



Town of Gilbert, Arizona
Comprehensive
Annual Financial Report

Fiscal Year Ended June 30, 2014



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Government Finance Officers Association

**Certificate of
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Presented to

**Town of Gilbert
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive style with a prominent 'J' and 'E'.

Executive Director/CEO

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2014



John W. Lewis, Mayor

Eddie Cook, Vice Mayor

Jenn Daniels, Council Member

Victor Petersen, Council Member

Brigette Peterson, Council Member

Jordan Ray, Council Member

Jared Taylor, Council Member

Patrick Banger, Manager

Prepared by the Finance & Management Services Department

Cindi Mattheisen, Finance & Management Services Director

**TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014**

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Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



November 24, 2014

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, 2014. State law (Arizona Revised Statutes §9-481) requires that local governments publish a complete set of audited financial statements within six months of the close of each fiscal year.

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

Heinfeld, Meech & Company, a firm of licensed certified public accountants, has issued an unmodified opinion on Gilbert's financial statements for the year ended June 30, 2014. The independent auditors' report is located in the Financial Section of this report.

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

GILBERT PROFILE

Governmental Structure

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

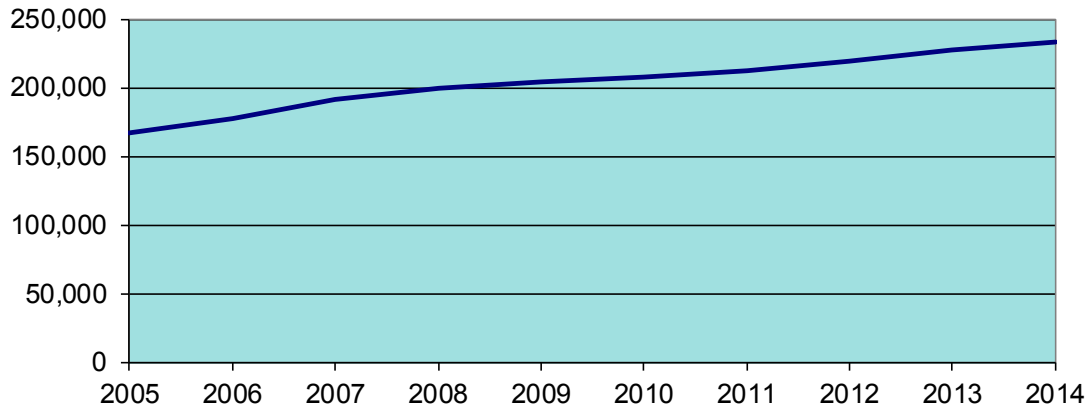
The Mayor is the chief executive officer and chairperson of the Council. The Town Manager (Manager) is appointed by the Council and serves as the chief administrative officer. During fiscal year 2014, the Manager administered Gilbert's operations through a staff of 1,237 budgeted full time equivalent positions.

Gilbert provides or administers a full range of services including police and fire protection, development services (planning, code enforcement, and engineering), public works (water, wastewater, environmental services, and streets), and parks and recreation services (parks, recreation, libraries, culture and arts, and social services). Transit and "dial-a-ride" services are provided through an intergovernmental agreement with the Regional Public Transportation Authority. Library services, incarceration and animal control are provided through intergovernmental agreements with Maricopa County.

Geography and Population

Gilbert is located in the southeastern section of the greater Phoenix metropolitan area in Maricopa County, bounded on the north and east by the City of Mesa, on the west by the City of Chandler, on the southeast by the Town of Queen Creek, and on the south by the Gila River Indian Community. Gilbert has a planning area of 72.6 square miles. The most recent estimate of population from the Maricopa Association of Governments as of July 1, 2014, was 233,028, an increase of 2.4% from fiscal year 2013. The following graph depicts the ten-year population trend for Gilbert.

Population



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

There were 1,613 new residential permits and 284 commercial permits issued in fiscal year 2014 which represents a decrease of 402 residential permits and an increase of 60 commercial permits from the prior fiscal year. The total value of all new construction in fiscal year 2014, including commercial, was \$472 million, down from \$534 million in fiscal year 2013.

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 2014, a total of \$38.5 million was collected in SDF's compared to \$48 million in fiscal year 2013.

Economic Development

With over 233,000 residents, Gilbert, Arizona is a clean, safe and vibrant community as evidenced by several recent awards and rankings:

- 22nd best place to live in the nation (CNN/Money Magazine, 2014)
- 2nd safest city in the United States (Law Street Media, 2014)
- 17th Best City for First-Time Home Buyers (WalletHub, 2014)
- 8th Most Thriving City in the United States (The Daily Beast, 2013)

Gilbert is also a community committed to education with 38.8 percent of its residents holding a bachelor's degree or higher, compared with 28.1 percent nationally. Major employers like Banner Health, Dignity Health, Banner MD Anderson Cancer Center, Go Daddy, Mapfre Insurance, Unicon, Orbital Sciences, Lockheed Martin, and Heliae, benefit from this commitment to education and have helped keep Gilbert's unemployment hovering around 5 percent, as compared to 7.1 percent for the state and 6 percent for the nation. Knowledge assets that support the community include Arizona State University (ASU) Polytechnic Campus, Chandler-Gilbert Community College, A.T. Still University, as well as over 69 other colleges, universities and technical schools within a 30-minute commute. Additionally, three A rated school districts – Gilbert, Higley and Chandler – serve the citizens of Gilbert.

To further commercial real estate development in the community, the Gilbert Office of Economic Development (OED) has worked closely with stakeholders, elected officials and the development community to encourage the construction of speculative building space within municipal borders. As a result, several major projects are either under construction or in the planning phases. Most notably, Nationwide Realty Investors will provide more than three million square feet of Class A office space northeast of Gilbert Road and the Loop 202 Freeway and Trammel Crow broke ground in September 2014 on Park Lucero – a multi-phase industrial park that will feature six buildings totaling 618,000 square feet. Additionally, staff created Accelerated Development Sites that will allow the community to market large acre parcels and respond quickly to large build-to-suit projects.

The Gilbert OED is one of approximately forty Accredited Economic Development Organizations in the nation. Gilbert achieved this accreditation through the International Economic Development Council in 2013 and was the first Arizona economic development organization, and the second municipality in the nation, to do so. Fiscal year 2014 represented the second year of a five year Strategic Plan for the OED which produced an increase in business development activity, resulting in:

- \$198 million in capital investment
- 875,000 new or renovated square feet
- 1,700 announced jobs

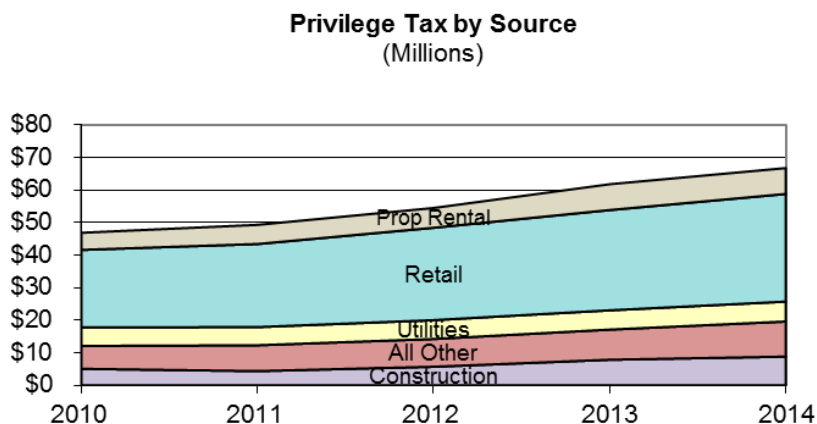
Gilbert also continued to move forward on its commitment to attracting higher education institutions to the community by finalizing the development agreement in September 2013 with Chicago-based, Saint Xavier University (SXU), a Catholic school founded in 1846. Currently under construction in Gilbert's Heritage District, SXU will be open for the fall 2015 semester.

The transformation of Gilbert's Heritage District continued in fiscal year 2014 with the formation of a downtown "entertainment district". Through these efforts, Gilbert has experienced an influx of high quality restaurant, retail, art and cultural developments supported in large part by the development of a 364 space parking garage and Heritage Marketplace that will be home to Zinburger, Lo Lo's Chicken and Waffles, Pomo Pizzeria, Barrio Queen Gilbert, Petersen's Ice Cream, and Regus Executive Suites. Gilbert OED also began to oversee tourism for the community in FY14 and focused on executing a marketing strategy to support tourism efforts. This strategy included designing and distributing Visit Gilbert postcards, forming a relationship with Local First Arizona and implementing Gilbert's first localist tour, and engaged a hotel task force focused on advancing tourism.

Gilbert's connectivity to major markets is provided through a comprehensive transportation network which includes the Santan Loop 202 and US-60 Superstition Freeways, Sky Harbor International Airport, and Phoenix-Mesa Gateway Airport. This comprehensive transportation network provides access to Gilbert-based enterprises while providing reliable and accessible modes of transportation to local, national and international markets. Both the Loop 202 and US-60 are six-lane divided highways that connect to Interstate 10. Located just over 10 miles west of Gilbert, Phoenix Sky Harbor Airport is served by 16 major airlines. Sky Harbor is one of the ten busiest airports in the nation for passenger traffic with 100,000 passengers daily and a \$79 million daily economic impact. Sky Harbor cargo facilities handle over 800 tons of freight a day. Phoenix-Mesa Gateway Airport is located on Gilbert's eastern border and handles over one million passengers yearly with flights to 35 destinations throughout the United States. The airport also provides air cargo services and is located within a Foreign Trade Zone.

Transaction Privilege (Sales) Tax Trend

Sales tax revenues represented 50% of General Fund revenues for fiscal year 2014, totaling approximately \$66.8 million. Local sales taxes are collected by the Arizona Department of Revenue and remitted to Gilbert weekly. The following graph depicts sales tax receipts by source for the past five years.

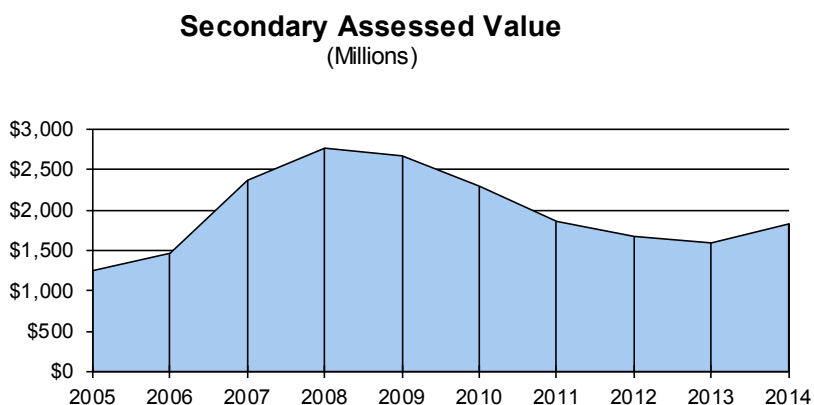


Property Taxes

State law requires municipalities to adopt a property tax levy based on the exact amount of scheduled debt service for the year plus a reasonable amount for delinquencies and certain costs. For fiscal year 2014, Gilbert’s property tax rate is \$1.0659 per \$100 of secondary assessed valuation and is used exclusively for the payment of voter approved general obligation bond debt. Gilbert does not levy a primary property tax for general operating purposes.

Assessed Valuation

The assessed value of real property within the Gilbert annexed area is a vital economic forecast variable, as the State Constitution contains regulatory restrictions on the amount of debt a community may have outstanding based on secondary assessed valuation. Taking the market value of a property and applying the statutory assessment rate derives the assessed value. Residential properties are assessed at 10%, vacant land is assessed at 16%, and commercial properties are assessed at 19%. This illustrates how crucial the additions of commercial properties are to the tax base. The assessed valuation increased by 14.7% in fiscal year 2014 from \$1.595 billion to \$1.829 billion. The following graph depicts the changes in the assessed valuation in Gilbert for the past ten years:



State Shared Revenues

State shared revenues totaled \$41 million for the General Fund and \$19 million for the Streets Special Revenue Fund in fiscal year 2014, representing approximately 31% of total General Fund revenues and 97% of total Streets Special Revenue Fund revenues. State shared revenues include allocations of state sales tax, income tax, gas tax, motor vehicle in-lieu tax, and lottery funds. These revenues are shared based upon relative population in the State as determined by census. The 2010 Census established Gilbert's population at 208,453 compared to 173,072 from the mid-decade census in September 2005.

Budget and Financial Policies

The Town's financial policies establish the framework for overall fiscal planning and management. The policies set forth guidelines for both current activities and long range planning. The purposes of the financial policies are:

Balanced Budget - The Town is required by Arizona Revised Statutes to adopt a balanced budget each fiscal year. A balanced budget is one in which the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Fiscal Conservatism – To ensure that the Town is at all times in solid financial condition, defined as:

Cash solvency – the ability to pay bills

Budgetary solvency – the ability to balance the budget

Long-term solvency – the ability to pay future costs

Service level solvency – the ability to provide needed and desired services

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

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

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

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

Long-Term Financial Planning

In addition to the Town's General Plan and Capital Improvement Program, the Town is developing infrastructure inventories (including repair and replacement plans) and functional area master plans. The Town also has a total of six strategic initiatives as follows: Long and Short-Term Financial Plans, Community Livability, Technology Leader, Economic Development, Proactive Infrastructure, and High Performing Government, which will be discussed in more detail throughout the document. We have implemented Franklin Covey's *The 4 Disciplines of Execution*, providing an exceptional tool for advancing these goals while managing the challenges of the daily whirlwind, and have begun implementing Lean process improvement events to optimize processes throughout the organization. Several staff members have also begun Lean Six Sigma certification requirements to further enhance the Town's long-term financial resiliency. The Town is updating its Long-Term Financial Plan according to the GFOA guidelines offered in the book *Financing the Future* by Shayne Kavanagh.

The key components include:

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gilbert for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the 23rd consecutive year that Gilbert has received this prestigious award. In order to be awarded a Certificate of Achievement, we must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

In addition, Gilbert also received the GFOA's Distinguished Budget Presentation Award for our annual budget document. In order to qualify for this award, our budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device. Gilbert has received this award 15 consecutive years.

ACKNOWLEDGMENTS

The completion of this report is the result of the efficient and dedicated services of the entire staff of the Accounting Division. I would like to give special recognition to Florence Shultz, Accounting Manager, and Dana Faulisi, Senior Accountant, who were primarily responsible for preparing this document. In addition, I would like to thank staff from all Town departments for their contributions and assistance.

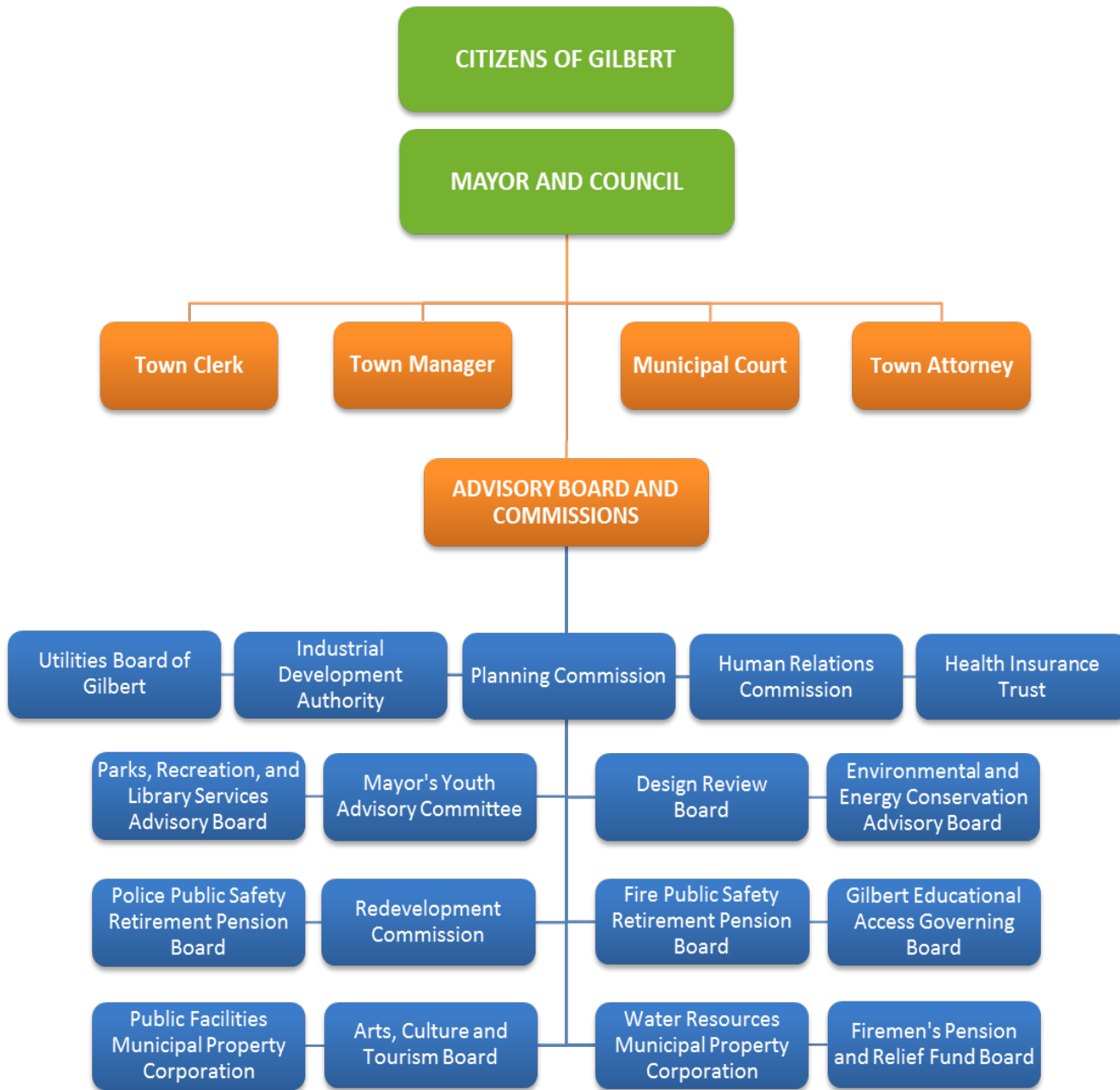
Finally, I wish to acknowledge the continued support of the Council and the Manager in providing the leadership necessary for sound financial management.

Respectfully submitted,



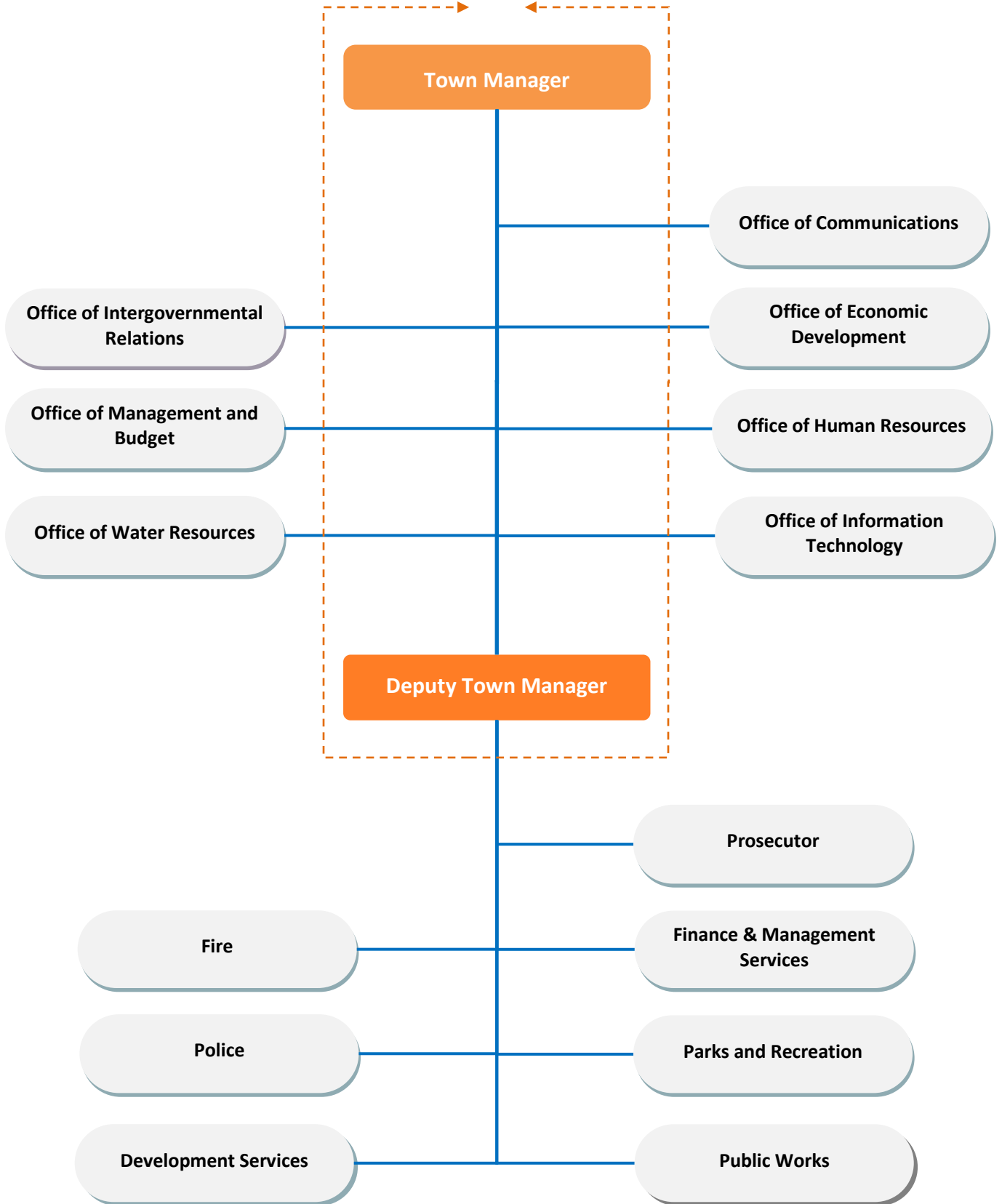
Cindi Mattheisen, CPA
Finance & Management Services Director

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**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Town of Gilbert, Arizona (Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Town of Gilbert, Arizona, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Streets Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65 *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information such as the Introductory Section, Combining and Individual Fund Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining and Individual Fund Statements and Schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of Town of Gilbert, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* in considering Town of Gilbert, Arizona's internal control over financial reporting and compliance.



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

November 24, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with information provided in the transmittal letter.

Financial Highlights

- Gilbert's assets exceeded its liabilities at the end of the fiscal year by \$1.5 billion. Included in this amount defined as net position is \$374 million of unrestricted net position, of which \$139 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$235 million which may be used to fund ongoing operations in future years.
- Net position includes a \$681 million net investment in capital assets such as streets, park land, and municipal buildings and a \$352 million net investment in water, wastewater and environmental services infrastructure and equipment.
- The combined fund balance for all governmental funds is \$185 million, of which \$67 million is unrestricted.
- The General Fund unrestricted fund balance is \$74 million, of which \$9 million has been assigned for capital replacement.
- The General Fund unassigned balance of \$62 million is approximately 50% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$396 million, as compared to \$444 million at the end of fiscal year 2013.

Overview of the Financial Statements

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

Government-wide financial statements

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

The **statement of net position** presents information on all of Gilbert's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Gilbert's financial position is improving or declining.

The **statement of activities** presents the changes in net position from the previous year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

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

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

Fund financial statements

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

Governmental Funds

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

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

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

Proprietary Funds

Gilbert maintains two different types of proprietary funds. ***Enterprise Funds*** report the same functions presented as business-type activities in the government-wide financial statements, which include water, wastewater, and environmental services. ***Internal Service Funds*** accumulate and allocate costs internally among the various functions. Gilbert uses internal service funds to account for maintenance of its fleet of vehicles, copy service operations, and employee health and dental self-insurance. The assets and liabilities of the internal service funds are included in the governmental activities column of the government-wide statement of net position. Costs of internal service funds are allocated to the various user functions on the government-wide statement of activities. Enterprise funds provide the same information as the government-wide financial statements, only with more detail. Internal service funds are combined into a single column on the proprietary funds statements. Additional detail for the internal service funds can be found on pages 93-99.

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

Fiduciary Funds

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

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

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

The notes to the financial statements can be found on pages 37-67.

Government-wide Financial Analysis

Net position serves as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position as of June 30, 2014 and 2013.

Town of Gilbert Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 239,768,377	\$ 252,230,825	\$ 357,637,183	\$ 347,855,563	\$ 597,405,560	\$ 600,086,388
Capital assets	947,841,509	958,295,935	456,128,322	450,584,901	1,403,969,831	1,408,880,836
Total assets	1,187,609,886	1,210,526,760	813,765,505	798,440,464	2,001,375,391	2,008,967,224
Deferred outflows of resources	2,341,801	-	-	-	2,341,801	-
Long-term liabilities	280,137,290	303,184,128	101,366,569	120,994,065	381,503,859	424,178,193
Other liabilities	55,816,482	51,735,948	13,633,593	17,232,584	69,450,075	68,968,532
Total liabilities	335,953,772	354,920,076	115,000,162	138,226,649	450,953,934	493,146,725
Net position:						
Net investment in capital assets	680,716,975	687,909,606	351,796,858	325,356,563	1,032,513,833	1,013,266,169
Restricted	80,924,415	60,524,680	65,576,792	70,878,871	146,501,207	131,403,551
Unrestricted	92,356,525	107,172,398	281,391,693	263,978,381	373,748,218	371,150,779
Total net position	\$ 853,997,915	\$ 855,606,684	\$ 698,765,343	\$ 660,213,815	\$ 1,552,763,258	\$ 1,515,820,499

Net position consists of three components. The largest portion of Gilbert's net position (67%) is its investment in capital assets (land, buildings, equipment, infrastructure, etc.), less depreciation and any related debt used to acquire those assets that is still outstanding. Gilbert uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although Gilbert's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt are provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Gilbert's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (24%) includes \$139 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$235 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2014 decreased Gilbert's net position by \$1.6 million. Taxes and program revenues (charges for services and grants and contributions that are clearly identifiable to operating functions) were Gilbert's most significant revenue sources comprising 98% of total revenues for governmental activities. Taxes (local and state-shared) were \$130 million, an increase of \$6 million from the prior year. Program revenues were \$60 million, a decrease of \$16 million from the prior year which was mostly due to the decrease in capital grants and contributions. It should be noted that \$1.8 million of the total program revenues represent capital contributions from developers of street related infrastructure; and, therefore, were not cash revenues available to cover operating expenses.

The other component of the change in net position is expenses. The largest expense functions were public safety which represented 38%, and highways and streets which represented 23% of total governmental activities expenses. Total expenses increased \$16.8 million (9%) over the prior fiscal year. A portion of this increase was due to a \$9 million increase in personnel costs applicable to all functions.

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

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 18,785,496	\$ 19,176,355	\$ 79,026,598	\$ 76,298,150	\$ 97,812,094	\$ 95,474,505
Operating grants and contributions	22,325,826	21,270,393	-	-	22,325,826	21,270,393
Capital grants and contributions	19,185,760	36,088,697	36,251,598	34,152,978	55,437,358	70,241,675
General revenues:						
Sales taxes	66,756,593	61,813,421	-	-	66,756,593	61,813,421
Property taxes	18,315,083	19,183,696	-	-	18,315,083	19,183,696
State-shared sales taxes	18,118,706	17,062,262	-	-	18,118,706	17,062,262
State-shared income taxes	23,204,634	21,293,026	-	-	23,204,634	21,293,026
Other taxes	3,902,993	4,459,359	-	-	3,902,993	4,459,359
Grants and contributions not restricted to specific programs						
	904,497	1,192,913	-	-	904,497	1,192,913
Unrestricted investment earnings	1,508,342	722,141	1,741,848	1,061,205	3,250,190	1,783,346
Other	1,255,284	932,108	1,296,109	1,178,738	2,551,393	2,110,846
Total revenues	194,263,214	203,194,371	118,316,153	112,691,071	312,579,367	315,885,442
Expenses						
Management and policy	13,377,552	10,461,389	-	-	13,377,552	10,461,389
Finance and management services	4,347,031	4,149,492	-	-	4,347,031	4,149,492
Legal and court	5,975,194	5,474,112	-	-	5,975,194	5,474,112
Development services	9,061,728	6,849,490	-	-	9,061,728	6,849,490
Police	45,930,719	42,759,060	-	-	45,930,719	42,759,060
Fire	28,853,208	25,866,786	-	-	28,853,208	25,866,786
Highways and streets	45,780,743	44,048,280	-	-	45,780,743	44,048,280
Parks and recreation	22,493,451	20,857,878	-	-	22,493,451	20,857,878
Transportation	842,184	461,120	-	-	842,184	461,120
Non departmental	4,104,289	3,113,705	-	-	4,104,289	3,113,705
Interest and fiscal charges on long-term debt						
	15,215,884	15,142,477	-	-	15,215,884	15,142,477
Water	-	-	39,926,683	38,339,466	39,926,683	38,339,466
Wastewater	-	-	23,614,969	22,169,529	23,614,969	22,169,529
Environmental services	-	-	16,112,973	15,588,350	16,112,973	15,588,350
Total expenses	195,981,983	179,183,789	79,654,625	76,097,345	275,636,608	255,281,134
Increase in net position before transfers						
	(1,718,769)	24,010,582	38,661,528	36,593,726	36,942,759	60,604,308
Transfers	110,000	121,249	(110,000)	(121,249)	-	-
Change in net position	(1,608,769)	24,131,831	38,551,528	36,472,477	36,942,759	60,604,308
Net position, beginning of year	855,606,684	831,474,853	660,213,815	623,741,338	1,515,820,499	1,455,216,191
Net position, end of year	\$ 853,997,915	\$ 855,606,684	\$ 698,765,343	\$ 660,213,815	\$ 1,552,763,258	\$ 1,515,820,499

Business-type Activities

Development related growth increased Gilbert’s net position for business-type activities in fiscal year 2014 by \$38.5 million including \$25 million in system development fee collections and \$11 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities increased \$5.6 million (5%) from the prior year and expenses increased \$3.6 million (5%) from the prior year.

Financial Analysis of Gilbert’s Funds

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

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. Such information is useful in assessing Gilbert’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. Gilbert operated and separately reported the following major governmental funds (due to a change in reporting capital projects funds, these funds were reclassified and are now reported based on funding source, see Note 2):

- General Fund
- Streets Special Revenue Fund
- General Debt Service Fund
- Special Assessments Debt Service Fund
- GO Bonds Capital Projects Fund
- System Development Fees Capital Projects Fund

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

As of the end of fiscal year 2014, the governmental funds reported ending unrestricted fund balances totaling \$67 million, a decrease of \$15 million in comparison with the prior fiscal year.

**Town of Gilbert
Governmental Funds - Fund Balances
As of June 30, 2014**

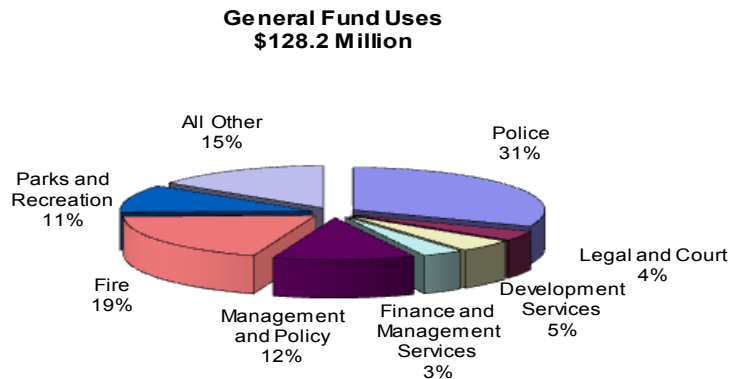
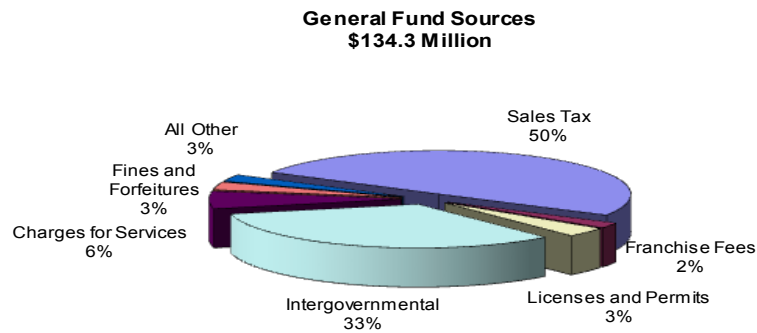
	Restricted	Unrestricted	Total
General	\$ -	\$ 73,844,739	\$ 73,844,739
Streets Special Revenue	15,391,104	4,307,200	19,698,304
General Debt Service	8,942,949	1,440,140	10,383,089
Special Assessments Debt Service	479,414	-	479,414
GO Bonds Capital Projects	17,584,623	5,409,080	22,993,703
System Development Fees Capital Projects	25,387,147	(25,378,428)	8,719
Other Governmental Funds	24,551,624	7,520,444	32,072,068
Total Fund Balances	\$ 92,336,861	\$ 67,143,175	\$ 159,480,036

General Fund

The General Fund is the primary operating fund. At the end of fiscal year 2014, the fund balance of the General Fund was \$99.2 million, an increase of \$6 million from the prior year mainly due to the increase in local sales tax and intergovernmental revenue. The unrestricted portion of the fund balance was \$74 million, of which \$9 million has been assigned for capital replacement. As a measure of the General Fund's liquidity, it may be useful to compare its available fund balance to total fund expenditures. The General Fund's unassigned fund balance represents 50% of total General Fund expenditures for the current year.

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

- Overall, revenues exceeded expenditures in the General Fund by \$9.7 million; however, other financing sources and uses (net) were \$3.6 million resulting in an increase in fund balance of \$6 million. The transfers out included \$5.7 million for general debt obligations.
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 84% of the total revenues.
- Local sales tax, which accounts for half of total General Fund revenues, increased \$4.9 million (7.9%) from the prior fiscal year which continues to be due to the economic recovery.
- Intergovernmental revenue increased \$2.7 million (6.5%) from the prior fiscal year mainly due to increased state shared income tax revenue.
- Public safety expenditures which comprise 53.1% of the total General Fund expenditures increased \$5.4 million (9%) over the prior fiscal year mainly due to an increase in personnel costs.
- Management and policy and parks and recreation expenditures increased in total by \$4.4 million over the prior fiscal year mainly due to an increase in personnel costs.
- Capital outlay expenditures increased \$7.7 million from prior fiscal year due to a change made in which fund these expenditures are reported and are now reported based on funding source (see Note 2).



Streets Special Revenue Fund

The Streets Fund revenues include state shared revenues which are highway user revenues, vehicle license taxes and lottery funds. The gasoline taxes and lottery funds are required by state statute to be used for transportation purposes. The vehicle license tax has been designated by Council to fund the preventive maintenance activities of the Streets Fund. Total revenues increased \$1 million (5%) from the prior year. This was primarily due to increased highway user and auto lieu revenue of \$800 thousand. Total expenditures increased by \$6 million (51%) mostly due to increased capital outlay expenditures. Capital outlay expenditures are now recorded based on funding source. In total, revenues exceeded expenditures by \$1.9 million; however, there were \$500 thousand net transfers out, resulting in a \$1.3 million (7.5%) increase in fund balance.

Other Major Governmental Funds

General Debt Service. The fund balance decreased by \$352 thousand during the year. This was primarily due to the current year property tax revenues of \$18.3 million and transfers in from other funds of \$19.6 million offset by the debt service requirements of \$38.3 million. The remaining fund balance of \$10.3 million will be used to fund future debt service payments on voter approved general obligation bonds.

Special Assessments Debt Service. The fund balance of \$479 thousand is all restricted to pay future debt service requirements on special assessment bonds.

GO Bonds Capital Projects. Due to a change made in the reporting of capital projects funds, an analysis to prior year cannot be made (see also Note 2). The GO bonds fund consists of general obligation bond proceeds and the expenditure of those proceeds to purchase or construct capital assets. The \$21.7 million transfers out was due to the creation of two new nonmajor capital projects funds, outside sources and prop 400. An analysis to prior year activity will be done next fiscal year.

System Development Fees Capital Projects. Due to a change made in the reporting of capital projects funds, an analysis to prior year cannot be made (see also Note 2). The system development fees fund accounts for fees collected from building permits paid and the expenditure of those funds for infrastructure related to growth in Gilbert. \$11 million was transferred to the general debt service fund for principal and interest payments on bonds. An analysis to prior year activity will be done next fiscal year.

Nonmajor Governmental Funds

All nonmajor governmental funds are combined into one column on the governmental fund statements. Due to a change made in the reporting of capital projects funds, an analysis to prior year cannot be made (see also Note 2). \$21.7 million of the \$22 million transfers in was from the GO bonds capital projects fund in the creation of two new nonmajor capital projects funds. Nonmajor funds represent 17.3% of the total governmental fund balance. An analysis to prior year activity will be done next fiscal year.

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
- Environmental Services Fund

Water Fund

The Water Fund is responsible for producing and distributing potable water that exceeds all county, state and federal drinking water standards. The water system is also sized and pressurized to provide adequate fire suppression to the entire planning area and operates two surface water treatment facilities capable of producing 57 million gallons per day (mgd) and 19 ground water wells capable of producing 43.5 mgd. Net position increased by \$19.4 million to \$367.4 million due primarily to capital contributions of \$19.9 million, including \$13.9 million in system development fees and \$6 million in distribution lines contributed by developers. Operating income was \$6.2 million.

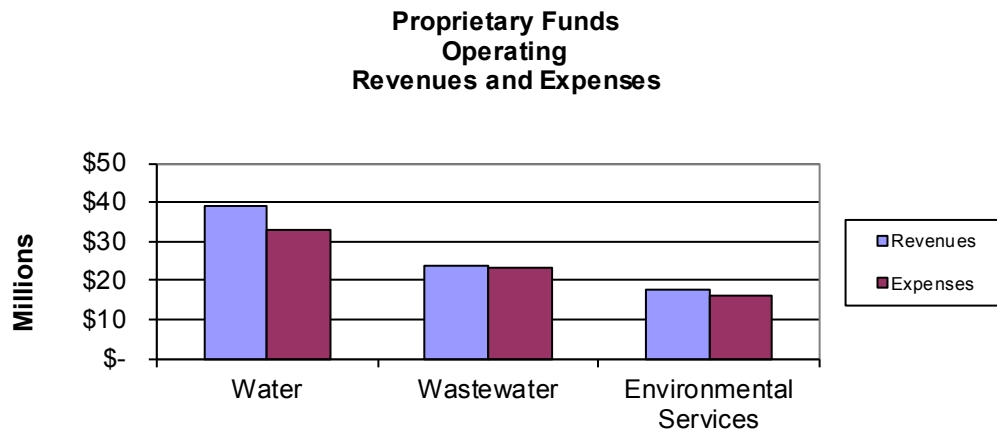
Wastewater Fund

The Wastewater Fund provides wastewater collection and treatment services to residents and businesses in Gilbert. The services also include the storage and distribution of effluent (treated wastewater). Net position increased \$17.9 million to \$302.3 million due primarily to capital contributions of \$16.4 million, including \$11.2 million in system development fees and \$5.2 million in collection lines contributed by developers. Operating income was \$772 thousand.

Environmental Services Fund

Gilbert operates the Environmental Services Fund to provide residential and commercial refuse collection and residential recycling services. Residential services are provided exclusively by Gilbert, while the commercial service competes with the private sector for customers. Net position increased by \$1.6 million to \$28.5 million primarily from operating income.

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



General Fund Budgetary Highlights

Differences between the original adopted budget and the final amended budget were less than 3% reflecting an increase of \$3.8 million. The final amended budget projected that expenditures would exceed revenues by \$24.2 million resulting in a \$29 million reduction to fund balance per the budget. This was mainly due to budgeting \$20.8 million in capital outlay expenditures and \$6.3 million in contingency.

During the year actual revenues exceeded the budgeted amount by \$10 million (8%) mainly due to higher than expected local sales taxes. Actual expenditures were less than budgeted by \$23.9 million (16.3%) mainly due to \$11.9 million lower than expected capital outlay expenditures and not needing any budgeted contingency. This resulted in an excess of revenues over expenditures of \$33.9 million more than budgeted, resulting in the actual net change in fund balance being \$35 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2014, Gilbert had \$1.4 billion in capital assets. Major capital assets completed during the fiscal year included the following:

Governmental Activities

- Streets and traffic signal projects totaling \$23 million.
- Developer contributions of street related infrastructure valued at \$1.8 million.

Business-type Activities

- Developer contributions of water and wastewater infrastructure valued at \$11.2 million.
- Completed water system improvements totaling \$6.6 million and wastewater system improvements totaling \$225 thousand.

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2014 and 2013.

Town of Gilbert Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 179,058,053	\$ 174,747,784	\$ 59,509,511	\$ 55,731,983	\$ 238,567,564	\$ 230,479,767
Construction-in-progress	28,469,708	23,134,530	7,210,026	4,117,565	35,679,734	27,252,095
Buildings	140,107,581	148,773,207	-	-	140,107,581	148,773,207
Improvements	35,513,538	38,166,672	-	-	35,513,538	38,166,672
Plant, Machinery & Equip	13,779,548	14,245,745	75,018,746	79,472,310	88,798,294	93,718,055
Water Rights	-	-	7,355,578	7,453,870	7,355,578	7,453,870
Infrastructure	550,913,081	559,227,997	307,034,461	303,809,174	857,947,542	863,037,171
Total Capital Assets	\$ 947,841,509	\$ 958,295,935	\$ 456,128,322	\$ 450,584,902	\$ 1,403,969,831	\$ 1,408,880,837

Total governmental capital assets decreased \$10.5 million and business-type capital assets increased \$5.5 million. The majority of the decrease for the governmental capital assets can be attributable to increased depreciation as assets get older and the removal of obsolete or auctioned machinery and equipment assets. The majority of the increase for the business-type capital assets can be attributable to the purchase of land and an increase in construction projects, offset by increased depreciation as assets get older.

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

Long-term Debt. At June 30, 2014, Gilbert had total bonded debt obligations of \$291.7 million related to governmental activities and \$104.4 million in business-type activities; \$135.3 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$9.4 million is special assessment bonds secured by a lien against the land of the benefited property owners in Improvement Districts #19 and #20; and all other outstanding debt is secured by pledges of specific revenue sources.

The Arizona Constitution and State Statutes limit a municipality's bonded debt capacity to certain percentages of its secondary assessed valuation and by the type of project to be constructed with GO bonds. For projects involving water, wastewater, artificial lighting, parks, open space, recreational facility improvements, streets, public safety, and fire and emergency facilities, Gilbert can issue GO bonds up to 20% of its secondary assessed valuation. For any other general-purpose improvements, Gilbert may issue bonds up to 6% of its secondary assessed valuation. Gilbert's available debt margin at June 30, 2014 was \$109.8 million in the 6% capacity and \$230.6 million in the 20% capacity.

See Note 10 on pages 53-58 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2014 and 2013.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
	General Obligation	\$ 135,065,000	\$ 147,565,000	\$ 245,000	\$ 2,110,000	\$ 135,310,000
Special Assessment	9,410,000	10,430,000	-	-	9,410,000	10,430,000
Street and Highway User	14,915,000	16,945,000	-	-	14,915,000	16,945,000
Utility Revenue	-	-	-	13,980,000	-	13,980,000
Municipal Property Corporation	132,295,000	141,990,000	104,120,000	111,120,000	236,415,000	253,110,000
Totals	\$ 291,685,000	\$ 316,930,000	\$ 104,365,000	\$ 127,210,000	\$ 396,050,000	\$ 444,140,000

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, 2014.

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

Economic Factors and Next Year's Budget

Gilbert, Arizona has embraced the challenge of effectively managing rapid growth and change. Known as the "Hay Capital" in the 1920's, Gilbert was home to fewer than 2,000 residents in 1970. Today, Gilbert is one of the fastest-growing communities in the country, with an estimated population of 233,028; boasting numerous accolades including 2nd safest and 8th most thriving city in the country. Nearly 39% of Gilbert residents have a bachelor's degree or higher; the average household income is \$80,080 per year, the highest in Arizona. Gilbert is a stronghold for modern science, a leader in biomedical, adult stem-cell, and algae research, and is also staged to welcome its first university, Saint Xavier University, next year.

Recognizing the need for drastic change, Town leadership laid out stringent expectations for the budget process. Processes and systems are fine-tuned each year to increase efficiency and effectiveness. Gilbert now undertakes a zero-based process every third year, and always applies priority, program, and performance-based approaches. Directors are now tasked with balancing the budget through consensus, rather than presenting requests and waiting to hear back. Only after the directors achieve consensus is the Town Manager presented with the recommended budget. This method allows the town to promote transparency and the importance of short- and long-term planning, while maintaining a strong return on investment for the zero-based process.

The budget for FY 2015 reflects an effort to deliver both effective and efficient services to our community. The budget is balanced assuming no increases in taxes or utility rates, and applies the non-recurring level of construction-related revenues toward non-recurring costs. Recommended increases in ongoing expenses are within the growth in ongoing levels of revenue recognized as a result of growth both in population and in additional retail opportunities within the Town.

Implementing components of a performance-based process allows for an increased focus on results. Departments identify lines of service and performance measures that will be impacted through budgetary requests. Structuring requests by anticipated outcomes allows the leadership team to identify programs that readily align with Council-identified goals. In FY 2015, two additional improvements were made: two staff received Lean black-belt certifications to help enhance the process; a separate budget subcommittee from the executive team was formed to determine the most efficient way to review department requests.

Budget Highlights for Fiscal Year 2014

With carry forwards and contingency adjustments, the proposed budget of \$554,729,200 is just slightly less than the \$554,735,125 adopted on May 15, 2014 as the legal limitation for FY 2015, and is an increase of \$88 million from FY 2014. The change from FY 2014 primarily reflects the budget necessary for carry forward and new capital projects.

In prior years, capital improvement projects were budgeted on a cash flow basis. Beginning in FY 2014, Council approved a shift to allow staff to budget the full amount necessary to fulfill a contract, thereby providing for the full encumbrance of that contract. After updating the anticipated carry forward for capital projects, the proposed FY 2015 budget includes not only the \$79,337,673 necessary for awarding new contracts during the fiscal year, but also the carry forward of \$80,637,408 in budget authority from FY 2014. This includes an update to the CIP to provide funding for the consolidated canal project.

The capital projects contingency budget of \$64,750,000 also reflects an increase over FY 2014 to allow Council the flexibility and legal authority to respond to community needs related to the finalization of master plans. As with all contingency, any amounts exceeding \$50,000 would require explicit Council approval.

Tax Rates: The adopted budget reflects no increases to sales tax rates and a decrease in the secondary property tax rate from \$1.15 to \$1.0659.

Balanced Financial Plan: The FY 2015 adopted budget is balanced based upon identified revenues and expenditures.

Constitutional Expenditure Limit: The FY 2015 adopted budget reflects expenses that will be under the constitutional expenditure limitation. Staff annually monitors conformity with the constitutional expenditure requirements and will recommend, if necessary, continuing adjustments and modifications necessary to comply with expenditure limitation requirements.

State Shared Revenues: The FY 2015 adopted budget reflects State Shared Revenues based upon statutory distribution formulas, taking into account currently projected State sales and income tax collections (provided by the Arizona League of Cities and Towns), which reflect the state's budgeted HURF distributions. Much credit goes to the Town's Intergovernmental Relations staff and to our State legislators. We understand that there are difficult decisions that our legislators must address. We greatly appreciate the consideration that was given to protecting and restoring cities' and towns' abilities to provide necessary public service.

Secondary Property Tax Levy: Previously collections in April could be applied to the following October debt service payment, allowing for a consistent property tax levy when scheduled debt service payments fluctuated. House Bill 2347 from the 2013 Legislative Session requires municipalities to adopt a property tax levy based on the exact amount of scheduled debt service for the year, plus a reasonable amount for delinquencies and certain costs. Because the \$18,576,087 general obligation debt service payment required for FY 2015 is less than the \$19,092,000 required in FY 2014, the average tax payer will see a decrease in the Town's portion of the corresponding property tax in the upcoming year. The \$22,814,500 debt service payment due in FY 2016 may cause a corresponding increase in the following fiscal year. The FY 2015 recommended tax levy of \$19,500,000 allows for a 5% delinquency factor.

Utility Rates: The FY 2015 adopted budget reflects revenues projected from Gilbert's current water, wastewater, environmental services, and reclaimed water rates. No rate increases are recommended for this fiscal year. Gilbert recently completed a utility rate study. The results of this study offered a recommendation to consider a new rate structure and potential rate changes. During the second and third quarter of FY 2015, Gilbert will update the rate models based on the results of our zero base budget process and begin discussions with Council and citizens. Potential changes to the structure and rates would be included in the FY 2016 budget.

Capital Project Financing – System Development Fees: The FY 2015 adopted budget reflects revenues projected from the continued collection of System Development Fees as allowed under current State Law. Staff has completed a comprehensive system development fee study to ensure our continued compliance.

Financial Contact

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

Town of Gilbert
Finance & Management Services Department
50 E Civic Center Drive
Gilbert, AZ 85296
(480) 503-6752

TOWN OF GILBERT, ARIZONA

Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 193,603,095	\$ 140,930,048	\$ 334,533,143	\$ 14,365
Receivables, net:				
Taxes	5,946,710	-	5,946,710	-
Special assessments	9,020,631	-	9,020,631	-
Accrued interest	405,227	311,237	716,464	-
Accounts	16,714,079	4,207,544	20,921,623	-
Due from other governments	3,191,627	115,091	3,306,718	-
Internal balances	(8,967,789)	8,967,789	-	-
Prepaid items	87,704	-	87,704	-
Inventories	540,292	206,570	746,862	-
Restricted assets:				
Cash and investments	18,916,593	64,432,341	83,348,934	-
Accrued interest	88	59,266	59,354	-
Investment in joint venture	310,120	138,407,297	138,717,417	-
Capital assets:				
Non-depreciable	207,527,761	66,719,537	274,247,298	-
Depreciable, net	740,313,748	389,408,785	1,129,722,533	-
Total assets	<u>1,187,609,886</u>	<u>813,765,505</u>	<u>2,001,375,391</u>	<u>14,365</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,341,801	-	2,341,801	-
Total deferred outflows of resources	<u>2,341,801</u>	<u>-</u>	<u>2,341,801</u>	<u>-</u>
LIABILITIES				
Accounts payable	9,915,531	3,782,259	13,697,790	-
Accrued liabilities	11,013,195	380,323	11,393,518	-
Accrued interest	-	1,278,128	1,278,128	-
Claims payable	1,266,492	-	1,266,492	-
Deposits held for others	245,033	-	245,033	-
Utility deposits	-	3,134,148	3,134,148	-
Bond interest payable	3,229,144	-	3,229,144	-
Unearned revenue	110,018	-	110,018	-
Noncurrent liabilities:				
Due within one year	30,037,069	5,058,735	35,095,804	-
Due in more than one year	280,137,290	101,366,569	381,503,859	-
Total liabilities	<u>335,953,772</u>	<u>115,000,162</u>	<u>450,953,934</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	680,716,975	351,796,858	1,032,513,833	-
Restricted for:				
Debt service	18,439,085	20,045,832	38,484,917	-
Capital projects	43,663,212	30,883,507	74,546,719	-
System repair & maintenance	-	14,647,453	14,647,453	-
Highways and streets	14,931,372	-	14,931,372	-
Grant programs	1,606,944	-	1,606,944	-
Court/public safety programs	1,921,249	-	1,921,249	-
Parks and recreation programs	30,386	-	30,386	-
Contract agreements	107,436	-	107,436	-
Special districts	224,731	-	224,731	-
Unrestricted	92,356,525	281,391,693	373,748,218	14,365
Total net position	<u>\$ 853,997,915</u>	<u>\$ 698,765,343</u>	<u>\$ 1,552,763,258</u>	<u>\$ 14,365</u>

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, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government				
Management and policy	\$ 13,377,552	\$ 10,598	\$ 48,294	\$ -
Finance and management services	4,347,031	261,542	-	-
Legal and court	5,975,194	793,414	30,000	-
Development services	9,061,728	6,782,976	24,200	-
Public safety				
Police	45,930,719	5,477,073	257,153	1,473,004
Fire	28,853,208	254,556	1,459,142	1,983,757
Highways and streets	45,780,743	1,439,724	19,172,563	7,605,479
Parks and recreation	22,493,451	3,764,882	1,256,037	7,439,867
Transportation	842,184	-	28,553	683,653
Non departmental	4,104,289	731	49,884	-
Interest and fiscal charges on long-term debt	15,215,884	-	-	-
Total governmental activities	195,981,983	18,785,496	22,325,826	19,185,760
Business-type activities:				
Water	39,926,683	37,866,520	-	19,883,317
Wastewater	23,614,969	23,852,369	-	16,368,281
Environmental Services	16,112,973	17,307,709	-	-
Total business-type activities	79,654,625	79,026,598	-	36,251,598
Total primary government	\$ 275,636,608	\$ 97,812,094	\$ 22,325,826	\$ 55,437,358
Component unit				
Industrial development authority	\$ 10	\$ -	\$ -	\$ -

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 position
Net position, July 1, 2013
Net position, June 30, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit Industrial Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (13,318,660)	\$ -	\$ (13,318,660)	\$ -
(4,085,489)	-	(4,085,489)	-
(5,151,780)	-	(5,151,780)	-
(2,254,552)	-	(2,254,552)	-
(38,723,489)	-	(38,723,489)	-
(25,155,753)	-	(25,155,753)	-
(17,562,977)	-	(17,562,977)	-
(10,032,665)	-	(10,032,665)	-
(129,978)	-	(129,978)	-
(4,053,674)	-	(4,053,674)	-
(15,215,884)	-	(15,215,884)	-
<u>(135,684,901)</u>	<u>-</u>	<u>(135,684,901)</u>	<u>-</u>
-	17,823,154	17,823,154	-
-	16,605,681	16,605,681	-
-	1,194,736	1,194,736	-
<u>-</u>	<u>35,623,571</u>	<u>35,623,571</u>	<u>-</u>
<u>(135,684,901)</u>	<u>35,623,571</u>	<u>(100,061,330)</u>	<u>-</u>
			<u>(10)</u>
66,756,593	-	66,756,593	-
18,315,083	-	18,315,083	-
1,286,862	-	1,286,862	-
2,616,131	-	2,616,131	-
18,118,706	-	18,118,706	-
23,204,634	-	23,204,634	-
904,497	-	904,497	-
1,508,342	1,741,848	3,250,190	4
29,366	30,372	59,738	-
1,225,918	1,265,737	2,491,655	-
110,000	(110,000)	-	-
<u>134,076,132</u>	<u>2,927,957</u>	<u>137,004,089</u>	<u>4</u>
<u>(1,608,769)</u>	<u>38,551,528</u>	<u>36,942,759</u>	<u>(6)</u>
<u>855,606,684</u>	<u>660,213,815</u>	<u>1,515,820,499</u>	<u>14,371</u>
<u>\$ 853,997,915</u>	<u>\$ 698,765,343</u>	<u>\$ 1,552,763,258</u>	<u>\$ 14,365</u>

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

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
ASSETS				
Pooled cash and investments	\$ 71,828,521	\$ 19,767,726	\$ 10,195,245	\$ 474,744
Receivables, net:				
Taxes	5,778,783	-	152,402	-
Special assessments	-	-	-	9,020,631
Accrued interest	160,168	41,702	35,383	761
Accounts	15,545,281	3,944	-	-
Due from other governments	36,650	1,424,998	-	-
Due from other funds	2,750,914	-	-	-
Prepaid items	6,507	81,197	-	-
Inventories	-	-	-	-
Advances to other funds	25,373,654	-	-	-
Restricted assets:				
Cash and investments	79,365	-	13,309,145	-
Accrued interest	-	-	58	-
Total assets	<u>\$ 121,559,843</u>	<u>\$ 21,319,567</u>	<u>\$ 23,692,233</u>	<u>\$ 9,496,136</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,109,292	\$ 1,439,910	\$ -	\$ -
Accrued liabilities	10,846,072	84,704	-	-
Deposits held for others	109,576	15,452	-	-
Due to other funds	-	-	-	-
Bonds payable	-	-	10,080,000	-
Interest payable	-	-	3,229,144	-
Advances from other funds	-	-	-	-
Unearned revenue	110,018	-	-	-
Total liabilities	<u>16,174,958</u>	<u>1,540,066</u>	<u>13,309,144</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue - special assessments	-	-	-	9,016,722
Unavailable revenue - court fines	5,111,912	-	-	-
Unavailable revenue - sales tax	423,001	-	-	-
Unavailable revenue - other	625,072	-	-	-
Total deferred inflows of resources	<u>6,159,985</u>	<u>-</u>	<u>-</u>	<u>9,016,722</u>
Fund Balances:				
Nonspendable	25,380,161	81,197	-	-
Restricted	-	15,391,104	8,942,949	479,414
Assigned	12,081,060	4,307,200	1,440,140	-
Unassigned	61,763,679	-	-	-
Total fund balances	<u>99,224,900</u>	<u>19,779,501</u>	<u>10,383,089</u>	<u>479,414</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 121,559,843</u>	<u>\$ 21,319,567</u>	<u>\$ 23,692,233</u>	<u>\$ 9,496,136</u>

<u>GO Bonds Capital Projects</u>	<u>System Development Fees Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 24,302,499	\$ 25,317,219	\$ 28,379,077	\$ 180,265,031
-	-	15,525	5,946,710
-	-	-	9,020,631
86,309	53,659	24,567	402,549
192,046	16,269	954,954	16,712,494
-	-	1,729,979	3,191,627
-	-	-	2,750,914
-	-	-	87,704
-	-	1,825	1,825
-	-	-	25,373,654
-	-	5,528,083	18,916,593
-	-	30	88
<u>\$ 24,580,854</u>	<u>\$ 25,387,147</u>	<u>\$ 36,634,040</u>	<u>\$ 262,669,820</u>
\$ 1,275,796	\$ 4,774	\$ 1,764,391	\$ 9,594,163
-	-	44,842	10,975,618
120,005	-	-	245,033
-	-	2,750,914	2,750,914
-	-	-	10,080,000
-	-	-	3,229,144
-	25,373,654	-	25,373,654
-	-	-	110,018
<u>1,395,801</u>	<u>25,378,428</u>	<u>4,560,147</u>	<u>62,358,544</u>
-	-	-	9,016,722
-	-	-	5,111,912
-	-	-	423,001
191,350	-	-	816,422
<u>191,350</u>	<u>-</u>	<u>-</u>	<u>15,368,057</u>
-	-	1,825	25,463,183
17,584,623	25,387,147	24,551,624	92,336,861
5,409,080	-	7,607,716	30,845,196
-	(25,378,428)	(87,272)	36,297,979
<u>22,993,703</u>	<u>8,719</u>	<u>32,073,893</u>	<u>184,943,219</u>
<u>\$ 24,580,854</u>	<u>\$ 25,387,147</u>	<u>\$ 36,634,040</u>	<u>\$ 262,669,820</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 Position
June 30, 2014

Fund balances - total governmental funds		\$ 184,943,219
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	1,530,919,523	
Accumulated depreciation	<u>(583,280,055)</u>	947,639,468
<p>The investment in joint venture is not a financial resource and, therefore, is not reported in the funds</p>		
		310,120
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>		
		15,368,057
<p>Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, copy services, and self-insurance to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental funds balance sheet.</p>		
		3,312,365
<p>Certain liabilities applicable to the Town's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental funds statement.</p>		
Unamortized deferred outflow on bond refunding	2,341,801	
Bonds payable	(281,605,000)	
Bonds premium	(5,537,710)	
Compensated absences	(12,070,974)	
Post-employment benefits	<u>(703,431)</u>	(297,575,314)
Net position of governmental activities - statement of net position		<u><u>\$ 853,997,915</u></u>

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

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
Revenues				
Taxes:				
Sales	\$ 66,771,661	\$ -	\$ -	\$ -
Property	-	-	18,315,083	-
Franchise	2,699,926	-	-	-
Licenses and permits	4,748,310	-	-	-
Intergovernmental	44,039,441	19,325,179	-	-
Special assessments	-	-	-	2,089,887
Charges for services	8,657,665	6,462	-	-
Other entities' participation	24,200	-	-	-
System development fees	-	-	-	-
Gifts and donations	32,919	-	-	-
Fines and forfeitures	3,861,905	2,321	-	-
Investment earnings	772,153	160,924	130,319	4,767
Miscellaneous	574,649	209,302	-	-
Total revenues	<u>132,182,829</u>	<u>19,704,188</u>	<u>18,445,402</u>	<u>2,094,654</u>
Expenditures				
Current:				
General government:				
Management and policy	15,301,777	-	-	-
Finance and management services	4,413,584	-	-	-
Legal and court	4,749,129	-	-	-
Development services	6,077,733	-	-	-
Public safety:				
Police	40,235,229	-	-	-
Fire	24,820,093	-	-	-
Highways and streets	-	10,372,765	-	-
Parks and recreation	13,555,026	-	-	-
Transportation	350,000	-	-	-
Non departmental	4,054,405	-	-	-
Debt service:				
Principal	-	-	24,610,000	1,020,000
Interest	-	-	13,743,738	507,965
Fiscal and other charges	-	-	1,586	1,165
Capital outlay	8,951,361	7,456,090	-	-
Total expenditures	<u>122,508,337</u>	<u>17,828,855</u>	<u>38,355,324</u>	<u>1,529,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,674,492</u>	<u>1,875,333</u>	<u>(19,909,922)</u>	<u>565,524</u>
Other financing sources (uses)				
Transfers in	1,492,272	2,750,968	19,557,766	-
Transfers out	(5,706,272)	(3,255,566)	-	(85,512)
Sale of capital assets	590,185	-	-	-
Total other financing sources and uses	<u>(3,623,815)</u>	<u>(504,598)</u>	<u>19,557,766</u>	<u>(85,512)</u>
Net change in fund balances	6,050,677	1,370,735	(352,156)	480,012
Fund balances at beginning of year	93,174,223	18,408,766	10,735,245	(598)
Fund balances at end of year	<u>\$ 99,224,900</u>	<u>\$ 19,779,501</u>	<u>\$ 10,383,089</u>	<u>\$ 479,414</u>

<u>GO Bonds Capital Projects</u>	<u>System Development Fees Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 66,771,661
-	-	2,366,473	20,681,556
-	-	-	2,699,926
-	-	-	4,748,310
-	-	4,680,964	68,045,584
-	-	-	2,089,887
-	-	1,363,281	10,027,408
-	-	1,953,036	1,977,236
-	13,434,970	-	13,434,970
-	-	121,914	154,833
-	-	604,576	4,468,802
66,213	209,996	149,218	1,493,590
-	-	471,333	1,255,284
66,213	13,644,966	11,710,795	197,849,047
-	-	34,175	15,335,952
-	-	-	4,413,584
-	-	339,717	5,088,846
-	-	-	6,077,733
-	-	1,711,520	41,946,749
-	-	172,751	24,992,844
-	-	1,596,201	11,968,966
81,618	-	1,977,668	15,614,312
-	-	491,257	841,257
-	-	49,884	4,104,289
-	-	-	25,630,000
-	-	-	14,251,703
3,250	-	7,026	13,027
11,804,894	567,485	10,024,451	38,804,281
11,889,762	567,485	16,404,650	209,083,543
(11,823,549)	13,077,481	(4,693,855)	(11,234,496)
35,063	670	22,054,043	45,890,782
(21,733,757)	(11,635,341)	(3,364,334)	(45,780,782)
-	-	-	590,185
(21,698,694)	(11,634,671)	18,689,709	700,185
(33,522,243)	1,442,810	13,995,854	(10,534,311)
56,515,946	(1,434,091)	18,078,039	195,477,530
\$ 22,993,703	\$ 8,719	\$ 32,073,893	\$ 184,943,219

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, 2014

Net change in fund balances - total governmental funds **\$ (10,534,311)**

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	38,804,281	
Depreciation expense	<u>(51,180,406)</u>	(12,376,125)

Repayment of bond principal is reported as expenditures in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the principal payments reduce the long-term liabilities in the statement of net position and do not result in an expense in the statement of activities. Also, governmental funds report the effect of deferred outflows of resources, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments	25,630,000	
Amortization expense	<u>(951,154)</u>	24,678,846

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance and copy services, to the individual funds. The adjustments for internal service funds "close" those funds by charging the additional amounts to participating governmental activities to completely cover the internal services funds' costs for the year.

(1,339,527)

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		1,846,142
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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	(1,136,679)	
Post-employment benefits	<u>(360,445)</u>	(1,497,124)

Certain revenues are not reported in the governmental funds because they do not provide current financial resources due to unavailability but are recognized as revenue in the statement of activities. However, other revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period.

Special assessments	(1,539,077)	
Court fines	234,559	
Sales tax	(15,068)	
Other	<u>(1,067,084)</u>	(2,386,670)

Change in net position of governmental activities - statement of activities **\$ (1,608,769)**

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 60,500,000	\$ 60,500,000	\$ 66,771,661	\$ 6,271,661
Franchise	2,335,000	2,335,000	2,699,926	364,926
Licenses and permits	4,103,000	4,103,000	4,748,310	645,310
Intergovernmental	43,694,290	43,694,290	44,039,441	345,151
Charges for services	7,317,156	7,317,156	8,657,665	1,340,509
Other entities' participation	-	-	24,200	24,200
Gifts and donations	10,000	10,000	32,919	22,919
Fines and forfeitures	3,414,000	3,414,000	3,861,905	447,905
Investment earnings	430,000	430,000	772,153	342,153
Miscellaneous	319,320	319,320	574,649	255,329
Total revenues	122,122,766	122,122,766	132,182,829	10,060,063
Expenditures				
Current:				
General government:				
Management and policy	18,352,697	18,168,871	15,301,777	2,867,094
Finance and management services	4,558,104	4,640,216	4,413,584	226,632
Legal and court	4,930,256	4,930,406	4,749,129	181,277
Development services	5,788,607	6,194,971	6,077,733	117,238
Public safety:				
Police	40,954,283	41,061,733	40,235,229	826,504
Fire	25,069,735	25,128,963	24,820,093	308,870
Parks and recreation	14,275,206	15,322,431	13,555,026	1,767,405
Transportation	350,000	350,000	350,000	-
Non departmental	3,447,860	3,447,860	4,054,405	(606,545)
Capital outlay	11,802,200	20,822,482	8,951,361	11,871,121
Contingency	13,044,000	6,303,408	-	6,303,408
Total expenditures	142,572,948	146,371,341	122,508,337	23,863,004
Excess (deficiency) of revenues over (under) expenditures	(20,450,182)	(24,248,575)	9,674,492	33,923,067
Other financing sources (uses)				
Transfers in	1,111,191	1,111,191	1,492,272	381,081
Transfers out	(5,844,772)	(5,844,772)	(5,706,272)	138,500
Sale of capital assets	-	-	590,185	590,185
Total other financing sources and uses	(4,733,581)	(4,733,581)	(3,623,815)	1,109,766
Net change in fund balances	\$ (25,183,763)	\$ (28,982,156)	6,050,677	\$ 35,032,833
Fund balance at beginning of year			93,174,223	
Fund balance at end of year			\$ 99,224,900	

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ 18,600,000	\$ 18,600,000	\$ 19,325,179	\$ 725,179
Charges for services	-	-	6,462	6,462
Fines and forfeitures	-	-	2,321	2,321
Investment earnings	50,000	50,000	160,924	110,924
Miscellaneous	-	-	209,302	209,302
Total revenues	18,650,000	18,650,000	19,704,188	1,054,188
Expenditures				
Current:				
Highways and streets	11,129,591	11,159,479	10,372,765	786,714
Capital outlay	10,844,080	11,227,346	7,456,090	3,771,256
Contingency	1,000,000	426,846	-	426,846
Total expenditures	22,973,671	22,813,671	17,828,855	4,984,816
Excess (deficiency) of revenues over (under) expenditures	(4,323,671)	(4,163,671)	1,875,333	6,039,004
Other financing sources (uses)				
Transfers in	50,000	50,000	2,750,968	2,700,968
Transfers out	(3,283,721)	(3,283,721)	(3,255,566)	28,155
Total other financing sources and uses	(3,233,721)	(3,233,721)	(504,598)	2,729,123
Net change in fund balances	\$ (7,557,392)	\$ (7,397,392)	1,370,735	\$ 8,768,127
Fund balance at beginning of year			18,408,766	
Fund balance at end of year			\$ 19,779,501	

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

TOWN OF GILBERT, ARIZONA

Statement of Net Position

Proprietary Funds

June 30, 2014

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
ASSETS				
Current assets:				
Pooled cash and investments	\$ 68,285,169	\$ 56,159,176	\$ 24,865,991	\$ 149,310,336
Receivables (net):				
Accrued interest	151,817	109,257	50,163	311,237
Accounts	2,391,523	1,167,139	648,882	4,207,544
Due from other governments	115,091	-	-	115,091
Inventories	206,570	-	-	206,570
Total current assets	<u>71,150,170</u>	<u>57,435,572</u>	<u>25,565,036</u>	<u>154,150,778</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	57,761,051	6,671,290	-	64,432,341
Accrued interest	59,266	-	-	59,266
Investment in joint venture	72,199,454	66,207,843	-	138,407,297
Capital assets:				
Non-depreciable	51,860,930	14,849,514	9,093	66,719,537
Depreciable, net	225,500,360	159,971,148	3,937,277	389,408,785
Total noncurrent assets	<u>407,381,061</u>	<u>247,699,795</u>	<u>3,946,370</u>	<u>659,027,226</u>
Total assets	<u>478,531,231</u>	<u>305,135,367</u>	<u>29,511,406</u>	<u>813,178,004</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,240,564	2,234,767	306,928	3,782,259
Accrued liabilities	175,552	72,317	132,454	380,323
Current portion of accrued compensated absences	362,888	176,302	196,960	736,150
Claims payable	-	-	-	-
Accrued interest	1,278,128	-	-	1,278,128
Bonds payable	4,322,585	-	-	4,322,585
Utility deposits	3,105,379	-	28,769	3,134,148
Total current liabilities	<u>10,485,096</u>	<u>2,483,386</u>	<u>665,111</u>	<u>13,633,593</u>
Noncurrent liabilities:				
Utility revenue bonds payable	100,008,879	-	-	100,008,879
Accrued compensated absences	541,610	343,002	293,772	1,178,384
Post-employment benefits	87,292	31,942	60,072	179,306
Total noncurrent liabilities	<u>100,637,781</u>	<u>374,944</u>	<u>353,844</u>	<u>101,366,569</u>
Total liabilities	<u>111,122,877</u>	<u>2,858,330</u>	<u>1,018,955</u>	<u>115,000,162</u>
NET POSITION				
Net investment in capital assets	173,029,826	174,820,662	3,946,370	351,796,858
Restricted for debt service	19,340,732	705,100	-	20,045,832
Restricted for capital projects	29,798,887	1,084,620	-	30,883,507
Restricted for system repair & maintenance	8,754,917	5,892,536	-	14,647,453
Unrestricted	136,483,992	119,774,119	24,546,081	280,804,192
Total net position	<u>\$ 367,408,354</u>	<u>\$ 302,277,037</u>	<u>\$ 28,492,451</u>	<u>\$ 698,177,842</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				587,501
Net position of business-type activities				<u>\$ 698,765,343</u>

**Governmental
Activities -
Internal Service
Funds**

\$	4,957,776
	2,678
	1,585
	-
	538,467
	<u>5,500,506</u>
	-
	-
	-
	-
	202,041
	<u>202,041</u>
	<u>5,702,547</u>
	321,368
	37,577
	78,541
	1,266,492
	-
	-
	-
	<u>1,703,978</u>
	-
	98,703
	-
	<u>98,703</u>
	<u>1,802,681</u>
	202,041
	-
	-
	-
	3,697,825
\$	<u><u>3,899,866</u></u>

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

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
Operating revenues				
Charges for services	\$ 37,866,520	\$ 23,852,369	\$ 17,307,709	\$ 79,026,598
Other	1,143,907	10,410	111,420	1,265,737
Total operating revenues	<u>39,010,427</u>	<u>23,862,779</u>	<u>17,419,129</u>	<u>80,292,335</u>
Operating expenses				
General and administrative	1,235,155	674,632	926,402	2,836,189
Personal services	6,920,391	3,917,740	5,692,286	16,530,417
Operation and maintenance	12,996,353	9,411,338	6,922,187	29,329,878
Claims Incurred	-	-	-	-
Depreciation	10,011,894	8,349,360	1,700,804	20,062,058
Allocation of indirect expenses	1,621,385	737,948	700,723	3,060,056
Total operating expenses	<u>32,785,178</u>	<u>23,091,018</u>	<u>15,942,402</u>	<u>71,818,598</u>
Operating income (loss)	<u>6,225,249</u>	<u>771,761</u>	<u>1,476,727</u>	<u>8,473,737</u>
Nonoperating revenues (expenses)				
Interest expense	(6,997,895)	(413,019)	-	(7,410,914)
Investment earnings	1,010,510	543,330	188,008	1,741,848
Gain (loss) on sale of capital assets	8,111	(38,277)	(9,889)	(40,055)
Total nonoperating revenues (expenses)	<u>(5,979,274)</u>	<u>92,034</u>	<u>178,119</u>	<u>(5,709,121)</u>
Income (loss) before capital contributions and transfers	245,975	863,795	1,654,846	2,764,616
Capital contributions	19,883,317	16,368,281	-	36,251,598
Transfers in	79,051	679,007	-	758,058
Transfers out	(764,007)	(51,350)	(52,701)	(868,058)
Change in net position	19,444,336	17,859,733	1,602,145	38,906,214
Total net position, beginning of year	<u>347,964,018</u>	<u>284,417,304</u>	<u>26,890,306</u>	
Total net position, end of year	<u>\$ 367,408,354</u>	<u>\$ 302,277,037</u>	<u>\$ 28,492,451</u>	
				(354,686)
				<u>\$ 38,551,528</u>

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

Change in net position of business-type activities

**Governmental
Activities -
Internal Service
Funds**

\$ 22,304,990
119,276
22,424,266

823,376
 1,697,103
 6,126,916
 15,458,122
 27,714

-
24,133,231

(1,708,965)

-
 14,752

-
14,752

(1,694,213)

-
 -
 -

(1,694,213)

5,594,079

\$ 3,899,866

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, 2014

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
Cash flows from operating activities:				
Cash receipts from customers	\$ 38,544,934	\$ 23,872,733	\$ 17,350,953	\$ 79,768,620
Other operating cash receipts	1,143,907	10,410	111,420	1,265,737
Cash receipts from other funds for services	-	-	-	-
Cash receipts from deposits	-	-	6,860	6,860
Cash payments to suppliers for goods and services	(15,089,377)	(9,241,492)	(8,390,995)	(32,721,864)
Cash payments to employees for services	(6,869,973)	(3,914,286)	(5,613,887)	(16,398,146)
Cash payments to other funds for services	(1,621,385)	(737,948)	(700,723)	(3,060,056)
Net cash provided by (used in) operating activities	<u>16,108,106</u>	<u>9,989,417</u>	<u>2,763,628</u>	<u>28,861,151</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	79,051	679,007	-	758,058
Transfers to other funds	(764,007)	(51,350)	(52,701)	(868,058)
Net cash provided by (used in) noncapital financing activities	<u>(684,956)</u>	<u>627,657</u>	<u>(52,701)</u>	<u>(110,000)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(8,692,486)	(1,544,118)	(1,248,487)	(11,485,091)
Proceeds from development fees	13,929,121	11,154,279	-	25,083,400
Cash paid for interest and fiscal charges	(5,883,684)	(148,909)	-	(6,032,593)
Principal payments on bonds	(19,576,886)	(3,268,114)	-	(22,845,000)
Proceeds from sales of capital assets	8,111	-	-	8,111
Net cash provided by (used in) capital and related financing activities	<u>(20,215,824)</u>	<u>6,193,138</u>	<u>(1,248,487)</u>	<u>(15,271,173)</u>
Cash flows from investing activities:				
Interest received on investments	1,019,335	513,291	189,079	1,721,705
Net cash provided by investing activities	<u>1,019,335</u>	<u>513,291</u>	<u>189,079</u>	<u>1,721,705</u>
Net increase (decrease) in cash and cash equivalents	(3,773,339)	17,323,503	1,651,519	15,201,683
Cash and cash equivalents at beginning of year	129,819,559	45,506,963	23,214,472	198,540,994
Cash and cash equivalents at end of year	<u>\$ 126,046,220</u>	<u>\$ 62,830,466</u>	<u>\$ 24,865,991</u>	<u>\$ 213,742,677</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	\$ 68,285,169	\$ 56,159,176	\$ 24,865,991	\$ 149,310,336
Restricted cash and investments	57,761,051	6,671,290	-	64,432,341
Total cash and cash equivalents	<u>\$ 126,046,220</u>	<u>\$ 62,830,466</u>	<u>\$ 24,865,991</u>	<u>\$ 213,742,677</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 6,225,249	\$ 771,761	\$ 1,476,727	\$ 8,473,737
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	10,011,894	8,349,360	1,700,804	20,062,058
Provision for uncollectible accounts	(9,394)	(3,303)	(1,002)	(13,699)
Changes in assets and liabilities:				
Decrease in accounts receivable	771,112	23,668	44,246	839,026
(Increase) decrease in inventories	17,999	-	-	17,999
Increase (decrease) in accounts payable	(875,868)	844,477	(542,406)	(573,797)
Increase in claims payable	-	-	-	-
Increase (decrease) in deposits	(83,304)	-	6,860	(76,444)
Increase in accrued expenses	50,418	3,454	78,399	132,271
Total adjustments	<u>9,882,857</u>	<u>9,217,656</u>	<u>1,286,901</u>	<u>20,387,414</u>
Net cash provided by (used in) operating activities	<u>\$ 16,108,106</u>	<u>\$ 9,989,417</u>	<u>\$ 2,763,628</u>	<u>\$ 28,861,151</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	\$ 5,954,196	\$ 5,214,002	\$ -	\$ 11,168,198
Total additions to property and equipment	<u>\$ 5,954,196</u>	<u>\$ 5,214,002</u>	<u>\$ -</u>	<u>\$ 11,168,198</u>

**Governmental
Activities -
Internal Service
Funds**

\$	-
	138,752
	22,320,172
	-
	(22,418,678)
	(1,660,730)
	-
	<u>(1,620,484)</u>

	-
	-
	-

	(75,077)
	-
	-
	-
	-
	<u>(75,077)</u>

	15,988
	<u>15,988</u>

	(1,679,573)
	6,637,349
\$	<u>4,957,776</u>

\$	4,957,776
	-
\$	<u>4,957,776</u>

\$	<u>(1,708,965)</u>
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	27,714
	-

	34,658
	(64,311)
	(1,041)
	55,088
	-
	36,373
	<u>88,481</u>
\$	<u>(1,620,484)</u>

\$	-
\$	-

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

TOWN OF GILBERT, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments	\$ 94,778	\$ 240,415
Prepaid items	<u>-</u>	<u>10,685</u>
Total assets	<u>94,778</u>	<u>\$ 251,100</u>
LIABILITIES		
Guaranty and other deposits	-	\$ 229,117
Dependent care benefits payable	<u>-</u>	<u>21,983</u>
Total liabilities	<u>-</u>	<u>\$ 251,100</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 94,778</u>	

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

TOWN OF GILBERT, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2014

	<u>Firemen's Pension Trust</u>
Additions	
Interest on investments	\$ 49
Total additions	<u>49</u>
Deductions	
Benefits	2,400
Administration	<u>100</u>
Total deductions	<u>2,500</u>
Change in net position	(2,451)
Net position - beginning of the year	<u>97,229</u>
Net position - end of the year	<u><u>\$ 94,778</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, 2014

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

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units - The Water Resources Municipal Property Corporation (Water MPC) is a legally separate, non-profit corporation which exists solely for the purpose of financing the construction or acquisition of water and wastewater capital improvement projects. The Public Facilities Municipal Property Corporation (Public Facilities MPC) is a legally separate, non-profit corporation which exists solely for the purpose of financing construction of municipal facilities. Each is considered a blended component unit because the Council appoints the five-member board of directors of the MPC, the Council must approve any amendments to the articles of incorporation of the MPC, the Council must approve any debt issues of the MPC, and the MPC provides services solely to the Town of Gilbert. At June 30, 2014, the Water MPC bonded debt is reported within the water fund and the Public Facilities MPC bonded debt is reported within the debt service fund (current portion only) and within the governmental activities in the government-wide statement of net position.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

B. Jointly Governed Organizations

Phoenix-Mesa Gateway Airport Authority (PMGAA) is a non-profit corporation established and funded by the Towns of Gilbert and Queen Creek, the Cities of Mesa and Phoenix, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base, which was closed in September 1993 and became Phoenix-Mesa Gateway Airport (formerly known as Williams Gateway Airport). The airport has three runways, a newly remodeled passenger terminal and is positioned to be a reliever airport to Phoenix's Sky Harbor International Airport. The Board of Directors consists of the mayors of the respective communities and the governor of the tribal community. Gilbert contributed \$350,000 in fiscal year 2014 (life to date \$7,524,250) to the PMGAA operating and capital budget.

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

C. Government-wide and Fund Financial Statements

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

The government-wide Statement of Net Position reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation 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 position has constraints placed on its use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions or departments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or department. Interest and fiscal charges on long-term debt are not allocated to the various functions. Program revenues include charges for services, fines and forfeitures, licenses and permit fees, special assessment fees, 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

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 Position. The costs of the internal service fund services are spread to the appropriate function or department on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect from these revenues and expenses.

D. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

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).

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

E. Fund Accounting

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

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

Governmental Funds

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

Gilbert reports the following major governmental funds:

General Fund - The general fund is the primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund. The general fund will always be considered a major fund in the basic financial statements.

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

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

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

GO Bonds Capital Projects Fund – The GO bonds fund accounts for the receipt of proceeds from general obligation bonds and the expenditure of those proceeds to purchase or construct capital assets.

System Development Fees Capital Projects Fund – The System development fees fund accounts for the receipt of fees collected from building permits paid and the expenditure of those funds for infrastructure related to growth in Gilbert.

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 position, financial position and cash flows.

Gilbert reports the following major proprietary funds:

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

Wastewater Fund – The wastewater fund accounts for the revenues and expenses from the operation of the sanitary wastewater collection and treatment and reclaimed water distribution system.

Environmental Services Fund – The environmental services fund accounts for the revenues and expenses of operating the solid waste collection system.

Additionally, Gilbert reports the following fund types:

Internal Service Funds – The internal service funds account for operations that provide services to other departments on a cost-reimbursement basis. These services include maintenance of Gilbert's motorized equipment, operation of centrally located copiers and self-insurance for employee benefit programs.

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

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

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F. Budgetary Data

In January of each year, the Office of Management & Budget (OMB) prepares a revenue estimate based upon local and state-shared revenue forecasts, historic trends, economic indicators, anticipated growth, and year-to-date revenue performance to develop guidelines for departments to follow in preparing budget requests. The Council is briefed on this information and asked to approve boundaries and priorities for consideration in the preparation of departmental requests.

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

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

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

The Council sets policy and adopts the annual budget at the fund level as a total amount of expenditures. Financial control is set by Council at the fund level, with budgetary control for operating performance administered at the departmental level. Budget adjustments for special revenue funds, excluding Highway User Revenue Funds, will be administered by the OMB and will not exceed the available revenues. Grants and restricted appropriations are administered by departments. Directors may authorize transfers within non-personnel budget lines at the same fund, department, and project level. Council action is required to approve adjustments between funds, projects, or contingency transactions over \$50,000. All annual appropriations lapse at year-end and are considered for inclusion in the subsequent year's budget on a case-by-case basis.

Gilbert prepares its budget on a basis generally consistent with GAAP, with certain exceptions as explained in Note 3. In addition, the financial statements present the budget and actual information for the departments at a summary level by function.

G. Pooled Cash and Investments

Gilbert maintains pooled cash and investment accounts for funds that are not legally required to be maintained separately. Each fund's equity in pooled cash and investments represents that fund's position in the consolidated accounts and determines that fund's allocation of interest earned in the pool. The Arizona Revised Statutes regulate the investment of surplus cash. Gilbert limits its investments to the Local Government Investment Pool (managed by the Arizona State Treasurer), U.S. government securities, certificates of deposit, bonds, repurchase agreements, corporate notes, commercial paper, and money market accounts.

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

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H. Inventories

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

I. Restricted Assets

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

J. Capital Assets

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

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

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

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

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

K. Compensated Absences

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

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

L. Long-Term Obligations

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

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

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

M. Transactions Between Funds

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. See Note 6 for further discussion of the interfund receivables/payables at June 30.

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N. Property Tax

Gilbert's property tax levy 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. State law requires municipalities to adopt a property tax levy based on the exact amount of scheduled debt service for the year plus a reasonable amount for delinquencies and certain costs. For fiscal year 2014, Gilbert's property tax rate is \$1.0659 per \$100 of secondary assessed valuation.

O. Deferred outflows/inflows of resources

During the fiscal year ended June 30, 2014, Gilbert implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred inflows of resources or deferred outflows of resources.

On the government-wide Statement of Net Position, deferred outflows of resources are reported and represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Gilbert only has one item that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

On the governmental funds Balance Sheet, deferred inflows or resources are reported and represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Gilbert only has one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. The governmental funds report unavailable revenues from several sources: special assessments, court fines, sales tax and other. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

P. Fund Balance Classifications

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

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

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

As of June 30, 2014, the fund balance details by classification are listed below:

Fund balances:	General		Major Streets Debt Service Funds		Major Capital Projects Funds			Other Gov't	Total
	Fund	Special Revenue	General	Special Assmnts	GO Bonds	System Dev Fees	System Dev Fees		
Nonspendable:									
Advances	\$25,373,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,373,654
Inventory	-	-	-	-	-	-	-	1,825	1,825
Prepaid items	6,507	81,197	-	-	-	-	-	-	87,704
Restricted for:									
Capital projects	-	-	-	-	17,584,623	25,387,147	-	20,590,377	63,562,147
Court/public safety programs	-	-	-	-	-	-	-	1,946,968	1,946,968
Debt service	-	-	8,942,949	479,414	-	-	-	-	9,422,363
Grants	-	-	-	-	-	-	-	1,618,141	1,618,141
Highways and streets	-	15,391,104	-	-	-	-	-	-	15,391,104
Contract agreements	-	-	-	-	-	-	-	107,436	107,436
Parks & recreation programs	-	-	-	-	-	-	-	30,386	30,386
Special districts	-	-	-	-	-	-	-	258,316	258,316
Assigned to:									
Capital replacement	9,174,397	4,307,200	-	-	-	-	-	-	13,481,597
Capital projects	2,209,960	-	-	-	5,409,080	-	-	7,510,780	15,129,820
Court/public safety programs	334,039	-	-	-	-	-	-	15,432	349,471
Debt service	-	-	1,440,140	-	-	-	-	-	1,440,140
Development services	28,900	-	-	-	-	-	-	-	28,900
Management and policy	136,278	-	-	-	-	-	-	-	136,278
Parks & recreation programs	197,486	-	-	-	-	-	-	81,504	278,990
Unassigned:	<u>61,763,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,378,428)</u>	<u>(87,272)</u>	<u>-</u>	<u>36,297,979</u>
Total fund balances	<u>\$99,224,900</u>	<u>\$19,779,501</u>	<u>\$10,383,089</u>	<u>\$479,414</u>	<u>\$22,993,703</u>	<u>\$ 8,719</u>	<u>\$32,073,893</u>	<u>\$184,943,219</u>	

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Q. Pronouncement Issued But Not Yet Adopted

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the fiscal year ending June 30, 2015. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

R. 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.

S. Use of Estimates

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

Note 2 – Changes in Beginning Balances

Due to a change in reporting of capital projects funds, these funds were reclassified and are now reported based on funding source.

Fund balances at June 30, 2013, as previously reported, capital projects funds:	
Streets and transportation capital projects	\$59,626,142
Municipal facilities capital projects	(16,534,434)
Parks, open space and recreation capital projects	17,136,758
Nonmajor capital projects funds	<u>6,264,737</u>
Total fund balances at June 30, 2013, as previous reported	<u>\$66,493,203</u>

Fund balances at June 30, 2013, as revised, capital projects funds:	
GO bonds capital projects	\$56,515,946
System development fees capital projects	(1,434,091)
Nonmajor capital projects funds	<u>11,411,348</u>
Total fund balances at June 30, 2013, as revised	<u>\$66,493,203</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.

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

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

Note 4 - Deposits and Investments

The investment of public monies is regulated by Title 35 of the Arizona Revised Statutes. Gilbert limits its investments to the Local Government Investment Pool (managed by the Arizona State Treasurer), U.S. government securities, certificates of deposit, bonds, commercial paper, and money market accounts. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments.

At June 30, 2014, Gilbert's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-4</u>
U.S. Government Treasuries	\$122,388,869	\$10,579,396	\$111,809,473
U.S. Government Agencies	70,690,159	14,655,308	56,034,851
Municipal Bonds	3,604,162	395,000	3,209,162
Corporate Notes	49,081,639	20,337,852	28,743,787
State Treasurer's Investment Pool	69,004,280	13,667,882	55,336,398
Money Market – U.S. Treasuries:			
Wells Fargo	9,721,739	9,721,739	-
Bank of NY Mellon	19,844,555	19,844,555	-
Total	<u>\$344,335,403</u>	<u>\$89,201,732</u>	<u>\$255,133,671</u>

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

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Gilbert addresses credit risk through its investment policy by restricting the allowable investment instruments. As of June 30, 2014, the investments in the U.S. Government Agencies were rated AA+, the investments in Municipal Bonds ranged from AA- ratings to AAA ratings, and the investments in Corporate Notes ranged from A- ratings to AAA ratings. Gilbert's investment in the State Treasurer's Investment Pool did not receive a credit quality rating from a national rating agency.

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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, 2014, Gilbert's bank balance was \$76,855,953 of which \$10,224,927 was with JP Morgan and \$66,631,026 was with Alliance Bank of Arizona. \$9,974,927 of JP Morgan's bank balance was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trustee. These securities are not in Gilbert's name, but cannot be released without Gilbert's authorization. At the end of each day, Gilbert's bank account balance is transferred to a sweep account. This account is invested in U.S. Treasuries only. All of the Alliance Bank of Arizona bank balance was FDIC-insured through the Transaction Account Guarantee Program.

Custodial credit risk - investments – The custodial credit risk for investments is the risk that, in the event of the failures of the counterparty (e.g. broker-dealer) to a transaction, Gilbert will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Gilbert's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by Gilbert be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian. Gilbert's investment in the State Treasurer's Investment Pool represents a proportionate interest in the Pool's portfolio; however, Gilbert's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of credit risk - Gilbert's investment policy limits corporate notes to 20% of total funds and 3% per issuer. As of June 30, 2014, of Gilbert's investments, 35% were in U.S. Government Treasuries, 20% were in the State Treasurer's Investment Pool and 20% were in U.S. Government Agencies.

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

Primary government:	
Carrying amount of cash/deposits	\$ 73,881,867
Carrying amount of investments	<u>344,335,403</u>
Total cash and investments	<u>\$418,217,270</u>
Pooled cash and investments	\$334,533,143
Restricted cash and investments	<u>83,348,934</u>
Total cash and investments (per Statement of Net Position)	417,882,077
Pension trust fund	94,778
Agency funds	<u>240,415</u>
Total cash and investments	<u>\$418,217,270</u>

Note 5 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2014, includes \$1,539,822 in state shared sales tax and \$4,238,961 in local sales tax due from the State of Arizona. Amounts due from other governments recorded in the streets special revenue fund include \$1,106,646 in highway user revenues and \$318,352 in vehicle license tax both due from the State of Arizona. Other governmental funds include \$744,189 in federal grants from the U.S. Department of Housing and Urban Development, \$97,494 from the U.S. Department of Transportation, and \$95,038 from the U.S. Department of Homeland Security. The balance of these receivables represents various grants from the state and federal governments.

TOWN OF GILBERT, ARIZONA
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Note 6 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014, 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	\$ -	\$ 2,750,914
Other governmental funds	2,750,914	-
Total	<u>\$ 2,750,914</u>	<u>\$ 2,750,914</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	\$ -	\$25,373,654
System development fees capital projects fund	25,373,654	-
Total	<u>\$25,373,654</u>	<u>\$25,373,654</u>

Note 7 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2014, is as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Non-depreciable assets:				
Land	\$ 174,747,784	\$ 6,812,633	\$ (2,502,364)	\$ 179,058,053
Construction-in-progress	23,134,530	30,378,980	(25,043,802)	28,469,708
Total non-depreciable assets	<u>197,882,314</u>	<u>37,191,613</u>	<u>(27,546,166)</u>	<u>207,527,761</u>
Depreciable assets:				
Buildings	216,730,685	45,666	-	216,776,351
Improvements other than buildings	70,747,628	909,183	-	71,656,811
Machinery and equipment	54,623,067	3,158,777	(1,126,500)	56,655,344
Infrastructure	954,347,388	24,464,065	-	978,811,453
Total depreciable assets	<u>1,296,448,768</u>	<u>28,577,691</u>	<u>(1,126,500)</u>	<u>1,323,899,959</u>
Less accumulated depreciation:				
Buildings	(67,957,478)	(8,711,292)	-	(76,668,770)
Improvements other than buildings	(32,580,956)	(3,562,317)	-	(36,143,273)
Machinery and equipment	(40,377,322)	(3,597,229)	1,098,755	(42,875,796)
Infrastructure	(395,119,391)	(32,778,981)	-	(427,898,372)
Total accumulated depreciation	<u>(536,035,147)</u>	<u>(48,649,819)</u>	<u>1,098,755</u>	<u>(583,586,211)</u>
Total depreciable assets, net	<u>760,413,621</u>	<u>(20,072,128)</u>	<u>(27,745)</u>	<u>740,313,748</u>
Governmental activities capital assets, net	<u>\$ 958,295,935</u>	<u>\$ 17,119,485</u>	<u>\$ (27,573,911)</u>	<u>\$ 947,841,509</u>

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

Management and policy	\$ 400,911
Finance and management services	295,654
Legal and court	640,828
Development services	887,601
Police	2,999,642
Fire	2,979,210
Highways and streets	33,689,456
Parks and recreation	<u>6,728,803</u>
Total depreciation expense not including internal service funds	48,622,105
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>27,714</u>
Total depreciation expense - governmental activities	<u>\$48,649,819</u>

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2014, is as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Non-depreciable assets:				
Land	\$ 55,731,982	\$ 3,777,529	-	\$ 59,509,511
Construction-in-progress	4,117,565	6,103,505	(3,011,044)	7,210,026
Total non-depreciable assets	<u>59,849,547</u>	<u>9,881,034</u>	<u>(3,011,044)</u>	<u>66,719,537</u>
Depreciable assets:				
Plant and equipment	132,275,222	1,635,734	(1,142,924)	132,768,032
Water rights	9,146,281	-	-	9,146,281
Infrastructure	421,080,250	14,162,865	-	435,243,115
Total depreciable assets	<u>562,501,753</u>	<u>15,798,599</u>	<u>(1,142,924)</u>	<u>577,157,428</u>
Less accumulated depreciation:				
Plant and equipment	(52,802,912)	(6,018,871)	1,072,497	(57,749,286)
Water rights	(1,692,411)	(98,292)	-	(1,790,703)
Infrastructure	(117,271,076)	(10,937,578)	-	(128,208,654)
Total accumulated depreciation	<u>(171,766,399)</u>	<u>(17,054,741)</u>	<u>1,072,497</u>	<u>(187,748,643)</u>
Total depreciable assets, net	<u>390,735,354</u>	<u>(1,256,142)</u>	<u>(70,427)</u>	<u>389,408,785</u>
Business-type activities capital assets, net	<u>\$ 450,584,901</u>	<u>\$ 8,624,892</u>	<u>\$ (3,081,471)</u>	<u>\$ 456,128,322</u>

TOWN OF GILBERT, ARIZONA
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Note 8 – Construction-in-Progress and Commitments

Governmental activities construction-in-progress and related construction commitments at June 30, 2014, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Redevelopment	\$ 8,314,823	\$ 4,461,824
Municipal facilities	1,035,408	2,097,633
Parks	2,955,348	19,693
Storm water	43,422	-
Traffic control	1,062,264	320,618
Streets capital projects	15,058,443	6,393,891
Total	<u>\$ 28,469,708</u>	<u>\$ 13,293,659</u>

Business-type activities construction-in-progress and related construction commitments at June 30, 2014, were as follows:

Water system	\$ 3,192,870	\$ 2,164,491
Wastewater system	4,008,064	816,751
Municipal facilities	9,093	-
Total	<u>\$ 7,210,027</u>	<u>\$ 2,981,242</u>

In addition, there were non-construction related commitments at June 30, 2014, as follows:

Governmental funds:		
General		\$ 1,270,670
Streets special revenue		16,435
Other governmental		<u>250,440</u>
Total		<u>\$ 1,537,545</u>
Proprietary funds:		
Water system		\$ 423,775
Wastewater system		<u>46,399</u>
Total		<u>\$ 470,174</u>

Note 9 - Risk Management

Traditional Commercial Insurance Programs

Gilbert operates with traditional commercial insurance programs against major losses in property, plant, equipment, and liability. Administrative responsibility for the safety program, education, and loss prevention resides with the Office of Human Resources. Insurance is procured on a competitive quotation basis, using the services of an independent broker as a consultant. Gilbert processes all claims and evaluates their validity to determine if insurance reporting is warranted, or if the claim can be resolved administratively. Claims settled administratively, which are generally less than the deductibles of the appropriate policy, are paid from the funds where the claims occurred. During fiscal year 2014, 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.

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Self-Insurance

Gilbert has established an employee benefit self-insurance trust to account for and finance its uninsured risks of loss for medical claims. Gilbert purchases commercial stop loss insurance to limit the claims liability to the employee benefit self-insurance fund. The stop loss insurance provides reimbursement to the Plan for medical claims incurred by an individual member in excess of \$250,000 after an additional \$125,000 aggregate Plan risk retention. Premiums are paid into the employee benefit self-insurance trust by all other funds and are available to pay claims and administrative costs of the program and fund claim reserves. As with any risk retention program, Gilbert is contingently liable with respect to claims beyond those actuarially projected.

The claims liability of \$1,266,492 reported in the employee benefit self-insurance trust at June 30, 2014, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability be reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The employee benefit self-insurance trust includes medical and dental benefits. For fiscal year 2014, an increase of \$55,088 was recorded for IBNR claims under the medical plan and no change was recorded for IBNR claims under the dental plan. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Fiscal year 2014 reflected a net increase in claims costs of \$2,816,668 from fiscal year 2013. This was due to an increase of \$2,830,892 in medical claims and a decrease of \$14,224 in dental claims. The increase in medical claims costs was substantially due to large claims costs that triggered stop loss insurance reimbursements. Recoveries from stop loss insurance were received after the close of the Plan year, with \$1,962,672 received through September 2014. Changes in the fund's claim liability amount in fiscal years 2013 and 2014 were:

Year Ended, June 30	Claim Liability at Beginning of Fiscal Year	Fiscal Year Claims and Changes in Estimates	Fiscal Year Claim Payments	Claim Liability at End of Fiscal Year
2013	\$ 1,244,571	12,641,454	12,674,621	\$1,211,404
2014	\$ 1,211,404	15,458,122	15,403,034	\$1,266,492

Note 10 - 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, 2014, were as follows:

	<u>Governmental</u>	<u>Business-type</u>
2002 General Obligation Refunding Bonds, 3.5% to 5.75%, original amount \$20,960,000, annual retirements due July 1, 2003, through July 1, 2015	\$ -	\$ 245,000
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	9,715,000	-
2008 General Obligation Bonds, 3.0% to 5.0%, original amount \$187,990,000, annual retirements due July 1, 2009, through July 1, 2023	<u>125,350,000</u>	-
Total	<u>\$135,065,000</u>	<u>\$ 245,000</u>

**TOWN OF GILBERT, ARIZONA
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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>
2015	\$ 12,350,000	\$ 5,967,000	\$245,000	\$ 14,088
2016	17,465,000	5,349,500	-	-
2017	13,200,000	4,476,250	-	-
2018	14,000,000	3,816,250	-	-
2019	14,250,000	3,116,250	-	-
2020-2023	<u>63,800,000</u>	<u>5,582,500</u>	-	-
Total	<u>\$135,065,000</u>	<u>\$28,307,750</u>	<u>\$ 245,000</u>	<u>\$ 14,088</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, 2014:

<u>Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Purposes Bonds</u>		<u>All Other General Obligation Bonds</u>	
Secondary Assessed Valuation	\$ <u>1,829,471,839</u>	Secondary Assessed Valuation	\$ <u>1,829,471,839</u>
20% constitutional limit	\$ 365,894,367	6% constitutional limit	\$ 109,768,310
Less general obligation bonds outstanding	<u>(135,310,000)</u>	Less general obligation bonds outstanding	-
Available 20% limitation borrowing capacity	\$ <u>230,584,367</u>	Available 6% limitation borrowing capacity	\$ <u>109,768,310</u>

As of June 30, 2014, Gilbert had authorized, but unissued bonds, approved by the voters as follows:

General obligation bonds

6% bond type	\$ 290,000
20% bond type	<u>82,769,000</u>
Total	<u>\$83,059,000</u>

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

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Special Assessment Bonds with Governmental Commitment

As trustee for the improvement districts, Gilbert is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2014, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, were adequate for the scheduled maturities of the bonds payable and the related interest. Special assessment bonds are collateralized by properties within the districts. In the event of default by the owner, Gilbert may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. Gilbert is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

Special assessment bonds outstanding at June 30, 2014, were as follows:

	<u>Governmental</u>
2002 Improvement District #19 Bonds, 5.2%, original amount \$6,510,000, annual retirements due January 1, 2005 through January 1, 2027	\$ 1,710,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012 through January 1, 2029	<u>7,700,000</u>
Total	\$ <u>9,410,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 445,000	\$ 470,225
2016	475,000	446,668
2017	505,000	421,575
2018	535,000	394,947
2019	540,000	367,423
2020-2024	3,185,000	1,376,305
2025-2029	<u>3,725,000</u>	<u>466,267</u>
Total	\$ <u>9,410,000</u>	\$ <u>3,943,410</u>

Street and Highway User Revenue Bonds

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

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Street and highway user revenue bonds outstanding at June 30, 2014, were as follows:

	<u>Governmental</u>
2012 Street and Highway User Revenue Refunding Bonds, 3.00% to 5.00% original amount \$16,945,000, annual retirements due July 1, 2014, through July 1, 2019	\$14,915,000

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>
2015	\$ 2,750,000	\$ 632,550
2016	2,845,000	550,050
2017	2,975,000	436,250
2018	3,095,000	317,250
2019	<u>3,250,000</u>	<u>162,500</u>
Total	<u>\$14,915,000</u>	<u>\$ 2,098,600</u>

Municipal Property Corporation (MPC) Revenue Bonds

The Public Facilities MPC exists solely for the purpose of financing the multipurpose public safety complex (the 2001 issue); the service center facility, a police property facility and a sports complex (the 2006 issue); and the cost of acquisition of certain interests in real property to locate public safety and parks and recreation facilities and the costs of design, construction and outfitting of parks and recreation facilities and a parking facility (the 2009 issue). The Water MPC exists solely for the purpose of financing the construction of water and wastewater capital improvement projects. (See also Note 17 regarding Pledged Revenues.)

Municipal property corporation revenue bonds outstanding at June 30, 2014, were as follows:

	<u>Governmental</u>	<u>Business-type</u>
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	\$ 45,095,000	\$ -
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, 2030	-	104,120,000
2009 Public Facilities Municipal Property Corporation Revenue Bonds, 4.0% to 5.5%, original amount \$80,585,000, retirements due July 1, 2009 through July 1, 2028	68,055,000	-
2011 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 3.0% to 4.75%, original amount \$20,980,000, retirements due July 1, 2013 through July 1, 2021	<u>19,145,000</u>	<u>-</u>
Total	<u>\$132,295,000</u>	<u>\$104,120,000</u>

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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>
2015	\$ 10,080,000	\$ 6,458,288	\$ 4,075,000	\$ 5,010,638
2016	7,515,000	6,028,788	4,275,000	4,801,888
2017	7,950,000	5,700,138	4,500,000	4,582,513
2018	8,950,000	5,330,088	4,750,000	4,351,263
2019	10,485,000	4,905,888	4,975,000	4,108,138
2020-2024	44,450,000	16,560,760	28,925,000	16,497,935
2025-2029	42,865,000	7,738,925	36,850,000	8,571,125
2030-2031	-	-	15,770,000	723,081
Total	<u>\$132,295,000</u>	<u>\$52,722,875</u>	<u>\$104,120,000</u>	<u>\$48,646,581</u>

During the fiscal year ended June 30, 2014, Gilbert paid \$3,125,000 of the 2007 Water Resources Municipal Property Corporation, Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds. Proceeds collected from the water system development fees were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments of the bonds. Accordingly, the trust account assets and the liability for these bonds are not included in the financial statements. These bonds have been fully defeased.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 147,565,000	\$ -	\$ (12,500,000)	\$ 135,065,000	\$ 12,350,000
Special assessment bonds with government commitment	10,430,000	-	(1,020,000)	9,410,000	445,000
Revenue bonds	158,935,000	-	(11,725,000)	147,210,000	12,830,000
Unamortized bond premium	6,208,497	-	(670,787)	5,537,710	-
Total bonds payable	323,138,497	-	(25,915,787)	297,222,710	25,625,000
Compensated absences	11,079,394	9,425,060	(8,256,236)	12,248,218	4,412,069
Post-employment benefits	342,986	416,934	(56,489)	703,431	-
Total long-term liabilities	<u>\$334,560,877</u>	<u>\$9,841,994</u>	<u>\$(34,228,512)</u>	<u>\$310,174,359</u>	<u>\$30,037,069</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 2,110,000	\$ -	\$ (1,865,000)	\$ 245,000	\$ 245,000
Revenue bonds	125,100,000	-	(20,980,000)	104,120,000	4,075,000
Unamortized bond discount	(38,550)	-	2,429	(36,121)	-
Unamortized bond premium	436,756	-	(434,171)	2,585	2,585
Total bonds payable	127,608,206	-	(23,276,742)	104,331,464	4,322,585
Compensated absences	1,929,555	1,592,777	(1,607,798)	1,914,534	736,150
Post-employment benefits	87,374	106,339	(14,407)	179,306	-
Total long-term liabilities	<u>\$129,625,135</u>	<u>\$1,699,116</u>	<u>\$(24,898,947)</u>	<u>\$106,425,304</u>	<u>\$ 5,058,735</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$177,244 of internal service funds compensated absences are included in the above amounts.

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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 and Master Lease and Sublease Agreements 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 leases, and accordingly they have not been reported in the accompanying combined financial statements. At June 30, 2014, Industrial Development Authority Revenue Bonds and Master Lease and Sublease Agreements outstanding were \$29,401,404 and \$39,213,843 respectively.

Note 11 - Retirement and Pension Plans

Plan Descriptions and Financial Reports

Gilbert contributes to three retirement plans described below. The plans are component units of the State of Arizona, state statutes establish benefits, and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

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

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven-member board, known as the Board of Trustees, 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 is available on their web site at www.psprs.com or may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

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The *Elected Officials' Retirement Plan* (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county elected officials and judges, and elected officials of participating municipalities who were plan members on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, it is reported in accordance with GASB Statement No. 45 as an agent multiple-employer plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials' Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

Funding Policy

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

Cost-sharing plans - For the year ended June 30, 2014, statute required active ASRS members to contribute at the actuarially determined rate of 11.54% (11.30% for retirement and 0.24% for long-term disability) of the members' annual covered payroll, and statute required Gilbert to contribute at the actuarially determined rate of 11.54% (10.7% for retirement, 0.6% for health insurance premium, and 0.24% for long-term disability) of the members' annual covered payroll. Statute required active EORP members to contribute 13.0% of the members' annual covered payroll and statute required Gilbert to remit a designated portion of certain court fees plus additional contributions at a percent of the members' annual covered payroll. Through December 31, 2013, the additional contributions were at the actuarially determined rate of 39.62%. Beginning January 1, 2014, the additional contributions were at the statutorily required rate of 23.5%. Both rates include the actuarially set rate of 1.56% for the plan's health insurance premium benefit.

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

ASRS Fiscal Year	Retirement	Health Benefit	Long-Term
Ended	Fund	Supplement Fund	Disability Fund
2014	\$4,522,413	\$253,593	\$100,955
2013	3,925,481	248,933	91,364
2012	3,658,186	233,501	96,821
EORP Fiscal Year	Retirement	Health Insurance	
Ended	Fund	Premium Benefit	
2014	\$51,371	\$2,556	
2013	57,265	2,458	
2012	51,135	2,934	

Agent plans - For the year ended June 30, 2014, statute required active PSPRS members to contribute 10.35% of police member's annual covered payroll and 10.35% for fire member's annual covered payroll. Gilbert was required to contribute at the actuarially determined rate of 17.58% for police personnel, of which 0.34% was the health insurance premium portion; and 13.30% for fire personnel, of which 0.28% was the health insurance premium portion.

TOWN OF GILBERT, ARIZONA
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Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2014, were established by the June 30, 2012 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as Gilbert and plans' members understand them and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between Gilbert and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2014 contribution requirements:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	24 years for underfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases including inflation rate at	5.0% - 9.0%
Healthcare cost trend rate	5.0%
	N/A flat rate subsidy

Annual Pension/OPEB Cost – Gilbert's pension/other post-employment benefits (OPEB) cost for the agent plans for the year ended June 30, 2014, and related information follows (actual contributions made were equal to the annual pension/OPEB cost):

	<u>PSPRS-Police</u>	<u>PSPRS-Fire</u>
Pension	\$3,229,406	\$1,974,691
Health Insurance	63,689	42,466

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

Plan	Fiscal Year Ended	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS-Police				
Pension	2014	\$3,008,540	100.0%	-0-
	2013	2,805,501	100.0%	-0-
	2012	2,439,689	100.0%	-0-
Health Insurance	2014	59,333	100.0%	-0-
	2013	65,793	100.0%	-0-
	2012	97,156	100.0%	-0-
PSPRS-Fire				
Pension	2014	\$1,773,479	100.0%	-0-
	2013	1,672,852	100.0%	-0-
	2012	1,297,068	100.0%	-0-
Health Insurance	2014	38,139	100.0%	-0-
	2013	40,245	100.0%	-0-
	2012	62,951	100.0%	-0-

Schedule of Funded Status and Funding Progress—Following are the schedules of funded status and funding progress of the plans as of the most recent valuation date, June 30, 2014, and the previous two fiscal years. The fiscal year 2014 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2012 actuarial methods and assumptions as described on page 60. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for Gilbert, as a participating government, is not available.

PSPRS - Police

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Pension						
June 30 2014	\$54,735,780	83,549,777	(28,813,997)	65.5%	18,650,590	(154.5)%
2013	51,402,243	68,370,995	(16,968,752)	75.2%	17,167,856	(98.8)%
2012	46,823,028	61,175,480	(14,352,452)	76.5%	16,652,610	(86.2)%

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Health Insurance						
June 30 2014	\$1,764,456	1,993,264	(228,808)	88.5%	18,650,590	(1.23)%
2013	-0-	1,808,786	(1,808,786)	0.0%	17,167,856	(10.54)%
2012	-0-	1,663,617	(1,663,617)	0.0%	16,652,610	(9.99)%

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

PSPRS - Fire

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Pension						
2014	\$44,417,914	51,464,815	(7,046,901)	86.3%	14,685,147	(48.0)%
2013	40,413,033	42,232,338	(1,819,305)	95.7%	13,278,222	(13.7)%
2012	35,417,839	37,018,127	(1,600,288)	95.7%	13,072,322	(12.2)%

						Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	
Health Insurance						
2014	\$1,039,413	1,335,632	(296,219)	77.8%	14,685,147	(2.02)%
2013	-0-	1,251,900	(1,251,900)	0.0%	13,278,222	(9.43)%
2012	-0-	1,097,566	(1,097,566)	0.0%	13,072,322	(8.40)%

Volunteer Firemen's Relief and Pension Fund

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

Gilbert no longer operates a Volunteer Fire Department. Accordingly, there were no contributions required or made to this plan nor refunds paid for fiscal year 2014. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

Note 12 - Post-Employment Healthcare Benefits

Other post-employment healthcare benefits, like the cost of pension benefits, constitute an exchange of compensation for employee services rendered. Similar to pension benefits, the cost of OPEB generally should be associated with the periods in which the exchange occurs rather than in future periods in which the benefits are provided. GASB Statement No. 45 required Gilbert to measure and recognize the OPEB cost while employee services are rendered and provide information about the potential demands on Gilbert's future cash flows.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Plan Description

Gilbert provides post-employment medical care, prescription drug, and dental care for retired employees through a single-employer defined benefit medical and dental plan. The plan provides medical and dental benefits for eligible retirees, their spouses and dependents through Gilbert's group health and dental insurance plans, which cover active and retired members. To be eligible for benefits, the retired employee must retire under one of the state retirement plans for public employees, must have a minimum of ten years of service with Gilbert, and be covered under Gilbert's medical plan during their active status. Plan benefits and coverage levels are reviewed annually by Town staff and the Board of Trustees for recommendation to and approval from Town Council. The Board of Trustees makes corresponding premium recommendations to the Town Council based on revenues needed to cover the projected cost to operate the plan which are subject to approval by the Town Council. As of June 30, 2014, there are 31 retirees that are currently receiving medical and/or dental benefits.

The plan is not accounted for as a trust fund because an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

Funding Policy

Gilbert requires retirees to pay 100% of the full blended contribution rate. Gilbert makes no contributions for retirees other than allowing them to participate through Gilbert's pooled benefits. By providing retirees access to Gilbert's healthcare plans, Gilbert is in effect providing a subsidy to retirees. This implied subsidy exists because on average, retiree healthcare costs are higher than active employee healthcare costs. Gilbert pays for and reports retiree benefits on a pay-as-you-go basis, which is the practice of paying for these benefits as they become due each year. As of June 30, 2014, retirees contributed \$257,371 and Gilbert contributed \$70,896 (implied subsidy).

Annual OPEB Cost and Net OPEB Obligation

Gilbert's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Gilbert's annual OPEB costs for the current year and related information for the plan are as follows at June 30, 2014:

Annual Required Contribution (ARC)	\$525,797
ARC Adjustment	(17,587)
Interest on the Net OPEB Obligation	<u>15,063</u>
Annual OPEB Cost	\$523,273
Contributions Made	<u>(70,896)</u>
Increase in Net OPEB Obligation	\$452,377
Net OPEB Obligation – Beginning of year	<u>430,360</u>
Net OPEB Obligation – End of year	<u>\$882,737</u>

Gilbert's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$523,273	\$70,896	13.55%	\$882,737
2013	525,797	95,437	18.15%	430,360

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Schedule of Funded Status and Funding Progress—Following is the schedule of funded status and funding progress of the plan as of the most recent actuarial valuation date:

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funding (Liability) Excess (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Funding Excess (Unfunded Liability) As Percentage of Covered Payroll (3)/(5)
July 1						
2012	\$ -0-	4,151,069	(4,151,069)	0.0%	58,114,323	(7.1)%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective.

The actuarial methods and significant assumptions used to determine the ARC for the current fiscal year are as follows:

1. The actuarial cost method used is the projected unit credit actuarial cost method.
2. As of the valuation date, there are no assets, hence no need for an actuarial value of assets.
3. The amortization method is level dollar. The amortization period is 30 years. The period is open.

For the most recent actuarial valuation, the projected unit credit actuarial cost method was used along with a discount rate of 3.5%. In addition, the actuarial assumptions included: an annual medical healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after 8 years; an annual dental healthcare cost trend rate of 4.5% initially, reduced to 3.0% after 8 years; an annual salary increase of 2%; and an inflation rate of 3%.

Note 13 - Capital Contributions

During the year ended June 30, 2014, the Enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions from developers	\$ 5,954,196	\$ 5,214,002	\$11,168,198
Development fees	13,929,121	11,154,279	25,083,400
Total	<u>\$19,883,317</u>	<u>\$16,368,281</u>	<u>\$36,251,598</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Note 14 – Interfund Transfers

As of June 30, 2014, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General fund	\$ 1,492,272	\$ 5,706,272
Streets special revenue	2,750,968	3,255,566
General debt service	19,557,766	-
Special assessments	-	85,512
GO bonds	35,063	21,733,757
System development fees	670	11,635,341
Other governmental funds	<u>22,054,043</u>	<u>3,364,334</u>
Total governmental funds	<u>45,890,782</u>	<u>45,780,782</u>
Enterprise funds:		
Water	79,051	764,007
Wastewater	679,007	51,350
Environmental Services	-	<u>52,701</u>
Total enterprise funds	<u>758,058</u>	<u>868,058</u>
Total transfers	<u>\$46,648,840</u>	<u>\$46,648,840</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 replacement. During fiscal year 2014, a change was made in how Gilbert reports the capital projects funds. These funds were reclassified and are now reported based on funding source. Therefore, transfers were made to properly report this change. See also Note 2. Besides this, there were no other significant transfers during fiscal year 2014 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

Note 15 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net position at June 30, 2014, were as follows:

<u>Special revenue funds</u>	
CDBG/HOME	\$ 75,007

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

Note 16 – 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Note 17 – Pledged Revenues

Gilbert has pledged future water system development fees revenue and future water and wastewater revenues, net of specified operating expenses, to repay \$146,175,000 in utility revenue bonds issued since 2007. Proceeds from the bonds provided financing for the construction of a joint use water treatment plant and for the acquisition of additional water production and distribution capacity for the water system. The bonds are payable from water system development fees revenue and water and wastewater net revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 27 percent of revenue. The total principal and interest remaining to be paid on the bonds is \$152,766,581. Principal and interest paid for the current year was \$12,198,059 (of which \$3,125,000 in principal was an advance defeasance). Total water system development fees revenue was \$10,567,046 and water and wastewater net revenues after debt payments were \$23,248,101.

Gilbert has pledged future street and highway revenues to repay \$16,945,000 in highway user revenue refunding bonds issued in 2012. Proceeds from the 2012 refunding bonds were used to advance refund \$17,950,000 of outstanding 2003 highway user revenue bonds (proceeds from the 2003 bonds provided financing for the purpose of street and highway construction projects). The refunding bonds are payable solely from street and highway revenues (see note 10 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 24 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$17,013,600. Principal and interest paid for the current year was \$2,723,450, and the total street and highway revenues were \$11,747,325.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$154,005,000 in public facilities municipal property corporation (MPC) revenue bonds issued since 2006 and \$20,980,000 in public facilities (MPC) revenue refunding bonds issued in 2011. Proceeds from the bonds provided financing of the multipurpose public safety complex, the service center facility, a police property facility, a sports complex, various other parks and recreation facilities, and a parking facility. Proceeds from the 2011 refunding bonds were used to advance refund \$21,670,000 of outstanding 2001 public facilities MPC revenue bonds. The bonds are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 15 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds is \$185,017,875. Principal and interest paid for the current year was \$16,538,288, and the total excise taxes and state-shared revenues were \$117,627,904.

Note 18 - Investment in Joint Venture

Construction of a joint water reclamation plant with the City of Mesa and the Town of Queen Creek was completed during fiscal year 2007. Mesa is the lead agent and is responsible for the operation and maintenance of the plant. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. Gilbert's investment in joint venture is reflected as a separate line item in the proprietary funds financial statements. Separate financial statements for the joint venture are not prepared.

Total investment (net of depreciation) as of June 30, 2014, was:

Mesa's Share	\$ 61,976,980
Gilbert's Share	66,207,843
Queen Creek's Share	<u>25,478,284</u>
Total	<u>\$153,663,107</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Total investment (net of depreciation) as of June 30, 2014, was:

Gilbert's Share	\$ 72,199,454
Chandler's Share	<u>65,904,530</u>
Total	<u>\$138,103,984</u>

In August 2008, Gilbert entered into an Intergovernmental Agreement with the Cities of Mesa and Apache Junction, Apache Junction Fire District (FD), and the Town of Queen Creek (the Parties) to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (Trunked Open Arizona Network – 700/800 MHz Network procured and built by the City of Mesa). On May 1, 2012, Rio Verde Fire District Joined TOPAZ. The City of Mesa acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network, in addition to providing all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. Gilbert's investment in joint venture is reflected within the governmental activities in the government-wide statement of net position. Separate financial statements are not prepared.

Total investment (net of depreciation) as of June 30, 2014, was:

Mesa's Share	\$1,116,190
Gilbert's Share	310,120
Apache Junction's Share	71,351
Apache Junction FD's Share	29,501
Queen Creek's Share	15,001
Rio Verde FD's Share	<u>5,533</u>
Total	<u>\$1,547,696</u>

Note 19 - Subsequent Events

Gilbert advance defeased \$1,820,000 of the \$104,120,000 in outstanding Water Resources MPC Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds on October 1, 2014.



NONMAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for revenues and expenditures from specific taxes or other earmarked sources. Such funds are usually required by statute or ordinance to finance particular functions or activities.

Grants - accounts for miscellaneous grants received from Federal, State and local governments that require segregation of revenues and expenditures.

Other Special Revenue - accounts for revenues received from various agencies and sources, including seized funds from law enforcement agencies that are required to be used for specific purposes.

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

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

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

Capital Projects Funds

Capital Projects Funds are established to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Outside Sources - accounts for the purchase or construction of capital assets with funds from outside sources, i.e., developers or other governments.

Prop 400 - accounts for the receipt of state funds in accordance with the MAG Regional Transportation Plan approved by voters as Proposition 400 in 2004. The expenditure of those funds are for various street improvement projects.

Municipal Property Corporation – accounts for the construction or purchase of capital assets to be funded through the use of Public Facilities Municipal Property Corporation revenue bonds.

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

TOWN OF GILBERT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
ASSETS					
Pooled cash and investments	\$ 1,396,552	\$ 1,411,967	\$ 12,241	\$ 77,298	\$ 194,478
Receivables, net:					
Taxes	-	-	-	9,539	5,986
Accrued interest	2,330	3,050	24	-	183
Accounts	-	48,886	-	-	-
Due from other governments	214,178	771,612	744,189	-	-
Inventories	-	-	-	-	1,825
Restricted assets:					
Cash and investments	-	-	-	-	-
Accrued interest	-	-	-	-	-
Total assets	<u>\$ 1,613,060</u>	<u>\$ 2,235,515</u>	<u>\$ 756,454</u>	<u>\$ 86,837</u>	<u>\$ 202,472</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,293	\$ 18,941	\$ 197,588	\$ -	\$ 25,407
Accrued liabilities	1,891	34,848	4,342	-	3,761
Due to other funds	-	-	629,531	-	-
Total liabilities	<u>7,184</u>	<u>53,789</u>	<u>831,461</u>	<u>-</u>	<u>29,168</u>
Fund Balances:					
Nonspendable	-	-	-	-	1,825
Restricted	1,605,876	2,084,790	12,265	86,837	171,479
Assigned	-	96,936	-	-	-
Unassigned	-	-	(87,272)	-	-
Total fund balances	<u>1,605,876</u>	<u>2,181,726</u>	<u>(75,007)</u>	<u>86,837</u>	<u>173,304</u>
Total liabilities and fund balances	<u>\$ 1,613,060</u>	<u>\$ 2,235,515</u>	<u>\$ 756,454</u>	<u>\$ 86,837</u>	<u>\$ 202,472</u>

Capital Projects				
Outside Sources	Prop 400	Municipal Property Corporation	Redevelopment	Total Nonmajor Governmental Funds
\$ 6,605,778	\$ 18,680,763	\$ -	\$ -	\$ 28,379,077
-	-	-	-	15,525
6,797	12,183	-	-	24,567
906,068	-	-	-	954,954
-	-	-	-	1,729,979
-	-	-	-	1,825
-	-	5,528,083	-	5,528,083
-	-	30	-	30
<u>\$ 7,518,643</u>	<u>\$ 18,692,946</u>	<u>\$ 5,528,113</u>	<u>\$ -</u>	<u>\$ 36,634,040</u>
\$ 7,863	\$ 654,787	\$ 854,512	\$ -	\$ 1,764,391
-	-	-	-	44,842
-	-	2,121,383	-	2,750,914
<u>7,863</u>	<u>654,787</u>	<u>2,975,895</u>	<u>-</u>	<u>4,560,147</u>
-	-	-	-	1,825
-	18,038,159	2,552,218	-	24,551,624
7,510,780	-	-	-	7,607,716
-	-	-	-	(87,272)
<u>7,510,780</u>	<u>18,038,159</u>	<u>2,552,218</u>	<u>-</u>	<u>32,073,893</u>
<u>\$ 7,518,643</u>	<u>\$ 18,692,946</u>	<u>\$ 5,528,113</u>	<u>\$ -</u>	<u>\$ 36,634,040</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 1,430,942	\$ 935,531
Intergovernmental	1,115,954	-	1,120,152	-	-
Charges for services	-	1,363,281	-	-	-
Other entities' participation	-	-	-	-	-
Gifts and donations	-	121,914	-	-	-
Fines and forfeitures	-	604,576	-	-	-
Investment earnings	10,590	18,894	79	-	777
Miscellaneous	16,177	-	-	-	1,216
Total revenues	<u>1,142,721</u>	<u>2,108,665</u>	<u>1,120,231</u>	<u>1,430,942</u>	<u>937,524</u>
Expenditures					
Current:					
General government:					
Management and policy	-	34,175	-	-	-
Legal and court	-	339,717	-	-	-
Public safety:					
Police	249,800	1,461,720	-	-	-
Fire	153,950	18,801	-	-	-
Highways and streets	-	-	-	1,596,201	-
Parks and recreation	-	-	1,121,462	-	856,206
Transportation	491,257	-	-	-	-
Non departmental	-	49,884	-	-	-
Debt service:					
Fiscal and other charges	-	-	-	-	-
Capital outlay	164,838	-	-	-	-
Total expenditures	<u>1,059,845</u>	<u>1,904,297</u>	<u>1,121,462</u>	<u>1,596,201</u>	<u>856,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>82,876</u>	<u>204,368</u>	<u>(1,231)</u>	<u>(165,259)</u>	<u>81,318</u>
Other financing sources (uses)					
Transfers in	2,278	79	-	-	-
Transfers out	(2,700,000)	(198,305)	(79)	-	-
Total other financing sources and uses	<u>(2,697,722)</u>	<u>(198,226)</u>	<u>(79)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,614,846)	6,142	(1,310)	(165,259)	81,318
Fund balances at beginning of year	<u>4,220,722</u>	<u>2,175,584</u>	<u>(73,697)</u>	<u>252,096</u>	<u>91,986</u>
Fund balances at end of year	<u>\$ 1,605,876</u>	<u>\$ 2,181,726</u>	<u>\$ (75,007)</u>	<u>\$ 86,837</u>	<u>\$ 173,304</u>

Capital Projects

Outside Sources	Prop 400	Municipal Property Corporation	Redevelopment	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,366,473
921,070	1,523,788	-	-	4,680,964
-	-	-	-	1,363,281
1,953,036	-	-	-	1,953,036
-	-	-	-	121,914
-	-	-	-	604,576
27,085	48,911	42,882	-	149,218
453,940	-	-	-	471,333
<u>3,355,131</u>	<u>1,572,699</u>	<u>42,882</u>	<u>-</u>	<u>11,710,795</u>
-	-	-	-	34,175
-	-	-	-	339,717
-	-	-	-	1,711,520
-	-	-	-	172,751
-	-	-	-	1,596,201
-	-	-	-	1,977,668
-	-	-	-	491,257
-	-	-	-	49,884
-	-	7,026	-	7,026
2,895,022	1,357,036	4,357,539	1,250,016	10,024,451
<u>2,895,022</u>	<u>1,357,036</u>	<u>4,364,565</u>	<u>1,250,016</u>	<u>16,404,650</u>
<u>460,109</u>	<u>215,663</u>	<u>(4,321,683)</u>	<u>(1,250,016)</u>	<u>(4,693,855)</u>
4,225,414	17,822,496	3,776	-	22,054,043
(284,938)	-	-	(181,012)	(3,364,334)
<u>3,940,476</u>	<u>17,822,496</u>	<u>3,776</u>	<u>(181,012)</u>	<u>18,689,709</u>
4,400,585	18,038,159	(4,317,907)	(1,431,028)	13,995,854
3,110,195	-	6,870,125	1,431,028	18,078,039
<u>\$ 7,510,780</u>	<u>\$ 18,038,159</u>	<u>\$ 2,552,218</u>	<u>\$ -</u>	<u>\$ 32,073,893</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		(Negative)
Revenues				
Intergovernmental	\$ 7,607,000	\$ 7,607,000	\$ 1,115,954	\$ (6,491,046)
Investment earnings	-	-	10,590	10,590
Miscellaneous	-	-	16,177	16,177
Total revenues	<u>7,607,000</u>	<u>7,607,000</u>	<u>1,142,721</u>	<u>(6,464,279)</u>
Expenditures				
Current:				
Public safety:				
Police	-	285,836	249,800	36,036
Fire	-	168,940	153,950	14,990
Transportation	532,430	645,850	491,257	154,593
Capital outlay	2,607,000	2,791,466	164,838	2,626,628
Contingency	5,000,000	4,282,427	-	4,282,427
Total expenditures	<u>8,139,430</u>	<u>8,174,519</u>	<u>1,059,845</u>	<u>7,114,674</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(532,430)</u>	<u>(567,519)</u>	<u>82,876</u>	<u>650,395</u>
Other financing sources (uses)				
Transfers in	-	-	2,278	2,278
Transfers out	-	-	(2,700,000)	(2,700,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(2,697,722)</u>	<u>(2,697,722)</u>
Net change in fund balances	<u>\$ (532,430)</u>	<u>\$ (567,519)</u>	<u>(2,614,846)</u>	<u>\$ (2,047,327)</u>
Fund balance at beginning of year			<u>4,220,722</u>	
Fund balance at end of year			<u>\$ 1,605,876</u>	

TOWN OF GILBERT, ARIZONA
Other Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<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>
Revenues				
Charges for services	\$ 1,498,374	\$ 1,498,374	\$ 1,363,281	\$ (135,093)
Gifts and donations	325,650	325,650	121,914	(203,736)
Fines and forfeitures	551,000	551,000	604,576	53,576
Investment earnings	-	-	18,894	18,894
Total revenues	<u>2,375,024</u>	<u>2,375,024</u>	<u>2,108,665</u>	<u>(266,359)</u>
Expenditures				
Current:				
General government:				
Management and policy	131,500	143,000	34,175	108,825
Legal and court	579,012	585,012	339,717	245,295
Public safety:				
Police	1,734,630	1,735,730	1,461,720	274,010
Fire	65,260	65,260	18,801	46,459
Non departmental	49,890	49,890	49,884	6
Capital outlay	12,860	12,860	-	12,860
Contingency	200,000	127,311	-	127,311
Total expenditures	<u>2,773,152</u>	<u>2,719,063</u>	<u>1,904,297</u>	<u>814,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(398,128)</u>	<u>(344,039)</u>	<u>204,368</u>	<u>548,407</u>
Other financing sources (uses)				
Transfers in	-	-	79	79
Transfers out	(185,920)	(185,920)	(198,305)	(12,385)
Total other financing sources and uses	<u>(185,920)</u>	<u>(185,920)</u>	<u>(198,226)</u>	<u>(12,306)</u>
Net change in fund balances	<u>\$ (584,048)</u>	<u>\$ (529,959)</u>	6,142	<u>\$ 536,101</u>
Fund balance at beginning of year			2,175,584	
Fund balance at end of year			<u>\$ 2,181,726</u>	

TOWN OF GILBERT, ARIZONA
CDBG/HOME Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 854,764	\$ 854,764	\$ 1,120,152	\$ 265,388
Investment earnings	-	-	79	79
Total revenues	<u>854,764</u>	<u>854,764</u>	<u>1,120,231</u>	<u>265,467</u>
Expenditures				
Current:				
General government:				
Parks and recreation	854,764	1,310,324	1,121,462	188,862
Total expenditures	<u>854,764</u>	<u>1,310,324</u>	<u>1,121,462</u>	<u>188,862</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(455,560)</u>	<u>(1,231)</u>	<u>454,329</u>
Other financing uses				
Transfers out	-	-	(79)	(79)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(79)</u>	<u>(79)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (455,560)</u>	<u>(1,310)</u>	<u>\$ 454,250</u>
Fund deficit at beginning of year			<u>(73,697)</u>	
Fund deficit at end of year			<u>\$ (75,007)</u>	

TOWN OF GILBERT, ARIZONA
Street Light Improvement District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,427,060	\$ 1,427,060	\$ 1,430,942	\$ 3,882
Total revenues	<u>1,427,060</u>	<u>1,427,060</u>	<u>1,430,942</u>	<u>3,882</u>
Expenditures				
Current:				
Highways and streets	1,674,830	1,674,830	1,596,201	78,629
Total expenditures	<u>1,674,830</u>	<u>1,674,830</u>	<u>1,596,201</u>	<u>78,629</u>
Deficiency of revenues under expenditures	<u>(247,770)</u>	<u>(247,770)</u>	<u>(165,259)</u>	<u>82,511</u>
Net change in fund balances	<u>\$ (247,770)</u>	<u>\$ (247,770)</u>	<u>(165,259)</u>	<u>\$ 82,511</u>
Fund balance at beginning of year			252,096	
Fund balance at end of year			<u>\$ 86,837</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 935,190	\$ 935,190	\$ 935,531	\$ 341
Investment earnings	-	-	777	777
Miscellaneous	-	-	1,216	1,216
Total revenues	<u>935,190</u>	<u>935,190</u>	<u>937,524</u>	<u>2,334</u>
Expenditures				
Current:				
Parks and recreation	970,950	970,950	856,206	114,744
Total expenditures	<u>970,950</u>	<u>970,950</u>	<u>856,206</u>	<u>114,744</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,760)</u>	<u>(35,760)</u>	<u>81,318</u>	<u>117,078</u>
Net change in fund balances	<u>\$ (35,760)</u>	<u>\$ (35,760)</u>	<u>81,318</u>	<u>\$ 117,078</u>
Fund balance at beginning of year			<u>91,986</u>	
Fund balance at end of year			<u>\$ 173,304</u>	

TOWN OF GILBERT, ARIZONA
General Debt Obligations Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 18,340,000	\$ 18,340,000	\$ 18,315,083	\$ (24,917)
Investment earnings	100,000	100,000	130,319	30,319
Total revenues	<u>18,440,000</u>	<u>18,440,000</u>	<u>18,445,402</u>	<u>5,402</u>
Expenditures				
Debt service:				
Principal	24,610,000	24,610,000	24,610,000	-
Interest	13,743,738	13,743,738	13,743,738	-
Fiscal and other charges	820	1,920	1,586	334
Total expenditures	<u>38,354,558</u>	<u>38,355,658</u>	<u>38,355,324</u>	<u>334</u>
Deficiency of revenues under expenditures	<u>(19,914,558)</u>	<u>(19,915,658)</u>	<u>(19,909,922)</u>	<u>5,736</u>
Other financing sources				
Transfers in	<u>19,557,159</u>	<u>19,557,159</u>	<u>19,557,766</u>	<u>607</u>
Total other financing sources	<u>19,557,159</u>	<u>19,557,159</u>	<u>19,557,766</u>	<u>607</u>
Net change in fund balances	<u>\$ (357,399)</u>	<u>\$ (358,499)</u>	<u>(352,156)</u>	<u>\$ 6,343</u>
Fund balance at beginning of year			<u>10,735,245</u>	
Fund balance at end of year			<u>\$ 10,383,089</u>	

TOWN OF GILBERT, ARIZONA
Special Assessments Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Special assessments	\$ 7,085,577	\$ 7,085,577	\$ 2,089,887	\$ (4,995,690)
Investment earnings	-	-	4,767	4,767
Total revenues	7,085,577	7,085,577	2,094,654	(4,990,923)
Expenditures				
Debt service:				
Principal	6,470,000	6,470,000	1,020,000	5,450,000
Interest	530,065	530,065	507,965	22,100
Fiscal and other charges	5,350	6,350	1,165	5,185
Total expenditures	7,005,415	7,006,415	1,529,130	5,477,285
Excess of revenues over expenditures	80,162	79,162	565,524	486,362
Other financing uses				
Transfers out	(205,000)	(205,000)	(85,512)	119,488
Total other financing uses	(205,000)	(205,000)	(85,512)	119,488
Net change in fund balances	\$ (124,838)	\$ (125,838)	480,012	\$ 605,850
Fund deficit at beginning of year			(598)	
Fund balance at end of year			\$ 479,414	

TOWN OF GILBERT, ARIZONA
Outside Sources Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 921,070	\$ 921,070
Other entities' participation	19,329,000	929,000	1,953,036	1,024,036
Investment earnings	-	-	27,085	27,085
Miscellaneous	-	-	453,940	453,940
Total revenues	<u>19,329,000</u>	<u>929,000</u>	<u>3,355,131</u>	<u>2,426,131</u>
Expenditures				
Current:				
Highways and streets	124,000	92,578	-	92,578
Capital outlay	19,205,000	3,609,211	2,895,022	714,189
Total expenditures	<u>19,329,000</u>	<u>3,701,789</u>	<u>2,895,022</u>	<u>806,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(2,772,789)</u>	<u>460,109</u>	<u>3,232,898</u>
Other financing sources (uses)				
Transfers in	-	-	4,225,414	4,225,414
Transfers out	-	-	(284,938)	(284,938)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>3,940,476</u>	<u>3,940,476</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (2,772,789)</u>	4,400,585	<u>\$ 7,173,374</u>
Fund balance at beginning of year			3,110,195	
Fund balance at end of year			<u>\$ 7,510,780</u>	

TOWN OF GILBERT, ARIZONA
Prop 400 Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 18,400,000	\$ 1,523,788	\$ (16,876,212)
Investment earnings	-	-	48,911	48,911
Total revenues	-	18,400,000	1,572,699	(16,827,301)
Expenditures				
Capital outlay	-	20,926,379	1,357,036	19,569,343
Total expenditures	-	20,926,379	1,357,036	19,569,343
Excess (deficiency) of revenues over (under) expenditures	-	(2,526,379)	215,663	2,742,042
Other financing sources				
Transfers in	-	-	17,822,496	17,822,496
Total other financing sources	-	-	17,822,496	17,822,496
Net change in fund balances	\$ -	\$ (2,526,379)	18,038,159	\$ 20,564,538
Fund balance at beginning of year			-	
Fund balance at end of year			\$ 18,038,159	

TOWN OF GILBERT, ARIZONA
GO Bonds Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 66,213	\$ 66,213
Total revenues	-	-	66,213	66,213
Expenditures				
Current:				
Parks and recreation	43,000	113,520	81,618	31,902
Debt service:				
Fiscal and other charges	-	-	3,250	(3,250)
Capital outlay	27,891,000	29,635,739	11,804,894	17,830,845
Total expenditures	<u>27,934,000</u>	<u>29,749,259</u>	<u>11,889,762</u>	<u>17,859,497</u>
Deficiency of revenues under expenditures	<u>(27,934,000)</u>	<u>(29,749,259)</u>	<u>(11,823,549)</u>	<u>17,925,710</u>
Other financing sources (uses)				
Transfers in	-	-	35,063	35,063
Transfers out	-	-	(21,733,757)	(21,733,757)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(21,698,694)</u>	<u>(21,698,694)</u>
Net change in fund balances	<u>\$ (27,934,000)</u>	<u>\$ (29,749,259)</u>	(33,522,243)	<u>\$ (3,772,984)</u>
Fund balance at beginning of year			<u>56,515,946</u>	
Fund balance at end of year			<u>\$ 22,993,703</u>	

TOWN OF GILBERT, ARIZONA
Municipal Property Corporation Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 42,882	\$ 42,882
Total revenues	<u>-</u>	<u>-</u>	<u>42,882</u>	<u>42,882</u>
Expenditures				
Debt service:				
Fiscal and other charges	6,100	7,100	7,026	74
Capital outlay	7,576,000	6,591,608	4,357,539	2,234,069
Total expenditures	<u>7,582,100</u>	<u>6,598,708</u>	<u>4,364,565</u>	<u>2,234,143</u>
Deficiency of revenues under expenditures	<u>(7,582,100)</u>	<u>(6,598,708)</u>	<u>(4,321,683)</u>	<u>2,277,025</u>
Other financing sources				
Transfers in	-	-	3,776	3,776
Total other financing sources	<u>-</u>	<u>-</u>	<u>3,776</u>	<u>3,776</u>
Net change in fund balances	<u>\$ (7,582,100)</u>	<u>\$ (6,598,708)</u>	(4,317,907)	<u>\$ 2,280,801</u>
Fund balance at beginning of year			<u>6,870,125</u>	
Fund balance at end of year			<u>\$ 2,552,218</u>	

TOWN OF GILBERT, ARIZONA
System Development Fees Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
System development fees	\$ 15,650,000	\$ 15,650,000	\$ 13,434,970	\$ (2,215,030)
Investment earnings	65,000	65,000	209,996	144,996
Total revenues	<u>15,715,000</u>	<u>15,715,000</u>	<u>13,644,966</u>	<u>(2,070,034)</u>
Expenditures				
Capital outlay	1,142,000	1,378,456	567,485	810,971
Total expenditures	<u>1,142,000</u>	<u>1,378,456</u>	<u>567,485</u>	<u>810,971</u>
Excess of revenues over expenditures	<u>14,573,000</u>	<u>14,336,544</u>	<u>13,077,481</u>	<u>(1,259,063)</u>
Other financing sources (uses)				
Transfers in	-	-	670	670
Transfers out	(11,088,937)	(11,088,937)	(11,635,341)	(546,404)
Total other financing sources and uses	<u>(11,088,937)</u>	<u>(11,088,937)</u>	<u>(11,634,671)</u>	<u>(545,734)</u>
Net change in fund balances	<u>\$ 3,484,063</u>	<u>\$ 3,247,607</u>	1,442,810	<u>\$ (1,804,797)</u>
Fund deficit at beginning of year			(1,434,091)	
Fund balance at end of year			<u>\$ 8,719</u>	

TOWN OF GILBERT, ARIZONA
Redevelopment Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Capital outlay	-	1,250,100	1,250,016	84
Total expenditures	-	1,250,100	1,250,016	84
Deficiency of revenues under expenditures	-	(1,250,100)	(1,250,016)	84
Other financing uses				
Transfers out	-	-	(181,012)	(181,012)
Total other financing uses	-	-	(181,012)	(181,012)
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,250,100)</u>	(1,431,028)	<u>\$ (180,928)</u>
Fund balance at beginning of year			1,431,028	
Fund balance at end of year			<u>\$ -</u>	

TOWN OF GILBERT, ARIZONA
Water Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 36,036,000	\$ 36,036,000	\$ 37,866,520	\$ 1,830,520
Other	900,000	900,000	1,143,907	243,907
Total operating revenues	<u>36,936,000</u>	<u>36,936,000</u>	<u>39,010,427</u>	<u>2,074,427</u>
Operating expenses				
General and administrative	1,480,207	1,495,259	1,235,155	260,104
Personal services	7,640,134	7,640,134	6,886,888	753,246
Operation and maintenance	14,878,698	15,040,686	12,996,353	2,044,333
Capital outlay	25,201,460	25,257,011	8,723,333	16,533,678
Allocation of indirect expenses	1,621,385	1,621,385	1,621,385	-
Debt service:				
Principal	9,718,111	19,576,886	19,576,886	-
Contingency	1,765,000	1,723,917	-	1,723,917
Total operating expenses	<u>62,304,995</u>	<u>72,355,278</u>	<u>51,040,000</u>	<u>21,315,278</u>
Operating loss	<u>(25,368,995)</u>	<u>(35,419,278)</u>	<u>(12,029,573)</u>	<u>23,389,705</u>
Nonoperating revenues (expenses)				
Interest expense	(6,140,166)	(6,151,466)	(6,997,895)	(846,429)
Investment earnings	300,000	300,000	1,010,510	710,510
Gain on sale of capital assets	-	-	8,111	8,111
Total nonoperating revenues (expenses)	<u>(5,840,166)</u>	<u>(5,851,466)</u>	<u>(5,979,274)</u>	<u>(127,808)</u>
Loss before capital contributions and transfers	(31,209,161)	(41,270,744)	(18,008,847)	23,261,897
Capital contributions	14,000,000	14,000,000	13,929,121	(70,879)
Transfers in	180,000	180,000	79,051	(100,949)
Transfers out	(905,000)	(905,000)	(764,007)	140,993
Change in net position	<u>\$ (17,934,161)</u>	<u>\$ (27,995,744)</u>	<u>(4,764,682)</u>	<u>\$ 23,231,062</u>

Explanation of difference between budgetary change in net position at June 30, 2014, and GAAP change in net position:

Obligations for compensated absences and post-employment benefits are accrued on the GAAP basis but are not recognized on the budget basis:

Add compensated absences at June 30, 2013	915,057
Less compensated absences at June 30, 2014	(904,498)
Add post-employment benefits at June 30, 2013	43,230
Less post-employment benefits at June 30, 2014	(87,292)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis. 8,723,333

Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis. 19,576,886

Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis. 5,954,196

Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes. (10,011,894)

Change in net position as reported on the statement of revenues, expenses and changes in fund net position \$ 19,444,336

TOWN OF GILBERT, ARIZONA
Wastewater Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 22,837,500	\$ 22,837,500	\$ 23,852,369	\$ 1,014,869
Other	-	-	10,410	10,410
Total operating revenues	22,837,500	22,837,500	23,862,779	1,025,279
Operating expenses				
General and administrative	763,081	750,895	674,632	76,263
Personal services	4,134,113	4,134,113	3,924,905	209,208
Operation and maintenance	10,305,620	10,561,540	9,411,338	1,150,202
Capital outlay	5,423,000	6,489,404	1,549,588	4,939,816
Allocation of indirect expenses	737,948	737,948	737,948	-
Debt service:				
Principal	521,889	3,268,114	3,268,114	-
Contingency	1,680,000	367,662	-	367,662
Total operating expenses	23,565,651	26,309,676	19,566,525	6,743,151
Operating income (loss)	(728,151)	(3,472,176)	4,296,254	7,768,430
Nonoperating revenues (expenses)				
Interest expense	(146,709)	(148,909)	(413,019)	(264,110)
Investment earnings	300,000	300,000	543,330	243,330
Loss on sale of capital assets	-	-	(38,277)	(38,277)
Total nonoperating revenues (expenses)	153,291	151,091	92,034	(59,057)
Income (loss) before capital contributions and transfers	(574,860)	(3,321,085)	4,388,288	7,709,373
Capital contributions	12,000,000	12,000,000	11,154,279	(845,721)
Transfers in	820,000	820,000	679,007	(140,993)
Transfers out	(115,000)	(115,000)	(51,350)	63,650
Change in net position	\$ 12,130,140	\$ 9,383,915	16,170,224	\$ 6,786,309

Explanation of difference between budgetary change in net position at June 30, 2014,
and GAAP change in net position:

Obligations for compensated absences and post-employment benefits are accrued
on the GAAP basis but are not recognized on the budget basis:

Add compensated absences at June 30, 2013	543,160
Less compensated absences at June 30, 2014	(519,304)
Add post-employment benefits at June 30, 2013	15,251
Less post-employment benefits at June 30, 2014	(31,942)

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

1,549,588

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

3,268,114

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

5,214,002

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

(8,349,360)

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

\$ 17,859,733

TOWN OF GILBERT, ARIZONA
Environmental Services Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 17,335,000	\$ 17,335,000	\$ 17,307,709	\$ (27,291)
Other	50,000	50,000	111,420	61,420
Total operating revenues	<u>17,385,000</u>	<u>17,385,000</u>	<u>17,419,129</u>	<u>34,129</u>
Operating expenses				
General and administrative	775,239	840,239	926,402	(86,163)
Personal services	6,465,292	6,465,292	5,641,713	823,579
Operation and maintenance	6,450,929	6,765,929	6,922,187	(156,258)
Capital outlay	6,422,870	6,422,870	1,260,545	5,162,325
Allocation of indirect expenses	700,723	700,723	700,723	-
Contingency	1,850,000	1,470,000	-	1,470,000
Total operating expenses	<u>22,665,053</u>	<u>22,665,053</u>	<u>15,451,570</u>	<u>7,213,483</u>
Operating income (loss)	<u>(5,280,053)</u>	<u>(5,280,053)</u>	<u>1,967,559</u>	<u>7,247,612</u>
Nonoperating revenues (expenses)				
Investment earnings	133,000	133,000	188,008	55,008
Loss on sale of capital assets	-	-	(9,889)	(9,889)
Total nonoperating revenues (expenses)	<u>133,000</u>	<u>133,000</u>	<u>178,119</u>	<u>45,119</u>
Income (loss) before transfers	(5,147,053)	(5,147,053)	2,145,678	7,292,731
Transfers in	55,000	55,000	-	(55,000)
Transfers out	(90,000)	(90,000)	(52,701)	37,299
Change in net position	<u>\$ (5,182,053)</u>	<u>\$ (5,182,053)</u>	<u>2,092,977</u>	<u>\$ 7,275,030</u>

Explanation of difference between budgetary change in net position at June 30, 2014,
and GAAP change in net position:

Obligations for compensated absences and post-employment benefits are accrued
on the GAAP basis but are not recognized on the budget basis:

Add compensated absences at June 30, 2013	471,338
Less compensated absences at June 30, 2014	(490,732)
Add post-employment benefits at June 30, 2013	28,893
Less post-employment benefits at June 30, 2014	(60,072)

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

1,260,545

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

(1,700,804)

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

\$ 1,602,145



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government, on a cost reimbursement basis.

Equipment Maintenance - to account for the revenues and expenses from the maintenance of Gilbert's motorized equipment.

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

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

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Net Position
June 30, 2014

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 753,243	\$ 253,584	\$ 3,950,949	\$ 4,957,776
Receivables (net):				
Accrued interest	473	-	2,205	2,678
Accounts	1,511	-	74	1,585
Inventories	538,467	-	-	538,467
Total current assets	<u>1,293,694</u>	<u>253,584</u>	<u>3,953,228</u>	<u>5,500,506</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	236,422	271,774	-	508,196
Less accumulated depreciation	<u>(222,630)</u>	<u>(83,525)</u>	-	<u>(306,155)</u>
Total capital assets (net)	<u>13,792</u>	<u>188,249</u>	-	<u>202,041</u>
Total assets	<u>1,307,486</u>	<u>441,833</u>	<u>3,953,228</u>	<u>5,702,547</u>
LIABILITIES				
Current liabilities:				
Accounts payable	274,083	46,865	420	321,368
Accrued liabilities	37,577	-	-	37,577
Current portion of compensated absences	78,541	-	-	78,541
Claims payable	-	-	1,266,492	1,266,492
Total current liabilities	<u>390,201</u>	<u>46,865</u>	<u>1,266,912</u>	<u>1,703,978</u>
Long-term portion of compensated absences	98,703	-	-	98,703
Total liabilities	<u>488,904</u>	<u>46,865</u>	<u>1,266,912</u>	<u>1,802,681</u>
NET POSITION				
Net investment in capital assets	13,792	188,249	-	202,041
Unrestricted	804,790	206,719	2,686,316	3,697,825
Total net position	<u>\$ 818,582</u>	<u>\$ 394,968</u>	<u>\$ 2,686,316</u>	<u>\$ 3,899,866</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2014

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 7,475,304	\$ 435,085	\$ 14,394,601	\$ 22,304,990
Other	3,509	-	115,767	119,276
Total operating revenues	<u>7,478,813</u>	<u>435,085</u>	<u>14,510,368</u>	<u>22,424,266</u>
Operating expenses				
General and administrative	63,785	-	759,591	823,376
Personal services	1,697,103	-	-	1,697,103
Operation and maintenance	5,770,554	356,362	-	6,126,916
Claims Incurred	-	-	15,458,122	15,458,122
Depreciation	4,866	22,848	-	27,714
Total operating expenses	<u>7,536,308</u>	<u>379,210</u>	<u>16,217,713</u>	<u>24,133,231</u>
Operating income (loss)	<u>(57,495)</u>	<u>55,875</u>	<u>(1,707,345)</u>	<u>(1,708,965)</u>
Nonoperating revenues				
Investment earnings	1,944	82	12,726	14,752
Total nonoperating revenues	<u>1,944</u>	<u>82</u>	<u>12,726</u>	<u>14,752</u>
Change in net position	(55,551)	55,957	(1,694,619)	(1,694,213)
Total net position, beginning of year	<u>874,133</u>	<u>339,011</u>	<u>4,380,935</u>	<u>5,594,079</u>
Total net position, end of year	<u>\$ 818,582</u>	<u>\$ 394,968</u>	<u>\$ 2,686,316</u>	<u>\$ 3,899,866</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2014

	Equipment Maintenance	Copier Services	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:				
Other operating cash receipts	\$ 3,509	\$ -	\$ 135,243	\$ 138,752
Cash receipts from other funds for services	7,490,486	435,085	14,394,601	22,320,172
Cash payments to suppliers for goods and services	(5,910,492)	(334,812)	(16,173,374)	(22,418,678)
Cash payments to employees for services	(1,660,730)	-	-	(1,660,730)
Net cash provided by (used in) operating activities	<u>(77,227)</u>	<u>100,273</u>	<u>(1,643,530)</u>	<u>(1,620,484)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	<u>(13,197)</u>	<u>(61,880)</u>	<u>-</u>	<u>(75,077)</u>
Net cash used in capital and related financing activities	<u>(13,197)</u>	<u>(61,880)</u>	<u>-</u>	<u>(75,077)</u>
Cash flows from investing activities:				
Interest received on investments	<u>2,424</u>	<u>228</u>	<u>13,336</u>	<u>15,988</u>
Net cash provided by investing activities	<u>2,424</u>	<u>228</u>	<u>13,336</u>	<u>15,988</u>
Net increase (decrease) in cash and cash equivalents	(88,000)	38,621	(1,630,194)	(1,679,573)
Cash and cash equivalents at beginning of year	841,243	214,963	5,581,143	6,637,349
Cash and cash equivalents at end of year	<u>\$ 753,243</u>	<u>\$ 253,584</u>	<u>\$ 3,950,949</u>	<u>\$ 4,957,776</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	<u>\$ (57,495)</u>	<u>\$ 55,875</u>	<u>\$ (1,707,345)</u>	<u>\$ (1,708,965)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,866	22,848	-	27,714
Changes in assets and liabilities:				
Decrease in accounts receivable	15,182	-	19,476	34,658
Increase in inventories	(64,311)	-	-	(64,311)
Increase (decrease) in accounts payable	(11,842)	21,550	(10,749)	(1,041)
Increase in claims payable	-	-	55,088	55,088
Increase in accrued expenses	<u>36,373</u>	<u>-</u>	<u>-</u>	<u>36,373</u>
Total adjustments	<u>(19,732)</u>	<u>44,398</u>	<u>63,815</u>	<u>88,481</u>
Net cash provided by (used in) operating activities	<u>\$ (77,227)</u>	<u>\$ 100,273</u>	<u>\$ (1,643,530)</u>	<u>\$ (1,620,484)</u>

TOWN OF GILBERT, ARIZONA
Equipment Maintenance Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 7,708,000	\$ 7,708,000	\$ 7,475,304	\$ (232,696)
Other	2,000	2,000	3,509	1,509
Total operating revenues	<u>7,710,000</u>	<u>7,710,000</u>	<u>7,478,813</u>	<u>(231,187)</u>
Operating expenses				
General and administrative	95,282	88,882	63,785	25,097
Personal services	1,811,854	1,818,254	1,664,958	153,296
Operation and maintenance	5,803,420	5,803,420	5,770,554	32,866
Capital outlay	30,000	30,000	13,198	16,802
Depreciation	-	-	4,866	(4,866)
Total operating expenses	<u>7,740,556</u>	<u>7,740,556</u>	<u>7,517,361</u>	<u>223,195</u>
Operating loss	<u>(30,556)</u>	<u>(30,556)</u>	<u>(38,548)</u>	<u>(7,992)</u>
Nonoperating revenues				
Investment earnings	-	-	1,944	1,944
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>1,944</u>	<u>1,944</u>
Change in net position	<u>\$ (30,556)</u>	<u>\$ (30,556)</u>	<u>(36,604)</u>	<u>\$ (6,048)</u>

Explanation of difference between budgetary change in net position at June 30, 2014,
and GAAP change in net position:

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

13,198

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

Add compensated absences at June 30, 2013

145,099

Less compensated absences at June 30, 2014

(177,244)

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

\$ (55,551)

TOWN OF GILBERT, ARIZONA
Copier Services Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	<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	\$ 585,000	\$ 585,000	\$ 435,085	\$ (149,915)
Total operating revenues	<u>585,000</u>	<u>585,000</u>	<u>435,085</u>	<u>(149,915)</u>
Operating expenses				
Operation and maintenance	420,000	477,675	356,362	121,313
Capital outlay	250,000	192,325	61,880	130,445
Depreciation	-	-	22,848	(22,848)
Total operating expenses	<u>670,000</u>	<u>670,000</u>	<u>441,090</u>	<u>228,910</u>
Operating loss	<u>(85,000)</u>	<u>(85,000)</u>	<u>(6,005)</u>	<u>78,995</u>
Nonoperating revenues				
Investment earnings	3,000	3,000	82	(2,918)
Total nonoperating revenues	<u>3,000</u>	<u>3,000</u>	<u>82</u>	<u>(2,918)</u>
Change in net position	<u>\$ (82,000)</u>	<u>\$ (82,000)</u>	(5,923)	<u>\$ 76,077</u>

Explanation of difference between budgetary change in net position at June 30, 2014,
and GAAP change in net position:

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

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

61,880
<u>\$ 55,957</u>

TOWN OF GILBERT, ARIZONA
Employee Benefit Self-Insurance Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 14,390,000	\$ 14,390,000	\$ 14,394,601	\$ 4,601
Other	65,000	65,000	115,767	50,767
Total operating revenues	14,455,000	14,455,000	14,510,368	55,368
Operating expenses				
General and administrative	867,020	867,020	759,591	107,429
Claims Incurred	14,258,000	15,377,000	15,458,122	(81,122)
Total operating expenses	15,125,020	16,244,020	16,217,713	26,307
Operating loss	(670,020)	(1,789,020)	(1,707,345)	81,675
Nonoperating revenues				
Investment earnings	11,000	11,000	12,726	1,726
Total nonoperating revenues	11,000	11,000	12,726	1,726
Change in net position	\$ (659,020)	\$ (1,778,020)	\$ (1,694,619)	\$ 83,401



AGENCY FUNDS

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

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

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

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, 2014

Flexible Spending	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ 18,942	\$ 276,452	\$ 284,096	\$ 11,298
Prepaid items	<u>-</u>	<u>229,383</u>	<u>218,698</u>	<u>10,685</u>
Total assets	<u>\$ 18,942</u>	<u>\$ 505,835</u>	<u>\$ 502,794</u>	<u>\$ 21,983</u>
<u>Liabilities</u>				
Medical benefits payable	\$ 672	\$ -	\$ 672	\$ -
Dependent care benefits payable	<u>18,270</u>	<u>57,754</u>	<u>54,041</u>	<u>21,983</u>
Total liabilities	<u>\$ 18,942</u>	<u>\$ 57,754</u>	<u>\$ 54,713</u>	<u>\$ 21,983</u>
Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ 184,099	\$ 48,975	\$ 3,957	\$ 229,117
Restricted accrued interest	<u>384</u>	<u>436</u>	<u>820</u>	<u>-</u>
Total assets	<u>\$ 184,483</u>	<u>\$ 49,411</u>	<u>\$ 4,777</u>	<u>\$ 229,117</u>
<u>Liabilities</u>				
Other deposits	<u>\$ 184,483</u>	<u>\$ 49,411</u>	<u>\$ 4,777</u>	<u>\$ 229,117</u>
Total liabilities	<u>\$ 184,483</u>	<u>\$ 49,411</u>	<u>\$ 4,777</u>	<u>\$ 229,117</u>
Payback Agreement				
<u>Assets</u>				
Restricted cash and investments	<u>\$ 7,849</u>	<u>\$ 44,620</u>	<u>\$ 52,469</u>	<u>\$ -</u>
Total assets	<u>\$ 7,849</u>	<u>\$ 44,620</u>	<u>\$ 52,469</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to developers	<u>\$ 7,849</u>	<u>\$ 44,620</u>	<u>\$ 52,469</u>	<u>\$ -</u>
Total liabilities	<u>\$ 7,849</u>	<u>\$ 44,620</u>	<u>\$ 52,469</u>	<u>\$ -</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2014

Total-All Agency Funds	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ 210,890	\$ 370,047	\$ 340,522	\$ 240,415
Prepaid items	-	229,383	218,698	10,685
Restricted accrued interest	<u>384</u>	<u>436</u>	<u>820</u>	<u>-</u>
Total assets	<u>\$ 211,274</u>	<u>\$ 599,866</u>	<u>\$ 560,040</u>	<u>\$ 251,100</u>
<u>Liabilities</u>				
Other deposits	\$ 184,483	\$ 49,411	\$ 4,777	\$ 229,117
Due to developers	7,849	44,620	52,469	-
Medical benefits payable	672	-	672	-
Dependent care benefits payable	<u>18,270</u>	<u>57,754</u>	<u>54,041</u>	<u>21,983</u>
Total liabilities	<u>\$ 211,274</u>	<u>\$ 151,785</u>	<u>\$ 111,959</u>	<u>\$ 251,100</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	107
<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	113
<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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(1,000's)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 463,258	\$ 513,996	\$ 596,974	\$ 688,393	\$ 704,908	\$ 707,100	\$ 705,986	\$ 695,983	\$ 687,910	\$ 680,717
Restricted	49,646	47,716	42,681	34,926	24,036	43,766	38,404	52,219	60,525	80,924
Unrestricted	38,751	48,971	67,610	48,022	63,994	66,030	77,284	83,273	107,172	92,357
Total governmental activities net position	\$ 551,655	\$ 610,683	\$ 707,265	\$ 771,341	\$ 792,938	\$ 816,896	\$ 821,674	\$ 831,475	\$ 855,607	\$ 853,998
Business-type activities										
Net investment in capital assets	\$ 269,420	\$ 347,213	\$ 386,130	\$ 273,513	\$ 261,028	\$ 276,059	\$ 294,516	\$ 316,268	\$ 325,357	\$ 351,797
Restricted	52,594	62,356	103,425	106,871	91,738	86,943	76,504	71,376	70,879	65,577
Unrestricted	46,530	17,927	9,480	136,635	182,090	195,803	209,680	236,097	263,978	281,391
Total business-type activities net position	\$ 368,544	\$ 427,496	\$ 499,035	\$ 517,019	\$ 534,856	\$ 558,805	\$ 580,700	\$ 623,741	\$ 660,214	\$ 698,765
Primary government										
Net investment in capital assets	\$ 732,678	\$ 861,209	\$ 983,104	\$ 961,906	\$ 965,936	\$ 983,159	\$ 1,000,502	\$ 1,012,251	\$ 1,013,267	\$ 1,032,514
Restricted	102,240	110,072	146,106	141,797	115,774	130,709	114,908	123,595	131,404	146,501
Unrestricted	85,281	66,898	77,090	184,657	246,084	261,833	286,964	319,370	371,150	373,748
Total primary government net position	\$ 920,199	\$ 1,038,179	\$ 1,206,300	\$ 1,288,360	\$ 1,327,794	\$ 1,375,701	\$ 1,402,374	\$ 1,455,216	\$ 1,515,821	\$ 1,552,763

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses										
Governmental activities:										
General government:										
Management and policy	\$ 2,155	\$ 2,900	\$ 3,070	\$ 3,167	\$ 3,068	\$ 2,831	\$ 3,110	\$ 2,983	\$ 10,461	\$ 13,378
Support services	7,139	8,854	9,828	10,351	10,137	9,297	8,503	8,632	-	-
Finance and management services	-	-	-	-	-	-	1,287	1,216	4,150	4,347
Legal and court	3,685	4,352	5,316	5,848	5,838	5,937	5,126	5,410	5,474	5,975
Development services	8,825	11,232	13,394	14,501	12,243	10,085	8,201	8,551	6,850	9,062
Public works	2,621	4,281	914	978	1,451	2,782	-	-	-	-
Public safety:										
Police	22,909	29,765	34,022	39,641	42,109	41,328	38,869	40,467	42,759	45,931
Fire	11,289	15,378	18,872	22,564	24,255	22,871	24,473	24,906	25,867	28,853
Highways and streets	25,101	24,852	31,052	36,385	38,541	36,906	40,440	43,438	44,048	45,781
Parks and recreation	10,114	11,239	15,926	16,176	19,350	19,826	19,764	19,932	20,858	22,493
Transportation	1,549	1,622	1,439	1,563	1,682	1,170	1,010	1,269	461	842
Non departmental	-	-	-	-	-	-	2,194	2,910	3,114	4,104
Interest and fiscal charges on long-term debt	6,555	7,944	9,532	8,893	17,096	18,418	17,675	15,785	15,142	15,216
Total governmental activities expenses	<u>101,942</u>	<u>122,419</u>	<u>143,365</u>	<u>160,067</u>	<u>175,770</u>	<u>171,451</u>	<u>170,652</u>	<u>175,499</u>	<u>179,184</u>	<u>195,982</u>
Business-type activities:										
Water	20,461	25,234	24,030	34,277	35,451	36,163	36,863	37,695	38,339	39,927
Wastewater	13,023	19,061	19,873	23,507	22,398	23,002	23,039	22,662	22,170	23,615
Environmental services	9,372	11,359	12,978	14,783	13,843	13,852	14,255	14,918	15,588	16,113
Irrigation	40	39	30	67	158	54	-	-	-	-
Total business-type activities expenses	<u>42,896</u>	<u>55,693</u>	<u>56,911</u>	<u>72,634</u>	<u>71,850</u>	<u>73,071</u>	<u>74,157</u>	<u>75,275</u>	<u>76,097</u>	<u>79,655</u>
Total primary government expenses	<u>\$ 144,838</u>	<u>\$ 178,112</u>	<u>\$ 200,276</u>	<u>\$ 232,701</u>	<u>\$ 247,620</u>	<u>\$ 244,522</u>	<u>\$ 244,809</u>	<u>\$ 250,773</u>	<u>\$ 255,281</u>	<u>\$ 275,637</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Development services	\$ 11,918	\$ 11,432	\$ 10,227	\$ 7,385	\$ 3,773	\$ 4,027	\$ 3,178	\$ 5,347	\$ 7,240	\$ 6,783
Police	2,973	3,750	6,015	6,358	6,594	6,374	2,891	5,584	5,512	5,477
Fire	882	795	100	72	100	79	136	129	185	254
Highways and streets	1,111	1,258	1,396	1,265	1,454	1,659	1,739	1,497	1,516	1,440
Parks and recreation	2,222	2,464	2,955	3,130	3,193	3,735	3,740	3,595	3,706	3,765
Other activities	491	543	503	707	703	789	853	861	1,017	1,066
Operating grants and contributions	15,252	17,079	22,466	22,631	21,183	19,206	21,168	21,045	21,270	22,326
Capital grants and contributions	61,048	43,856	70,076	45,821	31,494	39,632	28,002	26,060	36,089	19,186
Total governmental activities program revenues	<u>95,897</u>	<u>81,177</u>	<u>113,738</u>	<u>87,369</u>	<u>68,494</u>	<u>75,501</u>	<u>61,707</u>	<u>64,117</u>	<u>76,535</u>	<u>60,297</u>

Business-type activities:										
Charges for services:										
Water	20,418	24,126	28,244	32,321	33,416	34,601	35,966	36,692	36,455	37,867
Wastewater	12,106	13,989	16,173	18,440	19,722	21,024	21,678	22,740	23,083	23,852
Environmental services	10,256	11,307	13,886	15,642	16,592	16,567	17,194	17,924	16,760	17,308
Irrigation	19	17	18	18	18	25	-	-	-	-
Capital grants and contributions	49,378	59,183	64,674	34,556	19,228	22,026	18,324	37,222	34,153	36,252
Total business-type activities program revenues	92,177	108,622	122,995	100,977	88,976	94,243	93,162	114,578	110,451	115,279
Total primary government program revenues	\$ 188,074	\$ 189,799	\$ 236,733	\$ 188,346	\$ 157,470	\$ 169,744	\$ 154,869	\$ 178,696	\$ 186,986	\$ 175,576
Net (Expense)/Revenue										
Governmental activities ^a	\$ (6,045)	\$ (41,242)	\$ (29,627)	\$ (72,698)	\$ (107,276)	\$ (95,950)	\$ (108,945)	\$ (111,381)	\$ (102,649)	\$ (135,685)
Business-type activities	49,281	52,929	66,084	28,343	17,126	21,172	19,005	39,303	34,354	35,624
Total primary government net revenue (expense)	\$ 43,236	\$ 11,687	\$ 36,457	\$ (44,355)	\$ (90,150)	\$ (74,778)	\$ (89,940)	\$ (72,078)	\$ (68,295)	\$ (100,061)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 43,160	\$ 49,198	\$ 57,697	\$ 56,980	\$ 49,060	\$ 47,119	\$ 49,249	\$ 54,513	\$ 61,813	\$ 66,757
Property taxes, levied for debt service	12,026	14,054	16,500	26,345	30,836	30,117	25,796	21,502	19,184	18,315
In-Lieu property taxes	379	373	376	831	948	1,328	1,351	1,331	1,377	1,287
Franchise taxes	1,711	2,011	2,361	2,595	2,544	2,448	2,401	2,463	3,083	2,616
Unrestricted state shared sales taxes	10,163	12,088	16,595	16,317	14,126	13,029	13,787	16,288	17,062	18,119
Unrestricted state shared income taxes	10,084	11,485	19,761	24,986	26,435	22,923	17,281	17,594	21,293	23,205
Unrestricted grants and contributions	2,491	3,157	3,157	2,195	939	1,235	864	1,349	1,193	904
Unrestricted investment earnings	2,315	7,019	8,508	4,463	2,003	1,301	2,137	1,910	722	1,508
Gain on sale of capital assets	55	216	24	260	152	74	-	178	-	29
Miscellaneous	602	615	620	544	669	680	355	4,744	932	1,226
Transfers	679	54	610	1,257	1,161	(346)	537	(690)	121	110
Total governmental activities	83,665	100,270	126,209	136,773	128,873	119,908	113,758	121,182	126,780	134,076
Business-type activities:										
Investment earnings	2,835	5,144	5,288	7,509	1,066	739	1,012	1,244	1,061	1,742
(Loss)/Gain on sale of capital assets	60	131	(377)	56	52	148	164	39	-	30
Miscellaneous	626	801	406	400	754	1,544	2,216	1,765	1,179	1,266
Transfers	(679)	(54)	(610)	(1,257)	(1,161)	346	(537)	690	(121)	(110)
Total business-type activities	2,842	6,022	4,707	6,708	711	2,777	2,855	3,738	2,119	2,928
Total primary government	\$ 86,507	\$ 106,292	\$ 130,916	\$ 143,481	\$ 129,584	\$ 122,685	\$ 116,613	\$ 124,920	\$ 128,899	\$ 137,004
Change in Net Position										
Governmental activities	\$ 77,620	\$ 59,028	\$ 96,582	\$ 64,075	\$ 21,597	\$ 23,958	\$ 4,813	\$ 9,801	\$ 24,131	\$ (1,609)
Business-type activities	52,123	58,951	70,791	35,051	17,837	23,949	21,860	43,041	36,473	38,552
Total primary government	\$ 129,743	\$ 117,979	\$ 167,373	\$ 99,126	\$ 39,434	\$ 47,907	\$ 26,673	\$ 52,842	\$ 60,604	\$ 36,943

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

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

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

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

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

Function/Program	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities:										
General government:										
Management and policy	\$ 30	\$ 66	\$ 70	\$ 47	\$ 11	\$ 10	\$ 15	\$ 16	\$ 36	\$ 59
Support services	198	237	1,133	1,184	128	215	649	242	-	-
Finance and management services	-	-	-	-	-	-	9	11	251	262
Legal and court	306	344	412	675	586	597	597	670	792	823
Development services	12,332	12,326	11,662	8,101	4,571	4,576	4,273	6,891	7,240	6,807
Public works	1,122	1,976	5,837	1,948	901	1,005	-	-	-	-
Public Safety:										
Police	6,019	7,140	9,629	8,491	7,838	8,495	3,989	7,689	7,669	7,207
Fire	4,576	5,196	5,286	4,223	4,386	3,447	3,163	6,892	4,079	3,697
Highways and streets ^a	57,450	40,428	65,949	52,536	39,126	45,193	39,324	25,634	41,280	28,218
Parks and recreation	13,477	13,313	13,249	9,861	10,539	11,649	9,422	15,314	14,475	12,461
Transportation	387	150	511	303	408	314	215	624	662	712
Non departmental	-	-	-	-	-	-	51	135	51	51
Subtotal governmental activities	<u>95,897</u>	<u>81,176</u>	<u>113,738</u>	<u>87,369</u>	<u>68,494</u>	<u>75,501</u>	<u>61,707</u>	<u>64,118</u>	<u>76,535</u>	<u>60,297</u>
Business-type activities:										
Water	47,216	55,933	64,313	52,172	43,997	47,232	46,133	56,904	55,662	57,750
Wastewater	34,670	41,365	44,778	33,145	28,369	30,419	29,835	39,735	38,029	40,220
Environmental services	10,272	11,307	13,886	15,642	16,592	16,567	17,194	17,938	16,760	17,308
Irrigation	19	17	18	18	18	25	-	-	-	-
Subtotal business-type activities	<u>92,177</u>	<u>108,622</u>	<u>122,995</u>	<u>100,977</u>	<u>88,976</u>	<u>94,243</u>	<u>93,162</u>	<u>114,577</u>	<u>110,451</u>	<u>115,278</u>
Total primary government	<u>\$ 188,074</u>	<u>\$ 189,798</u>	<u>\$ 236,733</u>	<u>\$ 188,346</u>	<u>\$ 157,470</u>	<u>\$ 169,744</u>	<u>\$ 154,869</u>	<u>\$ 178,695</u>	<u>\$ 186,986</u>	<u>\$ 175,575</u>

a The decrease in governmental activities revenue in fiscal years 2008, 2009, 2011, and 2014 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)
(1,000's)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011^c</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General fund										
Reserved	\$ 233	\$ 441	\$ 16,082	\$ 16,015	\$ 17,630	\$ 21,383	\$ -	\$ -	\$ -	\$ -
Unreserved	39,221	37,671	33,431	38,375	36,245	33,168	-	-	-	-
Nonspendable	-	-	-	-	-	-	22,317	23,213	23,527	25,380
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	10,729	10,797	10,092	12,081
Unassigned	-	-	-	-	-	-	33,521	44,250	59,555	61,764
Total general fund	<u>\$ 39,454</u>	<u>\$ 38,112</u>	<u>\$ 49,513</u>	<u>\$ 54,390</u>	<u>\$ 53,875</u>	<u>\$ 54,551</u>	<u>\$ 66,568</u>	<u>\$ 78,260</u>	<u>\$ 93,174</u>	<u>\$ 99,225</u>
All other governmental funds										
Reserved ^a	\$ 56,414	\$ 108,785	\$ 69,736	\$ 42,863	\$ 67,626	\$ 45,147	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	16,737	28,239	28,546	29,348	25,886	27,635	-	-	-	-
Debt service funds	(4,744)	(4,501)	-	-	-	-	-	-	-	-
Capital projects funds ^b	<u>(6,396)</u>	<u>(3,627)</u>	<u>(17,762)</u>	<u>(36,581)</u>	<u>99,570</u>	<u>86,482</u>	-	-	-	-
Total Unreserved	5,597	20,111	10,784	(7,233)	125,456	114,117	-	-	-	-
Nonspendable	-	-	-	-	-	-	4	2	1	83
Restricted	-	-	-	-	-	-	108,051	100,572	89,654	92,337
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	28,261	26,159	36,258	18,764
Unassigned	-	-	-	-	-	-	(20,781)	(23,199)	(23,609)	(25,466)
Total all other governmental funds	<u>\$ 62,011</u>	<u>\$ 128,896</u>	<u>\$ 80,520</u>	<u>\$ 35,630</u>	<u>\$ 193,082</u>	<u>\$ 159,264</u>	<u>\$ 115,535</u>	<u>\$ 103,534</u>	<u>\$ 102,304</u>	<u>\$ 85,718</u>

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

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

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

Town of Gilbert, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

(1,000's)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes:										
Sales	\$ 43,160	\$ 49,198	\$ 57,698	\$ 56,980	\$ 48,736	\$ 46,873	\$ 49,315	\$ 54,503	\$ 61,890	\$ 66,772
Property	13,482	15,672	18,529	28,303	33,131	33,073	28,732	24,045	21,548	20,681
Franchise	1,711	2,011	2,361	2,595	2,544	2,448	2,401	2,463	2,374	2,700
Licenses and permits	9,193	8,539	6,818	4,734	2,459	2,614	2,365	3,995	5,434	4,748
Intergovernmental	40,149	46,259	65,759	73,255	67,053	72,535	55,362	61,468	72,904	68,046
Special assessments	1,552	1,426	355	2,121	422	437	559	879	1,299	2,090
Charges for services	8,479	9,536	9,391	9,594	8,596	8,795	7,288	8,164	9,573	10,027
Other entities' participation	2,846	2,326	6,082	1,620	1,055	1,234	2,313	1,300	2,252	1,977
System development fees	21,773	22,959	23,015	15,566	8,395	11,608	8,736	17,957	17,836	13,435
Gifts and donations	151	342	502	177	114	124	176	186	119	155
Fines and forfeitures	2,418	2,833	4,094	4,564	4,223	4,445	4,351	4,442	4,710	4,469
Investment earnings	2,277	6,934	8,386	4,345	1,978	1,286	2,106	1,889	706	1,494
Miscellaneous	651	799	670	800	819	754	355	4,947	933	1,255
Total revenues	<u>147,842</u>	<u>168,834</u>	<u>203,660</u>	<u>204,654</u>	<u>179,525</u>	<u>186,226</u>	<u>164,059</u>	<u>186,238</u>	<u>201,578</u>	<u>197,849</u>
Expenditures										
Current:										
General government:										
Management and policy	2,462	3,230	3,822	3,919	3,642	3,458	3,845	3,676	12,584	15,336
Support services	7,461	8,722	9,771	10,814	10,386	10,257	9,239	9,160	-	-
Finance and management services	-	-	-	-	-	-	1,416	1,722	4,235	4,413
Legal and court	3,070	3,714	4,682	5,222	5,203	5,261	4,403	4,617	4,753	5,089
Development services	8,614	10,967	12,693	14,024	11,321	9,204	7,160	7,514	5,999	6,078
Public works	1,232	1,412	1,255	1,329	1,798	1,225	-	-	-	-
Public safety:										
Police	21,197	27,835	31,534	36,126	37,851	37,669	35,007	36,384	38,817	41,947
Fire	10,491	13,983	17,224	20,521	21,171	20,115	20,200	21,552	22,543	24,993
Highways and streets	9,149	7,505	9,424	10,631	10,378	10,097	9,736	10,815	10,637	11,969
Parks and recreation	7,675	8,514	12,725	12,568	13,151	12,684	12,591	12,688	13,895	15,614
Transportation	1,549	1,622	1,439	1,563	1,682	1,170	1,010	1,269	461	841
Non departmental	-	-	-	-	-	-	2,194	2,910	3,114	4,104
Debt service:										
Principal	14,965	15,100	20,305	36,350	29,805	31,855	29,215	23,055	24,705	25,630
Interest	6,541	7,906	9,578	8,961	16,501	18,553	18,451	15,992	15,411	14,252
Bond issuance costs	60	425	-	98	670	-	-	402	-	-
Fiscal and other charges	12	49	45	29	12	9	20	9	13	13
Capital outlay	65,598	83,798	106,748	87,528	134,013	58,785	41,935	34,500	30,849	38,804
Total expenditures	<u>160,076</u>	<u>194,782</u>	<u>241,244</u>	<u>249,683</u>	<u>297,584</u>	<u>220,342</u>	<u>196,422</u>	<u>186,265</u>	<u>188,016</u>	<u>209,083</u>
Excess (deficiency) of revenues over (under) expenditures	(12,234)	(25,948)	(37,584)	(45,029)	(118,059)	(34,116)	(32,363)	(27)	13,562	(11,234)
Other financing sources (uses)										
Transfers in	19,512	45,392	77,502	45,661	90,680	26,608	25,272	25,195	25,774	45,891
Transfers out	(18,833)	(45,338)	(76,892)	(44,404)	(89,519)	(25,634)	(24,586)	(25,885)	(25,653)	(45,781)
Sale of capital assets	-	-	-	-	-	-	-	-	-	590
Bonds issued	18,750	103,230	-	3,760	273,490	-	-	37,925	-	-
Premium on bonds	51	3,078	-	-	344	-	-	4,111	-	-
Payment to refunded bond escrow agent	-	(14,872)	-	-	-	-	-	(41,627)	-	-
Total other financing sources and uses	<u>19,480</u>	<u>91,490</u>	<u>610</u>	<u>5,017</u>	<u>274,995</u>	<u>974</u>	<u>686</u>	<u>(281)</u>	<u>121</u>	<u>700</u>
Net change in fund balances	\$ <u>7,246</u>	\$ <u>65,542</u>	\$ <u>(36,974)</u>	\$ <u>(40,012)</u>	\$ <u>156,936</u>	\$ <u>(33,142)</u>	\$ <u>(31,677)</u>	\$ <u>(308)</u>	\$ <u>13,683</u>	\$ <u>(10,534)</u>
Debt service as a percentage of noncapital expenditures	22.8%	20.7%	22.2%	27.9%	28.3%	31.2%	30.9%	25.7%	25.5%	23.4%

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Construction	\$ 15,670,222	\$ 15,457,650	\$ 19,373,957	\$ 15,416,006	\$ 7,804,840	\$ 5,193,872	\$ 4,389,279	\$ 5,718,727	\$ 7,867,067	\$ 8,837,079
Manufacturing	643,826	734,423	684,148	789,804	650,179	635,188	706,514	727,755	763,152	939,861
Communications & Utilities	3,630,952	4,028,971	4,548,528	5,269,633	5,303,338	5,724,639	5,562,364	5,774,403	5,931,935	6,120,225
Wholesale	335,857	446,597	483,943	577,086	527,933	610,065	854,466	965,523	1,100,749	1,207,006
Retail	15,861,398	19,598,312	21,385,004	23,550,094	23,305,081	23,775,975	25,540,515	28,390,526	30,784,509	33,078,748
Restaurant & Bar	2,045,005	2,501,237	2,972,678	3,228,910	3,509,671	3,566,427	3,820,368	4,072,187	4,402,299	4,867,638
Real Estate, Rental & Leasing	3,383,290	4,299,410	5,276,563	5,538,416	5,751,120	5,249,645	5,874,288	6,078,364	7,944,973	7,952,365
Accommodation ^a	-	-	-	-	-	-	252,974	299,270	377,228	487,680
Services	818,873	945,003	973,552	1,729,464	1,039,678	1,002,691	1,069,661	1,211,864	1,369,608	1,676,438
Other ^a	346,103	711,618	1,491,268	319,810	243,510	481,122	652,043	520,302	487,279	505,146
Transportation & Warehousing ^b	7,773	9,906	17,264	13,347	12,575	16,464	21,161	25,830	25,667	22,721
Finance & Insurance ^b	61,734	63,851	73,410	93,008	100,490	100,293	89,990	112,496	154,772	398,169
Public Administration ^b	5,900	9,819	11,416	8,272	4,748	9,503	-	4,586	2,271	4,311
Arts & Entertainment ^b	348,650	391,459	405,765	446,057	483,123	506,855	481,592	600,794	594,043	674,274
Total	\$ 43,159,583	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907	\$ 48,736,286	\$ 46,872,739	\$ 49,315,215	\$ 54,502,627	\$ 61,805,552	\$ 66,771,661
Gilbert's local sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

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

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

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

Schedule 7

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013^a</u>	<u>2014</u>
Town Direct Rates:										
Hotel/Transient Lodging	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
All Others	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
County Rates:										
Hotel/Transient Lodging	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%
All Others	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
State Rates:										
Hotel/Transient Lodging	5.50%	5.50%	5.50%	5.50%	5.50%	6.50%	6.50%	6.50%	6.50%	5.50%
All Others	5.60%	5.60%	5.60%	5.60%	5.60%	6.60%	6.60%	6.60%	6.60%	5.60%

Source: Gilbert Development Services Department

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

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

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

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Street and Highway User Revenue Bonds	Municipal Property Corporation Revenue Bonds	General Obligation Bonds	Special Assessment Bonds	Water and Wastewater Revenue Bonds	Municipal Property Corporation Revenue Bonds			
2005	\$ 87,195,000	\$ 5,841,913	\$ 37,068,099	\$ 35,450,000	\$ 14,625,850	\$ -	\$ 25,157,903	\$ 72,831,320	\$ 278,170,085	5.77 %	\$ 1,661
2006	90,735,405	4,519,554	34,593,516	107,370,000	13,103,265	-	22,858,573	60,491,428	333,671,741	6.39	1,874
2007	79,470,332	4,394,150	32,782,853	107,777,310	11,745,680	-	21,644,644	194,555,369	452,370,339	7.91	2,366
2008	57,390,066	2,999,660	31,753,147	102,463,224	10,353,095	-	20,414,733	182,839,461	408,213,386	6.68	2,038
2009	226,030,524	11,633,524	29,796,281	177,756,527	8,900,510	-	19,155,224	167,031,835	640,304,425	10.28	3,126
2010	204,147,283	11,548,249	27,712,795	171,577,003	7,127,925	-	17,861,117	160,388,430	600,362,802	9.42	2,880
2011	178,722,625	11,457,958	25,502,688	162,747,942	5,540,340	-	16,527,813	143,200,304	543,699,671	8.59	2,554
2012	159,547,197	11,056,456	20,836,060	153,817,938	3,877,755	-	15,164,911	118,853,753	483,154,070	7.74	2,200
2013	147,640,933	10,469,338	18,130,241	144,269,288	2,115,170	-	13,757,813	111,081,450	447,464,233	6.33	1,966
2014	135,775,830	9,445,797	16,864,197	135,136,886	247,585	-	-	104,083,879	401,554,174	6.11	1,723

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

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

Note: Includes unamortized bond discounts/premiums.

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding^b</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Secondary Assessed Property Value^a</u>	<u>Percentage of Secondary Assessed Property Value</u>	<u>Per Capita</u>
2005	\$ 101,820,850	\$ 7,427,782	\$ 94,393,068	\$ 1,251,765,751	7.54 %	\$ 563.55
2006	103,838,670	10,224,408	93,614,262	1,466,841,566	6.38	525.88
2007	91,216,012	11,087,607	80,128,405	2,370,134,999	3.38	419.07
2008	67,743,161	7,279,915	60,463,246	2,768,391,194	2.18	301.84
2009	234,931,034	6,655,504	228,275,530	2,672,949,852	8.54	1114.51
2010	211,275,208	6,720,588	204,554,620	2,297,228,317	8.90	981.30
2011	184,262,965	6,927,284	177,335,681	1,861,193,961	9.53	833.07
2012	163,424,952	10,189,619	153,235,333	1,675,360,422	9.15	697.74
2013	149,756,103	10,735,245	139,020,858	1,594,806,737	8.72	610.82
2014	136,023,415	10,383,089	125,640,326	1,829,471,839	6.87	539.16

^a Maricopa County Assessor's Office

^b Includes unamortized bond discounts/premiums.

Note: See Schedule 13 for population data.

Note: General Obligations bonds principal and interest payments are paid for with secondary property taxes.

Schedule 10

Town of Gilbert, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

<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 ^d	\$ None	7.94%	\$ None
Maricopa County Community College District ^c	659,385,000	7.94%	52,355,169
Maricopa County Hospital District No. 1	None	7.94%	None
Gilbert Unified School District No. 41	116,985,000	73.39%	85,855,292
Higley Elementary School District No. 60	84,650,000	92.95%	78,682,175
Chandler Unified School District No. 80	197,985,000	12.06%	23,876,991
Mesa Unified School District No. 4	246,950,000	0.39%	963,105
East Valley Institute of Technology District No. 401 ^d	None	18.33%	None
Subtotal, overlapping debt			241,732,732
Town of Gilbert direct debt ^e	297,222,710	100.00%	297,222,710
Total direct and overlapping debt			<u>\$ 538,955,442</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 2014/15.

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

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

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

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

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
20% Limitation										
Debt limit equal to 20% of assessed valuation	\$ 250,353,150	\$ 293,368,313	\$ 474,027,000	\$ 553,678,000	\$ 534,590,000	\$ 459,446,000	\$ 372,239,000	\$ 335,072,084	\$ 318,961,347	\$ 365,894,367
Total net debt applicable to 20% limit	<u>32,570,000</u>	<u>31,215,000</u>	<u>78,050,000</u>	<u>51,705,000</u>	<u>217,730,000</u>	<u>195,320,000</u>	<u>175,915,000</u>	<u>163,335,000</u>	<u>149,675,000</u>	<u>135,310,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 217,783,150</u>	<u>\$ 262,153,313</u>	<u>\$ 395,977,000</u>	<u>\$ 501,973,000</u>	<u>\$ 316,860,000</u>	<u>\$ 264,126,000</u>	<u>\$ 196,324,000</u>	<u>\$ 171,737,084</u>	<u>\$ 169,286,347</u>	<u>\$ 230,584,367</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	13.01%	10.64%	16.47%	9.34%	40.73%	42.51%	47.26%	48.75%	46.93%	36.98%
6% Limitation										
Debt limit equal to 6% of assessed valuation	\$ 75,105,945	\$ 88,010,494	\$ 142,208,100	\$ 166,103,000	\$ 160,377,000	\$ 137,834,000	\$ 111,672,000	\$ 100,521,625	\$ 95,688,404	\$ 109,768,310
Total net debt applicable to 6% limit	<u>60,030,000</u>	<u>64,870,000</u>	<u>3,550,000</u>	<u>855,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 15,075,945</u>	<u>\$ 23,140,494</u>	<u>\$ 138,658,100</u>	<u>\$ 165,248,000</u>	<u>\$ 160,377,000</u>	<u>\$ 137,834,000</u>	<u>\$ 111,672,000</u>	<u>\$ 100,521,625</u>	<u>\$ 95,688,404</u>	<u>\$ 109,768,310</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	79.93%	73.71%	2.50%	0.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2014

Net secondary assessed valuation as of June 30, 2014	\$ 1,829,471,839
20% Limitation	
Debt limit equal to 20% of assessed valuation	365,894,367
Debt applicable to limit:	
General obligation bonds	<u>135,310,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 230,584,367</u>
6% Limitation	
Debt limit equal to 6% of assessed valuation	109,768,310
Debt applicable to limit:	
General obligation bonds	<u>0</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 109,768,310</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	
2005	\$ 1,552,289	\$ 3,274,964	\$ 398,660	0.42	\$ 7,975,941	\$ 1,660,000	\$ 1,604,050	2.44	\$ 69,209,221	\$ 1,500,000	\$ 1,553,113	22.67
2006	1,425,857	765,000	262,458	1.39	8,782,895	1,750,000	1,522,950	2.68	79,497,344	1,525,000	3,155,681	16.98
2007	355,124	125,000	231,010	1.00	12,355,280	1,845,000	1,437,450	3.76	102,525,938	5,210,000	4,753,688	10.29
2008	2,121,038	1,390,000	191,620	1.34	12,333,576	1,925,000	1,347,313	3.77	107,273,375	5,410,000	4,567,400	10.75
2009	421,894	75,000	153,530	1.85	10,651,366	2,050,000	1,251,063	3.23	97,901,565	6,060,000	5,404,460	8.54
2010	437,493	85,000	149,370	1.87	10,090,894	2,175,000	1,148,563	3.04	91,609,318	8,705,000	8,014,525	5.48
2011	559,284	90,000	587,245	0.83	10,356,131	2,275,000	1,039,813	3.12	89,202,148	9,030,000	7,705,188	5.33
2012	878,981	400,000	574,655	0.90	10,437,844	2,400,000	570,375	3.51	97,342,250	9,335,000	7,149,316	5.91
2013	1,298,984	585,000	553,258	1.14	11,414,425	2,525,000	807,400	3.43	109,637,647	9,695,000	6,873,353	6.62
2014	2,089,887	1,020,000	507,965	1.37	11,747,325	2,030,000	693,450	4.31	117,627,904	10,080,000	6,458,288	7.11

Water and Wastewater Revenue Bonds

Water Resources Municipal Property Corp. Revenue Bonds

Fiscal Year	Operating Revenues ^a	Less: Operating Expenses ^a	Net Available Revenue	Debt Service			Net Available Revenue ^b	Water System Dev't Fee	Wastewater System Dev't Fee	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2005	\$ 32,977,355	\$ 21,010,668	\$ 11,966,687	\$ 1,135,000	\$ 954,994	5.73	\$ 9,876,693	\$ 15,184,009	\$ -	\$ -	\$ 274,400	91.33
2006	38,518,047	28,439,547	10,078,500	1,180,000	927,263	4.78	7,971,237	-	20,491,288	-	4,332,600	6.57
2007	44,698,632	28,173,011	16,525,621	1,230,000	897,913	7.77	14,397,708	-	17,033,202	2,130,000	2,629,122	6.60
2008	51,061,203	32,100,716	18,960,487	1,250,000	866,563	8.96	16,843,924	11,697,125	10,923,733	-	9,130,452	4.32
2009	53,633,557	32,618,247	21,015,310	1,280,000	835,313	9.93	18,899,997	6,329,797	6,190,815	3,200,000	7,808,650	2.85
2010	57,096,936	32,034,177	25,062,759	1,315,000	803,313	11.83	22,944,446	8,491,638	8,715,622	3,300,000	7,910,188	3.58
2011	59,780,559	33,231,244	26,549,315	1,355,000	763,863	12.53	24,430,452	6,485,383	6,878,502	3,400,000	7,198,049	3.57
2012	61,087,190	34,505,518	26,581,672	1,385,000	723,213	12.61	24,473,459	13,590,998	15,154,154	3,550,000	6,096,337	5.52
2013	60,627,063	36,124,117	24,502,946	1,430,000	681,663	11.60	22,391,283	12,466,409	-	3,700,000	5,542,403	3.77
2014	62,873,206	37,514,942	25,358,264	1,500,000	610,163	12.02	23,248,101	10,567,046	-	3,875,000	5,198,059	3.73

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

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

Schedule 13

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

Fiscal Year	Population	Personal Income (in thousands) (estimate)	Per Capita Income (estimate)	Median Age	School Enrollment	Unemployment Rate
2005	167,497	4,817,000	28,759	30.1	37,194	2.9%
2006	178,015	5,222,000	29,334	30.1	37,662	2.2%
2007	191,206	5,721,000	29,920	31.3	37,979	2.0%
2008	200,314	6,113,000	30,518	31.3	38,662	2.4%
2009	204,821	6,230,000	30,416	30.4	39,142	4.6%
2010	208,453	6,370,000	30,559	30.7	39,089	5.1%
2011	212,869	6,329,000	29,731	32.7	38,660	5.1%
2012	219,617	6,240,000	28,413	31.5	38,696	5.4%
2013	227,598	7,064,000	31,035	33.1	38,573	5.7%
2014	233,028	6,568,000	28,184	37.5	38,573	5.2%

Sources: Population figures obtained from the Maricopa Association of Governments. Personal income estimated based on population and per capita income. The 2006 through 2010 per capita income figures are estimates. The 2005 and the 2011 through 2014 per capita income figures were obtained from the American Community Survey. The 2004 through 2010 median age, school enrollment, and unemployment rate were obtained from Gilbert's Development Services Department. The 2011 through 2014 median age was obtained from the American Community Survey. The 2011 through 2014 school enrollment was obtained from the Gilbert Public Schools website. The 2011 through 2014 unemployment rate was obtained from the azstats.gov website.

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

<u>Employer</u>	<u>Fiscal Year 2014</u>			<u>Fiscal Year 2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Gilbert Unified School District	3,649	1	4.56%	4,601	1	7.15%
Banner Health	2,219	2	2.77%	---		---
Dignity Health	1,500	3	1.87%	---		---
Town of Gilbert	1,297	4	1.62%	1,107	2	1.72%
B H Drywall	997	5	1.25%	1,100	3	1.71%
Fry's Food and Drug	952	6	1.19%	---		---
Go Daddy Software, Inc.	858	7	1.07%	700	4	1.09%
Hunter Contracting	848	8	1.06%	500	7	0.78%
Chandler Unified School District	565	9	0.71%	---		---
Sam's Club	548	10	0.68%	---		---
Target	---		---	660	5	1.03%
General Dynamics C4 Systems	---		---	607	6	0.94%
Earnhardt Auto Center	---		---	480	8	0.75%
Wal-Mart Stores, Inc.	---		---	470	9	0.73%
Superstition Contracting/San Tan Roofing	---		---	450	10	0.70%
Total	13,433		16.78%	10,675		16.60%

Source: Maricopa Association of Governments

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

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	91.5	100.5	30.8	32.0	32.2	29.2	21.2	22.2	88.5	95.8
Support services	N/A	N/A	91.00	92.75	91.3	88.3	62.0	62.0	N/A	N/A
Finance and management services	N/A	N/A	N/A	N/A	N/A	N/A	18.25	19.3	29.0	19.0
Legal and court	31.6	35.1	51.3	53.3	52.3	52.9	52.9	51.9	49.9	51.9
Development services	97.2	98.4	115.6	99.1	70.5	70.5	72.5	72.5	69.6	68.8
Public works	26.0	28.0	17.3	18.0	17.5	17.5	0.0	-	-	-
Public safety:										
Police	276.0	309.0	330.0	352.5	347.0	346.0	346.0	346.0	346.0	349.0
Fire	122.5	139.0	173.8	193.0	199.5	197.0	197.0	197.0	197.0	201.0
Highways and streets	45.0	47.5	54.5	55.3	55.3	49.3	49.3	49.3	51.0	58.0
Parks and recreation	109.1	113.2	114.4	120.0	117.1	106.8	101.7	102.0	106.8	121.8
<u>Enterprise Funds</u>										
Water	60.0	63.5	69.0	72.0	79.0	83.0	118.1	120.0	118.2	118.0
Wastewater	26.0	30.0	33.0	35.0	40.7	40.7	40.7	41.7	41.7	44.7
Environmental services	57.5	63.1	71.3	77.1	79.0	79.0	79.0	78.5	79.0	83.5
Irrigation	0.5	0.5	0.5	0.7	0.7	0.7	0.0	-	-	-
<u>Internal Service Funds</u>										
Equipment maintenance	21.0	21.0	24.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Total	<u>963.9</u>	<u>1,048.8</u>	<u>1,176.5</u>	<u>1,226.8</u>	<u>1,208.1</u>	<u>1,186.9</u>	<u>1,184.8</u>	<u>1,188.4</u>	<u>1,202.7</u>	<u>1,237.5</u>

Source: Gilbert Office of Management & Budget

Note: During fiscal year 2007, the organization structure was changed to reflect a new support services function to include areas previously reported under management and policy and public works. During fiscal year 2011, financial services was moved from support services to its own function. During fiscal year 2013, the support services function was eliminated and financial services was renamed finance and management services. Areas previously reported under the support services function were moved to management and policy and finance and management services. Economic development and budget were moved from development services and finance and management services respectively to management and policy. Community services was renamed parks and recreation and CDBG/HOME was moved from development services to parks and recreation. Solid waste was renamed environmental services.

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	88%	88%	90%	87%	89%	86%	90%	N/A ^c	77%	75%
Number of recruitments	131	171	246	107	87	90	86	79	110	155
Employee turnover	12.5%	13.1%	9.5%	9.2%	8.1%	4.9%	6.6%	6.8%	8.0%	7.5%
Legal and court										
Case filings	23,034	29,175	38,315	37,821	36,890	32,299	25,888	26,271	31,794	28,896
% of cases charged after review	62%	61%	66%	61%	61%	64%	64%	72%	72%	72%
Development services										
Building permits issued	7,348	6,750	5,322	3,663	2,054	2,506	2,219	3,474	3,418	3,254
Value of permits issued (in millions)	\$1,121.6	\$ 983.3	\$ 825.5	\$ 539.6	\$ 266.3	\$ 324.3	\$ 238.7	\$ 474.9	\$ 534.4	\$ 472.5
Public Safety:										
Police										
Number of arrests	6,237	8,845	13,324	10,528	12,487	11,411	8,330	9,003	8,734	8,400
Crimes per 1,000 population	27.4	28.3	26.6	25.4	23.3	20.4	19.3	18.3	16.5	15.5
Fire										
Number of emergency calls	10,225	11,718	12,260	13,259	12,972	13,566	13,946	14,133	15,509	16,193
Response time average from time of alert at station to on-scene	5 min 39 sec	5 min 17 sec	5 min 2 sec	5 min 8 sec	4 min 11 sec	3 min 43 sec	3 min 37 sec	3 min 49 sec	3 min 47 sec	3 min 50 sec
Highways and streets										
Average pavement condition index	89	89	90	91	91	91	91	91	80	75
Parks and recreation										
Facility reservation requests	11,346	15,505	17,434	18,691	19,222	15,681	16,637	16,880	16,277	16,440
Participants in recreation programs	49,262	57,122	45,516	54,815	48,892	50,038	47,493	48,725	52,714	52,616
Transportation										
Average daily ridership	385	523	388	421	1,039	835	845	560	635	685
Water										
Daily average water production (mg)	38	40	44	42	44	42	42	43	43	44
Average # of meters read per month	58,420	60,190	64,320	68,447	70,630	71,814	71,910	73,469	75,718	75,908
Number of utility locates	35,621	35,265	26,616	16,451	12,000	12,373	10,576	15,190	23,277	20,235
Wastewater										
Daily average wastewater influent (mg)	10.46	10.71	11.71	12.32	12.37	12.91	12.67	12.18	12.90	12.89
Annual effluent produced/reused (mg)	2,596	2,599	3,417	4,174	4,160	4,420	4,840	4,651	4,545	4,550
Environmental services										
Solid waste tonnage	91,278	101,168	112,880	113,777	110,144	110,403	111,943	109,472	110,905	113,965
Recycle tonnage	16,538	17,084	18,388	19,055	18,810	19,191	19,242	18,653	19,036	19,607
Irrigation										
Cost per house irrigated	\$ 323	\$ 309	\$ 309	\$ 384	\$ 1,532 ^a	\$ 542	N/A ^b	N/A ^b	N/A ^b	N/A ^b

Source: The various departments

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

^b Service is no longer available.

^c Survey not completed.

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

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public safety:										
Police										
Number of police cars	126	142	150	151	162	156	166	164	164	180
Fire										
Fire stations	8	9	9	9	9	9	9	10	10	10
Highways and streets										
Street center line miles (estimate)	883	986	1,013	1,017	872	903	923	979	989	905
Traffic control signals	89	111	137	159	169	168	173	175	177	180
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	676	676	676	676	676	690	690	652	653	605
Water										
Miles of water main	642	825	900	1,067	1,137	1,175	1,189	1,216	1,219	1,261
Wastewater										
Miles of wastewater main	480	487	770	809	843	860	868	970	976	1,006
Environmental services										
Garbage trucks	55	51	52	52	54	57	61	61	61	66

Source: The various departments

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

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

Fiscal Year	Residential Construction ^a		Commercial Construction ^a		Other Construction ^a		Secondary Assessed Property Value ^b	Maricopa County Bank Deposits
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value		
2005	4,006	\$ 727,496,972	432	\$ 297,406,547	2,910	\$ 96,709,861	\$ 1,251,765,751	\$ 46,392,368,000 ^c
2006	3,638	589,698,508	500	304,955,513	2,612	88,679,208	1,466,841,566	54,925,528,000 ^c
2007	2,896	474,991,497	430	252,353,478	1,997	98,134,107	2,370,134,999	55,663,285,000 ^d
2008	1,536	268,197,375	349	180,776,005	1,778	90,605,562	2,768,391,194	55,054,948,000 ^d
2009	1,038	161,128,906	151	60,768,344	865	44,414,870	2,672,949,852	55,358,822,000 ^d
2010	1,427	213,032,031	147	67,488,230	932	43,754,466	2,297,228,317	61,925,568,000 ^d
2011	1,130	182,201,825	180	25,831,880	909	30,710,863	1,861,193,961	60,408,631,000 ^d
2012	2,331	408,322,951	182	31,550,416	961	35,017,191	1,675,360,422	61,673,751,000 ^d
2013	2,015	385,182,885	224	102,447,825	1,179	46,773,456	1,594,806,737	65,485,982,000 ^d
2014	1,613	315,632,904	284	99,959,286	1,357	56,890,360	1,829,471,839	70,253,713,000 ^d

^a Development Services Department

^b Maricopa County Assessor's Office

^c Arizona Banker's Association

^d Federal Deposit Insurance Corporation

Schedule 19

**Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2014**

	<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	\$ 4,766,942	1,641,308	100,725	(368,053)	\$ 6,140,922
Police system development fee	(1,829,749)	1,473,004	-	(2,672,716)	(3,029,461) ^a
Fire system development fee	(15,560,356)	1,976,294	-	(1,084,682)	(14,668,744) ^a
General government system development fee	(6,132,547)	904,497	-	(2,452,173)	(7,680,223) ^a
Parks and recreation system development fee	17,012,142	7,439,867	165,160	(5,370,943)	19,246,226
Water system development fee	18,307,732	10,567,046	1,230,734	(10,586,694)	19,518,818
Water resources system development fee	10,535,255	3,362,075	79,763	(3,771,339)	10,205,754
Wastewater system development fee	(10,904,982)	11,154,279	838,563	(3,240)	1,084,620
Totals	\$ <u>16,194,437</u>	<u>38,518,370</u>	<u>2,414,945</u>	<u>(26,309,840)</u>	\$ <u>30,817,912</u>
<u>Equivalent Residential Unit</u>					
Water system development fee	5,042				
Wastewater system development fee	5,866				

Source: Gilbert Finance & Management Services Department

^a The negative ending balances for the police, fire, and general government system development fees are funded by the general fund. The general fund had a cash balance of \$71,828,521 at June 30, 2014.

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

Fiscal Year	Adopted Tax Levy	Initial Year Collections				Cumulative Collections				
		County Resolutions	Net Tax Levy	Current Collections	Percent Of Levy	County Resolutions	Net Tax Levy	Delinquent Collections	Total Collections	Percent of Levy
2005	\$ 12,110,279	\$ (41,940)	\$ 12,068,339	\$ 11,796,111	97.74%	\$ (114,146)	\$ 11,996,133	\$ 197,668	\$ 11,993,779	99.98%
2006	14,395,693	(79,702)	14,315,991	13,928,035	97.29%	(185,897)	14,209,796	280,050	14,208,085	99.99%
2007	16,913,578	(199,706)	16,713,872	16,226,531	97.08%	(293,895)	16,619,683	391,241	16,617,772	99.99%
2008	27,315,101	(402,220)	26,912,881	25,797,060	95.85%	(497,142)	26,817,959	1,018,331	26,815,391	99.99%
2009	31,332,659	(134,438)	31,198,221	29,744,757	95.34%	(299,819)	31,032,840	1,253,523	30,998,280	99.89%
2010	30,389,882	(153,319)	30,236,563	28,984,405	95.86%	(388,745)	30,001,137	990,140	29,974,545	99.91%
2011	26,198,053	(107,618)	26,090,435	25,253,466	96.79%	(275,213)	25,922,840	656,407	25,909,873	99.95%
2012	21,380,254	(96,162)	21,284,092	20,772,494	97.60%	(207,927)	21,172,327	388,685	21,161,179	99.95%
2013	19,253,745	(99,396)	19,154,349	18,962,640	99.00%	(132,874)	19,120,871	142,839	19,105,479	99.92%
2014	18,327,289	(57,876)	18,269,413	18,056,441	98.83%	(62,957)	18,264,332	92,909	18,149,350	99.37%

Source: Maricopa County Treasurer's Office

Schedule 21

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2014**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Secondary Assessed Valuation</u>	<u>As % of Town's Total Secondary Assessed Valuation</u>
Westcor Santan Village LLC	Shopping Center	\$ 20,784,019	1.14%
Verizon Wireless	Communications	8,610,189	0.47%
American Furniture Warehouse Co.	Retail	6,454,538	0.35%
Southwest Gas Corporation (T&D)	Utility	6,216,099	0.34%
Target Corporation	Retail	5,814,163	0.32%
Cole MT Gilbert San Tan AZ LLC	Real Estate Development / Holdings	5,263,703	0.29%
Power & Ray LLC	Commercial	5,198,326	0.28%
Vestar CTC Phase 1 LLC	Real Estate Development / Holdings	4,943,632	0.27%
ATPD LLC	Commercial	3,392,601	0.19%
Qwest Corporation	Communications	3,383,537	0.18%
CTC Gilbert LLC	Retail	3,374,476	0.18%
Lowe's HIW Inc.	Retail	3,329,250	0.18%
SY Gilbert Commons I LLC	Shopping Center	3,219,835	0.18%
Arizona Public Service Company	Utility	3,156,936	0.17%
Branch Brook Gardens	Real Estate Development / Holdings	3,101,330	0.17%
Pillar at Santan LLC	Real Estate Development / Holdings	3,094,400	0.17%
J L Bates, LLC	Real Estate Development / Holdings	2,976,940	0.16%
Azul at Spectrum AZ LLC	Real Estate Development / Holdings	2,931,010	0.16%
Smiths Food & Drug Centers Inc.	Real Estate Development / Holdings	2,891,362	0.16%
Dillard's Properties Inc.	Shopping Center	2,755,000	0.15%
Freo Arizona LLC	Technology	2,740,636	0.15%
		<u>\$ 103,631,982</u>	<u>5.66%</u>

Source: Maricopa County. Top taxpayers based off Secondary Net Assessed Value of Real and Secured Personal Property for tax year 2014.

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



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