

TOWN OF  
**QUEEN CREEK**  
ARIZONA



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2013

**TOWN OF QUEEN CREEK, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Issued by:  
Finance Department

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## **INTRODUCTORY SECTION**

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TOWN OF  
**QUEEN CREEK**  
ARIZONA

November 19, 2013

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, 2013.

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, 2013, 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 unmodified opinion that the Town of Queen Creek's financial statements for the fiscal year ended June 30, 2013, 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.

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.**

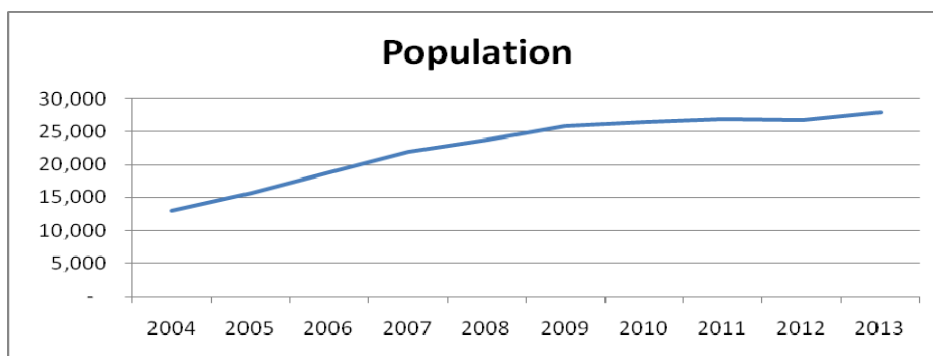
### GOVERNANCE

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.

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. Given the Town's most recent building uptick, current population is estimated at approximately 28,000 people for fiscal year 2013. The following graph depicts the ten-year population trend for Queen Creek.



### FACTORS AFFECTING FINANCIAL CONDITION

Fiscal year 2012-13 saw a significant financial turnaround for the Town following the “Great Recession” including:

- Housing permits totaling 651 for the fiscal year, up from 193 from the previous year. Each housing permit generates over \$20,000 into the Town's treasury from development fees and construction sales tax revenue, thus Town revenues and fund balances increased accordingly for the fiscal year.
- Retail sales tax revenue grew as well during the year due to the improving economy as well population growth.
- Enhanced developer monies to the Town from increased building and construction activity in which developers finance a portion of required Town infrastructure.

As a result of the above, we saw widespread increases to revenue in the various Town Funds, as depicted in this financial report.

For example, the Town's "Unassigned" general fund balance grew from \$11.5 million at June 30, 2012 to \$15.8 million at June 30, 2013, a 37% increase for the year. The current balance amounts to 75% of the general fund operating budget. The Town Council's current financial policy is to have no less than 25% of general fund budget in reserve. As you can see, we are well above this threshold.

### **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 approximately 29,000 at fiscal year-end.

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***

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. In addition, the Town has a full complement of higher education facilities (ASU, Community Colleges) very near its borders.

Further, 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.

### ***Water***

The Town is serviced by its own water utility. It currently provides service to about 10,000 water customers. In addition, the Town is acquiring the assets of the privately owned H2O water company. Closing on November 1, 2013, this \$44 million acquisition will double the customer base of the utility, but more importantly the purchase will address the growing population and needed additional capacity for the water system. Moreover, it will allow for future expansion and thus reflects a major strategic acquisition for the Town.

## **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 demographic and business resource information to those interested in investment opportunities in Queen Creek. The Council approved Economic Development Strategic Plan outlines goals and objectives centered around the Town's targeted industry sectors of Aerospace and Aviation, Health and Wellness, Education, Arts, Culture and Experience, Clean and Renewable Energy and Water and Family/Youth & Children Activity Destinations. Queen Creek is also a member of the Greater Phoenix Economic Council (GPEC), the regional economic development group working on behalf of businesses looking to relocate and expand in the Phoenix region.

The department 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 facade improvement program was designed to encourage improvements to the street-facing exteriors of commercial buildings in the Town Center. The Town will reimburse up to 50% of eligible pre-approved improvement costs up to \$20,000 per property. The Shop Queen Creek program, in partnership with the Queen Creek Chamber of Commerce, encourages residents to make purchases in the community. The program is designed to strengthen the Town's economic base and help retain sales tax dollars that fund local programs and services.

This year staff initiated a rebranding and expansion of the Shop Queen Creek with the **Rediscover Your Community - Experience Queen Creek** campaign. The promotion focused on highlighting local businesses with an interactive photo contest, a series of daytrip itineraries and cooperative marketing and a video designed to inspire residents to “rediscover their community”. The goal of this Web-based campaign was to increase awareness of Queen Creek shopping, dining and service locations and educate residents about how sales tax dollars help fund programs such as parks, recreation and public safety. After implementation staff saw an increase in the number of visits to the Town's website, Facebook pages and Twitter site.

The Queen Creek Incubator (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. 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 1,454 active business licenses, 564 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. In May 2013 the Banner Health Medical Center opened its doors and is now serving residents with their primary healthcare needs. The Communiversity at Queen Creek will open for classes in late 2013 and will offer students a variety of degree pathways and programs from Rio Salado College, Chandler-Gilbert Community College, Northern Arizona University, Ottawa University and the Southwest College Of Naturopathic Medicine. Several new developments are planned for the Town Center and will begin construction in 2014.

The Town is strategically positioned to capitalize on new employment growth with its proximity to Phoenix-Mesa Gateway Airport, a tremendous economic development catalyst for the region and the new SR 24 which is under construction to Ellsworth Road and will bring freeway access within a mile and half of the main employment corridor planned in the Town's northern tier.

### **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 (HPEC), a division within the Economic Development Department, 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 host a variety of 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 2013, Horseshoe Park and Equestrian Centre hosted the 3rd 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 12-13 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 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 position 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.

### **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, 2012. This was the eighth 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.

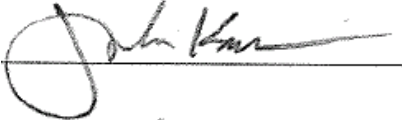
This certificate is valid for a period of one year only. We believe that our current CAFR continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for the fiscal year 2013 certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year ending June 30, 2012 and June 30, 2013. 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, 2013**

**ELECTED OFFICIALS**

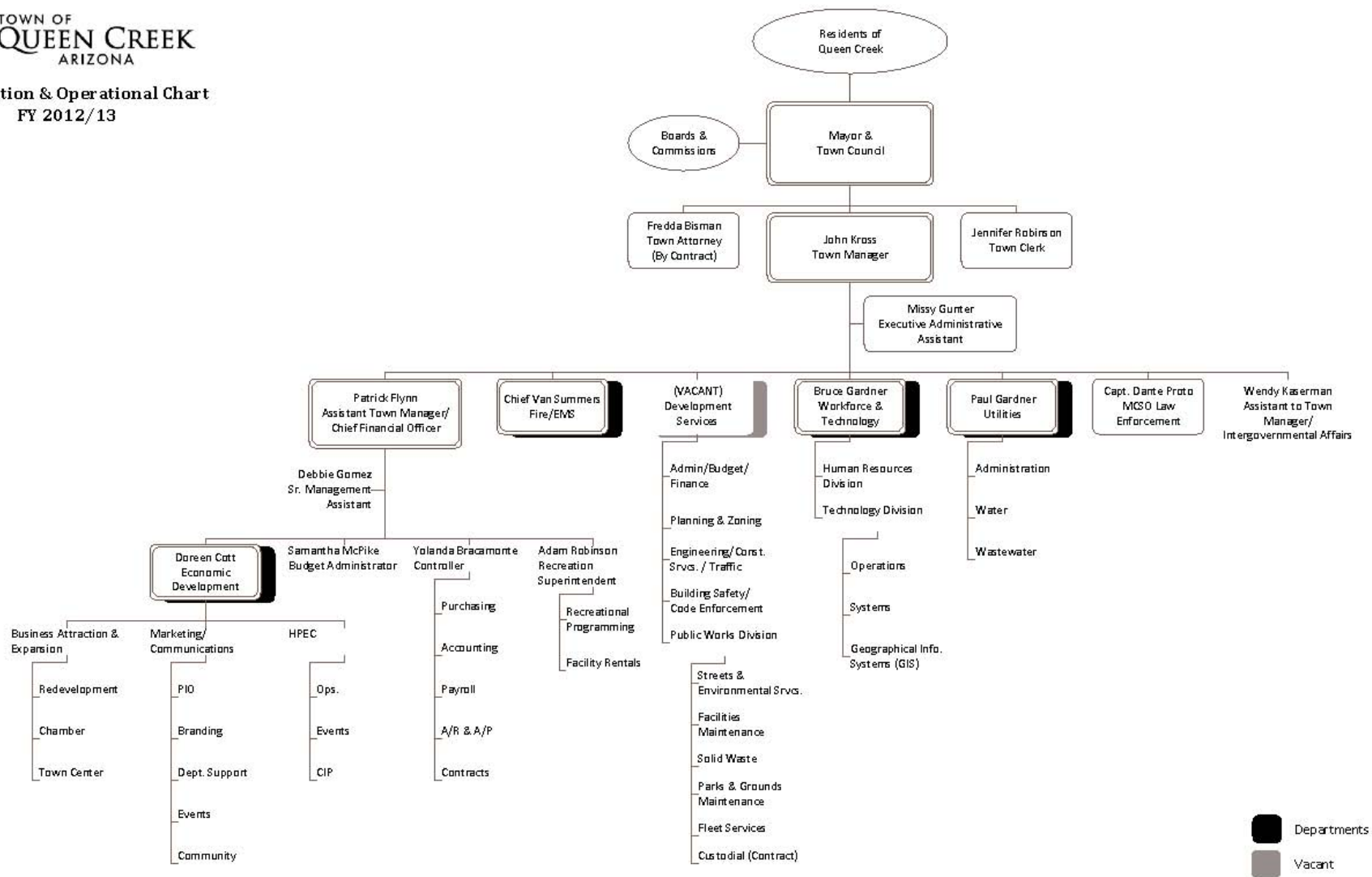
Mayor	Gail Barney
Vice-Mayor	Robin Benning
Councilmember	Craig Barnes
Councilmember	Jeff Brown
Councilmember	Jason Gad
Councilmember	Dawn Oliphant
Councilmember	Julia Wheatley

**DEPARTMENT DIRECTORS**

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



Organization & Operational Chart  
FY 2012/13





Government Finance Officers Association

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, 2012**

Executive Director/CEO

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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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Queen Creek, Arizona as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of a Matter*

During the fiscal year ended June 30, 2013, the Town adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 62, Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, GASBS No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and GASBS No 65, Items Previously Reported as Assets and Liabilities. As a result of the implementation of GASBS No. 65, the Town was required to eliminate prior bond issuance costs resulting in a restatement of the governmental activities beginning net position (see Note 3 H.). The auditors' opinion was not modified with respect to the restatement. GASBS No. 62 and 63 did not have a material effect on the financial statements.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 through 32, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 77, and the budgetary comparison information on pages 78 through 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual nonmajor 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund statements and schedules are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
November 19, 2013

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

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, 2013. 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 \$299,845,818 (net position). Of this amount, \$49,196,970 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- ◆ Total net position increased by \$29,095,166 during the fiscal year.
- ◆ As of June 30, 2013, the Town's governmental funds reported a combined ending fund balance of \$48,861,384, an increase of \$14,119,209 in comparison with the prior year. Of this amount, 32% 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 \$15,848,094 or 92% of the total General Fund expenditures of \$17,206,773.
- ◆ General Fund revenues (on a budgetary basis) exceeded budgeted revenues by \$5,010,417 for fiscal year ending June 30, 2013. Additionally, budgetary basis expenditures were 91.6% (\$1,369,002 (8.4%) in savings) of the final budget in the General Fund.
- ◆ General Fund revenue exceeded expenditures (on a budgetary basis) by \$8,844,335; a positive variance of \$6,379,419 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 position presents information on all of the Town's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of 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, 2013**

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 33 - 35 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 36 - 42 of this report.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

- ◆ *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 43 - 46 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 47 - 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 Position**

As noted earlier, net position may serve as useful indicators of a government's financial position. For the Town of Queen Creek, Arizona, assets exceeded liabilities by \$299,845,818.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2013 and 2012.

**Table A-1  
Net Position  
June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012 As Restated	2013	2012	2013	2012 As Restated
<b>ASSETS</b>						
Current and Other Assets	\$ 80,480,958	\$ 65,991,268	\$ 44,919,943	\$ 38,273,541	\$ 125,400,901	\$ 104,264,809
Capital Assets:						
Non-depreciable	45,276,204	48,436,540	1,500,909	1,440,118	46,777,113	49,876,658
Depreciable (net)	193,722,043	186,313,823	106,133,540	104,181,165	299,855,583	290,494,988
Total Assets	319,479,205	300,741,631	152,554,392	143,894,824	472,033,597	444,636,455
<b>LIABILITIES</b>						
Current and Other Liabilities	8,054,038	7,537,941	9,987,381	4,959,330	18,041,419	12,497,271
Long-Term Liabilities	90,073,842	93,178,876	64,072,518	68,209,656	154,146,360	161,388,532
Total Liabilities	98,127,880	100,716,817	74,059,899	73,168,986	172,187,779	173,885,803
<b>NET POSITION</b>						
Net Investment in Capital Assets	145,953,396	138,591,496	68,348,737	63,922,044	214,302,133	202,513,540
Restricted	29,879,867	25,525,022	6,466,848	5,809,913	36,346,715	31,334,935
Unrestricted	45,518,062	35,908,296	3,678,908	993,881	49,196,970	36,902,177
Total Net Position	<u>\$ 221,351,325</u>	<u>\$ 200,024,814</u>	<u>\$ 78,494,493</u>	<u>\$ 70,725,838</u>	<u>\$ 299,845,818</u>	<u>\$ 270,750,652</u>

The largest portion of the Town's net position (71%) 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 position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$49,196,970) may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2013, the Town of Queen Creek, Arizona was able to report positive balances in three categories of net position.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**Changes in Net Position**

As described above, the Town's net position overall increased by \$29,095,166 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 Position  
For the Years Ended June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 11,907,713	\$ 5,640,017	\$ 19,137,951	\$ 14,897,239	\$ 31,045,664	\$ 20,537,256
Operating Grants and Contributions	1,472,370	1,418,838	-	-	1,472,370	1,418,838
Capital Grants and Contributions	14,794,654	9,724,218	3,802,082	6,539,411	18,596,736	16,263,629
General Revenues:						
Sales Taxes	16,037,178	12,549,668	-	-	16,037,178	12,549,668
Property Taxes	4,236,341	4,488,100	-	-	4,236,341	4,488,100
Franchise Taxes	214,938	258,265	-	-	214,938	258,265
Grants and Contributions Not Restricted to Specific Programs	5,754,960	5,183,494	-	-	5,754,960	5,183,494
Investment Earnings	(124,209)	583,618	(162,889)	84,320	(287,098)	667,938
Miscellaneous	156,801	289,901	-	75,000	156,801	364,901
Total Revenues	54,450,746	40,136,119	22,777,144	21,595,970	77,227,890	61,732,089
<b>EXPENSES</b>						
General Government	9,401,213	8,157,178	-	-	9,401,213	8,157,178
Public Safety	8,002,986	7,652,836	-	-	8,002,986	7,652,836
Highways and Streets	8,960,506	8,708,345	-	-	8,960,506	8,708,345
Culture and Recreation	2,851,292	3,089,142	-	-	2,851,292	3,089,142
Economic Development	827,230	581,660	-	-	827,230	581,660
Interest on Long-Term Debt	4,615,538	4,623,811	-	-	4,615,538	4,623,811
Wastewater	-	-	5,668,879	6,008,461	5,668,879	6,008,461
Solid Waste	-	-	1,450,544	1,234,148	1,450,544	1,234,148
Water	-	-	6,354,536	6,586,793	6,354,536	6,586,793
Total Expenses	34,658,765	32,812,972	13,473,959	13,829,402	48,132,724	46,642,374
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	19,791,981	7,323,147	9,303,185	7,766,568	29,095,166	15,089,715
Special Item - Loss on Assessment	-	(2,439,917)	-	-	-	(2,439,917)
Transfers	1,534,530	985,849	(1,534,530)	(985,849)	-	-
<b>CHANGE IN NET POSITION</b>	21,326,511	5,869,079	7,768,655	6,780,719	29,095,166	12,649,798
Net Position - Beginning of Year	200,024,814	194,155,735	70,725,838	63,945,119	270,750,652	258,100,854
<b>NET POSITION - END OF YEAR</b>	\$ 221,351,325	\$ 200,024,814	\$ 78,494,493	\$ 70,725,838	\$ 299,845,818	\$ 270,750,652

*Governmental Activities* – Governmental activities increased the Town's net position by \$21,326,511. Key factors of the increase in net position are as follows:

- An increase in local sales tax of \$3.5 million due to an increase in construction activity and retail sales.
- An increase in fees, fines and charges for services of \$6.3 million due to an increase in housing development.
- An increase in capital grants and contributions of \$5.0 million due to public improvement reimbursements from developers.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

*Business-Type Activities* – Business-type activities increased the Town’s net position by \$7,768,655. Key factors of the increase in net position are as follows

- An increase in fees, fines and charges for services of \$1.9 million due to both increased water sales and new sewer rates that went into effect in September of 2012. This is mainly due to an increase of new homes and construction projects completed in fiscal year 2013.
- An increase in fees, fines and charges for services of \$2.3 million due to an increase of new development projects.
- Developer contributions in the amount of \$3.7 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 \$48,861,384, an increase of \$14,119,209 from the prior year. Approximately 32% of this total amount (\$15,848,094) 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 \$24,611,007, while total fund balance reached \$48,861,384. 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 79% of total expenditures, while total fund balance represents 156% of that same amount.

At fiscal year ended June 30, 2013, fund balances were as follows.

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From 2011-12
General Fund	\$ 24,611,007	\$ 9,619,168
Emergency Services Fund	3,144,176	882,173
Improvement District Debt Service Fund	618,654	(2,500)
Drainage and Transportation Fund	17,050,330	3,178,475
Nonmajor Governmental Funds	3,437,217	441,893

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The fund balance of the Town of Queen Creek, Arizona's General Fund increased by \$9,619,168 during the fiscal year. This was mostly due to an increase in new housing and development construction, including construction sales tax and development fee revenue. In addition, building revenue increased significantly from the prior year.

The Emergency Services Fund increase by \$882,173 due to a transfer from the General Fund.

The Improvement District Debt Service Fund decreased by \$2,500 which is not significant to the fund.

The Drainage and Transportation Fund increased by \$3,178,475 during the fiscal year. This was due to increases from construction sales tax revenue and significant increase in developer contribution resulting from the many projects being done in the community.

The Nonmajor Governmental Funds increased by \$441,893. The most significant factor of this increase was increased HURF monies coming from the State, plus additional sales tax revenue generated in the Town Center Fund.

*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 \$23,747,368, on a budgetary basis, exceeded budgeted revenues of \$18,736,951 by \$5,010,417 while budgetary basis expenditures of \$14,903,033 were 92% of budgeted expenditures (savings of \$1,369,002). The savings in expenditures was mostly a result of contingency monies going unspent.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2013 amount to \$238,998,247 and \$107,634,449 (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 1.8% and capital assets for business-type activities increased by 1.9%.

**Table A-4  
Capital Assets (Net)  
June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 41,484,704	\$ 41,462,637	\$ 1,290,442	\$ 1,290,442	\$ 42,775,146	\$ 42,753,079
Construction In Progress	3,791,500	6,973,903	210,467	149,676	4,001,967	7,123,579
Infrastructure	165,021,322	156,630,109	-	-	165,021,322	156,630,109
Buildings and Improvements	25,287,251	25,886,797	-	-	25,287,251	25,886,797
Wastewater Collection System	-	-	54,823,080	53,904,217	54,823,080	53,904,217
Water System	-	-	50,790,415	49,923,033	50,790,415	49,923,033
Vehicles, Furniture and Equipment	3,413,470	3,796,917	520,045	353,915	3,933,515	4,150,832
<b>Total Capital Assets</b>	<b>\$ 238,998,247</b>	<b>\$ 234,750,363</b>	<b>\$ 107,634,449</b>	<b>\$ 105,621,283</b>	<b>\$ 346,632,696</b>	<b>\$ 340,371,646</b>

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

*Governmental Activities*

- The Town accepted \$10.7 million in development contribution for streets and related items.
- The completion of Cloud Road and Sossaman drainage project in the amount of \$3.2 million.
- Continued construction projects on various infrastructure in the amount of \$3.8 million.

*Business-type Activities*

- The Town accepted \$3.6 million in development contribution for water and wastewater related items.
- Continued construction on various infrastructure in the amount of \$210,467.

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, 2013**

**Debt Administration**

At the end of the current fiscal year, the Town of Queen Creek, Arizona had total long-term obligations outstanding of \$93,044,851 for governmental activities and \$67,939,783 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 \$3,114,016 (3.2%) and the business-type activities debt decreased by \$4,094,833 (5.7%). 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, 2013 and 2012.

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, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Excise Tax Revenue Bonds	\$ 23,940,000	\$ 24,660,000	\$ -	\$ -	\$ 23,940,000	\$ 24,660,000
Special Assessment Bonds	22,261,550	22,954,800	-	-	22,261,550	22,954,800
Special Assessment Bonds - Town Owned Property	25,103,450	25,885,200	-	-	25,103,450	25,885,200
GADA Loan Payable	19,205,000	19,875,000	4,210,000	4,400,000	23,415,000	24,275,000
Premium on Bonds	1,619,699	1,702,443	-	-	1,619,699	1,702,443
WIFA Loan Payable	-	-	62,882,551	66,124,328	62,882,551	66,124,328
Capital Leases	915,152	1,081,424	-	271,012	915,152	1,352,436
Advance in Aid of Construction	-	-	847,232	1,239,276	847,232	1,239,276
Total Outstanding Debt	<u>\$ 93,044,851</u>	<u>\$ 96,158,867</u>	<u>\$ 67,939,783</u>	<u>\$ 72,034,616</u>	<u>\$ 160,984,634</u>	<u>\$ 168,193,483</u>

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

The following factors were considered when preparing the 2013-14 budget:

- Current development and building uptick being experienced in the community.
- Legislative issues that continue to confront the Town (development fee and construction sales tax issues).
- Continued capital and repair and maintenance needs in the community.
- Still declining property tax revenue from the "Great Recession."
- Moderate growth in retail sales due to increased population.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**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 POSITION**  
**JUNE 30, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 45,750,505	\$ 10,751,725	\$ 56,502,230
Receivables, Net:			
Accounts Receivable	850,364	1,799,847	2,650,211
Taxes Receivable	765,439	-	765,439
Special Assessments Receivable	21,991,451	-	21,991,451
Delinquent Special Assessment Receivable	12,518	-	12,518
Intergovernmental Receivable	3,350,476	118,870	3,469,346
Loans Receivable	1,815,070	-	1,815,070
Interest Receivable	586,279	25,410	611,689
Internal Balances	1,336,351	(1,336,351)	-
Deposit	-	50,000	50,000
Prepaid Items	4,934	7,642	12,576
Restricted Cash and Investments	66,245	6,877,258	6,943,503
Investment in Joint Venture	-	26,625,542	26,625,542
Land Held for Future Investment	3,951,326	-	3,951,326
Capital Assets:			
Non-Depreciable	45,276,204	1,500,909	46,777,113
Depreciable (net)	193,722,043	106,133,540	299,855,583
Total Assets	<u>319,479,205</u>	<u>152,554,392</u>	<u>472,033,597</u>
<b>LIABILITIES</b>			
Accounts Payable	1,194,850	710,782	1,905,632
Accrued Wages and Benefits	258,497	40,533	299,030
Deposits Held for Others	38,964	410,410	449,374
Unearned Revenue	5,670	-	5,670
Interest Payable	2,140,840	1,390,693	3,531,533
Matured Debt Principal Payable	670,000	3,431,777	4,101,777
Noncurrent Liabilities			
Due Within One Year	3,745,217	4,003,186	7,748,403
Due in More Than One Year	90,073,842	64,072,518	154,146,360
Total Liabilities	<u>98,127,880</u>	<u>74,059,899</u>	<u>172,187,779</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	145,953,396	68,348,737	214,302,133
Restricted for:			
Streets and Transportation	2,151,580	-	2,151,580
Debt Service	22,003,969	5,809,135	27,813,104
Repair and Replacement	-	657,713	657,713
Development	5,606,558	-	5,606,558
Housing Rehab	41,957	-	41,957
Parks and Community	75,803	-	75,803
Unrestricted	45,518,062	3,678,908	49,196,970
Total Net Position	<u>\$ 221,351,325</u>	<u>\$ 78,494,493</u>	<u>\$ 299,845,818</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
Governmental Activities:					
General Government	\$ 9,401,213	\$ 3,142,042	\$ -	\$ -	\$ (6,259,171)
Public Safety	8,002,986	1,055,263	-	-	(6,947,723)
Highways and Streets	8,960,506	562,990	1,472,370	14,794,654	7,869,508
Culture and Recreation	2,851,292	4,224,982	-	-	1,373,690
Economic Development	827,230	2,922,436	-	-	2,095,206
Interest and Fiscal Charges	4,615,538	-	-	-	(4,615,538)
Total Governmental Activities	<u>34,658,765</u>	<u>11,907,713</u>	<u>1,472,370</u>	<u>14,794,654</u>	<u>(6,484,028)</u>
Business-Type Activities:					
Wastewater	5,668,879	6,906,017	-	2,126,947	-
Solid Waste	1,450,544	1,601,759	-	-	-
Water	6,354,536	10,630,175	-	1,675,135	-
Total Business-Type Activities	<u>13,473,959</u>	<u>19,137,951</u>	<u>-</u>	<u>3,802,082</u>	<u>-</u>
Total Primary Government	<u>\$ 48,132,724</u>	<u>\$ 31,045,664</u>	<u>\$ 1,472,370</u>	<u>\$ 18,596,736</u>	<u>(6,484,028)</u>
		General Revenues			
		Taxes:			
					16,037,178
					4,236,341
					214,938
					5,754,960
					(124,209)
					156,801
		Transfers			1,534,530
		Total General Revenues and Transfers			<u>27,810,539</u>
		Change in Net Position			21,326,511
		Net Position - Beginning, as Restated			200,024,814
		Net Position - Ending			<u>\$ 221,351,325</u>

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes  
in Net Position

Business-Type Activities	Total
\$ -	\$ (6,259,171)
-	(6,947,723)
-	7,869,508
-	1,373,690
-	2,095,206
-	(4,615,538)
-	(6,484,028)
3,364,085	3,364,085
151,215	151,215
5,950,774	5,950,774
9,466,074	9,466,074
9,466,074	2,982,046
-	16,037,178
-	4,236,341
-	214,938
-	5,754,960
(162,889)	(287,098)
-	156,801
(1,534,530)	-
(1,697,419)	26,113,120
7,768,655	29,095,166
70,725,838	270,750,652
\$ 78,494,493	\$ 299,845,818

**TOWN OF QUEEN CREEK, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General	Emergency Services	Improvement District Debt Service
<b>ASSETS</b>			
Cash and Investments	\$ 21,595,920	\$ 2,935,482	\$ 1,802,779
Restricted Cash	66,245	-	-
Receivables:			
Accounts Receivable	170,944	-	-
Taxes Receivable	599,002	155,832	-
Special Assessments Receivable	-	-	21,991,451
Delinquent Special Assessment Receivable	-	-	12,518
Intergovernmental Receivables	2,265,477	281,099	-
Loan Receivable	1,815,070	-	-
Interest Receivable	544,831	2,706	-
Prepaid Items	4,934	-	-
Advances to Other Funds	1,336,351	-	-
Total Assets	<u>\$ 28,398,774</u>	<u>\$ 3,375,119</u>	<u>\$ 23,806,748</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 511,679	\$ 123,257	\$ -
Accrued Wages and Benefits	219,401	39,096	-
Deposits Held for Others	38,964	-	-
Matured Debt Principal Payable	355,000	-	-
Interest Payable	788,449	-	1,184,125
Unearned Revenue	5,670	-	-
Advances from Other Funds	758,000	-	-
Total Liabilities	<u>2,677,163</u>	<u>162,353</u>	<u>1,184,125</u>
Deferred Inflows of Resources:			
Unavailable Revenues	<u>1,110,604</u>	<u>68,590</u>	<u>22,003,969</u>
Fund Balance:			
Nonspendable	3,156,355	-	-
Restricted	5,606,558	-	-
Committed	-	3,144,176	-
Assigned	-	-	618,654
Unassigned	15,848,094	-	-
Total Fund Balance	<u>24,611,007</u>	<u>3,144,176</u>	<u>618,654</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 28,398,774</u>	<u>\$ 3,375,119</u>	<u>\$ 23,806,748</u>

See accompanying Notes to Basic Financial Statements.

Drainage and Transportation	Nonmajor Governmental Funds	Totals
\$ 15,864,049	\$ 3,552,275	\$ 45,750,505
-	-	66,245
679,420	-	850,364
-	10,605	765,439
-	-	21,991,451
-	-	12,518
588,532	215,368	3,350,476
-	-	1,815,070
32,076	6,666	586,279
-	-	4,934
758,000	-	2,094,351
<u>\$ 17,922,077</u>	<u>\$ 3,784,914</u>	<u>\$ 77,287,632</u>

\$ 216,166	\$ 343,748	\$ 1,194,850
-	-	258,497
-	-	38,964
-	-	355,000
-	-	1,972,574
-	-	5,670
-	-	758,000
<u>216,166</u>	<u>343,748</u>	<u>4,583,555</u>

<u>655,581</u>	<u>3,949</u>	<u>23,842,693</u>
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-	-	3,156,355
-	2,265,391	7,871,949
17,050,330	1,171,826	21,366,332
-	-	618,654
-	-	15,848,094
<u>17,050,330</u>	<u>3,437,217</u>	<u>48,861,384</u>
<u>\$ 17,922,077</u>	<u>\$ 3,784,914</u>	<u>\$ 77,287,632</u>

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**TOWN OF QUEEN CREEK, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

**Total Fund Balances for Governmental Funds** \$ 48,861,384

Total net assets reported for governmental activities in the statement of net position 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	\$ 284,542,374	
Less: Accumulated Depreciation	<u>(45,544,127)</u>	
		238,998,247
 Land Held for Investment		 3,951,326

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

Property Taxes		72,539
Sales Taxes		599,002
Interest on Loan Receivable		511,602
Development Agreement		655,581
Special Assessments		22,003,969

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	(19,205,000)	
Bonds Payable	(71,305,000)	
Premium on Bonds Payable	(1,619,699)	
Interest Payable	(483,266)	
Capital Lease Payable	(915,152)	
Compensated Absence Payable	<u>(774,208)</u>	
		<u>(94,302,325)</u>

**Total Net Position of Governmental Activities** \$ 221,351,325

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	General	Emergency Services	Improvement District Debt Service
<b>REVENUES</b>			
Taxes	\$ 12,399,580	\$ 5,458,078	\$ -
Intergovernmental Revenues	5,754,960	-	-
Licenses and Permits	3,818,206	-	-
Charges for Services	697,518	99,397	-
Rents and Royalties	288,404	-	-
Contributions and Donations	-	-	-
Impact Fees	5,877,743	-	-
Special Assessments	-	-	1,801,837
Investment Income (Loss)	(25,250)	(20,076)	-
Miscellaneous	94,297	41,649	-
Total Revenues	<u>28,905,458</u>	<u>5,579,048</u>	<u>1,801,837</u>
<b>EXPENDITURES</b>			
Current:			
General Government	8,405,607	-	-
Public Safety	2,208,552	5,504,624	-
Highways and Streets	1,367,386	-	-
Culture and Recreation	2,300,274	-	-
Economic Development	743,050	-	-
Capital Outlay	100,992	37,195	-
Debt Service:			
Principal Retirement	951,995	-	1,475,000
Interest on Long-Term Debt	1,128,917	-	2,405,349
Total Expenditures	<u>17,206,773</u>	<u>5,541,819</u>	<u>3,880,349</u>
Excess (Deficiency) of Revenues Over Expenditures	11,698,685	37,229	(2,078,512)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,838,778	844,944	2,076,012
Transfers Out	(3,918,295)	-	-
Proceeds from Capital Lease	-	-	-
Total Other Financing Sources (Uses)	<u>(2,079,517)</u>	<u>844,944</u>	<u>2,076,012</u>
Net Change in Fund Balance	9,619,168	882,173	(2,500)
<b>FUND BALANCE</b>			
Beginning of Year	14,991,839	2,262,003	621,154
End of Year	<u>\$ 24,611,007</u>	<u>\$ 3,144,176</u>	<u>\$ 618,654</u>

See accompanying Notes to Basic Financial Statements.

Drainage and Transportation	Nonmajor Governmental Funds	Totals
\$ 1,964,999	\$ 408,878	\$ 20,231,535
-	1,472,370	7,227,330
-	-	3,818,206
-	20,900	817,815
-	-	288,404
3,422,142	20,855	3,442,997
-	-	5,877,743
-	337,165	2,139,002
(99,762)	(43,393)	(188,481)
-	4,475	140,421
<u>5,287,379</u>	<u>2,221,250</u>	<u>43,794,972</u>
-	-	8,405,607
-	-	7,713,176
-	1,470,006	2,837,392
-	18,071	2,318,345
-	66,791	809,841
1,211,105	34,336	1,383,628
-	734,511	3,161,506
-	1,176,766	4,711,032
<u>1,211,105</u>	<u>3,500,481</u>	<u>31,340,527</u>
4,076,274	(1,279,231)	12,454,445
-	1,895,138	6,654,872
(897,799)	(304,248)	(5,120,342)
-	130,234	130,234
<u>(897,799)</u>	<u>1,721,124</u>	<u>1,664,764</u>
3,178,475	441,893	14,119,209
<u>13,871,855</u>	<u>2,995,324</u>	<u>34,742,175</u>
<u>\$ 17,050,330</u>	<u>\$ 3,437,217</u>	<u>\$ 48,861,384</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, 2013**

**Net Change in Fund Balances-Total Governmental Funds** \$ 14,119,209

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	\$ 1,384,321	
Depreciation Expense	<u>(7,613,597)</u>	(6,229,276)

Donations of capital assets are not current financial resources and are not reflected in the governmental funds. 10,604,234

The governmental funds report proceeds received on the sale of assets. Conversely, the statement of activities report the gain or loss on the sale of assets. (127,074)

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.

Property Taxes	(18,459)	
Sales Taxes	(61,784)	
Interest on Loan Receivable	64,272	
Development Agreement	655,581	
Special Assessments	<u>(700,767)</u>	(61,157)

(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, 2013**

(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 position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position. 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.

Issuance of Long-Term Debt	\$	(130,234)	
Capital Lease Retirement		296,506	
Loan Principal Retirement		670,000	
Bond Principal Retirement		2,195,000	
Interest Expense		12,750	
Amortization of Bond Premium		<u>82,744</u>	
			\$ 3,126,766

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>(106,191)</u>	
<b>Change in Net Position of Governmental Activities</b>			<b><u><u>\$ 21,326,511</u></u></b>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	Business-Type Activities			
	Wastewater	Solid Waste	Water	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 8,067,948	\$ 131,258	\$ 2,552,519	\$ 10,751,725
Receivables, Net:				
Accounts Receivable	359,083	182,282	1,258,482	1,799,847
Intergovernmental Receivable	-	-	118,870	118,870
Interest Receivable	15,536	-	9,874	25,410
Deposit	-	-	50,000	50,000
Prepaid Items	-	-	7,642	7,642
Total Current Assets	<u>8,442,567</u>	<u>313,540</u>	<u>3,997,387</u>	<u>12,753,494</u>
Noncurrent Assets:				
Restricted Cash and Investments	3,513,796	-	3,363,462	6,877,258
Advance to Other Funds	-	-	250,000	250,000
Investment in Joint Venture	26,625,542	-	-	26,625,542
Capital Assets:				
Non-Depreciable	46,860	-	1,454,049	1,500,909
Depreciable (Net)	54,945,314	-	51,188,226	106,133,540
Total Noncurrent Assets	<u>85,131,512</u>	<u>-</u>	<u>56,255,737</u>	<u>141,387,249</u>
Total Assets	<u>93,574,079</u>	<u>313,540</u>	<u>60,253,124</u>	<u>154,140,743</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	128,237	91,342	491,203	710,782
Accrued Wages and Benefits	10,544	5,351	24,638	40,533
Deposits Held for Others	-	-	410,410	410,410
Interest Payable	697,963	-	692,730	1,390,693
Matured Debt Principal Payable	1,864,187	-	1,567,590	3,431,777
Compensated Absences	13,559	7,434	80,948	101,941
Loans Payable	1,936,692	-	1,630,882	3,567,574
Advance in Aid of Construction	-	-	333,671	333,671
Total Current Liabilities	<u>4,651,182</u>	<u>104,127</u>	<u>5,232,072</u>	<u>9,987,381</u>
Noncurrent Liabilities:				
Advances from Other Funds	750,000	836,351	-	1,586,351
Compensated Absences	4,519	2,478	26,983	33,980
Loans Payable	32,408,612	-	31,116,365	63,524,977
Advance in Aid of Construction	-	-	513,561	513,561
Total Noncurrent Liabilities	<u>33,163,131</u>	<u>838,829</u>	<u>31,656,909</u>	<u>65,658,869</u>
Total Liabilities	<u>37,814,313</u>	<u>942,956</u>	<u>36,888,981</u>	<u>75,646,250</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	49,300,941	-	19,047,796	68,348,737
Restricted for:				
Debt Service	2,856,083	-	2,953,052	5,809,135
Repair and Replacement	657,713	-	-	657,713
Unrestricted	2,945,029	(629,416)	1,363,295	3,678,908
Total Net Position	<u>\$ 55,759,766</u>	<u>\$ (629,416)</u>	<u>\$ 23,364,143</u>	<u>\$ 78,494,493</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	Business-Type Activities			
	Wastewater	Solid Waste	Water	Totals
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 3,490,963	\$ 1,601,759	\$ 10,630,175	\$ 15,722,897
Total Operating Revenue	3,490,963	1,601,759	10,630,175	15,722,897
<b>OPERATING EXPENSES</b>				
Administration	120,936	93,084	397,524	611,544
Cost of Sales and Services	1,890,242	1,321,936	3,376,022	6,588,200
Depreciation	1,284,281	245	1,195,549	2,480,075
Equity Interest in Joint Venture	977,494	-	-	977,494
Total Operating Expenses	4,272,953	1,415,265	4,969,095	10,657,313
Operating Income (Loss)	(781,990)	186,494	5,661,080	5,065,584
<b>NONOPERATING REVENUES (EXPENSE)</b>				
Impact Fees	3,415,054	-	-	3,415,054
Intergovernmental Revenue	-	-	118,870	118,870
Investment Income (Loss)	(99,588)	-	(63,301)	(162,889)
Interest and Fiscal Charges	(1,395,926)	(35,279)	(1,385,441)	(2,816,646)
Total Nonoperating Revenues (Expenses)	1,919,540	(35,279)	(1,329,872)	554,389
Income Before Capital Contributions and Transfers	1,137,550	151,215	4,331,208	5,619,973
Capital Contributions	2,126,947	-	1,556,265	3,683,212
Transfers Out	-	-	(1,534,530)	(1,534,530)
Change in Net Position	3,264,497	151,215	4,352,943	7,768,655
Total Net Position - Beginning of Year	52,495,269	(780,631)	19,011,200	70,725,838
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 55,759,766</b>	<b>\$ (629,416)</b>	<b>\$ 23,364,143</b>	<b>\$ 78,494,493</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds			
	Wastewater	Solid Waste	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 3,383,444	\$ 1,556,517	\$ 10,379,053	\$ 15,319,014
Payments to Suppliers	(1,705,126)	(1,283,762)	(2,428,053)	(5,416,941)
Payments to Employees	(184,629)	(112,641)	(1,085,664)	(1,382,934)
Customer Deposits	-	-	47,055	47,055
Net Cash Flows from Operating Activities	<u>1,493,689</u>	<u>160,114</u>	<u>6,912,391</u>	<u>8,566,194</u>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Provided (Used) by Other Funds for Interfund Borrowing	750,000	(83,721)	(250,000)	416,279
Transfers Out	-	-	(1,534,530)	(1,534,530)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>750,000</u>	<u>(83,721)</u>	<u>(1,784,530)</u>	<u>(1,118,251)</u>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of Capital Assets	(6,791)	-	(803,238)	(810,029)
Insurance Settlement	75,000	-	-	75,000
Refunds of Waterline Agreements	-	-	(392,044)	(392,044)
Acquisition Deposit	-	-	(50,000)	(50,000)
Impact Fees	3,415,054	-	-	3,415,054
Interest paid on Capital Debt	(809,253)	-	(692,711)	(1,501,964)
Principal paid on Capital Lease	-	-	(271,012)	(271,012)
Principal paid on Capital Debt	(180,000)	-	-	(180,000)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>2,494,010</u>	<u>-</u>	<u>(2,209,005)</u>	<u>285,005</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income (Loss)	<u>(103,278)</u>	<u>(35,279)</u>	<u>(66,098)</u>	<u>(204,655)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,634,421	41,114	2,852,758	7,528,293
Cash and Cash Equivalents - Beginning of Year	<u>6,947,323</u>	<u>90,144</u>	<u>3,063,223</u>	<u>10,100,690</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 11,581,744</u>	<u>\$ 131,258</u>	<u>\$ 5,915,981</u>	<u>\$ 17,628,983</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>				
Cash and Cash Equivalents	\$ 8,067,948	\$ 131,258	\$ 2,552,519	\$ 10,751,725
Restricted Cash and Cash Equivalents	3,513,796	-	3,363,462	6,877,258
Total Cash and Cash Equivalents	<u>\$ 11,581,744</u>	<u>\$ 131,258</u>	<u>\$ 5,915,981</u>	<u>\$ 17,628,983</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, 2013**

	Business-Type Activities - Enterprise Fund			
	Wastewater	Solid Waste	Water	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (781,990)	\$ 186,494	\$ 5,661,080	\$ 5,065,584
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	1,284,281	245	1,195,549	2,480,075
Equity Interest in Joint Venture	977,494	-	-	977,494
Change in Assets/Liabilities:				
Receivables, Net	(107,519)	(45,242)	(251,122)	(403,883)
Prepaid Items	-	-	(7,642)	(7,642)
Accounts Payable	115,107	13,640	245,870	374,617
Deposits Held for Others	-	-	47,055	47,055
Compensated Absences	(351)	1,632	23,905	25,186
Accrued Payroll	6,667	3,345	(2,304)	7,708
Net Cash Provided by Operating Activities	<u>\$ 1,493,689</u>	<u>\$ 160,114</u>	<u>\$ 6,912,391</u>	<u>\$ 8,566,194</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Capital Assets Acquired through Contributions from Developers	\$ 2,126,947	\$ -	\$ 1,556,265	\$ 3,683,212
Capital Contributions Associated with Advances in Aid of Construction	-	-	79,509	79,509

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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, 2013**

**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.

For the year ended June 30, 2013, the Town implemented the provisions of GASB Statements No. 62, 63 and 65. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB Pronouncements. GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows or resources. GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that were previously reported as assets and liabilities.

**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 position 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*.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**B. Government-Wide and Fund Financial Statements (Continued)**

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.

**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.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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

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.

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.

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, 2013**

**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 Position 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, 2013**

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

**D. Assets, Liabilities, and Net Position 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 \$199,668.

Property taxes are levied and collected by the Maricopa and Pinal County Treasurers. 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. Prepaid Items**

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

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**6. 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.

**7. 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

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**8. 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.

**9. 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 position. Bond premiums and discounts 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.

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.

**10. Net Position**

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

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**11. 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.

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.

The 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 through formal council action.

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, through formal resolution, 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, 2013**

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

**A. Excess Expenditures Over Budget**

Expenditures exceeded appropriates in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Economic Development	\$            1,827

Cash was available to cover the overexpenditures listed above.

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

At year end, the Solid Waste Fund reported a deficit in net position of \$629,416. The deficit in the Solid Waste Fund was due to operational deficits caused from the initial purchase of trash containers being expensed against operating revenue in the start-up year (2010). 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, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2013 consist of the following:

Deposits:	
Cash on Hand	\$ 2,345
Cash in Bank	10,510,976
Investments:	
Money Market	3,036,946
Federal Home Loan Mortgage Corporation	14,991,823
Federal National Mortgage Association	21,381,063
Federal Farm Credit Bank	6,900,075
Corporate Bonds	2,883,690
State Treasurer's Investment Pool	3,738,815
Total Deposits and Investments	63,445,733
Less Restricted Assets	(6,943,503)
Cash and Investments on Statement of Net Position	\$ 56,502,230

**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, 2013 was \$10,510,976 and the bank balance was \$10,390,146. At June 30, 2013, \$74,682 of the Town's deposits was covered by federal depository insurance. The remaining \$10,315,464 was collateralized by securities held by the Town's agent in the Town's name.

**Investments**

At June 30, 2013, 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, Federal Farm Credit Bank, Corporate Bonds, and cash on deposit with the State Treasurer's Investment Pool.

*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.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Assets (Continued)**

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

*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.

As indicated, the Town’s investments are reported at fair value as of June 30, 2013. In May, the Federal Reserve announced a planned tapering of continued bond purchases sending interest rates significantly higher. As a result, the fair value of Town investments decreased as of June 30, 2013 representing an unrealized loss calculated as if all Town investments were sold as of this date which of course is not the case. The “unrealized loss” is reported as part of Investment Income on the Town financial statements. However no loss was in fact realized because the Town holds its investments until maturity. 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	\$ 3,036,946	\$ -	\$ -	\$ 3,036,946
Federal Home Loan Mortgage Corporation	-	4,540,440	10,451,383	14,991,823
Federal National Mortgage Association	-	-	21,381,063	21,381,063
Federal Farm Credit Bank	-	-	6,900,075	6,900,075
Corporate Bonds	-	-	2,883,690	2,883,690
State Treasurer's Investment Pool	3,738,815	-	-	3,738,815
Total	<u>\$ 6,775,761</u>	<u>\$ 4,540,440</u>	<u>\$41,616,211</u>	<u>\$ 52,932,412</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	\$ 3,036,946	6 %
Federal Home Loan Mortgage Corporation	14,991,823	28
Federal National Mortgage Association	21,381,063	40
Federal Farm Credit Bank	6,900,075	13
Corporate Bonds	2,883,690	6
State Treasurer's Investment Pool	3,738,815	7
Total	<u>\$ 52,932,412</u>	

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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 Corp	\$ 2,130,978	Aaa	AA+
Federal Home Loan Mortgage Corp	3,436,230	Aaa	AA+
Federal Home Loan Mortgage Corp	2,441,575	Aaa	AA+
Federal Home Loan Mortgage Corp	2,442,600	Aaa	AA+
Federal Home Loan Mortgage Corp	4,540,440	A2	AA-
Federal National Mortgage Association	1,983,980	Aaa	AA+
Federal National Mortgage Association	1,992,820	Aaa	AA+
Federal National Mortgage Association	498,710	Aaa	AA+
Federal National Mortgage Association	3,429,055	Aaa	AA+
Federal National Mortgage Association	2,948,190	Aaa	AA+
Federal National Mortgage Association	2,248,158	Aaa	AA+
Federal National Mortgage Association	1,962,940	Aaa	AA+
Federal National Mortgage Association	1,948,040	Aaa	AA+
Federal National Mortgage Association	1,454,100	Aaa	AA+
Federal National Mortgage Association	2,915,070	Aaa	AA+
Federal Farm Credit Bank	2,486,100	Aaa	AA+
Federal Farm Credit Bank	2,452,175	Aaa	AA+
Federal Farm Credit Bank	1,961,800	Aaa	AA+
Goldman Sachs Group inc	2,883,690	A3	A-
Money Market	3,036,946	Not Rated	Not Rated
State Treasurer's Investment Pool	3,738,815	Not Rated	Not Rated

**2. Restricted Assets**

Restricted assets in the General Fund, Wastewater Fund and the Water Fund at June 30, 2013 consisted of the following:

	General Fund	Wastewater Fund	Water Fund	Total
Loan Debt Service Reserve Requirement	\$ -	\$ 2,856,083	\$ 2,953,052	\$ 5,809,135
Loan Repair and Replacement Reserve Requirement	-	657,713	-	657,713
Customer Deposits	-	-	410,410	410,410
Employment Deposits	66,245	-	-	66,245
<b>Total</b>	<b>\$ 66,245</b>	<b>\$ 3,513,796</b>	<b>\$ 3,363,462</b>	<b>\$ 6,943,503</b>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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 unavailable revenues.

Governmental funds report unavailable 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
General Fund:		
Accrued Interest on Loans Receivable	\$ 511,602	\$ -
Delinquent Sales Tax Receivable	599,002	-
Business License	-	5,670
Emergency Services Fund:		
Delinquent Property Tax Receivable	68,590	-
Improvement District Debt Service Fund:		
Special Assessments Not yet Received	22,003,969	-
Drainage and Transportation Fund:		
Development Agreement	655,581	
Nonmajor Governmental Funds:		
Delinquent Property Tax Receivable	3,949	-
Totals	\$ 23,842,693	\$ 5,670

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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 governments, 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	\$ 1,695,070	\$ 120,000	\$ -	\$ 1,815,070	\$ -
Accrued Interest on Loans	447,330	64,272	-	511,602	-
Total	<u>\$ 2,142,400</u>	<u>\$ 184,272</u>	<u>\$ -</u>	<u>\$ 2,326,672</u>	<u>\$ -</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 41,462,637	\$ 149,141	\$ (127,074)	\$ -	\$ 41,484,704
Construction in Progress	6,973,903	1,067,250	(4,249,653)	-	3,791,500
Total Capital Assets, Not Being Depreciated	48,436,540	1,216,391	(4,376,727)	-	45,276,204
Capital Assets, Being Depreciated:					
Infrastructure	186,336,280	14,716,178	-	-	201,052,458
Buildings and Improvements	29,819,533	64,612	-	-	29,884,145
Vehicles, Furniture and Equipment	8,123,608	241,027	(22,014)	(13,054)	8,329,567
Total Capital Assets, Being Depreciated	224,279,421	15,021,817	(22,014)	(13,054)	239,266,170
Accumulated Depreciation for:					
Infrastructure	(29,706,171)	(6,324,965)	-	-	(36,031,136)
Buildings and Improvements	(3,932,736)	(664,158)	-	-	(4,596,894)
Vehicles, Furniture and Equipment	(4,326,691)	(624,474)	22,014	13,054	(4,916,097)
Total Accumulated Depreciation	(37,965,598)	(7,613,597)	22,014	13,054	(45,544,127)
Total Capital Assets, Being Depreciated, Net	186,313,823	7,408,220	-	-	193,722,043
Governmental Activities Capital Assets, Net	<u>\$ 234,750,363</u>	<u>\$ 8,624,611</u>	<u>\$ (4,376,727)</u>	<u>\$ -</u>	<u>\$ 238,998,247</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,290,442	\$ -	\$ -	\$ -	\$ 1,290,442
Construction in Progress	149,676	268,028	(207,237)	-	210,467
Total Capital Assets, Not Being Depreciated	1,440,118	268,028	(207,237)	-	1,500,909
Capital Assets, Being Depreciated:					
Wastewater Collection System	61,344,564	2,163,692	-	-	63,508,256
Water System	54,417,638	1,965,506	-	-	56,383,144
Vehicles, Furniture and Equipment	945,612	303,252	-	13,054	1,261,918
Total Capital Assets, Being Depreciated	116,707,814	4,432,450	-	13,054	121,153,318
Accumulated Depreciation for:					
Wastewater Collection System	(7,440,347)	(1,244,829)	-	-	(8,685,176)
Water System	(4,494,605)	(1,098,124)	-	-	(5,592,729)
Vehicles, Furniture and Equipment	(591,697)	(137,122)	-	(13,054)	(741,873)
Total Accumulated Depreciation	(12,526,649)	(2,480,075)	-	(13,054)	(15,019,778)
Total Capital Assets, Being Depreciated, Net	104,181,165	1,952,375	-	-	106,133,540
Business-Type Activities Capital Assets, Net	<u>\$ 105,621,283</u>	<u>\$ 2,220,403</u>	<u>\$ (207,237)</u>	<u>\$ -</u>	<u>\$ 107,634,449</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 724,710
Public Safety	231,248
Highways and Streets	6,118,167
Culture and Recreation	539,472
Total Depreciation Expense, Governmental Activities	<u>\$ 7,613,597</u>

**Business-Type Activities:**

Wastewater	\$ 1,284,281
Solid Waste	245
Water	1,195,549
Total Depreciation Expense, Business-Type Activities	<u>\$ 2,480,075</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Assets (Continued)**

**6. Land Held for Future Investment**

In prior years, the Town acquired a 16 acre parcel of land in settlement of a special assessment receivable with the property owner. 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 position. At June 30, 2013, the fair market value of the land held for investment is estimated to be \$5,350,000.

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

As of June 30, 2013 advances to and from funds were as follows:

Advances to	Advances From			Total
	General Fund	Drainage and Transportation Fund	Water Fund	
General Fund	\$ -	\$ 758,000	\$ -	\$ 758,000
Solid Waste Fund	836,351	-	-	836,351
Wastewater Fund	500,000	-	250,000	750,000
Total	<u>\$ 1,336,351</u>	<u>\$ 758,000</u>	<u>\$ 250,000</u>	<u>\$ 2,344,351</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. As part of a debt restructuring agreement with WIFA, the Town has agreed to provide a loan from the Water Fund to the Sewer Fund in the amount of \$1,000,000 with a repayment over a ten year term at a 3.36% interest rate. The loan shall be disbursed from the Water Fund in \$250,000 installments which began in fiscal year 2013. In addition, the General Fund will loan the Wastewater Fund \$1,500,000 to be repaid over a ten year term at 3.36% interest rate. The loan shall be disbursed from the General Fund in \$500,000 installments which began in fiscal year 2013.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Transfers Out	Transfers In				Total
	General Fund	Emergency Services Fund	Improvement District Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 844,944	\$ 1,822,560	\$ 1,250,791	\$ 3,918,295
Drainage and Transportation Fund	-	-	253,452	644,347	897,799
Nonmajor Governmental Funds	304,248	-	-	-	304,248
Water Fund	1,534,530	-	-	-	1,534,530
	<u>\$ 1,838,778</u>	<u>\$ 844,944</u>	<u>\$ 2,076,012</u>	<u>\$ 1,895,138</u>	<u>\$ 6,654,872</u>

Interfund transfers were made by the Town during the fiscal year to fund debt service and 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:

Asset:	Governmental Activities
Vehicles, Furniture and Equipment	\$ 2,166,633
Less: Accumulated Depreciation	<u>(722,787)</u>
Total	<u>\$ 1,443,846</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**C. Obligations Under Capital Leases (Continued)**

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30:	<u>Governmental Activities</u>
2014	\$ 216,836
2015	216,835
2016	199,494
2017	193,714
2018	193,714
2019-2020	<u>24,652</u>
Total Minimum Lease Payments	1,045,245
Less: Amount Representing Interest	<u>(130,093)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 915,152</u></u>

**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. The Town recognized a capital contribution of \$79,509 in the current year and at year end, the Town has \$847,232 of outstanding unearned advances in aid of construction.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**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 \$73,282,125 payable through 2032. For the current year, principal and interest paid and special assessment revenues for the fiscal year were \$3,880,349 and \$1,801,837.

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 \$30,126,520 for governmental activities, payable through 2023, 2029, 2030 and 2036, and \$6,056,250 for business-type activities, payable through 2028. For the current year, principal and interest paid was \$2,020,929. For the current year, total excise tax and state shared revenues were \$22,007,076.

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 \$37,544,620 payable through 2032. For the current year, principal and interest paid on the revenue bonds was \$1,895,138. For the current year, total excise tax and state shared revenues were \$22,007,076.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

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 \$39,525,214. For the current year, principal and interest paid and wastewater customer net revenue for the fiscal year was \$2,856,083 and \$4,795,251, 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 \$44,295,777. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$2,953,031 and \$6,793,328, respectively.

Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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, 2013
<b>Governmental Activities</b>				
Excise Tax and State Shared				
Revenue Obligations, Series 2007	\$ 27,135,000	8/1/13-32	4.25-5.00%	\$ 23,940,000
Special Assessment, Improvement District Bonds	54,080,000	1/1/13-32	5.00%	47,365,000
GADA Infrastructure Revenue Loan, Series 2004B	7,700,000	7/1/13-29	4.00-5.50%	5,795,000
GADA Infrastructure Revenue Loan, Series 2005B	2,470,000	8/1/13-30	3.50-5.00%	1,980,000
GADA Infrastructure Revenue Loan, Series 2006A	11,555,000	7/1/13-36	4.00-5.00%	10,060,000
GADA Infrastructure Revenue Loan, Series 2008	2,045,000	8/1/13-23	4.00-5.00%	1,370,000
Total Governmental Loans Payable				<u>\$ 90,510,000</u>
<b>Business-Type Activities</b>				
WIFA Loan, 1998	\$ 4,400,000	7/1/13-18	3.88%	\$ 1,481,233
WIFA Loan, 2005	34,000,000	7/1/13-25	3.71%	28,654,070
WIFA Loan, 2008	40,000,000	7/1/13-28	4.04%	32,747,248
GADA Infrastructure Revenue Loan, Series 2003B	5,530,000	7/1/13-28	4.66%	4,210,000
Total Business-Type Loans Payable				<u>\$ 67,092,551</u>

Changes in long-term obligations for the year ended June 30, 2013 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	\$ 24,660,000	\$ -	\$ (720,000)	\$ 23,940,000	\$ 745,000
Special Assessment Bonds	22,954,800	-	(693,250)	22,261,550	728,500
Special Assessment Bonds - Town Owned Property	25,885,200	-	(781,750)	25,103,450	821,500
GADA Loan Payable	19,875,000	-	(670,000)	19,205,000	695,000
Premium on Bonds	1,702,443	-	(82,744)	1,619,699	-
Total Bonds and Loans	95,077,443	-	(2,947,744)	92,129,699	2,990,000
Other Liabilities:					
Capital Leases	1,081,424	130,234	(296,506)	915,152	174,561
Compensated Absences	668,017	1,051,174	(944,983)	774,208	580,656
Total Governmental Activities	<u>\$ 96,826,884</u>	<u>\$ 1,181,408</u>	<u>\$ (4,189,233)</u>	<u>\$ 93,819,059</u>	<u>\$ 3,745,217</u>
<b>Business-Type Activities:</b>					
Loans Payable					
WIFA Loans Payable	\$ 66,124,328	\$ -	\$ (3,241,777)	\$ 62,882,551	\$ 3,367,574
GADA Loans Payable	4,400,000	-	(190,000)	4,210,000	200,000
Total Loans	70,524,328	-	(3,431,777)	67,092,551	3,567,574
Other Liabilities:					
Capital Leases	271,012	-	(271,012)	-	-
Advances in Aid of Construction	1,239,276	-	(392,044)	847,232	333,671
Compensated Absences	110,735	188,052	(162,866)	135,921	101,941
Total Business-Type Activities	<u>\$ 72,145,351</u>	<u>\$ 188,052</u>	<u>\$ (4,257,699)</u>	<u>\$ 68,075,704</u>	<u>\$ 4,003,186</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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, 2013 are summarized as follows.

Years	Governmental Activities			
	Bonds and Loans		Capital Lease	
	Principal	Interest	Principal	Interest
2014	\$ 2,990,000	\$ 4,392,255	\$ 174,561	\$ 42,275
2015	3,135,000	4,250,869	182,701	34,134
2016	3,285,000	4,101,233	173,707	25,787
2017	3,430,000	3,940,358	175,959	17,755
2018	3,600,000	3,769,464	184,321	9,393
2019-2023	20,820,000	15,990,786	23,903	749
2024-2028	25,510,000	10,328,775	-	-
2029-2033	25,740,000	3,466,275	-	-
2034-2037	2,000,000	203,250	-	-
Totals	<u>\$ 90,510,000</u>	<u>\$ 50,443,265</u>	<u>\$ 915,152</u>	<u>\$ 130,093</u>

Years	Business-Type Activities			
	Bonds and Loans		Capital Lease	
	Principal	Interest	Principal	Interest
2014	\$ 3,567,574	\$ 2,646,567	\$ -	\$ -
2015	3,708,260	2,506,382	-	-
2016	3,854,025	2,361,375	-	-
2017	4,000,068	2,210,431	-	-
2018	4,161,596	2,053,556	-	-
2019-2023	21,591,442	7,812,809	-	-
2024-2028	26,209,586	3,193,570	-	-
Totals	<u>\$ 67,092,551</u>	<u>\$ 22,784,690</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2013 are as follows:

Year Ended June 30,	Amount
2014	\$ 106,441
2015	108,155
2016	99,055
2017	102,027
2018	105,095
2019 - 2023	511,717
2024 - 2027	213,494
	<u>\$ 1,245,984</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**G. 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	\$ 1,336,351	\$ -	\$ -	\$ -	\$ -	\$ 1,336,351
Loans Receivable	1,815,070	-	-	-	-	1,815,070
Prepaid Items	4,934	-	-	-	-	4,934
Total Nonspendable	<u>3,156,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,156,355</u>
<b>Restricted:</b>						
Park Development	1,660,468	-	-	-	-	1,660,468
Town Building Development	1,163,313	-	-	-	-	1,163,313
Transportation Development	463,777	-	-	-	-	463,777
Library Development	487,748	-	-	-	-	487,748
Public Safety Development	727,210	-	-	-	-	727,210
Fire Development	1,104,042	-	-	-	-	1,104,042
Street Lighting Districts	-	-	-	-	114,650	114,650
Streets and Transportation	-	-	-	-	2,032,981	2,032,981
Housing Rehabilitation	-	-	-	-	41,957	41,957
Parks and Community	-	-	-	-	75,803	75,803
Total Restricted	<u>5,606,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,265,391</u>	<u>7,871,949</u>
<b>Committed:</b>						
Emergency Services	-	3,144,176	-	-	-	3,144,176
Infrastructure Projects	-	-	-	17,050,330	-	17,050,330
Town Center	-	-	-	-	1,171,826	1,171,826
Total Committed	<u>-</u>	<u>3,144,176</u>	<u>-</u>	<u>17,050,330</u>	<u>1,171,826</u>	<u>21,366,332</u>
<b>Assigned:</b>						
Debt Service	-	-	618,654	-	-	618,654
<b>Unassigned:</b>						
	<u>15,848,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,848,094</u>
Total Fund Balance	<u>\$ 24,611,007</u>	<u>\$ 3,144,176</u>	<u>\$ 618,654</u>	<u>\$ 17,050,330</u>	<u>\$ 3,437,217</u>	<u>\$ 48,861,384</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**H. Change in Accounting Principle**

The Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. Debt issuance costs were previously reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. Debt issuance costs, except any portion related to prepaid insurance costs, are now recognized as an expense in the period incurred. As a result of the implementation of the statement, beginning net position was restated to reflect the change in accounting principle.

	Governmental Activities
Net Position, as Originally Stated	\$ 201,957,015
GASB Statement No. 65 Adjustment:	
Debt Issuance Costs	(1,932,201)
Net Position, as Restated	\$ 200,024,814

**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, 2013 was \$26,625,542 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, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**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, 2013, the Town entered into a lease purchase agreement for the purchase of a fire apparatus. The lease has a total principal amount of \$518,696 with an annual interest rate of 3.04%. The lease requires annual principal and interest payments of \$83,379 through August 2020.

During fiscal year 2013, the residents of Queen Creek approved the Town's plans to purchase the H2O, Inc. Water Utility. On September 10, 2013, the Arizona Corporate Commission approved the sale of H2O Inc's assets to the Town of Queen Creek. The sale was complete on November 1, 2013. The Town Council approved a purchase agreement to acquire the Water Utility with an acquisition price of \$44 million. The purchase will include an initial down payment at close of escrow in the amount of \$15,000,000 with the balance paid through issuing a 30 year tax exempt municipal revenue bond to H2O, Inc. Funds for the initial down payment will come through the Water Infrastructure Finance Authority (WIFA) program.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 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 11.14 percent (10.25% percent for retirement, 0.65 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
2013	\$ 813,268	\$ 51,573	\$ 19,042
2012	714,419	45,601	17,372
2011	798,083	52,261	22,144

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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 14.29 percent of annual covered payroll for fire.

**Annual Pension Cost**

During the year ended June 30, 2013, the Town of Queen Creek, Arizona's estimated annual pension cost of \$274,799 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, 2013, the Town of Queen Creek, Arizona's estimated annual OPEB cost of \$9,551 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, 2013**

**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>
2013	\$ 274,799	100%	\$ -
2012	195,722	100%	-
2011	167,747	100%	-
<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>OPEB Benefit Obligation</u>
2013	\$ 9,551	100%	\$ -
2012	8,757	100%	-
2011	7,085	100%	-

The required contribution was determined as part of the June 30, 2011 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, 2012, was 24 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, 2013**

**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, 2012, the most recent actuarial valuation date, the pension plan and OPEB was funded as follows.

**Fire**

	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	\$ 2,420,154	\$ 1,589,684	65.7%	\$ 830,470	\$ 1,839,081	45.2%
OPEB	57,978	-	0.0%	57,978	1,839,081	3.2%

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.

## **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
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%
2012	1,589,684	2,420,154	65.7%	(830,470)	1,839,081	45.2%

**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
2010	\$ -	\$ 34,661	0.0%	\$ (34,661)	\$ 1,966,967	1.76%
2011	-	53,230	0.0	(53,230)	1,804,859	2.95%
2012	-	57,978	0.0	(57,978)	1,839,081	3.15%

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND – BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 9,280,000	\$ 9,280,000	\$ 12,399,580	\$ 3,119,580
Intergovernmental Revenues	5,770,695	5,770,695	5,754,960	(15,735)
Licenses and Permits	72,600	72,600	78,810	6,210
Charges for Services	1,301,396	1,712,952	4,253,348	2,540,396
Investment Income (Loss)	225,000	225,000	(8,419)	(233,419)
Indirect Cost Reimbursement	1,575,700	1,575,704	1,183,464	(392,240)
Miscellaneous	100,000	100,000	85,625	(14,375)
Total Revenues	<u>18,325,391</u>	<u>18,736,951</u>	<u>23,747,368</u>	<u>5,010,417</u>
<b>EXPENDITURES</b>				
Current:				
Town Council	155,535	163,785	157,329	6,456
Town Manager	612,266	648,260	625,562	22,698
Town Clerk and Legal Services	528,418	529,266	432,005	97,261
Management Services	1,453,122	1,334,001	1,233,493	100,508
Development Services	4,993,592	5,473,261	5,360,264	112,997
Workforce and Technology	1,595,796	1,610,235	1,563,830	46,405
Economic Development	857,911	944,401	946,228	(1,827)
Public Safety	1,812,867	1,812,867	1,336,030	476,837
Non-Departmental	3,389,618	3,755,959	3,248,292	507,667
Total Expenditures	<u>15,399,125</u>	<u>16,272,035</u>	<u>14,903,033</u>	<u>1,369,002</u>
Excess (Deficiency) of Revenues Over Expenditures	2,926,266	2,464,916	8,844,335	6,379,419
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,797,513	1,797,513	1,838,782	41,269
Transfers Out	(5,954,779)	(5,915,105)	(5,334,971)	580,134
Total Other Financing Sources (Uses)	<u>(4,157,266)</u>	<u>(4,117,592)</u>	<u>(3,496,189)</u>	<u>621,403</u>
Net Change in Fund Balance	(1,231,000)	(1,652,676)	5,348,146	7,000,822
<b>FUND BALANCE</b>				
Beginning of Year	1,231,000	1,652,676	13,941,511	12,288,835
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,289,657</u>	<u>\$ 19,289,657</u>

See Notes to Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
EMERGENCY SERVICES FUND  
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,896,217	\$ 4,896,217	\$ 5,458,078	\$ 561,861
Charges for Services	20,000	20,000	99,397	79,397
Investment Income	-	-	(20,076)	(20,076)
Miscellaneous	15,000	15,000	41,649	26,649
Total Revenues	<u>4,931,217</u>	<u>4,931,217</u>	<u>5,579,048</u>	<u>647,831</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	5,743,155	5,745,155	5,504,624	240,531
Capital Outlay	53,000	51,000	37,195	13,805
Total Expenditures	<u>5,796,155</u>	<u>5,796,155</u>	<u>5,541,819</u>	<u>254,336</u>
Excess (Deficiency) of Revenues Over Expenditures	(864,938)	(864,938)	37,229	902,167
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	844,938	844,938	844,944	6
Total Other Financing Sources (Uses)	<u>844,938</u>	<u>844,938</u>	<u>844,944</u>	<u>6</u>
Net Change in Fund Balance	(20,000)	(20,000)	882,173	902,173
<b>FUND BALANCE</b>				
Beginning of Year	20,000	20,000	2,262,003	2,242,003
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,144,176</u>	<u>\$ 3,144,176</u>

See Notes to Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

**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) The prior year Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual did not account for transfers out of the General Fund and into the other funds included in the General Fund.
- 3) 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	\$ 28,905,458	\$ 17,206,773	\$ (2,079,517)	\$ 14,991,839	\$ 24,611,007
Other Funds Included in General Fund	(6,341,554)	(1,120,276)	(1,416,672)	741,608	(5,321,350)
Prior year transfers not included in budgetary schedule	-	-	-	(1,791,936)	-
Indirect Cost Reimbursement	1,183,464	(1,183,464)	-	-	-
Budgetary Comparison Schedule - General Fund	<u>\$ 23,747,368</u>	<u>\$ 14,903,033</u>	<u>\$ (3,496,189)</u>	<u>\$ 13,941,511</u>	<u>\$ 19,289,657</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

**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.

The Town does not adopt an annual budget for the Excise Tax Bond Debt Service Fund.

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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, 2013**

	Special Revenue Funds	Excise Tax Bond Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 3,552,275	\$ -	\$ 3,552,275
Receivables			
Taxes Receivable	10,605	-	10,605
Intergovernmental Receivable	215,368	-	215,368
Interest Receivable	6,666	-	6,666
Total Assets	<u>\$ 3,784,914</u>	<u>\$ -</u>	<u>\$ 3,784,914</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	<u>\$ 343,748</u>	<u>\$ -</u>	<u>\$ 343,748</u>
Deferred Inflows of Resources:			
Unavailable Revenues	<u>3,949</u>	<u>-</u>	<u>3,949</u>
Fund Balance:			
Restricted	2,265,391	-	2,265,391
Committed	1,171,826	-	1,171,826
Total Fund Balance	<u>3,437,217</u>	<u>-</u>	<u>3,437,217</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 3,784,914</u>	<u>\$ -</u>	<u>\$ 3,784,914</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds	Excise Tax Bond Debt Service Fund	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenue			
Taxes	\$ 408,878	\$ -	\$ 408,878
Intergovernmental Revenues	1,472,370	-	1,472,370
Charges for Services	20,900	-	20,900
Contributions and Donations	20,855	-	20,855
Special Assessments	337,165	-	337,165
Investment Income (Loss)	(43,393)	-	(43,393)
Miscellaneous	4,475	-	4,475
Total Revenue	<u>2,221,250</u>	<u>-</u>	<u>2,221,250</u>
Expenditures			
Current:			
Highways and Streets	1,470,006	-	1,470,006
Culture and Recreation	18,071	-	18,071
Economic Development	66,791	-	66,791
Capital Outlay	34,336	-	34,336
Debt Service:			
Principal Retirement	14,511	720,000	734,511
Interest on Long-Term Debt	1,628	1,175,138	1,176,766
Total Expenditures	<u>1,605,343</u>	<u>1,895,138</u>	<u>3,500,481</u>
Excess (Deficiency) of Revenue Over Expenditures	615,907	(1,895,138)	(1,279,231)
Other Financing Sources (Uses)			
Transfers In	-	1,895,138	1,895,138
Transfers Out	(304,248)	-	(304,248)
Proceeds from Capital Lease	130,234	-	130,234
Total Other Financing Sources (Uses)	<u>(174,014)</u>	<u>1,895,138</u>	<u>1,721,124</u>
Net Change in Fund Balance	441,893	-	441,893
Fund Balance			
Beginning of Year	2,995,324	-	2,995,324
End of Year	<u>\$ 3,437,217</u>	<u>\$ -</u>	<u>\$ 3,437,217</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	HURF	LTAF	Town Center	Street Lighting District
<b>ASSETS</b>				
Cash and Investments	\$ 1,769,950	\$ 421,404	\$ 1,103,893	\$ 139,268
Receivables				
Taxes Receivable	-	-	-	10,605
Intergovernmental Receivable	146,257	-	69,111	-
Interest Receivable	3,508	752	2,406	-
Total Assets	<u>\$ 1,919,715</u>	<u>\$ 422,156</u>	<u>\$ 1,175,410</u>	<u>\$ 149,873</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ 308,890	\$ -	\$ 3,584	\$ 31,274
Deferred Inflows of Resources:				
Unavailable Revenues	-	-	-	3,949
Fund Balance:				
Restricted	1,610,825	422,156	-	114,650
Committed	-	-	1,171,826	-
Total Fund Balance	<u>1,610,825</u>	<u>422,156</u>	<u>1,171,826</u>	<u>114,650</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,919,715</u>	<u>\$ 422,156</u>	<u>\$ 1,175,410</u>	<u>\$ 149,873</u>

<u>Housing Rehab</u>	<u>Parks and Recreation</u>	<u>Community Events</u>	<u>Total</u>
\$ 41,957	\$ 50,709	\$ 25,094	\$ 3,552,275
-	-	-	10,605
-	-	-	215,368
-	-	-	6,666
<u>\$ 41,957</u>	<u>\$ 50,709</u>	<u>\$ 25,094</u>	<u>\$ 3,784,914</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,748</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,949</u>
41,957	50,709	25,094	2,265,391
-	-	-	1,171,826
<u>41,957</u>	<u>50,709</u>	<u>25,094</u>	<u>3,437,217</u>
<u>\$ 41,957</u>	<u>\$ 50,709</u>	<u>\$ 25,094</u>	<u>\$ 3,784,914</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, 2013**

	<u>HURF</u>	<u>LTAF</u>	<u>Town Center</u>	<u>Street Lighting District</u>
Revenue				
Taxes	\$ -	\$ -	\$ 408,878	\$ -
Intergovernmental Revenues	1,472,370	-	-	-
Charges for Services	-	-	20,900	-
Contributions and Donations	-	-	4,343	-
Special Assessments	-	-	-	337,165
Investment Income (Loss)	(20,599)	(3,758)	(17,815)	-
Miscellaneous	-	-	4,475	-
Total Revenue	<u>1,451,771</u>	<u>(3,758)</u>	<u>420,781</u>	<u>337,165</u>
Expenditures				
Current:				
Highways and Streets	1,103,863	-	-	366,143
Culture and Recreation	-	-	-	-
Economic Development	-	-	66,791	-
Capital Outlay	-	-	34,336	-
Debt Service:				
Principal Retirement	14,511	-	-	-
Interest on Long-Term Debt	1,628	-	-	-
Total Expenditures	<u>1,120,002</u>	<u>-</u>	<u>101,127</u>	<u>366,143</u>
Excess (Deficiency) of Revenue Over Expenditures	331,769	(3,758)	319,654	(28,978)
Other Financing Sources (Uses)				
Transfers Out	-	-	(304,248)	-
Proceeds from Capital Lease	130,234	-	-	-
Total Other Financing Sources (Uses)	<u>130,234</u>	<u>-</u>	<u>(304,248)</u>	<u>-</u>
Net Change in Fund Balance	462,003	(3,758)	15,406	(28,978)
Fund Balance				
Beginning of Year	1,148,822	425,914	1,156,420	143,628
End of Year	<u>\$ 1,610,825</u>	<u>\$ 422,156</u>	<u>\$ 1,171,826</u>	<u>\$ 114,650</u>

<u>Housing Rehab</u>	<u>Parks and Recreation</u>	<u>Community Events</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 408,878
-	-	-	1,472,370
-	-	-	20,900
-	1,004	15,508	20,855
-	-	-	337,165
-	(1,221)	-	(43,393)
-	-	-	4,475
<u>-</u>	<u>(217)</u>	<u>15,508</u>	<u>2,221,250</u>
-	-	-	1,470,006
-	948	17,123	18,071
-	-	-	66,791
-	-	-	34,336
-	-	-	14,511
-	-	-	1,628
<u>-</u>	<u>948</u>	<u>17,123</u>	<u>1,605,343</u>
-	(1,165)	(1,615)	615,907
-	-	-	(304,248)
<u>-</u>	<u>-</u>	<u>-</u>	<u>130,234</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,014)</u>
-	(1,165)	(1,615)	441,893
41,957	51,874	26,709	2,995,324
<u>\$ 41,957</u>	<u>\$ 50,709</u>	<u>\$ 25,094</u>	<u>\$ 3,437,217</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, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 1,840,990	\$ 1,840,990	\$ 1,801,837	\$ (39,153)
Total Revenues	<u>1,840,990</u>	<u>1,840,990</u>	<u>1,801,837</u>	<u>(39,153)</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	1,475,000	1,475,000	1,475,000	-
Interest on Long-Term Debt	2,442,000	2,442,000	2,405,349	36,651
Total Expenditures	<u>3,917,000</u>	<u>3,917,000</u>	<u>3,880,349</u>	<u>36,651</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,076,010)	(2,076,010)	(2,078,512)	(2,502)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,076,010	2,076,010	2,076,012	2
Total Other Financing Sources (Uses)	<u>2,076,010</u>	<u>2,076,010</u>	<u>2,076,012</u>	<u>2</u>
Net Change in Fund Balance	-	-	(2,500)	(2,500)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	621,154	621,154
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 618,654</u>	<u>\$ 618,654</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, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 960,000	\$ 960,000	\$ 1,964,999	\$ 1,004,999
Intergovernmental Revenues	254,235	254,235	-	(254,235)
Contributions and Donations	110,000	110,000	3,422,142	3,312,142
Investment Income (Loss)	143,000	143,000	(99,762)	(242,762)
Total Revenues	<u>1,467,235</u>	<u>1,467,235</u>	<u>5,287,379</u>	<u>3,820,144</u>
<b>EXPENDITURES</b>				
Capital Outlay	3,823,853	3,823,854	1,211,105	2,612,749
Total Expenditures	<u>3,823,853</u>	<u>3,823,854</u>	<u>1,211,105</u>	<u>2,612,749</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,356,618)	(2,356,619)	4,076,274	6,432,893
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,796,435	1,796,436	-	(1,796,436)
Transfers Out	(2,699,435)	(2,699,435)	(897,799)	1,801,636
Total Other Financing Sources (Uses)	<u>(903,000)</u>	<u>(902,999)</u>	<u>(897,799)</u>	<u>5,200</u>
Net Change in Fund Balance	(3,259,618)	(3,259,618)	3,178,475	6,438,093
<b>FUND BALANCE</b>				
Beginning of Year	3,259,618	3,259,618	13,871,855	10,612,237
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,050,330</u>	<u>\$ 17,050,330</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HURF FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 1,491,531	\$ 1,491,531	\$ 1,472,370	\$ (19,161)
Investment Income (Loss)	-	-	(20,599)	(20,599)
Total Revenues	<u>1,491,531</u>	<u>1,491,531</u>	<u>1,451,771</u>	<u>(39,760)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	2,013,531	2,127,934	1,103,863	1,024,071
Debt Service:				
Principal Retirement	-	14,511	14,511	-
Interest on Long-Term Debt	-	1,628	1,628	-
Total Expenditures	<u>2,013,531</u>	<u>2,144,073</u>	<u>1,120,002</u>	<u>1,024,071</u>
Excess (Deficiency) of Revenues Over Expenditures	(522,000)	(652,542)	331,769	984,311
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Capital Lease	-	130,542	130,234	(308)
Total Other Financing Sources	<u>-</u>	<u>130,542</u>	<u>130,234</u>	<u>(308)</u>
Net Change in Fund Balance	(522,000)	(522,000)	462,003	984,003
<b>FUND BALANCE</b>				
Beginning of Year	522,000	522,000	1,148,822	626,822
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,610,825</u>	<u>\$ 1,610,825</u>

**TOWN OF QUEEN CREEK, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
LTAF FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income (Loss)	\$ -	\$ -	\$ (3,758)	\$ (3,758)
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(3,758)	(3,758)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	425,914	425,914
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,156</u>	<u>\$ 422,156</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, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 360,000	\$ 360,000	\$ 408,878	\$ 48,878
Charges for Services	33,000	33,000	20,900	(12,100)
Contributions and Donations	-	-	4,343	4,343
Investment Income (Loss)	-	-	(17,815)	(17,815)
Miscellaneous	-	-	4,475	4,475
Total Revenues	<u>393,000</u>	<u>393,000</u>	<u>420,781</u>	<u>27,781</u>
<b>EXPENDITURES</b>				
Current:				
Economic Development	33,750	148,750	66,791	81,959
Capital Outlay	-	40,000	34,336	5,664
Total Expenditures	<u>33,750</u>	<u>188,750</u>	<u>101,127</u>	<u>87,623</u>
Excess (Deficiency) of Revenues Over Expenditures	359,250	204,250	319,654	115,404
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(359,250)	(304,250)	(304,248)	2
Total Other Financing Sources (Uses)	<u>(359,250)</u>	<u>(304,250)</u>	<u>(304,248)</u>	<u>2</u>
Net Change in Fund Balance	-	(100,000)	15,406	115,406
<b>FUND BALANCE</b>				
Beginning of Year	-	-	1,156,420	1,156,420
End of Year	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 1,171,826</u>	<u>\$ 1,271,826</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, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 400,373	\$ 400,373	\$ 337,165	\$ (63,208)
Total Revenues	<u>400,373</u>	<u>400,373</u>	<u>337,165</u>	<u>(63,208)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	400,373	400,373	366,143	34,230
Total Expenditures	<u>400,373</u>	<u>400,373</u>	<u>366,143</u>	<u>34,230</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(28,978)	(28,978)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	143,628	143,628
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,650</u>	<u>\$ 114,650</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, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Contributions and Donations	\$ -	\$ -	\$ 1,004	\$ 1,004
Investment Income (Loss)	-	-	(1,221)	(1,221)
Total Revenues	-	-	(217)	(217)
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	-	-	948	(948)
Total Expenditures	-	-	948	(948)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(1,165)	(1,165)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	51,874	51,874
End of Year	\$ -	\$ -	\$ 50,709	\$ 50,709

**TOWN OF QUEEN CREEK, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY EVENTS FUND  
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Contributions and Donations	\$ 35,000	\$ 35,000	\$ 15,508	\$ (19,492)
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>15,508</u>	<u>(19,492)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	35,000	35,000	17,123	17,877
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>17,123</u>	<u>17,877</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(1,615)	(1,615)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	26,709	26,709
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,094</u>	<u>\$ 25,094</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 POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities:				
Net Investment in Capital Assets	\$ 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
Total Governmental Activities				
Net Position	<u>\$ 28,267,068</u>	<u>\$ 41,980,461</u>	<u>\$ 58,154,266</u>	<u>\$ 134,661,059</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ (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
Total Business-Type Activities				
Net Position	<u>\$ 8,992,352</u>	<u>\$ 14,938,048</u>	<u>\$ 20,854,194</u>	<u>\$ 25,723,804</u>
Primary Government:				
Net Investment in Capital Assets	\$ 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
Total Primary Government				
Net Position	<u>\$ 37,259,420</u>	<u>\$ 56,918,509</u>	<u>\$ 79,008,460</u>	<u>\$ 160,384,863</u>

Source: The Town's Finance Department.

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 109,742,395	\$ 113,217,150	\$ 126,963,176	\$ 135,006,115	\$ 138,591,496	\$ 145,953,396
68,008,904	30,072,080	26,314,209	34,738,750	25,525,022	29,879,867
37,976,551	73,366,536	68,967,562	26,343,071	35,908,296	45,518,062
<u>\$ 215,727,850</u>	<u>\$ 216,655,766</u>	<u>\$ 222,244,947</u>	<u>\$ 196,087,936</u>	<u>\$ 200,024,814</u>	<u>\$ 221,351,325</u>
\$ 51,303,406	\$ 55,382,631	\$ 53,514,718	\$ 55,468,136	\$ 63,922,044	\$ 68,348,737
2,468,859	2,496,700	3,816,284	4,406,894	5,809,913	6,466,848
5,909,052	6,983,681	6,581,861	4,070,089	993,881	3,678,908
<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>	<u>\$ 78,494,493</u>
\$ 161,045,801	\$ 168,599,781	\$ 180,477,894	\$ 190,474,251	\$ 202,513,540	\$ 214,302,133
70,477,763	32,568,780	30,130,493	39,145,644	31,334,935	36,346,715
43,885,603	80,350,217	75,549,423	30,413,160	36,902,177	49,196,970
<u>\$ 275,409,167</u>	<u>\$ 281,518,778</u>	<u>\$ 286,157,810</u>	<u>\$ 260,033,055</u>	<u>\$ 270,750,652</u>	<u>\$ 299,845,818</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**CHANGES IN NET POSITION**  
**LAST TEN 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>
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>
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	2013
\$ 12,999,122	\$ 11,983,396	\$ 11,726,205	\$ 10,556,890	\$ 8,157,178	\$ 9,401,213
7,646,401	9,074,899	8,619,769	8,579,299	7,652,836	8,002,986
3,969,454	4,802,811	7,458,056	8,472,107	8,708,345	8,960,506
2,267,614	3,578,303	3,288,751	3,845,329	3,089,142	2,851,292
-	-	-	-	-	-
1,052,133	672,820	644,790	756,340	581,660	827,230
5,008,714	5,458,887	4,977,067	4,860,272	4,623,811	4,615,538
<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>	<u>34,658,765</u>
3,731,669	6,391,819	9,338,013	6,062,441	6,008,461	5,668,879
2,107,142	6,541,249	7,786,907	7,053,112	6,586,793	6,354,536
-	-	687,346	1,207,247	1,234,148	1,450,544
<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>13,473,959</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>	<u>\$ 48,132,724</u>
\$ 3,804,312	\$ 1,893,328	\$ 2,593,950	\$ 2,498,047	\$ 2,103,716	\$ 3,142,042
1,148,794	370,118	371,100	210,907	327,944	1,055,263
1,487,695	1,031,006	2,983,611	335,045	218,077	562,990
3,813,555	1,311,157	1,610,841	1,622,772	1,832,917	4,224,982
-	755,753	795,856	689,380	1,157,363	2,922,436
-	-	-	-	-	-
1,276,136	1,252,399	1,291,191	1,148,590	1,418,838	1,472,370
<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>14,794,654</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>	<u>28,174,737</u>
1,699,668	3,621,603	4,205,136	3,521,068	4,180,555	6,906,017
4,623,259	6,723,755	7,752,957	8,589,136	9,356,721	10,630,175
-	-	763	987,384	1,359,963	1,601,759
<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>3,802,082</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>22,940,033</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>	<u>\$ 51,114,770</u>

**TOWN OF QUEEN CREEK, ARIZONA  
CHANGES IN NET POSITION (CONTINUED)  
LAST TEN 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 POSITION</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 POSITION</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	2013
\$ (1,472,849)	\$ (23,499,903)	\$ (14,637,021)	\$ (28,279,164)	\$ (16,029,899)	\$ (6,484,028)
9,316,634	3,230,394	(2,559,840)	(1,066,991)	7,607,248	9,466,074
<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>	<u>\$ 2,982,046</u>
\$ 19,608,355	\$ 14,702,840	\$ 10,964,939	\$ 11,747,396	\$ 12,549,668	\$ 16,037,178
3,910,452	5,278,509	6,107,314	5,518,261	4,488,100	4,236,341
189,957	185,812	154,148	201,515	258,265	214,938
4,491,661	4,400,264	3,888,975	3,484,155	5,183,494	5,754,960
-	-	-	-	-	-
3,450,325	630,302	315,292	822,710	583,618	(124,209)
275,981	656,092	386,227	389,978	289,901	156,801
-	-	-	-	(2,439,917)	-
-	(1,426,000)	(1,590,693)	(1,018,998)	985,849	1,534,530
<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>	<u>27,810,539</u>
481,490	98,139	18,998	73,185	84,320	(162,889)
-	427,162	-	7,064	75,000	-
-	1,426,000	1,590,693	1,018,998	(985,849)	(1,534,530)
<u>481,490</u>	<u>1,951,301</u>	<u>1,609,691</u>	<u>1,099,247</u>	<u>(826,529)</u>	<u>(1,697,419)</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>	<u>\$ 26,113,120</u>
\$ 30,453,882	\$ 927,916	\$ 5,589,181	\$ (7,134,147)	\$ 5,869,079	\$ 21,326,511
9,798,124	5,181,695	(950,149)	32,256	6,780,719	7,768,655
<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>	<u>\$ 29,095,166</u>

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**TOWN OF QUEEN CREEK, ARIZONA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN 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
2013	16,037,178	4,236,341	214,938	20,488,457

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			
	2004	2005	2006	2007
General Fund:				
Reserved	\$ 815,070	\$ 905,070	\$ 995,070	\$ 1,095,070
Unreserved	8,909,876	12,735,574	10,802,104	14,250,016
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<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	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:				
Special Revenue Funds	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>\$ 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	2013
\$ 1,215,070	\$ 1,335,070	\$ 1,628,453	\$ -	\$ -	\$ -
14,855,825	13,387,466	10,792,208	-	-	-
-	-	-	-	2,615,142	3,156,355
-	-	-	-	890,554	5,606,558
-	-	-	2,575,070	-	-
-	-	-	10,035,046	11,486,143	15,848,094
<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>	<u>24,611,007</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	2,265,391
-	-	-	13,254,231	17,290,278	21,366,332
-	-	-	-	621,154	618,654
-	-	-	(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>	<u>\$ 24,250,377</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				
	2004	2005	2006	2007	2008
<b>REVENUES</b>					
Taxes	\$ 5,981,730	\$ 9,279,260	\$ 15,036,831	\$ 20,086,114	\$ 23,466,756
Intergovernmental	1,821,209	2,563,308	3,209,018	6,515,757	6,221,594
Licenses and Permits	25,231	34,871	43,810	56,085	67,751
Charges for Services	5,002,945	4,640,017	5,177,169	4,523,939	3,826,144
Rents and Royalties	-	396,760	-	-	-
Contributions and Donations	162,778	7,041,747	1,489,105	4,210,457	5,997,940
Impact Fees	8,602,718	157,369	7,279,064	9,392,159	7,380,289
Special Assessments	94,063	468,375	195,546	236,607	275,834
Investment Income (Loss)	200,785	57,203	1,041,879	3,401,232	3,380,399
Other	80,499	8,121,454	174,699	78,719	275,981
Total Revenues	<u>21,971,958</u>	<u>32,760,364</u>	<u>33,647,121</u>	<u>48,501,069</u>	<u>50,892,688</u>
<b>EXPENDITURES</b>					
General Government	4,974,313	10,677,879	10,785,475	11,156,108	13,101,961
Public Safety	926,388	2,624,132	3,294,773	4,235,169	8,767,061
Highways and Streets	1,333,828	2,404,898	12,337,651	1,551,725	3,523,398
Culture and Recreation	7,220,311	14,377,799	2,480,785	5,231,338	25,724,708
Redevelopment and Housing	488,050	44,103	31,106	-	-
Economic Development	1,540,338	1,145,106	859,508	919,366	978,981
Capital Outlay	-	-	-	33,227,915	21,402,111
Debt Service					
Principal Retirement	195,667	653,224	999,624	3,556,627	1,011,096
Interest on Long-Term Debt	327,013	662,255	789,749	7,770,799	5,091,458
Issuance Costs	-	-	227,850	2,144,381	119,944
Total Expenditures	<u>17,005,908</u>	<u>32,589,396</u>	<u>31,806,521</u>	<u>69,793,428</u>	<u>79,720,718</u>
Excess of Revenues					
Over (Under) Expenditures	4,966,050	170,968	1,840,600	(21,292,359)	(28,828,030)
<b>OTHER FINANCING SOURCES</b>					
<b>(USES)</b>					
Transfers In	1,011,333	1,710,497	9,775,195	13,736,804	6,521,702
Transfers Out	(1,011,333)	(1,710,497)	(9,775,195)	(16,395,303)	(6,521,702)
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	4,233,000	305,976	-	-	-
Total Other Financing	<u>4,233,000</u>	<u>8,005,976</u>	<u>14,474,915</u>	<u>80,300,271</u>	<u>-</u>
Sources (Uses)	<u>4,233,000</u>	<u>8,005,976</u>	<u>14,474,915</u>	<u>80,300,271</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 9,199,050</u>	<u>\$ 8,176,944</u>	<u>\$ 16,315,515</u>	<u>\$ 59,007,912</u>	<u>\$ (28,828,030)</u>
Debt Service as a Percentage of					
Noncapital Expenditures	4.63%	5.45%	3.97%	3.59%	3.54%

Source: The Town's Finance Department.

Fiscal Year				
2009	2010	2011	2012	2013
\$ 19,758,273	\$ 16,836,982	\$ 16,023,317	\$ 16,475,628	\$ 20,231,535
7,062,887	5,180,166	5,734,596	7,708,774	7,227,330
63,616	73,640	114,749	73,500	3,818,206
2,411,850	3,153,496	3,258,927	2,083,219	817,815
-	-	-	221,169	288,404
870,186	2,698,090	156,673	1,823,614	3,442,997
2,225,710	2,430,132	1,575,802	1,968,577	5,877,743
2,870,359	2,195,808	2,136,060	2,242,754	2,139,002
617,550	321,371	769,016	524,712	(188,481)
656,092	386,227	389,978	239,000	140,421
<u>36,536,523</u>	<u>33,275,912</u>	<u>30,159,118</u>	<u>33,360,947</u>	<u>43,794,972</u>
10,951,825	10,982,941	9,351,883	7,886,767	8,405,607
8,926,574	8,477,676	8,320,857	7,406,989	7,713,176
2,525,680	2,124,711	2,971,653	2,932,978	2,837,392
3,211,714	2,799,420	3,279,393	2,533,497	2,318,345
-	-	-	-	-
632,499	574,191	729,464	570,038	809,841
30,252,931	5,387,164	11,775,094	3,743,304	1,383,628
2,699,907	2,870,695	2,891,326	3,008,680	3,161,506
5,177,249	4,977,067	4,860,272	4,724,600	4,711,032
-	-	-	-	-
<u>64,378,379</u>	<u>38,193,865</u>	<u>44,179,942</u>	<u>32,806,853</u>	<u>31,340,527</u>
(27,841,856)	(4,917,953)	(14,020,824)	554,094	12,454,445
5,210,992	6,415,774	5,163,723	5,450,701	6,654,872
(6,636,992)	(8,006,467)	(6,182,721)	(4,464,852)	(5,120,342)
12,045,000	-	-	-	-
-	-	-	-	-
1,937,932	-	104,100	-	130,234
<u>12,556,932</u>	<u>(1,590,693)</u>	<u>(914,898)</u>	<u>985,849</u>	<u>1,664,764</u>
<u>\$ (15,284,924)</u>	<u>\$ (6,508,646)</u>	<u>\$ (14,935,722)</u>	<u>\$ 1,539,943</u>	<u>\$ 14,119,209</u>
4.05%	9.80%	17.55%	26.10%	26.28%

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

Sales Category:	Fiscal Year			
	2004	2005	2006	2007
Mining	\$ 1,342	\$ 21,283	\$ 25,202	\$ 207,594
Construction	160,892,835	314,056,983	477,574,459	748,352,769
Manufacturing	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	7,537,502	167,620	207,498	131,612
Wholesale Trade	1,354,433	1,967,366	3,850,397	4,404,879
Retail Trade	40,975,594	75,542,054	119,811,982	128,953,912
Restaurants and Bars	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	2,516,186	12,931,078	30,714,441	41,265,871
Hotels and Other Lodging	264,372	-	-	-
Services	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	21,167,718	16,055,863	11,774,982	7,620,946
<b>Total</b>	<b>\$ 248,244,644</b>	<b>\$ 463,641,629</b>	<b>\$ 705,816,241</b>	<b>\$ 1,011,991,640</b>
Town Sales Tax Rate	2.00%	2.00%	2.00%	2.00%

Source: Arizona Department of Revenue.

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 308,855	\$ 19,506	\$ 8,578	\$ 43,824	\$ 44,933	\$ 64,581
561,235,846	128,692,544	47,010,800	44,145,779	64,313,467	183,507,187
16,321,469	13,088,096	11,605,644	14,276,568	14,800,622	15,678,705
43,961,810	36,977,768	45,536,133	44,125,676	47,838,756	46,342,729
202,433	149,331	112,400	139,625	49,244	41,877
8,524,677	7,319,314	5,051,467	6,230,724	5,300,978	5,271,396
152,578,377	236,077,544	235,488,222	240,602,220	256,984,356	281,513,741
31,722,604	36,646,285	40,576,044	46,232,244	45,583,911	51,553,181
1,582,892	1,471,041	1,776,444	1,933,483	1,812,133	2,327,463
39,906,317	55,469,885	47,604,000	50,089,300	52,889,378	67,570,269
-	-	-	-	-	-
11,519,640	11,642,030	8,637,778	10,865,399	11,949,956	15,347,314
55,228	1,008	40,533	399	533	340
3,924,518	4,928,933	5,593,556	5,752,407	4,867,600	5,068,449
14,154,088	20,418,792	8,186,356	8,705,045	11,640,444	9,917,693
<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>	<u>\$ 684,204,928</u>
2.25%	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>
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
2013	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 SIX FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Assessed Value				Total Taxable Assessed Value
	Residential Property Value	Agricultural and Commercial Property Value	Total Assessed Value	Less: Exemptions	
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
2013	133,965,641	108,634,168	242,599,809	(51,394,523)	191,205,286

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%
2013	1.95	1,957,841,850	9.77%

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 SIX 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
2013	1.95	4.55	1.16	1.24

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, 2013 AND 2011  
(UNAUDITED)**

Taxpayer	2013			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Broadstone Queen Creek LLC	\$ 17,747,000	1	9.28			
WDP Town Center LLP	11,797,443	2	6.17	\$ 3,480,628	6	1.62
Wal-Mart Stores, Inc.	11,673,900	3	6.11	3,785,838	5	1.77
Grace Power and Chandler Heights LLC	9,876,451	4	5.17			
K & M Development #1 LLC	9,689,700	5	5.07			
Home Depot USA Inc	7,646,076	6	4.00			
DTD Devco 2 LLC	7,612,086	7	3.98			
Vestar QCM LLC	6,254,905	8	3.27			
Union Pacific Railroad	5,535,500	9	2.90			
LDR Sossaman Estates Q C LLC	5,293,915	10	2.77			
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
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
	<u>\$ 93,126,976</u>		48.71 %	<u>\$ 60,766,753</u>		28.33 %

Source: The Maricopa County Assessor's Office

Note 1: Information prior to 2011 is not available.

**TOWN OF QUEEN CREEK, ARIZONA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST SIX 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 %	\$ 97,735	\$ 3,790,629	99.96 %	\$ 1,622	0.04 %
2009	4,701,609	4,578,427	97.38	120,951	4,699,378	99.95	2,231	0.05
2010	5,432,696	5,290,359	97.38	140,350	5,430,709	99.96	1,987	0.04
2011	5,056,216	4,923,743	97.38	129,754	5,053,497	99.95	2,719	0.05
2012	4,082,960	3,976,035	97.38	104,970	4,081,005	99.95	1,955	0.05
2013	3,712,376	3,620,118	97.51	-	3,620,118	97.51	92,258	2.49

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
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	1,081,424	94,456,424
2013	24,322,262	48,271,732	19,535,705	915,152	93,044,851

Business-Type Activities

Fiscal Year	Advances in Aid of Construction	Loans Payable	Capital Leases	Total
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
2013	847,232	67,092,551	-	67,939,783

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

Fiscal Year	Total Outstanding Debt - Primary Government	Percentage of Estimated Actual Value	Percentage of Personal Income	Per Capita
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	166,491,040	7.87%	23.43%	6,211
2013	160,984,634	8.22%	20.09%	5,757

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, 2013**  
**(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	\$ 766,085,000	0.55%	\$ 4,213,468
Chandler Unified School District	211,700,000	0.40%	846,800
Higley Unified School District	63,475,000	10.81%	6,861,648
Queen Creek Unified School District No. 95	40,575,000	63.50%	25,765,124
Subtotal, Overlapping Debt			<u>37,687,040</u>
Town of Queen Creek, Arizona	93,044,851	100.00%	93,044,851
Total Direct and Overlapping Debt			<u><u>\$ 130,731,891</u></u>

Source:

(1) Proportion applicable to the Town of Queen Creek, Arizona, is computed on the ratio of secondary assessed valuation for 2012-13.

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Total Debt Limit	\$ 12,422,223	\$ 17,878,367	\$ 29,541,469	\$ 41,406,291	\$ 74,152,814
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 12,422,223</u>	<u>\$ 17,878,367</u>	<u>\$ 29,541,469</u>	<u>\$ 41,406,291</u>	<u>\$ 74,152,814</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-

Source: The Town's Finance Department and the Maricopa County Assessor's Office.

Fiscal Year				
2009	2010	2011	2012	2013
\$ 90,464,867	\$ 90,209,091	\$ 74,395,445	\$ 55,763,244	\$ 49,713,374
-	-	-	-	-
<u>\$ 90,464,867</u>	<u>\$ 90,209,091</u>	<u>\$ 74,395,445</u>	<u>\$ 55,763,244</u>	<u>\$ 49,713,374</u>

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**TOWN OF QUEEN CREEK, ARIZONA  
CALCULATION OF LEGAL DEBT MARGIN  
JUNE 30, 2013  
(UNAUDITED)**

Net Secondary Assessed Value		<u>\$ 191,205,286</u>
<hr style="border: 1px solid black;"/> Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds		
Debt Limit - 20% of Net Secondary Assessed Value		\$ 38,241,057
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>\$ 38,241,057</u>
<hr style="border: 1px solid black;"/> All Other General Obligation Bonds		
Debt Limit - 6% of Net Secondary Assessed Value		\$ 11,472,317
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>\$ 11,472,317</u>
Total Legal Debt Margin		<u>\$ 49,713,374</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
2013	22,007,076	-		22,007,076	1,580,000	2,336,067	5.62

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
2013	1,801,837	-		1,801,837	1,475,000	2,405,349	0.46

Wastewater Loans

Fiscal Year	Wastewater Charges and Other (1)	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses (2)					
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
2013	6,806,429	2,011,178		4,795,251	1,674,187	1,181,896	1.68

**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
2013	10,566,874	3,773,546	6,793,328	1,567,590	1,385,441	2.30

Source: The Town's Comprehensive Annual Financial Report's 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>
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
2013	27,963	801,503,469	28,663	8.0	7.1

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  
JUNE 30, 2013 AND 2011  
(UNAUDITED)**

Employer	2013			2011 (1)		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Queen Creek Unified School District	901	1	37.70%	667	1	34.63%
Wal-Mart	331	2	13.85%	310	2	16.10%
Canyon State Academy	300	3	12.55%	200	3	10.38%
Target	182	4	7.62%	170	4	8.83%
Town of Queen Creek, Arizona	154	5	6.44%	149	6	7.74%
Home Depot	132	6	5.52%	135	5	7.01%
Kohl's	92	7	3.85%	85	8	4.41%
Bashas	62	8	2.59%	79	9	4.10%
Safeway	60	9	2.51%	80	7	4.15%
Paradise Bakery	30	10	1.26%	36	10	1.87%
	<u>2,244</u>		93.89%	<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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	18	29	31	31	55	55	48	33	35	43
Public Safety	4	5	4	4	33	34	33	32	32	37
Highways and Streets	19	22	30	30	29	23	17	17	18	16
Culture and Recreation	49	64	35	35	37	31	30	20	11	22
Community Development	29	42	38	38	31	26	28	16	26	9
Wastewater	-	3	-	-	4	6	5	4	4	5
Water	-	-	-	-	22	25	27	24	23	22
<b>Total</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>	<b>154</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				
	2004	2005	2006	2007	2008
<b>Planning and Building Safety</b>					
Building Permits Issued	1,754	1,265	1,240	630	268
<b>Highways and Streets</b>					
Street Resurfacing (Miles)	13	-	10	24	36
Street Striped (Miles)	12	-	15	10	35
<b>Culture and Recreation</b>					
Athletic Field Permits Issued	30	30	255	173	181
Recreation Center Program Hits	7,000	10,000	11,374	10,977	10,410
Summer Recreation Camps	65	65	45	30	57

Source: The Town of Queen Creek

Fiscal Year

2009	2010	2011	2012	2013
179	224	125	194	1,946
47	64	13	24	43
50	50	38	29	38
114	169	148	122	128
12,105	11,984	10,608	15,374	17,805
N/A	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				
	2004	2005	2006	2007	2008
Highways and Streets					
Streets (Miles)	107	120	165	197	198
Streetlights	128	204	273	300	662
Traffic Signals	1	1	2	4	26
Culture and Recreation					
Parks Acreage	296	414	424	424	418
Parks	1	2	2	2	2
Community Centers	1	1	1	1	1
Sewer					
Sanitary Sewer (Miles)	4	8	20	71	97
Storm Sewers (Miles)	-	-	-	4	4
Maximum Daily Treatment Capacity (Thousands of Gallons)	1,100	1,100	4,000	4,000	4,000

Source: The Town of Queen Creek's Facility Records

Fiscal Year

2009	2010	2011	2012	2013
386	386	391	397	440
863	873	983	1,022	1,082
33	33	33	37	38
419	419	419	419	419
3	3	3	3	3
3	2	2	2	1
99	102	104	105	110
7	8	9	9	9
4,000	4,000	4,000	4,000	4,000