

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019



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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, 2018**

*Christopher P. Morill*

Executive Director/CEO

**Comprehensive Annual  
Financial Report**  
Year Ended June 30, 2019



**Jenn Daniels, Mayor**

Eddie Cook, Vice Mayor

Aimee Yentes, Council Member

Brigette Peterson, Council Member

Jared Taylor, Council Member

Jordan Ray, Council Member

Scott Anderson, 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, 2019**

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## **Introductory Section**

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**Letter of Transmittal**

**Advisory Organization Chart**

**Organization Reporting Chart**





February 24, 2020

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, 2019. 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. However, for this fiscal year, Gilbert received a two-month extension from the Government Finance Officers Association due to the implementation of a new financial software system.

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, 2019. 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 2019, the Manager administered Gilbert's operations through a staff of 1,395 budgeted full-time equivalent positions.

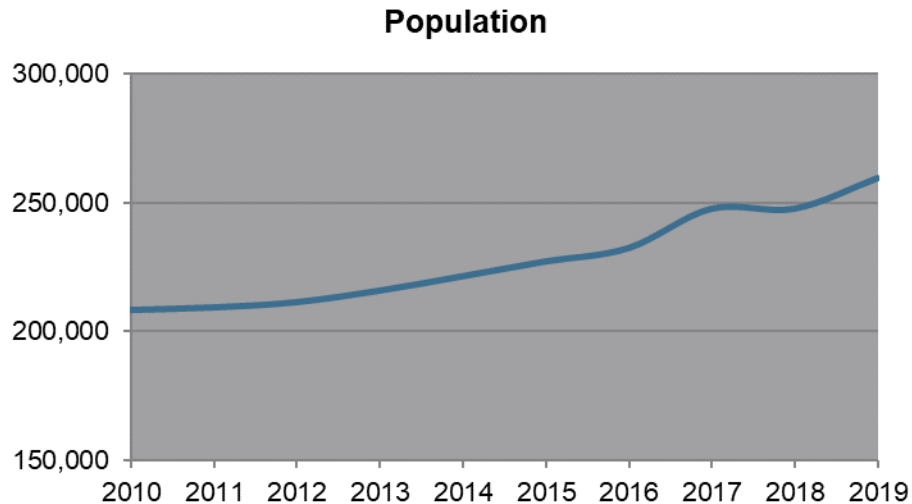
Gilbert provides or administers a full range of services including police and fire protection, development services (planning, code enforcement, and engineering), public works (water, wastewater, environmental services, and streets), and parks and recreation services. Transit and "dial-a-ride" services 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.

**Town of Gilbert** | A Community of Excellence

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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, 2019 is 259,386, which was derived from Maricopa Association of Governments population estimates. The following graph depicts the ten-year population trend for Gilbert.



## ***FACTORS AFFECTING FINANCIAL CONDITION***

### ***Growth and Construction***

There were 1,535 new residential permits and 155 commercial permits issued in fiscal year 2019, which represents a decrease from the prior fiscal year of 1,604 and 199, respectively. The total value of all new construction in fiscal year 2019, including commercial, was \$746.3 million, an increase from \$531.6 million in fiscal year 2018.

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 2019, a total of \$40.2 million was collected in SDF's compared to \$36.6 million in fiscal year 2018.

### ***Economic Development***

With nearly 260,000 residents, Gilbert is focused on sustaining the thriving community seen today well into the future. This aim is supported through a commitment to develop a prosperous community, strong economy, and exceptional built environment. Over the past few years, Gilbert has received numerous awards and recognitions, a few of which are included below.

- AAA Bond rating from all three major rating agencies (S&P, Moody's, and Fitch)
- Best City for Business in Arizona (Arizona Chamber of Commerce and Industry, 2019)
- Arizona's Fastest Growing City (WalletHub, 2018)
- Gilbert Tops List for Recovery in 100 Cities After Recession (Economic Innovation Group, 2018)
- #1 Safest City in Arizona, #6 in the Country (WalletHub, 2018)
- 3rd Most Livable City in the U.S. (SmartAsset, 2018)
- 3rd Best Place to Live in Arizona (Niche, 2018)
- 4th Best School District in America - Gilbert Public Schools (Alarms.org, 2018)

- 4th Best City to Buy a Family Home in the U.S. (SmartAsset, 2019)
- 5th Best Place to Find a Job in America (WalletHub, 2018)
- 7th Best Place to Raise a Family in the U.S. (WalletHub, 2019)
- 8th Best Midsize Real Estate Market in the U.S. (WalletHub, 2019)
- 20th Happiest Place to Live (WalletHub, 2018)

Gilbert is a community committed to education; 44.0% of residents age 25 and older hold a bachelor's degree or higher, compared with about 30.0% statewide and 32.5% nationally. Notable employers like Banner Health, Dignity Health, Banner MD Anderson Cancer Center, Go Daddy, the worldwide headquarters of Isagenix, Silent-Aire, 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 4.3% 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 three A-rated school districts – Gilbert, Higley, and Chandler – serve the citizens of Gilbert.

The Gilbert Office of Economic Development (OED) is one of approximately 65 Accredited Economic Development Organizations in the nation. Gilbert achieved this accreditation through the International Economic Development Council in 2013 and was the first Arizona economic development organization, and the second municipality in the nation, to do so. In fiscal year 2019, the business development lines of services saw strong performance, and Gilbert facilitated the attraction and expansion of a diverse mix of projects and property types. The 28 business development successes in fiscal year 2019 represent 1,537 new or expanded jobs, \$367M in capital investment, and nearly 1.8M new or expanded square footage. These projects demonstrate the community's continued commitment to creating the place where the market wants to invest.

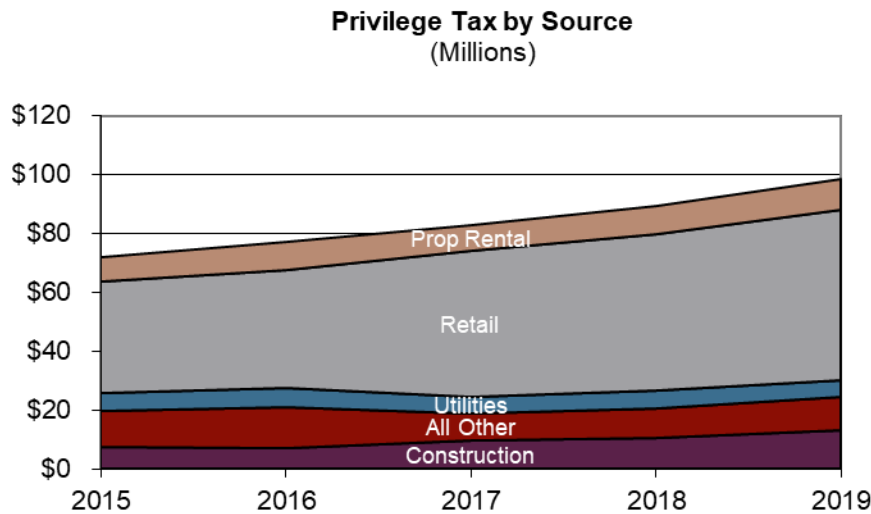
Investment in the Heritage District also continued with a focus on attracting businesses and developing critical infrastructure to support future growth. During fiscal year 2019, the Heritage District welcomed new restaurants, retailers, and higher education institutions. In addition to these new businesses, Hearne Plaza Garage opened in March 2019. This parking garage added nearly 600 additional parking spaces and six electric vehicle charging stations to the Heritage District.

On the tourism front, Discover Gilbert continued its substantial efforts to expose new groups to Gilbert including partnering with the Arizona Office of Tourism, conducting familiarization tours, and hosting the Arizona Food and Farm Forum in partnership with the Local First Arizona Foundation. Marketing campaigns across a variety of media channels in the targeted markets generated over 4.5 million impressions, and Gilbert hotels saw room demand increase 31.6% from fiscal year 2018.

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 49.4% of General Fund revenues for fiscal year 2019, totaling approximately \$98.7 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.

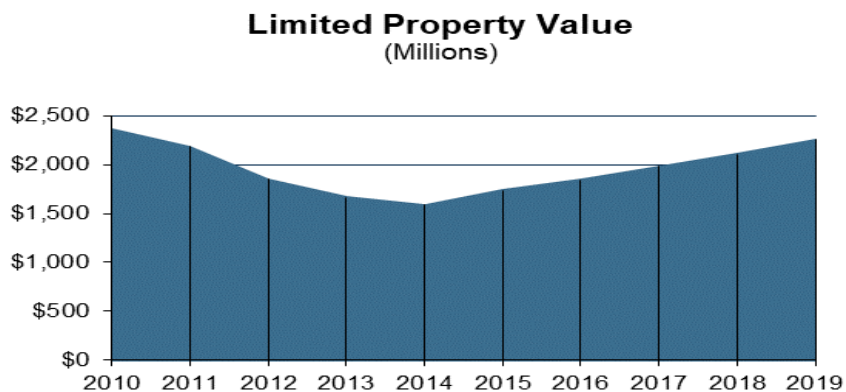


**Property Taxes**

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 2019, Gilbert’s property tax rate is \$0.99 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 7.1% in fiscal year 2019 from \$2.106 billion to \$2.256 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 \$64.2 million for the General Fund and \$16.6 million for the Streets Special Revenue Fund in fiscal year 2019, representing approximately 32.2% of total General Fund revenues and 97.4% 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, with the latest revision in June of 2019. 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 staff and Council also align both short-term goals and resources toward the long-term realization of Gilbert's established strategic focus areas: Strong Economy, Prosperous Community and Exceptional Built Environment, which will be discussed in more detail throughout the document. In fiscal year 2019, Gilbert proudly unveiled its new mission and "City of the Future" concept to anticipate change, create solutions and help people. Gilbert has 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 Lean Six Sigma (Lean) process improvement events to optimize processes throughout the organization to further enhance Gilbert's long-term financial resiliency.

In fiscal year 2018, Gilbert introduced internal process improvement training called EDGE (Employee's Driving Gilbert's Excellence). It takes the best parts of Continuous Quality Improvement and Lean Six Sigma, and teaches our employees to participate in organizational transformation by aligning people, process and technology in an ongoing effort to deliver efficiency and effectiveness from a customer-centric point of view. When combined with clearly defined Wildly Important Goals, we are constantly evaluating the work we do and asking ourselves, "Is this the most important thing we can do right now for our customers?" Gilbert continues to update its Long-Term Financial Plan, which includes an interactive Excel model. The model looks at revenue and spending trends to predict what the financial sustainability of Gilbert would look like if those trends were to continue. The main dashboard contains live "what if" variables that can be easily changed to help decision-makers see the financial impact that individual changes make to the overall budget health into the future.

## **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gilbert for its CAFR for the fiscal year ended June 30, 2018. This was the 28th 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.

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 20 consecutive years.

In addition, the International City/County Management Association recognized Gilbert with a Certificate of Excellence in Performance Management for its data-driven management and reporting efforts. This marks the fourth consecutive year that Gilbert has received this Certificate.

## **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, Assistant Accounting Manager; 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.

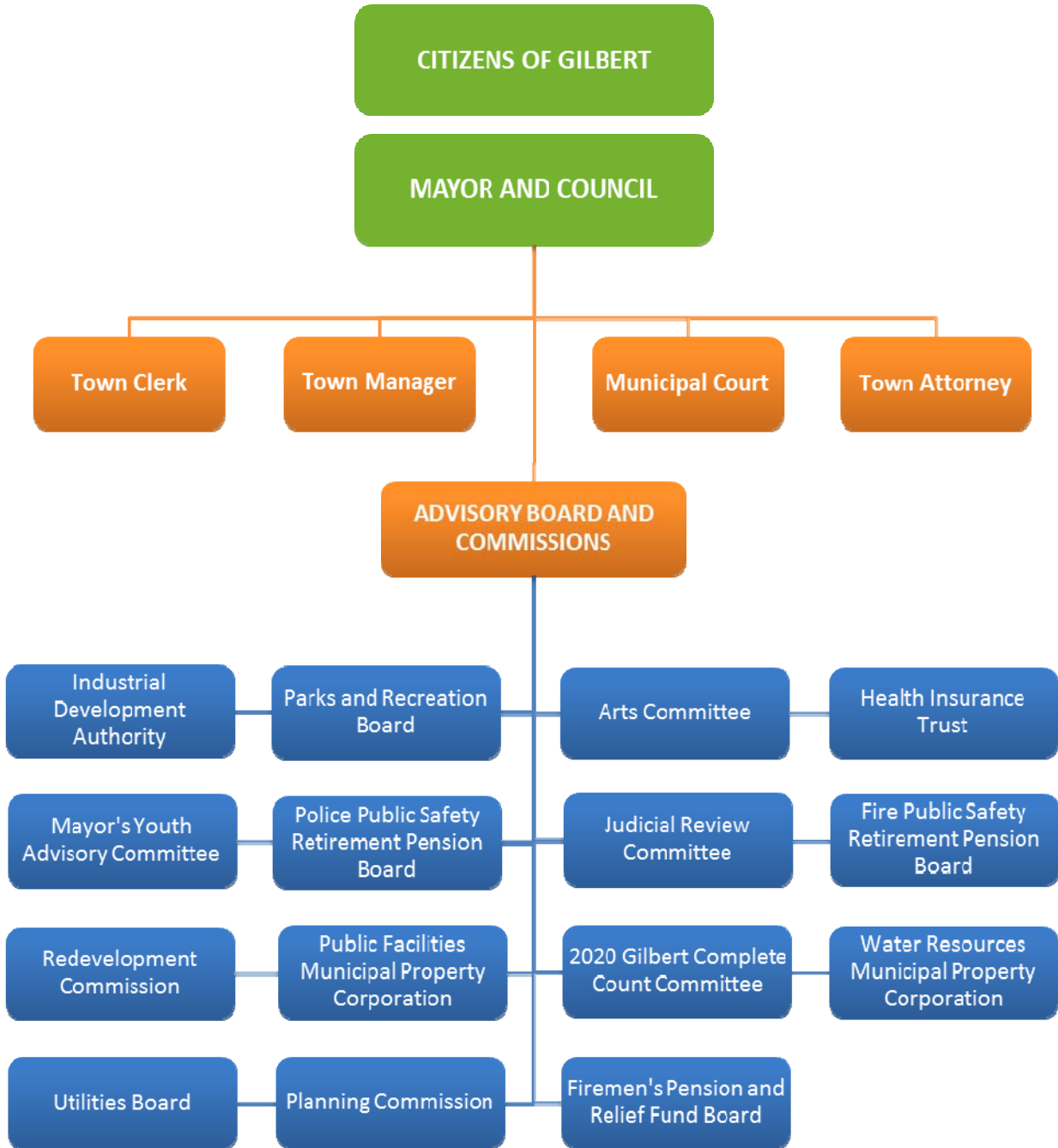
Respectfully submitted,



Håkon Johanson  
Finance & Management Services Director



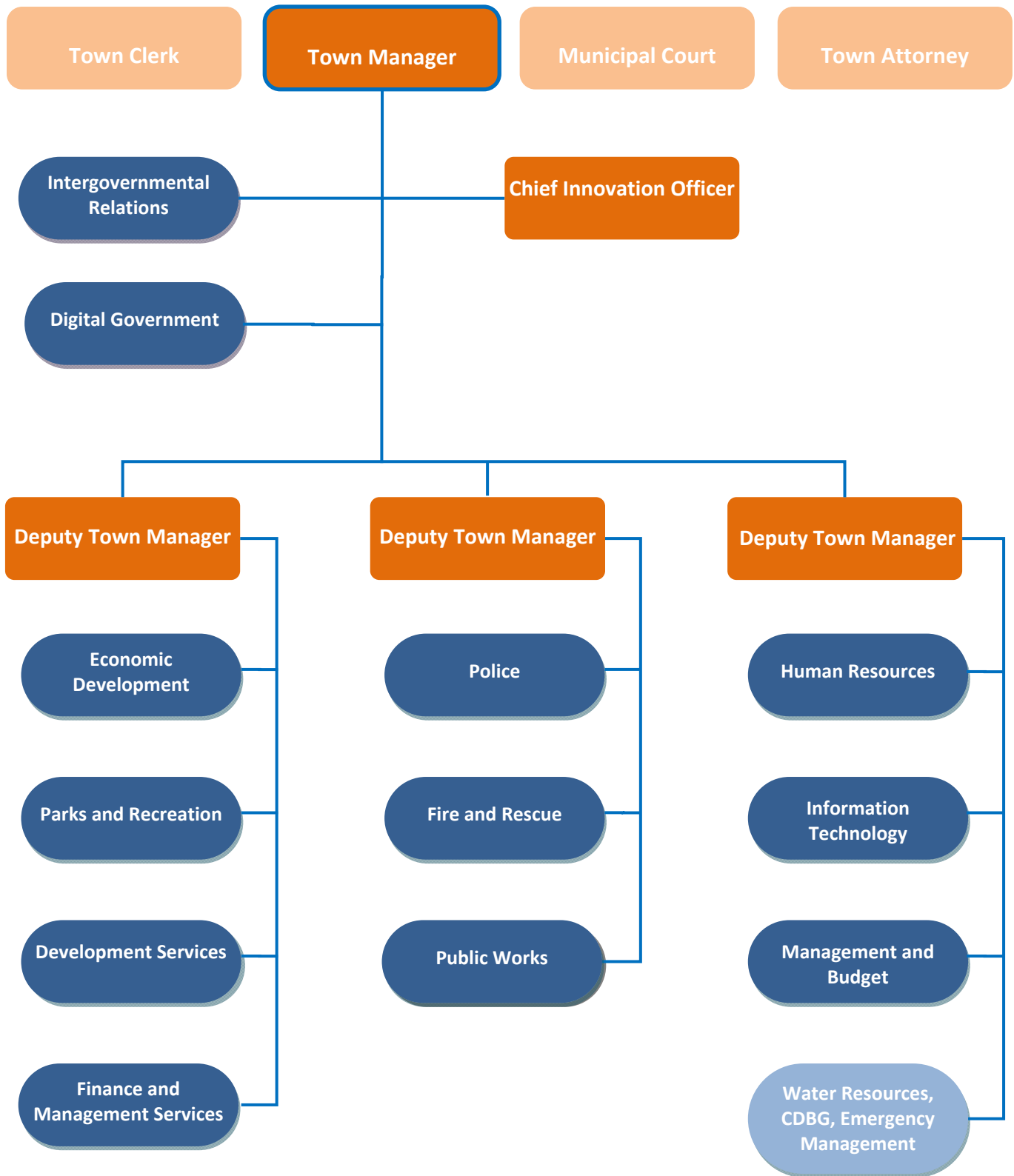
# ADVISORY ORGANIZATIONAL CHART







# ORGANIZATIONAL REPORT CHART





## **Financial Section**

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**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, 2019, 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, 2019, 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.

**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 February 24, 2020, 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 solely 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 effectiveness of the Town of Gilbert's 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. PC*

Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
February 24, 2020

## 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, 2019. 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 resources exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$1.8 billion, which is an increase over prior year of \$92.3 million. Included in this amount, defined as net position, is \$447.5 million of unrestricted net position, of which \$176.9 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$270.6 million which may be used to fund ongoing operations in future years.
- Net position includes a \$792.9 million net investment in capital assets such as streets, parks, and municipal buildings and a \$462.9 million net investment in water, wastewater and environmental services infrastructure and equipment. These amounts increased primarily due to the completion of various construction projects and regularly scheduled debt payments made during the fiscal year.
- The combined fund balance for all governmental funds is \$247.5 million, of which \$114.0 million is unrestricted.
- The General Fund unrestricted fund balance is \$131.4 million, of which \$41.6 million has been assigned for capital replacement and road maintenance.
- The General Fund unassigned balance of \$89.8 million is approximately 57.5% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$364.6 million, as compared to \$406.8 million at the end of fiscal year 2018, which is a decrease of \$42.2 million due to regularly scheduled debt payments made.
- Gilbert's total net pension liability at the end of the fiscal year was \$133.9 million, as compared to \$144.1 million at the end of fiscal year 2018. Gilbert made contributions in excess of the annual require contribution to the Public Safety Personnel Retirement System (PSPRS) of \$8.4 million during the fiscal year.
- Gilbert's total other post-employment benefits (OPEB) liability at the end of the fiscal year was \$896 thousand, as compared to \$2.0 million at the end of fiscal year 2018.

### 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 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 116-120.

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 obtain 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 47-86.

## 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, 2019 and 2018.

	Condensed Statement of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018, as restated	2019	2018, as restated	2019	2018, as restated
Current and other assets	\$ 322,302,383	\$ 332,097,921	\$ 471,146,909	\$ 484,532,991	\$ 793,449,292	\$ 816,630,912
Capital assets	1,006,398,307	985,881,412	599,455,880	555,951,132	1,605,854,187	1,541,832,544
<b>Total assets</b>	<b>1,328,700,690</b>	<b>1,317,979,333</b>	<b>1,070,602,789</b>	<b>1,040,484,123</b>	<b>2,399,303,479</b>	<b>2,358,463,456</b>
<b>Deferred outflows of resources</b>	<b>51,579,122</b>	<b>48,665,850</b>	<b>5,904,975</b>	<b>5,732,620</b>	<b>57,484,097</b>	<b>54,398,470</b>
Long-term liabilities	378,325,483	426,279,787	181,828,153	194,358,084	560,153,636	620,637,871
Other liabilities	41,952,955	31,535,266	18,375,319	16,187,589	60,328,274	47,722,855
<b>Total liabilities</b>	<b>420,278,438</b>	<b>457,815,053</b>	<b>200,203,472</b>	<b>210,545,673</b>	<b>620,481,910</b>	<b>668,360,726</b>
<b>Deferred inflows of resources</b>	<b>11,783,291</b>	<b>5,905,423</b>	<b>2,839,109</b>	<b>1,369,007</b>	<b>14,622,400</b>	<b>7,274,430</b>
Net position:						
Net investment in capital assets	792,863,888	772,450,144	462,857,212	410,466,937	1,255,721,100	1,182,917,081
Restricted	87,449,935	76,701,521	30,971,975	34,499,382	118,421,910	111,200,903
Unrestricted	67,904,260	53,773,042	379,635,996	389,335,744	447,540,256	443,108,786
<b>Total net position</b>	<b>\$ 948,218,083</b>	<b>\$ 902,924,707</b>	<b>\$ 873,465,183</b>	<b>\$ 834,302,063</b>	<b>\$ 1,821,683,266</b>	<b>\$ 1,737,226,770</b>

Net position consists of three components. The largest portion of Gilbert's net position (68.9%) 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 (6.5%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (24.6%) includes \$176.9 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$270.6 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.



## Governmental Activities

Governmental activities in fiscal year 2019 increased Gilbert's net position by \$45.3 million. Taxes and program revenues (charges for services and grants and contributions that are clearly identifiable to operating functions) were Gilbert's most significant revenue sources comprising 94.4% of total revenues for governmental activities. Taxes (local and state-shared) were \$181.6 million, an increase of \$6.5 million from the prior year. Program revenues were \$84.0 million, an increase of \$4.0 million from the prior year, which was mostly due to an increase in capital grants and contributions specifically related to police, fire, and parks system development fees collected. It should be noted that \$9.6 million of the total program revenues represent capital contributions from developers of street related infrastructure and, therefore, were not cash revenues available to cover operating expenses.

The other component of the change in net position is expenses. The largest expense functions were public safety, which represented 38.4%, and highways and streets, which represented 23.2% of total governmental activities expenses. Total expenses increased \$8.8 million (3.9%) 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 Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 17,821,966	\$ 18,748,898	\$ 94,827,129	\$ 87,822,540	\$ 112,649,095	\$ 106,571,438
Operating grants and contributions	30,012,491	28,380,757	1,719,627	1,183,844	31,732,118	29,564,601
Capital grants and contributions	36,202,639	32,903,842	27,031,705	30,615,480	63,234,344	63,519,322
General revenues:						
Sales taxes	98,647,781	97,306,846	-	-	98,647,781	97,306,846
Property taxes	25,219,672	21,549,105	-	-	25,219,672	21,549,105
Unrestricted state-shared revenue	53,776,642	52,192,543	-	-	53,776,642	52,192,543
Other taxes	3,977,715	4,034,937	-	-	3,977,715	4,034,937
Grants and contributions not restricted to specific programs	3,036,275	2,443,552	-	-	3,036,275	2,443,552
Unrestricted investment earnings	10,152,812	1,549,131	11,493,742	1,894,199	21,646,554	3,443,330
Other	2,619,657	2,685,193	548,899	211,238	3,168,556	2,896,431
<b>Total revenues</b>	<b>281,467,650</b>	<b>261,794,804</b>	<b>135,621,102</b>	<b>121,727,301</b>	<b>417,088,752</b>	<b>383,522,105</b>
<b>Expenses</b>						
Management and policy	24,948,029	19,176,241	-	-	24,948,029	19,176,241
Finance and management services	1,883,402	2,000,040	-	-	1,883,402	2,000,040
Court	3,897,817	4,078,064	-	-	3,897,817	4,078,064
Development services	9,448,543	10,311,997	-	-	9,448,543	10,311,997
Police	55,328,243	54,116,887	-	-	55,328,243	54,116,887
Fire	35,263,222	34,969,018	-	-	35,263,222	34,969,018
Highways and streets	54,632,234	52,545,194	-	-	54,632,234	52,545,194
Parks and recreation	35,840,421	29,985,036	-	-	35,840,421	29,985,036
Transportation	886,089	1,151,199	-	-	886,089	1,151,199
Non departmental	3,914,638	7,975,659	-	-	3,914,638	7,975,659
Interest and fiscal charges on long-term debt	9,889,904	10,792,759	-	-	9,889,904	10,792,759
Water	-	-	47,167,081	44,605,188	47,167,081	44,605,188
Wastewater	-	-	27,843,727	27,244,229	27,843,727	27,244,229
Environmental services	-	-	21,688,906	18,182,971	21,688,906	18,182,971
<b>Total expenses</b>	<b>235,932,542</b>	<b>227,102,094</b>	<b>96,699,714</b>	<b>90,032,388</b>	<b>332,632,256</b>	<b>317,134,482</b>
Increase in net position before transfers	45,535,108	34,692,710	38,921,388	31,694,913	84,456,496	66,387,623
Transfers	(241,732)	(63,678)	241,732	63,678	-	-
<b>Change in net position</b>	<b>45,293,376</b>	<b>34,629,032</b>	<b>39,163,120</b>	<b>31,758,591</b>	<b>84,456,496</b>	<b>66,387,623</b>
<b>Net position, beginning year, as restated (see Note 3)</b>	<b>902,924,707</b>	<b>868,295,675</b>	<b>834,302,063</b>	<b>802,543,472</b>	<b>1,737,226,770</b>	<b>1,670,839,147</b>
<b>Net position, end of year</b>	<b>\$ 948,218,083</b>	<b>\$902,924,707</b>	<b>\$873,465,183</b>	<b>\$ 834,302,063</b>	<b>\$1,821,683,266</b>	<b>\$1,737,226,770</b>

## Business-type Activities

Development-related growth increased Gilbert's net position for business-type activities in fiscal year 2019 by \$39.2 million, including \$18.2 million in system development fee collections and \$7.7 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities increased by \$13.9 million (11.4%) from the prior year, and expenses increased \$6.7 million (7.4%) 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
- Streets Special Revenue
- General Debt Service
- Special Assessments Debt Service
- Streets and Traffic Capital Projects
- Parks Capital Projects
- Municipal Facilities Capital Projects

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

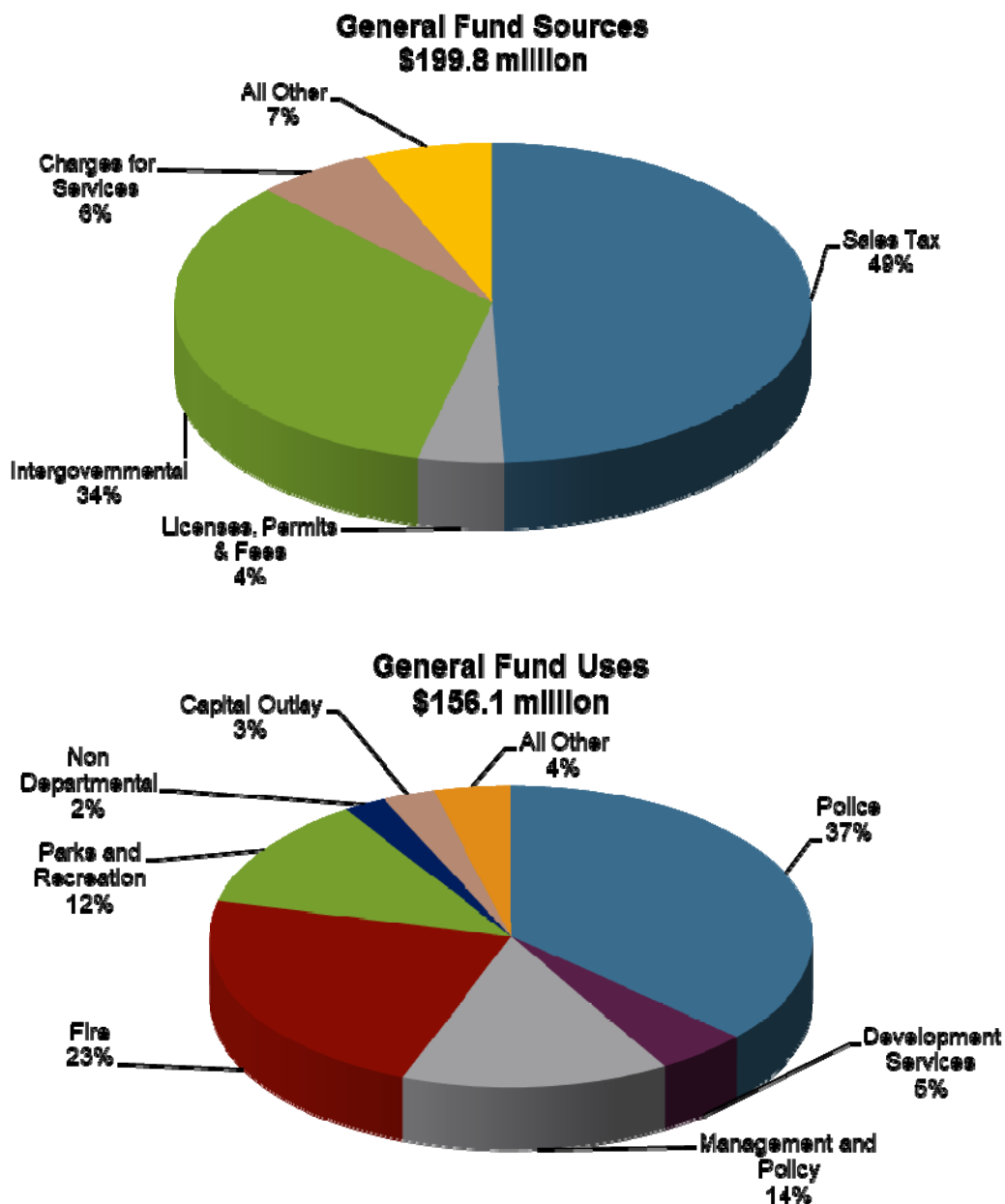
As of the end of fiscal year 2019, the governmental funds reported ending unrestricted fund balances totaling \$114.0 million, an increase of \$2.5 million in comparison with the prior fiscal year. See explanations of variances below.

### **General Fund**

The General Fund is the primary operating fund. At the end of fiscal year 2019, the fund balance of the General Fund was \$154.5 million, a decrease of \$1.0 million from the prior year mainly due to transfers from the General Fund for various CIP projects and scheduled debt payments. The unrestricted portion of the fund balance was \$131.4 million, of which \$17.2 million has been assigned for capital replacement, \$9.2 million for roads and maintenance, and \$12.9 million for future capital projects. As a measure of the General Fund's liquidity, it is useful to compare its available fund balance to total fund expenditures. The General Fund's unassigned fund balance represents 57.5% 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 \$43.7 million; however, other financing sources and uses (net) were (\$44.7) million resulting in a decrease in fund balance of \$1.0 million. The transfers out of \$47.6 million were for capital projects (\$37.7 million), scheduled debt payments (\$9.9 million), and subsidy transfers (\$103 thousand).
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 83.1% of the total revenues.
- Local sales tax, which accounts for 49.4% of total General Fund revenues, increased \$9.2 million (10.2%) from the prior fiscal year due to increased construction and retail sales from new and existing businesses.
- Police expenditures increased \$5.4 million (10.4%) mainly due to increased contributions made to the PSPRS above the annually required contribution.
- Non-departmental expenditures decreased \$4.4 million (54.9%) from prior year due to decreased economic development incentive expenditures.
- Capital outlay expenditures decreased \$17.0 million (79.5%) from the prior year due to the addition of capital project funds that are funded through transfers from other funds. See Note 3.



### ***Streets Special Revenue Fund***

The Streets Fund contains state-shared highway user revenues funds (HURF) that are required by state statute to be used for transportation purposes. Total revenues in the Streets Fund increased \$1.3 million (8.5%) from the prior year due to the increase in HURF revenues of \$1.1 million. Total expenditures also increased by \$794 thousand (6.3%). In total, revenues exceeded expenditures by \$3.6 million; however, the transfers out of \$754 thousand resulted in a \$2.9 million increase in fund balance.

### ***Other Major Governmental Funds***

**General Debt Service.** The fund balance decreased by \$1.7 million during the year. This was primarily due to the use of fund balance to make scheduled debt payments.

**Special Assessments Debt Service.** The fund balance of \$74 thousand is restricted to pay future debt service requirements on special assessment bonds.

**Streets and Traffic Capital Projects.** The Streets and Traffic Capital Projects Fund consists of system development fee revenue and the expenditure of those funds to purchase or construct capital assets. The fund balance decreased by \$11.1 million during the year. This was due to the use of fund balance to purchase or construct capital assets related to streets and traffic capital projects.

**Parks Capital Projects.** The Parks Capital Projects Fund accounts for system development fee revenue and the expenditure of those funds for parks infrastructure. The fund balance decreased by \$13.7 million during the year. This was primarily due to expenditures made during the year to repair, improve, and construct parks related capital assets. The remaining fund balance of \$16.7 million will be used to fund future parks needs related to growth in Gilbert.

**Municipal Facilities Capital Projects.** The Municipal Facilities Capital Projects Fund consists of system development fee revenue and Public Facilities Municipal Property bond proceeds and the expenditure of those funds to purchase or construct municipal capital assets. The fund balance increased by \$2.0 million during the year. This was due to the increase in police, fire, and general government system development fees collected.

### ***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 \$1.4 million (48.0%) to a balance at year-end of \$1.5 million. Nonmajor funds represent 0.6% of the total governmental fund balance.

### **Proprietary Funds**

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

- Water
- Wastewater
- Environmental Services

**Water Fund**

The Water Fund is responsible for producing and distributing potable water that exceeds all county, state and federal drinking water standards. The water system is also sized and pressurized to provide adequate fire suppression to the entire planning area and operates two surface water treatment facilities capable of producing 69 million gallons per day (mgd), and 17 ground water wells capable of producing 43.5 mgd. Net position increased by \$23.2 million to \$459.3 million due primarily to capital contributions of \$18.3 million, including \$12.6 million in system development fees and \$5.7 million in distribution lines contributed by developers. Operating income was \$1.9 million, which is consistent with prior year.

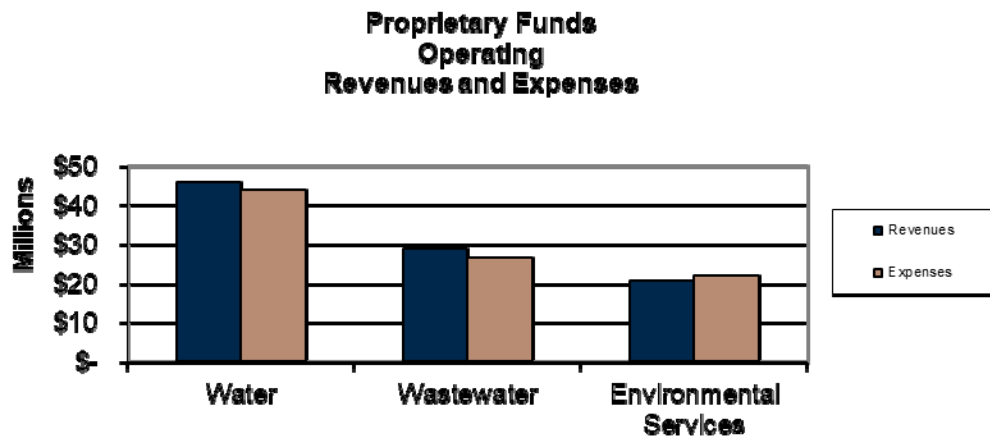
**Wastewater Fund**

The Wastewater Fund provides wastewater collection and treatment services to residents and businesses in Gilbert through the operation of two wastewater treatment facilities. The services also include the storage and distribution of effluent (treated wastewater). Part of the Phase III Expansion for the Greenfield Water Reclamation Plant (GWRP) includes improvements and upgrades to increase the plant's capacity from 16 million gallons per day (mgd) to 30 mgd, as well as maintenance and improvements to the existing infrastructure of the plant, which is expected to be completed by the end of fiscal year 2020. Net position increased \$14.5 million to \$362.9 million due primarily to capital contributions of \$7.7 million, including \$5.6 million in system development fees and \$2.0 million in collection lines contributed by developers. Operating income was \$2.1 million, which is an increase of \$3.1 million from prior year mainly due to an increase in charges for services from rate increases that went into effect November 2018.

**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 \$907 thousand to \$50.1 million, primarily from storm water infrastructure contributed by developers of \$575 thousand and investment earnings of \$833 thousand. Operating loss was \$1.2 million due to expenses exceeding charges for services.

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 (\$4.9) million between the original adopted budget and the final amended budget. The final amended budget projected that revenues would exceed expenditures by \$16.8 million resulting in a \$53.4 million reduction to fund balance per the budget. This was mainly due to budgeting \$5.9 million less in non-departmental expenditures and \$7.1 million less for contingency.

During the year, actual revenues exceeded the budgeted amount by \$5.5 million (2.8%) mainly due to higher than expected sales taxes collected. Actual expenditures were less than budgeted by \$21.5 million (12.1%) mainly due to \$5.0 million lower than expected capital outlay expenditures and excess budgeted contingency of \$8.8 million. This resulted in an excess of revenues over expenditures of \$27.0 million more than budgeted. This also resulted in the actual net change in fund balance being \$52.4 million more than budgeted.

## Capital Asset and Debt Administration

**Capital Assets.** As of June 30, 2019, Gilbert had \$1.6 billion in capital assets, which is an increase of \$74.2 million (4.8%) over prior year. This was due to major capital assets completed during the fiscal year which included the following:

### Governmental Activities

- Cooper and Guadalupe intersection improvements totaling \$15.4 million.
- Fire station 9 construction of \$10.4 million.
- Developer contributions of street related infrastructure valued at \$9.6 million.

### Business-type Activities

- Layton Lakes lift station rehabilitation totaling \$7.1 million.
- Purchase of water rights from the San Carlos Apache Tribe for \$31.2 million.
- Developer contributions of water, wastewater, and storm water infrastructure valued at \$8.3 million.

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2019 and 2018.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018, as restated	2019	2018, as restated	2019	2018, as restated
Land	\$ 184,321,561	\$ 181,849,320	\$ 23,510,621	\$ 18,233,843	\$ 207,832,182	\$ 200,083,163
Nondepreciable water rights	-	-	57,129,947	55,361,334	57,129,947	55,361,334
Construction-in-progress	88,219,026	65,544,603	41,210,231	35,731,221	129,429,257	101,275,824
Buildings	147,695,236	150,535,848	-	-	147,695,236	150,535,848
Improvements	24,418,233	24,839,501	-	-	24,418,233	24,839,501
Plant, machinery & equip	22,096,986	16,433,140	69,242,746	69,357,016	91,339,732	85,790,156
Depreciable water rights	-	-	38,046,294	6,962,410	38,046,294	6,962,410
Infrastructure	539,647,265	546,679,000	370,316,041	360,083,083	909,963,306	906,762,083
<b>Total Capital Assets</b>	<b>\$ 1,006,398,307</b>	<b>\$ 985,881,412</b>	<b>\$ 599,455,880</b>	<b>\$ 545,728,907</b>	<b>\$ 1,605,854,187</b>	<b>\$ 1,531,610,319</b>

Total governmental capital assets increased \$20.5 million and business-type capital assets increased \$53.7 million. The change in governmental capital assets can be attributed to an increase in construction-in-progress additions of \$63.5 million, offset by construction-in-progress deletions of \$40.8 million. The majority of the increase for the business-type capital assets can be attributable to infrastructure of \$24.8 million and water rights of \$33.0 million, offset by depreciation expense of \$21.5 million.

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

**Long-term Debt.** At June 30, 2019, Gilbert had total bonded debt obligations of \$224.6 million related to governmental activities and \$140.1 million in business-type activities; \$110.4 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$4.9 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, 2019 was \$169.9 million in the 6% capacity and \$447.7 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, 2019 and 2018.

**Town of Gilbert  
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation	\$ 110,445,000	\$ 128,090,000	\$ -	\$ -	\$ 110,445,000	\$ 128,090,000
Special Assessment	4,895,000	5,445,000	-	-	4,895,000	5,445,000
Street and Highway User	-	3,250,000	-	-	-	3,250,000
Revenue Obligations	35,655,000	36,325,000	-	-	35,655,000	36,325,000
Municipal Property Corporation	73,560,000	85,105,000	140,090,000	148,570,000	213,650,000	233,675,000
<b>Totals</b>	<b>\$ 224,555,000</b>	<b>\$ 258,215,000</b>	<b>\$ 140,090,000</b>	<b>\$ 148,570,000</b>	<b>\$ 364,645,000</b>	<b>\$ 406,785,000</b>

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, 2019.

**Town of Gilbert  
Long-term Debt Ratings  
As of June 30, 2019**

	Moody's Investor Service	Standard and Poors Ratings Group	Fitch Ratings
General Obligation	Aaa	AAA	AAA
Public Facilities Municipal Property Corporation	Aa1	AAA	AAA
Water Resources Municipal Property Corporation	Not rated	AAA	AAA
Subordinate Lien Pledged Revenue Obligations	Aa1	AAA	AAA
Improvement Districts	Aa1	AA-	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 about 260,000 residents, Gilbert is Arizona's Fastest Growing City (WalletHub, 2018). Yet, amid this growth Gilbert is deemed the 3rd Most Livable City in the United States (SmartAsset, 2018) and the 5th Best Place to Find a Job in America (WalletHub, 2018). Gilbert remains the 2nd Safest City in the U.S. according to the 2018 FBI Uniform Crime Report, as well as being ranked the 10th Best Place to Raise a Family in the U.S. (WalletHub, 2018). Additionally, Gilbert Public Schools are considered the 4th Best School District in America (Alarms.org, 2018). Over the past five years, Gilbert has added \$3.6 million square feet of office, industrial/flex, and retail space to its inventory, representing an increase of 15.7%. Gilbert's four employment areas have experienced nearly \$930 million in private investment from fiscal years 2013 to 2018.

In fiscal year 2019, Gilbert's economic development initiatives continued to yield positive results for the community. Gilbert's northwest employment corridor and central business district continue to thrive. In the northwest corridor, three aerospace and aviation related companies choose to expand into Gilbert – Moog Broad Reach Engineering, Aerospace Contacts, and Phoenix Logistics. In the central business district, Rivulon began construction on buildings three and four at the Commons, a 400,000+ square-foot development ideal for technology centers, creative firms, and back office users. This has further strengthened Rivulon's position as a top destination for corporate office investment, noted by the attraction of the first office investment of Cincinnati Insurance outside of Ohio. In the Heritage District, Gilbert approved a 10-year Redevelopment Plan, completed construction on the new 600+ stall parking garage, saw the opening of Sam Fox's Culinary Dropout/The Yard, and began construction on a four-story building. Lastly, the community also welcomed the University of Arizona School of Nursing to the Heritage District, who joins Park University in delivering high quality higher education choices to Gilbert residents.

A progressive community demands progressive governance, and Gilbert's Council and executive leadership stepped up. Gilbert undertakes a zero-based budgeting process for one third of the organization every year, and always applies priority, program, and performance-based approaches. Since 2018, nearly \$5 million has been 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.

In fiscal year 2019, Gilbert proudly unveiled its new mission and "City of the Future" concept. As the largest town in America, Gilbert has successfully created opportunities for growth and a community that the rest of the country has taken notice of as we have received many accolades as described above, however there is more work to be done to prepare Gilbert for the future. Faced with the choice of going the way of cities before us and becoming stagnant in our growth or continuing to innovate, lead and be a city of the future, we choose the latter of the two. Gilbert's new mission statement is to anticipate change, create solutions and help people. As Gilbert approaches its Centennial in 2020 and the community reflects back on the last 100 years, the new mission statement is focused on the future by keeping Gilbert a sustainable and thriving community today, tomorrow and for many generations to come.

The budget for fiscal year 2020 reflects an effort to deliver both effective and efficient services to our community. Even given Gilbert's growth, the budget is balanced 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 2020

With carry forwards and contingency adjustments, the proposed budget of \$1.1 billion is an increase of about \$80 million from fiscal year 2019. It reflects an increase of \$55 million in capital improvement projects, \$12 million of new personnel and operating requests in the General Fund, \$7.5 million of additional PSPRS contributions, increased Streets maintenance in place of debt service (which had a final payment in fiscal year 2019), and other operational increases in the enterprise funds. 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 fiscal year 2020 Budget is balanced based upon identified revenues and expenditures.

**Constitutional Expenditure Limit:** The fiscal year 2020 Budget reflects expenses that will be under the constitutional expenditure limitation. Staff regularly monitors conformity with the constitutional expenditure requirements and will recommend, if necessary, continuing adjustments and modifications necessary to comply with expenditure limitation requirements.

**State-Shared Revenues:** The fiscal year 2020 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 \$24.15 million, which maintains the tax rate of \$0.99 per \$100 of assessed value.

**Fund Balance:** The Revenue Summary lists the use of carry over funds in an amount of about \$411 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 2020 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](http://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, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
<b>Assets</b>				
Pooled cash and investments	\$ 267,600,215	\$ 256,870,321	\$ 524,470,536	\$ 17,163
Receivables, net:				
Taxes	14,676,640	-	14,676,640	-
Special assessments	4,919,024	-	4,919,024	-
Accrued interest	1,175,283	1,096,662	2,271,945	-
Accounts	12,895,676	5,660,516	18,556,192	-
Due from other governments	3,765,939	338,770	4,104,709	-
Prepaid items	6,499	-	6,499	-
Inventories	845,043	51,780	896,823	-
Restricted assets:				
Cash and investments	15,727,402	30,552,867	46,280,269	-
Accrued interest	-	175,900	175,900	-
Internal balances	(1,159,453)	1,159,453	-	-
Other post-employment benefits	131,838	49,506	181,344	-
Investment in joint venture	1,718,277	175,191,134	176,909,411	-
Capital assets:				
Non-depreciable	272,540,587	121,850,799	394,391,386	-
Depreciable, net	733,857,720	477,605,081	1,211,462,801	-
Total assets	1,328,700,690	1,070,602,789	2,399,303,479	17,163
<b>Deferred outflows of resources</b>				
Deferred charge on refundings	6,454,838	2,669,881	9,124,719	-
Pensions and other post-employment benefits	45,124,284	3,235,094	48,359,378	-
Total deferred outflows of resources	51,579,122	5,904,975	57,484,097	-
<b>Liabilities</b>				
Accounts payable	26,956,331	12,380,015	39,336,346	-
Accrued liabilities	9,443,056	822,372	10,265,428	-
Claims payable	1,700,000	-	1,700,000	-
Deposits held for others	1,506,501	-	1,506,501	-
Utility deposits	-	2,069,351	2,069,351	-
Bond interest payable	1,457,166	3,103,581	4,560,747	-
Unearned revenue	889,901	-	889,901	-
Other liabilities:				
Due within one year	39,605,920	8,076,666	47,682,586	-
Due in more than one year	338,719,563	173,751,487	512,471,050	-
Total liabilities	420,278,438	200,203,472	620,481,910	-
<b>Deferred inflows of resources</b>				
Pensions and other post-employment benefits	11,783,291	2,839,109	14,622,400	-
Total deferred inflows of resources	11,783,291	2,839,109	14,622,400	-
<b>Net position</b>				
Net investment in capital assets	792,863,888	462,857,212	1,255,721,100	-
Restricted for:				
Capital projects	67,948,339	30,971,975	98,920,314	-
Court/police programs	2,117,959	-	2,117,959	-
Debt service	9,288,511	-	9,288,511	-
Grant programs	426,356	-	426,356	-
Highways and streets	7,032,052	-	7,032,052	-
Other purposes	88,083	-	88,083	-
Special districts	548,635	-	548,635	-
Unrestricted	67,904,260	379,635,996	447,540,256	17,163
Total net position	\$ 948,218,083	\$ 873,465,183	\$ 1,821,683,266	\$ 17,163

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, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government				
Management and policy	\$ 24,948,029	\$ 28,998	\$ 701,492	\$ 1,099,749
Finance and management services	1,883,402	7,145	-	-
Court	3,897,817	666,770	32,917	-
Development Services	9,448,543	8,317,873	-	-
Public safety				
Police	55,328,243	3,609,443	320,852	4,613,510
Fire	35,263,222	386,223	1,855,049	2,445,412
Highways and streets	54,632,234	15,800	27,025,712	16,091,554
Parks and recreation	35,840,421	4,355,202	26,585	10,653,338
Transportation	886,089	5,000	-	642,587
Non departmental	3,914,638	429,512	49,884	656,489
Interest and fiscal charges on long-term debt	9,889,904	-	-	-
Total governmental activities	<u>235,932,542</u>	<u>17,821,966</u>	<u>30,012,491</u>	<u>36,202,639</u>
Business-type activities:				
Water	47,167,081	45,508,286	1,719,627	18,261,278
Wastewater	27,843,727	28,686,043	-	7,657,534
Environmental Services	21,688,906	20,632,800	-	1,112,893
Total business-type activities	<u>96,699,714</u>	<u>94,827,129</u>	<u>1,719,627</u>	<u>27,031,705</u>
Total primary government	<u>\$ 332,632,256</u>	<u>\$ 112,649,095</u>	<u>\$ 31,732,118</u>	<u>\$ 63,234,344</u>
<b>Component unit:</b>				
Industrial Development Authority	\$ 125	\$ -	\$ -	\$ -
General revenues:				
Sales taxes				
Property taxes				
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 at beginning of year (as restated, see Note 3)				
Net position at end of year				

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

<b>Net (Expense) Revenue and Changes in Net Position</b>			<b>Component</b>
<b>Primary Government</b>			<b>Unit</b>
<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Industrial</b>
<b>Activities</b>	<b>Activities</b>		<b>Development</b>
			<b>Authority</b>
\$ (23,117,790)	\$ -	\$ (23,117,790)	\$ -
(1,876,257)	-	(1,876,257)	-
(3,198,130)	-	(3,198,130)	-
(1,130,670)	-	(1,130,670)	-
(46,784,438)	-	(46,784,438)	-
(30,576,538)	-	(30,576,538)	-
(11,499,168)	-	(11,499,168)	-
(20,805,296)	-	(20,805,296)	-
(238,502)	-	(238,502)	-
(2,778,753)	-	(2,778,753)	-
(9,889,904)	-	(9,889,904)	-
<u>(151,895,446)</u>	<u>-</u>	<u>(151,895,446)</u>	<u>-</u>
-	18,322,110	18,322,110	-
-	8,499,850	8,499,850	-
-	56,787	56,787	-
<u>-</u>	<u>26,878,747</u>	<u>26,878,747</u>	<u>-</u>
<u>(151,895,446)</u>	<u>26,878,747</u>	<u>(125,016,699)</u>	<u>-</u>
			\$ (125)
98,647,781	-	98,647,781	-
25,219,672	-	25,219,672	-
1,024,107	-	1,024,107	-
2,953,608	-	2,953,608	-
53,776,642	-	53,776,642	-
3,036,275	-	3,036,275	-
10,152,812	11,493,742	21,646,554	4
1,466,350	183,078	1,649,428	-
1,153,307	365,821	1,519,128	-
(241,732)	241,732	-	-
<u>197,188,822</u>	<u>12,284,373</u>	<u>209,473,195</u>	<u>4</u>
<u>45,293,376</u>	<u>39,163,120</u>	<u>84,456,496</u>	<u>(121)</u>
<u>902,924,707</u>	<u>834,302,063</u>	<u>1,737,226,770</u>	<u>17,284</u>
<u>\$ 948,218,083</u>	<u>\$ 873,465,183</u>	<u>\$ 1,821,683,266</u>	<u>\$ 17,163</u>

**TOWN OF GILBERT, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
<b>Assets</b>				
Pooled cash and investments	\$ 126,712,257	\$ 7,073,244	\$ 1,673,785	\$ 73,134
Receivables, net:				
Taxes	14,482,561	-	174,199	-
Special assessments	-	-	-	4,919,024
Accrued interest	587,565	29,262	52,366	281
Accounts	12,009,196	11	-	-
Due from other governments	542,097	1,491,857	-	-
Due from other funds	739,342	-	-	-
Prepaid items	6,499	-	-	-
Advances to other funds	23,054,621	-	-	-
Restricted assets:				
Cash and investments	134,414	-	15,592,988	-
Total assets	<u>178,268,552</u>	<u>8,594,374</u>	<u>17,493,338</u>	<u>4,992,439</u>
<b>Liabilities</b>				
Accounts payable	5,395,485	834,147	100	-
Accrued liabilities	9,143,429	178,944	-	-
Deposits held for others	1,506,501	-	-	-
Due to other funds	-	-	-	-
Interest payable	-	-	1,457,166	-
Advances from other funds	-	-	-	-
Unearned revenue	770,390	-	-	-
Bonds payable	-	-	11,740,000	-
Total liabilities	<u>16,815,805</u>	<u>1,013,091</u>	<u>13,197,266</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - sales tax	139,119	-	-	-
Unavailable revenue - special assessments	-	-	-	4,918,044
Unavailable revenue - court fines	6,834,914	-	-	-
Total deferred inflow of resources	<u>6,974,033</u>	<u>-</u>	<u>-</u>	<u>4,918,044</u>
Total liabilities and deferred inflows of resources	<u>23,789,838</u>	<u>1,013,091</u>	<u>13,197,266</u>	<u>4,918,044</u>
<b>Fund balances (deficits)</b>				
Nonspendable	23,061,120	-	-	-
Restricted	-	7,581,283	4,296,072	74,395
Assigned	41,630,634	-	-	-
Unassigned	89,786,960	-	-	-
Total fund balances (deficits)	<u>154,478,714</u>	<u>7,581,283</u>	<u>4,296,072</u>	<u>74,395</u>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficits)</b>	<u>\$ 178,268,552</u>	<u>\$ 8,594,374</u>	<u>\$ 17,493,338</u>	<u>\$ 4,992,439</u>

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

<b>Streets and Traffic Capital Projects</b>	<b>Parks Capital Projects</b>	<b>Municipal Facilities Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 81,400,011	\$ 33,267,608	\$ 4,215,814	\$ 4,379,546	\$ 258,795,399
-	-	-	19,880	14,676,640
-	-	-	-	4,919,024
320,457	119,834	23,667	6,241	1,139,673
-	-	-	6,903	12,016,110
-	-	-	1,731,985	3,765,939
-	-	-	-	739,342
-	-	-	-	6,499
-	-	-	-	23,054,621
-	-	-	-	15,727,402
<u>81,720,468</u>	<u>33,387,442</u>	<u>4,239,481</u>	<u>6,144,555</u>	<u>334,840,649</u>
6,722,547	9,242,760	730,627	3,750,202	26,675,868
-	-	-	37,505	9,359,878
-	-	-	-	1,506,501
-	-	-	739,342	739,342
-	-	-	-	1,457,166
-	7,446,558	15,608,063	-	23,054,621
-	-	-	119,511	889,901
-	-	-	-	11,740,000
<u>6,722,547</u>	<u>16,689,318</u>	<u>16,338,690</u>	<u>4,646,560</u>	<u>75,423,277</u>
-	-	-	-	139,119
-	-	-	-	4,918,044
-	-	-	-	6,834,914
-	-	-	-	11,892,077
<u>6,722,547</u>	<u>16,689,318</u>	<u>16,338,690</u>	<u>4,646,560</u>	<u>87,315,354</u>
-	-	-	-	23,061,120
74,997,921	16,698,124	3,536,522	3,285,767	110,470,084
-	-	-	-	41,630,634
-	-	(15,635,731)	(1,787,772)	72,363,457
<u>74,997,921</u>	<u>16,698,124</u>	<u>(12,099,209)</u>	<u>1,497,995</u>	<u>247,525,295</u>
<u>\$ 81,720,468</u>	<u>\$ 33,387,442</u>	<u>\$ 4,239,481</u>	<u>\$ 6,144,555</u>	<u>\$ 334,840,649</u>



**TOWN OF GILBERT, ARIZONA**  
**Reconciliation of Balance Sheet**  
**To the Statement of Net Position**  
**June 30, 2019**

Fund balances of governmental funds		\$ 247,525,295
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	1,798,871,108	
Accumulated depreciation	<u>(792,532,586)</u>	1,006,338,522
The investment in joint venture is not a financial resource and, therefore, is not reported in the funds.		
		1,718,277
Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		11,892,077
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.		
		5,182,126
Deferred outflows and inflows of resources related to pensions, other post-employment benefits (OPEB), 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	6,454,838	
Pension and other post-employment benefits-related items	<u>33,293,563</u>	39,748,401
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	(212,815,000)	
Bonds premium	(22,526,112)	
Compensated absences	(15,135,580)	
Net other post-employment benefits	(598,923)	
Net pension	<u>(113,111,000)</u>	<u>(364,186,615)</u>
<b>Net position of governmental activities - statement of net position</b>		<u><u>\$ 948,218,083</u></u>

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



**TOWN OF GILBERT, ARIZONA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
<b>Revenues</b>				
Taxes:				
Sales	\$ 98,671,251	\$ -	\$ -	\$ -
Property	-	-	22,295,654	-
Franchise	2,953,608	-	-	-
Special assessments	-	-	-	818,092
Licenses and permits	5,735,377	-	-	-
Intergovernmental	67,369,888	16,559,126	-	-
Charges for services	11,944,519	420	-	3,620
Fines and forfeitures	2,878,017	11,760	-	-
Other entities' participation	4,379,761	-	-	-
System development fees	-	-	-	-
Gifts and donations	68,186	-	-	-
Investment earnings	4,893,711	200,351	414,532	3,444
Miscellaneous	900,919	232,068	-	-
Total revenues	<u>199,795,237</u>	<u>17,003,725</u>	<u>22,710,186</u>	<u>825,156</u>
<b>Expenditures</b>				
Current:				
General government:				
Management and policy	22,355,663	-	-	-
Finance and management services	2,396,077	-	-	-
Court	3,358,647	-	-	-
Development services	7,700,715	-	-	-
Public safety:				
Police	57,042,697	-	-	-
Fire	35,745,743	-	-	-
Highways and streets	671,816	13,274,332	-	-
Parks and recreation	18,827,056	-	-	-
Transportation	-	-	-	-
Non departmental	3,573,853	-	-	-
Debt service:				
Principal	-	-	33,640,000	550,000
Interest	-	-	10,978,031	264,095
Fiscal and other charges	-	-	22,551	12,125
Capital outlay	4,380,924	124,548	-	-
Total expenditures	<u>156,053,191</u>	<u>13,398,880</u>	<u>44,640,582</u>	<u>826,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,742,046</u>	<u>3,604,845</u>	<u>(21,930,396)</u>	<u>(1,064)</u>
<b>Other financing sources (uses)</b>				
Proceeds from the sale of capital assets	1,691,366	-	-	-
Transfers in	1,190,910	-	20,205,988	-
Transfers out	(47,626,264)	(754,300)	-	-
Total other financing sources (uses)	<u>(44,743,988)</u>	<u>(754,300)</u>	<u>20,205,988</u>	<u>-</u>
<b>Net change in fund balances</b>	(1,001,942)	2,850,545	(1,724,408)	(1,064)
<b>Fund balances at beginning of year (as restated, see Note 3)</b>	155,480,656	4,730,738	6,020,480	75,459
<b>Fund balances at end of year</b>	<u>\$ 154,478,714</u>	<u>\$ 7,581,283</u>	<u>\$ 4,296,072</u>	<u>\$ 74,395</u>

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

<u>Streets and Traffic Capital Projects</u>	<u>Parks Capital Projects</u>	<u>Municipal Facilities Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 98,671,251
-	-	-	2,924,018	25,219,672
-	-	-	-	2,953,608
-	-	-	-	818,092
-	-	-	-	5,735,377
574,383	-	-	1,976,638	86,480,035
-	-	-	867,884	12,816,443
-	-	-	415,564	3,305,341
-	-	-	-	4,379,761
2,239,233	9,632,004	10,095,197	-	21,966,434
-	-	-	114,655	182,841
3,002,677	1,100,228	191,825	83,170	9,889,938
20,488	-	-	-	1,153,475
<u>5,836,781</u>	<u>10,732,232</u>	<u>10,287,022</u>	<u>6,381,929</u>	<u>273,572,268</u>
-	-	-	586,553	22,942,216
-	-	-	-	2,396,077
-	-	-	393,843	3,752,490
-	-	-	-	7,700,715
-	-	259,105	1,025,690	58,327,492
-	-	-	82,658	35,828,401
-	-	-	1,823,259	15,769,407
-	10,644,615	-	1,009,996	30,481,667
-	-	-	887,577	887,577
905	7,215	282,781	49,884	3,914,638
-	-	-	-	34,190,000
-	-	-	-	11,242,126
-	-	-	-	34,676
<u>20,077,548</u>	<u>20,936,944</u>	<u>9,667,150</u>	<u>16,456,950</u>	<u>71,644,064</u>
<u>20,078,453</u>	<u>31,588,774</u>	<u>10,209,036</u>	<u>22,316,410</u>	<u>299,111,546</u>
<u>(14,241,672)</u>	<u>(20,856,542)</u>	<u>77,986</u>	<u>(15,934,481)</u>	<u>(25,539,278)</u>
-	-	-	-	1,691,366
6,848,246	12,080,828	7,740,960	15,018,826	63,085,758
<u>(3,708,651)</u>	<u>(4,941,482)</u>	<u>(5,826,574)</u>	<u>(466,853)</u>	<u>(63,324,124)</u>
<u>3,139,595</u>	<u>7,139,346</u>	<u>1,914,386</u>	<u>14,551,973</u>	<u>1,453,000</u>
(11,102,077)	(13,717,196)	1,992,372	(1,382,508)	(24,086,278)
86,099,998	30,415,320	(14,091,581)	2,880,503	271,611,573
<u>\$ 74,997,921</u>	<u>\$ 16,698,124</u>	<u>\$ (12,099,209)</u>	<u>\$ 1,497,995</u>	<u>\$ 247,525,295</u>



**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, 2019**

Net change in fund balances - total governmental funds	\$	(24,086,278)
Amounts reported for governmental activities in the statement of net position 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	71,644,064	
Depreciation expense	<u>(55,175,480)</u>	16,468,584
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		
		(5,193,864)
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	34,190,000	
Amortization expense	<u>1,386,897</u>	35,576,897
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.		
		2,379,320
Capital assets contributed by developers and other entities 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.		
		10,777,728
Compensated absence 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.		
		2,104,226
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	23,359,471	
Pension/OPEB expense	<u>(15,576,438)</u>	7,783,033
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	(552,736)	
Court fines	59,936	
Sales tax	<u>(23,470)</u>	<u>(516,270)</u>
<b>Change in net position of governmental activities - statement of activities</b>	<b>\$</b>	<b><u><u>45,293,376</u></u></b>

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes:				
Sales	\$ 92,000,000	\$ 92,000,000	\$ 98,671,251	\$ 6,671,251
Franchise	2,825,000	2,825,000	2,953,608	128,608
Licenses and permits	4,355,000	4,355,000	5,735,377	1,380,377
Intergovernmental	66,325,000	66,325,000	67,369,888	1,044,888
Charges for services	11,367,300	11,367,300	11,944,519	577,219
Fines and forfeitures	3,515,000	3,515,000	2,878,017	(636,983)
Other entities' participation	12,387,690	12,387,690	4,379,761	(8,007,929)
Gifts and donations	918,000	918,000	68,186	(849,814)
Investment earnings	410,000	410,000	4,893,711	4,483,711
Miscellaneous	241,000	241,000	900,919	659,919
Total revenues	<u>194,343,990</u>	<u>194,343,990</u>	<u>199,795,237</u>	<u>5,451,247</u>
<b>Expenditures</b>				
Current:				
General government:				
Management and policy	23,471,720	24,363,250	22,355,663	2,007,587
Finance and management services	2,635,420	2,587,030	2,396,077	190,953
Court	3,401,380	3,421,380	3,358,647	62,733
Development Services	7,999,720	8,292,777	7,700,715	592,062
Public safety:				
Police	55,884,800	58,009,470	57,042,697	966,773
Fire	34,077,250	36,338,815	35,745,743	593,072
Highways and streets	571,050	761,300	671,816	89,484
Parks and recreation	18,102,460	19,812,620	18,827,056	985,564
Non departmental	11,789,540	5,872,610	3,573,853	2,298,757
Capital outlay	8,689,690	9,333,824	4,380,924	4,952,900
Contingency	15,900,000	8,789,722	-	8,789,722
Total expenditures	<u>182,523,030</u>	<u>177,582,798</u>	<u>156,053,191</u>	<u>21,529,607</u>
Excess of revenues over expenditures	<u>11,820,960</u>	<u>16,761,192</u>	<u>43,742,046</u>	<u>26,980,854</u>
<b>Other financing sources (uses)</b>				
Proceeds from the sale of capital assets	6,289,890	6,289,890	1,691,366	(4,598,524)
Transfers in	1,334,300	1,339,340	1,190,910	(148,430)
Transfers out	(77,431,890)	(77,757,850)	(47,626,264)	30,131,586
Total other financing sources (uses)	<u>(69,807,700)</u>	<u>(70,128,620)</u>	<u>(44,743,988)</u>	<u>25,384,632</u>
<b>Net change in fund balances</b>	<u>\$ (57,986,740)</u>	<u>\$ (53,367,428)</u>	(1,001,942)	<u>\$ 52,365,486</u>
<b>Fund balances at beginning of year (as restated, see Note 3)</b>			155,480,656	
<b>Fund balances at end of year</b>			<u>\$ 154,478,714</u>	

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

**TOWN OF GILBERT, ARIZONA**  
**Streets Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 14,900,000	\$ 14,900,000	\$ 16,559,126	\$ 1,659,126
Charges for services	-	-	420	420
Fines and forfeitures	-	-	11,760	11,760
Investment earnings	100,000	100,000	200,351	100,351
Miscellaneous	1,000	1,000	232,068	231,068
Total revenues	<u>15,001,000</u>	<u>15,001,000</u>	<u>17,003,725</u>	<u>2,002,725</u>
<b>Expenditures</b>				
Current:				
Highways and streets	13,433,570	13,524,490	13,274,332	250,158
Capital outlay	136,000	136,000	124,548	11,452
Contingency	523,650	432,730	-	432,730
Total expenditures	<u>14,093,220</u>	<u>14,093,220</u>	<u>13,398,880</u>	<u>694,340</u>
Excess of revenues over expenditures	<u>907,780</u>	<u>907,780</u>	<u>3,604,845</u>	<u>2,697,065</u>
<b>Other financing uses</b>				
Transfers out	(754,300)	(754,300)	(754,300)	-
Total other financing uses	<u>(754,300)</u>	<u>(754,300)</u>	<u>(754,300)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ 153,480</u>	<u>\$ 153,480</u>	2,850,545	<u>\$ 2,697,065</u>
<b>Fund balances at beginning of year</b>			<u>4,730,738</u>	
<b>Fund balances at end of year</b>			<u>\$ 7,581,283</u>	

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

**TOWN OF GILBERT, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total Enterprise Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Environmental Services</b>	
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ 114,793,547	\$ 119,858,548	\$ 22,218,226	\$ 256,870,321
Restricted cash and investments	27,768,536	2,784,331	-	30,552,867
Receivables (net):				
Accrued interest	546,952	455,291	94,419	1,096,662
Accounts	3,186,320	1,447,766	1,026,430	5,660,516
Restricted accrued interest	123,216	52,684	-	175,900
Due from other governments	313,878	19,492	5,400	338,770
Inventories	51,780	-	-	51,780
Total current assets	<u>146,784,229</u>	<u>124,618,112</u>	<u>23,344,475</u>	<u>294,746,816</u>
Noncurrent assets:				
Investment in joint venture	89,551,861	85,639,273	-	175,191,134
Other post employment benefits	25,156	8,128	16,222	49,506
Capital assets:				
Non-depreciable	87,887,958	33,874,810	88,031	121,850,799
Depreciable, net	274,591,156	167,224,525	35,789,400	477,605,081
Total noncurrent assets	<u>452,056,131</u>	<u>286,746,736</u>	<u>35,893,653</u>	<u>774,696,520</u>
Total assets	<u>598,840,360</u>	<u>411,364,848</u>	<u>59,238,128</u>	<u>1,069,443,336</u>
<b>Deferred outflows of resources</b>				
Pensions and other post-employment benefits	1,637,810	530,878	1,066,406	3,235,094
Deferred charge on refundings	2,669,881	-	-	2,669,881
Total deferred outflows of resources	<u>4,307,691</u>	<u>530,878</u>	<u>1,066,406</u>	<u>5,904,975</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	4,662,942	5,672,283	2,044,790	12,380,015
Accrued liabilities	409,954	139,695	272,723	822,372
Current portion of accrued compensated absences	400,077	181,552	270,037	851,666
Claims payable	-	-	-	-
Bond interest payable	2,262,406	841,175	-	3,103,581
Bonds payable	5,285,000	1,940,000	-	7,225,000
Utility deposits	2,043,876	-	25,475	2,069,351
Total current liabilities	<u>15,064,255</u>	<u>8,774,705</u>	<u>2,613,025</u>	<u>26,451,985</u>
Noncurrent liabilities:				
Utility revenue bonds payable	117,044,579	36,232,902	-	153,277,481
Long term portion of compensated absences	718,051	391,171	445,357	1,554,579
Other post-employment benefits	76,298	25,365	53,491	155,154
Net pension liability	9,534,793	3,080,712	6,148,768	18,764,273
Total noncurrent liabilities	<u>127,373,721</u>	<u>39,730,150</u>	<u>6,647,616</u>	<u>173,751,487</u>
Total liabilities	<u>142,437,976</u>	<u>48,504,855</u>	<u>9,260,641</u>	<u>200,203,472</u>
<b>Deferred inflows of resources</b>				
Pensions and other post-employment benefits	1,428,471	465,516	945,122	2,839,109
Total deferred inflows of resources	<u>1,428,471</u>	<u>465,516</u>	<u>945,122</u>	<u>2,839,109</u>
<b>Net position</b>				
Net investment in capital assets	259,768,084	167,211,697	35,877,431	462,857,212
Restricted for capital projects	6,702,330	24,269,645	-	30,971,975
Unrestricted	192,811,190	171,444,013	14,221,340	378,476,543
Total net position	<u>\$ 459,281,604</u>	<u>\$ 362,925,355</u>	<u>\$ 50,098,771</u>	<u>872,305,730</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				1,159,453
Net position of business-type activities				<u>\$ 873,465,183</u>

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

**Governmental  
Activities -  
Internal Service  
Funds**

---

\$ 8,804,816  
-

35,610  
879,566

-  
-

845,043

10,565,035

-  
5,395

-  
59,785

65,180

10,630,215

349,384

-

349,384

280,463  
83,178  
78,584  
1,700,000

-  
-  
-

2,142,225

-  
133,276  
15,572

2,044,993

2,193,841

4,336,066

301,954

301,954

59,785  
-  
6,281,794

\$ 6,341,579



**TOWN OF GILBERT, ARIZONA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total Enterprise Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Environmental Services</b>	
<b>Operating revenues</b>				
Charges for services	\$ 45,508,286	\$ 28,686,043	\$ 20,632,800	\$ 94,827,129
Other	260,277	11,205	94,339	365,821
Total operating revenues	<u>45,768,563</u>	<u>28,697,248</u>	<u>20,727,139</u>	<u>95,192,950</u>
<b>Operating expenses</b>				
General and administrative	1,387,515	768,218	1,368,992	3,524,725
Personnel services	8,481,447	3,410,014	7,315,562	19,207,023
Operation and maintenance	16,937,248	10,611,568	7,907,920	35,456,736
Claims incurred	-	-	-	-
Depreciation	14,958,540	10,787,106	4,305,949	30,051,595
Allocation of indirect expenses	2,079,340	1,011,350	1,004,610	4,095,300
Total operating expenses	<u>43,844,090</u>	<u>26,588,256</u>	<u>21,903,033</u>	<u>92,335,379</u>
<b>Operating income (loss)</b>	<u>1,924,473</u>	<u>2,108,992</u>	<u>(1,175,894)</u>	<u>2,857,571</u>
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental	1,719,627	-	537,673	2,257,300
Interest expense	(3,558,897)	(1,337,525)	-	(4,896,422)
Investment earnings	5,664,806	4,995,765	833,171	11,493,742
Gain on sale of capital assets	30,657	12,025	140,396	183,078
Total nonoperating revenues (expenses)	<u>3,856,193</u>	<u>3,670,265</u>	<u>1,511,240</u>	<u>9,037,698</u>
Income before contributions and transfers	5,780,666	5,779,257	335,346	11,895,269
Capital contributions	18,261,278	7,657,534	575,220	26,494,032
Transfers in	484,207	1,199,293	-	1,683,500
Transfers out	<u>(1,276,830)</u>	<u>(161,222)</u>	<u>(3,716)</u>	<u>(1,441,768)</u>
<b>Change in net position</b>	23,249,321	14,474,862	906,850	38,631,033
<b>Total net position at beginning of year (as restated, see Note 3)</b>	<u>436,032,283</u>	<u>348,450,493</u>	<u>49,191,921</u>	
<b>Total net position at end of year</b>	<u>\$ 459,281,604</u>	<u>\$ 362,925,355</u>	<u>\$ 50,098,771</u>	
				532,087
				<u>\$ 39,163,120</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds  
Changes in net position of business-type activities

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

**Governmental  
Activities -**

**Internal Service  
Funds**

\$ 25,905,034  
784,769  
26,689,803

1,613,710  
2,092,826  
5,037,392  
15,279,349  
14,626

-  
24,037,903

2,651,900

-  
-  
262,872

-  
262,872

2,914,772

-  
-  
(3,366)

2,911,406

3,430,173

\$ 6,341,579

**TOWN OF GILBERT, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

**Business-type Activities - Enterprise Funds**

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Services</u>	<u>Total Enterprise Funds</u>
<b>Cash flows from operating activities</b>				
Cash receipts from customers	\$ 45,611,967	\$ 28,648,877	\$ 20,532,273	\$ 94,793,117
Other operating cash receipts	260,277	11,205	94,339	365,821
Cash receipts from other funds for services	-	-	-	-
Cash receipts (payments) from deposits	(698,029)	-	7,300	(690,729)
Cash payments to suppliers for goods and services	(19,472,616)	(12,639,253)	(8,319,144)	(40,431,013)
Cash payments to employees for services	(9,108,366)	(4,013,552)	(7,404,748)	(20,526,666)
Cash payments to other funds for services	(2,079,340)	(1,011,350)	(1,004,610)	(4,095,300)
Net cash provided by operating activities	<u>14,513,893</u>	<u>10,995,927</u>	<u>3,905,410</u>	<u>29,415,230</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers from other funds	484,207	1,199,293	-	1,683,500
Transfers to other funds	(1,276,830)	(161,222)	(3,716)	(1,441,768)
Net cash provided (used) by noncapital financing activities	<u>(792,623)</u>	<u>1,038,071</u>	<u>(3,716)</u>	<u>241,732</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(45,493,739)	(37,365,015)	(4,265,025)	(87,123,779)
Proceeds from development fees	12,552,947	5,647,165	-	18,200,112
Cash paid for interest and fiscal charges	(4,652,688)	(1,034,561)	-	(5,687,249)
Principal payments on bonds	(5,055,000)	(3,425,000)	-	(8,480,000)
Proceeds from intergovernmental agreements	2,728,433	-	532,273	3,260,706
Proceeds from sale of capital assets	30,657	12,025	140,396	183,078
Net cash used by capital and related financing activities	<u>(39,889,390)</u>	<u>(36,165,386)</u>	<u>(3,592,356)</u>	<u>(79,647,132)</u>
<b>Cash flows from investing activities</b>				
Interest received on investments	5,528,487	4,860,526	826,610	11,215,623
Net cash provided by investing activities	<u>5,528,487</u>	<u>4,860,526</u>	<u>826,610</u>	<u>11,215,623</u>
Net increase (decrease) in cash and cash equivalents	(20,639,633)	(19,270,862)	1,135,948	(38,774,547)
Cash and cash equivalents at beginning of year	163,201,716	141,913,741	21,082,278	326,197,735
Cash and cash equivalents at end of year	<u>\$ 142,562,083</u>	<u>\$ 122,642,879</u>	<u>\$ 22,218,226</u>	<u>\$ 287,423,188</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,924,473	\$ 2,108,992	\$ (1,175,894)	\$ 2,857,571
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	14,958,540	10,787,106	4,305,949	30,051,595
Changes in assets and liabilities:				
Accounts receivable	103,681	(37,165)	(100,527)	(34,011)
Inventories	6,718	-	-	6,718
Deferred outflows of resources	(203,677)	(57,945)	(133,223)	(394,845)
Accounts payable	(1,154,570)	(1,259,467)	957,768	(1,456,269)
Claims payable	-	-	-	-
Deposits	(698,029)	-	7,300	(690,729)
Accrued expenses	(164,899)	20,339	9,035	(135,525)
Other post-employment benefits	(92,949)	(30,660)	(71,003)	(194,612)
Net pension liability	(903,062)	(772,960)	(388,743)	(2,064,765)
Deferred inflows of resources	737,667	237,687	494,748	1,470,102
Net cash provided by operating activities	<u>\$ 14,513,893</u>	<u>\$ 10,995,927</u>	<u>\$ 3,905,410</u>	<u>\$ 29,415,230</u>
Supplemental disclosure of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	5,708,331	2,010,369	575,220	8,293,920
Total additions to property and equipment	<u>\$ 5,708,331</u>	<u>\$ 2,010,369</u>	<u>\$ 575,220</u>	<u>\$ 8,293,920</u>

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

**Governmental  
Activities**

**Internal Service  
Funds**

\$ 475,992  
784,769  
24,631,101  
-  
(21,975,170)  
(2,067,940)  
-  
1,848,752

-  
(3,366)  
(3,366)

-  
-  
-  
-  
-  
-  
-

249,102  
249,102

2,094,488  
6,710,328  
\$ 8,804,816

\$ 2,651,900

14,626  
(797,941)  
(153,892)  
(88,335)  
(76,827)  
186,000  
-  
(1,311)  
(18,641)  
(42,881)  
176,054  
\$ 1,848,752

-  
\$ -

**TOWN OF GILBERT, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2019**

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
<b>Assets</b>		
Restricted cash and investments	\$ 85,979	\$ 19,934
Prepaid items	-	16,633
Total assets	<u>85,979</u>	<u>36,567</u>
<b>Liabilities</b>		
Dependent care benefits payable	-	36,567
Total liabilities	<u>-</u>	<u>\$ 36,567</u>
<b>Net Position</b>		
Restricted for pensions	<u>\$ 85,979</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, 2019**

	<u><b>Firemen's Pension Trust</b></u>
<b>Additions</b>	
Investment earnings	\$ 1,923
Total additions	<u>1,923</u>
<b>Deductions</b>	
Benefits	2,400
Administration	100
Total deductions	<u>2,500</u>
<b>Change in net position</b>	(577)
<b>Net Position - beginning of the year</b>	86,556
<b>Net Position - end of the year</b>	<u><u>\$ 85,979</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, 2019**

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.

**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 each MPC, the Council must approve any amendments to the articles of incorporation of each MPC, the Council must approve any debt issues of each MPC, and each MPC provides services solely to the Town of Gilbert. At June 30, 2019, the Water MPC bonded debt is reported within the Water and Wastewater Funds and the Public Facilities MPC bonded debt is reported within the General Debt Service Fund (current portion only) and within the governmental activities in the government-wide statement of net position.

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



**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 2019 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 and deferred outflows of resources, less liabilities and deferred inflows of resources 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, 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, system development fees, intergovernmental grants and other entities participation. Taxes, investment earnings, and other revenues not identifiable with a particular function or department are included as general revenues. The general revenues support the net costs of the functions and departments not covered by program revenues.

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

**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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.

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).

**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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 supplies and repair and maintenance, 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** - 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** – The Streets Special Revenue Fund accounts for Gilbert's portion of the Arizona Highway User Revenue Tax (HURF). The revenue is used exclusively for the maintenance and improvement of highways and streets.

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

**Special Assessments Debt Service** – 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.

**Streets and Traffic Capital Projects** – The Streets and Traffic Capital Projects Fund accounts for the receipt of proceeds restricted or assigned for expenditure on street and traffic capital improvements. Proceeds recorded in this fund include general obligation bonds for street projects, roads and maintenance and traffic system development fees collected from building permits, state funds in accordance with the MAG Regional Transportation Plan approved by voters as Proposition 400 in 2004, and other outside sources such as developers or other governments.

**Parks Capital Projects** – The Parks Capital Projects Fund accounts for the receipt of parks system development fees collected from building permits paid and the expenditure of those funds for parks capital improvements.

**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Municipal Facilities Capital Projects** – The Municipal Facilities Capital Projects Fund accounts for the receipt of proceeds restricted for expenditure on municipal facilities capital improvements. Proceeds recorded in this fund include general obligation bonds for municipal projects and police, fire, and general government system development fees previously collected from building permits.

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

**Wastewater** – 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** – The Environmental Services Fund accounts for the revenues and expenses of operating the solid waste collection system and environmental compliance.

Additionally, Gilbert reports the following fund types:

**Internal Service** – 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** - 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** – 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.

**F. Budgetary Data**

In December 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 prioritizing budget 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 respective departments and submitted to the OMB for review.

**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

In April, the Council is presented with a working budget request for preliminary review and discussion and approves a schedule of hearings and dates for adoption of the budget. A public hearing is held in May for discussion and adoption of the preliminary budget. The preliminary budget sets the maximum legal expenditure limit for the upcoming year. A second public hearing is held in June for discussion and adoption of the final budget. The Council typically adopts the final tax levy in June 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 the Streets Special Revenue Fund, will be administered by the OMB and will not exceed the available revenues. Grants and restricted appropriations are administered by departments. Directors may authorize transfers within non-personnel budget lines at the same fund, department, and project level. Council action is required to approve adjustments between funds, projects, or contingency transactions over \$50,000. All annual appropriations lapse at year-end and are considered for inclusion in the subsequent year's budget on a case-by-case basis.

Gilbert prepares its budget on a basis generally consistent with GAAP, with certain exceptions as explained in Note 2. In addition, the financial statements present the budget and actual information for the departments at a summary level by function.

#### **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.

#### **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. Prepaid items are recorded as expenses when consumed in the government-wide financial statements 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 separately and their use is limited by applicable debt covenants.

**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**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	10 to 50 years
Improvements	15 to 80 years
Machinery and equipment	3 to 15 years
Infrastructure	3 to 80 years
Water Rights	80 to 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 are 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).

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.

**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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.

#### **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 2019, Gilbert's property tax rate is \$0.99 per \$100 of secondary assessed valuation.

**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**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.

**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.



**TOWN OF GILBERT, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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, 2019, the fund balance details by classification are listed below:

Fund Balances:	General	Streets Special Revenue	Major Debt Service Funds		Major Capital Project Funds			Other Gov't	Total
			General	Special Assessments	Streets & Traffic	Parks	Municipal Facilities		
<b>Nonspendable:</b>									
Advances	\$ 23,054,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,054,621
Prepaid items	6,499	-	-	-	-	-	-	-	6,499
<b>Restricted for:</b>									
Capital projects	-	-	-	-	74,997,921	16,698,124	3,536,522	-	95,232,567
Court/public safety programs	-	-	-	-	-	-	-	2,183,688	2,183,688
Debt service	-	-	4,296,072	74,395	-	-	-	-	4,370,467
Federal/state/local grants	-	-	-	-	-	-	-	426,356	426,356
Highways and streets	-	7,581,283	-	-	-	-	-	-	7,581,283
Contract agreements	-	-	-	-	-	-	-	24,199	24,199
Parks & recreation programs	-	-	-	-	-	-	-	63,884	63,884
Special districts	-	-	-	-	-	-	-	587,640	587,640
<b>Assigned to:</b>									
Capital replacement	17,199,383	-	-	-	-	-	-	-	17,199,383
Capital projects	15,197,334	-	-	-	-	-	-	-	15,197,334
Highways and streets	9,175,193	-	-	-	-	-	-	-	9,175,193
Management and policy	58,724	-	-	-	-	-	-	-	58,724
<b>Unassigned:</b>	89,786,960	-	-	-	-	-	(15,635,731)	(1,787,772)	72,363,457
Total fund balances	<u>\$ 154,478,714</u>	<u>\$ 7,581,283</u>	<u>\$ 4,296,072</u>	<u>\$ 74,395</u>	<u>\$ 74,997,921</u>	<u>\$ 16,698,124</u>	<u>\$ (12,099,209)</u>	<u>\$ 1,497,995</u>	<u>\$ 247,525,295</u>

## R. Statement of Cash Flows

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

## S. Use of Estimates

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

## Note 2 - 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.

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

**Note 3 – Change in Accounting Principle and Beginning Balances**

Net position as of July 1, 2018, has been restated for several reasons, as described below.

*Change in reporting of sales tax revenue*

During fiscal year 2019, the Arizona Department of Revenue (ADOR) began including information detailing the specific month the underlying transaction resulting in privilege tax took place with each sales tax remittance. Due to this change, there were revenues received in fiscal year 2019 that related to fiscal year 2018.

*Storm water function moved to enterprise fund*

The storm water function was previously recorded in the Streets Special Revenue Fund and the associated assets were recorded in governmental activities. Storm water is now recorded in the Environmental Services Fund. As such, the associated assets and accumulated depreciation were moved from governmental activities to the Environmental Services Fund within business-type activities.

*Creation of new capital project funds*

Effective for fiscal year 2019, new capital project funds were added to increase transparency of types of capital project spending.

*Combination of funds*

Several nonmajor funds were combined because of similar activities being recorded in each. The CDBG/HOME Fund was moved into the Grants Fund and the Streetlight Improvement District and Parkway Improvement District Funds were combined into the Special Districts Fund. Furthermore, the balance of Outside Sources Capital Projects Fund was moved to the General Fund.

	General	General Obligation Bonds Capital Projects	System Development Fees Capital Projects	Streets & Traffic Capital Projects	Parks Capital Projects	Municipal Facilities Capital Projects	Other Governmental Funds
Fund balance as previously reported at June 30, 2018	\$ 131,700,741	\$ 62,764,480	\$ 23,350,233	\$ -	\$ -	\$ -	\$ 35,160,089
Sales tax received in July 2018 that related to fiscal year 2018	7,809,353						
Movement of Assigned fund balance in Other Special Revenue funds	56,473						(56,473)
Movement of Outside Sources Fund	15,914,089						(15,914,089)
Creation of new capital project funds		(62,764,480)	(23,350,233)	86,099,998	30,415,320	(14,091,581)	(16,309,024)
Fund balance as restated, July 1, 2018	<u>\$ 155,480,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,099,998</u>	<u>\$ 30,415,320</u>	<u>\$ (14,091,581)</u>	<u>\$ 2,880,503</u>

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	<u>Grants</u>	<u>CDBG/ HOME</u>	<u>Special Districts</u>	<u>Streetlight Improvement District</u>	<u>Parkway Improvement District</u>	<u>Other Special Revenue</u>
Fund balance as previously reported at June 30, 2018	\$ 652,286	\$ 11,977	\$ -	\$ 172,067	\$ 312,387	\$ 1,788,259
Fund combinations	11,977	(11,977)	484,454	(172,067)	(312,387)	(56,473)
Fund balance as restated, July 1, 2018	<u>\$ 664,263</u>	<u>\$ -</u>	<u>\$ 484,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,731,786</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Environmental Services</u>
Net position as previously reported at June 30, 2018	\$ 912,950,148	\$ 816,467,269	\$ 31,357,127
Sales tax received in July 2018 that related to fiscal year 2018	7,809,353		
Reclass storm water infrastructure	(60,461,757)	60,461,757	60,461,757
Reclass storm water accumulated depreciation	42,626,963	(42,626,963)	(42,626,963)
Net position as restated, July 1, 2018	<u>\$ 902,924,707</u>	<u>\$ 834,302,063</u>	<u>\$ 49,191,921</u>

**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 GAAP. 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 quoted market prices for similar assets or liabilities in active markets. Gilbert had total investments of \$546,716,442 at June 30, 2019. Gilbert categorizes certain investments within the fair value hierarchy established by generally accepted accounting principles, were as follows:

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<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	\$ 230,049,311	\$ 230,049,311	\$ -
U.S. Government Agencies	124,811,133	-	124,811,133
Certificates of Deposit	49,327,112	-	49,327,112
Corporate Notes	85,706,533	-	85,706,533
Money Market - U.S. Treasuries	24,103,869	-	24,103,869
Total Investments Categorized by Fair Value Level	<u>\$ 513,997,958</u>	<u>\$ 230,049,311</u>	<u>\$ 283,948,647</u>
External Investment Pools Measured at Fair Value			
State Treasurer's Investment Pool	32,718,484		
Total Investments Measured at Fair Value	<u>\$ 546,716,442</u>		

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

At June 30, 2019, Gilbert's investment maturities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>(in Years)</u>	
		<u>Less than 1</u>	<u>1-3</u>
U.S. Government Treasuries	\$ 230,049,311	\$ 21,473,399	\$ 208,575,912
U.S. Government Agencies	124,811,133	5,587,586	119,223,547
Certificates of Deposit	49,327,112	11,420,587	37,906,525
Corporate Notes	85,706,533	50,096,624	35,609,909
State Treasurer's Investment Pool	32,718,484	6,978,334	25,740,150
Money Market - U.S. Treasuries	24,103,869	24,103,869	-
Total	<u>\$ 546,716,442</u>	<u>\$ 119,660,399</u>	<u>\$ 427,056,043</u>

*Credit risk* – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Gilbert addresses credit risk through its investment policy by restricting the allowable investment instruments. As of June 30, 2019, the investments in the U.S. Government Agencies were rated AA+ and the investments in Corporate Notes ranged from BBB+ ratings to AAA ratings. Gilbert's investment in the State Treasurer's Investment Pool did not receive a credit quality rating from a national rating agency.

*Custodial credit risk - deposits* – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. As of June 30, 2019, Gilbert's bank balance was \$26,423,255, of which \$21,040,380 was with JP Morgan and \$5,382,875 was held in a trust account with Bank of New York. \$20,790,380 of JP Morgan's bank balance and \$5,132,875 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.

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*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, 2019, of Gilbert’s investments, 23% were in U.S. Government Agencies, 16% were in Corporate Notes, 9% were in Certificates of Deposit, 46% were in U.S. Government Treasuries and 6% were in the State Treasurer’s Investment Pool.

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

Primary government:	
Carrying amount of cash	\$ 24,140,276
Carrying amount of deposits/investments	546,716,442
Total cash and investments	<u>\$ 570,856,718</u>
Pooled cash and investments	\$ 524,470,536
Restricted cash and investments	46,280,269
Total cash and investments (per Statement of Net Position)	<u>570,750,805</u>
Fiduciary funds	105,913
Total cash and investments	<u>\$ 570,856,718</u>

**Note 5 - Taxes Receivable and Due from Other Governments**

The General Fund taxes receivable amount at June 30, 2019, includes \$829,993 in state shared sales tax and \$13,652,568 in local sales tax. Amounts in the General and Streets Special Revenue Funds shown as due from other governments represent amounts due from the State of Arizona for vehicle license tax of \$424,165 and \$1,491,857 in highway user revenues, respectively. Other governmental funds include federal grant receivables of \$504,743 from the U.S. Department of Housing and Urban Development, and \$44,572 from the U.S. Department of Homeland Security. Additionally, other governmental funds include Racketeer Influenced Corrupt Organizations (RICO) funds of \$996,550 from Maricopa County Attorney’s Office. The Water Fund includes \$289,503 and \$24,375 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 and intergovernmental agreements with other municipalities.

**Note 6 – Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2019, is shown below.

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):

	<b>Due To</b>	<b>Due From</b>
General	\$ -	\$ 739,342
Other Governmental Funds	739,342	-
Total	<u>\$ 739,342</u>	<u>\$ 739,342</u>

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

	<u>Advances To</u>	<u>Advances From</u>
General	\$ -	\$ 23,054,621
Parks Capital Projects	7,446,558	-
Municipal Facilities Capital Projects	15,608,063	-
Total	<u>\$ 23,054,621</u>	<u>\$ 23,054,621</u>

**Note 7 – Capital Assets**

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2019, is as follows:

	<u>July 1, 2018, as restated <sup>a</sup></u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
<b>Non-depreciable assets:</b>				
Land	\$ 181,849,320	\$ 2,562,944	\$ (90,703)	\$ 184,321,561
Construction-in-progress	65,544,603	63,451,533	(40,777,110)	88,219,026
Total non-depreciable assets	<u>247,393,923</u>	<u>66,014,477</u>	<u>(40,867,813)</u>	<u>272,540,587</u>
<b>Depreciable assets:</b>				
Buildings	265,076,330	7,814,192	-	272,890,522
Improvements other than buildings	73,544,532	2,541,549	-	76,086,081
Machinery and equipment	67,264,485	9,686,919	(3,452,510)	73,498,894
Infrastructure	1,073,487,190	30,651,693	-	1,104,138,883
Total depreciable assets	<u>1,479,372,537</u>	<u>50,694,353</u>	<u>(3,452,510)</u>	<u>1,526,614,380</u>
Less accumulated depreciation:				
Buildings	(114,540,482)	(10,654,804)	-	(125,195,286)
Improvements other than buildings	(48,705,031)	(2,962,817)	-	(51,667,848)
Machinery and equipment	(50,831,345)	(3,889,057)	3,318,494	(51,401,908)
Infrastructure	(526,808,190)	(37,683,428)	-	(564,491,618)
Total accumulated depreciation	<u>(740,885,048)</u>	<u>(55,190,106)</u>	<u>3,318,494</u>	<u>(792,756,660)</u>
Total depreciable assets, net	<u>738,487,489</u>	<u>(4,495,753)</u>	<u>(134,016)</u>	<u>733,857,720</u>
<b>Governmental activities capital assets, net</b>				
	<u>\$ 985,881,412</u>	<u>\$ 61,518,724</u>	<u>\$ (41,001,829)</u>	<u>\$ 1,006,398,307</u>

<sup>a</sup> Beginning balances were adjusted in the table above to reflect (1) a restatement to present storm water related assets as enterprise assets from governmental activities described in Note 3.

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

Management and policy	\$ 624,527
Finance and management services	323,441
Legal and court	459,768
Development services	2,352,021
Police	2,773,383
Fire	3,385,935
Highways and streets	39,026,889
Parks and recreation	<u>6,229,516</u>
Total depreciation expense not including internal service funds	\$ 55,175,480
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	14,626
Total depreciation expense - governmental activities	<u><u>\$ 55,190,106</u></u>

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2019, is as follows:

	<b>July 1, 2018, as</b>			
	<b>restated <sup>a</sup></b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2019</b>
<b>Non-depreciable assets:</b>				
Land	\$ 18,233,843	\$ 5,276,778	\$ -	\$ 23,510,621
Water Rights	55,361,334	1,768,613	-	57,129,947
Construction-in-progress	35,731,221	21,676,113	(16,197,103)	41,210,231
Total non-depreciable assets	<u>109,326,398</u>	<u>28,721,504</u>	<u>(16,197,103)</u>	<u>121,850,799</u>
<b>Depreciable assets:</b>				
Plant and equipment	145,690,332	6,754,967	(3,060,447)	149,384,852
Infrastructure	576,079,423	24,752,011	-	600,831,434
Water Rights	9,146,281	31,208,238	-	40,354,519
Total depreciable assets	<u>730,916,036</u>	<u>62,715,216</u>	<u>(3,060,447)</u>	<u>790,570,805</u>
Less accumulated depreciation:				
Plant and equipment	(76,333,316)	(6,869,237)	3,060,447	(80,142,106)
Infrastructure	(215,996,340)	(14,519,053)	-	(230,515,393)
Water Rights	(2,183,871)	(124,354)	-	(2,308,225)
Total accumulated depreciation	<u>(294,513,527)</u>	<u>(21,512,644)</u>	<u>3,060,447</u>	<u>(312,965,724)</u>
Total depreciable assets, net	<u>436,402,509</u>	<u>41,202,572</u>	<u>-</u>	<u>477,605,081</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 545,728,907</u></u>	<u><u>\$ 69,924,076</u></u>	<u><u>\$ (16,197,103)</u></u>	<u><u>\$ 599,455,880</u></u>

<sup>a</sup> Beginning balances were adjusted in the table above to reflect (1) the exclusion of construction-in-progress related to an investment in joint venture, and (2) a restatement to present storm water related assets as enterprise assets from governmental activities described in Note 3.

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**Note 8 – Construction-in-Progress and Commitments**

Governmental activities construction-in-progress and related construction commitments at June 30, 2019, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Streets and traffic	\$ 28,148,508	\$ 14,814,858
Parks	27,804,630	19,058,853
Municipal facilities	8,913,469	1,492,388
Redevelopment	23,352,419	2,296,458
<b>Total</b>	<u>\$ 88,219,026</u>	<u>\$ 37,662,557</u>

Business-type activities construction-in-progress and related construction commitments at June 30, 2019, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Water system	\$ 18,327,325	\$ 7,714,239
Wastewater system	22,794,875	13,407,905
Environmental services	88,031	-
<b>Total</b>	<u>\$ 41,210,231</u>	<u>\$ 21,122,144</u>

**Note 9 - Risk Management**

**Traditional Commercial Insurance Programs**

Gilbert operates with traditional commercial insurance programs against major losses in property, plant, equipment, and liability. Administrative responsibility for the safety program 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 2019, 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 (Trust) to account for and finance its uninsured risks of loss for medical claims. All Trust activity is recorded in the Employee Benefit Self-Insurance Fund. Gilbert purchases commercial stop loss insurance to limit the claims liability to the Trust. The stop loss insurance provides reimbursement to the Trust 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 Fund 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.



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The claims liability of \$1,700,000 reported in the employee benefit self-insurance trust at June 30, 2019, 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 Trust includes medical and dental benefits. For fiscal year 2019, increases of \$176,000 and \$10,000 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 2019 reflected an increase in claims costs of \$1,387,654 from fiscal year 2018. This was due to an increase of \$1,429,089 in medical claims and a decrease of \$41,435 in dental claims.

Changes in the fund's claim liability amount in fiscal years 2019 and 2018 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
2019	\$ 1,514,000	\$ 15,279,349	\$ (15,093,349)	\$ 1,700,000
2018	1,650,317	13,891,695	(14,028,012)	1,514,000

**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, 2019, were as follows:

	<u>Governmental</u>
2008 General Obligation Bonds, 3.0% to 5.0%, original amount \$187,990,000, annual retirements due July 1, 2009, through July 1, 2023	\$ 16,000,000
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	<u>94,445,000</u>
Total	<u>\$ 110,445,000</u>

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

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 17,480,000	\$ 4,769,550
2021	18,355,000	3,895,550
2022	16,180,000	2,977,800
2023	16,000,000	2,168,800
2024	2,485,000	1,688,800
2025-2029	14,350,000	6,512,650
2030-2034	17,615,000	3,240,100
2035-2036	7,980,000	360,900
	<u>\$ 110,445,000</u>	<u>\$ 25,614,150</u>

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets, and public safety purposes may not exceed 20% of Gilbert's net 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, 2019:

**Water, Wastewater, Electric, Streets, Fire,  
Police, and Parks and Open Space  
Special Purpose Bonds**

NFC - Assessed Valuation	<u>\$ 2,831,095,155</u>
20% constitutional limit	\$ 566,219,031
Less general obligation bonds outstanding	(110,445,000)
Less premium adjustment	<u>(8,090,801)</u>
Available 20% limitation borrowing capacity	<u>\$ 447,683,230</u>

**All Other General  
Obligation Bonds**

NFC - Assessed Valuation	<u>\$ 2,831,095,155</u>
6% constitutional limit	\$ 169,865,709
Less general obligation bonds outstanding	-
Less premium adjustment	-
Available 6% limitation borrowing capacity	<u>\$ 169,865,709</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, 2019, 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.

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Special assessment bonds outstanding at June 30, 2019, 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	\$ 85,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012, through January 1, 2029	<u>4,810,000</u>
Total	<u>\$ 4,895,000</u>

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

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 385,000	\$ 239,907
2021	410,000	219,625
2022	435,000	198,067
2023	450,000	175,490
2024	475,000	151,893
2025-2029	2,740,000	360,618
	<u>\$ 4,895,000</u>	<u>\$ 1,345,600</u>

**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 17 regarding Pledged Revenues.)

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Municipal property corporation revenue bonds outstanding at June 30, 2019, 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	\$ 3,535,000	\$ -
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	7,935,000	-
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	16,715,000	-
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	38,925,000	-
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	-	106,055,000
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	-	34,035,000
Total	<u>\$ 73,560,000</u>	<u>\$ 140,090,000</u>

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

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	5,770,000	1,243,250	8,780,000	4,453,313
2025-2029	19,095,000	1,940,750	50,690,000	15,367,405
2030-2034	-	-	39,585,000	5,034,700
2035-2037	-	-	9,960,000	608,000
	<u>\$ 73,560,000</u>	<u>\$ 12,688,412</u>	<u>\$ 140,090,000</u>	<u>\$ 47,345,844</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, 2019, 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	\$ 35,655,000

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

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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	850,000	1,387,456
2025-2029	4,935,000	6,238,157
2030-2034	6,165,000	5,010,609
2035-2039	7,355,000	3,797,697
2040-2044	9,040,000	2,203,266
2045-2046	4,295,000	217,375
	<u>\$ 35,655,000</u>	<u>\$ 24,800,010</u>

**TOWN OF GILBERT, ARIZONA**  
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**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 128,090,000	\$ -	\$ (17,645,000)	\$ 110,445,000	\$ 17,480,000
Special assessment bonds with government commitment	5,445,000	-	(550,000)	4,895,000	385,000
Revenue bonds	88,355,000	-	(14,795,000)	73,560,000	15,800,000
Revenue obligations	36,325,000	-	(670,000)	35,655,000	700,000
Unamortized bond premium	25,696,029	-	(3,169,917)	22,526,112	-
Total bonds payable	<u>283,911,029</u>	<u>-</u>	<u>(36,829,917)</u>	<u>247,081,112</u>	<u>34,365,000</u>
Compensated absences	17,468,372	6,213,846	(8,334,778)	15,347,440	5,240,920
Other postemployment benefits	1,643,599	-	(902,661)	740,938	-
Net pension liability	123,256,787	-	(8,100,794)	115,155,993	-
Total long-term liabilities	<u>\$ 426,279,787</u>	<u>\$ 6,213,846</u>	<u>\$ (54,168,150)</u>	<u>\$ 378,325,483</u>	<u>\$ 39,605,920</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 148,570,000	\$ -	\$ (8,480,000)	\$ 140,090,000	\$ 7,225,000
Unamortized bond premium	21,947,212	-	(1,534,731)	20,412,481	-
Total bonds payable	<u>170,517,212</u>	<u>-</u>	<u>(10,014,731)</u>	<u>160,502,481</u>	<u>7,225,000</u>
Compensated absences	2,637,447	1,307,453	(1,538,655)	2,406,245	851,666
Other postemployment benefits	374,387	-	(219,233)	155,154	-
Net pension liability	20,829,038	-	(2,064,765)	18,764,273	-
Total long-term liabilities	<u>\$ 194,358,084</u>	<u>\$ 1,307,453</u>	<u>\$ (13,837,384)</u>	<u>\$ 181,828,153</u>	<u>\$ 8,076,666</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, \$211,860 of internal service funds compensated absences, \$2,044,993 net pension liability, and \$15,572 of other post-employment benefits liability are included in the above amounts.

Long-term compensated absences, other postemployment benefits, and the net pension liability 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.

The Town does not have any outstanding notes from direct borrowings or direct placements, no assets pledged as collateral for debt, nor any outstanding lines of credit.

**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, 2019, Industrial Development Authority Revenue Bonds and Master Lease and Sublease Agreements outstanding were \$23,620,000 and \$5,554,331 respectively.

**TOWN OF GILBERT, ARIZONA**  
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**Note 11 – 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 in detail in this note due to their relative insignificance to the financial statements. See Note 12 for information on Gilbert's OPEB plan. The ASRS and PSPRS plans are component units of the State of Arizona.

<b>Pension and OPEB Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
OPEB - ASRS	\$ 131,838	\$ 49,506	\$ 181,344
<b>Deferred Outflow of Resources:</b>			
OPEB - ASRS	536,672	201,525	738,197
OPEB - PSPRS	114,695	-	114,695
OPEB - Town	782,679	200,394	983,073
Pension - ASRS	7,585,734	2,833,175	10,418,909
Pension - PSPRS	35,443,975	-	35,443,975
Pension - EORP	660,529	-	660,529
Total	<u>\$ 45,124,284</u>	<u>\$ 3,235,094</u>	<u>\$ 48,359,378</u>
<b>Liabilities:</b>			
OPEB - ASRS	189,324	71,092	260,416
OPEB - PSPRS	223,300	-	223,300
OPEB - Town	328,314	84,062	412,376
	<u>\$ 740,938</u>	<u>\$ 155,154</u>	<u>\$ 896,092</u>
<b>Liabilities:</b>			
Pension - ASRS	50,599,944	18,764,273	69,364,217
Pension - PSPRS	61,082,090	-	61,082,090
Pension - EORP	3,473,959	-	3,473,959
Total	<u>\$ 115,155,993</u>	<u>\$ 18,764,273</u>	<u>\$ 133,920,266</u>
<b>Deferred Inflow of Resources:</b>			
OPEB - ASRS	403,598	151,555	555,153
OPEB - PSPRS	493,851	-	493,851
OPEB - Town	1,832,410	469,162	2,301,572
Pension - ASRS	5,982,137	2,218,392	8,200,529
Pension - PSPRS	3,041,182	-	3,041,182
Pension - EORP	30,113	-	30,113
Total	<u>\$ 11,783,291</u>	<u>\$ 2,839,109</u>	<u>\$ 14,622,400</u>
<b>Pension Expense:</b>			
ASRS	1,285,419	438,332	1,723,751
PSPRS	12,732,708	-	12,732,708
EORP	1,357,474	-	1,357,474
Total	<u>\$ 15,375,601</u>	<u>\$ 438,332</u>	<u>\$ 15,813,933</u>
<b>OPEB Expense:</b>			
ASRS	198,739	74,665	273,404
PSPRS	184,441	-	184,441
Town	29,673	7,880	37,553
Total	<u>\$ 412,853</u>	<u>\$ 82,545</u>	<u>\$ 495,398</u>

Gilbert reported \$25,247,279 of pension and OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributed for fiscal year 2019.

**TOWN OF GILBERT, ARIZONA  
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**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](http://www.azasrs.gov).

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

	<b>Retirement Initial Membership Date:</b>	
	<b>Before July 1, 2011</b>	<b>On or After July 1, 2011</b>
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 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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.8% (11.64% 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 11.8% (11.18% for retirement, 0.46% for health insurance premium benefit, and 0.16% for long-term disability) of the members' annual covered payroll. In addition, Gilbert was required by statute to contribute at the actuarially determined rate of 10.53% (10.41% for retirement, 0.06% for health insurance premium benefit, and 0.06% for long-term disability) of annual covered payroll of retired members who worked for Gilbert in positions that an employee who contributes to the ASRS would typically fill.

During fiscal year 2019, Gilbert paid for ASRS pension and OPEB contributions as follows: 61% from the general fund, 38% from major funds, and 1% from other funds. The contributions to the pension plan for fiscal year 2019 were \$5,921,577.



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**Pension Liability** – At June 30, 2019, Gilbert reported a liability of \$69,364,217 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total pension liability as of June 30, 2018 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 discount rate from 8.0% to 7.5%, changing the projected salary increased from 3.0-6.75% to 2.7-7.2%, decreasing the inflation rate from 3.0% to 2.3%, and changing the mortality rates.

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, 2018. Gilbert’s proportion measured as of June 30, 2018, was 0.49736%, which was an increase of 0.00415% from its proportion measured as of June 30, 2017.

Gilbert’s reported liability at June 30, 2019, decreased by \$7,468,287 from the prior year liability of \$76,832,504 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, 2019, Gilbert recognized pension expense for ASRS of \$1,723,751. At June 30, 2019, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,910,928	\$ 382,394
Changes in assumptions or other inputs	1,835,504	6,150,090
Net difference between projected and actual earnings on pension plan investments	-	1,668,045
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	750,900	-
Gilbert contributions subsequent to the measurement date	5,921,577	-
<b>Total</b>	<b>\$ 10,418,909</b>	<b>\$ 8,200,529</b>

The \$5,921,577 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, 2020. 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:

<b>Year Ending June 30</b>	<b>Amount</b>
2020	\$ 1,035,918
2021	(1,460,759)
2022	(2,530,302)
2023	(748,054)
2024	-
Thereafter	-

**TOWN OF GILBERT, ARIZONA**  
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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 rollforward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7% - 7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

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 ASRS pension plan investments was determined to be 7.5% 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
	100%	

**Discount Rate** – At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5%, which was a decrease of 0.5% from the discount rate used as of June 30, 2017. 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.

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**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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Gilbert's proportionate share of the net pension liability	\$ 98,880,287	\$ 69,364,217	\$ 44,704,017

**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](http://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 or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). 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. Employees who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to Gilbert's financial statements.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on their website at [www.psprs.com](http://www.psprs.com).

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

	Initial Membership Date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
<b>Retirement and Disability:</b>			
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	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final average salary based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years	Highest 60 months of last 15 years
Benefit percent			
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% plus normal retirement, whichever is greater		
Catastrophic disability retirement	90% for 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		
<b>Survivor Benefit:</b>			
Retired members	80% to 100% of retired member's pension benefit		
Active members	80% to 100% of accidental disability benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

\* With actuarially reduced benefits.

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

**Employees Covered by Benefit Terms** – At June 30, 2019, the following employees were covered by the agent pension plan's benefit terms:

	Police	Fire
Inactive employees or beneficiaries currently receiving benefits	74	15
Inactive employees entitled to by not yet receiving benefits	51	17
Active employees	200	172
Total	<u>325</u>	<u>204</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, 2019 are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Active Member- Health	Gilbert- Pension	Gilbert- Health
<b>Police</b>				
PSPRS Tier 1	7.65%		32.23%	0.32%
PSPRS Tier 2	11.65%		32.23%	0.32%
PSPRS Tier 3				
Defined benefit only	9.68%	0.26%	26.76%	0.26%
PSPRS Tier 3				
Defined contribution only	10.51%		27.59%	
<b>Fire</b>				
PSPRS Tier 1	7.65%		24.35%	0.31%
PSPRS Tier 2	11.65%		24.35%	0.31%
PSPRS Tier 3				
Defined benefit only	9.68%	0.26%	18.64%	0.26%
PSPRS Tier 3				
Defined contribution only	10.51%		19.47%	

In addition, the statute required Gilbert to contribute at the actuarially determined rate indicated above for employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to Gilbert’s required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

For the agent plans, actual contributions made to the pension plan for the year ended June 30, 2019 exceeded the annual pension cost due to prepayments and an additional payment made towards the unfunded liability (100% from the General Fund):

	Police	Fire
Pension contributions made	\$ 11,245,894	\$ 7,556,014

**Pension Liability** – At June 30, 2019, Gilbert reported \$61,082,090 in net pension liability. The net pension liabilities were measured as of June 30, 2018, 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, 2018, 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, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	Included
Mortality rates	RP-2014 tables using MP-2016

Actuarial assumptions used in the June 30, 2018, 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%
Private credit	16%	6.75%
Non-U.S. equity	14%	8.70%
GTS	12%	3.96%
Private equity	12%	5.83%
Real estate	10%	3.75%
Real assets	9%	4.52%
Fixed income	5%	1.25%
Risk parity	4%	5.00%
Short term investments	2%	0.25%
	<u>100%</u>	

**Pension Discount Rates** – At June 30, 2018, the discount rate used to measure total pension liability was 7.4%, which was the same as the discount rate used as of June 30, 2017. 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**

	<b>Increase/Decrease</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balances at June 30, 2018	\$ 128,451,673	\$ 82,751,541	\$ 45,700,132
Changes for the year:			
Service cost	4,056,282		4,056,282
Interest on the total pension liability	9,457,916		9,457,916
Differences between expected results and actual experience in the measurement of the total pension liability	847,849		847,849
Contributions - employer		7,551,083	(7,551,083)
Contributions - employee		1,973,907	(1,973,907)
Net investment income		6,242,434	(6,242,434)
Benefit payments, including refunds of employee contributions	(5,340,286)	(5,340,286)	-
Administrative expense		(95,708)	95,708
Other changes		106,036	(106,036)
Net changes	9,021,761	10,437,466	(1,415,705)
Balances at June 30, 2019	<u>\$ 137,473,434</u>	<u>\$ 93,189,007</u>	<u>\$ 44,284,427</u>

**Fire**

	<b>Increase/Decrease</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balances at June 30, 2018	\$ 85,999,161	\$ 66,311,658	\$ 19,687,503
Changes for the year:			
Service cost	3,661,929		3,661,929
Interest on the total pension liability	6,428,184		6,428,184
Differences between expected results and actual experience in the measurement of the total pension liability	(1,694,618)		(1,694,618)
Contributions - employer		5,035,275	(5,035,275)
Contributions - employee		1,365,916	(1,365,916)
Net investment income		4,953,004	(4,953,004)
Benefit payments, including refunds of employee contributions	(1,925,561)	(1,925,561)	-
Administrative expense		(76,084)	76,084
Other changes		7,224	(7,224)
Net changes	6,469,934	9,359,774	(2,889,840)
Balances at June 30, 2019	<u>\$ 92,469,095</u>	<u>\$ 75,671,432</u>	<u>\$ 16,797,663</u>

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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:

	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
Police net pension liability	\$ 65,779,510	\$ 44,284,427	\$ 27,060,353
Fire net pension liability	32,269,393	16,797,663	4,360,172

**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](http://www.psprs.com).

**Pension Expense** – For the year ended June 30, 2019, Gilbert recognized \$8,062,871 as pension expense for Police and \$4,669,837 as pension expense for Fire.

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2019, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Police</b>		
Changes between expected and actual experience	\$ 2,595,449	\$ -
Changes in assumptions or other inputs	6,351,922	-
Net difference between projected and actual earnings on pension plan investments	65,327	-
Gilbert contributions subsequent to the measurement date	11,245,894	-
Total	\$ 20,258,592	\$ -
<b>Fire</b>		
Changes between expected and actual experience	\$ 4,126,174	\$ 3,041,182
Changes in assumptions or other inputs	3,186,241	-
Net difference between projected and actual earnings on pension plan investments	316,954	-
Gilbert contributions subsequent to the measurement date	7,556,014	-
Total	\$ 15,185,383	\$ 3,041,182



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The \$11,245,894 for Police and the \$7,556,014 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Police</b>	<b>Fire</b>
2020	\$ 3,558,266	\$ 1,306,558
2021	2,912,362	924,400
2022	1,006,746	185,225
2023	1,101,918	730,971
2024	275,185	707,550
Thereafter	158,221	733,483

**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 2019. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the fund.

**Note 12 - 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, 2019, there are 59 retirees that are currently receiving medical and/or dental benefits.

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**Contributions** – Gilbert requires retirees to pay 120% 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, 2019, retirees contributed \$409,900, which was in excess of claims paid by \$291,776. 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 benefits	59
Inactive employees entitled to by not yet receiving benefits	-
Active employees	1,182
Total	1,241

**Total OPEB Liability** – The Plan’s total OPEB liability of \$412,376 was measured as of June 30, 2019.

**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, 2019 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, 2019
Actuarial valuation date	June 30, 2019
Interest rate	3.13%
Inflation rate	3.00%
Projected salary increases	3.00%
Health care cost trend rate:	
Medical and prescription drug	6.50% graded down to an ultimate rate of 5.00% over 5 years
Retiree contribution increase	Consistent with medical/drug trends
ASRS subsidy increases	None
Cost of living adjustments	N/A

The discount rate was based on the Fidelity General Obligation AA 20-year yield as of the measurement date.

Mortality rates for active employees were based on the PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee mortality table, Generational with Projection Scale MP-2018 for males/females. Mortality rates for retirees were based on the PubG.H-2010 (current retirees and general employees) PubS.H-2010 (public safety) Healthy Annuitant mortality table, Generational with Projection Scale MP-2018 for males/females.

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**Changes in the Total OPEB Liability**

Balances at June 30, 2018	\$	1,597,293
Changes for the year:		
Service cost		87,269
Interest		54,575
Differences between expected and actual experience		(1,604,373)
Changes in assumptions/inputs		159,488
Benefit payments		118,124
Net changes		(1,184,917)
Balances at June 30, 2019	\$	412,376

**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:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 527,025	\$ 412,376	\$ 316,334

**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:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 291,340	\$ 412,376	\$ 566,729

**OPEB Expense and Deferred Outflows/Inflows of Resource Related to OPEB** – For the year ended June 30, 2019, the Plan recognized OPEB expense of \$37,233. At June 30, 2019, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes between expected and actual experience	\$ -	\$ 2,301,572
Changes in assumptions or other inputs	983,073	-
Total	\$ 983,073	\$ 2,301,572

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The amounts reported as deferred outflows of resources and inflows of resources will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2020	\$ (222,417)
2021	(222,417)
2022	(222,417)
2023	(222,417)
2024	(222,417)
Thereafter	(206,412)

**Note 13 - Capital Contributions**

During the year ended June 30, 2019, the enterprise funds external capital contributions consisted of the following:

	<b>Water</b>	<b>Wastewater</b>	<b>Environmental Services</b>	<b>Total</b>
Contributions from developers	\$ 5,708,331	\$ 2,010,369	\$ 575,220	\$ 8,293,920
Development fees	12,552,947	5,647,165	-	18,200,112
Total	<u>\$ 18,261,278</u>	<u>\$ 7,657,534</u>	<u>\$ 575,220</u>	<u>\$ 26,494,032</u>

**Note 14 – Interfund Transfers**

As of June 30, 2019, interfund transfers were as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
Governmental funds:		
General	\$ 1,190,910	\$ 47,626,264
Streets Special Revenue	-	754,300
General Debt Service	20,205,988	-
Streets and Traffic Capital Projects	6,848,246	3,708,651
Parks Capital Projects	12,080,828	4,941,482
Municipal Facilities Capital Projects	7,740,960	5,826,574
Other Governmental Funds	15,018,826	466,853
Total governmental funds	<u>63,085,758</u>	<u>63,324,124</u>
Enterprise funds:		
Water	\$ 484,207	\$ 1,276,830
Wastewater	1,199,293	161,222
Environmental Services	-	3,716
Total enterprise funds	<u>1,683,500</u>	<u>1,441,768</u>
Internal service funds:		
Equipment Maintenance	\$ -	\$ 3,366
Total internal service funds	<u>-</u>	<u>3,366</u>
Total transfers	<u>\$ 64,769,258</u>	<u>\$ 64,769,258</u>

**TOWN OF GILBERT, ARIZONA**  
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The interfund transfers generally fall within one of the following categories: 1) subsidy transfers; 2) transfers to cover debt service payments; 3) transfers to fund capital project costs; or 4) transfers to fund capital replacement. There were no significant transfers during fiscal year 2019 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

**Note 15 - Individual Fund Disclosures**

Individual funds with deficiencies in fund balance/net position at June 30, 2019, were as follows:

Governmental funds

Municipal Facilities Capital Projects	\$12,099,209
Other Capital Projects	1,527,983

The deficiency in the Municipal Facilities Capital Projects Fund, a major governmental fund, is due to an advance made by the General Fund to pay for certain capital improvement projects. Future system development fee revenue is expected to eliminate the deficiency. The deficiency in the Other Capital Projects Fund, a non-major governmental fund, is due to the timing of construction related payments and the transfers that fund the transfers. The fund's deficit is expected to be eliminated in the subsequent fiscal year.

Internal service funds

Equipment Maintenance	\$ 1,077,994
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The deficiency in the Equipment Maintenance Fund is due to the net pension liability.

**Note 16 – 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 17 – 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 31 percent of revenue. The total principal and interest remaining to be paid on the bonds is \$177,107,263. Principal and interest paid for the current year was \$13,432,163. Total water and wastewater system development fees revenue was \$14,623,811 and water and wastewater net revenues were \$29,779,111.

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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 educational purposes. Annual principal and interest payments on the bonds and obligations are expected to require less than 11 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds and obligations is \$133,506,256. Principal and interest paid for the current year was \$17,958,731, and the total excise taxes and state-shared revenues were \$170,885,312.

**Note 18 - 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. Gilbert, in joint effort with Mesa and Queen Creek, is designing improvements as part of the Phase III Expansion for the Greenfield Water Reclamation Plant (GWRP) located on the northwest corner of Greenfield and Queen Creek Roads. The project includes process improvements and upgrades to increase the plant's capacity from 16 million gallons per day (mgd) to 30 mgd, as well as maintenance and improvements to the existing infrastructure 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, 2019, was:

Mesa's share	\$ 122,737,361
Gilbert's share	85,639,273
Queen Creek's share	30,124,470
Total	<u>\$ 238,501,104</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 was completed in fiscal year 2018. Phase I of the plant treats 12 million gallons per day each for Gilbert and Chandler. Phase II of the plant 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, 2019, was:

Gilbert's share	\$ 89,551,861
Chandler's share	81,541,088
Total	<u>\$ 171,092,949</u>

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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 a 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, 2019, was:

Mesa's share	\$ 6,814,651
Gilbert's share	1,718,277
Apache Junction's share	595,550
Superstition F&M's share	168,249
Queen Creek's share	112,350
Rio Verde FD's share	13,016
Fort McDowell's share	44,514
Total	<u>\$ 9,466,607</u>

**Note 19 – 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**  
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**Schedule of the Proportionate Share of the Net Pension Liability**

**Arizona State Retirement System**

	Fiscal Year					2014 through 2010
	2019	2018	2017	2016	2015	
Proportion of the net pension liability	0.49%	0.49%	0.49%	0.49%	0.47%	Information not available (2)
Proportionate share of the net pension liability	\$ 69,364,217	\$ 76,832,504	\$ 78,813,297	\$ 75,695,863	\$ 69,412,268	
Covered payroll (1)	49,511,839	48,187,902	45,764,166	43,765,044	42,295,765	
Proportionate share of the net pension liability as a percentage of covered payroll	140%	159%	172%	172%	164%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	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 2019, the measurement date of the net pension liability is June 30, 2018. See Note 11.
- (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, 2019**

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

**Public Safety Personnel Retirement System – Police**

	Fiscal Year					2014 through 2010
	2019	2018	2017	2016	2015	
Total pension liability:						Information
Service cost	\$ 4,056,282	\$ 4,361,408	\$ 3,466,239	\$ 3,570,214	\$ 3,293,404	not
Interest on the total pension liability	9,457,916	8,535,995	7,222,969	6,604,564	5,414,469	available (2)
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	847,849	928,575	547,040	713,111	2,479,128	
Changes in assumptions or other inputs	-	3,680,906	4,549,861	-	5,473,070	
Benefit payments, including refunds of employee contributions	(5,340,286)	(3,648,774)	(3,515,621)	(2,400,631)	(2,087,138)	
Net change in total pension liability	9,021,761	14,994,729	21,419,909	8,487,258	15,178,782	
Total pension liability - beginning	128,451,673	113,456,944	92,037,035	83,549,777	68,370,995	
Total pension liability - ending (a)	137,473,434	128,451,673	113,456,944	92,037,035	83,549,777	
Plan fiduciary net position:						
Contributions - employer	\$ 7,551,083	\$ 12,682,256	\$ 4,426,923	\$ 3,280,061	\$ 3,103,356	
Contributions - employee	1,973,907	2,271,326	2,243,118	2,107,439	2,088,159	
Net investment income	6,242,434	8,763,809	365,916	2,037,534	6,306,779	
Benefit payments, including refunds of employee contributions	(5,340,286)	(3,648,774)	(3,515,621)	(2,400,631)	(2,087,138)	
Administrative expense	(95,708)	(77,945)	(53,053)	(50,099)	(50,793)	
Other changes	106,036	153,768	113,260	75,447	49,298	
Net change in plan fiduciary net position	10,437,466	20,144,440	3,580,543	5,049,751	9,409,661	
Plan fiduciary net position - beginning	82,751,541	62,607,101	59,026,558	53,976,807	44,567,146	
Plan fiduciary net position - ending (b)	\$ 93,189,007	\$ 82,751,541	\$ 62,607,101	\$ 59,026,558	\$ 53,976,807	
Net pension liability - ending (a) - (b)	\$ 44,284,427	\$ 45,700,132	\$ 50,849,843	\$ 33,010,477	\$ 29,572,970	
Plan fiduciary net position as a percentage of the total pension liability	67.79%	64.42%	55.18%	64.13%	64.60%	
Covered payroll (1)	\$ 18,572,542	\$ 18,694,661	\$ 19,247,567	\$ 19,071,843	\$ 18,990,156	
Gilbert's net pension liability as a percentage of covered payroll	238.44%	244.46%	264.19%	173.08%	155.73%	

- (1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2019, the measurement date of the net pension liability is June 30, 2018. See Note 11.
- (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, 2019**

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

**Public Safety Personnel Retirement System – Fire**

	Fiscal Year					2014 through 2010
	2019	2018	2017	2016	2015	
Total pension liability:						Information not available (2)
Service cost	\$ 3,661,929	\$ 3,652,130	\$ 2,728,554	\$ 2,785,128	\$ 2,545,607	
Interest on the total pension liability	6,428,184	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	(1,694,618)	3,761,967	(1,091,858)	(1,235,512)	2,247,902	
Changes in assumptions or other inputs	-	444,609	3,069,903	-	1,333,403	
Benefit payments, including refunds of employee contributions	(1,925,561)	(1,094,738)	(529,722)	(277,805)	(171,217)	
Net change in total pension liability	6,469,934	12,785,719	16,338,416	5,410,211	9,232,477	
Total pension liability - beginning	85,999,161	73,213,442	56,875,026	51,464,815	42,232,338	
Total pension liability - ending (a)	92,469,095	85,999,161	73,213,442	56,875,026	51,464,815	
Plan fiduciary net position:						
Contributions - employer	\$ 5,035,275	\$ 5,192,069	\$ 3,183,837	\$ 1,845,382	\$ 1,954,145	
Contributions - employee	1,365,916	1,860,471	1,792,809	1,903,578	1,667,772	
Net investment income	4,953,004	6,959,055	300,260	1,653,304	5,045,090	
Benefit payments, including refunds of employee contributions	(1,925,561)	(1,094,738)	(529,722)	(277,805)	(171,217)	
Administrative expense	(76,084)	(61,976)	(43,606)	(40,728)	(40,631)	
Other changes	7,224	636	96,335	(229,513)	-	
Net change in plan fiduciary net position	9,359,774	12,855,517	4,799,913	4,854,218	8,455,159	
Plan fiduciary net position - beginning	66,311,658	53,456,141	48,656,228	43,802,010	35,346,851	
Plan fiduciary net position - ending (b)	\$ 75,671,432	\$ 66,311,658	\$ 53,456,141	\$ 48,656,228	\$ 43,802,010	
Net pension liability - ending (a) - (b)	\$ 16,797,663	\$ 19,687,503	\$ 19,757,301	\$ 8,218,798	\$ 7,662,805	
Plan fiduciary net position as a percentage of the total pension liability	81.83%	77.11%	73.01%	85.55%	85.11%	
Covered payroll (1)	\$ 16,176,584	\$ 16,132,031	\$ 15,444,728	\$ 15,274,115	\$ 15,508,151	
Gilbert's net pension liability as a percentage of covered payroll	103.84%	122.04%	127.92%	53.81%	49.41%	

- (1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2019, the measurement date of the net pension liability is June 30, 2018. See Note 11.
- (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, 2019**

**Schedule of Pension Contributions:**

**Arizona State Retirement System**

	Fiscal Year				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,921,577	\$ 5,338,739	\$ 5,187,460	\$ 5,278,569	\$ 5,137,457
Contributions in related to the actuarially determined contributions	5,921,577	5,338,739	5,187,460	5,278,569	5,137,457
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 52,965,805	\$ 49,511,839	\$ 48,187,902	\$ 45,764,166	\$ 43,765,044
Contributions as a percentage of covered payroll	11.18%	10.78%	10.77%	11.53%	11.74%

	Fiscal Year				
	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 4,763,978	\$ 4,162,425	\$ 3,880,631	\$ 3,448,898	\$ 3,329,705
Contributions in related to the actuarially determined contributions	4,763,978	4,162,425	3,880,631	3,448,898	3,329,705
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 42,295,765	\$ 38,356,312	\$ 36,582,049	\$ 37,474,457	\$ 37,007,042
Contributions as a percentage of covered payroll	11.26%	10.85%	10.61%	9.20%	9.00%

**TOWN OF GILBERT, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

**Schedule of Pension Contributions:**

**Public Safety Retirement System – Police**

	Fiscal Year				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 6,410,919	\$ 6,170,252	\$ 4,501,937	\$ 4,021,770	\$ 3,414,607
Contributions in related to the actuarially determined contributions	11,245,894	7,330,436	12,700,837	4,449,337	3,414,607
Contribution deficiency (excess)	<u>\$ (4,834,975)</u>	<u>\$ (1,160,184)</u>	<u>\$ (8,198,900)</u>	<u>\$ (427,567)</u>	<u>\$ -</u>
Covered payroll	\$ 20,212,530	\$ 18,572,542	\$ 18,694,661	\$ 19,247,567	\$ 19,071,843
Contributions as a percentage of covered payroll	55.64%	39.47%	67.94%	23.12%	17.90%

	Fiscal Year				
	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 3,231,755	\$ 2,930,117	\$ 2,384,390	\$ 2,239,987	\$ 2,330,954
Contributions in related to the actuarially determined contributions	3,231,755	2,930,117	2,384,390	2,239,987	2,330,954
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,990,156	\$ 17,477,557	\$ 16,492,849	\$ 16,550,117	\$ 16,686,272
Contributions as a percentage of covered payroll	17.02%	16.77%	14.46%	13.53%	13.97%

**Public Safety Retirement System – Fire**

	Fiscal Year				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,009,743	\$ 4,644,867	\$ 3,266,367	\$ 2,241,688	\$ 1,982,159
Contributions in related to the actuarially determined contributions	7,556,014	5,096,285	5,307,483	3,088,477	1,982,159
Contribution deficiency (excess)	<u>\$ (3,546,271)</u>	<u>\$ (451,418)</u>	<u>\$ (2,041,116)</u>	<u>\$ (846,789)</u>	<u>\$ -</u>
Covered payroll	\$ 16,590,770	\$ 16,176,854	\$ 16,132,031	\$ 15,444,728	\$ 15,274,115
Contributions as a percentage of covered payroll	45.54%	31.50%	32.90%	20.00%	12.98%

	Fiscal Year				
	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 2,037,266	\$ 1,793,907	\$ 1,479,746	\$ 1,422,964	\$ 1,446,837
Contributions in related to the actuarially determined contributions	2,037,266	1,793,907	1,479,746	1,422,964	1,446,837
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,508,151	\$ 13,954,822	\$ 13,335,971	\$ 13,220,688	\$ 12,186,063
Contributions as a percentage of covered payroll	13.14%	12.86%	11.10%	10.76%	11.87%

**TOWN OF GILBERT, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

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

**Town of Gilbert Defined Benefit Plan**

	Fiscal Year		
	2019	2018	
Total OPEB liability:			Information
Service cost	\$ 87,269	\$ 84,727	not
Interest on the total OPEB liability	54,575	58,026	available (2)
Differences between expected and actual experience in the measurement of the total OPEB liability	(1,604,373)	(1,296,953)	
Changes in assumptions/inputs	159,488	1,184,917	
Benefit payments, including refunds of employee contributions	118,124	96,758	
Net change in total OPEB liability	(1,184,917)	127,475	
Total OPEB liability - beginning	1,597,293	1,469,818	
Total OPEB liability - ending (a)	<u>\$ 412,376</u>	<u>\$ 1,597,293</u>	
Covered payroll (1)	\$ 86,050,638	\$ 83,544,308	
Gilbert's total OPEB liability as a percentage of covered payroll	0.5%	1.9%	

- (1) The covered payroll amount will be as of the measurement date of the total OPEB liability. For fiscal year 2019, the measurement date of the total OPEB liability is June 30, 2019. See also Note 12.
- (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, 2019**

**Notes 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	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years
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 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. 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 2017 actuarial valuation, projected salary increased were decreased from 4.0%-8.0% to 3.5%-7.5%. 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 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5%. 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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. 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 increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

## 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.

**Special Districts** - accounts for taxes received from and expenditures of the street light maintenance improvement districts and parkway maintenance improvement districts.

**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.

#### 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.

**Other Capital Projects** - accounts for the design and construction of redevelopment infrastructure and related funding.



**TOWN OF GILBERT, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**

	<b>Special Revenue</b>		
	<b>Grants</b>	<b>Special Districts</b>	<b>Other Special Revenue</b>
<b>Assets</b>			
Pooled cash and investments	\$ 258,958	\$ 606,087	\$ 1,451,094
Receivables, net:			
Taxes	-	19,880	-
Accrued interest	52	-	6,189
Accounts	-	-	6,903
Due from other governments	729,209	-	1,002,776
Total assets	988,219	625,967	2,466,962
<b>Liabilities</b>			
Accounts payable	82,927	29,987	45,898
Accrued liabilities	7,195	8,340	21,970
Due to other funds	471,741	-	267,601
Unearned revenue	-	-	119,511
Total liabilities	561,863	38,327	454,980
<b>Fund balances (deficits)</b>			
Restricted	426,356	587,640	2,271,771
Unassigned	-	-	(259,789)
Total fund balances (deficits)	426,356	587,640	2,011,982
<b>Total liabilities and fund balances (deficits)</b>	\$ 988,219	\$ 625,967	\$ 2,466,962

<b><u>Capital Projects</u></b>	
<b><u>Other Capital Projects</u></b>	<b><u>Total Nonmajor Governmental Funds</u></b>
\$ 2,063,407	\$ 4,379,546
-	19,880
-	6,241
-	6,903
-	1,731,985
<u>2,063,407</u>	<u>6,144,555</u>
3,591,390	3,750,202
-	37,505
-	739,342
-	119,511
<u>3,591,390</u>	<u>4,646,560</u>
-	3,285,767
<u>(1,527,983)</u>	<u>(1,787,772)</u>
<u>(1,527,983)</u>	<u>1,497,995</u>
<u>\$ 2,063,407</u>	<u>\$ 6,144,555</u>

**TOWN OF GILBERT, ARIZONA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2019**

	<u>Special Revenue</u>		
	<u>Grants</u>	<u>Special Districts</u>	<u>Other Special Revenue</u>
<b>Revenues</b>			
Property taxes	\$ -	\$ 2,924,018	\$ -
Intergovernmental	1,941,638	-	35,000
Charges for services	-	-	867,884
Fines and forfeitures	-	-	415,564
Gifts and donations	-	-	114,655
Investment earnings	5,530	-	77,640
Total revenues	<u>1,947,168</u>	<u>2,924,018</u>	<u>1,510,743</u>
<b>Expenditures</b>			
Current:			
General government:			
Management and policy	516,419	-	70,134
Court	-	-	393,843
Public safety:			
Police	254,680	-	771,010
Fire	39,991	-	42,667
Highways and streets	-	1,823,259	-
Parks and recreation	-	997,573	12,423
Transportation	887,577	-	-
Non departmental	-	-	49,884
Capital outlay	71,330	-	-
Total expenditures	<u>1,769,997</u>	<u>2,820,832</u>	<u>1,339,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>177,171</u>	<u>103,186</u>	<u>170,782</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	139,494
Transfers out	(415,078)	-	(30,080)
Total other financing sources (uses)	<u>(415,078)</u>	<u>-</u>	<u>109,414</u>
<b>Net change in fund balances</b>	(237,907)	103,186	280,196
<b>Fund balances at beginning of year (as restated, see Note 3)</b>	664,263	484,454	1,731,786
<b>Fund balances (deficits) at end of year</b>	<u>\$ 426,356</u>	<u>\$ 587,640</u>	<u>\$ 2,011,982</u>

<u>Capital Projects</u>	
<u>Other Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 2,924,018
-	1,976,638
-	867,884
-	415,564
-	114,655
-	83,170
-	<u>6,381,929</u>
-	586,553
-	393,843
-	1,025,690
-	82,658
-	1,823,259
-	1,009,996
-	887,577
-	49,884
16,385,620	16,456,950
<u>16,385,620</u>	<u>22,316,410</u>
<u>(16,385,620)</u>	<u>(15,934,481)</u>
14,879,332	15,018,826
(21,695)	(466,853)
<u>14,857,637</u>	<u>14,551,973</u>
(1,527,983)	(1,382,508)
-	2,880,503
<u>\$ (1,527,983)</u>	<u>\$ 1,497,995</u>



**BUDGETARY COMPARISON SCHEDULES**

**TOWN OF GILBERT, ARIZONA**  
**Grants Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 8,271,780	\$ 8,271,780	\$ 1,941,638	\$ (6,330,142)
Investment earnings	-	-	5,530	5,530
Total revenues	<u>8,271,780</u>	<u>8,271,780</u>	<u>1,947,168</u>	<u>(6,324,612)</u>
<b>Expenditures</b>				
Current:				
General government:				
Management and policy	806,000	952,142	516,419	435,723
Court	2,100	2,100	-	2,100
Public safety:				
Police	141,590	324,203	254,680	69,523
Fire	-	49,904	39,991	9,913
Parks and recreation	20,000	20,000	-	20,000
Transportation	887,430	1,067,730	887,577	180,153
Contingency	5,000,000	4,574,252	-	4,574,252
Capital outlay	-	38,168	71,330	(33,162)
Total expenditures	<u>6,857,120</u>	<u>7,028,499</u>	<u>1,769,997</u>	<u>5,258,502</u>
Excess (deficiency) of revenues over expenditures	<u>1,414,660</u>	<u>1,243,281</u>	<u>177,171</u>	<u>(1,066,110)</u>
<b>Other financing uses</b>				
Transfers out	(1,756,270)	(2,056,270)	(415,078)	1,641,192
Total other financing uses	<u>(1,756,270)</u>	<u>(2,056,270)</u>	<u>(415,078)</u>	<u>1,641,192</u>
<b>Net change in fund balances</b>	<u>\$ (341,610)</u>	<u>\$ (812,989)</u>	<u>(237,907)</u>	<u>\$ 575,082</u>
<b>Fund balances at beginning of year (as restated, see Note 3)</b>			664,263	
<b>Fund balances at end of year</b>			<u>\$ 426,356</u>	

**TOWN OF GILBERT, ARIZONA**  
**Special Districts Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 2,918,230	\$ 2,918,230	\$ 2,924,018	\$ 5,788
Total revenues	<u>2,918,230</u>	<u>2,918,230</u>	<u>2,924,018</u>	<u>5,788</u>
<b>Expenditures</b>				
Current:				
Highways and streets	2,029,600	2,029,600	1,823,259	206,341
Parks and recreation	1,168,300	1,168,300	997,573	170,727
Total expenditures	<u>3,197,900</u>	<u>3,197,900</u>	<u>2,820,832</u>	<u>377,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(279,670)</u>	<u>(279,670)</u>	103,186	<u>382,856</u>
<b>Net change in fund balances</b>	<u>\$ (279,670)</u>	<u>\$ (279,670)</u>	103,186	<u>\$ 382,856</u>
<b>Fund balances at beginning of year (as restated, see Note 3)</b>			<u>484,454</u>	
<b>Fund balances at end of year</b>			<u>\$ 587,640</u>	



**TOWN OF GILBERT, ARIZONA**  
**Other Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Charges for services	1,480,730	1,480,730	867,884	(612,846)
Fines and forfeitures	484,000	484,000	415,564	(68,436)
Gifts and donations	116,390	116,390	114,655	(1,735)
Investment earnings	-	-	77,640	77,640
Total revenues	<u>2,116,120</u>	<u>2,116,120</u>	<u>1,510,743</u>	<u>(605,377)</u>
<b>Expenditures</b>				
Current:				
General government:				
Management and policy	134,460	134,460	70,134	64,326
Court	571,270	581,120	393,843	187,277
Public safety:				
Police	1,801,660	1,970,270	771,010	1,199,260
Fire	112,150	112,150	42,667	69,483
Parks and recreation	25,000	25,000	12,423	12,577
Non departmental	49,890	49,890	49,884	6
Total expenditures	<u>2,694,430</u>	<u>2,872,890</u>	<u>1,339,961</u>	<u>1,532,929</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(578,310)</u>	<u>(756,770)</u>	<u>170,782</u>	<u>927,552</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	439,500	139,494	(300,006)
Transfers out	(95,000)	(95,040)	(30,080)	64,960
Total other financing sources (uses)	<u>(95,000)</u>	<u>344,460</u>	<u>109,414</u>	<u>(235,046)</u>
<b>Net change in fund balances</b>	<u>\$ (673,310)</u>	<u>\$ (412,310)</u>	<u>280,196</u>	<u>\$ 692,506</u>
<b>Fund balances at beginning of year (as restated, see Note 3)</b>			<u>1,731,786</u>	
<b>Fund balances at end of year</b>			<u>\$ 2,011,982</u>	

**TOWN OF GILBERT, ARIZONA**  
**Other Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Capital outlay	24,939,840	18,515,575	16,385,620	2,129,955
Contingency	-	6,877,454	-	6,877,454
Total expenditures	<u>24,939,840</u>	<u>25,393,029</u>	<u>16,385,620</u>	<u>9,007,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,939,840)</u>	<u>(25,393,029)</u>	<u>(16,385,620)</u>	<u>9,007,409</u>
<b>Other financing sources (uses)</b>				
Transfers in	24,939,840	24,939,840	14,879,332	(10,060,508)
Transfers out	-	-	(21,695)	(21,695)
Total other financing sources (uses)	<u>24,939,840</u>	<u>24,939,840</u>	<u>14,857,637</u>	<u>(10,082,203)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ (453,189)</u>	<u>(1,527,983)</u>	<u>\$ (1,074,794)</u>
<b>Fund balances at beginning of year</b>			-	
<b>Fund balances at end of year</b>			<u>\$ (1,527,983)</u>	

**TOWN OF GILBERT, ARIZONA**  
**General Debt Service Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 23,250,000	\$ 23,250,000	\$ 22,295,654	\$ (954,346)
Investment earnings	100,000	100,000	414,532	314,532
Total revenues	<u>23,350,000</u>	<u>23,350,000</u>	<u>22,710,186</u>	<u>(639,814)</u>
<b>Expenditures</b>				
Debt service:				
Principal	32,640,000	33,640,000	33,640,000	-
Interest	12,008,040	11,008,040	10,978,031	30,009
Fiscal and other charges	44,500	46,750	22,551	24,199
Total expenditures	<u>44,692,540</u>	<u>44,694,790</u>	<u>44,640,582</u>	<u>54,208</u>
Deficiency of revenues under expenditures	<u>(21,342,540)</u>	<u>(21,344,790)</u>	<u>(21,930,396)</u>	<u>(585,606)</u>
<b>Other financing sources</b>				
Transfers in	21,536,930	21,912,640	20,205,988	(1,706,652)
Total other financing sources	<u>21,536,930</u>	<u>21,912,640</u>	<u>20,205,988</u>	<u>(1,706,652)</u>
<b>Net change in fund balances</b>	<u>\$ 194,390</u>	<u>\$ 567,850</u>	<u>(1,724,408)</u>	<u>\$ (2,292,258)</u>
<b>Fund balances at beginning of year</b>			<u>6,020,480</u>	
<b>Fund balances at end of year</b>			<u>\$ 4,296,072</u>	

**TOWN OF GILBERT, ARIZONA**  
**Special Assessments Debt Service Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Special assessments	\$ 6,411,280	\$ 6,411,280	\$ 818,092	\$ (5,593,188)
Charges for services	-	-	3,620	3,620
Investment earnings	-	-	3,444	3,444
Total revenues	<u>6,411,280</u>	<u>6,411,280</u>	<u>825,156</u>	<u>(5,586,124)</u>
<b>Expenditures</b>				
Debt service:				
Principal	6,105,000	6,105,000	550,000	5,555,000
Interest	281,280	281,280	264,095	17,185
Fiscal and other charges	25,000	26,000	12,125	13,875
Total expenditures	<u>6,411,280</u>	<u>6,412,280</u>	<u>826,220</u>	<u>5,586,060</u>
Deficiency of revenues under expenditures	-	(1,000)	(1,064)	(64)
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ (1,000)</u>	(1,064)	<u>\$ (11,172,184)</u>
<b>Fund balances at beginning of year</b>			<u>75,459</u>	
<b>Fund balances at end of year</b>			<u>\$ 74,395</u>	

**TOWN OF GILBERT, ARIZONA**  
**Streets and Traffic Capital Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 15,809,740	\$ 15,809,740	\$ 574,383	\$ (15,235,357)
System development fees	2,000,000	2,000,000	2,239,233	239,233
Investment earnings	15,000	15,000	3,002,677	2,987,677
Miscellaneous	-	-	20,488	20,488
Total revenues	<u>17,824,740</u>	<u>17,824,740</u>	<u>5,836,781</u>	<u>(11,987,959)</u>
<b>Expenditures</b>				
Current:				
Highways and streets	140,270	24,828	-	24,828
Non departmental	4,400	5,385	905	4,480
Capital outlay	233,495,240	183,321,899	20,077,548	163,244,351
Contingency	-	24,212,264	-	24,212,264
Total expenditures	<u>233,639,910</u>	<u>207,564,376</u>	<u>20,078,453</u>	<u>187,485,923</u>
Deficiency of revenues under expenditures	<u>(215,815,170)</u>	<u>(189,739,636)</u>	<u>(14,241,672)</u>	<u>175,497,964</u>
<b>Other financing source (uses)</b>				
General obligation bonds issued	100,000,000	100,000,000	-	(100,000,000)
Transfers in	27,330,970	27,330,970	6,848,246	(20,482,724)
Transfers out	(70,621,370)	(70,621,370)	(3,708,651)	66,912,719
Total other financing sources (uses)	<u>56,709,600</u>	<u>56,709,600</u>	<u>3,139,595</u>	<u>(53,570,005)</u>
<b>Net change in fund balances</b>	<u>\$ (159,105,570)</u>	<u>\$ (133,030,036)</u>	<u>(11,102,077)</u>	<u>\$ 121,927,959</u>
<b>Fund balances at beginning of year (as restated, see Note 3)</b>			86,099,998	
<b>Fund balances at end of year</b>			<u>\$ 74,997,921</u>	

**TOWN OF GILBERT, ARIZONA**  
**Parks Capital Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>(Negative)</u>
<b>Revenues</b>				
System development fees	\$ 7,000,000	\$ 7,000,000	\$ 9,632,004	\$ 2,632,004
Investment earnings	65,000	65,000	1,100,228	1,035,228
Total revenues	<u>7,065,000</u>	<u>7,065,000</u>	<u>10,732,232</u>	<u>3,667,232</u>
<b>Expenditures</b>				
Current:				
Parks and recreation	11,544,290	11,013,676	10,644,615	369,061
Non departmental	4,400	12,253	7,215	5,038
Capital outlay	43,826,220	40,693,293	20,936,944	19,756,349
Contingency	-	7,042,101	-	7,042,101
Total expenditures	<u>55,374,910</u>	<u>58,761,323</u>	<u>31,588,774</u>	<u>27,172,549</u>
Deficiency of revenues under expenditures	<u>(48,309,910)</u>	<u>(51,696,323)</u>	<u>(20,856,542)</u>	<u>30,839,781</u>
<b>Other financing sources (uses)</b>				
Proceeds from the sale of capital assets	24,000,000	24,000,000	-	(24,000,000)
Transfers in	55,370,510	55,370,510	12,080,828	(43,289,682)
Transfers out	(43,317,360)	(43,323,480)	(4,941,482)	38,381,998
Total other financing sources (uses)	<u>36,053,150</u>	<u>36,047,030</u>	<u>7,139,346</u>	<u>(28,907,684)</u>
<b>Net change in fund balances</b>	<u>\$ (12,256,760)</u>	<u>\$ (15,649,293)</u>	<u>(13,717,196)</u>	<u>\$ 1,932,097</u>
<b>Fund balances at beginning of year (as restated, see Note 3)</b>			<u>30,415,320</u>	
<b>Fund balances - ending</b>			<u>\$ 16,698,124</u>	

**TOWN OF GILBERT, ARIZONA**  
**Municipal Facilities Capital Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
System development fees	\$ 8,000,000	\$ 8,000,000	\$ 10,095,197	\$ 2,095,197
Investment earnings	-	-	191,825	191,825
Total revenues	<u>8,000,000</u>	<u>8,000,000</u>	<u>10,287,022</u>	<u>2,287,022</u>
<b>Expenditures</b>				
Current:				
Public safety:				
Police	371,360	371,360	259,105	112,255
Non departmental	200,200	705,325	282,781	422,544
Capital outlay	17,419,460	17,592,207	9,667,150	7,925,057
Contingency	-	4,181,258	-	4,181,258
Total expenditures	<u>17,991,020</u>	<u>22,850,150</u>	<u>10,209,036</u>	<u>12,641,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,991,020)</u>	<u>(14,850,150)</u>	<u>77,986</u>	<u>14,928,136</u>
<b>Other financing sources (uses)</b>				
Transfers in	16,832,760	16,832,760	7,740,960	(9,091,800)
Transfers out	(5,915,030)	(6,066,660)	(5,826,574)	240,086
Total other financing sources (uses)	<u>10,917,730</u>	<u>10,766,100</u>	<u>1,914,386</u>	<u>(8,851,714)</u>
<b>Net change in fund balances</b>	<u>\$ 926,710</u>	<u>\$ (4,084,050)</u>	<u>1,992,372</u>	<u>\$ 6,076,422</u>
<b>Fund balances at beginning of year (as restated, see Note 3)</b>			<u>(14,091,581)</u>	
<b>Fund balances - ending</b>			<u>\$ (12,099,209)</u>	

**TOWN OF GILBERT, ARIZONA**  
**Water Enterprise Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position -**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
Charges for services	\$ 46,185,000	\$ 46,185,000	\$ 45,508,286	\$ (676,714)
Other	175,000	175,000	260,277	85,277
Total operating revenues	<u>46,360,000</u>	<u>46,360,000</u>	<u>45,768,563</u>	<u>(591,437)</u>
<b>Operating expenses</b>				
General and administrative	2,524,210	2,161,662	1,387,515	774,147
Personnel services	9,617,420	9,619,920	9,676,591	(56,671)
Operation and maintenance	18,241,240	18,977,498	16,937,248	2,040,250
Capital outlay	131,813,870	117,867,301	47,943,372	69,923,929
Allocation of indirect expenses	2,079,340	2,079,340	2,079,340	-
Debt service:				
Principal	5,285,000	5,285,000	5,285,000	-
Contingency	1,801,220	38,466,406	-	38,466,406
Total operating expenses	<u>171,362,300</u>	<u>194,457,127</u>	<u>83,309,066</u>	<u>111,148,061</u>
<b>Operating loss</b>	<u>(125,002,300)</u>	<u>(148,097,127)</u>	<u>(37,540,503)</u>	<u>110,556,624</u>
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental	4,954,000	4,954,000	1,719,627	(3,234,373)
Interest expense	(4,709,630)	(4,709,630)	(3,558,897)	1,150,733
Investment earnings	620,000	620,000	5,664,806	5,044,806
Gain on sale of capital assets	-	-	30,657	30,657
Total nonoperating revenues (expenses)	<u>864,370</u>	<u>864,370</u>	<u>3,856,193</u>	<u>2,991,823</u>
Loss before contributions and transfers	<u>(124,137,930)</u>	<u>(147,232,757)</u>	<u>(33,684,310)</u>	<u>113,548,447</u>
Capital contributions	12,100,000	12,100,000	12,552,947	452,947
Transfers in	950,980	950,980	484,207	(466,773)
Transfers out	<u>(4,714,700)</u>	<u>(4,994,000)</u>	<u>(1,276,830)</u>	<u>3,717,170</u>
<b>Change in net position</b>	<u>\$ (115,801,650)</u>	<u>\$ (139,175,777)</u>	<u>(21,923,986)</u>	<u>\$ 117,251,791</u>

Explanation of difference between budgetary change in net position at June 30, 2019, and GAAP change in net position:

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

Add compensated absences 6/30/18	1,317,261
Less compensated absences 6/30/19	(1,118,128)
Add post-employment benefits 6/30/18	144,091
Less post-employment benefits 6/30/19	(51,142)
Add net pension liability 6/30/18	10,437,855
Less net pension liability 6/30/19	(9,534,793)
Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.	47,943,372
Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis.	5,285,000
Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis.	5,708,331
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(14,958,540)
Change in net position as reported on the statement of revenues, expenses and changes in fund net position	<u>\$ 23,249,321</u>



**TOWN OF GILBERT, ARIZONA**  
**Wastewater Enterprise Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position -**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
Charges for services	\$ 28,310,000	\$ 28,310,000	\$ 28,686,043	\$ 376,043
Other	-	-	11,205	11,205
Total operating revenues	<u>28,310,000</u>	<u>28,310,000</u>	<u>28,697,248</u>	<u>387,248</u>
<b>Operating expenses</b>				
General and administrative	5,464,310	1,732,569	768,218	964,351
Personnel services	4,321,270	4,328,430	4,215,252	113,178
Operation and maintenance	7,370,390	11,627,799	10,611,568	1,016,231
Capital outlay	121,892,040	110,937,586	38,718,612	72,218,974
Allocation of indirect expenses	1,011,350	1,011,350	1,011,350	-
Debt service:				
Principal	1,990,000	1,940,000	1,940,000	-
Contingency	2,365,830	12,147,258	-	12,147,258
Total operating expenses	<u>144,415,190</u>	<u>143,724,992</u>	<u>57,265,000</u>	<u>86,459,992</u>
<b>Operating loss</b>	<u>(116,105,190)</u>	<u>(115,414,992)</u>	<u>(28,567,752)</u>	<u>86,847,240</u>
<b>Nonoperating revenues (expenses)</b>				
Interest expense	(1,624,400)	(1,687,400)	(1,337,525)	349,875
Investment earnings	222,000	222,000	4,995,765	4,773,765
Gain on sale of capital assets	-	-	12,025	12,025
Total nonoperating revenues (expenses)	<u>(1,402,400)</u>	<u>(1,465,400)</u>	<u>3,670,265</u>	<u>5,135,665</u>
Loss before contributions and transfers	(117,507,590)	(116,880,392)	(24,897,487)	91,982,905
Capital contributions	6,150,000	6,150,000	5,647,165	(502,835)
Transfers in	3,713,930	3,993,230	1,199,293	(2,793,937)
Transfers out	(1,529,920)	(1,566,420)	(161,222)	1,405,198
<b>Change in net position</b>	<u>\$ (109,173,580)</u>	<u>\$ (108,303,582)</u>	<u>\$ (18,212,251)</u>	<u>\$ 90,091,331</u>

Explanation of difference between budgetary change in net position at June 30, 2019, and GAAP change in net position:

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

Add compensated absences 6/30/18	574,341
Less compensated absences 6/30/19	(572,723)
Add post-employment benefits 6/30/18	47,897
Less post-employment benefits 6/30/19	(17,237)
Add net pension liability 6/30/18	3,853,672
Less net pension liability 6/30/19	(3,080,712)
Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.	38,718,612
Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis.	1,940,000
Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis.	2,010,369
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(10,787,106)
Change in net position as reported on the statement of revenues, expenses and changes in fund net position	<u>\$ 14,474,862</u>

**TOWN OF GILBERT, ARIZONA**  
**Environmental Services Enterprise Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position -**  
**Budget and Actual - Budgetary Basis**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
Charges for services	\$ 17,318,000	\$ 17,318,000	\$ 20,632,800	\$ 3,314,800
Other	2,676,000	2,676,000	94,339	(2,581,661)
Total operating revenues	<u>19,994,000</u>	<u>19,994,000</u>	<u>20,727,139</u>	<u>733,139</u>
<b>Operating expenses</b>				
General and administrative	884,800	1,065,810	1,368,992	(303,182)
Personnel services	7,983,340	7,925,140	7,805,758	119,382
Operation and maintenance	7,369,470	8,188,187	7,907,920	280,267
Capital outlay	7,324,320	7,308,022	4,309,900	2,998,122
Allocation of indirect expenses	1,004,610	1,004,610	1,004,610	-
Contingency	2,059,300	1,070,180	-	1,070,180
Total operating expenses	<u>26,625,840</u>	<u>26,561,949</u>	<u>22,397,180</u>	<u>4,164,769</u>
<b>Operating loss</b>	<u>(6,631,840)</u>	<u>(6,567,949)</u>	<u>(1,670,041)</u>	<u>4,897,908</u>
<b>Nonoperating revenues</b>				
Intergovernmental	-	-	537,673	537,673
Investment earnings	150,000	150,000	833,171	683,171
Gain on sale of capital assets	150,000	150,000	140,396	(9,604)
Total nonoperating revenues	<u>300,000</u>	<u>300,000</u>	<u>1,511,240</u>	<u>1,211,240</u>
Loss before contributions and transfers	(6,331,840)	(6,267,949)	(158,801)	6,109,148
Transfers out	-	-	(3,716)	(3,716)
<b>Change in net position</b>	<u>\$ (6,331,840)</u>	<u>\$ (6,267,949)</u>	<u>(162,517)</u>	<u>\$ 6,105,432</u>

Explanation of difference between budgetary change in net position at June 30, 2019, and GAAP change in net position:

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

Add compensated absences 6/30/18	745,844
Less compensated absences 6/30/19	(715,394)
Add post-employment benefits 6/30/18	108,272
Less post-employment benefits 6/30/19	(37,269)
Add net pension liability 6/30/18	6,537,511
Less net pension liability 6/30/19	(6,148,768)
Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.	4,309,900
Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis.	575,220
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(4,305,949)
Change in net position as reported on the statement of revenues, expenses and changes in fund net position	<u>\$ 906,850</u>



## 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**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2019**

	<u>Equipment Maintenance</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Pooled cash and investments	\$ 506,519	\$ 8,298,297	\$ 8,804,816
Receivables (net):			
Accrued interest	2,560	33,050	35,610
Accounts	89,066	790,500	879,566
Inventories	845,043	-	845,043
Total current assets	<u>1,443,188</u>	<u>9,121,847</u>	<u>10,565,035</u>
Noncurrent assets:			
Other post employment benefits	5,395	-	5,395
Capital assets:			
Depreciable, net	59,785	-	59,785
Total noncurrent assets	<u>65,180</u>	<u>-</u>	<u>65,180</u>
Total assets	<u>1,508,368</u>	<u>9,121,847</u>	<u>10,630,215</u>
<b>Deferred outflows of resources</b>			
Pensions and other post-employment benefits	349,384	-	349,384
Total deferred outflows of resources	<u>349,384</u>	<u>-</u>	<u>349,384</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	278,189	2,274	280,463
Accrued liabilities	83,178	-	83,178
Current portion of accrued compensated absences	78,584	-	78,584
Claims payable	-	1,700,000	1,700,000
Total current liabilities	<u>439,951</u>	<u>1,702,274</u>	<u>2,142,225</u>
Noncurrent liabilities:			
Long-term portion of compensated absences	133,276	-	133,276
Other post-employment benefits	15,572	-	15,572
Net pension liability	2,044,993	-	2,044,993
Total noncurrent liabilities	<u>2,193,841</u>	<u>-</u>	<u>2,193,841</u>
Total liabilities	<u>2,633,792</u>	<u>1,702,274</u>	<u>4,336,066</u>
<b>Deferred inflows of resources</b>			
Pensions and other post-employment benefits	301,954	-	301,954
Total deferred inflows of resources	<u>301,954</u>	<u>-</u>	<u>301,954</u>
<b>Net position</b>			
Net investment in capital assets	59,785	-	59,785
Unrestricted	(1,137,779)	7,419,573	6,281,794
Total net position	<u>\$ (1,077,994)</u>	<u>\$ 7,419,573</u>	<u>\$ 6,341,579</u>

**TOWN OF GILBERT, ARIZONA**  
**Combining Statement of Revenues, Expenditures, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2019**

	<u>Equipment Maintenance</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 7,228,167	\$ 18,676,867	\$ 25,905,034
Other	23,109	761,660	784,769
Total operating revenues	<u>7,251,276</u>	<u>19,438,527</u>	<u>26,689,803</u>
<b>Operating expenses</b>			
General and administrative	74,880	1,538,830	1,613,710
Personnel services	2,092,826	-	2,092,826
Operation and maintenance	5,037,392	-	5,037,392
Claims incurred	-	15,279,349	15,279,349
Depreciation	14,626	-	14,626
Total operating expenses	<u>7,219,724</u>	<u>16,818,179</u>	<u>24,037,903</u>
<b>Operating income</b>	<u>31,552</u>	<u>2,620,348</u>	<u>2,651,900</u>
<b>Nonoperating revenues</b>			
Investment earnings	20,126	242,746	262,872
Total nonoperating revenues	<u>20,126</u>	<u>242,746</u>	<u>262,872</u>
Transfers out	<u>(3,366)</u>	<u>-</u>	<u>(3,366)</u>
<b>Change in net position</b>	48,312	2,863,094	2,911,406
<b>Total net position, beginning of year</b>	<u>(1,126,306)</u>	<u>4,556,479</u>	<u>3,430,173</u>
<b>Total net position, end of year</b>	<u>\$ (1,077,994)</u>	<u>\$ 7,419,573</u>	<u>\$ 6,341,579</u>

**TOWN OF GILBERT, ARIZONA**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2019**

	<b>Equipment Maintenance</b>	<b>Employee Benefit Self- Insurance</b>	<b>Total</b>
Cash flows from operating activities:			
Other operating cash receipts	\$ 23,109	\$ 761,660	\$ 784,769
Cash receipts from other funds and/or employees for services	6,722,927	17,908,174	24,631,101
Cash receipts from customers	475,992	-	475,992
Cash payments to suppliers for goods and services	(5,344,495)	(16,630,675)	(21,975,170)
Cash payments to employees for services	(2,067,940)	-	(2,067,940)
Net cash provided (used) by operating activities	<u>(190,407)</u>	<u>2,039,159</u>	<u>1,848,752</u>
Cash flows from noncapital financing activities			
Transfers to other funds	(3,366)	-	(3,366)
Net cash used by noncapital financing activities	<u>(3,366)</u>	<u>-</u>	<u>(3,366)</u>
Cash flows from investing activities			
Interest received on investments	17,566	231,536	249,102
Net cash provided by investing activities	<u>17,566</u>	<u>231,536</u>	<u>249,102</u>
Net increase (decrease) in cash and cash equivalents	(176,207)	2,270,695	2,094,488
Cash and cash equivalents at beginning of year	682,726	6,027,602	6,710,328
Cash and cash equivalents at end of the year	<u>\$ 506,519</u>	<u>\$ 8,298,297</u>	<u>\$ 8,804,816</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating Income	\$ 31,552	\$ 2,620,348	\$ 2,651,900
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	14,626	-	14,626
Changes in assets and liabilities:			
Accounts receivable	(29,248)	(768,693)	(797,941)
Inventories	(153,892)	-	(153,892)
Deferred outflows of resources	(88,335)	-	(88,335)
Accounts payable	(78,331)	1,504	(76,827)
Claims payable	-	186,000	186,000
Accrued expenses	(1,311)	-	(1,311)
Other post-employment benefits	(18,641)	-	(18,641)
Net pension liability	(42,881)	-	(42,881)
Deferred inflows of resources	176,054	-	176,054
Net cash provided (used) by operating activities	<u>\$ (190,407)</u>	<u>\$ 2,039,159</u>	<u>\$ 1,848,752</u>

**TOWN OF GILBERT, ARIZONA**  
**Equipment Maintenance Fund**  
**Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
Charges for services	\$ 7,236,000	\$ 7,236,000	\$ 7,228,167	\$ (7,833)
Other	3,000	3,000	23,109	20,109
Total operating revenues	<u>7,239,000</u>	<u>7,239,000</u>	<u>7,251,276</u>	<u>12,276</u>
<b>Operating expenses</b>				
General and administrative	78,050	97,350	74,880	22,470
Personnel services	2,044,860	2,084,860	2,171,053	(86,193)
Operation and maintenance	5,534,850	5,515,550	5,037,392	478,158
Capital outlay	200,000	200,000	-	200,000
Contingency	400,000	350,711	-	350,711
Total operating expenses	<u>8,257,760</u>	<u>8,248,471</u>	<u>7,283,325</u>	<u>965,146</u>
<b>Operating loss</b>	<u>(1,018,760)</u>	<u>(1,009,471)</u>	<u>(32,049)</u>	<u>977,422</u>
<b>Nonoperating revenues</b>				
Investment earnings	-	-	20,126	20,126
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>20,126</u>	<u>20,126</u>
Loss before contributions and transfers	(1,018,760)	(1,009,471)	(11,923)	997,548
Transfers out	-	-	(3,366)	(3,366)
<b>Change in net position</b>	<u>\$ (1,018,760)</u>	<u>\$ (1,009,471)</u>	<u>(15,289)</u>	<u>\$ 994,182</u>

Explanation of difference between budgetary change in net position at June 30, 2019,  
and GAAP change in net position:

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

Add compensated absences 6/30/18	228,565
Less compensated absences 6/30/19	(211,860)
Add post-employment benefits 6/30/18	28,818
Less post-employment benefits 6/30/19	(10,177)
Add net pension liability 6/30/18	2,087,874
Less net pension liability 6/30/19	(2,044,993)

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

(14,626)

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

\$ 48,312



**TOWN OF GILBERT, ARIZONA**  
**Employee Benefit Self-Insurance Fund**  
**Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
Charges for services	\$ 17,995,000	\$ 17,995,000	\$ 18,676,867	\$ 681,867
Other	30,000	30,000	761,660	731,660
Total operating revenues	<u>18,025,000</u>	<u>18,025,000</u>	<u>19,438,527</u>	<u>1,413,527</u>
<b>Operating expenses</b>				
General and administrative	1,598,060	1,598,060	1,538,830	59,230
Claims incurred	16,760,500	16,710,370	15,279,349	1,431,021
Capital outlay	-	50,130	-	50,130
Total operating expenses	<u>18,358,560</u>	<u>18,358,560</u>	<u>16,818,179</u>	<u>1,540,381</u>
<b>Operating income (loss)</b>	<u>(333,560)</u>	<u>(333,560)</u>	<u>2,620,348</u>	<u>2,953,908</u>
<b>Nonoperating revenues</b>				
Investment earnings	32,000	32,000	242,746	210,746
Total nonoperating revenues	<u>32,000</u>	<u>32,000</u>	<u>242,746</u>	<u>210,746</u>
<b>Change in net position</b>	<u>\$ (301,560)</u>	<u>\$ (301,560)</u>	<u>\$ 2,863,094</u>	<u>\$ 3,164,654</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, 2019**

<b>Flexible Spending</b>	Beginning Balance	Additions	Deductions	Ending Balance
<u>Assets</u>				
Restricted cash and investments	\$ 23,484	\$ 515,030	\$ 518,580	\$ 19,934
Prepaid items	<u>6,062</u>	<u>521,672</u>	<u>511,101</u>	<u>16,633</u>
Total assets	<u>\$ 29,546</u>	<u>\$ 1,036,702</u>	<u>\$ 1,029,681</u>	<u>\$ 36,567</u>
<u>Liabilities</u>				
Dependent care benefits payable	<u>\$ 29,546</u>	<u>\$ 118,087</u>	<u>\$ 111,066</u>	<u>\$ 36,567</u>
Total liabilities	<u>\$ 29,546</u>	<u>\$ 118,087</u>	<u>\$ 111,066</u>	<u>\$ 36,567</u>
 <b>Fire Retirement Health Fund</b>				
<u>Assets</u>				
Restricted cash and investments	\$ -	\$ 64,825	\$ 64,825	\$ -
Total assets	<u>\$ -</u>	<u>\$ 64,825</u>	<u>\$ 64,825</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable	-	44,525	44,525	-
Other deposits	<u>\$ -</u>	<u>\$ 67,325</u>	<u>\$ 67,325</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ 111,850</u>	<u>\$ 111,850</u>	<u>\$ -</u>
 <b>Total-All Agency Funds</b>				
<u>Assets</u>				
Restricted cash and investments	\$ 23,484	\$ 579,855	\$ 583,405	\$ 19,934
Prepaid items	<u>6,062</u>	<u>521,672</u>	<u>511,101</u>	<u>16,633</u>
Total assets	<u>\$ 29,546</u>	<u>\$ 1,101,527</u>	<u>\$ 1,094,506</u>	<u>\$ 36,567</u>
<u>Liabilities</u>				
Accounts payable	\$ -	44,525	44,525	-
Other deposits	-	\$ 67,325	\$ 67,325	\$ -
Dependent care benefits payable	<u>29,546</u>	<u>118,087</u>	<u>111,066</u>	<u>36,567</u>
Total liabilities	<u>\$ 29,546</u>	<u>\$ 229,937</u>	<u>\$ 222,916</u>	<u>\$ 36,567</u>

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	125
<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	131
<i>These schedules contain information to help the reader assess Gilbert's most significant local revenue source, sales tax.</i>	
Debt Capacity	134
<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	139
<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	141
<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	144

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



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

	<u>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>2019</u>
Governmental activities										
Net investment in capital assets	\$ 707,100	\$ 705,986	\$ 695,983	\$ 687,910	\$ 680,717	\$ 688,900	\$ 735,369	\$ 753,973	\$ 790,285	\$ 792,864
Restricted	43,766	38,404	52,219	60,525	80,924	82,546	83,227	72,780	76,701	87,450
Unrestricted	66,030	77,284	83,273	107,172	92,357	30,276	49,960	60,983	45,964	67,904
Total governmental activities net position	<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>	<u>\$ 948,218</u>
Business-type activities										
Net investment in capital assets	\$ 276,059	\$ 294,516	\$ 316,268	\$ 325,357	\$ 351,797	\$ 363,333	\$ 411,831	\$ 399,537	\$ 392,632	\$ 462,857
Restricted	86,943	76,504	71,376	70,879	65,577	54,084	34,054	42,814	34,499	30,972
Unrestricted	195,803	209,680	236,097	263,978	281,391	290,870	304,198	342,616	389,336	379,636
Total business-type activities net position	<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>	<u>\$ 873,465</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 1,255,721
Restricted	130,709	114,908	123,595	131,404	146,501	136,630	117,281	115,594	111,200	118,422
Unrestricted	261,833	286,964	319,370	371,150	373,748	321,146	354,158	403,598	435,299	447,540
Total primary government net position	<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>	<u>\$ 1,821,683</u>

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

	<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>2019</u>
<b>Expenses</b>										
Governmental activities:										
General government:										
Management and policy	\$ 2,831	\$ 3,110	\$ 2,983	\$ 10,461	\$ 13,378	\$ 19,090	\$ 20,049	\$ 19,454	\$ 19,176	\$ 24,948
Support services	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	1,883
Court	5,937	5,126	5,410	5,474	5,975	4,053	4,164	4,300	4,078	3,898
Development services	10,085	8,201	8,551	6,850	9,062	7,082	7,611	9,400	10,312	9,449
Public works	2,782	-	-	-	-	-	-	-	-	-
Public safety:										
Police	41,328	38,869	40,467	42,759	45,931	47,541	50,115	63,151	54,117	55,328
Fire	22,871	24,473	24,906	25,867	28,853	28,071	31,972	42,513	34,969	35,263
Highways and streets	36,906	40,440	43,438	44,048	45,781	46,932	48,726	51,931	52,545	54,632
Parks and recreation	19,826	19,764	19,932	20,858	22,493	28,429	25,647	25,202	29,985	35,840
Transportation	1,170	1,010	1,269	461	842	778	1,051	1,132	1,151	886
Non departmental	-	2,194	2,910	3,114	4,104	4,423	5,311	13,690	7,976	3,915
Interest and fiscal charges on long-term debt	18,418	17,675	15,785	15,142	15,216	12,780	12,911	10,506	10,793	9,890
Total governmental activities expenses	<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>	<u>235,933</u>
Business-type activities:										
Water	36,163	36,863	37,695	38,339	39,927	41,817	44,360	42,329	44,605	47,167
Wastewater	23,002	23,039	22,662	22,170	23,615	25,620	26,530	26,791	27,244	27,844
Environmental services	13,852	14,255	14,918	15,588	16,113	16,720	17,719	16,857	18,183	21,689
Irrigation	54	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	<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>	<u>96,700</u>
Total primary government expenses	<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>	<u>\$ 332,632</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Development services	\$ 4,027	\$ 3,178	\$ 5,347	\$ 7,240	\$ 6,783	\$ 6,608	\$ 6,826	\$ 6,900	\$ 7,227	\$ 8,318
Police	6,374	2,891	5,584	5,512	5,477	4,526	5,343	7,484	3,826	3,609
Fire	79	136	129	185	254	224	197	231	360	386
Highways and streets	1,659	1,739	1,497	1,516	1,440	1,643	1,745	1,951	1,887	16
Parks and recreation	3,735	3,740	3,595	3,706	3,765	4,146	4,366	4,603	4,700	4,355
Other activities	789	853	861	1,017	1,066	829	873	844	748	1,136
Operating grants and contributions	19,206	21,168	21,045	21,270	22,326	24,171	38,666	33,204	28,381	30,012
Capital grants and contributions	39,632	28,002	26,060	36,089	19,186	37,214	65,535	41,877	32,904	36,203
Total governmental activities program revenues	<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>	<u>84,037</u>

Business-type activities:

Charges for services:										
Water	34,601	35,966	36,692	36,455	37,867	37,501	39,457	40,696	42,868	45,508
Wastewater	21,024	21,678	22,740	23,083	23,852	24,625	25,116	26,032	26,517	28,686
Environmental services	16,567	17,194	17,924	16,760	17,308	18,007	18,141	18,270	18,437	20,633
Irrigation	25	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	1,051	953	1,184	1,720
Capital grants and contributions	22,026	18,324	37,222	34,153	36,252	29,017	43,655	34,134	30,615	27,032
Total business-type activities program revenues	<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>	<u>123,578</u>
Total primary government program revenues	<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>	<u>\$ 207,616</u>

**Net (Expense)/Revenue**

Governmental activities	\$ (95,950)	\$ (108,945)	\$ (111,381)	\$ (102,649)	\$ (135,685)	\$ (121,632)	\$ (86,115)	\$ (146,295)	\$ (147,069)	\$ (151,895)
Business-type activities	21,172	19,005	39,303	34,354	35,624	24,993	38,812	34,107	29,589	26,879
Total primary government net expense	<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>	<u>\$ (125,017)</u>

**General Revenues and Other Changes in Net Position**

Governmental activities:

Taxes:										
Sales taxes	\$ 47,119	\$ 49,249	\$ 54,513	\$ 61,813	\$ 66,757	\$ 71,773	\$ 77,070	\$ 82,797	\$ 89,497	\$ 98,648
Property taxes	30,117	25,796	21,502	19,184	18,315	19,423	19,424	20,761	21,549	25,220
In-Lieu property taxes	1,328	1,351	1,331	1,377	1,287	1,201	1,187	1,159	1,124	1,024
Franchise taxes	2,448	2,401	2,463	3,083	2,616	2,737	2,989	2,814	2,911	2,954
Unrestricted state-shared revenue	35,952	31,068	33,882	38,355	41,323	44,263	45,028	52,861	52,193	53,777
Unrestricted grants and contributions	1,235	864	1,349	1,193	904	2,595	3,204	2,400	2,444	3,036
Unrestricted investment earnings	1,301	2,137	1,910	722	1,508	1,224	2,651	859	1,549	10,153
Gain on sale of capital assets	74	-	178	-	29	106	136	154	1,333	1,466
Miscellaneous	680	355	4,744	932	1,226	847	1,162	1,224	1,352	1,153
Transfers	(346)	537	(690)	121	110	184	98	446	(64)	(242)
Total governmental activities	<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>	<u>197,189</u>

Business-type activities:

Investment earnings	739	1,012	1,244	1,061	1,742	1,457	2,666	1,009	1,894	11,494
Gain on sale of capital assets	148	164	39	-	30	172	158	92	39	183
Miscellaneous	1,544	2,216	1,765	1,179	1,266	1,310	259	121	172	366
Transfers	346	(537)	690	(121)	(110)	(184)	(98)	(446)	64	242
Total business-type activities	<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>	<u>12,284</u>
Total primary government	<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>	<u>\$ 209,473</u>

**Change in Net Position**

Governmental activities	\$ 23,958	\$ 4,813	\$ 9,801	\$ 24,131	\$ (1,609)	\$ 22,722	\$ 66,834	\$ 19,180	\$ 26,820	\$ 45,293
Business-type activities	23,949	21,860	43,041	36,473	38,552	27,748	41,796	34,883	31,758	39,163
Total primary government	<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>	<u>\$ 84,456</u>



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

<b>Function/Program</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Governmental activities:										
General government:										
Management and policy	\$ 10	\$ 15	\$ 16	\$ 36	\$ 59	\$ 962	\$ 690	\$ 991	\$ 2,235	\$ 1,830
Support services <sup>a</sup>	215	649	242	-	-	-	-	-	-	-
Finance and management services	-	9	11	251	262	27	24	20	27	7
Court	597	597	670	792	823	824	859	831	731	700
Development services	4,576	4,273	6,891	7,240	6,807	6,608	6,826	6,900	7,227	8,318
Public works <sup>a</sup>	1,005	-	-	-	-	-	-	-	-	-
Public Safety:										
Police	8,495	3,989	7,689	7,669	7,207	8,975	10,645	11,551	7,829	8,544
Fire	3,447	3,163	6,892	4,079	3,697	3,766	4,170	3,877	4,203	4,687
Highways and streets	45,193	39,324	25,634	41,280	28,218	44,497	69,791	54,059	44,943	43,133
Parks and recreation	11,649	9,422	15,314	14,475	12,461	13,012	29,861	18,190	12,158	15,035
Transportation	314	215	624	662	712	639	635	626	630	648
Non departmental	-	51	135	51	51	51	50	50	50	1,136
Subtotal governmental activities	<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>	<u>84,037</u>
Business-type activities:										
Water	47,232	46,133	56,904	55,662	57,750	55,590	68,102	61,546	64,056	65,489
Wastewater	30,419	29,835	39,735	38,029	40,220	35,552	41,178	37,232	36,232	36,344
Environmental services	16,567	17,194	17,938	16,760	17,308	18,008	18,141	21,307	19,334	21,746
Irrigation <sup>a</sup>	25	-	-	-	-	-	-	-	-	-
Subtotal business-type activities	<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>	<u>123,578</u>
Total primary government	<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>	<u>\$ 207,616</u>

<sup>a</sup> 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>2010</u>	<u>2011<sup>a</sup></u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>General fund</b>										
Reserved	\$ 21,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	33,168	-	-	-	-	-	-	-	-	-
Nonspendable	-	22,317	23,213	23,527	25,380	24,470	19,866	18,995	17,877	23,061
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	10,729	10,797	10,092	12,081	17,046	13,681	32,766	41,371	41,631
Unassigned	-	33,521	44,250	59,555	61,764	67,057	85,498	82,885	72,453	89,787
Total general fund	<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>	<u>\$ 154,479</u>
<b>All other governmental funds</b>										
Reserved	\$ 45,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	27,635	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	86,482	-	-	-	-	-	-	-	-	-
Total Unreserved	<u>114,117</u>	<u>-</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	110,470
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)	(17,424)
Total all other governmental funds	<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>	<u>\$ 93,047</u>

<sup>a</sup> GASB Statement No. 54 was implemented in fiscal year 2011. This statement established new fund balance classifications for governmental funds.

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

	<u>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>2019</u>
<b>Revenues</b>										
Taxes:										
Sales	\$ 46,873	\$ 49,315	\$ 54,503	\$ 61,890	\$ 66,772	\$ 71,794	\$ 77,108	\$ 82,980	\$ 89,516	\$ 98,671
Property	33,073	28,732	24,045	21,548	20,681	21,953	22,000	23,707	24,468	25,220
Franchise	2,448	2,401	2,463	2,374	2,700	2,737	3,389	2,814	2,911	2,954
Special assessments	437	559	879	1,299	2,090	1,184	2,233	696	958	818
Licenses and permits	2,614	2,365	3,995	5,434	4,748	4,791	4,787	4,785	4,645	5,735
Intergovernmental	72,535	55,362	61,468	72,904	68,046	76,284	77,007	87,364	84,923	86,480
Charges for services	8,795	7,288	8,164	9,573	10,027	10,440	11,147	11,161	12,151	12,816
Other entities' participation	1,234	2,313	1,300	2,252	1,977	382	1,666	2,252	1,585	4,380
System development fees	11,608	8,736	17,957	17,836	13,435	18,836	22,944	18,101	17,617	21,966
Gifts and donations	124	176	186	119	155	192	187	120	195	183
Fines and forfeitures	4,445	4,351	4,442	4,710	4,469	4,476	4,618	4,336	4,065	3,305
Investment earnings	1,286	2,106	1,889	706	1,494	1,210	2,639	836	1,523	9,890
Miscellaneous	754	355	4,947	933	1,255	953	14,797	5,683	1,796	1,153
Total revenues	<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>	<u>273,572</u>
<b>Expenditures</b>										
Current:										
General government:										
Management and policy	3,458	3,845	3,676	12,584	15,336	20,485	20,997	22,001	21,858	22,942
Support services	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	2,396
Court	5,261	4,403	4,617	4,753	5,089	3,493	3,608	3,657	3,600	3,752
Development services	9,204	7,160	7,514	5,999	6,078	6,069	6,239	7,049	7,200	7,701
Public works	1,225	-	-	-	-	-	-	-	-	-
Public safety:										
Police	37,669	35,007	36,384	38,817	41,947	43,084	44,402	54,397	53,174	58,327
Fire	20,115	20,200	21,552	22,543	24,993	25,631	28,295	32,048	35,698	35,828
Highways and streets	10,097	9,736	10,815	10,637	11,969	12,478	12,831	14,680	14,545	15,769
Parks and recreation	12,684	12,591	12,688	13,895	15,614	21,836	18,591	19,660	24,351	30,482
Transportation	1,170	1,010	1,269	461	841	774	1,046	1,135	1,151	888
Non departmental	-	2,194	2,910	3,114	4,104	4,423	5,311	13,690	7,976	3,915
Debt service:										
Principal	31,855	29,215	23,055	24,705	25,630	23,750	30,105	34,935	33,965	34,190
Interest	18,553	18,451	15,992	15,411	14,252	13,108	13,773	11,583	11,758	11,242
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	12,096	-
Bond issuance costs	-	-	402	-	-	209	-	779	408	-
Fiscal and other charges	9	20	9	13	13	307	37	9	14	35
Capital outlay	<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>	<u>71,644</u>
Total expenditures	<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>	<u>299,112</u>
Excess (deficiency) of revenues over (under) expenditures	(34,116)	(32,363)	(27)	13,562	(11,234)	(21,207)	20,581	(7,169)	(34,674)	(25,539)
<b>Other financing sources (uses)</b>										
Transfers in	26,608	25,272	25,195	25,774	45,891	23,401	21,406	23,334	29,999	63,086
Transfers out	(25,634)	(24,586)	(25,885)	(25,653)	(45,781)	(23,216)	(21,385)	(22,881)	(30,063)	(63,324)
Proceeds from sale of capital assets	-	-	-	-	590	-	-	-	1,226	1,691
Revenue obligations issued	-	-	-	-	-	36,980	-	-	-	-
Premium on revenue obligations	-	-	-	-	-	2,706	-	-	-	-
Bonds issued	-	-	37,925	-	-	28,080	-	121,670	49,525	-
Premium on bonds	-	-	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>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>	<u>1,453</u>
Net change in fund balances	<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>	<u>\$ (24,086)</u>
Debt service as a percentage of noncapital expenditures	31.2%	30.9%	25.7%	25.5%	23.4%	20.8%	23.4%	21.3%	25.1%	20.0%

**Town of Gilbert, Arizona**  
**Sales Tax Collections by Category**  
**Fiscal Years 2010 - 2016 <sup>a</sup>**

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

Source: Arizona Department of Revenue

<sup>a</sup> 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.

<sup>b</sup> 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 - 2019<sup>a</sup>**

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Accommodation	\$ 599,950	\$ 598,668	\$ 728,224
Amusement	793,681	844,634	922,856
Communications & Utilities	5,625,248	5,763,531	5,707,201
Construction Contracting	9,611,076	10,833,291	13,167,940
Maintenance, Repair, Replacement & Alteration <sup>b</sup>	89,165	-	-
Personal Property Rental	1,392,591	1,535,298	1,706,431
Publications, Advertising & Job Printing	174,054	165,942	166,146
Rental of Commercial Property/Non-Residential	4,116,417	4,435,844	4,790,946
Residential Rental	3,367,073	3,652,056	4,238,867
Restaurant & Bar	6,974,438	7,638,319	8,549,495
Retail	49,491,813	53,366,713	57,710,844
Tax License Fees	14,632	13,246	9,646
Other	730,191	668,812	972,655
<b>Total</b>	<b>\$ <u>82,980,329</u></b>	<b>\$ <u>89,516,354</u></b>	<b>\$ <u>98,671,251</u></b>
Gilbert's local sales tax rate	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

<sup>a</sup> 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 2010 - 2016 data.

<sup>b</sup> 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013<sup>a</sup></u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Town Direct Rates:										
Hotel/Transient Lodging	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.30%	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	6.50%	6.50%	6.50%	6.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
All Others	6.60%	6.60%	6.60%	6.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%

Source: Gilbert Finance & Management Services Department

<sup>a</sup> 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				
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	
2019	122,209,904	4,912,850	-	81,835,435	38,122,923	-	-	-	160,502,481	407,583,593	4.64	1,571	

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<sup>b</sup></u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Secondary Assessed Property Value<sup>a</sup></u>	<u>Limited Property Value<sup>a</sup></u>	<u>Percentage of Applicable Property Value</u>	<u>Per Capita</u>
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
2019	122,209,904	1,870,513	120,339,391	N/A	2,256,162,227	5.33	464

<sup>a</sup> Maricopa County Assessor's Office

<sup>b</sup> 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, 2019**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Maricopa County <sup>b</sup>	None	5.58%	None
Maricopa County Community College District <sup>c</sup>	\$ 312,450,000	5.58%	\$ 17,434,710
Maricopa County Special Health District	459,125,000	5.58%	25,619,175
Gilbert Unified School District No. 41	117,425,000	70.06%	82,267,955
Higley Elementary School District No. 60	103,045,000	88.66%	91,359,697
Chandler Unified School District No. 80	227,076,666	12.93%	29,361,013
Mesa Unified School District No. 4	245,505,000	0.36%	883,818
East Valley Institute of Technology District No. 401 <sup>d</sup>	None	12.55%	None
Subtotal, overlapping debt			<u>246,926,368</u>
Town of Gilbert direct debt <sup>e</sup>	247,081,112	100.00%	<u>247,081,112</u>
Total direct and overlapping debt			<u><u>\$ 494,007,479</u></u>

Source: The various jurisdictions

<sup>a</sup> Proportion applicable to Town of Gilbert, Arizona is computed on the ratio of limited property valuation for fiscal year 2018/19.

<sup>b</sup> 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.

<sup>c</sup> Excludes non-property tax supported debt such as revenue bonds.

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

<sup>e</sup> 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>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>2019</u>
<b>20% Limitation</b>										
Debt limit equal to 20% of net full cash assessed valuation	\$ 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	\$ 566,219,031
Total net debt applicable to 20% limit	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	110,445,000
Premium adjustment	-	-	-	-	-	-	-	9,675,637	9,516,726	8,090,801
Legal 20% debt margin (available borrowing capacity)	<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>	<u>\$ 447,683,230</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	41.40%	40.25%	44.14%	44.90%	42.67%	35.38%	28.52%	38.81%	26.22%	20.93%
<b>6% Limitation</b>										
Debt limit equal to 6% of net full cash assessed valuation	\$ 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	\$ 169,865,709
Total net debt applicable to 6% limit	-	-	-	-	-	-	-	-	-	-
Legal 6% debt margin (available borrowing capacity)	<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>	<u>\$ 169,865,709</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 2019**

Net full cash assessed valuation as of June 30, 2019 \$ 2,831,095,155

**20% Limitation**

Debt limit equal to 20% of net full cash assessed valuation 566,219,031

Debt applicable to limit:

General obligation bonds 110,445,000

Premium adjustment 8,090,801

Legal 20% debt margin (available borrowing capacity) \$ 447,683,230

**6% Limitation**

Debt limit equal to 6% of net full cash assessed valuation 169,865,709

Debt applicable to limit:

General obligation bonds -

Legal 6% debt margin (available borrowing capacity) \$ 169,865,709

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				Public Facilities Municipal Property Corp. Revenue Bonds & Subordiante Lien Pledged Revenue Obligations			
	Special Assessment Collections	Debt Service		Coverage	Excise Taxes & State-Shared Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2010	\$ 437,493	\$ 85,000	\$ 149,370	1.87	\$ 91,609,318	\$ 8,705,000	\$ 8,014,525	5.48
2011	559,284	90,000	587,245	0.83	89,202,148	9,030,000	7,705,188	5.33
2012	878,981	400,000	574,655	0.90	97,342,250	9,335,000	7,149,316	5.91
2013	1,298,984	585,000	553,258	1.14	109,637,647	9,695,000	6,873,353	6.62
2014	2,089,887	1,020,000	507,965	1.37	117,627,904	10,080,000	6,458,288	7.11
2015	1,184,368	1,135,000	470,225	0.74	125,743,087	7,515,000	6,030,998	9.28
2016	2,232,678	1,795,000	394,755	1.02	133,104,631	8,000,000	7,457,791	8.61
2017	695,541	375,000	321,073	1.00	146,007,063	9,660,000	6,877,081	8.83
2018	952,679	660,000	294,670	1.00	159,912,939	14,355,000	4,721,073	8.38
2019	818,092	550,000	264,095	1.00	170,885,312	12,745,000	5,213,731	9.52

Fiscal Year	Water and Wastewater Revenue Bonds <sup>c</sup>						Water Resources Municipal Property Corp. Revenue Bonds					
	Operating Revenues <sup>a</sup>	Less: Operating Expenses <sup>a</sup>	Net Available Revenue	Debt Service		Coverage	Net Available Revenue <sup>b</sup>	Water System Dev't Fee	Wastewater System Dev't Fee	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
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	2.95
2019	74,465,811	44,686,700	29,779,111	-	-	N/A	29,779,111	9,434,032	5,189,779	7,225,000	6,207,163	3.31

<sup>a</sup> Combined operating revenues and expenses for the Water and Wastewater Funds, as applicable.

<sup>b</sup> Combined operating revenues and expenses for the Water and Wastewater Funds less debt service payments for the Water and Wastewater Revenue Bonds.

<sup>c</sup> 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**

<b>Fiscal Year</b>	<b>Population <sup>a</sup></b>	<b>Personal Income <sup>b</sup></b> <i>(in thousands)</i> <i>(estimate)</i>	<b>Per Capita Income <sup>c</sup></b> <i>(estimate)</i>	<b>Median Age <sup>c</sup></b>	<b>School Enrollment <sup>d</sup></b>	<b>Unemployment Rate <sup>e</sup></b>
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%
2019	259,386	8,775,000	33,831	35.2	33,393	3.8%

Sources:

<sup>a</sup> 2009 through 2016 Census.gov; 2017 and 2018 Office of Management & Budget; 2019 Maricopa Association of Governments

<sup>b</sup> Estimated based on population and per capita income

<sup>c</sup> 2009 through 2015: American Community Survey; 2016 through 2019: Census.gov

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

<sup>e</sup> 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 2019</u>			<u>Fiscal Year 2010</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	2,816	1	3.03%	4,718	1	5.64%
Banner Health	1,772	2	1.91%	1,501	3	1.79%
Town of Gilbert	1,482	3	1.60%	1,278	4	1.53%
Go Daddy Software, Inc.	1,426	4	1.54%	707	8	0.85%
Fry's Food and Drug	1,166	5	1.26%	650	9	0.78%
Higley Unified School District	1,112	6	1.20%	934	6	1.12%
B H Drywall	997	7	1.07%	---		---
Dignity Health	956	8	1.03%	---		---
Wal-Mart Stores, Inc.	897	9	0.97%	1,550	2	1.85%
Isagenix International	710	10	0.77%	---		---
Target Stores, Inc.	---		---	1,100	5	1.31%
Mercy Gilbert Medical Center	---		---	817	7	0.98%
Costco	---		---	600	10	0.72%
<b>Total</b>	<u>13,334</u>		<u>14.37%</u>	<u>13,855</u>		<u>16.57%</u>

Source: Maricopa Association of Governments

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

<u>Function</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>2019</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	29.2	21.2	22.2	88.5	95.8	120.0	128.6	131.6	132.6	136.1
Support services	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	25.5
Court	52.9	52.9	51.9	49.9	51.9	32.9	32.9	32.9	33.9	33.9
Development services	70.5	72.5	72.5	69.6	68.8	73.3	66.7	68.7	83.7	84.5
Public works	17.5	-	-	-	-	-	-	-	-	-
Public safety:										
Police	346.0	346.0	346.0	346.0	349.0	354.0	358.0	369.0	385.5	409.5
Fire	197.0	197.0	197.0	197.0	201.0	201.0	203.0	210.0	217.0	216.0
Highways and streets	49.3	49.3	49.3	51.0	58.0	58.0	51.7	51.7	53.7	55.7
Parks and recreation	106.8	101.7	102.0	106.8	121.8	118.7	125.3	126.2	128.3	128.5
<u>Enterprise Funds</u>										
Water	83.0	118.1	120.0	118.2	118.0	116.5	125.0	130.0	131.0	133.5
Wastewater	40.7	40.7	41.7	41.7	44.7	45.4	42.5	42.5	43.5	45.5
Environmental services	79.0	79.0	78.5	79.0	83.5	84.0	94.3	96.3	97.3	100.3
Irrigation	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
<b>Total</b>	<u>1,186.9</u>	<u>1,184.8</u>	<u>1,188.4</u>	<u>1,202.7</u>	<u>1,237.5</u>	<u>1,248.8</u>	<u>1,275.0</u>	<u>1,305.9</u>	<u>1,357.5</u>	<u>1,395.0</u>

Source: Gilbert Office of Management & Budget

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

<b>Function</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>General government:</b>										
Management and policy										
% of population satisfied with value received from tax dollar	86%	90%	N/A <sup>a</sup>	77%	75%	N/A <sup>a</sup>	74%	N/A <sup>a</sup>	71%	79%
Number of recruitments	90	86	79	110	155	148	175	149	156	199
Employee turnover	4.9%	6.6%	6.8%	8.0%	7.5%	8.3%	9.7%	9.3%	10.3%	10.4%
Legal and court										
Case filings	32,299	25,888	26,271	31,794	28,896	29,499	32,091	29,501	26,147	24,244
% of cases charged after review	64%	64%	72%	72%	72%	71%	70%	74%	74%	70%
Development services										
Building permits issued	2,506	2,219	3,474	3,418	3,254	3,364	3,584	4,157	4,607	4,441
Value of permits issued (in millions)	\$ 324.3	\$ 238.7	\$ 474.9	\$ 534.4	\$ 472.5	\$ 496.0	\$ 553.8	\$ 532.2	\$ 531.6	\$ 746.3
<b>Public Safety:</b>										
Police										
Number of arrests	11,411	8,330	9,003	8,734	8,474	8,900	8,702	8,250	8,360	8,061
Crimes per 1,000 population	20.4	19.3	18.3	16.5	16.6	15.5	15.3	15.5	15.2	13.2
Fire										
Number of emergency calls	13,566	13,946	14,133	15,509	16,185	17,777	18,923	19,422	20,506	20,903
Response time average (enroute to on-scene) <sup>b</sup>	3 min 43 sec	3 min 37 sec	3 min 49 sec	3 min 47 sec	3 min 51 sec	3 min 57 sec	3 min 55 sec	N/A	3 min 32 sec	3 min 25 sec
Total dispatch time (dispatch to onscene) <sup>b</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5 min 9 sec	4 min 48 sec	4 min 44 sec
Highways and streets										
Average pavement condition index	91	91	91	80	75	75	72	74	72	73
Parks and recreation										
Facility reservation requests <sup>c</sup>	15,681	16,637	16,880	16,277	16,440	N/A	N/A	N/A	N/A	N/A
Facility reservations <sup>c</sup>	N/A	N/A	N/A	N/A	N/A	11,747	19,835	18,000	16,000	16,670
Participants in recreation programs <sup>d</sup>	50,038	47,493	48,725	52,714	52,616	62,815	69,423	71,651	98,286	113,245
Transportation										
Average daily ridership	835	845	560	635	685	687	669	679	784	668
Water										
Daily average water production (mg)	42	42	43	43	43	43	43	46	47	47
Average # of meters read per month	71,814	71,910	73,469	71,952	72,712	73,199	82,871	83,945	84,243	84,147
Number of utility locates	12,373	10,576	15,190	23,277	20,235	20,100	21,197	26,850	27,380	23,157
Wastewater										
Daily average wastewater influent (mg)	12.91	12.67	12.20	12.79	12.82	13.21	14.03	14.91	15.41	16.20
Annual effluent produced/reused (bg)	4,420	4,840	4,457	4,667	4,646	4,822	4,815	4,931	5,115	5,784
Environmental services										
Solid waste tonnage	110,403	111,943	109,472	115,536	113,965	112,778	114,144	110,520	113,745	129,737
Recycle tonnage	19,191	19,242	18,653	18,695	19,851	19,418	19,894	22,567	24,058	21,120

Source: Various Town departments

<sup>a</sup> Survey completed every other year

<sup>b</sup> Beginning in 2017, the Fire Department began reporting total dispatch time instead of average time enroute to on-scene

<sup>c</sup> Indicator no longer being tracked. Beginning in 2015, tracking actual facility reservations

<sup>d</sup> 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**

<b><u>Function</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Public safety:										
Police										
Number of police cars	156	166	164	164	180	185	217	224	251	249
Fire										
Fire stations	9	9	10	10	10	10	10	10	10	11
Highways and streets										
Street centerline miles (estimate) <sup>a</sup>	903	923	979	989	905	1,032	1,055	908	920	926
Traffic control signals	168	173	175	177	180	185	185	194	201	206
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	690	690	652	653	605	605	605	645	645	645
Water										
Miles of water main <sup>c</sup>	1,175	1,189	1,216	1,219	1,261	1,304	1,660	1,322	1,335	1,366
Wastewater										
Miles of wastewater main <sup>c</sup>	860	868	970	976	1,006	1,019	1,038	887	896	923
Environmental services										
Garbage trucks <sup>b</sup>	57	61	61	61	66	67	57	56	71	63

Source: Various Town departments

<sup>a</sup> 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.

<sup>b</sup> Prior to fiscal year 2016, wheel loaders were included in the statistic.

<sup>c</sup> Beginning in 2017, estimates were updated to exclude miles not owned by Gilbert.

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 <sup>a</sup>		Commercial Construction <sup>a</sup>		Other Construction <sup>a</sup>		Secondary Assessed Property Value <sup>b</sup>	Limited Property Value <sup>b</sup>	Maricopa County Bank Deposits <sup>c</sup>
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			
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
2019	1,535	467,961,355	155	164,601,167	2,751	113,774,277	N/A	2,256,162,227	107,879,366,000

Sources:

<sup>a</sup> Development Services Department

<sup>b</sup> Maricopa County Assessor's Office

<sup>c</sup> 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 2019**

	<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	\$ 8,982,481	\$ 2,239,233	\$ 400,106	\$ (391,086)	\$ 11,230,734
Police system development fee	1,822,179	4,613,510	154,155	(3,466,337)	3,123,507
Fire system development fee	(11,192,648)	2,445,412	-	(1,032,887)	(9,780,123) <sup>a</sup>
General government system development fee	(6,677,100)	3,036,275	-	(2,187,115)	(5,827,940) <sup>a</sup>
Parks and recreation system development fee	30,415,318	9,632,004	1,100,229	(23,236,848)	17,910,703
Water system development fee	7,028,242	9,434,032	448,611	(10,208,555)	6,702,330
Water resources system development fee	2,145,388	3,118,916	60,035	(33,022,355)	(27,698,016) <sup>b</sup>
Wastewater system development fee	25,325,753	5,647,165	973,163	(7,676,436)	24,269,645
Totals	<u>\$ 57,849,613</u>	<u>\$ 40,166,547</u>	<u>\$ 3,136,299</u>	<u>\$ (81,221,619)</u>	<u>\$ 19,930,840</u>

**Equivalent Residential Unit**

Wastewater system development fee - Greenfield	\$ 3,182
Wastewater system development fee - Neely	\$ 1,933

Source: Gilbert Finance & Management Services Department

<sup>a</sup> 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 \$126,712,257 at June 30, 2019.

<sup>b</sup> The negative ending balance for the water resources system development fees are funded by the water fund. The water fund had a cash balance of \$114,793,547 at June 30, 2019.

**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
2010	\$ 30,389,882	\$ (153,319)	\$ 30,236,563	\$ 28,984,405	95.86%	\$ (390,788)	\$ 29,999,094	\$ 997,246	\$ 29,981,651	99.94%
2011	26,198,053	(107,618)	26,090,435	25,253,466	96.79%	(277,785)	25,920,268	659,061	25,912,527	99.97%
2012	21,380,254	(96,162)	21,284,092	20,772,494	97.60%	(217,974)	21,162,280	385,306	21,157,800	99.98%
2013	19,253,745	(99,396)	19,154,349	18,962,640	99.00%	(143,945)	19,109,800	144,103	19,106,743	99.98%
2014	18,327,289	(57,876)	18,269,413	18,056,441	98.83%	(89,343)	18,237,946	179,461	18,235,902	99.99%
2015	19,487,085	(72,483)	19,414,602	19,230,809	99.05%	(128,555)	19,358,530	126,691	19,357,500	99.99%
2016	19,495,256	(32,290)	19,462,966	19,286,314	99.09%	(80,173)	19,415,083	127,657	19,413,971	99.99%
2017	20,913,149	(80,844)	20,832,305	20,645,301	99.10%	(131,108)	20,782,041	135,440	20,780,741	99.99%
2018	21,667,785	(53,647)	21,614,138	21,411,196	99.06%	(72,239)	21,595,546	182,168	21,593,364	99.99%
2019	22,353,420	(44,819)	22,308,601	22,129,563	99.20%	(44,819)	22,308,601	-	22,129,563	99.20%

Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona  
Principal Property Taxpayers  
Fiscal Year 2019**

<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	\$ 20,321,718	0.90%
Southwest Gas Corporation (T&D)	Utility	7,346,916	0.32%
American Furniture Warehouse Co.	Retail	5,457,659	0.24%
Vestar CTC Phase 1 LLC	Real Estate Development / Holdings	5,131,256	0.23%
Power & Ray LLC	Utility	5,045,654	0.22%
Santan MP LP	Real Estate Development / Holdings	4,865,224	0.22%
Target Corporation	Retail	4,649,749	0.21%
Liv Northgate LLC	Real Estate Development / Holdings	4,436,267	0.20%
Earnhardt Arizona Properties LLC	Real Estate Development / Holdings	4,374,242	0.19%
Breit Olympus Mf Redstone LLC	Real Estate Development / Holdings	4,330,348	0.19%
Breit Olympus MF Vistara LLC	Real Estate Development / Holdings	4,185,893	0.19%
AZ Flats at San Tan Apartments LLC	Real Estate Development / Holdings	4,153,932	0.18%
155 Rivulon Boulevard LLC	Real Estate Development / Holdings	3,929,711	0.17%
Lowe's Hardware Inc.	Retail	3,746,855	0.17%
Verizon Wireless	Utility	3,655,178	0.16%
275 Rivulon Boulevard LLC	Real Estate Development / Holdings	3,582,201	0.16%
San Privada Apartments LLC	Real Estate Development / Holdings	3,508,007	0.16%
Gilbert Road Owner LLC	Real Estate Development / Holdings	3,505,959	0.16%
Arizona Public Service Company	Utility	3,459,870	0.15%
Branch Brook Gardens	Real Estate Development / Holdings	3,450,178	0.15%
Santan Apts LLLP	Real Estate Development / Holdings	3,417,954	0.15%
Smiths Food & Drug Centers Inc.	Retail	3,400,575	0.15%
Breit Olympus MF Heritage LLC	Real Estate Development / Holdings	3,384,000	0.15%
LIT Industrial Limited Partnership	Real Estate Development / Holdings	3,357,062	0.15%
Echostar Broadcasting Holdings Corp.	Real Estate Development / Holdings	3,158,123	0.14%
		<u>\$ 119,854,531</u>	<u>5.30%</u>

Source: Maricopa County; top taxpayers based on Net Assessed Limited Property Value of Real and Secured Personal Property for tax year 2019.

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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