270	54,063,542
Net position, beginning year, as restated (see Note 2)	886,130,469	868,555,644	784,708,678	750,083,089	1,670,839,147	1,618,638,733
Net position, end of year	\$ 912,950,148	\$887,736,416	\$816,467,269	\$ 784,965,859	\$1,729,417,417	\$1,672,702,275

Business-type Activities

Development-related growth increased Gilbert's net position for business-type activities in fiscal year 2018 by \$31.8 million, including \$19.0 million in system development fee collections and \$10.7 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities increased by \$421 thousand (0.3%) from the prior year, and expenses increased \$4.1 million (4.7%) from the prior year.

Financial Analysis of Gilbert's Funds

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

Governmental Funds

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

- General Fund
- Streets Special Revenue Fund
- General Debt Service Fund
- Special Assessments Debt Service Fund
- General Obligation Bonds Capital Projects Fund
- System Development Fees Capital Projects Fund

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

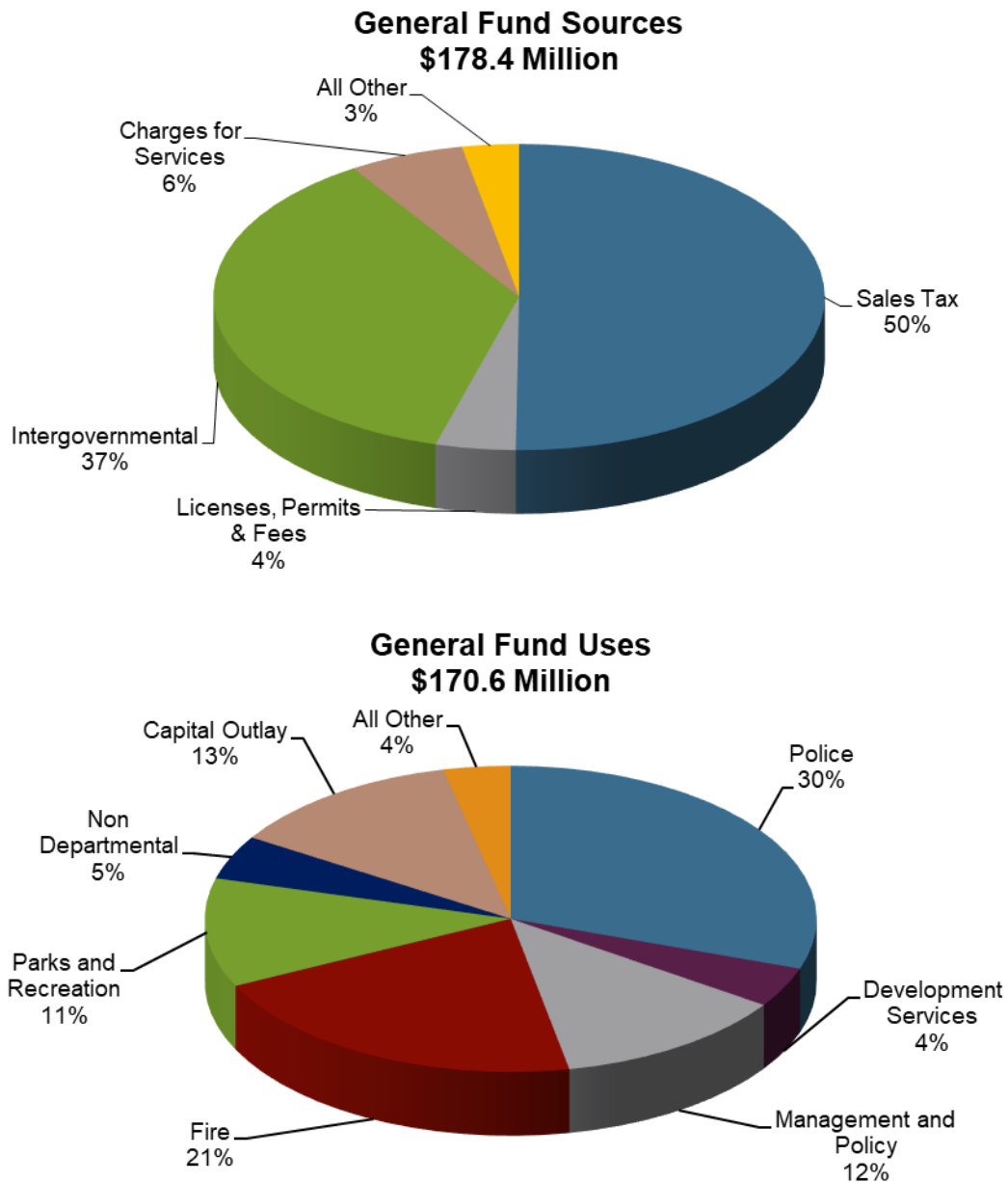
As of the end of fiscal year 2018, the governmental funds reported ending unrestricted fund balances totaling \$111.5 million, a decrease of \$19.2 million in comparison with the prior fiscal year. The large decrease was mainly due to the decrease of \$10.6 million unrestricted fund balance in the General Debt Service Fund. This fund balance was used to advance refund the Series 2009 Public Facilities Municipal Property Corporation (MPC) Revenue Bonds (see Note 11).

General Fund

The General Fund is the primary operating fund. At the end of fiscal year 2018, the fund balance of the General Fund was \$131.7 million, a decrease of \$2.9 million from the prior year mainly due to an increase of \$1.6 million in transfers out to the General Debt Service Fund for the new 2017 Public Facilities MPC Revenue Bonds debt payment. The unrestricted portion of the fund balance was \$113.8 million, of which \$14.7 million has been assigned for capital replacement, \$11.2 million for highways and streets, and \$15.4 million for roads and maintenance. 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 42.5% 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 \$7.8 million; however, other financing sources and uses (net) were (\$10.7) million resulting in a decrease in fund balance of \$2.9 million. The transfers out of \$12.1 million were for debt obligations.
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 86.6% of the total revenues.
- Local sales tax, which accounts for half of total General Fund revenues, increased \$6.5 million (7.9%) from the prior fiscal year due to increased construction and retail sales from new and existing businesses.
- Fire expenditures increased \$3.7 million (11.6%) mainly due to the addition of 7 full time equivalents and excess PSPRS contributions paid due to the Hall-Parker lawsuits.
- Non departmental expenditures decreased \$5.7 million (41.9%) from prior year due to decreased economic development incentive expenditures.



Streets Special Revenue Fund

The Streets Fund contains state-shared revenues that are required by state statute to be used for transportation purposes, such as highway user revenues and lottery funds. Total revenues in the Streets Fund decreased \$444 thousand (2.8%) from the prior year due to the decrease in highway user revenues of \$390 thousand. Total expenditures also decreased by \$194 thousand (1.5%). In total, revenues exceeded expenditures by \$3.0 million; however, the net transfers out of \$837 thousand resulted in a \$2.2 million increase in fund balance.

Other Major Governmental Funds

General Debt Service. The fund balance decreased by \$6.8 million during the year. This was primarily due to the use of fund balance to advance refund outstanding Series 2009 Public Facilities MPC Revenue Bonds. The remaining restricted fund balance of \$6.0 million will be used to fund future debt service payments on voter approved general obligation bonds.

Special Assessments Debt Service. The fund balance of \$75 thousand is restricted to pay future debt service requirements on special assessment bonds.

General Obligation Bonds Capital Projects. The General Obligation Bonds Fund consists of general obligation bond proceeds and the expenditure of those proceeds to purchase or construct capital assets. The fund balance decreased by \$10.4 million during the year. This was due to the use of general obligation bond proceeds to purchase or construct capital assets.

System Development Fees Capital Projects. The System Development Fees Fund accounts for fees collected from building permits paid and the expenditure of those funds for infrastructure related to growth in Gilbert. The fund balance increased by \$2.2 million during the year. This was primarily due to the current year system development fees revenues of \$17.6 million offset by \$3.6 million in capital outlay expenditures and \$12.2 million transferred to the general debt service fund for principal and interest payments on bonds. The remaining fund balance of \$23.4 million will be used to fund future infrastructure needs related to growth in Gilbert.

Nonmajor Governmental Funds

All nonmajor governmental funds are combined into one column on the governmental fund statements. The combined fund balance of these funds decreased \$9.9 million (22.0%) to a balance at year-end of \$35.2 million. Nonmajor funds represent 13.3% of the total governmental fund balance.

Proprietary Funds

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

- Water Fund
- Wastewater Fund
- Environmental Services Fund

Water Fund

The Water Fund is responsible for producing and distributing potable water that exceeds all county, state and federal drinking water standards. The water system is also sized and pressurized to provide adequate fire suppression to the entire planning area and operates two surface water treatment facilities now capable of producing 69 million gallons per day (mgd), an increase of 12 mgd due to the completion of the Santan Vista Water Treatment Plant completed this year (see note 19), and 19 ground water wells capable of producing 43.5 mgd. Net position increased by \$19.6 million to \$436.0 million due primarily to capital contributions of \$20.0 million, including \$12.8 million in system development fees and \$7.3 million in distribution lines contributed by developers. Operating income was \$2.0 million.

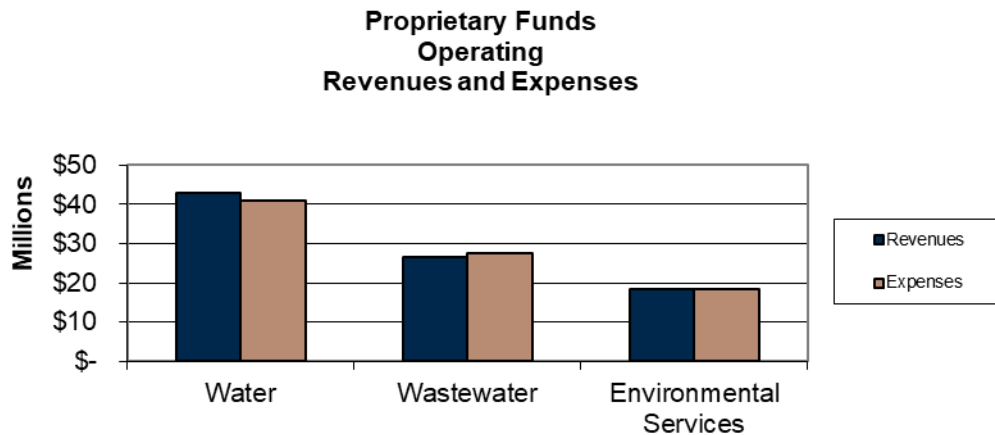
Wastewater Fund

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 \$10.5 million to \$348.5 million due primarily to capital contributions of \$9.7 million, including \$6.3 million in system development fees and \$3.4 million in collection lines contributed by developers. Operating loss was \$952.1 thousand.

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 \$1.0 million to \$31.4 million, primarily from storm water infrastructure contributed by developers of \$896.6 thousand. Operating loss was \$13.3 thousand.

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



General Fund Budgetary Highlights

There was a difference of \$2.5 million between the original adopted budget and the final amended budget. The final amended budget projected that expenditures would exceed revenues by \$45.4 million resulting in a \$55.8 million reduction to fund balance per the budget. This was mainly due to budgeting an additional \$9.1 million in capital outlay expenditures and an additional \$3.6 million for public safety.

During the year, actual revenues exceeded the budgeted amount by \$6.0 million (3.5%) mainly due to higher than expected sales taxes collected. Actual expenditures were less than budgeted by \$47.2 million (21.7%) mainly due to \$22.9 million lower than expected capital outlay expenditures and excess budgeted contingency of \$14.2 million. This resulted in an excess of revenues over expenditures of \$53.2 million more than budgeted. This also resulted in the actual net change in fund balance being \$52.9 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2018, Gilbert had \$1.5 billion in capital assets. Major capital assets completed during the fiscal year included the following:

Governmental Activities

- Streets projects totaling \$19.6 million and municipal facilities projects totaling \$5.4 million.
- Developer contributions of street related infrastructure valued at \$12.0 million.

Business-type Activities

- Reservoir #7 tank replacement and site improvements of \$5.9 million.
- Purchase of 15 environmental services residential collection CNG vehicles totaling \$4.9 million.
- Developer contributions of water, wastewater, and storm water infrastructure valued at \$11.6 million.

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2018 and 2017.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 181,849,320	\$ 182,578,216	\$ 18,233,843	\$ 18,211,689	\$ 200,083,163	\$ 200,789,905
Nondepreciable water rights	-	-	55,361,334	49,578,561	55,361,334	49,578,561
Construction-in-progress	65,544,603	64,360,703	45,953,446	46,058,818	111,498,049	110,419,521
Buildings	150,535,848	153,418,101	-	-	150,535,848	153,418,101
Improvements	24,839,501	27,803,858	-	-	24,839,501	27,803,858
Plant, machinery & equip	16,433,140	13,362,956	69,357,016	68,515,662	85,790,156	81,878,618
Depreciable water rights	-	-	6,962,410	7,060,702	6,962,410	7,060,702
Infrastructure	564,513,794	553,864,568	342,248,289	328,669,987	906,762,083	882,534,555
Total Capital Assets	\$ 1,003,716,206	\$ 995,388,402	\$ 538,116,338	\$ 518,095,419	\$ 1,541,832,544	\$ 1,513,483,821

Total governmental capital assets increased \$8.3 million and business-type capital assets increased \$20.0 million. The change in governmental capital assets can be attributed to an increase in infrastructure of \$47.7 million and buildings of \$7.4 million, offset by depreciation expense of \$53.5 million. The majority of the increase for the business-type capital assets can be attributable to infrastructure of \$25.5 million and water rights of \$5.8 million, offset by depreciation expense of \$18.0 million.

See Note 7 on pages 61-62 for further information regarding capital assets.

Long-term Debt. At June 30, 2018, Gilbert had total bonded debt obligations of \$258.2 million related to governmental activities and \$148.6 million in business-type activities; \$128.1 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$5.4 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 limited property 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 limited property valuation. For any other general-purpose improvements, Gilbert may issue bonds up to 6% of its limited property valuation. Gilbert's available debt margin at June 30, 2018 was \$157.4 million in the 6% capacity and \$387.1 million in the 20% capacity.

See Note 10 on pages 64-69 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2018 and 2017.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
	General Obligation	\$ 128,090,000	\$ 143,945,000	\$ -	\$ -	\$ 128,090,000
Special Assessment	5,445,000	6,105,000	-	-	5,445,000	6,105,000
Street and Highway User	3,250,000	6,345,000	-	-	3,250,000	6,345,000
Revenue Obligations	36,325,000	36,980,000	-	-	36,325,000	36,980,000
Municipal Property Corporation	85,105,000	104,575,000	148,570,000	115,940,000	233,675,000	220,515,000
Totals	\$ 258,215,000	\$ 297,950,000	\$ 148,570,000	\$ 115,940,000	\$ 406,785,000	\$ 413,890,000

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, 2018.

**Town of Gilbert
Long-term Debt Ratings
As of June 30, 2018**

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

Economic Factors and Next Year's Budget

Gilbert, Arizona continues to effectively manage rapid growth and economic expansion while successfully preserving hometown traditions. With an estimated population of over 247,000 residents, Gilbert has been named the #1 Most Prosperous City in the U.S. (Economic Innovation Group, 2017) and #1 Place to Raise a Family in Arizona (WalletHub, 2017). Gilbert remains the 2nd Safest City in the U.S. according to the 2016 FBI Uniform Crime Report as well as the #11 Best City for Hispanic Entrepreneurs (WalletHub, 2017). In fiscal year 2018, Gilbert's economic development team facilitated 34 projects representing over \$240 million in capital investments, over 3,000 jobs, and 1 million new or expanded square feet ensuring Gilbert remains a premier destination for both residents and businesses alike.

Gilbert is also very proud to report that both Fitch and Moody's gave Gilbert's General Obligation bonds a AAA rating, which is the highest rating available. These decisions were based on Gilbert's exceptionally strong credit characteristics, including a demonstrated commitment to building and maintaining strong reserves, robust long-term planning, strengthening regional economy, and manageable debt burdens. The AAA rating places Gilbert in the top 1% of municipalities nationally.

Gilbert's Heritage District continued to see growth in fiscal year 2018. Construction wrapped up on the 11,000+ square-foot Gilbert Shops development, home to OHSO Brewery, and Park University announced an expansion of their campus to be located in the Gilbert University Building, with classes scheduled to start fall 2018. In fiscal year 2019, the Heritage District will see completion of the new 600+ stall parking garage, construction of new retail by Gilbert Market Partners, and the opening of Sam Fox's Culinary Dropout/The Yard. Gilbert's northwest employment corridor and central business district also continue to thrive. Prenexus Health chose to relocate from California, bringing at least 50 research-oriented jobs, and Footprint expanded into a new 131,000 square-foot manufacturing facility at Park Lucero that represents 285 new and retained jobs. Gilbert attracted Audi, Morgan Stanley, and other retail users to the Rivulon development in fiscal year 2018. In May 2018, Deloitte announced that the Rivulon

development will be the location of their newest US Delivery Center, representing the addition of at least 1,500 new technology-oriented jobs in Gilbert.

A progressive community demands progressive governance, and Gilbert's Council and executive leadership stepped up. Gilbert undertakes a zero-based process for one third of the organization every year, and always applies priority, program, and performance-based approaches. In preparation for the fiscal year 2019 budget, nearly \$2.8 million was removed due to the zero-based efforts. Directors are tasked with balancing the budget through consensus, rather than presenting requests and waiting to hear back. Only once the directors achieve consensus is the Town Manager presented with the recommended budget. This collaborative approach allows Gilbert to promote transparency, the importance of short- and long-term planning, and maintain a strong return on investment for the zero-based process while staying focused on the citizens and businesses that we all serve in different capacities.

The Town has a long history of utilizing innovative practices and solutions to deliver high-quality, efficient services to the community. In fiscal year 2019, the town will kick-off a focused effort aimed at avoiding the rise and fall life-cycle of cities to create long-term sustainability for our quality of life to our projected build-out and beyond. A key part of this strategy will be the development of an Innovation Roadmap to build on our current practices. This will incorporate the emerging principles involved with Smart Cities initiatives utilizing a citizen-centered approach, big data analytics, internet of things, and advanced communication practices to create excellence in our local economy, mobility, environment and the overall well-being of our residents.

The budget for fiscal year 2019 reflects an effort to deliver both effective and efficient services to our community. Even given Gilbert's growth, the budget is balanced assuming planned revenue increases in the utility funds as discussed and publically posted in May 2018, and applies the non-recurring level of construction-related revenues toward non-recurring costs. Recommended increases in ongoing expenses are within the growth in ongoing levels of revenue recognized as a result of growth both in population and in additional retail opportunities within Gilbert.

Budget Highlights for Fiscal Year 2019

With carry forwards and contingency adjustments, the proposed budget of \$966,501,770 is an increase of less than \$2 million from fiscal year 2018. It reflects a net decrease in construction-in-progress of \$6 million (\$477 million in fiscal year 2019 versus \$483 million which was included in fiscal year 2018), \$4 million of new personnel and operating requests in the General Fund, adjustments to the Streets and Enterprise funds, and \$1 million of an additional early payment on the 2008 General Obligation bonds. The budget also includes a capital projects contingency budget of \$100 million to allow Council the flexibility and legal authority to respond to community needs. This contingency is consistent with practice in prior years.

Balanced Financial Plan: The proposed fiscal year 2019 Budget is balanced based upon identified revenues and expenditures.

Constitutional Expenditure Limit: The proposed fiscal year 2019 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 proposed fiscal year 2019 Budget reflects state-shared revenues based upon Census population adjustments and 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 Levy: Council voted to adopt a tax levy of \$22.3 million, which reduces the tax rate to \$0.99 per \$100 of assessed value, down from last year's rate of \$1.03. \$1 million of General Fund money will be used to pay down the outstanding 2008 General Obligation bonds, which will save taxpayers about \$150,000 in interest.

Utility Rate Modifications: The fiscal year 2019 Budget reflects revenues projected from rate changes in Gilbert's water, wastewater, environmental services, and reclaimed water rates. Rate changes were noticed to the public in May 2018, and approved by Council in September 2018. Cost of service has been increasing over the past decade, but no increases in rates have been made since 2009. Gilbert does not make a profit on these funds, but rather charges only what is needed to provide the services. Current rates are projected to provide too little revenue to support ongoing service.

Fund Balance: The Revenue Summary lists the use of carry over funds in an amount just over \$407 million. This reflects use of revenues which were received in prior fiscal years in excess of minimum fund balance.

Capital Project Financing – System Development Fees: The fiscal year 2019 Budget reflects revenues projected from the continued collection of System Development Fees as allowed under current State Law.

Financial Contact

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

Town of Gilbert
Accounting Manager
50 E Civic Center Drive
Gilbert, AZ 85296
(480) 503-6930

TOWN OF GILBERT, ARIZONA

Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 277,134,136	\$ 224,809,989	\$ 501,944,125	\$ 17,294
Receivables, net:				
Taxes	3,883,463	-	3,883,463	-
Special assessments	5,500,766	-	5,500,766	-
Accrued interest	1,062,961	807,652	1,870,613	-
Accounts	13,404,896	5,645,997	19,050,893	-
Due from other governments	3,873,531	1,322,684	5,196,215	-
Internal balances	(627,366)	627,366	-	-
Prepaid items	7,517	-	7,517	-
Inventories	692,457	58,498	750,955	-
Restricted assets:				
Cash and investments	18,961,977	101,387,746	120,349,723	-
Accrued interest	-	186,793	186,793	-
Other post-employment benefits	196,881	74,127	271,008	-
Investment in joint venture	197,349	149,612,139	149,809,488	-
Capital assets:				
Non-depreciable	247,393,923	119,548,623	366,942,546	-
Depreciable, net	756,322,283	418,567,715	1,174,889,998	-
Total assets	<u>1,328,004,774</u>	<u>1,022,649,329</u>	<u>2,350,654,103</u>	<u>17,294</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	8,237,856	2,892,371	11,130,227	-
Pensions and other post-employment benefits	40,427,994	2,840,249	43,268,243	-
Total deferred outflows of resources	<u>48,665,850</u>	<u>5,732,620</u>	<u>54,398,470</u>	<u>-</u>
LIABILITIES				
Accounts payable	17,556,015	10,118,646	27,674,661	10
Accrued liabilities	9,262,539	726,696	9,989,235	-
Claims payable	1,514,000	-	1,514,000	-
Deposits held for others	957,047	-	957,047	-
Utility deposits	-	2,760,080	2,760,080	-
Bond interest payable	1,722,204	2,582,167	4,304,371	-
Unearned revenue	523,461	-	523,461	-
Other liabilities:				
Due within one year	38,543,083	9,448,538	47,991,621	-
Due in more than one year	387,736,704	184,909,546	572,646,250	-
Total liabilities	<u>457,815,053</u>	<u>210,545,673</u>	<u>668,360,726</u>	<u>10</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions and other post-employment benefits	5,905,423	1,369,007	7,274,430	-
Total deferred inflows of resources	<u>5,905,423</u>	<u>1,369,007</u>	<u>7,274,430</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	790,284,938	392,632,143	1,182,917,081	-
Restricted for:				
Debt service	11,566,719	-	11,566,719	-
Capital projects	57,857,213	34,499,382	92,356,595	-
Highways and streets	4,118,038	-	4,118,038	-
Grant programs	628,776	-	628,776	-
Court/police programs	2,027,083	-	2,027,083	-
Special districts	438,846	-	438,846	-
Other purposes	64,846	-	64,846	-
Unrestricted	45,963,689	389,335,744	435,299,433	17,284
Total net position	<u>\$ 912,950,148</u>	<u>\$ 816,467,269</u>	<u>\$ 1,729,417,417</u>	<u>\$ 17,284</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, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government				
Management and policy	\$ 19,176,241	\$ 40,257	\$ 802,157	\$ 1,392,183
Finance and management services	2,000,040	26,668	-	-
Court	4,078,064	681,907	49,387	-
Development services	10,311,997	7,227,068	-	-
Public safety				
Police	54,116,887	3,825,886	259,824	3,742,916
Fire	34,969,018	359,706	1,760,192	2,082,819
Highways and streets	52,545,194	1,887,079	25,276,623	17,780,353
Parks and recreation	29,985,036	4,700,327	182,690	7,275,972
Transportation	1,151,199	-	-	629,599
Non departmental	7,975,659	-	49,884	-
Interest and fiscal charges on long-term debt	10,792,759	-	-	-
Total governmental activities	227,102,094	18,748,898	28,380,757	32,903,842
Business-type activities:				
Water	44,605,188	42,868,121	1,183,844	20,003,842
Wastewater	27,244,229	26,517,229	-	9,715,068
Environmental services	18,182,971	18,437,190	-	896,570
Total business-type activities	90,032,388	87,822,540	1,183,844	30,615,480
Total primary government	\$ 317,134,482	\$ 106,571,438	\$ 29,564,601	\$ 63,519,322
Component unit				
Industrial development authority	\$ 10	\$ -	\$ -	\$ -

General revenues:

Sales taxes

Property taxes, levied for debt service

In-Lieu property taxes

Franchise taxes

Unrestricted state-shared revenue

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, July 1, 2017, as restated (see Note 2)

Net position, June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (16,941,644)	\$ -	\$ (16,941,644)	\$ -
(1,973,372)	-	(1,973,372)	-
(3,346,770)	-	(3,346,770)	-
(3,084,929)	-	(3,084,929)	-
(46,288,261)	-	(46,288,261)	-
(30,766,301)	-	(30,766,301)	-
(7,601,139)	-	(7,601,139)	-
(17,826,047)	-	(17,826,047)	-
(521,600)	-	(521,600)	-
(7,925,775)	-	(7,925,775)	-
(10,792,759)	-	(10,792,759)	-
<u>(147,068,597)</u>	<u>-</u>	<u>(147,068,597)</u>	<u>-</u>
-	19,450,619	19,450,619	-
-	8,988,068	8,988,068	-
-	1,150,789	1,150,789	-
<u>-</u>	<u>29,589,476</u>	<u>29,589,476</u>	<u>-</u>
<u>\$ (147,068,597)</u>	<u>\$ 29,589,476</u>	<u>\$ (117,479,121)</u>	<u>\$ -</u>
			<u>(10)</u>
89,497,493	-	89,497,493	-
21,549,105	-	21,549,105	-
1,124,246	-	1,124,246	-
2,910,691	-	2,910,691	-
52,192,543	-	52,192,543	-
2,443,552	-	2,443,552	-
1,549,131	1,894,199	3,443,330	3
1,332,889	39,037	1,371,926	-
1,352,304	172,201	1,524,505	-
(63,678)	63,678	-	-
<u>173,888,276</u>	<u>2,169,115</u>	<u>176,057,391</u>	<u>3</u>
26,819,679	31,758,591	58,578,270	(7)
886,130,469	784,708,678	1,670,839,147	17,291
<u>\$ 912,950,148</u>	<u>\$ 816,467,269</u>	<u>\$ 1,729,417,417</u>	<u>\$ 17,284</u>

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

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2018

	General	Streets Special Revenue	General Debt Service	Special Assessments Debt Service
ASSETS				
Pooled cash and investments	\$ 121,191,250	\$ 4,279,723	\$ 2,841,538	\$ 62,675
Receivables, net:				
Taxes	3,728,259	-	138,528	-
Special assessments	-	-	-	5,500,766
Accrued interest	448,658	-	53,346	307
Accounts	13,270,408	5,521	-	-
Due from other governments	390,819	1,405,325	-	-
Due from other funds	627,356	-	-	-
Prepaid items	7,517	-	-	-
Inventories	-	-	-	-
Advances to other funds	17,869,748	-	-	-
Restricted assets:				
Cash and investments	283,685	-	15,919,272	-
Total assets	<u>157,817,700</u>	<u>5,690,569</u>	<u>18,952,684</u>	<u>5,563,748</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	9,984,225	812,361	-	475
Accrued liabilities	8,979,592	147,470	-	-
Deposits held for others	182,622	-	-	-
Due to other funds	-	-	-	17,034
Bonds payable	-	-	11,210,000	-
Interest payable	-	-	1,722,204	-
Advances from other funds	-	-	-	-
Unearned revenue	32,953	-	-	-
Total liabilities	<u>19,179,392</u>	<u>959,831</u>	<u>12,932,204</u>	<u>17,509</u>
Deferred Inflows of Resources:				
Unavailable revenue - special assessments	-	-	-	5,470,780
Unavailable revenue - court fines	6,774,978	-	-	-
Unavailable revenue - sales tax	162,589	-	-	-
Total deferred inflows of resources	<u>6,937,567</u>	<u>-</u>	<u>-</u>	<u>5,470,780</u>
Fund Balances:				
Nonspendable	17,877,265	-	-	-
Restricted	-	4,730,738	6,020,480	75,459
Assigned	41,370,468	-	-	-
Unassigned	72,453,008	-	-	-
Total fund balances	<u>131,700,741</u>	<u>4,730,738</u>	<u>6,020,480</u>	<u>75,459</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 157,817,700</u>	<u>\$ 5,690,569</u>	<u>\$ 18,952,684</u>	<u>\$ 5,563,748</u>

General Obligation Bonds Capital Projects	System Development Fees Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 63,690,952	\$ 41,836,651	\$ 36,521,019	\$ 270,423,808
-	-	16,676	3,883,463
-	-	-	5,500,766
231,499	164,856	142,455	1,041,121
-	-	47,342	13,323,271
-	-	2,077,387	3,873,531
-	-	-	627,356
-	-	-	7,517
-	-	1,306	1,306
-	-	-	17,869,748
27,279	-	2,731,741	18,961,977
<u>63,949,730</u>	<u>42,001,507</u>	<u>41,537,926</u>	<u>335,513,864</u>
1,185,250	781,526	4,434,888	17,198,725
-	-	67,694	9,194,756
-	-	774,425	957,047
-	-	610,322	627,356
-	-	-	11,210,000
-	-	-	1,722,204
-	17,869,748	-	17,869,748
-	-	490,508	523,461
<u>1,185,250</u>	<u>18,651,274</u>	<u>6,377,837</u>	<u>59,303,297</u>
-	-	-	5,470,780
-	-	-	6,774,978
-	-	-	162,589
-	-	-	<u>12,408,347</u>
-	-	1,306	17,878,571
62,764,480	41,219,981	19,629,582	134,440,720
-	-	15,970,562	57,341,030
-	(17,869,748)	(441,361)	54,141,899
<u>62,764,480</u>	<u>23,350,233</u>	<u>35,160,089</u>	<u>263,802,220</u>
<u>\$ 63,949,730</u>	<u>\$ 42,001,507</u>	<u>\$ 41,537,926</u>	<u>\$ 335,513,864</u>

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



**TOWN OF GILBERT, ARIZONA
Reconciliation of the Balance Sheet
to the Statement of Net Position
June 30, 2018**

Fund balances - total governmental funds **\$ 263,802,220**

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

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

Governmental capital assets	1,786,944,358	
Accumulated depreciation	<u>(783,302,563)</u>	1,003,641,795

The investment in joint venture is not a financial resource and, therefore, is not reported in the funds. 197,349

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 12,408,347

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental funds balance sheet. 2,802,807

Deferred outflows and inflows of resources related to pensions, other post-employment benefits, and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.

Unamortized deferred outflow on bond refunding	8,237,856	
Pension and other post-employment benefits-related items	<u>34,387,422</u>	42,625,278

Certain liabilities applicable to the Town's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental funds balance sheet.

Bonds payable	(247,005,000)	
Bonds premium	(25,696,029)	
Compensated absences	(17,239,806)	
Net other post-employment benefits	(1,417,900)	
Net pension	<u>(121,168,913)</u>	<u>(412,527,648)</u>

Net position of governmental activities - statement of net position **\$ 912,950,148**

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
Revenues				
Taxes:				
Sales	\$ 89,516,354	\$ -	\$ -	\$ -
Property	-	-	21,549,105	-
Franchise	2,910,691	-	-	-
Licenses and permits	4,644,714	-	-	-
Intergovernmental	65,055,797	15,457,442	-	-
Special assessments	-	-	-	958,317
Charges for services	10,933,775	848	-	-
Other entities' participation	-	10,676	-	-
System development fees	-	-	-	-
Gifts and donations	68,349	-	-	-
Fines and forfeitures	3,625,730	13,283	-	-
Investment earnings	524,027	32,539	113,448	5,298
Miscellaneous	1,146,411	153,328	-	-
Total revenues	<u>178,425,848</u>	<u>15,668,116</u>	<u>21,662,553</u>	<u>963,615</u>
Expenditures				
Current:				
General government:				
Management and policy	21,194,925	-	-	-
Finance and management services	2,338,182	-	-	-
Court	3,211,278	-	-	-
Development services	7,199,716	-	-	-
Public safety:				
Police	51,677,466	-	-	-
Fire	35,556,686	-	-	-
Highways and streets	162,496	12,558,811	-	-
Parks and recreation	19,600,079	-	-	-
Transportation	350,000	-	-	-
Non departmental	7,925,775	-	-	-
Debt service:				
Principal	-	-	33,305,000	660,000
Interest	-	-	11,462,873	294,670
Payment to refunded bond escrow agent	-	-	12,096,000	-
Bond issuance costs	-	-	353,794	-
Fiscal and other charges	-	-	6,985	6,639
Capital outlay	21,387,730	45,658	-	-
Total expenditures	<u>170,604,333</u>	<u>12,604,469</u>	<u>57,224,652</u>	<u>961,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,821,515</u>	<u>3,063,647</u>	<u>(35,562,099)</u>	<u>2,306</u>
Other financing sources (uses)				
Transfers in	1,294,765	-	28,408,410	-
Transfers out	(12,061,469)	(836,820)	-	-
Refunding bonds issued	-	-	43,075,000	-
Premium on refunding bonds	-	-	6,440,912	-
Revenue bonds issued	-	-	-	-
Premium on revenue bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	(49,162,118)	-
Sale of capital assets	-	-	-	-
Total other financing sources and uses	<u>(10,766,704)</u>	<u>(836,820)</u>	<u>28,762,204</u>	<u>-</u>
Net change in fund balances	(2,945,189)	2,226,827	(6,799,895)	2,306
Fund balances at beginning of year	134,645,930	2,503,911	12,820,375	73,153
Fund balances at end of year	<u>\$ 131,700,741</u>	<u>\$ 4,730,738</u>	<u>\$ 6,020,480</u>	<u>\$ 75,459</u>

General Obligation Bonds Capital Projects	System Development Fees Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 89,516,354
-	-	2,918,584	24,467,689
-	-	-	2,910,691
-	-	-	4,644,714
-	-	4,410,060	84,923,299
-	-	-	958,317
-	-	1,216,499	12,151,122
31,611	-	1,542,784	1,585,071
-	17,616,947	-	17,616,947
-	-	126,173	194,522
-	-	425,727	4,064,740
399,412	224,696	223,737	1,523,157
99,753	-	396,027	1,795,519
<u>530,776</u>	<u>17,841,643</u>	<u>11,259,591</u>	<u>246,352,142</u>
-	-	662,586	21,857,511
-	-	-	2,338,182
-	-	388,699	3,599,977
-	214	-	7,199,930
-	125,970	1,370,412	53,173,848
-	-	141,395	35,698,081
-	-	1,824,050	14,545,357
-	-	4,750,655	24,350,734
-	-	801,199	1,151,199
-	-	49,884	7,975,659
-	-	-	33,965,000
-	-	-	11,757,543
-	-	-	12,096,000
-	-	54,697	408,491
-	-	-	13,624
10,883,711	3,568,089	15,010,079	50,895,267
<u>10,883,711</u>	<u>3,694,273</u>	<u>25,053,656</u>	<u>281,026,403</u>
<u>(10,352,935)</u>	<u>14,147,370</u>	<u>(13,794,065)</u>	<u>(34,674,261)</u>
-	295,965	-	29,999,140
-	(12,236,416)	(4,928,113)	(30,062,818)
-	-	-	43,075,000
-	-	-	6,440,912
-	-	6,450,000	6,450,000
-	-	1,104,697	1,104,697
-	-	-	(49,162,118)
-	-	1,225,504	1,225,504
-	(11,940,451)	3,852,088	9,070,317
(10,352,935)	2,206,919	(9,941,977)	(25,603,944)
73,117,415	21,143,314	45,102,066	289,406,164
<u>\$ 62,764,480</u>	<u>\$ 23,350,233</u>	<u>\$ 35,160,089</u>	<u>\$ 263,802,220</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, 2018

Net change in fund balances - total governmental funds **\$ (25,603,944)**

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	50,895,267	
Depreciation expense	<u>(53,453,450)</u>	(2,558,183)

In the statement of activities, the gain on the sale of capital assets is reported, whereas in the government funds, the proceeds from the sale increased financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold. (1,191,635)

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

Revenue bonds and revenue refunding bonds	(49,525,000)	
Premium on revenue bonds and revenue refunding bonds	(7,545,609)	
Town contribution towards refunding	12,096,000	
Payment to refunded bond escrow agent	<u>49,162,118</u>	4,187,509

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

Principal payments	33,965,000	
Amortization expense	<u>1,386,897</u>	35,351,897

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, to the individual funds. The adjustments for internal service funds "close" those funds by charging the additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. 2,211,542

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. 12,062,545

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	(1,207,785)	
Post-employment benefits	70,364	
Claims payable	<u>6,548,270</u>	5,410,849

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

Pension/OPEB contributions	16,596,964	
Pension/OPEB expense	<u>(18,176,395)</u>	(1,579,431)

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

Special assessments	(650,206)	
Court fines	(802,403)	
Sales tax	<u>(18,861)</u>	(1,471,470)

Change in net position of governmental activities - statement of activities **\$ 26,819,679**

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 86,000,000	\$ 86,000,000	\$ 89,516,354	\$ 3,516,354
Franchise	2,675,000	2,675,000	2,910,691	235,691
Licenses and permits	4,367,000	4,367,000	4,644,714	277,714
Intergovernmental	64,285,000	64,285,000	65,055,797	770,797
Charges for services	9,921,860	9,921,860	10,933,775	1,011,915
Gifts and donations	25,000	25,000	68,349	43,349
Fines and forfeitures	3,626,000	3,626,000	3,625,730	(270)
Investment earnings	760,000	760,000	524,027	(235,973)
Miscellaneous	803,500	803,500	1,146,411	342,911
Total revenues	172,463,360	172,463,360	178,425,848	5,962,488
Expenditures				
Current:				
General government:				
Management and policy	22,277,330	23,422,438	21,194,925	2,227,513
Finance and management services	2,725,920	2,725,920	2,338,182	387,738
Court	3,298,070	3,298,070	3,211,278	86,792
Development services	7,563,620	7,622,835	7,199,716	423,119
Public safety:				
Police	53,336,380	53,421,370	51,677,466	1,743,904
Fire	33,641,880	36,022,122	35,556,686	465,436
Highways and streets	139,500	184,500	162,496	22,004
Parks and recreation	20,194,930	21,820,804	19,600,079	2,220,725
Transportation	350,000	350,000	350,000	-
Non departmental	7,142,300	10,421,917	7,925,775	2,496,142
Capital outlay	48,774,820	44,333,758	21,387,730	22,946,028
Contingency	15,900,000	14,221,016	-	14,221,016
Total expenditures	215,344,750	217,844,750	170,604,333	47,240,417
Excess (deficiency) of revenues over (under) expenditures	(42,881,390)	(45,381,390)	7,821,515	53,202,905
Other financing sources (uses)				
Transfers in	1,191,820	1,191,820	1,294,765	102,945
Transfers out	(11,612,690)	(11,612,690)	(12,061,469)	(448,779)
Total other financing sources and uses	(10,420,870)	(10,420,870)	(10,766,704)	(345,834)
Net change in fund balances	\$ (53,302,260)	\$ (55,802,260)	(2,945,189)	\$ 52,857,071
Fund balance at beginning of year			134,645,930	
Fund balance at end of year			\$ 131,700,741	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 15,550,000	\$ 15,550,000	\$ 15,457,442	\$ (92,558)
Charges for services	1,000	1,000	848	(152)
Other entities' participation	-	-	10,676	10,676
Fines and forfeitures	-	-	13,283	13,283
Investment earnings	100,000	100,000	32,539	(67,461)
Miscellaneous	-	-	153,328	153,328
Total revenues	15,651,000	15,651,000	15,668,116	17,116
Expenditures				
Current:				
Highways and streets	14,075,320	13,777,783	12,558,811	1,218,972
Capital outlay	38,000	42,530	45,658	(3,128)
Contingency	556,000	844,660	-	844,660
Total expenditures	14,669,320	14,664,973	12,604,469	2,060,504
Excess of revenues over expenditures	981,680	986,027	3,063,647	2,077,620
Other financing uses				
Transfers out	(836,820)	(836,820)	(836,820)	-
Total other financing uses	(836,820)	(836,820)	(836,820)	-
Net change in fund balances	\$ 144,860	\$ 149,207	2,226,827	\$ 2,077,620
Fund balance at beginning of year			2,503,911	
Fund balance at end of year			\$ 4,730,738	

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, 2018

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			
	Water	Wastewater	Environmental Services	Total
ASSETS				
Current assets:				
Pooled cash and investments	\$ 126,532,328	\$ 77,195,383	\$ 21,082,278	\$ 224,809,989
Receivables (net):				
Accrued interest	447,001	272,794	87,857	807,652
Accounts	3,290,001	1,430,093	925,903	5,645,997
Due from other governments	1,322,684	-	-	1,322,684
Inventories	58,498	-	-	58,498
Total current assets	<u>131,650,512</u>	<u>78,898,270</u>	<u>22,096,038</u>	<u>232,644,820</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	36,669,388	64,718,358	-	101,387,746
Accrued interest	86,848	99,945	-	186,793
Investment in joint venture	97,902,288	51,709,851	-	149,612,139
Other post-employment benefits	37,429	12,343	24,355	74,127
Capital assets:				
Non-depreciable	75,294,464	44,192,915	61,244	119,548,623
Depreciable, net	240,205,254	160,915,363	17,447,098	418,567,715
Total noncurrent assets	<u>450,195,671</u>	<u>321,648,775</u>	<u>17,532,697</u>	<u>789,377,143</u>
Total assets	<u>581,846,183</u>	<u>400,547,045</u>	<u>39,628,735</u>	<u>1,022,021,963</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,892,371	-	-	2,892,371
Pensions and other post-employment benefits	1,434,133	472,933	933,183	2,840,249
Total deferred outflows of resources	<u>4,326,504</u>	<u>472,933</u>	<u>933,183</u>	<u>5,732,620</u>
LIABILITIES				
Current liabilities:				
Accounts payable	3,432,073	5,599,551	1,087,022	10,118,646
Accrued liabilities	375,719	117,739	233,238	726,696
Current portion of accrued compensated absences	491,406	188,757	288,375	968,538
Claims payable	-	-	-	-
Bond interest payable	2,388,781	193,386	-	2,582,167
Bonds payable	5,055,000	3,425,000	-	8,480,000
Utility deposits	2,741,905	-	18,175	2,760,080
Total current liabilities	<u>14,484,884</u>	<u>9,524,433</u>	<u>1,626,810</u>	<u>25,636,127</u>
Noncurrent liabilities:				
Utility revenue bonds payable	123,519,485	38,517,727	-	162,037,212
Accrued compensated absences	825,856	385,584	457,469	1,668,909
Other post-employment benefits	181,520	60,240	132,627	374,387
Net pension liability	10,437,855	3,853,672	6,537,511	20,829,038
Total noncurrent liabilities	<u>134,964,716</u>	<u>42,817,223</u>	<u>7,127,607</u>	<u>184,909,546</u>
Total liabilities	<u>149,449,600</u>	<u>52,341,656</u>	<u>8,754,417</u>	<u>210,545,673</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions and other post-employment benefits	690,804	227,829	450,374	1,369,007
Total deferred inflows of resources	<u>690,804</u>	<u>227,829</u>	<u>450,374</u>	<u>1,369,007</u>
NET POSITION				
Net investment in capital assets	211,958,281	163,165,550	17,508,312	392,632,143
Restricted for capital projects	9,173,629	25,325,753	-	34,499,382
Unrestricted	214,900,373	159,959,190	13,848,815	388,708,378
Total net position	<u>\$ 436,032,283</u>	<u>\$ 348,450,493</u>	<u>\$ 31,357,127</u>	<u>815,839,903</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				627,366
Net position of business-type activities				<u>\$ 816,467,269</u>

**Governmental
Activities -
Internal Service
Funds**

\$	6,710,328
	21,840
	81,625
	-
	691,151
	<u>7,504,944</u>
	-
	-
	-
	6,813
	-
	74,411
	<u>81,224</u>
	<u>7,586,168</u>
	-
	261,049
	<u>261,049</u>
	357,290
	67,783
	89,074
	1,514,000
	-
	-
	-
	<u>2,028,147</u>
	-
	139,492
	35,631
	2,087,874
	<u>2,262,997</u>
	<u>4,291,144</u>
	125,900
	<u>125,900</u>
	74,411
	-
	3,355,762
\$	<u><u>3,430,173</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, 2018

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Services</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 42,868,121	\$ 26,517,229	\$ 18,437,190	\$ 87,822,540
Other	100,218	2,224	69,759	172,201
Total operating revenues	<u>42,968,339</u>	<u>26,519,453</u>	<u>18,506,949</u>	<u>87,994,741</u>
Operating expenses				
General and administrative	1,224,974	1,074,298	979,575	3,278,847
Personnel services	8,549,311	3,936,030	7,065,032	19,550,373
Operation and maintenance	16,075,384	10,959,645	7,800,006	34,835,035
Claims incurred	-	-	-	-
Depreciation	12,944,665	10,478,057	1,642,226	25,064,948
Allocation of indirect expenses	2,170,950	1,023,530	1,033,380	4,227,860
Total operating expenses	<u>40,965,284</u>	<u>27,471,560</u>	<u>18,520,219</u>	<u>86,957,063</u>
Operating income (loss)	<u>2,003,055</u>	<u>(952,107)</u>	<u>(13,270)</u>	<u>1,037,678</u>
Nonoperating revenues (expenses)				
Intergovernmental	1,183,844	-	-	1,183,844
Interest expense	(3,812,648)	148,939	-	(3,663,709)
Investment earnings	1,149,981	610,808	133,410	1,894,199
Gain (loss) on sale of capital assets	(37,393)	-	23,796	(13,597)
Total nonoperating revenues (expenses)	<u>(1,516,216)</u>	<u>759,747</u>	<u>157,206</u>	<u>(599,263)</u>
Income (loss) before capital contributions and transfers	486,839	(192,360)	143,936	438,415
Capital contributions	20,003,842	9,715,068	896,570	30,615,480
Transfers in	98,678	950,670	-	1,049,348
Transfers out	(985,670)	-	-	(985,670)
Change in net position	19,603,689	10,473,378	1,040,506	31,117,573
Total net position, beginning of year, as restated (see Note 2)	<u>416,428,594</u>	<u>337,977,115</u>	<u>30,316,621</u>	
Total net position, end of year	<u>\$ 436,032,283</u>	<u>\$ 348,450,493</u>	<u>\$ 31,357,127</u>	

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	641,018
Change in net position of business-type activities	<u>\$ 31,758,591</u>

**Governmental
Activities -
Internal Service
Funds**

\$ 24,923,868
422,601
25,346,469

1,563,514
1,792,946
5,285,592
13,891,695
16,106

-
22,549,853

2,796,616

-
-

25,974

1,670

27,644

2,824,260

-
-
-

2,824,260

605,913

\$ 3,430,173

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, 2018

	Business-type Activities - Enterprise Funds			
	Water	Wastewater	Environmental Services	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 50,232,779	\$ 26,465,500	\$ 18,386,112	\$ 95,084,391
Other operating cash receipts	100,218	2,224	69,759	172,201
Cash receipts from other funds for services	-	-	-	-
Cash receipts from deposits	(62,077)	-	(3,984)	(66,061)
Cash payments to suppliers for goods and services	(17,233,944)	(10,097,092)	(8,051,580)	(35,382,616)
Cash payments to employees for services	(8,444,088)	(3,901,865)	(7,060,355)	(19,406,308)
Cash payments to other funds for services	(2,170,950)	(1,023,530)	(1,033,380)	(4,227,860)
Net cash provided by operating activities	<u>22,421,938</u>	<u>11,445,237</u>	<u>2,306,572</u>	<u>36,173,747</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	98,678	950,670	-	1,049,348
Transfers to other funds	(985,670)	-	-	(985,670)
Net cash provided by (used in) noncapital financing activities	<u>(886,992)</u>	<u>950,670</u>	<u>-</u>	<u>63,678</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(31,937,888)	(23,466,451)	(5,676,140)	(61,080,479)
Proceeds from revenue bonds	-	42,287,553	-	42,287,553
Proceeds from development fees	12,753,465	6,292,927	-	19,046,392
Cash paid for interest and fiscal charges	(4,876,663)	(2,500)	-	(4,879,163)
Principal payments on bonds	(4,830,000)	-	-	(4,830,000)
Proceeds from intergovernmental agreements	1,183,844	-	-	1,183,844
Proceeds from sale of capital assets	(37,393)	-	23,796	(13,597)
Net cash provided by (used in) capital and related financing activities	<u>(27,744,635)</u>	<u>25,111,529</u>	<u>(5,652,344)</u>	<u>(8,285,450)</u>
Cash flows from investing activities:				
Interest received on investments	1,012,787	533,799	119,418	1,666,004
Net cash provided by investing activities	<u>1,012,787</u>	<u>533,799</u>	<u>119,418</u>	<u>1,666,004</u>
Net increase (decrease) in cash and cash equivalents	(5,196,902)	38,041,235	(3,226,354)	29,617,979
Cash and cash equivalents at beginning of year	168,398,618	103,872,506	24,308,632	296,579,756
Cash and cash equivalents at end of year	<u>\$ 163,201,716</u>	<u>\$ 141,913,741</u>	<u>\$ 21,082,278</u>	<u>\$ 326,197,735</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	126,532,328	77,195,383	21,082,278	224,809,989
Restricted cash and investments	36,669,388	64,718,358	-	101,387,746
Total cash and cash equivalents	<u>\$ 163,201,716</u>	<u>\$ 141,913,741</u>	<u>\$ 21,082,278</u>	<u>\$ 326,197,735</u>
Reconciliation of operating income (loss) to net cash provided by operations:				
Operating income (loss)	\$ 2,003,055	\$ (952,107)	\$ (13,270)	\$ 1,037,678
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	12,944,665	10,478,057	1,642,226	25,064,948
Provision for uncollectible accounts	9,065	5,854	6,635	21,554
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	7,355,593	(57,584)	(57,713)	7,240,296
Increase in inventories	(6,621)	-	-	(6,621)
Decrease in deferred outflows of resources	788,641	250,064	505,656	1,544,361
Increase in accounts payable	73,035	1,936,852	728,001	2,737,888
Decrease in claims payable	-	-	-	-
Decrease in deposits	(62,077)	-	(3,984)	(66,061)
Increase in accrued expenses	219,821	71,902	77,215	368,938
Increase in other post-employment benefits	1,710	594	2,271	4,575
Decrease in net pension liability	(273,957)	(86,286)	(175,218)	(535,461)
Decrease in deferred inflows of resources	(630,992)	(202,109)	(405,247)	(1,238,348)
Total adjustments	<u>20,418,883</u>	<u>12,397,344</u>	<u>2,319,842</u>	<u>35,136,069</u>
Net cash provided by operating activities	<u>\$ 22,421,938</u>	<u>\$ 11,445,237</u>	<u>\$ 2,306,572</u>	<u>\$ 36,173,747</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	7,250,377	3,422,141	896,570	11,569,088
Total additions to property and equipment	<u>\$ 7,250,377</u>	<u>\$ 3,422,141</u>	<u>\$ 896,570</u>	<u>\$ 11,569,088</u>

**Governmental
Activities -
Internal Service
Funds**

\$	-
	423,203
	24,874,078
	-
	(20,739,251)
	(1,809,118)
	-
	<u>2,748,912</u>
	-
	-
	-
	-
	-
	1,670
	<u>1,670</u>
	-
	-
	-
	-
	14,080
	<u>14,080</u>
	2,764,662
	3,945,666
\$	<u>6,710,328</u>
	6,710,328
	-
\$	<u>6,710,328</u>
	-
\$	<u>2,796,616</u>
	16,106
	-
	(49,188)
	(23,197)
	166,939
	161,064
	(136,317)
	-
	4,324
	518
	(59,345)
	(128,608)
	<u>(47,704)</u>
\$	<u>2,748,912</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, 2018

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments	\$ 86,556	\$ 23,484
Prepaid items	<u>-</u>	<u>6,062</u>
Total assets	<u>86,556</u>	<u>29,546</u>
LIABILITIES		
Dependent care benefits payable	<u>-</u>	<u>29,546</u>
Total liabilities	<u>-</u>	<u>\$ 29,546</u>
NET POSITION		
Restricted for pensions	<u>\$ 86,556</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, 2018

	<u>Firemen's Pension Trust</u>
Additions	
Interest on investments	\$ 1,076
Total additions	<u>1,076</u>
Deductions	
Benefits	2,400
Administration	<u>100</u>
Total deductions	<u>2,500</u>
Change in net position	(1,424)
Net position - beginning of the year	<u>87,980</u>
Net position - end of the year	<u><u>\$ 86,556</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, 2018

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, 2018, Gilbert implemented the provisions of GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans.

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 two internal service funds that provide equipment and fleet maintenance 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, 2018, the Water MPC bonded debt is reported within the water and wastewater funds 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, 2018

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

B. Jointly Governed Organizations

Phoenix-Mesa Gateway Airport Authority (PMGAA) is a non-profit corporation established and funded by the Towns of Gilbert and Queen Creek, the Cities of Mesa and Phoenix, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base, which was closed in September 1993 and became Phoenix-Mesa Gateway Airport. The airport has three runways, a 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 2018 to the PMGAA operating and capital budget.

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

C. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on Gilbert and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

E. Fund Accounting

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

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

Governmental Funds

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

Gilbert reports the following major governmental funds:

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

Streets Special Revenue Fund – The streets special revenue fund accounts for Gilbert's portion of the Arizona Highway User Revenue Tax. 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.

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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.

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

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

Proprietary Funds

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

Gilbert reports the following major proprietary funds:

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

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

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

Additionally, Gilbert reports the following fund types:

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

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

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 agency funds to account for monies collected from employees to pay medical and dependent care claims and 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.

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F. Budgetary Data

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

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

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

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

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

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

G. Pooled Cash and Investments

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

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

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H. Inventories and Prepaid Items

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

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

I. Restricted Assets

Certain bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted on the Balance Sheet, or Statement of Net Position, because they are maintained in trust accounts and their use is limited by applicable debt covenants.

J. Capital Assets

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

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

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

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

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

K. Compensated Absences

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

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

L. Long-Term Obligations

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

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

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

M. Transactions Between Funds

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

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

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

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N. Property Tax

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

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

Gilbert does not levy property taxes for general operations (primary tax). Secondary property taxes are levied solely for the purpose of retiring the principal, interest, and servicing fees on voter approved general obligation bonded indebtedness. Gilbert may levy the amount deemed necessary to meet its bonded debt service requirements. State law requires municipalities to adopt a property tax levy based on the amount of scheduled and projected debt service for the year plus a reasonable amount for delinquencies and certain costs. For fiscal year 2018, Gilbert's property tax rate is \$1.03 per \$100 of secondary assessed valuation.

O. Deferred outflows/inflows of resources

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

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

On the government-wide and proprietary funds Statement of Net Position, deferred inflows of resources are reported on pension and other postemployment-related items for the net difference between projected and actual investment earnings on pension and other postemployment plan investments. These amounts are amortized as an expenditure/expense in future periods.

P. Postemployment Benefits

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

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Q. Fund Balance Classifications

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

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

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

As of June 30, 2018, the fund balance details by classification are listed below:

Fund balances:	Major		Major		Major			Total
	General	Streets	Debt Service Funds		Capital Projects Funds			
		Special	General	Special	GO Bonds	System	Other	
Fund	Revenue	Assmnts	Dev Fees	Gov't				
Nonspendable:								
Advances	\$17,869,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,869,748	
Inventory	-	-	-	-	-	1,306	1,306	
Prepaid items	7,517	-	-	-	-	-	7,517	
Restricted for:								
Capital projects	-	-	-	-	62,764,480	41,219,981	120,293,485	
Court/public safety programs	-	-	-	-	-	2,107,804	2,107,804	
Debt service	-	-	6,020,480	75,459	-	-	6,095,939	
Federal/state/local grants	-	-	-	-	-	664,760	664,760	
Highways and streets	-	4,730,738	-	-	-	-	4,730,738	
Contract agreements	-	-	-	-	-	46,062	46,062	
Parks & recreation programs	-	-	-	-	-	18,784	18,784	
Special districts	-	-	-	-	-	483,147	483,147	
Assigned to:								
Capital replacement	14,737,200	-	-	-	-	-	14,737,200	
Capital projects	15,409,891	-	-	-	-	15,914,090	31,323,981	
Highways and streets	11,223,377	-	-	-	-	-	11,223,377	
Management and policy	-	-	-	-	-	56,473	56,473	
Unassigned:	<u>72,453,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,869,748)</u>	<u>(441,361)</u>	<u>54,141,899</u>
Total fund balances	<u>\$131,700,741</u>	<u>\$4,730,738</u>	<u>\$6,020,480</u>	<u>\$ 75,459</u>	<u>\$62,764,480</u>	<u>\$ 23,350,233</u>	<u>\$35,160,089</u>	<u>\$263,802,220</u>

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R. Statement of Cash Flows

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

S. Use of Estimates

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

Note 2 – Change in Accounting Principle

Net position as of July 1, 2017, has been restated as follows for implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Enterprise Fund</u>	<u>Wastewater Enterprise Fund</u>	<u>Environmental Services Enterprise Fund</u>	<u>Internal Service Funds</u>
Net position as previously reported at June 30, 2017	\$ 887,736,416	\$ 784,965,859	\$ 416,555,381	\$ 338,008,713	\$ 30,415,408	\$ 634,213
Prior period adjustment-implementation of GASB 75:						
Net OPEB liability (measurement date as of June 30, 2016)	(1,981,488)	(348,865)	(173,081)	(46,864)	(128,911)	(36,728)
Deferred outflows-Town contributions made during fiscal year 2017	375,541	91,684	46,294	15,266	30,124	8,428
Total prior period adjustment	<u>(1,605,947)</u>	<u>(257,181)</u>	<u>(126,787)</u>	<u>(31,598)</u>	<u>(98,787)</u>	<u>(28,300)</u>
Net position as restated, July 1, 2017	<u>\$ 886,130,469</u>	<u>\$ 784,708,678</u>	<u>\$ 416,428,594</u>	<u>\$ 337,977,115</u>	<u>\$ 30,316,621</u>	<u>\$ 605,913</u>

Note 3 - Budgetary Basis of Accounting

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

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

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

1. Obligations for compensated absences, postemployment benefits, net pension liability and rebatable arbitrage are accrued on the GAAP basis but are not recognized on the budget basis.

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2. Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.
3. Debt service principal payments are not recorded as expenses on the GAAP basis but are recognized as expenses on the budget basis.
4. Depreciation is expensed on the GAAP basis but is not recognized on the budget basis.
5. Capital assets contributed by developers are recognized as revenue on the GAAP basis but are not recognized on the budget basis.

Note 4 - Deposits and Investments

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

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

Gilbert categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using other significant observable inputs. Gilbert's investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurement Using</u>	
		<u>Level 1</u>	<u>Level 2</u>
U.S. Government Treasuries	\$ 106,903,056	\$ 106,903,056	\$ -
U.S. Government Agencies	201,015,607	-	201,015,607
Certificates of Deposit	95,961,160	-	95,961,160
Corporate Notes	88,084,495	-	88,084,495
Commercial Paper	19,676,754	-	19,676,754
Money Market – U.S. Treasuries	48,455,295	-	48,455,295
Total Investments by Fair Value Level	<u>560,096,367</u>	<u>\$ 106,903,056</u>	<u>\$ 453,193,311</u>
External Investment Pools Measured at Fair Value			
State Treasurer's Investment Pool	<u>50,491,321</u>		
Total Investments Measured at Fair Value	<u>\$ 610,587,688</u>		

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

At June 30, 2018, Gilbert’s investment maturities were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-3
U.S. Government Treasuries	\$ 106,903,056	\$ 7,534,038	\$ 99,369,018
U.S. Government Agencies	201,015,607	13,170,737	187,844,870
Certificates of Deposit	95,961,160	51,140,742	44,820,418
Corporate Notes	88,084,495	6,463,347	81,621,148
Commercial Paper	19,676,754	19,676,754	-
State Treasurer’s Investment Pool	50,491,321	10,676,039	39,815,282
Money Market – U.S. Treasuries	48,455,295	48,455,295	-
Total	\$ 610,587,688	\$ 157,116,952	\$ 453,470,736

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, 2018, the investments in the U.S. Government Agencies were rated AA+ and the investments in Corporate Notes ranged from BBB+ ratings to AA- ratings. Gilbert’s investment in the State Treasurer’s Investment Pool did not receive a credit quality rating from a national rating agency.

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. As of June 30, 2018, Gilbert’s bank balance was \$13,877,731, of which \$7,492,202 was with JP Morgan and \$6,385,029 was held in trust accounts with US Bank and Bank of New York. \$7,242,202 of JP Morgan’s bank balance and \$6,107,750 of the Bank of New York’s balance was exposed to custodial credit risk. JP Morgan’s balance 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. Bank of New York’s balance was uninsured and not collateralized. At the end of each day, a portion of Gilbert’s bank balance is transferred to a sweep investment account.

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, 2018, of Gilbert’s investments, 33% were in U.S. Government Agencies, 14% were in Corporate Notes, 16% were in Certificates of Deposit, 18% were in U.S. Government Treasuries and 8% were in the State Treasurer’s Investment Pool.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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

Primary government:	
Carrying amount of cash	\$ 11,816,200
Carrying amount of deposits/investments	610,587,688
Total cash and investments	\$ 622,403,888
Pooled cash and investments	\$ 501,944,125
Restricted cash and investments	120,349,723
Total cash and investments (per Statement of Net Position)	622,293,848
Agency funds	110,040
Total cash and investments	\$ 622,403,888

Note 5 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2018, includes \$852,687 in state shared sales tax and \$2,875,572 in local sales tax. The general fund due from other governments includes \$379,834 in vehicle license tax due from the State of Arizona. Amounts in the streets special revenue fund represents \$1,405,325 in highway user revenues due from the State of Arizona. Other governmental funds include federal grant receivables of \$758,752 from the U.S. Department of Housing and Urban Development, \$39,970 from the U.S. Department of Transportation, and \$53,959 from the U.S. Department of Homeland Security. Additionally, other governmental funds include Racketeer Influenced Corrupt Organizations (RICO) funds of \$1,220,167 from Maricopa County Attorney’s Office. The water fund includes \$128,217 and \$1,194,467 in amounts due from the City of Chandler for the joint operation of the SanTan Vista Water Treatment Plant and expansion expenses, respectively. The balance of these receivables represents various grants from the state and federal governments.

Note 6 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2018, is as follows:

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

	Due To	Due From
General Fund	\$ -	\$ 627,356
Special Assessments Debt Service Fund	17,034	-
Other Governmental Funds	610,322	-
Total	\$ 627,356	\$ 627,356

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

	Advances to	Advances from
General Fund	\$ -	\$ 17,869,748
System Development Fees Capital Projects	17,869,748	-
Total	\$ 17,869,748	\$ 17,869,748

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2018, is as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Non-depreciable assets:				
Land	\$ 182,578,216	\$ 303,693	\$ (1,032,589)	\$ 181,849,320
Construction-in-progress	64,360,703	42,668,397	(41,484,497)	65,544,603
Total non-depreciable assets	<u>246,938,919</u>	<u>42,972,090</u>	<u>(42,517,086)</u>	<u>247,393,923</u>
Depreciable assets:				
Buildings	257,691,557	7,384,773	-	265,076,330
Improvements other than buildings	73,544,532	-	-	73,544,532
Machinery and equipment	62,244,729	6,422,240	(1,402,484)	67,264,485
Infrastructure	1,086,285,740	47,663,207	-	1,133,948,947
Total depreciable assets	<u>1,479,766,558</u>	<u>61,470,220</u>	<u>(1,402,484)</u>	<u>1,539,834,294</u>
Less accumulated depreciation:				
Buildings	(104,273,456)	(10,267,026)	-	(114,540,482)
Improvements other than buildings	(45,740,674)	(2,964,357)	-	(48,705,031)
Machinery and equipment	(48,881,773)	(3,224,192)	1,274,620	(50,831,345)
Infrastructure	(532,421,172)	(37,013,981)	-	(569,435,153)
Total accumulated depreciation	<u>(731,317,075)</u>	<u>(53,469,556)</u>	<u>1,274,620</u>	<u>(783,512,011)</u>
Total depreciable assets, net	<u>748,449,483</u>	<u>8,000,664</u>	<u>(127,864)</u>	<u>756,322,283</u>
Governmental activities capital assets, net	<u>\$ 995,388,402</u>	<u>\$ 50,972,754</u>	<u>\$ (42,644,950)</u>	<u>\$ 1,003,716,206</u>

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

Management and policy	\$ 718,198
Finance and management services	295,654
Legal and court	493,045
Development services	2,187,458
Police	2,571,607
Fire	2,908,062
Highways and streets	38,105,881
Parks and recreation	6,173,545
Total depreciation expense not including internal service funds	<u>\$ 53,453,450</u>
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	16,106
Total depreciation expense – governmental activities	<u>\$ 53,469,556</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2018, is as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Non-depreciable assets:				
Land	\$ 18,211,689	\$ 22,154	\$ -	\$ 18,233,843
Water Rights ¹	49,578,561	5,782,773	-	55,361,334
Construction-in-progress	46,058,818	54,356,891	(54,462,263) ²	45,953,446
Total non-depreciable assets	<u>113,849,068</u>	<u>60,161,818</u>	<u>(54,462,263)</u>	<u>119,548,623</u>
Depreciable assets:				
Plant and equipment	139,456,400	6,786,072	(552,140)	145,690,332
Water rights	9,146,281	-	-	9,146,281
Infrastructure	490,102,723	25,514,943	-	515,617,666
Total depreciable assets	<u>638,705,404</u>	<u>32,301,015</u>	<u>(552,140)</u>	<u>670,454,279</u>
Less accumulated depreciation:				
Plant and equipment	(70,940,738)	(5,944,718)	552,140	(76,333,316)
Water rights	(2,085,579)	(98,292)	-	(2,183,871)
Infrastructure	(161,432,736)	(11,936,641)	-	(173,369,377)
Total accumulated depreciation	<u>(234,459,053)</u>	<u>(17,979,651)</u>	<u>552,140</u>	<u>(251,886,564)</u>
Total depreciable assets, net	<u>404,246,351</u>	<u>14,321,364</u>	<u>-</u>	<u>418,567,715</u>
Business-type activities capital assets, net				
	<u>\$ 518,095,419</u>	<u>\$ 74,483,182</u>	<u>\$ (54,462,263)</u>	<u>\$ 538,116,338</u>

¹ Water rights previously reported as land are shown on a separate line in non-depreciable assets.

² Deletions for Construction-in-progress amount includes \$34,648,993 in additions for the investment in joint venture which is recorded as a separate line item on the Statement of Net Position.

Note 8 – Construction-in-Progress and Commitments

Governmental activities construction-in-progress and related construction commitments at June 30, 2018, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Redevelopment	\$ 9,011,536	\$ 2,400,742
Municipal facilities	18,844,462	1,498,665
Parks	9,461,135	12,388,892
Traffic control	2,291,505	97,376
Streets	25,935,965	7,361,358
Total	<u>\$ 65,544,603</u>	<u>\$ 23,747,033</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

Business-type activities construction-in-progress and related construction commitments at June 30, 2018, were as follows:

	Construction- in-Progress	Commitments
Water system	\$ 11,959,639	\$ 12,963,644
Wastewater system	33,932,563	54,631,670
Environmental services	61,244	89,925
Total	\$ 45,953,446	\$ 67,685,239

Note 9 - Risk Management

Traditional Commercial Insurance Programs

Gilbert operates with traditional commercial insurance programs against major losses in property, plant, equipment, and liability. Administrative responsibility for the safety program and education resides with the Office of the Town Manager. Administrative responsibility for risk management resides with the Office of the Town Attorney. 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 2018, there was no reduction in insurance coverage from prior years. Additionally, settlements have not exceeded insurance coverage during any of the last three fiscal years.

Self-Insurance

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

The claims liability of \$1,514,000 reported in the employee benefit self-insurance trust at June 30, 2018, 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 2018, a decrease of \$163,398 and an increase of \$27,081 were recorded for IBNR claims under the medical and dental plans, respectively. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Fiscal year 2018 reflected a decrease in claims costs of \$838,292 from fiscal year 2017. This was due to a decrease of \$886,389 in medical claims and an increase of \$48,097 in dental claims.

Changes in the fund's claim liability amount in fiscal years 2018 and 2017 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
2018	\$ 1,650,317	\$ 13,891,695	\$ (14,028,012)	\$ 1,514,000
2017	1,706,260	14,729,987	(14,785,930)	1,650,317

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

Note 10 – Long-Term Debt

General Obligation Bonds

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

General obligation bonds outstanding at June 30, 2018, were as follows:

	Governmental
2008 General Obligation Bonds, 3.0% to 5.0%, original amount \$187,990,000, annual retirements due July 1, 2009, through July 1, 2023	\$ 17,000,000
2017 General Obligation and General Obligation Refunding Bonds, Series 2017, 3.0% to 5.0%, original amount \$121,670,000, annual retirements due July 1, 2017, through July 1, 2036	111,090,000
Total	\$ 128,090,000

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 16,645,000	\$ 5,631,800
2020	17,480,000	4,799,550
2021	18,355,000	3,925,550
2022	16,180,000	3,007,800
2023	17,000,000	2,198,800
2024-2028	13,725,000	7,138,500
2029-2033	16,905,000	3,949,050
2034-2036	11,800,000	714,900
Total	\$ 128,090,000	\$ 31,365,950

**TOWN OF GILBERT, ARIZONA
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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 full cash (NFC) valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of Gilbert's NFC valuation. The following is a summary of legal borrowing capacity at June 30, 2018:

Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Special Purpose Bonds		All Other General Obligation Bonds	
NFC – Assessed Valuation	<u>\$2,623,742,589</u>	NFC – Assessed Valuation	<u>\$2,623,742,589</u>
20% constitutional limit	\$ 524,748,518	6% constitutional limit	\$ 157,424,555
Less general obligation bonds outstanding	(128,090,000)	Less general obligation bonds outstanding	-
Less premium adjustment	<u>(9,516,726)</u>	Less premium adjustment	<u>-</u>
Available 20% limitation borrowing capacity	<u>\$ 387,141,792</u>	Available 6% limitation borrowing capacity	<u>\$ 157,424,555</u>

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, 2018, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, were adequate for the scheduled maturities of the bonds payable and the related interest. Special assessment bonds are collateralized by properties within the districts. In the event of default by the owner, Gilbert may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. Gilbert is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

Special assessment bonds outstanding at June 30, 2018, 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	\$ 140,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012 through January 1, 2029	<u>5,305,000</u>
Total	<u>\$ 5,445,000</u>

TOWN OF GILBERT, ARIZONA
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Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 380,000	\$ 268,140
2020	400,000	248,238
2021	425,000	227,185
2022	450,000	204,857
2023	465,000	181,510
2024-2028	2,720,000	513,715
2029	605,000	15,428
Total	<u>\$ 5,445,000</u>	<u>\$ 1,659,073</u>

Street and Highway User Revenue Bonds

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

Street and highway user revenue bonds outstanding at June 30, 2018, were as follows:

	<u>Governmental</u>
2012 Street and Highway User Revenue Refunding Bonds, 3.0% to 5.0% original amount \$16,945,000, annual retirements due July 1, 2014 through July 1, 2019	\$ 3,250,000

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 3,250,000	\$ 162,500
Total	<u>\$ 3,250,000</u>	<u>\$ 162,500</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Municipal Property Corporation (MPC) Revenue Bonds

The Public Facilities MPC exists solely for the purpose of financing the cost of acquisition of certain interests in real property to locate public safety and parks and recreation facilities, the costs of design, construction and outfitting of parks and recreation facilities and a parking facility (the 2009 issue); the cost of design and construction of Fire and Rescue Station #9 (the 2017 issue); and the refunding of certain maturities of outstanding bonds (the 2011, 2014, and 2017 issues). The Water MPC exists solely for the purpose of financing the construction of water and wastewater capital improvement projects. (See also Note 18 regarding Pledged Revenues.)

Municipal property corporation revenue bonds outstanding at June 30, 2018, were as follows:

	<u>Governmental</u>	<u>Business-Type</u>
2009 Public Facilities Municipal Property Corporation Revenue Bonds, 4.0% to 5.5%, original amount \$80,585,000, annual retirements due July 1, 2009 through July 1, 2028	\$ 5,850,000	\$ -
2011 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 3.0% to 4.75%, original amount \$20,980,000, annual retirements due July 1, 2013 through July 1, 2021	10,365,000	-
2014 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 2.0% to 5.0%, original amount \$28,080,000, annual retirements due July 1, 2016 through July 1, 2021	22,510,000	-
2017 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 3.0% to 5.0%, original amount \$43,075,000, annual retirements due July 1, 2018 through July 1, 2027	39,930,000	-
2017 Public Facilities Municipal Property Corporation Revenue Bonds, 4.0% to 5.0%, original amount \$6,450,000, annual retirements due July 1, 2022 through July 1, 2027	6,450,000	-
2016 Water Resources Municipal Property Corporation, Senior Lien Utility System Revenue and Revenue Refunding Bonds, 2.25% to 5.0%, original amount \$115,940,000, annual retirements due July 1, 2017 through July 1, 2036	-	111,110,000
2018 Water Resources Municipal Property Corporation, Senior Lien Utility System Revenue Bonds, 3.0% to 5.0%, original amount \$37,460,000, annual retirements due July 1, 2018 through July 1, 2031	-	37,460,000
Total	<u>\$ 85,105,000</u>	<u>\$ 148,570,000</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 11,545,000	\$ 3,905,913	\$ 8,480,000	\$ 5,685,748
2020	15,800,000	3,345,162	7,225,000	6,036,238
2021	12,805,000	2,659,788	7,560,000	5,676,312
2022	14,590,000	1,991,212	7,950,000	5,288,563
2023	5,500,000	1,508,250	8,340,000	4,881,313
2024-2028	24,865,000	3,184,000	48,365,000	17,657,512
2029-2033	-	-	47,620,000	6,738,106
2034-2037	-	-	13,030,000	1,067,800
Total	<u>\$ 85,105,000</u>	<u>\$ 16,594,325</u>	<u>\$ 148,570,000</u>	<u>\$ 53,031,592</u>

University Revenue Obligations

The University Revenue Obligations were issued specifically for the purpose of providing funds to design and construct a four-story building to be utilized for educational purposes. These obligations are payable solely from the revenues generated by excise taxes and state-shared revenue.

Subordinate lien pledged revenue obligations outstanding at June 30, 2018, were as follows:

	<u>Governmental</u>
Subordinate Lien Pledged Revenue Obligations, Series 2015, 3.0% to 5.0% original amount \$36,980,000, annual retirements due July 1, 2017 through July 1, 2045	\$ 36,325,000

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 670,000	\$ 1,572,856
2020	700,000	1,541,956
2021	735,000	1,506,081
2022	770,000	1,468,456
2023	810,000	1,428,957
2024-2028	4,700,000	6,479,032
2029-2033	5,930,000	5,242,978
2034-2038	7,095,000	4,062,378
2039-2043	8,625,000	2,588,172
2044-2046	6,290,000	482,000
Total	<u>\$ 36,325,000</u>	<u>\$ 26,372,866</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$143,945,000	\$ -	\$(15,855,000)	\$128,090,000	\$ 16,645,000
Special assessment bonds with government commitment	6,105,000	-	(660,000)	5,445,000	380,000
Revenue bonds	110,920,000	49,525,000	(72,090,000)	88,355,000	14,795,000
Revenue obligations	36,980,000	-	(655,000)	36,325,000	670,000
Unamortized bond premium	21,320,338	7,545,609	(3,169,918)	25,696,029	-
Total bonds payable	319,270,338	57,070,609	(92,429,918)	283,911,029	32,490,000
Net pension liability	129,463,167	-	(6,206,380)	123,256,787	-
Compensated absences	16,260,678	10,505,643	(9,297,949)	17,468,372	6,053,083
Net other postemployment benefits	2,211,601	-	(568,002)	1,643,599	-
Total long-term liabilities	<u>\$467,205,784</u>	<u>\$67,576,252</u>	<u>\$(108,502,249)</u>	<u>\$426,279,787</u>	<u>\$ 38,543,083</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$115,940,000	\$ 37,460,000	\$ (4,830,000)	\$148,570,000	\$ 8,480,000
Unamortized bond premium	18,654,390	4,827,553	(1,534,731)	21,947,212	-
Total bonds payable	134,594,390	42,287,553	(6,364,731)	170,517,212	8,480,000
Net pension liability	21,364,490	-	(535,452)	20,829,038	-
Compensated absences	2,384,835	1,935,692	(1,683,080)	2,637,447	968,538
Net other postemployment benefits	387,368	-	(12,981)	374,387	-
Total long-term liabilities	<u>\$158,731,083</u>	<u>\$ 44,223,245</u>	<u>\$ (8,596,244)</u>	<u>\$194,358,084</u>	<u>\$ 9,448,538</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, \$228,566 of internal service funds compensated absences, \$2,087,874 net pension liability, and \$28,818 of net other post-employment benefits liability are included in the above amounts.

The net pension liability, long-term compensated absences and postemployment benefits 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, 2018, Industrial Development Authority Revenue Bonds and Master Lease and Sublease Agreements outstanding were \$28,722,957 and \$7,865,140 respectively.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 11 – Refunding Bonds

On December 19, 2017, Gilbert issued \$43,075,000 of refunding bonds with a net premium of \$6,440,912 to advance refund \$56,845,000 of outstanding Series 2009 Public Facilities Municipal Property Corporation Revenue Bonds. In addition, Gilbert issued \$6,450,000 of revenue bonds with a net premium of \$1,104,697 to provide funds for the construction of a fire station. See Note 10 for additional detail on municipal property corporation revenue bonds issued. The Series 2017 Public Facilities Municipal Property Corporation Revenue Refunding Bonds were issued with an average interest rate of 5.0%. Gilbert realized net proceeds of \$49,415,116 after payment of \$100,796 for underwriting fees. In addition, Gilbert contributed \$12,096,000 from funds set aside for this refunding purpose. These proceeds and contribution were provided to an escrow trustee to pay issuance costs of approximately \$252,998 with the remaining \$61,258,118 used to provide cash and purchase United States government securities. The cash and government securities were deposited in an irrevocable trust to provide for all future debt service payments of the Series 2009 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. The purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service payments. The refunding will reduce debt service payments by \$26,297,755 over the next 10 years, producing an economic gain (difference between present value of old and new debt service payments) of \$9,342,967.

Note 12 – Pension and Other Postemployment Benefits

Gilbert contributes to the pension plans described below. Gilbert contributes to the Elected Officials Retirement Plan (EORP), Arizona State Retirement System (ASRS) health insurance premium supplement OPEB plan, ASRS long-term disability (OPEB) plan, Public Safety Retirement System (PSPRS) health insurance premium benefit (OPEB) plan, and Gilbert also provides post-employment medical care, prescription drug, and dental care for retired employees through a single-employer defined benefit medical and dental plan. The ASRS, PSPRS, and EORP OPEB plan information is not disclosed below due to their relative insignificance to the financial statements. See Note 13 for information on Gilbert's OPEB plan. The ASRS and PSPRS plans are component units of the State of Arizona.

Statement of Net Position and Statement of Activities	Governmental Activities	Business- type Activities	Total
Net OPEB asset	\$ 196,881	\$ 74,127	\$ 271,008
Net pension and OPEB liability	124,900,386	21,203,425	146,103,811
Deferred outflows of resources related to pensions and OPEB	40,427,994	2,840,249	43,268,243
Deferred inflows of resources related to pensions and OPEB	5,905,423	1,369,007	7,274,430
Pension and OPEB expense	18,176,394	1,436,874	19,613,268

Gilbert reported \$17,500,440 of pension and OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributed for fiscal year 2018.

A. Arizona State Retirement System

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

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

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

*With actuarially reduced benefits

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

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.5% (11.34% for retirement and 0.16% for long term disability) of the members' annual covered payroll, and statute required Gilbert to contribute at the actuarially determined rate of 11.5% (10.9% for retirement, 0.44% for health insurance premium benefit, and 0.16% for long-term disability) of the members' annual covered payroll.

During fiscal year 2018, Gilbert paid for ASRS pension and OPEB contributions as follows: 62% from the general fund, 37% from major funds, and 1% from other funds. The contributions to the pension plan for fiscal year 2018 were \$5,338,739.

Pension Liability – At June 30, 2018, Gilbert reported a liability of \$76,832,504 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017 reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

Gilbert's proportion of the net pension liability was based on Gilbert's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. Gilbert's proportion measured as of June 30, 2017, was 0.49321%, which was an increase of 0.00493% from its proportion measured as of June 30, 2016.

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Gilbert’s reported liability at June 30, 2018, decreased by \$1,980,793 from the prior year liability of \$78,813,297 because of changes in the ASRS’ net pension liability and Gilbert’s proportionate share of that liability. The ASRS’ publicly available financial report provides details on the change in the net pension liability.

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

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2018, Gilbert recognized pension expense for ASRS of \$4,388,377. At June 30, 2018, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,303,863
Changes of assumptions or other inputs	3,337,012	2,297,430
Net difference between projected and actual earnings on pension plan investments	551,604	-
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	862,777	-
Gilbert contributions subsequent to the measurement date	5,338,739	
Total	\$ 10,090,132	\$ 4,601,293

The \$5,338,739 reported as deferred outflows of resources related to ASRS pensions resulting from Gilbert’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (2,542,238)
2020	3,468,729
2021	991,032
2022	(1,767,377)
2023	-
Thereafter	-

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0% – 6.75%
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed income	25	3.70%
Real estate	10	4.25%
Multi-asset	5	3.41%
Commodities	2	3.84%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8.0%, which is less than the long-term expected rate of return of 8.7%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Gilbert’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following presents Gilbert’s proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what Gilbert’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Gilbert’s proportionate share of the net pension liability	\$ 98,615,854	\$ 76,832,504	\$ 58,630,650

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

B. Public Safety Personnel Retirement System

Plan Description – Gilbert public safety employees who are regularly assigned hazardous duty participate in the PSPRS. The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that

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includes financial statements and required supplementary information. This report is available on their website at www.psprs.com.

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

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012 and before July 1, 2017
Retirement and Disability:		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% of the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit:		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the agent pension plan's benefit terms:

	Police	Fire
Inactive employees or beneficiaries currently receiving benefits	67	11
Inactive employees entitled to but not yet receiving benefits	42	14
Active employees	219	175
Total	<u>328</u>	<u>200</u>

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Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2018 are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member- Pension	Gilbert- Pension	Gilbert- Health Insurance
Police			
PSPRS Tier 1	7.65%	33.29%	0.40%
PSPRS Tier 2	11.65%	33.29%	0.40%
PSPRS Tier 3			
Defined benefit only	9.94%	27.64%	0.26%
PSPRS Tier 3			
Defined contribution only	10.55%	28.51%	
Fire			
PSPRS Tier 1	7.65%	23.06%	0.43%
PSPRS Tier 2	11.65%	23.06%	0.43%
PSPRS Tier 3			
Defined benefit only	9.94%	17.84%	0.26%
PSPRS Tier 3			
Defined contribution only	10.55%	18.71%	

For the agent plans, the contributions to the pension plan for the year ended June 30, 2018, were as follows (actual contributions made exceeded the annual pension cost due to a prepayment and additional payment towards the unfunded liability) (100% from the general fund):

	Police	Fire
Pension contributions made	\$ 7,330,436	\$ 5,096,285

Pension Liability – At June 30, 2018, Gilbert reported \$65,387,635 in net pension liability. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing the wage inflation from 4.0% to 3.5%, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price Inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.4% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
U.S. equity	16%	7.60%
Credit opportunities	16	5.83%
Non-U.S. equity	14	8.70%
Private credit	12	6.75%
Real estate	10	3.75%
Global tactical asset allocation	10	3.96%
Real assets	9	4.52%
Fixed income	5	1.25%
Risk parity	4	5.00%
Absolute return	2	3.75%
Short term investments	2	0.25%
Total	100%	

Pension Discount Rates – At June 30, 2017, the discount rate used to measure total pension liability was 7.4%, which was a decrease of 0.1% from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Agent Plans Net Pension Liability

Police:	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 113,456,944	\$ 62,607,101	\$ 50,849,843
Changes for the year:			
Service cost	4,361,408		4,361,408
Interest on the total pension liability	8,535,995		8,535,995
Changes in benefit terms	1,136,619		1,136,619
Difference between expected and actual experience in the measurement of the total pension liability	928,575		928,575
Changes in assumptions	3,680,906		3,680,906
Contributions – employer		12,682,256	(12,682,256)
Contributions – employee		2,271,326	(2,271,326)
Net investment income		8,763,809	(8,763,809)
Benefit payments, including refunds of employee contributions	(3,648,774)	(3,648,774)	
Administrative expenses		(77,945)	77,945
Other changes		153,768	(153,768)
Net changes	14,994,729	20,144,440	(5,149,711)
Balances at June 30, 2018	\$ 128,451,673	\$ 82,751,541	\$ 45,700,132

Fire:	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 73,213,442	\$ 53,456,141	\$ 19,757,301
Changes for the year:			
Service cost	3,652,130		3,652,130
Interest on the total pension liability	5,586,910		5,586,910
Changes in benefit terms	434,841		434,841
Difference between expected and actual experience in the measurement of the total pension liability	3,761,967		3,761,967
Changes in assumptions	444,609		444,609
Contributions – employer		5,192,069	(5,192,069)
Contributions – employee		1,860,471	(1,860,471)
Net investment income		6,959,055	(6,959,055)
Benefit payments, including refunds of employee contributions	(1,094,738)	(1,094,738)	
Administrative expenses		(61,976)	61,976
Other changes		636	(636)
Net changes	12,785,719	12,855,517	(69,798)
Balances at June 30, 2018	\$ 85,999,161	\$ 66,311,658	\$ 19,687,503

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents Gilbert’s net pension liability calculated using the discount rate of 7.4%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4%) or 1 percentage point higher (8.4%) than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
Police net pension liability	\$ 66,209,350	\$ 45,700,132	\$ 29,298,339
Fire net pension liability	34,374,324	19,687,503	7,905,917

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

Pension Expense – For the year ended June 30, 2018, Gilbert recognized \$9,493,318 as pension expense for Police and \$4,787,689 as pension expense for Fire.

Pension Deferred Outflows/Inflows of Resources – At June 30, 2018, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,569,716	\$ -
Changes of assumptions or other inputs	8,466,750	-
Net difference between projected and actual earnings on pension plan investments	124,372	-
Gilbert contributions subsequent to the measurement date	7,330,436	-
Total	\$ 18,491,274	\$ -

Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,745,652	\$ 1,743,334
Changes of assumptions or other inputs	3,671,083	-
Net difference between projected and actual earnings on pension plan investments	378,178	-
Gilbert contributions subsequent to the measurement date	5,096,285	-
Total	\$ 13,891,198	\$ 1,743,334

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The \$7,330,436 for Police and the \$5,096,285 for Fire reported as deferred outflows of resources related to PSPRS pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Police</u>	<u>Fire</u>
2019	\$ 2,920,327	\$ 1,035,980
2020	3,436,049	1,448,529
2021	2,790,145	1,066,371
2022	884,529	327,196
2023	979,700	872,943
Thereafter	160,247	2,308,686

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) is 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 2018. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

Note 13 - Postemployment Healthcare Benefits

Under authority of Town Council, Gilbert provides postretirement insurance benefits, for certain retirees and their dependents in accordance with the Town of Gilbert, Arizona Self-Insured Trust Fund for Health Insurance Benefits. The plan is a single-employer defined benefit OPEB plan administered by Gilbert. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Generally, retiree contributions are used to pay for postemployment benefits.

Benefits Provided – Gilbert provides postemployment medical care, prescription drug, and dental care for retired employees through a single-employer defined benefit medical and dental plan (the 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, 2018, there are 55 retirees that are currently receiving medical and/or dental benefits.

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Contributions – Gilbert requires retirees to pay 114% 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, 2018, retirees contributed \$544,495, which was in excess of claims paid by \$96,758. Gilbert’s regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The Plan does not issue a separate financial report.

Employees Covered by Benefit Terms – The following employees were covered as of the effective date of the OPEB valuation:

Inactive employees or beneficiaries	
currently receiving benefit payments	55
Inactive employees entitled to but not yet	
receiving benefits	-
Active employees	<u>1,104</u>
Total	<u>1,159</u>

Total OPEB Liability – The Plan’s total OPEB liability of \$1,597,293 was measured as of June 30, 2018. The total liability was determined using update procedures to roll forward the total liability from an actuarial valuation date of July 1, 2016, to the measurement date of June 30, 2018.

Actuarial Assumptions and Other Inputs – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018
Actuarial valuation date	July 1, 2016
Interest rate	3.62%
Inflation rate	2.20%
Projected salary increases	3.00%
Health care cost trend rate:	
Medical and prescription drug	7.50% graded down to an ultimate rate of 5.00% over 8 years
Retiree contribution increase	Consistent with medical/drug trends
ASRS subsidy increases	None
Cost of living adjustments	N/A

The discount rate is the Fidelity General Obligation AA 20 year yield as of the measurement date.

Mortality rates were based on the RPH-2014 Employee Mortality Table for males or females, as appropriate, with generational projection using Scale MP-2017. Mortality rates for retirees was based on the RPH-2014 Annuitant Mortality Table for males or females, as appropriate, with generational projection using Scale MP-2017.

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Changes in the Total OPEB Liability

Total OPEB Liability – beginning of year	\$ 1,469,818
Changes for the year:	
Service cost	84,727
Interest	58,026
Differences between expected and actual experience	(112,036)
Benefit payments	<u>96,758</u>
Net changes	<u>127,475</u>
Net OPEB Obligation – end of year	<u>\$ 1,597,293</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Plan, as well as what the Plan’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	\$ 1,772,612	\$ 1,597,293	\$ 1,292,220

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Plan, as well as what the Plan’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	\$ 1,245,702	\$ 1,597,293	\$ 1,841,985

OPEB Expense and Deferred Outflows/Inflows of Resource Related to OPEB – For the year ended June 30, 2018, the Plan recognized OPEB expense of \$126,748. At June 30, 2018, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 96,031
Changes of assumptions or other inputs	-	-
Gilbert contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 96,031</u>

The \$96,031 reported as deferred inflows of resources will be recognized in pension expense as (\$16,005) each year from fiscal year 2019 through 2024.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 14 - Capital Contributions

During the year ended June 30, 2018, the enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Services</u>	<u>Total</u>
Contributions from developers	\$ 7,250,377	\$ 3,422,141	\$ 896,570	\$ 11,569,088
Development fees	12,753,465	6,292,927	-	19,046,392
Total	<u>\$ 20,003,842</u>	<u>\$ 9,715,068</u>	<u>\$ 896,570</u>	<u>\$ 30,615,480</u>

Note 15 – Interfund Transfers

As of June 30, 2018, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General Fund	\$ 1,294,765	\$ 12,061,469
Streets Special Revenue	-	836,820
General Debt Service	28,408,410	-
System Development Fees	295,965	12,236,416
Other Governmental Funds	-	4,928,113
Total governmental funds	<u>29,999,140</u>	<u>30,062,818</u>
Enterprise funds:		
Water	98,678	985,670
Wastewater	950,670	-
Total enterprise funds	<u>1,049,348</u>	<u>985,670</u>
Total transfers	<u>\$ 31,048,488</u>	<u>\$ 31,048,488</u>

The interfund transfers generally fall within one of the following categories: 1) subsidy transfers; 2) transfers to cover debt service payments; 3) transfers for the town match for grants; or 4) transfers to fund capital replacement. There were no significant transfers during fiscal year 2018 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

Note 16 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net position at June 30, 2018, were as follows:

<u>Internal service funds</u>	
Equipment Maintenance	\$1,126,306

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 17 – Contingent Liabilities

Gilbert is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of Gilbert's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of Gilbert.

Note 18 – Pledged Revenues

Gilbert has pledged future water system development fees revenue and future water and wastewater revenues, net of specified operating expenses, to repay \$153,400,000 in utility system revenue bonds and revenue refunding bonds issued since 2016. Proceeds from the utility system revenue bonds provided financing for water and wastewater system improvements, and the proceeds from the revenue refunding bonds were used to advance refund \$75,326,000 of outstanding 2007 utility system revenue bonds. The bonds are payable from water and wastewater system development fees revenue and water and wastewater net revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require less than 34 percent of revenue. The total principal and interest remaining to be paid on the bonds is \$190,539,425. Principal and interest paid for the current year was \$13,450,948. Total water and wastewater system development fees revenue was \$15,253,267 and water and wastewater net revenues were \$24,473,670.

Gilbert has pledged future street and highway revenues to repay \$16,945,000 in highway user revenue refunding bonds issued in 2012. Proceeds from the 2012 refunding bonds were used to advance refund \$17,950,000 of outstanding 2003 highway user revenue bonds (proceeds from the 2003 bonds provided financing for the purpose of street and highway construction projects). The refunding bonds are payable solely from street and highway revenues (see note 10 for the detail of the sources of these revenues) and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 23 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$3,412,500. Principal and interest paid for the current year was \$3,412,250, and the total street and highway revenues were \$15,457,442.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$179,170,000 in public facilities municipal property corporation (MPC) revenue bonds issued since 2009, \$80,585,000 in public facilities MPC revenue bonds issued in 2009, \$20,980,000 in public facilities MPC revenue refunding bonds issued in 2011, \$28,080,000 in public facilities MPC revenue refunding bonds issued in 2014, \$43,075,000 in public facilities MPC revenue refunding bonds in 2017, and \$6,450,000 in public facilities MPC revenue bonds issued in 2017. 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, a parking facility, and a fire and rescue station. Proceeds from the 2011 refunding bonds were used to advance refund \$21,670,000 of outstanding 2001 public facilities MPC revenue bonds. Proceeds from the 2014 refunding bonds were used to advance refund \$30,205,000 of outstanding 2006 public facilities MPC revenue bonds. Proceeds from the 2017 refunding bonds were used to advance refund \$56,845,000 of outstanding 2009 public facilities MPC revenue bonds. The bonds are payable through 2028. In addition, Gilbert has pledged future excise taxes and state-shared revenues to repay \$36,980,000 in revenue obligations issued in 2015. Proceeds from the obligations provided financing to design and construct a four-story building for use as a university building. Annual principal and interest payments on the bonds and obligations are expected to require less than 10 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds and obligations is \$151,464,988. Principal and interest paid for the current year was \$19,076,073, and the total excise taxes and state-shared revenues were \$159,912,939.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 19 - Investment in Joint Venture

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

Total investment (net of depreciation) as of June 30, 2018, was:

Mesa's Share	\$ 72,086,878
Gilbert's Share	51,709,851
Queen Creek's Share	24,575,281
Total	<u>\$ 148,372,010</u>

Construction for the Phase I of a joint water treatment plant with the City of Chandler was completed in fiscal year 2009 and construction for Phase II began in fiscal year 2015. Phase I of the plant treats 12 million gallons per day each for Gilbert and Chandler. Phase II of the plant was completed this fiscal year and added an additional 12 million gallons per day each for Gilbert and Chandler. Gilbert's investment in joint venture is reflected as a separate line item in the proprietary funds financial statements. Separate financial statements for the joint venture are not prepared.

Total investment (net of depreciation) as of June 30, 2018, was:

Gilbert's Share	\$ 97,902,288
Chandler's Share	83,194,468
Total	<u>\$ 181,096,756</u>

In August 2008, Gilbert entered into an Intergovernmental Agreement with the Cities of Mesa and Apache Junction, Superstition Fire & Medical (F&M), and the Town of Queen Creek (the Parties) to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (Trunked Open Arizona Network – 700/800 MHz Network procured and built by the City of Mesa). On May 1, 2012 and October 26, 2015, Rio Verde Fire District and Fort McDowell Yavapai Nation, respectively, joined TOPAZ. The City of Mesa acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network, in addition to providing all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. Gilbert's investment in joint venture is reflected within the governmental activities in the government-wide statement of net position. Separate financial statements are not prepared.

Total investment (net of depreciation) as of June 30, 2018, was:

Mesa's Share	\$ 6,066,969
Apache Junction's Share	491,691
Gilbert's Share	197,349
Superstition F&M's Share	162,198
Queen Creek's Share	110,612
Rio Verde FD's Share	13,041
Fort McDowell's Share	21,500
Total	<u>\$ 7,063,360</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 20 – Tax Abatements

Gilbert has made a commitment as part of our economic development program to reimburse certain public improvement costs through transaction privilege taxes generated out of the respective development area. Additional information regarding this agreement may only be disclosed when a sufficient number of participants can be aggregated together. Gilbert has an insufficient number of participants within the development area to authorize such disclosure, as detailed information on such commitments is prohibited from disclosure under Arizona Revised Statute 42-2002 *Disclosure of Confidential Information Prohibited*.



REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

Schedule of the Proportionate Share of the Net Pension Liability:

Arizona State Retirement System

	Fiscal Year				2014 through 2009
	2018	2017	2016	2015	
Proportion of the net pension liability	0.49%	0.49%	0.49%	0.47%	Information not available (2)
Proportionate share of the net pension liability	\$76,832,504	\$78,813,297	\$75,695,863	\$69,412,268	
Covered payroll (1)	48,187,902	45,764,166	43,765,044	42,295,765	
Proportionate share of the net pension liability as a percentage of its covered payroll	159%	172%	172%	164%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

- (1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2018, the measurement date of the net pension liability is June 30, 2017. See also Note 12.
- (2) The pension schedules in this required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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

Public Safety Personnel Retirement System – Police

	Fiscal Year				2014 through 2009
	2018	2017	2016	2015	
Total pension liability:					
Service cost	\$ 4,361,408	\$ 3,466,239	\$ 3,570,214	\$ 3,293,404	Information not available (2)
Interest on the total pension liability	8,535,995	7,222,969	6,604,564	5,414,469	
Changes in benefit terms	1,136,619	9,149,421	-	605,849	
Differences between expected and actual experience in the measurement of the total pension liability	928,575	547,040	713,111	2,479,128	
Changes of assumptions or other inputs	3,680,906	4,549,861	-	5,473,070	
Benefit payments, including refunds of employee contributions	<u>(3,648,774)</u>	<u>(3,515,621)</u>	<u>(2,400,631)</u>	<u>(2,087,138)</u>	
Net change in total pension liability	14,994,729	21,419,909	8,487,258	15,178,782	
Total pension liability – beginning	<u>113,456,944</u>	<u>92,037,035</u>	<u>83,549,777</u>	<u>68,370,995</u>	
Total pension liability – ending (a)	<u>\$128,451,673</u>	<u>\$113,456,944</u>	<u>\$92,037,035</u>	<u>\$83,549,777</u>	
Plan fiduciary net position:					
Contributions – employer	\$ 12,682,256	\$ 4,426,923	\$ 3,280,061	\$ 3,103,356	
Contributions – employee	2,271,326	2,243,118	2,107,439	2,088,159	
Net investment income	8,763,809	365,916	2,037,534	6,306,779	
Benefit payments, including refunds of employee contributions	(3,648,774)	(3,515,621)	(2,400,631)	(2,087,138)	
Administrative expense	(77,945)	(53,053)	(50,099)	(50,793)	
Other changes	<u>153,768</u>	<u>113,260</u>	<u>75,447</u>	<u>49,298</u>	
Net change in plan fiduciary net position	20,144,440	3,580,543	5,049,751	9,409,661	
Plan fiduciary net position – beginning	<u>62,607,101</u>	<u>59,026,558</u>	<u>53,976,807</u>	<u>44,567,146</u>	
Plan fiduciary net position – ending (b)	<u>\$82,751,541</u>	<u>\$62,607,101</u>	<u>\$59,026,558</u>	<u>\$53,976,807</u>	
Net pension liability – ending (a) – (b)	<u>\$45,700,132</u>	<u>\$50,849,843</u>	<u>\$33,010,477</u>	<u>\$29,572,970</u>	
Plan fiduciary net position as a percentage of the total pension liability	64.42%	55.18%	64.13%	64.60%	
Covered payroll (1)	\$18,694,661	\$19,247,567	\$19,071,843	\$18,990,156	
Gilbert’s net pension liability as a percentage of covered payroll	244.46%	264.14%	173.08%	155.73%	

(1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2018, the measurement date of the net pension liability is June 30, 2017. See also Note 12.

(2) The pension schedules in this required supplementary information are intended to show information for ten years. Additional years’ information will be displayed as it becomes available.

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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

Public Safety Personnel Retirement System – Fire

	Fiscal Year				2014 through 2009
	2018	2017	2016	2015	
Total pension liability:					
Service cost	\$ 3,652,130	\$ 2,728,554	\$ 2,785,128	\$ 2,545,607	Information not available (2)
Interest on the total pension liability	5,586,910	4,550,994	4,138,400	3,408,433	
Changes in benefit terms	434,841	7,610,545	-	(131,651)	
Differences between expected and actual experience in the measurement of the total pension liability	3,761,967	(1,091,858)	(1,235,512)	2,247,902	
Changes of assumptions or other inputs	444,609	3,069,903	-	1,333,403	
Benefit payments, including refunds of employee contributions	<u>(1,094,738)</u>	<u>(529,722)</u>	<u>(277,805)</u>	<u>(171,217)</u>	
Net change in total pension liability	12,785,719	16,338,416	5,410,211	9,232,477	
Total pension liability – beginning	<u>73,213,442</u>	<u>56,875,026</u>	<u>51,464,815</u>	<u>42,232,338</u>	
Total pension liability – ending (a)	<u>\$85,999,161</u>	<u>\$73,213,442</u>	<u>\$56,875,026</u>	<u>\$51,464,815</u>	
Plan fiduciary net position:					
Contributions – employer	\$ 5,192,069	\$ 3,183,837	\$ 1,845,382	\$ 1,954,145	
Contributions – employee	1,860,471	1,792,809	1,903,578	1,667,772	
Net investment income	6,959,055	300,260	1,653,304	5,045,090	
Benefit payments, including refunds of employee contributions	(1,094,738)	(529,722)	(277,805)	(171,217)	
Administrative expense	(61,976)	(43,606)	(40,728)	(40,631)	
Other changes	<u>636</u>	<u>96,335</u>	<u>(229,513)</u>	<u>-</u>	
Net change in plan fiduciary net position	12,855,517	4,799,913	4,854,218	8,455,159	
Plan fiduciary net position – beginning	<u>53,456,141</u>	<u>48,656,228</u>	<u>43,802,010</u>	<u>35,346,851</u>	
Plan fiduciary net position – ending (b)	<u>\$66,311,658</u>	<u>\$53,456,141</u>	<u>\$48,656,228</u>	<u>\$43,802,010</u>	
Net pension liability – ending (a) – (b)	<u>\$19,687,503</u>	<u>\$19,757,301</u>	<u>\$ 8,218,798</u>	<u>\$ 7,662,805</u>	
Plan fiduciary net position as a percentage of the total pension liability	77.11%	73.01%	85.55%	85.11%	
Covered payroll (1)	\$16,132,031	\$15,444,728	\$15,274,115	\$15,508,151	
Gilbert's net pension liability as a percentage of covered payroll	122.04%	128.39%	53.81%	49.41%	

(1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2018, the measurement date of the net pension liability is June 30, 2017. See also Note 12.

(2) The pension schedules in this required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

Schedule of Pension Contributions:

Arizona State Retirement System

	Fiscal Year				
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,338,739	\$ 5,187,460	\$ 5,278,569	\$ 5,137,457	\$ 4,763,978
Contributions in relation to the actuarially determined contributions	<u>5,338,739</u>	<u>5,187,460</u>	<u>5,278,569</u>	<u>5,137,457</u>	<u>4,763,978</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$49,511,839	\$48,187,902	\$45,764,166	\$43,765,044	\$42,295,765
Contributions as a percentage of covered payroll	10.78%	10.77%	11.53%	11.74%	11.26%

	Fiscal Year				
	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 4,162,425	\$ 3,880,631	\$ 3,448,898	\$ 3,329,705	\$ 3,407,288
Contributions in relation to the actuarially determined contributions	<u>4,162,425</u>	<u>3,880,631</u>	<u>3,448,898</u>	<u>3,329,705</u>	<u>3,407,288</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$38,356,312	\$36,582,049	\$37,474,457	\$37,007,042	\$38,106,015
Contributions as a percentage of covered payroll	10.85%	10.61%	9.20%	9.00%	8.94%

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Schedule of Pension Contributions:

Public Safety Retirement System - Police

	Fiscal Year				
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 6,170,252	\$ 4,501,937	\$ 4,021,770	\$ 3,414,607	\$ 3,231,755
Contributions in relation to the actuarially determined contributions	7,330,436	12,700,837	4,449,337	3,414,607	3,231,755
Contribution deficiency (excess)	<u>\$(1,160,184)</u>	<u>\$(8,198,900)</u>	<u>\$(427,567)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$18,572,542	\$18,694,661	\$19,247,567	\$19,071,843	\$18,990,156
Contributions as a percentage of covered payroll	39.47%	67.94%	23.12%	17.90%	17.02%

	Fiscal Year				
	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,930,117	\$ 2,384,390	\$ 2,239,987	\$ 2,330,954	\$ 2,540,087
Contributions in relation to the actuarially determined contributions	2,930,117	2,384,390	2,239,987	2,330,954	2,540,087
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$17,477,557	\$16,492,849	\$16,550,117	\$16,686,272	\$17,138,480
Contributions as a percentage of covered payroll	16.77%	14.46%	13.54%	13.97%	14.82%

Public Safety Retirement System - Fire

	Fiscal Year				
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,644,867	\$ 3,266,367	\$ 2,241,688	\$ 1,982,159	\$ 2,037,266
Contributions in relation to the actuarially determined contributions	5,096,285	5,307,483	3,088,477	1,982,159	2,037,266
Contribution deficiency (excess)	<u>\$(451,418)</u>	<u>\$(2,041,116)</u>	<u>\$(846,789)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$16,176,854	\$16,132,031	\$15,444,728	\$15,274,115	\$15,508,151
Contributions as a percentage of covered payroll	31.50%	32.90%	20.00%	12.98%	13.14%

	Fiscal Year				
	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,793,907	\$ 1,479,746	\$ 1,422,964	\$ 1,446,837	\$ 1,528,199
Contributions in relation to the actuarially determined contributions	1,793,907	1,479,746	1,422,964	1,446,837	1,528,199
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$13,954,822	\$13,335,971	\$13,220,688	\$12,186,063	\$12,476,282
Contributions as a percentage of covered payroll	12.86%	11.10%	10.76%	11.87%	12.25%

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

Schedule of Changes in the Town's Total OPEB Liability and Related Ratios:

Town of Gilbert Defined Benefit Plan

	<u>2018</u>	<u>2017 through 2009</u>
Total OPEB liability:		
Service cost	\$ 84,727	Information not available (2)
Interest on the total OPEB liability	58,026	
Differences between expected and actual experience in the measurement of the total OPEB liability	(112,036)	
Benefit payments, including refunds of employee contributions	<u>96,758</u>	
Net change in total OPEB liability	127,475	
Total OPEB liability – beginning	<u>1,469,818</u>	
Total OPEB liability – ending (a)	<u>\$ 1,597,293</u>	
 Covered-employee payroll (1)	 \$72,409,115	
 Gilbert's total OPEB liability as a percentage of covered payroll	 2.2%	

- (1) The covered payroll amount will be as of the measurement date of the total OPEB liability. For fiscal year 2018, the measurement date of the total OPEB liability is June 30, 2018. See also Note 13.
- (2) The OPEB schedule in this required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.
- (3) No assets are accumulated in a trust that meets the criteria of a trust as defined in GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, to pay for the related benefits of this plan.

TOWN OF GILBERT, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2018

Note to Pension Plan Schedules

Note 1 - Actuarially Determined Contribution Rates

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

Actuarial cost method	Individual entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2016 actuarial valuation	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value, 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS members with initial membership on or after July 1, 2017: 7.0%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to the experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors That Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law’s effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them.

NONMAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

University Building - accounts for the design and construction of a building to be utilized and leased for educational purposes.

TOWN OF GILBERT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
ASSETS					
Pooled cash and investments	\$ 603,855	\$ 1,014,174	\$ -	\$ 161,850	\$ 341,832
Receivables, net:					
Taxes	-	-	-	10,217	6,459
Accrued interest	1,590	5,607	-	-	912
Accounts	-	47,342	-	-	-
Due from other governments	98,468	1,220,167	758,752	-	-
Inventories	-	-	-	-	1,306
Restricted assets:					
Cash and investments	-	-	-	-	-
Total assets	<u>703,913</u>	<u>2,287,290</u>	<u>758,752</u>	<u>172,067</u>	<u>350,509</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,627	6,901	129,926	-	28,577
Accrued liabilities	-	51,622	6,527	-	9,545
Deposits held for others	-	-	-	-	-
Due to other funds	-	-	610,322	-	-
Unearned revenue	50,000	440,508	-	-	-
Total liabilities	<u>51,627</u>	<u>499,031</u>	<u>746,775</u>	<u>-</u>	<u>38,122</u>
Fund Balances:					
Nonspendable	-	-	-	-	1,306
Restricted	652,286	2,172,650	12,474	172,067	311,081
Assigned	-	56,473	-	-	-
Unassigned	-	(440,864)	(497)	-	-
Total fund balances	<u>652,286</u>	<u>1,788,259</u>	<u>11,977</u>	<u>172,067</u>	<u>312,387</u>
Total liabilities and fund balances	<u>\$ 703,913</u>	<u>\$ 2,287,290</u>	<u>\$ 758,752</u>	<u>\$ 172,067</u>	<u>\$ 350,509</u>

Capital Projects				
Outside Sources	Prop 400	Municipal Property Corporation	University Building	Total Nonmajor Governmental Funds
\$ 19,972,324	\$ 14,426,984	\$ -	\$ -	\$ 36,521,019
-	-	-	-	16,676
74,288	49,092	10,966	-	142,455
-	-	-	-	47,342
-	-	-	-	2,077,387
-	-	-	-	1,306
-	-	2,731,741	-	2,731,741
<u>20,046,612</u>	<u>14,476,076</u>	<u>2,742,707</u>	<u>-</u>	<u>41,537,926</u>
3,358,098	123,039	786,720	-	4,434,888
-	-	-	-	67,694
774,425	-	-	-	774,425
-	-	-	-	610,322
-	-	-	-	490,508
<u>4,132,523</u>	<u>123,039</u>	<u>786,720</u>	<u>-</u>	<u>6,377,837</u>
-	-	-	-	1,306
-	14,353,037	1,955,987	-	19,629,582
15,914,089	-	-	-	15,970,562
-	-	-	-	(441,361)
<u>15,914,089</u>	<u>14,353,037</u>	<u>1,955,987</u>	<u>-</u>	<u>35,160,089</u>
<u>\$ 20,046,612</u>	<u>\$ 14,476,076</u>	<u>\$ 2,742,707</u>	<u>\$ -</u>	<u>\$ 41,537,926</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 1,872,947	\$ 1,045,637
Intergovernmental	974,855	35,000	1,984,768	-	-
Charges for services	-	1,216,499	-	-	-
Other entities' participation	-	-	-	-	-
Gifts and donations	-	126,173	-	-	-
Fines and forfeitures	-	425,727	-	-	-
Investment earnings	3,376	15,055	36	-	1,013
Miscellaneous	-	60	-	-	-
Total revenues	<u>978,231</u>	<u>1,818,514</u>	<u>1,984,804</u>	<u>1,872,947</u>	<u>1,046,650</u>
Expenditures					
Current:					
General government:					
Management and policy	-	70,002	592,584	-	-
Court	19,387	369,312	-	-	-
Public safety:					
Police	192,399	1,178,013	-	-	-
Fire	105,324	36,071	-	-	-
Highways and streets	-	-	-	1,824,050	-
Parks and recreation	20,000	14,635	-	-	966,791
Transportation	801,199	-	-	-	-
Non departmental	-	49,884	-	-	-
Debt service:					
Bond issuance costs	-	-	-	-	-
Capital outlay	10,768	95,426	1,392,183	-	-
Total expenditures	<u>1,149,077</u>	<u>1,813,343</u>	<u>1,984,767</u>	<u>1,824,050</u>	<u>966,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,846)</u>	<u>5,171</u>	<u>37</u>	<u>48,897</u>	<u>79,859</u>
Other financing sources (uses)					
Transfers out	-	(75,248)	-	-	-
Revenue bonds issued	-	-	-	-	-
Premium on revenue bonds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>(75,248)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(170,846)	(70,077)	37	48,897	79,859
Fund balances at beginning of year	823,132	1,858,336	11,940	123,170	232,528
Fund balances at end of year	<u>\$ 652,286</u>	<u>\$ 1,788,259</u>	<u>\$ 11,977</u>	<u>\$ 172,067</u>	<u>\$ 312,387</u>

Capital Projects				
Outside Sources	Prop 400	Municipal Property Corporation	University Building	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,918,584
15,866	1,399,571	-	-	4,410,060
-	-	-	-	1,216,499
1,542,784	-	-	-	1,542,784
-	-	-	-	126,173
-	-	-	-	425,727
112,752	85,971	5,534	-	223,737
395,967	-	-	-	396,027
<u>2,067,369</u>	<u>1,485,542</u>	<u>5,534</u>	<u>-</u>	<u>11,259,591</u>
-	-	-	-	662,586
-	-	-	-	388,699
-	-	-	-	1,370,412
-	-	-	-	141,395
-	-	-	-	1,824,050
3,749,229	-	-	-	4,750,655
-	-	-	-	801,199
-	-	-	-	49,884
-	-	54,697	-	54,697
<u>4,275,778</u>	<u>3,982,342</u>	<u>5,253,582</u>	<u>-</u>	<u>15,010,079</u>
<u>8,025,007</u>	<u>3,982,342</u>	<u>5,308,279</u>	<u>-</u>	<u>25,053,656</u>
<u>(5,957,638)</u>	<u>(2,496,800)</u>	<u>(5,302,745)</u>	<u>-</u>	<u>(13,794,065)</u>
(98,678)	-	(295,965)	(4,458,222)	(4,928,113)
-	-	6,450,000	-	6,450,000
-	-	1,104,697	-	1,104,697
1,225,504	-	-	-	1,225,504
<u>1,126,826</u>	<u>-</u>	<u>7,258,732</u>	<u>(4,458,222)</u>	<u>3,852,088</u>
(4,830,812)	(2,496,800)	1,955,987	(4,458,222)	(9,941,977)
20,744,901	16,849,837	-	4,458,222	45,102,066
<u>\$ 15,914,089</u>	<u>\$ 14,353,037</u>	<u>\$ 1,955,987</u>	<u>\$ -</u>	<u>\$ 35,160,089</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 7,548,120	\$ 7,548,120	\$ 974,855	\$ (6,573,265)
Investment earnings	-	-	3,376	3,376
Total revenues	<u>7,548,120</u>	<u>7,548,120</u>	<u>978,231</u>	<u>(6,569,889)</u>
Expenditures				
Current:				
General government:				
Court	-	19,388	19,387	1
Public safety:				
Police	95,540	310,540	192,399	118,141
Fire	59,680	209,780	105,324	104,456
Parks and recreation	-	20,000	20,000	-
Transportation	1,277,120	1,255,095	801,199	453,896
Capital outlay	1,709,850	1,146,000	10,768	1,135,232
Contingency	5,000,000	5,181,387	-	5,181,387
Total expenditures	<u>8,142,190</u>	<u>8,142,190</u>	<u>1,149,077</u>	<u>6,993,113</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(594,070)</u>	<u>(594,070)</u>	<u>(170,846)</u>	<u>423,224</u>
Net change in fund balances	<u>\$ (594,070)</u>	<u>\$ (594,070)</u>	<u>(170,846)</u>	<u>\$ 423,224</u>
Fund balance at beginning of year			<u>823,132</u>	
Fund balance at end of year			<u>\$ 652,286</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 35,000	\$ 15,000
Charges for services	1,385,020	1,385,020	1,216,499	(168,521)
Gifts and donations	1,100,890	1,100,890	126,173	(974,717)
Fines and forfeitures	484,000	484,000	425,727	(58,273)
Investment earnings	-	-	15,055	15,055
Miscellaneous	-	-	60	60
Total revenues	<u>2,989,910</u>	<u>2,989,910</u>	<u>1,818,514</u>	<u>(1,171,396)</u>
Expenditures				
Current:				
General government:				
Management and policy	181,410	185,610	70,002	115,608
Court	600,290	600,290	369,312	230,978
Public safety:				
Police	2,012,300	2,012,300	1,178,013	834,287
Fire	115,410	115,410	36,071	79,339
Parks and recreation	49,000	74,000	14,635	59,365
Non departmental	49,890	49,890	49,884	6
Capital outlay	148,600	148,600	95,426	53,174
Contingency	1,000,000	454,126	-	454,126
Total expenditures	<u>4,156,900</u>	<u>3,640,226</u>	<u>1,813,343</u>	<u>1,826,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,166,990)</u>	<u>(650,316)</u>	<u>5,171</u>	<u>655,487</u>
Other financing uses				
Transfers out	(95,000)	(95,000)	(75,248)	19,752
Total other financing uses	<u>(95,000)</u>	<u>(95,000)</u>	<u>(75,248)</u>	<u>19,752</u>
Net change in fund balances	<u>\$ (1,261,990)</u>	<u>\$ (745,316)</u>	<u>(70,077)</u>	<u>\$ 675,239</u>
Fund balance at beginning of year			<u>1,858,336</u>	
Fund balance at end of year			<u>\$ 1,788,259</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,239,650	\$ 2,239,650	\$ 1,984,768	\$ (254,882)
Investment earnings	-	-	36	36
Total revenues	<u>2,239,650</u>	<u>2,239,650</u>	<u>1,984,804</u>	<u>(254,846)</u>
Expenditures				
Current:				
Management and policy	632,250	666,552	592,584	73,968
Capital outlay	1,607,400	1,594,352	1,392,183	202,169
Contingency	-	13,048	-	13,048
Total expenditures	<u>2,239,650</u>	<u>2,273,952</u>	<u>1,984,767</u>	<u>289,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(34,302)</u>	<u>37</u>	<u>34,339</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (34,302)</u>	<u>37</u>	<u>\$ 34,339</u>
Fund balance at beginning of year			<u>11,940</u>	
Fund balance at end of year			<u>\$ 11,977</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,902,530	\$ 1,902,530	\$ 1,872,947	\$ (29,583)
Total revenues	<u>1,902,530</u>	<u>1,902,530</u>	<u>1,872,947</u>	<u>(29,583)</u>
Expenditures				
Current:				
Highways and streets	2,038,600	2,038,600	1,824,050	214,550
Total expenditures	<u>2,038,600</u>	<u>2,038,600</u>	<u>1,824,050</u>	<u>214,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(136,070)</u>	<u>(136,070)</u>	<u>48,897</u>	<u>184,967</u>
Net change in fund balances	<u>\$ (136,070)</u>	<u>\$ (136,070)</u>	48,897	<u>\$ 184,967</u>
Fund balance at beginning of year			123,170	
Fund balance at end of year			<u>\$ 172,067</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,050,550	\$ 1,050,550	\$ 1,045,637	\$ (4,913)
Investment earnings	-	-	1,013	1,013
Total revenues	<u>1,050,550</u>	<u>1,050,550</u>	<u>1,046,650</u>	<u>(3,900)</u>
Expenditures				
Current:				
Parks and recreation	<u>1,216,260</u>	<u>1,216,260</u>	<u>966,791</u>	<u>249,469</u>
Total expenditures	<u>1,216,260</u>	<u>1,216,260</u>	<u>966,791</u>	<u>249,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,710)</u>	<u>(165,710)</u>	<u>79,859</u>	<u>245,569</u>
Net change in fund balances	<u>\$ (165,710)</u>	<u>\$ (165,710)</u>	<u>79,859</u>	<u>\$ 245,569</u>
Fund balance at beginning of year			<u>232,528</u>	
Fund balance at end of year			<u>\$ 312,387</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 21,650,000	\$ 21,650,000	\$ 21,549,105	\$ (100,895)
Investment earnings	50,000	50,000	113,448	63,448
Total revenues	21,700,000	21,700,000	21,662,553	(37,447)
Expenditures				
Debt service:				
Principal	27,553,750	33,305,000	33,305,000	-
Interest	15,778,540	11,462,877	11,462,873	4
Payment to refunded bond escrow agent	-	12,096,000	12,096,000	-
Bond issuance costs	-	357,045	353,794	3,251
Fiscal and other charges	41,000	37,750	6,985	30,765
Total expenditures	43,373,290	57,258,672	57,224,652	34,020
Deficiency of revenues under expenditures	(21,673,290)	(35,558,672)	(35,562,099)	(3,427)
Other financing sources (uses)				
Transfers in	22,533,310	22,533,310	28,408,410	5,875,100
Refunding bonds issued	-	-	43,075,000	43,075,000
Premium on refunding bonds	-	-	6,440,912	6,440,912
Payment to refunded bond escrow agent	-	(49,162,120)	(49,162,118)	2
Total other financing sources and uses	22,533,310	(26,628,810)	28,762,204	55,391,014
Net change in fund balances	\$ 860,020	\$ (62,187,482)	(6,799,895)	\$ 55,387,587
Fund balance at beginning of year			12,820,375	
Fund balance at end of year			\$ 6,020,480	

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, 2018

	<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	\$ 5,486,430	\$ 5,486,430	\$ 958,317	\$ (4,528,113)
Investment earnings	-	-	5,298	5,298
Total revenues	<u>5,486,430</u>	<u>5,486,430</u>	<u>963,615</u>	<u>(4,522,815)</u>
Expenditures				
Debt service:				
Principal	5,160,000	5,160,000	660,000	4,500,000
Interest	301,430	301,430	294,670	6,760
Fiscal and other charges	25,000	25,000	6,639	18,361
Total expenditures	<u>5,486,430</u>	<u>5,486,430</u>	<u>961,309</u>	<u>4,525,121</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2,306</u>	<u>2,306</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,306</u>	<u>\$ 2,306</u>
Fund balance at beginning of year			<u>73,153</u>	
Fund balance at end of year			<u>\$ 75,459</u>	

TOWN OF GILBERT, ARIZONA
Outside Sources Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 15,866	\$ 15,866
Other entities' participation	2,646,000	2,646,000	1,542,784	(1,103,216)
Gifts and donations	885,000	885,000	-	(885,000)
Investment earnings	-	-	112,752	112,752
Miscellaneous	-	-	395,967	395,967
Total revenues	<u>3,531,000</u>	<u>3,531,000</u>	<u>2,067,369</u>	<u>(1,463,631)</u>
Expenditures				
Current:				
Parks and recreation	11,358,410	10,877,094	3,749,229	7,127,865
Capital outlay	15,181,250	14,231,326	4,275,778	9,955,548
Contingency	-	2,467,107	-	2,467,107
Total expenditures	<u>26,539,660</u>	<u>27,575,527</u>	<u>8,025,007</u>	<u>19,550,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,008,660)</u>	<u>(24,044,527)</u>	<u>(5,957,638)</u>	<u>18,086,889</u>
Other financing sources (uses)				
Transfers in	83,000	83,000	-	(83,000)
Transfers out	-	-	(98,678)	(98,678)
Sale of capital assets	1,343,000	1,343,000	1,225,504	(117,496)
Total other financing sources and uses	<u>1,426,000</u>	<u>1,426,000</u>	<u>1,126,826</u>	<u>(299,174)</u>
Net change in fund balances	<u>\$ (21,582,660)</u>	<u>\$ (22,618,527)</u>	(4,830,812)	<u>\$ 17,787,715</u>
Fund balance at beginning of year			<u>20,744,901</u>	
Fund balance at end of year			<u>\$ 15,914,089</u>	

TOWN OF GILBERT, ARIZONA
Prop 400 Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 6,725,000	\$ 6,725,000	\$ 1,399,571	\$ (5,325,429)
Investment earnings	-	-	85,971	85,971
Total revenues	6,725,000	6,725,000	1,485,542	(5,239,458)
Expenditures				
Capital outlay	35,537,930	33,815,267	3,982,342	29,832,925
Contingency	-	1,722,663	-	1,722,663
Total expenditures	35,537,930	35,537,930	3,982,342	31,555,588
Excess (deficiency) of revenues over (under) expenditures	(28,812,930)	(28,812,930)	(2,496,800)	26,316,130
Net change in fund balances	\$ (28,812,930)	\$ (28,812,930)	(2,496,800)	\$ 26,316,130
Fund balance at beginning of year			16,849,837	
Fund balance at end of year			\$ 14,353,037	

TOWN OF GILBERT, ARIZONA
General Obligation Bonds Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other entities' participation	\$ -	\$ -	\$ 31,611	\$ 31,611
Investment earnings	-	-	399,412	399,412
Miscellaneous	-	-	99,753	99,753
Total revenues	-	-	530,776	530,776
Expenditures				
Debt service:				
Bond issuance costs	500,000	500,000	-	500,000
Capital outlay	63,998,560	55,195,773	10,883,711	44,312,062
Contingency	323,000	9,225,547	-	9,225,547
Total expenditures	64,821,560	64,921,320	10,883,711	54,037,609
Excess (deficiency) of revenues over (under) expenditures	(64,821,560)	(64,921,320)	(10,352,935)	54,568,385
Net change in fund balances	\$ (64,821,560)	\$ (64,921,320)	(10,352,935)	\$ 54,568,385
Fund balance at beginning of year			73,117,415	
Fund balance at end of year			\$ 62,764,480	

TOWN OF GILBERT, ARIZONA
Municipal Property Corporation Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 5,534	\$ 5,534
Total revenues	<u>-</u>	<u>-</u>	<u>5,534</u>	<u>5,534</u>
Expenditures				
Debt service:				
Bond issuance costs	-	54,700	54,697	3
Capital outlay	-	8,990,042	5,253,582	3,736,460
Total expenditures	<u>-</u>	<u>9,044,742</u>	<u>5,308,279</u>	<u>3,736,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(9,044,742)</u>	<u>(5,302,745)</u>	<u>3,741,997</u>
Other financing sources (uses)				
Transfers out	-	-	(295,965)	(295,965)
Revenue bonds issued	-	-	6,450,000	6,450,000
Premium on revenue bonds	-	-	1,104,697	1,104,697
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>7,258,732</u>	<u>7,258,732</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (9,044,742)</u>	1,955,987	<u>\$ 11,000,729</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ 1,955,987</u>	

TOWN OF GILBERT, ARIZONA
System Development Fees Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
System development fees	\$ 20,200,000	\$ 20,200,000	\$ 17,616,947	\$ (2,583,053)
Investment earnings	80,000	80,000	224,696	144,696
Total revenues	20,280,000	20,280,000	17,841,643	(2,438,357)
Expenditures				
Current:				
General government:				
Development services	74,000	74,000	214	73,786
Public safety:				
Police	-	147,500	125,970	21,530
Capital outlay	45,187,784	34,754,977	3,568,089	31,186,888
Contingency	-	1,491,265	-	1,491,265
Total expenditures	45,261,784	36,467,742	3,694,273	32,773,469
Excess (deficiency) of revenues over (under) expenditures	(24,981,784)	(16,187,742)	14,147,370	30,335,112
Other financing sources (uses)				
Transfers in	-	-	295,965	295,965
Transfers out	(11,228,620)	(11,228,620)	(12,236,416)	(1,007,796)
Total other financing sources and uses	(11,228,620)	(11,228,620)	(11,940,451)	(711,831)
Net change in fund balances	\$ (36,210,404)	\$ (27,416,362)	2,206,919	\$ 29,623,281
Fund balance at beginning of year			21,143,314	
Fund balance at end of year			\$ 23,350,233	

TOWN OF GILBERT, ARIZONA
University Building Revenue Obligations
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 331,500	\$ 331,500	\$ -	\$ (331,500)
Total revenues	<u>331,500</u>	<u>331,500</u>	<u>-</u>	<u>(331,500)</u>
Expenditures				
Capital outlay	2,382,000	2,382,000	-	2,382,000
Total expenditures	<u>2,382,000</u>	<u>2,382,000</u>	<u>-</u>	<u>2,382,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,050,500)</u>	<u>(2,050,500)</u>	<u>-</u>	<u>2,050,500</u>
Other financing uses				
Transfers out	-	-	(4,458,222)	(4,458,222)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(4,458,222)</u>	<u>(4,458,222)</u>
Net change in fund balances	<u>\$ (2,050,500)</u>	<u>\$ (2,050,500)</u>	(4,458,222)	<u>\$ (2,407,722)</u>
Fund balance at beginning of year			<u>4,458,222</u>	
Fund balance at end of year			<u>\$ -</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, 2018

	<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	\$ 41,689,000	\$ 41,689,000	\$ 42,868,121	\$ 1,179,121
Other	15,000	15,000	100,218	85,218
Total operating revenues	<u>41,704,000</u>	<u>41,704,000</u>	<u>42,968,339</u>	<u>1,264,339</u>
Operating expenses				
General and administrative	1,943,740	1,975,030	1,224,974	750,056
Personal services	9,452,370	9,452,370	8,427,290	1,025,080
Operation and maintenance	17,808,840	18,323,103	16,075,384	2,247,719
Capital outlay	130,727,176	113,566,884	32,000,374	81,566,510
Allocation of indirect expenses	2,170,950	2,170,950	2,170,950	-
Debt service:				
Principal	5,055,000	5,055,000	5,055,000	-
Contingency	1,873,250	18,487,989	-	18,487,989
Total operating expenses	<u>169,031,326</u>	<u>169,031,326</u>	<u>64,953,972</u>	<u>104,077,354</u>
Operating income (loss)	<u>(127,327,326)</u>	<u>(127,327,326)</u>	<u>(21,985,633)</u>	<u>105,341,693</u>
Nonoperating revenues (expenses)				
Intergovernmental	26,370,980	26,370,980	1,183,844	(25,187,136)
Interest expense	(4,950,090)	(4,950,090)	(3,812,648)	1,137,442
Investment earnings	625,000	625,000	1,149,981	524,981
Gain (loss) on sale of capital assets	-	-	(37,393)	(37,393)
Total nonoperating revenues (expenses)	<u>22,045,890</u>	<u>22,045,890</u>	<u>(1,516,216)</u>	<u>(23,562,106)</u>
Income (loss) before capital contributions and transfers	(105,281,436)	(105,281,436)	(23,501,849)	81,779,587
Capital contributions	14,500,000	14,500,000	12,753,465	(1,746,535)
Transfers in	-	-	98,678	98,678
Transfers out	(855,000)	(855,000)	(985,670)	(130,670)
Change in net position	<u>\$ (91,636,436)</u>	<u>\$ (91,636,436)</u>	<u>(11,635,376)</u>	<u>\$ 80,001,060</u>

Explanation of difference between budgetary change in net position at June 30, 2018, and GAAP change in net position:

Obligations for compensated absences and postemployment benefits are accrued on the GAAP basis but are not recognized on the budget basis:	
Add compensated absences at June 30, 2017	1,166,250
Less compensated absences at June 30, 2018	(1,317,261)
Add net postemployment benefits at June 30, 2017	173,081
Less net postemployment benefits at June 30, 2018	(144,091)
Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.	32,000,374
Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis.	5,055,000
Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis.	7,250,377
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(12,944,665)
Change in net position as reported on the statement of revenues, expenses and changes in fund net position	<u>\$ 19,603,689</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 26,553,000	\$ 26,553,000	\$ 26,517,229	\$ (35,771)
Other	-	-	2,224	2,224
Total operating revenues	26,553,000	26,553,000	26,519,453	(33,547)
Operating expenses				
General and administrative	519,800	821,082	1,074,298	(253,216)
Personal services	4,169,430	4,169,430	3,877,646	291,784
Operation and maintenance	12,032,880	12,207,345	10,959,645	1,247,700
Capital outlay	132,007,980	123,079,396	23,466,450	99,612,946
Allocation of indirect expenses	1,023,530	1,023,530	1,023,530	-
Debt service:				
Principal	-	3,425,000	3,425,000	-
Contingency	2,334,770	11,536,612	-	11,536,612
Total operating expenses	152,088,390	156,262,395	43,826,569	112,435,826
Operating loss	(125,535,390)	(129,709,395)	(17,307,116)	(112,402,279)
Nonoperating revenues (expenses)				
Interest expense	-	(637,274)	148,939	786,213
Investment earnings	222,000	222,000	610,808	388,808
Total nonoperating revenues (expenses)	222,000	(415,274)	759,747	1,175,021
Loss before capital contributions and transfers	(125,313,390)	(130,124,669)	(16,547,369)	(113,577,300)
Capital contributions	5,000,000	5,000,000	6,292,927	1,292,927
Transfers in	820,000	820,000	950,670	130,670
Change in net position	\$ (119,493,390)	\$ (124,304,669)	(9,303,772)	\$ 115,000,897

Explanation of difference between budgetary change in net position at June 30, 2018, and GAAP change in net position:

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

Add compensated absences at June 30, 2017	516,990
Less compensated absences at June 30, 2018	(574,341)
Add net postemployment benefits at June 30, 2017	46,864
Less net postemployment benefits at June 30, 2018	(47,897)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on a budget basis. 23,466,450

Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis. 3,425,000

Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis. 3,422,141

Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes. (10,478,057)

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

\$ 10,473,378

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 17,630,940	\$ 17,630,940	\$ 18,437,190	\$ 806,250
Other	3,785,000	3,785,000	69,759	(3,715,241)
Total operating revenues	21,415,940	21,415,940	18,506,949	(2,908,991)
Operating expenses				
General and administrative	685,270	859,841	979,575	(119,734)
Personal services	7,792,090	7,675,437	7,017,067	658,370
Operation and maintenance	8,344,610	8,346,320	7,800,006	546,314
Capital outlay	8,695,490	8,717,499	5,676,139	3,041,360
Allocation of indirect expenses	1,033,380	1,033,380	1,033,380	-
Contingency	2,041,620	1,964,330	-	1,964,330
Total operating expenses	28,592,460	28,596,807	22,506,167	6,090,640
Operating income (loss)	(7,176,520)	(7,180,867)	(3,999,218)	3,181,649
Nonoperating revenues (expenses)				
Investment earnings	156,000	156,000	133,410	(22,590)
Gain (loss) on sale of capital assets	150,000	150,000	23,796	(126,204)
Total nonoperating revenues (expenses)	306,000	306,000	157,206	(148,794)
Change in net position	\$ (6,870,520)	\$ (6,874,867)	(3,842,012)	\$ 3,032,855

Explanation of difference between budgetary change in net position at June 30, 2018,
and GAAP change in net position:

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

Add compensated absences at June 30, 2017	701,595
Less compensated absences at June 30, 2018	(745,844)
Add net postemployment benefits at June 30, 2017	128,911
Less net postemployment benefits at June 30, 2018	(132,627)
Capital outlays are not recognized as GAAP expenses but are recognized as expenses on a budget basis.	5,676,139
Capital assets contributed by developers are recognized as revenue for GAAP purposes by are not recognized as revenue on the budget basis.	896,570
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(1,642,226)
Change in net position as reported on the statement of revenues, expenses and changes in fund net position	\$ 1,040,506



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.

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, 2018

	<u>Equipment Maintenance</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
ASSETS			
Current assets:			
Pooled cash and investments	\$ 682,726	\$ 6,027,602	\$ 6,710,328
Receivables (net):			
Accrued interest	-	21,840	21,840
Accounts	59,818	21,807	81,625
Inventories	691,151	-	691,151
Total current assets	<u>1,433,695</u>	<u>6,071,249</u>	<u>7,504,944</u>
Noncurrent assets:			
Other post-employment benefits	6,813	-	6,813
Capital assets:			
Property, plant and equipment	283,859	-	283,859
Less accumulated depreciation	(209,448)	-	(209,448)
Total noncurrent assets	<u>81,224</u>	<u>-</u>	<u>81,224</u>
Total assets	<u>1,514,919</u>	<u>6,071,249</u>	<u>7,586,168</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions and other post-employment benefits	261,049	-	261,049
Total deferred outflows of resources	<u>261,049</u>	<u>-</u>	<u>261,049</u>
LIABILITIES			
Current liabilities:			
Accounts payable	356,520	770	357,290
Accrued liabilities	67,783	-	67,783
Current portion of compensated absences	89,074	-	89,074
Claims payable	-	1,514,000	1,514,000
Total current liabilities	<u>513,377</u>	<u>1,514,770</u>	<u>2,028,147</u>
Noncurrent liabilities:			
Long-term portion of compensated absences	139,492	-	139,492
Other post-employment benefits	35,631	-	35,631
Net pension liability	2,087,874	-	2,087,874
Total noncurrent liabilities	<u>2,262,997</u>	<u>-</u>	<u>2,262,997</u>
Total liabilities	<u>2,776,374</u>	<u>1,514,770</u>	<u>4,291,144</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions and other post-employment benefits	125,900	-	125,900
Total deferred inflows of resources	<u>125,900</u>	<u>-</u>	<u>125,900</u>
NET POSITION			
Net investment in capital assets	74,411	-	74,411
Unrestricted	(1,200,717)	4,556,479	3,355,762
Total net position	<u>\$ (1,126,306)</u>	<u>\$ 4,556,479</u>	<u>\$ 3,430,173</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, 2018

	Equipment Maintenance	Employee Benefit Self- Insurance	Total
Operating revenues			
Charges for services	\$ 7,400,955	\$ 17,522,913	\$ 24,923,868
Other	11,574	411,027	422,601
Total operating revenues	<u>7,412,529</u>	<u>17,933,940</u>	<u>25,346,469</u>
Operating expenses			
General and administrative	66,108	1,497,406	1,563,514
Personal services	1,792,946	-	1,792,946
Operation and maintenance	5,285,592	-	5,285,592
Claims Incurred	-	13,891,695	13,891,695
Depreciation	16,106	-	16,106
Total operating expenses	<u>7,160,752</u>	<u>15,389,101</u>	<u>22,549,853</u>
Operating income	<u>251,777</u>	<u>2,544,839</u>	<u>2,796,616</u>
Nonoperating revenues			
Investment earnings	2,091	23,883	25,974
Gain on sale of capital assets	1,670	-	1,670
Total nonoperating revenues	<u>3,761</u>	<u>23,883</u>	<u>27,644</u>
Change in net position	255,538	2,568,722	2,824,260
Total net position, beginning of year as restated (see Note 2)	<u>(1,381,844)</u>	<u>1,987,757</u>	<u>605,913</u>
Total net position, end of year	<u>\$ (1,126,306)</u>	<u>\$ 4,556,479</u>	<u>\$ 3,430,173</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2018

	Equipment Maintenance	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:			
Other operating cash receipts	\$ 11,574	\$ 411,629	\$ 423,203
Cash receipts from other funds for services	7,351,165	17,522,913	24,874,078
Cash payments to suppliers for goods and services	(5,214,575)	(15,524,676)	(20,739,251)
Cash payments to employees for services	(1,809,118)	-	(1,809,118)
Net cash provided by operating activities	<u>339,046</u>	<u>2,409,866</u>	<u>2,748,912</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	<u>1,670</u>	-	<u>1,670</u>
Net cash provided by capital and related financing activities	<u>1,670</u>	-	<u>1,670</u>
Cash flows from investing activities:			
Interest received on investments	<u>2,091</u>	<u>11,989</u>	<u>14,080</u>
Net cash provided by investing activities	<u>2,091</u>	<u>11,989</u>	<u>14,080</u>
Net increase in cash and cash equivalents	342,807	2,421,855	2,764,662
Cash and cash equivalents at beginning of year	<u>339,919</u>	<u>3,605,747</u>	<u>3,945,666</u>
Cash and cash equivalents at end of year	<u>\$ 682,726</u>	<u>\$ 6,027,602</u>	<u>\$ 6,710,328</u>
Reconciliation of operating income to net cash provided by operations:			
Operating income	<u>\$ 251,777</u>	<u>\$ 2,544,839</u>	<u>\$ 2,796,616</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	16,106	-	16,106
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(49,790)	602	(49,188)
Increase in inventories	(23,197)	-	(23,197)
Decrease in deferred outflows of resources	166,939	-	166,939
Increase in accounts payable	160,322	742	161,064
Decrease in claims payable	-	(136,317)	(136,317)
Increase in accrued expenses	4,324	-	4,324
Increase in net other post-employment benefits	518	-	518
Decrease in net pension liability	(59,345)	-	(59,345)
Decrease in deferred inflows of resources	(128,608)	-	(128,608)
Total adjustments	<u>87,269</u>	<u>(134,973)</u>	<u>(47,704)</u>
Net cash provided by operating activities	<u>\$ 339,046</u>	<u>\$ 2,409,866</u>	<u>\$ 2,748,912</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 8,226,000	\$ 8,226,000	\$ 7,400,955	\$ (825,045)
Other	3,000	3,000	11,574	8,574
Total operating revenues	8,229,000	8,229,000	7,412,529	(816,471)
Operating expenses				
General and administrative	86,540	86,540	66,108	20,432
Personal services	2,061,530	2,061,530	1,800,948	260,582
Operation and maintenance	5,956,750	5,977,750	5,285,592	692,158
Contingency	400,000	400,000	-	400,000
Total operating expenses	8,504,820	8,525,820	7,152,648	1,373,172
Operating income (loss)	(275,820)	(296,820)	259,881	556,701
Nonoperating revenues				
Investment earnings	-	-	2,091	2,091
Gain on sale of capital assets	-	-	1,670	1,670
Total nonoperating revenues	-	-	3,761	3,761
Change in net position	\$ (275,820)	\$ (296,820)	263,642	\$ 560,462

Explanation of difference between budgetary change in net position at June 30, 2018, 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, 2017	228,657
Less compensated absences at June 30, 2018	(228,565)
Add net postemployment benefits at June 30, 2017	36,728
Less net postemployment benefits at June 30, 2018	(28,818)

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

(16,106)

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

\$ 255,538

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, 2018

	<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	\$ 17,901,100	\$ 17,901,100	\$ 17,522,913	\$ (378,187)
Other	395,000	395,000	411,027	16,027
Total operating revenues	<u>18,296,100</u>	<u>18,296,100</u>	<u>17,933,940</u>	<u>(362,160)</u>
Operating expenses				
General and administrative	1,551,400	1,551,400	1,497,406	53,994
Claims Incurred	16,396,500	16,396,500	13,891,695	2,504,805
Total operating expenses	<u>17,947,900</u>	<u>17,947,900</u>	<u>15,389,101</u>	<u>2,558,799</u>
Operating income	<u>348,200</u>	<u>348,200</u>	<u>2,544,839</u>	<u>2,196,639</u>
Nonoperating revenues				
Investment earnings	7,000	7,000	23,883	16,883
Total nonoperating revenues	<u>7,000</u>	<u>7,000</u>	<u>23,883</u>	<u>16,883</u>
Change in net position	<u>\$ 355,200</u>	<u>\$ 355,200</u>	<u>\$ 2,568,722</u>	<u>\$ 2,213,522</u>

AGENCY FUNDS

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

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

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

TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2018

Flexible Spending	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ 10,538	\$ 502,587	\$ 489,641	\$ 23,484
Prepaid items	<u>14,827</u>	<u>395,365</u>	<u>404,130</u>	<u>6,062</u>
Total assets	<u>\$ 25,365</u>	<u>\$ 897,952</u>	<u>\$ 893,771</u>	<u>\$ 29,546</u>
<u>Liabilities</u>				
Dependent care benefits payable	<u>\$ 25,365</u>	<u>\$ 98,458</u>	<u>\$ 94,277</u>	<u>\$ 29,546</u>
Total liabilities	<u>\$ 25,365</u>	<u>\$ 98,458</u>	<u>\$ 94,277</u>	<u>\$ 29,546</u>
Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ -	\$ 61,750	\$ 61,750	\$ -
Total assets	<u>\$ -</u>	<u>\$ 61,750</u>	<u>\$ 61,750</u>	<u>\$ -</u>
<u>Liabilities</u>				
Other deposits	\$ -	\$ 61,750	\$ 61,750	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 61,750</u>	<u>\$ 61,750</u>	<u>\$ -</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2018

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	\$ 10,538	\$ 564,337	\$ 551,391	\$ 23,484
Prepaid items	<u>14,827</u>	<u>395,365</u>	<u>404,130</u>	<u>6,062</u>
Total assets	<u>\$ 25,365</u>	<u>\$ 959,702</u>	<u>\$ 955,521</u>	<u>\$ 29,546</u>
<u>Liabilities</u>				
Other deposits	\$ -	\$ 61,750	\$ 61,750	\$ -
Dependent care benefits payable	<u>25,365</u>	<u>98,458</u>	<u>94,277</u>	<u>29,546</u>
Total liabilities	<u>\$ 25,365</u>	<u>\$ 160,208</u>	<u>\$ 156,027</u>	<u>\$ 29,546</u>



STATISTICAL SECTION

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

Contents	Page
Financial Trends	131
<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	137
<i>These schedules contain information to help the reader assess Gilbert's most significant local revenue source, sales tax.</i>	
Debt Capacity	140
<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	145
<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	147
<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	150

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



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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Net investment in capital assets	\$ 704,908	\$ 707,100	\$ 705,986	\$ 695,983	\$ 687,910	\$ 680,717	\$ 688,900	\$ 735,369	\$ 753,973	\$ 790,285
Restricted	24,036	43,766	38,404	52,219	60,525	80,924	82,546	83,227	72,780	76,701
Unrestricted	63,994	66,030	77,284	83,273	107,172	92,357	30,276	49,960	60,983	45,964
Total governmental activities net position	<u>\$ 792,938</u>	<u>\$ 816,896</u>	<u>\$ 821,674</u>	<u>\$ 831,475</u>	<u>\$ 855,607</u>	<u>\$ 853,998</u>	<u>\$ 801,722</u>	<u>\$ 868,556</u>	<u>\$ 887,736</u>	<u>\$ 912,950</u>
Business-type activities										
Net investment in capital assets	\$ 261,028	\$ 276,059	\$ 294,516	\$ 316,268	\$ 325,357	\$ 351,797	\$ 363,333	\$ 411,831	\$ 399,537	\$ 392,632
Restricted	91,738	86,943	76,504	71,376	70,879	65,577	54,084	34,054	42,814	34,499
Unrestricted	182,090	195,803	209,680	236,097	263,978	281,391	290,870	304,198	342,616	389,336
Total business-type activities net position	<u>\$ 534,856</u>	<u>\$ 558,805</u>	<u>\$ 580,700</u>	<u>\$ 623,741</u>	<u>\$ 660,214</u>	<u>\$ 698,765</u>	<u>\$ 708,287</u>	<u>\$ 750,083</u>	<u>\$ 784,966</u>	<u>\$ 816,467</u>
Primary government										
Net investment in capital assets	\$ 965,936	\$ 983,159	\$ 1,000,502	\$ 1,012,251	\$ 1,013,267	\$ 1,032,514	\$ 1,052,233	\$ 1,147,200	\$ 1,153,510	\$ 1,182,917
Restricted	115,774	130,709	114,908	123,595	131,404	146,501	136,630	117,281	115,594	111,200
Unrestricted	246,084	261,833	286,964	319,370	371,150	373,748	321,146	354,158	403,598	435,299
Total primary government net position	<u>\$ 1,327,794</u>	<u>\$ 1,375,701</u>	<u>\$ 1,402,374</u>	<u>\$ 1,455,216</u>	<u>\$ 1,515,821</u>	<u>\$ 1,552,763</u>	<u>\$ 1,510,009</u>	<u>\$ 1,618,639</u>	<u>\$ 1,672,702</u>	<u>\$ 1,729,416</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental activities:										
General government:										
Management and policy	\$ 3,068	\$ 2,831	\$ 3,110	\$ 2,983	\$ 10,461	\$ 13,378	\$ 19,090	\$ 20,049	\$ 19,454	\$ 19,176
Support services	10,137	9,297	8,503	8,632	-	-	-	-	-	-
Finance and management services	-	-	1,287	1,216	4,150	4,347	1,814	2,110	2,109	2,000
Court	5,838	5,937	5,126	5,410	5,474	5,975	4,053	4,164	4,300	4,078
Development services	12,243	10,085	8,201	8,551	6,850	9,062	7,082	7,611	9,400	10,312
Public works	1,451	2,782	-	-	-	-	-	-	-	-
Public safety:										
Police	42,109	41,328	38,869	40,467	42,759	45,931	47,541	50,115	63,151	54,117
Fire	24,255	22,871	24,473	24,906	25,867	28,853	28,071	31,972	42,513	34,969
Highways and streets	38,541	36,906	40,440	43,438	44,048	45,781	46,932	48,726	51,931	52,545
Parks and recreation	19,350	19,826	19,764	19,932	20,858	22,493	28,429	25,647	25,202	29,985
Transportation	1,682	1,170	1,010	1,269	461	842	778	1,051	1,132	1,151
Non departmental	-	-	2,194	2,910	3,114	4,104	4,423	5,311	13,690	7,976
Interest and fiscal charges on long-term debt	17,096	18,418	17,675	15,785	15,142	15,216	12,780	12,911	10,506	10,793
Total governmental activities expenses	<u>175,770</u>	<u>171,451</u>	<u>170,652</u>	<u>175,499</u>	<u>179,184</u>	<u>195,982</u>	<u>200,993</u>	<u>209,666</u>	<u>243,389</u>	<u>227,102</u>
Business-type activities:										
Water	35,451	36,163	36,863	37,695	38,339	39,927	41,817	44,360	42,329	44,605
Wastewater	22,398	23,002	23,039	22,662	22,170	23,615	25,620	26,530	26,791	27,244
Environmental services	13,843	13,852	14,255	14,918	15,588	16,113	16,720	17,719	16,857	18,183
Irrigation	158	54	-	-	-	-	-	-	-	-
Total business-type activities expenses	<u>71,850</u>	<u>73,071</u>	<u>74,157</u>	<u>75,275</u>	<u>76,097</u>	<u>79,655</u>	<u>84,157</u>	<u>88,609</u>	<u>85,978</u>	<u>90,032</u>
Total primary government expenses	<u>\$ 247,620</u>	<u>\$ 244,522</u>	<u>\$ 244,809</u>	<u>\$ 250,773</u>	<u>\$ 255,281</u>	<u>\$ 275,637</u>	<u>\$ 285,150</u>	<u>\$ 298,275</u>	<u>\$ 329,366</u>	<u>\$ 317,134</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Development services	\$ 3,773	\$ 4,027	\$ 3,178	\$ 5,347	\$ 7,240	\$ 6,783	\$ 6,608	\$ 6,826	\$ 6,900	\$ 7,227
Police	6,594	6,374	2,891	5,584	5,512	5,477	4,526	5,343	7,484	3,826
Fire	100	79	136	129	185	254	224	197	231	360
Highways and streets	1,454	1,659	1,739	1,497	1,516	1,440	1,643	1,745	1,951	1,887
Parks and recreation	3,193	3,735	3,740	3,595	3,706	3,765	4,146	4,366	4,603	4,700
Other activities	703	789	853	861	1,017	1,066	829	873	844	748
Operating grants and contributions	21,183	19,206	21,168	21,045	21,270	22,326	24,171	38,666	33,204	28,381
Capital grants and contributions	31,494	39,632	28,002	26,060	36,089	19,186	37,214	65,535	41,877	32,904
Total governmental activities program revenues	<u>68,494</u>	<u>75,501</u>	<u>61,707</u>	<u>64,117</u>	<u>76,535</u>	<u>60,297</u>	<u>79,361</u>	<u>123,551</u>	<u>97,094</u>	<u>80,033</u>

Business-type activities:

Charges for services:										
Water	33,416	34,601	35,966	36,692	36,455	37,867	37,501	39,457	40,696	42,868
Wastewater	19,722	21,024	21,678	22,740	23,083	23,852	24,625	25,116	26,032	26,517
Environmental services	16,592	16,567	17,194	17,924	16,760	17,308	18,007	18,141	18,270	18,437
Irrigation	18	25	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	1,051	953	1,184
Capital grants and contributions	19,228	22,026	18,324	37,222	34,153	36,252	29,017	43,655	34,134	30,615
Total business-type activities program revenues	<u>88,976</u>	<u>94,243</u>	<u>93,162</u>	<u>114,578</u>	<u>110,451</u>	<u>115,279</u>	<u>109,150</u>	<u>127,421</u>	<u>120,084</u>	<u>119,622</u>
Total primary government program revenues	<u>\$ 157,470</u>	<u>\$ 169,744</u>	<u>\$ 154,869</u>	<u>\$ 178,696</u>	<u>\$ 186,986</u>	<u>\$ 175,576</u>	<u>\$ 188,511</u>	<u>\$ 250,972</u>	<u>\$ 217,178</u>	<u>\$ 199,655</u>

Net (Expense)/Revenue

Governmental activities	\$ (107,276)	\$ (95,950)	\$ (108,945)	\$ (111,381)	\$ (102,649)	\$ (135,685)	\$ (121,632)	\$ (86,115)	\$ (146,295)	\$ (147,069)
Business-type activities	<u>17,126</u>	<u>21,172</u>	<u>19,005</u>	<u>39,303</u>	<u>34,354</u>	<u>35,624</u>	<u>24,993</u>	<u>38,812</u>	<u>34,107</u>	<u>29,589</u>
Total primary government net expense	<u>\$ (90,150)</u>	<u>\$ (74,778)</u>	<u>\$ (89,940)</u>	<u>\$ (72,078)</u>	<u>\$ (68,295)</u>	<u>\$ (100,061)</u>	<u>\$ (96,639)</u>	<u>\$ (47,303)</u>	<u>\$ (112,188)</u>	<u>\$ (117,479)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:										
Sales taxes	\$ 49,060	\$ 47,119	\$ 49,249	\$ 54,513	\$ 61,813	\$ 66,757	\$ 71,773	\$ 77,070	\$ 82,797	\$ 89,497
Property taxes, levied for debt service	30,836	30,117	25,796	21,502	19,184	18,315	19,423	19,424	20,761	21,549
In-Lieu property taxes	948	1,328	1,351	1,331	1,377	1,287	1,201	1,187	1,159	1,124
Franchise taxes	2,544	2,448	2,401	2,463	3,083	2,616	2,737	2,989	2,814	2,911
Unrestricted state-shared revenue ^a	40,561	35,952	31,068	33,882	38,355	41,323	44,263	45,028	52,861	52,193
Unrestricted grants and contributions	939	1,235	864	1,349	1,193	904	2,595	3,204	2,400	2,444
Unrestricted investment earnings	2,003	1,301	2,137	1,910	722	1,508	1,224	2,651	859	1,549
Gain on sale of capital assets	152	74	-	178	-	29	106	136	154	1,333
Miscellaneous	669	680	355	4,744	932	1,226	847	1,162	1,224	1,352
Transfers	1,161	(346)	537	(690)	121	110	184	98	446	(64)
Total governmental activities	<u>128,873</u>	<u>119,908</u>	<u>113,758</u>	<u>121,182</u>	<u>126,780</u>	<u>134,076</u>	<u>144,353</u>	<u>152,949</u>	<u>165,475</u>	<u>173,888</u>
Business-type activities:										
Investment earnings	1,066	739	1,012	1,244	1,061	1,742	1,457	2,666	1,009	1,894
Gain on sale of capital assets	52	148	164	39	-	30	172	158	92	39
Miscellaneous	754	1,544	2,216	1,765	1,179	1,266	1,310	259	121	172
Transfers	(1,161)	346	(537)	690	(121)	(110)	(184)	(98)	(446)	64
Total business-type activities	<u>711</u>	<u>2,777</u>	<u>2,855</u>	<u>3,738</u>	<u>2,119</u>	<u>2,928</u>	<u>2,755</u>	<u>2,984</u>	<u>776</u>	<u>2,169</u>
Total primary government	<u>\$ 129,584</u>	<u>\$ 122,685</u>	<u>\$ 116,613</u>	<u>\$ 124,920</u>	<u>\$ 128,899</u>	<u>\$ 137,004</u>	<u>\$ 147,108</u>	<u>\$ 155,933</u>	<u>\$ 166,251</u>	<u>\$ 176,057</u>

Change in Net Position

Governmental activities	\$ 21,597	\$ 23,958	\$ 4,813	\$ 9,801	\$ 24,131	\$ (1,609)	\$ 22,722	\$ 66,834	\$ 19,180	\$ 26,820
Business-type activities	<u>17,837</u>	<u>23,949</u>	<u>21,860</u>	<u>43,041</u>	<u>36,473</u>	<u>38,552</u>	<u>27,748</u>	<u>41,796</u>	<u>34,883</u>	<u>31,758</u>
Total primary government	<u>\$ 39,434</u>	<u>\$ 47,907</u>	<u>\$ 26,673</u>	<u>\$ 52,842</u>	<u>\$ 60,604</u>	<u>\$ 36,943</u>	<u>\$ 50,469</u>	<u>\$ 108,630</u>	<u>\$ 54,063</u>	<u>\$ 58,579</u>

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

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

Function/Program	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities:										
General government:										
Management and policy	\$ 11	\$ 10	\$ 15	\$ 16	\$ 36	\$ 59	\$ 962	\$ 690	\$ 991	\$ 2,235
Support services ^a	128	215	649	242	-	-	-	-	-	-
Finance and management services	-	-	9	11	251	262	27	24	20	27
Court	586	597	597	670	792	823	824	859	831	731
Development services	4,571	4,576	4,273	6,891	7,240	6,807	6,608	6,826	6,900	7,227
Public works ^a	901	1,005	-	-	-	-	-	-	-	-
Public Safety:										
Police	7,838	8,495	3,989	7,689	7,669	7,207	8,975	10,645	11,551	7,829
Fire	4,386	3,447	3,163	6,892	4,079	3,697	3,766	4,170	3,877	4,203
Highways and streets	39,126	45,193	39,324	25,634	41,280	28,218	44,497	69,791	54,059	44,943
Parks and recreation	10,539	11,649	9,422	15,314	14,475	12,461	13,012	29,861	18,190	12,158
Transportation	408	314	215	624	662	712	639	635	626	630
Non departmental	-	-	51	135	51	51	51	50	50	50
Subtotal governmental activities	<u>68,494</u>	<u>75,501</u>	<u>61,707</u>	<u>64,118</u>	<u>76,535</u>	<u>60,297</u>	<u>79,361</u>	<u>123,551</u>	<u>97,094</u>	<u>80,033</u>
Business-type activities:										
Water	43,997	47,232	46,133	56,904	55,662	57,750	55,590	68,102	61,546	64,056
Wastewater	28,369	30,419	29,835	39,735	38,029	40,220	35,552	41,178	37,232	36,232
Environmental services	16,592	16,567	17,194	17,938	16,760	17,308	18,008	18,141	21,307	19,334
Irrigation ^a	18	25	-	-	-	-	-	-	-	-
Subtotal business-type activities	<u>88,976</u>	<u>94,243</u>	<u>93,162</u>	<u>114,577</u>	<u>110,451</u>	<u>115,278</u>	<u>109,150</u>	<u>127,421</u>	<u>120,084</u>	<u>119,622</u>
Total primary government	<u>\$ 157,470</u>	<u>\$ 169,744</u>	<u>\$ 154,869</u>	<u>\$ 178,695</u>	<u>\$ 186,986</u>	<u>\$ 175,575</u>	<u>\$ 188,511</u>	<u>\$ 250,972</u>	<u>\$ 217,178</u>	<u>\$ 199,655</u>

^a The public works function, support services function, and irrigation services were eliminated in fiscal years 2012, 2013, and 2010, respectively.

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

	<u>2009</u>	<u>2010</u>	<u>2011^a</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund										
Reserved	\$ 17,630	\$ 21,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	36,245	33,168	-	-	-	-	-	-	-	-
Nonspendable	-	-	22,317	23,213	23,527	25,380	24,470	19,866	18,995	17,877
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned ^a	-	-	10,729	10,797	10,092	12,081	17,046	13,681	32,766	41,371
Unassigned	-	-	33,521	44,250	59,555	61,764	67,057	85,498	82,885	72,453
Total general fund	<u>\$ 53,875</u>	<u>\$ 54,551</u>	<u>\$ 66,568</u>	<u>\$ 78,260</u>	<u>\$ 93,174</u>	<u>\$ 99,225</u>	<u>\$ 108,573</u>	<u>\$ 119,046</u>	<u>\$ 134,646</u>	<u>\$ 131,701</u>
All other governmental funds										
Reserved	\$ 67,626	\$ 45,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	25,886	27,635	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	99,570	86,482	-	-	-	-	-	-	-	-
Total Unreserved	<u>125,456</u>	<u>114,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonspendable	-	-	4	2	1	83	2	4	2	1
Restricted	-	-	108,051	100,572	89,654	92,337	96,837	87,005	139,725	134,441
Assigned	-	-	28,261	26,159	36,258	18,764	22,462	38,337	34,387	15,971
Unassigned	-	-	(20,781)	(23,199)	(23,609)	(25,466)	(23,981)	(19,897)	(19,353)	(18,311)
Total all other governmental funds	<u>\$ 193,082</u>	<u>\$ 159,264</u>	<u>\$ 115,535</u>	<u>\$ 103,534</u>	<u>\$ 102,304</u>	<u>\$ 85,718</u>	<u>\$ 95,320</u>	<u>\$ 105,449</u>	<u>\$ 154,760</u>	<u>\$ 132,102</u>

^a 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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes:										
Sales	\$ 48,736	\$ 46,873	\$ 49,315	\$ 54,503	\$ 61,890	\$ 66,772	\$ 71,794	\$ 77,108	\$ 82,980	\$ 89,516
Property	33,131	33,073	28,732	24,045	21,548	20,681	21,953	22,000	23,707	24,468
Franchise	2,544	2,448	2,401	2,463	2,374	2,700	2,737	3,389	2,814	2,911
Licenses and permits	2,459	2,614	2,365	3,995	5,434	4,748	4,791	4,787	4,785	4,645
Intergovernmental	67,053	72,535	55,362	61,468	72,904	68,046	76,284	77,007	87,364	84,923
Special assessments	422	437	559	879	1,299	2,090	1,184	2,233	696	958
Charges for services	8,596	8,795	7,288	8,164	9,573	10,027	10,440	11,147	11,161	12,151
Other entities' participation	1,055	1,234	2,313	1,300	2,252	1,977	382	1,666	2,252	1,585
System development fees	8,395	11,608	8,736	17,957	17,836	13,435	18,836	22,944	18,101	17,617
Gifts and donations	114	124	176	186	119	155	192	187	120	195
Fines and forfeitures	4,223	4,445	4,351	4,442	4,710	4,469	4,476	4,618	4,336	4,065
Investment earnings	1,978	1,286	2,106	1,889	706	1,494	1,210	2,639	836	1,523
Miscellaneous	819	754	355	4,947	933	1,255	953	14,797	5,683	1,796
Total revenues	<u>179,525</u>	<u>186,226</u>	<u>164,059</u>	<u>186,238</u>	<u>201,578</u>	<u>197,849</u>	<u>215,232</u>	<u>244,523</u>	<u>244,835</u>	<u>246,352</u>
Expenditures										
Current:										
General government:										
Management and policy	3,642	3,458	3,845	3,676	12,584	15,336	20,485	20,997	22,001	21,858
Support services	10,386	10,257	9,239	9,160	-	-	-	-	-	-
Finance and management services	-	-	1,416	1,722	4,235	4,413	1,943	2,134	2,270	2,338
Court	5,203	5,261	4,403	4,617	4,753	5,089	3,493	3,608	3,657	3,600
Development services	11,321	9,204	7,160	7,514	5,999	6,078	6,069	6,239	7,049	7,200
Public works	1,798	1,225	-	-	-	-	-	-	-	-
Public safety:										
Police	37,851	37,669	35,007	36,384	38,817	41,947	43,084	44,402	54,397	53,174
Fire	21,171	20,115	20,200	21,552	22,543	24,993	25,631	28,295	32,048	35,698
Highways and streets	10,378	10,097	9,736	10,815	10,637	11,969	12,478	12,831	14,680	14,545
Parks and recreation	13,151	12,684	12,591	12,688	13,895	15,614	21,836	18,591	19,660	24,351
Transportation	1,682	1,170	1,010	1,269	461	841	774	1,046	1,135	1,151
Non departmental	-	-	2,194	2,910	3,114	4,104	4,423	5,311	13,690	7,976
Debt service:										
Principal	29,805	31,855	29,215	23,055	24,705	25,630	23,750	30,105	34,935	33,965
Interest	16,501	18,553	18,451	15,992	15,411	14,252	13,108	13,773	11,583	11,758
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	12,096
Bond issuance costs	670	-	-	402	-	-	209	-	779	408
Fiscal and other charges	12	9	20	9	13	13	307	37	9	14
Capital outlay	<u>134,013</u>	<u>58,785</u>	<u>41,935</u>	<u>34,500</u>	<u>30,849</u>	<u>38,804</u>	<u>58,849</u>	<u>36,573</u>	<u>34,111</u>	<u>50,895</u>
Total expenditures	<u>297,584</u>	<u>220,342</u>	<u>196,422</u>	<u>186,265</u>	<u>188,016</u>	<u>209,083</u>	<u>236,439</u>	<u>223,942</u>	<u>252,004</u>	<u>281,026</u>
Excess (deficiency) of revenues over (under) expenditures	(118,059)	(34,116)	(32,363)	(27)	13,562	(11,234)	(21,207)	20,581	(7,169)	(34,674)
Other financing sources (uses)										
Transfers in	90,680	26,608	25,272	25,195	25,774	45,891	23,401	21,406	23,334	29,999
Transfers out	(89,519)	(25,634)	(24,586)	(25,885)	(25,653)	(45,781)	(23,216)	(21,385)	(22,881)	(30,063)
Sale of capital assets	-	-	-	-	-	590	-	-	-	1,226
Revenue obligations issued	-	-	-	-	-	-	36,980	-	-	-
Premium on revenue obligations	-	-	-	-	-	-	2,706	-	-	-
Bonds issued	273,490	-	-	37,925	-	-	28,080	-	121,670	49,525
Premium on bonds	344	-	-	4,111	-	-	4,417	-	14,139	7,546
Payment to refunded bond escrow agent	-	-	-	(41,627)	-	-	(32,211)	-	(64,182)	(49,162)
Total other financing sources and uses	<u>274,995</u>	<u>974</u>	<u>686</u>	<u>(281)</u>	<u>121</u>	<u>700</u>	<u>40,157</u>	<u>21</u>	<u>72,080</u>	<u>9,070</u>
Net change in fund balances	\$ <u>156,936</u>	\$ <u>(33,142)</u>	\$ <u>(31,677)</u>	\$ <u>(308)</u>	\$ <u>13,683</u>	\$ <u>(10,534)</u>	\$ <u>18,950</u>	\$ <u>20,601</u>	\$ <u>64,911</u>	\$ <u>(25,604)</u>
Debt service as a percentage of noncapital expenditures	28.3%	31.2%	30.9%	25.7%	25.5%	23.4%	20.8%	23.4%	21.3%	25.1%

Town of Gilbert, Arizona
Sales Tax Collections by Category
Fiscal Years 2009 - 2016 ^a

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Construction	\$ 7,804,840	\$ 5,193,872	\$ 4,389,279	\$ 5,718,727	\$ 7,867,067	\$ 8,837,079	\$ 7,663,801	\$ 7,326,040
Manufacturing	650,179	635,188	706,514	727,755	763,152	939,861	882,509	1,042,710
Communications & Utilities	5,303,338	5,724,639	5,562,364	5,774,403	5,931,935	6,120,225	6,342,578	6,327,257
Wholesale	527,933	610,065	854,466	965,523	1,100,749	1,207,006	1,320,977	1,486,450
Retail	23,305,081	23,775,975	25,540,515	28,390,526	30,784,509	33,078,748	37,463,617	40,406,219
Restaurant & Bar	3,509,671	3,566,427	3,820,368	4,072,187	4,402,299	4,867,638	5,526,275	6,177,869
Real Estate, Rental & Leasing	5,751,120	5,249,645	5,874,288	6,078,364	7,944,973	7,952,365	8,286,878	9,290,919
Accommodation ^b	-	-	252,974	299,270	377,228	487,680	533,870	569,390
Services	1,039,678	1,002,691	1,069,661	1,211,864	1,369,608	1,676,438	2,018,647	2,223,706
Other ^b	243,510	481,122	652,043	520,302	487,279	505,146	629,740	784,957
Transportation & Warehousing	12,575	16,464	21,161	25,830	25,667	22,721	30,529	37,823
Finance & Insurance	100,490	100,293	89,990	112,496	154,772	398,169	438,257	557,582
Public Administration	4,748	9,503	-	4,586	2,271	4,311	3,020	18,977
Arts & Entertainment	483,123	506,855	481,592	600,794	594,043	674,274	652,973	858,177
Total	\$ 48,736,286	\$ 46,872,739	\$ 49,315,215	\$ 54,502,627	\$ 61,805,552	\$ 66,771,661	\$ 71,793,671	\$ 77,108,076
Gilbert's local sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

^a Effective July 1, 2016, the Arizona Department of Revenue changed the way taxpayers report city tax on their tax returns and simultaneously changed the manner in which they summarize the tax data in their reports to the cities. As a result, we no longer receive the tax data in the same categories that we had in the past. See Schedule B for fiscal years 2017 forward.

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

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

**Town of Gilbert, Arizona
Sales Tax Collections by Category
Fiscal Years 2017 - 2018 ^a**

	<u>2017</u>	<u>2018</u>
Accommodation	\$ 599,950	\$ 598,668
Amusement	793,681	844,634
Communications & Utilities	5,625,248	5,763,531
Construction Contracting	9,611,076	10,833,291
Maintenance, Repair, Replacement & Alteration	89,165	- ^b
Personal Property Rental	1,392,591	1,535,298
Publications, Advertising & Job Printing	174,054	165,942
Rental of Commercial Property/Non-Residential	4,116,417	4,435,844
Residential Rental	3,367,073	3,652,056
Restaurant & Bar	6,974,438	7,638,319
Retail	49,491,813	53,366,713
Tax License Fees	14,632	13,246
Other	<u>730,191</u>	<u>668,812</u>
Total	<u>\$ 82,980,329</u>	<u>\$ 89,516,354</u>
Gilbert's local sales tax rate	1.5%	1.5%

Source: Arizona Department of Revenue

^a Effective July 1, 2016, the Arizona Department of Revenue changed the way taxpayers report city tax on their tax returns and simultaneously changed the manner in which they summarize the tax data in their reports to the cities. As a result, we no longer receive the tax data in the same categories that we had in the past. See Schedule 6A for Fiscal Years 2008 - 2016 data.

^b Maintenance, Repair, Replacement & Alteration has been combined with Construction Contracting due to disclosure laws concerning confidentiality.

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013^a</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</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%	4.30%
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%	6.50%	6.50%	6.50%	6.50%	5.50%	5.50%	5.50%	5.50%	5.50%
All Others	5.60%	6.60%	6.60%	6.60%	6.60%	5.60%	5.60%	5.60%	5.60%	5.60%

Source: Gilbert Finance & Management Services Department

^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.

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

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

Fiscal Year	Governmental Activities					Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Street and Highway User Revenue Bonds	Municipal Property Corporation Revenue Bonds	Revenue Obligations	General Obligation Bonds	Special Assessment Bonds	Water and Wastewater Revenue Bonds	Municipal Property Corporation Revenue Bonds			
2009	\$ 226,030,524	\$ 11,633,524	\$ 29,796,281	\$ 175,810,000	\$ -	\$ 8,900,510	\$ -	\$ 19,155,224	\$ 167,031,835	\$ 638,357,898	10.25 %	\$ 3,134
2010	204,147,283	11,548,249	27,712,795	169,750,000	-	7,127,925	-	17,861,117	160,388,430	598,535,799	9.40	2,871
2011	178,722,625	11,457,958	25,502,688	161,045,000	-	5,540,340	-	16,527,813	143,200,304	541,996,729	8.56	2,587
2012	159,547,197	11,056,456	20,836,060	152,243,537	-	3,877,755	-	15,164,911	118,853,753	481,579,670	7.72	2,277
2013	147,640,933	10,469,338	18,130,241	142,828,198	-	2,115,170	-	13,757,813	111,081,450	446,023,143	6.31	2,066
2014	135,775,830	9,445,797	16,864,197	133,835,907	-	247,585	-	-	104,083,879	400,253,194	6.09	1,807
2015	123,420,395	8,306,402	13,754,807	126,607,711	39,685,688	-	-	-	98,190,924	409,965,927	5.89	1,804
2016	105,296,311	6,504,185	10,538,003	118,310,093	39,685,688	-	-	-	135,410,861	415,745,141	5.52	1,789
2017	157,102,290	6,126,440	7,174,209	109,229,636	39,637,764	-	-	-	134,594,390	453,864,729	5.30	1,833
2018	140,551,095	5,464,645	3,664,605	95,342,840	38,887,844	-	-	-	170,517,212	454,428,241	5.13	1,835

Notes:

See Schedule 13 for personal income and population data.

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

Includes unamortized bond discounts/premiums.

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding^b</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Secondary Assessed Property Value^a</u>	<u>Limited Property Value^a</u>	<u>Percentage of Applicable Property Value</u>	<u>Per Capita</u>
2009	\$ 234,931,034	\$ 6,655,504	\$ 228,275,530	\$ 2,768,391,194	N/A	8.25 %	\$ 1,121
2010	211,275,208	6,720,588	204,554,620	2,672,949,852	N/A	7.65	981
2011	184,262,965	6,366,097	177,896,868	2,297,228,317	N/A	7.74	849
2012	163,424,952	9,335,818	154,089,134	1,861,193,961	N/A	8.28	729
2013	149,756,103	9,599,968	140,156,135	1,675,360,422	N/A	8.37	649
2014	136,023,415	8,942,949	127,080,466	1,594,806,737	N/A	7.97	574
2015	123,420,395	10,165,593	113,254,802	1,829,471,839	N/A	6.19	498
2016	105,296,311	6,952,183	98,344,128	N/A	\$ 1,845,325,449	5.33	423
2017	157,102,290	2,186,272	154,916,018	N/A	1,979,359,269	7.83	626
2018	140,551,095	6,020,480	134,530,615	N/A	2,105,762,268	6.39	543

^a Maricopa County Assessor's Office

^b Includes unamortized bond discounts/premiums.

Notes:

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

See Schedule 13 for population data.

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

**Town of Gilbert, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Maricopa County ^b	None	5.51%	None
Maricopa County Community College District ^c	\$ 380,740,000	5.51%	\$ 20,978,774
Maricopa County Special Health District	75,000,000	5.51%	4,132,500
Gilbert Unified School District No. 41	110,560,000	70.39%	77,823,184
Higley Elementary School District No. 60	109,455,000	88.78%	97,174,149
Chandler Unified School District No. 80	243,249,444	12.34%	30,016,981
Mesa Unified School District No. 4	231,900,000	0.34%	788,460
East Valley Institute of Technology District No. 401 ^d	None	12.39%	None
Subtotal, overlapping debt			<u>230,914,048</u>
Town of Gilbert direct debt ^e	283,911,029	100.00%	<u>283,911,029</u>
Total direct and overlapping debt			<u>\$ 514,825,077</u>

Source: The various jurisdictions

^a Proportion applicable to Town of Gilbert, Arizona is computed on the ratio of limited property valuation for fiscal year 2017/18.

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

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

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

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

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>20% Limitation</u>										
Debt limit equal to 20% of net full cash assessed valuation	\$ 423,394,572	\$ 471,773,198	\$ 437,048,132	\$ 369,996,694	\$ 333,373,568	\$ 317,092,733	\$ 346,856,631	\$ 369,065,090	\$ 395,871,854	\$ 524,748,518
Total net debt applicable to 20% limit	217,730,000	195,320,000	175,915,000	163,335,000	149,675,000	135,310,000	122,715,000	105,250,000	143,945,000	128,090,000
Premium adjustment	-	-	-	-	-	-	-	-	9,675,637	9,516,726
Legal 20% debt margin (available borrowing capacity)	<u>\$ 205,664,572</u>	<u>\$ 276,453,198</u>	<u>\$ 261,133,132</u>	<u>\$ 206,661,694</u>	<u>\$ 183,698,568</u>	<u>\$ 181,782,733</u>	<u>\$ 224,141,631</u>	<u>\$ 263,815,090</u>	<u>\$ 242,251,217</u>	<u>\$ 387,141,792</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	51.42%	41.40%	40.25%	44.14%	44.90%	42.67%	35.38%	28.52%	38.81%	26.22%
<u>6% Limitation</u>										
Debt limit equal to 6% of net full cash assessed valuation	\$ 127,018,372	\$ 141,531,960	\$ 131,114,440	\$ 110,999,008	\$ 100,012,071	\$ 95,127,820	\$ 104,056,989	\$ 110,719,527	\$ 118,761,556	\$ 157,424,555
Total net debt applicable to 6% limit	-	-	-	-	-	-	-	-	-	-
Legal 6% debt margin (available borrowing capacity)	<u>\$ 127,018,372</u>	<u>\$ 141,531,960</u>	<u>\$ 131,114,440</u>	<u>\$ 110,999,008</u>	<u>\$ 100,012,071</u>	<u>\$ 95,127,820</u>	<u>\$ 104,056,989</u>	<u>\$ 110,719,527</u>	<u>\$ 118,761,556</u>	<u>\$ 157,424,555</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2018

Net full cash assessed valuation as of June 30, 2018	\$ 2,623,742,589
20% Limitation	
Debt limit equal to 20% of net full cash assessed valuation	524,748,518
Debt applicable to limit:	
General obligation bonds	128,090,000
Premium adjustment	9,516,726
Legal 20% debt margin (available borrowing capacity)	<u>\$ 387,141,792</u>
6% Limitation	
Debt limit equal to 6% of net full cash assessed valuation	157,424,555
Debt applicable to limit:	
General obligation bonds	-
Legal 6% debt margin (available borrowing capacity)	<u>\$ 157,424,555</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 2017, HB 2452: bonding; amortized premium; segregated fund passed, requiring the net premium associated with a general obligation bond to be amortized for all debt limitation purposes on a pro-rata basis each year.

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

Fiscal Year	Special Assessment Bonds				Highway User Revenue Bonds				Public Facilities Municipal Property Corp. Revenue Bonds & Subordiante Lien Pledged Revenue Obligations			
	Special Assessment Collections	Debt Service		Coverage	Highway User Tax Revenue	Debt Service		Coverage	Excise Taxes & State-Shared Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2009	\$ 421,894	\$ 75,000	\$ 153,530	1.85	\$ 10,651,366	\$ 2,050,000	\$ 1,251,063	3.23	\$ 97,901,565	\$ 6,060,000	\$ 5,404,460	8.54
2010	437,493	85,000	149,370	1.87	10,090,894	2,175,000	1,148,563	3.04	91,609,318	8,705,000	8,014,525	5.48
2011	559,284	90,000	587,245	0.83	10,356,131	2,275,000	1,039,813	3.12	89,202,148	9,030,000	7,705,188	5.33
2012	878,981	400,000	574,655	0.90	10,437,844	2,400,000	570,375	3.51	97,342,250	9,335,000	7,149,316	5.91
2013	1,298,984	585,000	553,258	1.14	11,414,425	2,525,000	807,400	3.43	109,637,647	9,695,000	6,873,353	6.62
2014	2,089,887	1,020,000	507,965	1.37	11,747,325	2,030,000	693,450	4.31	117,627,904	10,080,000	6,458,288	7.11
2015	1,184,368	1,135,000	470,225	0.74	12,900,529	2,750,000	632,550	3.81	125,743,087	7,515,000	6,030,998	9.28
2016	2,232,678	1,795,000	394,755	1.02	13,588,215	2,845,000	550,050	4.00	133,104,631	8,000,000	7,457,791	8.61
2017	695,541	375,000	321,073	1.00	15,847,097	2,975,000	436,250	4.65	146,007,063	9,660,000	6,877,081	8.83
2018	952,679	660,000	294,670	1.00	15,457,442	3,095,000	317,250	4.53	159,912,939	14,355,000	4,721,073	8.38

Fiscal Year	Water and Wastewater Revenue Bonds ^c						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					Principal	Interest	
2009	\$ 53,633,557	\$ 32,618,247	\$ 21,015,310	\$ 1,280,000	\$ 835,313	9.93	\$ 18,899,997	\$ 6,329,797	\$ 6,190,815	\$ 3,200,000	\$ 7,808,650	2.85
2010	57,096,936	32,034,177	25,062,759	1,315,000	803,313	11.83	22,944,446	8,491,638	8,715,622	3,300,000	7,910,188	3.58
2011	59,780,559	33,231,244	26,549,315	1,355,000	763,863	12.53	24,430,452	6,485,383	6,878,502	3,400,000	7,198,049	3.57
2012	61,087,190	34,505,518	26,581,672	1,385,000	723,213	12.61	24,473,459	13,590,998	15,154,154	3,550,000	6,096,337	5.52
2013	60,627,063	36,124,117	24,502,946	1,430,000	681,663	11.60	22,391,283	12,466,409	-	3,700,000	5,542,403	3.77
2014	62,873,206	37,514,942	25,358,264	1,500,000	610,163	12.02	23,248,101	10,567,046	-	3,875,000	5,198,059	3.73
2015	63,338,422	40,316,645	23,021,777	-	-	N/A	23,021,777	10,461,708	-	4,075,000	4,894,864	3.73
2016	64,659,329	42,119,371	22,539,958	-	-	N/A	22,539,958	11,873,824	-	4,275,000	4,683,019	3.84
2017	66,788,603	41,921,216	24,867,387	-	-	N/A	24,867,387	9,914,166	-	4,830,000	4,984,570	3.54
2018	69,487,792	45,014,122	24,473,670	-	-	N/A	24,473,670	9,944,975	5,308,292	8,480,000	4,970,948	2.56

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

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

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

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

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

Fiscal Year	Population ^a	Personal Income ^b <i>(in thousands)</i> <i>(estimate)</i>	Per Capita Income ^c <i>(estimate)</i>	Median Age ^c	School Enrollment ^d	Unemployment Rate ^e
2009	203,693	\$ 6,230,000	\$ 30,416	30.4	39,142	4.6%
2010	208,453	6,370,000	30,559	30.7	39,089	5.1%
2011	209,468	6,329,000	29,731	32.7	38,660	5.1%
2012	211,491	6,240,000	28,413	31.5	38,696	5.4%
2013	215,938	7,064,000	31,035	33.1	38,573	5.7%
2014	221,506	6,568,000	28,184	37.5	38,573	5.2%
2015	227,217	6,962,000	30,639	32.7	37,240	4.3%
2016	232,399	7,534,000	32,418	33.2	34,079	4.2%
2017	247,600	8,558,000	34,565	33.1	35,449	3.7%
2018	247,600	8,858,000	35,777	34.4	34,552	3.5%

Sources:

^a 2009 through 2016 Census.gov; 2017 and 2018 Office of Management & Budget

^b Estimated based on population and per capita income

^c 2009 through 2015: American Community Survey; 2016 through 2018: Census.gov

^d Arizona Department of Education; beginning in 2011, school enrollment was obtained from the Gilbert Public Schools website.

^e laborstats.az.gov

Note: The 2008 through 2010 median age, school enrollment, and unemployment rates were obtained from Gilbert's Development Services Department.

**Town of Gilbert, Arizona
Top Ten Principal Employers
Current Fiscal Year Compared to Nine Years Ago**

<u>Employer</u>	<u>Fiscal Year 2018</u>			<u>Fiscal Year 2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Gilbert Unified School District	2,875	1	3.28%	5,000	1	10.12%
Banner Health	1,756	2	2.01%	1,485	3	3.00%
Go Daddy Software, Inc.	1,430	3	1.63%	707	7	1.43%
Town of Gilbert	1,349	4	1.54%	1,318	4	2.67%
Fry's Food and Drug	1,142	5	1.30%	675	8	1.37%
Higley Unified School District	1,112	6	1.27%	---		---
B H Drywall	997	7	1.14%	---		---
Wal-Mart Stores, Inc.	899	8	1.03%	1,535	2	3.11%
Dignity Health	875	9	1.00%	---		---
Isagenix International	650	10	0.74%	---		---
Target Stores, Inc	---		---	1,075	5	2.17%
Mercy Gilbert Medical Center	---		---	817	6	1.65%
Costco	---		---	600	9	1.21%
Dillard's	---		---	590	10	1.19%
Total	13,085		14.94%	13,802		27.92%

Source: Maricopa Association of Governments

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

<u>Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	32.2	29.2	21.2	22.2	88.5	95.8	120.0	128.6	131.6	132.6
Support services	91.3	88.3	62.0	62.0	-	-	-	-	-	-
Finance and management services	-	-	18.25	19.3	29.0	19.0	19.0	21.0	21.0	25.0
Court	52.3	52.9	52.9	51.9	49.9	51.9	32.9	32.9	32.9	33.9
Development services	70.5	70.5	72.5	72.5	69.6	68.8	73.3	66.7	68.7	83.7
Public works	17.5	17.5	-	-	-	-	-	-	-	-
Public safety:										
Police	347.0	346.0	346.0	346.0	346.0	349.0	354.0	358.0	369.0	385.5
Fire	199.5	197.0	197.0	197.0	197.0	201.0	201.0	203.0	210.0	217.0
Highways and streets	55.3	49.3	49.3	49.3	51.0	58.0	58.0	51.7	51.7	53.7
Parks and recreation	117.1	106.8	101.7	102.0	106.8	121.8	118.7	125.3	126.2	128.3
<u>Enterprise Funds</u>										
Water	79.0	83.0	118.1	120.0	118.2	118.0	116.5	125.0	130.0	131.0
Wastewater	40.7	40.7	40.7	41.7	41.7	44.7	45.4	42.5	42.5	43.5
Environmental services	79.0	79.0	79.0	78.5	79.0	83.5	84.0	94.3	96.3	97.3
Irrigation	0.7	0.7	-	-	-	-	-	-	-	-
<u>Internal Service Funds</u>										
Equipment maintenance	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Total	<u><u>1,208.1</u></u>	<u><u>1,186.9</u></u>	<u><u>1,184.8</u></u>	<u><u>1,188.4</u></u>	<u><u>1,202.7</u></u>	<u><u>1,237.5</u></u>	<u><u>1,248.8</u></u>	<u><u>1,275.0</u></u>	<u><u>1,305.9</u></u>	<u><u>1,357.5</u></u>

Source: Gilbert Office of Management & Budget

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	89%	86%	90%	N/A ^a	77%	75%	N/A ^a	74%	N/A ^a	71%
Number of recruitments	87	90	86	79	110	155	148	175	149	156
Employee turnover	8.1%	4.9%	6.6%	6.8%	8.0%	7.5%	8.3%	9.7%	9.3%	10.3%
Legal and court										
Case filings	36,890	32,299	25,888	26,271	31,794	28,896	29,499	32,091	29,501	26,147
% of cases charged after review	61%	64%	64%	72%	72%	72%	71%	70%	74%	74%
Development services										
Building permits issued	2,054	2,506	2,219	3,474	3,418	3,254	3,364	3,584	4,157	4,607
Value of permits issued (in millions)	\$ 266.3	\$ 324.3	\$ 238.7	\$ 474.9	\$ 534.4	\$ 472.5	\$ 496.0	\$ 553.8	\$ 532.2	\$ 531.6
Public Safety:										
Police										
Number of arrests	12,487	11,411	8,330	9,003	8,734	8,474	8,900	8,702	8,250	8,360
Crimes per 1,000 population	23.3	20.4	19.3	18.3	16.5	16.6	15.5	15.3	15.5	15.2
Fire										
Number of emergency calls	12,972	13,566	13,946	14,133	15,509	16,185	17,777	18,923	19,422	20,506
Response time average (enroute to on-scene) ^b	4 min	3 min	3 min	3 min	3 min	3 min	3 min	3 min	N/A	3 min
Total dispatch time (dispatch to onscene) ^b	11 sec	43 sec	37 sec	49 sec	47 sec	51 sec	57 sec	55 sec	N/A	32 sec
Total dispatch time (dispatch to onscene) ^b	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5 min	4 min
Total dispatch time (dispatch to onscene) ^b	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9 sec	48 sec
Highways and streets										
Average pavement condition index	91	91	91	91	80	75	75	72	74	72
Parks and recreation										
Facility reservation requests ^c	19,222	15,681	16,637	16,880	16,277	16,440	N/A	N/A	N/A	N/A
Facility reservations ^c	N/A	N/A	N/A	N/A	N/A	N/A	11,747	19,835	18,000	16,000
Participants in recreation programs ^d	48,892	50,038	47,493	48,725	52,714	52,616	62,815	69,423	71,651	98,286
Transportation										
Average daily ridership	1,039	835	845	560	635	685	687	669	679	784
Water										
Daily average water production (mg)	44	42	42	43	43	43	43	43	46	47
Average # of meters read per month	70,630	71,814	71,910	73,469	71,952	72,712	73,199	82,871	83,945	84,243
Number of utility locates	12,000	12,373	10,576	15,190	23,277	20,235	20,100	21,197	26,850	27,380
Wastewater										
Daily average wastewater influent (mg)	12.37	12.91	12.67	12.20	12.79	12.82	13.21	14.03	14.91	15.41
Annual effluent produced/reused (mg)	4,160	4,420	4,840	4,457	4,667	4,646	4,822	4,815	4,931	5,115
Environmental services										
Solid waste tonnage	110,144	110,403	111,943	109,472	115,536	113,965	112,778	114,144	110,520	113,745
Recycle tonnage	18,810	19,191	19,242	18,653	18,695	19,851	19,418	19,894	22,567	24,058

Source: Various Town departments

^a Survey completed every other year.

^b Beginning in 2017, the Fire Department began reporting total dispatch time instead of average time enroute to on-scene.

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

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

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety:										
Police										
Number of police cars	162	156	166	164	164	180	185	217	224	251
Fire										
Fire stations	9	9	9	10	10	10	10	10	10	10
Highways and streets										
Street centerline miles (estimate) ^a	872	903	923	979	989	905	1,032	1,055	973	985
Traffic control signals	169	168	173	175	177	180	185	185	194	201
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	676	690	690	652	653	605	605	605	645	645
Water										
Miles of water main ^c	1,137	1,175	1,189	1,216	1,219	1,261	1,304	1,660	1,322	1,335
Wastewater										
Miles of wastewater main ^c	843	860	868	970	976	1,006	1,019	1,038	887	896
Environmental services										
Garbage trucks ^b	54	57	61	61	61	66	67	57	56	71

Source: Various Town departments

^a The street centerline miles were previously estimated using different methods, such as end of warranty and beginning of Town ownership. Beginning in 2015, the estimate is based on acceptance letter date. Beginning in 2017, estimates were updated to exclude miles not owned by Gilbert.

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

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	Limited Property Value ^b	Maricopa County Bank Deposits ^c
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			
2009	1,038	\$ 161,128,906	151	\$ 60,768,344	865	\$ 44,414,870	\$ 2,768,391,194	N/A	\$ 55,358,822,000
2010	1,427	213,032,031	147	67,488,230	932	43,754,466	2,672,949,852	N/A	61,925,568,000
2011	1,130	182,201,825	180	25,831,880	909	30,710,863	2,297,228,317	N/A	60,408,631,000
2012	2,331	408,322,951	182	31,550,416	961	35,017,191	1,861,193,961	N/A	61,673,751,000
2013	2,015	385,182,885	224	102,447,825	1,179	46,773,456	1,675,360,422	N/A	65,485,982,000
2014	1,613	315,632,904	284	99,959,286	1,357	56,890,360	1,594,806,737	N/A	70,253,713,000
2015	1,668	350,707,421	268	81,934,987	1,428	63,344,257	1,829,471,839	N/A	76,889,448,000
2016	1,764	402,071,499	278	71,594,349	1,542	80,164,565	N/A	\$ 1,845,325,449	84,014,143,000
2017	1,754	336,676,752	264	119,477,874	2,139	76,023,423	N/A	1,979,359,269	92,567,543,000
2018	1,604	312,805,353	199	129,703,582	2,804	89,093,501	N/A	2,105,762,268	98,288,781,000

Sources:

^a Development Services Department

^b Maricopa County Assessor's Office

^c Federal Deposit Insurance Corporation

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

Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2018

	<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	\$ 8,232,386	\$ 2,071,690	\$ 46,107	\$ (1,367,702)	\$ 8,982,481
Police system development fee	1,198,568	3,742,916	11,113	(3,130,418)	1,822,179
Fire system development fee	(12,433,697)	2,082,819	295,965	(1,137,735)	(11,192,648) ^a
General government system development fee	(6,664,646)	2,443,552	-	(2,456,006)	(6,677,100) ^a
Parks and recreation system development fee	30,810,701	7,275,972	167,476	(7,838,831)	30,415,318
Water system development fee	7,324,219	9,944,975	56,320	(10,297,272)	7,028,242
Water resources system development fee	5,102,614	2,808,490	17,092	(5,782,808)	2,145,388
Wastewater system development fee	24,184,519	6,275,428	142,864	(5,277,058)	25,325,753
Totals	<u>\$ 57,754,664</u>	<u>\$ 36,645,842</u>	<u>\$ 736,937</u>	<u>\$ (37,287,830)</u>	<u>\$ 57,849,613</u>

Equivalent Residential Unit

Wastewater system development fee - Greenfield	\$ 4,015
Wastewater system development fee - Neely	\$ 3,176

Source: Gilbert Finance & Management Services Department

^a The negative ending balances for the fire and general government system development fees are funded by the general fund. The general fund had a cash balance of \$121,191,250 at June 30, 2018.

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

Fiscal Year	Tax Levy	Initial Year Collections				Cumulative Collections				
		County Resolutions	Net Tax Levy	Current Collections	Percent Of Levy	County Resolutions	Net Tax Levy	Delinquent Collections	Total Collections	Percent of Levy
2009	\$ 31,332,659	\$ (134,438)	\$ 31,198,221	\$ 29,744,757	95.34%	\$ (305,192)	\$ 31,027,467	\$ 1,262,304	\$ 31,007,061	99.93%
2010	30,389,882	(153,319)	30,236,563	28,984,405	95.86%	(390,702)	29,999,180	997,231	29,981,636	99.94%
2011	26,198,053	(107,618)	26,090,435	25,253,466	96.79%	(277,675)	25,920,378	659,090	25,912,556	99.97%
2012	21,380,254	(96,162)	21,284,092	20,772,494	97.60%	(217,916)	21,162,338	385,288	21,157,782	99.98%
2013	19,253,745	(99,396)	19,154,349	18,962,640	99.00%	(143,890)	19,109,855	144,117	19,106,757	99.98%
2014	18,327,289	(57,876)	18,269,413	18,056,441	98.83%	(89,302)	18,237,987	179,474	18,235,915	99.99%
2015	19,487,085	(72,483)	19,414,602	19,230,809	99.05%	(128,520)	19,358,565	126,509	19,357,318	99.99%
2016	19,495,256	(32,290)	19,462,966	19,286,314	99.09%	(69,932)	19,425,324	134,850	19,421,164	99.98%
2017	20,913,149	(80,844)	20,832,305	20,645,301	99.10%	(125,046)	20,788,103	141,078	20,786,379	99.99%
2018	21,667,785	(53,647)	21,614,138	21,411,196	99.06%	(53,647)	21,614,138	-	21,411,196	99.06%

Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2018**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Limited Property Valuation</u>	<u>As % of Town's Total Limited Property Valuation</u>
Westcor Santan Village LLC	Shopping Center	\$ 20,758,218	0.99%
Southwest Gas Corporation (T&D)	Utility	7,228,828	0.34%
Vestar CTC Phase 1 LLC	Real Estate Development / Holdings	5,207,633	0.25%
American Furniture Warehouse Co.	Retail	5,197,771	0.25%
Verizon Wireless	Utility	5,166,233	0.25%
Power & Ray LLC	Real Estate Development / Holdings	4,912,314	0.23%
Santan MP LP	Real Estate Development / Holdings	4,633,546	0.22%
Target Corporation	Retail	4,428,332	0.21%
Liv Northgate LLC	Real Estate Development / Holdings	4,225,015	0.20%
Earnhardt Arizona Properties LLC	Real Estate Development / Holdings	4,144,688	0.20%
Breit Olympus Mf Redstone LLC	Real Estate Development / Holdings	4,124,141	0.20%
Breit Olympus MF Vistara LLC	Real Estate Development / Holdings	3,986,569	0.19%
155 Rivulon Boulevard LLC	Real Estate Development / Holdings	3,742,582	0.18%
Lowe's Hardware Inc.	Retail	3,541,074	0.17%
275 Rivulon Boulevard LLC	Real Estate Development / Holdings	3,411,620	0.16%
Jabbel Holdings LLC	Real Estate Development / Holdings	3,374,714	0.16%
San Privada Apartments LLC	Retail	3,340,959	0.16%
Branch Brook Gardens	Real Estate Development / Holdings	3,285,884	0.16%
Pillar at SanTan LLC	Real Estate Development / Holdings	3,255,195	0.15%
Smiths Food & Drug Centers Inc.	Real Estate Development / Holdings	3,238,642	0.15%
Arizona Public Service Company	Utility	3,238,166	0.15%
LIT Industrial Limited Partnership	Real Estate Development / Holdings	3,197,201	0.15%
SY Gilbert Commons I LLC	Real Estate Development / Holdings	3,096,180	0.15%
Qwest Corporation	Utility	3,024,455	0.14%
Echostar Broadcasting Holdings Corp.	Real Estate Development / Holdings	3,007,736	0.14%
		<u>\$ 116,767,696</u>	<u>5.54%</u>

Source: Maricopa County. Top taxpayers based on Net Assessed Limited Property Value of Real and Secured Personal Property for tax year 2018.

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





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