

PRELIMINARY OFFICIAL STATEMENT DATED JULY 1, 2026*

NEW ISSUE — BOOK-ENTRY-ONLY

RATINGS: See “Ratings” herein.

INSURANCE: See “OBLIGATION INSURANCE” and “RISK FACTORS RELATED TO OBLIGATION INSURANCE” herein

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications and the continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, the portion of each installment payment made by the City 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”) 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, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion will not be excluded from the determination of adjusted financial statement income. Special Counsel is further of the opinion that the Interest Portion 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.

\$19,025,000*

\$945,000*

**WATER AND WASTEWATER SYSTEM REVENUE
OBLIGATIONS, SERIES 2026**

**WATER AND WASTEWATER SYSTEM REVENUE
REFUNDING OBLIGATIONS, SERIES 2026**

**Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF ELOY, ARIZONA,
Pursuant to a Series 2026 Purchase Agreement,
Dated as of July 1, 2026***

Dated: Date of Initial Delivery

Due: July 1, as shown on inside front cover page

The Water and Wastewater System Revenue Obligations, Series 2026 (the “New Money Obligations”) and the Water and Wastewater System Revenue Refunding Obligations, Series 2026 (the “Refunding Obligations” and, together with the New Money Obligations, the “Obligations”), are being executed and delivered pursuant to a Series 2026 Obligation Indenture, to be dated as of July 1, 2026*, between the City of Eloy, Arizona (the “City”), and UMB Bank, N.A., as trustee (the “Trustee”). The Obligations will be initially issued in book-entry-only, registered form in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Beneficial interests in the Obligations will be offered for sale in the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof. The New Money Obligations are being executed and delivered for the purpose of (i) financing the Series 2026 Projects (as defined herein), constituting improvements, additions, and extensions to the System (as defined herein) of the City, and (ii) paying the delivery costs of the New Money Obligations. The Refunding Obligations are being executed and delivered for the purpose of (i) refunding the Bonds Being Refunded (as defined herein) and (ii) paying the delivery costs of the Refunding Obligations. See “THE OBLIGATIONS – Authorization and Purpose,” “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

Interest on the Obligations will be payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2027*, until maturity or redemption prior to maturity, and principal of the Obligations will be payable in accordance with the maturity schedules set forth on the inside front cover pages hereof. So long as the Obligations are in book-entry-only form, principal of and interest on the Obligations will be paid by the Trustee to DTC for credit to the accounts of the DTC participants and, in turn, to the accounts of the owners of beneficial interests in the Obligations (the “Beneficial Owners”). See APPENDIX F – “Book-Entry-Only System.”

See Inside Front Cover Pages for Maturity Schedules and Additional Information

*Certain of the Obligations are subject to redemption prior to their stated maturity dates. See “THE OBLIGATIONS – Redemption Provisions,” herein.**

The Obligations will evidence undivided proportionate interests of the Holders (as defined herein) thereof in the right to receive certain installments of the Purchase Price (as defined herein) pursuant to the Series 2026 Purchase Agreement, to be dated as of July 1, 2026* (the “Purchase Agreement”), between the City and the Trustee in its capacity as seller. Principal and interest with respect to the Purchase Agreement, together with principal and interest on Outstanding Parity Lien Obligations (as defined herein) and with principal and premium, if any, and interest on any Additional Obligations (as defined in APPENDIX E – “Obligations Documents Summaries”) hereafter executed and delivered, will be payable solely from the Pledged Revenues (as defined herein) derived by the City from the operation of the City’s water and wastewater systems (collectively, the “System”). See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS” herein. *The Obligations will not be general obligations of the City and will not constitute an indebtedness of the City when computing its bonded indebtedness for purposes of debt limitations imposed by constitutional or statutory provisions, a charge against the general credit limitations imposed by constitutional or statutory provisions or against the general credit or taxing power of the City nor a liability of the City for payment of the Obligations other than from the sources described herein.*



The scheduled payment of principal of and interest on the Obligations when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Obligations by Build America Mutual Assurance Company. See “OBLIGATION INSURANCE” and “APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein.

The Obligations are offered when, as and if executed and delivered by the Trustee and received by the Underwriter (as defined herein), subject to the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel, as to validity and tax exemption. Certain legal matters will be passed upon solely for the benefit of the Underwriter by Squire Patton Boggs (US) LLP, Phoenix, Arizona, counsel to the Underwriter. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about July 30, 2026*.

This cover page contains certain information with respect to the Obligations for convenience of reference only. It is not a summary of all material information with respect to the Obligations. Investors are advised to read this entire Official Statement and all appendices to obtain information essential to the making of an informed investment decision with respect to the Obligations.

RAYMOND JAMES®

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$19,025,000*
WATER AND WASTEWATER SYSTEM REVENUE OBLIGATIONS
SERIES 2026

Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF ELOY, ARIZONA,
Pursuant to a Series 2026 Purchase Agreement,
Dated as of July 1, 2026*

MATURITY SCHEDULE

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. _____)
2027	\$370,000	%	%	
2028	420,000			
2029	440,000			
2030	460,000			
2031	485,000			
2032	510,000			
2033	535,000			
2034	560,000			
2035	590,000			
2036	620,000			
2037	650,000			
2038	685,000			
2039	715,000			
2040	755,000			
2041	790,000			
2042	830,000			
2043	870,000			
2044	915,000			
2045	960,000			
2046	1,010,000			
2047	1,060,000			
2048	1,110,000			
2049	1,170,000			
2050	1,225,000			
2051	1,290,000			

\$_____ Term Obligations at _____% due July 1, 20____, at a yield of _____% - CUSIP® (a) No. _____

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* Preliminary, subject to change.

\$945,000*
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING OBLIGATIONS
SERIES 2026

Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF ELOY, ARIZONA,
Pursuant to a Series 2026 Purchase Agreement,
Dated as of July 1, 2026*

MATURITY SCHEDULE

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. _____)
2027	\$65,000	%	%	
2028	65,000			
2029	70,000			
2030	75,000			
2031	60,000			
2032	30,000			
2033	30,000			
2034	35,000			
2035	35,000			
2036	40,000			
2037	40,000			
2038	40,000			
2039	45,000			
2040	45,000			
2041	50,000			
2042	50,000			
2043	55,000			
2044	55,000			
2045	60,000			

\$ _____ Term Obligations at _____% due July 1, 20____, at a yield of _____% - CUSIP® (a) No. _____

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* Preliminary, subject to change.

CITY OF ELOY
Incorporated in 1949

CITY COUNCIL

Andrew Sutton, *Mayor*
Michelle McKinley-Tarango, *Vice Mayor*
Sarah Curtis, *Member*
Jose Garcia, *Member*
Josephine Galindo, *Member*
Daniel Snyder, *Member*
Michael Vodrazka, *Member*

CITY ADMINISTRATIVE STAFF

Mackenzie Letcher
City Manager

Brian M. Wright
Finance Director

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

UNDERWRITER

Raymond James & Associates, Inc.
Scottsdale, Arizona

TRUSTEE

UMB Bank, N.A.
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the Obligations identified on the cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Obligations by any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

The information set forth herein has been provided by the City, the Pinal County Assessor's, Finance and Treasurer's offices, the State of Arizona Department of Revenue, and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City, or Raymond James & Associates, Inc. (the "Underwriter"). The presentation of information, including tables of utility revenues and expenses, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No person, including any broker, dealer, or salesman, has been authorized to give any information or to make any representations other than those 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 the City. All estimates and assumptions contained herein have been based on the latest information available and are believed to be reliable, but no representations are made that such estimates and assumptions are correct or will be realized. All beliefs, assumptions, estimates, projections, forecasts and matters of opinion contained herein 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 any expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

The Obligations will not be registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon the exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, pertaining to the issuance and sale of municipal securities, nor will the Obligations be qualified under the Securities Act of Arizona in reliance upon various exemptions contained in such act. Neither the Securities and Exchange Commission (the "Commission") nor any other federal, state, or other governmental entity or agency will have passed upon the accuracy or adequacy of the Official Statement or approved these series of securities for sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The City, the Underwriter, counsel to the Underwriter and Special Counsel (as defined herein) are not actuaries, nor have any of them performed any actuarial or other analysis of the City's unfunded liabilities under the Arizona State Retirement System, the Arizona Public Safety Personnel Retirement System, or the Elected Officials Retirement Plan.

The City will covenant to provide continuing disclosure as described in this Official Statement under "CONTINUING SECONDARY MARKET DISCLOSURE" and in APPENDIX H – "Form of Continuing Disclosure Undertaking" pursuant to Rule 15c2-12 promulgated by the Commission.

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City 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.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Commission.

The Underwriter may offer and sell the Obligations to certain Dealers, Institutional Investors and others at prices lower than the public offering price or yields stated on the inside front cover pages hereof and such public offering may be changed from time to time by the Underwriter.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Obligations or the advisability of investing in the Obligations. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Obligation Insurance" and "APPENDIX I - Specimen Municipal Bond Insurance Policy".

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\$19,025,000*
WATER AND WASTEWATER SYSTEM
REVENUE OBLIGATIONS, SERIES 2026

\$945,000*
WATER AND WASTEWATER SYSTEM
REVENUE REFUNDING OBLIGATIONS,
SERIES 2026

Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF ELOY, ARIZONA,
Pursuant to a Series 2026 Purchase Agreement,
Dated as of July 1, 2026*

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover pages and appendices hereto, has been prepared by the City of Eloy, Arizona (the “City”), in connection with the original execution and delivery of \$19,025,000* Water and Wastewater System Revenue Obligations, Series 2026 (the “New Money Obligations”) and the execution and delivery of \$945,000* Water and Wastewater System Revenue Refunding Obligations, Series 2026 (the “Refunding Obligations”) and, together with the New Money Obligations, the “Obligations”), evidencing proportionate interests of the registered owners of each Obligation (the “Holders”), in certain installment payments (the “Purchase Payments”) and collectively, the “Purchase Price”) to be paid by the City pursuant to a Series 2026 Purchase Agreement, to be dated as of July 1, 2026* (the “Purchase Agreement”), between UMB Bank, N.A. (the “Trustee”), in its capacity as seller, and the City. The Obligations will be executed and delivered pursuant to a Series 2026 Obligation Indenture, to be dated as of July 1, 2026* (the “Indenture”), between the City and the Trustee in its capacity as trustee thereunder. Certain information concerning the authorization, purpose, terms, conditions of sale, security for and sources of payment of the Obligations is set forth in this Official Statement.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from System (as defined herein) revenues and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position, results of operations, or other affairs of the City. No representation is made that past experience, as shown by such financial or other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes or uncodified, or the Arizona Constitution are references to those provisions in their current form. Those provisions may be amended, repealed, or supplemented.

Certain words and terms used herein and not otherwise defined herein shall have the meanings ascribed to such words and terms in APPENDIX E – “Obligations Documents Summaries.”

As used in this Official Statement, “debt service” means principal of and interest on the obligations, “County” means Pinal County, Arizona, and “State” or “Arizona” means the State of Arizona.

THE OBLIGATIONS

Authorization and Purpose

The Trustee will be authorized to execute and deliver the Obligations pursuant to the provisions of the Indenture, the Purchase Agreement, and a resolution adopted by the City Council of the City on April 27, 2026 (the “Resolution”).

* Preliminary, subject to change.

The New Money Obligations are being executed and delivered for the purpose of (i) financing the costs of improvements, additions, and extensions (collectively, the “Series 2026 Projects”) of the System (as defined herein), and (ii) paying delivery costs of the New Money Obligations. The Refunding Obligations are being executed and delivered for the purpose of (i) refunding the Bonds Being Refunded (as defined herein), and (ii) paying the delivery costs of the Refunding Obligations. See “SOURCES AND USES OF FUNDS” herein.

Set forth in the table below is a listing of the Series 2026 Projects expected to be funded with proceeds of the New Money Obligations and estimates of their respective costs.

Projects to be Funded	Estimated Cost*
Water System Improvements	\$ 9,400,000
Wastewater System Improvements	10,600,000
Total	<u>\$ 20,000,000</u>

General Provisions

The Obligations will be dated the date of initial delivery thereof and will bear interest from such date payable initially on January 1, 2027* and semiannually thereafter on July 1 and January 1 of each year (each an “Interest Payment Date”) until maturity or prior redemption. The Obligations will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the inside front cover pages of this Official Statement.

Initially, the Obligations will be administered under a book-entry-only system (the “Book-Entry-Only System”) by The Depository Trust Company (“DTC”), a registered securities depository. Unless and until the Book-Entry-Only System is discontinued, the Obligations will be registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in the Obligations will be offered for sale in the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof, and payments of principal of, and interest on the Obligations will be paid by the Trustee to DTC and, in turn, through participants in the DTC system. See APPENDIX F – “Book-Entry-Only System.”

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE OBLIGATIONS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE OBLIGATIONS, EXCEPT THOSE UNDER THE HEADINGS AND “TAX EXEMPTION” WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE OBLIGATIONS.

If the Book-Entry-Only System is discontinued, interest on the Obligations will be payable by check drawn on the Trustee and mailed on or prior to each Interest Payment Date to the registered owners of the Obligations at the addresses shown on the registration books of the Trustee (the “Obligation Register”) on the fifteenth (15th) day of the month preceding each such Interest Payment Date (the “Record Date”). Principal of the Obligations will then be payable at maturity or upon redemption prior to maturity upon presentation and surrender of the Obligations to the designated corporate trust office of the Trustee. Additionally, if the Book-Entry-Only System is discontinued, payment of interest may also be made by wire transfer upon twenty (20) days’ prior written request delivered to the Trustee specifying a wire transfer address in the continental United States by any owner of at least \$1,000,000 aggregate principal amount of the Obligations. Interest will be computed on the basis of a year comprised of 360 days consisting of 12 months of 30 days each.

Redemption Provisions*

Optional Redemption

The Obligations maturing on or prior to July 1, 2036, will not be subject to call for redemption prior to maturity. The Obligations maturing on and after July 1, 2037, will be subject to call for redemption prior to maturity, at the option of the City, in whole or in part, on any date on or after July 1, 2036, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the City, and by lot within a maturity by payment of the redemption price equal to the principal amount of the Obligations called for redemption plus accrued interest,

* Preliminary, subject to change.

if any, on the Obligations so redeemed from the most recent Interest Payment Date to the date of redemption, but without premium.

Mandatory Sinking Fund Redemption

The Obligations maturing on July 1, 20__ will be redeemed from funds of the City prior to maturity on the following redemption dates and in the following amounts, by the payment of the redemption price equal to the principal amount of the Obligations called for redemption plus accrued interest, if any, on the Obligations so redeemed from the most recent Interest Payment Date to the date of redemption, but without premium:

Obligations Maturing in 20__	
Redemption Date (July 1)	Principal Amount
20__	\$
20__	
20__	
20__ (maturity)	

Whenever Obligations subject to mandatory redemption are redeemed (other than pursuant to mandatory redemption) or are delivered to the Trustee for cancellation, the principal amount of the Obligations so retired shall satisfy and be credited against the mandatory redemption requirements for such Obligations for such years as the City may direct.

Notice of Redemption

So long as the Obligations are held under the Book-Entry-Only System, notices of redemption will be sent to DTC, in the manner required by DTC. If the Book-Entry-Only System is discontinued, notice of redemption of any Obligation will be mailed to the registered owner of the Obligation or Obligations being redeemed at the address shown on the Obligation Register not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Failure to properly give notice of redemption shall not affect the redemption of any Obligation for which notice was properly given. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Notice of any redemption will also be sent to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the MSRB's Electronic Municipal Market Access system ("EMMA"), in the manner required by the MSRB, but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If moneys for the payment of the redemption price and accrued interest are not on deposit with the Trustee to effect such redemption, such redemption shall be conditional on such moneys being so held on or prior to the date set for redemption and if not so held by such date the redemption shall be cancelled and be of no force and effect. The notice of redemption shall describe the conditional nature of the redemption.

Effect of Call for Redemption

Notice of redemption having been given in the manner described above, the Obligations or portions thereof called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the Obligations or portions thereof called for redemption is held in separate accounts by the Trustee, then the Obligations or portions thereof called for redemption will cease to bear interest from and after such redemption date.

Redemption of Less Than All of an Obligation

The City may redeem an amount which is included in an Obligation in the denomination in excess of, but divisible by, \$5,000. Upon surrender of any Obligation redeemed in part only, the Trustee shall execute and deliver to the registered owner thereof a new Obligation equal in principal amount to the unredeemed portion of the Obligation surrendered and of the same maturity.

SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS

Security for the Obligations

For the amounts payable pursuant to the Purchase Agreement (including the Purchase Price), the Trustee, in its capacity as seller, will sell and convey to the City, and the City will purchase from the Trustee the Series 2026 Projects financed with the proceeds of the New Money Obligations, together with the portion of the System financed with the proceeds of the Bonds Being Refunded that remains unacquired and will be acquired pursuant to the Purchase Agreement (the “Existing Project” and, together with the Series 2026 Projects, the “Series 2026 Property”) with the proceeds of the Refunding Obligations.

The Obligations represent undivided proportionate interests of the Holders thereof in the right to receive the Purchase Payments of the Purchase Price to be paid by the City pursuant to the Purchase Agreement, which includes amounts sufficient to pay when due the principal of and interest on the Obligations. During the term of the Purchase Agreement, the Purchase Payments will be required to be made regardless of damage to the Series 2026 Property or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the City possesses or uses its water and wastewater systems (collectively, the “System”). The obligations of the City to make the Purchase Payments will continue until all of the Purchase Payments and all other amounts due under the Purchase Agreement have been paid. No security interest will be held by the Trustee for the benefit of the Holders of the Obligations in any portion of the Series 2026 Property or the System. Remedies available upon a failure of the City to make the Purchase Payments when due will be limited and will not include acceleration of the Purchase Payments or recourse to the Series 2026 Property or any portion of the System. For a description of events of default and remedies under the Purchase Agreement, see APPENDIX E – “Obligations Documents Summaries – The Purchase Agreement – Purchase Events of Default” and “– Remedies on Default by City.” For information concerning the System, see APPENDIX C – “City of Eloy, Arizona – Utility Systems Information.”

Source of Purchase Payments

The obligation of the City to make the Purchase Payments under the Purchase Agreement will be payable from and secured by a lien on, pledge of, and security interest in the Pledged Revenues. “Pledged Revenues” are Revenues of the System remaining after deducting Operating Expenses subject to certain additions or subtractions under certain circumstances as provided in the Purchase Agreement. “Revenues,” when used with regard to the Obligations, Parity Lien Obligations (as defined herein) and Additional Obligations, are all income, moneys and receipts derived by the City from the ownership, use and operation of the System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System, but excluding (i) any amounts received that the City is contractually required to pay out as reimbursement for acquisition, construction or installation of the System, (ii) the proceeds of the Obligations, Parity Lien Obligations, or any Additional Obligations or the interest received on any proceeds of Parity Lien Obligations or Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any Obligations, Parity Lien Obligations, or Additional Obligations, or (iii) any non-cash capital contributions received by the City for the use and operation of the System. “Operating Expenses,” when used with regard to the Obligations, Parity Lien Obligations, and Additional Obligations, are the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, benefits, cost of materials, supplies, contractual obligations, utilities, lease payments, commodities, insurance, and accumulations to cover periodic payment of Operating Expenses and other expenditures purchased by the City at large, such as insurance, gasoline and electrical energy, allocated to the System in the reasonable discretion of the City, but excluding (i) non-cash transactions, including depreciation or loss on disposal or transfer of assets, (ii) principal and interest requirements on the Obligations, Outstanding Parity Lien Obligations, and Additional Obligations, (iii) payments required to be made by the City for deposit into a debt service reserve account with respect to the Obligations, Parity Lien Obligations, or Additional Obligations, and (iv) any payments required to be made to satisfy the rebate requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to the Obligations, Outstanding Parity Lien Obligations, or any Additional Obligations.

Such lien on, pledge of and security interest in the Pledged Revenues is on a parity with the \$4,544,127 principal amount of Outstanding Parity Lien Obligations, after taking into account the refunding of certain outstanding debt of the City, and will be on parity with any Additional Obligations subsequently issued or incurred under separate documentation in accordance with the Purchase Agreement.

The pledge of, lien on and security interest in the Pledged Revenues will be irrevocably made in the Purchase Agreement and created for the prompt and punctual payment of the principal of and interest on the Obligations, the Outstanding Parity Lien Obligations, and the Additional Obligations, according to their terms and to make other payments specified. None of the Obligations, the Outstanding Parity Lien Obligations, or any of the Additional Obligations will be entitled to priority or distinction over any of the others in the application of the Pledged Revenues, regardless of the issuance or incurrence of the Obligations, the Outstanding Parity Lien Obligations, or any of the Additional Obligations in series or delivery of the Obligations, the Outstanding Parity Lien Obligations, or any of the Additional Obligations prior to the delivery of the Obligations, the Outstanding Parity Lien Obligations, or any of the Additional Obligations of that series or regardless of the time or times the Obligations, the Outstanding Parity Lien Obligations, or the Additional Obligations mature or are called for redemption prior to maturity or otherwise. The Obligations, the Outstanding Parity Lien Obligations, and the Additional Obligations will be co-equal as to the pledge of and lien on the Pledged Revenues for the payment thereof and will share ratably, without preference, priority, or distinction, as to the source or method of payment or security therefor. See APPENDIX E – “Obligations Documents Summaries.”

Neither the Obligations nor the obligations of the City pursuant to the Purchase Agreement constitute a debt or a pledge of the full faith and credit of the City, the State, or any political subdivision thereof for constitutional, or statutory purposes. The Obligations do not obligate the City to levy or pledge any form of ad valorem or other taxes. The Obligations are a limited, special obligation of the City secured solely by the Pledged Revenues and otherwise as provided in the Resolution and the Purchase Agreement.

Obligation Rate Covenant

The City has covenanted and agreed in the Purchase Agreement to establish and maintain rates, fees and charges for all services supplied by the System to provide Pledged Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to produce (a) Pledged Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the Principal Requirement and the Interest Requirement on all Obligations, Outstanding Parity Lien Obligations, and Additional Obligations then Outstanding for the corresponding Bond Year (treating any Variable Interest Rate Obligations as bearing interest at the Assumed Interest Rate and treating any Obligations, Outstanding Parity Lien Obligations, and Additional Obligations then Outstanding subject to mandatory redemption as maturing on their respective mandatory redemption dates) and (b) Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least one hundred percent (100%) of the amounts with regard to any Credit Facility due and owing in such Fiscal Year.

Debt Service Reserve Account

The Indenture establishes the Debt Service Reserve Account within the Obligation Fund for the benefit of the Obligations, but not the Outstanding Parity Lien Obligations, or Additional Obligations that may be subsequently issued. The City will purchase a municipal bond debt service reserve insurance policy (the “Reserve Policy”) from the Insurer (as defined herein) to meet the Reserve Requirement. As of the date of the execution and delivery of the Obligations, the Reserve Requirement for the Obligations is \$_____, which amount shall not increase, and which will be satisfied with the deposit of the Reserve Policy. The Indenture will permit the City to substitute a Qualified Reserve Fund Instrument for cash on deposit in the Debt Service Reserve Account at any time and vice versa. The Indenture provides that under certain circumstances, the amounts in the Debt Service Reserve Account may be released and used by the City for any lawful purpose. The amounts available under the Reserve Policy shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Obligation Fund in the event of any deficiency at any time.

For additional details on the Reserve Policy and the Debt Service Reserve Account, see APPENDIX E – “Obligations Documents Summaries – the Indenture – Debt Service Reserve Account.”

Repair and Replacement Fund

In accordance with the Purchase Agreement, the City will establish the Repair and Replacement Fund, which is held by the City. Amounts in the Repair and Replacement Fund will be used (without priority) for: (i) making extraordinary

repairs or replacements to the System which are necessary to keep the System in operating condition and for the making of which provision has not been made in the annual budget and money is not available as an Operating Expense, (ii) making debt service payments on the Obligations, Outstanding Parity Lien Obligations, or Additional Obligations in the event of a deficiency, (iii) the payment of any sums due and owing to the Holders of the Obligations, Outstanding Parity Lien Obligations, and Additional Obligations being refunded which sums cannot for any reason be paid from the income and proceeds of any Defeasance Obligations held by a Depository Trustee, (iv) the acquisition of water and wastewater properties or facilities deemed necessary by the City to the efficient and economical operation of the System or to extend or improve the System, and (v) otherwise acquiring, constructing and improving the System. The amount required to fund the Repair and Replacement Fund is equal to two percent (2.0%) of the value of the net tangible assets of the System at the end of the preceding Fiscal Year, as shown in the most recent audited financial statements of the City (the "Repair and Replacement Fund Funding Requirement"). See APPENDIX E – "Obligations Documents Summaries – The Purchase Agreement – Utilities; Operation and Maintenance of the System in Good Condition; Repair and Replacement Fund."

Outstanding Parity Obligations

Pursuant to certain loan agreements between the Water Infrastructure Finance Authority of Arizona ("WIFA"), as lender, and the City, as borrower, the City currently owes \$4,544,127 aggregate principal amount to WIFA (collectively, the "Outstanding Parity Lien Obligations"), which are payable from and secured by a lien on, pledge of and security interest in, the Pledged Revenues on a parity with the Purchase Payments under the Purchase Agreement and payments required for the payment of principal of and premium, if any, and interest on any Additional Obligations. The Purchase Agreement permits the execution and delivery or incurrence of "Additional Obligations" of the City payable from Pledged Revenues on a parity therewith upon meeting certain conditions as described under the following subheading. See APPENDIX B – "STATEMENTS OF DEBT OUTSTANDING – Water and Wastewater System Revenue Obligations Outstanding and to be Outstanding."

Additional Obligations

Pursuant to the provisions of the Purchase Agreement, the City may, in the future, incur Additional Obligations if there is not any Indenture Event of Default or Purchase Event of Default upon the incurrence thereof and the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to one hundred twenty percent (120%) of the Parity Lien Test Debt Service including such Additional Obligations to be issued and (b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the debt service funds established for the Additional Obligations and to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least one hundred percent (100%) of the amounts with regard to any Credit Facility due and owing in such Fiscal Year. "Parity Lien Test Debt Service" is the highest aggregate Principal Requirement and Interest Requirement of all Obligations, Outstanding Parity Lien Obligations, and Additional Obligations then Outstanding, including the Additional Obligations to be issued, to fall due and payable in the current or any future Bond Year.

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**WATER AND WASTEWATER SYSTEM FUNDS HISTORICAL AND PROJECTED COMBINED
SCHEDULES OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE**

The following table labeled “Actual” sets forth the historical combined schedules of the annual revenues, expenditures and Pledged Revenues for the most recent audited five Fiscal Years ending June 30 for which such information is available – followed by a statement of debt service coverage provided by such Pledged Revenues for each Fiscal Year.

The table after that labeled “Projected” sets forth the projected combined schedules of the annual revenues, expenditures and Pledged Revenues for the current Fiscal Year and the next four Fiscal Years ending June 30 – followed by a projected statement of debt service coverage provided by such Pledged Revenues for each Fiscal Year.

	<i>Actual</i>				
	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
System Revenues (a)	\$4,690,609	\$4,754,159	\$4,833,311	\$6,795,149	\$5,345,735
System Interest Earnings	2,316	1,632	27,178	165,887	250,359
Total System Revenues	<u>\$4,692,925</u>	<u>\$4,755,791</u>	<u>\$4,860,489</u>	<u>\$6,961,036</u>	<u>\$5,596,094</u>
System Operating Expenses (b)	<u>\$2,653,930</u>	<u>\$2,972,587</u>	<u>\$3,164,918</u>	<u>\$3,459,862</u>	<u>\$3,421,558</u>
Pledged Revenues Available for Debt Service	\$2,038,995	\$1,783,204	\$1,695,571	\$3,501,174	\$2,174,536
Combined System Revenue Debt Service					
Outstanding Parity Lien Obligation Requirements	\$1,004,959	\$1,002,640	\$1,000,275	\$1,108,852	\$1,120,326
Obligation Requirements	-	-	-	-	-
Total Obligation Debt Service Requirements	<u>\$1,004,959</u>	<u>\$1,002,640</u>	<u>\$1,000,275</u>	<u>\$1,108,852</u>	<u>\$1,120,326</u>
Obligation Debt Service Coverage	2.03	1.78	1.70	3.16	1.94
	<i>Projected (b) (c) (d)</i>				
	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>
System Revenues (a)	\$5,808,263	\$6,313,865	\$6,806,154	\$7,157,366	\$7,400,977
System Interest Earnings	100,000	100,000	100,000	100,000	100,000
Total System Revenues	<u>\$5,908,263</u>	<u>\$6,413,865</u>	<u>\$6,906,154</u>	<u>\$7,257,366</u>	<u>\$7,500,977</u>
System Operating Expenses (b)	<u>\$3,551,942</u>	<u>\$3,687,294</u>	<u>\$3,827,805</u>	<u>\$3,973,670</u>	<u>\$4,125,093</u>
Pledged Revenues Available for Debt Service	\$2,356,321	\$2,726,571	\$3,078,349	\$3,283,696	\$3,375,884
Combined System Revenue Debt Service					
Outstanding Parity Lien Obligation Requirements	\$433,938	\$433,938	\$433,938	\$433,938	\$433,938
Obligation Requirements	0	1,353,065	1,461,750	1,462,500	1,462,000
Total Obligation Debt Service Requirements	<u>\$433,938</u>	<u>\$1,787,004</u>	<u>\$1,895,688</u>	<u>\$1,896,438</u>	<u>\$1,895,938</u>
Obligation Debt Service Coverage	5.43	1.53	1.62	1.73	1.78

- (a) System Revenues include all income, moneys and receipts derived by the City from the ownership, use and operation of the System. Such Revenues include operating revenues, permits and fees, capacity fees other miscellaneous revenues and include revenues received by the City related to the sale of Central Arizona Project (CAP) water to another municipality; such CAP revenues have averaged \$550,000 during the most recent five fiscal years. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Source of Purchase Payments.”
- (b) System Operating Expenses are the reasonable and necessary costs of System operation, maintenance and repair, but exclude depreciation and debt service expenses. System Revenues and Operating Expenses indicated in the above schedule are set forth on a modified accrual basis, recognizing revenues when they become measurable and available and expenses when incurred. Projected Operating Expenses shown for fiscal years 2026 through 2030 are assumed to grow annually by 3.81%.
- (c) Projections included in the table above assume revenues generated by the water system increase as a result of the following rate increases: 13.9% in 2026, 14% in 2027, 12% in 2028, 9.9% in 2029 and 6% in 2030. All future rate increases assumed have previously been approved by the City Council.
- (d) Projections included in the table above assume revenues generated by the wastewater system increase as a result of the following rate increases: 11% in 2026 through 2028 and 3% in 2029 and 2030. All future rate increases assumed have previously been approved by the City Council.

OBLIGATION INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Obligations, Build America Mutual Assurance Company (“BAM” or the “Insurer”) will issue its Municipal Bond Insurance Policy for the Obligations (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Obligations when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Obligations, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Obligations. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Obligations on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Obligations, nor does it guarantee that the rating on the Obligations will not be revised or withdrawn.

Capitalization of BAM.

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.3 million, \$277.6 million and \$215.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Obligations or the advisability of investing in the Obligations. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any

responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “OBLIGATION INSURANCE”.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM’s website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Obligations. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Obligations, whether at the initial offering or otherwise.

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RISK FACTORS RELATED TO OBLIGATION INSURANCE

In the event of default of the payment of principal or interest with respect to any of the Obligations when all or some become due, any Owner of the Obligations on which such principal or interest was not paid will have a claim under the Policy for such payments.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, any Obligations will be payable solely from the Pledged Revenues as described under “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.” In the event the Insurer becomes obligated to make payments with respect to any Obligations, no assurance is given that such event will not adversely affect the market price of the Obligations or the marketability (liquidity) of the Obligations. See “RATINGS” herein.

The long-term ratings on any Obligations would be dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the rating or ratings on any Obligations insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) of such Obligations. Any Obligations would be general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the City, Special Counsel (as defined herein), Underwriter (as defined herein) or their agents or counsel, will make any independent investigation of the claims paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest with respect to the Obligations and the claims paying ability of the Insurer, particularly over the life of the investment.

RISK FACTORS

The purchase of the Obligations involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Obligations should make an independent evaluation of all the information presented herein. The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Obligations.

Limited Obligations. The Obligations are limited special obligations of the City payable as to both principal and interest solely from the revenues derived by the City from the Pledged Revenues of the System and not secured by the System. The Obligations do not constitute an indebtedness or pledge of the general credit of the City within the meaning of any constitutional, or statutory provisions relating to the incurring of indebtedness, and the owners of the Obligations shall never have the right to compel any exercise of the taxing power of the City or to demand a payment of the Obligations or interest thereon out of any funds other than from the Pledged Revenues.

Additional Obligations of the City. The City has the capacity to enter into other obligations which are payable from certain Revenues of the System and which are on a parity with the Obligations. To the extent that Additional Obligations are issued or incurred by the City, the funds available to make the debt service payments on the Obligations may be decreased.

Economic Downturns; Adverse Effects on System Revenues. A number of factors, many of which may be beyond the control of the City, could have an adverse impact on the level of Pledged Revenues of the System, including adverse changes in the global and national economies, the Arizona economy, and interest rate levels.

Cybersecurity; Other Safety and Security Risks. Cybersecurity breaches could damage the City’s information and security systems and cause material disruption to its operations. The occurrence of military conflicts and terrorist activities, including cyber terrorism, could also adversely impact the operations of the System or the finances of the City. In particular, the continuing Russia/Ukraine war has resulted in several warnings and advisories from the U.S. Department of Homeland Security related to an elevated risk of cyberattacks against municipalities and critical infrastructure. The City maintains active security (including information security) and emergency preparedness

programs and has a number of security measures and safeguards in place. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that military conflicts or terrorist activities, including cyber terrorism, or acts of malfeasance are directed against the assets of the System or the information technology systems of the City. The costs of security measures or of remedying damage from security breaches could be greater than presently anticipated.

Costs of System Operation and Availability of Materials and Commodities. The production of Pledged Revenues from the System could be materially adversely affected by the costs of operating, maintaining and repairing the System, including the costs of regulatory compliance, and the availability, price of, and demand for commodities. Pledged Revenues could also be materially adversely affected by other factors beyond the control of the City, such as strikes, energy shortages, material shortages, tariffs, inflation, pandemics, drought and other adverse weather conditions, changes in federal, state or local law (including, but not limited to the Occupational Safety and Health Act, The Commercial Motor Vehicle Safety Act, the Clean Air Act, the Safe Drinking Water Act, the Clean Water Act, and the Arizona Groundwater Code, changes in international laws and other contingencies).

Tariffs; Inflation; Labor. On April 2, 2025, President Trump announced new tariffs on several nations. On April 9, 2025, President Trump announced a 90 day pause on such tariffs, with the exception of tariffs on China. In August 2025, following conclusion of the 90-day pause, tariffs were imposed by the United States on various countries. The tariff rates are subject to change and certain tariffs have been subject to additional pauses. On February 20, 2026, the United States Supreme Court ruled that President Trump's tariff policies imposed under the International Emergency Economic Powers Act were unconstitutional. However, the City cannot predict whether President Trump will seek to impose tariffs using other means. As of the date of this Official Statement, the City is unable to predict the impacts of tariffs, if any, on the System, whether in the context of operating expenses or availability of materials for capital improvement projects. The risk of higher costs for the System due to tariffs does exist. This risk would be driven by increases in the cost of materials. The City anticipates that the risk to the System is comparable to the risk for similarly situated utilities.

The City is unable to predict if supply chain issues or inflationary cost pressures could potentially impact the operations and maintenance of the System. The City competes with surrounding cities for a limited supply of skilled labor, which impacts the City's ability to recruit and retain staff that work on the System.

Factors Affecting the Utility Industry. The utility industry has been, and in the future may be, affected by a number of factors which could impact water and wastewater utilities. Such factors include, among others: (i) effects of compliance with rapidly changing environmental, health, safety, licensing, regulatory and legislative standards and requirements, (ii) changes resulting from conservation and demand-side management programs on the timing and use of commodities, (iii) other changes in actual demand from projected future requirements, (iv) expansion of competition in the utility industry, (v) natural disasters such as drought, fires and flooding and (vi) issues relating to issuance of tax-exempt obligations and restrictions thereon. The City cannot predict what effects these factors will have on the business, operations, and financial condition of the System, but they could be significant.

Water Supply and Drought Conditions. Water for the City's System is provided from the Colorado River via the Central Arizona Project ("CAP") canal, and groundwater wells. In addition, the City has rights to stored groundwater in an amount equal to approximately 3 times its annual demand to mitigate future drought. The City is currently designated with a 100-Year Assured Water Supply by the Arizona Department of Water Resources. The City has adequate supplies for growth and has engaged in planning and resource management to provide for current and future availability of water supplies during normal and drought conditions. However, the ability of the City's System to operate effectively may still be affected, and potentially may be significantly affected, by the water supply available to the City, which is situated in a desert environment. In particular, recent conditions on the Colorado River system may be indicative of future challenges, though most of the City's CAP water supplies have a relatively high priority in right as compared to other recipients of CAP water. The City is exploring various options based on this recent information regarding Colorado River supplies, including taking steps under its Water Shortage Management Plan as set forth in the City Code. The initial step, declaring a "Stage One Shortage," primarily involving public relations campaigning regarding voluntary conservation as well as increased water reduction measures at City facilities was recently taken by the City. If the water supply decreases significantly however, whether by physical limitation or regulatory restrictions, prohibitive water costs or otherwise, System water sales may be diminished and Pledged Revenues available to pay the debt service may be adversely affected.

Notwithstanding the foregoing, while the multiple sources of supply available to the City along with the various plants, wells, reservoirs and other facilities may help to mitigate risk, future water availability, drought, flooding, environmental conditions and other climate related conditions in Arizona and the other Colorado River Basin states are unpredictable and subject to change. For example, since January 2022, Arizona has operated under a drought contingency plan and has received a reduction to its deliveries of Colorado River water as described above. Additional reductions may result from the 2026 re-consultation on the Colorado River by the Bureau of Reclamation and Colorado River Basin States. The impacts associated with climate and natural disasters and other “force majeure” events on the City cannot be predicted, but could be significant.

Other Considerations. The Audited General Purpose Financial Statements of the City included in APPENDIX D hereto are for the Fiscal Year ended June 30, 2025, and may not reflect the current financial positions of the City. Such financial statements are the most recent audited financial statements for the City.

PLAN OF REFUNDING

A portion of the proceeds received from the sale of the Refunding Obligations will be deposited with the paying agent for the following outstanding obligations (the “Bonds Being Refunded”) in an amount sufficient to pay the interest on and the principal or redemption price thereof on the date of delivery of the Refunding Obligations:

SCHEDULE OF MATURITIES AND PRINCIPAL AMOUNTS OF BONDS BEING REFUNDED BY THE REFUNDING OBLIGATIONS

Issue Series	Maturity Date	Coupon	Principal Amount Outstanding	Bonds Being Refunded	Redemption Price	Redemption Date*
USDA Loan	9/1/2045	4.125%	\$768,799.01	\$768,799.01	100%	[Closing Date]
Series 1997A Bonds	1/1/2031	4.50%	\$81,142.86	\$81,142.86	100%	[Closing Date]
Series 1997B Bonds	1/1/2031	4.50%	\$122,990.08	\$122,990.08	100%	[Closing Date]

* Preliminary, subject to change.

SOURCES AND USES OF FUNDS

The proceeds of the Obligations will be applied as follows:

Sources of Funds	Refunding Obligations	New Money Obligations	Total
Principal Amount of the Obligations	\$ 945,000*	\$ 19,025,000*	\$ 19,970,000*
[Net] Original Issue Premium (a)	\$ _____	\$ _____	\$ _____
Total Sources of Funds	\$ _____	\$ _____	\$ _____
Uses of Funds			
Prepayment of Bonds Being Refunded			
Acquisition Fund			
Payment of Costs of Issuance (b)	\$ _____	\$ _____	\$ _____
Total Uses of Funds	\$ _____	\$ _____	\$ _____

(a) [Net original issue premium consists of original issue premium on the Obligations less original issue discount on the Obligations.]

(b) Includes the premium on the Policy, compensation of the Underwriter and certain costs incurred by the City in connection with the execution and delivery of the Obligations.

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DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE

The table below sets forth (i) the annual debt service requirements of the City’s Outstanding Parity Lien Obligations, (ii) the annual debt service requirements of the Obligations, (iii) the total annual System revenue debt service requirements after execution and delivery of the Obligations, and (iv) the debt service coverage ratio provided for such total annual debt service requirements based upon the City’s Fiscal Year 2025/26 Pledged Revenues.

City of Eloy, Arizona - Schedule of Debt Service Requirements and Debt Service Coverage (a)

Period Ending (07-01)	Outstanding Parity Lien Obligations (b)		Obligations		Combined Annual Debt Service	Combined Debt Service Coverage (d)
	Principal	Interest	Principal	Interest (c)		
2026	\$ 320,363	\$ 113,576			433,938	
2027	327,861	106,077	\$ 435,000	\$ 918,065	1,787,004	
2028	335,540	98,398	485,000	976,750	1,895,689	
2029	343,404	90,534	510,000	952,500	1,896,439	1.24x
2030	351,458	82,480	535,000	927,000	1,895,938	
2031	359,706	74,232	545,000	900,250	1,879,188	
2032	368,154	65,785	540,000	873,000	1,846,938	
2033	376,806	57,133	565,000	846,000	1,844,938	
2034	385,666	48,272	595,000	817,750	1,846,688	
2035	155,471	39,196	625,000	788,000	1,607,667	
2036	159,901	34,766	660,000	756,750	1,611,417	
2037	164,459	30,208	690,000	723,750	1,608,417	
2038	169,146	25,521	725,000	689,250	1,608,917	
2039	173,967	20,700	760,000	653,000	1,607,667	
2040	178,926	15,741	800,000	615,000	1,609,667	
2041	184,026	10,641	840,000	575,000	1,609,667	
2042	189,272	5,395	880,000	533,000	1,607,667	
2043			925,000	489,000	1,414,000	
2044			970,000	442,750	1,412,750	
2045			1,020,000	394,250	1,414,250	
2046			1,010,000	343,250	1,353,250	
2047			1,060,000	292,750	1,352,750	
2048			1,110,000	239,750	1,349,750	
2049			1,170,000	184,250	1,354,250	
2050			1,225,000	125,750	1,350,750	
2051			1,290,000	64,500	1,354,500	
Total	\$4,544,127	\$918,656	\$19,970,000	\$15,121,315	\$40,554,098	

- (a) Prepared by the Underwriter. Totals may not add due to rounding.
- (b) Debt service for the Outstanding Parity Lien Obligations assumes such loans from WIFA are fully drawn.
- (c) Interest is estimated. The first interest payment on the Obligations is due on January 1, 2027*. Thereafter, interest payments will be made semiannually on each January 1 and July 1, until maturity or prior redemption.
- (d) Debt service coverage is computed using estimated unaudited Pledged Revenues of \$2.356 million available for debt service for Fiscal Year 2025/26, as provided by the City, divided by the estimated combined maximum annual debt service on the Outstanding Parity Lien Obligations and the Obligations. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Obligation Rate Covenant,” “– Debt Service Reserve Account: No Current Funding Requirement,” and “– Additional Obligations.”

* Preliminary, subject to change.

RATINGS

S&P has assigned the rating “AA” to the Obligations with the understanding that upon delivery of the Obligations, the Policy will be issued by the Insurer. In addition, S&P has assigned an underlying rating of “A+” to the Obligations. Such ratings reflect only the view of S&P, and any desired explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31st Floor, San Francisco, California 94111. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Obligations. The City will covenant in its continuing disclosure undertaking with respect to the Obligations that it will file notice of any formal change in any rating related to the Obligations. See “CONTINUING SECONDARY MARKET DISCLOSURE” and APPENDIX H – “Form of Continuing Disclosure Undertaking” herein.

LEGAL MATTERS

Legal matters relating to the execution and delivery of the Obligations, the validity of the Obligations under Arizona law and the tax status of the Obligations (see “TAX EXEMPTION” herein) are subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona (“Special Counsel”), whose services as Special Counsel have been retained by the City. The signed legal opinion of Special Counsel, dated and premised on the law in effect only as of the date of original delivery of the Obligations, will be delivered to the City at the time of original delivery of the Obligations.

The proposed text of the legal opinion is set forth as APPENDIX G. The legal opinion to be delivered may vary from the text of APPENDIX G, if necessary, to reflect the facts and law 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.

In rendering its opinion, Special Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings Special Counsel will not have independently verified.

While Special Counsel has reviewed and participated in the preparation of portions of this Official Statement, Special Counsel has not undertaken an independent investigation to determine, and will express no opinion as to, the accuracy, completeness or sufficiency of this Official Statement, nor of any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Obligations that may be available.

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 property 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 City and could adversely affect the secondary market value or marketability of the Obligations. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Obligations) issued prior to enactment.

The legal opinion to be delivered concurrently with the delivery of the Obligations will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein dated and speaking only as of the date of delivery of the Obligations. 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.

Certain legal matters will be passed upon solely for the benefit of the Underwriter by Squire Patton Boggs (US) LLP, Phoenix, Arizona, as counsel to the Underwriter.

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the portion of each of the Purchase Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Holders of the Obligations (the "Interest Portion") will be and remain excludable from gross income for federal income tax purposes. The City'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 City 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 City and continuing compliance by the City 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 State 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, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion is not excluded from the determination of adjusted financial statement income. 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 with their own tax advisors as to the status of the Interest Portion under the tax laws of any state other than the State.

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 City, and compliance with certain covenants of the City 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 and representations. 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, (vi) net gain realized upon the sale or other disposition of property such as the Obligations generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates and (vii) receipt of certain investment income, including interest on the Obligations, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. 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 and any other tax consequences.

Special Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Special Counsel as of the date thereof. Special Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Special Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Special Counsel's opinions

are not a guarantee of a particular result and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Special Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Original Issue Premium and Original Issue Discount

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 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 during the period of ownership of a Discount Obligation (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Obligations, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale, or other disposition of that Discount Obligation.

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

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

Changes in Federal and State Tax Law

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

Information Reporting and Backup Withholding

Interest paid on 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.

UNDERWRITING

Raymond James & Associates, Inc. (the "Underwriter"), has agreed to purchase the Obligations at an aggregate purchase price of \$_____ pursuant to a purchase contract (the "Purchase Contract") entered into by and among the City and the Underwriter. If the Obligations are sold to produce the prices or yields shown on the inside front cover pages hereof, the Underwriter's discount will be \$_____. The Purchase Contract provides that the Underwriter will purchase all of the Obligations so offered, if any, are purchased. The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing Obligations into unit investment trusts) and others at prices lower or yields higher than the public offering prices stated on the inside front cover page hereof. The initial offering prices or yields set forth on the inside front cover pages may be changed from time to time by the Underwriter.

LITIGATION

No Litigation Relating to the Obligations

At the time of delivery of the Obligations, an officer of the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending, or to the knowledge of the City, overtly threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the execution, sale or delivery of the Obligations or that questions the City's right or authority to receive the sources of payment of the Obligations, or in any way contesting or affecting the validity or enforceability of the Obligations, the Indenture, the Purchase Agreement, the Resolution or the Continuing Disclosure Undertaking, or contesting in any way the completeness or accuracy of this Official Statement, or any amendment or supplement thereto, or contesting the power or authority of the City to execute and deliver the Continuing Disclosure Undertaking, or wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations, the Indenture, the Purchase Agreement, the Resolution or the Continuing Disclosure Undertaking, or have a material adverse effect on the transaction contemplated by this Official Statement.

RELATIONSHIPS AMONG PARTIES

Special Counsel has previously represented, and is currently representing, the Underwriter with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter and may do so in the future. Counsel to the Underwriter has previously acted as bond counsel with respect to other bonds underwritten by the Underwriter and may continue to do so in the future if requested.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the City's Finance Director, the descriptions and statements contained in this Official Statement are at the time of execution and delivery of the Obligations, true, correct and complete in all material respects and do not contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended, the foregoing confirmation will also encompass such supplements or amendments.

CONTINUING SECONDARY MARKET DISCLOSURE

The City will covenant for the benefit of holders and Beneficial Owners of the Obligations to provide certain financial information and operating data relating to the City by not later than March 1 in each year commencing March 1, 2027 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices”), as set forth in APPENDIX H – “Form of Continuing Disclosure Undertaking” (the “Continuing Disclosure Undertaking”). The Annual Reports and Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB, in a format prescribed by the MSRB. Currently the MSRB requires filing through the MSRB’s EMMA system as described in APPENDIX H – “Form of Continuing Disclosure Undertaking.”

These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX H hereto. A failure by the City 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. The City’s undertaking to comply with such covenants is payable solely from Pledged Revenues of the System. Absence of continuing disclosure could adversely affect the Obligations and specifically their market price and transferability.

The City entered into prior continuing disclosure undertakings (the “Prior Undertakings”) and in connection with the Prior Undertakings failed to timely file notices pertaining to the incurrence of financial obligations (as described in the Rule). As of June 16, 2026, such notices, along with notices regarding failure to file, have been filed. The City’s Finance Department has instituted written policies and procedures to facilitate timely and proper filing of its Annual Reports and Notices for all of the City’s outstanding obligations.

GENERAL PURPOSE FINANCIAL STATEMENTS

The City’s Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2025, a copy of which is included in APPENDIX D of this Official Statement, have been audited by Heinfeld, Meech & Co., P.C., certified public accountants, to the extent and for the period indicated in their report thereon. The City is not aware of any facts that would make such Audited General Purpose Financial Statements misleading. The Audited General Purpose Financial Statements are for the fiscal year ended June 30, 2025, and are not current. The City neither requested nor obtained the consent of Heinfeld, Meech & Co., P.C. to include the report, and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its opinion on the financial statements.

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CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve beliefs, assumptions, estimates, projections, forecasts, or other matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Such beliefs, assumptions, estimates, projections, forecasts, or other matters of opinion are forward looking statements which must be read with an abundance of caution. Information set forth in this Official Statement has been derived from the records of the City and from certain other sources, as referenced, and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statements that may have been or that may be made orally or in writing are to be construed as a part of a contract with the original purchasers or subsequent owners of the Obligations. **This Official Statement has been prepared by the City and executed for and on behalf of the City by its Mayor, as indicated below.**

CITY OF ELOY, ARIZONA

By: _____
Andrew Sutton, Mayor

**CITY OF ELOY, ARIZONA
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

General

The City of Eloy, Arizona (the “City” or “Eloy”) is located in south-central Arizona in Pinal County (the “County”) approximately 50 miles southeast of the City of Phoenix, Arizona, and approximately 55 miles northwest of the City of Tucson, Arizona. Eloy was established in 1918 when three developers purchased land from the railroad for a townsite and was subsequently incorporated in 1949. The City is adjacent to the cities of Casa Grande and Coolidge. Today the City encompasses an annexed area totaling approximately 115 square miles, and has a 2025 estimated population of 19,531. The following table contains the respective population statistics for the City, the County and the State.

**Population Statistics for the City of Eloy,
Pinal County and the State of Arizona**

<u>Year</u>	<u>City of Eloy</u>	<u>Pinal County</u>	<u>State of Arizona</u>
2025 Estimate (a)	19,531	502,071	7,718,747
2020 Census	15,635	425,264	7,151,502
2010 Census	16,620	375,770	6,401,569
2000 Census	10,375	179,727	5,130,632
1990 Census	7,211	116,379	3,665,339

(a) Estimate as of July 1, 2025 (published December 2025).

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

Municipal Government and Organization

The City operates under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and six Council Members. Council Members are elected to four-year staggered terms. The citizens elect the Mayor then the Council, from among its members, selects the Vice-Mayor. The City Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees, the hiring and removal of the City Manager, City Attorney, City Magistrate, and City Clerk. The City Manager is responsible for the implementation of the policies of the City Council. The City Manager appoints all other department heads except those mentioned above under the City Council responsibilities. Functions of government and operations are provided by a staff of approximately 120 permanent employees.

The City provides a full range of municipal services, including police protection, the construction and maintenance of streets and infrastructure; as well as recreational and cultural activities. The City’s three enterprise funds provide water, wastewater, and solid waste disposal. The City also operates a library, a cemetery, and general aviation airport. Eloy residents receive electricity from Arizona Public Service Company, gas from Southwest Gas Corporation and telephone services from Century Link. Fire protection is provided by the Eloy Fire District.

Economy

The economy of the area has historically been based on agricultural production. The City is situated in the Santa Cruz Basin which is one of Arizona's fertile agricultural areas. Over 100,000 acres in the Basin are under irrigation, producing cotton, grains, vegetables and citrus. Cattle ranching is also important to the area. However, due to its strategic location along Interstate 10 (the main artery connecting the cities of Phoenix, Arizona, and Tucson, Arizona), the area is attracting manufacturing, warehousing and distribution employers.

The City is also home to SkyDive Arizona, the world's largest skydiving center, averaging 135,000 jumps per year.

City Administrative Staff

Mackenzie Letcher, City Manager.

Mackenzie Letcher serves as the City Manager for the City of Eloy, where he leads the full scope of municipal operations and sets the strategic direction for the organization. As the City's chief administrative officer, he oversees the day-to-day operations of all departments, implements City Council policy, and ensures the delivery of efficient, accountable, and high-quality public services to residents and businesses. His leadership focuses on fiscal stewardship, operational performance, infrastructure investment, and positioning Eloy for long-term economic and community growth.

Mr. Letcher oversees the City's \$115 million operating budget and \$32 million capital improvement program, ensuring alignment with the City Council priorities while promoting long-term financial sustainability and infrastructure investment.

Prior to his appointment as City Manager, Mr. Letcher served as Assistant City Manager for Eloy, where he provided executive oversight of Economic Development, Community Development, and Public Works. In that role, he led major economic development initiatives that secured over \$40 million in new capital investment and facilitated projects totaling more than \$250 million in additional investment, resulting in significant job creation and tax base expansion. He negotiated development agreements, coordinated complex capital projects, and strengthened regional partnerships to enhance Eloy's competitiveness.

Mr. Letcher previously held leadership positions with the City of Casa Grande, Arizona and completed municipal management fellowships with the Towns of Marana, and Oro Valley, Arizona. He holds a Master of Public Administration and a Bachelor of Science in Public Management and Policy from The University of Arizona. He is an Arizona Economic Development Professional (AZED Pro) and is actively engaged in professional organizations including the International City/County Management Association and the Arizona Association for Economic Development.

Mr. Letcher brings expertise in municipal operations, budgeting, capital planning, economic development, and intergovernmental relations, with a demonstrated commitment to responsible stewardship of public resources and strategic community growth.

Brian M. Wright, Finance Director.

Brian Wright is a highly accomplished Finance Director with over 28 years of experience in municipal government. For the past 20 years, he has served as the Finance Director for the City, overseeing all financial operations, including payroll, accounts payable, grants, accounts receivable, utility billing, cash receipting, IT, investments, budgeting, and auditing. Under his leadership, Eloy has maintained robust financial health and developed a strategic vision for long-term fiscal stability.

Mr. Wright's tenure at the City is marked by his dedication to financial excellence and innovation. His expertise in municipal finance and strategic planning has been instrumental in optimizing the City's financial performance and ensuring transparency and accountability in all financial matters. He has successfully managed multi-million-dollar budgets, secured significant grants, and implemented cutting-edge financial systems to enhance operational efficiency.

Mr. Wright holds a Bachelor's degree in Finance with a minor in Accounting from Mesa State College. He is an active member of the Government Finance Officers Association and the Government Finance Officers Association of Arizona, where he contributes to advancing best practices in public finance.

Employment Trends

Figures from the Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, indicate the following employment levels and unemployment rates for the City since 2021.

City of Eloy Employment Trends (a)

Calendar Year	City of Eloy		Unemployment Rate Averages			
	Average Annual Employment	Average Annual Unemployment	City of Eloy	Pinal County	State of Arizona	United States
2026 (b)	4,482	219	4.66%	4.76%	4.58%	4.32%
2025	4,684	213	4.36	4.34	4.29	4.00
2024	4,616	182	3.78	3.78	3.60	4.00
2023	4,539	175	3.71	3.71	3.68	3.60
2022	4,275	164	3.70	3.71	3.74	3.60

(a) Data in table is not seasonally adjusted.

(b) Data through May 2026.

Source: Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

A list of significant employers located within the City is set forth in the following table.

**City of Eloy, Arizona
Major Employers**

Company	Type of Business	Approximate Number of Employees
Corporation Corrections of America	Private Corrections	1,654
City of Eloy	Government	121
Eloy Elementary School District	School District	120
Republic Plastics	Manufacturing	118
Schuff Steel	Manufacturing	118
Santa Cruz Valley Union High School District	School District	95
Gold Bond	Manufacturing	90
Otto Plastics Arizona, LLC	Manufacturing	67
Travel Center of America	Transportation Services	57
Skydive Arizona	Recreation & Tourism	55

Source: City of Eloy, Arizona - *Annual Comprehensive Financial Report for Fiscal Year 2024/25*.

**Pinal County, Arizona
Major Employers**

Company	Type of Business	Approximate Number of Employees (a)
Pinal County	Government	2,322
State of Arizona	Government	2,020
Corecivic Inc	Correctional facilities	1,980
Walmart Inc	Retail	1,720
Banner Health	Healthcare	1,420
Casa Grande Community Hospital	Healthcare	1,050
Lucid Motors Inc	Manufacturing	1,030
Harrah's Akchin Hotel & Casino	Hospitality	800
Maricopa Unified School District No. 20	Education	720
Gila River Indian Community	Government	720

Source: Arizona COG/MPO Employer Database and Pinal County Office of Budget and Finance.

(a) Estimates as of July 2025

The following table shows a breakdown of the County's total wage and salary employment by major industry.

Pinal County, Arizona
Average Annual Employment by Industry (Non-Farm) (a)
2021 to 2026

	2022	2023	2024	2025	2026 (b)
Goods Producing					
Mining and Construction	4,225	5,050	5,800	6,325	7,150
Manufacturing	6,700	7,175	6,675	7,200	7,975
Service-Providing					
Trade, Transportation and Utilities	13,450	13,925	14,600	14,800	15,025
Information	550	625	625	700	700
Financial Activities	2,000	1,975	2,075	2,175	2,025
Professional and Business Services	6,100	6,825	7,625	8,075	7,750
Educational and Health Services	6,450	6,750	7,075	7,425	7,950
Leisure and Hospitality	8,150	8,750	9,025	9,700	9,450
Other Services	1,950	2,200	2,400	2,575	2,300
Government	19,275	19,975	20,875	21,225	21,350
Total	68,850	73,250	76,775	80,200	81,675

(a) Data is not seasonally adjusted.

(b) Data is through May 2026.

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

Education

The City is served by four different K-12 school districts, the Toltec Elementary School District, the Eloy Elementary School District, the Casa Grande Union High School District and the Santa Cruz Unified School District. Residents of the City are also served by the Pinal County Community College District, also known as Central Arizona College and have access to both Arizona State University in the Phoenix metropolitan area as well as the University of Arizona in Tucson, Arizona.

Transportation

Eloy is accessible via Interstate 10, which passes just south of Eloy and provides residents with access to the cities of Phoenix and Tucson, Arizona. Interstate Highway 89 connects with Interstate 10 at Casa Grande, Arizona, which is approximately 15 miles northwest of Eloy and provides access to Yuma, Arizona, and areas of southern California. State Highways 84 and 87 intersect at Eloy and lead to other communities located in central Arizona. Eloy is served by the Southern Pacific Railroad, interstate bus lines and interstate and intrastate trucking firms. Eloy owns and operates Eloy Municipal Airport which provides a 3,900-foot lighted and paved runway for private air traffic.

Taxable Sales

**City of Eloy
Total Excise Taxes (Sales) and Total Retail Excise Taxes
Including 4.50% Dedicated Construction Sales Tax (a)**

Fiscal Year	Total Excise Taxes	Total Retail Taxes (b)	% of Total Retail Excise Taxes to Total Excise Taxes
2025-26 (c)	\$8,634,225	\$2,024,387	23.45%
2024-25	9,483,784	2,711,966	28.60
2023-24	11,003,299	2,567,020	23.33
2022-23	11,510,651	2,591,620	22.51
2021-22	9,215,703	2,244,814	24.36
2020-21	7,494,690	1,949,968	26.02

- (a) Total Excise taxes include the City’s 4.50% transaction privilege (sales) tax on construction contracting activities approved by the Mayor and Council of the City, the use of which is dedicated for street improvements. Excise taxes also include a portion of the City’s 4.50% transaction privilege (sales) tax on construction contracting activities approved by the Mayor and Council of the City, which is rebated back to the developer of a master planned community located within the City.
- (b) 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.
- (c) Date shown for fiscal year 2025-26 is through March 31, 2026.

Source: City of Eloy Finance Department.

Construction

The following tables set forth annual records of building permit values and new housing permits issued within the City.

**City of Eloy
Value of Building Permits Issued**

Fiscal Year	Residential	Commercial/ Industrial	Other	Total
2026 (a)	\$55,377,262	\$199,441,364	\$2,455,413	\$257,274,039
2025	68,965,908	42,471,098	20,765,434	132,202,440
2024	37,567,185	7,920,934	12,137,184	57,625,303
2023	34,017,416	1,779,149	53,049,867	88,846,432
2022	76,422,303	115,205,445	10,528,279	202,156,027
2021	46,619,400	20,201,900	63,252,112	130,073,412

Source: City of Eloy.

- (a) Date shown for fiscal year 2025-26 is through March 31, 2026.

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 on which the permit is issued is not to be construed as the date of construction.

City of Eloy, Arizona
New Single-Family Housing Starts

Fiscal Year	Total New Housing Starts
2025/26 (a)	139
2024/25	216
2023/24	193
2022/23	134
2021/22	368
2020/21	249

Source: City of Eloy.

(a) Partial Fiscal Year data from July 1, 2025, through March 31, 2026.

The date on which the permit is issued is not to be construed as the date of construction.

Financial Institutions

The Federal Deposit Insurance Corporation (“FDIC”) collects deposit balances for commercial and savings banks as of June 30 of each year. The following table illustrates the summary of bank deposits of all FDIC insured institutions within the County for the past five fiscal years. As of June 30, 2025, there were 12 institutions with 37 offices in the County, with a deposit balance of approximately \$3.3 billion.

DEPOSITS OF ALL FDIC INSURED INSTITUTIONS
Pinal County, Arizona
(\$ in millions)

As of June 30	Amount
2025	\$3,312
2024	3,390
2023	3,344
2022	3,505
2021	3,122

Source: Summary of Deposits, FDIC.

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CITY OF ELOY, ARIZONA FINANCIAL DATA

**Current Year Statistics (For Fiscal Year 2025/26)
City of Eloy, Arizona**

Total Outstanding Parity Lien Obligations Outstanding	\$4,544,127	(a)
Total Water and Wastewater System Revenue Obligations to be Outstanding	19,970,000*	(b)
Total Excise Tax Revenue Obligations Outstanding	8,705,000	(c)
Net Assessed Limited Property Value	160,178,721	(d)(e)
Estimated Net Full Cash Value	1,912,911,874	(e)(f)

- (a) Represents amount of WIFA loans outstanding. See “STATEMENTS OF DEBT OUTSTANDING – Outstanding Parity Lien Obligations Outstanding” in this appendix.
- (b) Represents the Obligations as the only water and wastewater system revenue obligations to be outstanding including the Obligations. See “STATEMENTS OF DEBT OUTSTANDING – Water and Wastewater System Revenue Obligations to be Outstanding” in this appendix.
- (c) Represents all excise tax revenue obligations outstanding. See “STATEMENTS OF DEBT OUTSTANDING – Excise Tax Revenue Obligations Outstanding” in this appendix.
- (d) Net of property exempt from taxation; reflects application of applicable assessment ratios.
- (e) The City’s preliminary Fiscal Year 2026/27 Net Assessed Limited Property Value is estimated at \$172,070,442, a change of approximately 7.42% from the Fiscal Year 2025/26 Net Assessed Limited Property Value. The City’s preliminary Fiscal Year 2026/27 estimated net full cash value, as defined in footnote (f), is estimated at \$2,040,203,991, a change of approximately 6.65% from the Fiscal Year 2025/26 estimated net full cash value. Valuations are not official until approved by the Board of Supervisors of the County on or before the third Monday in August for each Fiscal Year. Although the final valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.
- (f) Estimated net full cash value is the total market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

* Preliminary, subject to change.

STATEMENTS OF DEBT OUTSTANDING

**Outstanding Parity Lien Obligations
City of Eloy, Arizona**

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2015	WIFA Loan	\$3,900,000	7-15-12/34	\$1,949,918
2023	WIFA Loan	536,874	7-15-23/42	473,097
2023	WIFA Loan	2,399,836	7-15-23/42	2,121,112
Total Parity Obligations Outstanding				<u>\$4,544,127</u>

**Water and Wastewater System Revenue Obligations Outstanding and to be Outstanding
City of Eloy, Arizona**

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
1997A	Water Revenue Bonds	\$318,000	1-1-01/31	\$81,143
1997B	Water Revenue Bonds	482,000	1-1-01/31	122,990
2005	USDA Loan	1,080,000	9-1-08/45	768,800
Total Outstanding Obligations				<u>\$972,933</u>
Less: Bonds Being Refunded				<u>\$972,933</u>
Plus: the Obligations				<u>\$19,970,000</u>
Total Obligations to be Outstanding				<u>\$19,970,000</u>

**Excise Tax Revenue Obligations Outstanding
City of Eloy, Arizona**

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2017	Governmental Activities	\$6,000,000	7-1-24/42	\$4,705,000
2021	Governmental Activities	4,730,000	7-1-24/41	4,000,000
Total Excise Tax Revenue Obligations Outstanding				<u>\$8,705,000</u>

**Other Indebtedness
City of Eloy, Arizona**

The City has other obligations which are payable from various City funds, including purchase obligations and other contractual commitments. For additional information with respect to such obligations, please refer to Note 10 of the City’s Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2025, contained in APPENDIX D of this Official Statement.

**Pensions and Other Post Employment Benefits
City of Eloy, Arizona**

All benefited employees of the City are covered by one of three pension systems. The Arizona State Retirement System (“ASRS”) is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefited City employees, except sworn fire and police personnel and the City Council, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System (“PSPRS”) that is an agent multiple-employer defined benefit pension plan. The Mayor and City Council contribute to the State’s Elected Officials Retirement Plan (“EORP”) that is also a multiple-employer cost-sharing pension plan. The EORP is not described herein because of its relative insignificance to the City’s financial statements.

In addition, eligible employees are covered by other post-employment benefit plans. All sworn fire and police personnel participate in the PSPRS that is an agent multiple-employer defined benefit health insurance premium benefit (“OPEB”) plan. Eligible City employees also participate in the City’s defined benefit medical plan OPEB plan. Eligible City employees covered by Arizona State Retirement System also participate in the ASRS OPEB plan. The ASRS OPEB plan is not described below because of its relative insignificance to the financial statements.

At June 30, 2025, the City reported the following unfunded liabilities related to pensions and OPEB for all plans to which it contributes (in thousands):

Net Pension and OPEB Liabilities		
Plan	Governmental Activities	Business-Type Activities
ASRS	\$ 4,579,441	\$ 1,309,113
PSPRS-Fire		-
PSPRS-Police	60,087	-
OPEB-Police		-
City OPEB		
Total (a)	\$ 4,639,258	\$ 1,309,113

(a) Totals may not add due to rounding.

For a more detailed description of these plans and the City contributions to the various plans, please refer to Note 18 of the City’s Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2025, contained in APPENDIX D of this Official Statement.

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CITY OF ELOY, ARIZONA UTILITY SYSTEMS INFORMATION

Water System

The water utility system of the City (the “Water System”) serves a population of over 18,000 residing within a 115 square mile area. The Water System currently consists of approximately 3,343 residential, commercial and other connections. The City is well positioned to provide reliable delivery of quality water to meet current and future demands.

Water is provided from the Colorado River via CAP and groundwater wells. In addition, the City has rights to stored groundwater in an amount equal to approximately three times its annual demand to mitigate future drought. The Arizona Department of Water Resources currently designates the City with a 100-Year Assured Water Supply. The City has adequate supplies for normal growth and has worked hard to provide current and future availability of water supplies for normal and drought conditions. The City has also adopted regulations which require new large water users to acquire additional supplies to accommodate their consumption.

Groundwater wells produce the water delivered by the City. The City currently has 3 active groundwater wells with a pumping capacity of approximately 4.1 mgd. The continued development of new wells provides water supplies for future growth, but more importantly, provides redundancy in case of drought.

In addition to the wells outlined above, the City has 4 storage reservoirs in the Water System service area capable of holding 4 million gallons of treated water. The City has approximately 131 miles of water distribution mains. A backflow prevention program has been implemented to protect the quality of the drinking water from possible sources of contamination. The total current production capacity of the Water System is approximately 4.1 mgd. The record peak demand day occurred on June 16, 2025 and amounted to approximately 2.3 million gallons of water delivered. The average demand in calendar year 2025 was 1.12 mgd.

The City’s water master plan was last updated in 2024.

The following tables provide information with respect to the City’s Water System.

Current Water System Fees and Charges – Single Residential Dwelling Unit (a)

Description of Water System Services	Fees/Charges Fiscal Year 2025/26
Monthly Minimum Bill - Single Residential:	
3/4 Inch	\$24.53
1 Inch	\$36.80
1 1/2 Inch	\$73.58
2 Inches	\$122.64
Monthly Volume Charge – Single Residential:	
First 10,000 Gallons of Water	\$3.92/1,000 Gallons
Next 10,000 Gallons of Water	\$4.91/1,000 Gallons
Over 20,000 Gallons of Water	\$6.13/1,000 Gallons

(a) Fees are effective as of November 1, 2025. The information in this table reflects only certain basic fees and charges of the City’s Water System and is not a comprehensive statement of all such fees.

Current Water System Fees and Charges – Multiple Dwelling or Commercial Use (a)

Description of Water System Services	Fees/Charges Fiscal Year 2025/26
Monthly Minimum Bill - Multiple Dwelling or Commercial Use:	
3/4 Inch	\$24.53
1 Inch	\$36.80
1 1/2 Inch	\$73.58
2 Inches	\$122.64
3 Inches	\$245.31
4 Inches	\$490.64
6 Inches	\$1,027.99
8 Inches	\$2,055.97
Monthly Volume Charge – Multiple Dwelling or Commercial Use:	
First 10,000 Gallons of Water	\$3.92/1,000 Gallons
Next 10,000 Gallons of Water	\$4.91/1,000 Gallons
Over 20,000 Gallons of Water	\$6.13/1,000 Gallons

(a) Fees are effective as of November 1, 2025. The information in this table reflects only certain basic fees and charges of the City’s Water System and is not a comprehensive statement of all such fees.

**Water System Rate Changes
(2021 - 2029)**

Date	Rate Change
November 1, 2029 (a)	6.04%
November 1, 2028 (a)	9.94%
November 1, 2027 (a)	12.02%
November 1, 2026 (a)	14.04%
November 1, 2025	13.94%
November 1, 2024	4.00%
November 1, 2023	4.00%
November 1, 2022	4.00%
November 1, 2021	4.00%

(a) Future rate increases approved by the City Council on August 11, 2025.

**Water System Customers
(Fiscal Years 2020/21 - 2024/25) (a)**

Fiscal Year	Residential Customers	Multi-Unit Customers	Commercial/Industrial & Other Customers	Total Customers
2024/25	2,565	70	292	2,927
2023/24	2,488	67	288	2,843
2022/23	2,407	72	292	2,771
2021/22	2,374	72	291	2,737
2020/21	2,357	73	291	2,721

(a) Water System customers as of June 30 for each Fiscal Year or “Fiscal Year End” customers.

The following is a list of the ten largest Water System customers, based on amount billed, for the most recent Fiscal Year (2024/25).

Ten Largest Water System Customers

1. City of Eloy-Parks
2. Blue Beacon-Sun
3. City of Eloy-Wastewater Plant
4. Pilot Travel Center
5. Eloy Junior High School
6. Skydive Arizona
7. Blue Beacon of Casa Grande
8. Las Colinas RV LLC
9. Maddox Estates LP
10. Empire Southwest LLC

The combined Fiscal year 2024/25 Water System fees/charges for the top ten Water System customers set forth above was \$510,971 constituting approximately 26.62% of the total Fiscal Year 2024/25 Water System operating revenue. Additionally, while the list above is representative of the top ten Water System customers as of Fiscal Year 2024/25, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement, changes to business practices and locations and the weather. This can result in yearly shifts in the rankings of specific customers. However, the City consistently uses budget forecasting methods to account for such variances.

As shown above, the City is a top ten user and receives water services from the Water System and records the revenue as interdepartmental revenue.

Wastewater System

The wastewater collection system of the City (the “Wastewater System”) currently serves approximately 2,176 connections.

The City of Eloy Wastewater Treatment Plant (“W.Wt.T.P.”), which is owned by the City, has a 2-mgd capacity. Reclaimed water from the W.Wt.T.P. is currently primarily delivered to recharge basins on site (Eloy Reclaimed Water Recharge Project – permit renewal pending) where it is stored to meet future potable water demands.

In addition to the treatment facility outlined above, the City has approximately 56 miles of sewer mains, 11 lift stations, 1 odor control station, and 4 metering stations in its wastewater collection system. The City’s Wastewater System master plan was last updated in 2024.

The City’s Wastewater System and current agreements allow for a treatment capacity of approximately 2 mgd. The average during calendar year 2025 was .540 mgd, with a peak day of .642 million gallons.

Water System staff monitor discharge as specified in one Aquifer Protection Permit (“APP”). Monthly, 49 parameters are tested and reported monthly, quarterly, semi-annual and annual to meet compliance for the APP permit. In addition, the W.Wt.T.P. is monitored for compliance with air quality permits. Regular evaluations and recommendations are performed to ensure continued compliance with applicable environmental regulations.

The following tables provide information with respect to the City’s Wastewater System.

Current Wastewater System Fees and Charges – City Wide Based on Size of Wastewater System Service (a)

Description of Wastewater System Services	Fees/Charges Fiscal Year 2025/26
Monthly Service Charge - Single Residential: 3/4 Inch	\$44.66
Monthly Service Charge – Multiple Dwelling or Commercial Use:	
3/4 Inch	\$44.66
1 Inch	\$76.72
1 1/2 Inch	\$155.04
2 Inch	\$248.16
3 Inch	\$465.62
4 Inch	\$931.21
6 Inch	\$1,862.43
8 Inch	\$3,724.86
Monthly Volume Charge – City Wide All Commercial Customers	
First 10,000 Gallons of Water	\$4.64/1,000 Gallons
Next 10,000 Gallons of Water	\$5.82/1,000 Gallons
Over 20,000 Gallons of Water	\$7.27/1,000 Gallons

(a) Fees are effective as of November 1, 2025. The information in this table reflects only certain basic fees and charges of the City’s Wastewater System and is not a comprehensive statement of all such fees.

**Wastewater System Rate Changes
(2021 - 2029)**

Date	Rate Change
November 1, 2029 (a)	3.00%
November 1, 2028 (a)	3.00%
November 1, 2027 (a)	11.00%
November 1, 2026 (a)	11.00%
November 1, 2025	11.00%
November 1, 2024	4.00%
November 1, 2023	4.00%
November 1, 2022	4.00%
November 1, 2021	4.00%

(a) Future rate increases approved by the City Council on August 11, 2025.

**Wastewater System Customers
(Fiscal Years 2020/21 - 2024/25) (a)**

Fiscal Year	Residential Customers	Multi-Unit Customers	Commercial/ Industrial & Other Customers	Total Customers
2024/25	1,646	38	165	1,849
2023/24	1,642	38	165	1,845
2022/23	1,645	40	167	1,852
2021/22	1,620	40	167	1,827
2020/21	1,583	40	165	1,788

(a) Wastewater System customers as of June 30 for each Fiscal Year or “Fiscal Year End” customers.

The following is a list of the ten largest Wastewater System customers, based on amount billed, for the most recent Fiscal Year (2024/25).

Ten Largest Wastewater System Customers

1. Blue Beacon-Sun
2. Pilot Travel Centers
3. Blue Beacon of Casa Grande
4. Maddox Estates LP
5. Mar-RV Silverado LLC
6. Iron Skillet Crino Inv.
7. Loves Truck Stop
8. Otto Plastics
9. Desert Vista Apartments
10. Santa Cruz Valley Union High School District

The combined Fiscal Year 2024/25 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was \$381,770 constituting approximately 22.39% of the total Fiscal Year 2024/25 Wastewater System operating revenue. Additionally, while the list above is representative of the top ten Wastewater System customers as of Fiscal Year 2024/25, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement and changes to business practices and locations. This can result in yearly shifts in the rankings of specific customers. However, the City consistently uses budget forecasting methods to account for such variances.

Billing and Collection Procedures

The City bills its utility customers in cycles throughout the month with each customer being billed at approximately the same time every month. Water accounts are based on meter readings and wastewater charges are based on water usage fees.

The City’s collection procedures for delinquent utility accounts involve a series of billings and notices with a discontinuance of service at the end of 60 days. Due to the collection procedures, utility deposits required on various accounts and the nature of the service being provided, the City has experienced write-offs at or below 0.05% for each of the three prior fiscal years.

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CITY OF ELOY, ARIZONA

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR
THE FISCAL YEAR ENDED JUNE 30, 2025**

The following audited financial statements are the most recent available to the City. These audited financial statements are not current and may not represent the current financial conditions of the City.

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City of Eloy, Arizona



Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2025

595 North C Street, Eloy Arizona 85131

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City of Eloy, Arizona



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

Prepared by the Finance Department
Brian M. Wright, Finance Director

City of Eloy, Arizona

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City of Eloy, Arizona

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Introductory Section

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595 North C Street, Eloy, AZ 85122, (520) 466-9201, (520) 466-3760 Fax, (520) 466-7455 TDD

December 16, 2025

To the Honorable Mayor, Members of the City Council, and Citizens of Eloy, Arizona:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Eloy, Arizona (the City) for the fiscal year ending June 30, 2025. The City's Finance Department prepared this report.

State Statutes require that cities and towns publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards accepted in the United States by a certified public accounting firm licensed in the State of Arizona.

This report consists of management's representations concerning the finances of the City of Eloy. Consequently, management assumes full responsibility for the accuracy of the data and the completeness and fairness of all of the information presented in this report. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive internal controls framework has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit is to prove reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles and significant estimates made by management, and evaluating the overall financial statement preparation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that the City's statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report.

Profile of the City of Eloy

The City of Eloy is located in Pinal County, Arizona, and was incorporated in 1949 with an initial population of approximately 4,700 residents. As of June 30, 2025, the City's population is estimated at 18,994. Eloy encompasses 115 square miles (73,422 acres) and maintains a designated planning area of approximately 513.2 square miles. Its location along Interstate 10—approximately midway between the Phoenix and Tucson metropolitan areas—provides a strategic advantage for transportation, logistics, and economic development. Eloy lies within the Santa Cruz Basin, a region renowned for its fertile soils and rich agricultural heritage.

Local Economy

Agriculture served as the foundation of Eloy's early economic activity; however, the City's economy has diversified significantly over time. Today, more than three-quarters of local businesses and nearly half of the workforce are employed in the industrial, wholesale, retail, and service sectors. The City is committed to fostering a business-friendly environment by offering predictable, consistent, and efficient development services that support a broad range of commercial and industrial ventures.

Major employers within the community include CoreCivic, Empire Cat's Western Distribution Center, Schuff Steel, Vext Science, San Juan Pools, and several national travel and trucking centers. In recent years, development activity has continued to increase with the addition of National Gypsum's GoldBond facility, Exceptional Community Hospital, BHI Trucking, Osterkamp Transportation, Sonoran Desert Pipe, Modular Solutions, and the announced FreePoint EcoSystems advanced recycling facility. Skydive Arizona—located at the Eloy Municipal Airport—further enhances the local economy by attracting tourism and supporting aviation-related activity. With abundant available land and numerous shovel-ready sites, Eloy is well-positioned for continued commercial and industrial growth.

Government Structure

The City of Eloy operates under the Council-Manager form of government. Policymaking and legislative authority are vested in a seven-member City Council composed of a Mayor, elected to a two-year term, and six Council Members, each serving staggered four-year terms. The Council selects one member annually to serve as Vice-Mayor. The City Council is responsible for adopting ordinances, establishing policy direction, approving the annual budget, appointing advisory committees, and hiring key officials, including the City Manager, City Attorney, City Magistrate, and City Clerk.

The City Manager is responsible for administering daily operations, implementing policy decisions of the Council, and appointing department directors, except those positions selected directly by the City Council.

Municipal Services

The City provides a full range of municipal services to its residents. These include police protection; the construction and maintenance of streets, rights-of-way, and related infrastructure; and water, wastewater, and sanitation services delivered through the City's enterprise funds. Eloy also operates a public library, a cemetery, and a general aviation airport, offering a range of diverse recreational and cultural programs. These services, together with strategic economic positioning and responsive local governance, support the City's ongoing commitment to enhancing quality of life and preparing for future growth.

Budgetary and Financial Management

Like all Arizona municipalities, the City of Eloy is required to comply with the expenditure limitation established in Article IX, Section 20(1) of the Arizona Constitution. To manage this requirement, Eloy operates under the Alternative Expenditure Limitation – Permanent Base Adjustment. This mechanism allows the City—upon voter approval—to permanently adjust its base expenditure limit. On August 4, 2020, voters approved Proposition 444, which increased the City's 1979–1980 expenditure base from \$1,419,813 to \$4,400,000. This adjustment remains in effect and applies to the fiscal year ending June 30, 2025.

The City's annual operating budget serves as the foundation for financial planning and control. Budgetary controls are designed to ensure compliance with all legal provisions contained within the City Council-adopted budget. The budget development process begins in January, with staff preparing a proposed budget for City Council review and discussion through the spring months. The Council conducts a required public hearing and must adopt the final budget no later than the second Monday in August. The legal level of budgetary control is maintained at the fund level.

Economic Conditions

The financial information presented in this report is best understood when considered within the context of the economic environment in which the City of Eloy operates.

Eloy's local economy is supported by a diverse mix of agricultural, retail, manufacturing, commercial, correctional, and service-related activities. A substantial portion of taxable activity takes place along the Interstate 10 corridor, which includes restaurants, travel centers, and other businesses that cater to both local residents and transient traffic. Historically, key economic indicators have reflected steady growth in General Fund revenue, averaging between 3.0% and 6.0% annually.

During fiscal year (FY) 2024–2025, General Fund revenues decreased by \$40,332, or 0.01%, compared with the prior fiscal year. This represents a minimal decline; however, it reflects slight downward movement in several key revenue categories. The reduction is primarily attributable to lower receipts in construction-related sales tax and State Shared Income Tax distributions. Both revenue sources are sensitive to broader economic activity, including volatility in development activity and statewide personal income levels.

Despite these minor decreases, several General Fund revenue categories performed above expectations. Permit and fee revenues exceeded budget projections due to sustained development activity and the timely processing of building and planning applications. Investment income also outperformed projections, supported by favorable interest rate conditions and prudent cash and investment management practices.

Looking ahead, regional and statewide economic indicators suggest continued moderate growth in both housing and employment sectors for FY 2025–2026. These trends support a stable revenue outlook; however, the City will continue to closely monitor economic conditions to ensure that revenue forecasts remain accurate and that financial management aligns with GFOA best practices for long-term fiscal sustainability.

General Fund Revenues

Local Sales Tax collections totaled \$8,699,258 in FY 2024–2025, a decrease of \$1,288,600, or 12.90%, from the \$9,987,858 collected in FY 2023–2024. The decline is largely attributable to a \$1,826,203, or 52.30%, reduction in Construction Sales Tax revenues following the completion of a major manufacturing facility in the prior fiscal year. This decrease was partially offset by modest gains in other sales tax categories, including a \$144,946, or 5.65%, increase in Retail Trade and a \$55,248, or 4.42%, increase in Restaurant and Bar revenues. These increases reflect stable consumer activity and ongoing commercial strength along the Interstate 10 corridor.

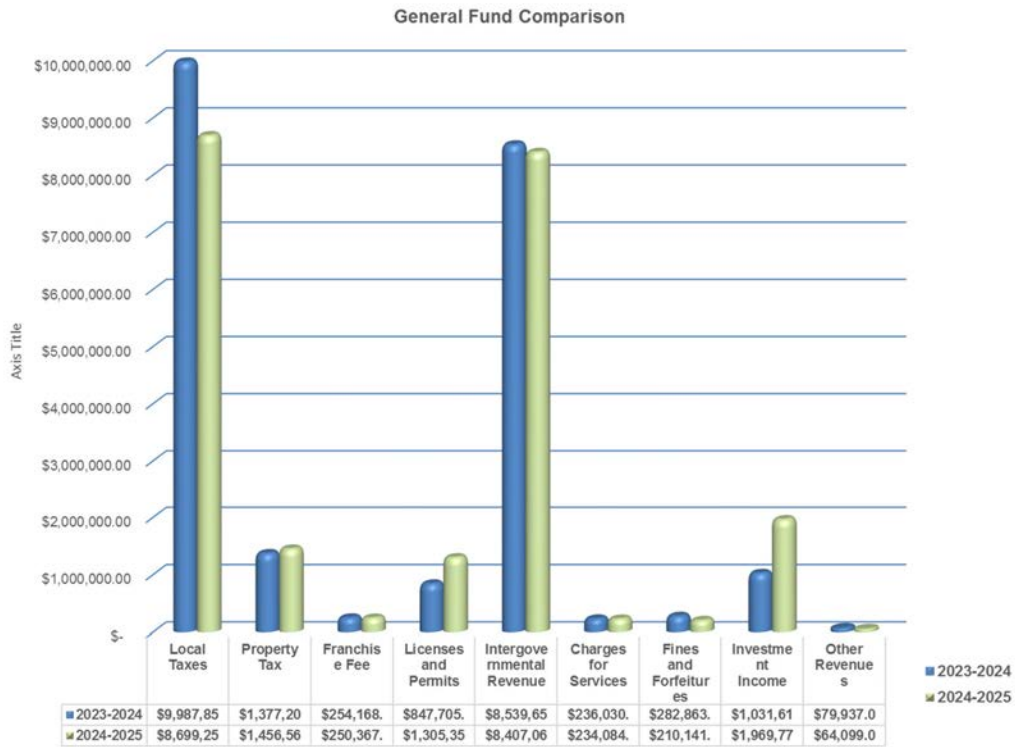
Intergovernmental Revenues—comprising State Income Tax, State-Shared Sales Tax, and Vehicle License Tax (VLT) distributions—declined modestly in FY 2024–2025. Total collections in this category amounted to \$8,407,062, reflecting a decrease of \$132,596, or 1.55%, compared with the prior fiscal year. The primary factor contributing to this reduction was the decline in State Income Tax distributions.

This decrease is largely attributable to the State of Arizona’s implementation of a flat income tax rate of 2.5% beginning in 2023. The transition to the flat tax structure resulted in lower overall income tax collections statewide. Because state-shared income tax is distributed to Arizona municipalities one year after collection, the impact of this policy change was reflected in FY 2024–2025 revenue allocations.

Licenses, Permits, and Fees experienced a year-over-year increase of \$457,652 or 53.99%, primarily related to permits and fees generated from solar farm development projects and commercial development. Steady commercial and residential development continues to support growth in this revenue source, contributing to the City’s strong development outlook and overall fiscal stability.

Another notable change in General Fund revenues was the substantial increase in Investment Income, which grew by \$938,162, or 90.94 percent, compared to the prior fiscal year. This significant growth reflects a combination of favorable market conditions and strategic investment management. Specifically, higher short-term interest rates generated stronger returns on the City’s cash balances, while continued diversification of the City’s investment portfolio contributed to improved yield performance within established risk parameters.

The City’s investment strategy, which emphasizes safety, liquidity, and reasonable return in accordance with GFOA best practices and the City’s adopted investment policy, allowed the organization to capitalize on current market opportunities. As a result, investment earnings significantly exceeded those of the prior year and supported the City’s overall financial position. A comparative chart illustrating major General Fund revenue categories for FY 2024 and 2025 is presented below.

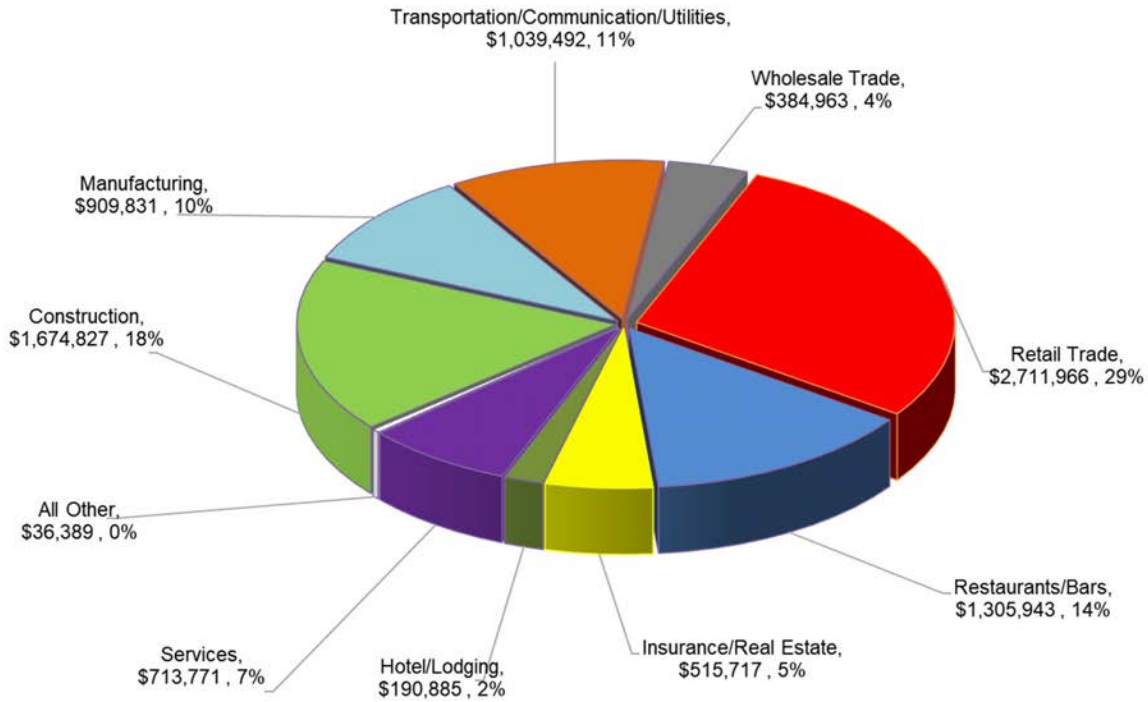


Local Sales Tax Revenues

Local Sales Taxes represent a significant source of revenue for the City of Eloy and are essential to maintaining General Fund operations. In FY 2024–2025, these revenues accounted for 44.12% of all General Fund resources. Local Sales Taxes are generated from a variety of taxable activities, including retail sales, construction-related transactions, hotel activity, restaurant and bar sales, and other commercial services. Three categories—retail, construction, and restaurants/bars—collectively comprise approximately 66% of total Local Sales Tax collections.

The accompanying pie chart provides a visual representation of the distribution of these categories and their relative importance to the City's revenue structure.

Local Sales Tax by Taxing Category



Retail Trade represents one of the largest components of Local Sales Tax revenues. Retail revenues are derived from the sale of taxable goods such as equipment, supplies, tools, and clothing, and are assessed at the City's local tax rate of 3%.

In FY 2024 -2025, Retail Trade collections totaled \$2,711,966, an increase of \$144,946, or 5.65%, over the prior fiscal year. This growth reflects stable consumer spending patterns, sustained commercial activity along the Interstate 10 corridor, and incremental population increases that contribute to retail demand. The inflation rate for the reporting period (July 1, 2024, through June 30, 2025) was 2.70%. Traffic volumes along Interstate 10 also support ongoing retail activity. According to the Arizona Department of Transportation, the Average Annual Daily Traffic (AADT) for vehicles exiting the Interstate 10 corridor in Eloy was approximately 166,310 --a slight decrease of 3,495 vehicles, or 2.05%, from the previous year.

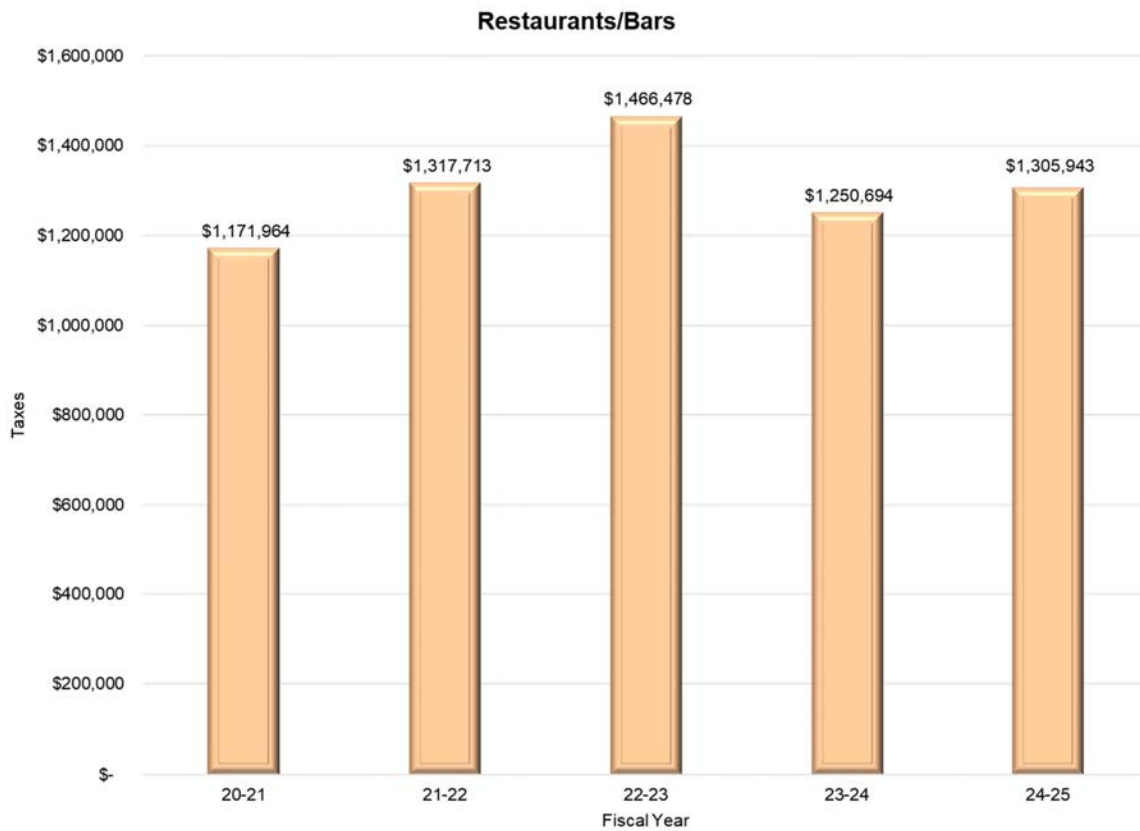
In addition to Retail Trade, the City monitors several other key components of its local tax base that support the General Fund. While these revenue sources have remained relatively stable overall, specific categories—most notably the Restaurant/Bar Tax—have demonstrated fluctuations that reflect changes in local economic conditions, consumer spending patterns, and regional market dynamics.

Although Eloy’s overall tax base remains steady, the Restaurant/Bar category continues to exhibit variability due to economic shifts and broader market uncertainties. Over the past five fiscal years, Restaurant/Bar Tax collections have averaged \$1,302,565 annually. In FY 2024–2025, revenues from this category totaled \$1,305,943, an increase of \$55,248 compared to the prior fiscal year.

Since FY 2022–2023, Restaurant/Bar collections have shown a modest decline, primarily due to the City Council’s August 2023 action to reduce the tax rate from 6% to 5%. This rate adjustment directly impacted total collections; however, overall performance in this category has remained strong. Contributing factors include consistent traffic activity along the Interstate 10 corridor and the influence of inflation on food and beverage prices.

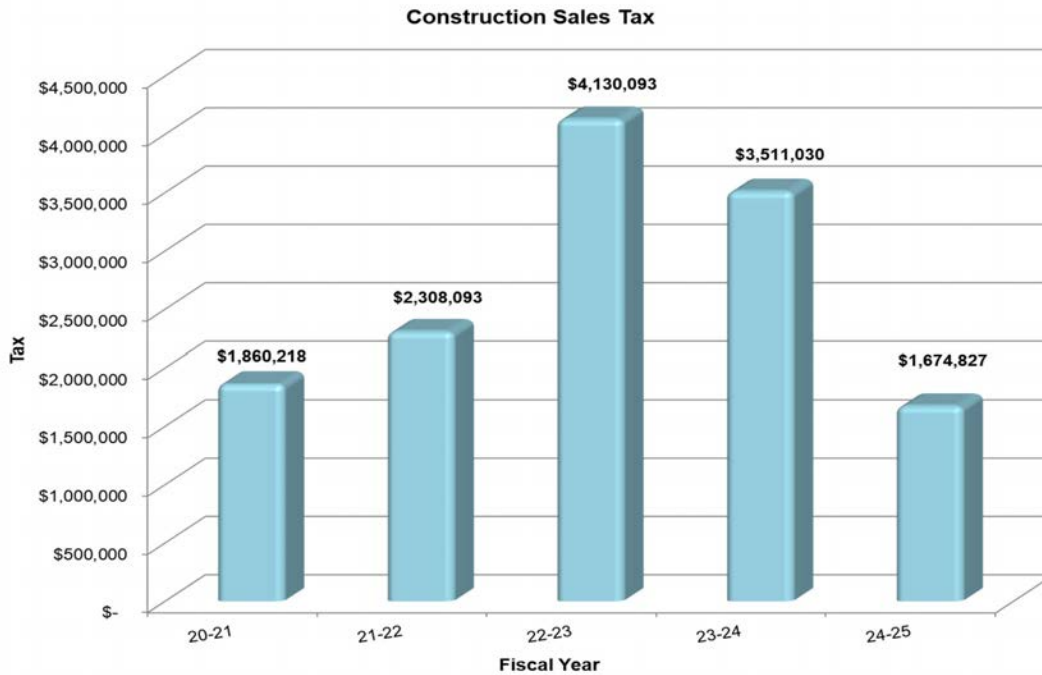
The Restaurant/Bar Tax remains sensitive to regional economic conditions, including activity in neighboring communities such as Casa Grande and Coolidge, as well as national economic trends.

The accompanying chart illustrates fluctuations in Restaurant/Bar Tax revenues over the reporting period, highlighting the inherent variability within this revenue source.



Another revenue category subject to notable variability is the Construction Sales Tax. This source represents one of the City’s more significant General Fund revenue streams; however, it is highly sensitive to fluctuations in development activity and capital investment. Since July 1, 2020, the City has collected an annual average of \$2,696,852 in Construction Sales Tax revenues. The timing, scale, and type of residential, commercial, and infrastructure construction projects occurring within the community largely determine year-to-year changes in this category.

In FY 2024–2025, Construction Sales Tax revenues totaled \$1,674,827, representing a decrease of \$1,836,203, or 52.30%, compared with the prior fiscal year. The decline is primarily attributable to the completion of a major manufacturing facility that generated elevated construction-related activity in the preceding year. Despite this reduction, continued residential construction and sustained levels of commercial development support an overall stable foundation for construction-related revenues. These results highlight the cyclical, project-driven nature of this revenue source. The accompanying chart provides a historical comparison of Construction Sales Tax revenues, illustrating the inherent variability associated with this category.

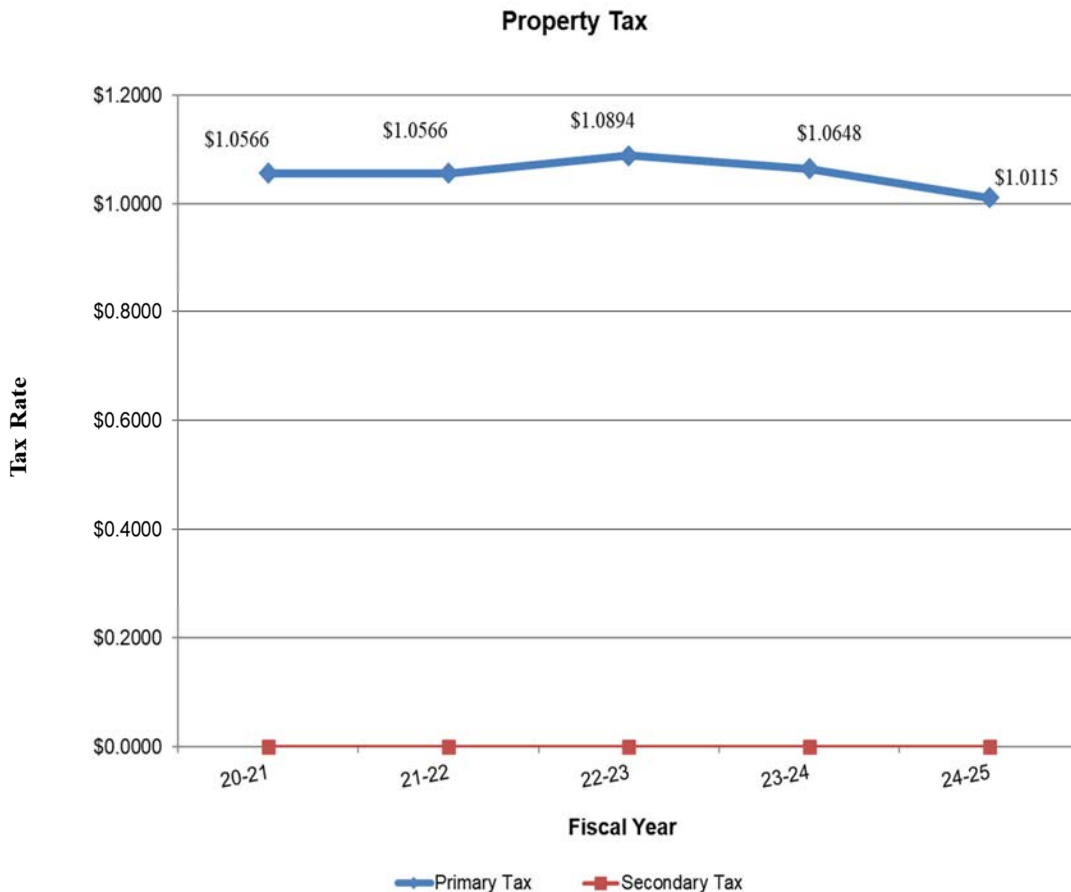


The City’s Construction Sales Tax rate is 4.5%, of which 3.0% is dedicated to one-time capital projects and 1.5% is allocated for street improvements. Consistent with sound financial management practices, the City does not rely on Construction Sales Tax revenues to support ongoing operations or the routine maintenance of municipal services. Instead, these revenues are reserved for capital improvements and other non-recurring expenditures, ensuring that one-time revenues are appropriately matched with one-time uses.

To support continued economic development and encourage construction activity, the City has approved two incentive agreements that rebate a portion of Construction Sales Tax revenues to qualifying contractors. In FY 2024–2025, the City issued \$720,089 in incentive payments under these agreements. This strategy reflects Eloy’s commitment to promoting growth and investment while maintaining prudent financial oversight and long-term fiscal sustainability.

Property tax remains one of the City’s most stable and predictable revenue sources, providing a consistent funding stream that is less susceptible to the cyclical fluctuations associated with excise-based revenues. The City levies only a primary property tax and does not impose a secondary property tax. This approach maintains a transparent and straightforward revenue structure for taxpayers while ensuring reliable funding for essential municipal operations.

Since July 1, 2022, the City’s primary property tax rate has been reduced from \$1.0867 to \$1.0115 per \$100 of assessed valuation, demonstrating the City’s ongoing commitment to fiscal responsibility and balanced tax policy. In FY 2024–2025, primary property tax collections totaled \$1,456,565, an increase of \$79,364 compared with the prior fiscal year. This growth reflects increases in the assessed valuation base as well as the City’s continued focus on supporting revenue stability while promoting taxpayer equity.



Major Initiatives and Accomplishments for the Year

In FY 2024-2025, the City continued to invest in programs and infrastructure to improve Eloy’s facilities and services. The following are the significant accomplishments during the year:

Community and Economic Development

- Initiated two homes as part of the housing rehabilitation/reconstruction grant program
- Completed the installation of the pedestrian hawk signal and ADA sidewalk at the intersection of Main Street and Frontier, funded by Pinal County Regional Allocation
- Construction continued for the new Exceptional Health facility hospital and surgical suite.
- Completed renovation of the Troy Thomas Community Center with new drywall, paint, and acoustic panels.
- Continued the design of drainage improvements for phase 3 at the Eloy Airport
- Completed the Airport Master Plan

- Construction was completed for the National Gypsum/Gold Bond facility
- Construction was initiated for the new Love's facility truck stop on Toltec Road
- Construction was initiated for the Concast concrete precast fabrication facility on Sunland Gin Rd.
- Initiated the General Plan Update
- Completed the new teen center at the Library with equipment and furniture funded by the Library Services and Technology Act (LSTA) Grant

Facility Improvements

- Installed a new Cisco Phone system, replacing the 2010 Cisco Phone system
- Installed a new Easton PPSM Tower UPS backup system in IT
- Initiated the design and construction for a new emergency generator for City Hall
- Installed new park tables throughout City parks
- Installed new air units at the Eloy Chamber of Commerce Building and Police Department
- Installed new turf and painted the exterior of the Community Services building
- Installed a new ramada at Maddux Park
- Installed a new cellular repeater at City Hall, expanding cellular coverage
- Purchased a new telehandler forklift with accessories
- Purchased a new 60-foot articulating boom lift

Financial and Organizational Management

- Received for the 13th year in a row the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association
- Received a grant from the Tohono O'odham Nation for the installation of two park shade structures
- Received a grant from Ak-Chin for the Eloy Fire Department and acted as the fiscal administrator
- Adopted a new five-year rate plan for Water and Wastewater, with implementation starting on November 1, 2025, and funds up to \$20 million in capital investments
- Initiated a landfill study with Midatlantic Solid Waste Consultants

Public Safety

- Purchased five police vehicles with the complete equipment upfit from funding from the Department of Emergency Management of Arizona.
- Purchased two police vehicles with the complete equipment upfit from Operation Stonegarden
- Entered into vehicle leases through Enterprise Management Fleet for three police vehicles
- Received a grant from the Arizona Department of Homeland Security for radio improvements
- Received a grant from Operation Stonegarden
- Received several grants from the Governor's Office of Highway Safety for overtime, training, and equipment

Infrastructure Improvements

- Purchased a new Dozer for the Sanitation Division
- Purchased a new CAST Scraper for the Sanitation Division
- Entered into a vehicle lease through Enterprise Management Fleet for a new service truck
- Continued design and engineering work for the Sunland Gin Road Project
- Completed 2.58 miles of roadway and section improvements throughout the City
- Completed five culvert replacements throughout the City

- Initiated the design of the new gravity main sewer line extension from the sewer plant to 11 Mile Corner Road
- Initiated the engineering and design for the new Belt Press
- Completed the repair and painting of the wet wells at the Wastewater Treatment Plant
- Installed new 47 HP submersible pumps at Curiel and Sunland Lift Stations
- Installed a new water line on Colusa Drive

Future Economic Outlook

The City of Eloy remains committed to fostering sustainable growth while maintaining a strong foundation of fiscal responsibility. Through strategic long-range planning and a disciplined approach to budgeting, the City has positioned itself to thrive even amidst inflationary pressures and evolving economic challenges. Economic and fiscal projections for FY 2025-2026 indicate moderate growth, with anticipated increases in local sales taxes, service charges, permits, and intergovernmental revenues, reflecting a healthy economic trajectory.

By adhering to a conservative fiscal approach, Eloy will continue delivering essential services while making targeted infrastructure investments supporting long-term community needs. General Fund one-time revenues will be allocated to impactful capital projects, and reserves will address critical water and wastewater system improvements. Meanwhile, City staff will vigilantly monitor revenue trends to ensure expenditures align with actual financial performance.

As part of the budgeting process, the City will engage in strategic planning to prioritize timely and essential enhancements to infrastructure and facilities. These efforts underscore Eloy's unwavering commitment to improving residents' quality of life while safeguarding its fiscal health. By investing wisely in its workforce, infrastructure, and community services, the City ensures a brighter and more prosperous future for all.

Several of the strategies being pursued in FY 2025-2026 are as follows:

- Provide a 4% Cost of Living increase effective July 1st
- Invest over \$6.4 million in street-related projects throughout Eloy
- Pay off two Water and two Wastewater WIFA debt obligations, which will enhance the City's borrowing capacity for future infrastructure projects
- Invest over \$20.2 million in Water and Wastewater infrastructure improvements
- Invest over \$450,000 in Sanitation improvements and studies
- Invest over \$1.1 million in Airport-related improvements
- Invested over \$2.7 million in various capital-related projects and equipment for Police, Community Services, Community Development, and Administration from the Capital Projects Fund.

Awards And Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Eloy for its Annual Comprehensive Financial Report for the fiscal year ending June 30, 2024. This was the 13th consecutive year the City achieved this prestigious award. A government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report to be awarded the Certificate of Achievement. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

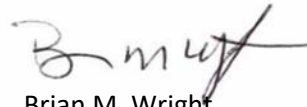
A Certificate of Achievement is valid for only one year. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparing the Annual Comprehensive Financial Report would not have been possible without the efficient and dedicated staff of the Finance Department and the many members of other departments who assisted and contributed to its preparation. More importantly, the Mayor and City Council are to be commended for their leadership and support in maintaining the highest standards of professionalism in managing the City of Eloy's finances.

Respectfully submitted,



Mackenzie Letcher
Interim City Manager



Brian M. Wright
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Eloy
Arizona**

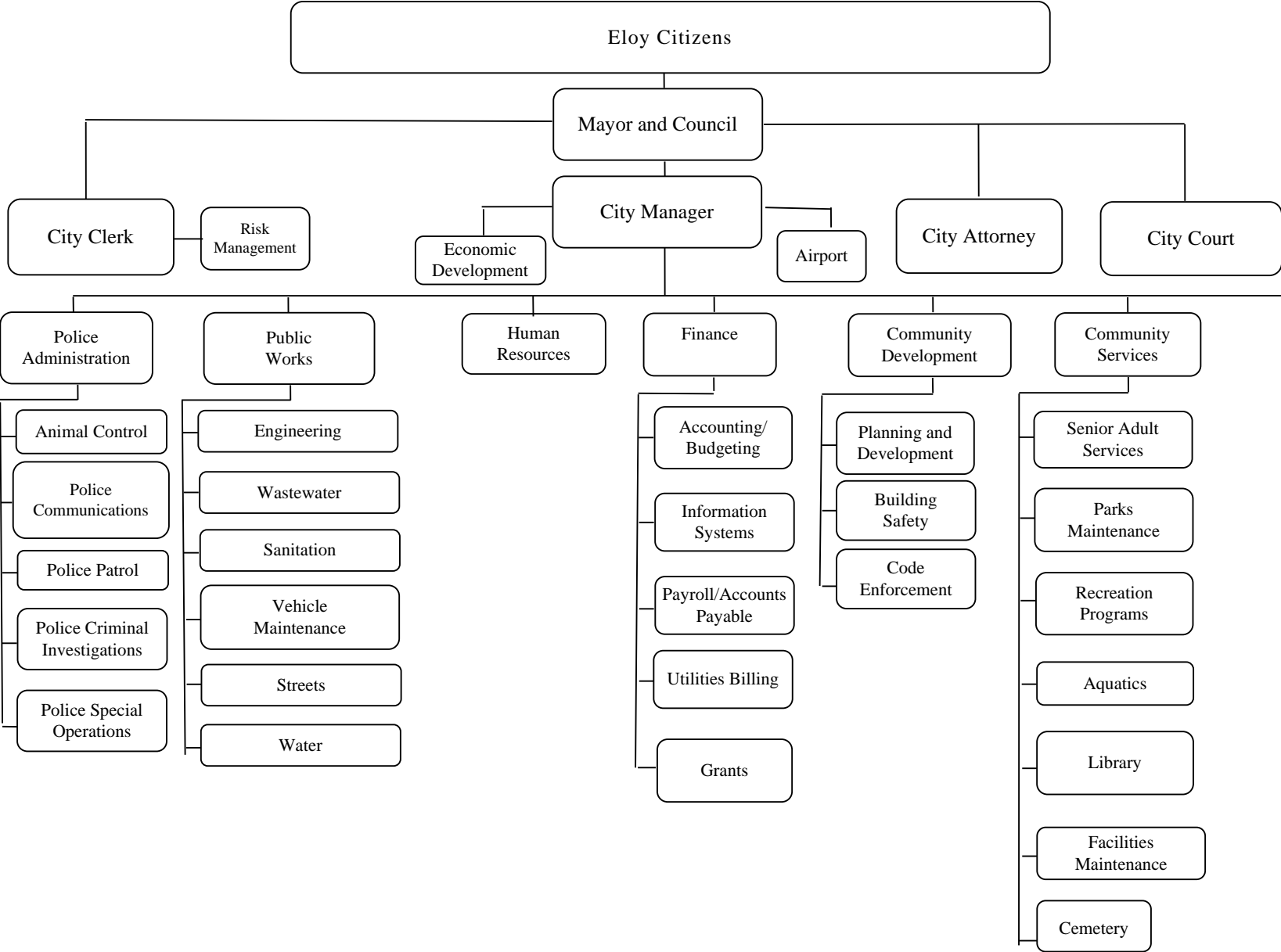
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

City of Eloy Organizational Chart



City of Eloy



**Annual Comprehensive Financial Report
for Fiscal Year Ended June 30, 2025**

City Council

Andrew Sutton
Mayor

Michelle McKinley-Tarango
Vice Mayor

Jose Garcia

Sara Curtis

Michael Vodrazka

Josephine "JoAnne" Galindo

Daniel Snyder

Interim City Manager

Mackenzie Letcher

Finance Director

Brian Wright

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Financial Section

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Eloy, Arizona

Report on Audit of Financial Statements

Opinions

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 City of Eloy, Arizona (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 City of Eloy, Arizona, as of June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Eloy, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and net pension liability information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 basic financial statements or to the basic 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 Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025, on our consideration of City of Eloy, Arizona'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 results of that testing, and not to provide an opinion on the effectiveness of the City of Eloy, Arizona'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 City of Eloy, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 16, 2025

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Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

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City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

As management of the City of Eloy, Arizona (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2025. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

The financial statements, which follow Management's Discussion and Analysis, provide those significant key financial highlights for 2025 as follows:

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$113,254,551 (net position). Of this amount, \$47,358,847 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$11,455,655, from \$101,798,896 to \$113,254,551, representing an 11.25% increase from the prior fiscal year. The net position in governmental activities increased by \$8,461,486, primarily due to strong revenue collections in taxes, investment income, charges for services, and operating grants for Public Safety, Community Development, and Community Services. In contrast, the net position in business-activities increased by \$2,994,169, with assets increasing due to increases in charges and fees due to utility rate and fee increases, along with significant revenue collection in landfill fees.
- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance of \$61,664,039, an increase of \$6,468,563 in comparison with the prior fiscal year. The primary reason for this is due to increased income from investments, charges for services fees from solar projects and commercial development, and grants from the State of Arizona for Public Safety operations and equipment.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$38,029,807, or 240.29% of the total general fund expenditures.
- As of June 30, 2025, the net capital assets were \$69,845,322, an increase of \$2,801,726 from the prior fiscal year. Governmental activities increased by \$1,526,452, while business-type activities increased by \$1,275,274.
- General Fund revenues exceeded expenditures by \$6,769,893 before other financing sources (uses). After financing sources (uses) of (\$2,051,528), a positive change in fund balance occurred in the amount of \$4,718,365. This positive change was primarily due to increased revenue collections from investment income, charges for services, and intergovernmental revenues for State Sales and County Auto Lieu Taxes.
- Total business-type revenues exceeded total business-type expenses (excluding transfers and capital contributions) by \$1,107,354. This positive change is due to rate and fee increases for Water and Sewer, along with an increase in collection of Landfill fees.

City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The statement of activities presents information showing how the City'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements, the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, culture and recreation, public safety, community development, airport, and public works. Taxes and general revenues finance most of these activities.
- **Business-type activities** – The services provided by the City include water, sewer, and sanitation. The services are primarily financed through user fees and charges.

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. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Overview of Financial Statements

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 of spendable resources and balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

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 and Highway User Revenue Funds, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds. Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like government-wide statements, provide long- and short-term financial information. Enterprise funds are used for activities primarily serving customers outside the governmental unit for which fees are charged. The City has three enterprise funds: Water, Sewer, and Sanitation Funds. The basic proprietary fund financial statements can be found on pages 56-58 of this report.

Notes to the financial statements. The notes provide additional information essential to fully understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and pension plan. The City adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and the major Special Revenue Funds as required supplementary information. Schedules for the pension plan have been provided as required supplementary information.

City of Eloy, Arizona
Management’s Discussion and Analysis
Year Ended June 30, 2025

Overview of Financial Statements

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements or as required supplementary information after the notes. The City has chosen to present these budgetary statements as part of the required supplementary information after the notes. Additionally, governments are required to disclose certain information about employee pension funds and other post-employment benefit plans. The City has disclosed this information starting on page 100 of the financial statements. Schedules for the pension plan have been provided as required supplementary information.

Government-Wide Financial Analysis

The following tables, graphs, and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ending June 30, 2024, and June 30, 2025.

Statement of Net Position

Net position may serve as a useful indicator of the city's financial position over time. The following table reflects the condensed statement of net position as of June 30, 2025. The City has chosen to account for its water, sewer, and sanitation operations in the enterprise funds, which are shown as business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Current and Other Assets	\$ 57,622,735	\$ 63,721,871	\$ 12,109,244	\$ 13,283,154	\$ 69,731,979	\$ 77,005,025
Capital Assets	44,740,574	46,267,026	22,303,022	23,578,296	67,043,596	69,845,322
Total Assets	102,363,309	109,988,897	34,412,266	36,861,450	136,775,575	146,850,347
Pension Plan Items	1,699,674	1,341,984	128,292	179,333	1,827,966	1,521,317
Total Deferred Outflows	1,699,674	1,341,984	128,292	179,333	1,827,966	1,521,317
Current Liabilities	2,351,037	2,101,119	1,576,011	1,933,256	3,927,048	4,034,375
Noncurrent Liabilities	16,297,495	14,926,400	15,298,716	14,391,428	31,596,211	29,317,828
Total Liabilities	18,648,532	17,027,519	16,874,727	16,324,684	35,523,259	33,352,203
Pension Plan Items	439,388	924,305	76,239	132,338	515,627	1,056,643
Leases	765,759	708,267			765,759	708,267
Total Deferred Inflows	1,205,147	1,632,572	76,239	132,338	1,281,386	1,764,910
Net Position:						
Net Investments in Capital Assets	34,297,469	36,094,723	11,833,878	14,721,861	46,131,347	50,816,584
Restricted						
Debt Service			734,893		734,893	
Highways and Streets	6,135,503	7,387,700			6,135,503	7,387,700
Grants	5,418,561	5,276,122			5,418,561	5,276,122
Capital Projects	2,561,184	2,132,527			2,561,184	2,132,527
Other Purposes	246,695	282,774			246,695	282,774
Unrestricted	35,549,892	41,496,944	5,020,821	5,861,900	40,570,713	47,358,844
Total Net Position	\$ 84,209,304	\$ 92,670,790	\$ 17,589,592	\$ 20,583,761	\$101,798,896	\$ 113,254,551

City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Government-Wide Financial Analysis

At year-end, the City's net position totaled \$113,254,551, an increase of \$11,455,655 over the prior fiscal year. Of this amount, \$8,461,486 was in governmental activities, a 10.05% increase, and \$2,994,169 was in business-type activities, a 17.02% increase from the prior fiscal year.

The net position consists of three components. The largest portion of the City's net position (\$50,816,584 or 44.87%) reflects its investment in capital assets net of accumulated depreciation and any related outstanding debt used to acquire or construct those assets. The City uses these capital assets to provide services to its citizens; consequently, it is not the City's intention to sell these assets, and they are therefore not available for future spending.

The restricted portion of the City's net position (\$15,079,123 or 13.31%) represents resources subject to external restrictions on how they may be spent. This component is primarily made up of required fund balance reserves and accumulated development impact fees collected by the City.

The third portion consists of unrestricted net position (\$47,358,844 or 41.82%), which may be used to meet the City's ongoing obligations to citizens and creditors.

The following are significant current-year transactions that affected the change in net position.

- Completed 2.58 miles of mill and fill road improvements along Sunshine, Santa Cruz, 11th, and Main St. in the amount of \$1,586,890.
- Completed the installation of a new pedestrian hawk signal and ADA sidewalks at the intersection of Frontier and Main St. in the amount of \$285,368.
- Purchased two new heavy equipment for the landfill, a Dozer and a Cat Scraper, for a total cost of \$1,829,572.
- Completed the Water and Wastewater Master Plans in the amount of \$313,965.
- Purchased vehicles, equipment, and technology for Police, Parks, and Public Works in the amount of \$1,281,743.
- Completed building improvements to city facilities, including new HVAC units in the amount of \$207,793.
- A reduction of the PSPRS pension liability of \$200,000.

City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Government-Wide Financial Analysis

Changes in Net Position

The City's total revenue for the year ended June 30, 2025, was \$39,458,367. The total cost of all programs and services was \$28,002,712. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2024, and June 30, 2025.

	Governmental Activities		Business-Type Activities		Totals	
	2024	2025	2024	2025	2024	2025
REVENUES						
Program Revenues:						
Charges for Services	\$ 1,968,347	\$ 2,460,711	\$ 8,132,517	\$ 8,566,518	\$ 10,100,864	\$ 11,027,229
Operating Grants and Contributions	3,660,482	4,274,232	1,415,470		3,660,482	4,274,232
Capital Grants and Contributions	6,859,763	1,722,055			6,859,763	1,722,055
General Revenue:						
City Sales Tax	11,003,299	9,483,784			11,003,299	9,483,784
Property Taxes	1,388,949	1,463,281			1,388,949	1,463,281
Franchise Taxes	254,168	250,367			254,168	250,367
Share of State Income Tax	4,515,986	3,941,423			4,515,986	3,941,423
Share of State Sales Tax	2,609,967	2,850,435			2,609,967	2,850,435
County Auto Lieu Tax	1,267,489	1,421,010			1,267,489	1,421,010
Investment Income	1,402,623	2,595,308	213,072	330,059	1,615,695	2,925,367
Other Revenue	109,325	99,184			109,325	99,184
Total Revenues	\$ 35,040,398	\$ 30,561,790	\$ 9,761,059	\$ 8,896,577	\$ 43,385,987	\$ 39,458,367
EXPENSES						
Program Expenses:						
General Government	\$ 6,967,379	\$ 5,194,255	\$	\$	\$ 6,967,379	\$ 5,194,255
Public Safety	6,506,120	7,288,030			6,506,120	7,288,030
Public Works	3,246,814	3,643,539			3,246,814	3,643,539
Culture and Recreation	2,089,540	2,145,502			2,089,540	2,145,502
Community Development	1,819,939	1,176,243			1,819,939	1,176,243
Health and Welfare	330,730	479,920			330,730	479,920
Interest on Long-Term Debt	329,811	379,666			329,811	379,666
Water			3,491,018	3,429,266	3,491,018	3,429,266
Wastewater			1,623,287	1,700,736	1,623,287	1,700,736
Sanitation			2,333,825	2,565,555	2,333,825	2,565,555
Total Expenses	21,290,333	20,307,155	7,448,130	7,695,557	28,738,463	28,002,712
Excess before Transfers	13,750,065	10,254,635	2,312,929	1,201,020	16,062,994	11,455,655
Transfers	(762,594)	(1,793,149)	762,594	1,793,149		
Changes in Net Position	12,987,471	8,461,486	3,075,523	2,994,169	16,062,994	11,455,655
Net Position, Beginning	71,221,833	84,209,304	14,514,069	17,589,592	85,735,902	101,798,896
Net Position, Ending	\$ 84,209,304	\$ 92,670,790	\$ 17,589,592	\$ 20,583,761	\$ 101,798,896	\$ 113,254,551

City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Government-Wide Financial Analysis

Government Activities

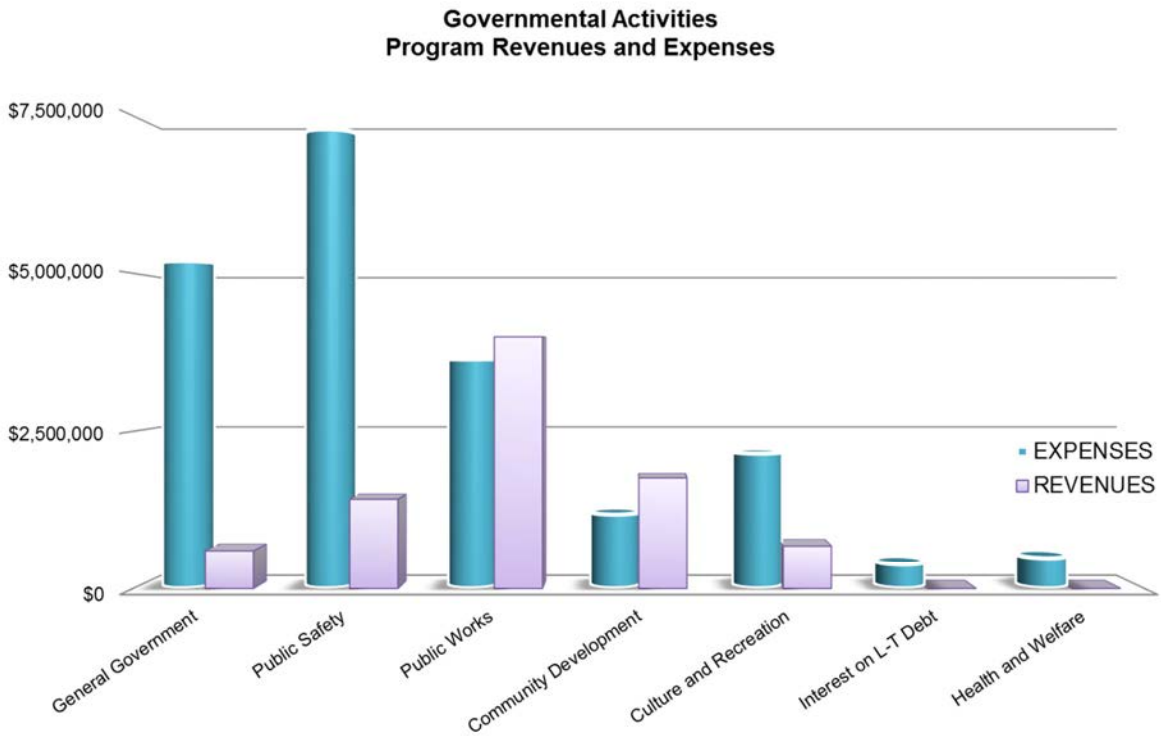
During the year, the change in net position for governmental activities was \$8,461,486. This represents a \$4,525,985 or 34.85% decrease from the change in the prior year. Significant variances between fiscal year 2024 and 2025 program revenues are explained below:

- Charges for Services increased by \$492,364 or 25.01% over the prior fiscal year. This is primarily due to increased engineering, planning, and impact fees from solar and development projects around the City.
- Capital grants and contributions decreased \$5,137,708 or 74.90% over the prior fiscal year due primarily to the receipt of the grant for the Sunland Gin Road Grant Project during the prior fiscal year. The City received \$1,722,055 in capital grants from Public Safety, Community Development, and Culture and Recreation.
- Operating grants and contributions increased by \$613,750 or 16.77% over the prior year. In FY 2025, the City received \$4,274,232 in operating grants and contributions, primarily from fees from HURF, State of Arizona Public Safety grants, Tribe grants for community development, and Library grants from the State of Arizona.
- General revenues totaled \$20,311,643, representing a decrease of \$1,477,569, or 6.78%, compared to the prior fiscal year. General revenues continue to be a significant source of funding for governmental activities, accounting for 66.52% of total governmental revenues.
 - City Sales Taxes decreased by \$1,519,515 or 13.81% less than last year. This decrease is primarily attributed to a decline in construction sales tax resulting from the completion of the new manufacturing facility, as well as a decline in residential housing starts.
 - State-shared revenues (State Income Tax, State Sales Tax, and County Vehicle License Tax) decreased by \$180,574, or 2.15%, compared to the prior fiscal year. The decline was primarily driven by a \$574,563 reduction in State Income Tax distributions, resulting from the state's transition to a 2.5% flat income tax rate effective January 1, 2023. These distributions are allocated to the City on a per-capita basis.
 - Investment Income increased by \$1,192,685 or 85.03% compared to the prior fiscal year. This significant growth resulted from strategic adjustments to the City's investment portfolio, including a shift toward higher-yield treasury and agency securities.

**City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025**

Government-Wide Financial Analysis

As shown in the chart below, all functions had grant program expenses rather than program revenues. Accordingly, general revenues were used to fund each of these functions.



**City of Eloy, Arizona
Management’s Discussion and Analysis
Year Ended June 30, 2025**

Government-Wide Financial Analysis

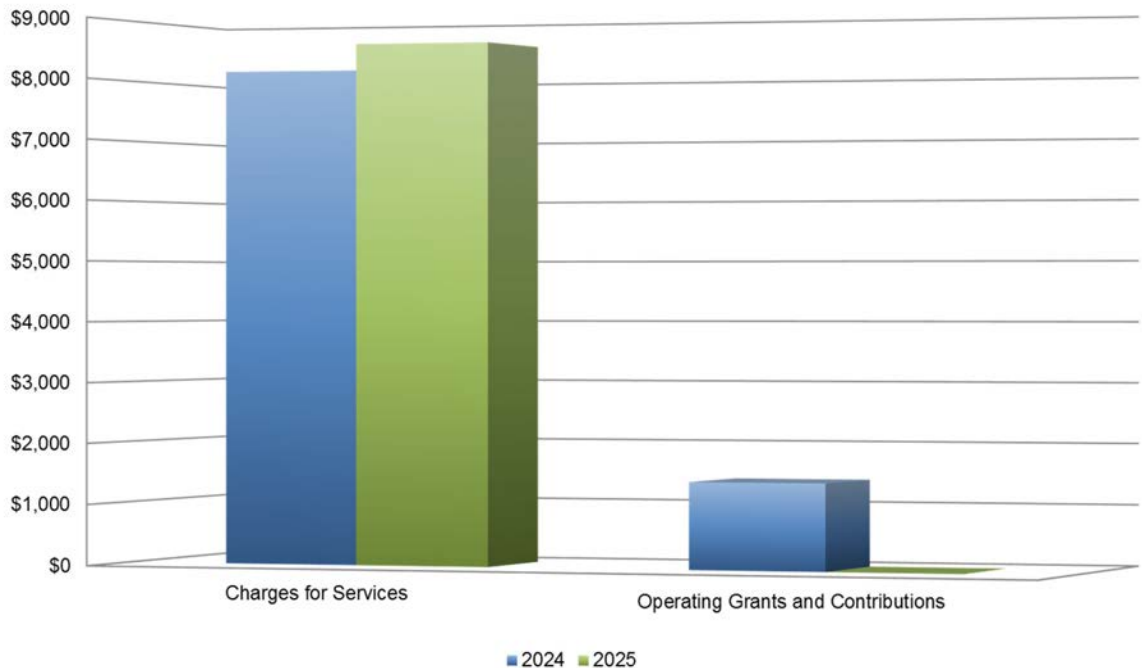
Business-Type Activities

After transfers, the City's net position for Business-Type activities increased by \$2,994,169 in fiscal year 2025.

Significant variances between fiscal year 2024 and 2025 program revenues are explained below:

- Charges for services increased by \$434,001, or 5.34%, compared to the prior fiscal year. This increase was primarily driven by a significant rise in landfill collection fees within the Sanitation Fund, which grew by \$870,805 due to higher volumes of waste received from outside agencies. Additionally, the Water and Sewer Fund implemented a 3% rate and fee adjustment effective November 1, 2024, which contributed an additional \$91,468 in service charge revenues.
- Investment earnings totaled \$330,059, an increase of 54.90% compared to the prior fiscal year. This significant growth resulted from strategic adjustments to the City’s investment portfolio, including a shift toward higher-yield treasury and agency securities.

**Business-Type Activities
Revenues by Source
(In Thousands)**



**City of Eloy, Arizona
Management’s Discussion and Analysis
Year Ended June 30, 2025**

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

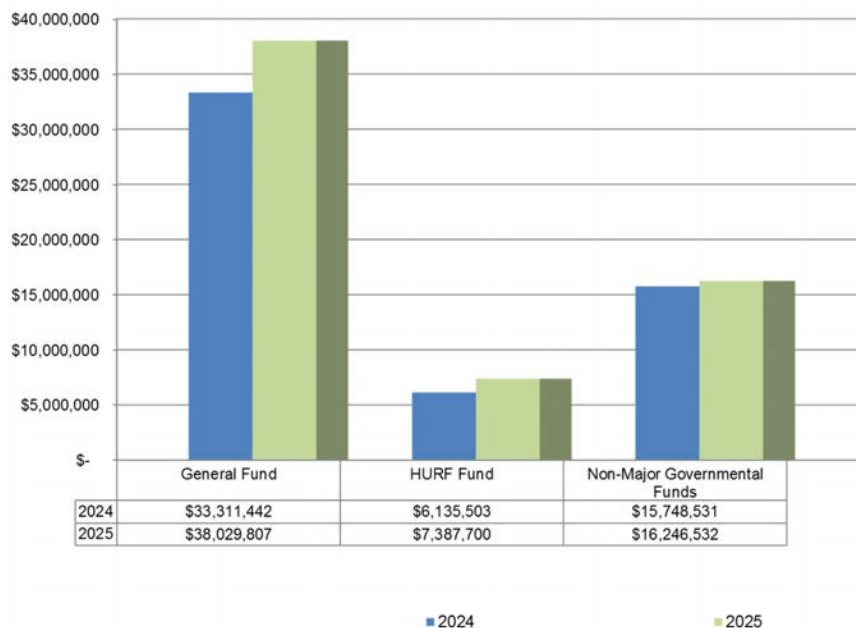
Governmental Funds

The focus of the City's governmental fund financial statements (pages 48-53) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, discretionary (i.e., unassigned, committed, and assigned) fund balances may serve as a valuable measure of a government's net resources available for spending at the end of the fiscal year.

For the fiscal year ending June 30, 2025, governmental funds reflect a combined fund balance of \$61,664,039, an increase of \$6,468,563 compared to the last fiscal year. The increase in fund balance is primarily attributable to General Fund revenues exceeding budget estimates by \$3,181,542, driven by stronger-than-anticipated collections in sales taxes, intergovernmental revenues, investment income, and licenses and permits. Within the HURF Fund, engineering revenues and the ½-cent sales tax outperformed budget expectations by a combined \$595,650.

Of the City’s total fund balance, \$38,029,807, or 61.67%, is attributable to the General Fund. This portion of fund balance is available for assignment or commitment in accordance with the City’s financial policies.

Governmental Fund Balances



City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Financial Analysis of the City's Funds

The General Fund is the city's primary operating fund, accounting for various government functions, including public safety, culture and recreation, and general government services. General fund revenues totaled \$22,596,707 for the fiscal year ending June 30, 2025. Expenditures before other financing sources and uses totaled \$15,826,814.

The General Fund reported a positive change in fund balance of \$4,718,365 after other financing sources and uses. This increase was primarily driven by more vigorous economic activity within the community and improved investment performance. Growth in commercial and solar development generated substantially higher planning and engineering fee revenues, reflecting a 550% increase. Investment income increased 85% as a result of the City's expanded and diversified investment portfolio, which benefited from favorable market conditions. Intergovernmental Revenues for the year increased 9% primarily due to the City's population increasing by 1,952 and higher statewide sales tax collections associated with stronger consumer spending. Continual strengthening of the state and local economy drives development activity

The Highway User Revenue Fund (HURF) is required by state statute to track the state allocation of gasoline taxes and other state revenues shared with local governments, and it must be used for transportation purposes. Revenues in this fund totaled \$4,219,130, while expenditures totaled \$2,996,933 for the fiscal year ending June 30, 2025. The net change of fund balance for the HURF Fund, before transfers, was a positive \$1,252,197. Engineering fees have increased 679% due to commercial and solar development. Tax collection in the ½ road sales tax increased 18.6% from the collection of sales tax in Pinal County. Sales tax collections are associated with stronger consumer spending

Other non-major governmental funds of the City include funds from the Grants, Airport, LTAF, Impact Fee, Public Works Facility, Economic and Community Development, JCEF, Court Recovery, Cemetery, Perpetual Care, and Capital Projects. All non-major funds of the City are combined into one column on the governmental fund statements. The net change of fund balance for the Non-Major Governmental Funds, prior to transfers, was a positive \$498,001. The primary reason for this increase was due to an increase in impact fee revenue due to new housing and solar projects along with fewer capital projects in the Airport and Economic and Community Development Funds.

**City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025**

Financial Analysis of the City's Funds

Proprietary Funds

The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements but provide additional detail since each major enterprise fund is presented discretely.

The net position of the Proprietary Funds was \$20,583,761 as of June 30, 2025. Total revenues in the fiscal year 2025 were \$8,896,577, while total expenses totaled \$7,695,557, resulting in an operating income of \$1,201,020 before transfers.

Proprietary Fund's Net Position



City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Budgetary Highlights

The City's annual budget serves as its legally adopted expenditure control document. Budgetary comparison statements are provided for the General Fund and all major special revenue funds and are presented on pages 94–96 of this report. These statements compare the original adopted budget, the budget as amended during the fiscal year, and actual results prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in accordance with legally permissible procedures (see page 102 for additional information on budget policies). During fiscal year 2025, no amendments were made to increase the General Fund's total adopted budget of \$17,123,615. Additionally, there were no transfers between funds and no reallocations from budgeted contingencies to operating expenditure accounts.

General Fund Budgetary Comparison Highlights

- General Fund expenditures totaled \$15,826,814, representing 92.43% of the approved budget. Underspensing occurred in several categories, including supplies, travel, contractual services, personnel, employee benefits, and contingency allocations.

- General Fund revenues totaled \$22,596,707, exceeding the final budget of \$19,415,165 by \$3,181,542, or 16.39%. This positive variance was primarily driven by stronger-than-expected collections in sales taxes, intergovernmental revenues, investment income, and licenses, permits, and fees. Favorable economic conditions, inflationary impacts, and multiple large-scale construction projects contributed to revenue levels surpassing budget expectations. Key revenue variances include:

- Sales Taxes exceeded budget expectations by \$336,398 or 4.02%. During FY 2024-2025, retail trade collections increased by \$144,946 or 5.65% compared to the previous fiscal year, while wholesale trade collections rose by \$89,310 or 30.21% compared to the previous fiscal year. These increases were largely attributable to higher prices and inflationary conditions.
- Licenses, Permits, and Fees exceeded budget expectations by \$598,607 or 84.70%. Residential and commercial building permits totaled \$428,265, which is 120.55% higher than the budget projections. This growth reflects significant development activity, including a new solar farm project, a hospital, and residential housing.
- Intergovernmental Revenues were \$644,807 or 8.31% above budget expectations, which can be attributed to a stronger state economic performance and higher-than-forecasted population growth within the City. This budget was developed using conservative estimates based on statewide economic forecasts. The increased population ultimately resulted in higher State-Shared Tax distributions.
- Investment Income was \$1,574,774, exceeding budget expectations by 398.68%. This variance resulted from the strong portfolio performance of the City's investment manager and the City's conservative approach to budgeting for investment earnings.

City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, the City had invested \$50,816,581 in various capital assets, net of accumulated depreciation/amortization and related debt. The capital assets of the City (net of depreciation/amortization but not capital debt) are \$69,845,322. This is a net increase of \$2,801,726. There was an increase in capital assets of \$1,526,452 within governmental activities. While within business-type activities, capital assets increased by \$1,275,274.

The following table provides a breakdown of the City's capital assets at June 30, 2024, and 2025. Additional information on the City's capital assets can be found in Note 6 on pages 70-71.

	Governmental Activities		Business-Type Activities		Totals	
	2024	2025	2024	2025	2024	2025
Land	\$ 4,053,379	\$ 4,062,960	\$ 504,569	\$ 504,569	\$ 4,557,948	\$ 4,567,529
Land Improvements	3,027,534	2,832,895	21,726	20,760	3,049,260	2,853,655
Construction In Progress	841,497	1,189,145	219,815	542,423	1,061,312	1,731,568
Buildings and Improvements	17,697,872	17,136,019			17,697,872	17,136,019
Infrastructure	14,369,405	15,589,520			14,369,405	15,589,520
Furniture, Equipment and Vehicles	4,028,603	4,614,800	822,394	2,420,262	4,850,997	7,035,062
Leased Vehicles, Furniture and Equipment	488,634	557,234	112,630	63,396	601,264	620,630
SBITA right-to-use Assets	233,650	284,453			233,650	284,453
Sewer lines and equipment			9,100,623	9,091,342	9,100,623	9,091,342
Water lines and equipment			11,521,265	10,935,544	11,521,265	10,935,544
Total	\$ 44,740,574	\$ 46,267,026	\$ 22,303,022	\$ 23,578,296	\$ 67,043,596	\$ 69,845,322

Major additions to capital assets during the fiscal year included the following:

- The City completed the 2.58 miles of mill and fill road improvements along Sunshine, Santa Cruz Rd, 11th St, and Main St. for the amount of \$1,586,890.
- The City replaced culverts on Corridos, Roma Dr., San Juan Dr., and Madera Dr at Valley and Estrella for the amount of \$83,607.30
- The City purchased a new Dozer and Cat Scraper for the landfill for the amount of \$1,829,572.
- The City completed the installation of a new pedestrian hawk signal and ADA sidewalk on Frontier and Main Street in the amount of \$285,368.
- The City purchased new vehicles, including equipment for Police, Parks, and Public Works, in the amount of \$1,281,743.
- Initiated the engineering for a new sewer gravity main to the wastewater treatment for an amount of \$256,794.
- The City completed the repair and painting of Wet Wells at the wastewater treatment plant for an amount of \$452,554.
- The City installed new submersible pumps at Curiel and Sunland Gin Lift stations for an amount of \$166,988.
- The City completed building improvements to city facilities, including new HVAC units for an amount of \$207,793.

**City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025**

Capital Assets and Debt Administration

Long-term Debt

The City's outstanding long-term debt, including compensated absences, bonds, loans, leases, SBITA, landfill costs, and pension liability, was \$31,116,493 on June 30, 2025. Of this total, \$15,714,270 was in governmental activities, while business-type activities were \$15,402,223. All outstanding debt is secured by pledges of specific revenue sources of the City. Additional information on the City's long-term debt can be found in Notes 7-10 on pages 73-77.

The following schedule shows the City's outstanding debt (current and long-term) as of June 30, 2024, and 2025.

	Governmental Activities		Business-Type Activities		Totals	
	2024	2025	2024	2025	2024	2025
Bonds Payable	\$ 9,085,000	\$ 8,705,000	\$	\$	\$ 9,085,000	\$ 8,705,000
Bond Premium	587,309	555,273			587,309	555,273
Leases Payable	567,079	645,242	138,579	92,248	705,658	737,490
SBITA Payable	203,717	266,788			203,717	266,788
Loans Payable			9,404,587	8,521,607	9,404,587	8,521,607
Revenue Bonds			279,340	242,580	279,340	242,580
Compensated Absences	887,227	902,439	94,711	101,489	981,938	1,003,928
Landfill closure and post-closure costs payable			4,962,778	5,135,186	4,962,778	5,135,186
Net Pension Liability	5,686,300	4,639,528	1,394,264	1,309,113	7,080,564	5,948,641
	<u>\$ 17,016,632</u>	<u>\$ 15,714,270</u>	<u>\$ 16,274,259</u>	<u>\$ 15,402,223</u>	<u>\$ 33,290,891</u>	<u>\$ 31,116,493</u>

Economic Factors and Next Year's Budget

City officials considered a range of economic, demographic, and fiscal indicators in developing the FY 2025–2026 budget. Economic conditions across Arizona continue to demonstrate stable growth, with sustained activity in housing, industrial, and manufacturing construction contributing to a positive statewide and local economic outlook. Despite this growth, persistent inflationary pressures have increased the cost of goods and services, resulting in historically high tax revenue collections.

Looking forward, several factors introduce uncertainty into the FY 2025–2026 financial plan. These include potential economic impacts emerging from new tariff structures, shifts in consumer confidence, changes in federal or state economic policy, evolving regulatory conditions, and short-term market volatility. In addition, the ongoing effort to incorporate San Tan Valley presents a significant fiscal risk. Should incorporation be approved, the City of Eloy could experience a reduction in state-shared revenues—estimated at approximately \$600,000 annually in the General Fund and \$400,000 in the Streets Fund.

City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025

Budget Summary and Key Assumptions

The FY 2025–2026 budget continues to serve as the City's central financial planning tool, aligning resource allocation with the City Council's strategic priorities and long-term vision for sustainable community development. The budget emphasizes targeted investment in infrastructure, economic vitality, and service delivery enhancements that support Eloy's evolving needs.

A major strategic focus remains the expansion and modernization of the City's water and sewer systems. These systems are essential to ensuring adequate capacity for current customers while positioning the community to accommodate future industrial, commercial, retail, and residential growth. Investments in utility infrastructure are expected to support economic development efforts by improving service reliability and enabling new development opportunities.

The budget also reflects the City's continued commitment to responsible financial stewardship. This includes prioritizing the reduction of existing Water Infrastructure Finance Authority (WIFA) debt. Paying down these obligations will increase the City's future borrowing capacity for large-scale infrastructure initiatives and strengthen its long-term fiscal position.

The total adopted budget for FY 2025–2026 is \$115,645,325, an increase of \$40,379,090 from the prior fiscal year. This increase is primarily attributable to planned investments in infrastructure necessary to support anticipated residential and economic growth. Approximately \$26.6 million is dedicated to major water, sewer, and street projects.

Population trends reflect a reversal of previous declines, with Eloy's population projected to reach 19,199 residents, an annual increase of 671. Labor market conditions are expected to remain steady, with the unemployment rate stabilizing at 4.8%, slightly above the national rate of 4.4% and Pinal County's 4.6%. Inflation assumptions incorporated into the FY 2025–2026 budget reflect a national inflation rate of 2.7% and a modest 0.2% rate for the Phoenix metropolitan area as of June 2025.

General Fund revenues for FY 2025–2026, excluding fund balance, are projected to increase by 12.86%, or \$2,486,565. Several key revenue categories contribute to this growth:

- Charges for Services are expected to increase by 188.36%, generating an additional \$615,000. This growth is primarily the result of increased building permits and fees associated with solar farm development activity.
- City Sales Taxes are projected to rise by \$337,140 or 4.03%, reflecting continued strength in the retail, manufacturing, and service sectors of the local economy.
- Interest income and planning-related fees are projected to increase by \$879,340 or 90.40% over the prior year, due to higher investment returns, recreation fees, and general plan submittals.

Although the City's primary property tax rate decreased from \$1.0115 to \$0.9769 per \$100 of assessed valuation, total property tax revenues are expected to increase by \$95,920, reflecting growth in the assessed tax base.

**City of Eloy, Arizona
Management's Discussion and Analysis
Year Ended June 30, 2025**

Budget Summary and Key Assumptions

Water and Sewer rates will increase by 11%, effective November 1, 2025, in accordance with Resolutions 22-1528 and 22-1529. These adjustments are necessary to support the long-term sustainability, reliability, and capital investment needs of the City's water and wastewater systems.

Sanitation rates will increase on August 1, 2025, aligning with the City's new solid waste and recycling collection contract with Waste Management (WM). Residential customers will see a monthly rate increase of \$4.31, from \$25.73 to \$30.04.

City officials will continue to monitor revenue performance throughout the fiscal year, especially given potential impacts associated with economic uncertainties and the San Tan Valley incorporation effort. Should revenues fall below projections, the City will adjust expenditures accordingly to maintain a balanced financial position.

Despite these risks, the FY 2025–2026 budget reflects the City's commitment to long-term economic resilience through strategic infrastructure investment. Priorities include continued enhancements to streets, water, and sewer systems, all of which play a critical role in broadening Eloy's economic base and supporting sustained community prosperity. The City remains focused on advancing policies that promote fiscal discipline, operational efficiency, and responsible growth management.

Financial Contact

This financial report is designed to provide a general overview of the City of Eloy's finances and demonstrate accountability for using public funds. Questions about the information in this report or requests for additional financial information should be directed to the Finance Department, City of Eloy, 595 North C Street, Suite 103, Eloy, AZ 85131.

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Basic Financial Statements

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Government-Wide Financial Statements

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City of Eloy, Arizona
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 60,504,686	\$ 12,206,609	\$ 72,711,295
Interest Receivable	275,986	66,544	342,530
Property Taxes Receivable	50,627		50,627
Due from Governmental Entities	2,163,420		2,163,420
Accounts Receivable (Net of Allowance)	15,768	839,639	855,407
Leases Receivable	711,384		711,384
Inventory		170,362	170,362
Total current assets	<u>63,721,871</u>	<u>13,283,154</u>	<u>77,005,025</u>
Noncurrent assets:			
Capital assets not being depreciated/amortized	5,252,105	1,046,992	6,299,097
Capital assets, net accumulated depreciation/amortization	41,014,921	22,531,304	63,546,225
Total noncurrent assets	<u>46,267,026</u>	<u>23,578,296</u>	<u>69,845,322</u>
Total assets	<u>109,988,897</u>	<u>36,861,450</u>	<u>146,850,347</u>
Deferred outflows of resources			
Pension plan items	<u>1,341,984</u>	<u>179,333</u>	<u>1,521,317</u>
Total deferred outflows of resources	<u>1,341,984</u>	<u>179,333</u>	<u>1,521,317</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 678,249	\$ 384,844	\$ 1,063,093
Accrued Salaries and Wages Payable	523,670	10,819	534,489
Customer Deposits		392,212	392,212
Bonds Payable	400,000	38,448	438,448
Loans Payable		903,168	903,168
Leases Payable	187,683	59,029	246,712
SBITA Payable	109,943		109,943
Compensated Absences	90,244	10,150	100,394
Interest Payable		134,236	134,236
Other Current Liabilities	111,330	350	111,680
Total current liabilities	<u>2,101,119</u>	<u>1,933,256</u>	<u>4,034,375</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	<u>14,926,400</u>	<u>14,391,428</u>	<u>29,317,828</u>
Total noncurrent liabilities	<u>14,926,400</u>	<u>14,391,428</u>	<u>29,317,828</u>
Total liabilities	<u>17,027,519</u>	<u>16,324,684</u>	<u>33,352,203</u>
Deferred inflows of resources			
Pension plan items	924,305	132,338	1,056,643
Leases	<u>708,267</u>		<u>708,267</u>
Total deferred inflows of resources	<u>1,632,572</u>	<u>132,338</u>	<u>1,764,910</u>
Net position			
Net Investment in Capital Assets	36,094,723	14,721,861	50,816,584
Restricted for:			
Highway and Streets	7,387,700		7,387,700
Grants	5,276,122		5,276,122
Capital Projects	2,132,527		2,132,527
Other Purposes	282,774		282,774
Unrestricted	<u>41,496,944</u>	<u>5,861,900</u>	<u>47,358,844</u>
Total net position	<u>\$ 92,670,790</u>	<u>\$ 20,583,761</u>	<u>\$ 113,254,551</u>

**City of Eloy, Arizona
Statement of Activities
For the Year Ended June 30, 2025**

Functions/Programs	Expenses	Program Revenue		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Primary government					
General Government	5,194,255	\$ 599,475	\$	\$	\$ (4,594,780)
Public Safety	7,288,030	87,637	483,639	850,615	(5,866,139)
Public Works	3,643,539	406,170	3,593,837		356,468
Community Development	1,176,243	1,271,097		488,985	583,839
Health and Welfare	479,920			300	(479,620)
Culture and Recreation	2,145,502	96,332	196,756	382,155	(1,470,259)
Interest on long-term debt	379,666				(379,666)
Total governmental activities	<u>20,307,155</u>	<u>2,460,711</u>	<u>4,274,232</u>	<u>1,722,055</u>	<u>(11,850,157)</u>
Business-type activities					
Water	3,429,266	3,599,314			
Sewer	1,700,736	1,746,421			
Sanitation	2,565,555	3,220,783			
Total business-type activities	<u>7,695,557</u>	<u>8,566,518</u>			
Total primary government	<u>\$ 28,002,712</u>	<u>\$ 11,027,229</u>	<u>\$ 4,274,232</u>	<u>\$ 1,722,055</u>	<u>\$ (11,850,157)</u>
General revenues					
Sales Taxes					9,483,784
Property Taxes Levied for General Purposes					1,463,281
Franchise Taxes					250,367
County Auto Lieu Tax					1,421,010
Unrestricted State Revenues					6,791,858
Investment Income					2,595,308
Other Revenues					99,184
Transfers					(1,793,149)
Total general revenues and transfers					<u>20,311,643</u>
Changes in net position					8,461,486
Net position, beginning of year					<u>84,209,304</u>
Net position, end of year					<u>\$ 92,670,790</u>

**Net (Expense) Revenue and
Changes in Net Position**

Business-Type	
<u>Activities</u>	<u>Total</u>
\$	\$ (4,594,780)
	(5,866,139)
	356,468
	583,839
	(479,620)
	(1,470,259)
	(379,666)
	<u>(11,850,157)</u>
170,048	170,048
45,685	45,685
<u>655,228</u>	<u>655,228</u>
870,961	870,961
<u>\$ 870,961</u>	<u>\$ (10,979,196)</u>
	9,483,784
	1,463,281
	250,367
	1,421,010
	6,791,858
330,059	2,925,367
	99,184
<u>1,793,149</u>	<u>22,434,851</u>
<u>2,123,208</u>	<u>22,434,851</u>
2,994,169	11,455,655
<u>17,589,592</u>	<u>101,798,896</u>
<u>\$ 20,583,761</u>	<u>\$ 113,254,551</u>

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Fund Financial Statements

City of Eloy, Arizona
Balance Sheet
Governmental Funds
June 30, 2025

	<u>General</u>	<u>Highway User Revenue Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Investments	\$ 37,617,018	\$ 7,092,470	\$ 15,795,198	\$ 60,504,686
Interest Receivable	180,856	23,901	71,229	275,986
Property Taxes Receivable	50,627			50,627
Due from Governmental Entities	1,300,836	322,096	540,488	2,163,420
Accounts Receivable (Net of Allowance)	8,657		7,111	15,768
Leases Receivable	651,667		59,717	711,384
Total assets	<u>\$ 39,809,661</u>	<u>\$ 7,438,467</u>	<u>\$ 16,473,743</u>	<u>\$ 63,721,871</u>
Liabilities				
Accounts Payable	\$ 482,952	\$ 44,168	\$ 151,129	\$ 678,249
Accrued Salaries and Wages Payable	515,725	6,599	1,346	523,670
Other Current Liabilities	111,330			111,330
Total liabilities	<u>1,110,007</u>	<u>50,767</u>	<u>152,475</u>	<u>1,313,249</u>
Deferred inflows of resources				
Leases	633,531		74,736	708,267
Unavailable Revenue - Property Taxes	36,316			36,316
Total deferred inflows of resources	<u>669,847</u>		<u>74,736</u>	<u>744,583</u>
Fund balances				
Restricted		7,387,700	8,693,799	16,081,499
Committed			4,860,550	4,860,550
Assigned			2,692,183	2,692,183
Unassigned	38,029,807			38,029,807
Total fund balances	<u>38,029,807</u>	<u>7,387,700</u>	<u>16,246,532</u>	<u>61,664,039</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,809,661</u>	<u>\$ 7,438,467</u>	<u>\$ 16,473,743</u>	<u>\$ 63,721,871</u>

City of Eloy, Arizona
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

Total fund balances - governmental funds **\$ 61,664,039**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 69,775,636	
Less accumulated depreciation/amortization	<u>(23,508,610)</u>	
		46,267,026

Property tax receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.		36,316
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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	1,341,984	
Deferred inflows of resources related to pensions	<u>(924,305)</u>	
		417,679

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(902,439)	
Leases payable	(645,242)	
Bonds payable	(9,260,273)	
SBITA payable	(266,788)	
Net pension liability	<u>(4,639,528)</u>	
		<u>(15,714,270)</u>

Net position of governmental activities **\$ 92,670,790**

City of Eloy, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Highway User Revenue Fund	Grants	Non-Major Governmental Funds
Revenues				
Sales Taxes	\$ 8,699,258	\$	\$	\$ 784,526
Property Taxes	1,456,565			
Franchise Taxes	250,367			
Licenses, Permits, and Fees	1,305,357			
Intergovernmental Revenue	8,407,062	3,933,536		1,829,520
Charges for Services	234,084			278,065
Fines and Forfeitures	210,141			
Investment Income	1,969,774	285,594		339,940
Impact Fees				472,101
Other Revenues	64,099			35,085
Total revenues	<u>22,596,707</u>	<u>4,219,130</u>		<u>3,739,237</u>
Expenditures				
Current:				
General Government	4,487,225			190,115
Public Safety	5,880,956			471,728
Public Works	783,200	1,788,513		
Community Development	1,055,578			153,871
Health and Welfare				208,722
Culture and Recreation	2,223,886			
Capital Outlay	387,596	1,119,157		2,892,347
Debt service:				
Principal Retirement	625,208	30,726		
Interest and Fiscal Charges	383,165	28,537		
Total expenditures	<u>15,826,814</u>	<u>2,966,933</u>		<u>3,916,783</u>
Excess (deficiency) of revenues over expenditures	<u>6,769,893</u>	<u>1,252,197</u>		<u>(177,546)</u>
Other financing sources (uses)				
Transfers In				684,780
Transfers Out	(2,468,696)			(9,233)
Lease Agreements	289,942			
SBITAs	127,226			
Total other financing sources (uses)	<u>(2,051,528)</u>			<u>675,547</u>
Changes in fund balances	<u>4,718,365</u>	<u>1,252,197</u>		<u>498,001</u>
Fund balances, beginning of year, previously reported	33,311,442	6,135,503	5,418,561	10,329,970
Adjustments to beginning fund balances			(5,418,561)	5,418,561
Fund balances, beginning of year, as restated	<u>33,311,442</u>	<u>6,135,503</u>		<u>15,748,531</u>
Fund balances, end of year	<u>\$ 38,029,807</u>	<u>\$ 7,387,700</u>	<u>\$</u>	<u>\$ 16,246,532</u>

**Total
Governmental
Funds**

\$ 9,483,784
1,456,565
250,367
1,305,357
14,170,118
512,149
210,141
2,595,308
472,101
99,184
30,555,074

4,677,340
6,352,684
2,571,713
1,209,449
208,722
2,223,886
4,399,100

655,934
411,702
22,710,530

7,844,544

684,780
(2,477,929)
289,942
127,226
(1,375,981)

6,468,563

55,195,476

55,195,476

\$ 61,664,039

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City of Eloy, Arizona
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Changes in fund balances - total governmental funds **\$ 6,468,563**

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

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation/amortization expense.

Expenditures for capitalized assets	\$ 4,268,900	
Less current year depreciation/amortization	<u>(2,742,448)</u>	1,526,452

Issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.

SBITA agreements	(127,226)	
Lease agreements	<u>(289,942)</u>	(417,168)

Property taxes in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

6,716

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Bond principal retirement	380,000	
Lease principal retirement	211,779	
SBITA principal retirement	<u>64,155</u>	655,934

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	749,092	
Pension expense	<u>(544,927)</u>	204,165

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 governmental funds.

Amortization of deferred bond items	32,036	
Compensated absences	<u>(15,212)</u>	16,824

Changes in net position in governmental activities **\$ 8,461,486**

City of Eloy, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2025

	Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Sanitation	
Assets				
Current assets:				
Cash and Investments	\$ 5,195,887	\$ 3,323,740	\$ 3,686,982	\$ 12,206,609
Interest Receivable	33,272	16,704	16,568	66,544
Accounts Receivable (Net of Allowance)	454,603	170,204	214,832	839,639
Inventory	170,362			170,362
Total current assets	<u>5,854,124</u>	<u>3,510,648</u>	<u>3,918,382</u>	<u>13,283,154</u>
Noncurrent assets:				
Capital assets not being depreciated/amortized	60,860	986,132		1,046,992
Capital assets, net accumulated depreciation/amortization	11,228,826	9,307,826	1,994,652	22,531,304
Total noncurrent assets	11,289,686	10,293,958	1,994,652	23,578,296
Total assets	<u>17,143,810</u>	<u>13,804,606</u>	<u>5,913,034</u>	<u>36,861,450</u>
Deferred outflows of resources				
Pension Plan Items	96,641	44,472	38,220	179,333
Total deferred outflows of resources	<u>96,641</u>	<u>44,472</u>	<u>38,220</u>	<u>179,333</u>
Liabilities				
Current liabilities:				
Accounts Payable	171,508	57,020	156,316	384,844
Accrued Salaries and Wages Payable	5,964	2,851	2,004	10,819
Customer Deposits	212,462	57,230	122,520	392,212
Bonds Payable	38,448			38,448
Loans Payable	354,725	548,443		903,168
Leases Payable	59,029			59,029
Compensated Absences	8,111	1,140	899	10,150
Interest Payable	24,548	109,688		134,236
Other Current Liabilities	350			350
Total current liabilities	<u>875,145</u>	<u>776,372</u>	<u>281,739</u>	<u>1,933,256</u>
Noncurrent liabilities:				
Compensated Absences	72,994	10,257	8,088	91,339
Landfill Closure and Post Closure Costs			5,135,186	5,135,186
Bonds Payable	204,132			204,132
Loans Payable	3,254,274	4,364,165		7,618,439
Leases Payable	33,219			33,219
Net Pension Liability	697,206	120,311	491,596	1,309,113
Total noncurrent liabilities	4,261,825	4,494,733	5,634,870	14,391,428
Total liabilities	<u>5,136,970</u>	<u>5,271,105</u>	<u>5,916,609</u>	<u>16,324,684</u>
Deferred inflows of resources				
Pension plan items	71,316	32,817	28,205	132,338
Total deferred inflows of resources	<u>71,316</u>	<u>32,817</u>	<u>28,205</u>	<u>132,338</u>
Net position				
Net Investment in Capital Assets	7,345,859	5,381,350	1,994,652	14,721,861
Unrestricted	4,686,306	3,163,806	(1,988,212)	5,861,900
Total net position	<u>\$ 12,032,165</u>	<u>\$ 8,545,156</u>	<u>\$ 6,440</u>	<u>\$ 20,583,761</u>

City of Eloy, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Sanitation	
Operating revenues				
Charges for Services	\$ 3,599,314	\$ 1,746,421	\$ 3,220,783	\$ 8,566,518
Total operating revenues	<u>3,599,314</u>	<u>1,746,421</u>	<u>3,220,783</u>	<u>8,566,518</u>
Operating expenses				
Salaries	576,738	275,181	202,227	1,054,146
Employee Benefits	226,768	102,310	85,975	415,053
Service, Supplies, and Other	1,836,043	404,518	1,982,821	4,223,382
Landfill Closure and Post Closure Expense			172,408	172,408
Depreciation/Amortization	765,537	706,514	122,124	1,594,175
Total operating expenses	<u>3,405,086</u>	<u>1,488,523</u>	<u>2,565,555</u>	<u>7,459,164</u>
Operating income (loss)	<u>194,228</u>	<u>257,898</u>	<u>655,228</u>	<u>1,107,354</u>
Nonoperating revenues (expenses)				
Investment Income	153,272	97,087	79,700	330,059
Interest Expense and Fiscal Charges	(24,180)	(212,213)		(236,393)
Total nonoperating revenue (expenses)	<u>129,092</u>	<u>(115,126)</u>	<u>79,700</u>	<u>93,666</u>
Income (loss) before transfers and special items	<u>323,320</u>	<u>142,772</u>	<u>734,928</u>	<u>1,201,020</u>
Transfers in		<u>713,135</u>	<u>1,080,014</u>	<u>1,793,149</u>
Changes in net position	323,320	855,907	1,814,942	2,994,169
Net position, beginning of year	<u>11,708,845</u>	<u>7,689,249</u>	<u>(1,808,502)</u>	<u>17,589,592</u>
Net position, end of year	<u>\$ 12,032,165</u>	<u>\$ 8,545,156</u>	<u>\$ 6,440</u>	<u>\$ 20,583,761</u>

City of Eloy, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
<u>Increase/(decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from Customers, Service Fees	\$ 3,608,843	\$ 1,736,134	\$ 3,215,589	\$ 8,560,566
Cash paid to Suppliers	(1,965,889)	(451,534)	(1,954,905)	(4,372,328)
Cash paid to Employees	(621,182)	(291,664)	(211,086)	(1,123,932)
Net cash provided by operating activities	1,021,772	992,936	1,049,598	3,064,306
Cash flows from non-capital financing activities:				
Transfers in		713,135		1,793,149
Net cash provided by non-capital financing activities		713,135		1,793,149
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(97,729)	(942,148)		(2,869,449)
Loan proceeds	108,153	397,711		505,864
Principal paid on debt	(429,735)	(536,336)		(966,071)
Interest paid on debt	(27,457)	(201,404)		(228,861)
Net cash (used for) capital and related financing activities	(446,768)	(1,282,177)		(3,558,517)
Cash flows from investing activities:				
Investment income	153,272	97,087	79,700	330,059
Net cash provided by investing activities	153,272	97,087	79,700	330,059
Net increase/(decrease) in cash and cash equivalents	728,276	520,981	379,740	1,628,997
Cash and cash equivalents, beginning of year	4,467,611	2,802,759	3,307,242	10,577,612
Cash and cash equivalents, end of year	\$ 5,195,887	\$ 3,323,740	\$ 3,686,982	\$ 12,206,609
<u>Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities</u>				
Operating income (loss)	\$ 194,228	\$ 257,898	\$ 655,228	\$ 1,107,354
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation/Amortization	765,537	706,514	122,124	1,594,175
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	2,822	(10,396)	(96,639)	(104,213)
Decrease/(Increase) in interest receivable	(4,008)	(2,186)	81,255	75,061
Decrease (Increase) in inventory	(21,625)			(21,625)
Increase in compensated absences payable	(2,874)	2,741	6,911	6,778
Increase in deposits held for others	10,715	2,295	10,190	23,200
Increase (decrease) in accrued payroll and employee benefits	1,592	638	1,299	3,529
Increase (decrease) in accounts payable	118,547	55,294	113,891	287,732
Increase in landfill closure and post closure payable			172,408	172,408
(Decrease) in pension items	(43,162)	(19,862)	(17,069)	(80,093)
Total adjustments	827,544	735,038	394,370	1,956,952
Net cash provided by operating activities	\$ 1,021,772	\$ 992,936	\$ 1,049,598	\$ 3,064,306

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Eloy, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2025, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This Statement updates the recognition and measurement guidance for compensated absences. Liabilities are recognized for leave that has not been used, as well as leave that has been used but not yet paid in cash or settled through noncash means. The City's analysis of compensated absences in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

The more significant of the City accounting policies are described below.

A. Reporting Entity

The City is a municipal entity governed by an elected mayor and council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the City for financial statement presentation purposes, and the City, are not included in any other governmental reporting entity. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City, the primary government. Consequently, the City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

Blended Component Unit – Eloy Municipal Property Corporation (MPC). The MPC Board of Directors consists of six members which are appointed by the City of Eloy, Arizona, City Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects of the City. For financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the City's operations.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Property taxes, sales taxes, franchise taxes, licenses and permits, unrestricted state revenue, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Unearned revenue arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

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. Non-major funds are aggregated and presented in a single column.

The City reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Highway User Revenue (HURF) Fund – This fund accounts for state and county shared revenue sources that are legally restricted for road construction and maintenance.

The City reports the following major proprietary funds.

Water Fund – This fund is used to account for the activities related to the City’s water storage and distribution system.

Sewer Fund – This fund is used to account for the activities related to the City’s sewer collection and treatment operations.

Sanitation Fund – This fund is used to account for the activities related to the City’s garbage collection and treatment operations.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting and are presented in a single column.

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 City's enterprise fund are charges to customers for water, sewer and sanitation. Operating expenses for these funds include the cost of sales and services and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash on hand, restricted and unrestricted cash in bank investments held in the City's name, and investments in the State Treasurer's Local Government Investment Pool.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

E. Inventory

Water Fund inventories consist of supplies and fixtures used in the Water Department's operations and are valued using the first in/first out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

F. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is a component of revenue in the governmental fund financial statements and is reported in nonoperating revenues in the proprietary fund financial statements.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables, including property tax receivables, are shown net of an allowance for uncollectibles.

H. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal property taxes are levied on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however, according to case law, an enforceable legal claim to the asset does not arise.

I. Capital Assets

Capital assets, which include land, land improvements; buildings and improvements; sewer plant; water mains and lines; sewer collection system; vehicles, machinery, and equipment; construction in progress; and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. General government infrastructure capital assets include only those assets acquired or constructed since July 1, 2003.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. Intangible right-to-use assets are amortized over the shorter of the lease/subscription term or the underlying asset's useful life. Amortization of right-to-use assets is included with depreciation expense. The estimated useful lives and amortization periods are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-50
Land Improvements	5-50
Furniture, Equipment, and Vehicles	5-15
Infrastructure	10-50
Water and Sewer System	20-40
Intangible right-to-use assets	3-7

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

K. Compensated Absences

The City's employee leave policies generally provide for granting vacation, personal, and sick leave with pay in varying amounts. Only benefits considered more likely than not to be used or paid are recognized in the financial statements. The liability for vacation, personal, and sick leave is reported in the government-wide financial statements and proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

L. Leases

As lessee, the City recognizes lease liabilities with an initial, individual value of \$15,000 or more. The City uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The City's estimated incremental borrowing rate is calculated based on the applicable federal rate

As lessor, the City recognizes lease receivables with an initial, individual value of \$5,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the City charges the lessee) and the implicit rate cannot be determined, the City uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The City's estimated incremental borrowing rate is calculated based on the applicable federal rate.

M. Pensions

For purposes of measuring the net pension liability, related deferred outflows of resources and deferred inflows of resources, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

N. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt 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.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

O. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

P. Net Position Flow Assumption

In the government-wide and proprietary fund financial statements the City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

Q. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Subscription-Based Information Technology Arrangements (SBITAs)

As an end user of subscription-based technology, the City recognizes SBITA obligations with an initial, individual value of \$25,000 or more. The City uses its estimated incremental borrowing rate to measure SBITA obligations unless it can readily determine the interest rate implicit in the SBITA contract. The City's estimated incremental borrowing rate is based on current economic conditions.

Note 2 – 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, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 2 – Fund Balance Classifications

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

Restricted. Restricted fund balance is reported when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the City Council. A resolution or ordinance are equally binding actions of the City Council which is required to establish, modify or rescind a fund balance commitment.

Assigned. Assigned fund balance is constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 2 – Fund Balance Classifications

The table below provides detail of the major components of the City’s fund balance classifications at year end.

	General Fund	Highway User Revenue	Non-Major Governmental Funds
Fund Balances:			
Restricted:			
Highways and streets	\$	\$ 7,387,700	\$ 11,475
Grants			5,276,122
Capital projects			2,994,253
Court equipment			194,055
Perpetual care			217,894
Committed:			
Highways and streets			1,449,534
Airport			897,856
Cemetery			406,591
Community development			2,106,569
Assigned:			
Capital projects			2,692,183
Unassigned	38,029,807		
Total Fund Balances	\$ 38,029,807	\$ 7,387,700	\$ 16,246,532

Note 3 – Cash and Investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City’s deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City’s deposits was \$36,240,225 and the bank balance was \$36,800,959. At year the City’s deposits were entirely covered by collateral held by the pledging financial institution’s trust department or agent but not in the City’s name. Additionally, the City had cash on hand of \$3,081.

Fair Value Measurements. The City 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 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 3 – Cash and Investments

Valuation Techniques. Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pools are not required to categorize the value of shares in accordance with the fair value hierarchy.

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. At year end, the City's investments consisted of the following:

Investment Type	Fair Value	Category	Investment Maturities (in Years)	
			Less than 1	1-5
U.S. Treasuries	\$ 33,380,136	Level 1	\$ 2,197,927	\$ 31,182,209
Federal agencies	666,872	Level 2	666,872	
Money market fund	114,036	Not applicable	114,036	
			<u>\$ 2,978,835</u>	<u>\$ 31,182,209</u>
State Treasurer's investment pool 5	39,877	Not applicable	33 days average maturities	
State Treasurer's investment pool 7	2,267,068	Not applicable	29 days average maturities	
Total	<u>\$ 36,467,989</u>			

Interest Rate Risk. The City has implemented an investment policy that will minimize interest rate risk, which is the risk that the fair value of securities in the portfolio will decline due to increases in market interest rates by the following:

1. Investing funds primarily in shorter-term securities or similar investment pools and limiting the weighted average duration of the investment portfolio; and
2. Utilizing external research and advice regarding the current interest rate outlook and global economic condition to optimize portfolio duration strategy.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 3 – Cash and Investments

Credit Risk. The City has implemented an investment policy that will minimize credit risk, which is the risk of loss due to the insolvency of the security issuer or underlying borrower by the following:

1. Limiting investments in the portfolio to the asset classes designated as acceptable in A.R.S. §35-323;
2. Diversifying the investment portfolio so that the impact of potential losses from any one individual issuer held in the portfolio will be limited;
3. Utilizing external research and advice regarding the current global economic condition and its impact on the outlook for domestic corporate credit quality.

As of year-end, the State Treasurer’s Local Government Investment Pool 5 was rated AAf/S1+ by S&P at year end. The State Treasurer’s Local Government Investment Pool 7 was rated AAA by S&P at year end. Additionally, the City’s investment in US Treasuries and federal agencies received an average credit quality rating of AA+ by S&P at year-end.

Custodial Credit Risk – Investments. The City’s investment in the State Treasurer’s investment pools represents a proportionate interest in the pool’s portfolio; however, the City’s portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. Of the total amount of the City’s investments at year-end, six percent were in State Treasurer's Investment Pool and 92 percent was in U.S. Government Treasuries.

Note 4 – Receivables

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the City’s individual major funds were as follows:

	General Fund	Highway User Revenue	Non-major Governmental Funds
Due from Other Governmental Entities:			
Due from federal government	\$	\$	\$ 499,385
Due from state government	1,300,600	164,189	41,339
Due from county government		157,907	
Net Due from Governmental Entities	\$ 1,300,600	\$ 322,096	\$ 540,724

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 5 – Leases Receivable

The City is the lessor in agreements for the use of building space at City Hall, hangars at the Municipal Airport, and land for wireless communications equipment, which fall under the provisions of contracts classified as leases. The related receivables under the lease agreements have been recorded at the present value of their future minimum lease payments as of the inception date. Lease revenue of \$23,878 and \$28,451, and related interest revenue of \$3,648 and \$2,869, is recorded in the General and Airport Funds, respectively as charges for services.

Future minimum lease payments to be received under the lease agreements at year end are summarized as follows:

Year ending June 30:	Governmental Activities
2026	\$ 59,147
2027	59,457
2028	28,972
2029	18,642
2030	18,660
2031-35	95,187
2036-40	95,005
2041-45	95,627
2046-50	98,645
2051-55	109,810
2056-60	93,608
Total	<u>\$ 772,760</u>

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 6 – Capital Assets

A summary of capital asset activity for the current fiscal year follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,053,379	\$ 9,581	\$	\$ 4,062,960
Construction in progress	841,497	347,648		1,189,145
Total capital assets, not being depreciated/ amortized	<u>4,894,876</u>	<u>357,229</u>		<u>5,252,105</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	23,633,202	201,644		23,834,846
Furniture Equipment & Vehicles	10,352,005	1,339,871		11,691,876
Leased vehicles, furniture and equipment	871,433	261,887		1,133,320
Subscription Based IT Agreements	298,519	118,345		416,864
Land improvements	3,778,549			3,778,549
Infrastructure	21,678,152	1,989,924		23,668,076
Total capital assets being depreciated/amortized	<u>60,611,860</u>	<u>3,911,671</u>		<u>64,523,531</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(5,935,330)	(763,497)		(6,698,827)
Furniture Equipment & Vehicles	(6,323,402)	(753,674)		(7,077,076)
Leased vehicles, furniture and equipment	(382,799)	(193,287)		(576,086)
Subscription Based IT Agreements	(64,869)	(67,542)		(132,411)
Land improvements	(751,015)	(194,639)		(945,654)
Infrastructure	(7,308,747)	(769,809)		(8,078,556)
Total accumulated depreciation/amortization	<u>(20,766,162)</u>	<u>(2,742,448)</u>		<u>(23,508,610)</u>
Total capital assets, being depreciated/amortized, net	<u>39,845,698</u>	<u>1,169,223</u>		<u>41,014,921</u>
Governmental activities capital assets, net	<u>\$ 44,740,574</u>	<u>\$ 1,526,452</u>	<u>\$</u>	<u>\$ 46,267,026</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 496,458
Public safety	842,039
Public works/streets	1,132,753
Health and welfare	271,198
Total depreciation/amortization expense	<u>\$ 2,742,448</u>

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 6 – Capital Assets

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated/amortized:				
Land and water rights	\$ 504,569	\$	\$	\$ 504,569
Construction in progress	219,815	322,608		542,423
Total capital assets, not being depreciated/ amortized	<u>724,384</u>	<u>322,608</u>		<u>1,046,992</u>
Capital assets, being depreciated/amortized:				
Land improvements	28,982			28,982
Buildings and improvements	30,000			30,000
Furniture equipment and vehicles	3,883,147	1,829,572		5,712,719
Leased vehicles, furniture and equipment	246,174			246,174
Water system	21,572,562	97,729		21,670,291
Sewer system	19,801,831	619,540		20,421,371
Total capital assets being depreciated/amortized	<u>45,562,696</u>	<u>2,546,841</u>		<u>48,109,537</u>
Less accumulated depreciation/amortization for:				
Land improvements	(7,256)	(966)		(8,222)
Buildings and improvements	(30,000)			(30,000)
Furniture equipment and vehicles	(3,060,753)	(231,704)		(3,292,457)
Leased vehicles, furniture and equipment	(133,544)	(49,234)		(182,778)
Water system	(10,051,297)	(683,450)		(10,734,747)
Sewer system	(10,701,208)	(628,821)		(11,330,029)
Total accumulated depreciation/amortization	<u>(23,984,058)</u>	<u>(1,594,175)</u>		<u>(25,578,233)</u>
Total capital assets, being depreciated/amortized, net	<u>21,578,638</u>	<u>952,666</u>		<u>22,531,304</u>
Business-type activities capital assets, net	<u>\$ 22,303,022</u>	<u>\$ 1,275,274</u>	<u>\$</u>	<u>\$ 23,578,296</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 765,537
Sewer	706,514
Sanitation	<u>122,124</u>
Total depreciation/amortization expense	<u>\$ 1,594,175</u>

Construction Commitments – At year end, the City had contractual commitments related to the construction of infrastructure improvements. At year end, the City had spent \$1,731,568 on the projects and had an estimated remaining contractual commitment of \$19,800,000.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 7 – Leases Payable

The City has acquired vehicles under the provisions of contracts classified as leases. The related obligations under the lease agreements have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund, Highway User Revenue Fund, and Water Fund are used to pay the lease obligations. Amortization of right-to-use assets recorded under leases is included with depreciation/amortization expense.

The net present value and future minimum lease payments at year end were as follows:

		<u>Governmental Activities</u>	
Year ending June 30:		<u>Principal</u>	<u>Interest</u>
	2026	\$ 187,683	\$ 16,800
	2027	152,159	12,150
	2028	143,707	7,499
	2029	106,042	3,643
	2030	50,105	838
	2031	5,546	23
Total		<u>\$ 645,242</u>	<u>\$ 40,953</u>

		<u>Business-type Activities</u>	
Year ending June 30:		<u>Principal</u>	<u>Interest</u>
	2026	\$ 59,029	\$ 1,477
	2027	21,852	731
	2028	11,367	84
Total		<u>\$ 92,248</u>	<u>\$ 2,292</u>

The right-to-use assets recorded under leases that meet the City’s capitalization threshold are as follows:

	<u>Governmental Activities</u>
Asset:	
Leased Vehicles, furniture and equipment	\$ 1,133,320
Less: Accumulated amortization	<u>(576,086)</u>
Total	<u>\$ 557,234</u>
	<u>Enterprise Activities</u>
Asset:	
Leased Vehicles, furniture and equipment	\$ 246,174
Less: Accumulated amortization	<u>(182,778)</u>
Total	<u>\$ 63,396</u>

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 8 – Subscription-Based Information Technology Arrangements (SBITAS)

The City has entered into subscription-based information technology arrangements (SBITAs) for governmental budgeting software and financial software. The related obligations under the SBITAs have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund, a major governmental fund, are used to pay the lease obligations. Amortization of right-to-use assets recorded under SBITAs is included with depreciation/amortization expense.

The net present value and future minimum SBITA payments at year end were as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2026	\$ 109,943	\$ 8,266
2027	64,289	5,117
2028	68,248	3,005
2029	24,308	25,000
Total	\$ 266,788	\$ 41,388

The total value of assets recorded under SBITAs that meet the City’s capitalization threshold is \$416,864, less accumulated amortization of \$132,411.

Note 9 – Long-Term Debt

Bonds payable at year end consisted of the following outstanding revenue and revenue refunding bonds. Excise taxes and state shared revenues from the General Fund are used to pay bonded debt.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2025	Due Within One Year
Governmental activities:					
Excise Tax and State Shared Revenue and Revenue Refunding Obligations, Series 2017	\$ 6,000,000	4.0 %	7/1/25-42	\$ 4,705,000	\$ 200,000
Excise Tax and State Shared Revenue Obligations, Series 2021	4,730,000	3.0%	7/1/25-41	4,000,000	200,000
Total				\$ 8,705,000	\$ 400,000

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 9 – Long-Term Debt

Annual debt service requirements to maturity on revenue and revenue refunding bonds at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2026	\$ 400,000	\$ 301,200
2027	410,000	287,025
2028	425,000	272,400
2029	440,000	257,225
2030	455,000	241,525
2031-35	2,525,000	952,400
2036-40	3,010,000	465,675
2041-42	1,040,000	34,050
Total	\$ 8,705,000	\$ 2,811,500

Pledged Revenues – Governmental Activities. Proceeds from the Series 2017 revenue and revenue refunding bonds issued in a prior year provided financing for certain capital projects of the City and to repay a term loan agreement. The City has pledged future excise tax and state shared revenues to repay the outstanding revenue and revenue refunding bonds of \$8,705,000. The bonds are paid from the General Fund and are payable through 2042. The total principal and interest to be paid on the obligations is \$11,516,500. The current total excise tax and state shared revenues were \$16.9 million, and the total principal and interest paid on the obligations was \$701,500.

At year end, the City had outstanding revenue bonds and loans from the Water Infrastructure Finance Authority of Arizona. These balances are being repaid from business-type activities revenues.

Bonds Payable - Business-Type Activities:

Water Revenue Bonds, Series 1997A, bearing interest at 4.5% due in semiannual principal and interest installments, maturing January 1, 2031.	\$ 96,425
Water Revenue Bonds, Series 1997B, bearing interest at 4.5% due in semiannual principal and interest installments, maturing January 1, 2031.	146,155
Total Revenue Bonds Payable	242,580
Less Current Portion	38,448
Total revenue bonds, net of current portion	\$ 204,132

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 9 – Long-Term Debt

Principal and interest payments on the business-type activities bonds payable at year end are summarized as follows:

Year Ending June 30:	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 38,448	\$ 10,916
2027	40,214	9,186
2028	42,063	7,376
2029	43,995	5,484
2030	46,015	3,504
2031	31,845	1,432
Total	<u>\$ 242,580</u>	<u>\$ 37,898</u>

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 9 – Long-Term Debt

Pledged Revenues – Business-Type Activities. The City has pledged future water and sewer revenues to repay the outstanding Water Revenue Bonds loans of \$242,580. Proceeds from the original bond issuances provided financing for improvements to the City’s water and sewer systems infrastructure. The bonds are paid solely from water and sewer revenues and are payable through 2031. The total principal and interest to be paid on the bonds is \$280,478. The current total customer gross revenues were \$5.3 million and the total principal and interest paid on the bonds was \$48,503 or one percent of gross revenues.

Loans Payable - Business-Type Activities:

Water Infrastructure Finance Authority (WIFA) Loan 910103-09, bearing interest at 2.312% to 3.24% due in semiannual principal and interest installments, maturing July 1, 2028.	\$ 1,664,228
Water Infrastructure Finance Authority (WIFA) Loan 92A150-10, bearing interest at 2.933% due in semiannual principal and interest installments, maturing on July 1, 2029.	148,183
Water Infrastructure Finance Authority (WIFA) Loan 920216-12, bearing interest at 2.625% due in semiannual principal and interest installments maturing July 1, 2031.	820,332
Water Infrastructure Finance Authority (WIFA) Loan 910164-15 bearing interest at 2.168% due in semiannual principal and interest installments maturing at July 1, 2034.	262,872
Water Infrastructure Finance Authority (WIFA) Loan 920256-15 bearing interest at 2.033% due in semiannual principal and interest installments maturing at July 1, 2034.	2,145,570
Water Infrastructure Finance Authority (WIFA) Loan 920201-23 bearing interest at 2.895% due in semiannual principal and interest installments maturing at July 1, 2042.	2,216,684
Water Infrastructure Finance Authority (WIFA) Loan 920358-23 bearing interest at 2.648% due in semiannual principal and interest installments maturing at July 1, 2042.	494,914
United States Department of Agriculture (USDA), bearing interest at 4.125% due in annual principal and interest installments beginning September 1, 2008, maturing September 1, 2045.	<u>768,774</u>
Total Loans Payable	8,521,607
Less Current Portion	<u>903,168</u>
Total Loans Payable, net of Current Portion	<u>\$ 7,618,439</u>

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 9 – Long-Term Debt

Principal and interest payments on the business-type activities loans payable at year end are summarized as follows:

Year Ending June 30:	Business-Type Activities	
	Principal	Interest
2026	\$ 903,168	\$ 189,092
2027	923,865	167,109
2028	945,027	144,609
2029	966,694	121,576
2030	546,366	105,223
2031-35	2,399,011	389,101
2036-40	1,030,573	217,573
2041-45	806,901	56,237
Total	\$ 8,521,605	\$ 1,390,520

Pledged Revenues – Business-Type Activities. Proceeds from the original WIFA loan issuances will provide financing for improvements to the City’s water and sewer systems infrastructure. The City has pledged future water and sewer system revenues to repay outstanding WIFA loan 910103-09, 92A150-10, 920358-23, and 910201-23 of \$4,524,009. Proceeds from the original loan issuances provided financing for improvements to the City’s water and sewer systems infrastructure. The loans are paid solely from water and sewer system revenues and are payable through 2028, 2029, 2042, and 2042, respectively. The total principal, interest, and admin fees to be paid on the loans is \$5,393,020. The current total water and sewer system revenues were \$5.3 million, and the total principal and interest paid on the loans was \$679,309, or 13 percent of gross revenues.

The City has pledged future water and sewer system revenues to repay WIFA loan 920216-12, 910164-15, and 920256-15 of \$3,228,775. Proceeds from the original loan issuances provided financing for improvements to the City’s water and sewer systems infrastructure. The loans are paid solely from water and sewer system revenues and are payable through 2031 and 2034. The total principal and interest to be paid on the loans is \$3,374,539. The current total water and sewer system revenues were \$5.3 million, and the total principal, interest, and admin fees paid on the loans was \$357,284, or seven percent of gross revenues.

The City has pledged future excise tax revenues to repay the outstanding USDA Loan of \$768,799. Proceeds from the original loan issuances provided financing for improvements to the City’s sewer system infrastructure. The loan is paid solely from excise tax revenues and is payable through 2045. The total principal and interest to be paid on the loans is \$1,144,518. The current total excise tax revenues were \$3.2 million, and the total principal and interest paid on the loan was \$56,984, or two percent of gross revenues.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Landfill Closure and Postclosure Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an addition to long term liabilities in the Sanitation Fund, a major Enterprise Fund, and on the Statement of Net Position in each period based on the landfill capacity the City used as of fiscal year end. The \$5,135,186 reported as landfill closure and postclosure care liability at year end, represents the cumulative amount reported to date based on prior closure and post closure costs recognized and the use of 60 percent of the estimated additional capacity added to the landfill during the fiscal year. The City will recognize the remaining estimated cost of closure and postclosure care of \$5,135,186 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in the current fiscal year. Resources from the Sanitation Fund will be used to liquidate the landfill closure and postclosure payable. The estimated remaining life of the landfill site is 30 years.

Note 11 – Changes in Long-Term Liabilities

Long-term liability activity for the current fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 9,085,000	\$	\$ 380,000	\$ 8,705,000	\$ 400,000
Bond premium	587,309		32,036	555,273	
Total bonds payable	<u>9,672,309</u>		<u>412,036</u>	<u>9,260,273</u>	<u>400,000</u>
Compensated absences payable	887,227	15,212		902,439	90,244
Leases payable	567,079	289,942	211,779	645,242	187,683
SBITA payable	203,717	127,226	64,155	266,788	109,943
Net pension liability	5,686,300		1,046,772	4,639,528	
Governmental activity long-term liabilities	<u>\$ 17,016,632</u>	<u>\$ 432,380</u>	<u>\$ 1,734,742</u>	<u>\$ 15,714,270</u>	<u>\$ 787,870</u>
Business-type activities:					
Revenue bonds payable	\$ 279,340	\$	\$ 36,760	\$ 242,580	\$ 38,448
Loans payable	9,404,587		882,980	8,521,607	903,168
Compensated absences	94,711	6,778		101,489	10,150
Leases payable	138,579		46,331	92,248	59,029
Landfill closure and post-closure costs payable	4,962,778	172,408		5,135,186	
Net pension liability	1,394,264		85,151	1,309,113	
Business-type activity long-term liabilities	<u>\$ 16,274,259</u>	<u>\$ 179,186</u>	<u>\$ 1,051,222</u>	<u>\$ 15,402,223</u>	<u>\$ 1,010,795</u>

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 12 – Contingent Liabilities

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Lawsuits – The City is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, City management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

Note 13 – Interfund Transfers

Transfers out	Transfers in			
	Non-Major Governmental Funds	Sewer	Sanitation	Total
General Fund	\$ 675,547	\$ 713,135	\$ 1,080,014	\$ 2,468,696
Non-Major Governmental Funds	9,233			9,233
Total	\$ 684,780	\$ 713,135	\$ 1,080,014	\$ 2,477,929

Transfers were made from the General Fund to the Grants Fund for housing grants and capital projects. A transfer was made from the General Fund to the Capital Projects Fund for capital purchases. Transfers were made from the General Fund to the Water, Sewer, and Sanitation Fund for infrastructure improvements to the Water, Sewer, and Sanitation Systems. Additionally, a transfer of revenue from the Cemetery Fund was made to the Perpetual Care Fund for ongoing maintenance.

Note 14 – Tax Abatements

In January 2006 the City entered into a tax abatement agreement with Robson Ranch, which creates significant benefits to the City by providing for the acquisition of infrastructure as part of the development, increasing tax and other revenue to the City as a result of the improvements constructed on the property, and additional employment through development of the property. The agreement is effective for an initial period of 20 years with two additional five year extensions. The agreement was entered into under the Economic Incentive Ordinance adopted by the City Council in January 2006. The Economic Incentive Ordinance allows for a two thirds (2/3) reduction in transaction privilege tax on work performed in a development.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 14 – Tax Abatements

The ordinance established the following conditions that must be met by a developer to qualify for the tax abatement: 1) The development must encompass a minimum of 2,000 acres not currently within the City, but adjacent thereto. 2) The developer must agree to voluntarily annex to the City at least 1,500 acres of the Development. 3) The development must contain both residential and commercial components. 4) A planned area development for at least 75% of the development’s acreage must be approved by Pinal County. 5) The development must not require the use of City water or sewer infrastructure to serve the development.

During the fiscal year, \$466,465 of transaction privilege taxes were abated under the Robson Ranch agreement. The agreement also exempts the developer from impact fees related to water, wastewater, fire protection, transportation, library, parks, open space, and recreation.

In February 2019, the City entered into a tax abatement agreement with Xpress Fuel, which creates significant benefits to the City by providing for increasing tax and other revenue to the City as a result of the improvements constructed on the property, and additional employment through development of the property. The Economic Incentive Ordinance allows for a one half (1/2) reduction in transaction privilege tax on work performed in a development. During the fiscal year \$51,753 of transaction privilege taxes were abated under the agreement.

In September 2021, the City entered into a tax abatement agreement with Gold Bond Building Products LLC, which creates significant benefits to the City by providing for increasing tax and other revenue to the City as a result of the improvements constructed on the property, and additional employment through development of the property. The Economic Incentive Ordinance allows for a three quarter (3/4) reduction in transaction privilege tax on work performed in a development. During the fiscal year, \$253,624 of transaction privilege taxes were abated under the agreement.

Note 15 – Restatements of Beginning Balances

The July 1, 2024 balance does not agree due to a change in major funds. The Grants Fund became a non-major fund in the current fiscal year.

	June 30, 2024 as Previously Reported	Change within the Financial Reporting Entity	June 30, 2024 as Restated
Governmental Funds			
Major Funds:			
General Fund	\$ 33,311,442	\$	\$ 33,311,442
Highway User Revenue	6,135,503		6,135,503
Grants Fund	5,418,561	(5,418,561)	
Nonmajor Funds	<u>10,329,970</u>	<u>5,418,561</u>	<u>15,748,531</u>
Total Governmental Funds	<u>\$ 55,195,476</u>	<u>\$</u>	<u>\$ 55,195,476</u>

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 16 – Subsequent Event

On September 22, 2025, the City early retired WIFA loans 910103-9, 92A150-10, 920216-12, and 910164-15 for a total of \$2,330,755. General Fund reserves were utilized to early retire the debt.

Note 17 – Risk Management

The City 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 City’s insurance protection is provided by the Arizona Municipal Risk Retention Pool (Pool). The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The 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.

The City joined the Arizona Municipal Workers’ Compensation Pool (Pool) together with other governments in the state for risks of loss related to workers’ compensation claims. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The City is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

The City continues to carry commercial insurance for all other risks of loss to include employee health and life insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 18 – Pensions

Aggregate Amounts. At June 30, 2025, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 4,639,528	\$ 1,309,113	\$ 5,948,641
Deferred outflows of resources	1,341,984	179,333	1,521,317
Deferred inflows of resources	924,305	132,338	1,056,643
Pension expense	544,927	40,988	585,915
Contributions	749,092	121,081	870,173

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

A. Arizona State Retirement System

Plan Description. City employees 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) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. For governmental activities, OPEB and pension liabilities are generally liquidated by the General Fund. 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. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

The ASRS OPEB plans are not further disclosed because of their relative insignificance to the City's financial statements.

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 and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. 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.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

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 current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.27 percent (12.12 percent for retirement and 0.15 percent for long-term disability) of the members’ annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 12.27 percent (12.05 percent for retirement, 0.07 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members’ annual covered payroll. The City’s contributions to the pension plan for the year ended June 30, 2025 were \$683,208. The City’s pension contributions are paid by the same funds as the employee’s salary with the largest component coming from the General Fund.

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The City was required by statute to contribute at the actuarially determined rate of 10.19 percent (10.14 for retirement and 0.05 percent for long-term disability). ACR contributions are included in employer contributions presented above.

Pension Liability. The net pension liability was measured as of June 30, 2024. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024. The City’s proportion of the net liability was based on the City’s actual contributions to the applicable plan relative to the total of all participating employers’ contributions to the plan for the year ended June 30, 2024.

At June 30, 2024, the City reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2024, the City’s percentage proportion for the plan and the related change from its proportion measured as of June 30, 2023 was:

Net Liability	City % Proportion	Increase (Decrease)
\$ 5,888,554	0.037	(0.003)

Pension Expense and Deferred Outflows/Inflows of Resources. The City has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The City’s pension expense for the year ended June 30, 2025 was \$231,283.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

The City 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	\$ 328,694	\$
Net difference between projected and actual earnings on pension investments		376,049
Changes in proportion and differences between contributions and proportionate share of contributions		370,681
Contributions subsequent to the measurement date	683,208	
Total	\$ 1,011,902	\$ 746,730

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2025	\$	(410,401)
2026		156,564
2027		(95,190)
2028		(69,009)

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

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Inflation	2.3%
Projected salary increases	2.9-8.4%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, excluding any expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public equity	44%	4.48%
Credit	23 %	4.40
Interest rate sensitive	6 %	(.45)
Private equity	10 %	6.11
Real estate	17 %	6.05
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.0 percent. 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 statute. Based on those assumptions, the 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.0%	7.0%	8.0%
Net liability	\$ 9,016,580	\$ 5,888,554	\$ 3,281,617

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

B. Public Safety Personnel Retirement System

Plan Descriptions. City public safety employees 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 (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans, and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. For governmental activities, OPEB and pension liabilities are generally liquidated by the General Fund. A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and employees who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool). The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

The PSPRS Tier 3 Risk Pool plan and the PSPRS OPEB plans are not further disclosed because of their relative insignificance to the City’s financial statements.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

Benefits Provided. The PSPRS provides retirement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows.

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

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

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

Employees Covered by Benefit Terms. At June 30, 2025, the following employees were covered by the agent plans’ benefit terms:

	PSPRS - Police
Retirees and beneficiaries	14
Inactive, non-retired members	5
Active members	16
Total	35

Contributions. 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, 2025, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS - Police
Active members – pension	7.65% - 10.22%
City:	
Pension	12.24%

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to PSPRS. The City was required by statute to contribute at the actuarially determined rate of 28.39 percent for the PSPRS. ACR contributions are included in employer contributions presented below.

The City’s contributions to the pension plan for the year ended June 30, 2025 were \$186,965.

The City’s pension contributions are paid by the same funds as the employee’s salary, with the largest component coming from the General Fund.

Pension Liability. At June 30, 2025, the City reported \$60,087 in net pension liability.

The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

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

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	2.75 - 15.0%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022, actuarial valuation.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. public equity	24%	3.62%
International public equity	16	4.47
Global private equity	27	7.05
Core bonds	6	2.44
Private credit	20	6.24
Diversifying strategies	5	3.15
Cash – Mellon	2	0.89
Total	<u>100%</u>	

Discount Rate. At June 30, 2024, the discount rate used to measure the total pension liability was 7.2 percent.

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

The projection of cash flows used to determine the discount rate assumed that pension 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 pension 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 Net Pension (Assets)/Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
PSPRS - Police			
Balances at June 30, 2024	\$ 17,433,267	\$ 16,724,956	\$ 708,311
Changes for the year:			
Service cost	319,363		319,363
Interest on the total pension liability	1,253,644		1,253,644
Differences between expected and actual experience			
in the measurement of the pension liability	(188,021)		(188,021)
Contributions – employer		227,537	(227,537)
Contributions – employee		125,889	(125,889)
Net investment income		1,689,103	(1,689,103)
Benefit payments, including refunds of employee contributions	(681,829)	(681,829)	
Administrative expense		(9,319)	9,319
Net changes	703,157	1,351,381	(648,224)
Balances at June 30, 2025	<u>\$ 18,136,424</u>	<u>\$ 18,076,337</u>	<u>\$ 60,087</u>

Sensitivity of the Net Pension (Liability) to Changes in the Discount Rate. The following presents the City’s net pension assets (liability) calculated using the discount rate noted above, as well as what the City’s net pension assets (liability) 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:

	Current		
	1% Decrease	Discount Rate	1% Increase
PSPRS - Police:			
Rate	6.2%	7.2%	8.2%
Net pension (assets) liability	\$ 2,761,459	\$ 60,087	\$ (2,114,431)

City of Eloy, Arizona
Notes to Financial Statements
June 30, 2025

Note 18 – Pensions

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

Pension Expense. For the year ended June 30, 2025, the City recognized \$354,632 as pension expense.

Pension Deferred Outflows/Inflows of Resources. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 229,494	\$ 183,225
Changes of assumptions or other inputs	92,956	
Net difference between projected and actual earnings on pension plan investments		126,688
Contributions subsequent to the measurement date	186,965	
Total	\$ 509,415	\$ 309,913

The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an increase in the net pension assets or a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expenses as follows:

Year Ending June 30:	PSPRS - Police
2026	\$ (45,239)
2027	258,215
2028	(101,026)
2029	(99,413)

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Required Supplementary Information

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Sales Taxes	\$ 8,362,860	\$ 8,699,258	\$ 336,398
Property Taxes	1,468,865	1,456,565	(12,300)
Franchise Taxes	219,795	250,367	30,572
Licenses, Permits, and Fees	706,750	1,305,357	598,607
Intergovernmental Revenue	7,762,255	8,407,062	644,807
Charges for Services	151,910	234,084	82,174
Fines and Forfeitures	266,230	210,141	(56,089)
Investment Income	395,000	1,969,774	1,574,774
Other Revenues	<u>81,500</u>	<u>64,099</u>	<u>(17,401)</u>
Total revenues	<u>19,415,165</u>	<u>22,596,707</u>	<u>3,181,542</u>
Expenditures			
Current:			
General Government			
Mayor and Council	311,180	284,525	26,655
City Clerk	562,435	546,539	15,896
Human Resources	387,405	360,198	27,207
Magistrate	646,190	574,755	71,435
City Manager	691,295	536,966	154,329
Finance	1,044,825	1,007,918	36,907
Legal and Professional	164,845	156,491	8,354
Contingency	1,395,000	966,737	428,263
G.I.S	<u>58,430</u>	<u>53,096</u>	<u>5,334</u>
Total General Government	5,261,605	4,487,225	774,380
Public Safety			
Law Enforcement	<u>6,325,090</u>	<u>5,880,956</u>	<u>444,134</u>
Total Public Safety	6,325,090	5,880,956	444,134
Public Works			
Vehicle Maintenance	265,005	249,602	15,403
Public Works Administration	108,885	108,692	193
Facilities Maintenance	<u>468,535</u>	<u>424,906</u>	<u>43,629</u>
Total Public Works	842,425	783,200	59,225
Community Development			
Community Development	<u>1,254,155</u>	<u>1,055,578</u>	<u>198,577</u>
Total Community Development	1,254,155	1,055,578	198,577
Culture and Recreation			
Park Maintenance	628,290	585,701	42,589
Parks and Recreation	1,002,355	845,961	156,394
Library	288,165	277,383	10,782
Recreation	<u>542,155</u>	<u>514,841</u>	<u>27,314</u>
Total Culture and Recreation	2,460,965	2,223,886	237,079
Capital Outlay			
Capital Outlay	<u>49,775</u>	<u>387,596</u>	<u>(337,821)</u>
Total Capital Outlay	49,775	387,596	(337,821)
Debt Services			
Principal Retirement	625,208	625,208	
Interest and Fiscal Charges	<u>304,392</u>	<u>383,165</u>	<u>(78,773)</u>
Total Debt Services	<u>929,600</u>	<u>1,008,373</u>	<u>(78,773)</u>
Total expenditures	<u>17,123,615</u>	<u>15,826,814</u>	<u>1,296,801</u>
Excess (deficiency) of revenues over expenditures	<u>2,291,550</u>	<u>6,769,893</u>	<u>4,478,343</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Highway User Revenue Fund
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Intergovernmental Revenue	\$ 3,328,135	\$ 3,933,536	\$ 605,401
Investment Income	135,000	285,594	150,594
Other Revenues	<u>500</u>	<u> </u>	<u>(500)</u>
Total revenues	<u>3,463,635</u>	<u>4,219,130</u>	<u>755,495</u>
Expenditures			
Current:			
Public Works	2,197,590	1,788,513	409,077
Capital Outlay	1,450,000	1,119,157	330,843
Debt Services	<u>56,000</u>	<u>59,263</u>	<u>(3,263)</u>
Total expenditures	<u>3,703,590</u>	<u>2,966,933</u>	<u>736,657</u>
Changes in fund balances	<u>(239,955)</u>	<u>1,252,197</u>	<u>1,492,152</u>
Fund balances, beginning of year	<u> </u>	<u>6,135,503</u>	<u>6,135,503</u>
Fund balances, end of year	<u>\$ (239,955)</u>	<u>\$ 7,387,700</u>	<u>\$ 7,627,655</u>

City of Eloy, Arizona
Schedule of the Proportionate Share of the Net Pension Liability
Arizona State Retirement System
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's proportion of the net pension (assets) liability	0.04%	0.04%	0.04%	0.04%	0.04%
City's proportionate share of the net pension (assets) liability	\$ 5,888,554	\$ 6,372,253	\$ 6,763,928	\$ 5,435,834	\$ 7,084,814
City's covered payroll	\$ 4,860,964	\$ 4,728,540	\$ 4,541,682	\$ 4,129,373	\$ 4,142,299
City's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	121.14%	134.76%	148.93%	131.64%	171.04%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net pension (assets) liability	0.04%	0.04%	0.04%	0.04%	0.04%
City's proportionate share of the net pension (assets) liability	\$ 5,862,664	\$ 5,515,833	\$ 6,137,752	\$ 6,588,758	\$ 6,347,429
City's covered payroll	\$ 3,972,138	\$ 3,806,046	\$ 3,846,865	\$ 3,677,696	\$ 3,739,605
City's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	147.59%	144.92%	159.55%	179.15%	169.74%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%

**City of Eloy, Arizona
Schedule of Pension Contributions
All Pension Plans
Last Ten Fiscal Years**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Arizona State Retirement System:				
Actuarially determined contribution	\$ 683,208	\$ 584,774	\$ 563,642	\$ 545,456
Contributions in relation to the actuarially determined contribution	<u>683,208</u>	<u>584,774</u>	<u>563,642</u>	<u>545,456</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 5,669,776	\$ 4,860,964	\$ 4,728,540	\$ 4,541,682
Contributions as a percentage of covered payroll	12.05%	12.03%	11.92%	12.01%
Public Safety Personnel Retirement System - Police:				
Actuarially determined contribution	\$ 186,965	\$ 212,438	\$ 624,931	\$ 221,331
Contributions in relation to the actuarially determined contribution	<u>186,965</u>	<u>212,438</u>	<u>624,931</u>	<u>6,221,331</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (6,000,000)</u>
City's covered payroll	\$ 1,527,492	\$ 1,639,182	\$ 1,574,530	\$ 2,148,845
Contributions as a percentage of covered payroll	12.24%	12.96%	39.69%	10.30%

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$	481,072	\$ 463,109	\$ 444,085	\$ 414,859	\$ 414,692	\$ 399,030
	<u>481,072</u>	<u>463,109</u>	<u>444,085</u>	<u>414,859</u>	<u>414,692</u>	<u>399,030</u>
\$		\$	\$	\$	\$	\$
\$	4,129,373	\$ 4,044,620	\$ 4,104,819	\$ 3,806,046	\$ 3,846,865	\$ 3,677,696
	11.65%	11.45%	10.82%	10.90%	10.78%	10.85%
\$	746,090	\$ 607,783	\$ 500,563	\$ 500,563	\$ 404,607	\$ 388,131
	<u>746,090</u>	<u>607,783</u>	<u>500,563</u>	<u>500,563</u>	<u>404,607</u>	<u>388,131</u>
\$		\$	\$	\$	\$	\$
\$	1,720,687	\$ 1,548,097	\$ 1,354,704	\$ 1,442,545	\$ 1,643,408	\$ 1,658,679
	43.36%	39.26%	36.95%	34.70%	24.62%	23.40%

City of Eloy, Arizona
Schedule of Changes in the Net Pension Liability and Related Ratios
Public Safety Personnel Retirement System - Police
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total pension liability				
Service cost	\$ 319,363	\$ 309,528	\$ 293,297	\$ 291,196
Interest	1,253,644	1,174,182	1,130,163	1,094,236
Changes of benefit terms				
Differences between expected and actual experience	(188,021)	289,950	(61,371)	(88,311)
Changes of assumptions or other inputs			232,389	
Benefit payments, including refunds of employee contributions	(681,829)	(677,902)	(890,711)	(723,421)
Net change in total pension liability	<u>703,157</u>	<u>1,095,758</u>	<u>703,767</u>	<u>573,700</u>
Total pension liability—beginning	<u>17,433,267</u>	<u>16,337,509</u>	<u>15,633,742</u>	<u>15,060,042</u>
Total pension liability—ending	<u><u>\$ 18,136,424</u></u>	<u><u>\$ 17,433,267</u></u>	<u><u>\$ 16,337,509</u></u>	<u><u>\$ 15,633,742</u></u>
Plan fiduciary net position				
Contributions—employer	\$ 227,537	\$ 595,458	\$ 6,179,713	\$ 629,564
Contributions—employee	125,889	159,351	151,875	143,077
Net investment income	1,689,103	1,179,804	(646,373)	2,316,701
Benefit payments, including refunds of employee contributions	(681,829)	(677,902)	(890,711)	(723,421)
Administrative expense	(9,319)	(7,544)	(11,607)	(10,881)
Other changes		(826)		
Net change in plan fiduciary net position	<u>1,351,381</u>	<u>1,248,341</u>	<u>4,782,897</u>	<u>2,355,040</u>
Plan fiduciary net position—beginning	<u>16,724,956</u>	<u>15,476,615</u>	<u>10,693,718</u>	<u>8,338,678</u>
Plan fiduciary net position—ending	<u><u>\$ 18,076,337</u></u>	<u><u>\$ 16,724,956</u></u>	<u><u>\$ 15,476,615</u></u>	<u><u>\$ 10,693,718</u></u>
Net pension (assets) liability—ending	<u><u>\$ 60,087</u></u>	<u><u>\$ 708,311</u></u>	<u><u>\$ 860,894</u></u>	<u><u>\$ 4,940,024</u></u>
Plan fiduciary net position as a percentage of the total pension liability	99.67%	95.94%	94.73%	68.40%
Covered payroll	\$ 1,639,182	\$ 1,574,530	\$ 2,148,845	\$ 1,720,687
Net pension (assets) liability as a percentage of covered payroll	3.67%	44.99%	40.06%	287.10%

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
\$ 300,223	\$ 299,543	\$ 289,559	\$ 363,807	\$ 297,654	\$ 333,771
1,019,000	954,948	913,393	844,433	781,825	723,594
333,144			118,417	467,870	
	(51,419)	(263,179)	216,841	19,646	86,283
	370,122		362,038	439,912	
(502,007)	(537,351)	(528,596)	(1,040,165)	(440,693)	(326,877)
1,150,360	1,035,843	411,177	865,371	1,566,214	816,771
13,909,682	12,873,839	12,462,662	11,597,291	10,031,077	9,214,306
<u>\$ 15,060,042</u>	<u>\$ 13,909,682</u>	<u>\$ 12,873,839</u>	<u>\$ 12,462,662</u>	<u>\$ 11,597,291</u>	<u>\$ 10,031,077</u>
\$ 661,030	\$ 611,495	\$ 302,117	\$ 390,066	\$ 390,887	\$ 284,427
144,513	121,217	151,267	202,074	209,336	290,218
103,145	403,809	477,140	767,305	37,912	225,871
(502,007)	(537,351)	(528,596)	(1,040,165)	(440,693)	(326,877)
(8,412)	(8,018)	(7,962)	(7,189)	(5,855)	(5,892)
		87	4,949	(30,902)	(14,603)
398,269	591,152	394,053	317,040	160,685	453,144
7,940,409	7,349,257	6,955,204	6,638,164	6,477,479	6,024,335
<u>\$ 8,338,678</u>	<u>\$ 7,940,409</u>	<u>\$ 7,349,257</u>	<u>\$ 6,955,204</u>	<u>\$ 6,638,164</u>	<u>\$ 6,477,479</u>
<u>\$ 6,721,364</u>	<u>\$ 5,969,273</u>	<u>\$ 5,524,582</u>	<u>\$ 5,507,458</u>	<u>\$ 4,959,127</u>	<u>\$ 3,553,598</u>
55.37%	57.09%	57.09%	55.81%	57.24%	64.57%
\$ 1,548,097	\$ 1,354,704	\$ 1,442,545	\$ 1,594,245	\$ 1,658,679	\$ 1,738,327
434.17%	440.63%	382.97%	345.46%	298.98%	204.43%

City of Eloy, Arizona
Notes to Required Supplementary Information
June 30, 2025

Note 1 – Budgetary Basis of Accounting

The City budget is prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America. The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget, for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain public comment.

Prior to the third Monday in August, the expenditure limitation for the City 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 City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
3. The City follows a voter-approved alternative expenditure limitation that was adopted in August 2020.
4. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Cities and Towns. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

No supplementary budgetary appropriations were made during the year.

Note 2 – Pension Plan Schedules

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

City of Eloy, Arizona
Notes to Required Supplementary Information
June 30, 2025

Note 2 – Pension Plan Schedules

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2023, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

The actuarial assumptions used in the June 30, 2024, valuation for PSPRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022 actuarial valuation.

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. As a result, the 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. 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.

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**Combining and Individual
Fund Financial Statements and Schedules**

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Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources, other than major capital projects, that are restricted to expenditures for specified purposes.

Public Works Facility – accounts for the collection of sales tax revenues which are set aside for the maintaining, repairing, and upgrading of streets.

Local Transportation Assistance (LTAF) – accounts for the City’s share of lottery proceeds which are set aside for transportation costs and the maintaining, repairing, and upgrading of streets.

Economic and Community Development – accounts for the collection of sales tax revenues which are set aside for economic and community development projects.

Grants – accounts for federal and state grants and other contributions that are restricted for a specific purpose.

Judicial Collection Enhancement (JCEF) – accounts for monies received to improve the city’s court operations.

Cemetery – accounts for the activities of the city’s cemetery.

Airport – accounts for fuel sales, charges for services and related costs and expenses for operation of the City airport.

Perpetual Care – accounts for 10% of all cemetery plot sales and can be used to maintain the ongoing general care of the grounds of the community cemetery.

Capital Projects Fund

Capital Projects Funds are used to account for the construction and acquisition of capital assets.

Capital Projects – accounts for the construction and acquisition of capital assets to be utilized by the City’s governmental funds.

Impact Fee – accounts for the collection of impact fees and the various infrastructure projects they fund.

Court Recovery – accounts for court enhancement fee revenues and the capital outlays funded by these revenues.

**City of Eloy, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025**

	Special Revenue Funds				
	Public Works		Economic and Community		
	Facility		LTA		
Assets					
Cash and Investments	\$ 1,441,182	\$ 11,475	\$ 2,092,649	\$ 4,743,090	\$ 53,022
Interest Receivable	8,352		13,920		
Due from Governmental Entities				538,777	383
Accounts Receivable (Net of Allowance)					
Leases Receivable					
Total assets	<u>\$ 1,449,534</u>	<u>\$ 11,475</u>	<u>\$ 2,106,569</u>	<u>\$ 5,281,867</u>	<u>\$ 53,405</u>
Liabilities					
Accounts payable	\$	\$	\$	\$ 5,074	\$
Accrued Salaries and Wages Payable				671	
Total liabilities				<u>5,745</u>	
Deferred inflows of resources					
Leases					
Total deferred inflows of resources					
Fund balances					
Restricted		11,475		5,276,122	53,405
Committed	1,449,534		2,106,569		
Assigned					
Total fund balances	<u>1,449,534</u>	<u>11,475</u>	<u>2,106,569</u>	<u>5,276,122</u>	<u>53,405</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,449,534</u>	<u>\$ 11,475</u>	<u>\$ 2,106,569</u>	<u>\$ 5,281,867</u>	<u>\$ 53,405</u>

Special Revenue Funds			Capital Projects Funds			Total Non-Major Governmental Funds
Cemetery	Airport	Perpetual Care	Capital Projects	Impact Fee	Court Recovery	
\$ 404,773	\$ 917,339	\$ 214,669	\$ 2,802,319	\$ 2,978,075	\$ 136,605	\$ 15,795,198
3,225	3,667	3,225	19,352	16,704	2,784	71,229
	67				1,261	540,488
7,111						7,111
	59,717					59,717
<u>\$ 415,109</u>	<u>\$ 980,790</u>	<u>\$ 217,894</u>	<u>\$ 2,821,671</u>	<u>\$ 2,994,779</u>	<u>\$ 140,650</u>	<u>\$ 16,473,743</u>
\$ 7,843	\$ 8,198	\$	\$ 129,488	\$ 526	\$	\$ 151,129
675						1,346
<u>8,518</u>	<u>8,198</u>		<u>129,488</u>	<u>526</u>		<u>152,475</u>
	74,736					74,736
	<u>74,736</u>					<u>74,736</u>
		217,894		2,994,253	140,650	8,693,799
406,591	897,856		2,692,183			4,860,550
			<u>2,692,183</u>			<u>2,692,183</u>
<u>406,591</u>	<u>897,856</u>	<u>217,894</u>	<u>2,692,183</u>	<u>2,994,253</u>	<u>140,650</u>	<u>16,246,532</u>
<u>\$ 415,109</u>	<u>\$ 980,790</u>	<u>\$ 217,894</u>	<u>\$ 2,821,671</u>	<u>\$ 2,994,779</u>	<u>\$ 140,650</u>	<u>\$ 16,473,743</u>

City of Eloy, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds				
	Public Works		Economic and Community		JCEF
	Facility	LTAF	Development	Grants	
Revenues					
Sales Taxes	\$ 325,021	\$	\$ 459,505	\$	\$
Intergovernmental Revenue				1,809,352	6,197
Charges for Services					
Investment Income	40,884	311	68,140		
Impact Fees					
Other Revenues				1,786	
Total revenues	<u>365,905</u>	<u>311</u>	<u>527,645</u>	<u>1,811,138</u>	<u>6,197</u>
Expenditures					
Current:					
General Government					
Public Safety				471,728	
Community Development				153,871	
Health and Welfare				208,722	
Capital Outlay	732,313		75,000	1,134,912	932
Total expenditures	<u>732,313</u>		<u>75,000</u>	<u>1,969,233</u>	<u>932</u>
Excess (deficiency) of revenues over expenditures	<u>(366,408)</u>	<u>311</u>	<u>452,645</u>	<u>(158,095)</u>	<u>5,265</u>
Other financing sources (uses)					
Transfers in				15,656	
Transfers out					
Total other financing sources (uses)				<u>15,656</u>	
Changes in fund balances	<u>(366,408)</u>	<u>311</u>	<u>452,645</u>	<u>(142,439)</u>	<u>5,265</u>
Fund balances, beginning of year, previously reported	1,815,942	11,164	1,653,924		48,140
Adjustments to beginning fund balances				5,418,561	
Fund balances, beginning of year, as restated	<u>1,815,942</u>	<u>11,164</u>	<u>1,653,924</u>	<u>5,418,561</u>	<u>48,140</u>
Fund balances, end of year	<u>\$ 1,449,534</u>	<u>\$ 11,475</u>	<u>\$ 2,106,569</u>	<u>\$ 5,276,122</u>	<u>\$ 53,405</u>

Special Revenue Funds			Capital Projects Funds			Total Non-Major Governmental Funds
Cemetery	Airport	Perpetual Care	Capital Projects	Impact Fee	Court Recovery	
\$	\$	\$	\$	\$	\$	\$ 784,526
					13,971	1,829,520
211,594	66,471					278,065
13,628	14,921	21,270	81,768	85,391	13,627	339,940
				472,101		472,101
<u>33,299</u>						<u>35,085</u>
<u>258,521</u>	<u>81,392</u>	<u>21,270</u>	<u>81,768</u>	<u>557,492</u>	<u>27,598</u>	<u>3,739,237</u>
178,513	231				11,371	190,115
						471,728
						153,871
						208,722
<u>16,564</u>	<u>47,707</u>		<u>884,919</u>			<u>2,892,347</u>
<u>195,077</u>	<u>47,938</u>		<u>884,919</u>		<u>11,371</u>	<u>3,916,783</u>
<u>63,444</u>	<u>33,454</u>	<u>21,270</u>	<u>(803,151)</u>	<u>557,492</u>	<u>16,227</u>	<u>(177,546)</u>
		9,233	659,891			684,780
<u>(9,233)</u>						<u>(9,233)</u>
<u>(9,233)</u>		<u>9,233</u>	<u>659,891</u>			<u>675,547</u>
<u>54,211</u>	<u>33,454</u>	<u>30,503</u>	<u>(143,260)</u>	<u>557,492</u>	<u>16,227</u>	<u>498,001</u>
352,380	864,402	187,391	2,835,443	2,436,761	124,423	10,329,970
						5,418,561
<u>352,380</u>	<u>864,402</u>	<u>187,391</u>	<u>2,835,443</u>	<u>2,436,761</u>	<u>124,423</u>	<u>15,748,531</u>
<u>\$ 406,591</u>	<u>\$ 897,856</u>	<u>\$ 217,894</u>	<u>\$ 2,692,183</u>	<u>\$ 2,994,253</u>	<u>\$ 140,650</u>	<u>\$ 16,246,532</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Works Facility
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Sales Taxes	\$ 410,000	\$ 325,021	\$ (84,979)
Investment Income		<u>40,884</u>	<u>40,884</u>
Total revenues	<u>410,000</u>	<u>365,905</u>	<u>(44,095)</u>
Expenditures			
Current:			
Capital Outlay	<u>800,000</u>	<u>732,313</u>	<u>67,687</u>
Total expenditures	<u>800,000</u>	<u>732,313</u>	<u>67,687</u>
Changes in fund balances	<u>(390,000)</u>	<u>(366,408)</u>	<u>23,592</u>
Fund balances, beginning of year		<u>1,815,942</u>	<u>1,815,942</u>
Fund balances, end of year	<u>\$ (390,000)</u>	<u>\$ 1,449,534</u>	<u>\$ 1,839,534</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
LTAf
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Investment Income	\$ 200	\$ 311	\$ 111
Total revenues	<u>200</u>	<u>311</u>	<u>111</u>
Expenditures			
Current:			
Public Works	<u>11,190</u>	<u> </u>	<u>11,190</u>
Total expenditures	<u>11,190</u>	<u> </u>	<u>11,190</u>
Changes in fund balances	<u>(10,990)</u>	<u>311</u>	<u>11,301</u>
Fund balances, beginning of year	<u> </u>	<u>11,164</u>	<u>11,164</u>
Fund balances, end of year	<u>\$ (10,990)</u>	<u>\$ 11,475</u>	<u>\$ 22,465</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Economic and Community Development Fund
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Sales Taxes	\$ 444,125	\$ 459,505	\$ 15,380
Investment Income		68,140	68,140
Total revenues	<u>444,125</u>	<u>527,645</u>	<u>83,520</u>
Expenditures			
Current:			
Capital Outlay	815,000	75,000	740,000
Total expenditures	<u>815,000</u>	<u>75,000</u>	<u>740,000</u>
Changes in fund balances	<u>(370,875)</u>	<u>452,645</u>	<u>823,520</u>
Fund balances, beginning of year		<u>1,653,924</u>	<u>1,653,924</u>
Fund balances, end of year	<u>\$ (370,875)</u>	<u>\$ 2,106,569</u>	<u>\$ 2,477,444</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
JCEF
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Intergovernmental Revenue	\$ 14,800	\$ 6,197	\$ (8,603)
Total revenues	<u>14,800</u>	<u>6,197</u>	<u>(8,603)</u>
Expenditures			
Current:			
Capital Outlay	74,855	932	73,923
Total expenditures	<u>74,855</u>	<u>932</u>	<u>73,923</u>
Changes in fund balances	<u>(60,055)</u>	<u>5,265</u>	<u>65,320</u>
Fund balances, beginning of year	<u> </u>	<u>48,140</u>	<u>48,140</u>
Fund balances, end of year	<u>\$ (60,055)</u>	<u>\$ 53,405</u>	<u>\$ 113,460</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Grants
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Intergovernmental Revenue	\$ 7,506,150	\$ 1,809,352	\$ (5,696,798)
Other Revenues	<u>13,200</u>	<u>1,786</u>	<u>(11,414)</u>
Total revenues	<u>7,519,350</u>	<u>1,811,138</u>	<u>(5,708,212)</u>
Expenditures			
Current:			
Public Safety	661,490	471,728	189,762
Community Development	1,407,905	153,871	1,254,034
Health and Welfare	2,881,620	208,722	2,672,898
Capital Outlay	<u>2,643,335</u>	<u>1,134,912</u>	<u>1,508,423</u>
Total expenditures	<u>7,594,350</u>	<u>1,969,233</u>	<u>5,625,117</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(158,095)</u>	<u>(83,095)</u>
Other financing sources (uses)			
Transfers in	<u>(75,000)</u>	<u>15,656</u>	<u>90,656</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>15,656</u>	<u>90,656</u>
Changes in fund balances	<u>(150,000)</u>	<u>(142,439)</u>	<u>7,561</u>
Fund balances, beginning of year	<u> </u>	<u>5,418,561</u>	<u>5,418,561</u>
Fund balances, end of year	<u>\$ (150,000)</u>	<u>\$ 5,276,122</u>	<u>\$ 5,426,122</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Cemetery
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Charges for Services	\$ 169,300	\$ 211,594	\$ 42,294
Investment Income	8,500	13,628	5,128
Other Revenues	<u>46,050</u>	<u>33,299</u>	<u>(12,751)</u>
Total revenues	<u>223,850</u>	<u>258,521</u>	<u>34,671</u>
Expenditures			
Current:			
General Government	197,350	178,513	18,837
Capital Outlay	<u>95,000</u>	<u>16,564</u>	<u>78,436</u>
Total expenditures	<u>292,350</u>	<u>195,077</u>	<u>97,273</u>
Excess (deficiency) of revenues over expenditures	<u>(68,500)</u>	<u>63,444</u>	<u>131,944</u>
Other financing sources (uses)			
Transfers out	<u>(6,500)</u>	<u>(9,233)</u>	<u>(2,733)</u>
Total other financing sources (uses)	<u>(6,500)</u>	<u>(9,233)</u>	<u>(2,733)</u>
Changes in fund balances	<u>(75,000)</u>	<u>54,211</u>	<u>129,211</u>
Fund balances, beginning of year	<u> </u>	<u>352,380</u>	<u>352,380</u>
Fund balances, end of year	<u>\$ (75,000)</u>	<u>\$ 406,591</u>	<u>\$ 481,591</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Airport
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Charges for Services	\$ 197,950	\$ 66,471	\$ (131,479)
Investment Income	9,000	14,921	5,921
Total revenues	<u>206,950</u>	<u>81,392</u>	<u>(125,558)</u>
Expenditures			
Current:			
General Government		231	(231)
Capital Outlay	428,090	47,707	380,383
Total expenditures	<u>428,090</u>	<u>47,938</u>	<u>380,152</u>
Changes in fund balances	<u>(221,140)</u>	<u>33,454</u>	<u>254,594</u>
Fund balances, beginning of year		<u>864,402</u>	<u>864,402</u>
Fund balances, end of year	<u>\$ (221,140)</u>	<u>\$ 897,856</u>	<u>\$ 1,118,996</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Perpetual Care
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Investment Income	\$ 8,500	\$ 21,270	\$ 12,770
Total revenues	<u>8,500</u>	<u>21,270</u>	<u>12,770</u>
Expenditures			
Current:			
General Government	15,000		15,000
Total expenditures	<u>15,000</u>		<u>15,000</u>
Excess (deficiency) of revenues over expenditures	<u>(6,500)</u>	<u>21,270</u>	<u>27,770</u>
Other financing sources (uses)			
Transfers in	(6,500)	9,233	15,733
Total other financing sources (uses)	<u>(6,500)</u>	<u>9,233</u>	<u>15,733</u>
Changes in fund balances	<u>(13,000)</u>	<u>30,503</u>	<u>43,503</u>
Fund balances, beginning of year		<u>187,391</u>	<u>187,391</u>
Fund balances, end of year	<u>\$ (13,000)</u>	<u>\$ 217,894</u>	<u>\$ 230,894</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Investment Income	\$ _____	\$ 81,768	\$ 81,768
Total revenues	<u>_____</u>	<u>81,768</u>	<u>81,768</u>
Expenditures			
Current:			
Capital Outlay	1,666,600	884,919	781,681
Total expenditures	<u>1,666,600</u>	<u>884,919</u>	<u>781,681</u>
Excess (deficiency) of revenues over expenditures	<u>(1,666,600)</u>	<u>(803,151)</u>	<u>863,449</u>
Other financing sources (uses)			
Transfers in	(850,000)	659,891	1,509,891
Total other financing sources (uses)	<u>(850,000)</u>	<u>659,891</u>	<u>1,509,891</u>
Changes in fund balances	<u>(2,516,600)</u>	<u>(143,260)</u>	<u>2,373,340</u>
Fund balances, beginning of year	<u>_____</u>	<u>2,835,443</u>	<u>2,835,443</u>
Fund balances, end of year	<u>\$ (2,516,600)</u>	<u>\$ 2,692,183</u>	<u>\$ 5,208,783</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Impact Fee
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Investment Income	\$ 40,750	\$ 85,391	\$ 44,641
Impact Fee	<u>365,000</u>	<u>472,101</u>	<u>107,101</u>
Total revenues	<u>405,750</u>	<u>557,492</u>	<u>151,742</u>
Expenditures			
Current:			
Capital Outlay	<u>2,695,580</u>	<u> </u>	<u>2,695,580</u>
Total expenditures	<u>2,695,580</u>	<u> </u>	<u>2,695,580</u>
Changes in fund balances	<u>(2,289,830)</u>	<u>557,492</u>	<u>2,847,322</u>
Fund balances, beginning of year	<u> </u>	<u>2,436,761</u>	<u>2,436,761</u>
Fund balances, end of year	<u>\$ (2,289,830)</u>	<u>\$ 2,994,253</u>	<u>\$ 5,284,083</u>

City of Eloy, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Court Recovery
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Intergovernmental Revenue	\$ 21,000	\$ 13,971	\$ (7,029)
Investment Income	6,500	13,627	7,127
Total revenues	<u>27,500</u>	<u>27,598</u>	<u>98</u>
Expenditures			
Current:			
General Government	149,280	11,371	137,909
Total expenditures	<u>149,280</u>	<u>11,371</u>	<u>137,909</u>
Changes in fund balances	<u>(121,780)</u>	<u>16,227</u>	<u>138,007</u>
Fund balances, beginning of year	<u> </u>	<u>124,423</u>	<u>124,423</u>
Fund balances, end of year	<u>\$ (121,780)</u>	<u>\$ 140,650</u>	<u>\$ 262,430</u>

Statistical Section

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Contents:	Page
Financial Trends These schedules contain information on financial trends to help the reader understand how the City's financial position and financial activities have changed over time.	128
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate revenue.	132
Debt Capacity These schedules present information to help the reader evaluate the City's current levels of outstanding debt as well as assess the City's ability to make debt payments and/or issue additional debt in the future.	141
Demographic and Economic Information These schedules present various demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparisons with other municipalities.	145
Operating Information These schedules contain information about the City's operations and various resources to help the reader draw conclusions as to how the City's financial information relates to the services provided by the City.	148

CITY OF ELOY, ARIZONA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018 (as restated)	2019	2020	2021	2022 (as restated)	2023	2024	2025
Governmental Activities										
Net Investment in Capital Assets:	\$ 22,423,567	\$ 19,872,313	\$ 17,279,680	\$ 26,861,174	\$ 29,336,784	\$ 39,228,769	\$ 33,997,573	\$ 34,141,639	\$ 34,297,469	\$ 36,094,723
Restricted	4,745,019	9,037,570	9,179,911	4,589,446	4,884,989	5,337,779	7,309,158	8,520,449	14,361,943	15,079,123
Unrestricted	8,810,844	9,728,054	10,884,720	10,421,787	10,091,678	8,974,853	21,379,464	28,559,745	35,549,892	41,496,944
Total Governmental Activities Net Position	\$ 35,979,430	\$ 38,637,937	\$ 37,344,311	\$ 41,872,407	\$ 44,313,451	\$ 53,541,401	\$ 62,686,195	\$ 71,221,833	\$ 84,209,304	\$ 92,670,790
Business-type activities										
Net Investment in Capital Assets:	\$ 9,402,108	\$ 9,882,299	\$ 9,820,942	\$ 11,162,030	\$ 11,109,453	\$ 11,123,808	\$ 10,809,898	\$ 9,503,893	\$ 11,833,878	\$ 14,721,861
Restricted	718,370	719,762	721,161	722,347	722,978	725,368	726,695	730,686	734,893	-
Unrestricted	(2,158,052)	(1,601,814)	(1,226,823)	(586,912)	(9,599)	1,280,458	2,058,177	4,279,490	5,020,821	5,861,900
Total Business-Type Activities Net Position	\$ 7,962,426	\$ 9,000,247	\$ 9,315,280	\$ 11,297,465	\$ 11,822,832	\$ 13,129,634	\$ 13,594,770	\$ 14,514,069	\$ 17,589,592	\$ 20,583,761
Primary government										
Net Investment in Capital Assets:	\$ 31,825,675	\$ 29,754,612	\$ 27,100,622	\$ 38,023,204	\$ 40,446,237	\$ 50,352,577	\$ 44,807,471	\$ 43,645,532	\$ 46,131,347	\$ 50,816,584
Restricted	5,463,389	9,757,332	9,901,072	5,311,793	5,607,967	6,063,147	8,035,853	9,251,135	15,096,836	15,079,123
Unrestricted	6,652,792	8,126,240	9,657,897	9,834,875	10,082,079	10,255,311	23,437,641	32,839,235	40,570,713	47,358,844
	\$ 43,941,856	\$ 47,638,184	\$ 46,659,591	\$ 53,169,872	\$ 56,136,283	\$ 66,671,035	\$ 76,280,965	\$ 85,735,902	\$ 101,798,896	\$ 113,254,551

Source: The source of this information is the City's financial records

CITY OF ELOY, ARIZONA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities:										
General Government	\$ 2,990,284	\$ 3,262,615	\$ 3,507,238	\$ 3,481,395	\$ 4,936,178	\$ 7,485,162	\$ 5,334,736	\$ 6,266,857	\$ 6,967,379	\$ 5,194,255
Public Safety	4,064,775	4,979,023	4,810,096	5,256,498	5,609,330	5,626,268	12,077,451	6,360,083	6,506,120	7,288,030
Public Works	2,601,939	2,794,926	2,553,001	3,003,983	3,054,421	3,044,552	3,266,207	3,404,515	3,246,814	3,643,539
Culture and Recreation	1,465,764	1,501,555	1,611,071	1,680,374	1,638,321	1,595,861	1,905,147	1,990,483	1,819,939	1,176,243
Community Development	1,282,378	917,185	1,153,077	1,792,163	1,392,422	1,707,549	1,074,347	1,113,074	330,730	479,920
Health and Welfare	155,982	134,859	145,777	193,482	189,531	742,349	545,121	991,958	2,089,540	2,145,502
Interest on Long-Term Debt	79,352	123,435	281,861	222,439	226,664	231,665	345,056	314,814	329,811	379,666
Total Governmental Activities Expenses	12,640,474	13,713,598	14,062,121	15,630,334	17,046,867	20,433,406	24,548,065	20,441,784	21,290,333	20,307,155
Business-Type Activities:										
Water	2,178,043	2,334,439	2,517,824	2,314,853	2,751,006	2,666,867	3,009,381	3,206,600	\$3,491,018	\$3,429,266
Sewer	1,291,138	1,139,428	1,130,038	1,303,539	1,303,290	1,403,901	1,390,307	1,348,826	1,623,287	1,700,736
Sanitation and Other	1,431,767	1,461,200	1,586,601	1,520,148	1,597,118	1,747,591	1,970,000	2,159,910	2,333,825	2,565,555
Total Business-Type Activities Expenses	4,900,948	4,935,067	5,234,463	5,138,540	5,651,414	5,818,359	6,369,688	6,715,336	7,448,130	7,695,557
Total Primary Government Expenses	\$ 17,541,422	\$ 18,648,665	\$ 19,296,584	\$ 20,768,874	\$ 22,698,281	\$ 26,251,765	\$ 30,917,753	\$ 27,157,120	\$ 28,738,463	\$ 28,002,712
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 947,386	\$ 967,746	\$ 1,049,143	\$ 872,581	\$ 825,516	\$ 808,846	\$ 811,244	\$ 655,034	\$ 629,182	\$ 599,475
Public Safety	29,560	36,678	52,828	32,528	14,610	14,012	12,829	11,874	157,778	87,637
Public Works	163,363	157,132	177,450	176,306	176,750	185,797	593,798	313,793	271,184	406,170
Community Development	511,015	301,319	460,751	352,503	365,762	631,109	1,281,038	605,369	804,285	1,271,097
Culture and Recreation	43,348	35,634	43,337	45,892	57,430	54,427	74,082	72,954	105,918	96,332
Operating Grants and Contributions	2,175,316	2,131,362	2,293,821	2,595,267	2,901,684	5,493,127	6,963,214	7,306,531	3,660,482	4,274,232
Capital Grants and Contributions	1,267,399	1,061,303	896,406	2,343,335	1,334,812	7,293,300	1,767,148	941,927	6,859,763	1,722,055
Total Governmental Activities Program Revenues	5,137,387	4,691,174	4,973,736	6,418,412	5,676,564	14,480,618	11,503,353	9,907,482	12,488,592	8,456,998
Business-Type Activities:										
Charges for Services:										
Water	2,450,421	2,474,166	2,379,120	2,643,556	2,674,623	3,143,123	3,140,657	3,179,454	\$3,610,171	\$3,599,314
Sewer	1,304,684	1,375,832	1,405,264	1,393,963	1,440,732	1,547,486	1,613,502	1,653,857	1,769,508	1,746,421
Sanitation and Other	1,276,404	1,347,133	1,435,512	1,542,560	1,718,080	1,892,286	2,075,954	2,151,680	2,752,838	3,220,783
Operating Grants and Contributions	-	-	-	-	-	-	-	-	1,415,470	-
Capital Grants and Contributions	-	770,742	-	1,075,000	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	5,031,509	5,967,873	5,219,896	6,655,079	5,833,435	6,582,895	6,830,113	6,984,991	9,547,987	8,566,518
Total Primary Government Program Revenues	\$ 10,168,896	\$ 10,659,047	\$ 10,193,632	\$ 13,073,491	\$ 11,509,999	\$ 21,063,513	\$ 18,333,466	\$ 16,892,473	\$ 22,036,579	\$ 17,023,516

(continued)

CITY OF ELOY, ARIZONA
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net (Expense)/Revenues										
Governmental Activities	\$ (7,503,087)	\$ (9,022,424)	\$ (9,088,385)	\$ (9,211,922)	\$ (11,370,303)	\$ (5,952,788)	\$ (13,044,712)	\$ (10,534,302)	\$ (8,801,741)	\$ (11,850,157)
Business-Type Activities	130,561	1,032,806	(14,567)	1,516,539	182,021	764,536	460,425	269,655	2,099,857	870,961
Total Primary Government Net Expense	\$ (7,372,526)	\$ (7,989,618)	\$ (9,102,952)	\$ (7,695,383)	\$ (11,188,282)	\$ (5,188,252)	\$ (12,584,287)	\$ (10,264,647)	\$ (6,701,884)	\$ (10,979,196)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
City Sales Tax	\$ 5,561,071	\$ 5,685,830	\$ 6,400,147	\$ 6,732,316	\$ 6,141,785	\$ 7,494,688	\$ 9,215,705	\$ 11,510,651	\$ 11,003,299	\$ 9,483,784
State Sales Taxes	1,571,675	1,564,410	1,689,664	1,929,908	2,004,928	2,328,175	2,247,775	2,283,833	2,609,967	2,850,435
Auto Lieu Tax	900,658	919,942	1,021,579	1,165,241	1,210,456	1,419,984	1,418,978	1,144,351	1,267,489	1,421,010
State Income Taxes-Revenue Sharing	2,002,370	2,087,046	2,160,358	2,321,242	2,507,537	2,804,686	2,145,098	2,930,889	4,515,986	3,941,423
Property Tax	1,000,499	1,065,689	1,095,421	1,122,197	1,143,222	1,158,249	1,248,598	1,330,768	1,388,949	1,463,281
Franchise Tax	145,408	180,793	80,569	187,525	156,117	179,168	201,937	226,985	254,168	250,367
Investment Income	157,229	57,491	161,096	676,862	734,197	54,778	(510,335)	124,372	1,402,623	2,595,308
Other Revenues	66,815	119,730	89,473	65,023	251,365	277,457	221,750	131,301	109,325	99,184
Transfers	(39,327)	-	(273,834)	(460,296)	(338,260)	(536,447)	-	(613,210)	(762,594)	(1,793,149)
Total Governmental Activities	11,366,398	11,680,931	12,424,473	13,740,018	13,811,347	15,180,738	16,189,506	19,069,940	21,789,212	20,311,643
Business-Type Activities:										
Investment Income	2,365	5,015	3,295	5,350	5,086	5,819	4,711	36,434	213,072	330,059
Transfers	39,327	-	273,834	460,296	338,260	536,447	-	613,210	762,594	1,793,149
Total Business-Type Activities	41,692	5,015	277,129	465,646	343,346	542,266	4,711	649,644	975,666	2,123,208
Total Primary Government	\$ 11,408,090	\$ 11,685,946	\$ 12,701,602	\$ 14,205,664	\$ 14,154,693	\$ 15,723,004	\$ 16,194,217	\$ 19,719,584	\$ 22,764,878	\$ 22,434,851
Change in Net Position										
Governmental Activities	\$ 3,863,311	\$ 2,658,507	\$ 3,336,088	\$ 4,528,096	\$ 2,441,044	\$ 9,227,950	\$ 3,144,794	\$ 8,535,638	\$ 12,987,471	\$ 8,461,486
Business-Type Activities	172,253	1,037,821	262,562	1,982,185	525,367	1,306,802	465,136	919,299	3,075,523	2,994,169
Total Primary Government	\$ 4,035,564	\$ 3,696,328	\$ 3,598,650	\$ 6,510,281	\$ 2,966,411	\$ 10,534,752	\$ 3,609,930	\$ 9,454,937	\$ 16,062,994	\$ 11,455,655

(concluded)

Source: The source of this information is the City's financial records.

CITY OF ELOY, ARIZONA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Unassigned	14,692,428	15,847,397	17,097,687	15,851,082	15,653,318	20,443,379	21,111,010	27,338,331	33,311,442	38,029,807
Total General Fund	\$ 14,692,428	\$ 15,847,397	\$ 17,097,687	\$ 15,851,082	\$ 15,653,318	\$ 20,443,379	\$ 21,111,010	\$ 27,338,331	\$ 33,311,442	\$ 38,029,807
All other Governmental Funds										
Restricted:										
Highway and Streets	\$ 2,364,478	\$ 2,753,137	\$ 3,310,390	\$ 3,237,154	\$ 3,413,959	\$ 3,897,570	\$ 4,955,822	\$ 5,879,641	\$ 6,146,667	\$ 7,399,175
Capital Projects	1,995,424	2,020,747	1,469,559	1,078,511	975,360	904,042	1,623,504	1,938,935	2,436,761	2,994,253
Court Funds	116,613	110,428	110,443	118,683	148,461	145,946	167,106	197,051	172,563	194,055
Perpetual Care Fund	121,585	124,599	128,241	133,042	138,948	150,752	161,432	168,910	187,391	217,894
City Complex	-	3,806,445	3,766,064	185	-	-	-	-	-	-
Grants	146,919	36,294	395,214	22,056	208,261	239,469	401,294	335,912	5,418,561	5,276,122
Committed for:										
Airport	270,215	290,126	352,468	384,278	512,721	439,504	558,913	704,241	864,402	897,856
Cemetery	72,689	61,907	81,196	120,210	177,949	325,127	374,342	374,342	352,380	406,591
Highway and Streets	362,690	475,020	312,451	720,508	983,747	497,960	869,748	1,210,595	1,815,942	1,449,534
Economic Development	30,002	228,277	432,842	565,411	656,519	460,996	773,754	1,168,403	1,653,924	2,106,569
Assigned for:										
Capital Projects	1,243,410	1,325,722	1,478,104	1,927,257	2,114,935	2,030,317	2,393,016	2,644,944	2,835,443	2,692,183
Unassigned:	-	-	-	-	(220,834)	(4,970,000)	-	-	-	-
Total all other Governmental Funds	\$ 6,724,025	\$ 11,232,702	\$ 11,836,972	\$ 8,307,295	\$ 9,110,026	\$ 4,121,683	\$ 12,278,931	\$ 14,622,974	\$ 21,884,034	\$ 23,634,232

Source: The source of this information is the City's financial records

CITY OF ELOY, ARIZONA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	\$ 6,702,495	\$ 6,935,109	\$ 7,572,824	\$ 8,040,677	\$ 7,440,562	\$ 8,842,261	\$ 10,678,952	\$ 13,063,583	\$12,634,668	\$11,190,716
Licenses and Permits	439,952	306,849	432,800	396,681	413,645	667,259	1,327,306	650,864	847,705	1,305,357
Intergovernmental	7,768,555	7,556,122	7,983,503	10,209,540	9,954,646	19,120,673	14,367,272	14,530,006	18,695,408	14,170,118
Charges for Services	982,147	862,531	935,967	664,248	645,758	657,114	660,976	460,873	616,427	512,149
Impact Fees	179,974	39,337	114,664	179,350	39,947	269,692	719,157	313,938	439,631	472,101
Fines and Forfeitures	241,462	311,813	378,403	384,984	345,489	318,725	240,493	310,874	282,863	210,141
Investment Income	157,229	57,491	161,096	676,862	734,197	54,778	(510,335)	124,372	1,402,623	2,595,308
Other Revenues	66,815	119,730	89,473	65,023	251,365	277,457	221,750	131,301	109,325	99,184
Total Revenues	\$ 16,538,629	\$ 16,188,982	\$ 17,668,730	\$ 20,617,365	\$ 19,825,609	\$ 30,207,959	\$ 27,705,571	\$ 29,585,811	\$ 35,028,650	\$ 30,555,074
Expenditures										
Current:										
General Government	\$ 2,781,782	\$ 3,012,472	\$ 3,164,564	\$ 3,324,582	\$ 3,204,087	\$ 4,127,988	\$ 4,155,384	\$ 5,227,360	\$ 5,095,448	\$ 4,677,340
Public Safety	3,806,940	4,049,828	4,038,119	4,573,213	4,833,477	5,064,300	11,031,177	5,600,056	5,424,585	6,352,684
Public Works	2,015,966	2,130,983	1,798,915	2,282,336	2,214,067	2,126,970	2,150,177	2,228,344	2,138,524	2,571,713
Health and Welfare	34,957	-	11,589	63,411	49,600	602,090	376,851	787,606	1,818,386	208,722
Community Development	1,284,061	919,829	1,155,536	1,866,721	1,380,632	1,691,139	1,083,593	1,107,432	69,486	1,209,449
Cululture and Recreation	1,479,083	1,517,667	1,623,019	1,707,526	1,634,634	1,559,536	1,903,330	1,956,679	2,050,450	2,223,886
Capital Outlay	3,054,163	2,522,255	3,495,066	10,603,205	5,394,060	14,375,253	2,472,540	2,858,407	3,902,430	4,399,100
Debt Service										
Principal	217,918	51,624	146,935	279,266	182,659	219,096	417,600	506,150	587,738	655,934
Interest and Fiscal Charges	79,352	123,435	292,513	233,091	237,316	242,317	377,092	346,850	361,847	411,702
Loan Issuance Costs	-	190,991	-	-	-	-	179,060	-	-	-
Total Expenditures	14,754,222	14,519,084	15,726,256	24,933,351	19,130,532	30,008,689	24,146,804	20,618,884	21,448,894	22,710,530
Revenues Over (Under) Expenditures	1,784,407	1,669,898	1,942,474	(4,315,986)	695,077	199,270	3,558,767	8,966,927	13,579,756	7,844,544
Other Finance Sources (Uses)										
Capital Lease Agreements	-	-	-	-	248,150	138,895	-	-	-	-
Lease Agreements	-	-	-	-	-	-	87,054	217,647	316,510	289,942
SBITA Agreements	-	-	-	-	-	-	-	-	100,499	127,226
Bonds Issued	-	3,993,748	-	-	-	-	4,730,000	-	-	-
Premium on Bonds	-	-	-	-	-	-	449,058	-	-	-
Transfers In (Out)	(39,327)	-	(273,834)	(460,296)	(338,260)	(536,447)	-	(613,210)	(762,594)	(1,793,149)
Total other Finance Sources (Uses)	(39,327)	3,993,748	(273,834)	(460,296)	(90,110)	(397,552)	5,266,112	(395,563)	(345,585)	(1,375,981)
Net Change in Fund Balances	\$ 1,745,080	\$ 5,663,646	\$ 1,668,640	\$ (4,776,282)	\$ 604,967	\$ (198,282)	\$ 8,824,879	\$ 8,571,364	\$ 13,234,171	\$ 6,468,563
Expenditures for capitalized assets	\$ 2,951,801	\$ 2,513,183	\$ 3,241,925	\$ 10,649,965	\$ 4,118,246	\$ 12,409,807	\$ 1,874,203	\$ 2,341,278	\$ 2,540,353	\$ 4,268,900
Debt Service as a Percentage of Noncapital Expenditures	2.52%	1.46%	3.52%	3.59%	3.06%	2.62%	3.57%	4.67%	5.02%	5.79%

Source: The source of this information is the City's financial records.

CITY OF ELOY, ARIZONA
Net Limited Assessed Value and Full Cash Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Limited Property Value - Primary		Full Cash Value - Secondary		Ratio of Net Assessed to Total Values
	Net Assessed Value	Total Limited Assessed Value	Net Assessed Value	Total Full Cash Value	
2016	86,528,930	652,106,522	95,031,182	705,184,275	13%
2017	85,416,058	669,456,687	91,942,395	722,045,373	13%
2018	91,318,324	714,661,774	97,807,407	765,023,168	13%
2019	99,538,514	730,560,545	108,068,405	793,991,882	14%
2020	104,248,341	771,677,541	117,490,294	876,144,678	13%
2021	109,603,645	824,394,610	126,788,822	961,243,078	13%
2022	116,542,951	880,366,200	133,538,315	1,015,606,169	13%
2023	121,160,706	933,073,479	141,249,341	1,104,390,015	13%
2024	128,918,969	1,020,577,779	166,347,460	1,345,311,026	12%
2025	145,216,841	1,170,335,962	220,530,232	1,823,405,499	12%

Source: The source of this information is the Pinal County Assessor.

CITY OF ELOY, ARIZONA
Property Tax Rates - Direct and Overlapping Governments
(Inclusive of Primary & Secondary Tax Rates)
Per \$100 of Assessed Value
Last Ten Fiscal Years

Tax Authority	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City of Eloy	1.1701	1.2296	1.2017	1.1210	1.0867	1.0566	1.0566	1.0894	1.0648	1.0115
Pinal County	3.9999	3.8699	3.9399	3.8300	3.7900	3.7500	3.6900	3.5600	3.5600	3.4500
Eloy Fire District	2.4699	2.4999	2.4999	2.4999	2.4999	2.3742	2.3005	2.3005	2.3005	2.1436
Pinal County Jr. College	2.6498	2.6269	2.5429	2.3623	2.2132	2.3029	2.1498	2.0580	1.9200	1.8128
Toltec Elementary School District	3.7556	3.7556	2.9503	2.8320	2.6277	2.5639	2.5795	2.3116	1.8041	1.7288
Casa Grande Union High School District	3.1498	3.2193	3.1807	3.0779	3.0238	2.9917	2.9694	2.8293	2.6083	2.3965
Santa Cruz Unified School District	4.3007	4.0669	3.4304	3.3065	3.2049	3.0075	2.7745	2.6484	2.5109	2.2671
Eloy Elementary School District	5.1967	5.2750	5.0644	6.1544	5.5331	5.8482	6.3892	5.7167	5.3459	5.0616
Other Taxing Authorities	1.0279	1.0225	1.0077	1.9942	1.9767	1.9575	1.9392	1.9375	1.9373	1.7397

Source: The source of this information is the Pinal County Treasurer.

CITY OF ELOY, ARIZONA
Real and Personal Property Tax Levies and Collections
Last Ten Fiscal Years

Collected to June 30th
End of Tax Fiscal Year (a)

Fiscal Year	Tax Levy	Collections	Taxes Receivable	Percent of Tax Levy	Adjustments
2016	999,858	972,087	27,771	97.22%	(668)
2017	1,073,221	1,047,016	26,206	97.56%	(4,175)
2018	1,094,169	1,071,712	22,457	97.95%	(4,006)
2019	1,125,742	1,105,152	20,590	98.17%	(2,078)
2020	1,135,918	1,110,494	25,424	97.76%	(1,493)
2021	1,165,439	1,140,786	24,653	97.88%	566
2022	1,241,812	1,218,077	23,735	98.09%	5,803
2023	1,326,132	1,298,385	27,747	97.91%	(157)
2024	1,392,323	1,360,285	32,038	97.70%	(4,424)
2025	1,474,319	1,439,362	34,956	97.63%	(13,444)

(a) Reflects collections made through June 30th, the end of the fiscal year, on such a year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1st. The second installment becomes due the 1st day of March and is delinquent on May 1st. The penalty for a late payment is 16% per year prorated monthly March and is delinquent on May 1st. The penalty for late payments is 16% per year prorated as of the 1st day of the month. Penalties for delinquent payments are not included in the above collection figures.

Source: The source of this information is the Pinal County Treasurer.

CITY OF ELOY, ARIZONA
Sales Tax Revenues by Industry
Last Ten Fiscal Years

	Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018		Fiscal Year 2019		Fiscal Year 2020	
	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
	Construction	\$ 1,363,593	24.52%	\$ 1,209,506	21.27%	\$ 1,599,797	25.00%	\$ 1,999,387	29.70%	\$ 1,363,601
Manufacturing	469,659	8.45%	499,068	8.78%	520,358	8.13%	576,974	8.57%	512,530	8.34%
Transportation/Communication/ Utilities	721,349	12.97%	718,900	12.64%	784,662	12.26%	698,376	10.37%	687,490	11.19%
Wholesale Trade	116,521	2.10%	158,743	2.79%	120,602	1.88%	120,100	1.78%	130,578	2.13%
Retail Trade	1,030,746	18.54%	1,205,070	21.19%	1,292,714	20.20%	1,450,050	21.54%	1,673,049	27.24%
Restaurants/Bars	1,088,277	19.57%	1,127,174	19.82%	1,174,858	18.36%	1,042,238	15.48%	1,009,317	16.43%
Insurance/Real Estate	292,015	5.25%	300,786	5.29%	366,067	5.72%	297,409	4.42%	316,929	5.16%
Hotel/Lodging	135,047	2.43%	154,873	2.72%	184,824	2.89%	194,413	2.89%	131,870	2.15%
Services	205,743	3.70%	195,081	3.43%	243,148	3.80%	268,280	3.98%	308,920	5.03%
All Other	138,121	2.48%	117,629	2.07%	113,117	1.77%	85,088	1.26%	7,502	0.12%
Total	\$ 5,561,071	100.00%	\$ 5,686,830	100.00%	\$ 6,400,147	100.00%	\$ 6,732,316	100.00%	\$ 6,141,784	100.00%

	Fiscal Year 2021		Fiscal Year 2022		Fiscal Year 2023		Fiscal Year 2024		Fiscal Year 2025	
	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
	Construction	\$ 1,860,218	24.82%	\$ 2,308,093	25.05%	\$ 4,130,093	35.88%	\$ 3,511,030	31.91%	\$ 1,674,827
Manufacturing	585,647	7.81%	709,151	7.70%	616,133	5.35%	821,382	7.46%	909,831	9.59%
Transportation/Communication/ Utilities	711,477	9.49%	760,180	8.25%	894,277	7.77%	913,816	8.30%	1,039,492	10.96%
Wholesale Trade	165,413	2.21%	405,803	4.40%	108,484	0.94%	295,653	2.69%	384,963	4.06%
Retail Trade	1,949,968	26.02%	2,244,814	24.36%	2,591,620	22.51%	2,567,020	23.33%	2,711,966	28.60%
Restaurants/Bars	1,171,964	15.64%	1,317,713	14.30%	1,466,478	12.74%	1,250,694	11.37%	1,305,943	13.77%
Insurance/Real Estate	376,656	5.03%	374,784	4.07%	526,308	4.57%	514,060	4.67%	515,717	5.44%
Hotel/Lodging	178,535	2.38%	308,307	3.35%	296,383	2.57%	253,201	2.30%	190,885	2.01%
Services	483,124	6.45%	768,255	8.34%	861,915	7.49%	850,384	7.73%	713,771	7.53%
All Other	11,686	0.16%	18,604	0.20%	18,960	0.16%	26,058	0.24%	36,389	0.38%
Total	\$ 7,494,690	100.00%	\$ 9,215,703	100.00%	\$ 11,510,651	100.00%	\$ 11,003,299	100.00%	\$ 9,483,784	100.00%

Source: The source of this information is the Arizona Department of Revenue.

Note: The categories presented are intended to provide alternative information regarding the source of the City's revenue.

CITY OF ELOY, ARIZONA
Direct and Overlapping Sales Tax Rates
As of June 30, 2025

Type of Tax	Rates			
	City	Pinal County	State of Arizona	Combined
Privelge Tax, except retail, utilities and telecommunication	3.00%	1.10%	5.60%	9.70%
Retail (excluding food for home consumption)	3.00%	1.10%	5.60%	9.70%
Retail - privilege tax for single item over \$6,000	1.50%	1.10%	5.60%	8.20%
Retail for food for home consumption	2.00%	1.10%	5.60%	8.70%
Resaurant and Bars	5.00%	1.10%	5.60%	11.70%
Hotel/Motel	3.00%	1.148%	5.60%	9.75%
Hotel/Motel (Additional Tax) (**)	4.00%	0.00%	0.00%	4.00%
Utilities/Telecommunications	3.00%	1.10%	5.60%	9.70%
Construction	4.50%	1.10%	5.60%	11.20%
Use Tax	3.00%	0.00%	5.60%	8.60%
Use Tax - use tax for single item over \$6,000	1.50%	0.00%	5.60%	7.10%

Sources: The sources of this information is the City of Eloy Finance Department and Arizona Department of Revenue.

(**) Additional Tax means in addition to the Hotel/Motel Tax rate.

CITY OF ELOY, ARIZONA
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

City of Eloy

Fiscal Year	Local Sales Tax	Bed Tax	Construction Sales Tax	Restaurant and Bar Tax (2)	Use Tax	State of Arizona Tax	Pinal County Tax (b)(1)
2016	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2017	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2018	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.6%
2019	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.6%
2020	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.6%
2021	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.6%
2022	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2023	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2024	3.00%	7.00%	4.50%	5.00%	3.00%	5.60%	1.1%
2025	3.00%	7.00%	4.50%	5.00%	3.00%	5.60%	1.1%

- (b)** In 2018 Pinal County voters passed a half cent (.5%) increase to fund transportation improvements that became effective April 1, 2018.
- (1)** As of April 1, 2022, the half cent (.5%) sales tax that was passed in 2018, for Pinal County, was ruled ineligible by Arizona Supreme Court. The half cent (.5%) was reduced starting April 1, 2022.
- (2)** Effective as of August 1, 2023, the City Council reduced the Restaurant and Bar Tax from 6% to 5%.

CITY OF ELOY, ARIZONA
Actual Excise Tax Collections
Last Ten Fiscal Years
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>State Shared Sales Tax</u>	<u>State Income Taxes</u>	<u>Franchise Tax</u>	<u>Vehicle License Tax</u>	<u>Total</u>
2016	5,561,071	1,571,675	2,002,370	145,408	900,658	10,181,182
2017	5,685,830	1,564,410	2,087,046	180,793	919,942	10,438,021
2018	6,400,147	1,689,664	2,160,358	80,569	1,021,579	11,352,317
2019	6,732,316	1,929,908	2,321,242	187,525	1,165,241	12,336,232
2020	6,141,785	2,004,928	2,507,537	156,117	1,210,456	12,020,823
2021	7,494,688	2,328,175	2,804,686	179,168	1,419,984	14,226,701
2022	9,215,705	2,247,775	2,145,098	201,937	1,418,978	15,229,493
2023	11,510,651	2,283,833	2,930,889	226,985	1,144,351	18,096,709
2024	11,003,299	2,609,967	4,515,986	254,168	1,267,489	19,650,909
2025	9,483,784	2,850,435	3,941,423	250,367	1,421,010	17,947,019

Sources: The source of this information is the City's financial records and Arizona Department of Revenue

CITY OF ELOY, ARIZONA
Collection of Excise Taxes and State Shared Revenues
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Excise Tax										
City Transaction Privilege (Sales) Tax (a)	\$ 4,826,718	\$ 4,984,591	\$ 5,553,842	\$ 5,635,291	\$ 5,222,111	\$ 6,351,593	\$ 7,890,047	\$ 8,792,778	\$ 9,118,209	\$ 8,711,942
All City Sales Tax	\$ 5,561,071	\$ 5,686,830	\$ 6,400,147	\$ 6,732,316	\$ 6,141,785	\$ 7,494,688	\$ 9,215,705	\$ 11,510,651	\$ 11,003,299	\$ 9,483,784
(Less: Non-pledged Construct Tax)	\$ 734,353	\$ 702,239	\$ 846,305	\$ 1,097,025	\$ 919,674	\$ 1,143,095	\$ 1,325,658	\$ 2,717,873	\$ 1,885,090	\$ 771,842
Charges for Services (b)	982,147	862,531	935,967	664,248	645,758	657,114	660,976	460,873	236,030	234,084
Franchise Fees (c)	145,408	180,793	80,569	187,525	156,117	179,168	201,937	226,985	254,168	250,367
Licenses and Permits (d)	439,952	306,849	432,800	396,681	413,645	667,259	1,327,306	650,864	847,705	1,305,357
Subtotal Excise Taxes	\$ 6,394,225	\$ 6,334,764	\$ 7,003,178	\$ 6,883,745	\$ 6,437,631	\$ 7,855,134	\$ 10,080,266	\$ 10,131,500	\$ 10,456,112	\$ 10,501,750
State Shared Revenues										
State Shared Income Tax	\$ 2,002,370	\$ 2,087,046	\$ 2,160,358	\$ 2,321,242	\$ 2,507,537	\$ 2,804,686	\$ 2,145,098	\$ 2,930,889	\$ 4,515,986	\$ 3,941,423
State Shared Sales Tax	1,571,675	1,564,410	1,689,664	1,929,908	2,004,928	2,328,175	2,247,775	2,283,833	2,609,967	2,850,435
Vehicle License Tax	900,658	919,942	1,021,579	1,165,241	1,210,456	1,419,984	1,418,978	1,144,351	1,267,489	1,421,010
Subtotal State Shared Revenues	4,474,703	4,571,398	4,871,601	5,416,391	5,722,921	6,552,845	5,811,851	6,359,073	8,393,442	8,212,868
Total Pledged Revenues	\$ 10,868,928	\$ 10,906,162	\$ 11,874,778	\$ 12,300,136	\$ 12,160,552	\$ 14,407,979	\$ 15,892,117	\$ 16,490,573	\$ 18,849,554	\$ 18,714,618
\$ Change from Prior	\$ 1,169,543	\$ 37,234	\$ 968,616	\$ 425,357	\$ (139,584)	\$ 2,247,427	\$ 1,484,138	\$ 598,456	\$ 2,358,982	\$ (134,937)
% Change from Prior	12.06%	0.34%	8.88%	3.58%	-1.13%	18.48%	10.30%	3.77%	14.31%	-0.72%

- (a) The Mayor and Council of the City have the authority to set sales tax rates. The table above does not include rates imposed or dedicated by the Mayor and Council for the following specific purposes:
- * A portion of the City's 4.50% transaction privilege (sales) tax on construction contracting activities approved by the Mayor and City Council the use of which is dedicated for street improvements;
 - * A portion of the City's 4.50% transaction privilege (sales) tax on construction contracting activities approved by the Mayor and City Council which is rebated back to the developer of a master planned community located within the City;
 - * A portion of the City's 4.50% transaction privilege (sales) tax on construction contracting activities approved by the Mayor and City Council which is rebated back to the developer of a commercial project located within the City;
 - * A portion of the City's 3.0% transaction privilege (sales) tax on retail activities approved by the Mayor and City Council, which is rebated back to the developer of a commercial project for off-site improvements located within the City.
- (b) The City charges for services directly related to an individual's benefit. Examples of these charges include but are not limited to: park rental, recreation programs, administrative services provided to the City's Water, Sewer, and Refuse Utilities, and building and engineering services. Charges for services are administrative revenues designed to provide public services without taxing the general population for the cost of the service. The Mayor and City Council have the authority to review and establish new charges for services.
- (c) Franchise Fees are designations assigned to entities granted a right to use the City's right-of-way. The franchise fee is a percentage of gross revenue. The Mayor and City Council have the authority to negotiate these agreements. A franchise may be granted only with voter approval and the term of the franchise is limited to 25 years. The City has granted franchises to and imposed franchise fees on utility and cable television providers.
- (d) The City requires a business license of all business transacted within the City limits. The Mayor and City Council have the authority to set the business license fees.

Source: The source of this information is the City's financial records

Note: The categories presented are intended to provide alternative information regarding the source of the City's revenue.

CITY OF ELOY, ARIZONA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Per Capita (a)	Percentage of Personal Income
	Financed Purchases and Leases	SBITA Payable	Excise Tax Bonds Payable	General Obligation Bonds	Loans Payable	Financed Purchases and Leases	General Obligation Bonds	Revenue Bonds	Loans Payable			
2016	-	-	-	-	2,568,293	-	-	520,875	9,181,503	12,270,671	690	1.09
2017	-	-	6,276,967	-	176,200	-	-	495,211	8,700,741	15,649,119	910	1.21
2018	-	-	6,171,315	-	124,266	-	-	468,369	8,694,936	15,458,886	814	1.12
2019	-	-	6,005,663	-	-	-	-	440,293	10,182,074	16,628,030	887	1.12
2020	225,491	-	5,835,011	-	-	-	-	410,927	9,492,378	15,963,807	821	0.91
2021	310,290	-	5,659,359	-	-	103,125	-	380,213	8,787,557	15,240,544	896	0.77
2022	307,008	-	10,461,381	-	-	123,405	-	348,087	8,067,259	19,307,140	1,250	0.89
2023	405,005	166,520	10,074,345	-	-	183,787	-	314,485	10,267,872	21,412,014	1,278	0.89
2024	567,079	203,717	9,672,309	-	-	138,579	-	279,340	9,404,587	20,265,611	1,189	0.80
2025	645,242	266,788	9,260,273	-	-	92,248	-	242,580	8,521,607	19,028,738	1,002	0.72

Notes: Details regarding the City's outstanding debt can be found in the financial statements.

The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87 were adopted in fiscal year 2022. The standard replaces the previous capital and operating lease designations with financed purchases or leases depending on the substance of the transactions. The fiscal year 2013-2021 information within this column relates to the transactions previously designated as capital leases.

Sources: The sources of this information is the City of Eloy Finance Department.

(a) See Demographic and Economic Statistics Section for population data.

CITY OF ELOY, ARIZONA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2025

Jurisdiction	Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Casa Grande ESD #4	\$ 32,110,000	3.89%	\$ 1,249,079
Casa Grande UHS #82	5,405,000	48.54%	2,623,587
Central Arizona College	51,445,000	3.85%	1,980,080
Toltec ESD #22	-	44.35%	-
Eloy ESD #11	695,000	11.64%	80,898
Santa Cruz Valley UHS#840	2,760,000	48.97%	1,351,572
Subtotal, overlapping debt	92,415,000		7,285,216
City direct debt	9,260,273	100%	9,260,273
Total direct and overlapping debt			\$ 16,545,489

Source: Assessed value data used to estimate applicable percentages provided by Pinal County Assessor's Office. Debt outstanding data provided by Pinal County Finance.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Eloy. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsibility for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining their portion of Pinal County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

CITY OF ELOY, ARIZONA
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Secondary Assessed Value	\$ 95,031,182	\$ 91,942,395	\$ 97,807,407	\$ 108,068,405	117,490,294	126,788,822	133,538,315	141,249,341	166,347,460	220,530,232
20% Limitation (a)										
Debt Limit Equal to 20% of Assessed Valuation	19,006,236	18,388,479	19,561,481	21,613,681	23,498,059	25,357,764	26,707,663	28,249,868	33,269,492	44,106,046
Total Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 19,006,236</u>	<u>\$ 18,388,479</u>	<u>\$ 19,561,481</u>	<u>\$ 21,613,681</u>	<u>\$ 23,498,059</u>	<u>\$ 25,357,764</u>	<u>\$ 26,707,663</u>	<u>\$ 28,249,868</u>	<u>\$ 33,269,492</u>	<u>\$ 44,106,046</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6% Limitation (b)										
Debt Limit Equal to 6% of Assessed Valuation	\$ 5,701,871	\$ 5,516,544	\$ 5,868,444	\$ 6,484,104	\$ 7,049,418	\$ 7,607,329	\$ 8,012,299	\$ 8,474,960	\$ 9,980,848	\$ 13,231,814
Total Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 5,701,871</u>	<u>\$ 5,516,544</u>	<u>\$ 5,868,444</u>	<u>\$ 6,484,104</u>	<u>\$ 7,049,418</u>	<u>\$ 7,607,329</u>	<u>\$ 8,012,299</u>	<u>\$ 8,474,960</u>	<u>\$ 9,980,848</u>	<u>\$ 13,231,814</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: The source of this information is the Pinal County Assessor's records

(a) 20% Debt Limitation can be used for Water, Sewer, Light, Parks, and Open Space Purposes

(b) 6% Debt Limitation can be used for all other General Obligation Bonds

CITY OF ELOY, ARIZONA
Pledged Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year Ended June 30th	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2016	2,442,997	1,698,839	744,158	24,536	23,992	15.33
2017	2,473,283	1,808,341	664,942	25,664	22,863	13.70
2018	2,351,600	1,949,631	401,969	26,842	21,681	8.28
2019	2,628,589	1,719,156	909,433	28,077	20,445	18.74
2020	2,673,067	2,066,847	606,220	29,366	19,152	12.49
2021	3,143,123	1,960,485	1,182,638	30,714	17,801	24.38
2022	3,140,657	2,273,324	867,333	32,126	16,387	17.88
2023	3,179,454	2,432,160	747,294	33,602	14,919	15.40
2024	3,610,171	2,682,318	927,853	35,145	13,662	19.01
2025	3,599,314	2,639,549	959,765	36,760	11,743	19.79

Water Infrastructure Finance Authority Loans						
Fiscal Year Ended June 30th	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest and Admin fee	
2016	3,743,693	2,312,286	1,431,407	628,839	172,245	1.79
2017	3,847,723	2,276,011	1,571,712	642,247	161,354	1.96
2018	3,738,443	2,412,845	1,325,598	655,946	153,870	1.64
2019	4,016,206	2,356,924	1,659,282	669,940	173,064	1.97
2020	4,112,893	2,642,124	1,470,769	684,238	210,621	1.64
2021	4,690,609	2,653,930	2,036,679	698,846	193,362	2.28
2022	4,754,159	2,972,587	1,781,572	713,770	175,735	2.00
2023	4,833,311	3,164,918	1,668,393	713,742	157,727	1.91
2024	5,379,679	3,459,863	1,919,816	839,993	147,255	1.94
2025	5,345,735	3,421,558	1,924,177	877,901	192,012	1.80

United States Department of Agriculture Loan						
Fiscal Year Ended June 30th	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2016	1,300,696	613,447	687,249	16,755	39,621	12.19
2017	1,374,440	467,670	906,770	17,459	38,917	16.08
2018	1,386,843	463,214	923,629	18,193	38,183	16.38
2019	1,387,617	637,768	749,849	18,958	37,418	13.30
2020	1,439,826	575,277	864,549	19,755	36,621	15.34
2021	1,547,486	693,445	854,041	20,585	35,791	15.15
2022	1,613,502	699,263	914,239	21,451	34,925	16.22
2023	1,653,857	732,758	921,099	22,356	34,020	16.34
2024	1,769,508	777,544	991,964	23,267	33,109	17.60
2025	1,746,421	782,009	964,412	24,246	32,130	17.11

Excise Tax and State Shared Revenue Bonds						
Fiscal Year Ended June 30th	General Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2016	-	-	-	-	-	-
2017	10,906,162	10,125,716	780,446	-	-	-
2018	11,874,778	10,115,717	1,759,061	95,000	291,599	4.55
2019	12,300,136	10,771,921	1,528,215	155,000	233,050	3.94
2020	12,160,552	11,435,054	725,498	160,000	228,400	1.87
2021	14,407,979	10,040,594	4,367,385	165,000	223,600	11.24
2022	15,892,117	15,895,897	(3,780)	345,000	357,399	(0.01)
2023	16,490,573	11,532,211	4,958,362	355,000	346,850	7.06
2024	18,849,554	14,939,019	3,910,535	370,000	334,450	5.55
2025	18,714,618	15,826,814	2,887,804	380,000	321,500	4.12

Source: The source of this information is the City's financial records.

CITY OF ELOY, ARIZONA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population	County Population	County Personal Income (in thousands)(+)	County Per Capita Personal Income	School Enrollment	City Unemployment Rate	Pinal County Unemployment Rate
2016	17,787	406,584	11,255,255	27.68	1,848	8.6%	5.8%
2017	17,198	413,312	12,907,958	31.23	1,762	7.7%	5.2%
2018	18,993	427,603	13,864,299	32.42	1,571	4.9%	5.1%
2019	18,742	462,789	14,893,430	32.18	1,609	6.9%	5.2%
2020	19,438	467,932	17,603,992	37.62	1,525	9.7%	9.7%
2021	17,002	445,251	19,687,597	44.22	1,454	5.8%	5.9%
2022	15,450	449,557	21,799,122	48.49	1,474	4.2%	4.2%
2023	16,748	453,924	24,129,321	53.16	1,608	4.1%	4.1%
2024	17,042	467,459	25,335,787	54.20	1,643	4.1%	4.1%
2025 (+)	18,994	483,944	26,602,576	54.97	1,635	4.6%	4.6%

Sources: Population, County Per Capita Income and City Unemployment Rate - Bureau of Economic Analysis and Office of Economic Opportunity. School Enrollment - Toltec Elementary School District, Eloy Elementary School District and Santa Cruz Valley High School District based on 100th day count
City and Pinal County Unemployment - Arizona Office of Economic Opportunity

Note: Amount for fiscal year 2024 is based on an Bureau of Economic Analysis for personal income percent change from the proceeding year.

2025 (+) amounts estimated for County Personal Income is based on an Bureau of Economic Analysis for personal income percent change from the proceeding year of 5.0%. Data was not released at the time of collection

CITY OF ELOY, ARIZONA
Principal Employers
Current Year and Ten Years Ago

Employer	2025		2016	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Corporation Corrections of America	1,654	43.53%	1,556	46.34%
City of Eloy	121	3.18%	118	3.51%
Eloy Elementary School District	120	3.16%	150	4.47%
Republic Plastics	118	3.11%	125	3.72%
Schuff Steel	118	3.11%	58	1.73%
Santa Cruz Valley Union High School District	95	2.50%	71	2.11%
Gold Bond	90	2.37%		
Otto Plastics Arizona, LLC	67	1.76%	81	2.41%
Travel Center of America	57	1.50%	100	2.98%
Skydive Arizona	55	1.45%		
	2,495	65.66%	2,259	67.27%

Source: The source of this information is from various employers.

CITY OF ELOY, ARIZONA
Authorized Full-Time Government Employees by Function/Program
Last Ten Fiscal Years

Fiscal Year	Function/Program								Total
	General Government	Public Safety	Culture & Recreation	Public Works/Admin.	Public Works/Streets	Public Works/Water	Public Works/Sewer	Public Works/Sanitation	
2016	30	43	13	5	10	9	1	3	114
2017	30	43	13	5	10	9	1	3	114
2018	30	43	13	6	10	9	1	3	115
2019	31	42	14	6	10	9	1	3	116
2020	29	42	14	6	10	9	1	3	114
2021	32	43	13	6	10	9	1	3	117
2022	32	43	14	6	10	9	1	3	118
2023	29	43	20	6	10	9	1	3	121
2024	29	43	20	6	10	9	1	3	121
2025	30	43	19	6	10	9	1	3	121

Source: The source of this information is the City's adopted budget documents.

Note: Information is based on authorized positions approved by Council in the Budget.

CITY OF ELOY, ARIZONA
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Registered Voters	4,418	4,911	5,302	5,045	5,895	5,954	6,181	6,521	6,778	6,888
Votes cast last primary election	1,157	2,688	1,438	*	1,954	*	1,728	*	1,923	*
Police										
Arrests	1,560	1,190	1,177	1,099	1,121	1,123	1,627	926	1,004	978
Citations	910	1,464	2,388	2,742	2,621	3,007	1,944	1,440	1,153	2,019
Traffic Stops	3,082	3,610	5,578	4,400	3,585	2,441	3,672	3,128	2,495	2,630
Officer Reports	1,387	2,713	3,366	2,223	1,972	3,976	4,314	6,186	5,671	2,775
Photo Enforcement - Notices Printed	-	-	-	-	-	-	-	-	-	-
Calls for Service	16,671	16,245	16,450	17,457	13,167	13,017	12,926	16,170	14,385	14,625
Highways & Streets										
Street resurfacing (miles)	7	3	2	13	19	25	6	4	5	4
Cold Mix for Potholes (tons)	226	288	288	166	85	10	20	60	164	211
Street sweeping (per 1,000 miles)	52	52	26	26	26	26	32	4	20	10
Water										
New Residential Connections	-	-	-	-	5	54	250	73	89	97
Line Breaks	51	37	40	95	120	140	140	270	320	209
Average Daily Consumption	1	1	1	1	1	1	1	1	1	1
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	495	450	450	475	500	550	600	600	650	600
Line cleaning (feet)	68,000	34,000	20,000	15,000	7,000	5,000	2,500	2,500	2,800	2,000
Line Plugs	39	18	15	44	65	41	50	21	36	23
Parks and Recreation										
Park Areas	10	10	10	10	10	10	10	12	12	12
Parkland Acreage	16	16	16	16	16	16	16	16	16	16
Playgrounds	6	6	6	6	6	6	6	6	6	6
Afterschool Program Participants	333	288	297	265	230	115	266	278	314	280
Aquatic Center Admissions	4,388	3,145	3,115	5,610	1,255	2,800	3,260	2,789	2,427	2,500

(continued)

CITY OF ELOY, ARIZONA
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Airport										
Hangers	5	5	5	5	5	5	5	5	5	5
T-Hangers	12	12	12	12	12	12	12	12	12	12
Economic Development										
Building Permits-Commercial	26	14	16	19	-	3	3	9	4	26
Building Permits-Residential	114	99	120	99	119	199	364	131	134	180
Housing Rehabilitations	5	4	5	11	4	3	3	3	3	2
Code Enforcement Cases	1,705	2,251	803	157	1,284	360	857	1,151	1,130	1,369
Planning Cases	24	28	25	26	31	61	48	43	40	56
Culture - Library										
Items in Collections	28,305	29,837	29,837	29,837	35,683	28,434	24,869	21,419	20,782	19,459
Total Items Circulated	26,610	26,228	26,228	26,228	20,832	6,449	10,121	8,388	8,914	10,882
Reference Transactions	903	943	943	943	635	338	1,300	1,476	1,055	1,117
Computer Uses (Hrs.)	18,207	11,880	11,880	11,880	3,466	1,968	12,585	3,483	3,108	2,555
Inter-Library Loan	7,217	7,602	7,602	7,602	5,396	5,326	4,063	1,802	3,279	3,579

(concluded)

Sources: This information is obtained from the records of various City Departments.

Note: Voter registration is taken every two years.

* Not available

CITY OF ELOY, ARIZONA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (marked)	14	13	14	13	13	14	15	15	14	15
Highways and Streets										
Streets (miles)	93	102	102	140	140	140	140	140	144	144
Streetlights	598	598	598	616	616	618	618	618	652	657
Street poles	598	598	598	332	332	332	332	332	374	394
Water										
Water mains (miles)	123	130	130	130	130	130	130	130	130	130
Fire hydrants	340	340	342	342	342	342	342	342	347	354
Sewer										
Sanitary Sewer (miles)	56	56	56	56	56	56	56	56	56	56
Maximum daily treatment capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Recreation and Aquatics										
Parks Acreage	16	16	16	16	16	16	16	16	16	16
Number of Parks	10	10	10	10	10	10	10	12	12	12
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Ball Fields	2	2	2	2	2	2	2	2	2	2

Sources: This information is obtained from the records of various City Departments.

OBLIGATIONS DOCUMENTS SUMMARIES

The following summaries are supplemental to and should be read together with “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS” herein. These summaries are a brief description of certain provisions of the Indenture and the Purchase Agreement and certain definitions therein not defined elsewhere in this Official Statement, should not be considered a full statement thereof and are qualified in their entirety by reference to the entire Indenture and Purchase Agreement, copies of which are available as set forth in this Official Statement under the heading “ADDITIONAL INFORMATION.”

Definitions

For the purposes hereof and in addition to those defined prior to the Appendices hereof, the following words and phrases will have the following meanings:

“Additional Obligation Documents” means any contract (including a resolution of the City Council) or agreement of the City constituting or authorizing Additional Obligations.

“Additional Obligations” means obligations (including loans and bonds) or applicable interests therein that are incurred (i) by, or the payment of which is assumed by, the City subsequent to, and are to rank on a parity with, the payments of the Purchase Price and share pro rata in payments to be made by the City from the Pledged Revenues, without priority one over the other or over the Purchase Agreement, and (ii) for the purpose of acquiring, constructing or improving the System or to refund any Obligations, Parity Lien Obligations or Additional Obligations.

“Administrative Costs” means reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer’s agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Indenture or this Purchase Agreement. Administrative Costs shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence.

“Administrative Expenses” means all reasonable charges, fees, costs, losses, liabilities, and expenses that the Insurer may pay or incur in connection with the Series 2026 Reserve Policy.

“Assumed Interest Rate” means an interest rate for a series of Variable Interest Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate that the Variable Interest Rate Obligations of a series may bear under the terms of their incurrence or (ii) the rate of interest established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer of New York, New York, on the date that is nearest to 30 days prior to the computation date (or in the absence of such published index, some other index selected in good faith by the Finance Director after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

“Authority” means the Water Infrastructure Finance Authority of Arizona.

“Authority’s 2015 DW Loan” means the Loan Agreement #920256-15, dated as of March 20, 2015, between the Authority and the City.

“Authority’s 2023 CW Loan” means the Loan Agreement #910201-23, dated as of October 28, 2022, between the Authority and the City.

“Authority’s 2023 DW Loan” means the Loan Agreement #920358-23, dated as of December 2, 2022, between the Authority and the City.

“Bond Year” means a 12-month period beginning July 2 of the calendar year and ending on the next succeeding July 1.

“Bonds Being Refunded” means, collectively, the City’s payment obligations related to a Promissory Note dated September 9, 2005, to the United States Department of Agriculture, Rural Development, the City’s Water Revenue Bonds, Project of 1997 (Series A), and the City’s Water Revenue Bonds, Project of 1997 (Series B).

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the City of Phoenix, Arizona, and in the city or cities in which the corporate trust office of the Trustee and the Paying Agents are required or authorized by law or executive order to remain closed, and (c) a day on which the City is required or authorized by law or executive order to remain closed.

“City Representative” means the City Manager or the Finance Director or any other person at any time designated to act on behalf of the City with respect to the Indenture and the Obligations by written certificate furnished to the Trustee containing the specimen signature of such person and signed by the City Manager, the Finance Director, or the designee of either of them. Such certificate may designate one or more alternates.

“City Series 2026 Obligations Fund” means the fund of that name created pursuant to Section 3.3(a) of the Purchase Agreement.

“Claim” means any claim or enforcement proceeding in connection with an Insolvency Proceeding.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“Consultant” means, in the sole discretion of the City, a firm of utility consultants experienced in the financing and operation of sewer systems and having a recognized reputation for such work, or City staff with similar experience.

“Credit Facility” means a bank, financial institution, insurance company or indemnity company that is engaged by or on behalf of the City to perform one or more of the following tasks: (a) enhance the credit of the City securing the Obligations or Additional Obligations by assuring that principal of and interest on the Obligations or such Additional Obligations (or any interests therein) will be paid promptly when due (including the issuance of an insurance policy, letter of credit, surety bond or other form of security for a reserve) or (b) provide liquidity for Additional Obligations (or any interests therein) by undertaking to cause such Additional Obligations to be bought from the holders thereof when submitted pursuant to an arrangement prescribed by the Additional Obligation Documents.

“Debt Service Reserve Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Defeasance Obligations” means any of the following: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P, or (6) any combination thereof.

“Depository Trustee” means any financial institution meeting the requirements as a successor Trustee under Section 8.6 of the Indenture that may be designated by the City.

“Finance Director” means the chief financial officer of the City or other authorized representative of City staff.

“Fiscal Year” means the 12-month period used by the City for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from July 1 to June 30.

“Holder” means the registered owner of any Obligation[, including the Insurer as applicable].

“Indenture Event of Default” means any one of those events set forth in Section 7.1 of the Indenture.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee and which may include the counsel giving a Special Counsel’s Opinion.

“Insolvency Proceeding” means any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

“Insurer” means Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

“Insurer Default” means (A) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Insurer shall (1) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or similar law, (2) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (3) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (4) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (5) make a general assignment for the benefit of creditors, or (6) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

“Insurer Policy Payments” means a sum equal to the total of all amounts paid by the Insurer under the Policy.

“Insurer Reimbursement Amounts” means, collectively, the Insurer Policy Payments and interest on such Insurer Policy Payments from the date paid by the Insurer until the payment thereof in full by the City, payable to the Insurer at the Late Payment Rate per annum compounded semiannually.

“Interest Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Interest Requirement” means (i) with respect to the Purchase Agreement, as of any date of calculation, the interest amount on the Purchase Agreement due during the then-current Bond Year, (ii) with respect to Parity Lien Obligations, as of any date of calculation, the amount required to be paid by the City during the then-current Bond Year with respect to interest on such Parity Lien Obligations, and (iii) with respect to Additional Obligations, as of any date of calculation, the amount required to be paid by the City during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of Variable Interest Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 5% and (ii) the then applicable highest rate of interest on the Obligations and (b) the maximum rate permissible under the applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

“Obligation Fund” means the fund of that name created pursuant to Section 5.1 of the Indenture.

“Obligation Payment Date” means each January 1 and July 1, commencing, January 1, 2027, so long as any Obligations are Outstanding.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys acceptable to the Trustee and who or which (except as otherwise expressly provided in the Indenture or in the Purchase Agreement) may be counsel for the City or the Trustee, provided that such attorney or firm of attorneys may not be an employee of the Trustee.

“Outstanding” means when used with reference to the Obligations, as of any date of determination, all Obligations theretofore executed and delivered except:

- (i) Obligations previously cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Obligations that are deemed paid and no longer Outstanding as provided in the Indenture, including as a result of irrevocable instructions being provided by the City for the redemption thereof;
- (iii) Obligations in lieu of which other Obligations have been executed and delivered pursuant to the provisions of the Indenture relating to Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Obligation is held by a bona fide purchaser; and
- (iv) For purposes of any consent or other action to be taken under the Indenture or under the Purchase Agreement by the Holders of a specified percentage in principal amount of Obligations, Obligations held by or for the account of the City, or any Person controlling, controlled by, or under common control with the City.

“Outstanding Parity Lien Obligations” means the Authority’s 2015 DW Loan, the Authority’s 2023 CW Loan, and the Authority’s 2023 DW Loan.

“Parity Lien Obligations” means, collectively, the Outstanding Parity Lien Obligations, the Purchase Agreement, and any Additional Obligations.

“Parity Lien Test Debt Service” means the highest aggregate Principal Requirement and Interest Requirement of all Obligations, Outstanding Parity Lien Obligations and Additional Obligations then Outstanding to fall due and payable in the current or any future Bond Year.

“Parity Obligation Documents” means any contract (including a resolution of the City Council) or agreement of the City constituting or authorizing Parity Lien Obligations.

“Paying Agent” means the banks or trust companies and their successors from time to time designated by the City as the paying agencies or places of payment for the Obligations. The Trustee is designated as the initial Paying Agent for the Obligations.

“Permitted Investments” means, to the extent the use of which is not otherwise prohibited by applicable law:

1. A. Cash;
- B. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs));
- C. Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself;
- D. Resolution Funding Corp. (“REFCORP”) but only the interest component of REFCORP strips which have been stripped by request

to the Federal Reserve Bank of New York in book entry form are acceptable;

- E. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P but if, however, the issue is only rated by S&P (i.e., there is no Moody’s rating) then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre- refunded municipals to satisfy this condition and
- F. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
 - (i) U.S. Export-Import Bank (Eximbank)
 - Direct obligations or fully guaranteed certificates of beneficial ownership,
 - (ii) Farmers Home Administration (FmHA),
 - (iii) Federal Financing Bank,
 - (iv) General Services Administration
 - Participation Certificates,
 - (v) U.S. Maritime Administration
 - Guaranteed Title XI financing and
 - (vi) U.S. Department of Housing and Urban Development (HUD)
 - Project Notes
 - Local Authority Bonds
 - New Communities Debentures – U.S. government guaranteed debentures
 - U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds;
- 2. Federal Housing Administration debentures;
- 3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - A. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
 - Participation Certificates (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - Senior debt obligations

- B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated system-wide bonds and notes
- C. Federal Home Loan Banks (FHL Banks)
 - Consolidated debt obligations
- D. Federal National Mortgage Association (FNMA or “Fannie Mae”)
 - Senior debt obligations
 - Mortgage-backed securities (excluded are stripped mortgage securities that are purchased at prices exceeding the portion of their unpaid principal amounts)
- E. Financing Corporation (FICO)
 - Debt obligations
- F. Resolution Funding Corp. (REFCORP)
 - Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1” or better by S&P or the highest rating category of Moody’s or are fully insured by the Federal Deposit Insurance Corporation (FDIC).

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC).

6. Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s.

7. Money market mutual funds rated “AAm” or “AAm-G” or higher by S&P or having a rating in the highest investment category granted thereby from Moody’s.

8. “State Obligations”, which means:

- A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
- B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.
- C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

9. Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- B. the municipal obligations are secured by cash or United States Treasury Obligations that may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
- D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
- F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase or reverse repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker- dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker- dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

- A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);
- B. The Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
- C. The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

- D. All other requirements of S&P in respect of repurchase or reverse repurchase agreements shall be met;
- E. The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the City or the Trustee, within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the City or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103 percent or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa2" by Moody's; provided that, by the terms of the investment agreement:

- A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Obligations;
- B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee thereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
- E. the investment agreement shall provide that if during its term:
 - (i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such

conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee, within ten days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and

F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, as appropriate.

12. Interests in the Local Government Investment Pool established pursuant to Arizona Revised Statutes Section 35-326.

"Person" includes an individual, an unincorporated association, a corporation, a partnership, a government agency or a political subdivision.

"Pledged Revenues" means Revenues remaining after deducting Operating Expenses. For the purposes of the computation required by Sections 4.4, 5.3(b) and 5.3(c) of the Purchase Agreement, additional amounts will be added to, or subtracted from, the Pledged Revenues of the preceding Fiscal Year, as follows: (i) if all or part of the proceeds of the Additional Obligations described in Section 4.4 of the Purchase Agreement are to be expended for the acquisition of utility properties, then the Revenues that would have been derived from the operation of such acquired utility properties during the entire immediately preceding Fiscal Year, as estimated by a Consultant, will be added; (ii) if during such preceding Fiscal Year the City has acquired or sold existing utility properties, then the revenues that would have been derived from the operation of such utility properties during such Fiscal Year had such utility properties been acquired and operating or sold and not operating throughout such Fiscal Year, as estimated by a Consultant, will be added or subtracted, respectively; and (iii) if during such preceding Fiscal Year the City has increased rates, fees and charges with respect to the System, then the increased amount that would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by a Consultant, will be added.

"Policy" means the municipal bond insurance policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Obligations when due.

“Principal Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Principal Installment” means, for any particular date, the aggregate of the principal amount of Obligations that are due on such date.

“Principal Requirement” means (i) with respect to the Purchase Agreement, as of any date of calculation, the principal amount of the Obligations maturing or subject to mandatory redemption pursuant to the Indenture during the then-current Bond Year, and (ii) with respect to Parity Lien Obligations and Additional Obligations, as of any date of calculation, the principal amount required to be paid by the City during the then-current Bond Year with respect to such Parity Lien Obligations and Additional Obligations, as applicable. In computing the Principal Requirement for such Parity Lien Obligations or Additional Obligations, an amount of such Parity Lien Obligations or Additional Obligations, as applicable, required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of the Parity Lien Obligations or Additional Obligations, as applicable, maturing on the scheduled maturity date. In the case of Parity Lien Obligations or Additional Obligations supported by a Credit Facility, the Principal Requirement for such Parity Lien Obligations or Additional Obligations, as applicable, shall be determined in accordance with the principal retirement schedule specified in the Parity Obligation Documents or Additional Obligation Documents authorizing the incurrence of such Parity Lien Obligations or Additional Obligations, as applicable, rather than any amortization schedule set forth in such Credit Facility unless payments under such Parity Lien Obligations or Additional Obligations, as applicable, shall be in default at the time of the determination, in which case the Principal Requirements for such Parity Lien Obligations or Additional Obligations shall be determined in accordance with the amortization schedule set forth in such Credit Facility.

“Prior Registrar” means, with respect to the Bonds Being Refunded, the registrar and paying agent for the Bonds Being Refunded, or, as applicable, the United States Department of Agriculture, Rural Development or Rural Utilities Service.

“Purchase Event of Default” means one of the events defined as such in Section 7.1 of the Purchase Agreement.

“Purchase Price” means the sum of the payments paid pursuant to Sections 5.4(i) and (ii) of the Indenture from amounts to be paid by or on behalf of the City as the purchase price for the Series 2026 Property.

“Qualified Reserve Fund Instrument” means a letter or line of credit, insurance policy or surety bond that meets the requirements set forth below:

(i) A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Obligations may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the claims paying ability of the issuer thereof shall be rated at least “AA-” or “Aa3” by S&P or Moody’s, respectively, or a lower rating acceptable to the City, provided that any issuer rated below “AA-” or “Aa3” by S&P or Moody’s, respectively, will not adversely affect the then-current rating pertaining to the Obligations, if then rated by S&P or Moody’s.

(ii) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Holders of the Obligations, by a bank may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the issuer thereof is rated at least “AA-” by S&P, or a lower rating acceptable to the City, provided that any issuer rated below “AA-” by S&P will not adversely affect the then-current rating pertaining to the Obligations, if then rated by S&P or Moody’s. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Obligations. The draws shall be

payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the City and the Trustee, not later than 24 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

The letter of credit shall permit a draw in full not less than 14 days prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is authorized and directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Debt Service Reserve Account is fully funded in its required amount.

If the expiration date of the letter of credit shall not be extended, the City may deposit in the Debt Service Reserve Account an amount sufficient to cause cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such deposit to be paid in equal installments on at least a semiannual basis over the ensuing three years, unless the Qualified Reserve Fund Instrument is replaced by a Qualified Reserve Fund Instrument meeting the requirements in either (i) or (ii) above.

The deposit of any Qualified Reserve Fund Instrument pursuant to this paragraph (ii) shall be subject to the Trustee's receipt of an opinion of counsel of an attorney or firm of attorneys of nationally recognized standing in the related field as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to the Trustee's receipt of an opinion of counsel of such attorney or firm of attorneys to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the Obligations (or any other account party under the letter of credit).

(iii) The obligation to reimburse the issuer of a Qualified Reserve Fund Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Fund Instrument shall be subordinate to the payment of debt service on the Obligations. The right of the issuer of a Qualified Reserve Fund Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service Reserve Account, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Account. The Qualified Reserve Fund Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Reserve Fund Instrument to reimbursement will be further subordinated to cash replenishment of the Debt Service Reserve Account to an amount equal to the difference between the full original amount available under the Qualified Reserve Fund Instrument and the amount then available for further draws or claims. If (A) the issuer of a Qualified Reserve Fund Instrument becomes insolvent or (B) the issuer of a Qualified Reserve Fund Instrument defaults in its payment obligations thereunder or (C) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AA-" or a Moody's "Aa3" (or if the City initially selected a lower rated issuer, the S&P or Moody's rating on such issuer declines from its initial level and such decline adversely affects the then-current rating pertaining to the Obligations, if then rated by S&P or

Moody's) or (D) the rating of the issuer of the letter of credit falls below a S&P "AA-" (or if the City initially selected a lower rated issuer, the S&P rating on such issuer declines from its initial level and such decline adversely affects the then-current rating pertaining to the Obligations, if then rated by S&P or Moody's) the obligation to reimburse the issuer of the Qualified Reserve Fund Instrument shall be subordinate to the cash replenishment of the Debt Service Reserve Account.

(iv) If (A) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (B) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AA-" or a Moody's "Aa3" (or if the City initially selected a lower rated issuer, the S&P or of each.

Moody's rating on such issuer declines from its initial level and such decline adversely affects the then-current rating pertaining to the Obligations, if then rated by S&P or Moody's) or (C) the rating of the issuer of the letter of credit falls below a S&P "AA-" (or if the City initially selected a lower rated issuer, the S&P rating on such issuer declines from its initial level and such decline adversely affects the then-current rating pertaining to the Obligations, if then rated by S&P or Moody's), the City shall either (1) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (2) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of (i)-(iii) above within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy is no longer investment grade or (b) the rating of the issuer of the letter of credit is no longer investment grade or (c) the issuer of the Qualified Reserve Fund Instrument defaults in its payment obligations or (d) the issuer of the Qualified Reserve Fund Instrument becomes insolvent, the City shall either (i) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing year in equal monthly installments or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements above, as applicable, within six months of such occurrence.

(v) Where applicable, the amount available for draws or claims under the Qualified Reserve Fund Instrument may be reduced by the amount of cash or Permitted Investments deposited in the Debt Service Reserve Account pursuant to clause (d)(i) of the preceding subparagraph (iv).

(vi) Any amounts owed by the City to the issuer of the Qualified Reserve Fund Instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Purchase Agreement for any purpose, e.g., rate covenant or Additional Obligations test.

(vii) The Trustee shall ascertain the necessity for a claim or draw upon the Qualified Reserve Fund Instrument and provide notice to the issuer of the Qualified Reserve Fund Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Qualified Reserve Fund Instrument) prior to each Obligation Payment Date.

(viii) Cash on deposit in the Debt Service Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on the Qualified Reserve Fund Instrument.

(ix) A Qualified Reserve Fund Instrument may not be provided to replace existing cash or Permitted Investments unless the City obtains, and provides to the Trustee, a Special Counsel's Opinion to the effect that such action will not cause the

interest on any Obligations to become includible in gross income for purposes of federal income taxes.

“Rating Agency” means Moody’s or S&P, or either of them or their replacements as provided in the definition of each.

“Repair and Replacement Fund” means the fund of that name as described in Section 5.1(b) of the Purchase Agreement.

“Repair and Replacement Fund Funding Requirement” means an amount equal to two percent of all tangible assets of the System at the end of the preceding Fiscal Year, as shown in the most recent audited financial statements of the City.

“Reserve Policy Agreement” means, with respect to advances and repayments of amounts pursuant to the Series 2026 Reserve Policy, (i) any provisions contained in the Indenture, or in any amendment or supplement thereto, or (ii) the agreement or any similar arrangement by or between the Insurer and the City.

“Reserve Policy Costs” means the City’s repayment of any draws on the Series 2026 Reserve Policy and payment of Administrative Expenses and interest accrued thereon at the Late Payment Rate.

“Reserve Requirement” means, an amount equal to the greatest amount to be paid in any subsequent Fiscal Year of the City with respect to the Obligations; provided, however, that such amount shall not exceed the least of (a) ten percent (10%) of the net proceeds of the Obligations at the time of original delivery, (b) the greatest amount to be paid in any subsequent Fiscal Year of the City with respect to the Obligations at the time of original delivery or (c) one hundred twenty-five percent (125%) of the average annual debt service at the time of original delivery.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, its successors and assigns, and, if such limited liability company shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

“Series 2026 Insurer Reimbursement Account” means the account of that name established from time to time by the Trustee as described in Section 5.4(iv) of the Indenture.

“Series 2026 Projects” means, in the aggregate, the improvements described on Exhibit A attached to the Purchase Agreement.

“Series 2026 Property” means the value added to the System by the Series 2026 Projects together with the portion of the Existing Project that remains unacquired and will be acquired pursuant to the Purchase Agreement, all of which is being financed with the proceeds of the Obligations.

“Series 2026 Reserve Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer credited to the Debt Service Reserve Account.

“Special Counsel” means an attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“Special Counsel’s Opinion” means an opinion signed by Special Counsel.

“State” means the State of Arizona.

“Variable Interest Rate Obligations” means any Additional Obligations that may, in the future, bear interest at rates that cannot be determined with specificity on their original incurrence.

The Purchase Agreement

* * * * *

Section 2.1. Agreement to Cause Execution and Delivery of Obligations; Application of Proceeds. In order to provide funds for payment of the costs and expenses of the Series 2026 Property and of execution and delivery of the Obligations, the Obligations shall be executed and delivered under the Indenture. Certain amounts shall be transferred by the Trustee pursuant to the Indenture to refund and redeem the Bonds Being Refunded that financed the Existing Project. Capital expenditures relating to the Series 2026 Property advanced prior to the execution and delivery of the Obligations shall be reimbursed, and otherwise costs of the Series 2026 Property, including but not limited to delivery costs pertaining to the Obligations, shall be paid as provided in the Indenture.

* * * * *

Section 3.3. City Series 2026 Obligations Fund; Amounts Payable After Execution and Delivery of Obligations Including for Purchase Price.

(a) Upon the execution and delivery of the Obligations, the City shall establish and maintain a separate, internal fund known as the “City Series 2026 Obligations Fund,” which the City shall hold in trust for the Holders of the Obligations. On or before the 10th day of each month, the City shall transfer Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement into the City Series 2026 Obligations Fund as follows:

(i) Commencing [August] 10, 2026, one-[fifth] (1/[5]) of the interest on the Obligations falling due on the January 1, 2027, Obligation Payment Date and, thereafter, one-sixth (1/6) of the interest on the Obligations falling due on the next succeeding Obligation Payment Date, which amounts shall be used to make the payments required by Section 3.3(b)(ii) below.

(ii) Commencing [August] 10, 2026, one-[eleventh] (1/[11]) of the principal due on July 1, 20[27] and, thereafter, one-twelfth (1/12) of the principal due or subject to mandatory redemption on the next succeeding July 1, which amounts shall be used to make the payments required by Section 3.3(b)(iii) below.

(b) After providing for certain amounts due to the federal government as rebate of excess earnings, the Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement (whether held by the City in the City Series 2026 Obligations Fund or otherwise) shall be paid for the following purposes and in the following order of priority:

(i) On the dates necessary therefor, fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Indenture to the Trustee.

(ii) Not later than one Business Day prior to the date on which due, the interest on the Obligations falling due on the next succeeding Obligation Payment Date for deposit to the Interest Account (representing a portion of the Purchase Price).

(iii) Not later than one Business Day prior to the date on which due, the principal of the Obligations due or subject to mandatory redemption on the next succeeding Obligation Payment Date for deposit to the Principal Account (representing a portion of the Purchase Price).

(iv) After determination by the Trustee that the amount on deposit in the Debt Service Reserve Account is less than the Reserve Requirement, (A) an amount

equal to one-twelfth (1/12) of the amount which, when added to the balance in the Debt Service Reserve Account, will be equal to the amount then required to be on deposit therein for deposit to the Debt Service Reserve Account, or (B) if the Series 2026 Reserve Policy is in effect and the Insurer has made a payment with respect to the Series 2026 Reserve Policy, instead for payment of the amounts required pursuant to the Reserve Policy Agreement.

(v) Commencing on [August] 10, 2026 and on the tenth (10th) day of each month thereafter, the City shall deposit to the Repair and Replacement Fund an amount equal to the amount required to fund and maintain the Repair and Replacement Fund in an amount equal to not less than two percent (2%) of the Revenues of the previous month until the amount accumulated in the Repair and Replacement Fund is in an amount equal to or greater than the Repair and Replacement Fund Funding Requirement; provided that at such time or times as there is on deposit in the Repair and Replacement Fund an amount at least equal to the Repair and Replacement Fund Funding Requirement, as shown in the most recent audited financial statements of the City, no amounts need to be deposited to the Repair and Replacement Fund

(c) In the event the City should fail to make when due any of the payments required by this Section (including amounts due to the Insurer), the installment so in default shall continue as an obligation of the City, payable solely from the Pledged Revenues, until the amount in default shall have been fully paid, and the City shall pay the same with interest thereon at the rate applicable to the corresponding maturities of Obligations, from the date said payment was to be made to the date of payment by the City until paid. The Purchase Agreement shall be deemed and construed to be a “net purchase agreement,” and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in the Purchase Agreement. The City shall cause an amount of Revenues to be included in the annual budget for every Fiscal Year sufficient to meet all requirements of the Purchase Agreement.

(d) The City shall further also pay or reimburse the Insurer on demand any and all Administrative Costs. The City agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semiannually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full. Notwithstanding anything herein to the contrary, the City shall further also pay to the Insurer the Insurer Reimbursement Amounts and the Reserve Policy Costs, as applicable. The City covenants and agrees that the Insurer Reimbursement Amounts and the Reserve Policy Costs are payable from and secured by a lien on and pledge of revenues from the Pledged Revenues on a parity with debt service due on the Obligations.

* * * * *

Section 4.1. Limitation of Source of City Payments.

(a) The Purchase Agreement is a limited, special obligation of the City, payable solely and secured as to the payment in accordance with the terms and the provisions of the Purchase Agreement.

(b) All amounts to be paid by the City pursuant to Section 3.3 of the Purchase Agreement (or under any other section of the Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the City, in the sole and absolute discretion of the City Council, from paying such amounts from other moneys of the City; provided, however, under no circumstances shall amounts paid under the Purchase Agreement from such other moneys constitute a pledge thereof, and amounts payable by the City under the Purchase Agreement shall never constitute a general obligation of the City or a pledge of *ad valorem* property taxes by the City.

(c) The City pledges, and shall raise and apply, the Pledged Revenues in such amounts and in such manner as required to make the payments required to be made by the City under the Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a

parity to the pledge thereof and lien thereon for the Parity Lien Obligations and the Additional Obligations. All of the Pledged Revenues shall be immediately subject to such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere in the Purchase Agreement or the Parity Lien Obligation Documents to incur the Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged under the Purchase Agreement or under the Indenture. After the application of the Pledged Revenues for the purposes in the Purchase Agreement, they may be used for any lawful purpose.

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Section 4.3. Prior Lien Obligations. The City shall not incur any obligations payable from the Pledged Revenues ranking prior to the obligations of the City under the Purchase Agreement.

* * * * *

Section 5.1. Utilities; Maintenance of the System in Good Condition; Repair and Replacement Fund.

(a) All maintenance and repair of the Series 2026 Property and utilities therefor shall be the responsibility of the City. The Seller as Trustee under the Indenture shall have no obligation with respect to the operation or maintenance of the Series 2026 Property. (In exchange for the payment of the amounts due under the Purchase Agreement, the Seller shall provide nothing more than the Series 2026 Property.) The City shall (a) maintain the System in a good condition, (b) operate the same in a proper and economical manner and at a reasonable cost, and (c) faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

(b) The City shall create the Repair and Replacement Fund in its custody. Amounts in the Repair and Replacement Fund shall be used (without priority): (i) for making extraordinary repairs or replacements to the System which are necessary to keep the System in operating condition and for the making of which provision has not been made in the annual budget and money is not available as an Operating Expense, (ii) as provided in Section 3.3(b), (iii) for the payment of any sums due and owing to the Holders of the Obligations, Parity Lien Obligations and Additional Obligations being refunded which sums cannot for any reason be paid from the income and proceeds of any Defeasance Obligations held by a Depository Trustee, (iv) for the acquisition of water and wastewater properties or facilities deemed necessary by the City to the efficient and economical operation of the System or to extend or improve the System, and (v) for otherwise acquiring, constructing and improving the System. Notwithstanding anything in the Purchase Agreement or in the Indenture to the contrary, if, after any Fiscal Year, amounts in the Repair and Replacement Fund exceed the Repair and Replacement Fund Funding Requirement, such amounts in excess of the Repair and Replacement Fund Funding Requirement held in the Repair and Replacement Fund may be released and used by the City for any lawful purpose. Notwithstanding any provision of the Indenture or the Purchase Agreement to the contrary, the Repair and Replacement Fund is in no way pledged or liened pursuant to the Purchase Agreement as a source of payment for the Purchase Price, and the City may waive, terminate or modify the uses of the Repair and Replacement Fund at any time without obtaining any consent from Holders of the Obligations.

Section 5.2. Insurance. The City shall maintain insurance on the System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the City), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance

policies, except public liability policies, is pledged by the City as security for the payment of the Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received. Self-insurance may be maintained for the System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the City; provided that (a) any such program has been adopted by the City and (b) an independent insurance or actuarial consultant appointed by the City /the City's risk manager or other appropriate officer of the City annually reviews any such program to confirm and reports to the City in writing that such program is adequate and actuarially sound.

Section 5.3. No Sale; Lease or Encumbrance Exceptions.

(a) The City shall not sell, lease, encumber or in any manner dispose of the System as a whole until all of the Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

(b) The City may sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the System, (b) such property is not useful in the operation of the System, (c) such property is not profitable in the operation of the System or (d) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Holders of the Obligations. In addition, the City may sell to any municipality or political subdivision of the State or any agency of any one or more of them, any portion of the System if there is filed with the Finance Director a certificate executed by the Consultant showing that, in the opinion of such Consultant, the proposed sale will not reduce the Pledged Revenues to be received in the full Bond Year next succeeding such sale to an amount less than 120 percent of the Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of Obligations then Outstanding. The proceeds of the disposition of such property shall be placed in the Repair and Replacement Fund in addition to all other amounts required in the current Fiscal Year.

(c) The City may sell or otherwise transfer the System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System on behalf of the public, and that undertakes in writing, filed with the Finance Director, the City's obligations under the Purchase Agreement; provided that there shall be first filed with the Finance Director (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the Obligations (which opinion may be based on the Consultant's report described in clause (2), below) and (C) the obligations of the City under the Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Pledged Revenues to the extent that in the full Bond Year next succeeding such transfer the Pledged Revenues will be less than 120 percent of the Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency. The proceeds of the disposition of such property shall be placed in the Repair and Replacement Fund in addition to all other amounts required in the current Fiscal Year.

(d) Notwithstanding the above provisions, the City may sell or lease all or any part of the System in connection with the issuance of Additional Obligations to finance additional improvements to the System or refinance the Obligations, Outstanding Parity Lien Obligations or Additional Obligations provided that such sale or lease does not permit foreclosure, or other loss by the City, of such portion of the System.

* * * * *

Section 5.6. Disconnection of Service for Non-Payment; No Free Service.

(a) The City shall diligently enforce payment of all bills for services supplied by the System. If a bill becomes delinquent and remains so for a period to be determined in accordance with City policy from time to time, the City shall discontinue service in accordance with the laws of the State to any premises the owner or occupant of which shall be so delinquent, and will not recommence such service to such premises until the delinquent charges shall have been paid or provisions for payment satisfactory to the City shall have been made. The City shall do all things and exercise all remedies reasonably available to assure the prompt payment of charges for all services supplied by the System.

(b) No free service shall be furnished by the System to the City or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality, except as provided in the Purchase Agreement. The reasonable cost and value of all service rendered to the City and its various departments by the System shall be charged against the City and will be paid for as the service occurs from the City's current funds. All payments so made shall be considered Revenues and shall be applied in the manner provided in the Purchase Agreement for the application of the Revenues of the System.

Section 5.7. No Competing System. The City shall not, to the extent permitted by law, grant a franchise or permit for the operation of any competing system within, in whole or in part, the service areas of the System. This Section 5.7 only applies to new competing systems, and any existing competing systems as of July 1, 2026 are permitted.

* * * * *

Section 7.1. Purchase Events of Default. Any one or more of the following events ("Purchase Events of Default") shall constitute a default under the Purchase Agreement:

(a) The City shall fail to make any payment when due under Section 3.3(b)(ii) or (iii) of the Purchase Agreement; or

(b) The City shall fail to make any payment under Section 3.3(b)(i), (iv) or (v) of the Purchase Agreement for a period of 30 days after notice of such failure shall have been given in writing to the City by the Seller or by the Trustee; or

(c) The City shall fail to perform any other covenant in the Purchase Agreement for a period of 30 days after written notice specifying such default shall have been given to the City by the Seller or the Trustee, provided that if such failure is a type that it cannot be remedied within such 30 day period, it shall not be deemed a Purchase Event of Default so long as the City diligently tries to remedy the same; or

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the federal bankruptcy statutes, as amended, or under any similar acts that may be enacted after execution of the Purchase Agreement.

Section 7.2. Remedies on Default by City. Subject to the rights of the Insurer provided in the Indenture and the Purchase Agreement, upon the occurrence of a Purchase Event of Default, the Trustee, as Seller, shall, but only if indemnified to its satisfaction by the Holders (if acting upon direction from the Holders of a majority in aggregate principal amount of the Obligations), without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance, except that under no circumstances may amounts due under the Purchase Agreement be accelerated. Upon the filing of suit by the Trustee, any court having jurisdiction of the action may appoint a receiver to administer the System for the City with power to charge and collect fees sufficient to pay all of the Operating Expenses and to make all required payments under the Purchase Agreement. The Trustee, as Seller, may assign any or all of its rights and privileges under this Section to the Trustee,

and the Trustee may exercise any or all of such rights or privileges as it may deem advisable. Nothing in the Purchase Agreement shall be deemed to authorize the Seller to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment, or composition affecting the Obligations or the rights of any Holder thereof, or to authorize the Seller to vote in respect of the claim of any Holder in any such proceeding without the approval of the Holders so affected.

* * * * *

Section 8.12. Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Purchase Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Purchase Agreement and that provides that the City may within three years after its execution cancel any contract (including the Purchase Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

The Indenture

Granting Clauses. Pursuant to the Indenture, the Trustee has been granted a security interest in and the following described property has been released, assigned, transferred, pledged mortgaged, granted and conveyed to the Trustee:

- A. All rights and interests of the Seller in, under and pursuant to the Purchase Agreement as assigned, mortgaged, hypothecated and pledged to the Trustee pursuant to the Purchase Agreement, provided that the assignment made by this clause shall not include any right to limitation of liability, indemnification of liability, or payment or reimbursement of fees, costs or expenses,
- B. Amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture and
- C. Any and all other real or personal property of any kind from time to time after execution of the Indenture by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Indenture for the Obligations, by the City or by anyone on its behalf or with its written consent, in favor of the Trustee.

* * * * *

Section 1.3. All Obligations Equally and Ratably Secured; Obligations Not General Obligations of the City. All of the Obligations executed and delivered under the Indenture and at any time Outstanding shall in all respects be equally and ratably secured by the Indenture, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the Obligations, so that all Obligations at any time Outstanding under the Indenture shall have the same right, lien and preference under the Indenture. The Obligations shall be payable solely out of the revenues and other security pledged by the Indenture and shall not constitute an indebtedness, a general obligation or a pledge of *ad valorem* property taxes of the City within the meaning of any State constitutional provision or statutory limitation. The Obligations shall never constitute or give rise to a pecuniary liability of the City or be a charge against the City's general credit, and the Obligations shall never constitute a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

* * * * *

Section 5.3. Flow of Funds into the Obligation Fund. The following payments to the Trustee shall be applied in the following manner:

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(b)(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 5.4(iii)(C) and Section 5.9(c) of the Indenture shall also be deposited into the Interest Account.)

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(b)(iii) of the Purchase Agreement as well as the total of any amounts received for any redemption of Obligations. (Amounts transferred pursuant to Section 5.4(iii)(C) and Section 5.9(c) of the Indenture shall also be deposited in the Principal Account.)

(iii) The Trustee shall deposit to the Debt Service Reserve Account amounts paid pursuant to Section 3.3(b)(iv) of the Purchase Agreement. No deposit need be made into the Debt Service Reserve Account if the amount on deposit therein plus the maximum amount of the Qualified Reserve Fund Instruments contained therein equals the Reserve Requirement. The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Account.

Section 5.4. Flow of Funds out of the Obligation Fund. Amounts in the following accounts shall be applied in the following manner:

(i) Amounts in the Interest Account shall be used to pay interest on the Obligations as it becomes due.

(ii) Amounts in the Principal Account shall be used to retire Obligations by payment at their scheduled maturity date, mandatory redemption date or optional redemption date.

(iii) (A) Amounts in the Debt Service Reserve Account shall be used to pay the interest on, or to retire at their scheduled maturity or mandatory redemption date, the Obligations in the event that no other money of the City is available therefor or for the retirement (including by defeasance pursuant to Section 10.2 of the Indenture) of all of the Obligations then Outstanding. If and to the extent that money has been deposited in the Debt Service Reserve Account, all such money shall be used (or investments purchased with such money shall be liquidated and the proceeds applied as required) prior to any drawing under a Qualified Reserve Fund Instrument. If the City shall fail to repay any amounts due pursuant to the Policy, the Insurer shall be entitled to exercise any and all remedies available at law or under the Indenture other than remedies which would adversely affect the Holders of the Obligations.

(B) In the event there is insufficient money in the Debt Service Reserve Account available for the payment of principal of and interest on the Obligations, then in that event the Trustee shall ascertain the necessity for a claim upon the Series 2026 Reserve Policy and provide notice to the Insurer in accordance with the terms of the Series 2026 Reserve Policy at least five Business Days prior to each date upon which interest or principal is due on the Obligations.

(C) If on July 2 of any year the amount in the Debt Service Reserve Account exceeds an amount equal to the Reserve Requirement and if the City is not then in default under the Purchase Agreement, the Trustee shall withdraw the amount of any such excess from such account and shall apply such amount, first and on a pro-rata basis, to pay amounts due with respect to the Qualified Reserve Fund Instrument, including by transferring amounts in the "reimbursement fund" established to reimburse the provider of the Qualified Reserve Fund Instrument for any payments made by the provider thereof until the corresponding costs with respect thereto are paid, second, as a deposit to the Interest Account, and third, if the amount in the Interest Account is equal to or greater than the interest due on the Obligations on the next Obligation Payment Date, as a deposit to the Principal Account.

(D) The Trustee is also directed to draw on a Qualified Reserve Fund Instrument in accordance with the terms included in the definition of Qualified Reserve Fund Instrument.

(iv) Monthly, commencing on the tenth day of the month following a payment made on the Series 2026 Reserve Policy, the Trustee shall deposit in the Series 2026 Insurer Reimbursement Account an amount of money equal to the amount required to reimburse the Insurer for any amounts due pursuant to the Reserve Policy Agreement. No deposit need be made into the Series 2026 Insurer Reimbursement Account until such time as the Insurer has made a payment under the Series 2026 Reserve Policy. All moneys in the Series 2026 Insurer Reimbursement Account shall be used and withdrawn by the Trustee solely for the purpose of reimbursing the Insurer for any amounts due pursuant to the Reserve Policy Agreement.

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Section 5.6. Investment of Moneys Held by Trustee.

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible, in Permitted Investments as directed, in writing, by the City Representative; provided that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the City, then the Trustee shall invest moneys in investments described in a money market fund permitted by clause 7 of the definition of Permitted Investments.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint

investment is made and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

* * * * *

Section 5.9. Acquisition Fund.

(a) The Trustee shall establish a special trust fund designated as the Acquisition Fund, shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in the Indenture.

(b) (1) Upon receipt of a duly executed Payment Request Form requesting disbursement from the Acquisition Fund, the Trustee shall remit to the payee designated in the Payment Request Form, the amount requested to be paid in such Payment Request Form for Project Costs within three (3) Business Days following submission of such Payment Request Form. Notwithstanding the foregoing, the Trustee shall apply moneys on deposit in the Acquisition Fund to reimburse the City for any Project Costs incurred or advanced by the City within three (3) Business Days of receipt of a duly executed Reimbursement Request Form. The Trustee has no duty or obligation to confirm that such disbursements constitute Project Costs and may rely conclusively on such Payment Request Form or Reimbursement Request Form without making any independent investigation in connection therewith.

(2) Should any shortfall or deficiency occur in the Acquisition Fund, the City shall immediately pay such amounts to the Trustee in addition to the amounts otherwise due pursuant to the Purchase Agreement.

(3) Amounts in the Acquisition Fund shall be used to pay principal of and interest on the New Money Obligations if insufficient funds are otherwise available to make such payments when due.

(4) When the Series 2026 Projects are completed, all remaining moneys in the Acquisition Fund shall be transferred to the Obligation Fund and applied by the Trustee to the amounts due from the City on the next succeeding Obligation Payment Date, and the Acquisition Fund shall be closed.

(5) Any amount remaining in the Acquisition Fund upon the occurrence of an Indenture Event of Default or a Purchase Agreement Event of Default shall not be disbursed as provided in the Indenture, but shall be immediately transferred to the Obligation Fund and used to pay principal and interest with respect to the New Money Obligations.

Section 5.10. Debt Service Reserve Account.

(a) In accordance with Section 5.1 of the Indenture, the Trustee established the Debt Service Reserve Account within the Obligation Fund, and the Series 2026 Reserve Policy will be deposited to the credit of the Debt Service Reserve Account. The Debt Service Reserve Account shall not be an integrated and indivisible common reserve fund, and the Series 2026 Reserve Policy does not secure repayment of the Outstanding Parity Lien Obligations or any Additional Obligations.

* * * * *

(i) The Debt Service Reserve Account shall be capitalized with an amount equal to the Reserve Requirement for the Obligations, and may be in the form of cash, Defeasance Obligations, or a Qualified Reserve Fund Instrument.

* * * * *

Section 7.1. Events of Default. Each of the following is declared an “Indenture Event of Default” under the Indenture:

(a) If payment of any installment of interest on any Obligation is not made in full when the same becomes due and payable;

(b) If payment of the principal or redemption premium, if any, on any Obligation is not made in full when the same becomes due and payable;

(c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of all or any part of the interests pledged under the Indenture and such custody or control continues for more than 60 days;

(d) If the City defaults in the due and punctual performance of any other covenant, condition, agreement or provision on its part to be performed as provided in the Indenture or in the Obligations and such default continues for 30 days after the Trustee gives the City [and the Insurer] written notice specifying such default, unless within such 30 days the City commences and diligently pursues in good faith appropriate corrective action to the satisfaction of the Trustee, the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the Obligations then Outstanding; or

(e) If any event of default provided by Section 7.1 of the Purchase Agreement occurs.

Section 7.2. Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Indenture Event of Default and in accordance with the Indenture and the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, protect and enforce its rights and the rights of the Holders under the Indenture and the Purchase Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to, an action for the recovery of any amounts due under the Indenture for the breach of the Indenture, and the Trustee may pursue any other remedy afforded by law or in equity, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to the Purchase Agreement subject to any limitations on such remedies set forth therein.

(b) Regardless of the happening of an Indenture Event of Default and subject to Section 7.7 of the Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the Obligations then outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it deems necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Obligations not making such request.

Section 7.3. No Acceleration. In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable, or payable in advance of their scheduled maturity dates, any amounts due under the Indenture other than as a result of optional redemption pursuant to the Indenture and then only to the extent of the amount to be so redeemed.

Section 7.4. Application of Revenues and Other Moneys After Default.

(a) During the continuance of an Indenture Event of Default all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture together with all moneys held by the Trustee pursuant to the Indenture, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be deposited in the Obligation Fund, and all amounts held by the Trustee under the Indenture shall be applied as follows provided, that if the amount available shall not be sufficient to pay in full any amount or amounts then due, then to the payment thereof ratably in a manner consistent with Section 3.3 of the Purchase Agreement, according to the amounts due to the Persons entitled thereto, without any discrimination or preference:

- First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the Obligations); and
- Second: To the payment of the unpaid Principal Installments or redemption price of any Obligations that shall have become due, whether at maturity or by call for redemption, in the order of their due dates.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the Obligations to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation is presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

(c) Whenever all principal of and interest on the Obligations that has become due has been paid under the provisions of the Indenture and all expenses and charges of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

* * * * *

Section 7.7. Individual Holder Action Restricted.

(a) No Holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for any remedy under the Indenture except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers under the Indenture upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount of Obligations Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Indenture; and

(ii) Such Holders have offered to indemnify the Trustee as provided in Section 8.2(v) of the Indenture; and

(iii) The Trustee has failed or refused to exercise the duties or powers granted in the Indenture for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of Obligations then Outstanding.

(b) No one or more Holders of Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security thereof or to enforce any right under the Indenture except in the manner provided in the Indenture and for the equal benefit of the Holders of all Obligations Outstanding.

(c) Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Obligation (i) to receive payment of the principal of or premium, if any, or interest on such Obligation, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Obligation may institute or prosecute any such suit if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, funds and properties pledged under the Indenture for the equal and ratable benefit of all Holders of Obligations.

* * * * *

Section 7.9. Waiver of Indenture Event of Default.

(a) No delay or omission of the Trustee or of the Holder of any Obligations to exercise any right or power accruing upon any Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Indenture Event of Default or an acquiescence therein. Every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any Indenture Event of Default that in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under, the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

(c) In case of any waiver by the Trustee of an Indenture Event of Default under the Indenture, the City, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Indenture Event of Default. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Indenture Event of Default in accordance with this Section.

* * * * *

Section 8.1. Certain Duties and Responsibilities of Trustee.

(a) Except during the continuance of an Indenture Event of Default:

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which are required by any provision of the Indenture or the Purchase Agreement, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of the Indenture or the Purchase Agreement on their face.

(b) In case an Indenture Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a);

(ii) the Trustee shall not be liable for any error of judgment made in good faith and without negligence or willful misconduct by a president or vice-president of the board of directors, the president or vice-president of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any associate or senior associate, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence or in accordance with the direction of, [subject to Section 12.6 of the Indenture, the Insurer or] the Holders of the Outstanding Obligations as provided in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture; and

(iv) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the City for all reasonable costs, expenses, attorneys' and other fees and expenses, and all other reasonable disbursements, including its own fees and expenses, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence or willful misconduct.

(d) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.2. Certain Rights of Trustee. Except as otherwise provided in Section 8.1 of the Indenture:

* * * * *

(v) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture or by the Purchase Agreement at the request or direction of any of the Holders pursuant to the Indenture unless such Holders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

* * * * *

Section 8.6. Removal and Resignation of Trustee.

(a) The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the City and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee. Any such resignation of the Trustee shall also automatically be deemed a resignation by the Trustee as Seller.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the City and any Paying Agents and signed by (i) the City Representative or (ii) by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by an instrument signed by the City or by any court of competent jurisdiction upon the application of the City, or the Holders of not less a majority in aggregate principal amount of the Obligations then Outstanding under the Indenture. Any removal shall not take effect until a successor Trustee has been appointed. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

(c) In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the City shall be entitled to appoint a successor Trustee acceptable to the City.

(d) If the Holders of a majority of the principal amount of Obligations then Outstanding object to the successor Trustee so appointed by the City and if such Holders designate another Person qualified to act as the Trustee, the City shall then appoint as the Trustee the Person so designated by the Holders.

* * * * *

Section 8.8. Trustee's Fees and Expenses.

(a) The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it under the Indenture; to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct; and, together with the Trustee's officers, directors, agents and employees, to be indemnified by the City, for, from and against any loss, liability or expense arising out of or in connection with the acceptance or administration of the trust or its duties under the Indenture.

* * * * *

Section 9.1. Supplements not Requiring Consent of Holders. The City acting through the City Representative and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more supplements to the Indenture for one or more of the following purposes:

(i) To cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture that is inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture provided such action shall, in the opinion of counsel delivered to the Trustee, not materially adversely affect the interests of the Holders;

(ii) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(iii) To secure additional revenues or provide additional security or reserves for payment of the Obligations or to add a Qualified Reserve Fund Instrument and necessary, related provisions therefor;

(iv) 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;

(v) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of the Indenture;

(vi) To permit Obligations in bearer form if the City and the Trustee receive a Special Counsel's Opinion that such action will not cause the interest on any Obligations to become includible in gross income for purposes of federal income taxes;

(vii) 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 City to continue to incur obligations (specifically not limited to the Obligations) the interest on which is likewise exempt from federal and State income taxes; and

(viii) To adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Indenture by agreement of the Trustee and the City.

Section 9.2. Supplements Requiring Consent of Holders.

(a) Other than supplements to the Indenture referred to in Section 9.1 of the Indenture and subject to the terms and provisions and limitations contained in the Indenture and not otherwise, the Holders of not less than a majority in principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the City Representative and the Trustee of such supplement as shall be deemed necessary and desirable by the City and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, nothing in this Section or Section 9.1 of the Indenture shall permit or be construed as permitting a supplement to the Indenture that would:

(i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or rate of interest payable on any Obligation without the consent of the Holder of such Obligation;

(ii) prefer or give a priority to any Obligation over any other Obligation without the consent of the Holder of such Obligation;

(iii) reduce the principal amount of Obligations then outstanding the consent of the Holders of which is required to authorize such supplement without the consent of the Holders of all Obligations then Outstanding;

(iv) increase the principal amount of Obligations then Outstanding, the request of the Holders of which is required by Section 7.1(d) of the Indenture, without the consent of the Holders of all Obligations then Outstanding; or

(v) reduce the redemption price of any Obligation upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 of the Indenture without the consent of the Holder of such Obligation.

(b) If at any time the City requests the Trustee to enter into a supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the City with respect to expenses with respect to such supplement, cause notice of the proposed execution of such supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of Obligations then Outstanding at their addresses as they appear on the registration books for the Obligations[, and to the Insurer]. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed supplement and shall state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

* * * * *

Section 9.4. Amendments to Purchase Agreement Not Requiring Consent of Holders. The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the City in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section, does not materially adversely affect the interests of the Holders; (iii) to add a Qualified Reserve Fund Instrument so long as any payments with regard to the new Qualified Reserve Fund Instrument are paid no sooner, or in an amount greater, than amounts required to be paid pursuant to Section 3.3(b)(iv) of the Purchase Agreement; (iv) to amend the description of the Series 2026 Property; (v) 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 City to continue to incur bonds or other obligations (specifically not limited to the Obligations authorized by the Indenture) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel stating that such amendment is authorized or permitted under the Indenture and under the Purchase Agreement.

Section 9.5. Amendments to Purchase Agreement Requiring Consent of Holders.

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 of the Indenture and subject to the terms, provisions and limitations contained in the Indenture and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the Purchase Agreement only with the consent of the Holders of not less than a majority in principal amount of Obligations then Outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the City to make payments, under the Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Obligations then Outstanding.

* * * * *

Section 10.1. Discharge of Indenture.

(a) If payment of all principal of and premium, if any, and interest on all of the Obligations in accordance with their terms and as provided in the Indenture and in the Purchase Agreement is made, or is provided for in accordance with Article X of the Indenture, and if all other sums, if any, payable under the Indenture shall be paid, then the liens, estates and security interests granted by the Indenture shall cease. Thereupon, at the request of the City, and upon receipt by the Trustee of an Opinion of Counsel addressed to the City and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of the Indenture have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture and the Trustee shall transfer all property held by it under the Indenture, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Obligations, to the City or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with the Indenture.

(b) The City may at any time surrender to the Trustee for cancellation any Obligations previously executed and delivered that the City may have acquired in any manner whatsoever and such Obligations upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Obligations.

(a) Payment of all or any part of the Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations that are not redeemable in advance of their maturity dates. Amounts in the Debt Service Reserve Account may be included as part of such deposit only if all of the Series Obligations are to be defeased. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants, to pay when due the principal or redemption price of and interest on such Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or such Depository Trustee irrevocably in trust for the Holders of such Obligations solely for the purpose of paying the principal or redemption price of and interest on such Obligations as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee or such Depository Trustee as to the dates upon which any such Obligations are to be redeemed prior to their respective dates.

* * * * *

(c) If payment of Obligations is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of an Obligation so provided for.

(d) Obligations, the payment of which has been provided for, in accordance with this Section, shall no longer be deemed outstanding under or secured by the Indenture. The obligation in respect of such Obligations shall nevertheless continue but the Holders of those Obligations will thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or such Depository Trustee to provide for the payment of such Obligations.

(e) No Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of such Obligation is made, the interest payable on any Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Obligations.

* * * * *

Section 11.10 Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Indenture is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Indenture and which provides that the City may within three years after its execution cancel any contract (including the Indenture) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

Section 12.1. Applicability of Provisions Relating to the Policy and the Insurer. Notwithstanding anything in the Indenture or in the Purchase Agreement to the contrary, the provisions of Article XII of the Indenture shall be applicable and shall supersede any conflicting provisions in the Indenture or in the Purchase Agreement so long as the Policy is in effect and, except with respect to amounts already due to the Insurer thereunder against which the following shall not be a defense and with regard to which the Insurer will be treated like any other Holder of the Obligations, there is no Insurer Default.

* * * * *

Section 12.3 Defeasance.

(a) Only Defeasance Obligations as described in clauses (1), (2) or (3) of the Defeasance Obligations definition in the Indenture, or, subject to the prior written consent of the Insurer, Defeasance Obligations as described in clauses (4) or (5) of the Defeasance Obligations definition in the Indenture, shall be used to effect defeasance of the Obligations unless the Insurer otherwise approves.

* * * * *

Section 12.5 Amendments and Supplements. The Insurer's prior written consent is required for all amendments and supplements to the Purchase Agreement and the Indenture, with certain exceptions described in the Indenture.

* * * * *

(b) Whenever the Purchase Agreement or the Indenture requires the consent of Holders of the Obligations, the Insurer's consent shall also be required. In addition, any amendment, supplement, modification to, or waiver of, either of the Purchase Agreement or the Indenture that adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

(c) Any reorganization or liquidation plan with respect to the City must be acceptable to the Insurer including without limitation, (A) all matters relating to any Claim, (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Holder delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Holder with respect to the Obligations in conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(d) Upon the occurrence and continuance of an Indenture Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Obligations or the Trustee

for the benefit of the Holders of the Obligations under the Purchase Agreement or the Indenture. No Indenture Event of Default may be waived without the Insurer's written consent.

(e) Upon the occurrence and continuance of an Indenture Event of Default, the Insurer shall be deemed to be the sole Holder of the Obligations for all purposes under the Purchase Agreement or the Indenture, including, without limitation, for purposes of exercising remedies and approving amendments.

* * * * *

Section 12.6 The Insurer as Third-Party Beneficiary. The Insurer is recognized as and shall be deemed to be a third-party beneficiary of the Purchase Agreement and the Indenture and may enforce the provisions of the Purchase Agreement and the Indenture as if it were a party thereto.

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BOOK-ENTRY-ONLY SYSTEM

This information concerning DTC and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the accuracy thereof. The Beneficial Owners (defined below) should confirm this information with DTC or the DTC participants.

DTC will act as securities depository for the Obligations. The Obligations will be executed and delivered 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 Obligations certificate will be executed and delivered for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 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 Direct Participants, "Participants"). DTC has a rating of "AA+" from Standard & Poor's. 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 ownership interests in the 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 do not effect any 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 the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligations 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 notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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).

Redemption proceeds and principal and interest payments on 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 City or the Trustee, on 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 City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Obligations purchased or tendered through its Participant to the Trustee, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Participant's interests in the Obligations, on DTC's records, to the Trustee. The requirement for physical delivery of Obligations in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligations to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the Trustee or the City. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered to DTC.

NONE OF THE CITY, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS, OR TO INDIRECT PARTICIPANTS 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 INDENTURE; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE OBLIGATIONS; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE OBLIGATIONS; OR (5) ANY OTHER MATTERS.

FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

UMB Bank, n.a.
Phoenix, Arizona

Re: Water and Wastewater System Revenue Obligations, Series 2026 (the “*New Money Obligations*”), and Water and Wastewater System Revenue Refunding Obligations, Series 2026 (the “*Refunding Obligations*” and, together with the New Money Obligations, the “*Obligations*”), Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by the City of Eloy, Arizona, Pursuant to a Series 2026 Purchase Agreement, Dated as of July 1, 2026

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the above-referenced Obligations, comprised of \$19,025,000 principal amount of New Money Obligations and \$945,000 principal amount of Refunding Obligations, and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to finance or refinance the costs of certain improvements to the water and wastewater system (the “*System*”) serving the City of Eloy, Arizona (the “*City*”).

We have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, such documents and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the Obligations. Reference is made to certifications of, and opinions of counsel to, parties with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

The Obligations are being executed and delivered pursuant to the Series 2026 Obligation Indenture, dated as of July 1, 2026 (the “*Indenture*”), by and between the City and UMB Bank, n.a., in its capacity as trustee (the “*Trustee*”). Each of the Obligations represents an undivided and proportionate interest in certain obligations of the City pursuant to the Series 2026 Purchase Agreement, dated as of July 1, 2026 (the “*Purchase Agreement*”), by and between the Trustee, in its separate capacity as seller (the “*Seller*”), and the City, as purchaser, pursuant to which the City has agreed to make certain installment purchase payments to the Seller. The Obligations are payable solely, as to both principal and interest, from such installment purchase payments made by the City pursuant to the Purchase Agreement. The City and the Seller have assigned certain of their rights in and benefits from, and of their obligations pursuant to, the Purchase Agreement to the Trustee pursuant to the Indenture.

Based upon the foregoing, we are of the opinion as of this date, which is the date of initial execution and delivery of the Obligations against payment therefor, that:

1. The Indenture, the Purchase Agreement and the Obligations are valid and binding and enforceable in accordance with their terms. The rights of the holders of the Obligations and the enforceability of those rights pursuant to the Obligations as well as the Indenture and the Purchase Agreement may, however, be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors’ rights, and the enforcement of those rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity.

The enforceability of the indemnification provisions in the Purchase Agreement and the Indenture may be affected by applicable securities laws.

2. The obligation of the City for the payment of the installment purchase payments required to be paid by the City pursuant to the provisions of the Purchase Agreement constitute a valid and binding limited, special obligation of the City, payable together with any other obligations issued on parity therewith, solely from and secured solely by a pledge of, a lien on and a security interest in the Pledged Revenues (as defined in the Purchase Agreement), consisting generally of revenues derived by the City from the operation of the System after sufficient funds have been provided for the operation and maintenance expenses of the System. Such payments are not secured by an obligation or pledge of any moneys raised by taxation; the Obligations do not represent or constitute a debt or pledge of the general credit of the City or the State of Arizona and the Purchase Agreement, including the obligation of the City to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. (a) Based on the representations and covenants of the City 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 City pursuant to the Purchase Agreement, denominated and comprising interest and received by the beneficial owners of the Obligations (the "*Interest Portion*"), is excludable from the gross income of the holders thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "*Code*"), on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion is not excluded from the determination of adjusted financial statement income. 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 Code includes requirements which the City 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 City to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of execution and delivery. The City 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 same limitations in the first numbered paragraph hereof as they would relate to such covenants, the City 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 receipt or accrual of the Interest Portion on, or disposition or ownership 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,

<p>\$19,025,000</p> <p>WATER AND WASTEWATER SYSTEM REVENUE OBLIGATIONS, SERIES 2026</p>	<p>\$945,000</p> <p>WATER AND WASTEWATER SYSTEM REVENUE REFUNDING OBLIGATIONS, SERIES 2026</p>
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**Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments of the Purchase Price to be Paid By the
CITY OF ELOY, ARIZONA,
Pursuant to a Series 2026 Purchase Agreement,
Dated as of July 1, 2026**

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the City of Eloy, Arizona (the “*City*”), in connection with the sale and execution and delivery of \$19,025,000 principal amount of Water and Wastewater System Revenue Obligations, Series 2026 (the “*New Money Obligations*”), and \$945,000 principal amount of Water and Wastewater System Revenue Refunding Obligations, Series 2026 (the “*Refunding Obligations*”) and, together with the New Money Obligations, the “*Obligations*”), Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by the City of Eloy, Arizona, Pursuant to a Series 2026 Purchase Agreement, Dated as of July 1, 2026, executed and delivered pursuant to the Series 2026 Obligation Indenture, dated as of July 1, 2026 (the “*Indenture*”), by and between the City and UMB Bank, n.a., as trustee (the “*Trustee*”). The City 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 City 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 City and which has filed with the City 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 July __, 2026.

“*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 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 Series 2026 Purchase Agreement, dated as of July 1, 2026, by and between the City 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 City 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 City 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 New Money Obligations are as follows:

CUSIP No. (Base _____)	Maturity Date (July 1)
<hr/>	

The CUSIP Numbers of the Refunding Obligations are as follows:

CUSIP No. (Base _____)	Maturity Date (July 1)
<hr/>	

4. Annual Financial Information Disclosure. Subject to Section 8 of this Undertaking, the City 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 City 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 City shall disseminate in a timely manner, but in not more than ten (10) business days after the occurrence of the event, its Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. Consequences of Failure of the City to Provide Information. The City 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 City 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 City 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 Indenture, and the sole remedy available to such owners of the Obligations under

this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the City 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 City, 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 City (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Indenture 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 City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. Non-Appropriation; Termination of Undertaking. The performance by the City of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance, and shall be payable solely from Pledged Revenues of the System (as such terms are defined in the Indenture and the Purchase Agreement). In the event of a failure by the City to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the City covenants to provide prompt notice of such fact to the MSRB through EMMA. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Indenture.

9. Dissemination Agent. The City 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 City 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 City 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 City 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 City, 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 City 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 City shall not transfer obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the City 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.

DATED: [Closing Date]

CITY OF ELOY, ARIZONA

By.....
Finance Director

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement under the captions “WATER AND WASTEWATER SYSTEM FUNDS HISTORICAL AND PROJECTED COMBINED SCHEDULES OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE” and “APPENDIX B — CITY OF ELOY, ARIZONA FINANCIAL DATA — STATEMENTS OF DEBT OUTSTANDING,” in each case with respect to actual results for the 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 City 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 March 1 of each year, commencing March 1, 2027. 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 within 30 days after availability to the City.

Audited Financial Statements will be prepared according to GAAP.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City 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 City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City 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 City, 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 City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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 City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, 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 City, any of which reflect financial difficulties.

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SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or teletype as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

28 Liberty Street, 59th Floor
New York, New York 10005

Telecopy:

212-962-1524 (attention: Claims)

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