

Town of Gilbert, Arizona Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

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Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2012



John W. Lewis, Mayor

John Sentz, Vice Mayor
Eddie Cook, Council Member
Ben Cooper, Council Member

Jenn Daniels, Council Member
Victor Petersen, Council Member
Jordan Ray, Council Member

Patrick Banger, Manager

Prepared by the Finance Department

Cindi Mattheisen, Finance Director

**TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2012**

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Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



December 11, 2012

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

I am pleased to submit to you the ***Comprehensive Annual Financial Report (CAFR)*** for the Town of Gilbert (Gilbert), for the fiscal year ended June 30, 2012. State law (Arizona Revised Statutes §9-481) requires that local governments publish a complete set of audited financial statements within six months of the close of each fiscal year.

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

Heinfeld, Meech & Company, a firm of licensed certified public accountants, has issued an unqualified opinion on Gilbert's financial statements for the year ended June 30, 2012. The independent auditors' report is located in the Financial Section of this report.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found in the Financial Section of this report.

GILBERT PROFILE

Governmental Structure

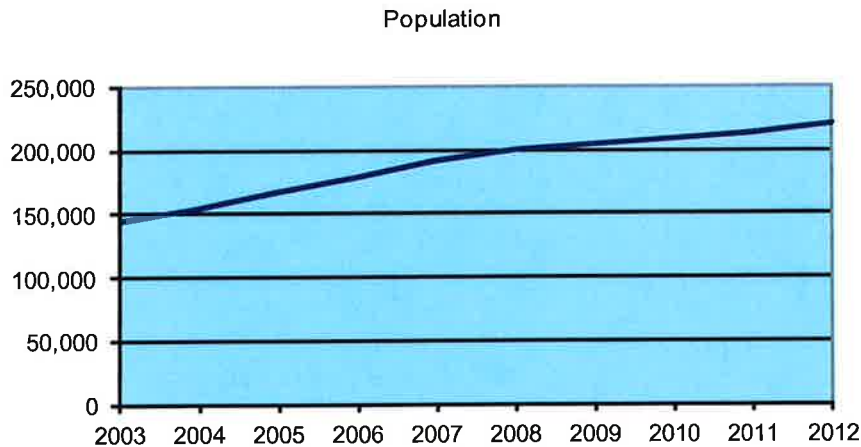
Gilbert is an Arizona Municipal Corporation, operating as a general law community as prescribed in the Arizona Revised Statutes. Gilbert was incorporated July 6, 1920, and operates under the Council-Manager form of government. The Mayor is a member of the Council and is elected by the voters for a four-year term. Six additional council members are elected at large to staggered four-year terms.

The Mayor is the chief executive officer and chairperson of the Council. The Town Manager (Manager) is appointed by the Council and serves as the chief administrative officer. During fiscal year 2012, the Manager administered Gilbert's operations through a staff of 1,188 budgeted full time equivalent positions.

Gilbert provides or administers a full range of services including police and fire protection, development services, public works (water, wastewater, solid waste, streets), and community services (parks, recreation, libraries, culture and arts, social services). Transit and "dial-a-ride" services are provided through an intergovernmental agreement with the Regional Public Transportation Authority. Library services, incarceration and animal control are provided through intergovernmental agreements with Maricopa County. Gilbert also has a Riparian Institute which provides educational and recreational experiences at the Riparian Preserve, which is one of Gilbert's three reclaimed water recharge facilities.

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 73 square miles. The most recent estimate of population as of July 1, 2012, was 219,617 (this estimate is from the Maricopa Association of Governments), an increase of 3% from fiscal year 2011. The following graph depicts the ten-year population trend for Gilbert.



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

There were 2,337 new residential permits and 183 commercial permits issued in fiscal year 2012 which represents an increase of 1,207 residential and an increase of 3 commercial permits from the prior fiscal year. The total value of all new construction in fiscal year 2012, including commercial, was \$478 million, up from \$239 million in fiscal year 2011, but still down significantly from over \$1 billion in each of the peak growth years of 2004 and 2005.

System Development Fees (SDF's) are collected for capital needs related to growth in the community. The Council has adopted SDF's for police, fire, general government, traffic signals, parks and recreation, water resources, water, and wastewater. The fees are based on build-out system requirements to serve the projected population and land uses. During fiscal year 2012, a total of \$51 million was collected in SDF's compared to \$24 million in fiscal year 2011.

Economic Development

With over 219,000 residents, Gilbert, Arizona is a clean, safe and vibrant community and nationally recognized as the 33rd best place to live in the nation (CNN/Money Magazine, 2012); 5th safest community in the nation (Business Insider, 2011); and was the recent recipient of the Freedom Award, the highest recognition given by the U.S. Secretary of Defense to organizations for the support of their employees who serve in the National Guard and Reserve. Gilbert is an educated community with 35.8% of its residents holding a bachelor's degree or higher, compared with 28.1% nationally. While the national unemployment rate has hovered around 8%, Gilbert's unemployment rate as of August 2012, is 5.5% as compared to the state of Arizona's unemployment of 8.3%.

In calendar years 2011 and 2012, Gilbert outpaced every municipality in the Phoenix metropolitan area for the issuance of single family residential building permits. Gilbert issued 1,545 residential permits in calendar year 2011 in comparison to 1,019 permits for the City of Phoenix. At the end of September 2012, Gilbert issued 2,007 residential permits compared to 1,279 permits for the City of Phoenix. Currently, Gilbert has an existing commercial portfolio of 7.5 million square feet of industrial space; 9.8 million square feet of retail space; and 3.5 million square feet of office space with the majority of office space constructed within the past five years. Major employers include Go Daddy, Mapfre Insurance, Unicon, Orbital Sciences, Lockheed Martin, Banner Health, Dignity Health and the newly constructed Banner MD Anderson Cancer Center.

During fiscal year 2011, Gilbert was selected as the new home for Banner MD Anderson Cancer Center. This state-of-the-art facility is ranked number one in cancer treatment and research in the nation by *US News and World Report*. Banner MD Anderson invested \$109 million and opened a 133,000 square foot facility on the campus of Banner Gateway Medical Center. This is the largest MD Anderson facility outside of Houston, Texas. Conceptual plans were announced in fiscal year 2012 for a 480,000 square foot expansion to the existing facility. A tentative construction completion date for the expansion is projected for mid-year 2014. In addition to Banner MD Anderson, the U.S. Veteran's Administration recently selected Gilbert for the construction of a 77,000 square foot VA Clinic. The facility completion date is scheduled for late 2013. The expansion of Banner MD Anderson and the future construction of the VA Clinic will enhance Gilbert's positioning as a science and technology based community. Orbital Sciences Corporation (NYSE: ORB), one of the world's leading space technology companies, recently announced that it has signed a systems integration and test contract with Thales Alenia Space, the prime contractor for Iridium NEXT, the next-generation satellite constellation of Iridium Communications Inc. (Nasdaq:IRDM) of McLean, Va. Under the new contract, Orbital will integrate the communications payloads and platforms of the low-Earth orbit Iridium NEXT satellites being built by Thales Alenia, and then test the systems at its manufacturing facility in Gilbert, Arizona. The company's primary products are satellites and launch vehicles, including low-Earth orbit, geosynchronous-Earth orbit and planetary exploration spacecraft for communications, remote sensing, scientific and defense missions; human-rated space systems for Earth-orbit, lunar and other missions; ground- and air-launched rockets that deliver satellites into orbit; and missile defense systems that are used as interceptor and target vehicles. Orbital also provides satellite subsystems and space-related technical services to U.S. Government agencies and laboratories.

Economic development activity and growth in 2012 was a record fiscal year for Gilbert's Office of Economic Development. Business locates and expansions totaled 27 projects which included a capital investment of over \$150 million. As a result, over 704,993 square feet of office, industrial and retail space were absorbed and 1,471 jobs were added to the local economy with an average yearly salary of \$55,209. Gilbert's job-based economic development strategy specifically identifies science and technology; aerospace and defense; advanced manufacturing; clean technology and renewable energy; and advanced business services.

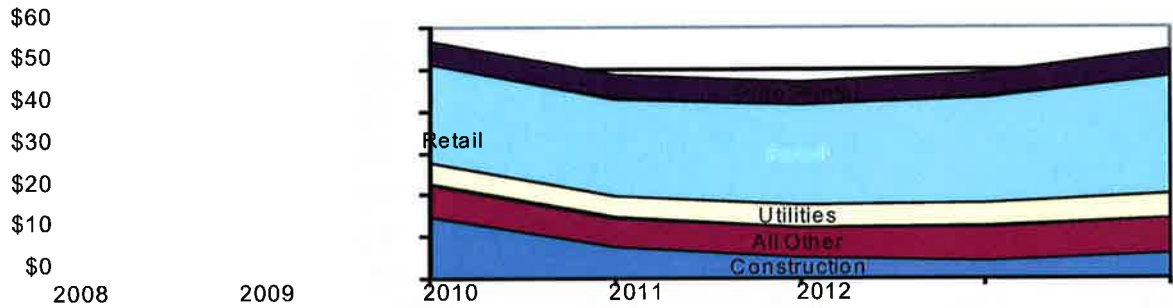
Gilbert's knowledge assets include Arizona State University (ASU) Polytechnic Campus, Chandler-Gilbert Community College, A.T Stills University as well as over 64 other colleges, universities and technical schools within a 30-minute commute. Gilbert is also home to Campo Verde High School which has the largest Project Lead the Way: Biomedical Sciences Program in the country.

Gilbert's connectivity to major markets is provided through a comprehensive transportation network which includes the Santan Loop 202 and US-60 Superstition Freeways, Sky Harbor International Airport, and Phoenix-Mesa Gateway Airport. This robust transportation network provides access to Gilbert-based enterprises while providing reliable and accessible modes of transportation to local, national and international markets. Both the Loop 202 and US-60 are 6 lane divided highways that connect to Interstate 10. Located just over 10 miles west of Gilbert, Phoenix Sky Harbor Airport is served by 17 major airlines. In 2010, Sky Harbor was the 10th busiest airport in the US and the 14th busiest airport in the world. Sky Harbor cargo facilities handle over 600 tons of freight a day. Phoenix-Mesa Gateway Airport is located on Gilbert's eastern border and handles one million passengers yearly with flights to 32 destinations throughout the United States. The airport also provides air cargo services and is located within a Foreign Trade Zone for duty free business activities and commerce.

Transaction Privilege (Sales) Tax Trend

Sales tax revenues represented 49% of General Fund revenues for fiscal year 2012, totaling approximately \$54.5 million. Local sales taxes are collected by the Arizona Department of Revenue and remitted to Gilbert weekly. The following graph depicts sales tax receipts by source for the past five years.

Privilege Tax by Source
(Millions)



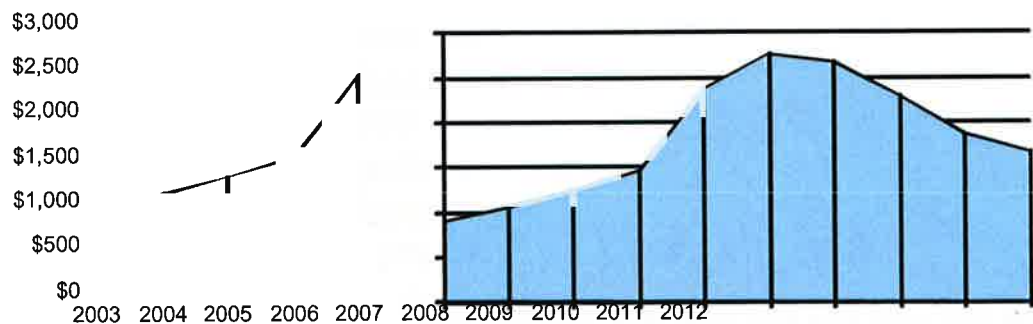
Property Taxes

Gilbert’s property tax rate is \$1.15 per \$100 of secondary assessed valuation and is used exclusively for the payment of voter approved general obligation bond debt. Gilbert does not levy a primary property tax for general operating purposes.

Assessed Valuation

The assessed 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 secondary assessed valuation. Taking the market value of a property and applying the statutory assessment rate derives the assessed value. Residential properties are assessed at 10%, vacant land is assessed at 16%, and commercial properties are assessed at 21% (2004 legislation decreases the commercial property rate 0.5% a year from 25% in 2004 to 20% in 2014). This illustrates how crucial the additions of commercial properties are to the tax base. The assessed valuation decreased by 10% in fiscal year 2012 from \$1.861 billion to \$1.675 billion. The following graph depicts the changes in the assessed valuation in Gilbert for the past ten years:

Secondary Assessed Value
(Millions)



State Shared Revenues

State shared revenues totaled \$34 million for the General Fund and \$17 million for the Streets Special Revenue Fund in fiscal year 2012, representing approximately 31% of total General Fund revenues and 97% of total Streets Special Revenue Fund revenues. State shared revenues include allocations of state sales tax, income tax, gas tax, motor vehicle in-lieu tax, and lottery funds. These revenues are shared based upon relative population in the State as determined by census. The 2010 Census established the population at 208,453 compared to 173,072 from the mid-decade census in September 2005.

Budget and Financial Policies

The Town'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 - The Town 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 the Town is at all times in solid financial condition, defined as:

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 the Town is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.

Transparency and Communication – To utilize best practices in communicating financial information to facilitate sound decision-making, to promote openness and transparency, and to inspire public confidence and trust.

Adherence to the Highest Accounting and Management Practices – As set by the Governmental Accounting Standards Board and the Government Finance Officers Association (GFOA) standards for financial reporting and budgeting.

A five-year financial plan is developed for each operating fund and current year decisions are made with a forecasted future impact. Other financial policies that guide the budget include: maintaining a minimum General Fund balance sufficient to cover 90 days of operating expenditures and the annual debt service payments; one-time revenues are not applied toward ongoing expenditures; and establishment of an economic development reserve. The Town Council adopted a comprehensive listing of policies of responsible financial management in November of 2011.

Long-Term Financial Planning

In addition to the Town's General Plan and Capital Improvement Program, the Town is developing infrastructure inventories (including repair and replacement plans) and functional area master plans. The Town also has a total of six strategic initiatives as follows: Long and Short-Term Financial Plans, Community Livability, Technology Leader, Economic Development, Proactive Infrastructure, and High Performing Government, which will be discussed in more detail throughout the document. We have implemented FranklinCovey's Four Disciplines of Execution, providing an exceptional tool for advancing these goals while managing the challenges of the whirlwind. The Town is updating its Long-Term Financial Plan according to the GFOA guidelines offered in the book *Financing the Future* by Shayne Kavanagh.

The key components include:

- Fiscal Environment Analysis (SWOT)
- Long-Term Revenue Forecasting
- Long-Range Expenditure Forecasting
- Debt Analysis
- Financial Balance Analysis
- Financial Strategies Development
- Transition and Implementation
 - Education
 - Policies

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gilbert for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the 21st consecutive year that Gilbert has received this prestigious award. In order to be awarded a Certificate of Achievement, we must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, Gilbert also received the GFOA's Distinguished Budget Presentation Award for our annual budget document. In order to qualify for this award, our budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device. Gilbert has received this award thirteen consecutive years.

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 Florence Shultz, Accounting Administrator, and Dana Faulisi, 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.

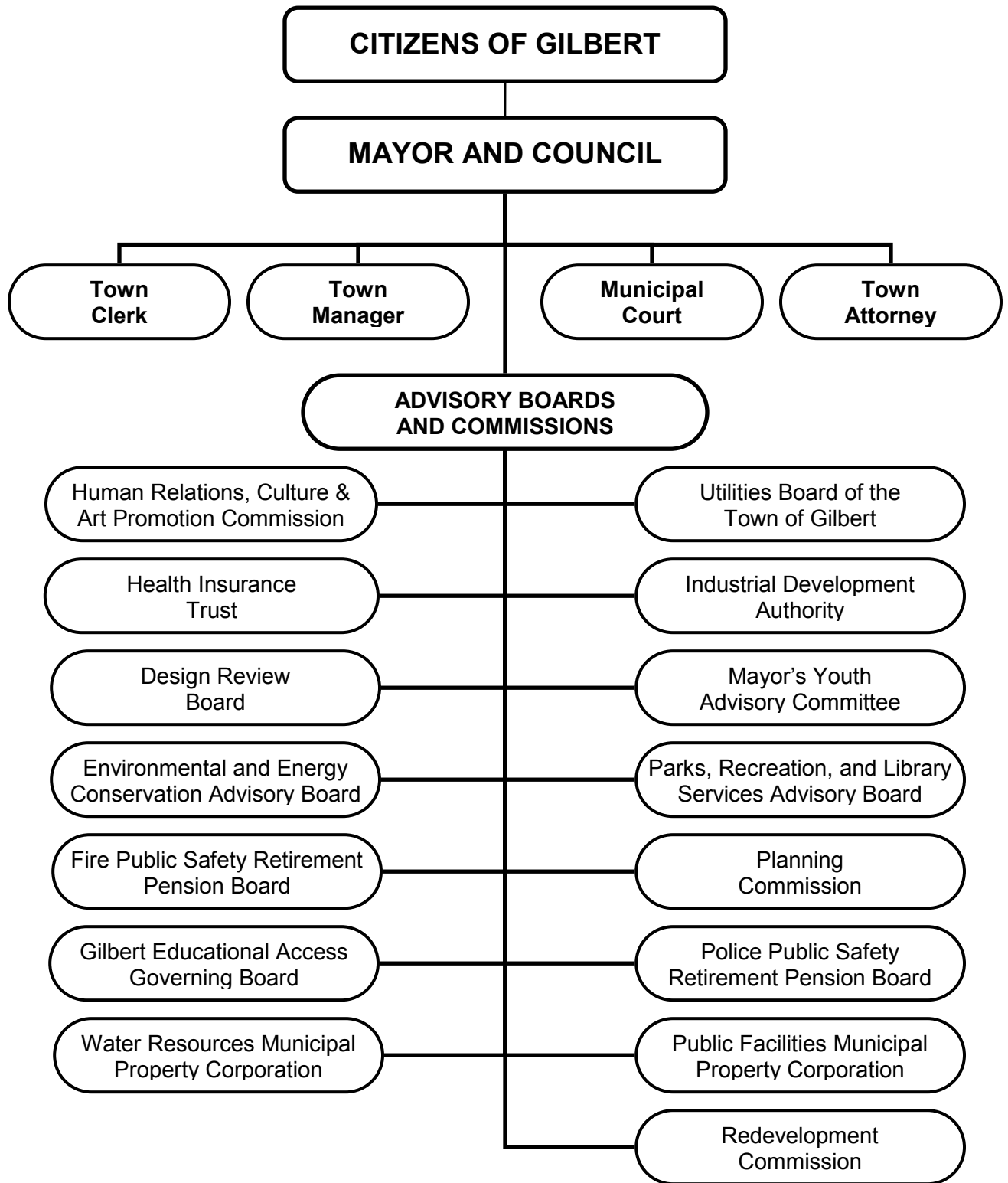
Respectfully submitted,



Cindi Mattheisen, CPA
Finance Director

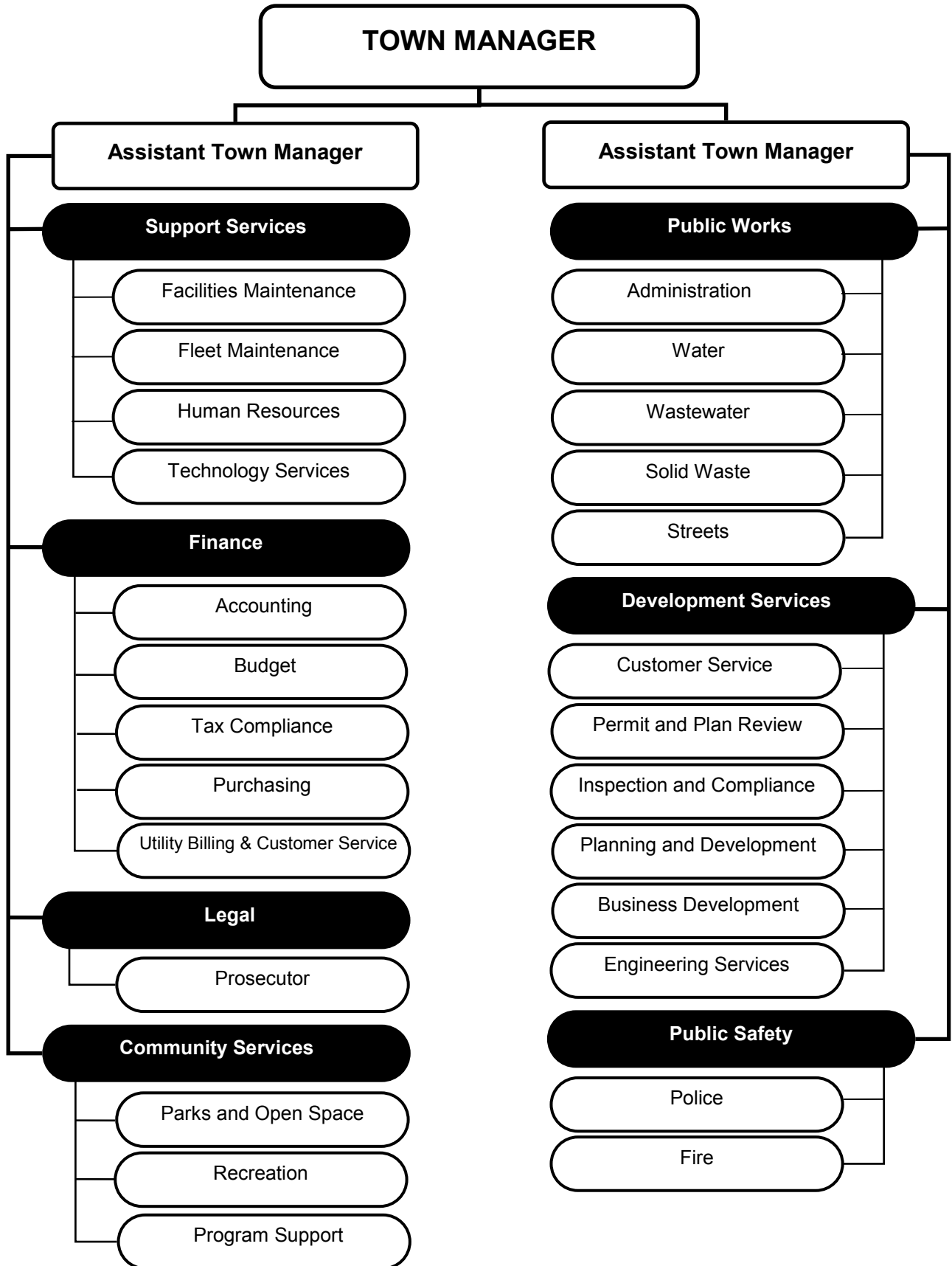


Advisory Organization Chart





Organization Report Chart



Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

**Combining and Individual Fund Statements
and Schedules**

INDEPENDENT AUDITORS' REPORT

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

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 the Town of Gilbert, Arizona (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Streets Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The accompanying supplementary information such as the Introductory Section, Combining and Individual Fund Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining and Individual Fund Statements and Schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 11, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Gilbert (Gilbert), we offer this narrative overview and analysis of Gilbert's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with information provided in the transmittal letter.

Financial Highlights

- Gilbert's assets exceeded its liabilities at the end of the fiscal year by \$1.5 billion. Included in this amount defined as net assets is \$319 million of unrestricted net assets, of which \$144 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$175 million which may be used to fund ongoing operations in future years.
- Net assets includes a \$696 million net investment in capital assets such as streets, park land, and municipal buildings and a \$316 million net investment in water, wastewater and solid waste infrastructure and equipment.
- The combined fund balance for all governmental funds is \$182 million, of which \$58 million is unrestricted.
- The General Fund unrestricted fund balance is \$55 million, of which \$10.8 million has been assigned for capital replacement.
- The remaining General Fund unassigned balance of \$44 million is approximately 45% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$485 million, as compared to \$544 million at the end of fiscal year 2011.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Gilbert's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The **government-wide financial statements** are designed to provide readers with a broad overview of the finances of Gilbert as a whole, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of Gilbert's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets from the previous year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Gilbert that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover a majority or all of their costs through user fees and charges (*business-type activities*). The *governmental activities* of Gilbert include general government, public safety, highways and streets, culture and recreation, redevelopment and transportation. The *business-type activities* include water, wastewater, solid waste, and irrigation operations.

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

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. Gilbert, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of Gilbert's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at fiscal year end. This information may be useful in evaluating a government's near-term financing ability.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Gilbert's near-term financing decisions. To facilitate this comparison, reconciliations are provided with the fund financial statements.

The basic governmental fund financial statements can be found on pages 18-27.

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, copy service operations, and employee health and dental self-insurance. The assets and liabilities of the internal service funds are included in the governmental activities column of the government-wide statement of net assets. 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 93-99.

The proprietary fund statements can be found on pages 28-33.

Fiduciary Funds

Fiduciary funds account for resources held for the benefit of parties outside the government. These funds are not included in the government-wide statements as these funds are not available to support Gilbert's operations.

The fiduciary fund statements can be found on pages 34-35.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to 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 37-67.

Government-wide Financial Analysis

Net assets serve as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets as of June 30, 2012 and 2011.

Town of Gilbert						
Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 238,239,389	\$ 252,415,829	\$ 322,483,617	\$ 303,763,671	\$ 560,723,006	\$ 556,179,500
Capital assets	971,493,653	982,750,500	448,330,984	451,437,195	1,419,824,637	1,434,187,695
Total assets	1,209,733,042	1,235,166,329	770,814,601	755,200,866	1,980,547,643	1,990,367,195
Long-term liabilities	341,629,298	364,026,397	135,318,490	162,643,002	476,947,788	526,669,399
Other liabilities	36,628,891	49,466,153	11,754,773	11,857,295	48,383,664	61,323,448
Total liabilities	378,258,189	413,492,550	147,073,263	174,500,297	525,331,452	587,992,847
Net assets:						
Invested in capital assets, net						
of related debt	695,984,256	705,986,213	316,268,041	294,516,202	1,012,252,297	1,000,502,415
Restricted	52,217,239	38,404,141	71,375,688	76,504,052	123,592,927	114,908,193
Unrestricted	83,273,358	77,283,425	236,097,609	209,680,315	319,370,967	286,963,740
Total net assets	\$ 831,474,853	\$ 821,673,779	\$ 623,741,338	\$ 580,700,569	\$ 1,455,216,191	\$ 1,402,374,348

Net assets consist of three components. The largest portion of Gilbert's net assets (70%) 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 assets (8%) represents resources that are subject to external restrictions on how they may be used. The remaining \$319 million of unrestricted net assets (22%) includes \$144 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$175 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2012 increased Gilbert's net assets by \$10 million, accounting for 18.5% of the total growth in net assets. 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 95.5% of total revenues for governmental activities. Taxes (local and state-shared) were \$114 million, an increase of \$4 million (3.5%) from the prior year. Program revenues were \$64 million, an increase of \$2 million from the prior year which was due to the increase in charges for services. It should be noted that \$2 million of the total program revenues represent capital contributions from developers of street related infrastructure; and, therefore, were not cash revenues available to cover operating expenses.

The other component of the change in net assets is expenses. The largest expense functions were public safety which represented 37%, and highways and streets which represented 25% of total governmental activities expenses. Total expenses increased \$4.8 million (3%) over the prior fiscal year. A portion of this increase was due to a \$1.7 million increase in depreciation for the highways and streets function.

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

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 17,013,296	\$ 12,537,148	\$ 77,355,779	\$ 74,837,971	\$ 94,369,075	\$ 87,375,119
Operating grants and contributions	21,044,646	21,167,633	-	-	21,044,646	21,167,633
Capital grants and contributions	26,060,002	28,002,037	37,221,712	18,324,573	63,281,714	46,326,610
General revenues:						
Sales taxes	54,513,265	49,248,759	-	-	54,513,265	49,248,759
Property taxes	21,502,322	25,796,000	-	-	21,502,322	25,796,000
State-shared sales taxes	16,288,580	13,787,266	-	-	16,288,580	13,787,266
State-shared income taxes	17,593,587	17,280,849	-	-	17,593,587	17,280,849
Other taxes	3,793,777	3,752,492	-	-	3,793,777	3,752,492
Grants and contributions not restricted to specific programs	1,349,124	863,570	-	-	1,349,124	863,570
Unrestricted investment earnings	1,909,629	2,137,352	1,244,149	1,011,691	3,153,778	3,149,043
Other	4,922,205	355,415	1,803,403	2,380,172	6,725,608	2,735,587
Total revenues	185,990,433	174,928,521	117,625,043	96,554,407	303,615,476	271,482,928
Expenses						
Management and policy	2,982,636	3,109,759	-	-	2,982,636	3,109,759
Support services	8,632,288	8,503,492	-	-	8,632,288	8,503,492
Financial services	1,216,418	1,286,659	-	-	1,216,418	1,286,659
Legal and court	5,409,709	5,126,039	-	-	5,409,709	5,126,039
Development services	8,551,083	8,201,314	-	-	8,551,083	8,201,314
Police	40,466,828	38,868,835	-	-	40,466,828	38,868,835
Fire	24,906,506	24,473,377	-	-	24,906,506	24,473,377
Highways and streets	43,437,623	40,440,136	-	-	43,437,623	40,440,136
Community services	19,931,592	19,763,971	-	-	19,931,592	19,763,971
Transportation	1,268,998	1,009,897	-	-	1,268,998	1,009,897
Non departmental	2,910,114	2,194,132	-	-	2,910,114	2,194,132
Interest and fiscal charges on long-term debt	15,785,320	17,674,873	-	-	15,785,320	17,674,873
Water	-	-	37,694,869	36,863,531	37,694,869	36,863,531
Wastewater	-	-	22,661,900	23,038,634	22,661,900	23,038,634
Solid waste	-	-	14,917,749	14,254,817	14,917,749	14,254,817
Total expenses	175,499,115	170,652,484	75,274,518	74,156,982	250,773,633	244,809,466
Increase in net assets before transfers	10,491,318	4,276,037	42,350,525	22,397,425	52,841,843	26,673,462
Transfers	(690,244)	537,225	690,244	(537,225)	-	-
Increase in net assets	9,801,074	4,813,262	43,040,769	21,860,200	52,841,843	26,673,462
Net assets, beginning of year	821,673,779	816,860,517	580,700,569	558,840,369	1,402,374,348	1,375,700,886
Net assets, end of year	\$ 831,474,853	\$ 821,673,779	\$ 623,741,338	\$ 580,700,569	\$ 1,455,216,191	\$ 1,402,374,348

Business-type Activities

Development related growth increased Gilbert's net assets for business-type activities in fiscal year 2012 by \$43 million including \$33 million in system development fee collections and \$4.5 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities increased \$21 million from the prior year mainly due to the increase in capital contributions of \$19 million. Expenses increased \$1 million (1.5%) from the prior year.

Financial Analysis of Gilbert's Funds

As noted earlier, Gilbert maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. Such information is useful in assessing Gilbert's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Gilbert operated and separately reported the following major governmental funds:

- General Fund
- Streets Special Revenue Fund
- General Debt Service Fund
- Special Assessments Debt Service Fund
- Streets and Transportation Capital Projects Fund
- Municipal Facilities Capital Projects Fund
- Parks, Open Space and Recreation Capital Projects Fund

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

As of the end of fiscal year 2012, the governmental funds reported combined ending unrestricted fund balances of \$58 million, an increase of \$6 million in comparison with the prior fiscal year.

Town of Gilbert
Governmental Funds - Fund Balances
As of June 30, 2012

	Restricted	Unrestricted	Total
General	\$ -	\$ 55,047,204	\$ 55,047,204
Streets Special Revenue	10,700,623	4,752,017	15,452,640
General Debt Service	9,335,818	853,801	10,189,619
Special Assessments Debt Service	64,017	-	64,017
Streets and Transportation Capital Projects	46,753,842	20,212,551	66,966,393
Municipal Facilities Capital Projects	6,867,888	(23,114,131)	(16,246,243)
Parks, Open Space and Recreation Capital Projects	14,646,416	-	14,646,416
Other Governmental Funds	12,203,351	256,064	12,459,415
Total Fund Balances	\$100,571,955	\$ 58,007,506	\$ 158,579,461

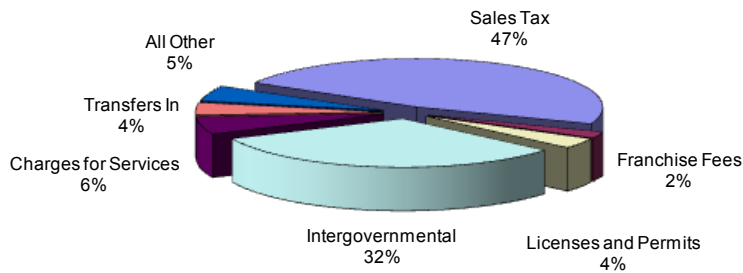
General Fund

The General Fund is the primary operating fund. At the end of fiscal year 2012, the fund balance of the General Fund was \$78.3 million, an increase of \$11.7 million from the prior year mainly due to the increase in local sales tax and intergovernmental revenue. The unrestricted portion of the fund balance was \$55 million, of which \$10.8 million has been assigned for capital replacement. As a measure of the General Fund’s liquidity, it may be useful to compare its available fund balance to total fund expenditures. The General Fund’s unassigned fund balance represents 45% of total General Fund expenditures for the current year.

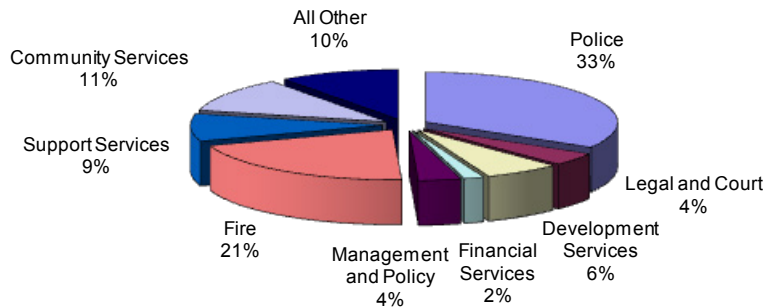
Key elements of General Fund sources and uses are as follows:

- Overall, revenues exceeded expenditures in the General Fund by \$12.9 million; however, transfers to other funds (net) were \$1.2 million resulting in an increase in fund balance of \$11.7 million. The transfers out included \$5.7 million for general debt obligations.
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 83% of the total revenues.
- Local sales tax, which accounts for almost half of total General Fund revenues, increased \$5.2 million (10.5%) from the prior fiscal year due to the economic recovery.
- Intergovernmental revenue increased \$2.6 million (8%) from the prior fiscal year mainly due to increased state shared income tax revenue.
- Public safety expenditures which comprise over half of the total General Fund expenditures increased \$2.4 million (4.5%) over the prior fiscal year mainly due to filling vacant positions.
- Development services, financial services and community services expenditures all slightly increased in total by \$1.2 million over the prior fiscal year mostly due to an increase in personnel costs.

**General Fund Sources
\$115.1 Million**



**General Fund Uses
\$103.4 Million**



Streets Special Revenue Fund

The Streets Fund revenues include state shared revenues which are highway user revenues, vehicle license taxes and lottery funds. The gasoline taxes and lottery funds are required by state statute to be used for transportation purposes. The vehicle license tax has been designated by Council to fund the preventive maintenance activities of the Streets Fund. Total revenues decreased \$430 thousand (2%) from the prior year. This was primarily due to decreased county intergovernmental revenue of \$1.6 million and was offset by increased auto lieu taxes revenue of \$834 thousand. Total expenditures increased by \$299 thousand (3%) due to increased capital outlay expenditures. In total, revenues exceeded expenditures by \$6.5 million; however, there were \$3.6 million in transfers to other funds including \$3 million to the Debt Service Fund, resulting in a \$3 million (23%) increase in fund balance.

Other Major Governmental Funds

General Debt Service. The fund balance increased by \$3.3 million during the year due. This was primarily due to the current year property tax revenues of \$21.6 million and transfers in from other funds of \$19.7 million offset by the debt service requirements of \$38.5 million. The remaining fund balance of \$10.2 million will be used to fund future debt service payments on voter approved general obligation bonds.

Special Assessments Debt Service. The fund balance of \$64 thousand is all restricted to pay future debt service requirements on special assessment bonds.

Streets and Transportation Capital Projects. The fund balance decreased by \$20.7 million to \$67 million. Current year expenditures exceeded revenues by \$20.9 million but this deficit was covered by existing fund balance.

Municipal Facilities Capital Projects. The fund balance decreased by \$2.3 million during the year from a deficit of \$13.8 million to a deficit of \$16.2 million. The deficit will be covered by future collections of system development fees.

Parks, Open Space and Recreation Capital Projects. The fund balance increased by \$6.4 million to \$14.6 million. Current year revenues of \$12.6 million exceeded expenditures of \$378 thousand; however, there were \$5.9 million in transfers to other funds which included \$5.3 million to the General Debt Service Fund.

Nonmajor Governmental Funds

All nonmajor governmental funds are combined into one column on the governmental fund statements. The combined fund balance of these funds decreased \$1.4 million (10%) to a balance at year end of \$12.5 million. Nonmajor funds represent 6.9% of the total governmental fund balance.

Proprietary Funds

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

- Water Fund
- Wastewater Fund
- Solid Waste Fund

Water Fund

The Water Fund is responsible for producing and distributing potable water that meets all county, state and federal drinking water standards. The water system is sized and pressured to provide adequate fire suppression to the entire Town and operates two surface water treatment facilities capable of producing 57 million gallons per day (mgd) and 19 ground water wells capable of producing 43.5 mgd. Net assets increased by \$22.3 million to \$329.7 million due primarily to capital contributions of \$20.2 million, including \$17.5 million in system development fees and \$2.7 million in distribution lines contributed by developers. Operating income was \$7.7 million.

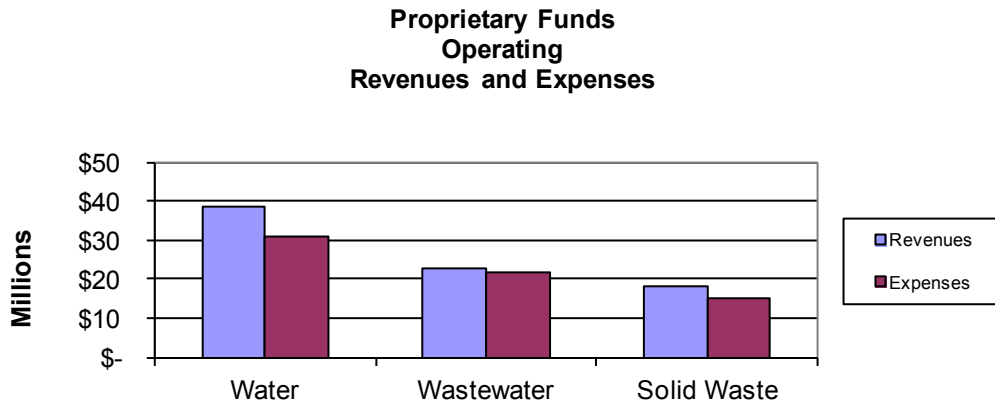
Wastewater Fund

The Wastewater Fund provides collection, treatment, and recharge services to residents and businesses in Gilbert. The services also include the storage and distribution of effluent (treated wastewater). Net assets increased \$17.7 million to \$267.7 million due primarily to capital contributions of \$17 million, including \$15.2 million in system development fees and \$1.8 million in collection lines contributed by developers. Operating income was \$1 million.

Solid Waste Fund

Gilbert operates the Solid Waste Fund to provide residential and commercial refuse collection and residential recycling services. Residential services are provided exclusively by Gilbert, while the commercial service competes with the private sector for customers. Net assets increased by \$3.4 million to \$25.5 million primarily from operating income.

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



General Fund Budgetary Highlights

Differences between the original adopted budget and the final amended budget were less than 1% reflecting an increase of \$516 thousand. The final amended budget projected that expenditures would exceed revenues by \$2 million and included \$5.2 million in net transfers to other funds resulting in a \$7.1 million reduction to fund balance per the budget.

During the year actual revenues exceeded the budgeted amount by \$11.1 million (11%) mainly due to higher than expected local sales taxes. Actual expenditures were less than budgeted by \$3.7 million (4%) mainly due to lower than expected public safety and capital outlay expenditures. This resulted in an excess of revenues over expenditures of \$14.9 million more than budgeted, resulting in the actual net change in fund balance being \$18.8 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2012, Gilbert had invested \$1.4 billion in capital assets. Major capital assets completed during the fiscal year included the following:

Governmental Activities

- Streets and traffic signal projects totaling \$38 million.
- New fire station totaling \$4 million.
- Developer contributions of street related infrastructure valued at \$2 million.

Business-type Activities

- Developer contributions of water and wastewater infrastructure valued at \$4.5 million.
- Completed water system improvements totaling \$8.8 million and wastewater system improvements totaling \$376 thousand.

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2012 and 2011.

Town of Gilbert Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 173,438,077	\$ 171,914,361	\$ 50,703,249	\$ 45,923,688	\$ 224,141,326	\$ 217,838,049
Construction-in-progress	18,101,080	31,286,075	3,044,140	3,513,610	21,145,220	34,799,685
Buildings	157,411,702	161,991,163	-	-	157,411,702	161,991,163
Improvements	40,639,819	42,864,775	-	-	40,639,819	42,864,775
Plant, Machinery & Equip	15,607,655	18,761,468	84,114,653	89,882,320	99,722,308	108,643,788
Water Rights	-	-	7,552,162	7,650,454	7,552,162	7,650,454
Infrastructure	566,295,320	555,932,658	302,916,780	304,467,122	869,212,100	860,399,780
Total Capital Assets	\$ 971,493,653	\$ 982,750,500	\$ 448,330,984	\$ 451,437,194	\$ 1,419,824,637	\$ 1,434,187,694

Total governmental capital assets decreased \$11 million and business-type capital assets decreased \$3 million. The majority of the decrease can be attributable to increased depreciation as assets get older, less capital projects being started and the removal of obsolete or auctioned machinery and equipment assets.

See Note 6 on pages 50-52 for further information regarding capital assets.

Long-term Debt. At June 30, 2012, Gilbert had total bonded debt obligations of \$320 million related to governmental activities and \$138.2 million in business-type activities; \$151.4 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$11 million is special assessment bonds secured by a lien against the land of the benefited property owners in Improvement Districts #19 and #20; and all other outstanding debt is secured by pledges of specific revenue sources.

The Arizona Constitution and State Statutes limit a municipality's bonded debt capacity to certain percentages of its secondary assessed 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 secondary assessed valuation. For any other general-purpose improvements, Gilbert may issue bonds up to 6% of its secondary assessed valuation. Gilbert's available debt margin at June 30, 2012 was \$100.5 million in the 6% capacity and \$171.7 million in the 20% capacity.

See Note 8 on pages 53-59 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2012 and 2011.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation	\$ 147,565,000	\$ 170,385,000	\$ 3,870,000	\$ 5,530,000	\$ 151,435,000	\$ 175,915,000
Special Assessment	11,015,000	11,415,000	-	-	11,015,000	11,415,000
Street and Highway User	19,470,000	22,875,000	-	-	19,470,000	22,875,000
Utility Revenue	-	-	15,410,000	16,795,000	15,410,000	16,795,000
Municipal Property Corporation	141,990,000	152,015,000	118,895,000	143,270,000	260,885,000	295,285,000
Totals	\$ 320,040,000	\$ 356,690,000	\$ 138,175,000	\$ 165,595,000	\$ 458,215,000	\$ 522,285,000

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, 2012.

	Moody's Investor Service	Standard and Poors Ratings Group	Fitch Ratings
General Obligation	Aa1	AA	Not Rated
Street and Highway User Revenue	Aa3	AA	AA
Water and Wastewater Revenue Refunding	Aa3	AA+	Not Rated
Public Facilities Municipal Property Corporation*	Aa2	AA	AA
Water Resources Municipal Property Corporation	Not Rated	AA-	AA-
Improvement Districts	Aa3	A	Not Rated

* These bonds are insured

Economic Factors and Next Year's Budget

Gilbert's historic display of responsible financial practices provided a good foundation to weather the great recession of recent years. But the Town is maturing from a small-town, high-growth community to a stable, thriving, and sophisticated one. Demands for service are different than they were only five years ago. Even during the recession, Gilbert's population increased by over 27,000 people, and the Town began to see its dreams of bio-medical economic development become reality. Technology is different, providing opportunities to work more efficiently and effectively. Infrastructure needs are different now too, as we transition our efforts from those that build and expand to those that will ensure that our existing infrastructure remains sustainable and serviceable to our community.

Because the needs and resources are now different, the process was different this year as well. The approach was collaborative. Staff members throughout the Town inventoried and analyzed costs of providing services and identified service levels. Current year budgets were not rolled forward; instead, each functional area analyzed and projected what specific costs would be needed in FY 2012-13 to meet those service delivery needs. In doing so, some once-relevant budget lines were determined to be no longer necessary; that funding could instead be reallocated to meet more critical needs. Because departments budgeted for "most likely" and not for contingent situations, contingency appropriation has been established at a Town-wide level. This will ensure that the Town is positioned to respond not only to emergent situations, but incredible opportunities as well.

The base for the FY 2012-13 budget was built from zero. Staff looked at actual costs then factored in mandatory cost increases, such as those for utility rates and certain contracts, and costs to provide service to new customers. This positioned the Town to leverage a lean, effective budget with recovering revenues to begin deliberately and strategically planning for the future, targeting key components of the Council's strategic initiatives. The Town's Executive Leadership Team worked together to recommend a budget that specifically accomplished Council direction. The budget includes recommended increases, not only to restore certain specific reductions, but also to very deliberately accomplish certain key elements of the Council's Strategic Initiatives.

During the recession, Town revenues were substantially reduced, but the Town reduced its expenses in kind. Some expenses were deferred for a time, such as training or replacement of vehicles, and now will be addressed. In many cases, however, departments found even more efficient ways to deliver necessary public service. Our revenue and expense levels are just now headed back toward 2007 levels, and yet we are able to provide exceptional service to 27,000 new customers.

Even so, we would be remiss if we did not acknowledge that there are still business needs that remain unmet. As the Executive Team reviewed the current service levels and Strategic Initiatives, it became very clear that there are many more needs than available resources, and simply spreading available resources would not set us up to accomplish our goals with excellence.

Budget Highlights for Fiscal Year 2013

The recommended budget presents a focused approach to FY 2012-13, emphasizing the following areas:

- Economic Development
 - Growing us out of the issues we face today
- Personnel
 - Recruitment and Retention
 - Developing stellar performers - preparing them for success in service to the community
- Technology
 - Mitigate current risks
 - Advance as a technology leader
- Maintain service levels

The budget reflects the Town's commitment to these areas through the respective allocation of resources. Additional highlights include:

- Total budget of approximately \$447.8 million
- Restructuring of the organization
 - Positions were both added and eliminated to meet the current needs of the community
- No change to the local sales or property tax rates
- Permit activity, which had dropped below 50 residential permits per month in FY 2011, reached as high as 295 permits in May 2012
- Reserve amounts in excessive of policy requirements budgeted as contingency

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
 Finance Department
 50 E Civic Center Drive
 Gilbert, AZ 85296
 (480) 503-6752



TOWN OF GILBERT, ARIZONA
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 188,940,690	\$ 90,162,399	\$ 279,103,089	\$ 4,728
Receivables, net:				
Taxes	4,349,322	-	4,349,322	-
Special assessments	11,307,172	-	11,307,172	-
Accrued interest	468,827	222,496	691,323	-
Accounts	15,910,317	5,740,027	21,650,344	-
Due from other governments	4,310,694	415,924	4,726,618	-
Internal balances	(9,241,362)	9,241,362	-	-
Prepaid items	4,771	-	4,771	-
Inventories	469,707	267,488	737,195	-
Restricted assets:				
Cash and investments	19,906,881	70,945,961	90,852,842	-
Accrued interest	114	89,992	90,106	-
Deferred charges	1,455,913	1,356,345	2,812,258	-
Investment in joint venture	356,343	144,041,623	144,397,966	-
Capital assets:				
Non-depreciable	191,539,157	53,747,389	245,286,546	-
Depreciable, net	779,954,496	394,583,595	1,174,538,091	-
Total assets	1,209,733,042	770,814,601	1,980,547,643	4,728
LIABILITIES				
Accounts payable	8,313,754	2,366,183	10,679,937	-
Accrued liabilities	9,882,809	258,411	10,141,220	-
Accrued interest	-	1,451,378	1,451,378	-
Claims payable	1,244,571	-	1,244,571	-
Deposits held for others	161,690	-	161,690	-
Utility deposits	-	3,272,209	3,272,209	-
Bond interest payable	3,603,682	-	3,603,682	-
Unearned revenue	15,154	-	15,154	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences	3,637,231	706,592	4,343,823	-
Current portion of bonds payable	24,195,000	3,700,000	27,895,000	-
Due in more than one year:				
Compensated absences	6,141,647	1,122,070	7,263,717	-
Bonds payable	321,062,651	134,196,420	455,259,071	-
Total liabilities	378,258,189	147,073,263	525,331,452	-
NET ASSETS				
Invested in capital assets, net of related debt	695,983,103	316,268,041	1,012,251,144	-
Restricted for:				
Debt service	20,696,791	22,645,139	43,341,930	-
Capital projects	15,163,511	36,590,593	51,754,104	-
System repair & maintenance	-	12,139,956	12,139,956	-
Highways and streets	10,289,564	-	10,289,564	-
Grant programs	3,697,856	-	3,697,856	-
Court/police programs	1,741,941	-	1,741,941	-
Special districts	436,729	-	436,729	-
Other purposes	192,000	-	192,000	-
Unrestricted	83,273,358	236,097,609	319,370,967	4,728
Total net assets	\$ 831,474,853	\$ 623,741,338	\$ 1,455,216,191	\$ 4,728

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

TOWN OF GILBERT, ARIZONA
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government				
Management and policy	\$ 2,982,636	\$ 1,145	\$ 14,617	\$ -
Support services	8,632,288	207,508	-	34,219
Financial services	1,216,418	11,173	-	-
Legal and court	5,409,709	639,895	30,000	-
Development services	8,551,083	5,346,632	864,026	680,639
Public safety				
Police	40,466,828	5,584,595	241,438	1,863,016
Fire	24,906,506	128,955	1,176,705	5,585,947
Highways and streets	43,437,623	1,497,069	18,074,699	6,062,016
Community services	19,931,592	3,594,859	511,063	11,208,232
Transportation	1,268,998	-	11,885	612,220
Non departmental	2,910,114	1,465	120,213	13,713
Interest and fiscal charges on long-term debt	15,785,320	-	-	-
Total governmental activities	175,499,115	17,013,296	21,044,646	26,060,002
Business-type activities:				
Water	37,694,869	36,692,434	-	20,212,017
Wastewater	22,661,900	22,739,462	-	16,995,982
Solid waste	14,917,749	17,923,883	-	13,713
Total business-type activities	75,274,518	77,355,779	-	37,221,712
Total primary government	\$ 250,773,633	\$ 94,369,075	\$ 21,044,646	\$ 63,281,714
Component unit				
Industrial development authority	\$ 10	\$ 1,500	\$ -	\$ -

General revenues:

Sales taxes
 Property taxes, levied for debt service
 In-Lieu property taxes
 Franchise taxes
 Unrestricted state shared sales taxes
 Unrestricted state shared income taxes
 Grants and contributions not restricted to specific programs
 Unrestricted investment earnings
 Gain on sale of capital assets
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets, July 1, 2011
 Net assets, June 30, 2012

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (2,966,874)	\$ -	\$ (2,966,874)	\$ -
(8,390,561)	-	(8,390,561)	-
(1,205,245)	-	(1,205,245)	-
(4,739,814)	-	(4,739,814)	-
(1,659,786)	-	(1,659,786)	-
(32,777,779)	-	(32,777,779)	-
(18,014,899)	-	(18,014,899)	-
(17,803,839)	-	(17,803,839)	-
(4,617,438)	-	(4,617,438)	-
(644,893)	-	(644,893)	-
(2,774,723)	-	(2,774,723)	-
(15,785,320)	-	(15,785,320)	-
(111,381,171)	-	(111,381,171)	-
-	19,209,582	19,209,582	-
-	17,073,544	17,073,544	-
-	3,019,847	3,019,847	-
-	39,302,973	39,302,973	-
(111,381,171)	39,302,973	(72,078,198)	-
			1,490
54,513,265	-	54,513,265	-
21,502,322	-	21,502,322	-
1,331,051	-	1,331,051	-
2,462,726	-	2,462,726	-
16,288,580	-	16,288,580	-
17,593,587	-	17,593,587	-
1,349,124	-	1,349,124	-
1,909,629	1,244,149	3,153,778	1
177,899	38,279	216,178	-
4,744,306	1,765,124	6,509,430	-
(690,244)	690,244	-	-
121,182,245	3,737,796	124,920,041	1
9,801,074	43,040,769	52,841,843	1,491
821,673,779	580,700,569	1,402,374,348	3,237
\$ 831,474,853	\$ 623,741,338	\$ 1,455,216,191	\$ 4,728

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

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
ASSETS				
Pooled cash and investments	\$ 55,376,673	\$ 14,548,110	\$ 9,593,902	\$ 53,590
Receivables, net:				
Taxes	4,121,059	-	202,972	-
Special assessments	-	-	-	11,307,172
Accrued interest	144,415	36,690	36,998	211
Accounts	14,273,767	-	355,688	-
Due from other governments	271,482	1,264,516	-	-
Due from other funds	489,782	-	-	-
Prepaid items	4,771	-	-	-
Inventories	-	-	-	-
Advances to other funds	23,208,408	-	-	-
Restricted assets:				
Cash and investments	-	-	12,938,684	-
Accrued interest	-	-	58	-
Total assets	<u>\$ 97,890,357</u>	<u>\$ 15,849,316</u>	<u>\$ 23,128,302</u>	<u>\$ 11,360,973</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,382,390	\$ 340,218	\$ -	\$ -
Accrued liabilities	9,773,934	54,106	-	-
Deposits held for others	106,750	2,352	-	-
Due to other funds	-	-	-	-
Bonds payable	-	-	9,335,000	-
Interest payable	-	-	3,603,683	-
Advances from other funds	-	-	-	-
Deferred revenue:				
Special assessments	-	-	-	11,296,956
Other	5,366,901	-	-	-
Total liabilities	<u>19,629,975</u>	<u>396,676</u>	<u>12,938,683</u>	<u>11,296,956</u>
Fund Balances:				
Nonspendable	23,213,179	-	-	-
Restricted	-	10,700,623	9,335,818	64,017
Assigned	10,797,540	4,752,017	853,801	-
Unassigned	44,249,663	-	-	-
Total fund balances	<u>78,260,382</u>	<u>15,452,640</u>	<u>10,189,619</u>	<u>64,017</u>
Total liabilities and fund balances	<u>\$ 97,890,357</u>	<u>\$ 15,849,316</u>	<u>\$ 23,128,302</u>	<u>\$ 11,360,973</u>

Streets and Transportation Capital Projects	Municipal Facilities Capital Projects	Parks, Open Space and Recreation Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 68,799,728	\$ 569,301	\$ 14,597,651	\$ 10,794,055	\$ 174,333,010
-	-	-	25,291	4,349,322
-	-	-	-	11,307,172
175,465	4,629	35,154	31,013	464,575
1,175,336	702	17,852	52,113	15,875,458
250,000	-	-	2,524,696	4,310,694
-	-	-	-	489,782
-	-	-	-	4,771
-	-	-	1,666	1,666
-	-	-	-	23,208,408
-	6,968,197	-	-	19,906,881
-	56	-	-	114
<u>\$ 70,400,529</u>	<u>\$ 7,542,885</u>	<u>\$ 14,650,657</u>	<u>\$ 13,428,834</u>	<u>\$ 254,251,853</u>
\$ 2,201,336	\$ 580,720	\$ 4,241	\$ 437,928	\$ 7,946,833
5,572	-	-	25,443	9,859,055
52,588	-	-	-	161,690
-	-	-	489,782	489,782
-	-	-	-	9,335,000
-	-	-	-	3,603,683
-	23,208,408	-	-	23,208,408
-	-	-	-	11,296,956
1,174,640	-	-	14,600	6,556,141
<u>3,434,136</u>	<u>23,789,128</u>	<u>4,241</u>	<u>967,753</u>	<u>72,457,548</u>
-	-	-	1,666	23,214,845
46,753,842	6,867,888	14,646,416	12,203,351	100,571,955
20,212,551	-	-	341,236	36,957,145
-	(23,114,131)	-	(85,172)	21,050,360
<u>66,966,393</u>	<u>(16,246,243)</u>	<u>14,646,416</u>	<u>12,461,081</u>	<u>181,794,305</u>
<u>\$ 70,400,529</u>	<u>\$ 7,542,885</u>	<u>\$ 14,650,657</u>	<u>\$ 13,428,834</u>	<u>\$ 254,251,853</u>

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



TOWN OF GILBERT, ARIZONA
Reconciliation of the Balance Sheet
to the Statement of Net Assets
June 30, 2012

Fund balances - total governmental funds **\$ 181,794,305**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	1,460,475,571	
Accumulated depreciation	<u>(489,217,462)</u>	971,258,109

The investment in joint venture is not a financial resource and, therefore, is not reported in the funds		356,343
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred special assessment revenue	11,296,956	
Deferred court revenue	4,852,072	
Deferred other entities participation revenue	1,174,640	
Deferred sales tax revenue	<u>514,275</u>	17,837,943

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, copy services, and self-insurance to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets, but are not included on the governmental fund balance sheet.		4,319,384
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Long-term 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 fund statement.

Bonds payable	(331,940,000)	
Compensated absences	<u>(9,624,495)</u>	(341,564,495)

Bond issuance costs, discounts and premiums are reported as expenditures, other financing uses and other financing sources, respectively, in the governmental funds when paid, but are deferred and amortized over the life of the bonds in the statement of net assets.

Bond issuance costs/discounts/premiums		<u>(2,526,736)</u>
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Net assets of governmental activities - statement of net assets **\$ 831,474,853**

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

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
Revenues				
Taxes:				
Sales	\$ 54,502,627	\$ -	\$ -	\$ -
Property	-	-	21,502,322	-
Franchise	2,462,726	-	-	-
Licenses and permits	3,995,370	-	-	-
Intergovernmental	36,784,416	17,132,260	-	-
Special assessments	-	-	-	878,981
Charges for services	6,714,370	56,728	-	-
Other entities' participation	4,297	15,493	-	-
System development fees	-	-	-	-
Gifts and donations	19,518	-	-	-
Fines and forfeitures	3,987,115	5,601	-	-
Investment earnings	708,826	105,748	90,286	1,295
Miscellaneous	1,259,502	307,718	-	-
Total revenues	<u>110,438,767</u>	<u>17,623,548</u>	<u>21,592,608</u>	<u>880,276</u>
Expenditures				
Current:				
General government:				
Management and policy	3,675,664	-	-	-
Support services	9,159,579	-	-	-
Financial services	1,721,856	-	-	-
Legal and court	4,312,781	-	-	-
Development services	6,582,668	-	-	-
Public safety:				
Police	34,631,396	-	-	-
Fire	21,293,740	-	-	-
Highways and streets	-	8,371,522	-	-
Community services	11,590,089	-	-	-
Transportation	1,247,091	-	-	-
Non departmental	2,776,188	-	-	-
Debt service:				
Principal	-	-	22,655,000	400,000
Interest	-	-	15,417,091	574,655
Bond issuance costs	-	-	402,163	-
Fiscal and other charges	-	-	1,534	1,073
Capital outlay	567,666	2,797,035	-	-
Total expenditures	<u>97,558,718</u>	<u>11,168,557</u>	<u>38,475,788</u>	<u>975,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,880,049</u>	<u>6,454,991</u>	<u>(16,883,180)</u>	<u>(95,452)</u>
Other financing sources (uses)				
Transfers in	4,688,928	50,000	19,736,738	305,836
Transfers out	(5,876,144)	(3,570,110)	-	(202,978)
Refunding bonds issued	-	-	37,925,000	-
Premium on refunding bonds	-	-	4,110,575	-
Payment to refunded bond escrow agent	-	-	(41,626,798)	-
Total other financing sources and uses	<u>(1,187,216)</u>	<u>(3,520,110)</u>	<u>20,145,515</u>	<u>102,858</u>
Net change in fund balances	11,692,833	2,934,881	3,262,335	7,406
Fund balances at beginning of year	66,567,549	12,517,759	6,927,284	56,611
Fund balances at end of year	<u>\$ 78,260,382</u>	<u>\$ 15,452,640</u>	<u>\$ 10,189,619</u>	<u>\$ 64,017</u>

<u>Streets and Transportation Capital Projects</u>	<u>Municipal Facilities Capital Projects</u>	<u>Parks, Open Space and Recreation Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 54,502,627
-	-	-	2,542,937	24,045,259
-	-	-	-	2,462,726
-	-	-	-	3,995,370
634,918	2,856,346	-	4,060,571	61,468,511
-	-	-	-	878,981
-	-	-	1,392,593	8,163,691
1,278,413	-	-	2,370	1,300,573
-	5,677,183	11,010,594	1,269,395	17,957,172
-	-	-	166,253	185,771
-	-	-	449,156	4,441,872
773,594	15,848	95,905	97,366	1,888,868
1,779,024	-	1,520,389	80,282	4,946,915
<u>4,465,949</u>	<u>8,549,377</u>	<u>12,626,888</u>	<u>10,060,923</u>	<u>186,238,336</u>
-	-	-	43	3,675,707
-	-	-	-	9,159,579
-	-	-	-	1,721,856
-	-	-	304,686	4,617,467
1,559	64,078	-	865,498	7,513,803
-	285,690	-	1,466,965	36,384,051
-	133,183	-	124,966	21,551,889
20,852	-	-	2,422,821	10,815,195
-	-	49,414	1,048,662	12,688,165
-	-	-	21,907	1,268,998
-	-	-	133,926	2,910,114
-	-	-	-	23,055,000
-	-	-	-	15,991,746
-	-	-	-	402,163
-	6,582	-	-	9,189
25,389,756	4,551,246	328,166	866,006	34,499,875
<u>25,412,167</u>	<u>5,040,779</u>	<u>377,580</u>	<u>7,255,480</u>	<u>186,264,797</u>
<u>(20,946,218)</u>	<u>3,508,598</u>	<u>12,249,308</u>	<u>2,805,443</u>	<u>(26,461)</u>
286,869	103,177	-	23,730	25,195,278
-	(6,107,067)	(5,862,305)	(4,266,918)	(25,885,522)
-	-	-	-	37,925,000
-	-	-	-	4,110,575
-	-	-	-	(41,626,798)
<u>286,869</u>	<u>(6,003,890)</u>	<u>(5,862,305)</u>	<u>(4,243,188)</u>	<u>(281,467)</u>
(20,659,349)	(2,495,292)	6,387,003	(1,437,745)	(307,928)
87,625,742	(13,750,951)	8,259,413	13,898,826	182,102,233
<u>\$ 66,966,393</u>	<u>\$ (16,246,243)</u>	<u>\$ 14,646,416</u>	<u>\$ 12,461,081</u>	<u>\$ 181,794,305</u>

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



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, 2012

Net change in fund balances - total governmental funds **\$ (307,928)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	34,499,875	
Depreciation expense	(47,895,443)	(13,395,568)

Issuance of debt, applicable premium and payment to refunded bond escrow agent are reported as a financing source 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 assets and does not affect the statement of activities. Bond premium is deferred and amortized in the statement of activities.

Refunding bonds	(37,925,000)	
Premium on refunding bonds	(4,110,575)	
Payment to refunded bond escrow agent	41,626,798	(408,777)

Repayment of bond principal and bond issuance costs are reported as expenditures in governmental funds and thus have 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 assets and do not result in an expense in the statement of activities. Bond issuance costs, charge on refunding bonds, and bond premium are deferred and amortized over the life of the bonds.

Principal payments	23,055,000	
Bond issuance costs	402,163	
Amortization of bond issuance costs	(91,725)	
Amortization of deferred charge on refunding bonds	(66,072)	
Amortization of bond premium	373,412	23,672,778

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance and copy services, 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 services funds' costs for the year.

Operating loss	(1,121,166)	
Investment earnings	20,760	
Loss on sale of capital assets	(24,711)	(1,125,117)

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.

Capital contributions		2,191,470
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Some 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.

Compensated absences		(772,965)
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Certain revenues are deferred 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.

Court revenue	252,031	
Sales tax	10,638	
Special assessments	(315,488)	(52,819)

Change in net assets of governmental activities - statement of activities **\$ 9,801,074**

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

TOWN OF GILBERT, ARIZONA
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Sales	\$ 49,409,700	\$ 49,409,700	\$ 54,502,627	\$ 5,092,927
Franchise	2,444,210	2,444,210	2,462,726	18,516
Licenses and permits	2,122,320	2,122,320	3,995,370	1,873,050
Intergovernmental	34,028,800	34,028,800	36,784,416	2,755,616
Charges for services	6,694,180	6,694,180	6,714,370	20,190
Other entities' participation	-	-	4,297	4,297
Gifts and donations	31,000	31,000	19,518	(11,482)
Fines and forfeitures	4,056,100	4,056,100	3,987,115	(68,985)
Investment earnings	317,000	317,000	708,826	391,826
Miscellaneous	203,150	203,150	1,259,502	1,056,352
Total revenues	<u>99,306,460</u>	<u>99,306,460</u>	<u>110,438,767</u>	<u>11,132,307</u>
Expenditures				
Current:				
General government:				
Management and policy	3,523,080	3,662,290	3,675,664	(13,374)
Support services	9,437,720	9,586,166	9,159,579	426,587
Financial services	1,818,090	1,818,090	1,721,856	96,234
Legal and court	4,275,920	4,285,640	4,312,781	(27,141)
Development services	6,508,600	6,541,590	6,582,668	(41,078)
Public safety:				
Police	36,344,550	35,885,350	34,631,396	1,253,954
Fire	20,891,490	21,184,970	21,293,740	(108,770)
Community services	11,618,570	11,618,570	11,590,089	28,481
Transportation	1,194,100	1,194,100	1,247,091	(52,991)
Non departmental	1,737,290	1,737,290	2,776,188	(1,038,898)
Capital outlay	3,430,180	3,781,930	567,666	3,214,264
Total expenditures	<u>100,779,590</u>	<u>101,295,986</u>	<u>97,558,718</u>	<u>3,737,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,473,130)</u>	<u>(1,989,526)</u>	<u>12,880,049</u>	<u>14,869,575</u>
Other financing sources (uses)				
Transfers in	3,541,260	3,416,260	4,688,928	1,272,668
Transfers out	(8,574,060)	(8,574,060)	(5,876,144)	2,697,916
Total other financing sources and uses	<u>(5,032,800)</u>	<u>(5,157,800)</u>	<u>(1,187,216)</u>	<u>3,970,584</u>
Net change in fund balances	<u>\$ (6,505,930)</u>	<u>\$ (7,147,326)</u>	11,692,833	<u>\$ 18,840,159</u>
Fund balance at beginning of year			66,567,549	
Fund balance at end of year			<u>\$ 78,260,382</u>	

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

TOWN OF GILBERT, ARIZONA
Streets Special Revenue Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 16,664,710	\$ 16,664,710	\$ 17,132,260	\$ 467,550
Charges for services	-	-	56,728	56,728
Other entities' participation	-	-	15,493	15,493
Fines and forfeitures	-	-	5,601	5,601
Investment earnings	15,400	15,400	105,748	90,348
Miscellaneous	45,000	45,000	307,718	262,718
Total revenues	16,725,110	16,725,110	17,623,548	898,438
Expenditures				
Current:				
Highways and streets	8,985,110	8,985,110	8,371,522	613,588
Capital outlay	3,607,360	3,607,360	2,797,035	810,325
Contingency	367,000	367,000	-	367,000
Total expenditures	12,959,470	12,959,470	11,168,557	1,790,913
Excess of revenues over expenditures	3,765,640	3,765,640	6,454,991	2,689,351
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(4,083,440)	(4,083,440)	(3,570,110)	513,330
Total other financing sources and uses	(4,033,440)	(4,033,440)	(3,520,110)	513,330
Net change in fund balances	\$ (267,800)	\$ (267,800)	2,934,881	\$ 3,202,681
Fund balance at beginning of year			12,517,759	
Fund balance at end of year			\$ 15,452,640	

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

TOWN OF GILBERT, ARIZONA

Statement of Net Assets

Proprietary Funds

June 30, 2012

Business-type Activities - Enterprise Funds

	Water	Wastewater	Solid Waste	Total
ASSETS				
Current assets:				
Pooled cash and investments	\$ 61,368,187	\$ 17,069,606	\$ 20,104,894	\$ 98,542,687
Receivables (net):				
Accrued interest	142,699	32,139	47,658	222,496
Accounts	3,151,164	1,633,674	955,189	5,740,027
Due from other governments	132,719	283,205	-	415,924
Inventories	267,488	-	-	267,488
Total current assets	<u>65,062,257</u>	<u>19,018,624</u>	<u>21,107,741</u>	<u>105,188,622</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	64,568,274	6,377,687	-	70,945,961
Accrued interest	83,381	6,611	-	89,992
Deferred charges	1,126,285	230,060	-	1,356,345
Investment in joint venture	74,783,441	69,258,182	-	144,041,623
Capital assets:				
Non-depreciable	42,023,384	11,724,005	-	53,747,389
Depreciable, net	223,062,244	166,176,252	5,345,099	394,583,595
Total noncurrent assets	<u>405,647,009</u>	<u>253,772,797</u>	<u>5,345,099</u>	<u>664,764,905</u>
Total assets	<u>470,709,266</u>	<u>272,791,421</u>	<u>26,452,840</u>	<u>769,953,527</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,112,151	903,317	350,715	2,366,183
Accrued liabilities	126,244	50,470	81,697	258,411
Current portion of accrued compensated absences	349,673	153,897	203,022	706,592
Claims payable	-	-	-	-
Accrued interest	1,451,378	-	-	1,451,378
Bonds payable	3,700,000	-	-	3,700,000
Utility deposits	3,245,564	-	26,645	3,272,209
Total current liabilities	<u>9,985,010</u>	<u>1,107,684</u>	<u>662,079</u>	<u>11,754,773</u>
Noncurrent liabilities:				
General obligation bonds payable	3,877,755	-	-	3,877,755
Utility revenue bonds payable	126,618,244	3,700,421	-	130,318,665
Accrued compensated absences	550,802	287,674	283,594	1,122,070
Total noncurrent liabilities	<u>131,046,801</u>	<u>3,988,095</u>	<u>283,594</u>	<u>135,318,490</u>
Total liabilities	<u>141,031,811</u>	<u>5,095,779</u>	<u>945,673</u>	<u>147,073,263</u>
NET ASSETS				
Invested in capital assets, net of related debt	136,723,106	174,199,836	5,345,099	316,268,041
Restricted for debt service	21,947,133	698,006	-	22,645,139
Restricted for capital projects	36,590,593	-	-	36,590,593
Restricted for system repair & maintenance	7,211,212	4,928,744	-	12,139,956
Unrestricted	127,205,411	87,869,056	20,162,068	235,236,535
Total net assets	<u>\$ 329,677,455</u>	<u>\$ 267,695,642</u>	<u>\$ 25,507,167</u>	<u>\$ 622,880,264</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

861,074

Net assets of business-type activities

\$ 623,741,338

**Governmental
Activities -
Internal Service
Funds**

\$ 6,227,392

4,252

34,859

-

468,041

6,734,544

-

-

-

-

-

235,544

235,544

6,970,088

366,921

23,755

64,110

1,244,571

-

-

-

1,699,357

-

-

90,273

90,273

1,789,630

235,544

-

-

-

4,944,914

\$ 5,180,458

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

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
Operating revenues				
Charges for services	\$ 36,692,434	\$ 22,739,462	\$ 17,923,883	\$ 77,355,779
Other	1,646,827	8,467	109,830	1,765,124
Total operating revenues	<u>38,339,261</u>	<u>22,747,929</u>	<u>18,033,713</u>	<u>79,120,903</u>
Operating expenses				
General and administrative	1,073,874	810,667	927,851	2,812,392
Personal services	6,911,462	3,623,629	5,408,602	15,943,693
Operation and maintenance	12,042,823	8,245,112	6,243,114	26,531,049
Claims Incurred	-	-	-	-
Depreciation	9,490,239	8,381,788	1,674,985	19,547,012
Allocation of indirect expenses	1,149,154	648,797	584,653	2,382,604
Total operating expenses	<u>30,667,552</u>	<u>21,709,993</u>	<u>14,839,205</u>	<u>67,216,750</u>
Operating income (loss)	<u>7,671,709</u>	<u>1,037,936</u>	<u>3,194,508</u>	<u>11,904,153</u>
Nonoperating revenues (expenses)				
Interest expense	(6,764,676)	(376,895)	-	(7,141,571)
Investment earnings	895,168	211,306	137,675	1,244,149
Amortization of bond issuance costs	(111,369)	(521,345)	-	(632,714)
Gain (loss) on sale of capital assets	4,168	2,652	31,459	38,279
Total nonoperating revenues (expenses)	<u>(5,976,709)</u>	<u>(684,282)</u>	<u>169,134</u>	<u>(6,491,857)</u>
Income (loss) before capital contributions and transfers	1,695,000	353,654	3,363,642	5,412,296
Capital contributions	20,212,017	16,995,982	13,713	37,221,712
Transfers in	1,050,840	492,290	-	1,543,130
Transfers out	(669,513)	(183,373)	-	(852,886)
Change in net assets	22,288,344	17,658,553	3,377,355	43,324,252
Total net assets, beginning of year	<u>307,389,111</u>	<u>250,037,089</u>	<u>22,129,812</u>	
Total net assets, end of year	<u>\$ 329,677,455</u>	<u>\$ 267,695,642</u>	<u>\$ 25,507,167</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(283,483)
Change in net assets of business-type activities				<u>\$ 43,040,769</u>

**Governmental
Activities -
Internal Service
Funds**

\$	20,204,159
	<u>52,080</u>
	<u>20,256,239</u>

	938,378
	1,414,035
	5,760,982
	13,506,651
	40,842
	-
	<u>21,660,888</u>

(1,404,649)

	-
	20,760
	-
	<u>(24,711)</u>
	<u>(3,951)</u>

(1,408,600)

	-
	-
	<u>-</u>

(1,408,600)

6,589,058

\$ 5,180,458

The notes to the 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, 2012

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from customers	\$ 36,679,843	\$ 22,669,485	\$ 17,658,776	\$ 77,008,104
Other operating cash receipts	1,646,827	8,467	109,830	1,765,124
Cash receipts from other funds for services	-	-	-	-
Cash receipts from deposits	741,288	-	1,875	743,163
Cash payments to suppliers for goods and services	(13,728,949)	(9,284,953)	(7,293,721)	(30,307,623)
Cash payments to employees for services	(6,683,108)	(3,524,224)	(5,368,907)	(15,576,239)
Cash payments to other funds for services	(1,149,154)	(648,797)	(584,653)	(2,382,604)
Net cash provided by (used in) operating activities	<u>17,506,747</u>	<u>9,219,978</u>	<u>4,523,200</u>	<u>31,249,925</u>
Cash flows from noncapital financing activities:				
Changes in advances from other funds	-	(1,139,854)	-	(1,139,854)
Changes in advances to other funds	1,139,854	-	-	1,139,854
Transfers from other funds	1,050,840	492,290	-	1,543,130
Transfers to other funds	(669,513)	(183,373)	-	(852,886)
Net cash provided by (used in) noncapital financing activities	<u>1,521,181</u>	<u>(830,937)</u>	<u>-</u>	<u>690,244</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(8,579,652)	(154,538)	(149,158)	(8,883,348)
Proceeds from development fees	17,509,478	15,154,154	-	32,663,632
Cash paid for interest and fiscal charges	(6,864,204)	(568,240)	-	(7,432,444)
Principal payments on bonds	(11,326,341)	(16,093,659)	-	(27,420,000)
Disposal of capital assets	4,168	2,652	31,459	38,279
Net cash used in capital and related financing activities	<u>(9,256,551)</u>	<u>(1,659,631)</u>	<u>(117,699)</u>	<u>(11,033,881)</u>
Cash flows from investing activities:				
Interest received on investments	779,220	178,138	107,533	1,064,891
Net cash provided by investing activities	<u>779,220</u>	<u>178,138</u>	<u>107,533</u>	<u>1,064,891</u>
Net increase (decrease) in cash and cash equivalents	10,550,597	6,907,548	4,513,034	21,971,179
Cash and cash equivalents at beginning of year	115,385,864	16,539,745	15,591,860	147,517,469
Cash and cash equivalents at end of year	<u>\$ 125,936,461</u>	<u>\$ 23,447,293</u>	<u>\$ 20,104,894</u>	<u>\$ 169,488,648</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	\$ 61,368,187	\$ 17,069,606	\$ 20,104,894	\$ 98,542,687
Restricted cash and investments	64,568,274	6,377,687	-	70,945,961
Total cash and cash equivalents	<u>\$ 125,936,461</u>	<u>\$ 23,447,293</u>	<u>\$ 20,104,894</u>	<u>\$ 169,488,648</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 7,671,709	\$ 1,037,936	\$ 3,194,508	\$ 11,904,153
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	9,490,239	8,381,788	1,674,985	19,547,012
Provision for uncollectible accounts	(395,339)	(307,526)	(277,734)	(980,599)
Changes in assets and liabilities:				
Decrease in accounts receivable	382,748	237,548	12,626	632,922
Decrease in prepaid items	-	-	-	-
Increase in inventories	(89,440)	-	-	(89,440)
Increase (decrease) in accounts payable	(522,812)	(229,174)	(122,755)	(874,741)
Increase in claims payable	-	-	-	-
Increase in deposits	741,288	-	1,875	743,163
Increase in accrued expenses	228,354	99,406	39,695	367,455
Total adjustments	<u>9,835,038</u>	<u>8,182,042</u>	<u>1,328,692</u>	<u>19,345,772</u>
Net cash provided by (used in) operating activities	<u>\$ 17,506,747</u>	<u>\$ 9,219,978</u>	<u>\$ 4,523,200</u>	<u>\$ 31,249,925</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	\$ 2,702,539	\$ 1,841,828	\$ -	\$ 4,544,367
Total additions to property and equipment	<u>\$ 2,702,539</u>	<u>\$ 1,841,828</u>	<u>\$ -</u>	<u>\$ 4,544,367</u>

**Governmental
Activities -
Internal Service
Funds**

\$ -
52,669
20,245,502
-
(19,968,246)
(1,367,150)
-
(1,037,225)

-
-
-
-
-

(159,336)
-
-
-
-
(159,336)

20,153
20,153

(1,176,408)
7,403,800
\$ 6,227,392

\$ 6,227,392
-
\$ 6,227,392

\$ (1,404,649)

40,842
-
41,932
7,266
(37,614)
103,983
164,130
-
46,885
367,424
\$ (1,037,225)

\$ -
\$ -

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

TOWN OF GILBERT, ARIZONA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments	\$ 99,625	\$ 159,856
Restricted accrued interest	-	306
Total assets	<u>99,625</u>	<u>\$ 160,162</u>
LIABILITIES		
Guaranty and other deposits	-	\$ 137,206
Medical benefits payable	-	9,092
Dependent care benefits payable	-	13,864
Total liabilities	<u>-</u>	<u>\$ 160,162</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 99,625</u>	

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

TOWN OF GILBERT, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2012

	Firemen's Pension Trust
Additions	
Interest on investments	\$ 74
Total additions	74
Deductions	
Benefits	2,400
Administration	100
Total deductions	2,500
Change in net assets	(2,426)
Net assets - beginning of the year	102,051
Net assets - end of the year	\$ 99,625

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



TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The Town of Gilbert, Arizona (Gilbert) was incorporated on July 6, 1920, under the provisions of Article 13, Section 1 of the Constitution of the State of Arizona. Gilbert operates as a general law community, under the provisions of Title 9, Chapter 2, Article 3 (Common Council provision). Gilbert operates under the Council-Manager form of government, as empowered in Chapter 2, Article 2-51 of the Code of the Town of Gilbert, Arizona. There are seven members of the Council, elected to staggered four-year terms. The voters select the Mayor and the Council membership annually elects the Vice Mayor.

Note 1 - Summary of Significant Accounting Policies

Gilbert's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Gilbert's operations include public safety (police, fire, and animal control), community services (parks, recreation, library, culture and arts, and social services), development services (planning, code enforcement, and engineering), and general administration in support of operations. Gilbert also operates three enterprise funds to provide water, wastewater, and solid waste, and three internal service funds that provide equipment and fleet maintenance, copy services, and employee self-insurance for medical and dental claims.

The accompanying financial statements present the activities of Gilbert (the primary government) and its component units. Component units are legally separate entities for which Gilbert is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of Gilbert's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town of Gilbert. Each blended and discretely presented component unit discussed below has a June 30 year-end.

Blended Component Units - The Water Resources Municipal Property Corporation (Water MPC) is a legally separate, non-profit corporation which exists solely for the purpose of financing the construction or acquisition of water and wastewater capital improvement projects. The Public Facilities Municipal Property Corporation (Public Facilities MPC) is a legally separate, non-profit corporation which exists solely for the purpose of financing construction of municipal facilities. Each is considered a blended component unit because the Council appoints the five-member board of directors of the MPC, the Council must approve any amendments to the articles of incorporation of the MPC, the Council must approve any debt issues of the MPC, and the MPC provides services solely to the Town of Gilbert. At June 30, 2012, the Water MPC bonded debt is reported within the water fund 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 assets.

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Jointly Governed Organizations

Williams Gateway Airport Authority (WGAA) is a non-profit corporation established and funded by the Towns of Gilbert and Queen Creek, the Cities of Mesa and Phoenix, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base, which was closed in September 1993 and became Phoenix/Mesa Gateway Airport (formerly known as Williams Gateway Airport). The airport has three runways, a newly remodeled passenger terminal and is positioned to be a reliever airport to Phoenix's Sky Harbor International Airport. The Board of Directors consists of the mayors of the respective communities and the governor of the tribal community. Gilbert contributed \$350,000 in fiscal year 2012 (life to date \$6,824,250) to the WGAA operating and capital budget.

Regional Public Transportation Authority (RPTA) is a voluntary association of local governments, including Maricopa County, Mesa, Tempe, Scottsdale, Glendale, Phoenix, and Gilbert. Its purpose is to create a regional public transportation plan for Maricopa County. The Board of Directors consists of the mayors of those municipalities and a member of the County Board of Supervisors.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on Gilbert and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide Statement of Net Assets reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their 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 assets not otherwise classified as restricted, are shown as unrestricted.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions or departments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or department. Interest and fiscal charges on long-term debt are not allocated to the various functions. Program revenues include charges for services, fines and forfeitures, licenses and permit fees, special assessment fees, certain 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. Certain charges between the enterprise funds' utility systems and the various functional activities are not eliminated as this would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Separate financial statements are provided for the governmental funds, proprietary funds and fiduciary funds. The focus of the fund financial statements is on major funds. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements. Other nonmajor governmental funds, as well as the internal service funds, are summarized into a single column on the fund financial statements and are detailed in the combining statements included as supplementary information.

As stated above, the fiduciary funds are presented in the fund financial statements and not included in the government-wide statements. By definition these assets are being held for the benefit of a third party and cannot be used to address Gilbert's activities or obligations.

The internal service funds, which provide services to the other funds of the government, are presented in a single combined column in the proprietary fund financial statements. Because the principal users of the internal service funds are the governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Assets. The costs of the internal service fund services are spread to the appropriate function or department on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect from these revenues and expenses.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency fund financial statements have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Principal revenue sources considered to be susceptible to accrual are property taxes, sales taxes, franchise taxes, licenses and permits, intergovernmental revenue and investment earnings associated with the current fiscal period.

Charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenue when received as cash because they are generally not measurable until actually received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide presentation.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The proprietary funds and the pension trust fund are reported using the economic resources measurement focus and the accrual basis of accounting (same basis as the government-wide financial statements).

Gilbert's business-type activities and enterprise funds follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Gilbert has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of Gilbert's internal service funds are charges to user departments for services provided. The principal operating revenue of Gilbert's enterprise funds are user fees and charges to customers for water, wastewater, and solid waste services. Operating expenses for these funds include the cost of sales and services, administrative and payroll expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Fund Accounting

Gilbert uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses.

Gilbert uses the following fund categories, further divided by fund type:

Governmental Funds

Governmental funds are those through which most of the governmental functions are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

Gilbert reports the following major governmental funds:

General Fund - 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 Fund – The streets fund accounts for Gilbert's portion of the Arizona Highway User Revenue Tax, Local Transportation Assistance Funds, and Vehicle License Taxes. The revenue is used exclusively for the maintenance and improvement of highways and streets.

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

Special Assessments Debt Service Fund – The special assessments fund accounts for the principal and interest requirements of special assessment bonds not recorded in proprietary funds. Financing is provided by special assessment levies against benefited property owners.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Streets and Transportation Capital Projects Fund – The streets and transportation fund accounts for the construction of roadway improvements.

Municipal Facilities Capital Projects Fund – The municipal facilities fund accounts for the acquisition and construction of municipal facilities such as municipal buildings, libraries and fire stations.

Parks, Open Space and Recreation Capital Projects Fund – The parks, open space and recreation fund accounts for the acquisition and construction of parks and recreation facilities.

Proprietary Funds

Proprietary funds are used to account for Gilbert's ongoing activities which are similar to those found in the private sector and 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 assets, financial position and cash flows.

Gilbert reports the following major proprietary funds:

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

Wastewater Fund – 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 Fund – The solid waste fund accounts for the revenues and expenses of operating the solid waste collection system.

Additionally, Gilbert reports the following fund types:

Internal Service Funds – 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, operation of centrally located copiers and self-insurance for employee benefit programs.

Pension Trust Fund - The pension trust fund accounts for assets held by the government in a trustee capacity. The fund includes the assets and pension payments to retired volunteer firefighters and survivors.

Agency Funds – The agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. Gilbert currently maintains an agency fund to account for monies collected from employees to pay medical and dependent care claims and monies collected from sworn fire employees for providing a monthly stipend for retirees to apply to the cost of their medical and/or dental insurance, medical and dental co-pays, and prescriptions and other benefits.

TOWN OF GILBERT, ARIZONA
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June 30, 2012

F. Budgetary Data

In January of each year, the Budget Division 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 preparing budget requests. The Council is briefed on this information and asked to approve boundaries and priorities for consideration in the preparation of departmental requests.

Simultaneously, departments develop operating budget requests and submit them to the Budget Division. Departments work with the Capital Improvement Program (CIP) Division to finalize project estimates for the CIP, and submit them to the Budget Division for funding. Estimates for trust and agency, debt service, maintenance improvement districts, and internal service funds are prepared by the Budget Division and submitted for review.

In March, the Council is presented with a working budget request for preliminary review and discussion, and approves a schedule of hearings and dates for approval of the budget. A public hearing is held in May, in anticipation of the adoption of the final budget.

Prior to June 30 of each year, the Council adopts a preliminary budget as the maximum legal expenditure limit for the upcoming year. Council establishes dates for the final public hearing, the final adoption of the budget, and the setting of tax levies. The Council adopts the final tax levy and reports the levy amounts to Maricopa County for collection not later than the third Monday in August.

The Council adopts the budget at the fund level as a total amount of expenditures. Financial control is administered by fund, with budgetary control for operating performance regulated at the departmental level within each fund. Grants and restricted appropriations are administered on a line item basis by department. By policy, the Manager is authorized to administer a budget adjustment process within a fund. Council action is required to approve any interfund adjustments and any contingency transactions. There were no supplemental appropriations during fiscal year 2012. All annual appropriations lapse at year-end and are considered for inclusion in the subsequent year's budget. For fiscal year 2012, the Town adopted annual budgets for all governmental funds, except for the flood control and storm water capital projects fund.

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

G. Pooled Cash and Investments

Gilbert maintains pooled cash and investment accounts for funds that are not legally required to be maintained separately. Each fund's equity in pooled cash and investments represents that fund's position in the consolidated accounts and determines that fund's allocation of interest earned in the pool. The Arizona Revised Statutes 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, and money market accounts.

Investments are stated at fair value based on quoted market prices and cash equivalents are stated at amortized cost.

TOWN OF GILBERT, ARIZONA
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H. Inventories

Inventories are recorded in the parkway maintenance district fund, the equipment maintenance internal service fund, and the water enterprise fund. Inventories are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the weighted average method.

I. Restricted Assets

Certain bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net assets, because they are maintained in trust accounts and their use is limited by applicable debt covenants.

J. Capital Assets

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and similar assets), are defined as assets with an initial, individual cost of more than \$10,000 and an estimated useful life greater than one year. All infrastructure, including infrastructure acquired prior to June 30, 1980, is reported. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets (including streets, water and wastewater lines installed by developers) are recorded at the estimated fair market value at the date of donation. Gain or loss is recognized when assets are retired from service or otherwise disposed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

Capital assets are depreciated using the straight-line method based on the following estimated useful lives (land and construction-in-progress are not depreciated):

Buildings	25 to 50 years
Improvements	25 to 50 years
Machinery and equipment	3 to 10 years
Infrastructure	15 to 50 years
Water rights	100 years

K. Compensated Absences

Annual leave is based on a graduated scale of years of employment and is credited to each employee as it accrues. Maximum annual leave hours varies according to years of employment and job class, and is either taken as time off from work or paid to employees upon separation or retirement. Sick leave accumulated in excess of 520 hours (728 hours for fire personnel) is convertible annually to a partial cash benefit. Sick leave is convertible to a cash benefit upon retirement or death of the employee (at 100%) or upon resignation (at 50%) when the employee has ten or more years of service (calculated at a 5 year average hourly rate).

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

L. Long-Term Obligations

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

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

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

M. Transactions Between Funds

Transactions that would be recorded as revenues and expenditures/expenses if they involved entities external to the governmental unit are recorded as revenues and expenditures/expenses in the respective funds. Transactions constituting a reimbursement of a fund for expenditures/expenses originally recorded in that fund, but properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of the expenditures/expenses in the fund which is reimbursed, excluding indirect administrative costs which are recorded as revenues and expenditures/expenses in the related funds. Indirect administrative expenses represent overhead costs which have been allocated to the enterprise funds based upon a formula approved with the budget. All other interfund transactions are reported as transfers.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. See Note 5 for further discussion of the interfund receivables/payables at June 30.

TOWN OF GILBERT, ARIZONA
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June 30, 2012

N. Property Tax

Gilbert's property tax is adopted by the Council each year on or before the third Monday of August, based on the previous year's full cash value as of the lien date (January 1). Maricopa County, at no charge, levies and collects all property taxes. Levies are due and payable in two installments on September 1 and March 1 and become delinquent on November 1 and May 1, respectively.

Public auctions of properties that have delinquent real estate taxes are held in February following the May 1 delinquency of the second installment. The purchaser is given a certificate of purchase, issued by the County Treasurer. Five years from the date of sale, the holder of a certificate of purchase, which has not been redeemed, may demand of the County Treasurer, a County Treasurer's Deed.

Gilbert does not levy property taxes for general operations (primary tax). Secondary property taxes are levied solely for the purpose of retiring the principal, interest, and servicing fees on voter approved general obligation bonded indebtedness. Gilbert may levy the amount deemed necessary to meet its bonded debt service requirements. By Council policy, Gilbert will not issue debt that would require a tax rate of more than \$1.15 per \$100 of assessed valuation.

O. Fund Balance Classifications

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during fiscal year 2011. This statement established new fund balance classifications for governmental funds. It changed the previous terminology of Reserved and Unreserved to five new classifications, which are *Nonspendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. These new classifications comprise a hierarchy based primarily on the extent to which Gilbert is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. *Nonspendable* and *Restricted* fund balances represent the restricted classifications and *Committed*, *Assigned* and *Unassigned* represent the unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not 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. Council authorized the Finance 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.

TOWN OF GILBERT, ARIZONA
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As of June 30, 2012, the fund balance details by classification are listed below:

Fund balances:	General Fund	Streets Special Revenue	Major Debt Service Funds		Major Capital Projects Funds			Other Gov't	Total
			General	Special Assmnts	Streets	Municipal Facilities	Parks		
Nonspendable:									
Advances	\$23,208,408	-	-	-	-	-	-	-	\$23,208,408
Inventory	-	-	-	-	-	-	-	\$1,666	1,666
Prepaid items	4,771	-	-	-	-	-	-	-	4,771
Restricted for:									
Capital projects	-	-	-	-	\$46,753,842	\$6,867,888	\$14,646,416	6,132,825	74,400,971
Court/public safety programs	-	-	-	-	-	-	-	1,812,303	1,812,303
Debt service	-	-	\$9,335,818	\$64,017	-	-	-	-	9,399,835
Grants	-	-	-	-	-	-	-	3,701,522	3,701,522
Highways and streets	-	\$10,700,623	-	-	-	-	-	-	10,700,623
Special districts	-	-	-	-	-	-	-	435,063	435,063
Other purposes	-	-	-	-	-	-	-	121,638	121,638
Assigned to:									
Capital replacement	10,031,620	4,752,017	-	-	-	-	-	-	14,783,637
Capital projects	-	-	-	-	-	-	-	127,916	127,916
Debt service	-	-	853,801	-	-	-	-	-	853,801
Highways and streets	-	-	-	-	20,212,551	-	-	-	20,212,551
Other purposes	765,920	-	-	-	-	-	-	213,320	979,240
Unassigned:	<u>44,249,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,114,131)</u>	<u>-</u>	<u>(85,172)</u>	<u>21,050,360</u>
Total fund balances	<u>\$78,260,382</u>	<u>\$15,452,640</u>	<u>\$10,189,619</u>	<u>\$64,017</u>	<u>\$66,966,393</u>	<u>(\$16,246,243)</u>	<u>\$14,646,416</u>	<u>\$12,461,081</u>	<u>\$181,794,305</u>

P. Statement of Cash Flows

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

Q. Use of Estimates

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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Note 2 - Budgetary Basis of Accounting

Budgetary comparison statements for the general fund and major special revenue funds are presented in the basic financial statements. These statements display original budget, amended budget and actual results. Budgetary comparison schedules are also included as supplementary schedules for the other governmental funds.

The budgets for the proprietary funds are adopted on a basis other than GAAP. For these funds, the budgetary schedules include a reconciliation of the adjustments required to convert budgetary revenues and expenses to GAAP revenues and expenses.

The primary differences between the GAAP and budget basis statements for the proprietary funds are:

1. Obligations for compensated absences and rebatable arbitrage are accrued on the GAAP basis but are not recognized on the budget basis.
2. Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.
3. Debt service principal payments are not recorded as expenses on the GAAP basis but are recognized as expenses on the budget basis.
4. Depreciation and amortization of bond issuance costs are expensed on the GAAP basis but are not recognized on the budget basis.
5. Capital assets contributed by developers are recognized as revenue on the GAAP basis but are not recognized on the budget basis.

Note 3 - Deposits and Investments

The investment of public monies is regulated by Title 35 of the Arizona Revised Statutes. Gilbert limits its investments to the Local Government Investment Pool (managed by the Arizona State Treasurer), U.S. government securities, certificates of deposit, bonds, commercial paper, and money market accounts. Approximately one-third of Gilbert's investments were in the State Treasurer's Investment Pool. The State Board of Deposit 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.

At June 30, 2012, Gilbert's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-4</u>
U.S. Government Treasuries	\$ 54,884,340	\$ -	\$ 54,884,340
U.S. Government Agencies	93,980,373	13,212,805	80,767,568
Commercial Paper	3,328,671	3,328,671	-
Municipal Bonds	2,018,601	-	2,018,601
Corporate Notes	15,243,532	-	15,243,532
State Treasurer's Investment Pool	90,078,129	27,751,842	62,326,287
Money Market – U.S. Treasuries:			
Wells Fargo	15,554,503	15,554,503	-
Bank of NY Mellon	31,051,549	31,051,549	-
Total	<u>\$306,139,698</u>	<u>\$90,899,370</u>	<u>\$215,240,328</u>

TOWN OF GILBERT, ARIZONA
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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.

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, 2012, the investments in the U.S. Government Agencies were rated AA+, the investment in Commercial Paper was rated A-1+, the investment in Municipal Bonds was rated AA, the investments in Corporate Notes ranged from A ratings to AA+ ratings, and the investment in Goldman Sachs Group Inc was rated AAAm. Gilbert's investment in the State Treasurer's Investment Pool did not receive a credit quality rating from a national rating agency.

Custodial credit risk - deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2012, Gilbert's bank balance was \$66,267,277 of which \$11,795,040 was with JP Morgan and \$54,472,237 was with Alliance Bank of Arizona. \$11,545,040 of JP Morgan's bank balance was exposed to custodial credit risk because it 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, Gilbert's bank account balance is transferred to a sweep account. This account is invested in U.S. Treasuries only. All of the Alliance Bank of Arizona bank balance was FDIC-insured through the Transaction Account Guarantee Program.

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 contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2012, of Gilbert's investments, 31% are in U.S. Government Agencies, 29% are in the State Treasurer's Investment Pool and 33% are in U.S. Government Treasuries.

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

Primary government:	
Carrying amount of cash/deposits	\$ 64,075,714
Carrying amount of investments	<u>306,139,698</u>
Total cash and investments	<u>\$370,215,412</u>
Pooled cash and investments	\$279,103,089
Restricted cash and investments	<u>90,852,842</u>
Total cash and investments (per Statement of Net Assets)	369,955,931
Pension trust fund	99,625
Agency funds	<u>159,856</u>
Total cash and investments	<u>\$370,215,412</u>

**TOWN OF GILBERT, ARIZONA
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June 30, 2012**

Note 4 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2012, includes \$1,383,268 in state shared sales tax and \$2,737,791 in local sales tax due from the State of Arizona. Amounts due from other governments recorded in the streets special revenue fund include \$1,014,085 in highway user revenues and \$250,431 in vehicle license tax both due from the State of Arizona. Other governmental funds include \$500,403 in federal grants from the U.S. Department of Housing and Urban Development, \$926,459 from the U.S. Department of Energy, and \$93,435 from the U.S. Department of Homeland Security. The balance of these receivables represents various grants from the state and federal governments.

Note 5 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds are short-term loans that cover cash deficits and are recorded in the following funds:

	<u>Due To</u>	<u>Due From</u>
General fund	\$ -	\$489,782
Other governmental funds	489,782	-
Total	<u>\$489,782</u>	<u>\$489,782</u>

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

	<u>Advance from</u>	<u>Advance to</u>
General fund	\$ -	\$23,208,408
Municipal facilities capital projects fund	23,208,408	-
Total	<u>\$23,208,408</u>	<u>\$23,208,408</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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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, 2012, is as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Non-depreciable assets:				
Land	\$ 171,914,361	1,523,716	-	173,438,077
Construction-in-progress	31,286,075	30,391,053	(43,576,048)	18,101,080
Total non-depreciable assets	<u>203,200,436</u>	<u>31,914,769</u>	<u>(43,576,048)</u>	<u>191,539,157</u>
Depreciable assets:				
Buildings	212,698,533	3,962,046	-	216,660,579
Improvements other than buildings	68,088,459	1,566,380	-	69,654,839
Machinery and equipment	57,566,155	1,057,360	(4,452,879)	54,170,636
Infrastructure	887,246,242	41,752,231	-	928,998,473
Total depreciable assets	<u>1,225,599,389</u>	<u>48,338,017</u>	<u>(4,452,879)</u>	<u>1,269,484,527</u>
Less accumulated depreciation:				
Buildings	(50,707,370)	(8,541,507)	-	(59,248,877)
Improvements other than buildings	(25,223,684)	(3,791,336)	-	(29,015,020)
Machinery and equipment	(38,804,687)	(4,098,534)	4,340,240	(38,562,981)
Infrastructure	(331,313,584)	(31,389,569)	-	(362,703,153)
Total accumulated depreciation	<u>(446,049,325)</u>	<u>(47,820,946)</u>	<u>4,340,240</u>	<u>(489,530,031)</u>
Total depreciable assets, net	<u>779,550,064</u>	<u>517,071</u>	<u>(112,639)</u>	<u>779,954,496</u>
Governmental activities capital assets, net	<u>\$ 982,750,500</u>	<u>32,431,840</u>	<u>(43,688,687)</u>	<u>971,493,653</u>

Governmental activities construction-in-progress and related construction commitments at June 30, 2012, were composed of the following:

	<u>Construction- in-progress</u>	<u>Commitments</u>
Redevelopment	\$ 864,309	\$ 466,930
Municipal facilities	1,704,836	107,746
Parks	734,464	314,364
Storm water	42,129	-
Traffic control	872,405	14,315
Streets capital projects	13,882,937	12,869,499
Total	<u>\$ 18,101,080</u>	<u>\$ 13,772,854</u>

In addition, there were non-construction related commitments at June 30, 2012, as follows:

General	\$ 765,920
Streets special revenue	229,119
Other governmental	<u>323,255</u>
Total	<u>\$ 1,318,294</u>

TOWN OF GILBERT, ARIZONA
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Depreciation expense was charged to governmental functions in the government-wide financial statement as follows:

Management and policy	\$ 66,391
Support services	480,487
Legal and court	628,373
Development services	892,084
Police	2,991,396
Fire	3,066,694
Highways and streets	32,482,642
Community services	<u>7,172,037</u>
Total depreciation expense not including internal service funds	47,780,104
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>40,842</u>
 Total depreciation expense - governmental activities	 <u>\$47,820,946</u>

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2012, is as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Non-depreciable assets:				
Land	\$ 45,923,688	4,779,561	-	50,703,249
Construction-in-progress	3,513,610	8,731,038	(9,200,508)	3,044,140
Total non-depreciable assets	<u>49,437,298</u>	<u>13,510,599</u>	<u>(9,200,508)</u>	<u>53,747,389</u>
Depreciable assets:				
Plant and equipment	131,252,470	227,858	(394,452)	131,085,876
Water rights	9,146,281	-	-	9,146,281
Infrastructure	400,813,517	8,903,481	-	409,716,998
Total depreciable assets	<u>541,212,268</u>	<u>9,131,339</u>	<u>(394,452)</u>	<u>549,949,155</u>
Less accumulated depreciation:				
Plant and equipment	(41,370,150)	(5,995,525)	394,452	(46,971,223)
Water rights	(1,495,827)	(98,292)	-	(1,594,119)
Infrastructure	(96,346,395)	(10,453,823)	-	(106,800,218)
Total accumulated depreciation	<u>(139,212,372)</u>	<u>(16,547,640)</u>	<u>394,452</u>	<u>(155,365,560)</u>
Total depreciable assets, net	<u>401,999,896</u>	<u>(7,416,301)</u>	<u>-</u>	<u>394,583,595</u>
Business-type activities capital assets, net	<u>\$ 451,437,194</u>	<u>6,094,298</u>	<u>(9,200,508)</u>	<u>448,330,984</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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Business-type activities construction-in-progress and related construction commitments at June 30, 2012, are composed of the following:

	<u>Construction- in-progress</u>	<u>Commitments</u>
Water system	\$ 2,158,346	\$ 5,456,610
Wastewater system	885,794	-
Total	<u>\$ 3,044,140</u>	<u>\$ 5,456,610</u>

Note 7 - Risk Management

Traditional Commercial Insurance Programs

Gilbert operates with traditional commercial insurance programs against major losses in property, plant, equipment, and liability. Administrative responsibility for the safety program, education, and loss prevention resides with the Human Resources Department. Insurance is procured on a competitive quotation basis, using the services of an independent broker as a consultant. Gilbert processes all claims and evaluates their validity to determine if insurance reporting is warranted, or if the claim can be resolved administratively. Claims settled administratively, which are generally less than the deductibles of the appropriate policy, are paid from the funds where the claims occurred. During fiscal year 2012, there was no reduction in insurance coverage from prior years. Additionally, settlements have not exceeded insurance coverage during any of the last three fiscal years.

Self-Insurance

Gilbert has established an employee benefit self-insurance trust to account for and finance its uninsured risks of loss for medical claims. Gilbert purchases commercial stop loss insurance to limit the claims liability to the employee benefit self-insurance fund. The stop loss insurance provides specific (individual member) coverage for medical claims incurred in excess of \$250,000 with an additional \$75,000 risk retention. During fiscal year 2012, the plan received recoveries for \$2,363 through specific stop loss coverage for prior year claims. The stop loss deductible was not reached for any members for claims incurred in fiscal year 2012, so no recoveries are attributable to the fiscal year 2012 policy. Claim settlements did not exceed insurance coverage during any of the last three fiscal years.

Premiums are paid into the employee benefit self-insurance trust by all other funds and are available to pay claims and administrative costs of the program and fund claim reserves. As with any risk retention program, Gilbert is contingently liable with respect to claims beyond those actuarially projected.

The claims liability of \$1,244,571 reported in the employee benefit self-insurance trust at June 30, 2012, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability be reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The employee benefit self-insurance trust includes medical and dental benefits. For fiscal year 2012, an increase of \$157,721 was added for IBNR claims under the medical plan and an increase of \$6,409 was added for IBNR claims under the dental plan. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Fiscal year 2012 reflects an increase in claims costs from fiscal year 2011. Of the \$2,246,964 increase in claims costs during fiscal year 2012, \$2,109,546 was attributable to medical benefits and \$137,418 was attributable to dental benefits.

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Changes in the fund's claim liability amount in fiscal years 2011 and 2012 were:

Year Ended, June 30	Claim Liability at Beginning of Fiscal Year	Fiscal Year Claims and Changes in Estimates	Fiscal Year Claim Payments	Claim Liability at End of Fiscal Year
2011	\$ 988,431	11,259,687	11,167,677	\$1,080,441
2012	\$ 1,080,441	13,506,651	13,342,521	\$1,244,571

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. General obligation bonds have been issued for both governmental and 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, 2012, were as follows (the 7/1/12 principal payment was deducted as fiscal year 2012 resources were dedicated):

	<u>Governmental</u>	<u>Business-type</u>
2002 General Obligation Refunding Bonds, 3.5% to 5.75%, original amount \$20,960,000, annual retirements due July 1, 2003, through July 1, 2015	\$ -	\$3,870,000
2005 General Obligation Refunding Bonds, 3.0% to 5.0%, original amount \$14,115,000, annual retirements due July 1, 2006, through July 1, 2016	11,715,000	-
2008 General Obligation Bonds, 3.0% to 5.0%, original amount \$187,990,000, annual retirements due July 1, 2009, through July 1, 2023	<u>147,750,000</u>	-
Total	<u>\$159,465,000</u>	<u>\$3,870,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 11,900,000	\$ 7,177,000	\$1,760,000	\$ 222,525
2014	12,500,000	6,592,000	1,865,000	121,325
2015	12,350,000	5,967,000	245,000	14,088
2016	17,465,000	5,349,500	-	-
2017	13,200,000	4,476,250	-	-
2018-2022	75,050,000	12,005,000	-	-
2023	<u>17,000,000</u>	<u>510,000</u>	-	-
Total	<u>\$159,465,000</u>	<u>\$42,076,750</u>	<u>\$3,870,000</u>	<u>\$ 357,938</u>

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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 secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of Gilbert's net secondary assessed valuation. In November 2006, voters amended the constitution to move streets, fire, and police from the six percent bond type to the twenty percent bond type. The following is a summary of legal borrowing capacity at June 30, 2012:

<u>Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Purposes Bonds</u>		<u>All Other General Obligation Bonds</u>	
Secondary Assessed Valuation	<u>\$1,675,360,422</u>	Secondary Assessed Valuation	<u>\$1,675,360,422</u>
20% constitutional limit	335,072,084	6% constitutional limit	100,521,625
Less general obligation bonds outstanding	<u>(163,335,000)</u>	Less general obligation bonds outstanding	<u>-</u>
Available 20% limitation borrowing capacity	<u>\$171,737,084</u>	Available 6% limitation borrowing capacity	<u>\$100,521,625</u>

As of June 30, 2012, Gilbert had authorized, but unissued bonds, approved by the voters as follows:

Revenue bonds	
Water and wastewater	\$ 1,110,000
Electric	<u>27,500,000</u>
Total	<u>\$28,610,000</u>
General obligation bonds	
6% bond type	\$ 290,000
20% bond type	<u>82,769,000</u>
Total	<u>\$83,059,000</u>

Bond authorization elections on October 18, 1988, November 6, 2001, March 14, 2006, and November 6, 2007, authorized the 6% bond type and the 20% bond type to be issued as general obligation or revenue debt.

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, 2012, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest. Special assessment bonds are collateralized by properties within the districts. In the event of default by the owner, Gilbert may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. Gilbert is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

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Special assessment bonds outstanding at June 30, 2012, were as follows (the 7/1/12 principal bond call was deducted as fiscal year 2012 resources were dedicated):

	<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	\$ 2,640,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012 through January 1, 2029	<u>8,375,000</u>
Total	<u>\$11,015,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 435,000	\$ 553,258
2014	470,000	530,065
2015	475,000	505,845
2016	500,000	480,858
2017	540,000	454,205
2018-2022	3,145,000	1,814,842
2023-2027	4,075,000	897,177
2028-2029	<u>1,375,000</u>	<u>70,763</u>
Total	<u>\$11,015,000</u>	<u>\$5,307,013</u>

Street and Highway User Revenue Bonds

Street and highway user revenue bonds are issued specifically for the purpose of street and highway construction projects. These bonds are payable solely from the revenues derived from highway user taxes, including motor vehicle fuel taxes and all other taxes; fees and charges relating to registration, operation or use of vehicles on public highways or streets; or to fuels or any other energy source used for the vehicles collected by the State and returned to Gilbert.

Street and highway user revenue bonds outstanding at June 30, 2012, were as follows (the 7/1/12 principal payment was deducted as fiscal year 2012 resources were dedicated):

	<u>Governmental</u>
2003 Street and Highway User Revenue Bonds, 3.75% to 5.00% original amount \$35,000,000, annual retirements due July 1, 2004, through July 1, 2013	\$ 2,525,000
2012 Street and Highway User Revenue Refunding Bonds, 3.00% to 5.00% original amount \$16,945,000, annual retirements due July 1, 2014, through July 1, 2019	<u>16,945,000</u>
Total	<u>\$19,470,000</u>

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Annual debt service requirements to maturity for street and highway user revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,525,000	\$ 807,400
2014	2,030,000	693,450
2015	2,750,000	632,550
2016	2,845,000	550,050
2017	2,975,000	436,250
2018-2019	<u>6,345,000</u>	<u>479,750</u>
Total	<u>\$19,470,000</u>	<u>\$ 3,599,450</u>

Utility Revenue Bonds

Water and wastewater revenue bonds are issued as authorized by the voters to provide funds to acquire and construct certain improvements to the water and wastewater systems and to pay the costs incurred in connection with the issuance of the bonds. These bonds are secured by a pledge of revenues from these enterprises, and do not constitute a general obligation of Gilbert backed by the general taxing authority (see also Note 15).

Revenue bonds outstanding at June 30, 2012, were as follows (the 7/1/12 principal payment was deducted as fiscal year 2012 resources were dedicated):

	<u>Business-type</u>
2004 Water and Wastewater Revenue Refunding Bonds, 2.0% to 5.0%, original amount \$25,225,000, annual retirements due July 1, 2004 through July 1, 2022	\$15,410,000

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

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,430,000	\$ 681,662
2014	1,500,000	610,162
2015	1,585,000	535,163
2016	1,660,000	455,913
2017	1,745,000	372,912
2018-2022	<u>7,490,000</u>	<u>956,688</u>
Total	<u>\$15,410,000</u>	<u>\$3,612,500</u>

Municipal Property Corporation (MPC) Revenue Bonds

The Public Facilities MPC exists solely for the purpose of financing the multipurpose public safety complex (the 2001 issue); the service center facility, a police property facility and a sports complex (the 2006 issue); and the cost of acquisition of certain interests in real property to locate public safety and parks and recreation facilities and the costs of design, construction and outfitting of parks and recreation facilities and a parking facility (the 2009 issue). The Water MPC exists solely for the purpose of financing the construction of water and wastewater capital improvement projects. (See also Note 15 regarding Pledged Revenues.)

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Municipal property corporation revenue bonds outstanding at June 30, 2012, were as follows (the 7/1/12 principal payment was deducted as fiscal year 2012 resources were dedicated):

	<u>Governmental</u>	<u>Business-type</u>
2001 Public Facilities Municipal Property Corporation Revenue Bonds, 2.375% to 5.0%, original amount \$39,715,000, retirements due July 1, 2003, through July 1, 2013	\$ 205,000	-
2006 Public Facilities Municipal Property Corporation Revenue Bonds, 3.5% to 5.0%, original amount \$73,420,000, retirements due July 1, 2007, through July 1, 2021	49,595,000	-
2007 Water Resources Municipal Property Corporation, Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds, 4.0% to 5.0%, original amount \$146,175,000, retirements due October 1, 2008, through October 1, 2032	-	118,895,000
2009 Public Facilities Municipal Property Corporation Revenue Bonds, 3.0% to 5.5%, original amount \$80,585,000, retirements due July 1, 2009 through July 1, 2028	71,210,000	-
2011 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 3.0% to 4.75%, original amount \$20,980,000, retirements due July 1, 2013 through July 1, 2021	<u>20,980,000</u>	<u>-</u>
Total	<u>\$141,990,000</u>	<u>\$118,895,000</u>

Annual debt service requirements to maturity for municipal property corporation revenue bonds are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 9,695,000	\$ 6,873,353	\$ 3,700,000	\$ 5,726,888
2014	10,080,000	6,458,288	3,875,000	5,551,388
2015	7,515,000	6,028,788	4,075,000	5,352,638
2016	7,950,000	5,700,138	4,275,000	5,143,888
2017	8,950,000	5,330,088	4,500,000	4,924,513
2018-2022	52,085,000	19,037,073	26,225,000	20,910,685
2023-2027	34,515,000	9,552,500	33,425,000	13,719,500
2028-2032	<u>11,200,000</u>	<u>616,000</u>	<u>38,820,000</u>	<u>4,496,994</u>
Total	<u>\$141,990,000</u>	<u>\$59,596,228</u>	<u>\$118,895,000</u>	<u>\$65,826,494</u>

During the fiscal year ended June 30, 2012, Gilbert paid \$15,620,000 of the 2004 Water Resources Municipal Property Corporation, Wastewater System Development Fee and Subordinate Lien Wastewater Utility Revenue Bonds and \$5,205,000 of the 2007 Water Resources Municipal Property Corporation, Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds. Proceeds collected from the wastewater and water system development fees were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments of the bonds. Accordingly, the trust account assets and the liability for these bonds are not included in the financial statements. These bonds have been fully defeased.

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Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$178,635,000	-	(19,170,000)	159,465,000	11,900,000
Special assessment bonds with government commitment	11,415,000	-	(400,000)	11,015,000	435,000
Revenue bonds	186,195,000	37,925,000	(53,325,000)	170,795,000	11,860,000
Unamortized bond premium	3,025,757	4,110,575	(373,412)	6,762,920	-
Unamortized charge - refunding bonds	(839,543)	(2,006,798)	66,072	(2,780,269)	-
Total bonds payable	<u>378,431,214</u>	<u>40,028,777</u>	<u>(73,202,340)</u>	<u>345,257,651</u>	<u>24,195,000</u>
Compensated absences	8,974,374	7,448,439	(6,643,935)	9,778,878	3,637,231
Total long-term liabilities	<u>\$387,405,588</u>	<u>47,477,216</u>	<u>(79,846,275)</u>	<u>355,036,529</u>	<u>27,832,231</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 5,530,000	-	(1,660,000)	3,870,000	-
Revenue bonds	160,065,000	-	(25,760,000)	134,305,000	3,700,000
Unamortized bond discount	(69,696)	-	28,449	(41,247)	-
Unamortized bond premium	529,335	-	(45,509)	483,826	-
Unamortized charge - refunding bonds	(786,181)	-	65,022	(721,159)	-
Total bonds payable	<u>165,268,458</u>	<u>-</u>	<u>(27,372,038)</u>	<u>137,896,420</u>	<u>3,700,000</u>
Compensated absences	1,564,366	1,514,428	(1,250,132)	1,828,662	706,592
Total long-term liabilities	<u>\$166,832,824</u>	<u>1,514,428</u>	<u>(28,622,170)</u>	<u>139,725,082</u>	<u>4,406,592</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$154,383 of internal service funds compensated absences are included in the above amounts.

Long-term compensated absences 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.

Conduit Debt Obligations

The Industrial Development Authority, a discretely presented component unit of the Town of Gilbert, has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Neither Gilbert, Maricopa County nor the State of Arizona shall in any event be liable for payment of principal, premium or interest on these bonds, and accordingly they have not been reported in the accompanying combined financial statements. At June 30, 2012, Industrial Development Authority Revenue Bonds outstanding were \$3,569,111.

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Note 9 – Refunding Bonds

On July 26, 2011, Gilbert Public Facilities MPC issued \$20,980,000 of revenue refunding bonds with a net premium of \$1,896,084 to advance refund \$21,670,000 of outstanding Series 2001 Public Facilities MPC revenue bonds. The Series 2011 Public Facilities MPC revenue refunding bonds were issued with an average interest rate of 4.22 percent. Gilbert realized net proceeds of \$22,757,872, after payment of \$118,537 for underwriting fees. These proceeds were provided to an escrow trustee to pay issuance costs of approximately \$110,000 with remaining \$22,647,547 used to provide cash and purchase United States government securities. The cash and government securities were deposited in an irrevocable trust to provide for all future debt service payments of the Series 2001 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. The purpose of the refunding was to take advantage of lower interest rates thereby reducing future debt service payments. The refunding will reduce debt service payments by \$1,697,106 over the next 9 years producing an economic gain (difference between present value of old and new debt service payments) of \$1,493,115.

On June 21, 2012, Gilbert issued \$16,945,000 of street and highway user revenue refunding bonds with a net premium of \$2,214,491 to advance refund \$17,950,000 of outstanding Series 2003 street and highway user revenue bonds. The Series 2012 street and highway user revenue refunding bonds were issued with an average interest rate of 4.36 percent. Gilbert realized net proceeds of \$19,106,187, after payment of \$55,241 for underwriting fees. These proceeds were provided to an escrow trustee to pay issuance costs of approximately \$125,000 with remaining \$18,979,251 used to provide cash and purchase United States government securities. The cash and government securities were deposited in an irrevocable trust to provide for all future debt service payments of the Series 2003 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. The purpose of the refunding was to take advantage of lower interest rates thereby reducing future debt service payments. The refunding will reduce debt service payments by \$1,174,675 over the next 7 years producing an economic gain (difference between present value of old and new debt service payments) of \$1,140,937.

Note 10 - Retirement and Pension Plans

Plan Descriptions and Financial Reports

Gilbert contributes to three retirement plans described below. Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents.

The *Arizona State Retirement System* (ASRS) administers cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plans that cover employees of the State of Arizona and participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling (602) 240-2000 or 1 (800) 621-3778.

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The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

The *Elected Officials' Retirement Plan* (EORP) administers cost-sharing multiple-employer defined benefit pension and health insurance premium plans that cover State of Arizona and County elected officials and judges, and elected officials of participating municipalities. The Fund Manager of the PSPRS is the administrator for the EORP which was established by A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, it is reported in accordance with GASB Statement No. 45 as an agent multiple-employer plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer plan. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials' Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and their employers' contribution rates for all plans of the ASRS, PSPRS, and EORP.

Cost-sharing plans - For the year ended June 30, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74% (10.5% for retirement and 0.24% for long-term disability) of the members' annual covered payroll and Gilbert was required by statute to contribute at the actuarially determined rate of 10.74% (9.87% for retirement, 0.63% for health insurance premium, and 0.24% for long-term disability) of the members' annual covered payroll.

Gilbert's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Fiscal Year Ended	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$3,658,186	\$233,501	\$ 96,821
2011	3,236,934	211,964	89,656
2010	3,085,526	244,178	147,470

Agent plans - For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65% of police member's annual covered payroll and 7.65% for fire member's annual covered payroll. Gilbert was required to contribute at the actuarially determined rate of 14.64% for police personnel, of which 0.54% was the health insurance premium portion; and 10.85% for fire personnel, of which 0.48% was the health insurance premium portion. Active EORP members were required by statute to contribute 10% of the members' annual covered payroll; and Gilbert was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 32.99% of the members' annual covered payroll, of which 1.79% was the health insurance premium portion.

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Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2012, were established by the June 30, 2010 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented below provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by Gilbert and plan members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between Gilbert and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2012 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	26 years for underfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5% - 8.5% for PSPRS and 5.0% for EORP
Payroll growth	5.5% for PSPRS and 5.0% for EORP

Annual Pension/OPEB Cost – Gilbert's pension/OPEB cost for the agent plans for the year ended June 30, 2012, and related information follows (actual contributions made were equal to the annual pension/OPEB cost):

	<u>PSPRS-Police</u>	<u>PSPRS-Fire</u>	<u>EORP</u>
Pension	\$2,337,045	\$1,391,121	\$51,135
Health Insurance	89,504	64,391	2,934

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Trend Information—Annual pension cost information for the current and two preceding years follows for each of the agent plans.

Plan	Fiscal Year Ended	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS-Police				
Pension	2012	\$2,439,689	100.0%	-0-
	2011	2,496,320	100.0%	-0-
	2010	2,267,067	100.0%	-0-
Health Insurance	2012	97,156	100.0%	-0-
	2011	92,055	100.0%	-0-
	2010	75,123	100.0%	-0-
PSPRS-Fire				
Pension	2012	\$1,297,068	100.0%	-0-
	2011	1,422,492	100.0%	-0-
	2010	1,427,182	100.0%	-0-
Health Insurance	2012	62,951	100.0%	-0-
	2011	57,488	100.0%	-0-
	2010	44,283	100.0%	-0-
EORP				
Pension	2012	\$51,135	100.0%	-0-
	2011	45,923	100.0%	-0-
	2010	41,427	100.0%	-0-
Health Insurance	2012	2,934	100.0%	-0-
	2011	2,901	100.0%	-0-
	2010	2,999	100.0%	-0-

Schedule of Funded Status and Funding Progress—Following are the schedules of funded status and funding progress of the plans as of the most recent valuation date, June 30, 2012, and the previous two fiscal years. The fiscal year 2012 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2010 actuarial methods and assumptions as described on page 61. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for Gilbert, as a participating government, is not available.

PSPRS - Police

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Pension						
2012	\$46,823,028	61,175,480	(14,352,452)	76.5%	16,652,610	(86.2)%
2011	40,140,063	53,624,989	(13,484,926)	74.9%	16,176,077	(83.4)%
2010	35,764,039	45,612,797	(9,848,758)	78.4%	16,588,316	(59.4)%

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Health Insurance						
2012	\$ -0-	1,663,617	(1,663,617)	0.0%	16,652,610	(9.99)%
2011	-0-	1,575,279	(1,575,279)	0.0%	16,176,077	(9.74)%
2010	-0-	1,190,829	(1,190,829)	0.0%	16,588,316	(7.18)%

PSPRS - Fire

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Pension						
2012	\$35,417,839	37,018,127	(1,600,288)	95.7%	13,072,322	(12.2)%
2011	28,233,335	30,559,021	(2,325,686)	92.4%	12,905,560	(18.0)%
2010	23,869,050	22,964,310	904,740	103.9%	12,158,329	7.4%

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Health Insurance						
2012	\$ -0-	1,097,566	(1,097,566)	0.0%	13,072,322	(8.40)%
2011	-0-	1,027,298	(1,027,298)	0.0%	12,905,560	(7.96)%
2010	-0-	638,239	(638,239)	0.0%	12,158,329	(5.25)%

Volunteer Firemen's Relief and Pension Fund

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

Gilbert no longer operates a Volunteer Fire Department. Accordingly, there were no contributions required or made to this plan nor refunds paid for fiscal year 2012. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 11 - Capital Contributions

During the year ended June 30, 2012, the Enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions from developers	\$ 2,702,539	\$ 1,841,828	\$ 4,544,367
Development fees	17,509,478	15,154,154	32,663,632
Total	<u>\$20,212,017</u>	<u>\$16,995,982</u>	<u>\$37,207,999</u>

Note 12 – Interfund Transfers

As of June 30, 2012, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General fund	\$ 4,688,928	\$ 5,876,144
Streets special revenue	50,000	3,570,110
General debt service	19,736,738	-
Special assessments	305,836	202,978
Streets and transportation	286,869	-
Municipal facilities	103,177	6,107,067
Parks, open space and recreation	-	5,862,305
Other governmental funds	<u>23,730</u>	<u>4,266,918</u>
Total governmental funds	<u>25,195,278</u>	<u>25,885,522</u>
Enterprise funds:		
Water	1,050,840	669,513
Wastewater	<u>492,290</u>	<u>183,373</u>
Total enterprise funds	<u>1,543,130</u>	<u>852,886</u>
Total transfers	<u>\$26,738,408</u>	<u>\$26,738,408</u>

The interfund transfers generally fall within one of the following categories: 1) subsidy transfers; 2) transfers to cover debt service payments; 3) transfers for the town match for grants; or 4) transfers to fund capital projects or capital replacement. There were no significant transfers during fiscal year 2012 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 13 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net assets at June 30, 2012, were as follows:

<u>Capital projects funds</u>	
Municipal facilities	\$16,246,243
 <u>Special revenue funds</u>	
CDBG/HOME	72,596

The deficiency in the municipal facilities fund of the capital projects funds will be eliminated through the future collection of system development fees.

The deficiency in the CDBG/HOME fund of the special revenue funds will be eliminated through reimbursement from the U.S. Department of Housing and Urban Development.

Individual funds with an excess of expenditures over appropriations for the year ended June 30, 2012, were as follows:

<u>Debt service funds</u>	
Special assessments	318
 <u>Capital projects funds</u>	
Special assessments	5,710
 <u>Internal service funds</u>	
Employee benefit self-insurance	63,916

The excess of expenditures over appropriations were all funded by available fund balance/net assets.

Note 14 – Contingent Liabilities

Gilbert is contingently liable with respect to several lawsuits and other claims incidental to its normal operations. Management, with concurrence of the Town's Attorney, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on Gilbert's financial condition, results of operations or liquidity.

Note 15 – Pledged Revenues

Gilbert has pledged future water and wastewater revenues, net of specified operating expenses, to repay \$25,225,000 in water and wastewater revenue refunding bonds issued in 2004. Proceeds from the bonds refunded various other revenue bonds which provided financing for the construction of and improvements to the water and wastewater systems. The bonds are payable solely from water and wastewater net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$19,022,500. Principal and interest paid for the current year was \$2,108,213, and total customer net revenues were \$26,581,672.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Gilbert has pledged future water and wastewater connection development fees revenue and future water and wastewater revenues, net of specified operating expenses after debt service payments are made for the 2004 water and wastewater revenue refunding bonds, to repay \$219,125,000 in utility revenue bonds issued since 2004. Proceeds from the bonds provided financing for the construction of a joint use wastewater treatment plant; and for the acquisition of additional water production and distribution capacity for the combined water and wastewater system. The bonds are payable from water and wastewater connection development fees revenue and water and wastewater net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 18 percent of revenue. The total principal and interest remaining to be paid on the bonds is \$184,721,494. Principal and interest paid for the current year was \$30,471,337 (of which \$20,825,000 in principal was an advance defeasance). Total water and wastewater connection development fees revenue was \$28,745,152 and water and wastewater net revenues after debt payments were \$24,473,459.

Gilbert has pledged future street and highway revenues to repay \$35,000,000 in highway user revenue bonds issued in 2003 and \$16,945,000 in highway user revenue refunding bonds issued in 2012. Proceeds from the bonds provided financing for the purpose of street and highway construction projects. Proceeds from the 2012 refunding bonds were used to advance refund \$17,950,000 of outstanding 2003 highway user revenue bonds (see note 9). The bonds are payable solely from street and highway revenues (see note 8 for the detail of the sources of these revenues) and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 28 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$23,069,450. Principal and interest paid for the current year was \$2,970,375, and the total street and highway revenues were \$10,437,844.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$193,720,000 in public facilities municipal property corporation (MPC) revenue bonds issued since 2001 and \$20,980,000 in public facilities (MPC) revenue refunding bonds issued in 2011. Proceeds from the bonds provided financing of the multipurpose public safety complex, the service center facility, a police property facility, a sports complex, various other parks and recreation facilities, and a parking facility. Proceeds from the 2011 refunding bonds were used to advance refund \$21,670,000 of outstanding 2001 public facilities MPC revenue bonds. The bonds are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 17 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds is \$201,586,228. Principal and interest paid for the current year was \$16,484,316, and the total excise taxes and state-shared revenues were \$97,342,250.

Note 16 - Investment in Joint Venture

Construction of a joint water reclamation plant with the City of Mesa and the Town of Queen Creek was completed during fiscal year 2007. Mesa is the lead agent and is responsible for the operation and maintenance of the plant. 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 as of June 30, 2012, was:

Mesa's Share	\$ 66,803,865
Gilbert's Share	69,258,182
Queen Creek's Share	<u>27,603,036</u>
Total	<u>\$163,665,083</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Construction began in fiscal year 2007 for a joint water treatment plant with the City of Chandler. Gilbert is the lead agent on this project. Construction was completed during fiscal year 2009 and the plant will treat 12 million gallons per day each for Gilbert and Chandler. Gilbert's investment in joint venture is reflected as a separate line item in the proprietary funds financial statements. Separate financial statements for the joint venture are not prepared.

Total investment as of June 30, 2012, was:

Gilbert's Share	\$ 74,783,441
Chandler's Share	<u>72,491,242</u>
Total	<u>\$147,274,683</u>

In August 2008, Gilbert entered into an Intergovernmental Agreement with the Cities of Mesa and Apache Junction, Apache Junction Fire District (FD), 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). 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 subscriber units (radio counts). Gilbert's investment in joint venture is reflected within the governmental activities in the government-wide statement of net assets. Separate financial statements are not prepared.

Total investment as of June 30, 2012, was:

Mesa's Share	\$1,528,876
Gilbert's Share	356,343
Apache Junction's Share	91,108
Apache Junction FD's Share	44,535
Queen Creek's Share	<u>20,930</u>
Total	<u>\$2,041,792</u>

Note 17 - Subsequent Events

Gilbert advance defeased \$4,075,000 of Water Resources MPC Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds on October 1, 2012.



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.

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.

Community Development Block Grants (CDBG) – accounts for a series of ongoing entitlements received directly from the U.S. Department of Housing and Urban Development (HUD) and used for affordable housing and redevelopment activities. **HOME Program** accounts for HUD monies received from Maricopa County for affordable housing activities including housing rehabilitation.

Street Light Improvement District - accounts for taxes received from and expenditures of the street light maintenance improvement districts.

Parkway Maintenance District - accounts for taxes received from and expenditures of the parkway maintenance improvement districts.

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.

Traffic Control - accounts for the acquisition and installation of traffic signals.

Flood Control and Storm Water - accounts for the construction of flood control retention basins and storm drains.

Special Assessments – accounts for Gilbert’s capital construction of improvement districts.

Redevelopment - accounts for the construction of capital improvements in the Heritage District.

TOWN OF GILBERT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
ASSETS					
Pooled cash and investments	\$ 2,834,705	\$ 1,432,503	\$ 12,304	\$ 268,399	\$ 187,331
Receivables, net:					
Taxes	-	-	-	12,113	13,178
Accrued interest	13,445	3,578	-	-	18
Accounts	1,895	49,803	-	-	-
Due from other governments	1,098,319	730,787	500,403	-	-
Inventories	-	-	-	-	1,666
Total assets	<u>\$ 3,948,364</u>	<u>\$ 2,216,671</u>	<u>\$ 512,707</u>	<u>\$ 280,512</u>	<u>\$ 202,193</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 244,818	\$ 48,028	\$ 93,274	\$ -	\$ 44,162
Accrued liabilities	-	21,382	2,247	-	1,814
Due to other funds	-	-	489,782	-	-
Deferred revenue:					
Other	14,600	-	-	-	-
Total liabilities	<u>259,418</u>	<u>69,410</u>	<u>585,303</u>	<u>-</u>	<u>45,976</u>
Fund Balances:					
Nonspendable	-	-	-	-	1,666
Restricted	3,688,946	1,933,941	12,576	280,512	154,551
Assigned	-	213,320	-	-	-
Unassigned	-	-	(85,172)	-	-
Total fund balances	<u>3,688,946</u>	<u>2,147,261</u>	<u>(72,596)</u>	<u>280,512</u>	<u>156,217</u>
Total liabilities and fund balances	<u>\$ 3,948,364</u>	<u>\$ 2,216,671</u>	<u>\$ 512,707</u>	<u>\$ 280,512</u>	<u>\$ 202,193</u>

Capital Projects

Traffic Control	Flood Control and Storm Water	Special Assessments	Redevelopment	Total Nonmajor Governmental Funds
\$ 2,397,960	\$ -	\$ -	\$ 3,660,853	\$ 10,794,055
-	-	-	-	25,291
5,155	-	-	8,817	31,013
415	-	-	-	52,113
-	-	-	195,187	2,524,696
-	-	-	-	1,666
<u>\$ 2,403,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,864,857</u>	<u>\$ 13,428,834</u>
\$ 7,646	\$ -	\$ -	\$ -	\$ 437,928
-	-	-	-	25,443
-	-	-	-	489,782
-	-	-	-	14,600
<u>7,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>967,753</u>
-	-	-	-	1,666
2,380,294	-	-	3,752,531	12,203,351
15,590	-	-	112,326	341,236
-	-	-	-	(85,172)
<u>2,395,884</u>	<u>-</u>	<u>-</u>	<u>3,864,857</u>	<u>12,461,081</u>
<u>\$ 2,403,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,864,857</u>	<u>\$ 13,428,834</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 1,434,740	\$ 1,108,197
Intergovernmental	2,489,521	1,728	1,515,773	-	-
Charges for services	-	1,392,593	-	-	-
Other entities' participation	-	2,370	-	-	-
System development fees	-	-	-	-	-
Gifts and donations	-	166,253	-	-	-
Fines and forfeitures	-	449,156	-	-	-
Investment earnings	40,001	15,230	48	-	69
Miscellaneous	76,982	-	-	-	-
Total revenues	<u>2,606,504</u>	<u>2,027,330</u>	<u>1,515,821</u>	<u>1,434,740</u>	<u>1,108,266</u>
Expenditures					
Current:					
General government:					
Management and policy	-	43	-	-	-
Legal and court	-	304,686	-	-	-
Development services	28,892	-	836,606	-	-
Public safety:					
Police	238,468	1,228,497	-	-	-
Fire	108,062	16,904	-	-	-
Highways and streets	942,438	-	-	1,480,383	-
Community services	-	42,059	-	-	1,006,603
Transportation	21,907	-	-	-	-
Non departmental	84,042	49,884	-	-	-
Capital outlay	467,560	102,617	-	-	-
Total expenditures	<u>1,891,369</u>	<u>1,744,690</u>	<u>836,606</u>	<u>1,480,383</u>	<u>1,006,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>715,135</u>	<u>282,640</u>	<u>679,215</u>	<u>(45,643)</u>	<u>101,663</u>
Other financing sources (uses)					
Transfers in	3,975	-	-	-	-
Transfers out	(2,698,526)	(214,516)	(768,347)	-	-
Total other financing sources and uses	<u>(2,694,551)</u>	<u>(214,516)</u>	<u>(768,347)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,979,416)	68,124	(89,132)	(45,643)	101,663
Fund balances at beginning of year	5,668,362	2,079,137	16,536	326,155	54,554
Fund balances at end of year	<u>\$ 3,688,946</u>	<u>\$ 2,147,261</u>	<u>\$ (72,596)</u>	<u>\$ 280,512</u>	<u>\$ 156,217</u>

Capital Projects

Traffic Control	Flood Control and Storm Water	Special Assessments	Redevelopment	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,542,937
53,549	-	-	-	4,060,571
-	-	-	-	1,392,593
-	-	-	-	2,370
1,269,395	-	-	-	1,269,395
-	-	-	-	166,253
-	-	-	-	449,156
14,360	446	377	26,835	97,366
-	-	-	3,300	80,282
<u>1,337,304</u>	<u>446</u>	<u>377</u>	<u>30,135</u>	<u>10,060,923</u>
-	-	-	-	43
-	-	-	-	304,686
-	-	-	-	865,498
-	-	-	-	1,466,965
-	-	-	-	124,966
-	-	-	-	2,422,821
-	-	-	-	1,048,662
-	-	-	-	21,907
-	-	-	-	133,926
254,633	-	5,710	35,486	866,006
<u>254,633</u>	<u>-</u>	<u>5,710</u>	<u>35,486</u>	<u>7,255,480</u>
<u>1,082,671</u>	<u>446</u>	<u>(5,333)</u>	<u>(5,351)</u>	<u>2,805,443</u>
19,755	-	-	-	23,730
(7,946)	(248,209)	(305,836)	(23,538)	(4,266,918)
<u>11,809</u>	<u>(248,209)</u>	<u>(305,836)</u>	<u>(23,538)</u>	<u>(4,243,188)</u>
1,094,480	(247,763)	(311,169)	(28,889)	(1,437,745)
1,301,404	247,763	311,169	3,893,746	13,898,826
<u>\$ 2,395,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,864,857</u>	<u>\$ 12,461,081</u>



BUDGETARY COMPARISON SCHEDULES

TOWN OF GILBERT, ARIZONA
Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 5,000,000	\$ 5,000,000	\$ 2,489,521	\$ (2,510,479)
Investment earnings	-	-	40,001	40,001
Miscellaneous	-	-	76,982	76,982
Total revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>2,606,504</u>	<u>(2,393,496)</u>
Expenditures				
Current:				
General government:				
Development services	-	-	28,892	(28,892)
Public safety:				
Police	-	-	238,468	(238,468)
Fire	-	-	108,062	(108,062)
Highways and streets	-	-	942,438	(942,438)
Transportation	-	-	21,907	(21,907)
Non departmental	-	-	84,042	(84,042)
Capital outlay	-	-	467,560	(467,560)
Contingency	5,000,000	5,000,000	-	5,000,000
Total expenditures	<u>5,000,000</u>	<u>5,000,000</u>	<u>1,891,369</u>	<u>3,108,631</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>715,135</u>	<u>715,135</u>
Other financing sources (uses)				
Transfers in	-	-	3,975	3,975
Transfers out	(2,697,000)	(2,697,000)	(2,698,526)	(1,526)
Total other financing sources and uses	<u>(2,697,000)</u>	<u>(2,697,000)</u>	<u>(2,694,551)</u>	<u>2,449</u>
Net change in fund balances	<u>\$ (2,697,000)</u>	<u>\$ (2,697,000)</u>	(1,979,416)	<u>\$ 717,584</u>
Fund balance at beginning of year			5,668,362	
Fund balance at end of year			<u>\$ 3,688,946</u>	

TOWN OF GILBERT, ARIZONA
Other Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,728	\$ 1,728
Charges for services	1,265,000	1,265,000	1,392,593	127,593
Other entities' participation	-	-	2,370	2,370
Gifts and donations	225,000	225,000	166,253	(58,747)
Fines and forfeitures	300,890	300,890	449,156	148,266
Investment earnings	-	-	15,230	15,230
Total revenues	1,790,890	1,790,890	2,027,330	236,440
Expenditures				
Current:				
General government:				
Management and policy	-	50	43	7
Support services	1,000	1,000	-	1,000
Legal and court	292,230	366,380	304,686	61,694
Public safety:				
Police	1,177,130	1,389,380	1,228,497	160,883
Fire	13,600	14,790	16,904	(2,114)
Community services	39,900	42,060	42,059	1
Non departmental	50,000	50,000	49,884	116
Capital outlay	33,000	91,130	102,617	(11,487)
Contingency	200,000	-	-	-
Total expenditures	1,806,860	1,954,790	1,744,690	210,100
Excess (deficiency) of revenues over (under) expenditures	(15,970)	(163,900)	282,640	446,540
Other financing sources (uses)				
Transfers in	20,890	20,890	-	(20,890)
Transfers out	(185,920)	(202,250)	(214,516)	(12,266)
Total other financing sources and uses	(165,030)	(181,360)	(214,516)	(33,156)
Net change in fund balances	\$ (181,000)	\$ (345,260)	68,124	\$ 413,384
Fund balance at beginning of year			2,079,137	
Fund balance at end of year			\$ 2,147,261	

TOWN OF GILBERT, ARIZONA
CDBG/HOME Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,357,130	\$ 1,357,130	\$ 1,515,773	\$ 158,643
Investment earnings	-	-	48	48
Total revenues	1,357,130	1,357,130	1,515,821	158,691
Expenditures				
Current:				
General government:				
Development services	1,340,450	1,340,450	836,606	503,844
Total expenditures	1,340,450	1,340,450	836,606	503,844
Excess of revenues over expenditures	16,680	16,680	679,215	662,535
Other financing uses				
Transfers out	(438,000)	(438,000)	(768,347)	(330,347)
Total other financing uses	(438,000)	(438,000)	(768,347)	(330,347)
Net change in fund balances	\$ (421,320)	\$ (421,320)	(89,132)	\$ 332,188
Fund balance at beginning of year			16,536	
Fund deficit at end of year			\$ (72,596)	

TOWN OF GILBERT, ARIZONA
Street Light Improvement District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,431,360	\$ 1,431,360	\$ 1,434,740	\$ 3,380
Total revenues	<u>1,431,360</u>	<u>1,431,360</u>	<u>1,434,740</u>	<u>3,380</u>
Expenditures				
Current:				
Highways and streets	1,636,240	1,636,240	1,480,383	155,857
Total expenditures	<u>1,636,240</u>	<u>1,636,240</u>	<u>1,480,383</u>	<u>155,857</u>
Deficiency of revenues under expenditures	<u>(204,880)</u>	<u>(204,880)</u>	<u>(45,643)</u>	<u>159,237</u>
Net change in fund balances	<u>\$ (204,880)</u>	<u>\$ (204,880)</u>	(45,643)	<u>\$ 159,237</u>
Fund balance at beginning of year			326,155	
Fund balance at end of year			<u>\$ 280,512</u>	

TOWN OF GILBERT, ARIZONA
Parkway Maintenance District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,107,490	\$ 1,107,490	\$ 1,108,197	\$ 707
Investment earnings	-	-	69	69
Total revenues	<u>1,107,490</u>	<u>1,107,490</u>	<u>1,108,266</u>	<u>776</u>
Expenditures				
Current:				
Community services	1,191,270	1,191,270	1,006,603	184,667
Total expenditures	<u>1,191,270</u>	<u>1,191,270</u>	<u>1,006,603</u>	<u>184,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(83,780)</u>	<u>(83,780)</u>	101,663	185,443
Net change in fund balances	<u>\$ (83,780)</u>	<u>\$ (83,780)</u>	101,663	<u>\$ 185,443</u>
Fund balance at beginning of year			54,554	
Fund balance at end of year			<u>\$ 156,217</u>	

TOWN OF GILBERT, ARIZONA
General Debt Obligations Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 21,400,000	\$ 21,400,000	\$ 21,502,322	\$ 102,322
Investment earnings	75,000	75,000	90,286	15,286
Total revenues	21,475,000	21,475,000	21,592,608	117,608
Expenditures				
Debt service:				
Principal	26,660,000	26,660,000	22,655,000	4,005,000
Interest	16,363,390	16,363,390	15,417,091	946,299
Bond issuance costs	-	-	402,163	(402,163)
Fiscal and other charges	8,320	8,320	1,534	6,786
Total expenditures	43,031,710	43,031,710	38,475,788	4,555,922
Deficiency of revenues under expenditures	(21,556,710)	(21,556,710)	(16,883,180)	4,673,530
Other financing sources (uses)				
Transfers in	20,333,780	20,333,780	19,736,738	(597,042)
Refunding bonds issued	-	-	37,925,000	37,925,000
Premium on refunding bonds	-	-	4,110,575	4,110,575
Payment to refunded bond escrow agent	-	(41,626,810)	(41,626,798)	12
Total other financing sources and uses	20,333,780	(21,293,030)	20,145,515	41,438,545
Net change in fund balances	\$ (1,222,930)	\$ (42,849,740)	3,262,335	\$ 46,112,075
Fund balance at beginning of year			6,927,284	
Fund balance at end of year			\$ 10,189,619	

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 1,167,660	\$ 1,167,660	\$ 878,981	\$ (288,679)
Investment earnings	-	-	1,295	1,295
Total revenues	1,167,660	1,167,660	880,276	(287,384)
Expenditures				
Debt service:				
Principal	400,000	400,000	400,000	-
Interest	574,660	574,660	574,655	5
Fiscal and other charges	750	750	1,073	(323)
Total expenditures	975,410	975,410	975,728	(318)
Excess (deficiency) of revenues over (under) expenditures	192,250	192,250	(95,452)	(287,702)
Other financing sources (uses)				
Transfers in	-	-	305,836	305,836
Transfers out	-	-	(202,978)	(202,978)
Total other financing sources and uses	-	-	102,858	102,858
Net change in fund balances	\$ 192,250	\$ 192,250	7,406	\$ (184,844)
Fund balance at beginning of year			56,611	
Fund balance at end of year			\$ 64,017	

TOWN OF GILBERT, ARIZONA
Streets and Transportation Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental	\$ 11,895,000	\$ 11,895,000	\$ 634,918	\$ (11,260,082)
Other entities' participation	1,000,000	1,000,000	1,278,413	278,413
Investment earnings	-	-	773,594	773,594
Miscellaneous	3,400	3,400	1,779,024	1,775,624
Total revenues	<u>12,898,400</u>	<u>12,898,400</u>	<u>4,465,949</u>	<u>(8,432,451)</u>
Expenditures				
Current:				
General government:				
Development services	-	46,770	1,559	45,211
Highways and streets	-	-	20,852	(20,852)
Capital outlay	76,950,840	77,628,543	25,389,756	52,238,787
Total expenditures	<u>76,950,840</u>	<u>77,675,313</u>	<u>25,412,167</u>	<u>52,263,146</u>
Deficiency of revenues under expenditures	<u>(64,052,440)</u>	<u>(64,776,913)</u>	<u>(20,946,218)</u>	<u>43,830,695</u>
Other financing sources				
Transfers in	2,289,000	2,289,000	286,869	(2,002,131)
Total other financing sources	<u>2,289,000</u>	<u>2,289,000</u>	<u>286,869</u>	<u>(2,002,131)</u>
Net change in fund balances	<u>\$ (61,763,440)</u>	<u>\$ (62,487,913)</u>	(20,659,349)	<u>\$ 41,828,564</u>
Fund balance at beginning of year			<u>87,625,742</u>	
Fund balance at end of year			<u>\$ 66,966,393</u>	

TOWN OF GILBERT, ARIZONA
Traffic Control Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 529,000	\$ 529,000	\$ 53,549	\$ (475,451)
System development fees	689,000	689,000	1,269,395	580,395
Investment earnings	-	-	14,360	14,360
Total revenues	1,218,000	1,218,000	1,337,304	119,304
Expenditures				
Capital outlay	1,207,000	1,207,000	254,633	952,367
Total expenditures	1,207,000	1,207,000	254,633	952,367
Excess of revenues over expenditures	11,000	11,000	1,082,671	1,071,671
Other financing sources (uses)				
Transfers in	42,000	42,000	19,755	(22,245)
Transfers out	(31,000)	(31,000)	(7,946)	23,054
Total other financing sources and uses	11,000	11,000	11,809	809
Net change in fund balances	\$ 22,000	\$ 22,000	1,094,480	\$ 1,072,480
Fund balance at beginning of year			1,301,404	
Fund balance at end of year			\$ 2,395,884	

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,018,000	\$ 3,018,000	\$ 2,856,346	\$ (161,654)
System development fees	2,564,000	2,564,000	5,677,183	3,113,183
Investment earnings	-	-	15,848	15,848
Total revenues	5,582,000	5,582,000	8,549,377	2,967,377
Expenditures				
Current:				
General government:				
Development services	250,000	250,000	64,078	185,922
Public safety:				
Police	-	-	285,690	(285,690)
Fire	-	-	133,183	(133,183)
Debt service:				
Fiscal and other charges	-	-	6,582	(6,582)
Capital outlay	6,184,000	6,184,000	4,551,246	1,632,754
Total expenditures	6,434,000	6,434,000	5,040,779	1,393,221
Excess (deficiency) of revenues over (under) expenditures	(852,000)	(852,000)	3,508,598	4,360,598
Other financing sources (uses)				
Transfers in	2,910,000	2,910,000	103,177	(2,806,823)
Transfers out	(12,846,150)	(12,846,150)	(6,107,067)	6,739,083
Total other financing sources and uses	(9,936,150)	(9,936,150)	(6,003,890)	3,932,260
Net change in fund balances	\$ (10,788,150)	\$ (10,788,150)	(2,495,292)	\$ 8,292,858
Fund deficit at beginning of year			(13,750,951)	
Fund deficit at end of year			\$ (16,246,243)	

TOWN OF GILBERT, ARIZONA
Parks, Open Space and Recreation Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,487,000	\$ 1,487,000	\$ -	\$ (1,487,000)
System development fees	4,092,000	4,092,000	11,010,594	6,918,594
Investment earnings	-	-	95,905	95,905
Miscellaneous	-	-	1,520,389	1,520,389
Total revenues	5,579,000	5,579,000	12,626,888	7,047,888
Expenditures				
Current:				
Community services	355,000	355,000	49,414	305,586
Capital outlay	4,579,000	4,641,000	328,166	4,312,834
Total expenditures	4,934,000	4,996,000	377,580	4,618,420
Excess of revenues over expenditures	645,000	583,000	12,249,308	11,666,308
Other financing uses				
Transfers out	(5,467,400)	(5,467,400)	(5,862,305)	(394,905)
Total other financing uses	(5,467,400)	(5,467,400)	(5,862,305)	(394,905)
Net change in fund balances	\$ (4,822,400)	\$ (4,884,400)	6,387,003	\$ 11,271,403
Fund balance at beginning of year			8,259,413	
Fund balance at end of year			\$ 14,646,416	

TOWN OF GILBERT, ARIZONA
Special Assessments Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 377	\$ 377
Total revenues	<u>-</u>	<u>-</u>	<u>377</u>	<u>377</u>
Expenditures				
Capital outlay	-	-	5,710	(5,710)
Total expenditures	<u>-</u>	<u>-</u>	<u>5,710</u>	<u>(5,710)</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(5,333)</u>	<u>(5,333)</u>
Other financing uses				
Transfers out	-	(311,550)	(305,836)	5,714
Total other financing uses	<u>-</u>	<u>(311,550)</u>	<u>(305,836)</u>	<u>5,714</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (311,550)</u>	<u>(311,169)</u>	<u>\$ 381</u>
Fund balance at beginning of year			<u>311,169</u>	
Fund balance at end of year			<u>\$ -</u>	

TOWN OF GILBERT, ARIZONA
Redevelopment Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other entities' participation	\$ 349,000	\$ 349,000	\$ -	\$ (349,000)
Investment earnings	-	-	26,835	26,835
Miscellaneous	-	-	3,300	3,300
Total revenues	<u>349,000</u>	<u>349,000</u>	<u>30,135</u>	<u>(318,865)</u>
Expenditures				
Capital outlay	7,411,000	7,442,660	35,486	7,407,174
Total expenditures	<u>7,411,000</u>	<u>7,442,660</u>	<u>35,486</u>	<u>7,407,174</u>
Deficiency of revenues under expenditures	<u>(7,062,000)</u>	<u>(7,093,660)</u>	<u>(5,351)</u>	<u>7,088,309</u>
Other financing sources (uses)				
Transfers in	7,062,000	7,061,000	-	(7,061,000)
Transfers out	-	-	(23,538)	(23,538)
Total other financing sources and uses	<u>7,062,000</u>	<u>7,061,000</u>	<u>(23,538)</u>	<u>(7,084,538)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (32,660)</u>	<u>(28,889)</u>	<u>\$ 3,771</u>
Fund balance at beginning of year			<u>3,893,746</u>	
Fund balance at end of year			<u>\$ 3,864,857</u>	

TOWN OF GILBERT, ARIZONA
Water Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Assets - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 36,094,000	\$ 36,094,000	\$ 36,692,434	\$ 598,434
Other	1,440,000	1,440,000	1,646,827	206,827
Total operating revenues	37,534,000	37,534,000	38,339,261	805,261
Operating expenses				
General and administrative	910,130	1,903,930	1,073,874	830,056
Personal services	5,912,140	7,844,550	6,745,643	1,098,907
Operation and maintenance	13,650,130	13,730,120	12,042,823	1,687,297
Capital outlay	26,282,870	26,281,000	8,156,003	18,124,997
Allocation of indirect expenses	2,309,430	2,309,430	1,149,154	1,160,276
Debt service:				
Principal	11,393,740	11,393,740	11,326,341	67,399
Contingency	808,000	808,000	-	808,000
Total operating expenses	61,266,440	64,270,770	40,493,838	23,776,932
Operating loss	(23,732,440)	(26,736,770)	(2,154,577)	24,582,193
Nonoperating revenues (expenses)				
Interest expense	(6,988,530)	(6,988,530)	(6,764,676)	223,854
Investment earnings	90,000	90,000	895,168	805,168
Gain on sale of capital assets	-	-	4,168	4,168
Total nonoperating revenues (expenses)	(6,898,530)	(6,898,530)	(5,865,340)	1,033,190
Loss before capital contributions and transfers	(30,630,970)	(33,635,300)	(8,019,917)	25,615,383
Capital contributions	7,676,000	7,676,000	17,509,478	9,833,478
Transfers in	438,000	438,000	1,050,840	612,840
Transfers out	(2,445,920)	(2,445,920)	(669,513)	1,776,407
Change in net assets	\$ (24,962,890)	\$ (27,967,220)	9,870,888	\$ 37,838,108

Explanation of difference between budgetary change in net assets at June 30, 2012, and GAAP change in net assets:

Obligations for compensated absences are accrued on the GAAP basis but are not recognized on the budget basis:

Add compensated absences at June 30, 2011	734,656
Less compensated absences at June 30, 2012	(900,475)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis. 8,156,003

Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis. 11,326,341

Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis. 2,702,539

Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes. (9,490,239)

Amortization of bond issuance costs is recognized as an expense for GAAP purposes but not recognized for budgetary purposes. (111,369)

Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets	\$ 22,288,344
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TOWN OF GILBERT, ARIZONA
Wastewater Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Assets- Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 21,221,010	\$ 21,221,010	\$ 22,739,462	\$ 1,518,452
Other	1,000	1,000	8,467	7,467
Total operating revenues	21,222,010	21,222,010	22,747,929	1,525,919
Operating expenses				
General and administrative	689,690	689,690	810,667	(120,977)
Personal services	3,032,430	3,032,430	3,545,827	(513,397)
Operation and maintenance	9,747,440	9,779,900	8,245,112	1,534,788
Capital outlay	3,471,000	3,471,000	219,865	3,251,135
Allocation of indirect expenses	1,649,460	1,649,460	648,797	1,000,663
Debt service:				
Principal	8,798,660	16,154,100	16,093,659	60,441
Contingency	943,000	943,000	-	943,000
Total operating expenses	28,331,680	35,719,580	29,563,927	6,155,653
Operating loss	(7,109,670)	(14,497,570)	(6,815,998)	7,681,572
Nonoperating revenues (expenses)				
Interest expense	(573,790)	(573,790)	(376,895)	196,895
Investment earnings	79,590	79,590	211,306	131,716
Gain on sale of capital assets	-	-	2,652	2,652
Total nonoperating revenues (expenses)	(494,200)	(494,200)	(162,937)	331,263
Loss before capital contributions and transfers	(7,603,870)	(14,991,770)	(6,978,935)	8,012,835
Capital contributions	5,807,340	5,807,340	15,154,154	9,346,814
Transfers in	820,000	820,000	492,290	(327,710)
Transfers out	(766,000)	(766,000)	(183,373)	582,627
Change in net assets	\$ (1,742,530)	\$ (9,130,430)	8,484,136	\$ 17,614,566

Explanation of difference between budgetary change in net assets at June 30, 2012,
and GAAP change in net assets:

Obligations for compensated absences are accrued on the GAAP basis but
are not recognized on the budget basis:

Add compensated absences at June 30, 2011	363,769
Less compensated absences at June 30, 2012	(441,571)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.	219,865
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Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis.	16,093,659
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Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis.	1,841,828
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Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(8,381,788)
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Amortization of bond issuance costs is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(521,345)
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Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets	\$ 17,658,553
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TOWN OF GILBERT, ARIZONA
Solid Waste Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Assets - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 17,162,100	\$ 17,162,100	\$ 17,923,883	\$ 761,783
Other	70,000	70,000	109,830	39,830
Total operating revenues	17,232,100	17,232,100	18,033,713	801,613
Operating expenses				
General and administrative	414,690	414,690	927,851	(513,161)
Personal services	4,916,070	4,916,070	5,387,927	(471,857)
Operation and maintenance	7,158,010	7,158,010	6,243,114	914,896
Capital outlay	2,077,000	2,077,000	149,158	1,927,842
Allocation of indirect expenses	1,352,640	1,352,640	584,653	767,987
Contingency	453,000	453,000	-	453,000
Total operating expenses	16,371,410	16,371,410	13,292,703	3,078,707
Operating income	860,690	860,690	4,741,010	3,880,320
Nonoperating revenues				
Investment earnings	83,200	83,200	137,675	54,475
Gain on sale of capital assets	-	-	31,459	31,459
Total nonoperating revenues	83,200	83,200	169,134	85,934
Income before capital contributions	943,890	943,890	4,910,144	3,966,254
Capital contributions	-	-	13,713	13,713
Change in net assets	\$ 943,890	\$ 943,890	4,923,857	\$ 3,979,967

Explanation of difference between budgetary change in net assets at June 30, 2012,
and GAAP change in net assets:

Obligations for compensated absences are accrued on the GAAP basis but
are not recognized on the budget basis:

Add compensated absences at June 30, 2011	465,941
Less compensated absences at June 30, 2012	(486,616)

Capital outlays are not recognized as GAAP expenses but are recognized
as expenses on a budget basis.

149,158

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

(1,674,985)

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

\$ 3,377,355



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.

Copy Services - to account for the revenues and expenses from the operation of centrally located copiers within Gilbert.

Employee Benefit Self-Insurance - to account for and finance Gilbert's uninsured risks of loss for medical claims.

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Net Assets
June 30, 2012

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 794,020	\$ 277,533	\$ 5,155,839	\$ 6,227,392
Receivables (net):				
Accrued interest	1,566	870	1,816	4,252
Accounts	32,949	-	1,910	34,859
Inventories	468,041	-	-	468,041
Total current assets	<u>1,296,576</u>	<u>278,403</u>	<u>5,159,565</u>	<u>6,734,544</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	223,225	324,888	-	548,113
Less accumulated depreciation	<u>(200,381)</u>	<u>(112,188)</u>	<u>-</u>	<u>(312,569)</u>
Total capital assets (net)	<u>22,844</u>	<u>212,700</u>	<u>-</u>	<u>235,544</u>
Total assets	<u>1,319,420</u>	<u>491,103</u>	<u>5,159,565</u>	<u>6,970,088</u>
LIABILITIES				
Current liabilities:				
Accounts payable	260,850	92,818	13,253	366,921
Accrued liabilities	23,755	-	-	23,755
Current portion of compensated absences	64,110	-	-	64,110
Claims payable	-	-	1,244,571	1,244,571
Total current liabilities	<u>348,715</u>	<u>92,818</u>	<u>1,257,824</u>	<u>1,699,357</u>
Long-term portion of compensated absences	<u>90,273</u>	<u>-</u>	<u>-</u>	<u>90,273</u>
Total liabilities	<u>438,988</u>	<u>92,818</u>	<u>1,257,824</u>	<u>1,789,630</u>
NET ASSETS				
Invested in capital assets, net of related debt	22,844	212,700	-	235,544
Unrestricted	857,588	185,585	3,901,741	4,944,914
Total net assets	<u>\$ 880,432</u>	<u>\$ 398,285</u>	<u>\$ 3,901,741</u>	<u>\$ 5,180,458</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2012

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 6,955,403	\$ 355,134	\$ 12,893,622	\$ 20,204,159
Other	5,967	-	46,113	52,080
Total operating revenues	<u>6,961,370</u>	<u>355,134</u>	<u>12,939,735</u>	<u>20,256,239</u>
Operating expenses				
General and administrative	147,393	-	790,985	938,378
Personal services	1,414,035	-	-	1,414,035
Operation and maintenance	5,377,404	383,578	-	5,760,982
Claims Incurred	-	-	13,506,651	13,506,651
Depreciation	18,979	21,863	-	40,842
Total operating expenses	<u>6,957,811</u>	<u>405,441</u>	<u>14,297,636</u>	<u>21,660,888</u>
Operating income (loss)	<u>3,559</u>	<u>(50,307)</u>	<u>(1,357,901)</u>	<u>(1,404,649)</u>
Nonoperating revenues (expenses)				
Investment earnings	3,966	2,723	14,071	20,760
Loss on sale of capital assets	-	(24,711)	-	(24,711)
Total nonoperating revenues (expenses)	<u>3,966</u>	<u>(21,988)</u>	<u>14,071</u>	<u>(3,951)</u>
Change in net assets	7,525	(72,295)	(1,343,830)	(1,408,600)
Total net assets, beginning of year	<u>872,907</u>	<u>470,580</u>	<u>5,245,571</u>	<u>6,589,058</u>
Total net assets, end of year	<u>\$ 880,432</u>	<u>\$ 398,285</u>	<u>\$ 3,901,741</u>	<u>\$ 5,180,458</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2012

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
Cash flows from operating activities:				
Other operating cash receipts	\$ 5,967	\$ -	\$ 46,702	\$ 52,669
Cash receipts from other funds for services	6,996,746	355,134	12,893,622	20,245,502
Cash payments to suppliers for goods and services	(5,556,770)	(290,920)	(14,120,556)	(19,968,246)
Cash payments to employees for services	(1,367,150)	-	-	(1,367,150)
Net cash provided by (used in) operating activities	<u>78,793</u>	<u>64,214</u>	<u>(1,180,232)</u>	<u>(1,037,225)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	(159,336)	-	(159,336)
Net cash used in capital and related financing activities	<u>-</u>	<u>(159,336)</u>	<u>-</u>	<u>(159,336)</u>
Cash flows from investing activities:				
Interest received on investments	3,154	2,280	14,719	20,153
Net cash provided by investing activities	<u>3,154</u>	<u>2,280</u>	<u>14,719</u>	<u>20,153</u>
Net increase (decrease) in cash and cash equivalents	81,947	(92,842)	(1,165,513)	(1,176,408)
Cash and cash equivalents at beginning of year	<u>712,073</u>	<u>370,375</u>	<u>6,321,352</u>	<u>7,403,800</u>
Cash and cash equivalents at end of year	<u>\$ 794,020</u>	<u>\$ 277,533</u>	<u>\$ 5,155,839</u>	<u>\$ 6,227,392</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	<u>\$ 3,559</u>	<u>\$ (50,307)</u>	<u>\$ (1,357,901)</u>	<u>\$ (1,404,649)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	18,979	21,863	-	40,842
Changes in assets and liabilities:				
Decrease in accounts receivable	41,343	-	589	41,932
Decrease in prepaid items	7,266	-	-	7,266
Increase in inventories	(37,614)	-	-	(37,614)
Increase (decrease) in accounts payable	(1,625)	92,658	12,950	103,983
Increase in claims payable	-	-	164,130	164,130
Increase in accrued expenses	46,885	-	-	46,885
Total adjustments	<u>75,234</u>	<u>114,521</u>	<u>177,669</u>	<u>367,424</u>
Net cash provided by (used in) operating activities	<u>\$ 78,793</u>	<u>\$ 64,214</u>	<u>\$ (1,180,232)</u>	<u>\$ (1,037,225)</u>

TOWN OF GILBERT, ARIZONA
Equipment Maintenance Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Assets - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 7,931,060	\$ 7,931,060	\$ 6,955,403	\$ (975,657)
Other	-	-	5,967	5,967
Total operating revenues	<u>7,931,060</u>	<u>7,931,060</u>	<u>6,961,370</u>	<u>(969,690)</u>
Operating expenses				
General and administrative	87,900	87,900	147,393	(59,493)
Personal services	1,703,260	1,703,260	1,382,496	320,764
Operation and maintenance	5,767,800	5,767,800	5,377,404	390,396
Depreciation	-	-	18,979	(18,979)
Total operating expenses	<u>7,558,960</u>	<u>7,558,960</u>	<u>6,926,272</u>	<u>632,688</u>
Operating income	<u>372,100</u>	<u>372,100</u>	<u>35,098</u>	<u>(337,002)</u>
Nonoperating revenues				
Investment earnings	1,200	1,200	3,966	2,766
Total nonoperating revenues	<u>1,200</u>	<u>1,200</u>	<u>3,966</u>	<u>2,766</u>
Change in net assets	<u>\$ 373,300</u>	<u>\$ 373,300</u>	39,064	<u>\$ (334,236)</u>

Explanation of difference between budgetary change in net assets at June 30, 2012,
and GAAP change in net assets:

Obligations for compensated absences are accrued on the GAAP basis but
are not recognized on the budget basis:

Add compensated absences at June 30, 2011	122,844
Less compensated absences at June 30, 2012	<u>(154,383)</u>
Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets	<u>\$ 7,525</u>

TOWN OF GILBERT, ARIZONA
Copier Services Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Assets - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 365,000	\$ 365,000	\$ 355,134	\$ (9,866)
Total operating revenues	365,000	365,000	355,134	(9,866)
Operating expenses				
Operation and maintenance	579,130	579,130	383,578	195,552
Depreciation	-	-	21,863	(21,863)
Total operating expenses	579,130	579,130	405,441	173,689
Operating loss	(214,130)	(214,130)	(50,307)	163,823
Nonoperating revenues (expenses)				
Investment earnings	3,600	3,600	2,723	(877)
Loss on sale of capital assets	-	-	(24,711)	(24,711)
Total nonoperating revenues (expenses)	3,600	3,600	(21,988)	(25,588)
Change in net assets	\$ (210,530)	\$ (210,530)	\$ (72,295)	\$ 138,235

TOWN OF GILBERT, ARIZONA
Employee Benefit Self-Insurance Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Assets - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 12,630,000	\$ 12,630,000	\$ 12,893,622	\$ 263,622
Other	65,000	65,000	46,113	(18,887)
Total operating revenues	<u>12,695,000</u>	<u>12,695,000</u>	<u>12,939,735</u>	<u>244,735</u>
Operating expenses				
General and administrative	870,720	870,720	790,985	79,735
Claims Incurred	13,363,000	13,363,000	13,506,651	(143,651)
Total operating expenses	<u>14,233,720</u>	<u>14,233,720</u>	<u>14,297,636</u>	<u>(63,916)</u>
Operating loss	<u>(1,538,720)</u>	<u>(1,538,720)</u>	<u>(1,357,901)</u>	<u>180,819</u>
Nonoperating revenues				
Investment earnings	21,400	21,400	14,071	(7,329)
Total nonoperating revenues	<u>21,400</u>	<u>21,400</u>	<u>14,071</u>	<u>(7,329)</u>
Change in net assets	<u>\$ (1,517,320)</u>	<u>\$ (1,517,320)</u>	<u>\$ (1,343,830)</u>	<u>\$ 173,490</u>



AGENCY FUNDS

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Flexible Spending - accounts for monies received from employees for medical and dependent care expenses under Internal Revenue Code Section 125.

Fire Retirement Health - accounts for monies received from sworn fire employees for providing a monthly stipend for retirees to apply to the cost of their medical and/or dental insurance, medical and dental co-pays, and prescriptions and other benefits.



TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2012

Flexible Spending	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ 24,277	286,057	287,378	22,956
Total assets	<u>\$ 24,277</u>	<u>286,057</u>	<u>287,378</u>	<u>22,956</u>
<u>Liabilities</u>				
Accounts payable	\$ -	1,224	1,224	-
Medical benefits payable	8,927	223,672	223,507	9,092
Dependent care benefits payable	15,350	63,585	65,071	13,864
Total liabilities	<u>\$ 24,277</u>	<u>288,481</u>	<u>289,802</u>	<u>22,956</u>
 Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ 92,419	47,055	2,574	136,900
Restricted accrued interest	99	391	184	306
Total assets	<u>\$ 92,518</u>	<u>47,446</u>	<u>2,758</u>	<u>137,206</u>
<u>Liabilities</u>				
Accounts payable	-	1,720	1,720	-
Other deposits	\$ 92,518	47,431	2,743	137,206
Total liabilities	<u>\$ 92,518</u>	<u>49,151</u>	<u>4,463</u>	<u>137,206</u>
 Total-All Agency Funds				
<u>Assets</u>				
Restricted cash and investments	\$ 116,696	333,112	289,952	159,856
Restricted accrued interest	99	391	184	306
Total assets	<u>\$ 116,795</u>	<u>333,503</u>	<u>290,136</u>	<u>160,162</u>
<u>Liabilities</u>				
Accounts payable	\$ -	2,944	2,944	-
Other deposits	92,518	47,431	2,743	137,206
Medical benefits payable	8,927	223,672	223,507	9,092
Dependent care benefits payable	15,350	63,585	65,071	13,864
Total liabilities	<u>\$ 116,795</u>	<u>337,632</u>	<u>294,265</u>	<u>160,162</u>



Statistical Section

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

Other Information

STATISTICAL SECTION

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

Contents	Page
Financial Trends	105
<i>These schedules contain trend information to help the reader understand how Gilbert's financial performance and well-being have changed over time.</i>	
Revenue Capacity	112
<i>These schedules contain information to help the reader assess Gilbert's most significant local revenue source, sales tax.</i>	
Debt Capacity	115
<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	120
<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	122
<i>These schedules contain service and infrastructure data to help the reader understand how the information in Gilbert's financial report relates to the services Gilbert provides and the activities it performs.</i>	
Other information	125

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



Town of Gilbert, Arizona
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 365,957,419	\$ 414,678,279	\$ 463,258,205	\$ 513,996,466	\$ 596,974,293	\$ 688,393,175	\$ 704,908,142	\$ 707,099,883	\$ 705,986,213	\$ 695,983,103
Restricted	46,572,913	51,872,071	49,646,029	47,715,687	42,681,149	34,925,873	24,035,677	43,766,457	38,404,141	52,218,392
Unrestricted	17,099,202	19,536,802	38,750,945	48,970,671	67,609,797	48,021,680	63,993,988	66,029,993	77,283,425	83,273,358
Total governmental activities net assets	<u>\$ 429,629,534</u>	<u>\$ 486,087,152</u>	<u>\$ 551,655,179</u>	<u>\$ 610,682,824</u>	<u>\$ 707,265,239</u>	<u>\$ 771,340,728</u>	<u>\$ 792,937,807</u>	<u>\$ 816,896,333</u>	<u>\$ 821,673,779</u>	<u>\$ 831,474,853</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 189,063,010	\$ 222,199,341	\$ 269,420,086	\$ 347,212,432	\$ 386,129,911	\$ 273,512,939	\$ 261,027,688	\$ 276,058,613	\$ 294,516,202	\$ 316,268,041
Restricted	29,201,609	44,404,210	52,594,128	62,356,255	103,425,180	106,871,117	91,738,487	86,942,759	76,504,052	71,375,688
Unrestricted	46,364,812	42,045,208	46,529,937	17,926,973	9,480,280	136,635,181	182,089,776	195,803,181	209,680,315	236,097,609
Total business-type activities net assets	<u>\$ 264,629,431</u>	<u>\$ 308,648,759</u>	<u>\$ 368,544,151</u>	<u>\$ 427,495,660</u>	<u>\$ 499,035,371</u>	<u>\$ 517,019,237</u>	<u>\$ 534,855,951</u>	<u>\$ 558,804,553</u>	<u>\$ 580,700,569</u>	<u>\$ 623,741,338</u>
Primary government										
Invested in capital assets, net of related debt	\$ 555,020,429	\$ 636,877,620	\$ 732,678,291	\$ 861,208,898	\$ 983,104,204	\$ 961,906,114	\$ 965,935,830	\$ 983,158,496	\$ 1,000,502,415	\$ 1,012,251,144
Restricted	75,774,522	96,276,281	102,240,157	110,071,942	146,106,329	141,796,990	115,774,164	130,709,216	114,908,193	123,594,080
Unrestricted	63,464,014	61,582,010	85,280,882	66,897,644	77,090,077	184,656,861	246,083,764	261,833,174	286,963,740	319,370,967
Total primary government net assets	<u>\$ 694,258,965</u>	<u>\$ 794,735,911</u>	<u>\$ 920,199,330</u>	<u>\$ 1,038,178,484</u>	<u>\$ 1,206,300,610</u>	<u>\$ 1,288,359,965</u>	<u>\$ 1,327,793,758</u>	<u>\$ 1,375,700,886</u>	<u>\$ 1,402,374,348</u>	<u>\$ 1,455,216,191</u>

Town of Gilbert, Arizona
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government:										
Management and policy	\$ 2,655,906	\$ 1,884,140	\$ 2,155,340	\$ 2,900,380	\$ 3,070,422	\$ 3,166,667	\$ 3,068,178	\$ 2,830,563	\$ 3,109,759	\$ 2,982,636
Support services	4,217,564	5,760,253	7,138,828	8,854,240	9,827,763	10,351,241	10,137,539	9,297,428	8,503,492	8,632,288
Financial services	-	-	-	-	-	-	-	-	1,286,659	1,216,418
Legal and court	2,686,277	2,875,580	3,685,456	4,352,048	5,316,211	5,848,004	5,838,172	5,937,288	5,126,039	5,409,709
Development services	7,454,599	7,790,502	8,824,753	11,231,950	13,394,123	14,500,727	12,242,742	10,084,501	8,201,314	8,551,083
Public works	4,271,868	3,229,684	2,621,289	4,280,669	914,339	978,662	1,451,083	2,782,252	-	-
Public safety:										
Police	17,176,875	19,374,504	22,908,779	29,764,753	34,021,950	39,640,802	42,109,036	41,327,582	38,868,835	40,466,828
Fire	8,370,833	9,898,603	11,288,467	15,377,613	18,872,416	22,563,858	24,255,563	22,871,289	24,473,377	24,906,506
Highways and streets	19,765,224	19,613,335	25,100,705	24,852,381	31,052,006	36,385,215	38,540,677	36,905,783	40,440,136	43,437,623
Community services	8,552,036	8,526,959	10,114,095	11,238,766	15,925,776	16,175,710	19,349,722	19,825,728	19,763,971	19,931,592
Transportation	1,512,844	1,461,861	1,548,928	1,621,910	1,438,736	1,562,754	1,681,640	1,170,305	1,009,897	1,268,998
Non departmental	-	-	-	-	-	-	-	-	2,194,132	2,910,114
Interest and fiscal charges on long-term debt	5,378,449	6,415,295	6,555,140	7,943,561	9,531,956	8,893,365	17,096,048	18,417,745	17,674,873	15,785,320
Total governmental activities expenses	<u>82,042,475</u>	<u>86,830,716</u>	<u>101,941,780</u>	<u>122,418,271</u>	<u>143,365,698</u>	<u>160,067,005</u>	<u>175,770,400</u>	<u>171,450,464</u>	<u>170,652,484</u>	<u>175,499,115</u>
Business-type activities:										
Water	17,026,176	18,414,133	20,460,920	25,234,199	24,029,873	34,277,527	35,450,601	36,163,481	36,863,531	37,694,869
Wastewater	9,575,779	10,129,148	13,023,131	19,061,223	19,873,117	23,507,048	22,398,407	23,002,202	23,038,634	22,661,900
Solid waste	7,788,527	8,044,860	9,372,049	11,359,522	12,978,271	14,782,904	13,843,596	13,852,222	14,254,817	14,917,749
Irrigation	51,158	37,071	40,356	38,615	29,956	66,626	157,865	53,690	-	-
Total business-type activities expenses	<u>34,441,640</u>	<u>36,625,212</u>	<u>42,896,456</u>	<u>55,693,559</u>	<u>56,911,217</u>	<u>72,634,105</u>	<u>71,850,469</u>	<u>73,071,595</u>	<u>74,156,982</u>	<u>75,274,518</u>
Total primary government expenses	<u>\$ 116,484,115</u>	<u>\$ 123,455,928</u>	<u>\$ 144,838,236</u>	<u>\$ 178,111,830</u>	<u>\$ 200,276,915</u>	<u>\$ 232,701,110</u>	<u>\$ 247,620,869</u>	<u>\$ 244,522,059</u>	<u>\$ 244,809,466</u>	<u>\$ 250,773,633</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Development services	\$ 6,307,197	\$ 8,212,207	\$ 11,917,811	\$ 11,432,135	\$ 10,227,269	\$ 7,385,200	\$ 3,773,261	\$ 4,027,463	\$ 3,177,940	\$ 5,346,632
Police	3,092,598	2,430,266	2,972,598	3,749,728	6,014,921	6,358,381	6,594,319	6,374,267	2,890,874	5,584,595
Fire	320,401	499,102	881,962	794,767	100,360	71,807	100,218	78,550	135,732	128,955
Highways and streets	1,075,907	865,437	1,111,282	1,258,182	1,396,499	1,265,289	1,454,141	1,659,066	1,739,467	1,497,069
Community services	1,947,932	2,149,622	2,222,258	2,464,365	2,954,876	3,129,436	3,192,962	3,734,602	3,739,896	3,594,859
Other activities	217,220	435,406	491,167	542,843	502,682	707,251	702,607	788,789	853,239	861,186
Operating grants and contributions	13,321,723	14,351,688	15,251,531	17,078,782	22,465,988	22,630,806	21,183,148	19,206,066	21,167,633	21,044,646
Capital grants and contributions	52,693,604	53,754,550	61,048,198	43,855,523	70,075,655	45,821,379	31,493,349	39,631,744	28,002,037	26,060,002
Total governmental activities program revenues	<u>78,976,582</u>	<u>82,698,278</u>	<u>95,896,807</u>	<u>81,176,325</u>	<u>113,738,250</u>	<u>87,369,549</u>	<u>68,494,005</u>	<u>75,500,547</u>	<u>61,706,818</u>	<u>64,117,944</u>

Business-type activities:

Charges for services:											
Water	17,034,216	17,967,291	20,418,403	24,126,163	28,244,561	32,320,937	33,416,401	34,601,338	35,966,037	36,692,434	
Wastewater	10,357,032	11,139,203	12,105,571	13,989,496	16,173,220	18,440,258	19,721,549	21,024,189	21,677,621	22,739,462	
Solid waste	8,752,299	9,324,084	10,255,707	11,307,240	13,885,607	15,642,418	16,591,602	16,566,987	17,194,313	17,923,883	
Irrigation	15,020	16,646	18,775	16,634	17,622	17,500	18,513	24,639	-	-	
Capital grants and contributions	29,756,827	41,129,808	49,378,551	59,182,705	64,673,795	34,555,868	19,228,350	22,026,098	18,324,573	37,221,712	
Total business-type activities program revenues	65,915,394	79,577,032	92,177,007	108,622,238	122,994,805	100,976,981	88,976,415	94,243,251	93,162,544	114,577,491	
Total primary government program revenues	\$ 144,891,976	\$ 162,275,310	\$ 188,073,814	\$ 189,798,563	\$ 236,733,055	\$ 188,346,530	\$ 157,470,420	\$ 169,743,798	\$ 154,869,362	\$ 178,695,435	

Net (Expense)/Revenue

Governmental activities ^a	\$ (3,065,893)	\$ (4,132,438)	\$ (6,044,973)	\$ (41,241,946)	\$ (29,627,448)	\$ (72,697,456)	\$ (107,276,395)	\$ (95,949,917)	\$ (108,945,666)	\$ (111,381,171)
Business-type activities	31,473,754	42,951,820	49,280,551	52,928,679	66,083,588	28,342,876	17,125,946	21,171,656	19,005,562	39,302,973
Total primary government net revenue (expense)	\$ 28,407,861	\$ 38,819,382	\$ 43,235,578	\$ 11,686,733	\$ 36,456,140	\$ (44,354,580)	\$ (90,150,449)	\$ (74,778,261)	\$ (89,940,104)	\$ (72,078,198)

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes:										
Sales taxes	\$ 29,645,140	\$ 34,972,908	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907	\$ 49,060,234	\$ 47,118,885	\$ 49,248,759	\$ 54,513,265
Property taxes, levied for debt service	8,731,953	10,407,422	12,026,288	14,053,737	16,499,669	26,345,117	30,836,167	30,116,881	25,796,000	21,502,322
In-Lieu property taxes	235,068	304,844	378,782	372,682	376,101	831,159	948,510	1,327,755	1,351,479	1,331,051
Franchise taxes	1,331,249	1,532,695	1,711,290	2,010,931	2,360,909	2,595,154	2,543,688	2,448,514	2,401,013	2,462,726
Unrestricted state shared sales taxes	8,579,161	9,228,830	10,162,364	12,088,197	16,594,671	16,316,998	14,125,962	13,029,141	13,787,266	16,288,580
Unrestricted state shared income taxes	11,675,179	9,891,309	10,084,177	11,485,210	19,761,466	24,985,772	26,434,943	22,922,794	17,280,849	17,593,587
Unrestricted grants and contributions	1,367,303	2,196,572	2,491,151	3,157,577	3,157,008	2,195,293	939,018	1,235,571	863,570	1,349,124
Unrestricted investment earnings	1,571,868	1,181,254	2,314,665	7,018,569	8,508,485	4,462,545	2,003,235	1,300,903	2,137,352	1,909,629
Decrease in fair value of investments	(2,606,351)	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	69,119	161,390	55,232	215,647	23,880	260,422	151,709	73,744	-	177,899
Miscellaneous	414,353	319,327	602,281	614,602	620,185	543,818	668,784	679,801	355,415	4,744,306
Transfers	36,636	48,382	679,314	54,183	609,993	1,256,760	1,161,224	(345,546)	537,225	(690,244)
Total governmental activities	61,050,678	70,244,933	83,665,127	100,269,591	126,209,863	136,772,945	128,873,474	119,908,443	113,758,928	121,182,245

Business-type activities:

Investment earnings	1,247,691	812,801	2,835,377	5,144,180	5,287,992	7,509,250	1,066,552	739,124	1,011,691	1,244,149
Decrease in fair value of investments	(2,365,647)	-	-	-	-	-	-	-	-	-
(Loss)/Gain on sale of capital assets	-	-	59,994	131,387	(376,397)	55,471	51,813	148,135	164,047	38,279
Miscellaneous	167,189	303,089	626,001	801,446	405,850	400,069	753,627	1,544,141	2,216,125	1,765,124
Transfers	(36,636)	(48,382)	(679,314)	(54,183)	(609,993)	(1,256,760)	(1,161,224)	345,546	(537,225)	690,244
Total business-type activities	(987,403)	1,067,508	2,842,058	6,022,830	4,707,452	6,708,030	710,768	2,776,946	2,854,638	3,737,796
Total primary government	\$ 60,063,275	\$ 71,312,441	\$ 86,507,185	\$ 106,292,421	\$ 130,917,315	\$ 143,480,975	\$ 129,584,242	\$ 122,685,389	\$ 116,613,566	\$ 124,920,041

Change in Net Assets

Governmental activities	\$ 57,984,785	\$ 66,112,495	\$ 77,620,154	\$ 59,027,645	\$ 96,582,415	\$ 64,075,489	\$ 21,597,079	\$ 23,958,526	\$ 4,813,262	\$ 9,801,074
Business-type activities	30,486,351	44,019,328	52,122,609	58,951,509	70,791,040	35,050,906	17,836,714	23,948,602	21,860,200	43,040,769
Total primary government	\$ 88,471,136	\$ 110,131,823	\$ 129,742,763	\$ 117,979,154	\$ 167,373,455	\$ 99,126,395	\$ 39,433,793	\$ 47,907,128	\$ 26,673,462	\$ 52,841,843

^aThe increase in Net Expense for Governmental activities in fiscal year 2006 is due to a 32% increase in public safety expenses (hiring more police and fire personnel - see Schedule 16 for details) and a 28% decrease in capital grants and contributions (developer contributions).

The increase in Net Expense for Governmental activities in fiscal year 2008 is due to a 18% increase in public safety expenses (hiring more police and fire personnel - see Schedule 16 for details) and a 35% decrease in capital grants and contributions (developer contributions).

The increase in Net Expense for Governmental activities in fiscal year 2009 is due to a 92% increase in interest and fiscal charges on long-term debt (interest and principal payments on general obligation bonds issued at end of 2008) and a 31% decrease in capital grants and contributions (developer contributions).

The increase in Net Expense for Governmental activities in fiscal year 2011 is due to a 29% decrease in capital grants and contributions (developer contributions).

Town of Gilbert, Arizona
Program Revenues by Function
Last Ten Fiscal Years
(accrual basis of accounting)

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
General government:										
Management and policy	\$ 35,860	\$ 44,198	\$ 29,848	\$ 66,402	\$ 70,147	\$ 46,632	\$ 11,140	\$ 10,406	\$ 15,064	\$ 15,762
Support services	20,646	163,215	197,938	236,754	1,132,587	1,183,621	128,102	214,748	648,385	241,727
Financial Services	-	-	-	-	-	-	-	-	9,256	11,173
Legal and court	183,004	268,998	306,429	343,835	412,084	674,849	585,944	596,714	596,752	669,895
Development services	7,866,338	9,359,374	12,331,975	12,326,494	11,661,699	8,100,907	4,571,108	4,575,690	4,273,289	6,891,297
Public works ^a	7,407,290	3,080,949	1,122,359	1,976,224	5,837,055	1,948,470	901,345	1,005,068	-	-
Public Safety:										
Police	5,143,496	5,225,499	6,018,763	7,139,932	9,629,340	8,491,397	7,838,153	8,494,631	3,989,076	7,689,049
Fire	1,363,644	2,838,497	4,576,385	5,196,579	5,286,529	4,223,014	4,385,765	3,446,899	3,162,871	6,891,607
Highways and streets ^b	51,320,127	52,716,860	57,449,518	40,427,704	65,949,321	52,536,064	39,125,537	45,193,392	39,324,239	25,633,784
Community services	5,593,179	8,817,868	13,477,053	13,312,782	13,248,549	9,861,396	10,538,978	11,649,317	9,422,037	15,314,154
Transportation	42,998	182,820	386,539	149,619	510,939	303,199	407,933	313,682	214,932	624,105
Non departmental	-	-	-	-	-	-	-	-	50,917	135,391
Subtotal governmental activities	<u>78,976,582</u>	<u>82,698,278</u>	<u>95,896,807</u>	<u>81,176,325</u>	<u>113,738,250</u>	<u>87,369,549</u>	<u>68,494,005</u>	<u>75,500,547</u>	<u>61,706,818</u>	<u>64,117,944</u>
Business-type activities:										
Water	34,368,450	41,402,414	47,216,223	55,933,046	64,313,182	52,172,311	43,997,487	47,232,137	46,132,685	56,904,451
Wastewater	22,779,625	28,833,888	34,669,529	41,365,318	44,778,394	33,144,752	28,368,813	30,419,488	29,835,546	39,735,444
Solid waste	8,752,299	9,324,084	10,272,480	11,307,240	13,885,607	15,642,418	16,591,602	16,566,987	17,194,313	17,937,596
Irrigation	15,020	16,646	18,775	16,634	17,622	17,500	18,513	24,639	-	-
Subtotal business-type activities	<u>65,915,394</u>	<u>79,577,032</u>	<u>92,177,007</u>	<u>108,622,238</u>	<u>122,994,805</u>	<u>100,976,981</u>	<u>88,976,415</u>	<u>94,243,251</u>	<u>93,162,544</u>	<u>114,577,491</u>
Total primary government	<u>\$ 144,891,976</u>	<u>\$ 162,275,310</u>	<u>\$ 188,073,814</u>	<u>\$ 189,798,563</u>	<u>\$ 236,733,055</u>	<u>\$ 188,346,530</u>	<u>\$ 157,470,420</u>	<u>\$ 169,743,798</u>	<u>\$ 154,869,362</u>	<u>\$ 178,695,435</u>

^a In fiscal year 2003, the Town received \$6,510,000 in improvement bonds for the construction & installation of certain water and sewer improvements.

^b The decrease in governmental activities revenue in fiscal years 2008, 2009, and 2011 is mainly due to decreased developer contributions.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 ^c	2012
General fund										
Reserved	\$ 133,315	\$ 1,258,466	\$ 233,555	\$ 441,157	\$ 16,082,035	\$ 16,015,075	\$ 17,630,101	\$ 21,382,756	\$ -	\$ -
Unreserved	16,432,986	19,486,079	39,220,868	37,670,366	33,431,047	38,375,273	36,244,514	33,168,053	22,317,444	23,213,179
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	10,729,403	10,797,540
Unassigned	-	-	-	-	-	-	-	-	33,520,702	44,249,663
Total general fund	<u>\$ 16,566,301</u>	<u>\$ 20,744,545</u>	<u>\$ 39,454,423</u>	<u>\$ 38,111,523</u>	<u>\$ 49,513,082</u>	<u>\$ 54,390,348</u>	<u>\$ 53,874,615</u>	<u>\$ 54,550,809</u>	<u>\$ 66,567,549</u>	<u>\$ 78,260,382</u>
All other governmental funds										
Reserved ^a	\$ 24,845,638	\$ 70,452,920	\$ 56,413,890	\$ 108,785,039	\$ 69,735,445	\$ 42,862,953	\$ 67,625,941	\$ 45,147,155	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	15,445,596	16,265,034	16,737,129	28,238,612	28,546,101	29,347,664	25,886,221	27,634,524	-	-
Debt service funds	(2,454,188)	(3,221,527)	(4,744,264)	(4,500,716)	-	-	-	-	-	-
Capital projects funds ^b	20,694,169	(9,047,787)	(6,395,978)	(3,626,775)	(17,761,932)	(36,580,485)	99,569,767	86,482,204	-	-
Total Unreserved	33,685,577	3,995,720	5,596,887	20,111,121	10,784,169	(7,232,821)	125,455,988	114,116,728	-	-
Nonspendable	-	-	-	-	-	-	-	-	4,248	1,666
Restricted	-	-	-	-	-	-	-	-	108,050,638	100,571,955
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	28,261,048	26,159,605
Unassigned	-	-	-	-	-	-	-	-	(20,781,250)	(23,199,303)
Total all other governmental funds	<u>\$ 58,531,215</u>	<u>\$ 74,448,640</u>	<u>\$ 62,010,777</u>	<u>\$ 128,896,160</u>	<u>\$ 80,519,614</u>	<u>\$ 35,630,132</u>	<u>\$ 193,081,929</u>	<u>\$ 159,263,883</u>	<u>\$ 115,534,684</u>	<u>\$ 103,533,923</u>

^a In fiscal year 2004, the increase in reserved fund balance was due to unspent bond proceeds that were encumbered during the period for various streets capital projects. In fiscal year 2006, the increase in reserved fund balance was also due to unspent bond proceeds that were encumbered for the South Area Service Center municipal facilities capital project and the Elliot Road District Park capital project.

^b The increase in fund balance in fiscal year 2009 was due to Public Facilities Municipal Property Corporation bonds that were issued during the year.

^c GASB Statement No. 54 was implemented in fiscal year 2011. This statement established new fund balance classifications for governmental funds.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes:										
Sales	\$ 29,645,140	\$ 34,972,908	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907	\$ 48,736,286	\$ 46,872,739	\$ 49,315,215	\$ 54,502,627
Property	10,275,524	11,609,075	13,482,146	15,671,497	18,528,637	28,302,870	33,130,496	33,073,003	28,731,573	24,045,259
Franchise	1,331,249	1,532,695	1,711,290	2,010,931	2,360,909	2,595,154	2,543,688	2,448,514	2,401,013	2,462,726
Licenses and permits	4,867,861	6,281,477	9,192,849	8,539,210	6,818,495	4,734,163	2,459,042	2,614,273	2,364,910	3,995,370
Intergovernmental	43,926,179	34,440,730	40,149,322	46,258,664	65,758,839	73,255,188	67,053,476	72,535,194	55,361,498	61,468,511
Special assessments	1,242,492	1,924,451	1,552,289	1,425,857	355,124	2,121,038	421,894	437,493	559,284	878,981
Charges for services	5,912,088	7,135,507	8,479,154	9,536,324	9,391,341	9,593,874	8,596,016	8,795,326	7,288,394	8,163,691
Other entities' participation	1,242,755	2,156,627	2,845,785	2,325,967	6,081,523	1,619,694	1,055,416	1,233,559	2,313,197	1,300,573
System development fees	8,245,450	14,662,061	21,773,077	22,959,373	23,014,785	15,566,498	8,394,562	11,607,702	8,735,768	17,957,172
Gifts and donations	54,641	122,861	150,652	341,965	502,490	176,612	114,127	124,185	176,408	185,771
Fines and forfeitures	1,844,637	2,115,055	2,417,453	2,832,536	4,094,156	4,563,842	4,222,855	4,444,521	4,350,499	4,441,872
Investment earnings	1,569,227	1,173,164	2,277,133	6,933,872	8,386,063	4,344,980	1,978,090	1,286,054	2,105,783	1,888,868
Decrease in fair value of investments	(2,601,898)	-	-	-	-	-	-	-	-	-
Miscellaneous	478,059	480,717	651,072	799,218	669,913	800,050	818,714	753,545	355,415	4,946,915
Total revenues	108,033,404	118,607,328	147,841,805	168,833,670	203,659,771	204,653,870	179,524,662	186,226,108	164,058,957	186,238,336
Expenditures										
Current:										
General government:										
Management and policy	2,928,570	2,182,793	2,461,684	3,229,903	3,821,539	3,919,054	3,642,307	3,457,728	3,844,801	3,675,707
Support services	5,609,746	6,821,426	7,460,561	8,722,221	9,770,935	10,813,606	10,385,787	10,256,878	9,239,397	9,159,579
Financial services	-	-	-	-	-	-	-	-	-	1,721,856
Legal and court	2,679,223	2,850,975	3,070,512	3,714,232	4,681,581	5,222,500	5,202,603	5,261,063	4,402,494	4,617,467
Development services	7,400,086	7,694,887	8,614,412	10,966,867	12,693,286	14,023,620	11,320,737	9,204,352	7,160,069	7,513,803
Public works	1,896,109	1,540,331	1,231,658	1,411,727	1,254,628	1,328,552	1,797,804	1,224,936	-	-
Public safety:										
Police	16,596,031	18,772,923	21,197,065	27,835,183	31,534,516	36,126,310	37,851,358	37,668,983	35,007,296	36,384,051
Fire	7,650,531	9,359,511	10,491,040	13,982,418	17,223,948	20,521,025	21,171,212	20,115,006	20,199,917	21,551,889
Highways and streets	6,923,040	5,592,356	9,149,173	7,505,334	9,423,732	10,631,061	10,377,669	10,096,952	9,736,165	10,815,195
Community services	6,757,017	6,770,499	7,675,098	8,513,797	12,724,944	12,567,656	13,151,552	12,683,389	12,590,715	12,688,165
Transportation	1,512,844	1,461,861	1,548,928	1,621,910	1,438,736	1,562,754	1,681,641	1,170,305	1,009,897	1,268,998
Non departmental	-	-	-	-	-	-	-	-	2,194,132	2,910,114
Debt service:										
Principal	7,564,758	12,171,072	14,964,964	15,100,000	20,305,000	36,350,000	29,805,000	31,855,000	29,215,000	23,055,000
Interest	5,280,505	6,392,593	6,540,937	7,906,095	9,578,451	8,961,189	16,500,714	18,553,369	18,451,295	15,991,746
Bond issuance costs	150,678	166,468	59,572	424,807	-	98,263	670,289	-	402,163	-
Fiscal and other charges	97,944	22,054	11,851	49,079	45,054	28,809	11,766	9,304	20,083	9,189
Capital outlay	54,272,427	69,663,246	65,598,244	83,798,196	106,748,401	87,528,247	134,013,578	58,784,547	41,934,425	34,499,875
Total expenditures	127,319,509	151,462,995	160,075,699	194,781,769	241,244,751	249,682,646	297,584,017	220,341,812	196,421,913	186,264,797
Deficiency of revenues under expenditures	(19,286,105)	(32,855,667)	(12,233,894)	(25,948,099)	(37,584,980)	(45,028,776)	(118,059,355)	(34,115,704)	(32,362,956)	(26,461)
Other financing sources (uses)										
Transfers in	19,569,427	24,334,654	19,512,534	45,391,786	77,501,538	45,661,293	90,679,697	26,608,323	25,272,656	25,195,278
Transfers out	(19,532,791)	(24,286,272)	(18,833,220)	(45,337,603)	(76,891,545)	(44,404,533)	(89,518,473)	(25,634,471)	(24,586,342)	(25,885,522)
Bonds issued	6,510,000	52,300,000	18,750,000	103,230,000	-	3,759,800	273,490,200	-	-	37,925,000
Premium on bonds	21,032	602,954	51,095	3,078,293	-	-	343,995	-	-	4,110,575
Payment to refunded bond escrow agent	-	-	-	(14,871,894)	-	-	-	-	-	(41,626,798)
Total other financing sources and uses	6,567,668	52,951,336	19,480,409	91,490,582	609,993	5,016,560	274,995,419	973,852	686,314	(281,467)
Net change in fund balances	\$ (12,718,437)	\$ 20,095,669	\$ 7,246,515	\$ 65,542,483	\$ (36,974,987)	\$ (40,012,216)	\$ 156,936,064	\$ (33,141,852)	\$ (31,676,642)	\$ (307,928)
Debt service as a percentage of noncapital expenditures	17.6%	22.7%	22.8%	20.7%	22.2%	27.9%	28.3%	31.2%	30.9%	25.7%

**Town of Gilbert, Arizona
Taxable Sales by Category
Last Ten Fiscal Years**

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Construction	\$ 8,494,326	\$ 8,777,849	\$ 15,670,222	\$ 15,457,650	\$ 19,373,957	\$ 15,416,006	\$ 7,804,840	\$ 5,193,872	\$ 4,389,279	\$ 5,718,727
Manufacturing	248,006	461,330	643,826	734,423	684,148	789,804	650,179	635,188	706,514	727,755
Communications & Utilities	2,692,309	2,748,392	3,630,952	4,028,971	4,548,528	5,269,633	5,303,338	5,724,639	5,562,364	5,774,403
Wholesale	509,324	556,862	335,857	446,597	483,943	577,086	527,933	610,065	854,466	965,523
Retail	11,956,454	14,317,055	15,861,398	19,598,312	21,385,004	23,550,094	23,305,081	23,775,975	25,540,515	28,390,526
Restaurant & Bar	1,318,717	1,673,327	2,045,005	2,501,237	2,972,678	3,228,910	3,509,671	3,566,427	3,820,368	4,072,187
Real Estate, Rental & Leasing	1,905,276	3,153,884	3,383,290	4,299,410	5,276,563	5,538,416	5,751,120	5,249,645	5,874,288	6,078,364
Accommodation ^a	-	-	-	-	-	-	-	-	252,974	299,270
Services	2,429,195	2,018,946	818,873	945,003	973,552	1,729,464	1,039,678	1,002,691	1,069,661	1,211,864
Other ^a	91,533	1,022,984	346,103	711,618	1,491,268	319,810	243,510	481,122	652,042	520,302
Transportation & Warehousing ^b	-	29,060	7,773	9,906	17,264	13,347	12,575	16,464	21,161	25,830
Finance & Insurance ^b	-	100,986	61,734	63,851	73,410	93,008	100,490	100,293	89,990	112,496
Public Administration ^b	-	6,214	5,900	9,819	11,416	8,272	4,748	9,503	-	4,586
Arts & Entertainment ^b	-	106,019	348,650	391,459	405,765	446,057	483,123	506,855	481,592	600,794
Total	\$ 29,645,140	\$ 34,972,908	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907	\$ 48,736,286	\$ 46,872,739	\$ 49,315,215	\$ 54,502,627
Gilbert's local sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

^a Prior to fiscal year 2011, Accommodations was included in the "Other" category due to confidentiality requirements. Beginning in fiscal year 2011, it was broken out into its own category.

^b Beginning in January 2004, the Arizona Department of Revenue began using a new reporting software system for classifying business establishments called the North American Industry Classification System (NAICS). Under the new system, the category may be defined a little differently. In addition, more categories were established. When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category. In addition, due to confidentiality requirements, categories that contain ten or less taxpayers will be included in the "Other" category.

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

Schedule 7

**Town of Gilbert, Arizona
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City Direct Rates:										
Hotel/Transient Lodging	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
All Others	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
County Rate:										
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 Rate:										
Hotel/Transient Lodging	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	6.50%	6.50%	6.50%
All Others	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	6.60%	6.60%	6.60%

Source: Gilbert Development 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	General Obligation Bonds	Special Assessment Bonds	Water and Wastewater Revenue Bonds	Municipal Property Corporation Revenue Bonds			
2003	\$ 62,130,000	\$ 10,406,037	\$ 3,810,000	\$ 38,340,000	\$ 16,320,000	\$ 288,963	\$ 25,140,000	\$ 15,400,000	\$ 171,835,000	4.41 %	\$ 1,194
2004	75,735,000	8,544,965	38,125,000	36,900,000	15,080,000	150,035	26,685,000	8,575,000	209,795,000	4.83	1,360
2005	87,195,000	5,825,000	36,555,000	35,450,000	14,600,000	-	25,540,000	72,950,000	278,115,000	5.77	1,660
2006	90,715,000	4,505,000	34,095,000	107,370,000	13,080,000	-	23,225,000	60,590,000	333,580,000	6.39	1,874
2007	79,450,000	4,380,000	32,300,000	105,845,000	11,725,000	-	21,995,000	194,685,000	450,380,000	7.87	2,355
2008	57,369,800	2,990,000	31,300,000	100,635,000	10,335,000	-	20,745,000	182,950,000	406,324,800	6.65	2,028
2009	225,935,000	11,590,000	29,375,000	175,810,000	8,885,000	-	19,465,000	167,125,000	638,185,000	10.24	3,116
2010	204,055,000	11,505,000	27,325,000	169,750,000	7,115,000	-	18,150,000	160,475,000	598,375,000	9.39	2,871
2011	178,635,000	11,415,000	25,150,000	161,045,000	5,530,000	-	16,795,000	143,270,000	541,840,000	8.56	2,545
2012	159,465,000	11,015,000	19,470,000	141,990,000	3,870,000	-	15,410,000	118,895,000	470,115,000	7.53	2,141

Note: See Schedule 13 for personal income and population data.

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

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Secondary Assessed Property Value ^a</u>	<u>Percentage of Secondary Assessed Property Value</u>	<u>Per Capita</u>
2003	\$ 78,450,000	\$ 6,441,465	\$ 72,008,535	\$ 906,389,287	7.94 %	\$ 500.68
2004	90,815,000	6,697,401	84,117,599	1,052,321,817	7.99	545.16
2005	101,795,000	7,427,782	94,367,218	1,251,765,751	7.54	563.40
2006	103,795,000	10,224,408	93,570,592	1,466,841,566	6.38	525.63
2007	91,175,000	11,087,607	80,087,393	2,370,134,999	3.38	418.85
2008	67,704,800	7,279,915	60,424,885	2,768,391,194	2.18	301.65
2009	234,820,000	6,655,504	228,164,496	2,672,949,852	8.54	1,113.97
2010	211,170,000	6,720,588	204,449,412	2,297,228,317	8.90	980.79
2011	184,165,000	6,927,284	177,237,716	1,861,193,961	9.52	832.61
2012	163,335,000	10,189,619	153,145,381	1,675,360,422	9.14	697.33

^a Maricopa County Assessor's Office

Note: See Schedule 13 for population data.

Note: General Obligations 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, 2012**

<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	\$ None	4.87%	\$ None
Maricopa County Community College District	614,995,000	4.87%	29,950,257
Maricopa County Hospital District No. 1	None	4.87%	None
Gilbert Unified School District No. 41	153,565,000	70.29%	107,940,839
Higley Elementary School District No. 60	62,580,000	86.21%	53,950,218
Chandler Unified School District No. 80	194,325,000	9.82%	19,082,715
Mesa Unified School District No. 4	210,315,000	0.34%	715,071
East Valley Institute of Technology District No. 401 ^b	None	11.28%	None
Other debt			
Maricopa County ^c	166,707,790	4.87%	8,118,669
Maricopa County Community College District - revenue bonds	1,240,000	4.87%	60,388
Maricopa County Hospital District No. 1	None	4.87%	None
Gilbert Unified School District No. 41	None	70.29%	None
Higley Elementary School District No. 60	None	86.21%	None
Chandler Unified School District No. 80	None	9.82%	None
Mesa Unified School District No. 4	None	0.34%	None
East Valley Institute of Technology District No. 401 ^b	None	11.28%	None
Subtotal, overlapping debt			219,818,157
Town of Gilbert direct debt	341,275,000	100.00%	341,275,000
Total direct and overlapping debt			<u>\$ 561,093,157</u>

Source: The various jurisdictions

^a Proportion applicable to Town of Gilbert, Arizona is computed on the ratio of secondary assessed valuation for fiscal year 2012/13.

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

^c Includes Public Finance Corporation lease revenue bonds outstanding in the aggregate principal amount of \$132,192,790 and Stadium District revenue bonds outstanding in the aggregate principal amount of \$34,515,000.

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
20% Limitation										
Debt limit equal to 20% of assessed valuation	\$ 149,916,209	\$ 210,464,363	\$ 250,353,150	\$ 293,368,313	\$ 474,027,000	\$ 553,678,000	\$ 534,590,000	\$ 459,446,000	\$ 372,239,000	\$ 335,072,084
Total net debt applicable to 20% limit	<u>38,300,000</u>	<u>35,075,000</u>	<u>32,570,000</u>	<u>31,215,000</u>	<u>78,050,000</u>	<u>51,705,000</u>	<u>217,730,000</u>	<u>195,320,000</u>	<u>175,915,000</u>	<u>163,335,000</u>
Legal 20% debt margin (available borrowing capacity)	\$ <u>111,616,209</u>	\$ <u>175,389,363</u>	\$ <u>217,783,150</u>	\$ <u>262,153,313</u>	\$ <u>395,977,000</u>	\$ <u>501,973,000</u>	\$ <u>316,860,000</u>	\$ <u>264,126,000</u>	\$ <u>196,324,000</u>	\$ <u>171,737,084</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	25.55%	16.67%	13.01%	10.64%	16.47%	9.34%	40.73%	42.51%	47.26%	48.75%
6% Limitation										
Debt limit equal to 6% of assessed valuation	\$ 44,974,863	\$ 63,139,309	\$ 75,105,945	\$ 88,010,494	\$ 142,208,100	\$ 166,103,000	\$ 160,377,000	\$ 137,834,000	\$ 111,672,000	\$ 100,521,625
Total net debt applicable to 6% limit	<u>36,085,000</u>	<u>47,970,000</u>	<u>60,030,000</u>	<u>64,870,000</u>	<u>3,550,000</u>	<u>855,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal 6% debt margin (available borrowing capacity)	\$ <u>8,889,863</u>	\$ <u>15,169,309</u>	\$ <u>15,075,945</u>	\$ <u>23,140,494</u>	\$ <u>138,658,100</u>	\$ <u>165,248,000</u>	\$ <u>160,377,000</u>	\$ <u>137,834,000</u>	\$ <u>111,672,000</u>	\$ <u>100,521,625</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	80.23%	75.97%	79.93%	73.71%	2.50%	0.51%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2012

Net secondary assessed valuation as of June 30, 2012	\$ 1,675,360,422
20% Limitation	
Debt limit equal to 20% of assessed valuation	335,072,084
Debt applicable to limit:	
General obligation bonds	<u>163,335,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 171,737,084</u>
6% Limitation	
Debt limit equal to 6% of assessed valuation	100,521,625
Debt applicable to limit:	
General obligation bonds	<u>0</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 100,521,625</u>

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 November 2006, voters amended the constitution to move streets, public safety and fire and emergency facilities from the six percent bond type to the twenty percent bond type.

**Town of Gilbert, Arizona
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Special Assessment Bonds				Highway User Revenue Bonds				Public Facilities Municipal Property Corp. Revenue Bonds			
	Special Assessment Collections	Debt Service		Coverage	Highway User Tax Revenue	Debt Service		Coverage	Excise Taxes & State-Shared Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2003	\$ 1,242,492	\$ 1,744,758	\$ 608,054	0.53	\$ 7,103,864	\$ 685,000	\$ 180,975	8.20	\$ 63,934,377	\$ 1,440,000	\$ 1,630,813	20.82
2004	1,924,451	1,861,072	564,126	0.79	7,594,672	1,570,000	1,425,365	2.54	64,525,103	1,450,000	1,596,612	21.18
2005	1,552,289	3,274,964	398,660	0.42	7,975,941	1,660,000	1,604,050	2.44	69,209,221	1,500,000	1,553,113	22.67
2006	1,425,857	765,000	262,458	1.39	8,782,895	1,750,000	1,522,950	2.68	79,497,344	1,525,000	3,155,681	16.98
2007	355,124	125,000	231,010	1.00	12,355,280	1,845,000	1,437,450	3.76	102,525,938	5,210,000	4,753,688	10.29
2008	2,121,038	1,390,000	191,620	1.34	12,333,576	1,925,000	1,347,313	3.77	107,273,375	5,410,000	4,567,400	10.75
2009	421,894	75,000	153,530	1.85	10,651,366	2,050,000	1,251,063	3.23	97,901,565	6,060,000	5,404,460	8.54
2010	437,493	85,000	149,370	1.87	10,090,894	2,175,000	1,148,563	3.04	91,609,318	8,705,000	8,014,525	5.48
2011	559,284	90,000	587,245	0.83	10,356,131	2,275,000	1,039,813	3.12	89,202,148	9,030,000	7,705,188	5.33
2012	878,981	400,000	574,655	0.90	10,437,844	2,400,000	570,375	3.51	97,342,250	9,335,000	7,149,316	5.91

Fiscal Year	Water and Wastewater Revenue Bonds						Water Resources Municipal Property Corp. Revenue Bonds					
	Operating Revenues ^a	Less: Operating Expenses ^a	Net Available Revenue	Debt Service		Coverage	Net Available Revenue ^b	Water System Dev't Fee	Wastewater System Dev't Fee	Debt Service		Coverage
		Principal	Interest	Principal	Interest					Principal	Interest	
2003	\$ 27,488,811	\$ 16,259,036	\$ 11,229,775	\$ 725,000	\$ 1,586,230	4.86	\$ 8,918,545	\$ 10,898,905	\$ -	\$ 2,635,000	\$ 1,134,525	5.26
2004	29,326,860	18,940,817	10,386,043	1,045,000	1,045,563	4.97	8,295,480	14,803,415	-	3,555,000	766,180	5.35
2005	32,977,355	21,010,668	11,966,687	1,135,000	954,994	5.73	9,876,693	15,184,009	-	-	274,400	91.33
2006	38,518,047	28,439,547	10,078,500	1,180,000	927,263	4.78	7,971,237	-	20,491,288	-	4,332,600	6.57
2007	44,698,632	28,173,011	16,525,621	1,230,000	897,913	7.77	14,397,708	-	17,033,202	2,130,000	2,629,122	6.60
2008	51,061,203	32,100,716	18,960,487	1,250,000	866,563	8.96	16,843,924	11,697,125	10,923,733	-	9,130,452	4.32
2009	53,633,557	32,618,247	21,015,310	1,280,000	835,313	9.93	18,899,997	6,329,797	6,190,815	3,200,000	7,808,650	2.85
2010	57,096,936	32,034,177	25,062,759	1,315,000	803,313	11.83	22,944,446	8,491,638	8,715,622	3,300,000	7,910,188	3.58
2011	59,780,559	33,231,244	26,549,315	1,355,000	763,863	12.53	24,430,452	6,485,383	6,878,502	3,400,000	7,198,049	3.57
2012	61,087,190	34,505,518	26,581,672	1,385,000	723,213	12.61	24,473,459	13,590,998	15,154,154	3,550,000	6,096,337	5.52

^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.

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

Schedule 13

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

Fiscal Year	Population	Personal Income <i>(in thousands)</i> <i>(estimate)</i>	Per Capita Income <i>(estimate)</i>	Median Age	School Enrollment	Unemployment Rate
2003	143,821	3,897,000	27,093	30.1	33,322	3.1%
2004	154,299	4,348,000	28,177	30.1	35,410	3.5%
2005	167,497	4,817,000	28,759	30.1	37,194	2.9%
2006	178,015	5,222,000	29,334	30.1	37,662	2.2%
2007	191,206	5,721,000	29,920	31.3	37,979	2.0%
2008	200,314	6,113,000	30,518	31.3	38,662	2.4%
2009	204,821	6,230,000	30,416	30.4	39,142	4.6%
2010	208,453	6,370,000	30,559	30.7	39,089	5.1%
2011	212,869	6,329,000	29,731	32.7	38,660	5.1%
2012	219,617	6,240,000	28,413	31.5	38,696	5.4%

Sources: Population figures obtained from the Maricopa Association of Governments. Personal income estimated based on population and per capita income. The 2003 through 2004 and 2006 through 2010 per capita income figures are estimates. The 2005 and the 2011 through 2012 per capita income figures were obtained from the American Community Survey. The 2003 through 2010 median age, school enrollment, and unemployment rate were obtained from Gilbert's Development Services Department. The 2011 through 2012 median age was obtained from the American Community Survey. The 2011 through 2012 school enrollment was obtained from the Gilbert Public Schools website. The 2011 through 2012 unemployment rate was obtained from the azstats.gov website.

**Town of Gilbert, Arizona
Principal Employers
Current Fiscal Year and Nine Years Ago**

<u>Employer</u>	<u>Fiscal Year 2012</u>			<u>Fiscal Year 2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Gilbert Unified School District	4,173	1	7.32%	3,882	1	17.58%
Banner Health	1,448	2	2.54%	---		---
Town of Gilbert	1,119	3	1.96%	774	2	3.50%
Fry's Food and Drug	944	4	1.66%	599	3	2.71%
Go Daddy Software, Inc.	850	5	1.49%	---		---
Mercy Gilbert Medical Center	762	6	1.34%	---		---
Wal-Mart Stores, Inc.	704	7	1.24%	---		---
Higley Unified School District	701	8	1.23%	---		---
Chandler Unified School District	568	9	1.00%	---		---
State of Arizona	504	10	0.88%	---		---
Dillard's National Bank	---		---	522	4	2.36%
Earnhardt Auto Center	---		---	480	5	2.17%
Banner Home Care	---		---	450	6	2.04%
Superstition Contracting/San Tan Roofing	---		---	450	7	2.04%
Spectrum Astro	---		---	410	8	1.86%
Albertson's	---		---	398	9	1.80%
Hunter Contracting	---		---	385	10	1.74%
Total	<u><u>11,773</u></u>		<u><u>20.66%</u></u>	<u><u>8,350</u></u>		<u><u>37.80%</u></u>

Source: Maricopa Association of Governments

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

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	83.6	82.5	91.5	100.5	30.8	32.0	32.2	29.2	21.2	22.2
Support services	N/A	N/A	N/A	N/A	91.00	92.8	91.3	88.3	62.0	62.0
Financial services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18.3	19.3
Legal and court	28.0	31.5	31.6	35.1	51.3	53.3	52.3	52.9	52.9	51.9
Development services	89.7	93.2	97.2	98.4	115.6	99.1	70.5	70.5	72.5	72.5
Public works	27.0	25.5	26.0	28.0	17.3	18.0	17.5	17.5	-	-
Public safety:										
Police	207.5	270.0	276.0	309.0	330.0	352.5	347.0	346.0	346.0	346.0
Fire	102.5	110.8	122.5	139.0	173.8	193.0	199.5	197.0	197.0	197.0
Highways and streets	41.3	40.5	45.0	47.5	54.5	55.3	55.3	49.3	49.3	49.3
Community services	120.3	111.0	109.1	113.2	114.4	120.0	117.1	106.8	101.7	102.0
<u>Enterprise Funds</u>										
Water	56.0	58.0	60.0	63.5	69.0	72.0	79.0	83.0	118.1	120.0
Wastewater	22.0	26.0	26.0	30.0	33.0	35.0	40.7	40.7	40.7	41.7
Solid Waste	51.5	52.0	57.5	63.1	71.3	77.1	79.0	79.0	79.0	78.5
Irrigation	0.7	0.5	0.5	0.5	0.5	0.7	0.7	0.7	-	-
<u>Internal Service Funds</u>										
Equipment maintenance	19.0	19.0	21.0	21.0	24.0	26.0	26.0	26.0	26.0	26.0
Total	849.1	920.5	963.9	1048.8	1,176.5	1,226.8	1,208.1	1,186.9	1,184.8	1,188.4

Source: Gilbert Budget Division

Note: During fiscal year 2007, the organization structure was changed to reflect a new support services function to include areas previously reported under management and policy and public works. During fiscal year 2011, financial services was moved from support services to its own function.

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	81%	81%	88%	88%	90%	87%	89%	86%	90%	N/A ^c
Support services										
Number of recruitments	117	129	131	171	246	107	87	90	86	79
Employee turnover	8.3%	9.2%	12.5%	13.1%	9.5%	9.2%	8.1%	4.9%	6.6%	6.8%
Legal and court										
Case filings	23,329	28,080	23,034	29,175	38,315	37,821	36,890	32,299	25,888	28,273
% of cases charged after review	62%	67%	62%	61%	66%	61%	61%	64%	64%	76%
Development services										
Building permits issued	5,891	7,457	7,348	6,750	5,322	3,663	2,054	2,506	2,219	3,796
Value of permits issued (in millions)	\$ 745.1	\$1,004.1	\$1,121.6	\$ 983.3	\$ 825.5	\$ 539.6	\$ 266.3	\$ 324.3	\$ 238.7	\$ 478.3
Public Safety:										
Police										
Number of arrests	4,331	5,361	6,237	8,845	13,324	10,528	12,487	11,411	8,330	8,270
Crimes per 1,000 population	35.7	37.0	27.4	28.3	26.6	25.4	23.3	20.4	19.3	24.2
Fire										
Number of emergency calls	8,490	9,870	10,225	11,718	12,260	13,259	12,972	13,566	13,946	14,133
Response time average from time of alert at station to on-scene	5 min 29 sec	5 min 33 sec	5 min 39 sec	5 min 17 sec	5 min 2 sec	5 min 8 sec	4 min 11 sec	3 min 43 sec	3 min 37 sec	3 min 48 sec
Highways and streets										
Average pavement condition index	88	88	89	89	90	91	91	91	91	88
Community services										
Facility reservation requests	9,997	9,983	11,346	15,505	17,434	18,691	19,222	15,681	16,637	16,880
Participants in recreation programs	57,771	46,499	49,262	57,122	45,516	54,815	48,892	50,038	47,493	48,725
Transportation										
Average daily ridership	281	346	385	523	388	421	1,039	835	845	1,065
Water										
Daily average water production (mg)	34	36	38	40	44	42	44	42	42	44
Average # of meters read per month	49,300	54,160	58,420	60,190	64,320	68,447	70,630	71,814	71,910	72,042
Number of utility locates	32,510	37,085	35,621	35,265	26,616	16,451	12,000	12,373	10,576	15,000
Wastewater										
Daily average wastewater influent (mg)	8.54	9.46	10.46	10.71	11.71	12.32	12.37	12.91	12.67	12.14
Annual effluent produced/reused (mg)	2,502	2,627	2,596	2,599	3,417	4,174	4,160	4,420	4,840	4,452
Solid waste										
Solid waste tonnage	79,503	85,779	91,278	101,168	112,880	113,777	110,144	110,403	111,943	109,446
Recycle tonnage	13,229	14,421	16,538	17,084	18,388	19,055	18,810	19,191	19,242	18,130
Irrigation										
Cost per house irrigated	\$ 415	\$ 294	\$ 323	\$ 309	\$ 309	\$ 384	\$ 1,532 ^a	\$ 542	N/A ^b	N/A

Source: The various departments

^a Increase compared to prior years due to a one-time expense in 2009 for mapping and as-built condition reports on the Heritage Flood District Irrigation System in anticipation of the Town transferring this operation to another entity.

^b Service is no longer available.

^c Survey not completed.

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

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public safety:										
Police										
Number of police cars	107	109	126	142	150	151	162	156	166	164
Fire										
Fire stations	6	6	8	9	9	9	9	9	9	10
Highways and streets										
Street center line miles (estimate)	766	806	883	986	1,013	1,017	872	903	923	1,047
Traffic control signals	57	80	89	111	137	159	169	168	173	175
Community services										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	767	676	676	676	676	676	676	690	690	652
Water										
Miles of water main	554	591	642	825	900	1,067	1,137	1,175	1,189	1,216
Wastewater										
Miles of wastewater main	426	455	480	487	770	809	843	860	868	970
Solid waste										
Garbage trucks	44	46	55	51	52	52	54	57	61	61

Source: The various departments

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	Maricopa County Bank Deposits
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value		
2003	3,505	\$ 563,512,928	176	\$ 130,728,289	2,210	\$ 50,878,249	\$ 906,389,287	\$ 34,753,406,000 ^c
2004	4,769	753,517,139	274	189,583,027	2,414	61,006,431	1,052,321,817	39,014,589,000 ^c
2005	4,006	727,496,972	432	297,406,547	2,910	96,709,861	1,251,765,751	46,392,368,000 ^c
2006	3,638	589,698,508	500	304,955,513	2,612	88,679,208	1,466,841,566	54,925,528,000 ^d
2007	2,896	474,991,497	430	252,353,478	1,997	98,134,107	2,370,134,999	55,663,285,000 ^d
2008	1,536	268,197,375	349	180,776,005	1,778	90,605,562	2,768,391,194	55,054,948,000 ^d
2009	1,038	161,128,906	151	60,768,344	865	44,414,870	2,672,949,852	55,358,822,000 ^d
2010	1,427	213,032,031	147	67,488,230	932	43,754,466	2,297,228,317	61,925,568,000 ^d
2011	1,130	182,201,825	180	25,831,880	909	30,710,863	1,861,193,961	60,408,631,000 ^d
2012	2,337	409,461,914	183	32,820,962	1,276	36,055,637	1,675,360,422	61,673,751,000 ^d

^a Development Services Department

^b Maricopa County Assessor's Office

^c Arizona Banker's Association

^d Federal Deposit Insurance Corporation

Schedule 19

**Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2012**

	<u>Beginning Balance</u>	<u>System Development Fees Collected</u>	<u>Other Revenue</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Traffic signal system development fee	\$ 1,165,594	1,269,395	13,587	(68,282)	\$ 2,380,294
Police system development fee	(178,907)	1,759,644	643	(2,662,734)	(1,081,354) ^a
Fire system development fee	(18,070,210)	2,568,415	-	(1,686,058)	(17,187,853) ^a
General government system development fee	(3,787,197)	1,349,124	-	(2,406,129)	(4,844,202) ^a
Parks and recreation system development fee	7,626,817	11,010,594	92,993	(4,456,380)	14,274,024
Water system development fee	22,272,840	13,590,998	5,422,659	(22,599,651)	18,686,846
Water resources system development fee	11,847,129	3,918,480	80,452	(4,882,299)	10,963,762
Wastewater system development fee	(38,680,550)	15,154,154	5,901,820	(7,106,690)	(24,731,266) ^b
Totals	\$ <u>(17,804,484)</u>	<u>50,620,804</u>	<u>11,512,154</u>	<u>(45,868,223)</u>	\$ <u>(1,539,749)</u>
<u>Equivalent Residential Unit</u>					
Water system development fee	5,042				
Wastewater system development fee	5,866				

Source: Gilbert Finance Department

^a The negative ending balances for the police, fire, and general government system development fees are funded by the general fund. The general fund had a cash balance of \$55,376,673 at June 30, 2012.

^b The negative ending balance for the wastewater system development fee is funded by the wastewater operating fund and the wastewater equipment replacement fund. These funds had a combined cash balance of \$41,249,268 at June 30, 2012.

**Town of Gilbert, Arizona
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Adopted 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
2003	\$ 8,790,761	\$ (101,804)	\$ 8,688,957	\$ 8,524,015	98.10%	\$ (101,963)	\$ 8,688,798	\$ 162,416	\$ 8,686,431	99.97%
2004	10,423,961	(21,510)	10,402,451	10,192,801	97.98%	(21,695)	10,402,266	207,199	10,400,000	99.98%
2005	12,110,279	(112,123)	11,998,156	11,796,111	98.32%	(113,716)	11,996,563	198,098	11,994,209	99.98%
2006	14,395,693	(183,273)	14,212,420	13,928,035	98.00%	(185,465)	14,210,228	281,480	14,209,515	99.99%
2007	16,913,578	(199,706)	16,713,872	16,226,531	97.08%	(293,336)	16,620,242	391,799	16,618,330	99.99%
2008	27,315,101	(402,220)	26,912,881	25,797,060	95.85%	(495,862)	26,819,239	1,014,162	26,811,222	99.97%
2009	31,332,659	(134,438)	31,198,221	29,744,757	95.34%	(298,528)	31,034,131	1,249,655	30,994,412	99.87%
2010	30,389,882	(153,319)	30,236,563	28,984,405	95.86%	(382,538)	30,007,344	914,807	29,899,212	99.64%
2011	26,198,053	(107,618)	26,090,435	25,253,466	96.79%	(182,794)	26,015,259	740,984	25,994,450	99.92%
2012	21,380,254	(96,162)	21,284,092	20,772,494	97.60%	(101,457)	21,278,797	187,151	20,959,645	98.50%

Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2012**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Secondary Assessed Valuation</u>	<u>As % of Town's Total Secondary Assessed Valuation</u>
Westcor Santan Village LLC	Shopping Center	\$ 22,739,386	1.36%
Verizon Wireless	Communications	10,845,673	0.65%
Southwest Gas Corporation (T&D)	Utility	6,502,685	0.39%
Power Ray Road Investors LLC	Commercial	5,990,634	0.36%
Target Corporation	Retail	5,907,082	0.35%
Cole MT Gilbert San Tan AZ LLC	Real Estate Development / Holdings	5,688,658	0.34%
Vestar CTC Phase 1 LLC	Shopping Center	5,653,852	0.34%
Qwest Corporation	Communications	5,421,039	0.32%
Smiths Food & Drug Centers Inc	Grocery	4,490,179	0.27%
Lowe's HIW Inc	Retail	3,844,210	0.23%
SY Gilbert Commons I LLC	Shopping Center	3,676,833	0.22%
Dillard's Properties Inc	Retail	3,576,672	0.21%
SY Gilbert Commons II LLC	Shopping Center	2,931,350	0.18%
Gilbert LLC/ ETAL	Shopping Center	2,900,001	0.17%
Sunnyvale Business Square LLC	Shopping Center	2,872,776	0.17%
GPO Reserve LLC	Real Estate Development / Holdings	2,841,999	0.17%
Arizona Public Service Company	Utility	2,799,031	0.17%
SVW Partners LLC	Real Estate Development / Holdings	2,750,000	0.16%
Wal-Mart Stores Inc	Retail	2,564,843	0.15%
Echostar Holding Corporation	Technology	2,561,640	0.15%
		<u>\$ 106,558,543</u>	<u>6.36%</u>

Source: Maricopa County. Top taxpayers based off Secondary Net Assessed Value of Real and Secured Personal Property for tax year 2012.

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



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