



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020



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Government Finance Officers Association

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Achievement
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Reporting

Presented to

**Town of Gilbert
Arizona**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2020



Scott Anderson, Mayor

Yung Koprowski, Vice Mayor
Aimee Yentes, Council Member
Jared Taylor, Council Member

Kathy Tilque, Council Member
Laurin Hendrix, Council Member
Scott September, 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, 2020

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal Advisory	1
Organizational Chart	8
Organizational Reporting Chart	9
FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis (required supplementary information)	13
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements	
Balance Sheet - Governmental Funds	30
Reconciliation of the Balance Sheet to the Statement of Net Position	33
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances to the Statement of Activities	37
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual - General Fund	38
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual - Streets Special Revenue Fund	39
Statement of Net Position - Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in	
Fund Net Position - Proprietary Funds	41
Statement of Cash Flows - Proprietary Funds	42
Statement of Fiduciary Net Position - Fiduciary Funds	43
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	44
Notes to the Financial Statements	45
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability - ASRS	84
Schedule of Changes in the Net Pension Liability and Related Ratios - PSPRS - Police	85
Schedule of Changes in the Net Pension Liability and Related Ratios - PSPRS - Fire	86
Schedule of Pension Contributions - ASRS	87
Schedule of Pension Contributions - PSPRS	88
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios	89
Notes to Pension Plan Schedules - Actuarially Determined Contribution Rates - PSPRS	90
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	94
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Nonmajor Governmental Funds	96
Schedules of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual:	
Streets and Traffic Capital Projects Fund	100
Parks Capital Projects Fund	101
Municipal Facilities Capital Projects Fund	102
Debt Service Fund	103

TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020

TABLE OF CONTENTS

	Page
Special Assessments Debt Service Fund	104
Grants Fund	105
Special Districts Fund	106
Other Special Revenue Fund	107
Other Capital Projects Fund	108
Combining Statement of Net Position - Internal Service Funds	110
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	111
Combining Statement of Cash Flows - Internal Service Funds Agency Funds	112
Combining Statement of Changes in Assets and Liabilities	114
 STATISTICAL SECTION	
Financial Trends	
Net Position by Component - Last Ten Fiscal Years	117
Changes in Net Position - Last Ten Fiscal Years	118
Program Revenues by Function - Last Ten Fiscal Years	120
Fund Balances of Governmental Funds - Last Ten Fiscal Years	121
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	122
Revenue Capacity	
Sales Tax Collections by Category - Last Ten Fiscal Years	123
Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years	125
Debt Capacity	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	126
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	127
Direct and Overlapping Governmental Activities Debt - As of June 30, 2020	128
Legal Debt Margin Information - Last Ten Fiscal Years	129
Pledged-Revenue Coverage - Last Ten Fiscal Years	130
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	131
Principal Employers - Current Fiscal Year and Nine Years Ago	132
Operating Information	
Full-time Equivalent Employees by Function - Last Ten Fiscal Years Operating Indicators by Function - Last Ten Fiscal Years	133
Capital Asset Statistics by Function - Last Ten Fiscal Years	134
Other Information	
Property Value, Construction and Bank Deposits - Last Ten Fiscal Years	136
System Development Fees - Fiscal Year 2020	137
Property Tax Levies and Collections - Last Ten Fiscal Years	138
Principal Property Taxpayers - Fiscal Year 2020	139



Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



December 16, 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, 2020. State law (Arizona Revised Statutes §9-481) requires that local governments publish a complete set of audited financial statements within six months of the close of each fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any significant misstatements.

Heinfeld, Meech & Company, a firm of licensed certified public accountants, has issued an unmodified opinion on Gilbert's financial statements for the year ended June 30, 2020. The independent auditor's 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 chairperson of the Council. The Town Manager (Manager) is appointed by the Council and serves as the chief executive officer to oversee and carry out operations. During fiscal year 2020, the Manager administered Gilbert's operations through a staff of 1,486 budgeted full-time equivalent positions.

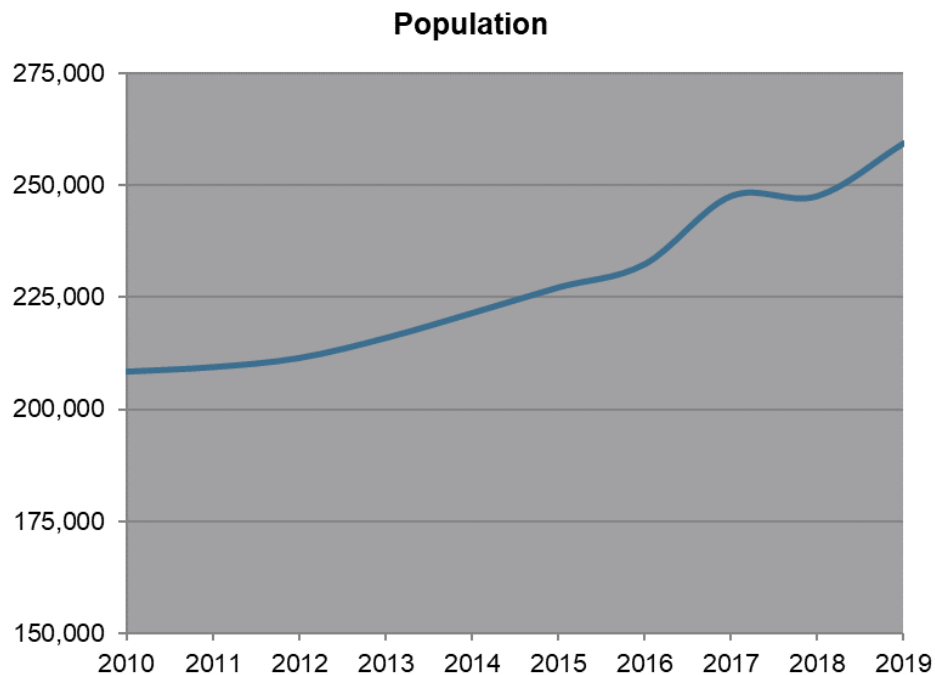
Gilbert provides or administers a full range of services including police and fire protection, development services (planning, code enforcement, and engineering), public works (water, wastewater, environmental services, and streets), and parks and recreation services among others. Transit and "dial-a-ride"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

Coronavirus Pandemic (COVID-19)

On January 30, 2020 the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak). In March of 2020, the WHO classified the COVID-19 outbreak as a pandemic.

Gilbert initially responded to the pandemic by issuing hiring and spending freezes to remain conservative in its operations and spending until more information was available. Gilbert also transitioned much of its workforce where possible to a remote environment to both stop the spread of the virus and to adhere to state and federal guidelines issued by the Centers for Disease Control and Prevention (CDC) and state ordered mandates issued by the state governor's office. Later in March of 2020, the federal government issued the Coronavirus Aid, Relief, and Economic Security Act (CARES) that provided relief funding to state and local governments. Gilbert received a total of \$29.2 million, of which \$23.0 million was recognized as revenue in fiscal year 2020; the remaining \$6.2 million will be recognized in fiscal year 2021.

Gilbert's sales tax and state-shared revenues for fiscal year 2020 were higher than the previous fiscal year, putting Gilbert in a sound financial position. Gilbert does not expect that the effects of the pandemic will have a material adverse financial effect on items such as development activities, as well as collections from its business-type activities in the short or long-term. Gilbert used the \$23.0 million to offset public safety personnel expenses incurred during the period March through June 2020. This left Gilbert with funds to provide aid and relief monies to support the local community in areas that felt adverse effects of the pandemic and related economic shutdown.

Growth and Construction

There were 1,194 new residential permits and 208 commercial permits issued in fiscal year 2020, which represents a decrease from the prior fiscal year in residential permits of 341 and an increase in commercial permits of 53, respectively. The total value of all new construction in fiscal year 2020, including commercial, was \$607.8 million, a decrease of \$138.5 million in fiscal year 2020, which was largely due to COVID-19 that began in the latter half of fiscal year 2020, which, in some cases, slowed construction for several months due to social distancing requirements.

System Development Fees (SDFs) are collected for capital needs related to growth in the community. The Council has adopted SDFs for police, fire, general government, road maintenance, 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 2020, a total of \$33.6 million was collected in SDFs compared to \$40.2 million in fiscal year 2019.

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; 44.1% of residents age 25 and older hold a bachelor's degree or higher, compared with about 30.1% statewide and 33.1% 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 rate near 4.8%, as compared to approximately 6.8% for the state (both percentages prior to COVID-19). 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 2020, 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 15 business development successes in fiscal year 2019 represent 800+ new or expanded jobs, \$75.0 million in capital investment, and nearly 500,000 new or expanded square footage. These projects demonstrate the community's continued commitment to creating the place where the market wants to invest.

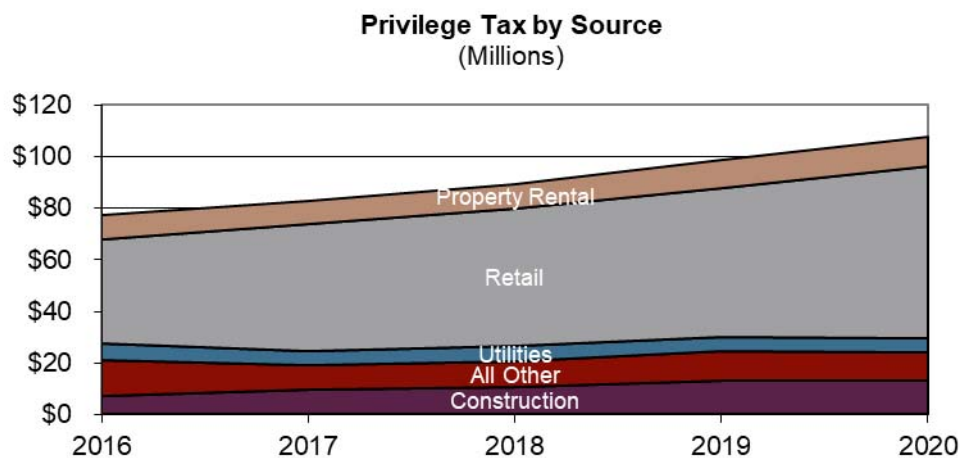
Investment in the Heritage District also continued with a focus on attracting businesses and developing critical infrastructure to support future growth. During fiscal year 2020, the Heritage District welcomed new restaurants, retailers, and higher education institutions. In addition to these new businesses, in June 2020, Gilbert opened The Collab, a 40,500 square foot, four story, mixed use building bringing dining, shopping and much-needed office space to one of the fastest-growing entertainment hotspots in Arizona. The Collab is primed to become some of the most sought-after real estate in the area for businesses with best-in-class finishes, ample parking with an adjacent 364-space parking garage, floor-to-ceiling glass, views of the Gilbert water tower and expansive balcony on the top floor.

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 10 million impressions, and Gilbert hotels saw room demand increase 18.9% from fiscal year 2019 before finishing the fiscal year down 4.7% following executive orders that prompted quarantines and travel restrictions due to COVID-19.

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 44.5% of General Fund revenues for fiscal year 2020, totaling approximately \$107.6 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.

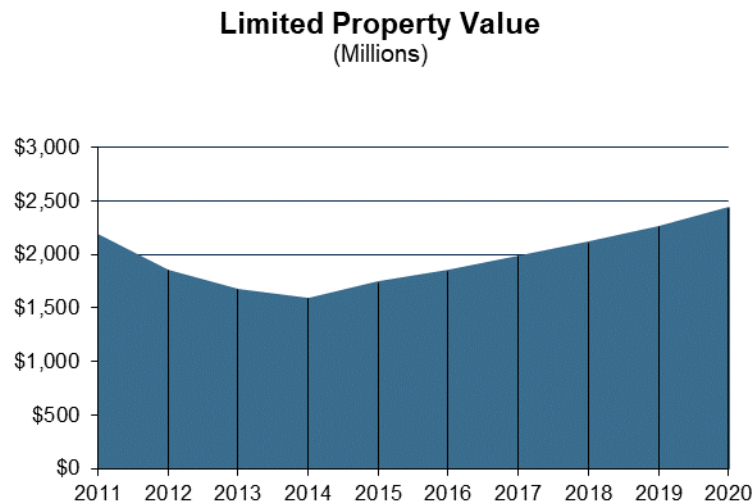


Property Taxes

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 2020, Gilbert’s property tax rate was \$0.99 per \$100 of limited property valuation and was 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 7.6% in fiscal year 2020 from \$2.256 billion to \$2.428 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 \$68.5 million for the General Fund and \$16.4 million for the Streets Special Revenue Fund in fiscal year 2020, representing approximately 28.3% of total General Fund revenues and 96.8% 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 always 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 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 2020. 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. 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.

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 (Certificate of Achievement) to the Town of Gilbert for its CAFR for the fiscal year ended June 30, 2019. This was the 29th 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 21 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 fifth 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, Accounting Supervisor; and Nicholas Baldelli, Accounting Supervisor who were primarily responsible for preparing this document. In addition, I would like to thank staff from all Town departments for their contributions and assistance.

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

Respectfully submitted,

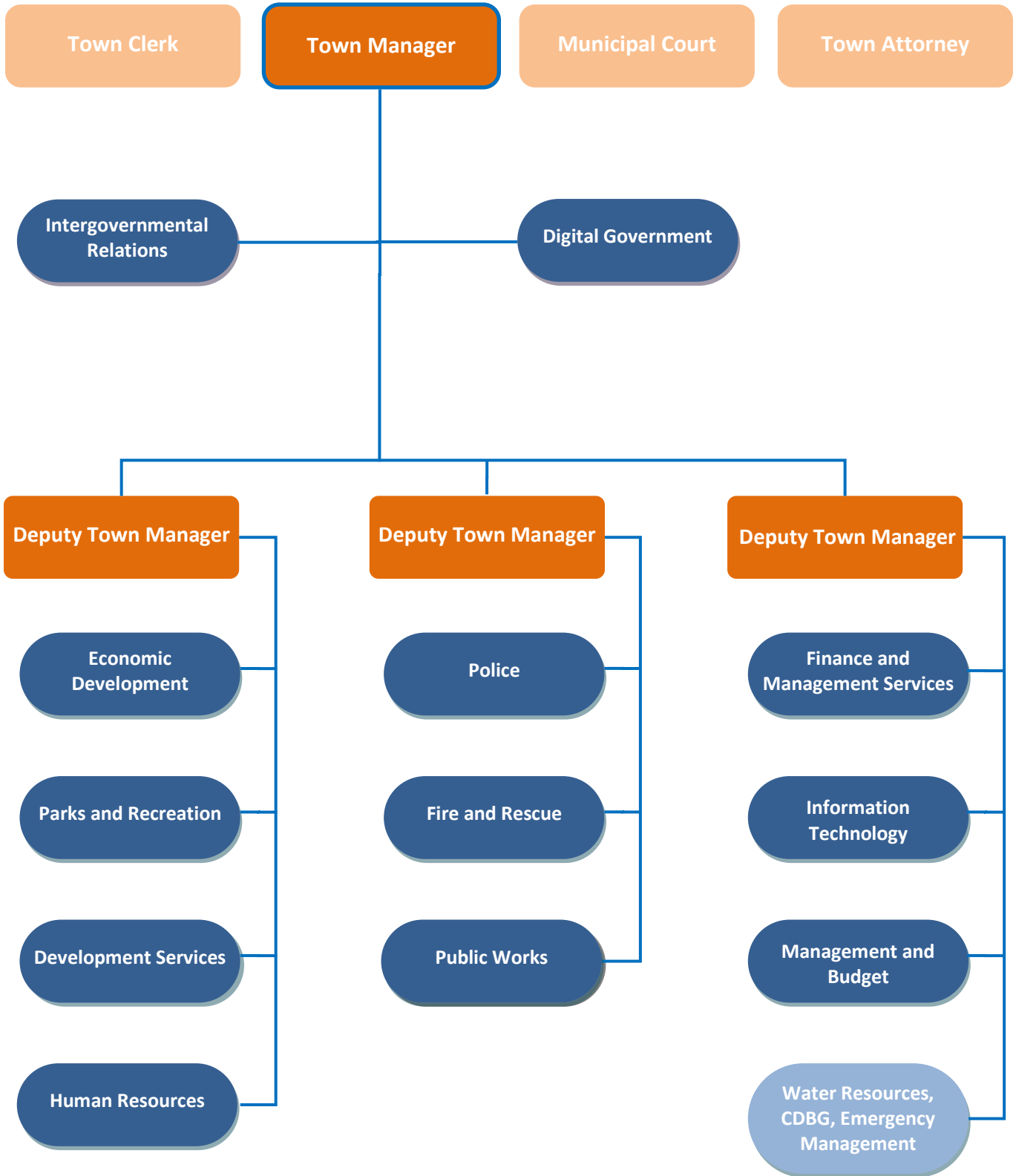
A handwritten signature in black ink, appearing to read 'H. Johanson', with a long horizontal flourish extending to the right.

Håkon Johanson
Finance & Management Services Director

ADVISORY ORGANIZATIONAL CHART



ORGANIZATIONAL REPORT CHART





Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

**Combining and Individual Fund Statements
and Schedules**



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Town of Gilbert, Arizona (Town), as of and for the year ended June 30, 2020, 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, 2020, 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 December 16, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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
December 16, 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, 2020. 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 \$1.9 billion, which is an increase over prior year of \$90.2 million. Included in this amount, defined as net position, is \$540.8 million of unrestricted net position, of which \$188.5 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$352.3 million which may be used to fund ongoing operations in future years.
- Net position includes a \$804.9 million net investment in capital assets in Governmental Activities such as streets, parks, and municipal buildings and a \$468.4 million net investment in Business-type Activities in water, wastewater and environmental services infrastructure and equipment. Amounts increased in the Governmental Activities by \$62.3 million primarily due to the construction of various capital projects including Gilbert Regional Park Phase II (\$24.8 million), Lindsay and Loop 202 Interchange including surrounding streets projects necessary for the interchange (\$20.2 million), and regularly scheduled debt payments made during the fiscal year. Amounts in the Business-type Activities remained relatively the same.
- The combined fund balance for all governmental funds is \$302.9 million, of which \$185.5 million is unrestricted which is an increase of \$71.5 million from prior year primarily due to AZ CARES funding allocation of \$29.2 million to assist with the financial impacts of COVID-19 and unspent bond proceeds of \$17.8 million from the 2020 general obligation bond issuance. In fiscal year 2020, \$23.0 million of the AZ CARES funding was recorded as revenue, and the remaining \$6.2 million will be recognized as revenue in fiscal year 2021.
- The General Fund unrestricted fund balance is \$201.9 million, of which \$68.0 million has been assigned for capital replacement, capital improvements, and road maintenance.
- The General Fund unassigned balance of \$133.9 million is approximately 76.4% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$381.9 million, as compared to \$364.6 million at the end of fiscal year 2019, which is an increase of \$17.3 million due to issuing \$76.8 million in general obligation bonds and refunding bonds in fiscal year 2020 offset by regularly scheduled debt payments made throughout the fiscal year.
- Gilbert's total net pension liability at the end of the fiscal year was \$144.7 million, as compared to \$133.9 million at the end of fiscal year 2019. Gilbert made contributions in excess of the annual required contribution to the Public Safety Personnel Retirement System (PSPRS) of \$16.5 million during the fiscal year.

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 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 (IDA) 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 27-29 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 30-39.

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 110-112.

The proprietary fund statements can be found on pages 40-42.

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 43-44.

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 45-82.

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, 2020 and 2019.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 373,833,644	\$ 322,302,383	\$ 478,930,144	\$ 471,146,909	\$ 852,763,788	\$ 793,449,292
Capital assets	1,042,290,182	1,006,398,307	611,566,663	599,455,880	1,653,856,845	1,605,854,187
Total assets	1,416,123,826	1,328,700,690	1,090,496,807	1,070,602,789	2,506,620,633	2,399,303,479
Deferred outflows of resources	60,115,067	51,579,122	5,515,756	5,904,975	65,630,823	57,484,097
Long-term liabilities	415,369,055	378,325,483	175,198,877	181,828,153	590,567,932	560,153,636
Other liabilities	40,421,302	41,952,955	17,706,416	18,375,319	58,127,718	60,328,274
Total liabilities	455,790,357	420,278,438	192,905,293	200,203,472	648,695,650	620,481,910
Deferred inflows of resources	9,951,074	11,783,291	1,640,558	2,839,109	11,591,632	14,622,400
Net position:						
Net investment in capital assets	804,916,527	792,863,888	468,440,304	462,857,212	1,273,356,831	1,255,721,100
Restricted	72,942,666	87,449,935	24,872,533	30,971,975	97,815,199	118,421,910
Unrestricted	132,638,269	67,904,260	408,153,875	379,635,996	540,792,144	447,540,256
Total net position	\$ 1,010,497,462	\$ 948,218,083	\$ 901,466,712	\$ 873,465,183	\$ 1,911,964,174	\$ 1,821,683,266

Net position consists of three components. The largest portion of Gilbert's net position (66.6%) 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 (5.1%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (28.3%) includes \$188.5 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$352.3 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2020 increased Gilbert's net position by \$62.3 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 96.8% of total revenues for governmental activities. Taxes (local and state-shared) were \$195.6 million, an increase of \$14 million from the prior year. Program revenues were \$108.6 million, an increase of \$24.6 million from the prior year, which was mostly due to an increase in operating grants and contributions specifically related to police, fire, and highways and streets. It should be noted that \$5.7 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 42.6%, and highways and streets, which represented 24.4% of total governmental activities expenses. Total expenses increased \$15.9 million (6.7%) over the prior fiscal year.

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

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 15,286,610	\$ 17,821,966	\$ 100,472,155	\$ 94,827,129	\$ 115,758,765	\$ 112,649,095
Operating grants and contributions	53,661,220	30,012,491	1,697,653	1,719,627	55,358,873	31,732,118
Capital grants and contributions	39,674,803	36,202,639	18,318,923	27,031,705	57,993,726	63,234,344
General revenues:						
Sales taxes	107,533,991	98,647,781	-	-	107,533,991	98,647,781
Property taxes	26,569,667	25,219,672	-	-	26,569,667	25,219,672
Unrestricted state-shared revenue	57,801,651	53,776,642	-	-	57,801,651	53,776,642
Other taxes	3,758,649	3,977,715	-	-	3,758,649	3,977,715
Grants and contributions not restricted to specific programs						
	2,762,422	3,036,275	-	-	2,762,422	3,036,275
Unrestricted investment earnings	10,467,209	10,152,812	9,820,041	11,493,742	20,287,250	21,646,554
Gain (loss) on sale of capital assets	(3,973,409)	1,153,307	147,543	183,078	(3,825,866)	1,336,385
Other	674,421	1,466,350	680,116	365,821	1,354,537	1,832,171
Total revenues	314,217,234	281,467,650	131,136,431	135,621,102	445,353,665	417,088,752
Expenses						
Management and policy	23,430,414	24,948,029	-	-	23,430,414	24,948,029
Finance and management services	2,590,722	1,883,402	-	-	2,590,722	1,883,402
Court	3,946,778	3,897,817	-	-	3,946,778	3,897,817
Development services	10,897,963	9,448,543	-	-	10,897,963	9,448,543
Police	65,972,487	55,328,243	-	-	65,972,487	55,328,243
Fire	41,373,244	35,263,222	-	-	41,373,244	35,263,222
Highways and streets	61,413,551	54,632,234	-	-	61,413,551	54,632,234
Parks and recreation	26,844,019	35,840,421	-	-	26,844,019	35,840,421
Transportation	655,050	886,089	-	-	655,050	886,089
Non departmental	5,075,953	3,914,638	-	-	5,075,953	3,914,638
Interest and fiscal charges on long-term debt						
	9,641,221	9,889,904	-	-	9,641,221	9,889,904
Water	-	-	49,373,198	47,167,081	49,373,198	47,167,081
Wastewater	-	-	30,930,246	27,843,727	30,930,246	27,843,727
Environmental services	-	-	22,927,911	21,688,906	22,927,911	21,688,906
Total expenses	251,841,402	235,932,542	103,231,355	96,699,714	355,072,757	332,632,256
Increase in net position before transfers						
	62,375,832	45,535,108	27,905,076	38,921,388	90,280,908	84,456,496
Transfers	(96,453)	(241,732)	96,453	241,732	-	-
Change in net position	62,279,379	45,293,376	28,001,529	39,163,120	90,280,908	84,456,496
Net position, beginning year	948,218,083	902,924,707	873,465,183	834,302,063	1,821,683,266	1,737,226,770
Net position, end of year	\$1,010,497,462	\$ 948,218,083	\$ 901,466,712	\$ 873,465,183	\$1,911,964,174	\$1,821,683,266

Business-type Activities

Gilbert's net position for business-type activities increased by \$28.0 million mainly due to development related growth, including \$14.1 million in system development fee collections and \$4.2 million in water, wastewater, and environmental services infrastructure contributed by developers and investment earnings of \$9.8 million. The revenues for business-type activities decreased by \$4.5 million (3.3%) from the prior year mainly due to decreases in contributions by developers. Expenses increased \$6.5 million (6.8%) from the prior year primarily due to an increase in the net pension liability and increased depreciation expense.

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
- Streets and Traffic Capital Projects
- Parks Capital Projects
- Municipal Facilities Capital Projects
- Debt Service
- Special Assessments Debt Service

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

As of the end of fiscal year 2020, the governmental funds reported ending unrestricted fund balances totaling \$185.5 million, an increase of \$71.5 million in comparison with the prior fiscal year. See explanations of variances below.

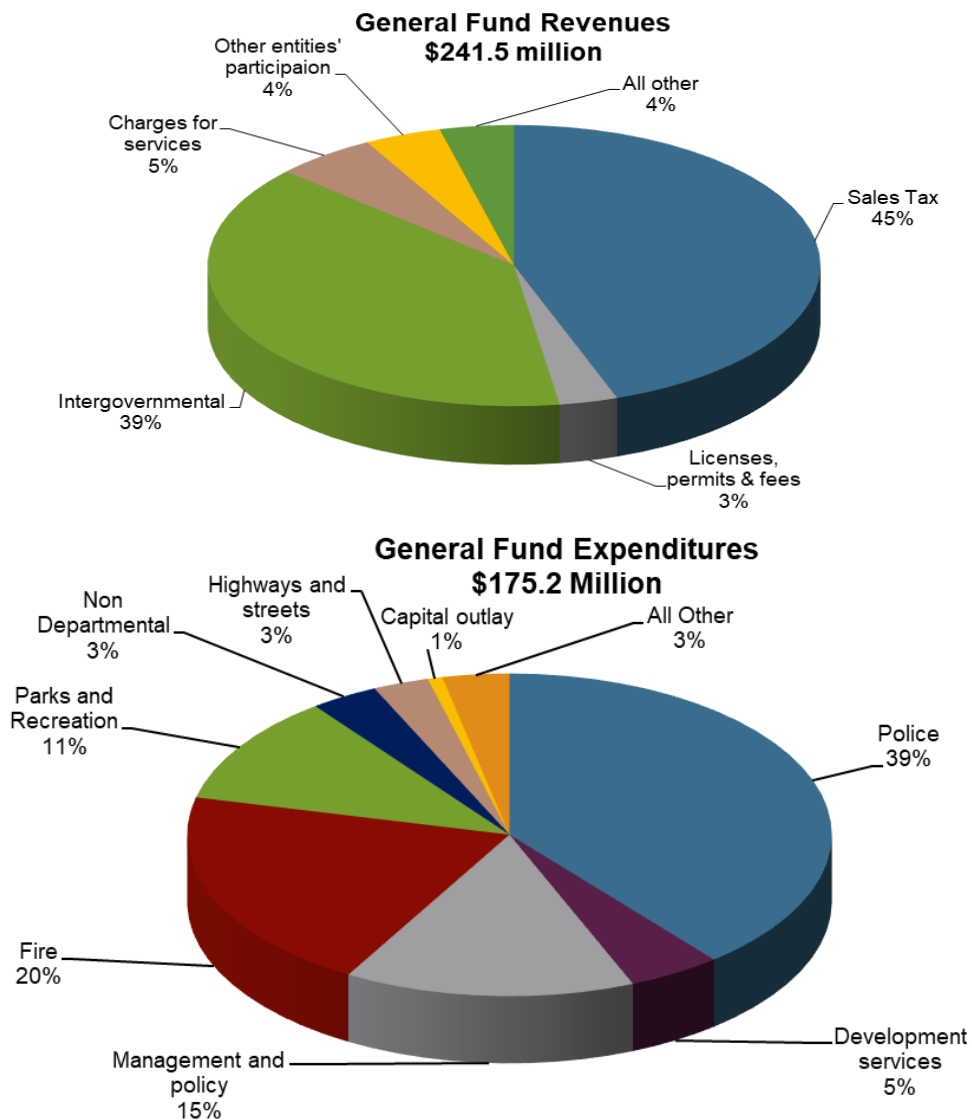
General Fund

The General Fund is the primary operating fund. At the end of fiscal year 2020, the fund balance of the General Fund was \$217.7 million, an increase of \$63.3 million from the prior year. This increase is mainly due to the Arizona Coronavirus Aid, Relief, and Economic Security (AZ CARES) grant recognized of \$23.0 million, land sales resulting in proceeds of \$19.3 million, and increased sales tax of \$8.9 million over the prior fiscal year. An additional \$6.2 million in revenue from this grant will be recorded in fiscal year 2021. The intended use of the AZ CARES funding is to disperse a majority of those funds back into the community through business grants, loans, and technical assistance and increased non-profit assistance in the next fiscal year. Another portion of the funds will go towards improving the police dispatch center in a future fiscal year.

The unrestricted portion of the fund balance was \$201.9 million, of which \$17.5 million has been assigned for capital replacement, \$12.9 million for roads and maintenance, \$37.5 million for future capital projects, and \$3.9 million for encumbrances outstanding as of fiscal year-end. 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 76.4% of total General Fund expenditures for the current year. The prior year percentage was 57.5%; this increase reflects an increase in available fund balance.

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

- Overall, revenues exceeded expenditures in the General Fund by \$66.2 million. Net other financing sources and uses were (\$3.0) million, resulting in an increase in fund balance of \$63.2 million. The transfers out of \$23.6 million were to finance capital projects (\$15.5 million), pay scheduled debt payments (\$7.6 million), and one-time subsidy transfers (\$540 thousand). The proceeds from the sale of capital assets of \$19.3 million represented several land sales, the largest of which was \$18.5 million for 58 acres of land.
- Total revenues of \$241.4 million represented an increase of \$41.6 million over the prior year due to the AZ CARES funding, increased contributions by developers, and increased sales tax, as described previously and below.
- Total expenditures of \$175.2 million represented an increase of \$19.2 million over prior year mainly due to Police and Highways and streets, as explained below.
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund, accounting for 83.6% of the total revenues, which is consistent with the prior year.
- Local sales tax, which accounts for 44.5% of total General Fund revenues, increased \$8.9 million (9.0%) from the prior fiscal year due to increased retail sales from new and existing businesses.
- Police expenditures increased \$11.4 million (20.0%) mainly due to increased contributions made to the PSPRS above the annually required contribution of \$13.7 million in fiscal year.
- Highways and streets expenditures increased \$5.3 million (more than 100%) due to the current year change in accounting for asphalt patching.



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 highways and streets related purposes. Total revenues in the Streets Fund remained stable from prior year, with only a \$40 thousand (0.2%) decrease from the prior year. Total expenditures increased by \$1.6 million (12.0%) mainly due to a streetlight rehabilitation project. In total, revenues exceeded expenditures by \$2.0 million; however, the transfer out of \$920 thousand for internal service charges resulted in a \$1.0 million increase in fund balance.

Other Major Governmental Funds

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 \$22.2 million during the year. This was mainly due to the use of fund balance to purchase or construct capital assets related to streets and traffic capital projects totaling \$37.1 million. The larger projects with capital expenditures during the year were related to the Lindsay and 202 interchange totaling \$15.2 million, which is expected to be completed at the end of fiscal year 2021. Capital outlay was offset by intergovernmental revenues of \$4.5 million mainly for reimbursements from ADOT and system development fee collections of \$3.5 million.

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 \$4.3 million during the year, which was primarily due to capital outlay of \$35.2 million. The largest project with capital expenditures during the year was Gilbert Regional Park of \$23.4 million for work on Phase 1B which includes a ten-acre event lawn and amphitheater, seven-acre lake and community fishing program, group ramada, volleyball courts, and a two-mile walking path. These expenditures were offset by proceeds from the sale of land of \$19.1 million that was originally intended for park purposes. The remaining fund balance of \$12.4 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 \$16.7 million during the year. The increase was due to the issuance of general obligation bonds and premium totaling of \$65.9 million to pay for the costs of the Public Safety Training Facility and system development fees collected for police, fire, and general government of \$7.3 million. Bond proceeds were offset by capital outlay of \$51.4 million, which was largely for construction costs of the Public Safety Training Facility.

Debt Service. The fund balance increased by \$35 thousand during the year. This was due to the issuance of general obligation refunding bonds of \$15.0 million with a net premium of \$1.4 million to advance refund \$16.0 million of outstanding Series 2008 General Obligation Bonds. Property taxes, transfers from other funds, and refunding proceeds totaled \$56.8 million, while debt service totaled \$58.5 million. The premium from refunding of \$1.4 million, and interest income of \$300 thousand resulted in a minimal increase in fund balance. See Note 8 for additional information.

Special Assessments Debt Service. The fund balance of \$203 thousand is restricted to pay future debt service requirements on special assessment bonds.

Nonmajor Governmental Funds

All nonmajor governmental funds are combined into one column on the governmental fund statements. The combined fund balance of these funds increased \$696 thousand to a balance at year-end of \$2.2 million. Nonmajor funds represent less than 1% 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. The SanTan Vista Water Treatment Plant is jointly owned with the City of Chandler, with Gilbert acting as the lead agent. Net position increased by \$19.1 million to \$478.3 million due primarily to capital contributions of \$13.7 million, including \$10.6 million in system development fees and \$3.1 million in distribution lines contributed by developers. Operating income was \$2.7 million, which is slightly higher than prior year of \$1.9 million.

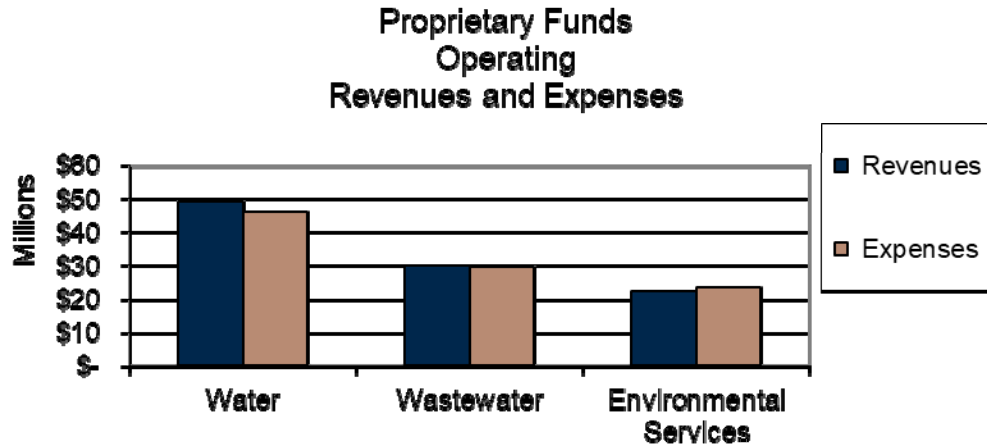
Wastewater Fund

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), a joint venture with the City of Mesa acting as lead agent, is expected to be completed in fiscal year 2021. The expansion includes improvements and upgrades to increase the plant's capacity from 16 mgd to 30 mgd, as well as maintenance and improvements to the existing infrastructure of the plant. Net position increased \$8.1 million to \$371.0 million due primarily to capital contributions of \$4.3 million, including \$3.5 million in system development fees and \$865 thousand in collection lines contributed by developers. Operating income was \$172 thousand, which is a decrease of \$1.9 million from prior year. The decrease in capital contributions compared to the prior year by \$3.3 million, offset by an increase in charges for services revenue of \$1.1 million resulting from receiving a full year of the rate increases that went into effect November 2018.

Environmental Services Fund

Gilbert operates the Environmental Services Fund to provide residential and commercial refuse collection, residential recycling services, street cleaning, storm water infrastructure, and environmental compliance. Residential services are provided exclusively by Gilbert, while the commercial service competes with the private sector for customers. Net position increased by \$208 thousand, to \$50.3 million, primarily from storm water infrastructure contributed by developers of \$255 thousand and investment earnings of \$951 thousand. Operating loss was \$1.1 million, which is consistent with the prior year. The loss is largely due to the escalating costs of the recycling program, which totaled \$714 thousand. The increased costs of recycling are directly attributable to the industry-wide cost to recycle products. This is due to steep restrictions for the percentage of allowable contamination in the global recycling stream beginning in 2018.

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



General Fund Budgetary Highlights

There was a difference of (\$2.2) million between the original adopted expenditure budget and the final amended expenditure budget. The final amended budget projected that revenues would exceed expenditures by \$8.1 million resulting in a \$61.1 million reduction to fund balance after other financing sources and uses per the budget. The difference between the original adopted budget and final amended budget is was mainly due to budgeting \$10.5 million more in police expenditures, \$11.0 million less in contingency, and \$1.9 million more in transfers out.

During the year, actual revenues exceeded the budgeted amount by \$22.6 million (10.3%) mainly due to higher than expected sales taxes collected of \$10.6 million, higher than expected intergovernmental revenue of \$22.6 million due to the non-budgeted AZ CARES funding received, offset by \$13.3 million lower than expected other entities' participation collections which varies year by year. Actual expenditures were less than budgeted by \$35.6 million (16.9%) mainly due to lower than expected expenditures of \$3.4 million in management and policy, \$3.5 million in parks and recreation, \$4.6 million in non-departmental, and \$7.1 million of capital outlay. These were mainly the result of a reduced spending directive due to the uncertainties of how COVID-19 would affect Gilbert financially. This resulted in an excess of revenues over expenditures of \$58.1 million more than budgeted. Other financing sources and uses came in \$66.2 million higher than expected due to a non-budgeted land sale of \$19.3 million and \$47.0 million less than expected of transfers out of \$21.3 million to the Municipal Facilities Capital Project Fund and \$12.3 million less to the Streets Capital Project Fund. This also resulted in the actual net change in fund balance being \$124.4 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2020, Gilbert had \$1.7 billion in capital assets, which is an increase of \$48.0 million (3.0%) over prior year. This was due to increases in construction-in-progress for streets, parks and municipal facilities offset by the depreciation expense taken. Major capital improvements projects completed during the year included the following:

Governmental Activities

- Gilbert Road and Baseline Road north to Guadalupe Street improvements of \$5.5 million
- Higley Road Reconstruction street improvements of \$1.2 million
- Stonebridge Lakes Reconstruction street improvements of \$3.6 million
- Developer contributions of street related infrastructure valued at \$5.7 million

Business-type Activities

- Heritage District north waterline replacements totaling \$9.1 million
- North Water Treatment Plant (NWTP) reservoir water quality improvements and north reservoir roof replacement of \$3.6 million
- Fiesta Tech sewer service and lift station improvements of \$5.6 million
- Crossroads force main repair at Williams Field totaling \$1.6 million
- Developer contributions of water, wastewater, and storm water infrastructure valued at \$4.2 million

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2020 and 2019.

Town of Gilbert Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 146,382,648	\$ 184,321,561	\$ 23,510,321	\$ 23,510,621	\$ 169,892,969	\$ 207,832,182
Nondepreciable water rights	-	-	58,150,151	57,129,947	58,150,151	57,129,947
Construction-in-progress	197,705,823	88,219,026	45,659,772	41,210,231	243,365,595	129,429,257
Buildings	137,578,043	147,695,236	-	-	137,578,043	147,695,236
Improvements	20,980,569	24,418,233	-	-	20,980,569	24,418,233
Plant, machinery & equip	19,925,635	22,096,986	63,598,824	69,242,746	83,524,459	91,339,732
Depreciable water rights	-	-	37,635,866	38,046,294	37,635,866	38,046,294
Infrastructure	519,717,464	539,647,265	383,011,729	370,316,041	902,729,193	909,963,306
Total Capital Assets	\$ 1,042,290,182	\$ 1,006,398,307	\$ 611,566,663	\$ 599,455,880	\$ 1,653,856,845	\$ 1,605,854,187

Total governmental capital assets increased \$35.9 million and business-type capital assets increased \$12.1 million. The change in governmental capital assets can be attributed to an increase in construction-in-progress additions of \$121.2 million and improvements in infrastructure of \$16.9 million. These additions were offset by construction-in-progress deletions of \$11.8 million, depreciation taken during the fiscal year of \$54.4 million and the sale of land totaling \$42.0 million. Most of the increase for the business-type capital assets can be attributable to additions in construction-in-progress of \$28.7 million and infrastructure of \$28.6 million. These additions were offset by completed projects of \$24.3 million and depreciation expense of \$23.8 million.

See Note 5 on pages 57-58 for further information regarding capital assets.

Long-term Debt. At June 30, 2020, Gilbert had total bonded debt obligations of \$249.1 million related to governmental activities and \$132.9 million in business-type activities; \$151.8 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$4.5 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, 2020 was \$186.8 million in the 6% capacity and \$459.9 million in the 20% capacity.

See Note 7 on pages 59-64 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2020 and 2019.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation	\$ 151,825,000	\$ 110,445,000	\$ -	\$ -	\$ 151,825,000	\$ 110,445,000
Special Assessment	4,510,000	4,895,000	-	-	4,510,000	4,895,000
Revenue Obligations	34,955,000	35,655,000	-	-	34,955,000	35,655,000
Municipal Property Corporation	57,760,000	73,560,000	132,865,000	140,090,000	190,625,000	213,650,000
Totals	\$ 249,050,000	\$ 224,555,000	\$ 132,865,000	\$ 140,090,000	\$ 381,915,000	\$ 364,645,000

Gilbert's bonds are rated by leading rating agencies that assess the risk of default based on Gilbert's financial condition. The following schedule shows Gilbert's bond ratings as of June 30, 2020.

**Town of Gilbert
Long-term Debt Ratings
As of June 30, 2020**

	Moody's Investor Service	Standard and Poors Ratings Service	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

As discussed in the letter of transmittal under *Factors Affecting Financial Condition*, in the spring of 2020, as Gilbert was gearing up to celebrate its Centennial and promote its new mission statement, "City of the Future," the COVID-19 pandemic engulfed not only our community, but the entire world. In an unprecedented move, schools and nonessential businesses were closed with their employees being either laid off or sent home to work off-site as "social distancing" became the "new normal." In response to the pandemic, Gilbert kept the safety of its team members and the health of its community at the forefront of decision-making as we worked to find innovative new ways to deliver the same exceptional services to our residents and businesses. For fiscal year 2021, we hope to continue to successfully reopen community operations while dealing with the economic aftershocks of the pandemic. While the current challenges may be larger, fluid and more complex than anything in recent memory, including the Great Recession, our response will be no different. We will continue to rise to the occasion.

In fiscal year 2020, Gilbert's economic development initiatives continued to yield positive results for the community, and Gilbert's northwest employment area and central business district continued to thrive. In the northwest corridor, Northrop Grumman announced a major expansion with the addition of a new 120,000 square foot office building and a 100,000 square-foot expansion of their satellite manufacturing facility. The office building broke ground in January 2020, and the manufacturing facility broke ground in the Summer of 2020. In the central business district, Rivulon completed construction on buildings 3 and 4 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. The Reserve at SanTan also welcomed Progressive Insurance's newest claim center and added an additional 160,000 square-feet of office to the development.

In the Heritage District, LGE Design Build completed construction on a new 40,000 square-foot four-story mixed-use retail/office building called The Collab, and Gilbert entered into an agreement for the development of the 9.1-acre site at the northern end of the Heritage District that is expected to consist of at least 500,000 gross square-feet, including Class A office space, retail space, a hotel and multifamily housing.

A community of excellence demands exceptional 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 fiscal year 2018, nearly \$7.0 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.

Budget Highlights for Fiscal Year 2021

The budget for fiscal year 2021 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. The adopted budget is based off conservative revenue estimates which provide flexibility in responding to possible impacts from COVID-19. Should impacts deepen, Gilbert has already identified a list of medium and large impact items that could be removed or postponed to provide additional flexibility for Gilbert to maintain a balanced budget. Check-in times have been established in August and October (with additional times as needed) to review revenue strength and determine what measures should be implemented to best keep the budget balanced and fiscally stable.

With carry forwards and contingency adjustments, the budget of \$992,839,910 is a decrease of \$56.0 million from fiscal year 2020. The efforts will help Gilbert maintain balanced revenues and expenditures. The budget also includes a capital projects contingency budget of \$100.0 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 2021 budget is balanced based upon identified revenues and expenditures.

Constitutional Expenditure Limit: The fiscal year 2021 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 2021 budget reflects state-shared revenues based upon census population adjustments and statutory distribution formulas, considering 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. Revenue estimates were further reduced to provide additional flexibility in navigating potential COVID-19 economic impacts.

Secondary Property Tax Levy: Council voted to adopt a tax levy of \$25.9 million, which maintains the tax rate of \$0.99 per \$100 of assessed value.

Fund Balance: The Revenue Summary in the budget lists the use of carry over funds in an amount of \$431.0 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 2021 budget reflects revenues projected from the continued collection of System Development Fees as allowed under current State Law.

Financial Contact

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

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



TOWN OF GILBERT, ARIZONA
Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
Assets				
Pooled cash and investments	\$ 297,820,720	\$ 258,529,156	\$ 556,349,876	\$ 17,167
Restricted cash and investments	12,384,691	25,231,367	37,616,058	-
Receivables, net:				
Taxes	13,717,122	-	13,717,122	-
Special assessments	4,437,950	-	4,437,950	-
Accrued interest	994,912	866,507	1,861,419	-
Accounts	12,917,313	4,903,125	17,820,438	-
Due from other governments	28,277,071	359,156	28,636,227	-
Prepaid items	2,307,116	399,194	2,706,310	-
Inventories	1,040,193	58,600	1,098,793	-
Restricted accrued interest	-	8,771	8,771	-
Internal balances	(1,800,228)	1,800,228	-	-
Investment in joint venture	1,736,784	186,774,040	188,510,824	-
Capital assets:				
Non-depreciable	344,088,471	127,320,244	471,408,715	-
Depreciable net	698,201,711	484,246,419	1,182,448,130	-
Total assets	1,416,123,826	1,090,496,807	2,506,620,633	17,167
Deferred outflows of resources				
Deferred charge on refundings	4,864,518	2,447,391	7,311,909	-
Pensions and other post-employment benefits	55,250,549	3,068,365	58,318,914	-
Total deferred outflows of resources	60,115,067	5,515,756	65,630,823	-
Liabilities				
Accounts payable	24,043,477	11,842,521	35,885,998	10
Accrued liabilities	9,797,406	985,166	10,782,572	-
Claims payable	2,025,000	-	2,025,000	-
Deposits held for others	1,888,541	-	1,888,541	-
Utility deposits	-	1,946,073	1,946,073	-
Bond interest payable	1,180,803	2,932,656	4,113,459	-
Unearned revenue	1,486,075	-	1,486,075	-
Noncurrent liabilities:				
Due within one year	39,449,294	8,445,801	47,895,095	-
Due in more than one year	375,919,761	166,753,076	542,672,837	-
Total liabilities	455,790,357	192,905,293	648,695,650	10
Deferred inflows of resources				
Pensions and other post-employment benefits	9,951,074	1,640,558	11,591,632	-
Total deferred inflows of resources	9,951,074	1,640,558	11,591,632	-
Net position				
Net investment in capital assets	804,916,527	468,440,304	1,273,356,831	-
Restricted for:				
Capital projects	53,027,758	24,872,533	77,900,291	-
Court/police programs	2,123,113	-	2,123,113	-
Debt service	8,949,041	-	8,949,041	-
Highway and streets	8,060,127	-	8,060,127	-
Other purposes	123,810	-	123,810	-
Special districts	358,782	-	358,782	-
Transportation	300,035	-	300,035	-
Unrestricted	132,638,269	408,153,875	540,792,144	17,157
Total net position	\$ 1,010,497,462	\$ 901,466,712	\$ 1,911,964,174	\$ 17,157

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

TOWN OF GILBERT, ARIZONA
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government				
Management and policy	\$ 23,430,414	\$ 22,334	\$ 1,287,783	\$ 192,623
Finance and management services	2,590,722	12,027	-	-
Court	3,946,778	534,926	37,971	-
Development services	10,897,963	6,866,871	278,032	-
Public safety				
Police	65,972,487	1,827,225	14,817,095	1,721,341
Fire	41,373,244	827,159	10,087,608	2,867,984
Highways and streets	61,413,551	13,054	26,966,006	23,497,349
Parks and recreation	26,844,019	4,799,749	136,841	10,624,563
Transportation	655,050	-	-	642,587
Non departmental	5,075,953	383,265	49,884	128,356
Interest and fiscal charges on long-term debt	9,641,221	-	-	-
Total governmental activities	<u>251,841,402</u>	<u>15,286,610</u>	<u>53,661,220</u>	<u>39,674,803</u>
Business-type activities:				
Water	49,373,198	48,781,943	1,697,653	13,724,625
Wastewater	30,930,246	29,771,746	-	4,339,478
Environmental Services	22,927,911	21,918,466	-	254,820
Total business-type activities	<u>103,231,355</u>	<u>100,472,155</u>	<u>1,697,653</u>	<u>18,318,923</u>
Total primary government	<u>\$ 355,072,757</u>	<u>\$ 115,758,765</u>	<u>\$ 55,358,873</u>	<u>\$ 57,993,726</u>
Component unit:				
Industrial Development Authority	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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 (loss) on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (21,927,674)	\$ -	\$ (21,927,674)	\$ -
(2,578,695)	-	(2,578,695)	-
(3,373,881)	-	(3,373,881)	-
(3,753,060)	-	(3,753,060)	-
(47,606,826)	-	(47,606,826)	-
(27,590,493)	-	(27,590,493)	-
(10,937,142)	-	(10,937,142)	-
(11,282,866)	-	(11,282,866)	-
(12,463)	-	(12,463)	-
(4,514,448)	-	(4,514,448)	-
(9,641,221)	-	(9,641,221)	-
<u>(143,218,769)</u>	<u>-</u>	<u>(143,218,769)</u>	<u>-</u>
-	14,831,023	14,831,023	-
-	3,180,978	3,180,978	-
-	(754,625)	(754,625)	-
-	<u>17,257,376</u>	<u>17,257,376</u>	-
<u>(143,218,769)</u>	<u>17,257,376</u>	<u>(125,961,393)</u>	-
			\$ (10)
107,533,991	-	107,533,991	-
26,569,667	-	26,569,667	-
1,014,544	-	1,014,544	-
2,744,105	-	2,744,105	-
57,801,651	-	57,801,651	-
2,762,422	-	2,762,422	-
10,467,209	9,820,041	20,287,250	4
(3,973,409)	147,543	(3,825,866)	-
674,421	680,116	1,354,537	-
(96,453)	96,453	-	-
<u>205,498,148</u>	<u>10,744,153</u>	<u>216,242,301</u>	<u>4</u>
62,279,379	28,001,529	90,280,908	(6)
948,218,083	873,465,183	1,821,683,266	17,163
<u>\$ 1,010,497,462</u>	<u>\$ 901,466,712</u>	<u>\$ 1,911,964,174</u>	<u>\$ 17,157</u>

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Streets Special Revenue</u>	<u>Streets and Traffic Capital Projects</u>	<u>Parks Capital Projects</u>
Assets				
Pooled cash and investments	\$ 174,749,410	\$ 9,180,443	\$ 59,405,162	\$ 15,811,281
Restricted cash and investments	179,243	-	-	-
Receivables, net:				
Taxes	13,558,288	-	-	-
Special assessments	-	-	-	-
Accrued interest	600,513	32,099	198,643	47,316
Accounts	11,157,187	9,096	220	-
Due from other governments	23,902,273	1,282,110	-	-
Due from other funds	970,733	-	-	-
Prepaid items	2,307,116	-	-	-
Inventories	244,336	-	-	-
Advances to other funds	13,281,380	-	-	-
Total assets	<u>240,950,479</u>	<u>10,503,748</u>	<u>59,604,025</u>	<u>15,858,597</u>
Liabilities				
Accounts payable	5,352,334	1,698,298	6,803,379	3,411,079
Accrued liabilities	9,472,224	186,250	-	-
Deposits held for others	1,888,541	-	-	-
Due to other funds	-	-	-	-
Interest payable	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	500,129	-	-	-
Bonds payable	-	-	-	-
Total liabilities	<u>17,213,228</u>	<u>1,884,548</u>	<u>6,803,379</u>	<u>3,411,079</u>
Deferred inflows of resources				
Unavailable revenue - sales tax	121,119	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - court fines	5,840,668	-	-	-
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - other	40,079	-	-	-
Total deferred inflow of resources	<u>6,001,866</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>23,215,094</u>	<u>1,884,548</u>	<u>6,803,379</u>	<u>3,411,079</u>
Fund balances				
Nonspendable	15,832,832	-	-	-
Restricted	-	8,619,200	52,800,646	12,447,518
Assigned	68,001,901	-	-	-
Unassigned	133,900,652	-	-	-
Total fund balances	<u>217,735,385</u>	<u>8,619,200</u>	<u>52,800,646</u>	<u>12,447,518</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 240,950,479</u>	<u>\$ 10,503,748</u>	<u>\$ 59,604,025</u>	<u>\$ 15,858,597</u>

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

Municipal Facilities Capital Projects	Debt Service	Special Assessments Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 23,542,714	\$ 1,692,615	\$ 179,020	\$ 2,407,391	\$ 286,968,036
-	12,205,448	-	-	12,384,691
-	148,650	-	10,184	13,717,122
-	-	4,437,950	-	4,437,950
68,038	5,766	599	5,972	958,946
-	-	-	4,050	11,170,553
-	-	-	3,062,135	28,246,518
-	-	-	-	970,733
-	-	-	-	2,307,116
-	-	-	-	244,336
-	-	-	-	13,281,380
<u>23,610,752</u>	<u>14,052,479</u>	<u>4,617,569</u>	<u>5,489,732</u>	<u>374,687,381</u>
5,744,274	204	-	675,837	23,685,405
-	-	-	43,529	9,702,003
-	-	-	-	1,888,541
-	-	-	970,733	970,733
-	1,180,803	-	-	1,180,803
13,281,380	-	-	-	13,281,380
-	-	-	985,946	1,486,075
-	8,540,000	-	-	8,540,000
<u>19,025,654</u>	<u>9,721,007</u>	<u>-</u>	<u>2,676,045</u>	<u>60,734,940</u>
-	-	-	-	121,119
-	-	4,414,936	-	4,414,936
-	-	-	-	5,840,668
-	-	-	619,875	619,875
-	-	-	-	40,079
<u>-</u>	<u>-</u>	<u>4,414,936</u>	<u>619,875</u>	<u>11,036,677</u>
<u>19,025,654</u>	<u>9,721,007</u>	<u>4,414,936</u>	<u>3,295,920</u>	<u>71,771,617</u>
-	-	-	-	15,832,832
20,251,009	4,331,472	202,633	2,975,633	101,628,111
-	-	-	-	68,001,901
(15,665,911)	-	-	(781,821)	117,452,920
<u>4,585,098</u>	<u>4,331,472</u>	<u>202,633</u>	<u>2,193,812</u>	<u>302,915,764</u>
<u>\$ 23,610,752</u>	<u>\$ 14,052,479</u>	<u>\$ 4,617,569</u>	<u>\$ 5,489,732</u>	<u>\$ 374,687,381</u>



TOWN OF GILBERT, ARIZONA
Reconciliation of Balance Sheet
To the Statement of Net Position
June 30, 2020

Fund balances of governmental funds		\$ 302,915,764
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	1,886,179,896	
Accumulated depreciation	<u>(843,993,410)</u>	1,042,186,486
<p>The investment in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>		
		1,736,784
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>		
		11,036,677
<p>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.</p>		
		7,226,604
<p>Deferred outflows and inflows of resources related to pensions, other post-employment benefits, and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Unamortized deferred outflow on bond refunding	4,864,518	
Pension and other post-employment benefits-related items	<u>45,162,700</u>	50,027,218
<p>Certain liabilities applicable to Gilbert'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.</p>		
Bonds payable	(240,510,000)	
Bonds premium	(25,420,362)	
Compensated absences	(16,124,803)	
Net other post-employment benefits	(620,190)	
Net pension	<u>(121,956,716)</u>	<u>(404,632,071)</u>
Net position of governmental activities - statement of net position		<u><u>\$ 1,010,497,462</u></u>

The notes to 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, 2020

	<u>General</u>	<u>Streets Special Revenue</u>	<u>Streets and Traffic Capital Projects</u>	<u>Parks Capital Projects</u>
Revenues				
Taxes:				
Sales	\$ 107,551,991	\$ -	\$ -	\$ -
Property	-	-	-	-
Franchise	2,744,105	-	-	-
Special assessments	-	-	-	-
Licenses and permits	4,688,768	-	-	-
Charges for services	13,005,244	630	-	-
Intergovernmental	94,251,408	16,425,482	4,537,225	-
Fines and forfeitures	2,730,262	9,206	-	-
Other entities' participation	9,799,491	-	-	-
System development fees	-	-	3,509,694	10,171,730
Gifts and donations	182,611	-	-	-
Investment earnings	6,004,925	385,167	2,175,649	537,614
Miscellaneous	530,842	143,311	-	-
Total revenues	<u>241,489,647</u>	<u>16,963,796</u>	<u>10,222,568</u>	<u>10,709,344</u>
Expenditures				
Current:				
General government:				
Management and policy	25,533,779	-	-	-
Finance and management services	2,681,130	-	-	-
Court	3,185,950	-	-	-
Development services	8,188,742	-	-	-
Public safety:				
Police	68,477,567	-	-	-
Fire	35,745,075	-	-	-
Highways and streets	5,985,186	14,983,624	185,695	-
Parks and recreation	19,238,742	-	-	100,343
Transportation	-	-	-	-
Non departmental	4,904,482	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Fiscal and other charges	-	-	-	-
Capital outlay	1,305,823	21,845	37,113,751	35,162,044
Total expenditures	<u>175,246,476</u>	<u>15,005,469</u>	<u>37,299,446</u>	<u>35,262,387</u>
Excess (deficiency) of revenues over expenditures	<u>66,243,171</u>	<u>1,958,327</u>	<u>(27,076,878)</u>	<u>(24,553,043)</u>
Other financing sources (uses)				
Transfers in	1,281,500	-	6,011,201	6,030,247
Transfers out	(23,608,128)	(920,410)	(1,131,598)	(4,857,447)
Proceeds from the sale of capital assets	19,340,128	-	-	19,129,637
General obligation bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds	-	-	-	-
Total other financing sources (uses)	<u>(2,986,500)</u>	<u>(920,410)</u>	<u>4,879,603</u>	<u>20,302,437</u>
Net change in fund balances	63,256,671	1,037,917	(22,197,275)	(4,250,606)
Fund balances - beginning	154,478,714	7,581,283	74,997,921	16,698,124
Fund balances - ending	<u>\$ 217,735,385</u>	<u>\$ 8,619,200</u>	<u>\$ 52,800,646</u>	<u>\$ 12,447,518</u>

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

Municipal Facilities Capital Projects	Debt Service	Special Assessments Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 107,551,991
-	23,875,747	-	2,693,920	26,569,667
-	-	-	-	2,744,105
-	-	744,008	-	744,008
-	-	-	-	4,688,768
-	-	2,222	146,022	13,154,118
-	-	-	2,063,001	117,277,116
-	-	-	344,916	3,084,384
-	-	-	-	9,799,491
7,289,603	-	-	-	20,971,027
-	-	-	96,994	279,605
591,259	299,945	7,666	83,098	10,085,323
-	-	-	269	674,422
<u>7,880,862</u>	<u>24,175,692</u>	<u>753,896</u>	<u>5,428,220</u>	<u>317,624,025</u>
-	-	-	1,320,011	26,853,790
-	-	-	65	2,681,195
-	-	-	304,828	3,490,778
-	-	-	5,544	8,194,286
157,087	-	-	815,323	69,449,977
-	-	-	137,531	35,882,606
-	-	-	2,029,415	23,183,920
-	-	-	1,248,704	20,587,789
-	-	-	651,550	651,550
121,587	-	-	49,884	5,075,953
-	48,670,000	385,000	-	49,055,000
-	9,628,392	239,908	-	9,868,300
646,945	205,734	-	-	852,679
-	12,356	750	-	13,106
<u>51,432,304</u>	<u>-</u>	<u>-</u>	<u>2,057,605</u>	<u>127,093,372</u>
<u>52,357,923</u>	<u>58,516,482</u>	<u>625,658</u>	<u>8,620,460</u>	<u>382,934,301</u>
<u>(44,477,061)</u>	<u>(34,340,790)</u>	<u>128,238</u>	<u>(3,192,240)</u>	<u>(65,310,276)</u>
1,040,321	17,918,025	-	4,493,100	36,774,394
(5,748,221)	-	-	(605,043)	(36,870,847)
-	-	-	-	38,469,765
61,730,000	-	-	-	61,730,000
4,139,268	-	-	-	4,139,268
-	15,020,000	-	-	15,020,000
-	1,438,165	-	-	1,438,165
<u>61,161,368</u>	<u>34,376,190</u>	<u>-</u>	<u>3,888,057</u>	<u>120,700,745</u>
16,684,307	35,400	128,238	695,817	55,390,469
(12,099,209)	4,296,072	74,395	1,497,995	247,525,295
<u>\$ 4,585,098</u>	<u>\$ 4,331,472</u>	<u>\$ 202,633</u>	<u>\$ 2,193,812</u>	<u>\$ 302,915,764</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, 2020

Net change in fund balances - total governmental funds	\$	55,390,469
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	127,093,372	
Depreciation expense	(54,394,233)	72,699,139
The net effect of various miscellaneous transactions involving capital assets is to decrease net position.		
		(42,559,401)
Issuance of debt, applicable premium and payment to refunded bond escrow agent are reported as a financing source (use) in the governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Bond premium is deferred and amortized in the statement of activities.		
		(82,327,433)
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	49,055,000	
Amortization expense	1,092,864	50,147,864
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.		
		2,044,478
Capital assets contributed by developers are not shown on the governmental fund statements but are included in the assets of Gilbert. On the statement of activities, these donations are shown as capital contributions.		
		5,726,631
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.		
		(989,223)
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	31,550,786	
Pension/OPEB expense	(28,548,531)	3,002,255
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	(503,108)	
Court fines	(994,246)	
Sales tax	(18,000)	
Grants	619,875	
Other	40,079	(855,400)
Change in net position of governmental activities - statement of activities	\$	<u><u>62,279,379</u></u>

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Sales	\$ 97,000,000	\$ 97,000,000	\$ 107,551,991	\$ 10,551,991
Franchise	2,945,000	2,945,000	2,744,105	(200,895)
Licenses and permits	4,310,000	4,310,000	4,688,768	378,768
Charges for services	13,565,500	13,565,500	13,005,244	(560,256)
Intergovernmental	71,630,000	71,630,000	94,251,408	22,621,408
Fines and forfeitures	3,522,000	3,522,000	2,730,262	(791,738)
Other entities' participation	23,066,000	23,066,000	9,799,491	(13,266,509)
Gifts and donations	38,000	38,000	182,611	144,611
Investment earnings	685,000	685,000	6,004,925	5,319,925
Miscellaneous	2,176,500	2,176,500	530,842	(1,645,658)
Total revenues	<u>218,938,000</u>	<u>218,938,000</u>	<u>241,489,647</u>	<u>22,551,647</u>
Expenditures				
Current:				
General government:				
Management and policy	27,948,175	28,917,676	25,533,779	3,383,897
Finance and management services	2,679,070	2,691,580	2,681,130	10,450
Court	3,430,020	3,427,040	3,185,950	241,090
Development services	8,794,720	9,025,640	8,188,742	836,898
Public safety:				
Police	59,274,880	69,775,472	68,477,567	1,297,905
Fire	35,160,230	35,911,570	35,745,075	166,495
Highways and streets	5,644,530	6,095,780	5,985,186	110,594
Parks and recreation	22,672,990	22,771,783	19,238,742	3,533,041
Non departmental	9,049,760	9,482,300	4,904,482	4,577,818
Capital outlay	8,688,900	8,381,079	1,305,823	7,075,256
Contingency	25,295,000	14,331,256	-	14,331,256
Total expenditures	<u>208,638,275</u>	<u>210,811,176</u>	<u>175,246,476</u>	<u>35,564,700</u>
Excess of revenues over expenditures	<u>10,299,725</u>	<u>8,126,824</u>	<u>66,243,171</u>	<u>58,116,347</u>
Other financing sources (uses)				
Transfers in	1,420,410	1,426,520	1,281,500	(145,020)
Transfers out	(68,762,355)	(70,649,070)	(23,608,128)	47,040,942
Proceeds from the sale of capital assets	-	-	19,340,128	19,340,128
Total other financing sources (uses)	<u>(67,341,945)</u>	<u>(69,222,550)</u>	<u>(2,986,500)</u>	<u>66,236,050</u>
Net change in fund balances	<u>\$ (57,042,220)</u>	<u>\$ (61,095,726)</u>	63,256,671	<u>\$ 124,352,397</u>
Fund balances - beginning			154,478,714	
Fund balances - ending			<u>\$ 217,735,385</u>	

The notes to 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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 630	\$ 630
Intergovernmental	16,500,000	16,500,000	16,425,482	(74,518)
Fines and forfeitures	-	-	9,206	9,206
Investment earnings	45,000	45,000	385,167	340,167
Miscellaneous	-	-	143,311	143,311
Total revenues	16,545,000	16,545,000	16,963,796	418,796
Expenditures				
Current:				
Highways and streets	15,655,080	15,727,270	14,983,624	743,646
Capital outlay	136,000	21,850	21,845	5
Contingency	500,000	541,960	-	541,960
Total expenditures	16,291,080	16,291,080	15,005,469	1,285,611
Excess of revenues over expenditures	253,920	253,920	1,958,327	1,704,407
Other financing uses				
Transfers out	(920,410)	(920,410)	(920,410)	-
Total other financing uses	(920,410)	(920,410)	(920,410)	-
Net change in fund balances	\$ (666,490)	\$ (666,490)	1,037,917	\$ 1,704,407
Fund balances - beginning			7,581,283	
Fund balances - ending			\$ 8,619,200	

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

TOWN OF GILBERT, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities -
	Water	Wastewater	Environmental Services		Internal Service Funds
Assets					
Current assets:					
Pooled cash and investments	\$ 125,502,768	\$ 108,056,091	\$ 24,970,297	\$ 258,529,156	\$ 10,852,684
Restricted cash and investments	22,413,992	2,817,375	-	25,231,367	-
Receivables (net):					
Accrued interest	417,017	362,557	86,933	866,507	35,966
Accounts	2,766,137	1,248,113	888,875	4,903,125	1,746,760
Restricted accrued interest	7,860	911	-	8,771	-
Due from other governments	352,728	2,053	4,375	359,156	30,553
Prepaid items	399,194	-	-	399,194	-
Inventories	58,600	-	-	58,600	795,857
Total current assets	<u>151,918,296</u>	<u>112,487,100</u>	<u>25,950,480</u>	<u>290,355,876</u>	<u>13,461,820</u>
Noncurrent assets:					
Investment in joint venture	85,347,711	101,426,329	-	186,774,040	-
Capital assets:					
Non-depreciable	91,889,775	34,962,946	467,523	127,320,244	4,906
Depreciable, net	282,693,341	169,717,034	31,836,044	484,246,419	98,790
Total noncurrent assets	<u>459,930,827</u>	<u>306,106,309</u>	<u>32,303,567</u>	<u>798,340,703</u>	<u>103,696</u>
Total assets	<u>611,849,123</u>	<u>418,593,409</u>	<u>58,254,047</u>	<u>1,088,696,579</u>	<u>13,565,516</u>
Deferred outflows of resources					
Pensions and other post-employment benefits	1,557,278	538,691	972,396	3,068,365	292,587
Deferred charge on refundings	2,447,391	-	-	2,447,391	-
Total deferred outflows of resources	<u>4,004,669</u>	<u>538,691</u>	<u>972,396</u>	<u>5,515,756</u>	<u>292,587</u>
Liabilities					
Current liabilities:					
Accounts payable	4,391,335	6,710,450	740,736	11,842,521	358,072
Accrued liabilities	492,255	161,435	331,476	985,166	95,403
Current portion of accrued compensated absences	441,287	185,589	258,925	885,801	74,210
Claims payable	-	-	-	-	2,025,000
Bond interest payable	2,130,281	802,375	-	2,932,656	-
Bonds payable	5,545,000	2,015,000	-	7,560,000	-
Utility deposits	1,903,048	-	43,025	1,946,073	-
Total current liabilities	<u>14,903,206</u>	<u>9,874,849</u>	<u>1,374,162</u>	<u>26,152,217</u>	<u>2,552,685</u>
Noncurrent liabilities:					
Utility revenue bonds payable	110,309,674	33,873,077	-	144,182,751	-
Long term portion of compensated absences	847,512	409,830	442,243	1,699,585	130,358
Other post-employment benefits	67,789	23,104	50,952	141,845	13,202
Net pension liability	10,554,208	3,653,672	6,521,015	20,728,895	1,979,214
Total noncurrent liabilities	<u>121,779,183</u>	<u>37,959,683</u>	<u>7,014,210</u>	<u>166,753,076</u>	<u>2,122,774</u>
Total liabilities	<u>136,682,389</u>	<u>47,834,532</u>	<u>8,388,372</u>	<u>192,905,293</u>	<u>4,675,459</u>
Deferred inflows of resources					
Pensions and other post-employment benefits	824,511	284,546	531,501	1,640,558	155,812
Total deferred inflows of resources	<u>824,511</u>	<u>284,546</u>	<u>531,501</u>	<u>1,640,558</u>	<u>155,812</u>
Net position					
Net investment in capital assets	272,584,193	163,552,544	32,303,567	468,440,304	103,696
Restricted for capital projects	414,937	24,457,596	-	24,872,533	-
Unrestricted	205,347,762	183,002,882	18,003,003	406,353,647	8,923,136
Total net position	<u>\$ 478,346,892</u>	<u>\$ 371,013,022</u>	<u>\$ 50,306,570</u>	<u>899,666,484</u>	<u>\$ 9,026,832</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				1,800,228	
Net position of business-type activities				<u>\$ 901,466,712</u>	

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

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds			Total	Governmental
	Water	Wastewater	Environmental Services	Enterprise Funds	Internal Service Funds
Operating revenues					
Charges for services	\$ 48,781,943	\$ 29,771,746	\$ 21,918,466	\$ 100,472,155	\$ 26,236,067
Other	218,460	147,082	314,579	680,121	4,189,221
Total operating revenues	<u>49,000,403</u>	<u>29,918,828</u>	<u>22,233,045</u>	<u>101,152,276</u>	<u>30,425,288</u>
Operating expenses					
General and administrative	1,533,249	808,459	1,147,121	3,488,829	1,600,682
Personnel services	10,537,214	5,041,269	7,745,579	23,324,062	1,979,543
Operation and maintenance	15,821,985	10,935,935	8,672,298	35,430,218	4,557,884
Claims incurred	-	-	-	-	19,966,278
Depreciation	15,967,379	11,818,977	4,600,080	32,386,436	17,527
Allocation of indirect expenses	2,407,280	1,141,920	1,137,300	4,686,500	-
Total operating expenses	<u>46,267,107</u>	<u>29,746,560</u>	<u>23,302,378</u>	<u>99,316,045</u>	<u>28,121,914</u>
Operating income (loss)	<u>2,733,296</u>	<u>172,268</u>	<u>(1,069,333)</u>	<u>1,836,231</u>	<u>2,303,374</u>
Nonoperating revenues (expenses)					
Interest expense	(3,294,648)	(1,261,425)	-	(4,556,073)	-
Intergovernmental	1,697,653	-	-	1,697,653	-
Investment earnings	4,719,827	4,149,132	951,065	9,820,024	381,879
Gain on sale of capital assets	55,916	20,380	71,247	147,543	-
Total nonoperating revenues (expenses)	<u>3,178,748</u>	<u>2,908,087</u>	<u>1,022,312</u>	<u>7,109,147</u>	<u>381,879</u>
Income (loss) before contributions and transfers	5,912,044	3,080,355	(47,021)	8,945,378	2,685,253
Capital contributions	13,724,625	4,339,478	254,820	18,318,923	-
Transfers in	131,453	667,834	-	799,287	-
Transfers out	(702,834)	-	-	(702,834)	-
Change in net position	19,065,288	8,087,667	207,799	27,360,754	2,685,253
Total net position - beginning	<u>459,281,604</u>	<u>362,925,355</u>	<u>50,098,771</u>		<u>6,341,579</u>
Total net position - ending	<u>\$ 478,346,892</u>	<u>\$ 371,013,022</u>	<u>\$ 50,306,570</u>		<u>\$ 9,026,832</u>
				640,775	
				<u>\$ 28,001,529</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 financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Environmental Services	Total	Internal Service Funds
				Enterprise Funds	
Cash flows from operating activities					
Cash receipts from customers	\$ 49,202,126	\$ 29,971,399	\$ 22,056,021	\$ 101,229,546	\$ 276,553
Other operating cash receipts	218,460	145,027	315,603	679,090	4,181,934
Cash receipts from other funds for services	-	-	-	-	25,069,055
Cash receipts from deposits	(140,827)	-	17,550	(123,277)	-
Cash payments to suppliers for goods and services	(17,683,454)	(15,089,577)	(11,123,473)	(43,896,504)	(25,673,048)
Cash payments to employees for services	(9,771,608)	(4,606,790)	(7,634,733)	(22,013,131)	(2,126,709)
Cash payments to other funds for services	(2,407,280)	(1,141,920)	(1,137,300)	(4,686,500)	-
Net cash provided by operating activities	<u>19,417,417</u>	<u>9,278,139</u>	<u>2,493,668</u>	<u>31,189,224</u>	<u>1,727,785</u>
Cash flows from noncapital financing activities					
Transfers from other funds	131,453	667,834	-	799,287	-
Transfers to other funds	(702,834)	-	-	(702,834)	-
Net cash provided (used) by noncapital financing activities	<u>(571,381)</u>	<u>667,834</u>	<u>-</u>	<u>96,453</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(21,122,047)	(25,928,222)	(771,398)	(47,821,667)	(61,437)
Proceeds from development fees	10,630,039	3,474,547	-	14,104,586	-
Cash paid for interest and fiscal charges	(4,394,188)	-	-	(6,039,238)	-
Principal payments on bonds	(5,285,000)	(1,940,000)	-	(7,225,000)	-
Proceeds from intergovernmental agreements	1,658,803	-	-	1,658,803	-
Proceeds from sale of capital assets	55,916	29,700	71,247	156,863	-
Net cash used by capital and related financing activities	<u>(18,456,477)</u>	<u>(26,009,025)</u>	<u>(700,151)</u>	<u>(45,165,653)</u>	<u>(61,437)</u>
Cash flows from investing activities					
Interest received on investments	4,965,118	4,293,639	958,554	10,217,311	381,520
Net cash provided by investing activities	<u>4,965,118</u>	<u>4,293,639</u>	<u>958,554</u>	<u>10,217,311</u>	<u>381,520</u>
Net increase (decrease) in cash and cash equivalents	5,354,677	(11,769,413)	2,752,071	(3,662,665)	2,047,868
Cash and cash equivalents at beginning of year	142,562,083	122,642,879	22,218,226	287,423,188	8,804,816
Cash and cash equivalents at end of year	<u>\$ 147,916,760</u>	<u>\$ 110,873,466</u>	<u>\$ 24,970,297</u>	<u>\$ 283,760,523</u>	<u>\$ 10,852,684</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 2,733,296	\$ 172,268	\$ (1,069,333)	\$ 1,836,231	\$ 2,303,374
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	15,967,379	11,818,977	4,600,080	32,386,436	17,527
Changes in assets and liabilities:					
Accounts receivable	420,183	199,653	137,555	757,391	(867,194)
Due from other governments	-	17,439	1,025	18,464	(30,552)
Prepaid items	(399,194)	-	-	(399,194)	-
Inventories	(6,820)	-	-	(6,820)	49,186
Deferred outflows of resources	80,532	(7,813)	94,010	166,729	56,797
Accounts payable	77,793	(3,364,681)	(1,304,054)	(4,590,942)	77,608
Claims payable	-	-	-	-	325,000
Deposits	(140,828)	-	17,550	(123,278)	-
Accrued expenses	252,974	44,439	44,526	341,939	4,935
Other post-employment benefits	16,647	5,867	13,683	36,197	3,025
Net pension liability	1,019,415	572,960	372,247	1,964,622	(65,779)
Deferred inflows of resources	(603,960)	(180,970)	(413,621)	(1,198,551)	(146,142)
Net cash provided by operating activities	<u>\$ 19,417,417</u>	<u>\$ 9,278,139</u>	<u>\$ 2,493,668</u>	<u>\$ 31,189,224</u>	<u>\$ 1,727,785</u>
Supplemental disclosure of noncash financing activities:					
Additions to property and equipment:					
Contributions from developers	3,094,586	864,931	254,820	4,214,337	-
Total additions to property and equipment	<u>\$ 3,094,586</u>	<u>\$ 864,931</u>	<u>\$ 254,820</u>	<u>\$ 4,214,337</u>	<u>\$ -</u>

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

TOWN OF GILBERT, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
Assets		
Restricted cash and investments	\$ -	\$ 51,887
Accounts receivable	-	167
	<hr/>	<hr/>
Total assets	-	52,054
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Medical benefits payable	-	5,378
Dependent care benefits payable	-	46,676
	<hr/>	<hr/>
Total liabilities	\$ -	\$ 52,054
	<hr/> <hr/>	<hr/> <hr/>
Net Position		
Restricted for pensions	\$ -	
	<hr/> <hr/>	

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, 2020

	Firemen's Pension Trust
Additions	
Investment earnings	\$ 777
Total additions	777
Deductions	
Benefits	86,756
Total deductions	86,756
Change in net position	(85,979)
Net Position - beginning of the year	85,979
Net Position - end of the year	\$ -

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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), highways and streets (street and right-of-way maintenance, traffic control, and transportation), 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, 2020, the Water MPC bonded debt is reported within the Water and Wastewater Funds and the Public Facilities MPC bonded debt is reported within the Debt Service Fund (current portion only) and within the governmental activities in the government-wide statement of net position.

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 are prepared and presented to the IDA Board annually and can be found on Gilbert's website.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 development of 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 2020 to the PMGAA operating and capital budget.

Regional Public Transportation Authority (RPTA) is a voluntary association of local governments, including Maricopa County, Chandler, 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 services.

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, 2020

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. 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, proprietary fund, and fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Gilbert considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Gilbert's major revenue sources that are 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 are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgements, compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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.

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 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. The principal operating revenue of Gilbert's internal service funds are charges to user departments for services provided.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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.

Debt Service – The Debt Service Fund accounts for the principal and interest requirements of general obligation, public facilities 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 traffic system development fees collected from building permits, state funds in accordance with the Maricopa Association of Governments 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.

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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 custodial 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.

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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 such as long-term liability activity, capital outlay activity, depreciation expense, and developer contributions. 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.

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 as assets when purchased and expensed when consumed. These inventories are valued 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. 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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

J. 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. The governmental funds report unavailable revenues from several sources: special assessments, court fines, sales tax, grants, and other. 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.

K. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered.

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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

L. Long-Term Obligations

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

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

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

M. 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.

N. 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.

O. 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

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

P. Statement of Cash Flows

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

Q. Use of Estimates

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

R. 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".

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 4 for further discussion of the interfund receivables/payables at June 30.

S. Property Tax

Gilbert's property tax levy is adopted by the Council each year and the County levies the taxes 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. 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 2020, Gilbert's property tax rate is \$0.99 per \$100 of secondary assessed valuation.

Note 2 – 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 based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs. Gilbert had total investments of \$589,597,843 at June 30, 2020. Gilbert categorizes certain investments within the fair value hierarchy established by generally accepted accounting principles as follows:

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

<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	\$ 200,634,060	\$ 200,634,060	\$ -
U.S. Government Agencies	154,012,498	-	154,012,498
Corporate Notes	70,309,644	-	70,309,644
Certificates of Deposit	45,896,014	-	45,896,014
Asset Backed Securities	5,730,384	-	5,730,384
Municipal Bonds	2,937,281	-	2,937,281
Money Market - U.S. Treasuries	30,771,396	-	30,771,396
Total Investments Categorized by Fair Value Level	<u>\$ 510,291,277</u>	<u>\$ 200,634,060</u>	<u>\$ 309,657,217</u>
External Investment Pools Measured at Fair Value			
State Treasurer's Investment Pool	79,306,566		
Total Investments Measured at Fair Value	<u>\$ 589,597,843</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, 2020, 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	\$ 200,634,060	\$ 10,480,463	\$ 190,153,597
U.S. Government Agencies	154,012,498	24,181,111	129,831,387
Corporate Notes	70,309,644	33,007,494	37,302,150
Certificates of Deposit	45,896,014	38,011,414	7,884,600
Asset Backed Securities	5,730,384	-	5,730,384
Municipal Bonds	2,937,281	-	2,937,281
State Treasurer's Investment Pool	79,306,566	52,907,380	26,399,186
Money Market - U.S. Treasuries	30,771,396	30,771,396	-
Total	<u>\$ 589,597,843</u>	<u>\$ 189,359,258</u>	<u>\$ 400,238,585</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, 2020, 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, Gilbert's deposits may not be returned. As of June 30, 2020, Gilbert's bank balance was \$11,909,925, of which \$11,908,659 was with JP Morgan and \$1,266 was held with Alliance Bank. \$11,658,659 of JP Morgan's bank 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. At the end of each day, a portion of Gilbert's bank balance is transferred to a sweep investment account.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020, of Gilbert’s investments, 40% were in U.S. Government Treasuries, 26% were in U.S. Government Agencies, 12% were in Corporate Notes, 8% were in Certificates of Deposit, 1% were in Asset Backed Securities and 13% 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	\$ 4,419,978
Carrying amount of deposits/investments	589,597,843
Total cash and investments	<u>\$ 594,017,821</u>
Pooled cash and investments	\$ 556,349,876
Restricted cash and investments	37,616,058
Total cash and investments (per Statement of Net Position)	<u>593,965,934</u>
Fiduciary funds	51,887
Total cash and investments	<u>\$ 594,017,821</u>

Note 3 – Taxes Receivable and Due from Other Governments

The General Fund taxes receivable amount at June 30, 2020, includes \$1,399,807 in state shared sales tax and \$12,158,481 in local sales tax.

Amounts reported as due from other governments, significant to each governmental fund, at June 30, 2020 are summarized as follows:

General Fund

CARES Act Funds	\$ 22,974,647
Vehicle License Tax	504,869
Regional Public Transportation Authority - Roads and Maintenance	375,092

Streets Special Revenue Fund

Highway User Revenue Funds (HURF)	1,282,110
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Nonmajor Funds

Maricopa County Attorney's Office - Racketeer Influenced Corrupt Organization Funds	1,759,079
U.S. Dept. of Housing and Urban Development	753,998
U.S. Dept. of Homeland Security	102,637
Regional Public Transportation Authority - Local	208,451
State of Arizona - COVID-19 Relief Funds	198,286

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Amounts reported as due from other governments, significant to each proprietary fund, at June 30, 2020 are summarized as follows:

Water Fund

City of Chandler - Joint Operation of SanTan Vista Water Treatment Plant	\$	345,504
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Note 4 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2020, 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):

	<u>Due To</u>	<u>Due From</u>
General	\$ -	\$ 970,733
Other Governmental Funds	970,733	-
Total	<u>\$ 970,733</u>	<u>\$ 970,733</u>

Advances to/from 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	\$ 13,281,380	\$ -
Municipal Facilities Capital Projects	-	13,281,380
Total	<u>\$ 13,281,380</u>	<u>\$ 13,281,380</u>

Note 5 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2020, is as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
Non-depreciable assets:				
Land	\$ 184,321,561	\$ 4,019,281	\$ (41,958,194)	\$ 146,382,648
Construction-in-progress	88,219,026	121,242,153	(11,755,356)	197,705,823
Total non-depreciable assets	<u>272,540,587</u>	<u>125,261,434</u>	<u>(53,713,550)</u>	<u>344,088,471</u>
Depreciable assets:				
Buildings	272,890,522	516,747	-	273,407,269
Improvements other than buildings	76,086,081	-	(761,019)	75,325,062
Machinery and equipment	73,498,894	1,780,865	(2,663,156)	72,616,603
Infrastructure	1,104,138,883	16,948,905	-	1,121,087,788
Total depreciable assets	<u>1,526,614,380</u>	<u>19,246,517</u>	<u>(3,424,175)</u>	<u>1,542,436,722</u>
Less accumulated depreciation:				
Buildings	(125,195,286)	(10,633,940)	-	(135,829,226)
Improvements other than buildings	(51,667,848)	(3,013,120)	336,475	(54,344,493)
Machinery and equipment	(51,401,908)	(3,885,994)	2,596,934	(52,690,968)
Infrastructure	(564,491,618)	(36,878,706)	-	(601,370,324)
Total accumulated depreciation	<u>(792,756,660)</u>	<u>(54,411,760)</u>	<u>2,933,409</u>	<u>(844,235,011)</u>
Total depreciable assets, net	<u>733,857,720</u>	<u>(35,165,243)</u>	<u>(490,766)</u>	<u>698,201,711</u>
Governmental activities capital assets, net	<u>\$ 1,006,398,307</u>	<u>\$ 90,096,191</u>	<u>\$ (54,204,316)</u>	<u>\$ 1,042,290,182</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

Management and policy	\$ 706,470
Finance and management services	389,159
Legal and court	459,768
Development services	2,362,543
Police	2,569,015
Fire	3,455,542
Highways and streets	38,137,350
Parks and recreation	6,314,386
Total depreciation expense not including internal service funds	<u>\$ 54,394,233</u>
Capital assets held by Gilbert's internal service funds are charged to the various functions based on their usage of the assets	17,527
Total depreciation expense - governmental activities	<u><u>\$ 54,411,760</u></u>

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2020, is as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
Non-depreciable assets:				
Land	\$ 23,510,621	\$ -	\$ (300)	\$ 23,510,321
Water rights	57,129,947	1,020,204	-	58,150,151
Construction-in-progress	41,210,231	28,737,810	(24,288,269)	45,659,772
Total non-depreciable assets	<u>121,850,799</u>	<u>29,758,014</u>	<u>(24,288,569)</u>	<u>127,320,244</u>
Depreciable assets:				
Plant and equipment	149,384,852	1,925,653	(3,275,337)	148,035,168
Infrastructure	600,831,434	28,550,304	-	629,381,738
Water rights	40,354,519	-	-	40,354,519
Total depreciable assets	<u>790,570,805</u>	<u>30,475,957</u>	<u>(3,275,337)</u>	<u>817,771,425</u>
Less accumulated depreciation:				
Plant and equipment	(80,142,106)	(7,557,724)	3,263,486	(84,436,344)
Infrastructure	(230,515,393)	(15,854,616)	-	(246,370,009)
Water rights	(2,308,225)	(410,428)	-	(2,718,653)
Total accumulated depreciation	<u>(312,965,724)</u>	<u>(23,822,768)</u>	<u>3,263,486</u>	<u>(333,525,006)</u>
Total depreciable assets, net	<u>477,605,081</u>	<u>6,653,189</u>	<u>(11,851)</u>	<u>484,246,419</u>
Business-type activities capital assets, net	<u><u>\$ 599,455,880</u></u>	<u><u>\$ 36,411,203</u></u>	<u><u>\$ (24,300,420)</u></u>	<u><u>\$ 611,566,663</u></u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 6 – Construction-in-Progress and Commitments

Governmental activities construction-in-progress and related construction commitments at June 30, 2020, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Streets and traffic	\$ 50,325,948	\$ 37,065,996
Parks	62,134,134	7,868,499
Municipal facilities	59,953,339	22,463,180
Redevelopment	25,287,496	680,518
Fleet	4,906	-
Total	<u>\$ 197,705,823</u>	<u>\$ 68,078,193</u>

Business-type activities construction-in-progress and related construction commitments at June 30, 2020, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Water system	\$ 21,309,238	\$ 14,910,454
Wastewater system	23,883,012	10,542,740
Environmental services	467,522	-
Total	<u>\$ 45,659,772</u>	<u>\$ 25,453,194</u>

Note 7 – Long-Term Debt

General Obligation Bonds

Gilbert issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities including street improvements and the Public Safety Training Facility. 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, 2020, were as follows:

	<u>Governmental</u>
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	\$ 76,965,000
2020 General Obligation and General Obligation Refunding Bonds, Series 2020, 2.0% to 4.0%, original amount \$76,750,000, annual retirements due July 1, 2020, through July 1, 2039	<u>74,860,000</u>
Total	<u>\$ 151,825,000</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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>
2021	19,995,000	5,891,688
2022	22,275,000	4,908,338
2023	18,530,000	3,855,538
2024	4,170,000	3,114,338
2025	4,360,000	2,922,688
2026-2030	24,830,000	11,597,438
2031-2035	30,225,000	6,195,138
2036	27,440,000	1,706,994
	<u>\$ 151,825,000</u>	<u>\$ 40,192,160</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, 2020:

<u>Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Special Purpose Bonds</u>		<u>All Other General Obligation Bonds</u>	
NFC - Assessed Valuation	<u>\$ 3,114,101,831</u>	NFC - Assessed Valuation	<u>\$ 3,114,101,831</u>
20% constitutional limit	\$ 622,820,366	6% constitutional limit	\$ 186,846,110
Less general obligation bonds outstanding	(151,825,000)	Less general obligation bonds outstanding	-
Less premium adjustment	<u>(11,071,074)</u>	Less premium adjustment	-
Available 20% limitation borrowing capacity	<u>\$ 459,924,292</u>	Available 6% limitation borrowing capacity	<u>\$ 186,846,110</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, 2020, 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Special assessment bonds outstanding at June 30, 2020, were as follows:

	Governmental
2002 Improvement District #19 Bonds, 5.2%, original amount \$6,510,000, annual retirements due January 1, 2005, through January 1, 2027	\$ 75,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012, through January 1, 2029	4,435,000
Total	\$ 4,510,000

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

Year Ending	Governmental Activities	
	Principal	Interest
2021	410,000	219,625
2022	435,000	198,067
2023	450,000	175,490
2024	475,000	151,893
2025	495,000	127,145
2026-2029	2,245,000	233,472
	\$ 4,510,000	\$ 1,105,692

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 for public safety and parks and recreation facilities, 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. Also see Note 17 regarding Pledged Revenues.

Municipal property corporation revenue bonds outstanding at June 30, 2020, were as follows:

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

	<u>Governmental</u>	<u>Business-Type</u>
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	\$ 5,395,000	\$ -
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	11,750,000	-
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	34,165,000	-
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	-	100,770,000
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	-	32,095,000
Total	<u>\$ 57,760,000</u>	<u>\$ 132,865,000</u>

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>
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	6,055,000	954,750	9,200,000	4,003,812
2026-2030	13,040,000	986,000	52,935,000	13,157,918
2031-2035	-	-	31,330,000	3,574,975
2036	-	-	6,770,000	273,400
	<u>\$ 57,760,000</u>	<u>\$ 9,343,250</u>	<u>\$ 132,865,000</u>	<u>\$ 41,309,606</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020, were as follows:

	Governmental
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	\$ 34,955,000

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

Year Ending	Governmental Activities	
	Principal	Interest
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	895,000	1,343,831
2026-2030	5,180,000	5,985,281
2031-2035	6,390,000	4,786,878
2036-2040	7,630,000	3,521,641
2041-2045	9,495,000	1,774,472
2046	2,200,000	55,000
	\$ 34,955,000	\$ 23,258,053

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 110,445,000	\$ 76,750,000	\$ (35,370,000)	\$ 151,825,000	\$ 19,995,000
Special assessment bonds with government commitment	4,895,000	-	(385,000)	4,510,000	410,000
Revenue bonds	73,560,000	-	(15,800,000)	57,760,000	12,805,000
Revenue obligations	35,655,000	-	(700,000)	34,955,000	735,000
Unamortized bond premium	22,526,112	5,577,433	(2,683,183)	25,420,362	-
Total bonds payable	<u>247,081,112</u>	<u>82,327,433</u>	<u>(54,938,183)</u>	<u>274,470,362</u>	<u>33,945,000</u>
Compensated absences	15,347,440	8,757,164	(7,775,234)	16,329,370	5,504,294
Other postemployment benefits	740,938	-	(107,546)	633,392	-
Net pension liability	115,155,993	8,779,938	-	123,935,931	-
Total long-term liabilities	<u>\$ 378,325,483</u>	<u>\$ 99,864,535</u>	<u>\$ (62,820,963)</u>	<u>\$ 415,369,055</u>	<u>\$ 39,449,294</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 140,090,000	\$ -	\$ (7,225,000)	\$ 132,865,000	\$ 7,560,000
Unamortized bond premium	20,412,481	-	(1,534,730)	18,877,751	-
Total bonds payable	<u>160,502,481</u>	<u>-</u>	<u>(8,759,730)</u>	<u>151,742,751</u>	<u>7,560,000</u>
Compensated absences	2,406,245	1,717,227	(1,538,086)	2,585,386	885,801
Other postemployment benefits	155,154	-	(13,309)	141,845	-
Net pension liability	18,764,273	1,964,622	-	20,728,895	-
Total long-term liabilities	<u>\$ 181,828,153</u>	<u>\$ 3,681,849</u>	<u>\$ (10,311,125)</u>	<u>\$ 175,198,877</u>	<u>\$ 8,445,801</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, \$204,568 of internal service funds compensated absences, \$1,979,214 net pension liability, and \$13,202 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.

Gilbert 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 8 – Refunding Bonds

On May 26, 2020, Gilbert issued \$15,020,000 of refunding bonds with a net premium of \$1,438,165 to current refund \$16,000,000 of outstanding Series 2008 General Obligation Bonds. In addition, Gilbert issued \$61,730,000 of general obligation bonds with a net premium of \$4,139,268 to provide funds for Gilbert's Public Safety Training Facility. See Note 7 for additional detail on the general obligation bonds issued. The Series 2020 General Obligation Refunding Bonds were issued with an average interest rate of 4.0%. Gilbert realized net proceeds of \$16,362,889 after payment of \$95,276 for underwriting fees. These proceeds were provided to Gilbert to pay issuance costs of approximately \$109,458 with the remaining \$16,252,000 used to pay all future debt service payments of the Series 2008 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. The purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service payments. The refunding will reduce debt service payments by \$799,189 over the next four years, producing an economic gain (difference between present value of old and new debt service payments) of \$779,007.

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 and 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 2020, 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.

Effective July 1, 2020, Gilbert became self-insured for worker's compensation. Gilbert obtained approval for self-insured status from the Industrial Commission of Arizona and began using a third-party administrator to process claims. The Health Trust Board, which oversees the employee benefit self-insurance trust, began overseeing the worker's compensation self-insurance fund.

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. The Trust is overseen by the Health Trust Board. 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 \$150,000 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.

The claims liability of \$2,025,000 reported in the employee benefit self-insurance trust at June 30, 2020, 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 2020, an increase of \$342,000 and decrease of \$17,000 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 2020 reflected an increase in claims costs of \$4,686,928 from fiscal year 2019. This was due to an increase of \$4,745,002 in medical claims and a decrease of \$58,074 in dental claims.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Changes in the fund's claim liability amount in fiscal years 2020 and 2019 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
2020	\$ 1,700,000	\$ 19,966,277	\$ (19,641,277)	\$ 2,025,000
2019	1,514,000	15,279,349	(15,093,349)	1,700,000

Note 10 – Pensions and Other Postemployment Benefits

Gilbert contributes to the following pension and OPEB plans:

- Elected Officials Retirement Plan (EORP) Pension
- Arizona State Retirement System (ASRS) Pension
- ASRS Health Insurance Premium Supplement (OPEB)
- ASRS Long-Term Disability (OPEB)
- Public Safety Retirement System (PSPRS) Pension
- PSPRS Health Insurance Premium Benefit (OPEB)

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 11 for information on Gilbert's OPEB plan. The ASRS and PSPRS plans are component units of the State of Arizona.

Pension and OPEB Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Deferred Outflow of Resources:			
OPEB - Town	\$ 713,664	\$ 159,821	\$ 873,485
Pension - ASRS	7,612,599	2,908,544	10,521,143
Pension - PSPRS	46,734,588	-	46,734,588
Pension - EORP	189,698	-	189,698
Total	<u>\$ 55,250,549</u>	<u>\$ 3,068,365</u>	<u>\$ 58,318,914</u>
Liabilities:			
OPEB - Town	633,392	141,845	775,237
Pension - ASRS	54,964,802	20,728,895	75,693,697
Pension - PSPRS	67,436,024	-	67,436,024
Pension - EORP	1,535,105	-	1,535,105
Total	<u>\$ 124,569,323</u>	<u>\$ 20,870,740</u>	<u>\$ 145,440,063</u>
Deferred Inflow of Resources:			
OPEB - Town	1,541,816	345,281	1,887,097
Pension - ASRS	3,434,558	1,295,277	4,729,835
Pension - PSPRS	4,310,023	-	4,310,023
Pension - EORP	664,677	-	664,677
Total	<u>\$ 9,951,074</u>	<u>\$ 1,640,558</u>	<u>\$ 11,591,632</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Gilbert reported \$33,487,416 of pension and OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributed for fiscal year 2020.

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.

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary 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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11% (11.94% for retirement and 0.17% for long term disability) of the members' annual covered payroll, and statute required Gilbert to contribute at the actuarially determined rate of 12.11% (11.45% for retirement, 0.49% for health insurance premium benefit, and 0.17% 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 10.41% (10.29% for retirement, 0.05% for health insurance premium benefit, and 0.07% 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

During fiscal year 2020, Gilbert paid for ASRS pension contributions as follows: 61% from the general fund, 35% from major funds, and 4% from other funds. The contributions to the pension plan for fiscal year 2020 were \$6,355,725.

Pension Liability – At June 30, 2020, Gilbert reported a liability of \$75,693,697 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. The total pension liability as of June 30, 2019 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, 2019. Gilbert's proportion measured as of June 30, 2019, was 0.52019%, which was an increase of 0.02283% from its proportion measured as of June 30, 2018.

Gilbert's reported liability at June 30, 2020, increased by \$6,329,480 from the prior year liability of \$69,364,217 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, 2020, Gilbert recognized pension expense for ASRS of \$9,112,277. At June 30, 2020, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,367,427	\$ 14,231
Changes in assumptions or other inputs	319,960	3,014,271
Net difference between projected and actual earnings on pension plan investments	-	1,701,333
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	2,478,031	-
Gilbert contributions subsequent to the measurement date	6,355,725	-
Total	\$ 10,521,143	\$ 4,729,835

The \$6,355,725 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, 2021. 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:

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Year Ending June 30	Amount
2021	\$ 274,515
2022	(967,867)
2023	(326,728)
2024	455,663
2025	-
Thereafter	-

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

Actuarial valuation date	June 30, 2018
Actuarial rollforward date	June 30, 2019
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, 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 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%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
	<u>100%</u>	

Discount Rate – At June 30, 2019, the discount rate used to measure the ASRS total pension liability was 7.5%. 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Gilbert's proportionate share of the net pension liability	\$ 107,729,644	\$ 75,693,697	\$ 48,919,874

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

B. Public Safety Personnel Retirement System

Plan Description – 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. 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). 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.

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:

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

	Initial Membership Date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
Retirement and Disability:			
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	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		
Survivor Benefit:			
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, 2020, the following employees were covered by the agent pension plan's benefit terms:

	<u>Police</u>	<u>Fire</u>
Inactive employees or beneficiaries currently receiving benefits	75	21
Inactive employees entitled to but not yet receiving benefits	55	17
Active employees	197	165
Total	<u>327</u>	<u>203</u>

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, 2020 are indicated below. Rates are a percentage of active members' annual covered payroll.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

	Active Member- Pension	Active Member- Health	Gilbert- Pension	Gilbert- Health
Police				
PSPRS Tier 1	7.65%		31.43%	0.31%
PSPRS Tier 2	11.65%		31.43%	0.31%
PSPRS Tier 3				
Defined benefit only	9.80%	0.21%	26.06%	0.21%
PSPRS Tier 3				
Defined contribution only	10.51%		26.84%	
Fire				
PSPRS Tier 1	7.65%		22.14%	0.31%
PSPRS Tier 2	11.65%		22.14%	0.31%
PSPRS Tier 3				
Defined benefit only	9.80%	0.21%	16.48%	0.21%
PSPRS Tier 3				
Defined contribution only	10.51%		17.26%	

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, 2020 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	\$ 20,376,341	\$ 6,652,405

Pension Liability – At June 30, 2020, Gilbert reported \$67,436,024 in net pension liability. The net pension liabilities were measured as of June 30, 2019, 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, 2019, reflects changes in actuarial assumptions to decrease the investment rate of return from 7.4% to 7.3% and update the mortality rates.

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.3% 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 Geometric Real Rate of Return
Private credit	16%	5.36%
U.S. equity	16%	4.75%
Non-U.S. equity	14%	5.00%
Private equity	12%	8.40%
Real estate	10%	4.50%
GTS	12%	4.01%
Real assets	9%	6.75%
Fixed income	5%	3.00%
Risk parity	4%	4.01%
Short term investments	2%	0.25%
	<u>100%</u>	

Pension Discount Rates – At June 30, 2019, the discount rate used to measure total pension liability was 7.3%, which was a decrease of 0.1% from the discount rate used as of June 30, 2018. 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Changes in the Agent Plans Net Pension Liability

Police

	Increase/ (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2019	\$ 137,473,434	\$ 93,189,007	\$ 44,284,427
Adjustment to beginning of year	-	(40,585)	40,585
Changes for the year:			
Service cost	4,173,615	-	4,173,615
Interest on the total pension liability	10,325,605	-	10,325,605
Differences between expected results and actual experience in the measurement of the total pension liability	1,313,900	-	1,313,900
Changes of assumptions	3,858,110	-	3,858,110
Contributions - employer	-	7,682,173	(7,682,173)
Contributions - employee	-	1,487,218	(1,487,218)
Net investment income	-	5,637,557	(5,637,557)
Benefit payments	(4,223,688)	(4,223,688)	-
Administrative expense	-	(98,934)	98,934
Net changes	15,447,542	10,443,741	5,003,801
Balances at June 30, 2020	<u>\$ 152,920,976</u>	<u>\$ 103,632,748</u>	<u>\$ 49,288,228</u>

Fire

	Increase/ (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2019	\$ 92,469,095	\$ 75,671,432	\$ 16,797,663
Adjustment to beginning of year	-	(24,536)	24,536
Changes for the year:			
Service cost	3,690,094	-	3,690,094
Interest on the total pension liability	7,024,670	-	7,024,670
Differences between expected results and actual experience in the measurement of the total pension liability	(1,850,677)	-	(1,850,677)
Changes of assumptions	1,934,990	-	1,934,990
Contributions - employer	-	3,866,247	(3,866,247)
Contributions - employee	-	1,241,407	(1,241,407)
Net investment income	-	4,444,022	(4,444,022)
Benefit payments	(2,462,421)	(2,462,421)	-
Administrative expense	-	(78,196)	78,196
Net changes	8,336,656	6,986,523	1,350,133
Balances at June 30, 2020	<u>\$ 100,805,751</u>	<u>\$ 82,657,955</u>	<u>\$ 18,147,796</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 7.3%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3%) or 1 percentage point higher (8.3%) than the current rate:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
Police net pension liability	\$ 73,056,760	\$ 49,228,228	\$ 30,223,438
Fire net pension liability	34,913,864	18,147,796	4,625,132

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

Pension Expense – For the year ended June 30, 2020, Gilbert recognized \$14,224,599 as pension expense for Police and \$9,136,310 as pension expense for Fire.

Pension Deferred Outflows/Inflows of Resources – At June 30, 2020, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Police		
Differences between expected and actual experience	\$ 2,899,533	\$ -
Changes in assumptions or other inputs	7,544,048	-
Net difference between projected and actual earnings on pension plan investments	594,213	-
Gilbert contributions subsequent to the measurement date	20,376,341	-
Total	\$ 31,414,135	\$ -
Fire		
Differences between expected and actual experience	\$ 3,506,696	\$ 4,310,023
Changes in assumptions or other inputs	4,442,890	-
Net difference between projected and actual earnings on pension plan investments	718,462	-
Gilbert contributions subsequent to the measurement date	6,652,405	-
Total	\$ 15,320,453	\$ 4,310,023

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The \$20,376,341 for Police and the \$6,652,405 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Police	Fire
2021	\$ 3,938,773	\$ 1,182,960
2022	2,033,157	443,785
2023	2,128,329	989,531
2024	1,301,596	966,110
2025	853,797	530,952
Thereafter	782,142	244,686

Volunteer Firemen's Relief and Pension Fund

The Volunteer Firemen's Relief and Pension Fund covers retired volunteer firemen and survivors and was established solely upon the provision for such pension and relief funds in the Arizona Revised Statutes. The statutes grant discretionary powers to Boards of Trustees of such plans related to payment/nonpayment of benefits to qualified retired or disabled volunteer firemen out of the assets of the fund. These discretionary powers do not extend, however, to the volunteer firemen's right to their own contributions to the fund. Gilbert has no actuarial liability for pension benefits as individual retirement benefits are not defined in the plan. Reserves for pensions, therefore, have not been established as the amounts are not vested and payment of benefits (if any) is at the discretion of the Board of Trustees of the plan.

Gilbert no longer operates a Volunteer Fire Department. Accordingly, there were no contributions required or made to this plan nor refunds paid for fiscal year 2020. Administrative costs are financed through investment earnings. There were no remaining pensioners in the system as of June 30, 2020. The remaining funds of \$86,756 were sent to PSPRS to pay down our unfunded fire pension liability.

Note 11 – 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, 2020, there are 59 retirees that are currently receiving medical and/or dental benefits.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Contributions – Gilbert requires retirees to pay 125% of the premium of the plan selected by the retiree. Gilbert makes no contributions for retirees other than allowing them to participate through Gilbert’s pooled benefits. Town retirees are eligible to receive benefits through age 65, up until they have access to Medicare. 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, 2020, retirees contributed \$464,806, which was in excess of claims paid by \$234,253. 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 but not yet receiving benefits	-
Active employees	1,182
Total	<u>1,241</u>

Total OPEB Liability – The Plan’s total OPEB liability of \$775,237 was measured as of June 30, 2020.

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, 2020 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, 2020
Actuarial valuation date	June 30, 2019
Interest rate	2.45%
Inflation rate	3.00%
Projected salary increases	3.00%
Health care cost trend rate:	
Medical and prescription drug	6.00% 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Changes in the Total OPEB Liability

Balances at June 30, 2019	\$	412,376
Changes for the year:		
Service cost		69,208
Interest		17,841
Differences between expected and actual experience		24,230
Changes in assumptions/inputs		74,733
Benefit payments		176,849
Net changes		<u>362,861</u>
Balances at June 30, 2020	\$	<u>775,237</u>

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(1.45%)</u>	<u>Discount Rate</u>	<u>(3.45%)</u>
		<u>(2.45%)</u>	
Total OPEB Liability	\$ 784,269	\$ 775,237	\$ 517,990

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		<u>Rate</u>	
Total OPEB Liability	\$ 487,418	\$ 775,237	\$ 832,666

OPEB Expense and Deferred Outflows/Inflows of Resource Related to OPEB – For the year ended June 30, 2020, the Plan recognized OPEB expense of \$57,975. At June 30, 2020, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows</u>	<u>Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Changes between expected and actual experience	\$ 20,192	\$ 1,887,097
Changes in assumptions or other inputs	853,293	-
Total	<u>\$ 873,485</u>	<u>\$ 1,887,097</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

Year Ending	Amount
June 30	
2021	\$ (205,923)
2022	(205,923)
2023	(205,923)
2024	(205,923)
2025	(189,918)
Thereafter	-

Note 12 – Fund Balance Classifications of the Governmental funds

Fund Balances:	General	Streets Special Revenue	Major Capital Project Funds			Major Debt Service Funds		Other Gov't	Total
			Streets & Traffic	Parks	Municipal Facilities	Debt Service	Special Assessments		
Nonspendable:									
Advances	\$ 13,281,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,281,380
Inventory	244,336	-	-	-	-	-	-	-	244,336
Prepaid items	2,307,116	-	-	-	-	-	-	-	2,307,116
Restricted for:									
Capital projects	-	-	52,800,646	12,447,518	20,251,009	-	-	-	85,499,173
Court/public safety programs	-	-	-	-	-	-	2,149,599	-	2,149,599
Debt service	-	-	-	-	-	4,331,472	202,633	-	4,534,105
Highways and streets	-	8,619,200	-	-	-	-	-	-	8,619,200
Contract agreements	-	-	-	-	-	-	-	44,567	44,567
Parks & recreation programs	-	-	-	-	-	-	-	79,243	79,243
Transportation	-	-	-	-	-	-	-	300,035	300,035
Special districts	-	-	-	-	-	-	-	402,189	402,189
Assigned to:									
Capital replacement	17,542,070	-	-	-	-	-	-	-	17,542,070
Capital projects	37,524,624	-	-	-	-	-	-	-	37,524,624
Highways and streets	12,874,216	-	-	-	-	-	-	-	12,874,216
Management and policy	60,991	-	-	-	-	-	-	-	60,991
Unassigned:	133,900,652	-	-	-	(15,665,911)	-	-	(781,821)	117,452,920
Total fund balances	\$ 217,735,385	\$ 8,619,200	\$ 52,800,646	\$ 12,447,518	\$ 4,585,098	\$ 4,331,472	\$ 202,633	\$ 2,193,812	\$ 302,915,764

Note 13 – Capital Contributions

During the year ended June 30, 2020, the enterprise funds external capital contributions consisted of the following:

	Environmental			Total
	Water	Wastewater	Services	
Contributions from developers	\$ 3,094,586	\$ 864,931	\$ 254,820	\$ 4,214,337
Development fees	10,630,039	3,474,547	-	14,104,586
Total	\$ 13,724,625	\$ 4,339,478	\$ 254,820	\$ 18,318,923

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 14 – Interfund Transfers

As of June 30, 2020, interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General	\$ 1,281,500	\$ 23,608,128
Streets Special Revenue	-	920,410
Streets and Traffic Capital Projects	6,011,201	1,131,598
Parks Capital Projects	6,030,247	4,857,447
Municipal Facilities Capital Projects	1,040,321	5,748,221
Debt Service	17,918,025	-
Other Governmental Funds	4,493,100	605,043
Total governmental funds	<u>36,774,394</u>	<u>36,870,847</u>
Enterprise funds:		
Water	131,453	702,834
Wastewater	667,834	-
Total enterprise funds	<u>799,287</u>	<u>702,834</u>
Total transfers	<u>\$ 37,573,681</u>	<u>\$ 37,573,681</u>

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 2020 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, 2020, were as follows:

Governmental funds

Grants	\$ 758,400
Other Capital Projects	23,421

The deficiency in the Grants Fund, a non-major governmental fund, is primarily due to unavailable revenue related to various grants. Future grant 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 payments. The fund's deficit is expected to be eliminated in the subsequent fiscal year.

Internal service funds

Equipment Maintenance	\$ 538,785
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The deficiency in the Equipment Maintenance Fund is due to the net pension liability.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 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 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 33 percent of revenue described above. The total principal and interest remaining to be paid on the bonds is \$163,681,950. Principal and interest paid for the current year was \$13,425,313. Total water and wastewater system development fees revenue was \$10,074,175 and water and wastewater net revenues were \$30,691,920.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$98,585,000 in public facilities municipal property corporation (MPC) revenue bonds issued since 2011; \$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 issued 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 South Area 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 10 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds and obligations is \$115,595,500. Principal and interest paid for the current year was \$17,910,756, and the total excise taxes and state-shared revenues were \$193,995,174.

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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Total investment (net of depreciation) as of June 30, 2020, was:

Mesa's share	\$ 153,957,191
Gilbert's share	101,426,329
Queen Creek's share	31,896,961
Total	<u>\$ 287,280,481</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 mgd per day each for Gilbert and Chandler. Phase II of the plant added an additional 12 mgd 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, 2020, was:

Gilbert's share	\$ 85,347,711
Chandler's share	78,605,999
Total	<u>\$ 163,953,710</u>

In August 2008, Gilbert entered into an Intergovernmental Agreement with the Cities of Mesa and Apache Junction, Superstition Fire & Medical (F&M), and the Town of Queen Creek (the Parties) to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (Trunked Open Arizona Network – 700/800 MHz Network procured and built by the City of Mesa). On May 1, 2012 and October 26, 2015, Rio Verde Fire District (FD) and Fort McDowell Yavapai Nation (Fort McDowell), 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, 2020, was:

Mesa's share	\$ 6,706,083
Gilbert's share	1,736,784
Apache Junction's share	598,308
Superstition F&M's share	167,601
Queen Creek's share	111,980
Fort McDowell's share	51,273
Rio Verde FD's share	12,733
Total	<u>\$ 9,384,762</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
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Schedule of the Proportionate Share of the Net Pension Liability

Arizona State Retirement System

	<u>Fiscal Year</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability	0.52%	0.49%	0.49%	0.49%	0.49%
Proportionate share of the net pension liability	\$ 75,693,697	\$ 69,364,217	\$ 76,832,504	\$ 78,813,297	\$ 75,695,863
Covered payroll (1)	52,965,805	49,511,839	48,187,902	45,764,166	43,765,044
Proportionate share of the net pension liability as a percentage of covered payroll	143%	140%	159%	172%	172%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%

	<u>Fiscal Year</u>	
	<u>2015</u>	<u>2014 through 2011</u>
Proportion of the net pension liability	0.47%	Information
Proportionate share of the net pension liability	\$ 69,412,268	not
Covered payroll (1)	42,295,765	available (2)
Proportionate share of the net pension liability as a percentage of covered payroll	164%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

- (1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2020, the measurement date of the net pension liability is June 30, 2019.
- (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, 2020**

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System – Police

	Fiscal Year						2014 through 2011
	2020	2019	2018	2017	2016	2015	
Total pension liability:							Information not available (2)
Service cost	\$ 4,173,615	\$ 4,056,282	\$ 4,361,408	\$ 3,466,239	\$ 3,570,214	\$ 3,293,404	
Interest on the total pension liability	10,325,605	9,457,916	8,535,995	7,222,969	6,604,564	5,414,469	
Changes in benefit terms	-	-	1,136,619	9,149,421	-	605,849	
Differences between expected and actual experience in the measurement of the total pension liability	1,313,900	847,849	928,575	547,040	713,111	2,479,128	
Changes in assumptions or other inputs	3,858,110	-	3,680,906	4,549,861	-	5,473,070	
Benefit payments, including refunds of employee contributions	(4,223,688)	(5,340,286)	(3,648,774)	(3,515,621)	(2,400,631)	(2,087,138)	
Net change in total pension liability	15,447,542	9,021,761	14,994,729	21,419,909	8,487,258	15,178,782	
Total pension liability - beginning	137,473,434	128,451,673	113,456,944	92,037,035	83,549,777	68,370,995	
Total pension liability - ending (a)	152,920,976	137,473,434	128,451,673	113,456,944	92,037,035	83,549,777	
Plan fiduciary net position:							
Contributions - employer	\$ 7,682,173	\$ 7,551,083	\$ 12,682,256	\$ 4,426,923	\$ 3,280,061	\$ 3,103,356	
Contributions - employee	1,487,218	1,973,907	2,271,326	2,243,118	2,107,439	2,088,159	
Net investment income	5,637,557	6,242,434	8,763,809	365,916	2,037,534	6,306,779	
Benefit payments, including refunds of employee contributions	(4,223,688)	(5,340,286)	(3,648,774)	(3,515,621)	(2,400,631)	(2,087,138)	
Administrative expense	(98,934)	(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	10,484,326	10,437,466	20,144,440	3,580,543	5,049,751	9,409,661	
Plan fiduciary net position - beginning	93,189,007	82,751,541	62,607,101	59,026,558	53,976,807	44,567,146	
Adjustment to beginning of year	(40,585)	-	-	-	-	-	
Plan fiduciary net position - ending (b)	\$ 103,632,748	\$ 93,189,007	\$ 82,751,541	\$ 62,607,101	\$ 59,026,558	\$ 53,976,807	
Net pension liability - ending (a) - (b)	\$ 49,288,228	\$ 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	67.77%	67.79%	64.42%	55.18%	64.13%	64.60%	
Covered payroll (1)	\$ 20,212,530	\$ 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	243.85%	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 2020, the measurement date of the net pension liability is June 30, 2019.
- (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, 2020

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System – Fire

	Fiscal Year						2014 through 2011
	2020	2019	2018	2017	2016	2015	
Total pension liability:							Information not available (2)
Service cost	\$ 3,690,094	\$ 3,661,929	\$ 3,652,130	\$ 2,728,554	\$ 2,785,128	\$ 2,545,607	
Interest on the total pension liability	7,024,670	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	(1,850,677)	(1,694,618)	3,761,967	(1,091,858)	(1,235,512)	2,247,902	
Changes in assumptions or other inputs	1,934,990	-	444,609	3,069,903	-	1,333,403	
Benefit payments, including refunds of employee contributions	(2,462,421)	(1,925,561)	(1,094,738)	(529,722)	(277,805)	(171,217)	
Net change in total pension liability	8,336,656	6,469,934	12,785,719	16,338,416	5,410,211	9,232,477	
Total pension liability - beginning	92,469,095	85,999,161	73,213,442	56,875,026	51,464,815	42,232,338	
Total pension liability - ending (a)	<u>100,805,751</u>	<u>92,469,095</u>	<u>85,999,161</u>	<u>73,213,442</u>	<u>56,875,026</u>	<u>51,464,815</u>	
Plan fiduciary net position:							
Contributions - employer	\$ 3,866,247	\$ 5,035,275	\$ 5,192,069	\$ 3,183,837	\$ 1,845,382	\$ 1,954,145	
Contributions - employee	1,241,407	1,365,916	1,860,471	1,792,809	1,903,578	1,667,772	
Net investment income	4,444,022	4,953,004	6,959,055	300,260	1,653,304	5,045,090	
Benefit payments, including refunds of employee contributions	(2,462,421)	(1,925,561)	(1,094,738)	(529,722)	(277,805)	(171,217)	
Administrative expense	(78,196)	(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	7,011,059	9,359,774	12,855,517	4,799,913	4,854,218	8,455,159	
Plan fiduciary net position - beginning	75,671,432	66,311,658	53,456,141	48,656,228	43,802,010	35,346,851	
Adjustment to beginning of year	(24,536)	-	-	-	-	-	
Plan fiduciary net position - ending (b)	<u>\$82,657,955</u>	<u>\$75,671,432</u>	<u>\$66,311,658</u>	<u>\$53,456,141</u>	<u>\$48,656,228</u>	<u>\$43,802,010</u>	
Net pension liability - ending (a) - (b)	<u>\$18,147,796</u>	<u>\$16,797,663</u>	<u>\$19,687,503</u>	<u>\$19,757,301</u>	<u>\$8,218,798</u>	<u>\$7,662,805</u>	
Plan fiduciary net position as a percentage of the total pension liability	82.00%	81.83%	77.11%	73.01%	85.55%	85.11%	
Covered payroll (1)	\$16,590,770	\$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	109.38%	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 2020, the measurement date of the net pension liability is June 30, 2019.
- (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, 2020

Schedule of Pension Contributions:

Arizona State Retirement System

	Fiscal Year				
	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 6,355,725	\$ 5,921,577	\$ 5,338,739	\$ 5,187,460	\$ 5,278,569
Contributions in related to the actuarially determined contributions	6,355,725	5,921,577	5,338,739	5,187,460	5,278,569
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 55,508,515</u>	<u>\$ 52,965,805</u>	<u>\$ 49,511,839</u>	<u>\$ 48,187,902</u>	<u>\$ 45,764,166</u>
Contributions as a percentage of covered payroll	11.45%	11.18%	10.78%	10.77%	11.53%

	Fiscal Year				
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 5,137,457	\$ 4,763,978	\$ 4,162,425	\$ 3,880,631	\$ 3,448,898
Contributions in related to the actuarially determined contributions	5,137,457	4,763,978	4,162,425	3,880,631	3,448,898
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 43,765,044</u>	<u>\$ 42,295,765</u>	<u>\$ 38,356,312</u>	<u>\$ 36,582,049</u>	<u>\$ 37,474,457</u>
Contributions as a percentage of covered payroll	11.74%	11.26%	10.85%	10.61%	9.20%

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Schedule of Pension Contributions:

Public Safety Retirement System – Police

	Fiscal Year				
	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 6,702,269	\$ 6,410,919	\$ 6,170,252	\$ 4,501,937	\$ 4,021,770
Contributions in related to the actuarially determined contributions	20,376,341	11,245,894	7,330,436	12,700,837	4,449,337
Contribution deficiency (excess)	<u>\$ (13,674,072)</u>	<u>\$ (4,834,975)</u>	<u>\$ (1,160,184)</u>	<u>\$ (8,198,900)</u>	<u>\$ (427,567)</u>
Covered payroll	\$ 21,771,020	\$ 20,212,530	\$ 18,572,542	\$ 18,694,661	\$ 19,247,567
Contributions as a percentage of covered payroll	93.59%	55.64%	39.47%	67.94%	23.12%

	Fiscal Year				
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,414,607	\$ 3,231,755	\$ 2,930,117	\$ 2,384,390	\$ 2,239,987
Contributions in related to the actuarially determined contributions	3,414,607	3,231,755	2,930,117	2,384,390	2,239,987
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 19,071,843	\$ 18,990,156	\$ 17,477,557	\$ 16,492,849	\$ 16,550,117
Contributions as a percentage of covered payroll	17.90%	17.02%	16.77%	14.46%	13.53%

Public Safety Retirement System – Fire

	Fiscal Year				
	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 3,809,026	\$ 4,009,743	\$ 4,644,867	\$ 3,266,367	\$ 2,241,688
Contributions in related to the actuarially determined contributions	6,652,405	7,556,014	5,096,285	5,307,483	3,088,477
Contribution deficiency (excess)	<u>\$ (2,843,379)</u>	<u>\$ (3,546,271)</u>	<u>\$ (451,418)</u>	<u>\$ (2,041,116)</u>	<u>\$ (846,789)</u>
Covered payroll	\$ 19,362,567	\$ 16,590,770	\$ 16,176,854	\$ 16,132,031	\$ 15,444,728
Contributions as a percentage of covered payroll	34.36%	45.54%	31.50%	32.90%	20.00%

	Fiscal Year				
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 1,982,159	\$ 2,037,266	\$ 1,793,907	\$ 1,479,746	\$ 1,422,964
Contributions in related to the actuarially determined contributions	1,982,159	2,037,266	1,793,907	1,479,746	1,422,964
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,274,115	\$ 15,508,151	\$ 13,954,822	\$ 13,335,971	\$ 13,220,688
Contributions as a percentage of covered payroll	12.98%	13.14%	12.86%	11.10%	10.76%

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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

Town of Gilbert Defined Benefit Plan

	Fiscal Year			2017 through 2011
	2020	2019	2018	
Total OPEB liability:				Information
Service cost	\$ 69,208	\$ 87,269	\$ 84,727	not
Interest on the total OPEB liability	17,841	54,575	58,026	available (2)
Differences between expected and actual experience in the measurement of the total OPEB liability	24,230	(1,604,373)	(1,296,953)	
Changes in assumptions/inputs	74,733	159,488	1,184,917	
Benefit payments, including refunds of employee contributions	176,849	118,124	96,758	
Net change in total OPEB liability	362,861	(1,184,917)	127,475	
Total OPEB liability - beginning	412,376	1,597,293	1,469,818	
Total OPEB liability - ending (a)	<u>\$ 775,237</u>	<u>\$ 412,376</u>	<u>\$ 1,597,293</u>	
Covered payroll (1)	\$ 83,544,308	\$ 81,110,979	\$ 72,406,115	
Gilbert's total OPEB liability as a percentage of covered payroll	0.9%	0.5%	2.2%	

- (1) The covered payroll amount will be as of the measurement date of the total OPEB liability. For fiscal year 2020, the measurement date of the total OPEB liability is June 30, 2020.
- (2) The OPEB schedule in this required supplementary information is 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, 2020**

Notes to Pension Plan Schedules

Note 1 - Actuarially Determined Contribution Rates

Arizona State Retirement System (ASRS)

The actuarial assumptions used in the June 30, 2019, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The major changes in assumptions were the discount rate, the actuarial method, the inflation rate, the investment rate, and the mortality table. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017 actuarial valuation.

Public Safety Personnel Retirement System (PSPRS)

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 2018 actuarial valuation	18 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 increases 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)

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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, 2020

	Special Revenue		
	Grants	Special Districts	Other Special Revenue
Assets			
Pooled cash and investments	\$ 12,839	\$ 497,249	\$ 1,787,554
Receivables, net:			
Taxes	-	10,184	-
Accrued interest	-	-	5,972
Accounts	-	-	4,050
Due from other governments	1,094,435	-	1,967,700
Total assets	<u>1,107,274</u>	<u>507,433</u>	<u>3,765,276</u>
Liabilities			
Accounts payable	402,816	95,725	44,126
Accrued liabilities	8,236	9,519	25,774
Due to other funds	834,747	-	135,986
Unearned revenue	-	-	985,946
Total liabilities	<u>1,245,799</u>	<u>105,244</u>	<u>1,191,832</u>
Deferred inflows of resources			
Unavailable revenue - grants	619,875	-	-
Total deferred inflow of resources	<u>619,875</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)			
Restricted	-	402,189	2,573,444
Unassigned	(758,400)	-	-
Total fund balances (deficits)	<u>(758,400)</u>	<u>402,189</u>	<u>2,573,444</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 1,107,274</u>	<u>\$ 507,433</u>	<u>\$ 3,765,276</u>

<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Other Capital Projects</u>		
\$ 109,749		\$ 2,407,391
-		10,184
-		5,972
-		4,050
-		3,062,135
<u>109,749</u>		<u>5,489,732</u>
133,170		675,837
-		43,529
-		970,733
-		985,946
<u>133,170</u>		<u>2,676,045</u>
-		619,875
-		619,875
-		2,975,633
<u>(23,421)</u>		<u>(781,821)</u>
<u>(23,421)</u>		<u>2,193,812</u>
<u>\$ 109,749</u>		<u>\$ 5,489,732</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	<u>Special Revenue</u>		
	<u>Grants</u>	<u>Special Districts</u>	<u>Other Special Revenue</u>
Revenues			
Property taxes	\$ -	\$ 2,693,920	\$ -
Charges for services	-	-	146,022
Intergovernmental	1,365,414	-	697,587
Fines and forfeitures	-	-	344,916
Gifts and donations	-	-	96,994
Investment earnings	79	-	83,019
Miscellaneous	-	269	-
Total revenues	<u>1,365,493</u>	<u>2,694,189</u>	<u>1,368,538</u>
Expenditures			
Current:			
General government:			
Management and policy	1,263,026	-	46,293
Finance and management services	65	-	-
Court	5,951	-	298,877
Development services	5,544	-	-
Public safety:			
Police	443,496	-	371,827
Fire	119,364	-	18,167
Highways and streets	3,087	1,826,406	-
Parks and recreation	210,423	1,035,549	2,732
Transportation	-	-	651,550
Non departmental	-	-	49,884
Capital outlay	78,335	29,476	14,716
Total expenditures	<u>2,129,291</u>	<u>2,891,431</u>	<u>1,454,046</u>
Deficiency of revenues under expenditures	<u>(763,798)</u>	<u>(197,242)</u>	<u>(85,508)</u>
Other financing sources (uses)			
Transfers in	168,081	11,791	662,974
Transfers out	(589,039)	-	(16,004)
Total other financing sources (uses)	<u>(420,958)</u>	<u>11,791</u>	<u>646,970</u>
Net change in fund balances	(1,184,756)	(185,451)	561,462
Fund balances (deficits) - beginning	426,356	587,640	2,011,982
Fund balances (deficits) - ending	<u>\$ (758,400)</u>	<u>\$ 402,189</u>	<u>\$ 2,573,444</u>

Capital Projects

<u>Other Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 2,693,920
-	146,022
-	2,063,001
-	344,916
-	96,994
-	83,098
-	269
-	5,428,220
-	-
10,692	1,320,011
-	65
-	304,828
-	5,544
-	815,323
-	137,531
199,922	2,029,415
-	1,248,704
-	651,550
-	49,884
1,935,078	2,057,605
2,145,692	8,620,460
(2,145,692)	(3,192,240)
3,650,254	4,493,100
-	(605,043)
3,650,254	3,888,057
3,650,254	3,888,057
1,504,562	695,817
(1,527,983)	1,497,995
\$ (23,421)	\$ 2,193,812
\$ (23,421)	\$ 2,193,812



BUDGETARY COMPARISON SCHEDULES

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 16,314,000	\$ 16,314,000	\$ 4,537,225	\$ (11,776,775)
System development fees	4,200,000	4,200,000	3,509,694	(690,306)
Investment earnings	15,000	15,000	2,175,649	2,160,649
Total revenues	<u>20,529,000</u>	<u>20,529,000</u>	<u>10,222,568</u>	<u>(10,306,432)</u>
Expenditures				
Current:				
General government:				
Highways and streets	688,000	688,000	185,695	502,305
Capital outlay	211,947,060	157,057,142	37,113,751	119,943,391
Contingency	-	10,535,352	-	10,535,352
Total expenditures	<u>212,635,060</u>	<u>168,280,494</u>	<u>37,299,446</u>	<u>130,981,048</u>
Deficiency of revenues under expenditures	<u>(192,106,060)</u>	<u>(147,751,494)</u>	<u>(27,076,878)</u>	<u>120,674,616</u>
Other financing source (uses)				
Transfers in	21,537,320	21,537,320	6,011,201	(15,526,119)
Transfers out	(2,667,150)	(2,667,150)	(1,131,598)	1,535,552
General obligation bonds issued	100,000,000	100,000,000	-	(100,000,000)
Total other financing sources (uses)	<u>118,870,170</u>	<u>118,870,170</u>	<u>4,879,603</u>	<u>(113,990,567)</u>
Net change in fund balance	<u>\$ (73,235,890)</u>	<u>\$ (28,881,324)</u>	<u>(22,197,275)</u>	<u>\$ 6,684,049</u>
Fund balance - beginning			<u>74,997,921</u>	
Fund balance - ending			<u>\$ 52,800,646</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
System development fees	\$ 7,500,000	\$ 7,500,000	\$ 10,171,730	\$ 2,671,730
Investment earnings	65,000	65,000	537,614	472,614
Total revenues	<u>7,565,000</u>	<u>7,565,000</u>	<u>10,709,344</u>	<u>3,144,344</u>
Expenditures				
Current:				
General government:				
Parks and recreation	1,378,730	877,695	100,343	777,352
Capital outlay	52,002,085	45,442,997	35,162,044	10,280,953
Contingency	-	12,783,265	-	12,783,265
Total expenditures	<u>53,380,815</u>	<u>59,103,957</u>	<u>35,262,387</u>	<u>23,841,570</u>
Deficiency of revenues under expenditures	<u>(45,815,815)</u>	<u>(51,538,957)</u>	<u>(24,553,043)</u>	<u>26,985,914</u>
Other financing sources (uses)				
Transfers in	10,339,840	11,958,615	6,030,247	(5,928,368)
Transfers out	(4,862,690)	(4,867,690)	(4,857,447)	10,243
Proceeds from the sale of capital assets	19,140,000	19,140,000	19,129,637	(10,363)
Total other financing sources (uses)	<u>24,617,150</u>	<u>26,230,925</u>	<u>20,302,437</u>	<u>(5,928,488)</u>
Net change in fund balance	<u>\$ (21,198,665)</u>	<u>\$ (25,308,032)</u>	<u>(4,250,606)</u>	<u>\$ 21,057,426</u>
Fund balance - beginning			16,698,124	
Fund balance - ending			<u>\$ 12,447,518</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
System development fees	\$ 5,700,000	\$ 5,700,000	\$ 7,289,603	\$ 1,589,603
Investment earnings	-	-	591,259	591,259
Total revenues	<u>5,700,000</u>	<u>5,700,000</u>	<u>7,880,862</u>	<u>2,180,862</u>
Expenditures				
Current:				
Public safety:				
Police	-	162,535	157,087	5,448
Non departmental	2,556,290	2,449,161	121,587	2,327,574
Debt service:				
Bond issuance costs	-	649,300	646,945	2,355
Capital outlay	88,735,455	88,749,005	51,432,304	37,316,701
Contingency	-	1,899,597	-	1,899,597
Total expenditures	<u>91,291,745</u>	<u>93,909,598</u>	<u>52,357,923</u>	<u>41,551,675</u>
Deficiency of revenues under expenditures	<u>(85,591,745)</u>	<u>(88,209,598)</u>	<u>(44,477,061)</u>	<u>43,732,537</u>
Other financing sources (uses)				
Transfers in	22,295,145	22,295,145	1,040,321	(21,254,824)
Transfers out	(5,894,420)	(5,894,430)	(5,748,221)	146,209
General obligation bonds issued	65,350,000	65,350,000	61,730,000	(3,620,000)
Premium on general obligation bonds issued	-	-	4,139,268	4,139,268
Total other financing sources (uses)	<u>81,750,725</u>	<u>81,750,715</u>	<u>61,161,368</u>	<u>(20,589,347)</u>
Net change in fund balance	<u>\$ (3,841,020)</u>	<u>\$ (6,458,883)</u>	16,684,307	<u>\$ 23,143,190</u>
Fund balance (deficit) - beginning			<u>(12,099,209)</u>	
Fund balance - ending			<u>\$ 4,585,098</u>	

TOWN OF GILBERT, ARIZONA
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 24,150,000	\$ 24,150,000	\$ 23,875,747	\$ (274,253)
Investment earnings	25,000	25,000	299,945	274,945
Total revenues	<u>24,175,000</u>	<u>24,175,000</u>	<u>24,175,692</u>	<u>692</u>
Expenditures				
Debt service:				
Principal	32,780,000	48,670,000	48,670,000	-
Interest	9,380,310	9,640,400	9,628,392	12,008
Bond issuance costs	350,000	350,000	205,734	144,266
Fiscal and other charges	41,000	43,000	12,356	30,644
Total expenditures	<u>42,551,310</u>	<u>58,703,400</u>	<u>58,516,482</u>	<u>186,918</u>
Deficiency of revenues under expenditures	<u>(18,376,310)</u>	<u>(34,528,400)</u>	<u>(34,340,790)</u>	<u>187,610</u>
Other financing sources				
Transfers in	17,940,890	17,940,900	17,918,025	(22,875)
Refunding bonds issued	-	-	15,020,000	15,020,000
Premium on refunding bonds	-	-	1,438,165	1,438,165
Total other financing sources	<u>17,940,890</u>	<u>17,940,900</u>	<u>34,376,190</u>	<u>16,435,290</u>
Net change in fund balance	<u>\$ (435,420)</u>	<u>\$ (16,587,500)</u>	35,400	<u>\$ 16,622,900</u>
Fund balance - beginning			4,296,072	
Fund balance - ending			<u>\$ 4,331,472</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 5,343,240	\$ 5,343,240	\$ 744,008	\$ (4,599,232)
Charges for services	-	-	2,222	2,222
Investment earnings	-	-	7,666	7,666
Total revenues	<u>5,343,240</u>	<u>5,343,240</u>	<u>753,896</u>	<u>(4,589,344)</u>
Expenditures				
Debt service:				
Principal	5,065,000	5,065,000	385,000	4,680,000
Interest	248,240	248,240	239,908	8,332
Fiscal and other charges	30,000	30,000	750	29,250
Total expenditures	<u>5,343,240</u>	<u>5,343,240</u>	<u>625,658</u>	<u>4,717,582</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>128,238</u>	<u>128,238</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,238</u>	<u>\$ (9,306,926)</u>
Fund balance - beginning			<u>74,395</u>	
Fund balance - ending			<u>\$ 202,633</u>	

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 7,228,210	\$ 7,228,210	\$ 1,365,414	\$ (5,862,796)
Investment earnings	-	-	79	79
Total revenues	<u>7,228,210</u>	<u>7,228,210</u>	<u>1,365,493</u>	<u>(5,862,717)</u>
Expenditures				
Current:				
General government:				
Management and policy	825,080	1,657,305	1,263,026	394,279
Finance and management services	-	-	65	(65)
Court	-	-	5,951	(5,951)
Development services	-	-	5,544	(5,544)
Public safety:				
Police	133,820	277,698	443,496	(165,798)
Fire	18,250	18,250	119,364	(101,114)
Highways and streets	-	-	3,087	(3,087)
Parks and recreation	-	100,000	210,423	(110,423)
Capital outlay	-	74,195	78,335	(4,140)
Contingency	5,000,000	3,849,702	-	3,849,702
Total expenditures	<u>5,977,150</u>	<u>5,977,150</u>	<u>2,129,291</u>	<u>3,847,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,251,060</u>	<u>1,251,060</u>	<u>(763,798)</u>	<u>(2,014,858)</u>
Other financing sources (uses)				
Transfers in	-	167,940	168,081	141
Transfers out	(1,251,060)	(1,779,060)	(589,039)	1,190,021
Total other financing sources (uses)	<u>(1,251,060)</u>	<u>(1,611,120)</u>	<u>(420,958)</u>	<u>1,190,162</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (360,060)</u>	<u>(1,184,756)</u>	<u>\$ (824,696)</u>
Fund balance - beginning			426,356	
Fund balance (deficit) - ending			<u>\$ (758,400)</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property	\$ 2,701,180	\$ 2,701,180	\$ 2,693,920	\$ (7,260)
Miscellaneous	-	-	269	269
Total revenues	<u>2,701,180</u>	<u>2,701,180</u>	<u>2,694,189</u>	<u>(6,991)</u>
Expenditures				
Current:				
General government:				
Highways and streets	1,905,600	1,905,600	1,826,406	79,194
Parks and recreation	1,180,110	1,180,110	1,035,549	144,561
Capital outlay	31,500	31,500	29,476	2,024
Total expenditures	<u>3,117,210</u>	<u>3,117,210</u>	<u>2,891,431</u>	<u>225,779</u>
Deficiency of revenues under expenditures	<u>(416,030)</u>	<u>(416,030)</u>	<u>(197,242)</u>	<u>218,788</u>
Other financing sources				
Transfers in	12,600	12,600	11,791	(809)
Total other financing sources	<u>12,600</u>	<u>12,600</u>	<u>11,791</u>	<u>(809)</u>
Net change in fund balance	<u>\$ (403,430)</u>	<u>\$ (403,430)</u>	<u>(185,451)</u>	<u>\$ 217,979</u>
Fund balance - beginning			<u>587,640</u>	
Fund balance - ending			<u>\$ 402,189</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 391,600	\$ 391,600	\$ 146,022	\$ (245,578)
Intergovernmental	696,000	696,000	697,587	1,587
Fines and forfeitures	484,000	484,000	344,916	(139,084)
Gifts and donations	107,090	107,090	96,994	(10,096)
Investment earnings	-	-	83,019	83,019
Total revenues	<u>1,678,690</u>	<u>1,678,690</u>	<u>1,368,538</u>	<u>(310,152)</u>
Expenditures				
Current:				
General government:				
Management and policy	122,400	122,400	46,293	76,107
Court	571,970	571,970	298,877	273,093
Public safety:				
Police	595,220	666,560	371,827	294,733
Fire	112,600	112,600	18,167	94,433
Parks and recreation	61,550	61,550	2,732	58,818
Transportation	860,000	860,000	651,550	208,450
Non departmental	49,890	49,890	49,884	6
Capital outlay	-	16,580	14,716	1,864
Contingency	-	4,080	-	4,080
Total expenditures	<u>2,373,630</u>	<u>2,465,630</u>	<u>1,454,046</u>	<u>1,011,584</u>
Deficiency of revenues under expenditures	<u>(694,940)</u>	<u>(786,940)</u>	<u>(85,508)</u>	<u>701,432</u>
Other financing sources (uses)				
Transfers in	600,000	1,228,000	662,974	(565,026)
Transfers out	(15,000)	(16,110)	(16,004)	106
Total other financing sources (uses)	<u>585,000</u>	<u>1,211,890</u>	<u>646,970</u>	<u>(564,920)</u>
Net change in fund balance	<u>\$ (109,940)</u>	<u>\$ 424,950</u>	561,462	<u>\$ 136,512</u>
Fund balance - beginning			2,011,982	
Fund balance - ending			<u>\$ 2,573,444</u>	

TOWN OF GILBERT, ARIZONA
Other Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
General government:				
Management and policy	-	250,000	10,692	239,308
Highways and streets	471,000	661,100	199,922	461,178
Capital outlay	9,343,050	4,884,133	1,935,078	2,949,055
Contingency	-	4,325,379	-	4,325,379
Total expenditures	<u>9,814,050</u>	<u>10,120,612</u>	<u>2,145,692</u>	<u>7,974,920</u>
Deficiency of revenues under expenditures	<u>(9,814,050)</u>	<u>(10,120,612)</u>	<u>(2,145,692)</u>	<u>7,974,920</u>
Other financing sources				
Transfers in	9,814,050	9,814,050	3,650,254	(6,163,796)
Total other financing sources	<u>9,814,050</u>	<u>9,814,050</u>	<u>3,650,254</u>	<u>(6,163,796)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (306,562)</u>	1,504,562	<u>\$ 1,811,124</u>
Fund balance - beginning			<u>(1,527,983)</u>	
Fund balance - ending			<u>\$ (23,421)</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, 2020

	Equipment Maintenance	Employee Benefit Self- Insurance	Total
Assets			
Current assets:			
Pooled cash and investments	\$ 1,051,880	\$ 9,800,804	\$ 10,852,684
Accrued interest	3,205	32,761	35,966
Accounts	658	1,746,102	1,746,760
Due from other governments	12,603	17,950	30,553
Inventories	795,857	-	795,857
Total current assets	<u>1,864,203</u>	<u>11,597,617</u>	<u>13,461,820</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	4,906	-	4,906
Depreciable, net	98,790	-	98,790
Total noncurrent assets	<u>103,696</u>	<u>-</u>	<u>103,696</u>
Total assets	<u>1,967,899</u>	<u>11,597,617</u>	<u>13,565,516</u>
Deferred outflows of resources			
Pensions and other post-employment benefits	292,587	-	292,587
Total deferred outflows of resources	<u>292,587</u>	<u>-</u>	<u>292,587</u>
Liabilities			
Current liabilities:			
Accounts payable	351,072	7,000	358,072
Accrued liabilities	95,403	-	95,403
Current portion of accrued compensated absences	74,210	-	74,210
Claims payable	-	2,025,000	2,025,000
Total current liabilities	<u>520,685</u>	<u>2,032,000</u>	<u>2,552,685</u>
Noncurrent liabilities:			
Long-term portion of compensated absences	130,358	-	130,358
Other post-employment benefits	13,202	-	13,202
Net pension liability	1,979,214	-	1,979,214
Total noncurrent liabilities	<u>2,122,774</u>	<u>-</u>	<u>2,122,774</u>
Total liabilities	<u>2,643,459</u>	<u>2,032,000</u>	<u>4,675,459</u>
Deferred inflows of resources			
Pensions and other post-employment benefits	155,812	-	155,812
Total deferred inflows of resources	<u>155,812</u>	<u>-</u>	<u>155,812</u>
Net position			
Net investment in capital assets	103,696	-	103,696
Unrestricted	(642,481)	9,565,617	8,923,136
Total net position	<u>\$ (538,785)</u>	<u>\$ 9,565,617</u>	<u>\$ 9,026,832</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	Equipment Maintenance	Employee Benefit Self- Insurance	Total Internal Service Funds
Operating revenues			
Charges for services	\$ 7,159,320	\$ 19,076,747	\$ 26,236,067
Other	25,168	4,164,053	4,189,221
Total operating revenues	<u>7,184,488</u>	<u>23,240,800</u>	<u>30,425,288</u>
Operating expenses			
General and administrative	111,743	1,488,939	1,600,682
Personnel services	1,979,543	-	1,979,543
Operation and maintenance	4,557,884	-	4,557,884
Claims incurred	-	19,966,278	19,966,278
Depreciation	17,527	-	17,527
Total operating expenses	<u>6,666,697</u>	<u>21,455,217</u>	<u>28,121,914</u>
Operating income	<u>517,791</u>	<u>1,785,583</u>	<u>2,303,374</u>
Nonoperating revenues			
Investment earnings	21,418	360,461	381,879
Total nonoperating revenues	<u>21,418</u>	<u>360,461</u>	<u>381,879</u>
Change in net position	539,209	2,146,044	2,685,253
Total net position - beginning	<u>(1,077,994)</u>	<u>7,419,573</u>	<u>6,341,579</u>
Total net position - ending	<u>\$ (538,785)</u>	<u>\$ 9,565,617</u>	<u>\$ 9,026,832</u>

TOWN OF GILBERT, ARIZONA
Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	Equipment Maintenance	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 276,553	\$ -	\$ 276,553
Other operating cash receipts	17,881	4,164,053	4,181,934
Cash receipts from other funds for services	6,965,859	18,103,196	25,069,055
Cash payments to suppliers for goods and services	(4,547,556)	(21,125,492)	(25,673,048)
Cash payments to employees for services	(2,126,709)	-	(2,126,709)
Net cash provided by operating activities	<u>586,028</u>	<u>1,141,757</u>	<u>1,727,785</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(61,437)	-	(61,437)
Net cash used by capital and related financing activities	<u>(61,437)</u>	<u>-</u>	<u>(61,437)</u>
Cash flows from investing activities			
Interest received on investments	20,770	360,750	381,520
Net cash provided by investing activities	<u>20,770</u>	<u>360,750</u>	<u>381,520</u>
Net increase in cash and cash equivalents	545,361	1,502,507	2,047,868
Cash and cash equivalents at beginning of year	506,519	8,298,297	8,804,816
Cash and cash equivalents at end of the year	<u>\$ 1,051,880</u>	<u>\$ 9,800,804</u>	<u>\$ 10,852,684</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income	\$ 517,791	\$ 1,785,583	\$ 2,303,374
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	17,527	-	17,527
Changes in assets and liabilities:			
Accounts receivable	88,408	(955,602)	(867,194)
Due from other governments	(12,603)	(17,949)	(30,552)
Inventories	49,186	-	49,186
Deferred outflows of resources	56,797	-	56,797
Accounts payable	72,883	4,725	77,608
Claims payable	-	325,000	325,000
Accrued expenses	4,935	-	4,935
Other post-employment benefits	3,025	-	3,025
Net pension liability	(65,779)	-	(65,779)
Deferred inflows of resources	(146,142)	-	(146,142)
Net cash provided by operating activities	<u>\$ 586,028</u>	<u>\$ 1,141,757</u>	<u>\$ 1,727,785</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, 2020

Flexible Spending	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ 19,934	\$ 612,520	\$ 580,567	\$ 51,887
Accounts receivable	-	583	416	167
Prepaid items	<u>16,633</u>	<u>487,102</u>	<u>503,735</u>	<u>-</u>
Total assets	<u>\$ 36,567</u>	<u>\$ 1,100,205</u>	<u>\$ 1,084,718</u>	<u>\$ 52,054</u>
<u>Liabilities</u>				
Medical benefits payable	\$ -	\$ 5,378	\$ -	\$ 5,378
Dependent care benefits payable	<u>36,567</u>	<u>103,574</u>	<u>93,465</u>	<u>46,676</u>
Total liabilities	<u>\$ 36,567</u>	<u>\$ 108,952</u>	<u>\$ 93,465</u>	<u>\$ 52,054</u>
 Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ -	\$ 62,125	\$ 62,125	\$ -
Total assets	<u>\$ -</u>	<u>\$ 62,125</u>	<u>\$ 62,125</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 62,100	\$ 62,100	\$ -
Other deposits	<u>-</u>	<u>62,125</u>	<u>62,125</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>\$ 124,225</u>	<u>\$ 124,225</u>	<u>\$ -</u>
 Total-All Agency Funds				
<u>Assets</u>				
Restricted cash and investments	\$ 19,934	\$ 674,645	\$ 642,692	\$ 51,887
Accounts receivable	-	583	416	167
Prepaid items	<u>16,633</u>	<u>487,102</u>	<u>503,735</u>	<u>-</u>
Total assets	<u>\$ 36,567</u>	<u>\$ 1,162,330</u>	<u>\$ 1,146,843</u>	<u>\$ 52,054</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 62,100	\$ 62,100	\$ -
Other deposits	-	62,125	62,125	-
Medical benefits payable	-	5,378	-	5,378
Dependent care benefits payable	<u>36,567</u>	<u>103,574</u>	<u>93,465</u>	<u>46,676</u>
Total liabilities	<u>\$ 36,567</u>	<u>\$ 233,177</u>	<u>\$ 217,690</u>	<u>\$ 52,054</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.

Contents	Page
Financial Trends	117
<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	123
<i>These schedules contain information to help the reader assess Gilbert's most significant local revenue source, sales tax.</i>	
Debt Capacity	126
<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	131
<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	133
<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	136

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>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>2020</u>
Governmental activities										
Net investment in capital assets	\$ 705,986	\$ 695,983	\$ 687,910	\$ 680,717	\$ 688,900	\$ 735,369	\$ 753,973	\$ 790,285	\$ 792,864	\$ 804,917
Restricted	38,404	52,219	60,525	80,924	82,546	83,227	72,780	76,701	87,450	72,943
Unrestricted	77,284	83,273	107,172	92,357	30,276	49,960	60,983	45,964	67,904	132,638
Total governmental activities net position	<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>	<u>\$ 1,010,497</u>
Business-type activities										
Net investment in capital assets	\$ 294,516	\$ 316,268	\$ 325,357	\$ 351,797	\$ 363,333	\$ 411,831	\$ 399,537	\$ 392,632	\$ 462,857	\$ 468,440
Restricted	76,504	71,376	70,879	65,577	54,084	34,054	42,814	34,499	30,972	24,873
Unrestricted	209,680	236,097	263,978	281,391	290,870	304,198	342,616	389,336	379,636	408,154
Total business-type activities net position	<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>	<u>\$ 901,467</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 1,273,357
Restricted	114,908	123,595	131,404	146,501	136,630	117,281	115,594	111,200	118,422	97,815
Unrestricted	286,964	319,370	371,150	373,748	321,146	354,158	403,598	435,299	447,540	540,792
Total primary government net position	<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>	<u>\$ 1,911,964</u>

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

	<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>2020</u>
Expenses										
Governmental activities:										
General government:										
Management and policy	\$ 3,110	\$ 2,983	\$ 10,461	\$ 13,378	\$ 19,090	\$ 20,049	\$ 19,454	\$ 19,176	\$ 24,948	\$ 23,430
Support services	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	2,591
Court	5,126	5,410	5,474	5,975	4,053	4,164	4,300	4,078	3,898	3,947
Development services	8,201	8,551	6,850	9,062	7,082	7,611	9,400	10,312	9,449	10,898
Public safety:										
Police	38,869	40,467	42,759	45,931	47,541	50,115	63,151	54,117	55,328	65,972
Fire	24,473	24,906	25,867	28,853	28,071	31,972	42,513	34,969	35,263	41,373
Highways and streets	40,440	43,438	44,048	45,781	46,932	48,726	51,931	52,545	54,632	61,414
Parks and recreation	19,764	19,932	20,858	22,493	28,429	25,647	25,202	29,985	35,840	26,844
Transportation	1,010	1,269	461	842	778	1,051	1,132	1,151	886	655
Non departmental	2,194	2,910	3,114	4,104	4,423	5,311	13,690	7,976	3,915	5,076
Interest and fiscal charges on long-term debt	17,675	15,785	15,142	15,216	12,780	12,911	10,506	10,793	9,890	9,641
Total governmental activities expenses	<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>	<u>251,841</u>
Business-type activities:										
Water	36,863	37,695	38,339	39,927	41,817	44,360	42,329	44,605	47,167	49,373
Wastewater	23,039	22,662	22,170	23,615	25,620	26,530	26,791	27,244	27,844	30,930
Environmental services	14,255	14,918	15,588	16,113	16,720	17,719	16,857	18,183	21,689	22,928
Total business-type activities expenses	<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>	<u>103,231</u>
Total primary government expenses	<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>	<u>\$ 355,073</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Development services	\$ 3,178	\$ 5,347	\$ 7,240	\$ 6,783	\$ 6,608	\$ 6,826	\$ 6,900	\$ 7,227	\$ 8,318	\$ 6,867
Police	2,891	5,584	5,512	5,477	4,526	5,343	7,484	3,826	3,609	1,827
Fire	136	129	185	254	224	197	231	360	386	827
Highways and streets	1,739	1,497	1,516	1,440	1,643	1,745	1,951	1,887	16	13
Parks and recreation	3,740	3,595	3,706	3,765	4,146	4,366	4,603	4,700	4,355	4,800
Other activities	853	861	1,017	1,066	829	873	844	748	1,136	953
Operating grants and contributions	21,168	21,045	21,270	22,326	24,171	38,666	33,204	28,381	30,012	53,661
Capital grants and contributions	28,002	26,060	36,089	19,186	37,214	65,535	41,877	32,904	36,203	39,675
Total governmental activities program revenues	<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>	<u>108,623</u>

Business-type activities:

Charges for services:										
Water	35,966	36,692	36,455	37,867	37,501	39,457	40,696	42,868	45,508	48,782
Wastewater	21,678	22,740	23,083	23,852	24,625	25,116	26,032	26,517	28,686	29,772
Environmental services	17,194	17,924	16,760	17,308	18,007	18,141	18,270	18,437	20,633	21,918
Operating grants and contributions	-	-	-	-	-	1,051	953	1,184	1,720	1,698
Capital grants and contributions	18,324	37,222	34,153	36,252	29,017	43,655	34,134	30,615	27,032	18,319
Total business-type activities program revenues	<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>	<u>120,489</u>
Total primary government program revenues	<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>	<u>\$ 229,111</u>

Net (Expense)/Revenue

Governmental activities	\$ (108,945)	\$ (111,381)	\$ (102,649)	\$ (135,685)	\$ (121,632)	\$ (86,115)	\$ (146,295)	\$ (147,069)	\$ (151,895)	\$ (143,219)
Business-type activities	19,005	39,303	34,354	35,624	24,993	38,812	34,107	29,589	26,879	17,257
Total primary government net expense	<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>	<u>\$ (125,961)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:										
Sales taxes	\$ 49,249	\$ 54,513	\$ 61,813	\$ 66,757	\$ 71,773	\$ 77,070	\$ 82,797	\$ 89,497	\$ 98,648	\$ 107,534
Property taxes	25,796	21,502	19,184	18,315	19,423	19,424	20,761	21,549	25,220	26,570
In-Lieu property taxes	1,351	1,331	1,377	1,287	1,201	1,187	1,159	1,124	1,024	1,015
Franchise taxes	2,401	2,463	3,083	2,616	2,737	2,989	2,814	2,911	2,954	2,744
Unrestricted state-shared revenue	31,068	33,882	38,355	41,323	44,263	45,028	52,861	52,193	53,777	57,802
Unrestricted grants and contributions	864	1,349	1,193	904	2,595	3,204	2,400	2,444	3,036	2,762
Unrestricted investment earnings	2,137	1,910	722	1,508	1,224	2,651	859	1,549	10,153	10,467
Gain/(loss) on sale of capital assets	-	178	-	29	106	136	154	1,333	1,466	(3,973)
Miscellaneous	355	4,744	932	1,226	847	1,162	1,224	1,352	1,153	674
Transfers	537	(690)	121	110	184	98	446	(64)	(242)	(96)
Total governmental activities	<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>	<u>205,498</u>
Business-type activities:										
Investment earnings	1,012	1,244	1,061	1,742	1,457	2,666	1,009	1,894	11,494	9,820
Gain on sale of capital assets	164	39	-	30	172	158	92	39	183	148
Miscellaneous	2,216	1,765	1,179	1,266	1,310	259	121	172	366	680
Transfers	(537)	690	(121)	(110)	(184)	(98)	(446)	64	242	96
Total business-type activities	<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>	<u>10,744</u>
Total primary government	<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>	<u>\$ 216,242</u>
Change in Net Position										
Governmental activities	\$ 4,813	\$ 9,801	\$ 24,131	\$ (1,609)	\$ 22,722	\$ 66,834	\$ 19,180	\$ 26,820	\$ 45,293	\$ 62,279
Business-type activities	21,860	43,041	36,473	38,552	27,748	41,796	34,883	31,758	39,163	28,002
Total primary government	<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>	<u>\$ 90,281</u>

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

Function/Program	<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>2020</u>
Governmental activities:										
General government:										
Management and policy	\$ 15	\$ 16	\$ 36	\$ 59	\$ 962	\$ 690	\$ 991	\$ 2,235	\$ 1,830	\$ 1,503
Support services ^a	649	242	-	-	-	-	-	-	-	-
Finance and management services	9	11	251	262	27	24	20	27	7	12
Court	597	670	792	823	824	859	831	731	700	573
Development services	4,273	6,891	7,240	6,807	6,608	6,826	6,900	7,227	8,318	7,145
Public Safety:										
Police	3,989	7,689	7,669	7,207	8,975	10,645	11,551	7,829	8,544	18,366
Fire	3,163	6,892	4,079	3,697	3,766	4,170	3,877	4,203	4,687	13,783
Highways and streets	39,324	25,634	41,280	28,218	44,497	69,791	54,059	44,943	43,133	50,476
Parks and recreation	9,422	15,314	14,475	12,461	13,012	29,861	18,190	12,158	15,035	15,561
Transportation	215	624	662	712	639	635	626	630	648	643
Non departmental	51	135	51	51	51	50	50	50	1,136	562
Subtotal governmental activities	<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>	<u>108,623</u>
Business-type activities:										
Water	46,133	56,904	55,662	57,750	55,590	68,102	61,546	64,056	65,489	64,204
Wastewater	29,835	39,735	38,029	40,220	35,552	41,178	37,232	36,232	36,344	34,111
Environmental services	17,194	17,938	16,760	17,308	18,008	18,141	21,307	19,334	21,746	22,173
Subtotal business-type activities	<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>	<u>120,489</u>
Total primary government	<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>	<u>\$ 229,111</u>

^a The support services function was eliminated in fiscal year 2013.

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

	<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>2020</u>
General fund										
Nonspendable	\$ 22,317	\$ 23,213	\$ 23,527	\$ 25,380	\$ 24,470	\$ 19,866	\$ 18,995	\$ 17,877	\$ 23,061	\$ 15,833
Assigned	10,729	10,797	10,092	12,081	17,046	13,681	32,766	41,371	41,631	68,002
Unassigned	33,521	44,250	59,555	61,764	67,057	85,498	82,885	72,453	89,787	133,901
Total general fund	<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>	<u>\$ 217,735</u>
All other governmental funds										
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	101,628
Assigned	28,261	26,159	36,258	18,764	22,462	38,337	34,387	15,971	-	-
Unassigned	<u>(20,781)</u>	<u>(23,199)</u>	<u>(23,609)</u>	<u>(25,466)</u>	<u>(23,981)</u>	<u>(19,897)</u>	<u>(19,353)</u>	<u>(18,311)</u>	<u>(17,424)</u>	<u>(16,448)</u>
Total all other governmental funds	<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>	<u>\$ 85,180</u>

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

	<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>2020</u>
Revenues										
Taxes:										
Sales	\$ 49,315	\$ 54,503	\$ 61,890	\$ 66,772	\$ 71,794	\$ 77,108	\$ 82,980	\$ 89,516	\$ 98,671	\$ 107,552
Property	28,732	24,045	21,548	20,681	21,953	22,000	23,707	24,468	25,220	26,570
Franchise	2,401	2,463	2,374	2,700	2,737	3,389	2,814	2,911	2,954	2,744
Special assessments	559	879	1,299	2,090	1,184	2,233	696	958	818	744
Licenses and permits	2,365	3,995	5,434	4,748	4,791	4,787	4,785	4,645	5,735	4,689
Intergovernmental	55,362	61,468	72,904	68,046	76,284	77,007	87,364	84,923	86,480	117,277
Charges for services	7,288	8,164	9,573	10,027	10,440	11,147	11,161	12,151	12,816	13,154
Other entities' participation	2,313	1,300	2,252	1,977	382	1,666	2,252	1,585	4,380	9,799
System development fees	8,736	17,957	17,836	13,435	18,836	22,944	18,101	17,617	21,966	20,971
Gifts and donations	176	186	119	155	192	187	120	195	183	280
Fines and forfeitures	4,351	4,442	4,710	4,469	4,476	4,618	4,336	4,065	3,305	3,084
Investment earnings	2,106	1,889	706	1,494	1,210	2,639	836	1,523	9,890	10,085
Miscellaneous	355	4,947	933	1,255	953	14,797	5,683	1,796	1,153	674
Total revenues	<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>	<u>317,624</u>
Expenditures										
Current:										
General government:										
Management and policy	3,845	3,676	12,584	15,336	20,485	20,997	22,001	21,858	22,942	26,854
Support services	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	2,681
Court	4,403	4,617	4,753	5,089	3,493	3,608	3,657	3,600	3,752	3,491
Development services	7,160	7,514	5,999	6,078	6,069	6,239	7,049	7,200	7,701	8,194
Public safety:										
Police	35,007	36,384	38,817	41,947	43,084	44,402	54,397	53,174	58,327	69,450
Fire	20,200	21,552	22,543	24,993	25,631	28,295	32,048	35,698	35,828	35,883
Highways and streets	9,736	10,815	10,637	11,969	12,478	12,831	14,680	14,545	15,769	23,184
Parks and recreation	12,591	12,688	13,895	15,614	21,836	18,591	19,660	24,351	30,482	20,588
Transportation	1,010	1,269	461	841	774	1,046	1,135	1,151	888	652
Non departmental	2,194	2,910	3,114	4,104	4,423	5,311	13,690	7,976	3,915	5,076
Debt service:										
Principal	29,215	23,055	24,705	25,630	23,750	30,105	34,935	33,965	34,190	49,055
Interest	18,451	15,992	15,411	14,252	13,108	13,773	11,583	11,758	11,242	9,868
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	12,096	-	-
Bond issuance costs	-	402	-	-	209	-	779	408	-	853
Fiscal and other charges	20	9	13	13	307	37	9	14	35	13
Capital outlay	41,935	34,500	30,849	38,804	58,849	36,573	34,111	50,895	71,644	127,093
Total expenditures	<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>	<u>382,934</u>
Excess (deficiency) of revenues over (under) expenditures	(32,363)	(27)	13,562	(11,234)	(21,207)	20,581	(7,169)	(34,674)	(25,539)	(65,310)
Other financing sources (uses)										
Transfers in	25,272	25,195	25,774	45,891	23,401	21,406	23,334	29,999	63,086	36,774
Transfers out	(24,586)	(25,885)	(25,653)	(45,781)	(23,216)	(21,385)	(22,881)	(30,063)	(63,324)	(36,871)
Proceeds from sale of capital assets	-	-	-	590	-	-	-	1,226	1,691	38,470
Revenue obligations issued	-	-	-	-	36,980	-	-	-	-	-
Premium on revenue obligations	-	-	-	-	2,706	-	-	-	-	-
Bonds issued	-	37,925	-	-	28,080	-	121,670	49,525	-	76,750
Premium on bonds	-	4,111	-	-	4,417	-	14,139	7,546	-	5,577
Payment to refunded bond escrow agent	-	(41,627)	-	-	(32,211)	-	(64,182)	(49,162)	-	-
Total other financing sources and uses	<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>	<u>120,701</u>
Net change in fund balances	\$ <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>	\$ <u>55,390</u>
Debt service as a percentage of noncapital expenditures	30.9%	25.7%	25.5%	23.4%	20.8%	23.4%	21.3%	25.1%	20.0%	23.0%

Town of Gilbert, Arizona
Sales Tax Collections by Category
Fiscal Years 2011 - 2016 ^a

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

Source: Arizona Department of Revenue

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

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

Town of Gilbert, Arizona
Sales Tax Collections by Category
Fiscal Years 2017 - 2020^a

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Accommodation	\$ 599,950	\$ 598,668	\$ 728,224	\$ 820,336
Amusement	793,681	844,634	922,856	709,163
Communications & Utilities	5,625,248	5,763,531	5,707,201	5,784,555
Construction Contracting	9,611,076	10,833,291	13,167,940	12,919,743
Maintenance, Repair, Replacement & Alteration ^b	89,165	-	-	-
Personal Property Rental	1,392,591	1,535,298	1,706,431	1,755,690
Publications, Advertising & Job Printing	174,054	165,942	166,146	140,170
Rental of Commercial Property/Non-Residential	4,116,417	4,435,844	4,790,946	4,944,404
Residential Rental	3,367,073	3,652,056	4,238,867	4,569,549
Restaurant & Bar	6,974,438	7,638,319	8,549,495	8,442,741
Retail	49,491,813	53,366,713	57,710,844	66,602,568
Tax License Fees ^c	14,632	13,246	9,646	-
Other	730,191	668,812	972,655	863,073
Total	\$ <u>82,980,329</u>	\$ <u>89,516,354</u>	\$ <u>98,671,251</u>	\$ <u>107,551,991</u>
 Gilbert's local sales tax rate	 1.5%	 1.5%	 1.5%	 1.5%

Source: Arizona Department of Revenue

^a Effective July 1, 2016, the Arizona Department of Revenue changed the way taxpayers report city tax on their tax returns and simultaneously changed the manner in which they summarize the tax data in their reports to the cities. As a result, Gilbert no longer receives the tax data in the same categories that were reported in the past. See Schedule 6A for Fiscal Years 2011 - 2016 data.

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

^c Effective July 1, 2019, Tax License Fees were combined with Other 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>2011</u>	<u>2012</u>	<u>2013^a</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Town Direct Rates:										
Hotel/Transient Lodging	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.30%	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%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
All Others	6.60%	6.60%	6.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%

Source: Gilbert Finance & Management Services Department

^a The temporary state sales tax increase passed by voters in 2010 expired on May 31, 2013. The state sales tax for hotel/transient lodging decreased to 5.50% and for all others to 5.60% on June 1, 2013.

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

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

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Street and Highway User Revenue Bonds	Municipal Property Corporation Revenue Bonds	Revenue Obligations	General Obligation Bonds	Special Assessment Bonds	Water and Wastewater Revenue Bonds	Municipal Property Corporation Revenue Bonds				
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	
2020	168,454,903	4,526,056	-	64,161,400	37,328,003	-	-	-	151,742,751	426,213,113	4.61	1,643	

Notes:

See Schedule 13 for personal income and population data.

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

Includes unamortized bond discounts/premiums.

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding^b</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Secondary Assessed Property Value^a</u>	<u>Limited Property Value^a</u>	<u>Percentage of Applicable Property Value</u>	<u>Per Capita</u>
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
2020	168,454,904	1,846,926	166,607,978	N/A	2,428,289,285	6.86	642

^a Maricopa County Assessor's Office

^b Includes unamortized bond discounts/premiums

Notes:

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

See Schedule 13 for population data.

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

Town of Gilbert, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Maricopa County ^b	None	5.65%	None
Maricopa County Community College District ^c	\$ 250,065,000	5.65%	\$ 14,128,673
Maricopa County Special Health District	429,125,000	5.65%	24,245,563
Gilbert Unified School District No. 41	98,370,000	69.57%	68,436,009
Higley Elementary School District No. 60	95,550,000	88.72%	84,771,960
Chandler Unified School District No. 80	349,628,888	13.12%	45,871,310
Mesa Unified School District No. 4	231,730,000	37.16%	86,110,868
East Valley Institute of Technology District No. 401 ^d	None	12.68%	None
Subtotal, overlapping debt			323,564,382
Town of Gilbert direct debt ^e	274,470,363	100.00%	274,470,363
Total direct and overlapping debt			<u>\$ 598,034,745</u>

Source: The various jurisdictions

^a Proportion applicable to Town of Gilbert, Arizona is computed on the ratio of limited property valuation for fiscal year 2019/20.

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

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

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

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

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

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

	<u>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>2020</u>
20% Limitation										
Debt limit equal to 20% of net full cash assessed valuation	\$ 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	\$ 622,820,366
Total net debt applicable to 20% limit	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	151,825,000
Premium adjustment	-	-	-	-	-	-	9,675,637	9,516,726	8,090,801	11,071,074
Legal 20% debt margin (available borrowing capacity)	<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>	<u>\$ 459,924,292</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	40.25%	44.14%	44.90%	42.67%	35.38%	28.52%	38.81%	26.22%	20.93%	26.15%
6% Limitation										
Debt limit equal to 6% of net full cash assessed valuation	\$ 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	\$ 186,846,110
Total net debt applicable to 6% limit	-	-	-	-	-	-	-	-	-	-
Legal 6% debt margin (available borrowing capacity)	<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>	<u>\$ 186,846,110</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 2020

Net full cash assessed valuation as of June 30, 2020 \$ 3,114,101,831

20% Limitation

Debt limit equal to 20% of net full cash assessed valuation 622,820,366

Debt applicable to limit:

General obligation bonds 151,825,000

Premium adjustment 11,071,074

Legal 20% debt margin (available borrowing capacity) \$ 459,924,292

6% Limitation

Debt limit equal to 6% of net full cash assessed valuation 186,846,110

Debt applicable to limit:

General obligation bonds -

Legal 6% debt margin (available borrowing capacity) \$ 186,846,110

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			Excise Taxes & State-Shared Revenue	Debt Service		
		Principal	Interest	Coverage		Principal	Interest	Coverage
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
2020	744,007	385,000	239,908	1.19	193,995,174	13,300,000	4,610,856	10.83

Fiscal Year	Water and Wastewater Revenue Bonds ^c						Water Resources Municipal Property Corp. Revenue Bonds					
	Operating Revenues ^a	Less: Operating Expenses ^a	Net Available Revenue	Debt Service		Coverage	Net Available Revenue ^b	Water System Dev't Fee	Wastewater System Dev't Fee	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
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
2020	78,919,231	48,227,311	30,691,920	-	-	N/A	30,691,920	6,679,195	3,394,980	7,560,000	5,865,313	3.04

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

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

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

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

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

Fiscal Year	Population ^a	Personal Income ^b <i>(in thousands)</i> <i>(estimate)</i>	Per Capita Income ^c <i>(estimate)</i>	Median Age ^c	School Enrollment ^d	Unemployment Rate ^e
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%
2020	n/a	n/a	35,672	34.8	34,188	8.0%

Sources:

^a 2009 through 2016 Census.gov; 2017 and 2018 Office of Management & Budget; 2019 Maricopa Association of Governments; 2020 not available before publication

^b Estimated based on population and per capita income

^c 2009 through 2015: American Community Survey; 2016 through 2020: Census.gov

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

^e laborstats.az.gov through 2019; laborstats.az.gov changed to azcommerce.com in 2020

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

<u>Employer</u>	<u>Fiscal Year 2020</u>			<u>Fiscal Year 2011</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	2,807	1	4.05%	4,173	1	6.57%
Banner Health	1,847	2	2.67%	1,213	3	1.91%
Town of Gilbert	1,671	3	2.41%	1,402	2	2.21%
Go Daddy Software, Inc.	1,365	4	1.97%	600	7	0.94%
Fry's Food and Drug	1,157	5	1.67%	817	4	1.29%
Higley Unified School District	1,120	6	1.62%	---		---
Wal-Mart Stores, Inc.	1,027	7	1.48%	694	6	1.09%
Deloitte	1,000	8	1.44%	---		---
Dignity Health	857	9	1.24%	---		---
Chandler Unified School District	793	10	1.14%	---		---
Target Stores, Inc.	---		---	455	8	0.72%
Mercy Gilbert Medical Center	---		---	762	5	1.20%
Costco	---		---	418	9	0.66%
Orbital Sciences Corporation	---		---	400	10	0.63%
Total	13,644		19.70%	10,934		17.22%

Source: Maricopa Association of Governments

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

<u>Function</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>2020</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	21.2	22.2	88.5	95.8	120.0	128.6	131.6	132.6	136.1	142.5
Support services	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	26.5
Court	52.9	51.9	49.9	51.9	32.9	32.9	32.9	33.9	33.9	33.9
Development services	72.5	72.5	69.6	68.8	73.3	66.7	68.7	83.7	84.5	93.3
Public safety:										
Police	346.0	346.0	346.0	349.0	354.0	358.0	369.0	385.5	409.5	429.5
Fire	197.0	197.0	197.0	201.0	201.0	203.0	210.0	217.0	216.0	223.0
Highways and streets	49.3	49.3	51.0	58.0	58.0	51.7	51.7	53.7	55.7	55.7
Parks and recreation	101.7	102.0	106.8	121.8	118.7	125.3	126.2	128.3	128.5	169.1
<u>Enterprise Funds</u>										
Water	118.1	120.0	118.2	118.0	116.5	125.0	130.0	131.0	133.5	135.7
Wastewater	40.7	41.7	41.7	44.7	45.4	42.5	42.5	43.5	45.5	48.5
Environmental services	79.0	78.5	79.0	83.5	84.0	94.3	96.3	97.3	100.3	101.8
<u>Internal Service Funds</u>										
Equipment maintenance	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Total	1,184.8	1,188.4	1,202.7	1,237.5	1,248.8	1,275.0	1,305.9	1,357.5	1,395.0	1,485.6

Source: Gilbert Office of Management & Budget

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	90%	N/A ^a	77%	75%	N/A ^a	74%	N/A ^a	71%	79%	N/A
Number of recruitments	86	79	110	155	148	175	149	156	199	200
Employee turnover	6.6%	6.8%	8.0%	7.5%	8.3%	9.7%	9.3%	10.3%	10.4%	9.6%
Legal and court										
Case filings	25,888	26,271	31,794	28,896	29,499	32,091	29,501	26,147	24,244	20,813
% of cases charged after review	64%	72%	72%	72%	71%	70%	74%	74%	70%	74%
Development services										
Building permits issued	2,219	3,474	3,418	3,254	3,364	3,584	4,157	4,607	4,441	4,278
Value of permits issued (in millions)	\$ 238.7	\$ 474.9	\$ 534.4	\$ 472.5	\$ 496.0	\$ 553.8	\$ 532.2	\$ 531.6	\$ 746.3	\$ 607.8
Public Safety:										
Police										
Number of arrests	8,330	9,003	8,734	8,474	8,900	8,702	8,250	8,360	8,061	7,889
Crimes per 1,000 population	19.3	18.3	16.5	16.6	15.5	15.3	15.5	15.2	13.2	13.0
Fire										
Number of emergency calls	13,946	14,133	15,509	16,185	17,777	18,923	19,422	20,506	20,903	20,680
Response time average (enroute to on-scene) ^b	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	3 min 25 sec
Total dispatch time (dispatch to onscene) ^b	N/A	N/A ^b	N/A	N/A	N/A	N/A	5 min 9 sec	4 min 48 sec	4 min 44 sec	4 min 46 sec
Highways and streets										
Average pavement condition index	91	91	80	75	75	72	74	72	73	72
Parks and recreation										
Facility reservation requests ^c	16,637	16,880	16,277	16,440	N/A	N/A	N/A	N/A	N/A	N/A
Facility reservations ^c	N/A	N/A	N/A	N/A	11,747	19,835	18,000	16,000	16,670	14,993
Participants in recreation programs ^d	47,493	48,725	52,714	52,616	62,815	69,423	71,651	98,286	113,245	133,868
Transportation										
Average daily ridership	845	560	635	685	687	669	679	784	668	522
Water										
Daily average water production (mg)	42	43	43	43	43	43	46	47	47	50
Average # of meters read per month	71,910	73,469	71,952	72,712	73,199	82,871	83,945	84,243	84,147	83,650
Number of utility locates	10,576	15,190	23,277	20,235	20,100	21,197	26,850	27,380	23,157	22,357
Wastewater										
Daily average wastewater influent (mg)	12.67	12.20	12.79	12.82	13.21	14.03	14.91	15.41	16.20	16.54
Annual effluent produced/reused (bg)	4,840	4,457	4,667	4,646	4,822	4,815	4,931	5,115	5,784	5,307
Environmental services										
Solid waste tonnage	111,943	109,472	115,536	113,965	112,778	114,144	110,520	113,745	129,737	130,713
Recycle tonnage	19,242	18,653	18,695	19,851	19,418	19,894	22,567	24,058	21,120	22,325

Source: Various Town departments

Survey completed every other year

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

Indicator no longer being tracked; beginning in 2015, tracking actual facility reservations

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

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

Function	<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>2020</u>
Public safety:										
Police										
Number of police cars	166	164	164	180	185	217	224	251	249	263
Fire										
Fire stations	9	10	10	10	10	10	10	10	11	11
Highways and streets										
Street centerline miles (estimate) ^a	923	979	989	905	1,032	1,055	908	920	926	943
Traffic control signals	173	175	177	180	185	185	194	201	206	210
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	690	652	653	605	605	605	645	645	645	725
Water										
Miles of water main ^{c, d}	1,189	1,216	1,219	1,261	1,304	1,660	1,322	1,335	1,366	1,100
Wastewater										
Miles of wastewater main ^{c, d}	868	970	976	1,006	1,019	1,038	887	896	923	774
Environmental services										
Garbage trucks ^b	61	61	61	66	67	57	56	71	63	62

Source: Various Town departments

^a The street centerline miles were previously estimated using different methods, such as end of warranty and beginning of Town ownership. Beginning in 2015, the estimate is based on acceptance letter date.

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

^c Beginning in 2017, estimates were updated to exclude miles not owned by Gilbert.

^d Beginning in 2020, estimates were updated to exclude preliminary miles (Initial Acceptance Letter is not completed)

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

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

Fiscal Year	Residential Construction ^a		Commercial Construction ^a		Other Construction ^a		Secondary Assessed Property Value ^b	Limited Property Value ^b	Maricopa County Bank Deposits ^c
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			
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
2020	1,194	435,133,652	208	85,390,836	2,876	87,276,267	N/A	2,428,289,285	132,017,181,000

Sources:

^a Development Services Department^b Maricopa County Assessor's Office^c Federal Deposit Insurance Corporation

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

**Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2020**

<u>System Development Fee Type</u>	<u>Beginning Balance</u>	<u>System Development Fees Collected</u>	<u>Other Revenue</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Traffic Signal	\$ 11,230,734	\$ 2,039,880	\$ 486,434	\$ (1,079,719)	\$ 12,677,328
Police	3,123,507	1,659,197	93,699	(2,898,913)	1,977,490
Fire	(9,780,123)	2,867,984	-	(1,152,959)	(8,065,099) ^a
General Government	(5,827,940)	2,762,422	-	(2,150,762)	(5,216,281) ^a
Parks and Recreation	17,910,703	10,171,730	19,667,251	(33,799,717)	13,949,967
Roads	-	1,469,814	52,749	-	1,522,563
Water	6,702,330	6,679,195	64,495	(13,031,084)	414,937
Water Resources	(27,698,016)	3,950,844		(1,587,643)	(25,334,816) ^b
Wastewater	24,269,645	3,474,547	920,274	(4,206,870)	24,457,596
Totals	<u>\$ 19,930,840</u>	<u>\$ 35,075,612</u>	<u>\$ 21,284,902</u>	<u>\$ (59,907,668)</u>	<u>\$ 16,383,686</u>

Equivalent Residential Unit

Wastewater system development fee - Greenfield	\$ 2,586
Wastewater system development fee - Neely	\$ 157

Source: Gilbert Finance & Management Services Department

^a The negative ending balances for the fire and general government system development fees are funded by the general fund. The general fund had a cash balance of \$174,749,410 at June 30, 2020.

^b 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 \$125,502,768 at June 30, 2020.

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
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	385,308	21,157,802	99.98%
2013	19,253,745	(99,396)	19,154,349	18,962,640	99.00%	(143,945)	19,109,800	144,108	19,106,748	99.98%
2014	18,327,289	(57,876)	18,269,413	18,056,441	98.83%	(89,343)	18,237,946	179,463	18,235,904	99.99%
2015	19,487,085	(72,483)	19,414,602	19,230,809	99.05%	(128,555)	19,358,530	126,706	19,357,515	99.99%
2016	19,495,256	(32,290)	19,462,966	19,286,314	99.09%	(80,173)	19,415,083	127,665	19,413,979	99.99%
2017	20,913,149	(80,844)	20,832,305	20,645,301	99.10%	(131,108)	20,782,041	135,492	20,780,793	99.99%
2018	21,667,785	(53,647)	21,614,138	21,411,196	99.06%	(72,239)	21,595,546	183,114	21,594,310	99.99%
2019	22,353,420	(44,819)	22,308,601	22,129,563	99.20%	(44,819)	22,308,601	172,186	22,301,749	99.97%
2020	24,017,440	(28,727)	23,988,712	23,702,115	98.81%	(28,727)	23,988,712	-	23,702,115	98.81%

Source: Maricopa County Treasurer's Office

Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2020

<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	\$ 21,285,591	0.94%
Southwest Gas Corporation (T&D)	Utility	8,043,551	0.36%
American Furniture Warehouse Co.	Retail	5,551,716	0.25%
Vestar CTC Phase 1 LLC	Real Estate Development / Holdings	5,387,820	0.24%
Power & Ray LLC	Utility	5,255,418	0.23%
Santan MP LP	Real Estate Development / Holdings	5,029,592	0.22%
Target Corporation	Retail	4,882,237	0.22%
Liv Northgate LLC	Real Estate Development / Holdings	4,658,080	0.21%
Earnhardt Arizona Properties LLC	Real Estate Development / Holdings	4,571,158	0.20%
Breit Olympus Mph Redstone LLC	Real Estate Development / Holdings	4,546,865	0.20%
Breit Olympus MF Vistara LLC	Real Estate Development / Holdings	4,395,184	0.19%
AZ Flats at San Tan Apartments LLC	Real Estate Development / Holdings	4,361,629	0.19%
155 Rivulon Boulevard LLC	Real Estate Development / Holdings	4,116,120	0.18%
Lowe's Hardware Inc.	Retail	3,934,197	0.17%
275 Rivulon Boulevard LLC	Real Estate Development / Holdings	3,761,311	0.17%
Fulton Homes Corporation	Real Estate Development / Holdings	3,716,774	0.16%
San Privada Apartments LLC	Real Estate Development / Holdings	3,683,407	0.16%
Gilbert Road Owner LLC	Real Estate Development / Holdings	3,681,257	0.16%
Branch Brook Gardens	Real Estate Development / Holdings	3,622,687	0.16%
Santan Apts LLLP	Real Estate Development / Holdings	3,588,852	0.16%
Arizona Public Service Company	Utility	3,585,384	0.16%
Smiths Food & Drug Centers Inc.	Retail	3,570,603	0.16%
Breit Olympus MF Heritage LLC	Real Estate Development / Holdings	3,553,200	0.16%
LIT Industrial Limited Partnership	Real Estate Development / Holdings	3,524,916	0.16%
B H GTS LLC	Real Estate Development / Holdings	<u>3,371,274</u>	<u>0.15%</u>
		<u>\$ 125,678,823</u>	<u>5.56%</u>

Source: Maricopa County. Top taxpayers based on Net Assessed Limited Property Value of Real and Secured Personal Property for tax year 2020.

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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