



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2008



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**Comprehensive Annual
Financial Report**
Year Ended June 30, 2008



Steven M. Berman, Mayor

Linda Abbott, Council Member
Dave Crozier, Council Member
Joan Krueger, Vice Mayor

Les Presmyk, Council Member
Don Skousen, Council Member
Steve Urie, Council Member

George A. Pettit, Manager

Prepared by the Finance Department

Cindi Mattheisen, Financial Services Manager

**TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008**

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Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart

December 8, 2008

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, 2008. 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, 2008. The independent auditors' report is located at the front of 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

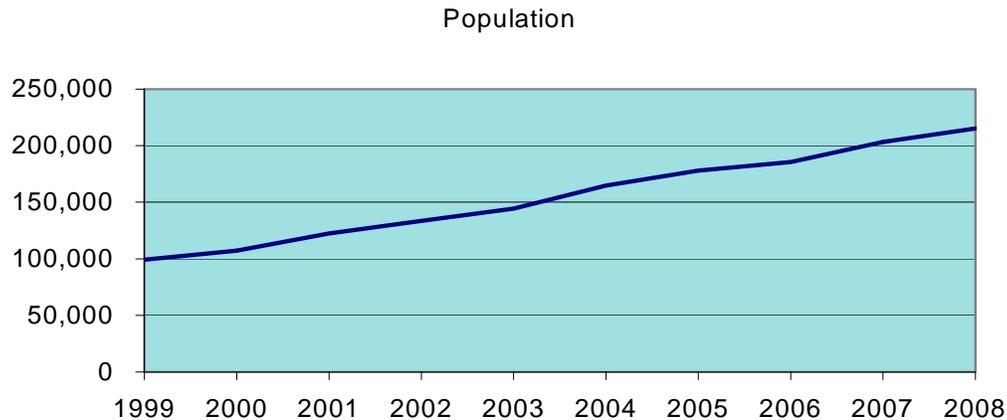
Gilbert is an Arizona Municipal Corporation, operating as a general law community as prescribed in the Arizona Revised Statutes. Gilbert was incorporated July 6, 1920, and operates under the Council-Manager form of government. Six council members are elected at large to staggered four-year terms. The Mayor is a member of the Council, directly elected by the voters for a four-year term. The next election is scheduled for March 2009 for the Mayor and two council members.

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 2008, the Manager administered Gilbert's operations through a staff of 1,226 full time equivalent (FTE) 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. 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 also serves as Gilbert's primary reclaimed water recharge facility.

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 76 square miles. The most recent estimate of population by the Maricopa Association of Governments as of July 1, 2008, was 214,820, an increase of 6% from fiscal year 2007. The following graph depicts the ten-year population trend for Gilbert.



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

Fiscal year 2008 continued in economic growth but at a slower rate in the community. There were 1,536 new residential permits issued. The total value of all new construction, including commercial, was \$540 million, compared to \$825 million in fiscal year 2007.

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 2008, a total of \$41.6 million was collected in SDF's.

Economic Development

Gilbert is home to 17 industrial/business parks totaling over 5.75 million square feet with another 500,000+/- square feet of industrial/office space throughout the community. Gilbert added 698 employment/office related jobs and 429 retail/service related jobs in fiscal year 2008. Gilbert's unemployment rate as of June 30, 2008 was 2.4%, which is lower than the Maricopa County rate of 4.2%, the State rate of 5.0% and the U.S. rate of 5.5%.

Despite the national downturn and the slowing of overall growth in the region, Gilbert is still recognized as the 8th fastest growing municipality in the nation. The community was also ranked as the 28th most livable city in the U.S. by *CNN/Money Magazine* and the 2nd safest community in Arizona as noted by *2008 FBI Crime Statistics*.

One of Gilbert's still most recognized areas of growth is the recently completed Santan Loop 202 Freeway. Offering connectivity to the rest of the Phoenix metropolitan area, this freeway provides an economic engine within the Gilbert economy attracting several large-scale development projects with the inclusion of office, medical office, industrial/flex space, hospitality and retail.

Nationwide Realty Investors recently completed the acquisition of approximately 230 acres on the northeast corner of the Loop 202 Freeway and Gilbert Road. This development is projected to contain roughly 3 million square feet of office, retail and hospitality use with retail starting to develop in early 2009. Build-out is expected in the next 10 to 15 years.

Two completed business and industrial parks located just south of the Loop 202 and east of Gilbert Road include the Reserve at San Tan with 150,000 square feet of office and flex-office space and the 202 Business Center with 290,000 square feet of industrial space. Slated to be the next substantial employment corridor in the southeast valley, this immediate area is projected to host other office and industrial parks such as the Gilbert 202 Commerce Center with a planned 577,000 square feet.

Just to the east of this location is the Loop 202 and Val Vista corridor. Many life science and healthcare related businesses have come to light with the 416,000 square foot Mercy Gilbert Medical Campus as the main driver for development in that area. Most notable projects include the Celebration Center for Integrated Healing, Hospice of the Valley, Ironwood Cancer Treatment Centers and many smaller medical office condos. Across from Mercy Gilbert is Copper Point Business Park with 90,000 square feet of space and the planned El Dorado Corporate Center with another 112,000 square feet of office space.

To the north of the Loop 202 along Val Vista includes a reemergence of the Main Street Commons project with additional mixed-use residential, retail and another 200,000 square feet of office. Next to Main Street is San Tan Commons which will house a mix of office and retail as well as the corporate headquarters for Mountainside Fitness. Hyatt Place Hotel is also under construction with a projected opening date of spring 2009 and the Hampton Inn is ready to pull permits and start construction right next door.

Also on the Loop 202 at Williams Field is the Santan Village Mall, a regional shopping center that opened in October 2007. Still in the process of build-out, this mall has been touted as the lifestyle center for future retail developments to imitate. This open-air, mixed-use project provides retail, dining and entertainment opportunities within an urban district. Both the Santan Village Mall and the Power Center to its south will account for nearly 3 million square feet of retail, office and entertainment uses at build-out making it the largest commercial development in Gilbert to date. New retail developments include Dick's Sporting Goods, Macy's and many upscale retail and restaurant uses including the Keg and Kona Grill.

Additional growth in the life science and healthcare services field includes a 110,000 square foot expansion to Gilbert Hospital's medical campus located just south of Warner along Power Road. Banner Gateway Medical Center located at the U.S. 60 and Higley also continues to attract development in the surrounding area with another 128,000 square foot medical office development.

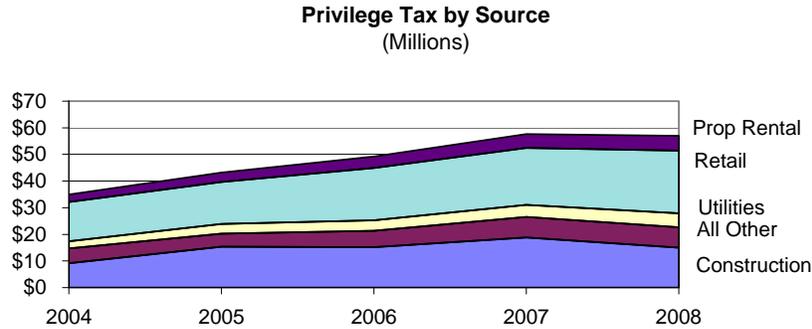
Another growth area of interest in Gilbert includes the Power Road Corridor with the recent activity related to Phoenix-Mesa Gateway Airport, as well as the Chandler Gilbert Community College and ASU Polytechnic campuses.

Phoenix-Mesa Gateway is recognized as the reliever airport for Sky Harbor International and is predicting activity from over 5 million commercial airline passengers by the year 2027. The airport is projected to generate 17,000 new airport related jobs, as well as an additional 100,000 jobs in the surrounding 20 acres providing a direct benefit to the Gilbert community.

This activity combined with the recent response of both Chandler-Gilbert and ASU Polytechnic to our changing needs in workforce will create even more opportunity for Gilbert in and around the Power Road Corridor. Both schools expect to add a combined 50,000 students in the three campuses that surround Gilbert over the next 15 years.

Transaction Privilege (Sales) Tax Trend

Sales tax revenues represented 47% of General Fund revenues for fiscal year 2008, totaling approximately \$57 million. Local sales taxes are collected by the State Department of Revenue and remitted to Gilbert weekly. The following graph depicts sales tax receipts by source for the past five years.

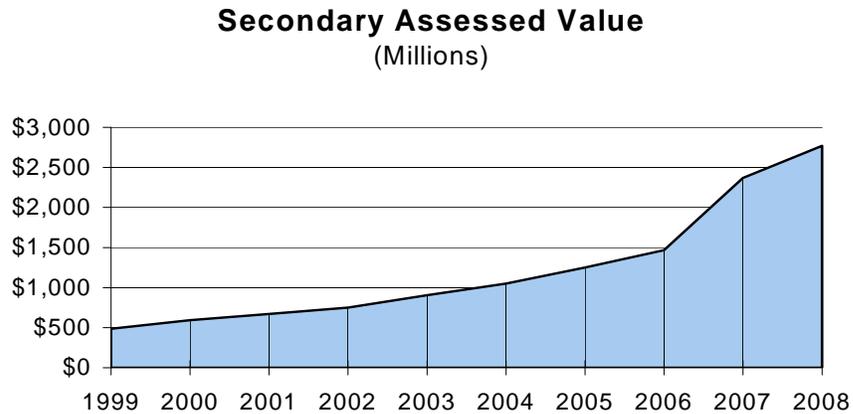


Property Taxes

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 23.5% (2004 legislation decreases the commercial property rate 0.5% a year from 25% in 2005 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 increased by 17% in fiscal year 2008 from \$2.370 billion to \$2.768 billion. The following graph depicts the changes in the assessed valuation in Gilbert:



State Shared Revenues

State shared revenues totaled \$41.3 million for the General Fund and \$20.4 million for the Streets Special Revenue Fund in fiscal year 2008, representing approximately 34% of total General Fund revenues and 98% of total Streets Special Revenue Fund revenues. State shared revenues include allocations of state collected sales tax, income tax, gas tax, motor vehicle in-lieu tax, and lottery funds. These revenues are shared based upon relative population in the State as determined by the census. Due to the significant population growth, Gilbert participated in the mid-decade census in September 2005 to allow for the reallocation of state shared revenues based upon the revised population. The 2005 Special Census established the population at 173,072 compared to 109,697 from the 2000 Census.

Budget and Financial Policies

Gilbert develops the annual budget based on a resource constrained model. No tax rate increases or new taxes are anticipated in the next five year planning horizon. 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 (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, 2007. This was the 16th 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. This report satisfied both generally accepted accounting principles and 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.

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, and Tanya Wright, Accountant II, who were primarily responsible for preparing this document. In addition, I would like to thank staff from the Manager's Office and other 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
Financial Services Manager

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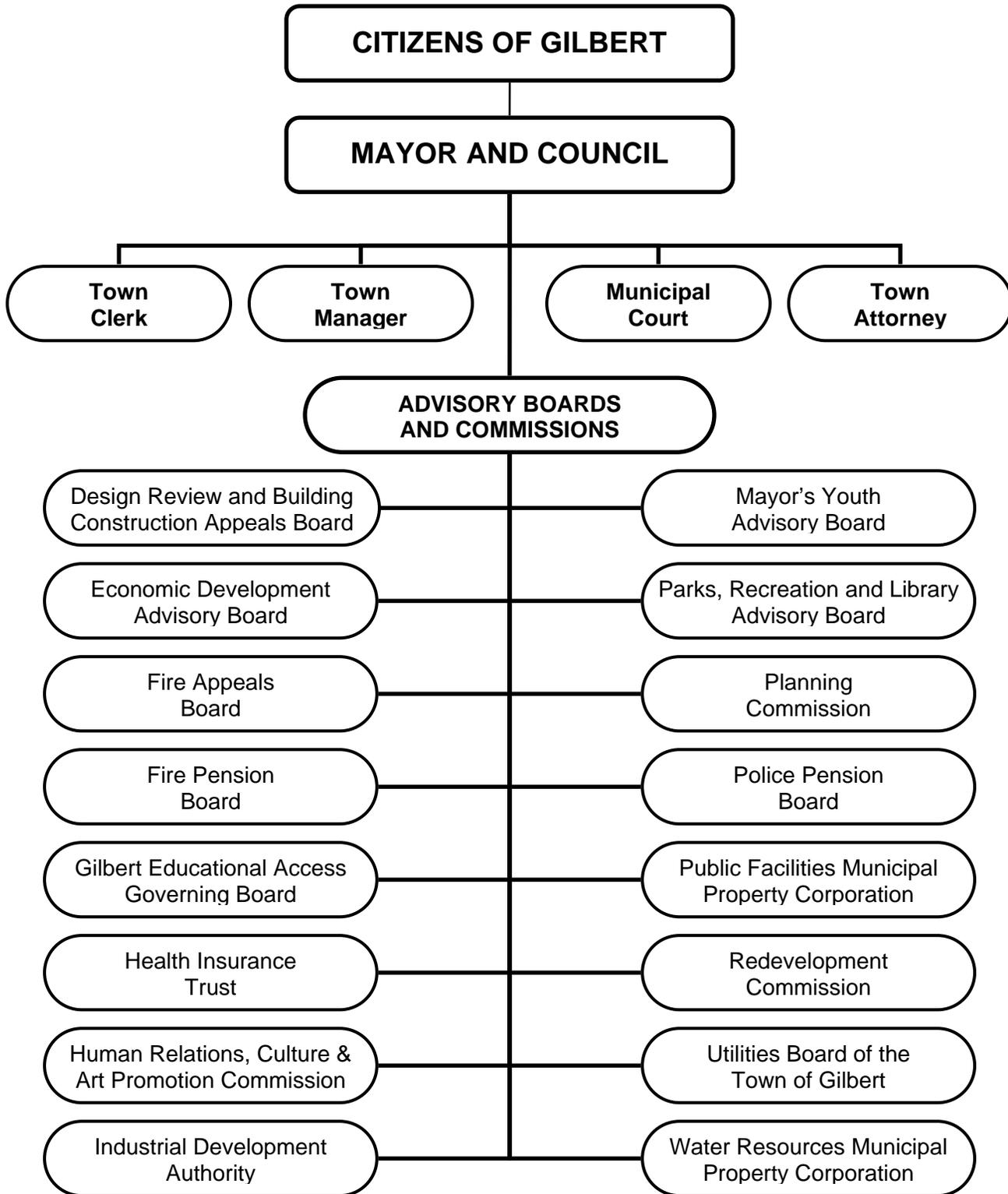
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Cindi Mattheisen
Financial Services Manager

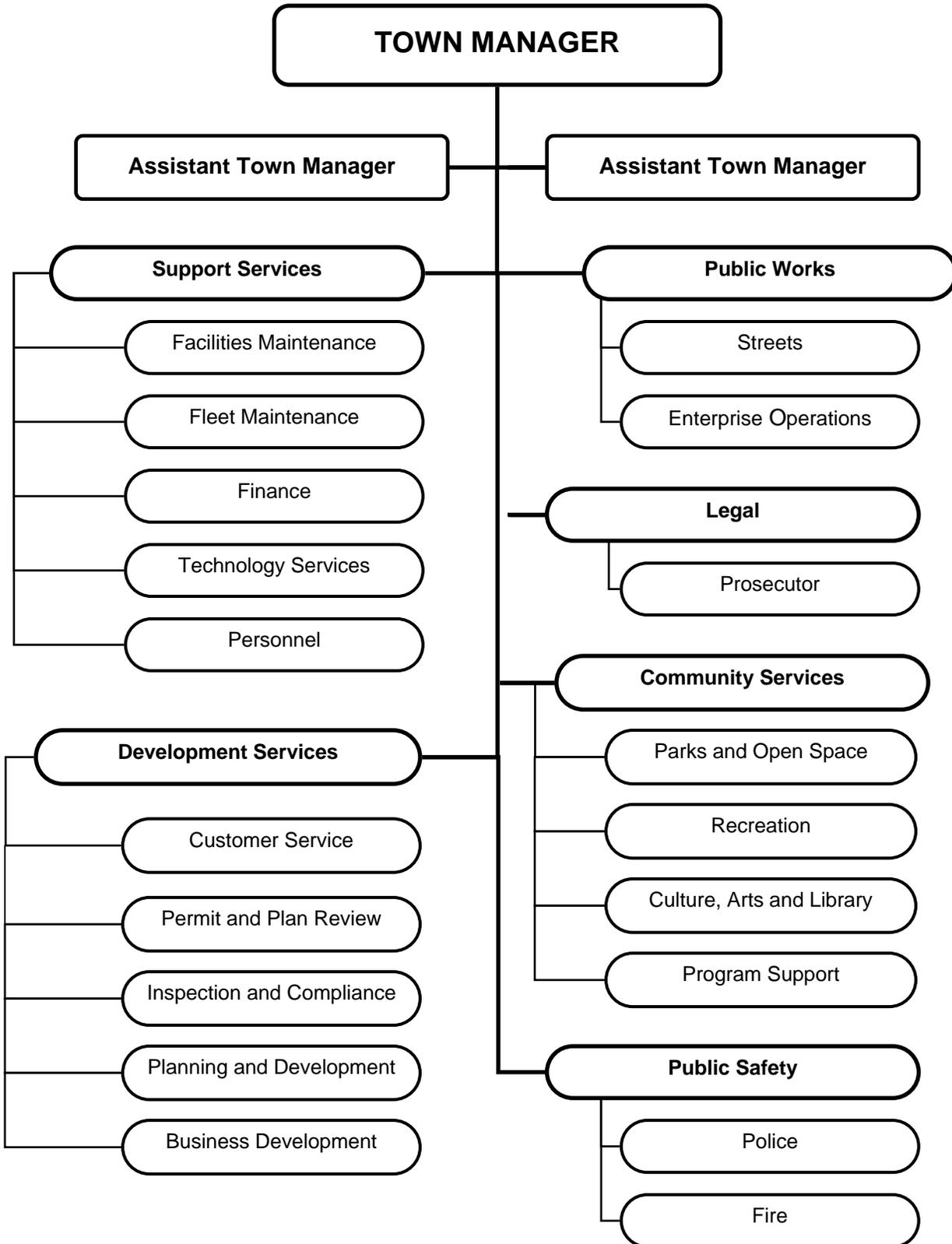


Advisory Organization Chart





Organization Reporting 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

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Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and aggregate remaining fund information of the Town of Gilbert, Arizona (the "Town") as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Highway User Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, 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.

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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 basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

December 5, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information provided in the transmittal letter.

Financial Highlights

- Gilbert's assets exceeded its liabilities at the end of the fiscal year by \$1.3 billion. Included in this amount defined as net assets is \$185 million of unrestricted net assets, of which \$128 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$57 million which may be used to fund ongoing operations in future years.
- Net assets includes a \$688 million net investment in capital assets such as streets, park land, and municipal buildings and a \$274 million net investment in water, wastewater and solid waste infrastructure and equipment.
- The combined fund balance for all governmental funds is \$90 million, of which \$31 million is unreserved.
- The General Fund unreserved fund balance is \$38 million, of which \$14 million is designated as a reserve fund not to be appropriated for ongoing operations.
- The remaining General Fund unreserved undesignated balance of \$24 million is approximately 23% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$406 million, as compared to \$450 million at the end of fiscal year 2007.

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 basic services such as 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 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, solid waste, and irrigation. ***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, copier 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 37-64.

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, 2008 and 2007.

Town of Gilbert Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 145,804,696	\$ 187,931,745	\$ 313,361,214	\$ 313,174,313	\$ 459,165,910	\$ 501,106,058
Capital assets	849,960,271	779,826,489	435,441,728	424,242,473	1,285,401,999	1,204,068,962
Total assets	995,764,967	967,758,234	748,802,942	737,416,786	1,744,567,909	1,705,175,020
Long-term liabilities	179,758,753	212,412,072	210,384,559	227,884,674	390,143,312	440,296,746
Other liabilities	44,665,486	48,080,923	21,399,146	10,496,741	66,064,632	58,577,664
Total liabilities	224,424,239	260,492,995	231,783,705	238,381,415	456,207,944	498,874,410
Net assets:						
Invested in capital assets, net						
of related debt	688,393,175	596,974,293	273,512,939	386,129,911	961,906,114	983,104,204
Restricted	34,925,873	42,681,149	106,871,117	103,425,180	141,796,990	146,106,329
Unrestricted	48,021,680	67,609,797	136,635,181	9,480,280	184,656,861	77,090,077
Total net assets	\$ 771,340,728	\$ 707,265,239	\$ 517,019,237	\$ 499,035,371	\$ 1,288,359,965	\$ 1,206,300,610

Net assets consist of three components. The largest portion of Gilbert's net assets (75%) 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 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining \$185 million of unrestricted net assets (14%) includes \$128 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$57 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2008 increased Gilbert's net assets by \$64 million, accounting for 65% 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 96% of total revenues for governmental activities. Taxes (local and state-shared) were \$128 million, an increase of \$15 million over the prior year. Program revenues were \$87 million, a decrease of \$27 million from the prior year which was due mostly to the \$24 million decrease in capital grants and contributions. It should be noted that \$19 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 39%, and highways and streets which represented 23% of total governmental activities expenses. Total expenses increased \$17 million (12%) over the prior fiscal year. The largest changes were a \$9 million increase in public safety expenses and a \$5 million increase in highways and streets expenses.

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	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 18,917,364	\$ 21,196,607	\$ 66,421,113	\$ 58,321,010	\$ 85,338,477	\$ 79,517,617
Operating grants and contributions	22,630,806	22,465,988	-	-	22,630,806	22,465,988
Capital grants and contributions	45,821,379	70,075,655	34,555,868	64,673,795	80,377,247	134,749,450
General revenues:						
Sales taxes	56,979,907	57,697,496	-	-	56,979,907	57,697,496
Property taxes	26,345,117	16,499,669	-	-	26,345,117	16,499,669
State-shared sales taxes	16,316,998	16,594,671	-	-	16,316,998	16,594,671
State-shared income taxes	24,985,772	19,761,466	-	-	24,985,772	19,761,466
Other taxes	3,426,313	2,737,010	-	-	3,426,313	2,737,010
Grants and contributions not restricted to specific programs	2,195,293	3,157,008	-	-	2,195,293	3,157,008
Unrestricted investment earnings	4,462,545	8,508,485	7,509,250	5,287,992	11,971,795	13,796,477
Other	804,240	644,065	455,540	29,453	1,259,780	673,518
Total revenues	222,885,734	239,338,120	108,941,771	128,312,250	331,827,505	367,650,370
Expenses						
Management and policy	3,166,667	3,070,422	-	-	3,166,667	3,070,422
Support services	10,351,241	9,827,763	-	-	10,351,241	9,827,763
Legal and court	5,848,004	5,316,211	-	-	5,848,004	5,316,211
Development services	14,500,727	13,394,123	-	-	14,500,727	13,394,123
Public works	978,662	914,339	-	-	978,662	914,339
Police	39,640,802	34,021,950	-	-	39,640,802	34,021,950
Fire	22,563,858	18,872,416	-	-	22,563,858	18,872,416
Highways and streets	36,385,215	31,052,006	-	-	36,385,215	31,052,006
Community services	16,175,710	15,925,776	-	-	16,175,710	15,925,776
Transportation	1,562,754	1,438,736	-	-	1,562,754	1,438,736
Interest and fiscal charges on long-term debt	8,893,365	9,531,956	-	-	8,893,365	9,531,956
Water	-	-	34,277,527	24,029,873	34,277,527	24,029,873
Wastewater	-	-	23,507,048	19,873,117	23,507,048	19,873,117
Solid waste	-	-	14,782,904	12,978,271	14,782,904	12,978,271
Irrigation	-	-	66,626	29,956	66,626	29,956
Total expenses	160,067,005	143,365,698	72,634,105	56,911,217	232,701,110	200,276,915
Increase in net assets before transfers	62,818,729	95,972,422	36,307,666	71,401,033	99,126,395	167,373,455
Transfers	1,256,760	609,993	(1,256,760)	(609,993)	-	-
Increase in net assets	64,075,489	96,582,415	35,050,906	70,791,040	99,126,395	167,373,455
Net assets, beginning of year *	707,265,239	610,682,824	481,968,331	428,244,331	1,189,233,570	1,038,927,155
Net assets, end of year	\$ 771,340,728	\$ 707,265,239	\$ 517,019,237	\$ 499,035,371	\$ 1,288,359,965	\$ 1,206,300,610

* Net assets, beginning of year, restated for business-type activities (see Note 2)

Business-type Activities

Business-type activities increased Gilbert’s net assets in fiscal year 2008 by \$35 million primarily due to \$26 million in system development fee collections and \$7 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities decreased \$19 million (15%) from the prior fiscal year mostly due to a \$17 million reduction in system development fee revenue and a \$4 million reduction in capital contributions from developers. Expenses increased \$16 million (28%) over 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 that are 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 Obligations Debt Service Fund
- Special Assessments Debt Service Fund
- Streets and Transportation Capital Projects Fund
- Municipal Facilities Capital Projects Funds
- 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 2008, the governmental funds reported combined ending fund balances of \$90 million, a decrease of \$40 million in comparison with the prior fiscal year. Approximately 60% (\$54.4 million) of the total is reflected in the General Fund balance.

**Town of Gilbert
Governmental Funds - Fund Balances
As of June 30, 2008**

	Reserved	Unreserved	Total
General	\$ 16,015,075	\$ 38,375,273	\$ 54,390,348
Streets Special Revenue	-	5,253,763	5,253,763
General Debt Obligations Debt Service	7,279,915	-	7,279,915
Special Assessments Debt Service	4,026	-	4,026
Streets and Transportation Capital Projects	21,287,466	(5,653,547)	15,633,919
Municipal Facilities Capital Projects	882,814	(27,891,474)	(27,008,660)
Parks, Open Space and Recreation Capital Projects	7,777,158	-	7,777,158
Other Governmental Funds	5,631,574	21,058,437	26,690,011
Total Fund Balances	\$ 58,878,028	\$ 31,142,452	\$ 90,020,480

General Fund

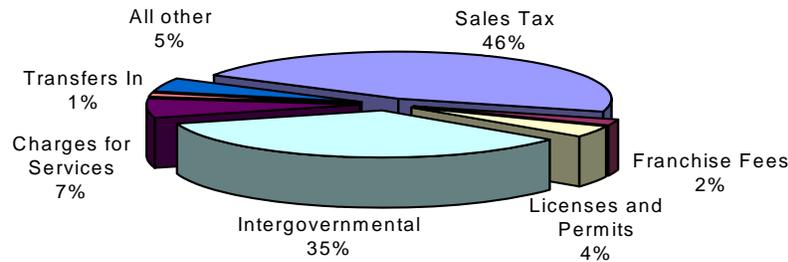
The General Fund is the primary operating fund. At the end of fiscal year 2008, the fund balance of the General Fund was \$54.4 million, an increase of \$4.9 million from the prior year. The unreserved and undesignated portion of the fund balance was \$24 million. As a measure of the General Fund's liquidity, it may be useful to compare its available fund balance to total fund expenditures. The General Fund's unreserved, undesignated fund balance represents 23% of total General Fund expenditures compared with 21% in the prior year.

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

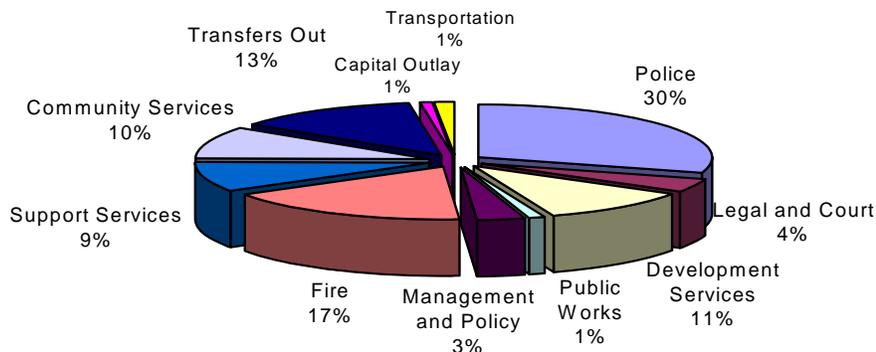
- Overall, revenues exceeded expenditures in the General Fund by \$18.5 million; however, transfers to other funds (net) were \$13.6 million resulting in an increase in fund balance of \$4.9 million. The transfers out included \$11.2 million to capital projects funds and \$2.9 million for general debt obligations.
- Sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 82% of the total revenues.
- Sales tax, which accounts for almost half of total General Fund revenues, decreased \$0.7 million (1%).
- Intergovernmental revenues increased \$5.8 million (15%) due mostly to a \$5.2 million increase in Urban Revenue Sharing from the State.
- Public safety expenditures which comprise over half of the total General Fund expenditures increased \$8.1 million (17%). Police added 22.5 positions and Fire added 19 positions in fiscal year 2008 resulting in increased public safety personnel costs of \$7.1 million over the prior fiscal year.

Additional information is provided in the General Fund Budgetary Highlights section of this analysis on pages 10-11.

**General Fund Sources
\$123.2 Million**



**General Fund Uses
\$118.3 Million**



Streets Special Revenue Fund

The Streets Fund revenues include state shared revenues which are highway user revenue taxes, 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 by less than 1% over the prior year while total expenditures increased by 14% or \$1.7 million. This resulted in a 15% (\$0.9 million) decrease in fund balance.

Other Major Governmental Funds

General Debt Obligations Debt Service. The fund balance decreased by \$3.8 million during the year due to debt service requirements of \$43.8 million exceeding the property tax revenues of \$26.3 million and transfers in from other funds of \$13.2 million. The remaining fund balance of \$7.3 million will be used to fund future debt service payments on voter approved general obligation bonds.

Special Assessments Debt Service. The fund balance of \$4 thousand is all reserved to pay future debt service requirements on special assessment bonds.

Streets and Transportation Capital Projects. The fund balance decreased by \$3.3 million to \$15.6 million. Current year expenditures exceeded revenues by \$10.3 million but this deficit was covered in part by other financing sources which included \$3.8 million in general obligation bond proceeds and \$3.3 million of transfers from other funds, mostly the Streets Special Revenue Fund.

Municipal Facilities Capital Projects. The fund balance decreased significantly during the year from \$4 million to a deficit of \$27 million. Over half of the deficit (\$14.5 million) relates to the new public safety training facility which will be funded through the issuance of Public Facilities Municipal Property Corporation bonds in fiscal year 2009. The remaining fund deficit related to new fire stations will be covered through the future collection of fire system development fees as the surrounding areas are further developed.

Parks, Open Space and Recreation Capital Projects. The fund balance decreased by \$5.4 million to \$7.8 million. Current year expenditures exceeded revenues by \$19.6 million of which \$15.3 million was financed through transfers in from other funds.

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 \$0.5 million (2%) to a balance at year end of \$27 million. Nonmajor funds represent 30% 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
- Irrigation Fund

Water Fund

The Water Fund provides domestic water to the community and others in our service area using a combination of ground water wells and treated surface water. Gilbert operates a 40 million gallon per day surface water treatment plant and 19 potable ground water wells. Net assets increased by \$24 million to \$275 million due primarily to capital contributions of \$19.9 million, including \$15.1 million in system development fees and \$4 million in distribution lines contributed by developers. Operating income was \$6.7 million.

Wastewater Fund

The Wastewater Fund provides collection, treatment, and recharge services to residents and businesses located in Gilbert. The services also include the storage and distribution of effluent (treated wastewater). Net assets increased \$9.5 million to \$229 million. There was an operating loss of \$2 million but net assets increased due to capital contributions of \$14.7 million, including \$10.9 million in system development fees and \$2.8 million in collection lines contributed by developers.

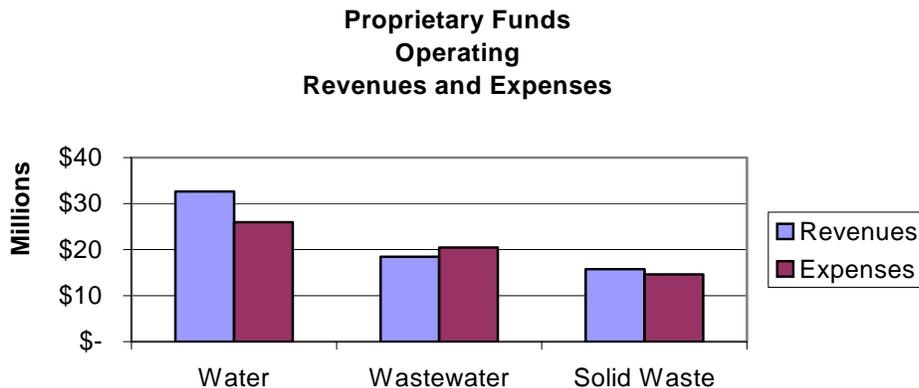
Solid Waste Fund

Gilbert operates the Solid Waste Fund to provide residential and commercial refuse 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 \$1.1 million to \$11.9 million. The increase was the result of \$1.1 million in operating income.

Irrigation Fund

Gilbert provides flood irrigation services to approximately 113 customers. The resources for the fund are from service charges and transfers from the General Fund. As a result the fund operates as break-even, having no net assets and no income or loss.

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



General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were less than 1% with the original revenue budget decreased by \$20 thousand (0.02%) and the original expenditure budget decreased by \$1 million (0.9%). The final budget projected that revenues would exceed expenditures by \$17 million but included \$25.7 million of transfers to other funds resulting in a \$7.9 million reduction to fund balance per the budget.

During the year actual revenues fell short of the budgeted amount by \$9.4 million (7%) and actual expenditures were less than budgeted by \$10.9 million (10%) resulting in an excess of revenues over expenditures of \$1.4 million more than budgeted. In addition, actual transfers to other funds during the year were \$10.4 million less than budgeted resulting in the actual net change in fund balance being \$12.8 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2008, Gilbert had invested \$1.3 billion in capital assets. This amount represents a net increase (including additions and deletions) of \$105 million over last fiscal year. The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2008 and 2007.

Town of Gilbert Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
	Land	\$ 79,495,267	\$ 53,337,618	\$ 17,438,299	\$ 15,636,761	\$ 96,933,566
Construction-in-progress	37,777,317	104,423,952	23,050,720	43,456,494	60,828,037	147,880,446
Buildings	183,656,907	95,995,494	-	-	183,656,907	95,995,494
Improvements	38,235,060	37,595,518	-	-	38,235,060	37,595,518
Plant, Machinery & Equipment	29,799,779	28,554,547	101,318,475	80,260,640	131,118,254	108,815,187
Water Rights	-	-	8,152,064	8,215,901	8,152,064	8,215,901
Infrastructure	480,995,941	459,919,360	285,482,170	252,529,107	766,478,111	712,448,467
Total Capital Assets	\$ 849,960,271	\$ 779,826,489	\$ 435,441,728	\$ 400,098,903	\$ 1,285,401,999	\$ 1,179,925,392

Total governmental capital assets increased \$70.1 million and business-type capital assets increased \$35 million. Major additions to capital assets during the fiscal year included the following:

Governmental Activities

- Streets and traffic signal projects totaling \$21.4 million.
- Developer contributions of street related infrastructure valued at \$19.5 million.
- Parks projects totaling \$26.6 million including \$11.6 million for the new Elliot Road District Park complex, \$7.4 million for the Perry and Williams Field High School pools, and \$3.9 million for Community Center renovations.
- Municipal facilities projects totaling \$29 million including \$14.5 million for the new public safety training facility land, \$8.5 million for reconstruction of older fire stations, and \$2 million for the expansion of the Municipal Office Building II.

Business-type Activities

- Developer contributions of water and wastewater infrastructure valued at \$6.8 million.
- Water system improvements totaling \$51.7 million which includes \$30.6 million for the South Water Treatment Plant, \$4.5 million for the expansion of the North Water Treatment Plant, and \$16.6 million for reservoirs and pump stations.
- Water main projects totaling \$18 million.
- Wastewater mains/services/valves projects totaling \$5 million and effluent distribution system projects totaling \$4.3 million.

See Note 7 on pages 49-51 for further information regarding capital assets.

Long-term Debt. At June 30, 2008, Gilbert had total bonded debt obligations of \$170.3 million related to governmental activities and \$213.5 million in business-type activities; \$52.6 million of the outstanding debt is general obligation bonds backed by the full faith and credit of the Town of Gilbert; \$3 million is special assessment bonds secured by a lien against the land of the benefited property owners in Improvement District #19; 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 general obligation (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, 2008 was \$165.2 million in the 6% capacity and \$502 million in the 20% capacity.

See Note 9 on pages 52-58 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2008 and 2007.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
	General Obligation	\$ 42,725,000	\$ 70,350,000	\$ 9,835,000	\$ 11,250,000	\$ 52,560,000
Special Assessment	2,990,000	4,380,000	-	-	2,990,000	4,380,000
Street and Highway User	29,375,000	31,300,000	-	-	29,375,000	31,300,000
Utility Revenue	-	-	20,745,000	21,995,000	20,745,000	21,995,000
Municipal Property Corporation	95,225,000	100,635,000	182,950,000	194,685,000	278,175,000	295,320,000
Totals	\$ 170,315,000	\$ 206,665,000	\$ 213,530,000	\$ 227,930,000	\$ 383,845,000	\$ 434,595,000

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, 2008.

	Moody's Investor Service	Standard and Poor's Ratings Service	Fitch Ratings
General Obligation	Aa2	AA	Not Rated
Street and Highway User Revenue	A1	A+	A+
Water and Wastewater Revenue Refunding	A2	A+	Not Rated
Public Facilities MPC*	Aa3	AA	AA-
Water Resources MPC	Not Rated	A	A-
Improvement District #19	A3	A-	Not Rated

* These bonds are insured

Economic Factors and Next Year's Budget

While Gilbert has experienced rapid growth in residential development over the last decade averaging between 250 and 350 new single family permits per month the current economic slowdown has had a significant impact in 2008. In January, 2008 Gilbert issued the fewest single family permits since July, 1986. The estimates for new permits have been reduced significantly to an average of 50 new single family permits per month in the fiscal year 2009 budget. The budget forecast assumes the current downturn in both the regional and national economies will continue for the foreseeable future.

In September, 2005, the U.S. Department of Census established through a Special Census, that Gilbert's population was 173,072. Gilbert is already participating in the planning for the 2010 Census, at which time our population is estimated to be 225,000.

Budget highlights for fiscal year 2009

- Total budget of \$936.7 million including \$254.9 million for operating budgets and \$418.8 million for capital projects.
- Staffing decrease of 20 positions in the General Fund, offset by staffing increases of 12.5 positions in the Enterprise Funds, 3 positions in the Special Revenue Funds, and 1 position in the Streets Fund.
- No change in the sales or property tax rates.
- Residential growth reduced significantly from an average of 250 to 50 homes per month.
- Increased utility rates to provide 100% cost recovery for enterprise operations.
- Maintenance of an undesignated fund balance of 9% of expenditures for the General Fund.
- Equipment Replacement Fund for the General Fund modified from a fully funded plan to one that maintains a minimum balance for current year replacements only to be fully funded.
- Equipment Replacement Funds for the Water, Wastewater, Streets, and Solid Waste Funds remain fully funded.
- Travel, training and other discretionary expenses limited and focused on mission critical activities.
- Allowance of 2% for market range salary adjustments and 0% for merit pay.

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.ci.gilbert.az.us. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

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



TOWN OF GILBERT, ARIZONA
Statement of Net Assets
June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 117,966,798	\$ 5,306,134	\$ 123,272,932	\$ 7,845
Receivables, net:				
Taxes	6,245,549	-	6,245,549	-
Special assessments	4,277,318	-	4,277,318	-
Accrued interest	437,781	161,064	598,845	-
Accounts	13,109,451	4,181,099	17,290,550	-
Due from other governments	2,856,925	15,636,535	18,493,460	-
Internal balances	(8,766,289)	8,766,289	-	-
Prepaid items	2,639	-	2,639	-
Inventories	634,562	165,827	800,389	-
Restricted assets:				
Cash and investments	8,391,973	148,542,794	156,934,767	-
Accrued interest	10,765	377,663	388,428	-
Deferred charges	637,224	2,510,345	3,147,569	-
Investment in Joint Venture	-	127,713,464	127,713,464	-
Capital assets:				
Non-depreciable	117,272,584	40,489,019	157,761,603	-
Depreciable, net	732,687,687	394,952,709	1,127,640,396	-
Total assets	995,764,967	748,802,942	1,744,567,909	7,845
LIABILITIES				
Accounts payable	11,817,637	13,396,492	25,214,129	-
Accrued liabilities	7,025,118	411,371	7,436,489	-
Accrued interest	-	2,206,266	2,206,266	-
Claims payable	997,247	-	997,247	-
Deposits held for others	318,062	-	318,062	-
Utility deposits	-	1,297,530	1,297,530	-
Bond interest payable	3,590,182	17,375	3,607,557	-
Unearned revenue	78,926	-	78,926	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences	2,543,314	370,112	2,913,426	-
Current portion of bonds payable	18,295,000	3,700,000	21,995,000	-
Due in more than one year:				
Compensated absences	3,396,833	457,163	3,853,996	-
Bonds payable	173,999,800	210,330,000	384,329,800	-
Unamortized bond premium (discount)	3,274,258	569,188	3,843,446	-
Unamortized charge - refunding bonds	(912,138)	(971,792)	(1,883,930)	-
Total liabilities	224,424,239	231,783,705	456,207,944	-
NET ASSETS				
Invested in capital assets, net of related debt	688,393,175	273,512,939	961,906,114	-
Restricted for:				
Debt service	11,561,259	33,106,139	44,667,398	-
Capital projects	12,343,703	73,764,978	86,108,681	-
Highways and streets	5,033,237	-	5,033,237	-
Grant programs	4,673,305	-	4,673,305	-
Court/police programs	1,314,369	-	1,314,369	-
Unrestricted	48,021,680	136,635,181	184,656,861	7,845
Total net assets	\$ 771,340,728	\$ 517,019,237	\$ 1,288,359,965	\$ 7,845

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, 2008

<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	\$ 3,166,667	\$ 8,304	\$ 38,328	\$ -
Support services	10,351,241	24,098	5,523	1,154,000
Legal and court	5,848,004	674,849	-	-
Development services	14,500,727	7,385,200	715,707	-
Public works	978,662	-	107,378	1,841,092
Public safety				
Police	39,640,802	6,358,381	190,892	1,942,124
Fire	22,563,858	71,807	1,024,238	3,126,969
Highways and streets	36,385,215	1,265,289	20,388,703	30,882,072
Community services	16,175,710	3,129,436	153,228	6,578,732
Transportation	1,562,754	-	6,809	296,390
Interest and fiscal charges on long-term debt	8,893,365	-	-	-
Total governmental activities	<u>160,067,005</u>	<u>18,917,364</u>	<u>22,630,806</u>	<u>45,821,379</u>
Business-type activities:				
Water	34,277,527	32,320,937	-	19,851,374
Wastewater	23,507,048	18,440,258	-	14,704,494
Solid waste	14,782,904	15,642,418	-	-
Irrigation	66,626	17,500	-	-
Total business-type activities	<u>72,634,105</u>	<u>66,421,113</u>	<u>-</u>	<u>34,555,868</u>
Total primary government	<u>\$ 232,701,110</u>	<u>\$ 85,338,477</u>	<u>\$ 22,630,806</u>	<u>\$ 80,377,247</u>
Component unit				
Industrial development authority	<u>\$ 1,087</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2007, as restated (see note 2)

Net assets, June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (3,120,035)	\$ -	\$ (3,120,035)	\$ -
(9,167,620)	-	(9,167,620)	-
(5,173,155)	-	(5,173,155)	-
(6,399,820)	-	(6,399,820)	-
969,808	-	969,808	-
(31,149,405)	-	(31,149,405)	-
(18,340,844)	-	(18,340,844)	-
16,150,849	-	16,150,849	-
(6,314,314)	-	(6,314,314)	-
(1,259,555)	-	(1,259,555)	-
(8,893,365)	-	(8,893,365)	-
(72,697,456)	-	(72,697,456)	-
-	17,894,784	17,894,784	-
-	9,637,704	9,637,704	-
-	859,514	859,514	-
-	(49,126)	(49,126)	-
-	28,342,876	28,342,876	-
(72,697,456)	28,342,876	(44,354,580)	-
			1,913
56,979,907	-	56,979,907	-
26,345,117	-	26,345,117	-
831,159	-	831,159	-
2,595,154	-	2,595,154	-
16,316,998	-	16,316,998	-
24,985,772	-	24,985,772	-
2,195,293	-	2,195,293	-
4,462,545	7,509,250	11,971,795	41
260,422	55,471	315,893	-
543,818	400,069	943,887	-
1,256,760	(1,256,760)	-	-
136,772,945	6,708,030	143,480,975	41
64,075,489	35,050,906	99,126,395	1,954
707,265,239	481,968,331	1,189,233,570	5,891
\$ 771,340,728	\$ 517,019,237	\$ 1,288,359,965	\$ 7,845

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

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Obligations Debt Service</u>	<u>Special Assessments Debt Service</u>
ASSETS				
Pooled cash and investments	\$ 26,275,178	\$ 4,795,694	\$ 20,829,266	\$ 4,026
Receivables, net:				
Taxes	5,622,910	-	601,641	-
Special assessments	-	-	-	4,277,318
Accrued interest	167,914	16,679	60,591	-
Accounts	9,599,798	-	-	-
Due from other governments	903	1,497,340	-	-
Due from other funds	12,048,536	-	-	-
Prepaid items	2,639	-	-	-
Inventories	10,020	-	-	-
Advances to other funds	15,457,192	-	-	-
Restricted assets:				
Cash and investments	-	-	7,693,712	-
Accrued interest	-	-	3,150	-
Total assets	<u>\$ 69,185,090</u>	<u>\$ 6,309,713</u>	<u>\$ 29,188,360</u>	<u>\$ 4,281,344</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,159,709	\$ 938,028	\$ 98,263	\$ -
Accrued liabilities	6,812,535	117,922	-	-
Deposits held for others	10,740	-	-	-
Due to other funds	-	-	-	-
Bonds payable	-	-	18,220,000	-
Interest payable	-	-	3,590,182	-
Advances from other funds	-	-	-	-
Deferred revenue:				
Special assessments	-	-	-	4,277,318
Other	4,811,758	-	-	-
Total liabilities	<u>14,794,742</u>	<u>1,055,950</u>	<u>21,908,445</u>	<u>4,277,318</u>
Fund Balances:				
Reserved for:				
Encumbrances	557,883	-	-	-
Advances	15,457,192	-	-	-
Debt service	-	-	7,279,915	4,026
Development fees-necessary public services	-	-	-	-
Unreserved, designated, reported in:				
General fund	14,400,000	-	-	-
Special revenue funds	-	-	-	-
Unreserved, undesignated, reported in:				
General fund	23,975,273	-	-	-
Special revenue funds	-	5,253,763	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>54,390,348</u>	<u>5,253,763</u>	<u>7,279,915</u>	<u>4,026</u>
Total liabilities and fund balances	<u>\$ 69,185,090</u>	<u>\$ 6,309,713</u>	<u>\$ 29,188,360</u>	<u>\$ 4,281,344</u>

Streets and Transportation Capital Projects	Municipal Facilities Capital Projects	Parks, Open Space and Recreation Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 18,772,487	\$ -	\$ 8,197,392	\$ 26,630,155	\$ 105,504,198
-	-	-	20,998	6,245,549
-	-	-	-	4,277,318
48,959	22,440	25,571	81,758	423,912
1,681,152	161,524	880,534	716,354	13,039,362
-	-	-	1,358,682	2,856,925
-	-	-	-	12,048,536
-	-	-	-	2,639
-	-	-	780	10,800
-	-	-	-	15,457,192
-	698,261	-	-	8,391,973
-	7,615	-	-	10,765
<u>\$ 20,502,598</u>	<u>\$ 889,840</u>	<u>\$ 9,103,497</u>	<u>\$ 28,808,727</u>	<u>\$ 168,269,169</u>
\$ 3,694,039	\$ 622,278	\$ 1,326,339	\$ 1,540,454	\$ 11,379,110
-	-	-	41,434	6,971,891
-	-	-	307,322	318,062
-	11,819,030	-	229,506	12,048,536
-	-	-	-	18,220,000
-	-	-	-	3,590,182
-	15,457,192	-	-	15,457,192
-	-	-	-	4,277,318
1,174,640	-	-	-	5,986,398
<u>4,868,679</u>	<u>27,898,500</u>	<u>1,326,339</u>	<u>2,118,716</u>	<u>78,248,689</u>
21,287,466	882,814	2,342,439	5,631,574	30,702,176
-	-	-	-	15,457,192
-	-	-	-	7,283,941
-	-	5,434,719	-	5,434,719
-	-	-	-	14,400,000
-	-	-	17,755,804	17,755,804
-	-	-	-	23,975,273
-	-	-	6,338,097	11,591,860
(5,653,547)	(27,891,474)	-	(3,035,464)	(36,580,485)
<u>15,633,919</u>	<u>(27,008,660)</u>	<u>7,777,158</u>	<u>26,690,011</u>	<u>90,020,480</u>
<u>\$ 20,502,598</u>	<u>\$ 889,840</u>	<u>\$ 9,103,497</u>	<u>\$ 28,808,727</u>	<u>\$ 168,269,169</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, 2008

Fund balances - total governmental funds **\$ 90,020,480**

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

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

Governmental capital assets	1,159,555,056	
Accumulated depreciation	<u>(309,824,434)</u>	849,730,622

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred special assessment revenue	4,277,318	
Deferred court revenue	4,732,832	
Deferred other entities participation revenue	<u>1,174,640</u>	10,184,790

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, copier 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.

3,051,853

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental fund statement.

Bonds payable	(174,074,800)	
Compensated absences	<u>(5,847,321)</u>	(179,922,121)

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

Bond issuance costs/discounts/premiums		<u>(1,724,896)</u>
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Net assets of governmental activities - statement of net assets **\$ 771,340,728**

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, 2008

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Obligations Debt Service</u>	<u>Special Assessments Debt Service</u>
Revenues				
Taxes:				
Sales	\$ 56,979,907	\$ -	\$ -	\$ -
Property	-	-	26,345,117	-
Franchise	2,595,154	-	-	-
Licenses and permits	4,734,163	-	-	-
Intergovernmental	43,175,106	20,547,640	-	-
Special assessments	-	-	-	2,121,038
Charges for services	8,251,401	21,469	-	-
Other entities' participation	-	37,633	-	-
System development fees	-	-	-	-
Gifts and donations	15,521	-	-	-
Fines and forfeitures	3,997,959	2,965	-	-
Investment earnings	1,446,791	177,360	465,775	123
Miscellaneous	282,741	94,439	-	-
Total revenues	<u>121,478,743</u>	<u>20,881,506</u>	<u>26,810,892</u>	<u>2,121,161</u>
Expenditures				
Current:				
General government:				
Management and policy	3,878,899	-	-	-
Support services	10,813,606	-	-	-
Legal and court	5,034,640	-	-	-
Development services	12,484,883	-	-	-
Public works	1,278,668	-	-	-
Public safety:				
Police	35,196,018	-	-	-
Fire	20,334,622	-	-	-
Highways and streets	-	9,375,026	-	-
Community services	11,427,072	-	-	-
Transportation	1,555,945	-	-	-
Debt service:				
Principal	-	-	34,960,000	1,390,000
Interest	-	-	8,769,569	191,620
Bond issuance costs	-	-	98,263	-
Fiscal and other charges	-	-	18,248	350
Capital outlay	983,710	3,897,751	-	-
Total expenditures	<u>102,988,063</u>	<u>13,272,777</u>	<u>43,846,080</u>	<u>1,581,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,490,680</u>	<u>7,608,729</u>	<u>(17,035,188)</u>	<u>539,191</u>
Other financing sources (uses)				
Transfers in	1,739,812	50,000	13,227,496	-
Transfers out	(15,353,226)	(8,599,304)	-	(540,886)
General obligation bonds issued	-	-	-	-
Total other financing sources and uses	<u>(13,613,414)</u>	<u>(8,549,304)</u>	<u>13,227,496</u>	<u>(540,886)</u>
Net change in fund balances	4,877,266	(940,575)	(3,807,692)	(1,695)
Fund balances at beginning of year	49,513,082	6,194,338	11,087,607	5,721
Fund balances at end of year	<u>\$ 54,390,348</u>	<u>\$ 5,253,763</u>	<u>\$ 7,279,915</u>	<u>\$ 4,026</u>

<u>Streets and Transportation Capital Projects</u>	<u>Municipal Facilities Capital Projects</u>	<u>Parks, Open Space and Recreation Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 56,979,907
-	-	-	1,957,753	28,302,870
-	-	-	-	2,595,154
-	-	-	-	4,734,163
6,060,834	1,167,276	-	2,304,332	73,255,188
-	-	-	-	2,121,038
-	-	-	1,321,004	9,593,874
217,849	-	720,238	643,974	1,619,694
-	7,174,418	5,845,218	2,546,862	15,566,498
-	-	-	161,091	176,612
-	-	-	562,918	4,563,842
377,459	634,620	380,780	862,072	4,344,980
69,138	16,762	-	336,970	800,050
<u>6,725,280</u>	<u>8,993,076</u>	<u>6,946,236</u>	<u>10,696,976</u>	<u>204,653,870</u>
-	-	-	40,155	3,919,054
-	-	-	-	10,813,606
-	-	-	187,860	5,222,500
-	-	-	1,538,737	14,023,620
-	-	-	49,884	1,328,552
-	-	-	930,292	36,126,310
-	-	-	186,403	20,521,025
-	-	-	1,256,035	10,631,061
-	230	-	1,140,354	12,567,656
-	-	-	6,809	1,562,754
-	-	-	-	36,350,000
-	-	-	-	8,961,189
-	-	-	-	98,263
-	10,211	-	-	28,809
<u>17,038,512</u>	<u>29,047,004</u>	<u>26,575,624</u>	<u>9,985,646</u>	<u>87,528,247</u>
<u>17,038,512</u>	<u>29,057,445</u>	<u>26,575,624</u>	<u>15,322,175</u>	<u>249,682,646</u>
<u>(10,313,232)</u>	<u>(20,064,369)</u>	<u>(19,629,388)</u>	<u>(4,625,199)</u>	<u>(45,028,776)</u>
3,303,153	6,260,375	15,254,760	5,825,697	45,661,293
-	(17,173,280)	(1,069,065)	(1,668,772)	(44,404,533)
<u>3,759,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,759,800</u>
<u>7,062,953</u>	<u>(10,912,905)</u>	<u>14,185,695</u>	<u>4,156,925</u>	<u>5,016,560</u>
(3,250,279)	(30,977,274)	(5,443,693)	(468,274)	(40,012,216)
<u>18,884,198</u>	<u>3,968,614</u>	<u>13,220,851</u>	<u>27,158,285</u>	<u>130,032,696</u>
<u>\$ 15,633,919</u>	<u>\$ (27,008,660)</u>	<u>\$ 7,777,158</u>	<u>\$ 26,690,011</u>	<u>\$ 90,020,480</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, 2008**

Net change in fund balances - total governmental funds **\$ (40,012,216)**

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	87,528,247	
Depreciation expense	<u>(37,991,800)</u>	49,536,447

Issuance of debt is reported as a financing source in the governmental funds and thus contributes to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. (3,759,800)

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	36,350,000	
Bond issuance costs	98,263	
Amortization of bond issuance costs	(114,070)	
Amortization of deferred charge on refunding bonds	(2,982)	
Amortization of bond premium	<u>213,684</u>	36,544,895

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance and copier 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 income	617,377	
Investment earnings	117,564	
Gain on sale of capital assets	<u>4,190</u>	739,131

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		20,568,290
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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		(42,210)
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Certain revenues are deferred in the governmental funds because they do not provide current financial resources due to unavailability but are recognized as revenue in the statement of activities. However, other revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period.

Court revenue	1,026,864	
Other entities participation	1,174,640	
Special assessments	<u>(1,700,552)</u>	500,952

Change in net assets of governmental activities - statement of activities **\$ 64,075,489**

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 62,729,000	\$ 62,729,000	\$ 56,979,907	\$ (5,749,093)
Franchise	2,068,000	2,068,000	2,595,154	527,154
Licenses and permits	8,910,830	8,910,830	4,734,163	(4,176,667)
Intergovernmental	43,595,390	43,595,390	43,175,106	(420,284)
Charges for services	8,938,210	8,918,270	8,251,401	(666,869)
Gifts and donations	7,000	7,000	15,521	8,521
Fines and forfeitures	3,677,090	3,677,090	3,997,959	320,869
Investment earnings	705,000	705,000	1,446,791	741,791
Miscellaneous	296,980	296,980	282,741	(14,239)
Total revenues	130,927,500	130,907,560	121,478,743	(9,428,817)
Expenditures				
Current:				
General government:				
Management and policy	4,942,840	4,842,109	3,878,899	963,210
Support services	13,131,360	13,171,244	10,813,606	2,357,638
Legal and court	5,269,840	5,280,324	5,034,640	245,684
Development services	15,529,330	15,548,068	12,484,883	3,063,185
Public works	1,444,240	1,452,618	1,278,668	173,950
Public safety:				
Police	36,309,660	36,801,817	35,196,018	1,605,799
Fire	21,903,580	21,923,520	20,334,622	1,588,898
Community services	11,743,410	11,878,868	11,427,072	451,796
Transportation	1,730,870	1,730,870	1,555,945	174,925
Capital outlay	1,157,020	1,231,005	983,710	247,295
Contingency	1,682,460	-	-	-
Total expenditures	114,844,610	113,860,443	102,988,063	10,872,380
Excess of revenues over expenditures	16,082,890	17,047,117	18,490,680	1,443,563
Other financing sources (uses)				
Transfers in	793,370	778,370	1,739,812	961,442
Transfers out	(25,711,210)	(25,711,210)	(15,353,226)	10,357,984
Total other financing sources and uses	(24,917,840)	(24,932,840)	(13,613,414)	11,319,426
Net change in fund balances	\$ (8,834,950)	\$ (7,885,723)	4,877,266	\$ 12,762,989
Fund balance at beginning of year			49,513,082	
Fund balance at end of year			\$ 54,390,348	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 21,331,260	\$ 21,331,260	\$ 20,547,640	\$ (783,620)
Charges for services	-	-	21,469	21,469
Other entities' participation	-	-	37,633	37,633
Fines and forfeitures	-	-	2,965	2,965
Investment earnings	181,000	181,000	177,360	(3,640)
Miscellaneous	115,000	115,000	94,439	(20,561)
Total revenues	21,627,260	21,627,260	20,881,506	(745,754)
Expenditures				
Current:				
Highways and streets	9,450,410	9,681,707	9,375,026	306,681
Capital outlay	4,189,900	4,018,953	3,897,751	121,202
Contingency	567,000	504,000	-	504,000
Total expenditures	14,207,310	14,204,660	13,272,777	931,883
Excess of revenues over expenditures	7,419,950	7,422,600	7,608,729	186,129
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(11,238,290)	(11,238,290)	(8,599,304)	2,638,986
Total other financing sources and uses	(11,188,290)	(11,188,290)	(8,549,304)	2,638,986
Net change in fund balances	\$ (3,768,340)	\$ (3,765,690)	(940,575)	\$ 2,825,115
Fund balance at beginning of year			6,194,338	
Fund balance at end of year			\$ 5,253,763	

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, 2008

Business-type Activities - Enterprise Funds

	Water	Wastewater	Solid Waste	Irrigation
ASSETS				
Current assets:				
Pooled cash and investments	\$ 7,147,005	\$ -	\$ 6,536,842	\$ 2,575
Receivables (net):				
Accrued interest	64,097	74,735	22,232	-
Accounts	2,212,864	1,288,556	679,397	282
Due from other governments	14,683,616	952,919	-	-
Inventories	165,827	-	-	-
Total current assets	<u>24,273,409</u>	<u>2,316,210</u>	<u>7,238,471</u>	<u>2,857</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	133,776,115	14,766,679	-	-
Accrued interest	342,156	35,507	-	-
Advances to other funds	3,898,397	-	-	-
Deferred charges	1,463,630	1,046,715	-	-
Investment in joint venture	53,069,806	74,643,658	-	-
Capital assets:				
Non-depreciable	25,050,168	15,438,851	-	-
Depreciable, net	220,472,071	168,904,998	5,575,640	-
Total noncurrent assets	<u>438,072,343</u>	<u>274,836,408</u>	<u>5,575,640</u>	<u>-</u>
Total assets	<u>462,345,752</u>	<u>277,152,618</u>	<u>12,814,111</u>	<u>2,857</u>
LIABILITIES				
Current liabilities:				
Accounts payable	11,751,433	1,334,015	310,264	780
Accrued liabilities	164,169	85,419	160,094	1,689
Current portion of accrued compensated absences	146,270	76,718	146,736	388
Claims payable	-	-	-	-
Accrued interest	1,752,328	453,938	-	-
Bond interest payable	17,375	-	-	-
Bonds payable	3,700,000	-	-	-
Utility deposits	1,290,680	-	6,850	-
Total current liabilities	<u>18,822,255</u>	<u>1,950,090</u>	<u>623,944</u>	<u>2,857</u>
Noncurrent liabilities:				
General obligation bonds payable	9,835,000	-	-	-
Utility revenue bonds payable	158,345,613	42,149,387	-	-
Accrued compensated absences	164,546	83,886	208,731	-
Unamortized bond premium (discount)	448,527	120,661	-	-
Unamortized charge - refunding bonds	(728,844)	(242,948)	-	-
Advances from other funds	-	3,898,397	-	-
Total noncurrent liabilities	<u>168,064,842</u>	<u>46,009,383</u>	<u>208,731</u>	<u>-</u>
Total liabilities	<u>186,887,097</u>	<u>47,959,473</u>	<u>832,675</u>	<u>2,857</u>
NET ASSETS				
Invested in capital assets, net of related debt	124,573,833	143,363,464	5,575,640	-
Restricted for debt service	21,650,167	11,455,972	-	-
Restricted for capital projects	70,627,573	3,137,405	-	-
Unrestricted	58,607,082	71,236,304	6,405,796	-
Total net assets	<u>\$ 275,458,655</u>	<u>\$ 229,193,145</u>	<u>\$ 11,981,436</u>	<u>\$ -</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Net assets of business-type activities

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 13,686,422	\$ 4,082,312
161,064	13,869
4,181,099	70,089
15,636,535	-
165,827	623,762
<u>33,830,947</u>	<u>4,790,032</u>
148,542,794	-
377,663	-
3,898,397	-
2,510,345	-
127,713,464	-
40,489,019	-
394,952,709	229,649
<u>718,484,391</u>	<u>229,649</u>
<u>752,315,338</u>	<u>5,019,681</u>
13,396,492	438,527
411,371	53,227
370,112	45,243
-	997,247
2,206,266	-
17,375	-
3,700,000	-
1,297,530	-
<u>21,399,146</u>	<u>1,534,244</u>
9,835,000	-
200,495,000	-
457,163	47,583
569,188	-
(971,792)	-
3,898,397	-
<u>214,282,956</u>	<u>47,583</u>
<u>235,682,102</u>	<u>1,581,827</u>
273,512,937	229,649
33,106,139	-
73,764,978	-
136,249,182	3,208,205
<u>516,633,236</u>	<u>\$ 3,437,854</u>
<u>386,001</u>	
<u>\$ 517,019,237</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, 2008

	Business-type Activities - Enterprise Funds			
	Water	Wastewater	Solid Waste	Irrigation
Operating revenues				
Charges for services	\$ 32,320,937	\$ 18,440,258	\$ 15,642,418	\$ 17,500
Other	295,299	4,709	100,061	-
Total operating revenues	<u>32,616,236</u>	<u>18,444,967</u>	<u>15,742,479</u>	<u>17,500</u>
Operating expenses				
General and administrative	906,255	648,958	456,982	836
Personal services	4,773,115	2,429,718	4,967,025	54,945
Operation and maintenance	11,600,722	8,082,457	6,908,069	10,845
Claims Incurred	-	-	-	-
Depreciation	6,475,209	7,841,498	1,096,148	-
Allocation of indirect expenses	2,191,536	1,467,955	1,260,197	-
Total operating expenses	<u>25,946,837</u>	<u>20,470,586</u>	<u>14,688,421</u>	<u>66,626</u>
Operating income (loss)	<u>6,669,399</u>	<u>(2,025,619)</u>	<u>1,054,058</u>	<u>(49,126)</u>
Nonoperating revenues (expenses)				
Interest expense	(8,297,669)	(2,266,907)	-	-
Investment earnings	6,047,863	1,250,166	210,440	781
Amortization of bond issuance costs	(69,054)	(787,573)	-	-
Gain (loss) on disposal of capital assets	19,080	3,032	(175,533)	-
Total nonoperating revenues (expenses)	<u>(2,299,780)</u>	<u>(1,801,282)</u>	<u>34,907</u>	<u>781</u>
Income (loss) before capital contributions and transfers	4,369,619	(3,826,901)	1,088,965	(48,345)
Capital contributions	19,851,374	14,704,494	-	-
Transfers in	102,032	-	-	48,345
Transfers out	<u>(64,925)</u>	<u>(1,342,212)</u>	<u>-</u>	<u>-</u>
Change in net assets	24,258,100	9,535,381	1,088,965	-
Total net assets, beginning of year, as restated (see note 2)	<u>251,200,555</u>	<u>219,657,764</u>	<u>10,892,471</u>	<u>-</u>
Total net assets, end of year	<u>\$ 275,458,655</u>	<u>\$ 229,193,145</u>	<u>\$ 11,981,436</u>	<u>\$ -</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Change in net assets of business-type activities

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 66,421,113	\$ 20,408,305
400,069	132,984
66,821,182	20,541,289
2,013,031	1,092,207
12,224,803	1,648,038
26,602,093	6,093,946
-	10,893,659
15,412,855	27,602
4,919,688	-
61,172,470	19,755,452
5,648,712	785,837
(10,564,576)	-
7,509,250	117,564
(856,627)	-
(153,421)	4,190
(4,065,374)	121,754
1,583,338	907,591
34,555,868	-
150,377	-
(1,407,137)	-
34,882,446	907,591
	2,530,263
	<u>\$ 3,437,854</u>
168,460	
\$ 35,050,906	

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, 2008

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Irrigation</u>
Cash flows from operating activities:				
Cash receipts from customers	\$ 20,260,516	\$ 21,175,488	\$ 15,603,839	\$ 17,532
Other operating cash receipts	295,299	4,709	100,061	-
Cash receipts from other funds for services	-	-	-	-
Cash receipts from deposits	163,666	-	1,800	-
Cash payments to suppliers for goods and services	(6,079,534)	(9,080,396)	(6,620,498)	(11,226)
Cash payments to employees for services	(4,707,763)	(2,377,096)	(4,972,955)	(54,014)
Cash payments to other funds for services	(2,191,536)	(1,467,955)	(1,260,197)	-
Net cash provided by (used in) operating activities	<u>7,740,648</u>	<u>8,254,750</u>	<u>2,852,050</u>	<u>(47,708)</u>
Cash flows from noncapital financing activities:				
Changes in advances to/from other funds	(3,898,397)	(4,481,891)	-	-
Transfers from other funds	102,032	-	-	48,345
Transfers to other funds	(64,925)	(1,342,212)	-	-
Net cash provided by (used in) noncapital financing activities	<u>(3,861,290)</u>	<u>(5,824,103)</u>	<u>-</u>	<u>48,345</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(74,347,948)	(11,234,091)	(3,081,019)	-
Proceeds from development fees	15,115,277	10,923,733	-	-
Cash paid for interest and fiscal charges	(6,556,028)	(2,413,594)	-	-
Principal payments on bonds	(2,203,942)	(12,171,058)	-	-
Proceeds from intergovernmental agreements	440,036	952,919	-	-
Disposal of capital assets	19,080	3,032	(175,533)	-
Net cash used in capital and related financing activities	<u>(67,533,525)</u>	<u>(13,939,059)</u>	<u>(3,256,552)</u>	<u>-</u>
Cash flows from investing activities:				
Interest received on investments	6,123,760	1,343,557	228,802	781
Net cash provided by investing activities	<u>6,123,760</u>	<u>1,343,557</u>	<u>228,802</u>	<u>781</u>
Net increase (decrease) in cash and cash equivalents	(57,530,407)	(10,164,855)	(175,700)	1,418
Cash and cash equivalents at beginning of year	198,453,527	24,931,534	6,712,542	1,157
Cash and cash equivalents at end of year	<u>\$ 140,923,120</u>	<u>\$ 14,766,679</u>	<u>\$ 6,536,842</u>	<u>\$ 2,575</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	\$ 7,147,005	\$ -	\$ 6,536,842	\$ 2,575
Restricted cash and investments	133,776,115	14,766,679	-	-
Total cash and cash equivalents	<u>\$ 140,923,120</u>	<u>\$ 14,766,679</u>	<u>\$ 6,536,842</u>	<u>\$ 2,575</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 6,669,399	\$ (2,025,619)	\$ 1,054,058	\$ (49,126)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	6,475,209	7,841,498	1,096,148	-
Provision for uncollectible accounts	60,386	(2,144)	(2,210)	51
Changes in assets and liabilities:				
(Increase) decrease in receivables	(12,120,807)	2,737,374	(36,369)	(19)
Decrease in inventories	26,130	-	950,147	-
Increase (decrease) in accounts payable	6,401,313	(348,981)	(205,594)	455
Decrease in claims payable	-	-	-	-
Increase in deposits	163,666	-	1,800	-
Increase (decrease) in accrued expenses	65,352	52,622	(5,930)	931
Total adjustments	<u>1,071,249</u>	<u>10,280,369</u>	<u>1,797,992</u>	<u>1,418</u>
Net cash provided by (used in) operating activities	<u>\$ 7,740,648</u>	<u>\$ 8,254,750</u>	<u>\$ 2,852,050</u>	<u>\$ (47,708)</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	\$ 3,986,784	\$ 2,827,842	\$ -	\$ -
Total additions to property and equipment	<u>\$ 3,986,784</u>	<u>\$ 2,827,842</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 57,057,375	\$ -
400,069	135,012
-	20,345,502
165,466	-
(21,791,654)	(18,300,675)
(12,111,828)	(1,634,405)
(4,919,688)	-
<u>18,799,740</u>	<u>545,434</u>
(8,380,288)	-
150,377	-
(1,407,137)	-
<u>(9,637,048)</u>	<u>-</u>
(88,663,058)	(56,647)
26,039,010	-
(8,969,622)	-
(14,375,000)	-
1,392,955	-
(153,421)	4,190
<u>(84,729,136)</u>	<u>(52,457)</u>
7,696,900	120,971
<u>7,696,900</u>	<u>120,971</u>
(67,869,544)	613,948
230,098,760	3,468,364
<u>\$ 162,229,216</u>	<u>\$ 4,082,312</u>
\$ 13,686,422	\$ 4,082,312
148,542,794	-
<u>\$ 162,229,216</u>	<u>\$ 4,082,312</u>
<u>\$ 5,648,712</u>	<u>\$ 785,837</u>
15,412,855	27,602
56,083	-
(9,419,821)	(60,775)
976,277	(51,947)
5,847,193	(120,883)
-	(48,033)
165,466	-
112,975	13,633
<u>13,151,028</u>	<u>(240,403)</u>
<u>\$ 18,799,740</u>	<u>\$ 545,434</u>
<u>\$ 6,814,626</u>	<u>\$ -</u>
<u>\$ 6,814,626</u>	<u>\$ -</u>

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, 2008

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments	\$ 108,106	\$ 29,820
Restricted accrued interest	435	-
	<u>108,541</u>	<u>-</u>
Total assets	<u>108,541</u>	<u>29,820</u>
LIABILITIES		
Medical benefits payable	-	\$ 23,037
Dependent care benefits payable	-	6,783
	<u>-</u>	<u>6,783</u>
Total liabilities	<u>-</u>	<u>\$ 29,820</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 108,541</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, 2008

	<u>Firemen's Pension Trust</u>
Additions	
Interest on investments	\$ 3,778
Total additions	<u>3,778</u>
Deductions	
Benefits	2,400
Administration	<u>100</u>
Total deductions	<u>2,500</u>
Change in net assets	1,278
Net assets - beginning of the year	<u>107,263</u>
Net assets - end of the year	<u><u>\$ 108,541</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, 2008

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 is operated 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, public works, development services (planning, code enforcement, and engineering), and general administration services in support of operations. Gilbert also operates four enterprise funds to provide water, wastewater, solid waste, and irrigation services and three internal service funds that provide equipment and fleet maintenance, copier services, and employee self-insurance for medical 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, 2008, 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 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, 2008

B. Jointly Governed Organizations

Williams Gateway Airport Authority 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.

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, 2008

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 of 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, which includes long-term assets as well as long-term obligations. 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, 2008

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, 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.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

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 Obligations Debt Service Fund – The general debt obligations fund accounts for the principal and interest requirements of general obligations bonds not recorded in proprietary funds. Financing is provided from the levy of secondary property taxes and revenue-supported transfers.

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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.

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 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.

Irrigation Fund – The irrigation fund accounts for the revenues and expenses of providing irrigation water services in the original town site area.

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 agency funds to account for: monies collected from developers for sewer buy-ins and paid out to the developer that constructed the sewer; and monies collected from employees to pay medical and dependent care claims.

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F. Budgetary Data

In January of each year, the Manager's Office prepares a revenue estimate based upon 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.

In February, department directors develop operating budget requests for their departments and submit them to the Manager for review and hearing. Estimates for trust and agency, debt service, maintenance improvement districts, capital projects, and internal service funds are prepared by the Manager's office 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 contemplation of the adoption of the final budget.

Prior to June 30 of each year, the Council adopts the 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, e.g., finance, municipal court, engineering, police, parks. 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 must be notified of any adjustments in excess of twenty percent of the authorized departmental budget. Council action is required to approve any interfund adjustments and any contingency transactions. There were no supplemental appropriations during fiscal year 2008. All annual appropriations lapse at year-end and are considered for inclusion in the subsequent year's budget. For fiscal year 2008, the Town adopted annual budgets for all governmental funds, except for the special assessments 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. Expenditure Limitation

Gilbert is subject to the expenditure limitation amendment to the State Constitution as approved by the voters on June 3, 1980, as are all other cities, towns, counties, and community college districts. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. The State Economic Estimates Commission determines and publishes, prior to April 1st of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for the calculations. In March 1997, Gilbert voters approved a permanent base adjustment to Gilbert's expenditure limitation.

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H. 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 authorize 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.

I. Inventories

Inventories are recorded in the general 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.

J. 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.

K. 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 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 fixed 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

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L. Compensated Absences

Vacation time is accumulated up to a maximum of 288 hours, depending upon length of service, 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 firefighters) is convertible annually to a partial cash benefit. All sick leave is convertible to a cash benefit upon retirement or death of the employee, or upon separation when the employee has ten or more years of service.

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.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

N. 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 actual costs. All other interfund transactions are reported as transfers.

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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.

O. 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 policy, for fiscal year 2008, Gilbert will not issue debt that would require a tax rate of more than \$1.15 per \$100 of assessed valuation.

P. Reservations and Designations

The governmental funds financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. At June 30, 2008, amounts were reserved on the governmental funds financial statements for the following purposes: 1) encumbrances – represents purchase obligations outstanding at the end of the fiscal year; 2) advances – see section N. above; 3) debt service – for payment of future amounts of principal and interest due; and 4) development fees – represents the fees collected which are restricted to financing various improvements related to growth. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2008, \$14,400,000 has been designated for the reserve fund (unforeseen events) and \$17,755,804 has been designated for capital replacement.

Reservations and Designations are not shown in the proprietary funds financial statements. Gilbert does, however, reserve or designate portions of net assets in these funds to demonstrate the intended use of net assets. Reservations include construction commitments and are outlined in Note 7. Designations, which are created by administrative policy, include capital equipment replacement. At June 30, 2008, \$22,283,904 of unrestricted net assets has been designated for capital equipment replacement in the Water Fund and \$17,587,264 has been designated in the Wastewater Fund.

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Q. Statement of Cash Flows

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

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make a number of estimates and assumptions that affect the 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.

Note 2 – Prior Period Adjustment

During the fiscal year, it was discovered that assets recorded in a prior year related to joint venture in the Water and Wastewater Funds incorrectly included a portion that is owned by another city. In addition, in the Solid Waste Fund there were expenses incorrectly recorded as inventory in a prior year. As a result, adjustments are necessary to the June 30, 2007, fund equity for the enterprise funds and net assets for the business-type activities:

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>
Fund equity at June 30, 2007, as previously reported	\$259,953,865	\$227,482,996	\$11,380,969
Adjustment for removing assets not owned	(8,753,310)	(7,825,232)	-
Adjustment for incorrectly recording inventory	-	-	(488,498)
Total fund equity at June 30, 2007	<u>\$251,200,555</u>	<u>\$219,657,764</u>	<u>\$10,892,471</u>

	<u>Business-type</u>
Net assets, June 30, 2007, as previously reported	\$499,035,371
Adjustment for removing assets not owned	(16,578,542)
Adjustment for incorrectly recording inventory	(488,498)
Total net assets, June 30, 2007	<u>\$481,968,331</u>

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.

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

Note 4 - Deposits and Investments

The Arizona Revised Statutes authorize the government to invest 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. The majority 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, 2008, Gilbert's investments were as follows (all of Gilbert's investments have maturities of less than one year):

<u>Investment Type</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	\$181,228,689
Money Market – U.S. Treasuries:	
Wells Fargo	67,341,055
JP Morgan	<u>8,391,973</u>
Total	<u>\$256,961,717</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 less than three years.

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, 2008, 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, 2008, \$24,255,315 of Gilbert's bank balance of \$24,355,315 was exposed to custodial credit risk because it was uninsured and 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.

Custodial credit risk - investments – 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.

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

Primary government:	
Carrying amount of cash/deposits	\$ 23,383,908
Carrying amount of investments	<u>256,961,717</u>
Total cash and investments	<u>\$280,345,625</u>
Pooled cash and investments	\$123,272,932
Restricted cash and investments	<u>156,934,767</u>
Total cash and investments (per Statement of Net Assets)	280,207,699
Pension trust fund	108,106
Agency funds	<u>29,820</u>
Total cash and investments	<u>\$280,345,625</u>

Note 5 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2008, includes \$1,345,836 in state sales tax and \$4,277,074 in local sales tax due from the State of Arizona. Amounts due from other governments recorded in the streets special revenue fund include \$1,007,135 in highway user tax and \$331,269 in vehicle license tax both due from the State of Arizona; and \$158,936 from the Maricopa Association of Governments for street sweepers. Other governmental funds include \$191,284 in federal grants from the U.S. Department of Housing. 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, 2008, 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	\$ -	\$ 12,048,536
Municipal facilities capital projects fund	11,819,030	-
Other governmental funds	<u>229,506</u>	-
Total	<u>\$12,048,536</u>	<u>\$12,048,536</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	\$ -	\$15,457,192
Municipal facilities capital projects fund	15,457,192	-
Water fund	-	3,898,397
Wastewater fund	<u>3,898,397</u>	-
Total	<u>\$19,355,589</u>	<u>\$19,355,589</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, 2008, is as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Non-depreciable assets:				
Land	\$ 53,337,618	26,157,649	-	79,495,267
Construction-in-progress	104,423,952	80,764,356	(147,410,991)	37,777,317
Total non-depreciable assets	<u>157,761,570</u>	<u>106,922,005</u>	<u>(147,410,991)</u>	<u>117,272,584</u>
Depreciable assets:				
Buildings	116,492,667	92,142,786	-	208,635,453
Improvements	50,474,513	2,991,605	-	53,466,118
Machinery and equipment	47,537,222	6,973,071	(1,581,102)	52,929,191
Infrastructure	681,166,223	46,493,861	-	727,660,084
Total depreciable assets	<u>895,670,625</u>	<u>148,601,323</u>	<u>(1,581,102)</u>	<u>1,042,690,846</u>
Less accumulated depreciation:				
Buildings	(20,497,173)	(4,481,373)	-	(24,978,546)
Improvements	(12,878,995)	(2,352,063)	-	(15,231,058)
Machinery and equipment	(18,982,675)	(5,681,622)	1,534,885	(23,129,412)
Infrastructure	(221,246,863)	(25,417,280)	-	(246,664,143)
Total accumulated depreciation	<u>(273,605,706)</u>	<u>(37,932,338)</u>	<u>1,534,885</u>	<u>(310,003,159)</u>
Total depreciable assets, net	<u>622,064,919</u>	<u>110,668,985</u>	<u>(46,217)</u>	<u>732,687,687</u>
Governmental activities capital assets, net	\$ <u>779,826,489</u>	<u>217,590,990</u>	<u>(147,457,208)</u>	<u>849,960,271</u>

Governmental activities construction-in-progress and related construction commitments at June 30, 2008, were composed of the following:

	<u>Construction- in-progress</u>	<u>Commitments</u>
Redevelopment	\$ 4,049,037	\$ 2,752,614
Municipal facilities	3,364,984	882,814
Parks	9,396,439	2,342,439
Storm water	617,208	-
Traffic control	3,484,474	1,692,281
Streets	16,350,562	21,287,466
Special assessments	514,613	464,601
Total	<u>\$ 37,777,317</u>	<u>\$ 29,422,215</u>

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

Management and policy	\$ 16,966
Support services	1,027,503
Legal and court	612,113
Development services	428,041
Public works	652,157
Police	3,589,120
Fire	2,174,473
Highways and streets	25,787,790
Community services	<u>3,616,573</u>
Total depreciation expense not including internal service funds	37,904,736
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>27,602</u>
Total depreciation expense - governmental activities	<u><u>\$37,932,338</u></u>

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2008, is as follows:

	<u>July 1, 2007¹</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Non-depreciable assets:				
Land	\$ 15,636,761	1,801,538	-	17,438,299
Construction-in-progress	43,456,494	39,466,387	(59,872,161)	23,050,720
Total non-depreciable assets	<u>59,093,255</u>	<u>41,267,925</u>	<u>(59,872,161)</u>	<u>40,489,019</u>
Depreciable assets:				
Plant and equipment	102,659,248	25,946,195	(1,436,875)	127,168,568
Water rights	9,146,281	-	-	9,146,281
Infrastructure	309,232,378	42,096,288	-	351,328,666
Total depreciable assets	<u>421,037,907</u>	<u>68,042,483</u>	<u>(1,436,875)</u>	<u>487,643,515</u>
Less accumulated depreciation:				
Plant and equipment	(22,398,608)	(4,679,468)	1,227,983	(25,850,093)
Water rights	(930,380)	(63,837)	-	(994,217)
Infrastructure	(56,703,271)	(9,143,225)	-	(65,846,496)
Total accumulated depreciation	<u>(80,032,259)</u>	<u>(13,886,530)</u>	<u>1,227,983</u>	<u>(92,690,806)</u>
Total depreciable assets, net	<u>341,005,648</u>	<u>54,155,953</u>	<u>(208,892)</u>	<u>394,952,709</u>
Business-type activities capital assets, net	<u>\$ 400,098,903</u>	<u>95,423,878</u>	<u>(60,081,053)</u>	<u>435,441,728</u>

¹ The July 1, 2007, beginning balances were adjusted due to the reclassification of the Town's Investment in Joint Venture as a separate line item on the Statement of Net Assets and removing assets that did not belong to the Town (see note 2 for explanation).

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Business-type activities construction-in-progress and related construction commitments at June 30, 2008, are composed of the following:

	<u>Construction- in-progress</u>	<u>Commitments</u>
Water system	\$ 18,414,240	\$ 51,310,466
Wastewater system	4,636,480	1,241,888
Total	<u>\$ 23,050,720</u>	<u>\$ 52,552,354</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 Personnel 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 and investigation are 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 2008, 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 fund (internal service fund) 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 \$150,000 on the plan year and aggregate (plan wide) coverage for claims incurred over \$12,729,449 on the plan year. During fiscal year 2008, the plan did incur and receive recoveries for \$102,381 through specific stop loss coverage. Settlements did not reach the aggregate plan limit during any of the last three fiscal years.

Premiums are paid into the internal service fund by all other funds and are available to pay claims and administrative costs of the program and fund claim reserves. As with any risk retention program, Gilbert is contingently liable with respect to claims beyond those actuarially projected. Interfund premiums are used to fund claim expenditures reported in the internal service fund.

The claims liability of \$997,247 reported in the employee benefit self-insurance fund at June 30, 2008, 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). 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. Changes in the fund's claim liability amount in fiscal years 2007 and 2008 were:

<u>Year Ended, June 30</u>	<u>Claim Liability at Beginning of Fiscal Year</u>	<u>Fiscal Year Claims and Changes in Estimates</u>	<u>Fiscal Year Claim Payments</u>	<u>Claim Liability at End of Fiscal Year</u>
2007	\$ 658,727	9,081,214	8,694,661	\$1,045,280
2008	\$1,045,280	10,893,659	10,941,692	\$ 997,247

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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, 2008, were as follows (the 7/1/08 principal payment was deducted as fiscal year 2008 resources were dedicated):

	<u>Governmental</u>	<u>Business-type</u>
1998 General Obligation Refunding Bonds, 3.9% to 5.0%, original amount \$8,780,000, annual retirements due July 1, 2000, through July 1, 2009	\$ -	\$ 250,000
2002 General Obligation Bonds, 3.0% to 5.0%, original amount \$38,975,000, annual retirements due July 1, 2003, through July 1, 2012	15,585,000	-
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	4,725,000	9,585,000
2005 General Obligation Bonds, 3.0% to 3.5%, original amount \$15,695,000, annual retirements due July 1, 2006, through July 1, 2010	8,600,000	-
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	<u>13,815,000</u>	<u>-</u>
Total	<u>\$42,725,000</u>	<u>\$ 9,835,000</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>
2009	\$4,830,000	\$ 1,835,761	\$ 1,200,000	\$ 496,615
2010	13,690,000	1,634,161	1,520,000	446,865
2011	6,325,000	1,117,221	1,585,000	384,545
2012	6,165,000	849,063	1,660,000	317,975
2013	1,000,000	575,750	1,760,000	222,525
2014-2016	<u>10,715,000</u>	<u>1,507,250</u>	<u>2,110,000</u>	<u>135,413</u>
Total	<u>\$42,725,000</u>	<u>\$7,519,206</u>	<u>\$9,835,000</u>	<u>\$2,003,938</u>

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In order to ensure compliance with Treasury Regulations, Subchapter A, Section 1.148-2, it was determined that the Town would advance defease the following general obligation bonds on May 29, 2008:

<u>Bond Issue</u>	<u>Principal Defeased</u>	<u>Maturity Defeased</u>	<u>Redemption Date</u>
GADA Bonds, Series 2000A	\$1,605,000	7/1/2009 & 2010	7/1/2008
2005 GO Bonds, Series C	\$8,500,000	7/1/09	7/1/2009
2005 GO Bonds, Series D	\$2,400,000	7/1/09	7/1/2009

The Town's cash contribution was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. As a result, these bonds are considered defeased and the liability for these bonds are not included in the financial statements.

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, 2008, was:

1990 General Obligation Bonds	\$ 6,000,000
2000 General Obligation Bonds	11,450,000
2002 General Obligation Bonds	<u>10,135,000</u>
	<u>\$27,585,000</u>

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets, and public safety purposes may not exceed 20% of Gilbert's net 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, 2008:

<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>\$2,768,391,194</u>	Secondary Assessed Valuation	<u>\$2,768,391,194</u>
20% constitutional limit	\$553,678,000	6% constitutional limit	\$166,103,000
Less general obligation bonds outstanding	<u>(51,705,000)</u>	Less general obligation bonds outstanding	<u>(855,000)</u>
Available 20% limitation borrowing capacity	<u>\$501,973,000</u>	Available 6% limitation borrowing capacity	<u>\$165,248,000</u>

**TOWN OF GILBERT, ARIZONA
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As of June 30, 2008, 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>270,759,000</u>
Total	<u>\$271,049,000</u>

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

Special Assessment Bonds with Governmental Commitment

As trustee for the improvement districts, Gilbert is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2008, 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, 2008, were as follows (the 7/1/08 principal bond call was deducted as fiscal year 2008 resources were dedicated):

Governmental

2002 Improvement Bonds, 5.2%, original amount \$6,510,000, annual retirements due January 1, 2005 through January 1, 2027	\$ 2,990,000
---	--------------

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

Year Ending June 30	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 75,000	\$ 153,530
2010	85,000	149,370
2011	90,000	144,820
2012	100,000	139,880
2013	110,000	134,420
2014-2018	660,000	575,900
2019-2023	920,000	371,540
2024-2027	<u>950,000</u>	<u>102,440</u>
Total	<u>\$2,990,000</u>	<u>\$1,771,900</u>

**TOWN OF GILBERT, ARIZONA
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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, 2008, were as follows (the 7/1/08 principal payment was deducted as fiscal year 2008 resources were dedicated):

Governmental

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	\$29,375,000

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>
2009	\$ 2,050,000	\$1,251,062
2010	2,175,000	1,148,562
2011	2,275,000	1,039,813
2012	2,400,000	926,063
2013	2,525,000	806,063
2014-2018	14,575,000	2,472,375
2019	<u>3,375,000</u>	<u>135,000</u>
Total	<u>\$29,375,000</u>	<u>\$7,778,938</u>

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, 2008, were as follows (the 7/1/08 principal payment was deducted as fiscal year 2008 resources were dedicated):

Business-type

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	\$20,745,000

**TOWN OF GILBERT, ARIZONA
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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>
2009	\$ 1,280,000	\$ 835,313
2010	1,315,000	803,312
2011	1,355,000	763,863
2012	1,385,000	723,212
2013	1,430,000	681,662
2014-2018	7,870,000	2,281,625
2019-2022	<u>6,110,000</u>	<u>649,213</u>
Total	<u>\$20,745,000</u>	<u>\$6,738,200</u>

Municipal Property Corporation Revenue Bonds

The Public Facilities MPC exist solely for the purpose of financing the multipurpose municipal complex (the 2001 issue); and the service center facility, a police property facility and a sports complex (the 2006 issue). The Water MPC exist 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, 2008, were as follows (the 7/1/08 principal payment was deducted as fiscal year 2008 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	\$ 29,200,000	-
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	-	\$ 36,775,000
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	66,025,000	-
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	-	<u>146,175,000</u>
Total	<u>\$95,225,000</u>	<u>\$182,950,000</u>

TOWN OF GILBERT, ARIZONA
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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>
2009	\$ 5,590,000	\$ 4,369,800	\$ 3,200,000	\$ 8,761,063
2010	5,825,000	4,148,650	3,300,000	8,631,062
2011	6,055,000	3,925,713	3,400,000	8,497,063
2012	6,285,000	3,693,962	3,550,000	8,353,625
2013	6,525,000	3,451,450	3,700,000	8,199,562
2014-2018	37,620,000	12,221,975	35,250,000	37,340,313
2019-2023	27,325,000	2,605,613	50,550,000	23,993,125
2024-2028	-	-	35,075,000	15,339,312
2029-2033	-	-	44,925,000	5,566,031
Total	<u>\$95,225,000</u>	<u>\$34,417,163</u>	<u>\$182,950,000</u>	<u>\$124,681,156</u>

During the fiscal year ended June 30, 2008, Gilbert paid \$11,735,000 of the 2004 Water Resources Municipal Property Corporation, Wastewater System Development Fee and Subordinate Lien Wastewater Utility Revenue Bonds. Proceeds collected from the wastewater system development fee 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, 2008, was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 79,450,000	3,759,800	(25,840,000)	57,369,800	10,885,000
Special assessment bonds with government commitment	4,380,000	-	(1,390,000)	2,990,000	75,000
Revenue bonds	138,145,000	-	(6,210,000)	131,935,000	7,335,000
Total bonds payable	221,975,000	3,759,800	(33,440,000)	192,294,800	18,295,000
Compensated absences	5,887,030	5,794,744	(5,741,627)	5,940,147	2,543,314
Total long-term liabilities	<u>\$227,862,030</u>	<u>9,554,544</u>	<u>(39,181,627)</u>	<u>198,234,947</u>	<u>20,838,314</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 11,725,000	-	(1,390,000)	10,335,000	500,000
Utility revenue bonds	216,680,000	-	(12,985,000)	203,695,000	3,200,000
Total bonds payable	228,405,000	-	(14,375,000)	214,030,000	3,700,000
Compensated absences	768,525	912,188	(853,438)	827,275	370,112
Total long-term liabilities	<u>\$229,173,525</u>	<u>912,188</u>	<u>(15,228,438)</u>	<u>214,857,275</u>	<u>4,070,112</u>

TOWN OF GILBERT, ARIZONA
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Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$92,826 of internal service funds compensated absences are included in the above amounts.

Long-term compensated absences of governmental activities are expected to be liquidated by the operating funds (primarily the general fund and the streets special revenue fund) as they come due.

Conduit Debt Obligations

The Industrial Development Authority, a discretely presented component unit of the Town of Gilbert, has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Neither Gilbert, Maricopa County nor the State of Arizona shall in any event be liable for payment of principal, premium or interest on these bonds, and accordingly they have not been reported in the accompanying combined financial statements. At June 30, 2008, Industrial Development Authority Revenue Bonds outstanding were approximately \$12,565,000.

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, death, long-term disability, survivor, and health insurance premium benefits.

The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plan that covers 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 (800) 621-3778.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing multiple-employer defined benefit pension plan that covers the Mayor and Council. 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 to provide pension benefits for state and county elected officials, judges and certain elected town/city officials. EORP provides retirement benefits as well as death and disability benefits. 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, 1020 E. Missouri Ave., Phoenix, Arizona 85014, or by calling (602) 255-5575.

The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer defined benefit pension and health insurance premium plan that covers 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, 1020 East Missouri Ave., Phoenix, Arizona 85014, or by calling (602) 255-5575.

**TOWN OF GILBERT, ARIZONA
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Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and their employers' contribution rates.

Arizona State Retirement System

For the year ended June 30, 2008, active ASRS members and their employers were each required by statute to contribute at the actuarially determined rate of 9.6% (8.05% retirement, 1.05% health insurance premium, and 0.5% long-term disability) of the members' annual covered payroll. Gilbert's contributions to ASRS for the years ended June 30, 2008, 2007, and 2006, were \$3,741,004, \$3,103,631, and \$2,251,995, respectively, which were equal to the required contributions for the year. Gilbert's employees contributed equal amounts to ASRS for the same time periods.

Elected Officials' Retirement Plan

For the year ended June 30, 2008, active EORP members were required by statute to contribute 7% of the members' annual covered payroll and Gilbert was required to contribute at the actuarially determined rate of 20.21% of gross compensation, of which 1.05% was the health insurance premium portion. Gilbert's contributions to EORP for the year ended June 30, 2008, was \$28,310 which was equal to the required contribution. Gilbert's members contributed \$9,806 for the same time period.

Public Safety Personnel Retirement System

For the year ended June 30, 2008, 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 9.96% for police personnel, of which 0.45% was the health insurance premium portion; and 8.6% for fire personnel, of which 0.35% was the health insurance premium portion. Police personnel contributed \$1,260,568 and fire personnel contributed \$964,925 during fiscal year 2008. For the year ended June 30, 2008, Gilbert's pension cost of \$1,644,496 for police and \$1,086,500 for fire was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 8.5% investment rate of return, (b) projected salary increases of 5.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0 to 3% per year, depending on age, attributable to seniority/merit. The actuarial value of PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2008, was 28 years for unfunded actuarial accrued liability, 20 years for excess.

Three Year Trend Information for PSPRS—Latest available information:

Police

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$1,689,868	100.0%	-0-
2007	1,232,216	100.0%	-0-
2006	1,231,516	100.0%	-0-

**TOWN OF GILBERT, ARIZONA
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Fire

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$1,118,473	100.0%	-0-
2007	646,218	100.0%	-0-
2006	615,842	100.0%	-0-

Schedule of Funding Progress—An analysis of funding progress for the PSPRS as of the most recent years available follows.

Police

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
2008	\$26,760,106	\$38,660,040	\$(11,899,934)	69.2%	\$16,984,351	(70.1)%
2007	22,860,824	35,737,438	(12,876,614)	64.0%	15,091,411	(85.3)%
2006	20,899,865	27,674,383	(6,774,518)	75.5%	12,914,617	(52.5)%

Fire

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
2008	\$16,375,873	\$19,813,766	\$(3,437,893)	82.6%	\$12,853,768	(26.7)%
2007	13,121,754	16,580,366	(3,458,612)	79.1%	10,805,989	(32.0)%
2006	11,443,275	12,396,166	(952,891)	92.3%	9,401,564	(10.1)%

Voluntary Firemen’s Relief and Pension Fund

The Voluntary 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 2008. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 11 - Capital Contributions

During the year ended June 30, 2008, the Enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Intergovernmental	\$ 440,036	\$ 952,919	\$ 1,392,955
Other entities participation	309,277	-	309,277
Contributions from developers	3,986,784	2,827,842	6,814,626
Development fees	15,115,277	10,923,733	26,039,010
Total	<u>\$19,851,374</u>	<u>\$14,704,494</u>	<u>\$34,555,868</u>

Note 12 – Interfund Transfers

As of June 30, 2008, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General fund	\$ 1,739,812	\$15,353,226
Streets special revenue	50,000	8,599,304
General debt obligations	13,227,496	-
Special assessments	-	540,886
Streets and transportation	3,303,153	-
Municipal facilities	6,260,375	17,173,280
Parks, open space and recreation	15,254,760	1,069,065
Other governmental funds	<u>5,825,697</u>	<u>1,668,772</u>
Total governmental funds	<u>45,661,293</u>	<u>44,404,533</u>
Enterprise funds:		
Water	102,032	64,925
Wastewater	-	1,342,212
Irrigation	<u>48,345</u>	<u>-</u>
Total enterprise funds	<u>150,377</u>	<u>1,407,137</u>
Total transfers	<u>\$45,811,670</u>	<u>\$45,811,670</u>

The interfund transfers generally fall within one of the following categories: 1) subsidy transfers; 2) transfers to cover debt service payments; 3) transfers for the town match for grants; or 4) transfers to fund capital projects or capital replacement.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 13 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net assets at June 30, 2008, were as follows:

<u>Special revenue funds</u>	
Street light improvement district	\$97,781
<u>Capital projects funds</u>	
Municipal facilities	27,008,660
Flood control and storm water	116,554

The deficiency in the street light improvement district fund of the special revenue funds will be eliminated through property tax levies against benefited property owners.

The deficiency in the municipal facilities fund of the capital projects funds will be eliminated through the issuance of new public facilities bonds in fiscal year 2009 and the deficiency in the flood control and storm water fund will be eliminated through a general fund transfer.

Individual funds with an excess of expenditures over appropriations for the year ended June 30, 2008, were as follows:

<u>Special revenue funds</u>	
Other special revenue	\$ 532,335
Downtown redevelopment	18,814
<u>Debt service funds</u>	
General debt obligations	7,855,900
Special assessments	1,226,390
<u>Capital projects funds</u>	
Traffic control	525,201
Municipal facilities	875,935
<u>Internal service funds</u>	
Equipment maintenance	589,594
Employee benefit self-insurance	905,105

The excess of expenditures over appropriations in the other special revenue and downtown redevelopment funds was funded by available fund balance.

The excess of expenditures over appropriations in the general debt obligations was funded by available fund balance. The excess of expenditures over appropriations in the special assessments debt service fund was funded by principal and interest payments on the improvement bonds from property owners.

The excess of expenditures over appropriations in the traffic control fund was funded by available fund balance. The excess of expenditures over appropriations in the municipal facilities fund will be funded by the issuance of new public facilities bonds in the next fiscal year.

The excess of expenditures over appropriations in the equipment maintenance and employee benefit self-insurance funds was funded by available charges for services revenue.

TOWN OF GILBERT, ARIZONA
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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 12 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$27,483,200. Principal and interest paid for the current year was \$2,116,563, and total customer net revenues were \$18,960,487.

Gilbert has pledged future water and wastewater connection development fees revenue 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 solely from water and wastewater connection development fees revenue and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 93 percent of revenue. The total principal and interest remaining to be paid on the bonds is \$307,631,156. Principal and interest paid for the current year was \$20,865,452 (of which \$11,735,000 in principal was an advance defeasance) and total water and wastewater connection development fees revenue was \$22,620,858.

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 25 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$37,153,938. Principal and interest paid for the current year was \$3,272,313, and the total street and highway revenues were \$13,182,950.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$113,135,000 in public facilities municipal property corporation revenue bonds issued since 2001. Proceeds from the bonds provided financing of the multipurpose complex, the service center facility, a police property facility, and a sports complex. The bonds are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 10 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds is \$129,642,163. Principal and interest paid for the current year was \$9,977,400, and the total excise taxes and state-shared revenues were \$107,273,375.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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 the 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, 2008, was:

Mesa's Share	\$ 80,954,198
Gilbert's Share	74,643,658
Queen Creek's Share	<u>33,878,312</u>
Total	<u>\$189,476,168</u>

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 is estimated to be completed in June 2009 and at completion the plant will treat 12 million gallons per day each for Gilbert and Chandler. Gilbert's investment to date is included in the water fund.

Total construction-in-progress as of June 30, 2008, was:

Gilbert's Share	\$ 53,069,806
Chandler's Share	<u>52,803,619</u>
Total	<u>\$105,873,425</u>

Note 17 - Subsequent Events

Gilbert advance defeased \$1,760,000 of Water Resources MPC Wastewater System Development Fee and Subordinate Lien Wastewater Utility Revenue Bonds and \$3,030,000 of the Water Resources MPC Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds on October 1, 2008.

On July 1, 2008, Gilbert issued \$187,990,000 in General Obligation Bonds for the purpose of providing funds for street and highway improvements, and parks and recreational facilities. (Good Faith Deposit of \$3,759,800 was received on June 25, 2008.)

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.

Downtown Redevelopment - accounts for all operating activities relating to the Heritage District funded by the General Fund.

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 Replacement - accounts for the accumulation of transfers from other funds to be used for the sole purpose of replacing equipment and vehicles.

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, 2008

	Special Revenue				
	Grants	Other Special Revenue	Downtown Redevelopment	CDBG/HOME	Street Light Improvement District
ASSETS					
Pooled cash and investments	\$ 4,476,033	\$ 1,418,728	\$ 399,278	\$ 31,344	\$ -
Receivables, net:					
Taxes	-	-	-	-	15,279
Accrued interest	13,491	3,128	709	80	-
Accounts	1,632	91,884	-	-	-
Due from other governments	178,613	353,040	-	191,284	-
Inventories	-	-	-	-	-
Total assets	<u>\$ 4,669,769</u>	<u>\$ 1,866,780</u>	<u>\$ 399,987</u>	<u>\$ 222,708</u>	<u>\$ 15,279</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 36,410	\$ 246,254	\$ 6,289	\$ 155,497	\$ -
Accrued liabilities	-	37,800	-	3,634	-
Deposits held for others	-	-	-	-	-
Due to other funds	-	-	-	-	113,060
Total liabilities	<u>36,410</u>	<u>284,054</u>	<u>6,289</u>	<u>159,131</u>	<u>113,060</u>
Fund Balances:					
Reserved for:					
Encumbrances	238,214	-	-	105,972	-
Unreserved, designated for capital replacement	-	-	-	-	-
Unreserved, undesignated	4,395,145	1,582,726	393,698	(42,395)	(97,781)
Total fund balances	<u>4,633,359</u>	<u>1,582,726</u>	<u>393,698</u>	<u>63,577</u>	<u>(97,781)</u>
Total liabilities and fund balances	<u>\$ 4,669,769</u>	<u>\$ 1,866,780</u>	<u>\$ 399,987</u>	<u>\$ 222,708</u>	<u>\$ 15,279</u>

Capital Projects						
Parkway Maintenance District	Capital Replacement	Traffic Control	Flood Control and Storm Water	Special Assessments	Redevelopment	Total Nonmajor Governmental Funds
\$ 461,313	\$ 17,160,079	\$ 1,080,509	\$ -	\$ 137,377	\$ 1,465,494	\$ 26,630,155
5,719	-	-	-	-	-	20,998
1,389	49,434	7,482	-	428	5,617	81,758
-	-	315,516	307,322	-	-	716,354
-	635,745	-	-	-	-	1,358,682
-	-	780	-	-	-	780
<u>\$ 468,421</u>	<u>\$ 17,845,258</u>	<u>\$ 1,404,287</u>	<u>\$ 307,322</u>	<u>\$ 137,805</u>	<u>\$ 1,471,111</u>	<u>\$ 28,808,727</u>
\$ 73,279	\$ -	\$ 522,334	\$ 108	\$ 70,279	\$ 430,004	\$ 1,540,454
-	-	-	-	-	-	41,434
-	-	-	307,322	-	-	307,322
-	-	-	116,446	-	-	229,506
<u>73,279</u>	<u>-</u>	<u>522,334</u>	<u>423,876</u>	<u>70,279</u>	<u>430,004</u>	<u>2,118,716</u>
288,438	89,454	1,692,281	-	464,601	2,752,614	5,631,574
-	17,755,804	-	-	-	-	17,755,804
106,704	-	(810,328)	(116,554)	(397,075)	(1,711,507)	3,302,633
<u>395,142</u>	<u>17,845,258</u>	<u>881,953</u>	<u>(116,554)</u>	<u>67,526</u>	<u>1,041,107</u>	<u>26,690,011</u>
<u>\$ 468,421</u>	<u>\$ 17,845,258</u>	<u>\$ 1,404,287</u>	<u>\$ 307,322</u>	<u>\$ 137,805</u>	<u>\$ 1,471,111</u>	<u>\$ 28,808,727</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue				
	Grants	Other Special Revenue	Downtown Redevelopment	CDBG/HOME	Street Light Improvement District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 1,240,854
Intergovernmental	605,471	-	-	707,707	-
Charges for services	-	1,321,004	-	-	-
Other entities' participation	-	-	-	-	-
System development fees	-	-	-	-	-
Gifts and donations	-	161,091	-	-	-
Fines and forfeitures	-	562,918	-	-	-
Investment earnings	113,348	33,462	17,136	-	-
Miscellaneous	-	-	1,000	6,917	-
Total revenues	<u>718,819</u>	<u>2,078,475</u>	<u>18,136</u>	<u>714,624</u>	<u>1,240,854</u>
Expenditures					
Current:					
General government:					
Management and policy	-	40,155	-	-	-
Legal and court	-	187,860	-	-	-
Development services	-	661,425	169,274	708,038	-
Public works	-	49,884	-	-	-
Public safety:					
Police	115,735	814,557	-	-	-
Fire	178,045	8,358	-	-	-
Highways and streets	-	-	-	-	1,256,035
Community services	10,000	507,039	-	-	-
Transportation	6,809	-	-	-	-
Capital outlay	-	15,456	-	-	-
Total expenditures	<u>310,589</u>	<u>2,284,734</u>	<u>169,274</u>	<u>708,038</u>	<u>1,256,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>408,230</u>	<u>(206,259)</u>	<u>(151,138)</u>	<u>6,586</u>	<u>(15,181)</u>
Other financing sources (uses)					
Transfers in	315,405	1,033,922	168,274	-	6,031
Transfers out	-	(238,750)	(1,891)	-	-
Total other financing sources and uses	<u>315,405</u>	<u>795,172</u>	<u>166,383</u>	<u>-</u>	<u>6,031</u>
Net change in fund balances	723,635	588,913	15,245	6,586	(9,150)
Fund balances at beginning of year	<u>3,909,724</u>	<u>993,813</u>	<u>378,453</u>	<u>56,991</u>	<u>(88,631)</u>
Fund balances at end of year	<u>\$ 4,633,359</u>	<u>\$ 1,582,726</u>	<u>\$ 393,698</u>	<u>\$ 63,577</u>	<u>\$ (97,781)</u>

Capital Projects						
Parkway Maintenance District	Capital Replacement	Traffic Control	Flood Control and Storm Water	Special Assessments	Redevelopment	Total Nonmajor Governmental Funds
\$ 716,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,957,753
-	635,745	297,915	57,494	-	-	2,304,332
-	-	-	-	-	-	1,321,004
-	-	68,614	-	575,360	-	643,974
-	-	2,546,862	-	-	-	2,546,862
-	-	-	-	-	-	161,091
-	-	-	-	-	-	562,918
8,030	505,976	132,803	7,490	6,779	37,048	862,072
-	305,856	23,039	-	-	158	336,970
<u>724,929</u>	<u>1,447,577</u>	<u>3,069,233</u>	<u>64,984</u>	<u>582,139</u>	<u>37,206</u>	<u>10,696,976</u>
-	-	-	-	-	-	40,155
-	-	-	-	-	-	187,860
-	-	-	-	-	-	1,538,737
-	-	-	-	-	-	49,884
-	-	-	-	-	-	930,292
-	-	-	-	-	-	186,403
-	-	-	-	-	-	1,256,035
623,315	-	-	-	-	-	1,140,354
-	-	-	-	-	-	6,809
-	1,866,973	4,386,341	182,430	512,321	3,022,125	9,985,646
<u>623,315</u>	<u>1,866,973</u>	<u>4,386,341</u>	<u>182,430</u>	<u>512,321</u>	<u>3,022,125</u>	<u>15,322,175</u>
<u>101,614</u>	<u>(419,396)</u>	<u>(1,317,108)</u>	<u>(117,446)</u>	<u>69,818</u>	<u>(2,984,919)</u>	<u>(4,625,199)</u>
-	1,870,856	592,302	75,815	-	1,763,092	5,825,697
-	(623,304)	(804,827)	-	-	-	(1,668,772)
-	<u>1,247,552</u>	<u>(212,525)</u>	<u>75,815</u>	-	<u>1,763,092</u>	<u>4,156,925</u>
101,614	828,156	(1,529,633)	(41,631)	69,818	(1,221,827)	(468,274)
293,528	17,017,102	2,411,586	(74,923)	(2,292)	2,262,934	27,158,285
<u>\$ 395,142</u>	<u>\$ 17,845,258</u>	<u>\$ 881,953</u>	<u>\$ (116,554)</u>	<u>\$ 67,526</u>	<u>\$ 1,041,107</u>	<u>\$ 26,690,011</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 605,471	\$ (394,529)
Investment earnings	120,000	120,000	113,348	(6,652)
Total revenues	1,120,000	1,120,000	718,819	(401,181)
Expenditures				
Current:				
Public safety:				
Police	98,450	98,450	115,735	(17,285)
Fire	-	-	178,045	(178,045)
Community services	-	-	10,000	(10,000)
Transportation	-	-	6,809	(6,809)
Contingency	1,000,000	1,000,000	-	1,000,000
Total expenditures	1,098,450	1,098,450	310,589	787,861
Excess of revenues over expenditures	21,550	21,550	408,230	386,680
Other financing sources				
Transfers in	400,000	400,000	315,405	(84,595)
Total other financing sources	400,000	400,000	315,405	(84,595)
Net change in fund balances	\$ 421,550	\$ 421,550	723,635	\$ 302,085
Fund balance at beginning of year			3,909,724	
Fund balance at end of year			\$ 4,633,359	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 835,000	\$ 985,000	\$ 1,321,004	\$ 336,004
Gifts and donations	116,000	116,000	161,091	45,091
Fines and forfeitures	244,000	244,000	562,918	318,918
Investment earnings	13,500	13,500	33,462	19,962
Total revenues	1,208,500	1,358,500	2,078,475	719,975
Expenditures				
Current:				
General government:				
Management and policy	78,500	77,500	40,155	37,345
Support services	-	1,000	-	1,000
Legal and court	50,000	50,000	187,860	(137,860)
Development services	-	-	661,425	(661,425)
Public works	50,000	50,000	49,884	116
Public safety:				
Police	831,810	961,810	814,557	147,253
Fire	2,000	2,000	8,358	(6,358)
Community services	611,270	610,089	507,039	103,050
Capital outlay	-	-	15,456	(15,456)
Total expenditures	1,623,580	1,752,399	2,284,734	(532,335)
Deficiency of revenues under expenditures	(415,080)	(393,899)	(206,259)	187,640
Other financing sources (uses)				
Transfers in	529,350	529,350	1,033,922	504,572
Transfers out	(100,000)	(100,000)	(238,750)	(138,750)
Total other financing sources and uses	429,350	429,350	795,172	365,822
Net change in fund balances	\$ 14,270	\$ 35,451	588,913	\$ 553,462
Fund balance at beginning of year			993,813	
Fund balance at end of year			\$ 1,582,726	

TOWN OF GILBERT, ARIZONA
Downtown Redevelopment Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 17,136	\$ 17,136
Miscellaneous	-	-	1,000	1,000
Total revenues	-	-	18,136	18,136
Expenditures				
Current:				
Development services	150,460	150,460	169,274	(18,814)
Total expenditures	150,460	150,460	169,274	(18,814)
Deficiency of revenues under expenditures	(150,460)	(150,460)	(151,138)	(678)
Other financing sources (uses)				
Transfers in	150,000	150,000	168,274	18,274
Transfers out	-	-	(1,891)	(1,891)
Total other financing sources and uses	150,000	150,000	166,383	16,383
Net change in fund balances	\$ (460)	\$ (460)	15,245	\$ 15,705
Fund balance at beginning of year			378,453	
Fund balance at end of year			\$ 393,698	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 933,830	\$ 933,830	\$ 707,707	\$ (226,123)
Miscellaneous	-	-	6,917	6,917
Total revenues	933,830	933,830	714,624	(219,206)
Expenditures				
Current:				
General government:				
Development services	933,830	933,830	708,038	225,792
Total expenditures	933,830	933,830	708,038	225,792
Excess of revenues over expenditures	-	-	6,586	6,586
Net change in fund balances	\$ -	\$ -	6,586	\$ 6,586
Fund balance at beginning of year			56,991	
Fund balance at end of year			\$ 63,577	

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,303,940	\$ 1,303,940	\$ 1,240,854	\$ (63,086)
Total revenues	<u>1,303,940</u>	<u>1,303,940</u>	<u>1,240,854</u>	<u>(63,086)</u>
Expenditures				
Current:				
Highways and streets	1,262,980	1,262,980	1,256,035	6,945
Total expenditures	<u>1,262,980</u>	<u>1,262,980</u>	<u>1,256,035</u>	<u>6,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,960</u>	<u>40,960</u>	<u>(15,181)</u>	<u>(56,141)</u>
Other financing sources				
Transfers in	-	-	6,031	6,031
Total other financing sources	<u>-</u>	<u>-</u>	<u>6,031</u>	<u>6,031</u>
Net change in fund balances	<u>\$ 40,960</u>	<u>\$ 40,960</u>	(9,150)	<u>\$ (50,110)</u>
Fund deficit at beginning of year			<u>(88,631)</u>	
Fund deficit at end of year			<u>\$ (97,781)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 717,560	\$ 717,560	\$ 716,899	\$ (661)
Investment earnings	-	-	8,030	8,030
Total revenues	<u>717,560</u>	<u>717,560</u>	<u>724,929</u>	<u>7,369</u>
Expenditures				
Current:				
Community services	847,120	908,120	623,315	284,805
Contingency	<u>12,000</u>	<u>12,000</u>	-	<u>12,000</u>
Total expenditures	<u>859,120</u>	<u>920,120</u>	<u>623,315</u>	<u>296,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(141,560)</u>	<u>(202,560)</u>	<u>101,614</u>	<u>304,174</u>
Net change in fund balances	<u>\$ (141,560)</u>	<u>\$ (202,560)</u>	<u>101,614</u>	<u>\$ 304,174</u>
Fund balance at beginning of year			<u>293,528</u>	
Fund balance at end of year			<u>\$ 395,142</u>	

TOWN OF GILBERT, ARIZONA
Capital Replacement Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 635,745	\$ 635,745
Investment earnings	812,100	812,100	505,976	(306,124)
Miscellaneous	-	-	305,856	305,856
Total revenues	812,100	812,100	1,447,577	635,477
Expenditures				
Capital outlay	3,403,000	3,403,000	1,866,973	1,536,027
Total expenditures	3,403,000	3,403,000	1,866,973	1,536,027
Deficiency of revenues under expenditures	(2,590,900)	(2,590,900)	(419,396)	2,171,504
Other financing sources (uses)				
Transfers in	5,142,850	5,142,850	1,870,856	(3,271,994)
Transfers out	-	-	(623,304)	(623,304)
Total other financing sources and uses	5,142,850	5,142,850	1,247,552	(3,895,298)
Net change in fund balances	\$ 2,551,950	\$ 2,551,950	828,156	\$ (1,723,794)
Fund balance at beginning of year			17,017,102	
Fund balance at end of year			\$ 17,845,258	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 27,257,550	\$ 27,257,550	\$ 26,345,117	\$ (912,433)
Investment earnings	550,000	805,270	465,775	(339,495)
Total revenues	27,807,550	28,062,820	26,810,892	(1,251,928)
Expenditures				
Debt service:				
Principal	25,870,000	25,870,000	34,960,000	(9,090,000)
Interest	10,108,180	10,108,180	8,769,569	1,338,611
Bond issuance costs	-	-	98,263	(98,263)
Fiscal and other charges	12,000	12,000	18,248	(6,248)
Total expenditures	35,990,180	35,990,180	43,846,080	(7,855,900)
Deficiency of revenues under expenditures	(8,182,630)	(7,927,360)	(17,035,188)	(9,107,828)
Other financing sources				
Transfers in	14,242,320	13,987,050	13,227,496	(759,554)
Total other financing sources	14,242,320	13,987,050	13,227,496	(759,554)
Net change in fund balances	\$ 6,059,690	\$ 6,059,690	(3,807,692)	\$ (9,867,382)
Fund balance at beginning of year			11,087,607	
Fund balance at end of year			\$ 7,279,915	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 131,000	\$ 131,000	\$ 2,121,038	\$ 1,990,038
Investment earnings	-	-	123	123
Total revenues	131,000	131,000	2,121,161	1,990,161
Expenditures				
Debt service:				
Principal	130,000	130,000	1,390,000	(1,260,000)
Interest	224,380	224,380	191,620	32,760
Fiscal and other charges	1,200	1,200	350	850
Total expenditures	355,580	355,580	1,581,970	(1,226,390)
Excess (deficiency) of revenues over (under) expenditures	(224,580)	(224,580)	539,191	763,771
Other financing uses				
Transfers out	-	-	(540,886)	(540,886)
Total other financing uses	-	-	(540,886)	(540,886)
Net change in fund balances	\$ (224,580)	\$ (224,580)	(1,695)	\$ 222,885
Fund balance at beginning of year			5,721	
Fund balance at end of year			\$ 4,026	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 11,881,000	\$ 11,881,000	\$ 6,060,834	\$ (5,820,166)
Other entities' participation	4,026,100	4,026,100	217,849	(3,808,251)
Investment earnings	-	-	377,459	377,459
Miscellaneous	-	-	69,138	69,138
Total revenues	15,907,100	15,907,100	6,725,280	(9,181,820)
Expenditures				
Capital outlay	55,013,990	55,013,990	17,038,512	37,975,478
Total expenditures	55,013,990	55,013,990	17,038,512	37,975,478
Deficiency of revenues under expenditures	(39,106,890)	(39,106,890)	(10,313,232)	28,793,658
Other financing sources				
Transfers in	8,730,150	8,730,150	3,303,153	(5,426,997)
General obligation bonds issued	21,112,600	21,112,600	3,759,800	(17,352,800)
Total other financing sources	29,842,750	29,842,750	7,062,953	(22,779,797)
Net change in fund balances	\$ (9,264,140)	\$ (9,264,140)	(3,250,279)	\$ 6,013,861
Fund balance at beginning of year			18,884,198	
Fund balance at end of year			\$ 15,633,919	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 220,000	\$ 220,000	\$ 297,915	\$ 77,915
Other entities' participation	-	-	68,614	68,614
System development fees	3,821,000	3,821,000	2,546,862	(1,274,138)
Investment earnings	60,000	60,000	132,803	72,803
Miscellaneous	-	-	23,039	23,039
Total revenues	4,101,000	4,101,000	3,069,233	(1,031,767)
Expenditures				
Capital outlay	3,861,140	3,861,140	4,386,341	(525,201)
Total expenditures	3,861,140	3,861,140	4,386,341	(525,201)
Excess (deficiency) of revenues over (under) expenditures	239,860	239,860	(1,317,108)	(1,556,968)
Other financing sources (uses)				
Transfers in	-	-	592,302	592,302
Transfers out	(480,000)	(480,000)	(804,827)	(324,827)
Total other financing sources and uses	(480,000)	(480,000)	(212,525)	267,475
Net change in fund balances	\$ (240,140)	\$ (240,140)	(1,529,633)	\$ (1,289,493)
Fund balance at beginning of year			2,411,586	
Fund balance at end of year			\$ 881,953	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,167,276	\$ 1,167,276
System development fees	10,682,000	10,682,000	7,174,418	(3,507,582)
Investment earnings	459,000	459,000	634,620	175,620
Miscellaneous	-	-	16,762	16,762
Total revenues	11,141,000	11,141,000	8,993,076	(2,147,924)
Expenditures				
Current:				
Community services	-	-	230	(230)
Debt service:				
Fiscal and other charges	-	-	10,211	(10,211)
Capital outlay	28,181,510	28,181,510	29,047,004	(865,494)
Total expenditures	28,181,510	28,181,510	29,057,445	(875,935)
Deficiency of revenues under expenditures	(17,040,510)	(17,040,510)	(20,064,369)	(3,023,859)
Other financing sources (uses)				
Transfers in	7,294,340	7,294,340	6,260,375	(1,033,965)
Transfers out	(22,456,700)	(22,456,700)	(17,173,280)	5,283,420
Revenue bonds issued	25,071,000	25,071,000	-	(25,071,000)
Total other financing sources and uses	9,908,640	9,908,640	(10,912,905)	(20,821,545)
Net change in fund balances	\$ (7,131,870)	\$ (7,131,870)	(30,977,274)	\$ (23,845,404)
Fund balance at beginning of year			3,968,614	
Fund deficit at end of year			\$ (27,008,660)	

TOWN OF GILBERT, ARIZONA
Flood Control and Storm Water Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 57,494	\$ 57,494
Investment earnings	-	-	7,490	7,490
Total revenues	<u>-</u>	<u>-</u>	<u>64,984</u>	<u>64,984</u>
Expenditures				
Capital outlay	314,950	314,950	182,430	132,520
Total expenditures	<u>314,950</u>	<u>314,950</u>	<u>182,430</u>	<u>132,520</u>
Deficiency of revenues under expenditures	<u>(314,950)</u>	<u>(314,950)</u>	<u>(117,446)</u>	<u>197,504</u>
Other financing sources				
Transfers in	315,000	315,000	75,815	(239,185)
Total other financing sources	<u>315,000</u>	<u>315,000</u>	<u>75,815</u>	<u>(239,185)</u>
Net change in fund balances	<u>\$ 50</u>	<u>\$ 50</u>	(41,631)	<u>\$ (41,681)</u>
Fund deficit at beginning of year			<u>(74,923)</u>	
Fund deficit at end of year			<u>\$ (116,554)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 892,000	\$ 892,000	\$ -	\$ (892,000)
Other entities' participation	600,000	600,000	720,238	120,238
System development fees	10,509,000	10,509,000	5,845,218	(4,663,782)
Investment earnings	488,000	488,000	380,780	(107,220)
Total revenues	12,489,000	12,489,000	6,946,236	(5,542,764)
Expenditures				
Capital outlay	43,890,280	43,890,280	26,575,624	17,314,656
Total expenditures	43,890,280	43,890,280	26,575,624	17,314,656
Deficiency of revenues under expenditures	(31,401,280)	(31,401,280)	(19,629,388)	11,771,892
Other financing sources (uses)				
Transfers in	22,708,350	22,708,350	15,254,760	(7,453,590)
Transfers out	(1,666,840)	(1,666,840)	(1,069,065)	597,775
General obligation bonds issued	10,551,000	10,551,000	-	(10,551,000)
Total other financing sources and uses	31,592,510	31,592,510	14,185,695	(17,406,815)
Net change in fund balances	\$ 191,230	\$ 191,230	(5,443,693)	\$ (5,634,923)
Fund balance at beginning of year			13,220,851	
Fund balance at end of year			\$ 7,777,158	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,175,000	\$ 1,175,000	\$ -	\$ (1,175,000)
Investment earnings	-	-	37,048	37,048
Miscellaneous	-	-	158	158
Total revenues	1,175,000	1,175,000	37,206	(1,137,794)
Expenditures				
Capital outlay	8,729,270	10,454,270	3,022,125	7,432,145
Total expenditures	8,729,270	10,454,270	3,022,125	7,432,145
Deficiency of revenues under expenditures	(7,554,270)	(9,279,270)	(2,984,919)	6,294,351
Other financing sources				
Transfers in	4,410,110	4,410,110	1,763,092	(2,647,018)
Total other financing sources	4,410,110	4,410,110	1,763,092	(2,647,018)
Net change in fund balances	\$ (3,144,160)	\$ (4,869,160)	(1,221,827)	\$ 3,647,333
Fund balance at beginning of year			2,262,934	
Fund balance at end of year			\$ 1,041,107	

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>(Negative)</u>
Operating revenues				
Charges for services	\$ 31,005,000	\$ 31,005,000	\$ 32,320,937	\$ 1,315,937
Other	150,000	150,000	295,299	145,299
Total operating revenues	<u>31,155,000</u>	<u>31,155,000</u>	<u>32,616,236</u>	<u>1,461,236</u>
Operating expenses				
General and administrative	708,440	975,263	906,255	69,008
Personal services	5,046,430	5,064,820	4,735,338	329,482
Operation and maintenance	12,128,280	11,892,371	11,600,722	291,649
Capital outlay	498,360	498,360	281,865	216,495
Allocation of indirect expenses	2,402,740	2,402,740	2,191,536	211,204
Debt service:				
Principal	10,990,730	10,990,730	2,228,942	8,761,788
Contingency	802,000	802,000	-	802,000
Total operating expenses	<u>32,576,980</u>	<u>32,626,284</u>	<u>21,944,658</u>	<u>10,681,626</u>
Operating income (loss)	<u>(1,421,980)</u>	<u>(1,471,284)</u>	<u>10,671,578</u>	<u>12,142,862</u>
Nonoperating revenues (expenses)				
Interest expense	(8,708,970)	(8,708,970)	(8,297,669)	411,301
Investment earnings	4,103,000	4,103,000	6,047,863	1,944,863
Gain on sale of capital assets	-	-	19,080	19,080
Total nonoperating revenues (expenses)	<u>(4,605,970)</u>	<u>(4,605,970)</u>	<u>(2,230,726)</u>	<u>2,375,244</u>
Income (loss) before capital contributions and transfers	(6,027,950)	(6,077,254)	8,440,852	14,518,106
Capital contributions	20,222,000	20,222,000	15,864,590	(4,357,410)
Transfers in	498,000	498,000	102,032	(395,968)
Transfers out	<u>(660,000)</u>	<u>(660,000)</u>	<u>(64,925)</u>	<u>595,075</u>
Change in net assets	<u>\$ 14,032,050</u>	<u>\$ 13,982,746</u>	<u>24,342,549</u>	<u>\$ 10,359,803</u>

Explanation of difference between budgetary change in net assets at June 30, 2008, 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, 2007 273,039
Less compensated absences at June 30, 2008 (310,816)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis. 281,865

Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis. 2,228,942

Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis. 3,986,784

Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes. (6,475,209)

Amortization of bond issuance costs is recognized as an expense for GAAP purposes but not recognized for budgetary purposes. (69,054)

Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets \$ 24,258,100

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>(Negative)</u>
Operating revenues				
Charges for services	\$ 18,563,600	\$ 18,563,600	\$ 18,440,258	\$ (123,342)
Other	249,000	249,000	4,709	(244,291)
Total operating revenues	<u>18,812,600</u>	<u>18,812,600</u>	<u>18,444,967</u>	<u>(367,633)</u>
Operating expenses				
General and administrative	711,350	774,076	648,958	125,118
Personal services	2,484,390	2,515,714	2,391,893	123,821
Operation and maintenance	9,288,040	9,200,172	8,082,457	1,117,715
Capital outlay	351,818	351,818	73,954	277,864
Allocation of indirect expenses	1,613,730	1,613,730	1,467,955	145,775
Debt service:				
Principal	9,845,070	9,845,070	12,171,058	(2,325,988)
Contingency	641,000	631,000	-	631,000
Total operating expenses	<u>24,935,398</u>	<u>24,931,580</u>	<u>24,836,275</u>	<u>95,305</u>
Operating loss	<u>(6,122,798)</u>	<u>(6,118,980)</u>	<u>(6,391,308)</u>	<u>(272,328)</u>
Nonoperating revenues (expenses)				
Interest expense	(3,167,350)	(3,167,350)	(2,266,907)	900,443
Investment earnings	1,301,930	1,301,930	1,250,166	(51,764)
Gain on sale of capital assets	-	-	3,032	3,032
Total nonoperating revenues (expenses)	<u>(1,865,420)</u>	<u>(1,865,420)</u>	<u>(1,013,709)</u>	<u>851,711</u>
Loss before capital contributions and transfers	(7,988,218)	(7,984,400)	(7,405,017)	579,383
Capital contributions	16,987,000	16,987,000	11,876,651	(5,110,349)
Transfers out	<u>(2,718,320)</u>	<u>(2,718,320)</u>	<u>(1,342,212)</u>	<u>1,376,108</u>
Change in net assets	<u>\$ 6,280,462</u>	<u>\$ 6,284,280</u>	3,129,422	<u>\$ (3,154,858)</u>
Explanation of difference between budgetary change in net assets at June 30, 2008, 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, 2007			122,779	
Less compensated absences at June 30, 2008			(160,604)	
Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.			73,954	
Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis.			12,171,058	
Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis.			2,827,843	
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.			(7,841,498)	
Amortization of bond issuance costs is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.			<u>(787,573)</u>	
Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets			<u>\$ 9,535,381</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 15,278,490	\$ 15,278,490	\$ 15,642,418	\$ 363,928
Other	58,020	58,020	100,061	42,041
Total operating revenues	15,336,510	15,336,510	15,742,479	405,969
Operating expenses				
General and administrative	369,710	470,877	456,982	13,895
Personal services	5,098,850	5,146,532	4,984,265	162,267
Operation and maintenance	6,754,240	6,588,654	6,908,069	(319,415)
Capital outlay	2,742,000	2,758,737	2,245,407	513,330
Allocation of indirect expenses	1,329,840	1,329,840	1,260,197	69,643
Contingency	482,000	482,000	-	482,000
Total operating expenses	16,776,640	16,776,640	15,854,920	921,720
Operating loss	(1,440,130)	(1,440,130)	(112,441)	1,327,689
Nonoperating revenues (expenses)				
Investment earnings	338,000	338,000	210,440	(127,560)
Loss on disposal of capital assets	-	-	(175,533)	(175,533)
Total nonoperating revenues (expenses)	338,000	338,000	34,907	(303,093)
Change in net assets	\$ (1,102,130)	\$ (1,102,130)	(77,534)	\$ 1,024,996

Explanation of difference between budgetary change in net assets at June 30, 2008,
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, 2007 372,707

Less compensated absences at June 30, 2008 (355,467)

Capital outlays are not recognized as GAAP expenses but are recognized
as expenses on the budget basis. 2,245,407

Depreciation is recognized as an expense for GAAP purposes but
is not recognized for budgetary purposes. (1,096,148)

Change in net assets as reported on the statement of revenues, expenses
and changes in fund net assets \$ 1,088,965

TOWN OF GILBERT, ARIZONA
Irrigation Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Assets - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 27,530	\$ 27,530	\$ 17,500	\$ (10,030)
Total operating revenues	27,530	27,530	17,500	(10,030)
Operating expenses				
General and administrative	1,630	1,434	836	598
Personal services	50,900	53,550	54,945	(1,395)
Operation and maintenance	12,800	12,996	10,845	2,151
Total operating expenses	65,330	67,980	66,626	1,354
Operating loss	(37,800)	(40,450)	(49,126)	(8,676)
Nonoperating revenues				
Investment earnings	-	-	781	781
Total nonoperating revenues	-	-	781	781
Loss before transfers	(37,800)	(40,450)	(48,345)	(7,895)
Transfers in	37,800	37,800	48,345	10,545
Change in net assets	\$ -	\$ (2,650)	\$ -	\$ 2,650

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.

Copier 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, 2008

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 60,960	\$ 333,372	\$ 3,687,980	\$ 4,082,312
Receivables (net):				
Accrued interest	414	928	12,527	13,869
Accounts	62,803	-	7,286	70,089
Inventories	623,762	-	-	623,762
Total current assets	<u>747,939</u>	<u>334,300</u>	<u>3,707,793</u>	<u>4,790,032</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	190,798	217,575	-	408,373
Less accumulated depreciation	<u>(119,979)</u>	<u>(58,745)</u>	<u>-</u>	<u>(178,724)</u>
Total capital assets (net)	<u>70,819</u>	<u>158,830</u>	<u>-</u>	<u>229,649</u>
Total assets	<u>818,758</u>	<u>493,130</u>	<u>3,707,793</u>	<u>5,019,681</u>
LIABILITIES				
Current liabilities:				
Accounts payable	422,573	15,954	-	438,527
Accrued liabilities	53,227	-	-	53,227
Current portion of compensated absences	45,243	-	-	45,243
Claims payable	-	-	997,247	997,247
Total current liabilities	<u>521,043</u>	<u>15,954</u>	<u>997,247</u>	<u>1,534,244</u>
Long-term portion of compensated absences	<u>47,583</u>	<u>-</u>	<u>-</u>	<u>47,583</u>
Total liabilities	<u>568,626</u>	<u>15,954</u>	<u>997,247</u>	<u>1,581,827</u>
NET ASSETS				
Invested in capital assets, net of related debt	70,819	158,830	-	229,649
Unrestricted	179,313	318,346	2,710,546	3,208,205
Total net assets	<u>\$ 250,132</u>	<u>\$ 477,176</u>	<u>\$ 2,710,546</u>	<u>\$ 3,437,854</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, 2008

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 7,695,741	\$ 380,433	\$ 12,332,131	\$ 20,408,305
Other	2,478	-	130,506	132,984
Total operating revenues	<u>7,698,219</u>	<u>380,433</u>	<u>12,462,637</u>	<u>20,541,289</u>
Operating expenses				
General and administrative	102,361	-	989,846	1,092,207
Personal services	1,648,038	-	-	1,648,038
Operation and maintenance	5,789,125	304,821	-	6,093,946
Claims Incurred	-	-	10,893,659	10,893,659
Depreciation	7,971	19,631	-	27,602
Total operating expenses	<u>7,547,495</u>	<u>324,452</u>	<u>11,883,505</u>	<u>19,755,452</u>
Operating income	<u>150,724</u>	<u>55,981</u>	<u>579,132</u>	<u>785,837</u>
Nonoperating revenues				
Investment earnings	3,120	6,578	107,866	117,564
Gain on sale of capital assets	4,190	-	-	4,190
Total nonoperating revenues	<u>7,310</u>	<u>6,578</u>	<u>107,866</u>	<u>121,754</u>
Change in net assets	158,034	62,559	686,998	907,591
Total net assets, beginning of year	<u>92,098</u>	<u>414,617</u>	<u>2,023,548</u>	<u>2,530,263</u>
Total net assets, end of year	<u>\$ 250,132</u>	<u>\$ 477,176</u>	<u>\$ 2,710,546</u>	<u>\$ 3,437,854</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2008

	Equipment Maintenance	Copier Services	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:				
Other operating cash receipts	\$ 2,478	\$ -	\$ 132,534	\$ 135,012
Cash receipts from other funds for services	7,632,938	380,433	12,332,131	20,345,502
Cash payments to suppliers for goods and services	(6,054,583)	(314,554)	(11,931,538)	(18,300,675)
Cash payments to employees for services	(1,634,405)	-	-	(1,634,405)
Net cash provided by (used in) operating activities	<u>(53,572)</u>	<u>65,879</u>	<u>533,127</u>	<u>545,434</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(56,647)	-	-	(56,647)
Proceeds from sales of capital assets	4,190	-	-	4,190
Net cash used in capital and related financing activities	<u>(52,457)</u>	<u>-</u>	<u>-</u>	<u>(52,457)</u>
Cash flows from investing activities:				
Interest received on investments	3,073	6,765	111,133	120,971
Net cash provided by investing activities	<u>3,073</u>	<u>6,765</u>	<u>111,133</u>	<u>120,971</u>
Net increase (decrease) in cash and cash equivalents	(102,956)	72,644	644,260	613,948
Cash and cash equivalents at beginning of year	163,916	260,728	3,043,720	3,468,364
Cash and cash equivalents at end of year	<u>\$ 60,960</u>	<u>\$ 333,372</u>	<u>\$ 3,687,980</u>	<u>\$ 4,082,312</u>
Reconciliation of operating income to net cash provided by (used in) operations:				
Operating income	<u>\$ 150,724</u>	<u>\$ 55,981</u>	<u>\$ 579,132</u>	<u>\$ 785,837</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	7,971	19,631	-	27,602
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(62,803)	-	2,028	(60,775)
Increase in inventories	(51,947)	-	-	(51,947)
Decrease in accounts payable	(111,150)	(9,733)	-	(120,883)
Decrease in claims payable	-	-	(48,033)	(48,033)
Increase in accrued expenses	13,633	-	-	13,633
Total adjustments	<u>(204,296)</u>	<u>9,898</u>	<u>(46,005)</u>	<u>(240,403)</u>
Net cash provided by (used in) operating activities	<u>\$ (53,572)</u>	<u>\$ 65,879</u>	<u>\$ 533,127</u>	<u>\$ 545,434</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 7,022,430	\$ 7,022,430	\$ 7,695,741	\$ 673,311
Other	-	-	2,478	2,478
Total operating revenues	7,022,430	7,022,430	7,698,219	675,789
Operating expenses				
General and administrative	79,190	79,190	102,361	(23,171)
Personal services	1,943,690	1,943,690	1,637,130	306,560
Operation and maintenance	4,890,760	4,890,760	5,789,125	(898,365)
Capital outlay	90,000	90,000	56,647	33,353
Depreciation	-	-	7,971	(7,971)
Total operating expenses	7,003,640	7,003,640	7,593,234	(589,594)
Operating income	18,790	18,790	104,985	86,195
Nonoperating revenues				
Investment earnings	3,900	3,900	3,120	(780)
Gain on sale of capital assets	-	-	4,190	4,190
Total nonoperating revenues	3,900	3,900	7,310	3,410
Change in net assets	\$ 22,690	\$ 22,690	112,295	\$ 89,605

Explanation of difference between budgetary change in net assets at June 30, 2008,
and GAAP change in net assets:

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

56,647

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

Add compensated absences at June 30, 2007

81,919

Less compensated absences at June 30, 2008

(92,827)

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

\$ 158,034

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 385,000	\$ 385,000	\$ 380,433	\$ (4,567)
Total operating revenues	385,000	385,000	380,433	(4,567)
Operating expenses				
Operation and maintenance	310,000	310,000	304,821	5,179
Capital outlay	30,000	30,000	-	30,000
Depreciation	-	-	19,631	(19,631)
Total operating expenses	340,000	340,000	324,452	15,548
Operating income	45,000	45,000	55,981	10,981
Nonoperating revenues				
Investment earnings	-	-	6,578	6,578
Total nonoperating revenues	-	-	6,578	6,578
Change in net assets	\$ 45,000	\$ 45,000	\$ 62,559	\$ 17,559

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 10,748,700	\$ 10,748,700	\$ 12,332,131	\$ 1,583,431
Other	70,000	70,000	130,506	60,506
Total operating revenues	<u>10,818,700</u>	<u>10,818,700</u>	<u>12,462,637</u>	<u>1,643,937</u>
Operating expenses				
General and administrative	977,600	977,600	989,846	(12,246)
Claims Incurred	<u>10,000,800</u>	<u>10,000,800</u>	<u>10,893,659</u>	<u>(892,859)</u>
Total operating expenses	<u>10,978,400</u>	<u>10,978,400</u>	<u>11,883,505</u>	<u>(905,105)</u>
Operating income (loss)	<u>(159,700)</u>	<u>(159,700)</u>	<u>579,132</u>	<u>738,832</u>
Nonoperating revenues				
Investment earnings	<u>80,000</u>	<u>80,000</u>	<u>107,866</u>	<u>27,866</u>
Total nonoperating revenues	<u>80,000</u>	<u>80,000</u>	<u>107,866</u>	<u>27,866</u>
Change in net assets	<u>\$ (79,700)</u>	<u>\$ (79,700)</u>	<u>\$ 686,998</u>	<u>\$ 766,698</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.

Payback Agreement - accounts for monies received from developers to payback other developers for sanitary wastewater system development.



TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2008

Flexible Spending	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
<u>Assets</u>				
Equity in pooled cash and investments	\$ 21,327	199,272	190,779	29,820
Total assets	<u>\$ 21,327</u>	<u>199,272</u>	<u>190,779</u>	<u>29,820</u>
<u>Liabilities</u>				
Accounts payable	\$ 2,820	1,034	3,854	-
Medical benefits payable	12,204	152,726	141,893	23,037
Dependent care benefits payable	<u>6,303</u>	<u>46,547</u>	<u>46,067</u>	<u>6,783</u>
Total liabilities	<u>\$ 21,327</u>	<u>200,307</u>	<u>191,814</u>	<u>29,820</u>
 Payback Agreement				
<u>Assets</u>				
Equity in pooled cash and investments	\$ 2,100,849	219,492	2,320,341	-
Total assets	<u>\$ 2,100,849</u>	<u>219,492</u>	<u>2,320,341</u>	<u>-</u>
<u>Liabilities</u>				
Due to developers	\$ 2,100,849	737,554	2,838,403	-
Total liabilities	<u>\$ 2,100,849</u>	<u>737,554</u>	<u>2,838,403</u>	<u>-</u>
 Total-All Agency Funds				
<u>Assets</u>				
Equity in pooled cash and investments	\$ 2,122,176	418,764	2,511,120	29,820
Total assets	<u>\$ 2,122,176</u>	<u>418,764</u>	<u>2,511,120</u>	<u>29,820</u>
<u>Liabilities</u>				
Accounts payable	\$ 2,820	1,034	3,854	-
Due to developers	2,100,849	737,554	2,838,403	-
Medical benefits payable	12,204	152,726	141,893	23,037
Dependent care benefits payable	<u>6,303</u>	<u>46,547</u>	<u>46,067</u>	<u>6,783</u>
Total liabilities	<u>\$ 2,122,176</u>	<u>937,861</u>	<u>3,030,217</u>	<u>29,820</u>



Statistical Section

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

Other Information

STATISTICAL SECTION

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

Contents	Page
Financial Trends	105
<i>These schedules contain trend information to help the reader understand how Gilbert's financial performance and well-being have changed over time.</i>	
Revenue Capacity	112
<i>These schedules contain information to help the reader assess Gilbert's most significant local revenue source, sales tax.</i>	
Debt Capacity	115
<i>These schedules present information to help the reader assess the affordability of Gilbert's current levels of outstanding debt and Gilbert's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	120
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Gilbert's financial activities take place.</i>	
Operating information	122
<i>These schedules contain service and infrastructure data to help the reader understand how the information in Gilbert's financial report relates to the services Gilbert provides and the activities it performs.</i>	
Other information	125

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



Town of Gilbert, Arizona
Net Assets by Component
Last Six 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>
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
Restricted	46,572,913	51,872,071	49,646,029	47,715,687	42,681,149	34,925,873
Unrestricted	<u>17,099,202</u>	<u>19,536,802</u>	<u>38,750,945</u>	<u>48,970,671</u>	<u>67,609,797</u>	<u>48,021,680</u>
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>
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
Restricted	29,201,609	44,404,210	52,594,128	62,356,255	103,425,180	106,871,117
Unrestricted	<u>46,364,812</u>	<u>42,045,208</u>	<u>46,529,937</u>	<u>17,926,973</u>	<u>9,480,280</u>	<u>136,635,181</u>
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>
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
Restricted	75,774,522	96,276,281	102,240,157	110,071,942	146,106,329	141,796,990
Unrestricted	<u>63,464,014</u>	<u>61,582,010</u>	<u>85,280,882</u>	<u>66,897,644</u>	<u>77,090,077</u>	<u>184,656,861</u>
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>

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

Town of Gilbert, Arizona
Changes in Net Assets
Last Six 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>
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
Support services	4,217,564	5,760,253	7,138,828	8,854,240	9,827,763	10,351,241
Legal and court	2,686,277	2,875,580	3,685,456	4,352,048	5,316,211	5,848,004
Development services	7,454,599	7,790,502	8,824,753	11,231,950	13,394,123	14,500,727
Public works	4,271,868	3,229,684	2,621,289	4,280,669	914,339	978,662
Public safety:						
Police	17,176,875	19,374,504	22,908,779	29,764,753	34,021,950	39,640,802
Fire	8,370,833	9,898,603	11,288,467	15,377,613	18,872,416	22,563,858
Highways and streets	19,765,224	19,613,335	25,100,705	24,852,381	31,052,006	36,385,215
Community services	8,552,036	8,526,959	10,114,095	11,238,766	15,925,776	16,175,710
Transportation	1,512,844	1,461,861	1,548,928	1,621,910	1,438,736	1,562,754
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
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>
Business-type activities:						
Water	17,026,176	18,414,133	20,460,920	25,234,199	24,029,873	34,277,527
Wastewater	9,575,779	10,129,148	13,023,131	19,061,223	19,873,117	23,507,048
Solid waste	7,788,527	8,044,860	9,372,049	11,359,522	12,978,271	14,782,904
Irrigation	51,158	37,071	40,356	38,615	29,956	66,626
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>
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>
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
Police	3,092,598	2,430,266	2,972,598	3,749,728	6,014,921	6,358,381
Fire	320,401	499,102	881,962	794,767	100,360	71,807
Highways and streets	1,075,907	865,437	1,111,282	1,258,182	1,396,499	1,265,289
Community services	1,947,932	2,149,622	2,222,258	2,464,365	2,954,876	3,129,436
Other activities	217,220	435,406	491,167	542,843	502,682	707,251
Operating grants and contributions	13,321,723	14,351,688	15,251,531	17,078,782	22,465,988	22,630,806
Capital grants and contributions	52,693,604	53,754,550	61,048,198	43,855,523	70,075,655	45,821,379
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>

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
Wastewater	10,357,032	11,139,203	12,105,571	13,989,496	16,173,220	18,440,258
Solid waste	8,752,299	9,324,084	10,255,707	11,307,240	13,885,607	15,642,418
Irrigation	15,020	16,646	18,775	16,634	17,622	17,500
Capital grants and contributions	29,756,827	41,129,808	49,378,551	59,182,705	64,673,795	34,555,868
Total business-type activities program revenues	<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>
Total primary government program revenues	<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>

Net (Expense)/Revenue

Governmental activities ^b	\$ (3,065,893)	\$ (4,132,438)	\$ (6,044,973)	\$ (41,241,946)	\$ (29,627,448)	\$ (72,697,456)
Business-type activities	31,473,754	42,951,820	49,280,551	52,928,679	66,083,588	28,342,876
Total primary government net revenue (expense)	<u>\$ 28,407,861</u>	<u>\$ 38,819,382</u>	<u>\$ 43,235,578</u>	<u>\$ 11,686,733</u>	<u>\$ 36,456,140</u>	<u>\$ (44,354,580)</u>

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
Property taxes, levied for debt service	8,731,953	10,407,422	12,026,288	14,053,737	16,499,669	26,345,117
In-Lieu property taxes	235,068	304,844	378,782	372,682	376,101	831,159
Franchise taxes	1,331,249	1,532,695	1,711,290	2,010,931	2,360,909	2,595,154
Unrestricted state shared sales taxes	8,579,161	9,228,830	10,162,364	12,088,197	16,594,671	16,316,998
Unrestricted state shared income taxes	11,675,179	9,891,309	10,084,177	11,485,210	19,761,466	24,985,772
Unrestricted grants and contributions	1,367,303	2,196,572	2,491,151	3,157,577	3,157,008	2,195,293
Unrestricted investment earnings	1,571,868	1,181,254	2,314,665	7,018,569	8,508,485	4,462,545
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
Miscellaneous	414,353	319,327	602,281	614,602	620,185	543,818
Transfers	36,636	48,382	679,314	54,183	609,993	1,256,760
Total governmental activities	<u>61,050,678</u>	<u>70,244,933</u>	<u>83,665,127</u>	<u>100,269,591</u>	<u>126,209,863</u>	<u>136,772,945</u>

Business-type activities:

Investment earnings	1,247,691	812,801	2,835,377	5,144,180	5,287,992	7,509,250
Decrease in fair value of investments	(2,365,647)	-	-	-	-	-
(Loss)/Gain on sale of capital assets	-	-	59,994	131,387	(376,397)	55,471
Miscellaneous	167,189	303,089	626,001	801,446	405,850	400,069
Transfers	(36,636)	(48,382)	(679,314)	(54,183)	(609,993)	(1,256,760)
Total business-type activities	<u>(987,403)</u>	<u>1,067,508</u>	<u>2,842,058</u>	<u>6,022,830</u>	<u>4,707,452</u>	<u>6,708,030</u>
Total primary government	<u>\$ 60,063,275</u>	<u>\$ 71,312,441</u>	<u>\$ 86,507,185</u>	<u>\$ 106,292,421</u>	<u>\$ 130,917,315</u>	<u>\$ 143,480,975</u>

Change in Net Assets

Governmental activities	\$ 57,984,785	\$ 66,112,495	\$ 77,620,154	\$ 59,027,645	\$ 96,582,415	\$ 64,075,489
Business-type activities	30,486,351	44,019,328	52,122,609	58,951,509	70,791,040	35,050,906
Total primary government	<u>\$ 88,471,136</u>	<u>\$ 110,131,823</u>	<u>\$ 129,742,763</u>	<u>\$ 117,979,154</u>	<u>\$ 167,373,455</u>	<u>\$ 99,126,395</u>

^a Gilbert implemented GASB Statement No. 34 for the fiscal year ended June 30, 2003, therefore only six 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).

Town of Gilbert, Arizona
Program Revenues by Function
Last Six 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>
Governmental activities:						
General government:						
Management and policy	\$ 35,860	\$ 44,198	\$ 29,848	\$ 66,402	\$ 70,147	\$ 46,632
Support services	20,646	163,215	197,938	236,754	1,132,587	1,183,621
Legal and court	183,004	268,998	306,429	343,835	412,084	674,849
Development services	7,866,338	9,359,374	12,331,975	12,326,494	11,661,699	8,100,907
Public works ^b	7,407,290	3,080,949	1,122,359	1,976,224	5,837,055	1,948,470
Public Safety:						
Police	5,143,496	5,225,499	6,018,763	7,139,932	9,629,340	8,491,397
Fire	1,363,644	2,838,497	4,576,385	5,196,579	5,286,529	4,223,014
Highways and streets ^c	51,320,127	52,716,860	57,449,518	40,427,704	65,949,321	52,536,064
Community services	5,593,179	8,817,868	13,477,053	13,312,782	13,248,549	9,861,396
Transportation	42,998	182,820	386,539	149,619	510,939	303,199
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>
Business-type activities:						
Water	34,368,450	41,402,414	47,216,223	55,933,046	64,313,182	52,172,311
Wastewater	22,779,625	28,833,888	34,669,529	41,365,318	44,778,394	33,144,752
Solid waste	8,752,299	9,324,084	10,272,480	11,307,240	13,885,607	15,642,418
Irrigation	15,020	16,646	18,775	16,634	17,622	17,500
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>
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>

^a Gilbert implemented GASB Statement No. 34 for the fiscal year ended June 30, 2003, therefore only six 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 year 2008 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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 255,971	\$ 313,260	\$ 2,029,973	\$ 64,148	\$ 133,315	\$ 1,258,466	\$ 233,555	\$ 441,157	\$ 16,082,035	\$ 16,015,075
Unreserved	<u>7,282,095</u>	<u>6,603,648</u>	<u>7,816,100</u>	<u>14,339,030</u>	<u>16,432,986</u>	<u>19,486,079</u>	<u>39,220,868</u>	<u>37,670,366</u>	<u>33,431,047</u>	<u>38,375,273</u>
Total general fund	<u>\$ 7,538,066</u>	<u>\$ 6,916,908</u>	<u>\$ 9,846,073</u>	<u>\$ 14,403,178</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>
All other governmental funds										
Reserved ^a	\$ 9,544,462	\$ 16,459,945	\$ 15,474,998	\$ 27,459,253	\$ 24,845,638	\$ 70,452,920	\$ 56,413,890	\$ 108,785,039	\$ 69,735,445	\$ 42,862,953
Unreserved, reported in:										
Special revenue funds	2,140,134	3,222,169	3,982,546	10,701,877	15,445,596	16,265,034	16,737,129	28,238,612	28,546,101	29,347,664
Debt service funds	-	(118,790)	-	(1,575,022)	(2,454,188)	(3,221,527)	(4,744,264)	(4,500,716)	-	-
Capital projects funds ^b	<u>2,395,972</u>	<u>(250,330)</u>	<u>(321,016)</u>	<u>36,230,486</u>	<u>20,694,169</u>	<u>(9,047,787)</u>	<u>(6,395,978)</u>	<u>(3,626,775)</u>	<u>(17,761,932)</u>	<u>(36,580,485)</u>
Total all other governmental funds	<u>\$ 14,080,568</u>	<u>\$ 19,312,994</u>	<u>\$ 19,136,528</u>	<u>\$ 72,816,594</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>

^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 negative fund balance in capital projects funds is mainly due to the municipal facilities fund and is anticipated to be partly covered by bonds that will be issued in fiscal year 2009.

Town of Gilbert, Arizona
Changes in Fund Balances of Governmental Funds
Last Six 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>
Revenues						
Taxes:						
Sales	\$ 29,645,140	\$ 34,972,908	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907
Property	10,275,524	11,609,075	13,482,146	15,671,497	18,528,637	28,302,870
Franchise	1,331,249	1,532,695	1,711,290	2,010,931	2,360,909	2,595,154
Licenses and permits	4,867,861	6,281,477	9,192,849	8,539,210	6,818,495	4,734,163
Intergovernmental	43,926,179	34,440,730	40,149,322	46,258,664	65,758,839	73,255,188
Special assessments	1,242,492	1,924,451	1,552,289	1,425,857	355,124	2,121,038
Charges for services	5,912,088	7,135,507	8,479,154	9,536,324	9,391,341	9,593,874
Other entities' participation	1,242,755	2,156,627	2,845,785	2,325,967	6,081,523	1,619,694
System development fees	8,245,450	14,662,061	21,773,077	22,959,373	23,014,785	15,566,498
Gifts and donations	54,641	122,861	150,652	341,965	502,490	176,612
Fines and forfeitures	1,844,637	2,115,055	2,417,453	2,832,536	4,094,156	4,563,842
Investment earnings	1,569,227	1,173,164	2,277,133	6,933,872	8,386,063	4,344,980
Decrease in fair value of investments	(2,601,898)	-	-	-	-	-
Miscellaneous	478,059	480,717	651,072	799,218	669,913	800,050
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>
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
Support services	5,609,746	6,821,426	7,460,561	8,722,221	9,770,935	10,813,606
Legal and court	2,679,223	2,850,975	3,070,512	3,714,232	4,681,581	5,222,500
Development services	7,400,086	7,694,887	8,614,412	10,966,867	12,693,286	14,023,620
Public works	1,896,109	1,540,331	1,231,658	1,411,727	1,254,628	1,328,552
Public safety:						
Police	16,596,031	18,772,923	21,197,065	27,835,183	31,534,516	36,126,310
Fire	7,650,531	9,359,511	10,491,040	13,982,418	17,223,948	20,521,025
Highways and streets	6,923,040	5,592,356	9,149,173	7,505,334	9,423,732	10,631,061
Community services	6,757,017	6,770,499	7,675,098	8,513,797	12,724,944	12,567,656
Transportation	1,512,844	1,461,861	1,548,928	1,621,910	1,438,736	1,562,754
Debt service:						
Principal	7,564,758	12,171,072	14,964,964	15,100,000	20,305,000	36,350,000
Interest	5,280,505	6,392,593	6,540,937	7,906,095	9,578,451	8,961,189
Bond issuance costs	150,678	166,468	59,572	424,807	-	98,263
Fiscal and other charges	97,944	22,054	11,851	49,079	45,054	28,809
Capital outlay	54,272,427	69,663,246	65,598,244	83,798,196	106,748,401	87,528,247
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>
Deficiency of revenues under expenditures	(19,286,105)	(32,855,667)	(12,233,894)	(25,948,099)	(37,584,980)	(45,028,776)

Other financing sources (uses)						
Transfers in	19,569,427	24,334,654	19,512,534	45,391,786	77,501,538	45,661,293
Transfers out	(19,532,791)	(24,286,272)	(18,833,220)	(45,337,603)	(76,891,545)	(44,404,533)
Bonds issued	6,510,000	52,300,000	18,750,000	103,230,000	-	3,759,800
Premium on bonds	21,032	602,954	51,095	3,078,293	-	-
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>
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>
Debt service as a percentage of noncapital expenditures	17.9%	22.9%	22.8%	21.2%	22.3%	28.0%

^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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Construction	\$ 4,599,079	\$ 4,011,607	\$ 6,515,778	\$ 7,905,096	\$ 8,218,206	\$ 8,549,076	\$ 15,314,209	\$ 15,127,922	\$ 18,805,837	\$ 14,969,597
Manufacturing	170,225	196,930	313,411	279,396	248,006	461,330	643,826	734,423	684,148	789,804
Utilities	1,085,102	1,221,129	2,147,997	2,532,813	2,692,309	2,748,392	3,630,952	4,028,971	4,548,528	5,269,633
Wholesale	211,268	215,678	354,440	444,998	509,324	556,862	335,857	446,597	483,943	577,086
Retail	5,319,462	6,693,783	10,952,405	12,528,922	11,956,454	14,317,055	15,861,398	19,598,312	21,385,004	23,550,094
Restaurants	480,113	583,914	1,074,397	1,180,852	1,318,717	1,673,327	2,045,005	2,501,237	2,972,678	3,228,910
Property Rental	712,448	796,897	1,510,286	1,866,040	1,905,276	3,153,884	3,383,290	4,299,410	5,276,563	5,538,416
Services	1,222,801	1,385,890	2,123,013	2,349,017	2,429,195	2,018,946	818,873	945,003	973,552	1,729,464
Other ^a	74,821	83,230	123,421	107,150	91,533	1,022,984	346,103	711,618	1,491,268	319,810
Transportation ^a	-	-	-	-	-	29,060	7,773	9,906	17,264	13,347
Finance & Insurance ^a	-	-	-	-	-	100,986	61,734	63,851	73,410	93,008
Public Administration ^a	-	-	-	-	-	6,214	5,900	9,819	11,416	8,272
Arts & Entertainment ^a	-	-	-	-	-	106,019	348,650	391,459	405,765	446,057
Audit Program	44,351	151,561	320,734	268,578	276,120	228,773	356,013	329,728	568,120	446,409
Adjustment	-	-	571,591	45,391	-	-	-	-	-	-
Total	\$ 13,919,670	\$ 15,340,619	\$ 26,007,473	\$ 29,508,253	\$ 29,645,140	\$ 34,972,908	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907
Gilbert's direct sales tax rate	1.0%	1.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

^a 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.

Schedule 7

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

Fiscal Year	Gilbert Direct Rate	Arizona Rate	Maricopa County Rate	Total Rate
1999	1.00%	5.00%	0.70%	6.70%
2000	1.00%	5.00%	0.70%	6.70%
2001	1.50%	5.00%	0.70%	7.20%
2002	1.50%	5.60%	0.70%	7.80%
2003	1.50%	5.60%	0.70%	7.80%
2004	1.50%	5.60%	0.70%	7.80%
2005	1.50%	5.60%	0.70%	7.80%
2006	1.50%	5.60%	0.70%	7.80%
2007	1.50%	5.60%	0.70%	7.80%
2008	1.50%	5.60%	0.70%	7.80%

Source: Gilbert Development Services Department

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

**Town of Gilbert, Arizona
Principal Transaction Privilege Taxpayers by Type of Business
Current Fiscal Year and Nine Years Ago**

<u>Type of Business</u>	<u>Fiscal Year 2008</u>			<u>Fiscal Year 1999</u>		
	<u>Privilege Tax Collected</u>	<u>Rank</u>	<u>As % of Total Collections</u>	<u>Privilege Tax Collected</u>	<u>Rank</u>	<u>As % of Total Collections</u>
Retail Sales	\$ 3,121,761	1	5.48 %	\$ ---		--- %
Retail Sales	2,422,892	2	4.25	639,835	3	4.61
Utilities	2,343,316	3	4.11	480,497	5	3.46
Retail Sales	1,906,112	4	3.35	243,598	10	1.76
Retail Sales	1,474,097	5	2.59	---		---
Retail Sales	1,205,223	6	2.12	1,337,815	1	9.64
Retail Sales	1,169,584	7	2.05	328,915	7	2.37
Construction	724,763	8	1.27	538,511	4	3.88
Retail Sales	659,961	9	1.16	258,900	8	1.87
Retail Sales	634,076	10	1.11	---		---
Retail Sales	---		---	658,722	2	4.75
Construction	---		---	408,112	6	2.94
Construction	---		---	254,621	9	1.84
Total	\$ <u>15,661,785</u>		<u>27.49 %</u>	\$ <u>5,149,526</u>		<u>37.12 %</u>

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Source: Arizona Department of Revenue

**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 Secondary Assessed Property Value	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Street and Highway Revenue Bonds	Municipal Property Corporation Revenue Bonds	General Obligation Bonds	Special Assessment Bonds	Water and Wastewater Revenue Bonds	Municipal Property Corporation Revenue Bonds			
1999	\$ 22,325,000	\$ 12,711,334	\$ 5,545,000	\$ -	\$ 17,645,000	\$ 753,667	\$ 26,980,000	\$ 13,320,000	\$ 99,280,001	20.49 %	\$ 1,001
2000	37,285,000	10,900,527	5,195,000	-	17,350,000	649,473	26,675,000	7,755,000	105,810,000	17.82	986
2001	33,885,000	8,245,972	4,830,000	-	17,040,000	539,028	26,450,000	23,950,000	114,940,000	17.14	939
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	23.61	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	18.96	1,190
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	19.94	1,274
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	22.22	1,562
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	22.74	1,796
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	19.00	2,216
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	14.68	1,891

See Schedule 14 for population data.

See Schedule 10 for secondary assessed property value.

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 ^b</u>	<u>Per Capita</u>
1999	\$ 39,970,000	\$ 3,792,812	\$ 36,177,188	\$ 484,608,084	7.47 %	\$ 364.61
2000	54,635,000	5,833,231	48,801,769	593,732,571	8.22	454.71
2001	50,925,000	2,038,732	48,886,268	670,664,757	7.29	399.53
2002	80,840,000	4,446,191	76,393,809	749,581,043	10.19	571.64
2003	78,450,000	6,441,465	72,008,535	906,389,287	7.94	498.67
2004	90,815,000	6,697,401	84,117,599	1,052,321,817	7.99	510.78
2005	101,795,000	7,427,782	94,367,218	1,251,765,751	7.54	529.94
2006	103,795,000	10,224,408	93,570,592	1,466,841,566	6.38	503.83
2007	91,175,000	11,087,607	80,087,393	2,370,134,999	3.38	394.01
2008	67,704,800	7,279,915	60,424,885	2,768,391,194	2.18	281.28

^a Maricopa County Assessor's Office

^b General Obligations bonds principal and interest payments are paid for with secondary property taxes.

See Schedule 14 for population data.

**Town of Gilbert, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008**

<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	4.78%	\$ None
Maricopa County Community College District	557,390,000	4.78%	26,643,242
Maricopa County Hospital District No. 1	None	4.78%	None
Gilbert Unified School District No. 41	219,015,000	69.35%	151,886,903
Higley Elementary School District No. 60	58,350,000	3.72%	2,170,620
Chandler Unified School District No. 80	174,040,000	9.87%	17,177,748
Mesa Unified School District No. 4	289,315,000	0.26%	752,219
East Valley Institute of Technology District No. 401 ^b	None	10.83%	None
Other debt			
Maricopa County ^c	225,195,000	4.78%	10,764,321
Maricopa County Community College District - revenue bonds	18,300,000	4.78%	874,740
Maricopa County Hospital District No. 1	None	4.78%	None
Gilbert Unified School District No. 41	None	69.35%	None
Higley Elementary School District No. 60	None	3.72%	None
Chandler Unified School District No. 80	None	9.87%	None
Mesa Unified School District No. 4	None	0.26%	None
East Valley Institute of Technology District No. 401 ^b	None	10.83%	None
Subtotal, overlapping debt			210,269,793
Town of Gilbert direct debt	192,294,800	100.00%	192,294,800
Total direct and overlapping debt			<u>\$ 402,564,593</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 2008.

^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 \$4,295,000; Public Finance Corporation lease revenue bonds outstanding in the aggregate principal amount of \$173,670,000 and Stadium District revenue bonds outstanding in the aggregate principal amount of \$47,230,000.

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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>20% Limitation</u>										
Debt limit equal to 20% of assessed valuation	\$ 81,723,381	\$ 96,921,617	\$ 118,746,514	\$ 134,132,951	\$ 149,916,209	\$ 210,464,363	\$ 250,353,150	\$ 293,368,313	\$ 474,027,000	\$ 553,678,000
Total net debt applicable to 20% limit	<u>25,950,000</u>	<u>33,805,000</u>	<u>29,830,000</u>	<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>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 55,773,381</u>	<u>\$ 63,116,617</u>	<u>\$ 88,916,514</u>	<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>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	31.75%	34.88%	25.12%	29.67%	25.55%	16.67%	13.01%	10.64%	16.47%	9.34%
<u>6% Limitation</u>										
Debt limit equal to 6% of assessed valuation	\$ 24,517,014	\$ 29,076,485	\$ 35,623,954	\$ 40,239,885	\$ 44,974,863	\$ 63,139,309	\$ 75,105,945	\$ 88,010,494	\$ 142,208,100	\$ 166,103,000
Total net debt applicable to 6% limit	<u>10,650,000</u>	<u>17,120,000</u>	<u>11,225,000</u>	<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>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 13,867,014</u>	<u>\$ 11,956,485</u>	<u>\$ 24,398,954</u>	<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>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	43.44%	58.88%	31.51%	96.06%	80.23%	75.97%	79.93%	73.71%	2.50%	0.51%

Legal Debt Margin Calculation for Fiscal Year 2008

Net secondary assessed valuation as of June 30, 2008	\$ 2,768,391,194
<u>20% Limitation</u>	
Debt limit equal to 20% of assessed valuation	553,678,000
Debt applicable to limit:	
General obligation bonds	<u>51,705,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 501,973,000</u>
<u>6% Limitation</u>	
Debt limit equal to 6% of assessed valuation	166,103,000
Debt applicable to limit:	
General obligation bonds	<u>855,000</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 165,248,000</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	
1999	\$ 2,235,007	\$ 1,597,753	\$ 1,039,256	0.85	\$ 4,453,087	\$ 350,000	\$ 289,525	6.96	\$ -	\$ -	\$ -	-
2000	2,791,663	2,905,807	908,564	0.73	4,794,748	365,000	264,338	7.62	-	-	-	-
2001	1,380,780	1,559,555	691,262	0.61	5,185,202	380,000	237,863	8.39	-	-	-	-
2002	1,232,600	2,605,177	530,425	0.39	7,420,953	640,000	211,375	8.72	19,894,836	1,375,000	1,245,023	7.59
2003	1,242,492	1,744,758	608,054	0.53	7,771,916	685,000	180,975	8.97	20,254,340	1,440,000	1,630,813	6.60
2004	1,924,451	1,861,072	564,126	0.79	8,303,686	1,570,000	1,425,365	2.77	19,120,139	1,450,000	1,596,612	6.28
2005	1,552,289	3,274,964	398,660	0.42	8,753,941	1,660,000	1,604,050	2.68	20,246,541	1,500,000	1,553,113	6.63
2006	1,425,857	765,000	262,458	1.39	9,600,919	1,750,000	1,522,950	2.93	23,573,407	1,525,000	3,155,681	5.04
2007	355,124	125,000	231,010	1.00	13,209,138	1,845,000	1,437,450	4.02	36,356,137	5,210,000	4,753,688	3.65
2008	2,121,038	1,390,000	191,620	1.34	13,182,950	1,925,000	1,347,313	4.03	41,302,770	5,410,000	4,567,400	4.14

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	Water System Dev't Fee	Wastewater System Dev't Fee	Debt Service		Coverage
		Principal	Interest	Principal	Interest				Principal	Interest	
1999	\$ 19,887,792	\$ 8,721,104	\$ 11,166,688	\$ 305,000	\$ 3,215,848	3.17	\$ -	\$ 7,437,472	\$ 8,870,000	\$ 1,184,048	0.74
2000	22,583,582	10,943,027	11,640,555	225,000	2,597,642	4.12	-	7,884,602	5,565,000	737,285	1.25
2001	24,730,683	12,064,015	12,666,668	640,000	1,965,799	4.86	-	6,818,920	7,755,000	290,289	0.85
2002	26,619,520	13,331,093	13,288,427	670,000	1,627,785	5.78	9,464,291	-	3,365,000	1,441,525	1.97
2003	27,488,811	16,259,036	11,229,775	725,000	1,586,230	4.86	10,898,905	-	5,185,000	1,134,525	1.72
2004	29,326,860	18,940,817	10,386,043	1,045,000	1,045,563	4.97	14,803,415	-	6,825,000	766,180	1.95
2005	32,977,355	21,010,668	11,966,687	1,135,000	954,994	5.73	15,184,009	-	8,575,000	274,400	1.72
2006	38,518,047	28,439,547	10,078,500	1,180,000	927,263	4.78	-	20,491,288	12,360,000	4,332,600	1.23
2007	44,698,632	28,173,011	16,525,621	1,230,000	897,913	7.77	-	17,033,202	12,080,000	2,629,122	1.16
2008	51,061,203	32,100,716	18,960,487	1,250,000	866,563	8.96	11,697,125	10,923,733	11,735,000	9,130,452	1.08

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

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

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

Fiscal Year	Population	Personal Income <i>(in thousands)</i> <i>(estimate)</i>	Per Capita Income <i>(estimate)</i>	Median Age	School Enrollment	Unemployment Rate
1999	99,222	not available	not available	29.7	24,989	2.2%
2000	107,326	2,661,000	24,795	29.7	27,283	2.1%
2001	122,360	3,125,000	25,538	29.7	29,505	1.9%
2002	133,640	3,515,000	26,304	29.7	31,442	3.3%
2003	144,400	3,912,000	27,093	30.1	33,322	3.1%
2004	164,685	4,640,000	28,177	30.1	35,410	3.5%
2005	178,070	5,121,000	28,759	30.1	37,194	2.9%
2006	185,720	5,448,000	29,334	30.1	37,662	2.2%
2007	203,262	6,080,000	29,920	31.3	37,979	2.0%
2008	214,820	6,560,000	30,518	31.3	38,662	2.4%

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 2000 per capita income figure was obtained from the U.S. Census. The 2005 per capita income figure was obtained from the American Community Survey. The 2001 through 2004 and 2006 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**

Employer	Fiscal Year 2008			Fiscal Year 1999		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Gilbert Unified School District	5,139	1	10.40%	3,009	1	14.47%
Banner Health	1,492	2	3.02%	---		---
Town of Gilbert	1,365	3	2.76%	612	5	2.94%
Fry's Food and Drug	704	4	1.42%	525	6	2.53%
Mercy Gilbert Medical Center	653	5	1.32%	---		---
B H Drywall & Stucco & Painting	600	6	1.21%	---		---
General Dynamics C4 Systems Inc	587	7	1.19%	---		---
Wal-Mart Stores, Inc.	578	8	1.17%	---		---
Go Daddy Software, Inc.	575	9	1.16%	---		---
Dillard's	550	10	1.11%	320	10	1.54%
InteSys Technologies	---		---	1,200	2	5.77%
Earnhardt Auto Center	---		---	650	3	3.13%
Casa Blanca Clinic	---		---	650	4	3.13%
Dillard's National Bank	---		---	450	7	2.16%
Ugly Duckling Car Sales & Finance	---		---	400	8	1.92%
McGee/Walpole Consolidated	---		---	380	9	1.83%
Total	12,243		24.76%	8,196		39.42%

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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	61.8	71.0	73.9	81.6	83.6	82.5	91.5	100.5	30.8	32.0
Support services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	91.0	92.8
Legal and court	20.8	21.8	21.8	25.5	28.0	31.5	31.6	35.1	51.3	53.3
Development services	72.4	75.9	81.9	86.2	89.7	93.2	97.2	98.4	115.6	99.1
Public works	13.5	15.5	16.5	19.5	27.0	25.5	26.0	28.0	17.3	18.0
Public safety:										
Police	176.8	190.2	190.2	198.7	207.5	270.0	276.0	309.0	330.0	352.5
Fire	60.6	72.0	78.0	83.5	102.5	110.8	122.5	139.0	173.8	193.0
Highways and streets	23.3	24.8	29.3	35.3	41.3	40.5	45.0	47.5	54.5	55.3
Community services	105.6	91.0	92.2	107.4	120.3	111.0	109.1	113.2	114.4	120.0
<u>Enterprise Funds</u>										
Water	36.0	42.5	45.0	50.5	56.0	58.0	60.0	63.5	69.0	72.0
Wastewater	10.0	11.0	14.0	19.0	22.0	26.0	26.0	30.0	33.0	35.0
Solid Waste	36.5	36.5	41.0	43.5	51.5	52.0	57.5	63.1	71.3	77.1
Irrigation	0.7	0.7	0.7	0.7	0.7	0.5	0.5	0.5	0.5	0.7
<u>Internal Service Funds</u>										
Equipment maintenance	12.0	12.0	15.0	17.0	19.0	19.0	21.0	21.0	24.0	26.0
Total	630.0	664.9	699.5	768.4	849.1	920.5	963.9	1,048.8	1,176.5	1,226.8

Source: Manager's Office

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.

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	81%	82%	84%	85%	81%	81%	88%	88%	90%	90%
Support services										
Number of recruitments	138	127	146	116	117	129	131	171	246	160
Employee turnover	NA	NA	11.0%	12.0%	8.3%	9.2%	12.5%	13.1%	9.5%	10.1%
Legal and court										
Case filings	17,200	19,444	23,865	21,871	23,329	28,080	23,034	29,175	38,315	40,000
% of cases charged after review	NA	NA	NA	75%	62%	67%	62%	61%	66%	68%
Development services										
Building permits issued	5,168	5,915	6,980	5,797	5,891	7,457	7,348	6,750	5,322	3,663
Value of permits issued (in millions)	\$ 491.6	\$ 566.2	\$ 811.2	\$ 755.1	\$ 745.1	\$1,004.1	\$1,121.6	\$ 983.3	\$ 825.5	\$ 539.6
Public works										
Number of utility locates	28,337	31,547	31,250	29,936	32,510	37,085	35,621	35,265	26,616	25,000
Public Safety:										
Police										
Number of arrests	4,598	4,404	4,532	4,089	4,331	5,361	6,237	8,845	13,324	14,513
Crimes per 1,000 population	NA	NA	37.0	38.4	35.7	37.0	27.4	28.3	26.6	27.0
Fire										
Number of emergency calls	5,383	6,417	6,980	7,774	8,490	9,870	10,225	11,718	12,260	13,000
Response time average from time of alert at station to on-scene	5 min 35 sec	5 min 35 sec	5 min 35 sec	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 0 sec
Highways and streets										
Average pavement condition index	NA	NA	NA	NA	88	88	89	89	90	91
Community services										
Facility reservation requests	7,136	8,223	11,998	8,046	9,997	9,983	11,346	15,505	17,434	18,200
Participants in recreation programs	50,630	52,628	54,350	59,283	57,771	46,499	49,262	57,122	45,516	53,000
Transportation										
Average daily ridership	110	105	85	152	179	222	247	323	229	392
Water										
Daily average water production (mg)	23	25	26	29	34	36	38	40	44	47
Average # of meters read per month	32,360	35,950	40,650	46,000	49,300	54,160	58,420	60,190	64,320	66,670
Wastewater										
Daily average wastewater influent (mg)	6.14	6.85	7.32	7.89	8.54	9.46	10.46	10.71	11.71	12.45
Annual effluent produced/reused (mg)	2,044	2,197	2,347	2,404	2,502	2,627	2,596	2,599	3,417	4,191
Solid waste										
Solid waste tonnage	60,571	65,989	70,275	72,901	79,503	85,779	91,278	101,168	112,880	115,500
Recycle tonnage	9,472	11,337	13,764	12,766	13,229	14,421	16,538	17,084	18,388	19,100
Irrigation										
Cost per house irrigated	\$ 338	\$ 360	\$ 366	\$ 406	\$ 415	\$ 294	\$ 323	\$ 309	\$ 309	\$ 318

Source: Manager's Office and the various departments.
NA = not available

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

<u>Function</u>	<u>Fiscal Year</u>									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety:										
Police										
Number of police cars	35	55	69	87	107	109	126	142	150	151
Fire										
Fire stations	4	5	6	6	6	6	8	9	9	9
Highways and streets										
Street center line miles (estimate)	NA	645	703	742	766	806	883	986	1,013	1,017
Traffic control signals	46	51	55	56	57	80	89	111	137	159
Community services										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	NA	NA	719	755	767	767	735	735	716	716
Water										
Miles of water main	NA	NA	448	503	554	591	642	825	900	1,067
Wastewater										
Miles of wastewater main	314	330	367	416	426	455	480	487	770	809
Solid waste										
Garbage trucks	20	30	31	39	44	46	55	51	52	52

Source: Manager's Office and the various departments.

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

NA: Not available

**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		
1999	2,821	\$ 370,179,360	109	\$ 74,981,779	2,238	\$ 46,433,343	\$ 484,608,084	\$ 24,529,547,000 ^c
2000	2,961	445,875,204	143	70,029,174	2,811	50,302,954	593,732,571	26,490,225,000 ^c
2001	4,083	661,983,951	137	79,873,913	2,760	69,390,477	670,664,757	28,379,815,000 ^c
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 ^d
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

^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 2008**

	<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	\$ 2,551,201	2,546,862	24,027	(4,269,283)	\$ 852,807
Police system development fee	5,750,202	1,942,124	171,949	(2,804,731)	5,059,544
Fire system development fee	(16,759,213)	3,037,001	-	(6,962,832)	(20,685,044) ^b
General government system development fee	2,732,979	2,195,293	82,341	(4,705,192)	305,421
Parks and recreation system development fee	12,418,997	5,845,218	378,480	(11,701,476)	6,941,219
Water system development fee	34,655,503	11,697,125	904,638	(17,749,176)	29,508,090
Water resources system development fee	25,512,380	3,418,152	747,731	(151,936)	29,526,327
Wastewater system development fee	(24,921,662)	10,923,733	601	(13,056,564)	(27,053,892) ^c
Totals	\$ 41,940,387	41,605,508	2,309,767	(61,401,190)	\$ 24,454,472

Equivalent Residential Unit

Water system development fee	4,319 ^a
Wastewater system development fee	4,914 ^a

Source: Gilbert Finance Department

^a Equivalent Residential Unit is calculated based on actual collections during the fiscal year and does not include accruals. Actual collections for the water system development fee were \$11,658,716 and for the wastewater system development fee were \$10,889,082.

^b The negative ending balance for the fire system development fee is funded by the general fund. The general fund had a cash balance of \$26,275,178 at June 30, 2008.

^c 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 \$25,957,154 at June 30, 2008. The remainder of the negative is funded by the water equipment replacement fund.

**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>
1999	\$ 5,107,718	\$ (55,450)	\$ 5,052,268	\$ 5,019,081	99.34%	\$ 95,132	\$ 5,114,213	101.23%
2000	6,006,111	(38,776)	5,967,335	5,911,397	99.06%	103,453	6,014,850	100.80%
2001	7,421,681	(33,836)	7,387,845	7,207,304	97.56%	178,198	7,385,502	99.97%
2002	8,039,125	(22,374)	8,016,751	7,806,326	97.38%	210,988	8,017,314	100.01%
2003	8,803,991	(102,086)	8,701,905	8,527,417	97.99%	162,383	8,689,800	99.86%
2004	10,423,960	(18,518)	10,405,442	10,195,745	97.98%	210,063	10,405,808	100.00%
2005	12,110,279	(105,452)	12,004,827	11,796,111	98.26%	200,331	11,996,442	99.93%
2006	14,395,693	(143,027)	14,252,666	13,928,035	97.72%	285,422	14,213,457	99.72%
2007	16,913,578	(199,706)	16,713,872	16,226,531	97.08%	426,152	16,652,683	99.63%
2008	27,315,101	(402,220)	26,912,881	25,797,060	95.85%	-	25,797,060	95.85%

Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2008**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Secondary Assessed Valuation</u>	<u>As % of Town's Total Secondary Assessed Valuation</u>
Taro Properties Arizona LLC	Vacant Residential Land	\$ 13,019,244	0.47%
Qwest Corporation	Communication	9,323,130	0.34%
Mountainwood Development Inc	Vacant Land	8,792,527	0.32%
Target Corporation	Shopping Center	8,733,080	0.32%
Echostar Operating Corporation	Communication	8,376,906	0.30%
Power & Ray LLC	Shopping Center	6,550,816	0.24%
Vestar Ctc Phase 1 LLC	Shopping Center	6,407,072	0.23%
Verizon Wireless	Communication	6,054,573	0.22%
Gilbert LLC/Etal	Shopping Center	5,959,072	0.22%
William Lyon Homes Inc	Vacant Residential Land	5,325,053	0.19%
Fulton Homes Corporation	Vacant Residential Land	5,208,210	0.19%
Macerich Santan Phase 2 Spe LLC	Shopping Center	5,126,995	0.19%
Gilbert Commons Financial Group LLC	Shopping Center	5,103,215	0.18%
Southwest Gas Corporation (T&D)	Utility	4,707,524	0.17%
Zimmerman Myron Tr	Industrial Park	4,279,737	0.15%
Ltf Real Estate Company Inc	Health & Fitness Club	4,100,330	0.15%
Donahue Schriber Realty Group Lp	Shopping Center	4,078,864	0.15%
Sunnyvale Business Square LLC	Shopping Center	3,964,118	0.14%
Costco Wholesale Corporation	Shopping Center	3,775,054	0.14%
Taylor Woodrow/Arizona Inc	Vacant Residential Land	3,590,921	0.13%
		<u>\$ 122,476,441</u>	<u>4.42%</u>

Source: Maricopa County Treasurer's Office

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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