

## OFFICIAL STATEMENT

**NEW ISSUE – BOOK-ENTRY ONLY**

**RATINGS: See “Ratings” herein**

*In the opinion of Special Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, the portion of each installment payment made by the Town pursuant to the Third Purchase Agreement and denominated as and comprising interest pursuant to the Third Purchase Agreement and received by Owners of the Obligations (the “Interest Portion”) is excludable from gross income for federal income tax purposes. Further, the Interest Portion is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and is exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excludable from gross income for federal income tax purposes. See “TAX EXEMPTION” herein for a description of the federal alternative minimum tax, including the federal alternative minimum tax on corporations for taxable years beginning before January 1, 2018, and certain other federal tax consequences of ownership of the Obligations.*

### **TOWN OF QUEEN CREEK, ARIZONA EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS**

**\$47,945,000  
SERIES 2018A**

**\$18,015,000  
SERIES 2018B**

Dated: Date of Delivery

Due: August 1, as shown on the inside front cover page

The Excise Tax and State Shared Revenue Obligations, Series 2018A (the “2018A Obligations”) and the Excise Tax and State Shared Revenue Obligations, Series 2018B (“2018B Obligations”) and together with the 2018A Obligations, the “Obligations”) will be executed and delivered (i) to finance or reimburse certain capital projects (as described herein) of the Town of Queen Creek, Arizona (the “Town”), and (ii) to pay costs relating to the execution and delivery of the Obligations.

Interest on the Obligations will be payable semiannually on each February 1 and August 1, commencing August 1, 2018. The Obligations will be dated the date of delivery and will be issuable as fully registered obligations without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Obligations. Beneficial interests in the Obligations will be available to purchasers in principal amounts of \$5,000 and any integral multiple thereof only under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants (as defined herein). Purchasers will not receive physical certificates. So long as any purchaser is the beneficial owner of an Obligation, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest on such Obligations. See Appendix F - “Book-Entry Only System” herein.

The Obligations will be subject to redemption prior to their stated maturities as described herein.

The Obligations will be undivided, proportionate interests in the installment payments to be made by the Town pursuant to a Third Purchase Agreement, to be dated as of February 1, 2018, between the Town and The Bank of New York Mellon Trust Company, N.A. The installment payments to be made by the Town will be payable from and secured by a limited pledge of the revenues from the Excise Taxes and State Shared Revenues (each as defined herein). Except to the extent described herein, such pledge will be on a parity with the Town’s pledge of such Excise Taxes and State Shared Revenues made in connection with certain Parity Lien Obligations (as defined herein). See “SECURITY AND SOURCES OF PAYMENT” herein.

THE OBLIGATIONS WILL BE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE TOWN AND WILL BE PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE TOWN, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF AND THE FULL FAITH AND CREDIT OF THE TOWN, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL NOT BE PLEDGED FOR THE PAYMENT OF THE OBLIGATIONS.

*The Obligations will be offered when, as and if issued, subject to the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel, as to validity and tax exemption. Certain matters will be passed upon for the Underwriters by their Counsel, Kutak Rock, LLP, Scottsdale, Arizona. It is anticipated that the Obligations in definitive form will be available for delivery in New York, New York on or about February 21, 2018.*

This cover page contains only a brief description of the Obligations and the security therefor. It is not a summary of material information with respect to the Obligations. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Obligations.

**MORGAN STANLEY**

**PIPER JAFFRAY**

February 6, 2018

## MATURITY SCHEDULES

### TOWN OF QUEEN CREEK, ARIZONA EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS

**\$47,945,000**  
**SERIES 2018A**

<b>Maturity Date (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP (a) (Base 74823Y)</b>
2018	\$355,000	2.00%	1.36%	BX2
2019	800,000	3.00	1.46	BY0
2020	825,000	4.00	1.63	BZ7
2021	855,000	4.00	1.78	CA1
2022	890,000	4.00	1.92	CB9
2023	925,000	5.00	2.06	CC7
2024	975,000	5.00	2.18	CD5
2025	1,020,000	5.00	2.33	CE3
2026	1,075,000	5.00	2.47	CF0
2027	1,125,000	5.00	2.59	CG8
2028	1,185,000	5.00	2.69	CH6
2029	1,240,000	5.00	2.78*	CJ2
2030	1,305,000	5.00	2.86*	CK9
2031	1,370,000	5.00	2.92*	CL7
2032	1,435,000	5.00	2.96*	CM5
2033	1,510,000	5.00	3.01*	CN3
2034	1,585,000	5.00	3.08*	CP8
2035	1,665,000	5.00	3.11*	CQ6
2036	1,745,000	5.00	3.14*	CR4
2037	1,835,000	5.00	3.17*	CS2

\$10,640,000 Term Obligations @ 5.00% - Due August 1, 2042 – Yield 3.21%\* - CUSIP 74823YCT0

\$13,585,000 Term Obligations @ 5.00% - Due August 1, 2047 - Yield 3.26%\* - CUSIP 74823YCU7

\*Yield calculated to the first optional redemption date, August 1, 2028

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**TOWN OF QUEEN CREEK, ARIZONA  
EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS**

**\$18,015,000  
SERIES 2018B**

<b>Maturity Date (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP (Base 74823Y)</b>
2018	\$210,000	2.00%	1.36%	CV5
2019	470,000	3.00	1.46	CW3
2020	485,000	4.00	1.63	CX1
2021	500,000	4.00	1.78	CY9
2022	520,000	4.00	1.92	CZ6
2023	540,000	4.00	2.06	DA0
2024	565,000	5.00	2.13*	DB8
2025	595,000	5.00	2.21*	DC6
2026	625,000	5.00	2.30*	DD4
2027	655,000	5.00	2.37*	DE2
2028	690,000	5.00	2.42*	DF9
2029	720,000	5.00	2.47*	DG7
2030	750,000	5.00	2.53*	DH5
2031	795,000	3.25	3.35	DJ1
2032	820,000	3.25	3.39	DK8
2033	845,000	3.25	3.44	DL6

\$3,690,000 Term Obligations @ 3.50% - Due August 1, 2037 – Yield 3.59% - CUSIP 74823YDM4

\$4,540,000 Term Obligations @ 5.00% - Due August 1, 2047 – Yield 2.97%\* - CUSIP 74823YDN2

\*Yield calculated to the first optional redemption date, August 1, 2023

**TOWN OF QUEEN CREEK, ARIZONA**  
*Incorporated in 1989*

**TOWN COUNCIL**

Gail Barney, *Mayor*

Emilena Turley, *Vice Mayor*

Robin Benning

Jeff Brown

Jake Hoffman

Dawn Oliphant

Julia Wheatley

**ADMINISTRATIVE STAFF**

John Kross, ICMA-CM  
*Town Manager*

Scott McCarty, CPA  
*Chief Financial Officer*

Dickinson Wright PLLC  
*Town Attorneys*

**SPECIAL COUNSEL**

Greenberg Traurig, LLP  
*Phoenix, Arizona*

**FINANCIAL ADVISOR**

RBC Capital Markets, LLC  
*Phoenix, Arizona*

**TRUSTEE**

The Bank of New York Mellon Trust Company, N.A.  
*Austin, Texas*

This Official Statement, which includes the cover page, the inside front cover page and the Appendices hereto, does not constitute an offering of any security other than the original offering of the Obligations identified on the inside front cover page hereof. No dealer, broker, salesperson or other person has been authorized by the Town of Queen Creek, Arizona (the “Town”), RBC Capital Markets, LLC (the “Financial Advisor”) or the underwriters identified on the front cover page (the “Underwriters”) to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information contained in this Official Statement has been obtained from the Town and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, any of the foregoing. The presentation of such information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Town. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are “forward looking statements,” which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Town since the date hereof.

The Town, Financial Advisor, Underwriters, Underwriters’ Counsel and Special Counsel are not actuaries, nor have any of them performed any actuarial or other analysis of the Town’s unfunded liabilities under the Arizona State Retirement System or the Arizona Public Safety Personnel Retirement System.

In accordance with, and as part of, their responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction, the Underwriters have reviewed the information in this Official Statement, but do not guarantee the accuracy or completeness of such information. The delivery of this Official Statement shall not imply that the information herein is correct as of any time subsequent to the date hereof.

The information contained in Appendix F – “Book-Entry-Only System” has been furnished by The Depository Trust Company and no representation has been made by the Town or the Underwriters, or any of their counsel or agents, as to the accuracy or completeness of such information.

The issuance and sale of the Obligations have not been registered under the Federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor has the issue been qualified under the Securities Act of Arizona, in reliance upon various exemptions in such Act. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The Town has undertaken to provide continuing disclosure with respect to the Obligations as required by Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING DISCLOSURE” and Appendix E – “Form of Continuing Disclosure Undertaking” herein.

In connection with this offering, the Underwriters may allow concessions or discounts from the initial public offering prices to dealers and others, and the Underwriters may over allot or engage in transactions intended to stabilize the prices of the Obligations at levels above those which might otherwise prevail in the open market in order to facilitate their distribution. Such stabilization, if commenced, may be discontinued at any time.

The Bank of New York Mellon Trust Company, N.A., in its capacity as Trustee, has not participated in the preparation of this Official Statement and assumes no responsibility for its content.

A wide variety of other information, including financial information, concerning the Town is available from publications and websites of the Town and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement, except as expressly noted herein.

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**OFFICIAL STATEMENT**

**TOWN OF QUEEN CREEK, ARIZONA  
EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS**

**\$47,945,000  
SERIES 2018A**

**\$18,015,000  
SERIES 2018B**

**INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto (this “Official Statement”), provides certain information concerning the offering by the Town of Queen Creek, Arizona (the “Town”) of \$47,945,000 principal amount of Excise Tax and State Shared Revenue Obligations, Series 2018A (the “2018A Obligations”) and \$18,015,000 principal amount of Excise Tax and State Shared Revenue Obligations, Series 2018B (the “2018B Obligations”) and together with the 2018A Obligations, the “Obligations”), dated their date of initial delivery. The Obligations will be undivided, participating, proportionate interests in installment payments (the “Payments”) to be made by the Town pursuant to a Third Purchase Agreement, to be dated as of February 1, 2018 (the “Purchase Agreement”), between the Town, as buyer, and The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee (the “Trustee”), as seller. The Obligations are being executed and delivered for the purpose of providing funds (i) to finance or reimburse certain capital projects of the Town (the “Projects”), and (ii) to pay the costs and expenses relating to the execution and delivery of the Obligations. See “THE PROJECTS” herein.

The Obligations will be executed and delivered pursuant to a Third Trust Agreement, to be dated as of February 1, 2018 (the “Trust Agreement”), between the Town and the Trustee. Certain of the Trustee’s interests under the Purchase Agreement, including, without limitation, the right to receive and collect the Payments and the right to enforce the payment of the Payments, will be held by the Trustee for the benefit of the registered owners of the Obligations. See Appendix C – “Summary of Select Provisions of Principal Documents” in addition to the information herein below for descriptions of the terms of the Purchase Agreement and the Trust Agreement.

The Payments will be payable from and secured by a lien on the revenues from the Excise Taxes and the State Shared Revenues (both hereinafter defined) on a parity with the payments due pursuant to a Loan Repayment Agreement, dated as of March 1, 2014 (the “Loan Repayment Agreement”), by and between the Town and a State of Arizona (the “State” or “Arizona”) bond bank, the Greater Arizona Development Authority (“GADA”), outstanding in the principal amount of \$3,370,000 and the Second Purchase Agreement, dated as of October 1, 2016 (the “Second Purchase Agreement”), by and between the Town, as purchaser, and The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee, as seller, outstanding in the principal amount of \$45,380,000, relating to the Town’s Excise Tax and State Shared Revenue Refunding Obligations, Series 2016. Pursuant to the Loan Repayment Agreement and the Second Purchase Agreement, the Town irrevocably pledged, on a first lien basis, for the payment of the amounts due thereunder, the revenues from the Excise Taxes and the State Shared Revenues. Except as limited by the Loan Repayment Agreement and by the corresponding sections in any agreement for any additional loan from GADA or for any loan from another State bond bank, the Water Infrastructure Finance Authority of Arizona (“WIFA”), hereafter consummated (collectively, “Additional Agency/Authority Loan Agreements”), the rights of GADA to payment from the revenues from the Excise Taxes and the State Shared Revenues are on a parity with the rights to payment from the revenues from the Excise Taxes and the State Shared Revenues of any obligations hereafter issued on a parity with such Loan Repayment Agreement, as permitted pursuant to the Loan Repayment Agreement (the “Parity Lien Obligations”) which includes Additional Agency/Authority Loan Agreements, the Second Purchase Agreement and, with respect to the Obligations, the Purchase Agreement. Pursuant to the Loan Repayment Agreement and the Second Purchase Agreement, so long as any amounts due thereunder remain unpaid or unprovided for, the Town may not further encumber the revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge thereunder unless certain requirements of the Loan Repayment Agreement and Second Purchase Agreement are satisfied. See “SECURITY AND SOURCES OF PAYMENT - Additional Parity Lien Obligations” and, for detail about amounts due pursuant to the Loan Repayment Agreement and Second Purchase Agreement, Appendix A – “Town Of Queen Creek, Arizona, General and Financial Information – Excise Tax and State Shared Revenue Debt Outstanding and to be Outstanding.”

The Loan Repayment Agreement provides that GADA may in the case of nonpayment, among other things, certify to the Treasurer of the State and notify the Mayor and Council of the Town that the Town has failed to make a required payment and direct a withholding of the State Shared Revenues until the default has been cured as provided in Sections 41-2257(L) and (M) and 41-2258(I), (J) and (K), Arizona Revised Statutes, as amended (the “State Intercept of Funds”). Additional Agency/Authority Loan Agreements may also provide that GADA or WIFA may enforce their loans with the State Intercept of Funds.

“Excise Taxes” means the unrestricted transaction privilege (sales) tax, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures which the Town imposes; provided that the Mayor and Council of the Town may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council.

“State Shared Revenues” means any amount of excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State or any agency thereof and returned, allocated or apportioned to the Town, except the Town’s share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes.

A brief description of the security for the Obligations and of matters related to the Town is included in this Official Statement together with a summary of select provisions of the Purchase Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Purchase Agreement and the Trust Agreement are qualified in their entirety by reference to such documents, and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of all of which are available for inspection at the designated corporate trust office of the Trustee. Terms used but not otherwise defined herein have the meanings set forth in Appendix C – “Summary of Select Provisions of Principal Documents – Definitions of Certain Terms”.

## **THE OBLIGATIONS**

### **General Provisions**

The Obligations will be dated the date of their initial execution and delivery and will bear interest from such date, at the rates, and will mature on the dates and in the amounts, all as set forth on the inside front cover page hereof. Interest on the Obligations will be payable on each February 1 and August 1 (each such date is referred to herein as an “Interest Payment Date”), commencing August 1, 2018. Interest will be computed on the basis of a year comprised of three hundred sixty (360) days consisting of twelve (12) months of thirty (30) days each. Payment of interest due with respect to any Obligations on any Interest Payment Date will be made to the person appearing on the registration books for the Obligation maintained by the Trustee as the owner thereof as of the close of business of the Trustee on the fifteenth day of the month preceding each Interest Payment Date.

The Obligations will be registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), under the book-entry only system described in Appendix F. Beneficial ownership interests in the Obligations may be purchased through direct and indirect participants of DTC in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. See Appendix F - “Book-Entry-Only System.”

### **Redemption Provisions**

#### *Optional Redemption*

*2018A Obligations.* The 2018A Obligations maturing before or on August 1, 2028, will not subject to redemption prior to maturity. The 2018A Obligations maturing on or after August 1, 2029, will be subject to redemption in such order and from such maturities as may be selected by the Town and by lot within any maturity by such methods as may be selected by the Trustee from prepayments made at the option of the Town pursuant to the Purchase Agreement, in whole or in part on any date on or after August 1, 2028, at a redemption price equal to the principal amount of 2018A Obligations or portions thereof to be redeemed, together with accrued interest to the date fixed for redemption, but without premium.



*2018B Obligations.* The 2018B Obligations maturing before or on August 1, 2023, will not subject to redemption prior to maturity. The 2018B Obligations maturing on or after August 1, 2024, will be subject to redemption in such order and from such maturities as may be selected by the Town and by lot within any maturity by such methods as may be selected by the Trustee from prepayments made at the option of the Town pursuant to the Purchase Agreement, in whole or in part on any date on or after August 1, 2023, at a redemption price equal to the principal amount of 2018B Obligations or portions thereof to be redeemed, together with accrued interest to the date fixed for redemption, but without premium.

*Mandatory Redemption*

*2018A Obligations.* The 2018A Obligations maturing August 1, 2042 will be subject to mandatory redemption on the following dates and in the following amounts at a price equal to the principal amount thereof plus interest accrued to the date of redemption, but without premium:

<u>Term 2018A Obligations Due 2042</u>	
2038	\$1,925,000
2039	2,020,000
2040	2,125,000
2041	2,230,000
2042 (maturity)	2,340,000

The 2018A Obligations maturing August 1, 2047 will be subject to mandatory redemption on the following dates and in the following amounts at a price equal to the principal amount thereof plus interest accrued to the date of redemption, but without premium:

<u>Term 2018A Obligations Due 2047</u>	
2043	\$2,460,000
2044	2,580,000
2045	2,710,000
2046	2,845,000
2047 (maturity)	2,990,000

*2018B Obligations.* The 2018B Obligations maturing August 1, 2037 will be subject to mandatory redemption on the following dates and in the following amounts at a price equal to the principal amount thereof plus interest accrued to the date of redemption, but without premium:

<u>Term 2018B Obligations Due 2037</u>	
2034	\$875,000
2035	905,000
2036	935,000
2037 (maturity)	975,000

The 2018B Obligations maturing August 1, 2047 will be subject to mandatory redemption on the following dates and in the following amounts at a price equal to the principal amount thereof plus interest accrued to the date of redemption, but without premium:

<u>Term 2018B Obligations Due 2047</u>	
2038	\$360,000
2039	380,000
2040	400,000
2041	415,000
2042	440,000
2043	460,000
2044	485,000
2045	505,000
2046	535,000
2047 (maturity)	560,000

Whenever Obligations subject to mandatory redemption are purchased, redeemed (other than by mandatory redemption) or are delivered by the Town to the Trustee for cancellation, the principal amount of the Obligations so retired will satisfy and be credited against the mandatory redemption requirements therefor in any order specified by the Town.

*Manner of Selection for Redemption*

The Obligations will be redeemed only in principal amounts of \$5,000 each or integral multiples thereof. The Town will, at least 45 days prior to the redemption date, notify the Trustee of such redemption date and of the maturities of the Obligations and the principal amount of the Obligations of any such maturity to be redeemed on such date. For the purposes of any redemption of less than all of the Obligations of a single maturity, the particular Obligations or portions of the Obligations to be redeemed shall be selected through the procedures of DTC.

*Notice of Redemption*

Redemption notices will be sent only to DTC by electronic media, not more than 60 nor less than 30 days prior to the date set for redemption. See Appendix F - "Book-Entry Only System." Such notice will state that if, on the specified redemption date, moneys for redemption of all the Obligations to be redeemed together with interest to the date of redemption, is held by the Trustee, then, from and after said date of redemption, interest with respect to the Obligations will cease to accrue and become payable and that if such moneys are not so held, the redemption will not occur.

Notice having been properly given, the Obligations, as applicable, shall become due and payable on the redemption date so designated and, upon presentation and surrender thereof at the place specified in the redemption notice, the redemption price of such Obligations shall be paid. If on the redemption date sufficient moneys are held by the Trustee to pay the redemption price, then and after the redemption date interest on the Obligations, as applicable, shall cease to accrue.

A notice of optional redemption may contain a statement that the redemption is conditional upon receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Obligations so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to owners of the Obligations called for redemption in the same manner as the original redemption notice was mailed.

## SECURITY AND SOURCES OF PAYMENT

### General

The Obligations will be special limited revenue obligations, taking the form of undivided, participating, proportionate interests in the Payments. The obligation of the Town to make the Payments will be limited to payment from the revenues from the Excise Taxes and the State Shared Revenues and will in no circumstances constitute a general obligation or a pledge of the full faith and credit of the Town or the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

Subject to the rights with respect to the revenues from the Excise Taxes and the State Shared Revenues with respect to the Loan Repayment Agreement, the Second Purchase Agreement and any other Parity Lien Obligations, the revenues from the Excise Taxes and State Shared Revenues in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Purchase Agreement and the Trust Agreement will constitute surplus revenues and may be used by the Town for any lawful purpose for the benefit of the Town. The Town may make payments due pursuant to the Purchase Agreement from other funds as permitted by law and as the Town determines from time to time, provided that the Trustee will thereafter have no claim to such other funds.

Under the terms of the Trust Agreement, an irrevocable trust will be administered by the Trustee for the equal and proportionate benefit of the Owners of the Obligations, which trust includes: (1) all right, title and interest of the Trustee, as seller, in the Purchase Agreement and the right to (a) make claim for, collect or receive all amounts payable or receivable thereunder, (b) bring actions and proceedings thereunder for the enforcement of such rights, and (c) do any and all other things which the Trustee is entitled to do thereunder; (2) amounts on deposit from time to time in the funds created pursuant to the Trust Agreement; and (3) any and all other property of any kind conveyed after the date of the Trust Agreement as additional security for the Obligations. See Appendix C – “Summary of Select Provisions of Principal Documents – The Trust Agreement.”

### Pledge

Subject to the State Intercept of Funds with regard to the Loan Repayment Agreement and any other of the Parity Lien Obligations which is also an Additional Agency/Authority Loan Agreement, the Payments will be secured by a first lien pledge by the Town of the revenues from the Excise Taxes and the State Shared Revenues. All of the Payments will be coequal as to the pledge of and lien on the revenues from the Excise Taxes and the State Shared Revenues pledged for payment thereof and share ratably, without preference, priority or distinction, as to the source or method of payment from the revenues from the Excise Taxes and the State Shared Revenues or security therefor.

Except for the State Intercept of Funds with respect to the Loan Repayment Agreement and any Additional Agency/Authority Loan Agreements, the rights of the Owners to payment from the revenues from the Excise Taxes and the State Shared Revenues will be on a parity with the rights to payment from the revenues from the Excise Taxes and the State Shared Revenues of the Loan Repayment Agreement, the Second Purchase Agreement and any other Parity Lien Obligations. If at any time the moneys in the funds held for payment of amounts due under the Purchase Agreement or the Trust Agreement are not sufficient to make the deposits and transfers required, any such deficiency will be made up from the first moneys thereafter received and available for such transfers under the terms of the Purchase Agreement and, with respect to payment from the revenues from the Excise Taxes and the State Shared Revenues, *pro rata*, as applicable, with amounts due with respect to other Parity Lien Obligations. The Purchase Agreement will not terminate so long as any of the Payments are due and owing pursuant to the terms of the Obligations.

Payment of the Obligations will not be secured by the Projects which will be financed with proceeds of the Obligations, and the Owners of the Obligations will have no claim or lien on such Projects.

### Additional Parity Lien Obligations

So long as any of the Obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, the Town may not further encumber the revenues from the Excise Taxes or the State Shared Revenues on a basis equal to the pledge for the Payments unless the revenues from the Excise Taxes plus the State Shared

Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year, shall have amounted to at least three (3) times the highest combined interest and principal requirements for any succeeding fiscal year for the Loan Repayment Agreement, the Second Purchase Agreement, the Purchase Agreement and the other of the Parity Lien Obligations.

#### **Covenant to Maintain Debt Service Coverage**

To the extent permitted by applicable law, the revenues from the Excise Taxes shall be retained and maintained so that the amounts received from the revenues from the Excise Taxes and the State Shared Revenues, when combined mathematically for such purpose only, all within and for the most recently completed fiscal year, shall have been equal to at least two (2) times the total of interest and principal requirements for the current fiscal year for the Loan Repayment Agreement, the Second Purchase Agreement, the Purchase Agreement and the other of the Parity Lien Obligations. If the revenues from the Excise Taxes and the State Shared Revenues for any such fiscal year shall not have been equal to at least one and one-quarter (1¼) times the total of the interest and principal requirements for the current fiscal year for the Loan Repayment Agreement, the Second Purchase Agreement, the Purchase Agreement and the other of the Parity Lien Obligations or if at any time it appears that the revenues from the Excise Taxes and the State Shared Revenues will not be sufficient to meet such requirements, the Town will, to the extent permitted by applicable law, impose new exactions of the type of the Excise Taxes which will be part of the Excise Taxes or increase the rates for the Excise Taxes currently imposed fully sufficient at all times, after making allowance for contingencies and errors, in each fiscal year in order that (a) the revenues from the Excise Taxes and the State Shared Revenues will be sufficient to meet all current requirements under the Purchase Agreement and (b) the revenues from the Excise Taxes and the State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this paragraph.

#### **REVENUES FROM THE EXCISE TAXES AND THE STATE SHARED REVENUES**

##### **Excise Taxes**

The revenues from the Excise Taxes will be pledged to the Payments represented by the Obligations as well as to the other of the Parity Lien Obligations, as described under “SECURITY AND SOURCES OF PAYMENT.”

**Initiative measures are circulated from time to time seeking to place on the ballot changes in legislative actions of the Mayor and Council of the Town which would repeal or modify the Town’s transaction privilege (sales) taxes. The Town cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take, the outcome of any such election or whether such a measure, if passed, would impact the Town’s ability to make Payments. See “SECURITY AND SOURCES OF PAYMENT - Covenant to Maintain Debt Service Coverage”.**

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*Town Transaction Privilege (Sales) Taxes.* The Town’s transaction privilege (sales) tax is levied by the Town upon persons on account of their business activities within the Town. The amount of taxes due are calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities shown in the table below. Transaction privilege (sales) taxes are collected by the Arizona Department of Revenue (“ADOR”) and remitted to the Town on a monthly basis.

**Town Transaction Privilege (Sales) Tax Base Rates by Category (a)**

<u>Category</u>	<u>General Tax Rate</u>
Amusement	2.00%
Advertising	2.00%
Communications	2.00%
Contracting	2.00%
Hotel/Motel	2.00%
Hotel/Motel	3.00%
Printing	2.00%
Publishing	2.00%
Leasing/Rental of Real Property	2.00%
Leasing/Rental of Tangible Personal Property	2.00%
Mining/Timbering	2.00%
Restaurants and Bars	2.00%
Retail	2.00%
Retail Sales – Food for Home Consumption	2.00%
Severance – Metal Mining	0.10%
Transportation	2.00%
Utilities	2.00%
Use Tax	2.00%

(a) See footnote (a) to the table under the heading “Collections of Excise Taxes and State Shared Revenues” for a description of exclusions from the revenues from the Excise Taxes which are the pledge for the Obligations.

***Recent Legislative Changes Regarding Municipal Excise Taxes.*** Chapter 255, Laws of Arizona 2013 (commonly referred to by its original bill number, HB2111), made changes to the collection process for such taxes, as well as modifying certain categories of business activity, as described below.

Effective January 1, 2017, ADOR became the single point of administration for licensing, filing and payment of all State, county and municipal transaction privilege taxes. The law requires ADOR to establish and administer a single online portal so that taxpayers can pay all State, county or municipal transaction privilege taxes online.

The law allows ADOR, subject to statutory guidelines, to disclose confidential information related to transaction privilege taxes collected by ADOR from any jurisdiction to any county, city or town tax official if it relates to a taxpayer who is subject to an ADOR audit. The law stipulates that taxpayers are subject to a single audit, eliminating possible subsequent or joint audits by cities and towns. The law also stipulates a variety of requirements for the audit, most of which generally require ADOR’s active involvement.

In addition, effective January 1, 2015, HB2111 also exempts from the “prime” construction contracting classification certain service contractors and design phase and professional services and modifies provisions regarding sourcing of certain transactions involving tangible personal property by providing that the sale of a motor vehicle to a nonresident delivered and intended for use outside of Arizona is exempt from state and municipal transaction privilege taxes, and removing an exemption for personal tangible property shipped or delivered directly to a location outside of the United States that is to be used in that location.

The Town does not expect the changes due to HB2111 to have a significant impact on the administration, collection or enforcement of the Town’s transaction privilege taxes, including Excise Taxes, or other amounts to be collected by ADOR, since ADOR was already collecting transaction privilege (sales) taxes for the Town prior to the

enactment of HB 2111. It is anticipated that businesses within the Town will continue to collect and remit the required transaction privilege taxes through the State to the Town as they have in the past. Additional information is available at <https://www.azdor.gov/TPTSimplification.aspx>.

*Other Excise Tax Revenues.* Cities and towns in the State have exclusive control over public rights of way dedicated to the municipality, and may grant franchise agreements to and impose franchise taxes on utilities using those rights of way. The Town also imposes and collects fees for licenses and permits to engage in certain activities within the Town and for the right to utilize certain Town property, and imposes and collects fines and forfeitures for violations of State laws or Town ordinances relating to traffic, parking, animal control and other offenses.

### **State Shared Revenues**

The State Shared Revenues will also be pledged to the Payments represented by the Obligations and to the other of the Parity Lien Obligations as described under “SECURITY AND SOURCES OF PAYMENT.”

**From time to time, bills are introduced in, and legislation enacted by, the Arizona Legislature to change the formulas used to allocate State-Shared Sales Taxes and State-Shared Income Taxes. The possibility of changes in this respect are more likely to be adverse to the Town when the State is experiencing financial difficulties. The Town cannot determine whether any such measures will become law or how they might affect the revenues which comprise the State Shared Revenues. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which would repeal or modify state sales taxes, state income taxes (the major source of funds for state revenue sharing) and vehicle license taxes. The Town cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take, the outcome of any such election or whether such a measure, if passed, would impact the Town’s ability to make Payments.**

*State-Shared Sales Taxes.* Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State-levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against the same categories of business activity as the Town’s transaction privilege (sales) tax with the exception of food sales, which the State exempts from tax. As the table below indicates, the rate of taxation as it relates to such portion of the State levied transaction privilege (sales) tax varies among the different types of business activities taxed, with the most common rate being 6.3% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25% of the “distribution base” of revenues attributable to each category of taxable activity. The allocation to each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns. In addressing past State budgetary deficiencies, the Governor and members of the State legislature have occasionally proposed certain adjustments that would reduce the distribution of State-Shared Sales Taxes to cities and towns. The Town cannot determine whether such measures will become law or how they might affect the Town’s receipt of State-Shared Sales Taxes.

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**State and County Combined Sales Tax  
Taxable Activities, Tax Rates and Distribution Share**

Taxable Activities	Tax Rate <sup>(1)</sup>	Distribution Base
Mining – Severance	2.5%	80%
Mining, Oil & Gas	3.6	32
Transportation & Towing	6.3	20
Utilities	6.3	20
Communications	6.3	20
Railroads & Aircraft	6.3	20
Publishing	6.3	20
Printing	6.3	20
Private Car/Pipelines	6.3	20
Contracting (prime)	6.3	20
Restaurants and Bars	6.3	40
Amusements	6.3	40
Rentals/Personal Property	6.3	40
Retail <sup>(2)</sup>	6.3	40
Hotel/Motel	7.3	50
Use	5.6	0
Jet Fuel (1st 10 million Gallons)	\$0.0335/gallon	40

- (1) The above table reflects the combined rate for taxable activities for the portion of the Town in Maricopa County. For the portion of the Town in Pinal County, the combined rate for taxable activities listed at the rate of 6.3% are taxed at the rate of 6.7%. All other rates are generally the same.
- (2) Effective July 1, 1980, sales of food for home consumption were exempted from the tax.

Source: Arizona Department of Revenue

*State-Shared Income Taxes.* Under current State law, Arizona cities and towns are preempted by the State from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to typically receive 15% of State personal and corporate income tax collections. Distribution of such funds is made monthly based on the proportion of the population of each city and town to the total population of all incorporated cities and towns in the State as determined by the latest census. In addressing past State budgetary deficiencies, the Governor and members of the State legislature have occasionally proposed certain adjustments that would reduce the distribution of State-Shared Income Taxes to cities and towns. The Town cannot determine whether any such proposals will occur in the future and become law or how they might affect the Town’s receipt of State-Shared Income Taxes.

*State-Shared Vehicle License Tax.* Motor vehicle license (in lieu) taxes are levied by the State based upon the value of the vehicle (according to a statutory formula) and are collected by the State with vehicle registration fees. Approximately twenty percent of the revenues collected for the licensing of motor vehicles is distributed to incorporated cities and towns on a monthly basis. A city or town receives its share of the vehicle license tax collections based on its population in relation to the total incorporated population of the county. Cities and towns receive two separate distributions from the Arizona Department of Transportation, which is the State agency charged with collecting the tax: one distribution is made for deposit to the Town’s general fund and the other is made for, and restricted to, any transportation purpose as determined by the Mayor and Council of the Town. Only the amounts distributed for deposit to the Town’s general fund are pledged to payment of the Payments pursuant to the Purchase Agreement.

*Recent Legislative Changes Regarding State Shared Revenues.* Beginning FY 2017-18, State Shared Revenues will be re-allocated annually using the most recent population estimates of the U.S. Census Bureau. Previously, these revenues were allocated either using a mid-decade or decade census. This new approach provides a more timely allocation of State Shared Revenues and has had a positive impact on the State Shared Revenues remitted to the Town and other fast growing communities in the State.

Legislation recently enacted, and currently in effect (“SB 1487”), permits the State to withhold certain State-Shared Revenues from a city, town or county (a "Local Jurisdiction") if such Local Jurisdiction has passed an ordinance, regulation or other official action (a "Local Enactment") that violates State law or the State constitution, in the determination of the State Attorney General. Under the legislation, any member of the State Legislature may ask the State Attorney General to investigate a Local Enactment. On being notified of a determination by the State Attorney General, the Local Jurisdiction will have thirty days to resolve the violation as determined by the State Attorney General, or if not, the State Attorney General is required to notify the State Treasurer to withhold State-Shared Sales Taxes and State-Shared Income Taxes from such Local Jurisdiction until the State Attorney General determines that no violation of State law exists. In withholding any such distributions of such State-Shared Revenues, the State Treasurer may not withhold any amount that the affected Local Jurisdiction certifies to the State Attorney General and the State Treasurer as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of such Local Jurisdiction that were issued or incurred before committing the violation.

The Town is not aware of any current or proposed Local Enactment of the Town that would potentially violate State law. If the Town received a determination that an adopted Local Enactment violated State law in the determination of the State Attorney General, the Town expects it would take whatever actions may be necessary to address the issue within the thirty day period permitted by the legislation. Such actions would include notifying the State Attorney General and the State Treasurer of the amounts of State-Shared Sales Taxes and State-Shared Income Taxes necessary to make required deposits or debt service payments on the Town's long-term obligations secured by such funds issued or incurred before the violation occurred and which could not be withheld.

The State historically has made distributions of the State Shared Revenues to Arizona cities and towns, including the Town. The State Legislature, could, however, at any time, alter the formula or reduce the amount or change the timing of distribution of the State Shared Revenues to the Town and is under no legal obligation to maintain the amount of the State Shared Revenues distributed to the Town at any amount or level. **Accordingly, the Town is unable to covenant in the Purchase Agreement to maintain the State Shared Revenues at any particular level of coverage to debt service with respect to the Obligations, and no assurance can be given that the State Shared Revenues will be sufficient to pay such debt service.**

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## Collections of Excise Taxes and State Shared Revenues

The following table sets forth the Town's audited collections of revenues from the Excise Taxes and State Shared Revenues for fiscal years 2012-13 through 2016-17 and budgeted collections of revenues from the Excise Taxes and State Shared Revenues for fiscal year 2017-18. The table below has not been the subject of any separate audit procedures.

### Town of Queen Creek FY 2012-13 to FY 2017-18

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 Budget (e)
<b>Excise Taxes</b>						
Town Transaction Privilege (Sales) Tax <sup>(a)</sup>	\$12,184,642	\$13,631,492	\$15,454,876	\$17,962,356	\$20,735,681	\$20,681,790
Charges for Services <sup>(b)</sup>	5,828,883	6,577,159	7,035,592	7,854,956	8,105,599	8,874,961
Franchise Fees <sup>(c)</sup>	214,938	253,552	284,473	307,992	320,847	319,620
Licenses and Permits <sup>(d)</sup>	78,810	90,850	110,230	88,833	87,053	97,420
<b>Subtotal Excise Taxes</b>	<b>\$18,307,273</b>	<b>\$20,553,053</b>	<b>\$22,885,172</b>	<b>\$26,217,695</b>	<b>\$29,249,180</b>	<b>\$29,973,791</b>
<b>State Shared Revenues</b>						
State Shared Income Tax	\$2,692,719	\$2,938,268	\$3,191,162	\$3,173,861	\$4,234,773	\$4,552,500
State Shared Sales Tax	2,167,053	2,298,195	2,419,249	2,349,301	3,175,351	3,560,500
Vehicle License Tax	895,188	942,652	1,018,304	1,066,106	1,370,993	1,441,000
<b>Subtotal State Shared Revenues</b>	<b>\$5,754,961</b>	<b>\$6,179,115</b>	<b>\$6,628,714</b>	<b>\$6,589,268</b>	<b>\$8,781,118</b>	<b>\$9,554,000</b>
<b>Total Pledged Revenues</b>	<b>\$24,062,234</b>	<b>\$26,732,168</b>	<b>\$29,513,886</b>	<b>\$32,806,963</b>	<b>\$38,030,297</b>	<b>\$39,527,791</b>
\$ Change from Prior	\$5,698,047	\$2,669,934	\$2,781,719	\$3,293,077	\$5,223,334	\$1,497,494
% change from Prior	31%	11%	10%	11%	16%	4%

- (a) The Mayor and Council of the Town have the authority to set the rates for Excise Taxes. Pledged Excise Tax rates do not include rates imposed or dedicated by the Mayor and Town Council for the following specific purposes:
- (i) 2.00% transaction privilege (sales) tax on construction contracting activities approved by the Mayor and Town Council effective September 2005, the use of which is dedicated for transportation infrastructure improvements;
  - (ii) 0.25% transaction privilege (sales) tax approved by the Mayor and Town Council effective September 2007, the use of which is dedicated to funding operating and capital expenses in a designated area in the downtown area of the Town;
  - (iii) 0.25% transaction privilege (sales) tax approved by the Mayor and Town Council effective October 2007, the use of which is dedicated to public safety services.
- (b) The Town charges for services directly related to an individual's benefit. Examples of these charges include but are not limited to: park rental, recreation programs, administrative services provided to the Town's Water, Wastewater, and Refuse/Recycling Utilities, and building and engineering services. Charges for services are administrative revenues designed to provide public services without taxing the general population for the cost of the service. The Mayor and Town Council have the authority to review and establish new charges for services.
- (c) Franchise Fees are designations assigned to entities granted a right to use the Town's right-of-way. The franchise fee is a percentage of gross revenues. The Mayor and Town Council have the authority to negotiate these agreements. A franchisee may be granted only with voter approval and the term of the franchisees is limited to 25 years. The Town has granted franchises to and imposed franchise fees on utility and cable television providers.
- (d) The Town requires a business license of all business transacted within the Town limits. The Mayor and Town Council have the authority to set the business license fees.
- (e) The amounts shown are projections or forward looking statements that should be considered with an abundance of caution.

Source: Town of Queen Creek Comprehensive Annual Financial Reports, Fiscal Years 2012-13 through 2016-17 and Town Finance Department.

**SCHEDULE OF DEBT SERVICE COVERAGE ON PARITY OBLIGATIONS**

Fiscal Year	Gross Revenues Available for Debt Service <sup>(a)</sup>	Existing Debt Service Requirements <sup>(b)</sup>	Plus: The 2018A Obligations		Plus: The 2018B Obligations		Annual Debt Service Requirements	Debt Service Coverage <sup>(d)</sup>
			Principal	Interest <sup>(c)</sup>	Principal	Interest <sup>(c)</sup>		
2016	\$32,806,963							
2017	38,030,297							
2018		\$4,739,850	\$355,000	\$1,042,178	\$210,000	\$340,533	\$6,687,561	5.69
2019		4,743,750	800,000	2,337,800	470,000	762,000	9,113,550	4.17
2020		4,738,750	825,000	2,313,800	485,000	747,900	9,110,450	4.17
2021		4,729,750	855,000	2,280,800	500,000	728,500	9,094,050	
2022		4,738,500	890,000	2,246,600	520,000	708,500	9,103,600	
2023		4,741,650	925,000	2,211,000	540,000	687,700	9,105,350	
2024		4,556,650	975,000	2,164,750	565,000	666,100	8,927,500	
2025		4,568,850	1,020,000	2,116,000	595,000	637,850	8,937,700	
2026		4,567,350	1,075,000	2,065,000	625,000	608,100	8,940,450	
2027		4,560,450	1,125,000	2,011,250	655,000	576,850	8,928,550	
2028		4,567,200	1,185,000	1,955,000	690,000	544,100	8,941,300	
2029		4,159,950	1,240,000	1,895,750	720,000	509,600	8,525,300	
2030		3,713,950	1,305,000	1,833,750	750,000	473,600	8,076,300	
2031		3,566,700	1,370,000	1,768,500	795,000	436,100	7,936,300	
2032		3,568,950	1,435,000	1,700,000	820,000	410,263	7,934,213	
2033		608,200	1,510,000	1,628,250	845,000	383,613	4,975,063	
2034		607,400	1,585,000	1,552,750	875,000	356,150	4,976,300	
2035		605,800	1,665,000	1,473,500	905,000	325,525	4,974,825	
2036		608,400	1,745,000	1,390,250	935,000	293,850	4,972,500	
2037			1,835,000	1,303,000	975,000	261,125	4,374,125	
2038			1,925,000	1,211,250	360,000	227,000	3,723,250	
2039			2,020,000	1,115,000	380,000	209,000	3,724,000	
2040			2,125,000	1,014,000	400,000	190,000	3,729,000	
2041			2,230,000	907,750	415,000	170,000	3,722,750	
2042			2,340,000	796,250	440,000	149,250	3,725,500	
2043			2,460,000	679,250	460,000	127,250	3,726,500	
2044			2,580,000	556,250	485,000	104,250	3,725,500	
2045			2,710,000	427,250	505,000	80,000	3,722,250	
2046			2,845,000	291,750	535,000	54,750	3,726,500	
2047			2,990,000	149,500	560,000	28,000	3,727,500	
		<u>\$68,692,100</u>	<u>\$47,945,000</u>	<u>\$44,438,178</u>	<u>\$18,015,000</u>	<u>\$11,797,458</u>	<u>\$190,887,736</u>	

- (a) Audited revenues from the Excise Taxes and the State Shared Revenues received by the Town in Fiscal Year 2016-17. Excludes certain local transaction privilege (sales) taxes as further described herein. See also the third paragraph under “INTRODUCTORY STATEMENT” and “SECURITY AND SOURCES OF PAYMENT – Pledge” with respect to the effect on the pledge of the State Shared Revenues of the State Intercept of Funds.
- (b) Includes actual payments due with respect to the Loan Repayment Agreement and the Second Purchase Agreement. See Appendix A – “Town of Queen Creek, Arizona, General and Financial Information – Excise Tax and State Shared Revenue Debt Outstanding and to be Outstanding.”
- (c) First interest payment is August 1, 2018. Interest is actual.
- (d) Coverage is calculated by dividing the audited revenues from fiscal year 2016-17 from the Excise Taxes and the State Shared Revenues by total Debt Service Requirements for each fiscal year.

## THE PROJECTS

Approximately \$65 million of the proceeds received from the sale of the Obligations will be used by the Town to build roadways identified in the Town's adopted 10-year Transportation Master Plan. The total amount of funds needed over the entire 10-year Transportation Master Plan is estimated at \$195 million which included proceeds from the sale of the Obligations, pay-as-you-go funding, developer payments and contributions from other governmental agencies.

The remaining \$9 million of the proceeds received from the sale of the Obligations will reimburse the Town for the recently completed Fire Stations 1 and 3, and the Law Enforcement Building. The relocation and construction of these facilities will better assist the Town on meeting the service needs of the community, including improved emergency response times for the Town's residents.

## SOURCES AND USES OF FUNDS

	<u>2018A</u> <u>Obligations</u>	<u>2018B</u> <u>Obligations</u>	<u>Total</u>
<b><u>Sources of Funds:</u></b>			
Par Amount of Obligations	\$47,945,000.00	\$18,015,000.00	\$65,960,000.00
Net Original Issue Premium	7,546,815.00	1,165,030.10	8,711,845.10
Total Sources	<u>\$55,491,815.00</u>	<u>\$19,180,030.10</u>	<u>\$74,671,845.10</u>
<b><u>Uses of Funds:</u></b>			
Deposit to Acquisition Fund	\$55,000,000.00	\$19,000,000.00	\$74,000,000.00
Costs of Issuance <sup>(1)</sup>	491,815.00	180,030.10	671,845.10
Total Uses	<u>\$55,491,815.00</u>	<u>\$19,180,030.10</u>	<u>\$74,671,845.10</u>

(1) Includes underwriters' discount and other costs of issuance.

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## TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the Town must continue to meet after the execution and delivery of the Obligations in order that the portion of each of the Payments made by the Town pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Obligations (the “Interest Portion”) will be and remain excludable from gross income for federal income tax purposes. The Town’s failure to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the Obligations. The Town has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications of the Town and continuing compliance by the Town with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the Interest Portion is excludable from gross income of the holders thereof for federal income tax purposes and is exempt from Arizona income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. The Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Federal legislation enacted in 2017 eliminates the federal alternative minimum tax for corporations for taxable years beginning after December 31, 2017. For taxable years beginning before January 1, 2018, corporations should consult their tax advisors regarding the federal alternative minimum tax implications of owning the Obligations. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors as to the status of the Interest Portion under the tax laws of any state other than Arizona.

Except as described above, Special Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the Interest Portion, or the ownership or disposition of the Obligations. Prospective purchasers of Obligations should be aware that the ownership of Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Obligations, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the Interest Portion, (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of the Interest Portion in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors as to the impact of these other tax consequences.

Special Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Special Counsel as of the date thereof. Special Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Special Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Special Counsel’s opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Special Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

### **Original Issue Discount and Original Issue Premium**

Certain of the Obligations (“Discount Obligations”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Obligation determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering).

For federal income tax purposes, OID accrues or is otherwise required to be recognized in gross income to the owner of a Discount Obligation over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues or is otherwise required to be recognized in gross income during the period of ownership of a Discount Obligation (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Obligations, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Obligation.

Certain of the Obligations ("Premium Obligations") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Obligations callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Obligation, based on the yield to maturity of that Premium Obligation (or, in the case of a Premium Obligation callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Obligation), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Obligation. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Obligation, the owner's tax basis in the Premium Obligation is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Obligation for an amount equal to or less than the amount paid by the owner for that Premium Obligation.

Owners of Discount and Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Obligations and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the Interest Portion, adversely affect the market price or marketability of the Obligations, or otherwise prevent the holders from realizing the full current benefit of the status of the Interest Portion. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Obligations. Prospective purchasers of the Obligations should consult their tax advisors as to the impact of any proposed or pending legislation.

### **Information Reporting and Backup Withholding**

Interest paid on tax-exempt obligations such as the Obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of the Interest Portion from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Obligations, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Obligations and proceeds from the sale of the Obligations. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Obligations. This withholding generally applies if the owner of the Obligations (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to

backup withholding. Prospective purchasers of the Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## **LEGAL MATTERS**

Legal matters incident to the authorization, sale and delivery by the Town of the Obligations and with regard to the tax-exempt status thereof will be passed upon by Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel. A signed copy of that opinion, dated and speaking only as of the date of delivery of the Obligations, will be delivered to the Town. The form of that opinion is included as Appendix B hereto. Fees of Special Counsel and Counsel to the Underwriters will be paid from the proceeds of the sale of the Obligations and will be contingent upon the execution and delivery of the Obligations. Certain matters will be passed upon for the Underwriters by their Counsel, Kutak Rock, LLP, Scottsdale, Arizona.

While Special Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the Town or the Obligations that may be prepared or made available by the Town or others to the bidders for or holders of the Obligations or others.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the Town and could adversely affect the secondary market value of the Obligations. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Obligations) issued prior to enactment.

The legal opinion to be delivered concurrently with the delivery of the Obligations will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **LITIGATION**

No litigation or administrative action or proceeding is pending restraining or enjoining, or seeking to restrain or enjoin, the execution and delivery of the Obligations, the levy and collection of Excise Taxes or State Shared Revenues to pay the debt service on the Obligations, contesting or questioning the proceedings and authority under which the Obligations have been authorized and are to be issued, sold, executed or delivered, or the validity of the Obligations. Authorized representatives of the Town will deliver a certificate to that effect at the time of the original delivery of the Obligations.

## **FINANCIAL STATEMENTS**

The financial statements of the Town as of June 30, 2017 and for its fiscal year then ended, which are included as Appendix E of this Official Statement, have been audited by Clifton Larson Allen, LLP as stated in their opinion which appears in Appendix D – “Audited Financial Statements of the Town for Fiscal Year Ended June 30, 2017”. The Town neither requested nor obtained the consent of Clifton Larson Allen, LLP to include their report and Clifton Larson Allen, LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Clifton Larson Allen, LLP also has not performed any procedures relating to this offering document.

## CONTINUING DISCLOSURE

The Town has covenanted for the benefit of Owners of the Obligations to provide certain financial information and operating data relating to the Town by not later than February 1 in each year commencing February 1, 2019 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events Notice"). The Annual Reports, the Listed Events Notices and any other document or information required to be filed by the Continuing Disclosure Certificate will be filed by the Town with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system, each described in Appendix E – "Form of Continuing Disclosure Undertaking." The specific nature of the information to be contained in the Annual Reports and the Listed Events Notice is described in Appendix E. These covenants will be made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The form of the undertaking necessary pursuant to the Rule is included as Appendix E hereto. A failure by the Town to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the Obligations and their market price. *Also pursuant to Arizona law, the ability of the Town to comply with such covenants is subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the Town not comply with such covenants due to a failure to appropriate for such purpose, the Town has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Obligations and specifically their market price and transferability.

The Town previously entered into continuing disclosure undertakings (the "Prior Undertakings") in connection with the issuance of certain bonds. Some of the 2012 Operating Data associated with the (2006) Improvement Bonds of the Improvement District No. 001, due February 1, 2013, was not filed. Due to the nature and timing of the information that was required to be filed by the Town, there was no ability to recreate the tables and data required for the February 1, 2013 filing. The 2011 and 2012 Operating Data associated with the Series 2007 Excise Tax Revenue Obligations, due February 1, 2012 and February 1, 2013 respectively, was filed late on July 22, 2013. In addition, the Town did not file notices of a rating upgrades to NPPG Insurance Company on May 21, 2013 and May 21, 2014, and did not file notices of rating upgrades for the Town's Improvement District Bonds on August 25, 2014. All of such notices were filed on or before September 1, 2016.

The Town has implemented procedures to facilitate compliance with the Prior Undertakings, the Continuing Disclosure Undertaking related to the Obligations and future similar undertakings.

## UNDERWRITING

The Obligations are being purchased by Morgan Stanley & Co. LLC and Piper Jaffray & Co. (the "Underwriters"). The Underwriters have agreed to purchase from the Town the Obligations at an aggregate purchase price of \$74,345,710.88, pursuant to an obligation purchase contract between the Town and the Underwriters. The aggregate purchase price reflects compensation to the Underwriters of \$326,134.22. The Obligations may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices stated on the inside cover page hereof, and such public offering prices may be changed, from time to time, by the Underwriters subject to certain limitations imposed by the Code. The Underwriters obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Obligations if any Obligations are purchased.

The Underwriters have provided the following information for inclusion in this Official Statement:

Morgan Stanley & Co. LLC, an underwriter of the Obligations, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Obligations.

Piper Jaffray & Co. ("Piper") has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings, including the



Obligations, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase the Obligations from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Obligations that CS&Co sells.

#### **FINANCIAL ADVISOR**

RBC Capital Markets, LLC is serving as Financial Advisor to the Town in connection with the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Further, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

#### **RATINGS**

The Obligations will be rated "AA" and "AA" by Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch"). Such ratings reflect only the views of S&P and Fitch, at the time such ratings were issued and an explanation of the significance of such ratings may be obtained from S&P and Fitch. The ratings are not a recommendation to buy, hold or sell the Obligations. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any rating can be expected to have an adverse effect on the market price of the Obligations. The Town has undertaken to file notice of any formal change in any rating that relates to the Town that could affect the value of the Obligations. See "CONTINUING DISCLOSURE."

#### **CONCLUDING STATEMENT**

The summaries or descriptions of provisions in the Purchase Agreement and the Trust Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Obligations.

The attached Appendices A through F are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement has been prepared on direction of the Town and has been approved by and executed for and on behalf of the Town by its authorized representative indicated below.

TOWN OF QUEEN CREEK, ARIZONA

By /s/ Gail Barney  
Gail Barney, Mayor

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**APPENDIX A**

**TOWN OF QUEEN CREEK, ARIZONA  
GENERAL AND FINANCIAL INFORMATION**

The Town of Queen Creek, Arizona (the “Town” or “Queen Creek”) is predominantly located in the southeastern portion of Maricopa County, Arizona (the “County”) (with a very small portion of the Town’s area in Pinal County), and is adjacent to the Town of Gilbert and the Cities of Mesa and Chandler. Founded and incorporated in 1989, today the Town encompasses an annexed area totaling 26 square miles, and has a 2017 estimated population of 40,208. The following table contains the respective population statistics for the Town, the County and the State.

**Population Statistics for the Town of Queen Creek,  
Maricopa County and the State of Arizona**

<u>Year</u>	<u>Town of Queen Creek</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2017 Estimate	40,208	4,221,684	6,965,897
2015 Special Census	36,096	4,242,997	6,931,071
2010 Census	26,448	3,824,058	6,401,569
2000 Census	4,316	3,072,149	5,130,632
1995 Special Census	3,072	2,551,765	4,228,900
1990 Census	2,667	2,112,101	3,665,339
1980 Census	1,378	1,509,175	2,716,546

Source: Arizona Department of Administration, Office of Employment and Population Statistics and US Census Bureau, American FactFinder.

The Town receives electric service from the Salt River Project. Natural gas service is provided by Southwest Gas Corporation and phone service is provided by Qwest Communications International, Inc. and Cox Communications. Water and sewer service is provided by the Town. Fire protection is provided by the Town and law enforcement is provided by the Maricopa County Sheriff’s office via a contract. Single Family residential solid waste services are provided by Right-of-Way Disposal (RAD) via a contract with the Town. Multi-family and non-residential/commercial solid waste services are provided under individual subscriptions with private providers.

**Transportation**

Industry, business and residents benefit from the transportation network available in and near the Town. Rail, air and highway facilities are developed throughout the area.

The Town is centrally located to several highway and freeway systems. Fourteen miles to the west is Interstate Highway 10, which joins the cities of Phoenix and Tucson. In addition to I-10, the Town has access to US 60, approximately 10 miles to the north.

The Town is a joint power authority partner in operating the Phoenix Mesa Gateway Airport (a designated foreign trade zone) immediately northwest of the Town. Phoenix Mesa Gateway Airport, which opened in March 1994, is a former Air Force base that conducts over 195,000 operations per year serving a variety of corporate, cargo, general aviation and military aircraft. The City of Mesa has established the joint powers authority for the operation of Phoenix Mesa Gateway Airport with the Town, the Town of Gilbert, the City of Phoenix, City of Apache Junction as well as the Gila River Indian Community. The agreement calls for the Town to contribute a portion of the operating costs of the Phoenix Mesa Gateway Airport. Phoenix Mesa Gateway also serves as a reliever to Phoenix Sky Harbor International Airport. Phoenix Mesa Gateway Airport is also developing as an international aerospace center with aircraft manufacturing, maintenance, modification testing and pilot training. More than 25 aviation companies currently operate at the facility. The airport has three runways, all of which are over 10,000 feet long. The adjacent Williams Educational Campus is a training center for aerospace, technical, general and occupational degree programs. Phoenix Mesa Gateway Airport recently announced a planned expansion for the SkyBridge Arizona project which will be a first of its kind international air logistics hub that will allow for the shipment of high-value goods directly to

Latin America through a bond facility incorporating Mexican customs on sight at Phoenix Mesa Gateway Airport. The project will be phased over a number of years and has the potential to create a significant economic impact and jobs for the region.

Chandler Municipal Airport is located 13.5 miles west of the Town's central business district and has two runways, one 4,400-foot runway and the other, a 4,850-foot runway. Falcon Field is located 20 miles from the Town and currently has two runways, one 5,100 feet in length and the other 3,800 feet in length. Phoenix Sky Harbor International Airport, located 38 miles from the Town, provides local, regional and transcontinental air service.

## **Government and Organization**

The Town operates under the Council-Manager form of government. Six council members are elected at large for staggered two-year terms. The Mayor is directly elected by the Town electorate to a four-year term. The most recent election was held in November 2016. The Town Council appoints a Town Manager who has full responsibility for carrying out council policies and administering Town operations. Mr. John Kross, who previously had served the Town as the Assistant Town Manager and Interim Town Manager for a combined period of approximately 12 years, was appointed Town Manager in March 2007. The Town Manager administers the Town's functions through seven department directors. Town employees are hired under personnel rules adopted by the Town Council. Functions of government and operation are provided by a staff of approximately 253 full-time equivalent employees within the eight separate departments. The Town provides or administers a variety of services including community development (planning, building and code enforcement and engineering), leisure services (parks, recreation and library), enterprise operations (water, wastewater, and solid waste), internal service funds (human resources, information technology, budget, finance, and equipment maintenance), streets and public works.

The Town complies with the requirements of the Constitution of the State of Arizona when investing its idle funds. The Town presently invests all idle capital project and operating funds in allowable investments per State Statute including the State of Arizona Treasurer's Local Government Investment Pool ("LGIP").

The Arizona State Constitution was amended by the voters in June of 1980 to establish a system of local government expenditure limitations. That system establishes a base expenditure limit for all communities in Arizona based upon their 1979-80 actual expenditures. The base limit is indexed annually for inflation and population growth for the community. Expenditures for debt service are exempted from the expenditure limit. The amendment also allows communities to establish their own expenditure limit, or adjust their base limit through voter approval. In August 2014, the voters of the Town approved "local home rule", also called an alternative expenditure limitation. This four-year authorization allows the Town Council to determine the Town's budget based on actual income, expenditures and local priorities rather than the State-imposed expenditure limit. The Town will ask the voters to approve a local home rule renewal in August of 2018.

## **Economy**

Agriculture is a contributor to the Town's economy, although it no longer dominates the Queen Creek-area economy due to the industrial, commercial and residential development that has occurred within the Town. Cotton, sorghum, grains, alfalfa, citrus, vegetables and livestock dominate agricultural production. Processing of cotton seed, oil and fiber, and feed and fertilizer production are also locally important.

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Figures from the Arizona Department of Economic Security indicate the following employment levels for the Town since 2012 and unemployment rates for the Town, the County and the State since 2012.

**Town of Queen Creek  
Employment Trends (a)**

Calendar Year	Town of Queen Creek		Unemployment Rate		
	Average Annual Employment	Average Annual Unemployment	Queen Creek	Maricopa County	State of Arizona
2017 (b)	16,945	615	3.5%	4.3%	5.1%
2016	16,489	594	3.5%	4.5%	5.3%
2015	15,667	636	4.1%	5.2%	6.1%
2014	15,238	669	4.4%	5.9%	6.8%
2013	13,890	655	4.7%	6.6%	7.8%
2012	13,142	662	5.0%	7.3%	8.3%

- (a) Data in table is not seasonally adjusted.  
(b) Data shown is through August 2017.

Source: U.S. Department of Labor, Bureau of Labor Statistics and Arizona Department of Administration, Office of Employment and Population Statistics.

The largest employers in the Town include the following:

**Town of Queen Creek  
Major Employers**

Company (a)	Type of Business	Approximate Number of Employees
Queen Creek Unified School District	Education	800
Banner Ironwood Hospital	Healthcare	400
Wal-Mart	Retail	400
Canyon State Academy	Education	305
The Town	Government	245
Home Depot	Retail	194
Target Stores	Retail	180
Benjamin Franklin Charter Schools	Education	162
American Leadership Academy	Education	158
Chandler Unified School District	Education	130
V&P Nurseries	Retail	125

- (a) Some of these employers or their parent companies are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”). Such reports, proxy statements and other information (collectively, the “Filings”) may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and Northwestern Atrium Center, 400 West Madison Street, Suite 1400, Chicago, Illinois. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. The Filings may also be obtained through the Internet on the Commission’s EDGAR database at <http://www.sec.gov>. None of the Town, the Underwriters, Counsel to the Underwriters, the Financial Advisor nor Special Counsel have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

Source: Town of Queen Creek FY 2016 Comprehensive Annual Financial Report and the Town.

Although data is not available for the Town, the following table presents the County’s total average annual wage and salary employment by industry (excluding agriculture).

**Wage and Salary (Non-Farm) Employment  
Maricopa County, Arizona  
2012 to Present (a)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 (b)</u>
<b>Goods Producing</b>						
Mining and Construction	88,600	93,800	95,800	99,300	104,600	107,650
Manufacturing	113,500	113,800	114,900	116,400	116,500	118,200
<b>Service-Providing</b>						
Trade, Transportation and Utilities	344,500	347,200	355,600	367,900	375,100	375,300
Information	30,700	32,600	34,300	36,000	35,500	34,775
Financial Activities	149,000	156,800	160,200	165,500	173,000	179,000
Professional and Business Services	279,900	296,400	303,600	316,800	331,800	333,963
Educational and Health Services	249,700	255,200	263,300	276,000	285,300	291,500
Leisure and Hospitality	178,500	186,600	194,200	202,900	209,100	219,963
Other Services	59,800	61,200	61,700	63,500	61,600	59,275
Government	210,000	211,800	213,000	213,900	213,300	214,225
	<u>1,704,200</u>	<u>1,755,400</u>	<u>1,796,600</u>	<u>1,858,200</u>	<u>1,905,800</u>	<u>1,933,850</u>

(a) Data is not seasonally adjusted.

(b) As of August 2017.

Source: Arizona Department of Administration; Office of Employment and Population Statistics; Current Employment Statistics (CES) tables.

**Education**

Arizona State University (the “University”), whose main campus is located in the nearby City of Tempe, is one of the major universities in the Southwest. The University’s total enrollment for fall 2016 exceeded 98,146 students and it has an estimated 3,108 full-time faculty members among all three of its campus locations (Main, West and East).

Rio Salado Community College, one of the seven campuses that comprise the Maricopa County Community College District, operates a consortium college partnership program in downtown Queen Creek called the Communiversity. Rio Salado partnered with the Town to construct an approximately 16,000 square foot facility that houses Rio Salado’s program, Chandler-Gilbert Community College (one of the community colleges of the Maricopa County Community College District), Northern Arizona University, Ottawa University, and Southwest College of Naturopathic Medicine and Health Sciences. Students enrolling in any one of the colleges can gain acceptance to the other partner schools from the Communiversity location.

Mesa Community College, one of the seven campuses that comprise the Maricopa County Community College District, is located 24 miles from the Town and offers comprehensive educational programs to a student enrollment of approximately 33,000 students. Chandler-Gilbert Community College occupies a campus 7 miles from the Town. The college offers a wide range of credit and non-credit courses and has an enrollment of approximately 19,000 students.

The Queen Creek Unified School District served 5,578 students for the 2016-17 school year in four elementary schools, one academy, one middle school, one junior high school, and one high school. The Higley Unified School District serves 11,345 students in two early childhood development centers, eight elementary schools, one academy school, two middle schools, and two high schools. The Chandler Unified School District serves 41,651 students in grades K-12 with 30 elementary schools, six junior high schools and six high schools, one alternative learning center, and one early college school.

## Commerce

The Town continues its efforts at attracting commercial opportunities to the community. The 2017 Population Estimate has identified the Town as having 40,208 residents as of July 1, 2017. It is anticipated that retail and employment opportunities will use this new demographic information to accelerate business investment within the Town.

The Town is currently home to numerous retail establishments that also accommodate the needs of the Town's growing population. Total Town privilege (sales) tax collections are an indicator of overall economic growth within the Town and reflect the flow of cash in businesses in the Town. The following table illustrates the recent history of privilege (sales) tax collections for the Town.

**Town of Queen Creek  
Total Taxable Sales and Total Taxable Retail Sales  
Including Construction Sales Tax**

<u>Fiscal Year</u>	<u>Total Taxable Sales</u>	<u>Total Taxable Retail Sales (a)</u>	<u>% of Total Taxable Retail Sales to Total Taxable Sales</u>
2016-17	\$1,034,872,643	\$408,652,224	39%
2015-16	819,448,683	334,352,378	41%
2014-15	775,235,203	315,017,361	41%
2013-14	687,716,429	300,884,544	44%
2012-13	684,204,928	281,513,741	41%

**Town of Queen Creek  
Total Taxable Sales and Total Taxable Retail Sales  
Excluding Construction Sales Tax**

<u>Fiscal Year</u>	<u>Total Taxable Sales</u>	<u>Total Taxable Retail Sales (a)</u>	<u>% of Total Taxable Retail Sales to Total Taxable Sales</u>
2016-17	\$714,281,352	\$408,652,224	57%
2015-16	591,299,981	334,352,378	57%
2014-15	592,783,358	315,017,362	53%
2013-14	540,673,909	300,884,544	56%
2012-13	500,697,740	281,513,741	56%

- (a) Retail sales include groceries, automobiles, department stores, furnishing, equipment, electrical, building, wholesale and miscellaneous retail sales. Retail sales exclude contracting, amusements, utilities, communications, restaurants and hotel/motel transactions.

Source: Town of Queen Creek Finance Department.

## Construction

The following tables were compiled from *Arizona Construction Report*, a publication of Arizona State University's Arizona Real Estate Center, L. William Seidman Research Institute, College of Business. The Center obtains its data from County and Town divisions which issue such permits. Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The date at which the permit is issued is not to be construed as the date of construction.

**Town of Queen Creek  
Value of Building Permits Issued**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial/ Industrial</b>	<b>Other</b>	<b>Total</b>
2017	\$413,586,201	\$30,000,451	\$45,296,908	\$488,883,560
2016	403,726,007	21,796,590	52,325,212	477,847,810
2015	307,238,080	5,417,750	97,736,350	410,392,180
2014	269,164,076	15,996,683	39,270,428	324,431,186
2013	237,070,737	4,006,378	51,994,565	293,071,680

Source: Town of Queen Creek.

**Town of Queen Creek, Arizona  
New Single Family Housing Starts**

<b>Fiscal Year</b>	<b>Total New Housing Starts</b>	<b>Unit Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>	<b>% of Greater Phoenix Region</b>
2017	1,002	(71)	(7%)	5.3%
2016	1,073	271	34%	6.2%
2015	802	83	12%	5.1%
2014	719	69	11%	6.5%
2013	650	457	237%	5.2%

Source: Town of Queen Creek.

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## **FINANCIAL INFORMATION**

The Obligations are only payable from and secured by the amounts described under the heading “SECURITY AND SOURCES OF PAYMENT.” The Obligations are not a general obligation of the Town and are not payable from ad valorem property taxes.

### **Introduction**

The Town’s fiscal year is from July 1 through June 30. Town budgeting for a fiscal year formally begins with the preparation of a proposed budget for submission to the Town Council for tentative adoption in early June of each year. After publication of the budget and a public hearing, a final budget is adopted for the upcoming fiscal year. The budget must contain detailed information concerning the sums required to be expended for each purpose and the Town’s tax levy is then set based on the adopted figures.

### **Expenditure Limitation**

The Town is subject to an annual expenditure limitation. In August 2014, the voters of the Town approved “local home rule”, also called an alternative expenditure limitation. This four-year authorization allows the Town Council to determine the Town’s budget based on actual income, expenditures and local priorities rather than the State-imposed expenditure limit. The Town will ask the voters to approve a local home rule renewal in August of 2018.

Based on the Town’s adopted budget, the Town anticipates its expenditures will be under the limitation for fiscal year 2017-18.

### **Summary of Certain Financial Information**

State law requires that the Town’s financial books and records be audited by the State Auditor General or independent certified public accountants on an annual basis. The audited financial statements of the Town are presented in Appendix D - “Audited Financial Statements of the Town of Queen Creek, Arizona for the Fiscal Year ended June 30, 2017”.

The table on the following page summarizes Revenues, Expenditures and Changes in Fund Balance for the fiscal years 2013 through 2017, prepared from the audited financial statements for those years. The information contained in the summary should be read in conjunction with the financial statements and accompanying notes in Appendix D of this Official Statement.

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**TOWN OF QUEEN CREEK, ARIZONA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30 <sup>(1)</sup>**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>					
Taxes	\$20,231,535	\$23,485,195	\$27,720,663	\$31,558,534	\$38,100,073
Intergovernmental	7,227,330	8,030,414	8,950,773	10,257,129	11,760,640
Licenses and permits	3,818,206	4,563,955	4,555,012	5,278,475	5,174,695
Charges for services	817,815	796,902	874,110	787,038	836,257
Rents and Royalties	288,404	333,464	381,016	514,259	570,999
Contributions/Donations	3,442,997	716,823	258,243	553,825	463,796
Impact Fees	5,877,743	6,478,349	5,974,801	7,925,947	8,041,757
Special Assessments	2,139,002	2,207,345	2,324,857	2,273,392	1,756,552
Investment income	(188,481)	981,010	1,258,858	538,901	141,112
Miscellaneous	140,421	226,965	399,722	4,124,450	457,741
Total Revenues	<u>\$43,794,972</u>	<u>\$47,820,422</u>	<u>\$52,698,055</u>	<u>\$63,811,950</u>	<u>\$67,303,622</u>
<b>Expenditures</b>					
Current:					
General Government	\$8,405,607	\$10,291,860	\$11,586,257	\$13,351,992	\$10,728,669 <sup>(2)</sup>
Public Safety	7,713,176	9,059,429	11,602,383	12,055,558	13,496,827
Highways and Streets	2,837,392	2,930,716	3,742,931	5,202,276	6,285,005
Culture and Recreation	2,318,345	2,595,664	3,074,017	3,651,867	4,015,698
Economic Development	809,841	967,116	3,729,446	1,000,103	30,028,572 <sup>(3)</sup>
Capital Outlay	1,383,628	3,774,743	10,513,269	20,214,290	31,192,034 <sup>(4)</sup>
Debt Service:					
Principal Retirement	3,161,506	3,164,560	3,385,313	9,473,374	53,627,744 <sup>(5)</sup>
Interest on Long-Term Debt	4,711,032	4,497,544	4,321,778	3,997,878	2,578,030
Costs of Bond Issuance	-	-	-	-	787,207
Total Expenditures	<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>
Excess (Deficiency) of Revenues Over Expenditures					(85,436,164)
<b>Other Financing Sources (uses)</b>					
Proceeds from Issuance of Long-Term Debt	-	-	-	-	66,435,000
Premium on Proceeds from Issuance of Long-Term Debt	-	-	-	-	9,313,830
Payment to Refunding Bond Escrow	-	-	-	-	(22,768,595) <sup>(5)</sup>
Proceeds from Sale of Fixed Assets					600,860
Transfers in	\$6,654,872	\$7,089,715	\$18,592,762	\$24,394,743	15,283,200
Transfers out	(5,120,342)	(6,614,671)	(18,249,622)	(23,606,122)	(14,878,305)
Proceeds from Capital Lease	130,234	518,696	-	-	-
Total other financing sources (uses)	<u>\$1,664,764</u>	<u>\$993,740</u>	<u>\$343,140</u>	<u>\$788,621</u>	<u>\$53,985,990</u>
Net Change in Fund Balance	\$14,119,209	\$11,532,530	\$1,085,801	\$(4,346,767)	\$(31,450,174)
Fund Balances, beginning of year	34,742,175	48,861,384	60,393,914	61,479,715	57,132,948
Fund Balances, end of year	<u>\$48,861,384</u>	<u>\$60,393,914</u>	<u>\$61,479,715</u>	<u>\$57,132,948</u>	<u>\$25,682,774</u>

<sup>(1)</sup> The information shown for fiscal years 2013 through 2017 is taken from the audited financial statements of the Town. The table itself has not been the subject of an audit.

- (2) Developer rebates were previously reported as “General Governmental” in prior years but were reclassified as “Economic Development” expenditures for fiscal year 2017.
- (3) In fiscal year 2017, the Town paid off two developer agreements totaling \$25 million and purchased two parcels of land for \$3.2 million that will be held for future economic development.
- (4) The Town’s infrastructure spending increased in fiscal year 2017 to keep up with the demands of an increased population, including new roads and public safety facilities.
- (5) In fiscal year 2017 the Town refinanced several outstanding bond issues that included approximately \$52.2 million on a current year basis and approximately \$21.8 million on an advance refunding basis which proceeds were deposited into an escrow trust account.

Source: Town of Queen Creek Comprehensive Annual Financial Report, Fiscal Year 2012-13 through 2016-17.

**Excise Tax and State Shared Revenue Debt Outstanding and to be Outstanding**

<u>Issue Series</u>	<u>Date of Incurrence</u>	<u>Original Par</u>	<u>Final Maturity</u>	<u>Outstanding Par</u>
Series 2014A (GADA)	03/26/2014	\$3,845,000	8/1/2028	\$3,370,000
Series 2016	10/04/2016	47,990,000	8/1/2036	45,380,000
Total Debt Outstanding				\$48,750,000
Plus: The Obligations Offered Herein				65,960,000
Net Debt to be Outstanding				<u>\$114,710,000</u>

**Improvement District Obligations**

<u>Issue Series</u>	<u>Date of Incurrence</u>	<u>Original Par</u>	<u>Final Maturity</u>	<u>Outstanding Par</u>
Improvement District No. 1 Refunding (2016)	11/30/2016	\$18,445,000	1/1/2030	\$17,180,000
Total Debt Outstanding				<u>\$17,180,000</u>

These bonds are payable from collection of special assessments within the area included in the respective improvement district. Under Arizona law, the Town is required to enforce the collection of the installments of such special assessments through sales of the assessment liens upon delinquency. If there are no purchasers at the lien sale, the Town is required to “buy in” the liens and to pay the delinquency amount from the Town’s general fund. Thus, the Town becomes the contingent guarantor of any of its improvement district obligations.

**Wastewater Revenue Debt Outstanding**

<u>Issue Series</u>	<u>Date of Incurrence</u>	<u>Original Par</u>	<u>Final Maturity</u>	<u>Outstanding Par</u>
Series 1998 (a)	08/06/1998	\$ 4,400,000	7/1/2018	\$319,218
Series 2005 (a)	03/31/2005	34,000,000	7/1/2028	22,470,507
Total Debt Outstanding				<u>\$22,789,725</u>

(a) These loans are with the Water Infrastructure Finance Authority of Arizona (WIFA) and were drawn as required by the Town. The loans are secured by all future wastewater enterprise revenue of the Town.

## Water Revenue Debt Outstanding

<u>Issue Series</u>	<u>Date of Incurrence</u>	<u>Original Par</u>	<u>Final Maturity</u>	<u>Outstanding Par</u>
Series 2008 (a)	03/27/2008	\$40,000,000	7/1/2028	\$25,817,898
Series 2013 (a)	11/01/2013	16,000,000	7/1/2033	13,488,168
Series 2013 (Subordinate)(b)	11/01/2013	19,425,093	7/1/2043	19,425,088
Total Debt Outstanding				<u>\$58,731,154</u>

- (a) These loans are with the Water Infrastructure Finance Authority of Arizona (WIFA) and were drawn as required by the Town. The loans are secured by all future water enterprise revenue of the Town.
- (b) This obligation is secured by all future water enterprise revenue of the Town.

## Pension and Retirement 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.

Please refer to Appendix D of the Official Statement which includes the Town’s audited financial statements and specifically “Note 4 – Other Information” for a detailed discussion of the Town’s Retirement Plan, Unfunded Liabilities associated with the Retirement Plan and Other Post Employment Benefits.

The PSPRS provides a defined-benefit retirement system for all public safety employees in Arizona. PSPRS is an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof.

This is not a “pooled” system – a separate account exists for the police and fire employees of each participating political subdivision. In total, there are 257 individual plans in PSPRS. Each plan has its own financial condition, funding status, etc. which varies greatly across the system.

As of June 30, 2014, the Town had an unfunded liability for the Fire Pension Plan (reported in Appendix D of the Official Statement) of \$1,499,922. To best manage the Town’s unfunded pension liability for the Fire Pension Plan, the Town Council adopted a Pension Funding Policy on June 3, 2015 (via Resolution No. 054-15). The intention of a Pension Funding Policy is to provide reasonable assurance that the cost of fire pension costs will be funded in an equitable and sustainable manner. This policy helps to accomplish intergenerational equity for taxpayers and members which is achieved at a funded status of 100% (fully funded).

With the adoption of the Pension Funding Policy, the Town remitted a one-time payment of \$1.5 million in FY 2014-15 and the funded status increased to 99% at June 30, 2015, leaving an unfunded liability of about \$41,000. Furthermore, the Town made one-time payments in FY 2016 and FY 2017 with the expectation of eliminating the unfunded liability as of the end of each fiscal year. The Town is one of the highest funded plans in the PSPRS system.

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**APPENDIX B**

**PROPOSED FORM OF OPINION OF SPECIAL COUNSEL**

[Closing Date]

Town of Queen Creek, Arizona  
22350 South Ellsworth Road  
Queen Creek, Arizona 85242-9311

The Bank of New York Mellon Trust Company, N.A.  
400 South Hope Street, Suite 500  
Los Angeles, CA 90071

Re: Excise Tax and State Shared Revenue Obligations, Series 2018A and Series 2018B, Each Evidencing a Proportionate Interest of the Owners Thereof in Purchase Price Payments to be Made by the Town of Queen Creek, Arizona to The Bank of New York Mellon Trust Company, N.A., as Trustee

We have examined the transcript of proceedings (the “Transcript”) relating to the execution and delivery by The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) of \$47,945,000 aggregate principal amount of the Excise Tax and State Shared Revenue Obligations, Series 2018A (the “2018A Obligations”) and \$18,015,000 aggregate principal amount of the Excise Tax and State Shared Revenue Obligations, Series 2018B (together with the 2018A Obligations, the “Obligations”), dated the date hereof, pursuant to a Third Trust Agreement, dated as of February 1, 2018 (the “Trust Agreement”), between the Trustee and the Town of Queen Creek, Arizona (the “Town”). Each of the Obligations is an undivided, participating, proportionate interest in certain payments to be made by the Town pursuant to a Third Purchase Agreement, dated as of February 1, 2018 (the “Purchase Agreement”), between the Trustee as seller and the Town as buyer pursuant to which the Trustee has facilitated the financing of certain capital projects for the Town. In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

In such an examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript. We have also relied upon the opinions of the Town Attorney delivered even date herewith as to the matters provided therein.

Based upon such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Obligations, the Trust Agreement and the Purchase Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof and the rights thereunder are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally; except to the extent that the enforceability thereof and the rights thereunder may be limited by the application of general principles of equity and, as to the Trust Agreement, except to the extent that the enforceability of the indemnification provisions thereof may be affected by applicable securities laws.

2. The obligations of the Town pursuant to the Purchase Agreement with respect to payment of principal and interest with respect to the Obligations are solely from the revenues and other moneys pledged and assigned pursuant to the Trust Agreement to secure such payments. Those revenues and other moneys include payments required to be made by the Town pursuant to the Purchase Agreement, and the obligation of the Town to make those payments is secured by a limited pledge of the revenues from the unrestricted transaction privilege (sales) tax, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures which the Town imposes; provided that the Mayor and Council of the Town may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council and from any amounts of excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State of Arizona or any agency thereof and returned, allocated or apportioned to the Town, except the Town's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes, all as more fully described in, and provided by, the Purchase Agreement. Such payments are not secured by an obligation or pledge of any monies raised by taxation other than the specified taxes; the Obligations do not represent or constitute a debt or pledge of the general credit of the Town and the Purchase Agreement, including the obligation of the Town to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the Town.

3. (a) Under existing statutes, regulations, rulings, and court decisions, subject to the assumption stated in the last sentence of this paragraph, the portion of each payment made by the Town pursuant to the Purchase Agreement, denominated and comprising interest and received by the beneficial owners of the Obligations (the "Interest Portion"), is excludable from the gross income of the owners thereof for federal income tax purposes. Furthermore, the Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. For corporations, tax legislation enacted in 2017 eliminated the federal alternative minimum tax for taxable years beginning after December 31, 2017; no opinion is being provided with respect to the federal alternative minimum tax imposed on corporations for taxable years beginning before January 1, 2018. (We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of the Interest Portion on, or disposition of, the Obligations.) The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Town must continue to meet after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the Town to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Town has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. In rendering the opinion expressed in this paragraph, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes.

(b) Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other State tax consequences resulting from the ownership of, receipt or accrual of the Interest Portion on, or the disposition of, the Obligations.)

Respectfully submitted,



## APPENDIX C

### SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

#### DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined under elsewhere herein, the following terms shall, for all purposes of the Trust Agreement and the Purchase Agreement have the following meanings:

“**Acquisition Fund**” means the fund of that name established and held by the Trustee pursuant to the Trust Agreement to pay Project Costs.

“**Costs of Issuance Fund**” means the fund established and held by the Trustee pursuant to the Trust Agreement to pay Delivery Costs.

“**Delivery Costs**” means costs of execution, sale and delivery of the Obligations.

“**Depository Trustee**” means any bank or trust company, which may include the Trustee, designated by the Town, with a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or State of Arizona authority.

“**Event of Default**” means an event of default under the Purchase Agreement as described under the subheading “THE PURCHASE AGREEMENT - Remedies Upon Default”.

“**Government Obligations**” means direct general obligations of, or obligations the timely payment of principal and interest on which are fully and unconditionally guaranteed by, the United States of America (including, without limitation, the interest portion of obligations issued by the Resolution Funding Corporation in book entry form and stripped by request to the Federal Reserve Bank of New York), including Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations, provided any stripped Government Obligations have been stripped by the applicable U.S. Governmental Agency.

“**Outstanding**”, when used with respect to Obligations, refers to Obligations issued in accordance with the Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee therefor for credit against a sinking fund installment; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee therefor; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or permitted by the Purchase Agreement obligations bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of, premium, if any, and interest on such Obligations as provided in the proceedings under which such Obligations were issued, provided, however, that if any such Obligations are to be redeemed prior to maturity, the Town shall have taken all action necessary to redeem such Obligations and notice of such redemption shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to mail shall have been given to the Trustee therefor.

“**Owner**” or any similar term, when used with respect to any Obligation means the person in whose name such Obligation shall be registered in the books of registration maintained by the Trustee.

“**Payment Fund**” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement to which the Payments are deposited.

“**Project Costs**” means all costs of installation, construction and other matters necessary for the New Project.

“**Projects**” means street improvements and public safety facilities.

**“Record Date”** means, the close of business of the Trustee on the fifteenth day of the month preceding each Interest Payment Date.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

## **THE TRUST AGREEMENT**

The following, in addition to the information under the headings “THE OBLIGATIONS” and “SECURITY AND SOURCES OF PAYMENT”, is a summary of certain provisions of the Trust Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

**Establishment and Application of Acquisition Fund.** The Trustee will establish a separate trust fund designated the “Acquisition Fund” from which the Trustee will pay Project Costs, as provided in the Trust Agreement. When all Project Costs have been paid, the Trustee will transfer any amounts remaining in the Acquisition Fund to the Payment Fund.

**Establishment and Application of Cost of Issuance Fund.** The Trustee will establish a separate trust fund designated the “Cost of Issuance Fund” from which the Trustee will pay Delivery Costs, as provided in the Trust Agreement. On the earlier of June 1, 2018, or when all Delivery Costs have been paid, the Trustee will transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund.

**Payment Fund.** The Payment Fund will also be established by the Trustee as a special trust fund. The moneys in the Payment Fund will be applied by the Trustee solely to pay principal of and premium, if any, and interest with respect to on the Obligations.

**Separate Funds.** Monies and investments properly paid into and held in the funds established under the Trust Agreement will not be subject to the claims of the owners of any of the other of the Parity Lien Obligations, and the Owners of the Obligations shall have no claim or lien upon any monies or investments properly paid into and held in the funds and accounts established under the proceedings for any other of the Parity Lien Obligations.

**Protection of Lien.** The Trustee and the Town will agree not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien of the Trust Agreement and that no obligations the payment of which is secured by a superior or equal claim on or interest in property or revenues pledged will be issued or delivered by either except in lieu of, or upon transfer of registration or exchange of, any Obligation.

**Investments Authorized; Allocation of Earnings.** Upon written order of the Town, moneys held by the Trustee will be invested and re-invested in certain investments permitted by the Trust Agreement. The Trustee may purchase from, or sell to, itself or any affiliate, as principal or agent, investments and may invest in funds to which the Trustee or any of its affiliates provide services as an investment advisor. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Any income, profit or loss on such investments will be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds will be deposited in the fund from which such deposit was made, except as otherwise provided. At the direction of the Town, any such income, profit or interest will be applied if necessary to pay any rebate due with respect to the Obligation pursuant to the Internal Revenue Code.

**Appointment of the Trustee.** The Town will maintain as the Trustee a bank or trust company with a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or State authority so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority, then the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

**Liability of the Trustee; Standard of Care.** Except with respect to its authority and power generally and authorization to execute the Trust Agreement, the recitals of facts, covenants and agreements in the Trust Agreement, the Purchase Agreement and the Obligations will be taken as statements, covenants and agreements of the Town, and the Trustee will assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Trust Agreement, the Purchase Agreement or of the Obligations or will incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Obligations assigned to or imposed upon them, respectively. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee will perform only such duties as are specifically set forth in this Trust Agreement. After the occurrence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of the affairs of the Trustee.

**Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible as described hereinabove, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Protection and Rights of the Trustee.** The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such document, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will not be bound to recognize any person as an Owner of any Obligation or to take any action at the request thereof unless such Obligation will be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation will be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it in good faith.

Whenever in the administration of its duties under the Trust Agreement, the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed) will be deemed to be conclusively proved and established by the certificate of the appropriate representative of the Town and such certificate will be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may become the Owner of the Obligations with the same rights it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the Town with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

The Trustee will not be answerable for the exercise of any discretion or power under the Trust Agreement or for anything whatever in connection with the funds established thereunder, except only for its own willful misconduct or negligence.

No provision in the Trust Agreement will require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee will not be required to take notice or be deemed to have notice of an Event of Default, except for nonpayment of amounts due under the Trust Agreement or the Purchase Agreement, unless the Trustee has actual notice thereof or is specifically notified in writing of such default by the Town or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding.

The Town will from time to time, as agreed upon between the Town and the Trustee, pay to the Trustee reasonable compensation for its services, including an hourly rate based fee after an Event of Default and will reimburse the Trustee for all its advances and expenditures, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties.

**Removal of the Trustee.** The Trustee may be removed by the Town (if not in default) or by the Owners of a majority in aggregate principal amount of the Obligations.

The Trustee may also resign effective upon the appointment of a successor the Trustee by the Town.

**Amendments Permitted.** The Trust Agreement and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement which will become effective upon the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of certain disqualified Obligations. No such modification or amendment will (1) extend or have the effect of extending the fixed maturity of any Obligation or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon redemption thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Trust Agreement and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement, without the consent of any Owners, but only (1) to provide for additions or modifications to the Projects (2) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved in the Trustee (for its own behalf) or the Town, (3) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (4) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (5) to provide for the appointment of a successor trustee pursuant to the terms hereof, (6) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the Town to continue to issue bonds or other obligations the interest on which is likewise exempt from federal and State income taxes, (7) to cure, correct or supplement any ambiguous or defective provision in the Trust Agreement and Purchase Agreement, (8) to facilitate the issuance of additional of the Parity Lien Obligations, (9) with respect to rating matter, or (10) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which will not adversely affect the interests of the Owners of the Obligations. Any such supplemental or amending agreement will become effective upon execution and delivery by the parties thereto.

**Procedure for Amendment With Written Consent of Obligation Owners.** A copy of the proposed supplemental or amending agreement, together with a consent request, must be mailed to each Owner of an Obligation, but failure to mail copies of such supplemental or amending agreement and request does not affect the validity of the supplemental or amending agreement when assented to by a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations then disqualified). The supplemental or amending agreement will not become effective until the required Owners have consented and the Trustee has mailed notice to the Owners of the Obligations stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will become effective (but failure to mail copies of said notice shall not affect the validity of such supplemental or amending agreement or consents thereto).

**Disqualified Obligations.** Obligations owned or held by or for the account of the Town or by any person directly or indirectly controlled by, or under direct or indirect common control with the Town (except any Obligations held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided therein.

**No Liability of the Town for the Trustee Performance.** The Town will have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement

**Remedies Upon Default; No Acceleration.** Upon an Event of Default and if such event has not been cured as provided in the Purchase Agreement, the Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by the Town under the Trust Agreement or the Purchase Agreement, then due (but not the Payments and other such amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the Town under the Trust Agreement or the Purchase Agreement as provided in the Purchase Agreement. See “THE PURCHASE AGREEMENT - Remedies Upon Default.”

**Application of Funds.** Proceeds from the exercise of any remedies under the Trust Agreement or the Purchase Agreement after payment or reimbursement of the reasonable fees and expenses of the Trustee in connection therewith, including reasonable attorneys’ fees, will be applied as follows:

**First:** To the payment to the persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

**Second:** To the payment to the persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or because of selection for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the persons entitled thereto, without any discrimination or preference; and

Whenever moneys are to be so applied, the Trustee will fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date will cease to accrue. The Trustee will give or cause to be given notice of such payment, by first-class mail, to the Owners of Obligations at least eight (8) days before such date.

**Institution of Legal Proceedings.** If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained in the Trust Agreement.

**Power of the Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, or disposal of such action; provided, however, that the Trustee will not discontinue, or otherwise dispose of any litigation, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

**Limitation on Obligation Owners’ Right to Sue.** No Owner of any Obligation will have the right to institute any action, for any remedy, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity; and (d) the Trustee shall have not complied with such request for a period of sixty (60) days.

No one or more Owners of Obligations will have any right in any manner whatever by their action to enforce any right under the Trust Agreement, except in the manner therein provided, and all proceedings with respect to an

Event of Default will be pursued in the manner therein provided and for the equal benefit of all Owners of the Outstanding Obligations.

The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner.

**Defeasance.** If and when all Outstanding Obligations shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest and redemption premium, if any, with respect to all Obligations Outstanding, as and when the same become due and payable;

(b) by depositing with a Depository Trustee, in trust for such purpose, at or before maturity, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all Obligations Outstanding, including all principal, interest and redemption premium; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations which are non-callable in such amount as shall be certified to the Trustee and the Town by a national firm of certified public accountants acceptable to both the Trustee and the Town, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all Obligations (including all principal, premium and interest) at their respective maturity dates or prior redemption;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the Town with respect to all Outstanding Obligations will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to paragraphs (b) or (c) above and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations will continue to represent direct and proportionate interests of the Owners thereof in such funds.

If any Obligation or portion thereof will not mature within sixty (60) days of the deposit referred to in paragraphs (b) or (c) above, the Trustee shall give notice of such deposit by first class mail to the Owners.

No Payment or Obligation may be so provided for based on redemption prior to maturity unless the Trustee has mailed irrevocable notice of redemption for such Obligations or the Town has given the Trustee irrevocable instructions to redeem such Obligations.

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## **THE PURCHASE AGREEMENT**

The following, in addition to the information under the headings “INTRODUCTORY STATEMENT” and “SECURITY AND SOURCES OF PAYMENT,” is a summary of certain provisions of the Purchase Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

**Payments.** The obligation of the Town to make the Payments will be limited to amounts from the revenues from the Excise Taxes and the State Shared Revenues. The Town will receive a credit against amounts due with respect to the Payments equal to any amounts held and available in the Payment Fund.

The obligations of the Town to make the Payments from the sources described and to perform and observe the other agreements contained in the Purchase Agreement will be absolute and unconditional and will not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach of the Trustee of any obligation to the Town or otherwise, or out of indebtedness or liability at any time owing to the Town by the Trustee. Until such time as all of the Payments shall have been fully paid or provided for, the Town (i) will not suspend or discontinue the Payments, (ii) will perform and observe all other agreements contained in the Purchase Agreement, and (iii) will not terminate the Purchase Agreement for any cause.

**Providing for Payment.** The Town may provide for the payment of any of the Payments in any one or more of the following ways:

(a) by paying such Payment as and when the same becomes due and payable at its scheduled due date or on a date on which it can be prepaid;

(b) by depositing the with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with the Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations which are non-callable, in such amount as shall be certified by a national firm of certified public accountants acceptable to the Trustee and the Town as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Trustee and available for such Payment, to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid.

Upon any partial payment of a Payment resulting in a partial payment of redemption of Obligations, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial payment or redemption of Obligations from the proceeds of such payment so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

### **Default; Remedies Upon Default.**

(a) (i) Upon (A) the nonpayment of the whole or any part of any of the Payments at the time when the same is to be paid as provided in the Purchase Agreement or the Trust Agreement, (B) the violation by the Town of any other covenant or provision of the Purchase Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to any of the Loan Repayment Agreement, the Second Purchase Agreement or the other of the Parity Lien Obligations, or (D) the insolvency or bankruptcy of the Town as the same may be defined under any law of the United States of America or the State of Arizona, or any voluntary or involuntary action of the Town or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of any Payment as required under the Purchase Agreement or the Trust Agreement on the due date, or the nonpayment of the payments on their due dates with respect to the Loan Repayment Agreement, the Second Purchase Agreement or any other of the Parity Lien Obligations; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or the

Purchase Agreement not cured within sixty (60) days after notice in writing from the Trustee specifying such default; and (C) in the case of any default under any of the Loan Repayment Agreement, the Second Purchase Agreement or the other of the Parity Lien Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement, the Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by the Town under the Trust Agreement or the Purchase Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the Town under the Trust Agreement or the Purchase Agreement and with respect to the revenues from the Excise Taxes and, subject to the State Intercept of Funds with regard to the Loan Repayment Agreement and any other of the Parity Lien Obligations which is also an Additional Agency/Authority Loan Agreement, the State Shared Revenues, without notice and without giving any bond or surety to the Town or anyone claiming under the Town, may have a receiver appointed of the amounts of the revenues from the Excise Taxes and, subject to the State Intercept of Funds with regard to the Loan Repayment Agreement and any other of the Parity Lien Obligations which is also an Additional Agency/Authority Loan Agreement, the State Shared Revenues which are pledged to the payment of amounts due thereunder, with such powers as the court making such appointment shall confer (and the Town will irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

The obligations of the Town under the Purchase Agreement, including, without limitation, its obligation to pay the Payments, will survive any action brought, and the Town will continue to pay the Payments and perform all other obligations provided in the Purchase Agreement; provided, however, that the Town will be credited with any amount received by the Trustee.



**APPENDIX D**

**AUDITED FINANCIAL STATEMENTS OF  
THE TOWN OF QUEEN CREEK, ARIZONA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SEE "FINANCIAL STATEMENTS"**

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# TOWN OF QUEEN CREEK, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017



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**TOWN OF QUEEN CREEK, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Issued by:  
Finance Department

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## **INTRODUCTORY SECTION**

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# TOWN OF QUEEN CREEK ARIZONA

January 26, 2018

To the Honorable Mayor, Members of the Town Council, 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, 2017. 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, 2017, 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 26 square miles in its incorporated area and 70 square miles in its planning area. Given the Town's recent building uptick, current population is estimated at approximately 41,900 for fiscal year 2017.

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

Fiscal year 2017 represented continued economic improvement. Recent growth of the Town's economy is highlighted below.

- Queen Creek's population has grown nearly 60% since the 2010, making the Town one of the fastest growing municipalities in the country and the state.
- The Town issued 1,003 single-family building permits during fiscal year 2017. Each housing permit generates over \$20,000 into the Town's treasury from development fees and construction sales tax revenue.
- City sales tax revenue grew 24% over the prior year due to the addition of new businesses and restaurants and from continued population growth.
- State-shared revenue increased 32% over the prior year in part due to a recent change in state law that now revises the population-based sharing formula annually instead of once every five years.

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

### Employment and Development

Since 2011, the Town's unemployment rate has trended lower than rates of the Phoenix Metro Area, Maricopa County, and the state of Arizona. Primary employers in the community consist of a mix of private and public entities, with a strong concentration in the retail and education sectors. Additionally, Queen Creek residents are generally younger and have a higher percentage of college and post-graduate degrees relative to neighboring communities.

Of the community's total acreage, about 15 percent is set aside for commercial or industrial uses. 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.

### Accomplishments

In August 2016, both Fitch Ratings and S&P Global Ratings increased the Town's excise tax bond rating, from A+ to AA (Fitch Ratings) and from AA- to AA (Standard & Poor's). Additionally, the Town restructured several existing long-term obligations to provide substantial savings to the Town's future operating budgets, as follows:

- Refinanced \$55 million in outstanding excise tax bonds and loans, as well as the Town's portion of the Improvement District Series 2006 bonds, to save approximately \$12 million over the next 20 years.
- Refinanced the remaining privately-owned portion of the Improvement District Series 2006 bonds to generate savings of approximately \$4.7 million for the property owners. The new debt also shortened the term by three years to reduce the Town's non-payment risk.
- Terminated two developer agreements by paying \$25.2 million to the developers, which will save the Town \$10.8 million over the next 15 years. The termination payments were funded with a combination of operating funds and interfund loans.

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

### 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 financial policy is to have at least 25% of next year's General Fund budgeted revenues in reserve. For fiscal year 2017, this policy resulted in a minimum reserve requirement of \$12.2 million. The total General Fund balance at the end of the year was \$25.8 million, representing 211% of the reserve amount. The unassigned fund balance is \$5.6 million and \$20.2 million is classified as nonspendable. The nonspendable amount is the result of interfund loans used to address short-term cash flow needs associated with infrastructure construction. The nonspendable amount will be eliminated over the next several years as these loans are paid off and the unassigned fund balance will increase.

Each fall, the Town begins the annual budget process with a 5-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. This long-range financial plan is included in the budget document each year.

### 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:

- Obtain voter approval for the renewal of the Town's expenditure authorization ("Home Rule"). In August 2018, Town's residents will vote on the renewal of the Town's current expenditure limit authorization for another four years.
- Develop funding recommendations for approximately \$195 million in critical transportation projects over the next ten years. The Town is currently updating its Infrastructure Improvement Plan and has included a \$6.5 million placeholder in the fiscal year 2018 budget to finance needed transportation and other infrastructure without increases to the sales tax rate or creating a voter-approved property tax.
- Update the Town's impact fees, capacity fees, and water utility rates. Studies are currently underway to update these fees and rates.
- Consider annexations within the Town's planning area. The Town is currently considering a petition to annex an existing residential subdivision that will eventually include approximately 3,700 new homes and over 12,000 residents.



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

## **AWARDS AND ACKNOWLEDGMENT**

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, 2016. This was the twelfth 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, 2018. This was the fifteenth 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,

A handwritten signature in black ink, appearing to read "Scott McCarty". The signature is fluid and cursive, with a large initial "S" and "M".

Scott McCarty, CPA  
Finance Director

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

**ELECTED OFFICIALS**

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

**DEPARTMENT DIRECTORS**

Town Manager	John Kross
Assistant Town Manager	Bruce Gardner
Finance Director	Scott McCarty
Fire Chief	Ron Knight
Communications, Marketing & Recreation Director	Marnie Schubert
Development Service Director	Chris Anaradian
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, 2017**





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, 2016**

*Christopher P. Morill*

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information for the Town's pension plans, OPEB schedule of funding progress, 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 26, 2018

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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, 2017**

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, 2017. 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 \$443.0 million (net position). Of this amount, \$20.8 million is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- ◆ Total net position increased by \$22.4 million during the fiscal year.
- ◆ As of June 30, 2017, the Town's governmental funds reported a combined ending fund balance of \$25.7 million, a decrease of \$31.5 million in comparison with the prior year. Most of this decrease is the result of terminating two development agreements at a cost of \$25.2 million which will result in a savings of approximately \$10.8 million.
- ◆ At the close of the current fiscal year, total fund balance for the General Fund was \$25.8 million or 70% of the total General Fund expenditures of \$37.1 million.
- ◆ The Town refinanced all of its general government bonded debt with a single refunding bond issue, which is expected to save the Town \$12.5 million over the next 20 years.
- ◆ The Town refunded the privately-owned portion of the Special Assessment bonds with a private-placement debt issue. The refinancing shortened the debt term by three years to reduce the Town's risk of non-payment and will save property owners approximately \$5.0 million over the next 15 years.

**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, 2017**

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 23 - 25 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, Drainage and Transportation Fund, General Capital Improvement Fund, Debt Service 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 thirteen 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 26 - 32 of this report.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

- ◆ *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 33 - 40 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 41 – 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 – 94 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 95 – 123.

**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, 2017**

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2017 and 2016.

**Table A-1  
Net Position  
June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Current and Other Assets	\$ 55,751,725	\$ 86,661,741	\$ 76,934,875	\$ 68,047,577	\$ 132,686,600	\$ 154,709,318
Capital Assets:						
Non-depreciable	79,646,055	71,826,568	8,665,923	6,844,310	88,311,978	78,670,878
Depreciable (net)	250,964,491	228,233,182	178,883,958	173,351,049	429,848,449	401,584,231
Total Assets	386,362,271	386,721,491	264,484,756	248,242,936	650,847,027	634,964,427
Deferred Outflows of Resources	7,160,056	5,566,827	1,469,852	1,219,362	8,629,908	6,786,189
<b>LIABILITIES</b>						
Current and Other Liabilities	11,518,132	12,749,224	14,220,659	13,818,280	25,738,791	26,567,504
Long-Term Liabilities	88,349,433	88,570,259	99,174,787	104,360,344	187,524,220	192,930,603
Total Liabilities	99,867,565	101,319,483	113,395,446	118,178,624	213,263,011	219,498,107
Deferred Inflows of Resources	2,608,737	1,261,780	601,262	371,455	3,209,999	1,633,235
<b>NET POSITION</b>						
Net Investment in Capital Assets	254,327,784	222,579,325	107,702,757	99,502,329	362,030,541	322,081,654
Restricted	50,111,910	46,287,642	10,108,563	9,506,232	60,220,473	55,793,874
Unrestricted	(13,393,669)	20,840,088	34,146,580	21,903,658	20,752,911	42,743,746
Total Net Position	\$ 291,046,025	\$ 289,707,055	\$ 151,957,900	\$ 130,912,219	\$ 443,003,925	\$ 420,619,274

The largest portion of the Town's net position (82%) 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 (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$20,752,911) may be used to meet the government's ongoing obligations to citizens and creditors.



**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Changes in Net Position**

As described above, the Town's net position overall increased by \$22.4 million (5.3%) 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, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2015
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 15,206,130	\$ 16,119,456	\$ 38,796,413	\$ 36,743,176	\$ 54,002,543	\$ 52,862,632
Operating Grants and Contributions	2,775,472	2,105,900	-	-	2,775,472	2,105,900
Capital Grants and Contributions	10,885,524	18,373,422	6,882,565	8,710,353	17,768,089	27,083,775
General Revenues:						
Sales Taxes	30,415,947	24,561,503	-	-	30,415,947	24,561,503
Property Taxes	7,356,026	6,658,829	-	-	7,356,026	6,658,829
Franchise Taxes	320,847	307,992	-	-	320,847	307,992
Grants and Contributions Not Restricted to Specific Programs	8,781,117	6,589,267	-	-	8,781,117	6,589,267
Investment Earnings	141,113	538,899	164,111	115,188	305,224	654,087
Miscellaneous	442,080	1,431,199	45,700	-	487,780	1,431,199
Total Revenues	<u>76,324,256</u>	<u>76,686,467</u>	<u>45,888,789</u>	<u>45,568,717</u>	<u>122,213,045</u>	<u>122,255,184</u>
<b>EXPENSES</b>						
General Government	10,919,733	13,493,976	-	-	10,919,733	13,493,976
Public Safety	14,142,386	12,032,441	-	-	14,142,386	12,032,441
Highways and Streets	14,425,928	13,201,760	-	-	14,425,928	13,201,760
Culture and Recreation	5,515,631	4,682,823	-	-	5,515,631	4,682,823
Economic Development	27,824,042	1,115,722	-	-	27,824,042	1,115,722
Interest on Long-Term Debt	2,562,461	3,899,852	-	-	2,562,461	3,899,852
Water	-	-	15,343,717	14,181,944	15,343,717	14,181,944
Wastewater	-	-	6,874,000	6,680,369	6,874,000	6,680,369
Solid Waste	-	-	2,220,496	2,002,405	2,220,496	2,002,405
Total Expenses	<u>75,390,181</u>	<u>48,426,574</u>	<u>24,438,213</u>	<u>22,864,718</u>	<u>99,828,394</u>	<u>71,291,292</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	934,075	28,259,893	21,450,576	22,703,999	22,384,651	50,963,892
Transfers In (Out)	404,895	788,621	(404,895)	(788,621)	-	-
<b>CHANGE IN NET POSITION</b>	1,338,970	29,048,514	21,045,681	21,915,378	22,384,651	50,963,892
Net Position - Beginning of Year	289,707,055	260,658,541	130,912,219	108,996,841	420,619,274	369,655,382
<b>NET POSITION - END OF YEAR</b>	<u>\$ 291,046,025</u>	<u>\$ 289,707,055</u>	<u>\$ 151,957,900</u>	<u>\$ 130,912,219</u>	<u>\$ 443,003,925</u>	<u>\$ 420,619,274</u>

*Governmental Activities* – Combined tax revenues increased \$6.6 million (21%) as a result of continued growth in the Town's residential population and commercial construction activity. This increase was offset by a decline of \$7.5 million in contributions of infrastructure assets from developers relative to the prior year. Total revenues decreased \$362,000 (0.5%), ending the year at \$76.3 million.

Total expenses increased \$27.0 million (56%) mostly due to the Town's decision to terminate two development agreements at a cost of \$25.2 million. A portion of this cost was financed through internal borrowing and is expected to save the Town approximately \$10.8 million.

Net position for governmental activities increased \$1.3 million (0.5%), ending the year at \$291 million. However, the Town reported a negative unrestricted net position as a result of the internal borrowing for the developer agreement terminations just mentioned. The deficit will be eliminated over the next several years as these internal loans are paid off.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

*Business-Type Activities* – Net position of the Town's business-type activities increased \$21 million (16%) as revenues continue to outpace expenses. Revenues from charges to utility customers increased \$2.1 million (5.6%) due to growth in the Town's residential and commercial populations. Additionally, the Town received \$6.9 million of infrastructure assets from new residential and commercial developments for which there is no corresponding expense offset. These developments generated \$9.8 million in capacity fees that are restricted to future capital projects related to the Town's water and wastewater infrastructure.

Total expenses increased \$1.6 million (6.9%) 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.

**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 \$25.7 million, a decrease of \$31 million (55%) from the prior year. The decrease in fund balances is the result of several significant activities:

- The Town paid \$25.2 million to terminate two development agreements (mentioned previously) resulting in a savings of approximately \$10.8 million;
- The Town spent \$31.2 million on several transportation and public safety capital projects, using internal borrowing to meet short-term cash requirements; and
- The Town paid \$3.2 million to acquire two parcels of land for future economic development.

These activities created a negative \$26.3 million of unrestricted fund balances at the end of the fiscal year. However, approximately \$12.3 million of this deficit will be eliminated with bond proceeds that will be received in February 2018. The remaining deficit is the result of interfund loans that will be repaid over time as revenues are received in the respective funds.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

At fiscal year ended June 30, 2017, fund balances were as follows.

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2015-16
General Fund	\$ 25,795,377	\$ 6,061,502
Construction Sales Tax	(19,965,613)	(20,736,905)
Drainage and Transportation	7,709,096	(234,177)
General Capital Improvement	(8,884,104)	(17,356,998)
Debt Service	10,725	10,725
Improvement District Debt Service	360,683	97,145
Nonmajor Governmental Funds	20,656,610	708,534
	<u>\$ 25,682,774</u>	<u>\$ (31,450,174)</u>

**General Fund** – Revenues of the General Fund exceeded expenditures and other financing sources (uses) by \$6.1 million due to continued growth in single-family home construction and commercial developments. Sales and property tax revenues increased \$4.2 million (16%) from the prior year. Intergovernmental revenues increased \$2.0 million (36%) mostly as a result of a change in state law that adjusts the population-based distribution formula annually instead of only once every ten years from an official census. As the Town's population grows each year, this change will continue to have a positive impact on the Town's revenues.

Total General Fund expenditures increased by \$5.8 million (19%). All of this increase was the result of using \$6.3 million of General Fund resources towards the development agreement termination payments mentioned previously. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$5.6 million, while total fund balance reached \$25.8 million, an increase of \$6.1 million (31%).

**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 91. 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 \$1.3 million (3.8%). The increased revenues over the budgeted amount was the result of an improving economy and a growing community led by retail and construction sales tax revenues. Budgetary basis expenditures were \$1.4 million (5.7%) 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 \$1.5 million (8%) as monthly sales tax revenue collections consistently exceeded the original projections. The Town increased the General Fund expenditure budget by \$6.2 million mostly by reallocating budget authority from other funds to cover the General Fund's portion of the development agreement termination payments mentioned earlier.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

Other Major Funds – The Construction Sales Tax Fund spent \$18.8 million towards the development agreement termination payments. This amount was funded with interfund loans from the Water Fund, Wastewater Fund, and General Fund, which loans will be repaid over the next 12 years from the Town's dedicated transportation sales tax revenue. The early termination of the development agreements is expected to save the Town approximately \$10.8 million.

The Drainage and Transportation Fund spent \$12.9 million on several infrastructure projects during the year. These projects were funded from various sources including transportation sales taxes and impact fees. Fund balance decreased \$234,000 and ended the year at \$7.7 million.

The General Capital Improvement Fund spent \$17.4 million on two new fire stations and a new Law Enforcement and Community Chambers building. The fund ended the year with a deficit fund balance because funding for these projects will ultimately come from a new bond issue in February 2018. Interim financing came from an interfund loan from the General Fund.

As explained further below, the Town refinanced all of its outstanding general government bonded debt with a single excise tax refunding bond that included both current and advance refunding elements. This refunding activity is reported in the Debt Service Fund for fiscal year 2017.

The Town also refinanced its outstanding improvement district special assessment bonds through a private-placement debt issue. This activity is reported in the Improvement District Debt Service Fund and is explained further below.

Nonmajor Funds – Fund balances of the remaining Nonmajor Governmental Funds increased a combined total of \$709,000 (3.6%). These funds include the Town's Highway User Revenue Fund (HURF) and the Town's impact fee funds, all of which are restricted for specific purposes. Also, during fiscal year 2017 the Town purchased two parcels of land next to Town Hall for \$3.2 million that will be held for future economic development. This activity is reported in the Town Center fund and was financed with interfund loans from the Water Fund.

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.

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.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2017 amount to \$330.6 million and \$187.5 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 10.2% and capital assets for business-type activities increased 4.1%.

**Table A-4  
Capital Assets (Net)  
June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 45,621,421	\$ 43,470,915	\$ 1,816,657	\$ 1,816,657	\$ 47,438,078	\$ 45,287,572
Construction In Progress	34,024,634	28,355,653	6,849,266	5,027,653	40,873,900	33,383,306
Infrastructure	215,800,729	199,218,630	-	-	215,800,729	199,218,630
Buildings and Improvements	29,750,020	24,069,408	-	-	29,750,020	24,069,408
Vehicles, Furniture and Equipment	5,413,742	4,945,144	1,463,286	1,521,277	6,877,028	6,466,421
Wastewater Collection System	-	-	69,032,395	64,873,088	69,032,395	64,873,088
Water System	-	-	108,388,277	106,956,684	108,388,277	106,956,684
<b>Total Capital Assets</b>	<b>\$ 330,610,546</b>	<b>\$ 300,059,750</b>	<b>\$ 187,549,881</b>	<b>\$ 180,195,359</b>	<b>\$ 518,160,427</b>	<b>\$ 480,255,109</b>

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

*Governmental Activities*

- The Town added two fire stations and a new municipal facility that houses both public safety and a community chambers for Town Council and other public meetings.
- The Town received \$10.4 million of completed streets and other infrastructure from developers, while completing an additional \$20.2 million in Town-funded projects.
- At year-end, the Town had over \$34 million in projects under construction.

*Business-type Activities*

- The Town added approximately \$9.9 million of water and sewer infrastructure, with the majority of those assets coming from residential and commercial developments.
- At year-end, the Town had nearly \$7 million in utility projects under construction.

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.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Debt Administration**

At the end of the current fiscal year, the Town had total long-term obligations outstanding of \$75.9 million for governmental activities and \$99.2 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 \$48 million in excise tax and state-shared revenue refunding bonds to refund all of the Town's outstanding governmental activities bonds and loans and to refinance the Town's portion of the Special Assessment bonds. The Town expects to save \$12.5 million over the next 20 years from the refinancing. In conjunction with the bond issue, both Fitch Ratings and S&P Global Ratings increased the Town's excise tax bond ratings to AA.

The Town also refunded the privately-owned portion of the Special Assessment bonds with a private-placement debt issue of \$18.445 million. The refinancing shortened the debt term by three years to reduce the Town's risk of non-payment and will save property owners approximately \$5 million over the next 15 years.

Overall, the Town's governmental activities debt decreased by \$1.6 million (2%) and the business-type activities debt decreased by \$5.6 million (5.3%). Apart from the bond refundings, the remaining decreases were due to regularly scheduled principal payments.

The following schedule shows the outstanding debt of the Town as of June 30, 2017 and 2016.

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, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Excise Tax Revenue Bonds	\$ -	\$ 21,600,000	\$ -	\$ -	\$ -	\$ 21,600,000
Special Assessment Bonds	-	19,375,974	-	-	-	19,375,974
Special Assessment Bonds - Town Owned Property	-	17,154,026	-	-	-	17,154,026
GADA Loan Payable	-	17,025,000	3,595,000	3,820,000	3,595,000	20,845,000
Excise Tax Refunding Bonds	47,990,000	-	-	-	47,990,000	-
Special Assessment Refunding Bonds	18,445,000	-	-	-	18,445,000	-
Premium on Bonds	8,964,561	1,371,470	13,302,369	14,014,965	22,266,930	15,386,435
WIFA Loan Payable	-	-	62,093,234	66,511,716	62,093,234	66,511,716
Capital Leases	517,857	765,601	-	-	517,857	765,601
Long-Term Contract	-	188,354	-	-	-	188,354
Water System Obligation	-	-	19,425,088	19,425,088	19,425,088	19,425,088
Advance in Aid of Construction	-	-	806,310	1,023,036	806,310	1,023,036
<b>Total Outstanding Debt</b>	<b>\$ 75,917,418</b>	<b>\$ 77,480,425</b>	<b>\$ 99,222,001</b>	<b>\$ 104,794,805</b>	<b>\$ 175,139,419</b>	<b>\$ 182,275,230</b>

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**OTHER MATTERS**

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

In February 2018, the Town expects to issue approximately \$64 million of new excise tax and state-shared revenue obligation bonds. Approximately \$10 million of the bond proceeds will reimburse the Town for the recently completed Fire Stations 1 and 3, and the Law Enforcement building. The remainder of the bond proceeds will be used by the Town to build roadways identified in the Town's ten-year \$195 million Transportation Master Plan that was approved by the Town Council in December 2016.

In August 2018, Town residents will vote on the renewal of the Town's expenditure limit authorization ("Home Rule"). Under Arizona statute, voter approval is required every four years for the Town to maintain its current expenditure limit authorization.

Annexation proposals continue to provide the Town with opportunities for growth:

- In May 2017, the Town approved an annexation petition from Banner Ironwood Medical Center, an 80-acre facility in the southeast section of the Town's planning area. The development agreement with the hospital requires the Town to provide credits of up to \$4 million towards development fees that the hospital would otherwise pay as it applies for future building permits over the next 30 years.
- In May 2017, the Town approved an annexation petition from Americo for approximately 35 acres on the corner of Ellsworth Road and Empire Boulevard. The property owner is expected to build several commercial developments on the site.

**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.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 12,204,984	\$ 23,852,712	\$ 36,057,696
Receivables, Net:			
Accounts Receivable	218,480	3,601,131	3,819,611
Taxes Receivable	4,605,796	-	4,605,796
Special Assessments Receivable	18,412,642	-	18,412,642
Intergovernmental Receivable	537,147	-	537,147
Interest Receivable	28,360	41,543	69,903
Internal Balances	(14,185,356)	14,185,356	-
Inventory	-	257,998	257,998
Prepaid Items	133,224	34,324	167,548
Restricted Cash and Investments	29,498,302	11,209,548	40,707,850
Investment in Joint Venture	-	23,752,263	23,752,263
Land Held for Economic Development	4,298,146	-	4,298,146
Capital Assets:			
Non-Depreciable	79,646,055	8,665,923	88,311,978
Depreciable (Net)	250,964,491	178,883,958	429,848,449
Total Assets	386,362,271	264,484,756	650,847,027
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	6,793,651	1,469,852	8,263,503
Debt Related	366,405	-	366,405
Total Deferred Outflows of Resources	7,160,056	1,469,852	8,629,908
<b>LIABILITIES</b>			
Accounts Payable	4,411,714	1,434,998	5,846,712
Accrued Wages and Benefits	987,177	199,397	1,186,574
Retainage Payable	1,250,563	23,523	1,274,086
Deposits Held for Others	51,485	1,100,985	1,152,470
Interest Payable	-	1,495,833	1,495,833
Matured Debt Principal Payable	-	4,726,898	4,726,898
Noncurrent Liabilities			
Due Within One Year	4,817,193	5,239,025	10,056,218
Due in More Than One Year	72,163,098	94,234,285	166,397,383
Net Pension Liability	16,186,335	4,940,502	21,126,837
Total Liabilities	99,867,565	113,395,446	213,263,011
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	1,876,988	601,262	2,478,250
Debt Related	731,749	-	731,749
Total Deferred Inflows of Resources	2,608,737	601,262	3,209,999
<b>NET POSITION</b>			
Net Investment in Capital Assets	254,327,784	107,702,757	362,030,541
Restricted for:			
Streets and Transportation	2,315,825	-	2,315,825
Debt Service	18,749,583	7,012,650	25,762,233
Repair and Replacement	-	3,095,913	3,095,913
Development	28,783,628	-	28,783,628
Housing Rehab	75,386	-	75,386
Parks and Community	187,488	-	187,488
Unrestricted	(13,393,669)	34,146,580	20,752,911
Total Net Position	\$ 291,046,025	\$ 151,957,900	\$ 443,003,925

See accompanying Notes to Basic Financial Statements.

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

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 10,919,733	\$ 1,547,398	\$ 320,760	\$ -
Public Safety	14,142,386	940,888	124,409	-
Highways and Streets	14,425,928	1,636,979	2,330,303	10,885,524
Culture and Recreation	5,515,631	5,771,742	-	-
Economic Development	27,824,042	4,273,410	-	-
Interest and Fiscal Charges	2,562,461	1,035,713	-	-
Total Governmental Activities	<u>75,390,181</u>	<u>15,206,130</u>	<u>2,775,472</u>	<u>10,885,524</u>
Business-Type Activities:				
Water	15,343,717	25,303,198	-	2,657,571
Wastewater	6,874,000	11,078,023	-	4,224,994
Solid Waste	2,220,496	2,415,192	-	-
Total Business-Type Activities	<u>24,438,213</u>	<u>38,796,413</u>	<u>-</u>	<u>6,882,565</u>
Total Primary Government	<u>\$ 99,828,394</u>	<u>\$ 54,002,543</u>	<u>\$ 2,775,472</u>	<u>\$ 17,768,089</u>

General Revenues

Taxes:

    Sales Taxes

    Property Taxes

    Franchise Taxes

State Revenue Sharing

State Sales Tax Revenue Sharing

Auto Lieu Tax Revenue Sharing

Grants and Contributions not Restricted

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
\$ (9,051,575)	\$ -	\$ (9,051,575)
(13,077,089)	-	(13,077,089)
426,878	-	426,878
256,111	-	256,111
(23,550,632)	-	(23,550,632)
(1,526,748)	-	(1,526,748)
(46,523,055)	-	(46,523,055)
-	12,617,052	12,617,052
-	8,429,017	8,429,017
-	194,696	194,696
-	21,240,765	21,240,765
(46,523,055)	21,240,765	(25,282,290)
30,415,947	-	30,415,947
7,356,026	-	7,356,026
320,847	-	320,847
8,781,117	-	8,781,117
-	-	-
-	-	-
-	-	-
141,113	164,111	305,224
442,080	-	442,080
-	45,700	45,700
404,895	(404,895)	-
47,862,025	(195,084)	47,666,941
1,338,970	21,045,681	22,384,651
289,707,055	130,912,219	420,619,274
\$ 291,046,025	\$ 151,957,900	\$ 443,003,925

**TOWN OF QUEEN CREEK, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General Fund</u>	<u>Construction Sales Tax</u>	<u>Drainage and Transportation</u>
<b>ASSETS</b>			
Cash and Investments	\$ 3,583,474	\$ 127,579	\$ 743,562
Restricted Cash	679,401	-	8,097,997
Receivables:			
Accounts Receivable	185,732	-	32,277
Taxes Receivable	3,614,011	891,354	-
Special Assessments Receivable	-	-	-
Intergovernmental Receivables	279,087	-	-
Interest Receivable	28,360	-	-
Due from Other Funds	69,102	-	-
Prepaid Items	126,007	-	-
Advances to Other Funds	20,114,341	-	-
Total Assets	<u>\$ 28,679,515</u>	<u>\$ 1,018,933</u>	<u>\$ 8,873,836</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 1,374,928	\$ -	\$ 913,676
Accrued Wages and Benefits	931,413	-	19,460
Retainage Payable	-	-	223,167
Deposits Held for Others	51,485	-	-
Advances from Other Funds	-	20,984,546	-
Total Liabilities	<u>2,357,826</u>	<u>20,984,546</u>	<u>1,156,303</u>
Deferred Inflows of Resources:			
Unavailable Revenues	<u>526,312</u>	<u>-</u>	<u>8,437</u>
Fund Balances:			
Nonspendable	20,240,348	-	-
Restricted	-	-	8,121,837
Unassigned	5,555,029	(19,965,613)	(412,741)
Total Fund Balances	<u>25,795,377</u>	<u>(19,965,613)</u>	<u>7,709,096</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 28,679,515</u>	<u>\$ 1,018,933</u>	<u>\$ 8,873,836</u>

See accompanying Notes to Basic Financial Statements.

General Capital Improvement	Debt Service	Improvement District Debt Service	Nonmajor Governmental Funds	Total
\$ 2,396,225	\$ -	\$ 326,216	\$ 4,819,480	\$ 11,996,536
73,020	10,725	-	20,637,159	29,498,302
315	-	-	156	218,480
-	-	-	100,431	4,605,796
-	-	18,412,642	-	18,412,642
-	-	-	258,060	537,147
-	-	-	-	28,360
-	-	-	-	69,102
-	-	-	7,217	133,224
-	-	-	-	20,114,341
<u>\$ 2,469,560</u>	<u>\$ 10,725</u>	<u>\$ 18,738,858</u>	<u>\$ 25,822,503</u>	<u>\$ 85,613,930</u>
\$ 1,382,048	\$ -	\$ -	\$ 741,062	\$ 4,411,714
-	-	-	36,304	987,177
1,004,531	-	-	22,865	1,250,563
-	-	-	-	51,485
<u>8,967,085</u>	<u>-</u>	<u>-</u>	<u>4,362,710</u>	<u>34,314,341</u>
11,353,664	-	-	5,162,941	41,015,280
-	-	18,378,175	2,952	18,915,876
-	-	-	7,217	20,247,565
73,020	10,725	360,683	23,148,864	31,715,129
(8,957,124)	-	-	(2,499,471)	(26,279,920)
<u>(8,884,104)</u>	<u>10,725</u>	<u>360,683</u>	<u>20,656,610</u>	<u>25,682,774</u>
<u>\$ 2,469,560</u>	<u>\$ 10,725</u>	<u>\$ 18,738,858</u>	<u>\$ 25,822,503</u>	<u>\$ 85,613,930</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, 2017**

<b>Total Fund Balances for Governmental Funds</b>		\$ 25,682,774
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	\$ 412,702,626	
Less: Accumulated Depreciation	<u>(82,092,080)</u>	330,610,546
Land Held for Economic Development		4,298,146
Revenues earned but not received within 60 days of year-end are unavailable in the governmental funds, but are recognized in the		
Property Taxes		44,016
Sales Taxes		476,765
Charges for Services		8,483
Development Agreement		8,437
Special Assessments		18,378,175
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		6,793,651
Deferred Inflows of Resources Related to Pensions		<u>(1,876,988)</u>
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.		
Bonds Payable	(66,435,000)	
Premium on Bonds Payable	(8,964,561)	
Deferred Outflow of Resources Related to Refunding	366,405	
Deferred Inflow of Resources Related to Refunding	(731,749)	
Net Pension Liability	(16,186,335)	
Capital Lease Payable	(517,857)	
Compensated Absence Payable	<u>(1,062,873)</u>	(93,531,970)
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		208,448
Less: Amount Attributed to the Business-Type Activities		<u>(54,458)</u>
		<u>153,990</u>
<b>Total Net Position of Governmental Activities</b>		<u><u>\$ 291,046,025</u></u>

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, 2017**

	<u>General Fund</u>	<u>Construction Sales Tax</u>	<u>Drainage and Transportation</u>
<b>REVENUES</b>			
Taxes	\$ 30,392,191	\$ 6,411,826	\$ -
Intergovernmental Revenues	7,534,533	-	524,811
Licenses and Permits	5,174,695	-	-
Charges for Services	818,562	-	-
Rents and Royalties	570,999	-	-
Contributions and Donations	-	-	376,447
Impact Fees	-	-	-
Investment Income	35,468	-	6,847
Miscellaneous	436,816	-	-
Total Revenues	<u>44,963,264</u>	<u>6,411,826</u>	<u>908,105</u>
<b>EXPENDITURES</b>			
Current:			
General Government	10,728,669	-	-
Public Safety	13,496,827	-	-
Highways and Streets	1,171,755	-	379,202
Culture and Recreation	3,712,055	-	-
Economic Development	7,908,036	18,803,394	-
Capital Outlay	-	-	12,567,087
Debt Service:	-	-	-
Principal Retirement	71,784	-	-
Interest on Long-Term Debt	11,596	-	-
Debt Issuance Costs	-	-	-
Total Expenditures	<u>37,100,722</u>	<u>18,803,394</u>	<u>12,946,289</u>
Excess (Deficiency) of Revenues Over Expenditures	7,862,542	(12,391,568)	(12,038,184)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	404,895	-	11,203,147
Transfers Out	(2,205,935)	(8,345,337)	-
Proceeds from Sale of Fixed Assets	-	-	600,860
Proceeds from Issuance of Long-Term Debt	-	-	-
Premium on the Issuance of Long-Term Debt	-	-	-
Payment to Refunding Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>(1,801,040)</u>	<u>(8,345,337)</u>	<u>11,804,007</u>
Net Change in Fund Balances	6,061,502	(20,736,905)	(234,177)
<b>FUND BALANCES</b>			
Beginning of Year	19,733,875	771,292	7,943,273
End of Year	<u>\$ 25,795,377</u>	<u>\$ (19,965,613)</u>	<u>\$ 7,709,096</u>

See accompanying Notes to Basic Financial Statements.

General Capital Improvement	Debt Service	Improvement District Debt Service	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 1,296,056	\$ 38,100,073
-	-	-	3,701,296	11,760,640
-	-	-	-	5,174,695
-	-	1,756,552	17,695	2,592,809
-	-	-	-	570,999
-	-	-	87,349	463,796
-	-	-	8,041,757	8,041,757
-	-	-	98,797	141,112
-	-	-	20,925	457,741
-	-	1,756,552	13,263,875	67,303,622
-	-	-	-	10,728,669
-	-	-	-	13,496,827
-	-	-	4,734,048	6,285,005
-	-	-	303,643	4,015,698
-	-	-	3,317,142	30,028,572
17,356,998	-	-	1,267,949	31,192,034
-	34,305,000	19,075,000	175,960	53,627,744
-	1,772,103	746,577	47,754	2,578,030
-	504,377	282,830	-	787,207
<u>17,356,998</u>	<u>36,581,480</u>	<u>20,104,407</u>	<u>9,846,496</u>	<u>152,739,786</u>
(17,356,998)	(36,581,480)	(18,347,855)	3,417,379	(85,436,164)
-	2,056,970	-	1,618,188	15,283,200
-	-	-	(4,327,033)	(14,878,305)
-	-	-	-	600,860
-	47,990,000	18,445,000	-	66,435,000
-	9,313,830	-	-	9,313,830
-	(22,768,595)	-	-	(22,768,595)
-	<u>36,592,205</u>	<u>18,445,000</u>	<u>(2,708,845)</u>	<u>53,985,990</u>
(17,356,998)	10,725	97,145	708,534	(31,450,174)
8,472,894	-	263,538	19,948,076	57,132,948
<u>\$ (8,884,104)</u>	<u>\$ 10,725</u>	<u>\$ 360,683</u>	<u>\$ 20,656,610</u>	<u>\$ 25,682,774</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, 2017**

**Net Change in Fund Balances-Total Governmental Funds** (31,450,174)

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	\$ 31,021,479	
Depreciation Expense	<u>(10,831,396)</u>	
		20,190,083

Contributions of capital assets are not current financial resources and are not reflected in the governmental funds.		10,360,713
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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.		3,246,691
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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	(21,639)	
Sales Taxes	14,386	
Charges for Services	(39,089)	
Development Agreement	(158,711)	
Special Assessments	<u>(720,839)</u>	
		(925,892)

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		1,810,494
Pension Expense		(3,113,519)

(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, 2017**

(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	(66,435,000)	
Premium on Bonds Issued	(9,313,830)	
Principal Payments on Long-Term Debt	53,380,000	
Principal Payments to Refunding Escrow Agent	22,768,595	
Principal Payments on Capital Leases	247,744	
Principal Payments on Long-Term Contracts	188,354	
Interest Payable	440,979	
Amortization of Bond Premium	349,269	
Amortization of Deferred Amount on Refunding	12,531	
		1,638,642

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		(100,242)
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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		(414,202)
Less: Amount Attributable to the Business-Type Activities		96,376
		(317,826)

<b>Change in Net Position of Governmental Activities</b>		<b>\$ 1,338,970</b>
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**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Business-Type Activities		
	Wastewater	Solid Waste	Water
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 13,243,417	\$ -	\$ 10,609,295
Receivables, Net:			
Accounts Receivable	687,992	255,171	2,656,339
Other Receivable	-	-	1,629
Interest Receivable	19,949	-	21,594
Inventory	-	117,803	140,195
Prepaid Items	3,227	1,991	29,106
Total Current Assets	<u>13,954,585</u>	<u>374,965</u>	<u>13,458,158</u>
Noncurrent Assets:			
Restricted Cash and Investments	3,884,862	-	7,324,686
Advance to Other Funds	5,000,000	-	9,200,000
Investment in Joint Venture	23,752,263	-	-
Capital Assets:			
Non-Depreciable	1,629,391	-	7,036,532
Depreciable (Net)	69,370,973	12,783	109,500,202
Total Noncurrent Assets	<u>103,637,489</u>	<u>12,783</u>	<u>133,061,420</u>
Total Assets	<u>117,592,074</u>	<u>387,748</u>	<u>146,519,578</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	134,740	132,209	1,202,903
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	731,347	130,016	573,635
Accrued Wages and Benefits	16,341	14,127	168,929
Retainage Payable	5,773	-	17,750
Deposits Held for Others	-	-	1,100,985
Due to Other Funds	-	69,102	-
Interest Payable	544,451	-	951,382
Matured Debt Principal Payable	1,938,563	-	2,788,335
Compensated Absences	11,307	10,867	124,156
Loans Payable	2,235,941	-	2,574,361
Advance in Aid of Construction	-	-	282,393
Total Current Liabilities	<u>5,483,723</u>	<u>224,112</u>	<u>8,581,926</u>
Noncurrent Liabilities:			
Compensated Absences	12,115	16,684	76,180
Net Pension Liability	452,892	444,383	4,043,227
Loans Payable	24,480,511	-	69,124,878
Advance in Aid of Construction	-	-	523,917
Total Noncurrent Liabilities	<u>24,945,518</u>	<u>461,067</u>	<u>73,768,202</u>
Total Liabilities	<u>30,429,241</u>	<u>685,179</u>	<u>82,350,128</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	55,117	54,082	492,063
<b>NET POSITION</b>			
Net Investment in Capital Assets	66,447,124	12,783	41,242,850
Restricted for:			
Debt Service	2,856,084	-	4,156,566
Repair and Replacement	1,028,778	-	2,067,135
Unrestricted	16,910,470	(232,087)	17,413,739
Total Net Position	<u>\$ 87,242,456</u>	<u>\$ (219,304)</u>	<u>\$ 64,880,290</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.

<u>Totals</u>	<u>Internal Service Insurance Fund</u>
\$ 23,852,712	\$ 208,448
3,599,502	-
1,629	-
41,543	-
257,998	-
34,324	-
<u>27,787,708</u>	<u>208,448</u>
11,209,548	-
14,200,000	-
23,752,263	-
8,665,923	-
178,883,958	-
<u>236,711,692</u>	<u>-</u>
264,499,400	208,448
1,469,852	-
1,434,998	-
199,397	-
23,523	-
1,100,985	-
69,102	-
1,495,833	-
4,726,898	-
146,330	-
4,810,302	-
282,393	-
<u>14,289,761</u>	<u>-</u>
104,979	-
4,940,502	-
93,605,389	-
523,917	-
<u>99,174,787</u>	<u>-</u>
113,464,548	-
601,262	-
107,702,757	-
7,012,650	-
3,095,913	-
34,092,122	208,448
<u>\$ 151,903,442</u>	<u>\$ 208,448</u>
54,458	
<u>\$ 151,957,900</u>	

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Business-Type Activities		
	Wastewater	Solid Waste	Water
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 5,950,834	\$ 2,415,192	\$ 20,583,082
Miscellaneous	1,219	-	63,974
Total Operating Revenue	<u>5,952,053</u>	<u>2,415,192</u>	<u>20,647,056</u>
<b>OPERATING EXPENSES</b>			
Administration	150,918	120,387	1,033,240
Cost of Sales and Services	2,820,169	2,082,474	9,175,383
Depreciation	1,690,989	3,933	2,698,984
Equity Interest in Joint Venture	1,151,686	-	-
Insurance Claims and Premiums	-	-	-
Total Operating Expenses	<u>5,813,762</u>	<u>2,206,794</u>	<u>12,907,607</u>
Operating Income (Loss)	138,291	208,398	7,739,449
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Capacity Fee	5,125,970	-	4,656,142
Investment Income	65,042	1,727	97,342
Interest and Fiscal Charges	(987,727)	-	(2,425,947)
Gain(Loss) on Disposal of Assets	-	-	45,700
Total Nonoperating Revenues (Expenses)	<u>4,203,285</u>	<u>1,727</u>	<u>2,373,237</u>
Income Before Capital Contributions	4,341,576	210,125	10,112,686
Capital Contributions	4,224,994	-	2,657,571
Transfers Out	-	-	(404,895)
	<u>4,224,994</u>	<u>-</u>	<u>2,252,676</u>
Change in Net Position	8,566,570	210,125	12,365,362
Total Net Position - Beginning of Year	<u>78,675,886</u>	<u>(429,429)</u>	<u>52,514,928</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 87,242,456</u>	<u>\$ (219,304)</u>	<u>\$ 64,880,290</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>
\$ 28,949,108	\$ 3,013,448
65,193	-
29,014,301	3,013,448
1,304,545	-
14,078,026	-
4,393,906	-
1,151,686	-
-	3,427,650
20,928,163	3,427,650
8,086,138	(414,202)
9,782,112	-
164,111	-
(3,413,674)	-
45,700	-
6,578,249	-
14,664,387	(414,202)
6,882,565	-
(404,895)	-
6,477,670	-
21,142,057	(414,202)
	622,650
	\$ 208,448
(96,376)	
\$ 21,045,681	

**TOWN OF QUEEN CREEK, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities		
	Wastewater	Solid Waste	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 5,888,923	\$ 2,374,612	\$ 19,896,530
Payments to Suppliers	(2,550,494)	(1,777,877)	(6,589,380)
Payments to Employees	(477,319)	(401,168)	(3,441,422)
Payments for Claims and Premiums	-	-	-
Customer Deposits	-	-	80,301
Net Cash Flows Provided by Operating Activities	<u>2,861,110</u>	<u>195,567</u>	<u>9,946,029</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash Provided (Used) by Other Funds for Interfund Borrowing	(7,500,000)	(334,794)	(8,200,000)
Transfers Out	-	-	(404,895)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(7,500,000)</u>	<u>(334,794)</u>	<u>(8,604,895)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets	(1,365,772)	-	(3,339,178)
Refunds of Waterline Agreements	-	-	(308,416)
Payments to Joint Venture	(808,516)	-	-
Capacity Fees	5,125,970	-	4,656,142
Interest Paid on Capital Debt	(1,063,981)	-	(1,880,420)
Principal Paid on Capital Debt	(2,093,791)	-	(3,343,850)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(206,090)</u>	<u>-</u>	<u>(4,215,722)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	<u>45,093</u>	<u>1,727</u>	<u>75,748</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(4,799,887)	(137,500)	(2,798,840)
Cash and Cash Equivalents - Beginning of Year	<u>21,928,166</u>	<u>137,500</u>	<u>20,732,821</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 17,128,279</u>	<u>\$ -</u>	<u>\$ 17,933,981</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>			
Cash and Cash Equivalents	\$ 13,243,417	\$ -	\$ 10,609,295
Restricted Cash and Cash Equivalents	3,884,862	-	7,324,686
Total Cash and Cash Equivalents	<u>\$ 17,128,279</u>	<u>\$ -</u>	<u>\$ 17,933,981</u>

(Continued)

<u>Totals</u>	<u>Internal Service Insurance Fund</u>
\$ 28,160,065	\$ 3,013,448
(10,917,751)	-
(4,319,909)	-
-	(3,045,650)
80,301	-
<u>13,002,706</u>	<u>(32,202)</u>
(16,034,794)	-
<u>(404,895)</u>	<u>-</u>
(16,439,689)	-
(4,704,950)	-
(308,416)	-
(808,516)	-
9,782,112	-
(2,944,401)	-
<u>(5,437,641)</u>	<u>-</u>
(4,421,812)	-
<u>122,568</u>	<u>-</u>
(7,736,227)	(32,202)
<u>42,798,487</u>	<u>240,650</u>
<u>\$ 35,062,260</u>	<u>\$ 208,448</u>
\$ 23,852,712	\$ 208,448
11,209,548	-
<u>\$ 35,062,260</u>	<u>\$ 208,448</u>

**TOWN OF QUEEN CREEK, ARIZONA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Fund		
	Wastewater	Solid Waste	Water
<b>RECONCILIATION OF OPERATING INCOME</b>			
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 138,291	\$ 208,398	\$ 7,739,449
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	1,690,989	3,933	2,698,984
Equity Interest in Joint Venture	1,151,686	-	-
Adjustment for Pension Expense	35,739	50,517	434,979
Change in Assets/Liabilities:			
Receivables, Net	(63,130)	(40,580)	(750,526)
Inventory	-	(39,333)	(94,525)
Prepaid Items	(810)	(802)	2,972
Accounts Payable	(99,365)	7,366	(231,865)
Deposits Held for Others	-	-	80,301
Compensated Absences	4,779	3,783	(894)
Accrued Payroll	2,931	2,285	67,154
Net Cash Provided by Operating Activities	<u>\$ 2,861,110</u>	<u>\$ 195,567</u>	<u>\$ 9,946,029</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING</b>			
<b>ACTIVITIES</b>			
Capital Assets Acquired through Contributions from Developers	<u>\$ 4,224,994</u>	<u>\$ -</u>	<u>\$ 2,565,881</u>
Capital Contributions Associated with Advances in Aid of Construction	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,690</u>

See accompanying Notes to Basic Financial Statements.

Totals	Internal Service Insurance Fund
\$ 8,086,138	\$ (414,202)
4,393,906	-
1,151,686	-
521,235	-
(854,236)	-
(133,858)	-
1,360	382,000
(323,864)	-
80,301	-
7,668	-
72,370	-
\$ 13,002,706	\$ (32,202)
\$ 6,790,875	\$ -
\$ 91,690	\$ -

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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, 2017**

**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, 2017, the Town implemented the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*.

**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, 2017**

**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, 2017**

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

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

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.

General Capital Improvement Fund

The 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 Fund

The 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 and GADA Loans.

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, 2017**

**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, 2017**

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

**2. Receivables**

All trade and taxes receivables are shown net of an allowance for uncollectibles. Governmental activities reported an allowance of \$154,149.

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, 2017**

**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.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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)**

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

Infrastructure	30 to 50 Years
Buildings and Improvements	10 to 50 Years
Vehicles and Equipment	4 to 20 Years
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 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, 2017**

**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.

**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, 2017 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, 2017**

**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, 2017**

**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:

	<u>Deficit</u>
Major Governmental Fund:	
Construction Sales Tax	\$ 19,965,613
General Capital Improvement	8,884,104
Major Enterprise Fund:	
Solid Waste	219,304
Non-Major Governmental Fund:	
Town Center	1,314,012
Transportation Development	1,185,459

The deficit balance in the Construction Sales Tax Fund is the result of two major activities. First, the Town spent approximately \$2.2 million on capital projects in anticipation of bond proceeds that will reimburse the Town for such spending. The Town expects the bond to be issued in February 2018, at which time the bond proceeds will eliminate a portion of the deficit. The remaining deficit fund balance is the result of payments to two developers to terminate their agreements several years early, which payments were funded using interfund loans. The loans will be repaid from the Fund's dedicated construction sales tax revenue over a period not to exceed 12 years, per the terms of the interfund loan approved by the Town Council.

The deficit balance in the General Capital Improvement Fund is the result of spending on capital projects in anticipation of bond proceeds that will reimburse the Town for such spending. The Town expects to eliminate the deficit balance when the bonds are issued in February 2018.

The deficit balance in the Solid Waste Enterprise Fund is the result of the Town's start-up costs for the fund which have yet to be fully recovered through operating revenues. The Town expects that operating revenues will be sufficient to eliminate the deficit balance by the end of fiscal year 2018.

The deficit balance in the Town Center Fund is the result of two land purchases made in January 2017 in anticipation of future economic development. The land purchases were financed with interfund loans for a period not to exceed 5 years which will be repaid from the Fund's dedicated sales tax revenue, per the terms of the interfund loans approved by the Town Council.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**A. Deficit Fund Balance/Net Position (Continued)**

The deficit balance in the Transportation Development Fund is the result of spending on capital projects in anticipation of bond proceeds that will reimburse the Town for such spending. The Town expects to eliminate the deficit balance when the bonds are issued in February 2018.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2017 consist of the following:

Deposits:	
Cash on Hand	\$ 3,250
Cash in Bank	11,918,762
Investments:	
Money Market	22,848,895
Commercial Paper	4,357,525
Federal Home Loan Mortgage Corporation	4,672,030
Federal Home Loan Bank	7,727,796
Federal National Mortgage Association	6,478,590
Federal Farm Credit Bank	996,170
US Treasury Obligations	2,492,580
Corporate Bonds	4,020,620
State Treasurer's Investment Pool	<u>11,249,328</u>
Total Deposits and Investments	76,765,546
Less Restricted Assets	<u>(40,707,850)</u>
Cash and Investments on Statement of Net Position	<u><u>\$ 36,057,696</u></u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. Assets (Continued)**

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

**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, 2017, 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.

*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:

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. Assets (Continued)**

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

*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.

The Town’s investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	June 30, 2017	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)
<b>Investments by fair value level</b>				
Debt Securities				
Corporate Bond Issues	\$ 4,020,620	\$ -	\$ 4,020,620	\$ -
US Government Bond Issues	22,367,166	-	22,367,166	-
Total Debt Securities	<u>26,387,786</u>	<u>-</u>	<u>26,387,786</u>	<u>-</u>
Total Investments by fair value level	<u>\$ 26,387,786</u>	<u>\$ -</u>	<u>\$ 26,387,786</u>	<u>\$ -</u>
<b>External investments pools measured at fair value</b>				
State Treasurer’s Investment Pool	11,249,328			
Total investments measured at fair value	<u>\$ 11,249,328</u>			
<b>Investments by amortized cost</b>				
Commercial Paper	4,357,525			
Money market	22,848,895			
Total investments by amortized cost	<u>\$ 27,206,420</u>			
Total Investments	<u><u>\$ 64,843,534</u></u>			

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. Assets (Continued)**

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

*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	\$ 22,848,895	\$ -	\$ -	\$ 22,848,895
Commercial Paper	4,357,525	-	-	4,357,525
Federal Home Loan Mortgage Corporation	-	4,672,030	-	4,672,030
Federal Home Loan Bank	-	7,727,796	-	7,727,796
Federal National Mortgage Association	-	6,478,590	-	6,478,590
Federal Farm Credit Bank	-	996,170	-	996,170
US Treasury Obligations	-	2,492,580	-	2,492,580
Corporate Bonds	-	4,020,620	-	4,020,620
State Treasurer's Investment Pool	11,249,328	-	-	11,249,328
Total	<u>\$ 38,455,748</u>	<u>\$ 26,387,786</u>	<u>\$ -</u>	<u>\$ 64,843,534</u>

*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, 2017 was \$11,918,762 and the bank balance was \$12,907,543. At June 30, 2017, \$250,000 of the Town’s deposits was covered by federal depository insurance. The remaining \$12,657,543 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, 2017 were are presented on the following page.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**A. Assets (Continued)**

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

Rating Agency Rating	Amount
Standard and Poor's	
AA+	\$ 21,871,146
AA	1,007,640
AA-	1,016,420
N/A	2,492,580
Moody's Investor Service	
Aaa	21,870,676
Aa1	996,380
Aa2	1,007,640
A1	1,016,420
N/A	1,496,670
Not Rated	
Money Market	22,848,895
Commercial Paper	4,357,525
State Treasurer's Investment Pool	11,249,328

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	\$ 22,848,895	35%
Commercial Paper	4,357,525	7
Federal Home Loan Mortgage Corporation	4,672,030	7
Federal Home Loan Bank	7,727,796	12
Federal National Mortgage Association	6,478,590	10
Federal Farm Credit Bank	996,170	2
US Treasury Obligations	2,492,580	4
Corporate Bonds	4,020,620	6
State Treasurer's Investment Pool	11,249,328	17
Total	<u>\$ 64,843,534</u>	<u>100%</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. Assets (Continued)**

**2. Restricted Assets**

Restricted assets at June 30, 2017 consisted of the following:

	General Fund	Drainage and Transportation Fund	General Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Wastewater Fund	Water Fund	Total
Loan Debt Service Reserve Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,856,084	\$ 4,156,566	\$ 7,012,650
Loan Repair and Replacement Reserve Requirement	-	-	-	-	-	1,028,778	2,067,135	3,095,913
Customer Deposits	-	-	-	-	-	-	1,100,985	1,100,985
Development Impact Fees	-	-	-	-	20,637,159	-	-	20,637,159
Future Construction	-	8,097,997	73,020	-	-	-	-	8,171,017
Debt Service	-	-	-	10,725	-	-	-	10,725
Developer Agreement	679,401	-	-	-	-	-	-	679,401
Total	<u>\$ 679,401</u>	<u>\$ 8,097,997</u>	<u>\$ 73,020</u>	<u>\$ 10,725</u>	<u>\$ 20,637,159</u>	<u>\$ 3,884,862</u>	<u>\$ 7,324,686</u>	<u>\$ 40,707,850</u>

**3. Receivables**

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

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

	Unavailable
General Fund:	
Delinquent Sales Tax Receivable	\$ 476,765
Delinquent Property Tax Receivable	41,064
Charges for Services	8,483
Improvement District Debt Service Fund:	
Special Assessments Not yet Received	18,378,175
Drainage and Transportation Fund:	
Development Agreement	8,437
Nonmajor Governmental Funds:	
Delinquent Property Tax Receivable	2,952
Totals	<u>\$ 18,915,876</u>



**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 43,470,915	\$ 2,757,065	\$ (606,559)	\$ 45,621,421
Construction in Progress	28,355,653	29,957,902	(24,288,921)	34,024,634
Total Capital Assets, Not Being Depreciated	71,826,568	32,714,967	(24,895,480)	79,646,055
Capital Assets, Being Depreciated:				
Infrastructure	258,127,242	25,810,034	-	283,937,276
Buildings and Improvements	30,660,800	6,377,371	-	37,038,171
Vehicles, Furniture and Equipment	10,922,944	1,467,708	(309,528)	12,081,124
Total Capital Assets, Being Depreciated	299,710,986	33,655,113	(309,528)	333,056,571
Accumulated Depreciation for:				
Infrastructure	(58,908,612)	(9,227,935)	-	(68,136,547)
Buildings and Improvements	(6,591,392)	(696,759)	-	(7,288,151)
Vehicles, Furniture and Equipment	(5,977,800)	(906,702)	217,120	(6,667,382)
Total Accumulated Depreciation	(71,477,804)	(10,831,396)	217,120	(82,092,080)
Total Capital Assets, Being Depreciated, Net	228,233,182	22,823,717	(92,408)	250,964,491
Governmental Activities Capital Assets, Net	<u>\$ 300,059,750</u>	<u>\$ 55,538,684</u>	<u>\$ (24,987,888)</u>	<u>\$ 330,610,546</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 702,111
Public Safety	223,593
Highways and Streets	7,961,148
Culture and Recreation	1,093,141
Economic Development	851,403
Total Depreciation Expense, Governmental Activities	<u>\$ 10,831,396</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,816,657	\$ -	\$ -	\$ 1,816,657
Construction in Progress	5,027,653	4,488,213	(2,666,600)	6,849,266
Total Capital Assets, Not Being Depreciated	6,844,310	4,488,213	(2,666,600)	8,665,923
Capital Assets, Being Depreciated:				
Wastewater Collection System	77,789,626	5,792,923	-	83,582,549
Water System	118,954,689	3,858,693	-	122,813,382
Vehicles, Furniture and Equipment	2,941,106	292,746	(116,025)	3,117,827
Total Capital Assets, Being Depreciated	199,685,421	9,944,362	(116,025)	209,513,758
Accumulated Depreciation for:				
Wastewater Collection System	(12,916,538)	(1,633,616)	-	(14,550,154)
Water System	(11,998,005)	(2,427,100)	-	(14,425,105)
Vehicles, Furniture and Equipment	(1,419,829)	(333,190)	98,478	(1,654,541)
Total Accumulated Depreciation	(26,334,372)	(4,393,906)	98,478	(30,629,800)
Total Capital Assets, Being Depreciated, Net	173,351,049	5,550,456	(17,547)	178,883,958
Business-Type Activities Capital Assets, Net	<u>\$ 180,195,359</u>	<u>\$ 10,038,669</u>	<u>\$ (2,684,147)</u>	<u>\$ 187,549,881</u>

Depreciation expense was charged to functions/programs as follows:

<b>Business-Type Activities:</b>	
Wastewater	\$ 1,690,989
Solid Waste	3,933
Water	2,698,984
Total Depreciation Expense, Business-Type Activities	<u>\$ 4,393,906</u>

During the year, the Town capitalized net interest costs of \$236,253. Total interest expense in the Proprietary Funds before capitalization was \$3,649,927.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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. During 2017, the Town acquired two additional parcels of land to be held for economic development for approximately \$3.2 million. The total balance of land being held for economic development as of June 30, 2017 was \$4,298,146 which is recorded as a noncurrent asset in the governmental activities column of the statement of net position.

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

The Town recognizes the following short-term interfund receivable and payable at June 30, 2017:

	Due To
Due From	General Fund
Solid Waste Fund	\$ 69,102

The above interfund receivable and payable was recorded to cover a short-term cash short-fall in the Solid Waste Fund due to timing of customer and vendor payments. Funds were received subsequent to June 30, 2017 to cover the interfund borrowing.

As of June 30, 2017 advances to and from funds were as follows:

	Advances From			
Advances to	General Fund	Water Fund	Wastewater Fund	Total
General Capital Improvement	\$ 8,967,085	\$ -	\$ -	\$ 8,967,085
Construction Sales Tax	9,984,546	6,000,000	5,000,000	20,984,546
Nonmajor Governmental Funds	1,162,710	3,200,000	-	4,362,710
Total	\$ 20,114,341	\$ 9,200,000	\$ 5,000,000	\$ 34,314,341

Interfund advances were loans to pay for the early termination of two developer agreements, to fund the purchase of two land parcels for economic development, and to pay for capital project costs anticipated to be reimbursed from bond proceeds from bonds to be issued in a future period.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

The \$6,000,000 Water Fund loan, \$5,000,000 Wastewater Fund loan and \$7,803,394 General Fund loan each were made to fund the early termination of two developer agreement and bear an interest rate of 2% to be repaid over a period not to exceed 12 years.

Additionally, the General Fund advanced \$8,967,085 to the General Capital Improvement Fund, \$2,181,152 to the Construction Sales Tax Fund, and \$1,162,710 to the Transportation Development Nonmajor Governmental Fund to fund capital project cost which are anticipated to be reimbursed through the issuance of bond in a future period. Each of these loans bears an interest rate of 2.25% and will be repaid over a period not to exceed 2 years. The Town anticipates these advances from capital projects to be reimbursed by June 30, 2018.

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 loans are anticipated to be repaid from Town Center sales tax revenues. The loans each bear an interest rate of 2.5% and are to be repaid over the next five years.

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Transfers Out	Transfers In				Total
	General Fund	Drainage and Transportation Fund	Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 652,397	\$ 1,553,538	\$ 2,205,935
Construction Sales Tax	-	8,183,987	161,350	-	8,345,337
Nonmajor Governmental Funds	-	3,019,160	1,243,223	64,650	4,327,033
Water Fund	404,895	-	-	-	404,895
	<u>\$ 404,895</u>	<u>\$ 11,203,147</u>	<u>\$ 2,056,970</u>	<u>\$ 1,618,188</u>	<u>\$ 15,283,200</u>

Interfund transfers were made by the Town during the fiscal year to fund debt service and capital projects as well as support operations in the various funds.

**C. Obligations Under Capital Leases**

The Town has acquired vehicles and equipment under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, are being recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund 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, 2017**

**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	(1,386,615)
Total	\$ 1,289,274

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2017, were as follows:

Year Ending June 30:	Governmental Activities
2018	\$ 277,094
2019	103,776
2020	93,577
2021	77,437
Total Minimum Lease Payments	551,884
Less: Amount Representing Interest	(34,027)
Present Value of Minimum Lease Payments	\$ 517,857

**D. Advances in Aid of Construction**

The Town purchased water companies in fiscal year 2008 and 2014. Included in the purchases was the assumption of unearned advances in aid of construction. These are contracts with various property owners who advanced payment to the water company for the cost of extended water lines to their property. As part of the contracts, the Town is required to remit to the property owners, on an annual basis, 15% of additional water sales earned on the line extension paid for by the owner for a period of years indicated in the contract or until the cost of the line extension has been repaid by the property owner, whichever comes first. After the period of time indicated in the contract, any balance remaining on the contract is recognized by the Town as a capital contribution. In the current year the Town made refund payments of \$308,416 and recognized a capital loss of \$91,690 as a result of a change in the estimated liability for future payouts. As of June 30, 2017, the Town has \$806,310 of outstanding unearned advances in aid of construction.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**E. Long-Term Obligations**

Special assessments districts are created only by petition of the Town Council by property owners within the district areas. The Improvement District No. 1 (District) was created so the Town could fund improvements within the District. Each of the property owners within the District has been assessed taxes by the Town for repayment of the bond. In case of default, the Town has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received. In the current year the Town issued \$18.445 million and contributed \$1.4 million cash on hand to currently refund \$19.075 million in special assessment bonds. The Town has pledged special assessment revenues from special assessments levied on property owners within the improvement district to repay the refunding bonds. 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 \$21,371,710 payable through 2030. For the current year \$1,756,552 in special assessment revenue and \$18,445,000 in refunding bond proceeds were utilized to repay \$19,075,000 in principal, \$746,577 in interest and \$282,830 in bond issue costs. As a result of the refunding, the Town recognized a \$763,564 gain which will be recognized over the life of the refunding bonds. The refunding will decrease debt service payments by \$4,765,676 over the next 15 years producing an economic gain (difference between the present value of old and new debt service payments) of \$4,543,437.

The Town has issued \$47.990 million in excise tax and state shared revenue refunding bonds at a premium of \$9,313,830 to currently refund \$16.005 million in GADA loans and \$17.455 million in special assessment bonds (for Town owned property) outstanding and to advance refund \$1.020 million in GADA loans and \$20.755 million in excise tax revenue bonds outstanding. The revenue refunding 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 \$67,925,400 payable through 2036. For the current year, principal and interest paid on the revenue bonds (exclusive of refunding activity) was \$2,277,293. For the current year, total excise tax and state shared revenues were \$38,030,297. As a result of the refunding, the Town recognized a \$385,689 loss which will be recognized over the life of the refunded bonds. The refunding will decrease debt service payments by \$12,508,694 over the next 20 years producing an economic gain (difference between the present value of old and new debt service payments) of \$10,330,392.

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 \$4,733,350 and is payable through 2028. For the current year, principal and interest paid was \$173,150. For the current year, total excise tax and state shared revenues were \$38,030,297.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

The Town has various wastewater revenue loans with the Water Infrastructure Finance Authority of Arizona (WIFA). The loans are being drawn as required by the Town. The debt is secured by all future wastewater revenue of the Town. The Town has pledged a portion of future wastewater customer revenue, net of specified operating expenses, to repay \$38.4 million in WIFA loans issued in 1998 and 2005. Proceeds from the loans provided financing for development of the Town's wastewater system and investment in a joint reclamation plant. The loans are payable from wastewater customer net revenues and are payable through 2018 and 2025. Annual principal and interest payments on the loans are estimated to require 64% of net revenues. The total principal and interest remaining to be paid on the loans is \$28,100,880. For the current year, principal and interest paid and wastewater customer net revenue for the fiscal year was \$2,856,083 and \$8,171,978, respectively.

The Town has pledged future water customer revenues, net of specified operating expense, to repay a \$40.0 million WIFA loan issued in fiscal year 2008. Proceeds from the loan provided financing for the purchase of a local water company and improvements to the infrastructure acquired. The loan is payable from water customer net revenues and is payable through 2028. Annual principal and interest payments on the loans are estimated to require 55% of net revenues. The total principal and interest remaining to be paid on the loan is \$32,483,569. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$2,953,052 and \$15,971,917, 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 \$17,453,149. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$1,090,822 and \$15,191,917, 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 \$35,215,930. For the current year, principal and interest paid and water customer net revenues for the fiscal year were \$1,038,053 and \$15,191,917, respectively.

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

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017
<b>Governmental Activities</b>				
Excise Tax and State Shared Revenue Refunding Obligations, Series 2016	\$ 47,990,000	8/1/17-36	2.00-5.00%	\$ 47,990,000
Special Assessment Revenue Refunding Bonds, Series 2016	18,445,000	1/1/18-30	2.45%	18,445,000
Total Governmental Bonds and Loans Payable				<u>\$ 66,435,000</u>
<b>Business-Type Activities</b>				
WIFA Loan, 1998	\$ 4,400,000	7/1/17-18	3.88%	\$ 319,219
WIFA Loan, 2005	34,000,000	7/1/17-25	3.71%	22,470,507
WIFA Loan, 2008	40,000,000	7/1/17-28	4.04%	25,817,898
WIFA Loan, 2014	16,000,000	1/1/18-33	4.25%	13,485,610
GADA Infrastructure Revenue Loan, Series 2014A	3,845,000	8/1/18-28	2.00-5.00%	3,595,000
Revenue Obligation Indenture, Series 2013	19,425,088	5/1/18-43	8.00%	19,425,088
Total Business-Type Loans Payable				<u>\$ 85,113,322</u>

Changes in long-term obligations for the year ended June 30, 2017 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Bonds/Loans Payable					
Excise Tax Revenue Bonds	\$ 21,600,000	\$ -	\$ (21,600,000)	\$ -	\$ -
Special Assessment Bonds	19,375,974	-	(19,375,974)	-	-
Special Assessment Bonds - Town Owned Property	17,154,026	-	(17,154,026)	-	-
GADA Loan Payable	17,025,000	-	(17,025,000)	-	-
Excise Tax Refunding Obligations	-	47,990,000	-	47,990,000	2,610,000
Special Assessment Refunding Bonds	-	18,445,000	-	18,445,000	1,265,000
Premium on Bonds	1,371,470	9,313,830	(1,720,739)	8,964,561	-
Total Bonds and Loans	<u>76,526,470</u>	<u>75,748,830</u>	<u>(76,875,739)</u>	<u>75,399,561</u>	<u>3,875,000</u>
Other Liabilities:					
Long-Term Contract	188,354	-	(188,354)	-	-
Capital Leases	765,601	-	(247,744)	517,857	258,288
Compensated Absences	962,631	1,807,201	(1,706,959)	1,062,873	683,905
Total Governmental Activities	<u>\$ 78,443,056</u>	<u>\$ 77,556,031</u>	<u>\$ (79,018,796)</u>	<u>\$ 76,980,291</u>	<u>\$ 4,817,193</u>
<b>Business-Type Activities:</b>					
Loans Payable					
WIFA Loans Payable	\$ 66,511,716	\$ -	\$ (4,418,482)	\$ 62,093,234	\$ 4,585,302
GADA Loans Payable	3,820,000	-	(225,000)	3,595,000	225,000
Revenue Obligation Indenture	19,425,088	-	-	19,425,088	-
Premiums	14,014,965	-	(712,596)	13,302,369	-
Total Loans	<u>103,771,769</u>	<u>-</u>	<u>(5,356,078)</u>	<u>98,415,691</u>	<u>4,810,302</u>
Other Liabilities:					
Advances in Aid of Construction	1,023,036	-	(216,726)	806,310	282,393
Compensated Absences	243,641	460,199	(452,531)	251,309	146,330
Total Business-Type Activities	<u>\$ 105,038,446</u>	<u>\$ 460,199</u>	<u>\$ (6,025,335)</u>	<u>\$ 99,473,310</u>	<u>\$ 5,239,025</u>



**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017 are summarized as follows.

<u>Year Ended June 30,</u>	Governmental Activities			
	Bonds and Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2018	\$ 3,875,000	\$ 2,502,206	\$ 258,288	\$ 18,806
2019	3,635,000	2,409,770	95,988	7,788
2020	3,740,000	2,294,748	88,604	4,973
2021	3,865,000	2,164,154	74,977	2,460
2022	3,990,000	2,016,353	-	-
2023-2027	21,840,000	7,728,699	-	-
2028-2032	19,970,000	3,394,405	-	-
2033-2036	5,520,000	351,775	-	-
Totals	<u>\$ 66,435,000</u>	<u>\$ 22,862,110</u>	<u>\$ 517,857</u>	<u>\$ 34,027</u>

Debt service requirements on business-type activities long-term debt at June 30, 2017, including \$56,382 in future WIFA draws available, are summarized as follows.

<u>Year Ended June 30,</u>	Business-Type Activities	
	Bonds and Loans	
	Principal	Interest
2018	\$ 4,810,302	\$ 3,496,467
2019	4,671,855	3,286,588
2020	5,114,437	3,084,279
2021	5,318,893	2,873,738
2022	5,531,625	2,654,006
2023-2027	31,221,916	9,661,173
2028-2032	13,729,666	4,151,090
2033-2037	5,296,881	2,334,480
2038-2042	6,229,088	1,166,695
2043-2044	3,188,659	108,657
Totals	<u>\$ 85,113,322</u>	<u>\$ 32,817,173</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017 are as follows:

<u>Year Ended June 30.</u>	<u>Amount</u>
2018	\$ 155,241
2019	159,899
2020	164,697
2021	140,401
2022	136,547
2023 - 2027	433,367
2028 - 2032	196,942
2033 - 2035	113,660
	<u>\$ 1,500,754</u>

**G. Fund Balance Classifications of Governmental Funds**

The Town has classified its fund balances as follows:

	General Fund	Construction Construction Sales Tax Fund	Drainage and Transportation Fund	General Capital Improvement Fund	Debt Service Fund	Improvement District Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Advances to Other Funds	\$ 20,114,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,114,341
Prepaid Items	126,007	-	-	-	-	-	7,217	133,224
Total Nonspendable	20,240,348	-	-	-	-	-	7,217	20,247,565
<b>Restricted:</b>								
Debt Service	-	-	-	-	10,725	360,683	-	371,408
Park Development	-	-	-	-	-	-	12,833,699	12,833,699
Town Building Development	-	-	-	-	-	-	2,232,470	2,232,470
Library Development	-	-	-	-	-	-	1,986,793	1,986,793
Public Safety Development	-	-	-	-	-	-	1,535,127	1,535,127
Fire Development	-	-	-	-	-	-	1,992,245	1,992,245
Future Development	-	-	8,121,837	73,020	-	-	-	8,194,857
Street Lighting Districts	-	-	-	-	-	-	86,182	86,182
Streets and Transportation	-	-	-	-	-	-	2,219,474	2,219,474
Housing Rehabilitation	-	-	-	-	-	-	75,386	75,386
Parks and Community	-	-	-	-	-	-	187,488	187,488
Total Restricted	-	-	8,121,837	73,020	10,725	360,683	23,148,864	31,715,129
<b>Unassigned:</b>	5,555,029	(19,965,613)	(412,741)	(8,957,124)	-	-	(2,499,471)	(26,279,920)
Total Fund Balance	\$ 25,795,377	\$ (19,965,613)	\$ 7,709,096	\$ (8,884,104)	\$ 10,725	\$ 360,683	\$ 20,656,610	\$ 25,682,774

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017 was \$23,752,263 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, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Construction Commitments**

The Town had major contractual commitments related to various capital projects at June 30, 2017, for the construction of various site improvements. At June 30, 2017, the Town had remaining contractual commitments with contractors of \$16,325,291. The Town's commitments with contractors were as follows:

Project	Commitment	
	Governmental	Business-Type
Town Center Electrical Conversions	\$ 25,839	\$ -
Library Parking Lot	27,695	-
DSB Building Remodel	48,425	-
Appliances and Equipment For Fire Station #3	48,627	-
Town Center Pocket Park/Corner Improvements Ocotillo Rd	58,301	-
Trail Improvements - Crismon To UPRR	58,476	-
Ocotillo Rd: Recker To Power	126,794	-
Accela Project	141,010	-
Ellsworth & Empire Improvements	159,591	-
Signal @ Riggs & Hawes	283,551	-
Town Center: Ocotillo Rd-Loop To Loop	353,691	-
Power: Ocotillo To Brooks Farm	939,902	-
Ellsworth @ Queen Creek	1,024,472	-
Mansel Carter Park	1,252,839	-
Riggs Rd: Power To Hawes	1,270,000	-
Fire Station 413	1,367,066	-
Municipal Complex	2,235,219	-
Riggs: Ellsworth To Meridian	3,411,862	-
Project Management Software	24,881	14,309
Riggs Rd & Sossaman Intersection South	-	352
Ellsworth 24" Sewer Crossing @ Ryan	-	598
Ellsworth Rd: Ryan To Germann	-	598
Riggs Rd: Sossaman To Hawes Rd	-	1,704
Schnepf Well To Gantzel Tank Transmission Line	-	2,300
Hasitngs Well Rehab	-	4,622
Rittenhouse To Ellsworth Loop North	-	8,145
Ocotillo Rd: Ellsworth Loop-Heritage Loop	-	9,122
Roosevelt Water Conservation District Tie-In	-	9,679
Encanterra/Shea Line Install	-	11,087
Hunt Hwy: Power To Sossaman	-	12,000
Church Farms East Well	-	13,797
Cloud Rd - 220th To Signal Butte	-	15,945
Pressure Reducing Valve-Ocotillo And Fulton Dr.	-	17,040
Ocotillo Rd - 188th To Power	-	17,127
Shea Secondary Well	-	26,952
Ryan Rd: Ellsworth To Crismon Water	-	27,486
Power Rd: Ocotillo To Chandler Heigh	-	28,039
Power: Ocotillo To Chandler Heights	-	28,039
Ocotillo: Heritage Loop To Ellsworth Loop	-	28,049
Cloud Rd - Ellsworth To 220th St	-	33,091
Empire: Ellsworth To Pegasis Water	-	33,932
Empire: Ellsworth To 209th	-	39,594
Riggs Rd: Ellsworth To Meridian	-	46,631
Ryan Rd: Ellsworth To Crismon	-	50,377
Sossaman Wells	-	68,812
Riggs Rd Ph1: Ellsworth Crismon	-	90,563
West Park Lake Well	-	91,650
Church Farms Secondary Well	-	176,492
Riggs Rd Sewer: Ellsworth To Crismon	-	604,434
Ryan Rd: Crismon To Signal Butte	-	1,954,485
	<u>\$ 12,858,241</u>	<u>\$ 3,467,050</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, 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, 2017, the Town abated \$49,959 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, 2017**

**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, 2017, 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	\$ 16,186,335	\$ 4,940,502	\$ 21,126,837
Deferred Outflows of Resources	366,405	-	366,405
Deferred Inflows of Resources	1,876,988	601,262	2,478,250
Pension Expense	3,113,519	849,707	3,963,226

The Town's accrued payroll and employee benefits includes \$-0- of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the Town reported \$2,138,956 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](http://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, 2017**

**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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48% (11.34% for retirement and 0.14% for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.48% (10.78% for retirement, 0.56% for the health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll.

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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 9.47% (9.17% for retirement, 0.21% for health insurance premium benefit and 0.09% 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, 2017, were \$1,353,837. The Town's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2017	\$ 87,034	\$ 17,441
2016	59,023	14,166
2015	61,998	12,610

During the fiscal year ended June 30, 2017, the Town paid for ASRS pension and OPEB contributions as follows: 66% from the General Fund, 24% from major funds, and 10% from other funds.

**Pension Liability** – At June 30, 2017, the Town reported a liability of \$20,363,491 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016 reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The Town's proportion of the net pension liability was based on the Town's FY 2016 contributions. The Town's proportion measured as of June 30, 2016, was 0.12616%, which was an increase of 0.007470 from its proportion measured as of June 30, 2015.



**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017, the Town recognized pension expense for ASRS of \$3,214,288. At June 30, 2017, 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	\$ 123,748	\$ 1,400,859
Changes of assumptions or other inputs	-	1,077,391
Net difference between projected and actual earnings on pension plan investments	2,206,725	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,374,045	-
Town contributions subsequent to the measurement date	1,353,837	-
Total	\$ 6,058,355	\$ 2,478,250

The \$1,353,837 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, 2018. 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>		
2018	\$	735,707
2019		(104,221)
2020		976,020
2021		618,762
		-

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

Actuarial Valuation Date	June 30, 2015
Actuarial Roll Forward Date	June 30, 2016
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, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

Actuarial assumptions used in the June 30, 2015 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 8.75% 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 8.75%. 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, 2017**

**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	\$ 25,964,998	\$ 20,363,491	\$ 15,872,308

**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 an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent 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 6.

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](http://www.psprs.com).

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, and 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%	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	
<u>Survivor Benefit</u>		
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, 2017**

**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 based on excess investment earnings. 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, 2017, 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	2
Active Employees	30
Total	34

**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, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Firefighters
PSPRS members with an initial membership date on or before July 19, 2011:	
July 2016 through April 2017	11.65%
April 2017 through June 2017	7.65%
PSPRS members with an initial membership date on after July 19, 2011:	11.65%
Town	
Pension	11.04%
Health Insurance Premium Benefit	0.16%

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

For PSPRS, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	PSPRS Firefighters
Pension	
Contributions Made	\$ 790,865
Health Insurance Premium Benefit:	
Annual OPEB Cost	5,746
Contributions Made	5,746

During the fiscal year 2017, the Town paid for PSPRS pension and OPEB contributions 100% from the General Fund.

**Pension Liability** – At June 30, 2017, the Town reported the following net pension liability:

	Net Pension Liability
PSPRS Firefighters	\$ 763,346

The net pension liability was measured as of June 30, 2016, 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, 2016 reflects the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis of future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2%.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017
- The investment rate of return actuarial assumption was decreased from 7.85% to 7.50%.

The net pension liability measured as of June 30, 2017 will reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in 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, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50%
Projected Salary Increases	4.0%-8.0%
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50% 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 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>Long-Term Expected Arithmetic Real Rate of Return</u>
Short Term Investments	2%	0.75%
Absolute Return	5%	4.11%
Risk Parity	4%	5.13%
Fixed Income	7%	2.92%
Real Assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real Estate	10%	4.48%
Credit Opportunities	13%	7.08%
Non-U.S. Equity	14%	8.25%
U.S. Equity	16%	6.23%
Total	<u>100%</u>	

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

	Discount Rate
PSPRS Firefighters	7.50%

The current discount rate utilized reflects a decrease of 0.35% from the discount rate used as of June 30, 2015.

The projection of cash flows used to determine the PSPRS discount rates 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.

**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:

<b>PSPRS - Firefighters</b>	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	\$ 4,896,055	\$ 4,713,449	\$ 182,606
Changes for the Year:			
Service Cost	445,706	-	445,706
Interest on the Total Pension Liability	393,828	-	393,828
Changes of Benefit Terms	606,223	-	606,223
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	37,328	-	37,328
Changes of Assumptions or Other Inputs	320,534	-	320,534
Contributions - Employer	-	752,649	(752,649)
Contributions - Employee	-	284,138	(284,138)
Net Investment Income	-	30,764	(30,764)
Benefit Payments, Including Refunds of Employee Contributions	(203,984)	(203,984)	-
Administrative Expenses	-	(4,827)	4,827
Other Changes	-	160,155	(160,155)
Net Changes	1,599,635	1,018,895	580,740
Balances as of June 30, 2017	\$ 6,495,690	\$ 5,732,344	\$ 763,346



**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PSPRS Firefighters			
Rate	6.50%	7.50%	8.50%
Net Pension Liability (Asset)	\$ 1,997,966	\$ 763,346	\$ (227,428)

**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, 2017, the Town recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Firefighters	\$ 748,938

**Pension Deferred Outflows/Inflows of Resources –** At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PSPRS - Firefighters</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 626,508	\$ -
Changes of assumptions or other inputs	432,765	-
Net difference between projected and actual earnings on pension plan investments	360,756	-
Town contributions subsequent to the measurement date	785,119	-
Total	<u>\$ 2,205,148</u>	<u>\$ -</u>

**TOWN OF QUEEN CREEK, ARIZONA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

The \$785,119 reported as deferred outflows of resources related to PSPRS 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, 2018. 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>	<u>PSPRS Firefighters</u>
2018	\$ 183,414
2019	183,414
2020	207,405
2021	171,967
2022	96,361
Thereafter	577,468

**Agent Plan OPEB Actuarial Assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements, are as follows:

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**PSPRS - OPEB Contribution Requirements**

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

**Agent Plan OPEB Trend Information** – The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

<u>Year Ended June 30</u> PSPRS Firefighters	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 5,746	100.00%	\$ -
2016	14,947	100.00	-
2015	10,568	100.00	-

**Agent Plan OPEB Funded Status** – The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used.

<b>Agent OPEB Plan Funded Status</b>	<u>PSPRS Firefighters</u>
Actuarial Value of Assets (a)	\$ 144,251
Actuarial Accrued Liability (b)	129,702
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	(14,549)
Funded Ratio (a) / (b)	111.22%
Annual Covered Payroll (c)	2,447,591
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	-0.59%

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

**PSPRS - OPEB Funded Status**

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

**G. Subsequent Events**

The Town expects to issue approximately \$64.395 million of excise tax and state shared revenue obligation bonds in February 2018 to provide resources to reimburse the Town for the costs of constructing several public safety and transportation facilities and to provide resources for future transportation construction activities. The Town Council gave final approval for the bond sale at its regular meeting on December 6, 2017.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**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, 2017**

**Arizona State Retirement System**

	Reporting Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Town's Proportion of the Net Pension Liability	0.126160%	0.118690%	0.097621%
Town's Proportionate Share of the Net Pension Liability	\$ 20,363,491	\$ 18,487,672	\$ 14,444,571
Town's Covered Payroll	11,783,167	10,732,389	9,043,494
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	172.82%	172.26%	159.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.06%	68.35%	69.49%

*See Notes to Pension Schedules, Required Supplementary Information.*

**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, 2017**

**PSPRS Fire**

	Reporting Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability			
Service Cost	\$ 445,706	\$ 392,089	\$ 353,480
Interest on the Total Pension Liability	393,828	341,882	235,479
Changes of Benefit Terms	606,223	-	12,393
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	37,328	67,556	685,945
Changes of Assumptions or Other Inputs	320,534	-	176,038
Benefit Payments, Including Refunds of Employee Contributions	(203,984)	(129,228)	(125,141)
Net Change in Total Pension Liability	1,599,635	672,299	1,338,194
Total Pension Liability - Beginning	4,896,055	4,223,756	2,885,562
Total Pension Liability - Ending (a)	6,495,690	4,896,055	4,223,756
Plan Fiduciary Net Position			
Contributions - Employer	752,649	1,807,100	318,427
Contributions - Employee	284,138	264,558	275,273
Net Investment Income	30,764	110,386	293,387
Benefit Payments, Including Refunds of Employee Contributions	(203,984)	(129,228)	(125,141)
Administrative Expenses	(4,827)	(3,085)	(2,363)
Other Changes	160,155	(60,116)	84,429
Net Change in Plan Fiduciary Net Position	1,018,895	1,989,615	844,012
Plan Fiduciary Net Position - Beginning	4,713,449	2,723,834	1,879,822
Plan Fiduciary Net Position - Ending (b)	5,732,344	4,713,449	2,723,834
Town's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 763,346</u>	<u>\$ 182,606</u>	<u>\$ 1,499,922</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.25%	96.27%	64.49%
Covered Payroll	\$ 2,447,591	\$ 2,354,769	\$ 2,129,345
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	31.19%	7.75%	70.44%

See Notes to Pension Schedules, Required Supplementary Information.



**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
JUNE 30, 2017**

**Arizona State Retirement System**

	Reporting Fiscal Year			
	2017	2016	2015	2014
Statutorily Required Contribution	\$ 1,353,837	\$ 1,281,699	\$ 1,144,335	\$ 1,013,052
Town's Contribution in Relation to the Statutorily Required Contribution	1,353,837	1,281,699	1,144,335	1,013,052
Town's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 12,555,709	\$ 11,783,167	\$ 10,732,389	\$ 9,043,494
Town's Contributions as a Percentage of Covered Payroll	10.78%	10.88%	10.66%	11.20%

**PSPRS Fire**

	Reporting Fiscal Year			
	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 400,644	\$ 446,372	\$ 322,368	\$ 318,427
Town's Contribution in Relation to the Actuarially Determined Contribution	785,119	752,649	1,807,100	318,427
Town's Contribution Deficiency (Excess)	\$ (384,475)	\$ (306,277)	\$ (1,484,732)	\$ -
Town's Covered Payroll	\$ 3,167,132	\$ 2,447,591	\$ 2,354,769	\$ 2,129,345
Town's Contributions as a Percentage of Covered Payroll	24.79%	30.75%	76.74%	14.95%

See Notes to Pension Schedules, Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO PENSION SCHEDULES  
 JUNE 30, 2017**

**NOTE 1 ACTUARIALY 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 for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2015 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	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.

**NOTE 3 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS**

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding future permanent benefit increases was unconstitutional. As a result, PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases, with these changes reflected in the fiscal 2015 liability.

**TOWN OF QUEEN CREEK, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
 JUNE 30, 2017**

**Health Insurance Premium Benefits**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
<b>PSPRS Fire</b>						
2016	\$ 144,251	\$ 129,702	111.2%	\$ 14,549	\$ 2,447,591	0.59%
2015	128,792	97,181	132.5	31,611	2,354,769	0.00%
2014	59,196	88,783	66.7	(29,587)	2,129,346	1.39%

See Note to Schedule of Agent OPEB Plan's Funding Progress, Required Supplementary Information.

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTE TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
JUNE 30, 2016**

**NOTE 1    FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS**

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's pension fund to the new health insurance fund.

**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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Taxes	\$ 17,703,170	\$ 19,198,287	\$ 20,703,382	\$ 1,505,095
Licenses and Permits	5,200,472	5,200,472	5,174,695	(25,777)
Intergovernmental Revenues	7,493,546	7,493,546	7,410,124	(83,422)
Franchise/License Fees	307,460	307,460	320,847	13,387
Charges for Services	2,464,146	2,464,146	2,321,442	(142,704)
Investment Income	200,000	200,000	81,623	(118,377)
Miscellaneous	125,000	125,000	305,668	180,668
Total Revenues	<u>33,493,794</u>	<u>34,988,911</u>	<u>36,317,781</u>	<u>1,328,870</u>
<b>EXPENDITURES</b>				
Current:				
Mayor and Town Council	420,857	420,857	380,546	40,311
Town Manager	877,690	955,922	955,891	31
Town Clerk and Legal Services	598,747	675,779	660,581	15,198
Finance	1,345,043	1,538,448	1,510,187	28,261
Economic Development	1,628,901	7,281,749	7,114,231	167,518
Communications, Marketing and Recreation Services	1,704,288	1,719,287	1,683,571	35,716
Workforce and Technology	2,333,362	2,693,249	2,331,265	361,984
Development Services	3,670,107	3,845,112	3,578,144	266,968
Public Works	3,550,070	3,556,296	3,521,579	34,717
Non-Departmental	2,581,608	2,220,101	1,749,797	470,304
Total Expenditures	<u>18,710,673</u>	<u>24,906,800</u>	<u>23,485,792</u>	<u>1,421,008</u>
Excess (Deficiency) of Revenues Over Expenditures	14,783,121	10,082,111	12,831,989	2,749,878
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	128,351	128,351	-
Transfers Out	(12,620,014)	(6,061,046)	(6,100,978)	(39,932)
Total Other Financing Sources (Uses)	<u>(12,620,014)</u>	<u>(5,932,695)</u>	<u>(5,972,627)</u>	<u>(39,932)</u>
Net Change in Fund Balance	2,163,107	4,149,416	6,859,362	2,709,946
<b>FUND BALANCE</b>				
Beginning of Year	-	-	19,527,172	19,527,172
End of Year	<u>\$ 2,163,107</u>	<u>\$ 4,149,416</u>	<u>\$ 26,386,534</u>	<u>\$ 22,237,118</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,664,890	\$ 5,707,958	\$ 6,411,826	\$ 703,868
<b>EXPENDITURES</b>				
Current:				
Economic Development	2,184,000	19,141,644	18,803,394	338,250
Excess (Deficiency) of Revenues Over Expenditures	2,480,890	(13,433,686)	(12,391,568)	1,042,118
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(2,819,140)	(1,772,823)	(8,345,337)	(6,572,514)
Net Change in Fund Balance	<u>(338,250)</u>	<u>(15,206,509)</u>	<u>(20,736,905)</u>	<u>(5,530,396)</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, 2017**

**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.

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	\$ 44,963,264	\$ (37,100,722)	\$ (1,801,040)	\$ 19,733,875	25,795,377
Other Funds Included in General Fund - Budgeted as Special Revenue Funds:					
Emergency Services Fund	(9,768,048)	12,928,925	-	(342,953)	2,817,924
Horseshoe Park and Equestrian Centre	(606,433)	1,383,314	210,952	(7,679)	980,154
Interdepartmental Support Revenue	1,406,299	(852,063)	-	-	554,236
Elimination of Intrafund Activity	276,544	-	(4,382,539)	-	(4,105,995)
GAAP Adjustments	46,155	154,754	-	143,929	344,838
Budgetary Comparison Schedule - General Fund	<u>\$ 36,317,781</u>	<u>\$ (23,485,792)</u>	<u>\$ (5,972,627)</u>	<u>\$ 19,527,172</u>	<u>\$ 26,386,534</u>

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISION SCHEDULES  
YEAR ENDED JUNE 30, 2017**

**NOTE 2 BUDGETARY INFORMATION**

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

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

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.



**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**

*Park Development Fund* – accounts for the revenues and expenditures of impact fees received by the Town for Park Development.

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

*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.

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 4,819,480	\$ -	\$ 4,819,480
Restricted Cash	-	20,637,159	20,637,159
Receivables:			
Accounts Receivable	156	-	156
Taxes Receivable	100,431	-	100,431
Intergovernmental Receivables	258,060	-	258,060
Prepaid Items	7,217	-	7,217
Total Assets	<u>\$ 5,185,344</u>	<u>\$ 20,637,159</u>	<u>\$ 25,822,503</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 661,488	\$ 79,574	\$ 741,062
Accrued Wages and Benefits	36,304	-	36,304
Retainage Payable	22,865	-	22,865
Advances from Other Funds	3,200,000	1,162,710	4,362,710
Total Liabilities	<u>3,920,657</u>	<u>1,242,284</u>	<u>5,162,941</u>
Deferred Inflows of Resources:			
Unavailable Revenues	<u>2,952</u>	<u>-</u>	<u>2,952</u>
Fund Balances:			
Nonspendable	7,217	-	7,217
Restricted	2,568,530	20,580,334	23,148,864
Unassigned	(1,314,012)	(1,185,459)	(2,499,471)
Total Fund Balances	<u>1,261,735</u>	<u>19,394,875</u>	<u>20,656,610</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,185,344</u>	<u>\$ 20,637,159</u>	<u>\$ 25,822,503</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Taxes	\$ 1,296,056	\$ -	\$ 1,296,056
Intergovernmental Revenues	3,701,296	-	3,701,296
Charges for Services	17,695	-	17,695
Contributions and Donations	87,349	-	87,349
Impact Fees	-	8,041,757	8,041,757
Investment Income	17,466	81,331	98,797
Miscellaneous	20,925	-	20,925
Total Revenues	<u>5,140,787</u>	<u>8,123,088</u>	<u>13,263,875</u>
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	4,683,942	50,106	4,734,048
Culture and Recreation	111,389	192,254	303,643
Economic Development	3,317,142	-	3,317,142
Capital Outlay	786,698	481,251	1,267,949
Debt Service:			
Principal Retirement	18,815	157,145	175,960
Interest on Long-Term Debt	31,581	16,173	47,754
Total Expenditures	<u>8,949,567</u>	<u>896,929</u>	<u>9,846,496</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,808,780)	7,226,159	3,417,379
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	459,693	1,158,495	1,618,188
Transfers Out	<u>(332,950)</u>	<u>(3,994,083)</u>	<u>(4,327,033)</u>
Total Other Financing Sources (Uses)	<u>126,743</u>	<u>(2,835,588)</u>	<u>(2,708,845)</u>
Net Change in Fund Balances	(3,682,037)	4,390,571	708,534
<b>FUND BALANCES</b>			
Beginning of Year	4,943,772	15,004,304	19,948,076
End of Year	<u>\$ 1,261,735</u>	<u>\$ 19,394,875</u>	<u>\$ 20,656,610</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	HURF	LTAF	Town Center
<b>ASSETS</b>			
Cash and Investments	\$ 1,970,453	\$ 596,696	\$ 1,860,516
Receivables:			
Accounts Receivable	156	-	-
Taxes Receivable	1,626	-	88,359
Intergovernmental Receivables	258,060	-	-
Prepaid Items	7,217	-	-
Total Assets	\$ 2,237,512	\$ 596,696	\$ 1,948,875
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 571,213	\$ -	\$ 40,022
Accrued Wages and Benefits	36,304	-	-
Retainage Payable	-	-	22,865
Advances from Other Funds	-	-	3,200,000
Total Liabilities	607,517	-	3,262,887
Deferred Inflows of Resources:			
Unavailable Revenues	-	-	-
Fund Balances:			
Nonspendable	7,217	-	-
Restricted	1,622,778	596,696	-
Unassigned	-	-	(1,314,012)
Total Fund Balances	1,629,995	596,696	(1,314,012)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,237,512	\$ 596,696	\$ 1,948,875

Street Lighting District	Housing Rehab	Parks and Recreation	Community Events	Total Special Revenue Funds
\$ 128,911	\$ 75,386	\$ 58,037	\$ 129,481	\$ 4,819,480
-	-	-	-	156
10,446	-	-	-	100,431
-	-	-	-	258,060
-	-	-	-	7,217
<u>\$ 139,357</u>	<u>\$ 75,386</u>	<u>\$ 58,037</u>	<u>\$ 129,481</u>	<u>\$ 5,185,344</u>
\$ 50,223	\$ -	\$ -	\$ 30	\$ 661,488
-	-	-	-	36,304
-	-	-	-	22,865
-	-	-	-	3,200,000
<u>50,223</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>3,920,657</u>
<u>2,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,952</u>
-	-	-	-	7,217
86,182	75,386	58,037	129,451	2,568,530
-	-	-	-	(1,314,012)
<u>86,182</u>	<u>75,386</u>	<u>58,037</u>	<u>129,451</u>	<u>1,261,735</u>
<u>\$ 139,357</u>	<u>\$ 75,386</u>	<u>\$ 58,037</u>	<u>\$ 129,481</u>	<u>\$ 5,185,344</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, 2017**

	<u>HURF</u>	<u>LTAF</u>	<u>Town Center</u>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 699,172
Intergovernmental Revenues	3,625,266	76,030	-
Charges for Services	-	-	17,695
Contributions and Donations	-	-	-
Investment Income	8,327	-	8,413
Miscellaneous	4,225	-	15,250
Total Revenues	<u>3,637,818</u>	<u>76,030</u>	<u>740,530</u>
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	4,118,161	-	-
Culture and Recreation	-	-	-
Economic Development	-	-	3,317,142
Capital Outlay	-	-	786,698
Debt Service:			
Principal Retirement	18,815	-	-
Interest on Long-Term Debt	1,581	-	30,000
Total Expenditures	<u>4,138,557</u>	<u>-</u>	<u>4,133,840</u>
Excess (Deficiency) of Revenues Over Expenditures	(500,739)	76,030	(3,393,310)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	370,043	-	-
Transfers Out	(268,300)	-	(64,650)
Total Other Financing Sources (Uses)	<u>101,743</u>	<u>-</u>	<u>(64,650)</u>
Net Change in Fund Balances	(398,996)	76,030	(3,457,960)
<b>FUND BALANCES</b>			
Beginning of Year	2,028,991	520,666	2,143,948
End of Year	<u>\$ 1,629,995</u>	<u>\$ 596,696</u>	<u>\$ (1,314,012)</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>
\$ 596,884	\$ -	\$ -	\$ -	\$ 1,296,056
-	-	-	-	3,701,296
-	-	-	-	17,695
-	-	-	87,349	87,349
422	304	-	-	17,466
-	-	1,450	-	20,925
<u>597,306</u>	<u>304</u>	<u>1,450</u>	<u>87,349</u>	<u>5,140,787</u>
565,781	-	-	-	4,683,942
-	-	-	111,389	111,389
-	-	-	-	3,317,142
-	-	-	-	786,698
-	-	-	-	18,815
-	-	-	-	31,581
<u>565,781</u>	<u>-</u>	<u>-</u>	<u>111,389</u>	<u>8,949,567</u>
31,525	304	1,450	(24,040)	(3,808,780)
-	-	-	89,650	459,693
-	-	-	-	(332,950)
<u>-</u>	<u>-</u>	<u>-</u>	<u>89,650</u>	<u>126,743</u>
31,525	304	1,450	65,610	(3,682,037)
54,657	75,082	56,587	63,841	4,943,772
<u>\$ 86,182</u>	<u>\$ 75,386</u>	<u>\$ 58,037</u>	<u>\$ 129,451</u>	<u>\$ 1,261,735</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	Park Development	Town Building and Vehicles Development	Transportation Development
<b>ASSETS</b>			
Restricted Cash	\$ 12,890,499	\$ 2,232,470	\$ -
Total Assets	<u>\$ 12,890,499</u>	<u>\$ 2,232,470</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 56,800	\$ -	\$ 22,749
Advances from Other Funds	-	-	1,162,710
Total Liabilities	<u>56,800</u>	<u>-</u>	<u>1,185,459</u>
Fund Balances:			
Restricted	12,833,699	2,232,470	-
Unassigned	-	-	(1,185,459)
Total Fund Balances	<u>12,833,699</u>	<u>2,232,470</u>	<u>(1,185,459)</u>
Total Liabilities and Fund Balances	<u>\$ 12,890,499</u>	<u>\$ 2,232,470</u>	<u>\$ -</u>

Library Development	Public Safety Development	Fire Development	Total Capital Project Funds
\$ 1,986,818	\$ 1,535,127	\$ 1,992,245	\$ 20,637,159
<u>\$ 1,986,818</u>	<u>\$ 1,535,127</u>	<u>\$ 1,992,245</u>	<u>\$ 20,637,159</u>
\$ 25	\$ -	\$ -	\$ 79,574
-	-	-	1,162,710
<u>25</u>	<u>-</u>	<u>-</u>	<u>1,242,284</u>
1,986,793	1,535,127	1,992,245	20,580,334
-	-	-	(1,185,459)
<u>1,986,793</u>	<u>1,535,127</u>	<u>1,992,245</u>	<u>19,394,875</u>
<u>\$ 1,986,818</u>	<u>\$ 1,535,127</u>	<u>\$ 1,992,245</u>	<u>\$ 20,637,159</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, 2017**

	<u>Park Development</u>	<u>Town Building and Vehicles Development</u>	<u>Transportation Development</u>
<b>REVENUES</b>			
Impact Fees	\$ 4,174,518	\$ 589,190	\$ 1,636,979
Investment Income	46,569	8,393	5,837
Total Revenues	<u>4,221,087</u>	<u>597,583</u>	<u>1,642,816</u>
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	-	-	50,106
Culture and Recreation	192,254	-	-
Capital Outlay	481,251	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest on Long-Term Debt	-	-	-
Total Expenditures	<u>673,505</u>	<u>-</u>	<u>50,106</u>
Excess (Deficiency) of Revenues Over Expenditures	3,547,582	597,583	1,592,710
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,158,495	-	-
Transfers Out	(469,071)	(101,666)	(3,307,499)
Total Other Financing Sources (Uses)	<u>689,424</u>	<u>(101,666)</u>	<u>(3,307,499)</u>
Net Change in Fund Balances	4,237,006	495,917	(1,714,789)
<b>FUND BALANCES</b>			
Beginning of Year	8,596,693	1,736,553	529,330
End of Year	<u>\$ 12,833,699</u>	<u>\$ 2,232,470</u>	<u>\$ (1,185,459)</u>

<u>Library Development</u>	<u>Public Safety Development</u>	<u>Fire Development</u>	<u>Total Capital Project Funds</u>
\$ 819,841	\$ 209,262	\$ 611,967	\$ 8,041,757
7,028	5,863	7,641	81,331
<u>826,869</u>	<u>215,125</u>	<u>619,608</u>	<u>8,123,088</u>
-	-	-	50,106
-	-	-	192,254
-	-	-	481,251
-	-	157,145	157,145
-	-	16,173	16,173
<u>-</u>	<u>-</u>	<u>173,318</u>	<u>896,929</u>
826,869	215,125	446,290	7,226,159
-	-	-	1,158,495
(115,847)	-	-	(3,994,083)
<u>(115,847)</u>	<u>-</u>	<u>-</u>	<u>(2,835,588)</u>
711,022	215,125	446,290	4,390,571
1,275,771	1,320,002	1,545,955	15,004,304
<u>\$ 1,986,793</u>	<u>\$ 1,535,127</u>	<u>\$ 1,992,245</u>	<u>\$ 19,394,875</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ -	\$ -	\$ 524,811	\$ 524,811
Contributions and Donations	2,766,596	2,766,596	376,447	(2,390,149)
Investment Income	-	-	6,847	6,847
Total Revenues	<u>2,766,596</u>	<u>2,766,596</u>	<u>908,105</u>	<u>(1,858,491)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	297,295	297,295	379,202	(81,907)
Capital Outlay	28,445,809	30,358,110	12,567,087	17,791,023
Budget Contingency	-	444,207	-	444,207
Total Expenditures	<u>28,743,104</u>	<u>31,099,612</u>	<u>12,946,289</u>	<u>18,153,323</u>
Excess (Deficiency) of Revenues Over Expenditures	(25,976,508)	(28,333,016)	(12,038,184)	16,294,832
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	4,611,473	1,611,473	11,203,147	9,591,674
Issuance of Long-Term Debt	45,000,000	-	-	-
Proceeds from Sale of Fixed Assets	-	-	600,860	600,860
Total Other Financing Sources (Uses)	<u>49,611,473</u>	<u>1,611,473</u>	<u>11,804,007</u>	<u>10,192,534</u>
Net Change in Fund Balance	<u>23,634,965</u>	<u>(26,721,543)</u>	<u>(234,177)</u>	<u>26,487,366</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
Capital Outlay	\$ -	\$ 21,310,378	\$ 17,356,998	\$ 3,953,380
Budget Contingency	25,000,000	516,064	-	516,064
Total Expenditures	<u>25,000,000</u>	<u>21,826,442</u>	<u>17,356,998</u>	<u>4,469,444</u>
Net Change in Fund Balance	<u>(25,000,000)</u>	<u>(21,826,442)</u>	<u>(17,356,998)</u>	<u>4,469,444</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	1,605,000	1,605,000	1,605,000	-
Interest on Long-Term Debt	8,662,878	1,882,878	889,283	993,595
Total Expenditures	<u>10,267,878</u>	<u>3,487,878</u>	<u>2,494,283</u>	<u>993,595</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,267,878)	(3,487,878)	(2,494,283)	993,595
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>10,267,878</u>	<u>2,056,980</u>	<u>2,056,970</u>	<u>(10)</u>
Net Change in Fund Balance	<u>-</u>	<u>(1,430,898)</u>	<u>(437,313)</u>	<u>993,585</u>

**RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:**

Bond Issue Costs	(504,377)
Proceeds from Bond Issuance	47,990,000
Premium on Bond Issuance	9,313,830
Payment to Refunding Escrow Agent	(22,768,595)
Payment on Currently Refunded Debt	<u>(33,582,820)</u>
Net Change in Fund Balance - GAAP Basis	<u>10,725</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 1,774,020	\$ 1,774,020	\$ 1,756,552	\$ (17,468)
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	3,384,243	3,384,243	1,399,379	1,984,864
Interest on Long-Term Debt	-	-	746,577	(746,577)
Total Expenditures	<u>3,384,243</u>	<u>3,384,243</u>	<u>2,145,956</u>	<u>1,238,287</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,610,223)	(1,610,223)	(389,404)	1,220,819
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>1,610,223</u>	-	-	-
Net Change in Fund Balance	<u>-</u>	<u>(1,610,223)</u>	<u>(389,404)</u>	<u>1,220,819</u>
<b>RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:</b>				
Bond Issue Costs			(282,830)	
Proceeds from Bond Issuance			18,445,000	
Payment on Currently Refunded Debt			<u>(17,675,621)</u>	
Net Change in Fund Balance - GAAP Basis			<u>97,145</u>	

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HURF FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 3,459,282	\$ 3,459,282	\$ 3,625,266	\$ 165,984
Investment Income	10,000	10,000	8,327	(1,673)
Miscellaneous	-	-	4,225	4,225
Total Revenues	<u>3,469,282</u>	<u>3,469,282</u>	<u>3,637,818</u>	<u>168,536</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	5,170,327	5,499,970	4,110,661	1,389,309
Debt Service:				
Principal Retirement	18,815	18,815	18,815	-
Interest on Long-Term Debt	1,581	1,581	1,581	-
Total Expenditures	<u>5,190,723</u>	<u>5,520,366</u>	<u>4,131,057</u>	<u>1,389,309</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,721,441)	(2,051,084)	(493,239)	1,557,845
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	664,987	664,987	370,043	(294,944)
Transfers Out	(308,869)	(268,301)	(268,300)	1
Total Other Financing Sources (Uses)	<u>356,118</u>	<u>396,686</u>	<u>101,743</u>	<u>(294,943)</u>
Net Change in Fund Balance	<u>(1,365,323)</u>	<u>(1,654,398)</u>	<u>(391,496)</u>	<u>1,262,902</u>
<b>RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:</b>				
Payroll Related Adjustments			(7,500)	
Net Change in Fund Balance - GAAP Basis			<u>(398,996)</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 590,620	\$ 611,237	\$ 699,172	\$ 87,935
Charges for Services	25,000	25,000	17,695	(7,305)
Investment Income	10,000	10,000	8,413	(1,587)
Miscellaneous	-	-	15,250	15,250
Total Revenues	<u>625,620</u>	<u>646,237</u>	<u>740,530</u>	<u>94,293</u>
<b>EXPENDITURES</b>				
Current:				
Economic Development	1,475,000	3,494,700	3,317,142	177,558
Capital Outlay	120,000	946,658	786,698	159,960
Debt Service:				
Interest on Long-Term Debt	-	33,333	30,000	3,333
Total Expenditures	<u>1,595,000</u>	<u>4,474,691</u>	<u>4,133,840</u>	<u>340,851</u>
Excess (Deficiency) of Revenues Over Expenditures	(969,380)	(3,828,454)	(3,393,310)	435,144
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(64,650)</u>	<u>(64,650)</u>	<u>(64,650)</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,034,030)</u>	<u>(3,893,104)</u>	<u>(3,457,960)</u>	<u>435,144</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 601,680	\$ 601,680	\$ 596,884	\$ (4,796)
Investment Income	-	-	422	422
Total Revenues	601,680	601,680	597,306	(4,374)
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	601,680	601,680	565,781	35,899
Net Change in Fund Balance	-	-	31,525	31,525

**TOWN OF QUEEN CREEK, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY EVENTS FUND  
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Contributions and Donations	\$ 75,000	\$ 75,000	\$ 87,349	\$ 12,349
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	162,650	162,650	111,389	51,261
Excess (Deficiency) of Revenues Over Expenditures	(87,650)	(87,650)	(24,040)	63,610
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	89,650	89,650	89,650	-
Net Change in Fund Balance	2,000	2,000	65,610	63,610

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**PARK DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 3,918,590	\$ 3,918,590	\$ 4,174,518	\$ 255,928
Investment Income	40,000	171,400	46,569	(124,831)
Total Revenues	<u>3,958,590</u>	<u>4,089,990</u>	<u>4,221,087</u>	<u>131,097</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	50,000	278,964	192,254	86,710
Capital Outlay	<u>21,115,000</u>	<u>3,089,808</u>	<u>481,251</u>	<u>2,608,557</u>
Total Expenditures	<u>21,165,000</u>	<u>3,368,772</u>	<u>673,505</u>	<u>2,695,267</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,206,410)	721,218	3,547,582	2,826,364
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	1,158,495	1,158,495
Transfers Out	<u>(2,002,398)</u>	<u>(469,073)</u>	<u>(469,071)</u>	<u>2</u>
Total Other Financing Sources (Uses)	<u>(2,002,398)</u>	<u>(469,073)</u>	<u>689,424</u>	<u>1,158,497</u>
Net Change in Fund Balance	<u>(19,208,808)</u>	<u>252,145</u>	<u>4,237,006</u>	<u>3,984,861</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**TOWN BUILDING AND VEHICLES DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 574,342	\$ 574,342	\$ 589,190	\$ 14,848
Investment Income	20,000	20,000	8,393	(11,607)
Total Revenues	<u>594,342</u>	<u>594,342</u>	<u>597,583</u>	<u>3,241</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Excess (Deficiency) of Revenues Over Expenditures	584,342	584,342	597,583	13,241
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(353,234)</u>	<u>(101,667)</u>	<u>(101,666)</u>	<u>1</u>
Net Change in Fund Balance	<u><u>231,108</u></u>	<u><u>482,675</u></u>	<u><u>495,917</u></u>	<u><u>13,242</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 1,630,004	\$ 1,630,004	\$ 1,636,979	\$ 6,975
Investment Income	10,000	10,000	5,837	(4,163)
Total Revenues	1,640,004	1,640,004	1,642,816	2,812
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	-	105,811	50,106	55,705
Excess (Deficiency) of Revenues Over Expenditures	1,640,004	1,534,193	1,592,710	58,517
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(2,331,937)	(288,340)	(3,307,499)	(3,019,159)
Net Change in Fund Balance	(691,933)	1,245,853	(1,714,789)	(2,960,642)



**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**LIBRARY DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 769,757	\$ 769,757	\$ 819,841	\$ 50,084
Investment Income	10,000	10,000	7,028	(2,972)
Total Revenues	<u>779,757</u>	<u>779,757</u>	826,869	47,112
<b>EXPENDITURES</b>				
Capital Outlay	<u>10,000</u>	<u>10,000</u>	-	<u>10,000</u>
Excess (Deficiency) of Revenues Over Expenditures	769,757	769,757	826,869	57,112
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(486,819)</u>	<u>(115,848)</u>	<u>(115,847)</u>	<u>1</u>
Net Change in Fund Balance	<u><u>282,938</u></u>	<u><u>653,909</u></u>	<u><u>711,022</u></u>	<u><u>57,113</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 220,283	\$ 220,283	\$ 209,262	\$ (11,021)
Investment Income	10,000	10,000	5,863	(4,137)
Total Revenues	<u>230,283</u>	<u>230,283</u>	<u>215,125</u>	<u>(15,158)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Excess (Deficiency) of Revenues Over Expenditures	180,283	180,283	215,125	34,842
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u><u>(319,717)</u></u>	<u><u>180,283</u></u>	<u><u>215,125</u></u>	<u><u>34,842</u></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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 593,888	\$ 593,888	\$ 611,967	\$ 18,079
Investment Income	20,000	20,000	7,641	(12,359)
Total Revenues	<u>613,888</u>	<u>613,888</u>	<u>619,608</u>	<u>5,720</u>
<b>EXPENDITURES</b>				
Capital Outlay	1,050,000	1,050,000	-	1,050,000
Debt Service:				
Principal Retirement	149,633	149,633	157,145	(7,512)
Interest on Long-Term Debt	23,685	23,685	16,173	7,512
Total Expenditures	<u>1,223,318</u>	<u>1,223,318</u>	<u>173,318</u>	<u>1,050,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(609,430)	(609,430)	446,290	1,055,720
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(380,000)</u>	-	-	-
Net Change in Fund Balance	<u><u>(989,430)</u></u>	<u><u>(609,430)</u></u>	<u><u>446,290</u></u>	<u><u>1,055,720</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 8,898,224	\$ 9,087,432	\$ 9,367,962	\$ 280,530
Intergovernmental Revenues	64,000	64,000	124,409	60,409
Charges for Services	130,000	130,000	158,748	28,748
Investment Income	15,000	15,000	-	(15,000)
Miscellaneous	75,000	75,000	116,929	41,929
Total Revenues	9,182,224	9,371,432	9,768,048	396,616
<b>EXPENDITURES</b>				
Current:				
Public Safety	6,018,778	6,018,778	5,982,348	36,430
Fire/EMS	6,786,781	7,064,951	6,863,197	201,754
Contingency	187,500	-	-	-
Debt Service:				
Principal Retirement	67,611	67,611	71,784	(4,173)
Interest on Long-Term Debt	15,769	15,769	11,596	4,173
Total Expenditures	13,076,439	13,167,109	12,928,925	238,184
Excess (Deficiency) of Revenues Over Expenditures	(3,894,215)	(3,795,677)	(3,160,877)	634,800
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,894,215	3,710,007	3,118,162	(591,845)
Net Change in Fund Balance	-	(85,670)	(42,715)	42,955

**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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 528,980	\$ 528,980	\$ 592,214	\$ 63,234
Miscellaneous	1,020	1,020	14,219	13,199
Total Revenues	<u>530,000</u>	<u>530,000</u>	<u>606,433</u>	<u>76,433</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	1,258,635	1,410,810	1,383,314	27,496
Total Expenditures	<u>1,258,635</u>	<u>1,410,810</u>	<u>1,383,314</u>	<u>27,496</u>
Excess (Deficiency) of Revenues Over Expenditures	(728,635)	(880,810)	(776,881)	103,929
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,067,428	1,219,603	987,833	(231,770)
Transfers Out	(338,793)	(210,952)	(210,952)	-
Total Other Financing Sources (Uses)	<u>728,635</u>	<u>1,008,651</u>	<u>776,881</u>	<u>(231,770)</u>
Net Change in Fund Balance	<u>-</u>	<u>127,841</u>	<u>-</u>	<u>(127,841)</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**WASTEWATER FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 5,743,100	\$ 5,743,100	\$ 5,950,834	\$ 207,734
Capacity Fees	3,781,000	3,781,000	5,125,970	1,344,970
Capital Contributions	-	-	4,224,994	4,224,994
Investment Income	100,000	100,000	88,368	(11,632)
Miscellaneous	-	-	1,219	1,219
Total Revenues	<u>9,624,100</u>	<u>9,624,100</u>	<u>15,391,385</u>	<u>5,767,285</u>
<b>EXPENDITURES</b>				
Operating Expenditures				
Administration	105,920	105,920	150,918	(44,998)
Cost of Sales and Services	14,350,277	13,257,405	4,932,460	8,324,945
Principal Retirement	2,093,791	2,093,791	2,093,791	-
Interest and Fiscal Charges	1,128,306	1,128,306	987,727	140,579
Total Expenditures	<u>17,678,294</u>	<u>16,585,422</u>	<u>8,164,896</u>	<u>8,420,526</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,054,194)	(6,961,322)	7,226,489	14,187,811
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	7,182,882	7,182,882	-	(7,182,882)
Transfers Out	(7,182,882)	(7,182,882)	-	7,182,882
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(8,054,194)</u>	<u>(6,961,322)</u>	<u>7,226,489</u>	<u>14,187,811</u>

**RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:**

Pension and Payroll Related Adjustments	(1,778)
Depreciation Expense	(1,690,989)
Principal Retirement	2,093,791
Capitalized Expenditures	2,114,069
Changes in Joint Venture Investment	(1,151,686)
Unrealized Gain (Loss) on Investments	(23,326)
Net Change in Fund Balance - GAAP Basis	<u>8,566,570</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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 2,334,900	\$ 2,334,900	\$ 2,415,192	\$ 80,292
Investment Income	-	-	1,727	1,727
Total Revenues	<u>2,334,900</u>	<u>2,334,900</u>	<u>2,416,919</u>	<u>82,019</u>
<b>EXPENDITURES</b>				
Operating Expenditures				
Administration	70,155	70,155	120,387	(50,232)
Cost of Sales and Services	2,220,726	2,156,523	2,080,973	75,550
Principal Retirement	105,660	403,896	403,896	-
Interest and Fiscal Charges	14,233	14,233	-	14,233
Total Expenditures	<u>2,410,774</u>	<u>2,644,807</u>	<u>2,605,256</u>	<u>39,551</u>
 Net Change in Fund Balance	 <u>(75,874)</u>	 <u>(309,907)</u>	 <u>(188,337)</u>	 <u>121,570</u>

**RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:**

Pension and Payroll Related Adjustments	(1,501)
Depreciation Expense	(3,933)
Principal Retirement	<u>403,896</u>
Net Change in Fund Balance - GAAP Basis	<u><u>210,125</u></u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**WATER FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 18,932,500	\$ 18,932,500	\$ 20,583,082	\$ 1,650,582
Capacity Fees	5,659,740	5,659,740	4,656,142	(1,003,598)
Capital Contributions	-	-	2,657,571	2,657,571
Investment Income	40,000	73,333	122,592	49,259
Miscellaneous	-	-	63,974	63,974
Total Revenues	<u>24,632,240</u>	<u>24,665,573</u>	<u>28,083,361</u>	<u>3,417,788</u>
<b>EXPENDITURES</b>				
Operating Expenditures				
Administration	968,689	968,689	1,309,784	(341,095)
Cost of Sales and Services	22,312,485	23,819,842	12,372,329	11,447,513
Principal Retirement	2,388,975	2,388,975	2,388,975	-
Interest and Fiscal Charges	3,316,891	3,316,891	2,425,947	890,944
Total Expenditures	<u>28,987,040</u>	<u>30,494,397</u>	<u>18,497,035</u>	<u>11,997,362</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,354,800)	(5,828,824)	9,586,326	15,415,150
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	7,128,750	7,128,750	-	(7,128,750)
Transfers Out	(7,128,750)	(7,257,101)	(128,351)	7,128,750
Total Other Financing Sources (Uses)	<u>-</u>	<u>(128,351)</u>	<u>(128,351)</u>	<u>-</u>
Net Change in Fund Balance	<u>(4,354,800)</u>	<u>(5,957,175)</u>	<u>9,457,975</u>	<u>15,415,150</u>

**RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:**

Pension and Payroll Related Adjustments	(35,425)
Depreciation Expense	(2,698,984)
Principal Retirement	2,388,975
Capitalized Expenditures	3,232,371
Unrealized Gain (Loss) on Investments	(25,250)
Gain on Disposal of Capital Assets	45,700
Net Change in Fund Balance - GAAP Basis	<u>12,365,362</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			
	2008	2009	2010	2011
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 109,742,395	\$ 113,217,150	\$ 126,963,176	\$ 135,006,115
Restricted	68,008,904	30,072,080	26,314,209	34,738,750
Unrestricted	37,976,551	73,366,536	68,967,562	26,343,071
Total Governmental Activities Net Position	<u>\$ 215,727,850</u>	<u>\$ 216,655,766</u>	<u>\$ 222,244,947</u>	<u>\$ 196,087,936</u>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 51,303,406	\$ 55,382,631	\$ 53,514,718	\$ 55,468,136
Restricted	2,468,859	2,496,700	3,816,284	4,406,894
Unrestricted	5,909,052	6,983,681	6,581,861	4,070,089
Total Business-Type Activities Net Position	<u>\$ 59,681,317</u>	<u>\$ 64,863,012</u>	<u>\$ 63,912,863</u>	<u>\$ 63,945,119</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 161,045,801	\$ 168,599,781	\$ 180,477,894	\$ 190,474,251
Restricted	70,477,763	32,568,780	30,130,493	39,145,644
Unrestricted	43,885,603	80,350,217	75,549,423	30,413,160
Total Primary Government Net Position	<u>\$ 275,409,167</u>	<u>\$ 281,518,778</u>	<u>\$ 286,157,810</u>	<u>\$ 260,033,055</u>

Source: The Town's Finance Department.

Fiscal Year

2012	2013	2014	2015	2016	2017
\$ 138,591,496	\$ 145,953,396	\$ 158,473,433	\$ 184,637,429	\$ 222,579,325	\$ 254,327,784
25,525,022	29,879,867	32,127,295	44,414,227	46,287,642	50,111,910
35,908,296	45,518,062	53,862,470	31,606,885	20,840,088	(13,393,669)
<u>\$ 200,024,814</u>	<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>
\$ 63,922,044	\$ 68,348,737	\$ 74,678,972	\$ 86,447,625	\$ 99,502,329	\$ 107,702,757
5,809,913	6,466,848	6,828,477	8,222,573	9,506,232	10,108,563
993,881	3,678,908	9,587,920	14,296,643	21,903,658	34,146,580
<u>\$ 70,725,838</u>	<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>
\$ 202,513,540	\$ 214,302,133	\$ 233,152,405	\$ 271,115,054	\$ 322,081,654	\$ 362,030,541
31,334,935	36,346,715	38,955,772	52,636,800	55,793,874	60,220,473
36,902,177	49,196,970	63,450,390	45,903,528	42,743,746	20,752,911
<u>\$ 270,750,652</u>	<u>\$ 299,845,818</u>	<u>\$ 335,558,567</u>	<u>\$ 369,655,382</u>	<u>\$ 420,619,274</u>	<u>\$ 443,003,925</u>

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

	Fiscal Year			
	2008	2009	2010	2011
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 12,999,122	\$ 11,983,396	\$ 11,726,205	\$ 10,556,890
Public Safety	7,646,401	9,074,899	8,619,769	8,579,299
Highways and Streets	3,969,454	4,802,811	7,458,056	8,472,107
Culture and Recreation	2,267,614	3,578,303	3,288,751	3,845,329
Economic Development	1,052,133	672,820	644,790	756,340
Interest on Long-Term Debt	5,008,714	5,458,887	4,977,067	4,860,272
Total Governmental Activities	<u>32,943,438</u>	<u>35,571,116</u>	<u>36,714,638</u>	<u>37,070,237</u>
Business-Type Activities:				
Wastewater	3,731,669	6,391,819	9,338,013	6,062,441
Water	2,107,142	6,541,249	7,786,907	7,053,112
Solid Waste	-	-	687,346	1,207,247
Total Business-Type Activities	<u>5,838,811</u>	<u>12,933,068</u>	<u>17,812,266</u>	<u>14,322,800</u>
Total Primary Government Expenses	<u>\$ 38,782,249</u>	<u>\$ 48,504,184</u>	<u>\$ 54,526,904</u>	<u>\$ 51,393,037</u>
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 3,804,312	\$ 1,893,328	\$ 2,593,950	\$ 2,498,047
Public Safety	1,148,794	370,118	371,100	210,907
Highways and Streets	1,487,695	1,031,006	2,983,611	335,045
Culture and Recreation	3,813,555	1,311,157	1,610,841	1,622,772
Economic Development	-	755,753	795,856	689,380
Interest on Long-Term Debt	-	-	-	-
Operating Grants and Contributions	1,276,136	1,252,399	1,291,191	1,148,590
Capital Grants and Contributions	19,940,097	5,457,452	12,431,068	2,286,332
Total Governmental Activities	<u>31,470,589</u>	<u>12,071,213</u>	<u>22,077,617</u>	<u>8,791,073</u>
Business-Type Activities:				
Charges for Services:				
Wastewater	1,699,668	3,621,603	4,205,136	3,521,068
Water	4,623,259	6,723,755	7,752,957	8,589,136
Solid Waste	-	-	763	987,384
Capital Grants and Contributions	8,832,518	5,818,104	3,293,570	158,221
Total Business-Type Activities	<u>15,155,445</u>	<u>16,163,462</u>	<u>15,252,426</u>	<u>13,255,809</u>
Total Primary Government	<u>\$ 46,626,034</u>	<u>\$ 28,234,675</u>	<u>\$ 37,330,043</u>	<u>\$ 22,046,882</u>

Fiscal Year

2012	2013	2014	2015	2016	2017
\$ 10,560,748	\$ 9,401,213	\$ 10,560,748	\$ 12,601,960	\$ 13,493,976	\$ 10,919,733
9,286,805	8,002,986	9,286,805	10,185,703	12,032,441	14,142,386
9,453,285	8,960,506	9,453,285	11,148,019	13,201,760	14,425,928
3,157,249	2,851,292	3,157,249	3,738,132	4,682,823	5,515,631
1,024,067	827,230	1,024,067	4,371,932	1,115,722	27,824,042
4,401,608	4,615,538	4,401,608	4,225,223	3,899,852	2,562,461
<u>37,883,762</u>	<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>
5,668,932	5,668,879	5,668,932	5,049,099	6,680,369	6,874,000
9,536,903	6,354,536	9,536,903	13,954,702	14,181,944	15,343,717
1,602,901	1,450,544	1,602,901	1,772,165	2,002,405	2,220,496
<u>16,808,736</u>	<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>\$ 54,692,498</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>
\$ 2,103,716	\$ 3,142,042	\$ 3,640,706	\$ 1,677,331	\$ 2,411,717	\$ 1,547,398
327,944	1,055,263	1,081,831	707,776	999,854	940,888
218,077	562,990	548,688	1,433,770	1,724,924	1,636,979
1,832,917	4,224,982	4,742,607	4,186,177	5,526,053	5,771,742
1,157,363	2,922,436	3,257,299	3,796,650	4,513,393	4,273,410
-	-	-	1,079,951	943,515	1,035,713
1,418,838	1,472,370	1,602,019	2,119,240	2,105,900	2,775,472
9,724,218	14,794,654	14,385,675	21,423,446	18,373,422	10,885,524
<u>16,783,073</u>	<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>
4,180,555	6,906,017	8,157,240	8,851,008	10,914,249	11,078,023
9,356,721	10,630,175	15,256,028	20,222,869	23,690,390	25,303,198
1,359,963	1,601,759	1,854,726	2,000,008	2,138,537	2,415,192
6,539,411	3,802,082	4,272,051	10,776,216	8,710,353	6,882,565
<u>21,436,650</u>	<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>\$ 38,219,723</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>

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

(Concluded)	Fiscal Year			
	2008	2009	2010	2011
<b>NET (EXPENSE) REVENUE</b>				
Governmental Activities	\$ (1,472,849)	\$ (23,499,903)	\$ (14,637,021)	\$ (28,279,164)
Business-Type Activities	9,316,634	3,230,394	(2,559,840)	(1,066,991)
Total Primary Government Net Expense	\$ 7,843,785	\$ (20,269,509)	\$ (17,196,861)	\$ (29,346,155)
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 19,608,355	\$ 14,702,840	\$ 10,964,939	\$ 11,747,396
Property Taxes	3,910,452	5,278,509	6,107,314	5,518,261
Franchise Taxes	189,957	185,812	154,148	201,515
Unrestricted State Shared Revenue	4,491,661	4,400,264	3,888,975	3,484,155
Investment Income (Loss)	3,450,325	630,302	315,292	822,710
Other	275,981	656,092	386,227	389,978
Special Item	-	-	-	-
Transfers	-	(1,426,000)	(1,590,693)	(1,018,998)
Total Governmental Activities	31,926,731	24,427,819	20,226,202	21,145,017
Business-Type Activities:				
Investment Income (Loss)	481,490	98,139	18,998	73,185
Special Item	-	427,162	-	7,064
Transfers	-	1,426,000	1,590,693	1,018,998
Total Business-Type Activities	481,490	1,951,301	1,609,691	1,099,247
Total Primary Government	\$ 32,408,221	\$ 26,379,120	\$ 21,835,893	\$ 22,244,264
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	\$ 30,453,882	\$ 927,916	\$ 5,589,181	\$ (7,134,147)
Business-Type Activities	9,798,124	5,181,695	(950,149)	32,256
Total Primary Government	\$ 40,252,006	\$ 6,109,611	\$ 4,639,032	\$ (7,101,891)

Source: The Town's Finance Department.

Fiscal Year

2012	2013	2014	2015	2016	2017
\$ (21,100,689)	\$ (6,484,028)	\$ (8,624,937)	\$ (9,846,628)	\$ (11,827,796)	\$ (46,523,055)
4,627,914	9,466,074	12,731,309	21,074,135	22,588,811	21,240,765
<u>\$ (16,472,775)</u>	<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>
\$ 12,549,668	\$ 16,037,178	\$ 18,483,484	\$ 22,190,271	\$ 24,561,503	\$ 30,415,947
4,488,100	4,236,341	5,037,568	5,635,853	6,658,829	7,356,026
258,265	214,938	253,553	284,474	307,992	320,847
5,183,494	5,754,960	6,179,114	6,628,715	6,589,267	8,781,117
583,618	(124,209)	1,050,810	1,062,323	538,899	141,113
289,901	156,801	257,237	388,111	1,431,199	442,080
(2,439,917)	-	-	-	-	-
985,849	1,534,530	475,044	343,140	788,621	404,895
<u>21,898,978</u>	<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>
84,320	(162,889)	344,611	287,100	115,188	164,111
75,000	-	-	-	-	45,700
(985,849)	(1,534,530)	(475,044)	(343,140)	(788,621)	(404,895)
<u>(826,529)</u>	<u>(1,697,419)</u>	<u>(130,433)</u>	<u>(56,040)</u>	<u>(673,433)</u>	<u>(195,084)</u>
<u>\$ 21,072,449</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>
\$ 798,289	\$ 21,326,511	\$ 23,111,873	\$ 26,686,259	\$ 29,048,514	\$ 1,338,970
3,801,385	7,768,655	12,600,876	21,018,095	21,915,378	21,045,681
<u>\$ 4,599,674</u>	<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>

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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>
2008	\$ 19,608,355	\$ 3,910,452	\$ 189,957	\$ 23,708,764
2009	14,702,840	5,278,509	185,812	20,167,161
2010	10,964,939	6,107,314	154,148	17,226,401
2011	11,747,396	5,518,261	201,515	17,467,172
2012	12,549,668	4,488,100	258,265	17,296,033
2013	16,037,178	4,236,341	214,938	20,488,457
2014	18,483,484	5,037,568	253,553	23,774,605
2015	22,190,271	5,635,853	284,474	28,110,598
2016	24,561,503	6,658,829	307,992	31,528,324
2017	30,415,947	7,356,026	320,847	38,092,820

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			
	2008	2009	2010	2011
General Fund:				
Reserved	\$ 1,215,070	\$ 1,335,070	\$ 1,628,453	\$ -
Unreserved	14,855,825	13,387,466	10,792,208	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	2,575,070
Unassigned	-	-	-	10,035,046
Total General Fund	<u>\$ 16,070,895</u>	<u>\$ 14,722,536</u>	<u>\$ 12,420,661</u>	<u>\$ 12,610,116</u>
All Other Governmental Funds:				
Reserved	\$ -	\$ -	\$ 50,881	\$ -
Unreserved, Reported in:				
Special Revenue Funds	25,647,916	8,406,905	8,591,320	-
Capital Projects Funds	25,811,269	28,545,004	24,132,768	-
Debt Service Funds	(1,291,768)	(721,057)	(750,888)	-
Nonspendable	-	-	-	-
Restricted	-	-	-	5,578,516
Committed	-	-	-	13,254,231
Assigned	-	-	-	-
Unassigned	-	-	-	(1,933,843)
Total All Other Governmental Funds	<u>\$ 50,167,417</u>	<u>\$ 36,230,852</u>	<u>\$ 32,024,081</u>	<u>\$ 16,898,904</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

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
2,615,142	3,156,355	3,716,570	2,096,210	1,996,768	20,240,348
890,554	5,606,558	8,127,060	12,020,476	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,486,143	15,848,094	23,025,977	20,293,603	17,737,107	5,555,029
<u>\$ 14,991,839</u>	<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	5,391	12,667	631,710	7,217
1,838,904	2,265,391	2,725,995	11,958,461	27,177,973	31,715,129
17,290,278	21,366,332	22,134,004	14,366,075	10,543,822	-
621,154	618,654	658,917	732,223	-	-
-	-	-	-	(954,432)	(31,834,949)
<u>\$ 19,750,336</u>	<u>\$ 24,250,377</u>	<u>\$ 25,524,307</u>	<u>\$ 27,069,426</u>	<u>\$ 37,399,073</u>	<u>\$ (112,603)</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			
	2008	2009	2010	2011
<b>REVENUES</b>				
Taxes	\$ 23,466,756	\$ 19,758,273	\$ 16,836,982	\$ 16,023,317
Intergovernmental	6,221,594	7,062,887	5,180,166	5,734,596
Licenses and Permits	67,751	63,616	73,640	114,749
Charges for Services	3,826,144	2,411,850	3,153,496	3,258,927
Rents and Royalties	-	-	-	-
Contributions and Donations	5,997,940	870,186	2,698,090	156,673
Impact Fees	7,380,289	2,225,710	2,430,132	1,575,802
Special Assessments	275,834	2,870,359	2,195,808	2,136,060
Investment Income (Loss)	3,380,399	617,550	321,371	769,016
Other	275,981	656,092	386,227	389,978
Total Revenues	<u>50,892,688</u>	<u>36,536,523</u>	<u>33,275,912</u>	<u>30,159,118</u>
<b>EXPENDITURES</b>				
General Government	13,101,961	10,951,825	10,982,941	9,351,883
Public Safety	8,767,061	8,926,574	8,477,676	8,320,857
Highways and Streets	3,523,398	2,525,680	2,124,711	2,971,653
Culture and Recreation	25,724,708	3,211,714	2,799,420	3,279,393
Economic Development	978,981	632,499	574,191	729,464
Capital Outlay	21,402,111	30,252,931	5,387,164	11,775,094
Debt Service:				
Principal Retirement	1,011,096	2,699,907	2,870,695	2,891,326
Interest on Long-Term Debt	5,091,458	5,177,249	4,977,067	4,860,272
Issuance Costs	119,944	-	-	-
Total Expenditures	<u>79,720,718</u>	<u>64,378,379</u>	<u>38,193,865</u>	<u>44,179,942</u>
Excess of Revenues				
Over (Under) Expenditures	(28,828,030)	(27,841,856)	(4,917,953)	(14,020,824)
<b>OTHER FINANCING SOURCES</b>				
<b>(USES)</b>				
Transfers In	6,521,702	5,210,992	6,415,774	5,163,723
Transfers Out	(6,521,702)	(6,636,992)	(8,006,467)	(6,182,721)
Proceeds from Sale of Fixed Assets	-	-	-	-
Issuance of Long-Term Debt	-	12,045,000	-	-
Premium on Long-Term Debt	-	-	-	-
Payment to Refunding Agent	-	-	-	-
Proceeds from Capital Leases	-	1,937,932	-	104,100
Total Other Financing Sources (Uses)	<u>-</u>	<u>12,556,932</u>	<u>(1,590,693)</u>	<u>(914,898)</u>
Net Change in Fund Balances	<u>\$ (28,828,030)</u>	<u>\$ (15,284,924)</u>	<u>\$ (6,508,646)</u>	<u>\$ (14,935,722)</u>
Debt Service as a Percentage of Noncapital Expenditures	3.54%	4.05%	9.80%	17.55%

Source: The Town's Finance Department.

Fiscal Year

	2012	2013	2014	2015	2016	2017
\$	16,475,628	\$ 20,231,535	\$ 23,485,195	\$ 27,720,663	\$ 31,558,534	\$ 38,100,073
	7,708,774	7,227,330	8,030,414	8,950,773	10,257,129	11,760,640
	73,500	3,818,206	4,563,955	4,555,012	5,278,475	5,174,695
	2,083,219	817,815	796,902	874,110	787,038	836,257
	221,169	288,404	333,464	381,016	514,259	570,999
	1,823,614	3,442,997	716,623	258,243	553,825	463,796
	1,968,577	5,877,743	6,478,349	5,974,801	7,925,947	8,041,757
	2,242,754	2,139,002	2,207,345	2,324,857	2,273,392	1,756,552
	524,712	(188,481)	981,010	1,258,858	538,901	141,112
	239,000	140,421	226,965	399,722	4,124,450	457,741
	<u>33,360,947</u>	<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>
	7,886,767	8,405,607	10,291,860	11,586,257	13,351,992	10,728,669
	7,406,989	7,713,176	9,059,429	11,602,383	12,055,558	13,496,827
	2,932,978	2,837,392	2,930,716	3,742,931	5,202,276	6,285,005
	2,533,497	2,318,345	2,595,664	3,074,017	3,651,867	4,015,698
	570,038	809,841	967,116	3,729,446	1,000,103	30,028,572
	3,743,304	1,383,628	3,774,743	10,513,269	20,214,290	31,192,034
	3,008,680	3,161,506	3,164,560	3,385,313	9,473,374	53,627,744
	4,724,600	4,711,032	4,497,544	4,321,778	3,997,878	2,578,030
	-	-	-	-	-	787,207
	<u>32,806,853</u>	<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>
	554,094	12,454,445	10,538,590	742,661	(5,135,388)	(85,436,164)
	5,450,701	6,654,872	7,089,715	18,592,762	24,394,743	15,283,200
	(4,464,852)	(5,120,342)	(6,614,671)	(18,249,622)	(23,606,122)	(14,878,305)
	-	-	-	-	-	600,860
	-	-	-	-	-	66,435,000
	-	-	-	-	-	9,313,830
	-	-	-	-	-	(22,768,595)
	-	130,234	518,696	-	-	-
	<u>985,849</u>	<u>1,664,764</u>	<u>993,740</u>	<u>343,140</u>	<u>788,621</u>	<u>53,985,990</u>
\$	<u>1,539,943</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>
	26.10%	26.28%	23.82%	18.56%	18.56%	46.82%

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

Sales Category:	Fiscal Year			
	2008	2009	2010	2011
Construction	\$ 561,235,846	\$ 128,692,544	\$ 47,010,800	\$ 44,145,779
Manufacturing	16,321,469	13,088,096	11,605,644	14,276,568
Communications and Utilities	43,961,810	36,977,768	45,536,133	44,125,676
Wholesale Trade	8,524,677	7,319,314	5,051,467	6,230,724
Retail Trade	152,578,377	236,077,544	235,488,222	240,602,220
Restaurants and Bars	31,722,604	36,646,285	40,576,044	46,232,244
Real Estate, Rental and Lease	39,906,317	55,469,885	47,604,000	50,089,300
Services	11,519,640	11,642,030	8,637,778	10,865,399
Arts and Entertainment	-	-	-	-
Other	20,228,014	26,988,611	15,717,867	16,574,783
Total	<u>\$ 885,998,754</u>	<u>\$ 552,902,077</u>	<u>\$ 457,227,955</u>	<u>\$ 473,142,693</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

	2012	2013	2014	2015	2016	2017
\$	64,313,467	\$ 183,507,187	\$ 147,042,520	\$ 182,451,846	\$ 228,148,702	\$ 325,054,724
	14,800,622	15,678,705	15,409,198	17,401,290	13,073,403	13,631,003
	47,838,756	46,342,729	50,234,076	54,934,415	73,370,881	76,501,236
	5,300,978	5,271,396	6,152,793	6,323,860	5,669,397	7,252,396
	256,984,356	281,513,741	300,884,544	315,017,361	334,352,378	408,652,224
	45,583,911	51,553,181	59,267,692	64,732,627	79,263,734	98,632,807
	52,889,378	67,570,269	72,465,796	89,116,960	54,099,196	63,920,930
	11,949,956	15,347,314	17,782,422	22,427,818	17,197,640	23,415,231
	-	-	-	-	-	15,479,300
	18,414,889	17,420,404	18,477,390	22,829,027	14,273,352	2,332,793
<b>\$</b>	<b>518,076,311</b>	<b>\$ 684,204,928</b>	<b>\$ 687,716,430</b>	<b>\$ 775,235,204</b>	<b>\$ 819,448,683</b>	<b>\$ 1,034,872,644</b>
	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>Arizona State</u>
2008	2.25%	5.60%	0.70%
2009	2.25	5.60	0.70
2010	2.25	5.60	0.70
2011	2.25	6.60	0.70
2012	2.25	6.60	0.70
2013	2.25	6.60	0.70
2014	2.25	6.60	0.70
2015	2.25	5.60	0.70
2016	2.25	5.60	0.70
2017	2.25	5.60	0.70

Source: Arizona Department of Revenue.



**TOWN OF QUEEN CREEK, ARIZONA  
 ASSESSED VALUE AND  
 ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST 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	
2008	\$ 184,606,137	\$ 122,171,818	\$ 306,777,955	\$ (28,579,739)	\$ 278,198,216
2009	221,815,956	160,166,639	381,982,595	(34,040,799)	347,941,796
2010	208,757,539	203,299,464	412,057,003	(65,098,961)	346,958,042
2011	166,556,377	185,104,275	351,660,652	(65,524,326)	286,136,326
2012	142,406,641	121,723,930	264,130,571	(49,656,555)	214,474,016
2013	133,965,641	108,634,168	242,599,809	(51,394,523)	191,205,286
2014	131,764,902	107,129,631	238,894,533	(53,724,377)	185,170,156
2015	169,470,675	124,026,688	293,497,363	(52,807,704)	240,689,659
2016	181,409,687	119,278,199	300,687,886	(56,143,242)	244,544,644
2017	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
2008	1.95	\$ 2,555,197,190	10.89%
2009	1.95	3,145,545,877	11.06%
2010	1.95	3,240,641,414	10.71%
2011	1.95	2,707,295,115	10.57%
2012	1.95	2,115,954,831	10.14%
2013	1.95	1,957,841,850	9.77%
2014	1.95	1,934,828,445	9.57%
2015	1.95	2,418,774,832	9.95%
2016	1.95	2,498,335,032	9.79%
2017	1.95	3,186,541,591	9.96%

Source: The Maricopa County Treasurer.

**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
2008	1.95	5.54	0.98	2.47
2009	1.95	5.46	0.94	1.03
2010	1.95	5.01	0.88	0.99
2011	1.95	4.92	0.97	1.05
2012	1.95	4.92	0.97	1.05
2013	1.95	4.55	1.16	1.24
2014	1.95	8.16	1.53	1.28
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

Source: The Maricopa County Treasurer.

**TOWN OF QUEEN CREEK, ARIZONA  
PRINCIPAL PROPERTY TAXPAYERS  
JUNE 30, 2016 AND 2011  
(UNAUDITED)**

Taxpayer	2017			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
VPQCM, LLC	\$ 8,442,191	1	2.66			
LBE Investments, LTD	4,040,518	2	1.27			
Queen Creek Summit, LLC	3,715,210	3	1.17			
William Lyon Homes, Inc	3,068,258	4	0.97			
Wal-Mart Stores, Inc.	2,151,000	5	0.68			
HSL Encantada Queen Creek LLC	2,146,371	6	0.68	\$ 3,785,838	5	1.32
Fulton Homes Corporation	2,003,766	7	0.63			
Queen Creek AZ, LLC	1,919,616	8	0.60			
Target Corporation	1,883,291	9	0.59			
WDP Town Center, LLC	1,782,727	10	0.56			
DMB Mesa Proving Grounds				25,444,484	1	8.89
Commercial Metals Company				7,037,087	2	2.46
TRW Vehicle Safety Systems Inc				4,658,563	3	1.63
Fujifilm Electronics				4,017,270	4	1.40
Siete Solar, LLC (C/O PSEG)				3,480,628	6	1.22
VIP Emperor Estates LLC				3,371,813	7	1.18
Pulte Home Corporation				3,361,409	8	1.17
Queen Creek Joint Venture LL				2,876,240	9	1.01
Pecans of Queen Creek				2,733,421	10	0.96
	<u>\$ 31,152,948</u>		9.81 %	<u>\$ 60,766,753</u>		21.24 %

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
2008	\$ 3,892,496	\$ 3,790,512	97.38 %	\$ 101,232	\$ 3,891,745	99.98 %	\$ 751	0.02 %
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	-	5,156,916	98.87	65,205	1.13

Source: The Maricopa 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
2008	\$ 26,640,000	\$ 54,080,000	\$ 20,435,000	\$ -	\$ -	\$ 101,155,000
2009	26,640,000	52,865,000	32,480,000	-	1,723,025	113,708,025
2010	26,005,000	51,590,000	21,845,000	-	1,497,330	100,937,330
2011	25,345,000	50,250,000	21,135,000	-	1,350,104	98,080,104
2012	24,660,000	48,840,000	19,875,000	-	1,081,424	94,456,424
2013	24,322,262	48,271,732	19,535,705	-	915,152	93,044,851
2014	23,195,000	47,036,153	18,825,803	753,415	1,259,288	91,069,659
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

Business-Type Activities

Fiscal Year	Advances in Aid of Construction	Loans Payable	Revenue Obligation	Capital Leases	Total
2008	\$ 15,655,060	\$ 79,589,448	\$ -	\$ -	\$ 95,244,508
2009	8,870,167	77,056,592	-	-	85,926,759
2010	6,890,601	75,993,739	-	-	82,884,340
2011	6,387,387	74,201,249	-	-	80,588,636
2012	1,239,276	70,524,328	-	271,012	72,034,616
2013	847,232	67,092,551	-	-	67,939,783
2014	2,629,297	78,287,581	34,602,247	-	115,519,125
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

**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
2008	\$ 196,399,508	7.69%	N/A	\$ 8,235
2009	199,634,784	6.35%	30.81%	7,725
2010	183,821,670	5.67%	25.05%	6,939
2011	178,668,740	6.60%	23.36%	6,618
2012	166,491,040	7.87%	23.43%	6,211
2013	160,984,634	8.22%	20.09%	5,757
2014	206,588,784	10.68%	23.34%	6,962
2015	197,933,164	8.18%	20.50%	6,231
2016	180,903,760	7.24%	16.33%	5,012
2017	175,139,419	5.50%	15.23%	4,178

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, 2017**  
**(UNAUDITED)**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Debt Repaid with Property Taxes</b>			
Maricopa County Community College District	\$ 509,430,000	0.74%	\$ 3,779,199
Pinal County Community College District	82,770,000	12.65%	10,467,364
Higley Unified School District	124,290,000	9.10%	11,311,446
Chandler Unified School District	288,545,000	0.35%	1,002,923
Queen Creek Unified School District No. 95	59,945,000	61.99%	37,157,839
Subtotal, Overlapping Debt			<u>63,718,771</u>
Town of Queen Creek, Arizona	75,917,418	100.00%	75,917,418
Total Direct and Overlapping Debt			<u><u>\$ 139,636,189</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 2016-17.

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

	Fiscal Year			
	2008	2009	2010	2011
Total Debt Limit	\$ 74,152,814	\$ 90,464,867	\$ 90,209,091	\$ 74,395,445
Total Applicable to Limit	-	-	-	-
Legal Debt Margin	\$ 74,152,814	\$ 90,464,867	\$ 90,209,091	\$ 74,395,445
 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, 2017**  
**(UNAUDITED)**

Net Secondary Assessed Value		<u>\$ 317,408,401</u>
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds		
<hr/>		
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>
All Other General Obligation Bonds		
<hr/>		
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
2008	\$ 22,370,226	\$ -	\$ 22,370,226	\$ 1,115,000	\$ 2,635,959	5.96%
2009	17,835,389	-	17,835,389	1,430,000	2,840,875	4.18
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

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

Wastewater Loans

Fiscal Year	Wastewater Charges and Other (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	\$ 5,103,085	\$ 1,354,104	\$ 3,748,981	\$ 1,474,447	\$ 1,237,904	1.38
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

**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
2008	\$ 1,701,332	\$ 1,451,213	\$ 250,119	\$ -	\$ -	N/A
2009	7,154,421	3,634,862	3,519,559	1,338,052	1,639,135	1.18
2010	7,761,493	5,124,137	2,637,356	1,338,052	777,829	1.25
2011	8,639,880	4,342,685	4,297,195	1,392,076	749,727	2.01
2012	9,395,949	3,956,535	5,439,414	1,506,755	1,446,735	1.84
2013	10,566,874	3,773,546	6,793,328	1,567,590	1,385,441	2.30
2014	15,402,862	5,324,275	10,078,587	2,217,063	2,237,977	2.26
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

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>
2008	23,850	N/A	N/A	5.6 %	3.9 %	5.2 %
2009	25,844	647,971,256	28,328	8.7	7.1	9.0
2010	26,490	733,720,020	27,698	9.6	8.8	9.0
2011	26,996	764,742,688	28,328	9.7	8.5	9.1
2012	26,805	710,520,135	26,507	8.5	7.3	5.9
2013	27,963	801,503,469	28,663	8.0	7.1	7.3
2014	29,673	885,086,244	29,828	6.9	6.4	4.8
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

Sources:

Per Capita Personal Income - United States Department of Commerce, U.S. Census Bureau, 2016 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, 2016 AND 2011  
(UNAUDITED)**

Employer	2017			2011 (1)		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Queen Creek Unified School District	800	1	15.29%	667	1	34.63%
Wal-Mart	400	2	7.65%	310	2	16.10%
Canyon State Academy	305	3	5.83%	200	3	10.38%
Town of Queen Creek, Arizona	229	4	4.38%	149	6	7.74%
Home Depot	194	5	3.71%	135	5	7.01%
Target Stores	180	6	3.44%	170	4	8.83%
Benjamin Franklin Charter Schools	162	7	3.10%			
American Leadership Academy	158	8	3.02%			
Chandler Unified School District	130	9	2.48%			
V & P Nurseries	125	8	2.39%			
	<u>2,683</u>		39.21%	<u>1,631</u>		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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	55	55	48	33	35	43	44	47	51	56
Public Safety	33	34	33	32	32	37	44	45	60	60
Highways and Streets	29	23	17	17	18	16	14	16	16	16
Culture and Recreation	37	31	30	20	11	22	24	31	34	34
Economic Development	31	26	28	16	26	9	9	11	12	13
Solid Waste	**	**	**	**	**	**	4	5	6	5
Wastewater	4	6	5	4	4	5	4	5	5	5
Water	22	25	27	24	23	22	32	37	38	40
<b>Total</b>	<b>211</b>	<b>200</b>	<b>188</b>	<b>146</b>	<b>149</b>	<b>154</b>	<b>175</b>	<b>197</b>	<b>222</b>	<b>229</b>

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				
	2008	2009	2010	2011	2012
<b>Planning and Building Safety</b>					
Building Permits Issued	268	179	224	125	194
Residential Permit Total Valuations	- *	- *	- *	- *	- *
Commercial Permit Total Valuations	- *	- *	- *	- *	- *
<b>Highways and Streets</b>					
Street Resurfacing (Miles)	36	47	64	13	24
Street Striped (Miles)	35	50	50	38	29
<b>Culture and Recreation</b>					
Athletic Field Permits Issued	181	114	169	148	122
Recreation Center Program Hits	10,410	12,105	11,984	10,608	15,374
Summer Recreation Camps	57	N/A	N/A	N/A	N/A
<b>Fire &amp; Medical</b>					
Emergency Calls for Service	181	114	169	148	122
<b>Water</b>					
Total Connections	- **	- **	- **	- **	- **

Source: The Town of Queen Creek, Arizona

\* 2008-2013 Information not available

\*\* 2008-2014 Information not available

Fiscal Year

2013	2014	2015	2016	2017
1,946	2,486	2,817	3,265	3,343
- *	266,826,440	304,641,623	399,870,271	413,586,201
-	1,648,171	500,000	14,290,919	30,000,451
43	10	10	35	35
38	15	22	28	28
128	115	114	124	124
17,805	18,435	15,374	13,862	13,862
N/A	N/A	N/A	N/A	N/A
128	2,485	2,420	3,030	3,168
- **	- **	22,647	24,332	25,997

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

Function	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Highways and Streets</b>					
Streets (Miles)	198	386	386	391	397
Streetlights	662 *	863 *	873	983	1,022
Traffic Signals	26	33	33	33	37
<b>Culture and Recreation</b>					
Developed Park Acreage	418	419	419	419	419
Undeveloped Parks Acreage	- **	- **	- **	- **	- **
Developed Wash Trail Acreage	- **	- **	- **	- **	- **
Undeveloped Wash Trail Acreage	- **	- **	- **	- **	- **
Number of Parks	2	3	3	3	3
Community Centers	1	3	2	2	2
<b>Fire Department</b>					
Fire Apparatus	- ***	- ***	- ***	- ***	- ***
Fire Stations	- ***	- ***	- ***	- ***	- ***
<b>Water</b>					
Number of Potable Water Wells	- ***	- ***	- ***	- ***	- ***
Potable Water Pipe (Miles)	- ***	- ***	- ***	- ***	- ***
<b>Sewer</b>					
Sanitary Sewer (Miles)	97	99	102	104	105
Storm Sewers (Miles)	4	7	8	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

\* 2008 represents Town owned/paid streetlights only

\*\* 2008-2015 acreage was not broken out by Parks and Wash Trail

\*\*\* 2008-2016 information not previously tracked

Fiscal Year

2013	2014	2015	2016	2017
440	461	492	522	529
1,082	2,355	2,827	2,982	3,282
38	42	45	48	48
419	544	544	82	82
-	-	-	204	204
-	-	-	262	262
-	-	-	22	51
3	4	4	4	5
1	3	3	3	3
-	-	-	-	4
-	-	-	-	2
-	-	-	-	15
-	-	-	-	474
110	128	134	153	167
9	9	9	10	10
4,000	4,000	4,000	4,000	4,000

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**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

**TOWN OF QUEEN CREEK, ARIZONA  
EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS**

<b>\$47,945,000</b> <b>Series 2018A</b>	<b>\$18,015,000</b> <b>Series 2018B</b>
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Evidencing a Proportionate Interest of the Owners  
Thereof in Purchase Price Payments to be Made by

**THE TOWN OF QUEEN CREEK, ARIZONA**  
**to**  
**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**  
**as Trustee**

**Closing Date: [Closing Date]**  
**(CUSIP Base No. 74823Y)**

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**EIGHTH CONTINUING DISCLOSURE UNDERTAKING**

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This Eighth Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered by the Town of Queen Creek, Arizona (the “Town”), in connection with the execution and delivery of \$47,945,000 aggregate principal amount of the Excise Tax and State Shared Revenue Obligations, Series 2018A (the “2018A Obligations”) and \$18,015,000 aggregate principal amount of the Excise Tax and State Shared Revenue Obligations, Series 2018B (the “2018B Obligations”) and together with the 2018A Obligations, the “Obligations”), Each Evidencing a Proportionate Interest of the Owners Thereof in Purchase Price Payments to be Made by the Town of Queen Creek, Arizona, to The Bank of New York Mellon Trust Company, N.A., as Trustee. The Obligations are being issued pursuant to a Third Trust Agreement, dated as of February 1, 2018 (the “Trust Agreement”), by and between the Town and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Town covenants and agrees as follows:

1. *Definitions.* In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

*Annual Financial Information* means the financial information and operating data set forth in *Exhibit I*.

*Annual Financial Information Disclosure* means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

*Audited Financial Statements* means the audited financial statements of the Town prepared pursuant to the standards and as described in *Exhibit I*.

*Commission* means the Securities and Exchange Commission.

*Dissemination Agent* means any agent designated as such in writing by the Town and which has filed with the Town a written acceptance of such designation, and such agent’s successors and assigns.

*EMMA* means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*Final Official Statement* means the Final Official Statement relating to the Obligations, dated February 6, 2018.

*GAAP* means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

*Listed Event* means the occurrence of any of the events set forth in *Exhibit II*.

*Listed Events Disclosure* means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

*MSRB* means the Municipal Securities Rulemaking Board.

*Participating Underwriter* means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

*Purchase Agreement* means the Third Purchase Agreement, dated as of February 1, 2018, by and between the Town and the Trustee, in its separate capacity as “Seller.”

*Rule* means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

*State* means the State of Arizona.

2. *Purpose of this Undertaking.* This Undertaking is executed and delivered by the Town as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Participating Underwriter (as defined above) in complying with the requirements of the Rule (as defined above). The Town represents that it will be the only obligated person with respect to the Obligations at the time the Obligations are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Obligations.

3. *CUSIP Number/Final Official Statement.* The CUSIP Numbers of the Obligations are as follows:

Maturity Date (8/1)	2018A Obligations CUSIP No. (Base 74823Y)	2018B Obligations CUSIP No. (Base 74823Y)
2018	BX2	CV5
2019	BY0	CW3
2020	BZ7	CX1
2021	CA1	CY9
2022	CB9	CZ6
2023	CC7	DA0
2024	CD5	DB8
2025	CE3	DC6
2026	CF0	DD4
2027	CG8	DE2
2028	CH6	DF9
2029	CJ2	DG7
2030	CK9	DH5
2031	CL7	DJ1
2032	CM5	DK8
2033	CN3	DL6



Maturity Date (8/1)	2018A Obligations CUSIP No. (Base 74823Y)	2018B Obligations CUSIP No. (Base 74823Y)
2034	CP8	
2035	CQ6	
2036	CR4	
2037	CS2	DM4
2042	CT0	
2047	CU7	DN2

4. *Annual Financial Information Disclosure.* Subject to Section 8 of this Undertaking, the Town shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in *Exhibit I*), through EMMA.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Town will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. *Listed Events Disclosure.* Subject to Section 8 of this Undertaking, the Town shall disseminate in a timely manner, but not more than 10 business days after the occurrence of the event, Listed Events Disclosure through EMMA. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the Obligations or defeasance of any Obligations need not be given under this Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Obligations pursuant to the terms of the Obligations. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. *Consequences of Failure of the Town to Provide Information.* The Town shall give notice in a timely manner through EMMA, of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Town to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the Town to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Trust Agreement, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the Town to comply with this Undertaking shall be an action to compel performance.

7. *Amendments; Waiver.* Notwithstanding any other provision of this Undertaking, the Town by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Town, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the Town (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Trust Agreement at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying GAAP to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the Town change or the fiscal year of the Town changes, the Town shall file a notice of such change in the same manner as for a notice of “listed” event.

8. *Termination of Undertaking.* This Undertaking shall be terminated hereunder if the Town shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Trust Agreement. The Town shall give notice in a timely manner if it no longer has such liability through EMMA.

9. *Dissemination Agent.* The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

10. *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the Town chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the Town shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

11. *Beneficiaries.* This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Town, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

12. *Recordkeeping.* The Town shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. *Assignment.* The Town shall not transfer obligations under the Third Purchase Agreement unless the transferee agrees to assume all obligations of the Town under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

14. *Governing Law.* This Undertaking shall be governed by the laws of the State.

[Closing Date]

THE TOWN OF QUEEN CREEK, ARIZONA

By.....  
Mayor

ATTEST:

.....  
Town Clerk

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED  
FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement under the following caption: “REVENUES FROM THE EXCISE TAXES AND THE STATE SHARED REVENUES – Collections of Excise Taxes and State Shared Revenues” (actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA, or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB; the final official statement need not be available from the Commission. The Town shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA, by February 1 of each year, commencing February 1, 2019. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to GAAP. Audited Financial Statements will be provided through EMMA, within 30 days after availability to the Town.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Town will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

## EXHIBIT II

### EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other Listed Events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, or tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar events of the Town, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town
13. The consummation of a merger, consolidation or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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## APPENDIX F

### BOOK ENTRY ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX F “BOOK-ENTRY-ONLY SYSTEM” HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (“DTC”). NO REPRESENTATION IS MADE BY THE TOWN, THE FINANCIAL ADVISOR, THE UNDERWRITERS OR THEIR RESPECTIVE COUNSEL AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each stated payment date of each series of the Obligations, totaling in the aggregate the principal amount of each series of the Obligations, and will be deposited with DTC. The owners of book-entry interest will not receive or have the right to receive physical delivery of the Obligations.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and, together with the Direct Participants, “Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in Obligations are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Obligations, such as redemptions (if any), defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a stated payment date are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Obligations to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the Obligations will be made by the Trustee to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Town or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the Trustee or the Town. Under such circumstances, in the event that a successor securities depository is not obtained, Obligation certificates are required to be printed and delivered. The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered.

NEITHER THE TOWN NOR THE TRUSTEE WILL HAVE RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE OBLIGATIONS UNDER THE TRUST AGREEMENT; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE OBLIGATIONS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OBLIGATIONS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF OBLIGATIONS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the Obligations, as nominee for DTC, references in this Official Statement to "Owner" or registered owners of the Obligations (other than with respect to the Obligations under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Obligations.



When reference is made in this Official Statement to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Town or the Trustee to DTC only.

In the event that the Book-Entry-Only System is discontinued, the following provisions will apply: principal of the Obligations when due, will be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee. The transfer of the Obligations will be registrable and the Obligations may be exchanged at the designated corporate trust office of the Trustee upon the payment of any taxes or other governmental charges required to be paid with respect to such transfer or exchange.