

## OFFICIAL STATEMENT DATED JUNE 11, 2020

**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 Fourth Purchase Agreement and denominated as and comprising interest pursuant to the Fourth 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 certain other federal tax consequences of ownership of the Obligations.*

**\$78,605,000**

### **TOWN OF QUEEN CREEK, ARIZONA EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS, SERIES 2020**

Dated: Date of Delivery

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

The Town of Queen Creek, Arizona (the “Town”) Excise Tax and State Shared Revenue Obligations, Series 2020 (the “Obligations”) will be executed and delivered (i) to finance or reimburse certain capital projects of 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 February 1, 2021. 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.

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**See Maturity Schedule on Inside Front Cover Page**

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The Obligations will mature on the dates and in the principal amounts set forth on the inside front cover page. The Obligations will be subject to optional and mandatory redemption prior to their stated maturities as more fully described herein. See “THE OBLIGATIONS – Redemption Provisions” herein.

The Obligations will be undivided, proportionate interests in the installment payments to be made by the Town pursuant to a Fourth Purchase Agreement, to be dated as of June 1, 2020, 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 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 OF THE OBLIGATIONS” 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 (as defined herein) by their counsel, Squire Patton Boggs (US) LLP, Phoenix, Arizona. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about June 30, 2020.

*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.*

**BOFA SECURITIES**

**RBC CAPITAL MARKETS**

## MATURITY SCHEDULE

\$78,605,000

TOWN OF QUEEN CREEK, ARIZONA

EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS, SERIES 2020

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP (a) (Base 74823Y)</u>
2021	\$1,080,000	5.00%	0.36%	DP7
2022	1,135,000	5.00	0.41	DQ5
2023	1,195,000	5.00	0.45	DR3
2024	1,255,000	5.00	0.54	DS1
2025	1,320,000	5.00	0.65	DT9
2026	1,385,000	5.00	0.80	DU6
2027	1,460,000	5.00	0.93	DV4
2028	1,530,000	5.00	1.03	DW2
2029	1,610,000	5.00	1.12	DX0
2030	1,695,000	5.00	1.22	DY8
2031	2,565,000	5.00	1.32 (b)	DZ5
2032	2,695,000	5.00	1.42 (b)	EA9
2033	2,830,000	5.00	1.52 (b)	EB7
2034	2,980,000	5.00	1.56 (b)	EC5
2035	3,120,000	4.00	1.82 (b)	ED3
2036	3,240,000	4.00	1.87 (b)	EE1
2037	3,380,000	4.00	1.93 (b)	EF8
2038	3,515,000	4.00	1.97 (b)	EG6
2039	3,660,000	4.00	2.00 (b)	EH4
2040	3,810,000	4.00	2.04 (b)	EJ0

\$14,920,000 Term Obligation @ 4.00% Due 8/1/2045 - Yield of 2.16% (b) CUSIP (a): 74823YEK7

\$18,225,000 Term Obligation @ 4.00% Due 8/1/2050 - Yield of 2.22% (b) CUSIP (a): 74823YEL5

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- (a) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Town, the Underwriters, the Financial Advisor (as defined herein) or their agents or counsel take responsibility for the accuracy of such numbers.
- (b) Yield calculated to the first optional redemption date, August 1, 2030.

**TOWN OF QUEEN CREEK, ARIZONA**

*Incorporated in 1989*

**TOWN COUNCIL**

Gail Barney, *Mayor*  
Julia Wheatley, *Vice Mayor*  
Robin Benning, *Council Member*  
Jeff Brown, *Council Member*  
Jake Hoffman, *Council Member*  
Dawn Oliphant, *Council Member*  
Emilena Turley, *Council Member*

**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**

Wedbush Securities Inc.  
*Scottsdale, Arizona*

**TRUSTEE**

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

## REGARDING THIS OFFICIAL STATEMENT

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 Town of Queen Creek, Arizona Excise Tax and State Shared Revenue Obligations, Series 2020 (the “Obligations”). No dealer, broker, salesperson or other person has been authorized by the Town of Queen Creek, Arizona (the “Town”), Wedbush Securities Inc. (the “Financial Advisor”) or the Underwriters identified on the 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, the Town, the Financial Advisor or the Underwriters. 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.

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, the Financial Advisor 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.

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

**\$78,605,000**

### **TOWN OF QUEEN CREEK, ARIZONA EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS, SERIES 2020**

#### 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 \$78,605,000 principal amount of Excise Tax and State Shared Revenue Obligations, Series 2020 (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 Fourth Purchase Agreement, to be dated as of June 1, 2020 (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 are authorized to be executed and delivered pursuant to Resolution No. 1352-20 adopted by the Mayor and Council of the Town on June 3, 2020.

The Obligations will be executed and delivered pursuant to a Fourth Trust Agreement, to be dated as of June 1, 2020 (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.

The Payments will be payable from and secured by a lien on the revenues from the Excise Taxes (as defined herein) and the State Shared Revenues (as defined herein) 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 \$2,870,000, a Second Purchase Agreement, dated as of October 1, 2016 (the “Second Purchase Agreement”), by and between the Town, as buyer, and a trustee, as seller, outstanding in the principal amount of \$40,715,000, relating to the Town’s Excise Tax and State Shared Revenue Refunding Obligations, Series 2016, and a Third Purchase Agreement, dated as of February 1, 2018 (the “Third Purchase Agreement”), by and between the Town, as buyer, and a trustee as seller, outstanding in the principal amount of \$64,125,000 relating to the Town’s Excise Tax and State Shared Revenue Obligations, Series 2018A and Series 2018B. Pursuant to the Loan Repayment Agreement, the Second Purchase Agreement and the Third 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 issued on a parity with the 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, the Third Purchase Agreement and, with respect to the Obligations, the Purchase Agreement. Pursuant to the Loan Repayment Agreement, the Second Purchase Agreement, the Third Purchase Agreement and, when executed and delivered, the 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, the Second Purchase Agreement, the Third Purchase Agreement and, when executed and delivered, the Purchase Agreement are satisfied. See “SECURITY AND SOURCES OF PAYMENT OF THE OBLIGATIONS - Additional Parity Lien Obligations” and, for detail about amounts due pursuant to the Loan Repayment Agreement, the 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.

Brief descriptions 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.

See Appendix C – “Summary of Select Provisions of Principal Documents” in addition to the information hereinbelow for descriptions of the terms of the Purchase Agreement and the Trust Agreement, as well as definitions of capitalized terms used but not defined herein. See Appendix A – “Town of Queen Creek, Arizona General and Financial Information” and Appendix D – “Audited Financial Statements of the Town of Queen Creek, Arizona for the Fiscal Year Ended June 30, 2019” in addition to the information hereinbelow for information about the Town.

## **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 February 1, 2021. 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 Obligations 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*

The Obligations maturing before or on August 1, 2030, will not be subject to redemption prior to maturity. The Obligations maturing on or after August 1, 2031, 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, 2030, at a redemption price equal to the principal amount of Obligations or portions thereof to be redeemed, together with accrued interest to the date fixed for redemption, but without premium.

*Mandatory Redemption*

The Obligations maturing August 1, 2045 and 2050 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 Obligation Due 2045</u>	
2041	\$2,750,000
2042	2,865,000
2043	2,980,000
2044	3,100,000
2045	3,225,000 (Maturity)

<u>Term Obligation Due 2050</u>	
2046	\$3,360,000
2047	3,495,000
2048	3,640,000
2049	3,790,000
2050	3,940,000 (Maturity)

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 an optional 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 OF THE OBLIGATIONS

### 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 regarding the revenues from the Excise Taxes and the State Shared Revenues regarding the Loan Repayment Agreement, the Second Purchase Agreement, the Third 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, the Third 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, and the registered Owners of the Obligations have no claim or lien on the Projects or any part thereof or any proceeds of the Obligations. Neither the Trustee nor the registered Owner of any Obligation will have any right to exclude the Town from the Projects as a remedy upon the occurrence of an event of default under the Purchase Agreement, or to have the Projects sold. Neither the Trustee nor the registered Owners of the Obligations will have any interest in revenues, if any, derived from the Projects, except to the extent that such revenues constitute revenues from the Excise Taxes or the State Shared Revenues, or any property interest in the Projects.

THE PAYMENTS WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE TOWN AND THE TOWN WILL NOT BE LIABLE TO MAKE THE PAYMENTS FROM AD VALOREM PROPERTY TAXES. PURSUANT TO THE TRUST AGREEMENT, THE OBLIGATIONS WILL BE SPECIAL, LIMITED REVENUE OBLIGATIONS, PAYABLE SOLELY FROM THE PAYMENTS MADE PURSUANT TO THE PURCHASE

AGREEMENT. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF AND WILL NOT REPRESENT OR CONSTITUTE A DEBT OR A DIRECT OR INDIRECT PLEDGE OF THE FULL FAITH AND CREDIT OF THE TOWN, THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

**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 Third 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 Third 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 Third Purchase Agreement and 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**

The revenues from the Excise Taxes and the State Shared Revenues will be pledged as security for the Payments due pursuant to the Purchase Agreement, which will be used to pay debt service on the Obligations. See “SECURITY AND SOURCES OF PAYMENT OF THE OBLIGATIONS.” The major categories of such revenues are discussed more fully under this heading.

NO ASSURANCES CAN BE GIVEN THAT THE AMOUNT OF STATE SHARED SALES TAXES OR STATE SHARED INCOME TAXES DESCRIBED HEREINBELOW WILL NOT BE REDUCED OR ELIMINATED BY THE STATE LEGISLATURE IN THE FUTURE.

**Excise Taxes**

*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 and remitted to the Town on a monthly basis.

**TOWN TRANSACTION PRIVILEGE (SALES) TAX BASE RATES BY CATEGORY (a)**

<b>Category</b>	<b>General Tax Rate</b>
Amusement	2.25%
Advertising	2.25%
Communications	2.25%
Contracting	4.25%
Hotel/Motel	2.25%
Hotel/Motel (Additional Tax)	3.00%
Printing	2.25%
Publishing	2.25%
Leasing/Rental of Real Property	2.25%
Leasing/Rental of Tangible Personal Property	2.25%
Mining/Timbering	2.25%
Restaurants and Bars	2.25%
Retail	2.25%
Retail Sales – Food for Home Consumption	2.25%
Severance – Metal Mining	0.10%
Transportation	2.25%
Utilities	2.25%
Use Tax	2.25%

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(a) Rates effective as of May 1, 2020.

*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.

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 OF THE OBLIGATIONS - Covenant to Maintain Debt Service Coverage.”

**State Shared Revenues**

*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 5.6% 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.

**STATE SALES TAX  
TAXABLE ACTIVITIES, TAX RATES AND DISTRIBUTION SHARE**

Taxable Activities	State Tax Rate	Distribution Share
Transportation	5.600%	20.000%
Utilities	5.600%	20.000%
Telecommunications	5.600%	20.000%
Pipeline	5.600%	20.000%
Private Car Line	5.600%	20.000%
Publication	5.600%	20.000%
Job Pringing	5.600%	20.000%
Owner Builder Sales	5.600%	20.000%
Amusement	5.600%	40.000%
Restaurant	5.600%	40.000%
Personal Property Rental	5.600%	40.000%
Retail (Excluding Food Sales)	5.600%	40.000%
Transient Lodging	5.500%	50.000%
Mining - Non-Metal, Oil/Gas	3.125%	32.000%
Commercial Lease	0.000%	53.330%
Severance - Metaliferous Mining	2.500%	80.000%
Use Tax Utilities	5.600%	20.000%
Jet Fuel Use Tax	(a)	40.000%

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(a) Does not include the \$0.0305 per gallon State tax on the retail sale of jet fuel, which tax is only levied on the first ten million gallons sold to each purchase in each calendar year.

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.

*Legislation Regarding Withholding of State Shared Revenues.* Section 41-194.01, Arizona Revised Statutes, permits the State to withhold from a county, city or town (“Local Jurisdiction”) State revenues that would otherwise be shared with Local Jurisdictions.

Under such statute, at the request of one or more members of the State Legislature, the State Attorney General must investigate any ordinance, regulation, order or other official action (“Local Action”) adopted or taken by the governing body of a Local Jurisdiction that the legislator alleges violates State law or the State Constitution. The Attorney General must make a written report within 30 days after receipt of the request. The Local Jurisdiction then has 30 days to resolve the violation. If the Attorney General determines that the violation has not been resolved within 30 days, the Attorney General must notify the State Treasurer and the State Treasurer must withhold payment to the Local Jurisdiction of State Shared Sales Taxes otherwise due to the Local Jurisdiction pursuant to Section 42-5029(L), Arizona Revised Statutes and all State Shared Income Taxes otherwise due to the Local Jurisdiction pursuant to Section 43-206(F), Arizona Revised Statutes, until such time as the Attorney General determines that the violation has been resolved. However, the State Treasurer may not withhold any amount that the Local Jurisdiction certifies to the Attorney General and the State Treasurer as being necessary to make deposits or payments for debt service on bonds or other long-term obligations that were issued or incurred before the Local Action occurred.

The Town is not aware of any Local Action by the Town taken or currently under consideration that does or if taken would violate State law or the State Constitution. State Shared Revenues are pledged to payments due with respect to the Purchase Agreement. The withholding of State Shared Revenues could have a material adverse effect on the payment of principal of and interest on the Obligations during any period of withholding.

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.

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.

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## Collections of Excise Taxes and State Shared Revenues

The table below sets forth the Town’s audited collections of revenues from the Excise Taxes and State Shared Revenues for fiscal years 2014/15 through 2018/19 and budgeted collections for fiscal year 2019/20. The table has not been the subject of any separate audit procedures.

### TOWN OF QUEEN CREEK, ARIZONA EXCISE TAX AND STATE SHARED REVENUE COLLECTIONS (a)

	Revised Budget	Audited				
	2019/20 (b)	2018/19	2017/18	2016/17	2015-16	2014-15
<b>Excise Taxes</b>						
Town Transaction Privilege (Sales) Tax	\$42,689,230	\$38,183,883	\$22,822,944	\$20,735,681	\$18,313,688	\$15,454,876
Charges for Services	11,343,280	11,540,216	9,476,359	8,162,344	7,811,911	7,035,592
Franchise Fees	1,871,969	1,586,224	388,870	320,847	307,992	284,473
Licenses and Permits	99,300	95,053	82,932	87,053	88,833	110,230
<b>Subtotal Excise Taxes</b>	<u>56,003,779</u>	<u>\$51,405,376</u>	<u>32,771,105</u>	<u>29,305,925</u>	<u>26,522,424</u>	<u>22,885,171</u>
<b>State Shared Revenues</b>						
State Shared Income Tax	5,496,252	4,745,177	4,399,985	4,234,773	3,173,861	3,191,162
State Shared Sales Tax	4,378,658	3,969,582	3,442,520	3,175,351	2,349,301	2,419,249
Vehicle License Tax	1,894,479	1,708,392	1,489,257	1,370,993	1,066,106	1,018,304
<b>Subtotal State Shared Revenues</b>	<u>11,769,389</u>	<u>10,423,151</u>	<u>9,331,762</u>	<u>8,781,117</u>	<u>6,589,268</u>	<u>6,628,715</u>
<b>Total Pledged Revenues</b>	<u>\$67,773,168</u> (c)	<u>\$61,828,527</u> (c)	<u>\$42,102,867</u>	<u>\$38,087,042</u>	<u>\$33,111,692</u>	<u>\$29,513,886</u>

- (a) Revenues include all income, moneys and receipts derived by the Town from the collection of Excise Taxes and State Shared Revenues.
- (b) Revenues for fiscal year 2019/20 are based on the Town’s original budget, adjusted to reflect amendments through March 18, 2020. Such amounts are “forward-looking statements” which may not be realized and must be considered with an abundance of caution. Actual results may vary from the budgeted amounts.
- (c) Revenue adjusted to include certain previously excluded sales taxes. On November 20, 2019, the Town approved Ordinance No. 716-19 wherein the Town removed the legal restrictions on the use of the following transaction privilege (sales) taxes: (i) 2.0% Construction Sales Tax for Transportation (originally approved in 2005 under Ordinance 316-05); (ii) 0.25% Public Safety Sales Tax (originally approved in 2007 under Ordinance 390-07); and (iii) 0.25% Town Center Sales Tax (original approved in 2007 under Ordinance 402-07). By removing the legal restrictions on use, revenues from these taxes are now included in Excise Taxes for purposes of Pledged Revenues. Ordinance No. 716-19 did not change the definition of Excise Taxes.

Source: Town Finance Department.

### Potential Impact of COVID-19

The recent outbreak and spread of a novel coronavirus named coronavirus disease 2019 (“COVID-19”), which has been designated a global pandemic by the World Health Organization, is negatively impacting local, state and global economies, as governments, business and citizens react to, plan for, and try to prevent or slow further transmission of the virus. Financial markets, including the stock markets in the United States and globally, have seen significant recent volatility and declines that have been attributed to COVID-19 concerns. On March 11, 2020, President Donald J. Trump declared a national emergency, freeing up funding for federal assistance to state and local governments. Additionally, on March 30, 2020, Governor Doug Ducey issued an Executive Order effective March 31, 2020, at 5:00 p.m. (the “Order”). The Order, titled “Stay Home, Stay Healthy, Stay Connected,” was effective, as modified, until May 15, 2020, at 11:59 p.m., and provided that all individuals in the State limit their time away from their place of residence or property, except in limited circumstances described in the Order. On May 12, 2020, the Governor issued Executive Order titled “Stay Healthy, Return Smarter, Return Stronger” (the

“May 12th Order”), which allowed the Order to expire on May 15, 2020, to provide guidance for businesses to reopen with enhanced physical distancing and safety measures in place.

Excise Tax collections and other amounts dependent on local business activity are expected to be materially adversely affected by the continued spread of COVID-19 and the resulting lower level of local business activity; however, the Town currently cannot predict the effect the continued spread of COVID-19 will have on its Excise Tax collections, which could have a negative impact on the Town’s ability to pay operating expenses and the Payments. Likewise, the State’s finances, including State sales tax and income tax revenues, are likely to be adversely affected by the continued spread of COVID-19, the various governmental actions taken in response thereto and changes in the behavior of business and people, all of which could affect the amount of State Shared Revenues, which represent a component of the security and source of payment of the Obligations, received by the Town. The Town cannot predict how the spread of COVID-19, the Order, the May 12th Order or the various governmental or private actions taken in response thereto will affect its finances or operations, including the receipt of revenues from Excise Taxes, State Shared Revenues which are the security and source of payments for the Obligations.

The Town is monitoring cash flows, unrestricted cash and investments available to fund expenditures through the end of the current fiscal year and, notwithstanding the expected decrease in revenues and unanticipated expenditures related to COVID-19, the Town does not expect to make budget cuts or use reserves in fiscal year 2019/20. However, in developing the budget for fiscal year 2020/21, the Town is using revenue projections and expenditure levels that reflect the impact of expected revenue decreases related to COVID-19, as described in Appendix A – “Town of Queen Creek, Arizona General and Financial Information – Financial Information – Fiscal Year 2020/21 Budget; Potential Impact of COVID-19 on the Town’s General Fund.”

It is likely that the full financial impact of COVID-19 on the Town, its economy, and its financial position could change significantly as circumstances and events evolve. The Town will continue to monitor events as they occur, especially those that may have a significant impact on the Town’s budget and finances.

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**SCHEDULE OF DEBT SERVICE REQUIREMENTS  
AND DEBT SERVICE COVERAGE (a)**

The following schedule illustrates the debt service requirements of the Parity Lien Obligations, the Obligations, the combined debt service requirements and the debt service coverage ratios for such combined debt service requirements of the outstanding Parity Lien Obligations and the Obligations provided by the revenues from the Excise Taxes and State Shared Revenues for 2018/19.

Fiscal Year	Gross Revenues Available for Debt Service	Requirements of Parity Lien Obligations	Plus: the Obligations		Combined Debt Service Requirements	Debt Service Coverage (c)
			Principal	Interest (b)		
2019	\$61,828,527 (d)					
2020	67,773,168 (e)					
2021		\$9,029,750		\$1,987,825	\$11,017,575	
2022		8,996,325	\$1,080,000	3,364,550	13,440,875	
2023		9,014,475	1,135,000	3,309,175	13,458,650	4.59x
2024		8,993,925	1,195,000	3,250,925	13,439,850	
2025		8,827,600	1,255,000	3,189,675	13,272,275	
2026		8,831,575	1,320,000	3,125,300	13,276,875	
2027		8,829,500	1,385,000	3,057,675	13,272,175	
2028		8,797,425	1,460,000	2,986,550	13,243,975	
2029		8,803,300	1,530,000	2,911,800	13,245,100	
2030		8,390,800	1,610,000	2,833,300	12,834,100	
2031		7,946,300	1,695,000	2,750,675	12,391,975	
2032		7,810,256	2,565,000	2,644,175	13,019,431	
2033		7,802,138	2,695,000	2,512,675	13,009,813	
2034		4,913,181	2,830,000	2,374,550	10,117,731	
2035		4,910,563	2,980,000	2,229,300	10,119,863	
2036		4,906,163	3,120,000	2,092,400	10,118,563	
2037		4,900,813	3,240,000	1,965,200	10,106,013	
2038		4,311,188	3,380,000	1,832,800	9,523,988	
2039		3,666,125	3,515,000	1,694,900	8,876,025	
2040		3,664,000	3,660,000	1,551,400	8,875,400	
2041		3,665,875	3,810,000	1,402,000	8,877,875	
2042		3,656,625	2,750,000	1,270,800	7,677,425	
2043		3,656,000	2,865,000	1,158,500	7,679,500	
2044		3,653,500	2,980,000	1,041,600	7,675,100	
2045		3,648,875	3,100,000	920,000	7,668,875	
2046		3,641,875	3,225,000	793,500	7,660,375	
2047		3,642,000	3,360,000	661,800	7,663,800	
2048		3,638,750	3,495,000	524,700	7,658,450	
2049			3,640,000	382,000	4,022,000	
2050			3,790,000	233,400	4,023,400	
2051			3,940,000	78,800	4,018,800	
		<u>\$172,548,900</u>	<u>\$78,605,000</u>	<u>\$60,131,950</u>	<u>\$311,285,850</u>	

(a) Prepared by the Financial Advisor (as defined herein).

(b) The first interest payment on the Obligations will be due February 1, 2021. Thereafter, interest payments will be made semiannually on August 1 and February 1 until the final maturity or prior redemption of the Obligations.



- (c) Debt service coverage is computed using revenues from the Excise Taxes and State Shared Revenues of \$61,828,527, which is the audited amount for fiscal year 2018/19, divided by the maximum annual combined obligations debt service requirements.
- (d) Represents the revenues from the Excise Taxes and the State Shared Revenues for fiscal year 2018/19, as reported by the Town’s Finance Department. See – “TOWN OF QUEEN CREEK, ARIZONA EXCISE TAX AND STATE SHARED REVENUE COLLECTIONS” herein.
- (e) Represents budgeted revenues from the Excise Taxes and State Shared Revenues for fiscal year 2019/20. Such amounts are “forward-looking statements” which may not be realized and must be considered with an abundance of caution. Actual results may vary from the budgeted amounts.

**THE PROJECTS**

Approximately \$67 million of the proceeds received from the sale of the Obligations will be used by the Town to build roadways. The total amount of funds needed over the entire 10-year Transportation Master Plan is estimated at \$286 million which includes proceeds from the sale of the Obligations, pay-as-you-go funding, developer payments and contributions from other governmental agencies.

The remaining approximately \$28 million of the proceeds received from the sale of the Obligations net of amounts used to pay costs related to the execution and delivery of the Obligations will be used by the Town to build two new facilities for the Fire Department (Fire Stations 4 and 5), demolish and reconstruct Fire Station 2, and build a new Fire Resource Center that will serve as a storage warehouse and small training facility. The construction of these facilities will better assist the Town in meeting the service needs of the community, including improved emergency response times for the Town’s residents.

**SOURCES AND USES OF FUNDS**

**Sources:**

Par Amount of Obligations	\$78,605,000.00
Original Issue Premium	16,150,093.40
Total	\$94,755,093.40

**Uses:**

Deposit to Project Fund	\$94,200,000.00
Costs of Issuance (Including	
Underwriters' Discount)	555,093.40
Total	\$94,755,093.40

## 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. 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.

The above opinion on federal tax matters with respect to the Obligations will be based on and will assume the accuracy of certain representations and certifications of the Town, and compliance with certain covenants of the Town to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Obligations will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of those certifications. Special Counsel will express no opinion as to any other consequences regarding the Obligations.

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 Premium**

The Obligations (for purposes of this section, “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 Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly amortizable in any period with respect to the Premium Obligations and as to other federal tax consequences, and the treatment of 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 of the Interest Portion 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. The legal opinion to be delivered may vary from the text of Appendix B if necessary to reflect the facts and law existing on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Special Counsel has reviewed or expressed any opinion concerning any matters relating to the Obligations subsequent to the original delivery of the Obligations. 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 legal matters will be passed upon for the Underwriters by their Counsel, Squire Patton Boggs (US) LLP, Phoenix, 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 in connection with the public offering of the Obligations.

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 opinions to be delivered concurrently with the delivery of the Obligations will express the professional judgment of the attorneys rendering the opinions 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, 2019 and for its fiscal year then ended, of which are included as Appendix D of this Official Statement, have been audited by CliftonLarsonAllen, LLP. The accounting policies of the Town conform to generally accepted accounting principles as applicable to governmental units. For a more detailed summary of significant accounting policies see Appendix D – “Audited Financial Statements of the Town of Queen Creek, Arizona for the Fiscal Year Ended June 30, 2019.”

CliftonLarsonAllen, LLP has performed no procedures subsequent to rendering its opinion on the financial statements and has not been consulted in any manner pertaining to the execution and delivery of the Obligations. The Town neither requested nor obtained the consent of CliftonLarsonAllen, LLP to include its report and CliftonLarsonAllen, LLP has performed no procedures subsequent to rendering its opinion on the financial statements.

## **CONTINUING DISCLOSURE**

The Town will covenant for the benefit of the Owners of the Obligations, in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), to provide certain financial information and operating data relating to the Town by not later than February 1 in each year commencing February 1, 2021 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Listed Events Notices”). The Annual Reports, the Listed Events Notices and any other document or information required to be filed pursuant to the Rule 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 Notices is described in Appendix E. These covenants will be made in order to assist the Underwriter in complying with 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. Absence of continuing disclosure could adversely affect the Obligations and specifically their market price and transferability.

The Town previously entered into continuing disclosure undertakings (each a “Prior Undertaking”) in connection with the issuance of certain securities. Annual financial information and operating data required to be filed by a Prior Undertaking for the period ended June 30, 2018 was timely filed, but was not associated with all relevant CUSIP numbers until May 29, 2020.

The Town's Finance Department has instituted written procedures to facilitate compliance with existing continuing disclosure undertakings, the continuing disclosure undertaking related to the Obligations, and future undertakings in all material respects as required by the Rule.

## **UNDERWRITING**

The Obligations are being purchased by BofA Securities, Inc. and RBC Capital Markets, LLC (together, the "Underwriters"). The Underwriters have agreed to purchase from the Town the Obligations at an aggregate purchase price of \$94,518,246.23 pursuant to an obligation purchase contract between the Town and the Underwriters. The aggregate purchase price reflects compensation to the Underwriters of \$236,847.17. 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 front 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.

BofA Securities, Inc., as an underwriter of the Obligations, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Obligations.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the Town and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Town (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Town. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **FINANCIAL ADVISOR**

Wedbush Securities Inc. (the "Financial Advisor") 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**

Standard & Poor's Financial Services, LLC ("S&P") and Fitch Ratings, Inc. ("Fitch") have assigned ratings of "AA" and "AA", respectively, to the Obligations. Such ratings will reflect only the views of S&P and Fitch. An explanation of the significance of a rating assigned by S&P may be obtained at 55 Water Street, 38<sup>th</sup> Floor, New York, New York 10041. An explanation of the ratings assigned by Fitch may be obtained at 1 Post Street, Suite 900, San Francisco, California, 94104. Such ratings may be revised downward or withdrawn entirely by S&P or Fitch, if, in their respective judgment, circumstances so warrant. Any subsequent downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Obligations. The Town will covenant in its continuing disclosure undertaking with respect to the Obligations that it will file, among other things, notice of any formal change in any such rating relating to the Obligations. See "CONTINUING DISCLOSURE" and Appendix E – "Form of Continuing Disclosure Undertaking."

## 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, Mayor

**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, Arizona), 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 39 square miles, and has a 2019 estimated population of 53,138. The following table contains the respective population statistics for the Town, the County and the State.

**POPULATION STATISTICS**

Year	Town of Queen Creek	Maricopa County	State of Arizona
2019 Estimate*	53,138	4,485,414	7,278,717
2018 Estimate	52,405	4,410,824	7,171,646
2017 Census	36,096	4,221,684	7,048,876
2016 Census	26,448	4,258,603	6,945,452
2010 Census	26,323	3,817,117	6,392,017
2000 Census	4,316	3,072,149	5,130,632

\* Estimates as of July 1, 2019

Source: Arizona Office of Economic Opportunity and U.S. Census Bureau, American FactFinder.

### **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 feet long and the other 4,850 feet long. The City of Mesa’s Falcon Field is located 20 miles from the Town and currently has two runways, one 5,100 feet long and the other 3,800 feet long. 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 August 2018. 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 eight 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 321 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 services (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 2018, 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 2022.

## **Economy**

There can be no assurances that the spread of COVID-19 will not materially impact the local, state and national economies and, accordingly, materially adversely impact the State, the County and the Town's economy. See also "REVENUES FROM THE EXCISE TAXES AND THE STATE SHARED REVENUES – Potential Impact of COVID-19" and Appendix A – "Town of Queen Creek, Arizona General and Financial Information – Financial Information – Fiscal Year 2020/21 Budget; Potential Impact of COVID-19 on the Town's General Fund."

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.

Figures from the Bureau of Labor Statistics indicate the following employment levels for the Town since 2013 and unemployment rates for the Town, the County and the State since 2013.

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## EMPLOYMENT TRENDS (a)

Calendar Year	Town of Queen Creek		Unemployment Rate		
	Average Annual Employment	Average Annual Unemployment	Queen Creek	Maricopa County	State of Arizona
2019 (b)	21,585	778	4.20%	4.60%	5.50%
2018	19,475	710	3.50%	4.30%	4.90%
2017	18,729	615	3.40%	4.30%	5.10%
2016	16,642	594	3.50%	4.50%	5.30%
2015	15,952	636	4.10%	5.20%	6.10%
2014	14,591	669	4.40%	5.90%	6.80%
2013	13,194	655	4.70%	6.60%	7.80%

(a) Data in table is not seasonally adjusted.

(b) Data shown is through December 2019.

Source: U.S. Department of Labor, Bureau of Labor Statistics

The largest employers in the Town include the following:

### MAJOR EMPLOYERS Town of Queen Creek, Arizona

Employer (a)	Type of Business	Approximate Number of Employees
Queen Creek Unified School District	Education	835
Banner Ironwood Medical Center	Medicine	400
Wal-Mart	Retail	325
The Town	Government	321
Canyon State Academy	Education	305
Chandler Unified School District	Education	220
Home Depot	Retail	219
Target Stores	Retail	186
Benjamin Franklin Charter Schools	Education	162
Higley Unified School District	Education	140

(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 or Special Counsel have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

**WAGE AND SALARY (NON-FARM) EMPLOYMENT  
Maricopa County, Arizona (a)**

	<u>2019 (b)</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Goods Producing					
Mining and Construction	136,500	124,400	107,650	104,600	99,300
Manufacturing	130,200	123,900	118,200	116,500	116,400
Service-Providing					
Trade, Transportation and Utilities	406,700	392,900	375,300	375,100	367,900
Information	39,900	38,100	34,775	35,500	36,000
Financial Activities	202,500	190,900	179,000	173,000	165,500
Professional & Business Services	363,600	347,000	333,963	331,800	316,800
Educational and Health Services	345,000	317,900	291,500	285,300	276,000
Leisure and Hospitality	231,700	222,700	219,963	209,100	202,900
Other Services	69,700	67,600	59,275	61,600	63,500
Government	235,100	216,700	214,225	213,300	213,900
Total	<u>2,160,900</u>	<u>2,042,100</u>	<u>1,933,850</u>	<u>1,905,800</u>	<u>1,858,200</u>

(a) Data is not seasonally adjusted.

(b) As of March 2020.

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 2018 exceeded 111,000 students and it has an estimated 4,700 faculty members among all four of its campus locations (Main, Downtown, West and Polytechnic).

Rio Salado Community College, one of the ten 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), Ottawa University, and Benedictine University Mesa. 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 30,000 students as of 2018. 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 19,500 students.

The Queen Creek Unified School District served 9,000 students for the 2018/19 school year in six elementary schools, one academy, two middle schools, and two high schools. The Higley Unified School District serves 12,015 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 46,338 students in grades K-12 with 31 elementary schools, ten middle schools, six high schools, four alternative learning centers, and one early college school.

### Commerce

The Town continues its efforts at attracting commercial opportunities to the community. The 2019 Population Estimate has identified the Town as having 53,138 residents as of June 30, 2019. 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 transaction privilege (sales) tax activity for the Town.

**TOTAL TAXABLE SALES AND TOTAL TAXABLE RETAIL SALES  
Town of Queen Creek, Arizona**

<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>
Including Construction Sales Tax:			
2019/20 (b)	\$1,050,226,885	\$442,360,800	42%
2018/19	1,293,915,209	617,563,022	48%
2017/18	1,170,019,850	498,084,872	43%
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%
Excluding Construction Sales Tax:			
2019/20 (b)	\$739,051,440	\$442,360,800	60%
2018/19	982,685,778	617,563,022	63%
2017/18	846,101,846	498,084,872	59%
2016/17	709,817,920	408,652,224	57%
2015/16	591,299,981	334,352,378	57%
2014/15	592,783,358	315,017,362	53%

(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.

(b) As of February, 2020.

Source: The Town Finance Department.

**Construction**

The Town has experienced strong residential and non-residential development in recent years. In fiscal year 2018/2019, the Town’s total value of building permits issued was \$610,498,813, which was an increase of 26% over the prior year. Additionally, the Town issued 1,325 building permits for new single family homes in fiscal year 2018/19, which was a 33% increase over fiscal year 2017/2018. 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.

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**VALUE OF BUILDING PERMITS ISSUED  
Town of Queen Creek, Arizona**

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial/ Industrial</u>	<u>Other</u>	<u>Total</u>
2019/20	\$545,106,431	\$65,392,382		\$610,498,813
2018/19 (a)	423,959,635	62,069,893		486,029,528
2017/18	413,586,201	30,000,451	\$45,296,908	488,883,560
2016/17	403,726,007	21,796,590	52,325,212	477,847,809
2015/16	307,238,080	5,417,750	97,736,350	410,392,180

(a) Beginning in fiscal year 2017/18, the Town updated its planning and building safety software resulting in all building permit valuations being included in the Residential and Commercial/Industrial categories.

Source: The Town Finance Department

**NEW SINGLE FAMILY HOUSING STARTS  
Town of Queen Creek, Arizona**

<u>Fiscal Year</u>	<u>Total New Starts</u>	<u>Unit Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>	<u>% of Greater Phoenix Region</u>
2019/20*	1,502	177	13%	6.7%
2018/19	1,325	329	33%	5.8%
2017/18	996	(6)	(1%)	4.5%
2016/17	1,003	(71)	(7%)	5.3%
2015/16	1,073	271	34%	6.2%
2014/15	802	83	12%	5.1%

\* As of April 2020.

Source: The Town Finance Department.

**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 for the Town of Queen Creek, Arizona for the Fiscal Year Ended June 30, 2019.”

The table on the following page summarizes audited Revenues, Expenditures and Changes in Fund Balance for the fiscal years 2014/15 through 2018/19 and adjusted budget information for 2019/20. The information contained in the summary should be read in conjunction with the audited financial statements and accompanying notes in Appendix D of this Official Statement.

**TOWN OF QUEEN CREEK, ARIZONA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30**

	Revised	Audited				
	Budget 2019/20*	2018/19	2017/18	2016/17	2015/16	2014/15
<b>Revenues</b>						
Taxes	\$51,032,427	\$45,206,273	\$41,447,945	\$38,100,073	\$31,558,534	\$27,720,663
Intergovernmental	14,804,665	13,798,781	15,527,547	11,760,640	10,257,129	8,950,773
Licenses and permits	6,627,500	7,729,877	6,312,580	5,174,695	5,278,475	4,555,012
Charges for services	7,610,680	3,061,478	1,477,262	1,407,256	1,301,297	1,255,126
Contributions/Donations	14,703,933	767,492	284,732	463,796	553,825	258,243
Impact Fees	10,611,780	9,672,093	8,400,874	8,041,757	7,925,947	5,974,801
Special Assessments	2,435,135	2,112,746	1,856,055	1,756,552	2,273,392	2,324,857
Investment income	515,550	2,538,754	556,443	141,112	538,901	1,258,858
Miscellaneous	1,563,013	2,264,382	1,027,363	457,741	4,124,450	399,722
Total Revenues	\$109,904,683	\$87,151,876	\$76,890,801	\$67,303,622	\$63,811,950	\$52,698,055
<b>Expenditures</b>						
Current:						
General Government	\$19,495,914	\$15,156,320	\$12,494,465	\$10,728,669	\$13,351,992	\$11,586,257
Public Safety	20,796,487	15,480,647	15,830,392	13,496,827	12,055,558	11,602,383
Highways and Streets	9,455,348	7,672,804	8,051,533	6,285,005	5,202,276	3,742,931
Culture and Recreation	5,582,169	4,397,321	3,842,562	4,015,698	3,651,867	3,074,017
Economic Development	2,144,556	2,677,207	3,866,160	30,028,572	1,000,103	3,729,446
Capital Outlay	42,363,401	32,674,194	46,428,341	31,192,034	20,214,290	10,513,269
Debt Service:						
Principal Retirement	4,992,198	4,439,744	4,195,530	53,627,744	9,473,374	3,385,313
Interest on Long-Term Debt	5,392,238	5,905,455	3,048,348	2,578,030	3,997,878	4,321,778
Costs of Bond Issuance	-	-	662,341	787,207	-	-
Total Expenditures	\$110,222,311	\$88,403,692	\$98,419,672	\$152,739,786	\$68,947,338	\$51,955,394
Excess (Deficiency) of Revenues Over Expenditures	(317,628)	(1,251,816)	(21,528,871)	(85,436,164)	(5,135,388)	742,661
<b>Other Financing Sources (uses)</b>						
Proceeds from Issuance of Long-Term Debt	65,000,000	-	65,960,000	66,435,000	-	-
Premium on Proceeds from Issuance of Long-Term Debt	-	-	8,711,845	9,313,830	-	-
Payment to Refunding Bond Escrow	-	-	-	(22,768,595)	-	-
Transfers in	33,569,489	30,762,515	39,699,516	15,283,200	24,394,743	18,592,762
Transfers out	(30,806,220)	(28,623,535)	(35,557,681)	(14,878,305)	(23,606,122)	(18,249,622)
Proceeds from Sale of Capital Assets	-	-	-	600,860	-	-
Total other financing sources (uses)	67,763,269	2,138,980	78,813,680	53,985,990	788,621	343,140
Net Change in Fund Balance	67,445,641	887,164	57,284,809	(31,450,174)	(4,346,767)	1,085,801
Fund Balances, beginning of year	\$83,854,747	\$82,967,583	25,682,774	57,132,948	61,479,715	60,393,914
Fund Balances, end of year	\$151,300,388	\$83,854,747	\$82,967,583	\$25,682,774	\$57,132,948	\$61,479,715

\* The information presented constitutes “forward looking statements” which must be read with an abundance of caution and may be realized or may not occur in the future. The information presented for fiscal year 2019/20 is based on the Town’s original budget, adjusted to reflect amendments through March 18, 2020, and represents budgeted amounts.

## **Fiscal Year 2020/21 Budget; Potential Impact of COVID-19 on the Town's General Fund**

The Town Council adopted a proposed fiscal year 2020/21 budget for the Town at its meeting on June 3, 2020. Adoption of the final fiscal year 2020/21 budget is scheduled for June 17, 2020. *No assurance can be given that the Town Council will not adjust the fiscal year 2020/21 budget prior to its final adoption.*

In developing the proposed 2020/21 budget, the Town incorporated expected lower revenue projections due to COVID-19 and related consequences. See "REVENUES FROM EXCISE TAXES AND THE STATE SHARED REVENUES – Potential Impact of COVID-19." The Town based its revenue projections on the on the most currently available information the State's Joint Legislative Budget Committee, regional and national economists, trade groups, industry reports, and internal data on building permits and sales tax activity.

Based upon the proposed fiscal year 2020/21 operating budget, total revenues are expected to be approximately \$64.2 million, which is \$7.7 million or 11% lower than fiscal year 2019/20 revenues. This includes a \$10.2 million or 30% reduction in local sales tax revenues; a \$1.6 million or 26% reduction in construction-related revenues (building permits and plan reviews); a \$2.3 million or 16% increase in State Shared Revenues, due to the Town's growth in population relative to the rest of the State; and a \$1.9 million or 17% increase in property tax revenues, due to recent annexations and growth in new residential and commercial properties.

The budgeted operating expenditures of the Town are expected to be reduced by approximately \$7.3 million or 12%, with another \$5.0 million reduction in planned one-time costs to bring proposed fiscal year 2020/21 operating budget expenditures in line with projected revenues. The budget assumes no extraordinary or COVID-19-related aid received from federal or State sources; however, on May 27, 2020, the Governor announced a new \$441 million program to provide COVID-19 relief funds to local Arizona governments. The Town may be eligible to receive up to \$5.8 million from this program that runs through December 30, 2020.

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**Current Statistics (for fiscal year 2019/20)**  
**Town of Queen Creek, Arizona**

Total Senior Lien Excise Tax and State Shared Revenue Debt to be Outstanding	\$186,315,000 (a)
Total Subordinate Lien Excise Tax and State Shared Revenue Obligations Outstanding	56,190,000 (b)
Total Assessment Revenue Obligations Outstanding	14,281,972 (c)
Total Senior Lien Water and Wastewater Revenue Debt Outstanding	34,064,626 (d)
Total Subordinate Lien Water and Wastewater Revenue Debt Outstanding	19,159,376 (e)

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- (a) Includes the Obligations. See “Senior Lien Excise Tax and State Shared Revenue Debt to be Outstanding” in this Appendix.
  - (b) See “Subordinate Lien Excise Tax and State Shared Revenue Obligations Outstanding” in this Appendix.
  - (c) See “Assessment Revenue Obligations Outstanding” in this Appendix.
  - (d) See “Senior Lien Water and Wastewater Revenue Debt Outstanding” in this Appendix.
  - (e) See “Subordinate Lien Water and Wastewater Revenue Debt Outstanding” in this Appendix.

**Property Values in the Town**

Fiscal Year	Portion in Maricopa County	Portion in Pinal County	Combined
2019/20			
Net Limited Assessed Property Value	\$392,354,566	\$32,998,896	\$425,353,462
Net Full Cash Assessed Property Value	527,586,181	42,495,350	570,081,531
Estimated Net Full Cash Value	4,765,565,587	407,492,114	5,173,057,701
2020/21			
Net Limited Assessed Property Value	\$445,478,424	\$107,460,657	\$552,939,081
Net Full Cash Assessed Property Value	624,792,799	133,331,894	758,124,693
Estimated Net Full Cash Value	5,703,158,763	1,085,813,236	6,788,971,999

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Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, the Treasurer of the County, the Assessor of the County and the Finance Department of the County. Note that Net Limited Assessed Property Value is described as “Net Assessed Value” in the Property Tax Abstract.

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

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
GADA 2014A	Sewer Improvements	\$3,845,000	8/1/2015-28	\$2,870,000
2016 Ref.	Refunding	47,990,000	8/1/2017-36	40,715,000
2018A	Road Improvements	47,945,000	8/1/2018-47	46,790,000
2018B	Road/Public Safety/Fire	18,015,000	8/1/2018-47	17,335,000
Subtotal				\$107,710,000
Plus: The Obligations				78,605,000
Total Senior Lien Excise Tax and State Shared Revenue Debt to be Outstanding				<u>\$186,315,000</u>

**Subordinate Lien Excise Tax and State Shared Revenue Obligations Outstanding**

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2019	Acquire Water Assets	\$49,450,000	8/1/2024	\$49,450,000
2020	Acquire Water Assets	6,740,000	8/1/2020	6,740,000
Total Subordinate Lien Excise Tax/State Shared Revenue Obligations Outstanding				<u>\$56,190,000</u>

**Assessment Revenue Obligations**

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2016	Refunding	\$18,445,000	1/1/2016-30	\$14,281,972
Total Assessment Revenue Obligations Outstanding				<u>\$14,281,972</u>

**Senior Lien Water and Wastewater Revenue Debt Outstanding (a)**

Issue Series	Purpose	Original Amount	Maturity Dates (b)	Balance Outstanding
WIFA 2008	Water Co. Acquisition	\$40,000,000	7/1/2009-38	\$21,919,447
WIFA 2013	Water Projects	16,000,000	11/2/2014-43	12,145,179
Total Senior Lien Water and Wastewater Revenue Debt Outstanding				<u>\$34,064,626</u>

- (a) The Town anticipates borrowing \$66,580,000 from the Water Infrastructure Finance Authority of Arizona (“WIFA”) before the end of fiscal year 2019/20 to refinance the Series 2019 Subordinate Lien Excise Tax and State Shared Revenue Obligations and the Series 2020 Subordinate Lien Excise Tax and State Shared Revenue Obligations and to acquire certain water and wastewater assets.
- (b) In February 2020, the WIFA Board approved certain amendments to the Town’s WIFA loans, including extending the final maturities by 10 years.



### Subordinate Lien Water and Wastewater Revenue Debt Outstanding

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2013	Water Co. Acquisition	\$19,425,093	7/1/2014-44	\$19,159,376
Total Subordinate Lien Water and Wastewater Revenue Debt Outstanding				<u>\$19,159,376</u>

### 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 11 – Retirement Plans” and “Note 1 – Summary of Significant Accounting Policies” for a detailed discussion of the Town’s Retirement Plan, Net Pension Liabilities associated with the Retirement Plan, Other Post-Employment Benefits, and the Town’s Pension Funding Policy.

ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit; and a cost-sharing, multiple-employer defined benefit long-term disability plan. As of June 30, 2019, the Town reported a liability of \$19,855,605 for its proportionate share of the net pension liability of ASRS (reported in Appendix D of the Official Statement). The Town’s proportion of the net pension liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the fiscal year ended June 30, 2018, as required by current Governmental Accounting Standards Board (GASB) pronouncements. The Arizona State Retirement System Board governs 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).

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. PSPRS is not a “pooled” system – a separate account exists for the police and fire employees of each participating political subdivision. In total, there are 258 individual plans in PSPRS. Each plan has its own financial condition, funding status, etc. which varies greatly across the system. The Town employs its own firefighters for fire and emergency services, and the Town contracts for police services with the Maricopa County Sheriff’s Office (“MCSO”).

To manage the Town’s pension liabilities, the Mayor and Council adopted a Pension Funding Policy (the “Policy”) on June 3, 2015 (via Resolution No. 054-15). The Policy was amended on June 20, 2018 (via Resolution No. 1224-18) and again on June 5, 2019 (via Resolution No. 1263-19). The intent of the Policy is to fund pension costs in an equitable and sustainable manner. The Policy seeks to accomplish intergenerational equity for taxpayers and members which is achieved at a fully funded status.

The Policy requires the Town to fully fund the firefighter pension plan’s unfunded liability annually and to set aside a portion of fund balance / retained earnings to offset unfunded pension liabilities associated with MCSO contracted personnel and ASRS personnel. Per the Policy, fund balance / retained earnings is set aside to cover these unfunded pension liabilities, in the following priority order: sworn Fire personnel, MCSO contracted personnel, and ASRS personnel.

As of June 30, 2019, the Town reported a net pension liability of \$80,263 for the firefighter pension plan (reported in Appendix D of the Official Statement). The Town remitted payment for this amount to PSPRS in June 2019, as required by the Policy. As of June 30, 2019, the Town’s General Fund reported \$23.9 million of committed fund balance for its remaining pension liabilities, of which \$20.9 million was for MCSO contracted personnel (fully funded) and \$3.0 million was for ASRS personnel (partially funded). A reserve also exists in the Water and Wastewater Utility for ASRS of \$4.7 million and \$478,375 respectfully as of June 30, 2019 to fully fund ASRS pension liabilities associated with the Town’s utility personnel.

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.  
919 Congress Avenue, 5th Floor  
Austin, Texas 78701

Re: Excise Tax and State Shared Revenue Obligations, Series 2020, 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 \$78,605,000 aggregate principal amount of Excise Tax and State Shared Revenue Obligations, Series 2020 (the “Obligations”), dated the date hereof, pursuant to a Fourth Trust Agreement, dated as of June 1, 2020 (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 Fourth Purchase Agreement, dated as of June 1, 2020 (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 for 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) Based on the representations and covenants of the Town and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, the portion of each payment made by the Town pursuant to the Purchase Agreement, denominated and comprising interest with respect to the Obligations and received by the beneficial owners of the Obligations (the "Interest Portion"), is excludable from the gross income of the beneficial 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. (We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion on, or ownership 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 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 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.)

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

## SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

**DEFINITIONS OF CERTAIN TERMS**

In addition to the terms defined 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 – Default; 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 Projects.

“**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 OF THE OBLIGATIONS”, 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 December 1, 2020, 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 OF THE OBLIGATIONS,” 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, the Third 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, the Third 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, the Third 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.

**TOWN OF QUEEN CREEK, ARIZONA**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The audited financial statements for the Town included in this APPENDIX D are the fiscal year ended June 30, 2019, and are the most recent audited financial statement available, for the Town. Such financial statements speak only of that date and do not report any changes that might have occurred since June 30, 2019.

CliftonLarsonAllen LLP has performed no procedures subsequent to rendering its opinion on the financial statements and has not been consulted in any manner pertaining to the issuance of the Obligations.



## 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, 2019, 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, 2019, 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 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  
December 19, 2019

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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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, 2019. We encourage readers to consider the information presented here in conjunction with additional information provided 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 exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$529.2 million (net position). Total net position increased by \$47.5 million during the fiscal year.
- As of June 30, 2019, the Town's governmental funds reported a combined ending fund balance of \$83.9 million, an increase of \$0.9 million in comparison with the prior year.
- At the close of the current fiscal year, total fund balance for the General Fund was \$41.0 million. Of this amount, \$16.7 million is unassigned meeting the Town's policy objective of having 25% of the following year's budgeted revenue in reserve. Additionally, the Town has \$24.0 million set aside as committed per its pension funding policy.
- The Town issued \$49.5 million in variable-rate excise tax pledged obligations in order to purchase water extinguishment credits to meet future water resource needs.
- The Town paid off a \$20.8 million WIFA loan in the current year using available resources in the Wastewater Fund.

**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 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. 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

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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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.

### **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 or legal requirements. The Town funds are divided into two categories: governmental funds and proprietary 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 financial position.

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-two 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, 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 Fund and Horseshoe Park and Equestrian Center Fund are presented as part of the Town's General Fund. Additionally, the Grants Fund has been presented as part of the Highway Users Revenue Fund. Separate Budget to Actual Schedules for each of these three funds are presented in the Supplementary Information section of this report. Data from the other fifteen 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.

- *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: Water, Wastewater, and Solid Waste. The Water and Wastewater Funds are considered to be major funds of the Town.

### **Notes to the Basic Financial Statements**

The notes to the 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.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this section of the report presents certain required supplementary information concerning the Town's pension plans and budgetary comparison schedules for the General Fund and Construction Sales Tax Fund.

**Supplementary Information**

The combining statements for nonmajor governmental funds are presented immediately following the Required Supplementary Information. This section also includes budgetary comparison schedules for all other funds for which the Town has adopted an annual budget.

**Statistical Section**

This section provides up to ten years of financial, economic, and demographic information about the Town.

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2019 and 2018.

	<b>Net Position</b>					
	<b>June 30, 2019 and 2018</b>					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and Other Assets	\$ 111,019,284	\$ 119,152,039	\$ 49,458,190	\$ 73,485,316	\$ 160,477,474	\$ 192,637,355
Capital Assets:						
Non-depreciable	82,717,460	90,732,019	81,406,923	19,142,232	164,124,383	109,874,251
Depreciable (net)	313,496,146	280,941,402	176,330,389	169,114,982	489,826,535	450,056,384
Total Assets	<u>507,232,890</u>	<u>490,825,460</u>	<u>307,195,502</u>	<u>261,742,530</u>	<u>814,428,392</u>	<u>752,567,990</u>
Deferred Outflows of Resources	5,886,371	6,514,208	16,491,769	16,814,470	22,378,140	23,328,678
<b>Liabilities</b>						
Current and Other Liabilities	9,492,100	21,315,980	11,699,929	18,189,470	21,192,029	39,505,450
Long-Term Liabilities	156,400,414	158,601,221	127,015,020	94,083,032	283,415,434	252,684,253
Total Liabilities	<u>165,892,514</u>	<u>179,917,201</u>	<u>138,714,949</u>	<u>112,272,502</u>	<u>304,607,463</u>	<u>292,189,703</u>
Deferred Inflows of Resources	<u>2,322,391</u>	<u>1,615,049</u>	<u>657,414</u>	<u>324,130</u>	<u>2,979,805</u>	<u>1,939,179</u>
<b>Net Position</b>						
Net Investment in Capital Assets	286,226,879	279,410,700	136,216,237	112,818,415	422,443,116	392,229,115
Restricted	37,960,524	32,071,290	1,396,218	10,553,638	39,356,742	42,624,928
Unrestricted	20,716,953	4,325,428	46,702,453	42,588,315	67,419,406	46,913,743
Total Net Position	<u>\$ 344,904,356</u>	<u>\$ 315,807,418</u>	<u>\$ 184,314,908</u>	<u>\$ 165,960,368</u>	<u>\$ 529,219,264</u>	<u>\$ 481,767,786</u>

The largest portion of the Town's net position (79.8%) 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's net position (7.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (12.8%) 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, 2019**

**Changes in Net Position**

The Town's net position overall increased by \$47.5 million (9.8%) during the current fiscal year. The increase in the governmental activities and business-type activities are discussed on the following pages.

**Changes in Net Position**  
**For the Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
<b>Program Revenues</b>						
Fees, Fines and Charges for Services	\$ 21,054,617	\$ 18,983,038	\$ 45,956,140	\$ 41,306,770	\$ 67,010,757	\$ 60,289,808
Operating Grants and Contributions	2,845,028	2,733,724	-	-	2,845,028	2,733,724
Capital Grants and Contributions	6,588,158	9,150,396	3,526,444	2,221,177	10,114,602	11,371,573
<b>General Revenues</b>						
Sales Taxes	38,183,883	32,799,385	-	-	38,183,883	32,799,385
Property Taxes	7,055,258	6,246,074	-	-	7,055,258	6,246,074
Franchise Taxes	423,428	388,870	-	-	423,428	388,870
<b>Grants and Contributions Not</b>						
Restricted to Specific Programs	10,423,150	9,331,762	-	-	10,423,150	9,331,762
Investment Earnings	2,583,160	619,633	1,151,422	633,607	3,734,582	1,253,240
Miscellaneous	1,809,497	1,026,070	6,888	43,800	1,816,385	1,069,870
<b>Total Revenues</b>	<b>90,966,179</b>	<b>81,278,952</b>	<b>50,640,894</b>	<b>44,205,354</b>	<b>141,607,073</b>	<b>125,484,306</b>
<b>Expenses</b>						
General Government	15,999,204	13,916,548	-	-	15,999,204	13,916,548
Public Safety	15,949,495	15,442,454	-	-	15,949,495	15,442,454
Highways and Streets	17,800,283	16,239,980	-	-	17,800,283	16,239,980
Culture and Recreation	5,899,668	5,048,854	-	-	5,899,668	5,048,854
Economic Development	3,127,971	4,890,477	-	-	3,127,971	4,890,477
Interest on Long-Term Debt	5,231,600	5,121,081	-	-	5,231,600	5,121,081
Water	-	-	21,581,128	17,076,663	21,581,128	17,076,663
Wastewater	-	-	5,783,358	6,617,605	5,783,358	6,617,605
Solid Waste	-	-	2,782,888	2,366,783	2,782,888	2,366,783
<b>Total Expenses</b>	<b>64,008,221</b>	<b>60,659,394</b>	<b>30,147,374</b>	<b>26,061,051</b>	<b>94,155,595</b>	<b>86,720,445</b>
<b>Change in Net Position</b>						
Before Transfers	26,957,958	20,619,558	20,493,520	18,144,303	47,451,478	38,763,861
Transfers In (Out)	2,138,980	4,141,835	(2,138,980)	(4,141,835)	-	-
<b>Change in Net Position</b>	<b>29,096,938</b>	<b>24,761,393</b>	<b>18,354,540</b>	<b>14,002,468</b>	<b>47,451,478</b>	<b>38,763,861</b>
Net Position - Beginning of Year	315,807,418	291,046,025	165,960,368	151,957,900	481,767,786	443,003,925
Net Position - End of Year	<u>\$ 344,904,356</u>	<u>\$ 315,807,418</u>	<u>\$ 184,314,908</u>	<u>\$ 165,960,368</u>	<u>\$ 529,219,264</u>	<u>\$ 481,767,786</u>

*Governmental Activities* – Total revenues increased \$9.7 million (11.9%) primarily as a result of the following changes. Combined tax revenues increased \$4.2 million (10.1%) as a result of continued growth in the Town's residential population and commercial construction activity. Impact fees, licenses and permits revenues went up \$2.7 million this year (18.3%) due to an increase in the number of permits issued. The Town saw an increase of \$2.0 million in investment income resulting from interest on bond proceeds which will be spent down over the course of the next fiscal year.

Total expenses increased \$3.3 million (5.5%) mostly due to an increase in salaries expense of \$3.3 million. The increase in salaries is the direct result of an increase in the number of employees. The Town added 30 FTE's last year including 8 FTE's for Fire as well as 5 FTE's to Water and 4 FTE's to Finance.

Net position for governmental activities increased \$29.1 million (9.2%), ending the year at \$344.9 million.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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*Business-Type Activities* – Net position of the Town's business-type activities increased \$18.4 million (11.1%) as revenues continue to outpace expenses. Revenues from charges to utility customers increased \$2.2 million (7.0%) due to growth in the Town's residential and commercial populations. Also, new developments generated \$2.6 million (27.6%) more than last year in capacity fees. These fees totaling \$12.1 million are restricted to future capital projects related to the Town's water and wastewater infrastructure. Additionally, the Town received \$3.5 million of infrastructure assets from new residential and commercial developments, which is \$1.3 million (58.8%) more than last year.

Total expenses increased \$4.1 million (15.7%) due to increases in the cost of maintaining a larger utility system. Payroll costs increased \$0.9 million (31%) as a result of additional personnel needed to meet the increasing service needs of an expanding service area. Additionally, the Town had a one-time payment of \$0.5 million this year for a correction to its transaction privilege tax. Finally, the Town developed new guidelines for writing off uncollectible accounts resulting in a one-time expense of \$0.3 million.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$83.9 million, an increase of \$0.9 million (1.1%) from the prior year. The small net change in fund balances is the result of offsetting increases in investment income, sales and property taxes and decreases due to capital outlay purchases using cash from bonds issued last year. Other changes to fund balances include the following:

- Increases in the General Fund fund balance of \$4.4 million was the result of increased investment income, sales and property taxes.
- The Construction Sales Tax fund balance increased \$7.9 million as the Town used current-year revenues to pay down an interfund loan from the Wastewater Fund.
- The Drainage and Transportation Fund saw a decrease in fund balance of \$11.9 million as a result of capital outlay purchases using cash from bonds issued last year to fund the expenditures.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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At fiscal year ended June 30, 2019, fund balances were as follows.

**Fund Balances**

Fund	Balance	Increase/(Decrease) From FY 2017-18
General Fund	\$ 40,963,892	\$ 4,406,918
Construction Sales Tax	(8,041,785)	7,894,613
Drainage and Transportation	34,746,163	(11,881,749)
Improvement District Debt Service	(16,917)	(177,729)
Nonmajor Governmental Funds	16,203,394	645,111
	<u>\$ 83,854,747</u>	<u>\$ 887,164</u>

General Fund – Revenues of the General Fund exceeded expenditures and other financing sources (uses) by \$4.4 million due to continued growth in single-family home construction and commercial developments. Sales and property tax revenues increased \$3.1 million (9.3%) from the prior year.

Total General Fund expenditures increased by \$2.8 million (7.5%) primarily due to an increase in salaries expense of \$2.0 million. There were 14 new FTE's for Fire this year that were paid from the General Fund.

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 in the Required Supplementary Information section of this report.

General Fund revenues, on a budgetary basis, exceeded budgeted revenues by \$5.6 million (13.8%). The increased revenues over the budgeted amount was the result of an improving economy and a growing community resulting in increased retail and construction sales tax revenues as well as increases in permits issued. Budgetary basis expenditures were \$2.4 million (9.3%) 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 \$2.1 million (9.7%) and the budget for licenses, permits and fees by \$1.6 million as revenue collections exceeded the original projections. The Town increased the General Fund expenditure budget by \$3.6 million (16.2%) by reallocating budget authority from other funds to cover General Fund expenses for economic development agreements and equipment purchases.

Other Major Funds – The Construction Sales Tax Fund saw a \$7.9 million increase in fund balance as a result of paying down an interfund loan from the Wastewater Fund.

The Drainage and Transportation Fund spent \$23.5 million on street improvement projects. These projects were funded from the remaining proceeds of excise tax revenue bonds issued in the prior fiscal year and impact fees.



**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The Improvement District Debt Service Fund spent \$1.9 million for debt service payments while special assessment revenue comprised of collections from property owners totaled \$1.7 million and has a negative fund balance of \$16,917 due to outstanding collections that are expected to be collected in the following fiscal year.

*Nonmajor Funds* – Fund balances of the remaining Nonmajor Governmental Funds increased a combined total of \$645,111 (4.1%). These funds include the Town's Highway User Revenue Fund (HURF) and the Town's impact fee funds, all of which are restricted or assigned for specific purposes.

*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 were paid to the Town's employee benefits group to help offset future insurance cost increases.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2019 amount to \$396.2 million and \$257.7 million (net of accumulated depreciation), respectively. Capital assets include land and improvements, water rights and credits, infrastructure, buildings and improvements, machinery equipment, vehicles, and construction in progress. Capital assets for governmental activities increased 6.6% and capital assets for business-type activities increased 36.9%.

**Capital Assets (Net)  
June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and Related Assets	\$ 48,971,399	\$ 49,065,666	\$ 1,816,657	\$ 1,816,657	\$ 50,788,056	\$ 50,882,323
Water Rights and Credits	-	-	49,387,929	-	49,387,929	-
Construction In Progress	33,746,061	41,666,353	30,202,337	17,325,575	63,948,398	58,991,928
Infrastructure	242,925,111	228,297,035	-	-	242,925,111	228,297,035
Buildings and Improvements	64,385,862	47,331,636	-	-	64,385,862	47,331,636
Vehicles, Furniture and Equipment	6,185,173	5,312,731	1,473,376	1,224,959	7,658,549	6,537,690
Wastewater Collection System	-	-	72,892,801	70,704,248	72,892,801	70,704,248
Water System	-	-	101,964,212	97,185,775	101,964,212	97,185,775
Total Assets	<u>\$ 396,213,606</u>	<u>\$ 371,673,421</u>	<u>\$ 257,737,312</u>	<u>\$ 188,257,214</u>	<u>\$ 653,950,918</u>	<u>\$ 559,930,635</u>

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

*Governmental Activities*

- The Town accepted \$5.2 million of completed streets and other infrastructure from developers, while completing an additional \$37.5 million in Town-funded projects, most of which were for street projects.
- The Town completed and opened the new Mansel Carter Oasis Park. At 48 acres and \$17.5 million, this was the Town's largest park project to date.
- At year-end, the Town had \$33.8 million in projects under construction.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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*Business-type Activities*

- The Town accepted \$3.5 million of completed water and wastewater infrastructure from developers, while completing an additional \$24.5 million in Town-funded projects.
- The Town financed the purchase of \$49.1 million in water extinguishment credits, which will be used to meet future water resource needs.
- At year-end, the Town had \$30.2 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 7.

**Debt Administration**

At the end of the current fiscal year, the Town had total long-term obligations outstanding of \$140.6 million for governmental activities and \$121.0 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 \$49.5 million in variable-rate excise tax pledged obligations in order to purchase water extinguishment credits. The Town plans to restructure the debt during fiscal year 2020 in order to match the debt service payments with the planned usage of the water credits over the next 30 years. Additionally, the Town paid off a \$20.8 million WIFA loan using available resources in the Wastewater Fund.

The Town had requested and had approved by the WIFA Board a change in the WIFA loan requirements eliminating the need for cash-funded debt service reserves as long as the Town maintains debt service coverage of at least 1.5 times. This released \$6.5 million of cash in the Water and Wastewater funds that is no longer required to be reported as restricted net position on the proprietary fund statements or the government-wide financial statements.

Overall, the Town's governmental activities debt decreased by \$5.2 million (3.6%) as a result of regularly scheduled principal payments. The business-type activities debt increased by \$27.7 million (29.6%) due to the net effect of issuing \$49.5 million in debt while paying off \$21.0 million of existing debt.

Additional information on the Town of Queen Creek Arizona's long-term debt may be found in the notes to basic financial statements in Note 9. The following schedule summarizes the Town's outstanding debt as of June 30, 2019 and 2018:

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Outstanding Debt  
June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Excise Tax Revenue Bonds	\$ 65,395,000	\$ 65,960,000	\$ 49,450,000	\$ -	\$ 114,845,000	\$ 65,960,000
GADA Loan Payable	-	-	3,125,000	3,370,000	3,125,000	3,370,000
Excise Tax Refunding Bonds	43,085,000	45,380,000	-	-	43,085,000	45,380,000
Special Assessment						
Refunding Bonds	15,634,170	17,117,758	-	-	15,634,170	17,117,758
Premium on Bonds	16,357,829	17,113,493	11,765,147	12,497,805	28,122,976	29,611,298
WIFA Loan Payable	-	-	36,734,342	57,513,127	36,734,342	57,513,127
Capital Leases	163,413	259,569	-	-	163,413	259,569
Water System Obligation	-	-	19,425,088	19,425,088	19,425,088	19,425,088
Advances in Aid of Construction	-	-	538,507	561,434	538,507	561,434
Total Outstanding Debt	<u>140,635,412</u>	<u>145,830,820</u>	<u>121,038,084</u>	<u>93,367,454</u>	<u>261,673,496</u>	<u>239,198,274</u>

**OTHER MATTERS**

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

Effective July 1, 2019 the Town lowered water and wastewater capacity fees approximately 40% and lowered residential sewer rates approximately 15%.

On September 9, 2019 the Town purchased approximately 3,600 streetlights from Salt River Project Agricultural Improvement and Power District (SRP) for \$814,125. Under the purchase agreement, the Town has assumed responsibility for the operation and maintenance of all streetlights within the Town. This responsibility was previously handled by SRP and then billed to the Town through the Town's monthly electricity bill.

On September 12, 2019 the Town purchased approximately three acres of land for \$1,080,553 for a future fire station. The land purchase was funded with a combination of Fire development impact fees and General Fund resources.

The Town recently completed the following significant annexations:

- *State Lands* – On August 7, 2019 the Town annexed approximately 4,150 acres of land owned by the State of Arizona on the Town's northeast border. The annexation was requested by the land owner, the Arizona State Land Department, and includes frontage to the future SR 24 corridor. The State Lands Department has indicated that it expects to begin auctioning parcels of land to developers by December 2021.
- *QC 40 LLC* – On September 18, 2019 the Town annexed approximately 40 acres of land owned by Riggs Ellsworth 40 LLC and JMN Riggs 40 LLC. In conjunction, the Town entered into a development agreement with the land owners whereby the Town agreed to pay up to \$300,000 towards drainage improvements at the site. In return, the land owners will develop the property into a shopping center to include a grocery store and other retail businesses. The first store is expected to open in January 2021.
- *Encanterra Community* – On October 16, 2019 the Town annexed an existing subdivision on the Town's southeast border, per an annexation petition signed by a majority of the subdivision's landowners. The gated retirement community is approximately 755 acres and includes a golf course, a country club, and approximately 1,500 homes. At buildout the development is expected to have approximately 2,100 homes.

**TOWN OF QUEEN CREEK, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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In December 2018, the Town authorized a water exchange agreement with Trilogy Encanterra Construction LLC wherein the Town agreed to pay Trilogy \$8.9 million for perpetual rights to receive up to 3 million gallons per day of reclaimed water and permanent facilities to recharge surface water, reclaimed water, or other effluent. As of June 30, 2019, Trilogy had not yet signed the agreement. On October 8, 2019, the Town and Trilogy renegotiated and finalized the water exchange agreement wherein the Town has agreed to pay the \$8.9 million to Trilogy over a period of four years, with an initial payment of \$900,000 that was paid to Trilogy on October 24, 2019. The Town will pay Trilogy \$2 million in each subsequent October through the year 2023, and the Town retains an option to prepay the entire agreement at any time. Also per the agreement, on October 24, 2019 the Town paid \$250,000 to Trilogy to extinguish all outstanding mainline extension agreements related to the Encanterra subdivision.

**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 55,120,478	\$ 3,641,747	\$ 58,762,225
Receivables, Net:			
Accounts Receivable	590,920	4,593,963	5,184,883
Taxes Receivable	5,956,116	-	5,956,116
Special Assessments Receivable	15,655,497	-	15,655,497
Intergovernmental Receivable	473,199	-	473,199
Interest Receivable	212,360	14,182	226,542
Internal Balances	(8,879,068)	8,879,068	-
Inventory	-	181,984	181,984
Prepaid Items	92,282	29,163	121,445
Restricted Cash and Investments	37,966,787	2,593,911	40,560,698
Investment in Joint Venture	-	29,524,172	29,524,172
Land Held for Economic Development	3,830,713	-	3,830,713
Capital Assets:			
Non-Depreciable	82,717,460	81,406,923	164,124,383
Depreciable (Net)	313,496,146	176,330,389	489,826,535
Total Assets	<u>507,232,890</u>	<u>307,195,502</u>	<u>814,428,392</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	5,571,392	1,176,645	6,748,037
Debt Related	314,979	-	314,979
Water System Acquisition Related	-	15,315,124	15,315,124
Total Deferred Outflows of Resources	<u>5,886,371</u>	<u>16,491,769</u>	<u>22,378,140</u>
<b>LIABILITIES</b>			
Accounts Payable	5,795,260	5,751,320	11,546,580
Accrued Wages and Benefits	821,994	225,226	1,047,220
Other Accrued Expenses	-	2,273,791	2,273,791
Retainage Payable	617,248	482,991	1,100,239
Deposits Held for Others	144,827	1,620,326	1,765,153
Interest Payable	2,112,771	1,346,275	3,459,046
Noncurrent Liabilities:			
Due within One Year	6,048,200	53,005,793	59,053,993
Due in More than One Year	135,977,093	68,448,480	204,425,573
Net Pension Liability	14,375,121	5,560,747	19,935,868
Total Liabilities	<u>165,892,514</u>	<u>138,714,949</u>	<u>304,607,463</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	1,699,723	657,414	2,357,137
Debt Related	622,668	-	622,668
Total Deferred Inflows of Resources	<u>2,322,391</u>	<u>657,414</u>	<u>2,979,805</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	286,226,879	136,216,237	422,443,116
Restricted for:			
Agreements	208,072	-	208,072
Streets and Transportation	555,918	-	555,918
Debt Service	15,655,497	338,942	15,994,439
Development	21,401,966	-	21,401,966
Parks and Community	59,725	-	59,725
Housing Rehab	79,346	-	79,346
Capital Projects	-	51,906	51,906
Water Rights	-	1,005,370	1,005,370
Unrestricted	20,716,953	46,702,453	67,419,406
Total Net Position	<u>\$ 344,904,356</u>	<u>\$ 184,314,908</u>	<u>\$ 529,219,264</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

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	\$ 15,999,204	\$ 8,879,691	\$ -	\$ -
Public Safety	15,949,495	2,797,192	9,200	-
Highways and Streets	17,800,283	2,810,850	2,721,307	6,588,158
Culture and Recreation	5,899,668	6,566,884	114,521	-
Economic Development	3,127,971	-	-	-
Interest and Fiscal Charges	5,231,600	-	-	-
Total Governmental Activities	64,008,221	21,054,617	2,845,028	6,588,158
Business-Type Activities				
Water	21,581,128	29,429,643	-	1,909,179
Wastewater	5,783,358	13,576,639	-	1,617,265
Solid Waste	2,782,888	2,949,858	-	-
Total Business-Type Activities	30,147,374	45,956,140	-	3,526,444
Total Primary Government	\$ 94,155,595	\$ 67,010,757	\$ 2,845,028	\$ 10,114,602

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

See accompanying Notes to the Basic Financial Statements.



Net (Expense) Revenue and Change in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (7,119,513)	\$ -	\$ (7,119,513)
(13,143,103)	-	(13,143,103)
(5,679,968)	-	(5,679,968)
781,737	-	781,737
(3,127,971)	-	(3,127,971)
(5,231,600)	-	(5,231,600)
(33,520,418)	-	(33,520,418)
-	9,757,694	9,757,694
-	9,410,546	9,410,546
-	166,970	166,970
-	19,335,210	19,335,210
(33,520,418)	19,335,210	(14,185,208)
38,183,883	-	38,183,883
7,055,258	-	7,055,258
423,428	-	423,428
10,423,150	-	10,423,150
2,583,160	1,151,422	3,734,582
1,969,908	6,888	1,976,796
(160,411)	-	(160,411)
2,138,980	(2,138,980)	-
62,617,356	(980,670)	61,636,686
29,096,938	18,354,540	47,451,478
315,807,418	165,960,368	481,767,786
\$ 344,904,356	\$ 184,314,908	\$ 529,219,264

**TOWN OF QUEEN CREEK, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General	Construction Sales Tax	Drainage and Transportation
<b>ASSETS</b>			
Cash and Investments	\$ 30,746,168	\$ -	\$ 7,146,548
Restricted Cash and Investments	208,072	-	37,685,695
Receivables:			
Accounts Receivable	542,157	-	46,826
Taxes Receivable	4,570,504	1,297,554	-
Special Assessments Receivable	-	-	-
Intergovernmental Receivable	142,374	-	-
Interest Receivable	212,360	-	-
Due from Other Funds	7,108,190	-	-
Prepaid Items	92,282	-	-
Total Assets	<u>\$ 43,622,107</u>	<u>\$ 1,297,554</u>	<u>\$ 44,879,069</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 1,495,204	\$ -	\$ 2,866,902
Accrued Wages and Benefits	757,171	-	21,088
Retainage Payable	-	-	617,248
Deposits Held for Others	144,827	-	-
Due to Other Funds	-	1,297,554	-
Advances from Other Funds	-	8,041,785	6,627,668
Total Liabilities	<u>2,397,202</u>	<u>9,339,339</u>	<u>10,132,906</u>
Deferred Inflows of Resources:			
Unavailable Revenues	261,013	-	-
Fund Balances:			
Nonspendable	92,282	-	-
Restricted	208,072	-	37,685,695
Committed	23,959,663	-	-
Assigned	-	-	-
Unassigned	16,703,875	(8,041,785)	(2,939,532)
Total Fund Balances	<u>40,963,892</u>	<u>(8,041,785)</u>	<u>34,746,163</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 43,622,107</u>	<u>\$ 1,297,554</u>	<u>\$ 44,879,069</u>

See accompanying Notes to the Basic Financial Statements.

Improvement District Debt Service	Nonmajor Governmental Funds	Totals
\$ -	\$ 17,124,948	\$ 55,017,664
-	73,020	37,966,787
-	1,500	590,483
-	88,058	5,956,116
15,655,497	-	15,655,497
-	330,825	473,199
-	-	212,360
-	-	7,108,190
-	-	92,282
<u>\$ 15,655,497</u>	<u>\$ 17,618,351</u>	<u>\$ 123,072,578</u>

\$ -	\$ 1,369,960	\$ 5,732,066
-	43,735	821,994
-	-	617,248
-	-	144,827
16,917	-	1,314,471
-	-	14,669,453
<u>16,917</u>	<u>1,413,695</u>	<u>23,300,059</u>

15,655,497	1,262	15,917,772
-	-	92,282
-	15,982,837	53,876,604
-	-	23,959,663
-	220,557	220,557
(16,917)	-	5,705,641
<u>(16,917)</u>	<u>16,203,394</u>	<u>83,854,747</u>
<u>\$ 15,655,497</u>	<u>\$ 17,618,351</u>	<u>\$ 123,072,578</u>

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**TOWN OF QUEEN CREEK, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

<b>Total Fund Balances for Governmental Funds</b>		\$ 83,854,747
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 consists of:		
Governmental Capital Assets	502,456,732	
Less: Accumulated Depreciation	<u>(106,243,126)</u>	
		396,213,606
Land Held for Economic Development		3,830,713
Revenues earned but not received within 60 days of year-end are unavailable in the governmental funds, but are recognized in the governmental activities.		
Property Taxes		87,269
Accrued Interest on Investments Receivable		120,596
Charges for Services		47,160
Business Licenses		7,250
Special Assessments		15,655,496
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		5,571,392
Deferred Inflows of Resources Related to Pensions		(1,699,723)
Long-term Liabilities that pertain to governmental funds, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported as fund liabilities.		
Accrued Interest Payable	(2,112,771)	
Bonds Payable	(124,114,170)	
Premium on Bonds Payable	(16,357,829)	
Deferred Outflow of Resources Related to Refunding	314,979	
Deferred Inflow of Resources Related to Refunding	(622,668)	
Net Pension Liability	(14,375,121)	
Capital Lease Payable	(163,413)	
Compensated Absence Payable	<u>(1,389,881)</u>	
		(158,820,874)
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 the governmental activities in the statement of net position.		
Internal Service Fund Net Position	40,058	
Less: Amount Attributed to the Business-Type Activities	<u>(3,334)</u>	
		36,724
<b>Total Net Position of Governmental Activities</b>		<u><u>\$ 344,904,356</u></u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	General	Construction Sales Tax	Drainage and Transportation
<b>REVENUES</b>			
Local Sales Tax	\$ 29,804,642	\$ 7,552,166	\$ -
Property Tax	7,022,389	-	-
Intergovernmental	8,870,757	-	15,613
Licenses, Permits and Fees	7,729,877	-	-
Special Assessments	-	-	-
Charges for Services	3,042,528	-	-
Contributions	50,950	-	617,021
Impact Fees	-	-	-
Investment Income	1,256,757	-	988,962
Miscellaneous	616,347	-	277,067
Total Revenues	<u>58,394,247</u>	<u>7,552,166</u>	<u>1,898,663</u>
<b>EXPENDITURES</b>			
Current:			
General Government	15,155,026	-	-
Public Safety	15,445,583	-	-
Highways and Streets	624,944	-	998,688
Culture and Recreation	4,269,836	-	-
Economic Development	2,487,206	9,407	-
Capital Outlay	1,418,602	-	23,549,662
Debt Service:			
Principal Retirement	76,215	-	-
Interest on Long-Term Debt	7,164	347,272	165,692
Total Expenditures	<u>39,484,576</u>	<u>356,679</u>	<u>24,714,042</u>
Excess (Deficiency) of Revenues Over Expenditures	18,909,671	7,195,487	(22,815,379)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,437,330	1,989,713	11,369,765
Transfers Out	(16,940,083)	(1,290,587)	(436,135)
Total Other Financing Sources (Uses)	<u>(14,502,753)</u>	<u>699,126</u>	<u>10,933,630</u>
Net Change in Fund Balances	4,406,918	7,894,613	(11,881,749)
<b>FUND BALANCES</b>			
Beginning of Year	36,556,974	(15,936,398)	46,627,912
End of Year	<u>\$ 40,963,892</u>	<u>\$ (8,041,785)</u>	<u>\$ 34,746,163</u>

See accompanying Notes to the Basic Financial Statements.

Improvement District Debt Service	Nonmajor Governmental Funds	Totals
\$ -	\$ 827,076	\$ 38,183,884
-	-	7,022,389
-	4,912,411	13,798,781
-	-	7,729,877
1,704,310	408,436	2,112,746
2,760	16,190	3,061,478
-	99,521	767,492
-	9,672,093	9,672,093
-	293,035	2,538,754
-	1,370,968	2,264,382
<u>1,707,070</u>	<u>17,599,730</u>	<u>87,151,876</u>
-	1,294	15,156,320
-	35,064	15,480,647
-	6,049,172	7,672,804
-	127,485	4,397,321
-	180,594	2,677,207
-	7,705,930	32,674,194
-	-	-
1,483,588	2,879,941	4,439,744
401,211	4,984,116	5,905,455
<u>1,884,799</u>	<u>21,963,596</u>	<u>88,403,692</u>
(177,729)	(4,363,866)	(1,251,816)
-	14,965,707	30,762,515
-	(9,956,730)	(28,623,535)
-	5,008,977	2,138,980
<u>(177,729)</u>	<u>645,111</u>	<u>887,164</u>
160,812	15,558,283	82,967,583
<u>\$ (16,917)</u>	<u>\$ 16,203,394</u>	<u>\$ 83,854,747</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, 2019**

**Net Change in Fund Balances - Total Governmental Funds** \$ 887,164

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	32,297,712	
Depreciation Expense	<u>(12,769,861)</u>	19,527,851

Contributions of capital assets are not current financial resources and are not reflected in the governmental funds. 5,195,745

The governmental funds report only proceeds received on the sale of assets. Conversely, the statement of activities report the gain or loss on the sale of assets. (183,411)

Sales of land held for economic development is recorded as revenue in the governmental funds. Conversely, the land is recorded as a reduction of an asset on the government-wide statements. (526,275)

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	31,316	
Accrued Interest Receivable	44,403	
Charges for Services	26,060	
Business Licenses	3,890	
Special Assessments	<u>(1,303,701)</u>	(1,198,032)

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 of resources related to pensions, and the investment experience.

Pension Contributions		2,359,870
Pension Expense		(1,530,974)

*See accompanying Notes to the Basic Financial Statements.*



**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, 2019**

(Concluded)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to the 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 and 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.

Principal Payments on Long-Term Debt	4,343,588	
Principal Payments on Capital Leases	96,156	
Interest Payable	(110,637)	
Amortization of Bond Premiums/Discounts	755,664	
Amortization of Deferred Amount on Refunding	28,828	
		5,113,599

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		(182,952)
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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	(482,105)	
Less: Amount Attributable to the Business-Type Activities	116,458	
		(365,647)

<b>Change in Net Position of Governmental Activities</b>		<u><u>\$ 29,096,938</u></u>
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**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Business-Type Activities		
	Water	Wastewater	Non-Major Fund Solid Waste
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 3,018,583	\$ -	\$ 623,164
Receivables, Net:			
Accounts Receivable	3,277,830	930,053	386,080
Interest Receivable	14,182	-	-
Inventory	122,573	-	59,411
Prepaid Items	24,115	5,048	-
Total Current Assets	<u>6,457,283</u>	<u>935,101</u>	<u>1,068,655</u>
Noncurrent Assets:			
Restricted Cash and Investments	2,264,961	328,950	-
Advances to Other Funds	14,669,453	-	-
Investment in Joint Venture	-	29,524,172	-
Capital Assets:			
Non-Depreciable	73,828,074	7,578,849	-
Depreciable (Net)	103,046,048	73,162,796	121,545
Total Noncurrent Assets	<u>193,808,536</u>	<u>110,594,767</u>	<u>121,545</u>
Total Assets	<u>200,265,819</u>	<u>111,529,868</u>	<u>1,190,200</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	984,134	101,223	91,288
Water System Acquisition Related	15,315,124	-	-
Total Deferred Outflows of Resources	<u>16,299,258</u>	<u>101,223</u>	<u>91,288</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	2,717,348	2,873,378	160,594
Accrued Wages and Benefits	186,637	20,413	18,176
Other Accrued Expenses	2,273,791	-	-
Retainage Payable	192,052	290,939	-
Deposits Held for Others	1,620,326	-	-
Due to Other Funds	-	5,793,719	-
Interest Payable	1,272,325	73,950	-
Compensated Absences	180,210	21,393	23,803
Loans Payable	52,385,428	255,000	-
Advance in Aid of Construction	139,959	-	-
Total Current Liabilities	<u>60,968,076</u>	<u>9,328,792</u>	<u>202,573</u>
Noncurrent Liabilities:			
Compensated Absences	154,621	15,207	20,955
Net Pension Liability	4,650,952	478,375	431,420
Loans Payable	64,731,140	3,128,009	-
Advance in Aid of Construction	398,548	-	-
Total Noncurrent Liabilities	<u>69,935,261</u>	<u>3,621,591</u>	<u>452,375</u>
Total Liabilities	<u>130,903,337</u>	<u>12,950,383</u>	<u>654,948</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	549,855	56,555	51,004
<b>NET POSITION</b>			
Net Investment in Capital Assets	59,026,995	77,067,697	121,545
Restricted for:			
Debt Service	9,992	328,950	-
Capital Projects	51,906	-	-
Water Rights	1,005,370	-	-
Unrestricted	25,017,622	21,227,506	453,991
Total Net Position	<u>\$ 85,111,885</u>	<u>\$ 98,624,153</u>	<u>\$ 575,536</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 the Basic Financial Statements.

<u>Totals</u>	<u>Internal Service</u>
	<u>Insurance</u>
\$ 3,641,747	\$ 102,815
4,593,963	437
14,182	-
181,984	-
29,163	-
<u>8,461,039</u>	<u>103,252</u>
2,593,911	-
14,669,453	-
29,524,172	-
81,406,923	-
176,330,389	-
<u>304,524,848</u>	<u>-</u>
312,985,887	103,252
1,176,645	-
15,315,124	-
<u>16,491,769</u>	<u>-</u>
5,751,320	63,194
225,226	-
2,273,791	-
482,991	-
1,620,326	-
5,793,719	-
1,346,275	-
225,406	-
52,640,428	-
139,959	-
<u>70,499,441</u>	<u>63,194</u>
190,783	-
5,560,747	-
67,859,149	-
398,548	-
<u>74,009,227</u>	<u>-</u>
144,508,668	63,194
657,414	-
136,216,237	-
338,942	-
51,906	-
1,005,370	-
46,699,119	40,058
<u>\$ 184,311,574</u>	<u>\$ 40,058</u>
3,334	
<u>\$ 184,314,908</u>	

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		
	Water	Wastewater	Non-Major Fund Solid Waste
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 23,334,703	\$ 7,540,502	\$ 2,949,858
Miscellaneous	23,977	290	-
Total Operating Revenues	<u>23,358,680</u>	<u>7,540,792</u>	<u>2,949,858</u>
<b>OPERATING EXPENSES</b>			
Administration	708,307	116,187	65,704
Cost of Sales and Services	14,743,884	2,767,039	2,612,136
Depreciation	2,512,410	1,811,459	9,374
Amortization	395,229	-	-
Equity Interest in Joint Venture	-	219,566	-
Insurance Claims and Premiums	-	-	-
Total Operating Expenses	<u>18,359,830</u>	<u>4,914,251</u>	<u>2,687,214</u>
Operating Income (Loss)	4,998,850	2,626,541	262,644
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Capacity Fees	6,077,562	6,036,136	-
Investment Income	705,762	433,639	12,021
Interest and Fiscal Charges	(2,782,843)	(858,024)	-
Debt Issuance Costs	(428,754)	-	-
Total Nonoperating Revenues (Expenses)	<u>3,571,727</u>	<u>5,611,751</u>	<u>12,021</u>
Income before Capital Contributions	8,570,577	8,238,292	274,665
Capital Contributions	1,909,179	1,617,265	-
Transfers In	-	-	262,800
Transfers Out	(1,718,679)	(683,101)	-
	<u>190,500</u>	<u>934,164</u>	<u>262,800</u>
Change in Net Position	8,761,077	9,172,456	537,465
Total Net Position - Beginning of Year	76,350,808	89,451,697	38,071
<b>TOTAL NET POSITION - END OF YEAR</b>	<u><u>\$ 85,111,885</u></u>	<u><u>\$ 98,624,153</u></u>	<u><u>\$ 575,536</u></u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities

*See accompanying Notes to the Basic Financial Statements.*

	<u>Internal Service</u>
<u>Totals</u>	<u>Insurance</u>
\$ 33,825,063	\$ 4,234,389
24,267	-
33,849,330	4,234,389
890,198	-
20,123,059	-
4,333,243	-
395,229	-
219,566	-
-	4,716,494
25,961,295	4,716,494
7,888,035	(482,105)
12,113,698	-
1,151,422	-
(3,640,867)	-
(428,754)	-
9,195,499	-
17,083,534	(482,105)
3,526,444	-
262,800	-
(2,401,780)	-
1,387,464	-
18,470,998	(482,105)
165,840,576	522,163
\$ 184,311,574	\$ 40,058
(116,458)	
\$ 18,354,540	

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		
	Water	Wastewater	Non-Major Fund Solid Waste
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 22,201,559	\$ 7,343,709	\$ 2,822,280
Receipts from Users			
Payments to Suppliers	(8,725,243)	(483,333)	(2,089,481)
Payments to Employees	(5,169,942)	(540,345)	(472,868)
Payments for Claims and Premiums	-	-	-
Customer Deposits	461,138	-	-
Net Cash Flows Provided (Used) by Operating Activities	<u>8,767,512</u>	<u>6,320,031</u>	<u>259,931</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash Provided (Used) by			
Other Funds for Interfund Borrowing	(441,785)	17,157,310	-
Transfers In	-	-	262,800
Transfers Out	(1,718,679)	(683,101)	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(2,160,464)</u>	<u>16,474,209</u>	<u>262,800</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets	(63,640,673)	(6,115,784)	(122,069)
Refunds of Waterline Agreements	(226,712)	-	-
Payments to Joint Venture	-	(5,168,457)	-
Capacity Fees	6,077,562	6,036,136	-
Loan Proceeds	49,021,246	-	-
Interest Paid on Capital Debt	(3,106,482)	(1,323,578)	-
Principal Paid on Capital Debt	(2,571,723)	(23,034,726)	-
Net Cash Flows (Used) by Capital and Related Financing Activities	<u>(14,446,782)</u>	<u>(29,606,409)</u>	<u>(122,069)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	<u>763,248</u>	<u>447,429</u>	<u>12,020</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(7,076,486)	(6,364,740)	412,682
Cash and Cash Equivalents - Beginning of Year	<u>12,360,030</u>	<u>6,693,690</u>	<u>210,482</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 5,283,544</u>	<u>\$ 328,950</u>	<u>\$ 623,164</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>			
Cash and Cash Equivalents	\$ 3,018,583	\$ -	\$ 623,164
Restricted Cash and Cash Equivalents	2,264,961	328,950	-
Total Cash and Cash Equivalents	<u>\$ 5,283,544</u>	<u>\$ 328,950</u>	<u>\$ 623,164</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 4,998,850	\$ 2,626,541	\$ 262,644
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	2,907,639	1,811,459	9,374
Equity Interest in Joint Venture	-	219,566	-
Changes in Assets/Liabilities/Deferred Outflows & Inflows:			
Receivables, Net	(720,237)	(120,706)	(96,168)
Inventory	(82,810)	-	43,470
Prepaid Items	20,420	(5,048)	5,290
Deferred Outflows of Resources - Pensions	(85,962)	10,682	2,752
Accounts Payable	630,042	1,803,572	21,368
Deposits Held for Others	461,139	-	-
Compensated Absences	96,969	13,846	13,649
Accrued Wages and Benefits	7,137	6,595	3,719
Pension Liability	248,142	(70,180)	(29,564)
Deferred Inflows of Resources - Pensions	286,183	23,704	23,397
Net Cash Provided by Operating Activities	<u>\$ 8,767,512</u>	<u>\$ 6,320,031</u>	<u>\$ 259,931</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Capital Assets Contributed from Developers	\$ 1,886,251	\$ 1,617,265	\$ -
Capital Contributions for Advances in Aid of Construction	\$ 22,928	\$ -	\$ -

See accompanying Notes to the Basic Financial Statements.

	<u>Internal Service</u>
<u>Totals</u>	<u>Insurance</u>
\$ 32,367,548	\$ -
(11,298,057)	4,234,805
(6,183,155)	-
-	-
461,138	(4,653,300)
<u>15,347,474</u>	<u>(418,495)</u>
16,715,525	-
262,800	-
<u>(2,401,780)</u>	<u>-</u>
14,576,545	-
(69,878,526)	-
(226,712)	-
(5,168,457)	-
12,113,698	-
49,021,246	-
(4,430,060)	-
<u>(25,606,449)</u>	<u>-</u>
(44,175,260)	-
<u>1,222,697</u>	<u>-</u>
(13,028,544)	(418,495)
<u>19,264,202</u>	<u>521,310</u>
<u>\$ 6,235,658</u>	<u>\$ 102,815</u>
\$ 3,641,747	\$ 102,815
2,593,911	-
<u>\$ 6,235,658</u>	<u>\$ 102,815</u>
\$ 7,888,035	\$ (482,105)
4,728,472	-
219,566	-
(937,111)	416
(39,340)	-
20,662	-
(72,528)	-
2,454,982	63,194
461,139	-
124,464	-
17,451	-
148,398	-
333,284	-
<u>\$ 15,347,474</u>	<u>\$ (418,495)</u>
\$ 3,503,516	\$ -
\$ 22,928	\$ -

**TOWN OF QUEEN CREEK, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

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**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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**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 significant accounting policies follows.

**A. Reporting Entity**

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

**B. Government-Wide and Fund Financial Statements**

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

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

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

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. 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. Additionally, when 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 will be 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.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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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.

For fiscal year 2019, the Town reports the following major 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.
- *Drainage and Transportation Fund* – This is a capital projects fund which accounts for resources accumulated and used for acquisition and construction of various Town infrastructure.
- *Improvement District Debt Service Fund* – This fund accounts for resources accumulated and used for the payment of long-term principal, interest and related costs for the Town’s improvement district.

Major Proprietary Funds

- *Water Fund* – The Water Fund accounts for the costs to operate, construct, and finance the Town’s water utility operations.
- *Wastewater Fund* – The Wastewater Fund accounts for the costs to operate, construct, and finance the Town’s wastewater treatment facilities.

Additionally, 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.

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, the Town’s policy is 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 resources are 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, the Town’s policy is to use committed, assigned and then unassigned amounts, respectively.

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

Cash 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 fund based on average daily cash balances.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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Receivables – All trade and taxes receivables are shown net of an allowance for uncollectibles. For fiscal year 2019, governmental activities reported an allowance of \$19,400, and business-type activities reported an allowance of \$310,047.

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.

Intergovernmental Receivables – Intergovernmental receivables include state-shared revenues, revenues owed by other local governments under intergovernmental agreements, and federal and state grants.

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.

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” on the balance sheet of the fund financial statements.

When preparing the government-wide financial statements, interfund receivables and payables within the respective governmental and business-type activities are eliminated. Receivables and payables between governmental and business-type activities are reported as “internal balances.”

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.

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.

Restricted Assets – Restricted assets include resources that are restricted for specific uses, such as bond proceeds that are being used for construction of capital projects. Customer deposits and developer payments for the construction of future infrastructure are also recorded as restricted assets because their use is limited.

Capital Assets – Capital assets, which include property, plant, infrastructure, water rights, 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

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on assets is calculated 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

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 losses on refundings of long-term debt and the requirements of accounting and financial reporting for pensions.

Compensated Absences – The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated employee 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 the employee’s current rate of pay.

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

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

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

The Town’s Pension Funding Policy requires the Town to set aside a portion of Fund Balance/Net Position to offset unfunded pension liabilities within the General Fund and proprietary funds. Pension liabilities in

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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the General Fund consist of Sworn Fire Personnel, Maricopa County Sheriff's Office (MCSO) Contracted Personnel, and ASRS Personnel. Per the Town's Pension Funding Policy, fund balance in the General Fund in excess of 25% of the following fiscal year's Operating Budget Revenue is set aside to cover these unfunded pension liabilities, in the following order: Sworn Fire Personnel, MCSO Contracted Personnel, and ASRS Personnel. Pension liabilities in the proprietary funds consist solely of ASRS Personnel. The Town sets aside unrestricted net position to cover these amounts to the extent funds are available. As of June 30, 2019, the Town did not have an unfunded pension liability for Sworn Fire Personnel, and the following amounts were set aside toward the Town's remaining pension liabilities:

	MCSO Contracted Personnel	ASRS	Total
General Fund	\$ 20,938,343	\$ 3,021,320	\$ 23,959,663
Water Fund	-	4,650,952	4,650,952
Wastewater Fund	-	478,375	478,375
Solid Waste Fund	-	431,420	431,420
	\$ 20,938,343	\$ 8,582,067	\$ 29,520,410

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 or within 60 days of fiscal year-end. On the governmental fund statements, deferred inflows of resources represent property taxes, special assessments, and other revenues that are unavailable. 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.

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.

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.

Nonspendable fund balance 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.

Spendable fund balance includes restricted, committed, assigned, and unassigned fund balances. 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.

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.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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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 balances are available, the Town uses committed, assigned, and unassigned amounts, respectively.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Expenditures Over Appropriations**

For fiscal year 2019, no funds had expenditures that exceeded budgeted appropriations. Furthermore, total expenditures were within the Town's adopted expenditure limitation, as more fully explained in the Town's separately issued Annual Expenditure Limitation Report.

**B. New Accounting Standards**

For fiscal year 2019, the Town implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement requires additional note disclosures for essential information related to debt and debt covenants, including direct borrowings and direct-placement loans.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 3. DEPOSITS AND INVESTMENTS**

The Town maintains a cash and investment pool that is available for use by all funds. Certain restricted funds are not part of the Town's pool but rather are maintained with trustees as required by contractual commitments.

**A. Deposits**

At June 30, 2019, the carrying amount of the Town's deposits was \$9,884,756 and the bank balance was \$10,917,130. The difference represents deposits in transit, outstanding checks and other reconciling items.

**B. Investments**

The Town invests in obligations that fall within the authorization of State of Arizona laws and the Town's Investment Policy. The 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.

At June 30, 2019 the Town had the following investments:

Investment Type	Amount	Maturity (in years)			% of Holdings	Fair Value Category	S&P / Moody's Credit Rating
		Less than 1	1-2	2-3			
Money Market	\$ 35,746,982	\$ 35,746,982	\$ -	\$ -	39.97%	Level 2	n/a
US Treasury Obligations	17,996,887	6,500,031	7,514,550	3,982,306	20.12%	Level 1	AAA
Federal Home Loan Mortgage Corporation	1,966,887	-	1,966,887	-	2.20%	Level 2	AAA
Federal Home Loan Bank	8,849,924	3,629,318	5,220,606	-	9.90%	Level 2	AAA
Federal National Mortgage Association	2,194,656	-	-	2,194,656	2.45%	Level 2	AAA
Federal Farm Credit Bank	2,642,805	2,642,805	-	-	2.95%	Level 2	AAA
State Treasurer's Investment Pool	10,573,576	10,573,576	-	-	11.82%	n/a	n/a
Corporate Bonds:							
Apple Inc.	1,227,811	1,227,811	-	-	1.37%	Level 2	AA1
Berkshire Hathaway	999,640	999,640	-	-	1.12%	Level 2	AA2
Chevron Corporation	2,001,760	-	2,001,760	-	2.24%	Level 2	AA2
Cisco Systems Inc.	2,000,420	2,000,420	-	-	2.24%	Level 2	A1
Exxon Mobil Corporation	998,310	998,310	-	-	1.12%	Level 2	AAA
Oracle Corporation	1,049,045	-	-	1,049,045	1.17%	Level 2	A1
Toyota Motor Credit Corporation	1,189,464	-	1,189,464	-	1.33%	Level 2	AA3
	<u>\$ 89,438,167</u>	<u>\$ 64,318,893</u>	<u>\$ 17,893,267</u>	<u>\$ 7,226,007</u>	<u>100.0%</u>		

*Fair Value Measurements.* The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets
- Level 2 – Evaluator models using credit information, market movements and sector news
- Level 3 – Significant unobservable inputs

The Town's categories of investments within the fair value hierarchy are displayed in the table above.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the interest rate risk. The Town's Investment Policy limits the duration of investments to a maximum maturity of five years.

**D. Credit Risk**

Credit risk is the risk that the issuer of an investment will not fulfill its obligations to the holder of the investment. The Town's Investment Policy limits allowable investments to 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 rated P1 by Moody's

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

Investors Service or A1 by Standard and Poor's, or bonds and notes of corporations organized or doing business within the United States rated A or better by Moody's Investors Service or Standard and Poor's. Ratings of the Town's investments are displayed in the table above.

**E. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure the Town's deposits may not be returned. At June 30, 2019, \$250,000 of the Town's deposits was covered by federal depository insurance. The remaining \$10,667,130 was collateralized by securities held by the Town's agent in the Town's name.

*Investments.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's Investment Policy limits exposure to custodial credit risk by requiring that all security transactions be conducted on a delivery-versus-payment basis. Securities are held by third-party custodians who provide monthly statements to the Town.

The fair value of the Town's investment in the State Treasurer's investment pool approximates the value of the Town's 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.

**F. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's Investment Policy places no limit on the amount the Town may invest in any one issuer. The concentration of investment types is indicated in the table above.

**NOTE 4. PROPERTY TAXES AND RECEIVABLES**

In the government-wide financial statements, property taxes are recognized as revenues in the fiscal year they are levied 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 levied 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:

	General Fund	Improvement District Debt Service Fund	Nonmajor Fund - Street Lighting District Fund	Total
Unavailable Revenues:				
Accrued Interest on Investments	\$ 120,596	\$ -	\$ -	\$ 120,596
Business Licenses	7,250	-	-	7,250
Delinquent Property Taxes	86,007	-	1,262	87,269
Charges for Services	47,160	-	-	47,160
Special Assessments	-	15,655,497	-	15,655,497
<b>Total Unavailable Revenues</b>	<b>\$ 261,013</b>	<b>\$ 15,655,497</b>	<b>\$ 1,262</b>	<b>\$ 15,917,772</b>



**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**A. Due To and Due From**

The Town recognized the following short-term interfund receivables and payables at June 30, 2019:

	Due To General Fund
Due From:	
Construction Sales Tax Fund	\$ 1,297,554
Improvement District Fund	16,917
Wastewater Fund	5,793,719
Nonmajor Funds:	
Total	\$ 7,108,190

The above interfund receivables and payables were recorded to cover short-term cash shortfall in the respective funds due to timing of customer and vendor payments.

**B. Interfund Loans**

As of June 30, 2019 advances to and from funds were as follows:

	Advances From Water Fund
Advances To:	
Construction Sales Tax Fund	\$ 8,041,785
Drainage & Transportation Fund	6,627,668
Total	\$ 14,669,453

The loan to the Construction Sales Tax Fund was made to fund the early pay-off of two developer agreements in fiscal year 2017. The loan bears an interest rate of 2% and is being repaid from construction sales tax revenues over a period not to exceed 10 years.

The loan to the Drainage & Transportation Fund was made to fund the acquisition of roads around a newly annexed subdivision as part of a developer agreement in fiscal year 2018. The loan bears an interest rate of 2.5% and is being repaid through annual transfers from the General Fund over a period not to exceed 11 years.

**C. Interfund Transfers**

Interfund transfers during the year were made to fund debt service and capital projects and to support operations in the various funds. Additionally, beginning in fiscal year 2019, Town policy requires the Water and Wastewater Funds to provide resources to the General Fund in the form of payments-in-lieu of taxes, franchise fees, and a return on investment. In the fund statements, these items are reported as transfers but for budgetary reporting they are considered interfund revenues and expenses. Finally, during the year the Town made one-time transfers for the following purposes:

- \$1.99 million from the Drainage & Transportation and Transportation Development funds to the Construction Sales Tax Fund as reimbursements for capital project costs in prior years.
- \$262,800 from the General Fund to the Solid Waste Fund to provide funding for future replacements of trash and recycling containers for a newly annexed subdivision.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	Transfers In				Total
	General	Construction	Drainage &	Nonmajor	
	Fund	Sales Tax Fund	Transportation Fund	Governmental Funds	
<b>Transfers Out:</b>					
General Fund	\$ -	\$ -	\$ 6,382,081	\$ 10,558,002	\$16,940,083
Construction Sales Tax Fund	-	-	-	1,290,587	1,290,587
Drainage & Transportation Fund	-	436,135	-	-	436,135
Water Fund	1,718,679	-	-	-	1,718,679
Wastewater Fund	683,101	-	-	-	683,101
<b>Nonmajor Funds:</b>					
HURF Fund	-	-	-	265,616	265,616
Town Center Fund	-	-	-	360,044	360,044
Street Lighting Districts Fund	13,544	-	-	-	13,544
Town Buildings Development	1,876	-	-	290,248	292,124
Transportation Development	-	1,553,578	4,987,684	471,754	7,013,016
Library Development	-	-	-	232,381	232,381
Parks Development	20,130	-	-	512,840	532,970
Public Safety Development	-	-	-	161,805	161,805
Fire Development	-	-	-	1,085,230	1,085,230
<b>Total</b>	<b>\$ 2,437,330</b>	<b>\$ 1,989,713</b>	<b>\$ 11,369,765</b>	<b>\$ 15,228,507</b>	<b>\$31,025,315</b>

	Transfers In								Total
	Nonmajor Funds								
	Debt	HURF	Community	Town	Library	Parks	General	Solid Waste	
Service Fund	Fund	Events	Buildings Development	Development	Development	Development	Capital Improvements	Fund	
<b>Transfers Out:</b>									
General Fund	\$3,945,413	\$1,027,905	\$ 25,000	\$ 4,655	\$ 187,528	\$ 3,485,943	\$ 1,618,758	\$ 262,800	\$10,558,002
Construction Sales Tax Fund	1,290,587	-	-	-	-	-	-	-	1,290,587
<b>Nonmajor Funds:</b>									
HURF Fund	265,616	-	-	-	-	-	-	-	265,616
Town Center Fund	335,044	-	25,000	-	-	-	-	-	360,044
Town Buildings Development	290,248	-	-	-	-	-	-	-	290,248
Transportation Development	471,754	-	-	-	-	-	-	-	471,754
Library Development	232,381	-	-	-	-	-	-	-	232,381
Parks Development	512,840	-	-	-	-	-	-	-	512,840
Public Safety Development	102,257	-	-	-	-	-	59,548	-	161,805
Fire Development	357,521	-	-	-	-	-	727,709	-	1,085,230
<b>Total</b>	<b>\$7,803,661</b>	<b>\$1,027,905</b>	<b>\$ 50,000</b>	<b>\$ 4,655</b>	<b>\$ 187,528</b>	<b>\$ 3,485,943</b>	<b>\$ 2,406,015</b>	<b>\$ 262,800</b>	<b>\$15,228,507</b>

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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**NOTE 6. LEASES**

**A. Lease of Town Property**

The Town leases land to various third parties. Annual rental revenue from the leases is recognized in the General Fund. The future minimum payments required under the leases at June 30, 2019 are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 164,697
2021	140,401
2022	136,547
2023	101,959
2024	100,000
2025 - 2029	391,663
2030 - 2034	173,460
2035	50,000
	<u>\$1,258,727</u>

**B. 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 the Highway Users Revenue Nonmajor Governmental Fund are used to pay the capital lease obligations.

At June 30, 2019, the historical cost and accumulated depreciation of equipment acquired under capital leases were \$2,605,421 and \$1,587,767, respectively.

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2019, were as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2020	\$ 86,596
2021	83,380
Total	169,976
Less Amount Representing Interest	<u>(6,563)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 163,413</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 7. CAPITAL ASSETS**

**A. Changes in Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Capital Assets			
	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land and Related Assets	\$ 49,065,666	\$ 71,744	\$ (166,011)	\$ 48,971,399
Construction-In-Progress	41,666,353	30,417,359	(38,337,651)	33,746,061
Total	<u>90,732,019</u>	<u>30,489,103</u>	<u>(38,503,662)</u>	<u>82,717,460</u>
Capital assets being depreciated:				
Infrastructure	306,176,544	25,036,726	-	331,213,270
Buildings and Improvements	55,500,239	18,335,361	(30,000)	73,805,600
Vehicles, Furniture, and Equipment	12,858,329	1,969,918	(107,845)	14,720,402
Total	<u>374,535,112</u>	<u>45,342,005</u>	<u>(137,845)</u>	<u>419,739,272</u>
Less Accumulated Depreciation for:				
Infrastructure	(77,879,509)	(10,408,650)	-	(88,288,159)
Buildings and Improvements	(8,168,603)	(1,263,735)	12,600	(9,419,738)
Vehicles, Furniture, and Equipment	(7,545,598)	(1,097,476)	107,845	(8,535,229)
Total	<u>(93,593,710)</u>	<u>(12,769,861)</u>	<u>120,445</u>	<u>(106,243,126)</u>
Capital assets being depreciated, net	280,941,402	32,572,144	(17,400)	313,496,146
Governmental Activities Capital Assets, Net	<u>\$ 371,673,421</u>	<u>\$ 63,061,247</u>	<u>\$ (38,521,062)</u>	<u>\$ 396,213,606</u>
	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land and Related Assets	\$ 1,816,657	\$ -	\$ -	\$ 1,816,657
Water Rights and Credits	-	49,387,929	-	49,387,929
Construction-In-Progress	17,325,575	20,318,860	(7,442,098)	30,202,337
Total	<u>19,142,232</u>	<u>69,706,789</u>	<u>(7,442,098)</u>	<u>81,406,923</u>
Capital assets being depreciated:				
Water System	110,386,456	7,015,024	-	117,401,480
Wastewater Collection System	86,961,730	3,954,224	-	90,915,954
Vehicles, Furniture, and Equipment	3,086,386	579,402	-	3,665,788
Total	<u>200,434,572</u>	<u>11,548,650</u>	<u>-</u>	<u>211,983,222</u>
Less Accumulated Depreciation for:				
Water System	(13,200,681)	(2,236,587)	-	(15,437,268)
Wastewater Collection System	(16,257,482)	(1,765,671)	-	(18,023,153)
Vehicles, Furniture, and Equipment	(1,861,427)	(330,985)	-	(2,192,412)
Total	<u>(31,319,590)</u>	<u>(4,333,243)</u>	<u>-</u>	<u>(35,652,833)</u>
Capital assets being depreciated, net	169,114,982	7,215,407	-	176,330,389
Business-Type Activities Capital Assets, Net	<u>\$ 188,257,214</u>	<u>\$ 76,922,196</u>	<u>\$ (7,442,098)</u>	<u>\$ 257,737,312</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**B. Depreciation**

Depreciation expense was charged to the functions of governmental activities as follows:

General Government	\$ 912,658
Public Safety	641,498
Highways and Streets	10,012,759
Culture and Recreation	1,193,055
Economic Development	9,891
Total	\$ 12,769,861

**C. Construction Commitments**

The Town had contractual commitments related to various projects at June 30, 2019, mostly for the construction of Town facilities and infrastructure improvements. At June 30, 2019, the Town had remaining contractual commitments of \$20,812,839, consisting of the following:

	<b>Construction Commitments</b>
General Fund	\$ 268,320
Drainage & Transportation Fund	9,756,995
Water Fund	6,966,312
Wastewater Fund	3,061,769
Nonmajor Funds:	
HURF Fund	35,408
Town Center Fund	309,953
Parks Development Fund	60,292
Public Safety Development Fund	19,568
Fire Development Fund	24,008
General Capital Improvements Fund	310,214
Total	\$ 20,812,839

**D. Land Held for Economic Development**

As part of the Town's long-term development plan, the Town has acquired various parcels of land within the commercial center of Town. The Town does not intend to use the properties for government services purposes, but rather intends to use the properties for economic development. The total balance of land being held for economic development as of June 30, 2019 was \$3,830,713, which is recorded as a noncurrent asset in the governmental activities column of the Statement of Net Position.

**NOTE 8. ADVANCES IN AID OF CONSTRUCTION**

The Town purchased water companies in fiscal year 2008 and 2014. Included in the purchases was the assumption of unearned advances in aid of construction. These are contracts with various property owners who advanced payment to the water company for the cost of extended water lines to their property. As part of the contracts, the Town is required to remit to the property owners, on an annual basis, 10% of additional water sales earned on the line extension for a period of years indicated in the contract or until the cost of the line extension has been repaid to 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. For the fiscal year ended June 30, 2019, the Town made refund payments of \$139,959 to property owners and recognized a gain of \$22,927 as a result of a change in the estimated liability for future payouts. As of June 30, 2019, the Town had \$398,548 of outstanding unearned advances in aid of construction.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 9. LONG-TERM OBLIGATIONS**

**A. Changes in Long-Term Obligations**

Changes in long-term obligations for the fiscal year ended June 30, 2019 were as follows:

	Long-Term Obligations				Due Within One Year
	Beginning Balance	Additions	Retirements	Ending Balance	
<b>Governmental Activities:</b>					
Excise Tax and State-Shared Revenue Bonds:					
Project Bonds, Series 2018A	\$ 47,945,000	\$ -	\$ (355,000)	\$ 47,590,000	\$ 800,000
Project Bonds, Series 2018B	18,015,000	-	(210,000)	17,805,000	470,000
Refunding Bonds, Series 2016	45,380,000	-	(2,295,000)	43,085,000	2,370,000
Direct-Placement Debt:					
Special Assessment Refunding Bonds, Series 2016	17,117,758	-	(1,483,588)	15,634,170	1,352,198
Unamortized Premiums / Discounts	17,113,493	-	(755,664)	16,357,829	-
Capital Leases	259,569	-	(96,156)	163,413	81,709
Compensated Absences	1,206,929	1,260,126	(1,077,174)	1,389,881	974,293
<b>Total Governmental Long-Term Obligations</b>	<b>\$ 147,037,749</b>	<b>\$ 1,260,126</b>	<b>\$ (6,272,582)</b>	<b>\$ 142,025,293</b>	<b>\$ 6,048,200</b>
<b>Business-Type Activities:</b>					
Loans:					
WIFA Loan, 2014	\$ 12,827,098	\$ -	\$ -	\$ 12,827,098	\$ 681,919
WIFA Loan, 2008	23,907,244	-	-	23,907,244	1,987,797
WIFA Loan, 2005	20,778,785	-	(20,778,785)	-	-
GADA Infrastructure Revenue Loan, Series 2014A	3,370,000	-	(245,000)	3,125,000	255,000
Direct-Placement Debt:					
Subordinate Lien Excise Tax and State-Shared Revenue Obligations, Series 2019	-	49,450,000	-	49,450,000	49,450,000
Subordinate Lien Water System Revenue Obligation, Series 2013	19,425,088	-	-	19,425,088	265,712
Unamortized Premiums / Discounts	12,497,805	-	(732,658)	11,765,147	-
Advances in Aid of Construction	561,434	-	(22,927)	538,507	139,959
Compensated Absences	291,725	350,669	(226,205)	416,189	225,406
<b>Total Business-Type Long-Term Obligations</b>	<b>\$ 93,659,179</b>	<b>\$ 49,800,669</b>	<b>\$ (22,005,575)</b>	<b>\$ 121,454,273</b>	<b>\$ 53,005,793</b>

**B. Bonds and Loans Payable**

The following table summarizes the Town's bonds and loans payable at June 30, 2019:

Description	Original Issue	Maturity	Interest Rate (%)	Outstanding at June 30, 2019
<b>Governmental Activities:</b>				
Excise Tax and State-Shared Revenue Bonds:				
Project Bonds, Series 2018A	\$ 47,945,000	8/1/2047	2.00-5.00%	\$ 47,590,000
Project Bonds, Series 2018B	18,015,000	8/1/2047	2.00-5.00%	17,805,000
Refunding Bonds, Series 2016	47,990,000	8/1/2036	2.00-5.00%	43,085,000
Direct-Placement Debt:				
Special Assessment Refunding Bonds, Series 2016	18,445,000	1/1/2030	2.45%	15,634,170
<b>Total Governmental Bonds and Loans Payable</b>				<b>\$ 124,114,170</b>
<b>Business-Type Activities:</b>				
Loans:				
WIFA Loan, 2014	\$ 16,000,000	7/1/2033	3.15%	\$ 12,827,098
WIFA Loan, 2008	40,000,000	7/1/2028	4.04%	23,907,244
GADA Infrastructure Revenue Loan, Series 2014A	3,845,000	8/1/2028	2.00-5.00%	3,125,000
Direct-Placement Debt:				
Subordinate Lien Excise Tax and State-Shared Revenue Obligations, Series 2019	49,450,000	2/1/2020	2.442% <sup>(1)</sup>	49,450,000
Subordinate Lien Water System Revenue Obligation, Series 2013	19,425,093	5/1/2043	8.00%	19,425,088
<b>Total Business-Type Bonds and Loans Payable</b>				<b>\$ 108,734,430</b>

<sup>(1)</sup> variable rate; this is the rate at June 30, 2019



**TOWN OF QUEEN CREEK, ARIZONA**  
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**YEAR ENDED JUNE 30, 2019**

**D. Excise Tax and State-Shared Revenue Pledged Debt**

The Town has issued debt secured by a pledge of all of the Town’s excise taxes and state-shared revenues.

1. *Subordinate Lien Excise Tax and State-Shared Revenue Obligation, Series 2019 (Direct-Placement).* During fiscal year 2019, the Town issued \$49.45 million of subordinate lien excise tax and state-shared revenue debt to finance the purchase of approximately 175,000 acre-feet of groundwater extinguishment credits. These credits will be used to offset the Town’s water acquisition requirements for future growth. The debt was issued as a direct-placement loan with Bank of America at a variable interest rate that resets at the end of a renewal term selected by the Town (one month, three months, or six months). Although the Town pledged excise taxes to secure the loan, the loan will be repaid from water utility revenues. The Town intends to refinance the loan with long-term financing during fiscal year 2020.
  - a. *Variable Rate Terms.* The interest rate is calculated at 80% of the current LIBOR rate for the selected renewal term, plus 49 basis points. To date, the Town has selected one-month renewal terms on each renewal date.
  - b. *Events of Default.* Should the Town be unable to make payment on the loan, or if the Town’s bond rating falls below BBB+ by either S&P or Fitch, the loan payments may not be accelerated but the interest rate will increase to 80% of the current LIBOR rate (or a comparable or successor rate selected by Bank of America) plus 8%. The maximum interest rate allowed on the loan is 18%. The Town’s current excise tax bond rating is AA from both S&P and Fitch.
  - c. *Other Terms.* The loan matures on February 1, 2020; however, at the Town’s discretion, the Town may choose to extend the term of the agreement to August 1, 2024. If the loan is extended, the principal will be amortized in five equal installments due August 1<sup>st</sup> of each year until August 1, 2024. The interest rate will be calculated at 80% of the current LIBOR rate (or a comparable or successor rate selected by Bank of America), plus 3%.
2. *Excise Tax and State-Shared Revenue Bonds, Series 2018A and B.* In fiscal year 2018, the Town issued a total of \$65.96 million of long-term excise tax and state-shared revenue bonds to provide funding for new transportation, public safety and fire projects.
3. *Excise Tax and State-Shared Revenue Refunding Bonds, Series 2016.* In fiscal year 2017, the Town refunded all of its outstanding governmental activities debt by issuing \$47.990 million of excise tax and state-shared revenue bonds. The refunded debts were originally issued to fund acquisition of land, construction of infrastructure and municipal facilities, and improvements to parks.
4. *GADA Infrastructure Revenue Loan, Series 2014A.* In fiscal year 2014, the Town obtained financing of \$3,845,000 through the Greater Arizona Development Authority (GADA) to refinance a loan from 2003 that was used for wastewater system improvements. Although the Town pledged excise taxes to secure the debt, the loan is being repaid from wastewater utility revenues. The following table presents the Town’s excise tax pledged debt service requirements relative to excise tax revenues collected during the fiscal year:

Debt Issue	Debt Service, FY 2019			Remaining Principal and Interest to Maturity	Maturity Date
	Principal	Interest	Total		
Subordinate Lien Excise Tax and State-Shared Revenue Obligations, Series 2019	\$ -	\$ 424,814	\$ 424,814	\$ 50,171,187	2/1/2020
Excise Tax and State-Shared Revenue Bonds, Series 2018A	355,000	2,211,078	2,566,078	89,817,100	8/1/2047
Excise Tax and State-Shared Revenue Bonds, Series 2018B	210,000	721,533	931,533	28,880,925	8/1/2047
Excise Tax and State-Shared Revenue Bonds, Series 2016	2,295,000	2,045,851	4,340,851	58,949,325	8/1/2036
GADA Infrastructure Revenue Loan, Series 2014A	245,000	147,900	392,900	3,869,600	8/1/2028
Total Debt Service, FY 2019	\$ 3,105,000	\$ 5,551,176	\$ 8,656,176	\$ 231,688,137	
Total Excise Tax and State-Shared Revenues, FY 2019			\$ 50,137,661		



**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**E. Special Assessment Debt (Direct-Placement Debt)**

The Town's Special Assessment Improvement District No. 1 (District) was created to fund infrastructure improvements within the District, which covers most of the Town's downtown business area. The Town originally issued \$54.08 million of Special Assessment bonds in 2006 to pay for the improvements. The bonds were refinanced in fiscal year 2017 through a direct-placement with CoBiz Financial at a fixed interest rate of 2.45%. The bonds do not have specific provisions regarding significant events of default, subjective acceleration clauses, or termination events with finance-related consequences.

Each property owner within the District has been assessed an annual assessment for repayment of the bonds. Owners may prepay their assessment in full or in part at any time. In case of default, the Town has the responsibility to cover delinquencies of special assessments with other sources until foreclosure proceeds are received. During fiscal year 2019, the Town advanced \$16,917 from the General Fund to cover delinquencies. The Town has pledged special assessment revenues from assessments levied on property owners within the 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 \$17,692,874 payable through January 1, 2030.

**F. Water System Revenue Pledged Debt**

The Town has issued debt secured by a pledge of all of its water system Net Revenues. "Net Revenues" is defined as all revenues from water system operations, net of operation and maintenance costs. The Town's remaining water system revenue pledged debt obligations are as follows:

1. *WIFA Loan, 2008.* In 2008 the Town obtained a \$40 million loan from the Water Infrastructure Finance Authority of Arizona (WIFA) to fund the purchase of the Queen Creek Water Company and improvements to the infrastructure acquired.
2. *WIFA Loan, 2014.* In 2014 the Town obtained a \$16 million loan from WIFA to finance a portion of the purchase price of the H2O Water Company.
3. *Subordinate Lien Water System Revenue Obligations, Series 2014 (Direct Placement).* The remaining balance of the purchase price for the H2O Water Company was financed through issuance of a \$19,425,089 direct-placement tax-exempt municipal revenue obligation to the former owners of the H2O Water Company.
4. *WIFA Loan, 2005.* The Town paid off the remaining \$20.8 million balance this year.

The following table presents the Town's water system revenue pledged debt service requirements relative to water system net revenues for the fiscal year:

<b>Debt Issue</b>	<b>Debt Service, FY 2019</b>			<b>Remaining Principal and Interest to Maturity</b>	<b>Maturity Date</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
WIFA Loan, 2014	\$ 661,069	\$ 404,567	\$ 1,065,636	\$ 15,892,726	7/1/2033
WIFA Loan, 2008	1,910,654	965,255	2,875,909	28,565,262	7/1/2028
Sub-Lien Water System Revenue Obligations, Series 2014	-	1,683,206	1,683,206	44,553,366	5/1/2043
<b>Total Debt Service, FY 2019</b>	<b>\$ 2,571,723</b>	<b>\$ 3,053,028</b>	<b>\$ 5,624,751</b>	<b>\$ 89,011,354</b>	
<b>Total Water System Net Revenues, FY 2019</b>			<b>\$ 14,689,821</b>		

*Amendments to WIFA Loan Requirements.* During fiscal year 2019, the WIFA Board approved the Town's request to amend the Town's debt service reserve requirements on the Town's WIFA loans to eliminate the need for cash-funded debt service reserves as long as the Town maintains debt service coverage of at least 1.5 times. The amendments released approximately \$6.5 million of cash in the Water and Wastewater funds that is no longer required to be reported as restricted net position on the proprietary fund statements or the government-wide financial statements.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**G. Debt Capacity – Arizona Constitutional Limit**

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, parks and open space, transportation and public safety purposes may not exceed 20% of a municipality's net assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a municipality's net assessed valuation. The Town of Queen Creek has no outstanding general obligation debt.

The Town of Queen Creek's net valuation at June 30, 2019 is \$427,856,256. This includes both Maricopa County and Pinal County assessed values. The Town's constitutional debt limit is calculated as follows:

20% Debt Margin Limit	\$ 85,571,251
Bonded Debt Outstanding	<u>-</u>
Unused 20% Limitation Borrowing Capacity	\$ 85,571,251
6% Debt Margin Limit	\$ 25,671,375
Bonded Debt Outstanding	<u>-</u>
Unused 6% Limitation Borrowing Capacity	\$ 25,671,375

**NOTE 10. NET POSITION AND FUND BALANCES**

**A. Net Position**

Net Position is the difference between assets/deferred outflows and liabilities/deferred inflows on the government-wide and proprietary fund statements. The various purposes of restricted net position are noted on the face of the government-wide and proprietary fund financial statements.

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

The Town has classified its fund balances as follows:

	Fund Balances					Total
	General Fund	Construction Sales Tax Fund	Drainage & Transportation Fund	Improvement District Debt Service Fund	Nonmajor Governmental Funds	
<b>Nonspendable:</b>						
Prepaid Items	\$ 92,282	\$ -	\$ -	\$ -	\$ -	\$ 92,282
<b>Restricted:</b>						
Transportation and Town Facilities	-	-	37,685,695	-	15,712,960	53,398,655
Street Lighting Districts	-	-	-	-	130,806	130,806
Contractual Agreements	208,072	-	-	-	-	208,072
Housing Rehabilitation	-	-	-	-	79,346	79,346
Parks and Community Events	-	-	-	-	59,725	59,725
Total Restricted	208,072	-	37,685,695	-	15,982,837	53,876,604
<b>Committed:</b>						
Pension Liabilities	23,959,663	-	-	-	-	23,959,663
<b>Assigned:</b>						
Debt Service	-	-	-	-	7,064	7,064
Transportation and Town Facilities	-	-	-	-	8,365	8,365
Parks and Community Events	-	-	-	-	205,128	205,128
Total Committed	-	-	-	-	220,557	220,557
<b>Unassigned</b>	16,703,875	(8,041,785)	(2,939,532)	(16,917)	-	5,705,641
Total Fund Balance	\$ 40,963,892	\$ (8,041,785)	\$ 34,746,163	\$ (16,917)	\$ 16,203,394	\$ 83,854,747

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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**C. Deficit Fund Balances**

The deficit Unassigned fund balance in the Construction Sales Tax Fund is the result of payments to two developers in fiscal year 2017 to terminate their development agreements several years early. These payments were funded using interfund loans, as described in Note 5.

The deficit Unassigned fund balance in the Drainage & Transportation Fund is the result of a payment to a developer in fiscal year 2018 for the acquisition of road improvements per the terms of a development agreement. This payment was funded using an interfund loan, as described in Note 5.

The deficit Unassigned fund balance in the Improvement District Debt Service Fund is the result of delinquent assessments which were covered with a short-term interfund payable to the General Fund.

**NOTE 11. RETIREMENT PLANS**

**A. 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, 2019, 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	\$ 14,375,121	\$ 5,560,747	\$ 19,935,868
Deferred Outflows of Resources	5,571,392	1,176,645	6,748,037
Deferred Inflows of Resources	1,699,723	657,414	2,357,137
Pension Expense	1,530,974	900,627	2,431,601

The Town's accrued payroll and employee benefits includes \$110,736 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2019. Also, the Town reported \$2,851,343 of pension expenditures in the funds related to all pension plans to which it contributes.

**B. 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**  
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**YEAR ENDED JUNE 30, 2019**

	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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80% (11.64% for retirement and 0.16% for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.80% (11.18% for retirement, 0.46% for the health insurance premium benefit, and 0.16% for long-term disability) of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.53% (10.41% for retirement, 0.06% for health insurance premium benefit and 0.06% 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, 2019, were \$1,754,889, and were paid 62% from the General Fund, 29% from major funds, and 9% from other funds.

Pension Liability – At June 30, 2019, the Town reported a liability of \$19,855,605 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total pension liability as of June 30, 2018 reflects a change in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8% to 7.5%, changing the projected salary increases from 3%-6.75% to 2.7%-7.2%, decreasing the inflation rate from 3% to 2.3%, and changing the mortality rates.

The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

The Town's proportion measured as of June 30, 2018, was 0.14237%, which was an increase of 0.0071 from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2019, the Town recognized pension expense for ASRS of \$1,720,864. At June 30, 2019, 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	\$ 547,006	\$ 109,461
Changes of assumptions or other inputs	525,416	1,760,472
Net difference between projected and actual earnings on pension plan investments	-	477,480
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,374,103	-
Town contributions subsequent to the measurement date	1,754,889	-
	<u>\$ 4,201,414</u>	<u>\$ 2,347,413</u>

The \$1,754,889 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, 2020. 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>	
2020	\$ 1,067,619
2021	(30,074)
2022	(724,302)
2023	(214,131)

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

Actuarial Valuation Date	June 30, 2017
Actuarial Roll Forward Date	June 30, 2018
Actuarial Costs Method	Entry Age Normal
Discount Rate	7.5%
Projected Salary Increases	2.7 - 7.2%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

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

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5% 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 excluding any expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

Asset Class	Target Allocation	Real Return Geometric Basis
Equity	50%	5.50%
Fixed Income	30%	3.83%
Real Estate	20%	5.85%
Total	100%	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5%, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability	\$ 28,304,621	\$ 19,855,605	\$ 12,796,588

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

**C. 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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan. The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and an agent and cost sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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).

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

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:

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

Retirement and Disability	Initial Membership Date		
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017	On or After July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 or more years of service, age 55 15 years of credited service, age 52.5*
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of the last 20 years	Highest 60 consecutive months of the last 15 years
<u>Benefit percentage</u>			
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
<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		

\* With actuarially reduced benefits.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms –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	45
Total	<u>49</u>

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, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

	PSPRS Firefighters
Active Member Contributions:	
Tier One Members	7.65%
Tier Two Members	11.65%
Tier Three Members	9.94%
Town Contributions	
Pension	12.26% - 16.72%

The Town's contributions to the pension plan for the year ended June 30, 2019 were \$1,096,454. 100% of which was paid from the Emergency Services Fund. As discussed in the Management Discussion and Analysis, the Emergency Services Fund is included in the Town's General fund for financial reporting.

Pension Liability – At June 30, 2019, the Town reported the following net pension liability:

	Net Pension Liability
PSPRS Firefighters	\$ 80,263

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.4%
Wage Inflation	3.5%
Price Inflation	2.5%
Cost-of-living adjustment	Included
Mortality Rates	RP-2014 using MP-2016 improvement scale with adjustments to match experience

Actuarial assumptions used in the June 30, 2018, valuation were based on results of an actuarial experience study for the 5-year period ended June 30, 2016.

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



**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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

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

	Discount Rate
PSPRS Firefighters	7.4%

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 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.

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 beginning of the year	\$ 8,309,699	\$ 7,401,755	\$ 907,944
Changes for the Year:			
Service Cost	834,829	-	834,829
Interest on the Total Pension Liability	640,918	-	640,918
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(10,396)	-	(10,396)
Contributions - Employer	-	1,763,985	(1,763,985)
Contributions - Employee	-	342,056	(342,056)
Net Investment Income	-	560,374	(560,374)
Benefit Payments, Including Refunds of Employee Contributions	(132,132)	(132,132)	-
Hall/Parker Settlement	-	(364,237)	364,237
Administrative Expenses	-	(9,229)	9,229
Other Changes	-	83	(83)
<b>Net Changes</b>	<b>1,333,219</b>	<b>2,160,900</b>	<b>(827,681)</b>
<b>Balance end of the year</b>	<b>\$ 9,642,918</b>	<b>\$ 9,562,655</b>	<b>\$ 80,263</b>

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PSPRS Firefighters Net Pension Liability (Asset)	\$ 2,013,711	\$ 80,263	\$ (1,456,192)

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, 2019, the Town recognized the following pension expense:

	Pension Expense
PSPRS Firefighters	\$ 710,738

Pension Deferred Outflows/Inflows of Resources – At June 30, 2019, 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	\$ 937,332	\$ 9,724
Changes of assumptions or other inputs	446,536	-
Net difference between projected and actual earnings on pension plan investments	66,301	-
Town contributions subsequent to the measurement date	1,096,454	-
	\$ 2,546,623	\$ 9,724

The \$1,096,454 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	PSPRS Firefighters
2020	\$ 212,958
2021	177,520
2022	101,913
2023	154,450
2024	145,135
Thereafter	648,469

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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**NOTE 12. OTHER INFORMATION**

**A. Tax Abatements**

The Town has entered into agreements that include the abatement of Government Property Lease Excise Tax (GPLET). As of June 30, 2019, three 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 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.

The Town's agreements abate the GPLET for eight years. For each of these agreements, the property was temporarily given to the Town and leased back by each tenant for a period of eight 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. These lease arrangements were part of a larger development agreement, the goal of which was to attract private investment and foster job creation. These agreements have abated taxes to the extent that the Town is not collecting any property taxes during the eight-year period.

For the year ended June 30, 2019, the Town abated \$49,902 in property taxes as a result of the GPLET abatement agreements.

**B. Joint Venture**

The Town participates in a joint water reclamation plant with the City of Mesa and the Town of Gilbert. The water reclamation plant began operations in fiscal year 2007. 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, 2019 was \$29,524,172 and 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.

**C. Risk Management**

The Town 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.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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**D. 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.

**E. Intergovernmental Agreements (IGAs) for Road Construction**

Signal Butte Road. The Town has entered into an IGA with the City of Mesa wherein the Town agreed to fund the costs of construction of Signal Butte Road from Germann Road to the future State Road 24 intersection. Mesa will manage design and construction of the project through completion. As of June 30, 2019 the road was 30% designed, with construction expected to begin in late summer 2020. Once Mesa awards a construction contract, the Town will be required to pay Mesa a lump sum of \$12 million. The Town will also be responsible for any construction costs over \$12 million. Mesa has agreed to reimburse the Town a maximum of \$12 million by December 31, 2030. The Town expects to finance the payment to Mesa by issuing long-term debt during fiscal year 2020.

Meridian Road. The Town has entered into an IGA with Pinal County wherein the County has agreed to fund 50% of the cost of design and construction of Meridian Road improvements from Germann Road to the future State Road 24 intersection. The County's estimated contribution is \$4 million. Construction of the improvements is expected to begin in late summer 2020.

Chandler Heights Road. The Town has entered into an IGA with Maricopa County and the Town of Gilbert wherein the Town has agreed to design and construct improvements to Chandler Heights Road from Recker Road to Power Road. The County and Gilbert have agreed to fund 100% of the costs of the project, which is currently being designed and expected to begin construction in late summer 2020.

Ellsworth Interchange. In May 2019, the Town committed to contribute up to \$2.5 million towards the construction of an interchange at Ellsworth Road and State Road 24. Other partners in the project include the City of Mesa, Maricopa Association of Governments (MAG), and the Arizona Department of Transportation (ADOT). The Town's payment is currently expected to be due in July 2020.

**NOTE 13. SUBSEQUENT EVENTS**

**A. Water and Wastewater Rates and Fees**

Effective July 1, 2019 the Town lowered water and wastewater capacity fees approximately 40% and lowered residential wastewater rates approximately 15%.

**B. Streetlights Purchase**

On September 9, 2019 the Town purchased approximately 3,600 streetlights from Salt River Project Agricultural Improvement and Power District (SRP) for \$814,125. Under the purchase agreement, the Town has assumed responsibility for the operation and maintenance of all streetlights within the Town. This responsibility was previously handled by SRP and then billed to the Town through the Town's monthly electricity bill.

**C. Land Purchase**

On September 12, 2019 the Town purchased approximately three acres of land for \$1,080,553 for a future fire station. The land purchase was funded with a combination of Fire development impact fees and General Fund resources.

**TOWN OF QUEEN CREEK, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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**D. Annexations**

The Town recently completed the following significant annexations:

- State Lands – On August 7, 2019 the Town annexed approximately 4,150 acres of land owned by the State of Arizona on the Town’s northeast border. The annexation was requested by the land owner, the Arizona State Land Department, and includes frontage to the future SR 24 corridor. The State Land Department has indicated that it expects to begin auctioning parcels of land to developers by December 2021.
- QC 40 LLC – On September 18, 2019 the Town annexed approximately 40 acres of land owned by Riggs Ellsworth 40 LLC and JMN Riggs 40 LLC. In conjunction, the Town entered into a development agreement with the land owners whereby the Town agreed to pay up to \$300,000 towards drainage improvements at the site. In return, the land owners will develop the property into a shopping center to include a grocery store and other retail businesses. The first store is expected to open in January 2021.
- Encanterra Community – On October 16, 2019 the Town annexed an existing subdivision on the Town’s southeast border, per an annexation petition signed by a majority of the subdivision’s landowners. The gated retirement community is approximately 755 acres and includes a golf course, a country club, and approximately 1,500 homes. At buildout the development is expected to have approximately 2,100 homes.

**E. Water Exchange Agreement**

In In December 2018, the Town authorized a water exchange agreement with Trilogy Encanterra Construction LLC wherein the Town agreed to pay Trilogy \$8.9 million for perpetual rights to receive up to 3 million gallons per day of reclaimed water and permanent facilities to recharge surface water, reclaimed water, or other effluent. As of June 30, 2019, Trilogy had not yet signed the agreement. On October 8, 2019, the Town and Trilogy renegotiated and finalized the water exchange agreement wherein the Town has agreed to pay the \$8.9 million to Trilogy over a period of four years, with an initial payment of \$900,000 that was paid to Trilogy on October 24, 2019. The Town will pay Trilogy \$2 million in each subsequent October through the year 2023, and the Town retains an option to prepay the entire agreement at any time. Also per the agreement, on October 24, 2019 the Town paid \$250,000 to Trilogy to extinguish all outstanding mainline extension agreements related to the Encanterra subdivision.

**F. Bond Rating Changes**

On September 17, 2019, S&P Global Ratings raised the Town’s issuer credit rating (ICR) from ‘AA-’ to ‘AA’ with a stable outlook. The Town’s excise tax and state-shared revenue bond rating remains at ‘AA.’

**G. Excise Tax and State-Shared Pledged Revenue Coverage Changes**

On November 20, 2019, the Town Council adopted an ordinance that removed the restrictions on uses for the Town’s 2% Construction Sales Tax, 0.25% Public Safety Sales Tax, and 0.25% Town Center Sales Tax. This change was made to allow these additional sales tax revenues to be included in the definition of “pledged revenue” for the Town’s excise tax and state-shared revenue pledged debt issues, and included in the related debt coverage ratio calculations beginning in fiscal year 2020.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF QUEEN CREEK, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**COST SHARING PENSION PLANS**  
**JUNE 30, 2019**

**Arizona State Retirement System**

	Reporting Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 (2016)
Town's Proportion of the Net Pension Liability	0.142370%	0.135270%	0.126160%
Town's Proportionate Share of the Net Pension Liability	\$ 19,855,605	\$ 21,072,429	\$ 20,363,491
Town's Covered Payroll	13,843,824	12,555,709	11,783,167
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	143.43%	167.83%	172.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.40%	69.92%	67.06%

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



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

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOWN'S  
NET PENSION LIABILITY AND RELATED RATIOS  
AGENT PENSION PLANS  
JUNE 30, 2019**

**PSPRS Fire**

	Reporting Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 (2016)
Total Pension Liability			
Service Cost	\$ 834,829	\$ 751,557	\$ 445,706
Interest on the Total Pension Liability	640,918	510,514	393,828
Changes of Benefit Terms	-	64,957	606,223
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(10,396)	509,418	37,328
Changes of Assumptions or Other Inputs	-	106,791	320,534
Benefit Payments, Including Refunds of Employee Contributions	(132,132)	(129,228)	(203,984)
Net Change in Total Pension Liability	1,333,219	1,814,009	1,599,635
Total Pension Liability - Beginning	8,309,699	6,495,690	4,896,055
Total Pension Liability - Ending (a)	9,642,918	8,309,699	6,495,690
Plan Fiduciary Net Position			
Contributions - Employer	1,763,985	785,199	752,649
Contributions - Employee	342,056	342,598	284,138
Net Investment Income	560,374	727,913	30,764
Benefit Payments, Including Refunds of Employee Contributions	(132,132)	(129,228)	(203,984)
Hall/Parker Settlement	(364,237)	-	-
Administrative Expenses	(9,229)	(6,841)	(4,827)
Other Changes	83	(50,230)	160,155
Net Change in Plan Fiduciary Net Position	2,160,900	1,669,411	1,018,895
Plan Fiduciary Net Position - Beginning	7,401,755	5,732,344	4,713,449
Plan Fiduciary Net Position - Ending (b)	9,562,655	7,401,755	5,732,344
Town's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 80,263	\$ 907,944	\$ 763,346
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.17%	89.07%	88.25%
Covered Payroll	\$ 3,838,295	\$ 3,455,435	\$ 2,447,591
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	2.09%	26.28%	31.19%

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

Reporting Year (Measurement Date)			
2016 (2015)	2015 (2014)		
\$ 392,089	\$ 353,480		
341,882	235,479		
-	12,393		
67,556	685,945		
-	176,038		
<u>(129,228)</u>	<u>(125,141)</u>		
672,299	1,338,194		
4,223,756	2,885,562		
<u>4,896,055</u>	<u>4,223,756</u>		
1,807,100	318,427		
264,558	275,273		
110,386	291,024		
(129,228)	(125,141)		
-	-		
(3,085)	-		
<u>(60,116)</u>	<u>38,612</u>		
1,989,615	798,195		
2,723,834	1,925,639		
<u>4,713,449</u>	<u>2,723,834</u>		
<u>\$ 182,606</u>	<u>\$ 1,499,922</u>		
96.27%	64.49%		
\$ 2,354,769	\$ 2,129,345		
7.75%	70.44%		

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
JUNE 30, 2019**

**Arizona State Retirement System**

	Reporting Fiscal Year		
	2019	2018	2017
Statutorily Required Contribution	\$ 1,754,889	\$ 1,535,419	\$ 1,422,375
Town's Contribution in Relation to the Statutorily Required Contribution	1,754,889	1,535,419	1,422,375
Town's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 15,825,893	\$ 13,843,824	\$ 12,555,709
Town's Contributions as a Percentage of Covered Payroll	11.09%	11.09%	11.33%

**PSPRS Fire**

	Reporting Fiscal Year		
	2019	2018	2017
Actuarially Determined Contribution	\$ 769,406	\$ 727,892	\$ 400,644
Town's Contribution in Relation to the Actuarially Determined Contribution	1,096,454	1,385,632	785,199
Town's Contribution Deficiency (Excess)	\$ (327,048)	\$ (657,740)	\$ (384,555)
Town's Covered Payroll	\$ 4,932,090	\$ 3,838,295	\$ 3,455,435
Town's Contributions as a Percentage of Covered Payroll	22.23%	36.10%	22.72%

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

Reporting Fiscal Year

2016	2015	2014
\$ 1,281,699	\$ 1,144,335	\$ 1,013,052
1,281,699	1,144,335	1,013,052
\$ -	\$ -	\$ -
\$ 11,783,167	\$ 10,732,389	\$ 9,043,494
10.88%	10.66%	11.20%

Reporting Fiscal Year

2016	2015	2014
\$ 446,372	\$ 322,368	\$ 318,427
752,649	1,807,100	318,427
\$ (306,277)	\$ (1,484,732)	\$ -
\$ 2,447,591	\$ 2,354,769	\$ 2,129,345
30.75%	76.74%	14.95%

**TOWN OF QUEEN CREEK, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO PENSION SCHEDULES  
 YEAR ENDED JUNE 30, 2019**

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**NOTE 1. ACTUARIALLY DETERMINED CONTRIBUTION RATES**

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

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent-of-pay, closed
Remaining Amortization Period as of the 2017 Actuarial Valuation	19 years
Asset Valuation Method	7-year smoothed market; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	PSPRS Members with initial membership date before July 1, 2017: In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS Members with initial membership on or after July 1, 2017: 7%
Projected Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5-7.5%. 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 were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage Growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. 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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

**NOTE 2. INFORMATION PRIOR TO MEASUREMENT DATE**

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

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO PENSION SCHEDULES  
YEAR ENDED JUNE 30, 2019**

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

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

These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

**TOWN OF QUEEN CREEK, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sales Tax	\$ 21,577,090	\$ 23,678,892	\$ 26,493,016	\$ 2,814,124
Intergovernmental	8,570,400	8,570,400	8,714,759	144,359
Licenses, Permits and Fees	4,341,402	5,903,647	7,729,877	1,826,230
Charges for Services	2,613,745	2,373,931	2,372,228	(1,703)
Investment Income	469,279	266,770	768,115	501,345
Miscellaneous	101,500	101,500	446,904	345,404
Total Revenues	37,673,416	40,895,140	46,524,899	5,629,759
<b>EXPENDITURES</b>				
Current:				
Mayor and Town Council	431,085	431,085	370,995	60,090
Town Manager	1,065,347	1,098,829	1,044,959	53,870
Town Clerk and Legal Services	749,295	749,295	734,068	15,227
Finance	2,336,798	2,354,143	2,345,821	8,322
Economic Development	828,889	843,378	836,420	6,958
Communications, Marketing and Recreation Services	1,948,791	2,212,447	1,970,169	242,278
Workforce and Technology	3,127,351	3,657,779	3,199,285	458,494
Development Services	3,863,837	3,941,201	3,703,831	237,370
Public Works	4,811,695	5,686,499	5,270,417	416,082
Centralized Services/Contingency	2,911,543	4,667,226	3,778,523	888,703
Total Expenditures	22,074,631	25,641,882	23,254,488	2,387,394
Excess (Deficiency) of Revenues Over Expenditures	15,598,785	15,253,258	23,270,411	8,017,153
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	4,812,461	15,420	15,420	-
Transfers Out	(15,817,237)	(22,621,893)	(19,108,833)	3,513,060
Total Other Financing Sources (Uses)	(11,004,776)	(22,606,473)	(19,093,413)	3,513,060
Net Change in Fund Balances	\$ 4,594,009	\$ (7,353,215)	\$ 4,176,998	\$ 11,530,213

*See Notes to Budgetary Comparison Schedule, Required Supplementary Information*



**TOWN OF QUEEN CREEK, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**CONSTRUCTION SALES TAX FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sales Tax	\$ 3,972,970	\$ 4,871,250	\$ 7,552,166	\$ 2,680,916
Total Revenues	3,972,970	4,871,250	7,552,166	2,680,916
<b>EXPENDITURES</b>				
Current:				
Economic Development	376,410	376,410	9,407	367,003
Debt Service:				
Interest on Long-Term Debt	396,348	347,272	347,272	-
Total Expenditures	772,758	723,682	356,679	367,003
Excess (Deficiency) of Revenues Over Expenditures	3,200,212	4,147,568	7,195,487	3,047,919
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	1,989,713	1,989,713	-
Transfers Out	(4,940,337)	(10,612,393)	(10,612,393)	-
Total Other Financing Sources (Uses)	(4,940,337)	(8,622,680)	(8,622,680)	-
Net Change in Fund Balances	<u>\$ (1,740,125)</u>	<u>\$ (4,475,112)</u>	<u>\$ (1,427,193)</u>	<u>\$ 3,047,919</u>

*See Notes to Budgetary Comparison Schedule, Required Supplementary Information*

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

Interfund Loans Represent Expenditures (Revenues) on Budget Basis	9,321,806
Net Change in Fund Balance - GAAP Basis	<u>\$ 7,894,613</u>

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
YEAR ENDED JUNE 30, 2019**

**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 requirement 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 118 through 119. The activity from these funds 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 but are eliminated for financial statement reporting, representing a reconciling item.
- 3) Intrafund activity between the General Fund and those funds which are consolidated is eliminated on a consolidated basis for financial reporting and represents a reconciling item between the fund statement and budgetary schedule.
- 4) Unrealized gains (losses) on investments and accrued payroll expenditures that will be paid in the next fiscal period are GAAP adjustments not included in the Town's General Fund Budgetary-basis comparison schedule. Interfund loan transfers are eliminated on a GAAP basis, but represent a resource on a budgetary basis and are added back to the Town's General Fund Budgetary-basis comparison schedule.

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

	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 58,394,247	\$ (39,484,576)	\$ (14,502,753)	\$ 36,556,974	\$ 40,963,892
Other Funds Included in General Fund - Budgeted as Special Revenue Funds:					
Emergency Services Fund	(14,686,027)	16,254,511	(1,362,083)	(206,401)	-
Horseshoe Park and Equestrian Centre	(611,862)	1,446,339	(826,798)	(7,679)	-
Interdepartmental Support Revenue	3,917,185	(1,515,406)	(2,401,779)	-	-
GAAP Adjustments	(488,644)	44,644	-	1,235,666	791,666
Budgetary Comparison Schedule - General Fund	<u>\$ 46,524,899</u>	<u>\$ (23,254,488)</u>	<u>\$ (19,093,413)</u>	<u>\$ 37,578,560</u>	<u>\$ 41,755,558</u>

**TOWN OF QUEEN CREEK, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
YEAR ENDED JUNE 30, 2019**

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

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

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

*Housing Rehab Fund* – accounts for housing rehabilitation assistance monies.

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

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

### **CAPITAL PROJECTS FUNDS**

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

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

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

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

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

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

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

### **DEBT SERVICE FUNDS**

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

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 2,239,126	\$ 14,878,758	\$ 7,064	\$ 17,124,948
Restricted Cash and Investments	-	73,020	-	73,020
Receivables:				
Accounts Receivable	1,500	-	-	1,500
Taxes Receivable	88,058	-	-	88,058
Intergovernmental Receivable	330,825	-	-	330,825
Total Assets	<u>\$ 2,659,509</u>	<u>\$ 14,951,778</u>	<u>\$ 7,064</u>	<u>\$ 17,618,351</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ 1,117,396	\$ 252,564	\$ -	\$ 1,369,960
Accrued Wages and Benefits	43,735	-	-	43,735
Total Liabilities	<u>1,161,131</u>	<u>252,564</u>	<u>-</u>	<u>1,413,695</u>
Deferred Inflows of Resources:				
Unavailable Revenues	1,262	-	-	1,262
Fund Balances:				
Restricted	1,291,988	14,690,849	-	15,982,837
Assigned	205,128	8,365	7,064	220,557
Total Fund Balances	<u>1,497,116</u>	<u>14,699,214</u>	<u>7,064</u>	<u>16,203,394</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,659,509</u>	<u>\$ 14,951,778</u>	<u>\$ 7,064</u>	<u>\$ 17,618,351</u>



**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Totals
<b>REVENUES</b>				
Local Sales Tax	\$ 827,076	\$ -	\$ -	\$ 827,076
Intergovernmental	4,912,411	-	-	4,912,411
Special Assessments	408,436	-	-	408,436
Charges for Services	16,190	-	-	16,190
Contributions	99,521	-	-	99,521
Impact Fees	-	9,672,093	-	9,672,093
Investment Income	23,725	269,310	-	293,035
Miscellaneous	1,362,603	8,365	-	1,370,968
Total Revenues	<u>7,649,962</u>	<u>9,949,768</u>	<u>-</u>	<u>17,599,730</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	1,294	-	1,294
Public Safety	-	35,064	-	35,064
Highways and Streets	5,701,648	347,524	-	6,049,172
Culture and Recreation	105,779	21,706	-	127,485
Economic Development	180,594	-	-	180,594
Capital Outlay	808,603	6,897,327	-	7,705,930
Debt Service:				
Principal Retirement	19,941	-	2,860,000	2,879,941
Interest on Long-Term Debt	40,455	-	4,943,661	4,984,116
Total Expenditures	<u>6,857,020</u>	<u>7,302,915</u>	<u>7,803,661</u>	<u>21,963,596</u>
Excess (Deficiency) of Revenues Over Expenditures	792,942	2,646,853	(7,803,661)	(4,363,866)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,077,905	6,084,141	7,803,661	14,965,707
Transfers Out	(639,204)	(9,317,526)	-	(9,956,730)
Total Other Financing Sources (Uses)	<u>438,701</u>	<u>(3,233,385)</u>	<u>7,803,661</u>	<u>5,008,977</u>
Net Change in Fund Balances	1,231,643	(586,532)	-	645,111
<b>FUND BALANCES</b>				
Beginning of Year	265,473	15,285,746	7,064	15,558,283
End of Year	<u>\$ 1,497,116</u>	<u>\$ 14,699,214</u>	<u>\$ 7,064</u>	<u>\$ 16,203,394</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	Highway Users	Local Transportation	Town Center
	Revenue	Assistance	
<b>ASSETS</b>			
Cash and Investments	\$ 729,383	\$ 423,850	\$ 563,748
Receivables:			
Accounts Receivable	-	-	1,500
Taxes Receivable	-	-	82,526
Intergovernmental Receivable	330,825	-	-
Total Assets	<u>\$ 1,060,208</u>	<u>\$ 423,850</u>	<u>\$ 647,774</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 1,016,473	\$ -	\$ 49,513
Accrued Wages and Benefits	43,735	-	-
Total Liabilities	<u>1,060,208</u>	<u>-</u>	<u>49,513</u>
Deferred Inflows of Resources:			
Unavailable Revenues	-	-	-
Fund Balances:			
Restricted	-	423,850	598,261
Assigned	-	-	-
Total Fund Balances	<u>-</u>	<u>423,850</u>	<u>598,261</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,060,208</u>	<u>\$ 423,850</u>	<u>\$ 647,774</u>

Street Lighting Districts	Housing Rehab	Parks and Recreation	Community Events	Totals
\$ 177,702	\$ 79,346	\$ 59,725	\$ 205,372	\$ 2,239,126
-	-	-	-	1,500
5,532	-	-	-	88,058
-	-	-	-	330,825
<u>\$ 183,234</u>	<u>\$ 79,346</u>	<u>\$ 59,725</u>	<u>\$ 205,372</u>	<u>\$ 2,659,509</u>
\$ 51,166	\$ -	\$ -	\$ 244	\$ 1,117,396
-	-	-	-	43,735
<u>51,166</u>	<u>-</u>	<u>-</u>	<u>244</u>	<u>1,161,131</u>
1,262	-	-	-	1,262
130,806	79,346	59,725	-	1,291,988
-	-	-	205,128	205,128
<u>130,806</u>	<u>79,346</u>	<u>59,725</u>	<u>205,128</u>	<u>1,497,116</u>
<u>\$ 183,234</u>	<u>\$ 79,346</u>	<u>\$ 59,725</u>	<u>\$ 205,372</u>	<u>\$ 2,659,509</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, 2019**

	Highway Users Revenue	Local Transportation Assistance	Town Center
<b>REVENUES</b>			
Local Sales Tax	\$ -	\$ -	\$ 827,076
Intergovernmental	4,912,411	-	-
Special Assessments	-	-	-
Charges for Services	-	-	16,190
Contributions	-	-	-
Investment Income	5,023	-	13,132
Miscellaneous	874	-	1,361,729
Total Revenues	<u>4,918,308</u>	<u>-</u>	<u>2,218,127</u>
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	5,104,244	-	-
Culture and Recreation	-	-	-
Economic Development	-	-	180,594
Capital Outlay	798,614	-	9,989
Debt Service:			
Principal Retirement	19,941	-	-
Interest on Long-Term Debt	455	-	40,000
Total Expenditures	<u>5,923,254</u>	<u>-</u>	<u>230,583</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,004,946)	-	1,987,544
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,027,905	-	-
Transfers Out	(265,616)	-	(360,044)
Total Other Financing Sources (Uses)	<u>762,289</u>	<u>-</u>	<u>(360,044)</u>
Net Change in Fund Balances	(242,657)	-	1,627,500
<b>FUND BALANCES</b>			
Beginning of Year	242,657	423,850	(1,029,239)
End of Year	<u>\$ -</u>	<u>\$ 423,850</u>	<u>\$ 598,261</u>

Street Lighting Districts	Housing Rehab	Parks and Recreation	Community Events	Totals
\$ -	\$ -	\$ -	\$ -	\$ 827,076
-	-	-	-	4,912,411
408,436	-	-	-	408,436
-	-	-	-	16,190
-	-	235	99,286	99,521
4,271	1,299	-	-	23,725
-	-	-	-	1,362,603
<u>412,707</u>	<u>1,299</u>	<u>235</u>	<u>99,286</u>	<u>7,649,962</u>
597,404	-	-	-	5,701,648
-	-	-	105,779	105,779
-	-	-	-	180,594
-	-	-	-	808,603
-	-	-	-	19,941
-	-	-	-	40,455
<u>597,404</u>	<u>-</u>	<u>-</u>	<u>105,779</u>	<u>6,857,020</u>
(184,697)	1,299	235	(6,493)	792,942
-	-	-	50,000	1,077,905
(13,544)	-	-	-	(639,204)
<u>(13,544)</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>438,701</u>
(198,241)	1,299	235	43,507	1,231,643
329,047	78,047	59,490	161,621	265,473
<u>\$ 130,806</u>	<u>\$ 79,346</u>	<u>\$ 59,725</u>	<u>\$ 205,128</u>	<u>\$ 1,497,116</u>

**TOWN OF QUEEN CREEK, ARIZONA  
NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	Town Building Development	Transportation Development	Library Development
<b>ASSETS</b>			
Cash and Investments	\$ 2,640,488	\$ 1,239,811	\$ 1,197,264
Restricted Cash and Investments	-	-	-
Total Assets	<u>\$ 2,640,488</u>	<u>\$ 1,239,811</u>	<u>\$ 1,197,264</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 138	\$ 138	\$ 138
Total Liabilities	<u>138</u>	<u>138</u>	<u>138</u>
Deferred Inflows of Resources:			
Fund Balances:			
Restricted	2,640,350	1,239,673	1,197,126
Assigned	-	-	-
Total Fund Balances	<u>2,640,350</u>	<u>1,239,673</u>	<u>1,197,126</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,640,488</u>	<u>\$ 1,239,811</u>	<u>\$ 1,197,264</u>

<u>Park Development</u>	<u>Public Safety Development</u>	<u>Fire Development</u>	<u>General Capital Improvement</u>	<u>Totals</u>
\$ 7,288,067	\$ 279,785	\$ 2,078,834	\$ 154,509	\$ 14,878,758
-	-	-	73,020	73,020
<u>\$ 7,288,067</u>	<u>\$ 279,785</u>	<u>\$ 2,078,834</u>	<u>\$ 227,529</u>	<u>\$ 14,951,778</u>
\$ 91,386	\$ 5,835	\$ 8,785	\$ 146,144	\$ 252,564
<u>91,386</u>	<u>5,835</u>	<u>8,785</u>	<u>146,144</u>	<u>252,564</u>
7,196,681	273,950	2,070,049	73,020	14,690,849
-	-	-	8,365	8,365
<u>7,196,681</u>	<u>273,950</u>	<u>2,070,049</u>	<u>81,385</u>	<u>14,699,214</u>
<u>\$ 7,288,067</u>	<u>\$ 279,785</u>	<u>\$ 2,078,834</u>	<u>\$ 227,529</u>	<u>\$ 14,951,778</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, 2019**

	Town Building Development	Transportation Development	Library Development
<b>REVENUES</b>			
Impact Fees	\$ 700,227	\$ 2,000,598	\$ 982,215
Investment Income	38,276	126,856	12,459
Miscellaneous	-	-	-
Total Revenues	<u>738,503</u>	<u>2,127,454</u>	<u>994,674</u>
<b>EXPENDITURES</b>			
Current:			
General Government	1,294	-	-
Public Safety	-	-	-
Highways and Streets	-	347,524	-
Culture and Recreation	-	-	2,088
Capital Outlay	-	-	-
Total Expenditures	<u>1,294</u>	<u>347,524</u>	<u>2,088</u>
Excess (Deficiency) of Revenues Over Expenditures	737,209	1,779,930	992,586
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	4,655	-	187,528
Transfers Out	(292,124)	(7,013,016)	(232,381)
Total Other Financing Sources (Uses)	<u>(287,469)</u>	<u>(7,013,016)</u>	<u>(44,853)</u>
Net Change in Fund Balances	449,740	(5,233,086)	947,733
<b>FUND BALANCES</b>			
Beginning of Year	<u>2,190,610</u>	<u>6,472,759</u>	<u>249,393</u>
End of Year	<u>\$ 2,640,350</u>	<u>\$ 1,239,673</u>	<u>\$ 1,197,126</u>



Park Development	Public Safety Development	Fire Development	General Capital Improvement	Totals
\$ 5,002,081	\$ 260,276	\$ 726,696	\$ -	\$ 9,672,093
51,796	3,979	35,944	-	269,310
-	-	-	8,365	8,365
<u>5,053,877</u>	<u>264,255</u>	<u>762,640</u>	<u>8,365</u>	<u>9,949,768</u>
-	-	-	-	1,294
-	17,532	17,532	-	35,064
-	-	-	-	347,524
19,618	-	-	-	21,706
4,491,312	-	-	2,406,015	6,897,327
<u>4,510,930</u>	<u>17,532</u>	<u>17,532</u>	<u>2,406,015</u>	<u>7,302,915</u>
542,947	246,723	745,108	(2,397,650)	2,646,853
3,485,943	-	-	2,406,015	6,084,141
(532,970)	(161,805)	(1,085,230)	-	(9,317,526)
<u>2,952,973</u>	<u>(161,805)</u>	<u>(1,085,230)</u>	<u>2,406,015</u>	<u>(3,233,385)</u>
3,495,920	84,918	(340,122)	8,365	(586,532)
3,700,761	189,032	2,410,171	73,020	15,285,746
<u>\$ 7,196,681</u>	<u>\$ 273,950</u>	<u>\$ 2,070,049</u>	<u>\$ 81,385</u>	<u>\$ 14,699,214</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**DRAINAGE AND TRANSPORTATION FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 4,277,000	\$ 4,277,000	\$ 15,613	\$ (4,261,387)
Contributions	-	-	617,021	617,021
Investment Income	-	-	988,962	988,962
Miscellaneous	-	-	277,067	277,067
Total Revenues	<u>4,277,000</u>	<u>4,277,000</u>	<u>1,898,663</u>	<u>(2,378,337)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	42,797,470	3,738,923	850,284	2,888,639
Capital Outlay	41,454,240	72,475,119	23,549,662	48,925,457
Debt Service:				
Interest on Long-Term Debt	-	165,692	165,692	-
Debt Issuance Costs	-	75,000	-	75,000
Total Expenditures	<u>84,251,710</u>	<u>76,454,734</u>	<u>24,565,638</u>	<u>51,889,096</u>
Excess (Deficiency) of Revenues Over Expenditures	(79,974,710)	(72,177,734)	(22,666,975)	49,510,759
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,933,922	11,369,765	11,369,765	-
Transfers Out	-	(436,135)	(436,135)	-
Proceeds from Bond Issuance	22,000,000	22,000,000	-	22,000,000
Total Other Financing Sources (Uses)	<u>25,933,922</u>	<u>32,933,630</u>	<u>10,933,630</u>	<u>22,000,000</u>
Net Change in Fund Balances	<u>\$ (54,040,788)</u>	<u>\$ (39,244,104)</u>	<u>\$ (11,733,345)</u>	<u>\$ 71,510,759</u>

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

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	7,895
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget	(156,299)
Net Change in Fund Balance - GAAP Basis	<u>\$ (11,881,749)</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**IMPROVEMENT DISTRICT DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 1,702,407	\$ 1,702,407	\$ 1,704,310	\$ 1,903
Charges for Services	-	-	2,760	2,760
Total Revenues	<u>1,702,407</u>	<u>1,702,407</u>	<u>1,707,070</u>	<u>4,663</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	1,340,000	1,483,588	1,483,588	-
Interest on Long-Term Debt	425,910	425,910	401,211	24,699
Total Expenditures	<u>1,765,910</u>	<u>1,909,498</u>	<u>1,884,799</u>	<u>24,699</u>
Net Change in Fund Balances	<u>\$ (63,503)</u>	<u>\$ (207,091)</u>	<u>\$ (177,729)</u>	<u>\$ 29,362</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**HIGHWAY USERS REVENUE FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 4,155,360	\$ 4,155,360	\$ 4,429,698	\$ 274,338
Investment Income	-	-	5,023	5,023
Miscellaneous	-	-	874	874
Total Revenues	<u>4,155,360</u>	<u>4,155,360</u>	<u>4,435,595</u>	<u>280,235</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	5,237,653	5,440,877	5,100,566	340,311
Capital Outlay	226,000	271,526	270,609	917
Debt Service:				
Principal Retirement	19,773	19,941	19,941	-
Interest on Long-Term Debt	625	625	455	170
Total Expenditures	<u>5,484,051</u>	<u>5,732,969</u>	<u>5,391,571</u>	<u>341,398</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,328,691)	(1,577,609)	(955,976)	621,633
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,594,308	1,594,308	1,027,905	(566,403)
Transfers Out	(265,617)	(310,908)	(310,908)	-
Total Other Financing Sources (Uses)	<u>1,328,691</u>	<u>1,283,400</u>	<u>716,997</u>	<u>(566,403)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (294,209)</u>	<u>\$ (238,979)</u>	<u>\$ 55,230</u>

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

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	<u>(3,678)</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ (242,657)</u>

*The Highway Users Revenue and Grants Funds were presented together within the Fund Statements but budgeted separately.*

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**TOWN CENTER FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sales Tax	\$ 802,990	\$ 859,200	\$ 827,076	\$ (32,124)
Charges for Services	20,000	20,000	16,190	(3,810)
Investment Income	21,000	21,000	13,132	(7,868)
Miscellaneous	-	-	1,361,729	1,361,729
Total Revenues	<u>843,990</u>	<u>900,200</u>	<u>2,218,127</u>	<u>1,317,927</u>
<b>EXPENDITURES</b>				
Current:				
Economic Development	34,200	78,069	180,594	(102,525)
Capital Outlay	825,000	786,704	9,989	776,715
Debt Service:				
Interest on Long-Term Debt	80,000	40,000	40,000	-
Total Expenditures	<u>939,200</u>	<u>904,773</u>	<u>230,583</u>	<u>674,190</u>
Excess (Deficiency) of Revenues Over Expenditures	(95,210)	(4,573)	1,987,544	1,992,117
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(400,044)	(2,000,044)	(1,960,044)	40,000
Total Other Financing Sources (Uses)	<u>(400,044)</u>	<u>(2,000,044)</u>	<u>(1,960,044)</u>	<u>40,000</u>
Net Change in Fund Balances	<u>\$ (495,254)</u>	<u>\$ (2,004,617)</u>	<u>\$ 27,500</u>	<u>\$ 2,032,117</u>

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

Interfund Loans Represent Expenditures (Revenues) on Budget Basis	<u>1,600,000</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ 1,627,500</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**STREET LIGHTING DISTRICTS FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 700,000	\$ 700,000	\$ 408,436	\$ (291,564)
Investment Income	-	-	4,271	4,271
Total Revenues	<u>700,000</u>	<u>700,000</u>	<u>412,707</u>	<u>(287,293)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	700,000	700,000	597,404	102,596
Total Expenditures	<u>700,000</u>	<u>700,000</u>	<u>597,404</u>	<u>102,596</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(184,697)	(184,697)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	(13,544)	(13,544)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(13,544)</u>	<u>(13,544)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (13,544)</u>	<u>\$ (198,241)</u>	<u>\$ (184,697)</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**COMMUNITY EVENTS FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Contributions	\$ 74,650	\$ 74,650	\$ 99,286	\$ 24,636
Total Revenues	<u>74,650</u>	<u>74,650</u>	<u>99,286</u>	<u>24,636</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	164,650	164,650	105,779	58,871
Total Expenditures	<u>164,650</u>	<u>164,650</u>	<u>105,779</u>	<u>58,871</u>
Excess (Deficiency) of Revenues Over Expenditures	(90,000)	(90,000)	(6,493)	83,507
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	90,000	90,000	50,000	(40,000)
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>90,000</u>	<u>50,000</u>	<u>(40,000)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,507</u>	<u>\$ 43,507</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**TOWN BUILDING DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 467,550	\$ 584,438	\$ 700,227	\$ 115,789
Investment Income	19,350	19,350	38,276	18,926
Total Revenues	<u>486,900</u>	<u>603,788</u>	<u>738,503</u>	<u>134,715</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	6,156	1,294	4,862
Total Expenditures	<u>-</u>	<u>6,156</u>	<u>1,294</u>	<u>4,862</u>
Excess (Deficiency) of Revenues Over Expenditures	486,900	597,632	737,209	139,577
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	4,655	4,655	-
Transfers Out	(292,777)	(292,124)	(292,124)	-
Total Other Financing Sources (Uses)	<u>(292,777)</u>	<u>(287,469)</u>	<u>(287,469)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 194,123</u>	<u>\$ 310,163</u>	<u>\$ 449,740</u>	<u>\$ 139,577</u>



**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**TRANSPORTATION DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 1,314,870	\$ 1,643,588	\$ 2,000,598	\$ 357,010
Investment Income	5,000	5,000	126,856	121,856
Total Revenues	1,319,870	1,648,588	2,127,454	478,866
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	-	352,386	347,524	4,862
Debt Service:				
Interest on Long-Term Debt	26,161	-	-	-
Total Expenditures	26,161	352,386	347,524	4,862
Excess (Deficiency) of Revenues Over Expenditures	1,293,709	1,296,202	1,779,930	483,728
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(1,634,465)	(7,013,016)	(7,013,016)	-
Total Other Financing Sources (Uses)	(1,634,465)	(7,013,016)	(7,013,016)	-
Net Change in Fund Balances	\$ (340,756)	\$ (5,716,814)	\$ (5,233,086)	\$ 483,728

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**LIBRARY DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 584,500	\$ 730,625	\$ 982,215	\$ 251,590
Investment Income	20,000	20,000	12,459	(7,541)
Total Revenues	604,500	750,625	994,674	244,049
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	-	21,418	2,088	19,330
Total Expenditures	-	21,418	2,088	19,330
Excess (Deficiency) of Revenues Over Expenditures	604,500	729,207	992,586	263,379
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	187,528	187,528	-
Transfers Out	(405,292)	(233,902)	(232,381)	1,521
Total Other Financing Sources (Uses)	(405,292)	(46,374)	(44,853)	1,521
Net Change in Fund Balances	\$ 199,208	\$ 682,833	\$ 947,733	\$ 264,900

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**PARK DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Impact Fees	2,975,250	3,719,063	5,002,081	1,283,018
Investment Income	21,500	21,500	51,796	30,296
Total Revenues	<u>3,996,750</u>	<u>4,740,563</u>	<u>5,053,877</u>	<u>313,314</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	3,000,000	132,827	19,618	113,209
Capital Outlay	4,600,000	8,746,206	4,491,312	4,254,894
Total Expenditures	<u>7,600,000</u>	<u>8,879,033</u>	<u>4,510,930</u>	<u>4,368,103</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,603,250)	(4,138,470)	542,947	4,681,417
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	3,485,943	3,485,943	-
Transfers Out	(522,071)	(532,970)	(532,970)	-
Total Other Financing Sources (Uses)	<u>(522,071)</u>	<u>2,952,973</u>	<u>2,952,973</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (4,125,321)</u>	<u>\$ (1,185,497)</u>	<u>\$ 3,495,920</u>	<u>\$ 4,681,417</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**PUBLIC SAFETY DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 178,460	\$ 223,075	\$ 260,276	\$ 37,201
Investment Income	10,000	10,000	3,979	(6,021)
Total Revenues	<u>188,460</u>	<u>233,075</u>	<u>264,255</u>	<u>31,180</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	-	65,823	17,532	48,291
Total Expenditures	<u>-</u>	<u>65,823</u>	<u>17,532</u>	<u>48,291</u>
Excess (Deficiency) of Revenues Over Expenditures	188,460	167,252	246,723	79,471
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(171,709)	(171,709)	(161,805)	9,904
Total Other Financing Sources (Uses)	<u>(171,709)</u>	<u>(171,709)</u>	<u>(161,805)</u>	<u>9,904</u>
Net Change in Fund Balances	<u>\$ 16,751</u>	<u>\$ (4,457)</u>	<u>\$ 84,918</u>	<u>\$ 89,375</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FIRE DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Impact Fees	\$ 481,680	\$ 602,100	\$ 726,696	\$ 124,596
Investment Income	12,100	12,100	35,944	23,844
Total Revenues	<u>493,780</u>	<u>614,200</u>	<u>762,640</u>	<u>148,440</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	-	85,385	17,532	67,853
Total Expenditures	<u>-</u>	<u>85,385</u>	<u>17,532</u>	<u>67,853</u>
Excess (Deficiency) of Revenues Over Expenditures	493,780	528,815	745,108	216,293
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(6,110,696)	(6,110,696)	(1,085,230)	5,025,466
Total Other Financing Sources (Uses)	<u>(6,110,696)</u>	<u>(6,110,696)</u>	<u>(1,085,230)</u>	<u>5,025,466</u>
Net Change in Fund Balances	<u>\$ (5,616,916)</u>	<u>\$ (5,581,881)</u>	<u>\$ (340,122)</u>	<u>\$ 5,241,759</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL CAPITAL IMPROVEMENT FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 8,365	\$ 8,365
Total Revenues	-	-	8,365	8,365
<b>EXPENDITURES</b>				
Capital Outlay	7,156,657	8,909,165	2,406,015	6,503,150
Total Expenditures	7,156,657	8,909,165	2,406,015	6,503,150
Excess (Deficiency) of Revenues Over Expenditures	(7,156,657)	(8,909,165)	(2,397,650)	6,511,515
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	7,156,657	7,156,657	2,406,015	(4,750,642)
Total Other Financing Sources (Uses)	7,156,657	7,156,657	2,406,015	(4,750,642)
Net Change in Fund Balances	\$ -	\$ (1,752,508)	\$ 8,365	\$ 1,760,873

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	\$ 2,860,000	\$ 2,860,000	\$ 2,860,000	\$ -
Interest on Long-Term Debt	4,942,886	4,943,661	4,943,661	-
Total Expenditures	<u>7,802,886</u>	<u>7,803,661</u>	<u>7,803,661</u>	<u>-</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (7,802,886)	 (7,803,661)	 (7,803,661)	 -
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	7,797,886	8,042,160	7,803,661	(238,499)
Total Other Financing Sources (Uses)	<u>7,797,886</u>	<u>8,042,160</u>	<u>7,803,661</u>	<u>(238,499)</u>
Net Change in Fund Balances	<u>\$ (5,000)</u>	<u>\$ 238,499</u>	<u>\$ -</u>	<u>\$ (238,499)</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**EMERGENCY SERVICES FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sales Tax	\$ 2,689,690	\$ 2,933,448	\$ 3,311,625	\$ 378,177
Property Tax	6,962,716	6,962,716	7,022,389	59,673
Intergovernmental	129,000	129,000	155,998	26,998
Charges for Services	4,272,300	4,052,547	4,031,646	(20,901)
Contributions	-	-	9,200	9,200
Miscellaneous	107,000	107,000	155,170	48,170
Total Revenues	<u>14,160,706</u>	<u>14,184,711</u>	<u>14,686,028</u>	<u>501,317</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	17,777,740	17,471,237	15,635,618	1,835,619
Capital Outlay	16,000	657,119	565,279	91,840
Debt Service:				
Principal Retirement	67,611	76,215	76,215	-
Interest on Long-Term Debt	15,769	7,164	7,164	-
Total Expenditures	<u>17,877,120</u>	<u>18,211,735</u>	<u>16,284,276</u>	<u>1,927,459</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,716,414)	(4,027,024)	(1,598,248)	2,428,776
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	5,123,144	5,123,144	2,150,434	(2,972,710)
Transfers Out	(1,406,730)	(1,334,030)	(788,351)	545,679
Total Other Financing Sources (Uses)	<u>3,716,414</u>	<u>3,789,114</u>	<u>1,362,083</u>	<u>(2,427,031)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (237,910)</u>	<u>\$ (236,165)</u>	<u>\$ 1,745</u>

*The Emergency Services Fund was presented within the General Fund for the Fund Statements but budgeted separately.*



**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**HORSESHOE PARK AND EQUESTRIAN CENTER FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 576,250	\$ 576,250	\$ 555,839	\$ (20,411)
Contributions	165,250	165,250	41,750	(123,500)
Miscellaneous	1,070	1,070	14,273	13,203
Total Revenues	<u>742,570</u>	<u>742,570</u>	<u>611,862</u>	<u>(130,708)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	1,368,467	1,394,572	1,337,982	56,590
Capital Outlay	600,000	433,917	107,284	326,633
Total Expenditures	<u>1,968,467</u>	<u>1,828,489</u>	<u>1,445,266</u>	<u>383,223</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,225,897)	(1,085,919)	(833,404)	252,515
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,683,101	1,703,231	1,135,856	(567,375)
Transfers Out	(297,204)	(309,058)	(309,058)	-
Total Other Financing Sources (Uses)	<u>1,385,897</u>	<u>1,394,173</u>	<u>826,798</u>	<u>(567,375)</u>
Net Change in Fund Balances	<u>\$ 160,000</u>	<u>\$ 308,254</u>	<u>\$ (6,606)</u>	<u>\$ (314,860)</u>

*The HPEC Fund was presented within the General Fund for the Fund Statements but budgeted separately.*

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GRANTS FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,927,300	\$ 1,927,300	\$ 482,713	\$ (1,444,587)
Total Revenues	1,927,300	1,927,300	482,713	(1,444,587)
<b>EXPENDITURES</b>				
Current:				
Public Safety	1,102,700	1,102,700	-	1,102,700
Highways and Streets	897,300	369,295	-	369,295
Capital Outlay	-	528,005	528,005	-
Total Expenditures	2,000,000	2,000,000	528,005	1,471,995
Excess (Deficiency) of Revenues Over Expenditures	(72,700)	(72,700)	(45,292)	27,408
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	72,700	45,292	45,292	-
Total Other Financing Sources (Uses)	72,700	45,292	45,292	-
Net Change in Fund Balances	\$ -	\$ (27,408)	\$ -	\$ 27,408

*The Highway Users Revenue and Grants Funds were presented together within the Fund Statements but budgeted separately.*

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**WATER FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 22,265,786	\$ 22,265,786	\$ 23,334,703	\$ 1,068,917
Capacity Fees	3,993,930	4,593,020	6,077,562	1,484,542
Investment Income	339,000	504,692	556,366	51,674
Miscellaneous	-	-	23,977	23,977
Total Revenues	<u>26,598,716</u>	<u>27,363,498</u>	<u>29,992,608</u>	<u>2,629,110</u>
<b>EXPENDITURES</b>				
Operating Expenditures				
Administration	963,414	723,600	708,307	15,293
Cost of Sales and Services	44,011,035	70,293,294	30,450,807	39,842,487
Principal Retirement	2,574,361	2,574,361	2,571,723	2,638
Interest and Fiscal Charges	3,052,863	3,478,676	3,478,642	34
Debt Issuance Costs	-	466,054	428,754	37,300
Total Expenditures	<u>50,601,673</u>	<u>77,535,985</u>	<u>37,638,233</u>	<u>39,897,752</u>
Excess (Deficiency) of Revenues Over Expenditures	(24,002,957)	(50,172,487)	(7,645,625)	42,526,862
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	1,600,000	1,600,000	-
Transfers Out	-	(2,041,785)	(2,041,785)	-
Proceeds from Bond Issuance	-	69,930,000	-	(69,930,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>69,488,215</u>	<u>(441,785)</u>	<u>(69,930,000)</u>
Net Change in Fund Balances	<u>\$ (24,002,957)</u>	<u>\$ 19,315,728</u>	<u>\$ (8,087,410)</u>	<u>\$ (27,403,138)</u>
<b>RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:</b>				
Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget			(485,491)	
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget			(137,492)	
Depreciation Expense is a GAAP-only Expenditure			(2,512,410)	
Principal Retirement is an Expense on a Budgetary Basis			2,571,723	
Amortization Expense is a GAAP-only Expenditure			300,570	
Cost of Assets is Capitalized on a GAAP Basis, Expensed on a Budget Basis			14,407,443	
Capital Contributions are recognized for Donated Capital Assets on a GAAP Basis			1,909,179	
Mainline Agreement Refunds are an Expense on a Budgetary Basis			203,784	
Unrealized Gain (Loss) on Investments are GAAP-only Expenses			149,396	
Interfund Loans Represent Expenditures (Revenues) on Budget Basis			441,785	
Net Change in Fund Balance - GAAP Basis			<u>\$ 8,761,077</u>	

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**WASTEWATER FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 6,741,250	\$ 6,741,250	\$ 7,540,502	\$ 799,252
Capacity Fees	4,045,270	4,854,324	6,036,136	1,181,812
Investment Income	198,500	325,772	408,675	82,903
Miscellaneous	-	-	290	290
Total Revenues	10,985,020	11,921,346	13,985,603	2,064,257
<b>EXPENDITURES</b>				
Operating Expenditures				
Administration	120,890	120,890	116,187	4,703
Cost of Sales and Services	30,712,267	30,115,186	14,766,387	15,348,799
Principal Retirement	2,255,941	23,034,726	23,034,726	-
Interest and Fiscal Charges	917,961	917,961	894,882	23,079
Debt Issuance Costs	-	75,000	-	75,000
Total Expenditures	34,007,059	54,263,763	38,812,182	15,451,581
Excess (Deficiency) of Revenues Over Expenditures	(23,022,039)	(42,342,417)	(24,826,579)	17,515,838
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	11,363,591	11,363,591	-
Total Other Financing Sources (Uses)	-	11,363,591	11,363,591	-
Net Change in Fund Balances	\$ (23,022,039)	\$ (30,978,826)	\$ (13,462,988)	\$ 17,515,838

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

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	32,005
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget	(270,877)
Depreciation Expense is a GAAP-only Expenditure	(1,811,459)
Principal Retirement is an Expense on a Budgetary Basis	23,034,726
Amortization Expense is a GAAP-only Expenditure	36,858
Cost of Assets is Capitalized on a GAAP Basis, Expensed on a Budget Basis	11,555,119
Capital Contributions are recognized for Donated Capital Assets on a GAAP Basis	1,617,265
Changes in Joint Venture Investments and Deposits are GAAP-Only Expenditures	(219,566)
Unrealized Gain (Loss) on Investments are GAAP-only Expenses	24,964
Interfund Loans Represent Expenditures (Revenues) on Budget Basis	(11,363,591)
Net Change in Fund Balance - GAAP Basis	<u>\$ 9,172,456</u>

**TOWN OF QUEEN CREEK, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**SOLID WASTE FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 2,832,194	\$ 2,832,194	\$ 2,949,858	\$ 117,664
Investment Income	1,500	1,500	12,021	10,521
Miscellaneous	26,000	26,000	-	(26,000)
Total Revenues	<u>2,859,694</u>	<u>2,859,694</u>	<u>2,961,879</u>	<u>102,185</u>
<b>EXPENDITURES</b>				
Operating Expenditures				
Administration	69,751	69,751	65,704	4,047
Cost of Sales and Services	2,878,780	3,039,580	2,734,407	305,173
Total Expenditures	<u>2,948,531</u>	<u>3,109,331</u>	<u>2,800,111</u>	<u>309,220</u>
Excess (Deficiency) of Revenues Over Expenditures	(88,837)	(249,637)	161,768	411,405
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	262,800	262,800	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>262,800</u>	<u>262,800</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (88,837)</u>	<u>\$ 13,163</u>	<u>\$ 424,568</u>	<u>\$ 411,405</u>
<b>RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:</b>				
Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget			202	
Depreciation Expense is a GAAP-only Expenditure			(9,374)	
Cost of Assets is Capitalized on a GAAP Basis, Expensed on a Budget Basis			122,069	
Net Change in Fund Balance - GAAP Basis			<u>\$ 537,465</u>	

FORM OF CONTINUING DISCLOSURE UNDERTAKING

**\$78,605,000**  
**TOWN OF QUEEN CREEK, ARIZONA**  
**EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS,**  
**SERIES 2020**

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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**NINTH CONTINUING DISCLOSURE UNDERTAKING**

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This Ninth 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 \$78,605,000 aggregate principal amount of Excise Tax and State Shared Revenue Obligations, Series 2020 (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 executed and delivered pursuant to a Fourth Trust Agreement, dated as of June 1, 2020 (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 June 11, 2020.

*Financial Obligation* means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

*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 Fourth Purchase Agreement, dated as of June 1, 2020, 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 in complying with the requirements of the Rule. 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.* The CUSIP Numbers of the Obligations are as follows:

<u>CUSIP No.</u> <u>(Base 74823Y)</u>	<u>Maturity Date</u> <u>(August 1)</u>
DP7	2021
DQ5	2022
DR3	2023
DS1	2024
DT9	2025
DU6	2026
DV4	2027
DW2	2028
DX0	2029
DY8	2030
DZ5	2031
EA9	2032
EB7	2033
EC5	2034
ED3	2035
EE1	2036
EF8	2037
EG6	2038
EH4	2039
EJ0	2040
EK7	2045
EL5	2050

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 ten (10) business days after 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 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]

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 in the table under the following heading: “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, 2021. 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 material 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.
15. Incurrence of a Financial Obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Town, any of which reflect financial difficulties.

**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.

**WEDBUSH**