

TOWN OF QUEEN CREEK, ARIZONA

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2018



TOWN OF QUEEN CREEK, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Issued by:
Finance Department

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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TOWN OF QUEEN CREEK ARIZONA

January 10, 2019

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

In accordance with Arizona statutes, we are pleased to present the Comprehensive Annual Financial Report of the Town of Queen Creek for the fiscal year ended June 30, 2018. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management.

We believe the enclosed information accurately presents the Town's financial position and results of operations, in all material respects, in accordance with generally accepted accounting principles. We also believe we have included all disclosures necessary to enable the reader to gain an understanding of the Town's financial activities. These assertions are made on the basis of the Town's system of internal control over assets and liabilities recorded in the accounting system. These controls have been designed to provide reasonable, but not absolute, assurance of safeguarding assets against loss from unauthorized use or disposition, and to ensure the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the expected benefits, and that the evaluation of costs and benefits requires estimates and judgments by management.

CliftonLarsonAllen LLP, a certified public accounting firm, has audited the Town's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Queen Creek's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with generally accepted accounting principles. The auditor's report is presented as the first component of the Financial Section of this report.

A narrative introduction, overview, and analysis accompanies the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Town's MD&A can be found immediately following the report of the independent auditors. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

PROFILE

The Town of Queen Creek is located in the southeast corner of Maricopa County with a very small overlap into Pinal County. The City of Mesa borders the Town to the north, and the Town of Gilbert borders it to the west. Queen Creek is within 10 minutes of the Phoenix-Mesa Gateway Airport and 45 minutes of the Phoenix Sky Harbor International Airport. Queen Creek contains 33 square miles in its incorporated area and 70 square miles in its planning area. The Town's population has nearly doubled since 2010, making the Town one of the fastest growing municipalities in the country and the state. The Town's current population is estimated at approximately 50,300.

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

The Town of Queen Creek incorporated in 1989 to preserve the benefits of rural life and provide avenues for managed change. By preserving the past while providing for economic and recreational opportunities and a high quality of life, the Town has grown from rich rural roots to what is one of the most innovatively planned, family-friendly hometowns in Arizona. With overall lower-density residential areas, preservation of open space, a variety of parks and recreational activities, spectacular views and multi-use trails, all among a vibrant and growing economy, the Town of Queen Creek offers comforts of the country amidst the convenience of the city.

With a few exceptions, Queen Creek is a full-service municipality. Police, jail, and animal control services are currently provided through a contract with Maricopa County. Municipal court services are provided through a contract with the Town of Gilbert. Refuse and recycling services are provided via a contract with a private company.

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

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the basic financial statements is best understood when considered from the broader perspective of the environment in which the Town operates.

Local Economy

Commercial development is focused in three main strategic areas: the Town Center, the northern boundary, and the southeast area. The Town Center is the economic core of the community and includes over one million square feet of commercial development.

The northern section of the Town is strategically positioned to capitalize on new employment growth with its proximity to the Phoenix-Mesa Gateway Airport, a tremendous economic development catalyst for the region, and State Route 24 which has freeway access within a mile and a half of the main employment corridor.

The Town's southeast area is adjacent to the San Tan Valley in Pinal County. With over 100,000 residents, this unincorporated area is a significant source of traffic through the Town's business districts and streets. The Town is developing plans to accommodate commercial development in the southeast area as the San Tan Valley population grows in tandem with the Town's expansion.

Fiscal year 2017-18 showed continued economic improvement, including the following highlights:

- Queen Creek's population grew by approximately 8,400, or 20% during fiscal year 2017-18. The majority of this increase was the result of the Ironwood Crossing subdivision annexation that added over 5,000 new residents to the Town.

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

- The Town issued 1,055 single-family building permits during fiscal year 2017-18, an increase of 5% over the prior year. Each housing permit generates over \$20,000 in one-time revenue to the Town from development impact fees and construction sales taxes.
- Overall city sales tax revenue grew 8% over the prior year due to the addition of new homes, businesses, and restaurants, and from continued population growth in and areas surrounding the Town.
- State-shared revenue increased 6% over the prior year, reflecting the Town's continued population growth.

Growth and Development

Since incorporation in 1989, Queen Creek has grown through annexation and development of surrounding properties. As residential development turned farmland into suburban neighborhoods, commercial development followed to the Town Center, with the Queen Creek Marketplace and Cornerstone at Queen Creek shopping centers providing anchors for retail development.

Since the Great Recession, the Town has experienced a resurgence of development activity. The following annexations and developments have and will continue to contribute to the Town's growing economic base.

- Rittenhouse Ranch – Annexed in 2014, the area includes approximately 95 acres with 60 single-family lots, with 48 homes built to date.
- Meridian Crossing – Annexed in 2016, the development includes approximately 428 acres with 1,245 single-family lots. There has been no home construction activity yet as the developer nears completion of final development plans.
- Amerco Real Estate – Annexed in 2017, the property includes approximately 35 acres of commercial development for two car dealerships, a U-Haul rental and storage facility, and other retail space. The Town's first car dealership and the U-Haul facility opened in September 2018.
- Banner Ironwood Medical Center – Annexed in May 2017, this 264,000 square-foot facility serves as a regional hospital. Over the next 20 years, Banner plans to add an additional 183,000 square feet of hospital, medical office and retail space. Beyond 2036, the campus may grow to nearly 1.2 million square feet of space.
- Ironwood Crossing – The Town annexed approximately 1,500 acres in April 2018. Roughly half the area consists of an existing master planned community with approximately 1,700 existing single-family homes and an expected buildout of 2,188 homes. The remaining area includes 730 acres of vacant farmland, as well as 19 acres of commercial property that is currently under development as a Safeway shopping center.
- Barney Farms – Approximately 503 acres of farmland within the Town are expected to be developed into approximately 1,700 single-family homes with a 22-acre lake and a community-owned aquatic center.
- Empire Ellsworth – Annexed in August 2018 across the street from the Amerco development, the Town's General Plan designates the 25-acre site for commercial land uses.

Accomplishments

In December 2017, the Town Council approved a Transportation Master Plan that will complete 41 projects at a cost of \$195 million over the next ten years. The plan is fully funded. In February 2018, the Town issued \$57 million in excise tax revenue bonds to provide funding for the Plan.

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

The remaining costs of the road projects will be funded through a combination of Town sales tax revenues, impact fees, and developer contributions.

In conjunction with the February bond issue, the Town also issued \$9 million in excise tax bonds which, combined with impact fees and sales tax revenues, will provide funding for construction of three new fire stations and a public safety facility for the Maricopa County Sheriff's Office (MCSO). Two fire stations and the public safety building opened to the public in September 2017.

The Town's 2018 General Plan was approved by voters on May 15, 2018 with an 84% approval rate. State law requires communities to prepare and adopt a General Plan every ten years with input from the community. The Town's General Plan serves as a road map to guide development, manage growth, and conserve natural resources. The Plan's vision is supported by goals, strategies, and actions that will ensure a sustainable future.

The Town completed construction of its newest park, Mansel Carter Oasis Park, which opened in September 2018. At 48 acres and a cost of \$24 million, Mansel Carter Oasis is the Town's largest park to date. Amenities include baseball and soccer fields, basketball courts, playgrounds, a splash pad, and a 5-acre fishing lake, as well as access to the Town's integrated trail system.

Reserve Policy and Long-term Financial Planning

Recent economic growth has provided sufficient resources for the Town to maintain services for its residents while also building reserves in its operating funds. The Town Council's current reserve policy is to have at least 25% of next year's General Fund budgeted revenues in reserve. As of June 30, 2018, the Town has funded this reserve at \$14.1 million, at the 25% amount.

The Town Council recently amended its pension funding policy to create reserves to address the Town's estimated share of the unfunded pension liabilities associated with the Maricopa County Sheriff's Office (MCSO) and the Arizona State Retirement System (ASRS). As of June 30, 2018, the entire estimated unfunded liability of the MCSO unfunded liability of \$19.7 million was reserved. In addition, \$2.4 million was reserved for the ASRS unfunded liability. With these additions to the policy, the Town now has one of the most comprehensive unfunded pension liability funding strategies in the country.

Each fall, the Town begins the annual budget process with a five-year financial forecast. Using a long-range projection model, the Town is able to identify and address projected structural budget gaps and prioritize any potential use of fund balances for strategic needs. The five-year financial plan remains balanced, reflecting increased revenues and expenses based on population growth and new commercial development.

Major Initiatives

The Town is in the midst of several major initiatives to meet the demands of a growing community. These initiatives include the following:

- Build and improve major arterial roads to accommodate the Town's rapidly growing population, following the Town's recently adopted a ten-year \$195 million Transportation Master Plan.

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

- Pursue the acquisition of water resources to secure the Town's ability to provide water to its residents and businesses to meet the requirements of a 100-year assured water supply.
- Update the Town's impact fees, capacity fees, and water utility rates. Studies are currently underway to update these fees and rates.
- Evaluate annexation and development proposals as they are submitted to the Town for consideration.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Queen Creek for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the 13th consecutive year that the Town has received this prestigious award. In order to be awarded this certificate, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate is valid for a period of one year only. We believe that our current CAFR continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Town received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year ending June 30, 2019. This was the 16th consecutive year that the Town has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. A budget award is valid for a period of one year only. We believe that our annual budget documents will continue to meet the program's requirements and we will submit them to the GFOA each year to determine their eligibility for a certificate.

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Finance Department, and through the competent service of our independent auditors. I also wish to express our sincere appreciation to the Town Council and the Town Manager for their interest and support in planning and conducting the financial affairs of the Town in a responsible and progressive manner.

Respectfully Submitted,



Scott McCarty, CPA
Finance Director

**TOWN OF QUEEN CREEK, ARIZONA
LIST OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2018**

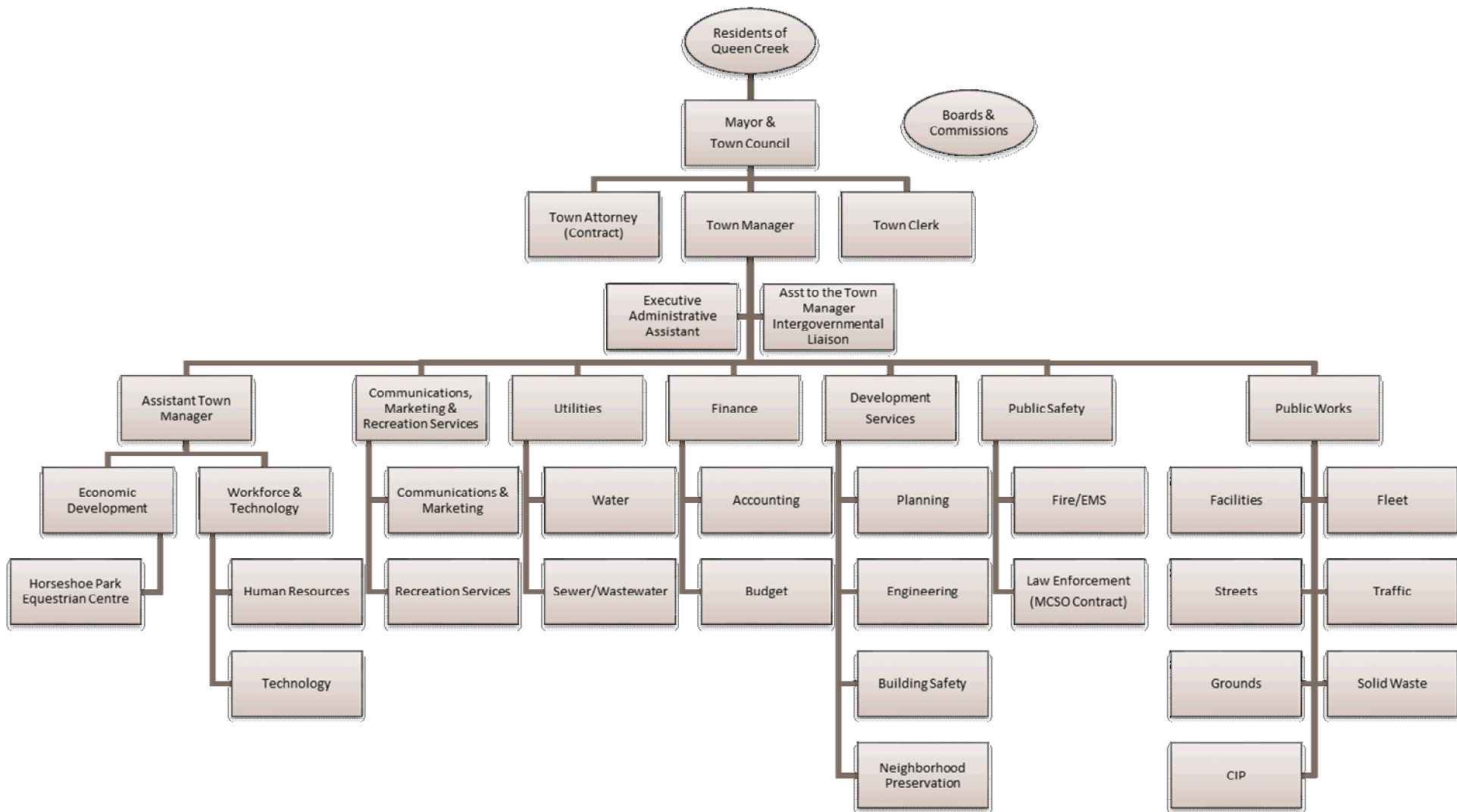
ELECTED OFFICIALS

Mayor	Gail Barney
Vice-Mayor	Emilena Turley
Councilmember	Robin Benning
Councilmember	Jake Hoffman
Councilmember	Dawn Oliphant
Councilmember	Jeff Brown
Councilmember	Julia Wheatley

DEPARTMENT DIRECTORS

Town Manager	John Kross
Assistant Town Manager	Bruce Gardner
Fire Chief	Vance Gray
Finance Director	Scott McCarty
Communications, Marketing & Recreation Director	Marnie Schubert
Development Services Director	Brett Burningham
Economic Development Director	Doreen Cott
Utilities Director	Paul Gardner
Workforce and Technology Director	Bruce Gardner
Public Works Director	Troy White

**TOWN OF QUEEN CREEK, ARIZONA
ORGANIZATIONAL CHART
YEAR ENDED JUNE 30, 2018**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Queen Creek
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Queen Creek, Arizona (Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Queen Creek, Arizona as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2018, the Town adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 85, *Omnibus, 2017*. As a result of the implementation of GASBS No. 85, the Town reclassified certain amounts previously reported as assets relating to the Queen Creek Water Company acquisition to deferred outflows of resources. Our auditors' opinion was not modified with respect to the reclassification.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information for the Town's pension plans and the budgetary comparison information for the general fund and constructional sales tax special revenue fund (as listed on the table of contents) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 10, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

As management of the Town of Queen Creek, Arizona (Town), we offer readers of the Town's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the Town of Queen Creek, Arizona exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$481.7 million (net position). Total net position increased by \$38.8 million during the fiscal year.
- ◆ As of June 30, 2018, the Town's governmental funds reported a combined ending fund balance of \$83.0 million, an increase of \$57.3 million in comparison with the prior year. Much of this increase was due to the issuance of \$66 million of excise tax revenue bonds, which along with recorded premium totaled \$74.7 million. This increase was partially offset by increased capital spending on several construction projects.
- ◆ At the close of the current fiscal year, total fund balance for the General Fund was \$36.6 million. Of this amount, \$14.1 million is unassigned and meets the Town's policy objective of having 25% of the following year's budgeted revenue in reserve.
- ◆ The Town updated its pension funding policy to set aside funds towards the Town's unfunded pension liabilities. At June 30, 2018, the General Fund had \$22.3 million in fund balance committed to covering unfunded pension liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

The statement of activities presents data showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years, such as revenue from uncollected taxes or expenses from earned but unused vacation and sick leave.

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

The government-wide financial statements may be found on pages 22 - 24 of this report.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Construction Sales Tax Fund, Park Development Fund, Drainage and Transportation Fund, and the Improvement District Debt Service Fund, all of which are considered to be major funds. For financial reporting purposes, the Town's Emergency Services and Horseshoe Park and Equestrian Center Funds are presented as part of the Town's General Fund. Separate Budget to Actual Schedules for each fund are presented in the supplementary information section of this report. Data from the other fourteen funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of the combining statements contained within the supplementary information section of this report.

The governmental fund financial statements may be found on pages 25 - 31 of this report.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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

The proprietary fund financial statements may be found on pages 32 - 39 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements may be found on pages 40 – 84 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's pension and the budgetary comparison schedules of the General Fund and Construction Sales Tax Fund. Required supplementary information may be found on pages 85 – 96 of this report.

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

Combining and Individual Statements and Schedules

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pages 97 – 125.

Government-Wide Financial Analysis

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

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2018 and 2017.

**Table A-1
Net Position
June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and Other Assets	\$ 119,152,039	\$ 55,751,725	\$ 73,485,316	\$ 76,934,875	\$ 192,637,355	\$ 132,686,600
Capital Assets:						
Non-depreciable	90,732,019	79,646,055	19,142,232	8,665,923	109,874,251	88,311,978
Depreciable (net)	<u>280,941,402</u>	<u>250,964,491</u>	<u>169,114,982</u>	<u>178,883,958</u>	<u>450,056,384</u>	<u>429,848,449</u>
Total Assets	490,825,460	386,362,271	261,742,530	264,484,756	752,567,990	650,847,027
Deferred Outflows of Resources	6,514,208	7,160,056	16,814,470	1,469,852	23,328,678	8,629,908
LIABILITIES						
Current and Other Liabilities	21,315,980	11,518,132	18,189,470	14,220,659	39,505,450	25,738,791
Long-Term Liabilities	<u>158,601,221</u>	<u>88,349,433</u>	<u>94,083,032</u>	<u>99,174,787</u>	<u>252,684,253</u>	<u>187,524,220</u>
Total Liabilities	179,917,201	99,867,565	112,272,502	113,395,446	292,189,703	213,263,011
Deferred Inflows of Resources	<u>1,615,049</u>	<u>2,608,737</u>	<u>324,130</u>	<u>601,262</u>	<u>1,939,179</u>	<u>3,209,999</u>
NET POSITION						
Net Investment in Capital Assets	279,410,700	254,327,784	112,818,415	107,702,757	392,229,115	362,030,541
Restricted	32,071,290	50,111,910	10,553,638	10,108,563	42,624,928	60,220,473
Unrestricted	<u>4,325,428</u>	<u>(13,393,669)</u>	<u>42,588,315</u>	<u>34,146,580</u>	<u>46,913,743</u>	<u>20,752,911</u>
Total Net Position	<u>\$ 315,807,418</u>	<u>\$ 291,046,025</u>	<u>\$ 165,960,368</u>	<u>\$ 151,957,900</u>	<u>\$ 481,767,786</u>	<u>\$ 443,003,925</u>

The largest portion of the Town's net position (81%) reflects its investment in capital assets (e.g. land, buildings, and equipment), less any debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the assets themselves cannot be liquidated for these liabilities.

An additional portion of the Town of Queen Creek, Arizona's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased \$26,160,832, largely related to the implementation of GASB Statement No. 85 and further due to steady growth in tax revenues from a growing economy.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Changes in Net Position

As described above, the Town's net position overall increased by \$38.8 million (8.7%) during the current fiscal year. The increase in the governmental activities and business-type activities are discussed on the following pages.

**Table A-2
Changes in Net Position
For the Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 16,957,485	\$ 15,206,130	\$ 41,306,770	\$ 38,796,413	\$ 58,264,255	\$ 54,002,543
Operating Grants and Contributions	2,733,724	2,775,472	-	-	2,733,724	2,775,472
Capital Grants and Contributions	9,150,396	10,885,524	2,221,177	6,882,565	11,371,573	17,768,089
General Revenues:						
Sales Taxes	32,799,385	30,415,947	-	-	32,799,385	30,415,947
Property Taxes	8,271,627	7,356,026	-	-	8,271,627	7,356,026
Franchise Taxes	388,870	320,847	-	-	388,870	320,847
Grants and Contributions Not Restricted to Specific Programs	9,331,762	8,781,117	-	-	9,331,762	8,781,117
Investment Earnings	619,633	141,113	633,607	164,111	1,253,240	305,224
Miscellaneous	1,026,070	442,080	43,800	45,700	1,069,870	487,780
Total Revenues	<u>81,278,952</u>	<u>76,324,256</u>	<u>44,205,354</u>	<u>45,888,789</u>	<u>125,484,306</u>	<u>122,213,045</u>
EXPENSES						
General Government	13,916,548	10,919,733	-	-	13,916,548	10,919,733
Public Safety	15,442,454	14,142,386	-	-	15,442,454	14,142,386
Highways and Streets	16,239,980	14,425,928	-	-	16,239,980	14,425,928
Culture and Recreation	5,048,854	5,515,631	-	-	5,048,854	5,515,631
Economic Development	4,890,477	27,824,042	-	-	4,890,477	27,824,042
Interest on Long-Term Debt	5,121,081	2,562,461	-	-	5,121,081	2,562,461
Water	-	-	17,076,663	15,343,717	17,076,663	15,343,717
Wastewater	-	-	6,617,605	6,874,000	6,617,605	6,874,000
Solid Waste	-	-	2,366,783	2,220,496	2,366,783	2,220,496
Total Expenses	<u>60,659,394</u>	<u>75,390,181</u>	<u>26,061,051</u>	<u>24,438,213</u>	<u>86,720,445</u>	<u>99,828,394</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	20,619,558	934,075	18,144,303	21,450,576	38,763,861	22,384,651
Transfers In (Out)	4,141,835	404,895	(4,141,835)	(404,895)	-	-
CHANGE IN NET POSITION	24,761,393	1,338,970	14,002,468	21,045,681	38,763,861	22,384,651
Net Position - Beginning of Year	291,046,025	289,707,055	151,957,900	130,912,219	443,003,925	420,619,274
NET POSITION - END OF YEAR	<u>\$ 315,807,418</u>	<u>\$ 291,046,025</u>	<u>\$ 165,960,368</u>	<u>\$ 151,957,900</u>	<u>\$ 481,767,786</u>	<u>\$ 443,003,925</u>

Governmental Activities – Combined tax revenues increased \$3.4 million (8.8%) as a result of continued growth in the Town's residential population and commercial construction activity.

Total expenses decreased \$14.7 million (19.5%). In the prior year the Town terminated two development agreements at a cost of \$25.2 million. The Town expected to save approximately \$10.8 million over 15 years in doing so.

Net position for governmental activities increased \$24.8 million (8.5%), ending the year at \$315.8 million.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Business-Type Activities – Net position of the Town’s business-type activities increased \$14.0 million (9.2%) as revenues continue to outpace expenses. Revenues from charges to utility customers increased \$2.5 million (6.5%) due to growth in the Town’s residential and commercial populations.

Total expenses increased \$1.6 million (6.6%) as a result of increased operating and maintenance activities to the utility system assets. As the Town grows, the size of the system’s assets also grows, which adds to the costs of operating and maintaining the system each year.

As previously mentioned, the Town implemented GASB Statement No. 85 this year, which required the reclassification of goodwill from the Queen Creek Water Company purchase in 2008 to a deferred outflow of resources.

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS

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

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

As of the end of the current fiscal year, the Town’s governmental funds reported a combined ending fund balance of \$83 million, an increase of \$57.3 million (223.0%) from the prior year. The increase in fund balances is mostly the result of the Town issuing excise tax revenue bonds during the current year, which along with the recorded premium total \$74.7 million. This increase was partially offset by increased capital spending on several construction projects.

At fiscal year ended June 30, 2018, fund balances were as follows.

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2016-17
General Fund	\$ 36,556,974	\$ 10,761,597
Construction Sales Tax	(15,936,398)	4,029,215
Park Development	3,700,761	(9,132,938)
Drainage and Transportation	46,627,912	38,918,816
Improvement District Debt Service	160,812	(199,871)
Nonmajor Governmental Funds	11,857,522	12,907,990
	<u>\$ 82,967,583</u>	<u>\$ 57,284,809</u>

General Fund – Revenues of the General Fund exceeded expenditures and other financing sources (uses) by \$10.8 million. Sales and property tax revenues increased \$3.3 million (10.9%) from the prior year, and licenses and permits increased \$1.1 million (22%), all of which are due to continued growth in population, single-family home construction, and commercial developments.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Total General Fund expenditures decreased by \$0.4 million (1%) as increased costs of adding 15 new firefighters was offset by savings in supplies and services.

General Fund Budgetary Highlights – The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on page 93. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues, on a budgetary basis, exceeded budgeted revenues by \$2.9 million (7.6%). The increased revenues over the budgeted amount was the result of a strong economy and a growing community led by retail and construction sales tax revenues. Budgetary basis expenditures were \$2 million (8.6%) below budgeted expenditures. The savings in expenditures resulted from a combination of personnel cost savings from vacant positions, unfinished project, and service contracts that will be carried over to the next fiscal year, and goods and services that cost less than expected.

During the year, the Town increased the General Fund budget for sales taxes by \$0.6 million (3.1%) as monthly sales tax revenue collections consistently exceeded the original projections. The Town increased the General Fund expenditure budget by \$3.3 million by reallocating budget authority from other funds to cover economic development agreement payments.

Other Major Funds – The Construction Sales Tax Fund saw a \$4.0 million increase in fund balance as a result of receiving \$6.4 million in tax revenue and not having any large project expenditures this year.

The Park Development Fund spent \$13.3 million primarily on the construction of Mansel Carter Oasis Park. This resulted in a decrease in fund balance of \$9.1 million, which was planned and budgeted for in the FY17-18 adopted budget. These funds were accumulated over the last several years in anticipation of the construction of the park.

The Drainage and Transportation Fund spent \$27.9 million on several street improvement projects. Additionally, the Town issued excise tax revenue bonds in order to finance new projects.

Nonmajor Funds – Fund balances of the remaining Nonmajor Governmental Funds increased a combined total of \$12,907,990. These funds include the Town's Highway User Revenue Fund (HURF) and the Town's impact fee funds, all of which are restricted or committed for specific purposes. The Town issued excise tax revenue bonds this year, of which \$9.3 million was recorded in the Transportation Development Fee Fund to help fund construction of the Town's road infrastructure, \$6.7 million was recorded in the Fire Development Fee Fund to help fund the construction of three fire stations. An additional \$1.9 million was recorded in the Public Safety Development Fee Fund to help finance a new public safety building.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Revenues from charges to utility customers increased \$2.7 million (9.2%) due to growth in the Town's residential and commercial populations. Total expenses increased \$1.6 million (7.4%) as a result of increased operating and maintenance activities to the utility system assets. Additionally, strong revenue growth allowed the Solid Waste Fund to fully recover its start-up costs and report a positive net position at the end of the year.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Internal Service Fund – The Town’s internal service fund accounts for employee insurance benefits and related costs. Departments are charged the budgeted amounts for employee benefits, and the internal service fund pays actual claims, premiums, and administration costs. Any savings relative to the budget remain in the fund to offset future insurance cost increases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town’s capital assets for its governmental and business-type activities as of June 30, 2018 amount to \$371.7 million and \$188.3 million (net of accumulated depreciation), respectively. Capital assets include land and improvements, infrastructure, buildings and improvements, machinery equipment, vehicles, and construction in progress. Capital assets for governmental activities increased 12% and capital assets for business-type activities increased 0.4%.

**Table A-4
Capital Assets (Net)
June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 49,065,666	\$ 45,621,421	\$ 1,816,657	\$ 1,816,657	\$ 50,882,323	\$ 47,438,078
Construction In Progress	41,666,353	34,024,634	17,325,575	6,849,266	58,991,928	40,873,900
Infrastructure	228,297,035	215,800,729	-	-	228,297,035	215,800,729
Buildings and Improvements	47,331,636	29,750,020	-	-	47,331,636	29,750,020
Vehicles, Furniture and Equipment	5,312,731	5,413,742	1,224,959	1,463,286	6,537,690	6,877,028
Wastewater Collection System	-	-	70,704,248	69,032,395	70,704,248	69,032,395
Water System	-	-	97,185,775	108,388,277	97,185,775	108,388,277
Total Capital Assets	<u>\$ 371,673,421</u>	<u>\$ 330,610,546</u>	<u>\$ 188,257,214</u>	<u>\$ 187,549,881</u>	<u>\$ 559,930,635</u>	<u>\$ 518,160,427</u>

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

Governmental Activities

- The Town accepted \$5.4 million of completed streets and other infrastructure from developers, while spending an additional \$47.3 million for Town-funded projects.
- The Town spent \$13.2 million on Mansel Carter Oasis Park and \$22.2 million on various street projects.
- At year-end, the Town had over \$41 million in projects under construction.

Business-type Activities

- The Town accepted \$2.1 million of water and sewer infrastructure from developers, while spending an additional \$16.7 million for Town-funded projects.
- The Town spent \$3.6 million for water system infrastructure installed as part of the Mansel Carter Oasis Park project.
- At year-end, the Town had \$17.3 million in utility projects under construction.
- As a result of the implementation of GASB Statement No. 85, \$15.7 million (net of accumulated amortization) in goodwill previously recognized by the Town with the acquisition of the Queen Creek Water Company has been reclassified to a deferred outflow of resources related to water system acquisition.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

For government-wide financial statement purposes, capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Additional information on the Town's capital assets may be found in the notes to the basic financial statements in note 3.A.4.

Debt Administration

At the end of the current fiscal year, the Town had total long-term obligations outstanding of \$145.8 million for governmental activities and \$93.4 million for business-type activities. The outstanding debt is secured by pledges of specific revenue sources of the Town.

During the year, the Town issued \$66 million in excise tax and state-shared revenue bonds to finance current and future construction projects. Out of the total issuance amount, \$57.3 million was issued for transportation related projects, \$6.7 million was issued for construction of fire stations, and \$1.9 million was issued to finance the costs of the recently completed public safety building.

Overall, the Town's governmental activities debt increased by \$69.9 million (92%) and the business-type activities debt decreased by \$5.9 million (6%). The decreases were due to regularly scheduled principal payments.

The following schedule shows the outstanding debt of the Town as of June 30, 2018 and 2017.

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

**Table A-4
Outstanding Debt
June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Excise Tax Revenue Bonds	\$ 65,960,000	\$ -	\$ -	\$ -	\$ 65,960,000	\$ -
GADA Loan Payable	-	-	3,370,000	3,595,000	3,370,000	3,595,000
Excise Tax Refunding Bonds	45,380,000	47,990,000	-	-	45,380,000	47,990,000
Special Assessment Refunding Bonds	17,117,758	18,445,000	-	-	17,117,758	18,445,000
Premium on Bonds	17,113,493	8,964,561	12,497,805	13,302,369	29,611,298	22,266,930
WIFA Loan Payable	-	-	57,513,127	62,093,234	57,513,127	62,093,234
Capital Leases	259,569	517,857	-	-	259,569	517,857
Water System Obligation	-	-	19,425,088	19,425,088	19,425,088	19,425,088
Advance in Aid of Construction	-	-	561,434	806,310	561,434	806,310
Total Outstanding Debt	\$ 145,830,820	\$ 75,917,418	\$ 93,367,454	\$ 99,222,001	\$ 239,198,274	\$ 175,139,419

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

OTHER MATTERS

The following issues may affect the Town's future financial condition:

In June 2018, the Town Council amended the Town's pension funding policy to create reserves to address the Town's estimated share of the unfunded pension liabilities associated with the Maricopa County Sheriff's Office (MCSO) and the Arizona State Retirement System (ASRS). As of June 30, 2018, the entire estimated unfunded liability of the MCSO of \$19.7 million was reserved. In addition, \$2.4 million was reserved for the ASRS unfunded liability in the General Fund, and \$5 million was reserved for the ASRS unfunded liability in the utility enterprise funds. These reserve amounts will be updated each year as the Town prepares its financial statements.

In August 2018, voters approved renewal of the Town's "Home Rule" election. Home Rule allows the Town to set its budget at a level sufficient to address the Town's priorities. Without Home Rule, the Town would have been required to operate under state-imposed budget limitations, which would have required substantial cuts to the Town's budget. Home Rule is valid for four years.

The Town is currently updating its development impact fees, utility capacity fees, and water and sewer rates.

The Water Infrastructure Finance Authority of Arizona (WIFA) recently approved amendments to the Town's debt service reserve requirements on the Town's WIFA water and wastewater loans. The Town will no longer be required to maintain debt service reserve funds for the loans as long as the Town maintains debt service coverage of at least 1.5 times. The loan amendments will release approximately \$6.5 million that can be used to meet future water and wastewater needs.

The Town has recently entered into purchase agreements for approximately \$49 million of groundwater extinguishment credits and approximately \$20 million of surface water rights. These agreements are expected to be financed with long-term debt that will close by the end of fiscal year 2019. These resources are necessary to secure the Town's ability to provide water to its residents and businesses to meet the requirements of a 100-year assured water supply.

The Town is considering several new debt issuances for the construction of core infrastructure such as fire stations, roads, and expansion of the wastewater treatment plant. Final amounts have not yet been determined but portions of the debt are expected to be issued by June 30, 2019. The Town is also considering restructuring its existing outstanding water debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of Queen Creek's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information in this report, or any other matters related to the Town's budget and finances, can be addressed by contacting the Finance Department, 22358 South Ellsworth Road, Queen Creek, Arizona 85142, or by calling 480-358-3000.

BASIC FINANCIAL STATEMENTS

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TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 54,165,273	\$ 7,499,471	\$ 61,664,744
Receivables, Net:			
Accounts Receivable	3,826,960	3,656,858	7,483,818
Taxes Receivable	4,415,996	-	4,415,996
Special Assessments Receivable	16,961,985	-	16,961,985
Intergovernmental Receivable	440,907	-	440,907
Interest Receivable	131,553	85,455	217,008
Internal Balances	(25,711,051)	25,711,051	-
Inventory	-	142,644	142,644
Prepaid Items	72,921	49,825	122,746
Restricted Cash and Investments	60,490,507	11,764,731	72,255,238
Investment in Joint Venture	-	24,575,281	24,575,281
Land Held for Economic Development	4,356,988	-	4,356,988
Capital Assets:			
Non-Depreciable	90,732,019	19,142,232	109,874,251
Depreciable (Net)	280,941,402	169,114,982	450,056,384
Total Assets	490,825,460	261,742,530	752,567,990
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	6,173,516	1,104,117	7,277,633
Debt Related	340,692	-	340,692
Water System Acquisition Related	-	15,710,353	15,710,353
Total Deferred Outflows of Resources	6,514,208	16,814,470	23,328,678
LIABILITIES			
Accounts Payable	12,561,275	3,296,338	15,857,613
Accrued Wages and Benefits	739,566	207,775	947,341
Other Accrued Expenses	-	2,273,791	2,273,791
Retainage Payable	460,949	74,623	535,572
Deposits Held for Others	117,697	1,159,187	1,276,884
Unearned Revenue	220,114	-	220,114
Interest Payable	2,211,827	1,402,812	3,614,639
Matured Debt Principal Payable	-	4,786,448	4,786,448
Noncurrent Liabilities			
Due Within One Year	5,004,552	4,988,496	9,993,048
Due in More Than One Year	142,033,197	88,670,683	230,703,880
Net Pension Liability	16,568,024	5,412,349	21,980,373
Total Liabilities	179,917,201	112,272,502	292,189,703
DEFERRED INFLOWS OF RESOURCES			
Pension Related	937,840	324,130	1,261,970
Debt Related	677,209	-	677,209
Total Deferred Inflows of Resources	1,615,049	324,130	1,939,179
NET POSITION			
Net Investment in Capital Assets	279,410,700	112,818,415	392,229,115
Restricted for:			
Streets and Transportation	755,712	-	755,712
Debt Service	17,120,009	6,800,791	23,920,800
Repair and Replacement	-	3,752,847	3,752,847
Future Capital Projects	13,896,411	-	13,896,411
Housing Rehab	78,047	-	78,047
Parks and Community	221,111	-	221,111
Unrestricted	4,325,428	42,588,315	46,913,743
Total Net Position	\$ 315,807,418	\$ 165,960,368	\$ 481,767,786

See accompanying Notes to Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 13,916,548	\$ 2,957,789	\$ 146,295	\$ -
Public Safety	15,442,454	1,027,248	154,055	-
Highways and Streets	16,239,980	1,844,575	2,433,374	9,018,553
Culture and Recreation	5,048,854	5,850,006	-	131,843
Economic Development	4,890,477	4,840,790	-	-
Interest and Fiscal Charges	5,121,081	437,077	-	-
Total Governmental Activities	<u>60,659,394</u>	<u>16,957,485</u>	<u>2,733,724</u>	<u>9,150,396</u>
Business-Type Activities:				
Water	17,076,663	27,051,829	-	1,382,417
Wastewater	6,617,605	11,628,862	-	838,760
Solid Waste	2,366,783	2,626,079	-	-
Total Business-Type Activities	<u>26,061,051</u>	<u>41,306,770</u>	<u>-</u>	<u>2,221,177</u>
Total Primary Government	<u>\$ 86,720,445</u>	<u>\$ 58,264,255</u>	<u>\$ 2,733,724</u>	<u>\$ 11,371,573</u>

General Revenues
Taxes:
 Sales Taxes
 Property Taxes
 Franchise Taxes
 State Revenue Sharing
 Investment Income
 Other
 Gain on Disposal of Assets
Transfers
 Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	Business-Type Activities	Total
\$ (10,812,464)	\$ -	\$ (10,812,464)
(14,261,151)	-	(14,261,151)
(2,943,478)	-	(2,943,478)
932,995	-	932,995
(49,687)	-	(49,687)
(4,684,004)	-	(4,684,004)
(31,817,789)	-	(31,817,789)
-	11,357,583	11,357,583
-	5,850,017	5,850,017
-	259,296	259,296
-	17,466,896	17,466,896
(31,817,789)	17,466,896	(14,350,893)
32,799,385	-	32,799,385
8,271,627	-	8,271,627
388,870	-	388,870
9,331,762	-	9,331,762
619,633	633,607	1,253,240
1,026,070	-	1,026,070
-	43,800	43,800
4,141,835	(4,141,835)	-
56,579,182	(3,464,428)	53,114,754
24,761,393	14,002,468	38,763,861
291,046,025	151,957,900	443,003,925
\$ 315,807,418	\$ 165,960,368	\$ 481,767,786

**TOWN OF QUEEN CREEK, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Construction Sales Tax	Park Development
ASSETS			
Cash and Investments	\$ 34,777,741	\$ 513,162	\$ 7,750,226
Restricted Cash	131,442	394,326	-
Receivables:			
Accounts Receivable	217,347	-	99,975
Taxes Receivable	3,406,244	914,031	-
Special Assessments Receivable	-	-	-
Intergovernmental Receivables	151,476	-	-
Interest Receivable	131,553	-	-
Prepaid Items	70,271	-	-
Total Assets	\$ 38,886,074	\$ 1,821,519	\$ 7,850,201
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 1,172,089	\$ 394,326	\$ 4,149,440
Accrued Wages and Benefits	665,409	-	-
Retainage Payable	-	-	-
Deposits Held for Others	117,697	-	-
Interest Payable	-	-	-
Unearned Revenue	220,114	-	-
Advances from Other Funds	-	17,363,591	-
Total Liabilities	2,175,309	17,757,917	4,149,440
Deferred Inflows of Resources:			
Unavailable Revenues	153,791	-	-
Fund Balances:			
Nonspendable	70,271	-	-
Restricted	-	-	3,700,761
Committed	22,318,008	-	-
Assigned	-	-	-
Unassigned	14,168,695	(15,936,398)	-
Total Fund Balances	36,556,974	(15,936,398)	3,700,761
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 38,886,074	\$ 1,821,519	\$ 7,850,201

See accompanying Notes to Basic Financial Statements.

Drainage and Transportation	Improvement District Debt Service	Nonmajor Governmental Funds	Total
\$ 2,955,376	\$ 368,570	\$ 7,278,888	\$ 53,643,963
52,976,211	-	6,988,528	60,490,507
3,509,638	-	-	3,826,960
-	-	95,721	4,415,996
-	16,961,132	-	16,961,132
-	-	289,431	440,907
-	-	-	131,553
2,650	-	-	72,921
<u>\$ 59,443,875</u>	<u>\$ 17,329,702</u>	<u>\$ 14,652,568</u>	<u>\$ 139,983,939</u>

\$ 5,693,452	\$ -	\$ 1,151,968	\$ 12,561,275
33,894	-	40,263	739,566
460,949	-	-	460,949
-	-	-	117,697
-	209,693	-	209,693
-	-	-	220,114
6,627,668	-	1,600,000	25,591,259
12,815,963	209,693	2,792,231	39,900,553

-	16,959,197	2,815	17,115,803
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-	-	-	70,271
52,976,211	160,812	12,637,040	69,474,824
-	-	242,657	22,560,665
-	-	7,064	7,064
(6,348,299)	-	(1,029,239)	(9,145,241)
<u>46,627,912</u>	<u>160,812</u>	<u>11,857,522</u>	<u>82,967,583</u>
<u>\$ 59,443,875</u>	<u>\$ 17,329,702</u>	<u>\$ 14,652,568</u>	<u>\$ 139,983,939</u>

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**TOWN OF QUEEN CREEK, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

Total Fund Balances for Governmental Funds \$ 82,967,583

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

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

Governmental Capital Assets	\$ 465,267,131	
Less: Accumulated Depreciation	<u>(93,593,710)</u>	371,673,421

Land Held for Economic Development		4,356,988
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Revenues earned but not received within 60 days of year-end are unavailable in the governmental funds, but are recognized in the

Property Taxes		55,953
Accrued Interest on Investments Receivable		76,193
Charges for Services		21,100
Business Licences		3,360
Special Assessments		16,959,197

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions		6,173,516
Deferred Inflows of Resources Related to Pensions		(937,840)

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

Accrued Interest Payable	(2,002,134)	
Bonds Payable	(128,457,758)	
Premium on Bonds Payable	(17,113,493)	
Deferred Outflow of Resources Related to Refunding	340,692	
Deferred Inflow of Resources Related to Refunding	(677,209)	
Net Pension Liability	(16,568,024)	
Capital Lease Payable	(259,569)	
Compensated Absence Payable	<u>(1,206,929)</u>	(165,944,424)

Internal service funds are used by management to charge the costs of certain activities to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position

Internal Service Fund Net Position		522,163
Less: Amount Attributed to the Business-Type Activities		<u>(119,792)</u>
		402,371

Total Net Position of Governmental Activities \$ 315,807,418

See accompanying Notes to Basic Financial Statements.

TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Construction Sales Tax</u>	<u>Park Development</u>
REVENUES			
Taxes	\$ 33,689,622	\$ 6,406,260	\$ -
Intergovernmental Revenues	7,996,560	-	-
Licenses and Permits	6,312,580	-	-
Charges for Services	872,209	-	-
Rents and Royalties	590,448	-	-
Contributions and Donations	-	-	130,000
Impact Fees	-	-	4,230,140
Investment Income	100,924	-	120,875
Miscellaneous	401,085	-	-
Total Revenues	<u>49,963,428</u>	<u>6,406,260</u>	<u>4,481,015</u>
EXPENDITURES			
Current:			
General Government	12,494,465	-	-
Public Safety	15,830,392	-	-
Highways and Streets	1,404,633	-	-
Culture and Recreation	3,680,171	-	39,894
Economic Development	3,182,943	394,328	-
Capital Outlay	37,010	-	13,288,750
Debt Service:	-	-	-
Principal Retirement	73,967	-	-
Interest on Long-Term Debt	9,413	425,144	-
Debt Issuance Costs	-	-	-
Total Expenditures	<u>36,712,994</u>	<u>819,472</u>	<u>13,328,644</u>
Excess (Deficiency) of Revenues Over Expenditures	13,250,434	5,586,788	(8,847,629)
OTHER FINANCING SOURCES (USES)			
Transfers In	4,600,587	4,659,185	639,100
Transfers Out	(7,089,424)	(6,216,758)	(924,409)
Proceeds from Issuance of Long-Term Debt	-	-	-
Premium on the Issuance of Long-Term Debt	-	-	-
Total Other Financing Sources (Uses)	<u>(2,488,837)</u>	<u>(1,557,573)</u>	<u>(285,309)</u>
Net Change in Fund Balances	10,761,597	4,029,215	(9,132,938)
FUND BALANCES			
Beginning of Year	25,795,377	(19,965,613)	12,833,699
End of Year	<u>\$ 36,556,974</u>	<u>\$ (15,936,398)</u>	<u>\$ 3,700,761</u>

See accompanying Notes to Basic Financial Statements.

<u>Drainage and Transportation</u>	<u>Improvement District Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 1,352,063	\$ 41,447,945
3,606,513	-	3,924,474	15,527,547
-	-	-	6,312,580
-	1,856,055	14,605	2,742,869
-	-	-	590,448
85,065	-	69,667	284,732
-	-	4,170,734	8,400,874
161,406	-	173,238	556,443
613,438	-	12,840	1,027,363
<u>4,466,422</u>	<u>1,856,055</u>	<u>9,717,621</u>	<u>76,890,801</u>
-	-	-	12,494,465
-	-	-	15,830,392
667,887	-	5,979,013	8,051,533
-	-	122,497	3,842,562
-	-	288,889	3,866,160
27,928,503	-	5,174,078	46,428,341
-	1,327,242	2,794,321	4,195,530
-	437,495	2,176,296	3,048,348
484,907	-	177,434	662,341
<u>29,081,297</u>	<u>1,764,737</u>	<u>16,712,528</u>	<u>98,419,672</u>
(24,614,875)	91,318	(6,994,907)	(21,528,871)
8,817,404	-	20,983,240	39,699,516
(775,529)	(291,189)	(20,260,372)	(35,557,681)
47,945,000	-	18,015,000	65,960,000
7,546,816	-	1,165,029	8,711,845
<u>63,533,691</u>	<u>(291,189)</u>	<u>19,902,897</u>	<u>78,813,680</u>
38,918,816	(199,871)	12,907,990	57,284,809
7,709,096	360,683	(1,050,468)	25,682,774
<u>\$ 46,627,912</u>	<u>\$ 160,812</u>	<u>\$ 11,857,522</u>	<u>\$ 82,967,583</u>

**TOWN OF QUEEN CREEK, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances-Total Governmental Funds \$ 57,284,809

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for Capital Assets	\$ 47,282,416	
Depreciation Expense	<u>(11,592,846)</u>	35,689,570

Contributions of capital assets are not current financial resources and are not reflected in the governmental funds.		5,412,040
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The governmental funds report only proceeds received on the sale of assets. Conversely, the statement of activities report the gain or loss on the sale of assets.		(38,735)
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Purchases of land held for economic development is recorded as expenditures in the governmental funds. Conversely, the land is recorded as an asset on the government-wide statements.		58,842
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Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, some revenues that are current financial resources reported in the funds have been recognized in the statement of activities in previous years.

Property Taxes	11,937	
Accrued Interest Receivable	63,200	
Sales Taxes	(462,447)	
Charges for Services	10,617	
Business Licenses	4,035	
Development Agreement	(8,437)	
Special Assessments	<u>(1,418,978)</u>	(1,800,073)

Governmental funds report Town pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.

Pension Contributions		2,526,686
Pension Expense		(2,589,362)

(Continued)

**TOWN OF QUEEN CREEK, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

(Concluded)

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

Issuance of Long-Term Debt	(65,960,000)	
Premium on Bonds Issued	(8,711,845)	
Principal Payments on Long-Term Debt	3,937,242	
Principal Payments on Capital Leases	258,288	
Interest Payable	(2,002,134)	
Amortization of Bond Premium	562,913	
Amortization of Deferred Amount on Refunding	<u>28,827</u>	
		(71,886,709)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in Compensated Absences		(144,056)
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Internal service funds are used by management to charge the costs of certain activities to the individual funds. The net revenues of the Internal Service Fund is reported with governmental activities.

Net Expenses of the Internal Service Fund		313,715
Less: Amount Attributable to the Business-Type Activities		<u>(65,334)</u>
		<u>248,381</u>

Change in Net Position of Governmental Activities		<u><u>\$ 24,761,393</u></u>
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TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities		
	Wastewater	Solid Waste	Water
ASSETS			
Current Assets:			
Cash and Investments	\$ 2,742,504	\$ 210,482	\$ 4,546,485
Receivables, Net:			
Accounts Receivable	800,351	289,911	2,420,442
Other Receivable	8,998	-	137,156
Interest Receivable	13,793	-	71,662
Inventory	-	102,881	39,763
Prepaid Items	-	5,290	44,535
Total Current Assets	<u>3,565,646</u>	<u>608,564</u>	<u>7,260,043</u>
Noncurrent Assets:			
Restricted Cash and Investments	3,951,186	-	7,813,545
Advance to Other Funds	11,363,591	-	14,227,668
Investment in Joint Venture	24,575,281	-	-
Capital Assets:			
Non-Depreciable	3,551,949	-	15,590,283
Depreciable (Net)	70,997,227	8,850	98,108,905
Total Noncurrent Assets	<u>114,439,234</u>	<u>8,850</u>	<u>135,740,401</u>
Total Assets	<u>118,004,880</u>	<u>617,414</u>	<u>143,000,444</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	111,905	94,040	898,172
Water System Acquisition Related	-	-	15,710,353
Total Deferred Outflows of Resources	<u>111,905</u>	<u>94,040</u>	<u>16,608,525</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,069,806	139,226	2,087,306
Accrued Wages and Benefits	13,818	14,457	179,500
Other Accrued Expenses	-	-	2,273,791
Retainage Payable	20,063	-	54,560
Deposits Held for Others	-	-	1,159,187
Interest Payable	502,647	-	900,165
Matured Debt Principal Payable	2,010,941	-	2,775,507
Compensated Absences	15,701	16,113	140,523
Loans Payable	1,999,418	-	2,669,716
Advance in Aid of Construction	-	-	147,025
Total Current Liabilities	<u>5,632,394</u>	<u>169,796</u>	<u>12,387,280</u>
Noncurrent Liabilities:			
Compensated Absences	7,053	14,996	97,339
Net Pension Liability	548,555	460,984	4,402,810
Loans Payable	22,444,235	-	65,692,651
Advance in Aid of Construction	-	-	414,409
Total Noncurrent Liabilities	<u>22,999,843</u>	<u>475,980</u>	<u>70,607,209</u>
Total Liabilities	<u>28,632,237</u>	<u>645,776</u>	<u>82,994,489</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	32,851	27,607	263,672
NET POSITION			
Net Investment in Capital Assets	70,864,245	8,850	41,945,320
Restricted for:			
Debt Service	2,856,084	-	3,944,707
Repair and Replacement	1,095,102	-	2,657,745
Unrestricted	14,636,266	29,221	27,803,036
Total Net Position	<u>\$ 89,451,697</u>	<u>\$ 38,071</u>	<u>\$ 76,350,808</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Net position of business-type activities

See accompanying Notes to Basic Financial Statements.

Totals	Internal Service Insurance Fund
\$ 7,499,471	\$ 521,310
3,510,704	853
146,154	-
85,455	-
142,644	-
49,825	-
<u>11,434,253</u>	<u>522,163</u>
11,764,731	-
25,591,259	-
24,575,281	-
19,142,232	-
169,114,982	-
<u>250,188,485</u>	<u>-</u>
261,622,738	522,163
1,104,117	-
15,710,353	-
<u>16,814,470</u>	<u>-</u>
3,296,338	-
207,775	-
2,273,791	-
74,623	-
1,159,187	-
1,402,812	-
4,786,448	-
172,337	-
4,669,134	-
147,025	-
<u>18,189,470</u>	<u>-</u>
119,388	-
5,412,349	-
88,136,886	-
414,409	-
<u>94,083,032</u>	<u>-</u>
112,272,502	-
324,130	-
112,818,415	-
6,800,791	-
3,752,847	-
42,468,523	522,163
<u>\$ 165,840,576</u>	<u>\$ 522,163</u>
119,792	
<u>\$ 165,960,368</u>	

TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities		
	Wastewater	Solid Waste	Water
OPERATING REVENUES			
Charges for Services	\$ 6,765,948	\$ 2,625,317	\$ 22,212,773
Miscellaneous	-	762	211,014
Total Operating Revenue	<u>6,765,948</u>	<u>2,626,079</u>	<u>22,423,787</u>
OPERATING EXPENSES			
Administration	121,307	66,010	571,245
Cost of Sales and Services	2,780,003	2,305,005	11,053,173
Depreciation and Amortization	1,752,926	3,933	2,978,058
Equity Interest in Joint Venture	1,045,339	-	-
Insurance Claims and Premiums	-	-	-
Total Operating Expenses	<u>5,699,575</u>	<u>2,374,948</u>	<u>14,602,476</u>
Operating Income (Loss)	1,066,373	251,131	7,821,311
NONOPERATING REVENUES (EXPENSES)			
Capacity Fee	4,862,914	-	4,628,042
Investment Income	272,870	6,244	354,493
Interest and Fiscal Charges	(968,820)	-	(2,480,566)
Gain(Loss) on Disposal of Assets	20,800	-	23,000
Total Nonoperating Revenues (Expenses)	<u>4,187,764</u>	<u>6,244</u>	<u>2,524,969</u>
Income Before Capital Contributions	5,254,137	257,375	10,346,280
Capital Contributions	838,760	-	1,382,417
Transfers Out	(3,883,656)	-	(258,179)
	<u>(3,044,896)</u>	<u>-</u>	<u>1,124,238</u>
Change in Net Position	2,209,241	257,375	11,470,518
Total Net Position - Beginning of Year	<u>87,242,456</u>	<u>(219,304)</u>	<u>64,880,290</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 89,451,697</u>	<u>\$ 38,071</u>	<u>\$ 76,350,808</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Change in net position of business-type activities

<u>Totals</u>	<u>Internal Service Insurance Fund</u>
\$ 31,604,038	\$ 3,577,163
211,776	-
31,815,814	3,577,163
758,562	-
16,138,181	-
4,734,917	-
1,045,339	-
-	3,263,448
22,676,999	3,263,448
9,138,815	313,715
9,490,956	-
633,607	-
(3,449,386)	-
43,800	-
6,718,977	-
15,857,792	313,715
2,221,177	-
(4,141,835)	-
(1,920,658)	-
13,937,134	313,715
	208,448
	\$ 522,163
65,334	
\$ 14,002,468	

**TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities		
	Wastewater	Solid Waste	Water
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 6,644,591	\$ 2,591,339	\$ 22,524,157
Cash Received from Users	-	-	-
Payments to Suppliers	(1,934,116)	(1,886,660)	(9,589,821)
Payments to Employees	(532,467)	(431,339)	48,097
Payments for Claims and Premiums	-	-	-
Customer Deposits	-	-	58,202
Net Cash Flows Provided by Operating Activities	<u>4,178,008</u>	<u>273,340</u>	<u>13,040,635</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Provided (Used) by Other Funds for Interfund Borrowing	(6,363,591)	(69,102)	(5,027,668)
Transfers Out	<u>(3,883,656)</u>	<u>-</u>	<u>(258,179)</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(10,247,247)	(69,102)	(5,285,847)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(4,427,888)	-	(12,069,585)
Refunds of Waterline Agreements	-	-	(310,138)
Payments to Joint Venture	(1,868,357)	-	-
Capacity Fees	4,862,914	-	4,628,042
Interest Paid on Capital Debt	(1,047,483)	-	(3,404,121)
Principal Paid on Capital Debt	<u>(2,163,562)</u>	<u>-</u>	<u>(2,477,362)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(4,644,376)	-	(13,633,164)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	<u>279,026</u>	<u>6,244</u>	<u>304,425</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,434,589)	210,482	(5,573,951)
Cash and Cash Equivalents - Beginning of Year	<u>17,128,279</u>	<u>-</u>	<u>17,933,981</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,693,690</u>	<u>\$ 210,482</u>	<u>\$ 12,360,030</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and Cash Equivalents	\$ 2,742,504	\$ 210,482	\$ 4,546,485
Restricted Cash and Cash Equivalents	<u>3,951,186</u>	<u>-</u>	<u>7,813,545</u>
Total Cash and Cash Equivalents	<u>\$ 6,693,690</u>	<u>\$ 210,482</u>	<u>\$ 12,360,030</u>

(Continued)

<u>Totals</u>	<u>Internal Service Insurance Fund</u>
\$ 31,760,087	\$ -
-	3,576,310
(13,410,597)	-
(915,709)	-
-	(3,263,448)
58,202	-
<u>17,491,983</u>	<u>312,862</u>
(11,460,361)	-
<u>(4,141,835)</u>	<u>-</u>
(15,602,196)	-
(16,497,473)	-
(310,138)	-
(1,868,357)	-
9,490,956	-
(4,451,604)	-
<u>(4,640,924)</u>	<u>-</u>
(18,277,540)	-
589,695	-
(15,798,058)	312,862
35,062,260	208,448
<u>\$ 19,264,202</u>	<u>\$ 521,310</u>
\$ 7,499,471	\$ 521,310
11,764,731	-
<u>\$ 19,264,202</u>	<u>\$ 521,310</u>

(Continued)

**TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Fund		
	Wastewater	Solid Waste	Water
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 1,066,373	\$ 251,131	\$ 7,821,311
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	1,752,926	3,933	2,978,058
Equity Interest in Joint Venture	1,045,339	-	-
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Receivables, Net	(121,357)	(34,740)	100,370
Inventory	-	14,922	100,432
Prepaid Items	3,227	(3,299)	(15,429)
Deferred Outflows of Resources - Pensions	22,835	38,169	304,731
Accounts Payable	338,459	9,210	1,513,671
Deposits Held for Others	-	-	58,202
Compensated Absences	(668)	3,558	37,526
Accrued Payroll	(2,523)	330	10,571
Pension Liability	95,663	16,601	359,583
Deferred Inflows of Resources - Pensions	(22,266)	(26,475)	(228,391)
Net Cash Provided by Operating Activities	<u>\$ 4,178,008</u>	<u>\$ 273,340</u>	<u>\$ 13,040,635</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Capital Assets Acquired through Contributions from Developers	<u>\$ 838,760</u>	<u>\$ -</u>	<u>\$ 1,317,155</u>
Capital Contributions Associated with Advances in Aid of Construction	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,262</u>

See accompanying Notes to Basic Financial Statements.

Totals	Internal Service Insurance Fund
\$ 9,138,815	\$ 313,715
4,734,917	-
1,045,339	-
(55,727)	(853)
115,354	-
(15,501)	-
365,735	-
1,861,340	-
58,202	-
40,416	-
8,378	-
471,847	-
(277,132)	-
\$ 17,491,983	\$ 312,862

\$ 2,155,915	\$ -
\$ 65,262	\$ -

(Concluded)

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NOTES TO BASIC FINANCIAL STATEMENTS

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TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2018, the Town implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement 85, *Omnibus, 2017*, and GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*.

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The Town reports the following major governmental funds:

Major Governmental Funds

General Fund

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

Construction Sales Tax Fund

The Construction Sales Tax Fund accounts for the revenue and expenditures of the Town's 4.25% construction sales tax.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Park Development Fund

The Park Development Fund accounts for the revenues and expenditures of impact fees received by the Town for Park Development

Drainage and Transportation Fund

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

Improvement District Debt Service Fund

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

The Town reports the following major proprietary funds:

Major Proprietary Funds

Wastewater Fund

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

Solid Waste Fund

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

Water Fund

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

Internal Service Fund

In addition to the fund types noted above, the Town reports an internal service fund to account for the Town's employee and dependent care insurance program administered through the Valley School's Employee Benefit Trust.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges for utility services. Operating expenses for the proprietary funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

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

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

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

2. Receivables

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

3. Intergovernmental Receivables

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

4. Interfund Receivables/Payables

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

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

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Inventories

Inventories are recorded as expenditures at the time of purchase in the governmental funds, and are recorded as an asset and expensed when consumed in the government-wide and proprietary fund financial statements.

6. Prepaid Items

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

7. Restricted Assets

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

Customer deposits, impact fees, and developer payments for the construction of future infrastructure are also recorded as restricted assets because their use is limited.

8. Capital Assets

Capital assets, which include property, plant, infrastructure, machinery, equipment, and vehicles, are reported in the governmental and business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year.

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

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

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Capital Assets (Continued)

Infrastructure	30 to 50 Years
Buildings and Improvements	10 to 50 Years
Vehicles and Equipment	4 to 20 Years
Intangible Assets	5 to 7 Years
Wastewater Collection System	50 Years
Water System	50 Years

9. Deferred Outflows of Resources

The Town recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to a loss on refunding of long-term debt, the acquisition costs of the Queen Creek Water Company, and the requirements of accounting and financial reporting for pensions.

10. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

The Town's employee vacation policy provides for granting vacation leave with pay. The policy states that a maximum of 240 hours can be accrued for each employee (336 hours for fire employees). Every year, the excess above 240 (or 336) is paid out to the employees who meet certain eligibility criteria. The employee is compensated at their current rate of pay.

11. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Town's pension funding policy requires the Town to set aside a portion of Fund Balance/Net Position to offset unfunded pension liabilities within the General, Wastewater, Solid Waste and Water Funds.

Pension liabilities in the General Fund consist of Sworn Fire Personnel, MCSO Contracted Personnel and ASRS. The unassigned fund balance in excess of 25% of the following fiscal year's Operating Budget Revenue is set aside to cover these unfunded pension liabilities in the following order: Sworn Fire Personnel, MCSO Contracted Personnel, and ASRS. As of June 30, 2018, \$22,318,008 is committed towards pension liabilities within the General Fund, as follows:

	General Fund Committed Fund Balance
PSPRS - Sworn Fire Personnel	\$ 239,454
PSPRS - MCSO (Contract Police Services)	19,655,965
ASRS	2,422,589
Total	\$ 22,318,008

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Pension Plans (Continued)

Pension liabilities in the enterprise funds consist solely of ASRS. The Town sets aside unrestricted net position to cover these amounts to the extent funds are available. As of June 30, 2018, the following amounts were set aside towards ASRS pension liabilities:

	ASRS
Wastewater	\$ 548,555
Solid Waste	29,221
Water	4,402,810
Total	\$ 4,980,586

13. Deferred Inflows of Resources

The Town recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Deferred inflows of resources reported on the governmental fund financial statements represent resources that are not available to the Town as of June 30, 2018 or within 60 days of fiscal year-end. These deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements. On the Government-wide financial statements, amounts reported are related to a gain in the refunding of long-term debt and the requirements of accounting and financial reporting for pensions.

14. Net Position

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

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15. Fund Balance Classifications

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

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

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

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

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

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

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

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Position

At year-end, The Town reported deficit fund balances in the following funds:

	Deficit
Major Governmental Fund:	
Construction Sales Tax	\$ 15,936,398
Non-Major Governmental Fund:	
Town Center	1,029,239

The deficit balance in the Construction Sales Tax Fund is the result of payments to two developers during fiscal year 2017 in order to terminate their agreements several years early. These payments were funded using interfund loans and will be repaid from the Fund’s dedicated construction sales tax revenue through fiscal year 2029, per the terms of the interfund loan approved by the Town Council.

The deficit balance in the Town Center Fund is the result of land purchases made in January 2017 in anticipation of future economic development. The land purchases were financed with interfund loans that will be repaid by fiscal year 2022. The loans will be repaid from the Fund’s dedicated sales tax revenue, per the terms of the interfund loans approved by the Town Council.

In addition, the Drainage and Transportation Fund had a negative unassigned fund balance in the amount of \$6,348,299 as a result of an interfund loan that was established in fiscal year 2018 to acquire arterial roads as part of an annexation and development agreement. This loan will be repaid by transfers from the General Fund through fiscal year 2029, per the terms of the interfund loan approved by the Town Council.

B. Expenditures over Appropriations

The City reported the following over-expenditure as of June 30, 2018:

	Amount of Overexpenditure
Nonmajor Governmental Funds:	
Transportation Development	\$ 98,757

Cash was available to meet the over-expenditure listed above. Budget capacity was available within the Town’s overall budget to offset the budget deficit noted above.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2018 consist of the following:

Deposits:	
Cash on Hand	\$ 3,250
Cash in Bank	68,555,953
Investments:	
Money Market	109,971
Commercial Paper	1,998,060
Federal Home Loan Mortgage Corporation	2,331,999
Federal Home Loan Bank	18,269,365
Federal National Mortgage Association	1,990,280
Federal Farm Credit Bank	4,596,175
US Treasury Obligations	17,294,811
Corporate Bonds	7,127,913
State Treasurer's Investment Pool	11,642,205
Total Deposits and Investments	<u>133,919,982</u>
Less Restricted Assets	<u>(72,255,238)</u>
Cash and Investments on Statement of Net Position	<u><u>\$ 61,664,744</u></u>

Investments

Investments -- Town investment policy has been established to allow for the prudent investment of cash reserves in order to attain a competitive rate of return while maintaining the safety and liquidity of Town funds. Permitted investments under Town policy include certificates of deposits or interest-bearing savings accounts at eligible depositories, State Treasurer investment pools, obligations issued or guaranteed by the United States of America, bonds or other debt instruments of the State of Arizona (or any political subdivision thereof), commercial paper of prime quality, or bonds and notes of corporations organized or doing business within the United States that are of a high rating.

At June 30, 2018, the Town's investments consisted of money market, commercial paper, Federal Home Loan Mortgage Corporation securities, Federal Home Loan Bank Securities, Federal National Mortgage Association Securities, Federal Farm Credit Bank, U.S. Treasury Obligations, Corporate Bonds, and cash on deposit with the State Treasurer's Investment Pool.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurements. The Town uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures.

The Town follows accounting principles generally accepted in the United States of America that define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with these requirements, the Town has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The Town's investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Investments by fair value level				
Debt Securities				
Corporate Bond Issues	\$ 7,127,913	\$ -	\$ 7,127,913	\$ -
US Government Bond Issues	44,482,630	17,294,811	27,187,819	-
Total Debt Securities	51,610,543	17,294,811	34,315,732	-
Total Investments by fair value level	\$ 51,610,543	\$ 17,294,811	\$ 34,315,732	\$ -
External investments pools measured at fair value				
State Treasurer's Investment Pool	11,642,205			
Total investments measured at fair value	\$ 11,642,205			
Investments by amortized cost				
Commercial Paper	1,998,060			
Money market	109,971			
Total investments by amortized cost	\$ 2,108,031			
Total Investments	\$ 65,360,779			

Interest Rate Risk – Interest rate risk represents the possibility of a reduction in the value of a security, most notably a bond, resulting from a rise in interest rates. This risk can be reduced through diversification of the duration of fixed-income investments that are held at a given time. The Town's investment policy limits the duration of investments held by the Town to a maximum maturity of five years.

A schedule of the Town's investment maturities is as follows:

Investment	Maturity			Total
	Less than 1 Year	1-3 Years	More than 3 Years	
Money Market	\$ 109,971	\$ -	\$ -	\$ 109,971
Commercial Paper	1,998,060	-	-	1,998,060
Federal Home Loan Mortgage Corporation	-	2,331,999	-	2,331,999
Federal Home Loan Bank	-	18,269,365	-	18,269,365
Federal National Mortgage Association	-	1,990,280	-	1,990,280
Federal Farm Credit Bank	-	4,596,175	-	4,596,175
US Treasury Obligations	-	17,294,811	-	17,294,811
Corporate Bonds	-	7,127,913	-	7,127,913
State Treasurer's Investment Pool	11,642,205	-	-	11,642,205
Total	\$ 13,750,236	\$ 51,610,543	\$ -	\$ 65,360,779

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure the Town’s deposits may not be returned to the Town. The Town does not have a formal policy regarding custodial credit risk. The carrying value of the Town’s deposits at June 30, 2018 was \$68,555,953 and the bank balance was \$69,782,328. At June 30, 2018, \$250,000 of the Town’s deposits was covered by federal depository insurance. The remaining \$69,532,328 was collateralized by securities held by the Town’s agent in the Town’s name.

For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

In accordance with the Town policy and state statutes, the Town limits its investments to obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, obligations of the State of Arizona (or any political subdivision thereof), the State Treasurer’s Local Government Investment Pool, commercial paper of prime quality, or bonds and notes of corporations organized and doing business within the United States of America that are of a high rating. Investments are stated at fair value. Information regarding the composition and credit rating of the Town’s investments at June 30, 2018 were are presented as follows:

Rating Agency Rating	Amount
Standard and Poor’s	
AA+	\$ 29,388,492
AA	994,360
AA-	3,932,880
N/A	17,294,811
Moody’s Investor Service	
Aaa	43,974,600
Aa1	1,214,723
Aa2	2,947,560
A1	1,979,680
N/A	1,493,980
Not Rated	
Money Market	109,971
Commercial Paper	1,998,060
State Treasurer’s Investment Pool	11,642,205

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The Town's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however the Town's portion is not identified with specific investments and is not subject to custodial credit risk.

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

Investment	Total	Percent
Money Market	\$ 109,971	0%
Commercial Paper	1,998,060	3
Federal Home Loan Mortgage Corporation	2,331,999	4
Federal Home Loan Bank	18,269,365	28
Federal National Mortgage Association	1,990,280	3
Federal Farm Credit Bank	4,596,175	7
US Treasury Obligations	17,294,811	26
Corporate Bonds	7,127,913	11
State Treasurer's Investment Pool	11,642,205	18
Total	<u>\$ 65,360,779</u>	<u>100%</u>

2. Restricted Assets

Restricted assets at June 30, 2018 consisted of the following:

	General Fund	Construction Sales Tax Fund	Drainage and Transportation Fund	Nonmajor Governmental Funds	Wastewater Fund	Water Fund	Total
Loan Debt Service Reserve Requirement	\$ -	\$ -	\$ -	\$ -	\$ 2,856,084	\$ 3,944,707	\$ 6,800,791
Loan Repair and Replacement Reserve Requirement	-	-	-	-	994,860	2,657,745	3,652,605
Customer Deposits	-	-	-	-	-	1,159,187	1,159,187
GWRP Contingency Funds	-	-	-	-	100,242	-	100,242
Future Construction	-	-	52,976,211	6,988,528	-	51,906	60,016,645
Developer Agreement	131,442	394,326	-	-	-	-	525,768
Total	<u>\$ 131,442</u>	<u>\$ 394,326</u>	<u>\$ 52,976,211</u>	<u>\$ 6,988,528</u>	<u>\$ 3,951,186</u>	<u>\$ 7,813,545</u>	<u>\$ 72,255,238</u>

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

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

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

	<u>Unavailable</u>
General Fund:	
Accrued Interest on Investments Receivable	\$ 76,193
Business License	3,360
Delinquent Property Tax Receivable	53,138
Charges for Services	21,100
Improvement District Debt Service Fund:	
Special Assessments Not yet Received	16,959,197
Nonmajor Governmental Funds:	
Delinquent Property Tax Receivable	2,815
Totals	\$ 17,115,803

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the primary government's governmental activities for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 45,621,421	\$ 3,457,995	\$ (13,750)	\$ 49,065,666
Construction in Progress	34,024,634	35,383,656	(27,741,937)	41,666,353
Total Capital Assets, Not Being Depreciated	79,646,055	38,841,651	(27,755,687)	90,732,019
Capital Assets, Being Depreciated:				
Infrastructure	283,937,276	22,239,268	-	306,176,544
Buildings and Improvements	37,038,171	18,462,068	-	55,500,239
Vehicles, Furniture and Equipment	12,081,124	868,421	(91,216)	12,858,329
Total Capital Assets, Being Depreciated	333,056,571	41,569,757	(91,216)	374,535,112
Accumulated Depreciation for:				
Infrastructure	(68,136,547)	(9,742,962)	-	(77,879,509)
Buildings and Improvements	(7,288,151)	(880,452)	-	(8,168,603)
Vehicles, Furniture and Equipment	(6,667,382)	(969,432)	91,216	(7,545,598)
Total Accumulated Depreciation	(82,092,080)	(11,592,846)	91,216	(93,593,710)
Total Capital Assets, Being Depreciated, Net	250,964,491	29,976,911	-	280,941,402
Governmental Activities Capital Assets, Net	<u>\$ 330,610,546</u>	<u>\$ 68,818,562</u>	<u>\$ (27,755,687)</u>	<u>\$ 371,673,421</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 775,173
Public Safety	404,503
Highways and Streets	8,277,512
Culture and Recreation	1,104,316
Economic Development	1,031,342
Total Depreciation Expense, Governmental Activities	<u>\$ 11,592,846</u>

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Capital assets activity for the primary government's business-type activities for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,816,657	\$ -	\$ -	\$ 1,816,657
Construction in Progress	6,849,266	16,189,420	(5,713,111)	17,325,575
Total Capital Assets, Not Being Depreciated	8,665,923	16,189,420	(5,713,111)	19,142,232
Capital Assets, Being Depreciated:				
Wastewater Collection System	83,582,549	3,379,181	-	86,961,730
Water System	122,813,382	7,334,524	(19,761,450)	110,386,456
Vehicles, Furniture and Equipment	3,117,827	107,342	(138,783)	3,086,386
Total Capital Assets, Being Depreciated	209,513,758	10,821,047	(19,900,233)	200,434,572
Accumulated Depreciation for:				
Wastewater Collection System	(14,550,154)	(1,707,328)	-	(16,257,482)
Water System	(14,425,105)	(2,295,207)	3,519,631	(13,200,681)
Vehicles, Furniture and Equipment	(1,654,541)	(337,153)	130,267	(1,861,427)
Total Accumulated Depreciation	(30,629,800)	(4,339,688)	3,649,898	(31,319,590)
Total Capital Assets, Being Depreciated, Net	178,883,958	6,481,359	(16,250,335)	169,114,982
Business-Type Activities Capital Assets, Net	\$ 187,549,881	\$ 22,670,779	\$ (21,963,446)	\$ 188,257,214

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:	
Wastewater	\$ 1,752,926
Solid Waste	3,933
Water	2,582,829
Total Depreciation Expense, Business-Type Activities	<u>\$ 4,339,688</u>

As previously noted, during the year the Town implemented the requirements of GASB Statement 85, *Omnibus, 2017*, which resulted in the reclassification of goodwill previously recognized for the acquisition of the Queen Creek Water Company to a deferred outflow of resources.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Land Held for Economic Development

As part of the Town’s long-term development plan, the Town has acquired various parcels of land within the commercial center of Town. The Town does not intend to use the properties for government services purposes, but rather intends to use the properties for economic development. The total balance of land being held for economic development as of June 30, 2018 was \$4,356,988 which is recorded as a noncurrent asset in the governmental activities column of the statement of net position.

B. Interfund Receivables, Payables and Transfers

As of June 30, 2018 advances to and from funds were as follows:

Advances to	Advances From		
	Water Fund	Wastewater Fund	Total
Construction Sales Tax	\$ 6,000,000	\$ 11,363,591	\$ 17,363,591
Drainage & Transportation	6,627,668	-	6,627,668
Nonmajor Governmental Funds	1,600,000	-	1,600,000
Total	<u>\$ 14,227,668</u>	<u>\$ 11,363,591</u>	<u>\$ 25,591,259</u>

Interfund advances were loans to pay for the early termination of two developer agreements, to fund the purchase of land parcels for economic development, fund commitments of a new developer agreement, and to pay for capital project costs which will be recovered from sales taxes in future periods.

The \$11,363,591 Wastewater Fund loan and the \$6,000,000 Water Fund loan were advanced to the Construction Sales Tax Fund to fund the early pay-off of two developer agreements. The loans are anticipated to be repaid from future sales tax revenues.

The Water fund advanced \$6,627,668 to the Drainage and Transportation fund-to-fund payment under a developer agreement for the acquisition of roads around a newly annexed subdivision. The loan will be repaid through transfers from the Town’s Operating Budget to the Drainage and Transportation Fund annually.

Finally, the Water Fund advanced in two loans \$3,200,000 to the Town Center Nonmajor Governmental Fund to provide working capital for the purchase of two parcels of land in the town center development area to be held for economic development. The Town repaid \$1.6 million in the current year. The remaining \$1.6 million is anticipated to be repaid from Town Center sales tax revenues.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers Out	Transfers In					Total
	General Fund	Construction Sales Tax Fund	Park Development Fund	Drainage and Transportation Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 7,089,424	\$ 7,089,424
Construction Sales Tax	-	-	-	4,217,322	1,999,436	6,216,758
Park Development Fund	-	-	-	-	924,409	924,409
Drainage and Transportation	-	775,529	-	-	-	775,529
Improvement District Debt Service	291,189	-	-	-	-	291,189
Nonmajor Governmental Funds	4,051,219	-	639,100	4,600,082	10,969,971	20,260,372
Wastewater Fund	-	3,883,656	-	-	-	3,883,656
Water Fund	258,179	-	-	-	-	258,179
	<u>\$ 4,600,587</u>	<u>\$ 4,659,185</u>	<u>\$ 639,100</u>	<u>\$ 8,817,404</u>	<u>\$ 20,983,240</u>	<u>\$ 39,699,516</u>

Interfund transfers were made by the Town during the fiscal year to fund debt service and capital projects, to adjust Impact Fee cash balances as part of the Town's bi-annual impact fee audit, as well as support operations in the various funds.

C. Obligations Under Capital Leases

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

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Capital Leases (Continued)

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

	Governmental Activities
Asset:	
Vehicles, Furniture and Equipment	\$ 2,675,889
Less: Accumulated Depreciation	(1,477,191)
Total	\$ 1,198,698

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2018, were as follows:

<u>Year Ending June 30:</u>	Governmental Activities
2019	\$ 103,776
2020	93,577
2021	77,437
Total Minimum Lease Payments	274,790
Less: Amount Representing Interest	(15,221)
Present Value of Minimum Lease Payments	\$ 259,569

D. Advances in Aid of Construction

The Town purchased water companies in fiscal year 2008 and 2014. Included in the purchases was the assumption of unearned advances in aid of construction. These are contracts with various property owners who advanced payment to the water company for the cost of extended water lines to their property. As part of the contracts, the Town is required to remit to the property owners, on an annual basis, 10% of additional water sales earned on the line extension paid for by the owner for a period of years indicated in the contract or until the cost of the line extension has been repaid by the property owner, whichever comes first. After the period of time indicated in the contract, any balance remaining on the contract is recognized by the Town as a capital contribution. In the current year the Town made refund payments of \$203,784 and recognized a capital gain of \$41,092 as a result of a change in the estimated liability for future payouts. As of June 30, 2018, the Town has \$561,434 of outstanding unearned advances in aid of construction.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

The Town has issued \$65.990 million in excise and state shared revenue bonds in the current year at a premium of \$8.711 million to provide capital financing for the Town's for capital projects within the Town. The bonds are secured by all excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds and loans are estimated to require 11% of excise tax and state shared revenues. Total principal and interest remaining on the revenue refunding bonds is \$122,195,636 payable through 2048. No principal or interest payments were required on the bonds in the current year. Total excise tax and state shared revenues were \$42,072,698.

In fiscal year 2017 the Town issued \$47.990 million in excise and state shared revenue refunding bonds to refund previously outstanding excise tax bonds, special assessment bond, and GADA loans. The bonds are secured by all excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds and loans are estimated to require 11% of excise tax and state shared revenues. Total principal and interest remaining on the revenue refunding bonds is \$63,249,600 payable through 2037. For the current year principal and interest paid was \$4,675,800. Total excise tax and state shared revenues were \$42,072,698.

Special assessments districts are created only by petition of the Town Council by property owners within the district areas. The Improvement District No. 1 (District) was created so the Town could fund improvements within the District. Each of the property owners within the District has been assessed taxes by the Town, which in turn have been pledged for repayment of the bonds. In case of default, the Town has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received. Annual principal and interest payments on the bonds are estimated to require all special assessment revenues. Total principal and interest remaining on the bonds is \$19,599,038 payable through 2030. For the current year \$1,856,055 in special assessment revenue was utilized to repay \$1,327,242 in principal, \$437,495 in interest.

The Town has pledged future wastewater customer revenues, net of specific operation expense, to repay a \$34.0 million loan with the Water Infrastructure Finance Authority of Arizona (WIFA) issued in 2005. Proceeds from the loan provided financing for investment in a joint reclamation plant. The loan is payable from wastewater customer net revenues and is payable through 2025. Annual principal and interest payments on the loan is estimated to require 64% of net revenues. The total principal and interest remaining to be paid on the loans is \$25,244,796. For the current year, principal and interest paid and wastewater customer net revenue for the fiscal year was \$2,524,480 and \$9,000,422, respectively.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The Town has pledged future water customer revenues, net of specified operating expense, to repay a \$40.0 million WIFA loan issued in fiscal year 2008. Proceeds from the loan provided financing for the purchase of a local water company and improvements to the infrastructure acquired. The loan is payable from water customer net revenues and is payable through 2028. Annual principal and interest payments on the loans are estimated to require 55% of net revenues. The total principal and interest remaining to be paid on the loan is \$29,530,517. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$2,953,052 and \$15,772,904, respectively.

During fiscal year 2014, the Town pledged future water customer revenues, net of specified operating expense to repay a \$16.0 million WIFA loan. Proceeds from the loan provided financing for the purchase of a local water company and improvements to the infrastructure acquired. The loan is payable from water customer net revenues and is payable through 2033. Annual principal and interest payments on the loans are estimated to require 55% of net revenues. The total principal and interest remaining to be paid on the loan is \$16,311,141. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$1,088,184 and \$15,772,904, respectively.

On November 1, 2013 the Town issued Subordinate Lien Water System Revenue Obligations Series 2013 totaling \$19,425,088 with a stated interest rate of 8% and an effective interest rate of 3.154%. Proceeds from the revenue obligation provided financing for the purchase of a water company. The obligation is payable from water customer net revenues and is payable through 2043. The total principal and interest remaining to be paid on the loan is \$34,199,893. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$1,016,037 and \$15,772,904, respectively.

The Town has a loan with the Greater Arizona Development Authority (GADA) to finance improvements to the Town's Wastewater infrastructure. The GADA loan is secured by all future excise tax and state shared revenue of the Town. Annual principal and interest payments on the loan are made from wastewater customer revenue and thus are expected to require no excise tax or state shared revenues. However, annual principal and interest payments on the loan are estimated not to exceed 1% of excise tax and state shared revenues annually. Total principal and interest remaining on the loan is \$4,342,575 and is payable through 2028. For the current year, principal and interest paid was \$390,775. For the current year, total excise tax and state shared revenues were \$42,072,698.

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

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

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

Description	Original Issue	Maturity	Interest Rate (%)	Outstanding at June 30, 2018
Governmental Activities				
Excise Tax and State Shared				
Revenue Refunding Obligations, Series 2016	\$ 47,990,000	8/1/18-36	2.00-5.00%	\$ 45,380,000
Excise Tax Bonds, Series 2018 A&B	65,960,000	8/1/18-47	2.00-5.00%	65,960,000
Special Assessment				
Revenue Refunding Bonds, Series 2016	18,445,000	1/1/18-30	2.45%	17,117,758
Total Governmental Bonds and Loans Payable				<u>\$ 128,457,758</u>
Business-Type Activities				
WIFA Loan, 2005	34,000,000	7/1/17-25	3.71%	\$ 20,778,785
WIFA Loan, 2008	40,000,000	7/1/17-28	4.04%	23,907,244
WIFA Loan, 2014	16,000,000	1/1/18-33	4.25%	12,827,098
GADA Infrastructure Revenue Loan, Series 2014A	3,845,000	8/1/18-28	2.00-5.00%	3,370,000
Revenue Obligation Indenture, Series 2013	19,425,088	5/1/18-43	8.00%	19,425,088
Total Business-Type Loans Payable				<u>\$ 80,308,215</u>

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Bonds/Loans Payable					
Excise Tax Revenue Bonds	\$ -	\$ 65,960,000	\$ -	\$ 65,960,000	\$ 565,000
Excise Tax Refunding Obligations	47,990,000	-	(2,610,000)	45,380,000	2,295,000
Special Assessment Refunding Bonds	18,445,000	-	(1,327,242)	17,117,758	1,335,145
Premium on Bonds	8,964,561	8,711,845	(562,913)	17,113,493	-
Total Bonds and Loans	<u>75,399,561</u>	<u>74,671,845</u>	<u>(4,500,155)</u>	<u>145,571,251</u>	<u>4,195,145</u>
Other Liabilities:					
Capital Leases	517,857	-	(258,288)	259,569	95,988
Compensated Absences	1,062,873	1,106,535	(962,479)	1,206,929	713,419
Total Governmental Activities	<u>\$ 76,980,291</u>	<u>\$ 75,778,380</u>	<u>\$ (5,720,922)</u>	<u>\$ 147,037,749</u>	<u>\$ 5,004,552</u>
Business-Type Activities:					
Loans Payable					
WIFA Loans Payable	\$ 62,093,234	\$ -	\$ (4,580,107)	\$ 57,513,127	\$ 4,424,134
GADA Loans Payable	3,595,000	-	(225,000)	3,370,000	245,000
Revenue Obligation Indenture	19,425,088	-	-	19,425,088	-
Premiums	13,302,369	-	(804,564)	12,497,805	-
Total Loans	<u>98,415,691</u>	<u>-</u>	<u>(5,609,671)</u>	<u>92,806,020</u>	<u>4,669,134</u>
Other Liabilities:					
Advances in Aid of Construction	806,310	-	(244,876)	561,434	147,025
Compensated Absences	251,309	256,215	(215,799)	291,725	172,337
Total Business-Type Activities	<u>\$ 99,473,310</u>	<u>\$ 256,215</u>	<u>\$ (6,070,346)</u>	<u>\$ 93,659,179</u>	<u>\$ 4,988,496</u>

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Annual debt service requirements to maturity on governmental loans and bonds payable at June 30, 2018 are summarized as follows.

<u>Year Ended June 30,</u>	Governmental Activities			
	Bonds and Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 4,195,145	\$ 5,340,916	\$ 95,988	\$ 7,788
2020	5,005,037	5,374,152	88,604	4,973
2021	5,169,910	5,198,432	74,977	2,460
2022	5,339,783	4,997,457	-	-
2023	5,564,674	4,789,088	-	-
2024-2028	30,516,270	20,462,920	-	-
2029-2033	28,821,939	13,793,020	-	-
2034-2038	15,080,000	8,861,906	-	-
2039-2043	12,635,000	5,673,625	-	-
2044-2048	16,130,000	2,095,000	-	-
Totals	<u>\$ 128,457,758</u>	<u>\$ 76,586,516</u>	<u>\$ 259,569</u>	<u>\$ 15,221</u>

Debt service requirements on business-type activities long-term debt at June 30, 2018, are summarized as follows.

<u>Year Ended June 30,</u>	Business-Type Activities	
	Bonds and Loans	
	Principal	Interest
2019	\$ 4,669,134	\$ 3,286,588
2020	5,111,630	3,084,279
2021	5,315,998	2,873,738
2022	5,528,638	2,654,006
2023	5,749,934	2,424,756
2024-2028	32,486,896	8,381,269
2029-2033	8,455,080	3,582,574
2034-2038	4,578,565	2,087,761
2039-2043	6,727,415	918,541
2044	1,684,925	27,195
Totals	<u>\$ 80,308,215</u>	<u>\$ 29,320,707</u>

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Lease of Town Property

The Town leases land to various third parties. Annual rental revenue from the lease is recognized in the General Fund. The future minimum payments required under the leases at June 30, 2018 are as follows:

<u>Year Ended June 30.</u>	<u>Amount</u>
2019	\$ 159,899
2020	164,697
2021	140,401
2022	136,547
2023	101,959
2024-2028	391,663
2029-2033	173,460
2034-2035	76,888
	<u>\$ 1,345,514</u>

G. Fund Balance Classifications of Governmental Funds

The Town has classified its fund balances as follows:

	General Fund	Construction Construction Sales Tax Fund	Park Development Fund	Drainage and Transportation Fund	Improvement District Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable:							
Prepaid Items	\$ 70,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,271
Restricted:							
Debt Service	-	-	-	-	160,812	-	160,812
Park Development	-	-	3,700,761	-	-	-	3,700,761
Town Building Development	-	-	-	-	-	2,190,610	2,190,610
Library Development	-	-	-	-	-	249,393	249,393
Public Safety Development	-	-	-	-	-	189,032	189,032
Fire Development	-	-	-	-	-	2,410,171	2,410,171
Future Development	-	-	-	52,976,211	-	73,020	53,049,231
Street Lighting Districts	-	-	-	-	-	329,047	329,047
Streets and Transportation	-	-	-	-	-	423,850	423,850
Housing Rehabilitation	-	-	-	-	-	78,047	78,047
Parks and Community	-	-	-	-	-	221,111	221,111
Total Restricted	-	-	3,700,761	52,976,211	160,812	12,637,040	69,474,824
Committed:							
Streets and Transportation	-	-	-	-	-	242,657	242,657
Unfunded Pension Liability	22,318,008	-	-	-	-	-	22,318,008
Total Committed	22,318,008	-	-	-	-	242,657	22,560,665
Assigned:							
Debt Service	-	-	-	-	-	7,064	7,064
Unassigned:	14,168,695	(15,936,398)	-	(6,348,299)	-	(1,029,239)	(9,145,241)
Total Fund Balance	\$ 36,556,974	\$ (15,936,398)	\$ 3,700,761	\$ 46,627,912	\$ 160,812	\$ 11,857,522	\$ 82,967,583

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION

A. Joint Venture

The Town participates in a joint water reclamation plant with the City of Mesa, Arizona and the Town of Gilbert, Arizona. The water reclamation plant began operations in fiscal year 2006-07. Mesa acts as the lead agency and is responsible for planning, budgeting, construction, operation and maintenance of the plant. Mesa, Gilbert, and the Town participate in the ownership of the plant and are financially responsible for operating expenses based on gallons of flow. The Town's investment in the joint venture at June 30, 2018 was \$24,575,281 and it is recorded in the Town's Wastewater Fund. The Town does not anticipate significant changes that would result in a financial burden or benefit. The joint venture does not issue separate financial statements.

B. Risk Management

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

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

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

C. Contingent Liabilities

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

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Construction Commitments

The Town had major contractual commitments related to various capital projects at June 30, 2018, for the construction of various site improvements. At June 30, 2018, the Town had remaining contractual commitments with contractors of \$37,558,448. The Town's commitments with contractors were as follows:

Project	Commitment	
	Governmental	Business-Type
220Th: Ryan Rd To Queen Creek Rd	\$ 3,965	\$ -
Firewall	4,992	-
Fire Station 413	29,734	-
Town Center: Ocotillo Rd-Loop To Loop	44,135	-
Trail Improvements - Crismon To Upr	46,620	-
MSB 2Nd Floor Office Side Lights	48,539	-
Corp Yard Improvements	61,618	658,163
Rec Annex Improvements	68,020	-
Ryan: Crismon To 220Th	148,462	-
DMP Ball Fields Retrofit	188,000	-
Villages Berm Improvements	199,898	-
Signal @ Riggs & Hawes	203,243	-
Appleby2: Sossaman To 196Th	264,522	-
Sossaman: Ocotillo To Queen Creek	585,436	-
Riggs Rd: Power To Hawes	635,000	-
Corporation Yard-Phase 1	651,279	-
Crismon: Queen Creek Rd To Germann	800,670	-
Ellsworth & Empire Improvements	890,921	-
Qc Rd-Ellsworth To Signal Butte	1,798,082	-
Rittenhouse: Village Lp To Alliance	2,061,478	-
Ellsworth @ Queen Creek	2,563,693	-
Mansel Carter Oasis Park	4,157,532	-
Power: Ocotillo To Brooks Farm	5,849,922	-
Riggs: Ellsworth To Meridian	10,952,921	-
Rittenhouse To Ellsworth Loop North	-	579
Meridian:Combs To Red Fern Ph li	-	881
Ryan; Ellsworth To Crismon Water	-	2,290
Ryan Rd: Ellsworth To Crismon	-	3,367
Empire:Ellsworth To Pegasus Water	-	3,792
Power Rd:Ocotillo To Chandler Heigh	-	4,846
Power: Ocotillo To Chandler Heights	-	4,846
Sossaman Well Transmission Line	-	6,709
Empire & Ellsworth To Thompson Rd	-	12,009
Cloud Rd - Ellsworth To 220Th St	-	12,940
Ryan Rd: Crismon To Signal Butte	-	25,666
Ryan Rd:Crismon To Signal Butte	-	26,659
Airport Rd: Coyote Rd To Schnepf	-	30,128
Queen Creek: 228Th To Meridian	-	30,328
Germann: Signal Butte To Meridian	-	32,642

(Continued)

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Construction Commitments

(Concluded)

Project	Commitment	
	Governmental	Business-Type
Sb:Ryan To Germann@Barney Property	-	34,514
Signal Butte:Queen Creek To Germann	-	38,146
West Park Well & Equipment	-	39,375
Meridian:Queen Creek To Germann	-	39,560
New Well Investigation	-	41,650
Gary:Combs To Empire	-	47,401
Hasitngs Well Rehab	-	51,497
Well Site Security	-	56,301
Riggs Rd Ph1: Ellsworth Crismon	-	60,301
Gary East Well - Meridian Crossing	-	61,249
Church Farms East Well	-	62,370
West Park Sewer Line	-	73,527
Cloud Rd:Signal Butte To Rittenhouse	-	83,311
Empire Blvd:Gary To Crismon	-	92,214
Riggs Rd Sewer:Ellsworth To Crismon	-	104,209
Sossaman Wells	-	127,042
Church Farms Secondary Well	-	132,226
Cloud Rd - 220Th To Signal Butte	-	161,181
Empire: Ellsworth To 209Th	-	176,430
West Park Lake	-	197,649
Villages Well Replacement	-	203,779
Jorde Well Signal Butte	-	265,551
Ocotillo Rd - 188Th To Power	-	477,837
Riggs Rd: Ellsworth To Meridian	-	614,396
Riggs Ph3:Sig Butte To Meridian	-	1,202,205
	<u>\$ 32,258,682</u>	<u>\$ 5,299,766</u>

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Tax Abatements

The Town has entered into agreements that include the abatement of tax payments. As of June 30, 2018, four lease agreements exist for the abatement of property taxes. These agreements were entered into pursuant to the following:

- Arizona Revised Statutes (A.R.S.) 9-500.05 provides the Town the authority to enter into development agreements
- A.R.S. 9-500.11 allows the Town to spend public monies for economic development activities providing assistance in the creation or retention of jobs or otherwise improving the economic welfare of Town inhabitants
- A.R.S. 42-6209 which allows the Town to abate Government Property Lease Excise Tax (GPLET) for up to 8 years after the certificate of occupancy is issued for the lease of property within the Town's central business district

Government Property Lease Excise Tax – The Town has four ongoing agreements in which the GPLET tax has been abated for 8 years. For each of these agreements, the property was temporarily given to the Town and leased back by each tenant for a period of 8 years after which time the property will be returned to the tenant. Only properties within the Town's established Central Business District are eligible for this abatement program and these lease agreements were part of a larger development agreement, the goal of which was to attract private investment and foster job creation along Ellsworth Road. These agreements have abated taxes to the extent that the Town is not collecting any property taxes during the 8-year period.

For the year ended June 30, 2018, the Town abated \$47,526 in property taxes as a result of the GPLET abatement agreements for the purpose of economic development.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans

Cost-Sharing and Agent Multiple Employer Pension Plans

The Town contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for firefighters. The plans are component units of the State of Arizona.

At June 30, 2018, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	\$ 16,568,024	\$ 5,412,349	\$ 21,980,373
Deferred Outflows of Resources	6,173,516	1,104,117	7,277,633
Deferred Inflows of Resources	937,840	324,130	1,261,970
Pension Expense	2,589,362	954,815	3,544,177

The Town's accrued payroll and employee benefits includes \$26,728 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2018. Also, the Town reported \$2,921,051 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System

Plan Descriptions – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2, and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	Retirement	
	Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3 %	2.1% to 2.3 %

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50% (11.34% for retirement and 0.16% for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.50% (10.90% for retirement, 0.44% for the health insurance premium benefit, and 0.16% for long-term disability) of the active members' annual covered payroll.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.49% (9.26% for retirement, 0.10% for health insurance premium benefit and 0.13% for long-term disability) of annual covered payroll of retired members who worked for the Town in positions than an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension plan for the year ended June 30, 2018, were \$1,535,419, and were paid 65% from the General Fund, 29% from major funds, and 6% from other funds.

In the current fiscal year, the Town implemented the provisions of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which amends and replaces previous guidance for reporting of other postemployment benefit plans. In evaluating the OPEB plans offered by the Town for disclosure, the Town has determined that the OPEB plans offered through ASRS are not significant to the Town, and therefore are not reported.

Pension Liability – At June 30, 2018, the Town reported a liability of \$21,072,429 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017 reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Town's proportion measured as of June 30, 2017, was 0.13527%, which was an increase of 0.00911 from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The impact to the Town's net pension liability as a result of these changes is not known.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2018, the Town recognized pension expense for ASRS of \$2,787,664. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 631,868
Changes of assumptions or other inputs	915,223	630,102
Net difference between projected and actual earnings on pension plan investments	151,286	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,696,840	-
Town contributions subsequent to the measurement date	1,535,419	-
Total	\$ 4,298,768	\$ 1,261,970

The \$1,535,419 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ 219,606
2020	1,415,862
2021	350,640
2022	(484,729)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2016
Actuarial Roll Forward Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Discount Rate	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Arithmetic Basis</u>
Equity	58%	6.73%
Fixed Income	25%	3.70%
Real Estate	10%	4.25%
Multi-asset Class	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.7%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 27,046,829	\$ 21,072,429	\$ 16,080,307

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan Descriptions – Town firefighters who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and an agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

As previously stated, the Town has implemented the provisions of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which amends and replaces previous guidance for reporting of other postemployment benefit plans. In evaluating the financial significance of the Town’s OPEB plans, the Town determined the OPEB plan provided through PSPRS is not financially significant to the Town, and therefore the plan is not presented.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Benefits Provided — The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80-100% of retired member's pension benefit	
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Firefighters
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	2
Inactive Employees Entitled to but not yet Receiving Benefits	1
Active Employees	46
Total	49

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Firefighters
Active Member Contributions:	
Tier One Members	7.65%
Tier Two Members	11.65%
Tier Three Members	9.42%
Town Contributions	
Pension	11.03% - 15.71%

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The Town's contributions to the pension plan for the year ended June 30, 2018 were \$1,385,632, 100% of which were paid from the Emergency Services Fund. As discussed in the Management Discussion and Analysis, the Emergency Services Fund is included in the Town's General fund for financial reporting.

Pension Liability – At June 30, 2018, the Town reported the following net pension liability:

	Net Pension Liability
PSPRS Firefighters	\$ 907,944

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2017 reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing wage inflation from 4% to 3.5%, and updating mortality, withdrawal, disability, and retirement assumptions.

The total pension liability also reflects changes in benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decrease contribution rates for employees who became members before July 20, 2011.

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability for PSPRS are as follows:

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.40%
Wage Inflation	3.50%
Price Inflation	2.50%
Permanent Benefit Increase	Included
Mortality Rates	RP-2014 using MP-2016 improvement scale with adjustments to match experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on results of an actuarial experience study for the 5-year period ended June 30, 2016.

**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Short Term Investments	2%	0.25%
Absolute Return	2%	3.75%
Risk Parity	4%	5.00%
Fixed Income	5%	1.25%
Real Assets	9%	4.52%
GTAA	10%	3.96%
Private Credit	12%	6.75%
Real Estate	10%	3.75%
Credit Opportunities	16%	5.83%
Non-U.S. Equity	14%	8.70%
U.S. Equity	16%	7.60%
Total	<u>100%</u>	

Pension Discount Rates – The following discount rate was used to measure the total pension liability:

	<u>Discount Rate</u>
PSPRS Firefighters	7.40%

The current discount rate utilized reflects a decrease of 0.1% from the discount rate used as of June 30, 2016.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Changes in the Agent Plans' Net Pension Liability – The following table presents changes in the Town's net pension liability for the PSPRS – Fire plan is as follows:

PSPRS - Firefighters	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	\$ 6,495,690	\$ 5,732,344	\$ 763,346
Changes for the Year:			
Service Cost	751,557	-	751,557
Interest on the Total Pension Liability	510,514	-	510,514
Changes of Benefit Terms	64,957	-	64,957
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	509,418	-	509,418
Changes of Assumptions or Other Inputs	106,791	-	106,791
Contributions - Employer	-	785,199	(785,199)
Contributions - Employee	-	342,598	(342,598)
Net Investment Income	-	727,913	(727,913)
Benefit Payments, Including Refunds of Employee Contributions	(129,228)	(129,228)	-
Administrative Expenses	-	(6,841)	6,841
Other Changes	-	(50,230)	50,230
Net Changes	<u>1,814,009</u>	<u>1,669,411</u>	<u>144,598</u>
Balances as of June 30, 2018	<u>\$ 8,309,699</u>	<u>\$ 7,401,755</u>	<u>\$ 907,944</u>

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's net pension liability (asset) calculated using the discount rate noted above, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Firefighters			
Rate	6.50%	7.50%	8.50%
Net Pension Liability (Asset)	\$ 2,579,464	\$ 907,944	\$ (419,133)

Pension Plan Fiduciary Net Position – Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense – For the year ended June 30, 2018, the Town recognized the following pension expense:

PSPRS Firefighters	<u>Pension Expense</u> \$ 756,513
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**TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Deferred Outflows/Inflows of Resources – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Firefighters	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,036,629	\$ -
Changes of assumptions or other inputs	493,046	-
Net difference between projected and actual earnings on pension plan investments	63,558	-
Town contributions subsequent to the measurement date	1,385,632	-
Total	\$ 2,978,865	\$ -

The \$1,385,632 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	PSPRS Firefighters
2019	\$ 180,324
2020	204,315
2021	168,877
2022	93,270
2023	145,807
Thereafter	800,640

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Subsequent Events

On August 28, 2018, voters approved renewal of the Town's "Home Rule" election. Home Rule allows the Town to set its budget at a level sufficient to address the Town's priorities. Without Home Rule, the Town would have been required to operate under state-imposed budget limitations, which would have required substantial cuts to the Town's budget. Home Rule is valid for four years.

On September 5, 2018, the Town Council approved a 90-day extension to the closing date for a land purchase agreement between the Town and the Queen Creek Hospitality Group. On December 17, 2018, the Town Council approved a second extension to the closing date for the purchase agreement. The purchase agreement calls for the sale of approximately 5 acres of Town-owned land to the Group for \$2.56 million for development of a hotel on the property. The Town expects to close on the land sale to the developer by January 23, 2019.

On December 5, 2018, the Town Council approved a pre-annexation development agreement and a water exchange agreement with Trilogy Encanterra Construction, LLC. Under the water exchange agreement, the Town will pay Trilogy \$8.9 million for perpetual rights to receive up to 3 million gallons per day of reclaimed water and permanent facilities to recharge surface water, reclaimed water, or other effluent. Payments to Trilogy will be made in phases, with the first \$2.0 million due following successful annexation and completion of the first 100 residential units within the community, currently estimated to be in the spring of 2020. The remaining amounts will be paid at a rate of \$1.25 million for every 125 residential units completed, and \$650,000 upon completion of the community build-out. The Town expects to make the payments from the Wastewater Fund using currently available resources, with no need for debt financing.

On December 17, 2018, the Town Council approved a purchase agreement with Greenstone Water Credits, LLC for 175,174.31 acre feet of Groundwater Extinguishment Credits at a purchase price of \$280 per acre foot, or \$49,048,807. The purchase agreement required the Town to deposit \$4.9 million into an escrow account on December 31, 2018, with the balance due by February 28, 2019. The Town expects to finance the purchase agreement through a private-placement financing by the end of February 2019. The debt will be repaid with Water Fund revenues.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Subsequent Events (Continued)

On December 17, 2018, the Town Council approved a purchase agreement with GSC Farm, LLC for up to 2,087.865 acre feet of transferrable surface water rights at a purchase price of \$10,000 per acre foot, or approximately \$20,878,650. The final actual purchase price will be based on the determination of the final quantity of transferrable water rights by the U.S. Bureau of Reclamation and the Arizona Department of Water Resources. The determination process may take up to 24 months to complete. The purchase price will increase by 5% per year after the first anniversary of the purchase agreement until the transaction closes. The purchase agreement required the Town to deposit \$1.0 million into an escrow account on December 31, 2018 that will be applied towards the final purchase price. The Town expects to finance the purchase agreement with long-term debt that will be repaid with Water Fund revenues.

On December 17, 2018, the Town Council approved an intergovernmental agreement with the City of Mesa for the design and construction of Signal Butte Road from Germann to the future State Route 24 interchange. The Town agreed to initially fund construction of the road project, estimated at \$12 million, and Mesa agreed to reimburse the Town for all costs of construction up to \$12 million by December 31, 2030. The Town may finance the road project through long-term debt if other resources are not available by the time construction begins, which is projected to be in the spring of 2020.

On December 20, 2018, the Water Infrastructure Finance Authority of Arizona (WIFA) approved the Town's request to amend the Town's debt service reserve requirements on the Town's WIFA water and wastewater loans and parity senior lien debt to eliminate the need for debt service reserve funds as long as the Town maintains debt service coverage of at least 1.5 times. The amended reserve requirements will release approximately \$6.5 million that can be used to meet future water and wastewater system needs.

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REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COST SHARING PENSION PLANS
JUNE 30, 2018**

Arizona State Retirement System

	Reporting Year (Measurement Date)	
	2018 (2017)	2017 (2016)
Town's Proportion of the Net Pension Liability	0.135270%	0.126160%
Town's Proportionate Share of the Net Pension Liability	\$ 21,072,429	\$ 20,363,491
Town's Covered Payroll	12,555,709	11,783,167
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	167.83%	172.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.92%	67.06%

See Notes to Pension Schedules, Required Supplementary Information.

Reporting Year (Measurement Date)	
2016 (2015)	2015 (2014)
0.118690%	0.097621%
\$ 18,487,672	\$ 14,444,571
10,732,389	9,043,494
172.26%	159.72%
68.35%	69.49%

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S
NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
JUNE 30, 2018**

PSPRS Fire

	Reporting Year	
	(Measurement Date)	
	2017 (2016)	2017 (2016)
Total Pension Liability		
Service Cost	\$ 751,557	\$ 445,706
Interest on the Total Pension Liability	510,514	393,828
Changes of Benefit Terms	64,957	606,223
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	509,418	37,328
Changes of Assumptions or Other Inputs	106,791	320,534
Benefit Payments, Including Refunds of Employee Contributions	(129,228)	(203,984)
Net Change in Total Pension Liability	1,814,009	1,599,635
Total Pension Liability - Beginning	6,495,690	4,896,055
Total Pension Liability - Ending (a)	8,309,699	6,495,690
Plan Fiduciary Net Position		
Contributions - Employer	785,199	752,649
Contributions - Employee	342,598	284,138
Net Investment Income	727,913	30,764
Benefit Payments, Including Refunds of Employee Contributions	(129,228)	(203,984)
Administrative Expenses	(6,841)	(4,827)
Other Changes	(50,230)	160,155
Net Change in Plan Fiduciary Net Position	1,669,411	1,018,895
Plan Fiduciary Net Position - Beginning	5,732,344	4,713,449
Plan Fiduciary Net Position - Ending (b)	7,401,755	5,732,344
Town's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 907,944	\$ 763,346
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.07%	88.25%
Covered Payroll	\$ 3,455,435	\$ 2,447,591
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	26.28%	31.19%

See Notes to Pension Schedules, Required Supplementary Information.

Reporting Year		(Measurement Date)	
2016	2015	2016	2015
(2015)	(2014)	(2015)	(2014)
\$ 392,089	\$ 353,480		
341,882	235,479		
-	12,393		
67,556	685,945		
-	176,038		
(129,228)	(125,141)		
672,299	1,338,194		
4,223,756	2,885,562		
4,896,055	4,223,756		
1,807,100	318,427		
264,558	275,273		
110,386	293,387		
(129,228)	(125,141)		
(3,085)	(2,363)		
(60,116)	84,429		
1,989,615	844,012		
2,723,834	1,879,822		
4,713,449	2,723,834		
\$ 182,606	\$ 1,499,922		

96.27%	64.49%
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\$ 2,354,769	\$ 2,129,345
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7.75%	70.44%
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**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2018**

Arizona State Retirement System

	Reporting Fiscal Year		
	2018	2017	2016
Statutorily Required Contribution	\$ 1,535,419	\$ 1,422,375	\$ 1,281,699
Town's Contribution in Relation to the Statutorily Required Contribution	1,535,419	1,422,375	1,281,699
Town's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 13,843,824	\$ 12,555,709	\$ 11,783,167
Town's Contributions as a Percentage of Covered Payroll	11.09%	11.33%	10.88%

PSPRS Fire

	Reporting Fiscal Year		
	2018	2017	2016
Actuarially Determined Contribution	\$ 727,892	\$ 400,644	\$ 446,372
Town's Contribution in Relation to the Actuarially Determined Contribution	1,385,632	785,199	752,649
Town's Contribution Deficiency (Excess)	\$ (657,740)	\$ (384,555)	\$ (306,277)
Town's Covered Payroll	\$ 4,093,470	\$ 3,455,435	\$ 2,447,591
Town's Contributions as a Percentage of Covered Payroll	33.85%	22.72%	30.75%

See Notes to Pension Schedules, Required Supplementary Information.

Reporting Fiscal Year

<u>2015</u>	<u>2014</u>
\$ 1,144,335	\$ 1,013,052
<u>1,144,335</u>	<u>1,013,052</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 10,732,389</u>	<u>\$ 9,043,494</u>
10.66%	11.20%

Reporting Fiscal Year

<u>2015</u>	<u>2014</u>
\$ 322,368	\$ 318,427
<u>1,807,100</u>	<u>318,427</u>
<u>\$ (1,484,732)</u>	<u>\$ -</u>
<u>\$ 2,354,769</u>	<u>\$ 2,129,345</u>
76.74%	14.95%

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION SCHEDULES
JUNE 30, 2018**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed
Remaining Amortization Period as of the 2016 Actuarial Valuation	20 years
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases decreased from 5.0%-9.0% to 4.5%-8.5%
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

NOTE 2 INFORMATION PRIOR TO MEASUREMENT DATE

Information prior to the measurement date of June 30, 2013 was not available. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, requires the Town to present ten years of pension information as required supplementary information. However, until a full ten years of trend data is compiled, the Town will present information for only those years for which information is available.

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION SCHEDULES
JUNE 30, 2018**

NOTE 3 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Arizona Courts have ruled that provisions of a 2011 law that changed the funding mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates.

These changes are reflected in the plan's pension liability for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2018 for members who retired or will retire after the law's effective date.

TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local Taxes	\$ 20,681,790	\$ 21,317,405	\$ 22,794,911	\$ 1,477,506
Licenses and Permits	5,801,420	4,901,420	6,312,580	1,411,160
Intergovernmental Revenues	8,113,000	8,173,985	7,842,505	(331,480)
Franchise/License Fees	319,620	319,620	388,870	69,250
Charges for Services	2,530,371	2,530,371	2,495,988	(34,383)
Investment Income	259,000	259,000	369,041	110,041
Miscellaneous	100,000	100,000	246,419	146,419
Total Revenues	<u>37,805,201</u>	<u>37,601,801</u>	<u>40,450,314</u>	<u>2,848,513</u>
EXPENDITURES				
Current:				
Mayor and Town Council	434,432	429,441	374,715	54,726
Town Manager	1,059,779	1,074,369	1,069,813	4,556
Town Clerk and Legal Services	724,544	836,367	831,736	4,631
Finance	1,900,609	2,156,058	1,889,229	266,829
Economic Development	990,210	3,068,698	3,040,180	28,518
Communications, Marketing and Recreation Services	1,854,339	2,011,366	1,945,463	65,903
Workforce and Technology	2,934,347	3,268,705	2,816,755	451,950
Development Services	4,011,291	4,376,564	4,104,882	271,682
Public Works	3,862,868	4,612,819	3,737,312	875,507
Non-Departmental	2,758,864	2,035,539	2,013,642	21,897
Total Expenditures	<u>20,531,283</u>	<u>23,869,926</u>	<u>21,823,727</u>	<u>2,046,199</u>
Excess (Deficiency) of Revenues Over Expenditures	17,273,918	13,731,875	18,626,587	4,894,712
OTHER FINANCING SOURCES (USES)				
Transfers In	-	25,960,920	23,795,312	(2,165,608)
Transfers Out	(13,931,413)	(14,834,490)	(11,115,532)	3,718,958
Total Other Financing Sources (Uses)	<u>(13,931,413)</u>	<u>11,126,430</u>	<u>12,679,780</u>	<u>1,553,350</u>
Net Change in Fund Balance	3,342,505	24,858,305	31,306,367	6,448,062
FUND BALANCE				
Beginning of Year	-	-	6,272,193	6,272,193
End of Year	<u>\$ 3,342,505</u>	<u>\$ 24,858,305</u>	<u>\$ 37,578,560</u>	<u>\$ 12,720,255</u>

See Notes to Budgetary Comparison Schedule, Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CONSTRUCTION SALES TAX FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,455,850	\$ 5,455,850	\$ 6,406,260	\$ 950,410
EXPENDITURES				
Current:				
Economic Development	450,000	450,000	394,328	55,672
Debt Service:				
Interest on Long-Term Debt	-	425,144	425,144	-
Total Expenditures	<u>450,000</u>	<u>875,144</u>	<u>819,472</u>	<u>55,672</u>
Excess (Deficiency) of Revenues Over Expenditures	5,005,850	4,580,706	5,586,788	1,006,082
OTHER FINANCING SOURCES (USES)				
Transfers In	-	4,659,185	4,659,185	-
Transfers Out	<u>(5,005,850)</u>	<u>(10,213,782)</u>	<u>(9,837,713)</u>	<u>376,069</u>
Total Other Financing Sources (Uses)	<u>(5,005,850)</u>	<u>(5,554,597)</u>	<u>(5,178,528)</u>	<u>376,069</u>
Net Change in Fund Balance	<u>-</u>	<u>(973,891)</u>	<u>408,260</u>	<u>1,382,151</u>
RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:				
Interfund Loans Represent Expenditures (Revenues) on Budget Basis			<u>3,620,955</u>	
Net Change in Fund Balance - GAAP Basis			<u>4,029,215</u>	

See Notes to Budgetary Comparison Schedule, Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2018**

NOTE 1 BASIS OF ACCOUNTING

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

- 1) The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the Town's General Fund in addition to the Town's Emergency Services and HPEC Funds which, while separately budgeted, do not meet the requirements under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; for separate presentation. The budgetary comparison schedules for these separate budget funds are presented on pages 117 through 118. The Activity from these funds is excluded from the General Fund and represents a reconciling item between the fund statements and the General Fund budgetary-basis comparison schedule.
- 2) Departmental support costs are charged to the Town's departments for information technology, communications and marketing, finance, budget, human resources, legal and administrative costs incurred in the General Fund for each department. These revenues and expenditures are recognized on a budgetary basis and are eliminated for financial statement reporting, representing a reconciling item.
- 3) Intrafund activity between the General Fund and those funds which are consolidated is eliminated on a consolidated basis for financial reporting and represents a reconciling item between the fund statement and budgetary schedule.
- 4) Unrealized gains (losses) on investments and accrued payroll expenditures that will be paid in the next fiscal period are GAAP adjustments not included in the Town's General Fund Budgetary-basis comparison schedule. Interfund loan transfers are eliminated on a GAAP basis, but represents a resource on a budgetary basis and are added back to the Town's General Fund Budgetary-basis comparison schedule.

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

	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 49,963,428	\$ (36,712,994)	\$ (2,488,837)	\$ 25,795,377	36,556,974
Other Funds Included in General Fund - Budgeted as Special Revenue Funds:					
Emergency Services Fund	(10,927,273)	15,030,846	(3,988,061)	(321,913)	(206,401)
Horseshoe Park and Equestrian Centre	(634,574)	1,334,058	(699,484)	(7,679)	(7,679)
Interdepartmental Support Revenue	1,780,606	(1,522,427)	(258,179)	-	-
GAAP Adjustments	<u>268,127</u>	<u>46,790</u>	<u>20,114,341</u>	<u>(19,193,592)</u>	<u>1,235,666</u>
Budgetary Comparison Schedule - General Fund	<u>\$ 40,450,314</u>	<u>\$ (21,823,727)</u>	<u>\$ 12,679,780</u>	<u>\$ 6,272,193</u>	<u>\$ 37,578,560</u>

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISION SCHEDULES
YEAR ENDED JUNE 30, 2018**

NOTE 2 BUDGETARY INFORMATION

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

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

The Town did not adopt an annual budget for the LTAF, Housing Rehab, or Parks and Recreation Funds. Accordingly, no budget to actual schedules have been presented for those funds.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

Housing Rehab Fund – accounts for housing rehabilitation assistance monies.

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

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

CAPITAL PROJECTS FUNDS

Town Building Development Fund – accounts for the revenues and expenditures of impact fees received by the Town for acquisition and construction of new Town buildings.

Transportation Development Fund – accounts for the revenues and expenditures of impact fees received by the Town for the acquisition and construction of transportation infrastructure.

Library Development Fund – accounts for the revenues and expenditures of impact fees received by the Town for the acquisition and construction of new library infrastructure.

Public Safety Development Fund – accounts for the revenues and expenditures of impact fees received by the Town for the acquisition and construction of new public safety infrastructure.

Fire Development Fund – accounts for the revenues and expenditures of impact fees received by the Town for acquisition and construction of new fire and emergency.

General Capital Improvement Fund – accounts for the acquisition and construction of the Town’s general government infrastructure (excluding streets) such as buildings, parks, and trails.

DEBT SERVICE FUNDS

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

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	\$ 2,087,650	\$ 5,184,174	\$ 7,064	\$ 7,278,888
Restricted Cash	-	6,988,528	-	6,988,528
Receivables:				
Taxes Receivable	95,721	-	-	95,721
Intergovernmental Receivables	289,431	-	-	289,431
Total Assets	<u>\$ 2,472,802</u>	<u>\$ 12,172,702</u>	<u>\$ 7,064</u>	<u>\$ 14,652,568</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 564,251	\$ 587,717	\$ -	\$ 1,151,968
Accrued Wages and Benefits	40,263	-	-	40,263
Advances from Other Funds	1,600,000	-	-	1,600,000
Total Liabilities	2,204,514	587,717	-	2,792,231
Deferred Inflows of Resources:				
Unavailable Revenues	2,815	-	-	2,815
Fund Balances:				
Restricted	1,052,055	11,584,985	-	12,637,040
Committed	242,657	-	-	242,657
Assigned	-	-	7,064	7,064
Unassigned	(1,029,239)	-	-	(1,029,239)
Total Fund Balances	<u>265,473</u>	<u>11,584,985</u>	<u>7,064</u>	<u>11,857,522</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,472,802</u>	<u>\$ 12,172,702</u>	<u>\$ 7,064</u>	<u>\$ 14,652,568</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,352,063	\$ -	\$ -	\$ 1,352,063
Intergovernmental Revenues	3,924,474	-	-	3,924,474
Charges for Services	14,605	-	-	14,605
Contributions and Donations	69,667	-	-	69,667
Impact Fees	-	4,170,734	-	4,170,734
Investment Income	36,106	137,132	-	173,238
Miscellaneous	12,840	-	-	12,840
Total Revenues	<u>5,409,755</u>	<u>4,307,866</u>	-	<u>9,717,621</u>
EXPENDITURES				
Current:				
Highways and Streets	5,914,004	65,009	-	5,979,013
Culture and Recreation	122,497	-	-	122,497
Economic Development	288,889	-	-	288,889
Capital Outlay	76,989	5,097,089	-	5,174,078
Debt Service:				
Principal Retirement	19,287	165,034	2,610,000	2,794,321
Interest on Long-Term Debt	81,109	25,726	2,069,461	2,176,296
Cost of Issuance	-	177,434	-	177,434
Total Expenditures	<u>6,502,775</u>	<u>5,530,292</u>	<u>4,679,461</u>	<u>16,712,528</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,093,020)	(1,222,426)	(4,679,461)	(6,994,907)
OTHER FINANCING SOURCES (USES)				
Transfers In	669,000	15,638,440	4,675,800	20,983,240
Transfers Out	(572,242)	(19,688,130)	-	(20,260,372)
Proceeds from Issuance of Long-Term Debt	-	18,015,000	-	18,015,000
Premium on the Issuance of Long-Term Debt	-	1,165,029	-	1,165,029
Total Other Financing Sources (Uses)	<u>96,758</u>	<u>15,130,339</u>	<u>4,675,800</u>	<u>19,902,897</u>
Net Change in Fund Balances	(996,262)	13,907,913	(3,661)	12,907,990
FUND BALANCES				
Beginning of Year	1,261,735	(2,322,928)	10,725	(1,050,468)
End of Year	<u>\$ 265,473</u>	<u>\$ 11,584,985</u>	<u>\$ 7,064</u>	<u>\$ 11,857,522</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	HURF	LTAF	Town Center
ASSETS			
Cash and Investments	\$ 475,877	\$ 423,850	\$ 516,353
Receivables:			
Taxes Receivable	-	-	87,249
Intergovernmental Receivables	289,431	-	-
Total Assets	\$ 765,308	\$ 423,850	\$ 603,602
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 482,388	\$ -	\$ 32,841
Accrued Wages and Benefits	40,263	-	-
Advances from Other Funds	-	-	1,600,000
Total Liabilities	522,651	-	1,632,841
 Deferred Inflows of Resources:			
Unavailable Revenues	-	-	-
 Fund Balances:			
Restricted	-	423,850	-
Committed	242,657	-	-
Unassigned	-	-	(1,029,239)
Total Fund Balances	242,657	423,850	(1,029,239)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 765,308	\$ 423,850	\$ 603,602

<u>Street Lighting District</u>	<u>Housing Rehab</u>	<u>Parks and Recreation</u>	<u>Community Events</u>	<u>Total Special Revenue Funds</u>
\$ 372,186	\$ 78,047	\$ 59,490	\$ 161,847	\$ 2,087,650
8,472	-	-	-	95,721
-	-	-	-	289,431
<u>\$ 380,658</u>	<u>\$ 78,047</u>	<u>\$ 59,490</u>	<u>\$ 161,847</u>	<u>\$ 2,472,802</u>
\$ 48,796	\$ -	\$ -	\$ 226	\$ 564,251
-	-	-	-	40,263
-	-	-	-	1,600,000
<u>48,796</u>	<u>-</u>	<u>-</u>	<u>226</u>	<u>2,204,514</u>
<u>2,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,815</u>
329,047	78,047	59,490	161,621	1,052,055
-	-	-	-	242,657
-	-	-	-	(1,029,239)
<u>329,047</u>	<u>78,047</u>	<u>59,490</u>	<u>161,621</u>	<u>265,473</u>
<u>\$ 380,658</u>	<u>\$ 78,047</u>	<u>\$ 59,490</u>	<u>\$ 161,847</u>	<u>\$ 2,472,802</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	<u>HURF</u>	<u>LTAF</u>	<u>Town Center</u>
REVENUES			
Taxes	\$ -	\$ -	\$ 748,850
Intergovernmental Revenues	3,844,368	78,263	-
Charges for Services	-	-	14,605
Contributions and Donations	-	-	-
Investment Income	11,879	-	22,196
Miscellaneous	1,387	-	10,000
Total Revenues	<u>3,857,634</u>	<u>78,263</u>	<u>795,651</u>
EXPENDITURES			
Current:			
Highways and Streets	5,287,068	32,828	-
Culture and Recreation	-	-	-
Economic Development	-	-	288,889
Capital Outlay	-	-	76,989
Debt Service:			
Principal Retirement	19,287	-	-
Interest on Long-Term Debt	1,109	-	80,000
Total Expenditures	<u>5,307,464</u>	<u>32,828</u>	<u>445,878</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,449,830)	45,435	349,773
OTHER FINANCING SOURCES (USES)			
Transfers In	351,453	-	-
Transfers Out	(288,961)	(218,281)	(65,000)
Total Other Financing Sources (Uses)	<u>62,492</u>	<u>(218,281)</u>	<u>(65,000)</u>
Net Change in Fund Balances	(1,387,338)	(172,846)	284,773
FUND BALANCES			
Beginning of Year	1,629,995	596,696	(1,314,012)
End of Year	<u>\$ 242,657</u>	<u>\$ 423,850</u>	<u>\$ (1,029,239)</u>

<u>Street Lighting District</u>	<u>Housing Rehab</u>	<u>Parks and Recreation</u>	<u>Community Events</u>	<u>Total Special Revenue Funds</u>
\$ 603,213	\$ -	\$ -	\$ -	\$ 1,352,063
-	1,843	-	-	3,924,474
-	-	-	-	14,605
-	-	-	69,667	69,667
1,213	818	-	-	36,106
-	-	1,453	-	12,840
<u>604,426</u>	<u>2,661</u>	<u>1,453</u>	<u>69,667</u>	<u>5,409,755</u>
594,108	-	-	-	5,914,004
-	-	-	122,497	122,497
-	-	-	-	288,889
-	-	-	-	76,989
-	-	-	-	19,287
-	-	-	-	81,109
<u>594,108</u>	<u>-</u>	<u>-</u>	<u>122,497</u>	<u>6,502,775</u>
10,318	2,661	1,453	(52,830)	(1,093,020)
232,547	-	-	85,000	669,000
-	-	-	-	(572,242)
<u>232,547</u>	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>96,758</u>
242,865	2,661	1,453	32,170	(996,262)
86,182	75,386	58,037	129,451	1,261,735
<u>\$ 329,047</u>	<u>\$ 78,047</u>	<u>\$ 59,490</u>	<u>\$ 161,621</u>	<u>\$ 265,473</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Town Building Development	Transportation Development	Library Development
ASSETS			
Cash and Investments	\$ 2,190,610	\$ 340,613	\$ 249,393
Restricted Cash	-	6,153,393	-
Total Assets	\$ 2,190,610	\$ 6,494,006	\$ 249,393
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ -	\$ 21,247	\$ -
Fund Balances:			
Restricted	2,190,610	6,472,759	249,393
Total Liabilities and Fund Balances	\$ 2,190,610	\$ 6,494,006	\$ 249,393

<u>Public Safety Development</u>	<u>Fire Development</u>	<u>General Capital Improvement</u>	<u>Total Capital Project Funds</u>
\$ 188,755	\$ 1,648,333	\$ 566,470	\$ 5,184,174
277	761,838	73,020	6,988,528
<u>\$ 189,032</u>	<u>\$ 2,410,171</u>	<u>\$ 639,490</u>	<u>\$ 12,172,702</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,470</u>	<u>\$ 587,717</u>
189,032	2,410,171	73,020	11,584,985
<u>\$ 189,032</u>	<u>\$ 2,410,171</u>	<u>\$ 639,490</u>	<u>\$ 12,172,702</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	<u>Town Building Development</u>	<u>Transportation Development</u>	<u>Library Development</u>
REVENUES			
Impact Fees	\$ 617,780	\$ 1,844,575	\$ 830,217
Investment Income	25,907	32,250	23,851
Total Revenues	<u>643,687</u>	<u>1,876,825</u>	<u>854,068</u>
EXPENDITURES			
Current:			
Highways and Streets	-	65,009	-
Capital Outlay	14,375	-	14,375
Debt Service:			
Principal Retirement	-	-	-
Interest on Long-Term Debt	-	17,441	-
Debt Issuance Costs	-	97,327	-
Total Expenditures	<u>14,375</u>	<u>179,777</u>	<u>14,375</u>
Excess (Deficiency) of Revenues Over Expenditures	629,312	1,697,048	839,693
OTHER FINANCING SOURCES (USES)			
Transfers In	-	773,117	-
Transfers Out	(671,172)	(4,910,626)	(2,577,093)
Proceeds from Issuance of Long-Term Debt	-	9,385,000	-
Premium on the Issuance of Long-Term Debt	-	713,679	-
Total Other Financing Sources (Uses)	<u>(671,172)</u>	<u>5,961,170</u>	<u>(2,577,093)</u>
Net Change in Fund Balances	(41,860)	7,658,218	(1,737,400)
FUND BALANCES			
Beginning of Year	<u>2,232,470</u>	<u>(1,185,459)</u>	<u>1,986,793</u>
End of Year	<u>\$ 2,190,610</u>	<u>\$ 6,472,759</u>	<u>\$ 249,393</u>

<u>Public Safety Development</u>	<u>Fire Development</u>	<u>General Capital Improvement</u>	<u>Total Capital Project Funds</u>
\$ 237,924	\$ 640,238	\$ -	\$ 4,170,734
17,772	37,352	-	137,132
<u>255,696</u>	<u>677,590</u>	<u>-</u>	<u>4,307,866</u>
-	-	-	65,009
15,717	15,716	5,036,906	5,097,089
-	165,034	-	165,034
-	8,285	-	25,726
19,911	60,196	-	177,434
<u>35,628</u>	<u>249,231</u>	<u>5,036,906</u>	<u>5,530,292</u>
220,068	428,359	(5,036,906)	(1,222,426)
742,861	128,432	13,994,030	15,638,440
(4,329,211)	(7,200,028)	-	(19,688,130)
1,920,000	6,710,000	-	18,015,000
100,187	351,163	-	1,165,029
<u>(1,566,163)</u>	<u>(10,433)</u>	<u>13,994,030</u>	<u>15,130,339</u>
(1,346,095)	417,926	8,957,124	13,907,913
1,535,127	1,992,245	(8,884,104)	(2,322,928)
<u>\$ 189,032</u>	<u>\$ 2,410,171</u>	<u>\$ 73,020</u>	<u>\$ 11,584,985</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
PARK DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Contributions and Donations	\$ -	\$ -	\$ 130,000	\$ 130,000
Impact Fees	4,327,181	4,327,181	4,230,140	(97,041)
Investment Income	155,500	155,500	120,875	(34,625)
Total Revenues	<u>4,482,681</u>	<u>4,482,681</u>	<u>4,481,015</u>	<u>(1,666)</u>
EXPENDITURES				
Current:				
Culture and Recreation	-	163,695	39,894	123,801
Capital Outlay	15,324,990	18,462,801	13,288,750	5,174,051
Total Expenditures	<u>15,324,990</u>	<u>18,626,496</u>	<u>13,328,644</u>	<u>5,297,852</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,842,309)	(14,143,815)	(8,847,629)	5,296,186
OTHER FINANCING SOURCES (USES)				
Transfers In	-	639,100	639,100	-
Transfers Out	(527,203)	(924,409)	(924,409)	-
Total Other Financing Sources (Uses)	<u>(527,203)</u>	<u>(285,309)</u>	<u>(285,309)</u>	<u>-</u>
Net Change in Fund Balance	<u>(11,369,512)</u>	<u>(14,429,124)</u>	<u>(9,132,938)</u>	<u>5,296,186</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DRAINAGE AND TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 3,555,000	\$ 3,555,000	\$ 3,606,513	\$ 51,513
Contributions and Donations	177,421	177,421	85,065	(92,356)
Investment Income	-	-	161,406	161,406
Miscellaneous	-	-	613,438	613,438
Total Revenues	<u>3,732,421</u>	<u>3,732,421</u>	<u>4,466,422</u>	<u>734,001</u>
EXPENDITURES				
Current:				
Highways and Streets	623,779	670,049	667,887	2,162
Capital Outlay	55,857,037	57,631,686	27,690,721	29,940,965
Debt Service:				
Debt Issuance Costs	-	-	484,907	(484,907)
Budget Contingency	-	2,024,781	-	2,024,781
Total Expenditures	<u>56,480,816</u>	<u>60,326,516</u>	<u>28,843,515</u>	<u>31,483,001</u>
Excess (Deficiency) of Revenues Over Expenditures	(52,748,395)	(56,594,095)	(24,377,093)	32,217,002
OTHER FINANCING SOURCES (USES)				
Transfers In	5,158,113	15,445,072	15,445,072	-
Transfers Out	-	(775,529)	(775,529)	-
Issuance of Long-Term Debt	75,000,000	75,000,000	47,945,000	(27,055,000)
Premium on the Issuance of Long-Term Debt	-	-	7,546,816	7,546,816
Total Other Financing Sources (Uses)	<u>80,158,113</u>	<u>89,669,543</u>	<u>70,161,359</u>	<u>(19,508,184)</u>
Net Change in Fund Balance	<u>27,409,718</u>	<u>33,075,448</u>	<u>45,784,266</u>	<u>12,708,818</u>
RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:				
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget			(237,782)	
Interfund Loans Represent Expenditures (Revenues) on Budget Basis			(6,627,668)	
Net Change in Fund Balance - GAAP Basis			<u>38,918,816</u>	

**TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
IMPROVEMENT DISTRICT DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 1,702,407	\$ 1,702,407	\$ 1,856,055	\$ 153,648
EXPENDITURES				
Debt Service:				
Principal Retirement	1,265,000	1,327,329	1,327,242	87
Interest on Long-Term Debt	437,407	437,408	437,495	(87)
Total Expenditures	<u>1,702,407</u>	<u>1,764,737</u>	<u>1,764,737</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(62,330)	91,318	153,648
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(291,190)	(291,189)	-
Net Change in Fund Balance	<u>-</u>	<u>(353,520)</u>	<u>(199,871)</u>	<u>153,648</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HURF FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 3,741,590	\$ 3,978,839	\$ 3,844,368	\$ (134,471)
Investment Income	22,000	22,000	11,879	(10,121)
Miscellaneous	-	-	1,387	1,387
Total Revenues	<u>3,763,590</u>	<u>4,000,839</u>	<u>3,857,634</u>	<u>(143,205)</u>
EXPENDITURES				
Current:				
Highways and Streets	4,874,153	6,263,986	5,283,093	980,893
Debt Service:				
Principal Retirement	19,288	19,452	19,287	165
Interest on Long-Term Debt	1,109	1,109	1,109	-
Total Expenditures	<u>4,894,550</u>	<u>6,284,547</u>	<u>5,303,489</u>	<u>981,058</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,130,960)	(2,283,708)	(1,445,855)	837,853
OTHER FINANCING SOURCES (USES)				
Transfers In	847,093	847,093	351,453	(495,640)
Transfers Out	(268,042)	(288,961)	(288,961)	-
Total Other Financing Sources (Uses)	<u>579,051</u>	<u>558,132</u>	<u>62,492</u>	<u>(495,640)</u>
Net Change in Fund Balance	<u>(551,909)</u>	<u>(1,725,576)</u>	<u>(1,383,363)</u>	<u>342,213</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Payroll Charges are Recognized When Incurred for GAAP, Paid for Budget	<u>(3,975)</u>
Net Change in Fund Balance - GAAP Basis	<u>(1,387,338)</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
TOWN CENTER FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 694,520	\$ 723,412	\$ 748,850	\$ 25,438
Charges for Services	20,000	20,000	14,605	(5,395)
Investment Income	21,000	21,000	22,196	1,196
Miscellaneous	-	-	10,000	10,000
Total Revenues	<u>735,520</u>	<u>764,412</u>	<u>795,651</u>	<u>31,239</u>
EXPENDITURES				
Current:				
Economic Development	1,057,700	1,220,376	288,889	931,487
Capital Outlay	50,000	205,353	54,124	151,229
Debt Service:				
Interest on Long-Term Debt	<u>105,000</u>	<u>105,000</u>	<u>80,000</u>	<u>25,000</u>
Total Expenditures	<u>1,212,700</u>	<u>1,530,729</u>	<u>423,013</u>	<u>1,107,716</u>
Excess (Deficiency) of Revenues Over Expenditures	(477,180)	(766,317)	372,638	1,138,955
OTHER FINANCING SOURCES (USES)				
Transfers In	1,000,000	1,000,000	-	(1,000,000)
Transfers Out	<u>(65,000)</u>	<u>(1,665,000)</u>	<u>(1,665,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>457,820</u>	<u>(1,431,317)</u>	<u>(1,292,362)</u>	<u>1,138,955</u>
RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:				
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget			(22,865)	
Interfund Loans Represent Expenditures (Revenues) on Budget Basis			<u>1,600,000</u>	
Net Change in Fund Balance - GAAP Basis			<u>284,773</u>	

**TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
STREET LIGHTING DISTRICT FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 625,000	\$ 625,000	\$ 603,213	\$ (21,787)
Investment Income	500	500	1,213	713
Total Revenues	<u>625,500</u>	<u>625,500</u>	<u>604,426</u>	<u>(21,074)</u>
EXPENDITURES				
Current:				
Highways and Streets	<u>625,000</u>	<u>625,000</u>	<u>594,108</u>	<u>30,892</u>
Excess (Deficiency) of Revenues Over Expenditures	500	500	10,318	9,818
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>232,547</u>	<u>232,547</u>	<u>-</u>
Net Change in Fund Balance	<u><u>500</u></u>	<u><u>233,047</u></u>	<u><u>242,865</u></u>	<u><u>9,818</u></u>

**TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY EVENTS FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Contributions and Donations	\$ 75,000	\$ 75,000	\$ 69,667	\$ (5,333)
EXPENDITURES				
Current:				
Culture and Recreation	162,650	162,650	122,497	40,153
Excess (Deficiency) of Revenues Over Expenditures	(87,650)	(87,650)	(52,830)	34,820
OTHER FINANCING SOURCES (USES)				
Transfers In	90,000	90,000	85,000	(5,000)
Net Change in Fund Balance	<u>2,350</u>	<u>2,350</u>	<u>32,170</u>	<u>29,820</u>

**TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
TOWN BUILDING DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 626,512	\$ 626,512	\$ 617,780	\$ (8,732)
Investment Income	19,000	19,000	25,907	6,907
Total Revenues	<u>645,512</u>	<u>645,512</u>	<u>643,687</u>	<u>(1,825)</u>
EXPENDITURES				
Capital Outlay	<u>-</u>	<u>15,000</u>	<u>14,375</u>	<u>625</u>
Excess (Deficiency) of Revenues Over Expenditures	645,512	630,512	629,312	(1,200)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(295,696)</u>	<u>(671,172)</u>	<u>(671,172)</u>	<u>-</u>
Net Change in Fund Balance	<u><u>349,816</u></u>	<u><u>(40,660)</u></u>	<u><u>(41,860)</u></u>	<u><u>(1,200)</u></u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
TRANSPORTATION DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 1,770,197	\$ 1,770,197	\$ 1,844,575	\$ 74,378
Investment Income	9,000	9,000	32,250	23,250
Total Revenues	<u>1,779,197</u>	<u>1,779,197</u>	<u>1,876,825</u>	<u>97,628</u>
EXPENDITURES				
Current:				
Highways and Streets	-	63,579	65,009	(1,430)
Debt Service:				
Interest on Long-Term Debt	-	17,441	17,441	-
Debt Issuance Costs	-	-	97,327	(97,327)
Total Expenditures	<u>-</u>	<u>81,020</u>	<u>179,777</u>	<u>(98,757)</u>
Excess (Deficiency) of Revenues Over Expenditures	1,779,197	1,698,177	1,697,048	(1,129)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	773,117	773,117	-
Transfers Out	(1,647,345)	(6,073,336)	(6,073,336)	-
Issuance of Long-Term Debt	-	-	9,385,000	9,385,000
Premium on the Issuance of Long-Term Debt	-	-	713,679	713,679
Total Other Financing Sources (Uses)	<u>(1,647,345)</u>	<u>(5,300,219)</u>	<u>4,798,460</u>	<u>10,098,679</u>
Net Change in Fund Balance	<u>131,852</u>	<u>(3,602,042)</u>	<u>6,495,508</u>	<u>10,097,550</u>
RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:				
Interfund Loans Represent Expenditures (Revenues) on Budget Basis			<u>1,162,710</u>	
Net Change in Fund Balance - GAAP Basis			<u><u>7,658,218</u></u>	

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 850,010	\$ 850,010	\$ 830,217	\$ (19,793)
Investment Income	15,000	15,000	23,851	8,851
Total Revenues	<u>865,010</u>	<u>865,010</u>	<u>854,068</u>	<u>(10,942)</u>
EXPENDITURES				
Capital Outlay	<u>15,000</u>	<u>30,000</u>	<u>14,375</u>	<u>15,625</u>
Excess (Deficiency) of Revenues Over Expenditures	850,010	835,010	839,693	4,683
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(408,777)</u>	<u>(2,577,093)</u>	<u>(2,577,093)</u>	<u>-</u>
Net Change in Fund Balance	<u><u>441,233</u></u>	<u><u>(1,742,083)</u></u>	<u><u>(1,737,400)</u></u>	<u><u>4,683</u></u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
PUBLIC SAFETY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 238,820	\$ 238,820	\$ 237,924	\$ (896)
Investment Income	14,000	14,000	17,772	3,772
Total Revenues	<u>252,820</u>	<u>252,820</u>	<u>255,696</u>	<u>2,876</u>
EXPENDITURES				
Capital Outlay	50,000	96,450	15,717	80,733
Debt Service:				
Interest on Long-Term Debt	-	-	19,911	(19,911)
Total Expenditures	<u>50,000</u>	<u>96,450</u>	<u>35,628</u>	<u>60,822</u>
Excess (Deficiency) of Revenues Over Expenditures	202,820	156,370	220,068	63,698
OTHER FINANCING SOURCES (USES)				
Transfers In	-	742,861	742,861	-
Transfers Out	-	(4,329,211)	(4,329,211)	-
Issuance of Long-Term Debt	-	-	1,920,000	1,920,000
Premium on the Issuance of Long-Term Debt	-	-	100,187	100,187
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,586,350)</u>	<u>(1,566,163)</u>	<u>2,020,187</u>
Net Change in Fund Balance	<u>202,820</u>	<u>(3,429,980)</u>	<u>(1,346,095)</u>	<u>2,083,885</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FIRE DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 648,278	\$ 648,278	\$ 640,238	\$ (8,040)
Investment Income	17,000	17,000	37,352	20,352
Total Revenues	<u>665,278</u>	<u>665,278</u>	<u>677,590</u>	<u>12,312</u>
EXPENDITURES				
Capital Outlay	300,000	346,450	15,716	330,734
Debt Service:				
Principal Retirement	149,633	149,633	165,034	(15,401)
Interest on Long-Term Debt	23,685	23,685	8,285	15,400
Debt Issuance Costs	-	-	60,196	(60,196)
Total Expenditures	<u>473,318</u>	<u>519,768</u>	<u>249,231</u>	<u>270,537</u>
Excess (Deficiency) of Revenues Over Expenditures	191,960	145,510	428,359	282,849
OTHER FINANCING SOURCES (USES)				
Transfers In	-	128,432	128,432	-
Transfers Out	-	(7,200,028)	(7,200,028)	-
Issuance of Long-Term Debt	-	-	6,710,000	6,710,000
Premium on the Issuance of Long-Term Debt	-	-	351,163	351,163
Total Other Financing Sources (Uses)	<u>-</u>	<u>(7,071,596)</u>	<u>(10,433)</u>	<u>7,061,163</u>
Net Change in Fund Balance	<u>191,960</u>	<u>(6,926,086)</u>	<u>417,926</u>	<u>7,344,012</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES				
Capital Outlay	\$ 700,000	\$ 7,145,772	\$ 4,032,375	\$ 3,113,397
Budget Contingency	-	473,373	-	473,373
Total Expenditures	<u>700,000</u>	<u>7,619,145</u>	<u>4,032,375</u>	<u>3,586,770</u>
Excess (Deficiency) of Revenues Over Expenditures	(700,000)	(7,619,145)	(4,032,375)	(3,586,770)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	13,994,030	13,994,030	-
Transfers Out	-	(8,967,085)	(8,967,085)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,026,945</u>	<u>5,026,945</u>	<u>-</u>
Net Change in Fund Balance	<u>(700,000)</u>	<u>(2,592,200)</u>	<u>994,570</u>	<u>3,586,770</u>
RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:				
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget			(1,004,531)	
Interfund Loans Represent Expenditures (Revenues) on Budget Basis			<u>8,967,085</u>	
Net Change in Fund Balance - GAAP Basis			<u><u>8,957,124</u></u>	

**TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal Retirement	2,295,000	2,634,710	2,610,000	24,710
Interest on Long-Term Debt	6,922,087	2,044,751	2,069,461	(24,710)
Total Expenditures	<u>9,217,087</u>	<u>4,679,461</u>	<u>4,679,461</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(9,217,087)	(4,679,461)	(4,679,461)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>9,217,087</u>	<u>4,675,800</u>	<u>4,675,800</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>(3,661)</u>	<u>(3,661)</u>	<u>-</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
EMERGENCY SERVICES FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,195,944	\$ 10,274,559	\$ 10,505,841	\$ 231,282
Intergovernmental Revenues	64,000	64,000	154,055	90,055
Charges for Services	147,000	147,000	136,469	(10,531)
Investment Income	-	-	10	10
Miscellaneous	77,500	77,500	130,898	53,398
Total Revenues	<u>10,484,444</u>	<u>10,563,059</u>	<u>10,927,273</u>	<u>364,214</u>
EXPENDITURES				
Current:				
Public Safety	6,423,145	6,376,848	6,214,856	161,992
Fire/EMS	7,909,978	9,009,746	8,695,600	314,146
Contingency	225,800	-	-	-
Debt Service:				
Principal Retirement	67,611	67,611	73,967	(6,356)
Interest on Long-Term Debt	15,769	15,769	9,413	6,356
Total Expenditures	<u>14,642,303</u>	<u>15,976,974</u>	<u>15,030,846</u>	<u>946,128</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,157,859)	(5,413,915)	(4,103,573)	1,310,342
OTHER FINANCING SOURCES (USES)				
Transfers In	4,157,859	7,004,782	6,343,344	(661,438)
Transfers Out	-	(2,355,283)	(2,355,283)	-
Total Other Financing Sources (Uses)	<u>4,157,859</u>	<u>4,649,499</u>	<u>3,988,061</u>	<u>(661,438)</u>
Net Change in Fund Balance	<u>-</u>	<u>(764,416)</u>	<u>(115,512)</u>	<u>648,904</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HORSESHOE PARK AND EQUESTRIAN CENTER FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 564,550	\$ 564,550	\$ 610,806	\$ 46,256
Miscellaneous	1,040	1,040	23,768	22,728
Total Revenues	<u>565,590</u>	<u>565,590</u>	<u>634,574</u>	<u>68,984</u>
EXPENDITURES				
Current:				
Culture and Recreation	<u>1,428,893</u>	<u>1,420,003</u>	<u>1,334,058</u>	<u>85,945</u>
Total Expenditures	<u>1,428,893</u>	<u>1,420,003</u>	<u>1,334,058</u>	<u>85,945</u>
Excess (Deficiency) of Revenues Over Expenditures	(863,303)	(854,413)	(699,484)	154,929
OTHER FINANCING SOURCES (USES)				
Transfers In	1,163,780	1,163,780	1,022,364	(141,416)
Transfers Out	<u>(300,477)</u>	<u>(322,880)</u>	<u>(322,880)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>863,303</u>	<u>840,900</u>	<u>699,484</u>	<u>(141,416)</u>
Net Change in Fund Balance	<u>-</u>	<u>(13,513)</u>	<u>-</u>	<u>13,513</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
WASTEWATER FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 6,300,000	\$ 6,300,000	\$ 6,765,948	\$ 465,948
Capacity Fees	5,630,860	5,630,860	4,862,914	(767,946)
Capital Contributions	-	-	838,760	838,760
Investment Income	117,591	117,591	274,507	156,916
Total Revenues	<u>12,048,451</u>	<u>12,048,451</u>	<u>12,742,129</u>	<u>693,678</u>
EXPENDITURES				
Operating Expenditures				
Administration	117,826	123,826	121,307	2,519
Cost of Sales and Services	22,814,437	21,162,448	9,030,767	12,131,681
Principal Retirement	2,163,564	2,163,564	2,163,562	2
Interest and Fiscal Charges	1,005,292	1,005,292	968,820	36,472
Total Expenditures	<u>26,101,119</u>	<u>24,455,130</u>	<u>12,284,456</u>	<u>12,170,674</u>
Excess (Deficiency) of Revenues Over Expenditures	(14,052,668)	(12,406,679)	457,673	12,864,352
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(10,247,247)	(10,247,247)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(10,247,247)</u>	<u>(10,247,247)</u>	<u>-</u>
Net Change in Fund Balance	<u>(14,052,668)</u>	<u>(22,653,926)</u>	<u>(9,789,574)</u>	<u>12,864,352</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	(94,862)
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget	14,290
Depreciation Expense is a GAAP-only Expenditure	(1,752,926)
Principal Retirement is an Expense on a Budgetary Basis	2,163,562
Cost of Assets is Capitalized on a GAAP Basis, Expensed on a Budget Basis	6,331,336
Changes in Joint Venture Investments and Deposits are GAAP-Only Expenditures	(1,045,339)
Unrealized Gain (Loss) on Investments are GAAP-only Expenses	(1,637)
Gain on Disposal of Capital Assets is Not Considered a Budgetary Resource	20,800
Interfund Loans Represent Expenditures (Revenues) on Budget Basis	6,363,591
Net Change in Fund Balance - GAAP Basis	<u>2,209,241</u>

**TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
SOLID WASTE FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 2,616,507	\$ 2,616,507	\$ 2,625,317	\$ 8,810
Investment Income	1,000	1,000	6,244	5,244
Miscellaneous	26,000	26,000	762	(25,238)
Total Revenues	<u>2,643,507</u>	<u>2,643,507</u>	<u>2,632,323</u>	<u>(11,184)</u>
EXPENDITURES				
Operating Expenditures				
Administration	70,687	70,687	66,010	4,677
Cost of Sales and Services	2,452,296	2,452,296	2,275,618	176,678
Principal Retirement	105,660	105,660	-	105,660
Interest and Fiscal Charges	14,233	14,233	-	14,233
Total Expenditures	<u>2,642,876</u>	<u>2,642,876</u>	<u>2,341,628</u>	<u>301,248</u>
Net Change in Fund Balance	<u>631</u>	<u>631</u>	<u>290,695</u>	<u>290,064</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	(29,387)
Depreciation Expense is a GAAP-only Expenditure	(3,933)
Net Change in Fund Balance - GAAP Basis	<u>257,375</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
WATER FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 20,680,000	\$ 20,680,000	\$ 22,212,773	\$ 1,532,773
Capacity Fees	5,559,390	5,559,390	4,628,042	(931,348)
Capital Contributions	-	-	1,382,417	1,382,417
Investment Income	324,000	324,000	458,939	134,939
Miscellaneous	-	-	211,014	211,014
Total Revenues	<u>26,563,390</u>	<u>26,563,390</u>	<u>28,893,185</u>	<u>2,329,795</u>
EXPENDITURES				
Operating Expenditures				
Administration	832,424	832,424	829,424	3,000
Cost of Sales and Services	44,615,054	29,634,777	23,197,322	6,437,455
Principal Retirement	2,479,921	2,479,921	2,477,362	2,559
Interest and Fiscal Charges	3,247,441	3,247,441	2,480,566	766,875
Total Expenditures	<u>51,174,840</u>	<u>36,194,563</u>	<u>28,984,674</u>	<u>7,209,889</u>
Excess (Deficiency) of Revenues Over Expenditures	(24,611,450)	(9,631,173)	(91,489)	9,539,684
OTHER FINANCING SOURCES (USES)				
Transfers In	1,815,871	8,223,904	1,600,000	(6,623,904)
Transfers Out	(1,000,000)	(14,251,572)	(6,627,668)	7,623,904
Total Other Financing Sources (Uses)	<u>815,871</u>	<u>(6,027,668)</u>	<u>(5,027,668)</u>	<u>1,000,000</u>
Net Change in Fund Balance	<u>(23,795,579)</u>	<u>(15,658,841)</u>	<u>(5,119,157)</u>	<u>10,539,684</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	(439,806)
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget	36,810
Depreciation Expense is a GAAP-only Expenditure	(2,978,058)
Principal Retirement is an Expense on a Budgetary Basis	2,477,362
Mainline Agreement Refunds are an Expense on a Budgetary Basis	310,138
Cost of Assets is Capitalized on a GAAP Basis, Expensed on a Budget Basis	12,237,007
Unrealized Gain (Loss) on Investments are GAAP-only Expenses	(104,446)
Gain on Disposal of Capital Assets is Not Considered a Budgetary Resource	23,000
Interfund Loans Represent Expenditures (Revenues) on Budget Basis	<u>5,027,668</u>
Net Change in Fund Balance - GAAP Basis	<u><u>11,470,518</u></u>

STATISTICAL SECTION (UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities:				
Net Investment in Capital Assets	\$ 113,217,150	\$ 126,963,176	\$ 135,006,115	\$ 138,591,496
Restricted	30,072,080	26,314,209	34,738,750	25,525,022
Unrestricted	73,366,536	68,967,562	26,343,071	35,908,296
Total Governmental Activities Net Position	<u>\$ 216,655,766</u>	<u>\$ 222,244,947</u>	<u>\$ 196,087,936</u>	<u>\$ 200,024,814</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 55,382,631	\$ 53,514,718	\$ 55,468,136	\$ 63,922,044
Restricted	2,496,700	3,816,284	4,406,894	5,809,913
Unrestricted	6,983,681	6,581,861	4,070,089	993,881
Total Business-Type Activities Net Position	<u>\$ 64,863,012</u>	<u>\$ 63,912,863</u>	<u>\$ 63,945,119</u>	<u>\$ 70,725,838</u>
Primary Government:				
Net Investment in Capital Assets	\$ 168,599,781	\$ 180,477,894	\$ 190,474,251	\$ 202,513,540
Restricted	32,568,780	30,130,493	39,145,644	31,334,935
Unrestricted	80,350,217	75,549,423	30,413,160	36,902,177
Total Primary Government Net Position	<u>\$ 281,518,778</u>	<u>\$ 286,157,810</u>	<u>\$ 260,033,055</u>	<u>\$ 270,750,652</u>

Source: The Town's Finance Department.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 145,953,396	\$ 158,473,433	\$ 184,637,429	\$ 222,579,325	\$ 254,327,784	\$ 279,410,700
29,879,867	32,127,295	44,414,227	46,287,642	50,111,910	32,071,290
45,518,062	53,862,470	31,606,885	20,840,088	(13,393,669)	4,325,428
<u>\$ 221,351,325</u>	<u>\$ 244,463,198</u>	<u>\$ 260,658,541</u>	<u>\$ 289,707,055</u>	<u>\$ 291,046,025</u>	<u>\$ 315,807,418</u>
\$ 68,348,737	\$ 74,678,972	\$ 86,447,625	\$ 99,502,329	\$ 107,702,757	\$ 112,818,415
6,466,848	6,828,477	8,222,573	9,506,232	10,108,563	10,553,638
3,678,908	9,587,920	14,296,643	21,903,658	34,146,580	42,588,315
<u>\$ 78,494,493</u>	<u>\$ 91,095,369</u>	<u>\$ 108,966,841</u>	<u>\$ 130,912,219</u>	<u>\$ 151,957,900</u>	<u>\$ 165,960,368</u>
\$ 214,302,133	\$ 233,152,405	\$ 271,085,054	\$ 322,081,654	\$ 362,030,541	\$ 392,229,115
36,346,715	38,955,772	52,636,800	55,793,874	60,220,473	42,624,928
49,196,970	63,450,390	45,903,528	42,743,746	20,752,911	46,913,743
<u>\$ 299,845,818</u>	<u>\$ 335,558,567</u>	<u>\$ 369,625,382</u>	<u>\$ 420,619,274</u>	<u>\$ 443,003,925</u>	<u>\$ 481,767,786</u>

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

	Fiscal Year			
	2009	2010	2011	2012
EXPENSES				
Governmental Activities:				
General Government	\$ 11,983,396	\$ 11,726,205	\$ 10,556,890	\$ 10,560,748
Public Safety	9,074,899	8,619,769	8,579,299	9,286,805
Highways and Streets	4,802,811	7,458,056	8,472,107	9,453,285
Culture and Recreation	3,578,303	3,288,751	3,845,329	3,157,249
Economic Development	672,820	644,790	756,340	1,024,067
Interest on Long-Term Debt	5,458,887	4,977,067	4,860,272	4,401,608
Total Governmental Activities	<u>35,571,116</u>	<u>36,714,638</u>	<u>37,070,237</u>	<u>37,883,762</u>
Business-Type Activities:				
Wastewater	6,391,819	9,338,013	6,062,441	5,668,932
Water	6,541,249	7,786,907	7,053,112	9,536,903
Solid Waste	-	687,346	1,207,247	1,602,901
Total Business-Type Activities	<u>12,933,068</u>	<u>17,812,266</u>	<u>14,322,800</u>	<u>16,808,736</u>
Total Primary Government Expenses	<u>\$ 48,504,184</u>	<u>\$ 54,526,904</u>	<u>\$ 51,393,037</u>	<u>\$ 54,692,498</u>
PROGRAM REVENUES				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 1,893,328	\$ 2,593,950	\$ 2,498,047	\$ 2,103,716
Public Safety	370,118	371,100	210,907	327,944
Highways and Streets	1,031,006	2,983,611	335,045	218,077
Culture and Recreation	1,311,157	1,610,841	1,622,772	1,832,917
Economic Development	755,753	795,856	689,380	1,157,363
Interest on Long-Term Debt	-	-	-	-
Operating Grants and Contributions	1,252,399	1,291,191	1,148,590	1,418,838
Capital Grants and Contributions	5,457,452	12,431,068	2,286,332	9,724,218
Total Governmental Activities	<u>12,071,213</u>	<u>22,077,617</u>	<u>8,791,073</u>	<u>16,783,073</u>
Business-Type Activities:				
Charges for Services:				
Wastewater	3,621,603	4,205,136	3,521,068	4,180,555
Water	6,723,755	7,752,957	8,589,136	9,356,721
Solid Waste	-	763	987,384	1,359,963
Capital Grants and Contributions	5,818,104	3,293,570	158,221	6,539,411
Total Business-Type Activities	<u>16,163,462</u>	<u>15,252,426</u>	<u>13,255,809</u>	<u>21,436,650</u>
Total Primary Government	<u>\$ 28,234,675</u>	<u>\$ 37,330,043</u>	<u>\$ 22,046,882</u>	<u>\$ 38,219,723</u>

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 9,401,213	\$ 10,560,748	\$ 12,601,960	\$ 13,493,976	\$ 10,919,733	\$ 13,916,548
8,002,986	9,286,805	10,185,703	12,032,441	14,142,386	15,442,454
8,960,506	9,453,285	11,148,019	13,201,760	14,425,928	16,239,980
2,851,292	3,157,249	3,738,132	4,682,823	5,515,631	5,048,854
827,230	1,024,067	4,371,932	1,115,722	27,824,042	4,890,477
4,615,538	4,401,608	4,225,223	3,899,852	2,562,461	5,121,081
<u>34,658,765</u>	<u>37,883,762</u>	<u>46,270,969</u>	<u>48,426,574</u>	<u>75,390,181</u>	<u>60,659,394</u>
5,668,879	5,668,932	5,049,099	6,680,369	6,874,000	6,617,605
6,354,536	9,536,903	13,954,702	14,181,944	15,343,717	17,076,663
1,450,544	1,602,901	1,772,165	2,002,405	2,220,496	2,366,783
<u>13,473,959</u>	<u>16,808,736</u>	<u>20,775,966</u>	<u>22,864,718</u>	<u>24,438,213</u>	<u>26,061,051</u>
<u>\$ 48,132,724</u>	<u>\$ 54,692,498</u>	<u>\$ 67,046,935</u>	<u>\$ 71,291,292</u>	<u>\$ 99,828,394</u>	<u>\$ 86,720,445</u>
\$ 3,142,042	\$ 3,640,706	\$ 1,677,331	\$ 2,411,717	\$ 1,547,398	\$ 2,957,789
1,055,263	1,081,831	707,776	999,854	940,888	1,027,248
562,990	548,688	1,433,770	1,724,924	1,636,979	1,844,575
4,224,982	4,742,607	4,186,177	5,526,053	5,771,742	5,850,006
2,922,436	3,257,299	3,796,650	4,513,393	4,273,410	4,840,790
-	-	1,079,951	943,515	1,035,713	437,077
1,472,370	1,602,019	2,119,240	2,105,900	2,775,472	2,733,724
14,794,654	14,385,675	21,423,446	18,373,422	10,885,524	9,150,396
<u>28,174,737</u>	<u>29,258,825</u>	<u>36,424,341</u>	<u>36,598,778</u>	<u>28,867,126</u>	<u>28,841,605</u>
6,906,017	8,157,240	8,851,008	10,914,249	11,078,023	11,628,862
10,630,175	15,256,028	20,222,869	23,690,390	25,303,198	27,051,829
1,601,759	1,854,726	2,000,008	2,138,537	2,415,192	2,626,079
3,802,082	4,272,051	10,776,216	8,710,353	6,882,565	2,221,177
<u>22,940,033</u>	<u>29,540,045</u>	<u>41,850,101</u>	<u>45,453,529</u>	<u>45,678,978</u>	<u>43,527,947</u>
<u>\$ 51,114,770</u>	<u>\$ 58,798,870</u>	<u>\$ 78,274,442</u>	<u>\$ 82,052,307</u>	<u>\$ 74,546,104</u>	<u>\$ 72,369,552</u>

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

(Concluded)	Fiscal Year			
	2009	2010	2011	2012
NET (EXPENSE) REVENUE				
Governmental Activities	\$ (23,499,903)	\$ (14,637,021)	\$ (28,279,164)	\$ (21,100,689)
Business-Type Activities	3,230,394	(2,559,840)	(1,066,991)	4,627,914
Total Primary Government				
Net Expense	\$ (20,269,509)	\$ (17,196,861)	\$ (29,346,155)	\$ (16,472,775)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 14,702,840	\$ 10,964,939	\$ 11,747,396	\$ 12,549,668
Property Taxes	5,278,509	6,107,314	5,518,261	4,488,100
Franchise Taxes	185,812	154,148	201,515	258,265
Unrestricted State Shared Revenue	4,400,264	3,888,975	3,484,155	5,183,494
Investment Income (Loss)	630,302	315,292	822,710	583,618
Other	656,092	386,227	389,978	289,901
Special Item	-	-	-	(2,439,917)
Transfers	(1,426,000)	(1,590,693)	(1,018,998)	985,849
Total Governmental Activities	24,427,819	20,226,202	21,145,017	21,898,978
Business-Type Activities:				
Investment Income (Loss)	98,139	18,998	73,185	84,320
Special Item	427,162	-	7,064	75,000
Transfers	1,426,000	1,590,693	1,018,998	(985,849)
Total Business-Type Activities	1,951,301	1,609,691	1,099,247	(826,529)
Total Primary Government	\$ 26,379,120	\$ 21,835,893	\$ 22,244,264	\$ 21,072,449
CHANGE IN NET POSITION				
Governmental Activities	\$ 927,916	\$ 5,589,181	\$ (7,134,147)	\$ 798,289
Business-Type Activities	5,181,695	(950,149)	32,256	3,801,385
Total Primary Government	\$ 6,109,611	\$ 4,639,032	\$ (7,101,891)	\$ 4,599,674

Source: The Town's Finance Department.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ (6,484,028)	\$ (8,624,937)	\$ (9,846,628)	\$ (11,827,796)	\$ (46,523,055)	\$ (31,817,789)
9,466,074	12,731,309	21,074,135	22,588,811	21,240,765	17,466,896
<u>\$ 2,982,046</u>	<u>\$ 4,106,372</u>	<u>\$ 11,227,507</u>	<u>\$ 10,761,015</u>	<u>\$ (25,282,290)</u>	<u>\$ (14,350,893)</u>
\$ 16,037,178	\$ 18,483,484	\$ 22,190,271	\$ 24,561,503	\$ 30,415,947	\$ 32,799,385
4,236,341	5,037,568	5,635,853	6,658,829	7,356,026	8,271,627
214,938	253,553	284,474	307,992	320,847	388,870
5,754,960	6,179,114	6,628,715	6,589,267	8,781,117	9,331,762
(124,209)	1,050,810	1,062,323	538,899	141,113	619,633
156,801	257,237	388,111	1,431,199	442,080	1,026,070
-	-	-	-	-	-
1,534,530	475,044	343,140	788,621	404,895	4,141,835
<u>27,810,539</u>	<u>31,736,810</u>	<u>36,532,887</u>	<u>40,876,310</u>	<u>47,862,025</u>	<u>56,579,182</u>
(162,889)	344,611	287,100	115,188	164,111	633,607
-	-	-	-	45,700	43,800
(1,534,530)	(475,044)	(343,140)	(788,621)	(404,895)	(4,141,835)
<u>(1,697,419)</u>	<u>(130,433)</u>	<u>(56,040)</u>	<u>(673,433)</u>	<u>(195,084)</u>	<u>(3,464,428)</u>
<u>\$ 26,113,120</u>	<u>\$ 31,606,377</u>	<u>\$ 36,476,847</u>	<u>\$ 40,202,877</u>	<u>\$ 47,666,941</u>	<u>\$ 53,114,754</u>
\$ 21,326,511	\$ 23,111,873	\$ 26,686,259	\$ 29,048,514	\$ 1,338,970	\$ 24,761,393
7,768,655	12,600,876	21,018,095	21,915,378	21,045,681	14,002,468
<u>\$ 29,095,166</u>	<u>\$ 35,712,749</u>	<u>\$ 47,704,354</u>	<u>\$ 50,963,892</u>	<u>\$ 22,384,651</u>	<u>\$ 38,763,861</u>

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

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Total</u>
2009	\$ 14,702,840	\$ 5,278,509	\$ 185,812	\$ 20,167,161
2010	10,964,939	6,107,314	154,148	17,226,401
2011	11,747,396	5,518,261	201,515	17,467,172
2012	12,549,668	4,488,100	258,265	17,296,033
2013	16,037,178	4,236,341	214,938	20,488,457
2014	18,483,484	5,037,568	253,553	23,774,605
2015	22,190,271	5,635,853	284,474	23,774,605
2016	24,561,503	6,658,829	307,992	28,110,598
2017	30,415,947	7,356,026	320,847	38,092,820
2018	32,799,385	8,271,627	388,870	41,459,882

Source: The Town's Finance Department.

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund:				
Reserved	\$ 1,335,070	\$ 1,628,453		
Unreserved	13,387,466	10,792,208		
Nonspendable			\$ -	\$ 2,615,142
Restricted			-	890,554
Committed			-	-
Assigned			2,575,070	-
Unassigned			10,035,046	11,486,143
Total General Fund	<u>\$ 14,722,536</u>	<u>\$ 12,420,661</u>	<u>\$ 12,610,116</u>	<u>\$ 14,991,839</u>
All Other Governmental Funds:				
Reserved	\$ -	\$ 50,881		
Unreserved, Reported in:				
Special Revenue Funds	8,406,905	8,591,320		
Capital Projects Funds	28,545,004	24,132,768		
Debt Service Funds	(721,057)	(750,888)		
Nonspendable			\$ -	\$ -
Restricted			5,578,516	1,838,904
Committed			13,254,231	17,290,278
Assigned			-	621,154
Unassigned			(1,933,843)	-
Total All Other Governmental Funds	<u>\$ 36,230,852</u>	<u>\$ 32,024,081</u>	<u>\$ 16,898,904</u>	<u>\$ 19,750,336</u>

Source: The Town's Finance Department.

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

Note 2: In fiscal year 2016 the Town implemented a change in accounting policy that reclassified fund balances between the General Fund and Nonmajor Governmental Funds.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 3,156,355	\$ 3,716,570	\$ 2,096,210	\$ 1,996,768	\$ 20,240,348	\$ 70,271
5,606,558	8,127,060	12,020,476	-	-	-
-	-	-	-	-	22,318,008
-	-	-	-	-	-
15,848,094	23,025,977	20,293,603	17,737,107	5,555,029	14,168,695
<u>\$ 24,611,007</u>	<u>\$ 34,869,607</u>	<u>\$ 34,410,289</u>	<u>\$ 19,733,875</u>	<u>\$ 25,795,377</u>	<u>\$ 36,556,974</u>
\$ -	\$ 5,391	\$ 12,667	\$ 631,710	\$ 7,217	\$ -
2,265,391	2,725,995	11,958,461	27,177,973	31,715,129	69,474,824
21,366,332	22,134,004	14,366,075	10,543,822	-	242,657
618,654	658,917	732,223	-	-	7,064
-	-	-	(954,432)	(31,834,949)	(23,313,936)
<u>\$ 24,250,377</u>	<u>\$ 25,524,307</u>	<u>\$ 27,069,426</u>	<u>\$ 37,399,073</u>	<u>\$ (112,603)</u>	<u>\$ 46,410,609</u>

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

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
Taxes	\$ 19,758,273	\$ 16,836,982	\$ 16,023,317	\$ 16,475,628
Intergovernmental	7,062,887	5,180,166	5,734,596	7,708,774
Licenses and Permits	63,616	73,640	114,749	73,500
Charges for Services	2,411,850	3,153,496	3,258,927	2,083,219
Rents and Royalties	-	-	-	221,169
Contributions and Donations	870,186	2,698,090	156,673	1,823,614
Impact Fees	2,225,710	2,430,132	1,575,802	1,968,577
Special Assessments	2,870,359	2,195,808	2,136,060	2,242,754
Investment Income (Loss)	617,550	321,371	769,016	524,712
Other	656,092	386,227	389,978	239,000
Total Revenues	<u>36,536,523</u>	<u>33,275,912</u>	<u>30,159,118</u>	<u>33,360,947</u>
EXPENDITURES				
General Government	10,951,825	10,982,941	9,351,883	7,886,767
Public Safety	8,926,574	8,477,676	8,320,857	7,406,989
Highways and Streets	2,525,680	2,124,711	2,971,653	2,932,978
Culture and Recreation	3,211,714	2,799,420	3,279,393	2,533,497
Economic Development	632,499	574,191	729,464	570,038
Capital Outlay	30,252,931	5,387,164	11,775,094	3,743,304
Debt Service:				
Principal Retirement	2,699,907	2,870,695	2,891,326	3,008,680
Interest on Long-Term Debt	5,177,249	4,977,067	4,860,272	4,724,600
Issuance Costs	-	-	-	-
Total Expenditures	<u>64,378,379</u>	<u>38,193,865</u>	<u>44,179,942</u>	<u>32,806,853</u>
Excess of Revenues				
Over (Under) Expenditures	(27,841,856)	(4,917,953)	(14,020,824)	554,094
OTHER FINANCING SOURCES				
(USES)				
Transfers In	5,210,992	6,415,774	5,163,723	5,450,701
Transfers Out	(6,636,992)	(8,006,467)	(6,182,721)	(4,464,852)
Proceeds from Sale of Assets	-	-	-	-
Issuance of Long-Term Debt	12,045,000	-	-	-
Premium on Long-Term Debt	-	-	-	-
Payment to Refunding Agent	-	-	-	-
Proceeds from Capital Leases	<u>1,937,932</u>	<u>-</u>	<u>104,100</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>12,556,932</u>	<u>(1,590,693)</u>	<u>(914,898)</u>	<u>985,849</u>
Net Change in Fund Balances	<u>\$ (15,284,924)</u>	<u>\$ (6,508,646)</u>	<u>\$ (14,935,722)</u>	<u>\$ 1,539,943</u>
Debt Service as a Percentage of Noncapital Expenditures	3.54%	4.05%	9.80%	23.57%

Source: The Town's Finance Department.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 20,231,535	\$ 23,485,195	\$ 27,720,663	\$ 31,558,534	\$ 38,100,073	\$ 41,447,945
7,227,330	8,030,414	8,950,773	10,257,129	11,760,640	15,527,547
3,818,206	4,563,955	4,555,012	5,278,475	5,174,695	6,312,580
817,815	796,902	874,110	787,038	836,257	886,814
288,404	333,464	381,016	514,259	570,999	590,448
3,442,997	716,623	258,243	553,825	463,796	284,732
5,877,743	6,478,349	5,974,801	7,925,947	8,041,757	8,400,874
2,139,002	2,207,345	2,324,857	2,273,392	1,756,552	1,856,055
(188,481)	981,010	1,258,858	538,901	141,112	556,443
140,421	226,965	399,722	4,124,450	457,741	1,027,363
<u>43,794,972</u>	<u>47,820,222</u>	<u>52,698,055</u>	<u>63,811,950</u>	<u>67,303,622</u>	<u>76,890,801</u>
8,405,607	10,291,860	11,586,257	13,351,992	10,728,669	12,494,465
7,713,176	9,059,429	11,602,383	12,055,558	13,496,827	15,830,392
2,837,392	2,930,716	3,742,931	5,202,276	6,285,005	8,051,533
2,318,345	2,595,664	3,074,017	3,651,867	4,015,698	3,842,562
809,841	967,116	3,729,446	1,000,103	30,028,572	3,866,160
1,383,628	3,774,743	10,513,269	20,214,290	31,192,034	46,428,341
3,161,506	3,164,560	3,385,313	9,473,374	53,627,744	4,195,530
4,711,032	4,497,544	4,321,778	3,997,878	2,578,030	3,048,348
-	-	-	-	787,207	662,341
<u>31,340,527</u>	<u>37,281,632</u>	<u>51,955,394</u>	<u>68,947,338</u>	<u>152,739,786</u>	<u>98,419,672</u>
12,454,445	10,538,590	742,661	(5,135,388)	(85,436,164)	(21,528,871)
6,654,872	7,089,715	18,592,762	24,394,743	15,283,200	39,699,516
(5,120,342)	(6,614,671)	(18,249,622)	(23,606,122)	(14,878,305)	(35,557,681)
-	-	-	-	600,860	-
-	-	-	-	66,435,000	65,960,000
-	-	-	-	9,313,830	8,711,845
-	-	-	-	(22,768,595)	-
<u>130,234</u>	<u>518,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,664,764</u>	<u>993,740</u>	<u>343,140</u>	<u>788,621</u>	<u>53,985,990</u>	<u>78,813,680</u>
<u>\$ 14,119,209</u>	<u>\$ 11,532,330</u>	<u>\$ 1,085,801</u>	<u>\$ (4,346,767)</u>	<u>\$ (31,450,174)</u>	<u>\$ 57,284,809</u>
26.57%	26.28%	23.82%	18.56%	46.18%	14.17%

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

	Fiscal Year			
	2009	2010	2011	2012
Sales Category:				
Construction	\$ 128,692,544	\$ 47,010,800	\$ 44,145,779	\$ 64,313,467
Manufacturing	13,088,096	11,605,644	14,276,568	14,800,622
Communications and Utilities	36,977,768	45,536,133	44,125,676	47,838,756
Wholesale Trade	7,319,314	5,051,467	6,230,724	5,300,978
Retail Trade	236,077,544	235,488,222	240,602,220	256,984,356
Restaurants and Bars	36,646,285	40,576,044	46,232,244	45,583,911
Real Estate, Rental and Lease	55,469,885	47,604,000	50,089,300	52,889,378
Services	11,642,030	8,637,778	10,865,399	11,949,956
Arts and Entertainment	-	-	-	-
Other	26,988,611	15,717,867	16,574,783	18,414,889
Total	<u>\$ 552,902,077</u>	<u>\$ 457,227,955</u>	<u>\$ 473,142,693</u>	<u>\$ 518,076,311</u>
Town Sales Tax Rate	2.25%	2.25%	2.25%	2.25%
Town Construction Sales Tax			4.25%	4.25%

Source: Arizona Department of Revenue

Note 1: Beginning in 2017, Arts and Entertainment is now separately presented. For 2008-2016 Arts and Entertainment was included as a component of "Other."

Fiscal Year

	2013	2014	2015	2016	2017	2018
\$	183,507,187	\$ 147,042,520	\$ 182,451,846	\$ 228,148,702	\$ 325,054,724	\$ 323,918,004
	15,678,705	15,409,198	17,401,290	13,073,403	13,631,003	14,918,272
	46,342,729	50,234,076	54,934,415	73,370,881	76,501,236	88,593,670
	5,271,396	6,152,793	6,323,860	5,669,397	7,252,396	7,038,680
	281,513,741	300,884,544	315,017,361	334,352,378	408,652,224	498,084,872
	51,553,181	59,267,692	64,732,627	79,263,734	98,632,807	117,446,518
	67,570,269	72,465,796	89,116,960	54,099,196	63,920,930	69,186,776
	15,347,314	17,782,422	22,427,818	17,197,640	23,415,231	30,931,997
	-	-	-	-	15,479,300	19,266,437
	17,420,404	18,477,390	22,829,027	14,273,352	2,332,793	634,624
\$	684,204,928	\$ 687,716,430	\$ 775,235,204	\$ 819,448,683	\$ 1,034,872,644	\$ 1,170,019,850
	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

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

<u>Fiscal Year</u>	<u>Town Direct Rate</u>	<u>Maricopa County</u>	<u>Pinal County</u>
2009	2.25%	5.60%	1.10%
2010	2.25	5.60	1.10
2011	2.25	6.60	1.10
2012	2.25	6.60	1.10
2013	2.25	6.60	1.10
2014	2.25	6.60	1.10
2015	2.25	5.60	1.10
2016	2.25	5.60	1.10
2017	2.25	5.60	1.10
2018	2.25	5.60	1.10

Source: Arizona Department of Revenue.

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

Fiscal Year	Assessed Value				Total Taxable Assessed Value
	Residential Property Value	Agricultural and Commercial Property Value	Total Assessed Value	Less: Exemptions	
2009	\$ 171,555,401	\$ 111,006,432	\$ 282,561,833	\$ (23,445,993)	\$ 259,115,840
2010	195,569,356	146,123,051	341,692,407	(46,821,106)	294,871,301
2011	169,255,887	159,450,475	328,706,362	(55,350,202)	273,356,160
2012	144,759,103	119,882,649	264,641,752	(48,399,737)	216,242,015
2013	136,523,850	107,847,792	244,371,642	(50,514,410)	193,857,232
2014	134,117,267	106,201,619	240,318,886	(54,222,364)	186,096,522
2015	158,768,582	120,273,244	279,041,826	(53,194,486)	225,847,340
2016	181,409,687	119,278,199	300,687,886	(56,143,242)	244,544,644
2017	207,525,362	131,058,174	338,583,536	(62,727,585)	275,855,951
2018	238,748,449	132,364,532	371,112,981	(53,704,580)	317,408,401

Fiscal Year	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2009	1.95	\$ 2,348,124,494	11.04%
2010	1.95	2,774,527,343	10.63%
2011	1.95	2,588,834,701	10.56%
2012	1.95	2,128,316,508	10.16%
2013	1.95	1,978,537,284	9.80%
2014	1.95	1,951,331,647	9.54%
2015	1.95	2,291,037,519	9.86%
2016	1.95	2,533,360,285	9.65%
2017	1.95	2,912,993,411	9.47%
2018	1.95	3,253,625,483	9.76%

Source: Arizona Department of Revenue *Abstract of the Assessment Roll*

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

Fiscal Year	Direct Rate	Overlapping Rates		
	Town of Queen Creek	Queen Creek Unified School District	Community College District	Maricopa County
2009	1.95	5.46	0.94	1.03
2010	1.95	5.01	0.88	0.99
2011	1.95	4.92	0.97	1.05
2012	1.95	4.92	0.97	1.05
2013	1.95	4.55	1.16	1.24
2014	1.95	8.16	1.53	1.28
2015	1.95	6.55	1.52	1.32
2016	1.95	8.05	1.47	1.40
2017	1.95	7.57	1.41	1.40
2018	1.95	7.61	1.38	1.40

Source: The Maricopa County Treasurer and Pinal County Treasurer.

**TOWN OF QUEEN CREEK, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2018 AND 2011
(UNAUDITED)**

Taxpayer	2018			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
VPQCM, LLC	\$ 8,449,964	1	2.66			
LBE Investments, LTD	4,242,543	2	1.34			
Queen Creek Summit, LLC	3,387,414	3	1.07			
William Lyon Homes, Inc	2,409,551	4	0.76			
Target Corporation	2,297,970	5	0.72			
HSL Encantada Queen Creek LLC	2,253,690	6	0.71	\$ 3,785,838	5	1.36
Wal-Mart Stores, Inc.	2,151,000	7	0.68			
Queen Creek AZ, LLC	2,002,990	8	0.63			
WDP Town Center, LLC	1,713,193	9	0.54			
Grace and Power Chandler Heights LLC	1,705,482	10	0.54			
DMB Mesa Proving Grounds				25,444,484	1	9.11
Commercial Metals Company				7,037,087	2	2.52
TRW Vehicle Safety Systems Inc				4,658,563	3	1.67
Fujifilm Electronics				4,017,270	4	1.44
Siete Solar, LLC (C/O PSEG)				3,480,628	6	1.25
VIP Emperor Estates LLC				3,371,813	7	1.21
Pulte Home Corporation				3,361,409	8	1.20
Queen Creek Joint Venture LL				2,876,240	9	1.03
Pecans of Queen Creek				2,733,421	10	0.98
	<u>\$ 30,613,797</u>		9.64 %	<u>\$ 56,980,915</u>		21.76 %

Source: The Maricopa County Assessor's Office

Note 1: Information prior to 2011 is not available.

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
2009	\$ 4,876,224	\$ 4,748,467	97.38 %	\$ 126,818	\$ 4,875,285	99.95 %	\$ 939	0.02 %
2010	5,700,178	5,550,834	97.38	148,569	5,699,402	99.90	776	0.01
2011	5,162,790	5,027,525	97.38	133,896	5,161,421	99.26	1,369	0.03
2012	4,094,863	3,976,035	97.10	117,403	4,093,437	99.23	1,426	0.03
2013	3,712,376	3,620,118	97.51	91,403	3,711,521	99.31	855	0.02
2014	3,567,724	3,473,119	97.35	93,749	3,566,868	97.71	856	0.02
2015	4,311,798	4,230,606	98.12	78,460	4,309,066	98.19	2,732	0.06
2016	4,703,428	4,613,919	98.10	88,319	4,702,238	98.10	1,190	1.90
2017	5,222,121	5,156,916	98.75	58,141	5,215,057	98.87	7,064	1.13
2018	6,125,160	6,072,022	99.13	-	6,072,022	98.87	53,138	1.13

Source: The Maricopa County & Pinal County Treasurer.

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

Governmental Activities						
Fiscal Year	Revenue Bonds	Special Assessment Bonds	Notes and Loans Payable	Long-Term Contract	Capital Leases	Total
2009	\$ 26,640,000	\$ 52,865,000	\$ 32,480,000	\$ -	\$ 1,723,025	\$ 113,708,025
2010	26,005,000	51,590,000	21,845,000	-	1,497,330	100,937,330
2011	25,345,000	50,250,000	21,135,000	-	1,350,104	98,080,104
2012	24,660,000	48,840,000	19,875,000	-	1,081,424	94,456,424
2013	24,322,262	48,271,732	19,535,705	-	915,152	93,044,851
2014	23,195,000	47,036,153	18,825,803	753,415	1,259,288	91,069,659
2015	22,415,000	45,338,311	18,085,902	376,708	1,008,975	87,224,896
2016	21,600,000	36,530,000	17,025,000	188,354	765,601	76,108,955
2017	56,954,561	18,445,000	-	-	517,857	75,917,418
2018	128,453,493	17,117,758	-	-	259,569	145,830,820

Business-Type Activities					
Fiscal Year	Advances in Aid of Construction	Loans Payable	Revenue Obligation	Capital Leases	Total
2009	\$ 8,870,167	\$ 77,056,592	\$ -	\$ -	\$ 85,926,759
2010	6,890,601	75,993,739	-	-	82,884,340
2011	6,387,387	74,201,249	-	-	80,588,636
2012	1,239,276	70,524,328	-	271,012	72,034,616
2013	847,232	67,092,551	-	-	67,939,783
2014	2,629,297	78,287,581	34,602,247	-	115,519,125
2015	2,069,797	74,574,006	34,064,465	-	110,708,268
2016	1,023,036	70,331,716	33,440,053	-	104,794,805
2017	806,310	65,688,234	32,727,457	-	99,222,001
2018	561,434	60,883,127	31,922,893	-	93,367,454

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

Fiscal Year	Total Outstanding Debt - Primary Government	Percentage of Estimated Actual Value	Percentage of Personal Income	Per Capita
2009	\$ 199,634,784	6.35%	N/A	\$ 8,235
2010	183,821,670	5.67%	30.81%	7,725
2011	178,668,740	6.60%	25.05%	6,939
2012	166,491,040	7.87%	23.36%	6,618
2013	160,984,634	8.22%	23.43%	6,211
2014	206,588,784	10.68%	20.09%	5,757
2015	197,933,164	8.18%	23.34%	6,962
2016	180,903,760	7.24%	20.50%	6,231
2017	175,139,419	5.50%	16.33%	5,012
2018	239,198,274	7.35%	14.36%	4,752

Source: The Town's Finance Department.

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

TOWN OF QUEEN CREEK, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2018
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Maricopa County Community College District	\$ 380,740,000	0.82%	\$ 3,122,068
Maricopa County Special Healthcare District	75,000,000	0.82%	615,000
Pinal County Community College District	76,730,000	14.04%	10,772,892
Higley Unified School District	109,445,000	9.02%	9,871,939
Chandler Unified School District	243,249,444	0.34%	827,048
Queen Creek Unified School District No. 95	94,925,000	63.09%	59,888,183
Subtotal, Overlapping Debt			<u>85,097,130</u>
Town of Queen Creek, Arizona	145,830,820	100.00%	145,830,820
Total Direct and Overlapping Debt			<u><u>\$ 230,927,950</u></u>

Source: State of Arizona Department of Revenue and Arizona Tax Research Association.

(1) Proportion applicable to the Town of Queen Creek, Arizona, is computed on the ratio of secondary assessed valuation for 2017-18.

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

	Fiscal Year			
	2009	2010	2011	2012
Total Debt Limit	\$ 90,464,867	\$ 90,209,091	\$ 74,395,445	\$ 55,763,244
Total Applicable to Limit	-	-	-	-
Legal Debt Margin	<u>\$ 90,464,867</u>	<u>\$ 90,209,091</u>	<u>\$ 74,395,445</u>	<u>\$ 55,763,244</u>
 Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	 -	 -	 -	 -

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

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TOWN OF QUEEN CREEK, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2018
(UNAUDITED)

Net Secondary Assessed Value		<u>\$ 317,408,401</u>
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt Limit - 20% of Net Secondary Assessed Value		\$ 63,481,680
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	<u>-</u>	
Net Debt Applicable to Limit		<u>-</u>
20% Legal Debt Margin		<u>\$ 63,481,680</u>
<u>All Other General Obligation Bonds</u>		
Debt Limit - 6% of Net Secondary Assessed Value		\$ 19,044,504
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	<u>-</u>	
Net Debt Applicable to Limit		<u>-</u>
All Other General Obligation Bonds debt Margin		<u>\$ 19,044,504</u>
Total Legal Debt Margin		<u>\$ 82,526,184</u>

Source: Maricopa County Assessor's Office.

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

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

Excise Tax and State Shared Revenue Bonds and Loans

Fiscal Year	Excise Tax and State Shared Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	\$ 17,835,389	\$ -	\$ 17,835,389	\$ 1,430,000	\$ 2,840,875	4.17%
2010	16,119,133	-	16,119,133	1,535,000	2,397,001	4.10
2011	15,174,771	-	15,174,771	1,475,000	2,341,621	3.98
2012	18,364,187	-	18,364,187	1,510,000	2,388,519	4.71
2013	24,062,234	-	24,062,234	1,580,000	2,336,067	6.14
2014	26,732,168	-	26,732,168	1,440,000	2,062,755	7.63
2015	29,513,886	-	29,513,886	1,505,000	2,181,769	8.01
2016	32,806,963	-	32,806,963	1,600,000	2,115,132	8.83
2017	38,030,297	-	38,030,297	1,070,000	1,380,443	15.52
2018	42,072,698	-	42,072,698	4,675,000	385,150	8.31

Special Assessment Bonds

Fiscal Year	Special Assessment Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	\$ 4,589,589	\$ -	\$ 4,589,589	\$ 1,215,000	\$ 2,376,850	1.28
2010	3,869,312	-	3,869,312	1,275,000	2,612,100	1.00
2011	3,886,137	-	3,886,137	1,340,000	2,555,673	1.00
2012	3,986,080	-	3,986,080	1,410,000	2,477,477	1.03
2013	3,877,849	-	3,877,849	1,475,000	2,405,349	1.00
2014	3,901,550	-	3,901,550	1,550,000	2,330,251	1.01
2015	3,945,777	-	3,945,777	1,630,000	2,250,125	1.02
2016	9,199,238	-	9,199,238	7,655,000	2,017,875	0.95
2017	1,756,552	-	1,756,552	1,399,379	264,865	1.06
2018	1,856,055	-	1,856,055	1,327,242	437,495	1.05

Wastewater Loans

Fiscal Year	Wastewater Charges and Other (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	\$ 3,716,238	\$ 1,995,636	\$ 1,720,602	\$ 1,529,457	\$ 1,269,566	0.61
2010	4,215,598	2,591,636	1,623,962	1,586,518	605,188	0.74
2011	3,550,573	2,245,110	1,305,463	1,586,517	660,621	0.58
2012	4,300,647	2,044,225	2,256,422	235,414	1,192,801	1.58
2013	6,806,429	2,011,178	4,795,251	254,037	1,181,896	3.34
2014	8,351,751	1,849,295	6,502,456	1,674,187	1,346,118	2.15
2015	9,012,855	1,963,292	7,049,563	1,736,692	1,198,701	2.40
2016	10,983,033	2,773,658	8,209,375	1,826,531	1,092,945	2.81
2017	11,143,065	2,971,087	8,171,978	2,163,563	1,088,921	2.51
2018	11,901,732	2,901,310	9,000,422	1,999,418	917,962	3.09

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

Water Loans						
Fiscal Year	Water Charges and Other (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	\$ 7,154,421	\$ 3,634,862	\$ 3,519,559	\$ 1,338,052	\$ 1,639,135	1.18
2010	7,761,493	5,124,137	2,637,356	1,338,052	777,829	1.25
2011	8,639,880	4,342,685	4,297,195	1,392,076	749,727	2.01
2012	9,395,949	3,956,535	5,439,414	1,506,755	1,446,735	1.84
2013	10,566,874	3,773,546	6,793,328	1,567,590	1,385,441	2.30
2014	15,402,862	5,324,275	10,078,587	2,217,063	2,237,977	2.26
2015	20,346,168	8,592,373	11,753,795	2,301,398	2,933,067	2.25
2016	23,734,654	9,091,466	14,643,188	2,388,975	3,287,945	2.58
2017	25,400,540	10,208,623	15,191,917	2,479,919	2,598,455	2.99
2018	27,397,322	11,624,418	15,772,904	2,669,716	3,053,028	2.76

Source: The Town's Comprehensive Annual Financial Report's debt service schedules on applicable debt.

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

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Arizona Unemployment Rate</u>	<u>Maricopa County Unemployment Rate</u>	<u>Town of Queen Creek Unemployment Rate</u>
2009	25,844	647,971,256	28,328	8.7 %	7.1 %	9.0 %
2010	26,490	733,720,020	27,698	9.6	8.8	9.0
2011	26,996	764,742,688	28,328	9.7	8.5	9.1
2012	26,805	710,520,135	26,507	8.5	7.3	5.9
2013	27,963	801,503,469	28,663	8.0	7.1	7.3
2014	29,673	885,086,244	29,828	6.9	6.4	4.8
2015	34,614 *	1,052,265,600	30,400	5.9	5.3	4.4
2016	36,096	1,108,002,816	30,696	5.8	5.3	4.0
2017	41,919	1,149,613,561	27,425	4.7	3.9	3.9
2018	50,340	1,665,599,580	33,087	4.9	4.2	3.5

Sources:

Per Capita Personal Income - United States Department of Commerce, U.S. Census Bureau, 2017 American Community Survey

Unemployment Rates - Arizona Department of Administration, Office of Employment and Population Statistics.

Population - Maricopa Association of Governments (MAG) for estimates through 2016. Beginning in 2017, MAG estimates are not available until after publication of the CAFR. Estimates will now come from the Town's Planning Area updates.

* 2015 estimate has been updated based on a special census report provided by the U.S. Census Bureau for the Town of Queen Creek

**TOWN OF QUEEN CREEK, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2018 AND 2011
(UNAUDITED)**

Employer	2018			2011 (1)		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Queen Creek Unified School District	835	1	10.84%	667	1	34.63%
Banner Ironwood Medical Center	400	2	5.19%			
Wal-Mart	380	3	4.94%	310	2	16.10%
Canyon State Academy	305	4	3.96%	200	3	10.38%
Town of Queen Creek, Arizona	239	5	3.10%	149	6	7.74%
Chandler Unified School District	200	6	2.60%			
Home Depot	194	7	2.52%	135	5	7.01%
Target Stores	190	8	2.47%	170	4	8.83%
Benjamin Franklin Charter Schools	162	9	2.10%			
American Leadership Academy	140	10	1.82%			
V & P Nurseries	140	10	1.82%			
	3,185		41.36%	1,631		84.68%

Source: The Town of Queen Creek Economic Development Department
Maricopa Association of Governments

(1) Information prior to 2011 is not available.

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

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

Function	Full-Time Equivalent Employees									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	55	48	33	35	43	44	47	51	56	60
Public Safety	34	33	32	32	37	44	45	60	60	63
Highways and Streets	23	17	17	18	16	14	16	16	16	16
Culture and Recreation	31	30	20	11	22	24	31	34	34	32
Economic Development	26	28	16	26	9	9	11	12	13	13
Solid Waste	**	**	**	**	**	4	5	6	5	5
Wastewater	6	5	4	4	5	4	5	5	5	4
Water	25	27	24	23	22	32	37	38	40	46
Total	200	188	146	149	154	175	197	222	229	239

Source: The Town's Human Resources Department.

** 2008-2013 Solid Waste staff were grouped with Wastewater

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

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Planning and Building Safety					
Building Permits Issued	179	224	125	194	1,946
Residential Permit Total Valuations	- *	- *	- *	- *	-
Commercial Permit Total Valuations	- *	- *	- *	- *	-
Highways and Streets					
Street Resurfacing (Miles)	47	64	13	24	43
Street Striped (Miles)	50	50	38	29	38
Culture and Recreation					
Athletic Field Permits Issued	114	169	148	122	128
Recreation Center Program Hits	12,105	11,984	10,608	15,374	17,805
Special Interest Class Participants	- *	- *	- *	- *	-
Special Event Attendance	- *	- *	- *	- *	-
Fire & Medical					
Emergency Calls for Service	114	169	148	122	128
Water					
Total Connections	- **	- **	- **	- **	-

Source: The Town of Queen Creek, Arizona

* 2009-2013 Information not available

** 2009-2014 Information not available

Fiscal Year				
2014	2015	2016	2017	2018
2,486	2,817	3,265	3,343	2,606
266,826,440	304,641,623	399,870,271	413,586,201	423,959,635
1,648,171	500,000	14,290,919	30,000,451	62,069,893
10	10	35	35	25
15	22	28	28	7
115	114	124	124	121
18,435	15,374	13,862	13,862	10,907
2,637	4,290	4,566	5,130	7,780
11,000	15,500	19,500	24,500	28,000
2,485	2,420	3,030	3,168	3,382
- **	22,647	24,332	25,997	28,431

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

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Highways and Streets					
Streets (Miles)	386	386	391	397	440
Streetlights	863 *	873	983	1,022	1,082
Traffic Signals	33	33	33	37	38
Culture and Recreation					
Developed Park Acreage	419	419	419	419	419
Undeveloped Parks Acreage	- **	- **	- **	- **	- **
Developed Wash Trail Acreage	- **	- **	- **	- **	- **
Undeveloped Wash Trail Acreage	- **	- **	- **	- **	- **
Number of Parks	3	3	3	3	3
Community Centers	3	2	2	2	1
Fire Department					
Fire Apparatus	- ***	- ***	- ***	- ***	- ***
Fire Stations	- ***	- ***	- ***	- ***	- ***
Water					
Number of Potable Water Wells	- ***	- ***	- ***	- ***	- ***
Potable Water Pipe (Miles)	- ***	- ***	- ***	- ***	- ***
Sewer					
Sanitary Sewer (Miles)	99	102	104	105	110
Storm Sewers (Miles)	7	8	9	9	9
Maximum Daily Treatment Capacity (Thousands of Gallons)	4,000	4,000	4,000	4,000	4,000

Source: The Town of Queen Creek's Facility Records

* 2009 represents Town owned/paid streetlights only

** 2009-2013 & 2015 acreage was not broken out by Parks and Wash Trail

*** 2009-2016 information not previously tracked

Fiscal Year

2014	2015	2016	2017	2018
461	492	522	529	556
2,355	2,827	2,982	3,282	3,335
42	45	48	48	50
200	200	82	82	79
344	344	204	204	219
-	-	262	262	262
-	-	22	51	51
4	4	4	5	5
3	3	3	3	3
-	-	-	4	4
-	-	-	2	3
-	-	-	15	18
-	-	-	474	540
128	134	153	167	171
9	9	10	10	10
4,000	4,000	4,000	4,000	4,000

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