TOWN OF GILBERT, ARIZONA

Annual Expenditure Limitation Report

June 30, 2015

(With Independent Accountant's Report Thereon)

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and Town Council
of the Town of Gilbert, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Town of Gilbert, Arizona for the year ended June 30, 2015. This report is the responsibility of the Town of Gilbert, Arizona management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Town of Gilbert, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Heinfeld, Meech & Co., P.C.

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CPAs and Business Consultants

January 6, 2016

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TOWN OF GILBERT
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2015

1.	Economic Estimates Commission expenditure limitation	$ 355,089,614	
2.	Voter-approved alternative expenditure limitation (Approved - N/A)	-	
3.	Enter applicable amount from line 1 or 2		$ 355,089,614
4.	Amount subject to the expenditure limitation (total amount from Part II, Line C)	$ 203,307,745	
5.	Board-authorized expenditures necessitated by a disaster declared by the Governor [Arizona Constitution, Article IX, section 20 (2)(a)]	-	
6.	Board-authorized expenditures necessitated by a disaster not declared by the Governor [Arizona Constitution, Article IX, section 20 (2)(b)]	-	
7.	Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year [Arizona Constitution, Article IX, section 20 (2)(c)]	-	
8.	Qualifying capital improvement expenditures repaid in accordance with A.R.S. section 41-1279.07(I)	-	
9.	Subtotal	$ 203,307,745	
10.	Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [Arizona Constitution, Article IX, section 20 (2)(b)]	-	
10.	Total adjusted amount subject to the expenditure limitation		$ 203,307,745
11.	Amount under the expenditure limitation		$ 151,781,869

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: Cindi Mattheisen

Name and Title: Cindi Mattheisen, Director of Finance & Management Services

Telephone No: (480) 503-6856 Date: 1-6-16

See accompanying notes to annual expenditure limitation report.

TOWN OF GILBERT
Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2015

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	$ 236,438,699	$ 80,104,609	$ 24,215,255	$ 2,500	$ 340,761,063
B. Less exclusions claimed:					
1. (a) Bond proceeds (Note 2)	26,742,764	-	-	-	26,742,764
(b) Debt service requirements on bonded indebtedness (Note 3)	36,904,600	5,150,368	-	-	42,054,968
(c) Debt service requirements on other long-term obligations (Note 4)	-	5,895,000	-	-	5,895,000
2. Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	8,229	-	-	-	8,229
3. Trustee or custodian	-	-	-	2,500	2,500
4. Grants and aid from the federal government (Note 6)	1,189,558	-	-	-	1,189,558
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	183,243	-	-	-	183,243
6. Amounts received from the State of Arizona (Note 6)	3,959,898	-	-	-	3,959,898
7. Quasi-external interfund transactions (Note 8)	3,802,090	706,970	21,154,148	-	25,663,208
8. Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	12,085,171	-	-	-	12,085,171
9. Contracts with other political subdivisions (Note 6)	698,807	1,144,303	547,775	-	2,390,885
10. Refunds, reimbursements and other recoveries (Note 9)	235,926	10,882	2,341,071	-	2,587,879
11. Prior years carryforward (Note 10)	14,690,015	-	-	-	14,690,015
Total exclusions claimed	$ 100,500,301	$ 12,907,523	$ 24,042,994	$ 2,500	$ 137,453,318
C. Amounts subject to the expenditure limitation	$ 135,938,398	$ 67,197,086	$ 172,261	$ -	$ 203,307,745

See accompanying notes to annual expenditure limitation report.

TOWN OF GILBERT
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2015

	Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A.	Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	$ 236,438,699	$ 84,028,474	$ 24,390,737	$ 2,500	$ 344,860,410
B.	Subtractions:					
	1. Items not requiring use of working capital:					
	Depreciation	-	23,445,520	30,115	-	23,475,635
	Claims incurred but not reported (Note 11)	-	-	1,398,171	-	1,398,171
	Pension expense (Note 13)		1,784,664	180,170		1,964,834
	Other postemployment benefits expense (Note 14)	-	358,138	-	-	358,138
	Total subtractions	-	$ 25,588,322	$ 1,608,456	-	$ 27,196,778
C.	Additions:					
	1. Principal payments on long-term debt	-	6,140,000	-	-	6,140,000
	2. Acquisition of capital assets	-	13,945,708	25,202	-	13,970,910
	3. Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 12)	-	-	1,266,492	-	1,266,492
	4. Pension contributions paid in the current year (Note 13)	-	1,399,443	141,280	-	1,540,723
	5. Other postemployment benefits paid in the current year but reported as expenses in previous years (Note 15)	-	179,306	-	-	179,306
	Total additions	-	$ 21,664,457	$ 1,432,974	-	$ 23,097,431
D.	Amounts reported on Part II, Line A	$ 236,438,699	$ 80,104,609	$ 24,215,255	$ 2,500	$ 340,761,063

See accompanying notes to annual expenditure limitation report.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes, section 41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, section 20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

Note 2 - Total revenue obligations proceeds in the Governmental Funds were $39,685,688, which includes premium of $2,705,688. Of this amount, $26,742,764 was expended and claimed as an exclusion and the remaining $12,942,923 is carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement of $23,750,000, interest expense of $13,107,817, and fiscal and other charges of $46,783.

The exclusion claimed for debt service requirements on bonded indebtedness in the Enterprise Funds consists of principal and interest payments of $245,000 and $4,905,368, respectively.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations in the Enterprise Funds represents $5,895,000 of lease payments from the Town to the Municipal Property Corporation (MPC). These lease payments are used by the MPC to make the debt service payments on the bonds issued by the MPC. Because the MPC, a separate legal entity, is reported in the Town's financial statements as a blended component unit in the Enterprise Funds, the lease payments are not reported in the financial statements. The amount excluded as debt service requirements on other long-term obligations is reported in the financial statements as bond payments in the Enterprise Funds.

Note 5 - Total investment earnings in the Governmental Funds was $1,210,177 of which $144,565 is nonexcludable and $8,229 of exclusions were used in the current year. The remaining $1,057,383 excludable revenue will be carried forward to future years.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

Note 6 - This schedule summarizes the intergovernmental revenues from which exclusions have been claimed and any amounts carried forward for the Governmental Funds.

Description	Revenues	Excluded	Amount Carried Forward
Grants and aid from federal government	$ 1,189,558	1,189,558	-
Amounts received from the State of Arizona	7,148,065	3,959,898	3,188,167
Highway user revenues in excess of those received in fiscal year 1979-80	12,085,171	12,085,171	-
Contracts with other political subdivisions	713,095	698,807	14,288
Other revenues (nonexcludable)	55,148,077	-	-
Total intergovernmental revenues as reported in the fund financial statements	$76,283,966		

The exclusion claimed in the Enterprise Funds for contracts with other political subdivisions are recorded as other operating revenues in the financial statements. The exclusion claimed in the Internal Service Funds for contracts with other political subdivisions are recorded as charges for services revenues in the financial statements.

Note 7 - The exclusion claimed for grants, aid, contributions, or gifts form a private agency, organization, or individual consists of other entities' participation and gifts and donations revenue as reported in the Governmental Funds financial statements.

Note 8 - The exclusion claimed for quasi-external interfund transactions consists of payments made for administrative support services reported in the financial statements as charges for services revenue for the Governmental Funds. The exclusion claimed for the Enterprise Funds consist of payments made for water, wastewater and environmental services reported in the financial statements as charges for services revenue. The exclusion claimed for the Internal Service Funds consist of payments for operations that provide services to other departments of the Town and reported in the financial statements as charges for services revenue.

Note 9 - The exclusions claimed for refunds, reimbursements, and other recoveries consist of recovery of damage claims and recovery of prior year expenses and are reported as miscellaneous revenue in the Governmental Funds and as other revenue in the Enterprise and Internal Service Funds financial statements.

Note 10 - Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year. The majority of the exclusion in the Governmental Funds of $14,690,015 represents bond proceeds received in prior fiscal years of $5,929,974 and amounts received from the state of $8,188,092 that were expended in this fiscal year.

Note 11 - The subtraction of $1,398,171 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Funds.

TOWN OF GILBERT
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

Note 12 - The addition of $1,266,492 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Funds.

Note 13 - The subtractions of $1,784,664 and $180,170 for pension expense in the Enterprise and Internal Service Funds, respectively, consists of the change in the net pension liability recognized in the current year. The additions of $1,399,443 and $141,280 for pension contributions paid in the current year in the Enterprise and Internal Service Funds, respectively, consists of the required pension contributions made to the Arizona State Retirement System and Public Safety Retirement System.

Note 14 - The subtraction of $358,138 for other postemployment benefits expenses consists of the amounts expensed in the current year but not yet paid in the Enterprise Funds.

Note 15 - The addition of $179,306 for other postemployment benefits paid in the current year, but reported as expenses in previous years, consists of cash payments in the current year for amounts recognized as expenses in previous years in the Enterprise Funds.

TOWN OF GILBERT, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
CARRYFORWARD SUMMARY
JUNE 30, 2015

Description	6/30/2014 Carryforward Exclusions	6/30/2015 Excludable Revenue	Total Revenues Available for Exclusion	Curent Year Exclusions Used in 6/30/2015	Carryforward Exclusions Used in 6/30/2015	Carryforward Exclusions 6/30/2015
Bond Proceeds						
Governmental	$20,018,176	$39,685,688	$59,703,864	$26,742,764	$5,929,974	$27,031,126
Interest Earnings						
Governmental	28,018,489	1,065,612	29,084,101	8,229	117,898	28,957,974
Enterprise	28,906,602	1,452,934	30,359,536	-	-	30,359,536
Contributions, donations...						
Governmental	4,421,162	574,553	4,995,715	183,243	454,051	4,358,421
Amounts received from…						
Governmental	18,164,667	7,148,065	25,312,732	3,959,898	8,188,092	13,164,742
Quasi-external interfund…						
Internal Service	-	21,764,210	21,764,210	21,154,148	-	610,062
Contracts with other political…						
Governmental	-	713,095	713,095	698,807	-	14,288
Highway User Revenue						
Governmental	1,903,253	12,085,171	13,988,424	12,085,171	-	1,903,253
GRAND TOTALS	$101,432,349	$84,489,328	$185,921,677	$64,832,260	$14,690,015	$106,399,402

Carryforward exclusions for each fund as of June 30 were as follows:

	GOVERNMENTAL	ENTERPRISE	INTERNAL SERVICE	TOTAL
Fund Balance/Net Position	$203,893,585	$707,828,053	$2,339,463	$914,061,101
Unused Exclusions (Cannot exceed FB)	75,429,804	30,359,536	610,062	106,399,402
Check	$128,463,781	$677,468,517	$1,729,401	$807,661,699