

OFFICIAL STATEMENT DATED MAY 10, 2022

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 Fifth Purchase Agreement and denominated as and comprising interest pursuant to the Fifth 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.

\$106,980,000
TOWN OF QUEEN CREEK, ARIZONA
EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS, SERIES 2022

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 2022 (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 August 1, 2022. 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.

See Maturity Schedule on Inside Front Cover Page

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 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 Fifth Purchase Agreement, to be dated as of June 1, 2022, 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 8, 2022.

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

Piper Sandler

RBC Capital Markets

Wells Fargo Securities

MATURITY SCHEDULE

\$106,980,000

TOWN OF QUEEN CREEK, ARIZONA

EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS, SERIES 2022

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP (a) (Base 74823Y)</u>
2023	\$2,265,000	5.000%	2.150%	EM3
2024	2,380,000	5.000	2.430	EN1
2025	2,505,000	5.000	2.610	EP6
2026	2,630,000	5.000	2.680	EQ4
2027	2,765,000	5.000	2.760	ER2
2028	2,910,000	5.000	2.890	ES0
2029	3,055,000	5.000	3.010	ET8
2030	3,215,000	5.000	3.080	EU5
2031	3,380,000	5.000	3.180	EV3
2032	3,550,000	5.000	3.250	EW1
2033	3,735,000	5.000	3.320 (b)	EX9
2034	3,925,000	5.000	3.360 (b)	EY7
2035	4,125,000	5.000	3.390 (b)	EZ4
2036	4,340,000	5.000	3.430 (b)	FA8
2037	4,560,000	5.000	3.450 (b)	FB6
2038	4,765,000	3.750	3.920	FC4
2039	4,950,000	3.875	3.970	FD2
2040	5,145,000	3.875	4.020	FE0
2041	5,350,000	3.875	4.060	FF7
2042	5,560,000	3.875	4.110	FG5
2043	5,780,000	3.875	4.160	FH3

\$26,090,000 Term Obligation @ 5.000% Due August 1, 2047 - Yield of 3.780% (b) CUSIP® (a): 74823YFJ9

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- (b) Yield calculated to the first optional redemption date, August 1, 2032.

TOWN OF QUEEN CREEK, ARIZONA

Incorporated in 1989

TOWN COUNCIL

Gail Barney, *Mayor*

Jeff Brown, *Vice Mayor*

Robin Benning, *Council Member*

Leah Martineau, *Council Member*

Dawn Oliphant, *Council Member*

Emilena Turley, *Council Member*

Julia Wheatley, *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.

Houston, 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 2022 (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 (collectively, 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 will undertake 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

\$106,980,000

**TOWN OF QUEEN CREEK, ARIZONA
EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS, SERIES 2022**

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, provides certain information concerning the offering by the Town of Queen Creek, Arizona (the “Town”) of \$106,980,000 principal amount of Excise Tax and State Shared Revenue Obligations, Series 2022 (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 Fifth Purchase Agreement, to be dated as of June 1, 2022 (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. 1449-22 adopted by the Mayor and Council of the Town on April 6, 2022.

The Obligations will be executed and delivered pursuant to a Fifth Trust Agreement, to be dated as of June 1, 2022 (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 \$2,330,000, 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 \$35,705,000, relating to the Town’s Excise Tax and State Shared Revenue Refunding Obligations, Series 2016, 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 \$61,640,000 relating to the Town’s Excise Tax and State Shared Revenue Obligations, Series 2018A and Series 2018B, and a Fourth Purchase Agreement, dated as of June 1, 2020 (the “Fourth Purchase Agreement” and, collectively with the Loan Repayment Agreement, the Second Purchase Agreement and the Third Purchase Agreement, the “Outstanding Parity Lien Obligations”), by and between the Town, as buyer, and a trustee, as seller, outstanding in the principal amount of \$77,525,000 relating to the Town’s Excise Tax and State Shared Revenue Obligations, Series 2020. Pursuant to the Outstanding Parity Lien Obligations, 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 with similar provisions 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, the Fourth Purchase Agreement and, with respect to the Obligations, the Purchase Agreement. Pursuant to the Outstanding Parity Lien Obligations 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 Outstanding Parity Lien Obligations 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 Outstanding Parity Lien Obligations, Appendix A – “Town of Queen Creek, Arizona General and Financial Information – Senior Lien Excise Tax and State Shared Revenue Debt 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, 2021” 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 August 1, 2022. 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, 2032, will not be subject to redemption prior to maturity. The Obligations maturing on or after August 1, 2033, 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, 2032, 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, 2047 will be subject to mandatory redemption on the following dates and in the following amounts at a price equal to the principal amount thereof plus interest accrued to the date of redemption, but without premium:

<u>Term Obligation Due August 1, 2047</u>	
<u>Redemption Date (August 1)</u>	<u>Principal Amount</u>
2044	\$6,040,000
2045	6,350,000
2046	6,680,000
2047*	7,020,000

* Maturity Date.

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 Outstanding Parity Lien Obligations 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 Outstanding Parity Lien Obligations 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 the Outstanding Parity Lien Obligations and any 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 Outstanding Parity Lien Obligations, the Purchase Agreement and the other of the Parity Lien Obligations.

The Town currently anticipates the issuance of approximately \$25 million principal amount of additional Parity Lien Obligations before the end of calendar year 2022.

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 Outstanding Parity Lien Obligations 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 ($1\frac{1}{4}$) times the total of the interest and principal requirements for the current fiscal year for the Outstanding Parity Lien Obligations 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.

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

Category	General Tax Rate
Amusement	2.25%
Advertising	2.25%
Communications	2.25%
Contracting	4.25%
Hotel/Motel	2.25%
Hotel/Motel (Additional Tax) (b)	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%

-
- (a) Rates effective as of January 2022. A surcharge equal to 0.25 percent is added to each sale or taxable transaction within the Queen Creek Marketplace, Cornerstone and QC District developments for all business activities in the table except Advertising, Contracting, Hotel/Motel (Additional Tax), Leasing, Mining, Severance and Use Tax.
 - (b) This tax is restricted by State statutes to be used for visitor and hospitality services (the “Restricted Portion of the Hotel Tax”). Accordingly, the Restricted Portion of the Hotel Tax does not constitute part of the Excise Taxes pledged to the payment of the Obligations or the Outstanding Parity Lien Obligations.

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 (a)**

Taxable Activities	State Tax Rate	Distribution Share
Transportation	5.600%	20.000%
Utilities	5.600%	20.000%
Telecommunications	5.600%	20.000%
Telecommunications Devices	1.100%	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%
Online Lodging Marketplace	5.720%	50.000%
Transient Lodging	7.270%	50.000%
Mining - Non-Metal, Oil/Gas	3.562%	32.000%
Commercial Lease	0.500%	53.330%
Severance - Metaliferous Mining	2.500%	80.000%
Use Tax Utilities	5.600%	20.000%
Jet Fuel Use Tax	(b)	40.000%

(a) Rates effective as of May 1, 2022.

(b) 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.

Lack of Town's Control Over State Shared Sales Taxes or State Shared Income Taxes Levels; Recent Legislative Changes. 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, including proposed adjustments that would reduce the distribution to cities and towns. 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 State shared sales taxes and State shared income taxes, which comprise 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 shared sales taxes and State shared income taxes (a major source of funds for state revenue sharing). The Town cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

It should be noted that no assurances can be given that the amount of State shared sales taxes and State shared income taxes will not be reduced or eliminated by the State Legislature in the future. The State Legislature may from time to time eliminate State shared sales taxes and State shared income taxes or may change the amount and timing of payment of State shared sales taxes and State shared income taxes and is under no legal obligation to maintain the amount of State shared sales taxes and State shared income taxes payable to the Town at any amount or level. For example, addressing State budgetary deficiencies, adjustments that reduce the distribution of State shared sales taxes could be enacted. Likewise, legislative reductions in State sales or income taxes generally could result in reductions in the amounts distributed to local governments, including the Town. Accordingly, the Town is unable to covenant to maintain State shared sales taxes or State shared income taxes at any certain level.

Enactment of SB1828. As part of the State's fiscal year 2021/22 budget, on June 30, 2021 the Governor signed Senate Bill 1828 (SB1828), which consolidated the State's current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.9 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State shared income taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State shared income taxes, SB1828 increased, beginning in fiscal year 2023/24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%. On September 28, 2021 a referendum petition was filed with the Secretary of

State to refer SB1828 to the State's electors at the November 2022 general election. However, on April 21, 2022, the Arizona Supreme Court issued a minute entry order holding that SB1828 could not be referred to the electors, at which point it became effective. The Town cannot predict what effect the enactment of SB1828 will have on its revenues from State shared income taxes.

Potential Impact of COVID-19

The Coronavirus Disease 2019 ("COVID-19") global pandemic continues to affect the nation and the State with ongoing concerns related to health and safety, appropriate preventative protocols, fiscal and economic issues, and student learning loss. At present, government and business operations in the State, following the rescindment of numerous COVID-19-related Executive Orders by Arizona Governor Doug Ducey, essentially function without government-imposed restrictions relating to the pandemic.

Collections of Excise Taxes and other collections dependent on tourism or local business activity may be materially adversely affected by the continued spread of COVID-19 due to slower business activity. The Town, however, cannot predict the extent of the impact COVID-19 will have on revenue collections of Excise Taxes, which could have a negative impact on Town revenues and ability to pay operating expenses including the Payments.

The State's finances are likely to be adversely affected by the continued spread of COVID-19, including the spread of variants, the various governmental actions taken in response thereto and changes in behavior of businesses and people, which all could affect the amount of State Shared Revenues distributed to counties and municipalities, including the Town.

Excises Taxes and State Shared Revenues are major sources of revenue of the Town's general fund and the security for and source of payment for the Obligations. The Town, however, cannot predict how the spread of COVID-19 or the various governmental or private actions taken in response thereto will affect its finances or operations, including the receipt of these funds.

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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 2016/17 through 2020/21 and budgeted collections for fiscal year 2021/22. 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				
	2021/22 (b)	2020/21	2019/20	2018/19	2017/18	2016/17
Excise Taxes						
Town Transaction Privilege (Sales) Tax	\$68,705,654	\$62,133,702	\$46,987,494	\$38,183,883	\$22,794,912	\$20,703,382
Charges for Services	15,214,605	16,484,158	13,215,246	12,009,680	9,654,564	8,378,249
Franchise Fees	2,303,190	2,193,377	2,056,619	1,586,224	388,870	320,847
Licenses and Permits	85,500	59,867	97,358	95,053	82,932	87,053
Subtotal Excise Taxes	\$86,308,949	\$80,871,104	\$62,356,717	\$51,874,840	\$32,921,278	\$29,489,531
State Shared Revenues (c)						
State Shared Income Tax	\$7,647,963	\$7,272,892	\$5,496,253	\$4,745,177	\$4,399,985	\$4,234,773
State Shared Sales Tax	7,500,000	6,037,240	4,463,452	3,969,582	3,442,520	3,175,351
Vehicle License Tax	2,700,000	2,562,303	1,813,568	1,708,392	1,489,257	1,370,993
Subtotal State Shared Revenues	\$17,847,963	\$15,872,435	\$11,773,273	\$10,423,151	\$9,331,762	\$8,781,117
Total Pledged Revenues (d)	\$104,156,912	\$96,743,539	\$74,129,990	\$62,297,991	\$42,253,040	\$38,270,648

- (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 2021/22 are based on the Town’s original budget, adjusted to reflect amendments through February 2022. 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) Pursuant to SB1828, the State’s current four personal income tax rate categories will be consolidated into a single flat rate of 2.5% over a three-year period beginning after December 1, 2021. Legislative reports have indicated that such a rate consolidation will result in an estimated \$1.9 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State shared income taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State shared income taxes, the percentage of Arizona State income taxes shared with cities and towns will increase from 15% to 18%, beginning in fiscal year 2023/24. See “REVENUES FROM THE EXCISE TAXES AND STATE SHARED REVENUES – State Shared Revenues – Enactment of SB1828.”
- (d) Revenue for fiscal years beginning with 2018/19 were 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 the revenues from the Excise Taxes. Ordinance No. 716-19 did not change the definition of Excise Taxes.

Source: Town Finance Department.

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

The following schedule illustrates the debt service requirements of the Outstanding Parity Lien Obligations, the debt service requirements of 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 fiscal year 2020/21.

Fiscal Year	Gross Revenues Available for Debt Service	Debt Service Requirements of Outstanding Parity Lien Obligations	Plus: the Obligations		Combined Obligations Debt Service Requirements	Debt Service Coverage (c)
			Principal	Interest (b)		
2021	\$96,743,539 (d)					
2022	104,252,367 (e)					
2023		\$13,458,650		\$3,228,413	\$16,687,063	
2024		13,439,850	\$2,265,000	4,931,481	20,636,331	4.69x
2025		13,272,275	2,380,000	4,815,356	20,467,631	
2026		13,276,875	2,505,000	4,693,231	20,475,106	
2027		13,272,175	2,630,000	4,564,856	20,467,031	
2028		13,243,975	2,765,000	4,429,981	20,438,956	
2029		13,245,100	2,910,000	4,288,106	20,443,206	
2030		12,834,100	3,055,000	4,138,981	20,028,081	
2031		12,391,975	3,215,000	3,982,231	19,589,206	
2032		13,019,431	3,380,000	3,817,356	20,216,788	
2033		13,009,813	3,550,000	3,644,106	20,203,919	
2034		10,117,731	3,735,000	3,461,981	17,314,713	
2035		10,119,863	3,925,000	3,270,481	17,315,344	
2036		10,118,563	4,125,000	3,069,231	17,312,794	
2037		10,106,013	4,340,000	2,857,606	17,303,619	
2038		9,523,988	4,560,000	2,635,106	16,719,094	
2039		8,876,025	4,765,000	2,431,763	16,072,788	
2040		8,875,400	4,950,000	2,246,513	16,071,913	
2041		8,877,875	5,145,000	2,050,922	16,073,797	
2042		7,677,425	5,350,000	1,847,581	14,875,006	
2043		7,679,500	5,560,000	1,636,200	14,875,700	
2044		7,675,100	5,780,000	1,416,488	14,871,588	
2045		7,668,875	6,040,000	1,153,500	14,862,375	
2046		7,660,375	6,350,000	843,750	14,854,125	
2047		7,663,800	6,680,000	518,000	14,861,800	
2048		7,658,450	7,020,000	175,500	14,853,950	
2049		4,022,000			4,022,000	
2050		4,023,400			4,023,400	
2051		4,018,800			4,018,800	
		<u>\$286,827,400</u>	<u>\$106,980,000</u>	<u>\$76,148,723</u>	<u>\$469,956,123</u>	(f)

(a) Prepared by the Financial Advisor (as defined herein). Does not include approximately \$25 million principal amount of additional Parity Lien Obligations that the Town currently anticipates issuing before the end of calendar year 2022. See “SECURITY AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Additional Parity Lien Obligations” herein.

(b) The first interest payment on the Obligations will be due August 1, 2022. Thereafter, interest payments will be made semiannually on February 1 and August 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 \$96,743,539, which is the audited amount for fiscal year 2020/21, 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 2020/21, 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 2021/22. 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.

Pursuant to SB1828, the State’s current four personal income tax rate categories will be consolidated into a single flat rate of 2.5% over a three-year period beginning after December 1, 2021. Legislative reports have indicated that such a rate consolidation will result in an estimated \$1.9 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State shared income taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State shared income taxes, the percentage of Arizona State income taxes shared with cities and towns will increase from 15% to 18%, beginning in fiscal year 2023/24. See “REVENUES FROM THE EXCISE TAXES AND STATE SHARED REVENUES – State Shared Revenues – Enactment of SB 1828.”

- (f) Total may not add due to rounding.

THE PROJECTS

The Obligations are being executed and delivered for parks projects including the construction of 98 acres of parks and amenities, to include 85 acres at the Town’s East Park location with a Recreation Center and an Aquatics Center, and for completion of the remaining 13 acres at Mansel Carter Oasis Park.

SOURCES AND USES OF FUNDS

Sources:

Par Amount of Obligations	\$106,980,000.00
Net Original Issue Premium (a)	7,806,592.95
Total	<u><u>\$114,786,592.95</u></u>

Uses:

Deposit to Project Fund	\$114,122,000.00
Costs of Issuance (Including Underwriters' Discount)	664,592.95
Total	<u><u>\$114,786,592.95</u></u>

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- (a) Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.

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 Discount and Original Issue Premium

Certain of the Obligations ("Discount Obligations") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Obligation determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues or is otherwise required to be recognized in gross income to the owner of a Discount Obligation over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues or is otherwise required to be recognized in gross income during the period of ownership of a Discount Obligation (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Obligations, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Obligation.

Certain of the Obligations ("Premium Obligations") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Obligations callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over

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

Owners of 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, 2021 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, 2021.”

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, 2023 (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. On December 8, 2021, the Town filed a failure to timely file notice of the incurrence of a material financial obligation entered into on September 25, 2020, as required by a Prior Undertaking.

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., Piper Sandler & Co., RBC Capital Markets, LLC, and Wells Fargo Bank, National Association (together, the “Underwriters”). The Underwriters have agreed to purchase from the Town the Obligations at an aggregate purchase price of \$114,477,472.45 pursuant to an obligation purchase contract between the Town and the Underwriters. The aggregate purchase price reflects compensation to the Underwriters of \$309,120.50. 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.

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. 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, acquire, long and/or short positions in such assets, securities and instruments.

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

Piper Sandler & Co. has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co. Inc. (“CS&Co”) for the retail distribution of certain securities offerings at the original issue prices, including the Obligations. Pursuant to the Distribution Agreement, CS&Co will purchase Obligations from the Underwriters at the original issue price less a negotiated portion of the selling concession applicable to any Obligations that CS&Co sells.

Wells Fargo Corporate & Investment Banking (which may be referred to elsewhere as “CIB,” “Wells Fargo Securities” or “WFS”) is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”), a member of the National Futures Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Finance Group, a separately identifiable department of WFBNA, registered with the U.S. Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, acting through its Municipal Finance Group, one of the underwriters of the Obligations, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade

name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Obligations. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Obligations with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Obligations. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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.

RELATIONSHIP AMONG PARTIES

Special Counsel has previously represented the Underwriters and the Financial Advisor and is currently representing the Underwriters with respect to other financings and has acted or is acting as special counsel with respect to other obligations underwritten by the Underwriters and the Financial Advisor and may do so in the future. Special Counsel also serves and has served as special counsel for one or more of the political subdivisions that the Town territorially overlaps. Counsel to the Underwriters has previously acted as special counsel with respect to other obligations underwritten by the Underwriters and the Financial Advisor and may continue to do so in the future if requested.

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, 38th 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 or withdrawn entirely by S&P or Fitch, if, in their respective judgment, circumstances so warrant. Any subsequent 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/ Jeff Brown, Vice 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 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 42 square miles and has a 2021 estimated population of 66,275. 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
2021 Estimate*	66,275	4,507,419	7,285,370
2020 Census	59,519	4,420,568	7,151,502
2019 Census	53,138	4,485,414	7,278,717
2018 Census	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

* Estimates as of July 1, 2021.

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

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 2020. 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 one Assistant Town Manager, and nine 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 431 full-time equivalent approved positions within the Town’s separate departments. The Town provides or administers a variety of services including public safety (fire and police), 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. In August 2022, the Town plans to ask the voters to approve a “permanent base adjustment” in order to move away from having to obtain a renewal every four years for an alternative expenditure limitation (home rule).

This permanent base adjustment would replace the base expenditure limit established in 1980, and would be indexed annually for inflation and population growth.

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. In 2022, the Arizona Department of Transportation began construction of an additional approximate 5 mile section of State Route 24 (“SR 24”) running east and west. Running just north of the Town’s northern border, the SR 24 expansion will greatly improve access to the metro Phoenix area with additional connectivity to the existing freeway system.

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 278,000 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.

Economy

The Town is one of the fastest growing cities in Arizona and the country. However, there can be no assurances that the spread of COVID-19 or other external factors will not materially impact the local, state and national economies and, accordingly, materially adversely impact the State, the County and the Town’s economy.

The Town’s economy continues to grow due to residential and commercial development. The most recent Census data shows the Town added 6,756 new residents during fiscal year 2020/21, an increase of 11%. For the same fiscal year 2020/21, the Town issued 2,223 single-family building permits, an increase of 27% over the prior fiscal year. This represented the highest number of single-family permits issued in a single year since the Town was incorporated in 1989. The American Communities Survey 2019 also placed Queen Creek’s median household income at \$105,729, one of the highest levels among Arizona’s incorporated cities and towns.

Commercial development in Queen Creek is focused in three main areas: the Town Center, the northeast area, and the southeast area. The Town Center is the economic core of the community and includes over 2 million square feet of commercial development. The northeast section of the Town is strategically positioned to capitalize on new employment growth with its proximity to the Phoenix-Mesa Gateway Airport and the new State Route 24 which has freeway access within 1.5 miles of the main employment corridor.

The Town’s southeast area is adjacent to the San Tan Valley in Pinal County, Arizona. With over 110,000 residents, this unincorporated area is a significant source of traffic through the Town’s business districts and streets. A 2019 study by Elliott D. Pollack & Company estimated that approximately 38% of taxable retail sales and 47% of restaurant and bar sales in Queen Creek come from non-residents.

Figures from the Bureau of Labor Statistics indicate the following employment levels for the Town since 2015 and unemployment rates for the Town, the County and the State since 2015.

EMPLOYMENT TRENDS (a)

Calendar Year	Town of Queen Creek		Unemployment Rate		
	Average Annual Employment	Average Annual Unemployment	Queen Creek	Maricopa County	State of Arizona
2021(b)	25,737	750	4.10%	5.10%	6.10%
2020	23,907	1,550	6.10%	7.40%	7.90%
2019	24,389	930	3.70%	4.20%	4.90%
2018	20,549	735	3.50%	4.10%	4.80%
2017	18,727	675	3.50%	4.20%	4.90%
2016	16,695	620	3.60%	4.70%	5.50%
2015	16,037	663	4.00%	5.10%	6.10%

(a) Data in table is not seasonally adjusted.

(b) December 2021 estimated.

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	839
Wal-Mart	Retail	496
Banner Health	Medical	408
Chandler Unified School District	Education	337
Town of Queen Creek	Government	327
Home Depot	Retail	219
Safeway	Retail	215
VP Nurseries	Retail	200
American Leadership Academy	Education	188
Target	Retail	181

(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.

Source: Town of Queen Creek Economic Development Department and the Maricopa Association of Governments 2020 Database.

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

	2021	2020	2019	2018	2017
Goods Producing					
Mining and Construction	134,600	134,800	134,300	124,400	113,600
Manufacturing	132,100	129,100	129,700	124,100	119,100
Service-Providing					
Trade, Transportation and Utilities	427,100	400,500	399,000	392,400	382,600
Information	36,400	37,100	40,000	38,400	36,100
Financial Activities	204,500	202,900	200,500	192,500	185,300
Professional & Business Services	367,700	350,900	362,400	347,900	336,500
Educational and Health Services	345,200	329,500	332,300	317,600	302,600
Leisure and Hospitality	206,100	186,400	227,100	221,900	216,700
Other Services	56,700	55,100	68,400	67,300	64,800
Government	220,100	218,400	222,100	217,300	215,100
Total	<u>2,130,500</u>	<u>2,044,700</u>	<u>2,115,800</u>	<u>2,043,700</u>	<u>1,972,400</u>

(a) Data is not seasonally adjusted.

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 2019 exceeded 119,000 students and it has an estimated 4,900 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 ten 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 15,400 students as of 2021. 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 serves more than 19,000 each year.

The Queen Creek Unified School District serves about 10,000 students in eight elementary schools, one academy, two middle schools, and two high schools. The Higley Unified School District serves more than 13,000 students in two early childhood development centers, nine elementary schools, one academy school, two middle schools, and two high schools. The Chandler Unified School District serves more than 44,000 students in grades preK-12 with 32 elementary schools, nine middle schools, six high schools, four alternative learning centers, and one early college school. The Town is also served by nine charter schools. The J.O. Combs School District is located in Pinal County and serves more than 4,500 students in grades preK-12 with seven schools.

Commerce

The Town continues its efforts at attracting commercial opportunities to the community. The 2021 Population Estimate has identified the Town as having 66,275 residents as of July 1, 2021. 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:			
2021/22 (b)	\$1,211,085,875	\$613,218,305	51%
2020/21	2,133,451,181	1,027,147,378	48%
2019/20	1,630,830,874	782,722,978	48%
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%
Excluding Construction Sales Tax:			
2021/22 (b)	\$860,807,702	\$613,218,305	71%
2020/21	1,480,809,815	1,027,147,378	69%
2019/20	1,152,238,375	782,722,978	68%
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%

(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 December 31, 2021.

Source: The Town Finance Department.

Construction

The Town has experienced strong residential and non-residential development in recent years. In fiscal year 2020/21, the Town’s total value of building permits issued was \$1,009,055,491, which was an increase of 42% over the prior year. Additionally, the Town issued 2,223 building permits for new single family homes in fiscal year 2020/21, which was a 27% increase over fiscal year 2019/20. 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.

VALUE OF BUILDING PERMITS ISSUED
Town of Queen Creek, Arizona

Fiscal Year	Residential	Commercial/ Industrial	Total
2021/22*	\$731,810,790	\$136,910,942	\$868,721,732
2020/21	946,061,935	62,993,556	1,009,055,491
2019/20	651,372,314	59,760,864	711,133,178
2018/19	545,106,431	65,392,382	610,498,813
2017/18	423,959,635	62,069,893	486,029,528

* Through April 30, 2022.

Source: The Town Finance Department.

NEW SINGLE FAMILY HOUSING STARTS
Town of Queen Creek, Arizona

Fiscal Year	Total New Starts	Unit Increase/ (Decrease)	% Increase/ (Decrease)	% of Greater Phoenix Region
2021/22*	1,521			5.2%
2020/21	2,223	721	48%	6.6%
2019/20	1,502	177	13%	6.7%
2018/19	1,325	329	33%	5.8%
2017/18	996	(6)	(1%)	4.5%

* Through April 30, 2022.

Source: The Town Finance Department.

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**Current Statistics (for fiscal year 2021/22)
Town of Queen Creek, Arizona**

Total Senior Lien Excise Tax and State Shared Revenue Debt to be Outstanding	\$284,000,000	(a)
Total Subordinate Lien Excise Tax and State Shared Revenue Obligations Outstanding	34,600,000	(b)
Total Assessment Revenue Obligations Outstanding	11,473,942	(c)
Total Senior Lien Utility System Revenue Debt to be Outstanding	173,745,308	(d)
Total Subordinate Lien Water Revenue Debt Outstanding	18,562,482	(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 Utility System Revenue Debt to be Outstanding” in this Appendix.
 - (e) See “Subordinate Lien Water Revenue Debt Outstanding” in this Appendix.

Property Values of the Town

Fiscal Year	Property Values of the Town Residing in Maricopa County	Property Values of the Town Residing in Pinal County	Combined
2021/22			
Net Limited Assessed Property Value	\$497,989,670	\$106,017,210	\$604,006,880
Net Full Cash Assessed Property Value	711,580,164	137,261,556	848,841,720
Estimated Net Full Cash Value	6,527,731,186	1,296,022,594	7,823,753,780
2022/23 (a)			
Net Limited Assessed Property Value	\$566,626,216	\$116,434,591	\$683,060,807
Net Full Cash Assessed Property Value	836,177,355	156,157,062	992,334,417
Estimated Net Full Cash Value	7,748,228,688	1,477,217,086	9,225,445,774

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- (a) February estimated values.

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue, the Treasurer and 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 (a)

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
GADA 2014A	Sewer Improvements	\$3,845,000	8/1/2015-28	\$2,330,000
2016 Ref.	Refunding	47,990,000	8/1/2017-36	35,705,000
2018A	Road Improvements	47,945,000	8/1/2018-47	45,110,000
2018B	Roads/Public Safety/Fire	18,015,000	8/1/2018-47	16,350,000
2020	Roads/Public Safety/Fire	78,605,000	8/1/2021-50	77,525,000
Subtotal				\$177,020,000
Plus: The Obligations				106,980,000
Total Senior Lien Excise Tax and State Shared Revenue Debt to be Outstanding				<u>\$284,000,000</u>

- (a) The Town expects to issue approximately \$25 million principal amount of additional Senior Lien Excise Tax and State Shared Revenue Obligations before the end of calendar year 2022.

Subordinate Lien Excise Tax and State Shared Revenue Obligations Outstanding (a)

Issue Series	Purpose	Authorized Amount	Maturity Dates	Balance Outstanding
2021	Water & Wastewater Projects	\$85,000,000	6/1/2025	\$34,600,000
Total Subordinate Lien Excise Tax and State Shared Revenue Obligations Outstanding				<u>\$34,600,000</u>

- (a) On December 8, 2021, the Town closed an \$85,000,000 draw down loan with an initial draw of \$25,000,000 and \$60,000,000 of available funds to be drawn down over a 24-month period. As of May 10, 2022 the Town had drawn a total of \$34,600,000.

Assessment Revenue Obligations (a)

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2016	Refunding	\$18,445,000	1/1/2016-30	\$11,473,942
Total Assessment Revenue Obligations Outstanding				<u>\$11,473,942</u>

- (a) These bonds are payable from special assessments levied on the property benefited by the financial improvements. Such bonds are a contingent liability of the Town to the extent of any delinquent assessments.

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Senior Lien Utility System Revenue Debt to be Outstanding

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
WIFA 2008 (a)	Water Co. Acquisition	\$40,000,000	7/1/2009-38	\$20,971,559
WIFA 2013 (a)	Water Projects	16,000,000	7/1/2014-43	11,680,788
WIFA 2020	Water Asset Acquisition	57,981,000	7/1/2021-50	56,548,188
WIFA 2020	Water Exchange Project	8,600,000	7/1/2021-50	8,387,479
WIFA 2020	Water Co. Acquisition	12,807,500	7/1/2023-50	12,807,500
WIFA 2021	Water Asset Acquisition	8,238,763	7/1/2024-51	8,238,763
Subtotal:				<u>\$118,634,277</u>
Less: The WIFA 2008 Loan to be Refunded (b)				(20,971,559)
Plus: Series 2022 Refunding Obligations (b)				21,478,000
Plus: Series 2022 WIFA Drinking Water (b)				44,506,194
Plus: Series 2022 WIFA Clean Water Loan (b)				<u>10,098,396</u>
Total Senior Lien Utility System Revenue Debt to be Outstanding				<u><u>\$173,745,308</u></u>

- (a) In February 2020, the WIFA Board approved certain amendments to the Town’s WIFA loans, including extending the final maturities by 10 years.
- (b) On May 11, 2022, the Town will close on \$21,478,000 of Senior Lien Utility System Revenue Refunding Obligations, Series 2022 in order to refund the outstanding balance of the Water Infrastructure Finance Authority of Arizona (“WIFA”) 2008 Loan. On May 13, 2022, the Town will close on a WIFA Drinking Water Loan in the amount of \$44,506,194 and a WIFA Clean Water Loan in the amount of \$10,098,396 to finance the construction of certain water and wastewater assets.

Subordinate Lien Water Revenue Debt Outstanding

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2013	Water Co. Acquisition	\$19,425,093	7/1/2014-43	\$18,562,482
Total Subordinate Lien Water Revenue Debt Outstanding				<u><u>\$18,562,482</u></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 and police officers. The pension plans are component units of the State of Arizona. Fiscal year 2021/22 is the first year the Town will be contributing for police as the Town’s first municipal police department began on January 11, 2022.

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, 2021, the Town reported a liability of \$28,065,497 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, 2020, 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.

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, 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 265 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 effective in fiscal year 2021/22 the Town employs its own sworn personnel to provide for police services in Queen Creek. Prior to fiscal year 2021/22, the Town contracted 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 current Pension Funding Policy aims to fully fund all of the Town’s pension plans annually. The Town’s firefighter pension plan exists with PSPRS. Funds necessary to eliminate any unfunded liability are deposited in that plan by the end of each fiscal year. That is not the case with the Town’s other pension plans: MCSO and ASRS personnel. For both of these plans, the Town does not have its own unique plan and, as such, full funding is accomplished through the use of internal reserve accounts approved by the Town Council as a part of the Pension Funding Policy. For both of these plans, internal reserve accounts are funded in an amount equal to the Town’s estimated share of the total MCSO and ASRS unfunded liabilities when the year-end financial statements are prepared.

As of June 30, 2021, the Town reported a net pension liability of \$1.8 million for the firefighter pension plan (reported in Appendix D of the Official Statement). The Town remitted payment for this amount to PSPRS in June 2021, as required by the Pension Funding Policy. As of June 30, 2021, the Town’s General Fund reported \$45.7 million of committed fund balance for its remaining pension liabilities, of which \$26.3 million was for MCSO contracted personnel and \$19.4 million was for ASRS personnel. These amounts represent 100% (full funding) of the Town’s estimated share of the total MCSO and ASRS unfunded liabilities. A reserve also exists in the Water and Wastewater Utilities of \$2.1 million and \$709,525, respectfully, as of June 30, 2021 to fund ASRS pension liabilities associated with the Town’s utility personnel. The Water reserve represents 28% of the ASRS liability for Water personnel, and the Wastewater reserve represents 100% (full funding) of the ASRS liability for Wastewater personnel.

In January 2022, the Town created its own Police Department and ended its contract with MCSO. As such, the Town now has its own plan with PSPRS for the Queen Creek Police Department and full funding is expected to be accomplished through the plan (similar to the fire department) and not the internal reserve. Over time, as the new police department evolves, the internal MCSO \$26.3 million reserve will be used to fund the new PSPRS police plan. The Town will update its Pension Funding Policy to reflect this change. Town staff believes the \$26.3 million will be sufficient to cover any unfunded liability created as a result of the Town’s new Police Department.

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

Town of Queen Creek, Arizona
22358 South Ellsworth Road
Queen Creek, Arizona 85242-9311

The Bank of New York Mellon Trust
Company, N.A.
601 Travis Street, 16th Floor
Houston, Texas 77002

Re: Excise Tax and State Shared Revenue Obligations, Series 2022, 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 \$106,980,000 aggregate principal amount of Excise Tax and State Shared Revenue Obligations, Series 2022 (the “Obligations”), dated the date hereof, pursuant to a Fifth Trust Agreement, dated as of June 1, 2022 (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 Fifth Purchase Agreement, dated as of June 1, 2022 (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. (Subject to the limitations in the first numbered paragraph hereof, the Town has full legal power and authority to comply with such covenants.) 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 parks and recreation projects in and for the Town.

“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 October 1, 2022, 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 Outstanding Parity Lien Obligations 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 Outstanding Parity Lien Obligations 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 Outstanding Parity Lien Obligations 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, 2021

The audited financial statements for the Town included in this APPENDIX D are the fiscal year ended June 30, 2021, 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, 2021.

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, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021, 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 construction 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.

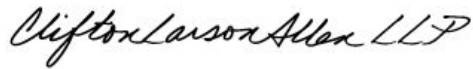
The combining and individual nonmajor fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 29, 2021

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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, 2021**

As management of the Town of Queen Creek, Arizona (Town), we offer readers of the Town's Annual Comprehensive Financial Report this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. 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 \$696.9 million (net position). Total net position increased by \$97.2 million during the fiscal year.
- As of June 30, 2021, the Town's governmental funds reported a combined ending fund balance of \$227.1 million, an increase of \$33.5 million in comparison with the prior year.
- At the close of the current fiscal year, total fund balance for the General Fund was \$90.4 million. Of this amount, \$43.5 million is unassigned meeting the Town's policy objective of having 25% of the following year's budgeted revenue in reserve as well as \$11.1 million as a reserve for COVID-19. In addition to these reserves, the Town has \$45.7 million set aside as committed per its pension funding policy.
- The Town issued \$12.8 million in WIFA loans of which \$9.8 million was drawn down for the purchase of Diversified Water Company with the remainder to be used on water improvements related to the acquisition.

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, 2021**

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, Improvement District Debt Service Fund, and the 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. 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, 2021

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, 2021 and 2020.

Net Position						
June 30, 2021 and 2020						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and Other Assets	\$ 260,910,469	\$ 222,636,278	\$ 19,943,140	\$ 24,954,682	\$ 280,853,609	\$ 247,590,960
Capital Assets:						
Non-depreciable	116,578,498	89,516,046	91,587,058	102,122,022	208,165,556	191,638,068
Depreciable (net)	356,728,480	347,012,963	256,346,578	201,941,987	613,075,058	548,954,950
Total Assets	734,217,447	659,165,287	367,876,776	329,018,691	1,102,094,223	988,183,978
Deferred Outflows of Resources	11,024,339	6,305,689	16,593,614	16,019,216	27,617,953	22,324,905
Liabilities						
Current and Other Liabilities	18,821,732	12,050,029	8,662,240	9,583,808	27,483,972	21,633,837
Long-Term Liabilities	246,163,955	247,195,702	158,658,183	140,047,200	404,822,138	387,242,902
Total Liabilities	264,985,687	259,245,731	167,320,423	149,631,008	432,306,110	408,876,739
Deferred Inflows of Resources	521,968	1,532,749	-	406,217	521,968	1,938,966
Net Position						
Net Investment in Capital Assets	323,096,888	306,409,937	198,361,711	171,168,123	521,458,599	477,578,060
Restricted	62,872,940	41,723,929	59,244	1,077,537	62,932,184	42,801,466
Unrestricted	93,764,303	56,558,630	18,729,012	22,755,022	112,493,315	79,313,652
Total Net Position	\$ 479,734,131	\$ 404,692,496	\$ 217,149,967	\$ 195,000,682	\$ 696,884,098	\$ 599,693,178

The largest portion of the Town's net position (74.9%) 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 (9.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (16.1%) 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, 2021**

Changes in Net Position

The Town's net position overall increased by \$97.2 million (16.2%) 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, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Fees, Fines and Charges for Services	\$ 31,877,457	\$ 24,705,552	\$ 52,985,240	\$ 45,307,737	\$ 84,862,697	\$ 70,013,289
Operating Grants and Contributions	9,510,005	3,131,688	107,275	-	9,617,280	3,131,688
Capital Grants and Contributions	19,058,817	28,922,848	9,224,262	9,840,990	28,283,079	38,763,838
General Revenues						
Sales Taxes	62,207,782	46,987,495	-	-	62,207,782	46,987,495
Property Taxes	9,909,455	8,326,110	-	-	9,909,455	8,326,110
Franchise Taxes	491,622	444,552	-	-	491,622	444,552
Grants and Contributions Not						
Restricted to Specific Programs	15,892,593	11,773,273	-	-	15,892,593	11,773,273
Investment Earnings	92,783	1,885,676	23,508	340,427	116,291	2,226,103
Miscellaneous	629,618	703,906	842,689	97,109	1,472,307	801,015
Total Revenues	149,670,132	126,881,100	63,182,974	55,586,263	212,853,106	182,467,363
Expenses						
General Government	19,132,253	18,753,898	-	-	19,132,253	18,753,898
Public Safety	22,265,636	19,146,704	-	-	22,265,636	19,146,704
Highways and Streets	21,264,036	18,877,008	-	-	21,264,036	18,877,008
Culture and Recreation	6,428,530	6,283,282	-	-	6,428,530	6,283,282
Economic Development	1,503,522	1,636,072	-	-	1,503,522	1,636,072
Interest on Long-Term Debt	7,223,334	5,302,492	-	-	7,223,334	5,302,492
Water	-	-	26,131,375	30,765,746	26,131,375	30,765,746
Wastewater	-	-	7,895,586	8,217,565	7,895,586	8,217,565
Solid Waste	-	-	3,817,914	3,010,682	3,817,914	3,010,682
Total Expenses	77,817,311	69,999,456	37,844,875	41,993,993	115,662,186	111,993,449
Change in Net Position Before Transfers	71,852,821	56,881,644	25,338,099	13,592,270	97,190,920	70,473,914
Transfers In (Out)	3,188,814	2,906,496	(3,188,814)	(2,906,496)	-	-
Change in Net Position	75,041,635	59,788,140	22,149,285	10,685,774	97,190,920	70,473,914
Net Position - Beginning of Year	404,692,496	344,904,356	195,000,682	184,314,908	599,693,178	529,219,264
Net Position - End of Year	\$ 479,734,131	\$ 404,692,496	\$ 217,149,967	\$ 195,000,682	\$ 696,884,098	\$ 599,693,178

Governmental Activities – Total revenues increased \$22.8 million (18.0%) primarily as a result of the following changes. An increase in sales and property taxes of \$16.8 million (30.4%) due to increases in consumer driven tax revenue, the residential population and commercial construction activity. Additionally, the Town saw an increase in program revenues fees, fines and charges for services totaling \$7.2 million (29%) driven primarily by an increase in impact fee revenues received due to record numbers of new home permits. State shared revenues were up \$4.1 million (35.0%). An increase of \$6.4 million in operating grants and contributions driven by the receipt of \$5.8 million in grant funds received as a result of COVID-19 was offset by a decrease of \$9.9 million in capital grants and contributions due to a decrease in contributed capital received totaling \$8.0 million.

Total expenses increased \$7.8 million (11.2%) due to an increase in salaries expense of \$3.2 million. The increase in salaries is the direct result of an increase in the number of employees. There were a number of other factors that contributed to the increase in expenses including the following: interest expense on outstanding debt increased \$1.9 million, depreciation expense increased \$1.7 million and there was a \$1.1 million increase in costs for the Town's year-end payment to PSPRS for the amount of the unfunded liability.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Net position for governmental activities increased \$75.0 million (18.5%), ending the year at \$479.7 million.

Business-Type Activities – Net position of the Town's business-type activities increased \$22.1 million (11.4%). The \$7.6 million (13.7%) increase in revenues was caused by a \$5.6 million increase in utility service fees, primarily due to the increase in service area resulting from the acquisition of Diversified Water Company as well as an increase in new connections from new home builds. The Town had over 2,300 new connections this year. Additionally, capacity fees increased \$2.0 million from the prior year due to record numbers of new home permits.

Total expenses decreased \$4.1 million (9.9%) due primarily to a decrease in capital expenses. FY 20 saw a large increase of \$7.5 million in projects for the replacement of existing infrastructure that was expensed, in the current year the majority of the capital projects were for new construction. This decrease was partially offset by the following increases. Depreciation expense increased \$1.4 million and payroll costs increased \$0.7 million. The Town made use of water credits purchased in the prior year at a cost of \$1.1 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 \$227.1 million, an increase of \$33.5 million (17.3%) from the prior year. The increase was primarily the result of an increase in sales and property taxes of \$16.8 million, the receipt of \$5.8 million in grant funds received as a result of COVID-19, an increase of \$4.8 million of impact fees and \$1.3 million in HURF funding. This was partially offset by increases in expenses with public safety costs increasing \$6 million due to the creation of a police department, capital outlay increases of \$4.5 million and debt service costs increasing \$1.2 million.

Other changes to fund balances include the following:

- Increases totaling \$33.9 million (60.0%) to the General Fund fund balance of \$90.4 million were the result of better than predicted revenues exceeding expenses for the Town. Transfers out for capital projects decreased by \$5.9 million from the prior year.
- The Construction Sales Tax fund balance increased \$4.2 million as the Town used current-year revenues to pay down the remainder of an interfund loan from the Water Fund.
- The Drainage and Transportation Fund saw a decrease in fund balance of \$12.9 million as expenditures outpaced revenues in the current year by \$22.2 million as the Town used debt proceeds for construction projects.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

At fiscal year ended June 30, 2021, fund balances were as follows.

Fund Balances

Fund	Balance	Increase/(Decrease) From FY 2019-20
General Fund	\$ 90,415,169	\$ 33,891,190
Construction Sales Tax	4,273,389	4,189,152
Drainage and Transportation	67,133,820	(12,867,365)
Improvement District Debt Service	48,239	63,610
Debt Service	1,569	-
Nonmajor Governmental Funds	65,265,918	8,193,744
	<u>\$ 227,138,104</u>	<u>\$ 33,470,331</u>

General Fund – Revenues of the General Fund exceeded expenditures and other financing sources (uses) by \$33.9 million.

Total revenues increased \$23.6 million (34.3%) from the prior year. Increases of \$11.3 million in sales taxes, \$1.5 million in property taxes and \$2.6 million in permit fees are attributable to a growing population and increase in local businesses. The Town saw an increase in total taxable assessed value from \$427,856,256 to \$535,680,028. Intergovernmental revenues comprised of state sales tax and income tax revenue sharing increased \$3.2 million for the same reason. The Town received \$5.8 million in CARES Act grant money in response to the effects of COVID-19 which was also part of the total intergovernmental revenues reported. Interest income decreased \$1.4 million from the prior year and resulting in a negative presentation on the Statement of Revenues, Expenditures and Change in Fund Balances. The large decrease was the result of the reversal of the prior year's FMV adjustment.

Total General Fund expenditures increased by \$6.4 million (14.1%) due to an increase in public safety salaries of \$2.5 million and a \$2.0 million increase in public safety software and equipment expense both of which were the result of the Town being in the process of adding a police department. Additionally, the payment to PSPRS to cover the unfunded liability increased by \$1.1 million from the prior year.

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 \$8.2 million (13.1%). The increased revenues over the budgeted amount was the result of better than expected sales taxes and a growing community resulting in increased retail and construction sales tax revenues as well as increases in permits issued. Budgetary basis expenditures were \$3.3 million (11.6%) below budgeted expenditures. The savings in expenditures resulted from a combination of personnel cost savings from vacant positions, unfinished project and service contracts that will be carried over to the next fiscal year, and goods and services that cost less than expected.

During the year, the Town increased the General Fund budget for sales taxes by \$17.1 million (82.1%) and the budget for licenses, permits and fees by \$4.2 million (81.9%) as revenue collections exceeded the original projections. With the COVID-19 pandemic developing the Town had revised down their initial revenue projections anticipating a decrease in consumer spending and a decrease in demand for housing and other construction projects. The budgeted amounts were revised when it became clear that COVID-19 while affecting certain specific areas of revenue was not going to have a major impact on overall

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

revenue collections. The Town increased the General Fund expenditure budget by \$2.5 million (9.6%). The Town had placed a hiring and wage freeze at the start of the fiscal year to help mitigate the expected reduction in revenue projections. As it became clear that revenues would be largely unaffected the Town waived the hiring and wage freezes resulting in higher expenses than originally budgeted.

Other Major Funds – The Construction Sales Tax fund balance increased \$4.2 million as record construction activities revenues exceeded expenditures and the interfund loan from the Wastewater Fund that was paid off in the prior fiscal year was no longer a drain on the funds revenues.

The Drainage and Transportation Fund spent \$24.7 million on street improvement projects. These projects were funded from the proceeds of debt issued in the prior fiscal year and from impact fees.

The Improvement District Debt Service Fund spent \$1.7 million for debt service payments while special assessment revenue comprised of collections from property owners totaled \$1.8 million.

The Debt Service Fund had \$10.6 million in debt service payments. Transfers in from the General Fund, Construction Sales Tax Fund, Highway Users Revenue Fund and Impact Fee Funds covered these expenditures.

Nonmajor Funds – Fund balances of the remaining Nonmajor Governmental Funds increased a combined total of \$8.2 million (14.4%). 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 kept within the fund to be used 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, 2021 amount to \$473.3 million and \$347.9 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 8.4% and capital assets for business-type activities increased 14.4%.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

**Capital Assets (Net)
June 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and Related Assets	\$ 52,913,843	\$ 51,221,807	\$ 4,539,972	\$ 1,816,657	\$ 57,453,815	\$ 53,038,464
Water Rights and Credits	-	-	66,235,985	65,194,518	66,235,985	65,194,518
Construction In Progress	63,664,655	38,294,239	20,811,101	35,110,847	84,475,756	73,405,086
Infrastructure	280,783,018	276,004,036	-	-	280,783,018	276,004,036
Buildings and Improvements	64,080,269	62,568,310	7,645,359	-	71,725,628	62,568,310
Vehicles, Furniture and Equipment	11,865,193	8,440,617	2,907,584	1,917,193	14,772,777	10,357,810
Wastewater Collection System	-	-	91,790,353	81,161,119	91,790,353	81,161,119
Water System	-	-	154,003,282	118,863,675	154,003,282	118,863,675
Total Assets	\$ 473,306,978	\$ 436,529,009	\$ 347,933,636	\$ 304,064,009	\$ 821,240,614	\$ 740,593,018

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

Governmental Activities

- The Town accepted \$15.7 million of completed streets and other infrastructure from developers, and spent an additional \$37.8 million for Town-funded projects, most of which was for three new fire stations that are still in progress and various street projects.
- At year-end, the Town had \$63.7 million in projects under construction.

Business-type Activities

- The Town accepted \$15.6 million of completed water and wastewater infrastructure from developers, and an additional \$23.3 million in Town-funded projects.
- The Town purchased an additional \$1.6 million in water extinguishment credits and used \$0.5 million of the existing water extinguishment credits to help meet its water conservation requirements.
- At year-end, the Town had \$20.8 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 \$223.0 million for governmental activities and \$149.4 million for business-type activities. The outstanding debt is secured by pledges of specific revenue sources of the Town.

Overall, the Town's governmental activities debt decreased by \$6.5 million (2.8%) as a result of the Town making the scheduled debt service payments including \$5.2 million of outstanding principal.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

The business-type activities debt increased by \$16.4 million (12.3%). The increases were the result of the Town issuing a WIFA loan totaling \$12.8 million. \$9.8 million of the issued WIFA loan was used to finance the purchase of the Diversified Water Company with the remainder to be used to cover the cost of improvement and interconnections needed. There were a number of mainline agreements that were part of the purchased water company and they increased the Town's liability for advances in aid of construction by \$6.9 million. These increases were offset by making the scheduled debt service payments including \$0.8 million of outstanding principal.

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, 2021 and 2020:

**Outstanding Debt
June 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Excise Tax Revenue Bonds	\$ 141,420,000	\$ 142,730,000	\$ -	\$ -	\$ 141,420,000	\$ 142,730,000
GADA Loan Payable	-	-	2,605,000	2,870,000	2,605,000	2,870,000
Excise Tax Refunding Bonds	38,255,000	40,715,000	-	-	38,255,000	40,715,000
Special Assessment						
Refunding Bonds	12,895,229	14,281,972	-	-	12,895,229	14,281,972
Premium/Discount on Bonds	30,458,906	31,751,838	10,533,542	11,151,760	40,992,448	42,903,598
WIFA Loan Payable	-	-	110,214,931	99,520,626	110,214,931	99,520,626
Capital Leases	-	80,920	-	-	-	80,920
Water System Obligation	-	-	18,872,408	19,159,376	18,872,408	19,159,376
Advances in Aid of Construction	-	-	7,181,760	326,239	7,181,760	326,239
Total Outstanding Debt	<u>\$ 223,029,135</u>	<u>\$ 229,559,730</u>	<u>\$ 149,407,641</u>	<u>\$ 133,028,001</u>	<u>\$ 372,436,776</u>	<u>\$ 362,587,731</u>

OTHER MATTERS

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

- On August 4, 2021, Town Council approved a contract associated with the acquisition of Non-Indian Agricultural Priority Water from the Central Arizona Water Conservation District. In order to receive this water, Queen Creek is required to pay one-time back capital charges and 9(d) debt. Those costs have been identified at \$1,962 per AF, with the Town's obligation totaling \$8.2 million, which was paid on September 29, 2021. Currently, it is expected that the Town will partner with the Water Infrastructure Authority of Arizona (WIFA) to finance these one-time costs.
- The Town is planning to issue approximately \$115 million in Excise Tax Bonds over the next five years to use for Parks.
- In order to construct the necessary Water and Wastewater infrastructure, the Town is planning to issue approximately \$61 million in WIFA financing and \$85 million in subordinate lien excise tax pledged bonds over the next three years.
- The Town is in the process of transitioning its police services from the current contracted services through the Maricopa County Sheriff's Office (MCSO) to a new police department. The Town hired its first police chief in July 2020 and as of June 30, 2021 had hired 8 uniformed officers and 1 administrative position. Hiring has ramped up with 43 uniformed officers and 2 administrative positions onboard as of September 30, 2021 and everything is on track for the department to begin operations in January 2022.

**TOWN OF QUEEN CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 129,212,064	\$ 1,131,514	\$ 130,343,578
Receivables, Net:			
Accounts Receivable	1,425,977	6,828,134	8,254,111
Taxes Receivable	8,069,808	-	8,069,808
Special Assessments Receivable	12,867,112	-	12,867,112
Intergovernmental Receivable	733,285	-	733,285
Interest Receivable	136,250	443	136,693
Internal Balances	23,170,664	(23,170,664)	-
Inventory	-	247,405	247,405
Prepaid Items	265,125	20,324	285,449
Restricted Cash and Investments	81,199,471	2,585,667	83,785,138
Investment in Joint Venture	-	32,300,317	32,300,317
Land Held for Economic Development	3,830,713	-	3,830,713
Capital Assets:			
Non-Depreciable	116,578,498	91,587,058	208,165,556
Depreciable (Net)	356,728,480	256,346,578	613,075,058
Total Assets	<u>734,217,447</u>	<u>367,876,776</u>	<u>1,102,094,223</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	10,760,785	2,068,948	12,829,733
Debt Related	263,554	-	263,554
Water System Acquisition Related	-	14,524,666	14,524,666
Total Deferred Outflows of Resources	<u>11,024,339</u>	<u>16,593,614</u>	<u>27,617,953</u>
LIABILITIES			
Accounts Payable	8,776,609	3,889,581	12,666,190
Accrued Wages and Benefits	1,439,635	363,224	1,802,859
Other Accrued Expenses	-	769,159	769,159
Retainage Payable	1,775,844	164,284	1,940,128
Deposits Held for Others	856,022	1,876,413	2,732,435
Unearned Revenue	2,407,947	-	2,407,947
Interest Payable	3,565,675	1,599,579	5,165,254
Noncurrent Liabilities:			
Due within One Year	7,525,712	3,864,595	11,390,307
Due in More than One Year	217,477,183	146,137,179	363,614,362
Net Pension Liability	21,161,060	8,656,409	29,817,469
Total Liabilities	<u>264,985,687</u>	<u>167,320,423</u>	<u>432,306,110</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	8,380	-	8,380
Debt Related	513,588	-	513,588
Total Deferred Inflows of Resources	<u>521,968</u>	<u>-</u>	<u>521,968</u>
NET POSITION			
Net Investment in Capital Assets	323,096,888	198,361,711	521,458,599
Restricted for:			
Agreements	903,250	-	903,250
Streets and Transportation	1,773,815	-	1,773,815
Debt Service	12,865,524	7,338	12,872,862
Development	47,249,406	-	47,249,406
Housing Rehab	80,945	-	80,945
Capital Projects	-	51,906	51,906
Unrestricted	93,764,303	18,729,012	112,493,315
Total Net Position	<u>\$ 479,734,131</u>	<u>\$ 217,149,967</u>	<u>\$ 696,884,098</u>

See accompanying Notes to the Basic Financial Statements.

TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 19,132,253	\$ 12,219,262	\$ -	\$ -
Public Safety	22,265,636	5,414,165	5,842,506	-
Highways and Streets	21,264,036	5,384,762	3,656,332	18,936,459
Culture and Recreation	6,428,530	8,859,268	11,167	122,358
Economic Development	1,503,522	-	-	-
Interest and Fiscal Charges	7,223,334	-	-	-
Total Governmental Activities	77,817,311	31,877,457	9,510,005	19,058,817
Business-Type Activities				
Water	26,131,375	34,637,893	-	6,281,348
Wastewater	7,895,586	14,440,747	107,275	2,942,914
Solid Waste	3,817,914	3,906,600	-	-
Total Business-Type Activities	37,844,875	52,985,240	107,275	9,224,262
Total Primary Government	\$ 115,662,186	\$ 84,862,697	\$ 9,617,280	\$ 28,283,079

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

See accompanying Notes to the Basic Financial Statements.

Net (Expense) Revenue and Change in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (6,912,991)	\$ -	\$ (6,912,991)
(11,008,965)	-	(11,008,965)
6,713,517	-	6,713,517
2,564,263	-	2,564,263
(1,503,522)	-	(1,503,522)
(7,223,334)	-	(7,223,334)
<u>(17,371,032)</u>	<u>-</u>	<u>(17,371,032)</u>
-	14,787,866	14,787,866
-	9,595,350	9,595,350
-	88,686	88,686
<u>-</u>	<u>24,471,902</u>	<u>24,471,902</u>
(17,371,032)	24,471,902	7,100,870
62,207,782	-	62,207,782
9,909,455	-	9,909,455
491,622	-	491,622
15,892,593	-	15,892,593
92,783	23,508	116,291
596,268	829,189	1,425,457
33,350	13,500	46,850
3,188,814	(3,188,814)	-
<u>92,412,667</u>	<u>(2,322,617)</u>	<u>90,090,050</u>
75,041,635	22,149,285	97,190,920
404,692,496	195,000,682	599,693,178
<u>\$ 479,734,131</u>	<u>\$ 217,149,967</u>	<u>\$ 696,884,098</u>

**TOWN OF QUEEN CREEK, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Construction Sales Tax	Drainage and Transportation
ASSETS			
Cash and Investments	\$ 62,877,276	\$ 2,587,054	\$ 12,604,611
Restricted Cash and Investments	903,250	-	59,688,399
Receivables:			
Accounts Receivable	470,485	-	911,432
Taxes Receivable	6,250,371	1,686,335	-
Special Assessments Receivable	-	-	-
Intergovernmental Receivable	297,324	-	-
Interest Receivable	136,250	-	-
Due from Other Funds	23,337,641	-	-
Prepaid Items	265,125	-	-
Total Assets	<u>\$ 94,537,722</u>	<u>\$ 4,273,389</u>	<u>\$ 73,204,442</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 1,699,618	\$ -	\$ 3,795,222
Accrued Wages and Benefits	1,325,219	-	42,195
Retainage Payable	-	-	1,349,484
Deposits Held for Others	856,022	-	-
Interest Payable	-	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>3,880,859</u>	<u>-</u>	<u>5,186,901</u>
Deferred Inflows of Resources:			
Unavailable Revenues	241,694	-	883,721
Fund Balances:			
Nonspendable	265,125	-	-
Restricted	903,250	-	59,688,399
Committed	45,744,017	4,273,389	-
Assigned	-	-	7,445,421
Unassigned	43,502,777	-	-
Total Fund Balances	<u>90,415,169</u>	<u>4,273,389</u>	<u>67,133,820</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 94,537,722</u>	<u>\$ 4,273,389</u>	<u>\$ 73,204,442</u>

See accompanying Notes to the Basic Financial Statements.

Improvement District Debt Service	Debt Service	Nonmajor Governmental Funds	Totals
\$ 187,393	\$ 3,494	\$ 50,213,784	\$ 128,473,612
-	-	20,607,822	81,199,471
-	-	44,060	1,425,977
-	-	133,102	8,069,808
12,867,112	-	-	12,867,112
-	-	435,961	733,285
-	-	-	136,250
-	-	-	23,337,641
-	-	-	265,125
<u>\$ 13,054,505</u>	<u>\$ 3,494</u>	<u>\$ 71,434,729</u>	<u>\$ 256,508,281</u>
\$ 31,014	\$ 1,925	\$ 3,248,830	\$ 8,776,609
-	-	72,221	1,439,635
-	-	426,360	1,775,844
-	-	-	856,022
157,967	-	-	157,967
-	-	2,407,947	2,407,947
<u>188,981</u>	<u>1,925</u>	<u>6,155,358</u>	<u>15,414,024</u>
12,817,285	-	13,453	13,956,153
-	-	-	265,125
48,239	-	64,260,399	124,900,287
-	-	1,227,222	51,244,628
-	1,569	163,210	7,610,200
-	-	(384,913)	43,117,864
<u>48,239</u>	<u>1,569</u>	<u>65,265,918</u>	<u>227,138,104</u>
<u>\$ 13,054,505</u>	<u>\$ 3,494</u>	<u>\$ 71,434,729</u>	<u>\$ 256,508,281</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, 2021**

Total Fund Balances for Governmental Funds		\$ 227,138,104
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	610,840,582	
Less: Accumulated Depreciation	<u>(137,533,604)</u>	
		473,306,978
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.		
Accrued Interest on Investments		46,338
Business Licenses		17,090
Delinquent Property Taxes		95,179
Charges for Services		82,872
Project Reimbursement		896,883
Special Assessments		12,817,285
Miscellaneous		506
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		10,760,785
Deferred Inflows of Resources Related to Pensions		(8,380)
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	(3,407,708)	
Bonds Payable	(192,570,229)	
Premium on Bonds Payable	(30,458,906)	
Deferred Outflow of Resources Related to Refunding	263,554	
Deferred Inflow of Resources Related to Refunding	(513,588)	
Net Pension Liability	(21,161,060)	
Compensated Absence Payable	<u>(1,973,760)</u>	
		(249,821,697)
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	738,452	
Less: Amount Attributed to the Business-Type Activities	<u>(166,977)</u>	
		571,475
Total Net Position of Governmental Activities		<u><u>\$ 479,734,131</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, 2021

	General	Construction Sales Tax	Drainage and Transportation
REVENUES			
Local Sales Tax	\$ 48,006,152	\$ 13,052,827	\$ -
Property Tax	9,881,720	-	-
Intergovernmental	19,172,796	-	1,605,182
Licenses, Permits and Fees	11,565,749	-	-
Special Assessments	-	-	-
Charges for Services	3,228,826	-	-
Contributions	30,500	-	899,236
Impact Fees	-	-	-
Investment Income (Loss)	(121,645)	83	25,531
Miscellaneous	560,435	-	-
Total Revenues	<u>92,324,533</u>	<u>13,052,910</u>	<u>2,529,949</u>
EXPENDITURES			
Current:			
General Government	17,364,739	-	-
Public Safety	24,411,972	-	-
Highways and Streets	1,080,229	-	1,911,155
Culture and Recreation	4,538,074	-	-
Economic Development	1,373,413	-	-
Capital Outlay	3,144,325	-	22,792,036
Debt Service:			
Principal Retirement	80,920	-	-
Interest on Long-Term Debt	2,460	-	-
Total Expenditures	<u>51,996,132</u>	<u>-</u>	<u>24,703,191</u>
Excess (Deficiency) of Revenues Over Expenditures	40,328,401	13,052,910	(22,173,242)
OTHER FINANCING SOURCES (USES)			
Transfers In	3,248,623	2,000,000	9,305,877
Transfers Out	(9,685,834)	(10,863,758)	-
Total Other Financing Sources (Uses)	<u>(6,437,211)</u>	<u>(8,863,758)</u>	<u>9,305,877</u>
Net Change in Fund Balances	33,891,190	4,189,152	(12,867,365)
FUND BALANCES			
Beginning of Year	56,523,979	84,237	80,001,185
End of Year	<u>\$ 90,415,169</u>	<u>\$ 4,273,389</u>	<u>\$ 67,133,820</u>

See accompanying Notes to the Basic Financial Statements.

Improvement District Debt Service	Debt Service	Nonmajor Governmental Funds	Totals
\$ -	\$ -	\$ 1,148,803	\$ 62,207,782
-	-	-	9,881,720
-	-	6,366,593	27,144,571
-	-	-	11,565,749
1,782,814	-	55,704	1,838,518
460	-	95,169	3,324,455
-	-	11,167	940,903
-	-	17,073,453	17,073,453
-	-	220,387	124,356
-	-	52,831	613,266
<u>1,783,274</u>	<u>-</u>	<u>25,024,107</u>	<u>134,714,773</u>
-	-	142,370	17,507,109
-	-	-	24,411,972
-	-	5,128,411	8,119,795
-	-	29,048	4,567,122
-	-	179,282	1,552,695
-	-	9,905,758	35,842,119
1,386,743	3,770,000	-	5,237,663
332,921	6,859,400	-	7,194,781
<u>1,719,664</u>	<u>10,629,400</u>	<u>15,384,869</u>	<u>104,433,256</u>
63,610	(10,629,400)	9,639,238	30,281,517
-	10,629,400	11,038,288	36,222,188
-	-	(12,483,782)	(33,033,374)
<u>-</u>	<u>10,629,400</u>	<u>(1,445,494)</u>	<u>3,188,814</u>
63,610	-	8,193,744	33,470,331
(15,371)	1,569	57,072,174	193,667,773
<u>\$ 48,239</u>	<u>\$ 1,569</u>	<u>\$ 65,265,918</u>	<u>\$ 227,138,104</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, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 33,470,331

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	37,809,810	
Depreciation Expense	<u>(16,736,148)</u>	
		21,073,662

Contributions of capital assets are not current financial resources and are not reflected in the governmental funds. 15,704,307

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.

Accrued Interest on Investments	(31,574)	
Business Licenses	2,460	
Delinquent Property Taxes	26,326	
Charges for Services	10,023	
Project Reimbursement	896,883	
Intergovernmental	(424,517)	
Special Assessments	(1,471,987)	
Miscellaneous	<u>506</u>	
		(991,880)

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		4,108,674
Pension Expense		(3,591,192)

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, 2021**

(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	5,156,743	
Principal Payments on Capital Leases	80,920	
Interest Payable	(1,350,312)	
Amortization of Bond Premiums/Discounts	1,292,932	
Amortization of Deferred Amount on Refunding	28,827	
		5,209,110

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		(315,726)
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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 Revenues of the Internal Service Fund	484,155	
Less: Amount Attributable to the Business-Type Activities	(109,806)	
		374,349

Change in Net Position of Governmental Activities		\$ 75,041,635
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TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities		
	Water	Wastewater	Non-Major Fund Solid Waste
ASSETS			
Current Assets:			
Cash and Investments	\$ 1,100	\$ -	\$ 1,130,414
Receivables, Net:			
Accounts Receivable	4,504,539	1,834,228	489,367
Interest Receivable	443	-	-
Inventory	72,803	-	174,602
Prepaid Items	20,324	-	-
Total Current Assets	<u>4,599,209</u>	<u>1,834,228</u>	<u>1,794,383</u>
Noncurrent Assets:			
Restricted Cash and Investments	2,585,667	-	-
Investment in Joint Venture	-	32,300,317	-
Capital Assets:			
Non-Depreciable	85,527,286	6,059,772	-
Depreciable (Net)	<u>161,591,276</u>	<u>94,679,363</u>	<u>75,939</u>
Total Noncurrent Assets	<u>249,704,229</u>	<u>133,039,452</u>	<u>75,939</u>
Total Assets	<u>254,303,438</u>	<u>134,873,680</u>	<u>1,870,322</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	1,766,923	169,582	132,443
Water System Acquisition Related	<u>14,524,666</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>16,291,589</u>	<u>169,582</u>	<u>132,443</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,687,623	706,542	495,416
Accrued Wages and Benefits	310,104	30,059	23,061
Other Accrued Expenses	769,159	-	-
Retainage Payable	164,284	-	-
Deposits Held for Others	1,876,413	-	-
Due to Other Funds	8,267,385	15,070,256	-
Interest Payable	1,536,029	63,550	-
Compensated Absences	220,399	29,281	25,849
Loans Payable	3,166,591	275,000	-
Advance in Aid of Construction	<u>147,475</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>19,145,462</u>	<u>16,174,688</u>	<u>544,326</u>
Noncurrent Liabilities:			
Compensated Absences	283,141	20,952	14,511
Net Pension Liability	7,392,745	709,525	554,139
Loans Payable	136,269,998	2,514,292	-
Advance in Aid of Construction	<u>7,034,285</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>150,980,169</u>	<u>3,244,769</u>	<u>568,650</u>
Total Liabilities	<u>170,125,631</u>	<u>19,419,457</u>	<u>1,112,976</u>
DEFERRED INFLOWS OF RESOURCES			
NET POSITION			
Net Investment in Capital Assets	100,335,929	97,949,843	75,939
Restricted for:			
Debt Service	7,338	-	-
Capital Projects	51,906	-	-
Unrestricted	<u>74,223</u>	<u>17,673,962</u>	<u>813,850</u>
Total Net Position	<u>\$ 100,469,396</u>	<u>\$ 115,623,805</u>	<u>\$ 889,789</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>Internal Service</u>
<u>Totals</u>	<u>Insurance</u>
\$ 1,131,514	\$ 738,452
6,828,134	-
443	-
247,405	-
20,324	-
<u>8,227,820</u>	<u>738,452</u>
2,585,667	-
32,300,317	-
91,587,058	-
<u>256,346,578</u>	<u>-</u>
<u>382,819,620</u>	<u>-</u>
391,047,440	738,452
2,068,948	-
<u>14,524,666</u>	<u>-</u>
16,593,614	-
3,889,581	-
363,224	-
769,159	-
164,284	-
1,876,413	-
23,337,641	-
1,599,579	-
275,529	-
3,441,591	-
147,475	-
<u>35,864,476</u>	<u>-</u>
318,604	-
8,656,409	-
138,784,290	-
7,034,285	-
<u>154,793,588</u>	<u>-</u>
190,658,064	-
<u>198,361,711</u>	<u>-</u>
7,338	-
51,906	-
18,562,035	738,452
<u>\$ 216,982,990</u>	<u>\$ 738,452</u>
166,977	
<u>\$ 217,149,967</u>	

TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Business-Type Activities		
	Water	Wastewater	Non-Major Fund Solid Waste
OPERATING REVENUES			
Charges for Services	\$ 29,329,092	\$ 8,166,104	\$ 3,906,600
Miscellaneous	19,890	1,030,735	8,539
Total Operating Revenues	<u>29,348,982</u>	<u>9,196,839</u>	<u>3,915,139</u>
OPERATING EXPENSES			
Administration	762,929	119,453	63,106
Cost of Sales and Services	17,429,513	4,492,068	3,740,425
Depreciation	3,799,594	2,289,530	21,328
Amortization	395,229	-	-
Equity Interest in Joint Venture	-	916,949	-
Insurance Claims and Premiums	-	-	-
Total Operating Expenses	<u>22,387,265</u>	<u>7,818,000</u>	<u>3,824,859</u>
Operating Income (Loss)	6,961,717	1,378,839	90,280
NONOPERATING REVENUES (EXPENSES)			
Capacity Fees	5,308,801	6,151,944	-
Intergovernmental	442,500	-	-
Investment Income (Loss)	19,230	(2,875)	7,152
Interest and Fiscal Charges	(3,681,565)	(90,242)	-
Debt Issuance Costs	(152,750)	-	-
Gain(Loss) on Disposal of Assets	13,500	-	-
Total Nonoperating Revenues (Expenses)	<u>1,949,716</u>	<u>6,058,827</u>	<u>7,152</u>
Income before Capital Contributions	8,911,433	7,437,666	97,432
Capital Contributions	5,838,848	2,942,914	-
Transfers Out	(2,484,672)	(704,142)	-
	<u>3,354,176</u>	<u>2,238,772</u>	<u>-</u>
Change in Net Position	12,265,609	9,676,438	97,432
Total Net Position - Beginning of Year	<u>88,203,787</u>	<u>105,947,367</u>	<u>792,357</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 100,469,396</u></u>	<u><u>\$ 115,623,805</u></u>	<u><u>\$ 889,789</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>
\$ 41,401,796	\$ 4,708,757
1,059,164	-
<u>42,460,960</u>	<u>4,708,757</u>
945,488	-
25,662,006	-
6,110,452	-
395,229	-
916,949	-
-	4,224,602
<u>34,030,124</u>	<u>4,224,602</u>
8,430,836	484,155
11,460,745	-
442,500	-
23,507	-
(3,771,807)	-
(152,750)	-
13,500	-
<u>8,015,695</u>	<u>-</u>
16,446,531	484,155
8,781,762	-
(3,188,814)	-
<u>5,592,948</u>	<u>-</u>
22,039,479	484,155
194,943,511	254,297
<u>\$ 216,982,990</u>	<u>\$ 738,452</u>
109,806	
<u>\$ 22,149,285</u>	

TOWN OF QUEEN CREEK, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Business-Type Activities		
	Water	Wastewater	Non-Major Fund Solid Waste
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 28,821,207	\$ 8,407,763	\$ 3,864,700
Receipts from Users	-	-	-
Payments to Suppliers	(10,199,638)	(5,261,045)	(2,896,856)
Payments to Employees	(6,820,173)	(680,295)	(510,338)
Payments for Claims and Premiums	-	-	-
Customer Deposits	99,321	-	-
Net Cash Flows Provided by Operating Activities	<u>11,900,717</u>	<u>2,466,423</u>	<u>457,506</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Provided (Used) by			
Other Funds for Interfund Borrowing	6,555,442	(285,916)	-
Transfers Out	(2,484,672)	(704,142)	-
Net Cash Flows Provided by Noncapital Financing Activities	<u>4,070,770</u>	<u>(990,058)</u>	<u>-</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(27,728,380)	(6,725,026)	-
Refunds of Waterline Agreements	(221,229)	-	-
Payments to Joint Venture	-	(503,768)	-
Capacity Fees	5,308,801	6,151,944	-
Loan Proceeds	10,894,305	-	-
Interest Paid on Capital Debt	(3,671,847)	(132,400)	-
Principal Paid on Capital Debt	(486,968)	(265,000)	-
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(15,905,318)</u>	<u>(1,474,250)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	<u>19,380</u>	<u>(2,115)</u>	<u>7,152</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	85,549	-	464,658
Cash and Cash Equivalents - Beginning of Year	<u>2,501,218</u>	<u>-</u>	<u>665,756</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,586,767</u>	<u>\$ -</u>	<u>\$ 1,130,414</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and Cash Equivalents	\$ 1,100	\$ -	\$ 1,130,414
Restricted Cash and Cash Equivalents	2,585,667	-	-
Total Cash and Cash Equivalents	<u>\$ 2,586,767</u>	<u>\$ -</u>	<u>\$ 1,130,414</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 6,961,717	\$ 1,378,839	\$ 90,280
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	4,194,823	2,289,530	21,328
Equity Interest in Joint Venture	-	916,949	-
Changes in Assets/Liabilities/Deferred Outflows & Inflows:			
Receivables, Net	(551,062)	(530,080)	(41,385)
Inventory	9,172	-	107,757
Prepaid Items	(6,464)	-	-
Deferred Outflows of Resources - Pensions	(837,884)	(80,827)	(50,916)
Accounts Payable	262,989	(1,665,133)	306,391
Deposits Held for Others	167,921	-	-
Compensated Absences	92,414	1,426	(18,029)
Accrued Wages and Benefits	51,550	3,846	179
Pension Liability	1,898,836	184,669	72,027
Deferred Inflows of Resources - Pensions	(343,295)	(32,796)	(30,126)
Net Cash Provided by Operating Activities	<u>\$ 11,900,717</u>	<u>\$ 2,466,423</u>	<u>\$ 457,506</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Capital Assets Contributed from Developers	\$ 5,836,997	\$ 2,942,914	\$ -
Capital Contributions for Advances in Aid of Construction	\$ 6,968,912	\$ -	\$ -
Amortization of Premium	\$ 581,360	\$ 36,858	\$ -

See accompanying Notes to the Basic Financial Statements.

	<u>Internal Service</u>
<u>Totals</u>	<u>Insurance</u>
\$ 41,093,670	\$ -
-	4,708,757
(18,357,539)	(27,525)
(8,010,806)	-
-	(4,197,077)
<u>99,321</u>	<u>-</u>
14,824,646	484,155
6,269,526	-
<u>(3,188,814)</u>	<u>-</u>
3,080,712	-
(34,453,406)	-
(221,229)	-
(503,768)	-
11,460,745	-
10,894,305	-
(3,804,247)	-
<u>(751,968)</u>	<u>-</u>
(17,379,568)	-
<u>24,417</u>	<u>-</u>
550,207	484,155
<u>3,166,974</u>	<u>254,297</u>
<u>\$ 3,717,181</u>	<u>\$ 738,452</u>
\$ 1,131,514	\$ 738,452
2,585,667	-
<u>\$ 3,717,181</u>	<u>\$ 738,452</u>
\$ 8,430,836	\$ 484,155
6,505,681	-
916,949	-
(1,122,527)	-
116,929	-
(6,464)	-
(969,627)	-
(1,095,753)	-
167,921	-
75,811	-
55,575	-
2,155,532	-
<u>(406,217)</u>	<u>-</u>
<u>\$ 14,824,646</u>	<u>\$ 484,155</u>
\$ 8,779,911	\$ -
\$ 6,968,912	\$ -
\$ 618,218	\$ -

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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TOWN OF QUEEN CREEK, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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
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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 2021, 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* – This special revenue fund accounts for the revenue and expenditures of the Town’s 2.0% construction sales tax.
- *Drainage and Transportation Fund* – This capital projects fund 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 and interest for the Town’s improvement district.
- *Debt Service Fund* – This fund accounts for the accumulation of resources for, and payment of, debt service principal, interest, and related costs for the Town’s excise tax revenue bonds.

Major Proprietary Funds

- *Water Fund* – The Water Fund accounts for the costs of operating, constructing, and financing the Town’s water utility operations.
- *Wastewater Fund* – The Wastewater Fund accounts for the costs of operating, constructing, and financing 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

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

from investments purchased with such pooled monies is allocated to each fund based on average daily cash balances.

Receivables – All trade and taxes receivables are shown net of an allowance for uncollectibles. For fiscal year 2021, governmental activities reported an allowance of \$43,500, and business-type activities reported an allowance of \$98,716.

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 \$10,000 or more 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, 2021

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 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

TOWN OF QUEEN CREEK, ARIZONA
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in excess of 25% of the following fiscal year's Operating Budget Revenue is set aside to cover these 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, 2021, the Town had remitted a payment of \$1,751,972 to PSPRS in order to cover the unfunded pension liability for Sworn Fire Personnel based on the most recent Fire Pension Plan's GASB 68 report. This was done in accordance with Town policy and was in lieu of setting funds aside. The following amounts were set aside toward the Town's remaining pension liabilities:

	MCSO		
	Contracted Personnel	ASRS Personnel	Total
General Fund	\$ 26,334,929	\$ 19,409,088	\$ 45,744,017
Water Fund	-	2,056,211	2,056,211
Wastewater Fund	-	709,525	709,525
Solid Waste Fund	-	554,139	554,139
	<u>\$ 26,334,929</u>	<u>\$ 22,728,963</u>	<u>\$ 49,063,892</u>

The amount set aside in the General Fund for MCSO Contracted Personnel represents 100% of the Town's estimated share of the total MCSO net pension liability as reported by PSPRS. The amounts set aside in General Fund and the proprietary funds for ASRS Personnel represent 100% of those funds' allocations of the Town's net pension liability except for the Water Fund which represents 28%.

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 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 OF QUEEN CREEK, ARIZONA
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YEAR ENDED JUNE 30, 2021

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. The Town’s pension reserves are included in Committed fund balance.

- *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.
- *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.

Operating Reserve Policies – The Town Council has adopted reserve policies to provide the Town with sufficient working capital to address emergencies, sudden loss of revenue or operating needs, and unexpected downturns without borrowing. The Town currently has three operating reserves:

- *Operating Budget Reserve* – \$22.5 million, an amount equal to the greater of 25% of the following year’s Operating Budget revenue (defined as revenue of the General Fund and HURF Fund) or the actual Operating Budget Reserve amount reported in the Town’s most recent financial statements.
- *Police Services Reserve* – Originally funded at \$4.5 million, to be used to acquire software, hardware, vehicles, or other items required to start up a police department. As of June 30, 2021 the remaining reserve balance was \$113,099.
- *COVID-19 Reserve* – \$11.1 million the remaining amount of fiscal year 2020 excess revenue over expenses in the General Fund, after funding the Police Services Reserve, to be used to avoid service level reductions in the Operating Budget due to the COVID-19 pandemic.

These three reserve amounts are included in Unassigned fund balance in the General Fund as follows:

	Operating Reserves
Operating Budget Reserve	\$ 22,455,913
Police Services Reserve	113,099
COVID-19 Reserve	11,060,087
	\$ 33,629,099

The Police Services Reserve and the COVID-19 Reserve have been repealed by the Town Council effective July 1, 2021.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures Within Appropriations

For fiscal year 2021, 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.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2021, the carrying amount of the Town's deposits was \$19,961,742 and the bank balance was \$13,597,461. The difference represents deposits in transit, outstanding checks and other reconciling items. In addition, the Town had \$2,125 cash on hand.

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, 2021 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	\$ 95,900,435	\$ 95,900,435	\$ -	\$ -	49.39%	Amortized Cost	n/a
US Treasury Obligations	57,373,005	9,693,360	20,847,059	26,832,586	29.55%	Level 1	AAA
Federal Home Loan Mortgage Corporation	7,621,317	-	1,949,961	5,671,356	3.93%	Level 2	AAA
Federal Home Loan Bank	2,828,391	-	2,828,391	-	1.46%	Level 2	AAA
Federal National Mortgage Association	5,058,828	2,178,875	1,679,941	1,200,012	2.61%	Level 2	AAA
Federal Farm Credit Bank	1,975,474	-	1,975,474	-	1.02%	Level 2	AAA
State Treasurer's Investment Pool	20,699,780	20,699,780	-	-	10.66%	n/a	n/a
Corporate Bonds:							
Apple Inc.	1,037,880	-	1,037,880	-	0.53%	Level 2	AA1
Procter & Gamble Company	1,174,254	-	1,174,254	-	0.60%	Level 2	AA3
PepsiCo Inc.	495,485	-	-	495,485	0.26%	Level 2	A1
	<u>\$ 194,164,849</u>	<u>\$ 128,472,450</u>	<u>\$ 31,492,960</u>	<u>\$ 34,199,439</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 – Observable inputs other than quoted market prices, including 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
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YEAR ENDED JUNE 30, 2021

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, 2021, \$1,458,153 of the Town's deposits was covered by federal depository insurance. The remaining \$12,139,308 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	Drainage and Transportation Fund	Improvement District Debt Service Fund	Nonmajor Funds		Total
				Street Lighting District Fund	General Capital Improvement	
Accrued Interest on Investments	\$ 46,338	\$ -	\$ -	\$ -	\$ -	\$ 46,338
Business Licenses	17,090	-	-	-	-	17,090
Delinquent Property Taxes	94,888	-	-	291	-	95,179
Charges for Services	82,872	-	-	-	-	82,872
Project Reimbursement	-	883,721	-	-	13,162	896,883
Special Assessments	-	-	12,817,285	-	-	12,817,285
Miscellaneous	506	-	-	-	-	506
Total Unavailable Revenues	\$ 241,694	\$ 883,721	\$ 12,817,285	\$ 291	\$ 13,162	\$ 13,956,153

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2021:

	Due To General Fund
Due From:	
Water Fund	8,267,385
Wastewater Fund	15,070,256
Total	\$ 23,337,641

These interfund receivables and payables were recorded to cover short-term cash shortfalls in the respective funds due to the timing of securing financing for capital improvements in the utility funds. The utility funds did not have sufficient cash resources to pay for the significant amount of projects needed to prepare for new development. Therefore, the cash shortfalls are being covered temporarily with resources from the General Fund. The Town's intent is to cover the deficit cash position with long-term financing for its water and wastewater capital projects by issuing debt in fiscal year 2022.

B. Interfund Transfers

Interfund transfers during the year were made to fund debt service and capital projects and to support operations in the HURF Fund. 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. Interfund transfers for the year ended June 30, 2021 consisted of the following:

	Transfers In						Total
	General Fund	Construction Sales Tax Fund	Drainage & Transportation Fund	Debt Service Fund	Nonmajor Fund		
					General Capital Improvements	Transportation Development Fund	
Transfers Out:							
General Fund	\$ -	\$ -	\$ 3,377,700	\$ 5,979,065	\$ 329,069	\$ -	\$ 9,685,834
Construction Sales Tax Fund	-	-	3,411,599	1,393,315	-	6,058,844	10,863,758
Water Fund	2,484,672	-	-	-	-	-	2,484,672
Wastewater Fund	704,142	-	-	-	-	-	704,142
Nonmajor Funds:							
HURF Fund	-	-	-	263,871	-	-	263,871
Town Center Fund	-	-	-	333,875	-	-	333,875
Parks and Recreation Fund	59,809	-	-	-	-	-	59,809
Town Buildings Development	-	-	-	286,957	-	-	286,957
Transportation Development	-	2,000,000	2,516,578	731,697	-	-	5,248,275
Library Development	-	-	-	232,909	-	-	232,909
Parks Development	-	-	-	512,526	427,305	-	939,831
Public Safety Development	-	-	-	142,875	858,028	-	1,000,903
Fire Development	-	-	-	752,310	3,365,042	-	4,117,352
Total	\$ 3,248,623	\$ 2,000,000	\$ 9,305,877	\$ 10,629,400	\$ 4,979,444	\$ 6,058,844	\$ 36,222,188

TOWN OF QUEEN CREEK, ARIZONA
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YEAR ENDED JUNE 30, 2021

NOTE 6. LEASES

A. Lease of Town Property

The Town leases land and buildings 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, 2021 are as follows:

Year Ended June 30	Amount
2022	\$ 271,360
2023	232,486
2024	195,765
2025	134,923
2026	138,961
2027 - 2031	623,590
2032 - 2036	497,532
2037 - 2040	243,401
	\$ 2,338,018

NOTE 7. CAPITAL ASSETS

A. Changes in Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Capital Assets			Ending Balance
	Beginning Balance	Additions	Deletions	
Governmental Activities:				
Capital assets not being depreciated:				
Land and Related Assets	\$ 51,221,807	\$ 1,692,036	\$ -	\$ 52,913,843
Construction-In-Progress	38,294,239	33,910,709	(8,540,293)	63,664,655
Total	89,516,046	35,602,745	(8,540,293)	116,578,498
Capital assets being depreciated:				
Infrastructure	376,053,502	17,773,628	-	393,827,130
Buildings and Improvements	73,805,600	3,393,694	-	77,199,294
Vehicles, Furniture, and Equipment	18,048,895	5,284,343	(97,578)	23,235,660
Total	467,907,997	26,451,665	(97,578)	494,262,084
Less Accumulated Depreciation for:				
Infrastructure	(100,049,466)	(12,994,646)	-	(113,044,112)
Buildings and Improvements	(11,237,290)	(1,881,735)	-	(13,119,025)
Vehicles, Furniture, and Equipment	(9,608,278)	(1,859,767)	97,578	(11,370,467)
Total	(120,895,034)	(16,736,148)	97,578	(137,533,604)
Capital assets being depreciated, net	347,012,963	9,715,517	-	356,728,480
Governmental Activities Capital Assets, Net	\$ 436,529,009	\$ 45,318,262	\$ (8,540,293)	\$ 473,306,978

TOWN OF QUEEN CREEK, ARIZONA
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	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land and Related Assets	\$ 1,816,657	\$ 2,723,315	\$ -	\$ 4,539,972
Water Rights and Credits	65,194,518	1,579,527	(538,060)	66,235,985
Construction-In-Progress	35,110,847	22,579,258	(36,879,004)	20,811,101
Total	<u>102,122,022</u>	<u>26,882,100</u>	<u>(37,417,064)</u>	<u>91,587,058</u>
Capital assets being depreciated:				
Water System	136,732,425	38,515,108	-	175,247,533
Wastewater Collection System	101,090,761	12,798,025	-	113,888,786
Buildings and Improvements	-	7,742,157	-	7,742,157
Vehicles, Furniture, and Equipment	4,441,724	1,459,753	(35,909)	5,865,568
Total	<u>242,264,910</u>	<u>60,515,043</u>	<u>(35,909)</u>	<u>302,744,044</u>
Less Accumulated Depreciation for:				
Water System	(17,868,750)	(3,375,501)	-	(21,244,251)
Wastewater Collection System	(19,929,642)	(2,168,791)	-	(22,098,433)
Buildings and Improvements	-	(96,798)	-	(96,798)
Vehicles, Furniture, and Equipment	(2,524,531)	(469,362)	35,909	(2,957,984)
Total	<u>(40,322,923)</u>	<u>(6,110,452)</u>	<u>35,909</u>	<u>(46,397,466)</u>
Capital assets being depreciated, net	201,941,987	54,404,591	-	256,346,578
Business-Type Activities Capital Assets, Net	<u>\$ 304,064,009</u>	<u>\$ 81,286,691</u>	<u>\$ (37,417,064)</u>	<u>\$ 347,933,636</u>

B. Depreciation

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

General Government	\$ 1,154,210
Public Safety	1,259,126
Highways and Streets	12,588,524
Culture and Recreation	1,732,215
Economic Development	2,073
Total	<u>\$ 16,736,148</u>

TOWN OF QUEEN CREEK, ARIZONA
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YEAR ENDED JUNE 30, 2021

C. Construction Commitments

The Town had contractual commitments related to various projects at June 30, 2021, mostly for the construction of Town facilities and infrastructure improvements. At June 30, 2021, the Town had remaining contractual commitments of \$59,787,849, consisting of the following:

General Fund	\$	2,324,382
Drainage & Transportation Fund		30,579,585
Water Fund		6,801,951
Wastewater Fund		6,106,664
Nonmajor Funds:		
Highway Users Revenue Fund		716,533
Town Center Fund		9,160
General Capital Improvements Fund		<u>13,249,574</u>
Total	\$	<u><u>59,787,849</u></u>

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, 2021 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, 2014, and 2021. 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, 2021, the Town had additions of \$6,955,507, made refund payments of \$109,689 to property owners and recognized a loss of \$9,703 as a result of a change in the estimated liability for future payouts. As of June 30, 2021, the Town had \$7,181,760 of outstanding unearned advances in aid of construction.

TOWN OF QUEEN CREEK, ARIZONA
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YEAR ENDED JUNE 30, 2021

NOTE 9. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the fiscal year ended June 30, 2021 were as follows:

	Long-Term Obligations				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Excise Tax and State-Shared Revenue Bonds:					
Project Bonds, Series 2020	\$ 78,605,000	\$ -	\$ -	\$ 78,605,000	\$ 1,080,000
Project Bonds, Series 2018A	46,790,000	-	(825,000)	45,965,000	855,000
Project Bonds, Series 2018B	17,335,000	-	(485,000)	16,850,000	500,000
Refunding Bonds, Series 2016	40,715,000	-	(2,460,000)	38,255,000	2,550,000
Direct-Placement Debt:					
Special Assessment Refunding Bonds, Series 2016	14,281,972	-	(1,386,743)	12,895,229	1,421,288
Unamortized Premiums / Discounts	31,751,838	-	(1,292,932)	30,458,906	-
Capital Leases	80,920	-	(80,920)	-	-
Compensated Absences	1,658,034	1,485,326	(1,169,600)	1,973,760	1,119,424
Total Governmental Long-Term Obligations	\$ 231,217,764	\$ 1,485,326	\$ (7,700,195)	\$ 225,002,895	\$ 7,525,712
Business-Type Activities:					
Loans:					
WIFA Loan, 2021 - Drinking Water (DW)	\$ -	\$ 9,807,500	\$ -	\$ 9,807,500	\$ -
WIFA Loan, 2020 - Drinking Water (DW)	56,856,000	1,086,805	-	57,942,805	1,431,868
WIFA Loan, 2020 - Clean Water (CW)	8,600,000	-	-	8,600,000	212,521
WIFA Loan, 2014	12,145,179	-	(100,000)	12,045,179	364,388
WIFA Loan, 2008	21,919,447	-	(100,000)	21,819,447	847,888
GADA Infrastructure Revenue Loan, Series 2014A	2,870,000	-	(265,000)	2,605,000	275,000
Direct-Placement Debt:					
Subordinate Lien Water System Revenue Obligation, Series 2013	19,159,376	-	(286,968)	18,872,408	309,926
Unamortized Premiums / Discounts	11,151,760	-	(618,218)	10,533,542	-
Advances in Aid of Construction	326,239	6,965,210	(109,689)	7,181,760	147,475
Compensated Absences	518,322	388,249	(312,438)	594,133	275,529
Total Business-Type Long-Term Obligations	\$ 133,546,323	\$ 18,247,764	\$ (1,792,313)	\$ 150,001,774	\$ 3,864,595

B. Bonds and Loans Payable

The following table summarizes the Town's bonds and loans payable at June 30, 2021:

Description	Original Issue	Maturity	Interest Rate (%)	Outstanding at June 30, 2021
Governmental Activities:				
Excise Tax and State-Shared Revenue Bonds:				
Project Bonds, Series 2020	\$ 78,605,000	8/1/2050	4.00-5.00%	\$ 78,605,000
Project Bonds, Series 2018A	47,945,000	8/1/2047	2.00-5.00%	45,965,000
Project Bonds, Series 2018B	18,015,000	8/1/2047	2.00-5.00%	16,850,000
Refunding Bonds, Series 2016	47,990,000	8/1/2036	2.00-5.00%	38,255,000
Direct-Placement Debt:				
Special Assessment Refunding Bonds, Series 2016	18,445,000	1/1/2030	2.45%	12,895,229
Total Governmental Bonds and Loans Payable				\$ 192,570,229
Business-Type Activities:				
Loans:				
WIFA Loan, 2021 - Drinking Water (DW)	\$ 12,807,500	7/1/2050	1.874%	\$ 9,807,500
WIFA Loan, 2020 - Drinking Water (DW)	57,981,000	7/1/2050	1.984%	57,942,805
WIFA Loan, 2020 - Clean Water (CW)	8,600,000	7/1/2050	1.984%	8,600,000
WIFA Loan, 2014	16,000,000	7/1/2043	3.154%	12,045,179
WIFA Loan, 2008	40,000,000	7/1/2038	4.0375%	21,819,447
GADA Infrastructure Revenue Loan, Series 2014A	3,845,000	8/1/2028	2.00-5.00%	2,605,000
Direct-Placement Debt:				
Subordinate Lien Water System Revenue Obligation, Series 2013	19,425,093	5/1/2043	8.00%	18,872,408
Total Business-Type Bonds and Loans Payable				\$ 131,692,339

TOWN OF QUEEN CREEK, ARIZONA
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YEAR ENDED JUNE 30, 2021

C. Debt Service Requirements to Maturity – Summary

Following are the Town’s debt service requirements to maturity for all bonds and loans:

Governmental Activities:

Fiscal Year	Excise Tax and State-Shared Revenue Bonds					
	Series 2020 Project			Series 2018A Project		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,080,000	\$ 3,364,550	\$ 4,444,550	\$ 855,000	\$ 2,263,700	\$ 3,118,700
2023	1,135,000	3,309,175	4,444,175	890,000	\$ 2,228,800	3,118,800
2024	1,195,000	3,250,925	4,445,925	925,000	\$ 2,187,875	3,112,875
2025	1,255,000	3,189,675	4,444,675	975,000	\$ 2,140,375	3,115,375
2026	1,320,000	3,125,300	4,445,300	1,020,000	\$ 2,090,500	3,110,500
2027 - 2031	7,680,000	14,540,000	22,220,000	5,930,000	\$ 9,612,500	15,542,500
2032 - 2036	14,190,000	11,853,100	26,043,100	7,565,000	\$ 7,933,875	15,498,875
2037 - 2041	17,605,000	8,446,300	26,051,300	9,650,000	\$ 5,792,250	15,442,250
2042 - 2046	14,920,000	5,184,400	20,104,400	12,320,000	\$ 3,058,750	15,378,750
2047 - 2051	18,225,000	1,880,700	20,105,700	5,835,000	\$ 295,375	6,130,375
	<u>\$ 78,605,000</u>	<u>\$ 58,144,125</u>	<u>\$ 136,749,125</u>	<u>\$ 45,965,000</u>	<u>\$ 37,604,000</u>	<u>\$ 83,569,000</u>

Fiscal Year	Excise Tax and State-Shared Revenue Bonds					
	Series 2018B Project			Series 2016 Refunding		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 500,000	\$ 718,500	\$ 1,218,500	\$ 2,550,000	\$ 1,713,900	\$ 4,263,900
2023	520,000	698,100	1,218,100	2,690,000	1,596,350	4,286,350
2024	540,000	676,900	1,216,900	2,800,000	1,472,550	4,272,550
2025	565,000	651,975	1,216,975	2,755,000	1,347,450	4,102,450
2026	595,000	622,975	1,217,975	2,875,000	1,234,850	4,109,850
2027 - 2031	3,440,000	2,626,250	6,066,250	15,910,000	4,064,325	19,974,325
2032 - 2036	4,240,000	1,840,525	6,080,525	8,090,000	672,900	8,762,900
2037 - 2041	3,050,000	1,119,050	4,169,050	585,000	11,700	596,700
2042 - 2046	2,305,000	573,125	2,878,125	-	-	-
2047 - 2051	1,095,000	55,375	1,150,375	-	-	-
	<u>\$ 16,850,000</u>	<u>\$ 9,582,775</u>	<u>\$ 26,432,775</u>	<u>\$ 38,255,000</u>	<u>\$ 12,114,025</u>	<u>\$ 50,369,025</u>

Fiscal Year	Direct-Placement Special Assessment Bonds					
	Series 2016 Refunding			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,421,288	\$ 298,522	\$ 1,719,810	\$ 6,406,288	\$ 8,359,172	\$ 14,765,460
2023	1,450,898	263,338	1,714,236	6,685,898	8,095,763	14,781,661
2024	1,485,444	227,368	1,712,812	6,945,444	7,815,618	14,761,062
2025	1,529,859	190,430	1,720,289	7,079,859	7,519,905	14,599,764
2026	1,564,404	152,526	1,716,930	7,374,404	7,226,151	14,600,555
2027 - 2031	5,443,336	227,126	5,670,462	38,403,336	31,070,201	69,473,537
2032 - 2036	-	-	-	34,085,000	22,300,400	56,385,400
2037 - 2041	-	-	-	30,890,000	15,369,300	46,259,300
2042 - 2046	-	-	-	29,545,000	8,816,275	38,361,275
2047 - 2051	-	-	-	25,155,000	2,231,450	27,386,450
	<u>\$ 12,895,229</u>	<u>\$ 1,359,310</u>	<u>\$ 14,254,539</u>	<u>\$ 192,570,229</u>	<u>\$ 118,804,235</u>	<u>\$ 311,374,464</u>

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YEAR ENDED JUNE 30, 2021

Business-Type Activities:

Water Infrastructure Finance Authority (WIFA) Loans						
Fiscal Year	Series 2021 DW *			Series 2020 DW		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ -	\$ 239,979	\$ 239,979	\$ 1,431,868	\$ 1,121,177	\$ 2,553,045
2023	-	239,979	239,979	1,460,276	1,092,205	2,552,481
2024	352,042	233,383	585,425	1,489,248	1,062,658	2,551,906
2025	358,638	226,663	585,301	1,518,795	1,032,526	2,551,321
2026	365,358	219,817	585,175	1,548,928	1,001,795	2,550,723
2027 - 2031	1,932,079	991,823	2,923,902	8,217,977	4,526,245	12,744,222
2032 - 2036	2,120,002	800,380	2,920,382	9,066,197	3,661,197	12,727,394
2037 - 2041	2,326,202	590,315	2,916,517	10,001,966	2,706,862	12,708,828
2042 - 2046	2,552,458	359,820	2,912,278	11,034,320	1,654,026	12,688,346
2047 - 2051	2,800,721	106,905	2,907,626	12,173,230	492,522	12,665,752
	<u>\$ 12,807,500</u>	<u>\$ 4,009,064</u>	<u>\$ 16,816,564</u>	<u>\$ 57,942,805</u>	<u>\$ 18,351,213</u>	<u>\$ 76,294,018</u>

Water Infrastructure Finance Authority (WIFA) Loans						
Fiscal Year	Series 2020 CW			Series 2014		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 212,521	\$ 166,408	\$ 378,929	\$ 364,388	\$ 368,412	\$ 732,800
2023	216,737	162,108	378,845	375,881	356,557	732,438
2024	221,038	157,722	378,760	387,736	344,328	732,064
2025	225,423	153,250	378,673	399,966	331,713	731,679
2026	229,895	148,689	378,584	412,580	318,700	731,280
2027 - 2031	1,219,730	671,795	1,891,525	2,266,499	1,383,481	3,649,980
2032 - 2036	1,345,625	543,403	1,889,028	2,647,195	990,778	3,637,973
2037 - 2041	1,484,514	401,759	1,886,273	3,091,835	532,115	3,623,950
2042 - 2046	1,637,738	245,494	1,883,232	2,099,099	67,575	2,166,674
2047 - 2051	1,806,779	73,100	1,879,879	-	-	-
	<u>\$ 8,600,000</u>	<u>\$ 2,723,728</u>	<u>\$ 11,323,728</u>	<u>\$ 12,045,179</u>	<u>\$ 4,693,659</u>	<u>\$ 16,738,838</u>

Water Infrastructure Finance Authority (WIFA) Loans				GADA Infrastructure Revenue Loan		
Fiscal Year	Series 2008			Series 2014A		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 847,888	\$ 846,727	\$ 1,694,615	\$ 275,000	\$ 113,350	\$ 388,350
2023	882,122	811,111	1,693,233	285,000	99,100	384,100
2024	917,737	774,057	1,691,794	300,000	84,100	384,100
2025	954,791	735,508	1,690,299	315,000	71,500	386,500
2026	993,341	695,402	1,688,743	330,000	55,000	385,000
2027 - 2031	5,601,677	2,816,397	8,418,074	1,100,000	56,750	1,156,750
2032 - 2036	6,827,593	1,540,985	8,368,578	-	-	-
2037 - 2041	4,794,298	198,675	4,992,973	-	-	-
2042 - 2046	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-
	<u>\$ 21,819,447</u>	<u>\$ 8,418,862</u>	<u>\$ 30,238,309</u>	<u>\$ 2,605,000</u>	<u>\$ 479,800</u>	<u>\$ 3,084,800</u>

Direct-Placement Debt						
Fiscal Year	Subordinate Lien Water System Revenue Obligation, Series 2013			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 309,926	\$ 1,492,689	\$ 1,802,615	\$ 3,441,591	\$ 4,348,742	\$ 7,790,333
2023	334,720	1,466,759	1,801,479	3,554,736	4,227,819	7,782,555
2024	361,498	1,438,761	1,800,259	4,029,299	4,095,009	8,124,308
2025	390,417	1,408,530	1,798,947	4,163,030	3,959,690	8,122,720
2026	421,651	1,375,888	1,797,539	4,301,753	3,815,291	8,117,044
2027 - 2031	2,671,549	6,291,072	8,962,621	23,009,511	16,737,563	39,747,074
2032 - 2036	3,925,382	4,982,376	8,907,758	25,931,994	12,519,119	38,451,113
2037 - 2041	5,767,674	3,060,996	8,828,670	27,466,489	7,490,722	34,957,211
2042 - 2046	4,689,591	555,548	5,245,139	22,013,206	2,882,463	24,895,669
2047 - 2051	-	-	-	16,780,730	672,527	17,453,257
	<u>\$ 18,872,408</u>	<u>\$ 22,072,619</u>	<u>\$ 40,945,027</u>	<u>\$ 134,692,339</u>	<u>\$ 60,748,945</u>	<u>\$ 195,441,284</u>

* reflects the full loan authorization amount; the debt repayment schedule will be revised after the final draw has been made.

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YEAR ENDED JUNE 30, 2021

<i>Memo Only - Total WIFA Loans</i>			
Fiscal Year	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	\$ 2,856,665	\$ 2,742,703	\$ 5,599,368
2023	2,935,016	2,661,960	5,596,976
2024	3,367,801	2,572,148	5,939,949
2025	3,457,613	2,479,660	5,937,273
2026	3,550,102	2,384,403	5,934,505
2027 - 2031	19,237,962	10,389,741	29,627,703
2032 - 2036	22,006,612	7,536,743	29,543,355
2037 - 2041	21,698,815	4,429,726	26,128,541
2042 - 2046	17,323,615	2,326,915	19,650,530
2047 - 2051	16,780,730	672,527	17,453,257
	<u>\$ 113,214,931</u>	<u>\$ 38,196,526</u>	<u>\$ 151,411,457</u>

D. Excise Tax and State-Shared Revenue Pledged Debt – First Lien Parity Obligations

The Town has issued debt secured by a pledge of all of the Town’s excise taxes and state-shared revenues. The Town is required to maintain excise tax and state-shared revenues at a level equal to at least 3.0 times the aggregate annual debt service of all debt secured by the pledge.

1. *Excise Tax and State-Shared Revenue Bonds, Series 2020.* In fiscal year 2020, the Town issued \$78.605 million of long-term excise tax and state-shared revenue bonds to provide funding for new transportation, public safety, and fire projects.
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 million 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 pledged excise tax revenues collected during the fiscal year:

Debt Issue	Debt Service, FY 2021			Remaining Principal and Interest to Maturity	Maturity Date
	Principal	Interest	Total		
<i>First Lien Parity Obligations:</i>					
Excise Tax and State-Shared Revenue Bonds, Series 2020	\$ -	\$ 1,987,825	\$ 1,987,825	\$ 136,749,125	8/1/2050
Excise Tax and State-Shared Revenue Bonds, Series 2018A	825,000	2,297,300	3,122,300	83,569,000	8/1/2047
Excise Tax and State-Shared Revenue Bonds, Series 2018B	485,000	738,200	1,223,200	26,432,775	8/1/2047
Excise Tax and State-Shared Revenue Bonds, Series 2016	2,460,000	1,826,850	4,286,850	50,369,025	8/1/2036
GADA Infrastructure Revenue Loan, Series 2014A	265,000	127,100	392,100	3,084,800	8/1/2028
Total Debt Service, FY 2021	<u>\$ 4,035,000</u>	<u>\$ 6,977,275</u>	<u>\$ 11,012,275</u>	<u>\$ 300,204,725</u>	
Total Excise Tax and State-Shared Revenues, FY 2021			\$ 96,817,619		

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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 (now owned by BOK 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 2021, the Town was not required to cover any 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 \$14,254,540 payable through January 1, 2030.

F. Utility System Revenue Pledged Debt – Senior Parity Obligations

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

1. *WIFA Loan, 2021 Drinking Water (DW)*. In fiscal year 2021, the Town obtained a loan authorization of up to \$13.3 million from the Water Infrastructure Finance Authority of Arizona (WIFA) to acquire Diversified Water Utilities, Inc., and install an interconnection to its water system. The loan includes \$442,500 in forgivable principal. By June 30, 2021, the Town had drawn down \$10.25 million of the loan authorization, and the Town expects to draw down the remaining \$3.05 million in fiscal year 2022.
2. *WIFA Loan, 2020 Drinking Water (DW)*. In fiscal year 2020, the Town obtained a loan authorization of up to \$57.981 million from the Water Infrastructure Finance Authority of Arizona (WIFA). By June 30, 2020, the Town had drawn down \$56.856 million of the loan authorization to redeem the Series 2019 and Series 2020 Subordinate Lien Excise Tax and State-Shared Revenue Obligations and to pay for 1,486 acre-feet of groundwater extinguishment credits (GWECs). In August 2020, the Town drew down an additional \$1.087 million of loan proceeds to purchase 3,881 acre-feet of GWECs, bringing the total loan amount to \$57.943 million. The Town does not expect to use the remaining \$38,195 of loan authorization.
3. *WIFA Loan, 2020 Clean Water (CW)*. In fiscal year 2020, the Town obtained an \$8.6 million loan from WIFA to fund a water exchange agreement with Trilogy Encanterra Construction LLC wherein the Town receives 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.
4. *WIFA Loan, 2014*. In fiscal year 2014, the Town obtained a \$16 million loan from WIFA to finance a portion of the purchase price of the H2O Water Company.
5. *WIFA Loan, 2008*. In fiscal year 2008, the Town obtained a \$40 million loan from WIFA to fund the purchase of the Queen Creek Water Company and improvements to the infrastructure acquired.

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The following table presents the Town’s senior parity utility system revenue pledged debt service requirements relative to utility system net revenues for the fiscal year:

Debt Issue	Debt Service, FY 2021			Remaining Principal and Interest to Maturity	Maturity Date
	Principal	Interest	Total		
WIFA Loan, 2021 DW	\$ -	\$ 183,984	\$ 183,984	\$ 16,816,564	7/1/2050
WIFA Loan, 2020 DW	-	1,168,524	1,168,524	76,294,018	7/1/2050
WIFA Loan, 2020 CW	-	173,942	173,942	11,323,728	7/1/2050
WIFA Loan, 2014	100,000	379,905	479,905	16,738,838	7/1/2043
WIFA Loan, 2008	100,000	880,960	980,960	30,238,309	7/1/2038
Total Debt Service, FY 2021	\$ 200,000	\$ 2,787,315	\$ 2,987,315	\$ 151,411,457	
Total Utility System Net Revenues, FY 2021			\$ 17,110,921		

G. Water System Revenue Pledged Debt – Subordinate Lien Water System Revenue Obligations, Series 2013 (Direct Placement Debt).

The remaining balance of the purchase price for the H2O Water Company in 2013 was financed through issuance of a \$19,425,093 direct-placement subordinate lien tax-exempt revenue obligation to the former owners of the H2O Water Company. The obligations are secured by a pledge of net revenues from the Town’s water system that is subordinate to the pledge of net revenues on the Town’s senior parity obligations. “Net revenues” for the subordinate lien obligations are defined as all revenues from *water* system activities only (excluding wastewater activities), net of operation and maintenance costs. The purchase agreement requires the Town to maintain net revenues at least equal to 1.2 times debt service coverage on the senior and subordinate lien obligations combined and 1.0 times debt service coverage on the subordinate lien obligations alone. The obligations carry an interest rate of 8.0% and are not subject to early redemption. Total debt service on the obligations for fiscal year 2021 was \$1,803,674, and net revenues from the water system were \$17,110,921. Total principal and interest remaining on the obligations is \$40,945,027 payable through May 1, 2043. The obligations do not have specific provisions regarding significant events of default, subjective acceleration clauses, or termination events with finance-related consequences.

H. 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, 2021 is \$683,852,186. This includes both Maricopa County and Pinal County assessed values. The Town’s constitutional debt limit is calculated as follows:

20% Debt Margin Limit	\$ 136,770,437
Bonded Debt Outstanding	-
Unused 20% Limitation Borrowing Capacity	<u>\$ 136,770,437</u>
6% Debt Margin Limit	\$ 41,031,131
Bonded Debt Outstanding	-
Unused 6% Limitation Borrowing Capacity	<u>\$ 41,031,131</u>

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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 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	Debt Service Fund	Nonmajor Governmental Funds	
Nonspendable:							
Prepaid Items	\$ 265,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,125
Restricted:							
Debt Service	-	-	-	48,239	-	-	48,239
Transportation and Town Facilities	-	-	59,688,399	-	-	63,790,616	123,479,015
Street Lighting Districts	-	-	-	-	-	388,838	388,838
Contractual Agreements	903,250	-	-	-	-	-	903,250
Housing Rehabilitation	-	-	-	-	-	80,945	80,945
Total Restricted	903,250	-	59,688,399	48,239	-	64,260,399	124,900,287
Committed:							
Pension Liabilities	45,744,017	-	-	-	-	-	45,744,017
Transportation and Town Facilities	-	4,273,389	-	-	-	1,227,222	5,500,611
Total Committed	45,744,017	4,273,389	-	-	-	1,227,222	51,244,628
Assigned:							
Debt Service	-	-	-	-	1,569	-	1,569
Transportation and Town Facilities	-	-	7,445,421	-	-	-	7,445,421
Parks and Community Events	-	-	-	-	-	163,210	163,210
Total Committed	-	-	7,445,421	-	1,569	163,210	7,610,200
Unassigned	43,502,777	-	-	-	-	(384,913)	43,117,864
Total Fund Balance	\$ 90,415,169	\$ 4,273,389	\$ 67,133,820	\$ 48,239	\$ 1,569	\$ 65,265,918	\$ 227,138,104

C. Deficit Fund Balances

The deficit Unassigned fund balance in the Nonmajor Governmental Funds is all within the General Capital Improvement Funds and is a temporary result of paying contractors at year-end without a corresponding draw on bond proceeds. The deficit will be covered by bond proceeds in future months as the Town requests reimbursement from the bond trustee, of which proceeds are currently reported as restricted assets within the same 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, 2021, 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	\$ 21,161,060	\$ 8,656,409	\$ 29,817,469
Deferred Outflows of Resources	10,760,785	2,068,948	12,829,733
Deferred Inflows of Resources	8,380	-	8,380
Pension Expense	3,591,192	1,458,109	5,049,301

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The Town's accrued payroll and employee benefits includes \$187,773 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2021. Also, the Town reported \$4,787,095 of pension contributions as expenditures in the governmental 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.

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 ASRS is not financially significant to the Town, and therefore the plan is not presented.

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:

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

* 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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22% (12.04% for retirement and 0.18% for long-term disability) of the members' annual covered payroll, and statute required the Town to

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contribute at the actuarially determined rate of 12.22% (11.65% for retirement, 0.39% for the health insurance premium benefit, and 0.18% 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 10.21% (10.14% for retirement and 0.07% for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension plan for the year ended June 30, 2021, were \$2,199,552, and were paid 60% from the General Fund, 32% from major funds, and 8% from other funds.

Pension Liability – At June 30, 2021, the Town reported a liability of \$28,065,497 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2020. 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, 2019 to the measurement date of June 30, 2020.

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, 2020. The Town's proportion measured as of June 30, 2020, was 0.16198%, which was an increase of 0.01221% from its proportion measured as of June 30, 2019.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2021, the Town recognized pension expense for ASRS of \$4,087,435. At June 30, 2021, 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	\$ 253,901	\$ -
Net difference between projected and actual earnings on pension plan investments	2,706,950	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,547,466	-
Town contributions subsequent to the measurement date	2,199,552	-
	\$ 6,707,869	\$ -

The \$2,199,552 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, 2022. 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>	
2022	\$ 1,289,909
2023	1,402,030
2024	979,133
2025	837,245

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

Actuarial Valuation Date	June 30, 2019
Actuarial Roll Forward Date	June 30, 2020
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, 2019 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 by adding 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:

Asset Class	Target Allocation	Real Return Geometric Basis
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - interest rate sensitive	10%	0.22%
Real Estate	20%	5.85%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.5%. 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	\$ 38,379,187	\$ 28,065,497	\$ 19,443,783

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

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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. Firefighters who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the County’s financial statements.

Town police officers have a separate plan however, as the police department is new to the Town for fiscal year 2021 reports from PSPRS are not available. Any liabilities would be insignificant at this point given the small size of the startup staff for the police department. The Town has been following the contribution rates prescribed by PSPRS and has continued to receive all policing services from the County Sheriff’s office and will continue to do so until the expected switch is made in January 2022.

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

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

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:

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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
Benefit percentage			
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor Benefit			
Retired Members	80-100% of retired member's pension benefit		
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

* 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	47
Total	<u>51</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, 2021, are indicated below. Rates are a percentage of active members' annual covered payroll.

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	PSPRS Firefighters
Active Member Contributions:	
Tier One Members	7.65%
Tier Two Members	11.65%
Tier Three Members	9.94%
Town Contributions	
Pension	9.35% - 15.76%

The Town's contribution to the pension plan for the year ended June 30, 2021 was \$2,587,543. 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, 2021, the Town reported the following net pension liability:

	Net Pension Liability
PSPRS Firefighters	\$ 1,751,972

The net pension liability was measured as of June 30, 2020, 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, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.3%
Wage Inflation	3.5%
Price Inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality Rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2020, valuation were based on results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.30% 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:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Public Equity	23%	4.93%
International Public Equity	15%	6.09%
Global Private Equity	18%	8.42%
Other Assets (Capital Apprecia	7%	5.61%
Core Bonds	2%	0.22%
Private Credit	22%	5.31%
Diversifying Strategies	12%	3.22%
Cash - Mellon	1%	-0.60%
Total	100%	

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Pension Discount Rates – At June 30, 2020, the discount rate was used to measure the total pension liability was 7.3%. 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:

PSPRS - Firefighters	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance beginning of the year	\$ 11,913,400	\$ 11,227,863	685,537
Changes for the Year:			
Service Cost	996,494	-	996,494
Interest on the Total Pension Liability	937,489	-	937,489
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,334,175	-	1,334,175
Contributions - Employer	-	1,635,722	(1,635,722)
Contributions - Employee	-	460,110	(460,110)
Net Investment Income	-	152,446	(152,446)
Benefit Payments, Including Refunds of Employee Contributions	(135,152)	(135,152)	-
Administrative Expenses	-	(50,794)	50,794
Other Changes	-	4,239	(4,239)
Net Changes	<u>3,133,006</u>	<u>2,066,571</u>	<u>1,066,435</u>
Balance end of the year	<u>\$ 15,046,406</u>	<u>\$ 13,294,434</u>	<u>\$ 1,751,972</u>

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liability (asset) calculated using the discount rate of 7.3%, 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 (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS Firefighters Net Pension Liability (Asset)	\$ 4,782,716	\$ 1,751,972	\$ (662,909)

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, 2021, the Town recognized the following pension expense:

PSPRS Firefighters	Pension Expense
	<u>\$ 961,866</u>

Pension Deferred Outflows/Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,262,194	\$ 8,380
Changes of assumptions or other inputs	601,335	-
Net difference between projected and actual earnings on pension plan investments	670,792	-
Town contributions subsequent to the measurement date	2,587,543	-
	<u>\$ 6,121,864</u>	<u>\$ 8,380</u>

The \$2,587,543 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>PSPRS Firefighters</u>
2022	\$ 417,096
2023	469,633
2024	460,318
2025	421,925
2026	274,545
Thereafter	1,482,424

NOTE 12. TAX ABATEMENTS

The Town has entered into agreements that include the abatement of Government Property Lease Excise Tax (GPLET). As of June 30, 2021, two 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, 2021, the Town abated \$45,375 in property taxes as a result of the GPLET abatement agreements.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 13. REGIONAL PARTNERSHIPS

A. 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, 2021 was \$32,300,317 and is recorded as an asset in the Town's Wastewater Fund. The Town does not anticipate significant changes that would result in a financial burden or benefit. The joint venture does not issue separate financial statements.

B. Jointly Governed Organizations

Phoenix-Mesa Gateway Airport Authority (PMGAA) is a non-profit corporation established and funded by the Towns of Queen Creek and Gilbert, the Cities of Mesa and Phoenix, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base, which was closed in September 1993 and became Phoenix-Mesa Gateway Airport. The airport has three runways and a passenger terminal, and is positioned to be a reliever airport to Phoenix's Sky Harbor International Airport. The Board of Directors consists of the mayors of the respective communities and the governor of the tribal community. The Town contributed \$130,000 to PMGAA in fiscal year 2021.

The Regional Public Transportation Authority (RPTA) is a voluntary association of local governments, including Maricopa County, Mesa, Tempe, Scottsdale, Glendale, Phoenix, Gilbert, and Queen Creek. Its purpose is to create a regional public transportation plan for Maricopa County. The Board of Directors consists of the mayors of those municipalities and a member of the County Board of Supervisors.

C. Intergovernmental Agreements (IGAs) for Construction and System Improvements

Rittenhouse Bridge. The Town has an IGA with Maricopa County wherein the County has agreed to fund half of the costs of construction of Rittenhouse Bridge spanning the Queen Creek Wash. The County's contribution to the project will be \$2.3 million and the project is expected to be completed in the fall of 2021.

East Park Detention Basin. The Town has an IGA with the Flood Control District of Maricopa County (FCDMC) wherein the District has agreed to fund half of the costs of construction of a Detention Basin at the East Park Sports Complex. FCDMC's contribution to the project is estimated to be \$3.5 million of the \$7.0 million total project costs.

Signal Butte Road. The Town has 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 the design and construction of the project through completion. 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 will use proceeds from the Series 2020 excise tax and state-shared revenue bonds to finance the payment to Mesa. This project was out to bid in September 2021 and construction should begin shortly.

Meridian Road (from Combs Road to Germann Road). The Town has 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 Combs Road to Germann Road. The County's estimated contribution is \$4.5 million. Construction of the improvements are expected to be finished in spring 2022.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

Meridian Road (from Germann Road to State Route 24). The Town has 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 \$8.5 million. Construction of the improvements is expected to be finished in spring 2022.

Chandler Heights Road. The Town has 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 \$5.7 million project, which is expected to be finished in spring 2022.

Traffic Signal Improvements. The Town has entered into an IGA with the State of Arizona, Department of Transportation (ADOT) in order to upgrade the Town's existing traffic signal detection equipment and software. ADOT will act as the Town's agent for the project and secure Federal Funds totaling \$1.5 million of the estimated \$1.7 million total project costs.

Queen Creek Wash Trail. The Town has entered into an IGA with the State of Arizona, Department of Transportation (ADOT) for the construction of a multi-use pathway along the Queen Creek Wash. ADOT will act as the Town's agent for the project and secure Federal Funds totaling \$768,152 of the estimated \$1.3 million total project costs.

NOTE 14. RISK MANAGEMENT AND CONTINGENT LIABILITIES

A. 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.

B. 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.

NOTE 15. SUBSEQUENT EVENTS

A. NIA Water Contract

On August 4, 2021, Town Council approved a contract associated with the acquisition of Non-Indian Agricultural Priority Water from the Central Arizona Water Conservation District. In order to receive this water, Queen Creek is required to pay one-time back capital charges and 9(d) debt. Those costs have been identified at \$1,962 per AF, with the Town's obligation totaling \$8.2 million which was paid on September 29, 2021.

TOWN OF QUEEN CREEK, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

The Town has partnered with the Water Infrastructure Finance Authority of Arizona (WIFA) to finance these one-time costs. On October 28, 2021, the WIFA Board approved the Town's loan application for \$8.275 million to be financed over 30 years. The Town is expected to close on the loan on December 3, 2021.

B. Utility Infrastructure Project Financing

On November 3, 2021, Town Council approved the sale of \$85 million of subordinate lien excise tax and state shared revenue obligations to finance utility infrastructure projects. This interim debt will be issued as a direct-placement loan with US Bank with a maturity date of June 1, 2025, at a variable interest rate that resets weekly. Although the Town pledged excise taxes to secure the loan, interest on the loan will be repaid from utility revenues. The Town expects to refinance the loan with long-term financing before the maturity date.

C. Utility Infrastructure Project Financing

On November 17, 2021, Town Council approved a purchase and sales agreement with Harquahala Valley Land Owners, LLC, for an amount not to exceed \$31M to purchase 500,000 acre feet of groundwater to be withdrawn over the next 100 years. The Town will have a one year due diligence period that can be extended up to an additional 360 days to investigate, examine, and evaluate the details of the purchase. Final payment is due within 60 days of completion of all necessary approvals.

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, 2021

Arizona State Retirement System

	Reporting Year (Measurement Date)		
	2021 (2020)	2020 (2019)	2019 (2018)
Town's Proportion of the Net Pension Liability	0.161980%	0.149770%	0.142370%
Town's Proportionate Share of the Net Pension Liability	\$ 28,065,497	\$ 21,793,278	\$ 19,855,605
Town's Covered Payroll	15,809,849	15,825,893	13,843,824
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	177.52%	137.71%	143.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.33%	73.24%	73.40%

See Notes to Pension Schedules, Required Supplementary Information.

Reporting Year (Measurement Date)			
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
0.135270%	0.126160%	0.118690%	0.097621%
\$ 21,072,429	\$ 20,363,491	\$ 18,487,672	\$ 14,444,571
12,555,709	11,783,167	10,732,389	9,043,494
167.83%	172.82%	172.26%	159.72%
69.92%	67.06%	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, 2021

PSPRS Fire

	Reporting Year (Measurement Date)		
	2021 (2020)	2020 (2019)	2019 (2018)
Total Pension Liability			
Service Cost	\$ 996,494	\$ 1,012,408	\$ 834,829
Interest on the Total Pension Liability	937,489	783,592	640,918
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,334,175	321,036	(10,396)
Changes of Assumptions or Other Inputs	-	285,948	-
Benefit Payments, Including Refunds of Employee Contributions	(135,152)	(132,502)	(132,132)
Net Change in Total Pension Liability	3,133,006	2,270,482	1,333,219
Total Pension Liability - Beginning	11,913,400	9,642,918	8,309,699
Total Pension Liability - Ending (a)	15,046,406	11,913,400	9,642,918
Plan Fiduciary Net Position			
Contributions - Employer	1,635,722	778,481	1,763,985
Contributions - Employee	460,110	474,279	342,056
Net Investment Income	152,446	556,726	560,374
Benefit Payments, Including Refunds of Employee Contributions	(135,152)	(132,502)	(132,132)
Hall/Parker Settlement	-	-	(364,237)
Administrative Expenses	(50,794)	(10,665)	(9,229)
Other Changes	4,239	(1,111)	83
Net Change in Plan Fiduciary Net Position	2,066,571	1,665,208	2,160,900
Plan Fiduciary Net Position - Beginning	11,227,863	9,562,655	7,401,755
Plan Fiduciary Net Position - Ending (b)	13,294,434	11,227,863	9,562,655
Town's Net Pension Liability - Ending (a) - (b)	\$ 1,751,972	\$ 685,537	\$ 80,263
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.36%	94.25%	99.17%
Covered Payroll	\$ 4,858,290	\$ 4,464,356	\$ 3,838,295
Town's Net Pension Liability as a Percentage of Covered Payroll	36.06%	15.36%	2.09%

See Notes to Pension Schedules, Required Supplementary Information.

Reporting Year (Measurement Date)			
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 751,557	\$ 445,706	\$ 392,089	\$ 353,480
510,514	393,828	341,882	235,479
64,957	606,223	-	12,393
509,418	37,328	67,556	685,945
106,791	320,534	-	176,038
(129,228)	(203,984)	(129,228)	(125,141)
1,814,009	1,599,635	672,299	1,338,194
6,495,690	4,896,055	4,223,756	2,885,562
8,309,699	6,495,690	4,896,055	4,223,756
785,199	752,649	1,807,100	318,427
342,598	284,138	264,558	275,273
727,913	30,764	110,386	291,024
(129,228)	(203,984)	(129,228)	(125,141)
-	-	-	-
(6,841)	(4,827)	(3,085)	-
(50,230)	160,155	(60,116)	38,612
1,669,411	1,018,895	1,989,615	798,195
5,732,344	4,713,449	2,723,834	1,925,639
7,401,755	5,732,344	4,713,449	2,723,834
\$ 907,944	\$ 763,346	\$ 182,606	\$ 1,499,922
89.07%	88.25%	96.27%	64.49%
\$ 3,455,435	\$ 2,447,591	\$ 2,354,769	\$ 2,129,345
26.28%	31.19%	7.75%	70.44%

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2021**

Arizona State Retirement System

	Reporting Fiscal Year		
	2021	2020	2019
Statutorily Required Contribution	\$ 2,199,552	\$ 2,018,030	\$ 1,754,889
Town's Contribution in Relation to the Statutorily Required Contribution	2,199,552	2,018,030	1,754,889
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 19,060,515	\$ 15,809,849	\$ 15,825,893
Town's Contributions as a Percentage of Covered Payroll	11.54%	12.76%	11.09%

PSPRS Fire

	Reporting Fiscal Year		
	2021	2020	2019
Actuarially Determined Contribution	\$ 835,571	\$ 773,803	\$ 769,406
Town's Contribution in Relation to the Actuarially Determined Contribution	2,587,543	1,473,803	1,096,454
Town's Contribution Deficiency (Excess)	<u>\$ (1,751,972)</u>	<u>\$ (700,000)</u>	<u>\$ (327,048)</u>
Town's Covered Payroll	\$ 6,731,582	\$ 4,858,290	\$ 4,464,356
Town's Contributions as a Percentage of Covered Payroll	38.44%	30.34%	24.56%

See Notes to Pension Schedules, Required Supplementary Information.

Reporting Fiscal Year

2018	2017	2016	2015	2014
\$ 1,535,419	\$ 1,422,375	\$ 1,281,699	\$ 1,144,335	\$ 1,013,052
1,535,419	1,422,375	1,281,699	1,144,335	1,013,052
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 13,843,824	\$ 12,555,709	\$ 11,783,167	\$ 10,732,389	\$ 9,043,494
11.09%	11.33%	10.88%	10.66%	11.20%

Reporting Fiscal Year

2018	2017	2016	2015	2014
\$ 727,892	\$ 400,644	\$ 446,372	\$ 322,368	\$ 318,427
1,385,632	785,199	752,649	1,807,100	318,427
\$ (657,740)	\$ (384,555)	\$ (306,277)	\$ (1,484,732)	\$ -
\$ 3,838,295	\$ 3,455,435	\$ 2,447,591	\$ 2,354,769	\$ 2,129,345
36.10%	22.72%	30.75%	76.74%	14.95%

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION SCHEDULES
YEAR ENDED JUNE 30, 2021**

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	PSPRS members with initial membership date before July 1, 2017: Level percent-of-pay, closed PSPRS members with initial membership date on or after July 1, 2017: Level dollar closed
Remaining Amortization Period as of the 2019 Actuarial Valuation	PSPRS members with initial membership date before July 1, 2017: 17 years PSPRS members with initial membership date on or after July 1, 2017: 10 years
Asset Valuation Method	PSPRS members with initial membership date before July 1, 2017: 7-year smoothed market; 80%/120% market corridor PSPRS members with initial membership date on or after July 1, 2017: 5 year smoothed market value; 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)

TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION SCHEDULES
YEAR ENDED JUNE 30, 2021

NOTE 2. INFORMATION PRIOR TO MEASUREMENT DATE

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

NOTE 3. FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local Sales Tax	\$ 20,826,717	\$ 37,915,130	\$ 42,672,524	\$ 4,757,394
Intergovernmental	12,212,500	12,889,892	13,310,131	420,239
Licenses, Permits and Fees	5,075,500	9,233,300	11,565,749	2,332,449
Charges for Services	2,174,060	2,174,060	2,588,682	414,622
Investment Income	472,000	472,000	560,335	88,335
Miscellaneous	103,500	103,500	334,779	231,279
Total Revenues	40,864,277	62,787,882	71,032,200	8,244,318
EXPENDITURES				
Current:				
Mayor and Town Council	439,120	442,362	372,733	69,629
Town Manager	1,168,570	1,197,533	1,117,684	79,849
Town Clerk and Legal Services	771,598	897,897	841,565	56,332
Finance	2,203,392	3,098,108	2,642,717	455,391
Economic Development	790,833	1,465,206	1,363,860	101,346
Communications, Marketing and Recreation Services	1,953,623	2,087,605	1,984,300	103,305
Workforce and Technology	4,364,109	4,530,279	4,219,098	311,181
Development Services	3,319,502	3,574,270	3,398,275	175,995
Public Works	7,973,492	8,567,942	6,805,749	1,762,193
Centralized Services/Contingency	2,593,750	2,180,460	2,032,414	148,046
Total Expenditures	25,577,989	28,041,662	24,778,395	3,263,267
Excess (Deficiency) of Revenues Over Expenditures	15,286,288	34,746,220	46,253,805	11,507,585
OTHER FINANCING SOURCES (USES)				
Transfers In	-	59,809	59,809	-
Transfers Out	(20,704,624)	(20,514,698)	(11,740,061)	8,774,637
Total Other Financing Sources (Uses)	(20,704,624)	(20,454,889)	(11,680,252)	8,774,637
Net Change in Fund Balances	\$ (5,418,336)	\$ 14,291,331	\$ 34,573,553	\$ 20,282,222

See Notes to Budgetary Comparison Schedule, Required Supplementary Information

TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
CONSTRUCTION SALES TAX FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local Sales Tax	\$ 4,134,393	\$ 12,511,525	\$ 13,052,827	\$ 541,302
Investment Income	-	-	83	83
Total Revenues	4,134,393	12,511,525	13,052,910	541,385
EXPENDITURES				
Current:				
Debt Service:				
Interest on Long-Term Debt	146,147	-	-	-
Total Expenditures	146,147	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	3,988,246	12,511,525	13,052,910	541,385
OTHER FINANCING SOURCES (USES)				
Transfers In	-	2,000,000	2,000,000	-
Transfers Out	(6,714,416)	(12,007,254)	(10,863,758)	1,143,496
Total Other Financing Sources (Uses)	(6,714,416)	(10,007,254)	(8,863,758)	1,143,496
Net Change in Fund Balances	\$ (2,726,170)	\$ 2,504,271	\$ 4,189,152	\$ 1,684,881

See Notes to Budgetary Comparison Schedule, Required Supplementary Information

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2021**

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 124 through 125. 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	\$ 92,324,533	\$ (51,996,132)	\$ (6,437,211)	\$ 56,523,979	\$ 90,415,169
Other Funds Included in General Fund - Budgeted as Special Revenue Funds:					
Emergency Services Fund	(26,108,329)	27,491,326	(1,504,997)	(56,603)	(178,603)
Horseshoe Park and Equestrian Center	(778,035)	1,318,538	(549,230)	3,317	(5,410)
Interdepartmental Support Revenue	4,912,052	(1,723,238)	(3,188,814)	-	-
GAAP Adjustments	681,979	131,111	-	460,906	1,273,996
Budgetary Comparison Schedule - General Fund	<u>\$ 71,032,200</u>	<u>\$ (24,778,395)</u>	<u>\$ (11,680,252)</u>	<u>\$ 56,931,599</u>	<u>\$ 91,505,152</u>

**TOWN OF QUEEN CREEK, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2021**

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 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.

Grants Fund – accounts for Federal funds received by the Town that were distributed as a result of COVID-19.

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.

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Special Revenue Funds	Capital Projects Funds	Totals
ASSETS			
Cash and Investments	\$ 6,654,062	\$ 43,559,722	\$ 50,213,784
Restricted Cash and Investments	-	20,607,822	20,607,822
Receivables:			
Accounts Receivable	30,898	13,162	44,060
Taxes Receivable	133,102	-	133,102
Intergovernmental Receivable	435,961	-	435,961
Total Assets	<u>\$ 7,254,023</u>	<u>\$ 64,180,706</u>	<u>\$ 71,434,729</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 1,528,663	\$ 1,720,167	\$ 3,248,830
Accrued Wages and Benefits	72,221	-	72,221
Retainage Payable	-	426,360	426,360
Unearned Revenues	2,407,947	-	2,407,947
Total Liabilities	<u>4,008,831</u>	<u>2,146,527</u>	<u>6,155,358</u>
Deferred Inflows of Resources:			
Unavailable Revenues	291	13,162	13,453
Fund Balances:			
Restricted	1,854,469	62,405,930	64,260,399
Committed	1,227,222	-	1,227,222
Assigned	163,210	-	163,210
Unassigned	-	(384,913)	(384,913)
Total Fund Balances	<u>3,244,901</u>	<u>62,021,017</u>	<u>65,265,918</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,254,023</u>	<u>\$ 64,180,706</u>	<u>\$ 71,434,729</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds	Capital Project Funds	Totals
REVENUES			
Local Sales Tax	\$ 1,148,803	\$ -	\$ 1,148,803
Intergovernmental	6,244,235	122,358	6,366,593
Special Assessments	55,704	-	55,704
Charges for Services	95,169	-	95,169
Contributions	11,167	-	11,167
Impact Fees	-	17,073,453	17,073,453
Investment Income	17,137	203,250	220,387
Miscellaneous	52,831	-	52,831
Total Revenues	<u>7,625,046</u>	<u>17,399,061</u>	<u>25,024,107</u>
EXPENDITURES			
Current:			
General Government	-	142,370	142,370
Highways and Streets	5,128,411	-	5,128,411
Culture and Recreation	29,048	-	29,048
Economic Development	179,282	-	179,282
Capital Outlay	389,368	9,516,390	9,905,758
Total Expenditures	<u>5,726,109</u>	<u>9,658,760</u>	<u>15,384,869</u>
Excess (Deficiency) of Revenues Over Expenditures	1,898,937	7,740,301	9,639,238
OTHER FINANCING SOURCES (USES)			
Transfers In	-	11,038,288	11,038,288
Transfers Out	(657,555)	(11,826,227)	(12,483,782)
Total Other Financing Sources (Uses)	<u>(657,555)</u>	<u>(787,939)</u>	<u>(1,445,494)</u>
Net Change in Fund Balances	1,241,382	6,952,362	8,193,744
FUND BALANCES			
Beginning of Year	2,003,519	55,068,655	57,072,174
End of Year	<u>\$ 3,244,901</u>	<u>\$ 62,021,017</u>	<u>\$ 65,265,918</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Local		
	Highway Users Revenue	Transportation Assistance	Town Center
ASSETS			
Cash and Investments	\$ 2,077,776	\$ 364,053	\$ 1,154,972
Receivables:			
Accounts Receivable	30,898	-	-
Taxes Receivable	-	-	132,478
Intergovernmental Receivable	435,961	-	-
Total Assets	<u>\$ 2,544,635</u>	<u>\$ 364,053</u>	<u>\$ 1,287,450</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 1,444,260	\$ 7,521	\$ 60,228
Accrued Wages and Benefits	72,221	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>1,516,481</u>	<u>7,521</u>	<u>60,228</u>
Deferred Inflows of Resources:			
Unavailable Revenues	-	-	-
Fund Balances:			
Restricted	1,028,154	356,532	-
Committed	-	-	1,227,222
Assigned	-	-	-
Total Fund Balances	<u>1,028,154</u>	<u>356,532</u>	<u>1,227,222</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,544,635</u>	<u>\$ 364,053</u>	<u>\$ 1,287,450</u>

Street Lighting Districts	Housing Rehab	Parks and Recreation	Community Events	Grants	Totals
\$ 403,867	\$ 80,945	\$ -	\$ 164,502	\$ 2,407,947	\$ 6,654,062
-	-	-	-	-	30,898
624	-	-	-	-	133,102
-	-	-	-	-	435,961
<u>\$ 404,491</u>	<u>\$ 80,945</u>	<u>\$ -</u>	<u>\$ 164,502</u>	<u>\$ 2,407,947</u>	<u>\$ 7,254,023</u>
\$ 15,362	\$ -	\$ -	\$ 1,292	\$ -	\$ 1,528,663
-	-	-	-	-	72,221
-	-	-	-	2,407,947	2,407,947
<u>15,362</u>	<u>-</u>	<u>-</u>	<u>1,292</u>	<u>2,407,947</u>	<u>4,008,831</u>
291	-	-	-	-	291
388,838	80,945	-	-	-	1,854,469
-	-	-	-	-	1,227,222
-	-	-	163,210	-	163,210
<u>388,838</u>	<u>80,945</u>	<u>-</u>	<u>163,210</u>	<u>-</u>	<u>3,244,901</u>
<u>\$ 404,491</u>	<u>\$ 80,945</u>	<u>\$ -</u>	<u>\$ 164,502</u>	<u>\$ 2,407,947</u>	<u>\$ 7,254,023</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, 2021

	Highway Users Revenue	Local Transportation Assistance	Town Center
REVENUES			
Local Sales Tax	\$ -	\$ -	\$ 1,148,803
Intergovernmental	6,244,235	-	-
Special Assessments	-	-	-
Charges for Services	-	-	95,169
Contributions	-	-	-
Investment Income	6,601	-	6,704
Miscellaneous	52,831	-	-
Total Revenues	<u>6,303,667</u>	<u>-</u>	<u>1,250,676</u>
EXPENDITURES			
Current:			
Highways and Streets	4,915,680	34,318	-
Culture and Recreation	-	-	-
Economic Development	-	-	179,282
Capital Outlay	95,962	-	293,406
Total Expenditures	<u>5,011,642</u>	<u>34,318</u>	<u>472,688</u>
Excess (Deficiency) of Revenues Over Expenditures	1,292,025	(34,318)	777,988
OTHER FINANCING SOURCES (USES)			
Transfers Out	(263,871)	-	(333,875)
Total Other Financing Sources (Uses)	<u>(263,871)</u>	<u>-</u>	<u>(333,875)</u>
Net Change in Fund Balances	1,028,154	(34,318)	444,113
FUND BALANCES			
Beginning of Year	-	390,850	783,109
End of Year	<u>\$ 1,028,154</u>	<u>\$ 356,532</u>	<u>\$ 1,227,222</u>

Street Lighting Districts	Housing Rehab	Parks and Recreation	Community Events	Grants	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,148,803
-	-	-	-	-	6,244,235
55,704	-	-	-	-	55,704
-	-	-	-	-	95,169
-	-	-	11,167	-	11,167
3,266	566	-	-	-	17,137
-	-	-	-	-	52,831
<u>58,970</u>	<u>566</u>	<u>-</u>	<u>11,167</u>	<u>-</u>	<u>7,625,046</u>
178,413	-	-	-	-	5,128,411
-	-	-	29,048	-	29,048
-	-	-	-	-	179,282
-	-	-	-	-	389,368
<u>178,413</u>	<u>-</u>	<u>-</u>	<u>29,048</u>	<u>-</u>	<u>5,726,109</u>
(119,443)	566	-	(17,881)	-	1,898,937
-	-	(59,809)	-	-	(657,555)
-	-	(59,809)	-	-	(657,555)
(119,443)	566	(59,809)	(17,881)	-	1,241,382
508,281	80,379	59,809	181,091	-	2,003,519
<u>\$ 388,838</u>	<u>\$ 80,945</u>	<u>\$ -</u>	<u>\$ 163,210</u>	<u>\$ -</u>	<u>\$ 3,244,901</u>

**TOWN OF QUEEN CREEK, ARIZONA
NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Town Building Development	Transportation Development	Library Development
ASSETS			
Cash and Investments	\$ 2,892,107	\$ 12,420,686	\$ 2,063,906
Restricted Cash and Investments	-	1,645,806	-
Receivables:			
Accounts Receivable	-	-	-
Total Assets	<u><u>\$ 2,892,107</u></u>	<u><u>\$ 14,066,492</u></u>	<u><u>\$ 2,063,906</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Retainage Payable	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:			
Unavailable Revenues	-	-	-
Fund Balances:			
Restricted	2,892,107	14,066,492	2,063,906
Unassigned	-	-	-
Total Fund Balances	<u>2,892,107</u>	<u>14,066,492</u>	<u>2,063,906</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 2,892,107</u></u>	<u><u>\$ 14,066,492</u></u>	<u><u>\$ 2,063,906</u></u>

Park Development	Public Safety Development	Fire Development	General Capital Improvement	Totals
\$ 19,828,380	\$ 638,593	\$ 3,954,436	\$ 1,761,614	\$ 43,559,722
-	-	7,954,364	11,007,652	20,607,822
-	-	-	13,162	13,162
<u>\$ 19,828,380</u>	<u>\$ 638,593</u>	<u>\$ 11,908,800</u>	<u>\$ 12,782,428</u>	<u>\$ 64,180,706</u>
\$ -	\$ -	\$ -	\$ 1,720,167	\$ 1,720,167
-	-	-	426,360	426,360
-	-	-	2,146,527	2,146,527
-	-	-	13,162	13,162
19,828,380	638,593	11,908,800	11,007,652	62,405,930
-	-	-	(384,913)	(384,913)
<u>19,828,380</u>	<u>638,593</u>	<u>11,908,800</u>	<u>10,622,739</u>	<u>62,021,017</u>
<u>\$ 19,828,380</u>	<u>\$ 638,593</u>	<u>\$ 11,908,800</u>	<u>\$ 12,782,428</u>	<u>\$ 64,180,706</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, 2021

	Town Building Development	Transportation Development	Library Development
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Impact Fees	184,521	5,019,181	404,818
Investment Income	21,145	16,614	14,133
Total Revenues	<u>205,666</u>	<u>5,035,795</u>	<u>418,951</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	205,666	5,035,795	418,951
OTHER FINANCING SOURCES (USES)			
Transfers In	-	6,058,844	-
Transfers Out	(286,957)	(5,248,275)	(232,909)
Total Other Financing Sources (Uses)	<u>(286,957)</u>	<u>810,569</u>	<u>(232,909)</u>
Net Change in Fund Balances	(81,291)	5,846,364	186,042
FUND BALANCES			
Beginning of Year	2,973,398	8,220,128	1,877,864
End of Year	<u>\$ 2,892,107</u>	<u>\$ 14,066,492</u>	<u>\$ 2,063,906</u>

Park Development	Public Safety Development	Fire Development	General Capital Improvement	Totals
\$ -	\$ -	\$ -	\$ 122,358	\$ 122,358
7,701,470	1,282,818	2,480,645	-	17,073,453
113,006	5,606	26,654	6,092	203,250
<u>7,814,476</u>	<u>1,288,424</u>	<u>2,507,299</u>	<u>128,450</u>	<u>17,399,061</u>
-	-	-	142,370	142,370
-	-	-	9,516,390	9,516,390
-	-	-	9,658,760	9,658,760
7,814,476	1,288,424	2,507,299	(9,530,310)	7,740,301
-	-	-	4,979,444	11,038,288
(939,831)	(1,000,903)	(4,117,352)	-	(11,826,227)
<u>(939,831)</u>	<u>(1,000,903)</u>	<u>(4,117,352)</u>	<u>4,979,444</u>	<u>(787,939)</u>
6,874,645	287,521	(1,610,053)	(4,550,866)	6,952,362
12,953,735	351,072	13,518,853	15,173,605	55,068,655
<u>\$ 19,828,380</u>	<u>\$ 638,593</u>	<u>\$ 11,908,800</u>	<u>\$ 10,622,739</u>	<u>\$ 62,021,017</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
DRAINAGE AND TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,433,922	\$ 7,433,922	\$ 1,605,182	\$ (5,828,740)
Contributions	-	-	899,236	899,236
Investment Income	-	-	25,531	25,531
Total Revenues	<u>7,433,922</u>	<u>7,433,922</u>	<u>2,529,949</u>	<u>(4,903,973)</u>
EXPENDITURES				
Current:				
Highways and Streets	1,088,445	1,151,449	967,403	184,046
Capital Outlay	99,271,178	137,954,014	21,276,361	116,677,653
Total Expenditures	<u>100,359,623</u>	<u>139,105,463</u>	<u>22,243,764</u>	<u>116,861,699</u>
Excess (Deficiency) of Revenues Over Expenditures	(92,925,701)	(131,671,541)	(19,713,815)	111,957,726
OTHER FINANCING SOURCES (USES)				
Transfers In	14,080,459	14,080,459	9,305,877	(4,774,582)
Total Other Financing Sources (Uses)	<u>14,080,459</u>	<u>14,080,459</u>	<u>9,305,877</u>	<u>(4,774,582)</u>
Net Change in Fund Balances	<u>\$ (78,845,242)</u>	<u>\$ (117,591,082)</u>	<u>\$ (10,407,938)</u>	<u>\$ 107,183,144</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	(8,464)
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget	(935,288)
Accounts Payable amounts not accrued on a Budgetary Basis	<u>(1,515,675)</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ (12,867,365)</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
IMPROVEMENT DISTRICT DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 1,736,651	\$ 1,736,651	\$ 1,782,814	\$ 46,163
Charges for Services	-	-	460	460
Total Revenues	1,736,651	1,736,651	1,783,274	46,623
EXPENDITURES				
Debt Service:				
Principal Retirement	1,386,743	1,386,743	1,386,743	-
Interest on Long-Term Debt	349,908	349,908	332,921	16,987
Total Expenditures	1,736,651	1,736,651	1,719,664	16,987
Net Change in Fund Balances	\$ -	\$ -	\$ 63,610	\$ 63,610

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal Retirement	\$ 3,770,000	\$ 3,770,000	\$ 3,770,000	\$ -
Interest on Long-Term Debt	7,182,351	6,860,176	6,859,400	776
Total Expenditures	<u>10,952,351</u>	<u>10,630,176</u>	<u>10,629,400</u>	<u>776</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (10,952,351)	 (10,630,176)	 (10,629,400)	 776
OTHER FINANCING SOURCES (USES)				
Transfers In	10,952,351	10,630,176	10,629,400	(776)
Total Other Financing Sources (Uses)	<u>10,952,351</u>	<u>10,630,176</u>	<u>10,629,400</u>	<u>(776)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
HIGHWAY USERS REVENUE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,935,600	\$ 6,036,200	\$ 6,244,235	\$ 208,035
Investment Income	-	-	6,601	6,601
Miscellaneous	-	-	52,831	52,831
Total Revenues	<u>4,935,600</u>	<u>6,036,200</u>	<u>6,303,667</u>	<u>267,467</u>
EXPENDITURES				
Current:				
Highways and Streets	4,667,390	6,097,808	4,898,375	1,199,433
Capital Outlay	101,500	101,500	95,962	5,538
Total Expenditures	<u>4,768,890</u>	<u>6,199,308</u>	<u>4,994,337</u>	<u>1,204,971</u>
Excess (Deficiency) of Revenues Over Expenditures	166,710	(163,108)	1,309,330	1,472,438
OTHER FINANCING SOURCES (USES)				
Transfers In	97,161	97,161	-	(97,161)
Transfers Out	(263,871)	(263,871)	(263,871)	-
Total Other Financing Sources (Uses)	<u>(166,710)</u>	<u>(166,710)</u>	<u>(263,871)</u>	<u>(97,161)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (329,818)</u>	<u>\$ 1,045,459</u>	<u>\$ 1,375,277</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	(17,305)
Net Change in Fund Balance - GAAP Basis	<u>\$ 1,028,154</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
LOCAL TRANSPORTATION ASSISTANCE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Highways and Streets	-	125,000	34,318	90,682
Total Expenditures	-	125,000	34,318	90,682
Net Change in Fund Balances	\$ -	\$ (125,000)	\$ (34,318)	\$ 90,682

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
TOWN CENTER FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local Sales Tax	\$ 669,998	\$ 927,265	\$ 1,148,803	\$ 221,538
Charges for Services	93,850	93,850	95,169	1,319
Investment Income	6,500	6,500	6,704	204
Total Revenues	<u>770,348</u>	<u>1,027,615</u>	<u>1,250,676</u>	<u>223,061</u>
EXPENDITURES				
Current:				
Economic Development	<u>1,146,441</u>	<u>1,284,546</u>	<u>473,010</u>	<u>811,536</u>
Total Expenditures	<u>1,146,441</u>	<u>1,284,546</u>	<u>473,010</u>	<u>811,536</u>
Excess (Deficiency) of Revenues Over Expenditures	(376,093)	(256,931)	777,666	1,034,597
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(398,875)</u>	<u>(398,875)</u>	<u>(333,875)</u>	<u>65,000</u>
Total Other Financing Sources (Uses)	<u>(398,875)</u>	<u>(398,875)</u>	<u>(333,875)</u>	<u>65,000</u>
Net Change in Fund Balances	<u>\$ (774,968)</u>	<u>\$ (655,806)</u>	<u>\$ 443,791</u>	<u>\$ 1,099,597</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Prepaid Expenses are Recognized when Incurred for GAAP, Paid for Budget	<u>322</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ 444,113</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
STREET LIGHTING DISTRICTS FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 67,370	\$ 67,370	\$ 55,704	\$ (11,666)
Investment Income	-	-	3,266	3,266
Total Revenues	67,370	67,370	58,970	(8,400)
EXPENDITURES				
Current:				
Highways and Streets	181,600	181,600	178,413	3,187
Total Expenditures	181,600	181,600	178,413	3,187
Net Change in Fund Balances	\$ (114,230)	\$ (114,230)	\$ (119,443)	\$ (5,213)

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY EVENTS FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Contributions	\$ 75,000	\$ 75,000	\$ 11,167	\$ (63,833)
Total Revenues	75,000	75,000	11,167	(63,833)
EXPENDITURES				
Current:				
Culture and Recreation	165,000	165,000	29,048	135,952
Total Expenditures	165,000	165,000	29,048	135,952
Excess (Deficiency) of Revenues Over Expenditures	(90,000)	(90,000)	(17,881)	72,119
OTHER FINANCING SOURCES (USES)				
Transfers In	90,000	90,000	-	(90,000)
Total Other Financing Sources (Uses)	90,000	90,000	-	(90,000)
Net Change in Fund Balances	\$ -	\$ -	\$ (17,881)	\$ (17,881)

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ 2,407,947	\$ 407,947
Total Revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,407,947</u>	<u>407,947</u>
EXPENDITURES				
Current:				
Public Safety	4,262,796	113,099	-	113,099
Highways and Streets	2,000,000	2,000,000	-	2,000,000
Total Expenditures	<u>6,262,796</u>	<u>2,113,099</u>	<u>-</u>	<u>2,113,099</u>
Net Change in Fund Balances	<u>\$ (4,262,796)</u>	<u>\$ (113,099)</u>	<u>\$ 2,407,947</u>	<u>\$ 2,521,046</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Grant Revenues are Unavailable until earned for GAAP	<u>(2,407,947)</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ -</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
TOWN BUILDING DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 60,720	\$ 132,926	\$ 184,521	\$ 51,595
Investment Income	22,610	22,610	21,145	(1,465)
Total Revenues	<u>83,330</u>	<u>155,536</u>	<u>205,666</u>	<u>50,130</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	83,330	155,536	205,666	50,130
OTHER FINANCING SOURCES (USES)				
Transfers Out	(286,957)	(286,957)	(286,957)	-
Total Other Financing Sources (Uses)	<u>(286,957)</u>	<u>(286,957)</u>	<u>(286,957)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (203,627)</u>	<u>\$ (131,421)</u>	<u>\$ (81,291)</u>	<u>\$ 50,130</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
TRANSPORTATION DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 1,975,820	\$ 4,029,644	\$ 5,019,181	\$ 989,537
Investment Income	-	-	16,614	16,614
Total Revenues	<u>1,975,820</u>	<u>4,029,644</u>	<u>5,035,795</u>	<u>1,006,151</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	1,975,820	4,029,644	5,035,795	1,006,151
OTHER FINANCING SOURCES (USES)				
Transfers In	-	6,058,844	6,058,844	-
Transfers Out	(6,903,453)	(8,879,362)	(5,248,275)	3,631,087
Total Other Financing Sources (Uses)	<u>(6,903,453)</u>	<u>(2,820,518)</u>	<u>810,569</u>	<u>3,631,087</u>
Net Change in Fund Balances	<u>\$ (4,927,633)</u>	<u>\$ 1,209,126</u>	<u>\$ 5,846,364</u>	<u>\$ 4,637,238</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
LIBRARY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 133,380	\$ 292,153	\$ 404,818	\$ 112,665
Investment Income	17,540	17,540	14,133	(3,407)
Total Revenues	<u>150,920</u>	<u>309,693</u>	<u>418,951</u>	<u>109,258</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	150,920	309,693	418,951	109,258
OTHER FINANCING SOURCES (USES)				
Transfers Out	(232,909)	(232,909)	(232,909)	-
Total Other Financing Sources (Uses)	<u>(232,909)</u>	<u>(232,909)</u>	<u>(232,909)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (81,989)</u>	<u>\$ 76,784</u>	<u>\$ 186,042</u>	<u>\$ 109,258</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
PARK DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 2,532,510	\$ 5,578,665	\$ 7,701,470	\$ 2,122,805
Investment Income	77,040	77,040	113,006	35,966
Total Revenues	<u>2,609,550</u>	<u>5,655,705</u>	<u>7,814,476</u>	<u>2,158,771</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	2,609,550	5,655,705	7,814,476	2,158,771
OTHER FINANCING SOURCES (USES)				
Transfers Out	(4,978,457)	(4,978,457)	(939,831)	4,038,626
Total Other Financing Sources (Uses)	<u>(4,978,457)</u>	<u>(4,978,457)</u>	<u>(939,831)</u>	<u>4,038,626</u>
Net Change in Fund Balances	<u>\$ (2,368,907)</u>	<u>\$ 677,248</u>	<u>\$ 6,874,645</u>	<u>\$ 6,197,397</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
PUBLIC SAFETY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 506,020	\$ 1,013,723	\$ 1,282,818	\$ 269,095
Investment Income	2,380	2,380	5,606	3,226
Total Revenues	508,400	1,016,103	1,288,424	272,321
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	508,400	1,016,103	1,288,424	272,321
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,893,637)	(2,342,353)	(1,000,903)	1,341,450
Total Other Financing Sources (Uses)	(1,893,637)	(2,342,353)	(1,000,903)	1,341,450
Net Change in Fund Balances	\$ (1,385,237)	\$ (1,326,250)	\$ 287,521	\$ 1,613,771

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
FIRE DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 954,070	\$ 1,961,670	\$ 2,480,645	\$ 518,975
Investment Income	-	-	26,654	26,654
Total Revenues	<u>954,070</u>	<u>1,961,670</u>	<u>2,507,299</u>	<u>545,629</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	954,070	1,961,670	2,507,299	545,629
OTHER FINANCING SOURCES (USES)				
Transfers Out	(10,204,296)	(11,891,282)	(4,117,352)	7,773,930
Total Other Financing Sources (Uses)	<u>(10,204,296)</u>	<u>(11,891,282)</u>	<u>(4,117,352)</u>	<u>7,773,930</u>
Net Change in Fund Balances	<u>\$ (9,250,226)</u>	<u>\$ (9,929,612)</u>	<u>\$ (1,610,053)</u>	<u>\$ 8,319,559</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,500,000	\$ 3,500,000	\$ 122,358	\$ (3,377,642)
Investment Income	-	-	6,092	6,092
Miscellaneous	2,500,000	-	-	-
Total Revenues	<u>6,000,000</u>	<u>3,500,000</u>	<u>128,450</u>	<u>(3,371,550)</u>
EXPENDITURES				
Capital Outlay	43,940,333	42,784,962	9,518,165	33,266,797
Total Expenditures	<u>43,940,333</u>	<u>42,784,962</u>	<u>9,518,165</u>	<u>33,266,797</u>
Excess (Deficiency) of Revenues Over Expenditures	(37,940,333)	(39,284,962)	(9,389,715)	29,895,247
OTHER FINANCING SOURCES (USES)				
Transfers In	15,601,451	17,911,133	4,979,444	(12,931,689)
Total Other Financing Sources (Uses)	<u>15,601,451</u>	<u>17,911,133</u>	<u>4,979,444</u>	<u>(12,931,689)</u>
Net Change in Fund Balances	<u>\$ (22,338,882)</u>	<u>\$ (21,373,829)</u>	<u>\$ (4,410,271)</u>	<u>\$ 16,963,558</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Construction Retention is Recognized when Incurred for GAAP, Paid for Budget	(140,595)
Net Change in Fund Balance - GAAP Basis	<u>\$ (4,550,866)</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
EMERGENCY SERVICES FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local Sales Tax	\$ 2,614,141	\$ 4,739,392	\$ 5,333,628	\$ 594,236
Property Tax	9,779,705	9,779,705	9,881,720	102,015
Intergovernmental	220,000	6,062,506	5,862,664	(199,842)
Charges for Services	4,589,121	4,589,121	4,829,716	240,595
Miscellaneous	154,000	154,000	200,601	46,601
Total Revenues	<u>17,356,967</u>	<u>25,324,724</u>	<u>26,108,329</u>	<u>783,605</u>
EXPENDITURES				
Current:				
Public Safety	23,265,220	27,296,493	24,519,049	2,777,444
Capital Outlay	557,000	3,262,822	2,888,897	373,925
Debt Service:				
Principal Retirement	80,920	80,920	80,920	-
Interest on Long-Term Debt	2,460	2,460	2,460	-
Total Expenditures	<u>23,905,600</u>	<u>30,642,695</u>	<u>27,491,326</u>	<u>3,151,369</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,548,633)	(5,317,971)	(1,382,997)	3,934,974
OTHER FINANCING SOURCES (USES)				
Transfers In	10,432,373	10,432,373	1,947,708	(8,484,665)
Transfers Out	(360,000)	(442,711)	(442,711)	-
Total Other Financing Sources (Uses)	<u>10,072,373</u>	<u>9,989,662</u>	<u>1,504,997</u>	<u>(8,484,665)</u>
Net Change in Fund Balances	<u>\$ 3,523,740</u>	<u>\$ 4,671,691</u>	<u>\$ 122,000</u>	<u>\$ (4,549,691)</u>

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

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
HORSESHOE PARK AND EQUESTRIAN CENTER FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 425,193	\$ 425,193	\$ 722,480	\$ 297,287
Contributions	5,000	5,000	30,500	25,500
Miscellaneous	1,000	1,000	25,055	24,055
Total Revenues	<u>431,193</u>	<u>431,193</u>	<u>778,035</u>	<u>346,842</u>
EXPENDITURES				
Current:				
Culture and Recreation	1,343,777	1,365,734	1,304,559	61,175
Capital Outlay	25,000	88,979	13,979	75,000
Total Expenditures	<u>1,368,777</u>	<u>1,454,713</u>	<u>1,318,538</u>	<u>136,175</u>
Excess (Deficiency) of Revenues Over Expenditures	(937,584)	(1,023,520)	(540,503)	483,017
OTHER FINANCING SOURCES (USES)				
Transfers In	1,232,769	1,232,769	843,415	(389,354)
Transfers Out	(294,185)	(294,185)	(294,185)	-
Total Other Financing Sources (Uses)	<u>938,584</u>	<u>938,584</u>	<u>549,230</u>	<u>(389,354)</u>
Net Change in Fund Balances	<u>\$ 1,000</u>	<u>\$ (84,936)</u>	<u>\$ 8,727</u>	<u>\$ 93,663</u>

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

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
WATER FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 25,102,994	\$ 29,590,452	\$ 29,329,092	\$ (261,360)
Capacity Fees	1,973,055	4,213,547	5,308,801	1,095,254
Intergovernmental	-	442,500	442,500	-
Investment Income	248,618	248,618	21,157	(227,461)
Miscellaneous	29,345	29,345	33,390	4,045
Total Revenues	27,354,012	34,524,462	35,134,940	610,478
EXPENDITURES				
Operating Expenditures				
Administration	761,217	771,217	762,929	8,288
Cost of Sales and Services	55,637,073	32,110,734	19,955,806	12,154,928
Capital Outlay	72,139,178	51,783,843	27,277,732	24,506,111
Principal Retirement	3,058,449	486,968	486,968	-
Interest and Fiscal Charges	2,679,080	4,305,458	4,262,926	42,532
Debt Issuance Costs	-	152,750	152,750	-
Total Expenditures	134,274,997	89,610,970	52,899,111	36,711,859
Excess (Deficiency) of Revenues Over Expenditures	(106,920,985)	(55,086,508)	(17,764,171)	37,322,337
OTHER FINANCING SOURCES (USES)				
Transfers In	749,117	-	-	-
Proceeds from Bond Issuance	110,000,000	10,250,000	10,894,305	644,305
Total Other Financing Sources (Uses)	110,749,117	10,250,000	10,894,305	644,305
Net Change in Fund Balances	\$ 3,828,132	\$ (44,836,508)	\$ (6,869,866)	\$ 37,966,642

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	(860,045)
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget	299,287
Prepaid Expenses are Recognized when Incurred for GAAP, Paid for Budget	21,438
Depreciation Expense is a GAAP-only Expenditure	(3,799,594)
Bond Proceeds are an Other Financing Source on a Budgetary Basis	(10,894,305)
Principal Retirement is an Expense on a Budgetary Basis	486,968
Amortization Expense is a GAAP-only Expenditure	186,132
Cost of Assets is Capitalized on a GAAP Basis, Expensed on a Budget Basis	27,748,984
Capital Contributions are recognized for Donated Capital Assets on a GAAP Basis	5,838,848
Mainline Agreement Refunds are an Expense on a Budgetary Basis	109,689
Unrealized Gain (Loss) on Investments are GAAP-only Expenses	(1,927)
Net Change in Fund Balance - GAAP Basis	\$ 12,265,609

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
WASTEWATER FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 7,609,634	\$ 7,609,634	\$ 8,166,104	\$ 556,470
Capacity Fees	1,863,540	5,007,772	6,151,944	1,144,172
Investment Income	86,000	86,000	-	(86,000)
Miscellaneous	-	1,000,323	1,030,735	30,412
Total Revenues	<u>9,559,174</u>	<u>13,703,729</u>	<u>15,348,783</u>	<u>1,645,054</u>
EXPENDITURES				
Operating Expenditures				
Administration	115,748	119,748	119,453	295
Cost of Sales and Services	36,217,821	22,754,149	4,050,601	18,703,548
Capital Outlay	9,152,918	23,279,323	8,298,199	14,981,124
Principal Retirement	265,000	265,000	265,000	-
Interest and Fiscal Charges	127,100	127,100	127,100	-
Total Expenditures	<u>45,878,587</u>	<u>46,545,320</u>	<u>12,860,353</u>	<u>33,684,967</u>
Excess (Deficiency) of Revenues Over Expenditures	(36,319,413)	(32,841,591)	2,488,430	35,330,021
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issuance	40,000,000	-	-	-
Total Other Financing Sources (Uses)	<u>40,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 3,680,587</u>	<u>\$ (32,841,591)</u>	<u>\$ 2,488,430</u>	<u>\$ 35,330,021</u>

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:

Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget	(76,204)
Construction Retention is Recognized when Incurred for GAAP, Paid for Budget	419,952
Depreciation Expense is a GAAP-only Expenditure	(2,289,530)
Principal Retirement is an Expense on a Budgetary Basis	265,000
Amortization Expense is a GAAP-only Expenditure	36,858
Cost of Assets is Capitalized on a GAAP Basis, Expensed on a Budget Basis	6,808,841
Capital Contributions are recognized for Donated Capital Assets on a GAAP Basis	2,942,914
Changes in Joint Venture Investments and Deposits are GAAP-Only Expenditures	(916,949)
Unrealized Gain (Loss) on Investments are GAAP-only Expenses	(2,874)
Net Change in Fund Balance - GAAP Basis	<u>\$ 9,676,438</u>

TOWN OF QUEEN CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
SOLID WASTE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 3,823,045	\$ 3,823,045	\$ 3,906,600	\$ 83,555
Investment Income	11,000	11,000	7,152	(3,848)
Miscellaneous	-	-	8,539	8,539
Total Revenues	3,834,045	3,834,045	3,922,291	88,246
EXPENDITURES				
Operating Expenditures				
Administration	65,799	65,799	63,106	2,693
Cost of Sales and Services	3,768,246	3,782,458	3,767,409	15,049
Total Expenditures	3,834,045	3,848,257	3,830,515	17,742
Excess (Deficiency) of Revenues Over Expenditures	-	(14,212)	91,776	105,988
Net Change in Fund Balances	\$ -	\$ (14,212)	\$ 91,776	\$ 105,988
RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS:				
Pension & Payroll Costs are Recognized when Incurred for GAAP, Paid for Budget			26,919	
Prepaid Expenses are Recognized when Incurred for GAAP, Paid for Budget			65	
Depreciation Expense is a GAAP-only Expenditure			(21,328)	
Net Change in Fund Balance - GAAP Basis			\$ 97,432	

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$106,980,000
TOWN OF QUEEN CREEK, ARIZONA
EXCISE TAX AND STATE SHARED REVENUE OBLIGATIONS, SERIES 2022

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)

TENTH CONTINUING DISCLOSURE UNDERTAKING

This Tenth 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 \$106,980,000 aggregate principal amount of Excise Tax and State Shared Revenue Obligations, Series 2022 (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 Fifth Trust Agreement, dated as of June 1, 2022 (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 May 10, 2022.

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 Fifth Purchase Agreement, dated as of June 1, 2022, 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>
EM3	2023
EN1	2024
EP6	2025
EQ4	2026
ER2	2027
ES0	2028
ET8	2029
EU5	2030
EV3	2031
EW1	2032
EX9	2033
EY7	2034
EZ4	2035
FA8	2036
FB6	2037
FC4	2038
FD2	2039
FE0	2040
FF7	2041
FG5	2042
FH3	2043
FJ9	2047

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.....
Vice 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, 2023. 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 this Undertaking, 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.

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.

