

## INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Gilbert, Arizona for the year ended June 30, 2019, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

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

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

*Heinfeld Meech & Co. PC*


Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
March 16, 2020

Town of Gilbert  
 Annual expenditure limitation report—part I  
 Year ended June 30, 2019

1. Economic Estimates Commission expenditure limitation	\$	<u>409,541,277</u>
2. Voter-approved alternative expenditure limitation (approved _____)		
3. Enter applicable amount from line 1 or line 2	\$	<u>409,541,277</u>
4. Amount subject to the expenditure limitation (total amount from part II, line C)	\$	<u>329,342,732</u>
5. Board-authorized expenditures necessitated by a disaster the Governor declared	-	
6. Board-authorized expenditures necessitated by a disaster the Governor did not declare	-	
7. Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year		
8. Subtotal	\$	<u>329,342,732</u>
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	+	
10. Total adjusted amount subject to the expenditure limitation	\$	<u>329,342,732</u>
11. Amount under (in excess of) the expenditure limitation	\$	<u>80,198,545</u>

*If excess expenditures are reported, provide an explanation.  
 Delete all line item descriptions not used.*

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

Signature of chief financial officer   
 Name and title: Hákon Johanson, Director of Finance and Management Services

Telephone number: (480) 503-6902 Date: 3/17/20

See accompanying notes to report.

Town of Gilbert  
Annual expenditure limitation report—part II  
Year ended June 30, 2019

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$ 297,100,978	\$ 121,033,166	\$ 23,811,080	\$ 2,500	\$ 441,947,724
B. Less exclusions claimed:					
1. Debt proceeds	45,466,802	-	-	-	45,466,802
2. Debt service requirements	615,477	-	-	-	615,477
3. Dividends, interest, and gains on the sale or redemption of investment securities	858,460	926,714	-	2,500	1,785,174
4. Trustee or custodian	2,656,472	-	-	-	2,656,472
5. Grants and aid from the federal government	1,540,204	-	-	-	1,540,204
6. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	4,095,300	858,924	21,674,209	-	26,628,433
7. Amounts received from the State of Arizona	-	-	-	-	-
8. Quasi-external interfund transactions	-	-	-	-	-
9. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	13,398,880	-	-	-	13,398,880
10. Highway user revenues in excess of those received in fiscal year 1979-80	343,558	1,719,627	505,240	-	2,568,425
11. Contracts with other political subdivisions	435,028	50,680	780,460	-	1,266,168
12. Refunds, reimbursements, and other recoveries	-	-	-	-	-
13. Voter-approved exclusions not identified above ( <i>attach resolution</i> )	16,676,457	-	-	-	16,676,457
14. Prior years carryforward	-	-	-	-	-
15. Qualifying capital improvement expenditures repaid in accordance with A.R.S. §41-1279.07	86,086,638	3,555,945	22,959,909	2,500	112,604,992
16. Total exclusions claimed	\$ 211,014,340	\$ 117,477,221	\$ 851,171	\$ -	\$ 329,342,732
C. Amounts subject to the expenditure limitation					

If an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.

Delete all exclusion line item descriptions not used.

See accompanying notes to report.

**Town of Gilbert  
Annual expenditure limitation report—reconciliation  
Year ended June 30, 2019**

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 299,111,546	\$ 97,231,801	\$ 24,037,903	\$ 2,500	\$ 420,383,750
B. Subtractions:					
1. Items not requiring use of current financial resources:					
a. Depreciation	-	30,051,595	14,626	-	30,066,221
b. Loss on disposal of capital assets	-	-	-	-	-
c. Bad debt expense	-	-	-	-	-
d. Pension and other postemployment benefits (OPEB) expense	-	520,876	212,014	-	732,890
e. Claims incurred but not reported (IBNR)	-	-	1,700,000	-	1,700,000
f. Landfill closure and postclosure care costs and pollution remediation	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised	1,429,195	34,454,941	-	-	35,884,136
3. Required fees paid to the Arizona Department of Revenue	581,373	-	-	-	581,373
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	-	-	-	-	-
5. Involuntary court judgments	-	-	-	-	-
6. Total subtractions	<u>2,010,568</u>	<u>65,027,412</u>	<u>1,926,640</u>	<u>-</u>	<u>68,964,620</u>
C. Additions:					
1. Principal payments on long-term debt	-	-	-	-	-
2. Capital asset acquisitions	-	87,123,779	-	-	87,123,779
3. Amounts paid in the current year but reported as expenses in previous years:					
a. Claims previously recognized as IBNR	-	-	1,514,000	-	1,514,000
b. Landfill closure and postclosure care costs and pollution remediation	-	-	-	-	-
4. Pension and OPEB contributions paid in the current year	-	1,704,998	185,817	-	1,890,815
5. Total additions	<u>-</u>	<u>88,828,777</u>	<u>1,699,817</u>	<u>-</u>	<u>90,528,594</u>
D. Amounts reported on part II, line A	<u>\$ 297,100,978</u>	<u>\$121,033,166</u>	<u>\$23,811,080</u>	<u>\$ 2,500</u>	<u>\$ 441,947,724</u>

*Delete all subtraction and addition line item descriptions not used.*

See accompanying notes to report.

**TOWN OF GILBERT**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2019**

Note 1 Summary of Significant Accounting Policies

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

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

Note 2 The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement of \$34,190,000, interest expense of \$11,242,126, and fiscal and other charges of \$34,676.

Note 3 Total investment earnings in the Governmental Funds were \$9,889,938 of which \$417,976 is nonexcludable, and total investment earnings in the Enterprise Funds were \$11,493,742 of which \$1,532,139 is nonexcludable. The remaining \$19,433,565 excludable revenue will be carried forward to future years.

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

Description	Revenues	Excluded	Amount Carried Forward
Grants and aid from federal government	\$ 858,460	858,460	-
Amounts received from the State of Arizona	2,114,586	1,540,204	574,382
Highway user revenues in excess of those received in fiscal year 1979-80	15,975,567	13,398,880	2,576,687
Contracts with other political Subdivisions	343,558	343,558	-
Other revenues (nonexcludable)	67,187,864	-	-
Total intergovernmental revenues as reported in fund financial statements	<u>\$86,480,035</u>		

**TOWN OF GILBERT**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2019**

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

- Note 5 The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual consists of other entities' participation and gifts and donations revenue as reported in the Governmental Funds financial statements.
- Note 6 The exclusion claimed for quasi-external interfund transactions consists of payments made for administrative support services reported in the financial statements as charges for services revenue for the Governmental Funds. The exclusion claimed for the Enterprise Funds consist of payments made for water, wastewater and environmental services reported in the financial statements as charges for services revenue. The exclusion claimed for the Internal Service Funds consist of payments for operations that provide services to other departments of the Town and reported in the financial statements as charges for services revenue.
- Note 7 The exclusions claimed for refunds, reimbursements, and other recoveries consist of recovery of damage claims, insurance recoveries, and recovery of prior year expenses and are reported as miscellaneous revenue in the Governmental Funds and as other revenue in the Enterprise and Internal Service Funds financial statements.
- Note 8 Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year. The majority of the exclusion in the Governmental Funds of \$16,676,457 represents bond proceeds received in prior fiscal years of \$15,273,563. The remainder consists of \$13,680 of grants, aid, contributions, and gifts and \$1,389,214 received from the state that were expended in this fiscal year.
- Note 9 The subtraction of \$1,700,000 for claims incurred but not reported (IBNR) consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Funds.
- Note 10 The addition of \$1,514,000 for claims previously recognized as IBNR, consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Funds.

**TOWN OF GILBERT**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2019**

Note 11 The subtractions of pension and OPEB expense of \$520,876 and \$212,014 in the Enterprise and Internal Service Funds, respectively, consists of the following:

Description	Enterprise Funds	Internal Service Funds
Pension expense	\$ 438,332	\$ 204,284
OPEB Expense	82,544	7,730
<b>Total</b>	<b>\$ 520,876</b>	<b>\$ 212,014</b>

Note 12 The additions of \$1,704,998 and \$185,817 for pension and OPEB contributions paid in the current year in the Enterprise and Internal Service Funds, respectively, consists of the required pension and OPEB contributions made to the Arizona State Retirement System and Public Safety Retirement System.

Description	Enterprise Funds	Internal Service Funds
ASRS Pension	\$ 1,616,565	\$ 176,179
ASRS HBS	65,612	7,151
ASRS LTD	22,821	2,487
<b>Total</b>	<b>\$ 1,704,998</b>	<b>\$ 185,817</b>

Note 15 The subtraction of \$581,373 for required fees paid to the Arizona Department of Revenue is pursuant to A.R.S. section 42-5041 to recover a portion of administrative, program and other operating costs the Department incurred.

Note 16 The subtraction of \$1,429,195 consists of capital outlays of the Town of Gilbert Public Facility Municipal Property Corporation (MPC), which is a legally separate, non-profit corporation and exists solely for the purpose of financing the construction of municipal facilities. The MPC is included within the Town's reporting entity as a blended component unit, but not included in the Economic Estimates Commission base limit calculations. This amount is reported in the financial statements as expenditures of the Municipal Facilities Capital Projects Fund, a major governmental fund.

Note 17 The subtraction of \$34,454,941 consists of expenses of the Town of Gilbert Water Resources MPC, which is a legally separate, non-profit corporation and exists solely for the purpose of financing the construction or acquisition of water and wastewater capital improvement projects. The MPC is included within the Town's reporting entity as a blended component unit, but not included in the Economic Estimates Commission base limit calculations. The subtraction claimed for the Town of Gilbert Water Resources MPC fund consists of interest expense of \$4,896,422, and \$29,558,519 of capital asset acquisitions reported on the Statement of Cash Flows.