

FISCAL YEAR ENDED

JUNE 30, 2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2023

gilbert



INSTRUCTIONS FOR NAVIGATING IN THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

- **Bookmarks** for major sections are provided in the navigation pane on the left. Click on the bookmark to jump directly to that section.
- If a “+” sign is at the left of a bookmark, click on the “+” to bring up subheadings.
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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Gilbert
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Annual Comprehensive Financial Report

Year Ended June 30, 2023



Brigette Peterson, Mayor

Kathy Tilque, Vice Mayor
Bobbi Buchli, Council Member
Chuck Bongiovanni, Council Member

Jim Torgeson, Council Member
Scott Anderson, Council Member
Yung Koprowski, Council Member

Patrick Banger, Manager

Prepared by the Finance & Management Services Department

Håkon Johanson, Finance & Management Services Director

TOWN OF GILBERT, ARIZONA
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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Introductory Section

Letter of Transmittal

Organizational Report Chart



**Shaping a new
tomorrow, today.**

December 27, 2023

Honorable Mayor, Members of the Council, and Gilbert Citizens:

I am pleased to submit to you the **Annual Comprehensive Financial Report** for the Town of Gilbert (Gilbert), for the fiscal year ended June 30, 2023. 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 fairly stated in all material respects.

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, 2023. 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.

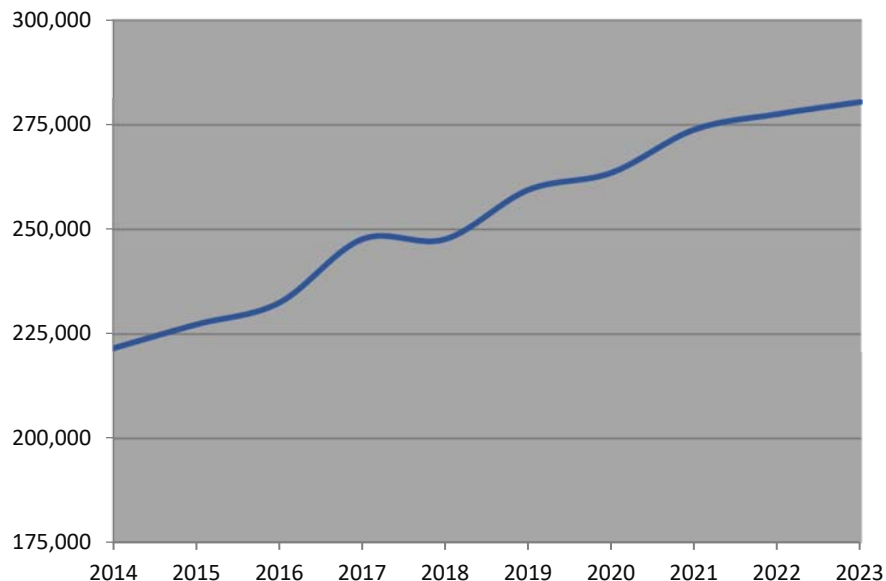
The Mayor is chairperson of the Council. The Town Manager (Manager) is appointed by the Council and serves as the chief executive officer to oversee and carry out operations. During fiscal year 2023, the Manager administered Gilbert's operations through a staff of 1,684 budgeted full-time equivalent positions.

Gilbert provides or administers a full range of services including public safety (police and fire protection and ambulance transport), development services (planning, code enforcement, and engineering), public works (water, wastewater, solid waste and recycling, environmental compliance, 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.

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, 2023 is 280,391, which was derived from Maricopa Association of Governments population estimates. The following graph depicts the ten-year population trend for Gilbert.

Population



FACTORS AFFECTING FINANCIAL CONDITION

Public Safety Personnel Retirement System (PSPRS) Funding

Gilbert's goal is to be at least 90% funded in both police and fire pension systems. After years of dedicated effort to pay down large unfunded liabilities in the PSPRS, Gilbert met and exceeded this goal in the prior fiscal year. Gilbert was the largest municipality in the state of Arizona to reach this level of funding, and it was accomplished without raising taxes. Gilbert fell slightly below the 90% goal in fiscal year 2023 with fire and police funded at 87.0% and 88.7%, respectively.

Public Infrastructure Financing

Gilbert recognized significant transportation and water-related infrastructure needs and was able to secure the bond funding necessary to move forward with both types of projects. Gilbert citizens voted and approved \$515.0 million in transportation bonds; \$188.9 million of which were issued in the spring of 2022. The Water Resources Municipal Property Corporation Board and Gilbert's Town Council approved bond funding in the amount of \$473.0 million. The full amount was issued in the spring of 2022.

Utility Rates

After successful completion of a utility rate study, new rates were approved by Council in April of 2023 to support the infrastructure and operational needs for the Wastewater and Solid Waste funds.

Growth and Construction

System Development Fees (SDFs) are collected for capital needs related to growth in the community. Council has adopted SDFs for police, fire, general government, road maintenance, traffic signals, parks and recreation, water, water resources, and wastewater. The fees are based on build-out system requirements to serve the projected population and land uses. During fiscal year 2023, a total of \$25.0 million was collected in SDFs compared to \$31.9 million in fiscal year 2022. See below for explanations for decreases, which were planned for in the fiscal year 2023 budget.

There were 854 new residential permits and 144 commercial permits issued in fiscal year 2023, which represents a decrease from the prior fiscal year in residential of 504 and an increase in commercial permits of 11, respectively. The total value of all new construction in fiscal year 2023, including commercial, was \$424.1 million, representing a decrease of \$17.4 million from fiscal year 2022. The decreased activity in fiscal year 2023 was largely the result of a slow down in residential permits issued from 1,358 in fiscal year 2022 to 854 in fiscal year 2023 due to Gilbert approaching buildout. This was also accompanied by a decrease in permits for other types of construction from 3,164 in fiscal year 2022 to 2,075 in fiscal year 2023 due to permits pulled for multiple apartment complexes in the prior year, which slowed down in fiscal year 2023.

Economic Development

With just over 280,000 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 Place to Live in Arizona (Ranking Arizona, 2022)
- 7th Safest City in America (WalletHub, 2022)
- 7th Best City for First-Time Home Buyers (WalletHub, 2023)
- 9th Best Place to Raise a Family (WalletHub, 2023)
- 12th Best Big City to Live in America (Stacker, 2023)
- Gold Certified City for Data Management (What Works Cities, 2021)

Gilbert is a community committed to education; 48.1% of residents age 25 and older hold a bachelor’s degree or higher, compared with about 33.6% statewide and 36.2% nationally. Notable employers like Banner Health, Banner MD Anderson Cancer Center, Dignity Health, Deloitte, Footprint, Silent-Aire, Northrop Grumman, Zero Electric Vehicles, Li-Cycle, Lockheed Martin, and the worldwide headquarters of Isagenix benefit from this commitment to education and have helped keep Gilbert’s fiscal year 2023 unemployment rate at 3.3%, as compared to 3.8% for the state. Knowledge assets that support the community include Park University, the University of Arizona, Arizona State University Polytechnic Campus, Chandler-Gilbert Community College, A.T. Still University, and numerous other colleges, universities, and technical schools within a 30-minute commute. Additionally, there are more than 40 charter/private schools in Gilbert and three A+ rated school districts – Gilbert, Higley, and Chandler that 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 re-accreditation through the International Economic Development Council in 2022, after initially being accredited in 2013, and was the first Arizona economic development organization and the second municipality in the nation, to do so.

In fiscal year 2023, the business development lines of service saw strong performance, with a lot of effort focused on building inventory to support employment-oriented users. Most notable was the attraction of Corning Incorporated, one of the world’s leading innovators in materials science. This announcement brings a new optical cable manufacturing facility to Gilbert that will occupy 317,000 square-feet and is projected to create 250 jobs for the community. In addition, The Ranch, a proposed 300+ acre employment and mixed-use development received rezoning approval from Gilbert Town Council. This project is anticipated to bring over 3 million square-feet of employment industrial space to support job growth in Gilbert. These projects, along with the other successes in the fiscal year, demonstrate the community’s commitment to creating the place where the market wants to invest. The team also continued to focus on supporting Gilbert based businesses through the #GilbertTogether Business Recovery Program (#GilbertTogether). Through the end of fiscal year 2023, the business resiliency component of #GilbertTogether has provided over 2,000 hours of business coaching and awarded over 280 scholarships to Gilbert residents.

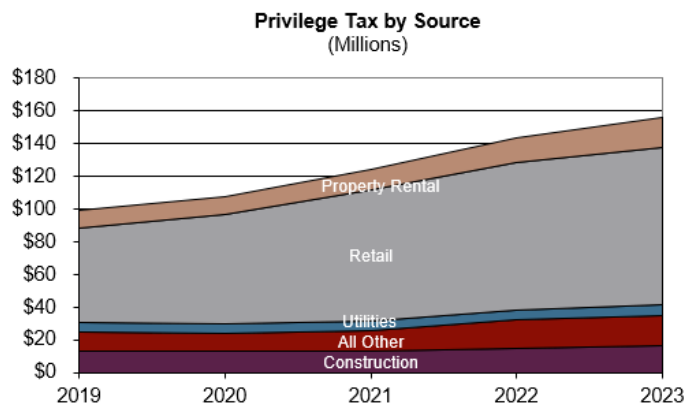
Fiscal year 2023 marked the halfway point since the adoption of the Redevelopment Plan in fiscal year 2019, and in that time, eight developments have been constructed representing over 287,000 square feet of new building area. There is also an additional 800,000+ square feet of new office, retail, and residential projects currently approved for development. During fiscal year 2023, the Downtown Heritage District welcomed three new restaurants and three new retail establishments in this vibrant entertainment district. Additionally, the development and disposition agreement for the new mixed-use “South Anchor” project was approved by the Gilbert Town Council. When completed, this project is proposed to include 200+/- residential units and 15,000 square feet of retail space at the southern gateway to the Downtown Heritage District. Park University also initiated an expansion of 6,045 additional square-feet of rentable area at the Gilbert-owned University Building to support their program growth.

On the tourism front, hotel demand grew at a steady pace and pre-pandemic seasonality appears to have returned. Marketing campaigns continue to keep Gilbert top-of-mind for overnight and regional day visitors, and above average room rates have produced record revenue. March 2023 exceeded 90% occupancy for the first time since 2018. At the end of the fiscal year, occupancy remained strong and demand in the short-term rental market remained constant.

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 (Sky Harbor), 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, Sky Harbor Airport is served by 20 airlines. Sky Harbor is one of the busiest airports in the nation for passenger traffic, seeing nearly 45 million passengers in fiscal year 2022. Phoenix-Mesa Gateway Airport is located on Gilbert's eastern border and handled 1.9 million passengers in fiscal year 2023 with flights to over 60 destinations throughout the United States and Canada. The airport also provides air cargo services and is located within a Foreign Trade Zone.

Transaction Privilege (Sales) Tax Trend

Sales tax revenues represented 47.7% of General Fund revenues for fiscal year 2023, totaling approximately \$154.0 million. Local sales taxes are collected by the Arizona Department of Revenue and remitted to Gilbert weekly. The graph below depicts sales tax receipts by source for the past five fiscal years.

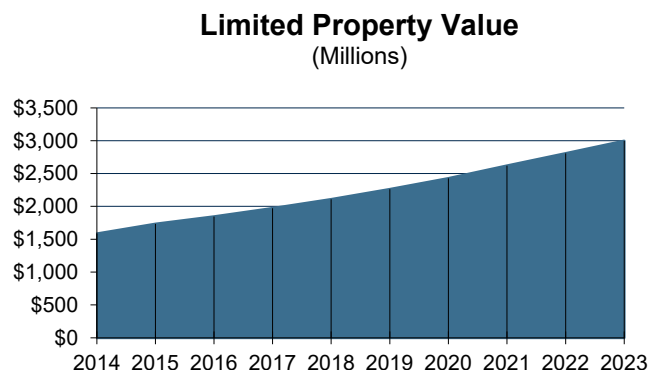


Property Taxes

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 2023, 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 15%, and commercial properties are assessed at 17.5%. This illustrates how crucial the additions of commercial properties are to the tax base. The limited property valuation increased by 6.8% in fiscal year 2023 from \$2.807 billion to \$2.999 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 \$105.7 million for the General Fund and \$20.4 million for the Streets Special Revenue Fund in fiscal year 2023. Excluding the change in fair market value of investments, state-shared revenues represented approximately 32.7% of total General Fund revenues and 97.1% 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, vehicle license 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 can 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, promote openness and transparency, and 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 ongoing operating expenditures and 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 adopted in September of 2023. These policies are reviewed annually to ensure their continued relevance and adherence.

The Town Council sets policy and adopts the annual budget at the fund level as a total amount of expenditures. Financial control is set by the Town Council at the fund level, with budgetary control for operating performance administered at the Department level by the Town Manager. All annual appropriations lapse at year-end and are considered for inclusion in the subsequent year's budget on a case-by-case basis.

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. Gilbert's mission and vision is to be the "City of the Future" as we 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 also focuses on continuous improvements through its Employees Driving Gilbert's Excellence (EDGE) program, which takes the best parts of Continuous Quality Improvement and Lean Six Sigma. It teaches our employees to participate in organizational transformation by aligning people, process, and technology in an ongoing effort to deliver efficiency and effectiveness from a customer-centric point of view. When combined with clearly defined Wildly Important Goals, (WIGs) we are constantly evaluating the work we do and asking ourselves, "Is this the most important thing we can do right now for our customer?" Since departments are so diverse, it is hard to find a "one size fits all" approach. We believe that through the marrying of our organizational transformation approach (EDGE) and The 4 Disciplines of Execution WIGs, we are equipping the organization with a variety of quality tools and agile techniques in to:

- Improve Service Delivery
- Increase Customer Satisfaction
- Empower Staff to Innovate
- Enhance the Organizational Culture
- Yield a Return on Investment
- Reduce Costs
- Increase Staff Capacity to Deliver Results

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 or change. 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the 32nd consecutive year that Gilbert has received this prestigious award. To be awarded a Certificate of Achievement, we must publish an easily readable and efficiently organized Annual Comprehensive Financial Report 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 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting this year's report 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. 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 24 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 eight 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, Financial Services Officer; Anthony St. George, Accounting Manager; Emily Harmon, Senior Accountant; and Matthew Masters, Accountant II, who were primarily responsible for preparing this document. In addition, I would like to thank staff from all Town departments for their contributions and assistance.

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

Respectfully submitted,

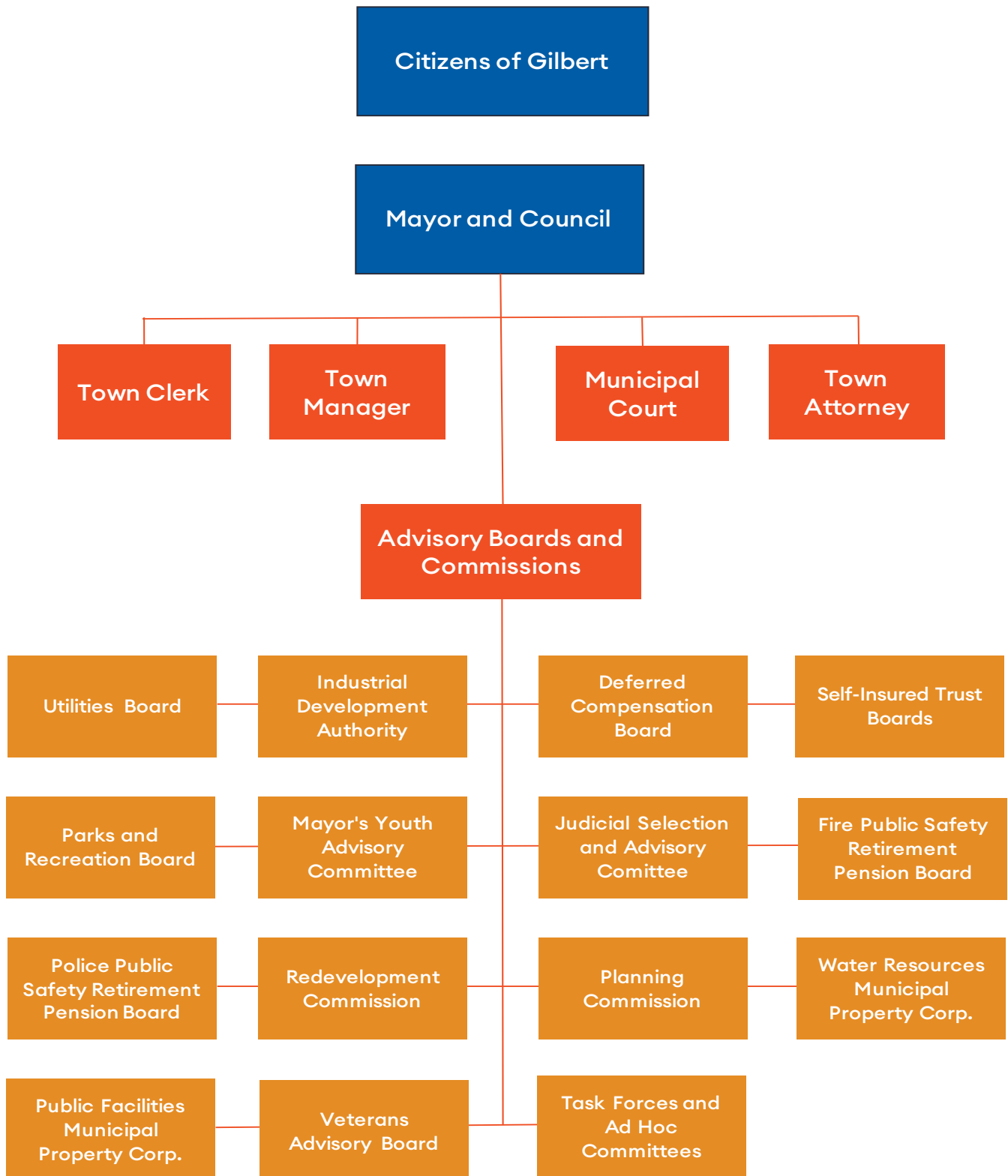


Håkon Johanson
Finance & Management Services Director



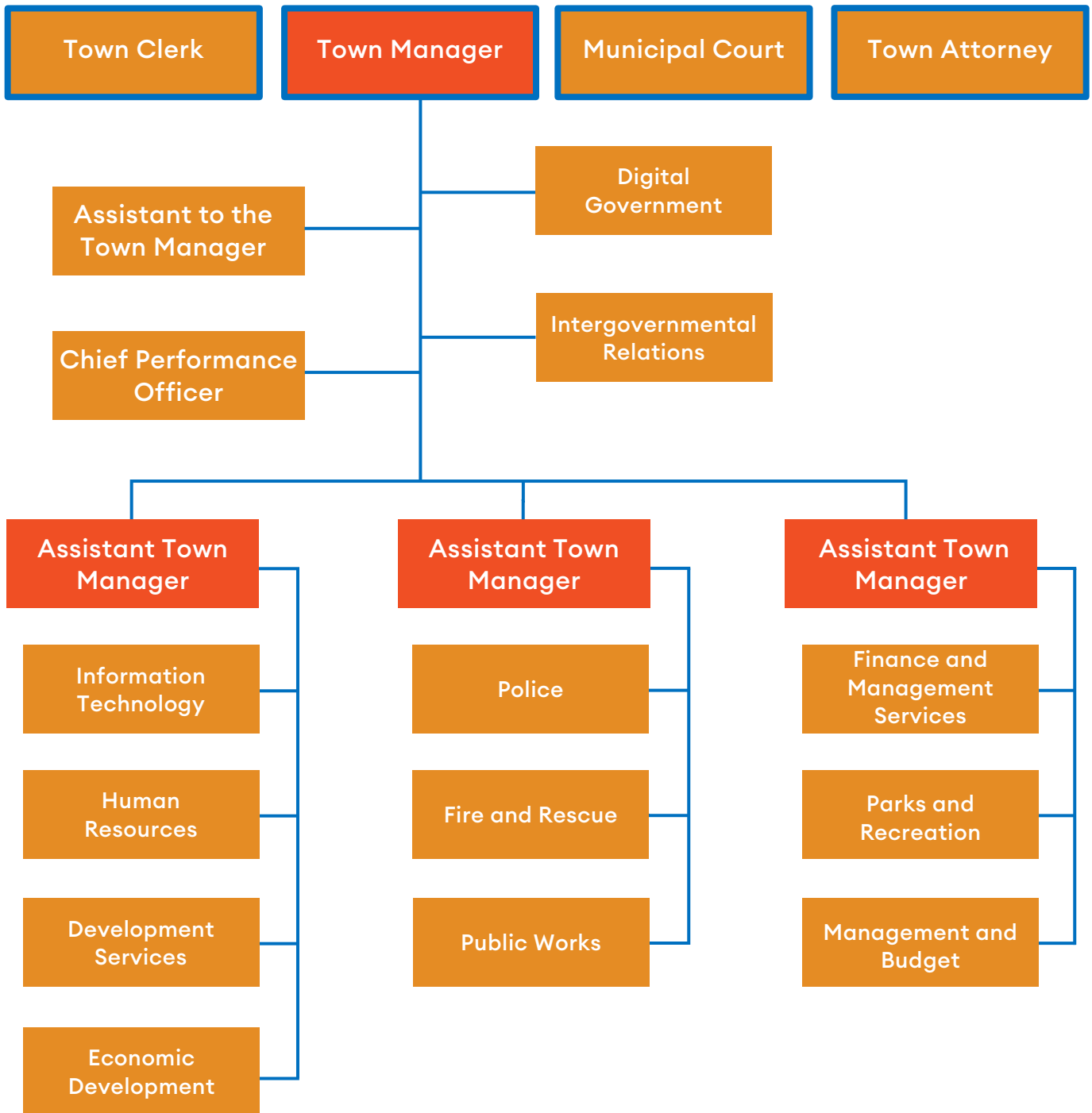


ORGANIZATIONAL REPORT CHART





ORGANIZATIONAL REPORT CHART



= Employment contracts directly with Council



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 Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Town of Gilbert, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, the Town implemented the provisions of the GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, 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, Arizona'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 27, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Gilbert's Annual Comprehensive Financial Report presents a narrative overview and comparative analysis of the financial activities of Gilbert for the fiscal years ended June 30, 2023 and 2022. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal and other portions of this Annual Comprehensive Financial Report.

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 \$2.3 billion, which is an increase over the prior year of \$128.6 million, due to increases in both governmental and business-type activities. Included in net position of \$2.3 billion, is \$1.5 billion of net investment in capital assets, \$133.7 million of amounts restricted for various purposes, and \$647.1 million of unrestricted net position. Included in unrestricted net position is \$170.2 million invested in joint ventures with the Cities of Mesa, Chandler, and the Town of Queen Creek, and \$476.9 million which may be used to fund ongoing operations in future years.
- Governmental activities increased net position by \$94.3 million, which was primarily due to taxes totaling \$284.1 million and investment income of \$17.8 million, offset by net program expenses of \$205.4 million. The business-type activities increased net position by \$34.3 million, primarily due to capital grants and contributions in the Water and Wastewater funds of \$18.8 million and \$5.7 million, respectively.
- Net position includes \$919.9 million net investment in capital assets in governmental activities such as streets, parks, and municipal buildings and a \$577.3 million net investment in business-type activities in water, wastewater and solid waste infrastructure and equipment. Amounts increased in the governmental activities by \$34.2 million from the prior year which is attributed to ongoing capital projects including various street improvements (\$24.2 million) and municipal center renovations (\$7.0 million). Amounts increased in the business-type activities by \$36.3 million in fiscal year 2023 primarily due to the construction of various capital projects including water treatment plant construction (\$47.5 million), wastewater recharge facility upgrades (\$7.1 million), improvements to transmission mains (\$5.8 million), and waterline replacements (\$5.1 million), which was offset by depreciation expense of \$28.0 million.
- The combined fund balance for all governmental funds is \$630.2 million. Unrestricted fund balance is classified as *Committed*, *Assigned*, and *Unassigned*. The unrestricted portion of all governmental funds is \$307.8 million, which represents an increase of \$68.9 million from the prior year. The increase is primarily due to increases in the following compared to the prior year: change in in fair value of investments of \$18.9 million, investment earnings of \$13.0 million, sales tax collections of \$12.6 million, and property and state-shared tax of \$21.8 million.
- The General Fund unrestricted fund balance is \$309.4 million, of which \$128.5 million has been assigned for capital replacement, capital improvement projects, and highways and streets.
- The General Fund unassigned balance of \$180.9 million is approximately 77.1% of total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$922.0 million, as compared to \$955.5 million at the end of fiscal year 2022. This represents a decrease of \$33.5 million due to regularly scheduled debt payments made throughout the fiscal year.
- Gilbert's total net pension liability at the end of the fiscal year was \$132.1 million, as compared to \$76.4 million at the end of fiscal year 2022. Gilbert made contributions in excess of the annual required contribution to the Public Safety Personnel Retirement System (PSPRS) of \$1.8 million during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is 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 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 solid waste.

The government-wide financial statements also include the Industrial Development Authority (IDA) as a component unit of Gilbert. The IDA provides financing for eligible private sector entities to acquire and construct facilities deemed to be in the public interest. The financial information for the IDA is presented separately in the statements.

The government-wide financial statements can be found on pages 29-31 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 two categories: governmental funds and proprietary 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 32-39.

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 solid waste. 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, dental, workers' compensation, and general liability 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 112-114.

The proprietary fund statements can be found on pages 42-44.

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 45-84.

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, 2023 and 2022.

	Governmental Activities		Business-type Activities		Total	
	2023	2022 (as restated)	2023	2022	2023	2022 (as restated)
Current and other assets	\$ 726,323,032	\$ 659,022,483	\$ 899,548,442	\$ 941,094,225	\$ 1,625,871,474	\$ 1,600,116,708
Capital assets	1,098,279,359	1,085,216,295	773,678,440	701,649,628	1,871,957,799	1,786,865,923
Total assets	1,824,602,391	1,744,238,778	1,673,226,882	1,642,743,853	3,497,829,273	3,386,982,631
Deferred outflows of resources	48,899,016	44,995,792	6,128,587	8,021,440	55,027,603	53,017,232
Long-term liabilities	511,873,238	476,312,088	651,579,815	657,659,546	1,163,453,053	1,133,971,634
Other liabilities	61,469,588	66,842,187	27,890,322	21,745,955	89,359,910	88,588,142
Total liabilities	573,342,826	543,154,275	679,470,137	679,405,501	1,252,812,963	1,222,559,776
Deferred inflows of resources	21,184,235	61,370,353	867,985	6,630,520	22,052,220	68,000,873
Net position:						
Net investment in capital assets	919,930,069	885,750,306	577,320,244	541,025,300	1,497,250,313	1,426,775,606
Restricted	123,034,184	115,550,048	10,630,053	13,500,206	133,664,237	129,050,254
Unrestricted	236,010,093	183,409,588	411,067,050	410,203,766	647,077,143	593,613,354
Total net position	\$ 1,278,974,346	\$ 1,184,709,942	\$ 999,017,347	\$ 964,729,272	\$ 2,277,991,693	\$ 2,149,439,214

Net position consists of three components. The largest portion of Gilbert's net position (65.7%) 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 (5.9%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (28.4%) includes \$170.2 million which is invested in joint ventures with the Cities of Mesa, Chandler, and the Town of Queen Creek. The remaining \$476.9 million may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2023 increased Gilbert's net position by \$94.3 million. Taxes and program revenues (charges for services and grants and contributions that are clearly identifiable to operating functions) were Gilbert's most significant revenue sources comprising 94.9% of total revenues for governmental activities. Taxes (local and state-shared) were \$284.1 million, which represents an increase of \$34.4 million from the prior year. Program revenues were \$108.4 million, a decrease of \$15.3 million from the prior year, which was mostly due to a decrease in capital grants and contributions specifically related to highways and streets.

The other component of the change in net position is expenses. The largest expense functions were public safety, which represented 43.4%, and highways and streets, which represented 21.6% of total governmental activities expenses, which is consistent with prior year. Total expenses increased \$38.7 million (14.1%) 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	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 23,484,910	\$ 22,222,563	\$ 128,401,689	\$ 111,151,614	\$ 151,886,599	\$ 133,374,177
Operating grants and contributions	41,985,234	40,308,725	3,104,074	2,606,936	45,089,308	42,915,661
Capital grants and contributions	42,935,057	61,138,815	24,865,411	29,360,416	67,800,468	90,499,231
General revenues						
Sales taxes	155,493,976	142,901,420	-	-	155,493,976	142,901,420
Property taxes	32,588,000	30,355,662	-	-	32,588,000	30,355,662
Unrestricted state-shared revenue	92,189,540	72,666,521	-	-	92,189,540	72,666,521
Other taxes	3,800,885	3,746,779	-	-	3,800,885	3,746,779
Grants and contributions not restricted to specific programs	895,733	2,125,348	-	-	895,733	2,125,348
Investment income	17,805,233	(14,992,902)	10,509,505	(6,500,296)	28,314,738	(21,493,198)
Gain on sale of capital assets	1,152,603	238,370	74,984	240,840	1,227,587	479,210
Other	1,030,614	1,079,701	462,841	558,561	1,493,455	1,638,262
Total revenues	413,361,785	361,791,002	167,418,504	137,418,071	580,780,289	499,209,073
Expenses						
Management and policy	34,670,470	32,299,069	-	-	34,670,470	32,299,069
Finance and management services	3,395,952	3,089,623	-	-	3,395,952	3,089,623
Court	4,983,766	4,623,035	-	-	4,983,766	4,623,035
Development services	12,751,814	11,876,375	-	-	12,751,814	11,876,375
Police	81,159,390	67,491,794	-	-	81,159,390	67,491,794
Fire	54,960,568	48,219,681	-	-	54,960,568	48,219,681
Highways and streets	67,635,517	63,021,711	-	-	67,635,517	63,021,711
Parks and recreation	37,450,429	32,718,736	-	-	37,450,429	32,718,736
Transportation	725,221	-	-	-	725,221	-
Non departmental	4,016,081	3,523,440	-	-	4,016,081	3,523,440
Interest and fiscal charges on long-term debt	12,075,106	8,221,060	-	-	12,075,106	8,221,060
Water	-	-	67,785,692	55,761,046	67,785,692	55,761,046
Wastewater	-	-	38,774,386	36,907,806	38,774,386	36,907,806
Solid Waste	-	-	31,843,418	27,860,956	31,843,418	27,860,956
Total expenses	313,824,314	275,084,524	138,403,496	120,529,808	452,227,810	395,614,332
Increase in net position before transfers	99,537,471	86,706,478	29,015,008	16,888,263	128,552,479	103,594,741
Transfers	(5,273,067)	(157,874)	5,273,067	157,874	-	-
Change in net position	94,264,404	86,548,604	34,288,075	17,046,137	128,552,479	103,594,741
Net position, beginning	1,184,709,942	1,098,161,338	964,729,272	947,683,135	2,149,439,214	2,045,844,473
Net position, ending	\$ 1,278,974,346	\$ 1,184,709,942	\$ 999,017,347	\$ 964,729,272	\$ 2,277,991,693	\$ 2,149,439,214

Business-type Activities

Gilbert's net position for business-type activities increased by \$34.3 million during the fiscal year mainly due to development related growth, including \$9.7 million in system development fee collections and \$15.2 million in water, wastewater, and solid waste infrastructure contributed by developers. The revenues for business-type activities increased 21.8% over the prior year mainly due to an increase in charges for service in the Water and Wastewater funds which was due to rate increases for water of 30% in April of last fiscal year and wastewater rate increase of 30% in April 2023. Expenses increased \$17.9 million (14.8%) from the prior year primarily due to the impacts of inflation, which increased costs of operation and maintenance such as water and fuel, accompanied by an increase in 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. 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 2023, the governmental funds reported ending unrestricted fund balances totaling \$307.8 million, an increase of \$68.9 million from the prior fiscal year. See explanations of variances below.

General Fund

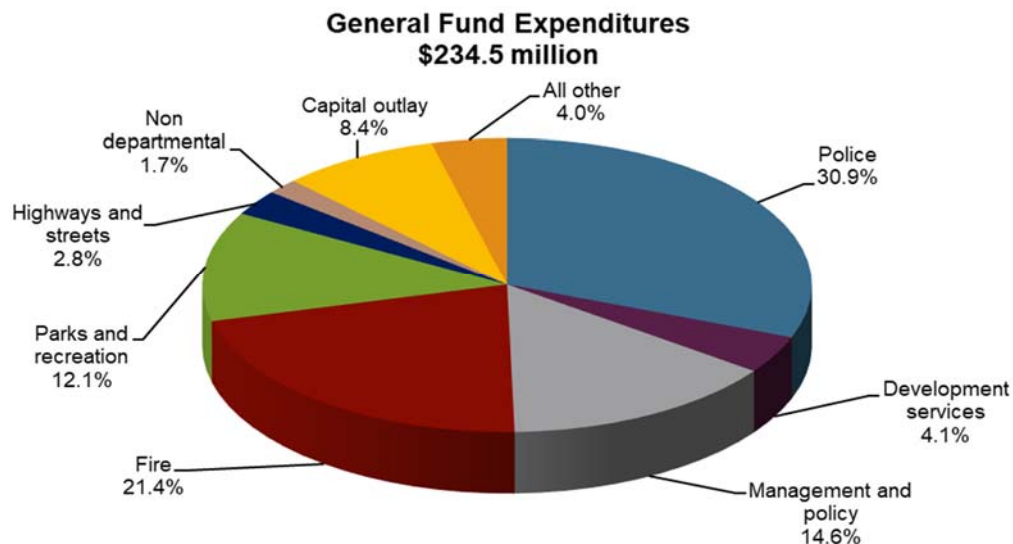
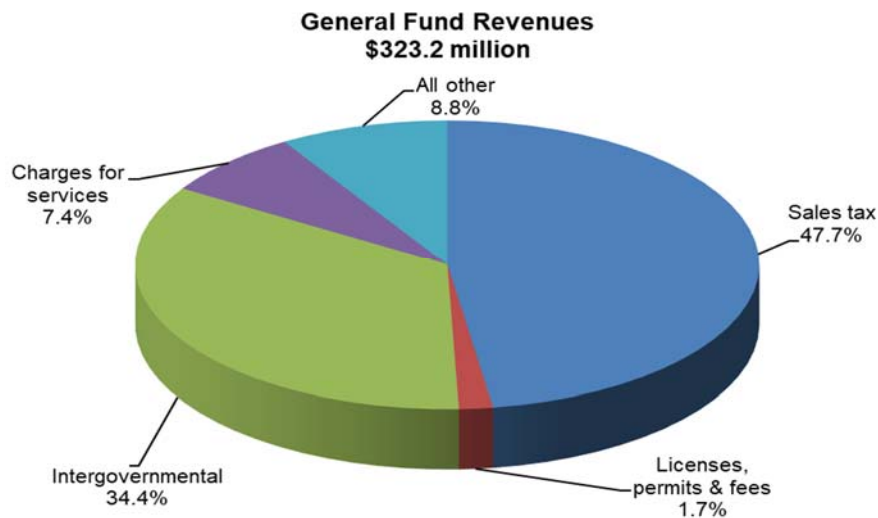
The General Fund is the primary operating fund. At the end of fiscal year 2023, the fund balance of the General Fund was \$319.2 million, compared to \$252.0 million in the prior year. The unrestricted portion of the fund balance was \$309.4 million, of which \$54.4 million has been assigned for capital replacement, \$56.2 million for future capital projects, and \$17.9 million for highways and streets. The remainder of \$180.9 million supports our minimum fund balance policy and can be used for future operations. 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 77.1% of total General Fund expenditures for the current year, which is comparable to the prior year of 78.9%.

Overall, the General Fund's performance resulted in revenues and other financing sources exceeding expenditures and other financing uses by \$67.2 million. Total revenues increased \$50.9 million, or 18.7% compared to the prior year, while expenditures increased \$40.1 million, or 20.7%. Gilbert's largest revenue sources are local sales tax and intergovernmental revenues, which accounted for 82.1% of the total revenues in fiscal year 2023, which is consistent with the prior year. The largest General Fund expenditures are salaries, benefits, and associated costs, representing 65.6% of total expenditures, which is also consistent with prior year.

Key General Fund revenues showing an increase over the prior year were sales tax revenue collected of \$12.6 million and state shared income tax of \$16.8 million. The significant increase for sales tax is a result of increased consumer spending from stimulus funds in the economy and increased tax receipts resulting from the higher cost of goods. The increase in state shared income tax is attributable to an increase in per capita income to \$48,791 in fiscal year 2023 compared to \$39,073 in fiscal year 2022. Other revenue sources that contributed to the increase over the prior year were: other entities' participation of \$11.4 million largely due to funds contributed for completion of the Lindsay Road and Loop 202 interchange, change in fair value of investments of \$8.5 million, investment earnings of \$6.1 million and other financing source of \$12.9 million resulting from the implementation of a new Governmental Accounting Standards pronouncement to record subscription-based technology arrangements (see Note 8).

These increases in revenue were offset by increases in expenditures over the prior year of \$40.1 million primarily due to increases in police and fire expenditures of \$10.8 million and \$7.8 million, respectively. These increases were the result of increased salary and related expenditures from market adjustments and annual performance review pay increases. In addition, capital outlay expenditures increased \$14.2 million largely due to recognizing the cost of subscription-based technology arrangements. These increases were offset by a decrease of \$4.2 million in non departmental expenditures in the current year, as AZCares funding from the COVID pandemic was largely exhausted in the prior year.

The graphs below depict General Fund revenues by source and General Fund expenditures by function.



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 street related purposes. Total revenues in the Streets Fund remained relatively stable from prior year, with a \$2.2 million (11.8%) increase due to receiving additional HURF funds. Total expenditures increased \$3.5 million (22.8%) compared to the prior fiscal year due to increased operating expenditures primarily due to the effects of inflation.

Streets and Traffic Capital Projects

The Streets and Traffic Capital Projects Fund consists of system development fees and intergovernmental revenues and the expenditure of those funds to purchase or construct capital assets. The fund balance decreased by \$7.3 million during the year. This was due capital outlay expenditures exceeding revenues for the year. The larger projects with capital expenditures during the year were related to the road work on Ocotillo Road from Greenfield Road to Higley Road totaling \$6.3 million and significant work performed on Somerton Boulevard from Williams Field Road to Recker Road totaling \$4.0 million. Capital outlay was partially offset by system development fee collections of \$4.3 million, interest earnings of \$6.5 million, and transfers in of \$8.1 million to fund capital projects.

Parks Capital Projects

The Parks Capital Projects Fund accounts for system development fee revenue and the expenditure of those funds for parks infrastructure. The fund balance increased by \$4.7 million during the year, which was primarily due to the collection of system development fees of \$7.5 million, offset by capital outlay of \$1.9 million. The largest projects with capital expenditures during the year were trail improvements for the Western Powerline Trail from Val Vista Road to Greenfield Road of \$847 thousand and the first phase of development for Gilbert Regional Park for \$813 thousand. The remaining fund balance of \$35.4 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 Corporation bond proceeds and the expenditure of those funds to purchase or construct municipal capital assets. The fund balance increased by \$472 thousand during the year, resulting in a deficit in fund balance at fiscal year-end of \$3.1 million. The deficiency in this fund is primarily due to long-term loans from the General Fund to cover cash deficits for previous capital expenditures where future system development fee revenue is expected to eliminate the deficiency. The increase in fund balance was primarily due to transfers from the General Fund to fund construction projects within the fund. The largest project with capital expenditures during the year was the Municipal Center 1 Renovation totaling \$7.0 million. Total expenditures of \$18.5 million were offset by transfers in of \$18.1 million.

Debt Service

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs for outstanding bonds. The fund balance decreased by \$369 thousand during the year. Revenues and other financing sources and expenditures offset each other where property tax revenue and transfers from other funds totaled \$38.9 million, while debt service payments were \$38.9 million. See Note 8 for additional information.

Special Assessments Debt Service

The Special Assessments Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs for outstanding improvement district bonds. The fund balance of \$101 thousand increased from the prior fiscal year by \$11 thousand due to regularly scheduled debt payments, offset by the administrative fee charged for early redemption of a portion of the special assessment debt. See Note 8 for additional information.

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 \$1.9 million from the prior year to a balance at year-end of \$7.4 million. Nonmajor funds represent approximately 1.2% of the total governmental funds 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
- Solid Waste

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. The North Water Treatment Plant has reached its useful life and a new treatment plant located directly east of the current plant is under construction. Net position increased by \$28.6 million to \$558.0 million primarily due to an increase in charges for services over the prior year of \$9.1 million due to rate increases of 30% implemented at the end of fiscal year 2022 and system development fees and developer contributions received during the fiscal year of \$18.8 million. Operating income was \$13.5 million, which is higher than prior year of \$4.2 million.

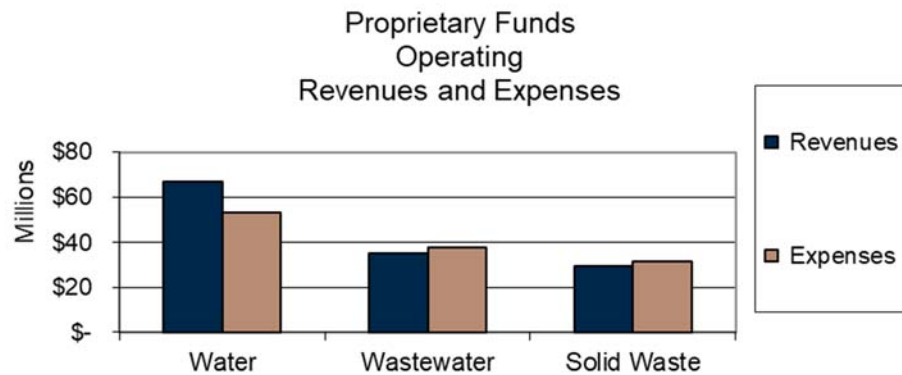
Wastewater Fund

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). The Greenfield Water Reclamation Plant (GWRP) is a joint venture with the Cities of Mesa and Queen Creek, with Mesa acting as the lead agent and plant operator. Net position increased \$7.6 million to \$393.3 million primarily due to system development fees and developer contributions of \$5.7 million. The operating loss of \$2.3 million was primarily due inflation increasing the operation and maintenance costs of the two treatment plants.

Solid Waste Fund

Gilbert operates the Solid Waste 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 decreased by \$889 thousand, to \$47.4 million. The operating loss of \$2.0 million was due increased salary and related expenditures from market adjustments and annual performance review pay increases of \$1.8 million compared to prior year and inflation increasing the costs of operation and maintenance such as fuel and equipment by \$1.5 million. These expense increases were offset by an increase in charges for services revenue resulting from rate increases of 30% for collections and 59% for the environmental compliance fee that were implemented towards the end of fiscal year 2022.

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



General Fund Budgetary Highlights

There was a difference of (\$57.0) million between the original adopted expenditure budget and the final amended expenditure budget. The final amended budget projected that expenditures would exceed revenues by \$47.3 million resulting in a \$152.5 million reduction to fund balance after other financing sources and uses. The difference between the original adopted budget and final amended budget was mainly due to the utilization of \$69.9 million in contingency during the year which was primarily allocated to governmental capital project funds in addition to increases in General Fund budgets for police (\$9.7 million) and fire (\$3.9 million).

During the year, actual revenues exceeded the budgeted amount by \$57.1 million (21.4%) mainly due to higher than expected sales taxes collected of \$26.0 million and intergovernmental revenues of \$12.7 million. Actual expenditures were less than budgeted by \$94.0 million (30.0%) mainly due to lower than expected expenditures in management and policy (\$9.1 million), parks and recreation (\$5.5 million), non-departmental (\$13.9 million), capital outlay (\$5.2 million), and unused contingency (\$49.6 million). This resulted in an excess of revenues over expenditures of \$151.0 million more than budgeted. Other financing sources and uses came in \$70.8 million lower than expected as a result the timing of redevelopment, municipal facilities, and streets and traffic capital projects. This also resulted in the actual net change in fund balance being \$221.8 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2023, Gilbert had \$1.9 billion in capital assets, net of accumulated depreciation, which is an increase of \$85.1 million (4.8%) over prior year. This was due to increases in construction-in-progress for streets, redevelopment districts, municipal facilities, water, and wastewater projects, as well as purchases of non-depreciable water rights. These increases were offset by the depreciation expense taken. Major capital improvement projects completed during the year included the following:

Governmental Activities

- Gilbert Regional Park of \$40.1 million
- Germann Road from Gilbert to Val Vista of \$26.4 million
- Desert Sky Park of \$22.6 million
- Heritage District Parking Garage of \$18.8 million

Business-type Activities

- Reservoir, Pump Station, and Well Conversion of \$18.3 million
- South Recharge Site of \$9.1 million
- Zone 1 Transmission Mains Rehabilitation of \$7.7 million
- Tankersley Water Line Replacement Installation of \$6.9 million

The following table presents capital asset balances, net of accumulated depreciation, for the fiscal years ended June 30, 2023 and 2022.

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

	Governmental Activities		Business-type Activities		Total	
	2022				2022	
	2023	(as restated)	2023	2022	2023	(as restated)
Land	\$ 146,430,538	\$ 140,142,173	\$ 24,188,051	\$ 24,107,771	\$ 170,618,589	\$ 164,249,944
Nondepreciable water rights	-	-	65,898,010	64,690,356	65,898,010	64,690,356
Construction-in-progress	61,616,133	172,562,545	118,648,153	94,065,167	180,264,286	266,627,712
Buildings	198,680,268	188,981,350	-	-	198,680,268	188,981,350
Improvements	84,383,711	17,661,744	-	-	84,383,711	17,661,744
Plant, machinery & equipment	33,108,306	30,557,930	51,959,870	58,010,469	85,068,176	88,568,399
Infrastructure	562,498,213	534,956,542	476,579,777	423,960,857	1,039,077,990	958,917,399
Intangible right-to-use subscription ass	11,562,190	354,011	-	-	11,562,190	354,011
Depreciable water rights	-	-	36,404,579	36,815,008	36,404,579	36,815,008
Total Capital Assets	\$ 1,098,279,359	\$ 1,085,216,295	\$ 773,678,440	\$ 701,649,628	\$ 1,871,957,799	\$ 1,786,865,923

Total governmental capital assets and business-type capital assets increased by \$13.1 million and \$72.0 million, respectively. The change in governmental capital assets can be attributed to the addition of land of \$9.9 million, buildings of \$23.2 million, improvements other than buildings of \$69.6 million, infrastructure of \$65.5 million, and intangible right-to-use subscription assets of \$12.9 million. These were offset by construction-in-progress deletions of (\$148.6 million) and depreciation taken of (\$61.3 million). Most of the increase for the business-type capital assets can be attributed to the addition of construction-in-progress of \$81.5 million and infrastructure of \$72.1 million, which were offset by depreciation taken of (\$28.0 million) and construction-in-progress deletions of (\$56.9 million).

See Note 6 on pages 60-61 for further information regarding capital assets.

Long-term Debt. At June 30, 2023, Gilbert had total bonded debt obligations of \$339.9 million related to governmental activities and \$582.0 million in business-type activities. Of the total debt outstanding, \$279.9 million is general obligation (GO) bonds backed by the full faith and credit of Gilbert, \$2.5 million is special assessment bonds secured by a lien against the land of the benefited property owners in Improvement Districts #19 and #20, 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, 2023, was \$246.6 million in the 6% capacity and \$523.0 million in the 20% capacity.

See Note 8 on pages 62-67 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2023 and 2022.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation	\$ 279,935,000	\$ 298,465,000	\$ -	\$ -	\$ 279,935,000	\$ 298,465,000
Special Assessment	2,490,000	2,840,000	-	-	2,490,000	2,840,000
Revenue Obligations	32,640,000	33,450,000	-	-	32,640,000	33,450,000
Municipal Property Corporation (Revenue Bonds)	24,865,000	30,365,000	582,020,000	590,360,000	606,885,000	620,725,000
Totals	\$ 339,930,000	\$ 365,120,000	\$ 582,020,000	\$ 590,360,000	\$ 921,950,000	\$ 955,480,000

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, 2023.

**Town of Gilbert
Long-term Debt Ratings
As of June 30, 2023**

	Moody's Investor Service	Standard and Poors' Ratings Service	Fitch Ratings
General Obligation	Aaa	AAA	AAA
Public Facilities Municipal Property Corporation (Revenue Bonds)	Aa1	AAA	AAA
Water Resources Municipal Property Corporation (Revenue Bonds)	Not rated	AAA	AAA
Revenue Obligations	Aa1	AAA	AAA
Improvement Districts (Special Assessment)	Aa1	AA-	Not rated

Economic Factors and Next Year's Budget

Gilbert continued to grow during fiscal year 2023 with citizens and businesses continuing to receive high quality town services. Inflation was a significant hurdle for many departments and some user rates had to be adjusted to compensate for the changes in operational costs. Gilbert is also keeping a close eye on regional water discussions to ensure that our water portfolio and infrastructure are ready for the future. We want to ensure that a shortage at the river does not equal a shortage at the tap for our residents and businesses. Gilbert is also taking steps to reduce water usage by removing underutilized turf at Gilbert-owned facilities, implementing new water reduction incentive programs, and encouraging general water conservation. We will also remain financially prepared to meet economic challenges that may arise as the economy evolves and potentially transitions into a slower growth or recessionary phase of the typical cycle.

With a population of 280,391 residents, Gilbert is Arizona's fifth largest city. In 2023, Gilbert Fire and Rescue became Autism Certified, which builds upon the certifications received by the Police and Parks and Recreation Departments in 2022. Cactus Yards was named Outstanding Park of the year again in 2023. Gilbert stands proud as the Best Place to Live in Arizona (Ranking Arizona, 2022) and the #2 Best Place to Raise a Family in the Phoenix Area (Niche, 2023). Gilbert was also ranked the #1 Best City for Early Retirement (Smart Asset, 2022) and the #3 Healthiest Midsize Employer in Arizona (Phoenix Business Journal, 2023). As the nation continues to rebound from the COVID-19 pandemic, the Town of Gilbert was ranked as #3 for Cities Whose Unemployment Rates are Bouncing Back Most (WalletHub, 2022). From fiscal year 2013 to fiscal year 2022, private investment in Gilbert's four employment areas exceeded over \$1.3 billion. Science, Technology, Engineering, and Mathematics (STEM) and STEM related job growth has outpaced total job growth in the community over the last five years; 15.0% for STEM/STEM related growth versus 10.0% for total job growth (Lightcast, Inc., 2017-2022). Over the last five years, Gilbert has added \$4.7 million square-feet of office, industrial/flex, and retail space to its inventory, representing an increase of 18.4% (Costar, Q2 2018 – Q2 2023).

In fiscal year 2023, Gilbert's economic development initiatives continued to yield positive results for the community, with each of Gilbert's employment areas seeing significant investment and growth. In the Northwest employment area, SunCap Property Group completed three new speculative light industrial/flex buildings at the Gilbert Spectrum development, totaling over 300,000 square-feet. This same group also received approval to construct an additional 120,000 square-foot building on the site, which will complete the build-out of the Spectrum development project. In the Central Business District, Corning announced the development of a new 300,000 square-foot fiber optic cable manufacturing facility that will create over 200 new jobs for the community. Property at the north east corner of Germann and Lindsay Roads also received approval for a 1.4 million square-foot industrial park. Additionally, the Gateway employment area saw the completion of the Warner Commons, a 380,000 square-foot light industrial park and approval for The Ranch project, a 3+ million square-foot light industrial park planned for the north west corner of Warner and Power Roads. The Heritage District also saw additional investment with the selection of a developer for the prominent "South Anchor" site and the completion of the University of Arizona's fourth floor expansion. The #GilbertTogether long-term resiliency efforts continued as well, providing access to experts and proven programs that enabled businesses to improve operations, receive technical assistance, and provide access to scholarships that allowed Gilbert residents to upskill. At the conclusion of fiscal year 2023, Gilbert businesses had received nearly 2,000 hours of technical assistance and one-on-one coaching, and over 280 scholarships had been awarded to Gilbert residents.

A community of excellence demands exceptional governance. 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, over \$7.6 million has been removed due to the zero-based efforts. Due to inflation, the cumulative zero-based savings reduced from the prior year. Directors are tasked with balancing the budget through consensus. The directors must achieve consensus before the Town Manager is 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.

Additionally, Gilbert staff and Council align both short-term goals and resources toward the long-term realization of Gilbert's established strategic initiatives of Strong Economy, Prosperous Community and Exceptional Built Environment. These strategic initiatives guide the formulation of organizational goals and corresponding budget for the following fiscal year. Council retreats, as well as the budget kickoff in September 2022, allow staff to initiate the process with clear direction and focus governing the priorities for service delivery in fiscal year 2024.

The budget for fiscal year 2024 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 economic volatility.

Budget Highlights for Fiscal Year 2024

With carry forwards and contingency adjustments, the maximum budget of \$2,049,501,300 was adopted for fiscal year 2024. Most of the increase from fiscal year 2023 is from increased activity in the Capital Improvement Program, especially related to the voter-approved transportation bond projects and additional water projects to be funded by the Water Municipal Property Corporation bonds issued in the prior fiscal year. The budget includes a capital projects contingency budget of \$100 million to allow Council the flexibility and legal authority to respond to community needs. This contingency is consistent with practice in prior years.

Tax Rates: The budget reflects a levy of \$31.3 million which lowers the property tax rate to \$0.98 per \$100 of limited property valuation.

Balanced Financial Plan: The fiscal year 2024 budget is balanced based upon identified revenues and expenditures.

Constitutional Expenditure Limit: The fiscal year 2024 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 2024 budget reflects state shared revenues based upon Census population adjustments and statutory distribution formulas, taking into account currently projected State sales and income tax collections (provided by the Arizona League of Cities and Towns), which reflect the state's budgeted HURF distributions.

Fund Balance: The Revenue Summary in the Annual Budget lists the use of carry over funds in an amount of \$1.1 billion. This reflects use of revenues which were received in prior fiscal years in excess of minimum fund balance. Revenues from the bonds sold in 2022 for both transportation and water related projects are included in this carry over number.

Capital Project Financing – System Development Fees: The fiscal year 2024 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
Tanya Wright, Financial Services Officer
50 East Civic Center Drive
Gilbert, AZ 85296
(480) 503-6000



TOWN OF GILBERT, ARIZONA
Statement of Net Position
June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
Assets				
Pooled cash and investments	\$ 658,914,781	\$ 706,731,643	\$ 1,365,646,424	\$ 17,114
Restricted cash and investments	4,211,627	12,253,973	16,465,600	-
Receivables, net				
Taxes	20,965,379	-	20,965,379	-
Special assessments	2,501,596	-	2,501,596	-
Accrued interest	1,581,286	1,642,494	3,223,780	-
Restricted accrued interest	-	29,963	29,963	-
Accounts	10,639,925	8,425,265	19,065,190	-
Due from other governments	5,839,052	897,925	6,736,977	-
Leases	16,419,123	-	16,419,123	-
Prepaid items	2,577,952	878,513	3,456,465	-
Deposits	50,000	-	50,000	-
Inventories	1,081,378	67,818	1,149,196	-
Internal balances	(315,481)	315,481	-	-
Investment in joint venture	1,856,414	168,305,367	170,161,781	-
Capital assets				
Non-depreciable	208,046,671	208,734,214	416,780,885	-
Depreciable, net	890,232,688	564,944,226	1,455,176,914	-
Total assets	<u>1,824,602,391</u>	<u>1,673,226,882</u>	<u>3,497,829,273</u>	<u>17,114</u>
Deferred outflows of resources				
Deferred charge on refundings	1,765,248	1,779,921	3,545,169	-
Pensions and other postemployment benefits	47,133,768	4,348,666	51,482,434	-
Total deferred outflows of resources	<u>48,899,016</u>	<u>6,128,587</u>	<u>55,027,603</u>	<u>-</u>
Liabilities				
Accounts payable	17,178,211	23,140,042	40,318,253	10
Accrued liabilities	6,255,357	416,944	6,672,301	-
Claims payable	10,233,000	-	10,233,000	-
Deposits held for others	1,596,467	-	1,596,467	-
Utility deposits	-	1,996,930	1,996,930	-
Bond interest payable	704,353	2,336,406	3,040,759	-
Unearned revenue	25,502,200	-	25,502,200	-
Noncurrent liabilities				
Due within one year	37,932,950	20,785,788	58,718,738	-
Due in more than one year	473,940,288	630,794,027	1,104,734,315	-
Total liabilities	<u>573,342,826</u>	<u>679,470,137</u>	<u>1,252,812,963</u>	<u>10</u>
Deferred inflows of resources				
Pensions and other postemployment benefits	5,231,552	867,985	6,099,537	-
Leases	15,952,683	-	15,952,683	-
Total deferred inflows of resources	<u>21,184,235</u>	<u>867,985</u>	<u>22,052,220</u>	<u>-</u>
Net position				
Net investment in capital assets	919,930,069	577,320,244	1,497,250,313	-
Restricted for				
Capital projects	95,148,886	10,630,053	105,778,939	-
Court/police programs	2,004,654	-	2,004,654	-
Debt service	7,785,872	-	7,785,872	-
Highway and streets	12,403,997	-	12,403,997	-
Other purposes	634,396	-	634,396	-
Special districts	521,337	-	521,337	-
Tourism	2,842,480	-	2,842,480	-
Transportation	1,692,562	-	1,692,562	-
Unrestricted	236,010,093	411,067,050	647,077,143	17,104
Total net position	<u>\$ 1,278,974,346</u>	<u>\$ 999,017,347</u>	<u>\$ 2,277,991,693</u>	<u>\$ 17,104</u>

TOWN OF GILBERT, ARIZONA
Statement of Activities
For the Year Ended June 30, 2023

<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	\$ 34,670,470	\$ 35,442	\$ 3,176,756	\$ -
Finance and management services	3,395,952	-	-	-
Court	4,983,766	495,509	23,406	-
Development services	12,751,814	5,349,901	-	-
Public safety				
Police	81,159,390	3,195,276	1,939,344	2,091,884
Fire	54,960,568	6,143,782	2,672,248	1,351,977
Highways and streets	67,635,517	46,608	33,899,909	26,986,404
Parks and recreation	37,450,429	7,954,465	223,727	11,826,416
Transportation	725,221	-	-	678,376
Non departmental	4,016,081	263,927	49,844	-
Interest and fiscal charges on long-term debt	12,075,106	-	-	-
Total governmental activities	<u>313,824,314</u>	<u>23,484,910</u>	<u>41,985,234</u>	<u>42,935,057</u>
Business-type activities				
Water	67,785,692	64,345,893	2,833,661	18,810,658
Wastewater	38,774,386	34,753,378	270,413	5,713,651
Solid Waste	31,843,418	29,302,418	-	341,102
Total business-type activities	<u>138,403,496</u>	<u>128,401,689</u>	<u>3,104,074</u>	<u>24,865,411</u>
Total primary government	<u>\$ 452,227,810</u>	<u>\$ 151,886,599</u>	<u>\$ 45,089,308</u>	<u>\$ 67,800,468</u>
Component unit				
Industrial Development Authority	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues and transfers				
Sales taxes				
Property taxes				
In-Lieu property taxes				
Franchise taxes				
Unrestricted state-shared revenue				
Grants and contributions not restricted to specific programs				
Investment income				
Gain 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
\$ (31,458,272)	\$ -	\$ (31,458,272)	\$ -
(3,395,952)	-	(3,395,952)	-
(4,464,851)	-	(4,464,851)	-
(7,401,913)	-	(7,401,913)	-
(73,932,886)	-	(73,932,886)	-
(44,792,561)	-	(44,792,561)	-
(6,702,596)	-	(6,702,596)	-
(17,445,821)	-	(17,445,821)	-
(46,845)	-	(46,845)	-
(3,702,310)	-	(3,702,310)	-
(12,075,106)	-	(12,075,106)	-
<u>(205,419,113)</u>	<u>-</u>	<u>(205,419,113)</u>	<u>-</u>
-	18,204,520	18,204,520	-
-	1,963,056	1,963,056	-
-	(2,199,898)	(2,199,898)	-
<u>-</u>	<u>17,967,678</u>	<u>17,967,678</u>	<u>-</u>
<u>(205,419,113)</u>	<u>17,967,678</u>	<u>(187,451,435)</u>	<u>-</u>
			<u>\$ (10)</u>
155,493,976	-	155,493,976	-
32,588,000	-	32,588,000	-
1,039,806	-	1,039,806	-
2,761,079	-	2,761,079	-
92,189,540	-	92,189,540	-
895,733	-	895,733	-
17,805,233	10,509,505	28,314,738	5
1,152,603	74,984	1,227,587	-
1,030,614	462,841	1,493,455	-
(5,273,067)	5,273,067	-	-
<u>299,683,517</u>	<u>16,320,397</u>	<u>316,003,914</u>	<u>5</u>
94,264,404	34,288,075	128,552,479	(5)
1,184,709,942	964,729,272	2,149,439,214	17,109
<u>\$ 1,278,974,346</u>	<u>\$ 999,017,347</u>	<u>\$ 2,277,991,693</u>	<u>\$ 17,104</u>

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2023

	General	Streets Special Revenue	Streets and Traffic Capital Projects	Parks Capital Projects
Assets				
Pooled cash and investments	\$ 298,298,337	\$ 12,454,588	\$ 248,804,488	\$ 35,520,522
Restricted cash and investments	197,019	-	-	-
Receivables, net				
Taxes	20,501,245	-	-	-
Special assessments	-	-	-	-
Accrued interest	765,105	29,855	596,737	85,404
Accounts	10,204,277	-	-	-
Due from other governments	971,420	2,052,942	-	-
Lease	16,419,123	-	-	-
Due from other funds	554,330	-	-	-
Prepaid items	2,577,952	-	-	-
Advances to other funds	7,164,026	-	-	-
Total assets	<u>\$ 357,652,834</u>	<u>\$ 14,537,385</u>	<u>\$ 249,401,225</u>	<u>\$ 35,605,926</u>
Liabilities				
Accounts payable	7,570,256	1,213,603	1,949,784	228,405
Accrued liabilities	6,020,047	83,304	-	-
Deposits held for others	1,596,467	-	-	-
Due to other funds	-	-	-	-
Interest payable	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	1,350,223	-	-	-
Bonds payable	-	-	-	-
Total liabilities	<u>16,536,993</u>	<u>1,296,907</u>	<u>1,949,784</u>	<u>228,405</u>
Deferred inflows of resources				
Unavailable revenue - sales tax	79,929	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - court fines	5,535,804	-	-	-
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - other	360,487	-	-	-
Deferred inflows related to leases	15,952,683	-	-	-
Total deferred inflows of resources	<u>21,928,903</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)				
Nonspendable	9,741,978	-	-	-
Restricted	-	13,240,478	247,451,441	35,377,521
Assigned	128,524,866	-	-	-
Unassigned	180,920,094	-	-	-
Total fund balances (deficits)	<u>\$ 319,186,938</u>	<u>\$ 13,240,478</u>	<u>\$ 247,451,441</u>	<u>\$ 35,377,521</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 357,652,834</u>	<u>\$ 14,537,385</u>	<u>\$ 249,401,225</u>	<u>\$ 35,605,926</u>

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

Municipal Facilities Capital Projects	General Debt Service	Special Assessments Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 7,527,115	\$ 7,792,679	\$ 101,017	\$ 29,847,609	\$ 640,346,355
-	4,014,608	-	-	4,211,627
-	255,868	-	208,266	20,965,379
-	-	2,501,596	-	2,501,596
8,877	36,540	242	15,774	1,538,534
-	-	-	10,910	10,215,187
-	-	-	2,791,704	5,816,066
-	-	-	-	16,419,123
-	-	-	-	554,330
-	-	-	-	2,577,952
-	-	-	-	7,164,026
<u>\$ 7,535,992</u>	<u>\$ 12,099,695</u>	<u>\$ 2,602,855</u>	<u>\$ 32,874,263</u>	<u>\$ 712,310,175</u>
4,751,757	-	93	515,988	16,229,886
-	-	-	102,264	6,205,615
-	-	-	-	1,596,467
-	-	-	554,330	554,330
-	704,353	-	-	704,353
5,864,026	-	-	-	5,864,026
-	-	-	24,151,977	25,502,200
-	850,000	-	-	850,000
<u>10,615,783</u>	<u>1,554,353</u>	<u>93</u>	<u>25,324,559</u>	<u>57,506,877</u>
-	-	-	-	79,929
-	-	2,501,596	-	2,501,596
-	-	-	-	5,535,804
-	-	-	188,907	188,907
-	-	-	-	360,487
-	-	-	-	15,952,683
<u>-</u>	<u>-</u>	<u>2,501,596</u>	<u>188,907</u>	<u>24,619,406</u>
-	-	-	-	9,741,978
3,709,916	5,183,110	101,166	7,552,322	312,615,954
-	5,362,232	-	-	133,887,098
(6,789,707)	-	-	(191,525)	173,938,862
<u>\$ (3,079,791)</u>	<u>\$ 10,545,342</u>	<u>\$ 101,166</u>	<u>\$ 7,360,797</u>	<u>\$ 630,183,892</u>
<u>\$ 7,535,992</u>	<u>\$ 12,099,695</u>	<u>\$ 2,602,855</u>	<u>\$ 32,874,263</u>	<u>\$ 712,310,175</u>



TOWN OF GILBERT, ARIZONA
Reconciliation of Balance Sheet
To the Statement of Net Position
June 30, 2023

Fund balances of governmental funds		\$ 630,183,892
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	2,106,472,635	
Accumulated depreciation/amortization	<u>(1,008,988,145)</u>	1,097,484,490
The investment in joint venture is not a financial resource and, therefore, is not reported in the funds.		
		1,856,414
Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		8,666,723
Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, to the individual funds. The assets, deferred outflows, liabilities, and deferred inflows of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental funds balance sheet.		
		5,888,066
Deferred outflows and inflows of resources related to pensions, other postemployment benefits, and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
Unamortized deferred outflow on bond refunding	1,765,248	
Pension and other postemployment benefits-related items	<u>41,580,123</u>	43,345,371
Certain liabilities applicable to the Town's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental funds balance sheet.		
Bonds payable	(339,080,000)	
Bonds premium	(31,054,666)	
Compensated absences	(21,157,923)	
Subscription-based information technology arrangements	(11,439,995)	
Net other postemployment benefits	(901,222)	
Net pension	<u>(104,816,804)</u>	<u>(508,450,610)</u>
Net position of governmental activities - statement of net position		<u><u>\$ 1,278,974,346</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, 2023

	<u>General</u>	<u>Streets Special Revenue</u>	<u>Streets and Traffic Capital Projects</u>	<u>Parks Capital Projects</u>
Revenues				
Taxes				
Sales	\$ 154,011,290	\$ -	\$ -	\$ -
Property	-	-	-	-
Special assessments	-	-	-	-
Franchise	2,761,079	-	-	-
Licenses and permits	2,883,959	-	-	-
Charges for services	23,853,266	-	-	-
Intergovernmental	111,362,182	20,350,740	59,664	-
Fines and forfeitures	2,762,393	7,744	-	-
Other entities' participation	16,657,091	-	-	-
System development fees	-	-	4,262,732	7,496,043
Gifts and donations	188,945	-	-	-
Interest earnings	8,089,791	367,391	6,466,948	880,160
Net change in fair value of investments	(259,666)	55,414	1,169,622	7,109
Miscellaneous	847,854	180,125	-	-
Total revenues	<u>323,158,184</u>	<u>20,961,414</u>	<u>11,958,966</u>	<u>8,383,312</u>
Expenditures				
Current				
General government				
Management and policy	34,277,677	-	-	-
Finance and management services	3,567,358	-	-	-
Court	3,962,374	-	-	-
Development services	9,715,070	-	-	-
Public safety				
Police	72,354,228	-	-	-
Fire	50,112,533	-	-	-
Highways and streets	6,551,496	18,980,628	11,750	-
Parks and recreation	28,489,297	-	-	1,587,784
Transportation	-	-	-	-
Non departmental	3,950,045	-	-	2,750
Debt service				
Principal	1,853,988	-	-	-
Interest	-	-	-	-
Fiscal and other charges	-	-	-	-
Capital outlay	19,697,281	37,475	26,891,288	1,905,305
Total expenditures	<u>234,531,347</u>	<u>19,018,103</u>	<u>26,903,038</u>	<u>3,495,839</u>
Excess (deficiency) of revenues over expenditures	<u>88,626,837</u>	<u>1,943,311</u>	<u>(14,944,072)</u>	<u>4,887,473</u>
Other financing sources (uses)				
Transfers in	2,707,606	70,000	8,120,202	2,625,371
Transfers out	(41,718,240)	(1,525,110)	(520,387)	(2,844,925)
Subscription-based information technology arrangements	12,939,972	-	-	-
Proceeds from the sale of capital assets	4,644,293	132,557	-	-
Total other financing sources (uses)	<u>(21,426,369)</u>	<u>(1,322,553)</u>	<u>7,599,815</u>	<u>(219,554)</u>
Net change in fund balances	67,200,468	620,758	(7,344,257)	4,667,919
Fund balances - beginning	251,986,470	12,619,720	254,795,698	30,709,602
Fund balances - ending	<u>\$ 319,186,938</u>	<u>\$ 13,240,478</u>	<u>\$ 247,451,441</u>	<u>\$ 35,377,521</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
\$ -	\$ -	\$ -	\$ 1,498,686	\$ 155,509,976
-	29,581,671	-	3,006,329	32,588,000
-	-	490,470	-	490,470
-	-	-	-	2,761,079
-	-	-	-	2,883,959
-	-	4,181	332,645	24,190,092
-	-	-	4,644,308	136,416,894
-	-	-	289,236	3,059,373
-	-	-	-	16,657,091
3,552,914	-	-	-	15,311,689
-	-	-	114,791	303,736
99,199	503,682	3,618	158,593	16,569,382
(10,528)	(119,278)	34	(29,459)	813,248
-	-	-	304,232	1,332,211
<u>3,641,585</u>	<u>29,966,075</u>	<u>498,303</u>	<u>10,319,361</u>	<u>408,887,200</u>
-	-	-	1,779,691	36,057,368
-	-	-	-	3,567,358
-	-	-	427,642	4,390,016
-	-	-	-	9,715,070
6,029	-	-	834,330	73,194,587
-	-	-	59,703	50,172,236
-	-	-	2,071,239	27,615,113
-	-	-	1,001,267	31,078,348
-	-	-	725,221	725,221
13,401	-	-	1,098,397	5,064,593
-	24,880,000	350,000	-	27,083,988
-	13,980,131	135,965	-	14,116,096
-	8,625	1,207	-	9,832
<u>18,475,617</u>	<u>-</u>	<u>-</u>	<u>1,408,470</u>	<u>68,415,436</u>
<u>18,495,047</u>	<u>38,868,756</u>	<u>487,172</u>	<u>9,405,960</u>	<u>351,205,262</u>
<u>(14,853,462)</u>	<u>(8,902,681)</u>	<u>11,131</u>	<u>913,401</u>	<u>57,681,938</u>
18,091,927	9,271,220	-	1,744,982	42,631,308
(2,766,039)	-	-	(733,956)	(50,108,657)
-	-	-	-	12,939,972
-	-	-	-	4,776,850
<u>15,325,888</u>	<u>9,271,220</u>	<u>-</u>	<u>1,011,026</u>	<u>10,239,473</u>
472,426	368,539	11,131	1,924,427	67,921,411
(3,552,217)	10,176,803	90,035	5,436,370	562,262,481
<u>\$ (3,079,791)</u>	<u>\$ 10,545,342</u>	<u>\$ 101,166</u>	<u>\$ 7,360,797</u>	<u>\$ 630,183,892</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, 2023

Net change in fund balances - total governmental funds	\$	67,921,411
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/amortization expense.		
Capital outlay	68,415,436	
Depreciation/amortization expense	<u>(61,195,977)</u>	7,219,459
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
		(3,891,788)
Issuance of debt is 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.		
		(12,939,972)
Repayment of liability 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	27,083,988	
Amortization expense	<u>2,050,822</u>	29,134,810
Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance and self-insurance, 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.		
		124,833
Capital assets contributed by developers are not shown on the governmental fund statements but are included in the assets of the Town. On the statement of activities, these donations are shown as capital contributions.		
		9,362,436
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.		
		(1,225,734)
Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
Pension/OPEB contributions	16,715,199	
Pension/OPEB expense	<u>(18,517,746)</u>	(1,802,547)
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	(353,819)	
Court fines	220,536	
Sales tax	(16,000)	
Grants	150,292	
Other	<u>360,487</u>	<u>361,496</u>
Change in net position of governmental activities - statement of activities	\$	<u>94,264,404</u>

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

TOWN OF GILBERT, ARIZONA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Budgetary Basis
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Sales	\$ 128,000,000	\$ 128,000,000	\$ 154,011,290	\$ 26,011,290
Franchise	2,425,000	2,425,000	2,761,079	336,079
Licenses and permits	3,865,000	3,865,000	2,883,959	(981,041)
Charges for services	20,457,450	20,457,450	23,853,266	3,395,816
Intergovernmental	98,706,000	98,706,000	111,362,182	12,656,182
Fines and forfeitures	2,640,000	2,640,000	2,762,393	122,393
Other entities' participation	8,761,000	8,761,000	16,657,091	7,896,091
Gifts and donations	75,000	75,000	188,945	113,945
Interest earnings	695,000	695,000	8,089,791	7,394,791
Miscellaneous	715,000	715,000	847,854	132,854
Total revenues	<u>266,339,450</u>	<u>266,339,450</u>	<u>323,417,850</u>	<u>57,078,400</u>
Expenditures				
Current				
General government				
Management and policy	41,721,752	43,358,443	34,277,677	9,080,766
Finance and management services	3,596,550	3,750,990	3,567,358	183,632
Court	3,729,200	4,193,980	3,962,374	231,606
Development services	10,529,410	11,305,260	9,715,070	1,590,190
Public safety				
Police	66,895,260	76,617,738	72,354,228	4,263,510
Fire	49,988,868	53,881,148	50,112,533	3,768,615
Highways and streets	7,231,780	7,231,780	6,551,496	680,284
Parks and recreation	31,267,390	33,969,761	28,489,297	5,480,464
Non departmental	26,870,350	17,863,250	3,950,045	13,913,205
Capital outlay	9,309,790	11,875,703	6,707,709	5,167,994
Contingency	119,500,000	49,594,761	-	49,594,761
Total expenditures	<u>370,640,350</u>	<u>313,642,814</u>	<u>219,687,787</u>	<u>93,955,027</u>
Excess (deficiency) of revenues over expenditures	<u>(104,300,900)</u>	<u>(47,303,364)</u>	<u>103,730,063</u>	<u>151,033,427</u>
Other financing sources (uses)				
Transfers in	1,920,110	2,775,212	2,707,606	(67,606)
Transfers out	(106,854,529)	(107,952,606)	(41,718,240)	66,234,366
Proceeds from the sale of capital assets	-	-	4,644,293	4,644,293
Total other financing sources (uses)	<u>(104,934,419)</u>	<u>(105,177,394)</u>	<u>(34,366,341)</u>	<u>70,811,053</u>
Net change in fund balances	<u>\$ (209,235,319)</u>	<u>\$ (152,480,758)</u>	<u>69,363,722</u>	<u>\$ 221,844,480</u>

Explanation of difference between budgetary ending fund balance at June 30, 2023, and GAAP ending fund balance:

Fair market value adjustments on investments are recorded on the GAAP basis but are not recognized on the budget basis	(259,666)
Capital outlay related to subscription-based information technology arrangements	(12,989,572)
Debt service principal and interest related to subscription-based information technology arrangements	(1,853,988)
Other financing sources related to subscription-based information technology arrangements	12,939,972
Change in fund balance as reported on the statement of revenues, expenses and changes in fund balance	<u>\$ 67,200,468</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, 2023

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 18,350,000	\$ 18,350,000	\$ 20,350,740	\$ 2,000,740
Fines and forfeitures	-	-	7,744	7,744
Interest earnings	45,000	45,000	367,391	322,391
Miscellaneous	-	-	180,125	180,125
Total revenues	18,395,000	18,395,000	20,906,000	2,511,000
Expenditures				
Current				
Highways and streets	19,523,620	19,785,180	18,980,628	804,552
Capital outlay	210,000	260,300	37,475	222,825
Contingency	500,000	258,140	-	258,140
Total expenditures	20,233,620	20,303,620	19,018,103	1,285,517
Excess (deficiency) of revenues over expenditures	(1,838,620)	(1,908,620)	1,887,897	3,796,517
Other financing sources (uses)				
Transfers in	-	70,000	70,000	-
Transfers out	(1,525,110)	(1,525,110)	(1,525,110)	-
Proceeds from the sale of capital assets	-	-	132,557	132,557
Total other financing sources (uses)	(1,525,110)	(1,455,110)	(1,322,553)	132,557
Net change in fund balances	\$ (3,363,730)	\$ (3,363,730)	565,344	\$ 3,929,074

Explanation of difference between budgetary change in fund balance at June 30, 2023, and GAAP change in fund balance:

Changes in fair value of investments are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis	55,414
Change in fund balance as reported on the statement of revenues, expenses and changes in fund balance	\$ 620,758

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

TOWN OF GILBERT, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Solid Waste	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets					
Pooled cash and investments	\$ 593,522,570	\$ 86,709,915	\$ 26,499,158	\$ 706,731,643	\$ 18,568,426
Restricted cash and investments	9,275,467	2,978,506	-	12,253,973	-
Receivables, net					
Accrued interest	1,396,458	182,427	63,609	1,642,494	42,752
Restricted accrued interest	4,528	25,435	-	29,963	-
Accounts	4,970,343	2,008,515	1,446,407	8,425,265	424,738
Due from other governments	897,925	-	-	897,925	22,986
Prepaid items	701,812	176,701	-	878,513	-
Deposits	-	-	-	-	50,000
Inventories	67,818	-	-	67,818	1,081,378
Total current assets	<u>610,836,921</u>	<u>92,081,499</u>	<u>28,009,174</u>	<u>730,927,594</u>	<u>20,190,280</u>
Noncurrent assets					
Investment in joint venture	71,143,218	97,162,149	-	168,305,367	-
Capital assets					
Non-depreciable	160,701,319	47,352,232	680,663	208,734,214	225,749
Depreciable, net	340,348,386	195,600,250	28,995,590	564,944,226	569,120
Total noncurrent assets	<u>572,192,923</u>	<u>340,114,631</u>	<u>29,676,253</u>	<u>941,983,807</u>	<u>794,869</u>
Total assets	<u>1,183,029,844</u>	<u>432,196,130</u>	<u>57,685,427</u>	<u>1,672,911,401</u>	<u>20,985,149</u>
Deferred outflows of resources					
Deferred charge on refundings	1,779,921	-	-	1,779,921	-
Pensions and other post-employment benefits	2,073,284	767,974	1,507,408	4,348,666	403,194
Total deferred outflows of resources	<u>3,853,205</u>	<u>767,974</u>	<u>1,507,408</u>	<u>6,128,587</u>	<u>403,194</u>
Liabilities					
Current liabilities					
Accounts payable	16,250,514	5,280,204	1,609,324	23,140,042	948,325
Accrued liabilities	195,364	72,976	148,604	416,944	49,742
Advances from other funds	-	-	-	-	1,300,000
Accrued compensated absences	510,768	214,030	325,990	1,050,788	88,456
Claims payable	-	-	-	-	10,233,000
Bond interest payable	1,692,906	643,500	-	2,336,406	-
Bonds payable	17,400,000	2,335,000	-	19,735,000	-
Utility deposits	1,932,753	-	64,177	1,996,930	-
Total current liabilities	<u>37,982,305</u>	<u>8,545,710</u>	<u>2,148,095</u>	<u>48,676,110</u>	<u>12,619,523</u>
Noncurrent liabilities					
Utility revenue bonds payable	577,527,306	26,163,602	-	603,690,908	-
Accrued compensated absences	948,874	406,108	612,659	1,967,641	154,188
Net other post-employment benefits	96,531	36,387	72,665	205,583	19,724
Net pension liability	11,888,255	4,402,473	8,639,167	24,929,895	2,310,260
Total noncurrent liabilities	<u>590,460,966</u>	<u>31,008,570</u>	<u>9,324,491</u>	<u>630,794,027</u>	<u>2,484,172</u>
Total liabilities	<u>628,443,271</u>	<u>39,554,280</u>	<u>11,472,586</u>	<u>679,470,137</u>	<u>15,103,695</u>
Deferred inflows of resources					
Pensions and other post-employment benefits	412,425	153,362	302,198	867,985	81,101
Total deferred inflows of resources	<u>412,425</u>	<u>153,362</u>	<u>302,198</u>	<u>867,985</u>	<u>81,101</u>
Net position					
Net investment in capital assets	335,160,684	212,814,230	29,345,330	577,320,244	742,288
Restricted for capital projects	-	10,630,053	-	10,630,053	-
Unrestricted	222,866,669	169,812,179	18,072,721	410,751,569	5,461,259
Total net position	<u>\$ 558,027,353</u>	<u>\$ 393,256,462</u>	<u>\$ 47,418,051</u>	<u>998,701,866</u>	<u>\$ 6,203,547</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				315,481	
Net position of business-type activities				<u>\$ 999,017,347</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
June 30, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Solid Waste	Total Enterprise Funds	Internal Service Funds
Operating revenues					
Charges for services	\$ 64,345,893	\$ 34,753,378	\$ 29,302,418	\$ 128,401,689	\$ 41,195,793
Intergovernmental	2,353,661	270,413	-	2,624,074	387,502
Other	87,574	375,267	-	462,841	2,912,835
Total operating revenues	<u>66,787,128</u>	<u>35,399,058</u>	<u>29,302,418</u>	<u>131,488,604</u>	<u>44,496,130</u>
Operating expenses					
General and administrative	2,144,274	1,456,156	1,847,861	5,448,291	6,954,657
Personnel services	11,249,720	5,768,903	10,947,096	27,965,719	2,984,530
Operation and maintenance	17,890,397	14,493,358	11,819,867	44,203,622	7,979,099
Claims incurred	-	-	-	-	30,022,530
Depreciation	18,885,046	14,358,173	4,607,113	37,850,332	60,725
Allocation of indirect expenses	3,131,970	1,632,190	2,104,890	6,869,050	-
Total operating expenses	<u>53,301,407</u>	<u>37,708,780</u>	<u>31,326,827</u>	<u>122,337,014</u>	<u>48,001,541</u>
Operating income (loss)	<u>13,485,721</u>	<u>(2,309,722)</u>	<u>(2,024,409)</u>	<u>9,151,590</u>	<u>(3,505,411)</u>
Nonoperating revenues (expenses)					
Interest expense	(14,114,945)	(943,775)	-	(15,058,720)	-
Intergovernmental	481,639	-	-	481,639	-
Interest earnings	16,716,175	2,407,371	662,097	19,785,643	442,951
Net change in fair value of investments	(9,854,820)	582,666	(3,984)	(9,276,138)	(20,348)
Gain (loss) on sale of capital assets	5,278	54,140	11,163	70,581	-
Total nonoperating revenues (expenses)	<u>(6,766,673)</u>	<u>2,100,402</u>	<u>669,276</u>	<u>(3,996,995)</u>	<u>422,603</u>
Income (loss) before contributions and transfers	<u>6,719,048</u>	<u>(209,320)</u>	<u>(1,355,133)</u>	<u>5,154,595</u>	<u>(3,082,808)</u>
Capital contributions	18,809,019	5,713,651	341,102	24,863,772	-
Transfers in	5,168,216	2,089,353	124,850	7,382,419	2,237,300
Transfers out	<u>(2,109,350)</u>	<u>-</u>	<u>-</u>	<u>(2,109,350)</u>	<u>(33,020)</u>
Change in net position	28,586,933	7,593,684	(889,181)	35,291,436	(878,528)
Total net position - beginning	529,440,420	385,662,778	48,307,232	963,410,430	7,082,075
Total net position - ending	<u>\$ 558,027,353</u>	<u>\$ 393,256,462</u>	<u>\$ 47,418,051</u>	<u>\$ 998,701,866</u>	<u>\$ 6,203,547</u>
				(1,003,361)	
				<u>\$ 34,288,075</u>	

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, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Water	Wastewater	Solid Waste	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities					
Cash receipts from customers	\$ 64,763,750	\$ 34,276,922	\$ 29,194,905	\$ 128,235,577	\$ 366,832
Other operating cash receipts	87,574	375,267	-	462,841	2,912,835
Cash receipts from other funds for services	-	-	-	-	42,158,466
Cash receipts from deposits	71,337	-	7,858	79,195	-
Proceeds from intergovernmental agreements	2,117,985	373,682	-	2,491,667	-
Cash payments to suppliers for goods and services	(20,313,513)	(17,283,208)	(12,808,256)	(50,404,977)	(42,002,483)
Cash payments to employees for services	(11,775,715)	(5,830,777)	(10,524,193)	(28,130,685)	(2,947,876)
Cash payments to other funds for services	(3,131,970)	(1,632,190)	(2,104,890)	(6,869,050)	-
Net cash provided (used) by operating activities	<u>31,819,448</u>	<u>10,279,696</u>	<u>3,765,424</u>	<u>45,864,568</u>	<u>487,774</u>
Cash flows from noncapital financing activities					
Transfers from other funds	5,168,216	2,089,353	124,850	7,382,419	2,237,300
Transfers to other funds	(2,109,350)	-	-	(2,109,350)	(33,020)
Net cash provided (used) by noncapital financing activities	<u>3,058,866</u>	<u>2,089,353</u>	<u>124,850</u>	<u>5,273,069</u>	<u>2,204,280</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(49,896,043)	(26,085,432)	(989,013)	(76,970,488)	(515,106)
Acquisition and construction of investment in joint venture	-	(295,732)	-	(295,732)	-
Proceeds from development fees	7,514,174	2,187,503	-	9,701,677	-
Cash paid for interest and fiscal charges	(16,320,529)	(1,344,225)	-	(17,664,754)	-
Principal payments on bonds	(6,115,000)	(2,225,000)	-	(8,340,000)	-
Proceeds from sale of capital assets	5,278	54,140	119,255	178,673	-
Net cash provided (used) by capital and related financing	<u>(64,812,120)</u>	<u>(27,708,746)</u>	<u>(869,758)</u>	<u>(93,390,624)</u>	<u>(515,106)</u>
Cash flows from investing activities					
Investment income	5,706,562	2,949,466	634,065	9,290,093	405,314
Net cash provided (used) by investing activities	<u>5,706,562</u>	<u>2,949,466</u>	<u>634,065</u>	<u>9,290,093</u>	<u>405,314</u>
Net increase (decrease) in cash and cash equivalents	<u>(24,227,244)</u>	<u>(12,390,231)</u>	<u>3,654,581</u>	<u>(32,962,894)</u>	<u>2,582,262</u>
Balances - beginning of year	<u>627,025,281</u>	<u>102,078,652</u>	<u>22,844,577</u>	<u>751,948,510</u>	<u>15,986,164</u>
Balances - end of the year	<u>\$ 602,798,037</u>	<u>\$ 89,688,421</u>	<u>\$ 26,499,158</u>	<u>\$ 718,985,616</u>	<u>\$ 18,568,426</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating Income	\$ 13,485,721	\$ (2,309,722)	\$ (2,024,409)	\$ 9,151,590	\$ (3,505,411)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	18,885,046	14,358,173	4,607,113	37,850,332	60,725
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources					
Accounts receivable	417,857	(476,456)	(107,513)	(166,112)	915,739
Due from other governments	(235,676)	103,269	-	(132,407)	26,264
Prepaid items	29,553	(7,835)	-	21,718	-
Inventories	(68)	-	-	(68)	(51,443)
Deferred outflows of resources	903,862	297,248	469,253	1,670,363	148,041
Accounts payable	(308,327)	(1,325,859)	859,472	(774,714)	141,765
Claims payable	-	-	-	-	2,863,482
Deposits	71,337	-	7,858	79,195	-
Accrued expenses	(510,003)	(186,531)	(219,372)	(915,906)	(56,775)
Other post-employment benefits	4,756	3,211	1,057	9,024	2,298
Net pension liability	1,938,431	843,054	2,052,603	4,834,088	468,788
Deferred inflows of resources	(2,863,041)	(1,018,856)	(1,880,638)	(5,762,535)	(525,699)
Net cash provided (used) by operating activities	<u>\$ 31,819,448</u>	<u>\$ 10,279,696</u>	<u>\$ 3,765,424</u>	<u>\$ 45,864,568</u>	<u>\$ 487,774</u>
Schedule of non-cash capital and related financing activities					
Contributions of capital assets	\$ 11,294,845	\$ 3,526,148	\$ 341,102	\$ 15,162,095	\$ -
Purchase of machinery, equipment, and vehicles on account	14,838,759	3,153,980	-	17,992,739	-

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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.

For the year ended June 30, 2023, Gilbert implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, Gilbert's financial statements have been modified to reflect the implementation of this new standard. Beginning balances of net capital assets and long-term obligations for SBITAs payable reported in the governmental activities have been restated accordingly by \$354,011.

A. Reporting Entity

Gilbert's operations include public safety (police, fire, ambulance transport, 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 solid waste, and two internal service funds that provide equipment and fleet maintenance and employee self-insurance for medical, dental, workers' compensation, and general liability 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 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. The Water MPC is an integral part of the Town of Gilbert and 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, 2023, the Water MPC bonded debt is reported within the Water and Wastewater Funds and the Public Facilities MPC bonded debt is reported within the Debt Service Fund (current portion only) and within the governmental activities in the government-wide statement of net position.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

The SPARK App League (SPARK) is a legally separate, non-profit organization which exists solely for the purpose of driving invention and innovation in computer programming for Gilbert junior high and high school students. SPARK was created in 2012 and is the first mobile development contest, hosted in partnership with Arizona State University's Ira A. Fulton Schools of Engineering, in collaboration with the Smithsonian's Lemelson Center for the Study of Invention and Innovation, and sponsored by Waymo. The contest focuses on the thinking behind programming by helping teachers and students create a working video game while collaborating with teams. Students compete against each other in a two-day Game Jam. At June 30, 2023, the SPARK activity is reported within the Other Special Revenue funds in the Nonmajor Fund Financial Statements 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.

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, Phoenix, and Apache Junction, 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 Gila River Indian Community. Gilbert contributed \$350,000 in fiscal year 2023 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. 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. 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, capital related accounts payable, 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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. Separate financial statements are provided for the governmental funds and proprietary 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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. 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 and proprietary 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 received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgements, and 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, acquisitions under lease contracts, and subscription-based information technology arrangements are reported as other financing sources.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 solid waste. Operating expenses for these funds include the cost of supplies and repair and maintenance, administrative and payroll expenses, and depreciation/amortization. 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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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. The revenue is used exclusively for the maintenance and improvement of highways and streets.

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, and state funds in accordance with the Maricopa Association of Governments Regional Transportation Plan approved by voters as Proposition 400.

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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, police and fire SDFs, and previously collected general government SDFs from building permits.

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 Debt Service 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.

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.

Solid Waste – The Solid Waste Fund accounts for the revenues and expenses of operating the solid waste collection system and environmental compliance.

Additionally, Gilbert reports the following fund type:

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 property, liability, health, dental, and workers' compensation insurance programs.

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 debt service, maintenance improvement districts, and internal service funds are prepared by respective departments and submitted to the OMB for review.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

In April, 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.

On June 3, 1980, Arizona voters approved Arizona Constitution, Article IX, §20, prescribing an expenditure limitation for all local governments. The expenditure limitation's purpose is to control expenditures of local revenues and limit future increases in spending to adjustments for inflation and population growth. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimates Commission to determine each year the expenditure limitation for the following fiscal year for each local government. The limitation is calculated based upon the amount of fiscal year 1979-80 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population and inflation to reach the current expenditure limitations. Gilbert's fiscal year 2023 Expenditure Limitation was \$500,348,278.

Local governments may carry forward to future years' revenues, which are not subject to the expenditure limitation and were not expended in the year of receipt.

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 while the Town Manager or his/her designee may authorize transfers between personnel and non-personnel budget lines within the same fund. The OMB Director or his/her designee is authorized to approve any adjustments between funds, projects, or contingency transactions up to \$50,000. 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, fair market value adjustments 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, asset-backed securities, commercial paper, and money market accounts. Investments are stated at fair market value.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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. A 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/amortized over the remaining useful lives of the related capital assets. 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	5 to 30 years
Machinery and equipment	2 to 25 years
Infrastructure	3 to 80 years
Right-to-use subscription assets	1 to 10 years
Water rights	80 to 100 years

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying assets.

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 assets 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, changes in assumptions and other inputs, and 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

On the government-wide and proprietary funds Statement of Net Position, deferred inflows of resources are reported and represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Gilbert has two items that qualify for reporting in this category. A deferred inflow of pension and other postemployment-related items is reported for the net difference between projected and actual investment earnings on pension, changes in proportion and differences between Gilbert's proportionate share of contributions, and other postemployment plan investments. These amounts are amortized as an expenditure/expense in future periods. A deferred inflow for leases is reported for the fair value of lease receivables plus any payments received at or prior to the commencement of the lease term that relate to future periods. The amounts are deferred and will be recognized as revenue in future periods.

On the governmental funds Balance Sheet, deferred inflows of resources are reported and represent an acquisition of net assets that applies to a future period and 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.

K. Compensated Absences

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

Vacation is based on a graduated scale of years of employment and is credited to each employee as it accrues. Vacation 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 the current hourly rate of pay.

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

L. Leases and subscription-based information technology arrangements

Leases

As lessor, Gilbert recognizes lease receivables for building space, cell tower, license, and right-of-way use agreements as the primary types of lessor activities. If there is no stated value in the lease contract (or if the stated rate is not the rate Gilbert charges the lessee) and the implicit rate cannot be determined, Gilbert uses its own estimated incremental borrowing rate based on the Daily Treasury Par Yield Curve Rate obtained from the U.S. Treasury as the discount rate to measure the lease receivables.

Gilbert did not have any lease liabilities as of June 30, 2023.

Subscription-based information technology arrangements

Gilbert recognizes subscription liabilities with an initial, individual value of \$10,000 or more. Gilbert uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. Gilbert's estimated incremental borrowing rate is calculated as described above.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

M. 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 straight-line 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 another 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 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.

N. 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.

O. 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.

P. 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.

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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.

Q. 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.

R. 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 amounts reported as assets, liabilities, and deferred outflows/inflows of resources 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.

S. 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., short-term interfund loans due to timing differences) or "advances to/from other funds" (i.e., loans adopted by Council for a particular purpose). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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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.

T. 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, collects, and remits all property taxes. Levies are due and payable in two installments, on October 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 2023, Gilbert's property tax rate is \$0.99 per \$100 of limited property value.

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, corporate notes, asset-backed securities, commercial paper, 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 \$1,379,172,241 at June 30, 2023.

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Gilbert categorizes certain investments within the fair value hierarchy established by generally accepted accounting principles as follows:

Investment Type	Fair Value	Fair Value Measurement Using	
		Level 1	Level 2
U.S. Government Treasuries	\$ 944,374,915	\$ 944,374,915	\$ -
U.S. Government Agencies	90,441,219	-	90,441,219
Corporate Notes	84,546,540	-	84,546,540
Bank Note	3,737,704	-	3,737,704
Commercial Paper	137,557,204	-	137,557,204
Asset Backed Securities	1,518,314	-	1,518,314
Municipal Bonds	2,158,522	-	2,158,522
Money Market	40,072,108	-	40,072,108
Total Investments Categorized by Fair Value Level	<u>\$ 1,304,406,526</u>	<u>\$ 944,374,915</u>	<u>\$ 360,031,611</u>
External Investment Pools Measured at Fair Value			
State Treasurer's Investment Pool	74,765,715		
Total Investments Measured at Fair Value	<u>\$ 1,379,172,241</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, 2023, Gilbert's investment maturities were as follows:

Investment Type	Fair Value	Investment Maturities	
		(in Years)	
		Less than 1	1-5
U.S. Government Treasuries	\$ 944,374,915	\$ 472,683,708	\$ 471,691,207
U.S. Government Agencies	90,441,219	37,677,089	52,764,130
Corporate Notes	84,546,540	17,074,192	67,472,348
Bank Note	3,737,704	-	3,737,704
Commercial Paper	137,557,204	137,557,204	-
Asset Backed Securities	1,518,314	24,097	1,494,217
Municipal Bonds	2,158,522	-	2,158,522
State Treasurer's Investment Pool	74,765,715	48,383,875	26,381,840
Money Market	40,072,108	40,072,108	-
Total	<u>\$ 1,379,172,241</u>	<u>\$ 753,472,273</u>	<u>\$ 625,699,968</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, 2023, the investments were rated as follows: U.S. Government Treasuries AA+, U.S. Government Agencies AA+, Corporate Notes ranged from A- to AAA, Bank Notes A, Asset Backed Securities AAA, Commercial Paper A-1 to A-1+, and Municipal Bonds AAA. Gilbert's investment in the State Treasurer's Investment Pool did not receive a credit quality rating from a national rating agency.

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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, 2023, Gilbert's bank balance with JP Morgan was \$12,046,026 of which \$11,796,026 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.

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, 2023, of Gilbert's investments, 71% were in U.S. Government Treasuries, 7% were in U.S. Government Agencies, 6% were in Corporate Notes, 10% were in Commercial Paper, and 6% were in the State Treasurer's Investment Pool.

Reconciliation of pooled cash and investments as reported on the Statement of Net Position:

Primary government:	
Carrying amount of cash	\$ 2,939,783
Carrying amount of deposits/investments	1,379,172,241
Total cash and investments	<u>\$ 1,382,112,024</u>
Pooled cash and investments	\$ 1,365,646,424
Restricted cash and investments	16,465,600
Total cash and investments	<u>\$ 1,382,112,024</u>

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Note 3 – Taxes Receivable and Due from Other Governments

The General Fund taxes receivable amount of \$20,501,245 at June 30, 2023, includes \$1,587,391 in state-shared sales tax and \$18,913,854 in local sales tax.

Amounts reported as due from other governments for governmental funds at June 30, 2023, are summarized as follows:

General Fund

Vehicle License Tax	\$ 594,210
City of Chandler - cost share for capital project	360,487
Other intergovernmental	16,723
Total General Fund	<u>971,420</u>

Streets Special Revenue Fund

Highway User Revenue Funds	2,052,942
Total Streets Special Revenue Fund	<u>2,052,942</u>

Nonmajor Funds

Maricopa County Attorney's Office - Racketeer Influenced Corrupt Organization Funds	2,025,068
U.S. Department of Housing and Urban Development CDBG and HOME	516,963
Other grant reimbursements	249,673
Total Nonmajor Funds	<u>2,791,704</u>

Total Governmental Funds	<u>\$ 5,816,066</u>
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Amounts reported as due from other governments for proprietary funds at June 30, 2023, are summarized as follows:

Water Fund

City of Chandler - joint operation of SanTan Vista Water Treatment Plant	\$ 416,286
Bureau of Reclamation - Lower Colorado Conservation and Efficiency Program	480,000
City of Chandler - cost share for capital project	1,639
Total Enterprise Funds	<u>\$ 897,925</u>

Internal Service Funds

Town of Queen Creek vehicle repairs	\$ 22,986
Total Internal Service Funds	<u>\$ 22,986</u>

TOWN OF GILBERT, ARIZONA
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Note 4 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2023, is shown below.

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

	<u>Due To</u>	<u>Due From</u>
General	\$ 554,330	\$ -
Other Governmental Funds	-	554,330
Total	<u>\$ 554,330</u>	<u>\$ 554,330</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>
Governmental Funds		
General	\$ 7,164,026	\$ -
Municipal Facilities Capital Projects	-	5,864,026
Total Governmental Funds	<u>7,164,026</u>	<u>5,864,026</u>
Internal Service Funds		
Self-Insurance	-	1,300,000
Total	<u>\$ 7,164,026</u>	<u>\$ 7,164,026</u>

Note 5 – Lease Receivables

Gilbert leases building space, cell tower, license, and right-of-way use to third parties under the provisions of various agreements. Gilbert's agreements that meet the definition of a lease according to GASB Statement No. 87, convey to its lessees the right to use certain assets that Gilbert owns in exchange-like transactions for consideration in amounts that are fixed in substance, other than short-term leases. Gilbert has various long-term lease agreements and therefore the total lease receivable balance at June 30, 2023, is not expected to be collected within the next year.

During the fiscal year ended June 30, 2023, Gilbert recognized total lease-related revenues of \$2,445,453. This was comprised of lease revenue of \$2,141,817 and interest revenue of \$313,636. Lease-related revenues are recorded as charges for service in the General Fund.

Gilbert's lease contracts include variable lease payments, that are not included in the lease receivable because they are not fixed in substance. During the fiscal year ended June 30, 2023, Gilbert recognized revenues of \$3,105,795 for variable lease payments not included in the measurement of the lease receivables.

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Note 6 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2023, is as follows:

	July 1, 2022 (as restated)	Additions	Deletions	June 30, 2023
Non-depreciable assets:				
Land	\$ 140,142,173	\$ 9,900,312	\$ (3,611,947)	\$ 146,430,538
Construction-in-progress	172,562,545	37,619,791	(148,566,203)	61,616,133
Total non-depreciable assets	<u>312,704,718</u>	<u>47,520,103</u>	<u>(152,178,150)</u>	<u>208,046,671</u>
Depreciable assets:				
Buildings	349,125,468	23,219,226	-	372,344,694
Improvements other than buildings	77,542,276	69,624,399	(29,167)	147,137,508
Machinery and equipment	86,259,081	7,738,179	(1,733,517)	92,263,743
Infrastructure	1,209,007,273	65,512,420	-	1,274,519,693
Intangible right-to-use subscription assets	354,011	12,939,972	-	13,293,983
Total depreciable assets	<u>1,722,288,109</u>	<u>179,034,196</u>	<u>(1,762,684)</u>	<u>1,899,559,621</u>
Less accumulated depreciation/amortization				
Buildings	(160,144,118)	(13,520,308)	-	(173,664,426)
Improvements other than buildings	(59,880,532)	(2,902,432)	29,167	(62,753,797)
Machinery and equipment	(55,701,151)	(5,131,420)	1,677,134	(59,155,437)
Infrastructure	(674,050,731)	(37,970,749)	-	(712,021,480)
Intangible right-to-use subscription assets	-	(1,731,793)	-	(1,731,793)
Total accumulated depreciation/amortization	<u>(949,776,532)</u>	<u>(61,256,702)</u>	<u>1,706,301</u>	<u>(1,009,326,933)</u>
Total depreciable assets, net	<u>772,511,577</u>	<u>117,777,494</u>	<u>(56,383)</u>	<u>890,232,688</u>
Governmental activities capital assets, net	<u>\$ 1,085,216,295</u>	<u>\$ 165,297,597</u>	<u>\$ (152,234,533)</u>	<u>\$ 1,098,279,359</u>

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

Management and policy	\$ 2,239,272
Finance and management services	389,159
Legal and court	459,768
Development services	2,341,980
Police	4,654,668
Fire	5,454,013
Highways and streets	39,414,394
Parks and recreation	6,242,723
Total depreciation expense not including internal service funds	<u>61,195,977</u>
Capital assets held by Gilbert's internal service funds are charged to the various functions based on their usage of the assets	60,725
Total depreciation/amortization expense - governmental activities	<u>\$ 61,256,702</u>

TOWN OF GILBERT, ARIZONA
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A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2023, is as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Non-depreciable assets:				
Land	\$ 24,107,771	\$ 80,280	\$ -	\$ 24,188,051
Water rights	64,690,356	1,207,654	-	65,898,010
Construction-in-progress	94,065,167	81,465,552	(56,882,566)	118,648,153
Total non-depreciable assets	<u>182,863,294</u>	<u>82,753,486</u>	<u>(56,882,566)</u>	<u>208,734,214</u>
Depreciable assets:				
Plant and equipment	155,616,465	2,116,040	(867,767)	156,864,738
Infrastructure	705,429,758	72,146,978	-	777,576,736
Water rights	40,354,519	-	-	40,354,519
Total depreciable assets	<u>901,400,742</u>	<u>74,263,018</u>	<u>(867,767)</u>	<u>974,795,993</u>
Less accumulated depreciation:				
Plant and equipment	(97,605,996)	(8,058,547)	759,675	(104,904,868)
Infrastructure	(281,468,901)	(19,528,058)	-	(300,996,959)
Water rights	(3,539,511)	(410,429)	-	(3,949,940)
Total accumulated depreciation	<u>(382,614,408)</u>	<u>(27,997,034)</u>	<u>759,675</u>	<u>(409,851,767)</u>
Total depreciable assets, net	<u>518,786,334</u>	<u>46,265,984</u>	<u>(108,092)</u>	<u>564,944,226</u>
Business-type activities capital assets, net	<u>\$ 701,649,628</u>	<u>\$ 129,019,470</u>	<u>\$ (56,990,658)</u>	<u>\$ 773,678,440</u>

Note 7 – Construction-in-Progress and Commitments

Governmental activities construction-in-progress and related construction commitments at June 30, 2023, were as follows:

	<u>Construction- in-progress</u>	<u>Commitments</u>
Redevelopment	\$ 2,349,996	\$ 3,740,522
Municipal facilities	33,602,252	23,446,100
Streets & traffic	22,291,289	35,075,315
Parks	3,097,247	1,174,021
Intangible right-to-use subscription assets	49,600	198,400
Fleet	225,749	-
Total	<u>\$ 61,616,133</u>	<u>\$ 63,634,358</u>

Business-type activities construction-in-progress and related construction commitments at June 30, 2023, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Water system	\$ 81,695,192	\$ 362,590,567
Wastewater system	36,272,298	20,611,416
Solid waste	680,663	463,966
Total	<u>\$ 118,648,153</u>	<u>\$ 383,665,949</u>

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Gilbert had contractual commitments related to subscription-based information technology arrangements for which the subscription term had not yet commenced at June 30, 2023, for cloud-based software related to compensation data. At June 30, 2023, Gilbert had made payments of \$49,600 to the vendor and had remaining contractual commitments with the vendor of \$198,400, including the subscription liabilities that will be recognized at the commencement of the subscription terms during the subsequent fiscal year.

Note 8 – 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, transportation, infrastructure-related 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, 2023, were as follows:

	Governmental
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	\$ 42,430,000
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	48,595,000
2022 General Obligation Bonds, Series 2022 Bonds, Series 2022, 3.375% to 5.0%, original amount \$188,910,000, annual retirements due July 15, 2023, through July 15, 2041	188,910,000
Total	\$ 279,935,000

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

Year Ending	Governmental Activities	
	Principal	Interest
2024	\$ 21,805,000	\$ 11,100,950
2025	22,630,000	10,011,675
2026	25,440,000	8,832,600
2027	10,470,000	7,958,350
2028	10,980,000	7,446,600
2029-33	62,890,000	29,232,725
2034-38	77,115,000	15,023,103
2039-42	48,605,000	3,248,058
	\$ 279,935,000	\$ 92,854,061

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Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets, and public safety purposes may not exceed 20% of Gilbert's net full cash (NFC) valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of Gilbert's NFC valuation.

The following is a summary of legal borrowing capacity at June 30, 2023:

Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Special Purpose Bonds		All Other General Obligation Bonds	
NFC - Assessed Valuation	<u>\$ 4,109,629,003</u>	NFC - Assessed Valuation	<u>\$ 4,109,629,003</u>
20% constitutional limit	\$ 821,925,801	6% constitutional limit	\$ 246,577,740
Less general obligation bonds outstanding	(279,935,000)	Less general obligation bonds outstanding	-
Less premium adjustment	<u>(19,026,138)</u>	Less premium adjustment	<u>-</u>
Available 20% limitation borrowing capacity	<u>\$ 522,964,663</u>	Available 6% limitation borrowing capacity	<u>\$ 246,577,740</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, 2023, 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 for special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

Special assessment bonds outstanding at June 30, 2023, were as follows:

	<u>Governmental</u>
2002 Improvement District #19 Bonds, 5.2%, original amount \$6,510,000, annual retirements due January 1, 2005, through January 1, 2027	\$ 45,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012, through January 1, 2029	<u>2,445,000</u>
Total	<u>\$ 2,490,000</u>

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

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 370,000	\$ 117,595
2025	390,000	98,203
2026	405,000	77,918
2027	425,000	56,743
2028	440,000	34,680
2029	460,000	11,730
	<u>\$ 2,490,000</u>	<u>\$ 396,869</u>

Municipal Property Corporation (MPC) Revenue Bonds

The Public Facilities MPC exists solely for the purpose of financing the cost of acquisition and construction of real property for public safety and parks and recreation facilities. 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, 2023, were as follows:

	<u>Governmental</u>	<u>Business-Type</u>
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	\$ 20,375,000	\$ -
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	4,490,000	-
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	-	83,275,000
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	-	25,740,000
2022 Water Resources Municipal Property Corporation, Senior Lien Utility System Revenue Bonds, 4.0% to 5.0%, original amount \$473,005,000 annual retirements due July 15, 2023 through July 15, 2047	-	473,005,000
Total	<u>\$ 24,865,000</u>	<u>\$ 582,020,000</u>

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

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 5,770,000	\$ 1,243,250	\$ 19,735,000	\$ 25,984,588
2025	6,055,000	954,750	20,715,000	24,973,338
2026	6,360,000	652,000	21,760,000	23,911,463
2027	6,680,000	334,000	22,885,000	22,832,613
2028	-	-	23,955,000	21,698,798
2029-2033	-	-	135,140,000	90,705,856
2034-2038	-	-	139,230,000	57,965,150
2039-2043	-	-	158,560,000	24,528,750
2044-2048	-	-	40,040,000	4,131,800
	<u>\$ 24,865,000</u>	<u>\$ 3,184,000</u>	<u>\$ 582,020,000</u>	<u>\$ 296,732,356</u>

University Revenue Obligations Bonds

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 from excise taxes and state-shared revenue.

Subordinate lien pledged revenue obligations outstanding at June 30, 2023, were as follows:

	<u>Governmental</u>
Subordinate Lien Pledged Revenue Obligations, Series 2015, 3.0% to 5.0% original amount \$36,980,000, annual retirements due July 1, 2017 through July 1, 2045	\$ 32,640,000

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

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 850,000	\$ 1,387,456
2025	895,000	1,343,831
2026	935,000	1,298,081
2027	985,000	1,250,081
2028	1,035,000	1,199,581
2029-2033	5,930,000	5,242,978
2034-2038	7,095,000	4,062,378
2039-2043	8,625,000	2,588,172
2044-2046	6,290,000	482,000
	<u>\$ 32,640,000</u>	<u>\$ 18,854,559</u>

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Subscription-based Information Technology Arrangements

Gilbert has obtained the right to use software primarily related to electronic control weapons and body worn cameras used by the police department, an enterprise resource planning software, and other software under the provisions of various subscription-based information technology arrangements.

The total amount of subscription assets and the related accumulated amortization are as follows:

Total intangible right-to-use subscription assets	\$ 13,293,983
Less: accumulated amortization	(1,731,793)
Carrying value	<u>\$ 11,562,190</u>

The following schedule details minimum subscription payments to maturity for the SBITAs liability at June 30, 2023:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,789,394	\$ 308,495
2025	1,657,269	258,575
2026	1,647,603	212,419
2027	1,692,704	167,318
2028	883,455	120,979
2029-33	3,769,570	248,166
	<u>\$ 11,439,995</u>	<u>\$ 1,315,952</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	<u>Balance July 1, 2022 (as restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$ 298,465,000	\$ -	\$ (18,530,000)	\$ 279,935,000	\$ 21,805,000
Special assessment bonds with government commitment	2,840,000	-	(350,000)	2,490,000	370,000
Revenue bonds	30,365,000	-	(5,500,000)	24,865,000	5,770,000
Revenue obligations	33,450,000	-	(810,000)	32,640,000	850,000
Unamortized bond premium	33,546,799	-	(2,492,133)	31,054,666	-
Total bonds payable	<u>398,666,799</u>	<u>-</u>	<u>(27,682,133)</u>	<u>370,984,666</u>	<u>28,795,000</u>
Compensated absences	20,124,982	13,608,527	(12,332,942)	21,400,567	7,348,557
Subscriptions liabilities	354,011	12,939,972	(1,853,988)	11,439,995	1,789,393
Net other postemployment benefits	873,363	47,583	-	920,946	-
Net pension liability	56,292,933	50,834,131	-	107,127,064	-
Total long-term liabilities	<u>\$ 476,312,088</u>	<u>\$ 77,430,213</u>	<u>\$ (41,869,063)</u>	<u>\$ 511,873,238</u>	<u>\$ 37,932,950</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 590,360,000	\$ -	\$ (8,340,000)	\$ 582,020,000	\$ 19,735,000
Unamortized bond premium	44,025,933	-	(2,620,025)	41,405,908	-
Total bonds payable	<u>634,385,933</u>	<u>-</u>	<u>(10,960,025)</u>	<u>623,425,908</u>	<u>19,735,000</u>
Compensated absences	2,981,247	2,260,985	(2,223,803)	3,018,429	1,050,788
Net other postemployment benefits	196,559	9,024	-	205,583	-
Net pension liability	20,095,807	4,834,088	-	24,929,895	-
Total long-term liabilities	<u>\$ 657,659,546</u>	<u>\$ 7,104,097</u>	<u>\$ (13,183,828)</u>	<u>\$ 651,579,815</u>	<u>\$ 20,785,788</u>

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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, \$242,644 of internal service funds compensated absences, \$2,310,260 of net pension liability, and \$19,724 of other postemployment 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.

Note 9 – Risk Management

Traditional Commercial Insurance Programs

Gilbert operates with traditional commercial insurance programs to protect against major losses in cybercrime, property, public entity, storage tank, drone, and equipment liability. Administrative responsibility for the safety program resides with the Office of the Town Manager, and administrative responsibility for risk management (including education) resides with the Risk Management Division of the Town Attorney's Office. Insurance is procured annually on a competitive quotation basis, using the services of an independent broker as a consultant. Risk Management 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 2023, there was no reduction in insurance coverage from prior years. Additionally, settlements and judgements have not exceeded insurance coverage during any of the last three fiscal years.

Effective July 1, 2022, Gilbert's Town Council approved and established the Risk Management Self-Insurance Retention Trust beginning fiscal year 2023. The purpose of the Trust Fund is to provide funding for payment of benefits, losses and claims as set forth in A.R.S. 11-981(A), including legal costs administrative costs, claims adjusting costs, losses (including those related to personal injury and property damage), reserves for anticipated losses and lawsuits, insurance costs (including premiums), external audit, and other expenses related to the operation of the Risk Management Self-Insurance Program.

Self-Insurance

Gilbert established an Internal Service Fund to account for the Self-Insurance Trusts (Trusts), which finance the uninsured risk of loss related to medical, dental, workers' compensation, and general liability claims. The Trusts are overseen by the Health Trust Board, the Workers' Compensation Trust Board, and the General Liability Trust Board. Gilbert purchases commercial stop loss insurance to limit the claims liability to the Trusts. The stop loss insurance provides reimbursement to the Trusts for medical claims incurred by an individual member in excess of \$250,000 after an additional \$150,000 aggregate plan risk retention, workers' compensation claims in excess of \$2,000,000 for presumptive loss claims and \$750,000 per occurrence for other types of claims, and general liability claims in excess of \$2,000,000 per occurrence. Premiums are paid into the Trusts by 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 \$10,233,000 reported as claims payable in the Trusts at June 30, 2023, 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. 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. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

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Changes in the Trusts' claim liability amount in fiscal years 2023 and 2022 were:

Year Ended June 30,	Risk of Loss	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2023	Health	\$ 3,572,000	\$ 23,096,037	\$ (23,763,037)	\$ 2,905,000
	Dental	96,000	1,284,071	(1,283,071)	97,000
	Workers' Compensation	3,701,518	2,835,268	(1,673,786)	4,863,000
	General Liability	-	2,807,154	(439,154)	2,368,000
		<u>\$ 7,369,518</u>	<u>\$ 30,022,530</u>	<u>\$ (27,159,048)</u>	<u>\$ 10,233,000</u>
2022	Health	\$ 2,328,000	\$ 24,448,766	\$ (23,204,766)	\$ 3,572,000
	Dental	111,000	1,311,168	(1,326,168)	96,000
	Workers' Compensation	1,629,000	3,657,034	(1,584,516)	3,701,518
		<u>\$ 4,068,000</u>	<u>\$ 29,416,968</u>	<u>\$ (26,115,450)</u>	<u>\$ 7,369,518</u>

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 Personnel Retirement System (PSPRS) Pension
- PSPRS Health Insurance Premium Benefit (OPEB)

Gilbert also provides postemployment 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.

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Pension and OPEB	Governmental	Business-Type	
Statement of Net Position and Statement of Activities	Activities	Activities	Total
Deferred Outflow of Resources			
OPEB - Town	\$ 276,682	\$ 61,763	\$ 338,445
Pension - ASRS	12,062,147	4,286,903	16,349,050
Pension - PSPRS Fire	19,211,179	-	19,211,179
Pension - PSPRS Police	15,416,315	-	15,416,315
Pension - EORP	167,445	-	167,445
Total	<u>\$ 47,133,768</u>	<u>\$ 4,348,666</u>	<u>\$ 51,482,434</u>
Liabilities			
OPEB - Town	\$ 920,946	\$ 205,583	\$ 1,126,529
Pension - ASRS	65,870,620	24,929,895	90,800,515
Pension - PSPRS Fire	18,113,446	-	18,113,446
Pension - PSPRS Police	21,564,017	-	21,564,017
Pension - EORP	1,578,981	-	1,578,981
Total	<u>\$ 108,048,010</u>	<u>\$ 25,135,478</u>	<u>\$ 133,183,488</u>
Deferred Inflow of Resources			
OPEB - Town	\$ 910,887	\$ 203,337	\$ 1,114,224
Pension - ASRS	1,756,155	664,648	2,420,803
Pension - PSPRS Fire	2,564,510	-	2,564,510
Total	<u>\$ 5,231,552</u>	<u>\$ 867,985</u>	<u>\$ 6,099,537</u>
Pension/OPEB Expense			
OPEB - Town	\$ (17,684)	\$ (6,826)	\$ (24,510)
Pension - ASRS	8,996,912	3,152,549	12,149,461
Pension - PSPRS Fire	4,732,445	-	4,732,445
Pension - PSPRS Police	5,116,585	-	5,116,585
Pension - EORP	127,085	-	127,085
Total	<u>\$ 18,955,343</u>	<u>\$ 3,145,723</u>	<u>\$ 22,101,066</u>

Gilbert reported \$16,715,199 of pension and OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributed for fiscal year 2023.

A. Arizona State Retirement System

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

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary 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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.17% (12.03% for retirement and 0.14% for long term disability) of the members' annual covered payroll, and statute required Gilbert to contribute at the actuarially determined rate of 12.17% (11.92% for retirement, 0.11% for health insurance premium benefit, and 0.14% 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 9.68% (9.62% for retirement and 0.06% for long-term disability) of annual covered payroll of retired members who worked for Gilbert in positions that an employee who contributes to the ASRS would typically fill.

During fiscal year 2023, Gilbert paid for ASRS pension contributions as follows: 64% from the general fund, 33% from major funds, and 3% from other funds. The contributions to the pension plan for fiscal year 2023 were \$9,457,505.

Pension Liability – At June 30, 2023, Gilbert reported a liability of \$90,800,515 for its proportionate share of the ASRS' net pension liability. The net pension liability were measured as of June 30, 2022. The total 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, 2021, to the measurement date of June 30, 2022.

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, 2022. Gilbert's proportion measured as of June 30, 2022, was 0.556%, which represents a slight decrease of 0.001% from its proportion measured as of June 30, 2021.

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Gilbert's reported liability at June 30, 2023, increased by \$17,676,258 from the prior year liability of \$73,124,257 because of changes in the ASRS' net pension liability and Gilbert's share of the net pension 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, 2023, Gilbert recognized pension expense for ASRS of \$12,149,461. At June 30, 2023, 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	\$ 773,674	\$ -
Changes in assumptions	4,506,606	-
Net difference between projected and actual earnings on pension plan investments	-	2,391,773
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	1,611,265	29,030
Gilbert contributions subsequent to the measurement date	9,457,505	-
Total	\$ 16,349,050	\$ 2,420,803

The \$9,457,505 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 5,896,973
2025	(1,101,696)
2026	(4,152,681)
2027	3,828,146
2028	-
Thereafter	-

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

Actuarial valuation date	June 30, 2021
Actuarial rollforward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9% - 8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

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The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% 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%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	(0.20%)
Real estate	20%	6.00%
	<u>100%</u>	

Discount Rate – At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Gilbert’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following presents Gilbert’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what Gilbert’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Gilbert's proportionate share of the net pension liability	\$ 133,973,461	\$ 90,800,515	\$ 54,801,024

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.

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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:

	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, 2023, the following employees were covered by the agent pension plan's benefit terms:

	Police	Fire
Inactive employees or beneficiaries currently receiving benefits	100	33
Inactive employees entitled to but not yet receiving benefits	57	25
Active employees	172	142
Total	329	200

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Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member- Pension	Active Member- Health	Gilbert- Pension	Gilbert- Health
Police				
PSPRS Tier 1	7.65%		19.40%	0.15%
PSPRS Tier 2	10.35%		19.40%	0.15%
PSPRS Tier 3				
Defined benefit only	9.00%	0.12%	14.74%	0.12%
PSPRS Tier 3				
Defined contribution only	10.85%		15.77%	
Fire				
PSPRS Tier 1	7.65%		21.47%	0.23%
PSPRS Tier 2	10.74%		21.47%	0.23%
PSPRS Tier 3				
Defined benefit only	9.00%	0.12%	16.60%	0.12%
PSPRS Tier 3				
Defined contribution only	10.85%		17.63%	

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, 2023, exceeded the annual pension cost due to an additional payment made towards the unfunded liability (100% from the General Fund):

	Police	Fire
Pension contributions made	\$ 4,009,448	\$ 5,760,518

Pension Liability – At June 30, 2023, Gilbert reported \$21,564,017 and \$18,113,446 in net pension liabilities for PSPRS Police and Fire, respectively. The net pension liabilities were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.25 - 15.0%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.2% 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
U.S. Public Equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash	1%	(0.35%)
	<u>100%</u>	

Pension Discount Rates – At June 30, 2022, the discount rate used to measure total pension liability was 7.2% which was a decrease of 0.1% from the discount rate used as of June 30, 2021. 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
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June 30, 2023

Changes in the Agent Plans Net Pension Liability/(Asset)

Police	Increase/ (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Balances at June 30, 2022	\$ 174,358,791	\$ 174,951,496	\$ (592,705)
Changes for the year			
Service cost	4,152,107	-	4,152,107
Interest on the total pension liability	12,796,854	-	12,796,854
Differences between expected results and actual experience	3,763,762	-	3,763,762
Changes of assumptions	1,349,730	-	1,349,730
Contributions - employer	-	5,239,645	(5,239,645)
Contributions - employee	-	1,728,667	(1,728,667)
Net investment income	-	(6,937,364)	6,937,364
Benefit payments, including refunds of employee contributions	(6,423,066)	(6,423,066)	-
Administrative expense	-	(125,217)	125,217
Net changes	<u>15,639,387</u>	<u>(6,517,335)</u>	<u>22,156,722</u>
Balances at June 30, 2023	<u>\$ 189,998,178</u>	<u>\$ 168,434,161</u>	<u>\$ 21,564,017</u>

Fire	Increase/ (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2022	\$ 125,871,085	\$ 123,938,273	\$ 1,932,812
Changes for the year			
Service cost	3,888,663	-	3,888,663
Interest on the total pension liability	9,387,813	-	9,387,813
Differences between expected results and actual experience	2,203,529	-	2,203,529
Changes of assumptions	804,047	-	804,047
Contributions - employer	-	3,792,437	(3,792,437)
Contributions - employee	-	1,388,147	(1,388,147)
Net investment income	-	(4,987,202)	4,987,202
Benefit payments, including refunds of employee contributions	(2,319,150)	(2,319,150)	-
Administrative expense	-	(89,964)	89,964
Net changes	<u>13,964,902</u>	<u>(2,215,732)</u>	<u>16,180,634</u>
Balances at June 30, 2023	<u>\$ 139,835,987</u>	<u>\$ 121,722,541</u>	<u>\$ 18,113,446</u>

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 7.2%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2%) or 1 percentage point higher (8.2%) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Police net pension liability / (asset)	\$ 50,228,252	\$ 21,564,017	\$ (1,539,614)
Fire net pension liability / (asset)	39,946,428	18,113,446	377,294

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.

TOWN OF GILBERT, ARIZONA
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Pension Expense – For the year ended June 30, 2023, Gilbert recognized \$5,116,585 as pension expense for Police and \$4,732,445 as pension expense for Fire.

Pension Deferred Outflows/Inflows of Resources – At June 30, 2023, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,983,624	\$ -
Changes in assumptions or other inputs	2,906,216	-
Net difference between projected and actual earnings on pension plan investments	2,517,027	-
Gilbert contributions subsequent to the measurement date	4,009,448	-
Total	\$ 15,416,315	\$ -

Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,526,278	\$ 2,564,510
Changes in assumptions or other inputs	3,097,051	-
Net difference between projected and actual earnings on pension plan investments	1,827,332	-
Gilbert contributions subsequent to the measurement date	5,760,518	-
Total	\$ 19,211,179	\$ 2,564,510

The \$4,009,448 for Police and the \$5,760,518 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, 2024. 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
2024	\$ 2,523,847	\$ 2,158,736
2025	2,076,048	1,723,578
2026	662,990	604,082
2027	5,291,733	4,066,574
2028	852,249	1,104,238
Thereafter	-	1,228,943

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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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, 2023, there were 50 retirees currently receiving medical and/or dental benefits.

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, 2023, retirees contributed \$539,625, which was in excess of claims paid by \$190,803. 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	50
Inactive employees entitled to but not yet receiving benefits	-
Active employees	1,434
Total	1,484

Total OPEB Liability – The Plan’s total OPEB liability of \$1,126,529 was measured as of June 30, 2023.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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, 2023 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, 2023
Actuarial valuation date	June 30, 2022
Interest rate	3.86%
Inflation rate	2.40%
Projected salary increases	3.00%
Health care cost trend rate	
Medical and prescription drug	5.50% graded down to an ultimate rate of 5.00% over 5 years
Retiree contribution increase	Consistent with medical/drug trends
ASRS subsidy increases	None

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-2021 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 Retiree Mortality Table, Generational with Projection Scale MP-2021 for males/females.

Changes in the Total OPEB Liability

Balances at June 30, 2022	\$	1,069,922
Changes for the year		
Service cost		85,927
Interest		45,046
Differences between expected and actual experience		(67,481)
Changes in assumptions/inputs		(138,189)
Benefit payments		131,304
Net changes		<u>56,607</u>
Balances at June 30, 2023	\$	<u>1,126,529</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:

	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
Total OPEB Liability	\$ 1,321,131	\$ 1,126,529	\$ 958,766

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 927,997	\$ 1,126,529	\$ 1,370,663

OPEB Expense and Deferred Outflows/Inflows of Resource Related to OPEB – For the year ended June 30, 2023, the Plan recognized OPEB expense of (\$24,510). At June 30, 2023, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 98,692	\$ 867,628
Changes in assumptions or other inputs	239,753	246,596
Total	<u>\$ 338,445</u>	<u>\$ 1,114,224</u>

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

Year Ending June 30	Amount
2024	\$ (286,787)
2025	(270,780)
2026	(80,862)
2027	(78,588)
2028	(29,381)
Thereafter	(29,381)

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Note 12 – Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2023, were as follows:

Fund Balances	General	Streets Special Revenue	Major Capital Project Funds			Major Debt Service Funds			Total
			Streets & Traffic	Parks	Municipal Facilities	Debt Service	Special Assessments	Other Gov't	
Nonspendable									
Advances	7,164,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,164,026
Prepaid items	2,577,952	-	-	-	-	-	-	-	2,577,952
Restricted for									
Capital projects	-	-	247,451,441	35,377,521	3,709,916	-	-	-	286,538,878
Court/public safety programs	-	-	-	-	-	-	-	2,031,217	2,031,217
Debt service	-	-	-	-	-	5,183,110	101,166	-	5,284,276
Highways and streets	-	13,240,478	-	-	-	-	-	-	13,240,478
Contract agreements	-	-	-	-	-	-	-	79,933	79,933
Settlement agreements	-	-	-	-	-	-	-	299,954	299,954
Parks & recreation programs	-	-	-	-	-	-	-	84,839	84,839
Transportation	-	-	-	-	-	-	-	1,692,562	1,692,562
Tourism	-	-	-	-	-	-	-	2,842,480	2,842,480
Special districts	-	-	-	-	-	-	-	521,337	521,337
Assigned to									
Capital replacement	54,401,353	-	-	-	-	-	-	-	54,401,353
Capital projects	56,175,875	-	-	-	-	-	-	-	56,175,875
Highways and streets	17,938,315	-	-	-	-	-	-	-	17,938,315
Management and policy	9,323	-	-	-	-	-	-	-	9,323
Debt Service	-	-	-	-	-	5,362,232	-	-	5,362,232
Unassigned	180,920,094	-	-	-	(6,789,707)	-	-	(191,525)	173,938,862
Total fund balances	<u>\$ 319,186,938</u>	<u>\$ 13,240,478</u>	<u>\$ 247,451,441</u>	<u>\$ 35,377,521</u>	<u>\$ (3,079,791)</u>	<u>\$ 10,545,342</u>	<u>\$ 101,166</u>	<u>\$ 7,360,797</u>	<u>\$ 630,183,892</u>

It is Gilbert's policy to maintain a minimum unrestricted fund balance of the General Fund of 90 days working capital of the current fiscal year, which is equal to approximately 25% of General Fund budgeted ongoing expenditures, plus one year's worth of General Fund debt service payments.

Note 13 – Capital Contributions

During the year ended June 30, 2023, the enterprise funds external capital contributions consisted of the following:

	Water	Wastewater	Solid Waste	Total
Contributions from developers	\$ 11,294,845	\$ 3,526,148	\$ 341,102	\$ 15,162,095
Development fees	7,514,174	2,187,503	-	9,701,677
Total	<u>\$ 18,809,019</u>	<u>\$ 5,713,651</u>	<u>\$ 341,102</u>	<u>\$ 24,863,772</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Note 14 – Interfund Transfers

As of June 30, 2023, interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General	\$ 2,707,606	\$ 41,718,240
Streets Special Revenue	70,000	1,525,110
Streets and Traffic Capital Projects	8,120,202	520,387
Parks Capital Projects	2,625,371	2,844,925
Municipal Facilities Capital Projects	18,091,927	2,766,039
Debt Service	9,271,220	-
Other Governmental Funds	1,744,982	733,956
Total Governmental Funds	<u>42,631,308</u>	<u>50,108,657</u>
Enterprise Funds		
Water	\$ 5,168,216	\$ 2,109,350
Wastewater	2,089,353	-
Solid Waste	124,850	-
Total Enterprise Funds	<u>7,382,419</u>	<u>2,109,350</u>
Internal Service Funds		
Equipment Maintenance	\$ 36,000	\$ -
Self-Insurance	2,201,300	33,020
Total Internal Service Funds	<u>2,237,300</u>	<u>33,020</u>
Total Transfers	<u>\$ 52,251,027</u>	<u>\$ 52,251,027</u>

The interfund transfers generally fall within one of the following categories: 1) subsidy transfers primarily from the General Fund to the Self-Insurance Fund; 2) transfers to cover debt service payments primarily from the General Fund to the Debt Service Fund; 3) transfers to fund capital project costs primarily from the General Fund and Capital Projects Funds to other Capital Projects Funds; or 4) charge for reclaimed water usage primarily from the Water Fund to the Wastewater Fund. There were no significant transfers during fiscal year 2023 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, 2023, were as follows:

Governmental funds

Municipal Facilities Capital Projects	\$ 3,079,791
Grants	178,686

The deficiency in the Municipal Facilities Capital Projects Fund, a major governmental fund, is primarily due to long-term loans that cover cash deficits for capital expenditures. Future system development fee revenue is expected to eliminate the deficiency. 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Note 16 – Contingent Liabilities

Gilbert is a defendant in various lawsuits. Although the outcomes of these lawsuits are 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 \$626,405,000 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 2016 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 2048. Principal and interest payments on the bonds are expected to require less than 40 percent of revenue described above. The total principal and interest remaining to be paid on the bonds is \$861,299,391. Principal and interest paid for the current year was \$26,233,053. Total water and wastewater system SDF revenue was \$9,701,677 and water and wastewater net revenues were \$56,175,146.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$49,525,000 in public facilities municipal property corporation (MPC) revenue bonds issued since 2017; \$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 2017 revenue bonds provided financing of a fire and rescue station. 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 2027. 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. Principal and interest payments on the bonds and obligations are expected to require less than 4 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds and obligations is \$77,989,206. Principal and interest paid for the current year was \$9,266,956, and the total excise taxes and state-shared revenues were \$278,807,974.

Note 18 – Investment in Joint Venture

In fiscal year 2021, Gilbert, in joint effort with Mesa and Queen Creek, completed 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. This project included process improvements and upgrades to increase the plant's capacity from 16 million gallons per day (mgd) to 30 mgd, as well as maintenance and improvements to the existing infrastructure of the plant. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. Gilbert's investment in joint venture is reflected as a separate line item in the proprietary funds financial statements. Separate financial statements for the joint venture are not prepared.

Total investment (net of depreciation) as of June 30, 2023, was:

Mesa's share	\$ 149,300,720
Gilbert's share	97,162,149
Queen Creek's share	27,068,981
Total	<u>\$ 273,531,850</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Gilbert and the City of Chandler entered into an agreement to build a joint water treatment plant to provide each with 24 mgd of water. The plant was completed in two phases with each phase providing 12 mgd to both Gilbert and Chandler. Phase I was completed in fiscal year 2009 and Phase II in fiscal year 2018. 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, 2023, was:

Gilbert's share	\$ 71,143,218
Chandler's share	64,751,046
Total	<u>\$ 135,894,264</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, 2023, was:

Mesa's share	\$ 5,715,329
Gilbert's share	1,856,414
Apache Junction's share	502,216
Superstition F&M's share	158,277
Queen Creek's share	105,803
Fort McDowell's share	48,670
Rio Verde FD's share	11,801
Total	<u>\$ 8,398,510</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, 2023

Schedule of the Proportionate Share of the Net Pension Liability

Arizona State Retirement System

	Fiscal Year				
	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.56%	0.56%	0.52%	0.52%	0.49%
Proportionate share of the net pension liability	\$ 90,800,515	\$ 73,124,257	\$ 90,610,769	\$ 75,693,697	\$ 69,364,217
Covered payroll (1)	65,568,734	62,344,498	55,508,515	52,965,805	49,511,839
Proportionate share of the net pension liability as a percentage of covered payroll	138%	117%	163%	143%	140%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%

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

- (1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2023, the measurement date of the net pension liability is June 30, 2022.
- (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, 2023

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System – Police

	<u>Fiscal Year</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability					
Service cost	\$ 4,152,107	\$ 4,070,093	\$ 4,166,829	\$ 4,173,615	\$ 4,056,282
Interest on the total pension liability	12,796,854	12,099,505	11,233,464	10,325,605	9,457,916
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	3,763,762	97,134	3,349,250	1,313,900	847,849
Changes in assumptions or other inputs	1,349,730	-	-	3,858,110	-
Benefit payments, including refunds of employee contributions	(6,423,066)	(7,168,987)	(6,409,473)	(4,223,688)	(5,340,286)
Net change in total pension liability	15,639,387	9,097,745	12,340,070	15,447,542	9,021,761
Total pension liability - beginning	174,358,791	165,261,046	152,920,976	137,473,434	128,451,673
Total pension liability - ending (a)	<u>189,998,178</u>	<u>174,358,791</u>	<u>165,261,046</u>	<u>152,920,976</u>	<u>137,473,434</u>
Plan fiduciary net position					
Contributions - employer	5,239,645	19,610,018	25,390,957	7,682,173	7,551,083
Contributions - employee	1,728,667	1,581,158	1,845,450	1,487,218	1,973,907
Net investment income	(6,937,364)	36,645,254	1,512,207	5,637,557	6,242,434
Benefit payments, including refunds of employee contributions	(6,423,066)	(7,168,987)	(6,409,473)	(4,223,688)	(5,340,286)
Administrative expense	(125,217)	(172,063)	(123,284)	(98,934)	(95,708)
Other changes	-	-	-	-	106,036
Net change in plan fiduciary net position	(6,517,335)	50,495,380	22,215,857	10,484,326	10,437,466
Plan fiduciary net position - beginning	174,951,496	124,456,116	103,632,748	93,189,007	82,751,541
Adjustment to beginning of year	-	-	(1,392,489)	(40,585)	-
Plan fiduciary net position - ending (b)	<u>168,434,161</u>	<u>174,951,496</u>	<u>124,456,116</u>	<u>103,632,748</u>	<u>93,189,007</u>
Net pension liability / (asset) - ending (a) - (b)	<u>\$ 21,564,017</u>	<u>\$ (592,705)</u>	<u>\$ 40,804,930</u>	<u>\$ 49,288,228</u>	<u>\$ 44,284,427</u>
Plan fiduciary net position as a percentage of the total pension liability	88.65%	100.34%	75.31%	67.77%	67.79%
Covered payroll (1)	\$ 18,498,054	\$ 17,797,726	\$ 17,973,970	\$ 20,212,530	\$ 18,572,542
Gilbert's net pension liability / (asset) as a percentage of covered payroll	116.57%	-3.33%	227.02%	243.85%	238.44%

- (1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2023, the measurement date of the 90-net pension liability is June 30, 2022.
- (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, 2023

Fiscal Year				
2018	2017	2016	2015	2014
				Information
\$ 4,361,408	\$ 3,466,239	\$ 3,570,214	\$ 3,293,404	not
8,535,995	7,222,969	6,604,564	5,414,469	available (2)
1,136,619	9,149,421	-	605,849	
928,575	547,040	713,111	2,479,128	
3,680,906	4,549,861	-	5,473,070	
(3,648,774)	(3,515,621)	(2,400,631)	(2,087,138)	
14,994,729	21,419,909	8,487,258	15,178,782	
113,456,944	92,037,035	83,549,777	68,370,995	
128,451,673	113,456,944	92,037,035	83,549,777	
12,682,256	4,426,923	3,280,061	3,103,356	
2,271,326	2,243,118	2,107,439	2,088,159	
8,763,809	365,916	2,037,534	6,306,779	
(3,648,774)	(3,515,621)	(2,400,631)	(2,087,138)	
(77,945)	(53,053)	(50,099)	(50,793)	
153,768	113,260	75,447	49,298	
20,144,440	3,580,543	5,049,751	9,409,661	
62,607,101	59,026,558	53,976,807	44,567,146	
-	-	-	-	
82,751,541	62,607,101	59,026,558	53,976,807	
\$ 45,700,132	\$ 50,849,843	\$ 33,010,477	\$ 29,572,970	
64.42%	55.18%	64.13%	64.60%	
\$ 18,694,661	\$ 19,247,567	\$ 19,071,843	\$ 18,990,156	
244.46%	264.19%	173.08%	155.73%	

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System – Fire

	Fiscal Year				
	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 3,888,663	\$ 3,607,805	\$ 3,696,610	\$ 3,690,094	\$ 3,661,929
Interest on the total pension liability	9,387,813	8,442,872	7,536,882	7,024,670	6,428,184
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	2,203,529	3,168,376	3,919,493	(1,850,677)	(1,694,618)
Changes in assumptions or other inputs	804,047	-	-	1,934,990	-
Benefit payments, including refunds of employee contributions	(2,319,150)	(2,791,898)	(2,514,806)	(2,462,421)	(1,925,561)
Net change in total pension liability	13,964,902	12,427,155	12,638,179	8,336,656	6,469,934
Total pension liability - beginning	125,871,085	113,443,930	100,805,751	92,469,095	85,999,161
Total pension liability - ending (a)	139,835,987	125,871,085	113,443,930	100,805,751	92,469,095
Plan fiduciary net position					
Contributions - employer	3,792,437	5,838,307	11,097,287	3,866,247	5,035,275
Contributions - employee	1,388,147	1,341,353	1,297,110	1,241,407	1,365,916
Net investment income	(4,987,202)	26,646,654	1,130,134	4,444,022	4,953,004
Benefit payments, including refunds of employee contributions	(2,319,150)	(2,791,898)	(2,514,806)	(2,462,421)	(1,925,561)
Administrative expense	(89,964)	(125,013)	(92,147)	(78,196)	(76,084)
Other changes	-	-	-	-	7,224
Net change in plan fiduciary net position	(2,215,732)	30,909,403	10,917,578	7,011,059	9,359,774
Plan fiduciary net position - beginning	123,938,273	93,028,870	82,657,955	75,671,432	66,311,658
Adjustment to beginning of year	-	-	(546,663)	(24,536)	-
Plan fiduciary net position - ending (b)	121,722,541	123,938,273	93,028,870	82,657,955	75,671,432
Net pension liability - ending (a) - (b)	\$ 18,113,446	\$ 1,932,812	\$ 20,415,060	\$ 18,147,796	\$ 16,797,663
Plan fiduciary net position as a percentage of the total pension liability	87.05%	98.46%	82.00%	82.00%	81.83%
Covered payroll (1)	\$ 16,768,912	\$ 16,301,459	\$ 15,790,177	\$ 16,590,770	\$ 16,176,854
Gilbert's net pension liability as a percentage of covered payroll	108.02%	11.86%	129.29%	109.38%	103.84%

- (1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2023, the measurement date of the net pension liability is June 30, 2022.
- (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, 2023

Fiscal Year				
2018	2017	2016	2015	2014
				Information
\$ 3,652,130	\$ 2,728,554	\$ 2,785,128	\$ 2,545,607	not
5,586,910	4,550,994	4,138,400	3,408,433	available (2)
434,841	7,610,545	-	(131,651)	
3,761,967	(1,091,858)	(1,235,512)	2,247,902	
444,609	3,069,903	-	1,333,403	
(1,094,738)	(529,722)	(277,805)	(171,217)	
12,785,719	16,338,416	5,410,211	9,232,477	
73,213,442	56,875,026	51,464,815	42,232,338	
85,999,161	73,213,442	56,875,026	51,464,815	
5,192,069	3,183,837	1,845,382	1,954,145	
1,860,471	1,792,809	1,903,578	1,667,772	
6,959,055	300,260	1,653,304	5,045,090	
(1,094,738)	(529,722)	(277,805)	(171,217)	
(61,976)	(43,606)	(40,728)	(40,631)	
636	96,335	(229,513)	-	
12,855,517	4,799,913	4,854,218	8,455,159	
53,456,141	48,656,228	43,802,010	35,346,851	
-	-	-	-	
66,311,658	53,456,141	48,656,228	43,802,010	
\$ 19,687,503	\$ 19,757,301	\$ 8,218,798	\$ 7,662,805	
77.11%	73.01%	85.55%	85.11%	
\$ 16,132,031	\$ 15,444,728	\$ 15,274,115	\$ 15,508,151	
122.04%	127.92%	53.81%	49.41%	

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

Schedule of Pension Contributions

Arizona State Retirement System

	Fiscal Year				
	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 9,457,505	\$ 7,874,805	\$ 7,263,134	\$ 6,355,725	\$ 5,921,577
Contributions in related to the actuarially determined contributions	9,457,505	7,874,805	7,263,134	6,355,725	5,921,577
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 79,341,485</u>	<u>\$ 65,568,734</u>	<u>\$ 62,344,498</u>	<u>\$ 55,508,515</u>	<u>\$ 52,965,805</u>
Contributions as a percentage of covered payroll	11.92%	12.01%	11.65%	11.45%	11.18%

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

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

Schedule of Pension Contributions

Public Safety Retirement System – Police

	Fiscal Year				
	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 4,009,448	\$ 4,446,932	\$ 5,652,558	\$ 5,649,219	\$ 6,410,919
Contributions in related to the actuarially determined contributions	4,009,448	4,446,932	18,652,558	20,376,341	11,245,894
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,000,000)</u>	<u>\$ (14,727,122)</u>	<u>\$ (4,834,975)</u>
Covered payroll	\$ 20,667,258	\$ 18,498,054	\$ 17,797,726	\$ 17,973,970	\$ 20,212,530
Contributions as a percentage of covered payroll	19.40%	24.04%	104.80%	113.37%	55.64%

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

Public Safety Retirement System – Fire

	Fiscal Year				
	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 3,958,607	\$ 3,513,087	\$ 3,715,102	\$ 3,495,945	\$ 4,009,743
Contributions in related to the actuarially determined contributions	5,760,518	3,513,087	5,715,102	6,652,405	7,556,014
Contribution deficiency (excess)	<u>\$ (1,801,911)</u>	<u>\$ -</u>	<u>\$ (2,000,000)</u>	<u>\$ (3,156,460)</u>	<u>\$ (3,546,271)</u>
Covered payroll	\$ 18,437,853	\$ 16,768,912	\$ 16,301,459	\$ 15,790,177	\$ 16,590,770
Contributions as a percentage of covered payroll	31.24%	20.95%	35.06%	42.13%	45.54%

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

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

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

Town of Gilbert Defined Benefit Plan

	Fiscal Year				
	2023	2022	2021	2020	2019
Total OPEB liability					
Service cost	\$ 85,927	\$ 101,360	\$ 88,914	\$ 69,208	\$ 87,269
Interest on the total OPEB liability	45,046	23,174	22,369	17,841	54,575
Differences between expected and actual experience in the measurement of the total OPEB liability	(67,481)	(249,173)	181,231	24,230	(1,604,373)
Changes in assumptions/inputs	(138,189)	(46,068)	(194,875)	74,733	159,488
Benefit payments, including refunds of employee contributions	131,304	270,009	97,744	176,849	118,124
Net change in total OPEB liability	56,607	99,302	195,383	362,861	(1,184,917)
Total OPEB liability - beginning	1,069,922	970,620	775,237	412,376	1,597,293
Total OPEB liability - ending	<u>\$ 1,126,529</u>	<u>\$ 1,069,922</u>	<u>\$ 970,620</u>	<u>\$ 775,237</u>	<u>\$ 412,376</u>
Covered-employee payroll (1)	\$ 112,964,370	\$ 92,479,026	\$ 89,785,462	\$ 83,544,308	\$ 81,110,979
Gilbert's total OPEB liability as a percentage of covered payroll	1.0%	1.2%	1.1%	0.9%	0.5%

	Fiscal Year	
	2018	2017 through 2014
Total OPEB liability		Information
Service cost	\$ 84,727	not
Interest on the total OPEB liability	58,026	available (2)
Differences between expected and actual experience in the measurement of the total OPEB liability	(1,296,953)	
Changes in assumptions/inputs	1,184,917	
Benefit payments, including refunds of employee contributions	96,758	
Net change in total OPEB liability	127,475	
Total OPEB liability - beginning	1,469,818	
Total OPEB liability - ending	<u>\$ 1,597,293</u>	
Covered-employee payroll (1)	\$ 72,406,115	
Gilbert's total OPEB liability as a percentage of covered payroll	2.2%	

- (1) The covered-employee payroll amount will be as of the measurement date of the total OPEB liability. For fiscal year 2023, the measurement date of the total OPEB liability is June 30, 2023.
- (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, 2023

Notes to Pension Plan Schedules

Note 1 – Actuarially Determined Contribution Rates

Arizona State Retirement System (ASRS)

The actuarial assumptions used in the June 30, 2021 valuation for ASRS were based on the results of an actuarial five-year period ended June 30, 2020. The major changes in assumptions were decreasing the discount rate from 7.5% to 7.0% and changing the projected salary increases from 2.7%-7.2% to 2.9%-8.4%. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020 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	PSPRS members with initial membership date before July 1, 2017: Level percent-of-pay, closed PSPRS members with initial membership on or after July 1, 2017: Level dollar closed
Remaining amortization period as of the 2021 actuarial valuation	10 years
Asset valuation method	PSPRS members with initial membership date before July 1, 2017: 7-year smoothed market value; 80%/120% market corridor PSPRS members with initial membership on or after July 1, 2017: 5-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 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2019 actuarial valuation, changed to PubS-2010 tables. 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, 2023

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, 2023

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Grants</u>	<u>Special Districts</u>	<u>Other Special Revenue</u>	<u>Other Capital Projects</u>	
Assets					
Pooled cash and investments	\$ 22,700,868	\$ 547,564	\$ 6,475,533	\$ 123,644	\$ 29,847,609
Receivables, net					
Taxes	-	27,348	180,918	-	208,266
Accrued interest	-	-	15,774	-	15,774
Accounts	-	-	10,910	-	10,910
Due from other governments	766,636	-	2,025,068	-	2,791,704
Total assets	<u>\$ 23,467,504</u>	<u>\$ 574,912</u>	<u>\$ 8,708,203</u>	<u>\$ 123,644</u>	<u>\$ 32,874,263</u>
Liabilities					
Accounts payable	\$ 332,237	\$ 41,554	\$ 18,553	\$ 123,644	\$ 515,988
Accrued liabilities	3,979	2,971	95,314	-	102,264
Due to other funds	463,882	9,050	81,398	-	554,330
Unearned revenue	22,657,185	-	1,494,792	-	24,151,977
Total liabilities	<u>23,457,283</u>	<u>53,575</u>	<u>1,690,057</u>	<u>123,644</u>	<u>25,324,559</u>
Deferred inflows of resources					
Unavailable revenue - grants	188,907	-	-	-	188,907
Total deferred inflows of resources	<u>188,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,907</u>
Fund balances (deficits)					
Restricted	12,839	521,337	7,018,146	-	7,552,322
Unassigned	(191,525)	-	-	-	(191,525)
Total fund balances (deficits)	<u>\$ (178,686)</u>	<u>\$ 521,337</u>	<u>\$ 7,018,146</u>	<u>\$ -</u>	<u>\$ 7,360,797</u>
Total liabilities and fund balances (deficits)	<u>\$ 23,467,504</u>	<u>\$ 574,912</u>	<u>\$ 8,708,203</u>	<u>\$ 123,644</u>	<u>\$ 32,874,263</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Grants	Special Districts	Other Special Revenue	Other Capital Projects	
Revenues					
Taxes					
Sales	\$ -	\$ -	\$ 1,498,686	\$ -	\$ 1,498,686
Property	-	3,006,329	-	-	3,006,329
Charges for services	-	-	332,645	-	332,645
Intergovernmental	3,944,626	-	699,682	-	4,644,308
Fines and forfeitures	-	-	289,236	-	289,236
Gifts and donations	-	-	114,791	-	114,791
Interest earnings	-	-	158,593	-	158,593
Net change in fair value of investments	-	-	(29,459)	-	(29,459)
Miscellaneous	-	775	303,457	-	304,232
Total revenues	<u>3,944,626</u>	<u>3,007,104</u>	<u>3,367,631</u>	<u>-</u>	<u>10,319,361</u>
Expenditures					
Current					
General government					
Management and policy	1,732,422	-	47,269	-	1,779,691
Court	-	-	427,642	-	427,642
Public safety					
Police	377,842	-	456,488	-	834,330
Fire	39,605	-	20,098	-	59,703
Highways and streets	-	1,940,466	-	130,773	2,071,239
Parks and recreation	19,738	970,049	11,480	-	1,001,267
Transportation	-	-	725,221	-	725,221
Non departmental	1,048,512	-	49,885	-	1,098,397
Capital outlay	174,161	-	-	1,234,309	1,408,470
Total expenditures	<u>3,392,280</u>	<u>2,910,515</u>	<u>1,738,083</u>	<u>1,365,082</u>	<u>9,405,960</u>
Excess (deficiency) of revenues over expenditures	<u>552,346</u>	<u>96,589</u>	<u>1,629,548</u>	<u>(1,365,082)</u>	<u>913,401</u>
Other financing sources (uses)					
Transfers in	14,000	-	100,000	1,630,982	1,744,982
Transfers out	(714,356)	-	(19,600)	-	(733,956)
Total other financing sources (uses)	<u>(700,356)</u>	<u>-</u>	<u>80,400</u>	<u>1,630,982</u>	<u>1,011,026</u>
Net change in fund balances	(148,010)	96,589	1,709,948	265,900	1,924,427
Fund balances - beginning	(30,676)	424,748	5,308,198	(265,900)	5,436,370
Fund balances - ending	<u>\$ (178,686)</u>	<u>\$ 521,337</u>	<u>\$ 7,018,146</u>	<u>\$ -</u>	<u>\$ 7,360,797</u>



BUDGETARY COMPARISON SCHEDULES

TOWN OF GILBERT, ARIZONA
Streets and Traffic Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Budgetary Basis
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Non-GAAP Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 12,840,000	\$ 12,840,000	\$ 59,664	\$ (12,780,336)
System development fees	5,000,000	5,000,000	4,262,732	(737,268)
Interest earnings	70,000	70,000	6,466,948	6,396,948
Total revenues	<u>17,910,000</u>	<u>17,910,000</u>	<u>10,789,344</u>	<u>(7,120,656)</u>
Expenditures				
Current				
Highways and streets	169,010	169,037	11,750	157,287
Capital outlay	260,995,190	266,320,967	26,891,288	239,429,679
Contingency	-	10,575,077	-	10,575,077
Total expenditures	<u>261,164,200</u>	<u>277,065,081</u>	<u>26,903,038</u>	<u>250,162,043</u>
Excess (deficiency) of revenues over expenditures	<u>(243,254,200)</u>	<u>(259,155,081)</u>	<u>(16,113,694)</u>	<u>243,041,387</u>
Other financing source (uses)				
Transfers in	34,326,395	34,326,395	8,120,202	(26,206,193)
Transfers out	<u>(20,679,280)</u>	<u>(20,679,280)</u>	<u>(520,387)</u>	<u>20,158,893</u>
Total other financing sources (uses)	<u>13,647,115</u>	<u>13,647,115</u>	<u>7,599,815</u>	<u>(6,047,300)</u>
Net change in fund balances	<u>\$ (229,607,085)</u>	<u>\$ (245,507,966)</u>	<u>(8,513,879)</u>	<u>\$ 236,994,087</u>

Explanation of difference between budgetary change in fund balance at June 30, 2023, and GAAP change in fund balance:

Changes in fair value of investments are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis

1,169,622

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

\$ (7,344,257)

TOWN OF GILBERT, ARIZONA
Parks Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Budgetary Basis
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Non-GAAP 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	\$ 7,496,043	\$ (3,957)
Interest earnings	65,000	65,000	880,160	815,160
Total revenues	<u>7,565,000</u>	<u>7,565,000</u>	<u>8,376,203</u>	<u>811,203</u>
Expenditures				
Current				
Parks and recreation	7,584,040	7,534,461	1,587,784	5,946,677
Non departmental	-	2,750	2,750	-
Capital outlay	13,457,460	12,964,174	1,905,305	11,058,869
Contingency	-	975,866	-	975,866
Total expenditures	<u>21,041,500</u>	<u>21,477,251</u>	<u>3,495,839</u>	<u>17,981,412</u>
Excess (deficiency) of revenues over expenditures	<u>(13,476,500)</u>	<u>(13,912,251)</u>	<u>4,880,364</u>	<u>18,792,615</u>
Other financing sources (uses)				
Transfers in	16,299,534	16,299,534	2,625,371	(13,674,163)
Transfers out	<u>(2,893,370)</u>	<u>(2,893,370)</u>	<u>(2,844,925)</u>	<u>48,445</u>
Total other financing sources (uses)	<u>13,406,164</u>	<u>13,406,164</u>	<u>(219,554)</u>	<u>(13,625,718)</u>
Net change in fund balances	<u>\$ (70,336)</u>	<u>\$ (506,087)</u>	<u>4,660,810</u>	<u>\$ 5,166,897</u>

Explanation of difference between budgetary change in fund balance at June 30, 2023,
and GAAP change in fund balance:

Changes in fair value of investments are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis	7,109
Change in fund balance as reported on the statement of revenues, expenses and changes in fund balance	<u>\$ 4,667,919</u>

TOWN OF GILBERT, ARIZONA
Municipal Facilities Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Budgetary Basis
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Non-GAAP Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
System development fees	\$ 4,961,010	\$ 4,961,010	\$ 3,552,914	\$ (1,408,096)
Interest earnings	5,000	5,000	99,199	94,199
Total revenues	<u>4,966,010</u>	<u>4,966,010</u>	<u>3,652,113</u>	<u>(1,313,897)</u>
Expenditures				
Current				
Public safety				
Police	23,100	35,789	6,029	29,760
Parks and recreation	194,960	29,890	-	29,890
Non departmental	122,000	127,500	13,401	114,099
Capital outlay	61,030,998	68,395,256	18,475,617	49,919,639
Contingency	-	8,033,070	-	8,033,070
Total expenditures	<u>61,371,058</u>	<u>76,621,505</u>	<u>18,495,047</u>	<u>58,126,458</u>
Excess (deficiency) of revenues over expenditures	<u>(56,405,048)</u>	<u>(71,655,495)</u>	<u>(14,842,934)</u>	<u>56,812,561</u>
Other financing sources (uses)				
Transfers in	59,430,495	59,430,495	18,091,927	(41,338,568)
Transfers out	(2,017,280)	(2,834,362)	(2,766,039)	68,323
Total other financing sources (uses)	<u>57,413,215</u>	<u>56,596,133</u>	<u>15,325,888</u>	<u>(41,270,245)</u>
Net change in fund balances	<u>\$ 1,008,167</u>	<u>\$ (15,059,362)</u>	<u>482,954</u>	<u>\$ 15,542,316</u>

Explanation of difference between budgetary change in fund balance at June 30, 2023,
and GAAP change in fund balance:

Changes in fair value of investments are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis	(10,528)
Change in fund balance as reported on the statement of revenues, expenses and changes in fund balance	<u>\$ 472,426</u>

TOWN OF GILBERT, ARIZONA
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Budgetary Basis
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 29,600,000	\$ 29,600,000	\$ 29,581,671	\$ (18,329)
Interest earnings	35,000	35,000	503,682	468,682
Total revenues	<u>29,635,000</u>	<u>29,635,000</u>	<u>30,085,353</u>	<u>450,353</u>
Expenditures				
Debt service				
Principal	32,080,000	24,880,000	24,880,000	-
Interest	6,772,540	13,980,180	13,980,131	49
Fiscal and other charges	30,000	22,360	8,625	13,735
Total expenditures	<u>38,882,540</u>	<u>38,882,540</u>	<u>38,868,756</u>	<u>13,784</u>
Excess (deficiency) of revenues over expenditures	<u>(9,247,540)</u>	<u>(9,247,540)</u>	<u>(8,783,403)</u>	<u>464,137</u>
Other financing sources (uses)				
Transfers in	16,282,000	16,282,000	9,271,220	(7,010,780)
Total other financing sources (uses)	<u>16,282,000</u>	<u>16,282,000</u>	<u>9,271,220</u>	<u>(7,010,780)</u>
Net change in fund balances	<u>\$ 7,034,460</u>	<u>\$ 7,034,460</u>	<u>487,817</u>	<u>\$ (6,546,643)</u>

Explanation of difference between budgetary change in fund balance at June 30, 2023,
and GAAP change in fund balance:

Changes in fair value of investments are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis	(119,278)
Change in fund balance as reported on the statement of revenues, expenses and changes in fund balance	<u>\$ 368,539</u>

TOWN OF GILBERT, ARIZONA
Special Assessments Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Budgetary Basis
For the Year Ended June 30, 2023

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 3,751,410	\$ 3,751,410	\$ 490,470	\$ (3,260,940)
Charges for services	-	-	4,181	4,181
Interest earnings	-	-	3,618	3,618
Total revenues	3,751,410	3,751,410	498,269	(3,253,141)
Expenditures				
Debt service				
Principal	3,580,000	3,580,000	350,000	3,230,000
Interest	171,410	171,410	135,965	35,445
Fiscal and other charges	35,000	35,000	1,207	33,793
Total expenditures	3,786,410	3,786,410	487,172	3,299,238
Excess (deficiency) of revenues over expenditures	(35,000)	(35,000)	11,097	46,097
Net change in fund balances	\$ (35,000)	\$ (35,000)	11,097	\$ 46,097

Explanation of difference between budgetary change in fund balance at June 30, 2023, and GAAP change in fund balance:

Changes in fair value of investments are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis	34
Change in fund balance as reported on the statement of revenues, expenses and changes in fund balance	\$ 11,131

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 34,720,770	\$ 34,720,770	\$ 3,944,626	\$ (30,776,144)
Total revenues	<u>34,720,770</u>	<u>34,720,770</u>	<u>3,944,626</u>	<u>(30,776,144)</u>
Expenditures				
Current				
General government				
Management and policy	1,908,490	2,449,929	1,732,422	717,507
Public safety				
Police	181,850	580,877	377,842	203,035
Fire	-	368,925	39,605	329,320
Parks and recreation	-	52,145	19,738	32,407
Non departmental	-	1,207,993	1,048,512	159,481
Capital outlay	-	237,302	174,161	63,141
Contingency	5,000,000	2,193,169	-	2,193,169
Total expenditures	<u>7,090,340</u>	<u>7,090,340</u>	<u>3,392,280</u>	<u>3,698,060</u>
Excess (deficiency) of revenues over expenditures	<u>27,630,430</u>	<u>27,630,430</u>	<u>552,346</u>	<u>(27,078,084)</u>
Other financing sources (uses)				
Transfers in	-	14,000	14,000	-
Transfers out	(27,630,430)	(27,691,653)	(714,356)	26,977,297
Total other financing sources (uses)	<u>(27,630,430)</u>	<u>(27,677,653)</u>	<u>(700,356)</u>	<u>26,977,297</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (47,223)</u>	<u>\$ (148,010)</u>	<u>\$ (100,787)</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 3,008,890	\$ 3,008,890	\$ 3,006,329	\$ (2,561)
Miscellaneous	-	-	775	775
Total revenues	<u>3,008,890</u>	<u>3,008,890</u>	<u>3,007,104</u>	<u>(1,786)</u>
Expenditures				
Current				
Highways and streets	1,923,700	1,941,470	1,940,466	1,004
Parks and recreation	1,295,950	1,304,330	970,049	334,281
Non departmental	20,490	20,490	-	20,490
Total expenditures	<u>3,240,140</u>	<u>3,266,290</u>	<u>2,910,515</u>	<u>355,775</u>
Excess (deficiency) of revenues over expenditures	<u>(231,250)</u>	<u>(257,400)</u>	<u>96,589</u>	<u>353,989</u>
Net change in fund balances	<u>\$ (231,250)</u>	<u>\$ (257,400)</u>	<u>\$ 96,589</u>	<u>\$ 353,989</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, 2023

	<u>Budgeted Amounts</u>		<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,498,686	\$ 498,686
Charges for services	140,000	140,000	332,645	192,645
Intergovernmental	713,380	713,380	699,682	(13,698)
Fines and forfeitures	385,000	385,000	289,236	(95,764)
Gifts and donations	63,890	63,890	114,791	50,901
Interest earnings	1,000	1,000	158,593	157,593
Miscellaneous	-	-	303,457	303,457
Total revenues	<u>2,303,270</u>	<u>2,303,270</u>	<u>3,397,090</u>	<u>1,093,820</u>
Expenditures				
Current				
General government				
Management and policy	82,880	115,130	47,269	67,861
Court	588,310	588,310	427,642	160,668
Public safety				
Police	279,090	729,004	456,488	272,516
Fire	58,300	65,300	20,098	45,202
Parks and recreation	20,000	30,320	11,480	18,840
Transportation	1,051,890	1,051,890	725,221	326,669
Non departmental	61,880	61,880	49,885	11,995
Capital outlay	-	50,000	-	50,000
Total expenditures	<u>2,142,350</u>	<u>2,691,834</u>	<u>1,738,083</u>	<u>953,751</u>
Excess (deficiency) of revenues over expenditures	<u>160,920</u>	<u>(388,564)</u>	<u>1,659,007</u>	<u>2,047,571</u>
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	-
Transfers out	(15,000)	(20,000)	(19,600)	400
Total other financing sources (uses)	<u>85,000</u>	<u>80,000</u>	<u>80,400</u>	<u>400</u>
Net change in fund balances	<u>\$ 245,920</u>	<u>\$ (308,564)</u>	<u>1,739,407</u>	<u>\$ 2,047,971</u>

Explanation of difference between budgetary change in fund balance at June 30, 2023,
and GAAP change in fund balance:

Changes in fair value of investments are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis	(29,459)
Change in fund balance as reported on the statement of revenues, expenses and changes in fund balance	<u>\$ 1,709,948</u>

TOWN OF GILBERT, ARIZONA
Other Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Highways and streets	398,714	396,206	130,773	265,433
Capital outlay	27,422,758	22,328,069	1,234,309	21,093,760
Contingency	-	10,001,967	-	10,001,967
Total expenditures	<u>27,821,472</u>	<u>32,726,242</u>	<u>1,365,082</u>	<u>31,361,160</u>
Excess (deficiency) of revenues over expenditures	<u>(27,821,472)</u>	<u>(32,726,242)</u>	<u>(1,365,082)</u>	<u>(31,361,160)</u>
Other financing sources (uses)				
Transfers in	27,821,472	27,821,472	1,630,982	(26,190,490)
Total other financing sources (uses)	<u>27,821,472</u>	<u>27,821,472</u>	<u>1,630,982</u>	<u>(26,190,490)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (4,904,770)</u>	<u>\$ 265,900</u>	<u>\$ 5,170,670</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.

Self-Insurance – to account for and finance Gilbert's uninsured risks of loss for medical, dental, workers' compensation, and general liability claims.

TOWN OF GILBERT, ARIZONA
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	<u>Equipment Maintenance</u>	<u>Self-Insurance</u>	<u>Total Internal Service Funds</u>
Assets			
Current assets			
Pooled cash and investments	\$ 2,124,016	\$ 16,444,410	\$ 18,568,426
Receivables, net			
Accrued interest	4,912	37,840	42,752
Accounts	-	424,738	424,738
Due from other governments	22,986	-	22,986
Deposits	-	50,000	50,000
Inventories	1,081,378	-	1,081,378
Total current assets	<u>3,233,292</u>	<u>16,956,988</u>	<u>20,190,280</u>
Noncurrent assets			
Non-depreciable	225,749	-	225,749
Depreciable, net	569,120	-	569,120
Total noncurrent assets	<u>794,869</u>	<u>-</u>	<u>794,869</u>
Total assets	<u>4,028,161</u>	<u>16,956,988</u>	<u>20,985,149</u>
Deferred outflows of resources			
Pensions and other post-employment benefits	403,194	-	403,194
Total deferred outflows of resources	<u>403,194</u>	<u>-</u>	<u>403,194</u>
Liabilities			
Current liabilities			
Accounts payable	720,565	227,760	948,325
Accrued liabilities	44,577	5,165	49,742
Advances from other funds	-	1,300,000	1,300,000
Accrued compensated absences	88,456	-	88,456
Claims payable	-	10,233,000	10,233,000
Total current liabilities	<u>853,598</u>	<u>11,765,925</u>	<u>12,619,523</u>
Noncurrent liabilities			
Accrued compensated absences	154,188	-	154,188
Net other post-employment benefits	19,724	-	19,724
Net pension liability	2,310,260	-	2,310,260
Total noncurrent liabilities	<u>2,484,172</u>	<u>-</u>	<u>2,484,172</u>
Total liabilities	<u>3,337,770</u>	<u>11,765,925</u>	<u>15,103,695</u>
Deferred inflows of resources			
Pensions and other post-employment benefits	81,101	-	81,101
Total deferred inflows of resources	<u>81,101</u>	<u>-</u>	<u>81,101</u>
Net position			
Net investment in capital assets	742,288	-	742,288
Unrestricted	270,196	5,191,063	5,461,259
Total net position	<u>\$ 1,012,484</u>	<u>\$ 5,191,063</u>	<u>\$ 6,203,547</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2023

	<u>Equipment Maintenance</u>	<u>Self-Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Charges for services	\$ 11,200,220	\$ 29,995,573	\$ 41,195,793
Intergovernmental	387,502	-	387,502
Other	15,588	2,897,247	2,912,835
Total operating revenues	<u>11,603,310</u>	<u>32,892,820</u>	<u>44,496,130</u>
Operating expenses			
General and administrative	115,680	6,838,977	6,954,657
Personnel services	2,645,625	338,905	2,984,530
Operation and maintenance	7,979,099	-	7,979,099
Claims incurred	-	30,022,530	30,022,530
Depreciation	60,725	-	60,725
Total operating expenses	<u>10,801,129</u>	<u>37,200,412</u>	<u>48,001,541</u>
Operating income (loss)	<u>802,181</u>	<u>(4,307,592)</u>	<u>(3,505,411)</u>
Nonoperating revenues (expenses)			
Interest earnings	53,529	389,422	442,951
Net change in fair value of investments	(2,905)	(17,443)	(20,348)
Total nonoperating revenues (expenses)	<u>50,624</u>	<u>371,979</u>	<u>422,603</u>
Income (loss) before contributions and transfers	852,805	(3,935,613)	(3,082,808)
Transfers in	36,000	2,201,300	2,237,300
Transfers out	-	(33,020)	(33,020)
Change in net position	888,805	(1,767,333)	(878,528)
Total net position - beginning	123,679	6,958,396	7,082,075
Total net position - ending	<u>\$ 1,012,484</u>	<u>\$ 5,191,063</u>	<u>\$ 6,203,547</u>

TOWN OF GILBERT, ARIZONA
Statement of Cash Flows
Internal Service Funds
June 30, 2023

	<u>Equipment Maintenance</u>	<u>Self-Insurance</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities			
Cash receipts from customers	\$ 366,832	\$ -	\$ 366,832
Other operating cash receipts	15,588	2,897,247	2,912,835
Cash receipts from other funds for services	11,200,219	30,958,247	42,158,466
Cash payments to suppliers for goods and services	(8,096,985)	(33,905,498)	(42,002,483)
Cash payments to employees for services	(2,603,645)	(344,231)	(2,947,876)
Net cash provided (used) by operating activities	<u>882,009</u>	<u>(394,235)</u>	<u>487,774</u>
Cash flows from noncapital financing activities			
Transfers from other funds	36,000	2,201,300	2,237,300
Transfers to other funds	-	(33,020)	(33,020)
Net cash provided (used) by noncapital financing activities	<u>36,000</u>	<u>2,168,280</u>	<u>2,204,280</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(515,106)	-	(515,106)
Net cash provided (used) by capital and related financing activities	<u>(515,106)</u>	<u>-</u>	<u>(515,106)</u>
Cash flows from investing activities			
Investment income	48,601	356,713	405,314
Net cash provided (used) by investing activities	<u>48,601</u>	<u>356,713</u>	<u>405,314</u>
Net increase (decrease) in cash and cash equivalents	451,504	2,130,758	2,582,262
Balances - beginning of year	1,672,512	14,313,652	15,986,164
Balances - end of the year	<u>\$ 2,124,016</u>	<u>\$ 16,444,410</u>	<u>\$ 18,568,426</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income / (loss)	\$ 802,181	\$ (4,307,592)	\$ (3,505,411)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	60,725	-	60,725
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources			
Accounts receivable	(20,671)	936,410	915,739
Due from other governments	-	26,264	26,264
Inventories	(51,443)	-	(51,443)
Deferred outflows of resources	148,041	-	148,041
Accounts payable	49,238	92,527	141,765
Claims payable	-	2,863,482	2,863,482
Accrued expenses	(51,449)	(5,326)	(56,775)
Other post-employment benefits	2,298	-	2,298
Net pension liability	468,788	-	468,788
Deferred inflows of resources	(525,699)	-	(525,699)
Net cash provided (used) by operating activities	<u>\$ 882,009</u>	<u>\$ (394,235)</u>	<u>\$ 487,774</u>

STATISTICAL SECTION

This part of Gilbert's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about Gilbert'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 has 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>	
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Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> <i>(as restated)</i>	<u>2022</u>	<u>2023</u>
Governmental activities										
Net investment in capital assets	\$ 680,717	\$ 688,900	\$ 735,369	\$ 753,973	\$ 790,285	\$ 792,864	\$ 804,917	\$ 844,068	\$ 885,750	\$ 919,930
Restricted	80,924	82,546	83,227	72,780	76,701	87,450	72,943	91,917	115,550	123,034
Unrestricted	<u>92,357</u>	<u>30,276</u>	<u>49,960</u>	<u>60,983</u>	<u>45,964</u>	<u>67,904</u>	<u>132,638</u>	<u>162,177</u>	<u>183,410</u>	<u>236,010</u>
Total governmental activities net position	<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>	<u>\$ 1,098,162</u>	<u>\$ 1,184,710</u>	<u>\$ 1,278,974</u>
Business-type activities										
Net investment in capital assets	\$ 351,797	\$ 363,333	\$ 411,831	\$ 399,537	\$ 392,632	\$ 462,857	\$ 468,440	\$ 506,807	\$ 541,025	\$ 577,320
Restricted	65,577	54,084	34,054	42,814	34,499	30,972	24,873	22,717	13,500	10,630
Unrestricted	<u>281,391</u>	<u>290,870</u>	<u>304,198</u>	<u>342,616</u>	<u>389,336</u>	<u>379,636</u>	<u>408,154</u>	<u>418,159</u>	<u>410,204</u>	<u>411,067</u>
Total business-type activities net position	<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>	<u>\$ 947,683</u>	<u>\$ 964,729</u>	<u>\$ 999,017</u>
Primary government										
Net investment in capital assets	\$ 1,032,514	\$ 1,052,233	\$ 1,147,200	\$ 1,153,510	\$ 1,182,917	\$ 1,255,721	\$ 1,273,357	\$ 1,350,875	\$ 1,426,775	\$ 1,497,250
Restricted	146,501	136,630	117,281	115,594	111,200	118,422	97,815	114,634	129,050	133,664
Unrestricted	<u>373,748</u>	<u>321,146</u>	<u>354,158</u>	<u>403,598</u>	<u>435,299</u>	<u>447,540</u>	<u>540,792</u>	<u>580,336</u>	<u>593,614</u>	<u>647,077</u>
Total primary government net position	<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>	<u>\$ 2,045,845</u>	<u>\$ 2,149,439</u>	<u>\$ 2,277,991</u>

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

Expenses	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental activities										
General government										
Management and policy	\$ 13,378	\$ 19,090	\$ 20,049	\$ 19,454	\$ 19,176	\$ 24,948	\$ 23,430	\$ 41,161	\$ 32,299	\$ 34,670
Finance and management services	4,347	1,814	2,110	2,109	2,000	1,883	2,591	2,943	3,090	3,396
Court	5,975	4,053	4,164	4,300	4,078	3,898	3,947	4,356	4,623	4,984
Development services	9,062	7,082	7,611	9,400	10,312	9,449	10,898	11,389	11,876	12,752
Public safety										
Police	45,931	47,541	50,115	63,151	54,117	55,328	65,972	65,100	67,492	81,159
Fire	28,853	28,071	31,972	42,513	34,969	35,263	41,373	38,174	48,220	54,961
Highways and streets	45,781	46,932	48,726	51,931	52,545	54,632	61,414	62,501	63,022	67,636
Parks and recreation	22,493	28,429	25,647	25,202	29,985	35,840	26,844	28,975	32,719	37,450
Transportation	842	778	1,051	1,132	1,151	886	655	609	-	725
Non departmental	4,104	4,423	5,311	13,690	7,976	3,915	5,076	6,495	3,523	4,016
Interest and fiscal charges on long-term debt	15,216	12,780	12,911	10,506	10,793	9,890	9,641	8,716	8,221	12,075
Total governmental activities expenses	<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>	<u>270,419</u>	<u>275,085</u>	<u>313,824</u>
Business-type activities										
Water	39,927	41,817	44,360	42,329	44,605	47,167	49,373	52,259	55,761	67,786
Wastewater	23,615	25,620	26,530	26,791	27,244	27,844	30,930	31,224	36,908	38,774
Solid Waste	16,113	16,720	17,719	16,857	18,183	21,689	22,928	25,644	27,861	31,843
Total business-type activities expenses	<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>	<u>109,127</u>	<u>120,530</u>	<u>138,403</u>
Total primary government expenses	<u>\$ 275,637</u>	<u>\$ 285,150</u>	<u>\$ 298,276</u>	<u>\$ 329,366</u>	<u>\$ 317,134</u>	<u>\$ 332,632</u>	<u>\$ 355,073</u>	<u>\$ 379,546</u>	<u>\$ 395,615</u>	<u>\$ 452,228</u>
Program Revenues										
Governmental activities										
Charges for services										
Development services	\$ 6,783	\$ 6,608	\$ 6,826	\$ 6,900	\$ 7,227	\$ 8,318	\$ 6,867	\$ 8,121	\$ 5,864	\$ 5,350
Police	5,477	4,526	5,343	7,484	3,826	3,609	1,827	2,024	3,338	3,195
Fire	254	224	197	231	360	386	827	1,208	4,908	6,144
Parks and recreation	3,765	4,146	4,366	4,603	4,700	4,355	4,800	5,419	7,036	7,955
Other activities	2,506	2,472	2,618	2,795	2,635	1,152	966	1,027	1,076	841
Operating grants and contributions	22,326	24,171	38,666	33,204	28,381	30,012	53,661	43,619	40,309	41,985
Capital grants and contributions	19,186	37,214	65,535	41,877	32,904	36,203	39,675	57,447	61,139	42,935
Total governmental activities program revenues	<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>	<u>118,865</u>	<u>123,670</u>	<u>108,405</u>

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Business-type activities										
Charges for services										
Water	37,867	37,501	39,457	40,696	42,868	45,508	48,782	52,890	55,270	64,346
Wastewater	23,852	24,625	25,116	26,032	26,517	28,686	29,772	30,847	31,695	34,753
Solid Waste	17,308	18,007	18,141	18,270	18,437	20,633	21,918	22,460	24,187	29,302
Operating grants and contributions	-	-	1,051	953	1,184	1,720	1,698	1,960	2,607	3,104
Capital grants and contributions	36,252	29,017	43,655	34,134	30,615	27,032	18,319	22,186	29,360	24,865
Total business-type activities program revenues	<u>115,279</u>	<u>109,150</u>	<u>127,420</u>	<u>120,084</u>	<u>119,622</u>	<u>123,578</u>	<u>120,489</u>	<u>130,343</u>	<u>143,119</u>	<u>156,370</u>
Total primary government program revenues	<u>\$ 175,576</u>	<u>\$ 188,511</u>	<u>\$ 250,971</u>	<u>\$ 217,178</u>	<u>\$ 199,655</u>	<u>\$ 207,616</u>	<u>\$ 229,111</u>	<u>\$ 249,208</u>	<u>\$ 266,789</u>	<u>\$ 264,775</u>
Net (Expense)/Revenue										
Governmental activities	\$ (135,685)	\$ (121,632)	\$ (86,115)	\$ (146,295)	\$ (147,069)	\$ (151,895)	\$ (143,219)	\$ (151,554)	\$ (151,414)	\$ (205,419)
Business-type activities	35,624	24,993	38,812	34,107	29,589	26,879	17,257	21,216	22,589	17,968
Total primary government net expense	<u>\$ (100,061)</u>	<u>\$ (96,639)</u>	<u>\$ (47,304)</u>	<u>\$ (112,188)</u>	<u>\$ (117,479)</u>	<u>\$ (125,017)</u>	<u>\$ (125,961)</u>	<u>\$ (130,338)</u>	<u>\$ (128,825)</u>	<u>\$ (187,451)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Sales taxes	\$ 66,757	\$ 71,773	\$ 77,070	\$ 82,797	\$ 89,497	\$ 98,648	\$ 107,534	\$ 123,930	\$ 142,901	\$ 155,494
Property taxes	18,315	19,423	19,424	20,761	21,549	25,220	26,570	28,603	30,356	32,588
In-Lieu property taxes	1,287	1,201	1,187	1,159	1,124	1,024	1,015	1,009	1,086	1,040
Franchise taxes	2,616	2,737	2,989	2,814	2,911	2,954	2,744	2,669	2,660	2,761
Unrestricted state-shared revenue	41,323	44,263	45,028	52,861	52,193	53,777	57,802	66,463	72,667	92,190
Unrestricted grants and contributions	904	2,595	3,204	2,400	2,444	3,036	2,762	4,140	2,125	896
Unrestricted investment earnings	1,508	1,224	2,651	859	1,549	10,153	10,467	526	(14,993)	17,805
Gain/(loss) on sale of capital assets	29	106	136	154	1,333	1,466	(3,973)	(4,508)	238	1,153
Miscellaneous	1,226	847	1,162	1,224	1,352	1,153	674	936	1,080	1,031
Transfers	110	184	98	446	(64)	(242)	(96)	(2,665)	(158)	(5,273)
Total governmental activities	<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>	<u>221,103</u>	<u>237,962</u>	<u>299,684</u>
Business-type activities										
Unrestricted investment earnings	1,742	1,457	2,666	1,009	1,894	11,494	9,820	32	(6,500)	10,510
Gain on sale of capital assets	30	172	158	92	39	183	148	405	241	75
Miscellaneous	1,266	1,310	259	121	172	366	680	75	559	463
Transfers	(110)	(184)	(98)	(446)	64	242	96	2,665	158	5,273
Total business-type activities	<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>	<u>3,177</u>	<u>(5,542)</u>	<u>16,320</u>
Total primary government	<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>	<u>\$ 224,280</u>	<u>\$ 232,420</u>	<u>\$ 316,004</u>
Change in Net Position										
Governmental activities	\$ (1,609)	\$ 22,722	\$ 66,834	\$ 19,180	\$ 26,820	\$ 45,293	\$ 62,279	\$ 69,549	\$ 86,548	\$ 94,264
Business-type activities	38,552	27,748	41,796	34,883	31,758	39,163	28,002	24,393	17,047	34,288
Total primary government	<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>	<u>\$ 93,942</u>	<u>\$ 103,595</u>	<u>\$ 128,552</u>

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

Function/Program	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental activities										
General government										
Management and policy	\$ 59	\$ 962	\$ 690	\$ 991	\$ 2,235	\$ 1,830	\$ 1,503	\$ 4,862	\$ 5,651	\$ 3,212
Finance and management services	262	27	24	20	27	7	12	-	4	-
Court	823	824	859	831	731	700	573	629	679	519
Development services	6,807	6,608	6,826	6,900	7,227	8,318	7,145	8,641	5,864	5,350
Public safety										
Police	7,207	8,975	10,645	11,551	7,829	8,544	18,366	9,757	6,495	7,227
Fire	3,697	3,766	4,170	3,877	4,203	4,687	13,783	8,384	9,000	10,168
Highways and streets	28,218	44,497	69,791	54,059	44,943	43,133	50,476	62,153	76,106	60,933
Parks and recreation	12,461	13,012	29,861	18,190	12,158	15,035	15,561	23,312	16,230	20,005
Transportation	712	639	635	626	630	648	643	643	3,241	678
Non departmental	51	51	50	50	50	1,136	562	484	400	314
Subtotal governmental activities	<u>60,297</u>	<u>79,361</u>	<u>123,551</u>	<u>97,095</u>	<u>80,033</u>	<u>84,037</u>	<u>108,624</u>	<u>118,865</u>	<u>123,670</u>	<u>108,405</u>
Business-type activities										
Water	57,750	55,590	68,102	61,546	64,056	65,489	64,204	70,973	78,518	85,990
Wastewater	40,220	35,552	41,178	37,232	36,232	36,344	34,111	36,354	40,082	40,737
Solid Waste	17,308	18,008	18,141	21,307	19,334	21,746	22,173	23,016	24,519	29,644
Subtotal business-type activities	<u>115,278</u>	<u>109,150</u>	<u>127,421</u>	<u>120,085</u>	<u>119,622</u>	<u>123,578</u>	<u>120,488</u>	<u>130,343</u>	<u>143,119</u>	<u>156,371</u>
Total primary government	<u>\$ 175,575</u>	<u>\$ 188,511</u>	<u>\$ 250,972</u>	<u>\$ 217,180</u>	<u>\$ 199,655</u>	<u>\$ 207,616</u>	<u>\$ 229,112</u>	<u>\$ 249,208</u>	<u>\$ 266,789</u>	<u>\$ 264,776</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General fund										
Nonspendable	\$ 25,380	\$ 24,470	\$ 19,866	\$ 18,995	\$ 17,877	\$ 23,061	\$ 15,833	\$ 11,561	\$ 11,722	\$ 9,742
Assigned	12,081	17,046	13,681	32,766	41,371	41,631	68,002	76,747	86,881	128,525
Unassigned	61,764	67,057	85,498	82,885	72,453	89,787	133,901	139,520	153,384	180,920
Total general fund	<u>\$ 99,225</u>	<u>\$ 108,573</u>	<u>\$ 119,045</u>	<u>\$ 134,646</u>	<u>\$ 131,701</u>	<u>\$ 154,479</u>	<u>\$ 217,736</u>	<u>\$ 227,828</u>	<u>\$ 251,987</u>	<u>\$ 319,187</u>
All other governmental funds										
Nonspendable	\$ 83	\$ 2	\$ 4	\$ 2	\$ 1	\$ -	\$ -	\$ -	\$ 70	\$ -
Restricted	92,337	96,837	87,005	139,725	134,441	110,470	101,628	95,704	311,522	312,616
Assigned	18,764	22,462	38,337	34,387	15,971	-	-	-	5,369	5,362
Unassigned	<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>	<u>(9,259)</u>	<u>(6,686)</u>	<u>(6,981)</u>
Total all other governmental funds	<u>\$ 85,718</u>	<u>\$ 95,320</u>	<u>\$ 105,449</u>	<u>\$ 154,761</u>	<u>\$ 132,102</u>	<u>\$ 93,046</u>	<u>\$ 85,180</u>	<u>\$ 86,445</u>	<u>\$ 310,275</u>	<u>\$ 310,997</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues										
Taxes										
Sales	\$ 66,772	\$ 71,794	\$ 77,108	\$ 82,980	\$ 89,516	\$ 98,671	\$ 107,552	\$ 123,932	\$ 142,924	\$ 155,510
Property	20,681	21,953	22,000	23,707	24,468	25,220	26,570	28,603	30,356	32,588
Special assessments	2,090	1,184	2,233	696	958	818	744	617	1,351	490
Franchise	2,700	2,737	3,389	2,814	2,911	2,954	2,744	2,669	2,660	2,761
Licenses and permits	4,748	4,791	4,787	4,785	4,645	5,735	4,689	5,868	4,068	2,884
Charges for services	10,027	10,440	11,147	11,161	12,151	12,816	13,154	14,884	20,552	24,190
Intergovernmental	68,046	76,284	77,007	87,364	84,923	86,480	117,277	132,388	141,466	136,417
Fines and forfeitures	4,469	4,476	4,618	4,336	4,065	3,305	3,084	3,259	3,231	3,059
Other entities' participation	1,977	382	1,666	2,252	1,585	4,380	9,799	919	5,280	16,657
System development fees	13,435	18,836	22,944	18,101	17,617	21,966	20,971	38,771	19,270	15,312
Gifts and donations	155	192	187	120	195	183	280	163	281	304
Investment earnings	1,494	1,210	2,639	836	1,523	9,890	10,085	4,205	3,527	16,569
Net change in fair value of investments ^a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(3,714)	(18,134)	813
Miscellaneous	1,255	953	14,797	5,683	1,796	1,153	674	936	1,383	1,332
Total revenues	<u>197,849</u>	<u>215,232</u>	<u>244,522</u>	<u>244,835</u>	<u>246,353</u>	<u>273,571</u>	<u>317,623</u>	<u>353,500</u>	<u>358,215</u>	<u>408,886</u>
Expenditures										
Current										
General government										
Management and policy	15,336	20,485	20,997	22,001	21,858	22,942	26,854	28,747	30,834	36,057
Finance and management services	4,413	1,943	2,134	2,270	2,338	2,396	2,681	3,003	3,162	3,567
Court	5,089	3,493	3,608	3,657	3,600	3,752	3,491	3,731	4,037	4,390
Development services	6,078	6,069	6,239	7,049	7,200	7,701	8,194	8,526	8,949	9,715
Public safety										
Police	41,947	43,084	44,402	54,397	53,174	58,327	69,450	72,453	62,456	73,195
Fire	24,993	25,631	28,295	32,048	35,698	35,828	35,883	38,003	42,359	50,172
Highways and streets	11,969	12,478	12,831	14,680	14,545	15,769	23,184	24,892	24,480	27,615
Parks and recreation	15,614	21,836	18,591	19,660	24,351	30,482	20,588	23,051	26,627	31,078
Transportation	841	774	1,046	1,135	1,151	888	652	606	-	725
Non departmental	4,104	4,423	5,311	13,690	7,976	3,915	5,076	22,090	8,178	5,065
Debt service										
Principal	25,630	23,750	30,105	34,935	33,965	34,190	49,055	35,615	29,495	27,084
Interest	14,252	13,108	13,773	11,583	11,758	11,242	9,868	10,068	8,312	14,116
Payment to refunded bond escrow agent	-	-	-	-	12,096	-	-	-	-	-
Bond issuance costs	-	209	-	779	408	-	853	-	662	-
Fiscal and other charges	13	307	37	9	14	35	13	13	15	10
Capital outlay	38,804	58,849	36,573	34,111	50,895	71,644	127,093	79,273	60,593	68,415
Total expenditures	<u>209,083</u>	<u>236,439</u>	<u>223,942</u>	<u>252,004</u>	<u>281,027</u>	<u>299,111</u>	<u>382,935</u>	<u>350,071</u>	<u>310,158</u>	<u>351,205</u>
Excess (deficiency) of revenues over (under) expenditures	(11,234)	(21,207)	20,580	(7,169)	(34,674)	(25,540)	(65,312)	3,429	48,057	57,681
Other financing sources (uses)										
Transfers in	45,891	23,401	21,406	23,334	29,999	63,086	36,774	46,987	62,268	42,631
Transfers out	(45,781)	(23,216)	(21,385)	(22,881)	(30,063)	(63,324)	(36,871)	(49,652)	(64,425)	(50,109)
Proceeds from sale of capital assets	590	-	-	-	1,226	1,691	38,470	10,594	262	4,777
Revenue obligations issued	-	36,980	-	-	-	-	-	-	-	-
Premium on revenue obligations	-	2,706	-	-	-	-	-	-	-	-
Bonds issued	-	28,080	-	121,670	49,525	-	76,750	-	188,910	-
Premium on bonds	-	4,417	-	14,139	7,546	-	5,577	-	12,917	-
Payment to refunded bond escrow agent	-	(32,211)	-	(64,182)	(49,162)	-	-	-	-	-
Subscription-based information technology arrangements	-	-	-	-	-	-	-	-	-	12,940
Total other financing sources and uses	<u>700</u>	<u>40,157</u>	<u>21</u>	<u>72,080</u>	<u>9,071</u>	<u>1,453</u>	<u>120,701</u>	<u>7,929</u>	<u>199,932</u>	<u>10,239</u>
Net change in fund balances	\$ <u>(10,534)</u>	\$ <u>18,950</u>	\$ <u>20,601</u>	\$ <u>64,911</u>	\$ <u>(25,603)</u>	\$ <u>(24,087)</u>	\$ <u>55,389</u>	\$ <u>11,358</u>	\$ <u>247,989</u>	\$ <u>67,921</u>
Debt service as a percentage of noncapital expenditures	23.4%	20.8%	23.4%	21.3%	25.1%	20.0%	23.0%	16.9%	15.1%	14.6%

^a Previous years' fair market value adjustment was netted with investment earnings

Town of Gilbert, Arizona
Sales Tax Collections by Category
Fiscal Years 2014 - 2016 ^a

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Construction	\$ 8,837,079	\$ 7,663,801	\$ 7,326,040
Manufacturing	939,861	882,509	1,042,710
Communications & Utilities	6,120,225	6,342,578	6,327,257
Wholesale	1,207,006	1,320,977	1,486,450
Retail	33,078,748	37,463,617	40,406,219
Restaurant & Bar	4,867,638	5,526,275	6,177,869
Real Estate, Rental & Leasing	7,952,365	8,286,878	9,290,919
Accommodation ^b	487,680	533,870	569,390
Services	1,676,438	2,018,647	2,223,706
Other ^b	505,146	629,740	784,957
Transportation & Warehousing	22,721	30,529	37,823
Finance & Insurance	398,169	438,257	557,582
Public Administration	4,311	3,020	18,977
Arts & Entertainment	674,274	652,973	858,177
Total	\$ <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%

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 recorded in the past. See Schedule 6B for fiscal years 2017 forward.

^b Effective July 1, 2020, Accommodation (Bed Tax), Accommodation (Base 1.5% Tax) and Retail - Food for Home Consumption categories have passed the confidentiality requirements and now are separately stated.

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

Town of Gilbert, Arizona
Sales Tax Collections by Category
Fiscal Years 2018 - 2023 ^a

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Accommodation (Bed Tax)	\$ 599,950	\$ 598,668	\$ 728,224	\$ 820,336	\$ 955,504	\$ 1,798,155	\$ 1,824,487
Accommodation (Base 1.5% Tax) ^b	-	-	-	-	531,419	994,743	1,012,435
Amusement	793,681	844,634	922,856	709,163	587,909	1,063,321	1,216,207
Communications & Utilities	5,625,248	5,763,531	5,707,201	5,784,555	5,860,873	5,992,184	6,586,617
Construction Contracting	9,611,076	10,833,291	13,167,940	12,919,742	12,949,937	14,942,241	16,546,790
Maintenance, Repair, Replacement & Alteration ^c	89,165	-	-	-	-	-	-
Personal Property Rental	1,392,591	1,535,298	1,706,431	1,755,690	1,973,489	2,514,789	4,042,002
Publications, Advertising & Job Printing	174,054	165,942	166,146	140,170	124,149	171,133	169,121
Rental of Commercial Property/Non-Residential	4,116,417	4,435,844	4,790,946	4,944,404	5,368,895	6,080,132	6,649,908
Residential Rental	3,367,073	3,652,056	4,238,867	4,569,549	5,149,541	6,143,339	7,818,929
Restaurant & Bar	6,974,438	7,638,319	8,549,495	8,442,741	9,968,916	13,025,145	13,606,325
Retail	49,491,813	53,366,713	57,710,844	66,602,568	66,654,843	75,134,162	79,354,172
Retail - Food for Home Consumption ^b	-	-	-	-	13,722,892	14,986,376	16,686,956
Tax License Fees ^d	14,632	13,246	9,646	-	-	-	-
Other	730,191	668,812	972,655	863,073	83,565	55,700	(3,973)
Total	\$ <u>82,980,329</u>	\$ <u>89,516,354</u>	\$ <u>98,671,251</u>	\$ <u>107,551,991</u>	\$ <u>123,931,932</u>	\$ <u>142,901,420</u>	\$ <u>155,509,976</u>
Gilbert's local sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

^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 2014 - 2016 data.

^b Effective July 1, 2020, Accommodation (Bed Tax), Accommodation (Base 1.5% Tax) and Retail - Food for Home Consumption categories have passed the confidentiality requirements and now are separately stated.

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

^d 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Town Direct Rates:										
Hotel/Transient Lodging	4.50%	4.50%	4.50%	4.50%	4.30%	4.30%	4.30%	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	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
All Others	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%

Source: Gilbert Finance & Management Services Department

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	Municipal Property Corporation Revenue Bonds			
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	4.17	1,618
2021	147,475,574	4,014,261	-	49,482,365	36,498,083	-	142,648,020	380,118,303	3.72	1,388
2022	326,043,366	2,852,466	-	34,137,804	35,633,163	-	634,385,933	1,033,052,732	9.72	3,723
2023	305,883,180	2,490,000	-	27,883,243	34,728,243	-	623,425,908	994,410,574	9.17	3,547

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.

Amounts include unamortized bond discounts/premiums.

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

Fiscal Year	General Bonded Debt Outstanding^a	Less Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Secondary Assessed Property Value^b	Limited Property Value^b	Percentage of Applicable Property Value	Per Capita
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	168,454,903	1,846,926	166,607,977	n/a	2,428,289,285	6.86	632
2021	147,475,574	1,925,381	145,550,193	n/a	2,618,569,519	5.56	552
2022	326,043,366	2,392,952	323,650,414	n/a	2,807,360,551	11.53	1,182
2023	305,883,180	2,692,144	303,191,036	n/a	2,998,786,660	10.11	1,081

^a Includes unamortized bond discounts/premiums

^b Maricopa County Assessor's Office

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, 2023

<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	5.77%	None
Maricopa County Community College District ^c	\$ 87,320,000	5.77%	\$ 5,038,364
Maricopa County Special Health District	574,205,000	5.77%	33,131,629
Gilbert Unified School District No. 41	131,680,000	68.90%	90,727,520
Higley Elementary School District No. 60	69,865,000	87.66%	61,243,659
Chandler Unified School District No. 80	329,255,555	13.33%	43,889,765
Mesa Unified School District No. 4	274,455,000	0.37%	1,015,484
East Valley Institute of Technology District No. 401 ^d	None	11.74%	None
Subtotal, overlapping debt			235,046,420
Town of Gilbert direct debt ^e	370,984,666	100.00%	370,984,666
Total direct and overlapping debt			<u>\$ 606,031,086</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 2023.

^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 Obligation bonds, 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
20% Limitation										
Debt limit equal to 20% of net full cash assessed valuation	\$ 317,092,733	\$ 346,856,631	\$ 369,065,090	\$ 395,871,854	\$ 524,748,518	\$ 566,219,031	\$ 622,820,366	\$ 695,490,004	\$ 761,061,261	\$ 821,925,801
Total net debt applicable to 20% limit	135,310,000	122,715,000	105,250,000	143,945,000	128,090,000	110,445,000	151,825,000	131,830,000	298,465,000	279,935,000
Premium adjustment	-	-	-	9,675,637	9,516,726	8,090,801	11,071,074	9,400,564	20,134,505	19,026,138
Legal 20% debt margin (available borrowing capacity)	<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>	<u>\$ 554,259,440</u>	<u>\$ 442,461,756</u>	<u>\$ 522,964,663</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	42.67%	35.38%	28.52%	38.81%	26.22%	20.93%	26.15%	20.31%	41.86%	36.37%
6% Limitation										
Debt limit equal to 6% of net full cash assessed valuation	\$ 95,127,820	\$ 104,056,989	\$ 110,719,527	\$ 118,761,556	\$ 157,424,555	\$ 169,865,709	\$ 186,846,110	\$ 208,647,001	\$ 228,318,378	\$ 246,577,740
Total net debt applicable to 6% limit	-	-	-	-	-	-	-	-	-	-
Legal 6% debt margin (available borrowing capacity)	<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>	<u>\$ 208,647,001</u>	<u>\$ 228,318,378</u>	<u>\$ 246,577,740</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%

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 & Subordinate Lien Pledged Revenue Obligations				
	Special Assessment Collections	Debt Service		Coverage		Excise Taxes & State-Shared Revenue	Debt Service		Coverage	
		Principal	Interest				Principal	Interest		
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	
2021	617,024	510,000	217,075	0.85		222,921,775	15,110,000	3,958,981	11.69	
2022	1,351,411	1,160,000	193,350	1.00		245,000,143	6,060,000	3,210,356	26.43	
2023	490,470	350,000	135,965	1.01		278,807,974	6,350,000	2,916,956	30.09	

Fiscal Year	Water and Wastewater Revenue Bonds ^c							Water Resources Municipal Property Corp. Revenue Bonds						
	Water 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		
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	
2021	83,775,290	50,449,389	33,325,901	-	-	N/A		33,325,901	8,936,917	5,295,232	7,950,000	5,487,313	3.54	
2022	84,754,618	53,871,428	30,883,190	-	-	N/A		30,883,190	9,634,948	3,022,095	8,340,000	5,089,813	3.24	
2023	112,578,635	56,403,489	56,175,146	-	-	N/A		56,175,146	7,514,174	2,187,503	8,780,000	17,453,053	2.51	

^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
2014	221,506	\$ 6,568,000	\$ 28,184	37.5	38,573	5.20 %
2015	227,217	6,962,000	30,639	32.7	37,240	4.30
2016	232,399	7,534,000	32,418	33.2	34,079	4.20
2017	247,600	8,558,000	34,565	33.1	35,449	3.70
2018	247,600	8,858,000	35,777	34.4	34,552	3.50
2019	259,386	8,775,000	33,831	35.2	33,393	3.80
2020	263,461	10,222,000	38,800	34.8	34,188	8.00
2021	273,796	10,623,000	38,800	34.8	33,055	4.90
2022	277,486	10,843,000	39,073	35.3	33,644	2.80
2023	280,391	13,680,000	48,791	36.4	33,210	3.30

Sources:

^a Fiscal years 2014 through 2016 Census.gov; fiscal years 2017 and 2018 Office of Management & Budget; fiscal years 2019-2023 Maricopa Association of Governments.

^b Estimated based on population and per capita income.

^c Fiscal years 2009 through 2015: American Community Survey; fiscal years 2016 through 2023: Census.gov
^d 2022-2023 obtained from <https://azed.gov/accountability-research/data> (School by grade tab)

^e laborstats.az.gov through fiscal year 2019; azcommerce.com fiscal years 2020 through 2023

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

<u>Employer</u>	<u>Fiscal Year 2023</u>			<u>Fiscal Year 2014</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 Public Schools	2,918	1	2.92 %	3,649	1	4.56 %
Banner Health/MD Anderson	2,539	2	2.54	2,219	2	2.77
Town of Gilbert	1,815	3	1.82	1,297	4	1.62
Fry's Food Stores	1,484	4	1.48	952	6	1.19
Higley Unified School District	1,296	5	1.30	---		---
Northrop Grumman	1,152	6	1.15	---		---
Walmart Inc. (Walmart/Sams Club)	1,111	7	1.11	470	10	0.68
Dignity Health	1,052	8	1.05	1,500	3	1.87
Deloitte	835	9	0.84	---		---
Silent Aire USA Inc	778	10	0.78	---		---
BH Drywall	---		---	997	5	1.25
GoDaddy Software, Inc.	---		---	858	7	1.07
Hunter Contracting	---		---	848	8	1.06
Chandler Unified School District	---		---	565	9	0.71
Total	<u>14,980</u>		<u>14.99 %</u>	<u>13,355</u>		<u>16.78 %</u>

Source: Maricopa Association of Governments (MAG) 2023 and 2014 Employer Database; Total Employment - Lightcast 2023 Total Jobs

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Governmental Funds</u>										
General government										
Management and policy	95.8	120.0	128.6	131.6	132.6	136.1	142.5	155.8	157.8	166.1
Finance and management services	19.0	19.0	21.0	21.0	25.0	25.5	26.5	28.5	28.5	29.0
Court	51.9	32.9	32.9	32.9	33.9	33.9	33.9	34.1	34.1	34.1
Development services	68.8	73.3	66.7	68.7	83.7	84.5	93.3	94.3	98.3	102.3
Public safety										
Police	349.0	354.0	358.0	369.0	385.5	409.5	429.5	447.5	466.5	489.5
Fire	201.0	201.0	203.0	210.0	217.0	216.0	223.0	256.6	264.6	283.6
Highways and streets	58.0	58.0	51.7	51.7	53.7	55.7	55.7	57.7	57.7	59.7
Parks and recreation	121.8	118.7	125.3	126.2	128.3	128.5	169.1	176.4	182.4	186.2
<u>Enterprise Funds</u>										
Water	118.0	116.5	125.0	130.0	131.0	133.5	135.7	135.9	136.9	141.9
Wastewater	44.7	45.4	42.5	42.5	43.5	45.5	48.5	49.5	49.5	53.5
Solid Waste	83.5	84.0	94.3	96.3	97.3	100.3	101.8	103.8	106.8	106.8
<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	29.0
Self-Insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Total	<u>1,237.5</u>	<u>1,248.8</u>	<u>1,275.0</u>	<u>1,305.9</u>	<u>1,357.5</u>	<u>1,395.0</u>	<u>1,485.6</u>	<u>1,566.1</u>	<u>1,609.1</u>	<u>1,683.7</u>

Source: Gilbert Office of Management & Budget

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	75%	n/a ^a	74%	n/a ^a	71%	79%	n/a ^a	69%	n/a ^a	n/a ^a
Number of recruitments	155	148	175	149	156	199	200	210	261	282
Employee turnover	7.5%	8.3%	9.7%	9.3%	10.3%	10.4%	9.6%	9.8%	14.6%	10.7%
Legal and court										
Case filings	28,896	29,499	32,091	29,501	26,147	24,244	20,813	21,620	19,102	23,181
% of cases charged after review	72%	71%	70%	74%	74%	70%	74%	74%	62%	76%
Development services										
Building permits issued	3,254	3,364	3,584	4,157	4,607	4,441	4,278	6,060	4,655	3,073
Value of permits issued (in millions)	\$ 472.5	\$ 496.0	\$ 553.8	\$ 532.2	\$ 531.6	\$ 746.3	\$ 607.8	\$ 702.5	\$ 441.5	\$ 424.1
Public Safety										
Police										
Number of arrests ^e	8,474	8,900	8,702	8,250	8,360	8,061	7,889	8,275	7,997	7,648
Crimes per 1,000 population	16.6	15.5	15.3	15.5	15.2	13.2	13.0	12.1	12	11
Fire										
Number of emergency calls	16,185	17,777	18,923	19,422	20,506	20,903	20,680	22,160	24,672	25,437
Response time average (enroute to on-scene) ^b	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	3 min 36 sec	3 min 53 sec	3 min 30 sec
Total dispatch time (dispatch to on scene) ^b	n/a	n/a	n/a	5 min 9 sec	4 min 48 sec	4 min 44 sec	4 min 46 sec	5 min 01 sec	5 min 08 sec	4 min 48 sec
Highways and streets										
Average pavement condition index	75	75	72	74	72	73	72	72	73	73
Parks and recreation										
Facility reservation requests ^c	16,440	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Facility reservations ^c	n/a	11,747	19,835	18,000	16,000	16,670	14,993	14,976	16,305	18,380
Participants in recreation programs ^d	52,616	62,815	69,423	71,651	98,286	113,245	133,868	34,697	122,581	124,865
Transportation										
Average daily ridership	685	687	669	679	784	668	522	296	322	385
Water										
Daily average water production (mg)	43	43	43	46	47	47	50	54	50	48
Average # of meters read per month	72,712	73,199	82,871	83,945	84,243	84,147	83,650	86,038	91,196	91,595
Number of utility locates	20,235	20,100	21,197	26,850	27,380	23,157	22,357	29,719	31,943	25,191
Wastewater										
Daily average wastewater influent (mg)	12.82	13.21	14.03	14.91	15.41	16.20	16.54	17.32	17.21	18.13
Annual effluent produced/reused (mg)	4,646	4,822	4,815	4,931	5,115	5,784	5,307	5,162	5,852	5,867
Solid Waste & Recycle (SWR)										
Solid waste tonnage	113,965	112,778	114,144	110,520	113,745	129,737	130,713	137,888	142,802	138,850
Recycle tonnage	19,851	19,418	19,894	22,567	24,058	21,120	22,325	22,252	19,131	18,944

Source: Various Town departments

^a Survey completed every other year; 2023 results not available at time of compilation

^b Beginning in 2017, the Fire Department began reporting total dispatch time instead of average time enroute to on-scene: 2023 report generated for this criteria see pdf in backup

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

^d Only includes adult sports, youth ball programs, adaptive recreation, and town-sponsored special events. Effective July 1, 2021, participants are accounted for per session instead of per meeting date.

^e Excludes warrants

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

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Public safety										
Police										
Number of police cars	180	185	217	224	251	249	263	299	309	332
Fire										
Fire stations	10	10	10	10	10	11	11	11	11	11
Highways and streets										
Street centerline miles (estimate) ^a	905	1,032	1,055	908	920	926	943	945	980	1,001
Traffic control signals	180	185	185	194	201	206	210	214	222	224
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	605	605	605	645	645	645	725	725	693	693
Water										
Miles of water main ^{b, c, d}	1,261	1,304	1,660	1,322	1,335	1,366	1,100	701	710	728
Wastewater										
Miles of wastewater main ^{b, c}	1,006	1,019	1,038	887	896	923	774	795	802	811
Solid Waste										
Garbage trucks ^e	66	67	57	56	71	63	62	63	70	73

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

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

^d Beginning in 2021, estimates were updated to exclude water mains less than 8" in diameter

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

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

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

Fiscal Year	Residential Construction ^a		Commercial Construction ^a		Other Construction ^a		Secondary Assessed Property Value ^b	Limited Property Value ^b	Maricopa County Bank Deposits ^c
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			
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
2021	2,161	495,787,159	219	103,066,452	3,680	103,670,431	n/a	2,618,569,519	158,003,339,000
2022	1,358	263,268,046	133	55,502,862	3,164	122,769,529	n/a	2,807,360,551	178,327,411,000
2023	854	332,291,531	144	34,633,762	2,075	57,173,755	n/a	2,998,786,660	163,826,070,000

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 2023**

System Development Fee Type	Beginning Balance	System Development Fees Collected	Other Revenue	Expenditures	Ending Balance
Police ^a	\$ 2,823,990	\$ 1,305,204	\$ 75,469	\$ (494,747)	\$ 3,709,916
Fire	(5,375,008)	1,351,977	-	(1,840,995)	(5,864,026) ^c
General Government	-	895,733	13,202	(908,935)	-
Parks and Recreation ^a	30,709,602	7,496,043	887,269	(3,715,393)	35,377,521
Roads ^a	10,713,179	3,173,185	292,210	(279,067)	13,899,507
Traffic Signal ^a	13,492,978	1,089,547	391,238	(999,611)	13,974,152
Water ^b	(5,926,069)	4,262,034	5,000,000	(12,813,773)	(9,477,808) ^d
Water Resources	(17,405,268)	3,252,140	-	(1,527,512)	(15,680,640) ^d
Wastewater ^a	13,500,206	2,187,503	463,653	(5,521,309)	10,630,053
Totals	\$ 42,533,610	\$ 25,013,366	\$ 7,123,041	\$ (28,101,342)	\$ 46,568,675

Equivalent Residential Unit

Wastewater system development fee - Greenfield	\$ 2,856
Wastewater system development fee - Neely	\$ 157

Source: Gilbert Finance & Management Services Department

^a The beginning balance was adjusted downward due to a misstatement in Other Revenue in the fiscal year 2022 table as a result of showing a fair market value loss as a positive amount.

^b The beginning balance was adjusted upward by \$543,084 to correct for a misstatement on the fiscal year 2022 table.

^c The negative ending balances for the fire system development fees are funded by the general fund. The general fund had a cash balance of \$298,298,337 at June 30, 2023.

^d The negative ending balance for the water and water resources system development fees are funded by the water fund. The water fund had a cash balance of \$593,522,570 at June 30, 2023.

**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
2014	\$ 18,327,289	\$ (57,876)	\$ 18,269,413	\$ 18,056,441	98.83 %	\$ (90,213)	\$ 18,237,076	\$ 179,504	\$ 18,235,945	99.99 %
2015	19,487,085	(72,483)	19,414,602	19,230,809	99.05	(128,928)	19,358,157	126,738	19,357,547	100.00
2016	19,495,256	(32,290)	19,462,966	19,286,314	99.09	(83,434)	19,411,822	124,984	19,411,298	100.00
2017	20,913,149	(80,844)	20,832,305	20,645,301	99.10	(142,292)	20,770,857	125,054	20,770,355	100.00
2018	21,667,785	(53,647)	21,614,138	21,411,196	99.06	(87,156)	21,580,629	168,611	21,579,807	100.00
2019	22,353,420	(44,819)	22,308,601	22,129,563	99.20	(100,692)	22,252,728	121,609	22,251,172	99.99
2020	24,017,440	(28,727)	23,988,712	23,702,115	98.81	(36,693)	23,980,747	277,445	23,979,560	100.00
2021	25,917,731	(28,414)	25,889,316	25,661,002	99.12	(50,547)	25,867,184	205,093	25,866,095	100.00
2022	27,784,120	(87,560)	27,696,560	27,432,417	99.05	(91,415)	27,692,705	257,339	27,689,756	99.99
2023	29,686,793	(85,585)	29,601,208	29,316,884	99.04	(85,585)	29,601,208	-	29,316,884	99.04

Source: Maricopa County Assesor

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2023**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Limited Property Valuation</u>	<u>As % of Gilbert's Total Limited Property Valuation</u>
Westcor SanTan Village LLC	Shopping Center	\$ 32,814,606	1.09 %
LIV Northgate LLC	Real Estate Development / Holdings	10,783,113	0.36
American Furniture Warehouse Co	Retail	7,622,800	0.25
SP TIC 3 LLC/SP TIC 2 LLC/SP TIC 1 LLC/EtAl	Real Estate Development / Holdings	7,053,178	0.24
USCIF Artis Park Lucero Venture	Real Estate Development / Holdings	6,621,633	0.22
LCG2 Santan Apts LLC	Real Estate Development / Holdings	6,508,175	0.22
Frankel Family Trust	Real Estate Development / Holdings	6,281,579	0.21
TGA Germann Road Apartments LLC	Real Estate Development / Holdings	5,966,173	0.20
BCI IV Gilbert Commerce Park LLC	Real Estate Development / Holdings	5,846,617	0.19
IH6 Property Phoenix LP	Real Estate Development / Holdings	5,737,828	0.19
Southwest Gas Corporation	Utility	5,633,045	0.19
Gilbert Gateway Towne Center Holdings LLC	Real Estate Development / Holdings	5,412,224	0.18
Target Corporation	Retail	5,337,811	0.18
Breit Olympus MF Redstone LLC	Real Estate Development / Holdings	5,263,564	0.18
410 Rivulon Boulevard LLC	Real Estate Development / Holdings	5,209,037	0.17
Breit Olympus MF Vistara LLC	Real Estate Development / Holdings	5,087,963	0.17
Williams Field Development LLC	Real Estate Development / Holdings	5,069,728	0.17
AZ Flats at San Tan Apartments LLC	Real Estate Development / Holdings	5,049,130	0.17
Vestar Crossroads Gilbert LLC	Real Estate Development / Holdings	5,018,825	0.17
Acero Val Vista LLC	Real Estate Development / Holdings	4,997,635	0.17
Epicenter Residential Owner	Real Estate Development / Holdings	4,944,568	0.16
Smiths Food & Drug Centers Inc	Retail	4,895,982	0.16
Eastgroup Properties LP	Real Estate Development / Holdings	4,787,758	0.16
Sy Gilbert Commons I LLC	Real Estate Development / Holdings	4,716,852	0.16
		<u>\$ 166,659,824</u>	<u>5.56 %</u>

Source: Maricopa County Assessor. Top taxpayers based on Net Assessed Limited Property Value of Real and Secured Personal Property for tax year 2023.

Notes:

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

Only the top 24 taxpayer's information was available at the time of this report.



gilbert



**Gilbert, Arizona
Finance & Management Services**

**50 East Civic Center
Drive Gilbert, AZ 85296**

(480) 503-6000 | gilbertaz.gov