

# TOWN OF QUEEN CREEK ARIZONA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## **INTRODUCTORY SECTION**

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December 21, 2012

To the Honorable Mayor, Members of the Town Council, and Citizens of the Town of Queen Creek:

State law requires that all general-purpose local governments publish, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Queen Creek for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the Town of Queen Creek. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Queen Creek's financial statements have been audited by CliftonLarsonAllen LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Queen Creek for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Queen Creek's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Queen Creek's MD&A can be found immediately following the report of the independent auditors.

### **TOWN OF QUEEN CREEK PROFILE**

Rich traditions, based on small-town values and country friendliness, create the foundation on which the Town of Queen Creek plans and builds its future. Staying true to its heritage, the Town continually strives to maintain the rural character that makes Queen Creek unique from its urban neighbors.

Mayor and Town Council  
Citizens of the Town of Queen Creek, Arizona

The Town of Queen Creek incorporated in 1989 to preserve the benefits of rural life and provide avenues for managed change. With significant citizen involvement and input, the Town has adopted several award-winning plans designed to guide future growth. Expansion of the Town is evident with the formation of the largest improvement district in the state, construction of an environmentally sustainable library and creation of a municipal fire department.

Earning recognition and awards on regional, state and national levels, the Town of Queen Creek has built a strong foundation for future growth. Through innovative projects, partnerships and visionary planning, Queen Creek is situated to be a competitive location for new business and is positioned for long-term sustainability.

By preserving the past while providing for economic and recreational opportunities and a high quality of life, the Town of Queen Creek has grown from rich rural roots to what is one of the most innovatively planned, family-friendly hometowns in Arizona. With overall lower-density residential areas, preservation of open space, a variety of parks and recreational activities, spectacular views and multi-use trails, all among a vibrant and growing economy, the Town of Queen Creek offers comforts of the country amidst the convenience of the city.

Queen Creek is one of the best-kept secrets in Arizona. Natural recreational riches and a relaxed, rural lifestyle combine to fulfill the dreams of those who relocate to one of America's best small towns.

In 2009, the council adopted a Corporate Strategic Plan with a Vision and Mission for Queen Creek. The Vision and Mission reads:

*"The Town of Queen Creek strives to honor our past, manage our present and embrace our future to create a quality, unique place for families and businesses."*

*"It is the mission of the Town of Queen Creek to provide a framework for a high quality of life, promote a strong sense of community and provide responsive public services in a caring, ethical, innovative and accountable manner."*

The Corporate Strategic Plan includes the following Values Statement:

*In support of its mission statement, the Town of Queen Creek believes in the following values:*

**Quality Service that is honest, trustworthy, professional, fair and efficient.**

**Unified vision for the future through ongoing community dialogue.**

**Empathetic listening to the needs and concerns of the community.**

**Enthusiastic application of creativity to find solutions.**

**Never missing an opportunity to assist a customer.**

**Communication that is honest, timely and accurate.**

**Responsibility for personal actions and recognizing their impact on the workplace and community.**

**Encourage involvement by all to ensure that the diversity of the community is represented in decision-making.**

**Environmentally sound planning & practices that'll ensure natural resources for future generations.**

**Kindness in all dealings with residents, customers, partners and employees.**

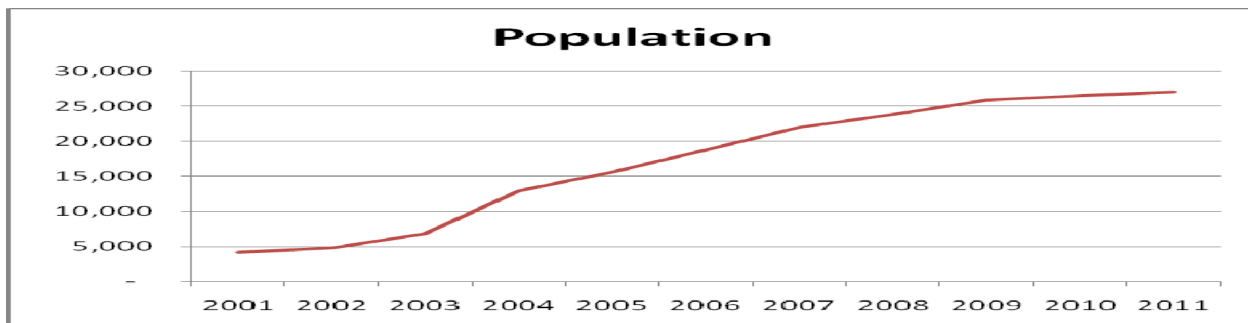
### GOVERNANCE

The Town of Queen Creek operates under the council-manager form of government. The seven-member Town Council is elected at large on a nonpartisan ballot. The Mayor is elected every four years, and Town Council members are elected to staggered terms, with three members elected every two years. The Town Council is responsible for setting public policy, approving the Town's annual budget, approving agreements, providing policy leadership, approving planning and development decisions, and adopting new codes and ordinances. The Town Council appoints the Town Manager to implement policy and direct daily operations. During fiscal year 2012, the Manager administered Queen Creek's operations through a staff of 158 full time equivalent positions.

The Town Council meets at 7 p.m. on the first and third Wednesday of each month at Town Hall, 22350 S. Ellsworth Road. All meetings are open to the public. Work-study sessions are typically held before the regular meetings; the time varies depending on the agenda items that must be addressed. No decisions are made at study sessions, and they are open to the public.

### GEOGRAPHY AND POPULATION

The Town of Queen Creek is primarily located in the southeast corner of Maricopa County with some overlap into Pinal County. The city of Mesa borders the Town to the North, and the town of Gilbert borders it to the east. Queen Creek is within 10 minutes of Phoenix Mesa Gateway Airport and 45 minutes of Phoenix Sky Harbor International Airport. Queen Creek has a planning area of 69 square miles. The most recent estimate of population by the Maricopa Association of Governments as of December 2010 was 26,490, an increase of 1.9% for fiscal year 2011. The following graph depicts the ten-year population trend for Queen Creek.



### FACTORS AFFECTING FINANCIAL CONDITION

Fiscal year 2011-12 had continuous challenges from the impacts of the “Great Recession” including:

- Declining property tax revenue caused by falling property values.
- Limited resources to address all of the facility and infrastructure needs of the Town.
- Continued lackluster sales tax activity.

The following assumptions were incorporated into the fiscal year 2011-12 budget:

- Salary figures include no cost of living adjustments, no merit pay adjustments, and continuation of 6.25% pay reductions enacted in fiscal year 2008-09.
- The budget assumed continuation of the reduced work week of 37.5 hours Monday-Thursday.

- The General Fund receives 2% of the construction sales tax and 2.25% sales tax. Total General Fund sales tax projected for fiscal year 2011-12 is \$9.3 million, a \$200,000 decrease from fiscal year 2010-11.
- Projected fiscal year 2011-12 building permits totaled 160, compared to fiscal year 2010-11 actual of 125. Actual building permits for fiscal year 2011-12 were 193 and looking ahead to fiscal year 2012-13 there have been 207 new single family building permits as of September 30, 2012.
- Contingency funding of \$517,711 has been placed in the General Fund and is equivalent to 3% of General Fund budget, consistent with Council practices.

### **COMMUNITY ASSETS**

Queen Creek offers residents and businesses a unique experience combining a small-town, rural atmosphere with rich natural and recreational amenities, all within a short distance from one of the largest metropolitan areas in the United States. The location offers many advantages to existing residents and industry as well as to individuals and companies new to the area.

Since 2003, the Town has experienced a population boom, expanding its resident base from approximately 4,500 to nearly 27,000 with a median age of 28.2 years and a median household income of \$81,916, among the highest of the major cities in the Greater Phoenix metro area.

Scenic views include the San Tan Mountains to the south and the Superstition Mountains to the northeast. San Tan Mountain Regional Park offers open space and recreational opportunities. As development occurs and funding allows, Queen Creek is acquiring and developing two major washes crossing the community as the foundation of a parks and trail system.

### ***Transportation***

Major transportation access is available via roads, rail and air. Arizona provides a comprehensive transportation system that leads into the heart of the Phoenix metro area. Interstate-10, US 60 and State Route 202 make ground transportation viable moving both west and east through the Phoenix valley. Queen Creek is within 8 miles of the State Route 202 San Tan Freeway, connecting the community to the region's extensive freeway system. The Union Pacific Railroad runs through Queen Creek, offering industry freight options when exporting to other destination points.

Two airports serve the Queen Creek area. Phoenix Sky Harbor International Airport, just 45 minutes away, provides national and international flights with major carriers and commuter airlines. Phoenix-Mesa Gateway Airport, bordering Queen Creek on the north, is 10 minutes away. It provides extensive freight and cargo service, aviation technology and repair firms, commuter, private and cargo air service, and an expanding number of passenger flights. The facility also contains tracts zoned for commercial and industrial uses. As a Foreign Trade Zone, Phoenix-Mesa Gateway offers many added incentives to aviation companies worldwide. Phoenix-Mesa Gateway is developing as an international aerospace center with aircraft maintenance, modification, testing and pilot training. With three expansive runways, a newly remodeled passenger terminal and convenient parking, Phoenix-Mesa Gateway is also positioned to be a dynamic reliever airport to Phoenix Sky Harbor International Airport.

***Educational Facilities***

Young, well-educated Queen Creek residents provide an ideal employment base. A partnership of six post-secondary educational institutions comprises a campus environment on the Phoenix-Mesa Gateway Airport grounds, just a 10-minute drive from Queen Creek. Together, Arizona State University, Chandler-Gilbert Community College, Mesa Community College and Embry-Riddle Aeronautical University offer aerospace, aviation business and flight training courses, as well as engineering and semiconductor manufacturing technology, agribusiness, fire science, mortuary science and general studies.

Queen Creek is served by five area school districts. Queen Creek Unified School District, which serves the largest portion of the Town, includes four elementary schools, a junior high school, a middle school and a high school. Also serving Queen Creek are J.O. Combs Elementary School, two campuses of the Benjamin Franklin charter schools, American Leadership Academy charter school, Cambridge Academy charter school, Project Challenge and Canyon State Academy.

To be completed by fall 2013, the Communiversity @ Queen Creek is a higher education center organized by Rio Salado College in partnership with the Town of Queen Creek, Maricopa County Community College District and other higher education institutions. The Communiversity will offer high-quality classes and programs from multiple community colleges and universities allowing residents to pursue various educational pathways in one convenient location.

Rio Salado College is committed to build a 20,000 square foot facility located adjacent to the Queen Creek Library in the Town Center. The facility will include classrooms, a computer lab, testing center and administrative offices for instructors, staff, rotating academic advisors, tutors and counselors. In addition, the Communiversity will serve as a regional support center for Rio Salado's online learners and residents who always have access to the institution's 500 plus online courses.

***Plans to Manage Growth***

Queen Creek contains 26-square miles in its incorporated area and 69 square miles in its planning area. The Town contains several large tracts of land that are attractive for development. The Town's General Plan and development regulations are designed to accommodate new development requests, while also recognizing the goals of our residents and the long-term vision established for the community.

The General Plan is the Town's guiding document for land use, public facilities and services, circulation and economic development. The original General Plan was adopted in 1990 and amended in 1996, 1999, 2002, 2008, and most recently in April 2010. The General Plan may be amended again in 2015.

The Town Council has a zoning ordinance, subdivision ordinance and other development regulations, which are used to implement the goals of the General Plan. The Town's focus is the development of high quality attractive commercial and office facilities, lower density-housing, parks, trails and open spaces and adequate public facilities to serve the needs of the community.

Development fees provide funding for new Town infrastructure needed to accommodate new growth, including wastewater treatment facilities, libraries, parks and recreational facilities, government facilities, transportation, public safety, and fire. The Town's development fees are reviewed on an annual basis and adjusted to keep pace with the demands of growth.

The community's rural atmosphere and low-density neighborhoods draw residents who are outdoor and equestrian enthusiasts and who prefer large-lot developments. The Town recognizes these preferences and has made plans for equestrian trails, parks and other amenities to be included throughout the Town to meet their needs. Unlike other communities, Queen Creek's adopted plans ensure there will always be trails and natural open spaces available for riding horses, walking, hiking and bicycling.

### ***Sewer System***

Queen Creek homes were first connected to the municipal wastewater system in 1999. The system allows for a diversity of housing types and provides the capacity required by business and industry. By meeting these needs, Queen Creek can attract quality retail stores and services. The Town of Queen Creek is a partner in the Greenfield Water Reclamation Plant located in Gilbert. This plant is jointly owned by the Town of Queen Creek, the Town of Gilbert and the City of Mesa and is intended to ultimately serve 640,000 people.

Wastewater development and sewer fees pay for the Town's 18.4 percent share of ownership in the wastewater treatment facility, as well as for the construction of the collection system. The sewer bills that residents pay each month pay for the costs for treatment at the plant and maintenance of the plant and collection system and a portion of the utility's debt service.

### ***Solid Waste***

Queen Creek approved a contract with a private contractor, Right Away Disposal (RAD), for Town-wide trash and recycling services. Services began the week of September 13, 2010. A variety of services that are provided, include trash, recycling, bulk and large-lot/yard waste collection.

## **ECONOMIC DEVELOPMENT**

Queen Creek continues to develop plans for a financially sustainable future. The Town's Economic Development Department, established in 2006, assists businesses with their site selection needs and provides business resource and demographic information. As a member of the Greater Phoenix Economic Council (GPEC), Queen Creek is part of the regional business community that works to ensure a competitive, vibrant and self-sustaining regional economy.

The department also manages several business focused programs including the façade improvement program, Shop Queen Creek, the Queen Creek Incubator and the Town's tourism/destination marketing campaign.

The Town's Economic Development Commission comprised of local residents, business owners and key community stakeholders recently worked with staff to revise the Economic Development Strategic Plan that was adopted by Council in late 2007. The Commission re-examined the targeted industry sectors and recommended to delete Advanced Business Services as a targeted sector and to include Clean and Renewable Energy & Water as well as Family/Youth & Children Activity Destinations. Council adopted the revised plan in October 2012.

In 2010, the Shop Queen Creek program was launched in partnership with the Queen Creek Chamber of Commerce to support local businesses. The program, which encourages residents to make purchases within the community, is designed to strengthen the Town's economic base, encourage entrepreneurship and help retain sales tax dollars that fund local programs and services. This program continues to evolve with greater participation from the business community, bi-annual Shop Queen Creek promotions and the use of social media.

In February 2011, the Queen Creek Incubator (QC Inc.) was launched. QC Inc. is an office-style incubator offering an array of small business services such as: physical space, telephone answering service, copy and finishing needs, conference and meeting rooms, and networking opportunities. QC Inc. is designed to nurture the development of entrepreneurial companies, helping them grow during the start-up period when they are most vulnerable as well as assisting small businesses that are ready to take their business to the next level in Queen Creek. Each tenant receives a specialized plan that includes individual training and guidance from a team of professionals to assist in taking their business to the next level. The Queen Creek Incubator is owned by the Town of Queen Creek and supported by the Queen Creek Chamber of Commerce.

### ***Employment***

Current primary employers in the community consist of a mix of private and public entities. The Town currently has issued 1,441 active business licenses, 559 of which are in the Town limits.

Of the community's total acreage, approximately 14 percent is set aside for commercial or industrial uses. Commercial development is focused in three main strategic areas – the Town Center, northern boundary and southeast area.

The Town Center, the current economic core of the community, includes over 1 million square feet of existing commercial development with two new key projects, the Banner Health Medical Center and the Communiversity at Queen Creek, planned to open in 2013. The northern entrance to the community is planned for future employment and industrial uses to take advantage of the proximity to Phoenix-Mesa Gateway Airport, the San Tan Freeway and SR 24 that is under construction to Ellsworth Road bringing freeway access that much closer to Queen Creek. In the southeast area of the community, near the intersection of Riggs and Meridian roads, a regional commercial center is planned.

### **QUALITY OF LIFE**

Residents choose to make Queen Creek their home because of its superior quality of life. Large residential lots offer opportunities for equestrian and animal husbandry, gardening and quiet neighborhoods. The development of beautiful parks, trails and other public facilities, along with the variety of programs and events offered by the Town and other community groups, also support a unique lifestyle.

### ***Maricopa County Library - Queen Creek Branch***

The Town constructed a new library to host the Queen Creek branch of the Maricopa County Library District. The new library, located at the northwest corner of Ellsworth and Ocotillo roads, opened in the fall 2008. The library includes the Mary Lou Fulton children's area, a teen area, general reading areas, public computers, study rooms and conference rooms. The library marks the start of the community's efforts to "go green." The library building is the first in Queen Creek to qualify for the Leadership in Energy and Environmental Design (LEED) certification and was recently awarded the Gold" (LEED) certification for the building and program.

***Recreation, Parks and Special Events***

The Queen Creek’s Recreation Program makes sure there is fun to be had in Queen Creek year-round, whether it is dancing to music from around the world at Passport to Discovery, or enjoying Halloween amusements at Trunk or Treat.

Local sports organizations offer league competition in a variety of sports including football, baseball, softball and soccer. Games, crafts, field trips and movies are included in programs for students during school breaks. Through a partnership with the Boys & Girls Club, after school programs provide a safe place for students to finish homework, enjoy recreational activities and socialize.

Residents can create their own fun at Founders’ Park and award-winning Desert Mountain Park. A skate park, sports fields and courts, picnic facilities, walking paths and playgrounds meet the needs of diverse ages and interests.

Horseshoe Park and Equestrian Centre is a state-of-the-art event center that hosts a variety of equestrian events of both the English and Western persuasion and is equipped to handle festivals, RV and equipment shows, concerts, home shows and weddings. Since its opening in early 2009, the park has hosted more than 40,000 spectators and participants and continues to gain momentum as an emerging commercial venue. The facility includes four lighted arenas (one covered), 300 barn stalls, 40 RV hookups, cattle pens and chutes and vendor areas. A community arena, separate from the event facilities, is also available to local residents from sun up to sun down seven days a week. The park is located on the north side of Riggs Road between Hawes and Ellsworth roads.

In April 2012, Horseshoe Park & Equestrian Centre hosted the 2nd annual Roots N’ Boots Family Rodeo. The event is designed to celebrate the area’s rural heritage as well as give residents a chance to experience and participate in rodeo events. Activities such as steer riding, greased pig grabs, barrel racing, businessman calf roping, parent/offspring team roping, money calf/calf scramble, wild cow milking, carnival rides and vendors offered lots of cowboy fun for the entire family! The event also included three Professional Rodeo Cowboy Association (PRCA) rodeo performances.

San Tan Mountain Regional Park, serving several East Valley communities, including Queen Creek, is a natural preserve consisting of more than 10,000 acres of desert that provides a variety of recreational opportunities for area residents. A network of multi-use trails is planned in the natural Queen Creek and Sonoqui washes that cross the Town. Efforts have begun to purchase and improve donated wash land to realize this community dream.

**PUBLIC SAFETY**

Because of its small size and limited financial resources, Queen Creek is not a full-service municipality. Police, jail, and animal control services are currently provided for residents by Maricopa County. The Maricopa County Sheriff’s Office (MCSO) serves as the police department for the Town of Queen Creek. MCSO provides cost-effective, professional law enforcement services to the Town on an annual contract basis. Municipal court services are provided through a contract with the Town of Gilbert.

In January 2008, the Town of Queen Creek launched its first municipal fire department. The new Queen Creek Fire Department provides fire and emergency medical service coverage to residents in the Town’s incorporated limits. The Queen Creek Fire Department is organized as an advanced life support department. The department fully participates in the Phoenix area automatic aid consortium, providing the highest level of fire and emergency services to Queen Creek residents.

**COMMUNITY INVOLVEMENT**

Annual activities, festivals and events in Queen Creek, representing the community’s unique lifestyle and heritage, are held throughout the year. These special events not only provide hometown fun for community residents, but also attract a number of visitors from throughout the state and the region.

<b>FY 11-12 Queen Creek Events</b>	
Roots N' Boots Family Rodeo	March
Town of Queen Creek Passport to Discovery	April
Schnepf Farms Queen Creek Peach Festival	May
Queen Creek Independence Day Celebration	July
Schnepf Farms Pumpkin and Chili Party	October
Queen Creek Olive Mill Harvest Festival	October - December
Town of Queen Creek Trunk or Treat	October
Queen Creek Holiday Festival and Parade	December

Community involvement, sharing information and providing opportunities for citizen participation in decision making have been high priorities for Queen Creek’s elected leaders since the Town’s inception.

- The award-winning annual Citizen Leadership Institute informs residents about current local issues while preparing them to take a leadership or volunteer role.
- The annual community ice cream social and pancake breakfast offer residents opportunities to talk to Town representatives and learn about community issues and services.
- Volunteer board and committee members research current local issues such as planning and zoning proposals, traffic concerns, parks and trails plans, recreational policies and facilities, public art projects, economic development and community capital improvements. The committees make recommendations to the Town Council for policies and future action.
- Queen Creek’s code enforcement group works with individual residents, service organizations and neighborhoods to plan community clean-up events and projects to keep Queen Creek beautiful.

**LOOKING FORWARD**

To continue to keep Queen Creek unique as the Town matures during the next 20 years, the following steps are necessary as defined by the General Plan:

*Maintain:*

- The “small town” character of the community in the design and development of public parks.
- Use of the street tree and historical design theme program on all major (arterial) roads in the Town. Arterial roads will be designed to reflect these themes, in addition to providing the needed traffic capacity.
- Distinctive design and development standards for exterior walls and entry statements for new development.
- The emphasis on open space as a community asset.

*Continue to:*

- Complement and accentuate the Town’s low-density equestrian areas as distinctive elements in the community providing a market niche in the East Valley.
- Promote and preserve the desert character of the San Tan Foothills as the area continues to develop.
- Promote the Town’s distinctive character as an alternative to that found in surrounding communities.
- Function as a Town Center anchored by public facilities and “urban” style amenities.
- Promote the Horseshoe Park Equestrian Centre as a community and regional amenity.
- Promote the use of Queen Creek and Sonoqui Washes as distinctive recreational amenities.

*Develop:*

- A distinctive architectural style that is unique to the Town, incorporates historical, ranch, solar and equestrian design elements, and articulates such elements to develop their contemporary expressions in an energy conscious manner. This architectural style or design theme will be used for:
  - Higher-density residential and non-residential developments;
  - Single-family homes, where appropriate, including perimeter walls;
  - Gateway features located at key entry points to the Town;
  - Public improvements in the right-of-way;
- The primary elements of our parks, trails and open space system.

## **FINANCIAL POLICIES**

The financial policies establish the framework for overall fiscal planning and management. They set forth guidelines for both current activities and long range planning. The policies are reviewed periodically to assure the highest standards of fiscal management. The Town Manager and the Council Budget Committee have the primary role of reviewing financial actions and providing guidance in the financial area to the Town Council.

### **Overall Goals:**

The overall financial goals underlying these policies are:

1. Fiscal Conservatism: To ensure that the Town is at all times in a solid financial condition. This can be defined as:
  - a. Cash Solvency-the ability to pay bills.
  - b. Budgetary Solvency-the ability to balance the budget.
  - c. Long run Solvency-the ability to pay future costs.
2. Flexibility: To ensure that the Town is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.
3. Adherence to the Highest Accounting and Management Practices: As set by the Government Finance Officers’ Association standards for financial reporting and budgeting, by the Governmental Accounting Standards Board and other professional standards.

**OPERATING MANAGEMENT POLICIES**

1. Ongoing operating costs should be supported by ongoing, stable revenue sources as much as possible. Some corollaries to this policy are:
  - a. Fund Balances should be used only for one-time expenditures, such as capital equipment and improvements or contingency accounts.
  - b. On-going maintenance costs should be financed through operating revenues rather than bonds.
  - c. Fluctuating federal grants should not be used to finance ongoing programs.
  
2. Revenues from growth or development should be allocated to one-time costs as much as possible. This policy implies a commitment to identifying the portions of the Town revenue stream that result from growth.
  
3. Unassigned Fund Balances in the General Fund must at a minimum equal 25% of its revenue budget, per Town Council policy, to provide a cushion to address emergency situations and unforeseen circumstances.
  
4. Enterprise funds should be self-sufficient. They should include a sufficient unrestricted fund balance to absorb fluctuations in annual revenue. Enterprise funds should be charged directly for expenditures such as staff salaries and fringes, direct operating expenditures; departmental support costs for such general fund support as IT, Information and Marketing, Finance, etc. will be charged quarterly to these funds based upon an approved methodology. Operational revenue should be great enough to cover debt service and replacement capital costs.
  
5. A financial forecasting model has been developed to annually test the ability of the Town to absorb operating costs due to capital improvements, and to react to changes in the economy or service demands. This annual forecast covers the current and next four years of the Town's capital and operational programs.
  
6. Laws and policies on limitations on revenue sources should be explicitly addressed in the budget process. These include:
  - a. Annual Local Transportation Assistance Funds (LTAF) must be used for public transit or streets, but a small portion (10%) may be used for cultural purposes.
  - b. Highway User Revenue Fund (HURF) must be used for expenditures found in the right of-way including streets, sidewalks, curbs, etc.
  
7. Comparison of service delivery will be made on a periodic basis to ensure that quality services are provided to our citizens at the most competitive and economical cost. The review of service delivery alternatives will be performed on a periodic basis.

### **INVESTMENT POLICIES**

The primary objectives of the Town's investment activities are:

1. Safety of Principal – the Town will seek to ensure preservation of principal in the overall portfolio.
2. Liquidity – the investment pools and funds will remain sufficiently liquid to enable the Town to meet all operating requirements that might be reasonably anticipated
3. Return on Investment – the investment pools and funds shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives.

### **FUND BALANCE/RESERVE POLICIES**

The Town's reserve policy covers the general fund, enterprise funds (water, sewer and solid waste), and special revenue funds (HURF and the emergency services fund). The Town development fee funds and capital project funds (Drainage and Transportation) are excluded from this policy and are covered by the reserves established for the general fund. The reserve policy varies by fund depending upon the underlying revenue risk.

Fund balance is an important indicator of the Town's financial position. Maintaining reserves is considered a prudent management practice. Adequate fund balances are maintained to allow the Town to continue providing services to the community in case of unexpected emergencies or requirements, economic downturns, and "pay-as-you-go" funding for capital projects or one-time expenditures.

- In an effort to ensure the continuance of sound financial management of public resources, the Town of Queen Creek's Unassigned General Fund Balance will be maintained to provide the Town with sufficient working capital and a comfortable margin of safety to address emergencies, sudden loss of revenue or operating needs, and unexpected downturns without borrowing.

This policy establishes the amounts the Town will strive to maintain in its General Fund balance, the conditions under which fund balance may be spent, and the method by which fund balances will be restored. These amounts are expressed as goals, recognizing that fund balance levels can fluctuate from year to year in the normal course of operations for any local government.

- The Town will strive to maintain an Unassigned Fund Balance reserve in the General Fund equivalent to 25% of its revenue budget. It is the intent of the Town to limit use of General Fund reserves to non-recurring needs such as to address emergency situations, unexpected events where damage is incurred and immediate, remedial action must be taken to protect the health and safety of residents (e.g. floods, fires, and storm damage), capital needs and other such non-recurring needs. Fund Balance may decline year over year, due to a sudden decline in revenue during the last quarter of the fiscal year and expenditure savings cannot be achieved fully in this limited timeframe. The Town will consider this funding situation as part of new fiscal year budget discussions. The Town's objective is not to use Fund Balance for recurring type expenditures. Any planned usage of Unassigned Fund Balance reserve must be appropriated by the Town Council. Any unplanned usage caused by revenue declines, such drawdown will be reported to the Council as part of normal financial reporting to Council.

- The Town will strive to maintain a Restricted Fund Balance reserve in the Special Revenue Funds, as defined by GAAP, equivalent to 10% of annual recurring revenues in these funds.
- The Town will strive to maintain a net asset balance in the Enterprise Funds equivalent to 10% of annual recurring revenues in these funds. The fees within these funds are set to fully recover their operating costs, including debt service. (GASB 54 not applicable)
- The Fund Balance in the remaining Government Fund categories are Restricted, excluding Drainage and Transportation which is Committed by the Town Council.
- The Chief Financial Officer is authorized to classify available fund balance for specific purposes in accordance with GASB Statement No. 54. It is the policy of the Town that expenditures for which more than one category of fund balance could be used, that the order of use is: Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

### **DEBT MANAGEMENT POLICIES**

The debt policy is to be used in conjunction with the Adopted Budget, the Capital Improvement Program and other financial policies as directed by the Mayor and Council. Bond, lease/purchase financing as well as internal borrowing between funds and State agency financing through GADA and WIFA will be considered for financing major capital improvements and equipment for the Town.

1. Annual debt service cost should not exceed 25% of the Total annual revenue of the Town including revenue from the General Fund, Development Fees, Water Fund, Sewer Fund, HURF, LTAF, and Transportation revenue.
2. Bonds must be investment grade without assistance from a credit enhancement.
3. The Town must adhere to the State statutes that prescribe the amount of outstanding general obligation debt that a town can have at any one time (20% of the secondary assessed value for water, sewer, parks, public safety, and street lights and 6% for all other programs).  
The Town currently has no general obligation debt outstanding.

### **REVENUE MANAGEMENT POLICIES**

1. The Town will strive for a more diversified and stable revenue system, maintained to ensure the fiscal health of the community
2. User fees for all operations will be examined annually to ensure that fees cover direct and indirect cost of service as much as possible.
3. Development fees for one-time capital expenses attributable to new development will be reviewed annually to ensure that fees match development related expenses.

**CAPITAL MANAGEMENT POLICIES**

1. A five year capital improvement plan is prepared and updated each year. This includes all projects that carry out the Town's strategic and general plans.
2. Each department must, when planning capital projects, estimate the impact on the Town's operating budget over the next five years.
3. Amendments to capital appropriations fall under the same guidelines as changes to the operating budget noted above.

**FINANCIAL REPORTING POLICIES**

1. The Town's accounting and financial reporting systems will be maintained in conformity with Generally Accepted Accounting Principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB).
2. The Town's Budget will be submitted to the GFOA Distinguished Budget Presentation Program. The budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units and as a communications device for all significant budgetary issues, trends, and resource choices.
3. Financial systems will be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.

**CASH MANAGEMENT**

State statutes permit municipalities to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Town of Queen Creek invests its idle funds with an external investment management company as well as the State Treasurer's LGIP.

The Local Government Investment Pool (LGIP) operated by the State is for the benefit of counties, cities, towns and other political subdivisions of the state.

The deposits of all political subdivisions are pooled together and invested in U.S. Government securities, certificates of deposit, repurchase agreements and high grade corporate issues. The individual yield of each security in the portfolio is used to calculate total monthly earnings. Premiums and discounts are applied to the total to determine net interest earned. Net interest earnings are apportioned monthly based on the total dollar days of each participant's account balance for each day of the month.

On the first day of each month, earnings are automatically credited to each participant's account and reinvested, unless withdrawn through the normal divestment procedure. A monthly statement is mailed to participants who report the monthly and year-to-date status of their accounts.

As of June 30, 2012, the Town of Queen Creek, Arizona had \$6,779,439 invested in the Local Government Investment Pool and \$30,047,995 invested with an external investment management company. The management company has the Town's idle funds invested in government service entities (GSE) and other instruments backed by the federal government.

**RISK MANAGEMENT**

The Town of Queen Creek, Arizona became a member of the Arizona Municipal Risk Retention Pool (AMRRP) in 1989. This is a self-insured risk sharing group established by the League of Arizona Cities and Towns. In addition to providing the proper coverage for risks created by activities of the Town government, the pool provides an ongoing risk management and claims management service.

The Town of Queen Creek, Arizona utilizes a loss control coordinator, who monitors and reviews Town activities to be certain that they are congruent with good risk management standards. Specific procedures are followed relative to personnel management, and public works activities. All of these loss control activities are coordinated with the loss consultant at the Arizona Municipal Risk Retention Pool. The many programs and educational opportunities provided through the Arizona Municipal Risk Retention Pool have provided a solid risk management foundation which is being continually enhanced.

**PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS**

Town of Queen Creek employees participate in a defined benefit retirement plan through the Arizona State Retirement (ASRS) or Public Safety Personnel Retirement System (PSPRS), both through the State of Arizona. There are no other post-employment benefits offered.

**AWARDS AND ACKNOWLEDGMENT**

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Queen Creek for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the seventh consecutive year that the government has received this prestigious award. In order to be awarded this certificate, the government published an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

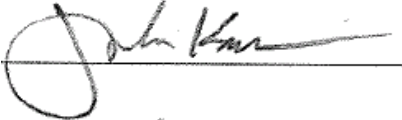
This certificate is valid for a period of one year only. We believe that our current CAFR continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for the fiscal year 2012 certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year ending June 30, 2011 and June 30, 2012. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Mayor and Town Council  
Citizens of the Town of Queen Creek, Arizona

**Acknowledgments.** The preparation of this report would not have been possible without the efficient and dedicated services of the entire team of the Finance division. I would also like to extend my appreciation to the Mayor and Council for their leadership and support. Each member of the division has my sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John Kross", written over a horizontal line.

John Kross  
Town Manager

A handwritten signature in black ink, appearing to read "Patrick Flynn", written over a horizontal line.

Patrick Flynn  
Assistant Town Manager/CFO

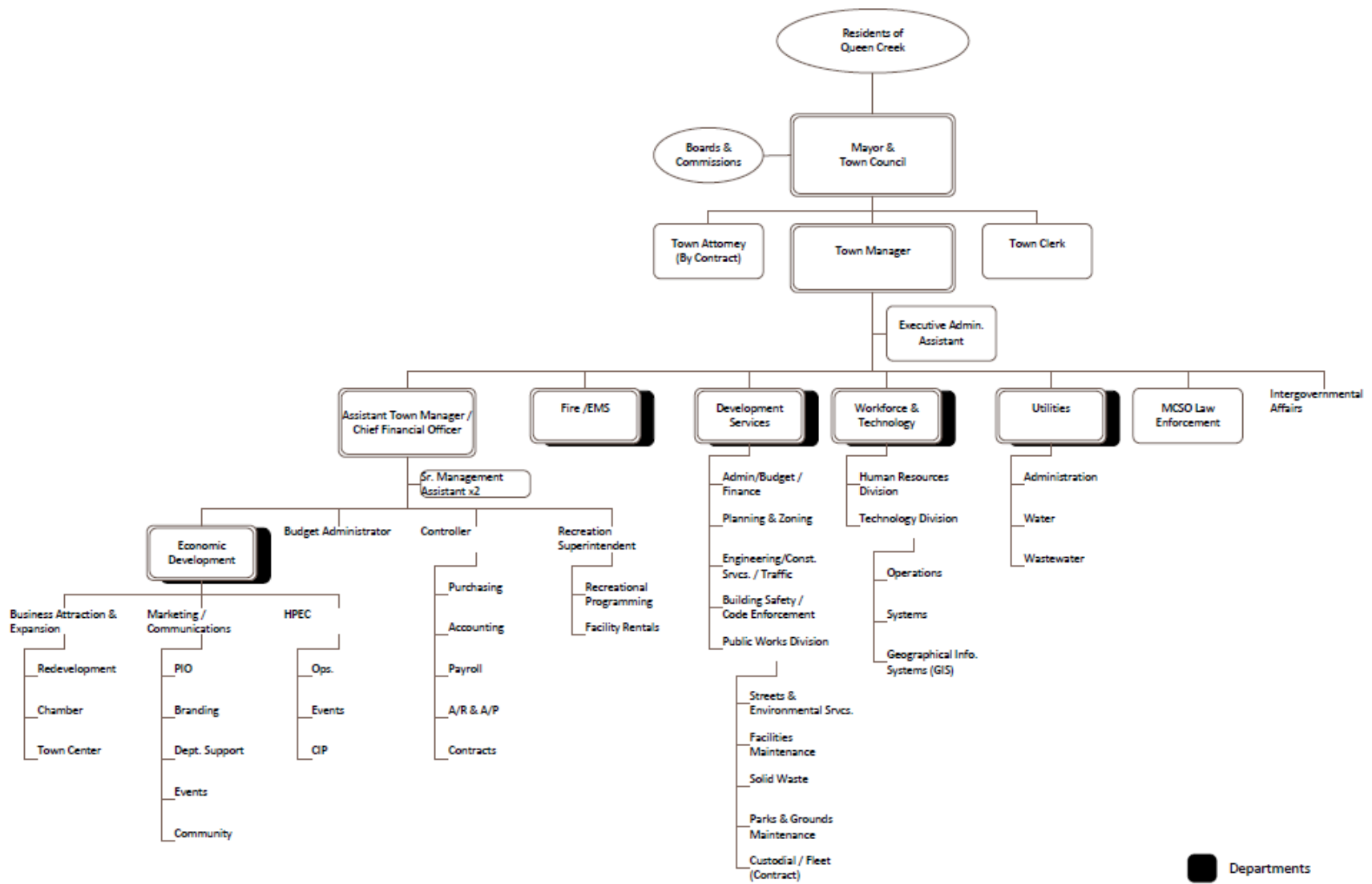
**TOWN OF QUEEN CREEK, ARIZONA  
LIST OF PRINCIPAL OFFICIALS  
YEAR ENDED JUNE 30, 2012**

**ELECTED OFFICIALS**

Mayor	Gail Barney
Vice-Mayor	Robin Benning
Councilmember	Craig Barnes
Councilmember	Jeff Brown
Councilmember	Jason Gad
Councilmember	Dawn Oliphant
Councilmember	Julia Wheatley

**DEPARTMENT DIRECTORS**

Town Manager	John Kross
Assistant Town Manager/CFO	Patrick Flynn
Fire Chief	Van Summers
Economic Development Director	Doreen Cott
Utilities Director	Paul Gardner
Workforce and Technology Director	Bruce Gardner



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Queen Creek  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Moirice*

President

*Jeffrey R. Enos*

Executive Director

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## **FINANCIAL SECTION**

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## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and the Town Council  
Town of Queen Creek, Arizona  
Queen Creek, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Queen Creek, Arizona (Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

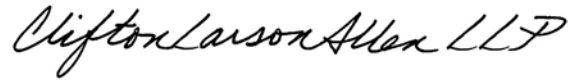
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Queen Creek, Arizona, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 31, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 77, and the budgetary comparison information on pages 78 to 81 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.

The Honorable Mayor and the Town Council  
Town of Queen Creek, Arizona

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 21, 2012

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

As management of the Town of Queen Creek, Arizona (Town), we offer readers of the Town's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets of the Town of Queen Creek, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$272,682,853 (net assets). Of this amount, \$38,834,378 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- ◆ Total net assets increased by \$12,649,798 during the fiscal year.
- ◆ As of June 30, 2012, the Town's governmental funds reported a combined ending fund balance of \$34,742,175, an increase of \$1,539,943 in comparison with the prior year. Of this amount, 33% is unassigned fund balance and available for spending at the government's discretion.
- ◆ At the close of the current fiscal year, unassigned fund balance for the General Fund was \$11,486,143 or 66% of the total General Fund expenditures of \$17,345,349.
- ◆ General Fund revenues (on a budgetary basis) were less than budgeted revenues by \$79,563 for fiscal year ending June 30, 2012. Additionally, budgetary basis expenditures were 98.5% (\$245,858 (1.5%) in savings) of the final budget in the General Fund.
- ◆ General Fund revenue exceeded expenditures (on a budgetary basis) by \$2,517,787; a positive variance of \$166,295 from the final budget.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are separated into three component sections:

1. Government-wide financial statements.
2. Fund financial statements and schedules.
3. Notes to basic financial statements.

In addition to the basic financial statements, this report also includes other supplementary information.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to private sector business.

The statement of net assets presents information on all of the Town's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the Town's financial position is improving or deteriorating.

The statement of activities presents data showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years, such as revenue from uncollected taxes or expenses from earned but unused vacation and sick leave.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

Both of the government-wide financial statements distinguish Town functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions that intend to recover all or a significant portion of their costs from user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, culture and recreation, and economic development. The business-type activities of the Town include wastewater, solid waste, and water.

The government-wide financial statements may be found on pages 32 - 34 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the Town funds can be divided into two categories: governmental funds and proprietary (business-type) funds.

- ◆ *Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town of Queen Creek, Arizona maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Emergency Services Fund, Improvement District Debt Service Fund and the Drainage and Transportation Fund, all of which are considered to be major funds. Data from the other eight funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of the combining statements elsewhere in this report.

The governmental fund financial statements may be found on pages 35 - 41 of this report.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

- ◆ *Proprietary Funds* – Proprietary funds are used to account for services for which the Town charges its customers. Enterprise funds are used to report the same functions as presented in the business-type activities in the government-wide financial statements. There are three funds reported under business-type activities and those include the wastewater, solid waste and water funds, which are considered to be major funds of the Town.

The proprietary fund financial statements may be found on pages 42 - 45 of this report.

**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements may be found on pages 46 - 76 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees and the budgetary schedule of the General Fund and Emergency Services Fund. Required supplementary information may be found on pages 77 – 81 of this report.

The Town of Queen Creek, Arizona adopts an annual appropriated budget for all governmental funds. A schedule of revenues, expenditures and change in fund balances – budget and actual has been provided for the General and Emergency Services Funds as required supplementary information.

**Combining and Individual Statements and Schedules**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pages 82 - 95.

**Government-Wide Financial Analysis**

Comparative data is presented on the following pages for both the governmental activities and the business-type activities along with an analysis of significant variances between the current and prior year.

**Net Assets**

As noted earlier, net assets may serve as useful indicators of a government's financial position. For the Town of Queen Creek, Arizona, assets exceeded liabilities by \$272,682,853.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The following table presents a summary of the Town's net assets for the fiscal years ended June 30, 2012 and 2011.

**Table A-1  
Net Assets  
June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 (As Restated)	2012	2011	2012	2011 (As Restated)
<b>ASSETS</b>						
Current and Other Assets	\$ 67,923,469	\$ 68,469,147	\$ 38,273,541	\$ 40,858,286	\$ 106,197,010	\$ 109,327,433
Capital Assets:						
Non-depreciable	48,436,540	54,849,512	1,440,118	2,508,499	49,876,658	57,358,011
Depreciable (net)	186,313,823	176,928,677	104,181,165	103,483,909	290,494,988	280,412,586
Total Assets	302,673,832	300,247,336	143,894,824	146,850,694	446,568,656	447,098,030
<b>LIABILITIES</b>						
Current and Other Liabilities	7,537,941	5,463,032	4,959,330	2,189,391	12,497,271	7,652,423
Long-Term Liabilities	93,178,876	98,696,368	68,209,656	80,716,184	161,388,532	179,412,552
Total Liabilities	100,716,817	104,159,400	73,168,986	82,905,575	173,885,803	187,064,975
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	138,591,496	135,006,115	63,922,044	55,468,136	202,513,540	190,474,251
Restricted	25,525,022	34,738,750	5,809,913	4,406,894	31,334,935	39,145,644
Unrestricted	37,840,497	26,343,071	993,881	4,070,089	38,834,378	30,413,160
Total Net Assets	\$ 201,957,015	\$ 196,087,936	\$ 70,725,838	\$ 63,945,119	\$ 272,682,853	\$ 260,033,055

The largest portion of the Town's net assets (74%) reflects its investment in capital assets (e.g. land, buildings, and equipment), less any debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the assets themselves cannot be liquidated for these liabilities.

An additional portion of the Town of Queen Creek, Arizona's net assets (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$38,834,378) may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2012, the Town of Queen Creek, Arizona was able to report positive balances in three categories of net assets.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Changes in Net Assets**

As described above, the Town's net assets overall increased by \$12,649,798 during the current fiscal year. The increase in the governmental activities and business-type activities are discussed on the following pages.

**Table A-2  
Changes in Net Assets  
For the Years Ended June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 (As Restated)	2012	2011	2012	2011 (As Restated)
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 5,640,017	\$ 5,356,151	\$ 14,897,239	\$ 13,097,588	\$ 20,537,256	\$ 18,453,739
Operating Grants and Contributions	1,418,838	1,148,590	-	-	1,418,838	1,148,590
Capital Grants and Contributions	9,724,218	2,286,332	6,539,411	158,221	16,263,629	2,444,553
General Revenues:						
Sales Taxes	12,549,668	11,747,396	-	-	12,549,668	11,747,396
Property Taxes	4,488,100	5,518,261	-	-	4,488,100	5,518,261
Franchise Taxes	258,265	201,515	-	-	258,265	201,515
Grants and Contributions Not Restricted to Specific Programs	5,183,494	3,484,155	-	-	5,183,494	3,484,155
Investment Earnings	583,618	822,710	84,320	73,185	667,938	895,895
Miscellaneous	289,901	389,978	75,000	7,064	364,901	397,042
Total Revenues	40,136,119	30,955,088	21,595,970	13,336,058	61,732,089	44,291,146
<b>EXPENSES</b>						
General Government	8,157,178	10,556,890	-	-	8,157,178	10,556,890
Public Safety	7,652,836	8,579,299	-	-	7,652,836	8,579,299
Highways and Streets	8,708,345	8,472,107	-	-	8,708,345	8,472,107
Culture and Recreation	3,089,142	3,845,329	-	-	3,089,142	3,845,329
Economic Development	581,660	756,340	-	-	581,660	756,340
Interest on Long-Term Debt	4,623,811	4,860,272	-	-	4,623,811	4,860,272
Wastewater	-	-	6,008,461	6,062,441	6,008,461	6,062,441
Solid Waste	-	-	1,234,148	1,207,247	1,234,148	1,207,247
Water	-	-	6,586,793	7,053,112	6,586,793	7,053,112
Total Expenses	32,812,972	37,070,237	13,829,402	14,322,800	46,642,374	51,393,037
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>						
	7,323,147	(6,115,149)	7,766,568	(986,742)	15,089,715	(7,101,891)
Special Item - Loss on Assessment	(2,439,917)	-	-	-	(2,439,917)	-
Transfers	985,849	(1,018,998)	(985,849)	1,018,998	-	-
<b>CHANGE IN NET ASSETS</b>	5,869,079	(7,134,147)	6,780,719	32,256	12,649,798	(7,101,891)
Net Assets - Beginning of Year	196,087,936	203,222,083	63,945,119	63,912,863	260,033,055	267,134,946
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 201,957,015</b>	<b>\$ 196,087,936</b>	<b>\$ 70,725,838</b>	<b>\$ 63,945,119</b>	<b>\$ 272,682,853</b>	<b>\$ 260,033,055</b>

*Governmental Activities* – Governmental activities increased the Town's net assets by \$5,869,079. Key factors of the increase in net assets are as follows:

- An increase in State shared Revenue of \$1.4 million due to mid-decade census done for Maricopa County, Arizona which showed a population growth from 16,414 to 26,490.
- An increase in capital grants and contributions caused mostly by dedication of public improvements from developers.
- An increase in local sales tax of \$800,000 due to an uptick in building activity and retail sales.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

*Business-Type Activities* – Business-type activities increased the Town's net assets by \$6,780,719. Key factors of the increase in net assets are as follows

- A \$1.2 million increase due to both increased water sales and new sewer rates.
- Capital contributions related to mainline agreements in the amount of \$4.8 million that will not have to be paid by the Town.
- Developer contributions in the amount of \$1.6 million for sewer/water infrastructure added in various developments.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds* – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Queen Creek, Arizona's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Fund.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$34,742,175, an increase of \$1,539,943 from the prior year. Approximately 33% of this total amount (\$11,486,143) constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that is not available for new spending.

The General Fund is the chief operating fund of the Town of Queen Creek, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$14,991,839, while total fund balance reached \$34,742,175. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund balance and total fund balance to total fund expenditures. General Fund balance represents 46% of total expenditures, while total fund balance represents 106% of that same amount.

At fiscal year ended June 30, 2012, fund balances were as follows.

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From 2010-11
General Fund	\$ 14,991,839	\$ 518,006
Emergency Services Fund	2,262,003	511,793
Improvement District Debt Service Fund	621,154	98,603
Drainage and Transportation Fund	13,871,855	151,239
Nonmajor Governmental Funds	2,995,324	260,302

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The fund balance of the Town of Queen Creek, Arizona's General Fund increased by \$518,006 during the fiscal year. This was mostly due to increased state shared revenues and decreased expenditures.

The Emergency Services Fund increase by \$511,793, which was mostly the result of decreased expenditures.

The Improvement District Debt Service Fund increased by \$98,603 due to an increase in revenue collected for property assessments.

The Drainage and Transportation Fund increased by \$151,239 during the fiscal year. This was due to decrease in expenditures from the decline in capital improvement projects.

The Nonmajor Governmental Funds increased by \$260,302. The most significant factor of this increase was a contribution from Fulton Homes for the Queen Creek Library.

*Proprietary Funds* – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 78 - 81. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$18,324,151, on a budgetary basis, were less than budgeted revenues of \$18,403,714 by \$79,563 while budgetary basis expenditures of \$15,806,364 were 98% of budgeted expenditures (savings of \$245,858). The savings in expenditures was mostly a result of a decreased staffing.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2012 amount to \$234,750,363 and \$105,621,283 (net of accumulated depreciation), respectively. Capital assets include land and improvements, infrastructure, buildings and improvements, machinery equipment, vehicles, and construction in progress. Capital assets for governmental activities increased by 1.3% and capital assets for business-type activities decreased by 0.4%.

**Table A-4  
Capital Assets (Net)  
June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 41,462,637	\$ 41,462,637	\$ 1,290,442	\$ 1,290,442	\$ 42,753,079	\$ 42,753,079
Construction In Progress	6,973,903	13,386,875	149,676	1,218,057	7,123,579	14,604,932
Infrastructure	156,630,109	145,895,514	-	-	156,630,109	145,895,514
Buildings and Improvements	25,886,797	26,590,131	-	-	25,886,797	26,590,131
Wastewater Collection System	-	-	53,904,217	52,429,436	53,904,217	52,429,436
Water System	-	-	49,923,033	50,598,800	49,923,033	50,598,800
Vehicles, Furniture and Equipment	3,796,917	4,443,032	353,915	455,673	4,150,832	4,898,705
<b>Total Capital Assets</b>	<b>\$ 234,750,363</b>	<b>\$ 231,778,189</b>	<b>\$ 105,621,283</b>	<b>\$ 105,992,408</b>	<b>\$ 340,371,646</b>	<b>\$ 337,770,597</b>

Major capital asset events during the current fiscal year include the following:

*Governmental Activities*

- The completion of a street improvement project on Ellsworth Rd, Cloud Rd to Empire Blvd in the amount of \$8.2 million.
- The Town accepted \$7.1 million in development contributions for streets and related items.
- The completion of a drainage project for Sonoqui Wash, Chandler Heights Rd to Crismon Rd in the amount of \$1.2 million.
- Continued construction projects on various infrastructures in the amount of \$6.9 million.

*Business-type Activities*

- The Town accepted \$989,000 in development contributions for water and wastewater related items.
- The completion of a wastewater project on Ellsworth Road, Cloud Rd to Empire Blvd in the amount of \$994,000.

For government-wide financial statement purposes, capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Additional information on the Town's capital assets may be found in the notes to basic financial statements in note 3.A.5.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Debt Administration**

At the end of the current fiscal year, the Town of Queen Creek, Arizona had total long-term obligations outstanding of \$96,158,867 for governmental activities and \$72,034,616 for business-type activities. The outstanding debt is secured by pledges of specific revenue sources of the Town.

During the fiscal year, the Town's governmental activities debt decreased by \$3,091,424 (3.1%) and the business-type activities debt decreased by \$6,686,191 (8.5%). The decreases were due to regularly scheduled principal payments on the debt.

The following schedule shows the outstanding debt of the Town as of June 30, 2012 and 2011.

Additional information on the Town of Queen Creek Arizona's long-term debt may be found in the notes to basic financial statements in Notes 3.C., 3.D., and 3.E.

**Table A-4  
Outstanding Debt  
June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Excise Tax Revenue Bonds	\$ 24,660,000	\$ 25,345,000	\$ -	\$ -	\$ 24,660,000	\$ 25,345,000
Special Assessment Bonds	22,954,800	23,617,500	-	-	22,954,800	23,617,500
Special Assessment Bonds - Town Owned Property	25,885,200	26,632,500	-	-	25,885,200	26,632,500
GADA Loan Payable	19,875,000	20,520,000	4,400,000	4,580,000	24,275,000	25,100,000
Premium on Bonds	1,702,443	1,785,187	-	-	1,702,443	1,785,187
WIFA Loan Payable	-	-	66,124,328	67,753,420	66,124,328	67,753,420
Capital Leases	1,081,424	1,350,104	271,012	-	1,352,436	1,350,104
Advance in Aid of Construction	-	-	1,239,276	6,387,387	1,239,276	6,387,387
Total Outstanding Debt	<u>\$ 96,158,867</u>	<u>\$ 99,250,291</u>	<u>\$ 72,034,616</u>	<u>\$ 78,720,807</u>	<u>\$ 168,193,483</u>	<u>\$ 177,971,098</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following factors were considered when preparing the 2012-13 budget:

- Continued slow economic growth for 2013.
- Continued low inflation for 2013.
- Minimal changes to unemployment.
- Continued decline in property values.
- Limited job growth and lack of restoration in consumer confidence.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those interested in the government's finances. If you have any questions about this report or need additional financial information, contact:

Town of Queen Creek  
Accounting Division  
22350 South Ellsworth Road  
Queen Creek, Arizona 85142-9311

(480) 358-3000

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 30,358,139	\$ 3,346,279	\$ 33,704,418
Cash with Paying Agent	2,352,209	291,290	2,643,499
Cash with Trustee	-	289,853	289,853
Receivables, Net:			
Accounts Receivable	326,503	1,470,964	1,797,467
Taxes Receivable	810,272	-	810,272
Special Assessments Receivable	22,679,840	-	22,679,840
Delinquent Special Assessment Receivable	24,896	-	24,896
Intergovernmental Receivable	2,300,441	-	2,300,441
Loans Receivable	1,695,070	-	1,695,070
Interest Receivable	506,291	18,923	525,214
Deferred Charges	1,932,201	-	1,932,201
Internal Balances	920,072	(920,072)	-
Restricted Cash and Investments	66,209	6,173,268	6,239,477
Investment in Joint Venture	-	27,603,036	27,603,036
Land Held for Future Investment	3,951,326	-	3,951,326
Capital Assets:			
Non-Depreciable	48,436,540	1,440,118	49,876,658
Depreciable (net)	186,313,823	104,181,165	290,494,988
Total Assets	<u>302,673,832</u>	<u>143,894,824</u>	<u>446,568,656</u>
<b>LIABILITIES</b>			
Accounts Payable	728,602	336,165	1,064,767
Accrued Wages and Benefits	234,441	32,825	267,266
Deposits Held for Others	78,665	363,355	442,020
Interest Payable	2,203,225	111,290	2,314,515
Matured Debt Principal Payable	645,000	180,000	825,000
Noncurrent Liabilities			
Due Within One Year	3,648,008	3,935,695	7,583,703
Due in More Than One Year	93,178,876	68,209,656	161,388,532
Total Liabilities	<u>100,716,817</u>	<u>73,168,986</u>	<u>173,885,803</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	138,591,496	63,922,044	202,513,540
Restricted for:			
Emergency Services	78,019	-	78,019
Streets and Transportation	1,731,343	-	1,731,343
Debt Service	22,704,736	5,218,524	27,923,260
Repair and Replacement	-	591,389	591,389
Development	890,554	-	890,554
Housing Rehab	41,957	-	41,957
Parks and Community	78,413	-	78,413
Unrestricted	37,840,497	993,881	38,834,378
Total Net Assets	<u>\$ 201,957,015</u>	<u>\$ 70,725,838</u>	<u>\$ 272,682,853</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
Governmental Activities:					
General Government	\$ 8,157,178	\$ 2,103,716	\$ -	\$ -	\$ (6,053,462)
Public Safety	7,652,836	327,944	-	-	(7,324,892)
Highways and Streets	8,708,345	218,077	1,414,288	9,724,218	2,648,238
Culture and Recreation	3,089,142	1,832,917	4,550	-	(1,251,675)
Economic Development	581,660	1,157,363	-	-	575,703
Interest and Fiscal Charges	4,623,811	-	-	-	(4,623,811)
Total Governmental Activities	<u>32,812,972</u>	<u>5,640,017</u>	<u>1,418,838</u>	<u>9,724,218</u>	<u>(16,029,899)</u>
Business-Type Activities:					
Wastewater	6,008,461	4,180,555	-	1,670,367	-
Solid Waste	1,234,148	1,359,963	-	-	-
Water	6,586,793	9,356,721	-	4,869,044	-
Total Business-Type Activities	<u>13,829,402</u>	<u>14,897,239</u>	<u>-</u>	<u>6,539,411</u>	<u>-</u>
Total Primary Government	<u>\$ 46,642,374</u>	<u>\$ 20,537,256</u>	<u>\$ 1,418,838</u>	<u>\$ 16,263,629</u>	<u>(16,029,899)</u>

General Revenues

Taxes:	
Sales Taxes	12,549,668
Property Taxes	4,488,100
Franchise Taxes	258,265
State Revenue Sharing	5,183,494
Investment Income (Loss)	583,618
Other	289,901
Special Item - Loss on Assessment (See Note 3.G.)	(2,439,917)
Transfers	985,849
Total General Revenues, Special Items and Transfers	<u>21,898,978</u>
Change in Net Assets	5,869,079
Net Assets - Beginning as Restated	196,087,936
Net Assets - Ending	<u>\$ 201,957,015</u>

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes  
in Net Assets

Business-Type Activities	Total
\$ -	\$ (6,053,462)
-	(7,324,892)
-	2,648,238
-	(1,251,675)
-	575,703
-	(4,623,811)
-	(16,029,899)
(157,539)	(157,539)
125,815	125,815
7,638,972	7,638,972
7,607,248	7,607,248
7,607,248	(8,422,651)
-	12,549,668
-	4,488,100
-	258,265
-	5,183,494
84,320	667,938
75,000	364,901
-	(2,439,917)
(985,849)	-
(826,529)	21,072,449
6,780,719	12,649,798
63,945,119	260,033,055
\$ 70,725,838	\$ 272,682,853

**TOWN OF QUEEN CREEK, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General	Emergency Services	Improvement District Debt Service
<b>ASSETS</b>			
Cash and Investments	\$ 12,162,565	\$ 2,119,362	\$ 621,154
Cash with Paying Agent	1,131,209	-	1,221,000
Restricted Cash	66,209	-	-
Receivables:			
Accounts Receivable	279,752	46,751	-
Taxes Receivable	660,786	134,234	-
Special Assessments Receivable	-	-	22,679,840
Delinquent Special Assessment Receivable	-	-	24,896
Intergovernmental Receivables	1,571,776	147,457	-
Loan Receivable	1,695,070	-	-
Interest Receivable	475,141	2,154	-
Advances to Other Funds	920,072	-	-
Total Assets	<u>\$ 18,962,580</u>	<u>\$ 2,449,958</u>	<u>\$ 24,546,890</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 469,624	\$ 60,192	\$ -
Accrued Wages and Benefits	184,697	49,744	-
Deposits Held for Others	54,095	-	-
Matured Debt Principal Payable	645,000	-	-
Interest Payable	486,209	-	1,221,000
Deferred Revenue	1,108,116	78,019	22,704,736
Advances from Other Funds	1,023,000	-	-
Total Liabilities	<u>3,970,741</u>	<u>187,955</u>	<u>23,925,736</u>
Fund Balance:			
Nonspendable	2,615,142	-	-
Restricted	890,554	-	-
Committed	-	2,262,003	-
Assigned	-	-	621,154
Unassigned	11,486,143	-	-
Total Fund Balance	<u>14,991,839</u>	<u>2,262,003</u>	<u>621,154</u>
Total Liabilities and Balance	<u>\$ 18,962,580</u>	<u>\$ 2,449,958</u>	<u>\$ 24,546,890</u>

See accompanying Notes to Basic Financial Statements.

Drainage and Transportation	Nonmajor Governmental Funds	Totals
\$ 12,536,712	\$ 2,918,346	\$ 30,358,139
-	-	2,352,209
-	-	66,209
-	-	326,503
-	15,252	810,272
-	-	22,679,840
-	-	24,896
362,072	219,136	2,300,441
-	-	1,695,070
23,201	5,795	506,291
1,023,000	-	1,943,072
<u>\$ 13,944,985</u>	<u>\$ 3,158,529</u>	<u>\$ 63,062,942</u>

\$ 48,560	\$ 150,226	\$ 728,602
-	-	234,441
24,570	-	78,665
-	-	645,000
-	-	1,707,209
-	12,979	23,903,850
-	-	1,023,000
<u>73,130</u>	<u>163,205</u>	<u>28,320,767</u>
-	-	2,615,142
-	1,838,904	2,729,458
13,871,855	1,156,420	17,290,278
-	-	621,154
-	-	11,486,143
<u>13,871,855</u>	<u>2,995,324</u>	<u>34,742,175</u>
<u>\$ 13,944,985</u>	<u>\$ 3,158,529</u>	<u>\$ 63,062,942</u>

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**TOWN OF QUEEN CREEK, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Total Fund Balances for Governmental Funds** \$ 34,742,175

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds and land held for future investment are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Governmental Capital Assets	\$ 272,715,961	
Less: Accumulated Depreciation	<u>(37,965,598)</u>	
		234,750,363
 Land Held for Investment		 3,951,326

Revenues earned but not received within 60 days of year-end are deferred in the governmental funds, but are recognized in the governmental activities.

Property Taxes		90,998
Sales Taxes		660,786
Interest on Loan Receivable		447,330
Special Assessments		22,704,736

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities.

Loans Payable	(19,875,000)	
Bonds Payable	(73,500,000)	
Premium on Bonds Payable	(1,702,443)	
Deferred Charges	1,932,201	
Interest Payable	(496,016)	
Capital Lease Payable	(1,081,424)	
Compensated Absence Payable	<u>(668,017)</u>	
		<u>(95,390,699)</u>

**Total Net Assets of Governmental Activities** \$ 201,957,015

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Emergency Services</u>	<u>Improvement District Debt Service</u>
<b>REVENUES</b>			
Taxes	\$ 9,357,083	\$ 5,563,742	\$ -
Intergovernmental Revenues	5,437,994	-	-
Licenses and Permits	73,500	-	-
Charges for Services	2,028,411	27,878	-
Rents and Royalties	221,169	-	-
Contributions and Donations	-	-	-
Impact Fees	1,968,577	-	-
Special Assessments	-	-	1,899,961
Investment Income	317,251	4,864	-
Miscellaneous	170,918	68,082	-
Total Revenues	<u>19,574,903</u>	<u>5,664,566</u>	<u>1,899,961</u>
<b>EXPENDITURES</b>			
Current:			
General Government	7,886,767	-	-
Public Safety	2,146,519	5,260,470	-
Highways and Streets	1,260,472	-	-
Culture and Recreation	2,513,880	-	-
Economic Development	529,285	-	-
Capital Outlay	1,052,617	34,687	-
Debt Service:			
Principal Retirement	913,680	-	1,410,000
Interest on Long-Term Debt	1,042,129	-	2,477,477
Total Expenditures	<u>17,345,349</u>	<u>5,295,157</u>	<u>3,887,477</u>
Excess (Deficiency) of Revenues Over Expenditures	2,229,554	369,409	(1,987,516)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,332,204	142,384	2,086,119
Transfers Out	(3,043,752)	-	-
Total Other Financing Sources (Uses)	<u>(1,711,548)</u>	<u>142,384</u>	<u>2,086,119</u>
Net Change in Fund Balance	518,006	511,793	98,603
<b>FUND BALANCE</b>			
Beginning of Year, As Restated	14,473,833	1,750,210	522,551
End of Year	<u>\$ 14,991,839</u>	<u>\$ 2,262,003</u>	<u>\$ 621,154</u>

See accompanying Notes to Basic Financial Statements.

<u>Drainage and Transportation</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 1,063,159	\$ 491,644	\$ 16,475,628
856,492	1,414,288	7,708,774
-	-	73,500
-	26,930	2,083,219
-	-	221,169
1,772,663	50,951	1,823,614
-	-	1,968,577
-	342,793	2,242,754
189,413	13,184	524,712
-	-	239,000
<u>3,881,727</u>	<u>2,339,790</u>	<u>33,360,947</u>
-	-	7,886,767
-	-	7,406,989
-	1,672,506	2,932,978
-	19,617	2,533,497
-	40,753	570,038
2,655,743	257	3,743,304
-	685,000	3,008,680
-	1,204,994	4,724,600
<u>2,655,743</u>	<u>3,623,127</u>	<u>32,806,853</u>
1,225,984	(1,283,337)	554,094
-	1,889,994	5,450,701
(1,074,745)	(346,355)	(4,464,852)
<u>(1,074,745)</u>	<u>1,543,639</u>	<u>985,849</u>
151,239	260,302	1,539,943
<u>13,720,616</u>	<u>2,735,022</u>	<u>33,202,232</u>
<u>\$ 13,871,855</u>	<u>\$ 2,995,324</u>	<u>\$ 34,742,175</u>

**TOWN OF QUEEN CREEK, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

**Net Change in Fund Balances-Total Governmental Funds** \$ 1,539,943

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, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Expenditures for Capital Assets	\$ 3,181,346	
Depreciation Expense	<u>(7,172,521)</u>	(3,991,175)

Donations of capital assets are not current financial resources and are not reflected in the governmental funds. 7,095,063

The governmental funds report proceeds received on the sale of assets. Conversely, the statement of activities reports the gain or loss on the sale of assets. (131,714)

Acquisition of land held for future investment is recorded as capital outlays in the governmental funds. However, in the government-wide financial statements, the assets are capitalized. 816,326

Uncollectible special assessments reduce the applicable receivable and deferred balance in the governmental funds; however, in the statement of activities a loss is recognized for the write-off.

Loss on write-off of special assessment receivable (2,439,917)

Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, some revenues that are current financial resources reported in the funds have been recognized in the statement of activities in previous years.

Accrued Interest on Loans Receivable	58,906	
Sales Taxes	660,786	
Property Taxes	(183,174)	
Litigation Awards	(250,000)	
Special Assessments	<u>(606,409)</u>	(319,891)

(Continued)

**TOWN OF QUEEN CREEK, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

(Concluded)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.

Capital Lease Retirement	\$	268,680	
Loan Principal Retirement		645,000	
Bond Principal Retirement		2,095,000	
Interest Expense		113,759	
Amortization of Bond Premium		325,472	
Amortization of Bond Issue Costs		<u>(95,714)</u>	
	\$		3,352,197

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 the governmental funds.

Change in Compensated Absences		<u>(51,753)</u>	
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>		<b><u><u>5,869,079</u></u></b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Business-Type Activities			
	Wastewater	Solid Waste	Water	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 3,208,561	\$ 90,144	\$ 47,574	\$ 3,346,279
Cash with Paying Agent	291,290	-	-	291,290
Cash with Trustee	-	-	289,853	289,853
Receivables, Net:				
Accounts Receivable	246,047	137,040	970,576	1,353,663
Other Receivable	80,517	-	36,784	117,301
Interest Receivable	11,846	-	7,077	18,923
Total Current Assets	<u>3,838,261</u>	<u>227,184</u>	<u>1,351,864</u>	<u>5,417,309</u>
Noncurrent Assets:				
Restricted Cash and Investments	3,447,472	-	2,725,796	6,173,268
Investment in Joint Venture	27,603,036	-	-	27,603,036
Capital Assets:				
Non-Depreciable	76,814	-	1,363,304	1,440,118
Depreciable (Net)	54,065,903	245	50,115,017	104,181,165
Total Noncurrent Assets	<u>85,193,225</u>	<u>245</u>	<u>54,204,117</u>	<u>139,397,587</u>
Total Assets	<u>89,031,486</u>	<u>227,429</u>	<u>55,555,981</u>	<u>144,814,896</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	13,130	77,702	245,333	336,165
Accrued Wages and Benefits	3,877	2,006	26,942	32,825
Deposits Held for Others	-	-	363,355	363,355
Interest Payable	111,290	-	-	111,290
Matured Debt Principal Payable	180,000	-	-	180,000
Compensated Absences	13,822	6,210	63,020	83,052
Capital Lease Payable	-	-	38,498	38,498
Loans Payable	1,864,187	-	1,567,590	3,431,777
Advance in Aid of Construction	-	-	382,368	382,368
Total Current Liabilities	<u>2,186,306</u>	<u>85,918</u>	<u>2,687,106</u>	<u>4,959,330</u>
Noncurrent Liabilities:				
Advances from Other Funds	-	920,072	-	920,072
Compensated Absences	4,607	2,070	21,006	27,683
Capital Lease Payable	-	-	232,514	232,514
Loans Payable	34,345,304	-	32,747,247	67,092,551
Advance in Aid of Construction	-	-	856,908	856,908
Total Noncurrent Liabilities	<u>34,349,911</u>	<u>922,142</u>	<u>33,857,675</u>	<u>69,129,728</u>
Total Liabilities	<u>36,536,217</u>	<u>1,008,060</u>	<u>36,544,781</u>	<u>74,089,058</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	47,997,591	245	15,924,208	63,922,044
Restricted for:				
Debt Service	2,856,083	-	2,362,441	5,218,524
Repair and Replacement	591,389	-	-	591,389
Unrestricted	1,050,206	(780,876)	724,551	993,881
Total Net Assets	<u>\$ 52,495,269</u>	<u>\$ (780,631)</u>	<u>\$ 19,011,200</u>	<u>\$ 70,725,838</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	Business-Type Activities			
	Wastewater	Solid Waste	Water	Totals
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 3,107,199	\$ 1,359,963	\$ 9,356,721	\$ 13,823,883
Total Operating Revenue	3,107,199	1,359,963	9,356,721	13,823,883
<b>OPERATING EXPENSES</b>				
Administration	126,624	85,659	387,338	599,621
Cost of Sales and Services	1,917,601	1,145,548	3,569,197	6,632,346
Depreciation	1,260,079	2,941	1,183,523	2,446,543
Equity Interest in Joint Venture	1,288,776	-	-	1,288,776
Total Operating Expenses	4,593,080	1,234,148	5,140,058	10,967,286
Operating Income (Loss)	(1,485,881)	125,815	4,216,663	2,856,597
<b>NONOPERATING REVENUES (EXPENSE)</b>				
Impact Fees	1,073,356	-	-	1,073,356
Repair Settlement	75,000	-	-	75,000
Investment Income (Loss)	45,092	-	39,228	84,320
Interest and Fiscal Charges	(1,415,381)	-	(1,446,735)	(2,862,116)
Total Nonoperating Revenues (Expenses)	(221,933)	-	(1,407,507)	(1,629,440)
Income (Loss) Before Capital Contributions and Transfers	(1,707,814)	125,815	2,809,156	1,227,157
Capital Contributions	1,670,367	-	4,869,044	6,539,411
Transfers Out	-	-	(985,849)	(985,849)
Change in Net Assets	(37,447)	125,815	6,692,351	6,780,719
Total Net Assets - Beginning of Year	52,532,716	(906,446)	12,318,849	63,945,119
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 52,495,269</b>	<b>\$ (780,631)</b>	<b>\$ 19,011,200</b>	<b>\$ 70,725,838</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds			
	Wastewater	Solid Waste	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 3,135,054	\$ 1,348,704	\$ 9,344,297	\$ 13,828,055
Payments to Suppliers	(1,899,778)	(1,138,318)	(2,806,659)	(5,844,755)
Payments to Employees	(184,132)	(86,192)	(1,109,535)	(1,379,859)
Customer Deposits	-	-	(15,635)	(15,635)
Net Cash Flows from Operating Activities	<u>1,051,144</u>	<u>124,194</u>	<u>5,412,468</u>	<u>6,587,806</u>
<b>CASH FLOWS USED BY NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Paid to Other Funds for Interfund Borrowing	-	(79,928)	-	(79,928)
Transfers Out	-	-	(985,849)	(985,849)
Net Cash Flows Used by Noncapital Financing Activities	<u>-</u>	<u>(79,928)</u>	<u>(985,849)</u>	<u>(1,065,777)</u>
<b>CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Lease Proceeds	-	-	289,853	289,853
Purchases of Capital Assets	(86,277)	(3,186)	(271,534)	(360,997)
Refunds of Waterline Agreements	-	-	(323,328)	(323,328)
Impact Fees	1,073,356	-	-	1,073,356
Interest paid on Capital Debt	(2,019,940)	-	(2,196,462)	(4,216,402)
Loan Payments	(673,587)	-	(2,841,969)	(3,515,556)
Net Cash Flows Used by Capital and Related Financing Activities	<u>(1,706,448)</u>	<u>(3,186)</u>	<u>(5,343,440)</u>	<u>(7,053,074)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income (Loss)	<u>33,246</u>	<u>-</u>	<u>32,151</u>	<u>65,397</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(622,058)</u>	<u>41,080</u>	<u>(884,670)</u>	<u>(1,465,648)</u>
Cash and Cash Equivalents - Beginning of Year	<u>7,569,381</u>	<u>49,064</u>	<u>3,947,893</u>	<u>11,566,338</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 6,947,323</u>	<u>\$ 90,144</u>	<u>\$ 3,063,223</u>	<u>\$ 10,100,690</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>				
Cash and Cash Equivalents	\$ 3,208,561	\$ 90,144	\$ 47,574	\$ 3,346,279
Cash with Paying Agent	291,290	-	-	291,290
Cash with Trustee	-	-	289,853	289,853
Restricted Cash and Cash Equivalents	3,447,472	-	2,725,796	6,173,268
Total Cash and Cash Equivalents	<u>\$ 6,947,323</u>	<u>\$ 90,144</u>	<u>\$ 3,063,223</u>	<u>\$ 10,100,690</u>

(Continued)

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Fund			
	Wastewater	Solid Waste	Water	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$(1,485,881)	\$ 125,815	\$ 4,216,663	\$ 2,856,597
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,260,079	2,941	1,183,523	2,446,543
Equity Interest in Joint Venture	1,288,776	-	-	1,288,776
Change in Assets/Liabilities:				
Receivables, Net	27,855	(11,259)	(12,424)	4,172
Accounts Payable	(41,052)	13,311	46,926	19,185
Deposits Held for Others	-	-	(15,635)	(15,635)
Compensated Absences	941	(6,508)	(11,245)	(16,812)
Accrued Payroll	426	(106)	4,660	4,980
Net Cash Provided (Used) for Operating Activities	<u>\$ 1,051,144</u>	<u>\$ 124,194</u>	<u>\$ 5,412,468</u>	<u>\$ 6,587,806</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Capital Assets Acquired through Contributions from Developers	\$ 1,670,367	\$ -	\$ 44,262	\$ 1,714,629
Capital Contributions Associated with Advances in Aid of Construction	-	-	4,824,782	4,824,782

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1    SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Queen Creek, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

**A. Reporting Entity**

The Town is a municipal entity governed by a separately elected governing body. It is legally separate from and fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes, and the Town is not included in any other governmental reporting entity. Consequently, the Town's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. 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 revenues 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 provider have been met.

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, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Funds.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The Town reports the following major governmental funds:

*Major Governmental Funds*

General Fund

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Emergency Services Fund

This is a special revenue fund which accounts for committed voter approved sales and restricted property taxes for the operation of emergency services in the Town.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

*Major Governmental Funds (Continued)*

Improvement District Debt Service Fund

This fund accounts for resources accumulated and used for the payment of long-term principal, interest and related costs for the Town's improvement district.

Drainage and Transportation Fund

This is a capital projects fund which accounts for resources accumulated and used for acquisition and construction of various Town infrastructures.

The Town reports the following major proprietary funds:

*Major Proprietary Funds*

Wastewater Fund

The Wastewater Fund accounts for the costs to operate, construct, and finance the Town's wastewater treatment facilities.

Solid Waste Fund

The Solid Waste Fund accounts for the costs to operate, construct, and finance the Town's trash and recycling operations.

Water Fund

The Water Fund accounts for the costs to operate, construct, and finance the Town's water utility operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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 revenues of the proprietary funds are charges for utility services. Operating expenses for the proprietary funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For governmental activities, business-type activities, and proprietary funds, when both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town uses restricted fund balance first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned are available, it is the Town's policy to use committed, assigned and finally unassigned amounts.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**2. Receivables**

All trade and property taxes receivables are shown net of an allowance for uncollectibles. Governmental activities reported an allowance of \$206,496 and business-type activities reported an allowance of \$35,808.

Property taxes are levied and collected by the Maricopa County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due on the first day of October and the first day of March of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

**3. Intergovernmental Receivables**

Intergovernmental receivables include state shared revenues and federal and state grants.

**4. Interfund Receivables/Payables**

During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

Individual funds also borrow resources from other funds on a long-term basis. These loans are formally approved by the Town Council and the terms require repayment over several fiscal years. These receivables and payables are classified as "advances to other funds" and "advances from other funds" and are eliminated in the preparation of the government-wide financial statements.

**5. Restricted Assets**

As required by applicable bond and loan documents, certain resources are set aside for debt service requirements on bonds and loans and the repair and replacement of utility infrastructure. In addition, certain resources are set aside for the Town's contribution to the operations and maintenance of the joint water reclamation plant with the City of Mesa, Arizona and the Town of Gilbert, Arizona.

Customer deposits are also recorded as restricted assets because their use is limited.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**6. Capital Assets**

Capital assets, which include property, plant, infrastructure, machinery, equipment and vehicles, are reported in the governmental and business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Infrastructure	30 to 50 Years
Buildings and Improvements	10 to 50 Years
Vehicles and Equipment	4 to 20 Years
Wastewater Collection System	50 Years
Water System	50 Years

**7. Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Generally, resources from the General Fund are used to liquidate the governmental funds liabilities for compensated absences.

The Town's employee vacation policy provides for granting vacation leave with pay. The policy states that a maximum of 240 hours can be accrued for each employee. Every year, the excess above 240 is paid out to the employee. The employee is compensated at their current rate of pay.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**8. Long-Term Obligations**

In the government-wide financial statements and proprietary 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

**9. Net Assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets not included in the previous two categories.

**10. Fund Balance Classifications**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**10. Fund Balance Classifications (Continued)**

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations approved by the Town's Council, which is the highest level of decision-making authority within the Town and the formal commitment must occur prior to fiscal year end. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has authorized the Chief Financial Officer to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town uses restricted fund balance first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned or unassigned are available, the Town uses committed, assigned and finally, unassigned amounts.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Excess Expenditures Over Budget**

Expenditures exceeded appropriates in the following funds:

	Amount of Overexpenditure
General Fund:	
Town Manager	\$ 2,229
Town Clerk and Legal Services	32,791
Non-Departmental	22,108
Improvement District Debt Service Fund	26,600
Nonmajor Governmental Funds:	
Parks and Recreation Fund	4,639

Cash was available to cover the overexpenditures listed above.

**B. Deficit Fund Balance/Net Assets**

At year end, the Solid Waste Fund reported a deficit in net assets of \$780,631. The deficit in the Solid Waste Fund was due to operational deficits carried forward from the prior year. The Town has increased its customer base from the prior year and will continue efforts to do so to increase revenues to cover the fund's operating expenses and reduce the deficit.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2012 consist of the following:

Cash on Hand	\$ 2,345
Cash in Bank	3,114,116
Cash with Trustee	289,853
Cash on Deposit with Paying Agent	2,643,499
Investments:	
Money Market	61,944
Federal Home Loan Mortgage Corporation	10,556,945
Federal National Mortgage Association	19,429,106
State Treasurer's Investment Pool	6,779,439
Total Deposits and Investments	42,877,247
Less Cash with Paying Agent	(2,643,499)
Less Cash with Trustee	(289,853)
Less Restricted Assets	(6,239,477)
Cash and Investments on Statement of Net Assets	\$ 33,704,418

**Deposits**

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of bank failure the Town's deposits may not be returned to the Town. The Town does not have a formal policy regarding custodial credit risk. The carrying value of the Town's deposits at June 30, 2012 was \$3,403,969 and the bank balance was \$3,653,772. At June 30, 2012, \$557,454 of the Town's deposits was covered by federal depository insurance or were guaranteed under the transaction account guarantee component of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The remaining \$3,096,318 was collateralized by securities held by the Town's agent in the Town's name.

The cash on deposit with paying agent represents payment of bond and loan principal and interest due July 1 held by the bond or loan trustee at June 30, 2012 and was held by the Town's agent in the Town's name.

**Investments**

At June 30, 2012, the Town's investments were reported at fair value. The Town's investments consisted of money market, Federal Home Loan Mortgage Corporation securities, Federal National Mortgage Association Securities, and cash on deposit with the State Treasurer's Investment Pool.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

*Custodial Credit Risk* – For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however the Town’s portion is not identified with specific investments and is not subject to custodial credit risk.

*Interest Rate Risk* – The Town has a formal investment policy that identifies the return on investment as follows: The investment pools and funds shall be managed with the objective of attaining a competitive rate of return given the constraints of the Town’s safety and liquidity objectives. Return on investment is of secondary importance compared to the safety and liquidity objectives. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. A schedule of the Town’s investment maturities is as follows:

Investment	Maturity			Total
	Less than 1 Year	1-3 Years	More than 3 Years	
Money Market	\$ 61,944	\$ -	\$ -	\$ 61,944
Federal Home Loan Mortgage Corporation	-	2,506,675	8,050,270	10,556,945
Federal National Mortgage Association	-	2,010,760	17,418,346	19,429,106
State Treasurer’s Investment Pool	6,779,439	-	-	6,779,439
Total	<u>\$ 6,841,383</u>	<u>\$ 4,517,435</u>	<u>\$ 25,468,616</u>	<u>\$ 36,827,434</u>

*Concentration of Credit Risk* – The Town places no limit on the amount the Town may invest in any one issuer. The concentration of investment types is indicated in the table below.

Investment	Total	Percent
Money Market	\$ 61,944	- %
Federal Home Loan Mortgage Corporation	10,556,945	29
Federal National Mortgage Association	19,429,106	53
State Treasurer’s Investment Pool	6,779,439	18
Total	<u>\$ 36,827,434</u>	

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

*Credit Risk* – In accordance with the state statutes, the Town limits its investments to obligations of the U.S. Treasury and U.S agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer’s Local Government Investment Pool.

Investment	Amount	Ratings	
		Moody's	S&P
Federal Home Loan Mortgage Corporation	\$ 2,506,675	Aaa	AA+
Federal Home Loan Mortgage Corporation	1,005,680	Aaa	AA+
Federal Home Loan Mortgage Corporation	5,034,750	Aaa	AA+
Federal Home Loan Mortgage Corporation	2,009,840	Aaa	AA+
Federal National Mortgage Association	2,010,760	Aaa	AA+
Federal National Mortgage Association	2,002,200	Aaa	AA+
Federal National Mortgage Association	2,005,060	Aaa	AA+
Federal National Mortgage Association	3,513,020	Aaa	AA+
Federal National Mortgage Association	2,009,560	Aaa	AA+
Federal National Mortgage Association	2,506,875	Aaa	AA+
Federal National Mortgage Association	403,104	Aaa	AA+
Federal National Mortgage Association	2,511,175	Aaa	AA+
Federal National Mortgage Association	1,964,137	Aaa	AA+
Federal National Mortgage Association	503,215	Aaa	AA+
Money Market	61,944	Not Rated	Not Rated
State Treasurer's Investment Pool	6,779,439	Not Rated	Not Rated

**2. Restricted Assets**

Restricted assets in the General Fund, Wastewater Fund and the Water Fund at June 30, 2012 consisted of the following:

	General Fund	Wastewater Fund	Water Fund	Total
Loan Debt Service Reserve Requirement	\$ -	\$ 2,856,083	\$ 2,362,441	\$ 5,218,524
Loan Repair and Replacement Reserve Requirement	-	591,389	-	591,389
Customer Deposits	-	-	363,355	363,355
Employment Deposits	66,209	-	-	66,209
<b>Total</b>	<b>\$ 66,209</b>	<b>\$ 3,447,472</b>	<b>\$ 2,725,796</b>	<b>\$ 6,239,477</b>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Receivables**

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are collected are reported as deferred revenues.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

General Fund:	
Accrued Interest on Loans Receivable	\$ 447,330
Delinquent Sales Tax Receivable	660,786
Emergency Services Fund:	
Delinquent Property Tax Receivable	78,019
Improvement District Debt Service Fund:	
Special Assessments Not yet Received	22,704,736
Nonmajor Governmental Funds:	
Delinquent Property Tax Receivable	12,979
Totals	\$ 23,903,850

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Loans Receivable**

Based on a Joint Powers Airport Authority Agreement (Agreement) entered into in May 1994, the Town is a member government of the Phoenix-Mesa Gateway Airport Authority (PMGAA) along with the City of Mesa, Arizona, the Town of Gilbert, Arizona, the City of Phoenix, Arizona and the Gila River Indian Community. PMGAA is legally separate from other state and local government, overseen by a five person board comprised of a representative from each member government and is not a component unit of the Town.

Based on the Agreement, all payments made to PMGAA by members are considered loans to be repaid by PMGAA. The intent of the members in providing funds to PMGAA is to invest in the operation and development of the airport for the benefit of the citizens of their communities.

The Federal Aviation Administration has established a “six year rule” limiting retroactive reimbursement of contributions unless appropriate documented agreements are in place. In order to maintain the Town’s right to repayment of its contributions, formal promissory notes have been drawn up stating that previous and future payments are to be repaid in the year 2020 or at such later time as PMGAA’s Board of Directors deems appropriate. The promissory notes have a stated interest rate of 3%, compounded annually.

Changes in loans receivable for the current fiscal year are as follows:

	Beginning of Year	Additions	Reductions	End of Year	Due within One Year
Loans Receivable from WGAA	\$ 1,575,070	\$ 120,000	\$ -	\$ 1,695,070	\$ -
Accrued Interest on Loans	388,424	58,906	-	447,330	-
Total	<u>\$ 1,963,494</u>	<u>\$ 178,906</u>	<u>\$ -</u>	<u>\$ 2,142,400</u>	<u>\$ -</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**5. Capital Assets**

Capital asset activity for the primary government's governmental activities for the year ended June 30, 2012 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,462,637	\$ -	\$ -	\$ 41,462,637
Construction in Progress	13,386,875	3,014,874	(9,427,846)	6,973,903
Total Capital Assets, Not Being Depreciated	54,849,512	3,014,874	(9,427,846)	48,436,540
Capital Assets, Being Depreciated:				
Infrastructure	169,813,371	16,522,909	-	186,336,280
Buildings and Improvements	29,849,083	-	(29,550)	29,819,533
Vehicles, Furniture and Equipment	8,334,751	166,472	(377,615)	8,123,608
Total Capital Assets, Being Depreciated	207,997,205	16,689,381	(407,165)	224,279,421
Accumulated Depreciation for:				
Infrastructure	(23,917,857)	(5,788,314)	-	(29,706,171)
Buildings and Improvements	(3,258,952)	(688,559)	14,775	(3,932,736)
Vehicles, Furniture and Equipment	(3,891,719)	(695,648)	260,676	(4,326,691)
Total Accumulated Depreciation	(31,068,528)	(7,172,521)	275,451	(37,965,598)
Total Capital Assets, Being Depreciated, Net	176,928,677	9,516,860	(131,714)	186,313,823
Governmental Activities Capital Assets, Net	<u>\$ 231,778,189</u>	<u>\$ 12,531,734</u>	<u>\$ (9,559,560)</u>	<u>\$ 234,750,363</u>

In the prior year, the Town had accrued and capitalized an amount owed to Maricopa County for capital expenditures on a joint infrastructure project. That accrual and related projected was overstated by \$1,308,030. As a result, the beginning balance of capital assets was restated for the correction of this error.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**5. Capital Assets (Continued)**

Capital assets activity for the primary government's business-type activities for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,290,442	\$ -	\$ -	\$ 1,290,442
Construction in Progress	1,218,057	140,082	(1,208,463)	149,676
Total Capital Assets, Not Being Depreciated	2,508,499	140,082	(1,208,463)	1,440,118
Capital Assets, Being Depreciated:				
Wastewater Collection System	58,649,655	2,694,909	-	61,344,564
Water System	54,010,271	423,726	(16,359)	54,417,638
Vehicles, Furniture and Equipment	919,385	98,498	(72,271)	945,612
Total Capital Assets, Being Depreciated	113,579,311	3,217,133	(88,630)	116,707,814
Accumulated Depreciation for:				
Wastewater Collection System	(6,220,219)	(1,220,128)	-	(7,440,347)
Water System	(3,411,471)	(1,083,134)	-	(4,494,605)
Vehicles, Furniture and Equipment	(463,712)	(143,281)	15,296	(591,697)
Total Accumulated Depreciation	(10,095,402)	(2,446,543)	15,296	(12,526,649)
Total Capital Assets, Being Depreciated, Net	103,483,909	770,590	(73,334)	104,181,165
Business-Type Activities Capital Assets, Net	<u>\$ 105,992,408</u>	<u>\$ 910,672</u>	<u>\$ (1,281,797)</u>	<u>\$ 105,621,283</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 755,472
Public Safety	239,357
Highways and Streets	5,641,095
Culture and Recreation	536,597
Total Depreciation Expense, Governmental Activities	<u>\$ 7,172,521</u>

**Business-Type Activities:**

Wastewater	\$ 1,260,079
Solid Waste	2,941
Water	1,183,523
Total Depreciation Expense, Business-Type Activities	<u>\$ 2,446,543</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**6. Land Held for Future Investment**

During the year, the Town acquired a 16 acre parcel of land in settlement of a special assessment receivable with the property owner. The Town acquired the land at an approximate fair value of \$3,135,000 in settlement of delinquent and future special assessments (See Note 3.G.). In addition, the Town also purchased an adjacent parcel of land for \$816,326. The parcels are located in a commercial area of the Town. The Town does not intend to use the property for government services purposes, but rather intends to use the properties for investment into economic development of the land. The total amount of the assets being held of \$3,951,326 is recorded as noncurrent assets in the governmental activities column of the statement of net assets.

**B. Interfund Receivables, Payables and Transfers**

As of June 30, 2012 advances to and from funds were as follows:

Advances to	Advances From		
	General Fund	Drainage and Transportation Fund	Total
General Fund	\$ -	\$ 1,023,000	\$ 1,023,000
Solid Waste Fund	920,072	-	920,072
Total	<u>\$ 920,072</u>	<u>\$ 1,023,000</u>	<u>\$ 1,943,072</u>

Interfund advances were loans for start-up of operations for solid waste services and the Horseshoe Park and Equestrian Center. These loans are scheduled to be repaid over a ten year period as resources are available from the applicable funds.

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Transfers Out	Transfers In				Total
	General Fund	Emergency Services Fund	Improvement District Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 142,384	\$ 1,653,971	\$ 1,247,397	\$ 3,043,752
Drainage and Transportation Fund	-	-	432,148	642,597	1,074,745
Nonmajor Governmental Funds	346,355	-	-	-	346,355
Water Fund	985,849	-	-	-	985,849
	<u>\$ 1,332,204</u>	<u>\$ 142,384</u>	<u>\$ 2,086,119</u>	<u>\$ 1,889,994</u>	<u>\$ 5,450,701</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables and Transfers (Continued)**

Interfund transfers were made by the Town during the fiscal year to fund debt service, capital projects as well as support operations in the various funds.

**C. Obligations Under Capital Leases**

The Town has acquired vehicles and equipment under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, are being recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund are used to pay the capital lease obligations.

The assets acquired through capital leases that meet the Town's capitalization threshold are as follows:

	Governmental Activities
Asset:	
Vehicles, Furniture and Equipment	\$ 2,042,032
Less: Accumulated Depreciation	(547,252)
Total	\$ 1,494,780

The Town has also entered into a lease agreement for the purchase equipment for the Water Fund. The proceeds of lease of \$289,853 were deposited into an escrow account to be drawn by the Town for equipment purchases. During the year, there were no draw downs from the escrow account and at June 30, 2012, the entire amount of \$289,853 remained in the escrow account.

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2012, were as follows:

	Governmental Activities	Business-Type Activities
Year Ending June 30:		
2013	\$ 335,311	\$ 46,002
2014	196,440	46,002
2015	196,439	46,002
2016	179,099	46,002
2017	173,318	46,002
2018 - 2019	173,316	69,000
Total Minimum Lease Payments	1,253,923	299,010
Less: Amount Representing Interest	(172,499)	(27,998)
Present Value of Minimum Lease Payments	\$ 1,081,424	\$ 271,012

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Advances in Aid of Construction**

During fiscal year 2007-2008, the Town purchased a local water company. Included in the purchase was the assumption of unearned advances in aid of construction. These are contracts with various property owners who advanced payment to the water company for the cost of extended water lines to their property. As part of the contracts, the Town is required to remit to the property owners, on an annual basis, 15% of additional water sales earned on the line extension paid for by the owner for a period of years indicated in the contract or until the cost of the line extension has been repaid by the property owner, whichever comes first. After the period of time indicated in the contract, any balance remaining on the contract is recognized by the Town as a capital contribution. During the fiscal year, the Town updated its estimated probable liability on the contracts based on a history of usage through the water lines and projecting this usage and expected increases in usage through all outstanding contract terms. As a result, the Town recognized a capital contribution of \$4,824,782 in the current year and at year end, the Town has \$1,239,276 of outstanding unearned advances in aid of construction.

**E. Long-Term Obligations**

Special assessments districts are created only by petition of the Town Council by property owners within the district areas. The Improvement District No. 1 (District) was created so the Town could fund improvements within the District. Each of the property owners within the District has been assessed taxes by the Town for repayment of the bond. In case of default, the Town has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received. The Town has pledged special assessment revenues to repay \$54.1 million in special assessment bonds issued in 2007 to finance certain infrastructure improvements. The bonds are payable from special assessments levied on property owners within the improvement district and transfers from Town funds for property within the District owned by the Town. Annual principal and interest payments on the loans are estimated to require all special assessment revenues as well as additional interfund transfers from the General Fund and Drainage and Transportation Fund. Total principal and interest remaining on the bonds is \$77,162,250 payable through 2032. For the current year, principal and interest paid and special assessment revenues for the fiscal year were \$3,887,477 and \$1,899,961.

The Town has loans with the Greater Arizona Development Authority (GADA) to finance improvements to the Town's parks, government buildings, infrastructure, and library. The GADA loans are secured by all future excise tax and state shared revenue of the Town and are being paid by the Wastewater Fund and the Town's various development funds. Annual principal and interest payments on loans are estimated to require 11% of excise tax and state shared revenues. Total principal and interest remaining on the loans is \$31,743,419 for governmental activities, payable through 2023, 2029, 2030 and 2036, and \$6,460,280 for business-type activities, payable through 2028. For the current year, principal and interest paid was \$2,019,998. For the current year, total excise tax and state shared revenues were \$17,950,128.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

The Town has issued \$27.1 million in revenue bonds in 2007 to finance various improvements to the Town. The revenue bonds are secured by all excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds and loans are estimated to require 11% of excise tax and state shared revenues. Total principal and interest remaining on the revenue bonds is \$38,124,539 payable through 2032. For the current year, principal and interest paid on the revenue bonds was \$1,910,438. For the current year, total excise tax and state shared revenues were \$17,950,128.

The Town has various wastewater revenue loans with the Water Infrastructure Finance Authority of Arizona (WIFA). The loans are being drawn as required by the Town. The debt is secured by all future wastewater revenue of the Town. The Town has pledged a portion of future wastewater customer revenue, net of specified operating expenses, to repay a \$38.4 million in WIFA loans issued in 1998 and 2005. Proceeds from the loans provided financing for development of the Town's wastewater system and investment in a joint reclamation plant. The loans are payable from wastewater customer net revenues and are payable through 2018 and 2028. Annual principal and interest payments on the loans are estimated to require 64% of net revenues. The total principal and interest remaining to be paid on the loans is \$42,381,297. For the current year, principal and interest paid and wastewater customer net revenue for the fiscal year was \$1,446,838 and \$2,256,422, respectively.

The Town has pledged future water customer revenues, net of specified operating expense to repay a \$40.0 million WIFA loan issued in fiscal year 2008. Proceeds from the loan provided financing for the purchase of a local water company and improvements to the infrastructure acquired. The loan is payable from water customer net revenues and is payable through 2028. Annual principal and interest payments on the loans are estimated to require 55% of net revenues. The total principal and interest remaining to be paid on the loan is \$47,248,828. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$2,953,490 and \$5,439,414, respectively.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

The following tables summarize the Town's loans/bonds payable.

Description	Original Issue	Maturity	Interest Rate (%)	Outstanding at June 30, 2012
<b>Governmental Activities</b>				
Excise Tax and State Shared				
Revenue Obligations, Series 2007	\$ 27,135,000	8/1/12-32	4.25-5.00%	\$ 24,660,000
Special Assessment, Improvement District Bonds	54,080,000	1/1/12-32	5.00%	48,840,000
GADA Infrastructure Revenue Loan, Series 2004B	7,700,000	7/1/12-29	4.00-5.50%	6,040,000
GADA Infrastructure Revenue Loan, Series 2005B	2,470,000	8/1/12-30	3.50-5.00%	2,055,000
GADA Infrastructure Revenue Loan, Series 2006A	11,555,000	7/1/12-36	4.00-5.00%	10,300,000
GADA Infrastructure Revenue Loan, Series 2008	2,045,000	8/1/12-23	4.00-5.00%	1,480,000
Total Governmental Loans Payable				<u>\$ 93,375,000</u>
<b>Business-Type Activities</b>				
WIFA Loan, 1998	\$ 4,400,000	7/1/12-18	3.88%	\$ 1,745,126
WIFA Loan, 2005	34,000,000	7/1/13-25	3.71%	30,064,364
WIFA Loan, 2008	40,000,000	7/1/12-28	4.04%	34,314,838
GADA Infrastructure Revenue Loan, Series 2003B	5,530,000	7/1/12-28	4.66%	4,400,000
Total Business-Type Loans Payable				<u>\$ 70,524,328</u>

Changes in long-term obligations for the year ended June 30, 2012 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Bonds/Loans Payable					
Excise Tax Revenue Bonds	\$ 25,345,000	\$ -	\$ (685,000)	\$ 24,660,000	\$ 720,000
Special Assessment Bonds	23,617,500	-	(662,700)	22,954,800	693,250
Special Assessment Bonds - Town Owned Property	26,632,500	-	(747,300)	25,885,200	781,750
GADA Loan Payable	20,520,000	-	(645,000)	19,875,000	670,000
Premium on Bonds	1,785,187	-	(82,744)	1,702,443	-
Total Bonds and Loans	97,900,187	-	(2,822,744)	95,077,443	2,865,000
Other Liabilities:					
Capital Leases	1,350,104	-	(268,680)	1,081,424	281,995
Compensated Absences	616,264	413,738	(361,985)	668,017	501,013
Total Governmental Activities	<u>\$ 99,866,555</u>	<u>\$ 413,738</u>	<u>\$ (3,453,409)</u>	<u>\$ 96,826,884</u>	<u>\$ 3,648,008</u>
<b>Business-Type Activities:</b>					
Loans Payable					
WIFA Loans Payable	\$ 67,753,420	\$ 131,700	\$ (1,760,792)	\$ 66,124,328	\$ 3,241,777
GADA Loans Payable	4,580,000	-	(180,000)	4,400,000	190,000
Total Loans	72,333,420	131,700	(1,940,792)	70,524,328	3,431,777
Other Liabilities:					
Capital Leases	-	289,853	(18,841)	271,012	38,498
Advances in Aid of Construction	6,387,387	-	(5,148,111)	1,239,276	382,368
Compensated Absences	127,548	140,298	(157,111)	110,735	83,052
Total Business-Type Activities	<u>\$ 78,848,355</u>	<u>\$ 561,851</u>	<u>\$ (7,264,855)</u>	<u>\$ 72,145,351</u>	<u>\$ 3,935,695</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

Annual debt service requirements to maturity on loans and bonds payable at June 30, 2012 are summarized as follows.

<u>Years</u>	Governmental Activities			
	Bonds and Loans		Capital Lease	
	Principal	Interest	Principal	Interest
2013	\$ 2,865,000	\$ 4,527,161	\$ 281,995	\$ 53,316
2014	2,990,000	4,392,255	157,098	39,342
2015	3,135,000	4,250,869	164,799	31,640
2016	3,285,000	4,101,233	155,355	23,744
2017	3,430,000	3,940,358	157,145	16,173
2018-2022	19,850,000	16,978,231	165,032	8,284
2023-2027	24,475,000	11,561,119	-	-
2028-2032	28,925,000	4,840,325	-	-
2033-2037	4,420,000	378,875	-	-
Totals	\$ 93,375,000	\$ 54,970,426	\$ 1,081,424	\$ 172,499

<u>Years</u>	Business-Type Activities			
	Bonds and Loans		Capital Lease	
	Principal	Interest	Principal	Interest
2013	\$ 3,431,777	\$ 2,781,387	\$ 38,498	\$ 7,504
2014	3,567,573	2,646,567	39,611	6,391
2015	3,708,260	2,506,382	40,756	5,246
2016	3,854,025	2,361,375	41,934	4,068
2017	4,000,068	2,210,431	43,146	2,856
2018-2022	21,094,930	8,644,691	67,067	1,933
2023-2027	25,209,979	4,191,177	-	-
2028-2032	5,657,716	224,066	-	-
Totals	\$ 70,524,328	\$ 25,566,076	\$ 271,012	\$ 27,998

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Lease of Town Property**

The Town leases land to various third parties. Annual rental revenue from the lease is recognized in the General Fund. The future minimum payments required under the leases at June 30, 2012 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 101,730
2014	99,147
2015	100,293
2016	90,609
2017	93,755
2018 - 2022	509,706
2023 - 2026	288,928
	<u>\$ 1,284,168</u>

**G. Special Item**

During the year, the Town acquired a 16 acre parcel of land in settlement of a special assessment receivable with the property owner. The Town acquired the land at an approximate fair value of \$3,135,000 in settlement of delinquent and future special assessments of \$5,574,917 and recognized a loss on the transaction of \$2,439,917.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Fund Balance Classifications of Governmental Funds**

The Town has classified its fund balances as follows:

	General Fund	Emergency Services Fund	Improvement District Debt Service Fund	Drainage and Transportation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Advances to Other Funds	\$ 920,072	\$ -	\$ -	\$ -	\$ -	\$ 920,072
Loans Receivable	1,695,070	-	-	-	-	1,695,070
Total Nonspendable	<u>2,615,142</u>	-	-	-	-	<u>2,615,142</u>
<b>Restricted:</b>						
Town Building Development	196,664	-	-	-	-	196,664
Transportation Development	55,239	-	-	-	-	55,239
Public Safety Development	129,644	-	-	-	-	129,644
Fire Development	509,007	-	-	-	-	509,007
Street Lighting Districts	-	-	-	-	143,628	143,628
Streets and Transportation	-	-	-	-	1,574,736	1,574,736
Housing Rehabilitation	-	-	-	-	41,957	41,957
Parks and Community	-	-	-	-	78,583	78,583
Total Restricted	<u>890,554</u>	-	-	-	1,838,904	<u>2,729,458</u>
<b>Committed:</b>						
Emergency Services	-	2,262,003	-	-	-	2,262,003
Infrastructure Projects	-	-	-	13,871,855	-	13,871,855
Town Center	-	-	-	-	1,156,420	1,156,420
Total Committed	<u>-</u>	<u>2,262,003</u>	<u>-</u>	<u>13,871,855</u>	<u>1,156,420</u>	<u>17,290,278</u>
<b>Assigned:</b>						
Debt Service	-	-	621,154	-	-	621,154
<b>Unassigned:</b>						
	<u>11,486,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,486,143</u>
Total Fund Balance	<u>\$ 14,991,839</u>	<u>\$ 2,262,003</u>	<u>\$ 621,154</u>	<u>\$ 13,871,855</u>	<u>\$ 2,995,324</u>	<u>\$ 34,742,175</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3    DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I.    Prior Period Adjustments**

Prior period adjustments are presented to correct errors in the previously issued financial statements. The prior period adjustments are described below:

Several development fee funds were classified as special revenue funds in the prior year; however, these funds did not fully meet the definition of a special revenue fund as defined by GASB 54 and have been reclassified to the General Fund.

Construction retainage payable incurred in the prior year was not accrued at June 30, 2011.

Excise Tax Bond principal and interest were accrued in the Excise Tax Bond Debt Service Fund; however no resources were accumulated in the fund for amounts due.

Accrued retirement contribution payable was overstated in the Emergency Services Fund due to misapplication of an insurance premium refund.

Prior year sales tax receivable did not include amounts collected in July 2011 for sales transactions that occurred in June 2011.

Overstatement of accounts payable related to the Town's portion on a joint infrastructure project with Maricopa County.

Understatement of accounts payable related to the Town's street lighting district June 2011 electricity payments.

The special assessment receivable included a portion of special assessment debt that is owned by the Town and is being repaid from general resources of the government.

Interest portion of special assessment collections were applied to the special assessment receivable balance.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. Prior Period Adjustments (Continued)**

The following adjustments are necessary to reconcile beginning net assets and fund balance to the prior year audited financial statements:

	General Fund	Emergency Services Fund	Improvement District Debt Service Fund	Drainage and Transportation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance, as Originally Stated	\$ 12,610,116	\$ 1,583,307	\$ 522,551	\$ 12,431,863	\$ 2,361,183	\$ 29,509,020
Reclassify Funds to Comply GASB 54	926,128	-	-	-	(926,128)	-
Retainage Payable Understatement	-	-	-	(104,486)	-	(104,486)
Debt Service Liability Overstatement	-	-	-	-	1,294,775	1,294,775
Retirement Liability Overstatement	-	70,761	-	-	-	70,761
Sales Tax Receivable Understatement	937,589	96,142	-	85,209	31,749	1,150,689
Accounts Payable Overstatement	-	-	-	1,308,030	-	1,308,030
Accounts Payable Understatement	-	-	-	-	(26,557)	(26,557)
Fund Balance, as Restated	<u>\$ 14,473,833</u>	<u>\$ 1,750,210</u>	<u>\$ 522,551</u>	<u>\$ 13,720,616</u>	<u>\$ 2,735,022</u>	<u>\$ 33,202,232</u>

	Governmental Activities
Net Assets, As Originally Stated	\$ 213,993,836
Retainage Payable Understatement	(104,486)
Retirement Liability Overstatement	70,761
Sales Tax Receivable Understatement	1,150,689
Accounts Payable Understatement	(26,557)
Special Assessment Receivable Overstatement	(20,649,906)
Special Assessment Receivable Understatement	1,653,599
Net Assets, as Restated	<u>\$ 196,087,936</u>

**NOTE 4 OTHER INFORMATION**

**A. Joint Venture**

The Town participates in a joint water reclamation plant with the City of Mesa, Arizona and the Town of Gilbert, Arizona. The water reclamation plant began operations in fiscal year 2006-07. Mesa acts as the lead agency and is responsible for planning, budgeting, construction, operation and maintenance of the plant. Mesa, Gilbert and the Town participate in the ownership of the plant and are charged for operating expenses based on gallons of flow. The Town's investment in the joint venture at June 30, 2012 was \$27,603,036 and it is recorded in the Town's Wastewater Fund. The joint venture does not issue separate financial statements.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION**

**B. Risk Management**

The Town of Queen Creek, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town carries commercial insurance for certain risks of loss including potential worker related accidents.

The Town's insurance protection is provided by a private carrier (Arizona Municipal Risk Retention Pool), of which the Town is a participating member. The limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

**C. Contingent Liabilities**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's legal counsel, the Town has some exposure to loss; however, the Town is vigorously defending these claims and any loss or dollar value of the loss is not determinable.

**D. Subsequent Event**

Subsequent to June 30, 2012, the Town entered into a lease purchase agreement for the purchase of a dump truck. The lease has a total principal amount of \$130,235 with an annual interest rate of 2.5%. The lease requires annual principal and interest payments of \$10,198 through August 2019.

Also subsequent to June 30, 2012, the Town Council authorized interfund loans to the Wastewater Fund in the amount of \$2,500,000. The Wastewater Fund was authorized to borrow \$1,000,000 from the Water Fund and \$1,500,000 from the General Fund. The interfund loans are expected to be repaid over a 10 year term from that date of inception.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans**

**Arizona State Retirement System**

**Plan Descriptions**

The Town of Queen Creek, Arizona contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**Funding Policy**

The Arizona State Legislature establishes and may amend active plan members' and the Town of Queen Creek, Arizona's contribution rates. For the year ended June 30, 2012, active plan members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the Town of Queen Creek, Arizona was required by statute to contribute at the actuarially determined rate of 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

**Arizona State Retirement System Contributions  
Last Three Fiscal Years**

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$ 714,419	\$ 45,601	\$ 17,372
2011	798,083	52,261	22,144
2010	808,218	63,960	38,763

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description**

The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

**Funding Policy**

Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 11.33 percent of annual covered payroll for fire.

**Annual Pension Cost**

During the year ended June 30, 2012, the Town of Queen Creek, Arizona's estimated annual pension cost of \$195,722 for fire was equal to the Town of Queen Creek, Arizona's required and actual contributions.

**Annual OPEB Cost**

During the year ended June 30, 2012, the Town of Queen Creek, Arizona's estimated annual OPEB cost of \$8,757 for fire was equal to the Town of Queen Creek, Arizona's required and actual contributions.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**Three-Year Trend Information**

**Fire**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 195,722	100%	\$ -
2011	167,747	100%	-
2010	128,421	100%	-
<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>OPEB Benefit Obligation</u>
2012	\$ 8,757	100%	\$ -
2011	7,085	100%	-
2010	8,524	100%	-

The required contribution was determined as part of the June 30, 2010 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability related to the PSPRS plan and related OPEB health insurance subsidy include (a) a rate of return on the investment of present and future assets of 8.25% per year compounded annually, (b) projected salary increases of 5.0% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the Town of Queen Creek, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period. The Town of Queen Creek, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 25 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the pension plan and OPEB was funded as follows.

	<b>Fire</b>						
	Entry Age Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll	
Pension	\$ 2,078,775	\$ 1,119,511	53.9%	\$ 959,264	\$ 1,804,859	53.1%	
OPEB	53,230	-	0.0%	53,230	1,804,859	2.9%	

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF QUEEN CREEK, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
 SCHEDULE OF FUNDING PROGRESS**

**Fire**

**Retirement**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2009	\$ 540,934	\$ 448,707	120.6%	\$ 92,227	\$ 1,872,202	-4.9%
2010	878,931	1,224,502	71.8%	(345,571)	1,966,967	17.6%
2011	1,119,511	2,078,775	53.9%	(959,264)	1,804,859	53.1%

**Other Post Employment Benefits (Health Insurance Subsidy)**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2009	\$ -	\$ 9,083	0.0%	\$ (9,083)	\$ 1,872,202	0.49%
2010	-	34,661	0.0	(34,661)	1,966,967	1.76%
2011	-	53,230	0.0	(53,230)	1,804,859	2.95%

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND – BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 9,630,000	\$ 9,630,000	\$ 9,357,083	\$ (272,917)
Intergovernmental Revenues	5,108,327	5,108,327	5,183,494	75,167
Licenses and Permits	80,000	80,000	73,500	(6,500)
Charges for Services	1,524,604	1,665,012	2,249,580	584,568
Investment Income	226,000	226,000	309,310	83,310
Indirect Cost Reimbursement	1,599,396	1,599,396	980,266	(619,130)
Miscellaneous	105,631	94,979	170,918	75,939
Total Revenues	<u>18,273,958</u>	<u>18,403,714</u>	<u>18,324,151</u>	<u>(79,563)</u>
<b>EXPENDITURES</b>				
Current:				
Town Council	141,885	155,085	134,935	20,150
Town Manager	579,772	581,327	583,556	(2,229)
Town Clerk and Legal Services	506,506	511,506	544,297	(32,791)
Management Services	1,411,612	1,489,684	1,385,535	104,149
Development Services	5,002,638	4,978,659	4,894,704	83,955
Workforce and Technology	1,552,914	1,549,601	1,539,963	9,638
Economic Development	1,540,405	1,626,105	1,544,375	81,730
Public Safety	1,317,172	1,317,172	1,313,808	3,364
Non-Departmental	3,869,562	3,843,083	3,865,191	(22,108)
Total Expenditures	<u>15,922,466</u>	<u>16,052,222</u>	<u>15,806,364</u>	<u>245,858</u>
Excess (Deficiency) of Revenues Over Expenditures	2,351,492	2,351,492	2,517,787	166,295
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,058,623	1,058,623	1,297,363	238,740
Transfers Out	(3,995,115)	(3,995,115)	(1,629,408)	2,365,707
Total Other Financing Sources (Uses)	<u>(2,936,492)</u>	<u>(2,936,492)</u>	<u>(332,045)</u>	<u>2,604,447</u>
Net Change in Fund Balance	(585,000)	(585,000)	2,185,742	2,770,742
<b>FUND BALANCE</b>				
Beginning of Year	585,000	585,000	13,547,705	12,962,705
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,733,447</u>	<u>\$ 15,733,447</u>

See Notes to Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
EMERGENCY SERVICES FUND  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,366,000	\$ 5,366,000	\$ 5,563,742	\$ 197,742
Charges for Services	20,000	20,000	27,878	7,878
Investment Income	-	-	4,864	4,864
Miscellaneous	4,000	4,000	68,082	64,082
Total Revenues	<u>5,390,000</u>	<u>5,390,000</u>	<u>5,664,566</u>	<u>274,566</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	5,565,827	5,554,327	5,260,470	293,857
Capital Outlay	29,500	41,000	34,687	6,313
Total Expenditures	<u>5,595,327</u>	<u>5,595,327</u>	<u>5,295,157</u>	<u>300,170</u>
Excess (Deficiency) of Revenues Over Expenditures	(205,327)	(205,327)	369,409	574,736
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	155,327	155,327	142,384	(12,943)
Total Other Financing Sources (Uses)	<u>155,327</u>	<u>155,327</u>	<u>142,384</u>	<u>(12,943)</u>
Net Change in Fund Balance	(50,000)	(50,000)	511,793	561,793
<b>FUND BALANCE</b>				
Beginning of Year	50,000	50,000	1,750,210	1,700,210
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,262,003</u>	<u>\$ 2,262,003</u>

See Notes to Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2012**

**NOTE 1      BASIS OF ACCOUNTING**

The adopted budget of the Town is prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America with the following exception:

- 1) The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the Town's General Fund in addition to several other Town funds as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; however, for budgetary purposes, the Town prepares a separate General Fund budget.
- 2) Interfund reimbursements were eliminated in the Statement of Revenues, Expenditures and Changes in Fund Balance, however are budgeted as revenues and expenses to the General Fund.

The following adjustments are necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis in order to present only the activity of the Town's General Fund for budgetary purposes.

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources and Uses</u>	<u>Fund Balance Beginning of Year</u>	<u>Fund Balance End of Year</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 19,574,903	\$ 17,345,349	\$ (1,711,548)	\$ 14,473,833	\$ 14,991,839
Other Funds Included in General Fund	(270,486)	(2,519,251)	1,379,503	(926,128)	741,608
Indirect Cost Reimbursement	(980,266)	980,266	-	-	-
Budgetary Comparison Schedule - General Fund	<u>\$ 18,324,151</u>	<u>\$ 15,806,364</u>	<u>\$ (332,045)</u>	<u>\$ 13,547,705</u>	<u>\$ 15,733,447</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2012**

**NOTE 2            BUDGETARY INFORMATION**

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1, to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management and legal purposes, the Town Council adopts a budget by department for the General Fund and in total by other funds. The Town Manager may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.
5. Formal budgetary integration is employed as a management control device during the year for the funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.
6. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Highway Users Revenue Fund (HURF)* – accounts for the Town’s share of state taxes on gasoline, diesel fuels, and other transportation related fees to be used solely for street and highway purposes.

*Local Transportation Assistance Fund (LTAF)* – accounts for the activity of the Town’s lottery proceeds.

*Town Center Fund* – accounts for land use and economic development of the Town center.

*Street Lighting District Fund* – accounts for the operation of street lighting in specific areas. Funding is provided by property taxes on the benefited property owners.

*Housing Rehab Fund* – accounts for housing rehabilitation assistance monies.

*Parks and Recreation Fund* – accounts for donations and contributions specific to recreation programs.

*Community Events Fund* – accounts for donations and contributions for specific community events.

### **DEBT SERVICE FUND**

*Excise Tax Bond Debt Service Fund* – accounts for the accumulation of resources for, and the payments of, debt service principal, interest and related costs for the Town’s excise tax revenue bonds.

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

	Special Revenue Funds	Excise Tax Bond Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 2,918,346	\$ -	\$ 2,918,346
Receivables			
Taxes Receivable	15,252	-	15,252
Intergovernmental Receivable	219,136	-	219,136
Interest Receivable	5,795	-	5,795
Total Assets	<u>\$ 3,158,529</u>	<u>\$ -</u>	<u>\$ 3,158,529</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 150,226	\$ -	\$ 150,226
Interest Payable	-	-	-
Deferred Revenue	12,979	-	12,979
Matured Debt Principal Payable	-	-	-
Total Liabilities	<u>163,205</u>	<u>-</u>	<u>163,205</u>
Fund Balance:			
Restricted	1,838,904	-	1,838,904
Committed	1,156,420	-	1,156,420
Total Fund Balance	<u>2,995,324</u>	<u>-</u>	<u>2,995,324</u>
Total Liabilities and Balance	<u>\$ 3,158,529</u>	<u>\$ -</u>	<u>\$ 3,158,529</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds	Excise Tax Bond Debt Service Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Revenue			
Taxes	\$ 491,644	\$ -	\$ 491,644
Intergovernmental Revenues	1,414,288	-	1,414,288
Charges for Services	26,930	-	26,930
Contributions and Donations	50,951	-	50,951
Special Assessments	342,793	-	342,793
Investment Income	13,184	-	13,184
Total Revenue	<u>2,339,790</u>	<u>-</u>	<u>2,339,790</u>
Expenditures			
Current:			
Highways and Streets	1,672,506	-	1,672,506
Culture and Recreation	19,617	-	19,617
Economic Development	40,753	-	40,753
Capital Outlay	257	-	257
Debt Service:			
Principal Retirement	-	685,000	685,000
Interest on Long-Term Debt	-	1,204,994	1,204,994
Total Expenditures	<u>1,733,133</u>	<u>1,889,994</u>	<u>3,623,127</u>
Excess (Deficiency) of Revenue Over Expenditures	606,657	(1,889,994)	(1,283,337)
Other Finance Sources (Uses)			
Transfers In	-	1,889,994	1,889,994
Transfers Out	(346,355)	-	(346,355)
Total Other Finance Sources (Uses)	<u>(346,355)</u>	<u>1,889,994</u>	<u>1,543,639</u>
Net Change in Fund Balance	260,302	-	260,302
Fund Balance			
Beginning of Year, As Restated	2,735,022	-	2,735,022
End of Year	<u>\$ 2,995,324</u>	<u>\$ -</u>	<u>\$ 2,995,324</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

	HURF	LTAF	Town Center	Street Lighting District
<b>ASSETS</b>				
Cash and Investments	\$ 1,135,611	\$ 425,235	\$ 1,066,013	\$ 170,484
Receivables				
Taxes Receivable	-	-	-	15,252
Intergovernmental Receivable	128,619	-	90,517	-
Interest Receivable	3,156	679	1,885	-
Total Assets	<u>\$ 1,267,386</u>	<u>\$ 425,914</u>	<u>\$ 1,158,415</u>	<u>\$ 185,736</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts Payable	\$ 118,564	\$ -	\$ 1,995	\$ 29,129
Deferred Revenue	-	-	-	12,979
Total Liabilities	<u>118,564</u>	<u>-</u>	<u>1,995</u>	<u>42,108</u>
Fund Balance:				
Restricted	1,148,822	425,914	-	143,628
Committed	-	-	1,156,420	-
Total Fund Balance	<u>1,148,822</u>	<u>425,914</u>	<u>1,156,420</u>	<u>143,628</u>
Total Liabilities and Balance	<u>\$ 1,267,386</u>	<u>\$ 425,914</u>	<u>\$ 1,158,415</u>	<u>\$ 185,736</u>

<u>Housing Rehab</u>	<u>Parks and Recreation</u>	<u>Community Events</u>	<u>Total</u>
\$ 41,957	\$ 52,337	\$ 26,709	\$ 2,918,346
-	-	-	15,252
-	-	-	219,136
-	75	-	5,795
<u>\$ 41,957</u>	<u>\$ 52,412</u>	<u>\$ 26,709</u>	<u>\$ 3,158,529</u>
\$ -	\$ 538	\$ -	\$ 150,226
-	-	-	12,979
<u>-</u>	<u>538</u>	<u>-</u>	<u>163,205</u>
41,957	51,874	26,709	1,838,904
-	-	-	1,156,420
<u>41,957</u>	<u>51,874</u>	<u>26,709</u>	<u>2,995,324</u>
<u>\$ 41,957</u>	<u>\$ 52,412</u>	<u>\$ 26,709</u>	<u>\$ 3,158,529</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCES  
YEAR ENDED JUNE 30, 2012**

	<u>HURF</u>	<u>LTAf</u>	<u>Town Center</u>	<u>Street Lighting District</u>
Revenue				
Taxes	\$ -	\$ -	\$ 491,644	\$ -
Intergovernmental Revenues	1,338,258	76,030	-	-
Charges for Services	-	-	26,930	-
Contributions and Donations	-	-	7,725	-
Special Assessments	-	-	-	342,793
Investment Income	7,199	1,558	4,257	-
Total Revenue	<u>1,345,457</u>	<u>77,588</u>	<u>530,556</u>	<u>342,793</u>
Expenditures				
Current:				
Highways and Streets	1,329,358	-	-	343,148
Culture and Recreation	-	-	-	-
Economic Development	-	-	40,753	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,329,358</u>	<u>-</u>	<u>40,753</u>	<u>343,148</u>
Excess (Deficiency) of Revenue Over Expenditures	16,099	77,588	489,803	(355)
Other Finance Sources (Uses)				
Transfers Out	(124,014)	-	(187,500)	-
Total Other Finance Sources (Uses)	<u>(124,014)</u>	<u>-</u>	<u>(187,500)</u>	<u>-</u>
Net Change in Fund Balance	(107,915)	77,588	302,303	(355)
Fund Balance				
Beginning of Year, As Restated	1,256,737	348,326	854,117	143,983
End of Year	<u>\$ 1,148,822</u>	<u>\$ 425,914</u>	<u>\$ 1,156,420</u>	<u>\$ 143,628</u>

<u>Housing Rehab</u>	<u>Parks and Recreation</u>	<u>Community Events</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 491,644
-	-	-	1,414,288
-	-	-	26,930
-	28,834	14,392	50,951
-	-	-	342,793
-	170	-	13,184
<u>-</u>	<u>29,004</u>	<u>14,392</u>	<u>2,339,790</u>
-	-	-	1,672,506
-	4,902	14,715	19,617
-	-	-	40,753
-	257	-	257
<u>-</u>	<u>5,159</u>	<u>14,715</u>	<u>1,733,133</u>
-	23,845	(323)	606,657
-	(34,841)	-	(346,355)
<u>-</u>	<u>(34,841)</u>	<u>-</u>	<u>(346,355)</u>
-	(10,996)	(323)	260,302
<u>41,957</u>	<u>62,870</u>	<u>27,032</u>	<u>2,735,022</u>
<u>\$ 41,957</u>	<u>\$ 51,874</u>	<u>\$ 26,709</u>	<u>\$ 2,995,324</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HURF FUND**  
**YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 1,335,292	\$ 1,335,292	\$ 1,338,258	\$ 2,966
Investment Income	-	-	7,199	7,199
<b>Total Revenues</b>	<u>1,335,292</u>	<u>1,335,292</u>	<u>1,345,457</u>	<u>10,165</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	<u>1,607,900</u>	<u>1,607,900</u>	<u>1,329,358</u>	<u>278,542</u>
<b>Total Expenditures</b>	<u>1,607,900</u>	<u>1,607,900</u>	<u>1,329,358</u>	<u>278,542</u>
Excess (Deficiency) of Revenues Over Expenditures	(272,608)	(272,608)	16,099	288,707
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(135,292)</u>	<u>(135,292)</u>	<u>(124,014)</u>	<u>11,278</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(135,292)</u>	<u>(135,292)</u>	<u>(124,014)</u>	<u>11,278</u>
Net Change in Fund Balance	(407,900)	(407,900)	(107,915)	299,985
<b>FUND BALANCE</b>				
Beginning of Year	<u>407,900</u>	<u>407,900</u>	<u>1,256,737</u>	<u>848,837</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,148,822</u>	<u>\$ 1,148,822</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**LTAFF FUND**  
**YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ -	\$ -	\$ 76,030	\$ 76,030
Investment Income	-	-	1,558	1,558
Total Revenues	<u>-</u>	<u>-</u>	<u>77,588</u>	<u>77,588</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	83,620	83,620	-	83,620
Total Expenditures	<u>83,620</u>	<u>83,620</u>	<u>-</u>	<u>83,620</u>
Excess (Deficiency) of Revenues Over Expenditures	(83,620)	(83,620)	77,588	161,208
<b>FUND BALANCE</b>				
Beginning of Year	83,620	83,620	348,326	264,706
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,914</u>	<u>\$ 425,914</u>

**TOWN OF QUEEN CREEK, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
TOWN CENTER FUND  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 300,000	\$ 300,000	\$ 491,644	\$ 191,644
Charges for Services	30,000	30,000	26,930	(3,070)
Contributions and Donations	5,000	5,000	7,725	2,725
Investment Income	-	-	4,257	4,257
Total Revenues	<u>335,000</u>	<u>335,000</u>	<u>530,556</u>	<u>195,556</u>
<b>EXPENDITURES</b>				
Current:				
Economic Development	147,500	147,500	40,753	106,747
Total Expenditures	<u>147,500</u>	<u>147,500</u>	<u>40,753</u>	<u>106,747</u>
Excess (Deficiency) of Revenues Over Expenditures	187,500	187,500	489,803	302,303
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(187,500)	(187,500)	(187,500)	-
Total Other Financing Sources (Uses)	<u>(187,500)</u>	<u>(187,500)</u>	<u>(187,500)</u>	<u>-</u>
Net Change in Fund Balance	-	-	302,303	302,303
<b>FUND BALANCE</b>				
Beginning of Year	-	-	854,117	854,117
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,156,420</u>	<u>\$ 1,156,420</u>

**TOWN OF QUEEN CREEK, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
STREET LIGHTING DISTRICT FUND  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 400,373	\$ 400,373	\$ 342,793	\$ (57,580)
Miscellaneous	35,000	35,000	-	(35,000)
Total Revenues	<u>435,373</u>	<u>435,373</u>	<u>342,793</u>	<u>(92,580)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	435,373	435,373	343,148	92,225
Total Expenditures	<u>435,373</u>	<u>435,373</u>	<u>343,148</u>	<u>92,225</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(355)	(355)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	143,983	143,983
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,628</u>	<u>\$ 143,628</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**PARKS AND RECREATION FUND**  
**YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Contributions and Donations	\$ 40,000	\$ 40,000	\$ 28,834	\$ (11,166)
Investment Income	-	-	170	170
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>29,004</u>	<u>(10,996)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	-	520	4,902	(4,382)
Capital Outlay	-	-	257	(257)
Total Expenditures	<u>-</u>	<u>520</u>	<u>5,159</u>	<u>(4,639)</u>
Excess (Deficiency) of Revenues Over Expenditures	40,000	39,480	23,845	(15,635)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(40,000)</u>	<u>(39,480)</u>	<u>(34,841)</u>	<u>4,639</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(39,480)</u>	<u>(34,841)</u>	<u>4,639</u>
Net Change in Fund Balance	-	-	(10,996)	(10,996)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	62,870	62,870
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,874</u>	<u>\$ 51,874</u>

**TOWN OF QUEEN CREEK, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY EVENTS FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Contributions and Donations	\$ 35,000	\$ 35,000	\$ 14,392	\$ (20,608)
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>14,392</u>	<u>(20,608)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	35,000	35,000	14,715	20,285
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>14,715</u>	<u>20,285</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(323)	(323)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	27,032	27,032
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,709</u>	<u>\$ 26,709</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**IMPROVEMENT DISTRICT DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Special Assessments	\$ 1,774,758	\$ 1,774,758	\$ 1,899,961	\$ 125,203
Total Revenues	<u>1,774,758</u>	<u>1,774,758</u>	<u>1,899,961</u>	<u>125,203</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	1,410,000	1,410,000	1,410,000	-
Interest on Long-Term Debt	<u>2,450,877</u>	<u>2,450,877</u>	<u>2,477,477</u>	<u>(26,600)</u>
Total Expenditures	<u>3,860,877</u>	<u>3,860,877</u>	<u>3,887,477</u>	<u>(26,600)</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,086,119)	(2,086,119)	(1,987,516)	98,603
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>2,086,119</u>	<u>2,086,119</u>	<u>2,086,119</u>	-
Total Other Financing Sources (Uses)	<u>2,086,119</u>	<u>2,086,119</u>	<u>2,086,119</u>	-
Net Change in Fund Balance	-	-	98,603	98,603
<b>FUND BALANCE</b>				
Beginning of Year	-	-	522,551	522,551
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 621,154</u>	<u>\$ 621,154</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DRAINAGE AND TRANSPORTATION FUND**  
**YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 965,000	\$ 965,000	\$ 1,063,159	\$ 98,159
Intergovernmental Revenues	145,055	921,041	856,492	(64,549)
Contributions and Donations	-	-	1,772,663	1,772,663
Investment Income	143,000	143,000	189,413	46,413
Total Revenues	<u>1,253,055</u>	<u>2,029,041</u>	<u>3,881,727</u>	<u>1,852,686</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>9,244,055</u>	<u>9,244,055</u>	<u>2,655,743</u>	<u>6,588,312</u>
Total Expenditures	<u>9,244,055</u>	<u>9,244,055</u>	<u>2,655,743</u>	<u>6,588,312</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,991,000)	(7,215,014)	1,225,984	8,440,998
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,778,202	1,778,202	-	(1,778,202)
Transfers Out	<u>(2,687,202)</u>	<u>(2,687,202)</u>	<u>(1,074,745)</u>	<u>1,612,457</u>
Total Other Financing Sources (Uses)	<u>(909,000)</u>	<u>(909,000)</u>	<u>(1,074,745)</u>	<u>(165,745)</u>
Net Change in Fund Balance	(8,900,000)	(8,124,014)	151,239	8,275,253
<b>FUND BALANCE</b>				
Beginning of Year	8,900,000	8,124,014	13,720,616	5,596,602
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,871,855</u>	<u>\$ 13,871,855</u>

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## **STATISTICAL SECTION (UNAUDITED)**

This section of the Town of Queen Creek, Arizona's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### **Financial Trends**

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

### **Revenue Capacity**

*These schedules contain information to help the reader assess the government's most significant local revenue source, sales tax.*

### **Debt Capacity**

*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

### **Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

### **Operating Information**

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

*See the table of contents for page numbers of the schedules that encompass the above sections.*

**TOWN OF QUEEN CREEK, ARIZONA  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 9,225,191	\$ 24,201,895	\$ 33,851,302	\$ 32,247,268
Restricted	4,023,441	6,620,624	14,077,498	84,486,782
Unrestricted	15,018,436	11,157,942	10,225,466	17,927,009
<b>Total Governmental Activities Net Assets</b>	<b>\$ 28,267,068</b>	<b>\$ 41,980,461</b>	<b>\$ 58,154,266</b>	<b>\$ 134,661,059</b>
<b>Business-Type Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ (3,847,608)	\$ 3,643,337	\$ 6,843,679	\$ 15,048,545
Restricted	369,912	510,487	1,105,139	1,230,444
Unrestricted	12,470,048	10,784,224	12,905,376	9,444,815
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 8,992,352</b>	<b>\$ 14,938,048</b>	<b>\$ 20,854,194</b>	<b>\$ 25,723,804</b>
<b>Primary Government:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 5,377,583	\$ 27,845,232	\$ 40,694,981	\$ 47,295,813
Restricted	4,393,353	7,131,111	15,182,637	85,717,226
Unrestricted	27,488,484	21,942,166	23,130,842	27,371,824
<b>Total Primary Government Net Assets</b>	<b>\$ 37,259,420</b>	<b>\$ 56,918,509</b>	<b>\$ 79,008,460</b>	<b>\$ 160,384,863</b>

Source: The Town's Finance Department.

Note: 2004 was the Town's first year to prepare government-wide financial statements.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 109,742,395	\$ 113,217,150	\$ 126,963,176	\$ 135,006,115	\$ 138,591,496
68,008,904	30,072,080	26,314,209	34,738,750	25,525,022
37,976,551	73,366,536	68,967,562	26,343,071	37,840,497
<u>\$ 215,727,850</u>	<u>\$ 216,655,766</u>	<u>\$ 222,244,947</u>	<u>\$ 196,087,936</u>	<u>\$ 201,957,015</u>
\$ 51,303,406	\$ 55,382,631	\$ 53,514,718	\$ 55,468,136	\$ 63,922,044
2,468,859	2,496,700	3,816,284	4,406,894	5,809,913
5,909,052	6,983,681	6,581,861	4,070,089	993,881
<u>\$ 59,681,317</u>	<u>\$ 64,863,012</u>	<u>\$ 63,912,863</u>	<u>\$ 63,945,119</u>	<u>\$ 70,725,838</u>
\$ 161,045,801	\$ 168,599,781	\$ 180,477,894	\$ 190,474,251	\$ 202,513,540
70,477,763	32,568,780	30,130,493	39,145,644	31,334,935
43,885,603	80,350,217	75,549,423	30,413,160	38,834,378
<u>\$ 275,409,167</u>	<u>\$ 281,518,778</u>	<u>\$ 286,157,810</u>	<u>\$ 260,033,055</u>	<u>\$ 272,682,853</u>

**TOWN OF QUEEN CREEK, ARIZONA  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year			
	2004	2005	2006	2007
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 3,238,621	\$ 4,974,553	\$ 7,942,619	\$ 10,372,421
Public Safety	940,378	2,521,939	3,308,140	4,269,566
Highways and Streets	385,978	609,834	2,240,896	1,165,307
Culture and Recreation	810,939	1,020,317	2,137,593	3,230,021
Redevelopment and Housing	488,050	44,103	31,106	-
Economic Development	1,540,338	1,129,284	859,508	919,366
Interest on Long-Term Debt	195,667	653,224	984,723	3,494,003
Total Governmental Activities	<u>7,599,971</u>	<u>10,953,254</u>	<u>17,504,585</u>	<u>23,450,684</u>
Business-Type Activities:				
Wastewater	581,752	946,134	2,545,149	4,328,211
Water	-	-	-	-
Solid Waste	-	-	-	-
Total Business-Type Activities	<u>581,752</u>	<u>946,134</u>	<u>2,545,149</u>	<u>4,328,211</u>
Total Primary Government Expenses	<u>\$ 8,181,723</u>	<u>\$ 11,899,388</u>	<u>\$ 20,049,734</u>	<u>\$ 27,778,895</u>
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 6,479,853	\$ 5,636,287	\$ 6,310,475	\$ 6,546,505
Public Safety	360,196	349,082	179,756	1,441,150
Highways and Streets	260,939	245,357	391,173	2,408,572
Culture and Recreation	6,623,969	5,643,278	5,814,185	3,812,563
Economic Development	-	-	-	-
Interest on Long-Term Debt	-	-	-	54,080,000
Operating Grants and Contributions	512,747	920,984	2,541,133	1,373,652
Capital Grants and Contributions	543,625	1,056,450	894,321	5,238,822
Total Governmental Activities	<u>14,781,329</u>	<u>13,851,438</u>	<u>16,131,043</u>	<u>74,901,264</u>
Program Revenues	<u>14,781,329</u>	<u>13,851,438</u>	<u>16,131,043</u>	<u>74,901,264</u>
Business-Type Activities:				
Charges for Services:				
Wastewater	6,063,560	6,730,313	8,225,948	6,086,347
Water	-	-	-	-
Solid Waste	-	-	-	-
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activities	<u>6,063,560</u>	<u>6,730,313</u>	<u>8,225,948</u>	<u>6,086,347</u>
Program Revenues	<u>6,063,560</u>	<u>6,730,313</u>	<u>8,225,948</u>	<u>6,086,347</u>
Total Primary Government	<u>\$ 20,844,889</u>	<u>\$ 20,581,751</u>	<u>\$ 24,356,991</u>	<u>\$ 80,987,611</u>

Fiscal Year				
2008	2009	2010	2011	2012
\$ 12,999,122	\$ 11,983,396	\$ 11,726,205	\$ 10,556,890	\$ 8,157,178
7,646,401	9,074,899	8,619,769	8,579,299	7,652,836
3,969,454	4,802,811	7,458,056	8,472,107	8,708,345
2,267,614	3,578,303	3,288,751	3,845,329	3,089,142
-	-	-	-	-
1,052,133	672,820	644,790	756,340	581,660
5,008,714	5,458,887	4,977,067	4,860,272	4,623,811
<u>32,943,438</u>	<u>35,571,116</u>	<u>36,714,638</u>	<u>37,070,237</u>	<u>32,812,972</u>
3,731,669	6,391,819	9,338,013	6,062,441	6,008,461
2,107,142	6,541,249	7,786,907	7,053,112	6,586,793
-	-	687,346	1,207,247	1,234,148
<u>5,838,811</u>	<u>12,933,068</u>	<u>17,812,266</u>	<u>14,322,800</u>	<u>13,829,402</u>
<u>\$ 38,782,249</u>	<u>\$ 48,504,184</u>	<u>\$ 54,526,904</u>	<u>\$ 51,393,037</u>	<u>\$ 46,642,374</u>
\$ 3,804,312	\$ 1,893,328	\$ 2,593,950	\$ 2,498,047	\$ 2,103,716
1,148,794	370,118	371,100	210,907	327,944
1,487,695	1,031,006	2,983,611	335,045	218,077
3,813,555	1,311,157	1,610,841	1,622,772	1,832,917
-	755,753	795,856	689,380	1,157,363
-	-	-	-	-
1,276,136	1,252,399	1,291,191	1,148,590	1,418,838
<u>19,940,097</u>	<u>5,457,452</u>	<u>12,431,068</u>	<u>2,286,332</u>	<u>9,724,218</u>
<u>31,470,589</u>	<u>12,071,213</u>	<u>22,077,617</u>	<u>8,791,073</u>	<u>16,783,073</u>
1,699,668	3,621,603	4,205,136	3,521,068	4,180,555
4,623,259	6,723,755	7,752,957	8,589,136	9,356,721
-	-	763	987,384	1,359,963
<u>8,832,518</u>	<u>5,818,104</u>	<u>3,293,570</u>	<u>158,221</u>	<u>6,539,411</u>
<u>15,155,445</u>	<u>16,163,462</u>	<u>15,252,426</u>	<u>13,255,809</u>	<u>21,436,650</u>
<u>\$ 46,626,034</u>	<u>\$ 28,234,675</u>	<u>\$ 37,330,043</u>	<u>\$ 22,046,882</u>	<u>\$ 38,219,723</u>

**TOWN OF QUEEN CREEK, ARIZONA  
CHANGES IN NET ASSETS (CONTINUED)  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

(Concluded)	Fiscal Year			
	2004	2005	2006	2007
<b>NET (EXPENSE)/REVENUE</b>				
Governmental Activities	\$ 7,181,358	\$ 2,898,184	\$ (1,373,542)	\$ 51,450,580
Business-Type Activities	5,481,808	5,784,179	5,680,799	1,758,136
Total Primary Government Net Expense	\$ 12,663,166	\$ 8,682,363	\$ 4,307,257	\$ 53,208,716
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 5,946,429	\$ 9,186,292	\$ 14,908,411	\$ 19,915,195
Property Taxes	35,301	-	-	-
Franchise Taxes	-	92,968	128,420	170,919
Unrestricted State Shared Revenue	927,615	982,634	2,335,817	4,113,740
Contributions and Donations	-	-	174,699	-
Investment Income (Loss)	225,093	496,112	-	3,436,139
Other	80,499	57,203	-	78,719
Special Item	-	-	-	-
Transfers	-	-	-	(2,658,499)
Total Governmental Activities	7,214,937	10,815,209	17,547,347	25,056,213
Business-Type Activities:				
Investment Income (Loss)	80,998	161,517	235,347	452,975
Other	-	-	-	-
Transfers	-	-	-	2,658,499
Total Business-Type Activities	80,998	161,517	235,347	3,111,474
Total Primary Government	\$ 7,295,935	\$ 10,976,726	\$ 17,782,694	\$ 28,167,687
<b>CHANGE IN NET ASSETS</b>				
Governmental Activities	\$ 14,396,295	\$ 13,713,393	\$ 16,173,805	\$ 76,506,793
Business-Type Activities	5,562,806	5,945,696	5,916,146	4,869,610
Total Primary Government	\$ 19,959,101	\$ 19,659,089	\$ 22,089,951	\$ 81,376,403

Source: The Town's Finance Department.

Fiscal Year				
2008	2009	2010	2011	2012
\$ (1,472,849)	\$ (23,499,903)	\$ (14,637,021)	\$ (28,279,164)	\$ (16,029,899)
9,316,634	3,230,394	(2,559,840)	(1,066,991)	7,607,248
<u>\$ 7,843,785</u>	<u>\$ (20,269,509)</u>	<u>\$ (17,196,861)</u>	<u>\$ (29,346,155)</u>	<u>\$ (8,422,651)</u>
\$ 19,608,355	\$ 14,702,840	\$ 10,964,939	\$ 11,747,396	\$ 12,549,668
3,910,452	5,278,509	6,107,314	5,518,261	4,488,100
189,957	185,812	154,148	201,515	258,265
4,491,661	4,400,264	3,888,975	3,484,155	5,183,494
-	-	-	-	-
3,450,325	630,302	315,292	822,710	583,618
275,981	656,092	386,227	389,978	289,901
-	-	-	-	(2,439,917)
-	(1,426,000)	(1,590,693)	(1,018,998)	985,849
<u>31,926,731</u>	<u>24,427,819</u>	<u>20,226,202</u>	<u>21,145,017</u>	<u>21,898,978</u>
481,490	98,139	18,998	73,185	84,320
-	427,162	-	7,064	75,000
-	1,426,000	1,590,693	1,018,998	(985,849)
<u>481,490</u>	<u>1,951,301</u>	<u>1,609,691</u>	<u>1,099,247</u>	<u>(826,529)</u>
<u>\$ 32,408,221</u>	<u>\$ 26,379,120</u>	<u>\$ 21,835,893</u>	<u>\$ 22,244,264</u>	<u>\$ 21,072,449</u>
\$ 30,453,882	\$ 927,916	\$ 5,589,181	\$ (7,134,147)	\$ 5,869,079
9,798,124	5,181,695	(950,149)	32,256	6,780,719
<u>\$ 40,252,006</u>	<u>\$ 6,109,611</u>	<u>\$ 4,639,032</u>	<u>\$ (7,101,891)</u>	<u>\$ 12,649,798</u>

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**TOWN OF QUEEN CREEK, ARIZONA  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Total</u>
2004	\$ 5,946,429	\$ 35,301	\$ -	\$ 5,981,730
2005	9,186,292	-	92,968	9,279,260
2006	14,908,411	-	128,420	15,036,831
2007	19,915,195	-	170,919	20,086,114
2008	19,608,355	3,910,452	189,957	23,708,764
2009	14,702,840	5,278,509	185,812	20,167,161
2010	10,964,939	6,107,314	154,148	17,226,401
2011	11,747,396	5,518,261	201,515	17,467,172
2012	12,549,668	4,488,100	258,265	17,296,033

Source: The Town's Finance Department.

**TOWN OF QUEEN CREEK, ARIZONA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund:					
Reserved	\$ -	\$ 815,070	\$ 905,070	\$ 995,070	\$ 1,095,070
Unreserved	4,111,068	8,909,876	12,735,574	10,802,104	14,250,016
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>4,111,068</u>	<u>9,724,946</u>	<u>13,640,644</u>	<u>11,797,174</u>	<u>15,345,086</u>
All Other Governmental Funds:					
Reserved	\$ 351,000	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:					
Special Revenue Funds	4,676,595	9,337,837	5,477,629	23,636,614	40,817,283
Capital Projects Funds	-	-	-	-	35,726,524
Debt Service Funds	-	-	-	-	2,552,807
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 5,027,595</u>	<u>\$ 9,337,837</u>	<u>\$ 5,477,629</u>	<u>\$ 23,636,614</u>	<u>\$ 79,096,614</u>

Source: The Town's Finance Department.

Note 1: The Town implemented the provisions of GASB Statement No. 54 in the fiscal year 2011, which required fund balances to be reported in different categories.

Fiscal Year

2008	2009	2010	2011	2012
\$ 1,215,070	\$ 1,335,070	\$ 1,628,453	\$ -	\$ -
14,855,825	13,387,466	10,792,208	-	-
-	-	-	-	2,615,142
-	-	-	-	890,554
-	-	-	2,575,070	-
-	-	-	10,035,046	11,486,143
<u>16,070,895</u>	<u>14,722,536</u>	<u>12,420,661</u>	<u>12,610,116</u>	<u>14,991,839</u>
\$ -	\$ -	\$ 50,881	\$ -	\$ -
25,647,916	8,406,905	8,591,320	-	-
25,811,269	28,545,004	24,132,768	-	-
(1,291,768)	(721,057)	(750,888)	-	-
-	-	-	-	-
-	-	-	5,578,516	1,838,904
-	-	-	13,254,231	17,290,278
-	-	-	-	621,154
-	-	-	(1,933,843)	-
<u>\$ 50,167,417</u>	<u>\$ 36,230,852</u>	<u>\$ 32,024,081</u>	<u>\$ 16,898,904</u>	<u>\$ 19,750,336</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>REVENUES</b>					
Taxes	\$ 1,825,189	\$ 5,981,730	\$ 9,279,260	\$ 15,036,831	\$ 20,086,114
Intergovernmental	1,345,724	1,821,209	2,563,308	3,209,018	6,515,757
Licenses and Permits	3,078,185	25,231	34,871	43,810	56,085
Charges for Services	336,278	5,002,945	4,640,017	5,177,169	4,523,939
Rents and Royalties	21,400	-	396,760	-	-
Contributions and Donations	558,862	162,778	7,041,747	1,489,105	4,210,457
Impact Fees	3,098,521	8,602,718	157,369	7,279,064	9,392,159
Special Assessments	27,617	94,063	468,375	195,546	236,607
Investment Income	(112,445)	200,785	57,203	1,041,879	3,401,232
Indirect Cost Reimbursement	-	-	-	-	-
Other	35,102	80,499	8,121,454	174,699	78,719
Total Revenues	<u>10,214,433</u>	<u>21,971,958</u>	<u>32,760,364</u>	<u>33,647,121</u>	<u>48,501,069</u>
<b>EXPENDITURES</b>					
General Government	2,981,751	4,974,313	10,677,879	10,785,475	11,156,108
Public Safety	317,887	926,388	2,624,132	3,294,773	4,235,169
Highways and Streets	2,098,528	1,333,828	2,404,898	12,337,651	1,551,725
Culture and Recreation	4,234,514	7,220,311	14,377,799	2,480,785	5,231,338
Redevelopment and Housing	50,158	488,050	44,103	31,106	-
Economic Development	1,013,578	1,540,338	1,145,106	859,508	919,366
Health and Welfare	-	-	-	-	-
Capital Outlay	-	-	-	-	33,227,915
Debt Service					
Principal Retirement	-	195,667	653,224	999,624	3,556,627
Interest on Long-Term Debt	-	327,013	662,255	789,749	7,770,799
Issuance Costs	-	-	-	227,850	2,144,381
Total Expenditures	<u>10,696,416</u>	<u>17,005,908</u>	<u>32,589,396</u>	<u>31,806,521</u>	<u>69,793,428</u>
Excess of Revenues					
Over (Under) Expenditures	(481,983)	4,966,050	170,968	1,840,600	(21,292,359)
<b>OTHER FINANCING SOURCES</b>					
<b>(USES)</b>					
Transfers In	1,248,640	1,011,333	1,710,497	9,775,195	13,736,804
Transfers Out	(1,492,886)	(1,011,333)	(1,710,497)	(9,775,195)	(16,395,303)
Issuance of Long-Term Debt	-	-	7,700,000	14,474,915	81,215,000
Premium on Long-Term Debt	-	-	-	-	1,743,770
Proceeds from Capital Leases	<u>3,447,500</u>	<u>4,233,000</u>	<u>305,976</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>3,203,254</u>	<u>4,233,000</u>	<u>8,005,976</u>	<u>14,474,915</u>	<u>80,300,271</u>
Net Change in Fund Balance	<u>\$ 2,721,271</u>	<u>\$ 9,199,050</u>	<u>\$ 8,176,944</u>	<u>\$ 16,315,515</u>	<u>\$ 59,007,912</u>
Debt Service as a Percentage of Noncapital Expenditures	4.07%	4.63%	5.45%	3.97%	3.59%

Source: The City's Finance Department.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 23,466,756	\$ 19,758,273	\$ 16,836,982	\$ 16,023,317	\$ 16,475,628
6,221,594	7,062,887	5,180,166	5,734,596	7,708,774
67,751	63,616	73,640	114,749	73,500
3,826,144	2,411,850	3,153,496	3,258,927	2,083,219
-	-	-	-	221,169
5,997,940	870,186	2,698,090	156,673	1,823,614
7,380,289	2,225,710	2,430,132	1,575,802	1,968,577
275,834	2,870,359	2,195,808	2,136,060	2,242,754
3,380,399	617,550	321,371	769,016	524,712
-	-	-	-	-
275,981	656,092	386,227	389,978	239,000
<u>50,892,688</u>	<u>36,536,523</u>	<u>33,275,912</u>	<u>30,159,118</u>	<u>33,360,947</u>
13,101,961	10,951,825	10,982,941	9,351,883	7,886,767
8,767,061	8,926,574	8,477,676	8,320,857	7,406,989
3,523,398	2,525,680	2,124,711	2,971,653	2,932,978
25,724,708	3,211,714	2,799,420	3,279,393	2,533,497
-	-	-	-	-
978,981	632,499	574,191	729,464	570,038
-	-	-	-	-
21,402,111	30,252,931	5,387,164	11,775,094	3,743,304
1,011,096	2,699,907	2,870,695	2,891,326	3,008,680
5,091,458	5,177,249	4,977,067	4,860,272	4,724,600
119,944	-	-	-	-
<u>79,720,718</u>	<u>64,378,379</u>	<u>38,193,865</u>	<u>44,179,942</u>	<u>32,806,853</u>
(28,828,030)	(27,841,856)	(4,917,953)	(14,020,824)	554,094
6,521,702	5,210,992	6,415,774	5,163,723	5,450,701
(6,521,702)	(6,636,992)	(8,006,467)	(6,182,721)	(4,464,852)
-	12,045,000	-	-	-
-	-	-	-	-
-	1,937,932	-	104,100	-
-	12,556,932	(1,590,693)	(914,898)	985,849
<u>\$ (28,828,030)</u>	<u>\$ (15,284,924)</u>	<u>\$ (6,508,646)</u>	<u>\$ (14,935,722)</u>	<u>\$ 1,539,943</u>
3.54%	4.05%	9.80%	17.55%	20.87%

**TOWN OF QUEEN CREEK, ARIZONA  
TAXABLE SALES BY CATEGORY  
LAST NINE FISCAL YEARS  
(UNAUDITED)**

Sales Category:	Fiscal Year				
	2003	2004	2005	2006	2007
Mining	\$ 150	\$ 1,342	\$ 21,283	\$ 25,202	\$ 207,594
Construction	58,166,395	160,892,835	314,056,983	477,574,459	748,352,769
Manufacturing	742,332	1,599,447	5,082,035	8,992,348	7,944,333
Communications and Utilities	-	6,167,343	21,450,614	25,172,914	35,250,877
Transportation	6,610,010	7,537,502	167,620	207,498	131,612
Wholesale Trade	995,856	1,354,433	1,967,366	3,850,397	4,404,879
Retail Trade	16,921,422	40,975,594	75,542,054	119,811,982	128,953,912
Restaurants and Bars	1,599,871	1,586,985	9,907,756	17,770,971	25,736,540
Finance and Insurance	-	40,490	411,405	775,203	1,417,248
Real Estate, Rental and Lease	2,983,049	2,516,186	12,931,078	30,714,441	41,265,871
Hotels and Other Lodging	298,881	264,372	-	-	-
Services	2,724,892	3,551,935	4,722,605	7,280,584	9,043,078
Accommodations	-	138,236	389,212	440,187	326,175
Arts and Entertainment	-	450,226	935,755	1,425,073	1,335,806
Other	372,411	21,167,718	16,055,863	11,774,982	7,620,946
Total	<u>\$ 91,415,269</u>	<u>\$ 248,244,644</u>	<u>\$ 463,641,629</u>	<u>\$ 705,816,241</u>	<u>\$ 1,011,991,640</u>
Town Sales Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Arizona Department of Revenue.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 308,855	\$ 19,506	\$ 8,578	\$ 43,824	\$ 44,933
561,235,846	128,692,544	47,010,800	44,145,779	64,313,467
16,321,469	13,088,096	11,605,644	14,276,568	14,800,622
43,961,810	36,977,768	45,536,133	44,125,676	47,838,756
202,433	149,331	112,400	139,625	49,244
8,524,677	7,319,314	5,051,467	6,230,724	5,300,978
152,578,377	236,077,544	235,488,222	240,602,220	256,984,356
31,722,604	36,646,285	40,576,044	46,232,244	45,583,911
1,582,892	1,471,041	1,776,444	1,933,483	1,812,133
39,906,317	55,469,885	47,604,000	50,089,300	52,889,378
-	-	-	-	-
11,519,640	11,642,030	8,637,778	10,865,399	11,949,956
55,228	1,008	40,533	399	533
3,924,518	4,928,933	5,593,556	5,752,407	4,867,600
14,154,088	20,418,792	8,186,356	8,705,045	11,640,444
<u>\$ 885,998,754</u>	<u>\$ 552,902,077</u>	<u>\$ 457,227,955</u>	<u>\$ 473,142,693</u>	<u>\$ 518,076,311</u>
2.25%	2.25%	2.25%	2.25%	2.25%

**TOWN OF QUEEN CREEK, ARIZONA  
 DIRECT AND OVERLAPPING SALES TAX RATES  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Maricopa County</u>	<u>Arizona State</u>
2003	2.00 %	5.60 %	0.70 %
2004	2.00	5.60	0.70
2005	2.00	5.60	0.70
2006	2.00	5.60	0.70
2007	2.00	5.60	0.70
2008	2.25	5.60	0.70
2009	2.25	5.60	0.70
2010	2.25	6.60	0.70
2011	2.25	6.60	0.70
2012	2.25	6.60	0.70

Source: Arizona Department of Revenue.

**TOWN OF QUEEN CREEK, ARIZONA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Assessed Value					
Fiscal Year	Residential Property Value	Agricultural and Commercial Property Value	Total Assessed Value	Less: Exemptions	Total Taxable Assessed Value
2008	\$ 184,606,137	\$ 122,171,818	\$ 306,777,955	\$ (28,579,739)	\$ 278,198,216
2009	221,815,956	160,166,639	381,982,595	(34,040,799)	347,941,796
2010	208,757,539	203,299,464	412,057,003	(65,098,961)	346,958,042
2011	166,556,377	185,104,275	351,660,652	(65,524,326)	286,136,326
2012	142,406,641	121,723,930	264,130,571	(49,656,555)	214,474,016

Source: The Maricopa County Treasurer.

Note: 2008 was the Town's first year to levy property taxes.

Fiscal Year	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2008	1.95	\$ 2,555,197,190	10.89%
2009	1.95	3,145,545,877	11.06%
2010	1.95	3,240,641,414	10.71%
2011	1.95	2,707,295,115	10.57%
2012	1.95	2,115,954,831	10.14%

Source: The Maricopa County Treasurer.

Note: 2008 was the Town's first year to levy property taxes.

**TOWN OF QUEEN CREEK, ARIZONA  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Direct Rate	Overlapping Rates		
	Town of Queen Creek	Queen Creek Unified School District	Community College District	Maricopa County
2008	1.95	5.54	0.98	2.47
2009	1.95	5.46	0.94	1.03
2010	1.95	5.01	0.88	0.99
2011	1.95	4.92	0.97	1.05
2012	1.95	4.92	0.97	1.05

Source: The Maricopa County Treasurer.

Note: 2008 was the Town's first year to levy property taxes.

**TOWN OF QUEEN CREEK, ARIZONA  
 PRINCIPAL PROPERTY TAXPAYERS  
 JUNE 30, 2011 AND 2004  
 (UNAUDITED)**

Taxpayer	2011		Percentage of Total Taxable Assessed Value
	Taxable Assessed Value	Rank	
	Value	Value	
DMB Mesa Proving Grounds	\$ 25,444,484	1	11.86
Commercial Metals Company	7,037,087	2	3.28
TRW Vehicle Safety Systems Inc	4,658,563	3	2.17
Fujifilm Electronics	4,017,270	4	1.87
Wal-Mart Stores, Inc.	3,785,838	5	1.77
WDP Town Center LLP	3,480,628	6	1.62
VIP Emperor Estates LLC	3,371,813	7	1.57
Pulte Home Corporation	3,361,409	8	1.57
Queen Creek Joint Venture LL	2,876,240	9	1.34
Pecans of Queen Creek	2,733,421	10	1.27
	\$ 60,766,753		28.33 %

Source: The Maricopa County Assessor's Office

Note 1: Information prior to 2011 is not available.

Note 2: Information for the Town was not available. This is information from the local school district.

**TOWN OF QUEEN CREEK, ARIZONA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
2008	\$ 3,792,251	\$ 3,692,894	97.38 %	\$ 97,158	\$ 3,790,052	99.94 %	\$ 2,199	0.06 %
2009	4,701,609	4,578,427	97.38	119,206	4,697,633	99.92	3,976	0.08
2010	5,432,696	5,290,359	97.38	133,934	5,424,293	99.85	8,403	0.15
2011	5,056,216	4,923,743	97.38	124,370	5,048,113	99.84	8,103	0.16
2012	4,082,960	3,976,035	97.38	-	3,976,035	97.38	106,925	2.62

Source: The Maricopa County Treasurer.

Note: 2008 was the Town's first year to levy property taxes.

**TOWN OF QUEEN CREEK, ARIZONA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Governmental Activities						
Fiscal Year	Revenue Bonds	Special Assessment Bonds	Notes and Loans Payable	Capital Leases	Total	
2003	\$ -	\$ -	\$ -	\$ 4,236,936	\$ 4,236,936	
2004	-	-	-	8,142,923	8,142,923	
2005	-	-	7,515,000	7,971,644	15,486,644	
2006	-	-	21,350,000	7,371,895	28,721,895	
2007	27,135,000	54,080,000	20,900,000	51,096	102,166,096	
2008	26,640,000	54,080,000	20,435,000	-	101,155,000	
2009	26,640,000	52,865,000	32,480,000	1,723,025	113,708,025	
2010	26,005,000	51,590,000	21,845,000	1,497,330	100,937,330	
2011	25,345,000	50,250,000	21,135,000	1,350,104	98,080,104	
2012	24,660,000	48,840,000	19,875,000	-	93,375,000	

Business-Type Activities					
Fiscal Year	Advances in Aid of Construction	Loans Payable	Capital Leases	Total	
2003	\$ -	\$ 3,113,436	\$ -	\$ 3,113,436	
2004	-	8,456,092	-	8,456,092	
2005	-	17,301,500	-	17,301,500	
2006	-	34,100,399	-	34,100,399	
2007	-	38,180,653	-	38,180,653	
2008	15,655,060	79,589,448	-	95,244,508	
2009	8,870,167	77,056,592	-	85,926,759	
2010	6,890,601	75,993,739	-	82,884,340	
2011	6,387,387	74,201,249	-	80,588,636	
2012	1,239,276	70,524,328	271,012	72,034,616	

**TOWN OF QUEEN CREEK, ARIZONA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE (CONTINUED)**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Total Primary Government	Percentage of Estimated Actual Value	Percentage of Personal Income	Per Capita
2003	\$ 7,350,372	66.00%	N/A	\$ 1,078
2004	16,599,015	5.67%	N/A	1,284
2005	32,788,144	6.35%	5.83%	2,099
2006	62,822,294	12.93%	9.06%	3,351
2007	140,346,749	11.03%	19.83%	6,370
2008	196,399,508	7.69%	N/A	8,235
2009	199,634,784	6.35%	30.81%	7,725
2010	183,821,670	5.67%	25.05%	6,939
2011	178,668,740	6.60%	23.36%	6,618
2012	165,409,616	7.82%	23.28%	6,171

Source: The Town's Finance Department.

Note: N/A indicates that the information is not available.

**TOWN OF QUEEN CREEK, ARIZONA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**JUNE 30, 2012**  
**(UNAUDITED)**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Debt Repaid with Property Taxes</b>			
Maricopa County Community College District	\$ 671,250,000	0.55%	\$ 3,714,256
Chandler Unified School District	210,930,000	0.40%	849,563
Higley Unified School District	64,905,000	10.81%	7,017,612
Queen Creek Unified School District No. 95	44,275,000	63.50%	28,114,100
Subtotal, Overlapping Debt			<u>39,695,531</u>
Town of Queen Creek, Arizona	93,375,000	100.00%	93,375,000
Total Direct and Overlapping Debt			<u><u>\$ 133,070,531</u></u>

Source:

(1) Proportion applicable to the Town of Queen Creek, Arizona, is computed on the ratio of secondary assessed valuation for 2011-12.

**TOWN OF QUEEN CREEK, ARIZONA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Total Debt Limit	\$ 8,850,749	\$ 12,422,223	\$ 17,878,367	\$ 29,541,469	\$ 41,406,291
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 8,850,749</u>	<u>\$ 12,422,223</u>	<u>\$ 17,878,367</u>	<u>\$ 29,541,469</u>	<u>\$ 41,406,291</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-

Fiscal Year				
2008	2009	2010	2011	2012
\$ 74,152,814	\$ 90,464,867	\$ 90,209,091	\$ 74,395,445	\$ 55,763,244
-	-	-	-	-
<u>\$ 74,152,814</u>	<u>\$ 90,464,867</u>	<u>\$ 90,209,091</u>	<u>\$ 74,395,445</u>	<u>\$ 55,763,244</u>

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**TOWN OF QUEEN CREEK, ARIZONA**  
**CALCULATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2012**  
**(UNAUDITED)**

Net Secondary Assessed Value		<u>\$ 214,474,016</u>
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt Limit - 20% of Net Secondary Assessed Value		\$ 42,894,803
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	<u>-</u>	
Net Debt Applicable to Limit		<u>-</u>
20% Legal Debt Margin		<u>\$ 42,894,803</u>
<u>All Other General Obligation Bonds</u>		
Debt Limit - 6% of Net Secondary Assessed Value		\$ 12,868,441
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	<u>-</u>	
Net Debt Applicable to Limit		<u>-</u>
All Other General Obligation Bonds debt Margin		<u>\$ 12,868,441</u>
Total Legal Debt Margin		<u><u>\$ 55,763,244</u></u>

Source: Maricopa County Assessor's Office.

Note: The Town did not have any debt subject to the debt limits.

**TOWN OF QUEEN CREEK, ARIZONA**  
**PLEGGED-REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Excise Tax and State Shared Revenue Bonds and Loans

Fiscal Year	Excise Tax	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2004	\$ 15,512,063	\$ -		\$ 15,512,063	\$ -	\$ 210,409	73.72
2005	17,303,641	-		17,303,641	185,000	627,412	21.30
2006	23,578,564	-		23,578,564	335,000	1,339,807	14.08
2007	33,592,013	-		33,592,013	600,000	1,246,791	18.19
2008	33,951,027	-		33,951,027	1,115,000	2,635,959	9.05
2009	19,103,104	-		19,103,104	1,430,000	2,840,875	4.47
2010	15,898,278	-		15,898,278	1,535,000	2,397,001	4.04
2011	15,047,227	-		15,047,227	1,475,000	2,341,621	3.94
2012	17,991,427	-		17,991,427	1,510,000	2,388,519	4.61

Special Assessment Bonds

Fiscal Year	Special Assessment Revenue	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2009	\$ 2,560,272	\$ -		\$ 2,560,272	\$ 1,215,000	\$ 2,376,850	0.71
2010	3,887,100	-		3,887,100	1,275,000	2,612,100	1.00
2011	1,826,134	-		1,826,134	1,340,000	2,555,673	0.47
2012	1,899,961	-		1,899,961	1,410,000	2,477,477	0.49

Wastewater Loans

Fiscal Year	Wastewater Charges and Other (1)	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses (2)					
2003	\$ 2,528,729	\$ 224,626		\$ 2,304,103	\$ 180,347	\$ 127,799	7.48
2004	6,144,558	351,310		5,793,248	187,344	144,259	17.47
2005	6,891,830	514,590		6,377,240	194,613	136,991	19.23
2006	8,461,295	1,624,251		6,837,044	202,164	673,641	7.81
2007	6,539,322	1,676,232		4,863,090	1,474,447	1,121,871	1.87
2008	5,103,085	1,354,104		3,748,981	1,529,457	1,237,904	1.35
2009	3,716,238	1,995,636		1,720,602	1,586,518	1,269,566	0.60
2010	4,215,598	2,591,636		1,623,962	1,586,517	605,188	0.74
2011	3,550,573	2,245,110		1,305,463	235,414	660,621	1.46
2012	4,300,647	2,044,225		2,256,422	254,037	1,192,801	1.56

**TOWN OF QUEEN CREEK, ARIZONA  
 PLEDGED-REVENUE COVERAGE (CONTINUED)  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

Water Loan						
Fiscal Year	Water Charges and Other (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	\$ 1,701,332	\$ 1,451,213	\$ 250,119	\$ -	\$ -	N/A
2009	7,154,421	3,634,862	3,519,559	1,338,052	1,639,135	1.18
2010	7,761,493	5,124,137	2,637,356	1,338,052	777,829	1.25
2011	8,639,880	4,342,685	4,297,195	1,392,076	749,727	2.01
2012	9,395,949	3,956,535	5,439,414	1,506,755	1,446,735	1.84

Source: The Town's comprehensive annual financial reports debt service schedules on applicable debt.

(1) Wastewater and water charges and other includes charges for services, impact fees, investment income and miscellaneous revenues.

(2) Operating expenses do not include depreciation, equity interest in joint venture, and interest expense.

**TOWN OF QUEEN CREEK, ARIZONA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Arizona Unemployment Rate</u>	<u>Maricopa County Unemployment Rate</u>
2003	6,818	N/A	N/A	5.6 %	4.9 %
2004	12,929	N/A	N/A	4.8	4.0
2005	15,624	562,503,646	30,013	4.8	3.9
2006	18,748	693,308,000	31,514	4.7	4.0
2007	22,032	707,606,452	31,949	3.8	3.2
2008	23,850	N/A	N/A	5.6	3.9
2009	25,844	647,971,256	28,328	8.7	7.1
2010	26,490	733,720,020	27,698	9.6	8.8
2011	26,996	764,742,688	28,328	9.7	8.5
2012	26,805	710,520,135	26,507	8.5	7.3

Source: The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis.  
 The source of the "Population" and "Unemployment Rate" information is the State of Arizona, Department of Economic Security.

**TOWN OF QUEEN CREEK, ARIZONA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND ONE YEAR AGO  
(UNAUDITED)**

Employer	2012			2011 (1)		
	Employees	Rank	of Total Town Employment	Employees	Rank	of Total Town Employment
Queen Creek Unified School District	645	1	32.23%	667		34.63%
Wal-Mart	315	2	15.74%	310		16.10%
Canyon State Academy	300	3	14.99%	200		10.38%
Target	170	4	8.50%	170		8.83%
Home Depot	151	5	7.55%	135		7.01%
Town of Queen Creek, Arizona	149	6	7.45%	149		7.74%
Safeway	75	7	3.75%	80		4.15%
Kohl's	73	8	3.65%	85		4.41%
Bashas	60	9	3.00%	79		4.10%
Paradise Bakery	35	10	1.75%	36		1.87%
	<u>1,973</u>		98.60%	<u>1,911</u>		99.22%

Source: Arizona Department of Economic Security

(1) The fiscal year 2011 was the most recent information available.

Note: This list includes only those employers who responded to the annual major employer survey.

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**TOWN OF QUEEN CREEK, ARIZONA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Function	Full-Time Equivalent Employees									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	14	18	29	31	31	55	55	48	33	35
Public Safety	3	4	5	4	4	33	34	33	32	32
Highways and Streets	16	19	22	30	30	29	23	17	17	18
Culture and Recreation	46	49	64	35	35	37	31	30	20	11
Community Development	21	29	42	38	38	31	26	28	16	26
Wastewater	-	-	3	-	-	4	6	5	4	4
Water	-	-	-	-	-	22	25	27	24	23
<b>Total</b>	<b>100</b>	<b>119</b>	<b>165</b>	<b>138</b>	<b>138</b>	<b>211</b>	<b>200</b>	<b>188</b>	<b>146</b>	<b>149</b>

Source: The Town's Human Resources Department.

**TOWN OF QUEEN CREEK, ARIZONA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Function	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Planning and Building Safety</b>					
Building Permits Issued	920	1,754	1,265	1,240	630
<b>Highways and Streets</b>					
Street Resurfacing (Miles)	8	13	-	10	24
Street Striped (Miles)	4	12	-	15	10
<b>Culture and Recreation</b>					
Athletic Field Permits Issued	-	30	30	255	173
Recreation Center Program Hits	-	7,000	10,000	11,374	10,977
Summer Recreation Camps	53	65	65	45	30

Source: The Town of Queen Creek

Fiscal Year

2008	2009	2010	2011	2012
268	179	224	125	194
36	47	64	13	24
35	50	50	38	29
181	114	169	148	122
10,410	12,105	11,984	10,608	15,374
57	N/A	N/A	N/A	N/A

**TOWN OF QUEEN CREEK, ARIZONA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Highways and Streets					
Streets (Miles)	91	107	120	165	197
Streetlights	10	128	204	273	300
Traffic Signals	-	1	1	2	4
Culture and Recreation					
Parks Acreage	274	296	414	424	424
Parks	1	1	2	2	2
Community Centers	1	1	1	1	1
Sewer					
Sanitary Sewer (Miles)	-	4	8	20	71
Storm Sewers (Miles)	-	-	-	-	4
Maximum Daily Treatment Capacity (Thousands of Gallons)	1,100	1,100	1,100	4,000	4,000

Source: The Town of Queen Creek's Facility Records

Fiscal Year

2008	2009	2010	2011	2012
198	386	386	391	397
662	863	873	983	1,022
26	33	33	33	37
418	419	419	419	419
2	3	3	3	3
1	3	2	2	2
97	99	102	104	105
4	7	8	9	9
4,000	4,000	4,000	4,000	4,000