

TOWN OF QUEEN CREEK ARIZONA



Welcome to Queen Creek



COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended June 30, 2014

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**TOWN OF QUEEN CREEK, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Issued by:
Finance Department

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INTRODUCTORY SECTION



TOWN OF QUEEN CREEK ARIZONA

October 9, 2014

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 ending June 30, 2014.

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 ending June 30, 2014 are free from 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 ending June 30, 2014, 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 Discuss and Analysis (MD&A). This letter of transmittal is designated 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 resident involvement and input, the Town has adopted several award-winning plans designed to guide future growth.

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.

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 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.

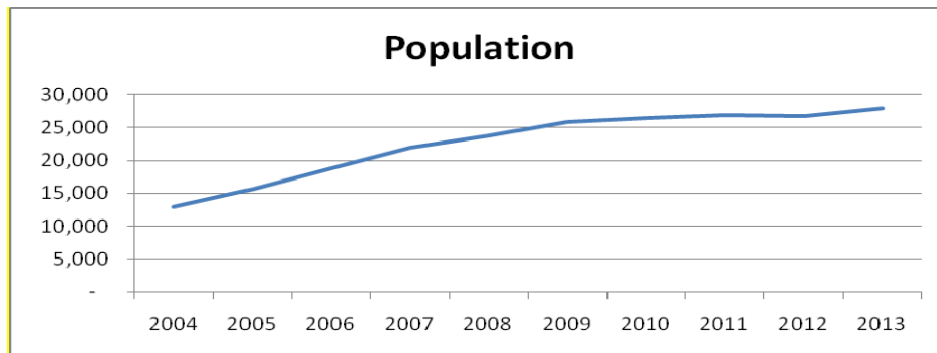
GOVERNANCE

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, entering agreements, providing executive leadership, making 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. Work-study sessions are typically held before the regular meetings. No decisions are made at work-study sessions. All meetings are open to the public.

GEOGRAPHY AND POPULATION

Queen Creek is located in the southeast corner of Maricopa County on the edge of the Phoenix metropolitan area. The Town overlaps 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 32,000.



FACTORS AFFECTING FINANCIAL CONDITION

Fiscal year 2013-14 saw significant financial gains for the Town including:

- Acquisition of H2O Water Company was voted upon by Town residents in May 2013 and ultimately approved by Council in June 2013. H2O customers became Queen Creek customers on November 1, 2013. This acquisition increased the Water Utility by 23 square miles and more than doubled water customers.
- Housing permits totaling 719 for the fiscal year, up from 647 the previous year. Each housing permit generates approximately \$20,000 into the Town's treasury from development fees, capacity fees for utilities and construction sales tax revenue, thus Town revenues and fund balances increased accordingly for the fiscal year.
- Town sales tax revenue grew at approximately 14.5% over prior year due to the improving economy, building activity and increased Town 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 \$15.8 million at June 30, 2013 to \$23 million at June 30, 2014, a 45% increase for the year. The current balance amounts to 111% 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. In the FY14/15 budget, the "Unassigned" general fund balance is being reduced by \$10 million in order to fund needed capital improvement in the Town, including streets and public facilities.

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 Town continues to invest in the Town Center striving to create a true economic core and heart of the community for generations to come. The Town has recently invested millions of dollars in infrastructure improvements including the rebuilding of the Ellsworth/Ocotillo Roads intersection, pedestrian improvements to the roads themselves, festival-friendly infrastructure including access to electric and water utilities, and the addition of decorative enhancements to the streetlights and traffic signals in this key area. The Town has also developed two beautiful new amenities for the community to enjoy a state-of-the-art Splash Pad and a one-acre Pocket Park for Pups for our four-legged residents.

Queen Creek offers a host of cultural and agritainment activities throughout the year for all to enjoy. Designated as an Arizona treasure, Schnepf Farms is a family-owned working farm providing entertainment, education and delicious, locally grown fruits and vegetables through a variety of seasonal festivals, concerts and events. Just across from the farm, the Queen Creek Olive Mill is Arizona's only working olive farm and mill. Daily tours and mouth-watering breakfast and lunches are available to the public.

For theater enthusiasts, the Queen Creek Performing Arts Center provides high-quality professional theater at prices affordable for the whole family including Broadway shows and popular artists such as Lady Antebellum. Barney Family Sports Complex provides a venue for sports fans, offering family-oriented sporting activities for all ages and the Town's Parks and Recreation division hosts year-round classes for the entire family to enjoy, plus popular annual events such as Passport to Discovery and Trunk or Treat.

Horseshoe Park & Equestrian Centre is one of Arizona's premier event facilities. Quiet and secluded, yet conveniently close to Sky Harbor International Airport and other venues in and around Phoenix, Horseshoe Park was designed with flexibility in mind. The park hosts a variety of equestrian events of both the English and Western persuasion and is equipped to handle large festivals, RV and equipment shows, concerts, home shows and weddings. Since opening in early 2009, Horseshoe Park continues to gain momentum as a unique and emerging commercial venue. Due to the number of visitors Horseshoe Park brings to the area each year, a number of commercial development opportunities are available near the facility. With close proximity to existing space for lease and available land to build, this area provides a unique market for niche services and business.

Transportation

Major transportation access is available via roads, rail and air. Interstate Highway 10 is less than 20 miles away and provides easy access to surrounding communities, states and Mexico. State Highway 202 (the Santan Freeway), connecting Queen Creek to the Phoenix metropolitan area, is within five miles of Queen Creek. In summer 2013, a portion of State Road 24 (Gateway Freeway) was completed, offering enhanced access from southeast Maricopa County to northwest Pinal County and additional routes into and out of Phoenix-Mesa Gateway Airport and its surrounding businesses and schools. A major Union Pacific rail line bisects Queen Creek and allows access to commercial and industrial sites.

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 and is a designated reliever airport to Phoenix Sky Harbor. It offers an expanding number of passenger flights, including Allegiant, Frontier and Spirit airlines, as well as extensive freight and cargo service, aviation technology and repair firms, and commuter, private and cargo air service. The facility also contains tracts zoned for commercial and industrial uses. As a Foreign Trade Zone, Phoenix-Mesa Gateway Airport offers incentives to aviation companies worldwide.

Educational Facilities

K-12 School Districts

Queen Creek is served by four area school districts. Queen Creek Unified School District, an "A" rated district, serves the largest portion of the Town and includes four elementary schools, two middle schools and a high school. Also serving Queen Creek are the Chandler Unified School District, Higley Unified School District, J.O. Combs Unified School District as well as campuses of the Benjamin Franklin and American Leadership Academy, Cambridge and American Heritage charter schools.

Post-Secondary Education

Young, well-educated Queen Creek residents provide an ideal employment base. A partnership of post-secondary educational institutions creates a campus environment on the Phoenix-Mesa Gateway Airport grounds, just a 10-minute drive from Queen Creek. At the Arizona State University Polytechnic Campus, students can earn bachelor's and graduate degrees in such fields as aviation, biological sciences, business, electronics, engineering, graphic information technology, health and wellness, human resources and others. The Chandler-Gilbert Community College offers a wide array of general studies and university transfer courses, as well as a number of specialized programs, including aviation, nursing, fire science, law enforcement training, and electric utility technology. It maintains partnerships with the University of North Dakota Aerospace (for flight training) and Embry-Riddle Aeronautical Institute (for airframe & power plant/maintenance training).

Communiversality at Queen Creek

Through a public-private partnership with Rio Salado Community College, Queen Creek opened a local "communiversality" in fall 2013. The campus, located in the Town Center, will allow students to complete certificates, associate, bachelor's and master's degrees in-person or online in one location close to home. It also is designed to support the needs of local companies for employee training and development. The facility includes classrooms, a computer lab, a testing center and administrative offices, and it will be a regional support center for online learners.

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 it was amended in 1996, 1999, 2002, 2008 and 2010.

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, open spaces and adequate public facilities to serve the needs of the community.

Development and capacity fees provide partial funding for infrastructure needed to accommodate new growth, including wastewater treatment facilities, libraries, parks and recreational facilities, government facilities, transportation, public safety, and fire services.

PUBLIC SERVICES

Because of its small size and limited financial resources, Queen Creek is not a full-service municipality. Police, courts, jail, animal control and emergency management services are currently provided for residents by Maricopa County. Police services are provided through a contract with the Maricopa County Sheriff's Office and municipal court services are provided through a contract with the Town of Gilbert.

In January 2008, the Town launched its first municipal fire department. The Queen Creek Fire Department provides fire and emergency medical service coverage to residents in the Town's incorporated limits.

PLANS TO MANAGE GROWTH

In addition to the sewer system, the Town of Queen Creek purchased the Queen Creek Water Company in 2008 and H2O, Inc in 2013 to provide residents with a safe, sustainable and affordable water supply. In September 2010, municipal trash and recycling services began through a contract with a private firm, Right Away Disposal. Services have been gradually implemented throughout the community. In 2012, Queen Creek became the first community in the United States to offer curbside textile recycling services, further enhancing the Town's commitment to sustainability.

ECONOMIC DEVELOPMENT

Queen Creek continues to develop plans for a financially sustainable future. The Economic Development Department assists those looking for retail, office, industrial or land sites. The department also provides business resource and demographic information.

As a member of the Greater Phoenix Economic Council (GPEC), Queen Creek is part of the regional business community that works to ensure a competitive, vibrant and self-sustaining regional economy.

The Economic Development Commission, comprised of local residents, business owners and elected officials, adopted the Economic Development Strategic Plan in 2007. The Commission defined targeted industry sectors in order to focus marketing and recruitment efforts to strengthen and diversify Queen Creek's economy. The target sectors include: aerospace & aviation; health & wellness; arts, culture & experience; specialty lifestyle retail; advanced financial/business services; and education.

In 2010 the Shop Queen Creek program was launched in partnership with the Queen Creek Chamber of Commerce to support local businesses. The program, which encourages residents to make purchases within the community, is designed to strengthen the Town's economic base, encourage entrepreneurship and help retain sales tax dollars that fund local programs and services.

The Queen Creek Incubator Program, QC Inc., was implemented in early 2011. QC Inc. is a business development program aimed at assisting and nurturing small business owners, home-based businesses, entrepreneurial companies and those contemplating starting a business to grow their company within Queen Creek. The incubator provides affordable space, business counseling and business services, as well as opportunities to network with other emerging companies.

Town Center is designed to be the commercial, cultural and civic core of Queen Creek. This heart of the community has seen tremendous growth over the past few years with more than 1.1 million square feet of commercial development, including a state-of-the-art Gold LEED-certified library, Town Hall and the new Communiversity at Queen Creek. Several new retail and dining options have recently opened and there are many exciting projects that are coming soon, including the 14-screen Harkins Movie Theater opening spring 2015 and the development of a 20-acre mixed-use entertainment project that is in the planning stages. With community events planned throughout the year, there's always something to do in the Town Center and it is truly an enjoyable place to eat, work, live and play.

EMPLOYMENT

Current primary employers in the community consist of a mix of private and public entities. The Town currently has issued 1,457 active business licenses, 559 of which are in the Town limits.

Of Queen Creek's total acreage, approximately 14 percent is designated for commercial or industrial uses. Commercial development is focused in the Town Center, at the northern entrance to the community and near the intersection of Riggs and Meridian roads where a regional mall is planned. Employment and industrial uses are planned along the northern edge of the community to take advantage of the proximity to Phoenix-Mesa Gateway Airport, the Santan Freeway and future State Route 24 Freeway.

At the northern boundary of Queen Creek, an area referred to as the "Northern Tier", there is a significant amount of land designated for future employment uses. The General Plan designations and/or zoning in this area encourage a range of light to intensive uses. The "Northern Tier" has direct access to major arterials and is positioned for strong growth potential with its proximity to the Phoenix- Mesa Gateway Airport, Eastmark, Arizona State University Polytechnic and the new State Route 24. The SR 24 provides a direct connection between the Santan Freeway and Ellsworth Road, the main thoroughfare into Queen Creek.

In the southeastern corner of Queen Creek, Schnepf Farms and The Queen Creek Olive Mill collectively create an agritainment/agritourism district, which will be a core component to the Town's tourism efforts. The nearby Banner Ironwood Medical Center and surrounding Pinal County / San Tan Valley residential neighborhoods enhance this unique area of Queen Creek and provide an attractive demographic base for investors. This area of town is projected to grow significantly between 2013 and 2018, surpassing the Town's overall projected growth and create new employment opportunities.

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 supports a unique lifestyle.

Maricopa County Library Queen Creek Branch

The Town constructed a new library in 2008 to host the Queen Creek branch of the Maricopa County Library District. The modern facility includes the Mary Lou Fulton children's area, a teen area, general reading areas, public computers, study rooms and conference rooms. The library marked 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 its many energy-saving features earned a gold-level certification.

Recreation, Parks & Special Events

Whether it's dancing to music from around the world at Passport to Discovery, taking part in a Zumba class, learning how to create original artwork, or enjoying Halloween amusements at Trunk or Treat, Queen Creek's Recreation Division makes sure there is fun to be had in Queen Creek year-round! Local sports organizations offer league competition in a variety of sports including football, baseball, softball and soccer. 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.

Parks also provide connectivity to the Town's trail system. You can bike, walk, run or ride your horse right from Desert Mountain Park into the improved Queen Creek Wash Trail. This trail will soon be improved from Power Road from the west side of Town to Meridian Road to the east, connecting more parks and neighborhoods along the way.

The 56-acre first phase of Horseshoe Park and Equestrian Centre opened in January 2009. The venue, known for its excellent customer service, hosts a variety of equestrian activities throughout the year appealing to English and Western riders, ranging from jumping competitions to roping, team penning, barrel racing and cutting contests. A community arena is available to local residents separate from event facilities.

Although constructed primarily for equestrian-oriented activities, events such as concerts, home shows, RV and car shows and weddings can also be hosted at the facility. In 2011, 300 additional barn stalls and 40 RV slots were added to the park, providing additional resources for large-scale events.

San Tan Mountain Regional Park, a Maricopa County park located on Queen Creek's southern edge and serving several East Valley communities, is a natural preserve consisting of more than 10,000 acres of desert that provides a variety of recreational opportunities.

COMMUNITY INVOLVEMENT

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 in June and pancake breakfast in November 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 Annual Events

- Town of Queen Creek Passport to Discovery – March
- Roots and Boots – March
- Earth Day - April
- Schnepf Farms Queen Creek Peach Festival – May
- Ice Cream Social – June
- Queen Creek Independence Day Celebration – July
- Town of Queen Creek Founder's Day - September
- Schnepf Farms Pumpkin and Chili Party – October
- Town of Queen Creek Trunk or Treat – October
- Olive Harvest Festival at Queen Creek Olive Mill – October thru December

- Pancake Breakfast – November
- Queen Creek Holiday Festival and Parade – December

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.

CITIZEN SURVEY

The Town of Queen Creek regularly surveys residents about their opinions on topics such as quality of life, service delivery, civic participation and unique issues of local interest. These periodic surveys offer staff, elected officials and others with an opportunity to identify challenges and plan for and evaluate improvements.

FINANCIAL POLICY

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 annually to assure the highest standards of fiscal management. The Town Manager and the Town Council Budget Committee have the primary role of reviewing financial actions and providing guidance to the Town Council.

OVERALL GOALS:

The overall financial goals underlying these policies are:

- Fiscal conservatism: To ensure that the Town is at all times in a solid financial condition. This can be defined as:
 - Cash Solvency - the ability to pay bills.
 - Budgetary Solvency - the ability to balance the budget. Neither a budget deficit nor budget surplus is present in the budget. Revenues equal expenditures.
 - Long-run Solvency - the ability to pay future costs.
- 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.
- Adherence to the highest accounting and management practices: To ensure compliance with standards for financial reporting and budgeting established by the Government Finance Officers’ Association (GFOA), the Governmental Accounting Standards Board (GASB), and other professional best practices.

OPERATING MANAGEMENT POLICIES

- Ongoing operating costs should be supported by ongoing, stable revenue sources as much as possible. Some corollaries to this policy are:
 - Fund balances should be used only for one-time expenditures, such as capital equipment and improvements or contingency accounts.

- Ongoing maintenance costs should be financed through operating revenues rather than bonds.
- Fluctuating federal grants should not be used to finance ongoing programs.
- 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.
- Unassigned fund balances in the General Fund must equal 25% of its revenue budget, per Town Council policy, to provide a cushion to address emergency situations and unforeseen circumstances.
- Enterprise funds should be self-sufficient. They should include a sufficient unrestricted net position to absorb fluctuations in annual revenue. Enterprise funds should be charged directly for expenses such as staff salaries and fringes and direct operating expenses. Departmental support costs for such general fund support as Information Technology, Communications & Marketing, Finance, Budget, Human Resources, 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.
- A financial forecasting model should be developed to test annually 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 should at minimum cover the current and next fiscal year.
- Laws and policies on limitations on revenue sources should be explicitly addressed in the budget process. These include:
 - 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.
 - Highway User Revenue Fund (HURF) must be used for expenditures found in the right-of-way including streets, sidewalks, curbs, etc.
- Comparison of service delivery will be made on a periodic basis to ensure that quality services are provided to 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:

- Safety of principal – the Town will seek to ensure preservation of principal in the overall portfolio.
- Liquidity – the investment pools and funds will remain sufficiently liquid to enable the Town to meet all operating requirements that might be reasonably anticipated.
- 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 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 expenditures. Any planned usage of Unassigned Fund Balance reserve must be appropriated by the Town Council. Any unplanned usage or drawdown caused by revenue declines 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 reserve 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 category, Special Revenue type, shall be assigned as Restricted.
- 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, 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 (CIP) and other financial policies as directed by the Mayor and Town Council. Bond, lease/purchase financing; internal borrowing between funds; and state agency financing through the Greater Arizona Development Authority (GADA) and the Water Infrastructure and Finance Authority of Arizona (WIFA) will be considered for financing major capital improvements and equipment for the Town.

- 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 revenues.
- Bonds must be investment grade without assistance from a credit enhancement.
- 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.

BUDGET POLICIES

Queen Creek in accordance with Arizona state law annually adopts a balanced budget, which is all-inclusive. Arizona Revised Statute §42-17151 requires all estimated sources of revenue, and restricted and unrestricted unencumbered balances from the preceding fiscal year, shall equal the total of amounts proposed to be spent in the budget for the current fiscal year. All inclusive means that if an item is not budgeted it cannot legally be spent during the fiscal year. Therefore, the budget must include sufficient appropriation provisions for expenditures related to revenues that cannot be accurately determined or anticipated when the budget is adopted.

Arizona Revised Statutes only requires communities to prepare budget for two funds – the General Fund and Highway User Revenue Fund. In addition to these two funds, Queen Creek prepares budgets and requests legal appropriation for all its funds: Special Revenue, Emergency Services, Enterprise, Capital Improvement and Debt Service.

Budget Amendment Policies

In January 2013, the Town Council approved an update of the Town's budget amendment policies as follows:

- Appropriation transfers between Town departments from any non-departmental account, including contingency, and budget adjustments that include creating new full-time positions, may be done only with approval of the Town Council.
- Budget adjustments to increase Town estimated revenues in order to fund increasing appropriations must be approved by Town Council. The only exception is with the Town's Enterprise funds in which more flexible budgeting is required. Within these funds, the sale of a good or material is first dependent on the Town acquiring the item. In those cases in which added sales or revenue generation is directly linked to the acquisition of the item, the Town Manager can approve such appropriations and revenue increases to the budget, up to a cap of \$100K. Such adjustments must stay within the annual budget ceiling adopted for the Town.
- Appropriation transfers between Town funds (e.g. general fund, HURF, development fees, etc.) require the approval of the Town Council.

- Appropriation transfers of up to \$50,000 between capital project accounts require the Town Manager's approval only; transfers above that amount require Town Council approval.
- Appropriation transfers from one expenditure account to another within a Town departmental budget (Intradepartmental Appropriation Transfer) are as follows. All transfers are contingent upon Budget Office verification of sufficient budget being available for the request.
 - Department Director approval only up to \$25,000 from one appropriation account to another within a departmental budget.
 - Town Manager approval only for transfers greater than \$25,000 within a departmental budget.

Budgetary Control System

- Quarterly budget-to-actual variance reports are prepared by the Budget Administrator. Following review by the Assistant Town Manager/CFO and Town Manager, these reports are provided to the Town Council for information.
- Budget staff annually updates the Town's five-year Financial Plan in order to validate and adjust the plan to new assumptions and growth projections of the community.
- Ongoing budget reviews in order to make necessary adjustments are then presented to the Town Council as needed based upon the revised budget amendment policies.

REVENUE MANAGEMENT POLICIES

- The Town will strive for a more diversified and stable revenue system, maintained to ensure the fiscal health of the community.
- User fees for all operations will be examined annually to ensure that fees cover direct and indirect cost of service as much as possible.
- 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

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

FIXED ASSET POLICIES

- The Town has set its capitalization threshold for all assets with an initial individual cost of \$10,000 or more and an estimated useful life of one year. Assets having value under \$10,000, regardless of their useful life, will not be reported as assets in the fixed asset system. Individual departments are responsible for maintaining inventory and records of all assets under \$10,000.

- All Town departments are required to provide detailed information on all assets, newly acquired during the fiscal year, no later than 30 days prior to the end of the fiscal year.
- Non-cancelable lease agreements are handled in accordance with FASB Statement No.13.
- Donated assets will be entered into the system at fair market value as determined through appraisal.
- Construction in process is considered a separate type of asset and is tracked separately from the capital assets until the time of completion.
- Costs subsequent to acquisition should be capitalized if any of the following exists:
 - Useful life of asset is increased
 - Quality of services produced from asset is increased
 - Quality of units produced by asset is enhanced
- Disposal of assets shall be in accordance with all applicable federal, state and local regulations and policy.

FINANCIAL REPORTING POLICIES

- 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).
- 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.
- 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 LGIP operated by the State is for the benefit of counties, cities, towns and other political subdivisions of the state. The State also provides a collateral pool program backed by government securities from financial institutions to help ensure security for deposits.

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 AMRRP have provided a solid risk management foundation which is being continually enhanced.

PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFIT

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 ACKNOWLEDGEMENT

Awards

The Governmental 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 ending June 30, 2013. This was the ninth 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. We believe the current CAFR continues to meet the program's requirements and will be submitted to GFOA to determine its eligibility for the fiscal year 2014 certificate.

In addition, the government also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year ending June 30, 2013. In order to qualify for the 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

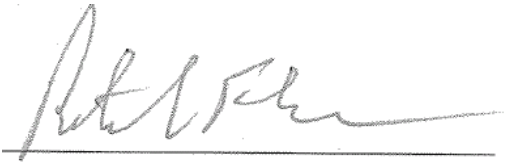
Acknowledgment

The preparation of this report would not have been possible without the efficient and dedicated services of the entire team of the Finance division. We would also like to extend our appreciation to the Mayor and Council for their leadership and support. Each member of the division has our 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, 2014**

ELECTED OFFICIALS

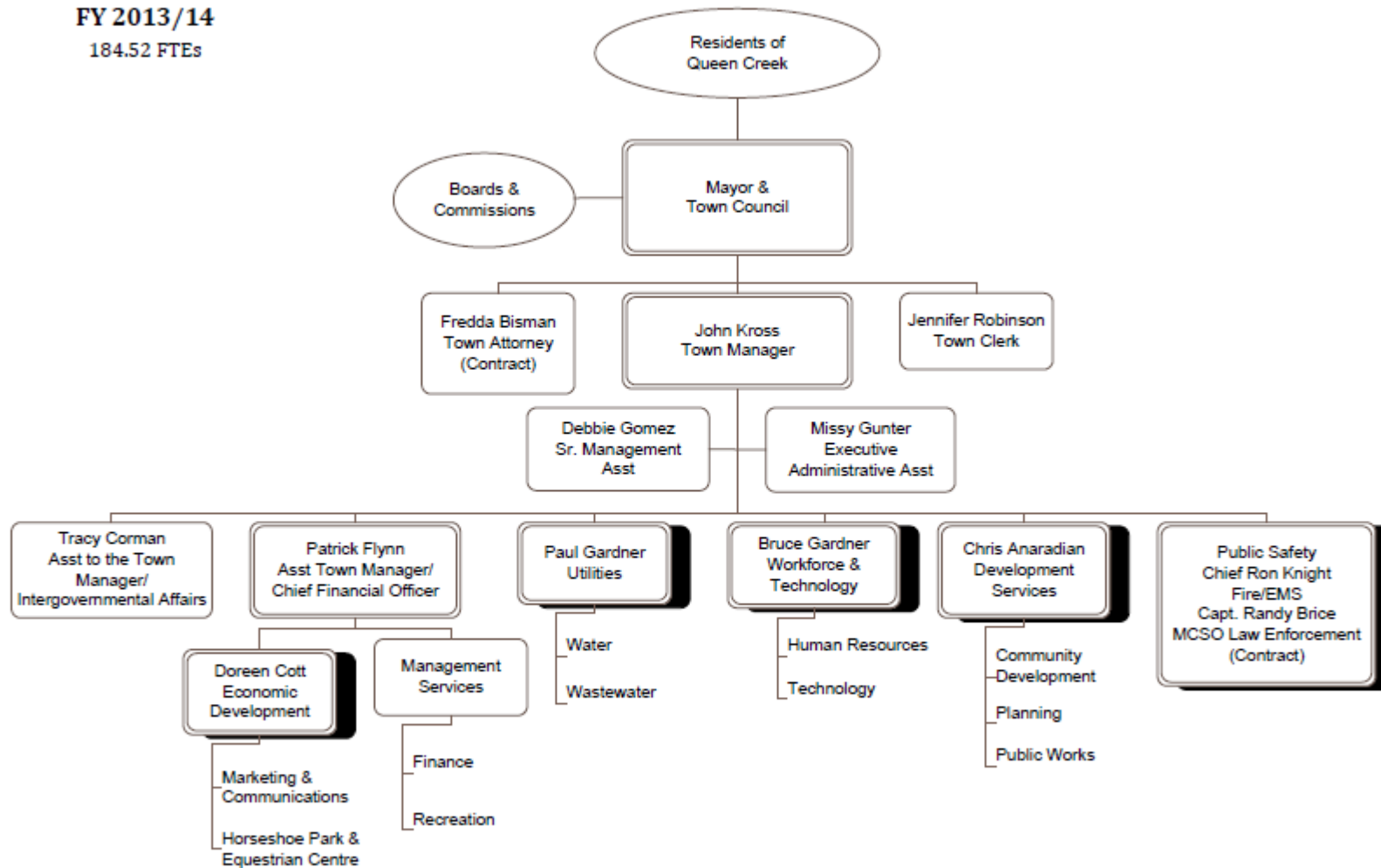
Mayor	Gail Barney
Vice-Mayor	Jeff Brown
Councilmember	Craig Barnes
Councilmember	Robin Benning
Councilmember	Jason Gad
Councilmember	Dawn Oliphant
Councilmember	Julia Wheatley


DEPARTMENT DIRECTORS

Town Manager	John Kross
Assistant Town Manager/CFO	Patrick Flynn
Fire Chief	Ron Knight
Development Services Director	Chris Anaradian
Economic Development Director	Doreen Cott
Utilities Director	Paul Gardner
Workforce and Technology Director	Bruce Gardner
Communications, Marketing & Recreation Director	Marnie Schubert



Organization & Operational Chart
FY 2013/14
184.52 FTEs



 Departments



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, 2013

Executive Director/CEO

FINANCIAL SECTION

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2014, 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.

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 76, and the budgetary comparison information on pages 77 through 80 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 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014 on our consideration of the Town of Queen Creek, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Queen Creek, Arizona's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Phoenix, Arizona
October 9, 2014

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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, 2014. 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 \$335,558,567 (net position). Of this amount, \$63,450,390 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- ◆ Total net position increased by \$35,712,749 during the fiscal year.
- ◆ As of June 30, 2014, the Town's governmental funds reported a combined ending fund balance of \$60,393,914, an increase of \$11,532,530 in comparison with the prior year. Of this amount, 38% 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 \$23,025,977 or 123% of the total General Fund expenditures of \$18,665,004.
- ◆ General Fund revenues (on a budgetary basis) exceeded budgeted revenues by \$5,884,917 for fiscal year ending June 30, 2014. Additionally, budgetary basis expenditures were 90.1% (\$1,786,471 (9.9%) in savings) of the final budget in the General Fund.
- ◆ General Fund revenue exceeded expenditures (on a budgetary basis) by \$10,424,850; a positive variance of \$7,671,388 from the final budget.
- ◆ The Town drew down \$15.5 million of an authorized \$16.0 million in loans financed by the Water Infrastructure Authority of Arizona and issued a Revenue Obligation Indenture totaling \$19.4 million to acquire a local water utility.

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

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

years, such as revenue from uncollected taxes or expenses from earned but unused vacation and sick leave.

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, 2014**

- ◆ *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 - 75 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 – 80 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 81 - 94.

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 \$335,558,567.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2014 and 2013.

**Table A-1
Net Position
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and Other Assets	\$ 94,880,238	\$ 80,480,958	\$ 51,971,078	\$ 44,919,943	\$ 146,851,316	\$ 125,400,901
Capital Assets:						
Non-depreciable	47,834,558	45,276,204	3,565,633	1,500,909	51,400,191	46,777,113
Depreciable (net)	201,708,534	193,722,043	159,440,953	106,133,540	361,149,487	299,855,583
Total Assets	344,423,330	319,479,205	214,977,664	152,554,392	559,400,994	472,033,597
LIABILITIES						
Current and Other Liabilities	12,445,733	8,054,038	12,930,174	9,987,381	25,375,907	18,041,419
Long-Term Liabilities	87,514,399	90,073,842	110,952,121	64,072,518	198,466,520	154,146,360
Total Liabilities	99,960,132	98,127,880	123,882,295	74,059,899	223,842,427	172,187,779
NET POSITION						
Net Investment in Capital Assets	158,473,433	145,953,396	74,678,972	68,348,737	233,152,405	214,302,133
Restricted	32,127,295	29,879,867	6,828,477	6,466,848	38,955,772	36,346,715
Unrestricted	53,862,470	45,518,062	9,587,920	3,678,908	63,450,390	49,196,970
Total Net Position	\$ 244,463,198	\$ 221,351,325	\$ 91,095,369	\$ 78,494,493	\$ 335,558,567	\$ 299,845,818

The largest portion of the Town's net position (69%) 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 (\$63,450,390) may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2014, 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, 2014**

Changes in Net Position

As described above, the Town's net position overall increased by \$35,712,749 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, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 13,271,131	\$ 11,907,713	\$ 25,267,994	\$ 19,137,951	\$ 38,539,125	\$ 31,045,664
Operating Grants and Contributions	1,602,019	1,472,370	-	-	1,602,019	1,472,370
Capital Grants and Contributions	14,385,675	14,794,654	4,272,051	3,802,082	18,657,726	18,596,736
General Revenues:						
Sales Taxes	18,483,484	16,037,178	-	-	18,483,484	16,037,178
Property Taxes	5,037,568	4,236,341	-	-	5,037,568	4,236,341
Franchise Taxes	253,553	214,938	-	-	253,553	214,938
Grants and Contributions Not Restricted to Specific Programs	6,179,114	5,754,960	-	-	6,179,114	5,754,960
Investment Earnings	1,050,810	(124,209)	344,611	(162,889)	1,395,421	(287,098)
Miscellaneous	257,237	156,801	-	-	257,237	156,801
Total Revenues	60,520,591	54,450,746	29,884,656	22,777,144	90,405,247	77,227,890
EXPENSES						
General Government	10,560,748	9,401,213	-	-	10,560,748	9,401,213
Public Safety	9,286,805	8,002,986	-	-	9,286,805	8,002,986
Highways and Streets	9,453,285	8,960,506	-	-	9,453,285	8,960,506
Culture and Recreation	3,157,249	2,851,292	-	-	3,157,249	2,851,292
Economic Development	1,024,067	827,230	-	-	1,024,067	827,230
Interest on Long-Term Debt	4,401,608	4,615,538	-	-	4,401,608	4,615,538
Wastewater	-	-	5,668,932	5,668,879	5,668,932	5,668,879
Solid Waste	-	-	1,602,901	1,450,544	1,602,901	1,450,544
Water	-	-	9,536,903	6,354,536	9,536,903	6,354,536
Total Expenses	37,883,762	34,658,765	16,808,736	13,473,959	54,692,498	48,132,724
CHANGE IN NET POSITION BEFORE TRANSFERS	22,636,829	19,791,981	13,075,920	9,303,185	35,712,749	29,095,166
Transfers	475,044	1,534,530	(475,044)	(1,534,530)	-	-
CHANGE IN NET POSITION	23,111,873	21,326,511	12,600,876	7,768,655	35,712,749	29,095,166
Net Position - Beginning of Year	221,351,325	200,024,814	78,494,493	70,725,838	299,845,818	270,750,652
NET POSITION - END OF YEAR	\$ 244,463,198	\$ 221,351,325	\$ 91,095,369	\$ 78,494,493	\$ 335,558,567	\$ 299,845,818

Governmental Activities – Governmental activities increased the Town's net position by \$23,111,873. Key factors of the increase in net position are as follows:

- An increase in local sales tax of \$2.4 million due primarily to uptick in building activity and increased Town population growth.
- Due to rising assessed property values in Town there was an \$800,000 gain in property taxes collected over the prior year.
- Expenses were well under revenue generated, thus the net position of the Town grew considerably.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Business-Type Activities – Business-type activities increased the Town's net position by \$12,600,876. Key factors of the increase in net position are as follows

- An increase in fees, fines and charges for services of \$5.2 million primarily due to the acquisition of a H2O water company. This acquisition more than doubled our existing water customer and greatly expanded our service area.
- An increase in fees, fines and charges for services of \$.8 million due to an increase of new development projects.
- Developer contributions in the amount of \$.6 million for sewer/water infrastructure added in various developments.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$60,393,914, an increase of \$11,532,530 from the prior year. Approximately 38% of this total amount (\$23,025,977) 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 \$34,869,607, while total fund balance reached \$60,393,914. 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 94% of total expenditures, while total fund balance represents 162% of that same amount.

At fiscal year ended June 30, 2014, fund balances were as follows.

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From 2012-13
General Fund	\$ 34,869,607	\$ 10,258,600
Emergency Services Fund	4,024,081	879,905
Improvement District Debt Service Fund	658,917	40,263
Drainage and Transportation Fund	16,504,044	(546,286)
Nonmajor Governmental Funds	4,337,265	900,048

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

The fund balance of the Town of Queen Creek, Arizona's General Fund increased by \$10,258,600 during the fiscal year. This was mostly due to an increase in retail and construction sales tax as well as building fee activity. In addition, expenditures for the year were less than the budgeted amounts.

The Emergency Services Fund increase by \$879,905 due to increased sales and property tax.

The Improvement District Debt Service Fund increased by \$40,263.

The Drainage and Transportation Fund decreased by \$546,286 during the fiscal year. This was due to the building uptick. The Town was able to start projects that had been budgeted for in prior years and placed on hold.

The Nonmajor Governmental Funds increased by \$900,048. 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 77 - 80. 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 \$26,651,040, on a budgetary basis, exceeded budgeted revenues of \$20,766,123 by \$5,884,917 while budgetary basis expenditures of \$16,226,190 were 90% of budgeted expenditures (savings of \$1,786,471). 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, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2014 amount to \$249,543,092 and \$163,006,586 (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 4.4% and capital assets for business-type activities increased by 51.4%.

**Table A-4
Capital Assets (Net)
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 41,637,910	\$ 41,484,704	\$ 1,805,210	\$ 1,290,442	\$ 43,443,120	\$ 42,775,146
Construction In Progress	6,196,648	3,791,500	1,760,423	210,467	7,957,071	4,001,967
Infrastructure	172,822,928	165,021,322	-	-	172,822,928	165,021,322
Buildings and Improvements	24,845,371	25,287,251	-	-	24,845,371	25,287,251
Wastewater Collection System	-	-	56,041,956	54,823,080	56,041,956	54,823,080
Water System	-	-	102,635,842	50,790,415	102,635,842	50,790,415
Vehicles, Furniture and Equipment	4,040,235	3,413,470	763,155	520,045	4,803,390	3,933,515
Total Capital Assets	\$ 249,543,092	\$ 238,998,247	\$ 163,006,586	\$ 107,634,449	\$ 412,549,678	\$ 346,632,696

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

Governmental Activities

- The Town accepted \$13.6 million in development contribution for streets and related items.
- Continued construction projects on various infrastructure in the amount of \$3.0 million.
- Purchase of a pumper fire truck in the amount of \$518,696.

Business-type Activities

- The Town acquired a local water utility for \$51.1 million.
- The Town accepted \$4.3 million in development contribution for water and wastewater related items.
- Continued construction on various infrastructure in the amount of \$1.7 million.

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.

The estimated cost to complete current construction projects is \$6.3 million.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Debt Administration

At the end of the current fiscal year, the Town of Queen Creek, Arizona had total long-term obligations outstanding of \$91,069,659 for governmental activities and \$115,519,125 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 \$1,975,192 (2.1%) and the business-type activities debt increased by \$47,579,342 (70.0%). The governmental activities decrease was due to regularly scheduled principal payments on the debt.

The increase in business type obligations was attributable to the following factors:

- The Town drew down \$15.5 million of an authorized \$16.0 million in loans financed by the Water Infrastructure Authority of Arizona to acquire a local water company and finance infrastructure improvements.
- The Town issued Subordinate Lien Water System Revenue Obligations Series 2013 totaling \$19.4 million with a stated interest rate of 8% and an effective interest rate of 3.154%. Proceeds from the revenue obligation provided financing for the purchase of a local water company. The Town recognized a premium of \$14.9 million.
- The Town issued \$3.8 million of GADA Infrastructure Revenue Refunding Bonds, Series 2014A to refund \$4.2 million of Series 2003B GADA Infrastructure Revenue Loans with an interest rate of 4.66%. As a result of the refunding, the Town will reduce its total debt service payments over the next fifteen years by \$460,585 and obtain an economic gain of approximately \$450,853.

The State constitution imposes certain debt limits on the issuance of General Obligation Bonds at six percent (6%) and twenty percent (20%) of the secondary assessed valuation of the Town. At fiscal year end, the Town had no outstanding general obligation bonds.

The following schedule shows the outstanding debt of the Town as of June 30, 2014 and 2013.

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, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Excise Tax Revenue Bonds	\$ 23,195,000	\$ 23,940,000	\$ -	\$ -	\$ 23,195,000	\$ 23,940,000
Special Assessment Bonds	21,533,050	22,261,550	-	-	21,533,050	22,261,550
Special Assessment Bonds - Town Owned Property	24,281,950	25,103,450	-	-	24,281,950	25,103,450
GADA Loan Payable	18,510,000	19,205,000	3,845,000	4,210,000	22,355,000	23,415,000
Premium on Bonds	1,536,956	1,619,699	15,177,159	-	16,714,115	1,619,699
WIFA Loan Payable	-	-	74,442,581	62,882,551	74,442,581	62,882,551
Capital Leases	1,259,288	915,152	-	-	1,259,288	915,152
Long-Term Contract	753,415	-	-	-	753,415	-
Water System Obligation	-	-	19,425,088	-	19,425,088	-
Advance in Aid of Construction	-	-	2,629,297	847,232	2,629,297	847,232
Total Outstanding Debt	<u>\$ 91,069,659</u>	<u>\$ 93,044,851</u>	<u>\$ 115,519,125</u>	<u>\$ 67,939,783</u>	<u>\$ 206,588,784</u>	<u>\$ 160,984,634</u>

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered when preparing the 2014-15 budgets:

- Significant housing growth in Town; it is expected that this growth will continue. Long-term growth brings with it community needs; parks, new facilities, roads.
- Nationally stagnant housing market and rising unemployment.
- Uncertainty surrounding retail brick and mortar establishments and on-line retailers.
- Balancing services required by citizens, legal mandates and levels of service with limited funds.
- Continued low inflation rates.

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

TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 60,466,875	\$ 17,729,340	\$ 78,196,215
Receivables, Net:			
Accounts Receivable	657,109	2,846,010	3,503,119
Taxes Receivable	633,764	-	633,764
Special Assessments Receivable	21,268,059	-	21,268,059
Delinquent Special Assessment Receivable	1,735	-	1,735
Intergovernmental Receivable	3,447,188	-	3,447,188
Loans Receivable	1,945,070	-	1,945,070
Interest Receivable	665,948	28,711	694,659
Internal Balances	1,749,178	(1,749,178)	-
Prepaid Items	27,713	1,514	29,227
Restricted Cash and Investments	66,273	7,636,397	7,702,670
Investment in Joint Venture	-	25,478,284	25,478,284
Land Held for Future Investment	3,951,326	-	3,951,326
Capital Assets:			
Non-Depreciable	47,834,558	3,565,633	51,400,191
Depreciable (net)	201,708,534	159,440,953	361,149,487
Total Assets	<u>344,423,330</u>	<u>214,977,664</u>	<u>559,400,994</u>
LIABILITIES			
Accounts Payable	2,428,634	1,599,744	4,028,378
Accrued Wages and Benefits	648,303	173,611	821,914
Deposits Held for Others	197,280	807,920	1,005,200
Unearned Revenue	2,019,394	-	2,019,394
Interest Payable	2,074,817	1,651,981	3,726,798
Matured Debt Principal Payable	695,000	3,953,754	4,648,754
Noncurrent Liabilities			
Due Within One Year	4,382,305	4,743,164	9,125,469
Due in More Than One Year	87,514,399	110,952,121	198,466,520
Total Liabilities	<u>99,960,132</u>	<u>123,882,295</u>	<u>223,842,427</u>
NET POSITION			
Net Investment in Capital Assets	158,473,433	74,678,972	233,152,405
Restricted for:			
Streets and Transportation	2,611,734	-	2,611,734
Debt Service	21,269,795	5,809,135	27,078,930
Repair and Replacement	-	1,019,342	1,019,342
Development	8,127,060	-	8,127,060
Housing Rehab	42,698	-	42,698
Parks and Community	76,008	-	76,008
Unrestricted	53,862,470	9,587,920	63,450,390
Total Net Position	<u>\$ 244,463,198</u>	<u>\$ 91,095,369</u>	<u>\$ 335,558,567</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

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	
Primary Government					
Governmental Activities:					
General Government	\$ 10,560,748	\$ 3,640,706	\$ -	\$ -	\$ (6,920,042)
Public Safety	9,286,805	1,081,831	24,358	-	(8,180,616)
Highways and Streets	9,453,285	548,688	1,577,661	14,385,675	7,058,739
Culture and Recreation	3,157,249	4,742,607	-	-	1,585,358
Economic Development	1,024,067	3,257,299	-	-	2,233,232
Interest and Fiscal Charges	4,401,608	-	-	-	(4,401,608)
Total Governmental Activities	<u>37,883,762</u>	<u>13,271,131</u>	<u>1,602,019</u>	<u>14,385,675</u>	<u>(8,624,937)</u>
Business-Type Activities:					
Wastewater	5,668,932	8,157,240	-	2,511,164	-
Solid Waste	1,602,901	1,854,726	-	-	-
Water	9,536,903	15,256,028	-	1,760,887	-
Total Business-Type Activities	<u>16,808,736</u>	<u>25,267,994</u>	<u>-</u>	<u>4,272,051</u>	<u>-</u>
Total Primary Government	<u>\$ 54,692,498</u>	<u>\$ 38,539,125</u>	<u>\$ 1,602,019</u>	<u>\$ 18,657,726</u>	<u>(8,624,937)</u>
		General Revenues			
		Taxes:			
					18,483,484
					5,037,568
					253,553
					6,179,114
					1,050,810
					257,237
					475,044
					<u>31,736,810</u>
					23,111,873
					<u>221,351,325</u>
					<u>\$ 244,463,198</u>

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes
in Net Position

Business-Type Activities	Total
\$ -	\$ (6,920,042)
-	(8,180,616)
-	7,058,739
-	1,585,358
-	2,233,232
-	(4,401,608)
-	(8,624,937)
4,999,472	4,999,472
251,825	251,825
7,480,012	7,480,012
12,731,309	12,731,309
12,731,309	4,106,372
-	18,483,484
-	5,037,568
-	253,553
-	6,179,114
344,611	1,395,421
-	257,237
(475,044)	-
(130,433)	31,606,377
12,600,876	35,712,749
78,494,493	299,845,818
\$ 91,095,369	\$ 335,558,567

**TOWN OF QUEEN CREEK, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Emergency Services	Improvement District Debt Service
ASSETS			
Cash and Investments	\$ 31,836,306	\$ 3,990,354	\$ 1,804,293
Restricted Cash	66,273	-	-
Receivables:			
Accounts Receivable	111,386	7,130	-
Taxes Receivable	502,569	124,075	-
Special Assessments Receivable	-	-	21,268,059
Delinquent Special Assessment Receivable	-	-	1,735
Intergovernmental Receivables	2,471,869	289,191	-
Loan Receivable	1,945,070	-	-
Interest Receivable	618,947	3,058	-
Prepaid Items	22,322	5,391	-
Advances to Other Funds	1,749,178	-	-
Total Assets	<u>\$ 39,323,920</u>	<u>\$ 4,419,199</u>	<u>\$ 23,074,087</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 871,972	\$ 200,333	\$ -
Accrued Wages and Benefits	521,220	123,899	-
Deposits Held for Others	197,280	-	-
Matured Debt Principal Payable	365,000	-	-
Interest Payable	789,369	-	1,145,375
Unearned Revenue	-	-	-
Advances from Other Funds	625,500	-	-
Total Liabilities	<u>3,370,341</u>	<u>324,232</u>	<u>1,145,375</u>
Deferred Inflows of Resources:			
Unavailable Revenues	<u>1,083,972</u>	<u>70,886</u>	<u>21,269,795</u>
Fund Balances:			
Nonspendable	3,716,570	5,391	-
Restricted	8,127,060	-	-
Committed	-	4,018,690	-
Assigned	-	-	658,917
Unassigned	<u>23,025,977</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>34,869,607</u>	<u>4,024,081</u>	<u>658,917</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 39,323,920</u>	<u>\$ 4,419,199</u>	<u>\$ 23,074,087</u>

See accompanying Notes to Basic Financial Statements.

<u>Drainage and Transportation</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 18,423,997	\$ 4,411,925	\$ 60,466,875
-	-	66,273
536,463	2,130	657,109
-	7,120	633,764
-	-	21,268,059
-	-	1,735
470,024	216,104	3,447,188
-	-	1,945,070
36,242	7,701	665,948
-	-	27,713
625,500	-	2,374,678
<u>\$ 20,092,226</u>	<u>\$ 4,644,980</u>	<u>\$ 91,554,412</u>

\$ 1,053,116	\$ 303,270	\$ 2,428,691
3,127	-	648,246
-	-	197,280
-	-	365,000
-	-	1,934,744
2,019,394	-	2,019,394
-	-	625,500
<u>3,075,637</u>	<u>303,270</u>	<u>8,218,855</u>

<u>512,545</u>	<u>4,445</u>	<u>22,941,643</u>
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-	-	3,721,961
-	2,725,995	10,853,055
16,504,044	1,611,270	22,134,004
-	-	658,917
-	-	23,025,977
<u>16,504,044</u>	<u>4,337,265</u>	<u>60,393,914</u>
<u>\$ 20,092,226</u>	<u>\$ 4,644,980</u>	<u>\$ 91,554,412</u>

**TOWN OF QUEEN CREEK, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances for Governmental Funds \$ 60,393,914

Total net position 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	\$ 302,817,038	
Less: Accumulated Depreciation	<u>(53,273,946)</u>	
		249,543,092
 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		75,331
Sales Taxes		502,570
Interest on Loan Receivable		581,402
Development Agreement		512,545
Special Assessments		21,269,795

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	(18,510,000)	
Bonds Payable	(69,010,000)	
Premium on Bonds Payable	(1,536,956)	
Interest Payable	(470,073)	
Long-Term Contract	(753,415)	
Capital Lease Payable	(1,259,288)	
Compensated Absence Payable	<u>(827,045)</u>	
		<u>(92,366,777)</u>

Total Net Position of Governmental Activities \$ 244,463,198

TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Emergency Services</u>	<u>Improvement District Debt Service</u>
REVENUES			
Taxes	\$ 13,885,045	\$ 6,328,731	\$ -
Intergovernmental Revenues	6,179,114	24,358	-
Licenses and Permits	4,563,955	-	-
Charges for Services	711,717	48,725	-
Rents and Royalties	333,464	-	-
Contributions and Donations	-	-	-
Impact Fees	6,478,349	-	-
Special Assessments	-	-	1,824,295
Investment Income	505,687	53,634	18,964
Miscellaneous	170,867	47,758	-
Total Revenues	<u>32,828,198</u>	<u>6,503,206</u>	<u>1,843,259</u>
EXPENDITURES			
Current:			
General Government	10,291,860	-	-
Public Safety	1,005,091	8,054,338	-
Highways and Streets	1,406,567	-	-
Culture and Recreation	2,557,349	-	-
Economic Development	913,667	-	-
Capital Outlay	618,020	640,768	-
Debt Service:			
Principal Retirement	852,097	-	1,550,000
Interest on Long-Term Debt	1,020,353	-	2,330,251
Total Expenditures	<u>18,665,004</u>	<u>8,695,106</u>	<u>3,880,251</u>
Excess (Deficiency) of Revenues Over Expenditures	14,163,194	(2,191,900)	(2,036,992)
OTHER FINANCING SOURCES (USES)			
Transfers In	475,044	2,648,409	2,077,255
Transfers Out	(4,379,638)	(95,300)	-
Proceeds from Capital Lease	-	518,696	-
Total Other Financing Sources (Uses)	<u>(3,904,594)</u>	<u>3,071,805</u>	<u>2,077,255</u>
Net Change in Fund Balances	10,258,600	879,905	40,263
FUND BALANCES			
Beginning of Year	24,611,007	3,144,176	618,654
End of Year	<u>\$ 34,869,607</u>	<u>\$ 4,024,081</u>	<u>\$ 658,917</u>

See accompanying Notes to Basic Financial Statements.

Drainage and Transportation	Nonmajor Governmental Funds	Totals
\$ 2,807,543	\$ 463,876	\$ 23,485,195
249,281	1,577,661	8,030,414
-	-	4,563,955
-	36,460	796,902
-	-	333,464
675,842	40,981	716,823
-	-	6,478,349
-	383,050	2,207,345
333,608	69,117	981,010
-	8,340	226,965
<u>4,066,274</u>	<u>2,579,485</u>	<u>47,820,422</u>
-	-	10,291,860
-	-	9,059,429
-	1,524,149	2,930,716
-	38,315	2,595,664
-	53,449	967,116
2,472,827	43,128	3,774,743
-	762,463	3,164,560
-	1,146,940	4,497,544
<u>2,472,827</u>	<u>3,568,444</u>	<u>37,281,632</u>
1,593,447	(988,959)	10,538,790
-	1,889,007	7,089,715
(2,139,733)	-	(6,614,671)
-	-	518,696
<u>(2,139,733)</u>	<u>1,889,007</u>	<u>993,740</u>
(546,286)	900,048	11,532,530
<u>17,050,330</u>	<u>3,437,217</u>	<u>48,861,384</u>
<u>\$ 16,504,044</u>	<u>\$ 4,337,265</u>	<u>\$ 60,393,914</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, 2014**

Net Change in Fund Balances-Total Governmental Funds \$ 11,532,530

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	\$ 5,108,521	
Depreciation Expense	<u>(8,129,858)</u>	(3,021,337)

Contributions of capital assets are not current financial resources and are not reflected in the governmental funds.		13,603,588
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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.		(37,406)
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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	2,792	
Sales Taxes	(96,432)	
Interest on Loan Receivable	69,800	
Development Agreement	(143,036)	
Special Assessments	<u>(734,174)</u>	(901,050)

(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, 2014**

(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 premiums, discounts when the debt is first issued, whereas these items are amortized over the term of the long-term debt in the statement of activities.

Capital Lease Proceeds	\$	(518,696)	
Capital Lease Retirement		174,560	
Loan Principal Retirement		695,000	
Bond Principal Retirement		2,295,000	
Interest Expense		13,193	
Amortization of Bond Premium		82,743	
Long-Term Contract		<u>(753,415)</u>	
	\$		1,988,385

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>(52,837)</u>	
Change in Net Position of Governmental Activities			<u><u>\$ 23,111,873</u></u>

See accompanying Notes to Basic Financial Statements.

TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities			
	Wastewater	Solid Waste	Water	Totals
ASSETS				
Current Assets:				
Cash and Investments	\$ 11,739,979	\$ 203,557	\$ 5,785,804	\$ 17,729,340
Receivables, Net:				
Accounts Receivable	454,606	178,170	2,213,234	2,846,010
Interest Receivable	17,555	-	11,156	28,711
Prepaid Items	26	26	1,462	1,514
Total Current Assets	<u>12,212,166</u>	<u>381,753</u>	<u>8,011,656</u>	<u>20,605,575</u>
Noncurrent Assets:				
Restricted Cash and Investments	3,580,120	-	4,056,277	7,636,397
Advance to Other Funds	-	-	500,000	500,000
Investment in Joint Venture	25,478,284	-	-	25,478,284
Capital Assets:				
Non-Depreciable	840,088	-	2,725,545	3,565,633
Depreciable (Net)	56,130,217	-	103,310,736	159,440,953
Total Noncurrent Assets	<u>86,028,709</u>	<u>-</u>	<u>110,592,558</u>	<u>196,621,267</u>
Total Assets	<u>98,240,875</u>	<u>381,753</u>	<u>118,604,214</u>	<u>217,226,842</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	712,784	96,471	790,489	1,599,744
Accrued Wages and Benefits	16,820	14,981	141,810	173,611
Deposits Held for Others	-	-	807,920	807,920
Interest Payable	620,128	-	1,031,853	1,651,981
Matured Debt Principal Payable	1,736,692	-	2,217,062	3,953,754
Compensated Absences	11,091	10,866	110,162	132,119
Loans Payable	1,801,531	-	2,301,399	4,102,930
Advance in Aid of Construction	-	-	508,115	508,115
Total Current Liabilities	<u>4,899,046</u>	<u>122,318</u>	<u>7,908,810</u>	<u>12,930,174</u>
Noncurrent Liabilities:				
Advances from Other Funds	1,500,000	749,178	-	2,249,178
Compensated Absences	3,698	3,622	36,721	44,041
Loans Payable	30,884,382	-	77,902,516	108,786,898
Advance in Aid of Construction	-	-	2,121,182	2,121,182
Total Noncurrent Liabilities	<u>32,388,080</u>	<u>752,800</u>	<u>80,060,419</u>	<u>113,201,299</u>
Total Liabilities	<u>37,287,126</u>	<u>875,118</u>	<u>87,969,229</u>	<u>126,131,473</u>
NET POSITION				
Net Investment in Capital Assets	51,475,903	-	23,203,069	74,678,972
Restricted for:				
Debt Service	2,856,083	-	2,953,052	5,809,135
Repair and Replacement	724,037	-	295,305	1,019,342
Unrestricted	5,897,226	(493,365)	4,183,559	9,587,920
Total Net Position	<u>\$ 60,953,749</u>	<u>\$ (493,365)</u>	<u>\$ 30,634,985</u>	<u>\$ 91,095,369</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, 2014

	Business-Type Activities			
	Wastewater	Solid Waste	Water	Totals
OPERATING REVENUES				
Charges for Services	\$ 4,050,374	1,854,726	\$ 15,065,452	\$ 20,970,552
OPERATING EXPENSES				
Administration	93,509	48,365	300,769	442,643
Cost of Sales and Services	1,755,786	1,522,669	5,023,506	8,301,961
Depreciation	1,326,261	-	1,974,651	3,300,912
Equity Interest in Joint Venture	1,147,258	-	-	1,147,258
Total Operating Expenses	<u>4,322,814</u>	<u>1,571,034</u>	<u>7,298,926</u>	<u>13,192,774</u>
Operating Income	(272,440)	283,692	7,766,526	7,777,778
NONOPERATING REVENUES (EXPENSES)				
Impact Fees	3,826,402	-	-	3,826,402
Capacity Fee	280,464	-	190,576	471,040
Investment Income	194,511	3,266	146,834	344,611
Interest and Fiscal Charges	(1,346,118)	(31,867)	(2,237,977)	(3,615,962)
Total Nonoperating Revenues (Expenses)	<u>2,955,259</u>	<u>(28,601)</u>	<u>(1,900,567)</u>	<u>1,026,091</u>
Income Before Capital Contributions and Transfers	2,682,819	255,091	5,865,959	8,803,869
Capital Contributions	2,511,164	-	1,760,887	4,272,051
Transfers Out	-	(119,040)	(356,004)	(475,044)
Change in Net Position	<u>5,193,983</u>	<u>136,051</u>	<u>7,270,842</u>	<u>12,600,876</u>
Total Net Position - Beginning of Year	<u>55,759,766</u>	<u>(629,416)</u>	<u>23,364,143</u>	<u>78,494,493</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 60,953,749</u>	<u>\$ (493,365)</u>	<u>\$ 30,634,985</u>	<u>\$ 91,095,369</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds			
	Wastewater	Solid Waste	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 3,954,851	\$ 1,858,838	\$ 14,110,700	\$ 19,924,389
Payments to Suppliers	(1,088,179)	(1,386,188)	(3,307,211)	(5,781,578)
Payments to Employees	(173,608)	(165,537)	(1,555,474)	(1,894,619)
Customer Deposits	-	-	397,510	397,510
Net Cash Flows from Operating Activities	2,693,064	307,113	9,645,525	12,645,702
CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES				
Cash Provided (Used) by Other Funds for Interfund Borrowing	750,000	(87,173)	(250,000)	412,827
Intergovernmental Receipts	-	-	118,870	118,870
Transfers Out	-	(119,040)	(356,004)	(475,044)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	750,000	(206,213)	(487,134)	56,653
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of Capital Assets	(793,228)	-	(51,492,035)	(52,285,263)
Refunds of Waterline Agreements	-	-	(333,670)	(333,670)
Acquisition Deposit	-	-	50,000	50,000
Impact Fees	3,826,402	-	-	3,826,402
Capacity Fees	280,464	-	190,576	471,040
Loan Proceeds	-	-	49,901,195	49,901,195
Interest Paid on Capital Debt	(1,460,811)	-	(1,634,530)	(3,095,341)
Principal Paid on Capital Debt	(1,750,028)	-	(2,059,379)	(3,809,407)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	102,799	-	(5,377,843)	(5,275,044)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income (Loss)	192,492	(28,601)	145,552	309,443
NET CHANGE IN CASH AND CASH EQUIVALENTS				
	3,738,355	72,299	3,926,100	7,736,754
Cash and Cash Equivalents - Beginning of Year	11,581,744	131,258	5,915,981	17,628,983
CASH AND CASH EQUIVALENTS - END OF YEAR				
	<u>\$ 15,320,099</u>	<u>\$ 203,557</u>	<u>\$ 9,842,081</u>	<u>\$ 25,365,737</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and Cash Equivalents	\$ 11,739,979	\$ 203,557	\$ 5,785,804	\$ 17,729,340
Restricted Cash and Cash Equivalents	3,580,120	-	4,056,277	7,636,397
Total Cash and Cash Equivalents	<u>\$ 15,320,099</u>	<u>\$ 203,557</u>	<u>\$ 9,842,081</u>	<u>\$ 25,365,737</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, 2014

	Business-Type Activities - Enterprise Fund			
	Wastewater	Solid Waste	Water	Totals
RECONCILIATION OF OPERATING INCOME				
TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (272,440)	\$ 283,692	\$ 7,766,526	\$ 7,777,778
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	1,326,261	-	1,974,651	3,300,912
Equity Interest in Joint Venture	1,147,258	-	-	1,147,258
Change in Assets/Liabilities:				
Receivables, Net	(95,523)	4,112	(954,752)	(1,046,163)
Prepaid Items	(26)	(26)	6,180	6,128
Accounts Payable	584,547	5,129	299,286	888,962
Deposits Held for Others	-	-	397,510	397,510
Compensated Absences	(3,289)	4,576	38,952	40,239
Accrued Payroll	6,276	9,630	117,172	133,078
Net Cash Provided by Operating Activities	<u>\$ 2,693,064</u>	<u>\$ 307,113</u>	<u>\$ 9,645,525</u>	<u>\$ 12,645,702</u>
NONCASH INVESTING, CAPITAL AND FINANCING				
Capital Assets Acquired through Contributions from Developers	\$ 2,511,164	\$ -	\$ 1,742,603	\$ 4,253,767
Capital Contributions Associated with Advances in Aid of Construction	-	-	18,284	18,284

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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*.

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.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Funds.

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

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

The Town reports the following major governmental funds:

Major Governmental Funds

General Fund

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

Emergency Services Fund

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

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.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 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.

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.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, 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.

2. Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectibles. Governmental activities reported an allowance of \$167,523.

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.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

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.

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.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

7. Capital Assets (Continued)

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

8. Deferred Inflows of Resources

The balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of fund balance that applies to future periods that will be recognized as revenue in future periods.

9. Compensated Absences

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

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

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

10. 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 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.

11. 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.

12. 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.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

12. Fund Balance Classifications (Continued)

The committed fund balances are self-imposed limitations approved by the Town's Council, through formal resolution. The Town Council 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.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Position

At year end, the Solid Waste Fund reported a deficit in net position of \$493,365. 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, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2014 consist of the following:

Deposits:	
Cash on Hand	\$ 3,250
Cash in Bank	8,767,590
Investments:	
Money Market	11,250
Federal Home Loan Mortgage Corporation	23,477,591
Federal National Mortgage Association	21,254,564
Federal Farm Credit Bank	6,990,760
U.S. Treasury Note	175,068
Corporate Bonds	2,997,750
State Treasurer's Investment Pool	<u>22,221,062</u>
Total Deposits and Investments	<u>85,898,885</u>
Less Restricted Assets	<u>(7,702,670)</u>
Cash and Investments on Statement of Net Position	<u><u>\$ 78,196,215</u></u>

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, 2014 was \$8,767,590 and the bank balance was \$8,745,842. At June 30, 2014, \$139,000 of the Town's deposits was covered by federal depository insurance. The remaining \$8,606,842 was collateralized by securities held by the Town's agent in the Town's name.

Investments

At June 30, 2014, 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, 2014**

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, 2014. 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 increased as of June 30, 2014 representing an unrealized gain calculated as if all Town investments were sold as of this date which of course is not the case. 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	\$ 11,250	\$ -	\$ -	\$ 11,250
Federal Home Loan Mortgage Corporation	-	4,893,870	18,583,721	23,477,591
Federal National Mortgage Association	-	2,099,593	19,154,971	21,254,564
Federal Farm Credit Bank	-	2,500,150	4,490,610	6,990,760
U.S. Treasury Note	-	175,068	-	175,068
Corporate Bonds	-	-	2,997,750	2,997,750
State Treasurer’s Investment Pool	22,221,062	-	-	22,221,062
Total	<u>\$ 22,232,312</u>	<u>\$ 9,668,681</u>	<u>\$ 45,227,052</u>	<u>\$ 77,128,045</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	\$ 11,250	0 %
Federal Home Loan Mortgage Corporation	23,477,591	30
Federal National Mortgage Association	21,254,564	27
Federal Farm Credit Bank	6,990,760	9
U.S. Treasury Notes	175,068	0
Corporate Bonds	2,997,750	5
State Treasurer’s Investment Pool	22,221,062	29
Total	<u>\$ 77,128,045</u>	

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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	\$ 2,163,081	Aaa	AA+
Federal Home Loan Mortgage Corp	3,468,255	Aaa	AA+
Federal Home Loan Mortgage Corp	2,476,525	Aaa	AA+
Federal Home Loan Mortgage Corp	498,590	Aaa	AA+
Federal Home Loan Mortgage Corp	2,503,175	Aaa	AA+
Federal Home Loan Mortgage Corp	2,474,175	Aaa	AA+
Federal Home Loan Mortgage Corp	4,395,280	A2	AA-
Federal Home Loan Mortgage Corp	2,521,700	Aaa	AA+
Federal Home Loan Mortgage Corp	2,976,810	Aaa	AA+
Federal National Mortgage Association	1,997,140	Aaa	AA+
Federal National Mortgage Association	102,453	Aaa	AA+
Federal National Mortgage Association	3,479,665	Aaa	AA+
Federal National Mortgage Association	2,995,080	Aaa	AA+
Federal National Mortgage Association	2,285,211	Aaa	AA+
Federal National Mortgage Association	1,990,760	Aaa	AA+
Federal National Mortgage Association	1,972,380	Aaa	AA+
Federal National Mortgage Association	1,475,235	Aaa	AA+
Federal National Mortgage Association	2,963,700	Aaa	AA+
Federal National Mortgage Association	1,992,940	Aaa	AA+
Federal Farm Credit Bank	2,500,150	Aaa	AA+
Federal Farm Credit Bank	2,494,450	Aaa	AA+
Federal Farm Credit Bank	1,996,160	Aaa	AA+
U.S. Treasury Note	175,068	Aaa	N/A
Goldman Sachs Group Inc	2,997,750	Baa1	A-
Money Market	11,250	Not Rated	Not Rated
State Treasurer's Investment Pool 7	22,221,062	Not Rated	AA+

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Assets

Restricted assets in the General Fund, Wastewater Fund and the Water Fund at June 30, 2014 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	-	724,037	295,305	1,019,342
Customer Deposits	-	-	807,920	807,920
Employment Deposits	66,273	-	-	66,273
Total	\$ 66,273	\$ 3,580,120	\$ 4,056,277	\$ 7,702,670

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

	Unavailable	Unearned
General Fund:		
Accrued Interest on Loans Receivable	\$ 581,402	\$ -
Delinquent Sales Tax Receivable	502,570	-
Emergency Services Fund:		
Delinquent Property Tax Receivable	70,886	-
Improvement District Debt Service Fund:		
Special Assessments Not yet Received	21,269,795	-
Drainage and Transportation Fund:		
Development Agreement	512,545	-
Intergovernmental Agreement	-	2,019,394
Nonmajor Governmental Funds:		
Delinquent Property Tax Receivable	4,445	-
Totals	\$ 22,941,643	\$ 2,019,394

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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	\$ 1,815,070	\$ 130,000	\$ -	\$ 1,945,070	\$ -
Accrued Interest on Loans	511,602	69,800	-	581,402	-
Total	<u>\$ 2,326,672</u>	<u>\$ 199,800</u>	<u>\$ -</u>	<u>\$ 2,526,472</u>	<u>\$ -</u>

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 41,484,704	\$ 153,206	\$ -	\$ -	\$ 41,637,910
Construction in Progress	3,791,500	2,978,345	(573,197)	-	6,196,648
Total Capital Assets, Not Being Depreciated	45,276,204	3,131,551	(573,197)	-	47,834,558
Capital Assets, Being Depreciated:					
Infrastructure	201,052,458	14,631,173	-	-	215,683,631
Buildings and Improvements	29,884,145	219,363	-	-	30,103,508
Vehicles, Furniture and Equipment	8,329,567	1,303,219	(411,453)	(25,992)	9,195,341
Total Capital Assets, Being Depreciated	239,266,170	16,153,755	(411,453)	(25,992)	254,982,480
Accumulated Depreciation for:					
Infrastructure	(36,031,136)	(6,829,567)	-	-	(42,860,703)
Buildings and Improvements	(4,596,894)	(661,243)	-	-	(5,258,137)
Vehicles, Furniture and Equipment	(4,916,097)	(639,048)	382,350	17,689	(5,155,106)
Total Accumulated Depreciation	(45,544,127)	(8,129,858)	382,350	17,689	(53,273,946)
Total Capital Assets, Being Depreciated, Net	193,722,043	8,023,897	(29,103)	(8,303)	201,708,534
Governmental Activities Capital Assets, Net	<u>\$ 238,998,247</u>	<u>\$ 11,155,448</u>	<u>\$ (602,300)</u>	<u>\$ (8,303)</u>	<u>\$ 249,543,092</u>

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,290,442	\$ 514,768	\$ -	\$ -	\$ 1,805,210
Construction in Progress	210,467	1,650,176	(100,220)	-	1,760,423
Total Capital Assets, Not Being Depreciated	1,500,909	2,164,944	(100,220)	-	3,565,633
Capital Assets, Being Depreciated:					
Wastewater Collection System	63,508,256	2,511,164	-	-	66,019,420
Water System	56,383,144	53,668,958	-	-	110,052,102
Vehicles, Furniture and Equipment	1,261,918	419,900	-	25,992	1,707,810
Total Capital Assets, Being Depreciated	121,153,318	56,600,022	-	25,992	177,779,332
Accumulated Depreciation for:					
Wastewater Collection System	(8,685,176)	(1,292,288)	-	-	(9,977,464)
Water System	(5,592,729)	(1,823,531)	-	-	(7,416,260)
Vehicles, Furniture and Equipment	(741,873)	(185,093)	-	(17,689)	(944,655)
Total Accumulated Depreciation	(15,019,778)	(3,300,912)	-	(17,689)	(18,338,379)
Total Capital Assets, Being Depreciated, Net	106,133,540	53,299,110	-	8,303	159,440,953
Business-Type Activities Capital Assets, Net	<u>\$ 107,634,449</u>	<u>\$ 55,464,054</u>	<u>\$ (100,220)</u>	<u>\$ 8,303</u>	<u>\$ 163,006,586</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 800,961
Public Safety	247,281
Highways and Streets	6,533,602
Culture and Recreation	548,014
Total Depreciation Expense, Governmental Activities	<u>\$ 8,129,858</u>

Business-Type Activities:

Wastewater	\$ 1,326,261
Water	1,974,651
Total Depreciation Expense, Business-Type Activities	<u>\$ 3,300,912</u>

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

B. Interfund Receivables, Payables and Transfers

As of June 30, 2014 advances to and from funds were as follows:

Advances to	Advances From			Total
	General Fund	Drainage and Transportation Fund	Water Fund	
General Fund	\$ -	\$ 625,500	\$ -	\$ 625,500
Solid Waste Fund	749,178	-	-	749,178
Wastewater Fund	1,000,000	-	500,000	1,500,000
Total	<u>\$ 1,749,178</u>	<u>\$ 625,500</u>	<u>\$ 500,000</u>	<u>\$ 2,874,678</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, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Transfers Out	Transfers In				Total
	General Fund	Emergency Services Fund	Improvement District Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 2,648,409	\$ 484,484	\$ 1,246,745	\$ 4,379,638
Emergency Services Fund	-	-	95,300	-	95,300
Drainage and Transportation	-	-	1,497,471	642,262	2,139,733
Solid Waste Fund	119,040	-	-	-	119,040
Water Fund	356,004	-	-	-	356,004
	<u>\$ 475,044</u>	<u>\$ 2,648,409</u>	<u>\$ 2,077,255</u>	<u>\$ 1,889,007</u>	<u>\$ 7,089,715</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	\$ 2,687,249
Less: Accumulated Depreciation	(920,734)
Total	<u>\$ 1,766,515</u>

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, were as follows:

Year Ending June 30:	Governmental Activities
2015	\$ 300,216
2016	282,874
2017	277,094
2018	277,094
2019	103,776
2020-2021	171,014
Total Minimum Lease Payments	1,412,068
Less: Amount Representing Interest	(152,780)
Present Value of Minimum Lease Payments	\$ 1,259,288

D. Advances in Aid of Construction

The Town purchased water companies in fiscal year 2008 and 2014. Included in the purchases 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 acquired unearned advances in aid of construction totaling \$2,097,451 and recognized a capital contribution of \$18,284 in the current year. At year end, the Town has \$2,629,297 of outstanding unearned advances in aid of construction.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$69,402,625 payable through 2032. For the current year, principal and interest paid and special assessment revenues for the fiscal year were \$3,880,251 and \$1,824,295.

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 \$28,512,772 for governmental activities, payable through 2023, 2029, 2030 and 2036, and \$5,493,163 for business-type activities, payable through 2028. For the current year, principal and interest paid was \$1,777,760. For the current year, total excise tax and state shared revenues were \$24,916,151.

The Town issued \$3,845,000 of GADA Infrastructure Revenue Refunding Bonds, Series 2014A with an interest rate ranging 2.00-5.00%. to refund \$4,210,000 of Series 2003B GADA Infrastructure Revenue Loans with an interest rate of 4.66%. As a result of the current refunding, the Town will reduce its total debt service payments over the next fifteen years by \$460,585 and obtain an economic gain of approximately \$450,853.

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 \$35,655,613 payable through 2032. For the current year, principal and interest paid on the revenue bonds was \$1,889,007. For the current year, total excise tax and state shared revenues were \$24,916,151.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$36,669,131. For the current year, principal and interest paid and wastewater customer net revenue for the fiscal year was \$2,524,480 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 \$41,342,724. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$2,990,142 and \$10,078,587, respectively.

During fiscal year 2014, the Town pledged future water customer revenues, net of specified operating expense to repay a \$16.0 million WIFA loan. 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 2033. 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 \$20,725,615. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$922,609 and \$10,078,587, respectively.

On November 1, 2013 the Town issued Subordinate Lien Water System Revenue Obligations Series 2013 totaling \$19,425,088 with a stated interest rate of 8% and an effective interest rate of 3.154%. Proceeds from the revenue obligation provided financing for the purchase of a water company. The obligation is payable from water customer net revenues and is payable through 2043. The total principal and interest remaining to be paid on the loan is \$38,385,027. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$542,289 and \$10,078,587, 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, 2014

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, 2014
Governmental Activities				
Excise Tax and State Shared				
Revenue Obligations, Series 2007	\$ 27,135,000	8/1/14-32	4.25-5.00%	\$ 23,195,000
Special Assessment, Improvement District Bonds	54,080,000	1/1/14-32	5.00%	45,815,000
GADA Infrastructure Revenue Loan, Series 2004B	7,700,000	7/1/14-29	4.00-5.50%	5,540,000
GADA Infrastructure Revenue Loan, Series 2005B	2,470,000	8/1/14-30	3.50-5.00%	1,900,000
GADA Infrastructure Revenue Loan, Series 2006A	11,555,000	7/1/14-36	4.00-5.00%	9,810,000
GADA Infrastructure Revenue Loan, Series 2008	2,045,000	8/1/14-23	4.00-5.00%	1,260,000
Total Governmental Loans Payable				<u>\$ 87,520,000</u>
Business-Type Activities				
WIFA Loan, 1998	\$ 4,400,000	7/1/14-18	3.88%	\$ 1,207,101
WIFA Loan, 2005	34,000,000	7/1/14-25	3.71%	27,191,511
WIFA Loan, 2008	40,000,000	7/1/14-28	4.04%	31,116,365
WIFA Loan, 2014	16,000,000	1/1/14-33	4.25%	14,927,604
GADA Infrastructure Revenue Loan, Series 2014A	3,845,000	8/1/14-28	2.00-5.00%	3,845,000
Revenue Obligation Indenture, Series 2013	19,425,088	5/1/14-43	8.00%	19,425,088
Total Business-Type Loans Payable				<u>\$ 97,712,669</u>

Changes in long-term obligations for the year ended June 30, 2014 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Bonds/Loans Payable					
Excise Tax Revenue Bonds	\$ 23,940,000	\$ -	\$ (745,000)	\$ 23,195,000	\$ 780,000
Special Assessment Bonds	22,261,550	-	(728,500)	21,533,050	766,100
Special Assessment Bonds - Town Owned Property	25,103,450	-	(821,500)	24,281,950	863,900
GADA Loan Payable	19,205,000	-	(695,000)	18,510,000	725,000
Premium on Bonds	1,619,699	-	(82,743)	1,536,956	-
Total Bonds and Loans	<u>92,129,699</u>	<u>-</u>	<u>(3,072,743)</u>	<u>89,056,956</u>	<u>3,135,000</u>
Other Liabilities:					
Long-Term Contract	-	753,415	-	753,415	376,708
Capital Leases	915,152	518,696	(174,560)	1,259,288	250,313
Compensated Absences	774,208	650,269	(597,432)	827,045	620,284
Total Governmental Activities	<u>\$ 93,819,059</u>	<u>\$ 1,922,380</u>	<u>\$ (3,844,735)</u>	<u>\$ 91,896,704</u>	<u>\$ 4,382,305</u>
Business-Type Activities:					
Loans Payable					
WIFA Loans Payable	\$ 62,882,551	\$ 15,513,784	\$ (3,953,754)	\$ 74,442,581	\$ 4,102,930
GADA Loans Payable	4,210,000	3,845,000	(4,210,000)	3,845,000	-
Revenue Obligation Indenture	-	19,425,088	-	19,425,088	-
Premiums	-	15,441,483	(264,324)	15,177,159	-
Total Loans	<u>67,092,551</u>	<u>54,225,355</u>	<u>(8,428,078)</u>	<u>112,889,828</u>	<u>4,102,930</u>
Other Liabilities:					
Advances in Aid of Construction	847,232	2,097,451	(315,386)	2,629,297	508,115
Compensated Absences	135,921	133,021	(92,782)	176,160	132,119
Total Business-Type Activities	<u>\$ 68,075,704</u>	<u>\$ 56,455,827</u>	<u>\$ (8,836,246)</u>	<u>\$ 115,695,285</u>	<u>\$ 4,743,164</u>

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Annual debt service requirements to maturity on governmental loans and bonds payable at June 30, 2014 are summarized as follows.

<u>Years</u>	Governmental Activities			
	Bonds and Loans		Capital Lease	
	Principal	Interest	Principal	Interest
2015	\$ 3,135,000	\$ 4,250,869	\$ 250,313	\$ 49,903
2016	3,285,000	4,101,233	243,374	39,500
2017	3,430,000	3,940,358	247,744	29,350
2018	3,600,000	3,769,464	258,288	18,806
2019	3,785,000	3,590,751	95,988	7,788
2020-2024	21,660,000	14,954,210	163,581	7,433
2025-2029	26,775,000	9,038,250	-	-
2030-2034	20,485,000	2,302,625	-	-
2035-2037	1,365,000	103,250	-	-
Totals	<u>\$ 87,520,000</u>	<u>\$ 46,051,010</u>	<u>\$ 1,259,288</u>	<u>\$ 152,780</u>

Debt service requirements on long-term debt at June 30, 2014, including \$486,215 in future WIFA draw downs available, are summarized as follows.

<u>Years</u>	Business-Type Activities	
	Bonds and Loans	
	Principal	Interest
2015	\$ 4,102,930	\$ 4,024,052
2016	4,282,767	3,880,124
2017	4,643,482	3,695,427
2018	4,810,303	3,496,467
2019	4,671,855	3,286,588
2020-2024	27,706,445	13,223,681
2025-2029	28,365,456	7,052,649
2030-2034	7,405,186	3,227,151
2035-2039	4,944,850	1,867,829
2040-2044	7,265,610	662,808
Totals	<u>\$ 98,198,884</u>	<u>\$ 44,416,776</u>

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Lease of Town Property

The Town leases land to various third parties. Annual rental revenue from the lease is recognized in the General Fund. The future minimum payments required under the leases at June 30, 2014 are as follows:

Year Ended June 30,	Amount
2015	\$ 132,635
2016	124,271
2017	127,995
2018	131,843
2019	135,803
2020 - 2024	482,878
2025 - 2027	162,466
	\$ 1,297,891

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
Fund Balances:						
Nonspendable:						
Advances to Other Funds	\$ 1,749,178	\$ -	\$ -	\$ -	\$ -	\$ 1,749,178
Loans Receivable	1,945,070	-	-	-	-	1,945,070
Prepaid Items	22,322	5,391	-	-	-	27,713
Total Nonspendable	3,716,570	5,391	-	-	-	3,721,961
Restricted:						
Park Development	2,986,408	-	-	-	-	2,986,408
Town Building Development	1,388,300	-	-	-	-	1,388,300
Transportation Development	466,720	-	-	-	-	466,720
Library Development	846,179	-	-	-	-	846,179
Public Safety Development	908,555	-	-	-	-	908,555
Fire Development	1,530,898	-	-	-	-	1,530,898
Street Lighting Districts	-	-	-	-	99,647	99,647
Streets and Transportation	-	-	-	-	2,507,642	2,507,642
Housing Rehabilitation	-	-	-	-	42,698	42,698
Parks and Community	-	-	-	-	76,008	76,008
Total Restricted	8,127,060	-	-	-	2,725,995	10,853,055
Committed:						
Emergency Services	-	4,018,690	-	-	-	4,018,690
Infrastructure Projects	-	-	-	16,504,044	-	16,504,044
Town Center	-	-	-	-	1,611,270	1,611,270
Total Committed	-	4,018,690	-	16,504,044	1,611,270	22,134,004
Assigned:						
Debt Service	-	-	658,917	-	-	658,917
Unassigned:	23,025,977	-	-	-	-	23,025,977
Total Fund Balance	\$ 34,869,607	\$ 4,024,081	\$ 658,917	\$ 16,504,044	\$ 4,337,265	\$ 60,393,914

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 was \$25,478,284 and it is recorded in the Town's Wastewater Fund. The joint venture does not issue separate financial statements.

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.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Construction Commitments

The Town had major contractual commitments related to various capital projects at June 30, 2014, for the construction of various site improvements. At June 30, 2014, the Town had remaining contractual commitments with contractors of \$6,301,045. These projects are being financed by the Drainage and Transportation Fund and WIFA loan proceeds. The Town's commitments with contractors were as follows:

Project	Commitment	
	Governmental Activities	Business-Type Activities
Ocotillo Rd - Loop to Heritage	\$ 313,833	\$ -
Ellsworth Rd & Ocotillo Rd to Rittenhouse Rd	2,636,494	-
Ocotillo Road: West of RR to 218th Street	1,952,496	962
Ocotillo Rd - Ellsworth Rd to Rittenhouse Rd	248,625	-
Realigned Rittenhouse Rd to Hawes Rd	86,411	-
Intersection Improvement: Sossaman Road/ Chandler Heights Cloud and Rittenhouse	115,344	-
Collector @ Germann	7,732	-
Dog Park	113,008	-
Queen Creek Wash: DMP to Ellsworth Rd	54,599	-
Splash Pad	14,869	-
Town Center: Sidewalk Expansion	700	-
Orchard Ranch Booster Modeling	8,567	-
Scada Software Platform Upgrade	-	3,549
Cloud Rd - Power Rd to Sossaman Rd	-	11,774
Water System Master Plan	-	350
Ryan Rd Water Line Replacement	-	142,300
Hawes Rd Bridge Line Replacement	-	10,270
H2O Interconnect #1 Queen Creek & Meridian	-	3,640
H2O Interconnect #3 Ellsworth Rd & Ellsworth Loop	-	49,043
H2O Interconnect #4 Combs Rd & Meridian Rd	-	7,880
QC Plaza Down Town	-	8,955
H2O Interconnect #3	-	43,560
H2O System Integration	-	9,440
Phase II - Interceptor Sewer	-	296,556
Power Rd - Lift Station to Ocotillo	-	91,379
Power Rd - Chandler Heights to Riggs	-	19,583
Rittenhouse/Ryan Rd Interceptor	-	14,234
Victoria Dosing Site Development	-	4,913
Riggs Rd - Ellsworth/Meridian Sewer	-	3,695
Totals	<u>\$ 5,552,678</u>	<u>\$ 748,367</u>

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Water Company Acquisition

The Town of Queen Creek, Arizona finalized the acquisition of the H2O, Inc Water Utility on November 1, 2013 for the purpose of increasing the water service capacity within the Town of Queen Creek. The Town will operate and maintain the water utility in the Water Enterprise Fund. The acquisition was financed by a \$15,000,000 loan from the Water Infrastructure Authority of Arizona and a Subordinate Lien Water System Revenue Obligation totaling \$19,425,088 with a stated interest rate of 8% and an effective interest rate of 3.154% resulting in a premium totaling \$14,962,322 (See Note 3.E). No contingent considerations were made.

The acquisition included the accounts receivable and existing infrastructure. In addition, the Town assumed the liability for the customer deposits and advances in aid of construction. The acquisition value of the net position acquired was determined to be \$55,470,000. The acquisition value of the infrastructure was reduced to eliminate the \$6,082,590 excess net position received.

F. 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.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans(Continued)

Arizona State Retirement System (Continued)

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, 2014, active plan members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 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 11.54 percent (10.70% percent for retirement, 0.60 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
2014	\$ 1,013,052	\$ 56,807	\$ 22,723
2013	813,268	51,573	19,042
2012	714,419	45,601	17,372

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 14.09 percent of annual covered payroll for fire.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Annual Pension Cost

During the year ended June 30, 2014, the Town of Queen Creek, Arizona's estimated annual pension cost of \$276,766 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, 2014, the Town of Queen Creek, Arizona's estimated annual OPEB cost of \$8,921 for fire was equal to the Town of Queen Creek, Arizona's required and actual contributions.

Three-Year Trend Information

Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2014	\$ 276,766	100%	\$ -
2013	274,799	100%	-
2012	195,722	100%	-
Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	OPEB Benefit Obligation
2014	\$ 8,921	100%	\$ -
2013	9,551	100%	-
2012	8,757	100%	-

The required contribution was determined as part of the June 30, 2013 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.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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, 2013, was 23 years.

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

Funded Status and Funding Progress

As of June 30, 2013, 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	\$ 2,885,562	\$ 2,151,300	74.6%	\$ 734,262	\$ 1,897,526	38.7%	
OPEB	73,117	-	0.0%	73,117	1,897,526	3.9%	

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**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	Unfunded AAL as a Percentage of Covered Payroll
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%
2013	2,151,300	2,885,562	74.6%	(734,262)	1,897,526	38.7%

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	Unfunded AAL as a Percentage of Covered Payroll
2011	\$ -	\$ 53,230	0.0%	\$ (53,230)	\$ 1,804,859	2.95%
2012	-	57,978	0.0	(57,978)	1,839,081	3.15%
2013	-	73,117	0.0	(73,117)	1,897,526	3.85%

**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, 2014**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,439,000	\$ 10,439,000	\$ 13,885,045	\$ 3,446,045
Intergovernmental Revenues	6,098,000	6,098,000	6,179,114	81,114
Licenses and Permits	73,000	73,000	90,850	17,850
Charges for Services	2,925,200	2,925,200	5,028,402	2,103,202
Investment Income	225,000	225,000	406,612	181,612
Indirect Cost Reimbursement	905,923	905,923	890,667	(15,256)
Miscellaneous	100,000	100,000	170,350	70,350
Total Revenues	<u>20,766,123</u>	<u>20,766,123</u>	<u>26,651,040</u>	<u>5,884,917</u>
EXPENDITURES				
Current:				
Town Council	199,935	199,935	171,416	28,519
Town Manager	867,597	804,579	785,369	19,210
Town Clerk and Legal Services	586,849	586,849	458,394	128,455
Management Services	1,305,049	1,345,153	1,223,722	121,431
Development Services	7,197,851	7,263,392	6,761,766	501,626
Workforce and Technology	2,295,098	2,310,771	1,913,752	397,019
Economic Development	1,165,294	1,114,689	1,039,777	74,912
Non-Departmental	4,225,375	4,387,293	3,871,994	515,299
Total Expenditures	<u>17,843,048</u>	<u>18,012,661</u>	<u>16,226,190</u>	<u>1,786,471</u>
Excess (Deficiency) of Revenues Over Expenditures	2,923,075	2,753,462	10,424,850	7,671,388
OTHER FINANCING SOURCES (USES)				
Transfers In	475,044	475,044	475,044	-
Transfers Out	<u>(3,898,119)</u>	<u>(3,898,118)</u>	<u>(3,398,112)</u>	<u>500,006</u>
Total Other Financing Sources (Uses)	<u>(3,423,075)</u>	<u>(3,423,074)</u>	<u>(2,923,068)</u>	<u>500,006</u>
Net Change in Fund Balance	(500,000)	(669,612)	7,501,782	8,171,394
FUND BALANCE				
Beginning of Year	<u>500,000</u>	<u>669,612</u>	<u>19,289,657</u>	<u>18,620,045</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,791,439</u>	<u>\$ 26,791,439</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, 2014**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,747,882	\$ 5,747,882	\$ 6,328,731	\$ 580,849
Intergovernmental Revenues	-	-	24,358	24,358
Charges for Services	45,000	45,000	48,725	3,725
Investment Income	-	-	53,634	53,634
Miscellaneous	30,000	30,000	47,758	17,758
Total Revenues	<u>5,822,882</u>	<u>5,822,882</u>	<u>6,503,206</u>	<u>680,324</u>
EXPENDITURES				
Current:				
Public Safety	8,325,842	8,418,989	8,054,338	364,651
Capital Outlay	50,150	518,354	640,768	(122,414)
Total Expenditures	<u>8,375,992</u>	<u>8,937,343</u>	<u>8,695,106</u>	<u>242,237</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,553,110)	(3,114,461)	(2,191,900)	922,561
OTHER FINANCING SOURCES (USES)				
Transfers In	2,648,410	2,648,409	2,648,409	-
Transfers Out	(95,300)	(95,300)	(95,300)	-
Proceeds from Capital Leases	-	518,696	518,696	-
Total Other Financing Sources (Uses)	<u>2,553,110</u>	<u>3,071,805</u>	<u>3,071,805</u>	<u>-</u>
Net Change in Fund Balance	-	(42,656)	879,905	922,561
FUND BALANCE				
Beginning of Year	-	42,656	3,144,176	3,101,520
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,024,081</u>	<u>\$ 4,024,081</u>

See Notes to Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

NOTE 1 BASIS OF ACCOUNTING

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

- 1) The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the Town's General Fund in addition to several other Town funds as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; however, for budgetary purposes, the Town prepares a separate General Fund budget.
- 2) Interfund reimbursements were eliminated in the Statement of Revenues, Expenditures and Changes in Fund Balance, however are budgeted as revenues and expenses to the General Fund.
- 3) Certain expenditures are recognized on a GAAP basis that are not recorded on a budgetary basis. The current portion of the vacation and sick leave liability was recognized in the Statement of Revenues, Expenditures and Changes in Fund Balance and is recognized when paid on a budgetary basis.

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	\$ 32,828,198	\$ 18,665,004	\$ (3,904,594)	\$ 24,611,007	\$ 34,869,607
Other Funds Included in General Fund	(7,067,825)	(3,375,857)	981,526	(5,321,350)	(8,031,792)
Indirect Cost Reimbursement	890,667	890,667	-	-	-
GAAP Differences	<u>-</u>	<u>46,376</u>	<u>-</u>	<u>-</u>	<u>(46,376)</u>
Budgetary Comparison Schedule - General Fund	<u>\$ 26,651,040</u>	<u>\$ 16,226,190</u>	<u>\$ (2,923,068)</u>	<u>\$ 19,289,657</u>	<u>\$ 26,791,439</u>

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

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 Housing Rehab Special Revenue Fund and Excise Tax Bond Debt Service Fund.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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, 2014**

	Special Revenue Funds	Excise Tax Bond Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Investments	\$ 4,411,925	\$ -	\$ 4,411,925
Receivables			
Accounts Receivable	2,130	-	2,130
Taxes Receivable	7,120	-	7,120
Intergovernmental Receivable	216,104	-	216,104
Interest Receivable	7,701	-	7,701
Total Assets	<u>\$ 4,644,980</u>	<u>\$ -</u>	<u>\$ 4,644,980</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	<u>\$ 303,270</u>	<u>\$ -</u>	<u>\$ 303,270</u>
Deferred Inflows of Resources			
Unavailable Revenues	<u>4,445</u>	<u>-</u>	<u>4,445</u>
Fund Balances			
Restricted	2,725,995	-	2,725,995
Committed	1,611,270	-	1,611,270
Total Fund Balances	<u>4,337,265</u>	<u>-</u>	<u>4,337,265</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,644,980</u>	<u>\$ -</u>	<u>\$ 4,644,980</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds	Excise Tax Bond Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 463,876	\$ -	\$ 463,876
Intergovernmental Revenues	1,577,661	-	1,577,661
Charges for Services	36,460	-	36,460
Contributions and Donations	40,981	-	40,981
Special Assessments	383,050	-	383,050
Investment Income	69,117	-	69,117
Miscellaneous	8,340	-	8,340
Total Revenues	2,579,485	-	2,579,485
Expenditures			
Current:			
Highways and Streets	1,524,149	-	1,524,149
Culture and Recreation	38,315	-	38,315
Economic Development	53,449	-	53,449
Capital Outlay	43,128	-	43,128
Debt Service:			
Principal Retirement	17,463	745,000	762,463
Interest on Long-Term Debt	2,933	1,144,007	1,146,940
Total Expenditures	1,679,437	1,889,007	3,568,444
Excess (Deficiency) of Revenue Over Expenditures	900,048	(1,889,007)	(988,959)
Other Financing Sources (Uses)			
Transfers In	-	1,889,007	1,889,007
Total Other Financing Sources (Uses)	-	1,889,007	1,889,007
Net Change in Fund Balances	900,048	-	900,048
Fund Balances			
Beginning of Year	3,437,217	-	3,437,217
End of Year	\$ 4,337,265	\$ -	\$ 4,337,265

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	HURF	LTAF	Town Center	Street Lighting District
ASSETS				
Cash and Investments	\$ 2,144,593	\$ 467,147	\$ 1,549,796	\$ 131,726
Receivables				
Accounts Receivable	1,380	-	750	-
Taxes Receivable	-	-	-	7,120
Intergovernmental Receivable	140,386	-	75,718	-
Interest Receivable	3,964	849	2,718	-
Total Assets	<u>\$ 2,290,323</u>	<u>\$ 467,996</u>	<u>\$ 1,628,982</u>	<u>\$ 138,846</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	<u>\$ 226,300</u>	<u>\$ 24,377</u>	<u>\$ 17,712</u>	<u>\$ 34,754</u>
Deferred Inflows of Resources				
Unavailable Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,445</u>
Fund Balances				
Restricted	2,064,023	443,619	-	99,647
Committed	-	-	1,611,270	-
Total Fund Balances	<u>2,064,023</u>	<u>443,619</u>	<u>1,611,270</u>	<u>99,647</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,290,323</u>	<u>\$ 467,996</u>	<u>\$ 1,628,982</u>	<u>\$ 138,846</u>

<u>Housing Rehab</u>	<u>Parks and Recreation</u>	<u>Community Events</u>	<u>Total</u>
\$ 42,698	\$ 52,368	\$ 23,597	\$ 4,411,925
-	-	-	2,130
-	-	-	7,120
-	-	-	216,104
-	170	-	7,701
<u>\$ 42,698</u>	<u>\$ 52,538</u>	<u>\$ 23,597</u>	<u>\$ 4,644,980</u>
<u>\$ -</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 303,270</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,445</u>
42,698	52,411	23,597	2,725,995
-	-	-	1,611,270
<u>42,698</u>	<u>52,411</u>	<u>23,597</u>	<u>4,337,265</u>
<u>\$ 42,698</u>	<u>\$ 52,538</u>	<u>\$ 23,597</u>	<u>\$ 4,644,980</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, 2014**

	<u>HURF</u>	<u>LTAF</u>	<u>Town Center</u>	<u>Street Lighting District</u>
Revenues				
Taxes	\$ -	\$ -	\$ 463,876	\$ -
Intergovernmental Revenues	1,501,206	76,455	-	-
Charges for Services	-	-	36,460	-
Contributions and Donations	-	-	3,816	-
Special Assessments	-	-	-	383,050
Investment Income (Loss)	34,256	7,643	23,529	1,593
Miscellaneous	-	-	8,340	-
Total Revenues	<u>1,535,462</u>	<u>84,098</u>	<u>536,021</u>	<u>384,643</u>
Expenditures				
Current:				
Highways and Streets	1,061,868	62,635	-	399,646
Culture and Recreation	-	-	-	-
Economic Development	-	-	53,449	-
Capital Outlay	-	-	43,128	-
Debt Service:				
Principal Retirement	17,463	-	-	-
Interest on Long-Term Debt	2,933	-	-	-
Total Expenditures	<u>1,082,264</u>	<u>62,635</u>	<u>96,577</u>	<u>399,646</u>
Net Change in Fund Balances	453,198	21,463	439,444	(15,003)
Fund Balances				
Beginning of Year	1,610,825	422,156	1,171,826	114,650
End of Year	<u>\$ 2,064,023</u>	<u>\$ 443,619</u>	<u>\$ 1,611,270</u>	<u>\$ 99,647</u>

<u>Housing Rehab</u>	<u>Parks and Recreation</u>	<u>Community Events</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 463,876
-	-	-	1,577,661
-	-	-	36,460
-	800	36,365	40,981
-	-	-	383,050
741	902	453	69,117
-	-	-	8,340
<u>741</u>	<u>1,702</u>	<u>36,818</u>	<u>2,579,485</u>
-	-	-	1,524,149
-	-	38,315	38,315
-	-	-	53,449
-	-	-	43,128
-	-	-	17,463
-	-	-	2,933
<u>-</u>	<u>-</u>	<u>38,315</u>	<u>1,679,437</u>
741	1,702	(1,497)	900,048
41,957	50,709	25,094	3,437,217
<u>\$ 42,698</u>	<u>\$ 52,411</u>	<u>\$ 23,597</u>	<u>\$ 4,337,265</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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 1,840,990	\$ 1,840,990	\$ 1,824,295	\$ (16,695)
Investment Income	-	-	18,964	18,964
Total Revenues	<u>1,840,990</u>	<u>1,840,990</u>	<u>1,843,259</u>	<u>2,269</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	1,550,000	1,550,000	1,550,000	-
Interest on Long-Term Debt	2,368,250	2,368,250	2,330,251	37,999
Total Expenditures	<u>3,918,250</u>	<u>3,918,250</u>	<u>3,880,251</u>	<u>37,999</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,077,260)	(2,077,260)	(2,036,992)	40,268
OTHER FINANCING SOURCES (USES)				
Transfers In	2,077,260	2,077,260	2,077,255	(5)
Total Other Financing Sources (Uses)	<u>2,077,260</u>	<u>2,077,260</u>	<u>2,077,255</u>	<u>(5)</u>
Net Change in Fund Balance	-	-	40,263	40,263
FUND BALANCE				
Beginning of Year	-	-	618,654	618,654
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 658,917</u>	<u>\$ 658,917</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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,317,000	\$ 1,317,000	\$ 2,807,543	\$ 1,490,543
Intergovernmental Revenues	2,112,500	2,112,500	249,281	(1,863,219)
Contributions and Donations	-	-	675,842	675,842
Investment Income	-	-	333,608	333,608
Total Revenues	<u>3,429,500</u>	<u>3,429,500</u>	<u>4,066,274</u>	<u>636,774</u>
EXPENDITURES				
Capital Outlay	4,462,874	6,283,642	2,472,827	3,810,815
Total Expenditures	<u>4,462,874</u>	<u>6,283,642</u>	<u>2,472,827</u>	<u>3,810,815</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,033,374)	(2,854,142)	1,593,447	4,447,589
OTHER FINANCING SOURCES (USES)				
Transfers In	553,665	553,666	-	(553,666)
Transfers Out	(2,698,786)	(2,698,786)	(2,139,733)	559,053
Total Other Financing Sources (Uses)	<u>(2,145,121)</u>	<u>(2,145,120)</u>	<u>(2,139,733)</u>	<u>5,387</u>
Net Change in Fund Balance	(3,178,495)	(4,999,262)	(546,286)	4,452,976
FUND BALANCE				
Beginning of Year	3,178,495	4,999,262	17,050,330	12,051,068
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,504,044</u>	<u>\$ 16,504,044</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HURF FUND
YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenues	\$ 1,502,000	\$ 1,502,000	\$ 1,501,206	\$ (794)
Investment Income	-	-	34,256	34,256
Total Revenues	<u>1,502,000</u>	<u>1,502,000</u>	<u>1,535,462</u>	<u>33,462</u>
EXPENDITURES				
Current:				
Highways and Streets	1,481,604	1,542,693	1,061,868	480,825
Debt Service:				
Principal Retirement	17,463	17,463	17,463	-
Interest on Long-Term Debt	2,933	2,933	2,933	-
Total Expenditures	<u>1,502,000</u>	<u>1,563,089</u>	<u>1,082,264</u>	<u>480,825</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(61,089)	453,198	514,287
FUND BALANCE				
Beginning of Year	-	61,089	1,610,825	1,549,736
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,064,023</u>	<u>\$ 2,064,023</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
LTAFF FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ 76,455	\$ 76,455
Investment Income	-	-	7,643	7,643
Total Revenues	-	-	84,098	84,098
EXPENDITURES				
Current:				
Highways and Streets	-	143,140	62,635	80,505
Total Expenditures	-	143,140	62,635	80,505
Excess (Deficiency) of Revenues Over Expenditures	-	(143,140)	21,463	164,603
FUND BALANCE				
Beginning of Year	-	143,140	422,156	279,016
End of Year	\$ -	\$ -	\$ 443,619	\$ 443,619

**TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
TOWN CENTER FUND
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 435,117	\$ 435,117	\$ 463,876	\$ 28,759
Charges for Services	15,000	15,000	36,460	21,460
Contributions and Donations	-	-	3,816	3,816
Investment Income	-	-	23,529	23,529
Miscellaneous	6,500	6,500	8,340	1,840
Total Revenues	<u>456,617</u>	<u>456,617</u>	<u>536,021</u>	<u>79,404</u>
EXPENDITURES				
Current:				
Economic Development	155,000	155,000	53,449	101,551
Capital Outlay	-	29,860	43,128	(13,268)
Total Expenditures	<u>155,000</u>	<u>184,860</u>	<u>96,577</u>	<u>88,283</u>
Excess (Deficiency) of Revenues Over Expenditures	301,617	271,757	439,444	167,687
FUND BALANCE				
Beginning of Year	-	-	1,171,826	1,171,826
End of Year	<u>\$ 301,617</u>	<u>\$ 271,757</u>	<u>\$ 1,611,270</u>	<u>\$ 1,339,513</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, 2014**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 424,000	\$ 424,000	\$ 383,050	\$ (40,950)
Investment Income	-	-	1,593	1,593
Total Revenues	<u>424,000</u>	<u>424,000</u>	<u>384,643</u>	<u>(39,357)</u>
EXPENDITURES				
Current:				
Highways and Streets	424,000	424,000	399,646	24,354
Total Expenditures	<u>424,000</u>	<u>424,000</u>	<u>399,646</u>	<u>24,354</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(15,003)	(15,003)
FUND BALANCE				
Beginning of Year	-	-	114,650	114,650
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,647</u>	<u>\$ 99,647</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, 2014**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Contributions and Donations	\$ -	\$ -	\$ 800	\$ 800
Investment Income	-	-	902	902
Total Revenues	-	-	1,702	1,702
Excess (Deficiency) of Revenues Over Expenditures	-	-	1,702	1,702
FUND BALANCE				
Beginning of Year	-	-	50,709	50,709
End of Year	\$ -	\$ -	\$ 52,411	\$ 52,411

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY EVENTS FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Contributions and Donations	\$ 25,000	\$ 25,000	\$ 36,365	\$ 11,365
Investment Income	-	-	453	453
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>36,818</u>	<u>11,818</u>
EXPENDITURES				
Current:				
Culture and Recreation	35,000	35,000	38,315	(3,315)
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>38,315</u>	<u>(3,315)</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,000)	(10,000)	(1,497)	8,503
FUND BALANCE				
Beginning of Year	10,000	10,000	25,094	15,094
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,597</u>	<u>\$ 23,597</u>

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			
	2005	2006	2007	2008
Governmental Activities:				
Net Investment in Capital Assets	\$ 24,201,895	\$ 33,851,302	\$ 32,247,268	\$ 109,742,395
Restricted	6,620,624	14,077,498	84,486,782	68,008,904
Unrestricted	11,157,942	10,225,466	17,927,009	37,976,551
Total Governmental Activities Net Position	<u>\$ 41,980,461</u>	<u>\$ 58,154,266</u>	<u>\$ 134,661,059</u>	<u>\$ 215,727,850</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 3,643,337	\$ 6,843,679	\$ 15,048,545	\$ 51,303,406
Restricted	510,487	1,105,139	1,230,444	2,468,859
Unrestricted	10,784,224	12,905,376	9,444,815	5,909,052
Total Business-Type Activities Net Position	<u>\$ 14,938,048</u>	<u>\$ 20,854,194</u>	<u>\$ 25,723,804</u>	<u>\$ 59,681,317</u>
Primary Government:				
Net Investment in Capital Assets	\$ 27,845,232	\$ 40,694,981	\$ 47,295,813	\$ 161,045,801
Restricted	7,131,111	15,182,637	85,717,226	70,477,763
Unrestricted	21,942,166	23,130,842	27,371,824	43,885,603
Total Primary Government Net Position	<u>\$ 56,918,509</u>	<u>\$ 79,008,460</u>	<u>\$ 160,384,863</u>	<u>\$ 275,409,167</u>

Source: The Town's Finance Department.

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 113,217,150	\$ 126,963,176	\$ 135,006,115	\$ 138,591,496	\$ 145,953,396	\$ 158,473,433
30,072,080	26,314,209	34,738,750	25,525,022	29,879,867	32,127,295
73,366,536	68,967,562	26,343,071	35,908,296	45,518,062	53,862,470
<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>	<u>\$ 244,463,198</u>
\$ 55,382,631	\$ 53,514,718	\$ 55,468,136	\$ 63,922,044	\$ 68,348,737	\$ 74,678,972
2,496,700	3,816,284	4,406,894	5,809,913	6,466,848	6,828,477
6,983,681	6,581,861	4,070,089	993,881	3,678,908	9,587,920
<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>	<u>\$ 91,095,369</u>
\$ 168,599,781	\$ 180,477,894	\$ 190,474,251	\$ 202,513,540	\$ 214,302,133	\$ 233,152,405
32,568,780	30,130,493	39,145,644	31,334,935	36,346,715	38,955,772
80,350,217	75,549,423	30,413,160	36,902,177	49,196,970	63,450,390
<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>	<u>\$ 335,558,567</u>

TOWN OF QUEEN CREEK, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2005	2006	2007	2008
EXPENSES				
Governmental Activities:				
General Government	\$ 4,974,553	\$ 7,942,619	\$ 10,372,421	\$ 12,999,122
Public Safety	2,521,939	3,308,140	4,269,566	7,646,401
Highways and Streets	609,834	2,240,896	1,165,307	3,969,454
Culture and Recreation	1,020,317	2,137,593	3,230,021	2,267,614
Redevelopment and Housing	44,103	31,106	-	-
Economic Development	1,129,284	859,508	919,366	1,052,133
Interest on Long-Term Debt	653,224	984,723	3,494,003	5,008,714
Total Governmental Activities	<u>10,953,254</u>	<u>17,504,585</u>	<u>23,450,684</u>	<u>32,943,438</u>
Business-Type Activities:				
Wastewater	946,134	2,545,149	4,328,211	3,731,669
Water	-	-	-	2,107,142
Solid Waste	-	-	-	-
Total Business-Type Activities	<u>946,134</u>	<u>2,545,149</u>	<u>4,328,211</u>	<u>5,838,811</u>
Total Primary Government Expenses	<u>\$ 11,899,388</u>	<u>\$ 20,049,734</u>	<u>\$ 27,778,895</u>	<u>\$ 38,782,249</u>
PROGRAM REVENUES				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 5,636,287	\$ 6,310,475	\$ 6,546,505	\$ 3,804,312
Public Safety	349,082	179,756	1,441,150	1,148,794
Highways and Streets	245,357	391,173	2,408,572	1,487,695
Culture and Recreation	5,643,278	5,814,185	3,812,563	3,813,555
Economic Development	-	-	-	-
Interest on Long-Term Debt	-	-	54,080,000	-
Operating Grants and Contributions	920,984	2,541,133	1,373,652	1,276,136
Capital Grants and Contributions	1,056,450	894,321	5,238,822	19,940,097
Total Governmental Activities	<u>13,851,438</u>	<u>16,131,043</u>	<u>74,901,264</u>	<u>31,470,589</u>
Business-Type Activities:				
Charges for Services:				
Wastewater	6,730,313	8,225,948	6,086,347	1,699,668
Water	-	-	-	4,623,259
Solid Waste	-	-	-	-
Capital Grants and Contributions	-	-	-	8,832,518
Total Business-Type Activities	<u>6,730,313</u>	<u>8,225,948</u>	<u>6,086,347</u>	<u>15,155,445</u>
Total Primary Government	<u>\$ 20,581,751</u>	<u>\$ 24,356,991</u>	<u>\$ 80,987,611</u>	<u>\$ 46,626,034</u>

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 11,983,396	\$ 11,726,205	\$ 10,556,890	\$ 9,401,213	\$ 9,401,213	\$ 10,560,748
9,074,899	8,619,769	8,579,299	8,002,986	8,002,986	9,286,805
4,802,811	7,458,056	8,472,107	8,960,506	8,960,506	9,453,285
3,578,303	3,288,751	3,845,329	2,851,292	2,851,292	3,157,249
-	-	-	-	-	-
672,820	644,790	756,340	827,230	827,230	1,024,067
5,458,887	4,977,067	4,860,272	4,615,538	4,615,538	4,401,608
<u>35,571,116</u>	<u>36,714,638</u>	<u>37,070,237</u>	<u>34,658,765</u>	<u>34,658,765</u>	<u>37,883,762</u>
6,391,819	9,338,013	6,062,441	5,668,879	5,668,879	5,668,932
6,541,249	7,786,907	7,053,112	6,354,536	6,354,536	9,536,903
-	687,346	1,207,247	1,450,544	1,450,544	1,602,901
<u>12,933,068</u>	<u>17,812,266</u>	<u>14,322,800</u>	<u>13,473,959</u>	<u>13,473,959</u>	<u>16,808,736</u>
<u>\$ 48,504,184</u>	<u>\$ 54,526,904</u>	<u>\$ 51,393,037</u>	<u>\$ 48,132,724</u>	<u>\$ 48,132,724</u>	<u>\$ 54,692,498</u>
\$ 1,893,328	\$ 2,593,950	\$ 2,498,047	\$ 2,103,716	\$ 3,142,042	\$ 3,640,706
370,118	371,100	210,907	327,944	1,055,263	1,081,831
1,031,006	2,983,611	335,045	218,077	562,990	548,688
1,311,157	1,610,841	1,622,772	1,832,917	4,224,982	4,742,607
755,753	795,856	689,380	1,157,363	2,922,436	3,257,299
-	-	-	-	-	-
1,252,399	1,291,191	1,148,590	1,418,838	1,472,370	1,602,019
5,457,452	12,431,068	2,286,332	9,724,218	14,794,654	14,385,675
<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>	<u>29,258,825</u>
3,621,603	4,205,136	3,521,068	4,180,555	6,906,017	8,157,240
6,723,755	7,752,957	8,589,136	9,356,721	10,630,175	15,256,028
-	763	987,384	1,359,963	1,601,759	1,854,726
5,818,104	3,293,570	158,221	6,539,411	3,802,082	4,272,051
<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>29,540,045</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>	<u>\$ 58,798,870</u>

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

(Concluded)	Fiscal Year			
	2005	2006	2007	2008
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ 2,898,184	\$ (1,373,542)	\$ 51,450,580	\$ (1,472,849)
Business-Type Activities	5,784,179	5,680,799	1,758,136	9,316,634
Total Primary Government Net Expense	\$ 8,682,363	\$ 4,307,257	\$ 53,208,716	\$ 7,843,785
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 9,186,292	\$ 14,908,411	\$ 19,915,195	\$ 19,608,355
Property Taxes	-	-	-	3,910,452
Franchise Taxes	92,968	128,420	170,919	189,957
Unrestricted State Shared Revenue	982,634	2,335,817	4,113,740	4,491,661
Contributions and Donations	-	174,699	-	-
Investment Income (Loss)	496,112	-	3,436,139	3,450,325
Other	57,203	-	78,719	275,981
Special Item	-	-	-	-
Transfers	-	-	(2,658,499)	-
Total Governmental Activities	10,815,209	17,547,347	25,056,213	31,926,731
Business-Type Activities:				
Investment Income (Loss)	161,517	235,347	452,975	481,490
Other	-	-	-	-
Transfers	-	-	2,658,499	-
Total Business-Type Activities	161,517	235,347	3,111,474	481,490
Total Primary Government	\$ 10,976,726	\$ 17,782,694	\$ 28,167,687	\$ 32,408,221
CHANGE IN NET POSITION				
Governmental Activities	\$ 13,713,393	\$ 16,173,805	\$ 76,506,793	\$ 30,453,882
Business-Type Activities	5,945,696	5,916,146	4,869,610	9,798,124
Total Primary Government	\$ 19,659,089	\$ 22,089,951	\$ 81,376,403	\$ 40,252,006

Source: The Town's Finance Department.

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ (23,499,903)	\$ (14,637,021)	\$ (28,279,164)	\$ (17,875,692)	\$ (6,484,028)	\$ (8,624,937)
<u>3,230,394</u>	<u>(2,559,840)</u>	<u>(1,066,991)</u>	<u>7,962,691</u>	<u>9,466,074</u>	<u>12,731,309</u>
<u>\$ (20,269,509)</u>	<u>\$ (17,196,861)</u>	<u>\$ (29,346,155)</u>	<u>\$ (9,913,001)</u>	<u>\$ 2,982,046</u>	<u>\$ 4,106,372</u>
\$ 14,702,840	\$ 10,964,939	\$ 11,747,396	\$ 12,549,668	\$ 16,037,178	\$ 18,483,484
5,278,509	6,107,314	5,518,261	4,488,100	4,236,341	5,037,568
185,812	154,148	201,515	258,265	214,938	253,553
4,400,264	3,888,975	3,484,155	5,183,494	5,754,960	6,179,114
-	-	-	-	-	-
630,302	315,292	822,710	583,618	(124,209)	1,050,810
656,092	386,227	389,978	289,901	156,801	257,237
-	-	-	(2,439,917)	-	-
<u>(1,426,000)</u>	<u>(1,590,693)</u>	<u>(1,018,998)</u>	<u>985,849</u>	<u>1,534,530</u>	<u>475,044</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>	<u>31,736,810</u>
98,139	18,998	73,185	84,320	(162,889)	344,611
427,162	-	7,064	75,000	-	-
<u>1,426,000</u>	<u>1,590,693</u>	<u>1,018,998</u>	<u>(985,849)</u>	<u>(1,534,530)</u>	<u>(475,044)</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>(130,433)</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>	<u>\$ 31,606,377</u>
\$ 927,916	\$ 5,589,181	\$ (7,134,147)	\$ 4,023,286	\$ 21,326,511	\$ 23,111,873
5,181,695	(950,149)	32,256	7,136,162	7,768,655	12,600,876
<u>\$ 6,109,611</u>	<u>\$ 4,639,032</u>	<u>\$ (7,101,891)</u>	<u>\$ 11,159,448</u>	<u>\$ 29,095,166</u>	<u>\$ 35,712,749</u>

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>
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
2014	18,483,484	5,037,568	253,553	23,774,605

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			
	2005	2006	2007	2008
General Fund:				
Reserved	\$ 905,070	\$ 995,070	\$ 1,095,070	\$ 1,215,070
Unreserved	12,735,574	10,802,104	14,250,016	14,855,825
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 13,640,644</u>	<u>\$ 11,797,174</u>	<u>\$ 15,345,086</u>	<u>\$ 16,070,895</u>
All Other Governmental Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:				
Special Revenue Funds	5,477,629	23,636,614	40,817,283	25,647,916
Capital Projects Funds	-	-	35,726,524	25,811,269
Debt Service Funds	-	-	2,552,807	(1,291,768)
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 5,477,629</u>	<u>\$ 23,636,614</u>	<u>\$ 79,096,614</u>	<u>\$ 50,167,417</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

2009	2010	2011	2012	2013	2014
\$ 1,335,070	\$ 1,628,453	\$ -	\$ -	\$ -	\$ -
13,387,466	10,792,208	-	-	-	-
-	-	-	2,615,142	3,156,355	3,716,570
-	-	-	890,554	5,606,558	8,127,060
-	-	2,575,070	-	-	-
-	-	10,035,046	11,486,143	15,848,094	23,025,977
<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>	<u>\$ 34,869,607</u>
\$ -	\$ 50,881	\$ -	\$ -	\$ -	\$ -
8,406,905	8,591,320	-	-	-	-
28,545,004	24,132,768	-	-	-	-
(721,057)	(750,888)	-	-	-	-
-	-	-	-	-	5,391
-	-	5,578,516	1,838,904	2,265,391	2,725,995
-	-	13,254,231	17,290,278	21,366,332	22,134,004
-	-	-	621,154	618,654	658,917
-	-	(1,933,843)	-	-	-
<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>	<u>\$ 25,524,307</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				
	2005	2006	2007	2008	2009
REVENUES					
Taxes	\$ 9,279,260	\$ 15,036,831	\$ 20,086,114	\$ 23,466,756	\$ 19,758,273
Intergovernmental	2,563,308	3,209,018	6,515,757	6,221,594	7,062,887
Licenses and Permits	34,871	43,810	56,085	67,751	63,616
Charges for Services	4,640,017	5,177,169	4,523,939	3,826,144	2,411,850
Rents and Royalties	396,760	-	-	-	-
Contributions and Donations	7,041,747	1,489,105	4,210,457	5,997,940	870,186
Impact Fees	157,369	7,279,064	9,392,159	7,380,289	2,225,710
Special Assessments	468,375	195,546	236,607	275,834	2,870,359
Investment Income (Loss)	57,203	1,041,879	3,401,232	3,380,399	617,550
Other	8,121,454	174,699	78,719	275,981	656,092
Total Revenues	<u>32,760,364</u>	<u>33,647,121</u>	<u>48,501,069</u>	<u>50,892,688</u>	<u>36,536,523</u>
EXPENDITURES					
General Government	10,677,879	10,785,475	11,156,108	13,101,961	10,951,825
Public Safety	2,624,132	3,294,773	4,235,169	8,767,061	8,926,574
Highways and Streets	2,404,898	12,337,651	1,551,725	3,523,398	2,525,680
Culture and Recreation	14,377,799	2,480,785	5,231,338	25,724,708	3,211,714
Redevelopment and Housing	44,103	31,106	-	-	-
Economic Development	1,145,106	859,508	919,366	978,981	632,499
Capital Outlay	-	-	33,227,915	21,402,111	30,252,931
Debt Service					
Principal Retirement	653,224	999,624	3,556,627	1,011,096	2,699,907
Interest on Long-Term Debt	662,255	789,749	7,770,799	5,091,458	5,177,249
Issuance Costs	-	227,850	2,144,381	119,944	-
Total Expenditures	<u>32,589,396</u>	<u>31,806,521</u>	<u>69,793,428</u>	<u>79,720,718</u>	<u>64,378,379</u>
Excess of Revenues					
Over (Under) Expenditures	170,968	1,840,600	(21,292,359)	(28,828,030)	(27,841,856)
OTHER FINANCING SOURCES					
(USES)					
Transfers In	1,710,497	9,775,195	13,736,804	6,521,702	5,210,992
Transfers Out	(1,710,497)	(9,775,195)	(16,395,303)	(6,521,702)	(6,636,992)
Issuance of Long-Term Debt	7,700,000	14,474,915	81,215,000	-	12,045,000
Premium on Long-Term Debt	-	-	1,743,770	-	-
Proceeds from Capital Leases	305,976	-	-	-	1,937,932
Total Other Financing	<u>8,005,976</u>	<u>14,474,915</u>	<u>80,300,271</u>	<u>-</u>	<u>12,556,932</u>
Sources (Uses)	<u>8,005,976</u>	<u>14,474,915</u>	<u>80,300,271</u>	<u>-</u>	<u>12,556,932</u>
Net Change in Fund Balances	<u>\$ 8,176,944</u>	<u>\$ 16,315,515</u>	<u>\$ 59,007,912</u>	<u>\$ (28,828,030)</u>	<u>\$ (15,284,924)</u>
Debt Service as a Percentage of Noncapital Expenditures	5.45%	3.97%	3.59%	3.54%	4.05%

Source: The Town's Finance Department.

Fiscal Year				
2010	2011	2012	2013	2014
\$ 16,836,982	\$ 16,023,317	\$ 16,475,628	\$ 20,231,535	\$ 23,485,195
5,180,166	5,734,596	7,708,774	7,227,330	8,030,414
73,640	114,749	73,500	3,818,206	4,563,955
3,153,496	3,258,927	2,083,219	817,815	796,902
-	-	221,169	288,404	333,464
2,698,090	156,673	1,823,614	3,442,997	716,823
2,430,132	1,575,802	1,968,577	5,877,743	6,478,349
2,195,808	2,136,060	2,242,754	2,139,002	2,207,345
321,371	769,016	524,712	(188,481)	981,010
386,227	389,978	239,000	140,421	226,965
<u>33,275,912</u>	<u>30,159,118</u>	<u>33,360,947</u>	<u>43,794,972</u>	<u>47,820,422</u>
10,982,941	9,351,883	7,886,767	8,405,607	10,291,860
8,477,676	8,320,857	7,406,989	7,713,176	9,059,429
2,124,711	2,971,653	2,932,978	2,837,392	2,930,716
2,799,420	3,279,393	2,533,497	2,318,345	2,595,664
-	-	-	-	-
574,191	729,464	570,038	809,841	967,116
5,387,164	11,775,094	3,743,304	1,383,628	3,774,743
2,870,695	2,891,326	3,008,680	3,161,506	3,164,560
4,977,067	4,860,272	4,724,600	4,711,032	4,497,544
-	-	-	-	-
<u>38,193,865</u>	<u>44,179,942</u>	<u>32,806,853</u>	<u>31,340,527</u>	<u>37,281,632</u>
(4,917,953)	(14,020,824)	554,094	12,454,445	10,538,790
6,415,774	5,163,723	5,450,701	6,654,872	7,089,715
(8,006,467)	(6,182,721)	(4,464,852)	(5,120,342)	(6,614,671)
-	-	-	-	-
-	-	-	-	-
-	104,100	-	130,234	518,696
<u>(1,590,693)</u>	<u>(914,898)</u>	<u>985,849</u>	<u>1,664,764</u>	<u>993,740</u>
<u>\$ (6,508,646)</u>	<u>\$ (14,935,722)</u>	<u>\$ 1,539,943</u>	<u>\$ 14,119,209</u>	<u>\$ 11,532,530</u>
9.80%	17.55%	26.10%	26.28%	23.82%

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

	Fiscal Year			
	2005	2006	2007	2008
Sales Category:				
Mining	\$ 21,283	\$ 25,202	\$ 207,594	\$ 308,855
Construction	157,028,492	238,787,230	274,176,385	297,124,860
Manufacturing	5,082,035	8,992,348	7,944,333	16,321,469
Communications and Utilities	21,450,614	25,172,914	35,250,877	43,961,810
Transportation	167,620	207,498	131,612	202,433
Wholesale Trade	1,967,366	3,850,397	4,404,879	8,524,677
Retail Trade	75,542,054	119,811,982	128,953,912	152,578,377
Restaurants and Bars	9,907,756	17,770,971	25,736,540	31,722,604
Finance and Insurance	411,405	775,203	1,417,248	1,582,892
Real Estate, Rental and Lease	12,931,078	30,714,441	41,265,871	39,906,317
Hotels and Other Lodging	-	-	-	-
Services	4,722,605	7,280,584	9,043,078	11,519,640
Accommodations	389,212	440,187	326,175	55,228
Arts and Entertainment	935,755	1,425,073	1,335,806	3,924,518
Other	16,055,863	11,774,982	7,620,946	14,154,088
Total	<u>\$ 306,613,138</u>	<u>\$ 467,029,012</u>	<u>\$ 537,815,256</u>	<u>\$ 621,887,768</u>
Town Sales Tax Rate	2.00%	2.00%	2.00%	2.25%
Town Construction Sales Tax	4.00%	4.00%	4.00%	4.25%

Source: Arizona Department of Revenue.

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 19,506	\$ 8,578	\$ 43,824	\$ 44,933	\$ 64,581	\$ 42,445
68,131,347	24,888,071	23,371,295	34,048,306	97,150,864	147,042,520
13,088,096	11,605,644	14,276,568	14,800,622	15,678,705	15,409,197
36,977,768	45,536,133	44,125,676	47,838,756	46,342,729	50,234,076
149,331	112,400	139,625	49,244	41,877	40,269
7,319,314	5,051,467	6,230,724	5,300,978	5,271,396	6,152,793
236,077,544	235,488,222	240,602,220	256,984,356	281,513,741	300,884,544
36,646,285	40,576,044	46,232,244	45,583,911	51,553,181	59,267,692
1,471,041	1,776,444	1,933,483	1,812,133	2,327,463	3,550,624
55,469,885	47,604,000	50,089,300	52,889,378	67,570,269	72,456,796
-	-	-	-	-	-
11,642,030	8,637,778	10,865,399	11,949,956	15,347,314	17,782,422
1,008	40,533	399	533	340	1,388
4,928,933	5,593,556	5,752,407	4,867,600	5,068,449	5,054,530
20,418,792	8,186,356	8,705,045	11,640,444	9,917,693	9,788,134
<u>\$ 492,340,880</u>	<u>\$ 435,105,226</u>	<u>\$ 452,368,209</u>	<u>\$ 487,811,150</u>	<u>\$ 597,848,602</u>	<u>\$ 687,707,430</u>
2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

**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>
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
2014	2.25	5.60	0.70

Source: Arizona Department of Revenue.

TOWN OF QUEEN CREEK, ARIZONA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST SEVEN 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
2014	131,764,902	107,129,631	238,894,533	(53,724,377)	185,170,156

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%
2014	1.95	1,934,828,445	9.57%

Source: The Maricopa County Treasurer.

**TOWN OF QUEEN CREEK, ARIZONA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST SEVEN 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
2014	1.95	8.16	1.53	1.28

Source: The Maricopa County Treasurer.

**TOWN OF QUEEN CREEK, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2014 AND 2011
(UNAUDITED)**

Taxpayer	2014			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	\$ 52,056,087	1	28.11			
HSL Encantada Queen Creek LLC	22,176,600	2	11.98			
Siete Colar, LLC (C/O PSEG)	14,844,000	3	8.02			
K & M Development #1 LLC	14,686,900	4	7.93			
WDP Town Center LLP	11,286,025	5	6.09	\$ 3,480,628	6	1.62
Wal-Mart Stores, Inc.	11,164,900	6	6.03	3,785,838	5	1.77
Cresleigh Homes Arizona	10,464,700	7	5.65			
Grace Power and Chandler Heights LLC	9,899,400	8	5.35			
Richmond American Homes of Arizona	7,573,100	9	4.09			
Union Pacific Railroad	7,561,655	10	4.08			
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>\$ 161,713,367</u>		84.58 %	<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 SEVEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Tax Levy</u>
2008	\$ 3,792,251	\$ 3,692,894	97.38 %	\$ 97,782	\$ 3,790,676	99.96 %	\$ 1,531	0.04 %
2009	4,701,609	4,578,427	97.38	121,019	4,699,446	99.95	2,107	0.04
2010	5,432,696	5,290,359	97.38	137,053	5,427,412	99.90	1,818	0.03
2011	5,056,216	4,923,743	97.38	95,018	5,018,761	99.26	2,469	0.05
2012	4,082,960	3,976,035	97.38	75,374	4,051,409	99.23	1,786	0.04
2013	3,712,376	3,620,118	97.51	66,708	3,686,826	99.31	2,070	0.06
2014	3,554,457	3,473,119	97.71	-	3,473,119	97.71	81,338	2.29

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	Long-Term Contract	Capital Leases	Total
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
2014	23,195,000	47,036,153	18,825,803	753,415	1,259,288	91,069,659

Fiscal Year	Advances in Aid of Construction	Loans Payable	Revenue Obligation	Capital Leases	Total
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
2014	2,629,297	78,287,581	34,602,247	-	115,519,125

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
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
2014	206,588,784	10.68%	23.34%	6,962

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, 2014
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Maricopa County Community College District	\$ 712,735,000	0.55%	\$ 3,920,043
Chandler Unified School District	215,765,000	0.33%	712,025
Higley Unified School District	61,195,000	10.81%	6,615,180
Queen Creek Unified School District No. 95	36,565,000	63.50%	23,218,774
Subtotal, Overlapping Debt			<u>34,466,022</u>
Town of Queen Creek, Arizona	91,069,659	100.00%	91,069,659
Total Direct and Overlapping Debt			<u><u>\$ 125,535,681</u></u>

Source:

(1) Proportion applicable to the Town of Queen Creek, Arizona, is computed on the ratio of secondary assessed valuation for 2013-14.

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Total Debt Limit	\$ 17,878,367	\$ 29,541,469	\$ 41,406,291	\$ 74,152,814	\$ 90,464,867
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 17,878,367</u>	<u>\$ 29,541,469</u>	<u>\$ 41,406,291</u>	<u>\$ 74,152,814</u>	<u>\$ 90,464,867</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				
2010	2011	2012	2013	2014
\$ 90,209,091	\$ 74,395,445	\$ 55,763,244	\$ 49,713,374	\$ 48,144,240
-	-	-	-	-
<u>\$ 90,209,091</u>	<u>\$ 74,395,445</u>	<u>\$ 55,763,244</u>	<u>\$ 49,713,374</u>	<u>\$ 48,144,240</u>

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TOWN OF QUEEN CREEK, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2014
(UNAUDITED)

Net Secondary Assessed Value		<u>\$ 185,170,156</u>
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds		
<hr/>		
Debt Limit - 20% of Net Secondary Assessed Value		\$ 37,034,031
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>\$ 37,034,031</u>
All Other General Obligation Bonds		
<hr/>		
Debt Limit - 6% of Net Secondary Assessed Value		\$ 11,110,209
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>\$ 11,110,209</u>
Total Legal Debt Margin		<u>\$ 48,144,240</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
 PLEDGED-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					
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
2014	24,916,151	-		24,916,151	1,440,000	2,062,755	7.11

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
2014	1,824,295	-		1,824,295	1,550,000	2,330,251	0.47

Wastewater Loans

Fiscal Year	Wastewater Charges and Other (1)	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses (2)					
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
2014	8,351,751	1,849,295		6,502,456	1,736,692	1,346,118	2.11

**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
2014	15,402,862	5,324,275	10,078,587	2,217,063	2,237,977	2.26

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>	<u>Town of Queen Creek Unemployment Rate</u>
2005	15,624	\$ 562,503,646	\$ 30,013	4.8 %	3.9 %	2.4 %
2006	18,748	693,308,000	31,514	4.7	4.0	2.4
2007	22,032	707,606,452	31,949	3.8	3.2	2.4
2008	23,850	N/A	N/A	5.6	3.9	5.2
2009	25,844	647,971,256	28,328	8.7	7.1	9.0
2010	26,490	733,720,020	27,698	9.6	8.8	9.0
2011	26,996	764,742,688	28,328	9.7	8.5	9.1
2012	26,805	710,520,135	26,507	8.5	7.3	5.9
2013	27,963	801,503,469	28,663	8.0	7.1	7.3
2014	29,673	885,086,244	29,828	6.9	6.4	4.8

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	2014			2011 (1)		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Queen Creek Unified School District	874	1	33.62%	667	1	34.63%
Wal-Mart	335	2	12.88%	310	2	16.10%
Canyon State Academy	300	3	11.54%	200	3	10.38%
Target	202	4	7.77%	170	4	8.83%
Town of Queen Creek, Arizona	183	5	7.04%	149	6	7.74%
Home Depot	167	6	6.42%	135	5	7.01%
Kohl's	90	7	3.46%	85	8	4.41%
Bashas	60	8	2.31%	79	9	4.10%
Safeway	80	9	3.08%	80	7	4.15%
Paradise Bakery	38	10	1.46%	36	10	1.87%
	<u>2,329</u>		89.58%	<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.

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

Function	Full-Time Equivalent Employees									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	29	31	31	55	55	48	33	35	43	44
Public Safety	5	4	4	33	34	33	32	32	37	50
Highways and Streets	22	30	30	29	23	17	17	18	16	14
Culture and Recreation	64	35	35	37	31	30	20	11	22	25
Community Development	42	38	38	31	26	28	16	26	9	7
Wastewater	3	-	-	4	6	5	4	4	5	6
Water	-	-	-	22	25	27	24	23	22	37
Total	165	138	138	211	200	188	146	149	154	183

Source: The Town's Human Resources Department

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

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Planning and Building Safety					
Building Permits Issued	1,265	1,240	630	268	179
Highways and Streets					
Street Resurfacing (Miles)	-	10	24	36	47
Street Striped (Miles)	-	15	10	35	50
Culture and Recreation					
Athletic Field Permits Issued	30	255	173	181	114
Recreation Center Program Hits	10,000	11,374	10,977	10,410	12,105
Summer Recreation Camps	65	45	30	57	N/A

Source: The Town of Queen Creek

Fiscal Year

2010	2011	2012	2013	2014
224	125	194	1,946	2,486
64	13	24	43	10
50	38	29	38	15
169	148	122	128	115
11,984	10,608	15,374	17,805	18,435
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				
	2005	2006	2007	2008	2009
Highways and Streets					
Streets (Miles)	120	165	197	198	386
Streetlights	204	273	300	662	863
Traffic Signals	1	2	4	26	33
Culture and Recreation					
Parks Acreage	414	424	424	418	419
Parks	2	2	2	2	3
Community Centers	1	1	1	1	3
Sewer					
Sanitary Sewer (Miles)	8	20	71	97	99
Storm Sewers (Miles)	-	-	4	4	7
Maximum Daily Treatment Capacity (Thousands of Gallons)	1,100	4,000	4,000	4,000	4,000

Source: The Town of Queen Creek's Facility Records

Fiscal Year

2010	2011	2012	2013	2014
386	391	397	440	461
873	983	1,022	1,082	2,355
33	33	37	38	42
419	419	419	419	544
3	3	3	3	4
2	2	2	1	3
102	104	105	110	128
8	9	9	9	9
4,000	4,000	4,000	4,000	4,000