

TOWN OF GILBERT, ARIZONA

Annual Expenditure Limitation Report

June 30, 2018

(With Independent Accountant's Report Thereon)

Town of Gilbert
Annual expenditure limitation report
Year ended June 30, 2018

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and Town Council
of the Town of Gilbert, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Gilbert, Arizona for the year ended June 30, 2018, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system, in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Town of Gilbert, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
December 20, 2018

Town of Gilbert
Annual expenditure limitation report—part I
Year ended June 30, 2018

1. Economic Estimates Commission expenditure limitation	\$	<u>391,794,588</u>	
2. Amount subject to the expenditure limitation (total amount from part II, line C)	\$	<u>266,329,623</u>	
3. Amount under (in excess of) the expenditure limitation			\$ <u><u>125,464,965</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of chief financial officer: _____



Name and title: Håkon Johanson, Director of Finance and Management Services

Telephone number: (480) 503-6902

Date: 12/10/2018

See accompanying notes to report.

Town of Gilbert
Annual expenditure limitation report—part II
Year ended June 30, 2018

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$ 270,096,146	\$ 98,463,629	\$ 22,690,560	\$ 2,500	\$ 391,252,835
B. Less exclusions claimed:					
1. Debt service requirements	57,832,167	-	-	-	57,832,167
2. Trustee or custodian	-	-	-	2,500	2,500
3. Grants and aid from the federal government	2,240,776	-	-	-	2,240,776
4. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	205,198	-	-	-	205,198
5. Amounts received from the State of Arizona	1,886,656	-	-	-	1,886,656
6. Quasi-external interfund transactions	4,227,860	776,270	21,822,386	-	26,826,516
7. Highway user revenues in excess of those received in fiscal year 1979-80	12,593,793	-	-	-	12,593,793
8. Contracts with other political subdivisions	368,394	1,183,844	471,659	-	2,023,897
9. Refunds, reimbursements, and other recoveries	254,116	43,065	255,808	-	552,989
10. Prior years carryforward	20,758,720	-	-	-	20,758,720
11. Total exclusions claimed	100,367,680	2,003,179	22,549,853	2,500	124,923,212
C. Amounts subject to the expenditure limitation	<u>\$ 169,728,466</u>	<u>\$ 96,460,450</u>	<u>\$ 140,707</u>	<u>\$ -</u>	<u>\$ 266,329,623</u>

See accompanying notes to report.

Town of Gilbert
Annual expenditure limitation report—reconciliation
Year ended June 30, 2018

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 281,026,403	\$ 90,634,369	\$ 22,549,853	\$ 2,500	\$ 394,213,125
B. Subtractions:					
1. Items not requiring use of current financial resources:					
a. Depreciation	-	25,064,948	16,106	-	25,081,054
b. Loss on disposal of capital assets	-	13,597	-	-	13,597
c. Pension and other postemployment benefits (OPEB) expense	-	1,315,769	121,105	-	1,436,874
d. Claims incurred but not reported (IBNR)	-	-	1,514,000	-	1,514,000
2. Expenditures of separate legal entities established under Arizona Revised Statutes	5,308,279	28,397,546	-	-	33,705,825
3. Required fees paid to the Arizona Department of Revenue	480,487	-	-	-	480,487
4. Involuntary court judgments	5,141,491	-	-	-	5,141,491
5. Total subtractions	<u>10,930,257</u>	<u>54,791,860</u>	<u>1,651,211</u>	<u>-</u>	<u>67,373,328</u>
C. Additions:					
1. Capital asset acquisitions	-	61,080,479	-	-	61,080,479
2. Amounts paid in the current year but reported as expenses in previous years:					
a. Claims previously recognized as IBNR	-	-	1,650,317	-	1,650,317
3. Pension and OPEB contributions paid in the current year	-	1,540,641	141,601	-	1,682,242
4. Total additions	<u>-</u>	<u>62,621,120</u>	<u>1,791,918</u>	<u>-</u>	<u>64,413,038</u>
D. Amounts reported on part II, line A	<u>\$ 270,096,146</u>	<u>\$ 98,463,629</u>	<u>\$ 22,690,560</u>	<u>\$ 2,500</u>	<u>\$ 391,252,835</u>

See accompanying notes to report.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2018

Note 1 Summary of Significant Accounting Policies

The annual expenditure limitation report (AELR) is presented as prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; statement of cash flows for the proprietary funds; and the statement of changes in fiduciary net position for the fiduciary funds.

Note 2 The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement of \$33,965,000, interest expense of \$11,757,543, Town contribution to refunded bond escrow agent of \$12,096,000, and fiscal and other charges of \$13,624.

Note 3 Total investment earnings in the Governmental Funds were \$1,523,157 of which \$118,746 is nonexcludable, and total investment earnings in the Enterprise Funds were \$1,894,199 of which \$458,703 is nonexcludable. The remaining \$2,839,907 excludable revenue will be carried forward to future years.

Note 4 The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, and highway user revenues in the governmental funds:

Description	Revenues	Excluded	Amount Carried Forward
Grants and aid from federal government	\$ 2,240,776	2,240,776	-
Amounts received from the State of Arizona	2,926,997	1,886,656	1,040,341
Highway user revenues in excess of those received in fiscal year 1979-80	14,784,736	12,593,793	2,190,943
Contracts with other political subdivisions	368,394	368,394	-
Other revenues (nonexcludable)	<u>64,602,396</u>	-	-
Total intergovernmental revenues as reported in fund financial statements	<u><u>\$84,923,299</u></u>		

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2018

The exclusion claimed in the Enterprise Funds for contracts with other political subdivisions are recorded as intergovernmental nonoperating revenues in the financial statements. The exclusion claimed in the Internal Service Funds for contracts with other political subdivisions are recorded as charges for services revenues in the financial statements.

- Note 5 The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual consists of other entities' participation and gifts and donations revenue as reported in the Governmental Funds financial statements.
- Note 6 The exclusion claimed for quasi-external interfund transactions consists of payments made for administrative support services reported in the financial statements as charges for services revenue for the Governmental Funds. The exclusion claimed for the Enterprise Funds consist of payments made for water, wastewater and environmental services reported in the financial statements as charges for services revenue. The exclusion claimed for the Internal Service Funds consist of payments for operations that provide services to other departments of the Town and reported in the financial statements as charges for services revenue.
- Note 7 The exclusions claimed for refunds, reimbursements, and other recoveries consist of recovery of damage claims and recovery of prior year expenses and are reported as miscellaneous revenue in the Governmental Funds and as other revenue in the Enterprise and Internal Service Funds financial statements.
- Note 8 Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year. The majority of the exclusion in the Governmental Funds of \$20,758,720 represents bond proceeds received in prior fiscal years of \$7,895,854. The remainder consists of \$6,139,895 of grants, aid, contributions, and gifts, \$3,827,539 received from the state, as well as \$2,895,432 dividends, interest, and gains on the sale or redemption of investment securities that were expended in this fiscal year.
- Note 9 The subtraction of \$1,514,000 for claims incurred but not reported (IBNR) consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Funds.
- Note 10 The addition of \$1,650,317 for claims previously recognized as IBNR, consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Funds.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2018

Note 11 The subtractions of pension and OPEB expense of \$1,315,589 and \$121,015 in the Enterprise and Internal Service Funds, respectively, consists of the following:

<u>Description</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Pension expense	\$ 1,200,739	\$ 110,361
OPEB Expense	115,030	10,744
Total	\$ 1,315,769	\$ 121,105

Note 12 The additions of \$1,540,641 and \$141,601 for pension and OPEB contributions paid in the current year in the Enterprise and Internal Service Funds, respectively, consists of the required pension and OPEB contributions made to the Arizona State Retirement System and Public Safety Retirement System.

<u>Description</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
ASRS Pension	\$ 1,460,260	\$ 134,213
ASRS HBS	58,946	5,418
ASRS LTD	21,435	1,970
Total	\$ 1,540,641	\$ 141,601

Note 15 The subtraction of \$480,487 for required fees paid to the Arizona Department of Revenue is pursuant to A.R.S. section 42-5041 to recover a portion of administrative, program and other operating costs the Department incurred.

Note 16 The subtraction of \$5,141,491 of involuntary court judgments relates to a court judgment for the Hall/Parker cases which resulted in payments made to affected members who were eligible to receive a return of excess PSPRS and EORP contributions made plus interest.

Note 17 The subtraction of \$5,308,279 consists of capital outlays of the Town of Gilbert Public Facility Municipal Property Corporation (MPC), which is a legally separate, non-profit corporation and exists solely for the purpose of financing the construction of municipal facilities. The MPC is included within the Town's reporting entity as a blended component unit, but not included in the Economic Estimates Commission base limit calculations. This amount is reported in the financial statements as expenditures of the Municipal Property Corporation Fund, a nonmajor governmental fund.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2018

Note 18 The subtraction of \$28,397,546 consists of expenses of the Town of Gilbert Water Resources MPC, which is a legally separate, non-profit corporation and exists solely for the purpose of financing the construction or acquisition of water and wastewater capital improvement projects. The MPC is included within the Town's reporting entity as a blended component unit, but not included in the Economic Estimates Commission base limit calculations. The subtraction claimed for the Town of Gilbert Water Resources MPC fund consists of general and administrative expenses of \$279,657, interest expense of \$3,663,709, and \$24,454,180 of capital asset acquisitions reported on the Statement of Cash Flows.