



2nd
Safest City in the U.S.
 (FBI Uniform Crime Report
 Data, 2015)

Aaa
 Rating from Moody's
 on Gilbert's General
 Obligation Bonds



#1
**Most Financially Savvy
 City Nationally for
 Wallet Wellness**
 (WalletHub, 2015)

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

GILBERT, ARIZONA

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- If a “+” sign is at the left of a bookmark, click on the “+” to bring up subheadings.
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Government Finance Officers Association

**Certificate of
Achievement
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Presented to

**Town of Gilbert
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2017



Jenn Daniels, Mayor

Victor Petersen, Vice Mayor
Scott Anderson, Council Member
Eddie Cook, Council Member

Brigette Peterson, Council Member
Jordan Ray, Council Member
Jared Taylor, Council Member

Patrick Banger, Manager

Prepared by the Finance & Management Services Department

Håkon Johanson, Finance & Management Services Director

**TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017**

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Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



December 11, 2017

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, 2017. 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, 2017. 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

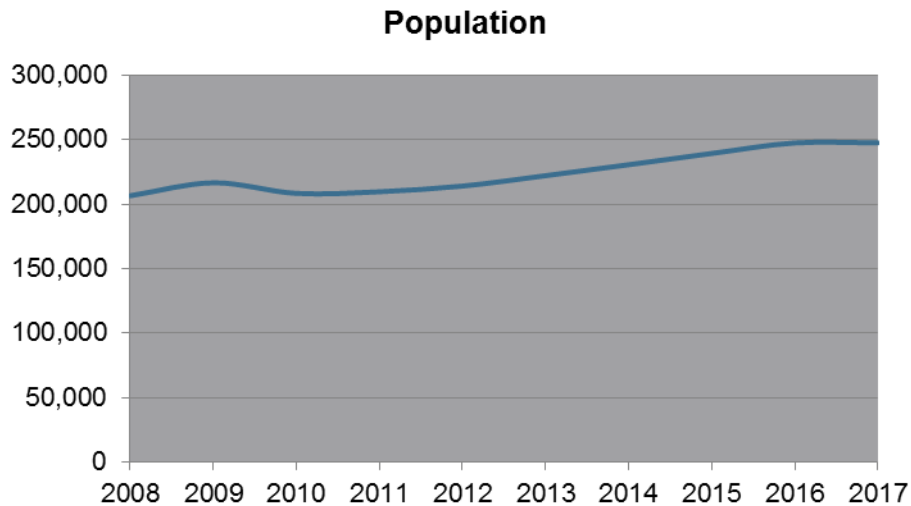
Gilbert is an Arizona Municipal Corporation, operating as a general law community as prescribed in the Arizona Revised Statutes. Gilbert was incorporated July 6, 1920, and operates under the Council-Manager form of government. The Mayor is a member of the Council and is elected by the voters for a four-year 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 2017, the Manager administered Gilbert's operations through a staff of 1,306 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. Transit and "dial-a-ride" services are provided through an intergovernmental agreement with the Regional Public Transportation Authority. Library services, incarceration and animal control are provided through intergovernmental agreements with Maricopa County.

Geography and Population

Gilbert is located in the southeastern section of the greater Phoenix metropolitan area in Maricopa County, bounded on the north and east by the City of Mesa, on the west by the City of Chandler, on the southeast by the Town of Queen Creek, and on the south by the Gila River Indian Community. Gilbert has a planning area of 72.6 square miles. The most recent estimate of population as of July 1, 2017 is 247,600, which was derived from the Gilbert’s Office of Management and Budget. The following graph depicts the ten-year population trend for Gilbert.



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

There were 1,754 new residential permits and 264 commercial permits issued in fiscal year 2017, which represents a slight decrease from the prior fiscal year of 1,764 and 264, respectively. The total value of all new construction in fiscal year 2017, including commercial, was \$532.2 million, down slightly from \$553.8 million in fiscal year 2016.

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 2017, a total of \$37.0 million was collected in SDF’s compared to \$45.7 million in fiscal year 2016.

Economic Development

With over 237,000 residents, Gilbert, Arizona is thriving as evidenced by its growth and development, commitment to safety, premier education, playfulness, and innovation. Over the past few years, Gilbert has received numerous awards and recognitions, a few of which are included below.

- General obligation bonds rating upgraded to AAA by Moody’s Investor Service and Water Resources Municipal Property Corporation revenue bonds upgraded to AAA by Standard and Poor’s Ratings Group
- Most Prosperous City in the U.S. (Economic Innovation Group, 2017)
- 12th Best Place to Live in America (24/7 Wall Street, 2017)
- 2nd Safest City in the United States (Law Street Media, 2016)
- Best Phoenix Suburb (Thrillist, 2016)
- Top 5 Safest Cities to Build Your Startup (Tech.Co, 2016)
- Best City for Raising a Family (Move.org, 2016)
- 3rd Best City to Find a Job in the United States (WalletHub, 2015)

Gilbert is a community committed to education, 41.5% of residents age 25 and older hold a bachelor's degree or higher, compared with about 33% nationally. Notable employers like Banner Health, Dignity Health, Banner MD Anderson Cancer Center, Go Daddy, the worldwide headquarters of Isagenix, Mapfre Insurance, Silent-Aire, Unicon, Orbital ATK Space Systems Group, Lockheed Martin, and Heliae, benefit from this commitment to education and have helped keep Gilbert's unemployment near 3.7%, as compared to approximately 5.0% for the state. Knowledge assets that support the community include Arizona State University 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, more than 30 charter/private schools and four A-rated school districts – Gilbert, Higley, Mesa and Chandler – serve more than 100,000 students as well as the citizens of Gilbert.

To support the growth and attraction of business and industry, 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. As a result, several major projects are either under construction or in the planning phases. A few of the key developments are:

- Rivulon – A Nationwide Realty Investors development that will provide more than three million square feet of Class A office space northeast of Gilbert Road and the Loop 202 freeway.
- Park Lucero – A multi-phase development by Trammel Crow that will feature six buildings totaling 618,000 square feet. Phase I of the development was completed in June 2015.
- Gilbert Spectrum – A planned 800,000 +/- square foot light industrial development located on the southwest corner of McQueen and Elliot Roads.

Additionally, staff has identified Accelerated Development Sites that will allow the community to market large multi-acre parcels and respond quickly to large build-to-suit projects.

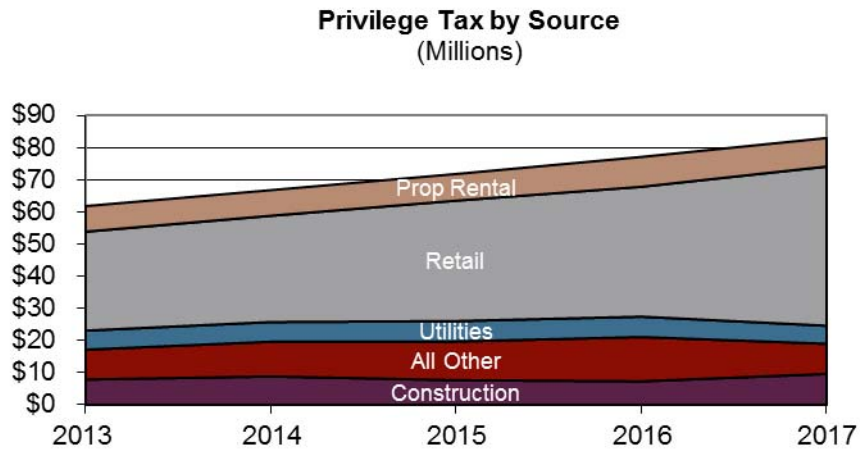
The Gilbert OED is one of approximately 60 Accredited Economic Development Organizations (AEDO) in the nation. Gilbert achieved this accreditation through the International Economic Development Council in 2013 and was the first Arizona economic development organization, and the second municipality in the nation, to do so. In fiscal year 2017 the Gilbert OED facilitated 38 projects representing more than \$21 million in capital investment and more than 3,400 new and retained jobs. Fiscal year 2017 also represented the final year of a five year Strategic Plan for the OED. The cumulative efforts from the past five years have resulted in \$1.1 billion in new capital investment in the community and more than 10,000 new or retained jobs.

Investment in the Heritage District also continued with a focus on critical infrastructure to support future growth. The Gilbert Town Council approved the design of a new 600 stall parking structure and a contract with the consultant for the 2018 Redevelopment Plan update and Master Plan. Both projects will have a significant impact on the community and the OED staff has engaged stakeholders across a variety of areas to ensure that critical development issues are addressed while preserving the Heritage District's unique character. The Gilbert OED also continued to enhance Gilbert's position as a tourism destination, launching the five year strategic plan for Tourism and leveraging Proposition 302 funding to extend the reach of the Discover Gilbert brand into target markets, resulting in over 7 million impressions.

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 network provides access to Gilbert-based businesses while connecting the community to local, national and international markets. Located just over 10 miles west of Gilbert, Phoenix Sky Harbor Airport is served by 17 airlines. Sky Harbor is one of the busiest airports in the nation for passenger traffic with over 100,000 passengers daily. Phoenix-Mesa Gateway Airport is located on Gilbert's eastern border and handles over one million passengers yearly with flights to over 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 47.0% of General Fund revenues for fiscal year 2017, totaling approximately \$83.0 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.

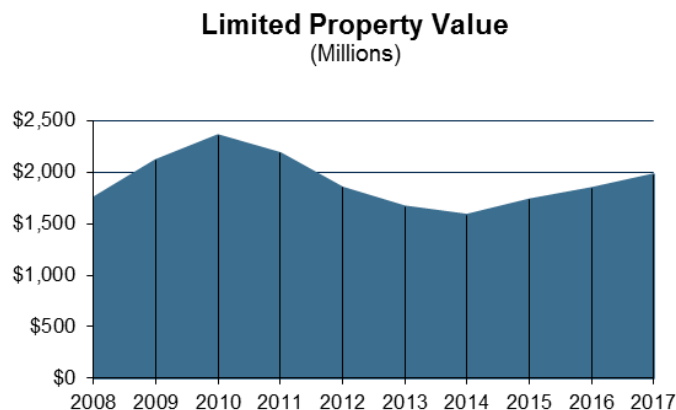


Property Taxes

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 2017, Gilbert’s property tax rate is \$1.06 per \$100 of limited property 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.

Limited Property Value

The limited property value of real property within the Gilbert annexed area is a vital economic forecast variable, as the State Constitution contains regulatory restrictions on the amount of debt a community may have outstanding based on limited property valuation. Taking the market value of a property and applying the statutory assessment rate derives the limited property value. Residential properties are assessed at 10%, vacant land is assessed at 16%, and commercial properties are assessed at 18%. This illustrates how crucial the additions of commercial properties are to the tax base. The limited property valuation increased by 7.3% in fiscal year 2017 from \$1.845 billion to \$1.979 billion. The following graph depicts the changes in the limited property valuation in Gilbert for the past ten years:



State Shared Revenues

State shared revenues totaled \$62.6 million for the General Fund and \$15.8 million for the Streets Special Revenue Fund in fiscal year 2017, representing approximately 30% of total General Fund revenues and 98% 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 the most recent population estimates of the United States Census Bureau.

Budget and Financial Policies

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

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

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

Maximum efficiency – best possible service at the lowest possible cost

Cash solvency – the ability to pay bills

Budgetary solvency – the ability to balance the budget

Long-term solvency – the ability to pay future costs

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

Flexibility – To ensure Gilbert 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 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. Gilbert's 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 Gilbert's General Plan and Capital Improvement Plan, Gilbert is developing infrastructure inventories (including repair and replacement plans) and functional area master plans. Gilbert 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 completed Lean Six Sigma certification requirements to further enhance Gilbert's long-term financial resiliency. Gilbert is updating its Long-Term Financial Plan, which includes the creation of an interactive Excel model. The model looks at revenue and spending trends to predict what the financial sustainability of Gilbert would look like if those

trends were to continue. The main dashboard contains live "what if" variables that can be easily changed to help decision-makers see the financial impact that individual changes make to the overall budget health into the future.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gilbert for its CAFR for the fiscal year ended June 30, 2016. This was the 26th 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 18 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 Tanya Wright, Interim Accounting Manager, and David Pock, 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.

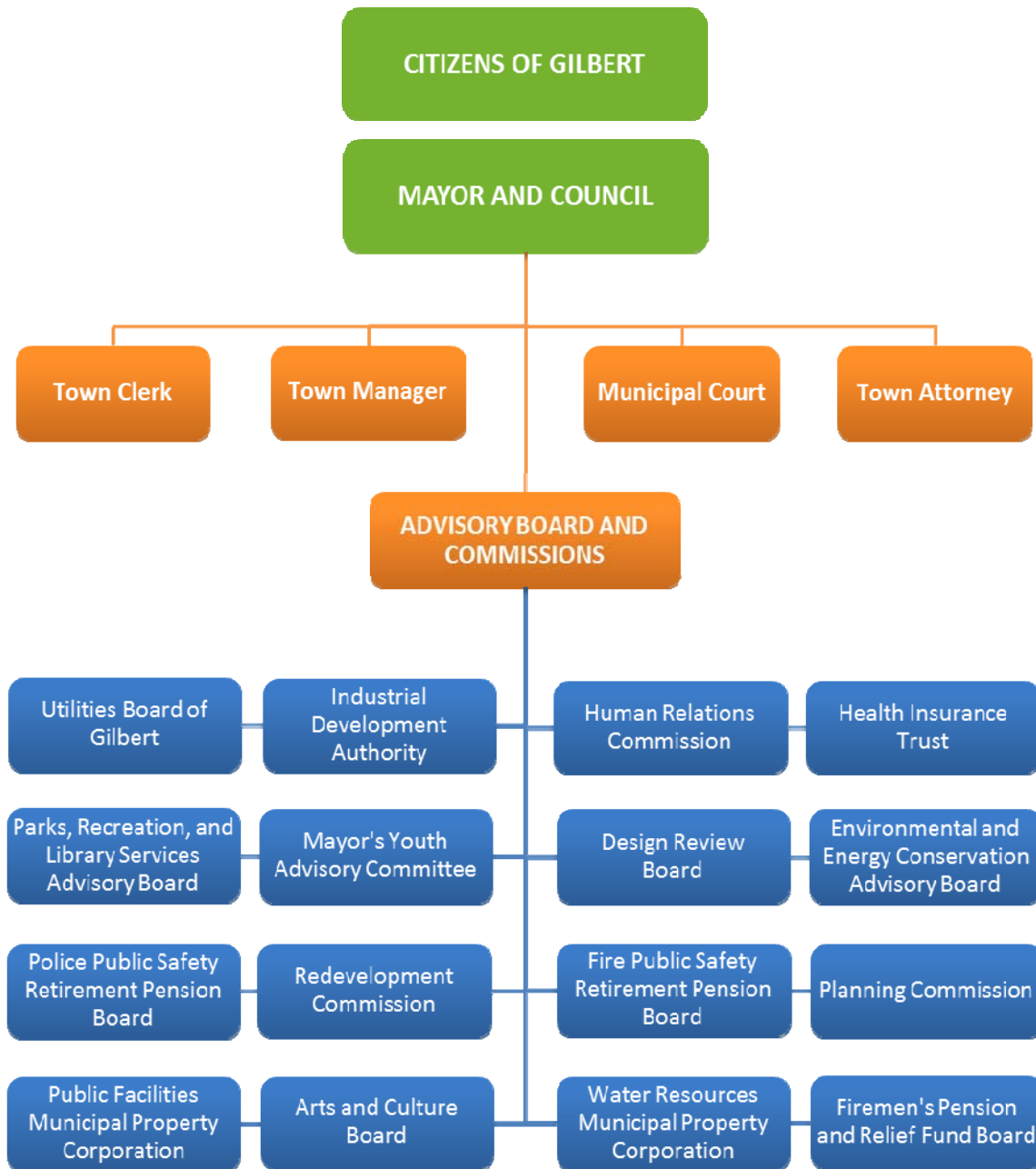
Respectfully submitted,



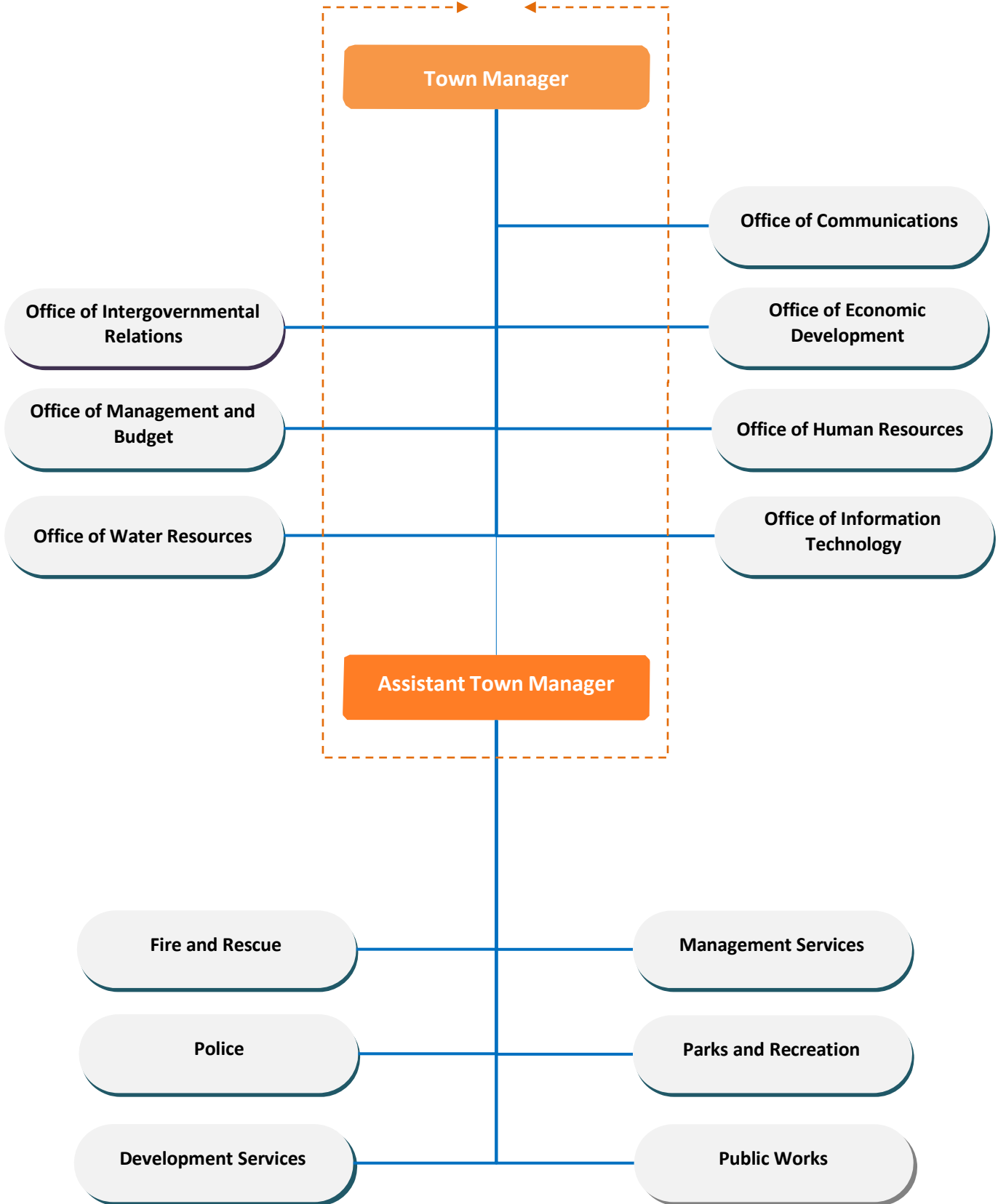
Håkon Johanson
Finance & Management Services Director



Advisory Organizational Chart



Organizational Report Chart





Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

**Combining and Individual Fund Statements
and Schedules**



INDEPENDENT AUDITOR'S REPORT

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

Report on 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, 2017, 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, 2017, 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. 77, *Tax Abatement Disclosures*, for the year ended June 30, 2017, 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 and net pension liability information, as listed in the table of contents, 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 December 11, 2017, 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.
Phoenix, Arizona
December 11, 2017

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, 2017. 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 \$1.7 billion. Included in this amount, defined as net position, is \$403.6 million of unrestricted net position, of which \$122.2 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$281.3 million which may be used to fund ongoing operations in future years.
- Net position includes a \$754.0 million net investment in capital assets such as streets, park land, and municipal buildings and a \$399.5 million net investment in water, wastewater and environmental services infrastructure and equipment.
- The combined fund balance for all governmental funds is \$289.4 million, of which \$130.7 million is unrestricted.
- The General Fund unrestricted fund balance is \$115.7 million, of which \$32.8 million has been assigned for capital replacement and road maintenance.
- The General Fund unassigned balance of \$82.9 million is approximately 48.8% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$413.9 million, as compared to \$386.5 million at the end of fiscal year 2016.
- Gilbert's total outstanding net pension liability at the end of the fiscal year was \$151 million, as compared to \$118.3 million at the end of fiscal year 2016.

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 (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 25-27 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 28-37.

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, 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 119-124.

The proprietary fund statements can be found on pages 38-43.

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 44-45.

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 47-86.

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, 2016 and 2017.

Town of Gilbert Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 343,959,030	\$ 270,810,919	\$ 433,663,204	\$ 425,684,880	\$ 777,622,234	\$ 696,495,799
Capital assets	995,388,402	995,103,587	518,095,419	487,967,309	1,513,483,821	1,483,070,896
Total assets	1,339,347,432	1,265,914,506	951,758,623	913,652,189	2,291,106,055	2,179,566,695
Deferred outflows of resources	57,308,335	29,252,820	7,499,472	6,487,784	64,807,807	35,740,604
Long-term liabilities	430,723,892	364,702,014	152,681,675	153,094,889	583,405,567	517,796,903
Other liabilities	69,076,436	55,981,883	19,003,206	15,223,091	88,079,642	71,204,974
Total liabilities	499,800,328	420,683,897	171,684,881	168,317,980	671,485,209	589,001,877
Deferred inflows of resources	9,119,023	5,927,785	2,607,355	1,738,904	11,726,378	7,666,689
Net position:						
Net investment in capital assets	753,972,864	735,368,654	399,536,898	411,831,059	1,153,509,762	1,147,199,713
Restricted	72,781,019	83,226,813	42,813,414	34,054,446	115,594,433	117,281,259
Unrestricted	60,982,533	49,960,177	342,615,547	304,197,584	403,598,080	354,157,761
Total net position	\$ 887,736,416	\$ 868,555,644	\$ 784,965,859	\$ 750,083,089	\$ 1,672,702,275	\$ 1,618,638,733

Net position consists of three components. The largest portion of Gilbert’s net position (69.5%) 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 (6.9%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (23.6%) includes \$122.2 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$281.3 million which may be used to meet the government’s ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2017 increased Gilbert’s net position by \$19.2 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 98.1% of total revenues for governmental activities. Taxes (local and state-shared) were \$160.4 million, an increase of \$14.7 million from the prior year. Program revenues were \$97.1 million, a decrease of \$26.5 million from the prior year, which was mostly due to a decrease in capital grants and contributions. It should be noted that \$19.0 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 43.4%, and highways and streets, which represented 21.3% of total governmental activities expenses. Total expenses increased \$33.7 million (16.1%) over the prior fiscal year.

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

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 22,013,700	\$ 19,350,321	\$ 84,997,939	\$ 82,714,024	\$ 107,011,639	\$ 102,064,345
Operating grants and contributions	33,203,523	38,666,434	952,598	1,051,389	34,156,121	39,717,823
Capital grants and contributions	41,877,118	65,534,550	34,133,557	43,655,449	76,010,675	109,189,999
General revenues:						
Sales taxes	82,797,456	77,070,494	-	-	82,797,456	77,070,494
Property taxes	20,761,108	19,423,566	-	-	20,761,108	19,423,566
Unrestricted state shared revenue	52,860,596	45,028,237	-	-	52,860,596	45,028,237
Other taxes	3,973,141	4,176,100	-	-	3,973,141	4,176,100
Grants and contributions not restricted to specific programs	2,400,140	3,203,874	-	-	2,400,140	3,203,874
Unrestricted investment earnings	858,725	2,651,202	1,009,127	2,665,835	1,867,852	5,317,037
Other	1,377,777	1,297,183	213,102	416,566	1,590,879	1,713,749
Total revenues	262,123,284	276,401,961	121,306,323	130,503,263	383,429,607	406,905,224
Expenses						
Management and policy	19,454,066	20,048,930	-	-	19,454,066	20,048,930
Finance and management services	2,109,345	2,110,049	-	-	2,109,345	2,110,049
Court	4,299,922	4,163,888	-	-	4,299,922	4,163,888
Development services	9,400,105	7,611,199	-	-	9,400,105	7,611,199
Police	63,151,020	50,115,340	-	-	63,151,020	50,115,340
Fire	42,513,168	31,971,923	-	-	42,513,168	31,971,923
Highways and streets	51,930,598	48,726,017	-	-	51,930,598	48,726,017
Parks and recreation	25,202,281	25,646,923	-	-	25,202,281	25,646,923
Transportation	1,132,340	1,050,787	-	-	1,132,340	1,050,787
Non departmental	13,689,668	5,310,531	-	-	13,689,668	5,310,531
Interest and fiscal charges on long-term debt	10,505,999	12,910,872	-	-	10,505,999	12,910,872
Water	-	-	42,329,438	44,359,515	42,329,438	44,359,515
Wastewater	-	-	26,791,069	26,529,856	26,791,069	26,529,856
Environmental services	-	-	16,857,046	17,719,391	16,857,046	17,719,391
Total expenses	243,388,512	209,666,459	85,977,553	88,608,762	329,366,065	298,275,221
Increase in net position before transfers	18,734,772	66,735,502	35,328,770	41,894,501	54,063,542	108,630,003
Transfers	446,000	98,394	(446,000)	(98,394)	-	-
Change in net position	19,180,772	66,833,896	34,882,770	41,796,107	54,063,542	108,630,003
Net position, beginning of year	868,555,644	801,721,748	750,083,089	708,286,982	1,618,638,733	1,510,008,730
Net position, end of year	\$ 887,736,416	\$868,555,644	\$784,965,859	\$ 750,083,089	\$1,672,702,275	\$1,618,638,733

Business-type Activities

Development related growth increased Gilbert's net position for business-type activities in fiscal year 2017 by \$34.9 million, including \$18.9 million in system development fee collections and \$12.2 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities decreased by \$9.2 million (7.0%) from the prior year and expenses decreased \$2.6 million (3.0%) from the prior year.

Financial Analysis of Gilbert's Funds

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

Governmental Funds

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

- General Fund
- Streets Special Revenue Fund
- General Debt Service Fund
- Special Assessments Debt Service Fund
- General Obligation 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 2017, the governmental funds reported ending unrestricted fund balances totaling \$130.7 million, an increase of \$13.1 million in comparison with the prior fiscal year. The large increase was mainly due to the change in reporting of vehicle license tax revenue and the expenditure of those funds, as well as a reclassification of the Streets Capital Replacement Fund balance. See Note 2.

General Fund

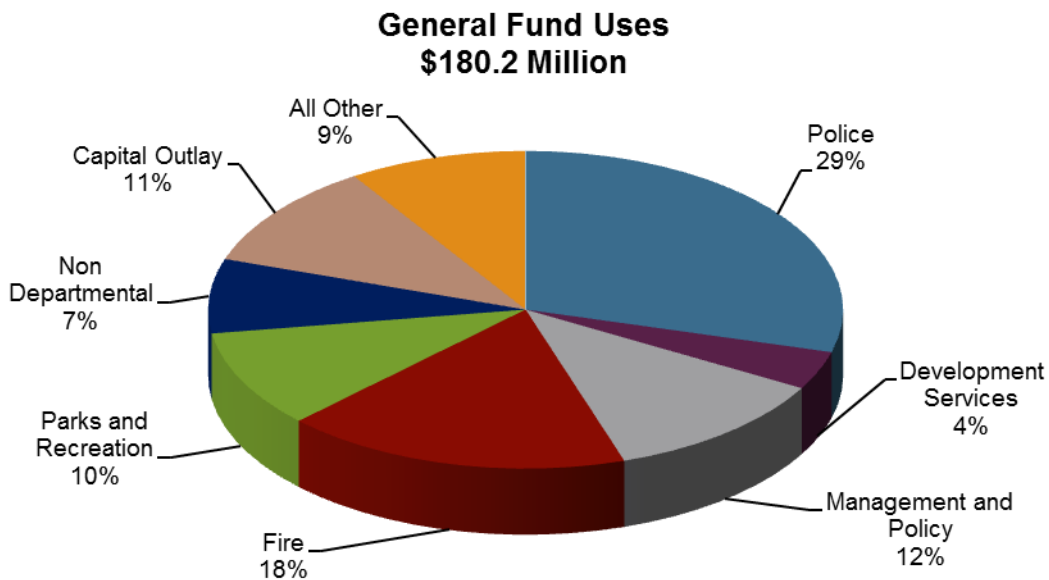
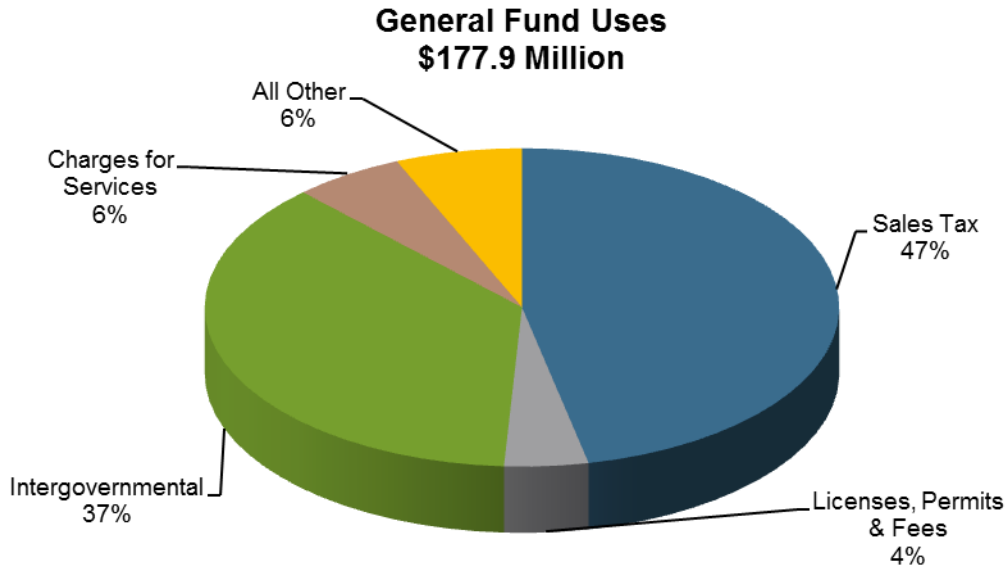
The General Fund is the primary operating fund. At the end of fiscal year 2017, the fund balance of the General Fund was \$134.6 million, an increase of \$16.8 million from the prior year mainly due to the prior period adjustment to reclassify vehicle license tax revenues, the expenditures of those funds, and the Streets Capital Replacement Fund to the General Fund (see Note 2). The unrestricted portion of the fund balance was \$115.7 million, of which \$17.5 million has been assigned for capital replacement and \$11.6 million for highways and streets. 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 48.8% 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 \$7.0 million; however, other financing sources and uses (net) were (\$9.2) million resulting in a decrease in fund balance of \$2.2 million. The transfers out of \$10.4 million were for debt obligations.
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 84.1% of the total revenues.
- Local sales tax, which accounts for half of total General Fund revenues, increased \$5.9 million (7.6%) from the prior fiscal year due to increased construction and retail sales from new and existing businesses.
- Intergovernmental revenue increased \$17.9 million (37.5%) due to the change in reporting of vehicle license tax revenues of \$9.7 million (see Note 2) and increases in state-shared sales and

income taxes of \$7.8 million due to increased population figures used in the distribution of state-shared revenue.

- Police and Fire expenditures increased \$13.9 million (19.6%) mainly due to the addition of 17 full time equivalents and salary increases.
- Non departmental expenditures increased \$8.4 million (159.3%) due to economic development incentive expenditures.
- Expenditures increased across the board by approximately \$32.7 million over the prior fiscal year mainly due to an increase in capital outlay of \$8.5 million and public safety personnel costs.



Streets Special Revenue Fund

The Streets Fund contains state-shared revenues that are required by state statute to be used for transportation purposes, such as highway user revenues and lottery funds. In prior years, vehicle license taxes were also included in this fund; however, these revenues were moved to the General Fund during the fiscal year (see Note 2). Total revenues in the Streets Fund decreased \$6.9 million (29.9%) from the prior year due to the vehicle license taxes being moved. Total expenditures also decreased by \$6.5 million (33.6%) as a result. In total, revenues exceeded expenditures by \$3.3 million; however, the net transfers out of \$809.0 thousand resulted in a \$2.5 million increase in fund balance.

Other Major Governmental Funds

General Debt Service. The fund balance decreased by \$2.2 million during the year. This was primarily due to the use of fund balance to buy down the secondary property tax rate. The remaining restricted fund balance of \$2.2 million will be used to fund future debt service payments on voter approved general obligation bonds and the assigned fund balance of \$10.6 million will be used to repay other debt obligations.

Special Assessments Debt Service. The fund balance of \$73 thousand is all restricted to pay future debt service requirements on special assessment bonds.

General Obligation Bonds Capital Projects. The General Obligation Bonds Fund consists of general obligation bond proceeds and the expenditure of those proceeds to purchase or construct capital assets. The fund balance increased by \$60.4 million during the year. This was due to the issuance of General Obligation bonds to purchase or construct capital assets. See Note 11.

System Development Fees Capital Projects. 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. The fund balance increased by \$5.3 million during the year. This was primarily due to the current year system development fees revenues of \$18.1 million offset by \$1.6 million in capital outlay expenditures and \$11.2 million transferred to the general debt service fund for principal and interest payments on bonds. The remaining fund balance of \$21.1 million will be used to fund future infrastructure needs related to growth in Gilbert.

Nonmajor Governmental Funds

All nonmajor governmental funds are combined into one column on the governmental fund statements. The combined fund balance of these funds increased \$1.0 million (2.4%) to a balance at year-end of \$45.1 million. Nonmajor funds represent 15.6% of the total governmental fund balance.

Proprietary Funds

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

- Water Fund
- Wastewater Fund
- 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 \$18.4 million to \$416.6 million due primarily to capital contributions of \$19.9 million, including \$11.9 million in system development fees and \$8.0 million in distribution lines contributed by developers. Operating income was \$2.5 million.

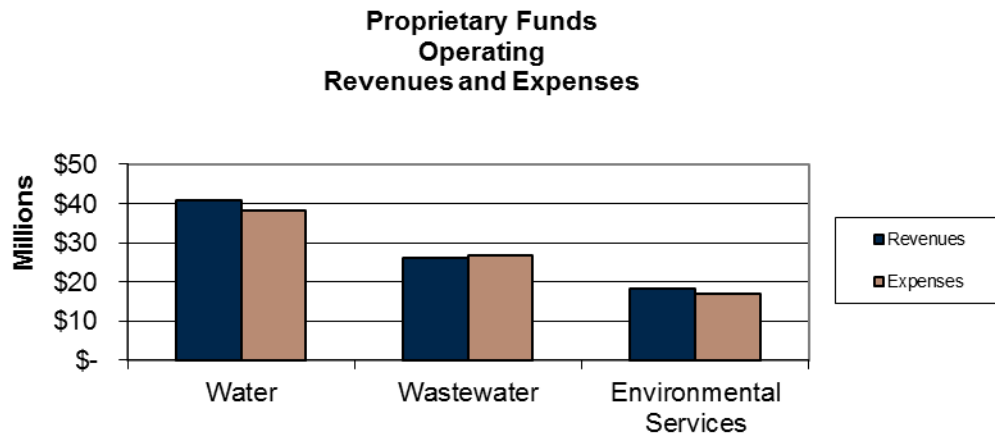
Wastewater Fund

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 \$11.6 million to \$338.0 million due primarily to capital contributions of \$11.2 million, including \$7.0 million in system development fees and \$4.2 million in collection lines contributed by developers. Operating loss was \$840.0 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 \$4.5 million to \$30.4 million, primarily from storm water infrastructure contributed by developers of \$3.0 million. Operating income was \$1.3 million.

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



General Fund Budgetary Highlights

There was a difference of \$17.5 million between the original adopted budget and the final amended budget. The final amended budget projected that expenditures would exceed revenues by \$36.5 million resulting in a \$43.9 million reduction to fund balance per the budget. This was mainly due to budgeting an additional \$7.2 million in capital outlay expenditures and an additional \$9.5 million for public safety.

During the year, actual revenues exceeded the budgeted amount by \$7.7 million (4.6%) mainly due to higher than expected miscellaneous revenue due to a settlement received of \$4 million. Actual expenditures were less than budgeted by \$35.8 million (17.4%) mainly due to \$15.9 million lower than expected capital outlay expenditures and not needing any budgeted contingency. This resulted in an excess of revenues over expenditures of \$7.0 million more than budgeted. This also resulted in the actual net change in fund balance being \$41.7 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2017, Gilbert had \$1.5 billion in capital assets. Major capital assets completed during the fiscal year included the following:

Governmental Activities

- Streets and traffic signal projects totaling \$2.5 million and traffic signals totaling \$1.1 million.
- Developer contributions of street related infrastructure valued at \$19.0 million.

Business-type Activities

- Water system improvements totaling \$6.3.
- Developer contributions of water, wastewater, and storm water infrastructure valued at \$15.3 million.

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2017 and 2016.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 182,578,216	\$ 181,780,994	\$ 67,790,250	\$ 67,380,934	\$ 250,368,466	\$ 249,161,928
Construction-in-progress	64,360,703	43,351,693	46,058,818	17,242,397	110,419,521	60,594,090
Buildings	153,418,101	163,543,478	-	-	153,418,101	163,543,478
Improvements	27,803,858	28,843,316	-	-	27,803,858	28,843,316
Plant, Machinery & Equip	13,362,956	13,418,934	68,515,662	72,730,803	81,878,618	86,149,737
Water Rights	-	-	7,060,702	7,158,994	7,060,702	7,158,994
Infrastructure	553,864,568	564,165,172	328,669,987	323,454,181	882,534,555	887,619,353
Total Capital Assets	\$ 995,388,402	\$ 995,103,587	\$ 518,095,419	\$ 487,967,309	\$ 1,513,483,821	\$ 1,483,070,896

Total governmental capital assets increased \$284.4 thousand and business-type capital assets increased \$30.1 million. The change in governmental capital assets can be attributed to an increase in construction-in-progress of \$21.0 million and infrastructure of \$26.1 million, offset by depreciation expense of \$53.0 million. The majority of the increase for the business-type capital assets can be attributable to construction-in-progress of \$28.8 million, infrastructure of \$16.9 million and land of \$5.3 million, offset by depreciation expense of \$24.6 million.

See Note 7 on pages 61-62 for further information regarding capital assets.

Long-term Debt. At June 30, 2017, Gilbert had total bonded debt obligations of \$298.0 million related to governmental activities and \$115.9 million in business-type activities; \$143.9 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$6.1 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 limited property valuation and by the type of project to be constructed with GO bonds. For projects involving water, wastewater, artificial lighting, parks, open space, recreational facility improvements, streets, public safety, and fire and emergency facilities, Gilbert can issue GO bonds up to 20% of its limited property valuation. For any other general-purpose improvements, Gilbert may issue bonds up to 6% of its limited property valuation. Gilbert's available debt margin at June 30, 2017 was \$118.8 million in the 6% capacity and \$242.3 million in the 20% capacity.

See Note 10 on pages 64-69 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2017 and 2016.

**Town of Gilbert
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	General Obligation	\$ 143,945,000	\$ 105,250,000	\$ -	\$ -	\$ 143,945,000
Special Assessment	6,105,000	6,480,000	-	-	6,105,000	6,480,000
Street and Highway User	6,345,000	9,320,000	-	-	6,345,000	9,320,000
Revenue Obligations	36,980,000	36,980,000	-	-	36,980,000	36,980,000
Municipal Property Corporation	104,575,000	112,575,000	115,940,000	115,940,000	220,515,000	228,515,000
Totals	\$ 297,950,000	\$ 270,605,000	\$ 115,940,000	\$ 115,940,000	\$ 413,890,000	\$ 386,545,000

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, 2017.

**Town of Gilbert
Long-term Debt Ratings
As of June 30, 2017**

	Moody's Investor Service	Standard and Poors Ratings Group	Fitch Ratings
General Obligation	Aaa	AA+	AAA
Street and Highway User Revenue	Not Rated	AA	Not Rated
Public Facilities Municipal Property Corporation	Aa1	AA+	AAA
Water Resources Municipal Property Corporation	Not Rated	AAA	AA+
Subordinate Lien Pledged Revenue Obligations	Aa2	AA+	AAA
Improvement Districts	Aa1	A+	Not Rated

Economic Factors and Next Year's Budget

Gilbert continues to effectively manage rapid growth and economic expansion while successfully preserving hometown traditions. With an estimated population of over 247,000 residents, Gilbert has become the fifth largest city in Arizona and the 85th largest city across the nation. Yet, amid this growth, Gilbert has the lowest unemployment rate in the region and is recognized as the 2nd Safest City in the U.S. according to the 2015 FBI Uniform Crime Report as well as Wallethub's 1st Highest Median Income in Arizona and Move.org's 1st Best City for Raising a Families. In fiscal year 2017, Gilbert's economic development team facilitated 38 projects representing over \$210 million in capital investments, over 3,400 jobs, and 1.3 million new or expanded square feet ensuring Gilbert remains a premier destination for both residents and businesses alike.

Gilbert is also very proud to report that both Fitch and Moody's gave Gilbert's General Obligation bonds a AAA rating, which is the highest rating available. These decisions were based on Gilbert's exceptionally strong credit characteristics, including a demonstrated commitment to building and maintaining strong reserves, robust long-term planning, strengthening regional economy, and manageable debt burdens. The AAA rating places Gilbert in the top 1% of municipalities nationally.

Gilbert also welcomed nine new businesses to the Heritage District, which continues to grow with nearly 300,000 square-feet of residential and retail under construction and over \$67 million of private capital investment since fiscal year 2013. Gilbert's northwest employment corridor and central business district also continue to thrive with GoDaddy retaining 1,400 jobs and expanding their footprint to 180,000 square feet. This makes Gilbert the largest base of GoDaddy employment. Mercedes Benz, Merrill Lynch, and other corporate and retail users opened this year at Rivulon and Silent Aire is constructing a new 146,000 square-foot manufacturing facility at Park Lucero that represents over 400 new and retained jobs. Orbital ATK Space Systems Group also completed their 60,000 square-foot expansion at Gilbert Spectrum, representing the retention of existing jobs and the expansion of approximately 140 new science and technology-oriented jobs for Gilbert.

A progressive community demands progressive governance, and Gilbert's Council and executive leadership stepped up. Gilbert now undertakes a zero-based process for one third of the organization every year, and always applies priority, program, and performance-based approaches. Directors are tasked with balancing the budget through consensus, rather than presenting requests and waiting to hear back. Only once the directors achieve consensus is the Town Manager presented with the recommended budget. This collaborative approach allows Gilbert to promote transparency, the importance of short- and long-term planning, and maintain a strong return on investment for the zero-based process while staying focused on the citizens and businesses that we all serve in different capacities.

The budget for fiscal year 2018 reflects an effort to deliver both effective and efficient services to our community. Even given Gilbert's growth, the budget is balanced assuming planned revenue increases in the enterprise funds, and applying 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 Gilbert.

Budget Highlights for Fiscal Year 2018

With carry forwards and contingency adjustments, the adopted budget of \$964,803,850 is an increase of \$114,309,220 million from fiscal year 2017. The change from fiscal year 2017 primarily reflects the budget necessary for carry forward and new/potential capital projects. It reflects a net increase in the Capital Improvement Plan of \$212 million (\$486 million in fiscal year 2018 vs \$274 million which was included in fiscal year 2017), the removal of \$100 million for bond refundings, \$16 million of new personnel and operating requests, and various budget decreases for one time expenditures in the fiscal year 2017 budget. The budget also includes a capital projects contingency budget of \$100 million to allow Council the flexibility and legal authority to respond to community needs.

Balanced Financial Plan: The adopted fiscal year 2018 budget is balanced based upon identified revenues and expenditures.

Constitutional Expenditure Limit: The adopted fiscal year 2018 budget reflects expenses that will be under the constitutional expenditure limitation. Staff regularly monitors conformity with the constitutional expenditure requirements and will recommend, if necessary, continuing adjustments and modifications necessary to comply with expenditure limitation requirements.

State-Shared Revenues: The adopted fiscal year 2018 budget reflects state-shared revenues based upon Census population adjustments and statutory distribution formulas, taking into account currently projected state sales and income tax collections (provided by the Arizona League of Cities and Towns), which reflect the state's budgeted highway user revenue distributions.

Secondary Property Tax Levy: Council voted to adopt a tax levy of \$21.65 million, which reduces the tax rate to \$1.03 per \$100 of assessed value, down from last year's rate of \$1.06.

Utility Rate Modifications: The fiscal year 2018 budget reflects revenues projected from rate changes in Gilbert's water, wastewater, environmental services, and reclaimed water rates. No rate changes have been adopted, but staff will be gathering data and exploring options with Council in order to ensure fiscal sustainability of the enterprise funds. Cost of service has been increasing over the past decade, but no increases in rates have been made since 2009. Gilbert does not make a profit on these funds, but rather charges only what is needed to provide the services. Current rates are projected to provide too little revenue to support ongoing service.

Fund Balance: The Revenue Summary lists the use of carry over funds in an amount just over \$390 million. This reflects use of revenues which were received in prior fiscal years in excess of minimum fund balance.

Capital Project Financing – System Development Fees: The fiscal year 2018 budget reflects revenues projected from the continued collection of system development fees as allowed under current State Law.

Financial Contact

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

Town of Gilbert
Accounting Manager
50 E Civic Center Drive
Gilbert, AZ 85296
(480) 503-6930

TOWN OF GILBERT, ARIZONA

Statement of Net Position

June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 294,212,701	\$ 194,806,673	\$ 489,019,374	\$ 17,336
Receivables, net:				
Taxes	5,327,961	-	5,327,961	-
Special assessments	6,124,330	-	6,124,330	-
Accrued interest	786,444	640,411	1,426,855	-
Accounts	15,297,992	5,502,913	20,800,905	-
Due from other governments	3,327,967	8,727,618	12,055,585	-
Internal balances	13,652	(13,652)	-	-
Prepaid items	6,765	-	6,765	-
Inventories	669,930	51,877	721,807	-
Restricted assets:				
Cash and investments	17,963,160	101,773,083	119,736,243	-
Accrued interest	2,586	125,839	128,425	-
Investment in joint venture	225,542	122,048,442	122,273,984	-
Capital assets:				
Non-depreciable	246,938,919	113,849,068	360,787,987	-
Depreciable, net	748,449,483	404,246,351	1,152,695,834	-
Total assets	<u>1,339,347,432</u>	<u>951,758,623</u>	<u>2,291,106,055</u>	<u>17,336</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	5,607,757	3,114,862	8,722,619	-
Pension-related items	51,700,578	4,384,610	56,085,188	-
Total deferred outflows of resources	<u>57,308,335</u>	<u>7,499,472</u>	<u>64,807,807</u>	<u>-</u>
LIABILITIES				
Accounts payable	12,368,368	7,380,761	19,749,129	45
Accrued liabilities	15,863,530	610,370	16,473,900	-
Claims payable	1,650,317	-	1,650,317	-
Deposits held for others	696,617	-	696,617	-
Utility deposits	-	2,826,141	2,826,141	-
Bond interest payable	3,438,541	2,485,381	5,923,922	-
Unearned revenue	558,660	-	558,660	-
Other liabilities:				
Due within one year	34,500,403	5,700,553	40,200,956	-
Due in more than one year	430,723,892	152,681,675	583,405,567	-
Total liabilities	<u>499,800,328</u>	<u>171,684,881</u>	<u>671,485,209</u>	<u>45</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	9,119,023	2,607,355	11,726,378	-
Total deferred inflows of resources	<u>9,119,023</u>	<u>2,607,355</u>	<u>11,726,378</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	753,972,864	399,536,898	1,153,509,762	-
Restricted for:				
Debt service	8,380,411	-	8,380,411	-
Capital projects	59,411,088	42,813,414	102,224,502	-
Highways and streets	1,960,625	-	1,960,625	-
Grant programs	804,772	-	804,772	-
Court/police programs	1,838,584	-	1,838,584	-
Special districts	314,744	-	314,744	-
Other purposes	70,795	-	70,795	-
Unrestricted	60,982,533	342,615,547	403,598,080	17,291
Total net position	<u>\$ 887,736,416</u>	<u>\$ 784,965,859</u>	<u>\$ 1,672,702,275</u>	<u>\$ 17,291</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, 2017

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	\$ 19,454,066	\$ 23,130	\$ 862,591	\$ 105,472
Finance and management services	2,109,345	19,699	-	-
Court	4,299,922	801,353	30,000	-
Development services	9,400,105	6,899,824	-	-
Public safety				
Police	63,151,020	7,484,181	346,354	3,720,844
Fire	42,513,168	231,352	1,749,991	1,895,180
Highways and streets	51,930,598	1,950,962	25,573,175	26,534,529
Parks and recreation	25,202,281	4,603,199	4,587,256	8,999,460
Transportation	1,132,340	-	4,272	621,633
Non departmental	13,689,668	-	49,884	-
Interest and fiscal charges on long-term debt	10,505,999	-	-	-
Total governmental activities	243,388,512	22,013,700	33,203,523	41,877,118
Business-type activities:				
Water	42,329,438	40,695,922	952,598	19,897,166
Wastewater	26,791,069	26,031,784	-	11,199,802
Environmental Services	16,857,046	18,270,233	-	3,036,589
Total business-type activities	85,977,553	84,997,939	952,598	34,133,557
Total primary government	\$ 329,366,065	\$ 107,011,639	\$ 34,156,121	\$ 76,010,675
Component unit				
Industrial development authority	\$ 45	\$ -	\$ -	\$ -

General revenues:

- Sales taxes
- Property taxes, levied for debt service
- In-Lieu property taxes
- Franchise taxes
- Unrestricted state shared revenue
- 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, 2016
- Net position, June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (18,462,873)	\$ -	\$ (18,462,873)	\$ -
(2,089,646)	-	(2,089,646)	-
(3,468,569)	-	(3,468,569)	-
(2,500,281)	-	(2,500,281)	-
(51,599,641)	-	(51,599,641)	-
(38,636,645)	-	(38,636,645)	-
2,128,068	-	2,128,068	-
(7,012,366)	-	(7,012,366)	-
(506,435)	-	(506,435)	-
(13,639,784)	-	(13,639,784)	-
(10,505,999)	-	(10,505,999)	-
<u>(146,294,171)</u>	<u>-</u>	<u>(146,294,171)</u>	<u>-</u>
-	19,216,248	19,216,248	-
-	10,440,517	10,440,517	-
-	4,449,776	4,449,776	-
-	34,106,541	34,106,541	-
<u>\$ (146,294,171)</u>	<u>\$ 34,106,541</u>	<u>\$ (112,187,630)</u>	<u>\$ -</u>
			<u>\$ (45)</u>
82,797,456	-	82,797,456	-
20,761,108	-	20,761,108	-
1,159,314	-	1,159,314	-
2,813,827	-	2,813,827	-
52,860,596	-	52,860,596	-
2,400,140	-	2,400,140	-
858,725	1,009,127	1,867,852	5
153,707	92,431	246,138	-
1,224,070	120,671	1,344,741	-
446,000	(446,000)	-	-
<u>165,474,943</u>	<u>776,229</u>	<u>166,251,172</u>	<u>5</u>
19,180,772	34,882,770	54,063,542	(40)
868,555,644	750,083,089	1,618,638,733	17,331
<u>\$ 887,736,416</u>	<u>\$ 784,965,859</u>	<u>\$ 1,672,702,275</u>	<u>\$ 17,291</u>

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

TOWN OF GILBERT, ARIZONA
 Balance Sheet
 Governmental Funds
 June 30, 2017

	General	Streets Special Revenue	General Debt Service	Special Assessments Debt Service
ASSETS				
Pooled cash and investments	\$ 118,443,372	\$ 2,243,711	\$ 12,600,269	\$ 69,467
Receivables, net:				
Taxes	5,169,814	-	136,361	-
Special assessments	-	-	-	6,124,330
Accrued interest	365,099	2,081	83,745	342
Accounts	15,115,919	-	-	-
Due from other governments	396,576	1,395,428	-	-
Due from other funds	351,386	-	-	-
Prepaid items	6,765	-	-	-
Inventories	-	-	-	-
Advances to other funds	18,988,300	-	-	-
Restricted assets:				
Cash and investments	129,235	-	11,640,588	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 158,966,466</u>	<u>\$ 3,641,220</u>	<u>\$ 24,460,963</u>	<u>\$ 6,194,139</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,289,299	\$ 1,019,707	\$ -	\$ -
Accrued liabilities	9,075,671	117,602	-	-
Deposits held for others	141,748	-	-	-
Due to other funds	-	-	-	-
Bonds payable	-	-	9,005,000	-
Interest payable	-	-	2,635,588	-
Advances from other funds	-	-	-	-
Unearned revenue	54,987	-	-	-
Total liabilities	<u>16,561,705</u>	<u>1,137,309</u>	<u>11,640,588</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue - special assessments	-	-	-	6,120,986
Unavailable revenue - court fines	7,577,381	-	-	-
Unavailable revenue - sales tax	181,450	-	-	-
Total deferred inflows of resources	<u>7,758,831</u>	<u>-</u>	<u>-</u>	<u>6,120,986</u>
Fund Balances:				
Nonspendable	18,995,065	-	-	-
Restricted	-	2,503,911	2,186,272	73,153
Assigned	32,765,976	-	10,634,103	-
Unassigned	82,884,889	-	-	-
Total fund balances	<u>134,645,930</u>	<u>2,503,911</u>	<u>12,820,375</u>	<u>73,153</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 158,966,466</u>	<u>\$ 3,641,220</u>	<u>\$ 24,460,963</u>	<u>\$ 6,194,139</u>

General Obligation Bonds Capital Projects	System Development Fees Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 75,352,059	\$ 40,288,027	\$ 41,270,130	\$ 290,267,035
-	-	21,786	5,327,961
-	-	-	6,124,330
90,243	123,885	111,103	776,498
-	74,036	75,600	15,265,555
-	-	1,535,963	3,327,967
-	-	-	351,386
-	-	-	6,765
-	-	1,976	1,976
-	-	-	18,988,300
27,279	-	6,166,058	17,963,160
-	-	2,586	2,586
<u>\$ 75,469,581</u>	<u>\$ 40,485,948</u>	<u>\$ 49,185,202</u>	<u>\$ 358,403,519</u>
\$ 2,352,166	\$ 354,334	\$ 1,156,636	\$ 12,172,142
-	-	58,619	9,251,892
-	-	554,869	696,617
-	-	351,386	351,386
-	-	655,000	9,660,000
-	-	802,953	3,438,541
-	18,988,300	-	18,988,300
-	-	503,673	558,660
<u>2,352,166</u>	<u>19,342,634</u>	<u>4,083,136</u>	<u>55,117,538</u>
-	-	-	6,120,986
-	-	-	7,577,381
-	-	-	181,450
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,879,817</u>
-	-	1,976	18,997,041
70,260,475	40,241,657	24,459,050	139,724,518
2,856,940	-	20,895,999	67,153,018
-	(19,098,343)	(254,959)	63,531,587
<u>73,117,415</u>	<u>21,143,314</u>	<u>45,102,066</u>	<u>289,406,164</u>
<u>\$ 75,469,581</u>	<u>\$ 40,485,948</u>	<u>\$ 49,185,202</u>	<u>\$ 358,403,519</u>

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



**TOWN OF GILBERT, ARIZONA
Reconciliation of the Balance Sheet
to the Statement of Net Position
June 30, 2017**

Fund balances - total governmental funds **\$ 289,406,164**

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

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

Governmental capital assets	1,726,421,618	
Accumulated depreciation	<u>(731,123,733)</u>	995,297,885

The investment in joint venture is not a financial resource and, therefore, is not reported in the funds. 225,542

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 13,879,817

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, 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. 647,865

Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.

Unamortized deferred outflow on bond refunding	5,607,757	
Pension-related items	<u>42,408,075</u>	48,015,832

Certain liabilities applicable to the Town's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental funds balance sheet.

Net pension	(127,315,948)	
Bonds payable	(288,290,000)	
Bonds premium	(21,320,338)	
Compensated absences	(16,032,021)	
Judgement payable	(6,548,270)	
Post-employment benefits	<u>(230,112)</u>	<u>(459,736,689)</u>

Net position of governmental activities - statement of net position **\$ 887,736,416**

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
Revenues				
Taxes:				
Sales	\$ 82,980,329	\$ -	\$ -	\$ -
Property	-	-	20,761,108	-
Franchise	2,813,827	-	-	-
Licenses and permits	4,784,960	-	-	-
Intergovernmental	65,749,763	15,847,087	-	-
Special assessments	-	-	-	695,540
Charges for services	10,101,018	1,598	-	-
Other entities' participation	1,063,600	-	-	-
System development fees	-	-	-	-
Gifts and donations	31,666	-	-	-
Fines and forfeitures	3,810,983	3,728	-	-
Investment earnings	264,238	31,573	52,824	87
Miscellaneous	5,149,953	227,824	-	-
Total revenues	<u>176,750,337</u>	<u>16,111,810</u>	<u>20,813,932</u>	<u>695,627</u>
Expenditures				
Current:				
General government:				
Management and policy	21,149,596	-	-	-
Finance and management services	2,269,643	-	-	-
Court	3,223,630	-	-	-
Development services	7,048,588	-	-	-
Public safety:				
Police	52,829,287	-	-	-
Fire	31,854,880	-	-	-
Highways and streets	127,785	12,746,928	-	-
Parks and recreation	17,903,961	-	-	-
Transportation	350,000	-	-	-
Non departmental	13,639,784	-	-	-
Debt service:				
Principal	-	-	33,905,000	375,000
Interest	-	-	9,656,359	321,072
Bond issuance costs	-	-	387,788	-
Fiscal and other charges	-	-	1,310	722
Capital outlay	19,349,167	51,951	-	-
Total expenditures	<u>169,746,321</u>	<u>12,798,879</u>	<u>43,950,457</u>	<u>696,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,004,016</u>	<u>3,312,931</u>	<u>(23,136,525)</u>	<u>(1,167)</u>
Other financing sources (uses)				
Transfers in	1,185,555	-	20,568,617	-
Transfers out	(10,419,190)	(809,020)	-	-
Refunding bonds issued	-	-	57,155,000	-
Premium on refunding bonds	-	-	7,428,334	-
General obligation bonds issued	-	-	-	-
Premium on general obligation bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	(64,181,634)	-
Total other financing sources and uses	<u>(9,233,635)</u>	<u>(809,020)</u>	<u>20,970,317</u>	<u>-</u>
Net change in fund balances	(2,229,619)	2,503,911	(2,166,208)	(1,167)
Fund balances at beginning of year, as restated (see Note 2)	136,875,549	-	14,986,583	74,320
Fund balances at end of year	<u>\$ 134,645,930</u>	<u>\$ 2,503,911</u>	<u>\$ 12,820,375</u>	<u>\$ 73,153</u>

General Obligation Bonds Capital Projects	System Development Fees Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 82,980,329
-	-	2,945,503	23,706,611
-	-	-	2,813,827
-	-	-	4,784,960
-	-	5,766,847	87,363,697
-	-	-	695,540
-	-	1,058,866	11,161,482
-	-	1,188,608	2,252,208
-	18,101,156	-	18,101,156
-	-	88,631	120,297
-	-	521,045	4,335,756
102,862	145,361	238,917	835,862
-	-	305,000	5,682,777
<u>102,862</u>	<u>18,246,517</u>	<u>12,113,417</u>	<u>244,834,502</u>
-	-	851,459	22,001,055
-	-	-	2,269,643
-	-	433,782	3,657,412
-	-	-	7,048,588
-	-	1,567,809	54,397,096
-	-	193,028	32,047,908
-	-	1,805,715	14,680,428
-	-	1,756,117	19,660,078
-	-	785,028	1,135,028
-	-	49,884	13,689,668
-	-	655,000	34,935,000
-	-	1,605,906	11,583,337
391,207	-	-	778,995
-	-	6,675	8,707
<u>10,523,425</u>	<u>1,662,706</u>	<u>2,523,551</u>	<u>34,110,800</u>
<u>10,914,632</u>	<u>1,662,706</u>	<u>12,233,954</u>	<u>252,003,743</u>
<u>(10,811,770)</u>	<u>16,583,811</u>	<u>(120,537)</u>	<u>(7,169,241)</u>
-	-	1,579,937	23,334,109
-	(11,235,314)	(417,252)	(22,880,776)
-	-	-	57,155,000
-	-	-	7,428,334
64,515,000	-	-	64,515,000
6,710,366	-	-	6,710,366
-	-	-	(64,181,634)
<u>71,225,366</u>	<u>(11,235,314)</u>	<u>1,162,685</u>	<u>72,080,399</u>
60,413,596	5,348,497	1,042,148	64,911,158
12,703,819	15,794,817	44,059,918	224,495,006
<u>\$ 73,117,415</u>	<u>\$ 21,143,314</u>	<u>\$ 45,102,066</u>	<u>\$ 289,406,164</u>

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



TOWN OF GILBERT, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds **\$ 64,911,158**

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

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

Capital outlay	34,110,800	
Depreciation expense	(52,974,791)	(18,863,991)

Issuance of debt, applicable premium and payment to refunded bond escrow agent are reported as a financing source (use) in the governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Bond premium is deferred and amortized in the statement of activities.

General obligation and general obligation refunding bonds	(121,670,000)	
Premium on general obligation and general obligation refunding bonds	(14,138,700)	
Payment to refunded bond escrow agent	64,181,634	(71,627,066)

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 and resources, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments	34,935,000	
Amortization expense	1,865,040	36,800,040

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

2,099,690

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.

19,036,477

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	(2,025,261)	
Post-employment benefits	2,299,815	
Claims payable	(6,548,270)	(6,273,716)

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

Pension contributions	21,642,879	
Pension expense	(30,823,487)	(9,180,608)

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	(373,686)	
Court fines	2,835,347	
Sales tax	(182,873)	2,278,788

Change in net position of governmental activities - statement of activities **\$ 19,180,772**

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 81,275,000	\$ 81,275,000	\$ 82,980,329	\$ 1,705,329
Franchise	2,945,000	2,945,000	2,813,827	(131,173)
Licenses and permits	3,948,000	3,948,000	4,784,960	836,960
Intergovernmental	55,927,000	65,627,000	65,749,763	122,763
Charges for services	10,444,850	10,444,850	10,101,018	(343,832)
Other entities' participation	-	-	1,063,600	1,063,600
Gifts and donations	20,000	20,000	31,666	11,666
Fines and forfeitures	3,576,000	3,576,000	3,810,983	234,983
Investment earnings	460,000	460,000	264,238	(195,762)
Miscellaneous	724,000	724,000	5,149,953	4,425,953
Total revenues	159,319,850	169,019,850	176,750,337	7,730,487
Expenditures				
Current:				
General government:				
Management and policy	22,476,985	23,309,328	21,149,596	2,159,732
Finance and management services	2,298,695	2,311,810	2,269,643	42,167
Court	3,237,830	3,249,920	3,223,630	26,290
Development services	7,061,890	7,819,890	7,048,588	771,302
Public safety:				
Police	47,748,810	54,360,899	52,829,287	1,531,612
Fire	29,469,510	32,388,700	31,854,880	533,820
Highways and streets	-	139,500	127,785	11,715
Parks and recreation	18,844,770	18,999,850	17,903,961	1,095,889
Transportation	350,000	350,000	350,000	-
Non departmental	11,546,570	13,864,970	13,639,784	225,186
Capital outlay	25,005,970	35,203,581	19,349,167	15,854,414
Contingency	20,035,030	13,535,380	-	13,535,380
Total expenditures	188,076,060	205,533,828	169,746,321	35,787,507
Excess (deficiency) of revenues over expenditures	(28,756,210)	(36,513,978)	7,004,016	43,517,994
Other financing sources (uses)				
Transfers in	3,503,620	3,089,940	1,185,555	(1,904,385)
Transfers out	(7,048,950)	(10,460,780)	(10,419,190)	41,590
Total other financing sources and uses	(3,545,330)	(7,370,840)	(9,233,635)	(1,862,795)
Net change in fund balances	\$ (32,301,540)	\$ (43,884,818)	(2,229,619)	\$ 41,655,199
Fund balance at beginning of year, as restated (see Note 2)			136,875,549	
Fund balance at end of year			\$ 134,645,930	

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 15,000,000	\$ 15,000,000	\$ 15,847,087	\$ 847,087
Charges for services	1,000	1,000	1,598	598
Fines and forfeitures	-	-	3,728	3,728
Investment earnings	100,000	100,000	31,573	(68,427)
Miscellaneous	-	-	227,824	227,824
Total revenues	<u>15,101,000</u>	<u>15,101,000</u>	<u>16,111,810</u>	<u>1,010,810</u>
Expenditures				
Current:				
Highways and streets	13,934,480	13,618,130	12,746,928	871,202
Capital outlay	-	56,000	51,951	4,049
Contingency	1,410,000	2,266,190	-	2,266,190
Total expenditures	<u>15,344,480</u>	<u>15,940,320</u>	<u>12,798,879</u>	<u>3,141,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(243,480)</u>	<u>(839,320)</u>	<u>3,312,931</u>	<u>4,152,251</u>
Other financing uses				
Transfers out	<u>(1,038,620)</u>	<u>(1,038,620)</u>	<u>(809,020)</u>	<u>229,600</u>
Total other financing uses	<u>(1,038,620)</u>	<u>(1,038,620)</u>	<u>(809,020)</u>	<u>229,600</u>
Net change in fund balances	<u>\$ (1,282,100)</u>	<u>\$ (1,877,940)</u>	2,503,911	<u>\$ 4,381,851</u>
Fund balance at beginning of year, as restated (see Note 2)			<u>-</u>	
Fund balance at end of year			<u>\$ 2,503,911</u>	

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, 2017

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
ASSETS				
Current assets:				
Pooled cash and investments	\$ 96,048,465	\$ 74,449,576	\$ 24,308,632	\$ 194,806,673
Receivables (net):				
Accrued interest	337,564	228,982	73,865	640,411
Accounts	3,249,724	1,378,364	874,825	5,502,913
Due from other governments	8,727,618	-	-	8,727,618
Inventories	51,877	-	-	51,877
Total current assets	108,415,248	76,056,922	25,257,322	209,729,492
Noncurrent assets:				
Restricted assets:				
Cash and investments	72,350,153	29,422,930	-	101,773,083
Accrued interest	59,091	66,748	-	125,839
Investment in joint venture	66,535,770	55,512,672	-	122,048,442
Capital assets:				
Non-depreciable	89,155,949	24,660,641	32,478	113,849,068
Depreciable, net	231,466,689	160,234,282	12,545,380	404,246,351
Total noncurrent assets	459,567,652	269,897,273	12,577,858	742,042,783
Total assets	567,982,900	345,954,195	37,835,180	951,772,275
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	3,114,862	-	-	3,114,862
Pension-related items	2,222,774	722,997	1,438,839	4,384,610
Total deferred outflows of resources	5,337,636	722,997	1,438,839	7,499,472
LIABILITIES				
Current liabilities:				
Accounts payable	3,359,040	3,662,700	359,021	7,380,761
Accrued liabilities	306,910	103,188	200,272	610,370
Current portion of accrued compensated absences	438,207	160,887	271,459	870,553
Claims payable	-	-	-	-
Bond interest payable	2,485,381	-	-	2,485,381
Bonds payable	4,830,000	-	-	4,830,000
Utility deposits	2,803,982	-	22,159	2,826,141
Total current liabilities	14,223,520	3,926,775	852,911	19,003,206
Noncurrent liabilities:				
Utility revenue bonds payable	129,764,390	-	-	129,764,390
Accrued compensated absences	728,043	356,103	430,136	1,514,282
Post-employment benefits	15,594	15,705	7,214	38,513
Net pension liability	10,711,812	3,939,958	6,712,729	21,364,499
Total noncurrent liabilities	141,219,839	4,311,766	7,150,079	152,681,684
Total liabilities	155,443,359	8,238,541	8,002,990	171,684,890
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	1,321,796	429,938	855,621	2,607,355
Total deferred inflows of resources	1,321,796	429,938	855,621	2,607,355
NET POSITION				
Net investment in capital assets	202,064,117	184,894,923	12,577,858	399,536,898
Restricted for capital projects	17,841,112	24,972,302	-	42,813,414
Unrestricted	196,650,152	128,141,488	17,837,550	342,629,190
Total net position	\$ 416,555,381	\$ 338,008,713	\$ 30,415,408	\$ 784,979,502
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(13,652)
Net position of business-type activities				\$ 784,965,850

**Governmental
Activities -
Internal Service
Funds**

\$	3,945,666
	9,946
	32,437
	-
	<u>667,954</u>
	<u>4,656,003</u>
	-
	-
	-
	90,517
	<u>90,517</u>
	<u>4,746,520</u>
	-
	427,988
	<u>427,988</u>
	196,226
	63,368
	94,554
	1,650,317
	-
	-
	<u>2,004,465</u>
	-
	134,103
	-
	<u>2,147,219</u>
	<u>2,281,322</u>
	<u>4,285,787</u>
	254,508
	<u>254,508</u>
	90,517
	-
	543,696
\$	<u><u>634,213</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, 2017

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
Operating revenues				
Charges for services	\$ 40,695,922	\$ 26,031,784	\$ 18,270,233	\$ 84,997,939
Other	60,897	-	59,774	120,671
Total operating revenues	<u>40,756,819</u>	<u>26,031,784</u>	<u>18,330,007</u>	<u>85,118,610</u>
Operating expenses				
General and administrative	1,728,769	763,069	824,466	3,316,304
Personal services	8,400,434	3,702,201	6,826,847	18,929,482
Operation and maintenance	13,426,871	10,859,722	6,886,265	31,172,858
Claims Incurred	-	-	-	-
Depreciation	12,616,269	10,561,019	1,449,610	24,626,898
Allocation of indirect expenses	2,054,360	985,790	1,009,200	4,049,350
Total operating expenses	<u>38,226,703</u>	<u>26,871,801</u>	<u>16,996,388</u>	<u>82,094,892</u>
Operating income (loss)	<u>2,530,116</u>	<u>(840,017)</u>	<u>1,333,619</u>	<u>3,023,718</u>
Nonoperating revenues (expenses)				
Intergovernmental	952,598	-	-	952,598
Interest expense	(4,334,848)	-	-	(4,334,848)
Investment earnings	552,040	387,274	69,813	1,009,127
Gain (loss) on sale of capital assets	14,888	25,056	52,487	92,431
Total nonoperating revenues (expenses)	<u>(2,815,322)</u>	<u>412,330</u>	<u>122,300</u>	<u>(2,280,692)</u>
Income (loss) before capital contributions and transfers	(285,206)	(427,687)	1,455,919	743,026
Capital contributions	19,897,166	11,199,802	3,036,589	34,133,557
Transfers in	-	780,498	-	780,498
Transfers out	(1,226,499)	-	-	(1,226,499)
Change in net position	18,385,461	11,552,613	4,492,508	34,430,582
Total net position, beginning of year	<u>398,169,920</u>	<u>326,456,100</u>	<u>25,922,900</u>	
Total net position, end of year	<u>\$ 416,555,381</u>	<u>\$ 338,008,713</u>	<u>\$ 30,415,408</u>	
				452,178
				<u>\$ 34,882,760</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**

\$	24,942,365
	265,780
	<u>25,208,145</u>

1,300,912
1,917,343
4,714,178
14,729,987
9,388
-

<u>22,671,808</u>

<u>2,536,337</u>

-
-

22,863

<u>22,863</u>

2,559,200

-
-

<u>(7,332)</u>

2,551,868

<u>(1,917,655)</u>

<u>\$ 634,213</u>

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, 2017

	Business-type Activities - Enterprise Funds			
	Water	Wastewater	Environmental Services	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 32,970,350	\$ 26,080,294	\$ 18,292,615	\$ 77,343,259
Other operating cash receipts	60,897	-	59,774	120,671
Cash receipts from other funds for services	-	-	-	-
Cash receipts from deposits	(202,290)	-	(1,500)	(203,790)
Cash payments to suppliers for goods and services	(14,595,061)	(10,426,529)	(8,091,523)	(33,113,113)
Cash payments to employees for services	(8,270,479)	(3,671,845)	(6,766,021)	(18,708,345)
Cash payments to other funds for services	(2,054,360)	(985,790)	(1,009,200)	(4,049,350)
Net cash provided by operating activities	<u>7,909,057</u>	<u>10,996,130</u>	<u>2,484,145</u>	<u>21,389,332</u>
Cash flows from noncapital financing activities:				
Changes in due to other funds	-	-	-	-
Transfers from other funds	-	780,498	-	780,498
Transfers to other funds	(1,226,499)	-	-	(1,226,499)
Net cash provided by (used in) noncapital financing activities	<u>(1,226,499)</u>	<u>780,498</u>	<u>-</u>	<u>(446,001)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(25,596,854)	(10,556,416)	(1,148,813)	(37,302,083)
Proceeds from development fees	11,864,120	6,992,364	-	18,856,484
Cash paid for interest and fiscal charges	(2,506,189)	-	-	(2,506,189)
Proceeds from sale of capital assets	14,888	25,056	52,487	92,431
Intergovernmental revenue	952,598	-	-	952,598
Net cash used in capital and related financing activities	<u>(15,271,437)</u>	<u>(3,538,996)</u>	<u>(1,096,326)</u>	<u>(19,906,759)</u>
Cash flows from investing activities:				
Interest received on investments	391,298	264,411	43,906	699,615
Net cash provided by investing activities	<u>391,298</u>	<u>264,411</u>	<u>43,906</u>	<u>699,615</u>
Net increase (decrease) in cash and cash equivalents	(8,197,581)	8,502,043	1,431,725	1,736,187
Cash and cash equivalents at beginning of year	176,596,199	95,370,463	22,876,907	294,843,569
Cash and cash equivalents at end of year	<u>\$ 168,398,618</u>	<u>\$ 103,872,506</u>	<u>\$ 24,308,632</u>	<u>\$ 296,579,756</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	\$ 96,048,465	\$ 74,449,576	\$ 24,308,632	\$ 194,806,673
Restricted cash and investments	72,350,153	29,422,930	-	101,773,083
Total cash and cash equivalents	<u>\$ 168,398,618</u>	<u>\$ 103,872,506</u>	<u>\$ 24,308,632</u>	<u>\$ 296,579,756</u>
Reconciliation of operating income (loss) to net cash provided by operations:				
Operating income (loss)	\$ 2,530,116	\$ (840,017)	\$ 1,333,619	\$ 3,023,718
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	12,616,269	10,561,019	1,449,610	24,626,898
Provision for uncollectible accounts	53,508	39,987	31,839	125,334
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(7,779,079)	8,523	(9,457)	(7,780,013)
Increase in inventories	(4,118)	-	-	(4,118)
Decrease in prepaid expense	-	-	2,500	2,500
Increase in deferred outflows of resources	(617,893)	(182,141)	(371,402)	(1,171,436)
Increase (decrease) in accounts payable	564,696	1,196,262	(383,292)	1,377,666
Decrease in claims payable	-	-	-	-
Decrease in deposits	(202,290)	-	(1,500)	(203,790)
Increase (decrease) in accrued expenses	(145,532)	(59,252)	(117,501)	(322,285)
Increase in net pension liability	440,113	134,511	271,783	846,407
Increase in deferred inflows of resources	453,267	137,238	277,946	868,451
Total adjustments	<u>5,378,941</u>	<u>11,836,147</u>	<u>1,150,526</u>	<u>18,365,614</u>
Net cash provided by operating activities	<u>\$ 7,909,057</u>	<u>\$ 10,996,130</u>	<u>\$ 2,484,145</u>	<u>\$ 21,389,332</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	\$ 8,033,046	\$ 4,207,438	\$ 3,036,589	\$ 15,277,073
Total additions to property and equipment	<u>\$ 8,033,046</u>	<u>\$ 4,207,438</u>	<u>\$ 3,036,589</u>	<u>\$ 15,277,073</u>

**Governmental
Activities -
Internal Service
Funds**

\$ -
593,548
24,940,874
-
(21,043,025)
(1,822,948)
-
2,668,449

(1,200,000)
-
(7,332)
(1,207,332)

(93,526)
-
-
-
(93,526)

15,344
15,344

1,382,935
2,562,731
\$ 3,945,666

\$ 3,945,666
-
\$ 3,945,666

\$ 2,536,337

9,388
-

326,277
(140,975)
-
(117,449)
(101,030)
(55,943)
-

41,351
84,042
86,451
132,112

\$ 2,668,449

\$ -
\$ -

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, 2017

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments	\$ 87,980	\$ 10,539
Prepaid items	<u>-</u>	<u>14,826</u>
Total assets	<u>87,980</u>	<u>\$ 25,365</u>
LIABILITIES		
Dependent care benefits payable	<u>-</u>	\$ 25,365
Total liabilities	<u>-</u>	<u>\$ 25,365</u>
NET POSITION		
Restricted for pensions	<u>\$ 87,980</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, 2017

	Firemen's Pension Trust
Additions	
Interest on investments	\$ 432
Total additions	432
Deductions	
Benefits	2,400
Administration	100
Total deductions	2,500
Change in net position	(2,068)
Net position - beginning of the year	90,048
Net position - end of the year	\$ 87,980

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



TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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.

During the fiscal year ended June 30, 2017, Gilbert implemented the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement establishes guidance requiring state and local governments to disclose key information about tax abatement agreements. See Note 21.

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 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, 2017, 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.

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

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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. 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 2017 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.

For the most part, the effect of internal activity has been removed from the government-wide financial statements. Net internal activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. Certain charges between the enterprise funds' utility systems and the various functional activities are not eliminated as this would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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.

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).

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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 highway user fund accounts for Gilbert's portion of the Arizona Highway User Revenue Tax. The revenue is used exclusively for the maintenance and improvement of highways and streets.

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.

General Obligation 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.

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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 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.

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.

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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 require a pooled collateral program for public deposits and regulate the investment of surplus cash. Gilbert limits its investments to the Local Government Investment Pool (managed by the Arizona State Treasurer), U.S. government securities, certificates of deposit, bonds, repurchase agreements, corporate notes, 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.

H. Inventories and Prepaid Items

Inventories are recorded in 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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.

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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 acquisition value. 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).

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.

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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.

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 limited property 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.

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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 2017, Gilbert's property tax rate is \$1.06 per \$100 of secondary assessed valuation.

O. Deferred outflows/inflows of resources

On the government-wide and proprietary funds Statement of Net Position, deferred outflows of resources are reported and represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Gilbert has two items that qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred charge on pension-related items results from the difference between expected and actual experience and also changes in proportion and differences between Gilbert contributions and proportionate share of contributions. These amounts are deferred and amortized over a closed period equal to the average of the expected remaining service lives of active and inactive members.

On the governmental funds Balance Sheet, deferred inflows of 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, which 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.

On the government-wide and proprietary funds Statement of Net Position, deferred inflows of resources are reported on pension-related items for the net difference between projected and actual investment earnings on pension plan investments. These amounts are amortized into pension expense over a closed five-year period.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Fund Balance Classifications

Fund balance classifications comprise a hierarchy based primarily on the extent to which Gilbert is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. *Nonspendable* and *Restricted* fund balances represent the restricted classifications and *Committed*, *Assigned* and *Unassigned* represent the unrestricted classifications.

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

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

As of June 30, 2017, the fund balance details by classification are listed below:

Fund balances:	General Fund	Streets		Major Debt Service Funds		Major Capital Projects Funds		Other Gov't	Total
		Special Revenue	General	Special Assmnts	GO Bonds	System Dev Fees			
Nonspendable:									
Advances	\$18,988,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,988,300
Inventory	-	-	-	-	-	-	-	1,976	1,976
Prepaid items	6,765	-	-	-	-	-	-	-	6,765
Restricted for:									
Capital projects	-	-	-	-	70,260,475	40,241,657	21,308,059	-	131,810,191
Court/public safety programs	-	-	-	-	-	-	1,890,903	-	1,890,903
Debt service	-	-	2,186,272	73,153	-	-	-	-	2,259,425
Federal/state/local grants	-	-	-	-	-	-	835,571	-	835,571
Highways and streets	-	2,503,911	-	-	-	-	-	-	2,503,911
Contract agreements	-	-	-	-	-	-	60,163	-	60,163
Parks & recreation programs	-	-	-	-	-	-	10,632	-	10,632
Special districts	-	-	-	-	-	-	353,722	-	353,722
Assigned to:									
Capital replacement	17,501,836	-	-	-	-	-	-	-	17,501,836
Capital projects	3,498,218	-	-	-	2,856,940	-	20,744,901	-	27,100,059
Debt service	-	-	10,634,103	-	-	-	-	-	10,634,103
Development services	48,920	-	-	-	-	-	-	-	48,920
Highways and streets	11,574,433	-	-	-	-	-	-	-	11,574,433
Management and policy	99,069	-	-	-	-	-	151,098	-	250,167
Parks & recreation programs	43,500	-	-	-	-	-	-	-	43,500
Unassigned:	<u>82,884,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,098,343)</u>	<u>(254,959)</u>	<u>-</u>	<u>63,531,587</u>
Total fund balances	<u>\$134,645,930</u>	<u>\$2,503,911</u>	<u>\$12,820,375</u>	<u>\$ 73,153</u>	<u>\$73,117,415</u>	<u>\$ 21,143,314</u>	<u>\$45,102,066</u>	<u>-</u>	<u>\$289,406,164</u>

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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 – Fund Reclassifications

During the fiscal year, there was a change in reporting of vehicle license tax (VLT) revenue and the expenditure of those funds. The revenues and expenditures were previously recorded in the Streets Special Revenue Fund. A prior period adjustment was recorded to reclassify the VLT portion of fund balance in the Streets Special Revenue Fund to the General Fund.

In addition, due to a change in reporting, the capital replacement portion of the Streets Special Revenue Fund was reclassified to the General Fund.

	General	Streets
Fund balances at June 30, 2016, as previously reported	\$ 119,045,537	\$ 17,830,012
Adjustment for reclass of VLT	12,817,040	(12,817,040)
Adjustment for reclass of capital replacement	5,012,972	(5,012,972)
Fund balance at June 30, 2016, restated	<u>\$ 136,875,549</u>	<u>\$ -</u>

Note 3 - Budgetary Basis of Accounting

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

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

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

1. Obligations for compensated absences, post-employment benefits, net pension liability 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 is expensed on the GAAP basis but is not recognized on the budget basis.

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

Note 4 - Deposits and Investments

The Arizona Revised Statutes require a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102% of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

The investment of public monies is also regulated by the Arizona Revised Statutes Title 35. Gilbert limits its investments to the Local Government Investment Pools 7 and 700 (that only invest in U.S. government securities and managed by the Arizona State Treasurer), U.S. government securities, certificates of deposit, bonds, commercial paper, corporate notes and money market accounts. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Gilbert categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using other significant observable inputs. Gilbert's investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurement Using</u>	
		<u>Level 1</u>	<u>Level 2</u>
U.S. Government Treasuries	\$ 43,926,741	\$ 43,926,741	\$ -
U.S. Government Agencies	262,963,838	-	262,963,838
Certificates of Deposit	61,449,715	-	61,449,715
Corporate Notes	86,578,682	-	86,578,682
Commercial Paper	27,360,198	-	27,360,198
Money Market – U.S. Treasuries	49,303,647	-	49,303,647
Total Investments by Fair Value Level	<u>531,582,821</u>	<u>\$ 43,926,741</u>	<u>\$ 487,656,080</u>
External Investment Pools Measured at Fair Value			
State Treasurer's Investment Pool	66,431,767		
Total Investments Measured at Fair Value	<u>\$ 598,014,588</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.

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At June 30, 2017, Gilbert’s investment maturities were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-3
U.S. Government Treasuries	\$ 43,926,741	\$ 4,632,567	\$ 39,294,174
U.S. Government Agencies	262,963,838	49,493,384	213,470,454
Certificates of Deposit	61,449,715	17,660,189	43,789,526
Corporate Notes	86,578,682	15,912,392	70,666,290
Commercial Paper	27,360,198	27,360,198	-
State Treasurer’s Investment Pool	66,431,767	26,827,744	39,604,023
Money Market – U.S. Treasuries	49,303,647	49,303,647	-
Total	\$ 598,014,588	\$ 191,190,121	\$ 406,824,467

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, 2017, the investments in the U.S. Government Agencies were rated AA+ and the investments in Corporate Notes ranged from A- ratings to AA+ ratings. Gilbert’s investment in the State Treasurer’s Investment Pool did not receive a credit quality rating from a national rating agency.

Custodial credit risk - deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of June 30, 2017, Gilbert’s bank balance was \$24,351,793 of which \$6,688,042 was with JP Morgan and \$17,663,751 was with Alliance Bank of Arizona. \$6,438,042 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, a portion of Gilbert’s bank balance is transferred to a sweep investment account. All of the Alliance Bank of Arizona bank balance was FDIC-insured because deposits are placed into multiple banks in increments of less than \$250,000.

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, 2017, of Gilbert’s investments, 44% were in U.S. Government Agencies, 14% were in Corporate Notes, 10% were in Certificates of Deposit, 7% were in U.S. Government Treasuries and 11% were in the State Treasurer’s Investment Pool.

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

Primary government:	
Carrying amount of cash	\$ 10,839,548
Carrying amount of deposits/investments	598,014,588
Total cash and investments	<u>\$ 608,854,136</u>
Pooled cash and investments	\$ 489,019,374
Restricted cash and investments	119,736,243
Total cash and investments (per Statement of Net Position)	608,755,617
Agency funds	98,519
Total cash and investments	<u>\$ 608,854,136</u>

Note 5 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2017, includes \$1,862,985 in state shared sales tax and \$3,306,829 in local sales tax. The general fund due from other governments includes \$350,884 in vehicle license tax due from the State of Arizona. Amounts in the streets special revenue fund include \$1,367,464 in highway user revenues due from the State of Arizona. Other governmental funds include federal grant receivables of \$327,964 from the U.S. Department of Housing and Urban Development, \$56,260 from the U.S. Department of Transportation, and \$16,160 from the U.S. Department of Homeland Security. Additionally, other governmental funds include Racketeer Influenced Corrupt Organizations (RICO) funds of \$1,123,535 from Maricopa County Attorney’s Office. The water fund includes \$99,336 and \$8,628,283 in amounts due from the City of Chandler for the joint operation of the SanTan Vista Water Treatment Plant and expansion expenses, respectively. The balance of these receivables represents various grants from the state and federal governments.

Note 6 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2017, is as follows:

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

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 351,386	\$ -
Other Governmental Funds	-	351,386
Total	<u>\$ 351,386</u>	<u>\$ 351,386</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>Advances to</u>	<u>Advances from</u>
General Fund	\$ 18,988,300	\$ -
System Development Fees Capital Projects Fund	-	18,988,300
Total	<u>\$ 18,988,300</u>	<u>\$ 18,988,300</u>

TOWN OF GILBERT, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

Note 7 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2017, is as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Non-depreciable assets:				
Land	\$ 181,780,994	\$ 797,222	\$ -	\$ 182,578,216
Construction-in-progress	43,351,693	26,744,932	(5,735,922)	64,360,703
Total non-depreciable assets	<u>225,132,687</u>	<u>27,542,154</u>	<u>(5,735,922)</u>	<u>246,938,919</u>
Depreciable assets:				
Buildings	257,541,600	149,957	-	257,691,557
Improvements other than buildings	71,677,562	1,866,970	-	73,544,532
Machinery and equipment	60,232,590	3,324,729	(1,312,590)	62,244,729
Infrastructure	1,060,192,827	26,092,913	-	1,086,285,740
Total depreciable assets	<u>1,449,644,579</u>	<u>31,434,569</u>	<u>(1,312,590)</u>	<u>1,479,766,558</u>
Less accumulated depreciation:				
Buildings	(93,998,122)	(10,275,334)	-	(104,273,456)
Improvements other than buildings	(42,834,246)	(2,906,428)	-	(45,740,674)
Machinery and equipment	(46,813,656)	(3,288,718)	1,220,601	(48,881,773)
Infrastructure	(496,027,655)	(36,393,517)	-	(532,421,172)
Total accumulated depreciation	<u>(679,673,679)</u>	<u>(52,863,997)</u>	<u>1,220,601</u>	<u>(731,317,075)</u>
Total depreciable assets, net	<u>769,970,900</u>	<u>(21,429,428)</u>	<u>(91,989)</u>	<u>748,449,483</u>
Governmental activities capital assets, net	<u>\$ 995,103,587</u>	<u>\$ 6,112,726</u>	<u>\$ (5,827,911)</u>	<u>\$ 995,388,402</u>

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

Management and policy	\$ 747,494
Finance and management services	295,654
Legal and court	493,255
Development services	2,180,397
Police	2,742,408
Fire	2,930,902
Highways and streets	37,361,233
Parks and recreation	6,103,266
Total depreciation expense not including internal service funds	<u>\$ 52,854,609</u>
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	9,388
Total depreciation expense – governmental activities	<u>\$ 52,863,997</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2017, is as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Non-depreciable assets:				
Land	\$ 67,380,934	\$ 5,318,762	\$ (4,909,446)	\$ 67,790,250
Construction-in-progress	17,242,397	35,942,743	(7,126,322)	46,058,818
Total non-depreciable assets	<u>84,623,331</u>	<u>41,261,505</u>	<u>(12,035,768)</u>	<u>113,849,068</u>
Depreciable assets:				
Plant and equipment	138,726,948	1,556,898	(827,446)	139,456,400
Water rights	9,146,281	-	-	9,146,281
Infrastructure	473,215,646	16,887,077	-	490,102,723
Total depreciable assets	<u>621,088,875</u>	<u>18,443,975</u>	<u>(827,446)</u>	<u>638,705,404</u>
Less accumulated depreciation:				
Plant and equipment	(65,996,145)	(5,772,039)	827,446	(70,940,738)
Water rights	(1,987,287)	(98,292)	-	(2,085,579)
Infrastructure	(149,761,465)	(11,671,271)	-	(161,432,736)
Total accumulated depreciation	<u>(217,744,897)</u>	<u>(17,541,602)</u>	<u>827,446</u>	<u>(234,459,053)</u>
Total depreciable assets, net	<u>403,343,978</u>	<u>902,373</u>	<u>-</u>	<u>404,246,351</u>
Business-type activities capital assets, net	<u>\$ 487,967,309</u>	<u>\$ 42,163,878</u>	<u>\$ (12,035,768)</u>	<u>\$ 518,095,419</u>

Note 8 – Construction-in-Progress and Commitments

Governmental activities construction-in-progress and related construction commitments at June 30, 2017, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Redevelopment	\$ 703,752	\$ 1,822,116
Municipal facilities	14,081,220	1,326,052
Parks	6,806,456	1,875,153
Traffic control	3,951,850	327,953
Streets capital projects	38,817,425	5,258,640
Total	<u>\$ 64,360,703</u>	<u>\$ 10,609,914</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

Business-type activities construction-in-progress and related construction commitments at June 30, 2017, were as follows:

	Construction- in-Progress	Commitments
Water system	\$ 31,620,875	\$ 39,071,276
Wastewater system	14,405,465	10,679,517
Environmental services	32,478	131,249
Total	\$ 46,058,818	\$ 49,882,042

In addition, there were non-construction related commitments at June 30, 2017, as follows:

Governmental funds:	
General Fund	\$ 191,489
Highway User Special Revenue	211,577
Other governmental	32,675
Total	\$ 435,741
Proprietary funds:	
Water	\$ 35,455
Wastewater	142,726
Environmental Services	315,846
Internal Service	46,849
Total	\$ 540,876

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 2017, there was no reduction in insurance coverage from prior years. Additionally, settlements have not exceeded insurance coverage during any of the last three fiscal years.

Self-Insurance

Gilbert has established an employee benefit self-insurance trust to account for and finance its uninsured risks of loss for medical claims. Gilbert purchases commercial stop loss insurance to limit the claims liability to the employee benefit self-insurance fund. The stop loss insurance provides 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.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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The claims liability of \$1,650,317 reported in the employee benefit self-insurance trust at June 30, 2017, 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 2017, a decrease of \$59,691 and an increase of \$3,748 were recorded for IBNR claims under the medical and dental plans, respectively. 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 2017 reflected a decrease in claims costs of \$4,686,646 from fiscal year 2016. This was due to a decrease of \$4,686,806 in medical claims and an increase of \$160 in dental claims.

Changes in the fund's claim liability amount in fiscal years 2016 and 2017 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
2016	\$ 1,398,171	\$ 19,416,633	\$ (19,108,544)	\$ 1,706,260
2017	1,706,260	14,729,987	(14,785,930)	1,650,317

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. Currently, there are no outstanding general obligation bonds for business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of Gilbert.

General obligation bonds outstanding at June 30, 2017, were as follows:

	<u>Governmental</u>
2008 General Obligation Bonds, 3.0% to 5.0%, original amount \$187,990,000, annual retirements due July 1, 2009, through July 1, 2023	\$ 31,000,000
2017 General Obligation and General Obligation Refunding Bonds, Series 2017, 3.0% to 5.0%, original amount \$121,670,000, annual retirements due July 1, 2017, through July 1, 2036	<u>112,945,000</u>
Total	<u><u>\$ 143,945,000</u></u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 15,855,000	\$ 6,424,550
2019	16,645,000	5,631,800
2020	17,480,000	4,799,550
2021	18,355,000	3,925,550
2022	16,180,000	3,007,800
2023-2027	27,705,000	8,183,750
2028-2032	16,220,000	4,637,450
2032-2036	15,505,000	1,180,050
Total	<u>\$ 143,945,000</u>	<u>\$ 37,790,500</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 limited property valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of Gilbert's net limited property valuation. The following is a summary of legal borrowing capacity at June 30, 2017:

Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Special Purpose Bonds		All Other General Obligation Bonds	
Limited Property Valuation	<u>\$1,979,359,269</u>	Limited Property Valuation	<u>\$1,979,359,269</u>
20% constitutional limit	\$ 395,871,854	6% constitutional limit	\$ 118,761,556
Less general obligation bonds outstanding	(143,945,000)	Less general obligation bonds outstanding	-
Less premium adjustment	<u>(9,675,637)</u>	Less premium adjustment	<u>-</u>
Available 20% limitation borrowing capacity	<u>\$ 242,251,217</u>	Available 6% limitation borrowing capacity	<u>\$ 118,761,556</u>

Special Assessment Bonds with Governmental Commitment

As trustee for the improvement districts, Gilbert is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2017, 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.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

Special assessment bonds outstanding at June 30, 2017, 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	\$ 150,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012 through January 1, 2029	<u>5,955,000</u>
Total	<u>\$ 6,105,000</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>
2018	\$ 395,000	\$ 301,428
2019	395,000	281,273
2020	420,000	260,478
2021	445,000	238,405
2022	470,000	215,057
2023-2027	2,735,000	681,965
2028-2029	1,245,000	64,132
Total	<u>\$ 6,105,000</u>	<u>\$ 2,042,738</u>

Street and Highway User Revenue Bonds

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

Street and highway user revenue bonds outstanding at June 30, 2017, were as follows:

	<u>Governmental</u>
2012 Street and Highway User Revenue Refunding Bonds, 3.0% to 5.0% original amount \$16,945,000, annual retirements due July 1, 2014 through July 1, 2019	\$ 6,345,000

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>
2018	\$ 3,095,000	\$ 317,250
2019	3,250,000	162,500
Total	<u>\$ 6,345,000</u>	<u>\$ 479,750</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

Municipal Property Corporation (MPC) Revenue Bonds

The Public Facilities MPC exists solely for the purpose of financing the cost of acquisition of certain interests in real property to locate public safety and parks and recreation facilities, the costs of design, construction and outfitting of parks and recreation facilities and a parking facility (the 2009 issue); and the refunding of certain maturities of outstanding bonds (the 2011 and 2014 issues). The Water MPC exists solely for the purpose of financing the construction of water and wastewater capital improvement projects. (See also Note 18 regarding Pledged Revenues.)

Municipal property corporation revenue bonds outstanding at June 30, 2017, were as follows:

	<u>Governmental</u>	<u>Business-Type</u>
2009 Public Facilities Municipal Property Corporation Revenue Bonds, 4.0% to 5.5%, original amount \$80,585,000, annual retirements due July 1, 2009 through July 1, 2028	\$ 63,870,000	\$ -
2011 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 3.0% to 4.75%, original amount \$20,980,000, annual retirements due July 1, 2013 through July 1, 2021	12,675,000	-
2014 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 2.0% to 5.0%, original amount \$28,080,000, annual retirements due July 1, 2016 through July 1, 2021	28,030,000	-
2016 Water Resources Municipal Property Corporation, Senior Lien Utility System Revenue and Revenue Refunding Bonds, 2.25% to 5.0%, original amount \$115,940,000, annual retirements due July 1, 2017 through July 1, 2036	-	115,940,000
Total	<u>\$ 104,575,000</u>	<u>\$ 115,940,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 9,005,000	\$ 5,057,700	\$ 4,830,000	\$ 4,874,163
2019	10,540,000	4,592,588	5,055,000	4,651,188
2020	11,040,000	4,082,088	5,285,000	4,392,688
2021	11,555,000	3,540,962	5,545,000	4,121,938
2022	11,720,000	2,969,138	5,835,000	3,837,438
2023-2027	28,525,000	10,282,062	33,845,000	14,430,210
2028-2032	22,190,000	1,226,225	39,565,000	6,714,644
2033-2037	-	-	15,980,000	1,648,000
Total	<u>\$ 104,575,000</u>	<u>\$ 31,750,763</u>	<u>\$ 115,940,000</u>	<u>\$ 44,670,269</u>

University Revenue Obligations

The University Revenue Obligations were issued specifically for the purpose of providing funds to design, acquire and construct a four-story building to be utilized for educational purposes. These obligations are payable solely from the revenues generated by excise taxes and state shared revenue.

**TOWN OF GILBERT, ARIZONA
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June 30, 2017**

Subordinate lien pledged revenue obligations outstanding at June 30, 2017, were as follows:

Subordinate Lien Pledged Revenue Obligations, Series 2015, 3.0% to 5.0% original amount \$36,980,000, annual retirements due July 1, 2017 through July 1, 2045	<u>Governmental</u> \$ 36,980,000
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Annual debt service requirements to maturity for subordinate lien pledged revenue obligations are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 655,000	\$ 1,596,081
2019	670,000	1,572,856
2020	700,000	1,541,956
2021	735,000	1,506,081
2022	770,000	1,468,456
2023-2027	4,475,000	6,708,406
2028-2032	5,690,000	5,482,935
2033-2037	6,845,000	4,316,195
2038-2042	8,250,000	2,931,981
2043-2046	8,190,000	844,000
Total	<u>\$ 36,980,000</u>	<u>\$ 27,968,947</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$105,250,000	\$121,670,000	\$(82,975,000)	\$143,945,000	\$ 15,855,000
Special assessment bonds with government commitment	6,480,000	-	(375,000)	6,105,000	395,000
Revenue bonds	121,895,000	-	(10,975,000)	110,920,000	12,100,000
Revenue obligations	36,980,000	-	-	36,980,000	655,000
Unamortized bond premium	9,729,280	14,138,700	(2,547,642)	21,320,338	-
Total bonds payable	<u>280,334,280</u>	<u>135,808,700</u>	<u>(96,872,642)</u>	<u>319,270,338</u>	<u>29,005,000</u>
Net pension liability	97,814,271	66,416,887	(34,767,991)	129,463,167	-
Compensated absences	14,195,868	10,987,464	(8,922,654)	16,260,678	5,495,403
Post-employment benefits	2,529,927	-	(2,299,815)	230,112	-
Total long-term liabilities	<u>\$394,874,346</u>	<u>\$213,213,051</u>	<u>\$(142,863,102)</u>	<u>\$465,224,295</u>	<u>\$ 34,500,403</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$115,940,000	\$ -	\$ -	\$115,940,000	\$ 4,830,000
Unamortized bond premium	19,470,861	-	(816,471)	18,654,390	-
Total bonds payable	<u>135,410,861</u>	<u>-</u>	<u>(816,471)</u>	<u>134,594,390</u>	<u>4,830,000</u>
Net pension liability	20,518,092	6,666,936	(5,820,538)	21,364,490	-
Compensated absences	2,155,941	1,929,225	(1,700,331)	2,384,835	870,553
Post-employment benefits	661,875	-	(623,362)	38,513	-
Total long-term liabilities	<u>\$158,746,769</u>	<u>\$ 8,596,161</u>	<u>\$ (8,960,702)</u>	<u>\$158,382,228</u>	<u>\$ 5,700,553</u>

TOWN OF GILBERT, ARIZONA
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June 30, 2017

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, \$228,657 of internal service funds compensated absences and \$2,147,219 net pension liability are included in the above amounts.

The net pension liability, long-term compensated absences and postemployment benefits 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, 2017, Industrial Development Authority Revenue Bonds and Master Lease and Sublease Agreements outstanding were \$28,905,023 and \$11,905,711 respectively.

Note 11 – Refunding Bonds

On May 10, 2017, Gilbert issued \$57,155,000 of refunding bonds with a net premium of \$7,428,334 to advance refund \$61,050,000 of outstanding Series 2008 General Obligation Bonds. In addition, Gilbert issued \$64,515,000 of general obligation bonds with a net premium of \$6,710,366 to provide funds for certain street improvements. See Note 10 for additional detail on the general obligation bonds issued. The Series 2017 General Obligation Refunding Bonds were issued with an average interest rate of 5.0%. Gilbert realized net proceeds of \$64,472,453 after payment of \$110,881 for underwriting fees. These proceeds were provided to an escrow trustee to pay issuance costs of approximately \$290,819 with the remaining \$64,181,634 used to provide cash and purchase United States government securities. The cash and government securities were deposited in an irrevocable trust to provide for all future debt service payments of the Series 2008 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. The purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service payments. The refunding will reduce debt service payments by \$3,814,327 over the next 5 years, producing an economic gain (difference between present value of old and new debt service payments) of \$3,392,883.

Note 12 – Pension and Other Postemployment Benefits

Gilbert contributes to the pension plans described below. Gilbert also contributes to the Elected Officials Retirement Plan; however, the plan is not described below because of its relative insignificance to the financial statements. The plans are component units of the State of Arizona.

Gilbert reported \$23,077,058 of pension expenditures in the governmental funds related to all pension plans to which it contributes for fiscal year 2017.

TOWN OF GILBERT, ARIZONA
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June 30, 2017

A. Arizona State Retirement System

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

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48% (11.34% for retirement and 0.14% for long term disability) of the members' annual covered payroll, and statute required Gilbert to contribute at the actuarially determined rate of 11.48% (10.78% for retirement, 0.56% for health insurance premium benefit, and 0.14% for long-term disability) of the members' annual covered payroll.

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

Year Ending	Health Benefit Supplement Fund	Long-Term Disability Fund
2017	\$ 286,262	\$ 66,447
2016	231,747	54,424
2015	264,076	53,539

During fiscal year 2017, Gilbert paid for ASRS pension and OPEB contributions as follows: 62% from the general fund, 35% from major funds, and 3% from other funds.

Pension Liability – At June 30, 2017, Gilbert reported a liability of \$78,813,297 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016 reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

Gilbert's proportion of the net pension liability was based on Gilbert's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. Gilbert's proportion measured as of June 30, 2016, was 0.48828%, which was an increase of 0.00232% from its proportion measured as of June 30, 2015.

Gilbert's reported liability at June 30, 2017, increased by \$3,117,434 from the prior year liability of \$75,695,863 because of changes in the ASRS' net pension liability and Gilbert's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The allocation of pension liability to the funds is based on employer contributions for the fiscal year.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2017, Gilbert recognized pension expense for ASRS of \$6,918,392. At June 30, 2017, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 478,943	\$ 5,421,779
Changes of assumptions or other inputs	-	4,169,853
Net difference between projected and actual earnings on pension plan investments	8,540,738	-
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	1,905,311	-
Gilbert contributions subsequent to the measurement date	5,187,460	
Total	<u>\$ 16,112,452</u>	<u>\$ 9,591,632</u>

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The \$5,187,460 reported as deferred outflows of resources related to ASRS pensions resulting from Gilbert’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ (2,120,828)
2019	(2,444,419)
2020	3,503,810
2021	2,394,798
2022	-
Thereafter	-

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0% – 6.75%
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

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Discount Rate – The discount rate used to measure the ASRS total pension liability was 8.0%, which is less than the long-term expected rate of return of 8.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Gilbert’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following presents Gilbert’s proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what Gilbert’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Gilbert’s proportionate share of the net pension liability	\$ 100,492,939	\$ 78,813,297	\$ 61,430,964

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

B. Public Safety Personnel Retirement System

Plan Description – Gilbert public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on their website at www.psprs.com.

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

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability:		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% of the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit:		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the agent pension plan's benefit terms:

	Police	Fire
Inactive employees or beneficiaries currently receiving benefits	54	6
Inactive employees entitled to but not yet receiving benefits	45	16
Active employees	207	169
Total	306	191

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

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Beginning on April 17, 2017, at the direction of PSPRS, Gilbert changed the employee contribution rate from 11.65% to 7.65% for employees hired on or before July 19, 2011, due to a mandate from the Arizona Supreme Court for the *Parker* lawsuit ruling. The Arizona Supreme Court determined that the 2011 legislative reforms that increased contribution rates for employees hired prior that date were unconstitutional. Contributions rates for the year ended June 30, 2017, are indicated below.

	Police	Fire
PSPRS members with an initial membership date on or before July 19, 2011		
July 1, 2016 through April 16, 2017	11.65%	11.65%
April 17, 2017 through June 30, 2017	7.65%	7.65%
PSPRS members with an initial membership date after July 19, 2011	11.65%	11.65%
Gilbert:		
Pension	33.29%	23.06%
Health insurance	0.40%	0.43%

For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were as follows (actual contributions made exceeded the annual pension/OPEB cost due to a prepayment) (100% from the general fund):

	Police	Fire
Pension contributions made	\$ 12,630,610	\$ 5,226,516
Health insurance premium benefit contributions made	70,227	80,967

Pension Liability – At June 30, 2017, Gilbert reported \$70,607,144 in net pension liability. The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes in benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2%.
- Laws 2016, Chapter 2, changes the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85% to 7.50%.

The net pension liability measured as of June 30, 2017, will reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in Gilbert's net pension liability as a result of these changes is not known.

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	4.0% – 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
U.S. equity	16%	6.23%
Non-U.S. equity	14%	8.25%
Credit opportunities	13%	7.08%
Private equity	11%	9.50%
Real estate	10%	4.48%
Global tactical asset allocation	10%	4.38%
Real assets	8%	4.77%
Fixed income	7%	2.92%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Short term investments	2%	0.75%
Total	<u>100%</u>	

Pension Discount Rates – At June 30, 2016, the discount rate used to measure total pension liability was 7.50%, which was a decrease of 0.35% from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Agent Plans Net Pension Liability

Police:	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 92,037,035	\$ 59,026,558	\$ 33,010,477
Changes for the year:			
Service cost	3,466,239		3,466,239
Interest on the total pension liability	7,222,969		7,222,969
Changes in benefit terms	9,149,421		9,149,421
Difference between expected and actual experience in the measurement of the total pension liability	547,040		547,040
Changes in assumptions	4,549,861		4,549,861
Contributions – employer		4,426,923	(4,426,923)
Contributions – employee		2,243,118	(2,243,118)
Net investment income		365,916	(365,916)
Benefit payments, including refunds of employee contributions	(3,515,621)	(3,515,621)	
Administrative expenses		(53,053)	53,053
Other changes		113,260	(113,260)
Net changes	21,419,909	3,580,543	17,839,366
Balances at June 30, 2017	\$ 113,456,944	\$ 62,607,101	\$ 50,849,843

Fire:

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 56,875,026	\$ 48,656,228	\$ 8,218,798
Changes for the year:			
Service cost	2,728,554		2,728,554
Interest on the total pension liability	4,550,994		4,550,994
Changes in benefit terms	7,610,545		7,610,545
Difference between expected and actual experience in the measurement of the total pension liability	(1,091,858)		(1,091,858)
Changes in assumptions	3,069,903		3,069,903
Contributions – employer		3,183,837	(3,183,837)
Contributions – employee		1,792,809	(1,792,809)
Net investment income		300,260	(300,260)
Benefit payments, including refunds of employee contributions	(529,722)	(529,722)	
Administrative expenses		(43,606)	43,606
Other changes		96,335	(96,335)
Net changes	16,338,416	4,799,913	11,538,503
Balances at June 30, 2017	\$ 73,213,442	\$ 53,456,141	\$ 19,757,301

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents Gilbert’s net pension liability calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Police net pension liability	\$ 62,280,184	\$ 50,849,843	\$ 36,740,050
Fire net pension liability	31,864,612	19,757,301	9,943,060

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

Pension Expense – For the year ended June 30, 2017, Gilbert recognized \$15,694,891 as pension expense for Police and \$10,074,289 as pension expense for Fire.

Pension Deferred Outflows/Inflows of Resources – At June 30, 2017, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,348,319	\$ -
Changes of assumptions or other inputs	6,900,672	-
Net difference between projected and actual earnings on pension plan investments	3,854,039	-
Gilbert contributions subsequent to the measurement date	12,700,837	-
Total	<u>\$ 25,803,867</u>	<u>\$ -</u>

Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,603,163	\$ 1,974,711
Changes of assumptions or other inputs	3,711,316	-
Net difference between projected and actual earnings on pension plan investments	3,261,815	-
Gilbert contributions subsequent to the measurement date	5,307,483	-
Total	<u>\$ 13,883,777</u>	<u>\$ 1,974,711</u>

The \$12,700,837 for Police and the \$5,307,483 for Fire reported as deferred outflows of resources related to PSPRS pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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<u>Year Ending June 30</u>	<u>Police</u>	<u>Fire</u>
2018	\$ 2,896,931	\$ 1,121,219
2019	2,896,930	1,121,220
2020	3,422,811	1,541,895
2021	2,776,907	1,159,737
2022	871,289	420,564
Thereafter	238,161	1,236,948

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan 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 for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as understood by Gilbert and plan's members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between Gilbert and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0% – 8.0%
Wage growth	4.0%

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Agent Plan OPEB Trend Information – The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Police:

Year Ending June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2017	\$ 70,227	100.0%	\$ -
2016	64,377	100.0%	-
2015	48,585	100.0%	-

Fire:

Year Ending June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2017	\$ 80,967	100.0%	\$ -
2016	54,820	100.0%	-
2015	35,372	100.0%	-

Agent Plan OPEB Funded Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Police</u>	<u>Fire</u>
Actuarial value of assets (a)	\$ 2,150,297	\$ 1,349,131
Actuarial accrued liability (b)	2,346,071	1,688,437
Unfunded actuarial accrued liability (funding excess) (b) – (a)	195,774	339,306
Funded ratio (a) / (b)	91.7%	79.9%
Annual covered payroll (c)	\$ 17,784,704	\$ 14,459,743
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	1.1%	2.4%

The actuarial methods and assumptions for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.0% – 8.0%
Wage growth	4.0%

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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) is 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 2017. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

Note 13 - 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.

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, 2017, there are 55 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 109% 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, 2017, retirees contributed \$598,497 and Gilbert contributed \$39,944 (implied subsidy).

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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, 2017:

Annual Required Contribution (ARC)	\$ 196,857
ARC Adjustment	(3,191,803)
Interest on the Net OPEB Obligation	<u>111,712</u>
Annual OPEB Cost	\$ (2,883,234)
Contributions Made	<u>(39,944)</u>
Decrease in Net OPEB Obligation	\$ (2,923,178)
Net OPEB Obligation – Beginning of year	<u>3,191,803</u>
Net OPEB Obligation – End of year	<u>\$ 268,625</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, 2017 is as follows:

Year Ending June 30	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2017	\$ (2,883,234)	\$ 39,944	138.54%	\$ 268,625
2016	1,605,574	185,952	11.58%	3,191,803
2015	1,367,779	478,335	34.97%	1,772,181

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:

Actuarial Valuation Date July 1	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (1)-(2)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded AAL as Percentage of Covered Payroll (3)/(5)
2016	\$ -	\$ 169,957	\$ (169,957)	0.0%	\$ 72,503,788	(0.23)%
2015	-	12,952,570	(12,952,570)	0.0%	70,730,330	(18.31)%

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.

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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 1 year. 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 for the legacy and preferred plans of (0.85%) initially, 7.50% after 2 years, the reduced by decrements to an ultimate rate of 5.0% after 7 years; an annual medical healthcare cost trend for the Banner plan of (18.22%) initially, 7.50% after 2 years, then reduced by decrements to an ultimate rate of 5.0% after 7 years; an annual dental healthcare cost trend rate of 4.0% initially, reduced to 3.0% after 7 years; and an inflation rate of 3%.

Note 14 – Claims and Judgements

During the fiscal year, the Supreme Court ruled on the Hall v. Elected Officials Retirement Plan (EORP) and the Parker v. Public Safety Personnel Retirement System Plan lawsuits. The courts found that a 2011 law's increases in employee contribution rates for active PSPRS plan and EORP members hired prior to the law's effective date were unconstitutional. As a result, these members are entitled to refunds of their excess employee contributions, plus interest. Employers must provide these refunds because Internal Revenue Service regulations prevent PSPRS from issuing them from the plan's trusts. As such, Gilbert refunded the excess contributions on September 1, 2017. The excess contributions and interest totaling \$6,548,270 is reflected on the Statement of Net Position in Accrued Liabilities and Statement of Activities within the respective function.

Note 15 - Capital Contributions

During the year ended June 30, 2017, the Enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Services</u>	<u>Total</u>
Contributions from developers	\$ 8,033,046	\$ 4,207,438	\$ 3,036,589	\$ 15,277,073
Development fees	11,864,120	6,992,364	-	18,856,484
Total	<u>\$ 19,897,166</u>	<u>\$ 11,199,802</u>	<u>\$ 3,036,589</u>	<u>\$ 34,133,557</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

Note 16 – Interfund Transfers

As of June 30, 2017, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General Fund	\$ 1,185,555	\$ 10,419,190
Streets Special Revenue	-	809,020
General Debt Service	20,568,617	-
System Development Fees	-	11,235,314
Other Governmental Funds	1,579,937	417,252
Total governmental funds	<u>23,334,109</u>	<u>22,880,776</u>
Enterprise funds:		
Water	-	1,226,499
Wastewater	780,498	-
Total enterprise funds	<u>780,498</u>	<u>1,226,499</u>
Internal service funds:		
Employee Benefit Self-Insurance	-	7,332
Total internal service funds	<u>-</u>	<u>7,332</u>
Total transfers	<u>\$ 24,114,607</u>	<u>\$ 24,114,607</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. There were no significant transfers during fiscal year 2017 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

Note 17 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net position at June 30, 2017, were as follows:

<u>Internal service funds</u>	
Equipment Maintenance	\$1,353,544

The deficiency in the equipment maintenance internal service fund is due to the net pension liability.

Note 18 – Contingent Liabilities

Gilbert is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of Gilbert’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of Gilbert.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 19 – Pledged Revenues

Gilbert has pledged future water system development fees revenue and future water and wastewater revenues, net of specified operating expenses, to repay \$115,940,000 in utility system revenue bonds and revenue refunding bonds issued in 2016. Proceeds from the utility system revenue bonds provided financing for water and wastewater system improvements, and the proceeds from the revenue refunding bonds were used to advance refund \$75,326,000 of outstanding 2007 utility system revenue bonds. The bonds are payable from water system development fees revenue and water and wastewater net revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require less than 29 percent of revenue. The total principal and interest remaining to be paid on the bonds is \$153,294,888. Principal and interest paid for the current year was \$9,814,570. Total water system development fees revenue was \$9,914,166 and water and wastewater net revenues were \$24,907,961.

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 22 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$6,824,750. Principal and interest paid for the current year was \$3,411,250, and the total street and highway revenues were \$15,847,097.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$95,570,000 in public facilities municipal property corporation (MPC) revenue bonds issued since 2009, 80,585,000 in public facilities MPC revenue bonds issued in 2009, \$20,980,000 in public facilities MPC revenue refunding bonds issued in 2011 and \$28,080,000 in public facilities MPC revenue refunding bonds issued in 2014. 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. Proceeds from the 2014 refunding bonds were used to advance refund \$30,205,000 of outstanding 2006 public facilities MPC revenue bonds. The bonds are payable through 2028. In addition, Gilbert has pledged future excise taxes and state-shared revenues to repay \$36,980,000 in revenue obligations issued in 2015. Proceeds from the obligations provided financing of the design and construction of a four-story building for use as a satellite campus. Annual principal and interest payments on the bonds and obligations are expected to require less than 12 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds and obligations is \$188,176,169. Principal and interest paid for the current year was \$16,537,081, and the total excise taxes and state-shared revenues were \$146,007,063.

Note 20 - 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.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

Total investment (net of depreciation) as of June 30, 2017, was:

Mesa's Share	\$ 60,345,763
Gilbert's Share	55,512,672
Queen Creek's Share	23,752,263
Total	<u>\$ 139,610,698</u>

Construction for the Phase I of a joint water treatment plant with the City of Chandler was completed in fiscal year 2009 and construction for Phase II began in fiscal year 2015. Phase I of the plant treats 12 million gallons per day each for Gilbert and Chandler. When complete, the Phase II will also treat 12 million gallons per day each for Gilbert and Chandler. Gilbert's investment in joint venture is reflected as a separate line item in the proprietary funds financial statements. Separate financial statements for the joint venture are not prepared.

Total investment (net of depreciation) as of June 30, 2017, was:

Gilbert's Share	\$ 66,535,770
Chandler's Share	56,024,463
Total	<u>\$ 122,560,233</u>

In August 2008, Gilbert entered into an Intergovernmental Agreement with the Cities of Mesa and Apache Junction, Superstition Fire & Medical (F&M), and the Town of Queen Creek (the Parties) to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (Trunked Open Arizona Network – 700/800 MHz Network procured and built by the City of Mesa). On May 1, 2012 and October 26, 2015, Rio Verde Fire District and Fort McDowell Yavapai Nation, respectively, joined TOPAZ. The City of Mesa acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network, in addition to providing all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on 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, 2017, was:

Mesa's Share	\$ 5,409,285
Apache Junction's Share	418,383
Gilbert's Share	225,542
Superstition F&M's Share	153,879
Queen Creek's Share	106,738
Rio Verde FD's Share	13,026
Total	<u>\$ 6,326,853</u>

Note 21 – Tax Abatements

Gilbert has made a commitment as part of our economic development program to reimburse certain public improvement costs through transaction privilege taxes generated out of the respective development area. Additional information regarding this agreement may only be disclosed when a sufficient number of participants can be aggregated together. Gilbert has an insufficient number of participants within the development area to authorize such disclosure, as detailed information on such commitments is prohibited from disclosure under Arizona Revised Statute 42-2002 *Disclosure of Confidential Information Prohibited*.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

Schedule of the Proportionate Share of the Net Pension Liability:

Arizona State Retirement System

	Fiscal Year			2014 through 2008
	2017	2016	2015	
Proportion of the net pension liability	0.49%	0.49%	0.47%	Information not available (2)
Proportionate share of the net pension liability	\$78,813,297	\$75,695,863	\$69,412,268	
Covered payroll (1)	45,764,167	43,765,044	42,295,765	
Proportionate share of the net pension liability as a percentage of its covered payroll	172%	172%	164%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

- (1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2017, the measurement date of the net pension liability is June 30, 2016. See also Note 12.
- (2) The pension schedules in this required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Schedule of Changes in the Net Pension Liability and Related Ratios:

Public Safety Personnel Retirement System – Police

	<u>Fiscal Year</u>			2014 through 2008
	2017	2016	2015	
Total pension liability:				
Service cost	\$ 3,466,239	\$ 3,570,214	\$ 3,293,404	Information not available (2)
Interest on the total pension liability	7,222,969	6,604,564	5,414,469	
Changes in benefit terms	9,149,421	-	605,849	
Differences between expected and actual experience in the measurement of the total pension liability	547,040	713,111	2,479,128	
Changes of assumptions or other inputs	4,549,861	-	5,473,070	
Benefit payments, including refunds of employee contributions	<u>(3,515,621)</u>	<u>(2,400,631)</u>	<u>(2,087,138)</u>	
Net change in total pension liability	21,419,909	8,487,258	15,178,782	
Total pension liability – beginning	<u>92,037,035</u>	<u>83,549,777</u>	<u>68,370,995</u>	
Total pension liability – ending (a)	<u>\$113,456,944</u>	<u>\$92,037,035</u>	<u>\$83,549,777</u>	
Plan fiduciary net position:				
Contributions – employer	\$ 4,426,923	\$ 3,280,061	\$ 3,103,356	
Contributions – employee	2,243,118	2,107,439	2,088,159	
Net investment income	365,916	2,037,534	6,306,779	
Benefit payments, including refunds of employee contributions	(3,515,621)	(2,400,631)	(2,087,138)	
Administrative expense	(53,053)	(50,099)	(50,793)	
Other changes	<u>113,260</u>	<u>75,447</u>	<u>49,298</u>	
Net change in plan fiduciary net position	3,580,543	5,049,751	9,409,661	
Plan fiduciary net position – beginning	<u>59,026,558</u>	<u>53,976,807</u>	<u>44,567,146</u>	
Plan fiduciary net position – ending (b)	<u>\$62,607,101</u>	<u>\$59,026,558</u>	<u>\$53,976,807</u>	
Net pension liability – ending (a) – (b)	<u>\$50,849,843</u>	<u>\$33,010,477</u>	<u>\$29,572,970</u>	
Plan fiduciary net position as a percentage of the total pension liability	55.18%	64.13%	64.60%	
Covered payroll (1)	\$19,250,942	\$19,071,843	\$18,990,156	
Gilbert's net pension liability as a percentage of covered payroll	264.14%	173.08%	155.73%	

(1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2017, the measurement date of the net pension liability is June 30, 2016. See also Note 12.

(2) The pension schedules in this required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Schedule of Changes in the Net Pension Liability and Related Ratios:

Public Safety Personnel Retirement System – Fire

	Fiscal Year			2014 through 2008
	2017	2016	2015	
Total pension liability:				
Service cost	\$ 2,728,554	\$ 2,785,128	\$ 2,545,607	Information not available (2)
Interest on the total pension liability	4,550,994	4,138,400	3,408,433	
Changes in benefit terms	7,610,545	-	(131,651)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,091,858)	(1,235,512)	2,247,902	
Changes of assumptions or other inputs	3,069,903	-	1,333,403	
Benefit payments, including refunds of employee contributions	<u>(529,722)</u>	<u>(277,805)</u>	<u>(171,217)</u>	
Net change in total pension liability	16,338,416	5,410,211	9,232,477	
Total pension liability – beginning	<u>56,875,026</u>	<u>51,464,815</u>	<u>42,232,338</u>	
Total pension liability – ending (a)	<u>\$73,213,442</u>	<u>\$56,875,026</u>	<u>\$51,464,815</u>	
Plan fiduciary net position:				
Contributions – employer	\$ 3,183,837	\$ 1,845,382	\$ 1,954,145	
Contributions – employee	1,792,809	1,903,578	1,667,772	
Net investment income	300,260	1,653,304	5,045,090	
Benefit payments, including refunds of employee contributions	(529,722)	(277,805)	(171,217)	
Administrative expense	(43,606)	(40,728)	(40,631)	
Other changes	<u>96,335</u>	<u>(229,513)</u>	<u>-</u>	
Net change in plan fiduciary net position	4,799,913	4,854,218	8,455,159	
Plan fiduciary net position – beginning	<u>48,656,228</u>	<u>43,802,010</u>	<u>35,346,851</u>	
Plan fiduciary net position – ending (b)	<u>\$53,456,141</u>	<u>\$48,656,228</u>	<u>\$43,802,010</u>	
Net pension liability – ending (a) – (b)	<u>\$19,757,301</u>	<u>\$ 8,218,798</u>	<u>\$ 7,662,805</u>	
Plan fiduciary net position as a percentage of the total pension liability	73.01%	85.55%	85.11%	
Covered payroll (1)	\$15,388,900	\$15,274,115	\$15,508,151	
Gilbert's net pension liability as a percentage of covered payroll	128.39%	53.81%	49.41%	

(1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2017, the measurement date of the net pension liability is June 30, 2016. See also Note 12.

(2) The pension schedules in this required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

Schedule of Pension Contributions:

Arizona State Retirement System

	Fiscal Year				
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 6,028,778	\$ 5,278,569	\$ 5,137,457	\$ 4,763,978	\$ 4,162,425
Contributions in relation to the actuarially determined contributions	<u>6,028,778</u>	<u>5,278,569</u>	<u>5,137,457</u>	<u>4,763,978</u>	<u>4,162,425</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$48,187,902	\$45,764,166	\$43,765,044	\$42,295,765	\$38,356,312
Contributions as a percentage of covered payroll	12.51%	11.53%	11.74%	11.26%	10.85%

	Fiscal Year				
	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 3,880,631	\$ 3,448,898	\$ 3,329,705	\$ 3,407,288	\$ 3,546,148
Contributions in relation to the actuarially determined contributions	<u>3,880,631</u>	<u>3,448,898</u>	<u>3,329,705</u>	<u>3,407,288</u>	<u>3,546,148</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$36,582,049	\$37,474,457	\$37,007,042	\$38,106,015	\$38,803,852
Contributions as a percentage of covered payroll	10.61%	9.20%	9.00%	8.94%	9.14%

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

Schedule of Pension Contributions:

Public Safety Retirement System - Police

	Fiscal Year				
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 4,501,937	\$ 4,021,770	\$ 3,414,607	\$ 3,231,755	\$ 2,930,117
Contributions in relation to the actuarially determined contributions	<u>12,700,837</u>	<u>4,449,337</u>	<u>3,414,607</u>	<u>3,231,755</u>	<u>2,930,117</u>
Contribution deficiency (excess)	<u><u>\$(8,198,900)</u></u>	<u><u>\$(427,567)</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>
Covered payroll	\$19,885,815	\$19,247,567	\$19,071,843	\$18,990,156	\$17,477,557
Contributions as a percentage of covered payroll	63.87%	20.89%	17.90%	17.02%	16.77%

	Fiscal Year				
	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 2,384,390	\$ 2,239,987	\$ 2,330,954	\$ 2,540,087	\$ 1,626,604
Contributions in relation to the actuarially determined contributions	<u>2,384,390</u>	<u>2,239,987</u>	<u>2,330,954</u>	<u>2,540,087</u>	<u>1,626,604</u>
Contribution deficiency (excess)	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>
Covered payroll	\$16,492,849	\$16,550,117	\$16,686,272	\$17,138,480	\$16,159,092
Contributions as a percentage of covered payroll	14.46%	13.54%	13.97%	14.82%	10.07%

Public Safety Retirement System - Fire

	Fiscal Year				
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 3,266,367	\$ 2,241,688	\$ 1,982,159	\$ 2,037,266	\$ 1,793,907
Contributions in relation to the actuarially determined contributions	<u>5,307,483</u>	<u>3,088,477</u>	<u>1,982,159</u>	<u>2,037,266</u>	<u>1,793,907</u>
Contribution deficiency (excess)	<u><u>\$(2,041,116)</u></u>	<u><u>\$(846,789)</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>
Covered payroll	\$17,048,971	\$15,444,728	\$15,274,115	\$15,508,151	\$13,954,822
Contributions as a percentage of covered payroll	31.13%	14.51%	12.98%	13.14%	12.86%

	Fiscal Year				
	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,479,746	\$ 1,422,964	\$ 1,446,837	\$ 1,528,199	\$ 1,099,558
Contributions in relation to the actuarially determined contributions	<u>1,479,746</u>	<u>1,422,964</u>	<u>1,446,837</u>	<u>1,528,199</u>	<u>1,099,558</u>
Contribution deficiency (excess)	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>
Covered payroll	\$13,335,971	\$13,220,688	\$12,186,063	\$12,476,282	\$12,766,878
Contributions as a percentage of covered payroll	11.10%	10.76%	11.87%	12.25%	8.61%

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

Note to Pension Plan Schedules

Note 1 - Actuarially Determined Contribution Rates

Actuarial determined contribution rates for the Public Safety Personnel Retirement System are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value, 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to the experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors That Affect Trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changes the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for the fiscal year 2015 in the schedule of changes in Gilbert's net pension liability and related ratios. These changes also increase the PSPRS required contributions beginning in fiscal year 2016 in the schedule of Gilbert pension contributions.

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

Schedule of Agent OPEB Plans' Funding Progress:

Arizona Public Safety Personnel Retirement System – Police

Schedule of Funding Progress – Health Insurance Premium Benefit (most recent information available)

Actuarial Valuation Date June 30	Actuarial Value of Plan Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (1)-(2)	Fund Ratio (1)/(2)	Annual Covered Payroll	Unfunded AAL As Percentage of Covered Payroll (3)/(5)
2016	\$2,150,297	\$2,346,071	\$(195,774)	91.66%	\$17,784,704	(1.10)%
2015	1,995,251	2,191,760	(196,509)	91.03%	17,676,371	(1.11)%
2014	1,764,456	1,993,264	(228,808)	88.52%	18,650,590	(1.23)%

Arizona Public Safety Personnel Retirement System – Fire

Schedule of Funding Progress – Health Insurance Premium Benefit (most recent information available)

Actuarial Valuation Date June 30	Actuarial Value of Plan Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (1)-(2)	Fund Ratio (1)/(2)	Annual Covered Payroll	Unfunded AAL As Percentage of Covered Payroll (3)/(5)
2016	\$1,349,131	\$1,688,437	\$(339,306)	79.90%	\$14,459,743	(2.35)%
2015	1,209,449	1,465,883	(256,434)	82.51%	14,561,683	(1.76)%
2014	1,039,413	1,335,632	(296,219)	77.82%	14,685,147	(2.02)%

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.

University Building Revenue Obligations – accounts for the design, acquisition and construction of a building to be utilized and leased for educational purposes.

**TOWN OF GILBERT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
ASSETS					
Pooled cash and investments	\$ 797,137	\$ 1,289,475	\$ 12,403	\$ 111,173	\$ 261,283
Receivables, net:					
Taxes	-	-	-	11,997	9,789
Accrued interest	1,001	5,620	36	-	809
Accounts	-	75,600	-	-	-
Due from other governments	84,464	1,123,535	327,964	-	-
Inventories	-	-	-	-	1,976
Restricted assets:					
Cash and investments	-	-	-	-	-
Accrued interest	-	-	-	-	-
Total assets	<u>\$ 882,602</u>	<u>\$ 2,494,230</u>	<u>\$ 340,403</u>	<u>\$ 123,170</u>	<u>\$ 273,857</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 59,470	\$ 85,765	\$ 223,958	\$ -	\$ 34,754
Accrued liabilities	-	46,456	5,588	-	6,575
Deposits held for others	-	-	-	-	-
Due to other funds	-	-	98,917	-	-
Bonds payable	-	-	-	-	-
Interest payable	-	-	-	-	-
Unearned revenue	-	503,673	-	-	-
Total liabilities	<u>59,470</u>	<u>635,894</u>	<u>328,463</u>	<u>-</u>	<u>41,329</u>
Fund Balances:					
Nonspendable	-	-	-	-	1,976
Restricted	823,132	1,961,698	12,439	123,170	230,552
Assigned	-	151,098	-	-	-
Unassigned	-	(254,460)	(499)	-	-
Total fund balances	<u>823,132</u>	<u>1,858,336</u>	<u>11,940</u>	<u>123,170</u>	<u>232,528</u>
Total liabilities and fund balances	<u>\$ 882,602</u>	<u>\$ 2,494,230</u>	<u>\$ 340,403</u>	<u>\$ 123,170</u>	<u>\$ 273,857</u>

Capital Projects

Outside Sources	Prop 400	Municipal Property Corporation	University Building	Total Nonmajor Governmental Funds
\$ 21,666,786	\$ 17,131,873	\$ -	\$ -	\$ 41,270,130
-	-	-	-	21,786
62,421	41,216	-	-	111,103
-	-	-	-	75,600
-	-	-	-	1,535,963
-	-	-	-	1,976
-	-	-	6,166,058	6,166,058
-	-	-	2,586	2,586
<u>\$ 21,729,207</u>	<u>\$ 17,173,089</u>	<u>\$ -</u>	<u>\$ 6,168,644</u>	<u>\$ 49,185,202</u>
\$ 429,437	\$ 323,252	\$ -	\$ -	\$ 1,156,636
-	-	-	-	58,619
554,869	-	-	-	554,869
-	-	-	252,469	351,386
-	-	-	655,000	655,000
-	-	-	802,953	802,953
-	-	-	-	503,673
<u>984,306</u>	<u>323,252</u>	<u>-</u>	<u>1,710,422</u>	<u>4,083,136</u>
-	-	-	-	1,976
-	16,849,837	-	4,458,222	24,459,050
20,744,901	-	-	-	20,895,999
-	-	-	-	(254,959)
<u>20,744,901</u>	<u>16,849,837</u>	<u>-</u>	<u>4,458,222</u>	<u>45,102,066</u>
<u>\$ 21,729,207</u>	<u>\$ 17,173,089</u>	<u>\$ -</u>	<u>\$ 6,168,644</u>	<u>\$ 49,185,202</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 1,945,635	\$ 999,868
Intergovernmental	1,195,710	35,000	711,605	-	-
Charges for services	-	1,058,866	-	-	-
Other entities' participation	-	-	-	-	-
Gifts and donations	-	88,631	-	-	-
Fines and forfeitures	-	521,045	-	-	-
Investment earnings	1,345	10,325	82	-	909
Miscellaneous	-	-	-	-	-
Total revenues	1,197,055	1,713,867	711,687	1,945,635	1,000,777
Expenditures					
Current:					
General government:					
Management and policy	104,655	142,731	604,073	-	-
Court	-	433,782	-	-	-
Public safety:					
Police	284,721	1,283,088	-	-	-
Fire	166,505	26,523	-	-	-
Highways and streets	-	-	-	1,805,715	-
Parks and recreation	-	-	-	-	973,334
Transportation	785,028	-	-	-	-
Non departmental	-	49,884	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Fiscal and other charges	-	-	-	-	-
Capital outlay	134,033	-	105,474	-	-
Total expenditures	1,474,942	1,936,008	709,547	1,805,715	973,334
Excess (deficiency) of revenues over (under) expenditures	(277,887)	(222,141)	2,140	139,920	27,443
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(85,251)	-	-	-
Total other financing sources and uses	-	(85,251)	-	-	-
Net change in fund balances	(277,887)	(307,392)	2,140	139,920	27,443
Fund balances at beginning of year	1,101,019	2,165,728	9,800	(16,750)	205,085
Fund balances at end of year	\$ 823,132	\$ 1,858,336	\$ 11,940	\$ 123,170	\$ 232,528

Capital Projects

Outside Sources	Prop 400	Municipal Property Corporation	University Building	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,945,503
259,596	3,564,936	-	-	5,766,847
-	-	-	-	1,058,866
1,188,608	-	-	-	1,188,608
-	-	-	-	88,631
-	-	-	-	521,045
99,888	58,213	-	68,155	238,917
305,000	-	-	-	305,000
<u>1,853,092</u>	<u>3,623,149</u>	<u>-</u>	<u>68,155</u>	<u>12,113,417</u>
-	-	-	-	851,459
-	-	-	-	433,782
-	-	-	-	1,567,809
-	-	-	-	193,028
-	-	-	-	1,805,715
782,783	-	-	-	1,756,117
-	-	-	-	785,028
-	-	-	-	49,884
-	-	-	655,000	655,000
-	-	-	1,605,906	1,605,906
-	-	5,425	1,250	6,675
389,600	1,880,269	-	14,175	2,523,551
<u>1,172,383</u>	<u>1,880,269</u>	<u>5,425</u>	<u>2,276,331</u>	<u>12,233,954</u>
<u>680,709</u>	<u>1,742,880</u>	<u>(5,425)</u>	<u>(2,208,176)</u>	<u>(120,537)</u>
411,000	-	6,739	1,162,198	1,579,937
-	-	(332,001)	-	(417,252)
<u>411,000</u>	<u>-</u>	<u>(325,262)</u>	<u>1,162,198</u>	<u>1,162,685</u>
1,091,709	1,742,880	(330,687)	(1,045,978)	1,042,148
19,653,192	15,106,957	330,687	5,504,200	44,059,918
<u>\$ 20,744,901</u>	<u>\$ 16,849,837</u>	<u>\$ -</u>	<u>\$ 4,458,222</u>	<u>\$ 45,102,066</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 8,321,280	\$ 8,321,280	\$ 1,195,710	\$ (7,125,570)
Investment earnings	-	-	1,345	1,345
Total revenues	<u>8,321,280</u>	<u>8,321,280</u>	<u>1,197,055</u>	<u>(7,124,225)</u>
Expenditures				
Current:				
General government:				
Management and policy	-	104,700	104,655	45
Public safety:				
Police	121,400	469,400	284,721	184,679
Fire	58,000	207,186	166,505	40,681
Transportation	1,030,330	1,232,330	785,028	447,302
Capital outlay	2,200,360	2,474,286	134,033	2,340,253
Contingency	5,000,000	4,772,559	-	4,772,559
Total expenditures	<u>8,410,090</u>	<u>9,260,461</u>	<u>1,474,942</u>	<u>7,785,519</u>
Deficiency of revenues under expenditures	<u>(88,810)</u>	<u>(939,181)</u>	<u>(277,887)</u>	<u>661,294</u>
Net change in fund balances	<u>\$ (88,810)</u>	<u>\$ (939,181)</u>	<u>(277,887)</u>	<u>\$ 661,294</u>
Fund balance at beginning of year			<u>1,101,019</u>	
Fund balance at end of year			<u>\$ 823,132</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 35,000	\$ 15,000
Charges for services	1,713,120	1,713,120	1,058,866	(654,254)
Gifts and donations	1,119,390	1,119,390	88,631	(1,030,759)
Fines and forfeitures	604,000	604,000	521,045	(82,955)
Investment earnings	-	-	10,325	10,325
Total revenues	<u>3,456,510</u>	<u>3,456,510</u>	<u>1,713,867</u>	<u>(1,742,643)</u>
Expenditures				
Current:				
General government:				
Management and policy	201,110	201,110	142,731	58,379
Court	602,710	602,710	433,782	168,928
Public safety:				
Police	1,836,890	1,889,890	1,283,088	606,802
Fire	38,000	39,720	26,523	13,197
Parks and recreation	49,000	49,000	-	49,000
Non departmental	49,890	49,890	49,884	6
Capital outlay	148,600	148,600	-	148,600
Contingency	1,000,000	71,709	-	71,709
Total expenditures	<u>3,926,200</u>	<u>3,052,629</u>	<u>1,936,008</u>	<u>1,116,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(469,690)</u>	<u>403,881</u>	<u>(222,141)</u>	<u>(626,022)</u>
Other financing uses				
Transfers out	<u>(230,000)</u>	<u>(230,000)</u>	<u>(85,251)</u>	<u>144,749</u>
Total other financing uses	<u>(230,000)</u>	<u>(230,000)</u>	<u>(85,251)</u>	<u>144,749</u>
Net change in fund balances	<u>\$ (699,690)</u>	<u>\$ 173,881</u>	<u>(307,392)</u>	<u>\$ (481,273)</u>
Fund balance at beginning of year			<u>2,165,728</u>	
Fund balance at end of year			<u>\$ 1,858,336</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,938,500	\$ 1,938,500	\$ 711,605	\$ (1,226,895)
Investment earnings	-	-	82	82
Total revenues	<u>1,938,500</u>	<u>1,938,500</u>	<u>711,687</u>	<u>(1,226,813)</u>
Expenditures				
Current:				
Management and policy	662,770	662,770	604,073	58,697
Capital outlay	1,285,690	1,264,820	105,474	1,159,346
Contingency	-	20,870	-	20,870
Total expenditures	<u>1,948,460</u>	<u>1,948,460</u>	<u>709,547</u>	<u>1,238,913</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,960)</u>	<u>(9,960)</u>	<u>2,140</u>	<u>12,100</u>
Net change in fund balances	<u>\$ (9,960)</u>	<u>\$ (9,960)</u>	2,140	<u>\$ 12,100</u>
Fund balance at beginning of year			<u>9,800</u>	
Fund balance at end of year			<u>\$ 11,940</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,952,850	\$ 1,952,850	\$ 1,945,635	\$ (7,215)
Total revenues	<u>1,952,850</u>	<u>1,952,850</u>	<u>1,945,635</u>	<u>(7,215)</u>
Expenditures				
Current:				
Highways and streets	1,997,650	1,997,650	1,805,715	191,935
Total expenditures	<u>1,997,650</u>	<u>1,997,650</u>	<u>1,805,715</u>	<u>191,935</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,800)</u>	<u>(44,800)</u>	<u>139,920</u>	<u>184,720</u>
Net change in fund balances	<u>\$ (44,800)</u>	<u>\$ (44,800)</u>	139,920	<u>\$ 184,720</u>
Fund deficit at beginning of year			<u>(16,750)</u>	
Fund balance at end of year			<u>\$ 123,170</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,001,140	\$ 1,001,140	\$ 999,868	\$ (1,272)
Investment earnings	-	-	909	909
Total revenues	<u>1,001,140</u>	<u>1,001,140</u>	<u>1,000,777</u>	<u>(363)</u>
Expenditures				
Current:				
Parks and recreation	<u>1,097,720</u>	<u>1,120,920</u>	<u>973,334</u>	<u>147,586</u>
Total expenditures	<u>1,097,720</u>	<u>1,120,920</u>	<u>973,334</u>	<u>147,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(96,580)</u>	<u>(119,780)</u>	<u>27,443</u>	<u>147,223</u>
Net change in fund balances	<u>\$ (96,580)</u>	<u>\$ (119,780)</u>	<u>27,443</u>	<u>\$ 147,223</u>
Fund balance at beginning of year			<u>205,085</u>	
Fund balance at end of year			<u>\$ 232,528</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, 2017

	<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	\$ 23,000,000	\$ 23,000,000	\$ 20,761,108	\$ (2,238,892)
Investment earnings	100,000	100,000	52,824	(47,176)
Total revenues	<u>23,100,000</u>	<u>23,100,000</u>	<u>20,813,932</u>	<u>(2,286,068)</u>
Expenditures				
Debt service:				
Principal	30,570,000	33,905,000	33,905,000	-
Interest	10,183,680	10,959,680	9,656,359	1,303,321
Bond issuance costs	-	402,000	387,788	14,212
Fiscal and other charges	21,000	21,000	1,310	19,690
Total expenditures	<u>40,774,680</u>	<u>45,287,680</u>	<u>43,950,457</u>	<u>1,337,223</u>
Deficiency of revenues under expenditures	<u>(17,674,680)</u>	<u>(22,187,680)</u>	<u>(23,136,525)</u>	<u>(948,845)</u>
Other financing sources (uses)				
Transfers in	20,235,930	20,605,230	20,568,617	(36,613)
Refunding bonds issued	-	-	57,155,000	57,155,000
Premium on refunding bonds	-	-	7,428,334	7,428,334
Payment to refunded bond escrow agent	-	(64,182,000)	(64,181,634)	366
Total other financing sources and uses	<u>20,235,930</u>	<u>(43,576,770)</u>	<u>20,970,317</u>	<u>64,547,087</u>
Net change in fund balances	<u>\$ 2,561,250</u>	<u>\$ (65,764,450)</u>	<u>(2,166,208)</u>	<u>\$ 63,598,242</u>
Fund balance at beginning of year			<u>14,986,583</u>	
Fund balance at end of year			<u>\$ 12,820,375</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 6,965,000	\$ 6,965,000	\$ 695,540	\$ (6,269,460)
Investment earnings	-	-	87	87
Total revenues	<u>6,965,000</u>	<u>6,965,000</u>	<u>695,627</u>	<u>(6,269,373)</u>
Expenditures				
Debt service:				
Principal	6,110,000	6,110,000	375,000	5,735,000
Interest	830,000	830,000	321,072	508,928
Fiscal and other charges	25,000	25,000	722	24,278
Total expenditures	<u>6,965,000</u>	<u>6,965,000</u>	<u>696,794</u>	<u>6,268,206</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(1,167)</u>	<u>(1,167)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(1,167)</u>	<u>\$ (1,167)</u>
Fund balance at beginning of year			<u>74,320</u>	
Fund balance at end of year			<u>\$ 73,153</u>	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 259,596	\$ 259,596
Other entities' participation	2,056,000	2,056,000	1,188,608	(867,392)
Investment earnings	-	-	99,888	99,888
Miscellaneous	-	-	305,000	305,000
Total revenues	2,056,000	2,056,000	1,853,092	(202,908)
Expenditures				
Current:				
Parks and recreation	11,360,000	11,354,876	782,783	10,572,093
Capital outlay	2,184,670	2,130,392	389,600	1,740,792
Contingency	-	59,402	-	59,402
Total expenditures	13,544,670	13,544,670	1,172,383	12,372,287
Excess (deficiency) of revenues over (under) expenditures	(11,488,670)	(11,488,670)	680,709	12,169,379
Other financing sources				
Transfers in	-	-	411,000	411,000
Total other financing sources	-	-	411,000	411,000
Net change in fund balances	\$ (11,488,670)	\$ (11,488,670)	1,091,709	\$ 12,580,379
Fund balance at beginning of year			19,653,192	
Fund balance at end of year			\$ 20,744,901	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 3,564,936	\$ 3,564,936
Investment earnings	-	-	58,213	58,213
Total revenues	-	-	3,623,149	3,623,149
Expenditures				
Capital outlay	7,909,770	7,556,246	1,880,269	5,675,977
Contingency	-	353,524	-	353,524
Total expenditures	7,909,770	7,909,770	1,880,269	6,029,501
Excess (deficiency) of revenues over (under) expenditures	(7,909,770)	(7,909,770)	1,742,880	9,652,650
Net change in fund balances	\$ (7,909,770)	\$ (7,909,770)	1,742,880	\$ 9,652,650
Fund balance at beginning of year			15,106,957	
Fund balance at end of year			\$ 16,849,837	

**TOWN OF GILBERT, ARIZONA
 General Obligation Bonds Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual - Budgetary Basis
 For the Year Ended June 30, 2017**

	<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	-	-	102,862	102,862
Total revenues	<u>-</u>	<u>-</u>	<u>102,862</u>	<u>102,862</u>
Expenditures				
General government:				
Bond issuance costs	500,000	500,000	391,207	108,793
Capital outlay	42,264,540	40,832,588	10,523,425	30,309,163
Contingency	-	2,427,506	-	2,427,506
Total expenditures	<u>42,764,540</u>	<u>43,760,094</u>	<u>10,914,632</u>	<u>32,845,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,764,540)</u>	<u>(43,760,094)</u>	<u>(10,811,770)</u>	<u>32,948,324</u>
Other financing sources				
General obligation bonds issued	71,010,000	71,010,000	64,515,000	(6,495,000)
Premium on general obligation bonds	-	-	6,710,366	6,710,366
Total other financing sources	<u>71,010,000</u>	<u>71,010,000</u>	<u>71,225,366</u>	<u>215,366</u>
Net change in fund balances	<u>\$ 28,245,460</u>	<u>\$ 27,249,906</u>	60,413,596	<u>\$ 33,163,690</u>
Fund balance at beginning of year			<u>12,703,819</u>	
Fund balance at end of year			<u>\$ 73,117,415</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, 2017**

	<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				
Debt service:				
Fiscal and other charges	20,000	20,000	5,425	14,575
Total expenditures	20,000	20,000	5,425	14,575
Deficiency of revenues under expenditures	(20,000)	(20,000)	(5,425)	14,575
Other financing sources (uses)				
Transfers in	20,110	20,690	6,739	(13,951)
Transfers out	-	(332,100)	(332,001)	99
Total other financing sources and uses	20,110	(311,410)	(325,262)	(13,852)
Net change in fund balances	\$ 110	\$ (331,410)	(330,687)	\$ 723
Fund balance at beginning of year			330,687	
Fund balance at end of year			\$ -	

**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, 2017**

	<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	19,400,000	19,400,000	18,101,156	(1,298,844)
Investment earnings	80,000	80,000	145,361	65,361
Total revenues	<u>19,480,000</u>	<u>19,480,000</u>	<u>18,246,517</u>	<u>(1,233,483)</u>
Expenditures				
Debt service:				
Capital outlay	7,889,790	5,870,265	1,662,706	4,207,559
Contingency	-	2,262,825	-	2,262,825
Total expenditures	<u>7,889,790</u>	<u>8,133,090</u>	<u>1,662,706</u>	<u>6,470,384</u>
Excess of revenues over expenditures	<u>11,590,210</u>	<u>11,346,910</u>	<u>16,583,811</u>	<u>5,236,901</u>
Other financing uses				
Transfers out	(11,196,040)	(11,196,040)	(11,235,314)	(39,274)
Total other financing uses	<u>(11,196,040)</u>	<u>(11,196,040)</u>	<u>(11,235,314)</u>	<u>(39,274)</u>
Net change in fund balances	<u>\$ 394,170</u>	<u>\$ 150,870</u>	5,348,497	<u>\$ 5,197,627</u>
Fund balance at beginning of year			15,794,817	
Fund balance at end of year			<u>\$ 21,143,314</u>	

TOWN OF GILBERT, ARIZONA
University Building Revenue Obligations Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2017

	<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	\$ -	\$ -	\$ 68,155	\$ 68,155
Total revenues	<u>-</u>	<u>-</u>	<u>68,155</u>	<u>68,155</u>
Expenditures				
Debt Service:				
Principal	655,000	655,000	655,000	-
Interest	1,605,910	1,605,910	1,605,906	4
Fiscal and other charges	10,000	10,000	1,250	8,750
Capital outlay	4,453,130	2,427,892	14,175	2,413,717
Contingency	-	2,025,238	-	2,025,238
Total expenditures	<u>6,724,040</u>	<u>6,724,040</u>	<u>2,276,331</u>	<u>4,447,709</u>
Deficiency of revenues under expenditures	<u>(6,724,040)</u>	<u>(6,724,040)</u>	<u>(2,208,176)</u>	<u>4,515,864</u>
Other financing sources				
Transfers in	1,200,200	1,163,000	1,162,198	(802)
Total other financing sources	<u>1,200,200</u>	<u>1,163,000</u>	<u>1,162,198</u>	<u>(802)</u>
Net change in fund balances	<u>\$ (5,523,840)</u>	<u>\$ (5,561,040)</u>	<u>(1,045,978)</u>	<u>\$ 4,515,062</u>
Fund balance at beginning of year			<u>5,504,200</u>	
Fund balance at end of year			<u>\$ 4,458,222</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 39,786,000	\$ 39,786,000	\$ 40,695,922	\$ 909,922
Other	40,000	40,000	60,897	20,897
Total operating revenues	39,826,000	39,826,000	40,756,819	930,819
Operating expenses				
General and administrative	102,167,550	2,780,534	1,728,769	1,051,765
Personal services	9,583,050	9,582,350	8,573,831	1,008,519
Operation and maintenance	17,190,830	17,499,426	13,426,871	4,072,555
Capital outlay	95,357,820	94,330,091	25,596,853	68,733,238
Allocation of indirect expenses	2,054,360	2,054,360	2,054,360	-
Debt service:				
Principal	8,500,000	13,330,000	4,830,000	8,500,000
Contingency	1,812,100	7,693,397	-	7,693,397
Total operating expenses	236,665,710	147,270,158	56,210,684	91,059,474
Operating loss	(196,839,710)	(107,444,158)	(15,453,865)	91,990,293
Nonoperating revenues (expenses)				
Intergovernmental	1,100,000	1,100,000	952,597	(147,403)
Interest expense	(4,514,070)	(9,668,400)	(4,334,848)	5,333,552
Investment earnings	625,000	625,000	552,040	(72,960)
Gain on sale of capital assets	-	-	14,888	14,888
Total nonoperating revenues (expenses)	(2,789,070)	(7,943,400)	(2,815,323)	5,128,077
Loss before contributions and transfers	(199,628,780)	(115,387,558)	(18,269,188)	97,118,370
Capital contributions	12,580,000	12,580,000	11,864,120	(715,880)
Transfers out	(855,000)	(855,000)	(1,226,498)	(371,498)
Change in net position	\$ (187,903,780)	\$ (103,662,558)	(7,631,566)	\$ 96,030,992

Explanation of difference between budgetary change in net position at June 30, 2017, 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, 2016	1,038,263
Less compensated absences at June 30, 2017	(1,166,250)
Add post-employment benefits at June 30, 2016	316,978
Less post-employment benefits at June 30, 2017	(15,594)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis. 25,596,853

Debt service principal payments are not recognized as expenses on the GAAP basis but are recognized as expenses on the budget basis. 4,830,000

Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis. 8,033,046

Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes. (12,616,269)

Change in net position as reported on the statement of revenues, expenses and changes in fund net position \$ 18,385,461

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, 2017

	<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	\$ 25,602,000	\$ 25,602,000	\$ 26,031,784	\$ 429,784
Total operating revenues	<u>25,602,000</u>	<u>25,602,000</u>	<u>26,031,784</u>	<u>429,784</u>
Operating expenses				
General and administrative	767,300	525,290	763,069	(237,779)
Personal services	4,169,840	4,169,840	3,773,105	396,735
Operation and maintenance	11,600,890	11,942,495	10,859,722	1,082,773
Capital outlay	48,051,220	48,648,850	10,556,418	38,092,432
Allocation of indirect expenses	985,790	985,790	985,790	-
Contingency	3,210,960	5,210,280	-	5,210,280
Total operating expenses	<u>68,786,000</u>	<u>71,482,545</u>	<u>26,938,104</u>	<u>44,544,441</u>
Operating loss	<u>(43,184,000)</u>	<u>(45,880,545)</u>	<u>(906,320)</u>	<u>44,974,225</u>
Nonoperating revenues				
Investment earnings	243,000	243,000	387,274	144,274
Gain on sale of capital assets	-	-	25,056	25,056
Total nonoperating revenues	<u>243,000</u>	<u>243,000</u>	<u>412,330</u>	<u>169,330</u>
Loss before capital contributions and transfers	(42,941,000)	(45,637,545)	(493,990)	45,143,555
Capital contributions	7,300,000	7,300,000	6,992,364	(307,636)
Transfers in	<u>820,000</u>	<u>820,000</u>	<u>780,498</u>	<u>(39,502)</u>
Change in net position	<u>(\$34,821,000)</u>	<u>(\$37,517,545)</u>	<u>7,278,872</u>	<u>\$44,796,417</u>

Explanation of difference between budgetary change in net position at June 30, 2017, 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, 2016	489,327
Less compensated absences at June 30, 2017	(516,990)
Add post-employment benefits at June 30, 2016	114,272
Less post-employment benefits at June 30, 2017	(15,705)

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

10,556,418

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

4,207,438

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

(10,561,019)

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

11,552,613

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, 2017

	<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	\$ 17,117,170	\$ 17,117,170	\$ 18,270,233	\$ 1,153,063
Other	85,000	85,000	59,774	(25,226)
Total operating revenues	<u>17,202,170</u>	<u>17,202,170</u>	<u>18,330,007</u>	<u>1,127,837</u>
Operating expenses				
General and administrative	644,850	766,490	824,466	(57,976)
Personal services	7,993,230	7,913,230	6,977,014	936,216
Operation and maintenance	7,482,860	7,552,907	6,886,265	666,642
Capital outlay	6,085,870	5,309,927	1,148,813	4,161,114
Allocation of indirect expenses	1,009,200	1,009,200	1,009,200	-
Contingency	2,067,530	2,731,786	-	2,731,786
Total operating expenses	<u>25,283,540</u>	<u>25,283,540</u>	<u>16,845,758</u>	<u>8,437,782</u>
Operating income (loss)	<u>(8,081,370)</u>	<u>(8,081,370)</u>	<u>1,484,249</u>	<u>9,565,619</u>
Nonoperating revenues				
Investment earnings	156,000	156,000	69,813	(86,187)
Gain on sale of capital assets	-	-	52,487	52,487
Total nonoperating revenues	<u>156,000</u>	<u>156,000</u>	<u>122,300</u>	<u>(33,700)</u>
Change in net position	<u>\$ (7,925,370)</u>	<u>\$ (7,925,370)</u>	<u>1,606,549</u>	<u>\$ 9,531,919</u>

Explanation of difference between budgetary change in net position at June 30, 2017,
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, 2016	628,351
Less compensated absences at June 30, 2017	(701,595)
Add post-employment benefits at June 30, 2016	230,625
Less post-employment benefits at June 30, 2017	(7,214)
Capital outlays are not recognized as GAAP expenses but are recognized as expenses on a budget basis.	1,148,813
Capital assets contributed by developers are recognized as revenue for GAAP purposes by are not recognized as revenue on the budget basis.	3,036,589
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(1,449,610)
Change in net position as reported on the statement of revenues, expenses and changes in fund net position	<u>\$ 4,492,508</u>



INTERNAL SERVICE FUNDS

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

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

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, 2017

	Equipment Maintenance	Employee Benefit Self- Insurance	Total
ASSETS			
Current assets:			
Pooled cash and investments	\$ 339,919	\$ 3,605,747	\$ 3,945,666
Receivables (net):			
Accrued interest	-	9,946	9,946
Accounts	10,028	22,409	32,437
Inventories	667,954	-	667,954
Total current assets	1,017,901	3,638,102	4,656,003
Noncurrent assets:			
Capital assets:			
Property, plant and equipment	283,859	-	283,859
Less accumulated depreciation	(193,342)	-	(193,342)
Total capital assets (net)	90,517	-	90,517
Total assets	1,108,418	3,638,102	4,746,520
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related items	427,988	-	427,988
Total deferred outflows of resources	427,988	-	427,988
LIABILITIES			
Current liabilities:			
Accounts payable	196,198	28	196,226
Accrued liabilities	63,368	-	63,368
Current portion of compensated absences	94,554	-	94,554
Claims payable	-	1,650,317	1,650,317
Total current liabilities	354,120	1,650,345	2,004,465
Noncurrent liabilities:			
Long-term portion of compensated absences	134,103	-	134,103
Net pension liability	2,147,219	-	2,147,219
Total noncurrent liabilities	2,281,322	-	2,281,322
Total liabilities	2,635,442	1,650,345	4,285,787
DEFERRED INFLOWS OF RESOURCES			
Pension-related items	254,508	-	254,508
Total deferred inflows of resources	254,508	-	254,508
NET POSITION			
Net investment in capital assets	90,517	-	90,517
Unrestricted	(1,444,061)	1,987,757	543,696
Total net position	\$ (1,353,544)	\$ 1,987,757	\$ 634,213

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2017

	Equipment Maintenance	Employee Benefit Self- Insurance	Total
Operating revenues			
Charges for services	\$ 6,665,844	\$ 18,276,521	\$ 24,942,365
Other	-	265,780	265,780
Total operating revenues	<u>6,665,844</u>	<u>18,542,301</u>	<u>25,208,145</u>
Operating expenses			
General and administrative	112,261	1,188,651	1,300,912
Personal services	1,917,343	-	1,917,343
Operation and maintenance	4,714,178	-	4,714,178
Claims Incurred	-	14,729,987	14,729,987
Depreciation	9,388	-	9,388
Total operating expenses	<u>6,753,170</u>	<u>15,918,638</u>	<u>22,671,808</u>
Operating income (loss)	<u>(87,326)</u>	<u>2,623,663</u>	<u>2,536,337</u>
Nonoperating revenues			
Investment earnings	735	22,128	22,863
Total nonoperating revenues	<u>735</u>	<u>22,128</u>	<u>22,863</u>
Income (loss) before transfers	(86,591)	2,645,791	2,559,200
Transfers out	<u>-</u>	<u>(7,332)</u>	<u>(7,332)</u>
Change in net position	(86,591)	2,638,459	2,551,868
Total net position, beginning of year	<u>(1,266,953)</u>	<u>(650,702)</u>	<u>(1,917,655)</u>
Total net position, end of year	<u>\$ (1,353,544)</u>	<u>\$ 1,987,757</u>	<u>\$ 634,213</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2017

	Equipment Maintenance	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:			
Other operating cash receipts	\$ -	\$ 593,548	\$ 593,548
Cash receipts from other funds for services	6,664,353	18,276,521	24,940,874
Cash payments to suppliers for goods and services	(5,068,232)	(15,974,793)	(21,043,025)
Cash payments to employees for services	(1,822,948)	-	(1,822,948)
Net cash provided by (used in) operating activities	<u>(226,827)</u>	<u>2,895,276</u>	<u>2,668,449</u>
Cash flows from noncapital financing activities:			
Changes in due to other funds	-	(1,200,000)	(1,200,000)
Transfers to other funds	-	(7,332)	(7,332)
Net cash used in noncapital financing activities	<u>-</u>	<u>(1,207,332)</u>	<u>(1,207,332)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(93,526)	-	(93,526)
Net cash used in capital and related financing activities	<u>(93,526)</u>	<u>-</u>	<u>(93,526)</u>
Cash flows from investing activities:			
Interest received on investments	1,204	14,140	15,344
Net cash provided by investing activities	<u>1,204</u>	<u>14,140</u>	<u>15,344</u>
Net increase (decrease) in cash and cash equivalents	(319,149)	1,702,084	1,382,935
Cash and cash equivalents at beginning of year	659,068	1,903,663	2,562,731
Cash and cash equivalents at end of year	<u>\$ 339,919</u>	<u>\$ 3,605,747</u>	<u>\$ 3,945,666</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:			
Operating income (loss)	\$ (87,326)	\$ 2,623,663	\$ 2,536,337
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	9,388	-	9,388
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,491)	327,768	326,277
Increase in inventories	(140,975)	-	(140,975)
Increase in deferred outflows of resources	(117,449)	-	(117,449)
Decrease in accounts payable	(100,818)	(212)	(101,030)
Decrease in claims payable	-	(55,943)	(55,943)
Increase in accrued expenses	41,351	-	41,351
Increase in net pension liability	84,042	-	84,042
Increase in deferred inflows of resources	86,451	-	86,451
Total adjustments	<u>(139,501)</u>	<u>271,613</u>	<u>132,112</u>
Net cash provided by (used in) operating activities	<u>\$ (226,827)</u>	<u>\$ 2,895,276</u>	<u>\$ 2,668,449</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 8,156,000	\$ 8,156,000	\$ 6,665,844	\$ (1,490,156)
Other	3,000	3,000	-	(3,000)
Total operating revenues	8,159,000	8,159,000	6,665,844	(1,493,156)
Operating expenses				
General and administrative	80,150	124,150	112,261	11,889
Personal services	2,025,430	2,025,430	1,877,794	147,636
Operation and maintenance	6,260,970	6,208,654	4,714,178	1,494,476
Capital outlay	77,030	129,346	93,526	35,820
Contingency	1,000,000	956,000	-	956,000
Total operating expenses	9,443,580	9,443,580	6,797,759	2,645,821
Operating loss	(1,284,580)	(1,284,580)	(131,915)	1,152,665
Nonoperating revenues				
Investment earnings	-	-	735	735
Total nonoperating revenues	-	-	735	735
Change in net position	\$ (1,284,580)	\$ (1,284,580)	(131,180)	\$ 1,153,400

Explanation of difference between budgetary change in net position at June 30, 2017,
and GAAP change in net position:

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.	93,526
Obligations for compensated absences are accrued on the GAAP basis but are not recognized on the budget basis:	
Add compensated absences at June 30, 2016	189,108
Less compensated absences at June 30, 2017	(228,657)
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.	(9,388)
Change in net position as reported on the statement of revenues, expenses and changes in fund net position	\$ (86,591)

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, 2017

	<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	\$ 20,808,290	\$ 20,808,290	\$ 18,276,521	\$ (2,531,769)
Other	61,340	61,340	265,780	204,440
Total operating revenues	<u>20,869,630</u>	<u>20,869,630</u>	<u>18,542,301</u>	<u>(2,327,329)</u>
Operating expenses				
General and administrative	1,405,340	1,405,340	1,188,651	216,689
Claims Incurred	17,596,500	17,596,500	14,729,987	2,866,513
Total operating expenses	<u>19,001,840</u>	<u>19,001,840</u>	<u>15,918,638</u>	<u>3,083,202</u>
Operating income	<u>1,867,790</u>	<u>1,867,790</u>	<u>2,623,663</u>	<u>755,873</u>
Nonoperating revenues				
Investment earnings	2,000	2,000	22,128	20,128
Total nonoperating revenues	<u>2,000</u>	<u>2,000</u>	<u>22,128</u>	<u>20,128</u>
Income before transfers	1,869,790	1,869,790	2,645,791	776,001
Transfers out	<u>(2,000,000)</u>	<u>(1,586,320)</u>	<u>(7,332)</u>	<u>1,578,988</u>
Change in net position	<u>\$ (130,210)</u>	<u>\$ 283,470</u>	<u>\$ 2,638,459</u>	<u>\$ 2,354,989</u>

AGENCY FUNDS

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

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

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

**TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2017**

Flexible Spending	Beginning <u>Balance</u>	Additions	<u>Deductions</u>	Ending <u>Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ 11,217	\$ 464,616	\$ 465,295	\$ 10,538
Prepaid items	<u>15,452</u>	<u>360,524</u>	<u>361,149</u>	<u>14,827</u>
Total assets	\$ <u>26,669</u>	\$ <u>825,140</u>	\$ <u>826,444</u>	\$ <u>25,365</u>
<u>Liabilities</u>				
Dependent care benefits payable	\$ <u>26,669</u>	\$ <u>103,467</u>	\$ <u>104,771</u>	\$ <u>25,365</u>
Total liabilities	\$ <u>26,669</u>	\$ <u>103,467</u>	\$ <u>104,771</u>	\$ <u>25,365</u>
Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ <u>-</u>	\$ <u>59,025</u>	\$ <u>59,025</u>	\$ <u>-</u>
Total assets	\$ <u>-</u>	\$ <u>59,025</u>	\$ <u>59,025</u>	\$ <u>-</u>
<u>Liabilities</u>				
Other deposits	\$ <u>-</u>	\$ <u>59,025</u>	\$ <u>59,025</u>	\$ <u>-</u>
Total liabilities	\$ <u>-</u>	\$ <u>59,025</u>	\$ <u>59,025</u>	\$ <u>-</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2017

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	\$ 11,217	\$ 523,641	\$ 524,320	\$ 10,538
Prepaid items	<u>15,452</u>	<u>360,524</u>	<u>361,149</u>	<u>14,827</u>
Total assets	<u>\$ 26,669</u>	<u>\$ 884,165</u>	<u>\$ 885,469</u>	<u>\$ 25,365</u>
<u>Liabilities</u>				
Other deposits	-	59,025	59,025	-
Dependent care benefits payable	26,669	<u>103,467</u>	<u>104,771</u>	<u>25,365</u>
Total liabilities	<u>\$ 26,669</u>	<u>\$ 162,492</u>	<u>\$ 163,796</u>	<u>\$ 25,365</u>



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	131
<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	137
<i>These schedules contain information to help the reader assess Gilbert's most significant local revenue source, sales tax.</i>	
Debt Capacity	140
<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	145
<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	147
<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	150

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



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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 688,393	\$ 704,908	\$ 707,100	\$ 705,986	\$ 695,983	\$ 687,910	\$ 680,717	\$ 688,900	\$ 735,369	\$ 753,973
Restricted	34,926	24,036	43,766	38,404	52,219	60,525	80,924	82,546	83,227	72,780
Unrestricted	48,022	63,994	66,030	77,284	83,273	107,172	92,357	30,276	49,960	60,983
Total governmental activities net position	<u>\$ 771,341</u>	<u>\$ 792,938</u>	<u>\$ 816,896</u>	<u>\$ 821,674</u>	<u>\$ 831,475</u>	<u>\$ 855,607</u>	<u>\$ 853,998</u>	<u>\$ 801,722</u>	<u>\$ 868,556</u>	<u>\$ 887,736</u>
Business-type activities										
Net investment in capital assets	\$ 273,513	\$ 261,028	\$ 276,059	\$ 294,516	\$ 316,268	\$ 325,357	\$ 351,797	\$ 363,333	\$ 411,831	\$ 399,537
Restricted	106,871	91,738	86,943	76,504	71,376	70,879	65,577	54,084	34,054	42,814
Unrestricted	136,635	182,090	195,803	209,680	236,097	263,978	281,391	290,870	304,198	342,616
Total business-type activities net position	<u>\$ 517,019</u>	<u>\$ 534,856</u>	<u>\$ 558,805</u>	<u>\$ 580,700</u>	<u>\$ 623,741</u>	<u>\$ 660,214</u>	<u>\$ 698,765</u>	<u>\$ 708,287</u>	<u>\$ 750,083</u>	<u>\$ 784,966</u>
Primary government										
Net investment in capital assets	\$ 961,906	\$ 965,936	\$ 983,159	\$ 1,000,502	\$ 1,012,251	\$ 1,013,267	\$ 1,032,514	\$ 1,052,233	\$ 1,147,200	\$ 1,153,510
Restricted	141,797	115,774	130,709	114,908	123,595	131,404	146,501	136,630	117,281	115,594
Unrestricted	184,657	246,084	261,833	286,964	319,370	371,150	373,748	321,146	354,158	403,598
Total primary government net position	<u>\$ 1,288,360</u>	<u>\$ 1,327,794</u>	<u>\$ 1,375,701</u>	<u>\$ 1,402,374</u>	<u>\$ 1,455,216</u>	<u>\$ 1,515,821</u>	<u>\$ 1,552,763</u>	<u>\$ 1,510,009</u>	<u>\$ 1,618,639</u>	<u>\$ 1,672,702</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses										
Governmental activities:										
General government:										
Management and policy	\$ 3,167	\$ 3,068	\$ 2,831	\$ 3,110	\$ 2,983	\$ 10,461	\$ 13,378	\$ 19,090	\$ 20,049	\$ 19,454
Support services	10,351	10,137	9,297	8,503	8,632	-	-	-	-	-
Finance and management services	-	-	-	1,287	1,216	4,150	4,347	1,814	2,110	2,109
Court	5,848	5,838	5,937	5,126	5,410	5,474	5,975	4,053	4,164	4,300
Development services	14,501	12,243	10,085	8,201	8,551	6,850	9,062	7,082	7,611	9,400
Public works	978	1,451	2,782	-	-	-	-	-	-	-
Public safety:										
Police ^a	39,641	42,109	41,328	38,869	40,467	42,759	45,931	47,541	50,115	63,151
Fire ^a	22,564	24,255	22,871	24,473	24,906	25,867	28,853	28,071	31,972	42,513
Highways and streets	36,385	38,541	36,906	40,440	43,438	44,048	45,781	46,932	48,726	51,931
Parks and recreation	16,176	19,350	19,826	19,764	19,932	20,858	22,493	28,429	25,647	25,202
Transportation	1,563	1,682	1,170	1,010	1,269	461	842	778	1,051	1,132
Non departmental	-	-	-	2,194	2,910	3,114	4,104	4,423	5,311	13,690
Interest and fiscal charges on long-term debt	8,893	17,096	18,418	17,675	15,785	15,142	15,216	12,780	12,911	10,506
Total governmental activities expenses	<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>	<u>200,993</u>	<u>209,666</u>	<u>243,389</u>
Business-type activities:										
Water	34,277	35,451	36,163	36,863	37,695	38,339	39,927	41,817	44,360	42,329
Wastewater	23,507	22,398	23,002	23,039	22,662	22,170	23,615	25,620	26,530	26,791
Environmental services	14,783	13,843	13,852	14,255	14,918	15,588	16,113	16,720	17,719	16,857
Irrigation	67	158	54	-	-	-	-	-	-	-
Total business-type activities expenses	<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>	<u>84,157</u>	<u>88,609</u>	<u>85,978</u>
Total primary government expenses	<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>	<u>\$ 285,150</u>	<u>\$ 298,275</u>	<u>\$ 329,366</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Development services	\$ 7,385	\$ 3,773	\$ 4,027	\$ 3,178	\$ 5,347	\$ 7,240	\$ 6,783	\$ 6,608	\$ 6,826	\$ 6,900
Police	6,358	6,594	6,374	2,891	5,584	5,512	5,477	4,526	5,343	7,484
Fire	72	100	79	136	129	185	254	224	197	231
Highways and streets	1,265	1,454	1,659	1,739	1,497	1,516	1,440	1,643	1,745	1,951
Parks and recreation	3,130	3,193	3,735	3,740	3,595	3,706	3,765	4,146	4,366	4,603
Other activities	707	703	789	853	861	1,017	1,066	829	873	844
Operating grants and contributions	22,631	21,183	19,206	21,168	21,045	21,270	22,326	24,171	38,666	33,204
Capital grants and contributions	45,821	31,494	39,632	28,002	26,060	36,089	19,186	37,214	65,535	41,877
Total governmental activities program revenues	<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>	<u>79,361</u>	<u>123,551</u>	<u>97,094</u>

Business-type activities:

Charges for services:										
Water	32,321	33,416	34,601	35,966	36,692	36,455	37,867	37,501	39,457	40,696
Wastewater	18,440	19,722	21,024	21,678	22,740	23,083	23,852	24,625	25,116	26,032
Environmental services	15,642	16,592	16,567	17,194	17,924	16,760	17,308	18,007	18,141	18,270
Irrigation	18	18	25	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	1,051	953
Capital grants and contributions	34,556	19,228	22,026	18,324	37,222	34,153	36,252	29,017	43,655	34,134
Total business-type activities program revenues	100,977	88,976	94,243	93,162	114,578	110,451	115,279	109,150	127,421	120,084
Total primary government program revenues	<u>\$ 188,346</u>	<u>\$ 157,470</u>	<u>\$ 169,744</u>	<u>\$ 154,869</u>	<u>\$ 178,696</u>	<u>\$ 186,986</u>	<u>\$ 175,576</u>	<u>\$ 188,511</u>	<u>\$ 250,972</u>	<u>\$ 217,178</u>

Net (Expense)/Revenue

Governmental activities ^b	\$ (72,698)	\$ (107,276)	\$ (95,950)	\$ (108,945)	\$ (111,381)	\$ (102,649)	\$ (135,685)	\$ (121,632)	\$ (86,115)	\$ (146,294)
Business-type activities	28,343	17,126	21,172	19,005	39,303	34,354	35,624	24,993	38,812	34,107
Total primary government net expense	<u>\$ (44,355)</u>	<u>\$ (90,150)</u>	<u>\$ (74,778)</u>	<u>\$ (89,940)</u>	<u>\$ (72,078)</u>	<u>\$ (68,295)</u>	<u>\$ (100,061)</u>	<u>\$ (96,639)</u>	<u>\$ (47,303)</u>	<u>\$ (112,188)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:										
Sales taxes	\$ 56,980	\$ 49,060	\$ 47,119	\$ 49,249	\$ 54,513	\$ 61,813	\$ 66,757	\$ 71,773	\$ 77,070	\$ 82,797
Property taxes, levied for debt service	26,345	30,836	30,117	25,796	21,502	19,184	18,315	19,423	19,424	20,761
In-Lieu property taxes	831	948	1,328	1,351	1,331	1,377	1,287	1,201	1,187	1,159
Franchise taxes	2,595	2,544	2,448	2,401	2,463	3,083	2,616	2,737	2,989	2,814
Unrestricted state shared revenue ^c	41,303	40,561	35,952	31,068	33,882	38,355	41,323	44,263	45,028	52,861
Unrestricted grants and contributions	2,195	939	1,235	864	1,349	1,193	904	2,595	3,204	2,400
Unrestricted investment earnings	4,463	2,003	1,301	2,137	1,910	722	1,508	1,224	2,651	859
Gain on sale of capital assets	260	152	74	-	178	-	29	106	136	154
Miscellaneous	544	669	680	355	4,744	932	1,226	847	1,162	1,224
Transfers	1,257	1,161	(346)	537	(690)	121	110	184	98	446
Total governmental activities	<u>136,773</u>	<u>128,873</u>	<u>119,908</u>	<u>113,758</u>	<u>121,182</u>	<u>126,780</u>	<u>134,076</u>	<u>144,353</u>	<u>152,949</u>	<u>165,475</u>
Business-type activities:										
Investment earnings	7,509	1,066	739	1,012	1,244	1,061	1,742	1,457	2,666	1,009
Gain on sale of capital assets	56	52	148	164	39	-	30	172	158	92
Miscellaneous	400	754	1,544	2,216	1,765	1,179	1,266	1,310	259	121
Transfers	(1,257)	(1,161)	346	(537)	690	(121)	(110)	(184)	(98)	(446)
Total business-type activities	<u>6,708</u>	<u>711</u>	<u>2,777</u>	<u>2,855</u>	<u>3,738</u>	<u>2,119</u>	<u>2,928</u>	<u>2,755</u>	<u>2,984</u>	<u>776</u>
Total primary government	<u>\$ 143,481</u>	<u>\$ 129,584</u>	<u>\$ 122,685</u>	<u>\$ 116,613</u>	<u>\$ 124,920</u>	<u>\$ 128,899</u>	<u>\$ 137,004</u>	<u>\$ 147,108</u>	<u>\$ 155,933</u>	<u>\$ 166,251</u>

Change in Net Position

Governmental activities	\$ 64,075	\$ 21,597	\$ 23,958	\$ 4,813	\$ 9,801	\$ 24,131	\$ (1,609)	\$ 22,721	\$ 66,834	\$ 19,181
Business-type activities	35,051	17,837	23,949	21,860	43,041	36,473	38,552	27,748	41,796	34,883
Total primary government	<u>\$ 99,126</u>	<u>\$ 39,434</u>	<u>\$ 47,907</u>	<u>\$ 26,673</u>	<u>\$ 52,842</u>	<u>\$ 60,604</u>	<u>\$ 36,943</u>	<u>\$ 50,469</u>	<u>\$ 108,630</u>	<u>\$ 54,064</u>

^a The increase in Police and Fire expenditures for fiscal years 2017 is due to the addition of 17 full time equivalent positions and salary increases.

^b 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 the end of 2008) and a 31% decrease in capital grants and contributions (developer contributions).

The increase in Net Expense for Governmental activities for fiscal years 2011 and 2014 is due to a decrease in capital grants and contributions (developer contributions) of 29% and 47%, respectively.

The decrease in Net Expense for Governmental activities for fiscal year 2015 is due to an increase in capital grants and contributions (developer contributions) of \$12M.

^c For fiscal year 2016, Unrestricted state shared sales taxes and income taxes were combined and the name was changed to Unrestricted state shared revenue.

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

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:										
General government:										
Management and policy	\$ 47	\$ 11	\$ 10	\$ 15	\$ 16	\$ 36	\$ 59	\$ 962	\$ 690	\$ 991
Support services ^a	1,184	128	215	649	242	-	-	-	-	-
Finance and management services	-	-	-	9	11	251	262	27	24	20
Court	675	586	597	597	670	792	823	824	859	831
Development services	8,101	4,571	4,576	4,273	6,891	7,240	6,807	6,608	6,826	6,900
Public works ^a	1,948	901	1,005	-	-	-	-	-	-	-
Public Safety:										
Police	8,491	7,838	8,495	3,989	7,689	7,669	7,207	8,975	10,645	11,551
Fire	4,223	4,386	3,447	3,163	6,892	4,079	3,697	3,766	4,170	3,877
Highways and streets ^b	52,536	39,126	45,193	39,324	25,634	41,280	28,218	44,497	69,791	54,059
Parks and recreation	9,861	10,539	11,649	9,422	15,314	14,475	12,461	13,012	29,861	18,190
Transportation	303	408	314	215	624	662	712	639	635	626
Non departmental	-	-	-	51	135	51	51	51	50	50
Subtotal governmental activities	<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>	<u>79,361</u>	<u>123,551</u>	<u>97,094</u>
Business-type activities:										
Water	52,172	43,997	47,232	46,133	56,904	55,662	57,750	55,590	68,102	61,546
Wastewater	33,145	28,369	30,419	29,835	39,735	38,029	40,220	35,552	41,178	37,232
Environmental services	15,642	16,592	16,567	17,194	17,938	16,760	17,308	18,008	18,141	21,307
Irrigation ^a	18	18	25	-	-	-	-	-	-	-
Subtotal business-type activities	<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>	<u>109,150</u>	<u>127,421</u>	<u>120,084</u>
Total primary government	<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>	<u>\$ 188,511</u>	<u>\$ 250,972</u>	<u>\$ 217,178</u>

^a The public works function, support services function, and irrigation services were eliminated in fiscal years 2012, 2013, and 2010, respectively.

^b The decrease in governmental activities revenue in fiscal years 2008, 2009, 2011, and 2014 is mainly due to decreased developer contributions. The increase in fiscal years 2015 and 2016 is mainly due to increased developer contributions.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011^b</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund										
Reserved	\$ 16,015	\$ 17,630	\$ 21,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	38,375	36,245	33,168	-	-	-	-	-	-	-
Nonspendable	-	-	-	22,317	23,213	23,527	25,380	24,470	19,866	18,995
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned ^a	-	-	-	10,729	10,797	10,092	12,081	17,046	13,681	32,766
Unassigned	-	-	-	33,521	44,250	59,555	61,764	67,057	85,498	82,885
Total general fund	<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>	<u>\$ 108,573</u>	<u>\$ 119,046</u>	<u>\$ 134,646</u>
All other governmental funds										
Reserved	\$ 42,863	\$ 67,626	\$ 45,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	29,348	25,886	27,635	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	(36,581)	99,570	86,482	-	-	-	-	-	-	-
Total Unreserved	<u>(7,233)</u>	<u>125,456</u>	<u>114,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonspendable	-	-	-	4	2	1	83	2	4	2
Restricted	-	-	-	108,051	100,572	89,654	92,337	96,837	87,005	139,725
Assigned	-	-	-	28,261	26,159	36,258	18,764	22,462	38,337	34,387
Unassigned	-	-	-	(20,781)	(23,199)	(23,609)	(25,466)	(23,981)	(19,897)	(19,353)
Total all other governmental funds	<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>	<u>\$ 95,320</u>	<u>\$ 105,449</u>	<u>\$ 154,760</u>

^a The increase in Assigned fund balance in fiscal year 2017 was due to the change in reporting of vehicle license tax revenue and the expenditure of those funds as well as a reclassification of the Streets Capital Replacement fund balance. See Note 2.

^b 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)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Taxes:										
Sales	\$ 56,980	\$ 48,736	\$ 46,873	\$ 49,315	\$ 54,503	\$ 61,890	\$ 66,772	\$ 71,794	\$ 77,108	\$ 82,980
Property	28,303	33,131	33,073	28,732	24,045	21,548	20,681	21,953	22,000	23,707
Franchise	2,595	2,544	2,448	2,401	2,463	2,374	2,700	2,737	3,389	2,814
Licenses and permits	4,734	2,459	2,614	2,365	3,995	5,434	4,748	4,791	4,787	4,785
Intergovernmental	73,255	67,053	72,535	55,362	61,468	72,904	68,046	76,284	77,007	87,364
Special assessments	2,121	422	437	559	879	1,299	2,090	1,184	2,233	696
Charges for services	9,594	8,596	8,795	7,288	8,164	9,573	10,027	10,440	11,147	11,161
Other entities' participation	1,620	1,055	1,234	2,313	1,300	2,252	1,977	382	1,666	2,252
System development fees	15,566	8,395	11,608	8,736	17,957	17,836	13,435	18,836	22,944	18,101
Gifts and donations	177	114	124	176	186	119	155	192	187	120
Fines and forfeitures	4,564	4,223	4,445	4,351	4,442	4,710	4,469	4,476	4,618	4,336
Investment earnings	4,345	1,978	1,286	2,106	1,889	706	1,494	1,210	2,639	836
Miscellaneous	800	819	754	355	4,947	933	1,255	953	14,797	5,683
Total revenues	<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>	<u>215,232</u>	<u>244,523</u>	<u>244,835</u>
Expenditures										
Current:										
General government:										
Management and policy	3,919	3,642	3,458	3,845	3,676	12,584	15,336	20,485	20,997	22,001
Support services	10,814	10,386	10,257	9,239	9,160	-	-	-	-	-
Finance and management services	-	-	-	1,416	1,722	4,235	4,413	1,943	2,134	2,270
Court	5,222	5,203	5,261	4,403	4,617	4,753	5,089	3,493	3,608	3,657
Development services	14,024	11,321	9,204	7,160	7,514	5,999	6,078	6,069	6,239	7,049
Public works	1,329	1,798	1,225	-	-	-	-	-	-	-
Public safety:										
Police	36,126	37,851	37,669	35,007	36,384	38,817	41,947	43,084	44,402	54,397
Fire	20,521	21,171	20,115	20,200	21,552	22,543	24,993	25,631	28,295	32,048
Highways and streets	10,631	10,378	10,097	9,736	10,815	10,637	11,969	12,478	12,831	14,680
Parks and recreation	12,568	13,151	12,684	12,591	12,688	13,895	15,614	21,836	18,591	19,660
Transportation	1,563	1,682	1,170	1,010	1,269	461	841	774	1,046	1,135
Non departmental	-	-	-	2,194	2,910	3,114	4,104	4,423	5,311	13,690
Debt service:										
Principal	36,350	29,805	31,855	29,215	23,055	24,705	25,630	23,750	30,105	34,935
Interest	8,961	16,501	18,553	18,451	15,992	15,411	14,252	13,108	13,773	11,583
Bond issuance costs	98	670	-	-	402	-	-	209	-	779
Fiscal and other charges	29	12	9	20	9	13	13	307	37	9
Capital outlay	87,528	134,013	58,785	41,935	34,500	30,849	38,804	58,849	36,573	34,111
Total expenditures	<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>	<u>236,439</u>	<u>223,942</u>	<u>252,004</u>
Excess (deficiency) of revenues over (under) expenditures	(45,029)	(118,059)	(34,116)	(32,363)	(27)	13,562	(11,234)	(21,207)	20,581	(7,169)
Other financing sources (uses)										
Transfers in	45,661	90,680	26,608	25,272	25,195	25,774	45,891	23,401	21,406	23,334
Transfers out	(44,404)	(89,519)	(25,634)	(24,586)	(25,885)	(25,653)	(45,781)	(23,216)	(21,385)	(22,881)
Sale of capital assets	-	-	-	-	-	-	590	-	-	-
Revenue obligations issued	-	-	-	-	-	-	-	36,980	-	-
Premium on revenue obligations	-	-	-	-	-	-	-	2,706	-	-
Bonds issued	3,760	273,490	-	-	37,925	-	-	28,080	-	121,670
Premium on bonds	-	344	-	-	4,111	-	-	4,417	-	14,139
Payment to refunded bond escrow agent	-	-	-	-	(41,627)	-	-	(32,211)	-	(64,182)
Total other financing sources and uses	<u>5,017</u>	<u>274,995</u>	<u>974</u>	<u>686</u>	<u>(281)</u>	<u>121</u>	<u>700</u>	<u>40,157</u>	<u>21</u>	<u>72,080</u>
Net change in fund balances	\$ <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>	\$ <u>18,950</u>	\$ <u>20,601</u>	\$ <u>64,911</u>
Debt service as a percentage of noncapital expenditures	27.9%	28.3%	31.2%	30.9%	25.7%	25.5%	23.4%	20.8%	23.4%	21.3%

**Town of Gilbert, Arizona
Sales Tax Collections by Category
Fiscal Years 2008 - 2016 ^a**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Construction	\$ 15,416,006	\$ 7,804,840	\$ 5,193,872	\$ 4,389,279	\$ 5,718,727	\$ 7,867,067	\$ 8,837,079	\$ 7,663,801	\$ 7,326,040
Manufacturing	789,804	650,179	635,188	706,514	727,755	763,152	939,861	882,509	1,042,710
Communications & Utilities	5,269,633	5,303,338	5,724,639	5,562,364	5,774,403	5,931,935	6,120,225	6,342,578	6,327,257
Wholesale	577,086	527,933	610,065	854,466	965,523	1,100,749	1,207,006	1,320,977	1,486,450
Retail	23,550,094	23,305,081	23,775,975	25,540,515	28,390,526	30,784,509	33,078,748	37,463,617	40,406,219
Restaurant & Bar	3,228,910	3,509,671	3,566,427	3,820,368	4,072,187	4,402,299	4,867,638	5,526,275	6,177,869
Real Estate, Rental & Leasing	5,538,416	5,751,120	5,249,645	5,874,288	6,078,364	7,944,973	7,952,365	8,286,878	9,290,919
Accommodation ^b	-	-	-	252,974	299,270	377,228	487,680	533,870	569,390
Services	1,729,464	1,039,678	1,002,691	1,069,661	1,211,864	1,369,608	1,676,438	2,018,647	2,223,706
Other ^b	319,810	243,510	481,122	652,043	520,302	487,279	505,146	629,740	784,957
Transportation & Warehousing	13,347	12,575	16,464	21,161	25,830	25,667	22,721	30,529	37,823
Finance & Insurance	93,008	100,490	100,293	89,990	112,496	154,772	398,169	438,257	557,582
Public Administration	8,272	4,748	9,503	-	4,586	2,271	4,311	3,020	18,977
Arts & Entertainment	446,057	483,123	506,855	481,592	600,794	594,043	674,274	652,973	858,177
Total	\$ 56,979,907	\$ 48,736,286	\$ 46,872,739	\$ 49,315,215	\$ 54,502,627	\$ 61,805,552	\$ 66,771,661	\$ 71,793,671	\$ 77,108,076
Gilbert's local sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

^a Effective July 1, 2016, the Arizona Department of Revenue changed the way taxpayers report city tax on their tax returns and simultaneously changed the manner in which they summarize the tax data in their reports to the cities. As a result, we no longer receive the tax data in the same categories that we had in the past. See Schedule 6B for Fiscal Year 2017 data.

^b 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.

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

Town of Gilbert, Arizona
Sales Tax Collections by Category
Fiscal Year 2017^a

	<u>2017</u>
Accommodation	\$ 599,950
Amusement	793,681
Communications & Utilities	5,625,248
Construction Contracting	9,611,076
Maintenance, Repair, Replacement & Alteration	89,165
Personal Property Rental	1,392,591
Publications, Advertising & Job Printing	174,054
Rental of Commercial Property/Non-Residential	4,116,417
Residential Rental	3,367,073
Restaurant & Bar	6,974,438
Retail	49,491,813
Tax License Fees	14,632
Other	<u>730,191</u>
Total	\$ <u>82,980,329</u>
Gilbert's local sales tax rate	1.5%

Source: Arizona Department of Revenue

^a Effective July 1, 2016, the Arizona Department of Revenue changed the way taxpayers report city tax on their tax returns and simultaneously changed the manner in which they summarize the tax data in their reports to the cities. As a result, we no longer receive the tax data in the same categories that we had in the past. See Schedule 6A for Fiscal Years 2008 - 2016 data.

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

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013^a</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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%	6.50%	6.50%	6.50%	6.50%	5.50%	5.50%	5.50%	5.50%
All Others	5.60%	5.60%	6.60%	6.60%	6.60%	6.60%	5.60%	5.60%	5.60%	5.60%

Source: Gilbert Finance & Management Services Department

^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.

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

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

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Street and Highway User Revenue Bonds	Municipal Property Corporation Revenue Bonds	Revenue Obligations	General Obligation Bonds	Special Assessment Bonds	Water and Wastewater Revenue Bonds	Municipal Property Corporation Revenue Bonds				
2008	\$ 57,390,066	\$ 2,999,660	\$ 31,753,147	\$ 100,635,000	\$ -	\$ 10,353,095	\$ -	\$ 20,414,733	\$ 182,839,461	\$ 406,385,162	6.65 %	\$ 1,967	
2009	226,030,524	11,633,524	29,796,281	175,810,000	-	8,900,510	-	19,155,224	167,031,835	638,357,898	10.25	2,946	
2010	204,147,283	11,548,249	27,712,795	169,750,000	-	7,127,925	-	17,861,117	160,388,430	598,535,799	9.40	2,871	
2011	178,722,625	11,457,958	25,502,688	161,045,000	-	5,540,340	-	16,527,813	143,200,304	541,996,729	8.56	2,585	
2012	159,547,197	11,056,456	20,836,060	152,243,537	-	3,877,755	-	15,164,911	118,853,753	481,579,670	7.72	2,249	
2013	147,640,933	10,469,338	18,130,241	142,828,198	-	2,115,170	-	13,757,813	111,081,450	446,023,143	6.31	2,008	
2014	135,775,830	9,445,797	16,864,197	133,835,907	-	247,585	-	-	104,083,879	400,253,194	6.09	1,735	
2015	123,420,395	8,306,402	13,754,807	126,607,711	39,685,688	-	-	-	98,190,924	409,965,927	5.59	1,712	
2016	105,296,311	6,504,185	10,538,003	118,310,093	39,685,688	-	-	-	135,410,861	415,745,141	5.18	1,679	
2017	157,102,290	6,126,440	7,174,209	109,229,636	39,637,764	-	-	-	134,594,390	453,864,729	5.30	1,833	

Notes:

See Schedule 13 for personal income and population data.
 Details regarding Gilbert's outstanding debt can be found in the notes to the financial statements.
 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>Limited Property Value^a</u>	<u>Percentage of Applicable Property Value</u>	<u>Per Capita</u>
2008	\$ 67,743,161	\$ 7,279,915	\$ 60,463,246	\$ 2,370,134,999	N/A	2.55 %	\$ 292.65
2009	234,931,034	6,655,504	228,275,530	2,768,391,194	N/A	8.25	1053.61
2010	211,275,208	6,720,588	204,554,620	2,672,949,852	N/A	7.65	981.30
2011	184,262,965	6,366,097	177,896,868	2,297,228,317	N/A	7.74	848.34
2012	163,424,952	9,335,818	154,089,134	1,861,193,961	N/A	8.28	719.63
2013	149,756,103	9,599,968	140,156,135	1,675,360,422	N/A	8.37	630.91
2014	136,023,415	8,942,949	127,080,466	1,594,806,737	N/A	7.97	550.87
2015	123,420,395	10,165,593	113,254,802	1,829,471,839	N/A	6.19	473.05
2016	105,296,311	6,952,183	98,344,128	N/A	\$ 1,845,325,449	5.33	397.28
2017	157,102,290	2,186,272	154,916,018	N/A	1,979,359,269	7.83	625.67

^a Maricopa County Assessor's Office

^b Includes unamortized bond discounts/premiums.

Notes:

In accordance with Proposition 117, *The Arizona Property Tax Assessed Valuation Amendment*, property taxes are calculated based on the limited property value beginning with tax year 2015.

See Schedule 13 for population data.

General obligation bonds principal and interest payments are paid for with secondary property taxes.

Town of Gilbert, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Maricopa County ^b	None	5.50%	None
Maricopa County Community College District ^c	\$ 445,570,000	5.50%	\$ 24,506,350
Maricopa County Special Health District	37,000,000	5.51%	2,038,700
Gilbert Unified School District No. 41	99,795,000	70.25%	70,105,988
Higley Elementary School District No. 60	115,040,000	88.94%	102,316,576
Chandler Unified School District No. 80	269,202,222	13.05%	35,130,890
Mesa Unified School District No. 4	245,005,000	0.35%	857,518
East Valley Institute of Technology District No. 401 ^d	None	12.40%	None
Subtotal, overlapping debt			234,956,021
Town of Gilbert direct debt ^e	319,270,338	100.00%	319,270,338
Total direct and overlapping debt			<u>\$ 554,226,359</u>

Source: The various jurisdictions

^a Proportion applicable to Town of Gilbert, Arizona is computed on the ratio of limited property valuation for fiscal year 2016/17.

^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 obligations, 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
20% Limitation										
Debt limit equal to 20% of limited property valuation	\$ 350,232,053	\$ 423,394,572	\$ 471,773,198	\$ 437,048,132	\$ 369,996,694	\$ 333,373,568	\$ 317,092,733	\$ 346,856,631	\$ 369,065,090	\$ 395,871,854
Total net debt applicable to 20% limit	51,705,000	217,730,000	195,320,000	175,915,000	163,335,000	149,675,000	135,310,000	122,715,000	105,250,000	143,945,000
Premium adjustment	-	-	-	-	-	-	-	-	-	9,675,637
Legal 20% debt margin (available borrowing capacity)	<u>\$ 298,527,053</u>	<u>\$ 205,664,572</u>	<u>\$ 276,453,198</u>	<u>\$ 261,133,132</u>	<u>\$ 206,661,694</u>	<u>\$ 183,698,568</u>	<u>\$ 181,782,733</u>	<u>\$ 224,141,631</u>	<u>\$ 263,815,090</u>	<u>\$ 242,251,217</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	14.76%	51.42%	41.40%	40.25%	44.14%	44.90%	42.67%	35.38%	28.52%	38.81%
6% Limitation										
Debt limit equal to 6% of limited property valuation	\$ 105,069,616	\$ 127,018,372	\$ 141,531,960	\$ 131,114,440	\$ 110,999,008	\$ 100,012,071	\$ 95,127,820	\$ 104,056,989	\$ 110,719,527	\$ 118,761,556
Total net debt applicable to 6% limit	855,000	-	-	-	-	-	-	-	-	-
Legal 6% debt margin (available borrowing capacity)	<u>\$ 104,214,616</u>	<u>\$ 127,018,372</u>	<u>\$ 141,531,960</u>	<u>\$ 131,114,440</u>	<u>\$ 110,999,008</u>	<u>\$ 100,012,071</u>	<u>\$ 95,127,820</u>	<u>\$ 104,056,989</u>	<u>\$ 110,719,527</u>	<u>\$ 118,761,556</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	0.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2017

Limited property valuation as of June 30, 2017	\$ 1,979,359,269
20% Limitation	
Debt limit equal to 20% of limited property valuation	395,871,854
Debt applicable to limit:	
General obligation bonds	143,945,000
Premium adjustment	9,675,637
Legal 20% debt margin (available borrowing capacity)	<u>\$ 242,251,217</u>
6% Limitation	
Debt limit equal to 6% of limited property valuation	118,761,556
Debt applicable to limit:	
General obligation bonds	-
Legal 6% debt margin (available borrowing capacity)	<u>\$ 118,761,556</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 2017, HB 2452: bonding; amortized premium; segregated fund passed, requiring the net premium associated with a general obligation bond to be amortized for all debt limitation purposes on a pro-rata basis each year.

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

Public Facilities Municipal Property Corp. Revenue Bonds
& Subordiante Lien Pledged Revenue Obligations

Fiscal Year	Special Assessment Bonds				Highway User Revenue Bonds				Excise Taxes & State-Shared Debt Service			
	Special Assessment Collections	Debt Service		Coverage	Highway User Tax Revenue	Debt Service		Coverage	Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
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
2015	1,184,368	1,135,000	470,225	0.74	12,900,529	2,750,000	632,550	3.81	125,743,087	7,515,000	6,030,998	9.28
2016	2,232,678	1,795,000	394,755	1.02	13,588,215	2,845,000	550,050	4.00	133,104,631	8,000,000	7,457,791	8.61
2017	695,541	375,000	321,073	1.00	15,847,097	2,975,000	436,250	4.65	146,007,063	9,660,000	6,877,081	8.83

Water and Wastewater Revenue Bonds ^c

Water Resources Municipal Property Corp. Revenue Bonds

Fiscal Year	Operating Revenues ^a	Less: Operating Expenses ^a	Net Available Revenue	Debt Service			Coverage	Net Available Revenue ^b	Water System Dev't Fee	Wastewater System Dev't Fee	Debt Service		
				Principal	Interest	Coverage					Principal	Interest	Coverage
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	
2015	63,338,422	40,316,645	23,021,777	-	-	N/A	23,021,777	10,461,708	-	4,075,000	4,894,864	3.73	
2016	64,659,329	42,119,371	22,539,958	-	-	N/A	22,539,958	11,873,824	-	4,275,000	4,683,019	3.84	
2017	66,788,603	41,921,216	24,867,387	-	-	N/A	24,867,387	9,914,166	-	4,830,000	4,984,570	3.54	

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

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

^c These bonds were paid off in fiscal year 2014.

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

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

Fiscal Year	Population ^a	Personal Income ^b (in thousands) (estimate)	Per Capita Income ^c (estimate)	Median Age ^c	School Enrollment ^d	Unemployment Rate ^e
2008	206,604	6,113,000	30,518	31.3	38,662	2.4%
2009	216,661	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	209,699	6,329,000	29,731	32.7	38,660	5.1%
2012	214,123	6,240,000	28,413	31.5	38,696	5.4%
2013	222,148	7,064,000	31,035	33.1	38,573	5.7%
2014	230,690	6,568,000	28,184	37.5	38,573	5.2%
2015	239,415	7,335,000	30,639	32.7	37,240	4.3%
2016	247,542	8,025,000	32,418	33.2	34,079	4.2%
2017	247,600	8,558,000	34,565	33.1	35,449	3.7%

Sources:

^a 2008 through 2015: Maricopa Association of Governments; 2016 Census.gov; 2017 Office of Management & Budget

^b Estimated based on population and per capita income

^c 2008 through 2015: American Community Survey; 2016 through 2017: Census.gov

^d Arizona Department of Education; beginning in 2011, school enrollment was obtained from the Gilbert Public Schools website.

^e laborstats.az.gov

Note: The 2008 through 2010 median age, school enrollment, and unemployment rates were obtained from Gilbert's Development Services Department.

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

<u>Employer</u>	<u>Fiscal Year 2017</u>			<u>Fiscal Year 2008</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	3,152	1	3.01%	5,139	1	10.40%
Banner Health	1,806	2	1.73%	1,492	2	3.02%
Go Daddy Software, Inc.	1,364	3	1.30%	575	9	1.16%
Town of Gilbert	1,297	4	1.24%	1,365	3	2.76%
Wal-Mart Stores, Inc.	1,138	5	1.09%	578	8	1.17%
Fry's Food and Drug	1,044	6	1.00%	704	4	1.42%
B H Drywall	997	7	0.95%	600	6	1.21%
Higley Unified School District	995	8	0.95%	---		---
Dignity Health	891	9	0.85%	---		---
Isagenix International	650	10	0.62%	---		---
Mercy Gilbert Medical Center	---		---	653	5	1.32%
General Dynamics C4 Systems Inc	---		---	587	7	1.19%
Dillard's	---		---	550	10	1.11%
Total	13,334		12.75%	12,243		24.76%

Source: Maricopa Association of Governments

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

<u>Function</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	32.0	32.2	29.2	21.2	22.2	88.5	95.8	120.0	128.6	131.6
Support services	92.75	91.3	88.3	62.0	62.0	-	-	-	-	-
Finance and management services	-	-	-	18.25	19.3	29.0	19.0	19.0	21.0	21.0
Court	53.3	52.3	52.9	52.9	51.9	49.9	51.9	32.9	32.9	32.9
Development services	99.1	70.5	70.5	72.5	72.5	69.6	68.8	73.3	66.7	68.7
Public works	18.0	17.5	17.5	-	-	-	-	-	-	-
Public safety:										
Police	352.5	347.0	346.0	346.0	346.0	346.0	349.0	354.0	358.0	369.0
Fire	193.0	199.5	197.0	197.0	197.0	197.0	201.0	201.0	203.0	210.0
Highways and streets	55.3	55.3	49.3	49.3	49.3	51.0	58.0	58.0	51.7	51.7
Parks and recreation	120.0	117.1	106.8	101.7	102.0	106.8	121.8	118.7	125.3	126.2
<u>Enterprise Funds</u>										
Water	72.0	79.0	83.0	118.1	120.0	118.2	118.0	116.5	125.0	130.0
Wastewater	35.0	40.7	40.7	40.7	41.7	41.7	44.7	45.4	42.5	42.5
Environmental services	77.1	79.0	79.0	79.0	78.5	79.0	83.5	84.0	94.3	96.3
Irrigation	0.7	0.7	0.7	-	-	-	-	-	-	-
<u>Internal Service Funds</u>										
Equipment maintenance	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>
Total	<u><u>1,226.8</u></u>	<u><u>1,208.1</u></u>	<u><u>1,186.9</u></u>	<u><u>1,184.8</u></u>	<u><u>1,188.4</u></u>	<u><u>1,202.7</u></u>	<u><u>1,237.5</u></u>	<u><u>1,248.8</u></u>	<u><u>1,275.0</u></u>	<u><u>1,305.9</u></u>

Source: Gilbert Office of Management & Budget

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	87%	89%	86%	90%	N/A ^a	77%	75%	N/A ^a	74%	N/A
Number of recruitments	107	87	90	86	79	110	155	148	175	149
Employee turnover	9.2%	8.1%	4.9%	6.6%	6.8%	8.0%	7.5%	8.3%	9.7%	9.3%
Legal and court										
Case filings	37,821	36,890	32,299	25,888	26,271	31,794	28,896	29,499	32,091	29,501
% of cases charged after review	61%	61%	64%	64%	72%	72%	72%	71%	70%	74%
Development services										
Building permits issued	3,663	2,054	2,506	2,219	3,474	3,418	3,254	3,364	3,584	4,157
Value of permits issued (in millions)	\$ 539.6	\$ 266.3	\$ 324.3	\$ 238.7	\$ 474.9	\$ 534.4	\$ 472.5	\$ 496.0	\$ 553.8	\$ 532.2
Public Safety:										
Police										
Number of arrests	10,528	12,487	11,411	8,330	9,003	8,734	8,474	8,900	8,702	8,250
Crimes per 1,000 population	25.4	23.3	20.4	19.3	18.3	16.5	16.6	15.5	15.3	15.5
Fire										
Number of emergency calls	13,259	12,972	13,566	13,946	14,133	15,509	16,185	17,777	18,923	19,422
Response time average (enroute to on-scene) ^b	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 51 sec	3 min 57 sec	3 min 55 sec	N/A
Total dispatch time (dispatch to onscene) ^b	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5 min 9 sec
Highways and streets										
Average pavement condition index	91	91	91	91	91	80	75	75	72	74
Parks and recreation										
Facility reservation requests ^c	18,691	19,222	15,681	16,637	16,880	16,277	16,440	N/A	N/A	N/A
Facility reservations ^c	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11,747	19,835	18,000
Participants in recreation programs ^d	54,815	48,892	50,038	47,493	48,725	52,714	52,616	62,815	69,423	71,651
Transportation										
Average daily ridership	421	1,039	835	845	560	635	685	687	669	679
Water										
Daily average water production (mg)	42	44	42	42	43	43	43	43	43	46
Average # of meters read per month	68,447	70,630	71,814	71,910	73,469	71,952	72,712	73,199	82,871	83,945
Number of utility locates	16,451	12,000	12,373	10,576	15,190	23,277	20,235	20,100	21,197	26,850
Wastewater										
Daily average wastewater influent (mg)	12.32	12.37	12.91	12.67	12.20	12.79	12.82	13.21	14.03	14.91
Annual effluent produced/reused (mg)	4,174	4,160	4,420	4,840	4,457	4,667	4,646	4,822	4,815	4,931
Environmental services										
Solid waste tonnage	113,777	110,144	110,403	111,943	109,472	115,536	113,965	112,778	114,144	110,520
Recycle tonnage	19,055	18,810	19,191	19,242	18,653	18,695	19,851	19,418	19,894	22,567

Source: Various Town departments

^a Survey completed every other year.

^b Beginning in 2017, the Fire Department began reporting total dispatch time instead of average time enroute to on-scene.

^c Indicator no longer being tracked. Beginning in 2015, tracking actual facility reservations.

^d Only includes adult sports, youth ball programs, adaptive recreation, and town-sponsored special events.

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

<u>Function</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Public safety:										
Police										
Number of police cars	151	162	156	166	164	164	180	185	217	224
Fire										
Fire stations	9	9	9	9	10	10	10	10	10	10
Highways and streets										
Street centerline miles (estimate) ^{a c}	1,017	872	903	923	979	989	905	1,032	1,055	973
Traffic control signals	159	169	168	173	175	177	180	185	185	194
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	676	676	690	690	652	653	605	605	605	645
Water										
Miles of water main ^c	1,067	1,137	1,175	1,189	1,216	1,219	1,261	1,304	1,660	1,322
Wastewater										
Miles of wastewater main ^c	809	843	860	868	970	976	1,006	1,019	1,038	887
Environmental services										
Garbage trucks ^b	52	54	57	61	61	61	66	67	57	56

Source: Various Town departments

^a The street centerline miles were previously estimated using different methods, such as end of warranty and beginning of Town ownership. Beginning in 2015, the estimate is based on acceptance letter date.

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

^c In 2017, estimates were updated to exclude miles not owned by Gilbert.

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

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

Fiscal Year	Residential Construction ^a		Commercial Construction ^a		Other Construction ^a		Secondary Assessed Property Value ^b	Limited Property Value ^b	Maricopa County Bank Deposits ^c
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			
2008	1,536	\$ 268,197,375	349	\$ 180,776,005	1,778	\$ 90,605,562	\$ 2,370,134,999	N/A	\$ 55,054,948,000
2009	1,038	161,128,906	151	60,768,344	865	44,414,870	2,768,391,194	N/A	55,358,822,000
2010	1,427	213,032,031	147	67,488,230	932	43,754,466	2,672,949,852	N/A	61,925,568,000
2011	1,130	182,201,825	180	25,831,880	909	30,710,863	2,297,228,317	N/A	60,408,631,000
2012	2,331	408,322,951	182	31,550,416	961	35,017,191	1,861,193,961	N/A	61,673,751,000
2013	2,015	385,182,885	224	102,447,825	1,179	46,773,456	1,675,360,422	N/A	65,485,982,000
2014	1,613	315,632,904	284	99,959,286	1,357	56,890,360	1,594,806,737	N/A	70,253,713,000
2015	1,668	350,707,421	268	81,934,987	1,428	63,344,257	1,829,471,839	N/A	76,889,448,000
2016	1,764	402,071,499	278	71,594,349	1,542	80,164,565	N/A	\$ 1,845,325,449	84,014,143,000
2017	1,754	336,676,752	264	119,477,874	2,139	76,023,423	N/A	1,979,359,269	92,567,543,000

Sources:

- ^a Development Services Department
- ^b Maricopa County Assessor's Office
- ^c Federal Deposit Insurance Corporation

Note: In accordance with Proposition 117, *The Arizona Property Tax Assessed Valuation Amendment*, property taxes are calculated based on the limited property value beginning with tax year 2015.

Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2017

	<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	\$ 6,989,850	2,337,313	28,013	(1,122,790)	\$ 8,232,386
Police system development fee	389,395	3,706,920	9,208	(2,906,955)	1,198,568
Fire system development fee	(13,205,778)	1,895,180	-	(1,123,099)	(12,433,697) ^a
General government system development fee	(6,651,994)	2,400,140	-	(2,412,792)	(6,664,646) ^a
Parks and recreation system development fee	28,273,344	7,761,603	108,140	(5,332,384)	30,810,703
Water system development fee	7,832,200	9,914,166	90	(10,422,237)	7,324,219
Water resources system development fee	8,347,819	1,949,954	13,462	(5,208,621)	5,102,614
Wastewater system development fee	17,874,428	6,992,364	105,511	(787,784)	24,184,519
Totals	<u>\$ 49,849,262</u>	<u>36,957,640</u>	<u>264,424</u>	<u>(29,316,662)</u>	<u>\$ 57,754,664</u>

Equivalent Residential Unit

Water system development fee	\$ 4,927
Wastewater system development fee - Greenfield	4,015
Wastewater system development fee - Neely	3,176

Source: Gilbert Finance & Management Services Department

^a The negative ending balances for the fire and general government system development fees are funded by the general fund. The general fund had a cash balance of \$118,443,372 at June 30, 2017.

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

Fiscal Year	Tax Levy	Initial Year Collections				Cumulative Collections				
		County Resolutions	Net Tax Levy	Current Collections	Percent Of Levy	County Resolutions	Net Tax Levy	Delinquent Collections	Total Collections	Percent of Levy
2008	\$ 27,315,101	\$ (402,220)	\$ 26,912,881	\$ 25,797,060	95.85%	\$ (506,452)	\$ 26,808,649	\$ 1,012,757	\$ 26,809,817	100.00%
2009	31,332,659	(134,438)	31,198,221	29,744,757	95.34%	(304,665)	31,027,994	1,262,304	31,007,061	99.93%
2010	30,389,882	(153,319)	30,236,563	28,984,405	95.86%	(390,037)	29,999,845	996,924	29,981,329	99.94%
2011	26,198,053	(107,618)	26,090,435	25,253,466	96.79%	(276,531)	25,921,522	659,343	25,912,809	99.97%
2012	21,380,254	(96,162)	21,284,092	20,772,494	97.60%	(217,442)	21,162,812	384,122	21,156,616	99.97%
2013	19,253,745	(99,396)	19,154,349	18,962,640	99.00%	(143,216)	19,110,529	142,673	19,105,313	99.97%
2014	18,327,289	(57,876)	18,269,413	18,056,441	98.83%	(88,708)	18,238,581	179,505	18,235,946	99.99%
2015	19,487,085	(72,483)	19,414,602	19,230,809	99.05%	(126,520)	19,360,565	127,809	19,358,618	99.99%
2016	19,495,256	(32,290)	19,462,966	19,286,314	99.09%	(67,050)	19,428,206	136,781	19,423,095	99.97%
2017	20,913,149	(80,844)	20,832,305	20,645,301	99.10%	(80,844)	20,832,305	-	20,645,301	99.10%

Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2017**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Limited Property Valuation</u>	<u>As % of Town's Total Limited Property Valuation</u>
Westcor Santan Village LLC	Shopping Center	\$ 20,844,768	1.05%
Southwest Gas Corporation (T&D)	Utility	6,782,213	0.34%
American Furniture Warehouse Co.	Retail	6,741,277	0.34%
Verizon Wireless	Utility	5,233,196	0.26%
Power & Ray LLC	Real Estate Development / Holdings	5,110,118	0.26%
Vestar CTC Phase 1 LLC	Real Estate Development / Holdings	5,106,902	0.26%
BRE DDR BR SAN TAN II AZ LLC	Real Estate Development / Holdings	4,956,707	0.25%
Target Corporation	Retail	4,217,459	0.21%
Earnhardt Arizona Properties LLC	Real Estate Development / Holdings	4,057,056	0.20%
Redstone at Santan Village Apartments LLC	Real Estate Development / Holdings	3,927,753	0.20%
Lowe's HIW Inc.	Retail	3,648,343	0.18%
155 Rivulon Boulevard LLC	Real Estate Development / Holdings	3,564,364	0.18%
San Privada Apartments LLC	Real Estate Development / Holdings	3,181,865	0.16%
Arizona Public Service Company	Utility	3,175,374	0.16%
Sy Gilbert Commons I LLC	Real Estate Development / Holdings	3,135,502	0.16%
Branch Brook Gardens	Real Estate Development / Holdings	3,129,413	0.16%
Smiths Food & Drug Centers Inc	Retail	3,103,774	0.16%
Pillar at San Tan LLC	Real Estate Development / Holdings	3,100,185	0.16%
LIT Industrial Limited Partnership	Real Estate Development / Holdings	3,044,954	0.15%
Fulton Homes Corporation	Real Estate Development / Holdings	3,017,265	0.15%
Qwest Corporation	Utility	3,010,144	0.15%
CTC Gilbert LLC	Real Estate Development / Holdings	2,873,122	0.15%
Echostar Broadcasting Holding Corporation	Utility	2,864,511	0.14%
Dillard Store Services Inc (Lease)	Retail	2,835,847	0.14%
FRI San Tan LLC	Real Estate Development / Holdings	2,801,453	0.14%
		<u>\$ 113,463,565</u>	<u>5.73%</u>

Source: Maricopa County. Top taxpayers based on Net Assessed Limited Property Value of Real and Secured Personal Property for tax year 2017.

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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