

TOWN OF QUEEN CREEK, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2017

**TOWN OF QUEEN CREEK, ARIZONA
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YEAR ENDED JUNE 30, 2017**

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INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Queen Creek, Arizona (Town), for the year ended June 30, 2017, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the *Uniform Expenditure Reporting System* (UERS) as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the UERS in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the Town of Queen Creek, Arizona, referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

This report is intended solely for the information and use of the Mayor and Town Council, management, and the Arizona Auditor General and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 26, 2018

**TOWN OF QUEEN CREEK, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2017**

1. Economic Estimates Commission expenditure limitation	\$	-	
Voter approved alternative expenditure limitation (approved August			
2. 26, 2014)		<u>184,055,982</u>	
3. Enter applicable amount from Line 1 or Line 2			<u>\$ 184,055,982</u>
4. Amount subject to the expenditure limitation (total amount			
from Part II, Line C)		122,747,619	
5. Board-authorized expenditures necessitated by a disaster the			
Governor declared		-	
6. Board-authorized expenditures necessitated by a disaster the			
Governor did not declare		-	
7. Prior-year voter approved expenditures to exceed the			
expenditure limitation for the reporting fiscal year		-	
8. Subtotal		<u>122,747,619</u>	
9. Board-authorized excess expenditures for the previous fiscal			
year necessitated by a disaster the Governor did not declare			
and voters did not approve		-	
10. Total adjusted amount subject to the expenditure limitation			<u>122,747,619</u>
11. Amount under (in excess of) the expenditure limitation			<u><u>\$ 61,308,363</u></u>

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

Signature of Chief Fiscal Officer:



Name and Title: Scott McCarty, Finance Director

Telephone Number: (480) 358-3170

Date: January 26, 2018

See accompanying Notes to Annual Expenditure Limitation Report.

**TOWN OF QUEEN CREEK, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2017**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 175,072,474	\$ 29,586,779	\$ 3,427,650	\$ 205,439,091
B. Less exclusions claimed:				
1 Debt Proceeds	75,748,830	-	-	75,748,830
2 Debt service requirements	4,012,746	-	-	4,012,746
10 Highway user revenues in excess of those received in fiscal year 1979-80	2,929,896	-	-	2,929,896
16 Total exclusions claimed	<u>82,691,472</u>	<u>-</u>	<u>-</u>	<u>82,691,472</u>
C. Amounts subject to the expenditure limitation	<u>\$ 92,381,002</u>	<u>\$ 29,586,779</u>	<u>\$ 3,427,650</u>	<u>\$ 122,747,619</u>

See accompanying Notes to Annual Expenditure Limitation Report.

**TOWN OF QUEEN CREEK, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2017**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 175,508,381	\$ 24,341,837	\$ 3,427,650	\$ 199,850,218
B. Subtract:				
1 Items not requiring use of current financial resources:				
Depreciation	-	4,393,906	-	4,393,906
Bad debt expense	-	52,367	-	52,367
Pension Expense		779,838		
3 Required fees paid to the Arizona Department of Revenue	70,549	-	-	70,549
5 Involuntary court judgments	365,358	-	-	365,358
6 Total subtractions	<u>435,907</u>	<u>5,226,111</u>	<u>-</u>	<u>4,882,180</u>
C. Additions:				
1 Principal payments on long-term debt	-	5,437,641	-	5,437,641
2 Capital asset acquisitions	-	4,704,950	-	4,704,950
4 Pension Contributions paid in the current year	-	328,462	-	328,462
5 Total additions	<u>-</u>	<u>10,471,053</u>	<u>-</u>	<u>10,471,053</u>
D. Amounts reported on Part II Line A	<u>\$ 175,072,474</u>	<u>\$ 29,586,779</u>	<u>\$ 3,427,650</u>	<u>\$ 205,439,091</u>

See accompanying Notes to Annual Expenditure Limitation Report.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07 and in accordance with the voter-approved alternative expenditure limitation adopted August 26, 2014, as authorized by the Arizona Constitution, Article IX. §20(9).

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

NOTE 2 DEBT PROCEEDS

The exclusion claimed for debt proceeds consists of expenditures for principal retirement, interest expenditures, debt issuance costs and payment to refunding escrow agent made from bond proceeds and premiums recorded in the Improvement District Debt Service and Debt Service funds.

NOTE 3 DEBT SERVICE REQUIREMENTS

The exclusion claimed for debt service requirements consists of principal retirement and interest expenditures in the General Fund, Improvement District Debt Service Fund, Debt Service Fund and Nonmajor Governmental Funds net of amounts excluded per Note 2 above.

NOTE 4 HIGHWAY USER REVENUES

The exclusion of \$2,929,896 represents expenditures of Highway User Revenues received in excess of those received in fiscal year 1979-80. As the Town was incorporated in 1989, all of the Town's expenditures of Highway User Revenues are excludable.

NOTE 5 BAD DEBT EXPENSE

The Town recognized a subtraction from total expenditures of \$52,367 representing bad debt expense incurred in the current year. Bad debt expense is reported as a component of administration operating expense within the Town's proprietary Statement of Revenues, Expenses, and Changes in Net Position. As bad debt expense does not require the use of current financial resources, it is subtracted from total expenditures for reporting under the UERS.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT (CONTINUED)
JUNE 30, 2017

NOTE 6 REQUIRED FEES PAID TO THE ARIZONA DEPARTMENT OF REVENUE

As part of the State of Arizona's transaction privilege tax (TPT) simplification initiative, all TPT tax returns are filed with and processed by the State, with the State charging the Town for the cost of providing this service. Under Arizona law, this expenditure, reported within the General Fund general government expenditures, is subtracted from total expenditures reported under the UERS.

NOTE 7 INVOLUNTARY COURT JUDGEMENTS

As the result of the *Hall* and *Parker* lawsuits against the Public Safety Personnel Retirement System (PSPRS), through which the Town of Queen Creek operates a pension plan for its fire department, the Town of Queen Creek was required to calculate and refund to current employees and retirees contributions that were collected and remitted to the PSPRS that were deemed to be in excess of required amounts through the lawsuits. As these payments, in the amount of \$365,358 reported in public safety expense in the General Fund, were made as the result of a lawsuit and were involuntary, they are subtracted from total expenditures, as allowed under the UERS.

NOTE 8 PENSION RELATED ADJUSTMENTS

Pension expense in the amount of \$779,838, reported as a component of administration operating expense within the Statement of Revenues, Expenses, and Changes in Net Position represents the proprietary funds' proportionate share of the actuarially calculated expense related to the Town's ASRS pension plan. As actuarially determined pension expense does not require the use of current financial resources, and therefore is subtracted from total expenditures for reporting under the UERS.

Conversely, pension contributions in the amount of \$328,462, which are reported as a deferred outflow of resources on the Proprietary Funds Statement of Net Position as required under Governmental Accounting Standards Board Statement No. 71, represent the use of current financial resources and, therefore, are added back to total expenditures for reporting under the UERS.