



Agenda
Budget Committee
Town of Queen Creek
22350 S. Ellsworth Road, Queen Creek, AZ 85142
Town Hall, Council Chambers
March 27, 2013
6:00 pm

1. **Call to Order**
2. **Items for Discussion and Possible Action**
 - A. Consideration and possible approval of the November 21, 2012 minutes
 - B. Discussion and possible action of FY 11/12 Auditor Report and Recommendations
 - C. Consideration and possible approval to authorize the use of \$55,000 in FY2013 General Fund Contingency account to fund unexpected expenditures at Horseshoe Park and Equestrian Centre (HPEC)
 - D. Review of the Town's preliminary financial forecast for the 5 years beginning July 1, 2013 (FY13/14)
 - E. Review of the Town Financial Statements for the 6 months ending December 31, 2012
3. **Announcements**
4. **Adjournment**

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the Budget Committee and the general public that the Budget Committee will hold a meeting open to the public as set forth above. Dated this 20th day of March 2013.

I, Joy Maglione, do hereby certify that I caused to be posted this 20th day of March 2013, the Agenda for the Budget Committee in the following places: 1) Queen Creek Town Hall; 2) Queen Creek Library; 3) Queen Creek Community Center Bulletin Board.

Joy Maglione, CMC
Town Clerk Assistant

The Town of Queen Creek encourages the participation of disabled individuals in the services, activities, and programs provided by the Town. Individuals with disabilities, who require reasonable accommodation in order to participate, should contact the Town Clerk's Office at 480-358-3000.

DRAFT

Budget Committee Minutes
Town of Queen Creek
22358 S. Ellsworth Road
Queen Creek, AZ 85142

November 21, 2012

1. Call to Order

The meeting was called to order at 3:30 p.m. by Council Member Oliphant, Chair.

Committee members present: Council Member Barnes, Council Member Brown, Council Member Oliphant

Absent: None

Also attending: Assistant Town Manager/CFO Patrick Flynn, Budget Administrator Samantha McPike

2. Items for Discussion and Possible Action

A. Consideration and possible approval of the June 11, 2012 minutes

Council Member Brown moved to approve the minutes of June 11, 2012. Council Member Barnes seconded the motion. Motion carried 3-0 on a voice vote.

B. Review and possible action on Development Services staffing and resource issues given the recent building activity

Assistant Town Manager/CFO Flynn said this is a request for a mid year budget adjustment in the amount of \$411,000 due to the significant uptick in the building development programs. There are insufficient resources to deal with challenges in the department. \$275,000 of the \$411,000 is for contractual services which we will outsource for plan review, inspections, and engineering. This adjustment will get us through June 30, 2013. We are also asking for authorization for 5 positions. It will take 4 of the 5 positions to get us to our minimum staffing levels. The 5th position is for a development services coordinator to help with permits which is being funded out of revenue. We had 207 building permits in the first quarter of the fiscal year compared to 37 permits last year.

Council member Brown likes the idea of a hybrid approach which can be easily turned on and off based on building activity. Will the contractual services staff also be closed on Fridays? Planning Administrator Balmer said they are primarily using Brown and Brown Associates for the contractual services. They are open on Fridays. We have not had a problem with the turnaround on plan reviews.

Council member Brown asked with new legislation, will this help meet or beat the turn around times? Mr. Balmer said in his area yes. The outsourcing is essential with the current workload.

Council member Oliphant said do you feel the building occurring in town will continue to grow. Will we be back to where we were in 6-8 months? Mr. Flynn said we are only bringing the staff

level up to a minimum level with 1 extra position, the rest is contractual. We are currently 9 people short but are asking for 5 and using contractual services.

Council member Brown asked what is the cost differential? If we have another increase in building activity in March, how quickly could we bring additional staff on board? Sr. Management Assistant Johnson responded to the question. Council member Barnes asked if we were bringing back any of the staff from the reduction in force a few years ago. Mr. Balmer said we offered a position to an inspector but they had already found other employment. This will be an open recruitment but will contact those laid off. We have temporary staff that we would like to make full time.

Council member Brown moved to approve the staff recommendation and authorize \$411,000 to supplement staff and continue outsourcing. Council member Barnes seconded the motion. The motion carried on a 3-0 voice vote.

C. Review and possible action of Horseshoe Park & Equestrian Centre's maintenance and operations budget

Economic Development Director Cott said there was a request at the Town Council retreat for an overview of the Horseshoe Park & Equestrian Center (HPEC) budget. Some highlights on the maintenance and operations (M&O) budget includes projections of \$937,000 and revenue at \$507,000. We have been able to secure the cowboy mounted shooting event and some success with the hunter/jumper event which we hope to grow. In spite of the one event cancellation, we feel comfortable with the projection. We have spent 20% but we have just entered the busy season.

Council member Brown asked any idea the level of spending on a hunter jumper event compared to a more white collar event? Ms. Cott said the hunter/jumper event is a good demographic. We are also looking at ways to bring revenue up. West World has been looking at raising their rates which may help us with the smaller associations. West World's rate increase is suppose to take effect in January. We have also looked at our operating rates but we want to be competitive with West World.

Council member Barnes said West World is looking to enclose their arenas which is one reason they are raising rates. M&O is \$937,000 and revenue is \$507,000 which excludes transfers. Budget Administrator McPike said we are transferring the \$431,000 from the general fund to balance the budget.

Ms. Cott said the information provided in the economic impact analysis looked at all destination venues in the community and HPEC was one of the venues.

Council member Oliphant liked the snapshot information.

No action was required on this item.

D. Review and possible action on an amendment to the budget policies for Enterprise fund programs

Assistant Town Manager/CFO Flynn said in 2008 the Town Council adopted budget policies. Some allowed for town manager authorization. Since 2008, we have initiated several enterprise fund programs such as our water, sewer, and HPEC (Horseshoe Park & Equestrian Centre). In these programs, you have to buy items to sell items. We are hoping with this amendment to allow the town manager to make budget changes not only on expense but also increase revenue budget only in those areas that drive revenue. We are hoping for some flexibility. It would be strictly for enterprise funds.

Council Member Brown asked how cumbersome has it been? Mr. Flynn said departments generally look into their own budget to fund something to be done. The water meters that are going to be purchased may take a month to draft a staff report and bring to Town Council.

Council member Brown is okay with flexibility but does not want to be disengaged. We would want at the least to get the feedback to Town Council in a more formal way than the weekly packet. There should be a dollar amount.

Mr. Flynn said as part of the quarterly financial report we could indicate those areas that the budget went up due to revenues.

Council member Brown said what about a finite dollar amount. We should have a top end. Mr. Flynn said since attachment 1, we have within our budget a \$50,000 limit. Budget Administrator McPike said we have had 3 incidences in the last year that have been over the \$50,000 limit. One incident was the solid waste cart purchase and another was the water meters purchased which have been over the \$50,000 limit.

Jeff asked if the committee would be okay with a \$100,000 ceiling. Council Member Barnes would like to see a ceiling.

Council member Brown moved to approve the motion as outlined above (approval of a budget amendment for Enterprise fund programs allowing the Town Manager to approve appropriation increases driven by additional revenue or increased sales) with a cap of \$100,000. Council member Barnes seconded the motion. The motion carried on a 3-0 voice vote.

E. Review of the Town's financial statement for the 3 months ending September 30, 2012

Assistant Town Manager/CFO Flynn said in the first quarter financial statement the general fund revenue stood at \$5 million and expenditures amount to almost \$2.6 million. We are 13% above the revenue from the first quarter a year ago.

The local sales tax revenue for the first quarter amounted to \$2m. With the increase in building activity, total local sales tax is up 4% from a year ago. This is due primarily to the increase in construction sales tax revenue.

Reviewed transfers out of the general fund and into the fire and Horseshoe Park & Equestrian Centre. In FY 13/14 we will have revenues from the building activity that we will not require as many transfers.

In FY 13/14 our development fees will be cut in half based on legislation. Growth will not longer pay for growth cost. We had a development fee of \$16,000 which has been shaved to \$14,000 and will be shaved more come August 1, 2014.

F. Review of the Town's FY 13-14 budget calendar.

Assistant Town Manager/CFO Flynn said a key date for the departments is January 14 for the budget kickoff. A key date for the budget committee is the first meeting on May 6 with a potential second meeting on May 13. We will have a briefing with the entire council. The Town Council will vote on the tentative budget on June 5 with final adoption on June 19. The tax levy will go into July.

Council Member Brown asked with respect to sales tax reports how far behind are they? What are we anticipating with holiday shopping? Mr. Flynn said there is a 45 day delay. It will be mid February before we know how we did with the Christmas season.

We get sales tax when a house closes. Some of the current activity will not be reflected in the sales tax for months to come.

Council Member Brown said Amazon.com will start collecting state sales tax. Will the Town get any of that collected sales tax? Mr. Flynn said The Town will get state shared revenues. Cities will need a common sales tax rate for online shopping which has yet to be worked out. The League of Cities has a taskforce and is making headway.

3. Announcements

None.

4. Adjournment

Council Member/Chair Oliphant adjourned the meeting at 4:42 p.m.

TOWN OF QUEEN CREEK

Council Member Oliphant, Chair

ATTEST:

Marsha Hunt, Sr. Administrative Assistant

Budget Committee MINUTES

November 21, 2012

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I, Marsha Hunt, do hereby certify that, to the best of my knowledge and belief, the foregoing minutes are a true and correct copy of the minutes of the November 21, 2012 meeting of the Queen Creek Town Budget Committee. I further certify that the meeting was duly called and that a quorum was present.

Marsha Hunt, Sr. Administrative Assistant

Passed and approved on _____, 2012.

Requesting Department:
Town Manager



TO: TOWN COUNCIL BUDGET COMMITTEE

FROM: PATRICK FLYNN, ASSISTANT TOWN MANAGER/CFO
JOHN KROSS, TOWN MANAGER

RE: DISCUSSION AND POSSIBLE ACTION ON THE FY 11/12
AUDITOR REPORT AND RECOMMENDATIONS

DATE: MARCH 27, 2013

A handwritten signature in black ink, appearing to be "John Kross", is written to the right of the "FROM:" line.

Staff Recommendation

Staff recommends accepting the auditor's report, associated recommendations, and staff response to these recommendations.

Proposed Motion

Motion to accept as outlined in staff's recommendation above.

Discussion

The Town's financial records are audited annually by an independent certified public accounting firm. The firm of Clifton Larson Allen (CLA) performed the audit of Town financial records for the fiscal year ending June 30, 2012. This was the first year that this firm audited our financial records. For your information, we change auditors every 3-4 years in order to have a "fresh set of eyes" looking at our financial program. We believe this practice of changing auditors every few years provides for another perspective on your financial program.

Several weeks ago I distributed the Town's Comprehensive Annual Financial Report (CAFR) to the Town Council and made the document available on our website for the public. You will find as part of the CAFR, an "unqualified" audit opinion issued by the auditors on our financial records. Audit opinions range from "unqualified", the highest opinion to "adverse" or "no opinion" on the other end of the spectrum. By having the highest audit rating, we maintain our strength in the financial community, especially with our bond and debt program.

In addition, as part of the CAFR, you will also find the Town is in sound financial condition. Our financial reserves and balances grew over the past year primarily

because of careful budgeting but also because of the building uptick that occurred in the last quarter of the fiscal year. Moreover, we paid down our outstanding debt by over \$9.7 million to a balance of \$168.9 million at fiscal year end. As you know, we have gone through some difficult financial times caused from the Great Recession, but by “living within our means” and by taking appropriate budget action throughout this period, we have been able to preserve a sound financial condition for the Town.

Further, as part of the annual audit, the auditors not only examine your financial records but also look at your townwide financial operations and internal controls as best possible to see if there is any potential deficiencies and areas in which improvement can be made.

Attached Exhibit A is the auditor’s findings and recommendations for FY 11/12. We have also included Town Management’s response after each of the recommendations. In general, you will see findings ranging from issues of separation of duties (handling cash and accounting by the same person) to an issue about financial reporting. Some of the findings are the result of a downsized staff caused by the great recession; others are the result of staff skill levels and training.

As indicated, the Auditor provided a finding about financial reporting (2012-1). Frankly, as a smaller government operation, we have relied on the auditor too much to help us close the financial records of the Town and assist us in preparing the CAFR. We must cease this practice. You will see in our management response a comprehensive plan for addressing this recommendation in the future, not only with our accounting group but townwide.

Finally, you will see that many of the Auditor’s recommendations are already implemented. We plan to have the auditors at your committee meeting. Staff will also be available to discuss the recommendations and our response.

In addition to the Auditor’s recommendation and our responses, we have included for your information an overview of the audit (Attachment B) and what the Auditor encountered during the audit. As you can see, they encountered no difficulties in performing and completing the audit.

In conclusion, the Town is in sound financial condition. We again achieved an unqualified audit opinion on our FY 11/12 CAFR. However, we have some improvement to make in our financial operation and as you can see, we are in a position to make them and move forward. We look at this as “continuous improvement” and appreciate the auditor’s input.

Auditor's Recommendations/Management Responses
Exhibit A



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Honorable Mayor and Members of Town Council
Town of Queen Creek, Arizona
Queen Creek, Arizona

In planning and performing our audit of the 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 as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Queen Creek, Arizona's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Town of Queen Creek, Arizona's internal control to be material weaknesses:

See items 2012-1 through 2012-5 in the attached schedule.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town of Queen Creek, Arizona's internal control to be significant deficiencies:

See items 2012-6 through 2012-9 in the attached schedule.

This communication is intended solely for the information and use of management, Town Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 21, 2012



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2012-1 Financial Reporting

Condition: The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the internal controls over financial statement preparation and documenting that the control procedures have been performed.

Cause: Management's finance and accounting resources are limited and duties are prioritized to accomplish the day-to-day operations of the Town. In addition, measurement of Town operations is based on comparison to budget and financial transactions are recorded on a budgetary/cash basis during the year.

Effect: The audit firm proposed various reclassifications for financial statement presentation and proposed the GASB 34 conversion entries in order to draft the financial statements and footnotes, as well as record several material adjustments to properly state account balances at June 30, 2012, revenue and expenditures for the fiscal year, and fund balance and net assets at the beginning of the year. Material adjustments were necessary to properly state long-term debt activity, year-end accruals of revenues and expenditures, special assessment activity, investment activity, joint venture activity, capital asset activity, and proper classification of funds in accordance with GASB 54.

Recommendation: In order to strengthen internal controls over financial reporting, we recommend the Town continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure accounts are properly stated at year-end in accordance with GAAP. We recommend that the Town review these adjustments and modify year-end procedures in an effort to incorporate these adjustments into its closeout process.

Should the Town elect to establish the "full oversight" of the financial statement preparation, we suggest management establish effective review policies and procedures, including, but not limited to, the following functions: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us and approve the entries; review the adequacy of financial statement disclosures by completing a disclosure checklist; review and approve schedules and calculations supporting the amounts included in the notes to basic financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

Management's Response: We have received a similar type finding on financial reporting for many years now, whether it be the current auditor or previous auditors of the Town. Since we are a smaller government operation and lack the necessary skills for preparing the CAFR, the auditor prepares it for us. The auditor must disclose this fact as part of the audit hence the finding and recommendation.

Queen Creek is not unique here; the auditor prepares the CAFR for many of its clients and similar findings are noted. However as was indicated in the cover memo, the Town depends too much on the auditor to help close its financial records each year and this practice must stop.

With the vacancy of the Town's controller position and a shift of resources, we have a unique opportunity now to eliminate this finding in the future by garnering the experience and skills required to do the annual financial report required by accounting standards. Management is ultimately responsible for its financial reports and thus the following reflects a comprehensive program to rid ourselves of this finding:

- Drafting a comprehensive audit guide (similar to our current accounting and procurement guide) that outlines duties and responsibilities, annual accounting adjustment checklists, due dates et al going forward
- Conducting training on the above guide with accounting and townwide financial staff

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- Conducting a mandatory audit kickoff meeting (similar to our budget kickoff) hosted by the CFO with department and accounting staff on the importance of the audit to the Town.
- Retaining outside accounting services (using controller salary dollars) with the required experience and training to help us prepare the CAFR in the future. In addition, these services would provide training to the accounting staff and help prepare the audit guide above.

Besides the above, we would recommend:

- 1) A meeting with the auditor at the mid-point of the audit to determine progress and any issues the auditor is facing, said meeting to occur with the Town's CFO.
- 2) Delaying the audit start to early September. With reduced staff townwide, we need additional time to ready ourselves for the audit and finally
- 3) Conducting an exit meeting with the auditor, such meeting to occur with the Town Manager and CFO on the audit report and any potential findings.

By doing the above, we are hoping to eliminate this annual finding on financial reporting and hopefully other findings as well.

2012-2 Project Monitoring

Condition: The Town received a \$1.3 million payment from Maricopa County as a refund of an amount overpaid by the Town to the County on a joint construction project. The refund of the overpayment was recognized as revenue in the current year.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the internal controls over monitoring of allocation of costs on joint projects with other governments.

Cause: The Town had an intergovernmental agreement with Maricopa County in place for the joint project. Scheduled payments were indicated in the agreement and management authorized payments to Maricopa County based on the agreement. Payments to Maricopa County under this project were recorded as capital expenditures in the prior year when paid to the County. A process to monitor when the cash remitted to the County was actually expended on project expenditures was not developed.

Effect: The Town was not aware of the overcharge and prior year expenditures, and the related capital asset, were overstated by the amount of the overcharge.

Recommendation: In order to strengthen internal controls over expenditures related to joint construction projects, we recommend the Town monitor and review/reconcile actual allocation of project costs to the Town and compare those amounts to payments on the project. Over or underpayments should be properly accrued and expenditures adjusted accordingly.

Management's Response: We understand the auditors concern. This IGA with the County was rather unique in that it required advance monies from the Town to do the project, with a final accounting to occur at the close of the project. The final accounting resulted in the refund of monies to the Town (a good thing), however the auditor was concerned on the interim reporting of these monies in the financial statement. We concur. To avoid this in the future, we will be identifying projects like this for special handling by departmental and financial staff to make sure financial reporting is commensurate with the financial transaction taking place. We will be able to identify these projects from staff reports that go to Council for consideration.

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Town of Queen Creek, Arizona
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2012-3 Capital Assets

Condition: Capital contributions of infrastructure from developers were overstated in the enterprise funds. The amount added to the enterprise funds was the total contribution rather than just the portion for the enterprise fund.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the internal controls over valuation and recording of capital contributions of infrastructure from developers.

Cause: Capital assets additions for the year were not reviewed by an individual independent of the capital assets schedule. In addition, the Town does not have procedures to reconcile capital asset additions to capital expenditures.

Effect: Material audit adjustments were necessary to properly state capital contributions and capital assets balances in the enterprise funds.

Recommendation: In order to strengthen internal control over capital assets, we recommend an individual independent of the capital assets schedule should review the capital asset activity for reasonableness and review supporting documentation for all donated capital asset additions. We also recommend a reconciliation of capital assets to capital expenditures be performed at least on an annual basis.

Management's Response: We concur with the recommendation. The Town's Chief Accountant will be the person reviewing the schedules and supporting documentation, including reviewing and approving any required financial adjustments to the financial records. Such review will occur on an annual basis.

2012-4 Accounts Payable

Condition: Electric utility payments made in July 2012 for services in June 2012 were not accrued.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the internal controls over recording of expenditures in the proper fiscal year in which the good and services were received.

Cause: Measurement of Town operations is based on comparison to budget and financial transactions are recorded on a budgetary/cash basis during the year.

Effect: Audit adjustments were necessary to properly accrued accounts payable and expenditures at June 30, 2012.

Recommendation: In order to strengthen internal controls, we recommend that all July and August invoices be reviewed to determine when the goods or services were received. Invoices should be input into the appropriate fiscal year of when the goods and services were received.

Management's Response: We concur on the recommendation. The Accounting staff is already accruing a significant number of financial transactions each year to reflect service rendered in the fiscal year, despite being paid in another fiscal year. We understand the process and will intensify our efforts to avoid such adjustments in the future. Our plan is to keep July and August financial records open to further review invoices in which services may have been rendered in the previous fiscal year. We will also put out a request to our vendors to get their invoices into us for processing. See response to 2012-1 above for action plan to address this finding.

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2012-5 Investments

Condition: Investment balances recorded on the general ledger did not include money market balances, balances were not stated at fair value at June 30, 2012 and interest earned, but not yet received on the investments had not been accrued.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the internal controls over the valuation and recording of investment balances.

Cause: Measurement of Town operations is based on comparison to budget and financial transactions are recorded on a budgetary/cash basis during the year. As such, internal controls were not established to update investment account balances for changes in market value and accrued interest.

Effect: Material audit adjustments were necessary to properly investment balances in several funds at June 30, 2012.

Recommendation: In order to strengthen internal controls, we recommend the investment statements be reconciled to the balances on the general ledger on a regular basis (monthly or quarterly). All types of investments, including liquid assets in a money market account, should be recorded and investment balances should be updated to fair value. In addition, in order to properly state investment revenues, accrued earnings on investments should be accrued in the general ledger, at least at year end.

Management's Response: We concur with the recommendation. We reconcile our checking and cash accounts on a monthly basis. Similarly, we must reconcile our investment accounts on a monthly basis and record any interest income. This is the responsibility of the Controller's office and is currently being done by our Chief Accountant.

2016-6 Cash Receipting

Condition: Duties over the collecting, recording, reconciling and voiding of cash receipts are not properly segregated.

For building permit cash receipts, one employee is responsible for setting up the permit record, collecting the cash receipt, entering the cash receipt into the Munis system, updating the permit record with the cash receipt information, and reconciling the cash received for the day to the Munis system. In addition, this employee also has the ability to void or reverse a cash receipt transaction in the Munis system.

For parks and recreation cash receipts, one employee is responsible for setting up a participant's information in the Active system, collecting the cash receipt, inputting the cash receipt information into the Active system, reconciling the cash receipts for the day to the Active system, inputting the cash receipts into the Munis system, and reconciling the Munis system to the Active system. In addition, this employee also has the ability to void or reverse a cash receipt transaction in the Active and Munis systems.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the segregation of internal controls over cash receipts.

Cause: The Town has made cuts to its operating budgets and reduced its workforce for several consecutive years. As the workforce is reduced, the duties of remaining employees are updated to compensate. Certain employees have taken on several duties that when combined with other existing duties, have lead to the lack of segregation of duties indicated above.

Recommendation: In order to strengthen internal controls over cash receipting, management should analyze the personnel resources available in each of the departments indicated below and reassign duties to establish the segregation the duties recommended.

For building permits, an employee separate from the cash receipting process should reconcile the cash receipts for the day to the Munis system and employees involved in collecting and inputting of cash receipts or reconciling the cash receipts should not have the ability to void or reverse the transaction. In addition, an individual independent of the cash receipt process should reconcile the revenues from the permit system to the general ledger on a regular basis.

For parks and recreation, an employee separate from the cash receipting process should reconcile the daily cash receipts to the Active system and the Munis system and employees involved in collecting and inputting cash receipts or reconciling the cash receipts should not have the ability to void or reverse the transaction. In addition, an individual independent of cash receipt process should reconcile the revenues from the Active system to the general ledger on a regular basis.

Management's Response:

We concur with the auditor's finding and are already in process of implementing changes to separate accounting and cash handling duties. In the case of development services, our water group will be handling permit payments, with issuance of the permit being done by development services staff.

Regarding recreation practices a separate individual is reconciling proceeds with receipt and accounting information.

The above should satisfy the auditor's finding.

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2012-7 Cash Receipting

Condition: Miscellaneous check payments which are opened by customer service and forwarded to finance for review and coding are not restrictively endorsed and a check log is not maintained.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the internal controls over the security of cash receipts.

Cause: The Town has made cuts to its operating budgets and reduced its workforce for several consecutive years. As the workforce is reduced, the duties of remaining employees and certain procedures are updated to compensate.

Recommendation: In order to strengthen internal controls, we recommend that all checks received by the Town be restrictively endorsed and each check logged indicating the date it was received, the payor, the amount, the employee that processed the payment and the employee where the payment was forwarded. The endorsed checks should be forwarded to an employee in finance for coding input into Munis and the check log should be forward to a separate employee in finance that reconciles the checks to the Munis entry to the check log.

Management's Response: We concur with the recommendation and have already implemented changes to address the auditor's finding.

2012-8 Horseshoe Park and Equestrian Center

Condition: Cash receipts for goods and services provided were sometimes collected an employee performing the service rather than at the administrative office. These cash receipts that are collected at the site of service are not secure.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the internal controls over the security of cash receipts.

Cause: The HPEC has limited personnel resources. For customer service considerations, cash receipts were accepted by HPEC employees when the goods were delivered or services were provided rather than directing the customers to pay fees at the administrative office.

Recommendation: In order to strengthen internal controls, we recommend that customers be directed to the HPEC administrative office for the payment and receipt of all fees. Management should analyze the personnel resources available to the HPEC, particularly during events, to ensure that adequate staffing is available to service both the administrative office and on site customer needs.

Management's Response: The Town has already implemented several changes to address the auditor's finding including:

- 1) Accepting cash payments in the show office only
- 2) Implementing a hand-held credit card device for use in the facility to collect payments from customers (similar to what you see at sporting and other events in the Valley)
- 3) Collecting one check from the event producer at the end of the event (includes monies for all rentals and sales that occurred during the event)

Single check collection will typically occur when an event involves 50+ horses. These events are often considered as large enough organizations that have the ability to staff/fund resources to manage the event. In

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cases where events are smaller, or are defined as non-profit, a contract is generated outlining the cost of the facility. Additional sales are dealt with singularly, and routed through the HPEC show office.

2012-9 Horseshoe Park and Equestrian Center

Condition: The HPEC enters into various contracts with companies for events at the HPEC. There are some larger contracts that provide a significant recreation fees and other contracts that provide terms of property transferred in lieu of cash as payment for the services. These contracts are reviewed and approved by the HPEC director; however, finance and accounting was not made aware of these contracts.

Criteria: Management is responsible for establishing, monitoring, and maintaining internal controls. This responsibility includes the internal controls over the identification and recording of noncash transactions into the general ledger.

Cause: A secondary review or communication of significant or unusual contracts was not established.

Recommendation: In order to strengthen internal controls, we recommend management consider establishing a second review and approval of HPEC contracts that provide significant recreation fees and a second review and approval for all HPEC contracts that contain payments of property in lieu of cash for services.

Management's Response: We concur with the Auditor's finding. The Department Director and Sr. Financial Analyst with Economic Development is providing a secondary review of the contracts and providing information as needed to the accounting group on in-lieu payments and the like so they can be properly accounted for in the financial record.

Auditor's Audit Overview
Attachment B



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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

We have audited the 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 for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated April 24, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
2. As part of our audit, we considered the internal control of Town of Queen Creek, Arizona. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
3. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned scope and timing of the audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 24, 2012.

Significant audit findings

Qualitative aspects of accounting practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Queen Creek, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.



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Town of Queen Creek, Arizona
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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the capital assets' remaining useful lives is based on an analysis of the current rate of use of certain assets. We evaluated the key factors and assumptions used to develop the capital assets' remaining useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the land held for investment is based on an appraisal of the property for commercial use in a commercial district. We evaluated the key factors and assumptions used to develop the appraisal in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on historical water and sewer revenues, historical loss levels, and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the advances in aid of construction liability is based on historical water usage through applicable water lines and a projection of that usage and estimated increases in usage through the remaining terms of the outstanding contracts. We evaluated the key factors and assumptions used to develop the advances in aid of construction liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and uncorrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- Various reclassifications of principal and interest expenditures/expenses for bonds, loans and capital leases, adjustments to record activity of the Excise Tax Debt Service Fund, and reclassification of excise tax debt payments in the Drainage and Transportation Fund and development fee funds to transfers to the Excise Tax Debt Service Fund.
- Reclassification of cash receipts received in July 2012 from cash to receivables.
- Accrual of utility expenditures for 2011-12
- Accruals of sales tax remittances from the State, sales tax audit recovery monies, franchise fees, insurance reimbursements, and related estimated allowance for uncollectible on the accruals.
- Adjustments to the special assessment receivable balance, and related deferred revenue, for land received in settlement of delinquent and future assessments, Town owned property within the improvement district, and current principal portion of special assessments billed and received in the current year.

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Town of Queen Creek, Arizona
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- Adjustments to state investment balances at fair value and accrue interest income earned on investments at June 30, 2012.
- Reclassification of indirect charges for “debt capacity” as transfers.
- Adjustment to record change in investment in Greenfield Water Reclamation Plant for the year and properly state investment in joint venture balance at June 30, 2012.
- Adjustment to properly state capital contributions of infrastructure to the Water and Wastewater Fund during the year and properly state Water and Wastewater System and Water Fund Construction in Progress balances at June 30, 2012.
- Adjustments to advances in aid of construction for payments made on the contracts during the year and to adjust the balance at June 30, 2012 for a revised estimate of the liability.

In addition, we recommended the following restatement to fund balance/net assets reported in the financial statements for the reasons indicated below:

- Several development fee funds were classified as special revenue funds in the prior year; however, these funds did not fully meet the definition of a special revenue fund as defined by GASB 54 and have been reclassified to the General Fund.
- Construction retainage payable incurred in the prior year was not accrued.
- Accrual of the Excise Tax Bond principal and interest was recorded in the Excise Tax Debt Service Fund; however, there were no resources accumulated in the fund for payment of the maturing debt.
- Accrued retirement contribution payable was overstated in the Emergency Services Fund due to misapplication of an insurance premium refund.
- Prior year sales tax accruals were understated.
- Overstatement of accounts payable related to the Town’s portion on a joint infrastructure project with Maricopa County.
- Interest portion of special assessments collections were applied to the special assessment receivable balance and the special assessment receivable included a portion of special assessment debt that is owned by the Town and is being repaid from general resources of the government.

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2012.

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Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other audit findings or issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As part of our audit, we issued separate reports attesting to the Town's Highway Users Revenue and Local Transportation Assistance Funds II reports for the fiscal year ended June 30, 2012. The Town was in compliance with the applicable statutory requirements as indicated in those reports.

Other information in documents containing audited financial statements

Our responsibility for the combining and individual fund financial statements and schedules accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 21, 2012.

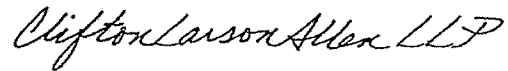
Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the other information in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

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Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This information is intended solely for the use of the Town Council and management of the Town of Queen Creek, Arizona and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 21, 2012

Honorable Mayor and Members of Town Council
Town of Queen Creek, Arizona
Schedule of Uncorrected Misstatements
Page 6

Account	Description	Debit	Credit
General Fund			
To properly state beginning fund balance for June 2011 electricity and legal fees that were not accrued as of 6/30/11.			
101-000-0000-00000-900100	Fund Balance	\$ 49,059	
101-410-0140-00000-403010	Legal Services		\$ 29,519
101-410-0145-00000-404120	Electricity		19,540
Total		\$ 49,059	\$ 49,059
To properly state beginning fund balance for 2011 franchise fee revenue.			
101-410-0000-00000-362002	Cable Licensing Fee Revenue	\$ 37,865	
101-410-0000-00000-362001	Gas Franchise Fee Revenue	11,485	
101-000-0000-00000-900100	Fund Balance		\$ 49,350
Total		\$ 49,350	\$ 49,350
To adjust cash on deposit to fair market value for GASB 31 at June 30, 2011.			
101-000-0000-00000-900100	Fund Balance	\$ 12,319	
101-410-0000-00000-361000	Interest Income		\$ 12,319
Total		\$ 12,319	\$ 12,319
Emergency Services Fund			
To properly state beginning fund balance for Wallow Fire reimbursement that was not accrued as of 6/30/11.			
447-420-0627-00000-341005	Intergovernmental Revenue	\$ 30,283	
447-000-0000-00000-900100	Fund Balance		\$ 30,283
Total		\$ 30,283	\$ 30,283
Aggregate Remaining Funds			
To adjust cash on deposit to fair market value for GASB 31 at June 30, 2011.			
401-000-0000-00000-900100	Fund Balance	\$ 31,007	
401-000-0000-00000-361000	Interest Income		\$ 31,007
Total		\$ 31,007	\$ 31,007
Governmental Activities			
To properly state beginning net assets for 2011 franchise fee revenue.			
999-000-0000-00000-362001	Franchise Fee Revenue	\$ 49,350	
999-000-0000-00000-900100	Net Assets		\$ 49,350
Total		\$ 49,350	\$ 49,350

Honorable Mayor and Members of Town Council
 Town of Queen Creek, Arizona
 Schedule of Uncorrected Misstatements
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Account	Description	Debit	Credit
Governmental Activities (Continued)			
To properly state beginning net assets for 2010 winter storm reimbursement.			
999-000-0000-00000-334200	Intergovernmental Revenue	\$ 53,146	
999-000-0000-00000-900100	Net Assets		\$ 53,146
Total		\$ 53,146	\$ 53,146
To properly state net asset for June 2011 electricity and legal fees that were not accrued at 6/30/11.			
999-000-0000-00000-900100	Net Assets	\$ 49,059	
999-000-0000-00000-510000	Legal Services		\$ 29,519
999-000-0000-00000-510000	Utility Expense		19,540
Total		\$ 49,059	\$ 49,059
To properly state net assets for deferred charges and bond premiums.			
999-000-0000-00000-410000	General Govt Expense	\$ 242,728	
999-000-0000-00000-900100	Net Assets		\$ 242,728
Total		\$ 242,728	\$ 242,728
To adjust cash on deposit to fair market value for GASB 31 at June 30, 2011.			
999-000-0000-00000-900100	Net Assets	\$ 43,326	
999-000-0000-00000-361000	Interest Income		\$ 43,326
Total		\$ 43,326	\$ 43,326
To properly state beginning net assets for Wallow Fire reimbursement that was not accrued as of 6/30/11.			
999-420-0627-00000-341005	Intergovernmental Revenue	\$ 30,283	
999-000-0000-00000-900100	Fund Balance		\$ 30,283
Total		\$ 30,283	\$ 30,283
Water Fund/Business-Type Activities			
To properly state beginning fund balance for June 2011 electricity bills.			
220-000-0000-00000-900100	Net Assets	\$ 27,876	
220-460-2020-00273-404120	Electricity		\$ 27,876
Total		\$ 27,876	\$ 27,876



Requesting Department:

Economic Development:

TO: TOWN COUNCIL BUDGET COMMITTEE

**THROUGH: JOHN KROSS, TOWN MANAGER
PATRICK FLYNN, ASSISTANT TOWN MANAGER**

**FROM: DOREEN COTT, ECONOMIC DEVELOPMENT DIRECTOR
TIM LYNCH, GENERAL MANAGER**

TRACI POLK, SENIOR FINANCIAL ANALYST

**RE: CONSIDERATION AND POSSIBLE APPROVAL TO AUTHORIZE THE USE
OF \$55,000 IN FY2013 GENERAL FUND CONTINGENCY ACCOUNT
TO FUND UNEXPECTED EXPENDITURES AT HORSESHOE PARK
AND EQUESTRIAN CENTRE (HPEC).**

DATE: MARCH 27, 2013

Staff Recommendation:

Authorize the use of \$55,000 in FY2013 General Fund contingency account to fund unexpected expenditures at HPEC.

Proposed Motion:

Move to approve as recommended above.

Discussion:

Over the course of the current fiscal year, several unexpected and unbudgeted expenses have been incurred at HPEC. Several of the expenses were due to the rainfall this winter season and the issues that transpired because of the rain and HPEC being an outdoor facility. Expenses from the inclement weather include electrical repairs and erosion correction, which required the need for additional gravel. There was also the need for a new concession area door to be installed based on the recommendation of the Maricopa County Health Department as well as expenses for golf cart repairs, which included a new battery and charger.

These unexpected, yet necessary expenses were paid; however, with over three months of the fiscal year still remaining, staff is recommending a budget adjustment to cover these and potential future expenses over the next several months. The requested adjustment will also be used

to pay for the additional legal fees for litigation against the National Reined Cowhorse Association for breach of their contract and any other unexpected expenses for the remainder of the fiscal year. Attached is a revenue and expenditure summary for FY12/13, including the areas in which variances occurred.

Fiscal Impact:

Use of General Fund Contingency.

Alternatives:

If contingency funding is not approved, the alternative will be for Council to review the current HPEC event calendar, and direct staff of what future events should be cut for the remainder of this fiscal year in an attempt to decrease expenditures.

Horseshoe Park Equestrian Centre
Estimated Revenue Expenditures for FY12-13

GL Account	Revised Budget	Actual to 2/29/13	Total Estimated		Variance
			Estimated 4 Mo. Expenditure	Expenditure for FY 12-13	
Personnel Services	\$ 419,578	\$ 272,543	\$ 147,700	\$ 419,578	\$ -
Capital	\$ 3,900	\$ 2,887	\$ 1,380	\$ 3,900	\$ -
Contractual Services	\$ 55,140	\$ 41,002	\$ 19,800	\$ 60,140	\$ (5,000)
Department Support	\$ 199,750	\$ 128,633	\$ 74,616	\$ 199,750	\$ -
Fees & Services	\$ 22,220	\$ 16,461	\$ 5,930	\$ 22,220	\$ -
Materials	\$ 86,589	\$ 69,492	\$ 32,675	\$ 102,589	\$ (16,000)
Other	\$ 2,800	\$ 2,462	\$ 2,000	\$ 4,800	\$ (2,000)
Repair & Maintenance	\$ 37,675	\$ 30,700	\$ 37,615	\$ 67,675	\$ (30,000)
Professional Development	\$ 4,000	\$ 3,666	\$ -	\$ 3,666	\$ 335
Utilities	\$ 105,895	\$ 58,664	\$ 43,845	\$ 102,509	\$ 3,386
	\$ 937,547	\$ 626,508	\$ 365,561	\$ 992,069	\$ (54,522)

5%

***HPEC is requesting a \$55k contingency transfer in order to cover the 5% shortfall above. The major reasons for the shortfall are located in the Repair and Maintenance line in the HPEC budget for repairs to electrical equipment and erosion correction due to inclement weather. Cow run repairs were needed due to excessive wear and tear due to larger events. The Health Department identified an issue at the HPEC Concession Stand requiring the park to replace a door or be issued a fine. Additional materials are also needed to ensure proper supplies are available for customers during scheduled events. Materials will include an estimated three (3) loads of stall bedding, sand and landscape materials, and maintenance supplies. Due to unforeseen legal issues with the National Reined Cow Horse Association, HPEC has encountered many hours of unplanned legal costs. These costs have greatly impacted the Contractual Services line within the HPEC budget, and anticipate costs to be ongoing until matters are settled.*

GL Account	Revised Budget	Actual to 2/29/13	Total Estimated		Variance
			Estimated 4 Mo. Revenue	Revenue for FY 12-13	
Miscellaneous Revenue	\$ 36,736	\$ 8,072	\$ 2,000	\$ 10,072	\$ 26,664
Deposits	\$ -	\$ 240	\$ -	\$ 240	\$ (240)
Commercial	\$ 187,240	\$ 121,443	\$ 71,025	\$ 192,468	\$ (5,228)
Non-Commercial	\$ 32,917	\$ 13,080	\$ 6,925	\$ 20,005	\$ 12,912
Vendor	\$ 14,021	\$ 2,175	\$ 500	\$ 2,675	\$ 11,346
Sponsorship	\$ 16,191	\$ 7,500	\$ 1,500	\$ 9,000	\$ 7,191
Stall Rental	\$ 88,047	\$ 72,925	\$ 9,000	\$ 81,925	\$ 6,122
Bedding / Shaving	\$ 90,388	\$ 87,597	\$ 20,000	\$ 107,597	\$ (17,209)
Tractor / Water Drags	\$ 5,932	\$ 1,050	\$ 1,500	\$ 2,550	\$ 3,382
Concession Sales	\$ 26,222	\$ 3,565	\$ 850	\$ 4,415	\$ 21,807
Overnight RV	\$ 6,822	\$ 36,325	\$ 9,100	\$ 45,425	\$ (38,603)
Show Office Rental	\$ 1,483	\$ 1,075	\$ 300	\$ 1,375	\$ 108
Arena Set-Up	\$ -	\$ 482	\$ -	\$ 482	\$ (482)
	\$ 505,999	\$ 355,529	\$ 122,700	\$ 478,229	\$ 27,770

5%

***The major reason for the 5% shortfall in revenue is due to the National Reined Cow Horse Association's breach of contract and the decrease in the number of smaller events. The revenue shortfall will be absorbed by the General Fund (added transfers) when we close the FY13 financial records.*

Requesting Department:
Town Manager



TO: TOWN COUNCIL BUDGET COMMITTEE

FROM: PATRICK FLYNN, ASSISTANT TOWN MANAGER/CFO
JOHN KROSS, TOWN MANAGER

RE: REVIEW OF THE TOWN'S PRELIMINARY FINANCIAL FORECAST FOR THE 5 YEARS BEGINNING JULY 1, 2013

DATE: MARCH 27, 2013

A handwritten signature in black ink, appearing to be "John Kross", is written over the "FROM" line of the memo.

The Town's management and financial staff want to review with the committee our preliminary financial forecast for the 5 years beginning July 1, 2013. As you know, only the first year of the estimates are considered and eventually adopted by the Council as part of the upcoming budget review, however it is always good to look beyond one year to see what is on the horizon. Given the ever changing winds that occur in Washington D.C. and probably more importantly nearer to home down at the Legislature, we can see our long-range forecasts become outdated very quickly with a change in policy or the law. Nevertheless, it is a worthwhile exercise looking beyond one year.

A financial forecast is only as good as its assumptions. Staff plans to review the financial assumptions with you to see if we are on point. Included in our financial forecast is a continuation of the current construction sales tax program. As you know, this is at risk in the Legislature. Staff will be able to talk about the impacts on revenues if this should change. In addition, as part of our forecasts in out years, you will see the decline in development fee revenue, post August 1, 2014. The committee will see the impact of growth not paying for growth in the forecasts.

Even with the above, we are showing a "collective surplus" in the budget. After year upon year of budget deficits and the necessity to close financial gaps, this is welcome news as we start the FY 13/14 budget process. Sadly this

surplus can be wiped out almost instantly with changes in the current construction sales tax program.

We have included as attachments to this memo, summaries of the financial forecasts, underlying assumptions, along with backup and detail. Again staff will review this information with the Committee.

**Town of Queen Creek
Major Revenue Sources
5-Year Projection**

Major Revenue	FY14 Projection	FY15 Projection	FY16 Projection	FY17 Projection	FY18 Projection
Town Sales Tax *	\$ 13,119,000	\$ 13,755,000	\$ 13,907,000	\$ 14,061,000	\$ 14,216,000
State Sales Tax	\$ 2,278,000	\$ 2,392,000	\$ 2,511,000	\$ 2,637,000	\$ 2,769,000
Income Tax	\$ 2,941,000	\$ 3,098,000	\$ 3,301,000	\$ 3,499,000	\$ 3,639,000
Motor Vehicle Tax	\$ 879,000	\$ 896,000	\$ 914,000	\$ 932,000	\$ 951,000
Development Fees	\$ 6,984,000	\$ 4,670,000	\$ 4,483,000	\$ 4,520,000	\$ 4,520,000
Building Related Revenue	\$ 2,461,000	\$ 2,510,000	\$ 2,585,000	\$ 2,663,000	\$ 2,743,000
Property Tax	\$ 3,629,000	\$ 3,919,000	\$ 4,233,000	\$ 4,444,000	\$ 4,667,000
HURF	\$ 1,487,000	\$ 1,532,000	\$ 1,578,000	\$ 1,625,000	\$ 1,674,000
Water	\$ 9,850,000	\$ 10,026,000	\$ 10,218,000	\$ 10,415,000	\$ 10,616,000
Sewer	\$ 3,920,000	\$ 4,394,000	\$ 4,925,000	\$ 5,520,000	\$ 6,127,000
Solid Waste	\$ 1,714,000	\$ 1,747,000	\$ 1,860,000	\$ 1,973,000	\$ 2,087,000

* Includes all Town sales tax and construction sales tax

**Proposed FY 13/14 Budget
Financial Summary**

Fund Type	Fund	Revenues	Expenditures	Reserves	Surplus/Deficit
Operating Funds					
	General Fund	\$ 21,659,000	\$ 17,362,000		\$ 4,297,000
	Emergency Services	\$ 6,756,000	\$ 8,008,000		\$ (1,252,000)
	Water Enterprise	\$ 9,850,000	\$ 8,762,000		\$ 1,088,000
	Sewer & Waste Water Funds	\$ 6,998,000	\$ 5,586,000	\$ 1,412,000	\$ -
	Solid Waste	\$ 1,714,000	\$ 1,818,000		\$ (104,000)
	Horseshoe Park Equestrian Centre	\$ 525,000	\$ 1,086,000		\$ (561,000)
Total		\$ 47,502,000	\$ 42,622,000	\$ 1,412,000	\$ 3,468,000
Special Revenue Funds					
	Town Center Fund	\$ 472,000	\$ 140,000		\$ 332,000
	Drainage & Transportation	\$ 1,871,000	\$ 2,701,000		\$ (830,000)
	Parks, Trails & Open Space Development	\$ 1,946,000	\$ 1,163,000	\$ 784,000	\$ -
	Town Buildings & Vehicles Development	\$ 818,000	\$ 688,000	\$ 130,000	\$ -
	Library Development	\$ 617,000	\$ 1,010,000		\$ (393,000)
	Transportation Development	\$ 554,000	\$ 554,000		\$ -
	Fire Development	\$ 388,000	\$ 199,000		\$ 189,000
	Public Safety Development	\$ 333,000	\$ 333,000		\$ -
	Highway User Revenue Fund	\$ 1,487,000	\$ 1,487,000		\$ -
Total		\$ 8,486,000	\$ 8,275,000	\$ 914,000	\$ (702,000)
Other Funds					
	Street Lighting Districts	\$ 424,000	\$ 424,000		\$ -
	Special Assessments	\$ 3,918,000	\$ 3,918,000		\$ -
	Community Events	\$ 25,000	\$ 25,000		\$ -
Total		\$ 4,367,000	\$ 4,367,000	\$ -	\$ -
Grand Total		\$ 60,354,000	\$ 55,263,000	\$ 2,325,000	\$ 2,765,000

Please note that above excludes any impact from the potential acquisition of the H2O water company and creation of the fire district. We will include these in the budget as we move forward in the process.

**Town of Queen Creek
Long Range Finance Plan
Five Year Revenue and Expense Projections**

	FY14	FY15	FY16	FY17	FY18
	Projected	Projected	Projected	Projected	Projected
NSF	450	525	525	525	525
GENERAL FUND (REVENUE)					
DEPARTMENTAL SUPPORT REVENUE	1,381,000	1,422,000	1,465,000	1,509,000	1,554,000
CITY SALES TAX	10,160,000	10,360,000	10,464,000	10,569,000	10,674,000
SALES TAX RECOVERY	60,000	60,000	60,000	60,000	60,000
BUSINESS LICENSES	70,000	73,000	76,000	79,000	82,000
BUILDING REVENUES	2,461,000	2,510,000	2,585,000	2,663,000	2,743,000
LIQUOR LICENSE	3,000	3,000	3,000	3,000	3,000
STATE SALES TAX	2,278,000	2,392,000	2,511,000	2,637,000	2,769,000
INCOME TAX - URBAN REVENUE SHR	2,941,000	3,098,000	3,301,000	3,499,000	3,639,000
MOTOR VEHICLE TAX	879,000	896,000	914,000	932,000	951,000
TOWN FACILITY RENTALS	147,000	149,000	152,000	155,000	159,000
CELL TOWER RENTALS	99,000	100,000	91,000	94,000	97,000
RECREATION USER FEES	140,000	143,000	146,000	149,000	152,000
INTEREST INCOME	225,000	225,000	225,000	225,000	225,000
GAS FRANCHISE REV	67,000	68,000	70,000	71,000	73,000
CABLE LICENSING FEE	152,000	155,000	158,000	161,000	165,000
MISCELLANEOUS REVENUE	100,000	100,000	100,000	100,000	100,000
FUND BALANCE	500,000	500,000	0	0	0
General Fund Revenue	21,659,000	22,255,000	22,321,000	22,905,000	23,443,000
GENERAL FUND (EXPENDITURES)					
TOWN COUNCIL	200,000	210,000	217,000	225,000	234,000
TOWN MANAGER	798,000	856,000	902,000	950,000	1,003,000
TOWN CLERK	231,000	216,000	258,000	241,000	284,000
MANAGEMENT SERVICES	1,280,000	1,367,000	1,433,000	1,506,000	1,584,000
DEVELOPMENT SERVICES	5,488,000	5,844,000	6,137,000	6,457,000	6,801,000
WORKFORCE & TECHNOLOGY	1,448,000	1,532,000	1,602,000	1,676,000	1,756,000
ECONOMIC DEVELOPMENT	960,000	1,021,000	1,070,000	1,122,000	1,178,000
UTILITIES	784,000	831,000	881,000	934,000	990,000
LEGAL	354,000	372,000	390,000	410,000	430,000
NON DEPARTMENTAL	2,732,000	3,038,000	3,391,000	3,796,000	4,262,000
General Fund Operating Expenditures	14,571,000	15,362,000	16,367,000	17,412,000	18,630,000
CONTINGENCY	498,000	523,000	540,000	573,000	612,000
PAY RESTORATION	280,000	286,000	291,000	297,000	303,000
TRANSFER TO EMERGENCY SERVICES - SHERIFF CONTRACT	1,513,000	1,573,000	1,636,000	1,702,000	1,770,000
TRANSFER TO WASTE WATER	500,000	500,000	0	0	0
Variance	4,297,000	4,011,000	3,486,000	2,921,000	2,129,000
SEWER UTILITY ENTERPRISE / WASTE WATER					
SEWER USER FEES	3,920,000	4,394,000	4,925,000	5,520,000	6,127,000
DEVELOPMENT IMPACT FEES	2,328,000	1,389,000	1,403,000	1,389,000	1,389,000
TRANSFER IN	750,000	750,000	250,000	0	0
FUND BALANCE	0	0	0	0	0
Sewer / Waste Water Revenue	6,998,000	6,533,000	6,578,000	6,910,000	7,517,000
Sewer / Waste Water Expenditures	5,586,000	5,779,000	5,815,000	5,853,000	5,894,000
Reserves	1,412,000	754,000	763,000	1,057,000	1,623,000
Variance	0	0	0	0	0
SOLID WASTE					
RECYCLING REVENUE	20,000	22,000	23,000	25,000	27,000
CARTS FEES	68,000	79,000	79,000	79,000	79,000
USER FEES	1,626,000	1,646,000	1,758,000	1,869,000	1,980,000
FUND BALANCE	0	0	0	0	0
Solid Waste Revenue	1,714,000	1,747,000	1,860,000	1,973,000	2,087,000
Solid Waste Expenditures	1,818,000	1,889,000	1,958,000	2,031,000	2,108,000
Variance	(104,000)	(142,000)	(98,000)	(58,000)	(21,000)

**Town of Queen Creek
Long Range Finance Plan
Five Year Revenue and Expense Projections**

	FY14	FY15	FY16	FY17	FY18
	Projected	Projected	Projected	Projected	Projected
QUEEN CREEK WATER					
HOOKUP FEES	400,000	400,000	400,000	400,000	400,000
ESTABLISHMENT & SERVICE FEES	33,000	36,000	39,000	42,000	45,000
METER SALES	108,000	117,000	126,000	136,000	147,000
WATER SALES	8,805,000	8,980,000	9,160,000	9,340,000	9,530,000
FIREFLOW COMMERCIAL	25,000	25,000	25,000	25,000	25,000
FIREFLOW RESIDENTIAL	15,000	15,000	15,000	15,000	15,000
IRRIGATION SALES	225,000	225,000	225,000	225,000	225,000
SEWER SALES	168,000	157,000	157,000	157,000	157,000
SOLID WASTE SALES	32,000	32,000	32,000	32,000	32,000
INTEREST INCOME	19,000	19,000	19,000	19,000	19,000
MISCELLANEOUS REVENUE	20,000	20,000	20,000	20,000	20,000
FUND BALANCE	0	0	0	0	0

Queen Creek Water Revenue	9,850,000	10,026,000	10,218,000	10,415,000	10,616,000
Queen Creek Water Expenditures	8,762,000	9,209,000	9,435,000	9,412,000	9,677,000
Variance	1,088,000	817,000	784,000	1,003,000	939,000

DRAINAGE & TRANSPORTATION					
DEVELOPER CONTRIBUTION REVENUE	0	0	0	0	0
REIMBURSEMENT FROM DEVELOPER	0	0	0	0	0
GRANTS/TRUSTS	0	0	0	0	0
GOVERNMENT AGENCY REIMBURSEMENT	0	0	0	0	0
CONSTRUCTION SALES TAX 2%	1,317,000	1,707,000	1,707,000	1,707,000	1,707,000
INTEREST INCOME	0	0	0	0	0
TRANSFER IN	554,000	779,000	660,000	677,000	677,000
FUND BALANCE	0	0	0	0	0

Drainage & Transportation Revenue	1,871,000	2,486,000	2,367,000	2,384,000	2,384,000
Drainage & Transportation Expenditures	2,701,000	3,081,000	2,890,000	2,888,000	3,904,000
Variance	(830,000)	(594,000)	(523,000)	(504,000)	(1,520,000)

STREET PROJECTS-HURF					
PINAL COUNTY TAX COLLECTION	0	0	0	0	0
HURF FUNDS	1,487,000	1,532,000	1,578,000	1,625,000	1,674,000
FUND BALANCE	0	0	0	0	0

Street Projects-HURF Revenue	1,487,000	1,532,000	1,578,000	1,625,000	1,674,000
Street Projects-HURF Expenditures	1,487,000	1,532,000	1,578,000	1,625,000	1,674,000
Variance	0	0	0	0	0

TOWN CENTER					
SALES TAX=.25%	435,000	457,000	480,000	504,000	529,000
TOWN FACILITY RENTALS	30,000	30,000	30,000	30,000	30,000
SIGNAGE REVENUE	7,000	7,000	7,000	8,000	8,000
CONTRIBUTIONS/DONATION	0	0	0	0	0
FUND BALANCE					

Town Center Revenue	472,000	494,000	517,000	541,000	567,000
Town Center Expenditures	140,000	40,000	40,000	40,000	40,000
Variance	332,000	454,000	477,000	501,000	527,000

ST. LIGHTING DISTRICT-SLIDS					
SLID ESTABLISHMENT FEE RECOVER	24,000	24,480	24,960	25,440	25,980
ASSESSMENT TAX	400,000	408,000	416,000	424,000	433,000

St. Lighting District-Slids Revenue	424,000	432,000	441,000	450,000	459,000
St. Lighting District-Slids Expenditures	424,000	432,000	441,000	450,000	459,000
Variance	0	0	0	0	0

PARKS, OPEN SPACE RECREATION					
DEVELOPMENT IMPACT FEES	1,946,000	664,000	664,000	664,000	664,000

Parks, Open Space Recreation Revenue	1,946,000	664,000	664,000	664,000	664,000
Parks, Open Space Recreation Expenditures	1,163,000	1,160,000	1,161,000	1,162,000	1,160,000
Reserves	784,000	0	0	0	0
Variance	0	(496,000)	(497,000)	(498,000)	(496,000)

TOWN BUILDING & VEHICLES DEVEL					
DEVELOPMENT IMPACT FEES	818,000	760,000	762,000	785,000	785,000

Town Building & Vehicles Devel Revenue	818,000	760,000	762,000	785,000	785,000
Town Building & Vehicles Devel Expenditures	688,000	688,000	687,000	685,000	688,000
Reserves	130,000	72,000	75,000	100,000	97,000
Variance	0	0	0	0	0

**Town of Queen Creek
Long Range Finance Plan
Five Year Revenue and Expense Projections**

	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
TRANSPORTATION DEVELOPMENT					
DEVELOPMENT IMPACT FEES	554,000	779,000	660,000	677,000	677,000
Transportation Development Revenue	554,000	779,000	660,000	677,000	677,000
Transportation Development Expenditures	554,000	779,000	660,000	677,000	677,000
Variance	0	0	0	0	0
LIBRARY DEVELOPMENT					
DEVELOPMENT IMPACT FEES	617,000	380,000	380,000	380,000	380,000
Library Development Revenue	617,000	380,000	380,000	380,000	380,000
Library Development Expenditures	1,010,000	1,010,000	1,011,000	1,010,000	1,010,000
Variance	(393,000)	(631,000)	(632,000)	(630,000)	(631,000)
PUBLIC SAFETY DEVELOPMENT					
DEVELOPMENT IMPACT FEES	333,000	303,000	276,000	280,000	280,000
Public Safety Development Revenue	333,000	303,000	276,000	280,000	280,000
Public Safety Development Expenditures	333,000	303,000	276,000	280,000	280,000
Variance	0	0	0	0	0
EMERGENCY SERVICES					
SALES TAX=.25 %	1,207,000	1,231,000	1,256,000	1,281,000	1,306,000
PROPERTY TAX	3,629,000	3,919,000	4,233,000	4,444,000	4,667,000
FIRE REVENUE	45,000	28,000	28,000	28,000	28,000
MISCELLANEOUS REVENUE	30,000	30,000	30,000	30,000	30,000
TRANSFER IN	1,845,000	1,877,000	1,912,000	1,981,000	2,050,000
Emergency Services Revenue	6,756,000	7,085,000	7,459,000	7,765,000	8,080,000
Emergency Services (Fire) Expenditures	4,384,000	4,731,000	5,036,000	5,361,000	5,709,000
Emergency Services (Public Safety) Expenditures	3,624,000	3,685,000	3,748,000	3,813,000	3,881,000
Variance	(1,252,000)	(1,331,000)	(1,325,000)	(1,409,000)	(1,510,000)
FIRE DEVELOPMENT					
FIRE DEVELOPMENT IMPACT FEES	388,000	395,000	338,000	345,000	345,000
Fire Development Revenue	388,000	395,000	338,000	345,000	345,000
Fire Development Expenditures	199,000	197,000	197,000	197,000	197,000
Variance	189,000	198,000	141,000	148,000	148,000
COMMUNITY EVENTS FUND					
CONTRIBUTIONS/DONATIONS	25,000	25,000	25,000	25,000	25,000
Community Events Fund Revenue	25,000	25,000	25,000	25,000	25,000
Community Events Fund Expenditures	25,000	25,000	25,000	25,000	25,000
Variance	0	0	0	0	0
HORSESHOE PARK & EQUESTRIAN CENTRE					
MISCELLANEOUS REVENUE	5,000	5,000	5,000	5,000	5,000
COMMERCIAL	214,000	219,000	223,000	228,000	232,000
NON-COMMERCIAL	14,000	10,000	10,000	10,000	10,000
VENDOR	7,000	7,000	7,000	7,000	8,000
SHONORSHIP	2,000	2,000	2,000	2,000	2,000
STALL RENTAL	129,000	131,000	134,000	137,000	139,000
BEDDING/SHAVINGS	112,000	114,000	116,000	118,000	121,000
TRACTOR/WATER DRAGS	6,000	6,000	6,000	6,000	7,000
CONCESSION SALES	4,000	4,000	4,000	5,000	5,000
OVERNIGHT/RV	30,000	31,000	31,000	32,000	32,000
SHOW OFFICE RENTAL	3,000	3,000	3,000	3,000	3,000
Horseshoe Park & Equestrian Centre Revenue	525,000	536,000	546,000	557,000	568,000
Horseshoe Park & Equestrian Centre Expenditures	1,086,000	1,149,000	1,216,000	1,288,000	1,368,000
Variance	(561,000)	(614,000)	(670,000)	(731,000)	(800,000)
SPECIAL ASSESSMENT IMPROVEMENT					
PROPERTY ASSESSMENTS	1,841,000	1,842,000	1,843,000	1,842,000	1,842,000
TRANSFER IN	2,077,000	2,079,000	2,076,000	2,077,000	2,079,000
Special Assessment Improvement Revenue	3,918,000	3,921,000	3,919,000	3,919,000	3,921,000
Special Assessment Improvement Expenditures	3,918,000	3,921,000	3,919,000	3,919,000	3,921,000
Variance	0	0	0	0	0
Total Revenues	60,354,000	60,353,000	60,909,000	62,599,000	64,471,000
Total Expenditures	55,263,000	52,597,000	53,544,000	55,186,000	58,336,000
Reserves	2,325,000	826,000	838,000	1,157,000	1,720,000
Total Variance	2,765,000	1,672,000	1,144,000	742,000	(1,235,000)

**Town of Queen Creek
Long Range Finance Plan Assumptions for
Five Year Revenue and Expense Projections**

1. Revenues

- a. Town Sales Tax
 - i. 3 month moving average, 2.9% added for projected growth
 - ii. Town Center additional 5% growth projection
- b. Construction Sales Tax
 - i. 3 month moving average
 - ii. 10% growth projection
- c. Property Tax – based on assessed value
- d. Impact Fees based on NSF of 450 FY 2013/2014, 525 fiscal years 2015-2018 and moderate commercial
 - i. FY15 fee reduction based on partial credit method
- e. State Shared – JLBC 4 sector projections (projection from League due in March)
- f. Building revenue – regression analysis trending
- g. Utilities
 - i. Solid Waste – based on current rate schedule
 - ii. Water & Sewer assumption based on 6-year program approved by council in FY11-12

2. Expenditures

- a. General Fund
 - i. Sales Tax Rebate – assume 5% growth
 - ii. Transfers Out – sewer \$500K year 2 of 3 (based on sewer approved program)
 - iii. Contingency built in at 3% - moving based on total expenditures
 - iv. Not for profit funding included in base at \$235,450
 - v. Contractual services 4% annually – based on actual contracts as prudent
 - 1. Legal 5% annually
 - vi. Fees and services, materials, professional development 3% annually
 - vii. Salary & Fringes
 - 1. 10% health
 - 2. ASRS increase from 11.14% to 11.54%
 - 3. Pay restoration of 4.75%
 - 4. Merit system 1-3% based on performance review date
 - viii. Utilities 6% - due to increase in Town street lighting and SRP rate increases
- b. Sewer
 - i. Debt service according to schedule
 - ii. Contingency built in at 3% - moving based on total expenditures
 - iii. Department Support based on analysis of cost
 - iv. Same Commodity and Salary & Fringe assumptions as General Fund

- c. Solid Waste
 - i. Department Support based on analysis of cost
 - ii. Same Commodity and Salary & Fringe assumptions as General Fund
- d. Water
 - i. Contingency built in at 3% - moving based on total expenditures
 - ii. Transfer Out – sewer \$250K year 2 of 4 (based on sewer approved program)
 - iii. Department Support based on analysis of cost
 - iv. Same Commodity and Salary & Fringe assumptions as General Fund
 - v. Debt service according to schedule
- e. Drainage & Transportation
 - i. Debt Service
 - ii. Maricopa County Flood Control District repayment FY15-17
 - iii. Street Light Improvement District's from SRP FY18
- f. HURF
 - i. Expenditures match revenue – pavement maintenance program not in accordance with 5-year plan
- g. Town Center – continuation of QC Inc and Façade program at \$100K
- h. Street Light Improvement District's – assuming new sub-divisions and rate increase
- i. Development Fee Funds – debt service only in base long range
- j. Fire
 - i. Contingency built in at 3% - moving based on total expenditures
 - ii. Department Support based on analysis of cost
 - iii. Same Commodity assumptions as General Fund
 - iv. Salary & Fringes have taken into account 6.2% increase in addition to pay restoration and merit implementation
 - v. PS-ASRS increase from 9.55% to 10.35%
- k. HPEC
 - i. Contractual services 10% FY14 – 4% annually thereafter
 - ii. Materials, equipment leases, repairs and maintenance set at actual needs to run park at current event level approx.
 - iii. Utility, Salary & Fringes same assumptions as General Fund
 - iv. Department Support based on analysis of cost

Requesting Department:
Town Manager



TO: TOWN COUNCIL BUDGET COMMITTEE
FROM: PATRICK FLYNN, ASSISTANT TOWN MANAGER/CFO
THROUGH: JOHN KROSS, TOWN MANAGER
**RE: FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDING
DECEMBER 31, 2012**
DATE: March 27, 2013

A handwritten signature in black ink, appearing to be "Patrick Flynn", is written over the "FROM" line of the header.

Attached are the Town's financial statements for the six months ending December 31, 2012. As you might expect given the significant building uptick in the community, we are having a stellar year financially. If we look back just a year ago thru the same 6 month period, we did 55 housing permits versus 339 housing permits for the current six month period. The increased building activity weaves its way through our financial program in many ways. To illustrate and highlight:

- Building revenue (permits fees et al) stands at almost \$1.6 million for the six months, up almost \$1.2 million from the same period of a year ago.
- Aggregate development fees (all funds) stand at almost \$5.0 million for the six months, up \$4.1 million from a year ago.
- Developer reimbursements amount to almost \$2.7 million for the period versus zero revenues for the same period of a year ago.
- Aggregate sales tax revenue (all funds) for the six months amounts to approximately \$6.5 million, versus \$5.6 million from a year ago, a \$900k increase.

After years of declining revenue caused from the Great Recession, it would be an understatement to say that this is a welcome relief that the "light

finally shines”. That said however most of this new revenue is “one-time” in nature and therefore needs to be considered accordingly.

I am sure we will face challenges later this year in what come out of Washington DC and the impact it may have on the economy overall. More importantly, what happens nearer to home down at the State Legislature will be key for us especially regarding the issue of construction sales tax revenue. In the meantime; however let’s enjoy the solid revenue stream we are seeing because it sure beats the alternative.

Again, I want to thank you for all your support with the Town’s financial program. If you have any questions, feel free to call or see me.



Town of Queen Creek
Statement of Revenues and Expenditures
FY13 Budget vs Actual
For the 6 months ending December 31, 2012

General Fund	FY 12 Actual (3)	FY 13 Revised Budget	FY 13 YTD Actual As of 12/31/12	FY 13 % of Budget	FY 12 YTD Actual 12/31/2011	% change FY 13 to FY 12
Revenues						
Town Sales Tax	\$ 9,221,761	\$ 8,922,000	\$ 5,115,169	57.3%	\$ 4,400,367	16.2%
Sales Tax Recovery	188,174	144,000	41,004	28.5%	65,520	-37.4%
Business Licenses	70,500	69,600	33,405	48.0%	33,535	-0.4%
Building Revenue	1,361,409	1,201,556	1,568,625	100+%	404,083	100+%
Liquor License Revenue	3,000	3,000	1,500	50.0%	0	100+%
State Sales Tax	2,059,568	2,204,313	1,024,070	46.5%	990,700	3.4%
Urban Revenue Sharing	2,224,888	2,692,475	1,346,360	50.0%	1,112,398	21.0%
Motor Vehicle Tax	882,556	873,907	392,650	44.9%	408,500	-3.9%
Town Facility Rentals	140,782	140,000	90,582	64.7%	65,882	37.5%
Telecommunications Revenue	80,387	72,996	49,079	67.2%	34,703	41.4%
Recreation User Fees	228,236	298,400	111,960	37.5%	124,261	-9.9%
Investment Income	212,947	225,000	68,843	30.6%	117,425	-41.4%
Gas Franchise Revenue	65,013	64,000	20,450	32.0%	20,055	2.0%
Cable Licensing Fee	146,304	150,000	72,603	48.4%	75,144	-3.4%
Departmental Support Revenue	1,538,474	1,575,700	787,866	50.0%	801,798	-1.7%
Other Revenue	125,694	100,000	324,589	100+%	43,247	100+%
Fund Balance Applied (2)	-	1,690,676	-	0.0%	-	0.0%
SubTotal General Fund Revenue	\$ 18,549,694	\$ 20,427,623	\$ 11,048,755	54.1%	\$ 8,697,618	27.0%
Revenues - Transfers In from Other Funds:						
Transfer In from Water Enterprise Fund	\$ 585,849	\$ 1,414,241	\$ 707,118	50.0%	\$ 319,554	100+%
Transfer In from HURF Fund	124,014	0	0	100.0%	\$ 67,644	-100.0%
Transfer In from Town Center Fund	187,500	359,250	152,124	42.3%	\$ 93,750	62.3%
Transfer In from Parks and Recreation Trust Fund	34,841	0	0	100.0%	\$ 19,998	-100.0%
Transfer in from Street Light Improvement Districts	0	24,022	0	0.0%	\$ 0	100.0%
Total General Fund Revenue	19,481,898	22,225,136	11,907,997	53.6%	9,198,564	29.5%
General Fund Expenditures (1)						
Town Council/Town Manager/Town Clerk	\$ 934,367	\$ 969,061	\$ 470,012	48.5%	\$ 441,964	6.3%
Legal Services	326,417	337,000	85,501	25.4%	152,206	-43.8%
Management Services	1,385,532	1,309,001	607,202	46.4%	623,438	-2.6%
Workforce & Technology	1,523,963	1,598,601	652,154	40.8%	708,254	-7.9%
Development Services	4,849,902	5,390,027	2,190,026	40.6%	2,035,504	7.6%
Economic Development	755,634	955,129	458,863	48.0%	332,502	38.0%
Public Safety *	1,313,808	1,812,867	668,015	36.8%	681,194	-1.9%
Utilities	708,208	740,000	310,046	41.9%	333,096	-6.9%
Non-Departmental - operating	3,258,130	3,198,345	313,743	9.8%	387,946	-19.1%
SubTotal General Fund Expenditures (1)	\$ 15,055,961	\$ 16,310,031	\$ 5,755,563	35.3%	\$ 5,696,104	1.0%
Non-Departmental - Transfers to Other Funds:						
Transfer to Emergency Services Fund	\$ 142,384	\$ 844,938	\$ 422,472	50.0%	\$ 77,664	100+%
Transfer to Parks Development Fee Fund	190,212	656,085	328,044	50.0%	83,400	100+%
Transfer to Public Safety Development Fee Fund	220,737	263,370	131,688	50.0%	120,402	9.4%
Transfer to Fire Development Fee Fund	249,447	230,233	115,116	50.0%	136,062	-15.4%
Transfer to Horseshoe Park Equestrian Centre	333,671	431,548	252,666	58.5%	161,508	56.4%
Transfer to Town Buildings & Vehicles Dev Fee Fund	418,846	505,328	252,666	50.0%	209,424	20.6%
Transfer to Library Development Fee Fund	729,663	841,622	420,810	50.0%	397,998	5.7%
Transfer to Drainage & Transportation Fund	1,487,024	1,641,981	820,992	50.0%	811,104	1.2%
Transfer to Sewer/Waste Water Fund	0	500,000	250,002	50.0%	0	100+%
Total General Fund Expenditures	\$ 18,827,945	\$ 22,225,136	\$ 8,750,019	39.4%	\$ 7,693,666	13.7%

* General fund portion of public safety only - total public safety amounted to \$3,155,285 in FY12 and is budgeted at \$3,181,025 in FY13.



Town of Queen Creek
Statement of Revenues and Expenditures
FY13 Budget vs Actual
For the 6 months ending December 31, 2012

	FY 12 Actual (3)	FY 13 Revised Budget	FY 13 YTD Actual As of 12/31/12	FY 13 % of Budget	FY 12 YTD Actual 12/31/2011	% change FY 13 to FY 12
Sewer Utility Enterprise Fund						
Revenues						
Sewer User Fees	\$ 3,107,199	\$ 3,329,564	\$ 1,716,063	51.5%	\$ 1,399,258	22.6%
Interest Income	18,273	15,000	6,765	45.1%	9,534	-29.0%
Fund Balance Applied (2)	-	1,135,068	-	0.0%	-	0.0%
Total Revenue	\$ 3,125,472	\$ 4,479,632	\$ 1,722,828	38.5%	\$ 1,408,791	22.3%
Total Expenditures (1)	\$ 2,565,107	\$ 4,479,632	\$ 1,588,892	35.5%	\$ 1,329,542	19.5%
WasteWater Development Fund						
Revenues						
Development Fees	\$ 1,073,356	\$ 695,993	\$ 1,768,400	100+%	\$ 271,080	100+%
Transfers In from Other Funds	804,945	2,842,051	1,421,028	50.0%	402,474	100+%
Interest Income	69	0	0	100.0%	0	0.0%
Fund Balance Applied (2)	-	32,200	-	0.0%	-	0.0%
Total Revenue	\$ 1,878,370	\$ 3,570,244	\$ 3,189,428	89.3%	\$ 673,554	100+%
Total Expenditures (1)	\$ 2,212,974	\$ 3,570,244	\$ 1,248,685	35.0%	\$ 1,326,370	-5.9%
Solid Waste Enterprise Fund						
Revenues						
Recycling Revenue	\$ 56,229	\$ 68,392	\$ 26,363	38.5%	\$ 33,440	-21.2%
User Fees	1,302,245	1,440,185	701,070	48.7%	545,100	28.6%
Cart Fees	1,489	0	50,250	100+%	0	100+%
Fund Balance Applied (2)	-	45,000	-	0.0%	-	0.0%
Total Revenue	\$ 1,359,963	\$ 1,553,577	\$ 777,682	50.1%	\$ 578,540	34.4%
Total Expenditures (1)	\$ 1,310,700	\$ 1,553,577	\$ 545,535	35.1%	\$ 585,706	-6.9%
Water Enterprise Fund						
Revenues						
Water Sales	\$ 8,280,856	\$ 8,923,000	\$ 5,414,209	60.7%	\$ 5,241,704	3.3%
Other Revenue	1,083,502	228,400	114,611	50.2%	111,986	2.3%
Loan Proceeds	131,699	0	0	100.0%	289,853	-100.0%
Fund Balance Applied (2)	-	542,600	-	0.0%	-	0.0%
Total Revenue	\$ 9,496,057	\$ 9,694,000	\$ 5,528,820	57.0%	\$ 5,643,543	-2.0%
Total Expenditures (1)	\$ 8,178,732	\$ 9,694,000	\$ 5,704,112	58.8%	\$ 4,980,503	14.5%
Drainage and Transportation Fund						
Revenues						
Government Agency Reimbursements	\$ 2,164,532	\$ 254,235	\$ 0	0.0%	\$ 0	0.0%
Developer Contributions & Reimbursements	1,772,653	110,000	2,658,980	100+%	0	100+%
Construction Sales Tax 2%	786,296	960,000	595,815	62.1%	474,544	25.6%
Transfers In from Other Funds	1,630,024	1,796,435	898,218	50.0%	889,104	1.0%
Interest Income	137,021	143,000	28,241	19.7%	89,444	-68.4%
Fund Balance Applied (2)	-	3,259,618	-	0.0%	-	0.0%
Total Revenue	\$ 6,490,526	\$ 6,523,288	\$ 4,181,254	64.1%	\$ 1,453,092	100+%
Total Expenditures (1)	\$ 5,464,997	\$ 6,523,288	\$ 1,889,333	29.0%	\$ 3,882,055	-51.3%



Town of Queen Creek
Statement of Revenues and Expenditures
FY13 Budget vs Actual
For the 6 months ending December 31, 2012

	FY 12 Actual (3)	FY 13 Revised Budget	FY 13 YTD Actual As of 12/31/12	FY 13 % of Budget	FY 12 YTD Actual 12/31/2011	% change FY 13 to FY 12
Highway User Revenue Fund						
Revenues						
HURF Revenues	\$ 1,329,739	\$ 1,483,531	\$ 676,505	45.6%	\$ 635,117	6.5%
Pinal County Taxes	14,991	8,000	13,143	100+%	7,065	86.0%
Loan Proceeds	0	130,542	130,542	100.0%	0	100+%
Fund Balance Applied (2)	-	522,000	-	0.0%	-	0.0%
Total Revenue	\$ 1,344,730	\$ 2,144,073	\$ 820,190	38.3%	\$ 642,181	27.7%
Total Expenditures (1)	\$ 1,375,439	\$ 2,144,073	\$ 99,004	4.6%	\$ 103,794	-4.6%
Local Transportation Assistance Fund						
Revenues						
LTAF II Revenue	\$ 76,030	\$ 0	\$ 0	100.0%	\$ 0	0.0%
Interest Income	25	0	0	100.0%	0	0.0%
Fund Balance Applied (2)	-	175,000	-	0.0%	-	0.0%
Total Revenue	\$ 76,055	\$ 175,000	\$ 0	0.0%	\$ 0	0.0%
Total Expenditures (1)	\$ 0	\$ 175,000	\$ 0	0.0%	\$ 0	0.0%
Municipal Town Center Fund						
Revenues						
Sales Tax Revenue	\$ 432,876	\$ 360,000	\$ 192,066	53.4%	\$ 198,319	-3.2%
Town Facility Rental	26,930	33,000	3,500	10.6%	17,095	-79.5%
Other Revenue	7,726	0	3,422	100+%	914	100+%
Fund Balance Applied (2)	-	100,000	-	0.0%	-	0.0%
Total Revenue	\$ 467,532	\$ 493,000	\$ 198,988	40.4%	\$ 216,328	-8.0%
Total Expenditures (1)	\$ 228,254	\$ 493,000	\$ 229,769	46.6%	\$ 113,763	100+%
Street Lighting Improvement Districts (SLIDs)						
Revenues						
Assessment Tax	\$ 340,520	\$ 400,373	\$ 170,996	42.7%	\$ 171,908	-0.5%
Other Revenue	0	0	0	100.0%	0	0.0%
Total Revenue	\$ 340,520	\$ 400,373	\$ 170,996	42.7%	\$ 171,908	-0.5%
Total Expenditures (1)	\$ 340,576	\$ 400,373	\$ 145,645	36.4%	\$ 164,577	-11.5%
Parks/Open Space Development Fund						
Revenues						
Development Fees	\$ 874,704	\$ 540,625	\$ 1,350,880	100+%	\$ 314,545	100+%
Transfers In from Other Funds	253,066	656,085	328,044	50.0%	117,684	100+%
Grant Proceeds	4,500	1,043,640	0	0.0%	4,500	-100.0%
Fund Balance Applied (2)	-	208,200	-	0.0%	-	0.0%
Total Revenue	\$ 1,132,270	\$ 2,448,550	\$ 1,678,924	68.6%	\$ 436,729	100+%
Total Expenditures (1)	\$ 1,384,160	\$ 2,448,550	\$ 855,611	34.9%	\$ 846,381	1.1%
Town Buildings & Vehicles Development Fund						
Revenues						
Development Fees	\$ 311,454	\$ 182,510	\$ 481,567	100+%	\$ 103,404	100+%
Transfers In from Other Funds	418,846	505,328	252,666	50.0%	209,424	20.6%
Fund Balance Applied (2)	-	50,000	-	0.0%	-	0.0%
Total Revenue	\$ 730,300	\$ 737,838	\$ 734,233	99.5%	\$ 312,828	100+%
Total Expenditures (1)	\$ 722,612	\$ 737,838	\$ 644,156	87.3%	\$ 657,898	-2.1%



Town of Queen Creek
Statement of Revenues and Expenditures
FY13 Budget vs Actual
For the 6 months ending December 31, 2012

	FY 12 Actual (3)	FY 13 Revised Budget	FY 13 YTD Actual As of 12/31/12	FY 13 % of Budget	FY 12 YTD Actual 12/31/2011	% change FY 13 to FY 12
Transportation Development Fund						
Revenues						
Development Fees	\$ 218,077	\$ 154,454	\$ 367,893	100+%	\$ 55,967	100+%
Total Revenue	\$ 218,077	\$ 154,454	\$ 367,893	100+%	\$ 55,967	100+%
Total Expenditures (1)	\$ 143,000	\$ 154,454	\$ 77,226	50.0%	\$ 78,000	-1.0%
Library Development Fund						
Revenues						
Development Fees	\$ 264,453	\$ 171,250	\$ 463,060	100+%	\$ 75,350	100+%
Transfers In from Other Funds	729,663	841,622	420,810	50.0%	397,998	5.7%
Contributions/Donations	250,000	0	0	100.0%	250,000	-100.0%
Total Revenue	\$ 1,244,116	\$ 1,012,872	\$ 883,870	87.3%	\$ 723,348	22.2%
Total Expenditures (1)	\$ 1,010,057	\$ 1,012,872	\$ 977,525	96.5%	\$ 972,883	0.5%
Public Safety Development Fund						
Revenues						
Development Fees	\$ 141,096	\$ 92,436	\$ 246,946	100+%	\$ 39,529	100+%
Transfers In from Other Funds	220,737	263,370	131,688	50.0%	120,402	9.4%
Total Revenue	\$ 361,833	\$ 355,806	\$ 378,634	100+%	\$ 159,931	100+%
Total Expenditures (1)	\$ 355,759	\$ 355,806	\$ 174,956	49.2%	\$ 177,935	-1.7%
Emergency Services Fund						
Revenues						
Town Sales Tax	\$ 1,183,946	\$ 1,116,000	\$ 630,659	56.5%	\$ 557,058	13.2%
Property Tax Revenues	4,355,279	3,780,217	2,027,637	53.6%	2,191,147	-7.5%
Fire Revenues	27,878	20,000	16,358	81.8%	11,178	46.3%
Other Revenue	68,082	15,000	26,885	100+%	18,482	45.5%
Transfers In from Other Funds	142,384	844,938	422,472	50.0%	77,664	100+%
Fund Balance Applied (2)	-	20,000	-	0.0%	-	0.0%
Total Revenue	\$ 5,777,569	\$ 5,796,155	\$ 3,124,011	53.9%	\$ 2,855,528	9.4%
Total Expenditures (1)	\$ 5,355,233	\$ 5,796,155	\$ 2,626,903	45.3%	\$ 2,542,468	3.3%
Fire Development Fund						
Revenues						
Development Impact fees	\$ 158,982	\$ 108,081	\$ 277,749	100+%	\$ 42,051	100+%
Transfer In from Other Funds	249,447	230,233	115,116	50.0%	136,062	-15.4%
Fund Balance Applied	-	20,000	-	0.0%	-	0.0%
Total Revenue	\$ 408,429	\$ 358,314	\$ 392,865	100+%	\$ 178,113	100+%
Total Expenditures (1)	\$ 362,987	\$ 358,314	\$ 15,470	4.3%	\$ 27,708	-44.2%
Community Events Fund						
Revenues						
Contributions/Donations	\$ 14,392	\$ 35,000	\$ 8,309	23.7%	\$ 7,217	15.1%
Total Revenue	\$ 14,392	\$ 35,000	\$ 8,309	23.7%	\$ 7,217	15.1%
Total Expenditures (1)	\$ 14,715	\$ 35,000	\$ 8,007	22.9%	\$ 6,229	28.5%



Town of Queen Creek
Statement of Revenues and Expenditures
FY13 Budget vs Actual
For the 6 months ending December 31, 2012

	FY 12 Actual (3)	FY 13 Revised Budget	FY 13 YTD Actual As of 12/31/12	FY 13 % of Budget	FY 12 YTD Actual 12/31/2011	% change FY 13 to FY 12
Water Capital Fund						
Revenues						
Transfer In from Other Funds	\$ 0	\$ 180,000	\$ 0	0.0%	\$ 0	0.0%
Fund Balance Applied (2)	-	200,000	-	0.0%	-	0.0%
Total Revenue	\$ 0	\$ 380,000	\$ 0	0.0%	\$ 0	0.0%
Total Expenditures (1)	\$ 106,333	\$ 380,000	\$ 110,578	29.1%	\$ 19,542	100+%
Horseshoe Park Equestrian Centre						
Revenues						
Horseshoe Park Revenue	\$ 447,232	\$ 505,999	\$ 148,772	29.4%	\$ 166,045	-10.4%
Transfer In from Other Funds	333,671	431,548	215,772	50.0%	161,508	33.6%
Total Revenue	\$ 780,903	\$ 937,547	\$ 364,544	38.9%	\$ 327,553	11.3%
Total Expenditures (1)	\$ 861,392	\$ 937,547	\$ 425,227	45.4%	\$ 366,621	16.0%
Special Assessment Improvement						
Revenues						
Transfer In - TOQC assessment	\$ 2,086,119	\$ 2,076,010	\$ 1,038,006	50.0%	\$ 1,032,888	0.5%
Other property assessments	1,924,874	1,840,990	1,205,898	65.5%	1,220,395	-1.2%
Total Revenue	\$ 4,010,993	\$ 3,917,000	\$ 2,243,904	57.3%	\$ 2,253,283	-0.4%
Total Expenditures (1)	\$ 3,922,725	\$ 3,917,000	\$ 3,917,000	100.0%	\$ 3,922,500	-0.1%

Notes:

(1) Actual amounts contained in this report reflect for the most part cash basis accounting - cash receipts and cash expenditures. Expenditures do not include encumbrances or requisitions.

(2) Fund Balance Applied reflect monies that were received in prior years and are being used now to balance or fund these program budgets. In any year revenue that exceeds expenditures flow to fund balance reserves in the respective fund and vice versa. In funds in which expenditures exceed revenues, fund balance reserves are being drawn down. Some of this condition is due to capital projects in which monies were received in prior years and are now being spent.

(3) FY12 Actuals are based on period 12 (June) financials for budget purposes. The Town's CAFR based on audit results reports the Town's final financial results for FY11-12.