



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2011

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Certificate of Achievement for Excellence in Financial Reporting

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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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Linda C. Davison

President

Jeffrey R. Emer

Executive Director

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2011



John W. Lewis, Mayor

Jenn Daniels, Vice Mayor
Eddie Cook, Council Member
Ben Cooper, Council Member

Victor Petersen, Council Member
Jordan Ray, Council Member
John Sentz, 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, 2011**

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Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



December 13, 2011

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, 2011. 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, 2011. 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

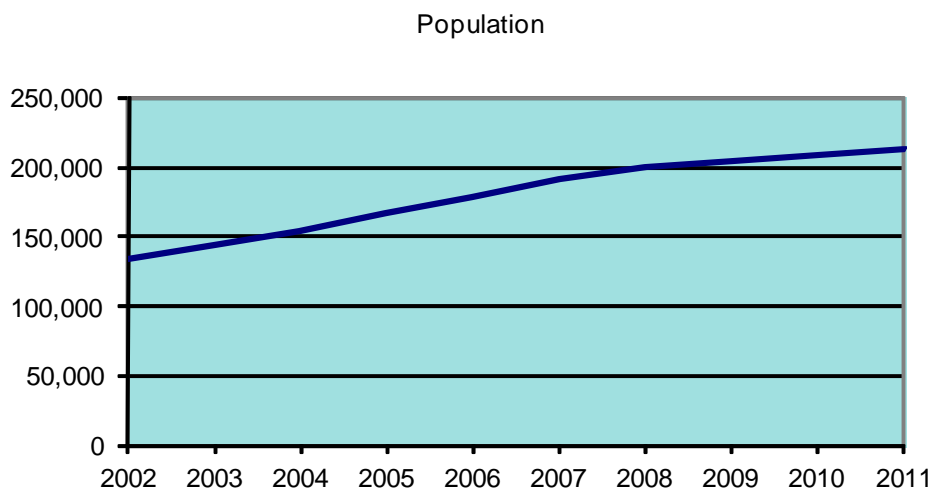
Gilbert is an Arizona Municipal Corporation, operating as a general law community as prescribed in the Arizona Revised Statutes. Gilbert was incorporated July 6, 1920, and operates under the Council-Manager form of government. The Mayor is a member of the Council and is elected by the voters for a four-year 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 2011, the Manager administered Gilbert's operations through a staff of 1,185 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, 2011, was 212,869 (this estimate is from the Maricopa Association of Governments), an increase of 2% from fiscal year 2010. The following graph depicts the ten-year population trend for Gilbert.



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

There were 1,130 new residential permits and 180 commercial permits issued in fiscal year 2011 which represents a decrease of 297 residential and an increase of 33 commercial permits from the prior fiscal year. The total value of all new construction in fiscal year 2011, including commercial, was \$239 million, down from \$324 million in fiscal year 2010, but 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 2011, a total of \$24 million was collected in SDF's compared to \$31.5 million in fiscal year 2010.

Economic Development

Gilbert has withstood the recent downturn in the economy compared to other communities. While the national unemployment rate has hovered around 9%, Gilbert's unemployment rate never exceeded 6% even during the worst part of the recession. As of September 2011, Gilbert's unemployment rate was 4.6%. In comparison, the state of Arizona's unemployment was 8.9%. Although many factors are at work, Gilbert has attracted citizens that are highly educated, with over 37% holding a bachelor's degree or higher.

Gilbert's office, industrial and retail space includes over 18 million square feet of rentable building area with the majority of office space constructed within the past five years.

During 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. MD Anderson has recently begun the process to add another 320,000 square feet to the facility. One of Gilbert’s strategic goals is economic development with a focus on bio-med/life sciences. Banner MD Anderson will be a cornerstone in executing this strategy.

During fiscal year 2011, Gilbert continued to experience economic development activity and growth. Over 720,000 square feet of office, industrial and retail space were absorbed and 1,390 jobs were added to the local economy. GoDaddy.com, the number one web domain name registration company in the world, recently added over 300 jobs to its Gilbert facility.

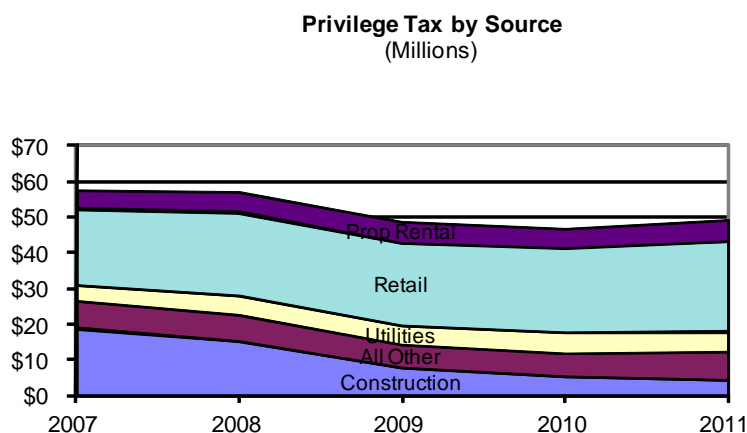
The community was also ranked as the 36th most livable city in the U.S. by *CNN/Money Magazine* in 2010 and the 5th safest city in the U.S. in 2011 as ranked by Business Insider using FBI crime statistics. Greatschools.org recognized Gilbert has having one of the ten best public school systems for cities with a population between 100,000 and 300,000.

Gilbert’s job-based economic development strategy specifically identifies life sciences, aerospace, high technology, clean and renewable energy and advanced business services. Gilbert’s knowledge assets include Arizona State University (ASU) Polytechnic Campus, Chandler-Gilbert Community College and A.T Stills University which is a private college with degrees in medicine dentistry and other health related programs. Gilbert is also home to Campo Verde High School which has the largest biotechnology 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 50% of General Fund revenues for fiscal year 2011, totaling approximately \$49 million. Local sales taxes are collected by the Arizona Department of Revenue and remitted to Gilbert weekly. The following graph depicts sales tax receipts by source for the past five years.



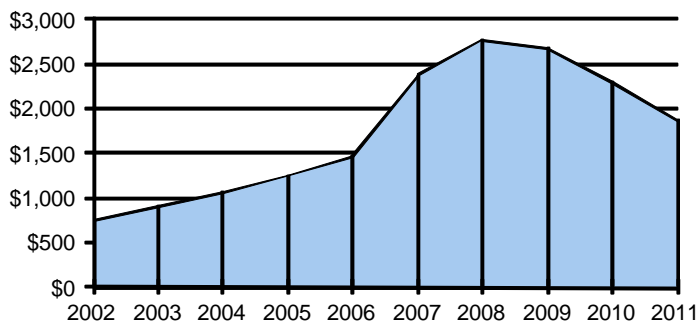
Property Taxes

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 ratio derives the assessed value. Residential properties are assessed at 10%, vacant land is assessed at 16%, and commercial properties are assessed at 21.5% (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. A commercial property provides two or more times the assessed value of a residential property of the same value. All property taxing jurisdictions (e.g., school districts) benefit from the increased assessed value. The assessed valuation decreased by 19% in fiscal year 2011 from \$2.297 billion to \$1.861 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 \$31 million for the General Fund and \$16 million for the Streets Special Revenue Fund in fiscal year 2011, representing approximately 31% of total General Fund revenues and 90% 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

Gilbert develops the annual budget based on a resource constrained model. A five year financial plan is developed for each operating fund and current year decisions are made with a forecast future impact. Other financial policies that guide the budget include: development pays for itself through fees; use of one-time revenues for one-time expenditures; issuance of debt only when available resources do not exist to pay for a project; maintenance of a designated fund balance for emergency events; annual replacement funding for fleet and utility infrastructure; and user fees set to ensure 100% cost recovery in proprietary funds.

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, 2010. This was the 20th 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 twelve consecutive years.

ACKNOWLEDGMENTS

The completion of this report is the result of the efficient and dedicated services of the entire staff of the Finance Department. I would like to give special recognition to Florence Shultz, Accounting Administrator, Tanya Wright, Accountant II, and Dana Faulisi, Accountant I, 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.

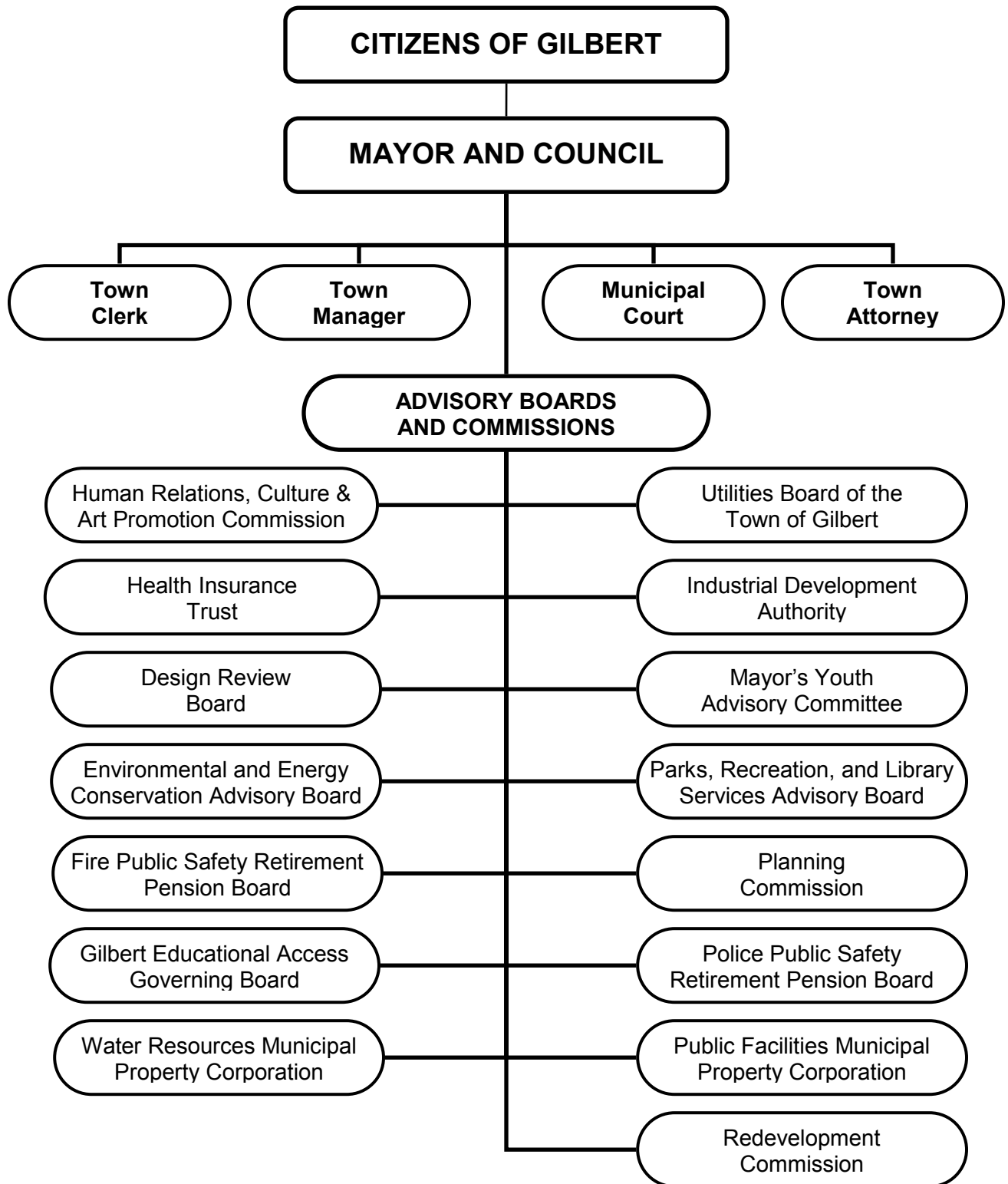
Respectfully submitted,



Cindi Mattheisen
Finance Director

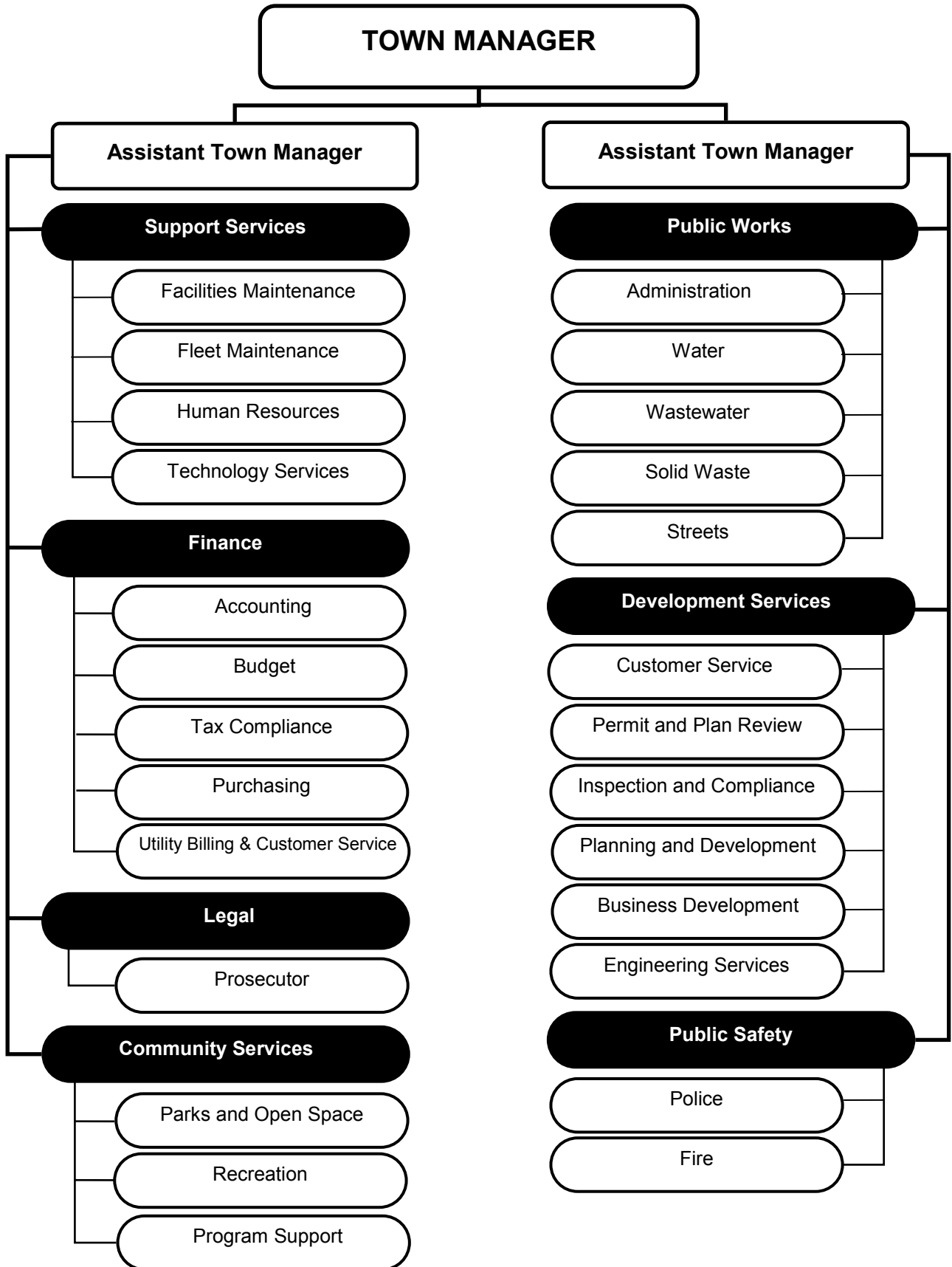


Advisory Organization Chart





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**



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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 aggregate the 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, 2011, 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 discretely presented component unit and aggregate remaining fund information of the Town of Gilbert, Arizona, as of June 30, 2011, 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.

As described in Note 1.O, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, 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 Financial 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 Financial Statements and Schedules 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.
Certified Public Accountants

December 13, 2011

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, 2011. 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 \$1.4 billion. Included in this amount defined as net assets is \$287 million of unrestricted net assets, of which \$147 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$140 million which may be used to fund ongoing operations in future years.
- Net assets includes a \$706 million net investment in capital assets such as streets, park land, and municipal buildings and a \$295 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 \$52 million is unrestricted.
- The General Fund unrestricted fund balance is \$44 million, of which \$10.7 million has been assigned for capital replacement.
- The remaining General Fund unassigned balance of \$33.5 million is approximately 36% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$544 million, as compared to \$600 million at the end of fiscal year 2010.

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 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 91-97.

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 37-66.

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, 2011 and 2010.

Town of Gilbert Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 252,415,829	\$ 287,200,724	\$ 303,763,672	\$ 305,794,172	\$ 556,179,501	\$ 592,994,896
Capital assets	982,750,500	980,524,062	451,437,194	448,494,808	1,434,187,694	1,429,018,870
Total assets	1,235,166,329	1,267,724,786	755,200,866	754,288,980	1,990,367,195	2,022,013,766
Long-term liabilities	364,026,397	393,699,583	162,643,002	182,682,049	526,669,399	576,381,632
Other liabilities	49,466,153	57,128,870	11,857,295	12,802,378	61,323,448	69,931,248
Total liabilities	413,492,550	450,828,453	174,500,297	195,484,427	587,992,847	646,312,880
Net assets:						
Invested in capital assets, net of related debt	705,986,213	707,099,883	294,516,202	276,058,613	1,000,502,415	983,158,496
Restricted	38,404,141	43,766,457	76,504,052	86,942,759	114,908,193	130,709,216
Unrestricted	77,283,425	66,029,993	209,680,315	195,803,181	286,963,740	261,833,174
Total net assets	\$ 821,673,779	\$ 816,896,333	\$ 580,700,569	\$ 558,804,553	\$ 1,402,374,348	\$ 1,375,700,886

Net assets consist of three components. The largest portion of Gilbert's net assets (71%) 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 \$287 million of unrestricted net assets (21%) includes \$147 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$140 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2011 increased Gilbert's net assets by \$5 million, accounting for 18% 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 98% of total revenues for governmental activities. Taxes (local and state-shared) were \$110 million, a decrease of \$7 million (5%) from the prior year. Program revenues were \$62 million, a decrease of \$14 million from the prior year which was due mostly to the \$12 million decrease in capital grants and contributions. It should be noted that \$7 million of the total program revenues represent capital contributions from developers of street related infrastructure; and, therefore, were not cash revenues available to cover operating expenses.

The other component of the change in net assets is expenses. The largest expense functions were public safety which represented 37%, and highways and streets which represented 23% of total governmental activities expenses. Total expenses decreased \$780 thousand (.5%) over the prior fiscal year. During the fiscal year, several reclassifications were made to the expenses functions.

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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 12,537,148	\$ 16,662,737	\$ 74,837,971	\$ 72,217,153	\$ 87,375,119	\$ 88,879,890
Operating grants and contributions	21,167,633	19,206,066	-	-	21,167,633	19,206,066
Capital grants and contributions	28,002,037	39,631,744	18,324,573	22,026,098	46,326,610	61,657,842
General revenues:						
Sales taxes	49,248,759	47,118,885	-	-	49,248,759	47,118,885
Property taxes	25,796,000	30,116,881	-	-	25,796,000	30,116,881
State-shared sales taxes	13,787,266	13,029,141	-	-	13,787,266	13,029,141
State-shared income taxes	17,280,849	22,922,794	-	-	17,280,849	22,922,794
Other taxes	3,752,492	3,776,269	-	-	3,752,492	3,776,269
Grants and contributions not restricted to specific programs	863,570	1,235,571	-	-	863,570	1,235,571
Unrestricted investment earnings	2,137,352	1,300,903	1,011,691	739,124	3,149,043	2,040,027
Other	355,415	753,545	2,380,172	1,692,276	2,735,587	2,445,821
Total revenues	174,928,521	195,754,536	96,554,407	96,674,651	271,482,928	292,429,187
Expenses						
Management and policy	3,109,759	2,830,563	-	-	3,109,759	2,830,563
Support services	8,503,492	9,297,428	-	-	8,503,492	9,297,428
Financial services	1,286,659	-	-	-	1,286,659	-
Legal and court	5,126,039	5,937,288	-	-	5,126,039	5,937,288
Development services	8,201,314	10,084,501	-	-	8,201,314	10,084,501
Public works	-	2,782,252	-	-	-	2,782,252
Police	38,868,835	41,327,582	-	-	38,868,835	41,327,582
Fire	24,473,377	22,871,289	-	-	24,473,377	22,871,289
Highways and streets	40,440,136	36,905,783	-	-	40,440,136	36,905,783
Community services	19,763,971	19,825,728	-	-	19,763,971	19,825,728
Transportation	1,009,897	1,170,305	-	-	1,009,897	1,170,305
Non departmental	2,194,132	-	-	-	2,194,132	-
Interest and fiscal charges on long-term debt	17,674,873	18,417,745	-	-	17,674,873	18,417,745
Water	-	-	36,863,531	36,163,481	36,863,531	36,163,481
Wastewater	-	-	23,038,634	23,002,202	23,038,634	23,002,202
Solid waste	-	-	14,254,817	13,852,222	14,254,817	13,852,222
Irrigation	-	-	-	53,690	-	53,690
Total expenses	170,652,484	171,450,464	74,156,982	73,071,595	244,809,466	244,522,059
Increase in net assets before transfers	4,276,037	24,304,072	22,397,425	23,603,056	26,673,462	47,907,128
Transfers	537,225	(345,546)	(537,225)	345,546	-	-
Increase in net assets	4,813,262	23,958,526	21,860,200	23,948,602	26,673,462	47,907,128
Net assets, beginning of year *	816,860,517	792,937,807	558,840,369	534,855,951	1,375,700,886	1,327,793,758
Net assets, end of year	\$ 821,673,779	\$ 816,896,333	\$ 580,700,569	\$ 558,804,553	\$ 1,402,374,348	\$ 1,375,700,886

*As restated (see note 2)

Business-type Activities

Development related growth increased Gilbert’s net assets for business-type activities in fiscal year 2011 by \$22 million through \$15 million in system development fee collections and \$3 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities decreased \$120 thousand from the prior year. 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, unreserved undesignated 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 2011, the governmental funds reported combined ending fund balances of \$182 million, a decrease of \$32 million in comparison with the prior fiscal year. The majority of the decrease occurred in the streets and transportation capital projects fund. This fund had a decrease of \$31 million from prior year and is attributable to the spending of bond proceeds.

**Town of Gilbert
Governmental Funds - Fund Balances
As of June 30, 2011**

	Restricted	Unrestricted	Total
General	\$ 22,317,444	\$ 44,250,105	\$ 66,567,549
Streets Special Revenue	7,956,285	4,561,474	12,517,759
General Debt Service	6,366,097	561,187	6,927,284
Special Assessments Debt Service	56,611	-	56,611
Streets and Transportation Capital Projects	67,924,357	19,701,385	87,625,742
Municipal Facilities Capital Projects	7,030,299	(20,781,250)	(13,750,951)
Parks, Open Space and Recreation Capital Projects	8,259,413	-	8,259,413
Other Governmental Funds	10,461,824	3,437,002	13,898,826
Total Fund Balances	\$130,372,330	\$ 51,729,903	\$ 182,102,233

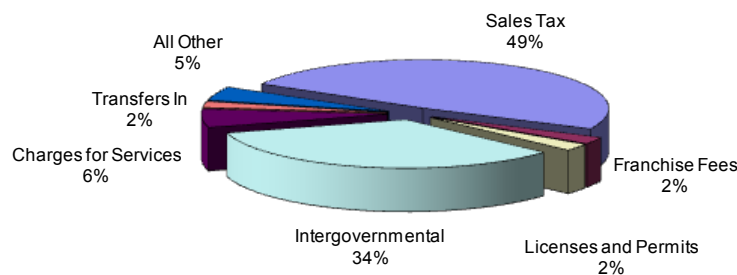
General Fund

The General Fund is the primary operating fund. At the end of fiscal year 2011, the fund balance of the General Fund was \$66.6 million, an increase of \$12 million from the prior year mainly due to moving the General Capital Replacement fund from a Special Revenue Fund into the General Fund (see Note 2 on page 47 for further information). The unrestricted portion of the fund balance was \$44 million, of which \$10.7 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 36% of total General Fund expenditures for the current year.

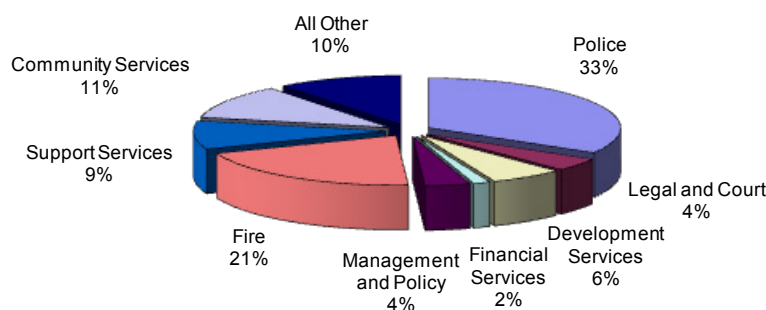
Key elements of General Fund sources and uses are as follows:

- Overall, revenues exceeded expenditures in the General Fund by \$6.2 million; however, transfers to other funds (net) were \$5 million resulting in an increase in fund balance of \$1.3 million. The transfers out included \$1 million to capital projects funds and \$5.9 million for general debt obligations.
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 84% of the total revenues.
- Local sales tax, which accounts for almost half of total General Fund revenues, increased \$2.4 million (5%) from the prior fiscal year due to the economic recovery.
- Intergovernmental revenue decreased \$4.7 million (12%) from the prior fiscal year mainly due to decreased state shared income tax revenue.
- Public safety expenditures which comprise over half of the total General Fund expenditures decreased \$2.6 million (4.6%) over the prior fiscal year mainly due to decreased salary costs because of vacant positions.
- Development services expenditures decreased \$1.7 million (22%) due to the reclassification of certain Town-wide expenditures to the Non departmental function.

**General Fund Sources
\$101.2 Million**



**General Fund Uses
\$99.9 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 increased \$1.4 million (8%) from the prior year due to increased auto lieu taxes of \$1 million and county intergovernmental revenue of \$1.7 million. Those increases were offset by decreased highway user revenues of \$0.8 million and local transportation assistance revenues of \$0.5 million. Total expenditures decreased by \$0.4 million (3%) due to decreased personnel related costs. In total, revenues exceeded expenditures by \$7.2 million; however, there were \$4 million in transfers to other funds including \$3.3 million to the Debt Service Fund, resulting in a \$3.3 million (36%) increase in fund balance.

Other Major Governmental Funds

General Debt Service. The fund balance decreased by \$76 thousand during the year due to debt service requirements of \$47 million exceeding the current year property tax revenues of \$25.8 million and transfers in from other funds of \$21 million. The remaining fund balance of \$6.9 million will be used to fund future debt service payments on voter approved general obligation bonds.

Special Assessments Debt Service. The fund balance of \$57 thousand is all restricted to pay future debt service requirements on special assessment bonds.

Streets and Transportation Capital Projects. The fund balance decreased by \$31 million to \$87.6 million. Current year expenditures exceeded revenues by \$30.9 million but this deficit was covered by existing fund balance.

Municipal Facilities Capital Projects. The fund balance decreased by \$3.2 million during the year from a deficit of \$10.6 million to a deficit of \$13.8 million. The deficit will be covered by future collections of system development fees.

Parks, Open Space and Recreation Capital Projects. The fund balance decreased by \$1.6 million to \$8.3 million. Current year revenues of \$5.2 million exceeded expenditures of \$1.3 million; however, there were \$5.7 million in transfers to other funds which included \$5.2 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 \$0.4 million (3%) to a balance at year end of \$14 million. The majority of the decrease relates to capital outlay expenditures in the Special Assessments Capital Projects Fund. Nonmajor funds represent 7.6% of the total governmental fund balance.

Proprietary Funds

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

- Water Fund
- Wastewater Fund
- Solid Waste Fund

Water Fund

The Water Fund is responsible for producing and distributing potable water that meets all 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 \$11.2 million to \$307 million due primarily to capital contributions of \$10.2 million, including \$8.4 million in system development fees and \$1.8 million in distribution lines contributed by developers. Operating income was \$8.6 million.

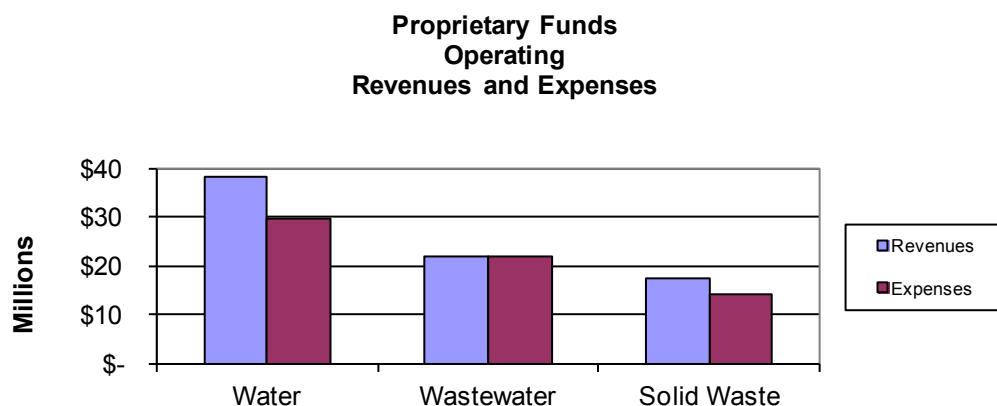
Wastewater Fund

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 \$7.4 million to \$250 million due primarily to capital contributions of \$8.2 million, including \$6.9 million in system development fees and \$1.3 million in collection lines contributed by developers. Operating income was \$65 thousand.

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 \$3.2 million to \$22 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

There were no differences between the original adopted budget and the final amended budget. The budget projected that expenditures would exceed revenues by \$6.3 million and included \$4.1 million in net transfers to other funds resulting in a \$10.4 million reduction to fund balance per the budget.

During the year actual revenues exceeded the budgeted amount by \$5.4 million (6%) mainly due to higher than expected local sales taxes. Actual expenditures were less than budgeted by \$7.1 million (7%) mainly due to lower than expected public safety and capital outlay expenditures. This resulted in an excess of revenues over expenditures of \$12.5 million more than budgeted, resulting in the actual net change in fund balance being \$11.7 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2011, Gilbert had invested \$1.4 billion in capital assets. This amount (including additions and deletions) is consistent with prior year. The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2011 and 2010.

Town of Gilbert Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 171,914,361	\$ 169,443,181	\$ 45,923,688	\$ 37,017,778	\$ 217,838,049	\$ 206,460,959
Construction-in-progress	31,286,075	45,568,769	3,513,610	7,997,217	34,799,685	53,565,986
Buildings	161,991,163	170,116,466	-	-	161,991,163	170,116,466
Improvements	42,864,775	45,937,583	-	-	42,864,775	45,937,583
Plant, Machinery & Equip	18,761,468	23,324,167	89,882,320	93,807,666	108,643,788	117,131,833
Water Rights	-	-	7,650,454	7,748,746	7,650,454	7,748,746
Infrastructure	555,932,658	526,133,896	304,467,122	301,923,401	860,399,780	828,057,297
Total Capital Assets	\$ 982,750,500	\$ 980,524,062	\$ 451,437,194	\$ 448,494,808	\$ 1,434,187,694	\$ 1,429,018,870

Total governmental capital assets increased \$2.2 million and business-type capital assets increased \$2.9 million. Major additions to capital assets during the fiscal year included the following:

Governmental Activities

- Streets and traffic signal projects totaling \$47.6 million.
- Developer contributions of street related infrastructure valued at \$7.4 million.

Business-type Activities

- Developer contributions of water and wastewater infrastructure valued at \$3 million.
- Construction-in-progress for water system improvements totaling \$11.8 million and for wastewater system improvements totaling \$2.5 million.
- Completed water system improvements totaling \$5.7 million and for wastewater system improvements totaling \$4.2 million.

See Note 7 on pages 50-52 for further information regarding capital assets.

Long-term Debt. At June 30, 2011, Gilbert had total bonded debt obligations of \$356.7 million related to governmental activities and \$165.6 million in business-type activities; \$175.9 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$11.4 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, 2011 was \$111.7 million in the 6% capacity and \$196.3 million in the 20% capacity.

See Note 9 on pages 53-59 for additional information on debt.

The following schedule shows Gilbert’s outstanding debt as of June 30, 2011 and 2010.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation	\$ 170,385,000	\$ 188,205,000	\$ 5,530,000	\$ 7,115,000	\$ 175,915,000	\$ 195,320,000
Special Assessment	11,415,000	11,505,000	-	-	11,415,000	11,505,000
Street and Highway User	22,875,000	25,150,000	-	-	22,875,000	25,150,000
Utility Revenue	-	-	16,795,000	18,150,000	16,795,000	18,150,000
Municipal Property Corporation	152,015,000	161,045,000	143,270,000	160,475,000	295,285,000	321,520,000
Totals	\$ 356,690,000	\$ 385,905,000	\$ 165,595,000	\$ 185,740,000	\$ 522,285,000	\$ 571,645,000

Gilbert’s bonds are rated by leading rating agencies that assess the risk of default based on Gilbert’s financial condition. The following schedule shows Gilbert’s bond ratings as of June 30, 2011.

	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	A+	A+
Improvement Districts	Aa3	A	Not Rated

* These bonds are insured

Economic Factors and Next Year’s Budget

After consecutive years of double digit drops, the slow but steady improvement in sales tax revenues began to ease some of the tremendous pressure on the Town’s budget, particularly as the 2011 budget had assumed continued decline.

The continuing effects of recession are far-reaching. Unemployment, underemployment, and foreclosures continue to plague our nation and impact our community. Government, and particularly local government, is called upon to serve those in need while simultaneously, and paradoxically, reducing expenses.

At the same time, Gilbert has continued growing. Development activity in Gilbert was a full 30% of the total permits issued in Maricopa County in 2011, exceeding even the City of Phoenix by 45%. Even so, the Town maintains one of the lowest vacancy rates in the state. The expectations of exceptional service delivery have not declined, yet the revenue stream is not matching the growth. We continue to find ourselves in a position of having to find ways to do more with less.

Budget Highlights for Fiscal Year 2012

- Total budget of approximately \$613.3 million.
- Staffing levels held virtually unchanged from the prior year budget.
- No change to the local sales or property tax rates.
- Permit activity dropped below 50 single family residential permits per month in November 2010, but picked back up to an average of 171 permits per month in the latter half of the fiscal year.
- No salary adjustments for market range or movement through the salary range.
- Maintenance of an undesignated fund balance of 10% for the General Fund operating expenditures.
- Equipment Replacement Funds for the General and Streets Funds were modified to only include a contingency balance for unforeseen and/or unanticipated replacements and additional funding only for current year replacements.
- Equipment Replacement Funds for the Water and Wastewater Funds kept level; anticipated annual payments diverted to pay down bond debt and reduce overall interest burden.

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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 205,704,856	\$ 59,995,879	\$ 265,700,735	\$ 3,237
Receivables, net:				
Taxes	4,021,435	-	4,021,435	-
Special assessments	11,612,593	-	11,612,593	-
Accrued interest	298,457	76,862	375,319	-
Accounts	15,194,318	5,074,179	20,268,497	-
Due from other governments	3,262,053	734,097	3,996,150	-
Internal balances	(9,524,845)	9,524,845	-	-
Prepaid items	279,077	-	279,077	-
Inventories	434,675	178,048	612,723	-
Restricted assets:				
Cash and investments	19,777,824	79,141,302	98,919,126	-
Accrued interest	101	56,368	56,469	-
Deferred charges	1,145,474	1,941,097	3,086,571	-
Investment in Joint Venture	209,811	147,040,995	147,250,806	-
Capital assets:				
Non-depreciable	203,200,436	49,437,298	252,637,734	-
Depreciable, net	779,550,064	401,999,896	1,181,549,960	-
Total assets	1,235,166,329	755,200,866	1,990,367,195	3,237
LIABILITIES				
Accounts payable	7,388,722	3,240,924	10,629,646	-
Accrued liabilities	9,153,781	155,252	9,309,033	-
Accrued interest	-	1,742,251	1,742,251	-
Claims payable	1,080,441	-	1,080,441	-
Deposits held for others	62,440	-	62,440	-
Utility deposits	-	2,529,046	2,529,046	-
Bond interest payable	8,358,500	-	8,358,500	-
Unearned revenue	43,078	-	43,078	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences	3,424,191	639,822	4,064,013	-
Current portion of bonds payable	19,955,000	3,550,000	23,505,000	-
Due in more than one year:				
Compensated absences	5,550,183	924,544	6,474,727	-
Bonds payable	358,476,214	161,718,458	520,194,672	-
Total liabilities	413,492,550	174,500,297	587,992,847	-
NET ASSETS				
Invested in capital assets, net of related debt	705,986,213	294,516,202	1,000,502,415	-
Restricted for:				
Debt service	18,035,153	24,653,878	42,689,031	-
Capital projects	7,507,371	41,059,953	48,567,324	-
System repair & maintenance	-	10,790,221	10,790,221	-
Highways and streets	7,630,984	-	7,630,984	-
Grant programs	2,985,845	-	2,985,845	-
Court/police programs	1,736,378	-	1,736,378	-
Special districts	380,709	-	380,709	-
Other purposes	127,701	-	127,701	-
Unrestricted	77,283,425	209,680,315	286,963,740	3,237
Total net assets	\$ 821,673,779	\$ 580,700,569	\$ 1,402,374,348	\$ 3,237

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, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government				
Management and policy	\$ 3,109,759	\$ 2,813	\$ 12,251	\$ -
Support services	8,503,492	273,385	-	375,000
Financial services	1,286,659	9,256	-	-
Legal and court	5,126,039	566,752	30,000	-
Development services	8,201,314	3,177,940	1,063,017	32,332
Public safety				
Police	38,868,835	2,890,874	275,616	822,586
Fire	24,473,377	135,732	1,342,453	1,684,686
Highways and streets	40,440,136	1,739,467	17,863,654	19,721,118
Community services	19,763,971	3,739,896	490,749	5,191,392
Transportation	1,009,897	-	40,009	174,923
Non departmental	2,194,132	1,033	49,884	-
Interest and fiscal charges on long-term debt	17,674,873	-	-	-
Total governmental activities	170,652,484	12,537,148	21,167,633	28,002,037
Business-type activities:				
Water	36,863,531	35,966,037	-	10,166,648
Wastewater	23,038,634	21,677,621	-	8,157,925
Solid waste	14,254,817	17,194,313	-	-
Total business-type activities	74,156,982	74,837,971	-	18,324,573
Total primary government	\$ 244,809,466	\$ 87,375,119	\$ 21,167,633	\$ 46,326,610
Component unit				
Industrial development authority	\$ 590	\$ -	\$ -	\$ -

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, 2010, as restated (see note 2)

Net assets, June 30, 2011

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (3,094,695)	\$ -	\$ (3,094,695)	\$ -
(7,855,107)	-	(7,855,107)	-
(1,277,403)	-	(1,277,403)	-
(4,529,287)	-	(4,529,287)	-
(3,928,025)	-	(3,928,025)	-
(34,879,759)	-	(34,879,759)	-
(21,310,506)	-	(21,310,506)	-
(1,115,897)	-	(1,115,897)	-
(10,341,934)	-	(10,341,934)	-
(794,965)	-	(794,965)	-
(2,143,215)	-	(2,143,215)	-
(17,674,873)	-	(17,674,873)	-
<u>(108,945,666)</u>	<u>-</u>	<u>(108,945,666)</u>	<u>-</u>
-	9,269,154	9,269,154	-
-	6,796,912	6,796,912	-
-	2,939,496	2,939,496	-
<u>-</u>	<u>19,005,562</u>	<u>19,005,562</u>	<u>-</u>
<u>(108,945,666)</u>	<u>19,005,562</u>	<u>(89,940,104)</u>	<u>-</u>
			<u>(590)</u>
49,248,759	-	49,248,759	-
25,796,000	-	25,796,000	-
1,351,479	-	1,351,479	-
2,401,013	-	2,401,013	-
13,787,266	-	13,787,266	-
17,280,849	-	17,280,849	-
863,570	-	863,570	-
2,137,352	1,011,691	3,149,043	2
-	164,047	164,047	-
355,415	2,216,125	2,571,540	-
537,225	(537,225)	-	-
<u>113,758,928</u>	<u>2,854,638</u>	<u>116,613,566</u>	<u>2</u>
4,813,262	21,860,200	26,673,462	(588)
816,860,517	558,840,369	1,375,700,886	3,825
<u>\$ 821,673,779</u>	<u>\$ 580,700,569</u>	<u>\$ 1,402,374,348</u>	<u>\$ 3,237</u>

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

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
ASSETS				
Pooled cash and investments	\$ 43,356,504	\$ 11,177,034	\$ 21,671,406	\$ 56,275
Receivables, net:				
Taxes	3,725,045	-	269,347	-
Special assessments	-	-	-	11,612,593
Accrued interest	112,401	14,107	24,370	188
Accounts	13,718,429	48,687	-	-
Due from other governments	264,892	1,647,813	-	-
Due from other funds	178,260	-	-	-
Prepaid items	271,811	-	-	-
Inventories	-	-	-	-
Advances to other funds	22,045,633	-	-	-
Restricted assets:				
Cash and investments	-	-	12,882,616	-
Accrued interest	-	-	45	-
Total assets	<u>\$ 83,672,975</u>	<u>\$ 12,887,641</u>	<u>\$ 34,847,784</u>	<u>\$ 11,669,056</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,871,857	\$ 354,654	\$ 7,000	\$ -
Accrued liabilities	9,120,455	12,876	-	-
Deposits held for others	7,500	2,352	-	-
Due to other funds	-	-	-	-
Bonds payable	-	-	19,555,000	-
Interest payable	-	-	8,358,500	-
Advances from other funds	-	-	-	-
Deferred revenue:				
Special assessments	-	-	-	11,612,445
Other	5,105,614	-	-	-
Total liabilities	<u>17,105,426</u>	<u>369,882</u>	<u>27,920,500</u>	<u>11,612,445</u>
Fund Balances:				
Nonspendable	22,317,444	-	-	-
Restricted	-	7,956,285	6,366,097	56,611
Assigned	10,729,403	4,561,474	561,187	-
Unassigned	33,520,702	-	-	-
Total fund balances	<u>66,567,549</u>	<u>12,517,759</u>	<u>6,927,284</u>	<u>56,611</u>
Total liabilities and fund balances	<u>\$ 83,672,975</u>	<u>\$ 12,887,641</u>	<u>\$ 34,847,784</u>	<u>\$ 11,669,056</u>

Streets and Transportation Capital Projects	Municipal Facilities Capital Projects	Parks, Open Space and Recreation Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 91,092,845	\$ 1,253,563	\$ 8,231,780	\$ 13,081,360	\$ 189,920,767
-	-	-	27,043	4,021,435
-	-	-	-	11,612,593
113,707	3,159	12,417	14,461	294,810
1,282,034	702	18,962	48,713	15,117,527
-	184,492	-	1,164,856	3,262,053
-	-	-	-	178,260
-	-	-	-	271,811
-	-	-	4,248	4,248
-	-	-	-	22,045,633
-	6,895,208	-	-	19,777,824
-	56	-	-	101
<u>\$ 92,488,586</u>	<u>\$ 8,337,180</u>	<u>\$ 8,263,159</u>	<u>\$ 14,340,681</u>	<u>\$ 266,507,062</u>
\$ 3,632,439	\$ 42,498	\$ 3,746	\$ 213,588	\$ 7,125,782
3,177	-	-	8,864	9,145,372
52,588	-	-	-	62,440
-	-	-	178,260	178,260
-	-	-	-	19,555,000
-	-	-	-	8,358,500
-	22,045,633	-	-	22,045,633
-	-	-	-	11,612,445
1,174,640	-	-	41,143	6,321,397
<u>4,862,844</u>	<u>22,088,131</u>	<u>3,746</u>	<u>441,855</u>	<u>84,404,829</u>
-	-	-	4,248	22,321,692
67,924,357	7,030,299	8,259,413	10,457,576	108,050,638
19,701,385	-	-	3,437,002	38,990,451
-	(20,781,250)	-	-	12,739,452
<u>87,625,742</u>	<u>(13,750,951)</u>	<u>8,259,413</u>	<u>13,898,826</u>	<u>182,102,233</u>
<u>\$ 92,488,586</u>	<u>\$ 8,337,180</u>	<u>\$ 8,263,159</u>	<u>\$ 14,340,681</u>	<u>\$ 266,507,062</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, 2011

Fund balances - total governmental funds		\$ 182,102,233
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	1,428,359,025	
Accumulated depreciation	<u>(445,750,286)</u>	982,608,739
<p>The investment in joint venture is not a financial resource and, therefore, is not reported in the funds</p>		
		209,811
<p>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.</p>		
Deferred special assessment revenue	11,612,445	
Deferred court revenue	4,600,041	
Deferred other entities participation revenue	1,174,640	
Deferred sales tax revenue	<u>503,638</u>	17,890,764
<p>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.</p>		
		5,444,501
<p>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.</p>		
Bonds payable	(356,690,000)	
Compensated absences	<u>(8,851,530)</u>	(365,541,530)
<p>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.</p>		
Bond issuance costs/discounts/premiums		<u>(1,040,739)</u>
Net assets of governmental activities - statement of net assets		<u><u>\$ 821,673,779</u></u>

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

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General	Streets Special Revenue	General Debt Service	Special Assessments Debt Service
Revenues				
Taxes:				
Sales	\$ 49,315,215	\$ -	\$ -	\$ -
Property	-	-	25,796,000	-
Franchise	2,401,013	-	-	-
Licenses and permits	2,364,910	-	-	-
Intergovernmental	34,173,723	17,863,294	-	-
Special assessments	-	-	-	559,284
Charges for services	6,191,856	50,690	-	-
Other entities' participation	-	-	-	-
System development fees	-	-	-	-
Gifts and donations	11,251	-	-	-
Fines and forfeitures	3,896,508	569	-	-
Investment earnings	537,762	84,571	118,761	1,144
Miscellaneous	274,090	54,101	-	-
Total revenues	<u>99,166,328</u>	<u>18,053,225</u>	<u>25,914,761</u>	<u>560,428</u>
Expenditures				
Current:				
General government:				
Management and policy	3,796,994	-	-	-
Support services	9,228,777	-	-	-
Financial services	1,416,227	-	-	-
Legal and court	4,200,421	-	-	-
Development services	6,096,520	-	-	-
Public safety:				
Police	33,440,658	-	-	-
Fire	20,056,350	-	-	-
Highways and streets	-	8,277,768	-	-
Community services	11,163,541	-	-	-
Transportation	979,860	-	-	-
Non departmental	2,144,249	-	-	-
Debt service:				
Principal	-	-	29,125,000	90,000
Interest	-	-	17,864,050	587,245
Fiscal and other charges	-	-	9,418	350
Capital outlay	423,769	2,591,615	-	-
Total expenditures	<u>92,947,366</u>	<u>10,869,383</u>	<u>46,998,468</u>	<u>677,595</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,218,962</u>	<u>7,183,842</u>	<u>(21,083,707)</u>	<u>(117,167)</u>
Other financing sources (uses)				
Transfers in	2,020,937	65,430	21,007,682	442,425
Transfers out	(6,980,314)	(3,912,496)	-	(307,710)
Total other financing sources and uses	<u>(4,959,377)</u>	<u>(3,847,066)</u>	<u>21,007,682</u>	<u>134,715</u>
Net change in fund balances	1,259,585	3,336,776	(76,025)	17,548
Fund balances at beginning of year, as restated (see note 2)	65,307,964	9,180,983	7,003,309	39,063
Fund balances at end of year	<u>\$ 66,567,549</u>	<u>\$ 12,517,759</u>	<u>\$ 6,927,284</u>	<u>\$ 56,611</u>

Streets and Transportation Capital Projects	Municipal Facilities Capital Projects	Parks, Open Space and Recreation Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 49,315,215
-	-	-	2,935,573	28,731,573
-	-	-	-	2,401,013
-	-	-	-	2,364,910
515,993	165,805	-	2,642,683	55,361,498
-	-	-	-	559,284
-	-	-	1,045,848	7,288,394
2,313,197	-	-	-	2,313,197
-	2,989,947	5,129,378	616,443	8,735,768
-	-	-	165,157	176,408
-	-	-	453,422	4,350,499
1,146,473	26,691	86,118	104,263	2,105,783
320	-	-	26,904	355,415
<u>3,975,983</u>	<u>3,182,443</u>	<u>5,215,496</u>	<u>7,990,293</u>	<u>164,058,957</u>
-	46,851	-	956	3,844,801
-	-	-	10,620	9,239,397
-	-	-	-	1,416,227
-	-	-	202,073	4,402,494
-	-	-	1,063,549	7,160,069
-	301,415	-	1,265,223	35,007,296
-	-	-	143,567	20,199,917
-	-	-	1,458,397	9,736,165
-	-	-	1,427,174	12,590,715
-	-	-	30,037	1,009,897
-	-	-	49,883	2,194,132
-	-	-	-	29,215,000
-	-	-	-	18,451,295
-	10,315	-	-	20,083
34,906,170	360,941	1,278,885	2,373,045	41,934,425
<u>34,906,170</u>	<u>719,522</u>	<u>1,278,885</u>	<u>8,024,524</u>	<u>196,421,913</u>
<u>(30,930,187)</u>	<u>2,462,921</u>	<u>3,936,611</u>	<u>(34,231)</u>	<u>(32,362,956)</u>
30,986	1,028,215	92,160	584,821	25,272,656
(115,430)	(6,647,786)	(5,669,422)	(953,184)	(24,586,342)
<u>(84,444)</u>	<u>(5,619,571)</u>	<u>(5,577,262)</u>	<u>(368,363)</u>	<u>686,314</u>
(31,014,631)	(3,156,650)	(1,640,651)	(402,594)	(31,676,642)
118,640,373	(10,594,301)	9,900,064	14,301,420	213,778,875
<u>\$ 87,625,742</u>	<u>\$ (13,750,951)</u>	<u>\$ 8,259,413</u>	<u>\$ 13,898,826</u>	<u>\$ 182,102,233</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, 2011

Net change in fund balances - total governmental funds **\$ (31,676,642)**

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	41,934,425	
Depreciation expense	<u>(47,614,579)</u>	(5,680,154)

Reassignment of capital assets between governmental and business-type activities are reported as transfers, requiring a reconciling item in the governmental funds because a difference is created between the change in fund balances and the change in total net assets.

50,911

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	29,215,000	
Amortization of bond issuance costs	(52,685)	
Amortization of deferred charge on refunding bonds	(66,072)	
Amortization of bond premium	<u>230,188</u>	29,326,431

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	(58,923)	
Investment earnings	31,569	
Transfers out	<u>(200,000)</u>	(227,354)

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		7,398,968
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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	(797,791)	
Arbitrage	<u>685,073</u>	(112,718)

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	(2,107,438)	
Sales tax	(66,456)	
Special assessments	<u>7,907,714</u>	5,733,820

Change in net assets of governmental activities - statement of activities **\$ 4,813,262**

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 44,536,830	\$ 44,536,830	\$ 49,315,215	\$ 4,778,385
Franchise	2,445,000	2,445,000	2,401,013	(43,987)
Licenses and permits	2,018,200	2,018,200	2,364,910	346,710
Intergovernmental	33,531,260	33,531,260	34,173,723	642,463
Charges for services	6,612,480	6,612,480	6,191,856	(420,624)
Gifts and donations	281,000	281,000	11,251	(269,749)
Fines and forfeitures	3,843,050	3,843,050	3,896,508	53,458
Investment earnings	200,000	200,000	537,762	337,762
Miscellaneous	310,450	310,450	274,090	(36,360)
Total revenues	93,778,270	93,778,270	99,166,328	5,388,058
Expenditures				
Current:				
General government:				
Management and policy	3,799,270	3,799,270	3,796,994	2,276
Support services	9,524,540	9,524,540	9,228,777	295,763
Financial services	1,491,840	1,491,840	1,416,227	75,613
Legal and court	4,476,260	4,476,260	4,200,421	275,839
Development services	7,144,590	7,144,590	6,096,520	1,048,070
Public safety:				
Police	36,676,870	36,676,870	33,440,658	3,236,212
Fire	20,926,650	20,926,650	20,056,350	870,300
Community services	11,486,830	11,486,830	11,163,541	323,289
Transportation	1,294,400	1,294,400	979,860	314,540
Non departmental	-	-	2,144,249	(2,144,249)
Capital outlay	3,272,780	3,272,780	423,769	2,849,011
Total expenditures	100,094,030	100,094,030	92,947,366	7,146,664
Excess (deficiency) of revenues over expenditures	(6,315,760)	(6,315,760)	6,218,962	12,534,722
Other financing sources (uses)				
Transfers in	4,011,770	4,011,770	2,020,937	(1,990,833)
Transfers out	(8,096,420)	(8,096,420)	(6,980,314)	1,116,106
Total other financing sources and uses	(4,084,650)	(4,084,650)	(4,959,377)	(874,727)
Net change in fund balances	\$ (10,400,410)	\$ (10,400,410)	1,259,585	\$ 11,659,995
Fund balance at beginning of year, as restated (see note 2)			65,307,964	
Fund balance at end of year			\$ 66,567,549	

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 16,617,300	\$ 16,617,300	\$ 17,863,294	\$ 1,245,994
Charges for services	-	-	50,690	50,690
Fines and forfeitures	-	-	569	569
Investment earnings	15,400	15,400	84,571	69,171
Miscellaneous	45,000	45,000	54,101	9,101
Total revenues	16,677,700	16,677,700	18,053,225	1,375,525
Expenditures				
Current:				
Highways and streets	9,173,840	9,173,840	8,277,768	896,072
Capital outlay	3,318,360	3,318,360	2,591,615	726,745
Contingency	380,000	380,000	-	380,000
Total expenditures	12,872,200	12,872,200	10,869,383	2,002,817
Excess of revenues over expenditures	3,805,500	3,805,500	7,183,842	3,378,342
Other financing sources (uses)				
Transfers in	50,000	50,000	65,430	15,430
Transfers out	(4,144,500)	(4,144,500)	(3,912,496)	232,004
Total other financing sources and uses	(4,094,500)	(4,094,500)	(3,847,066)	247,434
Net change in fund balances	\$ (289,000)	\$ (289,000)	3,336,776	\$ 3,625,776
Fund balance at beginning of year, as restated (see note 2)			9,180,983	
Fund balance at end of year			\$ 12,517,759	

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, 2011

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 52,784,307	\$ -	\$ 15,591,860	\$ 68,376,167
Receivables (net):				
Accrued interest	59,346	-	17,516	76,862
Accounts	3,103,605	1,280,492	690,082	5,074,179
Due from other governments	167,687	566,410	-	734,097
Prepaid items	-	-	-	-
Inventories	178,048	-	-	178,048
Total current assets	<u>56,292,993</u>	<u>1,846,902</u>	<u>16,299,458</u>	<u>74,439,353</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	62,601,557	16,539,745	-	79,141,302
Accrued interest	50,786	5,582	-	56,368
Advances to other funds	1,139,854	-	-	1,139,854
Deferred charges	1,220,628	720,469	-	1,941,097
Investment in joint venture	76,257,644	70,783,351	-	147,040,995
Capital assets:				
Non-depreciable	37,513,568	11,923,730	-	49,437,298
Depreciable, net	224,305,904	170,836,780	6,857,212	401,999,896
Total noncurrent assets	<u>403,089,941</u>	<u>270,809,657</u>	<u>6,857,212</u>	<u>680,756,810</u>
Total assets	<u>459,382,934</u>	<u>272,656,559</u>	<u>23,156,670</u>	<u>755,196,163</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,634,963	1,132,491	473,470	3,240,924
Accrued liabilities	63,708	28,867	62,677	155,252
Current portion of compensated absences	319,341	128,722	191,759	639,822
Claims payable	-	-	-	-
Accrued interest	1,550,906	191,345	-	1,742,251
Bonds payable	3,550,000	-	-	3,550,000
Utility deposits	2,504,276	-	24,770	2,529,046
Total current liabilities	<u>9,623,194</u>	<u>1,481,425</u>	<u>752,676</u>	<u>11,857,295</u>
Noncurrent liabilities:				
General obligation bonds payable	5,530,000	-	-	5,530,000
Utility revenue bonds payable	136,659,648	19,855,352	-	156,515,000
Accrued compensated absences	415,315	235,047	274,182	924,544
Unamortized bond premium (discount)	355,302	104,337	-	459,639
Unamortized charge - refunding bonds	(589,636)	(196,545)	-	(786,181)
Advances from other funds	-	1,139,854	-	1,139,854
Total noncurrent liabilities	<u>142,370,629</u>	<u>21,138,045</u>	<u>274,182</u>	<u>163,782,856</u>
Total liabilities	<u>151,993,823</u>	<u>22,619,470</u>	<u>1,026,858</u>	<u>175,640,151</u>
NET ASSETS				
Invested in capital assets, net of related debt	124,661,623	162,997,367	6,857,212	294,516,202
Restricted for debt service	13,802,673	10,851,205	-	24,653,878
Restricted for capital projects	41,059,953	-	-	41,059,953
Restricted for system repair & maintenance	6,377,752	4,412,469	-	10,790,221
Unrestricted	121,487,110	71,776,048	15,272,600	208,535,758
Total net assets	<u>\$ 307,389,111</u>	<u>\$ 250,037,089</u>	<u>\$ 22,129,812</u>	<u>\$ 579,556,012</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,144,557
Net assets of business-type activities	<u>\$ 580,700,569</u>

**Governmental
Activities -
Internal Service
Funds**

\$	7,403,800
	3,647
	76,791
	-
	7,266
	430,427
	<u>7,921,931</u>
	-
	-
	-
	-
	-
	141,761
	<u>141,761</u>
	<u>8,063,692</u>
	262,940
	8,409
	54,740
	1,080,441
	-
	-
	-
	<u>1,406,530</u>
	-
	-
	68,104
	-
	-
	-
	<u>68,104</u>
	<u>1,474,634</u>
	141,761
	-
	-
	-
	6,447,297
\$	<u><u>6,589,058</u></u>

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, 2011

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 35,966,037	\$ 21,677,621	\$ 17,194,313	\$ 74,837,971
Other	2,114,932	21,969	79,224	2,216,125
Total operating revenues	<u>38,080,969</u>	<u>21,699,590</u>	<u>17,273,537</u>	<u>77,054,096</u>
Operating expenses				
General and administrative	1,050,729	762,213	675,706	2,488,648
Personal services	6,794,918	3,617,377	5,435,906	15,848,201
Operation and maintenance	10,956,332	8,317,976	5,790,075	25,064,383
Claims Incurred	-	-	-	-
Depreciation	9,572,782	8,324,903	1,665,872	19,563,557
Allocation of indirect expenses	1,119,760	611,939	563,090	2,294,789
Total operating expenses	<u>29,494,521</u>	<u>21,634,408</u>	<u>14,130,649</u>	<u>65,259,578</u>
Operating income (loss)	<u>8,586,448</u>	<u>65,182</u>	<u>3,142,888</u>	<u>11,794,518</u>
Nonoperating revenues (expenses)				
Interest expense	(7,253,506)	(1,101,920)	-	(8,355,426)
Investment earnings	808,345	88,062	115,284	1,011,691
Amortization of bond issuance costs	(109,655)	(295,832)	-	(405,487)
Loss on sale of capital assets	-	(885)	(24,481)	(25,366)
Total nonoperating revenues (expenses)	<u>(6,554,816)</u>	<u>(1,310,575)</u>	<u>90,803</u>	<u>(7,774,588)</u>
Income (loss) before capital contributions and transfers	2,031,632	(1,245,393)	3,233,691	4,019,930
Capital contributions	10,171,382	8,157,925	-	18,329,307
Transfers in	191,728	819,960	-	1,011,688
Transfers out	(1,166,580)	(331,422)	-	(1,498,002)
Change in net assets	11,228,162	7,401,070	3,233,691	21,862,923
Total net assets, beginning of year, as restated (see note 2)	<u>296,160,949</u>	<u>242,636,019</u>	<u>18,896,121</u>	
Total net assets, end of year	<u>\$ 307,389,111</u>	<u>\$ 250,037,089</u>	<u>\$ 22,129,812</u>	
				(2,723)
				<u>\$ 21,860,200</u>

**Governmental
Activities -
Internal Service
Funds**

\$ 18,552,956
80,341
18,633,297

1,045,113
1,350,910
4,998,786
11,259,687
40,447

-
18,694,943

(61,646)

-
31,569

-
-
31,569

(30,077)

-
-
(200,000)

(230,077)

6,819,135

\$ 6,589,058

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, 2011

	Business-type Activities - Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 35,408,732	\$ 21,628,935	\$ 16,991,854	\$ 74,029,521
Other operating cash receipts	2,114,932	21,969	79,224	2,216,125
Cash receipts from other funds for services	-	-	-	-
Cash receipts from deposits	457,162	-	7,520	464,682
Cash payments to suppliers for goods and services	(11,785,785)	(10,569,506)	(6,348,045)	(28,703,336)
Cash payments to employees for services	(6,730,149)	(3,611,892)	(5,551,608)	(15,893,649)
Cash payments to other funds for services	(1,119,760)	(611,939)	(563,090)	(2,294,789)
Net cash provided by operating activities	<u>18,345,132</u>	<u>6,857,567</u>	<u>4,615,855</u>	<u>29,818,554</u>
Cash flows from noncapital financing activities:				
Changes in advances from other funds	-	(500,402)	-	(500,402)
Changes in advances to other funds	500,402	-	-	500,402
Transfers from other funds	191,728	819,960	-	1,011,688
Transfers to other funds	(1,166,580)	(331,422)	-	(1,498,002)
Net cash used in noncapital financing activities	<u>(474,450)</u>	<u>(11,864)</u>	<u>-</u>	<u>(486,314)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(11,961,808)	(2,526,880)	(2,048,810)	(16,537,498)
Proceeds from development fees	8,404,313	6,878,502	-	15,282,815
Cash paid for interest and fiscal charges	(7,350,266)	(1,208,113)	-	(8,558,379)
Principal payments on bonds	(11,168,738)	(8,976,262)	-	(20,145,000)
Disposal of capital assets	-	(885)	(24,481)	(25,366)
Net cash used in capital and related financing activities	<u>(22,076,499)</u>	<u>(5,833,638)</u>	<u>(2,073,291)</u>	<u>(29,983,428)</u>
Cash flows from investing activities:				
Interest received on investments	730,487	86,875	101,397	918,759
Net cash provided by investing activities	<u>730,487</u>	<u>86,875</u>	<u>101,397</u>	<u>918,759</u>
Net increase (decrease) in cash and cash equivalents	(3,475,330)	1,098,940	2,643,961	267,571
Cash and cash equivalents at beginning of year	118,861,194	15,440,805	12,947,899	147,249,898
Cash and cash equivalents at end of year	<u>\$ 115,385,864</u>	<u>\$ 16,539,745</u>	<u>\$ 15,591,860</u>	<u>\$ 147,517,469</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	\$ 52,784,307	\$ -	\$ 15,591,860	\$ 68,376,167
Restricted cash and investments	62,601,557	16,539,745	-	79,141,302
Total cash and cash equivalents	<u>\$ 115,385,864</u>	<u>\$ 16,539,745</u>	<u>\$ 15,591,860</u>	<u>\$ 147,517,469</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 8,586,448	\$ 65,182	\$ 3,142,888	\$ 11,794,518
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	9,572,782	8,324,903	1,665,872	19,563,557
Provision for uncollectible accounts	(238,793)	(52,522)	(16,918)	(308,233)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(318,512)	3,835	(185,542)	(500,219)
Increase in prepaid items	-	-	-	-
(Increase) decrease in inventories	(41,893)	-	-	(41,893)
Increase (decrease) in accounts payable	263,170	(1,489,316)	117,736	(1,108,410)
Increase in claims payable	-	-	-	-
Increase in deposits	457,162	-	7,520	464,682
Increase (decrease) in accrued expenses	64,768	5,485	(115,701)	(45,448)
Total adjustments	<u>9,758,684</u>	<u>6,792,385</u>	<u>1,472,967</u>	<u>18,024,036</u>
Net cash provided by operating activities	<u>\$ 18,345,132</u>	<u>\$ 6,857,567</u>	<u>\$ 4,615,855</u>	<u>\$ 29,818,554</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	\$ 1,767,069	\$ 1,279,423	\$ -	\$ 3,046,492
Total additions to property and equipment	<u>\$ 1,767,069</u>	<u>\$ 1,279,423</u>	<u>\$ -</u>	<u>\$ 3,046,492</u>

**Governmental
Activities -
Internal Service
Funds**

\$ -
82,217
18,483,347
-
(17,031,784)
(1,373,947)
-
159,833

-
-
-
(200,000)
(200,000)

-
-
-
-
-

28,597
28,597

(11,570)
7,415,370
\$ 7,403,800

\$ 7,403,800
-
\$ 7,403,800

\$ (61,646)

40,447
-
(67,733)
(7,266)
84,818
102,240
92,010
-
(23,037)
221,479
\$ 159,833

\$ -
\$ -

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, 2011

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments	\$ 102,051	\$ 116,696
Restricted accrued interest	-	99
	<u>102,051</u>	<u>\$ 116,795</u>
Total assets		
LIABILITIES		
Guaranty and other deposits	-	\$ 92,518
Medical benefits payable	-	8,927
Dependent care benefits payable	-	15,350
	<u>-</u>	<u>\$ 116,795</u>
Total liabilities		
NET ASSETS		
Held in trust for pension benefits	<u>\$ 102,051</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, 2011

	<u>Firemen's Pension Trust</u>
Additions	
Interest on investments	\$ 114
Total additions	<u>114</u>
Deductions	
Benefits	2,400
Administration	<u>100</u>
Total deductions	<u>2,500</u>
Change in net assets	(2,386)
Net assets - beginning of the year	<u>104,437</u>
Net assets - end of the year	<u><u>\$ 102,051</u></u>

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



TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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, 2011, the Water MPC bonded debt is reported within the water and wastewater enterprise funds and the Public Facilities MPC bonded debt is reported within the debt service fund (current portion only) and within the governmental activities in the government-wide statement of net 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, 2011

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 2011 (life to date \$6,474,250) 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, 2011

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, 2011

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 and irrigation-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, 2011

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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 2011. All annual appropriations lapse at year-end and are considered for inclusion in the subsequent year's budget. For fiscal year 2011, 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 3. 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 general fund, 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).

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

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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 the fiscal year. 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.

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As of June 30, 2011, 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	\$22,045,633	-	-	-	-	-	-	-	\$22,045,633
Inventory	-	-	-	-	-	-	-	\$4,248	4,248
Prepaid items	271,811	-	-	-	-	-	-	-	271,811
Restricted for:									
Capital projects	-	-	-	-	\$67,924,357	\$7,030,299	\$8,259,413	5,230,585	88,444,654
Court/public safety programs	-	-	-	-	-	-	-	1,736,372	1,736,372
Debt service	-	-	\$6,366,097	\$56,611	-	-	-	-	6,422,708
Grants	-	-	-	-	-	-	-	2,986,450	2,986,450
Highways and streets	-	\$7,956,285	-	-	-	-	-	-	7,956,285
Special districts	-	-	-	-	-	-	-	376,461	376,461
Other purposes	-	-	-	-	-	-	-	127,708	127,708
Assigned to:									
Capital replacement	10,676,836	4,561,474	-	-	-	-	-	-	15,238,310
Capital projects	-	-	-	-	-	-	-	3,082,021	3,082,021
Debt service	-	-	561,187	-	-	-	-	-	561,187
Highways and streets	-	-	-	-	19,701,385	-	-	-	19,701,385
Other purposes	52,567	-	-	-	-	-	-	354,981	407,548
Unassigned:	<u>33,520,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,781,250)</u>	<u>-</u>	<u>-</u>	<u>12,739,452</u>
Total fund balances	<u>\$66,567,549</u>	<u>\$12,517,759</u>	<u>\$6,927,284</u>	<u>\$56,611</u>	<u>\$87,625,742</u>	<u>(\$13,750,951)</u>	<u>\$8,259,413</u>	<u>\$13,898,826</u>	<u>\$182,102,233</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.

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Note 2 – Changes in Beginning Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, also clarified the definition of the special revenue fund type. As a result, it was determined that several special revenue funds needed to be reclassified to ensure proper reporting as outlined in this GASB Statement. In addition, a review was made of all funds and based on this review, certain funds were then reclassified.

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Other Gov't</u>	<u>Wastewater</u>
Fund bal/net assets at June 30, 2010, as previously reported	\$54,550,809	\$4,653,254	\$6,720,588	\$29,904,842	\$242,600,203
Adjustment to move capital replacement fund	11,019,338	4,527,729	-	(15,547,068)	-
Adjustment to move other special revenue funds	20,538	-	-	(56,354)	35,816
Adjustment to move debt sinking fund	(282,721)	-	282,721	-	-
Fund bal/net assets at June 30, 2010, as adjusted	<u>\$65,307,964</u>	<u>\$9,180,983</u>	<u>\$7,003,309</u>	<u>\$14,301,420</u>	<u>\$242,636,019</u>

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net assets at June 30, 2010, as previously reported	\$816,896,333	\$558,804,553
Adjustment to move other special revenue funds	(35,816)	35,816
Net assets at June 30, 2010, as adjusted	<u>\$816,860,517</u>	<u>\$558,840,369</u>

GASB Statement No. 54 caused the reclassification of several other non-major funds as well.

Note 3 - 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.

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Note 4 - 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, 2011, 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>1-3</u>
U.S. Government Treasuries	\$ 6,517,696	\$ -	\$ 6,517,696
U.S. Government Agencies	94,911,700	10,390,189	84,521,511
Commercial Paper:			
General Electric Cap Corp	3,999,116	3,999,116	-
State Treasurer's Investment Pool	87,951,550	27,910,247	60,041,303
Money Market – U.S. Treasuries:			
Wells Fargo	25,781,529	25,781,529	-
JP Morgan	19,749,761	19,749,761	-
Bank of NY Mellon	5,118,380	5,118,380	-
Total	<u>\$244,029,732</u>	<u>\$92,949,222</u>	<u>\$151,080,510</u>

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

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, 2011, the investments in the U.S. Government Agencies were rated AAA, the investment in General Electric Cap Corp was rated A-1+, 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, 2011, Gilbert's bank balance was \$126,129,874 of which \$25,000,228 was with JP Morgan and \$101,129,646 was with Alliance Bank of Arizona. \$24,750,228 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

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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, 2011, of Gilbert's investments, 39% are in U.S. Government Agencies, 36% are in the State Treasurer's Investment Pool and 21% 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	\$120,808,876
Carrying amount of investments	<u>244,029,732</u>
Total cash and investments	<u>\$364,838,608</u>
Pooled cash and investments	\$265,700,735
Restricted cash and investments	<u>98,919,126</u>
Total cash and investments (per Statement of Net Assets)	364,619,861
Pension trust fund	102,051
Agency funds	<u>116,696</u>
Total cash and investments	<u>\$364,838,608</u>

Note 5 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2011, includes \$1,380,989 in state shared sales tax and \$2,344,056 in local sales tax due from the State of Arizona. Amounts due from other governments recorded in the streets special revenue fund include \$1,065,011 in highway user revenues and \$582,802 in vehicle license tax both due from the State of Arizona. Other governmental funds include \$234,782 in federal grants from the U.S. Department of Housing and Urban Development, \$60,078 from the U.S. Department of Transportation, and \$144,211 from the U.S. Department of Homeland Security. The balance of these receivables represents various grants from the state and federal governments.

Note 6 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2011, 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	\$ -	\$178,260
Other governmental funds	178,260	-
Total	<u>\$178,260</u>	<u>\$178,260</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	\$ -	\$22,045,633
Municipal facilities capital projects fund	22,045,633	-
Water fund	-	1,139,854
Wastewater fund	1,139,854	-
Total	<u>\$23,185,487</u>	<u>\$23,185,487</u>

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Note 7 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2011, is as follows:

	<u>July 1, 2010¹</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Non-depreciable assets:				
Land	\$ 169,443,181	2,471,180	-	171,914,361
Construction-in-progress	45,568,769	38,227,140	(52,509,834)	31,286,075
Total non-depreciable assets	<u>215,011,950</u>	<u>40,698,320</u>	<u>(52,509,834)</u>	<u>203,200,436</u>
Depreciable assets:				
Buildings	212,298,946	399,587	-	212,698,533
Improvements other than buildings	67,408,546	679,913	-	68,088,459
Machinery and equipment	57,098,885	634,199	(166,929)	57,566,155
Infrastructure	827,849,008	59,397,234	-	887,246,242
Total depreciable assets	<u>1,164,655,385</u>	<u>61,110,933</u>	<u>(166,929)</u>	<u>1,225,599,389</u>
Less accumulated depreciation:				
Buildings	(42,182,480)	(8,524,890)	-	(50,707,370)
Improvements other than buildings	(21,470,963)	(3,752,721)	-	(25,223,684)
Machinery and equipment	(33,774,718)	(5,192,164)	162,195	(38,804,687)
Infrastructure	(301,715,112)	(29,598,472)	-	(331,313,584)
Total accumulated depreciation	<u>(399,143,273)</u>	<u>(47,068,247)</u>	<u>162,195</u>	<u>(446,049,325)</u>
Total depreciable assets, net	<u>765,512,112</u>	<u>14,042,686</u>	<u>(4,734)</u>	<u>779,550,064</u>
Governmental activities capital assets, net	<u>\$ 980,524,062</u>	<u>54,741,006</u>	<u>(52,514,568)</u>	<u>982,750,500</u>

¹ The July 1, 2010 beginning balances were adjusted due to establishment of new procedure of recording land as an asset when purchased even though project not completed. Also, adjustments were made to various depreciable assets to more accurately reflect their proper classification.

Governmental activities construction-in-progress and related construction commitments at June 30, 2011, were composed of the following:

	<u>Construction- in-progress</u>	<u>Commitments</u>
Redevelopment	\$ 863,781	\$ 550,845
Municipal facilities	1,395,734	72,379
Parks	1,589,934	127,116
Storm water	42,129	-
Traffic control	764,552	86,348
Streets	26,629,945	17,782,947
Special assessments	-	20,353
Total	<u>\$ 31,286,075</u>	<u>\$ 18,639,988</u>

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

Management and policy	\$ 57,305
Support services	606,788
Legal and court	613,852
Development services	902,654
Police	3,689,722
Fire	3,187,779
Highways and streets	30,802,904
Community services	<u>7,181,782</u>
Total depreciation expense not including internal service funds	47,042,786
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>40,447</u>
 Total depreciation expense - governmental activities	 <u>\$47,083,233</u>

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2011, is as follows:

	<u>July 1, 2010¹</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Non-depreciable assets:				
Land	\$ 37,017,778	8,905,910	-	45,923,688
Construction-in-progress	7,997,217	14,308,267	(18,791,874)	3,513,610
Total non-depreciable assets	<u>45,014,995</u>	<u>23,214,177</u>	<u>(18,791,874)</u>	<u>49,437,298</u>
Depreciable assets:				
Plant and equipment	130,363,180	2,259,562	(1,370,272)	131,252,470
Water rights	9,146,281	-	-	9,146,281
Infrastructure	387,885,794	12,927,723	-	400,813,517
Total depreciable assets	<u>527,395,255</u>	<u>15,187,285</u>	<u>(1,370,272)</u>	<u>541,212,268</u>
Less accumulated depreciation:				
Plant and equipment	(36,555,514)	(6,000,229)	1,185,593	(41,370,150)
Water rights	(1,397,535)	(98,292)	-	(1,495,827)
Infrastructure	(85,962,393)	(10,384,002)	-	(96,346,395)
Total accumulated depreciation	<u>(123,915,442)</u>	<u>(16,482,523)</u>	<u>1,185,593</u>	<u>(139,212,372)</u>
Total depreciable assets, net	<u>403,479,813</u>	<u>(1,295,238)</u>	<u>(184,679)</u>	<u>401,999,896</u>
Business-type activities capital assets, net	<u>\$ 448,494,808</u>	<u>21,918,939</u>	<u>(18,976,553)</u>	<u>451,437,194</u>

¹ The July 1, 2010 beginning balances were adjusted due to establishment of new procedure of recording land as an asset when purchased even though project not completed. Also, adjustments were made to various depreciable assets to more accurately reflect their proper classification. One such reclassification was from Infrastructure to Investment in joint venture, see also Note 16.

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Business-type activities construction-in-progress and related construction commitments at June 30, 2011, are composed of the following:

	<u>Construction-</u> <u>in-progress</u>	<u>Commitments</u>
Water system	\$ 2,428,090	\$ 2,570,301
Wastewater system	1,085,520	183,211
Total	<u>\$ 3,513,610</u>	<u>\$ 2,753,512</u>

Note 8 - 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 2011, 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 claims incurred in excess of \$250,000 on the plan year and aggregate (plan wide) coverage for claims incurred over \$15,518,698 on the plan year. During fiscal year 2011, the plan received recoveries for \$3,308 through specific stop loss coverage. Claim settlements did not reach the aggregate plan limit 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 \$1,080,441 reported in the employee benefit self-insurance trust at June 30, 2011, 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). Prior to fiscal year 2011, the employee benefit self-insurance trust only included medical benefits. In fiscal year 2011, dental benefits were added to the self-insurance trust. A new IBNR of \$60,400 was established for dental claims in fiscal year 2011. Additionally, an increase of \$31,610 was added for IBNR claims under the medical 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 2011 reflects an increase in claims costs from fiscal year 2010. Of the \$1,345,618 increase in claims costs during fiscal year 2011, \$902,414 was attributable to the addition of dental benefits to the employee benefit self-insurance trust.

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Changes in the fund's claim liability amount in fiscal years 2010 and 2011 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
2010	\$1,269,776	9,914,069	10,195,414	\$ 988,431
2011	\$ 988,431	11,259,687	11,167,677	\$1,080,441

Note 9 - 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, 2011, were as follows (the 7/1/11 principal payment was deducted as fiscal year 2011 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	\$ 920,000	\$5,530,000
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	12,715,000	-
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>156,750,000</u>	-
Total	<u>\$170,385,000</u>	<u>\$5,530,000</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>
2012	\$ 10,920,000	\$ 7,697,400	\$1,660,000	\$ 317,975
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	-	-
2017-2021	71,750,000	15,476,250	-	-
2022-2023	<u>33,500,000</u>	<u>1,515,000</u>	-	-
Total	<u>\$170,385,000</u>	<u>\$49,774,150</u>	<u>\$5,530,000</u>	<u>\$ 675,913</u>

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In prior years, Gilbert refinanced various bond issues through the issuance of refunding bonds that are considered an in-substance defeasance of debt. The securities purchased with the proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. The amount of principal outstanding on the defeased bonds at June 30, 2011, was:

2002 General Obligation Bonds	\$10,135,000
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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, 2011:

<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>\$1,861,193,961</u>	Secondary Assessed Valuation	<u>\$1,861,193,961</u>
20% constitutional limit	372,239,000	6% constitutional limit	111,671,000
Less general obligation bonds outstanding	<u>(175,915,000)</u>	Less general obligation bonds outstanding	-
Available 20% limitation borrowing capacity	<u>\$196,324,000</u>	Available 6% limitation borrowing capacity	<u>\$111,671,000</u>

As of June 30, 2011, 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.

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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, 2011, 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.

Special assessment bonds outstanding at June 30, 2011, were as follows (the 7/1/11 principal bond call was deducted as fiscal year 2011 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	\$ 2,740,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012 through January 1, 2029	<u>8,675,000</u>
Total	<u>\$11,415,000</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>
2012	\$ 400,000	\$ 574,655
2013	435,000	553,258
2014	470,000	530,065
2015	475,000	505,845
2016	500,000	480,858
2017-2021	2,990,000	1,972,127
2022-2026	3,865,000	1,100,767
2027-2029	<u>2,280,000</u>	<u>164,093</u>
Total	<u>\$11,415,000</u>	<u>\$5,881,668</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, 2011, were as follows (the 7/1/11 principal payment was deducted as fiscal year 2011 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, 2019	\$22,875,000

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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>
2012	\$ 2,400,000	\$ 926,063
2013	2,525,000	806,062
2014	2,650,000	711,375
2015	2,775,000	612,000
2016	2,900,000	501,000
2017-2019	<u>9,625,000</u>	<u>783,000</u>
Total	<u>\$22,875,000</u>	<u>\$ 4,339,500</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, 2011, were as follows (the 7/1/11 principal payment was deducted as fiscal year 2011 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	\$16,795,000

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>
2012	\$ 1,385,000	\$ 723,213
2013	1,430,000	681,662
2014	1,500,000	610,162
2015	1,585,000	535,163
2016	1,660,000	455,913
2017-2021	7,610,000	1,260,538
2022	<u>1,625,000</u>	<u>69,062</u>
Total	<u>\$16,795,000</u>	<u>\$4,335,713</u>

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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.)

Municipal property corporation revenue bonds outstanding at June 30, 2011, were as follows (the 7/1/11 principal payment was deducted as fiscal year 2011 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, 2021	\$ 23,825,000	-
2004 Water Resources Municipal Property Corporation, Wastewater System Development Fee and Subordinate Lien Wastewater Utility Revenue Bonds, 3.0% to 5.0%, original amount \$72,950,000, retirements due April 1, 2017 and 2019	-	\$ 15,620,000
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	53,930,000	-
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	-	127,650,000
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	<u>74,260,000</u>	<u>-</u>
Total	<u>\$152,015,000</u>	<u>\$143,270,000</u>

Annual debt service requirements to maturity for municipal property corporation revenue 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>
2012	\$ 9,335,000	\$ 7,384,188	\$ 3,550,000	\$ 6,893,568
2013	9,680,000	7,050,175	3,700,000	6,739,505
2014	10,085,000	6,611,900	3,875,000	6,564,005
2015	7,560,000	6,152,850	4,075,000	6,365,255
2016	8,030,000	5,789,850	4,275,000	6,156,505
2017-2021	56,610,000	21,915,612	40,570,000	25,722,390
2022-2026	28,525,000	11,011,625	31,850,000	16,524,687
2027-2031	22,190,000	1,836,450	40,725,000	7,680,000
2032-2033	-	-	10,650,000	312,313
Total	<u>\$152,015,000</u>	<u>\$67,752,650</u>	<u>\$143,270,000</u>	<u>\$82,958,228</u>

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During the fiscal year ended June 30, 2011, Gilbert paid \$8,520,000 of the 2004 Water Resources Municipal Property Corporation, Wastewater System Development Fee and Subordinate Lien Wastewater Utility Revenue Bonds and \$5,285,000 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.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$204,055,000	-	(25,420,000)	178,635,000	8,250,000
Special assessment bonds with government commitment	11,505,000	-	(90,000)	11,415,000	400,000
Revenue bonds	197,075,000	-	(10,880,000)	186,195,000	11,305,000
Unamortized bond premium	3,255,945	-	(230,188)	3,025,757	-
Unamortized charge - refunding bonds	(905,615)	-	66,072	(839,543)	-
Total bonds payable	414,985,330	-	(36,554,116)	378,431,214	19,955,000
Compensated absences	8,153,696	7,050,005	(6,229,327)	8,974,374	3,424,191
Total long-term liabilities	<u>\$423,139,026</u>	<u>7,050,005</u>	<u>(42,783,443)</u>	<u>387,405,588</u>	<u>23,379,191</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 7,115,000	-	(1,585,000)	5,530,000	-
Revenue bonds	178,625,000	-	(18,560,000)	160,065,000	3,550,000
Unamortized bond discount	(86,570)	-	16,874	(69,696)	-
Unamortized bond premium	574,064	-	(44,729)	529,335	-
Unamortized charge - refunding bonds	(850,021)	-	63,840	(786,181)	-
Total bonds payable	185,377,473	-	(20,109,015)	165,268,458	3,550,000
Compensated absences	1,229,144	1,594,403	(1,259,181)	1,564,366	639,822
Total long-term liabilities	<u>\$186,606,617</u>	<u>1,594,403</u>	<u>(21,368,196)</u>	<u>166,832,824</u>	<u>4,189,822</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, \$122,844 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.

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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, 2011, Industrial Development Authority Revenue Bonds outstanding were \$3,704,952.

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.

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.

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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, 2011, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85% (9.6% for retirement and 0.25% for long-term disability) of the members' annual covered payroll and Gilbert was required by statute to contribute at the actuarially determined rate of 9.85% (9.01% for retirement, 0.59% for health insurance premium, and 0.25% 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
2011	\$3,236,934	\$211,964	\$ 89,656
2010	3,085,526	244,178	147,470
2009	3,041,813	365,474	189,790

Agent plans - For the year ended June 30, 2011, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll. Gilbert was required to contribute at the actuarially determined rate of 14.34% for police personnel, of which 0.51% was the health insurance premium portion; and 11.07% for fire personnel, of which 0.43% was the health insurance premium portion. Active EORP members were required by statute to contribute 7% 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 29.79% of the members' annual covered payroll, of which 1.77% was the health insurance premium portion.

Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2011, were established by the June 30, 2009 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 2011 contribution requirements, are as follows:

TOWN OF GILBERT, ARIZONA
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Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	27 years for unfunded 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
Inflation rate	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, 2011, 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	\$2,214,309	\$1,365,356	\$45,923
Health Insurance	81,656	55,179	2,901

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	2011	\$2,496,320	100.0%	-0-
	2010	2,267,067	100.0%	-0-
	2009	2,468,501	100.0%	-0-
Health Insurance	2011	92,055	100.0%	-0-
	2010	75,123	100.0%	-0-
	2009	87,548	100.0%	-0-
PSPRS-Fire				
Pension	2011	\$1,422,492	100.0%	-0-
	2010	1,427,182	100.0%	-0-
	2009	1,934,077	100.0%	-0-
Health Insurance	2011	57,488	100.0%	-0-
	2010	44,283	100.0%	-0-
	2009	65,025	100.0%	-0-
EORP				
Pension	2011	\$45,923	100.0%	-0-
	2010	41,427	100.0%	-0-
	2009	37,378	100.0%	-0-
Health Insurance	2011	2,901	100.0%	-0-
	2010	2,999	100.0%	-0-
	2009	1,256	100.0%	-0-

TOWN OF GILBERT, ARIZONA
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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, 2011, and the previous two fiscal years. The fiscal year 2011 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2009 actuarial methods and assumptions as described on pages 60-61. 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 June 30	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						
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)%
2009	31,294,341	42,352,958	(11,058,617)	73.9%	17,200,680	(64.3)%

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date June 30	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						
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)%
2009	-0-	1,065,345	(1,065,345)	0.0%	17,200,680	(6.19)%

PSPRS - Fire

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date June 30	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						
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%
2009	20,297,098	21,379,402	(1,082,304)	94.9%	12,748,187	(8.5)%

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date June 30	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						
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)%
2009	-0-	541,008	(541,008)	0.0%	12,748,187	(4.24)%

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 2011. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

Note 11 - Capital Contributions

During the year ended June 30, 2011, the Enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions from developers	\$ 1,767,069	\$ 1,279,423	\$ 3,046,492
Development fees	8,404,313	6,878,502	15,282,815
Total	<u>\$10,171,382</u>	<u>\$ 8,157,925</u>	<u>\$18,329,307</u>

Note 12 – Interfund Transfers

As of June 30, 2011, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General fund	\$ 2,020,937	\$ 6,980,314
Streets special revenue	65,430	3,912,496
General debt service	21,007,682	-
Special assessments	442,425	307,710
Streets and transportation	30,986	115,430
Municipal facilities	1,028,215	6,647,786
Parks, open space and recreation	92,160	5,669,422
Other governmental funds	<u>584,821</u>	<u>953,184</u>
Total governmental funds	<u>25,272,656</u>	<u>24,586,342</u>
Enterprise funds:		
Water	191,728	1,166,580
Wastewater	<u>819,960</u>	<u>331,422</u>
Total enterprise funds	<u>1,011,688</u>	<u>1,498,002</u>
Internal service funds	<u>-</u>	<u>200,000</u>
Total transfers	<u>\$26,284,344</u>	<u>\$26,284,344</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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. For fiscal year 2011, a transfer of \$200,000 was made from the copier services internal service fund to the general fund to cover any fiscal year deficits due to the economic downturn. There were no other significant transfers during fiscal year 2011 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

Note 13 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net assets at June 30, 2011, were as follows:

<u>Capital projects funds</u>	
Municipal facilities	\$13,750,951

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

Individual funds with an excess of expenditures over appropriations for the year ended June 30, 2011, were as follows:

<u>Capital project funds</u>	
Special assessments	303,354
 <u>Debt service funds</u>	
Special assessments	441,575

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

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 \$21,130,713. Principal and interest paid for the current year was \$2,118,313, and total customer net revenues were \$26,549,315.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 28 percent of revenue. The total principal and interest remaining to be paid on the bonds is \$226,228,228. Principal and interest paid for the current year was \$24,403,049 (of which \$13,805,000 in principal was an advance defeasance). Total water and wastewater connection development fees revenue was \$13,363,885 and water and wastewater net revenues after debt payments were \$24,430,452.

Gilbert has pledged future street and highway revenues to repay \$35,000,000 in highway user revenue bonds issued in 2003. Proceeds from the bonds provided financing for the purpose of street and highway construction projects. The bonds are payable solely from street and highway revenues (see note 9 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 36 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$27,214,500. Principal and interest paid for the current year was \$3,314,813, and the total street and highway revenues were \$9,291,120.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$193,720,000 in public facilities municipal property corporation revenue bonds issued since 2001. 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. The bonds are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 19 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds is \$219,767,650. Principal and interest paid for the current year was \$16,735,188, and the total excise taxes and state-shared revenues were \$89,202,148.

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, 2011, was:

Mesa's Share	\$ 69,672,049
Gilbert's Share	70,783,351
Queen Creek's Share	<u>28,891,812</u>
Total	<u>\$169,347,212</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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. (Gilbert's Share of \$76,257,644 includes a current year reclassification from Infrastructure in the amount of \$2,602,328 and from Land in the amount of \$910,933.)

Total investment as of June 30, 2011, was:

Gilbert's Share	\$ 76,257,644
Chandler's Share	<u>75,781,323</u>
Total	<u>\$152,038,967</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, 2011, was:

Mesa's Share	\$ 831,862
Gilbert's Share	209,811
Apache Junction's Share	48,687
Apache Junction FD's Share	23,063
Queen Creek's Share	<u>8,387</u>
Total	<u>\$1,121,810</u>

Note 17 - Subsequent Events

Gilbert advance defeased \$15,620,000 of Water Resources MPC Wastewater System Development Fee and Subordinate Lien Wastewater Utility Revenue Bonds on October 1, 2011. In addition, Gilbert advance defeased \$5,205,000 of Water Resources MPC Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds on October 1, 2011.

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, 2011

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
ASSETS					
Pooled cash and investments	\$ 5,479,330	\$ 1,547,336	\$ 12,266	\$ 310,458	\$ 112,093
Receivables, net:					
Taxes	-	-	-	15,697	11,346
Accrued interest	6,484	1,833	-	-	10
Accounts	79	48,219	-	-	-
Due from other governments	239,660	495,227	234,782	-	-
Inventories	-	-	-	-	4,248
Total assets	<u>\$ 5,725,553</u>	<u>\$ 2,092,615</u>	<u>\$ 247,048</u>	<u>\$ 326,155</u>	<u>\$ 127,697</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 16,048	\$ 7,302	\$ 51,525	\$ -	\$ 71,182
Accrued liabilities	-	6,176	727	-	1,961
Due to other funds	-	-	178,260	-	-
Deferred revenue:					
Other	41,143	-	-	-	-
Total liabilities	<u>57,191</u>	<u>13,478</u>	<u>230,512</u>	<u>-</u>	<u>73,143</u>
Fund Balances:					
Nonspendable	-	-	-	-	4,248
Restricted	2,969,914	1,864,080	16,536	326,155	50,306
Assigned	2,698,448	215,057	-	-	-
Total fund balances	<u>5,668,362</u>	<u>2,079,137</u>	<u>16,536</u>	<u>326,155</u>	<u>54,554</u>
Total liabilities and fund balances	<u>\$ 5,725,553</u>	<u>\$ 2,092,615</u>	<u>\$ 247,048</u>	<u>\$ 326,155</u>	<u>\$ 127,697</u>

Capital Projects

Traffic Control	Flood Control and Storm Water	Special Assessments	Redevelopment	Total Nonmajor Governmental Funds
\$ 1,366,944	\$ 247,469	\$ 310,590	\$ 3,694,874	\$ 13,081,360
-	-	-	-	27,043
1,555	294	600	3,685	14,461
415	-	-	-	48,713
-	-	-	195,187	1,164,856
-	-	-	-	4,248
<u>\$ 1,368,914</u>	<u>\$ 247,763</u>	<u>\$ 311,190</u>	<u>\$ 3,893,746</u>	<u>\$ 14,340,681</u>
\$ 67,510	\$ -	\$ 21	\$ -	\$ 213,588
-	-	-	-	8,864
-	-	-	-	178,260
-	-	-	-	41,143
<u>67,510</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>441,855</u>
-	-	-	-	4,248
1,165,594	-	311,169	3,753,822	10,457,576
135,810	247,763	-	139,924	3,437,002
<u>1,301,404</u>	<u>247,763</u>	<u>311,169</u>	<u>3,893,746</u>	<u>13,898,826</u>
<u>\$ 1,368,914</u>	<u>\$ 247,763</u>	<u>\$ 311,190</u>	<u>\$ 3,893,746</u>	<u>\$ 14,340,681</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 1,688,208	\$ 1,247,365
Intergovernmental	1,137,139	-	1,081,920	-	-
Charges for services	-	1,045,848	-	-	-
System development fees	-	-	-	-	-
Gifts and donations	-	165,157	-	-	-
Fines and forfeitures	-	453,422	-	-	-
Investment earnings	43,941	16,358	4	-	133
Miscellaneous	-	15,750	-	-	-
Total revenues	<u>1,181,080</u>	<u>1,696,535</u>	<u>1,081,924</u>	<u>1,688,208</u>	<u>1,247,498</u>
Expenditures					
Current:					
General government:					
Management and policy	-	956	-	-	-
Support services	-	10,620	-	-	-
Legal and court	-	202,073	-	-	-
Development services	-	13,187	1,050,362	-	-
Public safety:					
Police	263,375	1,001,848	-	-	-
Fire	129,582	13,985	-	-	-
Highways and streets	360	-	-	1,458,037	-
Community services	-	25,192	-	-	1,401,982
Transportation	30,037	-	-	-	-
Non departmental	-	49,883	-	-	-
Capital outlay	571,073	87,127	-	-	-
Total expenditures	<u>994,427</u>	<u>1,404,871</u>	<u>1,050,362</u>	<u>1,458,037</u>	<u>1,401,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>186,653</u>	<u>291,664</u>	<u>31,562</u>	<u>230,171</u>	<u>(154,484)</u>
Other financing sources (uses)					
Transfers in	1,572	8	-	-	83,000
Transfers out	(24,045)	(454,374)	(32,340)	-	-
Total other financing sources and uses	<u>(22,473)</u>	<u>(454,366)</u>	<u>(32,340)</u>	<u>-</u>	<u>83,000</u>
Net change in fund balances	164,180	(162,702)	(778)	230,171	(71,484)
Fund balances at beginning of year	5,504,182	2,241,839	17,314	95,984	126,038
Fund balances at end of year	<u>\$ 5,668,362</u>	<u>\$ 2,079,137</u>	<u>\$ 16,536</u>	<u>\$ 326,155</u>	<u>\$ 54,554</u>

Capital Projects

Traffic Control	Flood Control and Storm Water	Special Assessments	Redevelopment	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,935,573
361,610	-	-	62,014	2,642,683
-	-	-	-	1,045,848
616,443	-	-	-	616,443
-	-	-	-	165,157
-	-	-	-	453,422
10,711	2,031	7,509	23,576	104,263
-	-	-	11,154	26,904
<u>988,764</u>	<u>2,031</u>	<u>7,509</u>	<u>96,744</u>	<u>7,990,293</u>
-	-	-	-	956
-	-	-	-	10,620
-	-	-	-	202,073
-	-	-	-	1,063,549
-	-	-	-	1,265,223
-	-	-	-	143,567
-	-	-	-	1,458,397
-	-	-	-	1,427,174
-	-	-	-	30,037
-	-	-	-	49,883
690,534	9,870	745,784	268,657	2,373,045
<u>690,534</u>	<u>9,870</u>	<u>745,784</u>	<u>268,657</u>	<u>8,024,524</u>
<u>298,230</u>	<u>(7,839)</u>	<u>(738,275)</u>	<u>(171,913)</u>	<u>(34,231)</u>
108,184	9,870	-	382,187	584,821
-	-	(442,425)	-	(953,184)
<u>108,184</u>	<u>9,870</u>	<u>(442,425)</u>	<u>382,187</u>	<u>(368,363)</u>
406,414	2,031	(1,180,700)	210,274	(402,594)
894,990	245,732	1,491,869	3,683,472	14,301,420
<u>\$ 1,301,404</u>	<u>\$ 247,763</u>	<u>\$ 311,169</u>	<u>\$ 3,893,746</u>	<u>\$ 13,898,826</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, 2011

	<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	\$ 1,137,139	\$ (3,862,861)
Investment earnings	-	-	43,941	43,941
Total revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>1,181,080</u>	<u>(3,818,920)</u>
Expenditures				
Current:				
Public safety:				
Police	-	-	263,375	(263,375)
Fire	-	-	129,582	(129,582)
Highways and streets	-	-	360	(360)
Transportation	-	-	30,037	(30,037)
Capital outlay	-	-	571,073	(571,073)
Contingency	5,000,000	5,000,000	-	5,000,000
Total expenditures	<u>5,000,000</u>	<u>5,000,000</u>	<u>994,427</u>	<u>4,005,573</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>186,653</u>	<u>186,653</u>
Other financing sources (uses)				
Transfers in	-	-	1,572	1,572
Transfers out	(2,697,000)	(2,697,000)	(24,045)	2,672,955
Total other financing sources and uses	<u>(2,697,000)</u>	<u>(2,697,000)</u>	<u>(22,473)</u>	<u>2,674,527</u>
Net change in fund balances	<u>\$ (2,697,000)</u>	<u>\$ (2,697,000)</u>	164,180	<u>\$ 2,861,180</u>
Fund balance at beginning of year			5,504,182	
Fund balance at end of year			<u>\$ 5,668,362</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,265,000	\$ 1,265,000	\$ 1,045,848	\$ (219,152)
Gifts and donations	30,000	30,000	165,157	135,157
Fines and forfeitures	300,890	300,890	453,422	152,532
Investment earnings	-	-	16,358	16,358
Miscellaneous	-	-	15,750	15,750
Total revenues	<u>1,595,890</u>	<u>1,595,890</u>	<u>1,696,535</u>	<u>100,645</u>
Expenditures				
Current:				
General government:				
Management and policy	-	-	956	(956)
Support services	1,000	1,000	10,620	(9,620)
Legal and court	269,320	269,320	202,073	67,247
Development services	-	-	13,187	(13,187)
Public safety:				
Police	1,193,410	1,193,410	1,001,848	191,562
Fire	15,600	15,600	13,985	1,615
Community services	40,000	40,000	25,192	14,808
Non departmental	55,000	55,000	49,883	5,117
Capital outlay	33,000	33,000	87,127	(54,127)
Total expenditures	<u>1,607,330</u>	<u>1,607,330</u>	<u>1,404,871</u>	<u>202,459</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,440)</u>	<u>(11,440)</u>	<u>291,664</u>	<u>303,104</u>
Other financing sources (uses)				
Transfers in	20,890	20,890	8	(20,882)
Transfers out	(275,920)	(275,920)	(454,374)	(178,454)
Total other financing sources and uses	<u>(255,030)</u>	<u>(255,030)</u>	<u>(454,366)</u>	<u>(199,336)</u>
Net change in fund balances	<u>\$ (266,470)</u>	<u>\$ (266,470)</u>	<u>(162,702)</u>	<u>\$ 103,768</u>
Fund balance at beginning of year			<u>2,241,839</u>	
Fund balance at end of year			<u>\$ 2,079,137</u>	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,357,130	\$ 1,357,130	\$ 1,081,920	\$ (275,210)
Investment earnings	-	-	4	4
Total revenues	<u>1,357,130</u>	<u>1,357,130</u>	<u>1,081,924</u>	<u>(275,206)</u>
Expenditures				
Current:				
General government:				
Development services	1,357,130	1,357,130	1,050,362	306,768
Total expenditures	<u>1,357,130</u>	<u>1,357,130</u>	<u>1,050,362</u>	<u>306,768</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>31,562</u>	<u>31,562</u>
Other financing uses				
Transfers out	(490,000)	(490,000)	(32,340)	457,660
Total other financing uses	<u>(490,000)</u>	<u>(490,000)</u>	<u>(32,340)</u>	<u>457,660</u>
Net change in fund balances	<u>\$ (490,000)</u>	<u>\$ (490,000)</u>	<u>(778)</u>	<u>\$ 489,222</u>
Fund balance at beginning of year			<u>17,314</u>	
Fund balance at end of year			<u>\$ 16,536</u>	

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,692,300	\$ 1,692,300	\$ 1,688,208	\$ (4,092)
Total revenues	<u>1,692,300</u>	<u>1,692,300</u>	<u>1,688,208</u>	<u>(4,092)</u>
Expenditures				
Current:				
Highways and streets	<u>1,755,860</u>	<u>1,755,860</u>	<u>1,458,037</u>	<u>297,823</u>
Total expenditures	<u>1,755,860</u>	<u>1,755,860</u>	<u>1,458,037</u>	<u>297,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(63,560)</u>	<u>(63,560)</u>	<u>230,171</u>	<u>293,731</u>
Net change in fund balances	<u>\$ (63,560)</u>	<u>\$ (63,560)</u>	<u>230,171</u>	<u>\$ 293,731</u>
Fund balance at beginning of year			<u>95,984</u>	
Fund balance at end of year			<u>\$ 326,155</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,240,780	\$ 1,240,780	\$ 1,247,365	\$ 6,585
Investment earnings	-	-	133	133
Total revenues	1,240,780	1,240,780	1,247,498	6,718
Expenditures				
Current:				
Community services	1,479,450	1,479,450	1,401,982	77,468
Total expenditures	1,479,450	1,479,450	1,401,982	77,468
Deficiency of revenues under expenditures	(238,670)	(238,670)	(154,484)	84,186
Other financing sources				
Transfers in	100,000	100,000	83,000	(17,000)
Total other financing sources	100,000	100,000	83,000	(17,000)
Net change in fund balances	\$ (138,670)	\$ (138,670)	(71,484)	\$ 67,186
Fund balance at beginning of year			126,038	
Fund balance at end of year			\$ 54,554	

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 26,418,130	\$ 26,418,130	\$ 25,796,000	\$ (622,130)
Investment earnings	-	-	118,761	118,761
Total revenues	26,418,130	26,418,130	25,914,761	(503,369)
Expenditures				
Debt service:				
Principal	29,125,000	29,125,000	29,125,000	-
Interest	17,881,580	17,881,580	17,864,050	17,530
Fiscal and other charges	9,600	9,600	9,418	182
Total expenditures	47,016,180	47,016,180	46,998,468	17,712
Deficiency of revenues under expenditures	(20,598,050)	(20,598,050)	(21,083,707)	(485,657)
Other financing sources				
Transfers in	20,751,190	20,751,190	21,007,682	256,492
Total other financing sources	20,751,190	20,751,190	21,007,682	256,492
Net change in fund balances	\$ 153,140	\$ 153,140	(76,025)	\$ (229,165)
Fund balance at beginning of year, as restated (see note 2)			7,003,309	
Fund balance at end of year			\$ 6,927,284	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 677,250	\$ 677,250	\$ 559,284	\$ (117,966)
Investment earnings	-	-	1,144	1,144
Total revenues	<u>677,250</u>	<u>677,250</u>	<u>560,428</u>	<u>(116,822)</u>
Expenditures				
Debt service:				
Principal	90,000	90,000	90,000	-
Interest	144,820	144,820	587,245	(442,425)
Fiscal and other charges	1,200	1,200	350	850
Total expenditures	<u>236,020</u>	<u>236,020</u>	<u>677,595</u>	<u>(441,575)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>441,230</u>	<u>441,230</u>	<u>(117,167)</u>	<u>(558,397)</u>
Other financing sources (uses)				
Transfers in	-	-	442,425	442,425
Transfers out	-	-	(307,710)	(307,710)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>134,715</u>	<u>134,715</u>
Net change in fund balances	<u>\$ 441,230</u>	<u>\$ 441,230</u>	17,548	<u>\$ (423,682)</u>
Fund balance at beginning of year			39,063	
Fund balance at end of year			<u>\$ 56,611</u>	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 9,807,940	\$ 9,807,940	\$ 515,993	\$ (9,291,947)
Other entities' participation	-	-	2,313,197	2,313,197
Investment earnings	-	-	1,146,473	1,146,473
Miscellaneous	3,400	3,400	320	(3,080)
Total revenues	<u>9,811,340</u>	<u>9,811,340</u>	<u>3,975,983</u>	<u>(5,835,357)</u>
Expenditures				
Capital outlay	92,247,480	92,247,480	34,906,170	57,341,310
Total expenditures	<u>92,247,480</u>	<u>92,247,480</u>	<u>34,906,170</u>	<u>57,341,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(82,436,140)</u>	<u>(82,436,140)</u>	<u>(30,930,187)</u>	<u>51,505,953</u>
Other financing sources (uses)				
Transfers in	2,468,140	2,468,140	30,986	(2,437,154)
Transfers out	-	-	(115,430)	(115,430)
Total other financing sources and uses	<u>2,468,140</u>	<u>2,468,140</u>	<u>(84,444)</u>	<u>(2,552,584)</u>
Net change in fund balances	<u>\$ (79,968,000)</u>	<u>\$ (79,968,000)</u>	(31,014,631)	<u>\$ 48,953,369</u>
Fund balance at beginning of year			118,640,373	
Fund balance at end of year			<u>\$ 87,625,742</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 929,000	\$ 929,000	\$ 361,610	\$ (567,390)
System development fees	689,000	689,000	616,443	(72,557)
Investment earnings	-	-	10,711	10,711
Total revenues	<u>1,618,000</u>	<u>1,618,000</u>	<u>988,764</u>	<u>(629,236)</u>
Expenditures				
Capital outlay	1,570,000	1,570,000	690,534	879,466
Total expenditures	<u>1,570,000</u>	<u>1,570,000</u>	<u>690,534</u>	<u>879,466</u>
Excess of revenues over expenditures	<u>48,000</u>	<u>48,000</u>	<u>298,230</u>	<u>250,230</u>
Other financing sources				
Transfers in	42,000	42,000	108,184	66,184
Total other financing sources	<u>42,000</u>	<u>42,000</u>	<u>108,184</u>	<u>66,184</u>
Net change in fund balances	<u>\$ 90,000</u>	<u>\$ 90,000</u>	406,414	<u>\$ 316,414</u>
Fund balance at beginning of year			<u>894,990</u>	
Fund balance at end of year			<u>\$ 1,301,404</u>	

TOWN OF GILBERT, ARIZONA
Municipal Facilities Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,977,000	\$ 2,977,000	\$ 165,805	\$ (2,811,195)
System development fees	2,564,000	2,564,000	2,989,947	425,947
Investment earnings	-	-	26,691	26,691
Total revenues	<u>5,541,000</u>	<u>5,541,000</u>	<u>3,182,443</u>	<u>(2,358,557)</u>
Expenditures				
Current:				
General government:				
Management and policy	-	-	46,851	(46,851)
Public safety:				
Police	333,680	333,680	301,415	32,265
Debt service:				
Fiscal and other charges	-	-	10,315	(10,315)
Capital outlay	4,978,460	4,978,460	360,941	4,617,519
Total expenditures	<u>5,312,140</u>	<u>5,312,140</u>	<u>719,522</u>	<u>4,592,618</u>
Excess of revenues over expenditures	<u>228,860</u>	<u>228,860</u>	<u>2,462,921</u>	<u>2,234,061</u>
Other financing sources (uses)				
Transfers in	2,090,220	2,090,220	1,028,215	(1,062,005)
Transfers out	(14,821,900)	(14,821,900)	(6,647,786)	8,174,114
Total other financing sources and uses	<u>(12,731,680)</u>	<u>(12,731,680)</u>	<u>(5,619,571)</u>	<u>7,112,109</u>
Net change in fund balances	<u>\$ (12,502,820)</u>	<u>\$ (12,502,820)</u>	(3,156,650)	<u>\$ 9,346,170</u>
Fund deficit at beginning of year			(10,594,301)	
Fund deficit at end of year			<u>\$ (13,750,951)</u>	

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,661,000	\$ 1,661,000	\$ -	\$ (1,661,000)
System development fees	4,092,000	4,092,000	5,129,378	1,037,378
Investment earnings	-	-	86,118	86,118
Total revenues	5,753,000	5,753,000	5,215,496	(537,504)
Expenditures				
Capital outlay	7,016,000	7,016,000	1,278,885	5,737,115
Total expenditures	7,016,000	7,016,000	1,278,885	5,737,115
Excess (deficiency) of revenues over (under) expenditures	(1,263,000)	(1,263,000)	3,936,611	5,199,611
Other financing sources (uses)				
Transfers in	-	-	92,160	92,160
Transfers out	(5,331,990)	(5,331,990)	(5,669,422)	(337,432)
Total other financing sources and uses	(5,331,990)	(5,331,990)	(5,577,262)	(245,272)
Net change in fund balances	\$ (6,594,990)	\$ (6,594,990)	(1,640,651)	\$ 4,954,339
Fund balance at beginning of year			9,900,064	
Fund balance at end of year			\$ 8,259,413	

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, 2011

	<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	\$ -	\$ -	\$ 7,509	\$ 7,509
Total revenues	<u>-</u>	<u>-</u>	<u>7,509</u>	<u>7,509</u>
Expenditures				
Capital outlay	442,430	442,430	745,784	(303,354)
Total expenditures	<u>442,430</u>	<u>442,430</u>	<u>745,784</u>	<u>(303,354)</u>
Deficiency of revenues under expenditures	<u>(442,430)</u>	<u>(442,430)</u>	<u>(738,275)</u>	<u>(295,845)</u>
Other financing uses				
Transfers out	-	-	(442,425)	(442,425)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(442,425)</u>	<u>(442,425)</u>
Net change in fund balances	<u>\$ (442,430)</u>	<u>\$ (442,430)</u>	<u>(1,180,700)</u>	<u>\$ (738,270)</u>
Fund balance at beginning of year			<u>1,491,869</u>	
Fund balance at end of year			<u>\$ 311,169</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 62,014	\$ 62,014
Investment earnings	-	-	23,576	23,576
Miscellaneous	-	-	11,154	11,154
Total revenues	<u>-</u>	<u>-</u>	<u>96,744</u>	<u>96,744</u>
Expenditures				
Capital outlay	8,236,000	8,236,000	268,657	7,967,343
Total expenditures	<u>8,236,000</u>	<u>8,236,000</u>	<u>268,657</u>	<u>7,967,343</u>
Deficiency of revenues under expenditures	<u>(8,236,000)</u>	<u>(8,236,000)</u>	<u>(171,913)</u>	<u>8,064,087</u>
Other financing sources				
Transfers in	8,236,000	8,236,000	382,187	(7,853,813)
Total other financing sources	<u>8,236,000</u>	<u>8,236,000</u>	<u>382,187</u>	<u>(7,853,813)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	210,274	<u>\$ 210,274</u>
Fund balance at beginning of year			3,683,472	
Fund balance at end of year			<u>\$ 3,893,746</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 36,106,000	\$ 36,106,000	\$ 35,966,037	\$ (139,963)
Other	1,050,000	1,050,000	2,114,932	1,064,932
Total operating revenues	37,156,000	37,156,000	38,080,969	924,969
Operating expenses				
General and administrative	825,150	825,150	1,050,729	(225,579)
Personal services	5,938,190	5,938,190	6,572,026	(633,836)
Operation and maintenance	13,651,440	13,651,440	10,956,332	2,695,108
Capital outlay	28,796,000	28,796,000	11,667,028	17,128,972
Allocation of indirect expenses	2,296,650	2,296,650	1,119,760	1,176,890
Debt service:				
Principal	11,168,740	11,168,740	11,168,737	3
Contingency	827,000	827,000	-	827,000
Total operating expenses	63,503,170	63,503,170	42,534,612	20,968,558
Operating loss	(26,347,170)	(26,347,170)	(4,453,643)	21,893,527
Nonoperating revenues (expenses)				
Intergovernmental	390,000	390,000	-	(390,000)
Interest expense	(7,354,260)	(7,354,260)	(7,253,506)	100,754
Investment earnings	90,000	90,000	808,345	718,345
Total nonoperating revenues (expenses)	(6,874,260)	(6,874,260)	(6,445,161)	429,099
Loss before capital contributions and transfers	(33,221,430)	(33,221,430)	(10,898,804)	22,322,626
Capital contributions	7,676,000	7,676,000	8,404,313	728,313
Transfers in	510,230	510,230	191,728	(318,502)
Transfers out	(2,669,220)	(2,669,220)	(1,166,580)	1,502,640
Change in net assets	\$ (27,704,420)	\$ (27,704,420)	(3,469,343)	\$ 24,235,077

Explanation of difference between budgetary change in net assets at June 30, 2011, 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, 2010	511,764
Less compensated absences at June 30, 2011	(734,656)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.	11,667,028
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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.	11,168,737
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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.	1,767,069
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Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(9,572,782)
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Amortization of bond issuance costs is recognized as an expense for GAAP purposes but not recognized for budgetary purposes.	(109,655)
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Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets	\$ 11,228,162
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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, 2011

	<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>
Operating revenues				
Charges for services	\$ 21,221,010	\$ 21,221,010	\$ 21,677,621	\$ 456,611
Other	1,000	1,000	21,969	20,969
Total operating revenues	<u>21,222,010</u>	<u>21,222,010</u>	<u>21,699,590</u>	<u>477,580</u>
Operating expenses				
General and administrative	641,990	641,990	762,213	(120,223)
Personal services	3,007,830	3,007,830	3,517,268	(509,438)
Operation and maintenance	9,383,240	9,383,240	8,317,976	1,065,264
Capital outlay	4,221,000	4,221,000	2,274,276	1,946,724
Allocation of indirect expenses	1,584,030	1,584,030	611,939	972,091
Debt service:				
Principal	8,851,260	8,851,260	8,976,263	(125,003)
Contingency	911,000	911,000	-	911,000
Total operating expenses	<u>28,600,350</u>	<u>28,600,350</u>	<u>24,459,935</u>	<u>4,140,415</u>
Operating loss	<u>(7,378,340)</u>	<u>(7,378,340)</u>	<u>(2,760,345)</u>	<u>4,617,995</u>
Nonoperating revenues (expenses)				
Interest expense	(1,211,150)	(1,211,150)	(1,101,920)	109,230
Investment earnings	79,590	79,590	88,062	8,472
Gain on sale of capital assets	-	-	(885)	(885)
Other	1,000	1,000	-	(1,000)
Total nonoperating revenues (expenses)	<u>(1,130,560)</u>	<u>(1,130,560)</u>	<u>(1,014,743)</u>	<u>115,817</u>
Loss before capital contributions and transfers	(8,508,900)	(8,508,900)	(3,775,088)	4,733,812
Capital contributions	5,807,340	5,807,340	6,878,502	1,071,162
Transfers in	820,000	820,000	819,960	(40)
Transfers out	<u>(666,540)</u>	<u>(666,540)</u>	<u>(331,422)</u>	<u>335,118</u>
Change in net assets	<u>\$ (2,548,100)</u>	<u>\$ (2,548,100)</u>	3,591,952	<u>\$ 6,140,052</u>

Explanation of difference between budgetary change in net assets at June 30, 2011,
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, 2010	263,660
Less compensated absences at June 30, 2011	(363,769)
Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.	2,274,276
Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis.	8,976,263
Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis.	1,279,423
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(8,324,903)
Amortization of bond issuance costs is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(295,832)
Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets	<u>\$ 7,401,070</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 16,778,100	\$ 16,778,100	\$ 17,194,313	\$ 416,213
Other	50,000	50,000	79,224	29,224
Total operating revenues	16,828,100	16,828,100	17,273,537	445,437
Operating expenses				
General and administrative	368,060	368,060	675,706	(307,646)
Personal services	5,088,380	5,088,380	5,423,685	(335,305)
Operation and maintenance	6,996,930	6,996,930	5,790,075	1,206,855
Capital outlay	3,334,000	3,334,000	2,237,338	1,096,662
Allocation of indirect expenses	1,301,880	1,301,880	563,090	738,790
Contingency	451,000	451,000	-	451,000
Total operating expenses	17,540,250	17,540,250	14,689,894	2,850,356
Operating income (loss)	(712,150)	(712,150)	2,583,643	3,295,793
Nonoperating revenues (expenses)				
Investment earnings	25,700	25,700	115,284	89,584
Loss on sale of capital assets	-	-	(24,481)	(24,481)
Total nonoperating revenues (expenses)	25,700	25,700	90,803	65,103
Change in net assets	\$ (686,450)	\$ (686,450)	2,674,446	\$ 3,360,896

Explanation of difference between budgetary change in net assets at June 30, 2011,
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, 2010	453,720
Less compensated absences at June 30, 2011	(465,941)

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

2,237,338

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

(1,665,872)

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

\$ 3,233,691



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, 2011

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 712,073	\$ 370,375	\$ 6,321,352	\$ 7,403,800
Receivables (net):				
Accrued interest	754	428	2,465	3,647
Accounts	74,292	-	2,499	76,791
Prepaid items	7,266	-	-	7,266
Inventories	430,427	-	-	430,427
Total current assets	<u>1,224,812</u>	<u>370,803</u>	<u>6,326,316</u>	<u>7,921,931</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	223,225	217,575	-	440,800
Less accumulated depreciation	(181,402)	(117,637)	-	(299,039)
Total capital assets (net)	<u>41,823</u>	<u>99,938</u>	<u>-</u>	<u>141,761</u>
Total assets	<u>1,266,635</u>	<u>470,741</u>	<u>6,326,316</u>	<u>8,063,692</u>
LIABILITIES				
Current liabilities:				
Accounts payable	262,475	161	304	262,940
Accrued liabilities	8,409	-	-	8,409
Current portion of compensated absences	54,740	-	-	54,740
Claims payable	-	-	1,080,441	1,080,441
Total current liabilities	<u>325,624</u>	<u>161</u>	<u>1,080,745</u>	<u>1,406,530</u>
Long-term portion of compensated absences	68,104	-	-	68,104
Total liabilities	<u>393,728</u>	<u>161</u>	<u>1,080,745</u>	<u>1,474,634</u>
NET ASSETS				
Invested in capital assets, net of related debt	41,823	99,938	-	141,761
Unrestricted	831,084	370,642	5,245,571	6,447,297
Total net assets	<u>\$ 872,907</u>	<u>\$ 470,580</u>	<u>\$ 5,245,571</u>	<u>\$ 6,589,058</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, 2011

	Equipment Maintenance	Copier Services	Employee Benefit Self- Insurance	Total
Operating revenues				
Charges for services	\$ 6,285,257	\$ 318,157	\$ 11,949,542	\$ 18,552,956
Other	4,957	-	75,384	80,341
Total operating revenues	<u>6,290,214</u>	<u>318,157</u>	<u>12,024,926</u>	<u>18,633,297</u>
Operating expenses				
General and administrative	165,190	-	879,923	1,045,113
Personal services	1,350,910	-	-	1,350,910
Operation and maintenance	4,721,636	277,150	-	4,998,786
Claims Incurred	-	-	11,259,687	11,259,687
Depreciation	20,816	19,631	-	40,447
Total operating expenses	<u>6,258,552</u>	<u>296,781</u>	<u>12,139,610</u>	<u>18,694,943</u>
Operating income (loss)	<u>31,662</u>	<u>21,376</u>	<u>(114,684)</u>	<u>(61,646)</u>
Nonoperating revenues				
Investment earnings	3,611	3,592	24,366	31,569
Total nonoperating revenues	<u>3,611</u>	<u>3,592</u>	<u>24,366</u>	<u>31,569</u>
Income (loss) before transfers	35,273	24,968	(90,318)	(30,077)
Transfers out	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Change in net assets	35,273	(175,032)	(90,318)	(230,077)
Total net assets, beginning of year	<u>837,634</u>	<u>645,612</u>	<u>5,335,889</u>	<u>6,819,135</u>
Total net assets, end of year	<u>\$ 872,907</u>	<u>\$ 470,580</u>	<u>\$ 5,245,571</u>	<u>\$ 6,589,058</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2011

	Equipment Maintenance	Copier Services	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:				
Other operating cash receipts	\$ 4,957	\$ -	\$ 77,260	\$ 82,217
Cash receipts from other funds for services	6,215,648	318,157	11,949,542	18,483,347
Cash payments to suppliers for goods and services	(4,687,904)	(294,592)	(12,049,288)	(17,031,784)
Cash payments to employees for services	(1,373,947)	-	-	(1,373,947)
Net cash provided by (used in) operating activities	<u>158,754</u>	<u>23,565</u>	<u>(22,486)</u>	<u>159,833</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	-	(200,000)	-	(200,000)
Net cash used in noncapital financing activities	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Cash flows from investing activities:				
Interest received on investments	2,973	3,320	22,304	28,597
Net cash provided by investing activities	<u>2,973</u>	<u>3,320</u>	<u>22,304</u>	<u>28,597</u>
Net increase (decrease) in cash and cash equivalents	161,727	(173,115)	(182)	(11,570)
Cash and cash equivalents at beginning of year	550,346	543,490	6,321,534	7,415,370
Cash and cash equivalents at end of year	<u>\$ 712,073</u>	<u>\$ 370,375</u>	<u>\$ 6,321,352</u>	<u>\$ 7,403,800</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 31,662	\$ 21,376	\$ (114,684)	\$ (61,646)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	20,816	19,631	-	40,447
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(69,609)	-	1,876	(67,733)
Increase in prepaid items	(7,266)	-	-	(7,266)
Decrease in inventories	84,818	-	-	84,818
Increase (decrease) in accounts payable	121,370	(17,442)	(1,688)	102,240
Increase in claims payable	-	-	92,010	92,010
Decrease in accrued expenses	(23,037)	-	-	(23,037)
Total adjustments	<u>127,092</u>	<u>2,189</u>	<u>92,198</u>	<u>221,479</u>
Net cash provided by (used in) operating activities	<u>\$ 158,754</u>	<u>\$ 23,565</u>	<u>\$ (22,486)</u>	<u>\$ 159,833</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, 2011

	<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	\$ 7,110,880	\$ 7,110,880	\$ 6,285,257	\$ (825,623)
Other	-	-	4,957	4,957
Total operating revenues	<u>7,110,880</u>	<u>7,110,880</u>	<u>6,290,214</u>	<u>(820,666)</u>
Operating expenses				
General and administrative	66,180	66,180	165,190	(99,010)
Personal services	1,728,990	1,728,990	1,328,023	400,967
Operation and maintenance	4,668,300	4,687,300	4,721,636	(34,336)
Capital outlay	19,000	-	-	-
Depreciation	-	-	20,816	(20,816)
Total operating expenses	<u>6,482,470</u>	<u>6,482,470</u>	<u>6,235,665</u>	<u>246,805</u>
Operating income	<u>628,410</u>	<u>628,410</u>	<u>54,549</u>	<u>(573,861)</u>
Nonoperating revenues				
Investment earnings	1,200	1,200	3,611	2,411
Total nonoperating revenues	<u>1,200</u>	<u>1,200</u>	<u>3,611</u>	<u>2,411</u>
Change in net assets	<u>\$ 629,610</u>	<u>\$ 629,610</u>	58,160	<u>\$ (571,450)</u>

Explanation of difference between budgetary change in net assets at June 30, 2011,
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, 2010	99,957
Less compensated absences at June 30, 2011	<u>(122,844)</u>
Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets	<u>\$ 35,273</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, 2011

	<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	\$ 365,000	\$ 365,000	\$ 318,157	\$ (46,843)
Total operating revenues	<u>365,000</u>	<u>365,000</u>	<u>318,157</u>	<u>(46,843)</u>
Operating expenses				
Operation and maintenance	323,130	323,130	277,150	45,980
Capital outlay	30,000	30,000	-	30,000
Depreciation	-	-	19,631	(19,631)
Total operating expenses	<u>353,130</u>	<u>353,130</u>	<u>296,781</u>	<u>56,349</u>
Operating income	<u>11,870</u>	<u>11,870</u>	<u>21,376</u>	<u>9,506</u>
Nonoperating revenues				
Investment earnings	3,600	3,600	3,592	(8)
Total nonoperating revenues	<u>3,600</u>	<u>3,600</u>	<u>3,592</u>	<u>(8)</u>
Income before transfers	15,470	15,470	24,968	9,498
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Change in net assets	<u>\$ (184,530)</u>	<u>\$ (184,530)</u>	<u>\$ (175,032)</u>	<u>\$ 9,498</u>

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, 2011

	<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	\$ 12,072,000	\$ 12,072,000	\$ 11,949,542	\$ (122,458)
Other	30,000	30,000	75,384	45,384
Total operating revenues	<u>12,102,000</u>	<u>12,102,000</u>	<u>12,024,926</u>	<u>(77,074)</u>
Operating expenses				
General and administrative	958,720	958,720	879,923	78,797
Claims Incurred	11,857,000	11,857,000	11,259,687	597,313
Total operating expenses	<u>12,815,720</u>	<u>12,815,720</u>	<u>12,139,610</u>	<u>676,110</u>
Operating loss	<u>(713,720)</u>	<u>(713,720)</u>	<u>(114,684)</u>	<u>599,036</u>
Nonoperating revenues				
Investment earnings	7,500	7,500	24,366	16,866
Total nonoperating revenues	<u>7,500</u>	<u>7,500</u>	<u>24,366</u>	<u>16,866</u>
Change in net assets	<u>(706,220)</u>	<u>(706,220)</u>	<u>(90,318)</u>	<u>615,902</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, 2011

Flexible Spending	Beginning Balance	Additions	Deductions	Ending Balance
<u>Assets</u>				
Restricted cash and investments	\$ 45,441	273,380	294,544	24,277
Total assets	<u>\$ 45,441</u>	<u>273,380</u>	<u>294,544</u>	<u>24,277</u>
<u>Liabilities</u>				
Accounts payable	\$ -	308	308	-
Medical benefits payable	36,245	208,298	235,616	8,927
Dependent care benefits payable	9,196	65,082	58,928	15,350
Total liabilities	<u>\$ 45,441</u>	<u>273,688</u>	<u>294,852</u>	<u>24,277</u>
 Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ 46,249	46,299	129	92,419
Restricted accrued interest	13	99	13	99
Total assets	<u>\$ 46,262</u>	<u>46,398</u>	<u>142</u>	<u>92,518</u>
<u>Liabilities</u>				
Other deposits	\$ 46,262	46,398	142	92,518
Total liabilities	<u>\$ 46,262</u>	<u>46,398</u>	<u>142</u>	<u>92,518</u>
 Total-All Agency Funds				
<u>Assets</u>				
Restricted cash and investments	\$ 91,690	319,679	294,673	116,696
Restricted accrued interest	13	99	13	99
Total assets	<u>\$ 91,703</u>	<u>319,778</u>	<u>294,686</u>	<u>116,795</u>
<u>Liabilities</u>				
Accounts payable	\$ -	308	308	-
Other deposits	46,262	46,398	142	92,518
Medical benefits payable	36,245	208,298	235,616	8,927
Dependent care benefits payable	9,196	65,082	58,928	15,350
Total liabilities	<u>\$ 91,703</u>	<u>320,086</u>	<u>294,994</u>	<u>116,795</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	114
<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	119
<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	121
<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	124

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 Nine Fiscal Years ^a
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
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
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>
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
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
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
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>
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
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
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
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>

^a Gilbert implemented GASB Statement No. 34 for the fiscal year ended June 30, 2003, therefore only nine years are shown

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

	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>
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
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
Financial services	-	-	-	-	-	-	-	-	1,286,659
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
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
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
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
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
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
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
Non departmental	-	-	-	-	-	-	-	-	2,194,132
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
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>
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
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
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
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>
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>
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
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
Fire	320,401	499,102	881,962	794,767	100,360	71,807	100,218	78,550	135,732
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
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
Other activities	217,220	435,406	491,167	542,843	502,682	707,251	702,607	788,789	853,239
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
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
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>

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
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
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
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
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
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
Net (Expense)/Revenue									
Governmental activities ^b	\$ (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)
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
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)
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
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
In-Lieu property taxes	235,068	304,844	378,782	372,682	376,101	831,159	948,510	1,327,755	1,351,479
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
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
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
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
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
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	-
Miscellaneous	414,353	319,327	602,281	614,602	620,185	543,818	668,784	679,801	355,415
Transfers	36,636	48,382	679,314	54,183	609,993	1,256,760	1,161,224	(345,546)	537,225
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
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
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
Miscellaneous	167,189	303,089	626,001	801,446	405,850	400,069	753,627	1,544,141	2,216,125
Transfers	(36,636)	(48,382)	(679,314)	(54,183)	(609,993)	(1,256,760)	(1,161,224)	345,546	(537,225)
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
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
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
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
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

^a Gilbert implemented GASB Statement No. 34 for the fiscal year ended June 30, 2003, therefore only nine years are shown.

^b The 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 Nine Fiscal Years ^a
(accrual basis of accounting)

Function/Program	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>
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
Support services	20,646	163,215	197,938	236,754	1,132,587	1,183,621	128,102	214,748	648,385
Financial Services	-	-	-	-	-	-	-	-	9,256
Legal and court	183,004	268,998	306,429	343,835	412,084	674,849	585,944	596,714	596,752
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
Public works ^b	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
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
Highways and streets ^c	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
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
Transportation	42,998	182,820	386,539	149,619	510,939	303,199	407,933	313,682	214,932
Non departmental	-	-	-	-	-	-	-	-	50,917
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>
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
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
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
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>
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>

^a Gilbert implemented GASB Statement No. 34 for the fiscal year ended June 30, 2003, therefore only nine years are shown

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

^c 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ^c
General fund										
Reserved	\$ 2,029,973	\$ 133,315	\$ 1,258,466	\$ 233,555	\$ 441,157	\$ 16,082,035	\$ 16,015,075	\$ 17,630,101	\$ 21,382,756	\$ -
Unreserved	7,816,100	16,432,986	19,486,079	39,220,868	37,670,366	33,431,047	38,375,273	36,244,514	33,168,053	-
Nonspendable	-	-	-	-	-	-	-	-	-	22,317,444
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	10,729,403
Unassigned	-	-	-	-	-	-	-	-	-	33,520,702
Total general fund	<u>\$ 9,846,073</u>	<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>
All other governmental funds										
Reserved ^a	\$ 15,474,998	\$ 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	3,982,546	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	(321,016)	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	<u>3,661,530</u>	<u>33,685,577</u>	<u>3,995,720</u>	<u>5,596,887</u>	<u>20,111,121</u>	<u>10,784,169</u>	<u>(7,232,821)</u>	<u>125,455,988</u>	<u>114,116,728</u>	<u>-</u>
Nonspendable	-	-	-	-	-	-	-	-	-	4,248
Restricted	-	-	-	-	-	-	-	-	-	108,050,638
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	28,261,048
Unassigned	-	-	-	-	-	-	-	-	-	(20,781,250)
Total all other governmental funds	<u>\$ 19,136,528</u>	<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>

^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. As a result, several special revenue funds were reclassified as general fund.

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

	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>
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
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
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
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
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
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
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
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
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
Gifts and donations	54,641	122,861	150,652	341,965	502,490	176,612	114,127	124,185	176,408
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
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
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
Total revenues	<u>108,033,404</u>	<u>118,607,328</u>	<u>147,841,805</u>	<u>168,833,670</u>	<u>203,659,771</u>	<u>204,653,870</u>	<u>179,524,662</u>	<u>186,226,108</u>	<u>164,058,957</u>
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
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
Financial services	-	-	-	-	-	-	-	-	1,416,227
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
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
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
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
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
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
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
Non departmental	-	-	-	-	-	-	-	-	2,194,132
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
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
Bond issuance costs	150,678	166,468	59,572	424,807	-	98,263	670,289	-	-
Fiscal and other charges	97,944	22,054	11,851	49,079	45,054	28,809	11,766	9,304	20,083
Capital outlay	<u>54,272,427</u>	<u>69,663,246</u>	<u>65,598,244</u>	<u>83,798,196</u>	<u>106,748,401</u>	<u>87,528,247</u>	<u>134,013,578</u>	<u>58,784,547</u>	<u>41,934,425</u>
Total expenditures	<u>127,319,509</u>	<u>151,462,995</u>	<u>160,075,699</u>	<u>194,781,769</u>	<u>241,244,751</u>	<u>249,682,646</u>	<u>297,584,017</u>	<u>220,341,812</u>	<u>196,421,913</u>
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)

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
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)
Bonds issued	6,510,000	52,300,000	18,750,000	103,230,000	-	3,759,800	273,490,200	-	-
Premium on bonds	21,032	602,954	51,095	3,078,293	-	-	343,995	-	-
Payment to refunded bond escrow agent	-	-	-	(14,871,894)	-	-	-	-	-
Total other financing sources and uses	<u>6,567,668</u>	<u>52,951,336</u>	<u>19,480,409</u>	<u>91,490,582</u>	<u>609,993</u>	<u>5,016,560</u>	<u>274,995,419</u>	<u>973,852</u>	<u>686,314</u>
Net change in fund balances	\$ <u>(12,718,437)</u>	\$ <u>20,095,669</u>	\$ <u>7,246,515</u>	\$ <u>65,542,483</u>	\$ <u>(36,974,987)</u>	\$ <u>(40,012,216)</u>	\$ <u>156,936,064</u>	\$ <u>(33,141,852)</u>	\$ <u>(31,676,642)</u>
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%

^a Comparative prior years' information is not available because when the Town implemented GASB 34 in fiscal year 2003, it was then decided to present revenues and expenditures in more detail.

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

	Fiscal Year									
	<u>2002</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>
Construction	\$ 8,173,674	\$ 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
Manufacturing	279,396	248,006	461,330	643,826	734,423	684,148	789,804	650,179	635,188	706,514
Communications & Utilities	2,532,813	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
Wholesale	444,998	509,324	556,862	335,857	446,597	483,943	577,086	527,933	610,065	854,466
Retail	12,528,922	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
Restaurant & Bar	1,180,852	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
Real Estate, Rental & Leasing	1,866,040	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
Accommodation ^a	-	-	-	-	-	-	-	-	-	252,974
Services	2,349,017	2,429,195	2,018,946	818,873	945,003	973,552	1,729,464	1,039,678	1,002,691	1,069,661
Other ^a	107,150	91,533	1,022,984	346,103	711,618	1,491,268	319,810	243,510	481,122	652,042
Transportation & Warehousing ^b	-	-	29,060	7,773	9,906	17,264	13,347	12,575	16,464	21,161
Finance & Insurance ^b	-	-	100,986	61,734	63,851	73,410	93,008	100,490	100,293	89,990
Public Administration ^b	-	-	6,214	5,900	9,819	11,416	8,272	4,748	9,503	-
Arts & Entertainment ^b	-	-	106,019	348,650	391,459	405,765	446,057	483,123	506,855	481,592
Adjustment	45,391	-	-	-	-	-	-	-	-	-
Total	\$ 29,508,253	\$ 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
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 is now 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>2002</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>
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%	5.50%	6.50%	6.50%
All Others	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	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			
2002	\$ 64,175,000	\$ 5,640,795	\$ 4,450,000	\$ 39,715,000	\$ 16,665,000	\$ 419,205	\$ 25,290,000	\$ 20,585,000	\$ 176,940,000	5.04 %	\$ 1,324
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

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>
2002	\$ 80,840,000	\$ 4,446,191	\$ 76,393,809	\$ 749,581,043	10.19 %	\$ 571.99
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

^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, 2011**

<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	4.84%	\$ None
Maricopa County Community College District	671,250,000	4.84%	32,488,500
Maricopa County Hospital District No. 1	None	4.84%	None
Gilbert Unified School District No. 41	170,450,000	69.70%	118,803,650
Higley Elementary School District No. 60	64,905,000	84.66%	54,948,573
Chandler Unified School District No. 80	210,930,000	9.82%	20,713,326
Mesa Unified School District No. 4	244,095,000	0.36%	878,742
East Valley Institute of Technology District No. 401 ^b	None	11.09%	None
Other debt			
Maricopa County ^c	190,040,000	4.84%	9,197,936
Maricopa County Community College District - revenue bonds	11,790,000	4.84%	570,636
Maricopa County Hospital District No. 1	None	4.84%	None
Gilbert Unified School District No. 41	None	69.70%	None
Higley Elementary School District No. 60	None	84.66%	None
Chandler Unified School District No. 80	None	9.82%	None
Mesa Unified School District No. 4	None	0.36%	None
East Valley Institute of Technology District No. 401 ^b	None	11.09%	None
Subtotal, overlapping debt			237,601,363
Town of Gilbert direct debt	376,245,000	100.00%	376,245,000
Total direct and overlapping debt			<u>\$ 613,846,363</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 2011.

^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 certificates of participation outstanding in the aggregate principal amount of \$2,375,000; Public Finance Corporation lease revenue bonds outstanding in the aggregate principal amount of \$149,890,000 and Stadium District revenue bonds outstanding in the aggregate principal amount of \$37,775,000.

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>2002</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>20% Limitation</u>										
Debt limit equal to 20% of assessed valuation	\$ 134,132,951	\$ 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
Total net debt applicable to 20% limit	<u>39,795,000</u>	<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>
Legal 20% debt margin (available borrowing capacity)	\$ <u>94,337,951</u>	\$ <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>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	29.67%	25.55%	16.67%	13.01%	10.64%	16.47%	9.34%	40.73%	42.51%	47.26%
<u>6% Limitation</u>										
Debt limit equal to 6% of assessed valuation	\$ 40,239,885	\$ 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
Total net debt applicable to 6% limit	<u>38,655,000</u>	<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>
Legal 6% debt margin (available borrowing capacity)	\$ <u>1,584,885</u>	\$ <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>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	96.06%	80.23%	75.97%	79.93%	73.71%	2.50%	0.51%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2011

Net secondary assessed valuation as of June 30, 2011	\$ 1,861,193,961
20% Limitation	
Debt limit equal to 20% of assessed valuation	372,239,000
Debt applicable to limit:	
General obligation bonds	<u>175,915,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 196,324,000</u>
6% Limitation	
Debt limit equal to 6% of assessed valuation	111,672,000
Debt applicable to limit:	
General obligation bonds	<u>0</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 111,672,000</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	
2002	\$ 1,232,600	\$ 2,605,177	\$ 530,425	0.39	\$ 7,420,953	\$ 640,000	\$ 211,375	8.72	\$ 56,674,585	\$ 1,375,000	\$ 1,245,023	21.63
2003	1,242,492	1,744,758	608,054	0.53	7,771,916	685,000	180,975	8.97	63,934,377	1,440,000	1,630,813	20.82
2004	1,924,451	1,861,072	564,126	0.79	8,303,686	1,570,000	1,425,365	2.77	64,525,103	1,450,000	1,596,612	21.18
2005	1,552,289	3,274,964	398,660	0.42	8,753,941	1,660,000	1,604,050	2.68	69,209,221	1,500,000	1,553,113	22.67
2006	1,425,857	765,000	262,458	1.39	9,600,919	1,750,000	1,522,950	2.93	79,497,344	1,525,000	3,155,681	16.98
2007	355,124	125,000	231,010	1.00	13,209,138	1,845,000	1,437,450	4.02	102,525,938	5,210,000	4,753,688	10.29
2008	2,121,038	1,390,000	191,620	1.34	13,182,950	1,925,000	1,347,313	4.03	107,273,375	5,410,000	4,567,400	10.75
2009	421,894	75,000	153,530	1.85	11,512,555	2,050,000	1,251,063	3.49	97,901,565	6,060,000	5,404,460	8.54
2010	437,493	85,000	149,370	1.87	10,609,631	2,175,000	1,148,563	3.19	91,609,318	8,705,000	8,014,525	5.48
2011	559,284	90,000	587,245	0.83	9,291,120	2,275,000	1,039,813	2.80	89,202,148	9,030,000	7,705,188	5.33

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	
2002	\$ 26,619,520	\$ 13,331,093	\$ 13,288,427	\$ 670,000	\$ 1,627,785	5.78	\$ 10,990,642	\$ 9,464,291	\$ -	\$ 3,365,000	\$ 1,441,525	4.26
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

^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
2002	133,556	3,513,000	26,304	29.7	31,442	3.3%
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%

Sources: Population figures obtained from the Maricopa Association of Governments. Median age, school enrollment, and unemployment rate were obtained from Gilbert's Development Services Department. The 2005 and the 2011 per capital income figure was obtained from the American Community Survey. The 2002 through 2004 and 2006 through 2010 per capita income figures are estimates. The personal income amounts were estimated based on population and per capita income.

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

<u>Employer</u>	<u>Fiscal Year 2011</u>			<u>Fiscal Year 2002</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	6.57%	3,900	1	17.67%
Town of Gilbert	1,402	2	2.21%	638	2	2.89%
Banner Health	1,213	3	1.91%	---		---
Fry's Food and Drug	817	4	1.29%	359	8	1.63%
Mercy Gilbert Medical Center	762	5	1.20%	---		---
Wal-Mart Stores, Inc.	694	6	1.09%	---		---
Go Daddy Software, Inc.	600	7	0.94%	---		---
Target Stores, Inc	455	8	0.72%	---		---
Costco Wholesale	418	9	0.66%	---		---
Orbital Sciences Corporation	400	10	0.63%	---		---
InteSys Technologies	---		---	500	5	2.27%
Earnhardt Auto Center	---		---	554	4	2.51%
Dillard's National Bank	---		---	560	3	2.54%
McGee/Walpole Consolidated	---		---	475	6	2.15%
Spectrum Astro	---		---	436	7	1.98%
Chandler Ready Mix	---		---	311	9	1.41%
Hunter Contracting	---		---	300	10	1.36%
Total	10,934		17.22%	8,033		36.41%

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>2002</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>Governmental Funds</u>										
General government:										
Management and policy	81.6	83.6	82.5	91.5	100.5	30.8	32.0	32.2	29.2	21.2
Support services	N/A	N/A	N/A	N/A	N/A	91.00	92.8	91.3	88.3	62.0
Financial services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18.3
Legal and court	25.5	28.0	31.5	31.6	35.1	51.3	53.3	52.3	52.9	52.9
Development services	86.2	89.7	93.2	97.2	98.4	115.6	99.1	70.5	70.5	72.5
Public works	19.5	27.0	25.5	26.0	28.0	17.3	18.0	17.5	17.5	-
Public safety:										
Police	198.7	207.5	270.0	276.0	309.0	330.0	352.5	347.0	346.0	346.0
Fire	83.5	102.5	110.8	122.5	139.0	173.8	193.0	199.5	197.0	197.0
Highways and streets	35.3	41.3	40.5	45.0	47.5	54.5	55.3	55.3	49.3	49.3
Community services	107.4	120.3	111.0	109.1	113.2	114.4	120.0	117.1	106.8	101.7
<u>Enterprise Funds</u>										
Water	50.5	56.0	58.0	60.0	63.5	69.0	72.0	79.0	83.0	118.1
Wastewater	19.0	22.0	26.0	26.0	30.0	33.0	35.0	40.7	40.7	40.7
Solid Waste	43.5	51.5	52.0	57.5	63.1	71.3	77.1	79.0	79.0	79.0
Irrigation	0.7	0.7	0.5	0.5	0.5	0.5	0.7	0.7	0.7	-
<u>Internal Service Funds</u>										
Equipment maintenance	17.0	19.0	19.0	21.0	21.0	24.0	26.0	26.0	26.0	26.0
Total	768.4	849.1	920.5	963.9	1048.8	1,176.5	1,226.8	1,208.1	1,186.9	1,184.8

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	85%	81%	81%	88%	88%	90%	87%	89%	86%	90%
Support services										
Number of recruitments	116	117	129	131	171	246	107	87	90	81
Employee turnover	12.0%	8.3%	9.2%	12.5%	13.1%	9.5%	9.2%	8.1%	4.9%	6.6%
Legal and court										
Case filings	21,871	23,329	28,080	23,034	29,175	38,315	37,821	36,890	32,299	27,376
% of cases charged after review	1	62%	67%	62%	61%	66%	61%	61%	64%	65%
Development services										
Building permits issued	5,797	5,891	7,457	7,348	6,750	5,322	3,663	2,054	2,506	2,219
Value of permits issued (in millions)	\$ 755.1	\$ 745.1	\$1,004.1	\$1,121.6	\$ 983.3	\$ 825.5	\$ 539.6	\$ 266.3	\$ 324.3	\$ 238.7
Public works										
Number of utility locates	29,936	32,510	37,085	35,621	35,265	26,616	16,451	12,000	12,373	10,000
Public Safety:										
Police										
Number of arrests	4,089	4,331	5,361	6,237	8,845	13,324	10,528	12,487	11,411	10,645
Crimes per 1,000 population	38.4	35.7	37.0	27.4	28.3	26.6	25.4	23.3	20.4	20.5
Fire										
Number of emergency calls	7,774	8,490	9,870	10,225	11,718	12,260	13,259	12,972	13,566	14,172
Response time average from time of alert at station to on-scene	5 min 32 sec	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
Highways and streets										
Average pavement condition index	NA	88	88	89	89	90	91	91	91	90
Community services										
Facility reservation requests	8,046	9,997	9,983	11,346	15,505	17,434	18,691	19,222	15,681	16,637
Participants in recreation programs	59,283	57,771	46,499	49,262	57,122	45,516	54,815	48,892	50,038	47,493
Transportation										
Average daily ridership	221	281	346	385	523	388	421	1,039	835	845
Water										
Daily average water production (mg)	29	34	36	38	40	44	42	44	42	42
Average # of meters read per month	46,000	49,300	54,160	58,420	60,190	64,320	68,447	70,630	71,814	71,917
Wastewater										
Daily average wastewater influent (mg)	7.89	8.54	9.46	10.46	10.71	11.71	12.32	12.37	12.91	12.70
Annual effluent produced/reused (mg)	2,404	2,502	2,627	2,596	2,599	3,417	4,174	4,160	4,420	4,840
Solid waste										
Solid waste tonnage	72,901	79,503	85,779	91,278	101,168	112,880	113,777	110,144	110,403	111,943
Recycle tonnage	12,766	13,229	14,421	16,538	17,084	18,388	19,055	18,810	19,191	18,900
Irrigation										
Cost per house irrigated	\$ 406	\$ 415	\$ 294	\$ 323	\$ 309	\$ 309	\$ 384	\$ 1,532 ^a	\$ 542	N/A ^b

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.

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

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2002</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>
Public safety:										
Police										
Number of police cars	87	107	109	126	142	150	151	162	156	166
Fire										
Fire stations	6	6	6	8	9	9	9	9	9	9
Highways and streets										
Street center line miles (estimate)	742	766	806	883	986	1,013	1,017	872	903	923
Traffic control signals	56	57	80	89	111	137	159	169	168	173
Community services										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	755	767	676	676	676	676	676	676	690	690
Water										
Miles of water main	503	554	591	642	825	900	1,067	1,137	1,175	1,189
Wastewater										
Miles of wastewater main	416	426	455	480	487	770	809	843	860	868
Solid waste										
Garbage trucks	39	44	46	55	51	52	52	54	57	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		
2002	3,472	\$ 570,781,981	106	\$ 132,489,648	2,219	\$ 51,781,132	\$ 749,581,043	\$ 29,293,209,000 ^c
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

^a Development Services Department

^b Maricopa County Assessor's Office

^c Arizona Banker's Association

^d Federal Deposit Insurance Corporation

**Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2011**

	<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	\$ 1,100,174	616,443	10,687	(561,710)	\$ 1,165,594
Police system development fee	1,767,448	784,292	14,105	(2,744,752)	(178,907) ^a
Fire system development fee	(18,426,360)	1,342,085	-	(985,935)	(18,070,210) ^a
General government system development fee	(2,240,171)	863,570	-	(2,410,596)	(3,787,197) ^a
Parks and recreation system development fee	8,943,055	5,129,378	81,415	(6,527,031)	7,626,817
Water system development fee	23,599,328	6,485,383	5,460,875	(13,272,746)	22,272,840
Water resources system development fee	18,635,221	1,918,930	124,199	(8,831,221)	11,847,129
Wastewater system development fee	(39,213,354)	6,878,502	5,700,000	(12,045,698)	(38,680,550) ^b
Totals	<u>\$ (5,834,659)</u>	<u>24,018,583</u>	<u>11,391,281</u>	<u>(47,379,689)</u>	<u>\$ (17,804,484)</u>

Equivalent Residential Unit

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 \$43,356,504 at June 30, 2011.

^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 \$38,615,662 at June 30, 2011.

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

<u>Fiscal Year</u>	<u>Adopted Tax Levy</u>	<u>County Resolutions</u>	<u>Net Tax Levy</u>	<u>Current Collections</u>	<u>Percent Of Levy</u>	<u>Delinquent Collections</u>	<u>Total Collections</u>	<u>Percent of Levy</u>
2002	\$ 8,022,152	\$ (9,176)	\$ 8,012,976	\$ 7,803,729	97.39%	\$ 207,598	\$ 8,011,327	99.98%
2003	8,790,761	(101,804)	8,688,957	8,524,015	98.10%	162,634	8,686,649	99.97%
2004	10,423,960	(21,510)	10,402,450	10,192,801	97.98%	207,444	10,400,245	99.98%
2005	12,110,279	(112,123)	11,998,156	11,796,111	98.32%	199,682	11,995,793	99.98%
2006	14,395,693	(183,273)	14,212,420	13,928,035	98.00%	282,724	14,210,759	99.99%
2007	16,913,578	(285,567)	16,628,011	16,226,531	97.59%	399,732	16,626,263	99.99%
2008	27,315,101	(474,995)	26,840,106	25,797,060	96.11%	1,026,988	26,824,048	99.94%
2009	31,332,659	(218,315)	31,114,344	29,744,757	95.60%	1,297,263	31,042,020	99.77%
2010	30,389,882	(214,836)	30,175,046	29,347,617	97.26%	-	29,347,617	97.26%
2011	26,198,053	107,618	26,305,671	25,253,466	96.00%	-	25,253,466	96.00%

Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2011**

<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	\$ 24,083,675	1.29%
Verizon Wireless	Communications	11,306,940	0.61%
Power & Ray LLC	Commercial	6,449,991	0.35%
Southwest Gas Corporation	Utility	6,296,606	0.34%
Vestar CTC-Gilbert Phase II LLC	Shopping Center	6,000,586	0.32%
Target Corporation	Shopping Center	5,762,522	0.31%
Macerich Santan Phase 2 Spe LLC	Shopping Center	5,708,685	0.31%
Donahue Schriber Realty Group Lp	Shopping Center	5,566,913	0.30%
Qwest Corporation	Communications	5,188,961	0.28%
Smiths Food & Drug Centers INC	Shopping Center	4,406,232	0.24%
Lowe's HIW Inc	Shopping Center	4,302,399	0.23%
Spectrum Town Center Property LLC	Shopping Center	4,258,000	0.23%
Dillard Store Services Inc.	Shopping Center	4,124,944	0.22%
Gilbert Commons Financial Group LLC	Shopping Center	3,936,551	0.21%
Federal National Mortgage Association	Residential / Vacant Land	3,745,320	0.20%
Branch Brook Gardens	Residential	3,715,257	0.20%
ATC REALTY SIXTEEN INC	Residential	3,439,963	0.18%
Vestar CTC-Gilbert Phase II LLC	Shopping Center	3,338,831	0.18%
Sunnyvale Business Square LLC	Shopping Center	3,270,320	0.18%
Gilbert LLC/ETAL	Shopping Center	3,230,399	0.17%
		<u>\$ 118,133,095</u>	<u>6.35%</u>

Source: Maricopa County Treasurer's Office

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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