



CITY OF SURPRISE
Regular City Council Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, February 4, 2020 @ 6:00 PM
COUNCIL CHAMBERS

A. Call To Order

Any prayer or invocation that may be offered before the start of the Regular Council Meeting is a voluntary offering by a private resident of Surprise; has not been previously reviewed or approved by City Council or City staff; should not be considered an endorsement of any particular religion by the City or its officials, as the beliefs, viewpoint, and content are personal to the speaker; and no participation by any person in attendance is required. A list of volunteers is maintained by the office of the City Clerk and interested persons should contact the Clerk's Office for further information.

B. Roll Call

C. Pledge of Allegiance

D. Proclamation and Community Acknowledgements

Teen Dating Violence Awareness Proclamation

E. City Manager Report

1. Surprise Literacy Challenge 5th grade class and Youth Council member's will report on current youth events and projects.

F. City Clerk Report

G. Call To The Public

INSTRUCTIONS: In order to address the City Council, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the City Clerk before the meeting begins.

[Download the Call to the Public form](#) (PDF download requires Adobe Acrobat Reader)

[Fill out the Call to the Public form online](#) If submitting form electronically, please submit to City Clerk at least one hour before the meeting start time.

The Call to the Public form is also available at the front counter.

Note: A.R.S. 38-431.01(H)- During this time members of the public may address City Council only on issues within the jurisdiction of the City Council which are not an item on the agenda. At the conclusion of the open call, City Council may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

Approval of items on the Consent Agenda – all items with an asterisk (*) are considered to be routine matters and will be enacted by one motion and one roll call vote to the City Council. There will be no separate discussion on these items unless a Councilmember requests, in which event the item will be removed from the consent agenda and considered in its normal sequence on the agenda.

Please be aware that Council Members may not discuss or respond to matters raised during call to the public that are not specifically identified on the agenda. Council Members may however, in their discretion, discuss or respond to relevant matters raised during a noticed public hearing or agenda item.

H. Regular City Council Meeting Agenda

CONSENT AGENDA:

- | | | | |
|----|------------|--|--|
| 2. | Citywide | Consideration and action pertaining to approval of a Fiscal Year 2020 budget amendment reallocating appropriations in the amount of \$1,000 within the Grants Fund from Contingency to the Walmart Grant Victim Assistance Grant; Resolution #2020-02. | None

Terry Young
Police |
| 3. | Citywide | Consideration and action on the minutes of January 21, 2020 Regular City Council Work Session; Council Meeting and Executive Session. | None

Sherry Aguilar
City Clerk |
| 4. | District 4 | Consideration and action to approve a request by Kakhree Mikha Chalabe (Owner) for a Series 10 (Beer & Wine Store) liquor license for Cindy's Mini Market located at 12865 W. Grand Avenue, Surprise, AZ 85374. | None

Sherry Aguilar
City Clerk |
| 5. | District 1 | Consideration and action on accepting Rights-of-Way from Arizona State Land Department for 163rd Avenue between Jomax Road and Dynamite Road. | None

Chris Boyd
Community
Development |

- | | | | |
|----|------------|--|---------------------------------------|
| 6. | District 5 | Consideration and action declaring the City's intention to establish a lighting improvement district known as, "City of Surprise, Arizona, SU-Park Place 183 Lighting Improvement District" pursuant to A.R.S. § 48-616 for the purpose of purchasing facilities and energy for lighting the public streets and parks; Resolution #2020-03. | None

Mike Gent
Public Works |
| 7. | District 3 | Consideration and action declaring the City's intention to establish a lighting improvement district known as, "City of Surprise, Arizona, SU-Cotton and Sweetwater 189 Lighting Improvement District" pursuant to A.R.S. § 48-616 for the purpose of purchasing facilities and energy for lighting the public streets and parks; Resolution #2020-08. | None

Mike Gent
Public Works |
| 8. | Citywide | Consideration and action pertaining to approval of an amendment to the Fiscal Year 2020 Capital and Operating List of Items over \$50,000 to include the purchase of additional ammunition that was already budgeted in the existing FY2020 budget; Resolution #2020-12. | None

Terry Young
Police |
| 9. | Citywide | Consideration and action authorizing the city attorney, or his designees, to take any and all actions necessary, including but not limited to initiating litigation, to enforce the Sewer Service Agreement entered into by and between the City of Surprise and Cortessa L.L.C. and Citrus & Northern L.L.C. on August 16, 2004. | None

Robert Wingo
Legal |

REGULAR AGENDA ITEM - PUBLIC HEARING:

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

- | | | | |
|-----|------------|--|--|
| 10. | Citywide | Presentation and discussion pertaining to the fiscal year 2019 annual audit and Comprehensive Annual Financial Report, and associated reports. | None

Andrea Davis
Finance |
| 11. | Citywide | Discussion and action pertaining to the installation of a historical timeline display to commemorate the City's 60th anniversary. | None

Paul Bernardo
Human Svcs and
Comm Vitality |
| 12. | Citywide | Consideration and action pertaining to approval of an amendment of the Surprise Municipal Code Chapter 50, Article II by repealing and replacing the current Chapter with amended sections related to cable television franchises. | None

Hobie Wingard
Legal |
| 13. | District 4 | Consideration and action pertaining to approval of the purchase of approximately .6 acres of real property near Hollyhock Street and Rimrock Street. | None

Chris Boyd
Community
Development |

- | | | | |
|-----|----------|---|---|
| 14. | Internal | Consideration and action pertaining to support of potential legislation ensuring fair competition among all car rental operators, including both traditional rentals and online "peer-to-peer" car rental operations. | None

Jodi Tas
Mayor and Council |
|-----|----------|---|---|
- I. Other Business and Future Agenda Items
- J. City Council Reports
- K. Executive Session

For information Purposes; Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, but for only the following purposes:

- discussion or consideration of personnel matters (A.R.S. §38-431.03 (A)(1));
- discussion or consideration of records exempt by law from public inspection (A.R.S. §38-401.03 (A)(2));
- discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03 (A)(3));
- discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S. §38-431.03 (a)(4));
- discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03 (A)(5)); or
- discussion, consultation or consideration for international and interstate negotiations or for negotiations by a city or town, or its designated representatives, with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city or town. A.R.S. §38-401.03 (A)(6)).
- discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03 (A)(7)).

Confidentiality Requirements Pursuant to A.R.S. §38-431.03(C)(D): Any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney by agreement of the City Council, or as otherwise ordered by a court of competent jurisdiction.

The council may vote to hold an executive session for the purpose of obtaining legal advice from the Board's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

- L. Adjournment

SHERRY ANN AGUILAR, CITY CLERK, MMC

POSTED: Posted on Thursday, January 30, 2020 @ 11:21 a.m.

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.



CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: City Clerk
Staff Recommendations:

Contact Person:
District: Internal

Consent: No Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Invocation

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:



CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: Mayor and Council
Staff Recommendations: None

Contact Person: Skip Hall
District: Citywide

Consent: No Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Teen Dating Violence Awareness Proclamation

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:



CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: February 4, 2020

Contact Person: Michael Frazier, CITY
MANAGER

Submitting Department: City Manager Office

District: Citywide

Staff Recommendations: None

Consent: No

Regular: No

Public Hearing: No

Report/Discussion: Yes

Agenda Wording:

Surprise Literacy Challenge 5th grade class and Youth Council member's will report on current youth events and projects.

Motion:

None

Background:

Objective Analysis:

Surprise Literacy Challenge 5th grade class and Youth Council member's will report on current youth events and projects.

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:



CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: Police
Staff Recommendations: None

Contact Person: Terry Young, POLICE CHIEF
District: Citywide

Consent: Yes	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to approval of a Fiscal Year 2020 budget amendment reallocating appropriations in the amount of \$1,000 within the Grants Fund from Contingency to the Walmart Grant Victim Assistance Grant; Resolution #2020-02.

Motion:

I move to approve Resolution #2020-02.

Background:

The City of Surprise Police Department applied for and was awarded \$1,000 for the Victim Assistance Unit to be used for emergency lodging, fuel, and other professional services such as locksmith services and damage repairs. The monies will be distributed by the Police Department's Victim Assistance Unit to residents who are victims of domestic violence and/or someone who may be experiencing a temporary moment of crisis due to unforeseen circumstances.

Objective Analysis:

The grant funds will provide a temporary financial relief for a person(s) who is/are seeking aid as a result of being a victim of domestic violence or experiencing a temporary, unexpected crisis due to unforeseen circumstances. A lack of funds and/or resources are a large contributing factor to creating an individual's predicament when a person is a victim of a crime or someone who may be experiencing a personal crisis. The grant funds will provide a short-term solution for the individual(s) until other resources can be implemented, which would establish long-term stability.

The time spent managing the grant (i.e. scheduling, tracking, and reporting) is not covered by the grant.

Policy Compliant:

The grants are consistent with the City's past practice of using grant funding to improve the quality of life of our citizens and will be used specifically to assist victims of domestic violence or someone experiencing crisis in the City of Surprise.

Financial Impact:

This one-time grant award includes \$1,000 for emergency lodging, fuel and other professional services such as locksmith or damage repairs. There is no City match requirement.

Budget Impact:

This item was not included as part of the FY2020 budget. Acceptance of this grant will amend the budget to reallocate appropriations in the amount of \$1,000 within the Grants Fund from Contingency to the Walmart Victim Assistance Grant.

FTE Impact:

This item does not have an impact on current staffing levels.

ATTACHMENTS:

1. WALMART FACILITY #3896 - REQUEST ID 57286587
 2. Walmart Award Notification (2)
 3. Resolution 2020-02 VAU Walmart Grant
-

Karen Cich

From: Sandra Espinoza
Sent: Tuesday, December 10, 2019 9:44 AM
To: Karen Cich
Subject: FW: Walmart Facility# 3896 Community Grant Request Status: Request ID 57286587

Follow Up Flag: Follow up
Flag Status: Flagged

-----Original Message-----

From: cgadmin@cybergrants.com <cgadmin@cybergrants.com>
Sent: Wednesday, November 20, 2019 6:23 PM
To: Sandra Espinoza <Sandra.Espinoza@surpriseaz.gov>
Subject: Walmart Facility# 3896 Community Grant Request Status: Request ID 57286587

The e-mail below is from an external source. Please do not open attachments or click links from an unknown or suspicious origin.

Dear Grantseeker,

Congratulations! Facility # 3896 has recommended your Community Grant application, Request ID 57286587, to receive a \$1,000.00 grant.

Please allow 4-6 weeks for delivery. If you do not receive your check in that time, please contact the facility manager to make further inquiries. For your reference we have provided the check information and address below:

Invoice # 58415749
Address:
14250 W. Statler Plaza #103
Surprise, AZ 85374

You will also receive a final confirmation notice once the application has passed final review with the additional payment details, but we wanted to keep you informed on the status of your request.

We appreciate your efforts to help people live better and wish you success.

Sincerely,

The Walmart Community Grants Team

CG/JMAIL/170178103

Karen Cich

From: Sandra Espinoza
Sent: Tuesday, December 10, 2019 9:44 AM
To: Karen Cich
Subject: FW: Walmart Community Grant Request ID 57286587, Facility # 3896

Follow Up Flag: Follow up
Flag Status: Flagged

-----Original Message-----

From: do-not-reply@cybergrants.com <do-not-reply@cybergrants.com>
Sent: Tuesday, November 26, 2019 9:51 AM
To: Sandra Espinoza <Sandra.Espinoza@surpriseaz.gov>
Subject: Walmart Community Grant Request ID 57286587, Facility # 3896

The e-mail below is from an external source. Please do not open attachments or click links from an unknown or suspicious origin.

Dear City of Surprise Police Department ,

Congratulations! The Walmart Community Grants Team and Facility # 3896 are pleased to inform you that your Community Grant application for Request ID 57286587 has been selected to receive a \$1,000.00 grant. We are thrilled to support your work in our communities and share your desire to provide local impact.

By receiving this grant, you are part of a long history of Walmart's commitment to giving back to the communities where we operate. In fact, Mrs. Helen Walton used to say "It's not what you gather, but what you scatter that tells what kind of life you have lived."

We encourage you to celebrate this grant publicly! We hope that you will consider doing the following four things:

1. Connect with the store manager who chose to support your local cause and let them know that the grant check arrived safely.
2. Work with the local store manager to announce the grant.
3. Consider sharing the work that our grant supports on social media – our associates and customers like to see the Impact we are making in our communities.
4. Review the Grantee Welcome Toolkit at the link below, addressing frequently asked questions (FAQ's), publicity, and outreach options for your consideration.

http://secure-web.cisco.com/19P1h6J8tC88QEL_Swmlb-JLP7fDp5B06-2RXhrR99ICtaAQkh443taVDLc0lCe_F-21-zxJx0f68JPmjxC58RrGwbqahw3Xi7GUvPPp_iHSpUUBqyBGn0E1JAaERZU6erBmWRgE5Ly5CO-S1yyNL0lc42SSmrGOBdCL9bt_j5p7ddzmeGQQ6aurJGPQ-UnY_hHJZFT1lclnu7fk-BiLmZhtv9_QgS2hmyLIOoMvXynn8o9I9IVhgdV4T_WQJlPjIT2f4D1TSOUY7vcFm8_40g/http%3A%2F%2Fwww.cybergrants.com%2Fwalmart%2Fdocs%2FLCC_Grantee_Welcome_Toolkit.pdf

The photo release form can be found at the following link:

http://secure-web.cisco.com/1ii7oQvn0f0V_R2Xr2hl6Cl0WH0xSPVWf30bni34c-fPSNjxCzf6pf3TsqE455Fkm6VvWxVX8ztWIkPVRH-WEpe23WZInGiGdPiYZLJ3sCSqaMTWhPaBooJEMpjZpafhJfvaG0ouK_QnxOAY9UeO1MYPz0u-44ha4qrfXr_CnvArn0CwldosplaEQaeljQSu048aDtZk1a4lgBYvdoTlj-qeQ3xP_hEkO0k1ITNODHa-

cQBYVKWCjhBR5Q9bxixryUKJ0StB6UCjpe5iyg/http%3A%2F%2Fwww.cybergrants.com%2Fwalmart%2Fdocs%2Ftalent
release2018.doc

Again, congratulations on your grant award. We are eager to see its impact!

In service,

Kabir Kumar
Sr. Director, Community Giving
Walmart Giving

CG/JMAIL/170654745

RESOLUTION # 2020-02

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2020 BUDGET BY REALLOCATING APPROPRIATIONS OF \$1,000 WITHIN THE GRANTS FUND FROM CONTINGENCY TO THE WALMART VICTIM ASSISTANCE GRANT.

WHEREAS, Walmart has awarded the City of Surprise a grant in the amount of \$1,000 in funding for the Surprise Police Department to use to assist persons encountered who are victims of domestic violence and have critical emergency needs;

WHEREAS, the City desires to accept grant funding in the amount of \$1,000 to use in meeting these emergency needs;

WHEREAS, the funding will increase and improve Police Department service to citizens facing critical emergency needs;

WHEREAS, the FY2020 budget was adopted by Council Resolution #2019-75 on June 4, 2019;

WHEREAS, this action will necessitate a budget amendment; and

WHEREAS, City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The City is hereby authorized to accept a grant in the amount of \$1,000 from Walmart for the City of Surprise Police Department to use to assist persons encountered who have a critical emergency need.

Section 2. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2019 through June 30, 2020.

Section 3. The City Manager, or his designees, is authorized to conduct all negotiations and to execute and submit all documents and other necessary or desirable instruments in connection with said agreement.

SIGNATURES BEGIN ON THE NEXT PAGE

APPROVED AND ADOPTED this ____ day of January, 2020.

Skip Hall, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2020-02 **Exhibit A**

1. Appropriation - The allocation below represents a reallocation of appropriations in the amount of \$1,000 from contingency within the Grants Fund to the Walmart Victim Assistance Grant within the Grants Fund to cover the projected expenditures associated with providing temporary aid to citizens who are victims of crime or who may be experiencing personal crisis. These allocations do not represent an actual transfer of funds, but only a transfer of spending authority. Additionally, these allocations do not increase or decrease the total budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Grants	Police	#G31055 Walmart Victim Assistance Grant	E		1,000	1,000
Grants	Police	#G31055 Walmart Victim Assistance Grant	R		1,000	1,000
Grants	General Operations	Contingency	E	22,157,400	(1,000)	22,156,400
Grants	General Operations	Other	R	23,849,300	(1,000)	23,848,300
Expense Total				22,157,400	-	22,157,400
Revenue Total				23,849,300	-	23,849,300



CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: City Clerk
Staff Recommendations: None

Contact Person: Sherry Aguilar, City Clerk
District: Citywide

Consent: No Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Consideration and action on the minutes of January 21, 2020 Regular City Council Work Session; Council Meeting and Executive Session.

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. January 21 Work Session
 2. Regular City Council Meeting Minutes
-

CITY OF SURPRISE
Regular City Council Work Session Minutes
16000 North Civic Center Plaza
Surprise, AZ 85374

Tuesday, January 21, 2020 @ 4:00PM

Call To Order

Roll Call

Mayor Hall called to order the Regular City Council Work Session of January 21, 2020 at 4:00 PM at Surprise City Hall Council Chambers, 16000 N Civic Center Plaza, Surprise, Arizona 85374. Also in attendance with Mayor Hall were Vice Mayor Winters, Council Members; Duffy, Hayden, Judd and Sanders and Remley.

Staff Present: City Manager, Michael Frazier; City Attorney, Robert Wingo and City Clerk, Sherry Ann Aguilar.

Pledge of Allegiance

Regular City Council Work Session Agenda

Call To The Public

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

1. Presentation and discussion pertaining to Expect More Arizona (The Movement for World-Class Education) and the Arizona Education Progress Meter – NO ACTION

Jodi Tas, City Manager's Office introduced Expect More Arizona representatives, Donna Davis and Dr. Quinn Kellis to give a powerpoint presentation on the Arizona Education Progress Meter. The report contained metrics that pertain to the population in Surprise.

Ms. Davis asked for Council support for a proclamation supporting our efforts for education.

Dr. Kellis continued the presentation and thanked the Mayor and Council for their support and discussed the many programs and educational opportunities available for students in Surprise and the surrounding area.

Vice Mayor was impressed with the percentage of graduates in Surprise. What does a

tuition cost for Growing Minds Pre-School?

Dr. Kellis commented that we are below the typical community based tuition, approximately \$200. lower.

Council Member Sanders, this is extremely valuable to our community. I like what you are doing here in Surprise. When I was going through the data, when you broke out the Latino demographic, why is there a decline?

Ms. Davis commented that the data has a lot to do with lower income, they may need extra assistance is some of the issue.

Council Member Sanders, I am curious to see the post graduation enrollment at Ottawa.

Council Member Judd commented that my daughter goes to Countryside, you mentioned by aligning our goals with yours will make a difference. What do you suggest?

Dr. Kellis commented that it needs to be constant awareness, be informed, give testimony on your child's success will be helpful. Brag on Dysart! CM Remley thanked Dr. Kellis for their efforts with Dysart School District. Nothing but positive feedback. It is troubling to see the Latino statistics. The Pre-School area is where it all starts, the kids minds are learning fast. If there is anyway as Council that we can make our district better, we will do that.

Council Member Hayden thanked Dr. Kellis for what they do, the kids are our future. Do you have students that speak another language besides Spanish? Is this an issue?

Council Member Duffy commented on the reading goals.

Ms. Davis, we are concerned about making this goal by 2030, we need additional funding.

Mayor Hall commented that he has seen such a culture change in Dysart since you have been here, because you are involved. You show up and support your principals and teachers here.

2. FY2021 Budget Kickoff Presentation – NO ACTION

Finance Director, Andrea Davis and Asst. Finance Director, Holly Osborn gave a powerpoint presentation on the FY2021 Budget process.

Staff presented the Budget Calendar with proposed dates through adoption in June 2020.

The public notice language is confusing but it is mandated by State Law. There is no options to change or modify the language so it will be confusing to the general public.

Ms. Davis spoke on Capital and creating a sustainable Asset Replacement Policy. Will bring this topic back on February 4th for detailed discussion.

The next topic discussed was the PSPRS Policy, develop a sustainable and consistent funding policy.

Vice Mayor Winters - maybe we can find some funds for Public Works Department for median maintenance for Northwest Ranch. Also, the ad that goes in the paper, every year I receive emails and phone calls when the ad goes out in the paper, never fails.

Council Member Remley asked to see the truth in taxation notice again. Asked for clarification on paragraph 2.

Mayor Hall - asked if this include the valuation change?

Executive Session

Adjournment

Vice Mayor Winters made the motion to adjourn the Regular City Council Work Session of January 21, 2020 at 5:02 PM. Council Member Remley seconded the motion. Seven yes votes, motion carried.

Skip Hall, Mayor

ATTEST:

Sherry Ann Aguilar, City Clerk, MMC

CERTIFICATION:

I, Sherry Ann Aguilar, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Work Session of **Tuesday, January 21, 2020.**

Sherry Ann Aguilar, City Clerk, MMC

CITY OF SURPRISE
Regular City Council Meeting Minutes
16000 North Civic Center Plaza
Surprise, AZ 85374

Tuesday, January 21, 2020 @ 6:00PM

Call To Order

Invocation

Led by Raymond Grim

Roll Call

Mayor Hall called to order the Regular City Council Meeting of January 21, 2020 at 6:00 PM at Surprise City Hall Council Chambers, 16000 N Civic Center Plaza, Surprise, Arizona 85374. Also in attendance with Mayor Hall were Vice Mayor Winters, Council Members; Duffy, Hayden, Judd and Sanders and Remley.

Staff Present: City Manager, Michael Frazier; City Attorney, Robert Wingo and City Clerk, Sherry Ann Aguilar.

Pledge of Allegiance

Led by Canyon Ridge Elementary Student Council.

Proclamation and Community Acknowledgements

Mayor Hall asked Council to join him on the floor to recognize Vice-Mayor Winters for his year of service as Vice-Mayor.

City Manager Report

- **1. Reports**
- **1. Canyon Ridge Student Council & Youth Council Members will be providing a report pertaining to current youth events and projects.**

The student addressing Council from the podium will be:
Jonathon Chang, Chief Science Officer
Josiah Chang, Student Council Representative

The faculty and staff in attendance will be:

Jill Hoppe - Canyon Ridge Principal
Carla Bennett -Student Council Sponsor

The Surprise Youth Council members seated on the dais will give a brief report:

Alex Kissel, Senior at Paradise Honors High School
Caroline Dors, Senior at Valley Vista High School

City Clerk Report

1. Reports

2. Consideration and action pertaining to selection of a Vice Mayor and directing the City Clerk to administer the Oath of Office - CHRIS JUDD WAS SELECTED AS VICE MAYOR

Council Member Remley nominated Chris Judd.

Vice Mayor Winters nominated Council Member Hayden.

Mayor Hall - Judd
Council Member Duffy - Judd
Council Member Remley - Judd
Council Member Sanders - Judd

Vice Mayor Winters – Hayden

City Clerk Aguilar administered the Oath of Office for Vice Mayor Judd.

Call To The Public

Regular City Council Meeting Agenda

CONSENT AGENDA:

Council Member Sanders made the motion to approve the consent agenda excluding item #4. Council Member Duffy seconded the motion. Seven yes votes, motion carried.

3. Consideration and action pertaining to the conditional acceptance of the streets and public utility improvements at Homestead at Marley Park Phase 4 & 5 Parcel 1A & 1B; Resolution # 2020-05 - APPROVED

4. Consideration and action pertaining to approval of the Final Plat entitled, " La Sorpresa Estate" and dated December 5, 2019, an approximately 5 acre property located generally north of Dynamite Road and west of 166th Avenue - APPROVED

Council Member Winters asked to have this item removed for questions. He was not aware of this project and asked for explanation.

Council Member Winters made the motion to approve Final Plat La Sorpresa Estate. Council Member Duffy seconded the motion. Seven yes votes, motion carried.

5. Consideration and action pertaining to approval of the Final Plat entitled, "Re-Plat of Desert Cove Commercial Park Lot 2 & 3 Amended and dated December 20, 2019, an 11.24 acre property generally located on the northeastern corner of Litchfield and Desert Cove Roads within the Desert Cove PAD - APPROVED

6. Consideration and action pertaining to approval of the Final Plat entitled, Grand Village Center North and dated December 9, 2019, an 8.56 acre property generally located on the southern corner of Grand Avenue and Reems Road within the Park Place Planned Area Development (PAD) - APPROVED

7. Consideration and action pertaining to approval of the Final Plat Amendment entitled, Tractor Supply Company - Surprise and dated January 2, 2020, a 20.74 acre property generally located south of Greenway Road and east of Cotton Lane - APPROVED

8. Consideration and action pertaining to approval of a Quit Claim Deed to CRP/Sparrow Surprise Center Owner, L.L.C., releasing deed restrictions on 6.66 acres of real property located near Civic Center Drive and Greenway Road - APPROVED

9. Consideration and action on the Regular City Council Meeting Minutes of January 7, 2020 - APPROVED

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

10. Consideration and action pertaining to approval of an Infrastructure Improvement Repayment Agreement between the City of Surprise and Surprise Development Group, LLC.; Resolution # 2020-06 - APPROVED

Lloyd Abrams gave a powerpoint presentation on this item.

Council Member Duffy made the motion to approve Resolution 2020-06. Council Member Sanders seconded the motion. Seven yes votes, motion carried.

Other Business and Future Agenda Items

City Council Reports

Council attended and/or reported on the following events:

Council Member Remley - a week or so ago Hollyhock Library hours open 6 days a week; literacy; affordable housing project and ballfield.

Council Member Sanders - promotions to Sergeant John Wiehn and Joshua Waldeck and a promotion to Lieutenant- Tim Klarkowski, thanks to Chief and to your team; last Tuesday meeting with Surprise Youth Council; State of the State address; meeting with Shadow Ridge-recycling and Martin Luther King event.

Council Member Winters - January 13 welcomed car wash to Surprise.

Council Member Duffy - Toll Brothers and Cactus Road back open.

Council Member Hayden - Fire 307 open house; State of the State; MLK Day event and car wash.

Vice Mayor Judd - thanked Council for position of Vice Mayor; Senate opening day; Fire Station 307 open house and Fire Station 301 is next Saturday.

Mayor Hall - Police promotion; interviewed by Fox 10; judge Arizona Charter Academy spelling bee; Martin Luther King event; reminder Stadium Box Office tickets are available and Asante Library on February 1.

Council Member Remley made the motion to recess the Regular City Council Meeting and enter into executive session at 6:40 PM. Council Member Sanders seconded the motion. Seven yes votes, motion carried.

Executive Session

11. Consideration and action to recess into executive session for discussion and consultation with the City Attorney for legal advice pertaining to collection of sewer connection fees from Cortessa and White Tank Foothills development pursuant to A.R.S. 38-431.03(A)(3).

Mayor Hall reconvened the Regular City Council Meeting at 7:10 PM.

Adjournment

Council Member Judd seconded the motion to adjourn the Regular City Council Meeting of January 21, 2020 at 7:10 PM. Council Member Sanders seconded the motion. Seven yes votes, motion carried.

Skip Hall, Mayor

ATTEST:

Sherry Ann Aguilar, City Clerk, MMC

CERTIFICATION:

I, Sherry Ann Aguilar, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Meeting of **Tuesday, January 21, 2020.**

Sherry Ann Aguilar, City Clerk, MMC



CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: City Clerk
Staff Recommendations: None

Contact Person: Sherry Aguilar, City Clerk
District: District 4

Consent: Yes Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Consideration and action to approve a request by Kakhree Mikha Chalabe (Owner) for a Series 10 (Beer & Wine Store) liquor license for Cindy's Mini Market located at 12865 W. Grand Avenue, Surprise, AZ 85374.

Motion:

I move to approve a request by Kakhree Mikha Chalabe (Owner) for a Series 10 (Beer & Wine Store) liquor license for Cindy's Mini Market located at 12865 W. Grand Avenue, Surprise, AZ. 85374.

Background:

All departmental reports are attached with no noted concerns.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. 12865 W Grand Cindy's Mini Market Liquor License
 2. CINDY'S MINI MARKET LL MAP
 3. CINDY'S MINI MARKET LL Report
 4. Cindy's Mini Market
 5. Cindy's Mini Market_Memo to Clerk_20200109
-



Surprise Fire-Medical Department
14250 W. Statler Plaza Ste. 101
Surprise, AZ 85374-7479
Phone: 623-222-5000
Fax: 623-222-5001



January 13, 2020

To: Sherry Ann Aguilar, City Clerk

From: Keith Tanner, Fire Marshal

Subject: Liquor License Application

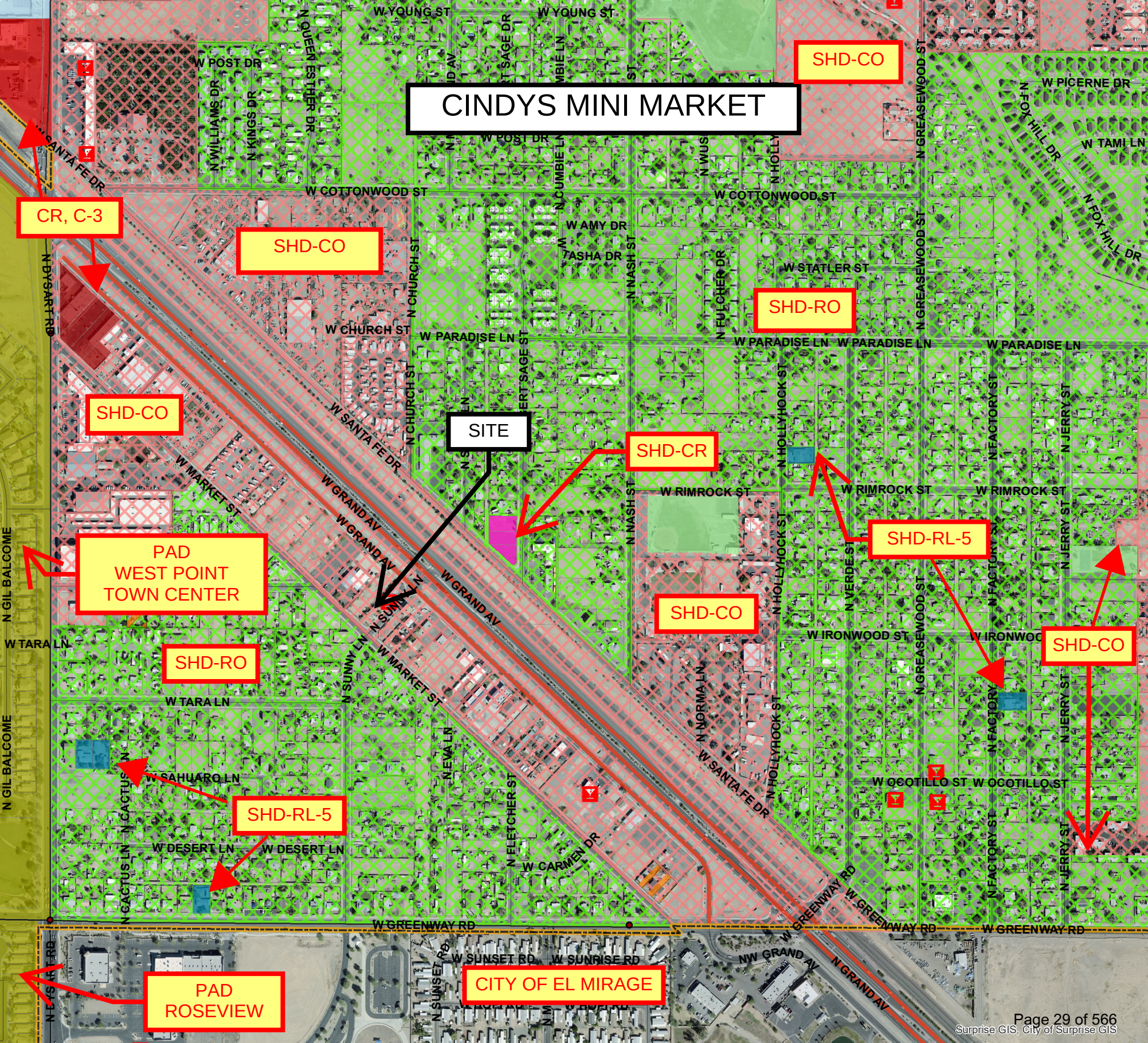
Applicant: Cindy's Mini Market
12865 W Grand Avenue
Surprise, AZ 85374

The Surprise Fire-Medical Department recently conducted a fire inspection at the above referenced location within the last 12 months to ensure compliance with the applicable fire codes within the tenant space and building. There are no known fire code violations at this time.

Therefore fire has no comment on the application at this time.

If you have any questions feel free to contact me.

Keith Tanner
Keith Tanner, Fire Marshal
Fire Prevention Division
Surprise Fire-Medical Department



CINDYS MINI MARKET

SHD-CO

CR, C-3

SHD-CO

SHD-RO

SHD-CO

PAD
WEST POINT
TOWN CENTER

SHD-CR

SHD-RL-5

SHD-RO

SHD-CO

SHD-CO

SHD-RL-5

PAD
ROSEVIEW

CITY OF EL MIRAGE



COMMUNITY DEVELOPMENT DEPARTMENT

Date: January 15, 2020
To: Sherry Aguilar, City Clerk
From: Chris Boyd, Community Development Director
James Stewart, Zoning Specialist
Re: Liquor License Application for:

CINDY'S MINI MARKET
Series 10 Beer & Wine Store – Job # 89895
12865 W. Grand Avenue, Surprise, Arizona 85374

SERIES 12 - RESTAURANT

The number and series of licenses in close proximity to the subject site are:

1. Las Cazuelas Restaurant (Series 12) – 16551 N. Dysart Rd.
2. Dysart & Santa Fe Food & Gas (Series 10) – 16551 N. Dysart Rd. #123 (Expired)
3. Circle K #1184 (Series 10) – 12707 W Grand Ave.
4. Cindy's Mini Market #2 (Series 10) – 15444 N. Greasewood St.
5. Northside Market (Series 10) – 15601 N. Greasewood St.(Expired)
6. Bubba's Drive-Thru (Series 10) – 15445 N. Greasewood St.
7. Birts Bistro and Bookstore (Series 12) – 16752 N. Greasewood St.

The immediate area is comprised of commercial establishments. The property is zoned SHD-CO which is consistent with the proposed use.

Commercial and residential growth is expected to remain static.

If managed properly, the effects of granting this liquor license on surrounding residences will be minimal. This license will have little to no affect on parking in the area. Staff believes that granting this liquor license will not directly impact the surrounding business and residential areas in a negative way.

S U R P R I S E P O L I C E D E P A R T M E N T
L I Q U O R L I C E N S E A P P L I C A T I O N R E V I E W

REFERENCE:

DATE: January 15, 2020

JOB NUMBER – 89895
Series #10 – Beer & Wine Store/New Application

APPLICANT:

Cindy's Mini Market
12865 W. Grand Avenue
Surprise, Arizona 85374

FINDINGS:

- 1) ***Evidence concerning the nature of the proposed business, its potential market and its likely customers.***

Cindy's Mini Market is an established independent convenience store and has been at this location for many years. The market is mainly patrons from the nearby vicinity.

- 2) ***Effect of vehicular traffic in close proximity.***

This new license/interim permit should have no effect on vehicular traffic. The applicant for the license at Cindy's Mini Market has worked as manager on and off during the past eight years. The previous owner is also the brother to the current applicant/owner.

- 3) ***The history for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant has received a detailed report of such activity at least 20 days before the hearing.***

During the past years, there have been a few criminal incidents at the market. A subject was trespassed in 2015 after he tried to steal some beer from the store. In 2017, a female adult was trespassed after she refused to leave the parking lot after harassing customers. In Oct 2018, a previously trespassed subject was arrested for trespassing twice. On one occasion while the subject was being searched, the subject was found to be in possession of paraphernalia and dangerous drugs. In December 2018, the twice previously arrested subject, was arrested a third time for trespassing, and for having multiple warrants.

- 4) ***Comparison of hours of operation of the proposed premises to the existing businesses in close proximity.***

Cindy's hours are open at 8 AM every morning and close at 9:30 PM every day, with the exception of Friday and Saturday, when it closes at 10 PM. There are a few businesses in the nearby vicinity. They include a wrought iron manufacturing business, which makes gates, security doors etc. This store closes by 5 PM daily. Southeast of Cindy's, across the street, there is a vacant pawn store and adjacent to the vacant pawn store is a used tire store, which closes by 6 PM daily. There is a Circle K, with a series 10 license, approximately two blocks south of Cindy's along Grand Avenue, which is open 24 hours a day.

- 5) ***Appropriateness of series license requested.***

A series 10 license is appropriate and applicable for the Cindy's Mini Market per state guidelines for Beer & Wine Stores.

Submitted by Officer Chris Tovar #2059



MEMO

Date: 1/9/2020

To: Sherry Aguilar, City Clerk
Linda Stevens, Deputy City Clerk
From: Stacie McQuarrie, Accounting Support Specialist

RE: Liquor License Application – Cindy's Mini Market – 12865 W Grand Ave

Business License Status:

License #1022669, current and valid for 2020.



CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020

Contact Person: Chris Boyd, AD - BS DV & CD
ENF

Submitting Department: Community Development District: District 1

Staff Recommendations: None

Consent: Yes	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action on accepting Rights-of-Way from Arizona State Land Department for 163rd Avenue between Jomax Road and Dynamite Road.

Motion:

I move to accept the Right-of-Way from the Arizona State Land Department for 163rd Avenue.

Background:

Currently the right of way on the west side of 163rd Avenue is Maricopa County's responsibility. As part of the 163rd and Jomax Road capital improvement project (P61530) the City has requested the right of way located on the west side of 163rd Avenue be transferred to the City of Surprise. Because the County originally acquired the land from the Arizona State Land Department, the assignment must come from the Arizona State Land Department.

Objective Analysis:

The City needs to have the right of way in its name to be able to maintain and improve this roadway to accommodate growth in this area.

Policy Compliant:

Approval of this item is compliant with the City of Surprise Strategic Plan, the City's Transportation Master plan and the City's General plan.

Financial Impact:

The City paid the Arizona State Land Department's assignment fee of \$1000.00 in FY19. All activity related to ongoing development of the City of Surprise has an economic and fiscal impact on the City and region.

Budget Impact:

There is currently no budgetary impact related to approval of this item. The City will plan for future O&M when the assignment is official.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. Right of way 16-120891
 2. RW value for 163rd avenue Jomax to Dynamite ASLD 16 120891
-

STATE LAND DEPARTMENT STATE OF ARIZONA

Right of Way

R/W No. 16-120891

THIS RIGHT OF WAY ("Right of Way") is entered into by and between the State of Arizona (as "Grantor") by and through the Arizona State Land Department and

CITY OF SURPRISE

("Grantee"). In consideration of payment and performance by the parties of each of the provisions set forth herein, the parties agree as follows:

EXTENT OF DOCUMENT

"Additional Conditions", "Exhibits", and "Appendixes" are an integral part of this document. In case of a conflict between the printed boiler document and the additional conditions, exhibits, or appendixes, the applicable additional condition, exhibit, or appendix shall be considered the governing document and supersede the printed boiler, but only to the extent necessary to implement the additional condition, exhibit, or appendix, and only if the additional condition, exhibit, or appendix does not conflict with governing state or federal law.

ARTICLE 1 SUBJECT LAND

1.1 Grantor grants to Grantee a Right of Way on, over, through, and across the State lands described in Appendix A attached hereto ("Subject Land").

1.2 Grantee makes use of the Subject Land "as is", and Grantor makes no express or implied warranties as to the physical condition of the Subject Land.

ARTICLE 2 TERM

2.1 The term of this Right of Way commences on October 17, 2019 ("Commencement Date"), and runs for a perpetual term ("Expiration Date"), unless sooner canceled or terminated as provided herein or as provided by law.

ARTICLE 3

RENT

3.1 Rental is due in advance for the term of this Right of Way document.

3.2 If the Grantee should fail to pay rental when due, or fail to keep the covenants and agreements herein set forth, the Commissioner, at his option, may cancel said Right of Way or declare the same forfeited in the manner provided by law.

ARTICLE 4

PURPOSE AND USE OF SUBJECT LAND

4.1 The purpose of this Right of Way is the location, construction, operation, and maintenance of:

public roadway

4.2 No material may be removed by Grantee or its contractors without the written approval of the Commissioner.

4.3 Grantee shall not exclude from use the State of Arizona, its lessees or grantees, or the general public the right of ingress and egress over this Right of Way.

4.4 Grantee shall acquire required permits prior to construction, and adhere to all applicable rules, regulations, ordinances, and building codes as promulgated by the local jurisdiction and any applicable State or Federal agencies.

4.5 All use of State land outside the Right of Way must be applied for and authorized in accordance with applicable law.

4.6 Grantee shall not sublet or assign this Right of Way or any portion thereof without the written consent of the Grantor.

4.7 The Grantor retains ownership of the Subject Land. The use of this Right of Way is to be non-exclusive. This Right of Way is sold subject to existing reservations, easements, or rights of way heretofore legally obtained and now in full force and effect.

4.8 When necessary for Grantee's reasonable use of this Right of Way for the purposes for which the grant is made, it shall be deemed to include the rights in, upon, over, and across the described Subject Land to erect, construct, reconstruct, replace, repair, and maintain the facilities authorized by this Right of Way.

4.9 Grantee shall have the right to erect, maintain, and use gates in all fences under the control of the Grantor which now cross or shall hereafter cross said Right of Way,

and to trim, cut, and clear away trees or brush whenever in its judgment the same shall be necessary for the convenient and safe exercise of the right herein provided.

4.10 Grantee shall not fence any portion of this Right of Way unless specifically authorized in the attached additional conditions without prior written consent of Grantor, nor shall Grantee exclude from the use of the surface thereof the State of Arizona or its lessees or grantees as reserved in Paragraph 10.1.

ARTICLE 5

CONFORMITY TO LAW

5.1 This Right of Way is subject to applicable laws and covenants relating to State lands.

ARTICLE 6

CANCELLATION, TERMINATION AND ABANDONMENT

6.1 This Right of Way is subject to cancellation pursuant to A.R.S. § 38-511.

6.2 If at any time the Right of Way ceases to be used for the purpose for which it was granted, it shall become void, and the right to use the Subject Land and all the rights of Grantee hereunder shall revert to the Grantor.

6.3 Upon revocation or termination of the Right of Way, the Grantee shall remove all equipment or facilities and, so far as is reasonably possible, restore and/or rehabilitate the Subject Land to its original condition, and to the satisfaction of the Commissioner.

ARTICLE 7

INDEMNITY

7.1 This provision is pursuant to the July 12, 2000 memorandum issued by the Risk Management Section of the Arizona Department of Administration applicable to all political subdivisions of the State.

Each party (as "indemnitor") agrees to indemnify, defend, and hold harmless the other party (as "indemnatee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorneys' fees) (hereinafter collectively referred to as "claims") arising out of bodily injury of any person (including death) or property damage, but only to the extent that such claims which result in vicarious/derivative liability to the indemnatee, are caused by the act, omission, negligence, misconduct, or fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

ARTICLE 8
RESERVATIONS; RELINQUISHMENTS

8.1 Grantor reserves the right to grant other rights in, upon, over, and across the described Subject Land for any purpose whatsoever not inconsistent or incompatible with the use allowed by this indenture, and the Grantee agrees not to exclude the Grantor or its lessees or grantees from the use of the Subject Land herein described.

8.2 Grantor reserves all natural resources, timber, and minerals (including oil or gas) in or upon the described Subject Land, and the right to grant leases, permits, easements, and/or rights of way to extract such resources as provided by law and in a manner not inconsistent or incompatible with Grantee rights hereunder. Where inconsistent or incompatible uses exist, the Grantor will require the applicant therefor to indemnify Grantee for loss it might suffer by reason of such use.

8.3 Grantor reserves the right to relinquish to the United States pursuant to the U.S. Act of August 30, 1890, land needed for irrigation works in connection with a government reclamation project.

ARTICLE 9
LOCATION, CONSTRUCTION AND MAINTENANCE

9.1 Grantee shall ensure full compliance with the terms and conditions of this Right of Way by its agents, employees, and contractors (including sub-contractors of any tier), and the employees of each of them and shall include the terms and conditions in all contracts and sub-contracts which are entered into by any of them.

9.2 Failure or refusal of Grantee's agents, employees, contractors, sub-contractors, or their employees to comply with these terms and conditions shall be deemed to be the failure or refusal of Grantee.

ARTICLE 10
NATIVE PLANTS AND CULTURAL RESOURCES

10.1 (a) Pursuant to A.R.S. §§ 41-841 and 41-842, Grantee, Grantee's employees, and Grantee's guests shall not excavate or collect any prehistoric or historic archaeological specimens on the Subject Land without a permit from the Director of the Arizona State Museum and written approval of Grantor pursuant to the terms of this Right of Way. Grantee shall immediately report any unpermitted excavation or collection of archaeological specimens on the Subject Land to the Arizona State Museum and Grantor.

(b) Pursuant to A.R.S. § 41-844, Grantee shall report to the Director of the Arizona State Museum and Grantor any prehistoric or historic archaeological site, or paleontological site, that is discovered on the Subject Land by Grantee, Grantee's employees, or Grantee's guests, and shall, in consultation with the Director of the Arizona State Museum

and Grantor, immediately take all reasonable steps to secure the preservation of the discovery.

10.2 (a) Grantee shall not move, use, destroy, cut or remove or permit to be moved, used, destroyed, cut or removed any timber, cactus, native plants, standing trees or products of the land except that which is necessary for the use of the Subject Land, and then only with the prior written approval of Grantor. For undeveloped land, the Grantee must submit a plant survey prior to the removal of any native plant. If the removal or destruction of plants protected under the Arizona Native Plant Law (A.R.S. § 3-901 et seq., or any successor statutes) is necessary to the use of the Subject Land, Grantee shall also obtain the prior written approval of the Arizona Department of Agriculture. In the event the Grantee removes the native plants, the Grantee must pay a vegetation fee to the Grantor and this fee is not a reimbursable improvement.

(b) Grantee is responsible for treatment of all regulated and restricted noxious weeds listed by the Arizona Department of Agriculture.

ARTICLE 11

GRANTEE SHALL PROTECT AND RESTORE THE SUBJECT LAND

11.1 Grantee shall be required, upon completion of Right of Way construction, to make such rehabilitation measures on the State lands, including but not limited to restoration of the surface, revegetation, and fencing as determined necessary by the Grantor.

11.2 Grantee shall conduct all construction and maintenance activities in a manner that will minimize disturbance to all land values including, but not limited to vegetation, drainage channels, and streambanks. Construction methods shall be designed to prevent degradation of soil conditions in areas where such degradation would result in detrimental erosion or subsidence. Grantee shall take such other soil and resource conservation and protection measures on the Subject Land under grant as determined necessary by the Grantor.

11.3 Costs incurred by the Grantee in complying with restoration and rehabilitation requirements, as determined by the Department, on State lands shall be borne by the Grantee.

11.4 Grantee shall conduct its operations on the Subject Land in such a manner as is consistent with good environmental practices. Grantee shall exert reasonable efforts to avoid damage of protected flora, and restore the surface to its condition prior to the occupancy thereof by Grantee.

ARTICLE 12

MISCELLANEOUS

12.1 The described Subject Land shall be used only for the purpose stated in Paragraph 4.1, and as may be further detailed elsewhere in this document.

12.2 This Document is submitted for examination and shall have no binding effect on the parties unless and until executed by the Grantor (after execution by the Grantee), and until a fully executed copy is delivered to the Grantee.

12.3 In the event of a dispute between the parties to this Right of Way, it is agreed to use arbitration to resolve the dispute, but only to the extent required by A.R.S. § 12-1518. In no event shall arbitration be employed to resolve a dispute which is otherwise subject to administrative review by the Department.

12.4 Insurance provisions are intentionally omitted from this Permit pursuant to the July 12, 2000 memorandum issued by the Risk Management Section of the Arizona Department of Administration to all political subdivisions of the State.

12.5 The Grantor does not represent or warrant that access exists over other State lands which intervene respectively between the above Right of Way and the nearest public roadway.

12.6 If for any reason the State of Arizona does not have title to any of the Subject Land described herein, this Right of Way shall be null and void insofar as it relates to the land to which the State has failed to receive title.

12.7 Every obligation of the State under this Right of Way is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. If funds are not allocated and available for the continuance of this Right of Way, this Right of Way may be terminated by the State at the end of the period for which funds are available. No liability shall accrue to the State in the event this provision is exercised, and the State shall not be obligated or liable for any future payments or any damages as a result of termination under this paragraph.

12.8 The parties agree to be bound by applicable State and Federal rules governing Equal Employment Opportunity, Non-discrimination and Disabilities, including Executive Order No. 2009-09.

12.9 Within 30 days of project completion, Grantee shall submit a completed certificate of construction (copy attached).

ADDITIONAL CONDITIONS

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These Additional Conditions are attached to and made a part of the Right of Way boiler plate form (the "Boiler Plate"). The term "Section" when used in these Additional Conditions shall be deemed to refer to the Section numbers of the text in the Boiler Plate. The term "Paragraph" when used in these Additional Conditions shall be deemed to refer to the Paragraph numbers of the text in these Additional Conditions. The term "Right of Way" shall mean the Boiler Plate as supplemented by these Additional Conditions.

1. LEGAL DESCRIPTION, RENT AND PURPOSE

1.1 A legal description and/or a visual depiction of this Right of Way is/are detailed in EXHIBIT A attached hereto. Subject to Grantor's rules and policies then in place, and as a result of construction-related restrictions, Grantor and Grantee may agree to modify the legal description by the Grantee submitting "as built" or "proposed realignment" legal descriptions, depending on the situation, to Grantor for Grantor's review. If approved by Grantor, and additional acreage is impacted, Grantee agrees to pay an appraised or pro-rated charge as Grantor determines is appropriate. No refund will be made for a reduction in acreage.

1.2 Grantor reserves the right to grant additional access rights, or any other rights not in conflict with the rights granted herein, to other parties at the Grantor's sole discretion.

1.3 This Right of Way is for the purpose of a Public Roadway and does not permit any underground or above ground facilities without proper rights authorized or issued by Grantor, assignees or its successors.

1.3.1 This Right of Way prohibits the erection of any type advertising sign(s) or monument structure(s) without proper rights authorized or issued by Grantor, assignees or its successors.

2. CONSTRUCTION, MAINTENANCE AND OPERATION

2.1 Grantee is responsible for complying with all federal, state and local guidelines in regard to the construction, maintenance and operation of this Right of Way grant and its associated appurtenances.

2.2 Prior to construction, and at the request of the Grantor, Grantee shall provide construction plans (no larger than 11" x 17" format) and applicable drainage report(s),

ADDITIONAL CONDITIONS

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engineering infrastructure report(s) or studies, and any Clean Water Act (CWA) Section 401 or 404 documents to the Grantor for the Grantor's review.

2.3 Grantee shall conduct all construction and maintenance activities in a manner that will minimize disturbance to surface features affecting adjacent land values, including, but not limited to, vegetation, drainage channels and stream banks.

2.4 Grantee shall be responsible for controlling noxious weeds as listed by the Arizona Department of Agriculture for the term of this Right of Way. Grantor recommends Grantee review Arizona Department of Agriculture website for prohibited and restricted noxious weed rules and regulations.

2.4.1 All vehicles and/or equipment entering State Trust land for maintenance of the Subject Land shall be power washed, including the undercarriage, to prevent the spread of noxious weeds.

2.5 Grantee agrees that any rubbish or debris from construction and maintenance work shall be removed and properly disposed of at its expense. Disposal of construction-related and maintenance-related materials on State Trust land is strictly prohibited.

2.6 Specific sites where construction and maintenance equipment and vehicles shall not be allowed (e.g. archaeological sites, areas with threatened or endangered species, or fragile watersheds) shall be clearly marked onsite by the Grantee prior to the beginning of any construction, maintenance or other ground disturbing activities. Grantee shall take any and all steps necessary to ensure that these sites are not touched.

2.7 All equipment shall be removed from the site within seven (7) days of project completion.

2.8 Grantee shall be responsible for weed control on disturbed areas within the limits of this Right of Way and shall be responsible for consultation with the Grantor and/or local authorities for acceptable weed control methods.

2.9 For construction after Commencement Date of this Right of Way: Prior to commencement of construction Grantee shall submit and receive Grantor approval for a plan to restore and rehabilitate disturbed areas remaining once construction has been completed. The plan shall include, but not be limited to, reseedling, reforestation, erosion control, and watershed protection measures.

ADDITIONAL CONDITIONS

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2.10 For ground disturbance after Commencement Date of this Right of Way: All rock brought to the surface along with topsoil and overburden from the affected State Trust lands shall be salvaged and stockpiled separately in a manner that replacement shall utilize one hundred (100%) percent of the materials upon completion of construction. Excess rock unsuitable for scattering shall be disposed of in a manner and location that is authorized by the Grantor.

2.11 Grantee shall maintain the Right of Way grant area in the manner described above during the term of this easement. Grantee agrees to complete any necessary restoration and rehabilitation to the satisfaction of the Grantor within ninety (90) days of written notification of non-compliance, or such longer period of time as mutually determined to be necessary to restore and/or rehabilitate subject land.

3. ENVIRONMENTAL MATTERS AND INDEMNITY

The following conditions shall supplement the terms and provisions governing environmental matters as set forth in the Right of Way boiler to which these Conditions are stated below.

3.1 For purposes of this Right of Way, the term "Environmental Laws" shall include but not be limited to any relevant federal, state or local environmental laws, and the regulations, rules and ordinances, relating to environmental matters, and publications promulgated pursuant to the local, state, and federal laws and any rules or regulations relating to environmental matters. For the purpose of this Right of Way, the term "Regulated Substances" shall include but not be limited to substances defined as "regulated substance", "solid waste", "hazardous waste", "hazardous materials", "hazardous substances", "toxic materials", "toxic substances", "inert materials", "pollutants", "toxic pollutants", "herbicides", "fungicides", "rodenticides", "insecticides", "contaminants", "pesticides", "asbestos", "environmental nuisance", "criminal littering", or "petroleum products" as defined in Environmental Laws.

3.2 Grantee shall strictly comply with all Environmental Laws, including, without limitation, water quality, air quality; and handling, transportation, storage, treatment, or disposal of any Regulated Substance on, under, or from the Subject Land. Without limiting the foregoing, compliance includes that Grantee shall: (1) comply with all reporting obligations imposed under Environmental Laws; (2) obtain and maintain all permits required by Environmental Laws, and provide a copy to Grantor within ten (10) business days of receipt of the Right of Way; (3) provide copies of all documentation required by Environmental Laws to Grantor within ten (10) business days of Grantee's submittal and/or

ADDITIONAL CONDITIONS

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receipt of the documentation; (4) during the term of Right of Way, provide copies of all information it receives or obtains regarding any and all environmental matters relating to the Subject Land, including but not limited to environmental audits relating to the Subject Land regardless of the reason for which the information was obtained or whether or not the information was required by Environmental Laws; (5) prevent treatment, storage, disposal, handling or use of any Regulated Substances within the Subject Land without prior written authorization from Grantor.

3.3 Grantee at all times shall employ or designate an existing employee (the "Designated Compliance Officer") who is responsible for knowing all Environmental Laws affecting Grantee and Grantee's business and monitoring Grantee's continued compliance with applicable Environmental Laws. Upon request by Grantor, Grantee shall make the Designated Compliance Officer available to discuss Grantee's compliance, answer any questions, and provide such reports and confirming information as Grantor may reasonably request.

3.4 At any time, Grantor may request Grantee to provide an environmental audit of the Subject Land performed by an Arizona registered professional engineer or an Arizona registered geologist. Grantee shall pay the entire cost of the audit.

3.5 Hazardous material generated (motor oil, paint, etc.) shall be disposed of properly or used in a way which will minimize impact on vegetation.

3.6 At any time, during the term of the Right of Way, Grantor may require Grantee to obtain one Phase I environmental assessment of the Subject Land performed by an Arizona registered professional engineer or an Arizona registered geologist. If based upon the Phase I environmental assessment or its own independent investigation, Grantor identifies any possible violation of Environmental Laws or the terms of this Right of Way, Grantor may require Grantee to conduct additional environmental assessments as Grantor deems appropriate for the purpose of ensuring that the Subject Land are in compliance with Environmental Laws. The Phase I assessment, or any other assessment required by Grantor, shall be obtained for the benefit of both Grantee and Grantor. A copy of the Phase I report shall be provided both to Grantee and Grantor. Grantor, in its sole discretion, shall have the right to require Grantee to perform additional assessments of any damage to the Subject Land arising out of any violations of Environmental Laws. If Grantee fails to obtain any assessments required by Grantor, Grantee shall pay the entire costs of any and all assessments required by Grantor, notwithstanding the expiration or termination of the Right of Way.

ADDITIONAL CONDITIONS

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3.7 Prior to the termination of the Right of Way, Grantee shall restore the Subject Land by removing any and all Regulated Substances. In addition, the restoration shall include, but not be limited to, removal of all waste and debris deposited by Grantee. If the Subject Land or any portions thereof are damaged or destroyed from the existence or presence of any Regulated Substance or if the Subject Land or any portions thereof are damaged or destroyed in any way relating to or arising out of the removal, treatment, storage, disposition, mitigation, cleanup or remedying of any Regulated Substance, Grantee shall arrange, at its expense, for the repair, removal, remediation, restoration, and reconstruction to the Subject Land to the original condition existing on the date that Grantee first occupied the Parcel, to the satisfaction of Grantor. In any event, any damage, destruction, or restoration by Grantee shall not relieve Grantee from its obligations and liabilities under this Right of Way. Grantee's restoration obligations under this Section shall survive the expiration or the termination of the Right of Way.

3.8 Grantee shall defend, indemnify and hold Grantor harmless from and against any and all liability, obligations, losses, damages, penalties, claims, environmental response and cleanup costs and fines, and actions, suits, costs, taxes, charges, expenses and disbursements, including legal fees and expenses of whatever kind or nature (collectively, "claims" or "damages") imposed on, incurred by, or reserved against Grantor in any way relating to or arising out of any non-compliance with any Environmental Laws, the existence or presence of any Regulated Substance, on, under, or from the Subject Land, and any claims or damages in any way relating to or arising out of the removal, treatment, storage, disposition, mitigation, cleanup or remedying of any Regulated Substance on, under, or from the Subject Land by Grantee, its agents, contractors, or subcontractors.

3.9 This indemnity shall include, without limitation, claims or damages arising out of any and all violations of Environmental Laws regardless of any real or alleged fault, negligence, willful misconduct, gross negligence, breach of warranty, or strict liability on the part of any of the indemnitees. This indemnity shall survive the expiration or termination of this Right of Way and/or transfer of all or any portion of the Subject Land and shall be governed by the laws of the State of Arizona.

3.10 In the event any action or claim is brought or asserted against Grantor which is or may be covered by this indemnity, Grantee shall fully participate, at Grantee's expense, in the defense of the action or claim including but not limited to the following: (1) the conduct of any required cleanup, removal or remedial actions and/or negotiations, (2) the conduct of any proceedings, hearings, and/or litigation, and (3) the negotiation and finalization of any agreement or settlement. Grantor shall retain the right to make all final decisions concerning

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the defense. Grantee's obligations to participate in the defense under this Section shall survive the expiration or termination of the Right of Way.

4. CULTURAL RESOURCES AND NATIVE PLANTS

4.1 Prior to any ground disturbance in areas not previously subject to a cultural resources survey, Grantee shall arrange for a permittee of the Arizona State Museum to inspect the area for cultural, historical, and paleontological remains and submit two copies and a PDF copy of the inspection report to the Arizona State Land Department Archaeology Section for review and approval.

4.2 Provided any cultural resources are discovered, Grantee shall avoid the resource or submit a plan for data recovery. Archaeological surveys and/or site mitigation must be conducted in accordance with the rules and regulations promulgated by the Director of the Arizona State Museum. In the event additional archaeological resources are detected by Grantee after receipt of archaeological clearance, all work shall cease and notification shall be given to the Director of the Arizona State Museum, as well as the Arizona State Land Department Cultural Resources Manager. Ground disturbing activities include, but are not limited to; blading, grading, or widening roads, pole replacement, pull-sites, temporary construction easements, or any other activity that will disturb the topsoil.

4.3 In the event that any archaeological, paleontological, or historical site or object, or Human remains or funerary object that is at least fifty years old is discovered during ground disturbing activities, the work shall cease and the grantee shall notify the Director of the Arizona State Museum pursuant to A.R.S. §41-844, and Arizona State Land Department Cultural Resources Section Manager.

4.4 Grantee shall supply Grantor with any documentation required to consult with the State Historic Preservation Office, as required pursuant to the State Historic Preservation Act (A.R.S. § 41-861 et seq).

4.5 Prior to any ground disturbance, and at the request of Grantor, Grantee agrees to conduct and submit a plant inventory/plant salvage plan to the Grantor. Payment will be required prior to any ground disturbance for any flora cut, removed and/or destroyed.

4.6 If vegetation is authorized by Grantor to be removed and/or destroyed, and prior to any ground disturbance, Grantee agrees to file the appropriate Notice of Intent to Clear Land in accordance with A.R.S. § 3-905 Destruction of Native Plants by State.

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4.7 Grantee shall preserve or relocate all protected plants, if viable and feasible, on or adjacent to the work site that will not interfere with the work required.

4.8 Grantee shall only remove protected plants when specifically authorized to do so, and avoid damaging vegetation that will remain in place. If the Grantee or its contractors are authorized to remove any protected plants from State Trust land for replanting off of State Trust land, a permit from the Department of Agriculture is required.

4.9 Grantee shall contact the Arizona Department of Agriculture for further information or permit requirements related to native protected plants.

4.9.1 A survey may be required to determine if protected plants are present and if plants must be salvaged. Grantee shall contact the Arizona Department of Agriculture at least sixty (60) days before commencement of any salvage work.

4.10 Grantee shall minimize the removal of existing vegetation within the project area to the greatest extent possible.

4.11 Grantee shall salvage or replant cactus and other protected plants.

4.12 Grantee is prohibited to blade, scrape or remove any existing vegetation without authorization from Grantor.

5. SERVICE / ACCESS ROADS

5.1 Grantee shall acquire any permits necessary prior to the construction and maintenance of its service roads. Grantee shall construct new service roads with widths as narrow as possible.

5.2 Material for service road construction and maintenance (i.e. fill dirt, sand and gravel, etc.) may not be acquired from State Trust lands without the proper permits and authorization.

5.3 Service roads shall be maintained in substantially the same condition as they exist at the time the Right of Way is issued except, if not drivable, they may be made drivable.

Grantee shall not fence nor gate the service roads without the prior written permission of the Grantor.

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5.4 The service roads shall only be used by the Grantee in conjunction with said Right of Way grant and associated appurtenances.

5.5 Grantee shall avoid using service roads during wet weather or when too soft to travel over. The soil shall be deemed too wet to adequately support equipment if such equipment creates ruts in excess of six (6) inches deep.

5.6 Maintenance of the service roads may include dust control measures for the term of this Right of Way.

6. EXISTING LESSEES

6.1 Any grazing-related improvements removed or damaged due to construction, operation and maintenance of this Right of Way shall be replaced and/or reconstructed immediately. Cost of replacement and reconstruction shall be the responsibility of the Grantee.

6.2 Grantee shall provide Grantor with documentation of the surface lessee's consent prior to making any alterations to existing improvements.

6.3 If construction or maintenance occurs during periods of livestock grazing, Grantee will take necessary measures to insure livestock protection and containment.

6.3.1 Grantee agrees to notify Grazing Lessee(s) 30 days prior to beginning construction or maintenance and inquire as to the presence/absence of livestock.

7. MISCELLANEOUS

7.1 Grantor, or its successors or assigns, reserves the right, upon the request of Lessee / Certificate of Purchase Holder / Permittee to relocate all or any portion of this Right of Way, provided however that the Lessee / Certificate of Purchase Holder / Permittee of the underlying State Trust land shall bear the full cost and expense of the relocation of any facilities on the Subject Land and on neighboring land regardless of ownership necessary to accommodate the relocation of the Right of Way. Relocation shall require an amendment to the description of the Subject Land, and may require payment of additional rental to Grantor, but in no case a diminution in rental, if necessary to compensate for any greater value of the amended Subject Land.

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7.2 Grantee shall not alter nor cause ponding, nor any damage up or down stream of any water crossing.

7.3 No altering of existing drainages or drainage structures is authorized under this instrument.

7.4 If any provision or agreement of this Right of Way is found invalid by any tribunal, such invalidity shall not affect the validity of the remaining provisions hereof.

7.5 The following provision shall be deemed added at the end of Section 6.2 of Article 6 of the Right of Way to which these Additional Conditions are attached as if set forth therein verbatim:

“Any violation by Grantee of any of the terms of this Right of Way constitutes a breach. Upon a breach by Grantee which is not cured within sixty (60) days after the date a notice of breach is sent by certified mail to Grantee to the most recent address for Grantee as shown in the files of Grantor, this Right of Way shall become void and the right to use the Subject Land and all of the rights of Grantee hereunder shall revert to Grantor at the expiration of the aforesaid sixty (60) day period.”

7.6 Attached hereto as EXHIBIT B is an insurance rider which shall supplement the terms and provisions governing insurance as set forth in the Right of Way form to which these Additional Conditions are attached. Grantor reserves the right to amend EXHIBIT B as and when the Arizona Department of Administration requires revisions to the insurance requirements applicable to Arizona State Trust Land.

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8. EXHIBITS

8.1 The following exhibits are attached to these Additional Conditions and made a part hereof:

<u>EXHIBIT A</u>	Legal Description and/or Visual Depiction of Right of Way
<u>EXHIBIT B</u>	Insurance Rider

BY SIGNATURE BELOW, ALL TERMS ARE
AGREED TO AND ACCEPTED BY GRANTEE

By: _____

Title: _____

Date: _____

[Remainder of this page left blank intentionally]

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EXHIBIT A - LEGAL DESCRIPTION AND/OR VISUAL DEPICTION OF RIGHT OF WAY

Three parcels of land lying in Section Thirty-six (36), Township Five (5) North, Range Two (2) West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as:

Parcel No. 1: The East Fifty-five (55) feet of said Section 36.

Parcel No. 2: The South Fifty-five (55) feet of the West 245 feet of the East 300 feet of the Southeast one-quarter of the Southeast one-quarter (SE $\frac{1}{4}$ of SE $\frac{1}{4}$) of said Section 36.

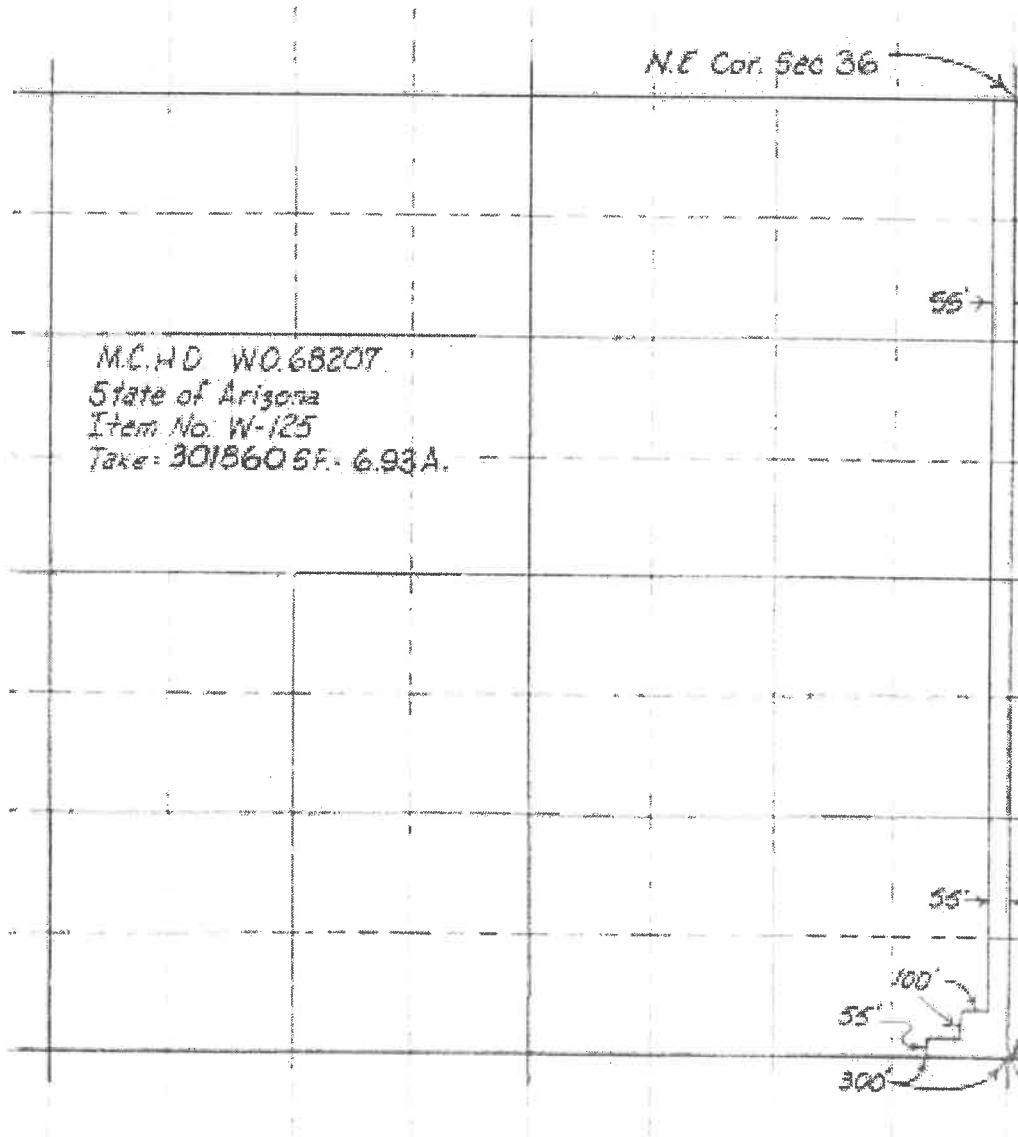
Parcel No. 3: The North 100 feet of the South 155 feet of the West 100 feet of the East 155 feet of the Southeast one-quarter of the Southeast one-quarter (SE $\frac{1}{4}$ of SE $\frac{1}{4}$) of said Section 36.

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EXHIBIT A-LEGAL DESCRIPTION AND/OR VISUAL DEPICTION OF RIGHT OF WAY



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EXHIBIT B

INSURANCE RIDER TO STATE LAND DEPARTMENT

This Rider is attached to and made a part of the above-referenced Right of Way as if set forth therein verbatim.

R-1 Indemnity. Each party (as "Indemnitor") agrees to indemnify, defend, and hold harmless the other party (as "Indemnatee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "Claims") arising out of bodily injury of any person (including death) or property damage, but only to the extent that such Claims which result in vicarious/derivative liability to the Indemnatee are caused by the act, omission, negligence, misconduct, or other fault of the Indemnitor, its officers, officials, agents, employees, or volunteers.

In addition, Grantee shall cause its contractor(s) and subcontractors, if any, to indemnify, defend, save and hold harmless the State of Arizona, any jurisdiction or agency issuing any permits for any work arising out of this Agreement, and their respective directors, officers, officials, agents, and employees (hereinafter referred to as "Indemnatee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Grantee's contractor or any of the directors, officers, agents, or employees or subcontractors of such contractor. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such contractor to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnatee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnatee, be indemnified by such contractor from and against any and all claims. It is agreed that such contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable.

R-2 Insurance Requirements for Any Contractors Used by a Party to this Right of Way. (Note: this applies only to Contractors used by a governmental entity, not to the governmental entity itself.) The insurance requirements herein are minimum requirements and in no way limit the indemnity covenants contained in this Right of Way. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the governmental entity or Contractor from liabilities that might arise out of the performance of the work under this Right of Way by the Contractor, his agents, representatives, employees or subcontractors, and Contractor and the governmental entity are free to purchase additional insurance.

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A. Minimum Scope and Limits of Insurance. Contractor shall provide coverage with limits of liability not less than those stated below.

1. Commercial General Liability - Occurrence Form.

Policy shall include bodily injury, property damage, personal and advertising injury and broad form contractual liability.

General Aggregate:	\$2,000,000.00
Products-Completed Operations Aggregate:	\$1,000,000.00
Personal and Advertising Injury:	\$1,000,000.00
Each Occurrence:	\$1,000,000.00
Blanket Contractual Liability-Written and Oral:	\$1,000,000.00
Damage to Rented Premises:	\$ 50,000.00
Each Occurrence	\$1,000,000.00

The policy shall be endorsed to include the following additional insured language: "The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor." Such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Right of Way.

Policy shall contain a waiver of subrogation endorsement in favor of the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

2. Business Automobile Liability. Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Right of Way.

- Combined Single Limit (CSL) \$1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor". Such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Right of Way.

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b. Policy shall contain a waiver of subrogation endorsement in favor of the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

c. Policy shall contain a severability of interest provision.

IF GRANTEE HAS CERTIFIED IN THE APPLICATION ADDENDUM FOR THIS RIGHT OF WAY THAT GRANTEE WILL NOT BE ENGAGED IN THE CONDUCT OF BUSINESS WITHIN THE SUBJECT LAND GRANTEE SHALL NOT BE REQUIRED TO CARRY THE FOREGOING BUSINESS AUTOMOBILE LIABILITY INSURANCE.

3. Worker's Compensation and Employers' Liability.

Workers' Compensation	Statutory
Employers' Liability	
Each Accident	\$ 500,000
Disease – Each Employee	\$ 500,000
Disease – Policy Limit	\$1,000,000

a. Policy shall contain a waiver of subrogation endorsement in favor of the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

b. This requirement shall not apply to: Separately, EACH contractor or subcontractor exempt under A.R.S. § 23-901, AND when such contractor or subcontractor executes the appropriate waiver (Sole Proprietor/Independent Contractor) form.

GRANTEE HAS CERTIFIED IN THE APPLICATION ADDENDUM FOR THIS RIGHT OF WAY THAT GRANTEE WILL NOT BE ENGAGED IN THE CONDUCT OF BUSINESS WITHIN THE SUBJECT LAND GRANTEE SHALL NOT BE REQUIRED TO CARRY THE FOREGOING WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE.

B. Additional Insurance Requirements. The policies are to contain, or be endorsed to contain, the following provisions:

1. The Contractor's policies shall stipulate that the insurance afforded the Contractor shall be primary insurance and that any insurance carried by the Department, its agents, officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S § 41-621 (E).

2. The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. Coverage provided by the Contractor shall not be limited to the liability assumed

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under the indemnification provisions of its Contract with the other governmental entity(ies) party to this Right of Way.

C. Notice of Cancellation. With the exception of (10) day notice of cancellation for non-payment of premium, any changes material to compliance with this Right of Way in the insurance policies above shall require (30) days written notice to the State of Arizona. Such notice shall be sent directly to the Arizona State Land Department, 1616 W. Adams, Phoenix, Arizona 85007, and shall be sent by certified mail, return receipt requested.

D. Acceptability of Insurers. Contractors insurance shall be placed with companies duly licensed in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII or duly authorized to transact Workers' Compensation insurance in the State of Arizona. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. Verification of Coverage. Contractor shall furnish the State of Arizona with certificates of insurance (ACORD form or equivalent approved by the State of Arizona) as required by this Right of Way. The certificates for each insurance policy are to be signed by an authorized representative.

All certificates and endorsements are to be received and approved by the State of Arizona before work commences. Each insurance policy required by this Right of Way must be in effect at or prior to commencement of work under this Right of Way and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Right of Way, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Right of Way shall be sent directly to the Arizona State Land Department, 1616 W. Adams, Phoenix, Arizona 85007. The Right of Way number and project description are to be noted on the certificate of insurance. The State of Arizona reserves the right to require complete, certified copies of all insurance policies required by this Right of Way at any time.

F. Subcontractors. Contractor's certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall furnish to the State of Arizona separate certificates for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. Approval. Any modification or variation from the insurance requirements in this Right of Way must have prior approval from the State of Arizona Department of

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Administration, Risk Management Division, whose decision shall be final. Such action will not require a formal Right of Way amendment but may be made by administrative action.

H. Exceptions. In the event the Contractor or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a Certificate of Self-Insurance. If the contractor or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university then none of the above shall apply.

APPENDIX A

STATE OF ARIZONA LAND DEPARTMENT
1616 W. ADAMS
PHOENIX, AZ 85007

RUN DATE: 10 October 2019
RUN TIME: 15:12 PM
PAGE: 1

KE-LEASE# 016-120891-00-100 APPTYPE: NEW
AMENDMENT#: 0

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LAND#	LEGAL DESCRIPTION	AUS	ACREAGE
05.0-N-02.0-W-36-07-030-9001	M&B THRU N2 N2S2 LOT 4	0.00	6.930
	TOTALS	0.00	6.930

IN WITNESS HEREOF, the parties hereto have signed this Right of Way effective the day and year set forth previously herein.

STATE OF ARIZONA, GRANTOR
Arizona State Land Commissioner

By: _____
Date

(SEAL)

CITY OF SURPRISE
GRANTEE

/ _____
Authorized Signature Date

/ _____
Title

/ _____
Address

/ _____
City State Zip

GRANTEE'S CERTIFICATE OF CONSTRUCTION

RIGHT OF WAY NUMBER: _____

NAME OF GRANTEE: _____

DATE ISSUED: _____

PERMITTED USE: _____

LAND DEPARTMENT ADMINISTRATOR: _____

DATE CONSTRUCTION STARTED: _____

DATE CONSTRUCTION COMPLETED: _____

I hereby certify that the facilities authorized by the State Land Commissioner, were actually constructed and tested in accordance with the terms of the grant, in compliance with any required plans and specifications, and applicable Federal and State laws and regulations.

Grantee's Signature

Date

Title

**Return To: Arizona State Land Department
R/W Section
1616 W. Adams Street
Phoenix, AZ 85007**



COMMUNITY DEVELOPMENT
CITY OF SURPRISE

16000 N. CIVIC CENTER PLAZA
SURPRISE, AZ 85374

T. 623-222-3000

Date: January 16, 2020

To: Finance

From: Lari Beth Kirkendall, Real Property Manager

Re: 163rd Avenue Jomax to Dynamite – ASLD 16-120891 Right of Way Valuation

The Value of the Right of Way associated with the 163rd Avenue ASLD R/W 16-120891 is \$1,509,150.00.

The area being acquired as right-of-way is 301,830 square feet. The value of the land is \$5.00/sq foot.



CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: Public Works
Staff Recommendations: None

Contact Person: Mike Gent, DIRECTOR - PW
District: District 5

Consent: Yes	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action declaring the City's intention to establish a lighting improvement district known as, "City of Surprise, Arizona, SU-Park Place 183 Lighting Improvement District" pursuant to A.R.S. § 48-616 for the purpose of purchasing facilities and energy for lighting the public streets and parks; Resolution #2020-03.

Motion:

I move to approve Resolution #2020-03.

Background:

The City has verified that the Petition for the proposed street light improvement district contains the signatures of all of the real property owners in the district, exclusive of mortgages and other lien holders.

The City and Arizona Public Service Company ("APS") have approved the street layout and facilities design. The electric rates are established by APS tariff.

The lighting improvements are more than local or ordinary public benefit and the expenses of the district will be paid for by the levy and collection of equal apportionment taxes based on the number and classification of properties within the district).

Objective Analysis:

A SLID is a neighborhood partnership and very common practice in which property owners in a defined area agree to pay the costs to operate and maintain their immediate area's street lights through a property tax. All new developments in the City of Surprise require a SLID. This action will form the SLID boundary for the Grand Village North development.

Policy Compliant:

Surprise Municipal Code requires that street lighting that serves a defined area be paid for through revenues obtained from the specific area being served by such street lighting. In these instances, a Street Light Improvement District (SLID) is formed. The city strives to assure that residents are subject to

only one SLID and that the boundaries of each SLID accurately reflect the service area. This item is consistent with these objectives.

Financial Impact:

Any financial impact on the City is anticipated to be minimal, as the Developer and District will be bearing the costs and expenses of the District and street light improvement facilities.

Budget Impact:

Funding was not included as part of the FY2020 adopted budget. A separate fund will be created to track revenue and expenses once the city starts receiving electric bills from APS for this particular SLID. If the SLID incurs expenses during FY2020, staff will return to request a budget amendment to appropriate the new fund. Regardless, the city will be unable to collect property taxes for this SLID until FY2021, at the earliest.

FTE Impact:

This action does not change the full time equivalent count.

ATTACHMENTS:

1. 01 Res 2020-03 Park Place 183 SLID
 2. 02 SLID PETITION SIGNED-1
 3. 03 City Council Map
-

RESOLUTION # 2020-03

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, DECLARING ITS INTENTION TO ESTABLISH A STREET LIGHT IMPROVEMENT DISTRICT TO PURCHASE ENERGY FOR LIGHTING THE PUBLIC STREETS AND PARKS IN THE AREA WITHIN THE CORPORATE LIMITS OF THE CITY OF SURPRISE, ARIZONA DESCRIBED ON EXHIBIT A, ATTACHED HERETO; DECLARING SUCH IMPROVEMENTS TO BE OF MORE THAN LOCAL OR ORDINARY PUBLIC BENEFIT AND THAT THE EXPENSES THEREOF BE PAID FOR BY THE LEVY AND COLLECTION OF EQUAL APPORTIONMENT OF TAXES BASED ON THE NUMBER AND CLASSIFICATION OF PROPERTIES WITHIN THE DISTRICT TO BE KNOWN AS "CITY OF SURPRISE, ARIZONA, SU-PARK PLACE 183 LIGHTING IMPROVEMENT DISTRICT"; AND ORDERING THAT SUCH IMPROVEMENTS BE PROVIDED FOR UNDER THE PROVISIONS OF SECTION 48-572, ARIZONA REVISED STATUTES.

WHEREAS, the owners, exclusive of mortgagees and other lienholders, of all of the real property (hereinafter referred to as "Petitioner") in the hereinafter described District, acting pursuant to the provisions of Sections 48-615(A) and 48-617(A), Arizona Revised Statutes, have petitioned the Mayor and Council of the City of Surprise, Arizona (hereinafter referred to as "City"), to adopt a resolution of intention (hereinafter referred to as "Resolution") ordering the purchase of energy for the lighting of the public streets and parks (hereinafter referred to as "Improvements") for the real property legally described in Exhibit A (such area hereinafter referred to as the "District") with such boundaries as shown in the map in Exhibit B attached hereto pursuant to the provisions of Section 48-576, Arizona Revised Statutes, giving the City immediate jurisdiction to order the Improvements pursuant to the provisions of Section 48-581, Arizona Revised Statutes, without the necessity of the publications or posting of this Resolution provided for in Sections 48-578, Arizona Revised Statutes;

WHEREAS, the City has verified that Petitioner is the owner, exclusive of mortgagees and other lienholders, of all of the real property included within the boundaries of the District, and;

WHEREAS, the Mayor and Council of the City hereby find and determine that they have jurisdiction to adopt this Resolution to order the Improvements pursuant to the provisions of Section 48-576, Arizona Revised Statutes, and have immediate jurisdiction to adopt this Resolution ordering the Improvements pursuant to the provisions of Section 48-581, Arizona Revised Statutes without the necessity of publications and posting of this Resolution as provided for in Section 48-578, Arizona Revised Statutes;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Surprise, Arizona, as follows.

Section 1. The City, after verifying ownership of the real property included within the boundaries of the District, hereby finds the Petitioner is the owner, exclusive of mortgagees and other lienholders, of all of the real property included within the boundaries of the District.

Section 2. The name of the District shall be "CITY OF SURPRISE, ARIZONA, SU – PARK PLACE 183 LIGHTING IMPROVEMENT DISTRICT."

Section 3. The District is formed, and shall exist, pursuant to the provisions of Title 48, Chapter 4, Article 2, Arizona Revised Statutes, and Section 48-616, Arizona Revised Statutes.

Section 4. The public interest or convenience requires, and it is the intention of the Mayor and Council of the City to order the Improvements as so described above.

Section 5. The Improvements, in the opinion of the Mayor and Council of the City, are of more than local or ordinary public benefit and are of special benefit to the respective lots, pieces and parcels of real property in the District, and the Mayor and Council of the City hereby make and order the expense of the Improvements payable from the levying and collection of an equal apportionment of taxes based on the number and classification of properties within the District to be known and designated as "City of Surprise, Arizona *SU – Park Place 183* Lighting Improvement District" and hereby declare that the District is as legally described on Exhibit A attached hereto with the boundaries as shown in the map in Exhibit B attached hereto. Any public street or alley within the District shall be omitted from the assessment. Any lot belonging to the United States, the State, a county, city, school district or political subdivision or institution of the state or county within the District shall be omitted from the assessment.

Section 6. The Superintendent of Streets or equivalent of the City shall not be required to post or cause to be posted notices of the Resolution of Intention. The Clerk of the City shall certify to the passage of this Resolution of Intention but shall not be required to cause the same to be published in a newspaper published and of general circulation in the City.

Section 7. The Mayor and Council of the City shall make annual statements and estimates of the expenses of the district, which shall be provided for by the levy and collection of equal apportionment of taxes based on the number and classification of properties within the District; shall publish notice thereof; shall have hearings thereon; and shall adopt them at the times and in the manner provided for incorporated cities and towns by the applicable portions of Section 42-17101, et seq., 42-17152, Arizona Revised Statutes. The Mayor and Council of the City shall, on or before the third Monday in August of each year, fix, levy and assess the amount to be raised by an equal apportionment of taxes based on the number and classification of the properties within the District and collect, as Maricopa County, Arizona (the "County") taxes are collected, the amounts shown by the statements and estimates as adopted by the Mayor and Council of the City. All statutes providing for the levy and collection of State of Arizona and County taxes, shall be applicable to District taxes as provided to be levied under Section 48-616, Arizona Revised Statutes.

Section 8. The District shall not be authorized to issue bonds and no assessment for District purposes against the property within the District shall exceed One Dollar and Twenty Cents (\$1.20) per each hundred dollars of taxable valuation thereof in any year.

Section 9. The District shall not engage in any activity other than as provided in Section 48-616, Arizona Revised Statutes, i.e., contracting for and purchasing of energy for street and public park lighting.

Section 10. The formation of the District shall not be considered as preventing the subsequent establishment of improvement districts for any other purpose authorized by law, including improvement districts for the purpose of construction street lighting facilities within any part or all of the same territory as the District.

Section 11. The type of lighting facilities to be installed in the District and the locations thereof shall consist of those lighting facilities and locations described in the petition submitted by Petitioner, or as may be approved by the City.

Section 12. The rate to be paid for purchasing the energy for the District shall be the rate described in the petition submitted by Petitioner, or as may be approved by the Arizona Public Service Company.

Section 13. Any resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

APPROVED AND ADOPTED this ____ day of _____, 2020.

Skip Hall, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT "A"

SLID LEGAL DESCRIPTION

A PARCEL OF LAND LYING WITHIN A PORTION OF THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 4 NORTH, RANGE 1 WEST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHEASTERN CORNER OF LOT 2 OF THE "REPLAT OF LOT 1, GRAND VILLAGE CENTER NORTH" AS RECORDED IN BOOK 689 OF MAPS, PAGE 38 OF THE OFFICIAL RECORDS OF MARICOPA COUNTY, ARIZONA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THENCE SOUTH 43°46'27" WEST, A DISTANCE OF 89.42 FEET;

THENCE SOUTH 46°10'18" EAST, A DISTANCE OF 455.39 FEET;

THENCE SOUTH 43°46'22" WEST, A DISTANCE OF 246.81 FEET;

THENCE SOUTH 63°08'01" EAST, A DISTANCE OF 32.07 FEET;

THENCE SOUTH 26°40'47" WEST, A DISTANCE OF 245.74 FEET;

THENCE SOUTH 02°26'05" WEST, A DISTANCE 182.81 FEET TO A POINT ON THE CENTERLINE OF MOUNTAIN VIEW BOULEVARD, SAID POINT BEING ON A CURVE CONCAVE SOUTHERLY, WHOSE RADIUS IS 500.00 FEET AND WHOSE CHORD BEARS NORTH 88°29'45" WEST A CHORD DISTANCE OF 16.23 FEET;

THENCE WESTERLY, ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 1°51'36" AN ARC LENGTH OF 16.23 FEET;

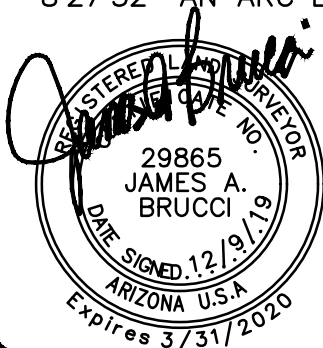
THENCE NORTH 89°25'33" WEST, CONTINUING ALONG SAID CENTERLINE, A DISTANCE OF 218.37 FEET;

THENCE NORTH 26°30'31" EAST, A DISTANCE OF 292.58 FEET;

THENCE NORTH 61°29'29" WEST, A DISTANCE OF 357.81 FEET TO A POINT OF CURVATURE, CONCAVE NORTHEASTERLY, WHOSE RADIUS IS 302.67 FEET;

THENCE WESTERLY, ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 9°14'28" AN ARC LENGTH OF 48.82 FEET TO A POINT OF REVERSE CURVATURE, CONCAVE SOUTHWESTERLY WHOSE RADIUS IS 489.52 FEET AND WHOSE CHORD BEARS NORTH 56°28'47" WEST A CHORD DISTANCE OF 72.20 FEET;

THENCE WESTERLY, ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 8°27'32" AN ARC LENGTH OF 72.27 FEET;



PAGE 1 OF 4

TITLE: XB01

DATE: 12/9/19

DESC: SLID
EASEMENT

HUNTER
ENGINEERING

10450 N. 74TH ST., SUITE 200
SCOTTSDALE, AZ 85258
T 480 991 3985
F 480 991 3986

CIVIL AND SURVEY

PROJ. NO. MER001
DWG. MER001/XB01

EXHIBIT "A"

SLID LEGAL DESCRIPTION

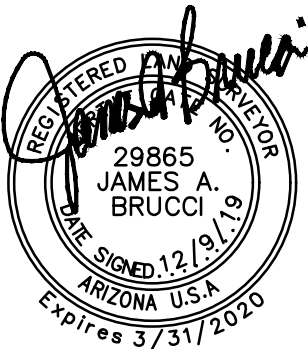
THENCE NORTH 61°20'21" WEST, A DISTANCE OF 130.00 FEET TO A POINT ON THE WESTERLY RIGHT OF WAY OF REEMS ROAD, SAID POINT BEING ON A CURVE, CONCAVE NORTHWESTERLY WHOSE RADIUS IS 1370.00 FEET AND WHOSE CHORD BEARS NORTH 27°02'38" EAST A CHORD DISTANCE OF 77.32 FEET;

THENCE NORTHEASTERLY, ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 3°14'02" AN ARC LENGTH OF 77.33 FEET;

THENCE NORTH 25°25'46" EAST, A DISTANCE OF 201.71 FEET TO A POINT OF CURVATURE, CONCAVE SOUTHEASTERLY, WHOSE RADIUS IS 1500.00 FEET AND WHOSE CHORD BEARS NORTH 29°00'51" EAST A CHORD DISTANCE OF 187.57 FEET;

THENCE NORTHEASTERLY, ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 7°10'10" AN ARC LENGTH OF 187.69 FEET;

THENCE DEPARTING SAID WESTERLY RIGHT OF WAY, SOUTH 89°24'17" EAST, A DISTANCE OF 414.37 FEET TO THE POINT OF BEGINNING.



PAGE 2 OF 4

TITLE: XB01
DATE: 12/9/19
DESC: SLID
EASEMENT

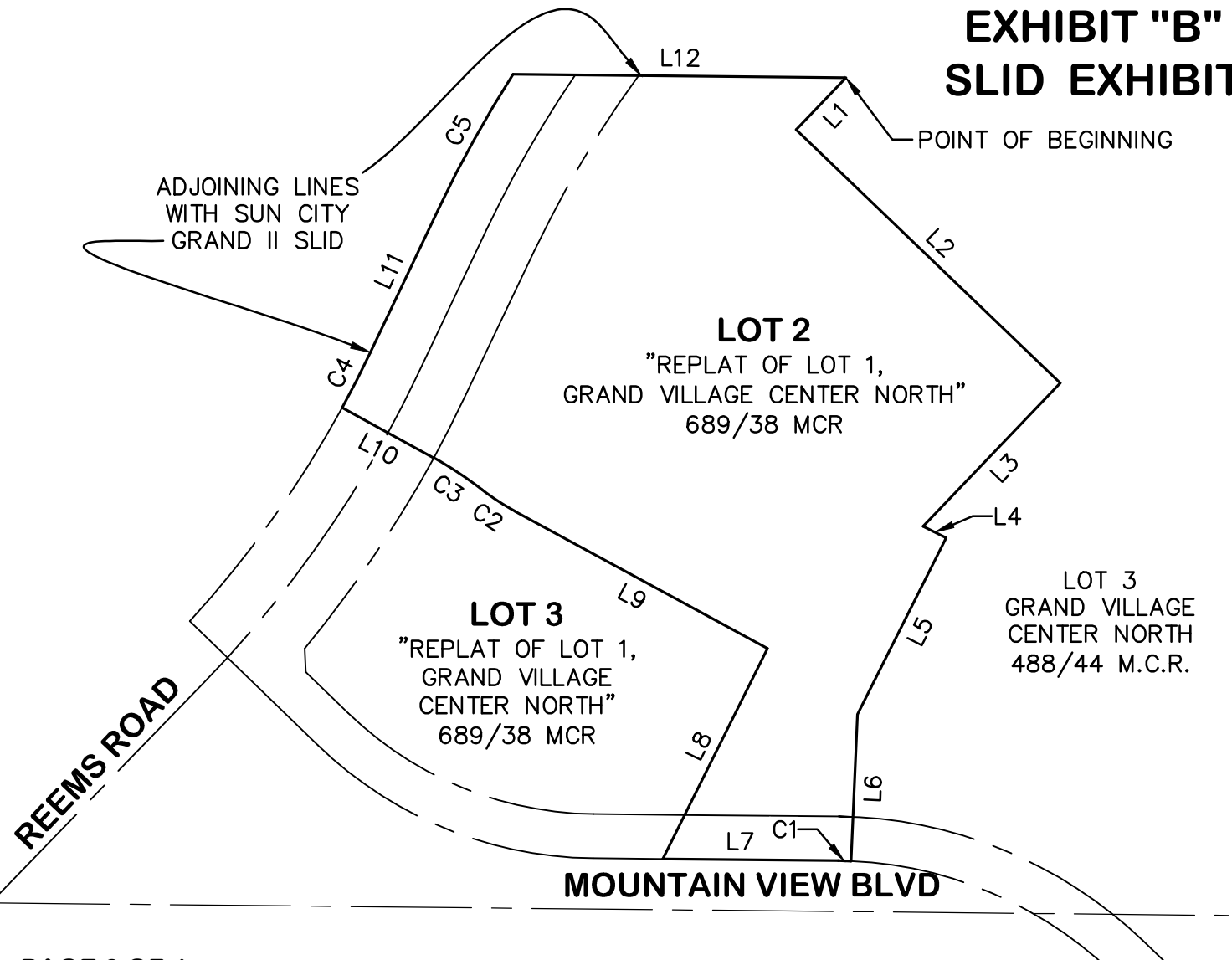
HUNTER
ENGINEERING

10450 N. 74TH ST., SUITE 200
SCOTTSDALE, AZ 85258
T 480 991 3985
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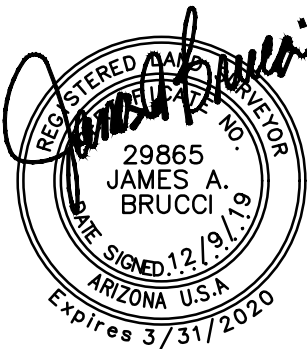
CIVIL AND SURVEY

PROJ.NO. MER001
DWG. MER001/XB01

EXHIBIT "B" SLID EXHIBIT



PAGE 3 OF 4



TITLE: XB01
SCALE: 1"=200'
DATE: 12/9/19
DESC: SLID
EASEMENT

HUNTER

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10450 N. 74TH ST., SUITE 200
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F 480 991 3986

CIVIL AND SURVEY

PROJ. NO. MER001
DWG. MER001/XB01

EXHIBIT "B" SLID EXHIBIT

LINE TABLE		
LINE	BEARING	DISTANCE
L1	S43°46'27"W	89.42'
L2	S46°10'18"E	455.39'
L3	S43°46'22"W	246.81'
L4	S63°08'01"E	32.07'
L5	S26°40'47"W	245.74'
L6	S02°26'05"W	182.81'
L7	N89°25'33"W	218.37'
L8	N26°30'31"E	292.58'
L9	N61°29'29"W	357.81'
L10	N61°20'21"W	130.00'
L11	N25°25'46"E	201.71'
L12	S89°24'17"E	414.37'

CURVE TABLE					
CURVE	DELTA	RADIUS	LENGTH	CHORD DIRECTION	CHORD LENGTH
C1	$\Delta = 1^\circ 51' 36''$	500.00'	16.23'	N88°29'45"W	16.23'
C2	$\Delta = 9^\circ 14' 28''$	302.67'	48.82'	N56°52'15"W	48.76'
C3	$\Delta = 8^\circ 27' 32''$	489.52'	72.27'	N56°28'47"W	72.20'
C4	$\Delta = 3^\circ 14' 02''$	1370.00'	77.33'	N27°02'38"E	77.32'
C5	$\Delta = 7^\circ 10' 10''$	1500.00'	187.69'	N29°00'51"E	187.57'



PAGE 4 OF 4

TITLE: **XB01**
 SCALE: 1"=200'
 DATE: 12/9/19
 DESC: SLID
 EASEMENT

HUNTER

ENGINEERING

10450 N. 74TH ST., SUITE 200
 SCOTTSDALE, AZ 85258
 T 480 991 3985
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CIVIL AND SURVEY

PROJ. NO. MER001
 DWG. MER001/XB01

STREET LIGHT IMPROVEMENT DISTRICT PETITION

TO THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE:

We, the undersigned, are all or a majority of the real property owners, exclusive of mortgagees and other lienholders, within the district named below. We petition the City Council of the City of Surprise, Arizona, to establish a street light improvement district under Arizona Revised Statutes (A.R.S.) §48-571 to 48-622, and any amendments, and specifically A.R.S. §48-615 to 48-617, to purchase electricity for lighting the public streets and/or parks within the district whose boundaries and area is described in Exhibits A and B attached hereto. This petition includes a charge for maintaining the lighting facilities.

It is hereby requested that, in compliance with the Arizona Revised Statutes, the City Council adopt a Resolution of Intention to order the proposed improvements, and that unless protests are received pursuant to A.R.S. §48-579 sufficient to bar further proceedings, the City Council proceed with the improvements petitioned for herein.

Expenses of the District shall be paid by the levy and collection of an equal apportionment of taxes based on the number and classification of properties within the District.

Public convenience, necessity and welfare will be promoted by the establishment of the District and the real property within the District will be benefited by the District. Additional street lighting facilities may be installed and included in the District, at no investment cost to the District, as directed by the City and as approved by Arizona Public Service and the City Engineer.

WHEREFORE, we respectfully ask that this Petition be properly filed and that the Mayor and Council of the City adopt the Resolution and take such other action as is proper, necessary and appropriate to form the District and to fulfill the purposes for which the District is organized, as the Mayor and Council believe is proper and necessary.

The name of the proposed street light improvements district shall be:

SU-Park Place 183

PETITIONERS: Please print and sign your name

PRINT BUSINESS/ PETITIONER'S NAME	ADDRESS OF PROPERTY OWNED WITHIN DISTRICT	ASSESSOR PARCEL #	SIGNATURE
MC AZ GRAND VILLAGE LLC	18795 N REEMS RD	503-60-455	



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

AVAILABILITY

This rate schedule is applicable to those portions of cities, towns and unincorporated communities in which the Company does a general retail electric business and where the Company has installed a multiple or series street lighting system of adequate capacity for the service to be rendered.

DESCRIPTION

E-58 is a rate that is applicable for lighting public streets, alleys, thoroughfares, public parks and playgrounds from dusk to dawn by use of Company's facilities.

TIME PERIODS

Dusk: Time between sunset and full night when photocontrol senses the lack of sufficient sunlight and turns on the lights.
Dawn: The time between full night and sunrise when a photocontrol senses sufficient sunlight to turn off lights.

CHARGES

The monthly bill will consist of the following charges, plus adjustments.

I. FIXTURES (Includes Mounting Arm, if Applicable)

	Lumen	Watts	kWh	CHARGES	
				Investment by Company	Investment by Others
A. Acorn	3,835 LED	75	26	\$21.63	\$7.59
	4,796 LED	75	26	\$17.38	\$6.46
	5,003 LED	100	35	\$23.45	\$8.71
	5,904 LED	100	35	\$23.03	\$8.60
	6000 IND	85	29	\$19.24	\$5.14
B. Architectural	6,200 IND	85	29	\$10.13	\$3.93
	8,400 IND	100	34	\$10.69	\$4.36
	10,200 IND	120	41	\$11.75	\$4.99
	13,000 IND	150	52	\$12.98	\$5.93
	20,500 IND	200	69	\$14.78	\$7.37
	22,500 IND	265	91	\$17.63	\$9.28
	3,300 LED	43	15	\$10.24	\$3.79
	3,800 LED	32	12	\$7.73	\$2.92
	3,900 LED	32	12	\$9.96	\$3.51
	4,050 LED	63	22	\$18.63	\$6.52
	4,100 LED	45	16	\$10.34	\$3.89
	4,800 LED	41	15	\$8.27	\$3.27
	5,000 LED	41	15	\$9.61	\$3.62



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

	CHARGES				
	Lumen	Watts	kWh	Investment by Company	Investment by Others
	5,100 LED	60	21	\$10.18	\$4.19
	5,300 LED	67	24	\$10.47	\$4.48
	5,800 LED	94	32	\$17.81	\$5.16
	5,890 LED	89	31	\$20.56	\$7.66
	6,000 LED	62	22	\$18.63	\$6.52
	6,000 LED	67	24	\$19.89	\$6.99
	6,400 LED	89	31	\$17.89	\$5.10
	6,810 LED	101	35	\$18.89	\$7.50
	7,100 LED	62	22	\$19.70	\$6.80
	7,400 LED	127	44	\$20.42	\$6.34
	7,500 LED	73	26	\$20.08	\$7.18
	7,700 LED	86	30	\$18.41	\$7.02
	8,200 LED	88	31	\$10.45	\$4.97
	8,200 LED	95	33	\$11.87	\$5.48
	8,300 LED	72	25	\$17.93	\$6.54
	8,300 LED	106	37	\$12.45	\$5.91
	8,500 LED	88	31	\$11.69	\$5.30
	9,020 LED	139	48	\$22.94	\$9.47
	9,200 LED	139	48	\$25.60	\$7.30
	9,900 LED	130	45	\$13.82	\$6.84
	10,000 LED	93	32	\$21.43	\$7.96
	10,000 LED	113	39	\$13.26	\$6.28
	10,600 LED	126	44	\$22.56	\$9.09
	11,100 LED	108	38	\$12.76	\$6.07
	11,500 LED	108	38	\$13.16	\$6.18
	12,300 LED	203	70	\$25.48	\$8.85
	12,900 LED	119	41	\$22.31	\$8.82
	13,260 LED	202	70	\$27.11	\$12.12
	13,620 LED	202	70	\$28.49	\$9.24
	14,000 LED	171	59	\$26.07	\$11.08
	15,000 LED	136	47	\$24.93	\$9.94
	15,400 LED	144	50	\$25.21	\$10.22
	18,300 LED	162	56	\$16.13	\$8.22
	19,200 LED	257	89	\$26.87	\$13.38
	20,000 LED	258	89	\$26.87	\$13.38
	20,300 LED	193	67	\$17.17	\$9.26
	21,000 LED	193	67	\$24.77	\$11.28
C. Cobra	6,200 IND	75	26	\$10.54	\$3.77
	6,400 IND	85	29	\$8.97	\$3.78
	8,000 IND	88	30	\$10.47	\$4.04
	8,400 IND	100	34	\$9.70	\$4.24
	10,200 IND	120	41	\$10.44	\$4.81



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

				CHARGES				
				Investment by Company	Investment by Others			
				Lumen	Watts	kWh		
C. Cobra				13,000 IND	150	52	\$11.50	\$5.73
				15,250 IND	200	69	\$13.86	\$7.25
				22,500 IND	250	86	\$18.55	\$9.06
		Gray / Bronz		3,500 IND	55	19	\$10.50	\$3.27
				6,000 LED	95	33	\$17.05	\$5.13
				8,700 LED	142	49	\$19.17	\$6.53
				9,600 LED	157	54	\$20.40	\$7.04
				11,600 B-LED	181	62	\$19.03	\$7.44
		Gray / Bronz		3,300 LED	43	15	\$9.00	\$2.79
		Gray / Bronz		5,300 LED	67	23	\$10.45	\$3.54
		Gray / Bronz		8,300 LED	106	37	\$13.55	\$4.94
		Gray / Bronz		10,500 LED	130	45	\$15.08	\$5.69
		Gray / Bronz		20,000 LED	258	89	\$26.21	\$10.27
D. Decorative Transit				5,300 LED	75	26	\$28.44	\$6.12
				8,300 LED	100	34	\$30.45	\$6.97
				8,147 LED	75	26	\$35.76	\$11.36
				9,522 LED	100	35	\$36.14	\$12.09
				10,500 LED	150	52	\$32.69	\$8.52
				14,896 LED	150	52	\$39.98	\$14.29
		Double		8,147 LED	75	26	\$64.74	\$18.96
		Double		9,522 LED	100	35	\$64.67	\$19.58
		Double		14,896 LED	100	52	\$70.67	\$22.32
		Copper		6,000 IND	85	29	\$18.87	\$5.09
		Gray / Black		8,000 IND	88	30	\$14.86	\$4.62
		Gray / Black		4,350 LED	86	30	\$13.48	\$4.44
E. Flood				14,470 LED	148	51	\$23.93	\$9.95
				16,000 LED	125	43	\$23.17	\$9.19
F. Pendant				8,678 LED	75	26	\$26.36	\$8.85
				13,964 LED	100	35	\$27.84	\$9.88
G. Post Top				4,350 LED	86	30	\$13.43	\$5.69
				6,400 LED	30	30	\$13.43	\$5.69
				6,600 LED	83	29	\$13.33	\$5.59
H. Roadway				3,300 LED	43	15	\$9.46	\$3.58
				3,800 LED	32	12	\$7.24	\$2.79
				3,900 LED	32	12	\$9.18	\$3.30
				4,100 LED	45	16	\$9.56	\$3.68
				4,800 LED	41	15	\$7.76	\$3.13
				5,000 LED	41	15	\$9.12	\$3.49
				5,100 LED	60	21	\$9.69	\$4.06
				5,300 LED	67	24	\$9.98	\$4.35
				8,200 LED	88	31	\$9.72	\$4.77



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

	8,200 LED	95	33	\$11.36	\$5.34
	8,300 LED	106	37	\$11.74	\$5.72
	8,500 LED	88	31	\$11.18	\$5.16
	9,900 LED	130	45	\$13.31	\$6.70
	10,000 LED	113	39	\$12.75	\$6.14
	11,100 LED	108	38	\$12.03	\$5.88
	11,500 LED	108	38	\$12.65	\$6.04
	18,300 LED	162	56	\$15.23	\$7.98
	19,200 LED	257	89	\$19.11	\$11.32
	20,000 LED	258	89	\$19.11	\$11.32
	20,300 LED	193	67	\$16.27	\$9.02
	21,000 LED	193	67	\$17.01	\$9.22

FROZEN	4,000 INC	295	103	\$10.54	\$5.89
	7,000 MV	175	73	\$13.65	\$7.83
	11,000 MV	250	96	\$17.09	\$10.43
	20,000 MV	400	150	\$26.84	\$15.21
FROZEN ACORN	9,500 HPS	100	41	\$29.14	\$9.93
	16,000 HPS	150	69	\$32.35	\$12.55
FROZEN ARCHITECTURAL	9,500 HPS	100	41	\$16.56	\$7.90
	16,000 HPS	150	69	\$19.77	\$19.34
	30,000 HPS	250	99	\$22.95	\$13.57
	50,000 HPS	400	153	\$28.32	\$19.53
	14,000 MH	175	72	\$23.17	\$12.70
	21,000 MH	250	101	\$26.31	\$15.66
	36,000 MH	400	159	\$32.89	\$21.54
	8,000 LPS	55	30	\$24.08	\$10.58
	13,500 LPS	90	50	\$28.39	\$12.76
	22,500 LPS	135	72	\$32.43	\$15.56
FROZEN COBRA ROADWAY	33,000 LPS	180	90	\$39.01	\$18.33
	5,800 HPS	70	29	\$9.40	\$5.56
	9,500 HPS	100	41	\$11.07	\$6.81
	16,000 HPS	150	69	\$13.86	\$9.50
FROZEN COBRA ROADWAY	30,000 HPS	250	99	\$16.72	\$12.35
	50,000 HPS	400	153	\$22.69	\$17.63
	14,000 MH	175	72	\$16.12	\$10.99
	21,000 MH	250	101	\$18.84	\$13.67
	36,000 MH	400	159	\$24.81	\$18.99
FROZEN DECORATIVE TRANSIT	8,000 FL	100	38	\$18.53	\$5.43
	9,500 HPS	100	41	\$39.95	\$11.96
	16,000 HPS	150	69	\$39.72	\$13.36
FROZEN FLOOD	30,000 HPS	250	99	\$45.74	\$17.26
	30,000 HPS	250	99	\$22.20	\$13.79
	50,000 HPS	400	153	\$27.53	\$19.14
	21,000 MH	250	101	\$23.69	\$14.58
FROZEN Colonial Gray	36,000 MH	400	159	\$28.89	\$19.76
	8,000 FL	100	38	\$19.97	\$5.64



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

POST TOP	Colonial Gray	9,500 HPS	100	41	\$11.42	\$7.16
	Colonial Black	9,500 HPS	100	41	\$13.15	\$7.41
	Decorative	9,500 HPS	100	41	\$34.97	\$11.03

NOTES:

1. Investment by Company. These rates are applicable where the Company provides the initial investment to purchase and install all facilities necessary for street lighting service. The Company will own, operate, and maintain the street lighting system.
2. Investment by Others. These rates are applicable in those instances where the requesting entity or individual purchases and installs the street lighting facilities at their own expense and in accordance with Company specifications. These rates will also apply in the instance where the Customer provides a non-refundable advance to the Company to cover the Company's cost of purchasing and installing the street lighting system. The Company retains ownership of the street lighting system and provides operation and maintenance for all facilities.
3. Listed kWhs reflect the assigned monthly energy usage for each type of fixture and are used to determine any applicable transmission, system benefit, distribution, energy, and adjustment charges.
4. HPS = High Pressure Sodium
5. MH = Metal Halide
6. LPS = Low Pressure Sodium
7. FL = Fluorescent
8. INC = Incandescent. Incandescent lighting charges are applicable and available only to those Customers being served and those installations in service on November 1, 1986.
9. MV = Mercury Vapor. Mercury Vapor lighting charges are applicable and available only to those Customers being served and those installation in service on November 1, 1986 in accordance with A.R.S. §49-1104(A).
10. LED = Light Emitting Diode
11. IND = Induction



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

II. POLES

				CHARGES		
				Investment by Company	Investment by Others	
A. Anchor Base Mounted (Flush)	Round Steel	1 Simplex Adapter	Height			
			12 ft.	\$13.11	\$1.81	
			22 ft.	\$14.75	\$2.03	
			25 ft.	\$15.97	\$2.21	
			30 ft.	\$18.34	\$2.52	
		32 ft.	\$19.27	\$2.55		
		2 Simplex Adapters	12 ft.	\$13.98	\$1.93	
			22 ft.	\$16.06	\$2.22	
			25 ft.	\$16.75	\$2.31	
			30 ft.	\$19.47	\$2.68	
	32 ft.		\$20.77	\$2.87		
	Square Steel	5"	13 ft.	\$15.03	\$2.06	
			15 ft.	\$13.43	\$1.85	
			23 ft.	\$15.93	\$2.19	
			25 ft.	\$17.51	\$2.41	
			28 ft.	\$19.44	\$2.67	
			32 ft.	\$19.33	\$2.66	
	Concrete		12 ft.	\$44.79	\$6.17	
	Fiberglass		12 ft.	\$37.93	\$5.22	
	Decorative Transit		4"	16 ft.	\$36.98	\$5.10
	Decorative Transit		6"	30 ft.	\$71.39	\$9.83
	Hinged Poles		Square	15 ft.	\$14.21	\$1.16
Round			19 ft.	\$12.85	\$1.05	
B. Anchor Base Mounted (Pedestal)	Round Steel	1 Simplex Adapter	12 ft.	\$12.61	\$1.73	
			22 ft.	\$14.26	\$1.96	
			25 ft.	\$15.46	\$2.13	
			30 ft.	\$17.85	\$2.47	
			32 ft.	\$18.75	\$2.58	
		2 Simplex Adapters	12 ft.	\$13.47	\$1.85	
			22 ft.	\$15.05	\$2.06	
			25 ft.	\$16.24	\$2.23	
			30 ft.	\$18.97	\$2.60	
			32 ft.	\$20.26	\$2.79	
		3 Bolt	32 ft.	\$23.28	\$3.20	
		Square Steel	5"	13 ft.	\$14.54	\$2.01
				15 ft.	\$14.86	\$2.03
				23 ft.	\$15.43	\$2.13
	25 ft.			\$17.02	\$2.36	
	28 ft.			\$18.91	\$2.60	
	32 ft.			\$19.63	\$2.69	



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

II POLES (cont)

			CHARGES			
			Investment by Company	Investment by Others		
			Height			
C. Direct Bury	Round Steel		19 ft.	\$19.84	\$2.74	
			30 ft.	\$15.49	\$2.87	
			38 ft.	\$18.90	\$2.94	
		Self	40 ft.	\$23.28	\$3.69	
		Stepped	25 ft.	\$53.55	\$4.37	
			32 ft.	\$56.40	\$4.60	
			49 ft.	\$70.00	\$9.65	
		Square Steel	4"	34 ft.	\$17.09	\$2.96
			5"	20 ft.	\$16.23	\$2.68
	30 ft.			\$16.92	\$2.79	
	38 ft.			\$18.36	\$3.19	
	8"		28 ft.	\$30.64	\$2.49	
			32 ft.	\$32.03	\$2.62	
	Decorative Transit		41 ft 6	\$22.05	\$3.24	
	Decorative Transit	47 ft.	\$27.47	\$4.04		
	Steel Distribution Pole (for lighting only)	35 ft.	\$25.36	\$3.34		
D. Post Top	Decorative Transit Anchor Base	16 ft.	\$37.77	\$5.19		
	Gray Steel/Fiberglass	23 ft.	\$13.10	\$2.15		
	Black Steel	23 ft.	\$14.44	\$2.38		
E. Existing distribution pole suitable for streetlight use			\$1.59	--		
F. FROZEN	Wood Poles	30 ft.	\$9.64	\$1.67		
		35 ft.	\$9.64	\$1.59		

NOTE: The monthly rate for all new poles includes up to 300 feet of overhead secondary wire, or up to 300 feet of underground secondary wire if the Customer provides earthwork and conduit (excluding the underground to overhead transition).

III. ANCHOR BASE

			CHARGES	
			Investment by Company	Investment by Others
A. Flush		Height		
		4 ft.	\$10.67	\$1.47
		6 ft.	\$12.73	\$2.21
B. Pedestal		8 ft.	\$14.59	\$2.54
	For 32' Round Steel Pole only	4 ft. 6"	\$10.12	\$1.75



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

IV. CHARGES FOR OPTIONAL OR ADDITIONAL EQUIPMENT

		CHARGE
		Company Owned
Underground Circuit Charges:		
a.	Per foot of cable, installed under paving	\$0.17000
b.	Per foot of cable, not installed under paving	\$0.06000

V. DETERMINATION OF CHARGES FOR NEW EQUIPMENT

Monthly charges for new lighting fixtures, poles and other equipment not included in Sections I, II, or III above will be determined by the Company using the following method:

Step 1 Determination of Charges for each Charge Type							Monthly Fixed Charge Rate
Charge Type	Monthly Charge		Cost Inputs Equipment Cost		PV Factor		
1	Carrying Cost (fixtures)	=	(installed)	x	NA	x	1.518%
			Equipment Cost				
2	Carrying Cost (poles)	=	(installed)	x	NA	x	1.296%
			Equipment Cost				
3	Fixture Replacement Cost	=	Equipment Cost (installed)	x	0.257	x	1.518%
4	Pole, Anchor Replacement Cost	=	Equipment Cost (installed)	x	0.110	x	1.296%
5	Lighting O&M	=	O&M Cost (lifecycle)	x	0.427	x	1.518%
Charge Type	Monthly Charge		kWh Input		\$/kWh		
6	Generation	=	kWh per month	x	0.06760		
7	T&D, RCS, SB	=	kWh per month	x	0.02738		



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

Step 2 **Determination of Total Monthly Charge**
The total monthly charge will be the summation of the charges for each applicable charge type

<u>Equipment</u>	<u>Charge Type</u>
Fixture - IBC	1,5,6,7
Fixture - IBO	3,5,6,7
Pole, Anchor Base - IBC	2
Pole, Anchor Base - IBO	4

TRIP CHARGE

A \$100.00 trip charge per light will be charged when a Customer requests a disconnect or reconnect of service in order to accommodate the maintenance activities of the Customer or its designee(s) on their street lighting equipment.

ADJUSTMENTS

The bill will include the following adjustments:

1. The Renewable Energy Standard charge, Adjustment Schedule REAC-1.
2. The Power Supply Adjustment charges, Adjustment Schedule PSA-1.
3. The Transmission Cost Adjustment charge, Adjustment Schedule TCA-1.
4. The Environmental Improvement Surcharge, Adjustment Schedule EIS.
5. The Demand Side Management Adjustment charge, Adjustment Schedule DSMAC-1.
6. The Lost Fixed Cost Recovery Adjustment charge, Adjustment Schedule LFCR.
7. Direct Access Customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge, Adjustment Schedule RCDAC-1.
8. Any applicable taxes and governmental fees that are assessed on APS's revenues, prices, sales volume, or generation volume.

SERVICE DETAILS

1. Street lighting facilities installed under this rate schedule are of the type currently being furnished by Company as standard at the time service is initially requested. Standard facilities are those listed in the Company's Transmission and Distribution Construction Standards book.



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

2. The Customer will be responsible for notifying the Company when the streetlighting facilities are not operating as intended. The Company will use reasonable efforts to complete normal maintenance (replacement of lamps, photocontrols or fixtures) within ten (10) working days from notification by Customer. If the maintenance requires cable replacement or repairs, the Company will use reasonable efforts to complete said repairs within twenty (20) working days.
3. The Customer's bill will not be reduced due to lamp, photocontrol or cable repair or replacement outages.
4. Lighting equipment which is not specified in this rate schedule will be billed at the rates corresponding to the most similar equipment, as determined by the Company.
5. Non-standard facilities (non-standard being defined as any facility not listed in the Company's Transmission and Distribution Construction Standards book) do not qualify for this rate schedule. At the Company's discretion, such facilities may be served under another of the Company's rate schedules.
6. The Company will extend its standard street lighting system up to a distance of 300 feet for each additional lighting installation without cost at the request of the Customer. When the extension is underground the customer will provide earthwork as specified in the Company's Service Schedule 3, Conditions Governing Extensions of Electric Distribution Lines and Services; or, at the applicant's request, the Company will provide such earthwork and the applicant will be required to pay a non-refundable contribution in aid of construction equal to the cost of such earthwork. Any additional extension required (over and above the first 300 feet) will be provided by Company for a contribution in aid of construction equal to the cost of the additional extension.
 - a. Extensions to isolated areas requiring a substantial extension of the electric distribution system, as opposed to an extension of the street lighting system, will require a special study to determine the terms and conditions under which the Company will undertake such an extension.
7. APS provides electric service under the Company's Service Schedules. These schedules provide details about how the Company serves its Customers, and they have provisions and charges that may affect the Customer's bill. In addition, service may be subject to special terms and conditions as provided for in a Customer contract or service agreement.

Street Lights:

Street Light Pole

- 1 existing pole Collector (SLID)
- 2 existing poles Arterial (not in SLID)

■ SLID Boundary





CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: Public Works
Staff Recommendations: None

Contact Person: Mike Gent, DIRECTOR - PW
District: District 3

Consent: Yes	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action declaring the City's intention to establish a lighting improvement district known as, "City of Surprise, Arizona, SU-Cotton and Sweetwater 189 Lighting Improvement District" pursuant to A.R.S. § 48-616 for the purpose of purchasing facilities and energy for lighting the public streets and parks; Resolution #2020-08.

Motion:

I move to approve Resolution # 2020-08.

Background:

The City has verified that the Petition for the proposed street light improvement district contains the signatures of all of the real property owners in the district, exclusive of mortgages and other lien holders.

The City and Arizona Public Service Company ("APS") have approved the street layout and facilities design. The electric rates are established by APS tariff.

The lighting improvements are more than local or ordinary public benefit and the expenses of the district will be paid for by the levy and collection ad valorem taxes based upon the assessed value of all property in the District.

Objective Analysis:

A SLID is a neighborhood partnership and very common practice in which property owners in a defined area agree to pay the costs to operate and maintain their immediate area's street lights through a property tax. All new developments in the City of Surprise require a SLID. This action will form the SLID boundary for the Christopher Todd at Rancho Trugold development.

Policy Compliant:

Surprise Municipal Code requires that street lighting that serves a defined area be paid for through revenues obtained from the specific area being served by such street lighting. In these instances, a Street Light Improvement District (SLID) is formed. The city strives to assure that residents are subject to

only one SLID and that the boundaries of each SLID accurately reflect the service area. This item is consistent with these objectives.

Financial Impact:

Any financial impact on the City is anticipated to be minimal, as the Developer and District will be bearing the costs and expenses of the District and street light improvement facilities.

Budget Impact:

Funding was not included as part of the FY2020 adopted budget. A separate fund will be created to track revenue and expenses once the city starts receiving electric bills from APS for this particular SLID. If the SLID incurs expenses during FY2020, staff will return to request a budget amendment to appropriate the new fund. Regardless, the city will be unable to collect property taxes for this SLID until FY2021, at the earliest.

FTE Impact:

This action does not change the full time equivalent count.

ATTACHMENTS:

1. 01 Res. 2020-08 SLID for Rancho Trugold
 2. 02 SLID petition - Approved
 3. 03 Street Light-Apprvd
 4. 04 Council Map
-

RESOLUTION # 2020-08

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, DECLARING ITS INTENTION TO ESTABLISH A STREET LIGHT IMPROVEMENT DISTRICT TO PURCHASE ENERGY FOR LIGHTING THE PUBLIC STREETS AND PARKS IN THE AREA WITHIN THE CORPORATE LIMITS OF THE CITY OF SURPRISE, ARIZONA DESCRIBED ON EXHIBIT A, ATTACHED HERETO; DECLARING SUCH IMPROVEMENTS TO BE OF MORE THAN LOCAL OR ORDINARY PUBLIC BENEFIT AND THAT THE EXPENSES THEREOF BE PAID FOR BY THE LEVY AND COLLECTION OF EQUAL APPORTIONMENT OF TAXES BASED ON THE NUMBER AND CLASSIFICATION OF PROPERTIES WITHIN THE DISTRICT TO BE KNOWN AS "CITY OF SURPRISE, ARIZONA, *SU-COTTON AND SWEETWATER 189* LIGHTING IMPROVEMENT DISTRICT"; AND ORDERING THAT SUCH IMPROVEMENTS BE PROVIDED FOR UNDER THE PROVISIONS OF SECTION 48-572, ARIZONA REVISED STATUTES.

WHEREAS, the owners, exclusive of mortgagees and other lienholders, of all of the real property (hereinafter referred to as "Petitioner") in the hereinafter described District, acting pursuant to the provisions of Sections 48-615(A) and 48-617(A), Arizona Revised Statutes, have petitioned the Mayor and Council of the City of Surprise, Arizona (hereinafter referred to as "City"), to adopt a resolution of intention (hereinafter referred to as "Resolution") ordering the purchase of energy for the lighting of the public streets and parks (hereinafter referred to as "Improvements") for the real property legally described in Exhibit A (such area hereinafter referred to as the "District") with such boundaries as shown in the map in Exhibit B attached hereto pursuant to the provisions of Section 48-576, Arizona Revised Statutes, giving the City immediate jurisdiction to order the Improvements pursuant to the provisions of Section 48-581, Arizona Revised Statutes, without the necessity of the publications or posting of this Resolution provided for in Sections 48-578, Arizona Revised Statutes;

WHEREAS, the City has verified that Petitioner is the owner, exclusive of mortgagees and other lienholders, of all of the real property included within the boundaries of the District, and;

WHEREAS, the Mayor and Council of the City hereby find and determine that they have jurisdiction to adopt this Resolution to order the Improvements pursuant to the provisions of Section 48-576, Arizona Revised Statutes, and have immediate jurisdiction to adopt this Resolution ordering the Improvements pursuant to the provisions of Section 48-581, Arizona Revised Statutes without the necessity of publications and posting of this Resolution as provided for in Section 48-578, Arizona Revised Statutes;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Surprise, Arizona, as follows.

Section 1. The City, after verifying ownership of the real property included within the boundaries of the District, hereby finds the Petitioner is the owner, exclusive of mortgagees and other lienholders, of all of the real property included within the boundaries of the District.

Section 2. The name of the District shall be "CITY OF SURPRISE, ARIZONA, *SU-COTTON AND SWEETWATER 189* LIGHTING IMPROVEMENT DISTRICT."

Section 3. The District is formed, and shall exist, pursuant to the provisions of Title 48, Chapter 4, Article 2, Arizona Revised Statutes, and Section 48-616, Arizona Revised Statutes.

Section 4. The public interest or convenience requires, and it is the intention of the Mayor and Council of the City to order the Improvements as so described above.

Section 5. The Improvements, in the opinion of the Mayor and Council of the City, are of more than local or ordinary public benefit and are of special benefit to the respective lots, pieces and parcels of real property in the District, and the Mayor and Council of the City hereby make and order the expense of the Improvements payable from the levying and collection of an equal apportionment of taxes based on the number and classification of properties within the District to be known and designated as "City of Surprise, Arizona *Su-Cotton and Sweetwater 189* Lighting Improvement District" and hereby declare that the District is as legally described on Exhibit A attached hereto with the boundaries as shown in the map in Exhibit B attached hereto. Any public street or alley within the District shall be omitted from the assessment. Any lot belonging to the United States, the State, a county, city, school district or political subdivision or institution of the state or county within the District shall be omitted from the assessment.

Section 6. The Superintendent of Streets or equivalent of the City shall not be required to post or cause to be posted notices of the Resolution of Intention. The Clerk of the City shall certify to the passage of this Resolution of Intention but shall not be required to cause the same to be published in a newspaper published and of general circulation in the City.

Section 7. The Mayor and Council of the City shall make annual statements and estimates of the expenses of the district, which shall be provided for by the levy and collection of equal apportionment of taxes based on the number and classification of properties within the District; shall publish notice thereof; shall have hearings thereon; and shall adopt them at the times and in the manner provided for incorporated cities and towns by the applicable portions of Section 42-17101, et seq., 42-17152, Arizona Revised Statutes. The Mayor and Council of the City shall, on or before the third Monday in August of each year, fix, levy and assess the amount to be raised by an equal apportionment of taxes based on the number and classification of the properties within the District and collect, as Maricopa County, Arizona (the "County") taxes are collected, the amounts shown by the statements and estimates as adopted by the Mayor and Council of the City. All statutes providing for the levy and collection of State of Arizona and County taxes, shall be applicable to District taxes as provided to be levied under Section 48-616, Arizona Revised Statutes.

Section 8. The District shall not be authorized to issue bonds and no assessment for District purposes against the property within the District shall exceed One Dollar and Twenty Cents (\$1.20) per each hundred dollars of taxable valuation thereof in any year.

Section 9. The District shall not engage in any activity other than as provided in Section 48-616, Arizona Revised Statutes, i.e., contracting for and purchasing of energy for street and public park lighting.

Section 10. The formation of the District shall not be considered as preventing the subsequent establishment of improvement districts for any other purpose authorized by law, including improvement districts for the purpose of construction street lighting facilities within any part or all of the same territory as the District.

Section 11. The type of lighting facilities to be installed in the District and the locations thereof shall consist of those lighting facilities and locations described in the petition submitted by Petitioner, or as may be approved by the City.

Section 12. The rate to be paid for purchasing the energy for the District shall be the rate described in the petition submitted by Petitioner, or as may be approved by the Arizona Public Service Company.

Section 13. Any resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

APPROVED AND ADOPTED this ____ day of _____, 2020.

Skip Hall, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

October 9, 2019
Project # 050605-01-023

EXHIBIT A

LEGAL DESCRIPTION RANCHO TRUGOLD STREET LIGHT IMPROVEMENT DISTRICT

LOT 3, TRACT A, AND A PORTION OF SWEETWATER AVENUE AND COTTON LANE, ACCORDING TO THE FINAL PLAT OF RANCHO TRUGOLD, RECORDED IN BOOK 1453 OF MAPS, PAGE 37, OFFICIAL RECORDS OF MARICOPA COUNTY, ARIZONA, LOCATED IN THE NORTHEAST QUARTER OF SECTION 14, TOWNSHIP 3 NORTH, RANGE 2 WEST, OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE EAST QUARTER CORNER OF SAID SECTION 14, BEING MARKED BY A BRASS CAP FLUSH, FROM WHICH POINT THE NORTHEAST CORNER OF SAID SECTION 14, BEING MARKED BY A BRASS CAP IN HAND HOLE, BEARS NORTH 00°12'04" EAST (BASIS OF BEARINGS), A DISTANCE OF 2639.57 FEET;

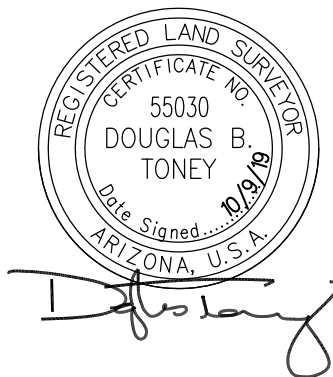
THENCE SOUTH 89°48'53" WEST, ALONG THE SOUTH LINE OF SAID NORTHEAST QUARTER, A DISTANCE OF 1084.02 FEET TO A POINT;

THENCE DEPARTING SAID SOUTH LINE, NORTH 00°12'15" EAST, A DISTANCE OF 924.07 FEET TO THE NORTHWEST CORNER OF SAID LOT 3;

THENCE NORTH 89°50'33" EAST, A DISTANCE OF 1083.97 FEET TO THE EAST LINE OF SAID NORTHEAST QUARTER;

THENCE SOUTH 00°12'04" WEST, ALONG SAID EAST LINE, A DISTANCE OF 923.54 FEET TO THE **POINT OF BEGINNING**.

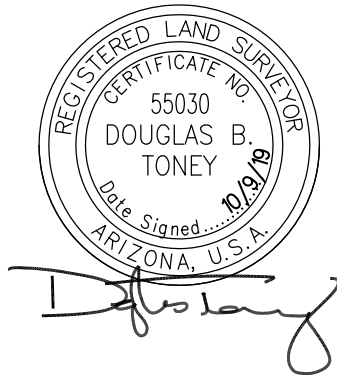
CONTAINING 1,001,378 SQ.FT. OR 22.9885 ACRES, MORE OR LESS.



PROJECT #FS19-517



Exhibit B



NORTHEAST CORNER
SECTION 14, T3N, R2W
FOUND BRASS CAP
IN HAND HOLE

1716.03'

N89°50'33"E 1083.97'

N00°12'15"E 924.07'

LOT 3
RANCHO TRUGOLD
BOOK 1453, PAGE 37

TRACT A

COTTON LANE
923.54'
N00°12'04"E 2639.57'
(BASIS OF BEARINGS)

1084.02'

SWEETWATER AVENUE

S89°48'53"W 2643.93'

CENTER OF SECTION 14
FOUND BRASS CAP FLUSH

POINT OF BEGINNING
EAST QUARTER CORNER
SECTION 14, T3N, R2W
FOUND BRASS CAP FLUSH

PROJECT #FS19-517

SHEET 1 OF 1	DATE: 10/9/19	EXHIBIT B RANCHO TRUGOLD - SLID				Bowman CONSULTING	1295 W Washington St, #108 Tempe, AZ 85281 Phone: (480) 629-8830 Fax: (480) 629-8841 www.bowmanconsulting.com
		BY: DT	CHK:	QC:			
		BCG PROJECT NO: 050605-01 TASK: 023					
		CLIENT REF NO:					

STREET LIGHT IMPROVEMENT DISTRICT PETITION

TO THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE:

We, the undersigned, are all or a majority of the real property owners, exclusive of mortgagees and other lienholders, within the district named below. We petition the City Council of the City of Surprise, Arizona, to establish a street light improvement district under Arizona Revised Statutes (A.R.S.) §48-571 to 48-622, and any amendments, and specifically A.R.S. §48-615 to 48-617, to purchase electricity for lighting the public streets and/or parks within the district whose boundaries and area is described in Exhibits A and B attached hereto. This petition includes a charge for maintaining the lighting facilities.

It is hereby requested that, in compliance with the Arizona Revised Statutes, the City Council adopt a Resolution of Intention to order the proposed improvements, and that unless protests are received pursuant to A.R.S. §48-579 sufficient to bar further proceedings, the City Council proceed with the improvements petitioned for herein.

Expenses of the District shall be paid by the levy and collection of ad valorem taxes upon assessed value of all property in the District.

Public convenience, necessity and welfare will be promoted by the establishment of the District and the real property within the District will be benefited by the District. Additional street lighting facilities may be installed and included in the District, at no investment cost to the District, as directed by the City and as approved by Arizona Public Service and the City Engineer.

WHEREFORE, we respectfully ask that this Petition be properly filed and that the Mayor and Council of the City adopt the Resolution and take such other action as is proper, necessary and appropriate to form the District and to fulfill the purposes for which the District is organized, as the Mayor and Council believe is proper and necessary.

The name of the proposed street light improvements district shall be:
SU-Cotton and Sweetwater 189

PETITIONERS: Please print and sign your name

PRINT BUSINESS/ PETITIONER'S NAME	ADDRESS OF PROPERTY OWNED WITHIN DISTRICT	ASSESSOR PARCEL #	SIGNATURE
John C Truman & Carol D Truman Trust	17180 W. Sweetwater Ave. Surprise, AZ 85388	502-04-976	Lois T. Emshoff Lois T. Emshoff
John C Truman & Carol D Truman Trust	17180 W. Sweetwater Ave Surprise AZ 85388	502-04-976	Michael A. Trueman Michael A. Trueman
James S. Truman	Rancho TruGold Subdivision Address not Assigned	502-04-977	James S. Truman James S. Truman
Carol D. Truman	Rancho TruGold Subdivision Address not Assigned	502-04-977	Carol D. Truman Carol D. Truman



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

AVAILABILITY

This rate schedule is applicable to those portions of cities, towns and unincorporated communities in which the Company does a general retail electric business and where the Company has installed a multiple or series street lighting system of adequate capacity for the service to be rendered.

DESCRIPTION

E-58 is a rate that is applicable for lighting public streets, alleys, thoroughfares, public parks and playgrounds from dusk to dawn by use of Company's facilities.

TIME PERIODS

Dusk: Time between sunset and full night when photocontrol senses the lack of sufficient sunlight and turns on the lights.
Dawn: The time between full night and sunrise when a photocontrol senses sufficient sunlight to turn off lights.

CHARGES

The monthly bill will consist of the following charges, plus adjustments.

I. FIXTURES (Includes Mounting Arm, if Applicable)

	Lumen	Watts	kWh	CHARGES	
				Investment by Company	Investment by Others
A. Acorn	3,835 LED	75	26	\$21.63	\$7.59
	4,796 LED	75	26	\$17.38	\$6.46
	5,003 LED	100	35	\$23.45	\$8.71
	5,904 LED	100	35	\$23.03	\$8.60
	6000 IND	85	29	\$19.24	\$5.14
B. Architectural	6,200 IND	85	29	\$10.13	\$3.93
	8,400 IND	100	34	\$10.69	\$4.36
	10,200 IND	120	41	\$11.75	\$4.99
	13,000 IND	150	52	\$12.98	\$5.93
	20,500 IND	200	69	\$14.78	\$7.37
	22,500 IND	265	91	\$17.63	\$9.28
	3,300 LED	43	15	\$10.24	\$3.79
	3,800 LED	32	12	\$7.73	\$2.92
	3,900 LED	32	12	\$9.96	\$3.51
	4,050 LED	63	22	\$18.63	\$6.52
	4,100 LED	45	16	\$10.34	\$3.89
	4,800 LED	41	15	\$8.27	\$3.27
	5,000 LED	41	15	\$9.61	\$3.62



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

	CHARGES				
	Lumen	Watts	kWh	Investment by Company	Investment by Others
	5,100 LED	60	21	\$10.18	\$4.19
	5,300 LED	67	24	\$10.47	\$4.48
	5,800 LED	94	32	\$17.81	\$5.16
	5,890 LED	89	31	\$20.56	\$7.66
	6,000 LED	62	22	\$18.63	\$6.52
	6,000 LED	67	24	\$19.89	\$6.99
	6,400 LED	89	31	\$17.89	\$5.10
	6,810 LED	101	35	\$18.89	\$7.50
	7,100 LED	62	22	\$19.70	\$6.80
	7,400 LED	127	44	\$20.42	\$6.34
	7,500 LED	73	26	\$20.08	\$7.18
	7,700 LED	86	30	\$18.41	\$7.02
	8,200 LED	88	31	\$10.45	\$4.97
	8,200 LED	95	33	\$11.87	\$5.48
	8,300 LED	72	25	\$17.93	\$6.54
	8,300 LED	106	37	\$12.45	\$5.91
	8,500 LED	88	31	\$11.69	\$5.30
	9,020 LED	139	48	\$22.94	\$9.47
	9,200 LED	139	48	\$25.60	\$7.30
	9,900 LED	130	45	\$13.82	\$6.84
	10,000 LED	93	32	\$21.43	\$7.96
	10,000 LED	113	39	\$13.26	\$6.28
	10,600 LED	126	44	\$22.56	\$9.09
	11,100 LED	108	38	\$12.76	\$6.07
	11,500 LED	108	38	\$13.16	\$6.18
	12,300 LED	203	70	\$25.48	\$8.85
	12,900 LED	119	41	\$22.31	\$8.82
	13,260 LED	202	70	\$27.11	\$12.12
	13,620 LED	202	70	\$28.49	\$9.24
	14,000 LED	171	59	\$26.07	\$11.08
	15,000 LED	136	47	\$24.93	\$9.94
	15,400 LED	144	50	\$25.21	\$10.22
	18,300 LED	162	56	\$16.13	\$8.22
	19,200 LED	257	89	\$26.87	\$13.38
	20,000 LED	258	89	\$26.87	\$13.38
	20,300 LED	193	67	\$17.17	\$9.26
	21,000 LED	193	67	\$24.77	\$11.28
C. Cobra	6,200 IND	75	26	\$10.54	\$3.77
	6,400 IND	85	29	\$8.97	\$3.78
	8,000 IND	88	30	\$10.47	\$4.04
	8,400 IND	100	34	\$9.70	\$4.24
	10,200 IND	120	41	\$10.44	\$4.81



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

				CHARGES						
				Investment by Company	Investment by Others					
				Lumen	Watts	kWh				
C. Cobra				13,000 IND	150	52	\$11.50	\$5.73		
				15,250 IND	200	69	\$13.86	\$7.25		
				22,500 IND	250	86	\$18.55	\$9.06		
	Gray / Bronz				3,500 IND	55	19	\$10.50	\$3.27	
					6,000 LED	95	33	\$17.05	\$5.13	
					8,700 LED	142	49	\$19.17	\$6.53	
					9,600 LED	157	54	\$20.40	\$7.04	
					11,600 B-LED	181	62	\$19.03	\$7.44	
	Gray / Bronz				3,300 LED	43	15	\$9.00	\$2.79	
	Gray / Bronz				5,300 LED	67	23	\$10.45	\$3.54	
	Gray / Bronz				8,300 LED	106	37	\$13.55	\$4.94	
	Gray / Bronz				10,500 LED	130	45	\$15.08	\$5.69	
Gray / Bronz				20,000 LED	258	89	\$26.21	\$10.27		
D. Decorative Transit				5,300 LED	75	26	\$28.44	\$6.12		
				8,300 LED	100	34	\$30.45	\$6.97		
				8,147 LED	75	26	\$35.76	\$11.36		
				9,522 LED	100	35	\$36.14	\$12.09		
				10,500 LED	150	52	\$32.69	\$8.52		
				14,896 LED	150	52	\$39.98	\$14.29		
	Double				8,147 LED	75	26	\$64.74	\$18.96	
					9,522 LED	100	35	\$64.67	\$19.58	
					14,896 LED	100	52	\$70.67	\$22.32	
					Copper	6,000 IND	85	29	\$18.87	\$5.09
					Gray / Black	8,000 IND	88	30	\$14.86	\$4.62
					Gray / Black	4,350 LED	86	30	\$13.48	\$4.44
E. Flood				14,470 LED	148	51	\$23.93	\$9.95		
				16,000 LED	125	43	\$23.17	\$9.19		
F. Pendant				8,678 LED	75	26	\$26.36	\$8.85		
				13,964 LED	100	35	\$27.84	\$9.88		
G. Post Top				4,350 LED	86	30	\$13.43	\$5.69		
				6,400 LED	30	30	\$13.43	\$5.69		
				6,600 LED	83	29	\$13.33	\$5.59		
H. Roadway				3,300 LED	43	15	\$9.46	\$3.58		
				3,800 LED	32	12	\$7.24	\$2.79		
				3,900 LED	32	12	\$9.18	\$3.30		
				4,100 LED	45	16	\$9.56	\$3.68		
				4,800 LED	41	15	\$7.76	\$3.13		
				5,000 LED	41	15	\$9.12	\$3.49		
				5,100 LED	60	21	\$9.69	\$4.06		
				5,300 LED	67	24	\$9.98	\$4.35		
				8,200 LED	88	31	\$9.72	\$4.77		



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

	8,200 LED	95	33	\$11.36	\$5.34
	8,300 LED	106	37	\$11.74	\$5.72
	8,500 LED	88	31	\$11.18	\$5.16
	9,900 LED	130	45	\$13.31	\$6.70
	10,000 LED	113	39	\$12.75	\$6.14
	11,100 LED	108	38	\$12.03	\$5.88
	11,500 LED	108	38	\$12.65	\$6.04
	18,300 LED	162	56	\$15.23	\$7.98
	19,200 LED	257	89	\$19.11	\$11.32
	20,000 LED	258	89	\$19.11	\$11.32
	20,300 LED	193	67	\$16.27	\$9.02
	21,000 LED	193	67	\$17.01	\$9.22

FROZEN	4,000 INC	295	103	\$10.54	\$5.89
	7,000 MV	175	73	\$13.65	\$7.83
	11,000 MV	250	96	\$17.09	\$10.43
	20,000 MV	400	150	\$26.84	\$15.21
FROZEN ACORN	9,500 HPS	100	41	\$29.14	\$9.93
	16,000 HPS	150	69	\$32.35	\$12.55
FROZEN ARCHITECTURAL	9,500 HPS	100	41	\$16.56	\$7.90
	16,000 HPS	150	69	\$19.77	\$19.34
	30,000 HPS	250	99	\$22.95	\$13.57
	50,000 HPS	400	153	\$28.32	\$19.53
	14,000 MH	175	72	\$23.17	\$12.70
	21,000 MH	250	101	\$26.31	\$15.66
	36,000 MH	400	159	\$32.89	\$21.54
	8,000 LPS	55	30	\$24.08	\$10.58
	13,500 LPS	90	50	\$28.39	\$12.76
	22,500 LPS	135	72	\$32.43	\$15.56
FROZEN COBRA ROADWAY	33,000 LPS	180	90	\$39.01	\$18.33
	5,800 HPS	70	29	\$9.40	\$5.56
	9,500 HPS	100	41	\$11.07	\$6.81
	16,000 HPS	150	69	\$13.86	\$9.50
FROZEN COBRA ROADWAY	30,000 HPS	250	99	\$16.72	\$12.35
	50,000 HPS	400	153	\$22.69	\$17.63
	14,000 MH	175	72	\$16.12	\$10.99
	21,000 MH	250	101	\$18.84	\$13.67
	36,000 MH	400	159	\$24.81	\$18.99
FROZEN DECORATIVE TRANSIT	8,000 FL	100	38	\$18.53	\$5.43
	9,500 HPS	100	41	\$39.95	\$11.96
	16,000 HPS	150	69	\$39.72	\$13.36
FROZEN FLOOD	30,000 HPS	250	99	\$45.74	\$17.26
	30,000 HPS	250	99	\$22.20	\$13.79
	50,000 HPS	400	153	\$27.53	\$19.14
	21,000 MH	250	101	\$23.69	\$14.58
FROZEN Colonial Gray	36,000 MH	400	159	\$28.89	\$19.76
	8,000 FL	100	38	\$19.97	\$5.64



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POST TOP	Colonial Gray	9,500 HPS	100	41	\$11.42	\$7.16
	Colonial Black	9,500 HPS	100	41	\$13.15	\$7.41
	Decorative	9,500 HPS	100	41	\$34.97	\$11.03

NOTES:

1. Investment by Company. These rates are applicable where the Company provides the initial investment to purchase and install all facilities necessary for street lighting service. The Company will own, operate, and maintain the street lighting system.
2. Investment by Others. These rates are applicable in those instances where the requesting entity or individual purchases and installs the street lighting facilities at their own expense and in accordance with Company specifications. These rates will also apply in the instance where the Customer provides a non-refundable advance to the Company to cover the Company's cost of purchasing and installing the street lighting system. The Company retains ownership of the street lighting system and provides operation and maintenance for all facilities.
3. Listed kWhs reflect the assigned monthly energy usage for each type of fixture and are used to determine any applicable transmission, system benefit, distribution, energy, and adjustment charges.
4. HPS = High Pressure Sodium
5. MH = Metal Halide
6. LPS = Low Pressure Sodium
7. FL = Fluorescent
8. INC = Incandescent. Incandescent lighting charges are applicable and available only to those Customers being served and those installations in service on November 1, 1986.
9. MV = Mercury Vapor. Mercury Vapor lighting charges are applicable and available only to those Customers being served and those installation in service on November 1, 1986 in accordance with A.R.S. §49-1104(A).
10. LED = Light Emitting Diode
11. IND = Induction



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

II. POLES

				CHARGES		
				Investment by Company	Investment by Others	
A. Anchor Base Mounted (Flush)	Round Steel	1 Simplex Adapter	Height			
			12 ft.	\$13.11	\$1.81	
			22 ft.	\$14.75	\$2.03	
			25 ft.	\$15.97	\$2.21	
			30 ft.	\$18.34	\$2.52	
		32 ft.	\$19.27	\$2.55		
		2 Simplex Adapters	12 ft.	\$13.98	\$1.93	
			22 ft.	\$16.06	\$2.22	
			25 ft.	\$16.75	\$2.31	
			30 ft.	\$19.47	\$2.68	
	32 ft.		\$20.77	\$2.87		
	Square Steel	5"	13 ft.	\$15.03	\$2.06	
			15 ft.	\$13.43	\$1.85	
			23 ft.	\$15.93	\$2.19	
			25 ft.	\$17.51	\$2.41	
			28 ft.	\$19.44	\$2.67	
			32 ft.	\$19.33	\$2.66	
	Concrete		12 ft.	\$44.79	\$6.17	
	Fiberglass		12 ft.	\$37.93	\$5.22	
	Decorative Transit		4"	16 ft.	\$36.98	\$5.10
	Decorative Transit		6"	30 ft.	\$71.39	\$9.83
	Hinged Poles		Square	15 ft.	\$14.21	\$1.16
Round			19 ft.	\$12.85	\$1.05	
B. Anchor Base Mounted (Pedestal)	Round Steel	1 Simplex Adapter	12 ft.	\$12.61	\$1.73	
			22 ft.	\$14.26	\$1.96	
			25 ft.	\$15.46	\$2.13	
			30 ft.	\$17.85	\$2.47	
			32 ft.	\$18.75	\$2.58	
		2 Simplex Adapters	12 ft.	\$13.47	\$1.85	
			22 ft.	\$15.05	\$2.06	
			25 ft.	\$16.24	\$2.23	
			30 ft.	\$18.97	\$2.60	
			32 ft.	\$20.26	\$2.79	
		3 Bolt	32 ft.	\$23.28	\$3.20	
		Square Steel	5"	13 ft.	\$14.54	\$2.01
				15 ft.	\$14.86	\$2.03
				23 ft.	\$15.43	\$2.13
	25 ft.			\$17.02	\$2.36	
	28 ft.			\$18.91	\$2.60	
	32 ft.			\$19.63	\$2.69	



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

II POLES (cont)

		CHARGES		
		Height	Investment by Company	Investment by Others
C. Direct Bury	Round Steel	19 ft.	\$19.84	\$2.74
		30 ft.	\$15.49	\$2.87
		38 ft.	\$18.90	\$2.94
		Self 40 ft.	\$23.28	\$3.69
		Stepped 25 ft.	\$53.55	\$4.37
		32 ft.	\$56.40	\$4.60
		49 ft.	\$70.00	\$9.65
	Square Steel	4" 34 ft.	\$17.09	\$2.96
		5" 20 ft.	\$16.23	\$2.68
		30 ft.	\$16.92	\$2.79
		38 ft.	\$18.36	\$3.19
		8" 28 ft.	\$30.64	\$2.49
		32 ft.	\$32.03	\$2.62
		Decorative Transit 41 ft 6	\$22.05	\$3.24
	Decorative Transit	47 ft.	\$27.47	\$4.04
	Steel Distribution Pole (for lighting only)	35 ft.	\$25.36	\$3.34
D. Post Top	Decorative Transit Anchor Base	16 ft.	\$37.77	\$5.19
	Gray Steel/Fiberglass	23 ft.	\$13.10	\$2.15
	Black Steel	23 ft.	\$14.44	\$2.38
E. Existing distribution pole suitable for streetlight use			\$1.59	--
F. FROZEN	Wood Poles	30 ft.	\$9.64	\$1.67
		35 ft.	\$9.64	\$1.59

NOTE: The monthly rate for all new poles includes up to 300 feet of overhead secondary wire, or up to 300 feet of underground secondary wire if the Customer provides earthwork and conduit (excluding the underground to overhead transition).

III. ANCHOR BASE

		CHARGES		
		Height	Investment by Company	Investment by Others
A. Flush		4 ft.	\$10.67	\$1.47
		6 ft.	\$12.73	\$2.21
B. Pedestal		8 ft.	\$14.59	\$2.54
	For 32' Round Steel Pole only	4 ft. 6"	\$10.12	\$1.75



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STREET LIGHTING SERVICE**

IV. CHARGES FOR OPTIONAL OR ADDITIONAL EQUIPMENT

		CHARGE
		Company Owned
Underground Circuit Charges:		
a.	Per foot of cable, installed under paving	\$0.17000
b.	Per foot of cable, not installed under paving	\$0.06000

V. DETERMINATION OF CHARGES FOR NEW EQUIPMENT

Monthly charges for new lighting fixtures, poles and other equipment not included in Sections I, II, or III above will be determined by the Company using the following method:

Step 1 Determination of Charges for each Charge Type							Monthly Fixed Charge Rate
Charge Type	Monthly Charge		Cost Inputs Equipment Cost		PV Factor		
1	Carrying Cost (fixtures)	=	(installed)	x	NA	x	1.518%
			Equipment Cost				
2	Carrying Cost (poles)	=	(installed)	x	NA	x	1.296%
			Equipment Cost				
3	Fixture Replacement Cost	=	Equipment Cost (installed)	x	0.257	x	1.518%
4	Pole, Anchor Replacement Cost	=	Equipment Cost (installed)	x	0.110	x	1.296%
5	Lighting O&M	=	O&M Cost (lifecycle)	x	0.427	x	1.518%
Charge Type	Monthly Charge		kWh Input		\$/kWh		
6	Generation	=	kWh per month	x	0.06760		
7	T&D, RCS, SB	=	kWh per month	x	0.02738		



**RATE SCHEDULE E-58
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STREET LIGHTING SERVICE**

Step 2 **Determination of Total Monthly Charge**
The total monthly charge will be the summation of the charges for each applicable charge type

<u>Equipment</u>	<u>Charge Type</u>
Fixture - IBC	1,5,6,7
Fixture - IBO	3,5,6,7
Pole, Anchor Base - IBC	2
Pole, Anchor Base - IBO	4

TRIP CHARGE

A \$100.00 trip charge per light will be charged when a Customer requests a disconnect or reconnect of service in order to accommodate the maintenance activities of the Customer or its designee(s) on their street lighting equipment.

ADJUSTMENTS

The bill will include the following adjustments:

1. The Renewable Energy Standard charge, Adjustment Schedule REAC-1.
2. The Power Supply Adjustment charges, Adjustment Schedule PSA-1.
3. The Transmission Cost Adjustment charge, Adjustment Schedule TCA-1.
4. The Environmental Improvement Surcharge, Adjustment Schedule EIS.
5. The Demand Side Management Adjustment charge, Adjustment Schedule DSMAC-1.
6. The Lost Fixed Cost Recovery Adjustment charge, Adjustment Schedule LFCR.
7. Direct Access Customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge, Adjustment Schedule RCDAC-1.
8. Any applicable taxes and governmental fees that are assessed on APS's revenues, prices, sales volume, or generation volume.

SERVICE DETAILS

1. Street lighting facilities installed under this rate schedule are of the type currently being furnished by Company as standard at the time service is initially requested. Standard facilities are those listed in the Company's Transmission and Distribution Construction Standards book.



**RATE SCHEDULE E-58
CLASSIFIED SERVICE
STREET LIGHTING SERVICE**

2. The Customer will be responsible for notifying the Company when the streetlighting facilities are not operating as intended. The Company will use reasonable efforts to complete normal maintenance (replacement of lamps, photocontrols or fixtures) within ten (10) working days from notification by Customer. If the maintenance requires cable replacement or repairs, the Company will use reasonable efforts to complete said repairs within twenty (20) working days.
3. The Customer's bill will not be reduced due to lamp, photocontrol or cable repair or replacement outages.
4. Lighting equipment which is not specified in this rate schedule will be billed at the rates corresponding to the most similar equipment, as determined by the Company.
5. Non-standard facilities (non-standard being defined as any facility not listed in the Company's Transmission and Distribution Construction Standards book) do not qualify for this rate schedule. At the Company's discretion, such facilities may be served under another of the Company's rate schedules.
6. The Company will extend its standard street lighting system up to a distance of 300 feet for each additional lighting installation without cost at the request of the Customer. When the extension is underground the customer will provide earthwork as specified in the Company's Service Schedule 3, Conditions Governing Extensions of Electric Distribution Lines and Services; or, at the applicant's request, the Company will provide such earthwork and the applicant will be required to pay a non-refundable contribution in aid of construction equal to the cost of such earthwork. Any additional extension required (over and above the first 300 feet) will be provided by Company for a contribution in aid of construction equal to the cost of the additional extension.
 - a. Extensions to isolated areas requiring a substantial extension of the electric distribution system, as opposed to an extension of the street lighting system, will require a special study to determine the terms and conditions under which the Company will undertake such an extension.
7. APS provides electric service under the Company's Service Schedules. These schedules provide details about how the Company serves its Customers, and they have provisions and charges that may affect the Customer's bill. In addition, service may be subject to special terms and conditions as provided for in a Customer contract or service agreement.

THESE DRAWINGS AND SPECIFICATIONS ARE THE SOLE PROPERTY OF WRIGHT ENGINEERING CORPORATION AND MAY NOT BE REPRODUCED OR MODIFIED FOR ANY USE WITHOUT THE EXPRESS WRITTEN PERMISSION OF WRIGHT ENGINEERING CORPORATION.

STREET LIGHTING REQUIREMENTS

5.00 GENERAL NOTES:
THE FOLLOWING INFORMATION IS PROVIDED TO EMPHASIZE CRITICAL WORK AND IS INTENDED TO SUPPLEMENT THE SPECIFICATIONS. SHOULD THERE BE A CONFLICT WITH THE SPECIFICATIONS, THIS DOCUMENT SHALL TAKE PRECEDENCE.
ALTERNATES SHALL BE PRE-APPROVED BY THE CITY ENGINEERING MANAGER. APPROVAL OF ALTERNATE PRODUCTS SHALL BE ON AN EQUAL BASIS WITH THE PRODUCT SPECIFIED AND SHALL BE SUBMITTED A MINIMUM OF TEN (10) DAYS PRIOR TO BID OPENING. STRUCTURAL CALCULATIONS SHALL BE FURNISHED FOR ALTERNATE PRODUCTS AND CERTIFIED BY A STRUCTURAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA. LUMINAIRES AND LAMPS SHALL MEET OR EXCEED THE PHOTOMETRIC, ELECTRICAL, AND MECHANICAL REQUIREMENTS FOR THE SPECIFIED PRODUCTS.
THE CONTRACTOR SHALL COMPLY WITH STATE AND CITY STATUTES, AND MANUFACTURER'S RECOMMENDATIONS.
THE SUBMITTAL PACKAGE SHALL CONSIST OF THREE (3) COPIES OF EQUIPMENT/MATERIAL TO BE INSTALLED AND SHALL BE BOUND/STAPLED IN A FOLDER AND SUBMITTED AT THE TIME OF PERMIT APPLICATION.
PRIOR TO SUBMITTING A PROPOSAL, THE BIDDER SHALL EXAMINE ALL GENERAL CONSTRUCTION DRAWINGS AND VISIT THE CONSTRUCTION SITE TO BECOME FAMILIAR WITH EXISTING CONDITIONS UNDER WHICH HE WILL OPERATE AND WHICH WILL IN ANY WAY AFFECT THE WORK UNDER THE CONTRACT. NO SUBSEQUENT ALLOWANCE WILL BE MADE IN THIS CONNECTION IN THE BEHALF OF THE CONTRACTOR FOR ANY ERROR OR NEGLIGENCE ON HIS PART.
PRIOR TO ORDERING ANY MATERIALS OR DOING ANY WORK, THE CONTRACTOR SHOULD VERIFY DIMENSIONS AT THE SITE. IMMEDIATELY REPORT DIFFERENCES TO THE ENGINEERING MGR. AND SHOULD NOT PROCEED WITH WORK UNTIL THE ENGINEERING MGR. RENDERS A DECISION. NO EXTRA CHARGES OR COMPENSATION WILL BE ALLOWED FOR DIFFERENCES IN ACTUAL DIMENSIONS AND DIMENSIONS INDICATED ON THE DRAWINGS.

5.01 GENERAL:
THE ELECTRICAL CONTRACTOR SHALL COMPLY WITH ALL LICENSING REQUIREMENTS SET FORTH BY THE STATE REGISTRAR OF CONTRACTORS OFFICE TO PERFORM WORK RELATING TO STREET LIGHT INSTALLATION IN THE CITY RIGHT-OF-WAY.

ONE PROJECT UNDERGROUND UTILITIES (RIGHT OF WAY) PERMIT AND ONE STREETLIGHT PERMIT FOR EACH STREET LIGHT POLE SHALL BE OBTAINED BY THE CONTRACTOR PRIOR TO CONSTRUCTION.

5.02 WORKING / "AS BUILT" PLANS:
ACCEPTANCE OF THE COMPLETED IMPROVEMENTS WILL NOT BE GIVEN UNTIL 4 MIL PHOTO MYLAR REPRODUCIBLE "AS BUILT" PLANS HAVE BEEN SUBMITTED TO AND APPROVED BY THE CITY ENGINEER.

5.03 LIGHT POLES:
LIGHT POLES SHALL BE INSTALLED PLUMB, BE ADJUSTED TO PROVIDE PROPER ALIGNMENT TO THE ROADWAY BEING LIGHTED AND BE PROPERLY GROUNDED WHEN THE INSTALLATION IS COMPLETE.

5.04 EMBEDMENT:
DIRECT BURIED POLES SHALL BE SET IN A TWELVE (12) INCH AUGURED HOLE DEPTH AS SPECIFIED IN UNDISTURBED EARTH. POLE SHALL BE SET PLUMB IN TWO DIRECTIONS 90 DEGREES APART. HAND TAMPING OF ABC BACKFILL WITH PNEUMATIC OR VIBRATING EQUIPMENT IS THE ACCEPTABLE METHOD OF COMPACTION. BACKFILL SHALL BE COMPACTED TO 85% OF MAXIMUM DENSITY AS DEFINED BY ASTM D-2922 AND D-3017. A GROUND ROD SHALL BE INSTALLED ADJACENT TO PULL BOX IN UNDISTURBED SOIL AND A LEAD IN COPPER BOND WIRE (#6) SHALL BE INSTALLED IN 1" CARFLEX LIQUIDTIGHT FLEXIBLE NONMETALLIC CONDUIT (OR EQUAL) FOR POLE GROUNDING.
SURPLUS EXCAVATION SHALL BE DISPOSED OF BY THE CONTRACTOR.

5.05 LUMINAIRES:
LUMINAIRES SHALL BE INSTALLED LEVEL AND INCLUDE A LAMP AND PHOTOCCELL. CONTRACTOR SHALL ASSURE THAT THE LUMINAIRES SHALL BE FREE OF DUST, DIRT OR ANYTHING THAT WOULD IMPAIR THE OUTPUT OF THE LIGHT BEFORE HE LEAVES THE SITE.

LUMINAIRES FURNISHED WITH MULTI-TAP BALLASTS SHALL BE REWIRED OR RECONNECTED TO MATCH THE VOLTAGE SUPPLIED BY THE ELECTRIC UTILITY COMPANY.

5.06 WIRING:
WIRING SHALL BE INSTALLED PER UTILITY STANDARDS.

5.07 GROUNDING:
EACH POLE SHALL HAVE A 8' X 5/8" COPPER CLAD GROUND ROD DRIVEN ADJACENT TO PULL BOX. A #6 BARE COPPER LEAD FROM THE GROUND ROD IN PULL BOX TO LANDING LUG IN STREET LIGHT POLE HAND HOLE.

5.08 PULL BOXES:
EXCAVATION FOR PULL BOXES AND MATERIAL SPECIFICATION SHALL BE PER THE ELECTRIC UTILITY COMPANY STANDARDS.

5.09 TRENCH
TRENCH SHALL BE INSTALLED PER THE UTILITY COMPANY STANDARDS.

THE USE OF A COMMON ELECTRIC UTILITY COMPANY TRENCH IS PERMITTED. IT IS THE CONTRACTOR'S RESPONSIBILITY TO CONTACT THE UTILITY COMPANY FOR COORDINATION OF TRENCHING AND THE INSTALLATION OF CONDUIT.

CONDUIT SHALL BE INSTALLED AT THE DEPTH SPECIFIED ON THE PLANS. CONDUIT SHALL BE 1 INCH CARFLEX LIQUIDTIGHT FLEXIBLE NONMETALLIC CONDUIT OR EQUAL. CONDUIT MUST BE UL RATED AND SUITABLE FOR UNDERGROUND USE.

CONNECTIONS SHALL BE PER UTILITY STANDARDS.

5.12 LIGHT POLE IDENTIFICATION:
THE CONTRACTOR SHALL FURNISH AND INSTALL A NUMBER ON EACH LIGHT POLE. STREET LIGHT POLE IDENTIFICATION AND SPECIFICATIONS WILL BE PROVIDED BY THE CITY OF SURPRISE.

IT IS THE CONTRACTOR'S RESPONSIBILITY TO RESTORE ALL PROPERTY, LANDSCAPING, PAVING AND DRIVEWAYS THAT ARE DISTURBED DURING STREET LIGHT CONSTRUCTION TO THEIR ORIGINAL CONDITION IN CONFORMANCE WITH "MAG" SPECIFICATION SECTION 107.9.

THE DEVELOPER SHALL BE RESPONSIBLE FOR FURNISHING ALL PERSONNEL AND EQUIPMENT TO SUCCESSFULLY PERFORM THE FOLLOWING TEST.

PRIOR TO ACCEPTANCE, THE DEVELOPER SHALL ENERGIZE AND OPERATE THE ENTIRE ROADWAY LIGHTING SYSTEM, FROM SUNSET TO SUNRISE FOR TWO CONSECUTIVE DAYS WITHOUT INTERRUPTION OR FAILURE. IF A LAMP OR BALLAST SHOULD FAIL, IT SHALL BE IMMEDIATELY REPLACED.

THE CONTRACTOR SHALL GUARANTEE ALL WORK FOR A PERIOD OF ONE YEAR FROM THE DATE OF FINAL ACCEPTANCE BY THE ENGINEERING MANAGER, AGAINST IMPERFECT WORKMANSHIP, FAILURE, MALFUNCTION OF MATERIALS AND/OR EQUIPMENT DUE TO FAULTY OR IMPERFECT WORKMANSHIP. THIS GUARANTEE IS TO BE IN WRITING TO THE CITY AT THE TIME OF ISSUING FINAL ACCEPTANCE. WORK FOUND TO BE DEFECTIVE WITHIN THE WARRANTY PERIOD SHALL BE REPLACED WITHOUT COST TO THE CITY.

TRUGOLD
COTTON LN & SWEETWATER AVE
STREET LIGHT DESIGN

GENERAL ENGINEERING NOTES:

- ALL CONSTRUCTION MUST CONFORM TO MARICOPA ASSOCIATION OF GOVERNMENT (MAG) SPECIFICATIONS AND DETAILS AND LATEST REVISIONS UNLESS OTHERWISE STATED ON PLANS.
- THE ENGINEER WILL NOT BE RESPONSIBLE FOR CONSTRUCTION MEANS, METHODS, TECHNIQUES, SEQUENCES, OR PROCEDURES OR FOR SAFETY PRECAUTIONS OR PROGRAMS UTILIZED IN CONNECTION WITH THE WORK, AND THEY WILL NOT BE RESPONSIBLE FOR THE CONTRACTOR'S FAILURE TO CARRY OUT THE WORK IN ACCORDANCE WITH THE CONTRACT DOCUMENTS.
- THE CONTRACTOR SHALL BE RESPONSIBLE FOR IDENTIFYING ALL OVERHEAD AND UNDERGROUND UTILITY LOCATIONS WHERE CONSTRUCTION OCCURS. SPECIAL CARE SHALL BE TAKEN TO ENSURE THAT ALL UTILITIES ARE AVOIDED. UTILITY LOCATIONS SHOWN ON THE PLANS ARE APPROXIMATE AND NOT FOR CONSTRUCTION PURPOSES. ANY DAMAGE TO EXISTING UTILITIES SHALL BE REPAIRED AND OR REPLACED AT THE CONTRACTOR'S EXPENSE. THE CONTRACTOR SHALL COMPLY WITH ALL CURRENT ARIZONA UNDERGROUND FACILITIES LAWS (ARIZONA REVISED STATUTES TITLE 40, CHAPTER 2, ARTICLE 6.3, SECTION 40-360.21-32). CALL ARIZONA 811 FOR FIELD LOCATION BY DIAL 811.
- THE CITY OF SURPRISE ENGINEERING SERVICES OF PUBLIC WORKS SHALL BE NOTIFIED FORTY-EIGHT (48) HOURS PRIOR TO COMMENCEMENT OF ANY CONSTRUCTION WORK AT 623-222-6150.
- THE ENGINEER AND APPLICABLE AGENCY MUST APPROVE, PRIOR TO CONSTRUCTION, ANY ALTERATION OR VARIANCE FROM THESE PLANS. ANY VARIATION FROM THESE PLANS SHALL BE PROPOSED AND RESUBMITTED FOR REVIEW AND APPROVAL.
- THE CONTRACTOR SHALL PROTECT AND MAINTAIN ALL EXISTING UTILITIES ON THE SITE. ANY DAMAGE TO EXISTING UTILITIES, WHETHER SHOWN OR NOT ON THE DRAWING, SHALL BE REPAIRED/REPLACED AT THE CONTRACTOR'S EXPENSE. EXISTING SURFACE FEATURES AND FENCING SHALL BE REPLACED IN KIND.
- ANY INSPECTION BY THE CITY, COUNTY, OR THE ENGINEER, SHALL NOT IN ANY WAY RELIEVE THE CONTRACTOR FROM ANY OBLIGATION TO PERFORM THE WORK IN STRICT COMPLIANCE WITH THE APPLICABLE CODES AND AGENCY REQUIREMENTS.
- THE CONTRACTOR IS TO LOCATE ALL EXISTING LANDSCAPING, LANDSCAPING IRRIGATION LINES, PROPERTY MONUMENTS, FENCING OR SURFACE FEATURES PRIOR TO CONSTRUCTION. ANYTHING DISTURBED DURING CONSTRUCTION SHALL BE REPLACED IN KIND AT THE CONTRACTOR'S EXPENSE.
- NOTHING CONTAINED IN THE CONTRACT DOCUMENTS SHALL CREATE, NOR SHALL BE CONSTRUED TO CREATE, ANY CONTRACTUAL RELATIONSHIP BETWEEN THE ENGINEER AND THE CONTRACTOR OR ANY SUBCONTRACTOR.
- ALL CONSTRUCTION WATER USED WITHIN THE CITY OF SURPRISE WATER SERVICE AREA REQUIRES APPROVAL BY THE CITY OF SURPRISE PUBLIC WORKS DEPARTMENT AND MAY BE SUBJECT TO VOLUME AND TIME RESTRICTIONS. PLEASE SEE THE CITY OF SURPRISE CONSTRUCTION WATER GUIDELINES FOR ADDITIONAL INFORMATION. THE GUIDELINES CAN BE OBTAINED FROM THE PUBLIC WORKS DEPARTMENT AT 623-222-6000.
- TRAFFIC CONTROL SHALL BE MAINTAINED IN ACCORDANCE WITH MAG SPECIFICATION 401, THE MANUAL ON UNIFORM TRAFFIC CONTROL DEVICES, AND THE "TEMPORARY WORK ZONE TRAFFIC MANAGEMENT POLICY" (LATEST EDITION).
- PRIOR TO FINAL APPROVAL AND ACCEPTANCE OF THE WORK, THE DEVELOPER/CONTRACTOR WILL BE REQUIRED TO CLEAN AND REPAIR ADJACENT (OFF-PROJECT) ROADWAYS USED OR DAMAGED DURING THE COURSE OF CONSTRUCTION.
- EMERGENCY VEHICLE ACCESS (E.V.A.) MUST BE PROVIDED BY THE DEVELOPER/CONTRACTOR THROUGHOUT THE PROJECT SITE. E.V.A. ROADS AND SIGNAGE SHALL BE MAINTAINED BY THE DEVELOPER/CONTRACTOR AT ALL TIMES. SIGNAGE SHALL BE POSTED AT THE POINT OF ENTRY TO THE SITE AND AT ALL LOCATIONS WHERE A CHANGE IN DIRECTION OCCURS.
- THE PLANS SHALL COMPLY WITH THE AMERICANS WITH DISABILITIES ACT'S ACCESSIBILITY GUIDELINES, AS PUBLISHED IN THE FEDERAL REGISTER ON SEPTEMBER 15, 2010.

UTILITIES WITHIN OR AFFECTED BY THE PROJECT		
UTILITY	CONTACT	DATE SUBMITTED
ARIZONA PUBLIC SERVICE		7/19/2019
CENTURY LINK		7/19/2019
COX COMMUNICATIONS		7/19/2019
EPCOR WATER		9/25/2019
SOUTHWEST GAS		7/19/2019

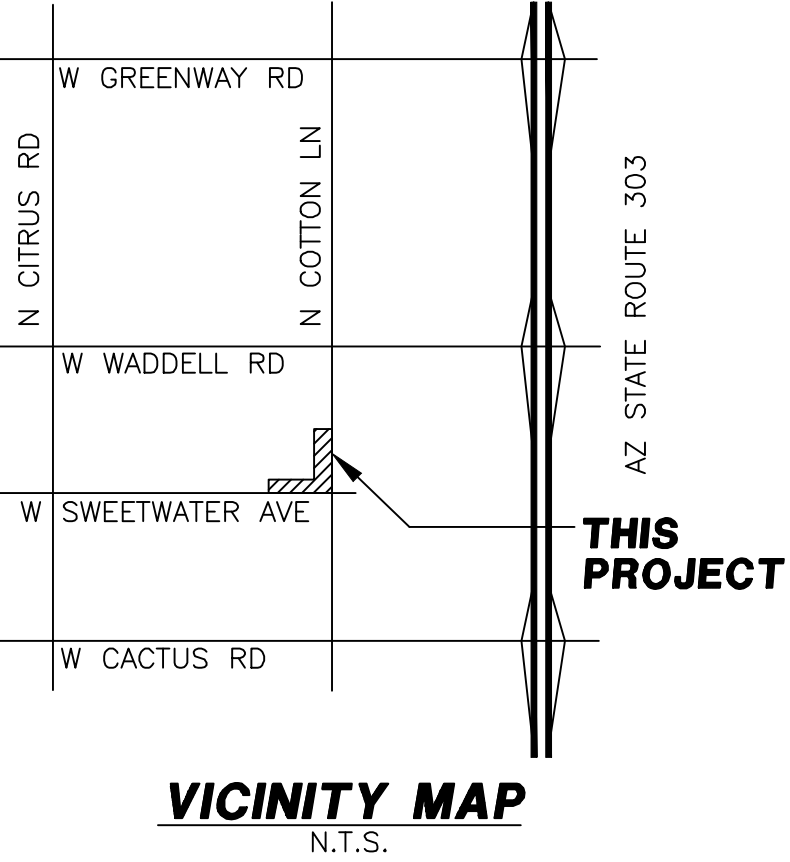
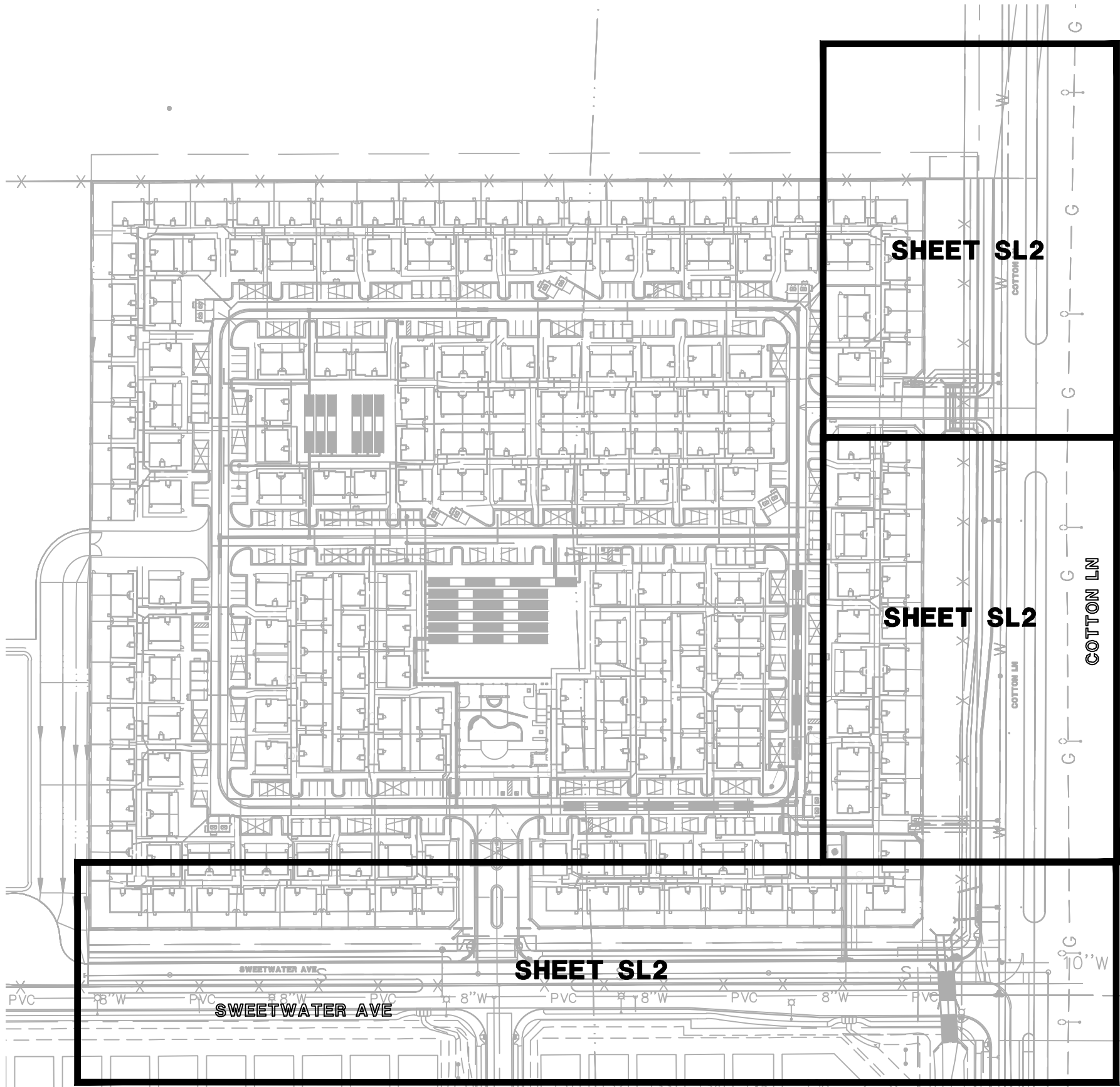
NOTES

THE ELECTRICAL/MAINTENANCE COSTS OF ALL STREET LIGHTS ON LOCAL AND COLLECTOR STREETS ARE TO BE PAID BY THE ADJACENT PROJECT OR THE ADJACENT DEVELOPMENT'S STREET LIGHT IMPROVEMENT DISTRICT (SLID). THE ELECTRICAL / MAINTENANCE COSTS OF ALL STREET LIGHTS ON ARTERIAL STREETS ARE TO BE BILLED TO THE CITY OF SURPRISE'S ENERGY BILL.

ENSURE THERE IS A 1' CLEARANCE FROM THE EDGE OF THE SIDEWALK TO FACE OF THE POLE.

LED NOTE

LED TECHNOLOGY IS CHANGING RAPIDLY. THE FIXTURES SHOWN ON THESE PLANS MAY NOT BE APPLICABLE AT TIME OF CONSTRUCTION. CONTRACTOR TO COORDINATE WITH APS AND UTILIZE THEIR CURRENT SPECIFICATION AT THE TIME OF BIDDING AND CONSTRUCTION.



SHEET INDEX

STREET LIGHT COVER SHEET	SHEET SL1
STREET LIGHT PLAN	SHEET SL2
STREET LIGHT DETAILS	SHEET SL3
PHOTOMETRICS	SHEET SL4



KEY MAP
N.T.S.

CIVIL ENGINEER
EPS GROUP, INC.
2045 S. VINEYARD, SUITE 101
MESA, AZ 85210
PHONE: (480) 503-2250
CONTACT: JOHN MCGHEE, P.E.

OWNER
HANCOCK BUILDERS
2600 N. 44TH STREET
PHOENIX, AZ 85008
CONTACT: BOBBI JOHNSON
PHONE: 602-368-9203
E-MAIL: BOBBI@HANCOCK-AZ.COM

LUMINAIRE TABLE

GRAY ROADWAY SCALEABLE LED 3000K						
LIGHT CODE	COLOR	APN	WATTS	VOLTS	INITIAL LUMENS	CATALOG #
CL50	GRAY	00141040	31	120/208/240/277	3,900	ERL1004B330AGRAYGLRX
CL51		CONTACT APS	39	120/208/240/277	4,900	ERL1005B330AGRAYGLRX
CL52		CONTACT APS	84	120/208/240/277	8,800	ERL1009C330AGRAYGLRX
CL53		CONTACT APS	136	120/208/240/277	14,400	ERLH015C330AGRAYGLRX
CL54		00141046	174	120/208/240/277	20,100	ERL2021C330AGRAYGLR

CITY OF SURPRISE ENGINEER

DATE

STREET LIGHTING (APS AREA)															
KEY NO.	SYMBOL	STREET TYPE	OFFSET BEHIND B/C	QUANTITY	POLE		MAST ARM	LUMINAIRE						APS STANDARD CODE NO.	
					POLE HEIGHT	FOUNDATION		SIZE	MOUNTING HEIGHT	LUMENS	WATTAGE	I.E.S. DIST.	VOLTAGE		TYPE
①		COLLECTOR	PER PLANS	5	38'-0"	DIRECT BURY	4'-0"	31'-6"	8,800	84W	TYPE C3	*	LED	ARCHITECTURAL (SHOEBOX)	8030.S4
②		ARTERIAL	PER PLANS	5	38'-6"	DIRECT BURY	8'x8'	39'-3"	14,400	136W	TYPE C3	*	LED	COBRAHEAD	8040.S8



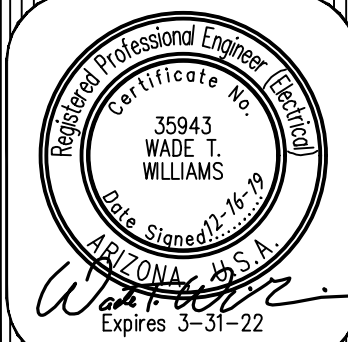
FS19-517

PROJECT: TITLE:

SURPRISE, ARIZONA
TRUGOLD
COTTON LN & SWEETWATER AVE
STREET LIGHT COVER SHEET

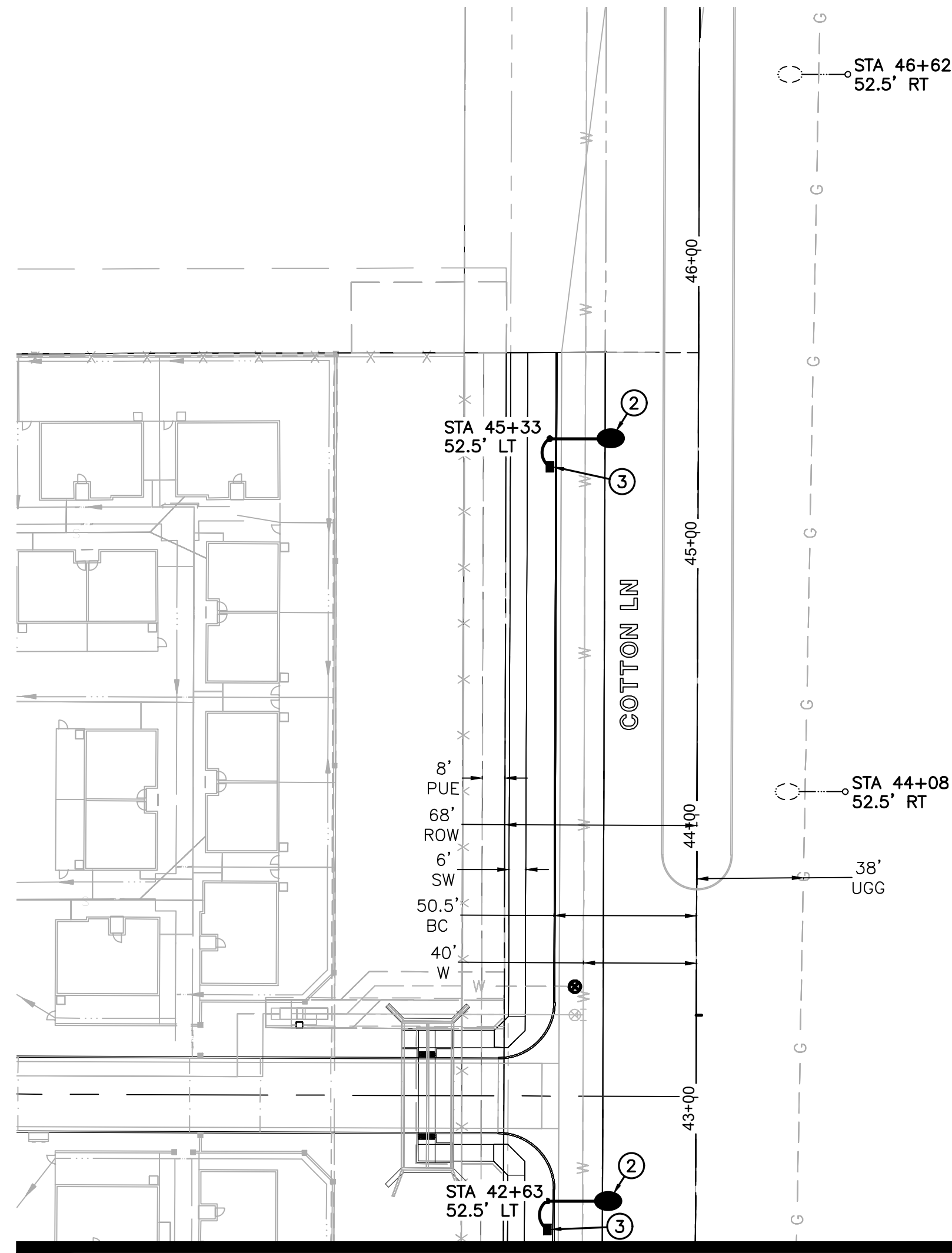
NO. DATE SUBMITTALS/REVISIONS (DESCRIPTIONS)

1	JULY 2019	1ST SUBMITTAL
2	DEC 2019	2ND SUBMITTAL

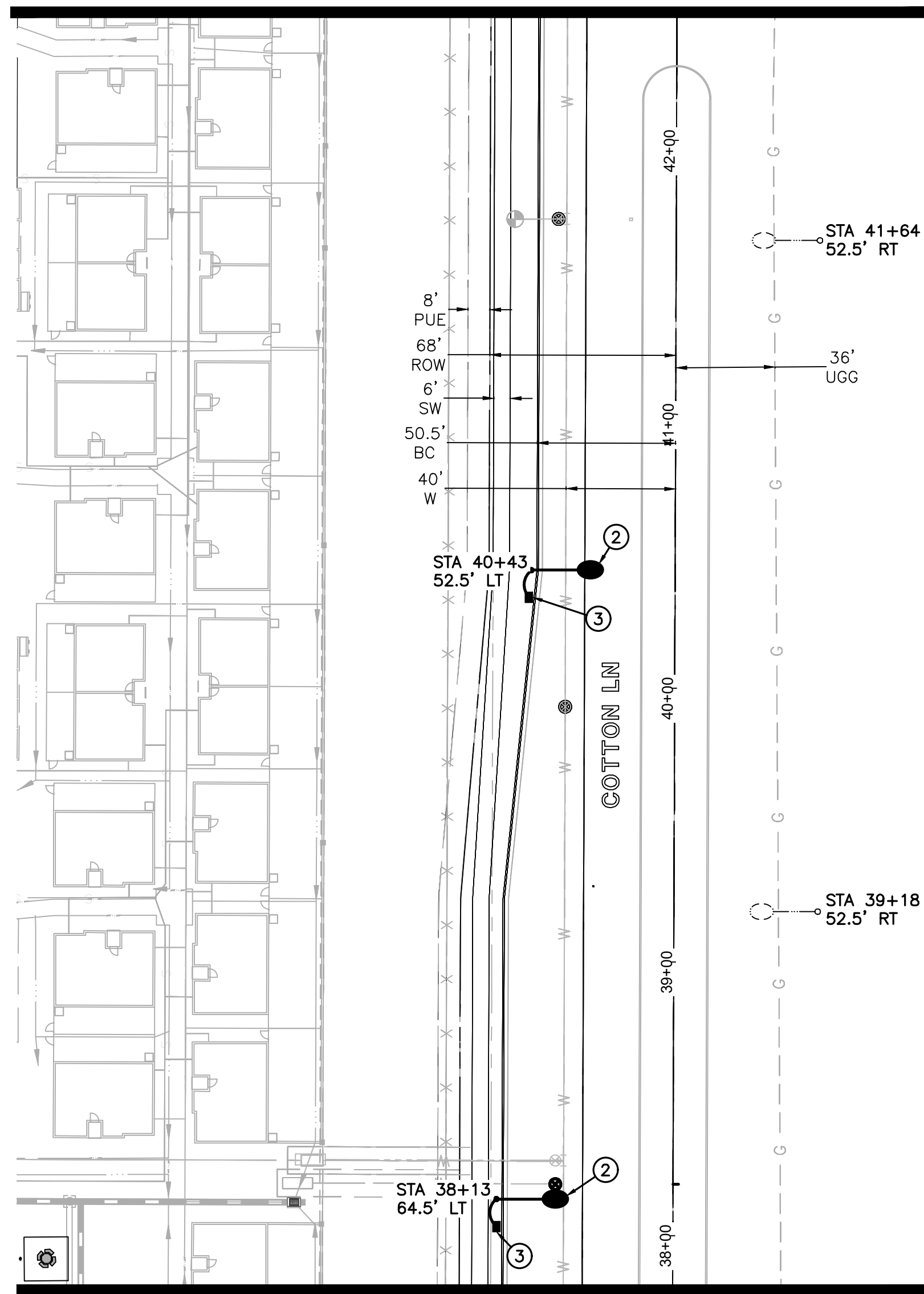


DRAWING NO:
SL1
OF 4

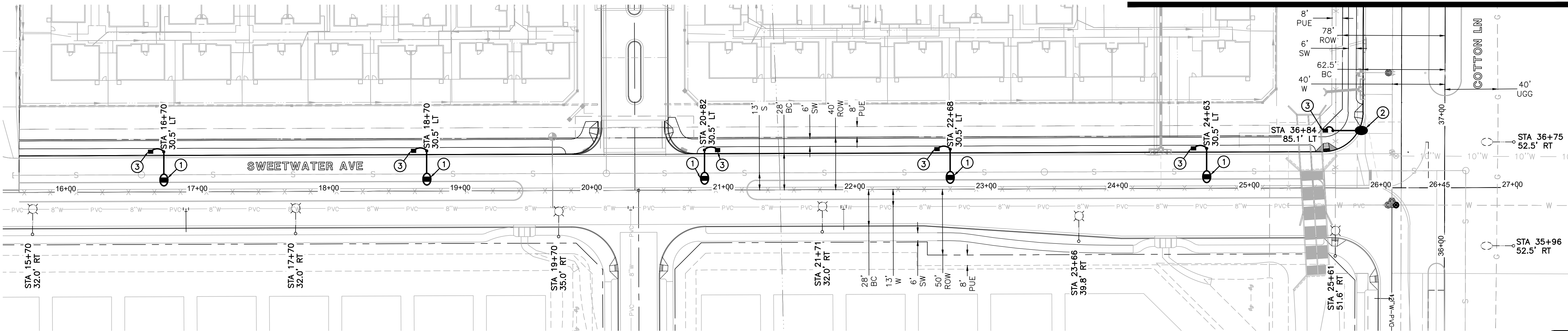
THESE DRAWINGS AND SPECIFICATIONS ARE THE SOLE PROPERTY OF WRIGHT ENGINEERING CORPORATION AND MAY NOT BE REPRODUCED OR MODIFIED FOR ANY USE WITHOUT THE EXPRESS WRITTEN PERMISSION OF WRIGHT ENGINEERING CORPORATION.



MATCH LINE 'B' SEE ABOVE RIGHT



MATCH LINE 'A' SEE BELOW RIGHT



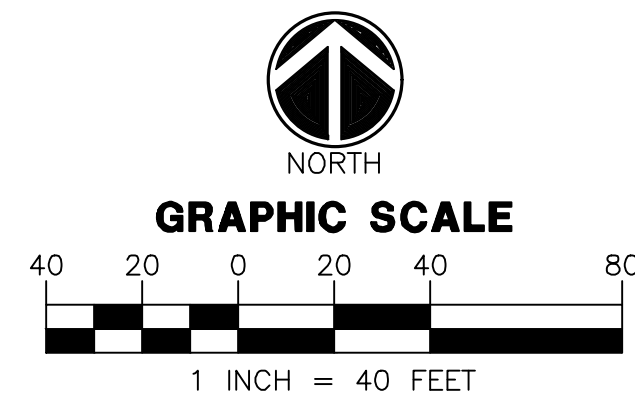
MATCH LINE 'A' SEE ABOVE LEFT

LEGEND

- PROPOSED 136W LED (14,400 LUMENS) STREET LIGHT
- PROPOSED 84W LED (8,800 LUMENS) STREET LIGHT
- FUTURE 136W LED (14,400 LUMENS) STREET LIGHT
- EXISTING 84W LED (8,800 LUMENS) STREET LIGHT PER RYDER RANCH PLANS
- PULL BOX
- 1" FLEXIBLE CONDUIT
- FIRE HYDRANT

CONSTRUCTION NOTES

- INSTALL 84W LED (8,800 LUMEN) LUMINAIRE (SEE LUMINAIRE TABLE), PHOTOCELL, 38'-0" DIRECT BURIED POLE (1940.38), 4' MAST ARM PER APS DETAIL 8030 (SEE SHEET SL3). INSTALL (2) #14 THHN/THWN FROM LUMINAIRE TO FUSE HOLDER IN POLE. ALL WIRING, FUSING, AND GROUNDING PER APS DETAILS AND SPECIFICATIONS.
- INSTALL 136W LED (14,400 LUMEN) LUMINAIRE (SEE LUMINAIRE TABLE), PHOTOCELL, 38'-6" DIRECT BURIED POLE (1944.38), 8' X 8' MAST ARM (S8) PER APS DETAIL 8040 (SEE SHEET SL3). INSTALL (2) #14 THHN/THWN FROM LUMINAIRE TO FUSE HOLDER IN POLE. ALL WIRING, FUSING, AND GROUNDING PER APS DETAILS AND SPECIFICATIONS.
- INSTALL APS PULL BOX NEXT TO POLE. INSTALL 1" CONDUIT WITH (2) #14 TYPE THHN/THWN AND (1) #14 BARE BOND FROM PULL BOX TO FUSE HOLDER IN STREET LIGHT PER APS DETAILS AND SPECIFICATIONS.

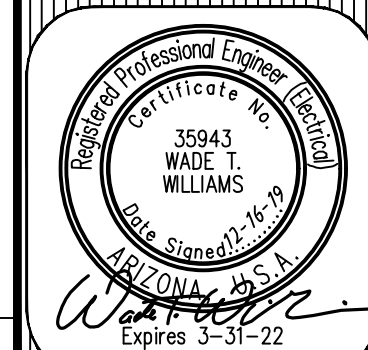


WRIGHT ENGINEERING
PROJECT NO:
18350
DESIGN BY: NAK
DRAWN BY: NAK
CHECKED BY: WTW

WRIGHT
engineering corporation
ELECTRICAL ENGINEERING AND DESIGN
165 EAST CHILTON DRIVE • CHANDLER, ARIZONA 85225
PHONE 480.497.5829 • FAX 480.497.5807
www.wrightengineering.us

PROJECT: TITLE:
COTTON LN & SWEETWATER AVE
STREET LIGHT PLAN

NO.	DATE	SUBMITTALS/REVISIONS (DESCRIPTIONS)
1	JULY 2019	1ST SUBMITTAL
2	DEC 2019	2ND SUBMITTAL



DRAWING NO:
SL2
OF 4

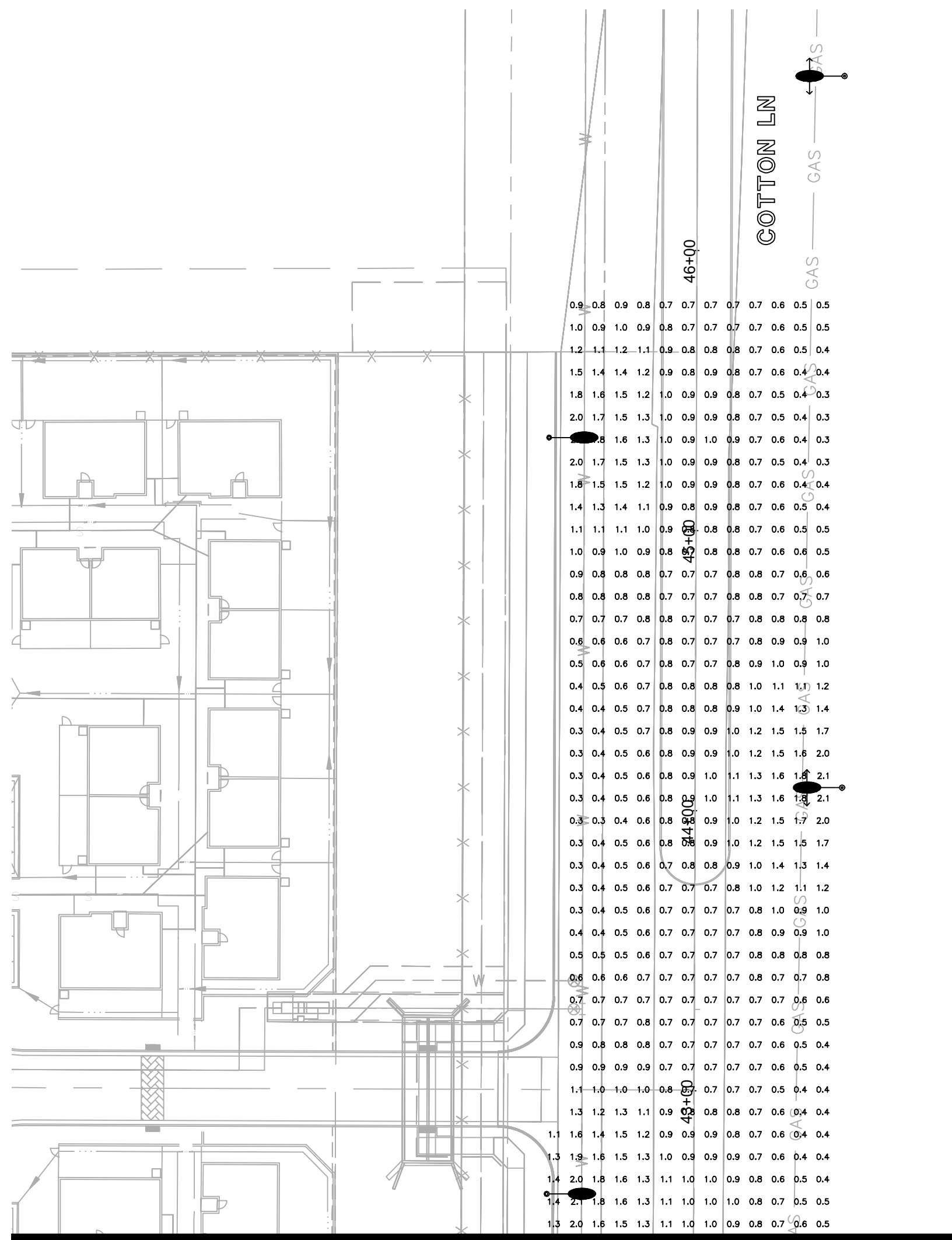
ARIZONA BLUE STAKE
CALL TWO WORKING DAYS
BEFORE YOU DIG
Dial 811 or
602-263-1100
1-800-STAKE-IT
(OUTSIDE MARICOPA COUNTY)

FS19-517

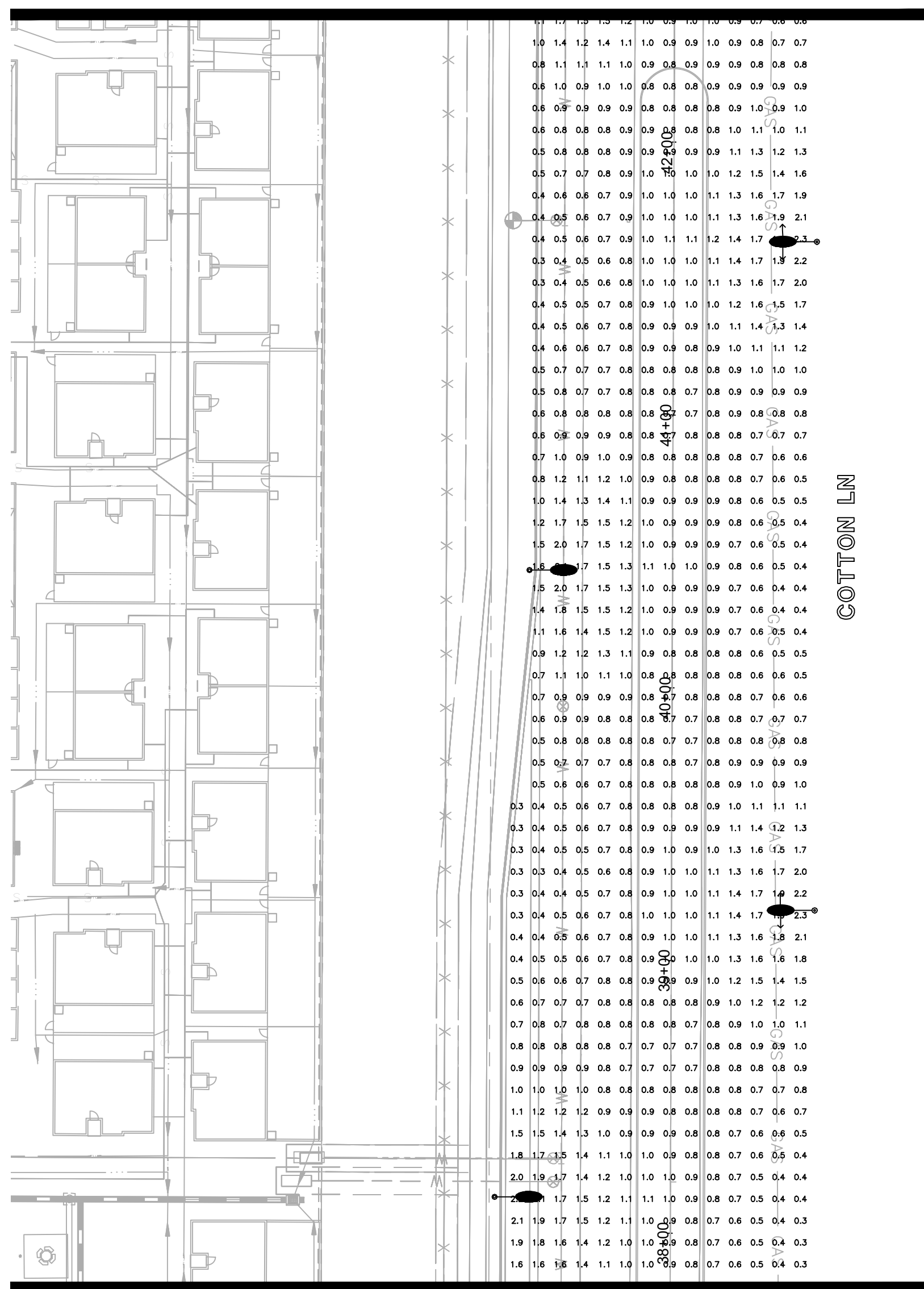
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FUTURE PHOTOMETRICS (ILLUMINANCE METHOD USED)

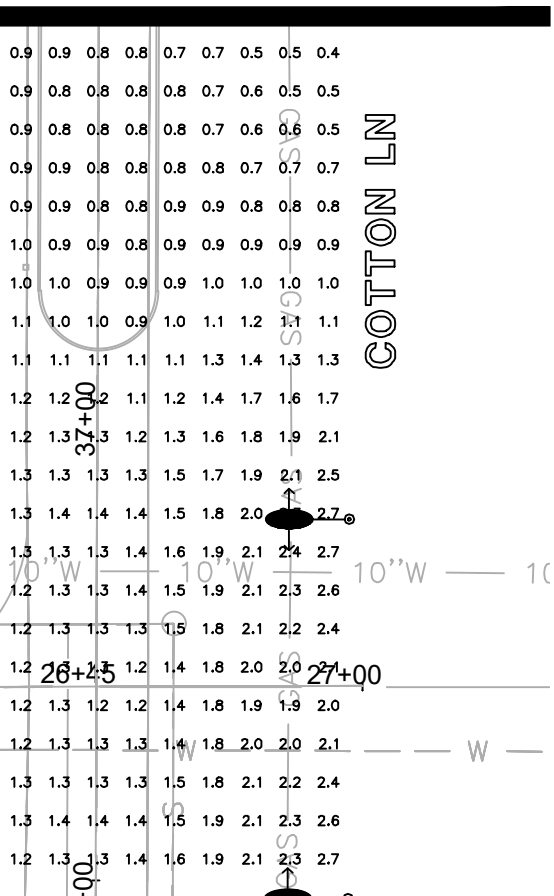
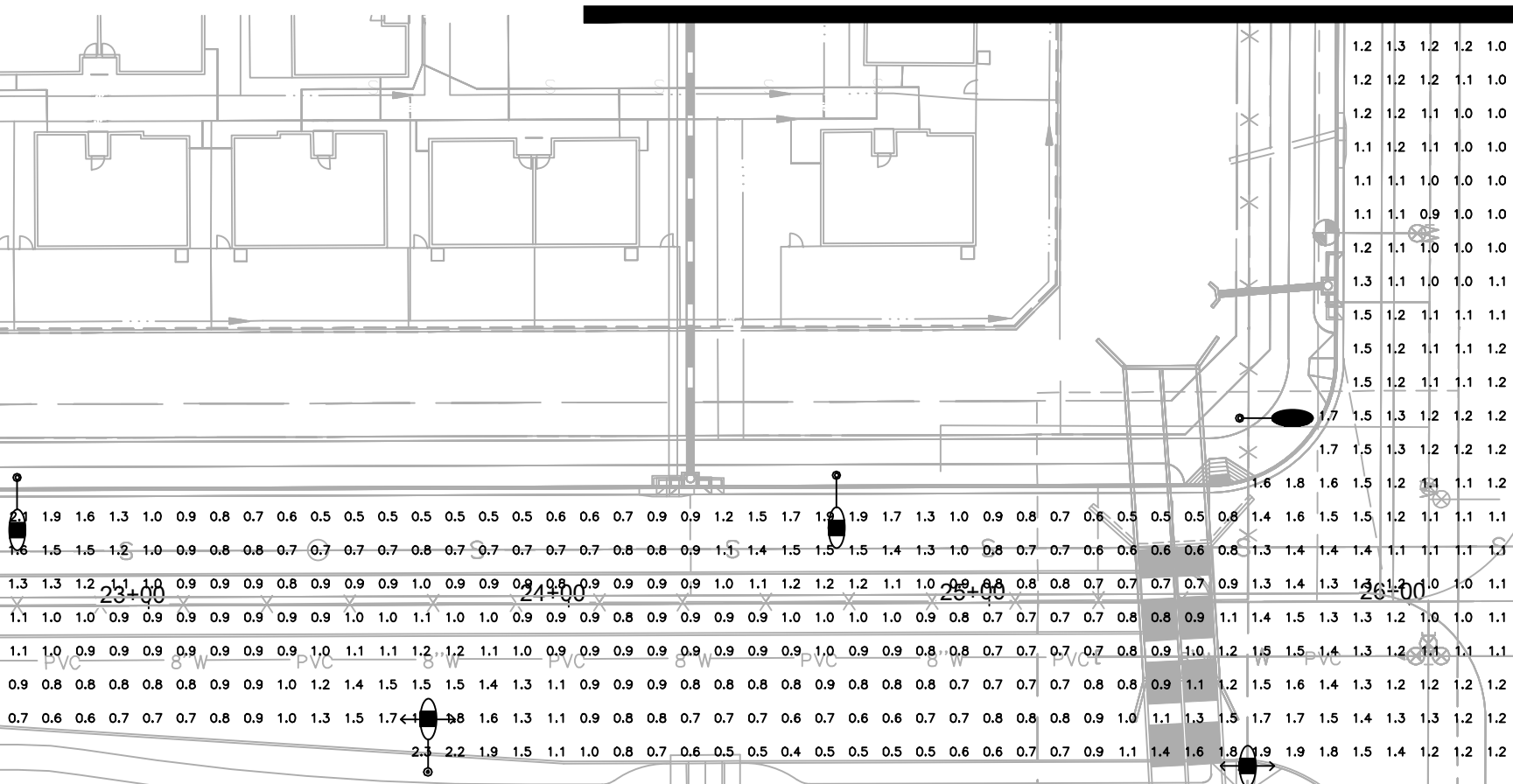
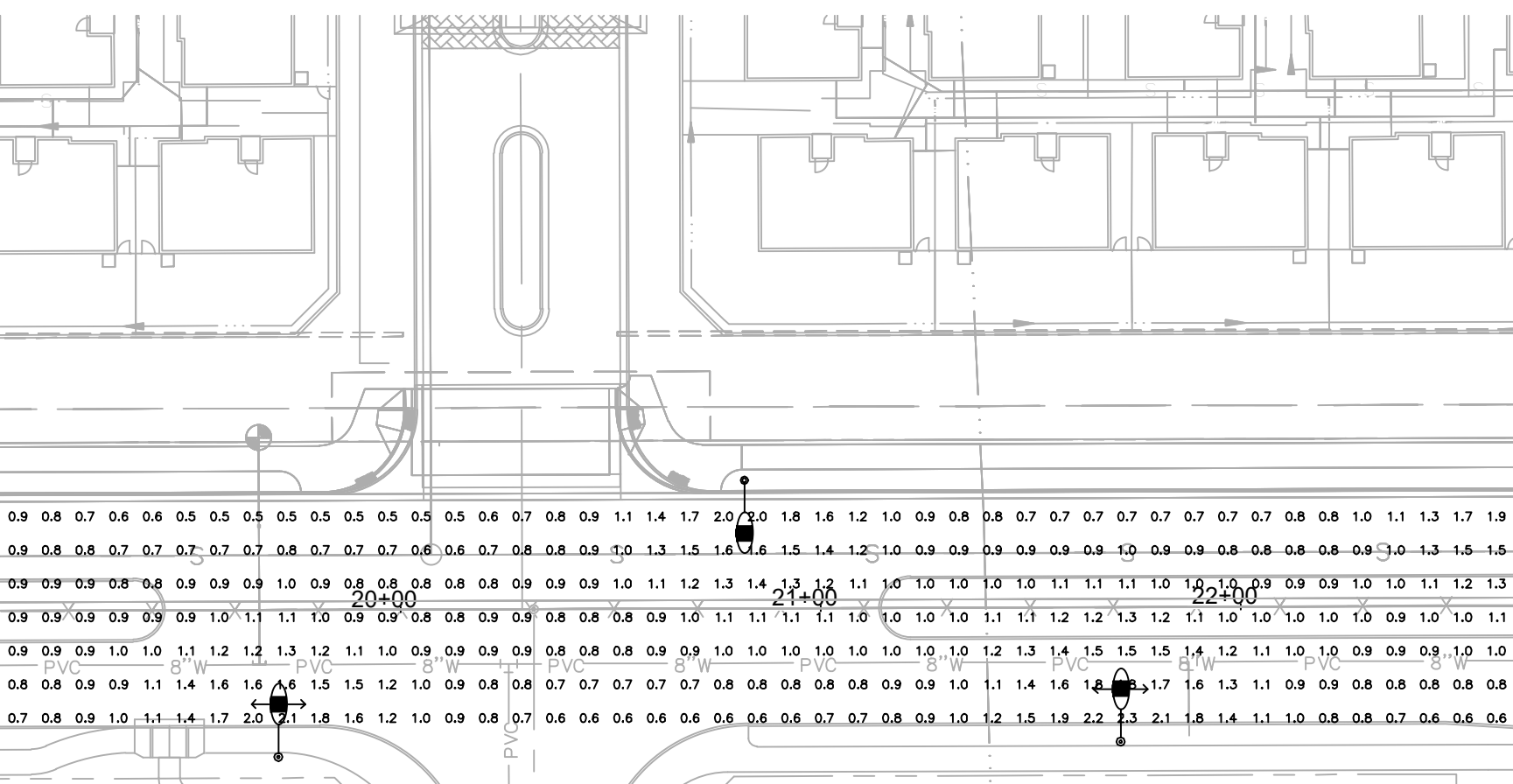
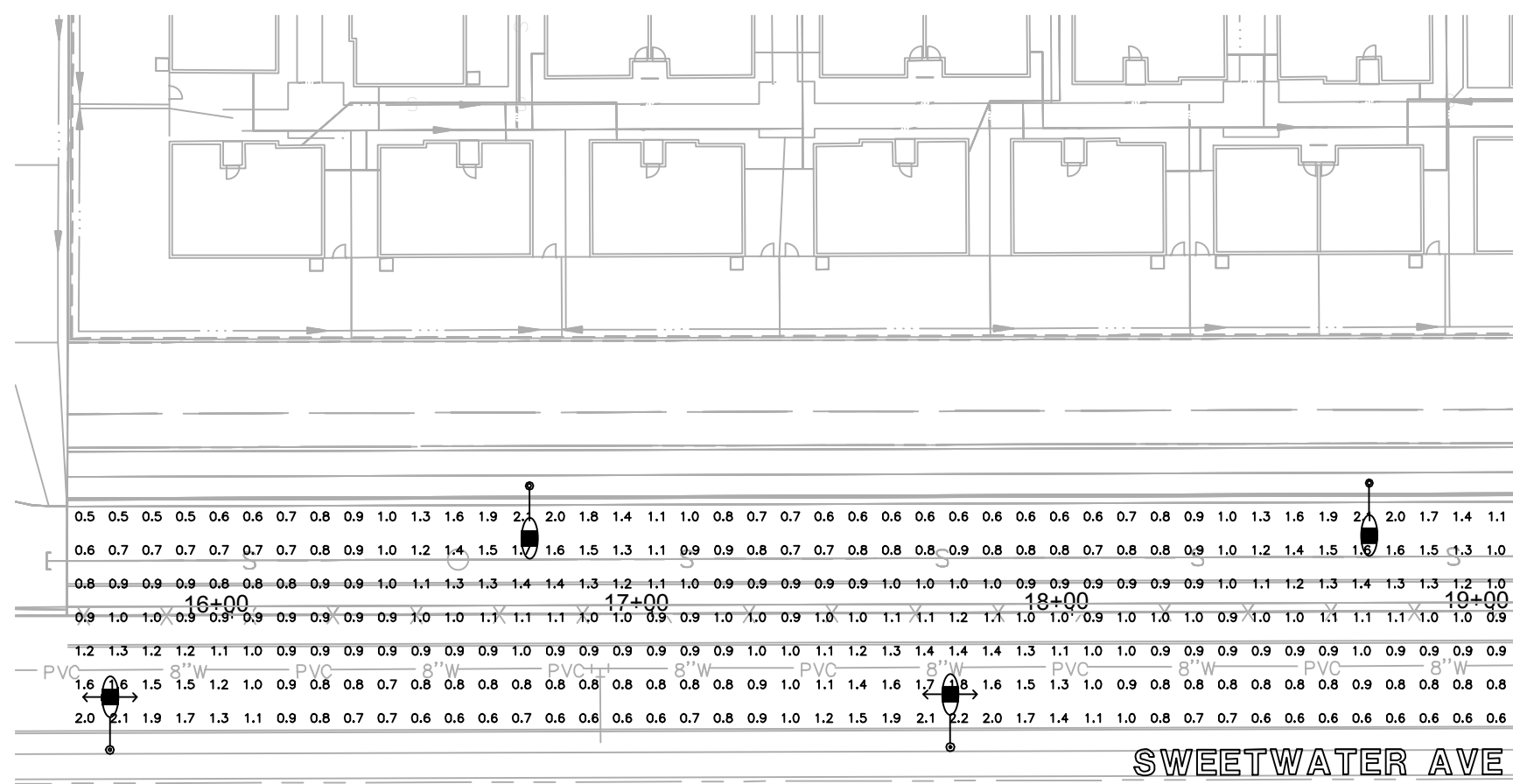
MATCH LINE 'B' SEE BELOW LEFT



MATCH LINE 'B' SEE ABOVE RIGHT



MATCH LINE 'A' SEE BELOW RIGHT



CALCULATIONS

SWEETWATER AVE
929 points at z=0, sp 8ft by 8ft
HORIZONTAL FOOTCANDLES
Average 1.0
Maximum 2.3
Minimum 0.4
Avg:Min 2.53
Max:Min 5.75
Coef. Var 0.34
UnifGrad 1.75

COTTON LANE
1607 points at z=0, sp 8ft by 8ft
HORIZONTAL FOOTCANDLES
Average 1.0
Maximum 2.7
Minimum 0.3
Avg:Min 3.25
Max:Min 9.00
Coef. Var 0.42
UnifGrad 1.67

INTERSECTION CALCULATIONS

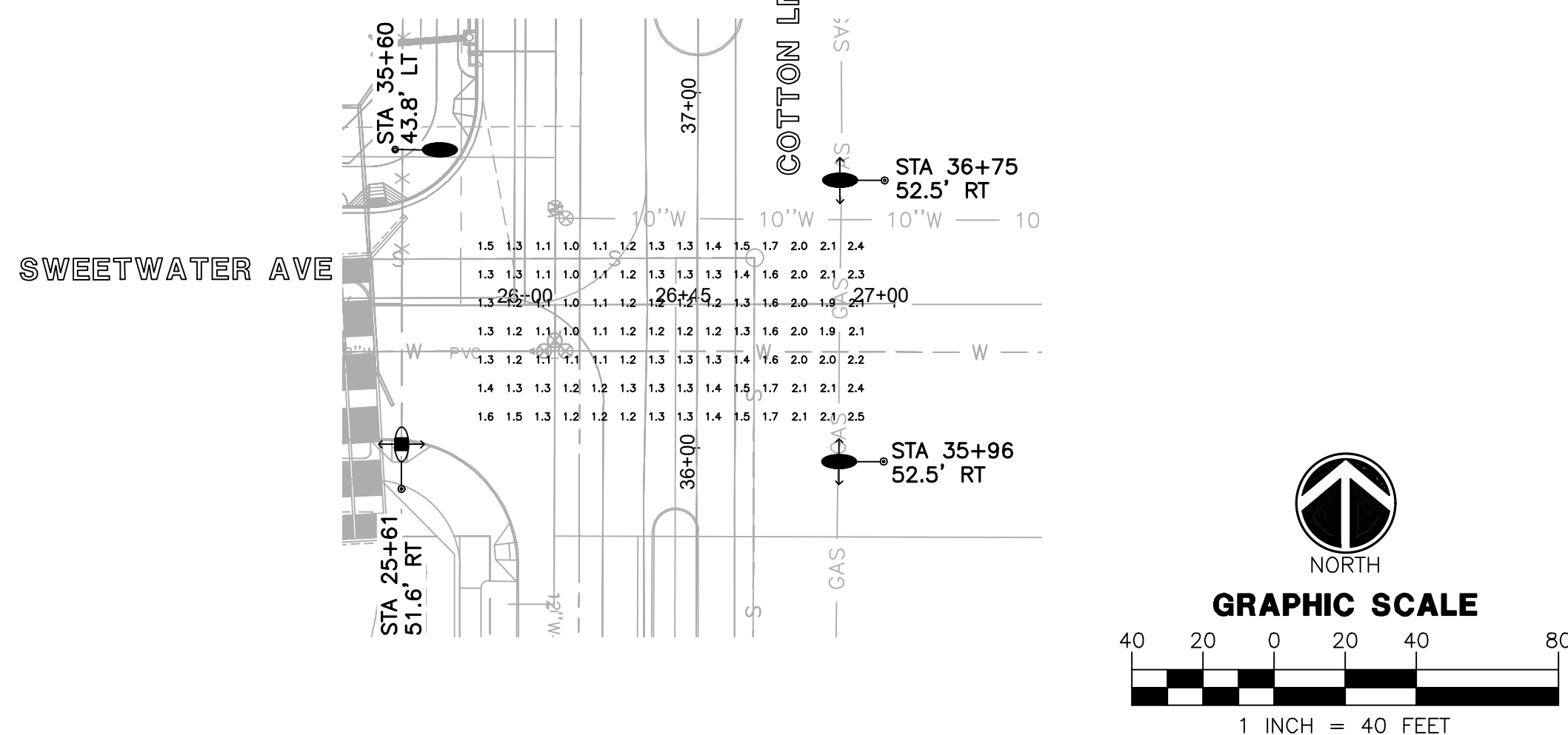
SWEETWATER AVE & COTTON LN
98 points at z=0, sp 8ft by 8ft
HORIZONTAL FOOTCANDLES
Average 1.5
Maximum 2.5
Minimum 1.0
Avg:Min 1.46
Max:Min 2.50
Coef. Var 0.26
UnifGrad 1.25

PROPOSED 136W LED STREET LIGHT
GE LIGHTING SOLUTIONS ERLH_15C330_____
candela file 'ERLH_15C330_____.IES'
1 lamp(s) per luminaire, photometry is absolute
Light Loss Factor = 0.900, watts per luminaire = 136
mounting height= 39 ft
number locations= 5, number luminaires= 5
kw all locations= 0.7

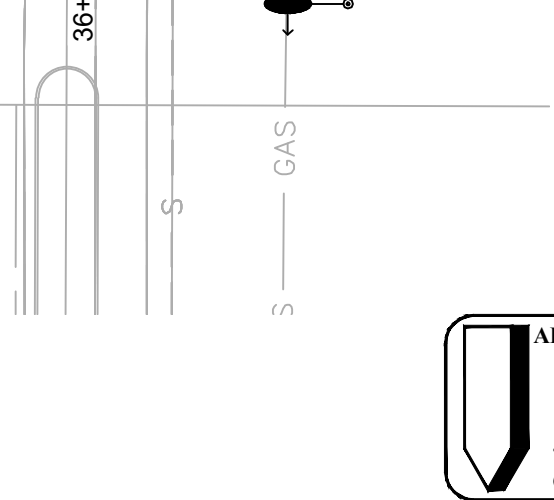
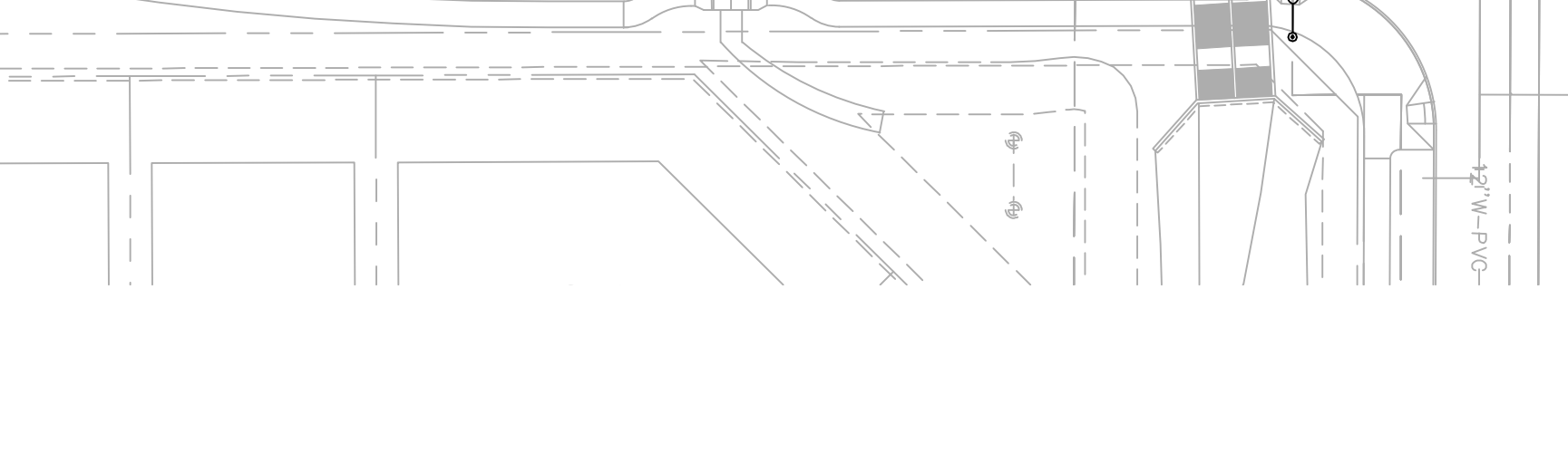
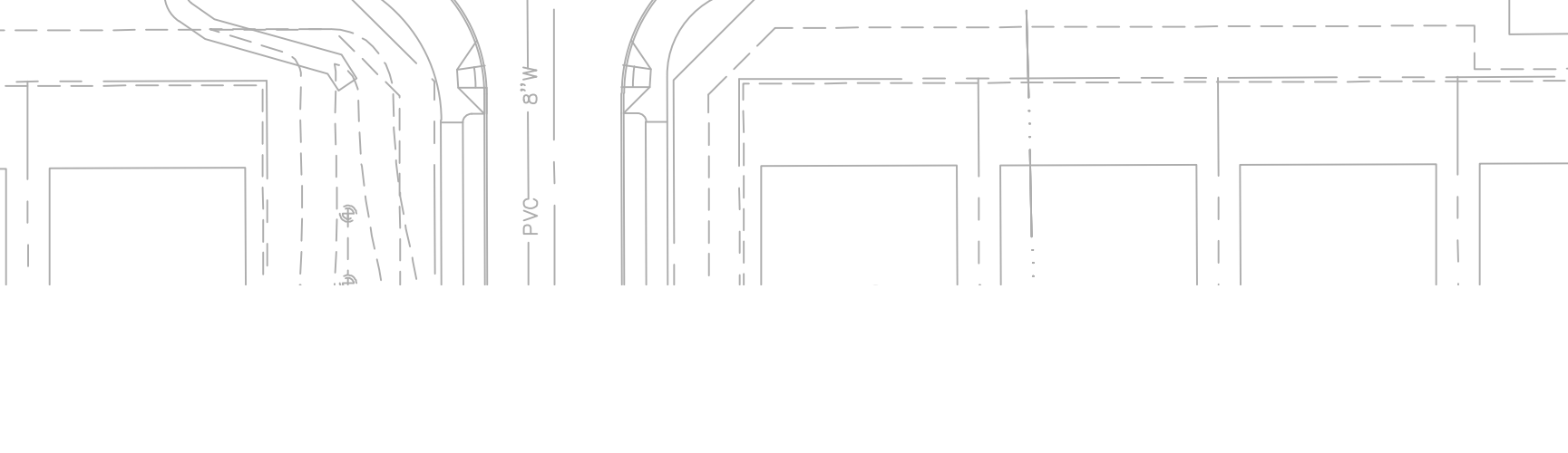
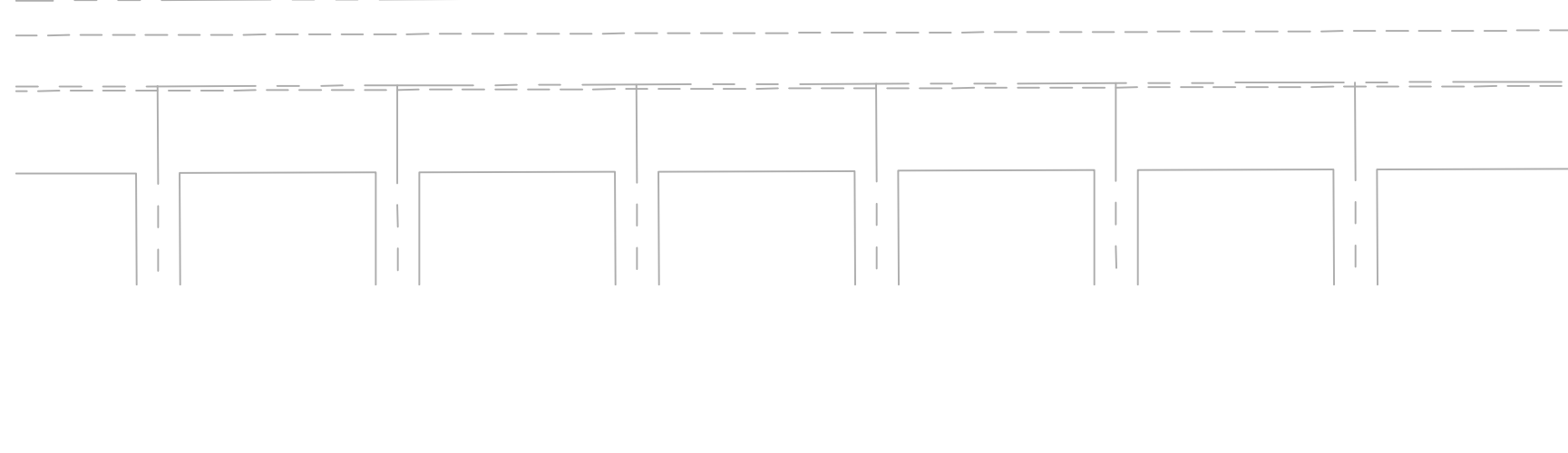
FUTURE 136W LED STREET LIGHT
GE LIGHTING SOLUTIONS ERLH_15C330_____
candela file 'ERLH_15C330_____.IES'
1 lamp(s) per luminaire, photometry is absolute
Light Loss Factor = 1.000, watts per luminaire = 136
mounting height= 39 ft
number locations= 6, number luminaires= 6
kw all locations= 0.8

PROPOSED 84W LED STREET LIGHT
GE LIGHTING SOLUTIONS ERL1_09C330_____
candela file 'ERL1_09C330_____.IES'
1 lamp(s) per luminaire, photometry is absolute
Light Loss Factor = 0.900, watts per luminaire = 84
mounting height= 31.5 ft
number locations= 5, number luminaires= 5
kw all locations= 0.4

84W LED STREET LIGHT PER RYDER RANCH PLANS
GE LIGHTING SOLUTIONS ERL1_09C330_____
candela file 'ERL1_09C330_____.IES'
1 lamp(s) per luminaire, photometry is absolute
Light Loss Factor = 1.000, watts per luminaire = 84
mounting height= 31.5 ft
number locations= 6, number luminaires= 6
kw all locations= 0.5



MATCH LINE 'A' SEE ABOVE LEFT



WRIGHT ENGINEERING
PROJECT NO:
18350
DESIGN BY: NAK
DRAWN BY: NAK
CHECKED BY: WTW

WRIGHT
engineering corporation
ELECTRICAL ENGINEERING AND DESIGN
165 EAST CHILTON DRIVE • CHANDLER, ARIZONA 85225
PHONE 480.497.5829 • FAX 480.497.5807
www.wrightengineering.us

PROJECT: TITLE:

SURPRISE, ARIZONA
TRUGOLD
COTTON LN & SWEETWATER AVE
PHOTOMETRICS

NO.	DATE	SUBMITTALS/REVISIONS (DESCRIPTIONS)
1	JULY 2019	1ST SUBMITTAL
2	DEC 2019	2ND SUBMITTAL

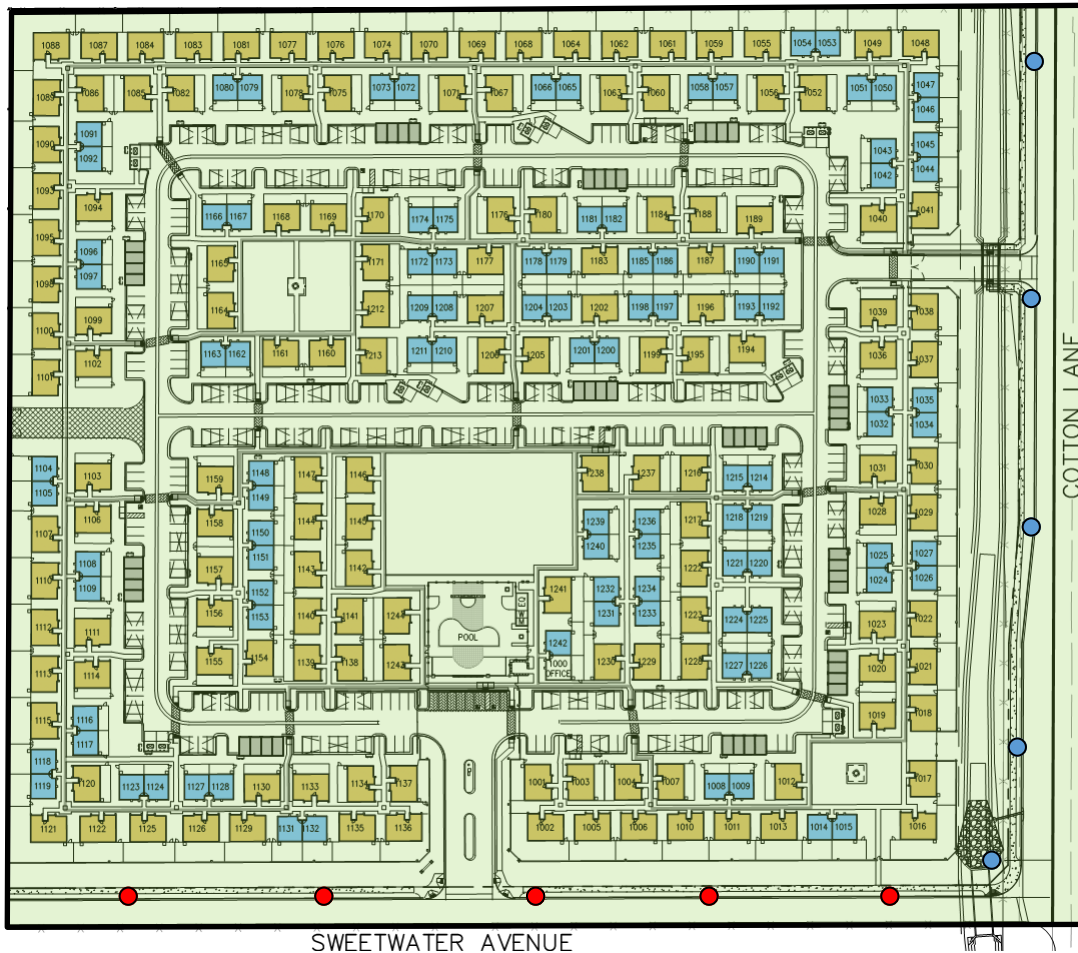
Professional Engineer
35843
WADE T. WILLIAMS
NATIONAL P.E.S.A.
Expires 3-31-22

DRAWING NO:
SL4
OF 4

ARIZONA BLUE STAKE
CALL TWO WORKING DAYS
BEFORE YOU DIG
Dial 811 or
602-263-1100
1-800-STAKE-IT
OUTSIDE MARICOPA COUNTY

Street Lights:

- Offsite — 5 Poles Collector
- Offsite — 5 Poles Arterial (not on SLID account)
- SLID Boundary





CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: Police
Staff Recommendations: None

Contact Person: Terry Young, POLICE CHIEF
District: Citywide

Consent: Yes Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Consideration and action pertaining to approval of an amendment to the Fiscal Year 2020 Capital and Operating List of Items over \$50,000 to include the purchase of additional ammunition that was already budgeted in the existing FY2020 budget; Resolution #2020-12.

Motion:

I move to approve Resolution #2020-12.

Background:

The Police Department was granted a FY20 budget package that increased the ammunition budget over the \$50,000 threshold. The budget line item total was inadvertently not included on the FY2020 Capital and Operating List of Items Over \$50,000 that was adopted on by Council Resolution #2019-75 on June 4, 2019.

Objective Analysis:

Amending the FY2020 Capital and Operating List of Items Over \$50,000 will allow the Police Department to purchase training and duty ammunition. The cost of this purchase was included in the FY2020 budget.

Policy Compliant:

An amendment to the Capital and Operating List of Items Over \$50,000 to authorize spending authority is consistent with City and Council policy.

Financial Impact:

This action will increase the Capital and Operating List of Items Over \$50,000 in the amount of \$95,000. There is no financial impact as the costs for this purchase is included in the FY2020 adopted budget.

Budget Impact:

The FY2020 adopted budget includes spending authority for this purchase, this agenda item is solely to amend the FY2020 Capital and Operating List of Items Over \$50,000 which was adopted by Council Resolution #2019-75 on June 4, 2019. This line item must be increased by \$95,000 to include procurement of training and duty ammunition.

FTE Impact:

This item does not impact the overall full-time equivalent count.

ATTACHMENTS:

1. RESOLUTION 2020-12
-

RESOLUTION # 2020-12

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2020 CAPITAL AND OPERATING LIST OF ITEMS OVER \$50,000 BY ADDING A POLICE DEPARTMENT AMMUNITION LINE ITEM IN THE AMOUNT OF \$100,000.

WHEREAS, the FY2020 budget was adopted included funding for procurement of training and duty ammunition in the amount of \$90,000 which took effect July 1, 2019;

WHEREAS, the Police Department has increased its training and duty ammunition budget in order to meet the current needs of the Department due to increased staffing levels over the last several years;

WHEREAS, the procurement of the training and duty ammunition was not included on the Capital and Operating List of Items Over \$50,000;

WHEREAS, the FY2020 budget, including the FY2020 Capital and Operating List of Items Over \$50,000, was adopted by Council Resolution #2019-75 on June 4, 2019; and

WHEREAS, the City of Surprise Procurement Code §2-338 (d) requires the authority of the Mayor and Council when the cost to the city is greater than \$50,000.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, the Fiscal Year 2020 Capital and Operating List of Items Over \$50,000 of the City of Surprise, Arizona for the fiscal year July 1, 2019 through June 30, 2020.

APPROVED AND ADOPTED this ____ day of _____, 2020.

Skip Hall, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2020-12
Exhibit A

1. List of Operating Items Over \$50,000 –This amount was based on procuring training and duty ammunition.

Reference #	Description	Current Amount	Increase/ (Decrease)	Amended Amount
XXXX <u>20517</u>	Ammunition	0	100,000	100,000



CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: February 4, 2020

Contact Person: Robert Wingo, CITY
ATTORNEY

Submitting Department: Legal

District: Citywide

Staff Recommendations: None

Consent: Yes	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action authorizing the city attorney, or his designees, to take any and all actions necessary, including but not limited to initiating litigation, to enforce the Sewer Service Agreement entered into by and between the City of Surprise and Cortessa L.L.C. and Citrus & Northern L.L.C. on August 16, 2004.

Motion:

I move to authorize the City Attorney, or his designees, to take any and all actions necessary, including but not limited to litigation, to enforce the Sewer Service Agreement entered into by and between the City of Surprise and Cortessa L.L.C and Citrus & Northern L.L.C. dated August 16, 2004.

Background:

The 2004 Sewer Service Agreement is attached.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. 1. SewerAgreeCitNorth-28-1-1--
-

Recording requested by:

City of Surprise
City Clerk's Office
16000 N Civic Center Plaza
Surprise, Arizona 85374

SewerAgreeCitNorth-28-1-1--
Yorkm

Sewer Service Agreement

Citrus & Northern LLC

SEWER SERVICE AGREEMENT

THIS SEWER SERVICE AGREEMENT (the “Agreement”) is entered into by and between the **CITY OF SURPRISE**, an Arizona municipal corporation (“Surprise”), and **CORTESSA L.L.C.**, an Arizona limited liability company (“Cortessa”), and **CITRUS & NORTHERN LLC**, an Arizona limited liability company (“Citrus”), as of the date the last Party signs and dates this Agreement.

DEFINITIONS:

“ADOT” means the Arizona Department of Transportation.

“Agreement” means this Sewer Service Agreement.

“A.R.S.” means the Arizona Revised Statutes.

“Benefited Area” means the area depicted on Exhibit C attached hereto, representing the real property benefited by the Interceptor Extension.

“Citrus Property” means the real property known as White Tanks Foothills, consisting of approximately six hundred and forty (640) acres, bounded by Olive Avenue on the north, Citrus Road on the east, Northern Avenue on the south and Perryville Road on the West.

“City Hall” means Surprise’s government complex located at 12425 West Bell Road.

“City Manager” means the person employed by Surprise to be the chief administrative officer of Surprise.

“Community Development Director” means the person employed by Surprise who is in charge of the community development department.

“Cortessa Property” means the real property known as “Cortessa” consisting of approximately six hundred and thirteen (613) acres, bounded by Peoria Avenue on the north, Citrus Road on the east, Olive Avenue on the south and Perryville Road on the West.

“Council” means the elected officials that comprise the governing body for Surprise.

“Development Services Manager” means the person employed by Surprise to administer development agreements.

“Glendale” means the City of Glendale, an Arizona municipal corporation.

“Improvement(s)” means the Interceptor Extension and the OS Improvements, or any of them individually.

“Interceptor” means the existing off-site sewer interceptor trunk line and related facilities located within the Litchfield Road and Peoria Avenue rights-of-way or public utility easements from Surprise’s wastewater treatment facility to the Peoria Avenue/Reems Road intersection.

“Interceptor Extension” means the future off-site sewer interceptor trunk line and related facilities to be located within the north half of Peoria Avenue so as to be within the Surprise strip annexation area and/or public right-of-way from Reems Road to Citrus Avenue (approximately three (3) miles), to be sized based upon the sewer master plan study update as prescribed by Surprise.

“MAG 208 Permit” means the Maricopa Association of Governments Section 208 Permit.

“OS Improvements” means the onsite sewer service lines, lift station and force mains necessary to serve the parcels and individual pads and lots within the Property.

“Owner” means individually, Cortessa or Citrus, and collectively, Cortessa and Citrus.

“Party/Parties” means Surprise, Cortessa and/or Citrus.

“Property” means, collectively, the Cortessa Property and the Citrus Property.

“RA Sewer” means the amount of money expended by the Owner on the Interceptor Extension that is eligible for reimbursement, without interest, consisting of the 15” Costs allocable to the other properties within the Benefited Area and the Oversizing Amount.

“Residential Lot” means any single family or dual family residential lot that has been finally subdivided and individually sold to the end purchaser or user.

“Sewer Buy-In Fee” means the fee assessed against all property in the Benefited Area. The Sewer Buy-In Fee shall be calculated by multiplying the costs of the base bid for the Interceptor Extension (the 15” sewer interceptor line) by the allocable amount of the 15” Costs (as identified in Paragraph 1.3.2) attributable to each property within the Benefited Area.

“State” means the State of Arizona.

“Surprise” means the City of Surprise, an Arizona municipal corporation.

“Water Services Director” means the person employed by Surprise who is in charge of sewer services.

RECITALS:

A. This Agreement pertains to the Property legally described on Exhibit A and depicted on Exhibit B.

B. The Property is within unincorporated Maricopa County but is within Glendale’s planning and sewer service areas.

C. Surprise and Glendale have entered into an intergovernmental agreement to permit the Property to obtain sewer and wastewater services from Surprise, subject to Owner obtaining approval of an amendment removing the Property from Glendale’s MAG 208 Permit and adding the Property to Surprise’s MAG 208 Permit, and Owner’s compliance with the terms

of this Agreement.

D. In order to provide sewer and wastewater services to the Property, Surprise requires the Interceptor Extension to be constructed, installed and operationalized.

E. Owner is willing to design, engineer, permit, construct and install the Interceptor Extension and dedicate the Interceptor Extension to Surprise in consideration for reimbursement of the RA Sewer.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing premises and mutual promises set forth in this Agreement, Surprise and Owner state, confirm and agree as follows:

1. Sewer.

1.1 Sewer Plant. Owner shall have no obligation to expand, design, construct, pay for, operate, maintain, or repair a treatment plant for wastewater generated on the Property, except for the payment of sewer development fees generally applied throughout Surprise to property owners who connect to municipal sewer service.

1.2 Sewer Service. Upon approval of an amendment removing the Property from Glendale's MAG 208 Permit and adding the Property to Surprise's MAG 208 Permit, the completion of the Improvements and Surprise's conditional acceptance thereof, Surprise commits to provide municipal sewer service to the Property with service related fees imposed in accordance with the terms of this Agreement.

1.3 Reimbursable Sewer Infrastructure.

1.3.1 Offsite Sewer Interceptor Extension. Owner shall finance, design, engineer, permit, construct, install, test and permit inspections of all or a part of the Interceptor Extension.

1.3.2 Reimbursable Amount—Sewer. Surprise acknowledges that the Interceptor Extension is oversized above and beyond the needs to service the Property, and Surprise agrees to reimburse Owner for the additional costs incurred to install the Interceptor Extension, without interest. Owner shall bid out the construction of the Interceptor Extension with the base being the installation of a fifteen inch (15") sewer interceptor, and the add alternate being the sizes as prescribed in Surprise's sewer system master plan study. The reimbursable oversizing amount shall be the net difference in cost between the base bid and the add alternate ("Oversizing Amount"). Additionally, Owner shall be reimbursed for all costs incurred to finance, design, engineer, permit, construct, install, test and permit inspections of all or part of the fifteen inch (15") sewer interceptor allocable to the other properties within the Benefited Area (the "15" Costs"). For purposes of determining the 15" Costs allocable to the other properties within the Benefited Area, the following percentages shall be applied to the corresponding properties. Sections 13 and 24, areas generally bounded by Waddell Road, Sarival Avenue, Peoria Avenue and Cotton Lane, shall each be responsible for four percent (4%) of the 15" Costs. Sections 14 and 23, areas generally bounded by Waddell Road, Cotton Lane,

Peoria Avenue and Citrus Road, shall each be responsible for eight and one-half percent (8.5%) of the 15" Costs. Sections 15, 22, 27, 34 and portions of 16, 21 and 26, areas generally bounded by Waddell Road, Citrus Road, Northern Avenue and Perryville Avenue, including the Zanjero Trails property and the Zanjero Pass property, shall each be responsible for fifteen percent (15%) of the 15" Costs (the portions of Sections 16, 21 and 26 referenced above shall be considered one section responsible for fifteen percent (15%) of the 15" Costs).

1.3.3 Method of Reimbursement.

1.3.3.1 Buy-In Fees. Surprise shall collect the Sewer Buy-In Fee from every person developing property within the Benefited Area to reimburse Owner for the 15" Costs. Surprise will collect the Sewer Buy-In Fee prior to approval of, and as a condition to recording, the first final subdivision plat for any property within the Benefited Area or, with respect to any real property within the Benefited Area that will not be finally platted prior to construction of improvements on such real property, at the time the first building permit is issued for construction on such real property. Although Surprise does not presently anticipate that any property outside of the Benefited Area will connect into the Interceptor Extension, if property outside of the Benefited Area does connect into the Interceptor Extension Surprise will charge such property a connection fee as reasonably determined by Surprise so that such property would not have a competitive price advantage for sewer connection over property within the Benefited Area. No Sewer Buy-In Fee will be payable with respect to the Property. Surprise shall retain the Sewer Buy-In Fees in a separate account and make payments to Owner on a semi-annual basis, *i.e.*, June 30 and December 31, within ten (10) days after the end of each six (6) month period, or within ten (10) days after the accumulation of Fifty Thousand and No/100 Dollars (\$50,000.00), whichever occurs first. No payments shall be made to Owner until such time as the RA Sewer has been approved, as evidenced by one or more addenda then attached hereto pursuant to the procedure set forth in Paragraph 1.3.4. Payments to Owner shall be made fifty percent (50%) to Cortessa and fifty percent (50%) to Citrus and shall be delivered to Cortessa and Citrus at the addresses in Paragraph 6.1 below or to such other address or addresses as may hereafter be specified by notice given by Cortessa or Citrus to Surprise in accordance with Paragraph 6.1 below.

1.3.3.2 Sewer Development Impact Fees. Surprise shall use the sewer development impact fees collected from properties within the Benefited Area (as well as any other properties connecting to the Interceptor Extension) as the mechanism to reimburse Owner for the Oversizing Amount. Surprise shall retain the portion of the sewer development impact fee attributable to sewer trunk lines (or the equivalent payment) in a separate account and make payments to Owner on a semi-annual basis, *i.e.*, June 30 and December 31, within ten (10) days after the end of each six (6) month period, or within ten (10) days after the accumulation of Fifty Thousand and No/100 Dollars (\$50,000.00), whichever occurs first. No payments shall be made to Owner until such time as the RA Sewer has been approved, as evidenced by one or more addenda then attached hereto pursuant to the procedure set forth in Paragraph 1.3.4. Payments to Owner shall be made fifty percent (50%) to Cortessa and fifty percent (50%) to Citrus and shall be delivered to Cortessa and Citrus at the addresses in Paragraph 6.1 below or to such other address or addresses as may hereafter be specified by notice given by Cortessa or Citrus to Surprise in accordance with Paragraph 6.1 below.

1.3.4 Accounting Procedures. The Parties agree that once expenditures have been made by Owner, as evidenced by actual invoices, for all or any part of the Interceptor Extension, an addendum to this Agreement will be administratively executed that specifies the portion of the RA Sewer that is represented by such invoices. Owner shall submit each such addendum on the form attached hereto as Exhibit D, and when such addendum has been approved and countersigned by the Water Services Director and the City Manager on behalf of Surprise, it shall be incorporated into and become a part of this Agreement.

1.4 Ownership of Wastewater. Surprise shall own all wastewater and effluent generated from the Property.

2. Construction and Dedication of the Improvements.

2.1 Interceptor Extension. All engineering, design, construction and installation of the Interceptor Extension shall be pursuant to Surprise's review and approval procedures and shall be in accordance with the rules, ordinances, regulations, standards and administrative policies ("Requirements") of Surprise that are in effect at the time submittals or permit applications are received by Surprise. Surprise shall review and approve all Interceptor Extension plans and specifications prior to the Interceptor Extension being put out to bid and, if there are any significant revisions to the plans and specifications after the work is put to bid, Surprise shall review and approve changes to the revised plans and specifications prior to the award of the contract, and any significant change orders thereafter. In addition, Surprise shall have the right and authority to inspect the ongoing construction and installation in order to ensure that the Interceptor Extension is constructed and installed in substantial accordance with the final approved plans, specifications and Requirements; however, Owner is ultimately responsible for ensuring that the Interceptor Extension is constructed in substantial accordance with the final approved plans. Owner will provide an inspection checklist to Surprise prior to commencement of construction of the Interceptor Extension. At regular intervals, the Testing Company (as defined in Paragraph 2.2 below), at Owner's expense, shall inspect the Interceptor Extension and provide copies of all inspection reports to Owner and Surprise. At regular intervals throughout the construction process Owner will provide videotaping of all completed Interceptor Extension improvements and appropriate sewer pressure testing according to Surprise's Requirements to verify that the Interceptor Extension has been installed according to Surprise's Requirements. The Testing Company will certify the results of its testing to Owner and Surprise.

2.2 OS Improvements. All engineering, design, construction and installation of the OS Improvements shall be pursuant to Surprise's and Glendale's review and approval procedures and shall be in accordance with the Requirements of Surprise and Glendale that are in effect at the time submittals or permit applications are received by Surprise and Glendale. In the event of any conflicts between the Requirements of Surprise and Glendale, the Requirements of Glendale will control. Surprise and Glendale shall review and approve all OS Improvements plans and specifications prior to the OS Improvements being put out to bid and, if there are any significant revisions to the plans and specifications after the work is put to bid, Surprise and Glendale shall review and approve changes to the revised plans and specifications prior to the award of the contract, and any significant change orders thereafter. In addition, Surprise and Glendale shall have the right and authority to inspect the ongoing construction and installation in

order to ensure that the OS Improvements are constructed and installed in substantial accordance with the final approved plans, specifications and Requirements; however, Owner is ultimately responsible for ensuring that the OS Improvements are constructed in substantial accordance with the final approved plans. Surprise and Glendale will jointly select a third party testing company (the "Testing Company") from three alternative recommendations provided by Owner. Owner will provide an inspection checklist to Surprise and Glendale prior to commencement of construction of the OS Improvements. In the event that Surprise and Glendale cannot agree upon the Testing Company, the decision of Glendale shall govern. At regular intervals, the Testing Company, at Owner's expense, will inspect the OS Improvements and provide copies of all inspection reports to Owner, Surprise and Glendale. At regular intervals throughout the construction process Owner will provide videotaping of all completed OS Improvements and appropriate sewer pressure testing according to Surprise's and Glendale's Requirements to verify that the Improvements have been installed according to the Requirements. The Testing Company will certify the results of its testing to Owner, Surprise and Glendale. Surprise agrees that in the event of any conflicts between the Requirements of Surprise and Glendale, the Requirements of Glendale will control.

2.3 ADOT Right-of-Way Approvals. Owner will obtain approval from the ADOT for crossing ADOT's right-of-way for the 303 Freeway. Owner will provide ADOT with all required submittal information for the Interceptor Extension. Surprise and Glendale will cooperate with Owner in obtaining ADOT's approval of the RS infrastructure.

2.4 Waiver of County Requirements. To the extent the Interceptor Extension is constructed and installed within unincorporated Maricopa County right-of-way that has not yet been annexed into Surprise, Surprise will deliver such letters, consents, waivers and other documents required by Maricopa County confirming that the Interceptor Extension is being installed as a Surprise sewer line and facility and, therefore, subject to Surprise design and construction standards, including, without limitation, native material backfill, pavement requirements and other related issues, and requesting that Maricopa County waive its requirements.

2.5 No Public Bidding Required. Surprise acknowledges and agrees that since construction and installation of the Interceptor Extension will not require a contribution of Surprise funds, Owner is not required to publicly bid the Interceptor Extension in order to receive reimbursement for the costs and expenses incurred in connection with the Interceptor Extension in accordance with this Agreement. Therefore, Owner may privately bid the Interceptor Extension, but the private bids will be opened at City Hall to confirm that Owner selects the lowest responsive bids for each component of the Interceptor Extension. All of the bid documents, including the request for bid and the actual bids, will be submitted to Surprise and will be available as public documents for future inspection by any member of the public. The private bid procedures in the immediately preceding two sentences shall not apply to the OS Improvements or the procurement of architects, engineers, assayers and other professional services statutorily exempted from the public bidding requirements under the applicable Requirements.

2.6 Conveyance of Real Property. On the final plats Owner shall dedicate to Surprise all parcels, rights-of-way, and easements on the Property needed for the Improvements,

or as required pursuant to this Agreement, free and clear of all monetary liens, except current taxes and assessments. Owner shall have no obligation to obtain and/or dedicate any rights-of-way or parcels that are not part of the Property.

2.7 Hydro-Vac Truck. Prior to Surprise's acceptance of the first phase of the OS Improvements pursuant to Paragraph 2.8 below, Owner shall advance to Surprise an amount sufficient to purchase a new Hydro-Vac (or other manufacturer) truck based on Surprise's current specifications for such vehicle, which Surprise has represented to Owner will be approximately Two Hundred Thousand Dollars (\$200,000). Promptly after execution of this Agreement by all Parties, Surprise shall obtain no less than three (3) qualified bids for the purchase of the Hydro-Vac (or other manufacturer) truck and Owner shall pay the amount of the lowest, responsive, responsible bid, notwithstanding the bid actually accepted by Surprise (the "Low Bid Amount"). Owner shall be entitled to reimbursement of the Low Bid Amount from a portion of the Project Surcharge (as defined in Paragraph 3.1.3 below) described in the following sentence until the Low Bid Amount is repaid in full, without interest. Surprise shall retain fifty percent (50%) of the Project Surcharge in a separate account and pay such portion of the Project Surcharge actually collected to Owner on a semi-annual basis, *i.e.*, June 30 and December 31, within ten (10) days after the end of each six (6) month period, or within ten (10) days after the accumulation of Fifty Thousand and No/100 Dollars (\$50,000.00), whichever occurs first, until the Low Bid Amount is paid in full, without interest. Payments to Owner shall be made fifty percent (50%) to Cortessa and fifty percent (50%) to Citrus and shall be delivered to Cortessa and Citrus at the addresses in Paragraph 6.1 below or to such other address or addresses as may hereafter be specified by notice given by Cortessa or Citrus to Surprise in accordance with Paragraph 6.1 below.

2.8 Conveyance of Improvements. After Surprise and Glendale (through the Testing Company) inspect and approve the Improvements (or any component thereof), Owner shall convey to Surprise by bill of sale free and clear of all liens and encumbrances that could affect marketability of title, and Surprise shall conditionally accept the Improvements (subject only to the warranty period) and shall thereafter own, operate and maintain the Improvements at its sole cost and expense (subject only to Owner's warranty obligations). Owner shall warrant the Interceptor Extension to Surprise against defects in materials or workmanship for one (1) year after conditional acceptance thereof by Surprise, and Owner shall warrant the OS Improvements to Surprise and Glendale against defects in materials or workmanship for one (1) year after conditional acceptance thereof by Surprise and Glendale. Owner may convey the Improvements to Surprise, and Surprise shall promptly inspect and conditionally accept the Improvements, in phases as components of the Improvements are completed.

2.9 Construction Access. Owner and its employees, agents and contractors shall have the right to enter, remain upon and cross over any Surprise or Glendale easement or right-of-way to the extent reasonably necessary to design, construct or install the Improvements, provided that Owner's use does not materially impede or adversely affect the use and enjoyment of the subject property; and provided that Owner shall obtain any required permit and pay any required fee for the use of such easement or right-of-way, as required by Requirements and provided also that Owner shall restore such easement or right-of-way to substantially the same condition as existed prior to Owner's entry.

3. Sewer Service Fee Agreement.

3.1 Homeowner Sewer Service Fee. It is currently anticipated that Surprise will invoice and collect monthly sewer fees from the individual homeowners within the Property. The monthly sewer fees to be charged by Surprise to each Residential Lot owner within the Property will be as follows (the "Sewer Fees"):

3.1.1 Surprise's base sewer fee charged to all of its residential customers;

3.1.2 Surprise's water replenishment fee charged to all of its residential customers;

3.1.3 A fixed project surcharge of Five Dollars (\$5.00) per month (the "Project Surcharge"); and

3.1.4 An amount, allocated on a monthly basis, sufficient to replace the OS Improvements based on the anticipated replacement costs of the OS Improvements and the useful life of the OS Improvements and otherwise calculated in accordance with customary practices for replacement reserves by municipal sanitary sewer service providers ("Replacement Reserve Fee"). An example of the customary practices for establishing replacement reserves is set forth on Exhibit F.

3.2 Sewer Service Fees. Surprise, at its option, shall:

3.2.1 Invoice and collect monthly Sewer Fees directly from the owners of the Residential Lots. Each Owner agrees to include a provision in its declaration of covenants, conditions, restrictions and easements ("CC&Rs") that encumbers its respective Property granting to Surprise a lien on each Residential Lot to secure payment of sewer fees, interest, late fees and costs of collection with respect to such Residential Lot that is *pari passu* with the homeowners association lien to secure payment of assessments, interest, late fees and costs of collection. The lien rights for sewer fees will be subject to all of the same limitations, conditions, restrictions and requirements as the homeowners association lien rights for assessments, including, without limitation, subordination to first lienholder rights and the requirement to provide timely certifications of payment or non-payment of sewer fees; or

3.2.2 Upon ninety (90) days prior written notice to the HOAs (as defined below), or either of them, invoice and collect monthly Sewer Fees for residential service for all Residential Lots within the Cortessa Property on a bulk basis through the Cortessa homeowners' association (the "Cortessa HOA") and/or invoice and collect monthly Sewer Fees for residential service for all Residential Lots within the Citrus Property on a bulk basis through the Citrus homeowners' association (the "Citrus HOA" and together with the Cortessa HOA, the "HOAs"), respectively. The owners of the Residential Lots will pay for sewer service as a part of their respective HOA fees. The bulk Sewer Fee will be paid to Surprise on a monthly basis based upon the number of residential dwelling units connected to the municipal sewer system within the applicable HOA. Surprise will invoice each HOA on a monthly basis for the bulk Sewer Fees associated with all residential dwelling units connected to the municipal sewer system within the Cortessa Property or Citrus Property, as applicable. Within thirty (30) days after the

end of each month after Surprise has requested bulk billing, each HOA will provide Surprise with a monthly report of all first time retail home closings on the Residential Lots (not resales) that occurred during the previous month within its respective portion of the Property so that Surprise can maintain accurate and up-to-date records of the total number of residential dwelling units within the Cortessa Property and Citrus Property, respectively, connected to the municipal sewer system. The obligations of the Cortessa HOA and the Citrus HOA are separate and non-payment by the Cortessa HOA shall not give the Surprise any claim against, or create any obligations of, the Citrus HOA or its homeowners, and non-payment by the Citrus HOA shall not give Surprise any claim against, or create any obligations of, the Cortessa HOA or its homeowners.

4. Miscellaneous Provisions.

4.1 Amendments. In order for an amendment to become effective, the Party seeking the amendment shall submit its proposed amendment in writing to the other Party for review. Minor amendments, *i.e.*, amendments that do not change the terms or conditions of this Agreement, sought by Owner may be reviewed and approved by the Community Development Director. All other amendments sought by Owner shall be reviewed by the Community Development Director and approved by the City Council prior to becoming effective. Amendments shall be signed by the Parties and attached to this Agreement as an addendum.

4.2 Fees. In addition to those fees being assessed pursuant to this Agreement, Owner shall pay only the existing Surprise sewer development impact fee and any plan review, permit or inspection fees related to the Improvements that are in effect at the time each plan, plat, or permit application is submitted, unless otherwise excepted within this Agreement. Notwithstanding the foregoing, plan review, permit, inspection or similar fees related to the inspection of the Improvements normally performed by Surprise or Glendale are hereby waived in consideration of Owner paying the costs and expenses of the Testing Company with respect to the inspection of the Improvements. Because the Property is located outside Surprise's municipal boundaries, Surprise will not be permitting the construction of residences or buildings within the Property; therefore, Owner (or any successor homebuilder) shall pay the sewer development impact fees at the time that it conveys fee simple title to a residential lot to a retail homebuyer. Owner shall record a notice of impact fee in the official records of Maricopa County, Arizona, encumbering the Property, in the form attached hereto as Exhibit G.

5. Cooperation and Development Regulation.

5.1 Representatives. The Parties agree to designate and appoint a representative to act as a liaison between Surprise and its various departments and Owner. The initial representative for Surprise shall be the Water Services Director and the initial representative for Owner shall be its project manager, as identified by Owner from time to time. The representatives shall be available at all reasonable times to discuss and review the performance of the Parties and the development of the Property.

5.2 Review Process. The implementation of this Agreement shall be in accordance with the development review process of Surprise. Independent consultants and advisors may be retained by Surprise at Owner's request in order to expedite the review process.

In addition to Surprise's standard fee, Owner shall pay all costs incurred by Surprise for any private, independent consultants and advisors retained by Surprise, at Owner's request, for assistance in the review process, and such consultants and advisors shall take instruction from, be controlled by and be responsible to Surprise, not Owner.

6. General Provisions.

6.1 Notices and Filings. All notices, filings, consents, approvals and other communications provided for herein or given in connection herewith shall be validly given, filed, made, delivered or served if in writing and delivered personally or sent by certified United States Mail, postage pre-paid, return receipt requested if to:

Surprise:	City of Surprise 12425 W. Bell Road Surprise, AZ 85374 Attn: City Attorney
Owner:	Cortessa L.L.C. 6730 North Scottsdale Road Suite 230 Scottsdale, AZ 85253 Attn: Mr. Robert C. Speirs and Citrus & Northern LLC c/o Mr. Philip A. Miller Executive Vice President Westpac Development Corp. 8501 N. Scottsdale Road Suite 260 Scottsdale, AZ 85253
With a copy to:	Jay S. Kramer Fennemore Craig 3003 North Central Avenue Suite 2600 Phoenix, AZ 85012-2913

or to such other address or addresses as may hereafter be specified by notice given by any of the above for itself to the others. Any notice or other communication directed to either Party shall become effective upon the earliest of the following: (a) actual receipt by that Party; or (b) thirty-six (36) hours after deposit with the United States Postal Service, addressed to the Party.

6.2 Default. Failure or unreasonable delay by any Party to perform or otherwise act in accordance with any term or provision hereof shall constitute a breach of this Agreement by such Party. Any failure to pay money not cured within ten (10) days after written notice is received from another Party shall constitute a default under this Agreement by the non-

paying Party. Any other breach not cured within thirty (30) days after written notice is received from another Party, shall constitute a default by the breaching Party under this Agreement; provided, however, that if the failure is such that more than thirty (30) days would reasonably be required to perform such action or comply with any term or provision hereof, then the breaching Party shall have such additional time as may be necessary to perform or comply so long as the breaching Party commences performance or compliance within said thirty (30) day period and diligently proceeds to complete such performance or fulfill such obligation within ninety (90) days after written notice is received from another Party. Any notice of a breach shall specify the nature of the alleged breach and the manner in which said breach may be satisfactorily cured, if possible. The thirty (30) day cure period shall not apply where a Requirement requires Surprise to perform or otherwise act in a period in excess of thirty (30) days. Any amounts not timely paid under this Agreement shall bear interest at the rate of eighteen percent (18%) per annum from the due date until paid in full. A default by Cortessa or the Cortessa HOA shall not constitute a default by Citrus or the Citrus HOA and a default by Citrus or the Citrus HOA shall not constitute a default by Cortessa or the Cortessa HOA.

6.3 Dispute Resolution. In the event that there is a dispute hereunder which the Parties cannot resolve between themselves, the Parties agree that there shall be a forty-five (45) day moratorium on litigation during which time the Parties agree to attempt to settle the dispute by non-binding mediation before commencement of litigation. The mediation shall be held under the commercial mediation rules of the American Arbitration Association, but not under the jurisdiction of the American Arbitration Association. The matter in dispute shall be submitted to a mediator mutually selected by the Parties. In the event that the Parties cannot agree upon the selection of a mediator within seven (7) days, then within three (3) days thereafter, Surprise and Owner shall request the presiding judge of the Superior Court in and for the County of Maricopa, State of Arizona, to appoint an independent mediator. The mediator selected shall have at least five (5) years' experience in mediating or arbitrating disputes relating to real estate development. The cost of any such mediation shall be divided equally between Surprise and Owner. The results of the mediation shall not be binding on the Parties, and any Party shall be free to initiate litigation subsequent to the moratorium.

6.4 Choice of Law and Venue. Any dispute, controversy, claim or cause of action arising out of or related to this Agreement shall be governed by State law. The venue for any such dispute shall be Maricopa County, Arizona, and each Party waives the right to object to venue in Maricopa County for any reason.

6.5 Good Standing and Authority. Each Owner represents and warrants that it is duly formed and validly existing under the laws of the State. Surprise represents and warrants that it is duly formed and validly existing municipal corporation within the State. Each Party represents and warrants that the individuals executing this Agreement on behalf of its respective Party are authorized and empowered to bind the Party on whose behalf each such individual is signing.

6.6 Assignment. The provisions of this Agreement are binding upon and shall inure to the benefit of the Parties, and all of their successors in interest and assigns; provided; however, that Owner's rights and obligations hereunder may be assigned, in whole or in part, only to a person or entity that has acquired title to the Property or a portion thereof and only by a

written instrument delivered to Surprise, expressly assigning such rights and obligations. In the event of a complete or partial assignment by Owner, all or a portion of Owner's rights and obligations hereunder shall terminate effective upon the assumption by Owner's assignee of such rights and obligations and the execution of an addendum that recognizes the assignment. Upon the assumption by Owner's assignee of such rights and obligations, Owner shall be relieved of all liability and obligations assumed by Owner's assignee. Owner shall submit each such addendum on the form attached hereto as Exhibit E, and when such addendum has been approved and countersigned by the City Manager on behalf of Surprise, it shall be incorporated into and become a part of this Agreement.

6.7 Termination Upon Sale of Residential Lots. The Parties hereby acknowledge and agree that this Agreement is not intended to and shall not create conditions or exceptions to title or covenants running with the Residential Lots within the Property. Any obligations that will burden the Residential Lots shall be included in the declaration of covenants, conditions, restrictions and easements for each Property. Therefore, in order to alleviate any concern as to the effect of this Agreement on the status of title to any of the Property, so long as not prohibited by law, this Agreement shall terminate without the execution or recordation of any further document or installment as to any Residential Lot, and thereupon such Residential Lot shall be released from and no longer be subject to or burdened by the provisions of this Agreement. Upon the written request of Owner (or either of them), Surprise shall execute such documents and instruments as such Owner or any title insurance company shall reasonably require to effectuate the terms of this Paragraph.

6.8 Third Parties. It is not intended by this Agreement to, and nothing contained in this Agreement shall, create any partnership, joint venture or other agreement between the Parties. No term or provision of this Agreement is intended to, or shall be for the benefit of any person or entity not a party hereto, and no such other person or entity shall have any right or cause of action hereunder.

6.9 Waiver. No delay in exercising any right or remedy shall constitute a waiver thereof; and no waiver of any breach shall be construed as a waiver of any preceding or succeeding breach of the same or any other covenant, or condition of this Agreement. No waiver shall be effective unless it is in writing and is signed by the Party asserted to have granted such waiver.

6.10 Further Documentation. The Parties agree in good faith to execute such further or additional instruments and documents and to take such further acts as may be necessary or appropriate to fully carry out the intent and purpose of this Agreement.

6.11 Fair Interpretation. The Parties have been represented by counsel in the negotiation and drafting of this Agreement and this Agreement shall be construed according to the fair meaning of its language. The rule of construction that ambiguities shall be resolved against the Party who drafted a provision shall not be employed in interpreting this Agreement.

6.12 Headings. The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of any provision of this Agreement.

6.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.

6.14 Computation of Time. In computing any period of time under this Agreement, the date of the act or event from which the designated period of time begins to run shall not be included. The last day of the period so completed shall be included unless it is a Saturday, Sunday or legal holiday, in which event the period shall run until the end of the next day that is not a Saturday, Sunday or legal holiday. The time for performance of any obligation or taking any action under this Agreement shall be deemed to expire at 5:00 p.m. (Arizona time) on the last day of the applicable time period provided herein.

6.15 Conflict of Interest. This Agreement is subject to the terms of A.R.S. § 38-511.

6.16 Owner's Representations. Nothing contained herein shall be deemed to obligate Owner to complete any part of the development of the Property.

6.17 Entire Agreement. This Agreement, together with the following Exhibits attached hereto (which are incorporated herein by this reference) constitutes the entire agreement between the Parties.

- (a) Exhibit A: Legal description of the Property
- (b) Exhibit B: Depiction of the Property
- (c) Exhibit C: Depiction of Benefited Area
- (d) Exhibit D: Addendum form for RA Sewer
- (e) Exhibit E: Addendum form for assignments
- (f) Exhibit F: Example of Replacement Reserve Calculation
- (g) Exhibit G: Notice of Impact Fee

All prior and contemporaneous agreements, representations and understandings of the Parties, oral or written are superseded by and merged in this Agreement.

6.18 Time. Time is of the essence of this Agreement and with respect to the performance required by each Party.

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LEFT INTENTIONALLY BLANK]**

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date(s) written below.

CITY OF SURPRISE, an Arizona municipal corporation

By: Joan H. Shafer
 Name: Joan H. Shafer
 Title: Mayor

Date: August 16, 2004

APPROVED AS TO FORM:

[Signature]

City Attorney

ATTESTED:

[Signature]
 City Clerk

CORTESSA L.L.C., an Arizona limited liability company

By: [Signature]
 Name: Chris B. Heeter
 Title: Manager

Date: August 13, 2004

CITRUS & NORTHERN LLC, an Arizona limited liability company

By: Hinton Financial Services Inc., Member

By: Brad Clough
 Name: Brad Clough
 Title: Secretary

Date: August 11, 2004

Exhibit A

Legal description of the Property

CORTESSA PARCEL NO. 1

THAT PORTION OF SECTION 27, TOWNSHIP 3 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND 3/4" PIPE, AT THE NORTHWEST CORNER OF SAID SECTION 27, SAID PIPE BEARS NORTH 89 DEGREES 53 MINUTES 02 SECONDS EAST (BASIS OF BEARING), A DISTANCE OF 2641.32 FEET TO A FOUND 3/4" PIPE AT THE NORTH QUARTER CORNER OF SAID SECTION 27;

THENCE NORTH 89 DEGREES 53 MINUTES 02 SECONDS EAST ALONG THE NORTH LINE OF THE NORTHWEST QUARTER OF SAID SECTION 27, A DISTANCE OF 33.00 FEET TO A POINT ON THE EAST LINE OF THE WEST 33.00 FEET OF THE NORTHWEST QUARTER OF SAID SECTION 27;

THENCE SOUTH 00 DEGREES 02 MINUTES 23 SECONDS EAST, ALONG SAID EAST LINE, A DISTANCE OF 33.00 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH 33.00 FEET OF THE NORTHWEST QUARTER OF SAID SECTION 27 AND TO THE TRUE POINT OF BEGINNING;

THENCE NORTH 89 DEGREES 53 MINUTES 02 SECONDS EAST ALONG THE SOUTH LINE OF THE NORTH 33.00 FEET OF THE NORTHWEST QUARTER OF SAID SECTION 27, A DISTANCE OF 1308.58 FEET TO A POINT ON THE WEST LINE OF SUN PARK, A SUBDIVISION RECORDED IN BOOK 99 OF MAPS, PAGE 25 M.C.R.;

THENCE SOUTH 00 DEGREES 00 MINUTES 01 SECONDS WEST, ALONG THE WEST LINE OF SAID SUN PARK, A DISTANCE OF 650.90 FEET TO THE SOUTHWEST CORNER OF SAID SUN PARK;

THENCE SOUTH 89 DEGREES 59 MINUTES 59 SECONDS EAST, ALONG THE SOUTH LINE OF SAID SUN PARK, A DISTANCE OF 1617.80 FEET TO THE SOUTHEAST CORNER OF SAID SUN PARK;

THENCE NORTH 00 DEGREES 00 MINUTES 01 SECONDS EAST, ALONG THE EAST LINE OF SAID SUN PARK, A DISTANCE OF 654.20 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH 33.00 FEET OF THE NORTHEAST QUARTER OF SAID SECTION 27;

THENCE ALONG SAID SOUTH LINE NORTH 89 DEGREES 52 MINUTES 56 SECONDS EAST, A DISTANCE OF 342.30 FEET;

THENCE NORTH 00 DEGREES 00 MINUTES 35 SECONDS WEST, ALONG THE WEST LINE OF THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER, A DISTANCE OF 33.00 FEET TO A POINT ON THE NORTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 27;

THENCE NORTH 89 DEGREES 52 MINUTES 56 SECONDS EAST, ALONG SAID NORTH LINE, A DISTANCE OF 1981.13 FEET TO A FOUND 1/2" REBAR WITH A BRASS TAG STAMPED L.S. 13554 AT THE NORTHEAST CORNER OF SAID SECTION 27;

THENCE SOUTH 00 DEGREES 01 MINUTES 17 SECONDS WEST, ALONG THE EAST LINE OF THE NORTHEAST QUARTER OF SAID SECTION 27, A DISTANCE OF 2637.36 FEET TO A FOUND 1" PIPE AT THE EAST QUARTER CORNER OF SAID SECTION 27;

THENCE SOUTH 00 DEGREES 01 MINUTES 04 SECONDS WEST, ALONG THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 27, A DISTANCE OF 2632.92 FEET TO A FOUND 3/4" PIPE AT THE SOUTHEAST CORNER OF SAID SECTION 27;

THENCE SOUTH 89 DEGREES 50 MINUTES 33 SECONDS WEST, ALONG THE SOUTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 27, A DISTANCE OF 2638.66 FEET TO A FOUND 7/8" REBAR AT THE SOUTH QUARTER CORNER OF SAID SECTION 27;

THENCE SOUTH 89 DEGREES 50 MINUTES 29 SECONDS WEST, ALONG THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 27, A DISTANCE OF 2639.64 FEET TO A FOUND 1" PIPE IN HANDHOLE AT THE SOUTHWEST CORNER OF SAID SECTION 27;

THENCE NORTH 00 DEGREES 01 MINUTES 11 SECONDS WEST, ALONG THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 27, A DISTANCE OF 2635.61 FEET TO A FOUND 1" PIPE IN HANDHOLE AT THE WEST QUARTER CORNER OF SAID SECTION 27;

THENCE NORTH 89 DEGREES 52 MINUTES 17 SECONDS EAST, ALONG THE SOUTH LINE OF THE NORTHWEST QUARTER OF SAID SECTION 27, A DISTANCE OF 33.00 FEET TO A POINT ON THE EAST LINE OF THE WEST 33.00 FEET OF THE NORTHWEST QUARTER OF SAID SECTION 27;

THENCE NORTH 00 DEGREES 02 MINUTES 23 SECONDS WEST, ALONG SAID EAST LINE, A DISTANCE OF 2605.45 FEET TO THE TRUE POINT OF BEGINNING;

EXCEPT THAT PORTION OF THE NORTHEAST QUARTER OF SAID SECTION 27, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 33 FEET SOUTH AND 33 FEET WEST OF THE NORTHEAST CORNER OF SAID SECTION 27;

THENCE SOUTH 00 DEGREES 01 MINUTES 17 SECONDS WEST, ON A LINE PARALLEL TO THE EAST LINE OF THE NORTHEAST QUARTER OF SAID SECTION 27, A DISTANCE OF 60.00 FEET;

THENCE SOUTH 89 DEGREES 52 MINUTES 56 SECONDS WEST, A DISTANCE OF 75.00 FEET;

THENCE NORTH 00 DEGREES 01 MINUTES 17 SECONDS EAST, A DISTANCE OF 60.00 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH 33 FEET OF THE NORTHEAST QUARTER OF SAID SECTION 27;

THENCE ALONG SAID SOUTH LINE NORTH 89 DEGREES 52 MINUTES 56 SECONDS EAST, A DISTANCE OF 75.00 FEET TO THE TRUE POINT OF BEGINNING.

CORTESSA PARCEL NO. 2

THE WEST 33 FEET OF THE NORTH HALF OF SECTION 27, TOWNSHIP 3 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA; AND

THE NORTH 33 FEET OF THE NORTH HALF OF SECTION 27, TOWNSHIP 3 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

EXCEPT THAT PORTION LYING WITHIN THE PLAT OF SUN PARK, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNTY, ARIZONA, RECORDED IN BOOK 99 OF MAPS, PAGE 25; AND

EXCEPT THAT PORTION LYING WITH THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 27; AND

EXCEPT THAT PORTION LYING WITHIN THE EAST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 27.

(BEING ALSO DESCRIBED AS SHOWN AS A PORTION OF ROMOLA OF ARIZONA GRAPEFRUIT UNIT 32, ACCORDING TO THE PLAT OF RECORD IN BOOK 19 OF MAPS, PAGE 20, RECORDS OF MARICOPA COUNTY, ARIZONA.

CITRUS PARCEL

ALL OF SECTION 34, TOWNSHIP 3 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING ALSO DESCRIBED AS RESUBDIVISION OF UNIT 37 OF ROMOLA OF ARIZONA GRAPEFRUIT UNIT, A SUBDIVISION RECORDED IN BOOK 18 OF MAPS, PAGE 13, RECORDS OF MARICOPA COUNTY, ARIZONA.

EXHIBIT B
Depiction of Property

is not recordable
due to font size
and lines through text

for a copy of Exhibit B
contact the Surprise City Clerk
16000 N. Civic Center Plaza
Surprise, Arizona 85374
623-222-1200

EXHIBIT C
Depiction of Benefited Area

is not recordable
due to font size
and lines through text

for a copy of Exhibit C
contact the Surprise City Clerk
16000 N. Civic Center Plaza
Surprise, Arizona 85374
623-222-1200

clarified by this Addendum (or which, in context, must be deemed modified, amended or clarified hereby) shall remain in full force and effect.

OWNER:

CORTESSA L.L.C., an Arizona limited liability company

By: 

Name: Chris B. Heeter

Title: Manager

Date: 5/7/07

The undersigned hereby acknowledges the information set forth above and has accepted such costs for addition to the RA Sewer for which Owner is entitled to receive reimbursement pursuant to the Agreement, and by its signature set forth below, authorizes that this Addendum No. 1 be attached to and hereafter be deemed a part of the Agreement for all purposes set forth therein.

SURPRISE:

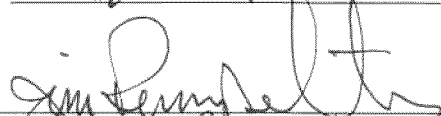
CITY OF SURPRISE, an Arizona municipal corporation

By: 

Name: Rob Williams Sr.

Title: Water Services Director

Date: 6/15/07

By: 

Name: Jim Rumpeltes

Title: City Manager

Date: 6-25-07

Exhibit E**ADDENDUM NO. ____**

This Addendum No. ____ (“Addendum”) is made and entered into by and between Owner and New Owner (defined herein) with respect to the Agreement, and, when countersigned below by the City Manager on behalf of Surprise, it shall become an addendum to the Agreement for all purposes, and shall thereafter be construed to be integrated into such document.

Pursuant to Paragraph 6.6, the Parties hereby approve the following assignment (attach a copy of the title report).

Owner (Assignor)

“New Owner” (Assignee)

“Affected Property” (attach a depiction of the property transferred)

The definition of Owner and Parties within the Agreement shall now include New Owner, and New Owner shall be entitled to the rights and responsible for the obligations within the Agreement related to the Affected Property (or as further defined herein).

Unless otherwise separately defined in this Addendum, all capitalized terms contained herein shall be given the meaning set forth for such terms in the Agreement. All of the terms, provisions and conditions of the Agreement that are not expressly modified, amended or clarified by this Addendum (or which, in context, must be deemed modified, amended or clarified hereby) shall remain in full force and effect.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]

OWNER:

 By: _____
 Name: _____
 Title: _____
 Date: _____

STATE OF ARIZONA)
) ss.
 County of Maricopa)

Subscribed and sworn to before me this _____ day of _____, 200__, by _____
 _____.

 Notary Public

My commission expires:

NEW OWNER:

 By: _____
 Name: _____
 Title: _____
 Date: _____

STATE OF ARIZONA)
) ss.
 County of Maricopa)

Subscribed and sworn to before me this _____ day of _____, 200__, by _____
 _____.

 Notary Public

My commission expires:

SURPRISE:

CITY OF SURPRISE, an Arizona municipal
corporation

By: _____

Name: _____

Title: City Manager

Date: _____

STATE OF ARIZONA)
) ss.
County of Maricopa)

Subscribed and sworn to before me this _____ day of _____, 200__, by _____
_____.

Notary Public

My commission expires:

Exhibit F

Example of Customary Practices for Establishing Replacement Reserve Fee

LIFT STATION EQUIPMENT REPLACEMENT COSTS						
Equipment	Unit	Quantity	Unit Cost	Total Cost	Life	Cost for 30 Years
12" Plug Valve with Operating Nut Desurik Series 100, PEC.	EA	4	\$764.00	\$3,056.00	20	\$4,584.00
18" Plug Valve with Valve Box and Cover. Desurik series 100, PEC.	EA	1	\$2,652.00	\$2,652.00	20	\$3,978.00
8" Plug Valve with Operating Nut Desurik Series 100, PEC.	EA	5	\$317.00	\$1,585.00	20	\$2,377.50
ITT Flygt Model CP3300 Submersible Sewage Pumps, 88 HP, 1503 GPM Capacity at 130 feet of head.	EA	2	\$26,000.00	\$52,000.00	20	\$78,000.00
12" Swing Check Valve by GA industries	EA	2	\$3,000.00	\$6,000.00	15	\$12,000.00
4" Flap Gate Valve Rodney Hunt Model FV-SPRW with flange adapter	EA	1	\$840.00	\$840.00	10	\$2,520.00
Crane for Pump Removal. 2,200 lb. Capacity Thern 572	EA	1	\$3,785.00	\$3,785.00	30	\$3,785.00
Crane for Screen Basket Removal. 500 lb capacity Thern 5122.	EA	1	\$490.00	\$490.00	30	\$490.00
Multi-stage Chemical Scrubber Odor Control Unit Model L-Triplex by US Filter	LS	1	\$75,000.00	\$75,000.00	15	\$150,000.00
Recirculation Pumps	EA	3	\$565.00	\$1,695.00	3	\$16,950.00
Chemical Metering Pumps	EA	2		\$0.00	2	\$0.00
Valmatic 801BW Combination Air/Vaccum Release Valve.	EA	1	\$900.00	\$900.00	15	\$1,800.00
Flowmeter	EA	1	\$6,000.00	\$6,000.00	20	\$9,000.00
SCADA	LS	1	\$20,000.00	\$20,000.00	20	\$30,000.00
TVSS	LS	1	\$2,500.00	\$2,500.00	5	\$15,000.00
Starters	EA	2	\$5,000.00	\$10,000.00	20	\$15,000.00
Standby Generator	EA	1	\$43,000.00	\$43,000.00	30	\$43,000.00

Total Materials 30 Years	\$388,484.50
Total Labor (assumed at 1.5 times cost of materials)	\$582,726.75
Total Monthly Cost	\$2,697.81
Total Cost per Dwelling Unit	\$0.89

Exhibit G

Notice of Impact Fee

WHEN RECORDED, RETURN TO:

SEWER IMPACT FEE NOTICE

THIS SEWER IMPACT FEE NOTICE (the "Notice") is made as of this ____ day of ____, 2004 by _____, an Arizona limited liability company ("Owner").

A. Owner owns certain real property located in unincorporated Maricopa County, Arizona, as more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Property");

B. Owner has entered, or intends to enter, into a Sewer Service Agreement with the City of Surprise (the "City"), pursuant to which the City will provide municipal sewer service to the Property with service related fees imposed in accordance with the terms of the Sewer Service Agreement;

C. Owner intends to sell the Property to residential homebuilders to subdivide the Property into single-family residential lots (individually, a "Lot" and collectively, the "Lots");

D. In connection with the construction of single-family residences on the Lots, the builder or owner is required to pay to the City a sewer development impact fee or in lieu fee for sewer service to each Lot (the "Impact Fee") prior to or contemporaneously with the conveyance of fee simple title to each Lot to a retail homebuyer;

E. This Notice is recorded to provide actual and constructive notice to all persons of the existence of the obligation to pay the Impact Fee on the terms and conditions described below.

TERMS AND CONDITIONS

1. Owner (or any successor homebuilder) shall pay the Impact Fee for each Lot at or prior to the time that it conveys fee simple title to a Lot to a retail homebuyer. As of June 25, 2004, the Impact Fee is \$1,916 for a three-quarter inch (¾") water line and \$2,236 for a one-inch (1") water line. The Impact Fee will be revised effective as of August 27, 2004 to \$1,808 for a three-quarter inch (¾") water line and \$2,284 for a one-inch (1") water line. Until such time as the City records an instrument in the Official Records of Maricopa County, Arizona, referencing this Notice by recording number, Owner (or any successor homebuilder) and Escrow Agent (as defined in Paragraph 2 below) may rely upon this Notice (or the most current recorded

instrument referencing this Notice by recording number) to determine the amount of the Impact Fee then due and payable.

2. Release of Notice. Any Arizona-licensed escrow agent or title insurance company acting as the party responsible for closing the sale of the single-family residence to the retail purchaser within the meaning of Section 6045(c)(2)(A) of the Internal Revenue Code of 1986, as amended ("Escrow Agent"), is hereby granted a power of attorney by Owner (and by acquiring all or any portion of the Property subject to this Notice, any successor homebuilder) to execute a release or termination of this Agreement on behalf of Owner (or any successor homebuilder) with respect to any Lot, and to record such instrument in the official records of Maricopa County, Arizona, when Escrow Agent has received written confirmation from Owner or any successor homebuilder of the size of the water meter installed in connection with such Lot and the Escrow Agent is irrevocably prepared to deliver the applicable Impact Fee in good funds to the City.

3. Payee and Address for Impact Fee. All checks or drafts for the Impact Fee shall be made payable to the City of Surprise and shall be delivered to the following address:

City of Surprise
Attn: Development Services Manager
12425 W. Bell Road
Suite D-100
Surprise, Arizona 85374
Reference: Cortessa and Citrus Sewer Impact Fee [property address]

IN WITNESS WHEREOF, this Notice is executed as of the day and year first above written.

OWNER:

By: _____
Name: _____
Title: _____

STATE OF ARIZONA)
) §§
County of Maricopa)

The foregoing instrument was executed before me, the undersigned Notary Public, this ____ day of _____, 2004 by _____, the _____ of _____, an Arizona limited liability company, on behalf of the company.

Notary Public

My Commission Expires:



CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020

Contact Person: Andrea Davis, DIRECTOR -
FINANCE

Submitting Department: Finance

District: Citywide

Staff Recommendations: None

Consent: No

Regular: No

Public Hearing: No

Report/Discussion: Yes

Agenda Wording:

Presentation and discussion pertaining to the fiscal year 2019 annual audit and Comprehensive Annual Financial Report, and associated reports.

Motion:

N/A; discussion only.

Background:

The City is subject to an annual audit performed by external auditors. Each year the finance department, in conjunction with the city's external auditors, produces the City of Surprise Comprehensive Annual Financial Report (CAFR), Single Audit Report, Management Letter, Communication with Governance, Annual Expenditure Limitation (AELR) Report, and Highway User Revenue Fund (HURF) Report.

Objective Analysis:

A "clean" or unmodified opinion is the goal of all cities.

Policy Compliant:

The reports have met the requirements of external regulators and are compliant with City policy.

Financial Impact:

There is no financial impact as these reports are for informational purposes only.

Budget Impact:

There is no budget impact as these reports are for informational purposes only.

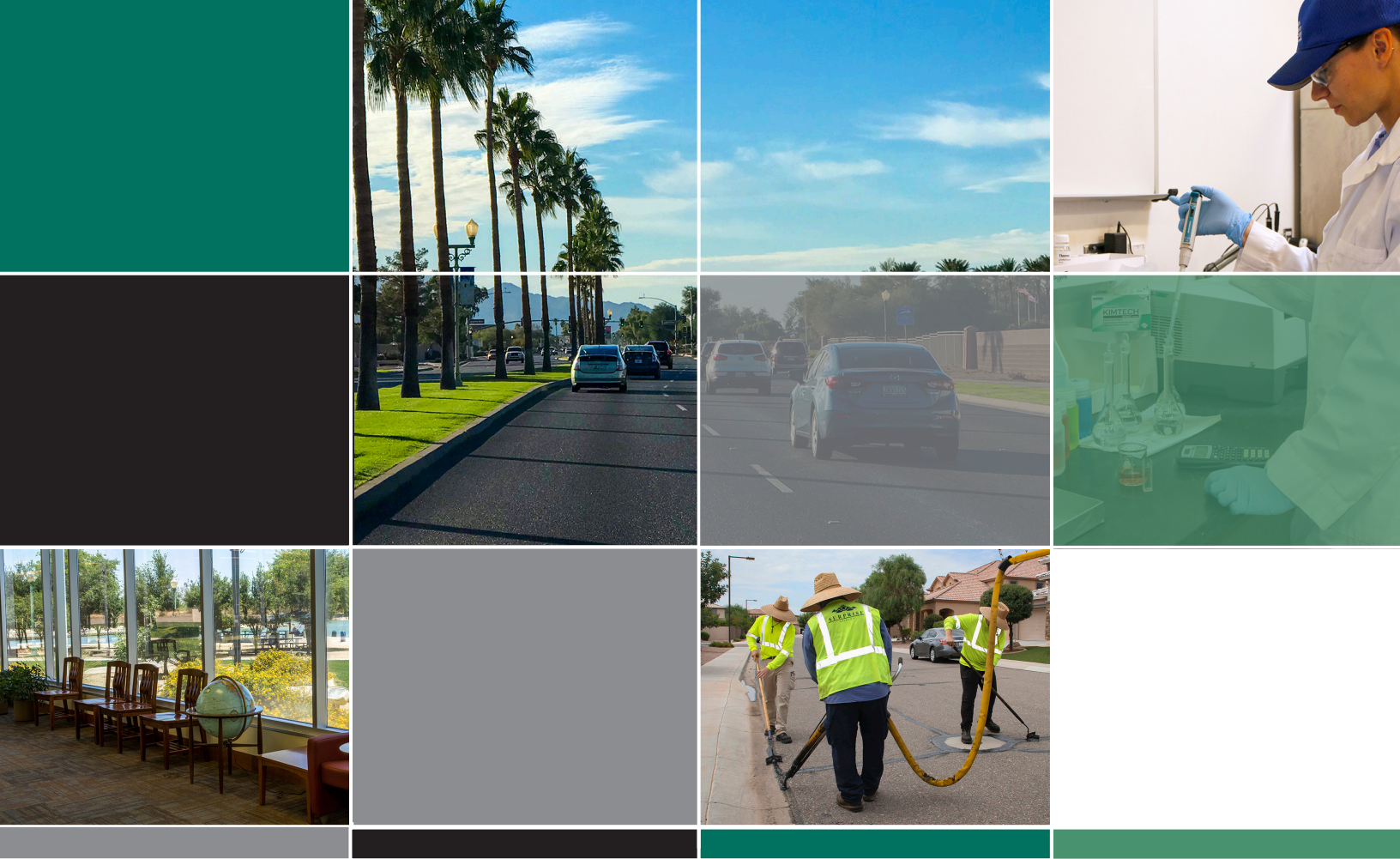
FTE Impact:

The number of full time equivalents (FTE) is not impacted by this item.

ATTACHMENTS:

1. FY19 CAFR City of Surprise
2. City of Surprise SARP 19
3. 2019 Annual Expenditure Limitation Report
4. City of Surprise HURF Auditor's Report 19

5. City of Surprise ML 19
 6. City of Surprise Communication to Governance 19
-



CITY OF SURPRISE, ARIZONA COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2019

Prepared by:
Finance Department

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INTRODUCTORY SECTION

The introductory Section is the first of three essential components of the City's Comprehensive Annual Financial Report (CAFR). The second essential component is the Financial Section, and the third is the Statistical section. The Introductory section provides general information on the City's structure and personnel as well as information useful in assessing the City's economic condition, with the letter of transmittal as the key element to formally introduce the CAFR to the intended readers.

December 11, 2019

Members of the City Council and City Manager:

In accordance with the requirements of Arizona Revised Statutes (A.R.S.) § 41-1279.07, I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Surprise, Arizona (the City), for the fiscal year ended June 30, 2019. These financial statements are prepared and presented in conformity with generally accepted accounting principles in the United States (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the various funds of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information presented in this report based on internal controls established for this purpose. To provide a reasonable basis for making these representations, the City has established a framework of internal control that is designed 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 GAAP. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Heinfeld, Meech and Co., P.C., a firm of licensed certified public accountants, has audited the City of Surprise's financial statements pursuant to A.R.S. § 9-481. The audit is intended to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, 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 used and significant estimates made by management, and evaluating the overall financial statement presentation.

An unmodified audit opinion denotes that the financial statements are presented fairly and in conformity with GAAP. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Heinfeld, Meech and Co., P.C. was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Uniform Grant Guidance.

The single audit report is issued separately from this CAFR. Copies are available online and upon request from the City's Finance Department.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

Surprise, located just 45 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded on May 17, 1938 by Flora Mae Statler who purchased and subdivided the original town site. The former small farming village now encompasses 108 square miles, including urban and commercial developments, ranches, industrial sites, and business parks. Surprise has grown from 500 residents to a city of over 130,000 people, evolving from a small town government to a regional governmental entity.

Surprise operates under the Council/Manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the Mayor and six Council Members. The Council is responsible, among other things, for passing ordinances, appointing committees, adopting the budget, and appointing the City Manager, the City Clerk, and the Presiding Judge. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for selecting department directors.

The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three elected alternately every two years. The Mayor is elected at large every four years, while the other Council members are elected by district.

The City of Surprise provides a full range of services, including police and fire protection, roadway maintenance and construction, recreational and cultural activities, as well as general administrative services. Sanitation, water, stormwater, ground ambulance, and sewer services are provided to many of the residents through the City's enterprise funds. The City provides street lighting for existing and new areas through legally formed street lighting districts. The City accounts for a non-profit corporation formed under Arizona Revised Statute, Title 10, designed to facilitate the acquisition and improvement of City property, and a community facilities district designed to provide funding for the construction and acquisition of certain public infrastructure improvements. These last three activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all three of these legally separate entities can be found in Note 1 section A. (1.A) in the Notes to the Financial Statements.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The budget preparation and adoption process is described in greater detail in the Notes to the Financial Statements. The budget is prepared by fund and by department and may be amended during the fiscal year in accordance with our budget amendment policy which can be found in the City's budget book.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City of Surprise operates.

Local Economy

Forecasts show continued improvement in the economic outlook for the City of Surprise. Key indicators supporting the forecasts include growth in both residential population and commercial square footage that result in increased revenues for the city as well as moderate inflation rates that has kept expenditure increases at a manageable level. Residential population growth in the city has exceeded the statewide average over the last five years and is expected to continue based on the availability of land within the city's planning area. This results in a greater number of consumers and a larger proportion of state shared revenues. The increase in commercial square footage allows for a greater capture of potential sales tax revenues from the increased consumer base. These have combined to result in an 13.2% increase in sales tax collections while state shared revenues increased by 1.9% over the previous year. In addition, the inflation rate has been held in check with the Phoenix-Mesa Consumer Price Index averaging 2.1% annually over the last five years. This shows prices have remained relatively stable over the last five years assisting the local economy by increasing the purchasing power of residents. The population and commercial square footage growth has been a factor in the improved economic performance for the city.

Further information on the history of City revenues and expenses can be found in the MD&A, pages 16 through 29, and the statistical section that begins on page 166, of this financial report.

Long-Term Financial Planning

In order to keep pace with the City's growth, the City is committed to adding public safety personnel to ensure our community's safety and security. For the upcoming fiscal year 18 full-time equivalents will be added to the public safety departments (Police, Fire-Medical, and Court). In addition, as the City continues to grow support staff in other departments are needed and for the upcoming year this includes the addition of 13 full-time equivalent employees to the City's enterprise funds. Further, the City looks to continue to increase investment in maintaining facilities, infrastructure, and equipment that allow for the continued delivery of high quality services to the residents of Surprise. The city will dedicate \$15.8 million in the upcoming fiscal year for this purpose. A five-year forecast comparing resources to expenditures helps ensure long-term financial stability and secures safety of the city's financial position.

Major Initiatives

On November 7, 2017, the voters of the City of Surprise approved three General Obligation Bond questions in the areas of Public Safety, Traffic Congestion Mitigation, and Pavement Preservation. The three questions represent ten capital improvement projects for a total authorized bond amount of \$59.5 million. The City has issued General Obligation Bonds totaling \$37.7 million of the \$59.5 million authorization leaving a remaining authorization of \$19.5 million. The City has continued construction and design work for these projects which will continue throughout fiscal year 2020 with an expected completion date for all ten projects in fiscal year 2023.

The City continues to work in partnership with Ottawa University Arizona and the surrounding developer to develop the City Center.

On May 15, 2018, the voters of the City of Surprise approved the acquisition of a local water company that operates in the City's northern planning area and future water service area. The acquisition will provide the City with the company's existing water infrastructure and grow the City's allocation of Colorado River water by more than 38 percent. The process for the acquisition of the water company has begun and is expected to be finalized within the next few years.

In fiscal year 2019, the City completed a five-year comprehensive utility rate study of the Water, Sewer, and Sanitation Funds. This study resulted in rates for the Water and Sewer funds remaining unchanged for next five fiscal years, 2020-2024. The study resulted in Sanitation Fund rates increasing from \$16.96 in fiscal year 2019 to \$23.70 in fiscal year 2024, an increase of 39.74%.

Further, 2019 saw the completion of the Development Impact Fee Study update which is completed every five years. In conjunction with the study update, a 10-year land use assumptions and infrastructure improvements plan is developed and approved by the City Council laying out planned projects for which development fees may be used to fund. The infrastructure improvement plan includes necessary public services for Parks and Recreation, Police, Fire, Water System, Water Resources, and Wastewater (Sewer).

Relevant Financial Policies

The City of Surprise has adopted a comprehensive set of financial policies which are reviewed annually and updated as necessary. During the current year, the City updated the minimum fund balance policy included in the Comprehensive Financial Management Policies. For fiscal year 2019, the General Fund minimum fund balance categories – Emergency Reserve, Operating Reserve, and a Budget Stabilization Reserve – continue to maintain the same percentage of the average budgeted personnel, supplies, and services over a two-month period for that year's Council Adopted Budget for the General Fund and the Highway User Revenue Fund as prior years; however, beginning in fiscal year 2019 the Ground Ambulance Services Fund was added to the computation of the minimum fund balance. The City is in compliance with its minimum fund balance and net position policy for all funds.

During the current year, the City of Surprise updated its inventory policies for consumable and capital asset inventories to be consistent with operational procedures and Generally Accepted Accounting Principles. Further, the City developed and adopted policies related to capital assets, debt issuance, continuing disclosure compliance, accounts payable. Finally, the City's grants policies and procedures and the procurement guidelines were updated to match current City operations.

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 Surprise for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

I want to thank and recognize the staff of the Finance Department for their efforts in preparing this report. I would also like to thank all City departments for their assistance throughout the past year and express my appreciation for the guidance and support from the City Manager's Office and Mayor and City Council in planning and conducting the financial operations of the City in a fiscally responsible manner.

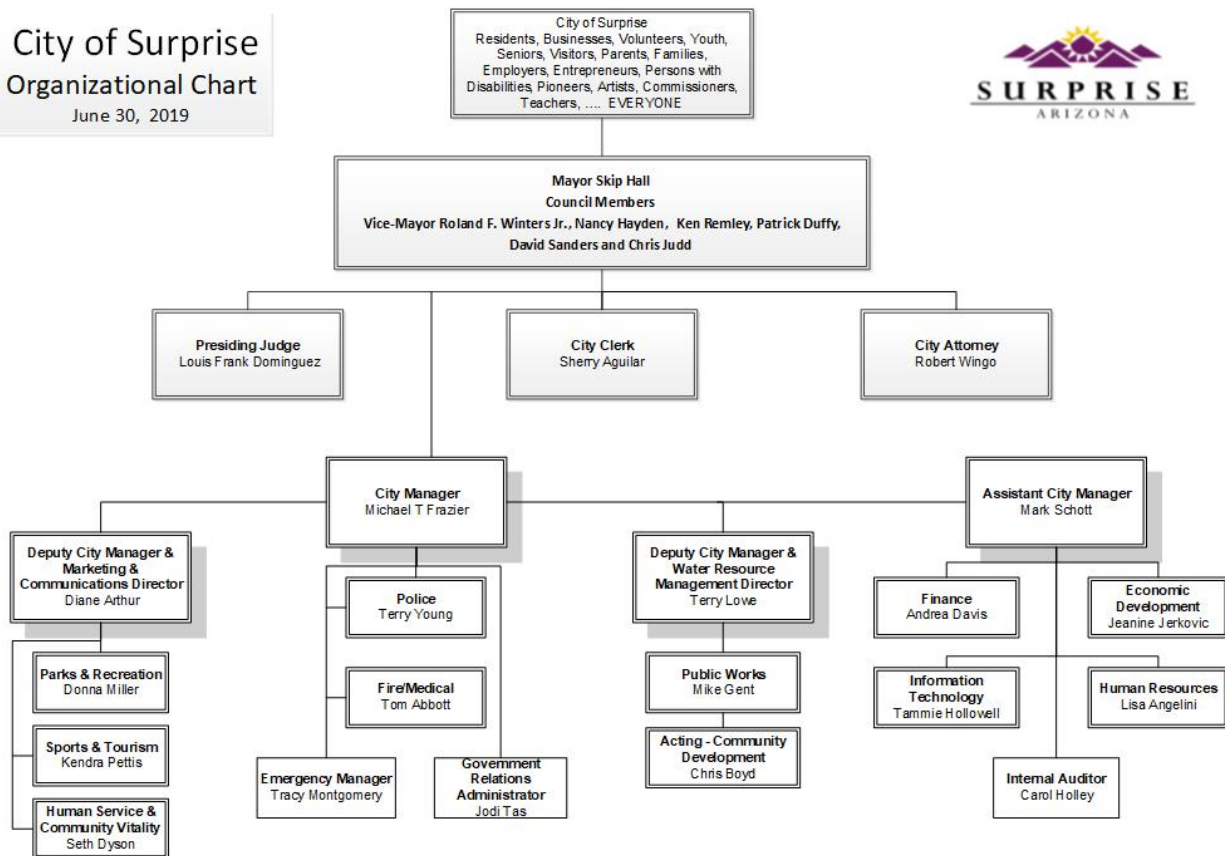
Respectfully submitted,



Andrea Davis
Chief Financial Officer

City of Surprise Organizational Chart

June 30, 2019





Mayor and City Council Members

MAYOR SKIP HALL – Mayor@surpriseaz.gov



Mayor Hall was unanimously selected by the City Council in November 2018 to serve as Mayor of Surprise to fill a vacancy. This term ends December 31, 2020.

He was first elected to the City Council in an April 2008 special election in District 6 (Palo Verde) and re-elected to office in 2009 to a full term. Redistricting placed him in the newly-configured District 5, and on August 27, 2013, he was elected to the District 5 seat. He was re-elected to that seat in the August 2018 Primary Election and resigned that seat to fulfill the remaining two-year mayoral term. He also served as Vice Mayor in 2011 and 2014.

Prior to serving in politics and serving three years on the City of Surprise Planning and Zoning Commission, Skip spent several decades working in various capacities in the Hospitality and Real Estate industries. For three years, he was the Vice President of a new home builder and prior to that, he served 10 years as the Senior Vice President of a hospitality company based in Japan. Most of his professional career was spent opening and operating several restaurants and hotels along the west coast.

He has been part of the united Council effort that helped pull Surprise back to fiscal health over the last several years, generating a budget surplus and placing the City's fiscal house in order. Councilman Hall also played a proactive supporting role with initiating a Surprise youth component and sponsors the Surprise Literacy Challenge annually.

His goals for the City include a 100-year water plan, working with transportation partners to expand east-west connections, developing a local circulator, expanding youth involvement in the community, increasing local veteran outreach and services, and attracting new businesses to Surprise.

He has served on a number of City Council Sub-Committees during his time on Council, as well as WESTMARC's Water & Energy Committee and the Valley Metro RPTA Board. Presently, Hall's regional service includes a position on the MAG Regional Council and involvement with the Kyl Center for Water Policy.

Hall is active with the City's Tourism Commission and in promoting the City to local, regional, and national organizations. Furthermore, he is active with the Surprise Regional Chamber of Commerce and the AZ TechCelerator to promote business growth. He serves on the Surprise Rotary Club and the Surprise Fraternal Order of Eagles. In addition, Councilman Hall is a member of the STEM Community of Practice with representatives of the Dysart Unified School District and the West Valley Veterans Success Project (VCP) Advisory Committee with several other state and local elected officials. He has also regularly volunteered his time with Radiant Church.

He grew up in Idaho and received a business degree from Seattle University. Skip is a Vietnam War Veteran and was awarded the Bronze Star for his outstanding service 1969-1970.



VICE MAYOR ROLAND WINTERS – Roland.Winters@surpriseaz.gov



Roland F. Winters Jr. was first elected to City Council in 2013 with a term beginning January 2014. He was re-elected in 2018 and began his new four-year term in January 2019, when he was also appointed to the role of Vice Mayor.

Born and educated through high school in New Jersey, Roland earned a degree in Business Administration and Pre Law at Fullerton College in Fullerton, Ca. He earned a BA degree in Marketing Management from the University of California.

He worked thirty-five years at Hughes Air Craft Company in Fullerton, Ca. and also owned and operated a photo studio in Fullerton and Placentia, Ca. He served on the State Board of Directors for Californians for Disability Rights.

Roland and his wife Carroll have four children – two sons and two daughters. David lives in Muncie, Indiana; Donald lives in Wildwood, Florida; Nancy lives in Gilbert, Arizona; and Jennifer lives at home. Roland and Carroll have seven grandchildren.

Winters currently serves on the City's Boards and Commissions Selection Committee. In addition, he serves on the Maricopa County Community Services Commission, Valley Metro RPTA Board and the Northwest Valley Connect Advisory Board.

Winters' goal for Surprise is to be a fully self-sustaining city where its residents can live, get educated, work and play.

NANCY HAYDEN – Nancy.Hayden@surpriseaz.gov



Nancy Hayden was appointed by the Surprise City Council to serve as the District 2 (D2) Councilmember on February 6, 2018.

The seat was vacated following the death of Nancy's husband Councilmember Jim Hayden on December 20, 2017.

Among her reason's for applying for the D2 seat, Nancy stated wanting to carry on her husband's vision to better connect with residents and contribute to the City of Surprise's bright future and its many growth and development opportunities.

With her spouse and son having both retired from the United States Air Force, Nancy is also a proud supporter of our nation's veterans, as well as Luke Air Force Base. She is also committed to working alongside Valley leaders to help combat the regional opioid epidemic.

Nancy has an extensive background in project management of enterprise-wide changes in information technology and manufacturing requirements. She has been recognized for her negotiation strength and creative problem solving, as well as her ability to coordinate and implement complex organizational changes.

She began her career with Siemens Business Services/Business Communications Systems, Inc. in Santa Clara, California, in 1989 as a Site Support Manager, overseeing projects involving manufacturing, purchasing, and production control. Over the years she rose through the ranks to assist in company-wide technology updates and contract management that reduced Siemens annual costs by over \$5 million. She retired from Siemens in 2002, and held other sales and customer service training positions with Honey's Clothing Store and Well Fargo, respectively.



Nancy has studied a variety of subjects from transportation to oceanography at San Jose City College, De Anza College and the University of Hawaii and holds a Project Management Certificate from the University of California- Santa Cruz.

Nancy and Jim moved into the Sun City Grand neighborhood over 15 years ago. She is a proud mother, grandmother, and great-grandmother committed to making Surprise a great place for people of all ages to live and flourish.

Nancy's appointed term ended December 31, 2018. Having won the August 28th Primary Election, her remaining two years of the four-year D2 term, began January 1, 2019 and expires December 31, 2020. D2 includes the following neighborhoods: Sun City Grand, Bell West Ranch, and portions of Arizona Traditions.

PATRICK DUFFY – Patrick.Duffy@surpriseaz.gov



Patrick Duffy was appointed by City Council in September 2017 to represent the residents of District 3 (D3).

Duffy replaced John Williams, who resigned from Council on August 15, 2017. Duffy is a Financial Advisor for Merrill Lynch and for the past 9 years he worked part-time as a City of Surprise Recreation Leader 3. He has lived in Surprise for eight years, two of them in D3. Duffy was a member of the Surprise Municipal Property Corporation Board and through his city service has been part of numerous Community and Recreation Services events including Spring Training support, Relay for Life events and Cal Ripken All-Star games. He holds a Bachelor of Arts in Political Science from Arizona State University.

Duffy's appointment expired December 31, 2018; and he was elected to the seat to serve out the remainder of the four-year term (two years) in the August 2018 Primary Election. The remaining two-year term expires December 31, 2020.

KEN REMLEY – Ken.Remley@surpriseaz.gov



Ken is a believer in strong leadership, partnership, and fiscal responsibility. His vision is to support initiatives that attract quality employers and good-paying jobs to Surprise, while maintaining cost-effective city services.

He was elected to District 4 in the August 2016 Primary Election and began his term in January 2017.

Ken is a licensed mortgage loan officer and income tax preparer. He served as the treasurer for the Litchfield Manor Homeowners' Association for 10 years. He also served on the HOA's Budget, Landscaping, Architectural and Social Committees.

He is a Vietnam War Veteran, having served in the United States Navy. Ken holds a bachelor's degree in Business Administration-Accounting from Cal State Fullerton.

Ken and his wife Beverley have lived in Surprise since 2004. They have four children, nine grandchildren, and eight great-grandchildren.



DAVID SANDERS – David.Sanders@surpriseaz.gov



David Sanders was appointed by City Council on January 3, 2019 to represent the residents of District 5 (D5). He replaced Skip Hall, who was appointed to Mayor by his City Council peers in November 2018.

Sanders has lived in Surprise since 2010 with his wife Steffany, and their children: Jayden, Grayson, and Emma.

Sanders is a Vice President – Portfolio Management at National Bank of Arizona and has previous banking/finance experience. He received a Bachelor of Science degree from California State University – San Marcos in Business Administration and an MBA from the W.P. Carey School of Business at Arizona State University with a focus on International

Business and Finance.

Sanders was a five-year member of the Surprise Community and Recreation Services Advisory Board before joining the City Council. He and his counterparts on the Board played an instrumental role with the planning of Veramonte Park, Surprise Farms Park, the pickleball courts, and much more.

He was also part of the Capital Improvement Funding Exploration Committee, which helped craft a voter-approved \$59.5 million general obligation bond package to fund public safety, traffic mitigation and pavement preservation projects across the City.

The term expiration for appointment will be December 31, 2020; and the remainder of the four-year term will result in the next scheduled council election in August 2020.

CHRIS JUDD – Chris.Judd@surpriseaz.gov



Chris Judd was elected as the District 6 (D6) Councilmember in the August 2018 Primary Election to serve a four-year term beginning January 1, 2019.

Chris is a native Arizonan and graduate of Arizona State University. He has been part of the Surprise business community since the mid-'90s, and he and his family of five have been coming home to Surprise for over a decade.

As an independent businessman and former owner and manager of local small businesses, Chris was very active with the Rotary Club of Surprise, and the Surprise Regional Chamber of Commerce. He served as the Rotary Club President in 2015-2016, and currently serves on the Board of Directors for the Rotary Club of Surprise Community Foundation. He previously served as Chairman of Taste of Surprise, a charity event organized by the Rotary Club and run entirely by volunteers. Under Chris's leadership, Taste of Surprise moved to Surprise Stadium to handle the growing crowds. It has grown into a must-attend annual event, bringing the community together and generating much needed funds for several charities that work right here in Surprise.

Chris began working in Surprise in 1996, right out of college, and spent 14 years as General Manager of a local small manufacturing plant. There he learned about the many challenges that businesses – especially small businesses – face, and how difficult it can be to juggle all of the factors required to make a business successful, profitable, and a good place to work. He took that knowledge and experience, and applied it to a small business of his own, a Surprise-based trucking company that served local and long-haul clients.



Chris is employed by Liberty Mutual Insurance. He holds a professional designation as a Life Underwriter Training Council Fellowship from the College for Financial Planning, as well as a Bachelor of Science degree from ASU.

Chris and his wife Jenna have been married for over 20 years, and are most proud of the work they've done, and are doing, raising their three wonderful daughters. The family loves the great outdoors and they spend as much time as they can together, camping and hiking in and around the beautiful backcountry of Arizona's deserts, mountains, and forests.



City of Surprise Appointed Officials

City Manager	Michael T. Frazier
City Clerk	Sherry Aguilar
City Attorney	Robert Wingo
Presiding Judge	Louis Frank Dominguez



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
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Reporting**

Presented to

**City of Surprise
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION – INDEPENDENT AUDITORS’ REPORT

The Financial Section is divided into five subsections. The first subsection is the Independent auditors’ report, which is the official written communication of the audit results provided by the independent auditors expressing their opinion on the City’s financial statements as to whether the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

Financial Subsection’s

- ❖ Independent Auditors’ Report
- ❖ Management’s Discussion and Analysis
- ❖ Government Wide Financial Statements
- ❖ Fund Financial Statements
- ❖ Notes to the Financial Statements

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council and City Manager
City of Surprise, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Surprise, Arizona (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Surprise, Arizona, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, as of June 30, 2019 the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*; GASB Statement 84, *Fiduciary Activities*; and GASB Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No.*

61, all of which represent a change in accounting principle. Our opinion is not modified with respect to these matters.

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, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 Introductory Section, Combining and Individual Fund Financial Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of the City of Surprise, 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 Surprise's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Surprise, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona

December 11, 2019



FINANCIAL SECTION – MANAGEMENT’S DISCUSSION AND ANALYSIS

The Financial Section is divided into five subsections. The second subsection is Management’s Discussion and Analysis. This component of required supplementary information is used to introduce the basic financial statements and provide an analytical overview of the City’s financial activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Surprise (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2019. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing a summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. Amounts presented may reflect some minor differences due to rounding. This analysis is meant to be read in conjunction with the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ❖ **Governmental Activities net position.** The City's net position increased 6.6% or \$26.6 million from \$404.1 million to \$430.7 million. This increase is largely attributable to an increase in sales taxes from an improving economy, increased property taxes related to the new secondary property tax levy and an increase in home values, along with better returns on investments during the year.
- ❖ **Business-type net position.** The City's net position increased by 2.4% or \$7.9 million from \$323.8 million to \$331.6 million, which is a smaller increase than the prior year increase of \$8.9 million. A 8.25% increase in water utility rates, a 2% increase in sanitation utility rates, an increase in the number of ground ambulances providing services, and continued growth in the City account for the change.
- ❖ **Governmental Activities expenses** of \$160.5 million exceeded program revenues of \$62.3 million, a difference of \$98.2 million. The remaining \$98.2 million of expense represents the total burden each separate function places on the City, that is the total cost after deducting revenues charged or grants and contributions received specifically for these programs. This amount is covered by general governmental revenues net of transfers.
- ❖ **Business-type expenses** were \$44.4 million, while program revenues totaled \$52.4 million, a difference of \$8.0 million. The current year excess revenues will be added to net position.
- ❖ **Component units** – The City includes three separate legal entities in its report: The Surprise Municipal Property Corporation (SMPC), Marley Park Community Facilities District (CFD), and various Street Lighting Improvement Districts (SLID). Although legally separate, these "component units" are presented along with the City's financial statements (blended presentation). Blending component units is appropriate when they share a governing body with the primary government or when there is an exclusive benefit to the primary government. Each of the above mentioned component units, meets these requirements. A more detailed description of these component units is available in Note 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 30-31 and 32-33) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 34. For government-wide financial statements, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The fiduciary statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 30. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities provide information about the City as a whole and about its activities in a way that helps answer this question. These statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

These two statements report the City's net position and/or changes in them. You can think of the City's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

The statement of net position and the statement of activities are divided into two kinds of activities:

- ❖ **Governmental activities** – Most of the City's basic services are reported here, including police, fire-medical, public works, parks and recreation, human services and community vitality, community development, economic development departments, and general administration.
- ❖ **Business-type activities** – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City's ground ambulance services, water, sewer, sanitation, and stormwater systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 34 where the fund financial statements begin. These provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- ❖ **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. A description of the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is included in the reconciliations following the fund financial statements.

- ❖ **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City’s other programs and activities, specifically the City’s Employee Healthcare Fund, the Risk Management Fund, and the Workers’ Compensation Fund.
- ❖ **Fiduciary Funds** – The City is the fiduciary for the Flexible Spending Account. All of the City’s fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 48-49.

These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of June 30, 2019 and June 30, 2018.

City of Surprise’s Net Position (in Millions)

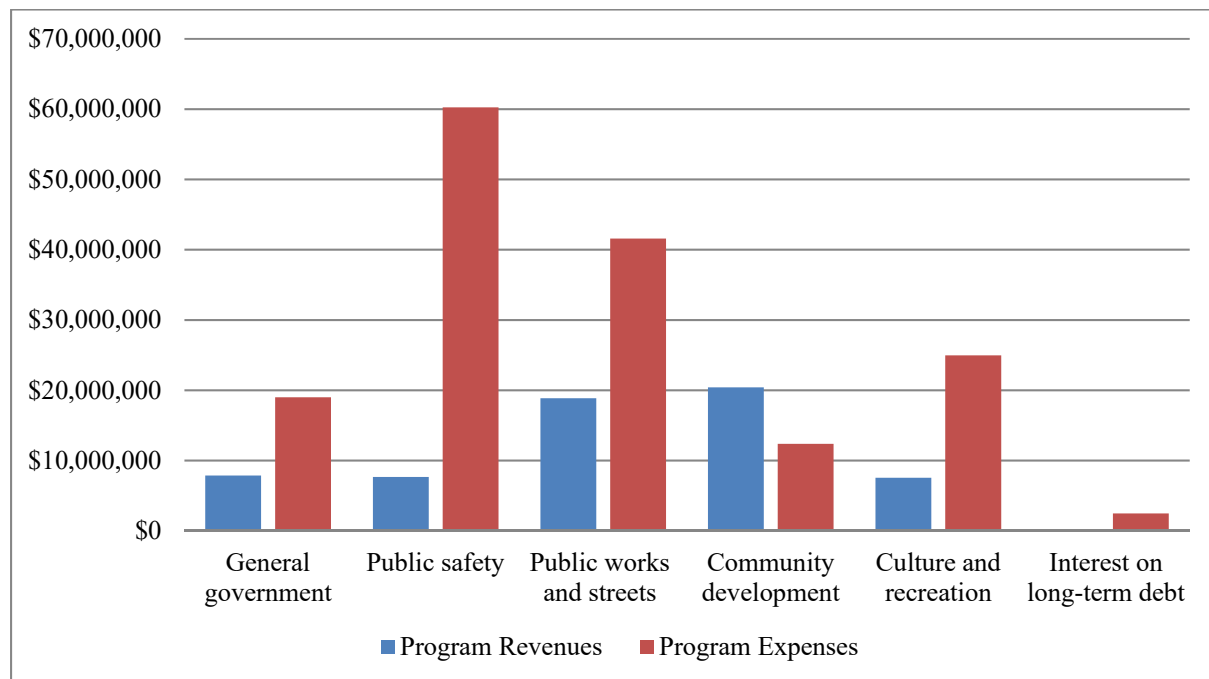
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$162.6	\$137.2	\$ 76.9	\$ 68.8	\$239.5	\$206.0
Capital assets, net	441.3	435.3	306.8	311.2	748.1	746.5
Total assets	<u>603.9</u>	<u>572.5</u>	<u>383.7</u>	<u>380.0</u>	<u>987.6</u>	<u>952.5</u>
DEFERRED OUTFLOWS OF RESOURCES	25.7	30.9	2.1	2.1	27.8	33.0
LIABILITIES						
Current liabilities	33.8	26.1	8.1	5.2	41.9	31.3
Long-term liabilities	155.5	169.7	44.6	52.4	200.1	222.1
Total liabilities	<u>189.3</u>	<u>195.8</u>	<u>52.7</u>	<u>57.6</u>	<u>242.0</u>	<u>253.4</u>
DEFERRED INFLOWS OF RESOURCES	9.5	3.5	1.4	0.7	10.9	4.2
NET POSITION						
Net investment in capital assets	399.4	394.0	274.8	278.0	674.2	672.0
Restricted	29.5	67.7	12.9	14.4	42.4	82.1
Unrestricted	1.8	(57.6)	43.9	31.4	45.7	(26.2)
Total net position	<u>\$430.7</u>	<u>\$404.1</u>	<u>\$331.6</u>	<u>\$323.8</u>	<u>\$762.3</u>	<u>\$727.9</u>

Net position is a good indicator of a city's overall financial standing. For fiscal year 2019, the City had total combined net position of \$762.3 million. This was an increase of \$34.5 million, or 4.7% over the prior year's net position of \$727.9 million and is attributed to a new secondary property tax of \$0.42 per 100 of assessed value to repay the General Obligation Bonds, Series 2018, which were approved by voters in November 2017 and increased home values, an improving economy, an 8.25% water rate increase, a 2% sanitation rate increase, and continued growth within the City. In fiscal year 2018, the City's net position was restated as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and a correction of a prior year error. Not all of the \$762.3 million is available for the City to use without restraint. The largest portion of the City's total net position \$674.2 million, or 88.4% represents the City's net investment in capital assets. Of the remaining net position, \$42.4 million is restricted for various purposes with the remaining \$45.7 million unrestricted as to its use.

City of Surprise's Changes in Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for services	\$ 28.3	\$ 25.1	\$ 46.8	\$ 43.9	\$ 75.1	\$ 69.0
Operating grants and contributions	11.6	12.5	-	-	11.6	12.5
Capital grants and contributions	22.5	25.5	5.5	9.7	28.0	35.2
General Revenues:						
Property taxes	16.1	10.8	-	-	16.1	10.8
Sales taxes	61.6	54.4	-	-	61.6	54.4
Franchise taxes	5.6	5.7	-	-	5.6	5.7
State shared revenues	35.9	35.1	-	-	35.9	35.1
Unrestricted investment earnings	3.5	0.3	1.4	0.1	4.9	0.4
Other	0.5	(0.8)	-	-	0.5	(0.8)
Total revenues	185.6	168.6	53.7	53.7	239.3	222.3
EXPENSES						
Program activities:						
Governmental activities:						
General government	18.8	24.7	-	-	18.8	24.7
Public Safety	60.2	51.2	-	-	60.2	51.2
Public works and streets	41.6	37.7	-	-	41.6	37.7
Community development	12.4	12.3	-	-	12.4	12.3
Culture and recreation	25.0	26.5	-	-	25.0	26.5
Interest on long-term debt	2.5	1.9	-	-	2.5	1.9
Business-type activities:						
Ground Ambulance Services	-	-	3.4	3.1	3.4	3.1
Sanitation	-	-	8.6	8.6	8.6	8.6
Sewer	-	-	19.3	20.0	19.3	20.0
Stormwater	-	-	1.4	0.8	1.4	0.8
Water	-	-	11.7	10.9	11.7	10.9
Total expenses	160.5	154.3	44.4	43.4	204.9	197.7
Excess before transfers	25.1	14.3	9.3	10.3	34.4	24.6
Transfers in (out)	1.5	1.4	(1.5)	(1.4)	-	-
Increase/(Decrease) in net position	26.6	15.7	7.8	8.9	34.4	24.6
Net position - beginning - previously stated	404.1	389.6	323.8	314.1	727.9	703.7
Prior period adjustment	-	(1.2)	-	0.7	-	(0.5)
Net position - beginning - restated	404.1	388.4	323.8	314.9	727.9	703.3
Net Position - ending	\$430.7	\$404.1	\$331.6	\$323.8	\$762.3	\$727.9

FY 2019 Governmental Program Revenues and Expenses

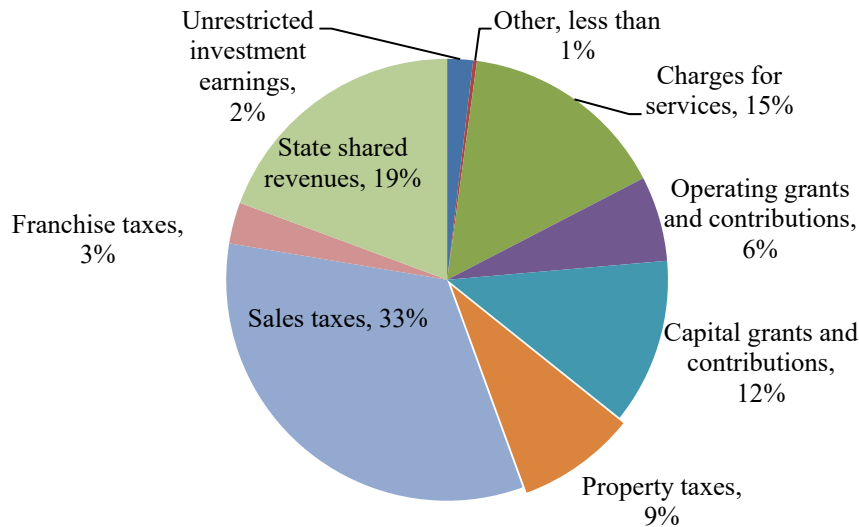


For fiscal year 2019, governmental program expenses exceeded program specific revenues by \$98.2 million. The remaining expenses were supported by general governmental revenues.

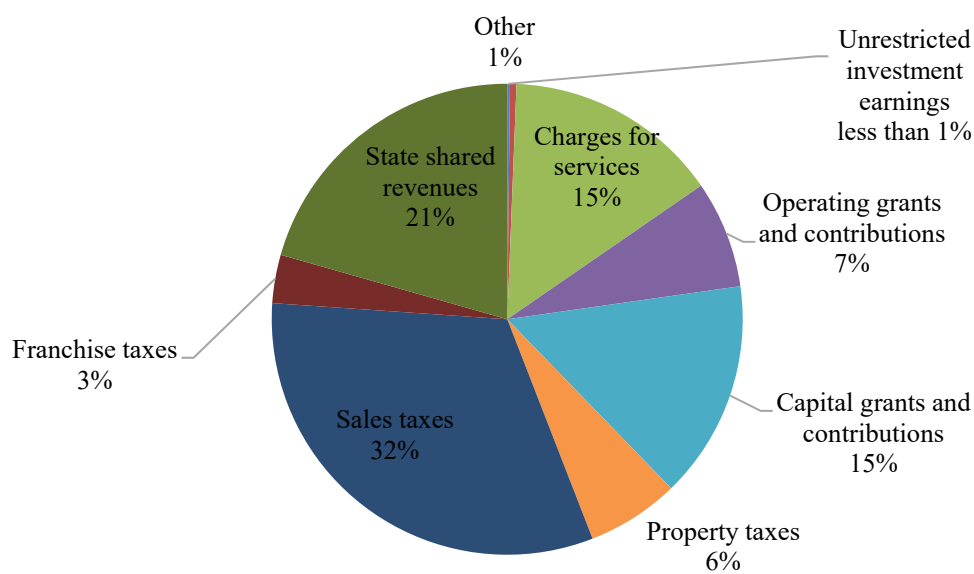
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 33.3% of total governmental revenues.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior services) are subsidized by general governmental revenues. The City does not intend to charge for the total cost of these services directly.
 - Culture and Recreation often charges a fee for services it provides, but usually that fee does not cover the entire cost of the service.
- ❖ **Community Development** revenues come primarily from construction related activities.
- ❖ **SLIDS** are Street Light Improvement Districts that charge a fee/tax to pay for the maintenance of light poles and the electricity used by neighborhood streetlights. Revenues and expenses for SLIDS are included in the public works and streets program.

Governmental Activities Revenues for the fiscal year ended June 30, 2019 totaled \$187.1 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2019 Governmental Activities Revenues

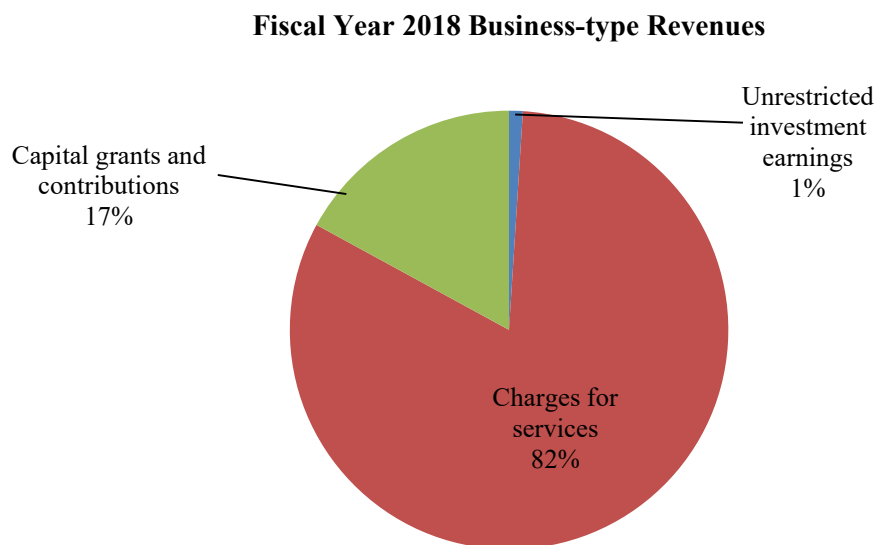
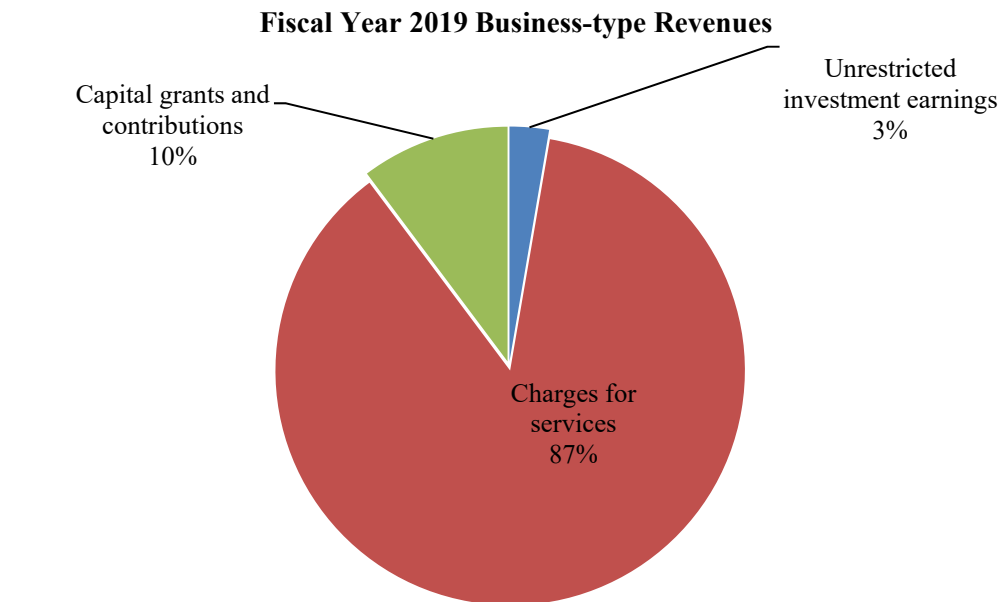


Fiscal Year 2018 Governmental Activities Revenues



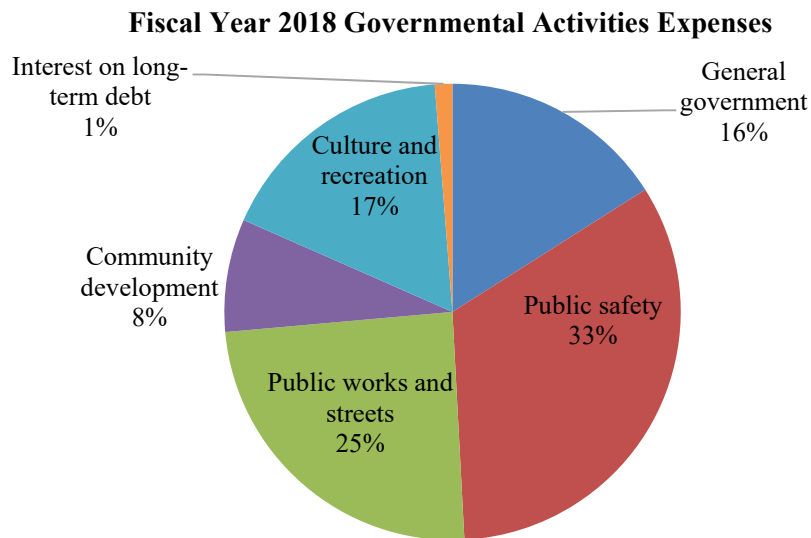
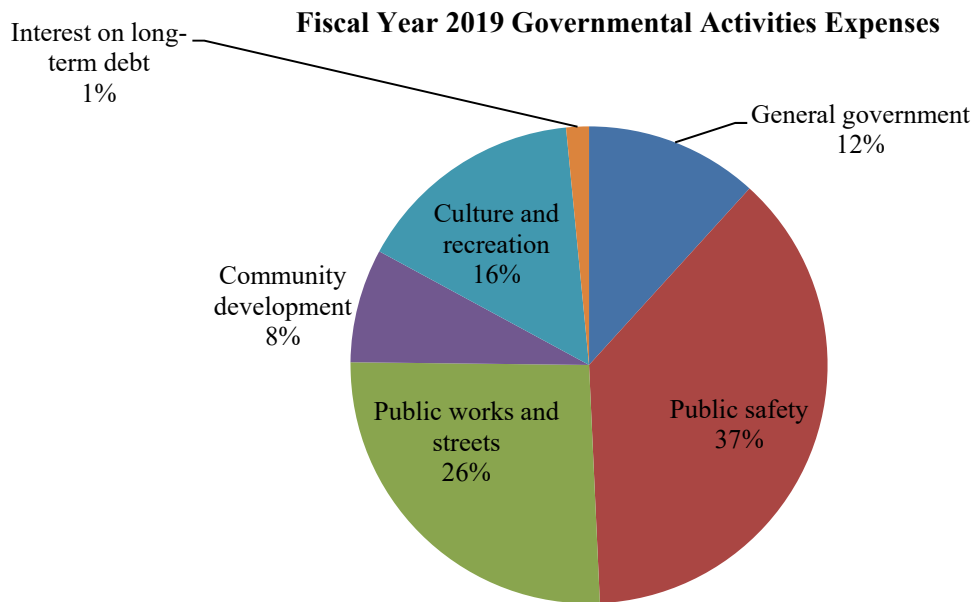
- ❖ The City's largest revenue source is sales taxes at \$61.6 million. This is followed by state shared revenues totaling \$35.9 million.
- ❖ Total governmental activities revenues increased \$17.1 million from the prior year as a result of the following changes in revenue: sales taxes increased \$7.2 million due to an improving local economy. Charges for services increased \$3.2 million, unrestricted investment earnings increased \$3.2 million, other revenue increased \$1.3 million, and property taxes increased \$5.3 million due to a 7.25% increase in property values and a new secondary property tax which offset the decrease in capital grants and contributions of \$3.0 million.

Business-type Revenues for the fiscal year ended June 30, 2019 totaled \$53.8 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.



- ❖ Total Business-type revenues stayed stable from the prior fiscal year. The stability in the revenue is the result of increases in charges for services across all of the activities of \$3.0 million and an increase in unrestricted investment earnings of \$1.3 million compared to the prior year covering the decrease in capital grants and contributions of \$4.2 million.

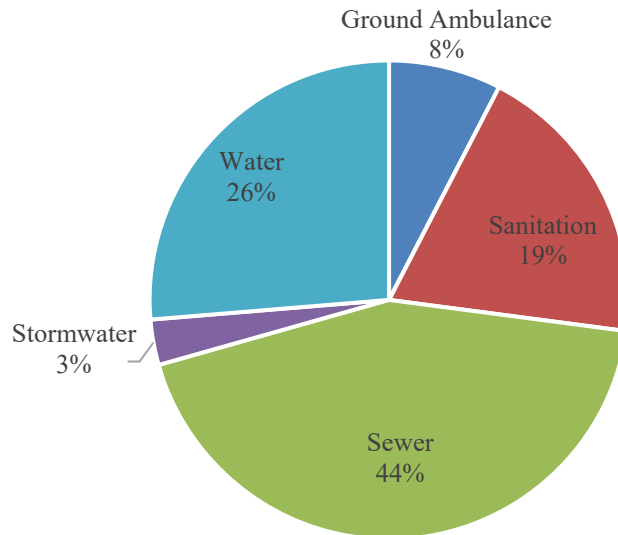
Governmental Activities Expenses for the fiscal year ended June 30, 2019 totaled \$160.5 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



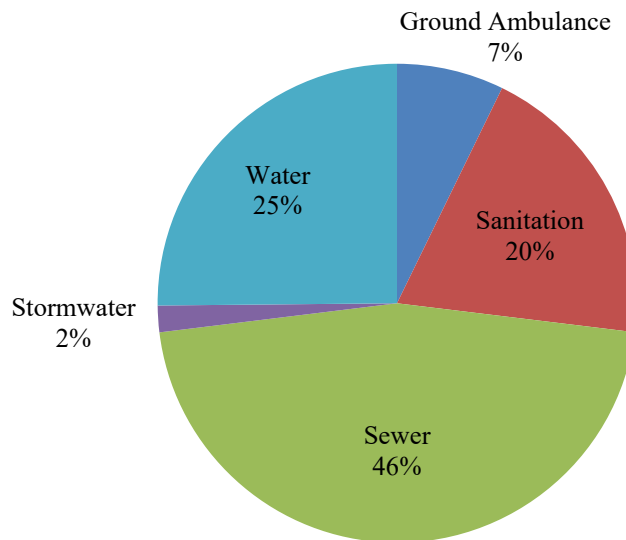
- ❖ Current year costs increased by \$6.2 million or 4.0% as result of increases in personnel and personnel costs. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at \$60.2 million.

Business-type Expenses for the fiscal year ended June 30, 2019 totaled \$44.4 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

Fiscal year 2019 Business-type Expenses



Fiscal year 2018 Business-type Expenses



- ❖ Business-type expenses increased by \$1.0 million or 2.3% from the prior year. The Water Fund mainly contributed to this increase in expenses with the remaining increase spread evenly amongst the other programs. The increase in expenses was the result of personnel cost increases and increases in supplies and services for operations.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$17.6 million from \$110.2 million to \$127.8 million. The increase was primarily due to a \$12.5 million increase in tax revenues as the result of the new secondary property tax levy to repay the debt service related to the General Obligation Bonds, Series 2018, a \$4.0 million increase in charges for services, and a \$1.0 million increase in intergovernmental revenues. Of the total ending fund balance, \$2.9 million has been classified as nonspendable and is not available to meet future funding needs because it is not in spendable form or is legally or contractually required to be maintained intact. An additional \$62.0 million has been classified as restricted and consists of amounts restricted by external parties or as a result of the law. Of the remaining fund balance, \$6.4 million has been committed to recognize a specific council determined purpose which may not be used for another purpose without council's direction, but the purpose can be changed by council. There is \$20.1 million of fund balance which has been assigned to a specific purpose by the chief financial officer; these amounts may be used for other purposes than the currently assigned positions if the chief financial officer deems it necessary. Finally, there is an unassigned fund balance of \$36.3 million which can be used for any purpose.
 - The General Fund balance increased \$1.1 million. This change was the result of increases in property taxes, sales taxes, state shared revenues, intergovernmental revenues, charges for services, fines, indirect charges, and interest revenue.
 - The General Capital Projects Fund balance increased \$9.5 million. This increase was the result of an increase in transfers in of \$8.8 million and increased construction sales taxes and interest revenue.
 - The General Government Development Fee Fund contains \$6.0 million in advances from other funds. The cash on hand in the fund is maintained to meet future debt service obligations in accordance with a settlement agreement. The advance will be repaid once sufficient resources are accumulated to meet future debt service obligations.
 - The Highway User Revenue Fund balance increased \$1.0 million as a result of increased intergovernmental revenues exceeding the increases in expenditures.
 - The Transportation Improvement Fund balance increased \$2.8 million from \$2.9 million to \$5.7 million. This increase is the result of a \$1.2 million decrease in capital outlays related to construction projects during the current year and increased construction sales taxes.
 - The Debt Service Fund balance increased \$0.5 million as a result of the new secondary property tax levy to repay the debt service related to the General Obligation Bonds, Series 2018.
 - The Non-Major Governmental Funds fund balance increased \$2.1 million. The increase was due to development fees increasing by \$1.4 million, interest revenue increasing by \$0.6 million and a corresponding reduction in expenditures.
- ❖ **Proprietary Fund** financial statements provide similar information contained in the government-wide financial statements but in more detail. Their results are discussed previously in the review of business type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ❖ The original General Fund budget for expenditures was \$113.0 million. Budget adjustments throughout the year resulted in total budgeted expenditures staying relatively flat and staying at \$113.0 million. This was the result of using the General Fund Contingency for additional authorization for departments that needed it as a result of operations.
- ❖ Actual General Fund expenditures totaling \$105.8 million were \$7.2 million less than budgeted. \$1.4 million of the variance is attributable to the Parks and Recreation Department from supplies and services savings. Further, \$1.3 million of the savings was the result of vacancy and targeted savings across all departments. The remaining variance of \$4.5 million was spread fairly evenly among all of the City's other departments and was a result of conservative spending efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at Year-End Net of Depreciation (in Millions)

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and improvements	\$ 60.9	\$ 49.7	\$ 4.9	\$ 5.1	\$ 65.8	\$ 54.8
Parks	8.6	9.1	-	-	8.6	9.1
Water rights	-	-	13.7	10.0	13.7	10.0
Construction in progress	9.4	3.0	2.1	0.7	11.5	3.7
Buildings and improvements	124.7	131.0	266.9	276.2	391.6	407.2
Improvements other than buildings	21.6	21.2	6.7	5.3	28.3	26.5
Equipment and vehicles	18.9	18.3	12.2	13.6	31.1	31.9
Intangibles	3.6	4.3	0.3	0.3	3.9	4.6
Infrastructure	193.6	198.7	-	-	193.6	198.7
Total capital assets, net	<u>\$441.3</u>	<u>\$435.3</u>	<u>\$ 306.8</u>	<u>\$311.2</u>	<u>\$748.1</u>	<u>\$746.5</u>

The capital assets of the Governmental Activities increased by \$6.0 million from the prior fiscal year, net of depreciation (\$27.7 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2019 were the result of:
 - Current year depreciation expense of \$24.5 million.
 - Capital asset donations made to the City. The assets donated consisted of land, streets infrastructure and right-of-ways.
 - \$10.5 million – right-of-ways throughout the city
 - \$5.5 million – streets infrastructure throughout the city
- ❖ Governmental Activities construction in process includes:
 - \$2.8 million – Public Works Yard
 - \$2.0 million – Asante Library
 - \$1.5 million – Civic Center Infrastructure Improvements
 - \$0.7 million – Waddell Road (State Route 303 to Reems Road)
 - \$0.5 million – District Fire Station 304

The capital assets of the Business Type Activities funds decreased by \$4.4 million from the prior fiscal year, net of depreciation (\$7.5 million increase before depreciation).

- ❖ Changes to the Business Type Activities capital assets for fiscal year 2019 were the result of:
 - Current year depreciation expense of \$12.8 million.
 - Capital asset infrastructure donations made to the City. The assets donated consisted of water, sewer, and stormwater utilities.
 - \$0.1 million – Stormwater improvements
 - \$0.8 million – Sewer lines
 - \$0.2 million – Water lines
- ❖ Business Type Activities construction in process - includes:
 - \$0.6 million – Circle City Water Acquisition
 - \$0.3 million – SPA1 Recharge Expansion
 - \$0.9 million – SPA1 Rancho Gabriela WSF-Arsenic Treatment Facility
 - \$0.1 million – Desert Oasis WSF – Phase 2
- ❖ For more detailed information on Capital Assets, see Note 4 of this report.

Outstanding Debt at Year-End (in Millions)

	Governmental		Business Type		Total	
	2019	2018	2019	2018	2019	2018
General obligations	\$37.3	\$40.2	\$ -	\$ -	\$ 37.3	\$ 40.2
Pledged revenue obligations	23.9	26.6	3.9	4.6	27.8	31.2
Senior lien utility system revenue refunding obligations	-	-	28.1	-	28.1	-
Municipal property corporation bonds	-	-	-	33.7	-	33.7
Community facilities district bonds	11.4	11.8	-	-	11.4	11.8
Community facilities district notes	2.8	2.9	-	-	2.8	2.9
Total debt outstanding	<u>\$75.4</u>	<u>\$81.5</u>	<u>\$32.0</u>	<u>\$38.3</u>	<u>\$107.4</u>	<u>\$119.8</u>

- ❖ **Long-term debt**, including amounts due within one year, decreased \$12.4 million this year from \$119.8 million to \$107.4 million. The decrease was the result of the refunding of the 2007 Municipal Property Corporation bonds with the 2018 Senior Lien Utility System Revenue Refunding Obligations which reduced the outstanding principal balance from \$33.7 million to \$25.3 million prior to the current year's amortization of the obligations. Further, the additional reduction in outstanding debt was the result of current year amortizations.
- ❖ For more detailed information on long-term debt, see Note 7 of this report.

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

- ❖ **Revenues are expected to increase slightly** – City sales tax is expected to increase 9.5% or \$4.4 million over last year's budget as consumer and city spending continues to grow with the economy, as well as city growth. State shared revenues are projected to increase 4.3%. Currently, the City of Surprise is the tenth most populated city in Arizona.
- ❖ **Personnel increase** – For the FY2020 budget, city employees received a cost-of-living increase of 1% and potential merit/step increases of an additional 2%. Further, increases in personnel costs are also attributable to the increase in the employer contribution rates to the City's pension plans (PSPRS and ASRS) in FY2020. The FY2020 budget also includes the addition of 53.9 full-time equivalents (FTE) compared to the FY2019 adopted budget primarily to support public safety and enterprise activities. Of this total increase, 11.1 FTE's were added after the FY2019 adopted budget. The increase in FTEs will be offset by an increase in revenues during the fiscal year.
- ❖ **Next year's budget** – Total budgeted expenditures for the General Fund for fiscal year 2020 is \$121.1 million, a decrease of \$9.3 million over the FY2019 adopted budget of \$130.4 million. The decrease is mainly due to the removal of the Sports and Tourism Department from the General Fund and a decrease in transfers out to the General Capital Fund. The personnel and services categories increased from FY2019 to FY2020 which partially offset the decreases.

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the City of Surprise's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Chief Financial Officer at: 16000 North Civic Center Plaza, Surprise, Arizona 85374.



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The third subsection is comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. The first component is comprised of the government-wide financial statements. These financial statements incorporate all of the City's governmental and business-type activities. The business-type activities are financed in whole or in part by fees charged to external parties for goods or services. There are two basic government-wide financial statements: the statement of net position and the statement of activities.

City of Surprise, Arizona
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 106,078,587	\$ 49,868,201	\$ 155,946,788
Restricted cash and investments	48,638,859	11,924,664	60,563,523
Receivables (net of allowances)			
Accounts	284,607	5,622,632	5,907,239
Taxes and franchise fees	10,388,357	-	10,388,357
Grants	244,955	-	244,955
Intergovernmental	872,860	-	872,860
Other	1,153,450	42,084	1,195,534
Prepaid items and other assets	864,899	276,751	1,141,650
Inventory	1,132,086	872,847	2,004,933
Internal balances	(8,247,929)	8,247,929	-
Total current assets	161,410,731	76,855,108	238,265,839
Noncurrent assets:			
Equity interest in joint venture	1,061,275	-	1,061,275
Net other postemployment benefits asset	105,851	29,234	135,085
Capital assets, non-depreciable	78,859,132	20,688,778	99,547,910
Capital assets, depreciable	724,408,161	415,319,801	1,139,727,962
Accumulated depreciation	(361,977,040)	(129,215,885)	(491,192,925)
Total noncurrent assets	442,457,379	306,821,928	749,279,307
Total assets	603,868,110	383,677,036	987,545,146
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension related	25,042,439	1,969,370	27,011,809
Deferred Outflows of Resources - Loss on refunding	108,905	-	108,905
Deferred Outflows of Resources - Other postemployment benefits	510,997	119,614	630,611
Total deferred outflows of resources	25,662,341	2,088,984	27,751,325
Total assets and deferred outflows of resources	629,530,451	385,766,020	1,015,296,471
LIABILITIES			
Current liabilities:			
Accounts payable	6,603,974	1,989,883	8,593,857
Accrued payroll and related taxes	2,885,077	420,704	3,305,781
Deposits	154,095	400,676	554,771
Unearned revenues	1,819,832	592,805	2,412,637
Contracts payable, due in less than one year	2,318,743	401,479	2,720,222
Claims payable	1,764,489	-	1,764,489
Other liabilities	1,070,650	-	1,070,650
Compensated absences payable, due in less than one year	3,431,469	396,635	3,828,104
Matured bond and loan interest payable	2,517,547	719,337	3,236,884
Matured bond and loans payable	5,352,900	1,642,100	6,995,000
Bonds, loans and payables due in less than one year	5,908,700	1,581,300	7,490,000
Total current liabilities	33,827,476	8,144,919	41,972,395
Noncurrent liabilities:			
Contracts payable, due in more than one year	-	2,213,331	2,213,331
Compensated absences payable, due in more than one year	4,937,965	570,766	5,508,731
Bonds, loans and payables due in more than one year	69,519,826	30,460,451	99,980,277
Net pension liability	80,685,680	11,273,996	91,959,676
Net other postemployment benefits liability	324,878	43,272	368,150
Total noncurrent liabilities	155,468,349	44,561,816	200,030,165
Total liabilities	\$ 189,295,825	\$ 52,706,735	\$ 242,002,560

See accompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension Related	\$ 8,818,745	\$ 1,346,879	\$ 10,165,624
Deferred Inflows of Resources - other postemployment benefits related	717,514	91,208	808,722
Total deferred inflows of resources	9,536,259	1,438,087	10,974,346
Total liabilities and deferred inflows of resources	198,832,084	54,144,822	252,976,906
NET POSITION			
Net investment in capital assets	399,420,150	274,750,943	674,171,093
Restricted for:			
City Manager's Office	544	-	544
Court	209,526	-	209,526
Debt Service	625,449	11,945	637,394
Economic Development	6,822	-	6,822
Fire-Medical	6,022,381	-	6,022,381
Human Services and Community Vitality	41,104	-	41,104
Library	2,685,524	-	2,685,524
Parks and recreation	2,956,922	-	2,956,922
Police	4,929,371	-	4,929,371
Public Works	7,057,332	-	7,057,332
System repair and replacement	-	8,154,572	8,154,572
Transportation	4,927,395	-	4,927,395
Capital projects	-	4,765,592	4,765,592
Unrestricted	1,815,847	43,938,146	45,753,993
Total net position	\$ 430,698,367	\$ 331,621,198	\$ 762,319,565

City of Surprise, Arizona
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General Government	\$ 18,847,192	\$ 6,744,068	\$ 15,909	\$ 1,019,295
Public Safety	60,235,535	1,948,725	1,369,379	4,356,719
Public works and streets	41,578,280	4,100,847	9,292,212	5,478,225
Community Development	12,382,036	9,901,258	39,291	10,482,747
Culture and recreation	24,970,626	5,590,198	838,427	1,131,030
Interest on long-term debt	2,473,876	-	-	-
Total governmental activities	160,487,545	28,285,096	11,555,218	22,468,016
Business-type activities:				
Ground Ambulance Services	3,375,334	3,284,354	-	42,084
Sanitation Fund	8,657,107	7,859,915	-	-
Sewer Fund	19,340,045	17,612,146	-	3,680,388
Stormwater Fund	1,363,889	1,987,661	-	98,216
Water Fund	11,690,946	16,125,842	-	1,689,004
Total business-type activities	44,427,321	46,869,918	-	5,509,692
Total primary government	\$ 204,914,866	\$ 75,155,014	\$ 11,555,218	\$ 27,977,708

General revenues:
Property taxes
Sales taxes
Franchise taxes
Unrestricted State shared revenues
Unrestricted investment earnings
Other
Transfers
Total general revenues, special items, and transfers
Change in net position
Net position - beginning
Net position - ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (11,067,920)	\$ -	\$ (11,067,920)
(52,560,712)	-	(52,560,712)
(22,706,996)	-	(22,706,996)
8,041,260	-	8,041,260
(17,410,971)	-	(17,410,971)
(2,473,876)	-	(2,473,876)
(98,179,215)	-	(98,179,215)
-	(48,896)	(48,896)
-	(797,192)	(797,192)
-	1,952,489	1,952,489
-	721,988	721,988
-	6,123,900	6,123,900
-	7,952,289	7,952,289
(98,179,215)	7,952,289	(90,226,926)
16,143,232	-	16,143,232
61,596,634	-	61,596,634
5,609,625	-	5,609,625
35,899,596	-	35,899,596
3,494,962	1,458,327	4,953,289
517,587	-	517,587
1,541,101	(1,541,101)	-
124,802,737	(82,774)	124,719,963
26,623,522	7,869,515	34,493,037
404,074,845	323,751,683	727,826,528
\$ 430,698,367	\$ 331,621,198	\$ 762,319,565



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS FUND FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The fourth subsection is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. The second component is comprised of the fund financial statements. These financial statements are presented on the basis of funds, in contrast to the government-wide financial statements.



SURPRISE

ARIZONA

City of Surprise, Arizona

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
ASSETS			
Cash and investments	\$ 36,999,525	\$ 20,520,660	\$ 1,079,904
Restricted cash and investments	4,527,969	33,449,520	-
Receivables (net of allowances)			
Accounts	284,607	-	-
Taxes and franchise fees	10,258,487	-	-
Grants	-	-	-
Intergovernmental	42,575	-	-
Due from other funds	169,925	-	-
Other	336,464	55,823	-
Prepaid items and other assets	828,870	21,684	-
Inventory	497,348	-	-
Advances to other funds	870,950	-	-
Total assets	<u>\$ 54,816,720</u>	<u>\$ 54,047,687</u>	<u>\$ 1,079,904</u>
LIABILITIES			
Accounts payable	\$ 2,121,703	\$ 1,751,035	\$ -
Accrued payroll and related taxes	2,754,230	-	-
Due to other funds	-	-	-
Deposits	100,506	-	-
Unearned revenue	1,234,568	-	-
Contracts payable	2,180,596	-	-
Other liabilities	980,382	-	-
Matured bond interest payable	-	-	-
Matured bonds payable	-	-	-
Advances from other funds	-	-	5,993,321
Total liabilities	<u>9,371,985</u>	<u>1,751,035</u>	<u>5,993,321</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Unavailable revenue	147,794	-	-
Total deferred inflow of resources	<u>147,794</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>9,519,779</u>	<u>1,751,035</u>	<u>5,993,321</u>
FUND BALANCES (DEFICITS)			
Nonspendable	2,197,168	21,684	-
Restricted	454,024	32,584,383	-
Committed	-	-	-
Assigned	393,622	19,690,585	-
Unassigned	42,252,127	-	(4,913,417)
Total fund balances (deficits)	<u>45,296,941</u>	<u>52,296,652</u>	<u>(4,913,417)</u>
Total liabilities and fund balances (deficits)	<u>\$ 54,816,720</u>	<u>\$ 54,047,687</u>	<u>\$ 1,079,904</u>

See accompanying Notes to Financial Statements.

Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 2,297,504	\$ 6,321,441	\$ -	26,713,291	\$ 93,932,325
45,459	99,024	7,629,264	2,887,623	48,638,859
-	-	-	-	284,607
-	-	79,337	50,533	10,388,357
-	-	-	244,955	244,955
830,285	-	-	-	872,860
-	-	-	-	169,925
-	-	-	4,200	396,487
3,042	-	-	5,208	858,804
606,563	-	-	28,175	1,132,086
-	-	-	-	870,950
<u>\$ 3,782,853</u>	<u>\$ 6,420,465</u>	<u>\$ 7,708,601</u>	<u>\$ 29,933,985</u>	<u>\$ 157,790,215</u>
\$ 611,168	\$ 584,653	\$ -	\$ 1,493,291	\$ 6,561,850
109,084	4,872	-	3,766	2,871,952
-	-	-	169,925	169,925
-	52,215	-	1,374	154,095
2,000	-	-	583,264	1,819,832
-	-	-	138,147	2,318,743
43,459	46,809	-	-	1,070,650
-	-	2,290,427	227,120	2,517,547
-	-	4,897,900	455,000	5,352,900
-	-	-	972,323	6,965,644
<u>765,711</u>	<u>688,549</u>	<u>7,188,327</u>	<u>4,044,210</u>	<u>29,803,138</u>
-	-	35,630	31,496	214,920
-	-	35,630	31,496	214,920
<u>765,711</u>	<u>688,549</u>	<u>7,223,957</u>	<u>4,075,706</u>	<u>30,018,058</u>
609,605	-	-	33,383	2,861,840
2,407,537	-	484,644	26,085,833	62,016,421
-	5,731,916	-	714,612	6,446,528
-	-	-	-	20,084,207
-	-	-	(975,549)	36,363,161
<u>3,017,142</u>	<u>5,731,916</u>	<u>484,644</u>	<u>25,858,279</u>	<u>127,772,157</u>
<u>\$ 3,782,853</u>	<u>\$ 6,420,465</u>	<u>\$ 7,708,601</u>	<u>\$ 29,933,985</u>	<u>\$ 157,790,215</u>

City of Surprise, Arizona

Reconciliation of the Governmental Funds Balance Sheet Fund Balances
to the Statement of Net Position
June 30, 2019

Fund balances - total governmental funds		\$ 127,772,157
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	803,267,293	
Less accumulated depreciation	<u>(361,977,040)</u>	
		441,290,253
Some revenues will not be available to pay for current-period expenditures and, therefore, are unavailable in the funds.		214,920
Internal Service Funds used by management to charge the costs of employee healthcare, risk management, and workers' compensation to individual funds are included in the statement of net position.		
Net position (adjusted for interfund activity)	8,936,346	
Net pension liability	(434,581)	
Deferred Outflows	73,933	
Deferred Inflows	(51,378)	
Compensated absences	(47,266)	
Net OPEB asset	1,142	
Net OPEB asset/liability deferred outflows	4,654	
Net OPEB asset/liability deferred inflows	(3,493)	
Net OPEB liability	<u>(1,633)</u>	
		8,477,724
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	24,968,505	
Deferred inflows of resources related to pensions	<u>(8,767,365)</u>	
		16,201,140
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(70,873,687)	
Issuance premium (to be amortized as interest expense)	(4,554,839)	
Net pension liability	(80,251,099)	
Compensated absences payable	(8,322,167)	
Deferred Outflow of resources related to loss on refunding	108,905	
Net OPEB Asset	104,709	
Net OPEB Liability	<u>(323,247)</u>	
		(164,111,425)

See accompanying Notes to Financial Statements

City of Surprise, Arizona**Reconciliation of the Governmental Funds Balance Sheet Fund Balances
to the Statement of Net Position
June 30, 2019**

The equity interest in the joint venture, Regional Wireless Cooperative, is not a financial resource and, therefore, is not reported in the funds.		1,061,275
Deferred Outflows and Inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of resources related to OPEB	506,343	
Deferred Inflows of resources related to OPEB	<u>(714,020)</u>	<u>(207,677)</u>
Net position of governmental activities		<u><u>\$ 430,698,367</u></u>

City of Surprise, Arizona

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Highway User Revenue Fund
REVENUES				
Taxes	\$ 56,238,268	\$ 7,037,652	\$ -	\$ -
Licenses and permits	5,991,243	-	-	-
Intergovernmental revenues	36,165,011	-	-	9,166,292
Charges for services	18,377,414	-	-	11,250
Grants revenue	-	-	-	-
Fines	1,452,165	-	-	-
Rents	724,073	-	-	-
Development fees	-	-	994,895	-
Interest revenue(loss)	983,101	1,298,450	27,386	54,623
Donations	125,872	-	-	-
Indirect charges	5,481,600	-	-	-
Other revenue	425,453	166,882	-	17,941
Total revenues	125,964,200	8,502,984	1,022,281	9,250,106
EXPENDITURES				
Current:				
General Government	17,241,199	-	-	-
Public Safety	51,055,282	-	-	-
Public works and streets	7,533,758	-	-	7,323,383
Community Development	11,795,543	-	-	-
Culture and recreation	18,003,987	-	-	-
Debt service:				
Administrative charges	-	-	-	-
Principal retirement	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay:				
General Government	18,832	942,183	-	-
Public Safety	64,085	2,356,347	-	-
Public works and streets	44,454	12,156,698	-	939,663
Community Development	16,241	609,997	-	-
Culture and recreation	-	1,482,157	-	-
Total expenditures	105,773,381	17,547,382	-	8,263,046
Excess (deficiency) of revenues over expenditures	20,190,819	(9,044,398)	1,022,281	987,060
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	276,091	-	-	-
Transfers in	1,292,678	18,510,000	-	-
Transfers out	(20,603,292)	(13)	(367,248)	-
Total other financing sources (uses)	(19,034,523)	18,509,987	(367,248)	-
Net change in fund balances	1,156,296	9,465,589	655,033	987,060
Fund balances - beginning	44,184,359	42,831,063	(5,568,450)	2,052,122
Increase (decrease) in inventories	(43,714)	-	-	(22,040)
Fund Balances (deficits) - ending	\$ 45,296,941	\$ 52,296,652	\$ (4,913,417)	\$ 3,017,142

Transportation Improvement Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 5,650,672	\$ 4,364,666	\$ 4,448,218	\$ 77,739,476
-	-	-	5,991,243
-	-	442,923	45,774,226
-	-	800,598	19,189,262
-	-	1,581,233	1,581,233
-	-	336,580	1,788,745
-	-	-	724,073
-	-	5,487,264	6,482,159
135,200	77,457	723,712	3,299,929
-	-	-	125,872
-	-	-	5,481,600
63,562	-	52,726	726,564
<u>5,849,434</u>	<u>4,442,123</u>	<u>13,873,254</u>	<u>168,904,382</u>
-	-	116,938	17,358,137
-	-	938,348	51,993,630
2,836,409	-	2,886,636	20,580,186
56,668	-	289,575	12,141,786
-	-	1,609,771	19,613,758
-	1,051	3,800	4,851
-	4,897,900	455,000	5,352,900
-	2,817,215	454,240	3,271,455
-	-	-	-
-	-	36,900	997,915
-	-	120,826	2,541,258
167,122	-	1,827,493	15,135,430
-	-	-	626,238
-	-	2,041,602	3,523,759
<u>3,060,199</u>	<u>7,716,166</u>	<u>10,781,129</u>	<u>153,141,303</u>
<u>2,789,235</u>	<u>(3,274,043)</u>	<u>3,092,125</u>	<u>15,763,079</u>
-	-	-	276,091
-	3,750,488	124,008	23,677,174
-	-	(1,098,648)	(22,069,201)
-	3,750,488	(974,640)	1,884,064
2,789,235	476,445	2,117,485	17,647,143
<u>2,942,681</u>	<u>8,199</u>	<u>23,712,619</u>	<u>110,162,593</u>
-	-	28,175	(37,579)
<u>\$ 5,731,916</u>	<u>\$ 484,644</u>	<u>\$ 25,858,279</u>	<u>\$ 127,772,157</u>

City of Surprise, 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, 2019

Net change in fund balances - total governmental funds		\$ 17,647,143
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for Capitalized Assets	15,065,606	
Less Current Year Depreciation	<u>(24,471,731)</u>	(9,406,125)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		
Capital Contributions	15,985,382	
Disposals of Assets	<u>(541,976)</u>	15,443,406
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(68,863)
Inventories are recorded using the purchases method in the governmental funds and an adjustment is made to record inventory using the consumption method for the statement of activities.		
Change in Inventory		(37,579)
Governmental funds report City pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.		
Pension Contributions	10,393,630	
Pension Expense	<u>(13,003,065)</u>	(2,609,435)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Also, the effect of premiums, discounts and similar items when debt is first issued. These items are current finance resources or uses to governmental funds whereas, these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term liabilities and debt related items.		
Amortization of Issuance Premium	691,438	
Principal Paid	5,352,900	
Amortization of Loss on refunding	<u>(108,904)</u>	5,935,434
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.		
Increase in compensated absences	(1,433,458)	
Interest Expense	<u>218,846</u>	(1,214,612)

City of Surprise, 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, 2019**

Internal service funds are used by management to charge the costs of employee healthcare, risk management, and workers' compensation. The net revenue of certain activities of the internal services funds is reported in the statement of activities.

Change in Net Position for the Internal Service Funds (adjusted for interfund activity)	\$	987,294
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Change in Equity Interest in Joint Venture		(39,213)
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Governmental funds report City OPEB contributions as expenditures when made. However, in the statement of activities, OPEB expense is the cost of benefits earned adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to OPEB, and the investment experience.

OPEB Contributions	265,927	
OPEB Expense	<u>(279,855)</u>	
		<u>(13,928)</u>

Change in net position of governmental activities	\$	<u>26,623,522</u>
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City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities		
	Ground Ambulance Services Fund	Water Fund	Sewer Fund
ASSETS			
Current assets:			
Cash and investments	\$ 244,102	\$ 21,569,721	\$ 22,251,532
Restricted cash and investments	-	2,550,678	9,178,142
Receivables (net of allowances)			
Accounts	1,327,590	1,449,644	1,390,825
Other	42,084	-	-
Other assets	3,209	239,209	29,311
Inventory	37,513	247,172	457,557
Total current assets	<u>1,654,498</u>	<u>26,056,424</u>	<u>33,307,367</u>
Noncurrent assets:			
Advances to other funds	-	-	6,965,644
Net other postemployment benefits asset	2,988	7,773	10,348
Capital assets	1,325,069	134,275,254	289,616,913
Accumulated depreciation	(235,201)	(32,942,179)	(91,443,533)
Total noncurrent assets	<u>1,092,856</u>	<u>101,340,848</u>	<u>205,149,372</u>
Total assets	<u>2,747,354</u>	<u>127,397,272</u>	<u>238,456,739</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	269,308	503,525	670,274
Deferred outflows related to other postemployment benefits	12,584	31,700	42,198
Total deferred outflows of resources	<u>281,892</u>	<u>535,225</u>	<u>712,472</u>
Total assets and deferred outflows of resources	<u>\$ 3,029,246</u>	<u>\$ 127,932,497</u>	<u>\$ 239,169,211</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 54,925	\$ 1,021,966	\$ 476,109
Accrued payroll and related taxes	69,515	102,145	136,848
Deposits	-	64,912	275,148
Unearned revenue	-	-	483,074
Claims payable	-	-	-
Compensated absences payable, due in less than one year	25,395	104,451	174,382
Contracts payable	-	111,150	290,329
Matured bond interest payable	-	-	719,337
Matured bonds and loans payable	-	-	1,642,100
Bonds, loans and payables, due in less than one year	-	-	1,581,300
Advances from other funds	870,950	-	-
Total current liabilities	<u>1,020,785</u>	<u>1,404,624</u>	<u>5,778,627</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	36,544	150,308	250,939
Contracts payable, due in more than one year	-	2,213,331	-
Bonds, loans and payables, due in more than one year	-	-	30,460,451
Net pension liability	1,281,034	2,959,721	3,939,870
Net other postemployment benefits liability	5,751	11,113	14,793
Total noncurrent liabilities	<u>1,323,329</u>	<u>5,334,473</u>	<u>34,666,053</u>
Total liabilities	<u>2,344,114</u>	<u>6,739,097</u>	<u>40,444,680</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	165,469	349,911	465,788
Deferred inflows related to other postemployment benefits	10,881	23,792	31,670
Total deferred inflows of resources	<u>176,350</u>	<u>373,703</u>	<u>497,458</u>
Total liabilities and deferred inflows of resources	<u>2,520,464</u>	<u>7,112,800</u>	<u>40,942,138</u>
NET POSITION			
Net investment in capital assets	1,089,868	101,333,075	166,131,629
Restricted for:			
Debt service	-	-	11,945
System repair and replacement	-	2,374,616	5,754,458
Capital projects	-	4,348,495	417,097
Unrestricted	(581,086)	12,763,511	25,911,944
Total net position	<u>\$ 508,782</u>	<u>\$ 120,819,697</u>	<u>\$ 198,227,073</u>

Difference between business-type adjustments to assets and liabilities.

Net position of business-type activities

See accompanying Notes to Financial Statements

Business-Type Activities		Governmental Activities	
Sanitation Fund	Stormwater Fund	Total Enterprise Funds	Internal Service Funds
\$ 3,777,014	\$ 2,025,832	\$ 49,868,201	\$ 12,146,262
133,698	62,146	11,924,664	-
650,301	804,272	5,622,632	-
-	-	42,084	756,963
4,934	88	276,751	6,095
130,605	-	872,847	-
4,696,552	2,892,338	68,607,179	12,909,320
-	-	6,965,644	-
6,988	1,137	29,234	1,142
8,954,987	1,836,356	436,008,579	-
(4,504,039)	(90,933)	(129,215,885)	-
4,457,936	1,746,560	313,787,572	1,142
9,154,488	4,638,898	382,394,751	12,910,462
452,644	73,619	1,969,370	73,933
28,497	4,635	119,614	4,654
481,141	78,254	2,088,984	78,587
\$ 9,635,629	\$ 4,717,152	\$ 384,483,735	\$ 12,989,049
\$ 431,896	\$ 4,987	\$ 1,989,883	\$ 42,124
97,422	14,774	420,704	13,125
60,616	-	400,676	-
73,083	36,648	592,805	-
-	-	-	1,764,489
85,444	6,963	396,635	19,379
-	-	401,479	-
-	-	719,337	-
-	-	1,642,100	-
-	-	1,581,300	-
-	-	870,950	-
748,461	63,372	9,015,869	1,839,117
122,956	10,019	570,766	27,887
-	-	2,213,331	-
-	-	30,460,451	-
2,660,641	432,730	11,273,996	434,581
9,990	1,625	43,272	1,633
2,793,587	444,374	44,561,816	464,101
3,542,048	507,746	53,577,685	2,303,218
314,552	51,159	1,346,879	51,378
21,387	3,478	91,208	3,493
335,939	54,637	1,438,087	54,871
3,877,987	562,383	55,015,772	2,358,089
4,450,948	1,745,423	274,750,943	-
-	-	11,945	-
-	25,498	8,154,572	-
-	-	4,765,592	-
1,306,694	2,383,848	41,784,911	10,630,960
\$ 5,757,642	\$ 4,154,769	\$ 329,467,963	\$ 10,630,960
		2,153,235	
		\$ 331,621,198	

See accompanying Notes to Financial Statements

City of Surprise, Arizona

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2019

	Business-Type Activities		
	Ground Ambulance Services Fund	Water Fund	Sewer Fund
OPERATING REVENUES			
Charges for services	\$ 3,283,314	\$ 15,946,250	\$ 17,599,661
Other revenue	1,039	159,045	7,745
Total operating revenues	3,284,353	16,105,295	17,607,406
OPERATING EXPENSES			
Costs of sales and services	2,881,347	6,695,637	7,402,980
Personnel services	-	-	-
Contractual services, materials & supplies	-	-	-
Insurance claims, premiums, and administrative expenses	-	-	-
Indirect costs	381,700	1,522,100	1,647,200
Depreciation	130,767	3,530,638	8,068,139
Total operating expenses	3,393,814	11,748,375	17,118,319
Operating income (loss)	(109,461)	4,356,920	489,087
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	6,264	514,822	768,705
Developer reimbursement	-	(23,182)	(584,458)
Gain(Loss) on disposal of capital assets	-	20,547	4,741
Amortization on premium	-	-	309,604
Interest and fiscal charges	-	-	(2,130,233)
Total nonoperating revenues (expenses)	6,264	512,187	(1,631,641)
Income (loss) before contributions and transfers	(103,197)	4,869,107	(1,142,554)
Transfers in	-	1,459,830	-
Transfers out	(1,384)	(602,927)	(2,404,633)
Capital contributions and grants	78,514	1,693,658	3,681,068
Change in net position	(26,067)	7,419,668	133,881
Total net position - beginning	534,849	113,400,029	198,093,192
Total net position - ending	\$ 508,782	\$ 120,819,697	\$ 198,227,073

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

Changes in net position of business-type activities

Business-Type Activities		Governmental Activities	
Sanitation Fund	Stormwater Fund	Total Enterprise Funds	Internal Service Funds
\$ 7,819,511	\$ 1,915,422	\$ 46,564,158	\$ 16,067,377
8,997	72,239	249,065	524,047
7,828,508	1,987,661	46,813,223	16,591,424
5,905,724	1,152,868	24,038,556	-
-	-	-	521,698
-	-	-	366,784
-	-	-	14,573,051
1,763,400	167,200	5,481,600	-
1,038,210	48,772	12,816,526	-
8,707,334	1,368,840	42,336,682	15,461,533
(878,826)	618,821	4,476,541	1,129,891
119,555	48,981	1,458,327	195,034
-	-	(607,640)	-
31,407	-	56,695	-
-	-	309,604	-
-	-	(2,130,233)	-
150,962	48,981	(913,247)	195,034
(727,864)	667,802	3,563,294	1,324,925
-	-	1,459,830	-
(57,458)	(1,401)	(3,067,803)	-
25,107	98,216	5,576,563	-
(760,215)	764,617	7,531,884	1,324,925
6,517,857	3,390,152	321,936,079	9,306,035
\$ 5,757,642	\$ 4,154,769	\$ 329,467,963	\$ 10,630,960
		337,631	
		\$ 7,869,515	

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities		
	Ground Ambulance Services Fund	Water Fund	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 2,942,425	\$ 16,214,885	\$ 17,831,630
Cash receipts from interfund services provided	-	-	-
Cash Other	1,039	159,045	7,745
Payments to employees	(1,912,371)	(3,015,324)	(3,890,004)
Payments to suppliers	(883,672)	(4,978,329)	(5,583,844)
Payments for insurance claims and expenses	-	-	-
Net cash provided (used) by operating activities	147,421	8,380,277	8,365,527
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other funds	246,100	-	1,534,648
Cash paid to other funds	(1,384)	(602,927)	(944,803)
Net cash provided (used) by noncapital financing activities	244,716	(602,927)	589,845
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds received from development fees	-	1,462,199	2,792,081
Proceeds received from extension fees	-	-	75,429
Proceeds received issuance of bonds	-	-	29,421,127
Principal and interest paid on bonds, loans and payables	-	-	(36,291,215)
Sale/Acquisition of capital assets	(318,250)	(3,764,849)	(2,486,364)
Developer reimbursements	-	(155,942)	(584,458)
Net cash provided (used) by capital and related financing activities	(318,250)	(2,458,592)	(7,073,400)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from interest income/(loss)	6,264	514,822	768,705
Net cash provided (used) by investing activities	6,264	514,822	768,705
Net increase (decrease) in cash and cash equivalents	80,151	5,833,580	2,650,677
Balances - beginning of year	163,951	18,286,819	28,778,997
Balances - end of the year	\$ 244,102	\$ 24,120,399	\$ 31,429,674
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ (109,461)	\$ 4,356,920	\$ 489,087
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	130,767	3,530,638	8,068,139
Changes in assets and liabilities:			
Accounts receivable	(340,885)	254,801	92,075
Other receivables	-	20,340	-
Other assets	(1,816)	74,331	(14,585)
Inventory	(17,005)	(97,413)	(234,973)
Accounts payable	(56,910)	308,767	107,994
Accrued payroll and related taxes	25,686	(901)	11,265
Deposits	(4)	(6,506)	161,746
Unearned revenue	-	-	(21,852)
Compensated absences	31,089	(2,850)	381
Net pension liability	484,209	(56,138)	(291,686)
Claims payable	-	-	-
Net other postemployment asset/liability	1,751	(1,712)	(2,064)
Net cash provided (used) by operating activities	\$ 147,421	\$ 8,380,277	\$ 8,365,527
Noncash investing, capital and financing activities			
Capital asset contributions from developers	\$ -	\$ 226,805	\$ 813,558
Capital asset contributions from other funds/governmental activities	36,430	1,464,484	(1,459,830)
Increase in the fair market value of investments	2,418	219,926	290,824
Total noncash investing, capital and financing activities	\$ 38,848	\$ 1,911,215	\$ (355,448)
Reconciliation to Statement of Net Position			
Cash and investments	\$ 244,102	\$ 21,569,721	\$ 22,251,532
Restricted cash and investments	-	2,550,678	9,178,142
Total cash and investments	\$ 244,102	\$ 24,120,399	\$ 31,429,674
Total Cash	\$ 244,102	\$ 24,120,399	\$ 31,429,674

See accompanying Notes to Financial Statements

Business-Type Activities		Governmental Activities	
Sanitation Fund	Stormwater Fund	Total Enterprise Funds	Internal Service Funds
\$ 7,747,275	\$ 1,797,603	\$ 46,533,818	\$ 945,929
-	-	-	15,094,965
8,997	72,239	249,065	-
(2,952,736)	(460,908)	(12,231,343)	(457,888)
(4,800,686)	(453,189)	(16,699,720)	(394,202)
-	-	-	(14,261,599)
2,850	955,745	17,851,820	927,205
-	-	1,780,748	-
(57,458)	(1,401)	(1,607,973)	-
(57,458)	(1,401)	172,775	-
-	-	4,254,280	-
-	-	75,429	-
-	-	29,421,127	-
-	-	(36,291,215)	-
(146,763)	(463,235)	(7,179,461)	-
-	-	(740,400)	-
(146,763)	(463,235)	(10,460,240)	-
119,555	48,981	1,458,327	195,034
119,555	48,981	1,458,327	195,034
(81,816)	540,090	9,022,682	1,122,239
3,992,528	1,547,888	52,770,183	11,024,023
\$ 3,910,712	\$ 2,087,978	\$ 61,792,865	\$ 12,146,262
\$ (878,826)	\$ 618,821	4,476,541	\$ 1,129,891
1,038,210	48,772	12,816,526	-
(19,637)	(114,987)	(128,633)	-
-	-	20,340	(550,530)
(1,222)	1,084	57,792	21,849
(44,726)	-	(394,117)	-
172,435	(2,635)	529,651	(51,129)
13,967	293	50,310	(1,314)
(46,984)	-	108,252	-
(5,614)	(2,832)	(30,298)	-
15,748	(2,372)	41,996	10,633
(239,148)	410,270	307,507	54,804
-	-	-	313,314
(1,353)	(669)	(4,047)	(313)
\$ 2,850	\$ 955,745	\$ 17,851,820	\$ 927,205
\$ -	\$ 98,216	\$ 1,138,579	\$ -
25,107	-	66,191	-
50,923	21,070	585,161	84,826
\$ 76,030	\$ 119,286	\$ 1,789,931	\$ 84,826
\$ 3,777,014	\$ 2,025,832	\$ 49,868,201	\$ 12,146,262
133,698	62,146	11,924,664	-
\$ 3,910,712	\$ 2,087,978	\$ 61,792,865	\$ 12,146,262
\$ 3,910,712	\$ 2,087,978	\$ 61,792,865	\$ 12,146,262

City of Surprise, Arizona
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

	Custodial Fund
ASSETS	
Cash and investments	\$ 39,408
Prepaid items and other assets	62,865
Total assets	<u>102,273</u>
LIABILITIES	
Accounts Payable	30,000
Total liabilities	<u>30,000</u>
NET POSITION	
Restricted for:	
Individuals	72,273
Total net position	<u>\$ 72,273</u>

City of Surprise, Arizona

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

For the Year Ended June 30, 2019

	Custodial Fund
ADDITIONS	
Contributions:	
Employee contributions	\$ 437,953
Total contributions	437,953
Total additions	437,953
DEDUCTIONS	
Claim settlement	433,849
Total deductions	433,849
Net increase (decrease) in fiduciary net position	4,104
Net Position -- beginning of the year - previously stated	-
Change in accounting principle	68,169
Net Position - beginning - restated	68,169
Net Position -- end of the year	\$ 72,273



Financial Section – Notes to the Financial Statements

The Financial Section is divided into five subsections. The fifth subsection is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. In addition to the government-wide and fund financial statements, the third component, the notes to the basic financial statements, are an integral part of the financial statements and include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Surprise, Arizona (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. The more significant of the government's accounting policies are described below.

For the year ended June 30, 2019, the City implemented the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*; GASB Statement No. 84, *Fiduciary Activities*; and GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No.14 and No. 61*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations. Specifically, it establishes uniform criteria for governments to recognize and measure certain asset retirement obligations. GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement preparation of majority equity interests in legally separate organizations and improves the relevance of financial statement information for certain component units.

A. REPORTING ENTITY

The City is located approximately 20 miles northwest of downtown Phoenix and was incorporated in 1960 under the provision of the Arizona Constitution. During 2003, the voters approved the Home Rule, an alternative expenditure limitation for budget years through June 30, 2007. City of Surprise voters approved an Alternative Expenditure Limitation (Permanent Base Adjustment) on November 7, 2006. The City is governed by an elected mayor, and a six-member council, and offers the following services: public safety (police, fire-medical, and court), highways and streets, sanitation, water, sewer, storm water, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

COMPONENT UNITS

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. A primary government is considered financially accountable for another organization when it can impose its will or have a financial benefit or burden relationship. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The following entities are blended component units of the City:

The Surprise Municipal Property Corporation (Corporation) is an Arizona nonprofit corporation formed under the provision of Title 10 of the Arizona Revised Statutes. The Corporation was organized to acquire, construct, reconstruct, or improve buildings and other real and personal property suitable for leasing or sale to the City.

Various Street Lighting Improvement Districts (SLIDs) are maintained by the City for developing areas, and the City's council is the board for the SLIDs. The SLID property tax assessment rates are approved by the City's council. The SLIDs are reported in a special revenue fund.

Marley Park Community Facilities District (CFD) is maintained by the City for a developing area. The CFD's board is the same as the City's council. CFD property tax rates are approved by the City's council. The CFD is reported in a special revenue fund.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2019, the City had no discretely presented component units. Separately issued financial statements are not prepared for any of the component units.

RELATED ORGANIZATIONS

A related organization is one for which the primary government is not financially accountable even though the primary government appoints a voting majority of the organization's governing board.

EXCLUDED ORGANIZATIONS

Although there are schools located within the geographic boundaries of the City, school districts are separate from the municipalities in which they are located, with their own elected officials and taxing powers. Consequently, the report does not include the activities of the area school districts.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the 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.

The government-wide statements of activities present a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with the service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the receipts of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenue, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net position is reported as restricted when constraints placed on net position is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activity. When both

NOTES TO THE FINANCIAL STATEMENTS

restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary 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 internal service funds are presented in a single column on the face of the proprietary fund statements.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collected 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. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end and on behalf of the government are also recognized as revenue. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds include the following:

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

The ***General Capital Projects Fund***, a capital projects fund, accounts for revenues and expenditures relating to the acquisition of capital items.

The ***General Government Development Fee Fund***, a special revenue fund, accounts for revenues and expenditures associated with general government development impact fees assessed to fund infrastructure and other expenditures for growth-related general government projects.

The ***Highway User Revenue Fund****, a special revenue fund, accounts for State shared highway user revenues consisting of state taxes collected on gasoline, vehicle registration, vehicle license tax, and a number of other additional transportation related fees and expenditures that are legally restricted to expenditures for transportation and the construction, repairs, and maintenance of public works and streets.

The ***Transportation Improvement Fund****, a special revenue fund, accounts for revenues and expenditures that are legally restricted to expenditures for existing roadway corridor improvements and the related costs of the construction of new roadways.

The ***Debt Service Fund***, a debt service fund, accounts for revenues and expenditures that are legally restricted for the payment of principal and interest on long-term debt of the City.

Proprietary and Fiduciary Funds

All proprietary and custodial funds are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues/additions are recorded when earned and expenses/deductions are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and

NOTES TO THE FINANCIAL STATEMENTS

expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Major proprietary funds include the following:

The ***Ground Ambulance Services Fund**** accounts for ground ambulance services provided to patients in need of emergency medical services within the City.

The ***Water Fund*** accounts for the provision of the water treatment and distribution to residential and commercial customers of the City.

The ***Sewer Fund*** accounts for sanitary sewer services provided to the residential and commercial customers of the City.

The ***Sanitation Fund**** accounts for trash collection services provided to the residential and some commercial customers of the City.

The ***Stormwater Fund**** accounts for stormwater management services provided to the residential and commercial customers of the City.

* These funds have not met the criterion which mandates they be reported separately as major funds. However, the City has chosen to present these funds as major funds.

In addition, the City reports the following fund types:

Internal service funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The funds account for transactions of the City's internal insurance activities which includes general insurance, health insurance programs, and workers' compensation.

Custodial fund (not included in government-wide statements) accounts for employee contributions to their flexible spending accounts.

C. DEPOSITS AND INVESTMENTS

Cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less, including amounts on deposit with the Local Government Investment Pool and invested with the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

D. RESTRICTED ASSETS

Restricted cash and investments reported in the statements are comprised of restricted deposits for development and construction agreements, for outstanding debt amounts and other contractual requirements.

NOTES TO THE FINANCIAL STATEMENTS

E. 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Fund balance resulting from advances to other funds is shown as nonspendable and committed amounts.

All accounts receivables are shown net of allowance for un-collectibles when applicable.

F. INVENTORIES AND PREPAID ITEMS

Inventories consist of expendable supplies held for consumption. For the governmental funds inventories are reported using the purchases method, expenditures are incurred as inventory is purchased and an adjustment is made at year end directly to inventory and fund balance. For the proprietary funds and government wide statements inventories are reported using the consumption method, inventory is recorded when it is purchased and expensed as it is used. Inventory is valued using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are reported using the consumption method in both government-wide and fund financial statements and are therefore recorded as prepaid items.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, intangibles (e.g. software, rights such as water rights and facility use rights), and infrastructure assets (e.g., streets, traffic signals and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City’s policy defines capital assets as assets with an initial individual cost greater than \$10,000 and an estimated useful life of two or more years. Land, right-of-ways, and easements regardless of cost are capitalized. Donated (contributed) capital assets, works of art, historical treasures, and any capital assets the City may receive as part of a service concession arrangement are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Significant outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation and amortization of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciated and amortized capital assets are as follows:

<u>Assets</u>	<u>Useful life</u> <u>(Years)</u>
Buildings	20-50
Improvements/Infrastructure	5-50
Machinery & Equipment	2-15
Intangibles (Software and Facility Use Rights)	5-30

NOTES TO THE FINANCIAL STATEMENTS

H. DEFERRED OUTFLOWS OF RESOURCES

The City recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions, other postemployment benefits (OPEB), and bond refunding.

I. COMPENSATED ABSENCES

Vested or accumulated Paid Time Off (PTO) leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated PTO leave that is not expected to be liquidated with expendable available financial resources is reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated PTO leave in proprietary funds and the government-wide statements is recorded as an expense and liability of those funds as the benefits accrue to employees. The internal service funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities schedule. For the governmental activities, the General Fund, Highway User Revenue Fund, Transportation Improvement Fund, the Employee Healthcare Fund, Worker's Compensation Fund, and the Risk Management Fund have been used in prior years to liquidate the compensated absences liability.

J. LONG-TERM OBLIGATIONS

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

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

K. POSTEMPLOYMENT BENEFITS

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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. For the governmental activities, the General Fund, Highway User Revenue Fund, Transportation Improvement Fund, the non-major funds - SPD Towing Fund, Grants Fund, Neighborhood Revitalization Fund, Municipal Court FARE Fund, Municipal Court JCEF Fund, and the Municipal Court MFTG Fund; the Employee Healthcare Fund, Worker's Compensation Fund, and the Risk Management Fund have been used in prior years to liquidate the Pension and OPEB liabilities.

NOTES TO THE FINANCIAL STATEMENTS

L. DEFERRED INFLOWS OF RESOURCES

The City recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions, other postemployment benefits (OPEB), and in connection with receivables for revenues that are not considered to be measurable and available to liquidate liabilities of the current period.

M. FUND BALANCE

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as inventory or prepaid items, or because resources legally or contractually must remain intact.

Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantors, laws and regulations of other governments, or enabling legislation.

Committed fund balances are self-imposed limitations by the highest level of decision making authority, namely Mayor and City Council, prior to the end of the reporting period. Mayor and City Council approval is required to commit resources or to rescind the commitment through a City Council ordinance. Only City Council can remove or change the constraints placed on committed fund balance through formal council ordinance.

Assigned fund balances are limitations imposed internally by management based on the intended use of the funds. The City Council has designated the authority to assign amounts to be used for specific purposes to the Chief Financial Officer (CFO). Approval of the CFO is necessary to establish, modify or rescind an assignment of fund balance.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

N. MINIMUM FUND BALANCE

The minimum fund balance is not intended to be spent. The purpose of the minimum fund balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances. If the necessity arises to draw down fund balance below the minimum requirements that have been set, a plan to replenish the minimum fund balance will be presented to Council for approval.

General Fund - Emergency Reserve - The City will maintain an Emergency Reserve in the General Fund of one and sixty-seven hundredths percent (1.67%) of the average of budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Services Fund, and the Highway User Revenue Fund. The Emergency Reserve is for unexpected, large-scale expenses

NOTES TO THE FINANCIAL STATEMENTS

resulting from events where immediate, remedial action must be taken to protect the health and safety of residents, all unassigned fund balance has been exhausted, and no amount previously appropriated by the City Council is otherwise available. Any use of the Emergency Reserve must be approved by the City Manager or designee. When this occurs, the City Manager shall provide a summary report to the City Council as soon as practical on the usage of these funds and have City Council approve any necessary budget amendments. At that time, the City Manager will also present a plan to restore the Emergency Reserve to the one and sixty-seven hundredths percent (1.67%) level within the next fiscal year following the fiscal year in which the event occurred. For the year ended June 30, 2019 this balance totaled \$2.0 million.

General Fund - Operating Reserve - The City will maintain an additional General Fund Operating Reserve in the amount of ten percent (10%) of the average of budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Services Fund, and the Highway User Revenue Fund. The Operating Reserve is for unexpected events such as failure of the state to remit revenues to the City, loss of state shared revenues, or other impairment of a significant funding source for the remainder of the fiscal year. The Operating Reserve may also be used for unexpected mandates or other events that cause the City to incur unplanned expenses. The Operating Reserve allows for the continuance of critical City services due to these unanticipated events and is done so after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Operating Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan that projects to restore the Operating Reserve to the ten percent (10%) level within two fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2019 this balance totaled \$12.0 million.

General Fund - Budget Stabilization - The City will maintain an additional General Fund Budget Stabilization Reserve in the amount of five percent (5%) of the average of budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Services Fund, and the Highway User Revenue Fund. The Budget Stabilization Reserve is used to provide funding to offset reductions in revenues resulting from fluctuations in the economic cycle that cannot be otherwise absorbed by the operating budget. The reserve funds will provide time for the City to restructure its operations in a deliberate manner to ensure continuance of critical City activities and is used after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Budget Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Budget Stabilization Reserve to the five percent (5%) level within the three fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2019 this balance totaled \$6.0 million.

General Capital Projects Fund - \$1 million

Transportation Improvement Fund - \$0.5 million

Tourism Fund - \$5,000

Spring Training Ticket Surcharge Fund - \$600,000

Street Light Improvement Districts Fund - SLIDs have a maximum levy limit of \$1.20 per \$100 of assessed valuation in accordance with A.R.S. 48-616. To the extent that the levy limit has not been exceeded, taxes will be levied at a rate that will approach an individual ending fund balance reserve of 5% of its budgeted annual expenses.

There is no effect on the presentation of fund balance on the face of the financial statements. The City is in compliance with its established minimum fund balance policies.

NOTES TO THE FINANCIAL STATEMENTS

O. NET POSITION

The government-wide, proprietary and fiduciary fund financial statements present ending resources as net position. Net position is categorized to help signify their availability.

Net Investment in Capital Assets includes all capital assets of the City both depreciable and non-depreciable net of accumulated depreciation and outstanding debt balances attributable to the acquisition, construction or improvement of these assets. Net position in this category represents infrastructure of the City and is not available to meet the City's needs.

Restricted Net Position consists of amounts that have external restrictions imposed upon them by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Net position in this category represent amounts that are not available to meet the City's needs as they have been promised for other purposes.

Unrestricted Net Position represents amounts that have not been restricted for any project or other purpose. These amounts are available to meet any needs of the City. While unrestricted net position is technically available to be spent by the City it is important to remember that the City has established financial policies that would prevent this. There are certain self-imposed criteria, such as maintaining a minimum operating fund balance that would further reduce the amount the City is willing to spend.

P. MINIMUM NET POSITION

Minimum net position is not intended to be spent. The purpose of the minimum net position balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances.

Within the Stormwater, Sanitation, Sewer, and Water Funds, spendable net position is to be maintained at an amount equal to the average budgeted personnel, supplies and services expenses over a two-month period for that year's Council Adopted Budget. Additionally, an amount will be maintained for repair and replacement at a minimum of 2% of all tangible capital assets of the system. The reserve amounts by category for the year ended June 30, 2019 are listed below:

Fund	Repair & Replacement Reserve	Operating Reserve	Total Reserve
Water Fund	\$ 2,374,616	\$ 1,783,300	\$ 4,157,916
Sewer Fund	5,754,458	1,791,900	7,546,358
Sanitation Fund	186,474	971,000	1,157,474
Stormwater Fund	25,498	133,100	158,598

The Risk Management Fund will maintain spendable net position at an amount that, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed periodically to recommend appropriate funding levels, which will be approved by the City Council. For the year ended June 30, 2019, the required reserve was \$261,600.

The Employee Healthcare Fund will maintain net position at a level which, together with purchased insurance policies (individual and aggregate stop loss), will adequately indemnify the City. The City has established an Adverse Times Reserve. The purpose of this reserve is to address cash flow needs caused by periods in which claim

NOTES TO THE FINANCIAL STATEMENTS

payments exceed projections. The target amount of this reserve is at least twenty-five percent (25%) of expected annual claims. For the year ended June 30, 2019, the required reserve was \$2.65 million.

The Workers' Compensation Fund will maintain net position at a level which, together with purchased insurance policies (individual and aggregate stop loss), will adequately indemnify the City. The target amount of this reserve is at least twice the amount of the budgeted claims. For the year ended June 30, 2019, the required reserve was \$1.5 million.

The City is in compliance with its established minimum net position policies.

Q. PROPERTY TAX

A primary tax levy is limited to an increase of two percent over the previous year's maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year (Section 42-301, Arizona Revised Statutes). The two percent increase is based on the City's "maximum allowable levy" for the prior year.

Property taxes are recognized as revenues in the year they are levied and collected, or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end, or collected in advance of the year-end for which they are levied, are reported as unavailable revenues.

The County levies real property taxes 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 in 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. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and becomes delinquent 30 days thereafter.

R. GRANT REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

S. INTEREST REVENUE

Investment revenue is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment revenue is included in other local revenue in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

T. INTERFUND TRANSACTIONS

Interfund services provided or used are accounted for as revenues, expenditures or expenses. All other interfund transactions are reported as transfers.

NOTES TO THE FINANCIAL STATEMENTS

U. 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.

V. CHANGE IN ACCOUNTING PRINCIPLE

Net Position as of July 1, 2018, has been restated for the for the implementation of GASB Statement No. 84, *Fiduciary Activities*. Upon restatement, the City reported the following adjustment to beginning net position:

	<u>Custodial Fund</u>
Beginning of the year, as previously reported Net Position at June 30, 2018	\$ -
Prior period adjustment - Implementation of GASB 84	<u>68,169</u>
Total prior period adjustment	<u>68,169</u>
Beginning of the year, as restated Net Position, July 1, 2018	<u><u>\$ 68,169</u></u>

NOTE 2 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's 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 were \$93,624,574 and the bank balance was \$89,389,359. At year end, \$500,000 of the City's deposits were covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance \$88,889,359 was fully collateralized. The collateral is held in the pledging banks trust department in the name of the pledging bank.

A reconciliation of the bank balance to the City's deposit balance as of June 30, 2019 follows:

Cash in bank	\$ 89,389,359
<i>Reconciling items:</i>	
Outstanding checks	(390,934)
Deposits in transit	4,657,542
Other	<u>8,015</u>
	93,663,982
Less:	
Fiduciary Fund	<u>39,408</u>
Total City deposits	<u><u>\$ 93,624,574</u></u>

NOTES TO THE FINANCIAL STATEMENTS

The City's investments consisted of the following as of June 30, 2019:

Investment Type	Total Fair Value	Less than 1			
		year	1-2 years	2-3 years	3-4 years
U. S. government securities	\$ 73,902,323	\$ 20,120,864	\$28,326,535	\$22,417,984	\$ 3,036,939
Government sponsored entity debt	36,323,074	12,266,955	12,226,163	11,829,956	-
Money market mutual funds	10,844,975	10,844,975	-	-	-
Local government investment pool	420,773	420,773	-	-	-
	<u>\$ 121,491,145</u>	<u>\$ 43,653,567</u>	<u>\$40,552,698</u>	<u>\$34,247,940</u>	<u>\$ 3,036,939</u>

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 are not required to register (and 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.

Total cash and investments for the City as of June 30, 2019, are as follows:

City's deposits	\$ 93,663,982
Cash on hand	7,350
City's investments	121,491,145
Cash held by trustee	<u>1,387,242</u>
Total	<u>\$ 216,549,719</u>

Interest Rate Risk. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City's investments in securities included \$36,323,074 of government sponsored entity debt. At June 30, 2019, these investments were rated by Standard and Poor's at AA+. The money market mutual funds and local government investment pool are not rated. The City's formal investment policy limits investment choices to the following:

- (1) Certificates of deposit in eligible depositories that must be insured or fully collateralized;
- (2) Interest bearing savings accounts in banks and savings and loan institutions doing business in the State of Arizona whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository to the same extent and in the same manner as required under Arizona Revised Statute 35-323 (A);
- (3) The pooled investment funds established by the State Treasurer pursuant to Arizona Revised Statute 35-326;
- (4) Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities;
- (5) Bonds or other evidence of indebtedness of the State of Arizona or any of its counties, incorporated cities, towns, school districts, or special taxing districts, including registered warrants, substitute checks, and electronic funds transfers that bear interest pursuant to section Arizona Revised Statute 11-635;

NOTES TO THE FINANCIAL STATEMENTS

- (6) Bonds, notes, evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district within the State of Arizona that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations that are rated “A” or the equivalent by a nationally recognized statistical rating organization; and
- (7) bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district in the State of Arizona to finance local improvements authorized by law that are rated “A” or the equivalent by a nationally recognized statistical rating organization.

Custodial Credit Risk – Investments. All of the City’s security investments are held in the City’s name. The City’s investment in the State Treasurer’s investment pool 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’s investment policy places a limit on certain investment choices as follows:

- (1) Certificates of deposits have a 50% sector limit;
- (2) Bonds or other evidence of indebtedness of the State of Arizona or any of its counties, incorporated cities, towns, school districts, or special taxing districts, including registered warrants, substitute checks, and electronic funds transfers that bear interest pursuant to section Arizona Revised Statute 11-635 have a 40% sector limit and a 5% issuer limit;
- (3) Bonds, notes, evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district within the State of Arizona that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations that are rated “A” or the equivalent by a nationally recognized statistical rating organization have a 40% sector limit and a 5% issuer limit; and
- (4) Bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district in the State of Arizona to finance local improvements authorized by law that are rated “A” or the equivalent by a nationally recognized statistical rating organization have a 40% sector limit and a 5% issuer limit. All other eligible investment choices do not have a concentration limit placed on them by the City’s investment policy.

The City’s current investments are in U.S. government securities, government sponsored entity debt, money market mutual funds and the local governmental investment pool which policy does not constrain.

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

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

NOTES TO THE FINANCIAL STATEMENTS

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Investments are measured as follows:

	Disclosure of Fair Value Inputs			
	FYE	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
U. S. Treasury Notes	\$ 73,902,323	\$ 73,902,323	\$ -	\$ -
Federal Agency	36,323,074	-	36,323,074	-
Total investments by fair value level	<u>\$110,225,397</u>	<u>\$ 73,902,323</u>	<u>\$ 36,323,074</u>	<u>\$ -</u>
Investments measured at net asset value				
LGIP	<u>420,773</u>			
Total investments measured at fair value	<u>\$110,646,170</u>			
Investments measured at amortized cost				
Money market funds	<u>10,844,975</u>			
Total investments:	<u>\$121,491,145</u>			

NOTES TO THE FINANCIAL STATEMENTS

Cash Reconciliation to Financial Statements

The following reconciliations are provided to reconcile cash to the government wide and fund financial statements:

Government-wide Financial Statements

Total cash and investments	\$ 155,946,788
Total restricted cash and investments	60,563,523
Subtotal	216,510,311
Government-wide total cash and investments	216,510,311
Plus: Fiduciary Fund cash and cash equivalents	39,408
Total	<u>\$ 216,549,719</u>

Fund Financial Statements

Governmental Funds

Cash and investments	\$ 93,932,325
Restricted cash and cash equivalents	48,638,859

Enterprise Funds

Cash and investments	49,868,201
Restricted cash and cash equivalents	11,924,664

Internal Service Fund

Cash and investments	12,146,262
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Fiduciary Fund

Cash and cash equivalents	39,408
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Total	<u><u>\$ 216,549,719</u></u>
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NOTE 3 – ACCOUNTS RECEIVABLE

The intergovernmental receivable of \$872,860, as reported in the statement of net position includes \$830,285 in highway user tax and \$42,575 in wildland fire reimbursements.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned.

The amounts reported in the governmental funds for the year ended June 30, 2019 are as follows:

CAFR Fund Name	Unearned	Unavailable
General Fund	\$ 1,234,568	\$ 147,794
Highway User Revenue Fund	2,000	-
Debt Service Fund	-	35,630
Non-major Governmental Funds	583,264	31,496
	<u>\$ 1,819,832</u>	<u>\$ 214,920</u>

NOTES TO THE FINANCIAL STATEMENTS

Proprietary funds also report unearned revenue in connection with resources that have been received, but not yet earned.

The amounts reported in the proprietary funds for the year ended June 30, 2019 are as follows:

CAFR Fund Name	Unearned
Sewer Fund	\$ 483,074
Sanitation Fund	73,083
Stormwater Fund	36,648
	<u>\$ 592,805</u>

NOTE 4 – CAPITAL ASSETS

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

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Not being depreciated:					
Land and land improvements	\$ 49,656,478	\$ 10,629,673	\$ (47,005)	\$ 682,134	\$ 60,921,280
Parks	9,145,163	-	-	(537,380)	8,607,783
Construction in process	3,041,761	10,884,165	-	(4,595,857)	9,330,069
Total Not Being Depreciated	<u>61,843,402</u>	<u>21,513,838</u>	<u>(47,005)</u>	<u>(4,451,103)</u>	<u>78,859,132</u>
Other capital assets:					
Buildings and improvements	203,779,676	145,363	(117,507)	399,922	204,207,454
Improvements other than buildings	29,847,634	247,972	(43,340)	1,372,992	31,425,258
Equipment and vehicles	51,411,993	3,593,305	(2,967,122)	952,365	52,990,541
Intangibles	6,352,448	13,257	-	-	6,365,705
Infrastructure	422,316,558	5,500,133	(85,653)	1,688,165	429,419,203
Total Other Capital Assets	<u>713,708,309</u>	<u>9,500,030</u>	<u>(3,213,622)</u>	<u>4,413,444</u>	<u>724,408,161</u>
Total Assets before Depreciation	<u>775,551,711</u>	<u>31,013,868</u>	<u>(3,260,627)</u>	<u>(37,659)</u>	<u>803,267,293</u>
Accumulated depreciation:					
Building and improvements	(72,786,500)	(6,818,879)	90,061	-	(79,515,318)
Improvements other than buildings	(8,610,663)	(1,179,913)	15,198	7,908	(9,767,470)
Equipment and vehicles	(33,118,909)	(3,642,298)	2,637,851	-	(34,123,356)
Intangibles	(2,105,932)	(674,532)	-	-	(2,780,464)
Infrastructure	(223,676,735)	(12,156,108)	42,411	-	(235,790,432)
Total Accumulated Depreciation	<u>(340,298,739)</u>	<u>(24,471,730)</u>	<u>2,785,521</u>	<u>7,908</u>	<u>(361,977,040)</u>
Net Capital Assets - Governmental Activities	<u>\$ 435,252,972</u>	<u>\$ 6,542,138</u>	<u>\$ (475,106)</u>	<u>\$ (29,751)</u>	<u>\$ 441,290,253</u>

Depreciation was charged by function as follows:

General government	\$ 1,924,607
Public safety	2,839,839
Public works and streets, includes depreciation for infrastructure	15,076,608
Community development	38,816
Culture and recreation	<u>4,591,860</u>
Total governmental activities depreciation expense	<u>\$ 24,471,730</u>

NOTES TO THE FINANCIAL STATEMENTS

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
Business-type activities:					
Not being depreciated:					
Land	\$ 5,162,310	\$ 110	\$ -	\$ (255,439)	\$ 4,906,981
Water Rights	9,967,642	3,736,629	-	-	13,704,271
Construction in progress	670,530	3,170,263	(3,000)	(1,760,267)	2,077,526
Total not being depreciated	15,800,482	6,907,002	(3,000)	(2,015,706)	20,688,778
Other capital assets:					
Buildings and system	384,531,970	1,164,126	(74,709)	61,298	385,682,685
Improvements other than buildings	5,638,674	1,150	-	1,687,731	7,327,555
Vehicles and equipment	22,019,166	358,068	(923,101)	304,336	21,758,469
Intangibles	521,857	29,235	-	-	551,092
Total other capital assets	412,711,667	1,552,579	(997,810)	2,053,365	415,319,801
Total assets before depreciation	428,512,149	8,459,581	(1,000,810)	37,659	436,008,579
Accumulated depreciation:					
Buildings and system	(108,375,216)	(10,466,864)	46,071	-	(118,796,009)
Improvements other than buildings	(384,603)	(255,244)	-	(7,908)	(647,755)
Vehicles and equipment	(8,428,535)	(1,988,585)	907,389	-	(9,509,731)
Intangibles	(156,557)	(105,833)	-	-	(262,390)
Total accumulated depreciation	(117,344,911)	(12,816,526)	953,460	(7,908)	(129,215,885)
Net capital assets - Business-type activities	\$ 311,167,238	\$ (4,356,945)	\$ (47,350)	\$ 29,751	\$ 306,792,694
Depreciation was charged by function as follows:					
Ground Ambulance			\$ 130,767		
Water			3,530,638		
Sewer			8,068,139		
Sanitation			1,038,210		
Stormwater			48,772		
Total Depreciation Expense			\$ 12,816,526		

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - DEVELOPER AGREEMENTS

The City of Surprise has entered into agreements with developers for infrastructure related to commercial and residential development. The developers construct the infrastructure and convey the assets to the City. Based on the terms of the agreements, over a designated period of time, the City pays the developers for the infrastructure with collections of impact fees and other specified revenues, up to the maximum amount per agreement. Commitments to reimburse developers under these agreements are not currently recognized until the requirements of the agreements are met. If the term of the agreement expires before the maximum amount has been repaid, the City has no further obligation to continue making payments under the agreement.

Development agreements related to water system infrastructure will be reimbursed using water system impact fees. Total water system infrastructure value conveyed is \$25,629,990. Depending on the terms of the specific agreement, this value is eligible for reimbursement during the next fourteen years. Once an agreement expires, water system fees are no longer eligible for developer reimbursement. As of June 30, 2019, \$17,245,637 had expired or been reimbursed, leaving a potential remaining balance of \$8,384,353.

Development agreements related to wastewater system infrastructure will be reimbursed using specified sales tax revenues. The total net value reimbursable for wastewater system infrastructure is \$14,002,595. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty-one years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2019, \$451,520 had expired or been reimbursed, leaving a potential remaining balance of \$13,551,075.

Infrastructure installed in connection with development agreements related to transportation will be reimbursed using a portion of sales tax collections as prescribed in the agreements. The total net reimbursable value for this infrastructure is \$65,603,304 at June 30, 2019. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty-one years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2019, \$3,954,189 had expired or been reimbursed, leaving a potential remaining balance of \$61,649,115.

Development agreements related to park infrastructure will be reimbursed using park impact fees. Total park infrastructure value conveyed is \$4,777,882. Depending on the terms of the specific agreement, this value is eligible for reimbursement through November 2020. Once an agreement expires, park impact fees are no longer eligible for developer reimbursement. As of June 30, 2019, the City has reimbursed \$509,371 leaving a potential balance remaining of \$4,268,511.

Development agreements related to fire infrastructure are reimbursed using fire development impact fees. The total net value reimbursable for fire infrastructure was \$496,663. Depending on the terms of the specific agreement, this value was eligible for reimbursement through November 2020. When the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2019, the City had reimbursed \$496,663, leaving a remaining balance of zero.

In addition, the City has entered into a number of developer agreements for infrastructure that has not yet been conveyed to the City. The total cost to be incurred under these agreements is currently undeterminable.

NOTES TO THE FINANCIAL STATEMENTS

Tax Abatements

The City of Surprise participates in two tax abatement programs, foreign trade zones and a sales tax incentive program.

Foreign Trade Zones

The City of Surprise provides property tax abatements in any area of the City deemed to be foreign trade zone in accordance with Section 44-6501, Arizona Revised Statutes. The State of Arizona, any county, city or town within the state or a public or private corporation or any combination thereof can apply to the foreign trade zones board, United States Department of Commerce, for the right to establish, operate and maintain a foreign trade zone and subzones. For tax purposes, property in foreign trade zones is classified as class six property in accordance with Section 42-12006, Arizona Revised Statutes. The change in tax classification is administered by the County who levies and collects property taxes on the City's behalf. The property would otherwise be class one property. Class six foreign trade zones have a property tax assessment ratio of six percent compared to class one properties which have an assessment ratio of 18 percent. For fiscal year 2019, \$26,471 of property taxes were abated by this program.

Sales Tax Incentive Program

The City of Surprise administers a sales tax (transaction privilege tax) incentive program in accordance with Ariz. Rev. Stat. § 42-6010. The City has entered into agreements with specific businesses to return a portion of the sales tax generated by the business and paid to the Arizona State Department of Revenue. The City will return up to 50% of the sales tax generated by the business. The amount of taxes paid and returned is determined by the City's review of the monthly reports received from the Arizona State Department of Revenue. The exact amount of taxes abated during fiscal year 2019 cannot be disclosed in accordance with Ariz. Rev. Stat. § 42-2002.

In addition, the City has entered into two development agreements to reimburse developers for the construction of public infrastructure that will benefit the community. These reimbursements are paid over time from sales tax collected within a defined area. For the year ended June 30, 2019, the city reimbursed \$3,295,892.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – SIGNIFICANT COMMITMENTS

Construction Commitments

The City of Surprise has active construction projects as of June 30, 2019. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Funding Source
Asante Library	\$ 1,488,781	\$ 2,420,011	Library Development Fee
Tennis Center Lighting	216,995	134,305	General Capital
163rd Avenue	166,215	76,795	Roads Regional Significance 2,4,6
Sweetwater Avenue	127,142	137,205	Transportation Improvement
Police Evidence Refrigerator	17,419	17,421	General Capital
Bell & Litchfield Signal Modification	18,414	6,138	Highway User Revenue
Advanced Metering Infrastructure	120,146	8,079,854	Water Utility Capital
EOne Truck Replacement	321,381	321,381	Vehicle Replacement
District Fire Station 304	64,103	21,363	Public Safety Election 2017
District Fire Station 304	458,154	167,131	Public Safety Election 2017
Fire Station 308	11,200	3,510	Public Safety Election 2017
107th & Union Hills Drainage	425,700	1,425,000	Stormwater Capital
Waddell Rd (SR303-Reems Rd)	561,072	75,505	Traffic Election 2017
Waddell Rd (SR303-Reems Rd)	40,943	48,449	Traffic Election 2017
Litchfield Rd (Waddell Rd-Peoria)	345,390	20,502	Traffic Election 2017
Greenway Rd Cotton Ln-Sarival	148,676	161,420	Traffic Election 2017
Public Works Yard	1,628,690	6,760,568	Public Works Exp Dev Fee
Public Works Yard	8,097	991,903	Sanitation Fund
Public Works Yard	1,208,942	3,186,620	Public Safety Election 2017
Public Works Yard	-	177,694	General Capital Projects Fund
SPA1 Recharge Expansion	190,260	25,056	Sewer Utility Capital
SPA1 Rancho Gabriela WSF	23,781	20,478	Water Utility Capital
SPA1 Rancho Gabriela WSF-Arsenic	738,893	182,553	Water Utility Capital
	<u>\$ 8,963,734</u>	<u>\$ 24,460,862</u>	

NOTES TO THE FINANCIAL STATEMENTS

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances, based on purchase orders or other contracts, have been classified based on the existing resources that will be used to liquidate them. Encumbrances not for specific purposes for which resources already have been restricted, committed or assigned are classified as either committed or assigned fund balance. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Fund	Encumbrances
General Fund	\$ 480,720
General Capital Projects Fund	2,022,120
General Government Development Fee Fund	-
Highway User Revenue Fund	228,178
Transportation Improvement Fund	328,718
Debt Service Fund	-
Non-Major Funds	1,066,011
Ground Ambulance Services Fund	24,111
Water Fund	563,259
Sewer Fund	317,605
Sanitation Fund	725,429
Stormwater Fund	11,642
Total encumbrances	\$ 5,767,793

NOTE 7 - LONG-TERM DEBT & OTHER PAYABLES

MUNICIPAL PROPERTY CORPORATION BONDS

The City of Surprise Municipal Property Corporation (MPC) issued, for the purpose of constructing the South Wastewater Treatment Plant, the Wastewater Development Impact Fee and Utility Revenue Bonds, Series 2007, maturing in 2031, with an original issue amount of \$50,675,000. The remaining outstanding balance of \$33,770,000 was fully defeased on October 1, 2018 with the issuance of the Senior Lien Utility System Revenue Refunding Obligations, Series 2018.

PLEDGED REVENUE OBLIGATIONS

In 2015, the City of Surprise issued Pledged Revenue Obligations and Pledged Revenue Refunding Obligations secured by a pledge on excise tax revenues and state shared revenues. A portion of the issuance was for the purpose of refunding the former MPC Series 2003 Bonds, and the remainder was for the construction of stadium improvements.

The issuance requires excise tax and state shared revenues to be maintained at a minimum of 3.0 times the combined debt service requirement payable. The debt service coverage ratio at June 30, 2019 (revenues to debt service payable) is 28.8.

NOTES TO THE FINANCIAL STATEMENTS

The Pledged Revenue Obligations, Series 2015, were issued in the amount of \$17,385,000, and have an outstanding principal balance at June 30, 2019 of \$13,745,000. Proceeds of these obligations are designated for the construction of stadium improvements. The obligations are payable solely from pledged revenues and are payable through 2030. Principal and interest payments and pledged revenues for the current year were \$1,584,300 and \$122,165,507, respectively. Next year's principal and interest payments of \$1,580,900 constitute approximately 1.3% of the current year pledged revenue.

The Pledged Revenue Refunding Obligations, Series 2015, were issued in the amount of \$19,280,000 and have an outstanding principal balance at June 30, 2019 of \$11,525,000. The proceeds of these obligations were used to refund (extinguish the debt) of the former MPC Series 2003 Bonds and pay costs of issuance. The refunding obligations are payable solely from pledged revenue and mature in 2024. Principal and interest payable and pledged revenues for the current year were \$2,655,450 and \$122,165,507, respectively. Next year's principal and interest payments totaling \$2,653,850 constitute approximately 2.2% of current year pledged revenue.

In August 2018, the City of Surprise issued Senior Lien Utility System Revenue Refunding Obligations, Series 2018, secured by a pledge of revenues of the system which are revenues (including any unrestricted fund balances of the System) remaining after deducting operation expenses. A portion of the proceeds of the obligations, together with other legally available funds of the City, were placed in a trust fund to fully defease the City of Surprise Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Revenue Bonds, Series 2007, on October 1, 2018.

The issuance requires pledged revenues to be at least 175 percent of the Parity Lien Test Debt Service. Parity Lien Test Debt Service is the highest aggregate Principal Requirement and Interest Requirement of all 2018 obligations and additional obligations then outstanding, to fall due and payable in the current or any future Bond Year. At June 30, 2019 the Parity Lien Test Debt Service is \$2,955,524 and pledged revenues are \$18,545,602. The current year ratio is 627.5 percent of the Parity Lien Test Debt Service.

Further, the issuance requires the City to establish and maintain rates, fees, and charges for all services supplied by the System to provide Pledged Revenues fully sufficient to produce pledged revenue in each fiscal year equal to at least 125 percent of the Principal Requirement and Interest Requirement on all 2018 Obligations and Additional Obligations then outstanding for the corresponding Bond Year. At June 30, 2019 pledged revenue equal 627.5 percent of the Principal Requirement and Interest Requirement.

The Senior Lien Utility System Revenue Refunding Obligations, Series 2018, were issued in the amount of \$25,255,000, and have an outstanding principal balance at June 30, 2019 of \$24,230,000. The proceeds of these obligations were used to defease (extinguish the debt) of the former City of Surprise Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Revenue Bonds, Series 2007, and pay costs of issuance. The new refunding obligations have interest rates that range between 4-5%. The refunding obligations are payable solely from pledged revenue and mature in 2036. Principal and interest payable and pledged revenues for the current year were \$2,152,250 and \$18,545,602, respectively. Next year's principal and interest payments totaling \$2,151,500 constitute approximately 862% of current year pledged revenue.

The City realized net proceeds of \$29,013,570 (including a \$4,166,127 premium) after payment of \$407,557 in underwriting fees, and other issuance costs. The City used these proceeds together with other legally available funds of the City to establish a trust fund with the escrow trustee to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased at June 30, 2019, and related liabilities are not included in the City's financial statements. All of the refunding bonds were fully defeased on October 1, 2018. The reacquisition price equaled the net carrying amount of the old debt. Details of the refunding transaction are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Senior Lien Utility System Revenue Refunding Summary

Amount of refunding obligations issued	\$ 25,255,000
Amount of bonds refunded	33,770,000
Original Issue Premium	4,166,127
Debt Service Reserve Fund Transfer	5,067,500
Other City Contributions	409,298
Reduction in debt service payments over next 18 years	13,472,462
Economic gain (loss)	5,310,835
Effective Interest Rate	2.92%

GENERAL OBLIGATIONS

In May 2018, the City of Surprise issued \$37,730,000 in General Obligations secured by secondary property taxes. The new bonds have coupon rates ranging from 3-5% with final maturity of the bonds occurring in 2038. The Bonds are issued pursuant to the Arizona Constitution and laws of the State of Arizona, including particularly Title 35, Chapter 3, Article 3, Arizona Revised Statutes, a vote of the qualified electors of the City at an election held on November 7, 2017 (the "Election"), and a resolution authorizing issuance of the Bonds adopted by the Mayor and Council of the City on April 3, 2018 (the "Bond Resolution"). The Bonds are being issued for the purpose of paying for certain facilities improvements including a Fire Station, an Evidence and Readiness Center, a Public Works Operations Facility, and road improvements including improvements to Greenway, Litchfield and Waddell Roads and costs of issuance of the Bonds.

The Bonds represent the first installment of an aggregate voted principal amount of \$59,500,000 of general obligation bonds approved at the Election. After the sale of the Bonds, the City has remaining authorized but unissued bonds of \$19,512,500 from the Election.

COMMUNITY FACILITIES DISTRICT BONDS AND NOTES

Community Facilities District (CFD) Bonds and Notes are special purpose government entity debt which the City Council may issue under Arizona law to (among other things) acquire and improve public infrastructure.

In October 2017, Marley Park Community Facilities District directly borrowed \$3,000,000 in new general obligation notes. These new note funds were used for the cost of issuance as well as the acquisition of capital assets. The new notes have an interest rate of 2.690% with final maturity occurring in 2032. The notes contain a gross up provision in the event they become taxable due to actions or omissions of the District. In such a case the taxable rate would be 4.14% and would be effective as of the date of a final determination of the Internal Revenue Service or a court of competent jurisdiction, or an opinion of a nationally recognized bond counsel selected by the lender.

In October 2016, Marley Park Community Facilities District defeased certain general obligation bonds related to the Series 2006, 2007 and 2008 issuances by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the City's financial statements. At June 30, 2019, the bonds have been fully defeased.

NOTES TO THE FINANCIAL STATEMENTS

Long-term debt as of June 30, 2019 is comprised of the following:

Classified in Governmental Activities on the Government-wide Financial Statements:

City of Surprise General and Revenue Obligations	Long-Term Debt Outstanding
2015, Pledged Revenue Obligation (issued June 23, 2015) due in annual installments of \$855,000 to \$1,505,000 through July 1, 2030; interest at 3 percent to 5 percent. Original issue amount \$17,385,000.	\$ 13,745,000
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$1,830,000 to \$2,525,000 through July 1, 2024; interest at 3 percent to 5 percent. Original issue amount \$19,280,000. 69.75 percent of this issue pertains to governmental activities.	8,038,689
Total 2015 Pledged Revenue Obligation	21,783,689
2015, Pledged Revenue Revenue Obligations, Issuance Premium	2,179,399
2018, General Obligation Bonds, (issued May 9, 2018) due in annual installments of \$1,205,000 to \$2,865,000 through July 1, 2038; interest at 3 percent to 5 percent. Original issue amount of \$37,730,000.	35,215,000
2018, General Obligation Bonds, Issuance Premium	2,107,019
Total General and Revenue Obligations	<u>\$ 61,285,107</u>
Community Facilities District General Obligation Bonds and Notes	Long-Term Debt Outstanding
2008 Marley Park Community Facilities District General Obligation Bonds due in annual installments of \$60,000 to \$630,000 beginning July 15, 2009 through July 15, 2033; interest at 3.80 percent to 7.00 percent. Original issue amount \$3,395,000. In October 2016, \$2,470,000 of these bonds was refunded by the 2016 Marley Park Community Facilities District General Obligation Refunding Bonds.	\$ 100,000
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, due in annual installments of \$80,000 to \$665,000 beginning July 15, 2017 through July 15, 2041; interest at 2 percent to 4 percent. Original issue amount \$11,365,000 of which \$4,800,000 is new issuance and \$6,565,000 in refunding obligations.	11,005,000
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, Issuance Premium	268,419
2017 Marley Park Community Facilities District General Obligation Notes, directly placed borrowing, due in annual installments of \$100,000 to \$245,000 beginning July 15, 2018 through July 15, 2032; interest is at 2.690 percent. Original issue amount \$3,000,000.	2,770,000
Total Community Facilities Districts General Obligation Bonds and Notes Outstanding	<u>14,143,419</u>
Total Bonds and Notes Payable Recorded in Governmental Activities	<u>\$ 75,428,526</u>

NOTES TO THE FINANCIAL STATEMENTS

Classified in Business-type Activities on the Government-wide Financial Statements:

Revenue Obligations

	Long-Term Debt Outstanding
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$1,830,000 to \$2,525,000 through July 1, 2024; interest at 3 percent to 5 percent. Original issue amount \$19,280,000. 30.25 percentage of this issue pertains to business-type activities.	\$ 3,486,314
2015, Pledged Revenue Refunding Obligation, Issuance Premium	390,762
2018, Senior Lien Utility System Revenue Refunding Obligations (issued August 7, 2018) due in installments of \$940,000 to \$2,045,000 through July 1, 2036; interest at 4.00 percent to 5.00 percent. Original issue amount \$25,255,000.	24,230,000
2018, Senior Lien Utility System Revenue Refunding Obligations, Issuance Premium	3,934,675
Total Bonds Payable Recorded in Business-type Activities	32,041,751
Total Long-Term Bonds Payable	\$ 107,470,277

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental activities					
Bonds and Notes payable:					
City of Surprise, Series 2015 Pledged revenue obligations \$28,701,375 (\$36,665,000 issued)	\$ 24,166,588	\$ -	\$ (2,382,902)	\$ 21,783,689	\$2,473,700
City of Surprise, Series 2018 General obligations \$37,730,000	37,730,000	-	(2,515,000)	35,215,000	2,865,000
For issuance premium 2015	2,475,819	-	(296,420)	2,179,399	-
For issuance premium 2018	2,481,105	-	(374,086)	2,107,019	-
Community Facilities District					
Series 2007 Bonds, \$3,950,000 issued	130,000	-	(130,000)	-	-
Series 2008 Bonds, \$3,395,000 issued	190,000	-	(90,000)	100,000	100,000
Series 2016 Bonds, \$11,365,000 issued	11,140,000		(135,000)	11,005,000	275,000
Series 2017 Direct Placement Note, \$3,000,000 issued	2,870,000	-	(100,000)	2,770,000	195,000
For issuance premium 2016	289,352	-	(20,933)	268,419	-
Total bonds and notes payable	81,472,864	-	(6,044,341)	75,428,526	5,908,700
Net pension liabilities	89,150,085	4,392,229	(12,856,634)	80,685,680	-
Net OPEB liabilities	365,351	164,586	(205,059)	324,878	-
Compensated absences payable	6,925,344	5,961,268	(4,517,178)	8,369,434	3,431,468
Total governmental activities long-term liabilities	<u>\$ 177,913,644</u>	<u>\$ 10,518,083</u>	<u>\$ (23,623,212)</u>	<u>\$ 164,808,518</u>	<u>\$ 9,340,168</u>
Business-type activities					
City of Surprise, Series 2015 Pledged revenue obligations \$5,278,625 (\$36,665,000 issued)	\$ 4,103,413	\$ -	\$ (617,100)	\$ 3,486,314	\$ 641,300
General municipal property corporation fund obligation Series 2007 Bonds, \$50,675,000 issued	33,770,000	-	(33,770,000)	-	-
Senior Lien Utility System Revenue Refunding Obligations, Series 2018	-	25,255,000	(1,025,000)	24,230,000	940,000
For issuance premium 2015	468,915	-	(78,153)	390,762	-
For issuance premium 2018	-	4,166,127	(231,452)	3,934,675	-
Total bonds payable	38,342,328	29,421,127	(35,721,705)	32,041,751	1,581,300
Net pension liabilities	11,704,330	419,380	(849,714)	11,273,996	-
Net OPEB liabilities	27,327	28,714	(12,769)	43,272	-
Compensated absences payable	925,405	727,512	(685,516)	967,401	396,635
Contracts and developer payable	2,746,514	290,329	(422,033)	2,614,810	401,479
Total business-type activities long-term liabilities	<u>\$ 53,745,904</u>	<u>\$ 30,887,062</u>	<u>\$ (37,691,737)</u>	<u>\$ 46,941,230</u>	<u>\$ 2,379,414</u>

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2019, the City's outstanding bonds had the following ratings:

Description	Fitch Rating	Standard & Poor's Rating
City of Surprise, Arizona, Pledged Revenue and Revenue Refunding Obligations SERIES 2015	AA+	AA
City of Surprise, Arizona, General Obligation Bonds SERIES 2018	Not rated	AA
City of Surprise, Arizona, Senior Lien Utility System Revenue Refunding Obligations SERIES 2018	Not rated	AA+
Marley Park Community Facilities District General Obligation Bonds SERIES 2017	Not rated	Not rated
Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds SERIES 2016*	Not rated	AA
Marley Park Community Facilities District General Obligation Bonds SERIES 2008	Not rated	Not rated

* insured by Building America Mutual

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of debt service requirements for the year ended June 30, 2019. Deferred amounts are not included:

Year Ended June 30	Governmental Activities					
	Refunding/Stadium Imp 2015		GO Bonds 2018		Marley Park CFD 2008	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,473,700	\$ 958,260	\$ 2,865,000	\$ 1,415,294	\$ 100,000	\$ 6,500
2021	2,549,037	884,049	1,205,000	1,272,044	-	-
2022	2,677,275	756,598	1,265,000	1,211,794	-	-
2023	2,812,487	622,734	1,330,000	1,148,544	-	-
2024	2,951,188	482,109	1,395,000	1,082,044	-	-
2025-2029	6,815,000	1,101,150	8,110,000	4,290,470	-	-
2030-2034	1,505,000	75,250	9,905,000	2,490,970	-	-
2035-2039	-	-	9,140,000	781,125	-	-
2040-2041	-	-	-	-	-	-
Total	\$ 21,783,687	\$ 4,880,150	\$ 35,215,000	\$ 13,692,285	\$ 100,000	\$ 6,500

	Governmental Activities					
	Marley Park CFD 2016		Marley Park CFD 2017 direct placement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 275,000	\$ 354,187	\$ 195,000	\$ 74,513	\$ 5,908,700	\$ 2,808,754
2021	385,000	348,688	185,000	69,268	4,324,037	2,574,049
2022	395,000	340,987	190,000	64,291	4,527,275	2,373,670
2023	405,000	329,138	195,000	59,180	4,742,487	2,159,596
2024	415,000	316,987	200,000	53,934	4,961,188	1,935,074
2025-2029	2,235,000	1,419,788	1,085,000	186,148	18,245,000	6,997,556
2030-2034	2,630,000	987,006	720,000	39,005	14,760,000	3,592,231
2035-2039	2,955,000	487,656	-	-	12,095,000	1,268,781
2040-2041	1,310,000	61,719	-	-	1,310,000	61,719
Total	\$ 11,005,000	\$ 4,646,156	\$ 2,770,000	\$ 546,339	\$ 70,873,687	\$ 23,771,430

Year Ended June 30	Business-Type Activities					
	Refunding/Stadium Imp 2015		Sr. Lien Utility System Revenue Refunding 2018		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 641,300	\$ 161,490	\$ 940,000	\$ 1,211,500	\$ 1,581,300	\$ 1,372,990
2021	660,963	142,251	985,000	1,164,500	1,645,963	1,306,751
2022	692,725	109,203	1,035,000	1,115,250	1,727,725	1,224,453
2023	727,513	74,566	1,085,000	1,063,500	1,812,513	1,138,066
2024	763,812	38,190	1,140,000	1,009,250	1,903,812	1,047,440
2025-2029	-	-	6,610,000	4,132,750	6,610,000	4,132,750
2030-2034	-	-	8,440,000	2,306,000	8,440,000	2,306,000
2035-2036	-	-	3,995,000	302,000	3,995,000	302,000
Total	\$ 3,486,313	\$ 525,700	\$ 24,230,000	\$ 12,304,750	\$ 27,716,313	\$ 12,830,450

NOTES TO THE FINANCIAL STATEMENTS

Contracts Payable

General Government Activities

A balance of \$2,318,743 is owed based on improvements made by developers per development agreements for various infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Business Type Activities

A balance of \$2,614,810 is owed based on improvements made by developers per development agreements for various equipment and infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Legal Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the net secondary assessed valuation of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities. Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent of the City's net secondary assessed valuation. The following summarizes the City of Surprise, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2019:

20% Limitation		6% Limitation	
20% Constitutional Limit	\$ 263,322,489	6% Constitutional Limit	\$ 78,996,747
Less General Obligation 20%		Less General Obligation 6%	
Bonds Outstanding	(35,215,000)	Bonds Outstanding	-
Reduction for Excess		Reduction for Excess	
Premium	(2,107,019)	Premium	-
Available 20% Limitation		Available 6% Limitation	
Borrowing Capacity	<u>\$ 226,000,470</u>	Borrowing Capacity	<u>\$ 78,996,747</u>

OPERATING LEASES

The City leases copiers, trash compactors, and land under certain cancelable and non-cancelable operating leases expiring at various dates. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the City's statement of net position. Lease expense for the fiscal year ended June 30, 2019 was \$70,392.

NOTES TO THE FINANCIAL STATEMENTS

The following is a schedule of the future minimum lease payments on the non-cancelable operating leases:

Year Ending June 30:	
2020	\$ 39,483
2021	18,926
2022	17,296
2023	5,765
Total minimum payments required	<u>\$ 81,470</u>

Operating Lease Revenue

The City leases various City-owned properties and buildings under cancelable long-term lease agreements. The carrying value of leased assets is \$8,780,151 (cost of \$12,525,906 less accumulated depreciation of \$3,745,755). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2019 were \$432,000.

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS) for police officers and firefighters, and the Elected Officials Retirement Plan (EORP) for elected officials and judges. The plans are component units of the State of Arizona.

At June 30, 2019, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental activities	Business-type activities	Total
Net OPEB asset	\$ 105,851	\$ 29,234	\$ 135,085
Net pension liabilities	80,685,680	11,273,996	91,959,676
Net OPEB liabilities	324,878	43,272	368,150
Deferred outflows of resources related to pensions	25,042,439	1,969,370	27,011,809
Deferred outflows of resources related to OPEB	510,997	119,614	630,611
Deferred inflows of resources related to pensions	8,818,745	1,346,879	10,165,624
Deferred inflows of resources related to OPEB	717,514	91,208	808,722
Pension expense	13,593,754	783,251	14,377,005
OPEB expense	183,847	45,835	229,682

The City reported accrued payroll and employee benefits of \$396,806 for outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2019. Also, the City reported \$11,725,716 of pension and OPEB expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System

Plan description — City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and

NOTES TO THE FINANCIAL STATEMENTS

a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

Arizona State Retirement System

	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	30 years, age 55
	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final average salary based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive 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 earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability)

NOTES TO THE FINANCIAL STATEMENTS

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

In addition, the City was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019, were \$4,349,366, \$178,575, and \$62,149, respectively.

During fiscal year 2019, the City paid for ASRS pension and OPEB contributions as follows: 70 percent from the general fund, 28 percent from major funds, and 2 percent from other funds.

Liability/(asset) — At June 30, 2019, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

ASRS	Net Pension/OPEB (asset) liability
Pension	\$ 51,433,226
Health insurance premium benefit	(135,084)
Long-term disability	193,112

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The City's proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

ASRS	Proportion	Increase (decrease) from
	June 30, 2018	June 30, 2017
Pension	0.37%	0.01%
Health insurance premium benefit	0.38%	0.01%
Long-term disability	0.37%	0.01%

Expense — For the year ended June 30, 2019, the City recognized the following pension and OPEB expense.

ASRS	Pension/OPEB expense
Pension	\$ 3,394,556
Health insurance premium benefit	138,032
Long-term disability	72,895

Deferred outflows/inflows of resources — At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

NOTES TO THE FINANCIAL STATEMENTS

	Pension	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 1,416,944	\$ 283,543
Changes in assumptions	1,361,017	4,560,262
Difference between projected and actual investment earnings	-	1,236,847
Changes in proportion and differences between City contributions and proportionate share of contributions	1,622,800	-
City contributions subsequent to the measurement date	4,349,366	-
Total	<u>\$ 8,750,127</u>	<u>\$ 6,080,652</u>

	Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 124,677
Changes in assumptions	260,511	-
Difference between projected and actual investment earnings	-	269,852
Changes in proportion and differences between City contributions and proportionate share of contributions	345	194
City contributions subsequent to the measurement date	178,575	-
Total	<u>\$ 439,431</u>	<u>\$ 394,723</u>

	Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 4,939	\$ -
Changes in assumptions	41,827	-
Difference between projected and actual investment earnings	-	18,705
Changes in proportion and differences between City contributions and proportionate share of contributions	2,535	16
City contributions subsequent to the measurement date	62,149	-
Total	<u>\$ 111,450</u>	<u>\$ 18,721</u>

NOTES TO THE FINANCIAL STATEMENTS

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from city contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30	Pension	Health insurance premium benefit	Long-term disability
2020	\$ 1,537,123	\$ (52,281)	\$ 916
2021	(786,130)	(52,281)	916
2022	(1,876,206)	(52,281)	917
2023	(554,678)	5,213	5,927
2024	-	17,762	6,845
Thereafter	-	-	15,059

Actuarial assumptions — The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7–7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

NOTES TO THE FINANCIAL STATEMENTS

ASRS Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

Discount rate — At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the City's proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate — The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

ASRS	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the			
Net pension liability	\$ 73,319,248	\$ 51,433,226	\$ 33,147,809
Net health insurance premium benefit liability (asset)	478,636	(135,084)	(657,851)
Net long-term disability liability	218,850	193,112	168,140

Plan fiduciary net position — Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System

Plan descriptions — City police employees and City firefighters who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS plans. The report is available on the PSPRS website at www.psprs.com.

NOTES TO THE FINANCIAL STATEMENTS

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

PSPRS	Initial membership date:	
	Before January 1, 2012 (Tier 1)	On or after January 1, 2012 and before July 1, 2017 (Tier 2)
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
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% 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

NOTES TO THE FINANCIAL STATEMENTS

Employees covered by benefit terms — At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	PSPRSPolice		PSPRSFire	
	Pension	Health	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	43	43	12	12
Inactive employees entitled to but not yet receiving benefits	20	3	3	1
Active employees	119	119	121	121
Total	182	165	136	134

Contributions and annual OPEB cost — State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Police		Fire	
	Tier 1 & 2	Tier 3	Tier 1 & 2	Tier 3
Active members - pension	7.65%	9.68%	7.65%	9.68%
Active members - Health benefit	0.00%	0.26%	0.00%	0.26%
City				
Pension	32.10%	26.97%	25.97%	20.07%
Health insurance premium benefit	0.37%	0.26%	0.31%	0.26%

In addition, statute required the City to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

	PSPRS	
	Police	Fire
Pension	17.24%	10.33%
Health insurance premium benefit	0.05%	0.06%

The City's contributions to the plans for the year ended June 30, 2019, were:

	PSPRS Police	PSPRS Fire
Contributions made		
Pension	\$3,977,387	\$2,977,137
Health Insurance premium benefit	44,365	35,366

During fiscal year 2019, the City paid for PSPRS pension and OPEB contributions as follows: 98.8 percent from the general fund, .5 percent from major funds, and .7 percent from non-major funds.

NOTES TO THE FINANCIAL STATEMENTS

Liability — At June 30, 2019, the City reported the following net pension/OPEB liabilities:

	Net pension liability	Net OPEB liability
PSPRS Police	\$ 25,986,798	\$ 44,107
PSPRS Fire	12,690,134	130,930

The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Actuarial assumptions — The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

PSPRS

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

PSPRS Asset class	Target allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Discount rate — At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.40 percent, which was the same as the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution

NOTES TO THE FINANCIAL STATEMENTS

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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the net/OPEB liability – The following tables present changes in the City's net pension/OPEB liability for the PSPRS – Police and PSPRS – Fire plans as follows:

NOTES TO THE FINANCIAL STATEMENTS

PSPRS - Police - Pension	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2018	\$ 61,627,688	\$ 34,802,471	\$ 26,825,217
Changes for the year:			
Service cost	2,432,053	-	2,432,053
Interest on the total pension liability	4,564,294	-	4,564,294
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(615,366)	-	(615,366)
Changes of assumptions	-	-	-
Contributions—employer	-	3,608,348	(3,608,348)
Contributions—employee	-	1,121,032	(1,121,032)
Net investment income	-	2,508,024	(2,508,024)
Benefit payments, including refunds of employee contributions	(2,328,125)	(2,328,125)	-
Administrative expense	-	(38,871)	38,871
Other changes	-	20,867	(20,867)
Net changes	4,052,856	4,891,275	(838,419)
Balances at June 30, 2019	\$ 65,680,544	\$ 39,693,746	\$ 25,986,798
PSPRS - Police - Health insurance premium benefit	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) – (b)
Balances at June 30, 2018	\$ 1,184,616	\$ 1,057,981	\$ 126,635
Changes for the year:			
Service cost	34,574	-	34,574
Interest on the total OPEB liability	87,925	-	87,925
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	(105,683)	-	(105,683)
Changes of assumptions	-	-	-
Contributions—employer	-	26,730	(26,730)
Contributions—employee	-	-	-
Net investment income	-	73,735	(73,735)
Benefit payments, including refunds of employee contributions	(27,446)	(27,446)	-
OPEB plan administrative expense	-	(1,122)	1,122
Other changes	-	1	(1)
Net changes	(10,630)	71,898	(82,528)
Balances at June 30, 2019	\$ 1,173,986	\$ 1,129,879	\$ 44,107

NOTES TO THE FINANCIAL STATEMENTS

PSPRS - Fire - Pension	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2018	\$ 52,521,863	\$ 36,784,339	\$ 15,737,524
Changes for the year:			
Service cost	2,629,254	-	2,629,254
Interest on the total pension liability	3,959,756	-	3,959,756
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(2,685,396)	-	(2,685,396)
Changes of assumptions	-	-	-
Contributions—employer	-	3,149,148	(3,149,148)
Contributions—employee	-	1,036,287	(1,036,287)
Net investment income	-	2,659,343	(2,659,343)
Benefit payments, including refunds of employee contributions	(652,543)	(652,543)	-
Administrative expense	-	(41,175)	41,175
Other changes	-	147,401	(147,401)
Net changes	3,251,071	6,298,461	(3,047,390)
Balances at June 30, 2019	\$ 55,772,934	\$ 43,082,800	\$ 12,690,134
PSPRS - Fire - Health insurance premium benefit	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) – (b)
Balances at June 30, 2018	\$ 975,262	\$ 840,564	\$ 134,698
Changes for the year:			
Service cost	28,223	-	28,223
Interest on the total OPEB liability	72,743	-	72,743
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	(17,297)	-	(17,297)
Changes of assumptions	-	-	-
Contributions—employer	-	29,385	(29,385)
Contributions—employee	-	-	-
Net investment income	-	58,948	(58,948)
Benefit payments, including refunds of employee contributions	(12,727)	(12,727)	-
OPEB plan administrative expense	-	(897)	897
Other changes	-	1	(1)
Net changes	70,942	74,710	(3,768)
Balances at June 30, 2019	\$ 1,046,204	\$ 915,274	\$ 130,930

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the City's net pension/OPEB liability to changes in the discount rate — The following table presents the City's net pension/OPEB liabilities calculated using the discount rate of 7.40 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

	1% Decrease (6.40%)	Current discount rate (7.40%)	1% Increase (8.40%)
PSPRS Police			
Net pension liability	\$ 36,549,728	\$ 25,986,798	\$17,517,175
Net OPEB liability/(asset)	206,636	44,107	(89,831)
PSPRS Fire			
Net pension liability	\$ 22,405,257	\$ 12,690,134	\$ 4,901,275
Net OPEB liability	288,788	130,930	1,617

Plan fiduciary net position — Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Expense — For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 6,648,189	\$ 54,742
PSPRS Fire	4,304,351	64,352

Deferred outflows/inflows of resources — At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

NOTES TO THE FINANCIAL STATEMENTS

PSPRS - Police - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 3,600,778	\$ 537,388
Changes in assumptions	2,770,348	-
Net difference between projected and actual earnings on pension plan investments	406,499	-
City contributions subsequent to the measurement date	3,977,387	-
Total	<u>\$ 10,755,012</u>	<u>\$ 537,388</u>
PSPRS - Police - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 142,902
Changes in assumptions	-	78,161
Net difference between projected and actual earnings on OPEB plan investments	-	20,547
City contributions subsequent to the measurement date	44,365	-
Total	<u>\$ 44,365</u>	<u>\$ 241,610</u>
PSPRS - Fire - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 1,253,964	\$ 2,740,941
Changes in assumptions	2,047,767	-
Net difference between projected and actual earnings on pension plan investments	426,174	-
City contributions subsequent to the measurement date	2,977,137	-
Total	<u>\$ 6,705,042</u>	<u>\$ 2,740,941</u>
PSPRS - Fire - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 38,114
Changes in assumptions	-	99,854
Net difference between projected and actual earnings on OPEB plan investments	-	15,701
City contributions subsequent to the measurement date	35,366	-
Total	<u>\$ 35,366</u>	<u>\$ 153,669</u>

NOTES TO THE FINANCIAL STATEMENTS

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from city contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30	PSPRS			
	Police		Fire	
	Pension	Health	Pension	Health
2020	\$2,207,277	\$ (43,307)	\$ 609,397	\$ (22,412)
2021	1,991,983	(43,307)	388,903	(22,412)
2022	1,283,924	(43,306)	(39,117)	(22,412)
2023	756,051	(35,263)	230,295	(16,153)
2024	148,500	(36,159)	190,826	(16,922)
Thereafter	(147,498)	(40,268)	(393,340)	(53,358)

PSPDCRP plan—City police and fire employees who are not members of PSPRS participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2019, active PSPDCRP members were required by statute to contribute at least 9 percent of the members' annual covered payroll, and the City was required by statute to contribute 9 percent, respectively, of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City's contributions each year as set forth in statute. The plan retains nonvested City contributions when forfeited because of employment terminations. For the year ended June 30, 2019, the City recognized pension expense of \$49,747.

C. Elected Officials Retirement Plan

Plan description — Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com. The EORP OPEB is immaterial to the financial statements of the City; therefore, it is not included in financial statements or presented here in the notes to the financial statements.

Benefits provided — The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

NOTES TO THE FINANCIAL STATEMENTS

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Contributions — State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2019, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 61.5 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 49.86 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.5 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges. The City's contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2019, were \$101,371 and \$0, respectively.

During fiscal year 2019, the City paid for EORP pension contributions as follows: 100 percent from the general fund.

NOTES TO THE FINANCIAL STATEMENTS

Liability — At June 30, 2019, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$ 1,849,518
State's proportionate share of the EORP net pension liability associated with the City	(90,103)
Total	<u>\$ 1,759,415</u>

The net liability was measured as of June 30, 2018, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

The City's proportion of the net pension liability was based on the City's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2018. The City's proportion measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, was:

EORP	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.293510%	0.13%

Expense — For the year ended June 30, 2019, the City recognized pension expense for EORP of \$29,910 and revenue of (\$90,103) for the City's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources — At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP - Pension	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 28,846
Changes of assumptions or other inputs	11,524	769,968
Net difference between projected and actual earnings on plan investments	16,049	-
Changes in proportion and differences between City contributions and proportionate share of contributions	672,686	7,828
City contributions subsequent to the measurement date	101,371	-
Total	<u>\$ 801,630</u>	<u>\$ 806,642</u>

NOTES TO THE FINANCIAL STATEMENTS

The amounts reported as deferred outflows of resources related to EORP pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

<u>Year ending June 30</u>	<u>Pension</u>
2020	\$ (97,065)
2021	(2,776)
2022	(6,809)
2023	266
2024	-

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

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Wage Inflation	3.50%
Investment Rate of Return	7.40%
Salary Increases	3.75%, including inflation
Price Inflation	2.50%
	Inflation-based cost of living allowance, capped at 2%.
	When calculating the total pension liability it is assumed
	benefit recipients will receive a cost of living adjustment
Permanent benefit increase	averaging 1.75% each year in the future.
Mortality rates	RP-2014 mortality table using MP-2016 improvement
	scale with adjustments to match current experience
Retirement Age	Experience-Based Table

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

The long-term expected rate of return on EORP plan investments was determined to be 7.40 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.

NOTES TO THE FINANCIAL STATEMENTS

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

EORP		Long-term expected geometric
Asset class	Target allocation	real rate of return
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Discount rates — At June 30, 2018, the discount rates used to measure the EORP total pension liability was 7.4 percent which was an increase of 3.49 for pension from the discount rates used as of June 30, 2017. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the EORP net pension liability to changes in the discount rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rates noted above, as well as what the City's 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:

EORP	1% Decrease	Current discount rate	1% Increase
Rate - pension	6.40%	7.40%	8.40%
City's proportionate share of the net pension liability	\$ 2,123,676	\$ 1,849,518	\$ 1,616,475

Plan fiduciary net position — Detailed information about the plan's fiduciary net position is available in the separately issued EORP financial report.

EODCRS plan — Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute. The EODCDP is not further disclosed because of its relative insignificance to the City's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the City was required by statute to contribute 6 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the City's contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2019, the City recognized pension expense of \$4,487.

Deferred Compensation Plans

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. A governing board (committee) makes decisions about investment options available within each Plan. In fiscal year 2019, the City contributed to the 457 plan on behalf of eligible employees in an amount equal to a percentage of base annual salary. The City contributed \$656,713 for the year ended June 30, 2019. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency.

The City's fiduciary responsibility for the plan is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 plan assets be held in trust for employees; therefore, employee assets held in Section 457 plan assets are held in trust for employees. Employee assets held in Section 457 plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Custodial Fund is not included in the City's Financial Statements.

Defined Contribution Other Postemployment Plans

The City also offers a Post-Employment Health Plan (PEHP). The PEHP is a defined contribution plan designed to allow the City and employees to set aside money during the course of employment with the City, for the payment of qualified medical expenses incurred post-employment. The Post-Employment Health Plan consists of two sub-accounts that can accept contributions. One account accepts fixed contributions from the City and the other accepts earned and unused personal time off (vacation and sick leave). After voluntary termination of employment with the City, employees are provided with the option to be paid for all, or a portion of, earned and unused personal time off, or move earned and unused personal time off into their PEHP account.

Beginning with the first pay period in fiscal year 2019, the City began contributing \$25 per pay period to the plan for members of the Surprise Police Employees Association and the Northwest Valley Fire Fighters Association Local 4361. Employees are not required to contribute in order to receive the City's contribution.

Further, eligible employees that are Tier 1 members of the Public Safety Personnel Retirement System (PSPRS), who enter the Deferred Retirement Option Plan (DROP) are eligible for an additional benefit. Upon the employee's acceptance by the local board and PSPRS to the DROP program the City will contribute eight percent of total PSPRS eligible earnings, per pay period, to the employee's PEHP. If for any reason an employee terminates participation in DROP, this additional benefit shall cease.

The City contributed \$274,272 for the year ended June 30, 2019.

The City's fiduciary responsibility for the plan is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that post-employment health plan assets be held in trust for employees; therefore, employee assets held in post-employment plan assets are held in trust for employees. Employee assets held in post-employment health plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Custodial Fund is not included in the City's Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - RISK MANAGEMENT

Risk Management Fund

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. Thus, the City participates in the Arizona Municipal Risk Retention Pool (AMRRP), which provides a comprehensive municipal coverage program including property, general liability, public officials' liability, automobile liability and physical damage, bonds and crime. The basic coverage program is standard for all participants and deemed to be appropriate by the governing board of the AMRRP. Individual limits are determined by the Council and staff members.

The limit for basic coverage is \$2 million per occurrence and \$13 million under an umbrella policy for a total of \$15 million on a claim made basis. The AMRRP is structured such that member premiums are based on actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligation. The Pool has the authority to assess its members' additional premiums should reserve's and annual premiums be insufficient to meet the Pool's obligations. The City can be assessed up to the amount of the current year's contribution. The City's obligation is to file claims timely. The AMRRP is responsible for investigating claims, settling claims and billing the City for any deductible portion. The City's loss has not exceeded its coverage in any of the last three years, and the deductible portion has not been material to the City's financial position.

As of June 30, 2019, unpaid claims were as follows:

	Risk Management Fund	
	2018	2019
Beginning unpaid claims	\$ -	\$ 180,000
Claims incurred and changes in estimates	463,782	543,806
Payments made	(283,782)	(576,273)
Ending unpaid claims	<u>\$ 180,000</u>	<u>\$ 147,533</u>

Employee Healthcare Fund

The City has established the Employee Healthcare Fund to account for the costs of claims incurred by the City through a self-insurance program. The City is self-insured for individual health claims up to \$250,000. Commercial stop loss insurance is in place for claims in excess of the individual limit as well as aggregate insurance for claims in excess of 125% of the City's total actuarially projected claims.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$794,325 of the total claims payable reported. The remaining \$651,296 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2019, unpaid claims were as follows:

	Employee Healthcare Fund	
	2018	2019
Beginning unpaid claims	\$ 1,358,057	\$ 1,257,598
Claims incurred and changes in estimates	9,478,152	11,161,235
Payments made	(9,578,611)	(10,973,212)
Ending unpaid claims	<u>\$ 1,257,598</u>	<u>\$ 1,445,621</u>

Worker's Compensation Fund

Following in-depth analysis including an actuarial study to determine feasibility, the Mayor and City Council approved establishing a Worker's Compensation Fund on January 3, 2017; to administer a self-insured workers' compensation program. The City sought and gained authority to self-insure/self-administer workplace injury claims through the Industrial Commission of Arizona (ICA), effective July 1, 2017. The program assumed responsibility for all new workplace injury/exposures deemed compensable, while leaving liability of prior claims with the previous insurance carrier.

The program assumes first-dollar losses up to the established self-insured retention (SIR) levels of two categories of employees. The first category, General Employee Population, carries a self-insured retention level of \$500,000 per occurrence. Public Safety Population assumes a self-insured retention of \$1,000,000 per occurrence. Should a claim exceed the respective SIR, the excess carrier assumes liability up to statutory limits. All claims below the SIR are managed in-house and resolved via funds established for claims settlement. Expenses within the program are reported regularly to the Workers' Compensation Trust Board, as prescribed by Arizona Revised Statute.

Excess insurance premiums are calculated following underwriting evaluation to include actuarial study and loss history. Being a newly designated self-administered program, the City has been assigned an experience modifier of 1.0, which designates an insurance premium of \$0.28 per \$100 of payroll. These premiums are assigned to each department based on industry hazard codes and total payroll.

The Workers' Compensation fund currently has an established reserve of \$1,500,000, which exceeds the required amount designated by the Industrial Commission of Arizona. The funds held in this reserve account are maintained by the City following approval from both City Council and the ICA for exemption from posting security for outstanding workers' compensation claims, per Arizona Administrative Code R20-5-114.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$158,765 of the total claims payable reported. The remaining \$12,570 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

As of June 30, 2019, unpaid claims were as follows:

	Workers' Compensation Fund	
	2018	2019
Beginning unpaid claims	\$ -	\$ 13,577
Claims incurred and changes in estimates	188,621	387,745
Payments made	(175,044)	(229,987)
Ending unpaid claims	<u>\$ 13,577</u>	<u>\$ 171,335</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - CONTINGENT LIABILITIES

The City is a defendant in various lawsuits that are incidental to the ordinary course of its operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the City's financial position.

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 which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City has entered into a settlement agreement of which the City is financially responsible for a drainage study and road improvements. The total cost to be incurred is currently unknown. The City is also financially responsible to reimburse future development impact fees, planning and zoning fees, and building permits charged by the City related directly to the development of the Property defined in the settlement agreement up to \$800,000. As of June 30, 2019 the City had reimbursed the developer as part of the settlement agreement \$771,629 leaving up to \$28,371 to be reimbursed to the developer in future years.

NOTE 11 - INTERFUND BORROWING AND TRANSFERS

As of June 30, 2019, interfund balances were as follows:

Due to/from other funds:

Due from	Due to
	General Fund
Non-Major Governmental Fund - Grants Fund	\$ 169,925

At year end, the Grants fund, a non-major governmental fund, had a negative cash balance in the pooled cash account. The short-term negative cash balance was eliminated by interfund borrowing with the General Fund and is expected to be paid within one year.

Advances to/from other funds:

Advances to	Advances from		
	General Fund	Sewer Fund	Total
General Government Development Fee Fund	\$ -	\$5,993,321	\$ 5,993,321
Non-Major Governmental Funds	-	972,323	972,323
Ground Ambulance Services Fund	870,950	-	870,950
Total	<u>\$ 870,950</u>	<u>\$6,965,644</u>	<u>\$ 7,836,594</u>

As of June 30, 2019, the City had several long-term loans outstanding. The loans relate to expenditures for projects to be funded by impact fees and to establish ground ambulance services within the City. These loans will be repaid as impact fees are collected in future years and through charges for services once ground ambulance services are fully operational.

NOTES TO THE FINANCIAL STATEMENTS

Interfund Transfers:

Transfers Out	Transfers in					Total
	General Fund	General Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Water Fund	
General Fund	\$ -	\$18,510,000	\$ 1,969,284	\$ 124,008	\$ -	\$20,603,292
General Capital Projects Fund	-	-	13	-	-	13
General Government Development Fee Fund	-	-	367,248	-	-	367,248
Non-Major Governmental Funds	-	-	1,098,648	-	-	1,098,648
Ground Ambulance Services Fund	891	-	493	-	-	1,384
Water Fund	506,286	-	96,641	-	-	602,927
Sewer Fund	733,253	-	211,550	-	1,459,830	2,404,633
Sanitation Fund	51,346	-	6,112	-	-	57,458
Stormwater Fund	902	-	499	-	-	1,401
Total	<u>\$1,292,678</u>	<u>\$18,510,000</u>	<u>\$ 3,750,488</u>	<u>\$ 124,008</u>	<u>\$1,459,830</u>	<u>\$25,137,004</u>

Transfers between funds were used to (1) record payments in lieu of franchise fees from the enterprise funds to the General Fund (2) record payments in lieu of property taxes from the enterprise funds to the General Fund and Debt Service Fund (3) to support as needed replacement of vehicles and maintenance, construction or purchase of city assets (4) move amounts for debt service payments (5) to fund municipal arts projects, and (6) to transfer water rights (capital assets) generated by the Sewer Fund to the Water Fund to be used for water services. During the year ended June 30, 2019 the governmental activities transferred capital assets and accumulated depreciation totaling \$74,779 and \$7,908, respectively, for a net transfer amount of \$66,872 to business-type activities. The Sanitation Fund transferred capital assets totaling \$10 to governmental activities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – FUND BALANCE CLASSIFICATION

Fund balance classifications:

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Non-Major Governmental Fund	Total
Fund balance								
Nonspendable:								
Advance to other funds	\$ 870,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 870,950
Inventory	497,348	-	-	606,563	-	-	28,175	1,132,086
Prepays	828,870	21,684	-	3,042	-	-	5,208	858,804
Total Nonspendable	2,197,168	21,684	-	609,605	-	-	33,383	2,861,840
Restricted:								
City Manager's Office	544	-	-	-	-	-	-	544
Court	-	-	-	-	-	-	209,526	209,526
Debt Service	-	-	-	-	-	484,644	140,805	625,449
Economic Development	6,822	-	-	-	-	-	-	6,822
Fire and Medical	8,907	-	-	-	-	-	6,013,474	6,022,381
Human Services and Community Vitality	32,967	-	-	-	-	-	8,137	41,104
Library	-	-	-	-	-	-	2,685,524	2,685,524
Parks and recreation	337,366	-	-	-	-	-	2,590,332	2,927,698
Police	68,467	-	-	-	-	-	4,860,845	4,929,312
Public works	-	-	-	-	-	-	7,057,332	7,057,332
Transportation	-	-	-	2,407,537	-	-	2,519,858	4,927,395
Unspent Bond Proceeds - Public Safety	-	15,025,869	-	-	-	-	-	15,025,869
Unspent Bond Proceeds - Traffic Mitigation	-	12,312,984	-	-	-	-	-	12,312,984
Unspent Bond Proceeds - Pavement Preservation	-	5,245,530	-	-	-	-	-	5,245,530
Total Restricted	455,073	32,584,383	-	2,407,537	-	484,644	26,085,833	62,017,470
Committed:								
Transportation	-	-	-	-	5,731,916	-	-	5,731,916
Tourism	-	-	-	-	-	-	714,612	714,612
Total Committed	-	-	-	-	5,731,916	-	714,612	6,446,528
Assigned:								
Construction projects	-	15,210,967	-	-	-	-	-	15,210,967
FS Package Replacement Reserve	-	78,589	-	-	-	-	-	78,589
Vehicle Replacement	-	4,401,029	-	-	-	-	-	4,401,029
Public Safety	12,216	-	-	-	-	-	-	12,216
Wildland Vehicle Replacement	345,960	-	-	-	-	-	-	345,960
Other	35,446	-	-	-	-	-	-	35,446
Total Assigned	393,622	19,690,585	-	-	-	-	-	20,084,207
Unassigned:								
Unassigned or negative fund balance	42,250,582	-	(5,568,450)	-	-	-	(975,052)	35,707,080
Total	\$ 45,296,445	\$ 52,296,652	\$ (5,568,450)	\$ 3,017,142	\$ 5,731,916	\$ 484,644	\$ 25,858,776	\$ 127,117,125

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2019, the following individual governmental funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Funds:	
General Government Development Fee Fund	\$ 4,913,417
Non-Major Governmental Funds	
Fire Development Fee Grandfathered Fund	972,323

Deficits arose due to project expenditures incurred in current and prior years exceeding impact fee revenues. The deficit fund balances are expected to be funded with future development impact fees received.

NOTE 14 – BUDGET BASIS OF ACCOUNTING

The City records expenditures for prepaid items as an expenditure in the period goods or services are received; however, on the budgetary basis of accounting the expenditure is recorded in the period of the actual cash outlay.

NOTE 15 – JOINT VENTURE

The City currently participates with nineteen cities, towns and fire districts in the Regional Wireless Cooperative (RWC) agreement for the administration, operation, management, construction, and maintenance of a regional public safety communications network. The RWC is an Arizona joint venture, multi-jurisdictional organization throughout the Phoenix Metropolitan Region. The City of Phoenix is both the Network Managing Member and the Administrative Managing Member. As the Network Managing Member, the City of Phoenix operates and maintains the network. As the Administrative Managing Member, the City of Phoenix is responsible for accounting, budgeting, procurement and contracting for the RWC.

The City has an ongoing financial responsibility as a result of the agreement to participate in the cost to construct, operate and maintain the network. The City's share of costs is determined based on the proportionate number of subscriber units in use at the time of assessment. The equity interest for the City at June 30, 2019, was \$1,061,275.

Separate financial statements may be obtained from RWC Director's Office, 200 W. Washington Street, 12th Floor, Phoenix, Arizona 85003.

NOTE 16 – SUBSEQUENT EVENTS

On October 3, 2019, the Marley Park Community Facilities District issued \$8,470,000 in General Obligation Bonds, Series 2019. The bonds were issued to acquire certain public infrastructure benefitting the District that were constructed by the developer. The bonds are payable in annual installments through July 15, 2044 of \$50,000 to \$1,260,000 with coupon rates of 3.0% to 4.0%.

On November 12, 2019, the City received an upgrade from Standard and Poor's on its Pledged Revenue and Revenue Refunding Obligations, Series 2015. The rating was increased to AA+ from AA with a stable outlook.



REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information

Schedule of the City's proportionate share of the net pension/OPEB liability (asset)

Cost-sharing plans

Arizona State Retirement System - Pension	Reporting fiscal year (measurement date)					
	2019	2018	2017	2016	2015	2014 through
	(2018)	(2017)	(2016)	(2015)	(2014)	2010
City's proportion of the net pension liability	0.37%	0.36%	0.35%	0.32%	0.29%	Information
City's proportionate share of the net pension liability	\$ 51,433,226	\$ 56,257,015	\$ 56,796,968	\$ 50,841,272	\$ 42,980,167	not
City's covered payroll	\$ 37,581,388	\$ 35,238,842	\$ 32,932,534	\$ 30,121,665	\$ 26,536,195	available
City's proportionate share of the net pension liability as a percentage of its covered payroll	136.86%	159.64%	172.46%	168.79%	161.97%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

Arizona State Retirement System - Health insurance premium benefit	Reporting fiscal year (measurement date)		
	2019	2018	2017 through
	(2018)	(2017)	2010
City's proportion of the net OPEB (asset)	0.38%	0.37%	Information
City's proportionate share of the net OPEB (asset)	\$ (135,084)	\$ (199,174)	not
City's covered payroll	\$ 37,581,388	\$ 35,238,842	available
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.36%	-0.57%	
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%	

Arizona State Retirement System - Long-term disability	Reporting fiscal year (measurement date)		
	2019	2018	2017 through
	(2018)	(2017)	2010
City's proportion of the net OPEB liability	0.37%	0.36%	Information
City's proportionate share of the net OPEB liability	\$ 193,112	\$ 131,344	not
City's covered payroll	\$ 37,581,388	\$ 35,238,842	available
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.51%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%	

See accompanying notes to this schedule.

Required supplementary information

Schedule of the City's proportionate share of the net pension/OPEB liability (asset)

Cost-sharing plans

Elected Official Retirement Plan - Pension	Reporting fiscal year (measurement date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
City's proportion of the net pension liability	0.29%	0.17%	0.19%	0.16%	0.22%	Information
City's proportionate share of the net pension liability	\$ 1,849,518	\$ 2,034,660	\$ 1,829,709	\$ 1,276,030	\$ 1,505,462	not available
State's proportionate share of the net pension liability associated with the City	\$ (90,103)	\$ 213,700	\$ 100,812	\$ 107,037	\$ 136,820	
Total	<u>\$ 1,759,415</u>	<u>\$ 2,248,360</u>	<u>\$ 1,930,521</u>	<u>\$ 1,383,067</u>	<u>\$ 1,642,282</u>	
City's covered payroll	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,470	\$ 154,983	
City's proportionate share of the net pension liability as a percentage of its covered payroll	1166.98%	1454.63%	1241.73%	889.60%	1059.65%	
Plan fiduciary net position as a percentage of the total pension liability	30.36%	19.66%	23.42%	28.32%	31.91%	

See accompanying notes to this schedule.

Required supplementary information

Schedule of changes in the City's net pension/OPEB liability and related ratios
Agent plans

PSPRS - Police - Pension	Reporting fiscal year (measurement date)					2014 through 2010 Information not available
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						
Service cost	\$ 2,432,053	\$ 2,580,430	\$ 2,064,206	\$ 1,663,042	\$ 1,565,018	
Interest on the total pension liability	4,564,294	4,152,228	3,530,011	2,833,422	2,300,961	
Changes of benefit terms	-	431,035	4,507,117	-	241,790	
Differences between expected and actual experience in the measurement of the pension liability	(615,366)	884,245	144,478	5,574,308	1,218,340	
Changes of assumptions or other inputs	-	950,588	2,249,172	-	2,469,394	
Benefit payments, including refunds of employee contributions	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)	
Net change in total pension liability	\$ 4,052,856	\$ 6,111,187	\$ 10,665,632	\$ 9,104,921	\$ 6,638,202	
Total pension liability-beginning	61,627,688	55,516,501	44,850,869	35,745,948	29,107,746	
Total pension liability-ending (a)	\$ 65,680,544	\$ 61,627,688	\$ 55,516,501	\$ 44,850,869	\$ 35,745,948	
Plan fiduciary net position						
Contributions-employer	\$ 3,608,348	\$ 2,601,364	\$ 2,303,420	\$ 1,729,946	\$ 1,359,213	
Contributions-employee	1,121,032	1,376,163	1,496,064	1,196,870	977,373	
Net investment income	2,508,024	3,589,391	168,147	951,951	2,875,527	
Benefit payments, including refunds of employee contributions	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)	
Pension plan administrative expense	(38,871)	(32,160)	(24,595)	(23,613)	-	
Other changes	20,867	36,754	138,888	210,447	(462,996)	
Net change in plan fiduciary net position	\$ 4,891,275	\$ 4,684,173	\$ 2,252,572	\$ 3,099,750	\$ 3,591,816	
Plan fiduciary net position-beginning	34,802,471	30,118,298	27,865,726	24,765,976	21,174,160	
Plan fiduciary net position-ending (b)	\$ 39,693,746	\$ 34,802,471	\$ 30,118,298	\$ 27,865,726	\$ 24,765,976	
City's net pension (asset) liability-ending (a) - (b)	\$ 25,986,798	\$ 26,825,217	\$ 25,398,203	\$ 16,985,143	\$ 10,979,972	
Plan fiduciary net position as a percentage of the total pension liability	60.43%	56.47%	54.25%	62.13%	69.28%	
Covered payroll	\$ 12,326,006	\$ 11,769,882	\$ 11,159,388	\$ 10,682,880	\$ 8,730,979	
City's net pension (asset) liability as a percentage of covered payroll	210.83%	227.91%	227.59%	158.99%	125.76%	

See accompanying notes to this schedule.

Required supplementary information

Schedule of changes in the City's net pension/OPEB liability and related ratios
Agent plans

PSPRS - Police - OPEB	Reporting fiscal year (measurement date)		
	2019 (2018)	2018 (2017)	2014 through 2010
Total OPEB liability			Information
Service cost	\$ 34,574	\$ 37,056	not available
Interest on the total OPEB liability	87,925	94,154	
Changes of benefit terms	-	6,912	
Differences between expected and actual experience of the total OPEB liability	(105,683)	(68,029)	
Changes of assumptions	-	(107,363)	
Benefit payments, including refunds of employee contributions	(27,446)	(29,932)	
Net change in total OPEB liability	\$ (10,630)	\$ (67,202)	
Total OPEB liability-beginning	1,184,616	1,251,818	
Total OPEB liability-ending (a)	<u>\$ 1,173,986</u>	<u>\$ 1,184,616</u>	
Plan fiduciary net position			
Contributions-employer	\$ 26,730	\$ 55,927	
Contributions-employee	-	-	
Net investment income	73,735	110,362	
Benefit payments, including refunds of employee contributions	(27,446)	(29,932)	
OPEB plan administrative expense	(1,122)	(976)	
Other changes	1	-	
Net change in plan fiduciary net position	\$ 71,898	\$ 135,381	
Plan fiduciary net position-beginning	1,057,981	922,600	
Plan fiduciary net position-ending (b)	<u>\$ 1,129,879</u>	<u>\$ 1,057,981</u>	
City's net OPEB (asset) liability-ending (a) - (b)	<u>\$ 44,107</u>	<u>\$ 126,635</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	96.24%	89.31%	
Covered payroll	\$ 12,326,006	\$ 11,769,882	
City's net OPEB (asset) liability as a percentage of covered payroll	0.36%	1.08%	

See accompanying notes to this schedule.

Required supplementary information

Schedule of changes in the City's net pension/OPEB liability and related ratios

Agent plans

PSPRS - Fire - Pension	Reporting fiscal year (measurement date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information
Service cost	\$ 2,629,254	\$ 2,540,844	\$ 1,944,045	\$ 1,709,096	\$ 1,635,304	not
Interest on the total pension liability	3,959,756	3,537,634	2,858,919	2,480,922	2,170,938	available
Changes of benefit terms	-	324,839	4,813,386	-	25,204	
Differences between expected and actual experience in the measurement of the pension liability	(2,685,396)	721,498	(428,646)	991,201	122,957	
Changes of assumptions or other inputs	-	36,178	2,042,866	-	1,068,570	
Benefit payments, including refunds of employee contributions	(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)	
Net change in total pension liability	\$ 3,251,071	\$ 6,086,657	\$ 10,745,185	\$ 4,699,725	\$ 3,282,408	
Total pension liability-beginning	52,521,863	46,435,206	35,690,021	30,990,296	27,707,888	
Total pension liability-ending (a)	\$55,772,934	\$52,521,863	\$46,435,206	\$35,690,021	\$30,990,296	
Plan fiduciary net position						
Contributions-employer	\$ 3,149,148	\$ 1,828,952	\$ 1,773,960	\$ 1,394,750	\$ 1,298,311	
Contributions-employee	1,036,287	1,340,153	1,188,041	1,085,819	916,860	
Net investment income	2,659,343	3,742,608	170,022	956,696	2,973,644	
Benefit payments, including refunds of employee contributions	(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)	
Pension plan administrative expense	(41,175)	(33,516)	(24,864)	(23,732)	-	
Other changes	147,401	141,131	30,036	23,521	(491,977)	
Net change in plan fiduciary net position	\$ 6,298,461	\$ 5,944,992	\$ 2,651,810	\$ 2,955,560	\$ 2,956,273	
Plan fiduciary net position-beginning	36,784,339	30,839,347	28,187,537	25,231,977	22,275,704	
Plan fiduciary net position-ending (b)	\$43,082,800	\$36,784,339	\$30,839,347	\$28,187,537	\$25,231,977	
City's net pension (asset) liability-ending (a) - (b)	\$12,690,134	\$15,737,524	\$15,595,859	\$ 7,502,484	\$ 5,758,319	
Plan fiduciary net position as a percentage of the total pension liability	77.25%	70.04%	66.41%	78.98%	81.42%	
Covered payroll	\$11,534,304	\$11,296,060	\$10,648,460	\$ 9,802,389	\$ 8,942,409	
City's net pension (asset) liability as a percentage of covered payroll	110.02%	139.32%	146.46%	76.54%	64.39%	

See accompanying notes to this schedule.

Required supplementary information
Schedule of City pension/OPEB contributions

PSPRS - Fire - OPEB	Reporting fiscal year (measurement date)		
	2019 (2018)	2018 (2017)	2014 through 2010
Total OPEB liability			Information
Service cost	\$ 28,223	\$ 28,898	not available
Interest on the total OPEB liability	72,743	78,136	
Changes of benefit terms	-	8	
Differences between expected and actual experience of the total OPEB liability	(17,297)	(28,004)	
Changes of assumptions	-	(124,948)	
Benefit payments, including refunds of employee contributions	(12,727)	(12,382)	
Net change in total OPEB liability	\$ 70,942	\$ (58,292)	
Total OPEB liability-beginning	975,262	1,033,554	
Total OPEB liability-ending (a)	<u>\$ 1,046,204</u>	<u>\$ 975,262</u>	
Plan fiduciary net position			
Contributions-employer	\$ 29,385	\$ 40,649	
Contributions-employee	-	-	
Net investment income	58,948	86,787	
Benefit payments, including refunds of employee contributions	(12,727)	(12,382)	
OPEB plan administrative expense	(897)	(769)	
Other changes	1	-	
Net change in plan fiduciary net position	\$ 74,710	\$ 114,285	
Plan fiduciary net position-beginning	840,564	726,279	
Plan fiduciary net position-ending (b)	<u>\$ 915,274</u>	<u>\$ 840,564</u>	
City's net OPEB (asset) liability-ending (a) - (b)	<u>\$ 130,930</u>	<u>\$ 134,698</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	87.49%	86.19%	
Covered payroll	\$11,534,304	\$11,296,060	
City's net OPEB (asset) liability as a percentage of covered payroll	1.14%	1.19%	

See accompanying notes to this schedule.

Required supplementary information
Schedule of City pension/OPEB contributions

Arizona State Retirement System - Pension	Reporting fiscal year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 4,349,366	\$ 4,084,163	\$ 3,773,263	\$ 3,569,994	\$ 3,259,073	\$ 2,801,701	Information not available
City's contributions in relation to the statutorily required contribution	4,349,366	4,084,163	3,773,263	3,569,994	3,259,073	2,801,701	
City's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	\$ 32,932,534	\$ 30,121,665	\$ 26,536,195	
City's contributions as a percentage of covered payroll	11.16%	10.87%	10.71%	10.84%	10.82%	10.56%	

Arizona State Retirement System - Health insurance premium benefit	Reporting fiscal year			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 178,575	\$ 164,581	\$ 196,952	Information not available
City's contributions in relation to the statutorily required contribution	178,575	164,581	196,952	
City's contribution deficiency	\$ -	\$ -	\$ -	
City's covered payroll	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	
City's contributions as a percentage of covered payroll	0.46%	0.44%	0.56%	

Arizona State Retirement System - Long-term disability	Reporting fiscal year			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 62,149	\$ 61,374	\$ 49,278	Information not available
City's contributions in relation to the statutorily required contribution	62,149	61,374	49,278	
City's contribution deficiency	\$ -	\$ -	\$ -	
City's covered payroll	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	
City's contributions as a percentage of covered payroll	0.16%	0.16%	0.14%	

See accompanying notes to this schedule.

Required supplementary information
Schedule of City pension/OPEB contributions

Elected Official Retirement Plan - Pension	Reporting fiscal year						2013 through 2010 Information not available
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 101,371	\$ 66,206	\$ 34,133	\$ 36,535	\$ 35,199	\$ 47,836	Information not available
City's contributions in relation to the statutorily required contribution	101,371	66,206	34,133	36,535	35,199	47,836	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 176,123	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,470	\$ 154,983	
City's contributions as a percentage of covered payroll	57.56%	43.91%	22.08%	23.50%	22.64%	30.87%	

The City was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2019, 2018, or 2017. Information for fiscal years 2016 through 2010 is not available.

PSPRS - Police - Pension	Reporting fiscal year						2013 through 2010 Information not available
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 3,977,387	\$ 5,056,552	\$ 2,598,440	\$ 2,301,028	\$ 1,753,988	\$ 1,359,213	Information not available
City's contributions in relation to the actuarially determined contribution	3,977,387	5,056,552	2,598,440	2,301,028	1,753,988	1,359,213	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 13,066,419	\$ 12,326,006	\$ 11,769,882	\$ 11,159,388	\$ 10,682,880	\$ 8,730,979	
City's contributions as a percentage of covered payroll	30.44%	41.02%	22.08%	20.62%	16.42%	15.57%	

PSPRS - Police - OPEB	Reporting fiscal year			2016 through 2010 Information not available
	2019	2018	2017	
Actuarially determined contribution	\$ 44,365	\$ 79,382	\$ 58,849	Information not available
City's contributions in relation to the actuarially determined contribution	44,365	79,382	58,849	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	
City's covered payroll	\$ 13,066,419	\$ 12,326,006	\$ 11,769,882	
City's contributions as a percentage of covered payroll	0.34%	0.64%	0.50%	

See accompanying notes to this schedule.

Required supplementary information
Schedule of City pension/OPEB contributions

PSPRS - Fire - Pension	Reporting fiscal year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 2,977,137	\$ 4,499,428	\$ 1,832,987	\$ 1,716,087	\$ 1,417,546	\$ 1,298,311	Information not available
City's contributions in relation to the actuarially determined contribution	2,977,137	4,499,428	1,832,987	1,716,087	1,417,546	1,298,311	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 11,767,811	\$ 11,534,304	\$ 11,296,060	\$ 10,648,460	\$ 9,802,389	\$ 8,942,409	
City's contributions as a percentage of covered payroll	25.30%	39.01%	16.23%	16.12%	14.46%	14.52%	
PSPRS - Fire - OPEB	Reporting fiscal year			2016 through 2010			
	2019	2018	2017				
Actuarially determined contribution	\$ 35,366	\$ 77,072	\$ 40,740	Information not available			
City's contributions in relation to the actuarially determined contribution	35,366	77,072	40,740				
City's contribution deficiency (excess)	\$ -	\$ -	\$ -				
City's covered payroll	\$ 11,767,811	\$ 11,534,304	\$ 11,296,060				
City's contributions as a percentage of covered payroll	0.30%	0.67%	0.36%				

See accompanying notes to this schedule.

Required supplementary information
Notes to Pension/OPEB Schedules

Note 1 – Actuarially determined contribution rates

Actuarially determined contribution rates are calculated as of June 30 each year for ASRS which is 12 months prior to the beginning of the fiscal year in which contributions are reported. Actuarial determined contribution rates for PSPRS are calculated as of June 30 2 years prior to the beginning of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, Closed
Remaining amortization period as of the 2017 actuarial valuation	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce normal cost which otherwise would be payable.
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

Note 2 – Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the City refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP provided the City the option to reduce its actual employer contributions for the refunded amounts; however, the City elected not to reduce its actual employer contributions for the refunded amounts.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP reflects the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

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

The actuarial assumptions used in the June 30, 2018, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. Several actuarial assumptions were adjusted as a result of the study, including decreasing wage inflation from 4.0% to 3.5%.

City of Surprise, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 54,463,200	\$ 54,463,200	\$ 56,238,268	\$ 1,775,068
Licenses and permits	5,668,900	5,668,900	5,991,243	322,343
Intergovernmental revenues	36,426,300	36,426,300	36,165,011	(261,289)
Charges for services	11,631,400	11,806,100	18,377,414	6,571,314
Fines	1,247,900	1,247,900	1,452,165	204,265
Rents	681,800	639,600	724,073	84,473
Interest revenue(loss)	148,600	148,600	983,101	834,501
Donations	550,700	575,600	125,872	(449,728)
Indirect charges	5,481,600	5,481,600	5,481,600	-
Other revenue	470,600	470,600	425,453	(45,147)
Total revenues	116,771,000	116,928,400	125,964,200	9,035,800
EXPENDITURES				
Current:				
General Government				
City council	540,300	705,300	335,193	370,107
City manager	3,622,700	3,224,200	3,031,467	192,733
City attorney	2,289,000	2,289,000	2,021,362	267,638
City clerk	807,900	807,900	619,493	188,407
Finance	4,338,600	4,383,600	3,845,937	537,663
Human resources	2,356,000	2,406,000	2,245,516	160,484
Information technology	5,215,800	5,296,800	5,142,231	154,569
Total general government	19,170,300	19,112,800	17,241,199	1,871,601
Public Safety				
Police	28,537,000	28,608,700	27,931,759	676,941
Fire	21,001,600	21,081,600	20,843,866	237,734
Court	2,429,600	2,429,600	2,279,657	149,943
Total public safety	51,968,200	52,119,900	51,055,282	1,064,618
Community Development				
Economic development	7,082,100	7,309,700	7,216,753	92,947
Community development	4,775,600	4,909,400	4,578,790	330,610
Total community development	11,857,700	12,219,100	11,795,543	423,557
Culture and Recreation				
Human services and community vitality	1,816,300	2,237,500	1,814,457	423,043
Parks and recreation	17,713,100	17,598,000	16,189,530	1,408,470
Total culture and recreation	19,529,400	19,835,500	18,003,987	1,831,513
Public Works and Streets				
Public works and streets	8,202,500	8,223,000	7,533,758	689,242
Total public works and streets	8,202,500	8,223,000	7,533,758	689,242
Contingency				
Contingency	2,124,200	1,320,200	-	1,320,200
Total contingency	2,124,200	1,320,200	-	1,320,200
Total current	112,852,300	112,830,500	105,629,769	7,200,731
Capital outlay:				
General Government				
City manager	\$ 33,000	\$ 33,000	\$ 10	\$ 32,990
Human resources	5,800	5,800	4,321	1,479
Information technology	20,000	20,000	14,501	5,499
Public Safety				
Police	2,500	2,500	539	1,961
Fire	65,000	65,000	63,546	1,454
Public works and streets				
Public works and streets	-	45,000	44,454	546
Community Development				
Community development	-	16,300	16,241	59
Culture and recreation				
Parks and recreation	25,000	900	-	900
Total capital outlay	151,300	188,500	143,612	44,888
Total expenditures	113,003,600	113,019,000	105,773,381	7,245,619
Excess (deficiency) of revenues over expenditures	3,767,400	3,909,400	20,190,819	16,281,419

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

General Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	54,700	54,700	276,091	221,391
Transfers in	1,244,400	1,244,400	1,292,678	48,278
Transfers out	(20,621,200)	(20,621,200)	(20,603,292)	17,908
Total other financing sources (uses)	(19,322,100)	(19,322,100)	(19,034,523)	287,577
Net change in fund balances	\$ (15,554,700)	\$ (15,412,700)	\$ 1,156,296	\$ 16,568,996

See accompanying notes to this schedule.

City of Surprise, Arizona**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual****General Government Development Fee Fund**

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 437,700	\$ 437,700	\$ 994,895	\$ 557,195
Interest revenue	-	-	27,386	27,386
Total revenues	437,700	437,700	1,022,281	584,581
EXPENDITURES				
Current:				
Contingency				
Contingency	5,300	5,300	-	5,300
Total current	5,300	5,300	-	5,300
Total expenditures	5,300	5,300	-	5,300
Excess (deficiency) of revenues over expenditures	432,400	432,400	1,022,281	589,881
OTHER FINANCING SOURCES (USES)				
Transfers out	(437,700)	(437,700)	(367,248)	70,452
Total other financing sources (uses)	(437,700)	(437,700)	(367,248)	70,452
Net change in fund balances	\$ (5,300)	\$ (5,300)	\$ 655,033	\$ 660,333

See accompanying notes to this schedule.

City of Surprise, Arizona**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual****Highway User Revenue Fund**

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 8,335,500	\$ 8,335,500	\$ 9,166,292	\$ 830,792
Charges for services	1,000	1,000	11,250	10,250
Interest revenue	-	-	54,623	54,623
Other revenue	1,500	81,500	17,941	(63,559)
Total revenues	8,338,000	8,418,000	9,250,106	832,106
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	8,116,400	8,089,400	7,323,383	766,017
Contingency				
Contingency	50,400	197,000	-	197,000
Total current	8,166,800	8,286,400	7,323,383	963,017
Capital outlay:				
Public Works and Streets				
Public works and streets	1,098,500	978,900	939,663	39,237
Total capital outlay	1,098,500	978,900	939,663	39,237
Total expenditures	9,265,300	9,265,300	8,263,046	1,002,254
Excess (deficiency) of revenues over expenditures	(927,300)	(847,300)	987,060	1,834,360
Net change in fund balances	\$ (927,300)	\$ (847,300)	\$ 987,060	\$ 1,834,360

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Transportation Improvement Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,648,300	\$ 2,648,300	\$ 5,650,672	\$ 3,002,372
Interest revenue	-	-	135,200	135,200
Grants revenue	-	-	63,562	63,562
Total revenues	2,648,300	2,648,300	5,849,434	3,201,134
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	3,173,300	3,184,800	2,836,409	348,391
Community Development				
Economic development	90,500	90,500	56,668	33,832
Contingency				
Contingency	912,800	512,400	-	512,400
Total current	4,176,600	3,787,700	2,893,077	894,623
Capital outlay:				
Public works and streets				
Public works and streets	23,600	412,500	167,122	245,378
Total capital outlay	23,600	412,500	167,122	245,378
Total expenditures	4,200,200	4,200,200	3,060,199	1,140,001
Excess (deficiency) of revenues over expenditures	(1,551,900)	(1,551,900)	2,789,235	4,341,135
Net change in fund balances	\$ (1,551,900)	\$ (1,551,900)	\$ 2,789,235	\$ 4,341,135

See accompanying notes to this schedule.

Note to Required Supplementary Information

Note 1 – BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds with the following exceptions: (1) Capital Projects, the Grants, and Neighborhood Revitalization Funds adopt project-length budgets which normally extend beyond the fiscal year (2) Compensated absences are expended when paid, (3) Capital outlays within the enterprise funds are expended on a budget basis, (4) Bad debt expense represents revenue the City won't receive, rather than an actual cash outlay, and (5) Prepaid items and inventory are expended when paid not when the goods or services are received or used.

Prior to the third Monday in July, the City Manager submits to the City Council, and Council adopts a tentative budget for the fiscal year commencing on July 1. The tentative budget includes a schedule of the estimated expenditures and revenues. The proposed budget sets the maximum limit. The tentative budget is then published once a week for two consecutive weeks in a local newspaper. Finally, the City holds a public hearing on the budget and convenes a special meeting to adopt the final proposed budget on or before the 14th day before the tax levy is adopted.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. It has been programmed to allow as much flexibility as possible while still establishing useful guidelines. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The City budget is adopted by department within each fund and by project in the capital funds. In addition, the full-time equivalent (FTE) position count is adopted by department within each fund. Changes to the adopted budget must be made in accordance with the City's Budget Amendment Policy. This policy specifies the approval levels required for various types of budget amendments. During the fiscal year, amendment requests are submitted to the Finance Department for preparation and processing. Changes can be made pursuant to the policy only if funds are unencumbered and available.



**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

General Capital Projects Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,634,200	\$ 2,634,200	\$ 7,037,652	\$ 4,403,452
Interest revenue	-	-	1,298,450	1,298,450
Other revenue	-	94,000	166,882	72,882
Total revenues	2,634,200	2,728,200	8,502,984	5,774,784
EXPENDITURES				
Capital outlay:				
General Government				
City manager	781,900	781,900	49,598	732,302
Information technology	1,634,500	1,592,000	861,580	730,420
General operations	-	31,100	31,005	95
Public Safety				
Police	1,308,500	1,305,600	209,077	1,096,523
Fire	5,355,900	4,926,400	2,147,270	2,779,130
Public works and streets				
Public works and streets	21,332,000	21,183,600	12,156,698	9,026,902
Community Development				
Economic development	670,000	650,000	126,563	523,437
Community development	1,194,100	995,300	483,434	511,866
Culture and recreation				
Human services and community vitality	10,000	10,000	8,595	1,405
Parks and recreation	1,363,800	1,693,000	1,473,562	219,438
Contingency				
Contingency	1,896,300	2,469,400	-	2,469,400
Total capital outlay	35,547,000	35,638,300	17,547,382	18,090,918
Total expenditures	35,547,000	35,638,300	17,547,382	18,090,918
Excess (deficiency) of revenues over expenditures	(32,912,800)	(32,910,100)	(9,044,398)	23,865,702
OTHER FINANCING SOURCES (USES)				
Transfers in	18,510,000	18,510,000	18,510,000	-
Transfers out	-	(13)	(13)	-
Total other financing sources (uses)	18,510,000	18,509,987	18,509,987	-
Net change in fund balances	\$ (14,402,800)	\$ (14,400,113)	\$ 9,465,589	\$ 23,865,702

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Debt Service Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,359,900	\$ 4,359,900	\$ 4,364,666	\$ 4,766
Interest revenue	-	-	77,457	77,457
Total revenues	4,359,900	4,359,900	4,442,123	82,223
EXPENDITURES				
Current:				
Contingency				
Contingency	76,200	76,200	-	76,200
Total current	76,200	76,200	-	76,200
Debt service:				
Administrative charges	-	-	1,051	(1,051)
Principal retirement	4,897,900	4,897,900	4,897,900	-
Interest	2,817,300	2,817,300	2,817,215	85
Bond issuance costs	9,300	9,300	-	9,300
Total debt service	7,724,500	7,724,500	7,716,166	8,334
Total expenditures	7,800,700	7,800,700	7,716,166	84,534
Excess (deficiency) of revenues over expenditures	(3,440,800)	(3,440,800)	(3,274,043)	166,757
OTHER FINANCING SOURCES (USES)				
Transfers in	3,440,800	3,750,488	3,750,488	-
Total other financing sources (uses)	3,440,800	3,750,488	3,750,488	-
Net change in fund balances	\$ -	\$ 309,688	\$ 476,445	\$ 166,757

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- ❖ Special Revenue Funds – These funds account for specific non-capital revenues that are restricted in their allowable use.
 - *Grants Fund* - this fund has been established to account for revenues and expenditures from the various grants received by the City.
 - *LTAF II Fund* - This fund has been established to account for revenues and expenditures received by the City from the state of Arizona. These funds are a portion of lottery money collected and can be used to fund transit operations, facilities, and equipment purchases.
 - *Municipal Court Enhancement Fund* - Established in FY2003, this fund tracks revenue associated with fines dedicated to Municipal Court technology improvements. City policy restricts the use of these funds.
 - *Municipal Court FARE fund* - This fund is used to discretely track funds received by the City that are restricted to use on projects which enhance the fine collections process. FARE - Fare/fees and restitution enforcement.
 - *Municipal Court JCEF Fund* - This fund is used to discretely track funds received by the City that are restricted to use on technology improvements in the Municipal Court. JCEF - Judicial court enhancement fund.
 - *Municipal Court MFTG Fund* - This fund is used to discretely track funds received by the City that are restricted to use on projects which aid in the processing of criminal cases. MFTG - Municipal fill the gap.
 - *Neighborhood Revitalization Fund* - This fund is used to track all revenues and expenditures associated with the City's neighborhood revitalization program. This program is funded through a combination of federal, state and local funds. City policy, grant agreements, and contractual obligations restrict the use of these funds.
 - *Net Premium Seating Fund* - This fund was established to account for the revenues and expenditures for a ticket surcharge on the sale of spring training tickets for premium seats.
 - *Proposition 400 Fund* - This fund is used to track all revenues and expenditures for the county-wide half-cent sales tax to be used for regional transportation improvements.
 - *SB1398 Fines Fund* - This fund was established to account for funds the City receives from the state of Arizona for penalties charged on certain violations. These revenues are limited to the purchase of officer safety equipment.
 - *SPD DEA Fund* - This fund is used to discretely track funds received from the participation on DEA task forces in the Greater Phoenix area. The use of these funds is limited to approval by the disbursing program manager and is generally related to purchase and maintenance of department equipment not included in the general budget. SPD - Surprise Police Department. DEA - Drug Enforcement Activity.
 - *SPD RICO Fund* - This fund is used to discretely track funds received from participation in the Maricopa County Attorney's Office Anti-Racketeering Influenced and Corrupt Organizations (RICO) task force.
 - *SPD Towing Fund* - This fund is used to track activity in the Police Department for vehicle impounds. The use of these funds is limited to administrative management of the vehicle impound program.
 - *Spring Training Ticket Surcharge Fund* - This fund was established to account for the revenue and expenditures from a \$1 per ticket surcharge on the sale of spring training tickets. These revenues are limited to operational improvements to stadium facilities.
 - *Tourism Fund* - This fund is used to track all revenues and expenditures associated with the City's 2.52% bed tax. The funds are used to support tourism within the City. City policy and state statute restrict the use of these funds.
 - *163rd Avenue Roadway Development Impact Fee Fund* - This fund was established to account for development impact fees which are assessed to the service area identified as the 163rd Avenue Roadway.

- *Fire Development Fee 2014 Law Fund* - This fund was established to account for the inflow of Fire and EMS development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on Fire and EMS services caused by growth. This fund accounts for the development fees approved to be collected beginning August 1, 2014.
- *Fire Development Fee Grandfathered Fund* - This fund was established to account for the inflow of Fire and EMS development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on Fire and EMS services caused by growth. This fund accounts for the development fees approved to be collected prior to August 1, 2014.
- *Library Development Fee Fund* - This fund was established to account for the inflow of library development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on library services caused by growth.
- *Parks and Recreation Development Fee Fund* - This fund was established to account for the inflow of parks and recreation development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on parks and recreation services caused by growth.
- *Police Development Fee Fund* - This fund was established to account for the inflow of police development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction financing and furnishing of new capital or one-time items directly related to the increased demand of police services caused by growth.
- *Public Works Expansion Development Fee Fund* - This fund was established to account for the inflow of public works development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on public works caused by growth.
- *Roads of Regional Significance SPA 2,4, & 6 Fund* - This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
- *Roads of Regional Significance SPA 3 & 5 Fund* - This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
- *Street Lighting District Fund* – Eighty-four Street Light Improvement Districts (SLIDs) have been established by ordinance to provide a centralized location for the collection of taxes from properties located in the district. These proceeds are legally restricted to the payment of electricity to operate the street lights within the district.
- *Marley Park Community Facility District Fund* – This fund was established to provide a location to process operating expenditures and for the collection of the related portion of the property taxes from properties located in the district. These proceeds are legally restricted to the payment of operations and debt service within the district.

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2019

	Grants Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund
ASSETS					
Cash and investments	\$ -	\$ 153	\$ 136,798	\$ 12,011	\$ 45,488
Restricted cash and investments	-	-	-	-	-
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	-	-
Grants	179,505	-	-	-	-
Other	-	-	-	-	-
Prepaid items and other assets	4,100	-	-	-	-
Inventory	-	-	-	-	-
Total assets	<u>\$ 183,605</u>	<u>\$ 153</u>	<u>\$ 136,798</u>	<u>\$ 12,011</u>	<u>\$ 45,488</u>
LIABILITIES					
Accounts payable	\$ 111	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related taxes	-	-	-	1,013	-
Due to other funds	169,925	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Contracts payable	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	<u>170,036</u>	<u>-</u>	<u>-</u>	<u>1,013</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - Unavailable revenue	12,695	-	-	-	-
Total deferred inflow of resources	<u>12,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>182,731</u>	<u>-</u>	<u>-</u>	<u>1,013</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	4,100	-	-	-	-
Restricted	-	153	136,798	10,998	45,488
Committed	-	-	-	-	-
Unassigned	(3,226)	-	-	-	-
Total fund balances (deficits)	<u>874</u>	<u>153</u>	<u>136,798</u>	<u>10,998</u>	<u>45,488</u>
Total liabilities and fund balances (deficits)	<u>\$ 183,605</u>	<u>\$ 153</u>	<u>\$ 136,798</u>	<u>\$ 12,011</u>	<u>\$ 45,488</u>

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2019

Municipal Court MFTG Fund	Neighborhood Revitalization Fund	Net Premium Seating Fund	Proposition 400 Fund	SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund	SPD Towing Fund
\$ 17,855	\$ -	\$ 81,561	\$ 386	\$ 20,557	\$ -	\$ -	\$ 332,238
-	533,133	-	-	-	16,449	1,382,920	-
-	-	-	-	-	-	-	-
-	65,450	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,108	-
-	-	-	-	-	-	-	-
<u>\$ 17,855</u>	<u>\$ 598,583</u>	<u>\$ 81,561</u>	<u>\$ 386</u>	<u>\$ 20,557</u>	<u>\$ 16,449</u>	<u>\$ 1,384,028</u>	<u>\$ 332,238</u>
\$ -	\$ 6,707	\$ -	\$ -	\$ -	\$ -	\$ 145	\$ 15
1,613	-	-	-	-	-	-	1,140
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,374	-
-	583,264	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,613</u>	<u>589,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,519</u>	<u>1,155</u>
-	475	-	-	-	-	-	-
-	475	-	-	-	-	-	-
<u>1,613</u>	<u>590,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,519</u>	<u>1,155</u>
-	-	-	-	-	-	1,108	-
16,242	8,137	-	386	20,557	16,449	1,381,401	331,083
-	-	81,561	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>16,242</u>	<u>8,137</u>	<u>81,561</u>	<u>386</u>	<u>20,557</u>	<u>16,449</u>	<u>1,382,509</u>	<u>331,083</u>
<u>\$ 17,855</u>	<u>\$ 598,583</u>	<u>\$ 81,561</u>	<u>\$ 386</u>	<u>\$ 20,557</u>	<u>\$ 16,449</u>	<u>\$ 1,384,028</u>	<u>\$ 332,238</u>

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds (Continued)
 June 30, 2019

	Spring Training Ticket Surcharge Fund	Tourism Fund	163rd Ave Development Fee Fund	Fire Development Fee 2014 Law Fund
ASSETS				
Cash and investments	\$ 645,802	\$ 638,051	\$ 111,467	\$ 6,013,474
Restricted cash and investments	-	-	-	-
Receivables (net of allowances)				
Taxes and franchise fees	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
Prepaid items and other assets	-	-	-	-
Inventory	28,175	-	-	-
Total assets	<u>\$ 673,977</u>	<u>\$ 638,051</u>	<u>\$ 111,467</u>	<u>\$ 6,013,474</u>
LIABILITIES				
Accounts payable	\$ 1,558	\$ 5,000	\$ -	\$ -
Accrued payroll and related taxes	-	-	-	-
Due to other funds	-	-	-	-
Deposits	-	-	-	-
Unearned revenue	-	-	-	-
Contracts payable	-	-	-	-
Matured bond interest payable	-	-	-	-
Matured bonds payable	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>1,558</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Unavailable revenue	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>1,558</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	28,175	-	-	-
Restricted	644,244	-	111,467	6,013,474
Committed	-	633,051	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	<u>672,419</u>	<u>633,051</u>	<u>111,467</u>	<u>6,013,474</u>
Total liabilities and fund balances (deficits)	<u>\$ 673,977</u>	<u>\$ 638,051</u>	<u>\$ 111,467</u>	<u>\$ 6,013,474</u>

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2019

Fire Development Fee Grandfathered Fund	Library Development Fee Fund	Parks and Recreation Development Fee Fund	Police Development Fee Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund	Street Lighting Districts Fund
\$ -	\$ 3,166,239	\$ 1,925,733	\$ 3,111,355	\$ 7,591,394	\$ 2,436,765	\$ 24,361	\$ 301,172
-	-	138,147	-	-	-	-	-
-	-	-	-	-	-	-	39,284
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,200
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,166,239</u>	<u>\$ 2,063,880</u>	<u>\$ 3,111,355</u>	<u>\$ 7,591,394</u>	<u>\$ 2,436,765</u>	<u>\$ 24,361</u>	<u>\$ 344,656</u>
\$ -	\$ 480,715	\$ -	\$ -	\$ 663,127	\$ 53,274	\$ -	\$ 201,639
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	138,147	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
972,323	-	-	-	-	-	-	-
<u>972,323</u>	<u>480,715</u>	<u>138,147</u>	<u>-</u>	<u>663,127</u>	<u>53,274</u>	<u>-</u>	<u>201,639</u>
-	-	-	-	-	-	-	13,952
-	-	-	-	-	-	-	13,952
<u>972,323</u>	<u>480,715</u>	<u>138,147</u>	<u>-</u>	<u>663,127</u>	<u>53,274</u>	<u>-</u>	<u>215,591</u>
-	-	-	-	-	-	-	-
-	2,685,524	1,925,733	3,111,355	6,928,267	2,383,491	24,361	129,065
-	-	-	-	-	-	-	-
(972,323)	-	-	-	-	-	-	-
<u>(972,323)</u>	<u>2,685,524</u>	<u>1,925,733</u>	<u>3,111,355</u>	<u>6,928,267</u>	<u>2,383,491</u>	<u>24,361</u>	<u>129,065</u>
<u>\$ -</u>	<u>\$ 3,166,239</u>	<u>\$ 2,063,880</u>	<u>\$ 3,111,355</u>	<u>\$ 7,591,394</u>	<u>\$ 2,436,765</u>	<u>\$ 24,361</u>	<u>\$ 344,656</u>

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds (Continued)
 June 30, 2019

	Marley Park Community Facility District Fund	Total Nonmajor Special Revenue Funds
ASSETS		
Cash and investments	\$ 100,431	\$ 26,713,291
Restricted cash and investments	816,974	2,887,623
Receivables (net of allowances)		-
Taxes and franchise fees	11,249	50,533
Grants	-	244,955
Other	-	4,200
Prepaid items and other assets	-	5,208
Inventory	-	28,175
Total assets	<u>\$ 928,654</u>	<u>\$ 29,933,985</u>
LIABILITIES		
Accounts payable	\$ 81,000	\$ 1,493,291
Accrued payroll and related taxes	-	3,766
Due to other funds	-	169,925
Deposits	-	1,374
Unearned revenue	-	583,264
Contracts payable	-	138,147
Matured bond interest payable	227,120	227,120
Matured bonds payable	455,000	455,000
Advances from other funds	-	972,323
Total liabilities	<u>763,120</u>	<u>4,044,210</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Unavailable revenue	4,374	31,496
Total deferred inflow of resources	<u>4,374</u>	<u>31,496</u>
Total liabilities and deferred inflows of resources	<u>767,494</u>	<u>4,075,706</u>
FUND BALANCES (DEFICITS)		
Nonspendable	-	33,383
Restricted	161,160	26,085,833
Committed	-	714,612
Unassigned	-	(975,549)
Total fund balances (deficits)	<u>161,160</u>	<u>25,858,279</u>
Total liabilities and fund balances (deficits)	<u>\$ 928,654</u>	<u>\$ 29,933,985</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Grants Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	347,127	-	6,669	-
Charges for services	-	-	-	-	-
Grants revenue	1,065,314	-	-	-	-
Fines	-	-	83,784	-	20,394
Development fees	-	-	-	-	-
Interest revenue(loss)	-	153	2,746	471	917
Other revenue	13,230	-	-	-	-
Total revenues	<u>1,078,544</u>	<u>347,280</u>	<u>86,530</u>	<u>7,140</u>	<u>21,311</u>
EXPENDITURES					
Current:					
General Government	105,145	-	-	-	-
Public Safety	696,775	-	13,159	23,833	-
Public works and streets	-	347,127	-	-	-
Community Development	31,496	-	-	-	-
Culture and recreation	155,866	-	-	-	-
Debt service:					
Administrative charges	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General Government	-	-	-	-	-
Public Safety	86,201	-	11,205	-	-
Public works and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>1,075,483</u>	<u>347,127</u>	<u>24,364</u>	<u>23,833</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>3,061</u>	<u>153</u>	<u>62,166</u>	<u>(16,693)</u>	<u>21,311</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,061	153	62,166	(16,693)	21,311
Fund balances - beginning	<u>(2,187)</u>	<u>-</u>	<u>74,632</u>	<u>27,691</u>	<u>24,177</u>
Increase in inventories	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 874</u>	<u>\$ 153</u>	<u>\$ 136,798</u>	<u>\$ 10,998</u>	<u>\$ 45,488</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

Municipal Court MFTG Fund	Neighborhood Revitalization Fund	Net Premium Seating Fund	Proposition 400 Fund	SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,089	-	-	-	-	-	-
-	-	22,437	-	-	-	-
-	515,919	-	-	-	-	-
-	-	-	-	19,680	-	212,722
-	-	-	-	-	-	-
708	-	2,500	10	440	394	24,938
-	-	-	-	-	-	6,907
<u>6,797</u>	<u>515,919</u>	<u>24,937</u>	<u>10</u>	<u>20,120</u>	<u>394</u>	<u>244,567</u>
-	-	-	-	-	-	-
37,956	-	-	-	15,908	-	97,741
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	453,717	129,925	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	23,420
-	-	-	-	-	-	-
-	219	-	-	-	-	-
<u>37,956</u>	<u>453,936</u>	<u>129,925</u>	<u>-</u>	<u>15,908</u>	<u>-</u>	<u>121,161</u>
<u>(31,159)</u>	<u>61,983</u>	<u>(104,988)</u>	<u>10</u>	<u>4,212</u>	<u>394</u>	<u>123,406</u>
-	-	124,008	-	-	-	-
-	-	-	-	-	-	-
-	-	<u>124,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(31,159)	61,983	19,020	10	4,212	394	123,406
<u>47,401</u>	<u>(53,846)</u>	<u>62,541</u>	<u>376</u>	<u>16,345</u>	<u>16,055</u>	<u>1,259,103</u>
-	-	-	-	-	-	-
<u>\$ 16,242</u>	<u>\$ 8,137</u>	<u>\$ 81,561</u>	<u>\$ 386</u>	<u>\$ 20,557</u>	<u>\$ 16,449</u>	<u>\$ 1,382,509</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	SPD Towing Fund	Spring Training Ticket Surcharge Fund	Tourism Fund	163rd Ave Development Fee Fund	Fire Development Fee 2014 Law Fund
REVENUES					
Taxes	\$ -	\$ -	\$ 611,579	\$ -	\$ -
Intergovernmental revenues	-	-	83,038	-	-
Charges for services	56,550	717,411	-	-	-
Grants revenue	-	-	-	-	-
Fines	-	-	-	-	-
Development fees	-	-	-	-	1,854,434
Interest revenue(loss)	8,037	10,719	21,283	2,665	132,323
Other revenue	12	-	-	-	-
Total revenues	<u>64,599</u>	<u>728,130</u>	<u>715,900</u>	<u>2,665</u>	<u>1,986,757</u>
EXPENDITURES					
Current:					
General Government	-	-	-	-	11,633
Public Safety	52,976	-	-	-	-
Public works and streets	-	-	-	-	-
Community Development	-	-	-	-	-
Culture and recreation	-	687,419	102,244	-	-
Debt service:					
Administrative charges	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public works and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>52,976</u>	<u>687,419</u>	<u>102,244</u>	<u>-</u>	<u>11,633</u>
Excess (deficiency) of revenues over expenditures	<u>11,623</u>	<u>40,711</u>	<u>613,656</u>	<u>2,665</u>	<u>1,975,124</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(458,684)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(458,684)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,623	40,711	154,972	2,665	1,975,124
Fund balances - beginning	<u>319,460</u>	<u>603,533</u>	<u>478,079</u>	<u>108,802</u>	<u>4,038,350</u>
Increase in inventories	<u>-</u>	<u>28,175</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 331,083</u>	<u>\$ 672,419</u>	<u>\$ 633,051</u>	<u>\$ 111,467</u>	<u>\$ 6,013,474</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

Fire Development Fee Grandfathered Fund	Library Development Fee Fund	Parks and Recreation Development Fee Fund	Police Development Fee Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,674,831	-	1,130,555	827,444	-	-	-
27,602	95,753	53,857	71,799	193,607	59,704	582
-	-	25,302	-	-	-	-
<u>1,702,433</u>	<u>95,753</u>	<u>1,209,714</u>	<u>899,243</u>	<u>193,607</u>	<u>59,704</u>	<u>582</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
56,194	-	201,885	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,654,598	172,895	-
-	2,041,383	-	-	-	-	-
<u>56,194</u>	<u>2,041,383</u>	<u>201,885</u>	<u>-</u>	<u>1,654,598</u>	<u>172,895</u>	<u>-</u>
<u>1,646,239</u>	<u>(1,945,630)</u>	<u>1,007,829</u>	<u>899,243</u>	<u>(1,460,991)</u>	<u>(113,191)</u>	<u>582</u>
-	-	-	-	-	-	-
(66,918)	-	(437,618)	(135,428)	-	-	-
<u>(66,918)</u>	<u>-</u>	<u>(437,618)</u>	<u>(135,428)</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,579,321	(1,945,630)	570,211	763,815	(1,460,991)	(113,191)	582
<u>(2,551,644)</u>	<u>4,631,154</u>	<u>1,355,522</u>	<u>2,347,540</u>	<u>8,389,258</u>	<u>2,496,682</u>	<u>23,779</u>
-	-	-	-	-	-	-
<u>\$ (972,323)</u>	<u>\$ 2,685,524</u>	<u>\$ 1,925,733</u>	<u>\$ 3,111,355</u>	<u>\$ 6,928,267</u>	<u>\$ 2,383,491</u>	<u>\$ 24,361</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Street Lighting Districts Fund	Marley Park Community Facility District Fund	Total Nonmajor Special Revenue Funds
REVENUES			
Taxes	\$ 2,725,353	\$ 1,111,286	\$ 4,448,218
Intergovernmental revenues	-	-	442,923
Charges for services	4,200	-	800,598
Grants revenue	-	-	1,581,233
Fines	-	-	336,580
Development fees	-	-	5,487,264
Interest revenue(loss)	12,504	-	723,712
Other revenue	7,275	-	52,726
Total revenues	<u>2,749,332</u>	<u>1,111,286</u>	<u>13,873,254</u>
EXPENDITURES			
Current:			
General Government	-	160	116,938
Public Safety	-	-	938,348
Public works and streets	2,539,509	-	2,886,636
Community Development	-	-	289,575
Culture and recreation	-	80,600	1,609,771
Debt service:			
Administrative charges	-	3,800	3,800
Principal retirement	-	455,000	455,000
Interest	-	454,240	454,240
Capital outlay:			
General Government	-	36,900	36,900
Public Safety	-	-	120,826
Public works and streets	-	-	1,827,493
Culture and recreation	-	-	2,041,602
Total expenditures	<u>2,539,509</u>	<u>1,030,700</u>	<u>10,781,129</u>
Excess (deficiency) of revenues over expenditures	<u>209,823</u>	<u>80,586</u>	<u>3,092,125</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	124,008
Transfers out	-	-	(1,098,648)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(974,640)</u>
Net change in fund balances	209,823	80,586	2,117,485
Fund balances - beginning	<u>(80,758)</u>	<u>80,574</u>	<u>23,712,619</u>
Increase in inventories	<u>-</u>	<u>-</u>	<u>28,175</u>
Fund balances - ending	<u>\$ 129,065</u>	<u>\$ 161,160</u>	<u>\$ 25,858,279</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Grants Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grants revenue	\$ 24,338,600	\$ 23,410,800	\$ 1,065,314	\$ (22,345,486)
Other revenue	-	13,300	13,230	13,230
Total revenues	24,338,600	23,424,100	1,078,544	(22,332,256)
EXPENDITURES				
Current:				
General Government				
City attorney	272,600	258,700	105,145	153,555
Public Safety				
Police	713,900	925,700	485,832	439,868
Fire-Medical	435,300	504,600	210,943	293,657
Community Development				
Community development	166,300	155,100	31,496	123,604
Culture and recreation				
Human services and community vitality	160,500	161,600	155,866	5,734
Contingency				
Contingency	22,345,500	20,402,700	-	20,402,700
Total current	24,094,100	22,408,400	989,282	21,419,118
Capital outlay:				
Public Safety				
Police	36,000	154,800	49,771	105,029
Fire-Medical	-	36,500	36,430	70
Public Works and Streets				
Public works and streets	207,700	207,700	-	207,700
Total capital outlay	243,700	399,000	86,201	312,799
Total expenditures	24,337,800	22,807,400	1,075,483	21,731,917
Excess (deficiency) of revenues over expenditures	800	616,700	3,061	(600,339)
Net change in fund balances	\$ 800	\$ 616,700	\$ 3,061	\$ (600,339)

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

LTAF II/ALF Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 357,000	\$ 357,000	\$ 347,127	\$ (9,873)
Interest revenue	-	-	153	153
Total revenues	357,000	357,000	347,280	(9,720)
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	357,000	357,000	347,127	9,873
Total current	357,000	357,000	347,127	9,873
Total expenditures	357,000	357,000	347,127	9,873
Excess (deficiency) of revenues over expenditures	-	-	153	153
Net change in fund balances	\$ -	\$ -	\$ 153	\$ 153

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Municipal Court Enhancement Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 86,500	\$ 86,500	\$ 83,784	\$ (2,716)
Interest revenue	-	-	2,746	2,746
Total revenues	86,500	86,500	86,530	30
EXPENDITURES				
Current:				
Public Safety				
Court	40,000	40,000	13,159	26,841
Contingency				
Contingency	82,900	82,900	-	82,900
Total current	122,900	122,900	13,159	109,741
Capital outlay:				
Public Safety				
Court	-	-	11,205	(11,205)
Total capital outlay	-	-	11,205	(11,205)
Total expenditures	122,900	122,900	24,364	98,536
Excess (deficiency) of revenues over expenditures	(36,400)	(36,400)	62,166	98,566
Net change in fund balances	\$ (36,400)	\$ (36,400)	\$ 62,166	\$ 98,566

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Municipal Court FARE Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 3,500	\$ 3,500	\$ 6,669	\$ 3,169
Interest revenue	-	-	471	471
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>7,140</u>	<u>3,640</u>
EXPENDITURES				
Current:				
Public Works				
Court	25,800	25,800	23,833	1,967
Contingency				
Contingency	5,800	5,800	-	5,800
Total current	<u>31,600</u>	<u>31,600</u>	<u>23,833</u>	<u>7,767</u>
Total expenditures	<u>31,600</u>	<u>31,600</u>	<u>23,833</u>	<u>7,767</u>
Excess (deficiency) of revenues over expenditures	<u>(28,100)</u>	<u>(28,100)</u>	<u>(16,693)</u>	<u>11,407</u>
Net change in fund balances	<u>\$ (28,100)</u>	<u>\$ (28,100)</u>	<u>\$ (16,693)</u>	<u>\$ 11,407</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Municipal Court JCEF Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 18,500	\$ 18,500	\$ 20,394	\$ 1,894
Interest revenue	-	-	917	917
Total revenues	18,500	18,500	21,311	2,811
EXPENDITURES				
Current:				
Contingency				
Contingency	41,000	41,000	-	41,000
Total current	41,000	41,000	-	41,000
Total expenditures	41,000	41,000	-	41,000
Excess (deficiency) of revenues over expenditures	(22,500)	(22,500)	21,311	43,811
Net change in fund balances	\$ (22,500)	\$ (22,500)	\$ 21,311	\$ 43,811

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Municipal Court MFTG Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 6,500	\$ 6,500	\$ 6,089	\$ (411)
Interest revenue	-	-	708	708
Total revenues	<u>6,500</u>	<u>6,500</u>	<u>6,797</u>	<u>297</u>
EXPENDITURES				
Current:				
Public Safety				
Court	41,000	41,000	37,956	3,044
Contingency				
Contingency	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Total current	<u>52,000</u>	<u>52,000</u>	<u>37,956</u>	<u>14,044</u>
Total expenditures	<u>52,000</u>	<u>52,000</u>	<u>37,956</u>	<u>14,044</u>
Excess (deficiency) of revenues over expenditures	<u>(45,500)</u>	<u>(45,500)</u>	<u>(31,159)</u>	<u>14,341</u>
Net change in fund balances	<u>\$ (45,500)</u>	<u>\$ (45,500)</u>	<u>\$ (31,159)</u>	<u>\$ 14,341</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Neighborhood Revitalization Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grants revenue	\$ 2,542,000	\$ 5,032,000	\$ 515,919	\$ (4,516,081)
Total revenues	2,542,000	5,032,000	515,919	(4,516,081)
EXPENDITURES				
Current:				
Culture and Recreation				
Human services and community vitality	2,362,600	3,359,900	453,717	2,906,183
Total current	2,362,600	3,359,900	453,717	2,906,183
Capital outlay:				
Culture and Recreation				
Human services and community vitality	179,400	182,200	219	181,981
Total capital outlay	179,400	182,200	219	181,981
Total expenditures	2,542,000	3,542,100	453,936	3,088,164
Excess (deficiency) of revenues over expenditures	-	1,489,900	61,983	(1,427,917)
Net change in fund balances	\$ -	\$ 1,489,900	\$ 61,983	\$ (1,427,917)

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Net Premium Seating Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 30,000	\$ 30,000	\$ 22,437	\$ (7,563)
Interest revenue(loss)	-	-	2,500	2,500
Total revenues	30,000	30,000	24,937	(5,063)
EXPENDITURES				
Current:				
Culture and Recreation				
Parks and recreation	165,000	165,000	129,925	35,075
Contingency				
Contingency	41,600	41,600	-	41,600
Total current	206,600	206,600	129,925	76,675
Total expenditures	206,600	206,600	129,925	76,675
Excess (deficiency) of revenues over expenditures	(176,600)	(176,600)	(104,988)	71,612
OTHER FINANCING SOURCES (USES)				
Transfers in	125,800	125,800	124,008	(1,792)
Total other financing sources (uses)	125,800	125,800	124,008	(1,792)
Net change in fund balances	\$ (50,800)	\$ (50,800)	\$ 19,020	\$ 69,820

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Proposition 400 Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ -	\$ -	\$ 10	\$ 10
Total revenues	-	-	10	10
EXPENDITURES				
Current:				
Contingency				
Contingency	100	100	-	100
Total current	100	100	-	100
Total expenditures	100	100	-	100
Excess (deficiency) of revenues over expenditures	(100)	(100)	10	110
Net change in fund balances	\$ (100)	\$ (100)	\$ 10	\$ 110

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

SB1398 Fines Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 15,900	\$ 15,900	\$ 19,680	\$ 3,780
Interest revenue	-	-	440	440
Total revenues	15,900	15,900	20,120	4,220
EXPENDITURES				
Current:				
Public Safety				
Police	15,900	16,000	15,908	92
Contingency	5,700	5,700	-	5,700
Total current	21,600	21,700	15,908	5,792
Total expenditures	21,600	21,700	15,908	5,792
Excess (deficiency) of revenues over expenditures	(5,700)	(5,800)	4,212	10,012
Net change in fund balances	\$ (5,700)	\$ (5,800)	\$ 4,212	\$ 10,012

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

SPD DEA Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ -	\$ -	\$ 394	\$ 394
Total revenues	-	-	394	394
EXPENDITURES				
Current:				
Contingency				
Contingency	16,500	16,500	-	16,500
Total current	16,500	16,500	-	16,500
Total expenditures	16,500	16,500	-	16,500
Excess (deficiency) of revenues over expenditures	(16,500)	(16,500)	394	16,894
Net change in fund balances	\$ (16,500)	\$ (16,500)	\$ 394	\$ 16,894

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

SPD RICO Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 245,000	\$ 245,000	\$ 212,722	\$ (32,278)
Interest revenue	-	-	24,938	24,938
Other revenue	-	-	6,907	6,907
Total revenues	245,000	245,000	244,567	(433)
EXPENDITURES				
Current:				
Public Safety				
Police	510,800	320,800	97,741	223,059
Contingency				
Contingency	76,000	76,000	-	76,000
Total current	586,800	396,800	97,741	299,059
Capital outlay:				
Public Safety				
Police	200,000	390,000	23,420	366,580
Total capital outlay	200,000	390,000	23,420	366,580
Total expenditures	786,800	786,800	121,161	665,639
Excess (deficiency) of revenues over expenditures	(541,800)	(541,800)	123,406	665,206
Net change in fund balances	\$ (541,800)	\$ (541,800)	\$ 123,406	\$ 665,206

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

SPD Towing Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 62,500	\$ 62,500	\$ 56,550	\$ (5,950)
Interest revenue	-	-	8,037	8,037
Other revenue	-	-	12	12
Total revenues	62,500	62,500	64,599	2,099
EXPENDITURES				
Current:				
Public Safety				
Police	112,200	112,200	52,976	59,224
Contingency				
Contingency	146,700	146,700	-	146,700
Total current	258,900	258,900	52,976	205,924
Capital outlay:				
Public Safety				
Police	100,000	100,000	-	100,000
Total capital outlay	100,000	100,000	-	100,000
Total expenditures	358,900	358,900	52,976	305,924
Excess (deficiency) of revenues over expenditures	(296,400)	(296,400)	11,623	308,023
Net change in fund balances	\$ (296,400)	\$ (296,400)	\$ 11,623	\$ 308,023

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Spring Training Ticket Surcharge Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 689,000	\$ 689,000	\$ 717,411	\$ 28,411
Interest revenue	-	-	10,719	10,719
Total revenues	689,000	689,000	728,130	39,130
EXPENDITURES				
Current:				
Culture and Recreation				
Parks and recreation	689,000	689,000	687,419	1,581
Total current	689,000	689,000	687,419	1,581
Total expenditures	689,000	689,000	687,419	1,581
Excess (deficiency) of revenues over expenditures	-	-	40,711	40,711
Net change in fund balances	\$ -	\$ -	\$ 40,711	\$ 40,711

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Tourism Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 597,700	\$ 597,700	\$ 611,579	\$ 13,879
Intergovernmental revenues	100,000	100,000	83,038	(16,962)
Interest revenue	-	-	21,283	21,283
Total revenues	697,700	697,700	715,900	18,200
EXPENDITURES				
Current:				
Culture and Recreation				
Parks and recreation	100,000	133,300	102,244	31,056
Contingency				
Contingency	622,400	589,100	-	589,100
Total current	722,400	722,400	102,244	620,156
Total expenditures	722,400	722,400	102,244	620,156
Excess (deficiency) of revenues over expenditures	(24,700)	(24,700)	613,656	638,356
OTHER FINANCING SOURCES (USES)				
Transfers out	(448,300)	(458,684)	(458,684)	-
Total other financing sources (uses)	(448,300)	(458,684)	(458,684)	-
Net change in fund balances	\$ (473,000)	\$ (483,384)	\$ 154,972	\$ 638,356

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

163rd Ave Development Fee Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ -	\$ -	\$ 2,665	\$ 2,665
Total revenues	-	-	2,665	2,665
EXPENDITURES				
Current:				
Contingency				
Contingency	107,600	107,600	-	107,600
Total current	107,600	107,600	-	107,600
Total expenditures	107,600	107,600	-	107,600
Excess (deficiency) of revenues over expenditures	(107,600)	(107,600)	2,665	110,265
Net change in fund balances	\$ (107,600)	\$ (107,600)	\$ 2,665	\$ 110,265

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Fire Development Fee 2014 Law Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 1,100,000	\$ 1,100,000	\$ 1,854,434	\$ 754,434
Interest revenue	-	-	132,323	132,323
Total revenues	1,100,000	1,100,000	1,986,757	886,757
EXPENDITURES				
Current:				
General Government				
General operations	9,000	18,400	11,633	6,767
Contingency	4,858,100	4,848,700	-	4,848,700
Total current	4,867,100	4,867,100	11,633	4,855,467
Total expenditures	4,867,100	4,867,100	11,633	4,855,467
Excess (deficiency) of revenues over expenditures	(3,767,100)	(3,767,100)	1,975,124	5,742,224
Net change in fund balances	\$ (3,767,100)	\$ (3,767,100)	\$ 1,975,124	\$ 5,742,224

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Fire Development Fee Grandfathered Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 928,100	\$ 928,100	\$ 1,674,831	\$ 746,731
Interest revenue	-	-	27,602	27,602
Total revenues	928,100	928,100	1,702,433	774,333
EXPENDITURES				
Current:				
Community Development				
Economic development	90,000	90,000	56,194	33,806
Total current	90,000	90,000	56,194	33,806
Total expenditures	90,000	90,000	56,194	33,806
Excess (deficiency) of revenues over expenditures	838,100	838,100	1,646,239	808,139
OTHER FINANCING SOURCES (USES)				
Transfers out	(838,100)	(838,100)	(66,918)	771,182
Total other financing sources (uses)	(838,100)	(838,100)	(66,918)	771,182
Net change in fund balances	\$ -	\$ -	\$ 1,579,321	\$ 1,579,321

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Library Development Fee Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ -	\$ -	\$ 95,753	95,753
Total revenues	-	-	95,753	95,753
EXPENDITURES				
Current:				
Contingency				
Contingency	4,617,200	200	-	200
Total current	4,617,200	200	-	200
Capital outlay:				
Culture and recreation				
Parks and recreation	-	4,651,900	2,041,383	2,610,517
Total capital outlay	-	4,651,900	2,041,383	2,610,517
Total expenditures	4,617,200	4,652,100	2,041,383	2,610,717
Excess (deficiency) of revenues over expenditures	(4,617,200)	(4,652,100)	(1,945,630)	2,706,470
Net change in fund balances	\$ (4,617,200)	\$ (4,652,100)	\$ (1,945,630)	\$ 2,706,470

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Parks and Recreation Development Fee Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 900,000	\$ 900,000	\$ 1,130,555	\$ 230,555
Interest revenue	-	-	53,857	53,857
Other revenue	-	-	25,302	25,302
Total revenues	900,000	900,000	1,209,714	309,714
EXPENDITURES				
Current:				
Community Development				
Economic development	280,000	280,000	201,885	78,115
Contingency				
Contingency	1,411,100	1,411,100	-	1,411,100
Total current	1,691,100	1,691,100	201,885	1,489,215
Total expenditures	1,691,100	1,691,100	201,885	1,489,215
Excess (deficiency) of revenues over expenditures	(791,100)	(791,100)	1,007,829	1,798,929
OTHER FINANCING SOURCES (USES)				
Transfers out	(437,600)	(437,618)	(437,618)	-
Total other financing sources (uses)	(437,600)	(437,618)	(437,618)	-
Net change in fund balances	\$ (1,228,700)	\$ (1,228,718)	\$ 570,211	\$ 1,798,929

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Police Development Fee Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 500,000	\$ 500,000	\$ 827,444	\$ 327,444
Interest revenue	-	-	71,799	71,799
Total revenues	500,000	500,000	899,243	399,243
EXPENDITURES				
Current:				
Contingency				
Contingency	2,595,000	2,595,000	-	2,595,000
Total current	2,595,000	2,595,000	-	2,595,000
Total expenditures	2,595,000	2,595,000	-	2,595,000
Excess (deficiency) of revenues over expenditures	(2,095,000)	(2,095,000)	899,243	2,994,243
OTHER FINANCING SOURCES (USES)				
Transfers out	(135,400)	(135,428)	(135,428)	-
Total other financing sources (uses)	(135,400)	(135,428)	(135,428)	-
Net change in fund balances	\$ (2,230,400)	\$ (2,230,428)	\$ 763,815	\$ 2,994,243

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Public Works Expansion Development Fee Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ -	\$ -	\$ 193,607	193,607
Total revenues	-	-	193,607	193,607
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	44,400	44,400	-	44,400
Contingency				
Contingency	2,087,000	2,119,600	-	2,119,600
Total Current	2,131,400	2,164,000	-	2,164,000
Capital outlay:				
Public Works and Streets				
Public works and streets	6,190,700	6,158,100	1,654,598	4,503,502
Total capital outlay	6,190,700	6,158,100	1,654,598	4,503,502
Total expenditures	8,322,100	8,322,100	1,654,598	6,667,502
Excess (deficiency) of revenues over expenditures	(8,322,100)	(8,322,100)	(1,460,991)	6,861,109
Net change in fund balances	\$ (8,322,100)	\$ (8,322,100)	\$ (1,460,991)	\$ 6,861,109

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Roads of Regional Significance SPA 2, 4 and 6 Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ -	\$ -	\$ 59,704	\$ 59,704
Total revenues	-	-	59,704	59,704
EXPENDITURES				
Current:				
Contingency				
Contingency	2,503,200	2,013,200	-	2,013,200
Total current	2,503,200	2,013,200	-	2,013,200
Capital outlay:				
Public Works and Streets				
Public works and streets	-	490,000	172,895	317,105
Total capital outlay	-	490,000	172,895	317,105
Total expenditures	2,503,200	2,503,200	172,895	2,330,305
Excess (deficiency) of revenues over expenditures	(2,503,200)	(2,503,200)	(113,191)	2,390,009
Net change in fund balances	\$ (2,503,200)	\$ (2,503,200)	\$ (113,191)	\$ 2,390,009

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Roads of Regional Significance SPA 3 and 5 Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ 100	\$ 100	\$ 582	\$ 482
Total revenues	100	100	582	482
EXPENDITURES				
Current:				
Contingency				
Contingency	23,900	23,900	-	23,900
Total current	23,900	23,900	-	23,900
Total expenditures	23,900	23,900	-	23,900
Excess (deficiency) of revenues over expenditures	(23,800)	(23,800)	582	24,382
Net change in fund balances	\$ (23,800)	\$ (23,800)	\$ 582	\$ 24,382

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Street Lighting Districts Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,730,300	\$ 2,730,300	\$ 2,725,353	\$ (4,947)
Charges for services	-	-	4,200	4,200
Interest revenue	-	-	12,504	12,504
Other revenue	-	-	7,275	7,275
Total revenues	<u>2,730,300</u>	<u>2,730,300</u>	<u>2,749,332</u>	<u>19,032</u>
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	2,732,600	2,778,100	2,539,509	238,591
Total current	<u>2,732,600</u>	<u>2,778,100</u>	<u>2,539,509</u>	<u>238,591</u>
Total expenditures	<u>2,732,600</u>	<u>2,778,100</u>	<u>2,539,509</u>	<u>238,591</u>
Excess (deficiency) of revenues over expenditures	<u>(2,300)</u>	<u>(47,800)</u>	<u>209,823</u>	<u>257,623</u>
Net change in fund balances	<u>\$ (2,300)</u>	<u>\$ (47,800)</u>	<u>\$ 209,823</u>	<u>\$ 257,623</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Marley Park Community Facility District Fund

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 1,115,400	\$ 1,115,400	\$ 1,111,286	\$ (4,114)
Total revenues	1,115,400	1,115,400	1,111,286	(4,114)
EXPENDITURES				
Current:				
General Government				
General government	200	200	160	40
Culture and Recreation				
Parks and recreation	80,600	80,600	80,600	-
Contingency				
Contingency	4,200	4,200	-	4,200
Total current	85,000	85,000	80,760	4,240
Debt service:				
Administrative charges	3,200	3,200	3,800	(600)
Principal retirement	577,800	577,800	455,000	122,800
Interest	536,100	536,100	454,240	81,860
Bond issuance costs	150,000	150,000	-	150,000
Total debt service	1,267,100	1,267,100	913,040	354,060
Capital outlay:				
General Government				
General operations	2,850,000	2,850,000	36,900	2,813,100
Total capital outlay	2,850,000	2,850,000	36,900	2,813,100
Total expenditures	4,202,100	4,202,100	1,030,700	3,171,400
Excess (deficiency) of revenues over expenditures	(3,086,700)	(3,086,700)	80,586	3,167,286
OTHER FINANCING SOURCES (USES)				
Issuance of debt	3,000,000	3,000,000	-	(3,000,000)
Total other financing sources (uses)	3,000,000	3,000,000	-	(3,000,000)
Net change in fund balances	\$ (86,700)	\$ (86,700)	\$ 80,586	\$ 167,286

- ❖ Internal Service Funds – These funds are used to track those transactions relating to the City’s internal insurance activities.
- *Risk Management Fund* – This fund was created to provide general insurance coverage as well as risk management, loss control, and safety programs city-wide.
 - *Employee Healthcare Trust Fund* – This fund was created to provide health insurance claims, plan administration, stop loss premiums, and fund reserves.
 - *Workers’ Compensation Fund* – This fund was created to account for expenses incurred for worker’s compensation claims, administration, coverage, and fund reserves.

City of Surprise, Arizona
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service funds
ASSETS				
Current assets:				
Cash and investments	\$ 2,523,316	\$ 7,854,861	\$ 1,768,085	\$ 12,146,262
Receivables (net of allowances)				
Other	524,047	232,916	-	756,963
Other assets	2,774	3,321	-	6,095
Total current assets	3,050,137	8,091,098	1,768,085	12,909,320
Noncurrent assets:				
Net other postemployment benefits asset	682	273	187	1,142
Total noncurrent assets	682	273	187	1,142
Total assets	3,050,819	8,091,371	1,768,272	12,910,462
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	44,156	17,654	12,123	73,933
Deferred outflows related to other postemployment benefits	2,780	1,111	763	4,654
Total deferred outflows of resources	46,936	18,765	12,886	78,587
Total assets and deferred outflows of resources	<u>\$ 3,097,755</u>	<u>\$ 8,110,136</u>	<u>\$ 1,781,158</u>	<u>\$ 12,989,049</u>
LIABILITIES				
Current liabilities:				
Accounts payable	31,681	3,866	6,577	42,124
Accrued payroll and related taxes	10,446	-	2,679	13,125
Claims payable	147,533	1,445,621	171,335	1,764,489
Compensated absences payable, due in less than one year	17,616	-	1,763	19,379
Total current liabilities	207,276	1,449,487	182,354	1,839,117
Noncurrent liabilities:				
Compensated absences payable, due in more than one year	25,350	-	2,537	27,887
Net pension liability	259,549	103,773	71,259	434,581
Net other postemployment benefits liability	975	390	268	1,633
Total noncurrent liabilities	285,874	104,163	74,064	464,101
Total liabilities	493,150	1,553,650	256,418	2,303,218
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	30,685	12,268	8,425	51,378
Deferred inflows related to other postemployment benefits	2,086	834	573	3,493
Total deferred inflows of resources	32,771	13,102	8,998	54,871
Total liabilities and deferred inflows of resources	525,921	1,566,752	265,416	2,358,089
NET POSITION				
Unrestricted	2,571,834	6,543,384	1,515,742	10,630,960
Total net position	<u>\$ 2,571,834</u>	<u>\$ 6,543,384</u>	<u>\$ 1,515,742</u>	<u>\$ 10,630,960</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Net Position

Internal Service Funds

For the Year Ended June 30, 2019

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 2,147,919	\$ 13,128,942	\$ 790,516	\$ 16,067,377
Other revenue	524,047	-	-	524,047
Total operating revenues	2,671,966	13,128,942	790,516	16,591,424
OPERATING EXPENSES				
Personnel services	282,270	95,405	144,023	521,698
Contractual services, materials & supplies	90,331	137,997	138,456	366,784
Insurance claims, premiums, and administrative expenses	1,771,208	12,263,486	538,357	14,573,051
Total operating expenses	2,143,809	12,496,888	820,836	15,461,533
Operating income (loss)	528,157	632,054	(30,320)	1,129,891
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	58,641	97,050	39,343	195,034
Total nonoperating revenues (expenses)	58,641	97,050	39,343	195,034
Income (loss) before contributions and transfers	586,798	729,104	9,023	1,324,925
Change in net position	586,798	729,104	9,023	1,324,925
Total net position - beginning	1,985,036	5,814,280	1,506,719	9,306,035
Total net position - ending	<u>\$ 2,571,834</u>	<u>\$ 6,543,384</u>	<u>\$ 1,515,742</u>	<u>\$ 10,630,960</u>

City of Surprise, Arizona
 Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2019

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 131,819	\$ 800,177	\$ 13,933	\$ 945,929
Cash receipts from interfund services provided	2,016,100	12,302,282	776,583	15,094,965
Payments to employees	(261,588)	(113,859)	(82,441)	(457,888)
Payments to suppliers	(79,407)	(194,591)	(120,204)	(394,202)
Payments for insurance claims and expenses	(1,803,675)	(12,077,325)	(380,599)	(14,261,599)
Net cash provided (used) by operating activities	3,249	716,684	207,272	927,205
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from interest income	58,641	97,050	39,343	195,034
Net cash provided (used) by investing activities	58,641	97,050	39,343	195,034
Net increase (decrease) in cash and cash equivalents	61,890	813,734	246,615	1,122,239
Balances - beginning of year	2,461,426	7,041,127	1,521,470	11,024,023
Balances - end of the year	\$ 2,523,316	\$ 7,854,861	\$ 1,768,085	\$ 12,146,262
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income (loss)	\$ 528,157	\$ 632,054	\$ (30,320)	\$ 1,129,891
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
Other receivables	(524,047)	(26,483)	-	(550,530)
Other assets	629	(591)	21,811	21,849
Accounts payable	10,295	(57,865)	(3,559)	(51,129)
Accrued payroll and related taxes	1,806	(3,408)	288	(1,314)
Compensated absences	14,766	(6,588)	2,455	10,633
Net pension liability	4,270	(8,405)	58,939	54,804
Claims payable	(32,467)	188,023	157,758	313,314
Net other postemployment asset/liability	(160)	(53)	(100)	(313)
Net cash provided (used) by operating activities	\$ 3,249	\$ 716,684	\$ 207,272	\$ 927,205
Noncash investing, capital and financing activities				
Increase in the fair market value of investments	\$ 25,168	\$ 42,696	\$ 16,962	\$ 84,826
Total noncash investing, capital and financing activities	\$ 25,168	\$ 42,696	\$ 16,962	\$ 84,826



STATISTICAL SECTION

This section provides detailed information, for purposes of providing a context for comprehending the information presented in the financial statements, not disclosures and required supplementary information, and gaining a better understanding of the financial shape of the City of Surprise, Arizona.

Contents:

Financial Trends:

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

Revenue Capacity:

These schedules contain information to help the reader assess the government's most significant local revenue sources, transaction privilege (sales) tax and property taxes.

Debt Capacity:

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

Demographic and Economic Information:

These schedules of demographic and economic indicators help the reader understand the environment that the government's financial activities take place.

Operating Information:

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Reports for the relevant year



SURPRISE

ARIZONA

City of Surprise, Arizona
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013
Governmental activities				
Net investment of capital assets	\$ 437,142,472	\$ 425,526,375	\$ 445,035,827	\$ 428,076,477
Restricted	27,494,001	27,405,931	27,011,749	28,105,434
Unrestricted	5,285,625	1,266,669	4,750,944	19,164,721
Total governmental activities net position	<u>\$ 469,922,098</u>	<u>\$ 454,198,975</u>	<u>\$ 476,798,520</u>	<u>\$ 475,346,632</u>
Business-type activities				
Net investment of capital assets	\$ 250,936,354	\$ 257,403,366	\$ 269,712,138	\$ 262,605,698
Restricted*	13,841,284	21,445,388	6,673,158	6,867,426
Unrestricted	40,360,365	39,592,483	54,053,088	60,409,577
Total business-type activities net position	<u>\$ 305,138,003</u>	<u>\$ 318,441,237</u>	<u>\$ 330,438,384</u>	<u>\$ 329,882,701</u>
Primary government				
Net investment of capital assets	\$ 688,078,826	\$ 682,929,741	\$ 714,747,965	\$ 690,682,175
Restricted	41,335,285	48,851,319	33,684,907	34,972,860
Unrestricted	45,645,990	40,859,152	58,804,032	79,574,298
Total primary government net position	<u>\$ 775,060,101</u>	<u>\$ 772,640,212</u>	<u>\$ 807,236,904</u>	<u>\$ 805,229,333</u>

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

* Restricted amount for fiscal year 2010 is for sewer fund debt-related reserves. Beginning in fiscal year 2010, sewer fund debt was properly recorded in the sewer fund as a business-type activity, instead of a governmental activity as previously reported.

2014	2015	2016	2017	2018	2019
\$ 413,717,047	\$ 409,274,827	\$ 405,111,110	\$ 392,458,485	\$ 393,984,378	\$ 399,420,150
29,650,958	27,948,361	22,743,525	24,613,341	67,683,440	29,462,370
25,538,922	(18,482,747)	(16,896,594)	(27,479,276)	(57,592,973)	1,815,847
\$ 468,906,927	\$ 418,740,441	\$ 410,958,041	\$ 389,592,550	\$ 404,074,845	\$ 430,698,367
\$ 263,420,571	\$ 264,678,599	\$ 270,081,565	\$ 279,249,380	\$ 277,989,957	\$ 274,750,943
6,895,582	5,381,403	13,039,887	12,326,207	14,365,125	12,932,109
57,257,700	44,564,505	29,979,759	22,570,204	31,396,601	43,938,146
\$ 327,573,853	\$ 314,624,507	\$ 313,101,211	\$ 314,145,791	\$ 323,751,683	\$ 331,621,198
\$ 677,137,618	\$ 673,953,426	\$ 675,192,675	\$ 671,707,865	\$ 671,974,335	\$ 674,171,093
36,546,540	33,329,764	35,783,412	36,939,548	82,048,565	42,394,479
82,796,622	26,081,758	13,083,165	(4,909,072)	(26,196,372)	45,753,993
\$ 796,480,780	\$ 733,364,948	\$ 724,059,252	\$ 703,738,341	\$ 727,826,528	\$ 762,319,565

City of Surprise, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013
<u>Expenses</u>				
Governmental Activities:				
General government	\$ 21,961,410	\$ 18,092,847	\$ 17,438,582	\$ 14,958,702
Public safety	33,876,919	38,760,889	39,628,843	39,096,150
Public works & streets	28,392,783	29,748,611	29,415,043	33,710,624
Community development	6,484,414	4,915,385	7,401,566	7,668,373
Culture and recreation	16,399,646	15,229,013	16,189,568	16,285,289
Interest	2,044,603	1,919,145	1,594,060	1,505,313
Total governmental activities expenses	109,159,775	108,665,890	111,667,662	113,224,451
Business-type Activities:				
Ground ambulance services	-	-	-	-
Sanitation	4,559,778	5,603,983	6,047,844	5,934,789
Sewer	16,665,251	20,090,934	19,325,017	18,717,547
Stormwater	-	-	-	-
Water	9,792,043	11,188,199	10,792,041	10,849,653
Total business-type activities	31,017,072	36,883,116	36,164,902	35,501,989
Total primary government expenses	\$ 140,176,847	\$ 145,549,006	\$ 147,832,564	\$ 148,726,440
<u>Program Revenues</u>				
Governmental Activities:				
Charges for services:				
General government	\$ 5,630,748	\$ 7,947,615	\$ 6,435,843	\$ 6,313,245
Public safety	1,257,537	1,522,658	3,096,058	2,922,055
Public works & streets	328,230	3,786,620	3,238,179	792,288
Community development	868,305	1,315,799	1,622,594	2,003,777
Culture and recreation	3,783,816	3,838,003	5,307,491	4,837,786
Operating grants and contributions	13,157,726	10,404,916	8,207,130	10,139,981
Capital grants and contributions	31,142,608	8,655,730	32,449,260	5,925,348
Total governmental activities program revenues	56,168,970	37,471,341	60,356,555	32,934,480
Business-type activities:				
Charges for services:				
Ground ambulance services	-	-	-	-
Sanitation	6,175,989	6,598,929	6,700,961	6,862,696
Sewer	14,857,689	15,303,709	15,481,721	15,904,030
Stormwater	-	-	-	-
Water	9,711,411	9,841,874	10,047,169	10,073,124
Capital grants and contributions	51,714,784	16,878,654	14,502,214	4,427,857
Total business-type activities program revenues	82,459,873	48,623,166	46,732,065	37,267,707
Total primary government program revenues	\$ 138,628,843	\$ 86,094,507	\$ 107,088,620	\$ 70,202,187

	2014	2015	2016	2017	2018	2019
\$	16,079,202	\$ 21,038,892	\$ 18,906,430	\$ 27,733,034	\$ 24,693,086	\$ 18,847,192
	40,931,709	44,415,505	47,273,449	64,148,194	51,157,392	60,235,535
	34,988,682	35,141,030	38,670,796	41,540,981	37,661,923	41,578,280
	8,388,639	5,205,925	10,235,430	12,326,274	12,345,202	12,382,036
	17,228,719	21,863,417	25,690,406	22,555,794	26,471,045	24,970,626
	1,378,709	1,635,320	1,472,910	1,381,807	1,927,016	2,473,876
	118,995,660	129,300,089	142,249,421	169,686,084	154,255,664	160,487,545
	-	-	-	-	3,141,623	3,375,334
	7,144,521	7,883,309	7,972,061	9,034,441	8,557,348	8,657,107
	20,072,400	20,360,031	20,399,067	19,519,303	20,039,173	19,340,045
	-	-	-	187,744	775,651	1,363,889
	10,546,378	10,619,858	11,823,538	15,013,661	10,926,918	11,690,946
	37,763,299	38,863,198	40,194,666	43,755,149	43,440,713	44,427,321
\$	156,758,959	\$ 168,163,287	\$ 182,444,087	\$ 213,441,233	\$ 197,696,377	\$ 204,914,866
\$	8,494,212	\$ 5,301,697	\$ 5,041,335	\$ 5,863,856	\$ 7,171,091	\$ 6,744,068
	1,306,553	2,963,326	3,778,584	3,600,402	2,801,908	1,948,725
	499,338	507,198	853,321	1,445,873	2,252,924	4,100,847
	1,697,315	2,005,421	2,552,293	3,770,393	7,384,028	9,901,258
	4,917,918	5,313,203	5,894,021	5,586,303	5,507,476	5,590,198
	9,833,470	9,908,788	11,178,339	12,097,958	12,530,903	11,555,218
	2,877,937	11,561,202	11,558,409	14,356,832	25,485,790	22,468,016
	29,626,743	37,560,835	40,856,302	46,721,617	63,134,120	62,308,330
	-	-	-	-	2,974,704	3,284,354
	7,000,935	6,952,296	7,099,896	7,525,140	7,485,027	7,859,915
	16,046,564	17,950,085	16,151,096	17,190,499	17,345,559	17,612,146
	-	-	-	1,282,788	1,834,202	1,987,661
	9,987,819	10,814,903	12,195,621	14,048,726	14,227,502	16,125,842
	3,270,131	129,722	3,107,265	5,788,132	9,682,391	5,509,692
	36,305,449	35,847,006	38,553,878	45,835,285	53,549,385	52,379,610
\$	65,932,192	\$ 73,407,841	\$ 79,410,180	\$ 92,556,902	\$ 116,683,505	\$ 114,687,940

City of Surprise, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013
Net revenue/expense:				
Governmental activities	\$ (52,990,805)	\$ (71,194,549)	\$ (51,311,107)	\$ (80,289,971)
Business-type activities	51,442,801	11,740,050	10,567,163	1,765,718
Total primary government net expense	\$ (1,548,004)	\$ (59,454,499)	\$ (40,743,944)	\$ (78,524,253)
<u>General Revenues and Other Changes in Net Position</u>				
Governmental activities:				
Taxes				
Property taxes	\$ 6,831,553	\$ 7,018,180	\$ 6,112,789	\$ 9,274,735
Sales taxes	29,144,497	29,826,572	33,266,049	37,836,088
Franchise taxes	4,309,896	4,448,614	4,547,621	4,732,649
Unrestricted State shared revenue	21,234,739	18,767,966	23,434,911	25,983,982
Unrestricted investment earnings	414,492	488,919	304,846	164,984
Other	1,425,472	489,667	297,016	562,787
Transfers	(6,195,179)	946,818	968,148	1,068,522
Total governmental activities	57,165,470	61,986,736	68,931,380	79,623,747
Business-type activities:				
Unrestricted investment earnings	423,050	552,583	331,127	150,350
Other	110,149	483,773	-	-
Special item - Extinguishment of debt	2,821,348	-	-	-
Transfers	6,195,179	(946,818)	(968,148)	(1,068,522)
Total business-type activities	9,549,726	89,538	(637,021)	(918,172)
Total primary government	\$ 66,715,196	\$ 62,076,274	\$ 68,294,359	\$ 78,705,575
<u>Change in Net Position</u>				
Governmental activities	\$ 4,174,665	\$ (9,207,813)	\$ 17,620,273	\$ (666,224)
Business-type activities	60,992,527	11,829,588	9,930,142	847,546
Prior period adjustments	-	-	-	-
Total primary government	\$ 65,167,192	\$ 2,621,775	\$ 27,550,415	\$ 181,322

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

Note 1: GASB Statement No. 68 was implemented in fiscal year 2015. Prior years' financial statements were not restated.

Note 2: GASB Statement No. 75 was implemented in fiscal year 2018. Prior year's financial statements were not restated.

2014	2015	2016	2017	2018	2019
\$ (89,368,917)	\$ (91,739,254)	\$ (101,393,119)	\$ (122,964,467)	\$ (91,121,544)	\$ (98,179,215)
(1,457,850)	(3,016,192)	(1,640,788)	2,080,136	10,108,672	7,952,289
\$ (90,826,767)	\$ (94,755,446)	\$ (103,033,907)	\$ (120,884,331)	\$ (81,012,872)	\$ (90,226,926)
\$ 9,401,277	\$ 9,713,903	\$ 9,962,925	\$ 10,441,730	\$ 10,813,317	\$ 16,143,232
39,685,844	42,111,177	46,807,817	49,416,383	54,419,572	61,596,634
5,159,956	5,249,320	5,062,719	5,674,974	5,643,876	5,609,625
26,722,541	29,879,804	30,560,635	31,755,661	35,032,519	35,899,596
329,637	400,260	607,602	26,274	324,501	3,494,962
482,776	1,146,649	407,445	3,129,094	(753,721)	517,587
1,147,181	1,132,145	201,576	1,154,860	1,355,582	1,541,101
82,929,212	89,633,258	93,610,719	101,598,976	106,835,646	124,802,737
296,183	253,407	319,068	119,304	141,108	1,458,327
-	-	-	-	-	-
-	-	-	-	-	-
(1,147,181)	(1,132,145)	(201,576)	(1,154,860)	(1,355,582)	(1,541,101)
(850,998)	(878,738)	117,492	(1,035,556)	(1,214,474)	(82,774)
\$ 82,078,214	\$ 88,754,520	\$ 93,728,211	\$ 100,563,420	\$ 105,621,172	\$ 124,719,963
\$ (6,439,705)	\$ (2,105,996)	\$ (7,782,400)	\$ (21,365,491)	\$ 15,714,102	\$ 26,623,522
(2,308,848)	(3,894,930)	(1,523,296)	1,044,580	8,894,198	7,869,515
-	-	-	-	(520,113)	-
\$ (8,748,553)	\$ (6,000,926)	\$ (9,305,696)	\$ (20,320,911)	\$ 24,088,187	\$ 34,493,037

City of Surprise, Arizona
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2010	2011	2012	2013
General fund				
Nonspendable	\$ -	\$ 327,420	\$ 637,513	\$ 626,565
Restricted	-	129,117	79,170	77,439
Committed	-	-	-	-
Assigned	-	1,334,202	317,343	327,182
Unassigned	-	239,533	4,459,773	17,166,622
Reserved	2,692,681	-	-	-
Unreserved	12,527,329	-	-	-
Total general fund	\$ 15,220,010	\$ 2,030,272	\$ 5,493,799	\$ 18,197,808
All other governmental funds				
Nonspendable	\$ -	\$ 125,744	\$ 106,844	\$ 134,673
Restricted	-	27,151,070	26,932,579	28,027,995
Committed	-	7,767,079	7,915,957	7,266,032
Assigned	-	41,951,897	42,460,372	44,505,144
Unassigned	-	(50,850,735)	(50,409,260)	(49,901,573)
Reserved	57,870,335	-	-	-
Unreserved, reported in:				
Special revenue funds	(37,216,769)	-	-	-
Capital projects funds	(8,724,406)	-	-	-
Debt service funds	6,236,019	-	-	-
Total all other governmental funds	\$ 18,165,179	\$ 26,145,055	\$ 27,006,492	\$ 30,032,271

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

Note: GASB 54 established new categories for reporting fund balance in fiscal year 2011.

2014	2015	2016	2017	2018	2019
\$ 821,009	\$ 1,313,505	\$ 1,287,510	\$ 1,262,361	\$ 1,602,598	\$ 2,197,168
66,385	-	-	501,278	480,554	454,024
-	-	-	-	-	-
360,030	578,518	542,821	338,555	338,167	393,622
26,849,205	34,324,717	37,385,696	38,436,548	41,763,040	42,252,127
-	-	-	-	-	-
-	-	-	-	-	-
\$ 28,096,629	\$ 36,216,740	\$ 39,216,027	\$ 40,538,742	\$ 44,184,359	\$ 45,296,941

\$ 206,294	\$ 195,374	\$ 368,126	\$ 618,466	\$ 638,371	\$ 664,672
29,584,573	46,848,361	23,064,256	24,112,063	67,202,886	61,562,397
47,607,527	42,241,616	40,246,190	40,005,619	3,483,301	6,446,528
1,173,198	1,209,403	469,830	1,109,942	2,912,343	19,690,585
(50,029,315)	(49,288,936)	(47,671,784)	(46,064,773)	(8,258,667)	(5,888,966)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 28,542,277	\$ 41,205,818	\$ 16,476,618	\$ 19,781,317	\$ 65,978,234	\$ 82,475,216

City of Surprise, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014
Revenues					
Taxes	\$ 38,940,670	\$ 39,445,440	\$ 42,290,109	\$ 47,442,186	\$ 48,262,126
Licenses and permits	4,342,546	4,490,664	4,586,621	4,771,649	5,197,956
Intergovernmental revenues	28,985,886	25,743,085	30,476,028	33,441,035	35,923,296
Charges for services	4,963,482	5,708,552	7,052,487	7,943,039	7,896,783
Grants revenue	2,855,614	3,010,650	1,626,534	2,443,199	2,131,707
Fines	1,930,945	1,827,127	1,870,202	1,986,692	1,498,451
Rents	4,000,944	611,019	580,820	584,972	606,679
Development fees	1,721,280	2,494,845	2,415,290	2,240,664	1,790,461
Interest revenue	391,530	464,496	278,177	149,655	307,139
Donations	-	429,237	257,372	344,589	148,062
Indirect charges*	-	3,660,700	3,660,700	3,660,700	4,682,772
Other revenue	2,286,355	2,047,634	1,175,823	960,297	482,776
Total revenues	90,419,252	89,933,449	96,270,163	105,968,677	108,928,208
Expenditures					
Current					
General government	17,750,497	12,073,329	12,627,722	11,925,890	13,674,046
Public safety	30,461,294	34,968,406	35,592,854	35,984,984	38,018,470
Public works and streets	15,573,166	15,425,981	14,706,512	15,350,181	16,784,098
Community development	6,447,218	4,802,971	7,336,377	7,605,656	8,344,991
Culture and recreation	13,393,070	12,373,798	13,421,538	13,210,175	14,912,746
Capital outlay	12,918,988	6,186,111	5,177,828	3,215,160	6,409,054
Debt Service					
Principal	2,137,075	2,328,300	2,449,900	2,533,138	2,661,713
Interest	1,973,329	1,898,152	1,594,060	1,505,313	1,378,709
Other charges	-	-	-	-	-
Total expenditures	100,654,637	90,057,048	92,906,791	91,330,497	102,183,827
Excess of revenues over (under) expenses	(10,235,385)	(123,599)	3,363,372	14,638,180	6,744,381
Other financing sources (uses)					
Proceeds from sale of assets	-	-	-	33,035	240,830
Transfers in (out)	(6,167,991)	946,818	968,148	1,068,522	4,803,747
From bonding	-	-	-	-	(3,656,566)
Payments to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	(6,167,991)	946,818	968,148	1,101,557	1,388,011
Special items					
Advance forgiveness	-	-	-	-	-
Total special items	-	-	-	-	-
Net change in fund balances	\$ (16,403,376)	\$ 823,219	\$ 4,331,520	\$ 15,739,737	\$ 8,132,392
Debt service as a percentage of noncapital expenditures**	4.7%	5.0%	4.6%	4.6%	4.2%

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

* Beginning in fiscal year 2011, indirect charges are shown as revenue rather than transfers in.

** Beginning in fiscal year 2010, the debt related to the sewer fund was properly reported in the sewer fund, which decreases the percentage of debt reported for governmental funds.

	2015	2016	2017	2018	2019
\$	52,178,522	\$ 56,908,903	\$ 59,749,360	\$ 65,257,328	\$ 77,739,476
	4,975,398	5,121,719	5,811,255	5,817,956	5,991,243
	37,947,604	39,209,688	40,430,400	44,773,004	45,774,226
	9,241,853	11,363,453	13,127,359	15,186,099	19,189,262
	1,659,609	3,060,620	1,856,830	2,691,930	1,581,233
	1,768,671	1,214,978	1,052,366	2,281,998	1,788,745
	549,400	630,514	621,033	601,628	724,073
	2,224,125	3,297,082	4,413,714	5,306,365	6,482,159
	400,260	607,602	24,449	310,038	3,299,929
	245,671	228,316	160,706	183,307	125,872
	4,682,772	4,884,443	4,768,960	5,249,200	5,481,600
	1,155,192	392,199	2,908,665	522,745	726,564
	117,029,077	126,919,517	134,925,097	148,181,598	168,904,382
	20,291,986	16,306,183	16,675,593	16,965,220	17,358,137
	41,862,877	44,433,546	47,036,287	51,471,894	51,993,630
	17,314,612	20,492,467	20,116,384	19,858,787	20,580,186
	5,074,395	10,080,446	12,225,155	11,890,816	12,141,786
	19,301,123	18,416,339	17,998,257	19,540,944	19,613,758
	8,604,468	36,511,052	17,501,271	18,067,055	22,824,600
	2,786,800	2,361,425	2,613,738	2,776,050	5,352,900
	1,245,447	1,749,568	1,587,151	1,578,092	3,271,455
	389,873	19,762	724,982	472,877	4,851
	116,871,581	150,370,788	136,478,818	142,621,735	153,141,303
	157,496	(23,451,271)	(1,553,721)	5,559,863	15,763,079
	226,080	336,821	368,156	136,426	276,091
	1,132,145	1,150,009	354,860	974,136	1,607,973
	19,320,205	-	11,696,218	43,211,107	-
	-	-	(6,500,617)	-	-
	20,678,430	1,486,830	5,918,617	44,321,669	1,884,064
	-	-	-	-	-
	-	-	-	-	-
\$	20,835,926	\$ (21,964,441)	\$ 4,364,896	\$ 49,881,532	\$ 17,647,143
	4.1%	3.6%	4.1%	3.3%	6.2%

City of Surprise, Arizona
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Franchise & Business Licenses	Total
2010	6,831,553	29,144,497	4,309,896	40,285,946
2011	7,018,180	29,826,572	4,448,614	41,293,366
2012	6,112,789	33,266,049	4,547,621	43,926,459
2013	9,274,735	37,836,088	4,732,649	51,843,472
2014	9,401,277	39,685,844	5,159,956	54,247,077
2015	9,713,903	42,111,177	5,249,320	57,074,400
2016	9,962,925	46,807,817	5,062,719	61,833,461
2017	10,441,730	49,416,383	5,674,974	65,533,087
2018	10,813,317	54,419,572	5,643,876	70,876,765
2019	16,143,232	61,596,634	5,609,625	83,349,491

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

City of Surprise, Arizona
Major Sources of Municipal Sales Tax
Last Ten Fiscal Years

	2010	2011	2012	2013
<u>Description of Payers Business</u>				
Construction	\$ 4,391,089	\$ 3,870,561	\$ 4,936,286	\$ 7,071,711
Retail trade	10,886,710	11,258,630	12,588,859	13,831,839
Communications and utilities	4,706,978	4,558,281	4,813,827	5,053,313
Restaurant and bar	3,704,296	3,910,930	4,254,798	4,877,292
Real estate, rental and leasing	2,618,870	2,824,605	3,160,567	3,610,593
Other	2,833,644	2,858,970	3,278,980	3,488,295
Total	<u>\$ 29,141,587</u>	<u>\$ 29,281,977</u>	<u>\$ 33,033,317</u>	<u>\$ 37,933,043</u>

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2019.

When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category.

State and local laws prohibit the disclosure of individual taxpayer information.

2014	2015	2016	2017	2018	2019
\$ 5,702,652	\$ 5,318,361	\$ 8,429,076	\$ 7,444,202	\$ 9,424,657	\$ 13,938,324
15,319,378	17,897,576	18,608,256	20,578,048	24,170,542	25,309,922
5,230,594	5,379,741	5,609,855	5,682,238	5,010,541	4,873,454
5,262,786	5,600,500	5,933,745	6,543,214	7,673,195	8,226,189
3,872,029	4,077,066	4,246,757	4,790,722	4,858,025	5,495,101
3,439,338	4,188,861	4,109,905	4,377,959	3,282,612	3,753,644
\$ 38,826,777	\$ 42,462,105	\$ 46,937,594	\$ 49,416,383	\$ 54,419,572	\$ 61,596,634

City of Surprise, Arizona
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Property		Exemptions	Total		Ratio of Total	
		Assessed Value Residential Property	Assessed Value Commercial Property			Estimated Actual Taxable Full Cash Value	Assessed Value to Total Estimated Actual Value	
		Real Property		Full Cash Value	Direct Tax Rate			
2010	P	899,879,844	407,255,079	(147,231,863)	1,159,903,060	0.5661	11,218,267,227	10.34%
2010	S	932,885,757	567,640,639	(95,418,806)	1,405,107,590	-	12,479,985,619	11.26%
2011	P	734,802,358	444,395,674	(110,470,743)	1,068,727,289	0.6735	9,795,021,688	10.91%
2011	S	739,725,180	532,775,146	(143,459,254)	1,129,041,072	-	10,353,625,385	10.90%
2012	P	653,425,523	390,774,648	(112,327,444)	931,872,727	0.6700	8,729,697,453	10.67%
2012	S	653,862,821	414,853,720	(131,986,535)	936,730,006	-	8,883,000,424	10.55%
2013	P	613,827,446	355,335,651	(117,175,984)	851,987,113	0.7383	8,131,671,314	10.48%
2013	S	614,117,003	369,093,201	(128,526,531)	854,683,673	-	8,219,696,417	10.40%
2014	P	590,891,318	352,740,031	(120,457,469)	823,173,880	0.7783	7,921,310,783	10.39%
2014	S	592,539,973	366,349,440	(128,753,963)	830,135,450	-	8,021,860,448	10.35%
2015	P	635,011,041	351,426,277	(128,356,166)	858,081,152	0.7591	8,378,359,740	10.24%
2015	S	674,517,543	367,445,212	(137,241,712)	904,721,043	-	8,871,516,138	10.20%
2016	P	659,032,840	359,978,533	(129,767,780)	889,243,593	0.7591	8,723,777,883	10.19%
2016	S	775,338,584	403,053,294	(146,482,133)	1,031,909,745	-	10,151,951,511	10.16%
2017	P	703,447,546	353,382,997	(127,933,738)	928,896,805	0.7591	9,188,106,400	10.11%
2017	S	832,582,676	418,393,201	(151,461,223)	1,099,514,654	-	10,888,981,453	10.10%
2018	P	742,214,719	372,303,716	(136,482,015)	978,036,420	0.7591	9,704,804,426	10.08%
2018	S	883,909,865	470,218,102	(164,602,354)	1,189,525,613	-	11,739,266,942	10.13%
2019	P	786,977,862	394,591,418	(132,661,610)	1,048,907,670	0.7591	10,275,630,683	10.21%
2019	S	979,109,102	501,184,044	(163,680,703)	1,316,612,443	0.4200	12,872,480,509	10.23%

Source: Maricopa County Assessor's Office State Abstract

Direct Tax Rate is From the Maricopa County Finance Department's "Tax Levy Book for the City of Surprise" for the applicable tax year.

City of Surprise, Arizona
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Surprise			Overlapping Rates Maricopa County				
	Operating (Primary) Tax Rate	Debt Service (Secondary) Tax Rate	Total City Tax Rate	Operating Tax Rate	Debt Service Tax Rate	County Library	Flood Control	Total County Tax Rate
2010	0.5661	-	0.5661	0.9909	-	0.0353	-	1.0262
2011	0.6735	-	0.6735	1.0508	-	0.0412	-	1.0920
2012	0.6700	-	0.6700	1.2407	-	0.0492	-	1.2899
2013	0.7383	-	0.7383	1.2407	-	0.0492	-	1.2899
2014	0.7783	-	0.7783	1.2807	-	0.0492	-	1.3299
2015	0.7591	-	0.7591	1.3209	-	0.0556	-	1.3765
2016	0.7591	-	0.7591	1.4009	-	0.0556	-	1.4565
2017	0.7591	-	0.7591	1.4009	-	0.0556	-	1.4565
2018	0.7591	-	0.7591	1.4009	-	0.0556	0.1792	1.6357
2019	0.7591	0.4200	1.1791	1.4009	-	0.0556	0.1792	1.6357

Source: Maricopa County Finance Department's "Maricopa County 2018 Tax Levy" report.

Note: Prior to fiscal year 2018, the Maricopa County Flood Control District tax rate was included in the other column.

Overlapping Rates				
Dysart School District				
Operating Tax Rate	Debt Service Tax Rate	Total School District Tax Rate	Other	Total Direct & Overlapping Rates
3.0430	1.7251	4.7681	1.2182	7.5786
2.9051	2.0919	4.9970	1.3405	8.1030
3.4104	2.5820	5.9924	1.6440	9.5963
4.6547	2.7317	7.3864	1.8351	11.2497
4.3492	2.9538	7.3030	1.6356	11.0468
3.9957	2.7750	6.7707	1.7472	10.6535
3.0640	2.9085	5.9725	1.7120	9.9001
4.1562	2.8032	6.9594	2.5181	11.6931
4.1562	2.8032	6.9594	2.5104	11.8646
4.1089	2.7859	6.8948	2.4330	12.1426

**City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2019 and 2010**

Taxpayer	2019			2010		
	Primary Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Arizona Public Service Company	\$ 28,979,671	1	2.76%			
Southwest Gas Corporation (T&D)	5,876,250	2	0.56%			
EPCOR (Agua Fria Water Division)	4,533,890	3	0.43%			
CCD Real Estate Holdings LLC	4,129,091	4	0.39%			
Breit MF Stadium Village LLC	4,103,570	5	0.39%			
Mazal Realty West Valley Surprise ADA Complia	3,762,360	6	0.36%			
Sands Surprise Real Estate Chevy LLC	3,344,238	7	0.32%			
Harmony at Surprise SPE LLC	3,302,130	8	0.31%			
Wal Mart Stores Inc	3,121,164	9	0.30%			
LAACO Ltd	2,954,844	10	0.28%			
Arizona Public Service Company				\$ 22,551,081	1	1.94%
Southwest Gas Corporation (T&D)				6,293,350	2	0.54%
Marley Park Phase II LLC				6,130,320	3	0.53%
Surprise Holdings LLC				5,686,676	4	0.49%
CCD Real Estate Holdings LLC				5,627,047	5	0.49%
Pccp Cs CH Surprise LLC				3,994,453	6	0.34%
Gvsw Surprise Plaza LLC				3,927,352	7	0.34%
Transwestern Pipeline Company				3,886,508	8	0.34%
Federal National Mortgage Association				3,753,910	9	0.32%
Sands Surprise Real Estate Chevy LLC				3,624,812	10	0.31%
Total	<u>\$ 64,107,208</u>		6.10%	<u>\$ 65,475,509</u>		5.64%
Primary Assessed Valuation	1,048,907,670			1,159,903,060		

Source: Maricopa County Assessor's Office

City of Surprise, Arizona
Primary Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Collected within the Fiscal Year of the Levy			Tax Collections in Subsequent Years	Total Collections to Date	
	Total Tax Levy	Current Tax Collections	Percentage of Levy		Tax Collections	Percentage of Levy
2010	6,952,011	6,599,191	94.9%	135,898	6,735,089	96.9%
2011	7,174,003	6,892,250	96.1%	172,630	7,064,880	98.5%
2012	6,200,706	6,021,059	97.1%	118,638	6,139,697	99.0%
2013	6,295,546	6,159,818	97.8%	95,664	6,255,482	99.4%
2014	6,350,356	6,249,156	98.4%	69,240	6,318,396	99.5%
2015	6,509,332	6,425,856	98.7%	62,517	6,488,373	99.7%
2016	6,754,752	6,661,068	98.6%	48,762	6,709,830	99.3%
2017	7,037,842	6,947,745	98.7%	70,669	7,018,414	99.7%
2018	7,424,272	7,321,178	98.6%	81,969	7,403,147	99.7%
2019	7,962,251	7,862,533	98.7%	-	7,862,533	98.7%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2019.

City of Surprise, Arizona
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities				
Fiscal Year	General Obligation Bonds	Special (CFD) Assessment Bonds and Notes	Municipal Property Corp. Bonds	Pledged Revenue Obligations
2010*	-	8,290,000	28,677,713	-
2011	-	7,935,000	24,489,225	-
2012	-	7,745,000	22,229,325	-
2013	-	7,545,000	19,896,188	-
2014	-	7,335,000	17,444,474	-
2015	-	7,115,000	-	30,832,800
2016	-	6,885,000	-	31,770,034
2017	-	12,105,285	-	29,249,876
2018	40,211,105	14,619,352	-	24,166,587
2019	37,322,019	14,143,419	-	23,963,086

* The amount for fiscal year 2010 is for sewer related municipal property corporation bonds. Beginning in fiscal year 2010, the municipal property corporation bonds were properly recorded in the sewer fund as a business-type activity instead of as a governmental activity as previously reported.

Soure: City financial records

Business-Type Activities						
Water						
Municipal Property Corp. Bonds	Infrastructure Financing Authority Loan	Utility Revenue Obligations	Pledged Revenue Obligations	Total Primary Government	Percentage of Personal Income	Per Capita
63,112,287	1,500,000	-	-	101,580,000	4.0%	864
61,295,775	1,324,760	-	-	95,044,760	4.0%	803
60,315,675	-	-	-	90,290,000	3.4%	755
59,303,813	-	-	-	86,745,001	3.3%	713
53,565,524	-	-	-	78,344,998	3.0%	633
39,365,000	-	-	5,832,000	83,144,800	3.1%	658
37,585,000	-	-	5,903,844	82,143,878	3.0%	640
35,720,000	-	-	5,249,430	82,324,591	2.8%	620
33,770,000	-	-	4,103,413	116,870,457	3.9%	872
-	-	28,164,675	3,877,075	107,470,274	3.4%	778

City of Surprise, Arizona
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2010	-	-	-	0.000%	-
2011	-	-	-	0.000%	-
2012	-	-	-	0.000%	-
2013	-	-	-	0.000%	-
2014	-	-	-	0.000%	-
2015	-	-	-	0.000%	-
2016	-	-	-	0.000%	-
2017	-	-	-	0.000%	-
2018	37,730,000	5,857	37,724,143	3.171%	281
2019	35,215,000	483,319	34,731,681	2.638%	251

Source: City financial records

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

<u>Overlapping Jurisdiction</u>	<u>General Obligation and Pledged Revenue Bonded Debt</u>	<u>Proportion Applicable to the City</u>	
		<u>Approximate Percent</u>	<u>Net Debt Amount</u>
State of Arizona	None	0.00%	None
Maricopa County	None	2.56%	None
Maricopa County Community College District	\$ 312,450,000	2.59%	\$ 8,092,455
Maricopa County Special Health Care District	459,125,000	2.59%	11,891,338
Western Maricopa Education Center	116,510,000	7.05%	8,213,955
Dysart Unified School District No. 89	121,293,000	77.81%	94,378,083
Peoria Unified School District No. 11	229,415,000	0.39%	894,719
Nadaburg Unified School District No. 81	185,000	26.56%	49,136
Wickenburg Unified School District No. 9	9,596,000	2.55%	244,698
Subtotal, overlapping debt	<u>\$ 1,248,574,000</u>		<u>\$ 123,764,383</u>
City of Surprise	\$ 61,285,105	100.00%	\$ 61,285,105
Marley Park Community Facilities District	14,143,419	100.00%	14,143,419
Subtotal, direct debt	<u>\$ 75,428,524</u>		<u>\$ 75,428,524</u>
Total Direct and Overlapping General Obligation and Pledged Revenue Bonded Debt			<u><u>\$ 199,192,907</u></u>

Source: The various jurisdictions

Proportion applicable to City of Surprise, Arizona is computed on the ratio of limited property valuation for fiscal year 2018/2019.

Excludes various other non-property tax supported debt such as Public Finance Corporation lease revenue bonds, Stadium District revenue bonds, Stadium District loans, Housing Authority loans and capital leases.

Excludes non-property tax supported debt such as revenue bonds.

Marley Park refunded \$6,065,000 of existing debt with \$11,365,000 of General Obligation bonds on October 6, 2016.

Includes: Excise Tax Revenue obligations

City of Surprise, Arizona
Legal Debt Margin Information Unrestricted and Restricted
Last Ten Fiscal Years

Unrestricted

	2010	2011	2012	2013
Debt limit 6%	\$ 81,197,672	\$ 67,742,464	\$ 56,203,800	\$ 51,281,020
Total net debt applicable to limit	-	-	-	-
Unrestricted legal debt margin	\$ 81,197,672	\$ 67,742,464	\$ 56,203,800	\$ 51,281,020
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Restricted

	2010	2011	2012	2013
Debt limit 20%	\$ 270,658,907	\$ 225,808,214	\$ 187,346,001	\$ 170,936,735
Total net debt applicable to limit	-	-	-	-
Restricted legal debt margin	\$ 270,658,907	\$ 225,808,214	\$ 187,346,001	\$ 170,936,735
Total net debt applicable to the 20% limit as a percentage of the 20% debt limit	0.00%	0.00%	0.00%	0.00%

Source: Maricopa County Assessor's Office - 2018 Levy Limit Worksheet

2014	2015	2016	2017	2018	2019
\$ 49,298,862	\$ 54,283,263	\$ 61,914,585	\$ 65,970,879	\$ 71,371,537	\$ 78,996,747
-	-	-	-	-	-
\$ 49,298,862	\$ 54,283,263	\$ 61,914,585	\$ 65,970,879	\$ 71,371,537	\$ 78,996,747

0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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2014	2015	2016	2017	2018	2019
\$ 164,329,540	\$ 180,944,209	\$ 206,381,949	\$ 219,902,931	\$ 237,905,123	\$ 263,322,489
-	-	-	-	39,987,500	37,322,019
\$ 164,329,540	\$ 180,944,209	\$ 206,381,949	\$ 219,902,931	\$ 197,917,623	\$ 226,000,470

0.00%	0.00%	0.00%	0.00%	16.81%	14.17%
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City of Surprise, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
2010	117,517	2,541,689,235	61,208	35.4	9.4%
2011	118,349	2,388,475,189	57,114	36.8	6.5%
2012	119,530	2,624,633,827	62,141	35.9	4.3%
2013	121,629	2,608,232,906	60,687	36.8	5.0%
2014	123,797	2,623,490,276	59,973	36.0	5.4%
2015	126,275	2,684,147,318	58,455	37.0	9.8%
2016	128,422	2,779,842,369	59,094	38.7	9.4%
2017	132,677	2,911,895,653	59,916	39.0	4.5%
2018	134,085	2,997,757,500	61,035	39.9	4.6%
2019	138,161	3,184,636,354	62,927	41.3	3.7%

Data Sources: Office of Economic Opportunity
Maricopa Association of Governments
US Department of Labor, Bureau of Labor Statistics
US Census Bureau

City of Surprise, Arizona
Principal Employers
June 30, 2019 and Nine Years Prior

Employer	2019 ¹			2010 ²		
	Employees	Rank	%of Total	Employees	Rank	%of Total
Dysart School District (Surprise Schools Only)	1,660	1	7.89%	2,300	1	6.30%
City of Surprise	1,170	2	5.56%	725	2	1.99%
Wal-Mart	720	3	3.42%	715	3	1.96%
Fry's Food Store	560	4	2.66%	445	4	1.22%
Rousseau Farming Company	340	5	1.62%			
McDonalds	270	6	1.28%			
Home Depot	250	7	1.19%			
Maricopa County	210	8	1.00%			
Crescent Crown	200	9	0.95%	225	10	0.62%
Kohl's Department Store	180	10	0.86%	237	9	0.65%
Safeway Food Store				445	4	1.22%
APS/ Pinnacle West Corp				275	6	0.75%
Charter Schools				270	7	0.74%
Albertson's Food Store				250	8	0.68%
Total	<u>5,560</u>		<u>26.41%</u>	<u>5,887</u>		<u>16.13%</u>
Total City Employment	21,050			36,500		

Sources:

¹ Maricopa Association of Governments, as of June 30, 2019

² Prior Years CAFR

City of Surprise, Arizona
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Function</u>										
General government	124	124	118	123	123	136	134	140	142	146
Public safety:										
Police:										
Officers	132	130	132	133	134	130	139	158	159	159
Civilians	56	58	49	49	48	54	49	43	42	45
Fire:										
Firefighters and officers	110	114	112	111	111	113	113	128	127	126
Civilians	9	8	6	7	7	7	8	8	7	7
Public works and streets:										
All others	100	96	87	83	83	83	84	84	80	84
Community development	40	36	36	40	40	43	40	41	41	42
Economic Development	-	-	-	-	-	-	8	8	8	7
Culture and recreation	95	97	97	110	110	122	118	117	116	120
Human Service and Community										
Vitality	-	-	-	-	-	-	9	15	16	18
Water	31	33	29	25	25	24	29	33	36	35
Sanitation	32	34	34	31	31	32	33	35	37	37
Sewer	39	39	36	36	36	37	39	50	45	45
Stormwater	-	-	-	-	-	-	-	-	6	5
Ground ambulance services	-	-	-	-	-	-	-	-	19	26
Total	769	769	736	748	748	781	804	861	881	902

Source: Fiscal year 2019 Adopted Budget

City of Surprise, Arizona
Operating Indicators by Function
Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014
Public safety:					
Police:					
Calls- incidents responded to	41,495	40,779	42,010	39,866	37,566
Citations issued	12,455	8,233	7,856	9,673	7,020
Officers per 1,000 residents	1.2	1.5	1.1	1.1	1.1
Fire-Medical:					
Number of responses	10,998	11,620	12,313	13,649	14,004
Inspections	639	1,101	1,122	1,184	1,411
Public works and streets:					
Sq. ft. of buildings to maintain	830,271	830,431	830,431	830,271	830,271
Vehicles/equipment maintained per month	444	387	494	403	392
Number of street lights repaired	249	270	291	300	377
Street miles maintained	526	536	539	607	607
Community development:					
Building safety inspections performed	11,349	11,106	13,257	20,150	18,220
Annual new residential starts	291	206	395	554	385
Parks and recreation:					
Organized recreation program participants	170,336	176,569	185,232	191,648	192,300
Special events/open facility participants	242,759	261,327	256,674	269,823	278,980
Sports and Tourism					
Special events/open facility participants	N/A	N/A	N/A	N/A	N/A
Water:					
Water service connections	14,519	14,130	14,329	14,570	14,740
Water main breaks	N/A	N/A	N/A	N/A	N/A
Average daily consumption (thousands of gallons)	N/A	N/A	N/A	N/A	N/A
Sewer:					
Sewage treated (million gallons per day)	7.6	7.4	7.6	8.1	8.1
Sewer service connections	46,448	44,077	44,583	45,802	45,984
Sanitation:					
Refuse collected (tons/annually)	30,398	30,803	30,289	29,400	30,583
Number of routes	34	34	33	33	32
Total services	33,797	37,144	32,357	32,975	33,321
Stormwater:					
Customers	-	-	-	-	-

Sources: Various government departments
N/A - This information is not available.

2015	2016	2017	2018	2,019
38,191	39,511	40,909	41,806	40,541
7,524	5,971	6,358	5,136	8,602
1.1	1.0	1.0	1.0	1.0
15,750	16,896	16,546	17,435	10,865
1,885	2,745	2,407	1,810	1,595
830,271	855,774	855,774	855,774	855,774
405	334	375	397	415
43	44	38	79	52
627	627	627	627	629
15,624	20,320	22,407	31,063	34,598
417	486	600	1,288	1,303
178,186	160,535	163,580	162,012	141,189
321,214	307,475	306,714	343,868	120,114
N/A	N/A	N/A	N/A	253,823
14,971	15,362	15,499	16,331	16,729
N/A	N/A	N/A	4	2
N/A	N/A	N/A	7,322	7,416
8.4	8.4	8.4	8.4	9
44,923	47,273	48,196	50,303	48,451
33,351	32,787	33,671	34,979	36,757
32	56	56	57	59
32,683	35,366	36,421	36,657	35,510
-	-	49,429	50,594	47,235

City of Surprise, Arizona
Capital Asset Statistics by Function
Last Ten Years

Function	2010	2011	2012	2013	2014
Public safety:					
Police:					
Stations	2	2	2	2	2
Patrol units	73	80	64	63	63
Fire:					
Fire stations	7	7	7	7	7
Fire engines and ladder trucks	11	11	11	11	12
Ambulances	0	0	0	0	0
Public works and streets:					
Street miles	592	536	539	607	607
Street lighting improvement districts	83	98	103	101	105
Traffic Signals	42	42	45	51	51
Bridges	15	15	19	19	19
Community development:					
Inspection vehicles	12	12	12	12	10
Parks and recreation:					
Parks acreage	393	393	393	393	393
Parks	12	12	12	12	12
Swimming pools	2	2	2	2	2
Softball fields	11	11	11	11	11
Baseball fields	21	21	21	21	21
Libraries	2	2	2	2	2
Water:					
Well production maximum daily	24.6	31.0	31.0	31	31
Sewer:					
Sewer treatment plants	1	2	2	2	2
Maximum daily treatment capacity	16.3	18.3	18.3	18.3	18.3
Sanitation:					
Collection trucks	26	26	26	26	26

Sources: Various government departments

2015	2016	2017	2018	2019
2	2	2	2	2
68	72	90	73	87
7	7	7	7	7
12	12	12	13	13
0	1	3	4	5
627	627	627	627	629
107	107	123	132	146
50	50	50	50	52
19	19	19	19	19
10	10	11	11	11
393	393	393	393	393
12	12	12	12	12
2	2	2	2	2
11	11	11	11	11
21	21	21	21	21
2	2	2	2	2
32	32	33	33	33
2	2	2	2	2
18.3	18.3	18.3	18.3	18.3
26	27	27	27	27



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City of Surprise, Arizona
Single Audit Reporting Package
Year Ended June 30, 2019

**CITY OF SURPRISE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2019**

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Surprise, Arizona, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Surprise, Arizona's basic financial statements, and have issued our report thereon dated December 11, 2019.

Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No.'s 83, 84 and 90.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Surprise, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Surprise, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Surprise, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Surprise, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 11, 2019

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited City of Surprise, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Surprise, Arizona's major federal programs for the year ended June 30, 2019. City of Surprise, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Surprise, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Surprise, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Surprise, Arizona's compliance.

Basis for Qualified Opinion on CDBG – Entitlement Grants Cluster

As described in the accompanying schedule of findings and questioned costs, City of Surprise, Arizona did not comply with requirements regarding CFDA 14.218 CDBG – Entitlement Grants Cluster for Activities Allowed or Unallowed and Allowable Costs/Cost Principles as described in finding number 2019-001. Compliance with such requirements is necessary, in our opinion, for City of Surprise, Arizona to comply with the requirements applicable to that program.

Qualified Opinion on CDBG – Entitlement Grants Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Surprise, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CDBG - Entitlement Grants Cluster for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on the major federal program is not modified with respect to this matter.

City of Surprise, Arizona's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Surprise, Arizona's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of City of Surprise, Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Surprise, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Surprise, Arizona's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

City of Surprise, Arizona's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Surprise, Arizona's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

City of Surprise, Arizona is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. City of Surprise, Arizona's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Surprise, Arizona as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Surprise, Arizona's basic financial statements. We issued our report thereon dated December 11, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 11, 2019

City of Surprise
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal agency/CFDA number/Pass-through grantor	Federal program name/Program Title	Cluster title	Other Award ID Number	Program expenditures	Amount provided to subrecipients
<u>U.S. Department of Housing and Urban Development</u>					
14 218	Community Development Block Grants/Entitlement Grants	CDBG-Entitlement Grants Cluster			
	2017 Community Development Block Grants/Entitlement Grants		B17-MC-04-0514	57,133	8,322
	2018 Community Development Block Grants/Entitlement Grants		B18-MC-04-0514	94,943	-
	Community Development Block Grants/Entitlement Grants		Program Income	210,470	85,990
	Community Development Block Grants/Entitlement Grants		Program Income	1,400	-
	Total CDBG- Entitlement Grants Cluster			363,946	94,312
Passed through Maricopa County/the Maricopa HOME Consortium					
14 239	Home Investment Partnership Programs				
	2016 HOME Investment Partnership Program		C-22-17-046-3-00	35,462	-
	2017 HOME Investment Partnership Program		C-22-17-046-3-01	54,526	-
	Total HOME Investment Partnership Program			89,988	-
Total U.S. Department of Housing and Urban Development				453,934	94,312
<u>U.S. Department of Justice</u>					
16 U01	DEA Task Force - FY18			9,216	-
	DEA Task Force - FY19			27,307	-
	Total DEA Task Force			36,523	-
Passed through Arizona Department of Public Safety					
16 575	Crime Victim Assistance				
	Crime Victim Assistance		2015-VA-GX-0032	103,044	-
	Crime Victim Assistance		2015-VA-GX-0032	115,603	-
	Total Crime Victim Assistance			218,647	-
16 607	Bulletproof Vest Partnership Program			7,090	-
16 710	Public Safety Partnership and Community Policing Grants		2016UMWX0122	100,553	-
16 922	Equitable Sharing Program		AZ0072700	120,218	-
Total U.S. Department of Justice				483,031	-
<u>U.S. Department of Transportation</u>					
Passed through Arizona Department of Transportation					
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster			
	Highway Planning and Construction		SUR-0(226)T	26,890	-
	Highway Planning and Construction		SUR-0(229)T	2,567	-
	Highway Planning and Construction		SUR-0(232)D	628	-
	Highway Planning and Construction		SUR-0(233)D	783	-
	Highway Planning and Construction		SUR-0(229)T	628	-
	Total Highway Planning and Construction Cluster			31,496	-
Passed through Arizona Governor's Office of Highway Safety					
20 600	State and Community Highway Safety	Highway Safety Cluster			
	State and Community Highway Safety		2018-PTS-067	43,724	-
	State and Community Highway Safety		2018-PTS-066	12,141	-
	State and Community Highway Safety		2019-PTS-052	32,310	-
	State and Community Highway Safety		2018-OP-016	2,646	-
	State and Community Highway Safety		2019-MC-003	19,764	-
	State and Community Highway Safety		2019-AL-030	2,840	-
	State and Community Highway Safety		2019-OP-014	7,000	-
	Subtotal 20.600 State and Community Highway Safety			120,425	-

City of Surprise
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal agency/CFDA number/Pass-through grantor	Federal program name/Program Title	Cluster title	Other Award ID Number	Program expenditures	Amount provided to subrecipients
Passed through Governor's Office of Highway Safety					
20 616	National Priority Safety Programs	Highway Safety Cluster			
	National Priority Safety Programs		2018-II-006	5,910	-
	National Priority Safety Programs		2019-II-006	40,000	-
	National Priority Safety Programs		2019-405d-039	7,500	-
	National Priority Safety Programs		2018-405h-016	12,835	-
	National Priority Safety Programs		2019-405h-018	7,735	-
	National Priority Safety Programs		2018-405h-015	2,331	-
	National Priority Safety Programs		2019-405b-010	8,220	-
	National Priority Safety Programs		2019-405b-011	6,047	-
	National Priority Safety Programs		2019-CIOT-023	4,000	-
	Subtotal 20.616 National Priority Safety Programs			94,578	-
	Total Highway Safety Cluster			215,003	-
Passed through Governor's Office of Highway Safety					
20 614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		2018-PB-008	25,000	-
	Total U.S. Department of Transportation			271,499	-
<u>U.S. Department of Health and Human Services</u>					
Passed through Area Agency on Aging, Region One					
93 045	Special Programs for the Aging Title III, Part C Nutrition Services	Aging Cluster			
	Total Aging Cluster		2017-37-SUR	60,000	-
				60,000	-
Passed through Maricopa County Human Services					
93 667	Social Services Block Grant		C-22-16-043-3-00	89,256	-
	Total U.S. Department of Health and Human Services			149,256	-
<u>U.S. Department of Homeland Security</u>					
97 044	Assistance to Firefighters Grant		EMW-2017-FV-02096	42,084	-
Passed through Arizona Department of Homeland Security					
97 067	Homeland Security Grant Program				
	Homeland Security Grant Program		170822-01	2,165	-
	Homeland Security Grant Program		180821-01	31,132	-
	Homeland Security Grant Program		170212-01	6,732	-
	Homeland Security Grant Program		180215-01	3,710	-
	Homeland Security Grant Program		170821-01	7,313	-
	Homeland Security Grant Program		180820-01	28,602	-
	Homeland Security Grant Program		180820-02	7,304	-
	Total Homeland Security Grant Program			86,958	-
97 083	Staffing for Adequate Fire and Emergency Response (SAFER)		EMW-2015-FH-00791	147,380	-
	Total U.S. Department of Homeland Security			276,422	-
	Total Expenditures of Federal Awards			\$ 1,634,142	\$ 94,312

CITY OF SURPRISE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Surprise under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the City of Surprise, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Surprise. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Catalogue of Federal Domestic Assistance Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word unknown were used.

**CITY OF SURPRISE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of
Uniform Guidance: Yes

Identification of major programs:

CFDA Number
14.218

Name of Federal Program or Cluster
CDBG – Entitlement Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: Yes

Summary Schedule of Prior Audit Findings required to be reported: Yes

**CITY OF SURPRISE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2019-001

Repeat Finding: No

Program Name/CFDA Title: CDBG – Entitlement Grants Cluster

CFDA Number: 14.218

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Numbers: B17-MC-04-0514, B18-MC-04-0514

Pass-Through Agency: N/A

Questioned Costs: \$98,156

Type of Finding: Noncompliance, Material Weakness

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

CRITERIA

All activities undertaken must meet one of the three national objectives of the CDBG Entitlement Grants program, i.e., benefit low and moderate income persons, prevent or eliminate slums or blight, or meet community development needs having a particular urgency (24 CFR sections 570.200 and 570.208).

CONDITION

Documentation was not maintained to support that only low and moderate income residents received home rehabilitation assistance.

CAUSE

There was not sufficient oversight over the home rehabilitation program. Additionally, checklists were not utilized to ensure all required steps and compliance requirements were sufficiently met.

EFFECT

Ineligible residents may have benefited from the home rehabilitation program.

CONTEXT

For two of three home rehabilitation case files reviewed, the City did not retain support for income reported on the application. For all three home rehabilitation files reviewed, no documentation was retained to demonstrate that an income check was completed and compared to HUD's income guidelines. The sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

The City should maintain documentation that an income check was performed and compared to HUD income guidelines. In addition, a supervisory review of the case file should be completed to ensure compliance.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

**CITY OF SURPRISE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2019-002

Repeat Finding: No

Program Name/CFDA Title: CDBG – Entitlement Grants Cluster

CFDA Number: 14.218

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Numbers: B17-MC-04-0514, B18-MC-04-0514

Pass-Through Agency: N/A

Questioned Costs: N/A

Type of Finding: Noncompliance, Material Weakness

Compliance Requirement: Special Tests and Provisions

CRITERIA

When CDBG funds are used for rehabilitation, the grantee must ensure that the work is properly completed (24 CFR section 570.506).

CONDITION

The City did not have sufficient controls in place to ensure home rehabilitation was properly completed.

CAUSE

There was not sufficient oversight over the home rehabilitation program. Additionally, checklists were not utilized to ensure all required steps and compliance requirements were sufficiently met.

EFFECT

The home rehabilitations performed may not have appropriately addressed and corrected deficiencies.

CONTEXT

The following deficiencies were noted during the review of home rehabilitation case files:

- For one of three projects reviewed, the pre-inspection checklist was not maintained.
- For two of three projects reviewed, the post-inspection documentation was not maintained.

The sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

The City should maintain documentation of rehabilitation case file pre-inspections, and complete the internal CDBG Housing Rehabilitation Case File Checklist. Supervisory review of the checklist and case files should be performed to ensure compliance.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

December 11, 2019

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Nick Sarpy
Accounting Manager
City of Surprise, Arizona

**CITY OF SURPRISE, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2019-001

Program Name/CFDA Title: CDBG – Entitlement Grants Cluster

CFDA Number: 14.218

Contact Person: Adam Lane, Neighborhood Services Supervisor

Anticipated Completion Date: 6/30/2020

Planned Corrective Action: We concur with the findings and will work to establish effective internal controls.

Finding Number: 2019-002

Program Name/CFDA Title: CDBG – Entitlement Grants Cluster

CFDA Number: 14.218

Contact Person: Adam Lane, Neighborhood Services Supervisor

Anticipated Completion Date: 6/30/2020

Planned Corrective Action: We concur with the findings and will work to establish effective internal controls.

**CITY OF SURPRISE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2018-001

Program Name/CFDA Title: CDBG – Entitlement Grants Cluster

CFDA Number: 14.218

Status: Fully corrected.

Finding Number: 2018-001

Program Name/CFDA Title: Community Economic Adjustment Assistance for Compatible
Use and Joint Land Use Studies

CFDA Number: 12.610

Status: No longer valid.



City of Surprise, Arizona
Annual Expenditure Limitation Report
For the Fiscal Year Ended June 30, 2019

**CITY OF SURPRISE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019**

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and City Council
of the City of Surprise, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Surprise, Arizona for the year ended June 30, 2019, and the related notes to the report. The City's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system, in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented, in all material respects, in accordance with the uniform expenditure reporting system as described in Note 1.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 9, 2020

City of Surprise
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2019

1. Economic Estimates Commission expenditure limitation	\$	<u>1,048,246,472</u>	
2. Voter-approved alternative expenditure limitation		<u>-</u>	
3. Enter applicable amount from line 1 or line 2	\$		<u>1,048,246,472</u>
4. Amount subject to the expenditure limitation (total amount from part II, line C)		<u>172,229,923</u>	
11. Amount under (in excess of) the expenditure limitation	\$		<u><u>876,016,549</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of chief financial officer: _____

Andrea Davis

Name and title: Andrea Davis, Chief Financial Officer/Finance Director

Telephone number: (623) 222-1853

Date: 1/9/2020

See accompanying notes to report.

City of Surprise
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2019

		Governmental funds	Enterprise funds	Internal service funds	Total
Description					
A.	Amounts reported on the reconciliation, line D	\$ 149,571,094	\$ 41,379,446	\$ 15,100,712	\$ 206,051,252
B.	Less exclusions claimed:				
	Debt service requirements (See Note 2)	7,715,115	3,364,821	-	11,079,936
	Grants and aid from the federal government (See Note 3)	1,634,142	-	-	1,634,142
	Amounts received from the State of Arizona (See Note 5)	347,127	-	-	347,127
	Quasi-external interfund transactions (See Note 10)	-	-	12,527,104	12,527,104
	Highway user revenues in excess of those received in fiscal year 1979-80 (See Note 4)	8,200,615	-	-	8,200,615
	Prior years carryforward (See Note 10)	-	-	32,405	32,405
	Total exclusions claimed	17,896,999	3,364,821	12,559,509	33,821,329
C.	Amounts subject to the expenditure limitation	\$ 131,674,095	\$ 38,014,625	\$ 2,541,203	\$ 172,229,923

See accompanying notes to report.

City of Surprise
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2019

Description	Governmental funds	Enterprise funds	Internal service funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 153,141,303	\$ 45,074,555	\$ 15,461,533	\$213,677,391
B. Subtractions:				
Items not requiring use of current financial resources:				
Depreciation	-	12,816,526	-	12,816,526
Claims incurred but not reported (IBNR) (See Note 6)	-	-	953,090	953,090
Pension/OPEB expense (See Note 7)	-	829,623	30,464	860,087
Expenditures of separate legal entities established under Arizona Revised Statutes (See Note 8)	3,570,209	-	-	3,570,209
Total subtractions	3,570,209	13,646,149	983,554	18,199,912
C. Additions:				
Principal payments on long-term debt (See Note 2)	-	1,642,100	-	1,642,100
Capital asset acquisitions (See Note 9)	-	7,281,562	-	7,281,562
Amounts paid in the current year but reported as expenses in previous years:				
Claims previously recognized as IBNR (See Note 6)	-	-	586,950	586,950
Pension/OPEB contributions paid in the current year (See Note 7)	-	1,027,378	35,783	1,063,161
Total additions	-	9,951,040	622,733	10,573,773
D. Amounts reported on part II, line A	\$ 149,571,094	\$ 41,379,446	\$ 15,100,712	\$206,051,252

See accompanying notes to report.

City of Surprise
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual expenditure limitation report (AELR) is presented as prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; and the statement of cash flows for the proprietary funds.

NOTE 2 – DEBT SERVICE

The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental and Enterprise Funds consists of principal retirement and interest expenditures/expenses.

Governmental

	<i>Bonded Indebtedness</i>	
2015 Bond Issuance Principal	\$	2,382,900
2015 Bond Issuance Interest		1,053,576
2018 Bond Issuance Principal		2,515,000
2018 Bond Issuance Interest		1,763,639
Total	\$	<u><u>7,715,115</u></u>

Enterprise

	<i>Bonded Indebtedness</i>	
2007 Bond Issuance Principal	\$	-
2007 Bond Issuance Interest		409,297
2015 Bond Issuance Principal		617,100
2015 Bond Issuance Interest		186,174
2018 Bond Issuance Principal		1,025,000
2018 Bond Issuance Interest		1,127,250
Total	\$	<u><u>3,364,821</u></u>

City of Surprise
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019

NOTE 3 – GRANTS AND AID FROM FEDERAL GOVERNMENT

Expenditures of grants and aid from the Federal Government consist of the following:

Federal	
U.S Department of Housing and Urban Development	\$ 453,934
U.S. Department of Justice	483,031
U.S. Department of Transportation	271,499
U.S. Department of Health and Human Services	149,256
U.S Department of Homeland Security	276,422
Total	<u>\$ 1,634,142</u>

NOTE 4 – HIGHWAY USER REVENUES

Highway user revenues for the current fiscal year were \$9,166,292 which is \$9,103,861 more than the highway user revenues received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled \$8,200,615, which is less than current revenues by \$903,246, increasing the carryforward balance to \$2,035,506.

NOTE 5 – AMOUNTS RECEIVED FROM THE STATE

Expenditures of amounts received from the State consist of the following:

Local Transportation Assistance Funds II/Arizona Lottery Funds	\$ 347,127
Total	<u>\$ 347,127</u>

NOTE 6 – CLAIMS INCURRED BUT NOT REPORTED

The subtraction of \$953,090 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the internal service funds. The addition of \$586,950 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the internal service funds.

City of Surprise
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019

NOTE 7- PENSION AND OPEB PLANS

The subtraction of pension and other post employment benefits (OPEB) expense consists of the change in the net pension/OPEB asset/liability recognized in the current year in the enterprise and internal service funds. The addition of pension/OPEB contributions paid in the current year consists of the required pension/OPEB contributions made to the Arizona State Retirement System and Public Safety Public Retirement System -Fire from the enterprise and internal service funds.

Pension Expense	
Enterprise Funds	\$ 783,250
Internal Service	28,682
Total	<u>\$ 811,932</u>
Pension Contributions	
Enterprise Funds	\$ 974,883
Internal Service	33,749
Total	<u>\$ 1,008,632</u>
OPEB Expense	
Enterprise Funds	\$ 46,373
Internal Service	1,782
Total	<u>\$ 48,155</u>
OPEB Contributions	
Enterprise Funds	\$ 52,495
Internal Service	2,034
Total	<u>\$ 54,529</u>

NOTE 8 – SEPARATE LEGAL ENTITIES

The subtraction of \$3,570,209 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the City's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the governmental funds category in the fund financial statements:

Street Lighting Districts Funds	
Public works and streets	\$ 2,539,509
Subtotal	<u>\$ 2,539,509</u>
Marley Park Community Facility District Fund	
General Operations	\$ 160
Culture and Recreation	80,600
Principal	455,000
Interest and other charges	458,040
Capital outlay	36,900
Subtotal	<u>\$ 1,030,700</u>
Total separate legal entities	<u>\$ 3,570,209</u>

City of Surprise
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2019

NOTE 9 – ACQUISITION OF CAPITAL ASSETS

The amount reported for the acquisition of capital assets within the enterprise funds was computed as follows:

Total capital asset additions	\$ 8,494,241
Less: capital contributions	(1,200,127)
Less: transfer of capital assets from governmental funds	(12,552)
Total	<u>\$ 7,281,562</u>

NOTE 10 – QUASI-EXTERNAL INTERFUND TRANSACTIONS

There are certain transactions that are recorded between the City's funds as if the transaction was with an entity external to the City. The Employee Healthcare Fund charged other funds \$9,847,643 in order to meet the costs of providing health insurance claims coverage, plan administration, stop loss premiums and reserves. The Risk Management Fund charged other funds \$2,016,100 to provide risk management, loss control and safety programs citywide. The Worker's Compensation Fund charged other funds \$776,583 in order to meet the costs of providing worker's compensation claims coverage, plan administration, stop loss premiums and reserves. Excludable revenues expended in the current fiscal year for the Risk Management totaled \$2,048,505, which is more than current revenues by \$32,405, decreasing the carryforward balances to \$32,315. Excludable revenues expended in the current fiscal year for the Worker's Compensation Funds totaled \$663,361, which is less than current year revenues by \$113,222, increasing the carryforward balance to \$497,139.

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the City of Surprise, Arizona's (City) compliance as to whether highway user revenue fund monies received by the City of Surprise, Arizona pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City of Surprise, Arizona, were used solely for authorized transportation purposes during the year ended June 30, 2019. Management is responsible for the City of Surprise, Arizona's compliance with those requirements. Our responsibility is to express an opinion on the City of Surprise, Arizona's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about the City of Surprise, Arizona's compliance with the requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about the City of Surprise, Arizona's compliance with the requirements referred to above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance of the report, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Surprise, Arizona's compliance with specified requirements.

In our opinion, the City of Surprise, Arizona complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2019.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 11, 2019

City of Surprise, Arizona
Management Letter
Year Ended June 30, 2019

Honorable Mayor, Members of the City Council and Management
City of Surprise, Arizona

Members of the City Council and Management:

In planning and conducting our single audit of the City of Surprise, Arizona for the year ended June 30, 2019, we performed the following as required by *Government Auditing Standards (GAS)* and Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards (Uniform Guidance)*:

- Considered the City's internal control over financial reporting,
- Tested internal controls over its major Federal programs, and
- Tested compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the City's financial statements and major federal programs.

Any audit findings that are required to be reported by GAS and Uniform Guidance have been included in the City's Single Audit Reporting Package for the year ended June 30, 2019. However, during our audit we noted certain immaterial matters that are opportunities for strengthening internal controls and instances of noncompliance with laws and regulations that did not meet that reporting criteria. Management should address these items to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws, regulations, contracts, and grant agreements. Those items and our related recommendations are briefly described in the accompanying summary. The items discussed in the accompanying summary are only a result of audit procedures performed based on risk assessment procedures and that not all deficiencies or weaknesses in controls may have been identified.

This information is intended for the City of Surprise, Arizona's City Council and Management, and is not intended to be and should not be used by anyone other than the specified parties. However, this information is a matter of public record, and its distribution is not limited.

We have already discussed these items and suggestions with City personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

December 11, 2019

**CITY OF SURPRISE, ARIZONA
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019**

Payroll Policies

1. The City's payroll policies do not address whether or not paid time off and holiday hours count towards time worked for the purposes of determining overtime hours for non-sworn employees. Currently, both paid time off and holiday hours are counted towards time worked.

It is recommended that management develop a written policy to address whether paid time off and holiday hours count towards time worked for the purposes of determining overtime hours for non-sworn employees.

2. The blended overtime rate of pay calculation includes stand-by wages divided by 80 hours.

It's recommended that the City examine their blended overtime calculation as it may be inflating the overtime rate paid to employees. Additionally, a written policy should be developed for the calculation of the blended overtime rate.

Net Position

1. Restricted net position in the Water and Sewer Funds did not include impact fees in the amount of \$4,348,495 and \$417,097, respectively. The City made the appropriate audit adjustments, which are properly reflected in the audited financial statements.

It is recommended that net position related to impact fees be properly restricted in the future, and a thorough analysis of net position be performed to ensure proper classification.

2. Unavailable revenue was not taken into consideration when calculating net position restrictions for debt service and other purposes. These amounts were immaterial to the financial statements in the current year.

It is recommended that the City evaluate restricted unavailable revenue in the classification of the government-wide net position.

December 11, 2019

To the Governing Board
City of Surprise, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and remaining fund information of City of Surprise, Arizona (City) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Surprise, Arizona are described in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*; GASB Statement 84, *Fiduciary Activities*; and GASB Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, all of which represent a change in accounting principle. Our opinion is not modified with respect to these matters.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments.

The most sensitive estimates affecting the financial statements are:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on leave rates and the City's policies regarding payment of unused vested leave.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the City's auditors.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 30 days of the date of this letter.

- Single Audit Reporting Package
- Examination report on the Annual Expenditure Limitation Report
- HURF Report

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the City Council and management of City of Surprise, Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?
- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**
- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations
- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**
- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check
- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**
- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**
- 11. Are anonymous surveys conducted to assess employee morale?**

May 21, 2019

Honorable Mayor, Members of the City Council, and Management
City of Surprise
16000 N. Civic Center Plaza
Surprise, AZ 85374

We are pleased to confirm our understanding of the services we are to provide for City of Surprise, Arizona (City) for the year ended June 30, 2019. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of City of Surprise, Arizona as of and for the year ended June 30, 2019. We have also been engaged to report on supplementary information that accompanies the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the basic financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits schedules

The following other information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that information.

1. Other information included with the audited financial statements such as the Introductory and Statistical Sections of the Comprehensive Annual Financial Report

In addition, we will examine the following and issue an accountant's report based on our examination for the year ended June 30, 2019.

1. The Annual Expenditure Limitation Report

We will also provide the necessary services to prepare a report on Highway User Revenue Fund (HURF) expenditures in accordance with ARS §9-481(B)(2).

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We will also report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. Our responsibility in the expression of opinions is to plan and perform the audit to obtain reasonable assurance, but not absolute assurance, that the financial statements are free from material misstatements.

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. In this context, it is reasonable for us to assume that users –

1. have a reasonable knowledge of business and economic activities and accounting principles, and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable economic decisions on the basis of the information in the financial statements.

The objective of our audit also includes reporting on –

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with 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).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue reports, or may withdraw from this engagement.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all of the City's transactions for the period. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs.

However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry.

At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Nonaudit Services

As part of the audit, we will assist with the submission of the Data Collection Form. You have expressed your intention to use these nonaudit services within the scope of your request for proposal for audit services. These nonaudit services do not constitute an audit and such services will not be conducted in accordance with *Governmental Auditing Standards*.

As the City's independent auditor, professional standards place specific requirements on our provision of certain nonaudit services. We are strictly prohibited from assuming management responsibilities or making management decisions; therefore, the nonaudit services we provide are limited to those indicated above. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities or making management decisions. Accordingly, to maintain our independence it is imperative that management understand its responsibilities and is capable of fulfilling these responsibilities. If there are any questions or concerns regarding management's responsibilities or ability to fulfill these responsibilities we request that you immediately contact us so that we may assess the circumstance and our continued independence with respect to providing audit services

Management Responsibilities

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, including the preparation of the schedule of expenditures of federal awards in accordance with the requirements of the Uniform Guidance.

Management is responsible for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information for which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.

Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements and grants. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports.

Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in June 2019 and conclude audit procedures and date our report in December 2019.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Wolters Kluwer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees and Other

We understand that your employees will prepare and provide us with the items listed in our request for audit information and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification.

We will provide copies, which may include electronic copies, of the reports to the City. It is management's responsibility to submit the reporting package, if appropriate, to pass-through entities and any other agencies that request or require the reports. Unless restricted by law or regulation, or containing privileged or confidential information, copies of our audit reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by governmental agencies. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at the amount outlined in our proposal. Our fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Subsequent review of documentation and additional meetings will be billed at the hourly rates indicated below. Our fee does not include factors beyond our control, such as new GASB requirements, consultation and assistance in correcting errors in City-prepared information, or rescheduling of the audit when the City is not prepared. It will be necessary for you to complete the requested information by certain timelines in order to meet the applicable filing deadlines for your audit reports. Not completing the requested information on time will jeopardize meeting the applicable filing deadlines. Additional fees incurred for factors beyond our control will be billed at the following hourly rates: Partner - \$265; Manager - \$195; Senior - \$155; Staff - \$110. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2018 peer review report accompanies this letter.

We appreciate the opportunity to be of service to City of Surprise, Arizona and believe that this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona

cc: Nicholas (Nick) Sarpy, Accounting Manager
Andrea Davis, Finance Director

RESPONSE

This letter correctly sets forth the understanding of City of Surprise, Arizona.

Printed Name: Andrea Davis

Title: Finance Director

Signature: *Andrea Davis*
Andrea Davis (Jun 11, 2019)

Date: Jun 11, 2019

Grant Bennett Associates

A PROFESSIONAL CORPORATION

Report on the Firm's System of Quality Control

August 16, 2018

To the Shareholders of Heinfeld, Meech & Co., P. C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P. C. (the firm) in effect for the year ended May 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

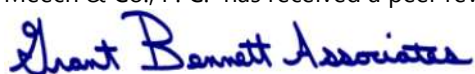
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P. C. in effect for the year ended May 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P. C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
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Certified Public Accountants



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FINANCE DEPARTMENT
CITY OF SURPRISE

16000 N. CIVIC CENTER PLAZA
SURPRISE, AZ 85374

T. 623-222-1800

Heinfeld, Meech & Co., P.C.
3033 N. Central Ave. Suite 300
Phoenix, AZ 85012

This representation letter is provided in connection with your audit of the financial statements of City of Surprise, Arizona, which comprise the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable, we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
29. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
30. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
32. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
34. All funds that meet the quantitative criteria for presentation as a major fund are identified and presented as such and all other funds that are presented as a major fund are particularly important to financial statement users.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. Investments are properly valued.

37. With regard to investments and other instruments reported at fair value:
- The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
38. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
39. All payroll information and the individual employment data have been properly submitted to the state retirement systems, and the employer contributions have been properly submitted to the retirement systems.
40. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
41. Revenues are appropriately classified in the statement of activities within program revenues, and general revenues.
42. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
43. Special and extraordinary items, if any, are appropriately classified and reported.
44. Deposits and investment securities are properly classified as to risk and are properly disclosed.
45. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
46. We have identified and disclosed to you all programs, agreements, and transactions that result in a tax abatement for financial reporting purposes. Tax abatement agreements and programs have been properly disclosed in the notes to the financial statements.
47. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
48. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

49. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
50. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
51. With respect to the supplementary information presented, such as the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards.
- a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
52. With respect to federal award programs:
- a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, if any.
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, Subpart E).
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. If applicable, we have monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u. If applicable, we have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- v. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information

- z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- aa. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- bb. If applicable, we have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

We understand that at the conclusion of the audit Heinfeld, Meech & Co, P.C. will submit to the City Council a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Andrea Davis
Andrea Davis (Dec 11, 2019)

Andrea Davis, Chief Financial Officer
City of Surprise, Arizona

Dec 11, 2019

Date

Nick Sarpy
Nick Sarpy (Dec 11, 2019)

Nick Sarpy, Accounting Manager
City of Surprise, Arizona

Dec 11, 2019

Date



CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020

Contact Person: Paul Bernardo, Community
Services Partnership Manager

Submitting Department: Human Svcs and Comm
Vitality

District: Citywide

Staff Recommendations: None

Consent: No

Regular: Yes

Public Hearing: No

Report/Discussion: No

Agenda Wording:

Discussion and action pertaining to the installation of a historical timeline display to commemorate the City's 60th anniversary.

Motion:

I move to approve installation of the Surprise Historical Timeline.

Background:

The City Hall Art Display Plan was approved by City Council on May 16, 2017, and included the implementation of seven new art projects. As implementation of the projects progressed, the Commission expressed a desire to continue enhancements to the Mayor's Atrium. At the January 6, 2020 meeting, the Arts & Cultural Advisory Commission voted to recommend for final approval a design of a historical timeline display to commemorate the city's 60th anniversary, and to be permanently installed in the Mayor's Atrium of City Hall. This item has been placed on the agenda to seek final approval from the City Council.

Objective Analysis:

The mission of the Surprise Arts & Cultural Advisory Commissioner is to spur cultural growth through education and advocacy, and to assist the city to create and implement a plan for the placement of public art within the community. This item has been placed on the agenda to discuss the creation of a Surprise History Wall in the Mayor's Atrium of City Hall. City staff do not anticipate any negative impacts at this time.

Policy Compliant:

Sec. 2-299 (d)(1) of the Surprise Municipal Code directs the Commission to "develop and present to city council an art master plan that will identify suitable art projects for city buildings or property, including location, and size." The purpose of this item is to discuss a project identified for the interior of City Hall which will bring historical and cultural benefit and awareness to the City.

Financial Impact:

If approved, costs for labor and materials related to this project will not exceed \$25,000.00.

Budget Impact:

Currently, \$26,000.00 is allocated to this project through the Arts & Cultural Advisory Commission's budget.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. History Timeline Mock-Up (Compressed)
-



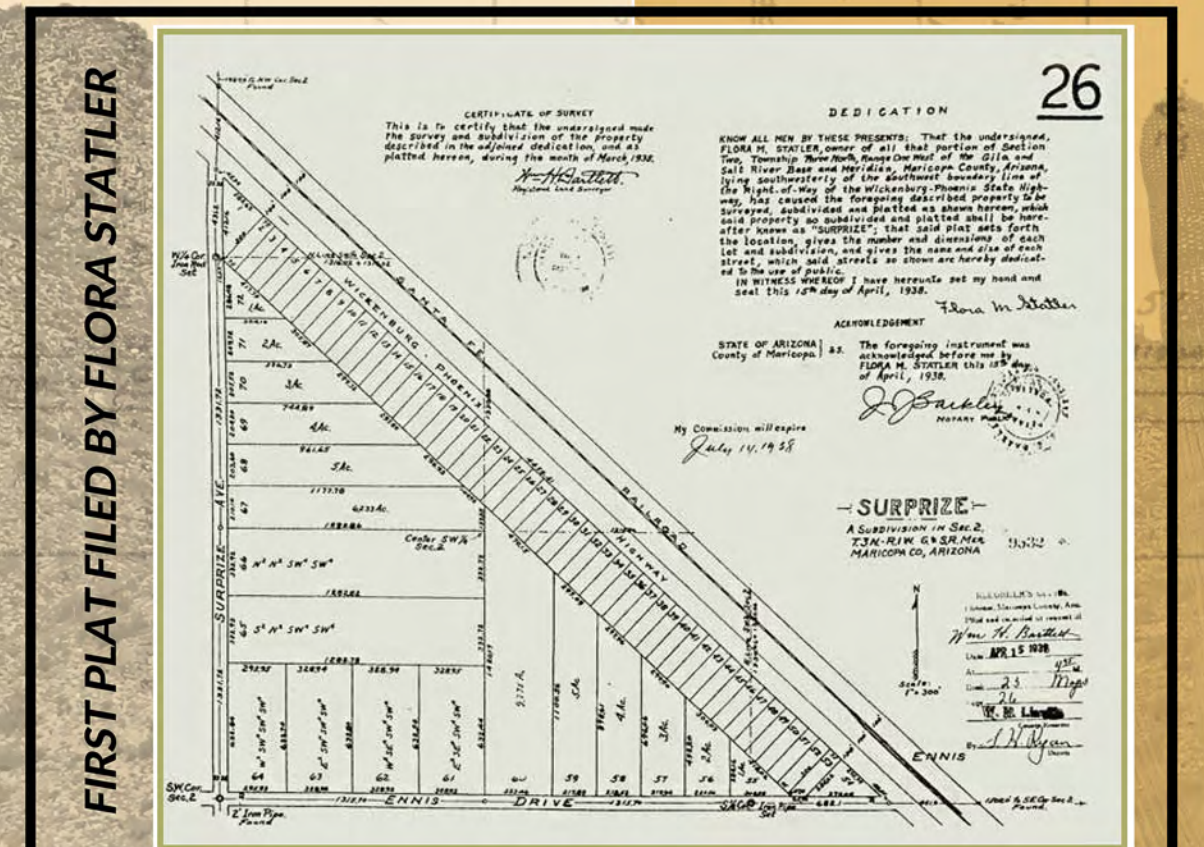
CERTIFICATE OF SURVEY
This is to certify that the undersigned made the survey and subdivision of the property described in the adjoining dedication, and as platted hereon, during the month of March, 1938.

DEDICATION
KNOW ALL MEN BY THESE PRESENTS: That the undersigned, FLORA M. STATLER, owner of all that portion of Section Two, Township Three North, Range One West of the Gila and Salt River Basins and Meridian, Maricopa County, Arizona, lying southerly of the southwest boundary line of the Right-of-Way of the Wickenburg-Phoenix State Highway, has caused the foregoing described property to be surveyed, subdivided and platted as shown hereon, in said property so subdivided and platted shall be known after known as "SURPRISE"; that said plat sets forth the location, gives the number and dimensions of each lot and subdivision, and gives the name and size of each street, which said streets so shown are hereby dedicated to the use of public.

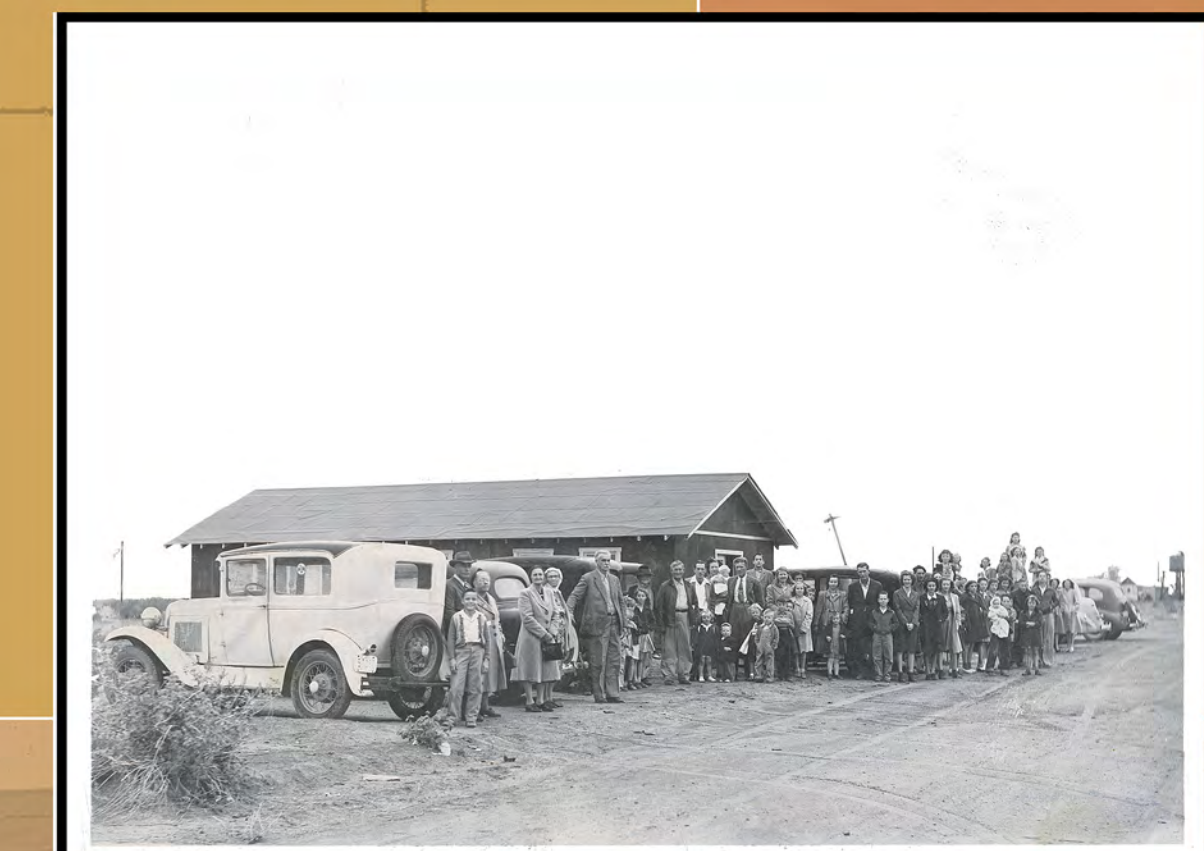
SURPRISE
IN SEC. 2,
T.3N. R.1W. G. SR. MER
MARICOPA CO., ARIZ.

1938

Our city started as just one square mile of farmland back in 1938 when it was founded by Flora Mae Statler. The square mile is now known as the Original Town Site or OTS. An estimate of the 1940 population placed Surprise at 20 people.



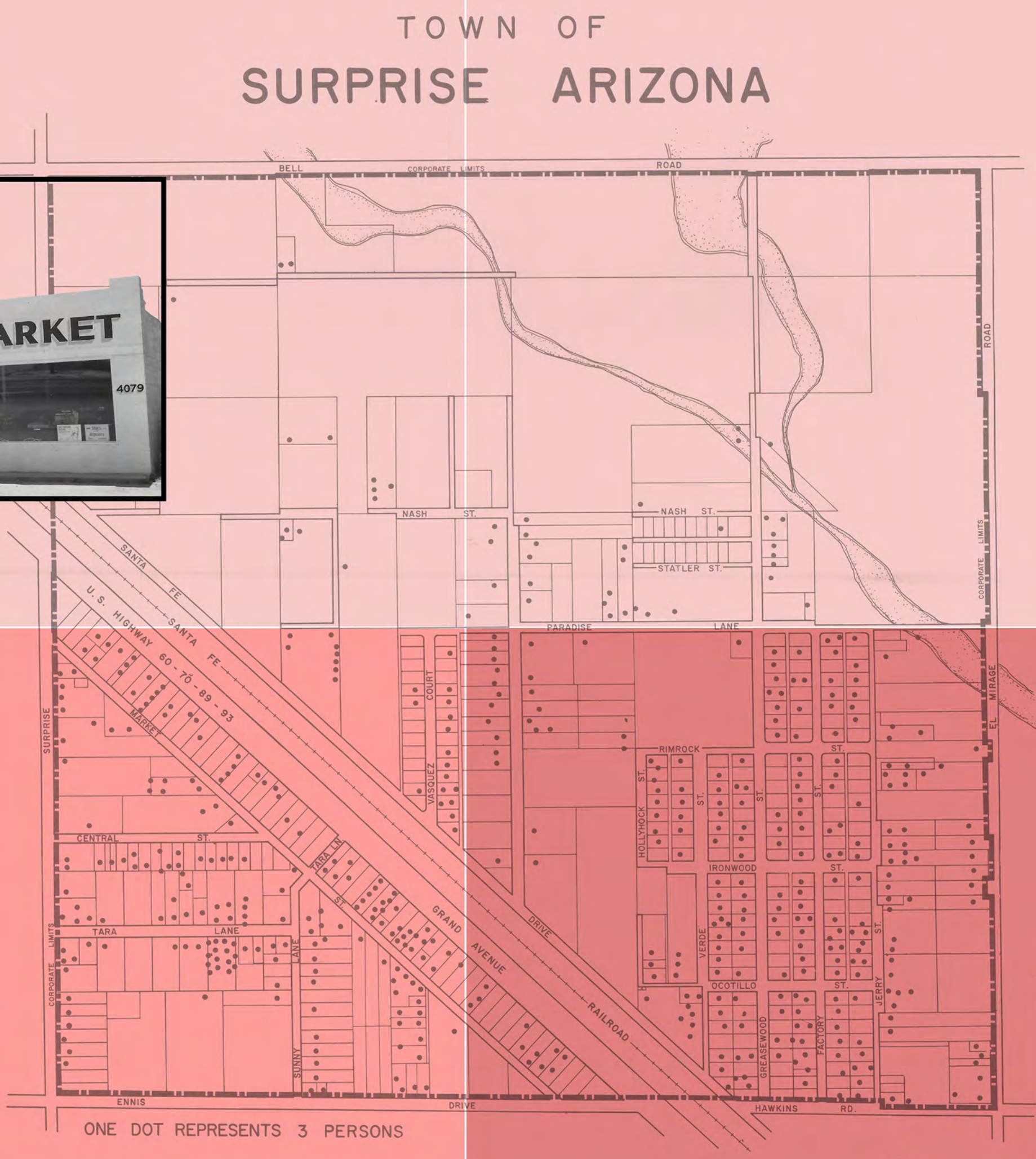
The Naming
According to Flora Statler's daughter, her mother once commented, "She would be surprised if the town ever amounted to much." With our success, we believe she would be surprised... and proud!



Farms
An estimate of the 1940 population places Surprise at 20 people, mostly migrant farm workers who worked in nearby farms and ranches until Surprise grew to have its own. Surprise began as a ranching and farming community, with cotton being a prominent crop. Surprise has also grown crops such as roses, citrus and vegetables. One of the first buildings in Surprise was the Free Will Baptist Church, built in the 40's on land donated by General Forney Oden.

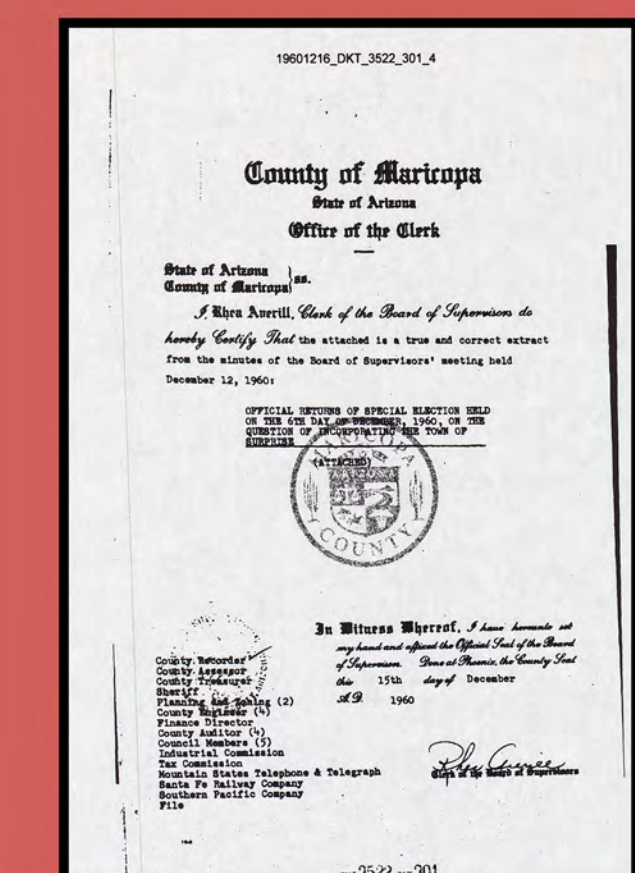


The Fabulous '50s
By 1950, the community had grown to an estimated population of 300 and consisted of two service stations, two grocery stores, houses and cabins. Oden's Service and William's Market were among the city's earliest businesses. The son of the William's Market family, Bill Williams, became the city's first Mayor.



POPULATION DISTRIBUTION
1961

The Town of Surprise
Surprise was officially incorporated on December 12, 1960 with a population of about 1500 residents. The incorporation was spurred by an annexation battle with the city of El Mirage. Maricopa County Supreme Court decided in Surprise's favor, an incorporation election was held, and residents voted to incorporate - making Surprise a town!



A place to gather
The city rented it's first town hall building in the 60's - a converted root beer stand.



Public Safety
Now officially a town, Surprise began to add public services. In 1960, the first town marshal was hired. He painted a pink 1957 Plymouth beige with a paintbrush to use as the first police vehicle. Twenty years later, in 1980, there were just six paid police officers. In 1987, the city bought its first fire truck - a 1946 International. Until then, the task of firefighting fell to volunteers. It wasn't until 1986 that three firefighters were hired to join the chief.



Over the years, Public Safety has become a top priority for City Council, expanding the Police and Fire-Medical teams to serve a growing city. In 2019, the city had 154 sworn Police officers and 130 sworn Fire-Medical personnel. A far cry from where we began!



1940 »

1950 »

1960 »

The Evolution of the Surprise Logo

“
It’s a good
place to live.
There are
nice people
here.”

"He'll be here this coming 20 and 21. Founder Celebrations Rodeo," said. "I know him from childhood. He's a wonderful boy. He mentioned to me McClellan was a first sergeant in the Military Police Academy."

It's a good place to live. There are nice people here.

Expanding the town of Surprise

This decade was about extending boundaries, adding services and improving infrastructure. The first city-owned city hall was established in 1972 by purchasing and upgrading a modular structure and placing it on Hollyhook Street. The city had its first town manager two years later. Recognizing the need to expand the town limits to accommodate growth, the council began annexation in 1978 and grew the original square mile by a factor of 27.



The OTS

The signage wall for the first city-owned City Hall still stands today, now marking the area known as the Original Town Site.



This is a Mayor's gavel and hour glass from the 70's. The gavel was used to start City Council meetings and the hour glass was used to time public comments.

These are some of the first street signs that hung in the Original Town Site.

Founder's Day Celebration

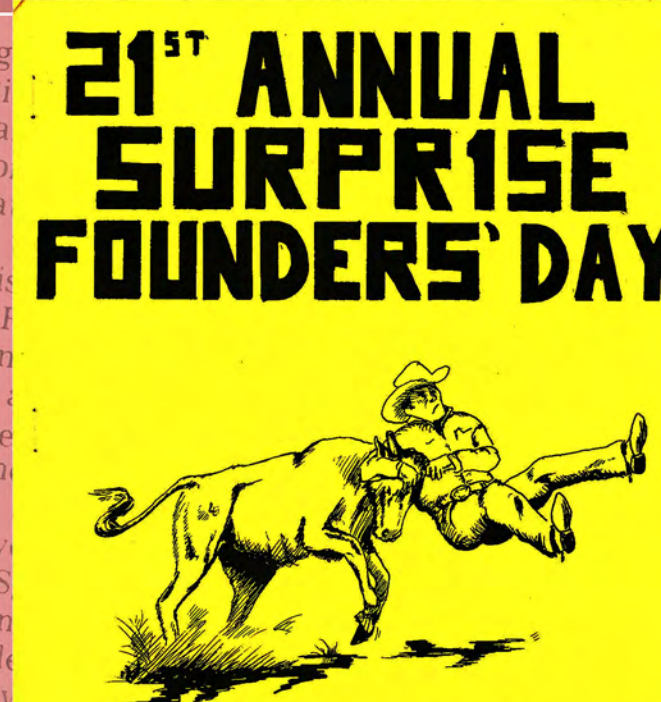
Beginning in Dec. 1970, the city held an annual Founder's Day celebration. The rodeo grounds opened in 1975, adding a new element to the celebration, which included a parade, carnival, food, and other festivities. The rodeo grounds closed in 1988, but Founder's Day celebrations continued off and on over the years until they were eventually replaced by other community events like Surprise Party. Social gatherings have always been an important part of the community.



Surprise plans

Founders' Day

Surprise Celebration Called 'Big Success'



Infrastructure Improves

By the mid-eighties, annexation ordinances appeared on almost every council meeting agenda. In less than a decade, the town footprint exploded. The town council took aggressive action in the 80's relative to infrastructure. In 1984, they initiated the Bell Road Improvement Project, creating medians lined with palm trees and decorative green light poles, and took steps to implement municipal water and sewer systems. Windmill Inn was built, giving the city its first hotel. Crossroads Towne Center brought the city's first shopping center; and Kingswood Elementary became the first school in the city boundaries!



Three Star Park

This park in the OTS was dedicated in 1989 in honor of three residents who qualified for the U.S. Olympic track and field team and would have competed at the 1980 Moscow Olympics, which was boycotted by President Jimmy Carter following the Soviet Union's invasion of Afghanistan. The athletes, LaNorris "Crickett" Marshall, Tim Williams, and LaMonte King are cousins who all lived on Jerry Street in the OTS. There are also three streets in the OTS named after the cousins.

King's head of the clan now



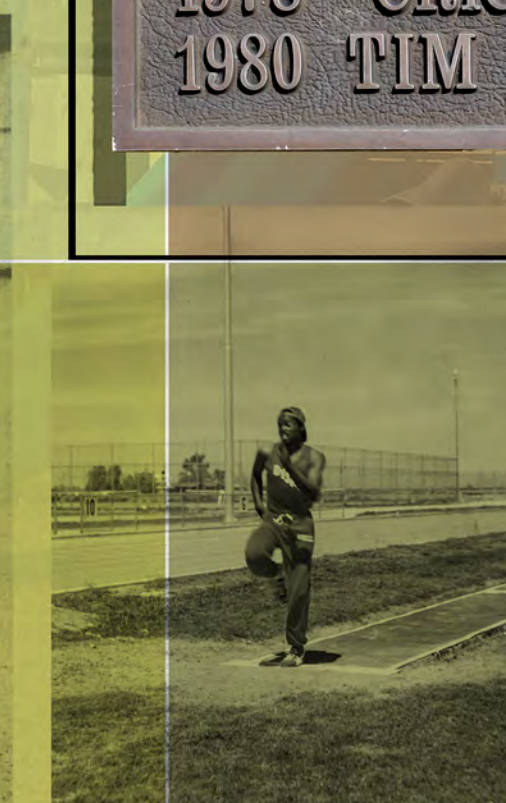
New Housing

In 1984, Happy Trails investors announced their intent to construct a retirement community. Dale and Roy Rogers attended the opening of the community in 1986 and posed for a picture with then mayor George Cumbe and his wife Aileen.



THREE STAR PARK

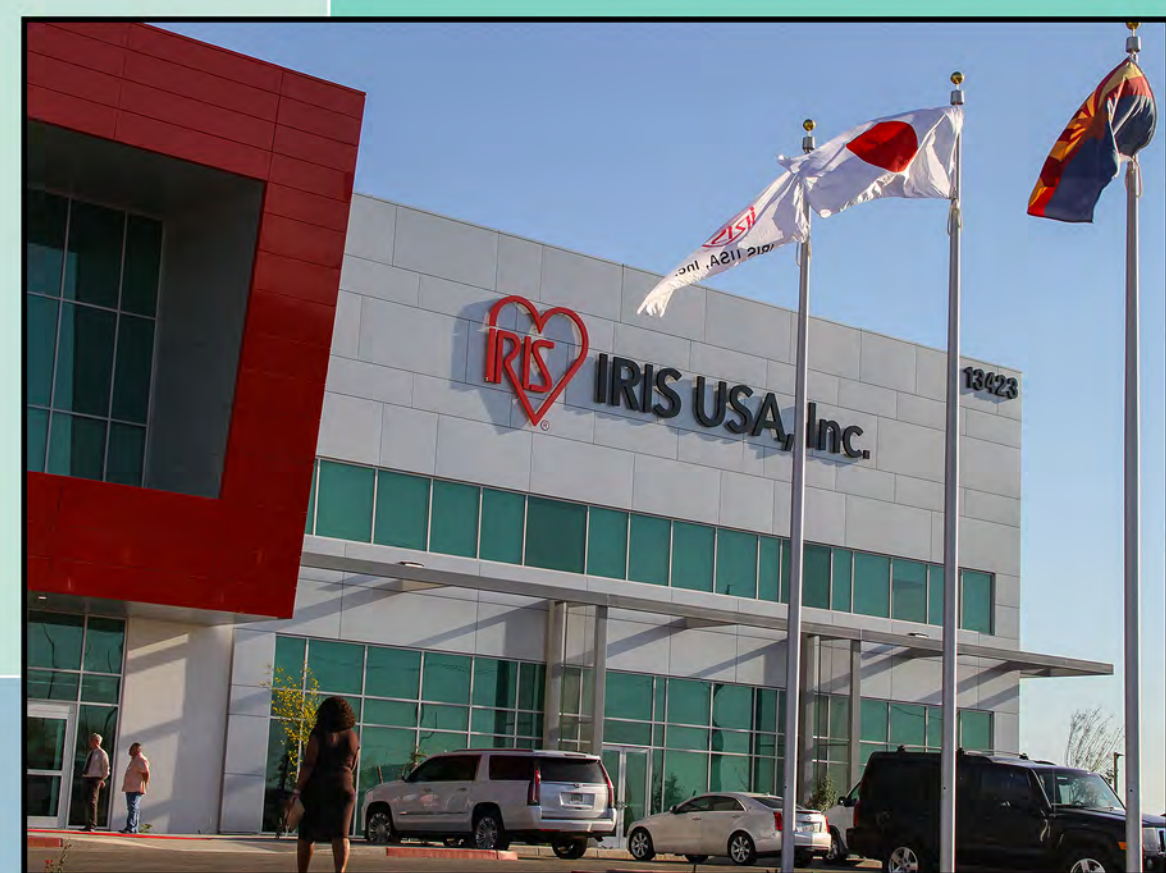
DEDICATED TO
THREE NATIONAL TRACK STARS
OF SURPRISE ARIZONA
1977 LAMONTE KING
1978 "CRICKETT" MARSHALL
1980 TIM WILLIAMS



77 + 78
sample
220 Cas Handle Long jumps 200
Tim Long Jump 100
Cribble 100⁶ + 200

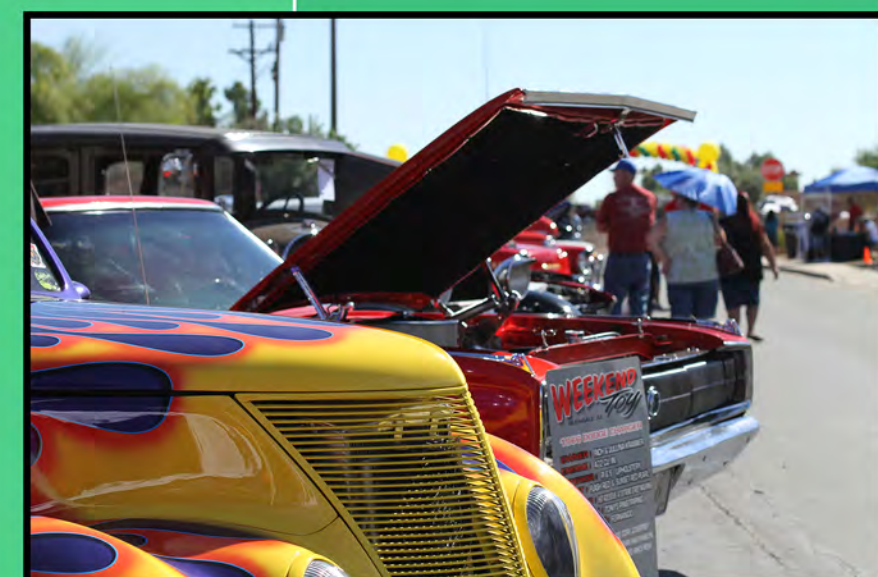
Here we grow again!

Business and educational growth dominated this decade. The city's first movie theater opened in 2008; and in 2012, Uptown Alley brought an upscale bowling and entertainment venue to the city. During this time, the industrial district became home to new national and international business headquarters. This was due, in part, to the industrial district gaining Foreign Trade Zone status in 2011. Near the end of this decade, the housing market began to heat up again. In 2018 alone, the city issued more than 1,300 single family residential permits and approved a 2,200 home luxury golf course community.



Celebrating our Heritage

2014, the city held the first Surprise Fiesta Grande - a street festival that focuses on our Hispanic Heritage. The now annual event includes live music, dancing, authentic Mexican food and more!



Ottawa University

Ottawa University Arizona opened in fall 2017 as the city's first 4-year residential university. Over the next few years, the school grew its footprint, adding a competitive athletic field, dorms, a student union and athletic center.



“ Surprise is marking 60 years with a rich past to celebrate and a future that will continue to make history!

Mayor Skip Hall

March 2020

Surprise History Wall Dedication

This history wall was dedicated in 2020 in honor of the city's 60th birthday and the people who helped make Surprise the incredible city it is today.



On February 1, 2020 the city opened its third library, Asante Library, to serve our growing northern area.



CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020
Submitting Department: Legal
Staff Recommendations: None

Contact Person: Hobie Wingard
District: Citywide

Consent: No	Regular: Yes	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to approval of an amendment of the Surprise Municipal Code Chapter 50, Article II by repealing and replacing the current Chapter with amended sections related to cable television franchises.

Motion:

I move to approve Ordinance #2020-08.

Background:

In August 2019, the City Council approved and adopted a uniform video service license agreement that video service providers may apply for to provide video service to customers in the certain service area within the City of Surprise. Said license was adopted pursuant to the new state law A.R.S. § 9-1401 et seq. The Surprise Municipal Code Section 50, Article II will be amended to reflect any requirements of the state law.

Objective Analysis:

This amendment is necessary to bring the Surprise Municipal Code into harmony with state law, while at the same time preserving and protecting, to the greatest extent allowed by law, the City's revenue and rights-of-way.

Policy Compliant:

This amendment preserves the maximum fee , as well as control over the City's rights-of-way, to the greatest extent allowed by state law.

Financial Impact:

There is no fiscal impact that the City is able to ameliorate as the proposed amendments are consistent with state law, which preempts the City's ability to deviate from same. The Uniform Video Services Agreement which is anticipated to replace the current franchise agreements and these amendments both assess the maximum fee allowed by state and federal law.

Budget Impact:

There is no fiscal impact that the City is able to ameliorate as the proposed amendments are consistent with state law, which preempts the City's ability to deviate from same. The Uniform Video Services

Agreement which is anticipated to replace the current franchise agreements and these amendments both assess the maximum fee allowed by state and federal law.

FTE Impact:

N/A.

ATTACHMENTS:

1. 20.01.27 Ordinance No. 2020-08 Cable Television code revision - revised
 2. 20.01.27 Ord. 2020-08
-

ORDINANCE # 2020-08

AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING CHAPTER 50, ARTICLE II, CABLE TELEVISION AMENDMENTS FOR CONSISTENCY WITH STATE LAW; INCLUDING SEVERABILITY; ESTABLISHING AN EFFECTIVE DATE; AND REPEALING CONFLICTING ORDINANCES.

WHEREAS, the Arizona State Legislature and Governor passed a law that created uniform statewide regulations and licensing requirements for video service providers that all Arizona local governments shall follow, effective January 1, 2020;

WHEREAS, on July 18, 2019, the City adopted a uniform video service license agreement, application, and affidavit, in compliance with state law; and

WHEREAS, the City now wishes to amend the Surprise Municipal Code to make Chapter 50, Article II related to Cable Television consistent with state law.

NOW, THEREFORE, BE IT ORDAINED by the Mayor and Council of the City of Surprise, Arizona, as follows:

Section 1. Chapter 50, Article II of the Surprise Municipal Code – Cable Television is hereby deleted in its entirety and replaced and renamed Chapter 50, Article II – Video Services to read as described on attached Exhibit A, and incorporated by this reference.

Section 2. All ordinances, resolutions or codes in conflict with the provisions of this Ordinance or Code adopted by this Ordinance are repealed.

Section 3. If any section, subsection, sentence, clause, phrase or portion of this Ordinance or any part of these amendments to the municipal code adopted herein is for any reason held to be invalid or unconstitutional by decision of any court of competent jurisdiction, such decision will not be read to affect the validity of the remaining portions thereof.

Section 4. This ordinance will become effective at the time and manner prescribed by law.

SIGNATURES ON THE FOLLOWING PAGE

PASSED AND ADOPTED this _____ day of _____, 2020.

Skip Hall, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A – AMENDMENTS TO SURPRISE MUNICIPAL CODE SEC. 50, ART. II

CHAPTER 50, ARTICLE II:

Video Services

Division

1. GENERAL
2. APPLICATION, AUTHORITY, LIMITATIONS, DUTIES OF VIDEO SERVICE PROVIDERS
3. STREETS AND CONSTRUCTION
4. VIDEO SERVICES NETWORK THEFT OR TAMPERING
5. FEES AND CHARGES; IN-KIND GOODS OR SERVICES
6. VIOLATIONS BY LICENSEE
7. INSURANCE, LIABILITY AND INDEMNITY
8. MISCELLANEOUS

DIVISION 1

General

Section

50-19.	Intent
50-20.	Short Title
50-21.	Definitions

50-19. – INTENT.

The purposes of this chapter are to comply with the requirements of Arizona Revised Statutes and federal law to set forth regulations for the application by video service providers for uniform video service licenses in accordance with law, to provide for imposition of non-discriminatory license fees, and to otherwise carry out the mandates of Arizona Revised Statutes Title 9, Chapter 13 and federal law. It is the intent of this chapter that all rights and obligations set forth in Arizona Revised Statutes Title 9, Chapter 13 are preserved and shall apply, irrespective of whether specifically set forth in this chapter.

50-20. – SHORT TITLE.

This chapter shall be known and may be cited as the Surprise Video Services Code.

50-21. – DEFINITIONS.

The definitions set forth in A.R.S. Section 9-1401 shall apply to this chapter.

DIVISION 2

Application, Authority, Limitations, Duties of Video Service Providers

Section

- 50-30. Application, Issuance and Obligations upon Expiration
- 50-31. Authority Granted
- 50-32. Limitations of License
- 50-33. Revocation for Non-Use of Uniform Video Service License
- 50-34. Reports
- 50-35. Bundling of Services
- 50-36. Notice of Change of Information
- 50-37. Police Power

50-30. – APPLICATION, ISSUANCE AND OBLIGATIONS UPON EXPIRATION.

- (a) This section shall not apply to incumbent cable operators who have elected to continue to operate within a service area as defined in its existing local license with the City. The requirements of this section shall apply to video services licenses granted on or after January 1, 2020.
- (b) Prior to the commencement of any construction or expansion of a video service network or the provision of any video service, a video service provider shall file with the City Clerk an application and an affidavit in a form provided by the City Clerk. The application shall be in the form of application approved by the council and shall include all information and not more than the information required by the application form and Arizona Revised Statutes Section 9-1414.
- (c) The application shall be accompanied by an affidavit in the form approved by the council signed by one of the principal executive officers or general partners of the applicant that the information set forth in the application are true and accurate.
- (d) The application and affidavit shall be submitted to the City Clerk, who shall forward the application and affidavit to the City Attorney's Office for review.
- (e) If the City Attorney's Office determines that the application and affidavit are incomplete or otherwise deficient under Arizona Revised Statute Section 9-1414, written notice shall be given to the applicant not later than fifteen days after the date of filing of the application and affidavit. The written notice shall:
 - (1) Explain the incompleteness or deficiency in detail.
 - (2) Specify the information or other items that are necessary for proper completion of the application and affidavit.

- (f) A uniform video services license shall be issued within thirty days from the date a complete application was filed with the City Clerk. The term of a uniform video services license shall not exceed ten years.
- (g) If written notice of an incomplete or deficient application and affidavit is not given within fifteen days after the date of filing, or if the uniform video services license is not issued within thirty days from the date a complete application has been submitted, the agreement shall be deemed complete and issued to the applicant in the form submitted.
- (h) No fees shall be charged for filing or processing an application, affidavit, notice or other document related to the issuance of the uniform video services licenses.
- (i) Amendments to a uniform video services license to add service areas shall be processed in the same manner as the original uniform video services license.
- (j) The term of a uniform video services license may be extended by the holder of a video service provider filing with the City Clerk a notice to extend the term for a specified period not to exceed ten years. The notice shall be filed at least one month before the end of the term of the uniform video services license.
- (k) Any use of or attachment by a video service provider to a utility or other pole owned by the City must first be approved in a separate contract with the City at the sole discretion of the City. If, pursuant to such contract, the City requires the video service provider to locate facilities in ducts or conduits or on poles owned by the City, the City shall not require the video service provider to pay for the installation in the ducts or conduits or on the poles.
- (l) If a video services provider submits an application, the City shall issue to a video service provider or its affiliate a permit to attach allowed Wi-Fi radio equipment to the video service network in the highways. The permit shall allow installation, operation and maintenance of allowed Wi-Fi radio equipment. The City may require that all of the allowed Wi-Fi radio equipment at a single location fit within a fifteen-inch cube and be contained entirely within a ground-mounted pedestal or be connected directly to and mounted at the same height as one of the video service provider's aerial horizontal conductors. This subsection does not do any of the following:
 - (1) Prohibit the City from requiring a video service provider to place underground aerial facilities to which allowed Wi-Fi equipment is attached.
 - (2) Prohibit the imposition of a tax, rent, fee or charge on revenue from services provided through allowed WiFi radio equipment.

(3) Affect the authority of the City to manage its highways or to exercise its police powers, including review and approval of an application before issuing a permit.

(4) Affect the City 's authority to deny, limit, restrict or determine the terms and conditions for the use of or attachment to the utility poles or attachments to other poles of the City by a video service provider.

(m) A video service provider may terminate a uniform video service license by filing a written notice of termination with the City Clerk. Such notice shall be filed at least ninety days before termination of service. The notice shall also be sent to all subscribers within the affected service area at least ninety days prior to termination of service.

50-31. – AUTHORITY GRANTED.

(a) A uniform video services license granted by the City shall authorize the video service provider to:

(1) Provide video service in the City in the service area designated in the application and affidavit during the term of the uniform video services license.

(2) Construct and operate a video service network in the highways in each service area, in compliance with the uniform video services license and City laws.

(3) Operate and maintain facilities installed in the highways in the service area pursuant to A.R.S. Section 9-1442(H) and (J), subsection I and J, Wi-Fi radio equipment on cable systems, A.R.S. Section 9-584 [microcell equipment] and A.R.S., Chapter 5, Article 8 [small wireless facilities] which are necessary for the operation of the video service network.

50-32. – LIMITATIONS OF LICENSE.

(a) Any uniform video services license granted under this chapter shall be nonexclusive.

(b) Any privilege claimed under any uniform video services license by the video service provider in any highway shall be subordinate to any lawful occupancy or use thereof by the City and shall be subordinate to any prior easements, prior licenses to use the highways, and any other private property rights that may be superior to the uniform video services license issued.

(c) A video service provider shall be subject to all existing requirements of the City's rules, regulations and specifications or hereafter enacted or established pursuant to the City's police powers and taxing authority, and shall comply with all applicable existing state and federal laws and regulations or hereafter enacted or established.

- (d) Any uniform video services license granted shall not relieve the video service provider of any obligation involved in obtaining pole space from any department of the City, utility company, or from others lawfully maintaining poles in highway.
- (e) A video service provider shall agree to comply with all generally applicable nondiscriminatory ordinances, including but not limited to street or highway use, mapping, insurance, performance bonds, security fund, indemnification or similar requirements that apply to the use and occupation of any highway. There is hereby preserved to the City the power to amend any section of the City Code related to construction in highways pursuant to its police powers.

50-33. – REVOCATION FOR NON-USE OF UNIFORM VIDEO SERVICE LICENSE.

A video service provider shall provide video service to at least one subscriber within each service area authorized by a uniform video service license within twenty-four months after the date the uniform video service license is issued. If the video service provider fails to comply with this section, the City may revoke the uniform video service license.

50-34. – REPORTS.

A video service provider shall file all reports required by and in compliance with A.R.S. Section 9-1432. The reports shall be filed with the City Clerk. All such reports shall be confidential unless the video service provider has consented in writing to the disclosure.

50-35. – BUNDLING OF SERVICES.

- (a) Except as otherwise provided by federal law, if a video service provider offers video service bundled with other services that are not video service for a single discounted price, all of the following apply:
 - (1) The method that the video service provider uses to determine gross revenue subject to license fees by allocating the single discounted price among the bundle of video service and non-video services shall be reasonable and supported by the video service provider's books and records.
 - (2) For the purpose of meeting the video service provider's burden of proof, the City shall accept as reasonable, for purposes of meeting the video service provider's burden of proof, an allocation based on an objective and verifiable method using the books and records that the video service provider kept in the regular course of business for other purposes, including nontax purposes.
 - (3) A video service provider may not use bundled offerings as a means to evade paying license fees.

50-36. – NOTICE OF CHANGE OF INFORMATION.

If any information required by this chapter changes, the video service provider shall notify the City in writing within thirty days of such change.

50-37. – POLICE POWER.

Nothing in this chapter or in any agreement awarding a license in accordance herewith shall be construed as an abrogation by the city of any of its lawful police powers.

DRAFT

DIVISION 3

Streets and Construction

Section

- 50-40. Authority for use of streets
- 50-41. Conditions on street occupancy
- 50-42. Approval of construction by city; inspection
- 50-43. Construction standards
- 50-44. Undergrounding
- 50-45. Relocation
- 50-46. Removal

50-40. – AUTHORITY FOR USE OF STREETS.

- (a) For the purposes of operating and maintaining a video services network in the city, licensee may erect, install, construct, repair, replace, reconstruct and retain in, on, under, upon, across and along the streets within the city such lines, cables, conductors, ducts, conduits, vaults, manholes, amplifiers, appliances, pedestals, attachments and other property and equipment as are necessary and appurtenant to the operation of the video services network, provided that all applicable permits are applied for and granted, all fees paid and all other city codes and ordinances are otherwise complied with.
- (b) Licensee shall construct and maintain a video services network so as not to unreasonably interfere with other uses of streets. Licensee shall make use of existing facilities available to licensee. Licensee shall use reasonable efforts to individually notify all property owners affected by proposed construction prior to the commencement of that work.
- (c) Notwithstanding the grant to use streets as provided in this section, no street shall be used by licensee if the city, in its absolute discretion, determines that such use is inconsistent with the terms, conditions or provisions by which such street was created, dedicated or presently used.

50-41. – CONDITIONS ON STREET OCCUPANCY.

- (a) All transmission and distribution structures, lines and equipment erected by the licensee within the city shall be so located as not to interfere with the ordinary use by the city or public of streets, landscaping, alleys and other public ways and places or to interfere with the rights and reasonable convenience of property owners who abut any of the said streets, alleys or other public ways and places.
- (b) In case of disturbance of any street, sidewalk, alley, public way, paved area or landscaped area, the licensee shall promptly, at its own cost and expense and in a

manner approved by the City Engineer, replace and restore such street, sidewalk, alley, public way, paved area or landscaped area in compliance with city standards. If licensee fails to comply with city standards, any such failure shall be corrected within ten business days of written notification to licensee at licensee's sole cost and expense. If licensee is not able to correct such failure or damage in ten days, then licensee must notify the City Manager or his or her designee of delay and provide a schedule for repairs or replacement acceptable to the City Manager. If a schedule as referred to in this section is not acceptable to the city, the city may, at its option, correct such disturbance or damage and upon demand by the city, licensee shall promptly pay the city the costs and expenses incurred by the city in the correction or repair of such damage.

50-42. – APPROVAL OF CONSTRUCTION BY CITY; INSPECTION.

A licensee shall at all times fully comply with all city requirements regarding work within the city's rights of way. As required by the city, all construction of any kind within the city's rights of way must have prior approval by the Public Works Director. Such approval shall not be unreasonably withheld, and action shall be taken on any request for approval within three business days of the receipt of an acceptable request. Licensee shall be able to make emergency repairs where and if required by the city code. The city has the right to inspect the construction, operation and maintenance of the cable system by the licensee to insure compliance with this chapter.

50-43. – CONSTRUCTION STANDARDS.

- (a) Licensee shall at all times comply with the National Electrical Safety Code (National Bureau of Standards); National Electrical Code (National Bureau of Fire Underwriters); federal, state and local regulations; and codes and ordinances of the city, including all applicable laws, regulations and codes involving environmental or pollution concerns.
- (b) The video services network shall not endanger or interfere with the safety of persons or property within the city or other areas where the licensee may have equipment located.
- (c) During construction of the video services network all working facilities, conditions and procedures used shall comply with the standards of the Occupational Safety and Health Administration.
- (d) Construction, installation and maintenance of the video services network shall be performed in close coordination with public and private utilities serving the city in an orderly and workmanlike manner, following generally accepted construction procedures and practices and working through existing committees and organizations.
- (e) All cable and wires shall be installed, where possible, parallel with electric and telephone lines and multiple cable configuration shall be arranged in parallel and bundled with due respect for engineering consideration.

50-44. – UNDERGROUNDING.

- (a) Except when permitted under this chapter and when reasonably required to fill small gaps in existing permitted aerial utility systems when approved by the City Manager or his or her designee, a licensee shall not erect any pole on or along any street or public way of the city. Except as prohibited in this chapter, nothing in this section shall be construed to prohibit the use of existing poles, provided that use agreements are entered into between a licensee and the owners of said poles.
- (b) The undergrounding of cables is required under the following conditions when either have or do occur:
 - (1) Cables shall be installed underground where all existing utilities are already underground;
 - (2) Previously installed aerial cable shall be undergrounded in concert with utilities when they are undergrounded; and
 - (3) When previously installed aerial utilities are undergrounded.
- (c) To prevent unnecessary damage to streets, right of way and property, the installation of cable service cables underground shall be accomplished in new subdivisions at the same time and in the same trench as other communications, electric and other permanent services to structures.

50-45. – RELOCATION.

If during the term of a license, the city elects to alter, repair, realign, abandon, improve, vacate, reroute or change the grade of any street or to replace, repair, install, maintain or otherwise alter any city facility, whether above ground or underground cable, wire conduit, pipe, line, pole, wire holding structure, structure or other city facility utilized for the provision of utility or other such services or transportation of drainage, sewage or other liquids, the licensee shall, unless otherwise provided in this chapter, at its sole expense, remove or relocate, as necessary, its wires, cable, underground conduits, manholes and any other facilities which it has installed. A licensee shall take action to remove or relocate its facilities at such time as directed by the city or entity whose facilities are affected. Advance written notice shall be mailed to the licensee advising the licensee of the date removal or relocation is to be undertaken.

50-46. – REMOVAL.

- (a) Upon expiration or termination of a license, if the license is not renewed, and if no one purchases the cable system, the licensee may remove any underground cable, if the cable may be removed without trenching.

- (b) A licensee shall file written notice of its intention to remove video services network with the City Clerk not later than 30 calendar days following the date of expiration or termination. The notice shall inform the city of licensee's intention to remove its network and shall provide a schedule for the removal.
- (c) The schedule filed pursuant to subsection (b) of this section shall be subject to the approval of the City Engineer.
- (d) Removal of cable by the licensee shall be completed not later than 12 months following the date of expiration or termination.
- (e) If notice is not filed pursuant to subsection (b) of this section, the network shall be deemed abandoned.
- (f) If the licensee does remove network, all underground equipment which is not removed pursuant to subsection (d) of this section shall be deemed abandoned.
- (g) Upon expiration or termination of the license, if the license is not renewed and if no one purchases the video services network the licensee, at its sole expense, shall, unless relieved of the obligation by the city, remove from the streets and all public rights of way, alleyways and other public property, all above ground elements of the video services network located thereon and also all underground elements of the network if requested in writing by the city upon direction of the City Council. All removal required under this subsection shall be completed within 12 months following the termination or expiration of the license. The city may require, and licensee shall furnish, a corporate surety bond in an amount as mutually agreed upon in the license, from and by an entity acceptable to the City to assure performance of licensee's obligations under this subsection. In the event the licensee fails to specify an amount for such bond, the bond shall be of sufficient amount to cover the reasonable costs of removal agreed hereunder.
- (h) The licensee shall apply for and obtain such encroachment permits, licenses, authorization or other approvals and pay such fees and deposits or such security as required by applicable ordinances of the city, shall conduct and complete the work of removal in compliance with all such applicable ordinances and shall restore the streets and other public ways or property to as nearly as possible the same condition they were in before the work of removal commenced.

DIVISION 4

Video Services Network Theft or Tampering

Section

50-50. Theft of service

50-51. Tampering with system

50-50. – THEFT OF SERVICE.

It shall be a class 1 misdemeanor for any person or entity to make any unauthorized connection, whether physically, electrically, acoustically, inductively or otherwise, to any part of a licensed video services network within the city for the purpose of enabling receipt of video, audio, digital or other signals or information, without payment to licensee; a violation of this section shall subject any such person to the punishment for a class 1 misdemeanor under state law for any such violation. Each day a violation occurs shall constitute a separate offense under this section.

50-51. – TAMPERING WITH SYSTEM.

It shall be a class 1 misdemeanor for any person or entity, without the consent of licensee, to willfully tamper with, remove, damage or destroy any video service network equipment used in connection with a network within the city; a violation of this section shall subject any person to the punishment for a class 1 misdemeanor under state law for any such violation. Each day a violation occurs shall constitute a separate offense under this section.

DIVISION 5

Fees and Charges; In-Kind Goods or Services

Section

50-60. License Fee on Gross Revenue; Transaction Privilege Taxes

50-61. Public, Educational or Governmental Access Programming

50-60. – LICENSE FEE ON GROSS REVENUE; TRANSACTION PRIVILEGE TAXES.

(a) A video service provider shall pay to the City a license fee as a percentage of gross revenues for the use of the highways to provide video service within its service area. The license fee shall be established by resolution of the City council and shall be imposed equally and uniformly on video service providers and holdover cable operators.

(1) The license fee shall be paid quarterly on or before the twentieth day of the month following the quarter end, and becomes delinquent on the last business day of that month. If such payment is not made by the next to the last business day of the following month, the City will impose a rate of interest for both underpayments and overpayments in the amount of the federal short-term rate determined pursuant to 26 United States Code section 6621(b), plus three percentage points per month commencing from the date payment should have been made, unless the payment is subject to a bona fide dispute, and continuing until the payment is made. Fractions of a month shall be considered to constitute a full month for the purpose of computing interest.

(2) The license fee shall be imposed equally and uniformly on all video service providers and holdover cable operators.

(b) The total of the rates of the license fee, and the transaction privilege taxes imposed and in-kind contributions described in FCC Rule 19-80, Section 76-42 (unless agreed to in a separate agreement) shall not exceed a rate of five percent.

(c) The payment of the license fee by the licensee to the City shall be made by delivery of the same to the City Finance Department on or before the twentieth day of the month following the quarter end, and becomes delinquent on the last business day of that month.

50-61. – PUBLIC, EDUCATIONAL OR GOVERNMENTAL ACCESS PROGRAMMING.

(a) Video service providers shall provide channel capacity to transmit programming over which the video service provider exercises no editorial control except as authorized by 47 United States Code § 531. The channel capacity shall be limited to one of the following:

- (1) Not more than two channels of public, educational or governmental access programming in the basic service tier of the video service network and not more than two channels of noncommercial governmental programming, at least one of which may be programmed by the federal government, in the digital programming tier of the video service network.
- (2) Not more than two lines of access programming with each line of programming carried on up to two standard definition channels and two switched digital high-definition channels.
- (b) None of the annual fair market value of any channel capacity provided pursuant to Paragraph (a) above may be offset against the license fee.
- (c) A video service provider may require that channels regularly display an unobtrusive logo or other suitable identifier of the video service provider, if the City requires channel capacity pursuant to this section.
- (d) A video service provider shall pay all capital costs related to the facilities and equipment of the video service network, including facilities and equipment for signal carriage, processing, reformatting and interconnection for all of the following: (i) to connect the video service network or cable system, as it may be relocated from time to time, to transmit programming to and from existing locations of public, educational or governmental access facilities and to allow monitoring of access programming at the facilities, and (ii) to transmit public, educational and governmental access channels to subscribers with the same prevailing quality, functionality and identification as other channels. Costs other than capital costs incurred by the video service provider are subject to FCC Rule 19-80, Section 76-42.
- (e) All video service providers and incumbent cable operators shall provide at no initial or recurring charge the basic service tier of video service to one outlet and one receiving device at each building occupied by the City that is not more than two hundred feet from the nearest technically and commercially feasible point of connection on the video service network. The City shall designate the buildings in writing to the video service provider. Costs incurred by the video service provider or incumbent cable operator are subject to FCC Rule 19-80, Section 76-42.

DIVISION 6

Violations by Licensee

Section

50-70. Unlawful Acts; Violation

50-70. – UNLAWFUL ACTS; VIOLATION.

- (a) It is unlawful for a video service provider to establish, operate or to carry on the business of video service in the City without first having been issued and continuing to hold a local license issued pursuant to this chapter.
- (b) It is unlawful for any video service provider to construct, operate or maintain a video service network within the boundaries of the City without first having been issued and continuing to hold a local license issued by the City pursuant to this chapter.

DIVISION 7

Insurance, Liability and Indemnity

Section

50-80. Policies to be filed with city

50-81. Indemnification by licensee

50-80. – POLICIES TO BE FILED WITH CITY.

- (a) Upon the execution of a license, a licensee shall file with the city, and maintain in full force and effect throughout the term of the license, and any renewal thereof, insurance policies issued by an insurer, duly authorized and licensed to conduct business in the State of Arizona, reasonably acceptable to the City Manager, insuring with respect to the installation, construction, operation and maintenance of the cable communication system, comprehensive general and automobile liability coverage, including, but not limited to:
- (1) Blanket contractual liability;
 - (2) Completed operations liability;
 - (3) Broad form property damage endorsement, including, but not limited to, coverage for explosion, collapse and underground incidents; and
 - (4) Automobile non ownership liability.
- (b) This insurance shall include coverage which meets or exceeds the following 1992 standard minimum amounts (which minimums may be increased by the city from time to time to compensate for inflation or exposure to loss):
- (1) For bodily injury, including death, in the amount of \$1,000,000 combined single limit;
 - (2) For property damage in the minimum amount of \$500,000;
 - (3) Comprehensive automobile liability for bodily injury of \$1,000,000 combined single limit;
 - (4) Excess umbrella liability in the amount of \$4,000,000 in excess of underlying coverage; and
 - (5) Worker's compensation coverage as required by the laws, rules and regulations of the State of Arizona.

- (c) Any insurance policy obtained by licensee in compliance with this section shall include the city as an additional insured, shall be primary and must be approved by the City Risk Manager and City Attorney, which approval shall not be unreasonably withheld. Such insurance policy shall be filed and maintained with the city during the term of the license and may be changed from time to time to reflect changing liability limits. Licensee shall immediately advise the city of any litigation that may develop that would affect this insurance or reduce the amount of coverage. Any insurance or self-insured coverage carried by the city shall be excess coverage and not contributory insurance to that provided by a licensee.
- (d) Neither the provisions of this section, nor any damages recovered by the city thereunder, shall be construed to limit the liability of licensee to the city for damages.
- (e) All insurance policies shall contain the following endorsement:

This insurance policy may not be canceled by the insurance carrier, nor may the insurance carrier fail to renew this policy until thirty days after receipt by the city of the insurance carrier's written notice of its intention.

- (f) Licensee may self-insure the above described policy coverage if licensee or its parent are of sufficient financial standing acceptable to the City Manager to reasonably provide such insurance. A licensee that elects to self-insure shall file with the city a certificate of insurance as specified by the city.

50-81. – INDEMNIFICATION BY LICENSEE.

- (a) Each licensee shall, at its sole expense, fully indemnify, defend and hold harmless the city, and in their capacity as such, the officers, agents and employees thereof, for, from and against any and all claims, suits, actions, liability and judgments for damages or otherwise and for the city's reasonable attorney fees incurred in connection therewith:
 - (1) For actual or alleged injury to persons or property, including loss of use of property, including loss of use of property due to an occurrence, whether or not such property is physically damaged or destroyed, in any way arising out of or through or alleged to arise out of or through the acts or omissions of the licensee or its officers, agents, employees or contractors;
 - (2) Arising out of or alleged to arise out of any claim for damages for invasion of the right of privacy, defamation of any person, firm or corporation or the violation or infringement of any copyright, trademark, trade name, service mark or patent attributable to the acts or omissions of licensee or its officers, agents, employees or contractors; and

(3) Arising out of or alleged to arise out of licensee's failure to comply with the provisions of any statute, regulation or chapter of the United States, State of Arizona or any local agency applicable to the licensee in its business.

(b) Nothing herein shall be deemed to prevent the city from participating in the defense of any litigation by its own counsel at the city 's sole expense. Such participation shall not under any circumstances relieve the licensee from its duty of defense against liability or of paying any judgment entered against such party; provided, however, that licensee shall have no obligation or liability for paying any settlement made by the city without first consulting with licensee on the terms and conditions of the settlement. The licensee shall promptly undertake the defense, at its own expense, of any matter for which this indemnity is established upon written request of the city.

DIVISION 8

Miscellaneous

Section

- 50-90. Non-Enforcement
- 50-91. City's right to include additional provisions in a license
- 50-92. City Boundaries
- 50-93. Transfers
- 50-94. Enforcement

50-90. – NON-ENFORCEMENT.

A licensee shall not be relieved of any obligation to comply with any of the provisions of the license or any rule, regulation, requirement or directive promulgated thereunder by reason of any failure of the city or its officers, agents or employees to enforce prompt compliance.

50-91. – CITY'S RIGHT TO INCLUDE ADDITIONAL PROVISIONS IN A LICENSE.

The city shall have the right and power to provide for additional terms and conditions in any license it may issue which the city finds reasonably necessary in the exercise of its lawful police powers so long as such terms and conditions are not inconsistent with this chapter.

50-92. – CITY BOUNDARIES.

- (a) The City shall notify in a timely manner each video service provider with a uniform video services license in the City of changes to the boundaries of the City.
- (b) Audits, including audits of bundled services, of a video services provider's books and records shall be conducted in compliance with A.R.S. Section 9-1445.

50-93. – TRANSFERS.

- (a) Except as otherwise provided by law or federal regulation, a uniform video service license is fully transferable to any person whether the transfer arises through merger, sale, assignment, restructuring, change of control or other type of transaction. A transfer does not include an assignment of a uniform video service license for the purpose of securing indebtedness. A transfer may include less than all service areas associated with a uniform video service license.
- (b) The video service provider shall file with the City Clerk written notice of the transfer of the uniform video service license.
- (c) On the filing of notice under this subsection the transferee becomes the holder of the uniform video service license.

50-94. – ENFORCEMENT.

(a) Enforcement of this chapter shall be in compliance with A.R.S. Section 9-1451.

(b) A uniform video services license is subject to and shall be governed by all applicable provisions of federal, state and local law. Notwithstanding any other provisions of the uniform video services license to the contrary, the uniform video services license shall at all times comply with all laws and regulations of the state and federal government or any administrative agencies thereof; provided, however, if any such state or federal law or regulations shall require the licensee to perform any service, or shall permit the licensee to perform any service, or shall prohibit the licensee from performing any service, in conflict with the terms of the license or this chapter, then as soon as possible following knowledge thereof, the licensee shall notify the City Attorney of the point of conflict believed to exist between such regulation or law and this chapter or the license.



AMENDMENT TO SURPRISE MUNICIPAL CODE, SEC. 50, ART. II – CABLE TELEVISION

Regular City Council Meeting, February 4, 2020

Reason for Amendments

- SB1140 – passed into law; effective January 1, 2020
- Code needs to be amended to be consistent with State law
- Preemption of entire field; preserve existing rights

Key Rights Preserved

- Requirement of license agreement; fee; enforcement
- Police powers – management of public rights-of-way (ROW)
- Channel capacity

License Required

- Requirement to have license prior to provide video service
- Some level of discretion (incomplete or deficient applications and affidavits)
- License fee – 5% of gross revenues

Management of ROW

- Preserves existing rights:
 - Inspections; construction requirements
 - Prevent unreasonable interference with other uses of streets
 - Relocation
 - Undergrounding requirements

Channel Capacity

- Mirrors statutory language
- Capacity:
 - 2 P.E.G. channels in basic tier; 2 non-commercial governmental programming in digital tier; or
 - 2 lines of access programming carried on 2 standard definition channels and 2 switched digital high-definition channels

Enforcement

- Compliance with A.R.S. Section 9-1451
- Rights to administrative hearings



QUESTIONS OR COMMENTS?

Thank You



CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020

Contact Person: Chris Boyd, AD - BS DV & CD
ENF

Submitting Department: Community Development District: District 4

Staff Recommendations: None

Consent: Yes	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to approval of the purchase of approximately .6 acres of real property near Hollyhock Street and Rimrock Street.

Motion:

I move to approve the purchase of approximately .6 acres near Hollyhock Street and Rimrock Street and to authorize the City Manager to execute all documents associated with the purchase.

Background:

The property will provide a parking area for the relocated ball field. The owners of the parcel located adjacent to the land purchased for the relocated ball field have agreed to sell the parcel to the City. The City will purchase it for the appraised value of \$110,000.00.

Objective Analysis:

The purchase of this parcel will assist in the redevelopment of this area while providing ample parking for the ball field.

Policy Compliant:

This action is consistent with the 2015-2019 Consolidated Plan, 24 CFR 570.201(c), 24CFR 570.208(d) Public Facility Improvements 03F – Parks, Recreational Facilities and meets the LMA national objective of the program.

Financial Impact:

All activity related to ongoing development of the City of Surprise has an economic and fiscal impact on the city and the region. The purchase price will be \$110,000.00 plus closing costs. This project is funded by CDBG project G51680, program years 2017 & 2018.

Budget Impact:

The purchase of this land is programmed in CDBG project G51680. Any costs associated with this item will be covered by the existing and future operating budget.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. 501 79 033F Grantor Signed Purchase Contract
 2. 5813 - Hollyhock and Rimrock revised
 3. Exhibit A
-

**CITY OF SURPRISE
REAL PROPERTY
PURCHASE AGREEMENT**

Title Company Pioneer Title
Address: 14239 W Bell Road, Suite 115
City: Surprise, Arizona
Escrow Officer _____
Escrow No. _____
Grantor: German and Garita Ivannia Suarez
Address 13419 W Post Drive, Surprise, Arizona 85374
Phone/Fax/Mobile (602) 550-2425

Date _____
(to be completed by Title Company)
Zip Code 85374
Phone _____
Fax. No. _____

Grantee: The City of Surprise, an Arizona municipal corporation ("City")
Mailing Address: 16000 N. Civic Center Plaza
Surprise, Arizona 85374

The CITY shall pay directly to the Grantor, or deposit with the Title Company ("Escrow Agent") if escrowed, the purchase price plus all lawful costs incidental to closing as follows:

Escrow Fees _____
Title Policy Fees _____
& Title Fees _____

Recording Fees

Deed _____
Easement _____
Release _____
Total Recording Fees _____

Other Charges

Release Fees _____
Prorated Taxes _____
Total Other Charges _____

Subtotal Fees _____

Title Report Credit _____
Total Closing Costs _____
Land & Improvements* _____

Total Purchase Price \$110,000.00
TOTAL WARRANT** _____

Charges and disbursements to be paid from Grantor's funds as follows (check all that apply):

X **Total Acquisition of Grantor's Property:**

Full release of all monetary liens and encumbrances, and leases of any kind.

Pay in full all due and delinquent real property taxes and general and special improvement Total Escrow assessments. Grantor will be charged for any costs Necessary to make the property compliant with the Covenants, Conditions and Restrictions. Prorate the current year's real property taxes on closings that occur on or after the 3rd Monday of August each year. Escrow Agent shall withhold the prorated Amounts from each party and pay the lien of the current year's taxes in full.

 Partial Acquisition of Grantor's Property: Partial release of all monetary liens and encumbrances, and leases of any kind. At the discretion of City, pay due and delinquent property taxes and general and special improvement assessments, including full payment of taxes and assessments on individual assessor parcels within the City's partial acquisition, and any Certificates of Purchase. The current year's taxes shall not be prorated regardless of the closing date.

 Easement (s): Consent to easement (s) by secured party.

 Other Disbursements:

Possession Date: Close of escrow/date of recording.

 Special Instructions/Information:

*Escrow and title policy fees based on this amount only.
**Sum of "Total Closing Costs" and "Total Purchase Price" only.

The Grantor, having executed a conveyance of certain real property rights to the Grantee in a certain conveyance dated _____ described in Exhibit "A" Attached hereto and made a part hereof, and having delivered same to the above Title Company as Escrow Agent, said agent is directed to deliver said conveyance to the City by and through its Real Property Manager; title to said property to pass upon the acceptance of delivery and possession by the City of Surprise.

THIS PURCHASE AGREEMENT SHALL SERVE AS THE ESCROW INSTRUCTIONS

The Escrow Agent shall first apply the purchase price on deposit to satisfy such taxes, mortgage claims, leasehold interests, special assessments, fines, fees or charges to be paid to the homeowners association and other encumbrances as may be authorized for payment, and the balance thereof shall be paid in accordance with the terms hereof. If the subject property is encumbered with Covenants, Conditions and Restrictions, the Escrow Agent shall send a Notice of Pending Sale pursuant to A.R.S. 33-1806.

The Escrow Agent is to withhold \$ _____ as a security and/or site-clearance deposit pending satisfactory delivery of the subject property to the City by the Grantor. Grantor agrees the City may apply the security deposit to payment of any unpaid rents due the City from the Grantor, or to payment for any loss or damage sustained by the City Caused by the Grantor after the date of this agreement. The City will make written authorization to the Escrow Agent for disbursement of the security deposit in accordance with this agreement, after acceptance of delivery and possession of the subject property.

Instructions to escrow Agent: Deposit all escrowed funds in escrow account and disburse same by check; pay encumbrances in accordance with this agreement; prorate all agreed items; record such escrowed instruments as are necessary or proper in the issuance of title insurance; and pay the balance of the escrowed funds to the party or parties entitled thereto. It is further understood and agreed that the Title Company shall not be responsible for any liens or encumbrances not of record at the closing of escrow.

The Real Property Manager at the City of Surprise will be furnished a copy of the Grantor's closing statement with the following certification signed by an authorized officer: "This is to certify this is a true and correct statement of disbursement of funds collected from the City of Surprise."

The Escrow Agent is to request the Grantor acknowledge receipt of the amount shown on the closing statement as due Grantor. Either a copy of this request or a copy of a signed receipt is to be retained in the escrow file.

The City will pay the costs of any escrow services and/or title insurance desired by it, but may, at its option, waive escrow and/or title insurance. Upon such waiver, the references to Title Company, Escrow Agent, and title insurance herein are not applicable. If this transaction is not handled through a title company, the conveyance will be delivered directly to the City of Surprise and payment will be made directly from the Grantee to the Grantor after approval and acceptance by the Surprise City Council and the final filing and recording of the documents.

If the City is acquiring only a portion of Grantor's property, then Grantor grants to the City, its agents, employees and contractors, the right to enter Grantor's remaining property as necessary for utility reconnection, driveway reconnection, facilitating removal of buildings or appurtenances where portions of acquired buildings or appurtenances are situated on Grantor's remaining property. It is further understood and agreed that this temporary right will expire and terminate thirty (30) days after completion of the City's project.

It is understood and agreed the consideration expressed herein is accepted by the Grantor as full and complete compensation for the interest being acquired, and in settlement for all injury or damage to the Grantor's remaining abutting lands. Further, said consideration shall constitute a waiver of any and all claims for damages or compensation to said abutting lands that may hereafter arise or result from the establishment and construction of the roadway in the manner proposed by the City.

___Yes___No Addendum attached hereto and made
part hereof.

___Notice of Pending Sale pursuant to A.R.S. 33-1806

GRANTOR (S):

Date:

German Suarez 01-08-2020

Ivannia Suarez 01-08-2020

GRANTEE:

Date:

**AN APPRAISAL REPORT OF THE VACANT LAND LOCATED ALONG HOLLYHOCK
STREET, NORTH OF RIMROCK STREET IN SURPRISE,
MARICOPA COUNTY, ARIZONA.**

PREPARED FOR

**CITY OF SURPRISE
16000 NORTH CIVIC CENTER PLAZA
SURPRISE, ARIZONA 85374**

ATTENTION

**MS. RENEE FUGIEL
RIGHT OF WAY AGENT**

A.T. I. FILE NO.: VGG581390

DATE OF REPORT

JANUARY 7, 2020

EFFECTIVE DATE OF VALUATION

NOVEMBER 11, 2019

PREPARED BY

**JEFF WINDLE, MAI
CERTIFIED GENERAL REAL ESTATE APPRAISER CERTIFICATE NO. 30808**

**DAWN BLASKIS, INDEPENDENT FEE APPRAISER
CERTIFIED GENERAL REAL ESTATE APPRAISER CERTIFICATE NO. 31185**

January 7, 2020

A.T.I. File No.: VGG581390

TO: City of Surprise
16000 North Civic Center Plaza
Surprise, Arizona 85374

ATTN: Ms. Renee Fugiel
Right of Way Agent

RE: An Appraisal Report of the vacant residential land located along Hollyhock Street, north of Rimrock Street in Surprise, Maricopa County, Arizona.

Dear Ms. Fugiel:

As you requested, we have appraised the current market value of the aforementioned property. The purpose of the appraisal is to estimate the market value of the subject property as of the effective date of value.

We have not performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

The intended users of this report are City of Surprise. The intended use of the appraisal report is for potential condemnation decisions by the client. This report is not intended for any other use or any other users.

This report was prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2018-2019 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Appraisal Technology internal standards for an Appraisal Report- Standard Format. This type of report has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinion, and conclusions. It meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP. For additional information, please refer to Addendum USPAP Reporting Options.

The subject is vacant land with no long term lease encumbrance, thus, Fee Simple Estate is considered.

An environmental study has not been provided. The appraisers have not identified any toxic waste and/or possible hazardous contaminant on the site; however, it does not mean that such materials do not exist. The appraisers are without the expertise to identify and/or detect such substances. Because of the liability generated if toxic wastes and/or contaminants are found on the proposed site, it is strongly recommended that a specialist in the detection of toxic waste be retained to investigate for possible contamination.

This appraisal assignment was drafted to adhere to the standards and practices of the Appraisal Institute, plus the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation.

Based on the information found in our investigation, we are of the opinion that the current market value of the subject, as of November 11, 2019, is:

ONE HUNDRED TEN THOUSAND DOLLARS
(\$110,000.00)

Respectfully submitted,



Jeff Windle, MAI
Certified General Real Estate Appraiser No. 30808
480.285.3864
jwindle@atiaz.com



Dawn Blaskis, Independent Fee Appraiser
Certified General Real Estate Appraiser No. 31185
480.285.3872
dblaskis@atiaz.com

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ADDENDA

Engagement Letter	EXHIBIT 1
Zoning Designation.....	EXHIBIT 2
USPAP Reporting Options	EXHIBIT 3
Contingent and Limiting Conditions	EXHIBIT 4

FACTS AND CONCLUSIONS

TYPE OF PROPERTY:	Vacant residential land
LOCATION:	The subject is located along Hollyhock Street, north of Rimrock Street in Surprise, Maricopa County, Arizona.
REPORT PURPOSE:	The purpose of this appraisal is to estimate the current market value of the subject property.
TAX PARCEL NUMBER (S):	501-79-033F
SITE AREA:	According to Maricopa County records, the subject of this appraisal totals 0.59 acres or 25,700 square feet.
ZONING:	SHD-RO, Surprise Heritage District Residential Overlay; City of Surprise
FLOOD ZONE:	The location is within an area denoted as being in an "X" Flood Hazard Area, as found on Federal Emergency Management Agency Flood Insurance Rate Map number 04013C1240L based on the October 16, 2013 flood data.
IMPROVEMENTS:	None.
HIGHEST & BEST USE:	Residential development.
DATE OF VALUATION	November 11, 2019
CURRENT MARKET VALUE	\$110,000

SCOPE OF WORK

The practice of appraisal can be considered to be less of a science dictated by strict rules and more of an art, in which rules guide the appraiser towards a trustworthy, responsible and credible valuation. The Uniform Standards of Professional Appraisal Practice (USPAP) provides guidelines for this process to be undertaken through the Scope of Work Rule, to which all appraisal professionals must adhere.

The USPAP 2018-2019 **SCOPE OF WORK RULE** states:

For each appraisal and appraisal review assignment, an appraiser must:

1. *identify the problem to be solved;*
1. *determine and perform the scope of work necessary to develop credible assignment results; and*
2. *disclose the scope of work in the report.*

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results. (The Appraisal Foundation, USPAP 2018-2019 edition, Pg. 12)

Comment: Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal, appraisal review, and appraisal consulting assignment.

Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

For this individual assignment, the appraisers shall address the three aspects of the Scope of Work Rule; Problem Identification, Scope of Work Acceptability and Disclosure Obligations.

PROBLEM IDENTIFICATION (PURPOSE):

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal or appraisal review problem to be solved. (The Appraisal Foundation, USPAP 2018-2019 edition, Pg. 12)

The purpose of the appraisal is to estimate the current market value of the subject property as of November 11, 2019.

INTENDED USE/USERS:

The use of this appraisal report is for potential condemnation decisions by the client. The intended users of this report are City of Surprise. This report is not intended for any other use or any other users.

The value reported is based upon cash or its equivalent. This appraisal assignment was drafted to adhere to the Code of Professional Ethics, Bylaws, Regulations and Standards of Professional Appraisal Practice of the Appraisal Institute, plus the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation.

EFFECTIVE DATE OF VALUE:

November 11, 2019

DATE OF INSPECTION:

November 11, 2019

INTEREST VALUED:

The subject property is vacant land with no known lease encumbrances and thus, the Fee Simple Estate is considered.

The Fee Simple Estate is defined as follows:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

In the estimate of value, typically four interdependent factors must be considered as follows:

- Utility - the ability of a product to satisfy a human want, need or desire.
- Scarcity - the present or anticipated supply of an item relative to the demand for it.
- Desire - a purchaser's wish for an item to satisfy human needs (e.g., shelter, clothing, food, companionship) or individual wants beyond the essentials to support life.
- Effective Purchasing Power - the ability of an individual or group to participate in a market, i.e., to acquire goods and services with cash or its equivalent.

MARKET VALUE DEFINITION:

Market Value shall be determined by ascertaining the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable. (Arizona Revises Statutes § 12-1122)

VALUE “AS IS” DEFINITION:

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

EXTRAORDINARY ASSUMPTION: an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (The Appraisal Foundation, *USPAP 2018-2019 edition*. Pg. 4)

- It is noted that the use of an Extraordinary Assumption might have affected the assignment results.

It is an extraordinary assumption that there have been no past events that may cause a Rule B calculation triggering a recalculation of the subject’s Limited Property Value. If a recalculation occurs, an increase or decrease in the subject’s Limited Property Value may follow, resulting in what could be a significant change in the subject’s taxes and potentially change the conclusions within this report.

HYPOTHETICAL CONDITION: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (The Appraisal Foundation, *USPAP 2018-2019 edition*. Pg. 4)

- It is noted that the use of a Hypothetical Condition might have affected the assignment results.

No Hypothetical Conditions were used in this report.

SCOPE OF WORK ACCEPTABILITY:

The scope of work must include the research and analyses that are necessary to develop credible assignment results.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use.

An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased. (The Appraisal Foundation, USPAP 2018-2019 edition)

The client has requested that the appraiser estimate the current market value of the subject property. In order to credibly perform this task, the appraisers have followed these general guidelines:

- determination of problem and applicable Hypothetical Conditions or Extraordinary Assumptions
- research on the subject property, including but not limited to: ownership history, applicable liens and easements, physical characteristics (i.e. size, topography), relevant subject data (i.e. leases and financial statements for income producing properties)
- selection of, research on and collection of market data for the subject neighborhood
- site inspection
- analysis and synthesis of Highest and Best Use of the subject property
- selection of valuation methodology, subsequent research as is applicable, including market participant and market expert research (i.e. Sales Comparison Approach, Cost Approach, Income Approach, sales or rent comparable properties)
- analysis and conclusion of valuation methodology(ies)
- reconciliation of valuation methodology results
- conclusion of probable estimated market value

DISCLOSURE OBLIGATIONS:

The report must contain sufficient information to allow intended users to understand the scope of work performed. (The Appraisal Foundation, USPAP 2018-2019 edition, Pg. 13)

AREA ANALYSIS DATA SOURCES:

As part of this appraisal assignment, the appraisers made a number of independent investigations and analyses. Data retained in office files, which are updated regularly, was relied on. Affidavits of Property Value were checked to verify information. Maps, aerials and zoning obtained from Maricopa County and the City of Surprise were checked and also information provided by the client.

The Arizona State and Phoenix Metro area data was taken from many sources including without limitation Arizona State University, Arizona State Department of Economic Security and the U.S. Census Bureau.

All market data was confirmed from one or more of the following sources as indicated on the individual sales: Maricopa County Assessor's Office (www.maricopacountyaz.gov), Affidavit of

Property Value, Real Quest (www.realquest.com), CoStar Realty Information (www.costar.com), FLEXMLS Data Systems (www.flexmls.com), owners or their representatives, and/or Real Estate Brokers and/or Agents.

NEIGHBORHOOD AND ANALYSIS:

The neighborhood was observed and the contents of this report express our opinions of what was found and observed.

SITE DESCRIPTION AND ANALYSIS:

The site description and analysis was based on our personal physical inspection, information obtained from the client, and from information obtained from the City of Surprise and Maricopa County Engineering, Planning and Zoning Departments.

DATA SOURCES:

Site Data

Size	County Assessor
------	-----------------

Other

Flood Zone	FEMA
Zoning	City/Town, County Assessor

LEGAL DESCRIPTION:

Based upon Maricopa County Assessor's Office, the subject property is legally defined as follows:

S2 N2 S2 OF E 314' OF NW4 NW4 SE4 .59 AC

OWNERSHIP:

The owner of record as provided by Maricopa County is:

Suarez German/Garita Ivannia Garita
13419 W. Post Drive
Surprise, AZ 85374

A title search was not furnished. The appraisers assume that there are no adverse restrictions or easements which would affect the utility or marketability of the property.

HISTORY:

The property has been under the current ownership since August 2015 via a Quit Claim Deed.

The appraisers are unaware of any other transactions over the previous three years and the property has not been reported as being listed for sale previously.

SCOPE OF VALUATION METHODOLOGY:

The valuation process is an orderly program in which data used to estimate value of the subject property is acquired, classified, analyzed, and presented. The first step in the process is to define the appraisal problem, i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the fair market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, and the highest and best use analysis. They are then applied to the subject property in the discussion of the three approaches to value.

The Sales Comparison, Cost, and Income Capitalization Approaches are widely accepted methods of estimating value of an income producing property. Each approach is described briefly here and discussed in detail in the analysis of each.

To apply the Cost Approach, the depreciated replacement cost of the improvements is added to the value of the land as though vacant, derived through sales comparison, to arrive at a value estimate for the subject property. This approach is most reliable when the improvements are new or nearly new and represent the highest and best use of the site. The subject is vacant land with no improvements, thus the Cost Approach will not be utilized.

The Sales Comparison Approach is an approach through which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments, based on the elements of comparison, to the sale prices of the comparable sales. The Sales Comparison Approach will be utilized in valuation of the subject property.

The Income Capitalization Approach can be analyzed by one of two methods: 1) Direct Capitalization or 2) Discounted Cash Flow.

The subject property is not encumbered by a lease, has no vertical improvements, and does not produce any income. Therefore, the Income Capitalization Approach will not be utilized.

Due to the fact that the subject is vacant land the Sales Comparison Approach is the only approach utilized in this report.

MARKETING TIME:

1. The time it takes an interest in real property to sell on the market sub-sequent to the date of an appraisal.
2. An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the

determination of reasonable exposure and marketing time.) *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago Appraisal Institute, 2015).*

Based on market evidence, if the subject is placed on the market for sale at the appraised market value, with an intensive marketing program, the property should be sold and closed within six to twelve months. If a property is priced considerably above market it will stay on the market for a considerably longer period of time than if it is priced at market levels. This can be shown within the market by examining the comparable sales' time on the market given their respective sale prices.

EXPOSURE TIME:

Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

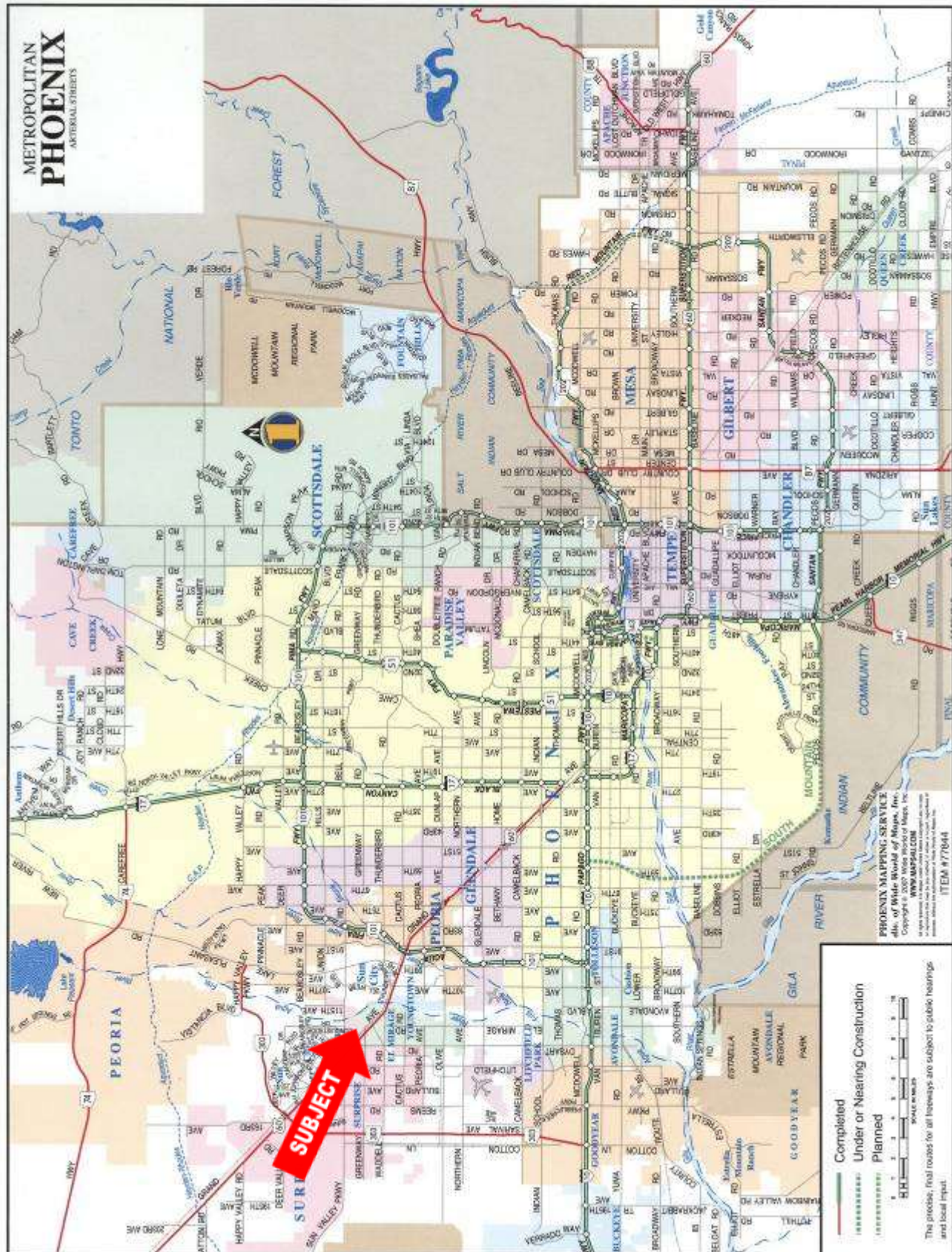
Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. Source: USPAP 2018-2019 Edition

The appraisers researched the subject's market area for similar type properties that were exposed with an intense marketing program and considered to be marketed within a reasonable exposure time. Based on market evidence, properties similar to that of the subject and within the subject's neighborhood sold and closed within six to twelve months.

HAZARDOUS WASTES:

The appraisers were not provided with a copy of any environmental studies. If toxic waste and/or contaminants are detected on the subject property, the value estimate appearing in this report is null and void. If a re-appraisal is required, it will be made at an additional charge and upon receipt of any additional information requested (i.e., what the toxic waste and/or contaminate is and the cost of removal) by the appraiser. No other nuisances or hazards were recognized during our on-site inspection of the subject property.

AREA MAP



REGIONAL AND CITY DATA

LOCATION:

The State of Arizona is located within the southwestern region of the United States. The July 2018 population estimate puts the population of Arizona at 7,076,199. Maricopa County is located in the south central part of the State of Arizona. Maricopa County consists of numerous cities, towns and communities that are inter-connected through transportation corridors, economic affiliations, and physical/location characteristics.

The cities, towns, and communities that make up the Phoenix Metropolitan area include: Apache Junction, Avondale, Buckeye, Carefree, Chandler, El Mirage, Fountain Hills, Gila Bend, Gilbert, Glendale, Goodyear, Guadalupe, Litchfield Park, Mesa, New River, Paradise Valley, Peoria, Phoenix, Scottsdale, Sun City/Sun City West, Surprise, Tempe, Tolleson, Wickenburg, and Youngtown.

The subject property is located in the northwestern portion of the Metropolitan Phoenix area, Maricopa County, Arizona. The subject property is considered part of the greater Metropolitan Phoenix area and will be examined within the following regional data analysis.

The appraisers have identified basic regional factors that may have an impact on the value of the subject property which includes: location, population, employment, income characteristics, cost of living, education, quality of life, and real estate trends. This section will focus and analyze these recognized basic regional factors as they influence or affect real estate value.

SOCIAL FORCES:

Social forces primarily have to do with population and demographic trends. The demographics of the population indicate the potential basic demand for real estate services. Arizona has experienced rapid population growth continuously for the last seven years, largely due to the extended period of strong economic growth. The state added over 100,000 residents last year which translated into a rate of growth of 1.6%. Continued job and population growth have contributed to personal income gains of 5.5 % in 2019.

Arizona	2017	2018	2019	2020	2021	2022
Personal Income (\$ mil)	296,649	313,040	330,397	350,879	371,404	392,595
% Chg from Year Ago	5.6%	5.5%	5.5%	6.2%	5.8%	5.7%
Retail Sales (\$mil)	100,000	106,980	112,210	116,805	122,023	127,548
% Chg from Year Ago	5.4%	7.0%	4.9%	4.1%	4.5%	4.5%
Total Nonfarm Employment (000s)	2,777.3	2,856.0	2,925.3	2,985.3	3,036.8	3,089.0
% Chg from Year Ago	2.5%	2.8%	2.4%	2.1%	1.7%	1.7%
Population (000s), July 1st estimates	6,965.9	7,076.2	7,187.6	7,295.3	7,400.4	7,504.9
% Chg from Year Ago	1.9%	1.6%	1.6%	1.5%	1.4%	1.4%
Residential Building Permits (units)	39,472	41,631	43,417	43,481	43,007	43,371
% Chg from Year Ago	10.9%	5.5%	4.3%	0.1%	-1.1%	0.8%

	1-Jul-18	1-Jul-17	1-Jul-2010	Number	Percent
	Population Est.	Population Est.	Population est.	Change	Change
Apache Junction	40,611	39,719	35,840	4,771	13.31%
Avondale	82,605	81,621	76,238	6,367	8.35%
Buckeye	76,145	69,947	50,876	25,269	49.67%
Carefree	3,722	3,669	3,363	359	10.67%
Cave Creek	5,760	5,676	5,015	745	14.86%
Chandler	262,322	257,948	236,123	26,199	11.10%
El Mirage	34,292	34,174	31,797	2,495	7.85%
Fountain Hills	24,029	23,862	22,489	1,540	6.85%
Gila Bend	2,014	2,010	1,922	92	4.79%
Gilbert	253,036	246,423	208,453	44,583	21.39%
Glendale	241,844	239,858	226,721	15,123	6.67%
Goodyear	84,659	81,447	65,275	19,384	29.70%
Guadalupe	6,342	6,332	5,523	819	14.83%
Litchfield Park	6,689	6,452	5,476	1,213	22.15%
Mesa	488,925	481,275	439,041	49,884	11.36%
Paradise Valley	14,011	13,913	12,820	1,191	9.29%
Peoria	176,118	171,580	154,058	22,060	14.32%
Phoenix	1,597,738	1,579,253	1,449,242	148,496	10.25%
Queen Creek	49,261	39,714	25,998	23,263	89.48%
Scottsdale	245,417	242,540	217,365	28,052	12.91%
Surprise	132,852	130,129	117,688	15,164	12.88%
Tempe	185,301	179,794	161,974	23,327	14.40%
Tolleson	7,017	6,992	6,573	444	6.75%
Wickenburg	7,506	6,903	6,353	1,153	18.15%
Youngtown	6,590	6,575	6,154	436	7.08%
Unincorporated	306,580	303,286	284,016	22,564	7.94%
METRO PHOENIX	4,341,386	4,261,092	3,856,393	484,993	12.58%

Arizona Office of Economic Opportunity

ECONOMIC FORCES:

The Metropolitan Phoenix Area (Maricopa County) represents 69% of the Arizona Labor Market. The Phoenix-Mesa-Glendale MSA had a civilian labor force of 3,508.3 at the end of April 2019. The current unemployment rate in Arizona is 3.0% (April 2019).

Arizona - Labor Force and Employment, SA	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019
<i>Persons (000s, seasonally adjusted), Local Area Unemployment Statistics, BLS</i>					
Civilian Labor Force	3,486.5	3,502.3	3,509.8	3,511.2	3,508.3
% Chg from Year Ago	3.5%	3.7%	3.7%	3.4%	3.0%
Employment	3,315.0	3,324.9	3,331.9	3,334.8	3,335.7
Unemployment	171.5	177.5	177.9	176.4	172.6
Unemployment Rate	4.9	5.1	5.1	5.0	4.9

The economic base of Phoenix is diversified and includes manufacturing as well as professional and industrial employment. Phoenix also has professional employment opportunities as well as a great many industrial parks which house heavy, medium and light industrial activities. Tourism is also an important income producing industry. Transportation to and from other portions within the state and the nation is good. Transportation plays an important role in the Metropolitan area.

Shown next is a chart of the top 10 Phoenix Metropolitan major employers.

Top Ten Employers of Arizona	
State of Arizona	37,655
Banner Health	36,213
Wal-Mart Stores, Inc.	33,814
Wells Fargo & Co	15,062
City of Phoenix	13,894
Arizona State University	13,480
Raytheon Missile Systems	12,000
HonorHealth	11,308
Dignity Health	11,206
University of Arizona	10,659

Phoenix Business Journal Book of Lists 2018-19

GOVERNMENTAL FORCES:

The State of Arizona has placed emphasis on economic development within the State through the Commerce Department. The regional government, through joint efforts of the communities within Maricopa County, has also taken a strong favorable stance toward continued economic development.

Phoenix and its surrounding city governments are considered progressive in their thinking, showing a commitment to strong neighborhood design concepts by improving the educational system, creating more parks and recreational facilities, building new freeway systems and developing major shopping areas for the individual neighborhoods that make up the Metro area. The entire government structure is described as well-run and dynamic.

TRANSPORTATION:

The State, as well as Phoenix, has an excellent transportation system because of Metropolitan Phoenix's primary ideal central location, the area is a natural regional transportation axis for the rest of the southwest. Linkages within the Metropolitan area are also considered good. Accessibility to other locations in this area is very important as people have the option of living in one city and working in another. The Arizona Department of Transportation has several major freeways in place and/or planned for the Metropolitan Phoenix area. (The following information is provided by the Arizona Department of Transportation).

The *Pima Freeway* system traverses east and west along the Beardsley Road alignment from I-17 (Black Canyon Freeway) to the Pima Road in North Scottsdale.

The *Agua Fria Freeway* (extension) runs east and west from the Black Canyon Freeway (I-17) westward to 83rd Avenue and north and south from Beardsley Road to the Papago Freeway (I-10).

The *Piestewa Parkway* (extension) runs southward from the Pima Freeway at 32nd Street and feeds traffic from the northern portion of the Valley to Central Phoenix.

The *Superstition Freeway* is a major freeway that serves the East Valley, especially the cities of Mesa, Tempe, Chandler, Gilbert and Apache Junction. This freeway system runs east and west from the Hohokam Expressway through the entire length of the eastern portion of Metro Phoenix area.

The *Arizona Loop 202* is a partial beltway looping around the eastern areas of the Phoenix metropolitan area in central Arizona. It connects the eastern end of the city of Phoenix, in addition to the towns of Tempe, Mesa, Chandler and Gilbert, and is a vital route in the metropolitan area freeway system. Loop 202 currently has two designated sections along its route; the *Red Mountain Freeway* and the *Santan Freeway*. A third section is currently under construction. This section of the *South Mountain Freeway*, will run from the eastern Interstate 10 (I-10) to the western portion of Interstate 10.

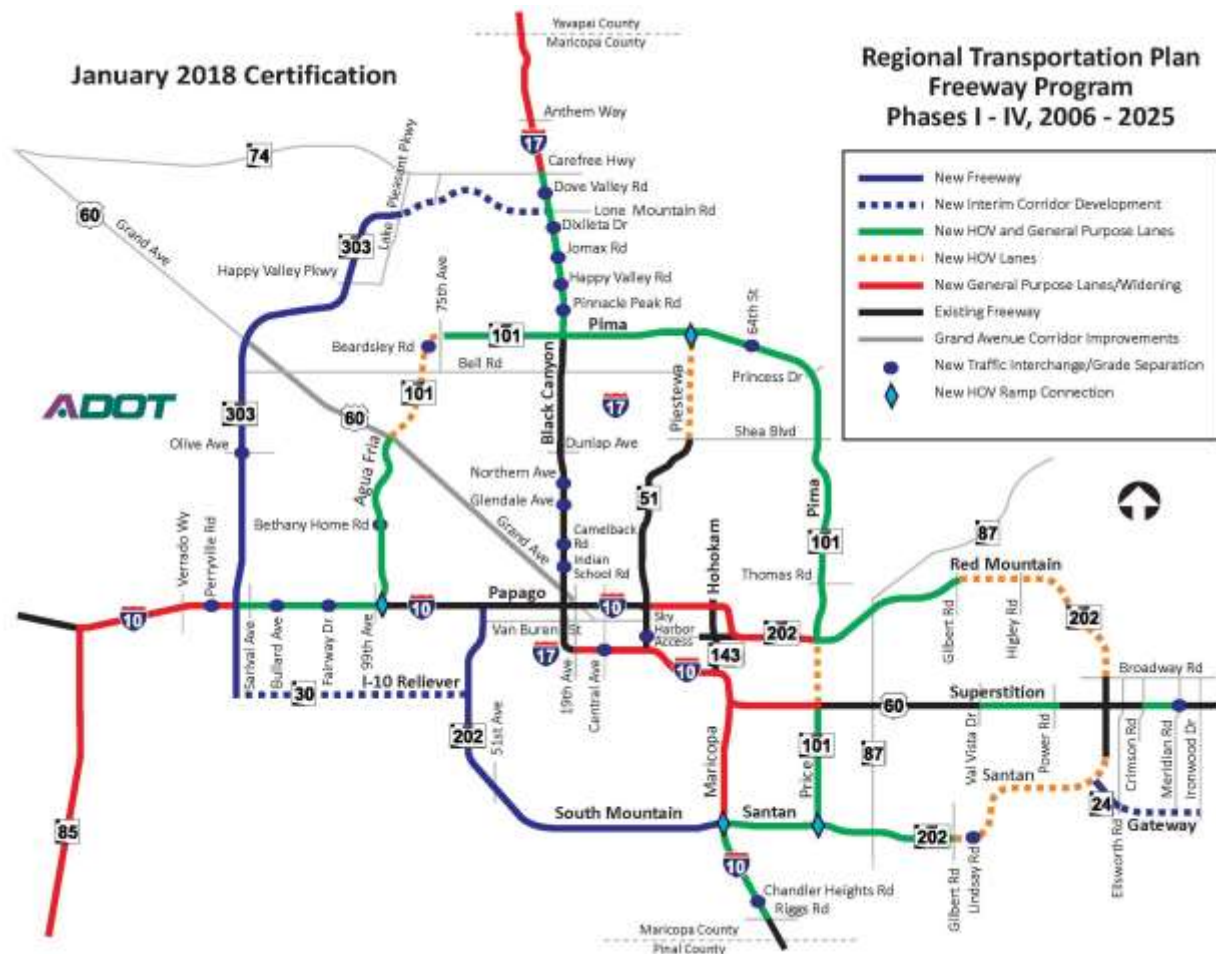
The *Gateway Freeway* (SR 24) was completed and opened in May of 2014. The initial phase is an one-mile stretch beginning at Loop 202 (Santan Freeway) near the Phoenix-Mesa Gateway Airport and ending at Ellsworth Road. Additional phases of this project, east of Ellsworth Road, are suspended until the North-South Corridor Study in Pinal County advances.

The *Price Freeway* (Loop 101) is currently completed from the Superstition Freeway north to Pima Freeway (Loop 101). In addition, recently completed is the portion which transverses from the Superstition Freeway southward to the Santan Freeway (Loop 202).

The *Bob Stump Memorial Parkway* (Loop 303) is the outer loop of the west side of Phoenix. The road begins at Interstate 10 in the far west valley then loops north to U.S. 60 at Surprise, then east to Interstate 17. It's a two-lane highway between Interstate 10 and just south of US 60, four lane expressway from south of US 60 to Happy Valley Road, and as a four lane freeway from Happy Valley Road to Interstate 17.

The Grand Avenue (US 60) freeway construction opened several new intersections from 43rd Avenue to the Loop 101.

Interstates 10 and 17, U.S. Highways 60, 70, 80 and 89 together with State Highways 51, 87 and 93, go through and connect in the City of Phoenix to all areas in the west and mid-western United States. In addition, construction of 249 miles of freeway has been planned for Metro Phoenix. This will further enhance transportation in the communities within the Valley area.



OTHER FORMS OF TRANSPORTATION:

Phoenix Sky Harbor International airport serves more than 100,000 passengers with more than 1,200 flights per day. Sky Harbor is one of the most convenient airports in the United States. It ranked No. 11 among U.S. airports in passenger boarding in 2016 and is served by 17 competitively priced carriers. The airport is located in the middle of Greater Phoenix, less than 10 minutes from downtown, and within 20 miles of almost all of our towns and cities.

Phoenix-Mesa Gateway Airport is located about 30 miles southeast of Phoenix Sky Harbor. Gateway Airport offers commercial flights to more than 35 destinations.

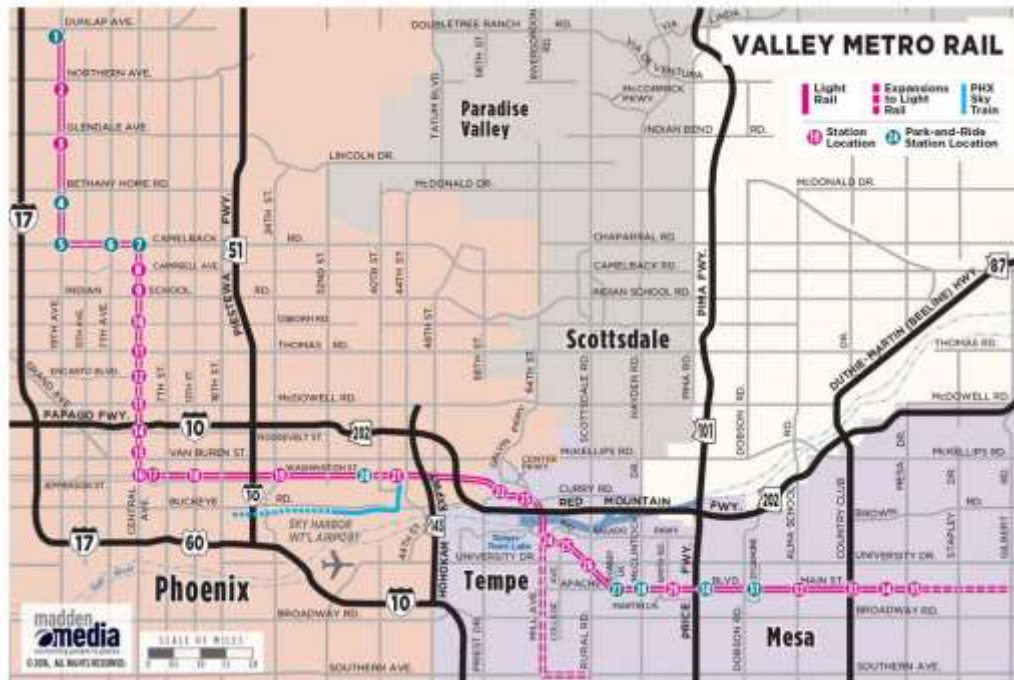
Convenient transportation to Sky Harbor airport comes by way of the PHX Sky Train. This driverless train transports Valley Metro Light Rail passengers to the airport from the 44th Street/Washington Street Station. The PHX Sky Train will travel between Terminal 4, east economy parking and 44th Street/Washington St., where it connects passengers to the Metro Light Rail System.



Light Rail

The Valley's light rail system offers riders a speedy 26-mile ride linking Phoenix to the neighboring communities of Tempe and Mesa, and includes stops at attractions such as Phoenix Art Museum, the Heard Museum, Chase Fields, Talking Stick Resort Arena and Tempe's Mill Avenue District. There are 28 stations along the line and they are adorned with 6.2 million worth of public art. The art work at each station reflects the character of the community where it is located. Station platforms can accommodate the boarding of 600 passengers onto a three-car train within 30 seconds between the cities of Phoenix, Tempe, Mesa and Glendale and is an integral part of a comprehensive Valley-wide transit system.

Light Rail



METRO opened for passenger operation in December 2008.

Freight rail transportation from transcontinental origins from and to the Metro area is provided by the Union Pacific Railway (Southern Arizona), Arizona Eastern (Claypool-Globe), Arizona & California (Parker, Arizona –westward), and the BNSF Railway Company (Northern Arizona). Greyhound and seven other charter bus services serve the city as well. Public transportation is provided by the Phoenix Transit System, and Dial-A-Ride. Other transportation is provided by interstate and intrastate truck lines, household good carriers, United Parcel Service, Purolator Courier Service and Air Couriers International.

In recent years the communities within the Metropolitan area have become more aware of the environment as has the nation as a whole. Enactment of environmental legislation with respect to new development is seriously being taken into consideration by creating new environmental zoning codes to protect the outlying mountainous areas of the Valley.

RESIDENTIAL MARKET:

Active Listings						
	This Month			Year to Date		
	2019	2018	% Chg	2019	2018	% Chg
0-29,999	38	38	0.0	170	183	-7.1
30,000-39,999	24	24	0.0	112	90	24.4
40,000-49,999	30	37	-18.9	112	158	-28.2
50,000-59,999	33	55	-40.0	140	229	-38.9
60,000-69,999	41	81	-49.4	202	318	-36.5
70,000-79,999	43	79	-45.6	197	423	-53.4
80,000-89,999	56	99	-43.4	301	514	-41.4
90,000-99,999	67	94	-28.7	359	535	-32.9
100,000-119,999	156	189	-17.5	844	1196	-29.4
120,000-139,999	238	301	-20.9	1667	2298	-27.5
140,000-159,999	337	332	1.5	2271	2823	-19.6
160,000-179,999	417	489	-14.7	3310	4418	-25.1
180,000-199,999	637	823	-22.6	4959	6182	-19.8
200,000-249,999	2302	2562	-10.1	17264	17220	0.3
250,000-299,999	2285	2361	-3.2	15064	14024	7.4
300,000-399,999	3620	3347	8.2	18470	16768	10.2
400,000-499,999	2181	1984	9.9	9361	8620	8.6
500,000-549,999	683	594	15.0	2739	2346	16.8
550,000-749,999	1733	1599	8.4	6152	5643	9.0
750,000-999,999	1083	1014	6.8	3370	3077	9.5
1,000,000-1,249,999	348	358	-2.8	1018	1059	-3.9
1,250,000-1,499,999	363	363	0.0	934	937	-0.3
1,500,000-1,999,999	420	405	3.7	1041	1012	2.9
2,000,000-2,999,999	376	309	21.7	816	745	9.5
3,000,000+	292	252	15.9	617	553	11.6
Totals	17803	17789	0.1	91490	91369	0.1

Sold Listings						
	This Month			Year to Date		
	2019	2018	% Chg	2019	2018	% Chg
0-29,999	11	5	120.0	101	92	9.8
30,000-39,999	8	9	-11.1	60	62	-3.2
40,000-49,999	9	7	28.6	63	114	-44.7
50,000-59,999	10	21	-52.4	90	157	-42.7
60,000-69,999	21	22	-4.5	116	206	-43.7
70,000-79,999	12	35	-65.7	131	283	-53.7
80,000-89,999	22	43	-48.8	196	332	-41.0
90,000-99,999	29	43	-32.6	254	357	-28.9
100,000-119,999	84	117	-28.2	622	925	-32.8
120,000-139,999	176	183	-3.8	1252	1706	-26.6
140,000-159,999	227	297	-23.6	1707	2228	-23.4
160,000-179,999	347	449	-22.7	2533	3623	-30.1
180,000-199,999	511	633	-19.3	3763	4838	-22.2
200,000-249,999	2029	1900	6.8	13258	13036	1.7
250,000-299,999	1754	1479	18.6	10713	9827	9.0
300,000-399,999	2043	1676	21.9	12105	10763	12.5
400,000-499,999	901	743	21.3	5363	5005	7.2
500,000-549,999	268	185	44.9	1597	1325	20.5
550,000-749,999	471	380	23.9	2952	2637	11.9
750,000-999,999	201	167	20.4	1272	1226	3.8
1,000,000-1,249,999	59	46	28.3	436	434	0.5
1,250,000-1,499,999	33	38	-13.2	266	280	-5.0
1,500,000-1,999,999	43	36	19.4	287	259	10.8
2,000,000-2,999,999	22	27	-18.5	191	182	4.9
3,000,000+	14	3	366.7	128	99	29.3
Totals	9305	8544	8.9	59456	59996	-0.9

The following housing statistics are provided by ARMLS as of July 2019.

Local Multiple Listing Service (ARMLS) had 17,803 active listings as July 31, 2019 across the Greater Phoenix area including listings under contract and seeking backup offers. This represents an increase of 0.1% over the previous year.

Active single family home listings under \$199,999 was down 19.8% compared to the previous year due to poor supply. The mid-range home sales from \$250,000 to \$549,999 increased from 7.4% to 8.6% benefitting from plenty of both supply and demand.

Local Multiple Listing Service (ARMLS) had 59,456, sold listings as of July 31, 2019 across the Greater Phoenix area. This represents a decrease of 0.9% from the previous year.

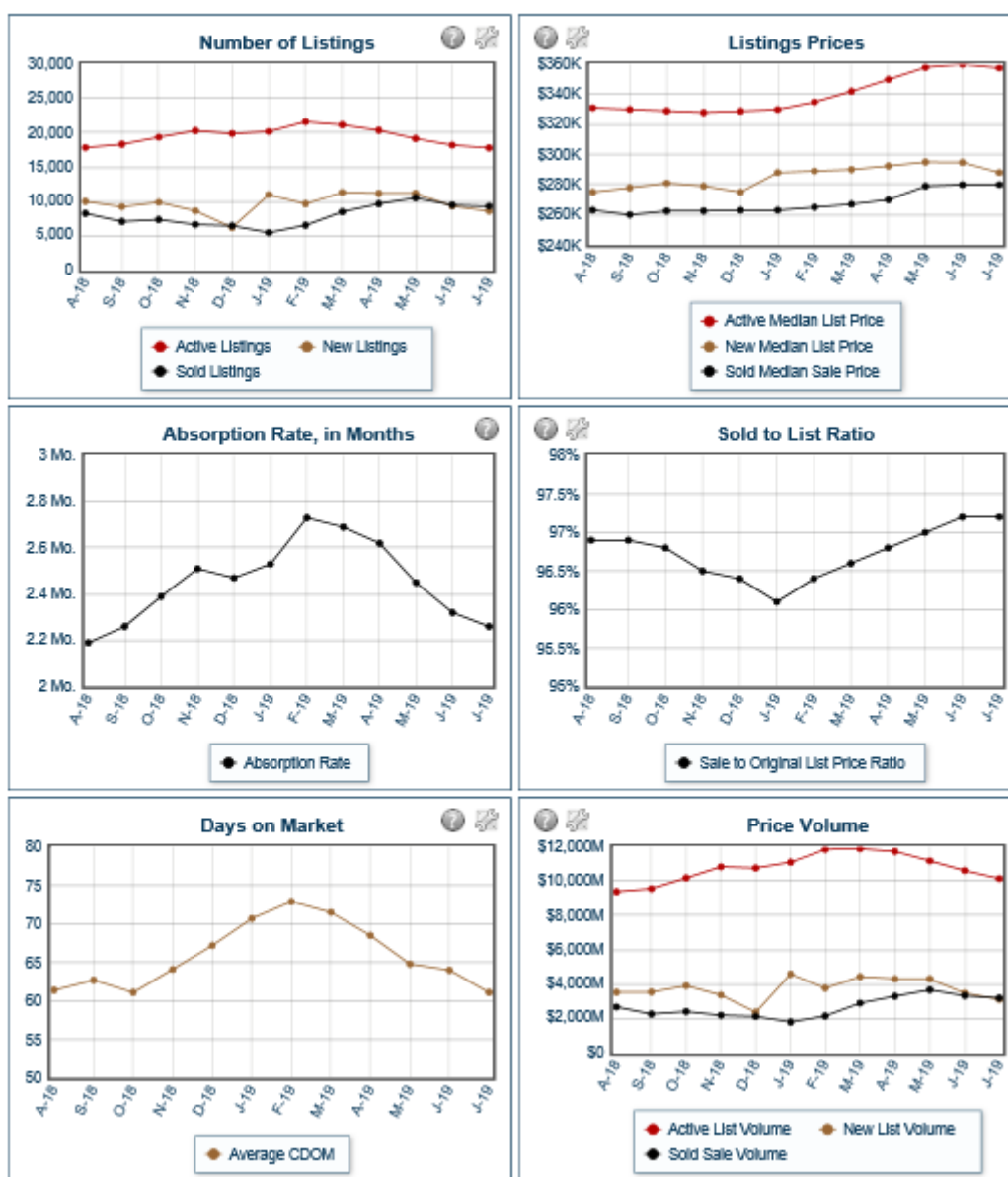
Sold single family home listings under \$199,999 was down 22.2% compared to the previous year due to poor supply. The mid-range home sales from \$200,000 to \$300,000 increased from 1.7% to 9.0% benefitting from a higher supply.

The average single family home list price for the Phoenix Metropolitan Area was \$570,288 as of July 2019, up 4.74% compared to this time last year. The average sale price was \$342,566, an increase of 5.96% compared to the previous year. The average days on market was 61 days compared to 60 days in July of 2018.

Following are the summary statistics for single family residential sales activity within Maricopa County.

Summary Statistics						
	Jul-19	Jul-18	% Chg	2019 YTD	2018 YTD	% Chg
Absorption Rate	2.26	2.2	2.73	2.51	2.33	7.73
Average List Price	\$570,288	\$536,070	6.38	\$421,304	\$402,221	4.74
Median List Price	\$357,600	\$338,000	5.77	\$299,000	\$281,000	6.41
Average Sale Price	\$342,566	\$320,765	6.80	\$341,552	\$322,636	5.86
Median Sale Price	\$280,000	\$265,000	5.66	\$273,000	\$259,000	5.41
Average CDOM	61	60	1.67	N/A	N/A	N/A
Median CDOM	39	38	2.63	43	40	7.50

Following are multiple charts relating to single family residential activity in the Phoenix Metropolitan Area.



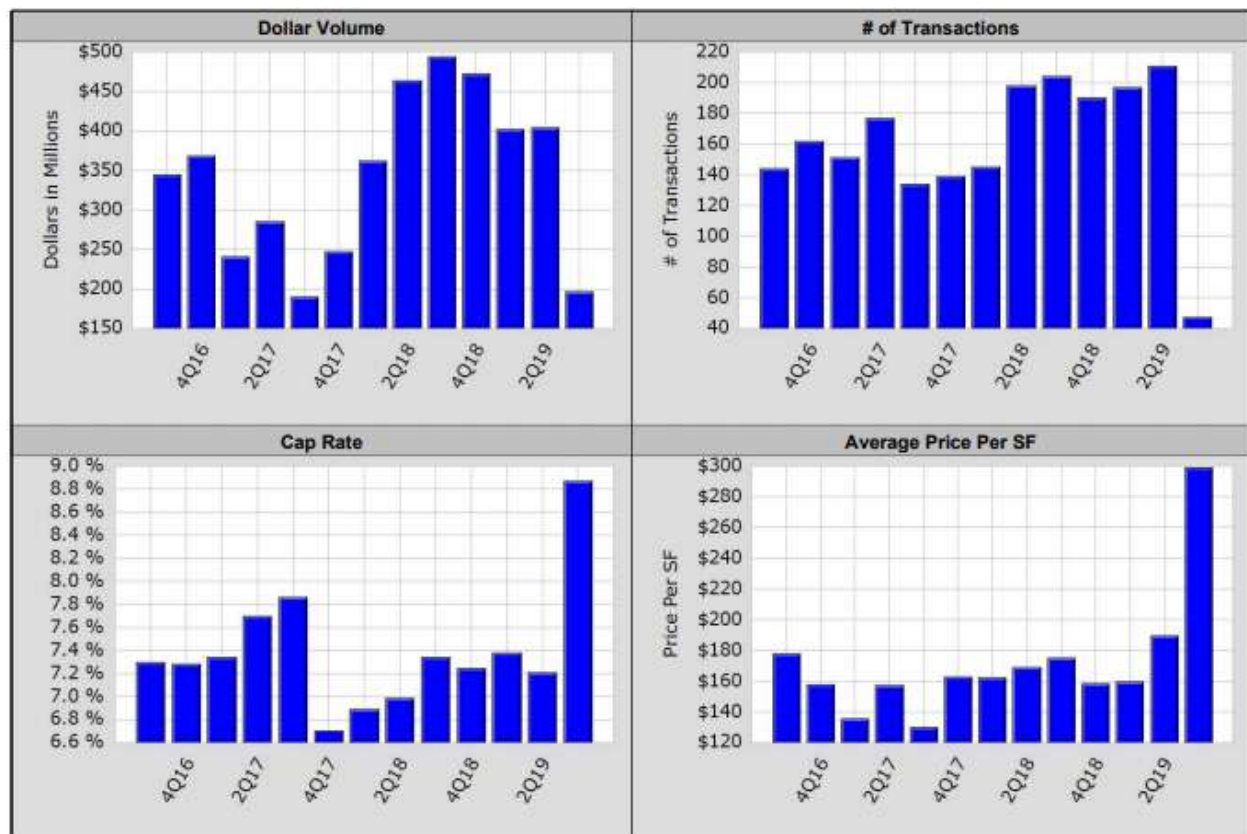
OFFICE MARKET:

The existing inventory for Metropolitan Phoenix consists of just over 183 million square feet. The East Valley market area encompasses the largest submarket, consisting of just over 41 million square feet. The Metropolitan Phoenix Office Market showed a vacancy rate in the 2nd Quarter 2019 of 11.7%. The Metropolitan Phoenix Office Market had a year to date (YTD) absorption of 1,371,512 square feet. The average rental rate ranged from \$21.77 per square foot (Paradise Valley) to \$27.68 per square foot (Central Corridor). The overall average rental rate was \$24.99 per square foot on a full service basis.

Shown next is a chart of the Office Market as of the 2nd Quarter 2019 as compiled by CoStar Realty Information, Inc.

Existing Inventory			Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Market	# of Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	181	9,830,057	1,495,529	1,667,693	17.0%	109,984	0	0	\$22.73
South Tempe/Ahwatukee	302	7,922,387	862,102	913,968	11.5%	283,598	220,000	117,394	\$23.89
Airport Area	483	17,752,444	2,357,631	2,581,661	13.3%	393,582	220,000	117,394	\$23.31
Midtown	393	12,905,924	2,419,941	2,454,183	19.0%	127,608	144,300	0	\$23.91
Downtown	179	10,615,810	1,321,611	1,430,599	13.5%	(166,423)	0	280,399	\$31.45
Central Corridor	572	23,521,734	3,741,552	3,884,782	15.9%	(38,815)	144,300	280,399	\$27.68
44th Street Corridor	145	4,110,804	480,978	490,413	11.9%	(18,353)	22,661	0	\$26.39
Camelback Corridor	223	9,654,390	1,435,512	1,527,525	15.8%	35,977	0	65,000	\$31.91
Midtown/Central Phoenix	506	6,176,081	491,639	494,679	8.0%	(38,239)	0	0	\$20.73
East Phoenix	874	19,941,275	2,408,129	2,512,617	12.1%	(20,615)	22,661	65,000	\$26.34
Chandler	516	11,700,215	1,635,034	1,718,382	14.7%	197,442	633,781	508,194	\$26.77
Mesa Downtown	209	1,473,909	111,508	111,508	7.6%	(59,130)	0	0	\$17.23
Mesa East	435	3,521,326	245,677	245,677	7.0%	9,493	0	5,355	\$18.70
Superstition Corridor	415	6,148,467	455,857	467,657	7.6%	137,854	0	0	\$21.20
Tempe	471	15,705,793	896,958	908,621	5.8%	407,232	213,500	1,135,128	\$31.90
Gateway Airport/Loop 202	286	2,614,223	185,276	200,935	7.7%	(21,050)	0	185,600	\$26.93
East Valley	2,332	41,163,933	3,530,310	3,652,780	8.6%	671,841	847,281	1,834,277	\$23.79
Arrowhead	381	4,389,071	476,642	482,819	11.0%	29,078	27,450	25,401	\$25.71
North I-17	58	768,572	120,891	120,891	15.7%	15,439	0	23,000	\$24.83
Deer Valley/Airport	290	11,966,111	1,282,705	1,290,722	10.8%	(25,841)	0	0	\$24.51
Northwest Phoenix	847	10,923,616	2,072,615	2,119,041	19.4%	(135,831)	0	4,532	\$18.92
Northwest Phoenix	1576	28,047,370	3,952,853	4,013,473	14.1%	(117,155)	27,450	52,933	\$23.49
N Phoenix/Cave Creek	18	136,413	0	3,000	2.2%	(600)	0	0	\$17.07
Paradise Valley	263	4,686,743	554,467	569,688	12.2%	30,022	0	0	\$24.74
Piestewa Peak Corridor	206	3,672,904	487,837	500,815	13.6%	73,529	0	0	\$23.51
Paradise Valley	487	8,496,060	1,042,304	1,073,503	12.3%	102,951	0	0	\$21.77
Central Scottsdale	391	8,817,012	883,816	988,213	11.2%	30,352	21,657	8,400	\$27.10
N Scottsdale/Carefree	195	1,873,552	236,010	236,010	12.6%	43,352	0	24,000	\$22.67
Scottsdale Airpark	394	13,384,495	1,592,433	1,705,486	12.7%	(14,106)	0	96,017	\$29.14
Scottsdale South	511	7,253,751	733,941	777,211	10.7%	176,473	123,020	216,318	\$30.55
Scottsdale	1,491	31,328,810	3,446,200	3,706,920	11.0%	236,071	144,677	344,735	\$27.36
Glendale	198	3,574,315	376,956	405,842	11.4%	35,688	64,152	195,000	\$25.79
Loop 303/ Surprise	152	2,476,405	202,342	210,672	8.5%	17,361	0	36,000	\$24.47
Southwest Phoenix	203	4,826,129	246,947	246,947	5.1%	34,132	0	0	\$27.12
West I-10	159	2,628,077	243,650	243,650	9.3%	56,471	45,000	40,000	\$27.24
West Phoenix	712	13,504,926	1,069,895	1,107,111	7.9%	143,652	109,152	271,000	\$26.15
Totals	8,527	183,756,552	21,548,874	22,532,847	11.7%	1,371,512	1,515,521	2,965,738	\$24.99

Shown next is a historical sales activity of office buildings from 4Q 2016 through 2Q 2019 in the Metro Phoenix area.



Legend:			
Current Survey	Sold Transactions		
Time Interval - Quarterly			

RETAIL MARKET:

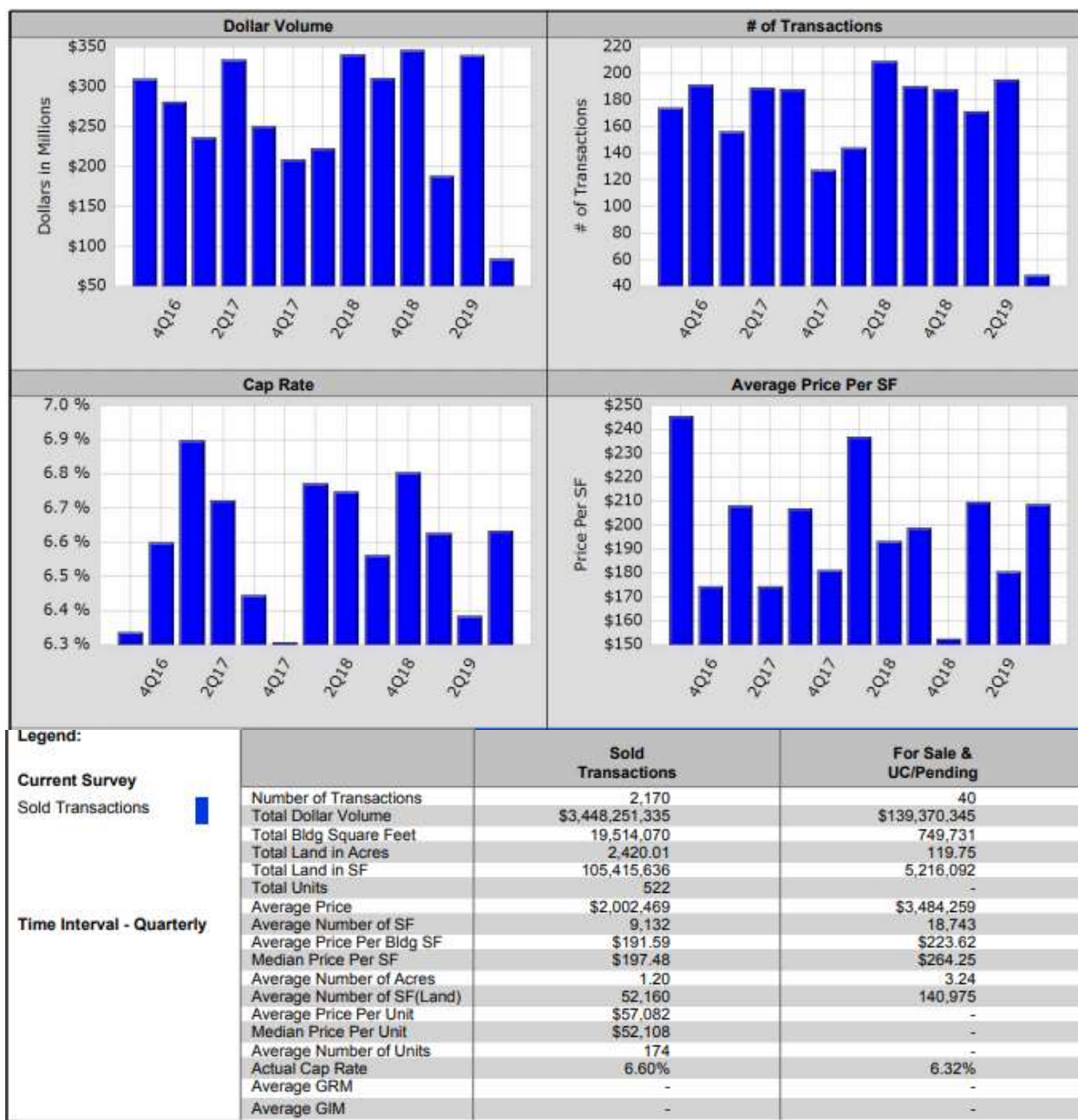
The existing inventory for Metropolitan Phoenix consists of over 231 million square feet. The East Valley market area encompasses the largest submarket, consisting of just over 77 million square feet. The Metropolitan Phoenix Retail Market showed a vacancy rate in the 2nd Quarter 2019 of 6.8%. In the 2nd quarter 2019, the Metropolitan Phoenix Retail Market had a year to date (YTD) absorption of 199,481 square feet. The average rental rate ranged from \$13.98 per square foot (West

Phoenix) to \$23.48 per square foot (Maricopa County Retail). The overall average rental rate was \$17.61 per square foot. All rents are based on a triple net lease basis.

Shown next is a chart of the Retail Market as of the 2nd Quarter 2019 as compiled by CoStar Realty Information, Inc.

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# of Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Airport Area Retail	422	3,868,820	165,614	165,614	4.3%	23,017	0	0	\$16.57
South Phoenix Retail	303	1,687,895	55,174	55,174	3.3%	11,294	0	27,945	\$12.54
Airport Area Ret	725	5,556,715	220,788	220,788	4.0%	34,311	0	27,945	\$14.56
Downtown Phoenix Retail	921	7,748,813	525,007	526,998	6.8%	33,242	23,740	18,200	\$20.20
Downtown Phoenix Retail	921	7,748,813	525,007	526,998	6.8%	33,242	23,740	18,200	\$20.20
Chandler Retail	838	17,382,976	1,028,891	1,028,891	5.9%	(17,707)	57,673	47,630	\$16.58
Gilbert Retail	871	16,087,146	899,550	938,409	5.8%	128,912	73,203	158,740	\$16.15
Queen Creek Retail	102	2,073,200	105,999	105,999	5.1%	(48,888)	0	7,748	\$16.61
Red Mountain/Mesa Retail	1,921	30,673,729	2,847,596	2,882,254	9.4%	(27,910)	55,764	101,126	\$13.73
Tempe Retail	540	8,244,872	506,682	513,303	6.2%	41,698	37,860	44,000	\$18.52
Gateway Airport Retail	146	3,001,339	130,187	132,087	4.4%	17,399	0	79,037	\$16.84
East Valley Retail	4,418	77,463,262	5,518,905	5,600,943	7.1%	93,504	224,500	438,281	\$16.41
W Outlying Maricopa Retail	126	803,536	21,132	21,132	2.6%	(2,269)	0	0	\$23.48
Maricopa County Retail	126	803,536	21,132	21,132	2.6%	(2,269)	0	0	\$23.48
East Phoenix Retail	782	8,898,956	689,602	693,457	7.8%	51,785	0	11,600	\$15.73
Glendale Retail	855	11,339,329	860,003	873,016	7.7%	(73,105)	0	0	\$16.55
N Phoenix/I-17 Corridor Retail	902	16,292,362	1,887,086	1,889,686	11.6%	88,189	0	14,719	\$12.27
Sun City Retail	248	3,772,617	292,134	292,134	7.7%	44,023	17,661	0	\$11.94
North Phoenix Retail	2787	40,303,264	3,728,825	3,748,293	9.3%	110,892	17,661	26,319	\$14.12
Carefree Retail	152	1,865,198	169,335	172,127	9.2%	23,475	0	0	\$17.26
Fountain Hills Retail	92	767,558	88,524	88,524	11.5%	(6,597)	0	0	\$14.82
N Scottsdale Retail	614	15,463,396	859,554	860,784	5.6%	50,764	35,015	8,355	\$22.54
North Scottsdale Retail	858	18,096,152	1,117,413	1,121,435	6.2%	67,642	35,015	8,355	\$18.21
Anthem Retail	132	2,618,891	90,637	90,637	3.5%	(9,340)	0	69,528	\$17.02
Central Peoria/Arrowhead Retail	458	10,269,204	432,841	435,855	4.2%	(3,660)	0	40,174	\$19.24
Deer Valley Retail	147	2,111,373	82,087	82,087	3.9%	24,686	0	0	\$20.34
Surprise/N Peoria Retail	320	5,592,693	287,074	291,646	5.2%	92,825	52,872	7,479	\$12.83
Northwest Phoenix Retail	1057	20,592,161	892,639	900,225	4.3%	104,511	52,872	117,181	\$17.36
Central Scottsdale Retail	935	15,706,143	835,473	854,363	5.4%	(45,499)	0	217,593	\$27.43
S Scottsdale Retail	371	3,878,062	172,979	179,756	4.6%	22,357	0	1,887	\$17.45
Scottsdale Retail	1306	19,584,205	1,008,452	1,034,119	5.1%	(23,142)	0	219,480	\$22.44
Ahwatukee Foothills Retail	180	3,235,148	282,361	285,496	8.8%	3,089	0	7,000	\$18.45
Laveen Retail	86	1,471,972	77,068	77,068	5.2%	(12,601)	14,100	0	\$17.88
S Mountain Retail	104	1,673,009	89,891	89,891	5.4%	5,021	0	0	\$17.03
South Mountain Retail	370	6,380,129	449,320	452,455	7.0%	(4,491)	14,100	7,000	\$17.79
Goodyear Retail	241	3,551,542	250,043	250,043	7.0%	(11,586)	0	0	\$18.35
Loop101/I-10 Retail	161	2,986,421	112,000	112,000	3.8%	36,911	0	16,363	\$23.17
N Goodyear/Litchfield Retail	237	5,123,043	261,655	261,655	5.1%	72,867	11,866	45,026	\$17.28
N Buckeye Retail	7	63,968	0	0	0.0%	0	0	0	\$0.00
S Buckeye Retail	143	1,529,145	45,128	45,128	3.0%	12,517	20,091	3,500	\$16.68
Tolleson Retail	280	2,795,110	178,874	178,874	6.4%	(20,593)	0	2,200	\$10.97
West Phoenix/Maryvale Retail	534	8,248,023	473,602	473,602	5.7%	(184,750)	0	0	\$11.43
West Phoenix Retail	1603	24,297,252	1,321,302	1,321,302	5.4%	(94,634)	31,957	67,089	\$13.98
Apache Junction Retail	168	2,057,730	207,006	222,257	10.8%	(27,417)	3,272	36,400	\$18.63
Outlying Pinal County Retail	861	8,455,801	805,279	822,963	9.7%	(92,668)	15,979	26,000	\$11.73
Pinal County Retail	1029	10,513,531	1,012,285	1,045,220	9.6%	(120,085)	19,251	62,400	\$15.18
Totals	15,200	231,339,020	15,816,068	15,992,910	6.8%	199,481	419,096	992,250	\$17.61

Shown next is a historical sales activity of retail buildings from 4Q 2016 through 2Q 2019 in the Metro Phoenix area.



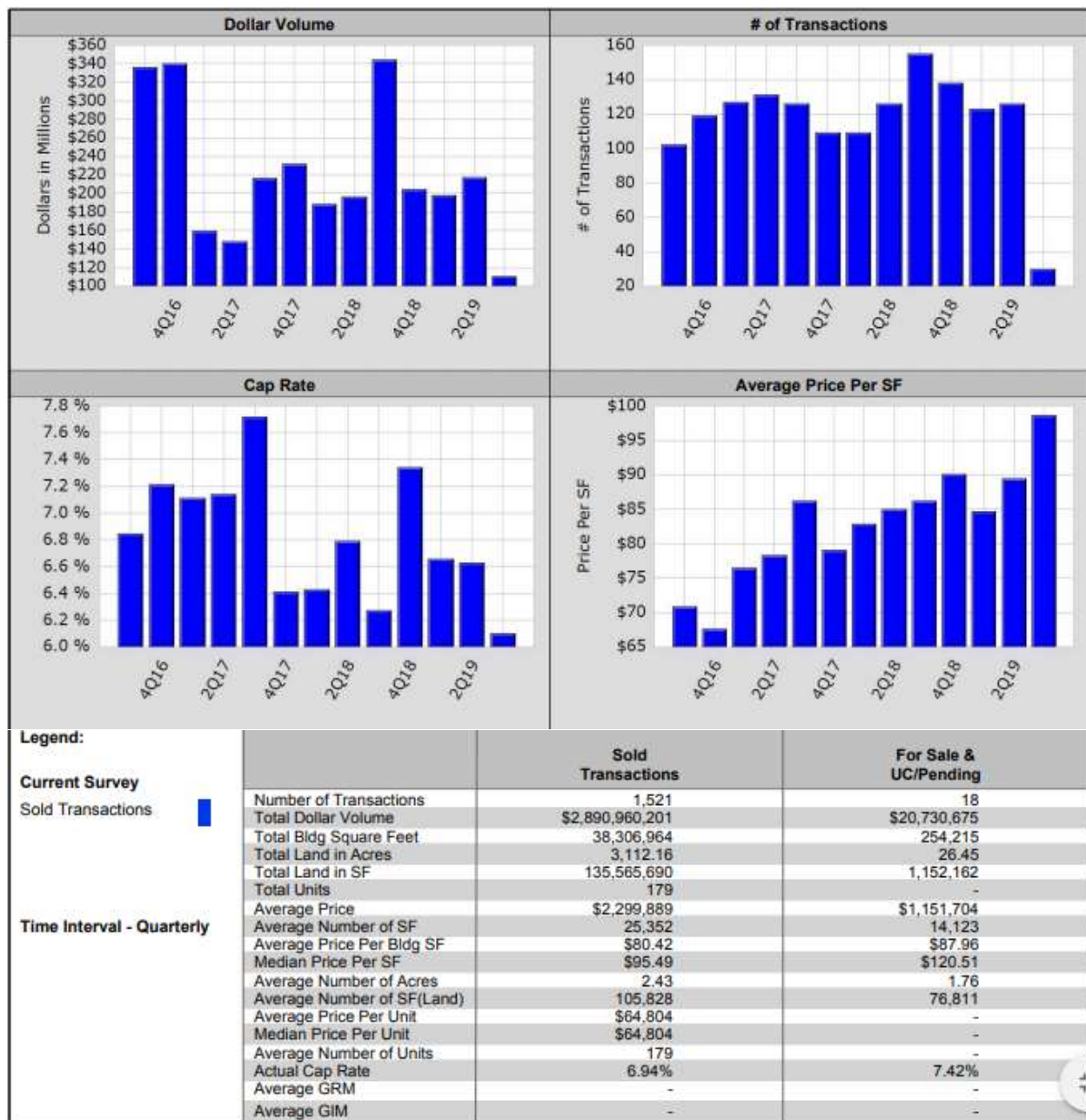
INDUSTRIAL MARKET:

The existing inventory for Metropolitan Phoenix consists of 10,319 projects totaling over 331 million square feet. The Southeast Market encompasses the largest Market, with 3,341 buildings and a total of over 98 million square feet. The overall vacancy rate for Metro Phoenix is 6.4%. The Metropolitan Phoenix Industrial Market, as of the 2nd Quarter 2019 had a year to date (YTD) absorption of 1,779,675 square feet. The average rental rate ranged from \$5.42 per square foot (Southwest) to \$12.53 per square foot (Northeast Industrial). The overall average market rental rate was \$7.12 per square foot. All rents are typically Modified Gross.

Shown next is a chart of the Industrial Market as of the 2nd Quarter 2019 as compiled by CoStar Realty Information, Inc.

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# of Bldgs	Total RBA	Direct SF	Total SF	Vac %				
North Airport	629	13,426,220	734,770	758,704	5.7%	(138,474)	0	0	\$9.80
S Airport N of Roeser	513	15,545,403	1,249,499	1,268,312	8.2%	159,802	0	115,354	\$9.67
S Airport S of Roeser	166	4,560,317	127,929	127,929	2.8%	21,432	0	0	\$8.86
SC N of Salt River	686	16,166,724	867,523	867,523	5.4%	250,092	554,874	0	\$7.64
SC S of Salt River	133	2,536,955	333,503	333,503	13.1%	77,069	0	0	\$4.59
Airport Area	2,127	52,235,619	3,313,224	3,355,971	6.3%	369,921	554,874	115,354	\$8.11
Central Phoenix	359	4,549,057	193,812	194,362	4.3%	24,618	58,984	0	\$11.12
Scottsdale Airpark	367	6,774,919	399,895	433,799	6.4%	(17,366)	0	0	\$13.21
Scottsdale/Salt River	169	5,388,123	111,813	115,758	2.1%	30,116	0	37,839	\$13.27
Northeast Industrial	895	16,712,099	705,520	743,919	4.2%	37,368	58,984	37,839	\$12.53
Deer Valley/Pinnacle Pea	695	17,405,384	1,253,020	1,307,717	7.5%	97,322	0	459,366	\$9.15
Glendale	131	10,511,604	618,644	618,644	5.9%	(97,040)	34,170	1,831,998	\$5.59
Grand Avenue	629	13,442,346	406,187	406,187	3.0%	(54,585)	0	0	\$5.68
North Black Canyon	255	4,525,121	339,546	339,546	7.5%	38,965	0	0	\$9.78
W Phx N of Thomas Rd	469	8,305,078	231,302	232,591	2.8%	8,491	0	0	\$6.69
W Phx S of Thomas Rd	321	7,021,079	194,745	194,745	2.8%	(104,613)	0	0	\$6.01
Northwest Phoenix	2,500	61,210,612	3,043,444	3,099,430	5.0%	(111,460)	34,170	2,291,364	\$7.15
Chandler/Airport	99	3,868,490	398,675	404,295	10.5%	346,790	10,000	620,275	\$10.15
Chandler Ind	374	21,443,659	973,679	1,058,541	4.9%	(44,796)	0	1,090,516	\$10.35
Chandler/N Gilbert	794	20,651,835	997,488	1,297,051	6.3%	(69,892)	281,058	999,298	\$8.22
Falcon Fld/Apache Jct	259	5,402,572	449,130	494,742	9.2%	65,588	126,529	319,737	\$9.06
Mesa	479	7,727,306	289,795	314,195	4.1%	291	0	0	\$7.99
Tempe East	375	6,683,453	202,844	208,964	3.1%	99,250	0	0	\$11.87
Tempe Northwest	346	11,117,528	587,729	596,386	5.4%	142,561	0	307,000	\$10.08
Tempe Southwest	615	21,548,304	1,987,503	2,132,434	9.9%	35,785	0	0	\$8.22
Southeast Industrial	3,341	98,443,147	5,886,843	6,506,608	6.0%	575,577	417,587	3,336,826	\$9.49
Goodyear	175	13,304,306	1,095,840	1,164,687	8.8%	510,728	0	1,535,646	\$4.72
SW N of Buckeye Rd	727	33,429,259	1,914,402	1,991,525	6.0%	489,616	700,223	518,762	\$5.07
SW S of Buckeye Rd	310	17,938,482	961,648	1,357,423	7.6%	(764,970)	0	636,578	\$6.86
Tolleson	244	38,110,496	4,305,414	4,378,576	11.5%	672,895	0	1,530,776	\$5.01
Southwest Industrial	1,456	102,782,543	8,277,304	8,892,211	8.1%	908,269	700,223	4,221,762	\$5.42
Totals	10,319	331,384,020	21,226,335	22,598,139	6.4%	1,779,675	1,765,838	10,003,145	\$7.12

Shown next is a historical sales activity of industrial buildings from 4Q 2016 through 2Q 2019 in the Metro Phoenix area.



SUMMARY AND CONCLUSION:

The Arizona economy is generating solid economic growth, with job gains above the national rate but well below the long-run state average. The housing market is improving, with total housing sales in the Phoenix area totaling 59,456 (MLS) as of July 2019. Overall, the state is on pace to generate job, income, population and retail sales gains in 2019, with faster growth expected during the next two years. The long-run outlook calls for the state to outpace national growth for many indicators. However, it also calls for slower growth during the next 30 years as compared to the robust growth of the past 30 years. That reflects in large part the aging of the baby boom generation, which slows labor force growth and ultimately gains in potential output. Nonetheless, the economy is expected to expand during the next 30 year period due to continued innovation and capital investment. (Arizona Economic and Business Research Center)

The Phoenix Market is continuing to show signs of growth. As shown, single family detached and attached homes have started to increase. Building permits and sales activity continue to increase and values are on the rise. It is expected that the second half of 2019 will continue in a similar fashion.

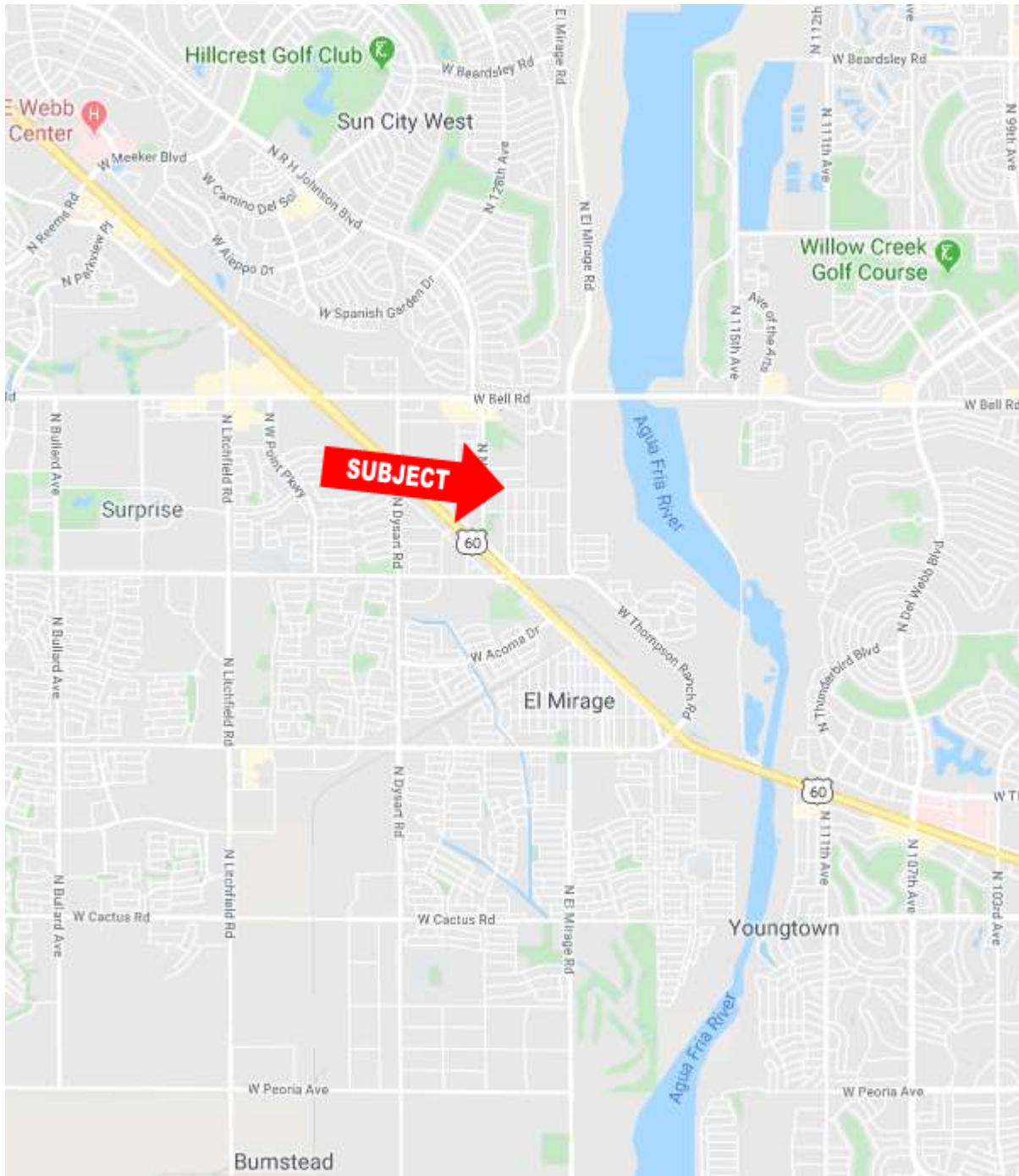
The office market for the 2nd Quarter 2019 has decreased at 11.7% compared to the 1st Quarter 2019 of 12.4%. Quoted rental rates decreased slightly to \$24.99 per square foot in the 2nd Quarter 2019 as compared to the previous quarter at \$25.00 per square foot.

The retail market vacancy for the 2nd Quarter 2019 has decreased at 6.8% compared to the 1st Quarter of 2019 of 7.0%. Rental rates have slightly increased to \$17.61 per square foot in the 2nd Quarter 2019 from \$17.18 per square foot in the 1st Quarter 2019.

In the 2nd Quarter 2019 the industrial market vacancy has seen a slight decrease in vacancy to 6.4% compared to 6.8% in the 1st Quarter 2019. Quoted rental rates has slightly decreased to \$7.12 per square foot in the 2nd Quarter 2019 as compared to the previous quarter at \$7.13 per square foot.

The State of Arizona and regional governmental agencies have a forward looking, progressive attitude toward more mutual and joint efforts at economic development in the Metropolitan area. However, even in the midst of such economic turnaround the cost of living in Phoenix can still be viewed as a bright spot. Though Phoenix residents have seen an increase in the price of day-to-day expenses, the area remains one of the more affordable places to live and work in comparison to the rest of the United States. It is in part because of our cost of living that we continue to see individuals and businesses choose Phoenix as a relocation destination.

NEIGHBORHOOD MAP



NEIGHBORHOOD DATA ANALYSIS

This section involves an analysis of the environmental, economic, social and governmental forces within the subject neighborhood.

An area of influence is commonly called a "neighborhood", is defined as a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises or can be A developed residential super pad within a master planned community usually having a distinguishing name and entrance. (Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

The neighborhood analysis is the objective analysis of observable and/or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

Neighborhood boundaries identify the physical limits of a neighborhood, which may be delineated by natural, man-made, or geopolitical features. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

The neighborhood which is described as that area beyond which a change in land use would not affect the subject property site, is an area bounded on the North by Bell Road, on the South by Greenway Road, on the West by Dysart Road Avenue and on the East by El Mirage in Surprise, Maricopa County, Arizona. The major arterials for the area include Grand Avenue and Greenway Road.

Refer to the Neighborhood Map on the preceding page illustrating the subject in relation to the boundaries of the neighborhood.

Overall, the subject is located in an area that consists mainly of residential uses along the secondary streets and commercial uses along the major roadways.

Single Family Residential

The appraisers researched the subject zip code (85378) to determine single family residential supply and demand factors. According to Arizona Multi List Service the current single family median sales price is up by 6.73% compared to the same time period last year. The median list price for homes in the subject's zip code was up 10.46% from the previous year's median list price. Absorption rates for single family homes are down 72.70%.

Following are the summary statistics for single family residential sales activity within the subject's zip code.

Summary Statistics						
	Oct-19	Oct-18	% Chg	2019 YTD	2018 YTD	% Chg
Absorption Rate	0.92	3.37	-72.70	1.78	2.46	-27.84
Average List Price	\$249,212	\$262,251	-23.22	\$202,879	\$206,415	-1.71
Median List Price	\$254,000	\$226,900	10.46	\$226,627	\$225,900	0.32
Average Sale Price	\$230,593	\$266,318	-15.11	\$189,854	\$212,208	-10.63
Median Sale Price	\$238,000	\$223,000	6.73	\$217,750	\$225,000	-3.22
Average DOM	28	65	-56.92	54	60	-10.00
Median DOM	25	50	-50.00	36	36	0.00

Following are multiple charts relating to single family residential activity in the subject's zip code including:

- Number of listings
- Listing Prices
- Absorption Rate, in Months
- Sold to List Ratio
- Days on Market
- Price Volume

85378 Residential





Heritage at Surprise

Currently under construction at the southeast corner of Rimrock Street and Nash Street is the Heritage at Surprise affordable housing apartment complex. The complex is planned for 100 units in a 100,000 square foot in six buildings. The project will be a mix of 2, 3 and 4 bedroom units. Services will include computer center, workforce connection services, financial literacy, kids café, after school activities and youth programming. The project is projected to open in the Spring 2020.

Retail

The following historical data from CoStar represents the retail market including rental rates and vacancy rates.

INVENTORY SF	UNDER CONSTRUCTION SF	12 MO NET ABSORPTION SF	VACANCY RATE
4.7 M +0.5%	0 -100%	156 K +5,110.2%	4.4% -2.8%
Prior Period 4.7 M	Prior Period 12.8 K	Prior Period 3 K	Prior Period 7.2%

Availability		Inventory	
Vacant SF	207 K ↓	Existing Buildings	324 ↑
Sublet SF	3.1 K ↓	Under Construction Avg SF	-
Availability Rate	6.4% ↓	12 Mo Demolished SF	0 ↓
Available SF	301 K ↓	12 Mo Occupancy % at Delivery	100% ↑
Available Asking Rent/SF	\$12.50 ↓	12 Mo Construction Starts SF	11.5 K ↓
Occupancy Rate	95.6% ↑	12 Mo Delivered SF	24.4 K ↑
Percent Leased Rate	95.8% ↑	12 Mo Avg Delivered SF	12.2 K ↑

The 3.0 mile radius of the subject had a retail inventory of approximately 4.7 million square feet. Of this area approximately 207,000 square feet was vacant equating to a vacancy rate of 4.4%. Over the past five years, vacancy rates ranged from 4.4% to 9.6%. Over the past year, vacancy rates have been trending upward.

MARKET RENT/SF	MARKET SALE PRICE/SF	MARKET CAP RATE
\$19.08 +2.0%	\$200 +1.9%	7.1% 0%
Prior Period \$18.72	Prior Period \$196	Prior Period 7.1%

Sales Past Year		Demand	
Asking Price Per SF	\$264 ↑	12 Mo Net Absorp % of Inventory	3.3% ↑
Sale to Asking Price Differential	-7.0% ↑	12 Mo Leased SF	80.7 K ↓
Sales Volume	\$54.9 M ↑	Months on Market	13.5 ↓
Properties Sold	31 ↑	Months to Lease	3.6 ↓
Months to Sale	8.9 ↑	Months Vacant	3.5 ↓
For Sale Listings	11 ↓	24 Mo Lease Renewal Rate	76.1%
Total For Sale SF	83.7 K ↓	Population Growth 5 Yrs	7.7%

The current quarter showed average asking rental rates of \$19.08 per square foot. Over the past five years, average asking rental rates ranged between \$16.49 per square foot to \$21.20 per square foot. Average asking rental rates have been trending downward over the past year.

Office

The following historical data from CoStar represents the office market including rental rates and vacancy rates.

INVENTORY SF	UNDER CONSTRUCTION SF	12 MO NET ABSORPTION SF	VACANCY RATE
1.7 M 0%	0 -	(8.6 K) -113.3%	10.1% +0.6%
Prior Period 1.7 M	Prior Period 0	Prior Period 64.5 K	Prior Period 9.5%

Availability		Inventory	
Vacant SF	170 K ↑	Existing Buildings	114 ↓
Sublet SF	0 ↓	Under Construction Avg SF	-
Availability Rate	12.5% ↑	12 Mo Demolished SF	0 ↓
Available SF	211 K ↑	12 Mo Occupancy % at Delivery	-
Available Asking Rent/SF	\$25.75 ↑	12 Mo Construction Starts SF	0 ↓
Occupancy Rate	89.9% ↓	12 Mo Delivered SF	0 ↓
Percent Leased Rate	90.0% ↓	12 Mo Avg Delivered SF	-

The 3.0 mile radius of the subject had an office inventory of approximately 1.7 million square feet. Of this area approximately 170,000 square feet was vacant equating to a vacancy rate of 10.1%. Over the past five years, vacancy rates ranged from 10.1% to 17.0%. Over the past year, vacancy rates have been trending downward.

MARKET RENT/SF	MARKET SALE PRICE/SF	MARKET CAP RATE
\$24.39 +4.8%	\$213 +3.5%	7.2% 0%
Prior Period \$23.26	Prior Period \$206	Prior Period 7.2%

Sales Past Year		Demand	
Asking Price Per SF	-	12 Mo Net Absorp % of Inventory	-0.5% ↓
Sale to Asking Price Differential	-	12 Mo Leased SF	22.5 K ↓
Sales Volume	\$37 M ↑	Months on Market	10.7 ↓
Properties Sold	18 ↑	Months to Lease	17.3 ↓
Months to Sale	6.3 ↓	Months Vacant	18.6 ↓
For Sale Listings	9 ↑	24 Mo Lease Renewal Rate	67.3%
Total For Sale SF	54.9 K ↑	Population Growth 5 Yrs	8.0%

The current quarter showed gross asking rental rates of \$24.39 per square foot. Over the past five years, gross asking rental rates ranged between \$18.04 per square foot to \$24.39 per square foot. Gross asking rental rates have been trending upward over the past year.

DEMOGRAPHICS:

Population	1 Mile	3 Mile	5 Mile
2019 Total Population:	14,186	100,266	234,717
2024 Population:	15,073	107,469	251,668
Pop Growth 2019-2024:	6.25%	7.18%	7.22%
Average Age:	36.40	43.90	49.00
Households			
2019 Total Households:	4,696	40,189	102,313
HH Growth 2019-2024:	6.01%	7.16%	7.02%
Median Household Inc:	\$47,902	\$52,269	\$54,907
Avg Household Size:	3.00	2.50	2.30
2019 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	\$147,464	\$176,074	\$205,928
Median Year Built:	1996	1996	1994

Source: CoStar

DIRECTION AND DISTANCE TO EMPLOYMENT CENTERS:

Employment centers and other community support services, such as medical facilities, churches, schools and parks are available within the neighborhood or in the neighboring cities which surround the subject neighborhood.

COMMUNITY SERVICES AND FACILITIES:

Within the community there are adequate grade schools, middle schools and high schools, colleges/universities and trade schools that can provide public school education for the neighborhood. Additionally, there are adequate medical facilities nearby.

UTILITIES:

The subject neighborhood is located within the city limits of Surprise. Water is provided by the El Mirage; Sewer is by the City of Surprise; Electricity is provided by Arizona Public Service; Natural gas is provided by Southwest Gas; Telephone service is provided by CenturyLink. These services are adequate and are available at reasonable rates. The cost of obtaining these services is similar to competing neighborhoods in the Phoenix metropolitan area.

GOVERNMENTAL FORCES:

The governmental forces maintaining accord in the neighborhood and influencing development in the area have been Surprise zoning regulations. Police and fire protection is provided by the City of Surprise.

CONCLUSION:

The subject neighborhood is in a stable stage of development. The subject neighborhood is located within an area of Surprise that is comprised of an adequate amount of retail centers, schools, medical facilities, and other goods and services that will promote the marketability of the subject neighborhood.

PLAT MAP



SITE DATA ANALYSIS

LOCATION:

The subject property is located along Hollyhock Street, north of Rimrock Street in Surprise, Arizona.

SITE DIMENSIONS AND SHAPE:

The subject site is rectangular in shape considered to be functionally adequate for most types of development. As per the Maricopa County Assessor's map the site is comprised of 0.59 acres or 25,700 SF. The site has approximately 82.5' along Hollyhock Street and 314' in depth.

IMPROVEMENTS:

There are no vertical improvements.

NUISANCES OR HAZARDS:

The appraisers have not been provided with any environmental studies. The appraisers are without the expertise to identify and/or detect such substances, upon physical inspection of the site, there are no known hazards that would affect the development of the property. Because of the liability generated if toxic wastes and/or contaminants are found on the site, it is strongly recommended that a specialist in the detection of toxic waste be retained to check for possible contamination.

If a toxic waste and/or contaminant is detected, the value estimate appearing in this report is null and void. If a re-appraisal is required, it will be made at an additional charge and upon receipt of any additional information requested (i.e., what the toxic waste and/or contaminant is and the cost of removal) by the appraisers.

TRANSPORTATION IMPROVEMENTS:

The subject property has visibility and access from Nash Street and Rimrock Street. Roadway improvements adjacent to the subject site are as follows:

Street:	Hollyhock Street
Road Surface:	Paved
Lanes:	Two lanes
Curbs/Gutters:	Yes
Sidewalks:	Yes
Street Lights:	Yes
Speed Limit:	25 mph
Traffic Count:	N/A

TOPOGRAPHY, DRAINAGE AND SOIL CONDITIONS:

Elevations are level and at grade with adjoining property. A soils study has not been provided. The load bearing capacity of the top soil and sub-soils is unknown, but is assumed to be sufficient to support existing improvements.

FLOOD ZONE:

The location is within an area denoted as being in an "X" Flood Hazard Area, as found on Federal Emergency Management Agency Flood Insurance Rate Map number 04013C1240L based on the October 16, 2013 flood data. The "X" designation indicates:

Areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas projected by levees from 100-year flood.

UTILITIES:

All utilities including electrical, water and telephone services are available to the site.

Sewer	-	City of Surprise
Water	-	El Mirage
Electric	-	Arizona Public Service
Gas	-	Southwest Gas
Telephone	-	CenturyLink

EASEMENTS:

A title search has not been furnished to the appraiser. The appraisers assume there are no adverse restrictions or easements which would affect the utility or marketability of the property. There are no apparent easements which would be adverse to the site or affect its utility and marketability.

ZONING:

The purpose of zoning is to provide for orderly growth and harmonious development. Zoning is intended to provide a common ground of understanding and a sound and equitable working relationship between public and private interests to the end that both independent and mutual objectives can be achieved.

The subject site is zoned SHD-RO – Surprise Heritage District, Residential Overlay according the Surprise Planning and Zoning Department.

This overlay is designed to preserve, protect and enhance the types of uses that are indicative of historic residential neighborhoods and the small scale cottage industry uses that are pedestrian-oriented and support the residents and allow for them to live, work, and play within their neighborhood. Limited multi-family uses that are designed to match the scale, massing, and appearance of the single-family neighborhood may be appropriate on infill parcels. The density of the multi-family use may be increased if the parcel is located at the fringe of the neighborhood

and the architectural design, scale, and massing is harmonious with the adjacent neighborhood. Overall density for the SHD/RO zoning district is compliant with the suburban development type in the General Plan 2035 up to eight dwelling units per acre.

A more detailed description of the subject zoning is located within the Addenda.

TAX AND ASSESSMENT DATA:

Presently, the subject property is identified as assessor's tax parcel number: 501-79-033F. The subject property is located in Maricopa County and valued by the county assessor for taxing purposes.

Following is the available information concerning Full Cash Value and Assessed Ratio for the subject property.

2019 FCV - \$37,700

2019 LCV - \$23,500

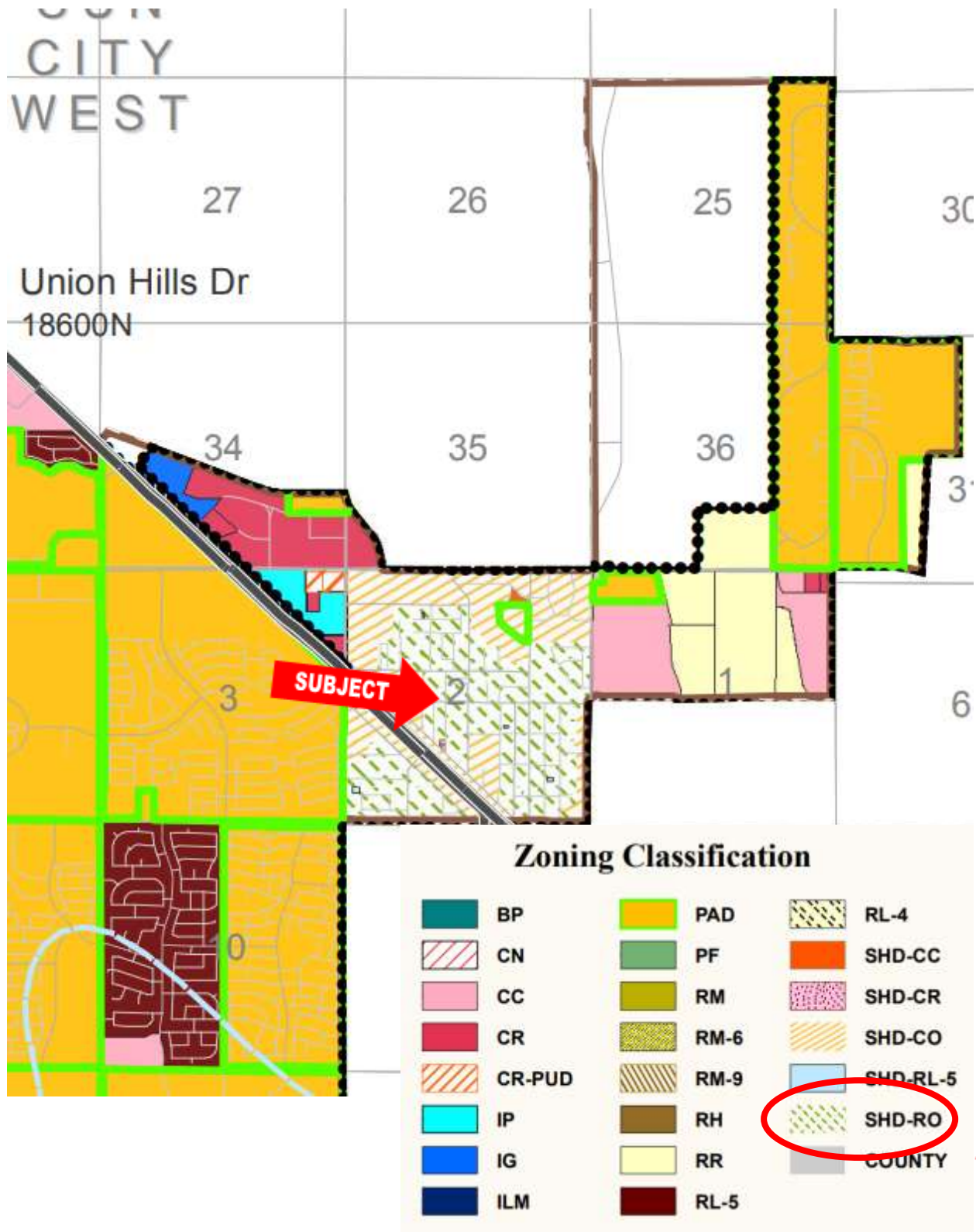
2019 Taxes - \$415.74

According to the Maricopa County Treasurer's Office, the subject property taxes are due but not yet delinquent. The appraisers are unaware of any known special assessments which would affect the value of the property.

CONCLUSION:

In conclusion, the physical and functional characteristics of the site are considered to have adequate street visibility and access. The site is located in an area predominantly made up of commercial development with adequate access to the goods and services of Metropolitan Phoenix. The site is at grade with the adjoining properties with no evidence of drainage problems or soil contamination. All city utilities/services and electricity are available to the site.

ZONING MAP



SUBJECT PHOTOGRAPHS



South: Hollyhock Street, subject to the right



North: Hollyhock Street, subject to the left



West across the subject



West along the southern boundary



West along the northern boundary

HIGHEST AND BEST USE

Highest and best use is a market driven concept that focuses on market forces as each relates to the subject site identifying the most profitable and competitive use to which the property can be put.

Following is the definition of highest and best use as used in this report:

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that is would be willing to bid. (IVS)
3. The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).*

Highest and Best Use as a Vacant Site

Highest and best use of a site as vacant is defined as:

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

Highest and best use of a site as vacant assumes that a parcel of land is vacant or can be vacated by demolishing existing improvements, as of the date valuation.

The purpose of determining the use of the site as vacant is to identify its potential. The goal of the analysis is to ascertain the optimum use of the land as vacant, and what variety or type of improvement, if any, is warranted given present market conditions.

In growth areas and neighborhoods in transition or where a change in the near term is expected, an interim use could be utilized. An interim use may be the existing use, a proposed development, an assemblage or to hold as a speculative investment.

Highest and best use implies contribution of that specific use (ideal improvements) to the community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied, is that the determination of highest and best use results from the appraisers' judgment and analytical skill, i.e., the use determined from analysis represents an opinion,

not fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

The highest and best use conclusion may be identical to the one permitted by either zoning ordinances or private restrictions. In some instances land has a more valuable use than that permitted by law. When there is a strong possibility that a change in the legal use would be permitted, then it could properly be considered as a factor affecting value. Conversely, zoning could legally permit a use more intense than the site could reasonably be expected to perform. In such cases, if zoning will not permit a less intense use, then it is necessary to determine whether or not the zoning could be changed and the effect of this factor upon the ultimate utilization of the property.

Although homogenetic use and compatibility are general considerations for developers, city and county planners and the basis of more intense land use studies, they do not usually indicate the Highest and Best Use of a property.

The Highest and Best Use is considered after analyzing current market conditions relating to the positive and negative attributes of the subject site, significant limitations to the future use and current relationship to other uses in the immediate neighborhood. Specifically, the use must be reasonable within the following areas:

- **Legally Permissible:** The use must be a legal use of the land, meeting all regulatory approvals from national to local levels.
- **Physically Possible:** The use must be physically feasible and appropriate for the site.
- **Financially Feasible:** This area incorporates tests for both financial feasibility and maximum profitability. There must be a proven market demand for any use. Further, the present worth of the economic benefits provided by the demand must be in excess of development costs. The use which returns the greatest profit to the land is considered the highest and best use.
- **Maximally Productive:** The most reasonable use which returns the greatest profit to the land is considered the highest and best use.

Each of these areas will be discussed in more detail in the following section of our analysis of Highest and Best Use.

To test highest and best use for the land as vacant, an appraiser analyzes all logical, feasible alternatives with legal permissibility and physical possibilities considered first.

LEGALLY PERMISSIBLE

Legal permissibility is indicated by land use regulations and current zoning code of the controlling governmental agency.

The purpose of zoning is to provide for the orderly growth and harmonious development. Zoning is intended to provide a common ground of understanding and a sound and equitable working

relationship between public and private interests to the end that both independent and mutual objectives can be achieved.

The subject site is zoned SHD-RO – Surprise Heritage District, Residential Overlay according to the Surprise Planning and Zoning Department.

This overlay is designed to preserve, protect and enhance the types of uses that are indicative of historic residential neighborhoods and the small scale cottage industry uses that are pedestrian-oriented and support the residents and allow for them to live, work, and play within their neighborhood. Limited multi-family uses that are designed to match the scale, massing, and appearance of the single-family neighborhood may be appropriate on infill parcels. The density of the multi-family use may be increased if the parcel is located at the fringe of the neighborhood and the architectural design, scale, and massing is harmonious with the adjacent neighborhood. Overall density for the SHD/RO zoning district is compliant with the suburban development type in the General Plan 2035 up to eight dwelling units per acre.

In conclusion, the subject site has a legally permissible use for residential development.

PHYSICALLY POSSIBLE

Physical possibility is shown by indicating the capabilities and adaptability of the site for the proposed improvement (project) together with the availability of utilities and community services, modifications that may be required and limitations caused by physical characteristics of the site.

The subject site is rectangular in shape considered to be functionally adequate for most types of development. As per information supplied for this assignment along with the Maricopa County Assessor's map the site is comprised of 0.59 acres or 25,700 SF. The site has approximately 82.5' along Hollyhock Street and 314' in depth.

The appraisers relied on Maricopa County Assessor information for the appraisal and on the physical inspection of the subject property.

There are no indicated development limitations observed from our inspection with exception to development limitations imposed by the planning department and zoning code of the City of Surprise with respect to lot/building ratios and property line set-backs.

In conclusion, most types of development are physically possible on the subject site.

FINANCIAL FEASIBILITY

At this point of the Highest and Best Use analysis, the appraisers can conclude that the subject, from legal, physical and appropriate considerations, could be developed with an residential use. This conclusion statement considers the type of uses that are deemed to be the most reasonable and prudent uses for the subject, as of the date of valuation. Now at this point, one must divert the analysis with regards to the economic feasibility that may affect the subject site.

To do this task, a market study was conducted. For the purposes of this appraisal report, Market Study is defined as follows: Market Study, a macroeconomic analysis that examines the general

market conditions of supply, demand, and pricing or the demographics of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

As indicated, the subject is currently zoned for residential development. Therefore, the appraisers have searched the market to determine if residential type development is currently feasible in the marketplace.

Single Family Residential

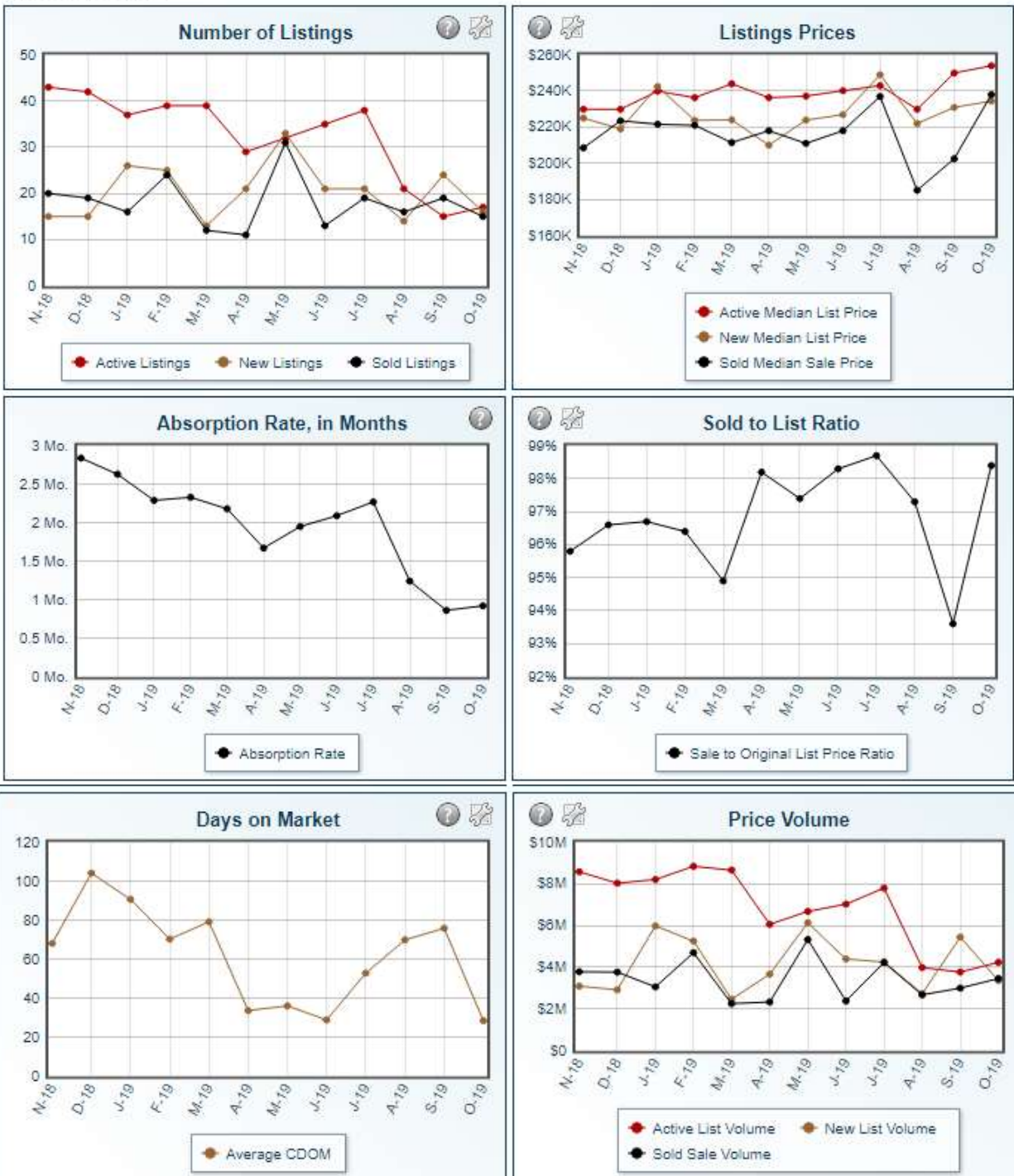
The appraisers researched the subject zip code (85378) to determine single family residential supply and demand factors. According to Arizona Multi List Service the current single family median sales price is up by 6.73% compared to the same time period last year. The median list price for homes in the subject's zip code was up 10.46% from the previous year's median list price. Absorption rates for single family homes are down 72.70%.

Following are the summary statistics for single family residential sales activity within the subject's zip code.

Summary Statistics	Oct-19	Oct-18	% Chg	2019 YTD	2018 YTD	% Chg
Absorption Rate	0.92	3.37	-72.70	1.78	2.46	-27.64
Average List Price	\$249,212	\$292,251	-23.22	\$202,879	\$206,415	-1.71
Median List Price	\$254,000	\$226,900	10.46	\$226,527	\$225,900	0.32
Average Sale Price	\$230,593	\$260,318	-15.11	\$189,854	\$212,299	-10.53
Median Sale Price	\$238,000	\$223,000	6.73	\$217,750	\$225,000	-3.22
Average DOM	28	95	-66.92	54	90	-10.00
Median DOM	25	90	-68.00	36	36	0.00

Following are multiple charts relating to single family residential activity in the subject's zip code including:

- Number of listings
- Listing Prices
- Absorption Rate, in Months
- Sold to List Ratio
- Days on Market
- Price Volume



Heritage at Surprise

Currently under construction at the southeast corner of Rimrock Street and Nash Street is the Heritage at Surprise affordable housing apartment complex. The complex is planned for 100 units in a 100,000 square foot in six buildings. The project will be a mix of 2, 3 and 4 bedroom units.

Services will include computer center, workforce connection services, financial literacy, kids café, after school activities and youth programming. The project is projected to open in the Spring 2020.

Both median sales prices and median list prices are up. Absorption is down, however this most likely due to lack of supply.

Based on the preceding analysis, the appraisers believe that a residential development is considered financially feasible as overall asking and sales up.

From the preceding analysis, it is evident the residential use that is physically possible and legally permissible is currently financially feasible.

MAXIMALLY PRODUCTIVE:

Of the uses that pass the test of financial feasibility, the use that yields the highest return, usually over the long term and consistent with the risk involved, is considered the highest and best use of the property. The ideal type and size improvement that would attain the highest possible rental income would be considered the most maximally productive use of the property.

From the preceding analysis, it is evident the residential use that is physically possible and legally permissible is currently financially feasible and/or maximally productive at this time.

CONCLUSION:

Based on an evaluation of the four criteria in determining a property's Highest and Best Use, it has been concluded that the Highest and Best Use of the subject would be for residential development.

VALUATION PROCESS

The principles and concepts of real estate appraisal are basic to the valuation process. The principles of real estate are based on anticipation, change, supply and demand, competition, substitution, opportunity cost, balance, contribution, conformity and externalities.

The valuation process is:

A systematic set of procedures an appraiser follows to provide answers to a client's questions about real property value. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

The first step in the procedure is to define the appraisal problem: i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and definition of value sought. The next step is an overview of the character and scope of the assignment. Once accomplished, factors that affect market value are collected and analyzed. These factors are addressed in the regional, city and neighborhood analysis, the site and improvement analysis, the highest and best use analysis, and in the application of the three approaches to value (the Sales Comparison, the Cost, and Income Capitalization Approaches) which follows.

SALES COMPARISON APPROACH - *The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriated) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

A Comparative analysis is the process by which a value indication is derived in the sales comparison approach. Comparative analysis may employ quantitative or qualitative techniques, either separately or in combination. The process by which a rental value indication is derived in a rental comparison analysis. Comparative analysis may employ quantitative or qualitative techniques, either separately or in combination. *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

COST APPROACH - *A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciations from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

One of the approaches to value commonly applied in Market Value estimates and many other valuation situations. A comparative approach to the value of property or another asset that considers, as a substitute for the purchase of a given property, the possibility of constructing

another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The Valuer's estimate is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. The Cost Approach establishes the value of a real property by estimating the cost of acquiring land and building a new property with equal utility or adapting an old property to the same use with no undue cost due to delay. An estimate of entrepreneurial incentive or developer's profit/loss is commonly added to land and construction costs. For older properties, the cost approach develops an estimate of depreciation including items of physical deterioration and functional obsolescence. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

INCOME CAPITALIZATION APPROACH – A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

A comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (whereby an overall capitalization rate or all risks yield is applied to a single year's income), yield or discount rates (reflecting measures of return on investment) applied to a series of incomes over a projected period, or both. The Income Approach reflects the principles of substitution and anticipation.

As the subject is vacant land and does not produce income and has no improvements, only the Sales Comparison Approach is considered in this report in order to determine a value of the subject site.

SALES COMPARISON APPROACH

In the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have been sold recently or for which offers to purchase have been made. A major premise of the sales comparison approach is that the market value of a property is directly related to the prices of comparable, competitive properties.

There are five basic steps in the Sales Comparison Approach:

1. Research the market to locate sales of properties similar to the subject.
2. Confirm and verify the sales price, terms of sale, physical characteristics, income characteristics and that the sale represents an arms-length transaction.
3. Identify relevant elements of comparison and analyze each sale for each unit.
4. Compare the subject property to the comparable sales and adjust each for relevant differences to establish comparability.
5. Reconcile the various indications of value into a market value estimate for the subject property.

Public records of Maricopa County, Arizona have been searched for recent sales of comparable properties in the market. Additionally, market participants have been consulted regarding market sales and how participants analyze property for purchase. Sales have been confirmed with the seller, buyer, real estate broker or other persons knowledgeable about each transaction and verified by Affidavit of Property Value which is a sworn statement as to the validity of the transaction.

The appraisers have searched the market place for similar sized sites with similar utility and zoning as the subject. The sales utilized are considered the best comparable data available.

COMPARABLE LAND SALE NO. 1

LOCATION	Paradise Lane, east of Nash Street, Surprise
GRANTOR	Catarino Gomez
GRANTEE	Habitat for Humanity Central Arizona
RECORDING DATE	November 8, 2019
DAYS ON MARKET	325
PARCEL NO.	501-81-014
DOCUMENT NO.	19-0903444
SALE PRICE	\$143,000
SALE PRICE/SF	\$3.44
TERMS	Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Normal
CONFIRMED BY	Barbra Myers, Broker 602.501.8443
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	None in previous three years
SITE DATA	
Land Size/SF	41,612
Location/Frontage	Minor paved
Location/Access	Interior
Surroundings	Good/Avg
Topography	Level
Utilities	Yes
Off-sites	Yes
Flood Plain	No
Zoning	SHD-RO
Present Use	Vacant Land
Highest and Best Use	Residential development
COMMENTS	The buyer will construct homes. The initial asking price was \$160,000.

AERIAL VIEW



COMPARABLE LAND SALE NO. 2

LOCATION	Nash Street, south of Paradise Lane, Surprise
GRANTOR	C & W Investments LLC
GRANTEE	F E L Construction LLC
RECORDING DATE	March 22, 2019
DAYS ON MARKET	21
PARCEL NO.	501-79-037G
DOCUMENT NO.	19-0200361
SALE PRICE	\$42,500
SALE PRICE/SF	\$5.67
TERMS	Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Normal
CONFIRMED BY	Chase Emmerson, Broker 602.315.9988
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	2/28/19 - \$29,000
SITE DATA	
Land Size/SF	7,492
Location/Frontage	Minor paved
Location/Access	Interior
Surroundings	Good/Avg
Topography	Level
Utilities	Yes
Off-sites	Yes
Flood Plain	No
Zoning	SHD-RO
Present Use	Vacant Land
Highest and Best Use	Residential development
COMMENTS	The buyer's plans were unknown. The site sold for its asking price.

An aerial photograph of a residential neighborhood with yellow lot boundaries and black parcel numbers. The streets shown are N Nash St, W Paradise Ln, W Rimrock St, N Fulcher St, and N Hollybrook St. A specific lot, 501-79-0676, is highlighted with a red border. Other visible lot numbers include 501-18-053A, 501-18-053D, 501-81-0124, 501-81-0125, 501-81-013B, 501-81-013D, 501-81-014, 501-20-037E, 501-20-037H, 501-20-038B, 501-20-038A, 501-20-038C, 501-20-038A, 501-20-038C, 501-20-040A, 501-20-040B, 501-20-054F, 501-79-067J, 501-79-067K, 501-79-067L, 501-79-067M, 501-79-067P, 501-79-067N, 501-79-063A, 501-79-063B, 501-79-063C, 501-79-063D, 501-79-063E, 501-79-063F, 501-79-063G, 501-79-063H, 501-79-063I, 501-79-063J, 501-79-063K, 501-79-063L, 501-79-063M, 501-79-063N, 501-79-063O, 501-79-063P, 501-79-063Q, 501-79-063R, 501-79-063S, 501-79-063T, 501-79-063U, 501-79-063V, 501-79-063W, 501-79-063X, 501-79-063Y, 501-79-063Z, 501-79-063AA, 501-79-063AB, 501-79-063AC, 501-79-063AD, 501-79-063AE, 501-79-063AF, 501-79-063AG, 501-79-063AH, 501-79-063AI, 501-79-063AJ, 501-79-063AK, 501-79-063AL, 501-79-063AM, 501-79-063AN, 501-79-063AO, 501-79-063AP, 501-79-063AQ, 501-79-063AR, 501-79-063AS, 501-79-063AT, 501-79-063AU, 501-79-063AV, 501-79-063AW, 501-79-063AX, 501-79-063AY, 501-79-063AZ, 501-79-063BA, 501-79-063BB, 501-79-063BC, 501-79-063BD, 501-79-063BE, 501-79-063BF, 501-79-063BG, 501-79-063BH, 501-79-063BI, 501-79-063BJ, 501-79-063BK, 501-79-063BL, 501-79-063BM, 501-79-063BN, 501-79-063BO, 501-79-063BP, 501-79-063BQ, 501-79-063BR, 501-79-063BS, 501-79-063BT, 501-79-063BU, 501-79-063BV, 501-79-063BW, 501-79-063BX, 501-79-063BY, 501-79-063BZ, 501-79-063CA, 501-79-063CB, 501-79-063CC, 501-79-063CD, 501-79-063CE, 501-79-063CF, 501-79-063CG, 501-79-063CH, 501-79-063CI, 501-79-063CJ, 501-79-063CK, 501-79-063CL, 501-79-063CM, 501-79-063CN, 501-79-063CO, 501-79-063CP, 501-79-063CQ, 501-79-063CR, 501-79-063CS, 501-79-063CT, 501-79-063CU, 501-79-063CV, 501-79-063CW, 501-79-063CX, 501-79-063CY, 501-79-063CZ, 501-79-063DA, 501-79-063DB, 501-79-063DC, 501-79-063DD, 501-79-063DE, 501-79-063DF, 501-79-063DG, 501-79-063DH, 501-79-063DI, 501-79-063DJ, 501-79-063DK, 501-79-063DL, 501-79-063DM, 501-79-063DN, 501-79-063DO, 501-79-063DP, 501-79-063DQ, 501-79-063DR, 501-79-063DS, 501-79-063DT, 501-79-063DU, 501-79-063DV, 501-79-063DW, 501-79-063DX, 501-79-063DY, 501-79-063DZ, 501-79-063EA, 501-79-063EB, 501-79-063EC, 501-79-063ED, 501-79-063EE, 501-79-063EF, 501-79-063EG, 501-79-063EH, 501-79-063EI, 501-79-063EJ, 501-79-063EK, 501-79-063EL, 501-79-063EM, 501-79-063EN, 501-79-063EO, 501-79-063EP, 501-79-063EQ, 501-79-063ER, 501-79-063ES, 501-79-063ET, 501-79-063EU, 501-79-063EV, 501-79-063EW, 501-79-063EX, 501-79-063EY, 501-79-063EZ, 501-79-063FA, 501-79-063FB, 501-79-063FC, 501-79-063FD, 501-79-063FE, 501-79-063FF, 501-79-063FG, 501-79-063FH, 501-79-063FI, 501-79-063FJ, 501-79-063FK, 501-79-063FL, 501-79-063FM, 501-79-063FN, 501-79-063FO, 501-79-063FP, 501-79-063FQ, 501-79-063FR, 501-79-063FS, 501-79-063FT, 501-79-063FU, 501-79-063FV, 501-79-063FW, 501-79-063FX, 501-79-063FY, 501-79-063FZ, 501-79-063GA, 501-79-063GB, 501-79-063GC, 501-79-063GD, 501-79-063GE, 501-79-063GF, 501-79-063GG, 501-79-063GH, 501-79-063GI, 501-79-063GJ, 501-79-063GK, 501-79-063GL, 501-79-063GM, 501-79-063GN, 501-79-063GO, 501-79-063GP, 501-79-063GQ, 501-79-063GR, 501-79-063GS, 501-79-063GT, 501-79-063GU, 501-79-063GV, 501-79-063GW, 501-79-063GX, 501-79-063GY, 501-79-063GZ, 501-79-063HA, 501-79-063HB, 501-79-063HC, 501-79-063HD, 501-79-063HE, 501-79-063HF, 501-79-063HG, 501-79-063HH, 501-79-063HI, 501-79-063HJ, 501-79-063HK, 501-79-063HL, 501-79-063HM, 501-79-063HN, 501-79-063HO, 501-79-063HP, 501-79-063HQ, 501-79-063HR, 501-79-063HS, 501-79-063HT, 501-79-063HU, 501-79-063HV, 501-79-063HW, 501-79-063HX, 501-79-063HY, 501-79-063HZ, 501-79-063IA, 501-79-063IB, 501-79-063IC, 501-79-063ID, 501-79-063IE, 501-79-063IF, 501-79-063IG, 501-79-063IH, 501-79-063II, 501-79-063IJ, 501-79-063IK, 501-79-063IL, 501-79-063IM, 501-79-063IN, 501-79-063IO, 501-79-063IP, 501-79-063IQ, 501-79-063IR, 501-79-063IS, 501-79-063IT, 501-79-063IU, 501-79-063IV, 501-79-063IW, 501-79-063IX, 501-79-063IY, 501-79-063IZ, 501-79-063JA, 501-79-063JB, 501-79-063JC, 501-79-063JD, 501-79-063JE, 501-79-063JF, 501-79-063JG, 501-79-063JH, 501-79-063JI, 501-79-063JJ, 501-79-063JK, 501-79-063JL, 501-79-063JM, 501-79-063JN, 501-79-063JO, 501-79-063JP, 501-79-063JQ, 501-79-063JR, 501-79-063JS, 501-79-063JT, 501-79-063JU, 501-79-063JV, 501-79-063JW, 50



COMPARABLE LAND SALE NO. 3

LOCATION	12676 West Paradise Lane, Surprise
GRANTOR	Betty Chadwick
GRANTEE	Efren Rios
RECORDING DATE	August 29, 2018
DAYS ON MARKET	7
PARCEL NO.	501-81-013D
DOCUMENT NO.	18-0653689
SALE PRICE	\$53,500
SALE PRICE/SF	\$4.39
TERMS	Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction
	Normal
CONFIRMED BY	Ainel Cuevas, Broker 602.425.8004
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	None in previous three years
SITE DATA	
Land Size/SF	12,188
Location/Frontage	Minor paved
Location/Access	Corner
Surroundings	Good/Avg
Topography	Level
Utilities	Yes
Off-sites	Yes
Flood Plain	No
Zoning	SHD-RO
Present Use	Vacant Land
Highest and Best Use	Residential development
COMMENTS	The buyer plans to construct a SFR. The property was listed for \$55,500.

AERIAL VIEW

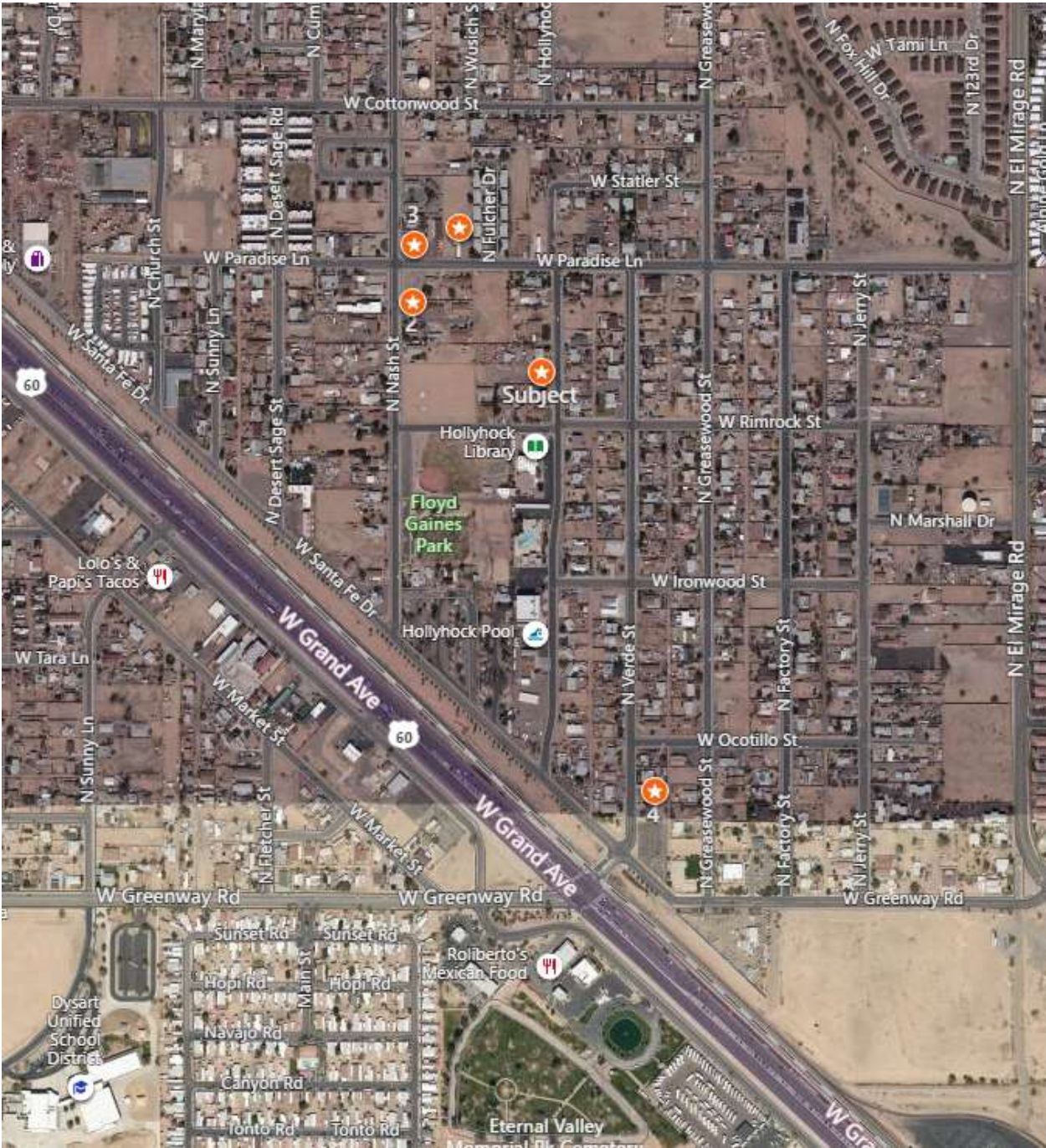


COMPARABLE LAND SALE NO. 4

LOCATION	15433 North Verde Street, Surprise
GRANTOR	Juan Mendez and Paria Sandoval
GRANTEE	Rodrigo Rio and Catalina Aguina
RECORDING DATE	March 9, 2018
DAYS ON MARKET	52
PARCEL NO.	501-80-011
DOCUMENT NO.	18-0178760
SALE PRICE	\$53,000
SALE PRICE/SF	\$5.27
TERMS	Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Normal
CONFIRMED BY	Nidia Mendoza, Broker 602.989.4898
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	None in previous three years
SITE DATA	
Land Size/SF	10,050
Location/Frontage	Minor paved
Location/Access	Interior
Surroundings	Good/Avg
Topography	Level
Utilities	Yes
Off-sites	Yes
Flood Plain	No
Zoning	SHD-RO
Present Use	Vacant Land
Highest and Best Use	Residential development
COMMENTS	The buyer plans to construct a SFR. The property was listed for \$53,000.



LAND SALES MAP



LAND SALES SUMMARY CHART

Sale Data	Subject Property	Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4
Sales Price		\$143,000	\$42,500	\$53,500	\$53,000
Price/SF		\$3.44	\$5.67	\$4.39	\$5.27
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Cash	Cash	Cash	Cash	Cash
Sale Condition	Normal	Normal	Normal	Normal	Normal
Market Conditions	Current	11/19	3/19	8/18	3/18
Land/SF	25,700	41,612	7,492	12,188	10,050
Arterial Frontage	Minor paved	Minor paved	Minor paved	Minor paved	Minor paved
Location/Access	Interior	Interior	Interior	Corner	Interior
Surroundings	Good/Avg	Good/Avg	Good/Avg	Good/Avg	Good/Avg
Topography	Level	Level	Level	Level	Level
Utilities	Yes	Yes	Yes	Yes	Yes
Off-Sites	Yes	Yes	Yes	Yes	Yes
Flood Zone	No	No	No	No	No
Zoning	SHD-RO	SHD-RO	SHD-RO	SHD-RO	SHD-RO

LISTINGS:

The appraisers noted one listing in the area. The site is located at 12608 West Paradise Lane, Surprise. The site is 29,882 square feet in size and is listed at \$159,000 or \$5.35 per square foot. The property is zoned SHD-RO and has been on the market for 117 days.

SALES DATA:

A search was made to obtain comparable market data. Because no two properties are ever exactly the same, adjustments are considered to reflect the differences so that a valid estimate of value can be made. The unit of measure considered in this report is price per acre. This unit of measure is commonly used in the market for vacant land property and is accepted as a method of assisting in the determination value.

The appraisers are of the opinion that the accumulated sales data accurately reflects the present market and its interrelated economic forces. Unfortunately, there is disparity within the data in relation to the most likely common denominator, (price per square foot). This disparity can be attributed to:

- (1) Varying locations of the respective sale properties.
- (2) Inconsistencies relative to the overall plot size of the sale properties in relation to the subject.
- (3) Physical characteristics and fill requirements.
- (4) Real Estate reflects an imperfect market.

The comparative sales analysis focuses on the legal, physical, location and economic characteristics of similar properties as compared to the subject property. Other considerations are real property rights conveyed, financing terms, conditions of sale, date of sale, physical and income characteristics, all of which can account for variations in price.

Adjustments to a property may be made either in terms of a percentage or dollars per acre. There is no “proper” method of adjustment to strictly adhere to since adjustments depend on how the relationship between the two properties is perceived by the market. A market value estimate is not determined by a set of precise calculations. Appraisal has an art aspect in that an appraiser uses their judgment to analyze and interpret quantitative data.

Adjustments to the sales are made as follows:

PROPERTY RIGHTS CONVEYED:

All of the comparable sales are believed to be unencumbered and the ownership rights transferred were Fee Simple Estate.

FINANCING:

All of the comparable sales were all cash to the seller or equivalent and no adjustment is necessary for financing.

CONDITIONS OF SALE:

All of the comparable sales were reported to be arms-length transactions and no adjustments were made.

MARKET CONDITIONS:

The comparable sales were transacted between March 2018 and November 2019. The sales are considered current market conditions and no adjustments are warranted.

LOCATION:

An adjustment for location is necessary when the location characteristics of a comparable property are different from those of the subject property. Factors analyzed include overall frontage/visibility, surrounding development and access.

The subject has access from Hollyhock Street. The property has adequate access to the Metropolitan Phoenix transportation network.

Sale 3 has access from two roadways and is superior and will be adjusted downward.

For the readers's convenience, a chart displaying location characteristic adjustments is displayed next:

Location Factors	Subject Property	Sale 1	Sale 2	Sale 3	Sale 4
Arterial Frontage	Minor paved	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%
Access	Interior	Similar	Similar	Superior	Similar
Adjustment		0%	0%	-5%	0%
Surroundings	Good/Avg	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%
Qualitative Adjustment		0%	0%	-5%	0%

PHYSICAL CHARACTERISTICS:

Physical characteristics include the following; size of parcel, shape of parcel, topography, improvements, and availability of utilities.

As previously reported in the Site Data section of this report, the subject site is 0.59 acres or 25,700 square feet in size with a level topography. The subject has all utilities to the site.

Typically, larger sites sell for a higher price due to the developmental capabilities to build more units as compared to smaller sites. Sale 2, 3 and 4 are smaller and will be adjusted downward accordingly. Sale 1 is larger and will be adjusted upward.

For the readers's convenience, a chart displaying physical characteristic adjustments is displayed next:

Physical Attributes	Subject Property	Sale 1	Sale 2	Sale 3	Sale 4
Size/Acre	25,700	Larger	Smaller	Smaller	Smaller
Adjustment		+5%	-20%	-15%	-15%
Shape	Adequate	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%
Topography	Level	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%
Utilities	Yes	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%
Off-Sites	Yes	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%
Qualitative Adjustment		+5%	-20%	-15%	-15%

ZONING:

The subject is zoned for residential development in the City of Surprise. All of the sales have similar zonings and no adjustments are warranted.

In conclusion, the values indicated in the Summary of Sales show a range from \$3.44 per square foot to \$5.67 per square foot before adjustments. It is believed the indicated value range is reflective of the utility, wants, and needs of buyers in the current marketplace.

SALES ADJUSTMENT CHART

Elements of Comparison	Sale 1	Sale 2	Sale 3	Sale 4
Price/SF	\$3.44	\$5.67	\$4.39	\$5.27
Property Rights	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Price	\$3.44	\$5.67	\$4.39	\$5.27
Financing	0.00%	0.00%	0.00%	0.00%
Adjusted Price	\$3.44	\$5.67	\$4.39	\$5.27
Condition of Sale	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Price	\$3.44	\$5.67	\$4.39	\$5.27
Market Conditions	0.00%	0.00%	0.00%	0.00%
Adjusted Price	\$3.44	\$5.67	\$4.39	\$5.27
Locational Factors	0%	0%	-5%	0%
Physical Attributes	+5%	-20%	-15%	-15%
Zoning	0%	0%	0%	0%
Overall Adjustment	+5%	-20%	-20%	-15%
Final Indicated Value	\$3.61	\$4.54	\$3.51	\$4.48

CONCLUSION OF SITE VALUE:

After adjustments have been made to the cumulative adjustment factors a value range results from \$3.51 per square foot to \$4.54 per square foot with an indicated mean of \$4.04 per square foot. All of the comparable sales are located within the same general market. The appraisers have placed the weight on all of the sales.

The appraisers also located a listing in the area. The listing is located to the north of the subject. The site is 29,882 square feet in size and is listed for \$159,900 or \$5.35 per square foot. The site is zoned SHD-RO. Listings tend to set the upper end of the range.

Based on this information, after due consideration is given to the subject's size, improvements to the site, and location, the appraisers will conclude to a market value of the subject site just above the middle of the range or \$4.25 per square foot. This would equate to a Market Value of the subject site of:

$$25,700 \text{ SF} \times \$4.25/\text{SF} = \$109,225$$

Rounded to: \$110,000

RECONCILIATION

The Final Reconciliation is the process of coordinating and integrating related facts to form a unified conclusion. Final Reconciliation is defined as: *The last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a range of value, in relation to a benchmark, or a single point estimate.* Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

The orderly connection of interdependent elements is a prerequisite of proper reconciliation. This requires a re-examination of specific data, procedures, and techniques within the framework of approaches used to derive preliminary estimates. The approach utilized to conclude to a value estimate considered appraisal techniques which encompassed: (1) reviewed to make sure that the data is authentic and reflects pertinent market activity and (2) the analytical techniques used and the logic followed are valid, realistic, and consistent. In addition, all mathematical calculations have been checked by someone other than the appraisers in an attempt to eliminate errors.

One approach to value have been employed in the analysis. The data together with the line of reasoning followed for each approach is clearly set forth.

Sales Comparison Approach

\$110,000

The reconciliation considers and evaluates alternate value indication to arrive at a final value estimate. Each value indication is weighted according to relative significance, applicability, and defensibility and relies most heavily on the approach that is most appropriate to the purpose of the appraisal.

In an appraisal report, the final value estimate may be stated as a single figure or as a range of values. Or an appraiser may choose to show the range and then cite the final value as a single figure within the range. Traditionally, a **point estimate** is typically regarded as the most probable number, not the only possible number, and is often required for revenue and compensation purposes and for lending purposes. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010). A **point estimate** concept is utilized in this reconciliation.

The Sales Comparison Approach was based upon sales of similar properties considered comparable to the subject. These sales, after adjustments for the various elements of comparison, were analyzed from which an indication of value was derived. Sales were selected that were considered the most representative properties that could be located in the market. This approach is considered a good indication of value and a reflection of the motivations of market participants and was utilized.

Based on the information found in our investigation, we are of the opinion that the current market value of the subject, as of November 11, 2019, is:

ONE HUNDRED TEN THOUSAND DOLLARS
(\$110,000.00)

CERTIFICATION

We certify that, to the best of our knowledge and belief:

The statements of fact contained in this report are true and correct. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

As of the date of this report, Jeff Windle, MAI completed the continuing education program for Designed Members of the Appraisal Institute. Jeff Windle, MAI and Dawn Blaskis have made a personal inspection of the property that is the subject of this report. It should be noted that no one provided significant real property appraisal assistance to the person signing this certification.

Jeff Windle and Dawn Blaskis possess the knowledge and experience to thoroughly complete this appraisal assignment. Please refer to the Qualifications of the Appraiser(s) included in the following pages for additional information regarding professional education and pertinent experience of the aforementioned appraiser.

We have not performed appraisal services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Under federal mandate, state licensing and/or certification of appraiser is required on or before August 15, 1991. Permission is hereby granted by the client for the appraisers to furnish the appropriate governmental authority or their authorized designated representative(s) any and all materials requested for oversight review.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, the Code of Professional Ethics, Bylaws, Regulations and Standards of Professional Appraisal Practice of the Appraisal Institute, and in accordance with appraisal standards required by Title XI of Federal Financial Institutions Reform, Recovery, the Enforcement Act of 1989 (FIRREA). The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Respectfully submitted,



Jeff W. Windle, MAI
Certification No. 30808



Dawn Blaskis, Independent Fee Appraiser
Certification No. 31185

QUALIFICATIONS OF JEFF W. WINDLE, MAI

Certified General Real Estate Appraiser No. 30808

FORMAL EDUCATION:

Graduated, Arizona State University, 1985, Bachelor of Science, College of Business, Finance Department.
Class work included:

REA 331:	<i>Real Estate Finance, A.S.U. Tempe, AZ</i>
REA 251:	<i>Real Estate Theory, A.S.U. Tempe, AZ</i>
FIN 361:	<i>Capital Budgeting & Cashflow Analysis, A.S.U. Tempe, AZ</i>
QBA 221:	<i>Statistical Analysis, A.S.U. Tempe, AZ</i>
QBA 222:	<i>Quantitative Information Systems, A.S.U. Tempe, AZ</i>

PROFESSIONAL EDUCATION:

Arizona School of Real Estate :	<i>Leasehold Interests, AZ Water Laws</i>
Appraisal Institute:	<i>Dynamic of Office Building Valuation</i>
Arizona School of Real Estate:	<i>Fundamentals of R E Exchange, Fed.Fair Housing & the ADA</i>
Appraisal Institute:	<i>Course 11510 Advanced Income Capitalization</i>
Appraisal Institute:	<i>Course 11520 Highest & Best Use and Market Analysis</i>
Appraisal Institute:	<i>Course 11540 Report Writing and Valuation Analysis</i>
Appraisal Institute:	<i>Course I410 Standards of Prof. Practice, Part A (USPAP)</i>
Appraisal Institute:	<i>Course 11530 Advanced Sales Comparison & Cost Approaches</i>
Appraisal Institute:	<i>Course 11550 Advanced Applications</i>
Appraisal Institute:	<i>Condemnation Appraising Principles & Applications (9/09)</i>
Appraisal Institute:	<i>USPAP current (3/20/2019)</i>
Appraisal Institute:	<i>Course 833 Fundamentals of Separating Real Property, Personal Property and intangible Business Assets</i>
Arizona School of Real Estate:	<i>Condemnation Summit XVII</i>
Appraisal Institute:	<i>2016 Spring Ag Forum</i>
Appraisal Institute:	<i>New Technology for Real Estate Appraisers</i>
Arizona School of Real Estate:	<i>Eminent Domain</i>
Arizona School of Real Estate:	<i>Complex Properties: The Odd Side of Appraisal</i>
Arizona School of Real Estate:	<i>Supervising Beginning Appraisers – Pathway to Success</i>

PROFESSIONAL AFFILIATIONS:

MAI designated member of the Appraisal Institute. "The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAIs and SRAs who meet the minimum standards of this program are awarded periodic educational certification. I am certified under this program."

COURT TESTIMONY:

Qualified as an expert witness in the Superior Court of Maricopa County and the U.S. Bankruptcy Court, State Land Department Board of Appeals.

EXPERIENCE:

Commercial Real Estate Loan Administrator:	<i>Greyhound Financial Corp., 8/85 - 4/87</i>
Commercial Real Estate Loan Officer:	<i>First Interstate Bank of Arizona, 4/87 - 12/89</i>
Commercial Real Estate Loan Officer:	<i>Wells Fargo Realty Advisors, 12/89 - 9/90</i>
Practicing Partner:	<i>Appraisal Technology, Inc., 9/90 - present</i>

SCOPE OF WORK:

Assignments have included valuation and/or evaluation of:

Residential:	Single and Multi Family; Individual and Subdivisions
Commercial:	Shopping Centers; Retail; Office and Restaurant
Industrial:	Warehouse; Manufacturing; Distribution and Automotive
Special Purposes:	Manufactured Home Communities; Medical Facilities; Recreational Vehicle Facilities; Hotel/Motel/ Resort; Schools; etc.
Vacant:	All types, including Agricultural Land.
Miscellaneous:	Absorption and Highest and Best Use Studies; Partial Interest Valuation; Consultation and Allocation of Purchase Price.



QUALIFICATIONS OF DAWN BLASKIS
Certified General Real Estate Appraiser No. 31185

FORMAL EDUCATION:

Graduated from Academy of Business College, Phoenix Arizona, Associates of Applied Science Finance - Legal Assistant; Criminal Law with High Distinctions, April 1997.

PROFESSIONAL EDUCATION:

Arizona School of Real Estate, Real Estate Valuation 101, Scottsdale, AZ, 2000
Arizona School of Real Estate, Real Estate Valuation 102, Scottsdale, AZ, 2000
Arizona School of Real Estate, Real Estate Valuation 103, Scottsdale, AZ, 2001
Arizona School of Real Estate, Real Estate Valuation 104, Part A & B, Scottsdale, AZ, 2001/2002
Arizona School of Real Estate, Uniform Standards of Professional Appraisal Practice, Scottsdale, AZ, 2001
Arizona School of Real Estate, Appraisal Review Process, Scottsdale, AZ, 2005
Arizona School of Real Estate, Arizona Property Tax, Scottsdale, AZ, 2005
Arizona School of Real Estate, Land Planning & Zoning, Scottsdale, AZ, 2005
Arizona School of Real Estate, Environmental Problems & Their Effect on Land Values, Scottsdale, AZ, 2005
Appraisal Institute, Course ABA D0607-659 Online Eminent Domain and Condemnation, 2009
Appraisal Institute, Course ABA D0709-863 Online Advanced Internet Search Strategies, 2009
Appraisal Institute, Course ABA D0908-817 Online Rates and Ratios: Making sense of GIMs, OARs and DCF, 2009
Appraisal Institute, Course ABA D0705-457 Online Small Hotel/Motel Valuation, 2011
Appraisal Institute, Course ABA D0607-656 Online Appraising Convenience Stores, 2011
Appraisal Institute, Course ABA D0611-1024 Online Comparative Analysis, 2011
Appraisal Institute, Course ABA D0612-1093 Online Forecasting Revenue, 2013
McKissock, Appraisal Institute, Course ABA D0212-1066 Online Regression Analysis, 2013
McKissock, Appraisal Institute, Course ABA D0710-949 Appraising and Analyzing Shopping Center for Mortgage Underwriting, 2013
McKissock, Appraisal Institute, Course ABA D1008827 Land And Site Valuation, 2015
McKissock, Appraisal Institute, Course ABA D11141354 Appraisal of Land Subject to Ground Lease, 2015
7-Hour McKissock, Appraisal Institute, Course ABA D00914-1348 Appraisal of Fast Food Facilities, 2015
7-Hour McKissock, Appraisal Institute, Course ABA D00215-1348 Appraisal of Owner Occupied, 2017
7-Hour McKissock, Appraisal Institute, Course ABA D00316-1463 Appraisal of Limited Service Hotels, 2017
7-Hour McKissock, Appraisal Institute, Course ABA D00915-1425 Appraisal of Full Service Hotels, 2017
8-Hour McKissock, Appraisal Institute, Course ABA D00518-1683 Appraisal of Assisted Living Facilities 2019
14-Hour McKissock, Appraisal Institute, Course ABA D00818-1613 Uniform Appraisal Standards of Federal Land Acquisitions (Yellow Book) 2019
Uniform Standards of Professional Appraisal Practice (USPAP) – Current

EXPERIENCE:

Independent Contract Appraiser, Appraisal Technology, Inc., February 1996-Present

SCOPE OF WORK:

Assignments have included the valuation of:

Residential:	Single and multiple family properties.
Commercial:	Retail shopping centers, offices, restaurants and hotels.
Industrial:	Warehouse, manufacturing, distribution, automotive and self storage.
Vacant Land:	All types.
Right of Way:	Total & partial acquisitions

Department of Financial Institutions

State of Arizona

CGA - 31185

DAWN MARIA BLASKIS

has complied with the provisions of

This document is evidence that:

Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

and that the Superintendent of Financial Institutions of the State of Arizona has granted this license to transact the business of a:

Certified General Real Estate Appraiser

DAWN MARIA BLASKIS

This license is subject to the laws of Arizona and will remain in full force and effect until surrendered, revoked or suspended as provided by law.

Signed in the Superintendent's office at 100 North 15th Avenue, Suite 261, in the City of Phoenix, State of Arizona, this 8th day of November, 2019.

Expiration Date : **November 30, 2021**

Keith A. Schraad
Interim Superintendent

ADDENDA

EXHIBIT 1

Engagement Letter

**SERVICES AGREEMENT
BETWEEN
THE CITY OF SURPRISE, ARIZONA
AND
ATI – APPRAISAL TECHNOLOGY**

THIS SERVICES AGREEMENT (this "Agreement") is made between the CITY OF SURPRISE, an Arizona municipal corporation (the "City") and ATI - APPRAISAL TECHNOLOGY, (the "Contractor"). City and Contractor agree as follows:

1. Scope of Work. Contractor will provide services as set forth in the proposal or work order ("Services"), attached and incorporated by reference. Any terms or conditions contained in another document are void where they conflict with this Agreement.
2. Compensation. City will pay Contractor a maximum Agreement price of Two Thousand Dollars, \$ 2000.00 for the Services. This Agreement may be modified only by a written amendment, addendum or change order signed by persons authorized to enter into contracts on behalf of City and Contractor. The delivery date will be October 22, 2019, as per your proposal. A late fee of \$200.00 per day will be assessed and deducted from the agreement price.
3. Term of Agreement. This Agreement is effective as of the date the last person executed this Agreement and will remain in full force and effect until services are complete, or one year from the above date, whichever time is shorter.
4. Performance Warranty. Contractor warrants that the Services rendered will conform to the requirements of this Agreement and to the highest professional standards in the field.
5. Indemnification. To the fullest extent permitted by law, the Contractor will indemnify, defend and hold harmless the City and each council member, officer, employee or agent thereof (herein called an "Indemnified Party"), for, from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, court costs, claims costs and the costs of appellate proceedings) to which any such Indemnified Party may become subject, under any theory of liability whatsoever ("Claims"), insofar as such Claims (or actions in respect thereof) relate to, arise out of, or are caused by or in connection with the negligent or willful acts or omissions of the work or services of the Contractor, its officers, employees, agents, or any tier of subcontractor in the performance of this Agreement.
6. Applicable Law; Venue. This Agreement will be governed by the laws of the State of Arizona and suit pertaining to this Agreement may be brought only in Arizona.

7. Termination; Cancellation. This Agreement is for City's convenience and may be terminated without cause after receipt by Contractor of written notice by the City. Upon termination, Contractor will be paid for all undisputed services performed prior to the termination date.
8. Conflict of Interest. This Agreement is subject to Ariz. Rev. Stat. § 38-511.
9. Independent Contractor. The Contractor acknowledges and agrees that the Services provided under this Agreement are being provided as an independent contractor, not as an employee or agent of the City. Contractor, its employees and subcontractors are not entitled to workers' compensation benefits from the City.
10. Compliance with Federal Immigration Laws and Regulations. Contractor warrants that it complies with all Federal Immigration laws and regulations that relate to its employees and complies with A.R.S. § 23-214.A. Contractor acknowledges that pursuant to A.R.S. § 41-4401, a breach of this warranty is a material breach of this Agreement subject to penalties up to and including termination of this Agreement, and that the City retains the legal right to inspect the papers of any employee who works on the Agreement to ensure compliance with this warranty.
11. Licenses. Contractor must maintain in current status all Federal, State and Local licenses and permits required for the operation of the business conducted by the Contractor as applicable to this Agreement, including City of Surprise business license.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date the last party signs it.

For the "City"

CITY OF SURPRISE

By: _____

Title: Renee Fugiel -Right of Way Agent

Date: _____

For the "Contractor"

By: Jeff Windle

Title: Partner

Date: OCTOBER 30, 2019

Parcel: 501-79-033F

EXHIBIT 2

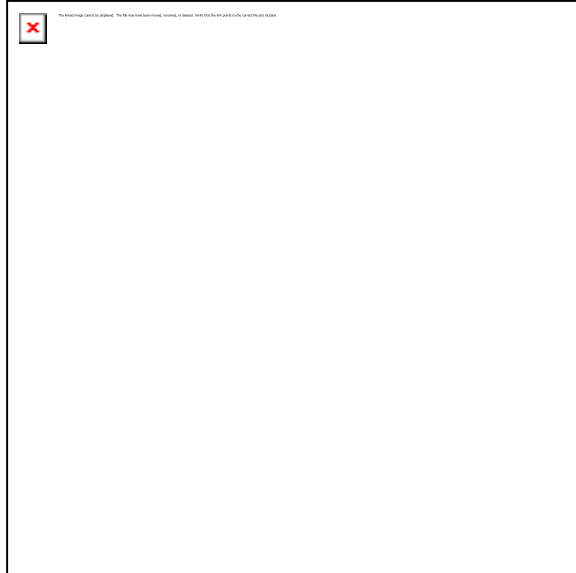
Zoning Designation

Sec. 122-69.1. - Surprise Heritage District (SHD).

- (a) *SHD description.* The "Surprise Heritage District" ("SHD") is an umbrella district that includes the existing zoning regulations at the time the ordinance is adopted and carries them forward. The SHD is a hard zone that replaces and repeals the existing original townsite ("OTS") overlay zoning district. The SHD is specifically the area bounded by Bell Road on the north, Greenway Road on the south, El Mirage [Road] on the east and Dysart Road on the west. The city will not support any further rezoning in this area other than into one of the two overlay zoning districts specifically associated with the SHD zoning district.
- (b) *Purpose.* The purpose of this district is to enhance and protect the historic character of the residential core while providing infill opportunities and encouraging redevelopment for both residential and commercial uses that further reflect the historic character of the area. Further it is intended to promote the ability to live, work, and play within the heritage neighborhood by allowing for a refined mix of land uses and cottage industry that will revitalize and serve the neighborhood while maintaining both the scale and cultural character of the neighborhood.
- (c) *Establishment of zoning districts.* The SHD shall be applied to all properties within this very specific geographic area and in conjunction with either the existing zoning present on the property at the time of the adoption of this zoning ordinance or one of the two overlay zoning districts specifically associated with the SHD zoning [district] as further described herein.
 - (1) The zoning regulations at the time this ordinance takes effect shall continue to govern unless the parcel/lot is rezoned to one of the overlay zones associated with the SHD zoning district as described below.
 - (2) In association with the SHD zone, is the creation of two overlay zoning districts to be known as:
 - a) the "Surprise Heritage District/Residential Overlay" ("SHD/RO") and, b) the "Surprise Heritage District/Commercial Overlay" ("SHD/CO").
 - a. *SHD/RO* : This overlay is designed to preserve, protect and enhance the types of uses that are indicative of historic residential neighborhoods and the small scale cottage industry uses that are pedestrian-oriented and support the residents and allow for them to live, work, and play within their neighborhood. Limited multi-family uses that are designed to match the scale, massing, and appearance of the single-family neighborhood may be appropriate on infill parcels. The density of the multi-family use may be increased if the parcel is located at the fringe of the neighborhood and the architectural design, scale, and massing is harmonious with the adjacent neighborhood. Overall density for the SHD/RO zoning district is compliant with the suburban development type in the General Plan 2035 up to eight dwelling units per acre.
 - b. *SHD/CO* : This overlay is designed to provide and promote the local arts and culture as well as business opportunities that are compatible with and supportive of the residential overlay. A mix of neighborhood-scale commercial, retail, entertainment, live/work and mixed-use development shall be the primary land uses. Attached multi-residential complexes may also be permitted within this overlay district if appropriately located at the fringes of the district to serve as a buffer to the adjacent residential neighborhood. Overall density for the SHD/CO zoning district is compliant with the mixed use residential and commercial development types in the General Plan 2035 up to ten dwelling units per acre.
- (d) *Specific terms defined.* The following words, terms and phrases, when used in this section, shall have the following meanings ascribed to them.
 - (1) *Adaptive reuse* : The conversion of historic or obsolescent building(s) from their original or most recent use to a new use representing compatible and appropriate change.
 - (2) *Cottage industry* : A small business, owned and operated by the residential occupant, in a residential area conducted within the dwelling or in an accessory building. The business may have employees and customers but must be clearly incidental and secondary to the use of the property for single-family residential purposes as well as adhere to the use specific standards in section 122-69.1(i) below.

- (3) *Community garden* : Land gardened collectively by a group of people. Gardening may include, but is not limited to, all types of horticulture such as flowers, vegetable or field crops, and orchards containing berry, bush or tree crops.
- (e) *Development incentives*. Development within the SHD shall be eligible for those specific incentives as outlined below.
 - (1) *All properties* : Within the SHD zoning district any new development or redevelopment, including resolution of existing non-conformance issues, shall be eligible for the following incentives:
 - a. A reduction in the front yard setback, for the front porch portion of the structure only, by five feet.
 - b. The maximum square footage of an individual accessory structure shall be 800 square feet; with the total number of such structure(s) limited by the maximum lot coverage.
 - (2) *Overlay properties* : In addition to any incentives permitted in section (1) above, development that is zoned one of the two overlay zoning districts associated with the SHD zoning district (SHD/RO or SHD/CO) shall also be eligible for any of the following incentives:
 - a. New mixed-use projects and multi-residential projects shall be eligible for up to a 20 percent increase in permitted density when the development provides recreational facilities, community space, and connectivity to existing adjacent developments and the greater neighborhood.
 - b. In lieu of providing on-site parking, participation in a joint use parking lot project or a parking improvement district shall be permitted.
- (f) *Design standards for all new development in the SHD zoning district*.
 - (1) These design standards shall apply to any and all new development in the SHD and supersedes any conflicting design standards in other parts of the Surprise Unified Development Code (SUDC).
 - (2) Prior to any permits being issued for new development, or renovation of existing building, the architectural, site, and landscape plans shall be reviewed by development services for adherence to the following design standards, in addition to other adopted regulations.
 - (3) Plants and landscape materials shall be drought-tolerant. All areas of bare soil shall be covered with grass, drought tolerant plantings or decomposed granite to discourage weeds and control dust. Edible citrus and nut trees are permitted. All landscaping shall be well-maintained with diseased and/or dead plant material removed and replaced promptly.
 - (4) Trellis work, open front porches, and cloth shade sails will not be counted as part of the lot coverage allowance.
 - (5) Architectural features of all buildings and structures shall reflect the historical character of Phoenix-valley architecture from the 1880's to the 1950's. These architectural features shall be present on all elevations, and include: projections and reveals; back and side porches on residential structures; roof and cornice lines; doors, windows, and window treatments such as shutters, awnings, and lintels; and other architectural features such as porte-cocheres, garage doors, dormers, chimneys, and patios etc. This also includes the types of building materials, textures, roof treatments and pitches, building heights, building mass, and proportions indicative of historical Phoenix-valley architecture.

Architectural Styles that Reflect the History of the Southwest



- (6) An open and covered porch on the front elevation for all new residential development shall be required as a means to help create a pedestrian scale connection to the street and permit interaction with neighbors, enhance citizen block watch programs, and enhance the sense of neighborhood. Building orientation shall consider the existing environmental conditions and solar orientation.
- (7) Although not required, residential walls and fences may be built to a height not exceeding six feet in a side or rear yard or 36 inches in a required front yard. The wall or fence material shall be compatible with the design style and material of the main structure, preferably masonry, wrought iron, painted wood. The use of chain link fencing (with or without slats) is prohibited.
- (8) All non-residential land uses that abut residential properties are required to provide visual screening from those residences by an opaque wall or landscaping of approved drought-tolerant plant materials in combination with a wall. This screening shall include accessory uses, loading and unloading areas, and trash receptacles. The use of concertina wire is prohibited when adjacent to a public right-of-way.
- (9) On-site retention shall be required for all non-residential properties, all multi-family residential properties, and residential properties with more than one single-family dwelling. Rainwater harvesting for plant irrigation is encouraged.
- (10) A color palette of earth tones shall be the predominate color used. The use of accent colors is encouraged to provide a festive and lively streetscape. Accent color, different from the

predominate wall color, should be used to accent entryways and special architectural and trim elements (i.e., columns, trellises, lintels, sills, door and window frames, cornices and moldings).

- (11) Roof-mounted mechanical equipment shall be screened from public view and designed to appear as an integral part of the building, with the exception of solar panels. Mechanical equipment, propane tanks, water filters, coolers and air conditioning units and similar utility equipment installed at ground level or wall mounted shall be screened from public view.

(g) *Land use matrix for the SHD-RO and SHD-CO zoning districts.*

- (1) For those properties not in one of the overlay zones associated with the SHD, the land use matrix in section 122-43 shall apply.
- (2) The following land use matrix, Table No. 1, describes land uses that are allowed in the SHD-RO and SHD-CO overlay zones.
 - a. Those uses delineated as needing a conditional use permit (CUP) shall be processed as a Type III development application (see section 122-154).
 - b. Those uses delineated as needing an administrative use permit (AUP) shall be processed as a Type I development application (see section 122-152).
 - c. Those uses delineated as permitted (P) uses shall be permitted by-right within the specific zoning district as listed in Table No 1. Permitted uses are subject to all applicable standards of this chapter and the Surprise Unified Development Code (SUDC).
 - d. All other uses are prohibited (indicated by a double-hyphen "—"). Any land use that is not in compliance with the standards for this zoning district is a violation of this ordinance.

TABLE NO. 1 LAND USE MATRIX FOR THE SHD OVERLAY ZONING DISTRICTS (P = Permitted; AUP = Administrative Use Permit; CUP = Conditional Use Permit; "—" = Prohibited)			
LAND USE GROUP		SHD/RO	SHD/CO
Agricultural, Ranching and Open Space Uses			
1.	Animal Hospitals, Clinic, and Boarding Facilities (refer to Sec. 122-74)	—	P
2.	Community Garden (refer to Use Specific Standards of Sec. 122-69.1(i)(2) below)	P	P
3.	Farmers Market (refer to Sec. 122-82)	AUP	P
4.	Parks, Recreation, and Open Lands	P	P
Residential Uses			
5.	Assisted Living Center	AUP	P
6.	Assisted Living Home (refer to Sec. 122-99)	P	—
7.	Bed and Breakfast Establishments (refer to Sec. 122-76)	AUP	—
8.	Caretaker, Guest or Granny Flat Dwelling (refer to Sec. 122-83)	P	—
9.	Group Home (refer to Sec. 122-84)	P	—
10.	Home Occupations (refer to Sec. 122-86)	P	P
11.	Hotels, Timeshares (refer to Sec. 122-88)	—	P

12.	Manufactured Homes (refer to Use Specific Standards of Sec. 122-69.1(i)(5) below)	P	—
13.	Multi-Family Dwellings (refer to Use Specific Standards of Sec. 122-69.1(i)(3) below)	CUP	P
14.	Nursing Care Institution	CUP	P
15.	Single-Family Dwellings (detached)	P	—
16.	Single-Family Dwellings (detached with multiple single-family structures on 1 lot of record)	AUP	—
17.	Single-Family Dwelling (attached) (refer to Use Specific Standards of Sec. 122-69.1(i)(4) below)	AUP	—
Retail and Service Uses			
18.	Alcohol—Bar and/or Tavern, Microbrewery (refer to Sec. 122-104)	CUP	P
19.	Animal Hotel/Overnight stay (refer to Sec. 122-74)	—	P
20.	Banks	—	P
21.	Day Care Center - Child and/or Adult Care (refer to Sec. 122-80)	AUP	CUP
22.	Drive-Through Facilities (refer to Sec. 122-78)	—	P
23.	Funeral Home, Mortuary	—	P
24.	Linen/Uniform/Diaper Service (Pickup and Supply Only)	—	P
25.	Massage - Therapeutic	—	P
26.	Medical Clinic or Laboratory	—	P
27.	Medical Office	—	P
28.	Mobile Vending	P	P
29.	Nursery (display & sale of plants, seeds, or other horticultural items) (refer to Sec. 122-93)	CUP	P
30.	Personal Services Establishment (Typical personal service uses include arts and craft studios, barber/beauty shops, locksmith, shoe repair, tailors, photo studios, cleaning pickup and receiving station, travel agencies, printing or copy shops)	—	P
31.	Personal Services Establishment (Uses Listed Above) - as a "cottage industry"(refer to Sec. 122-69.1(d) and Sec. 122-69.1(i)(1) below)	AUP	P
32.	Restaurant, Sit-down (Principally for the sale and consumption of food on the premises)	—	P
33.	Restaurant, Convenience (Sale and consumption of food which has direct window service allowing customers to pick up food for off-premise consumption) (refer to Sec. 122-78)	—	P

34.	Restaurant, Sit-down or Convenience (excluding drive-thru) - as a "cottage industry" (refer to Sec. 122-69.1(d) and Sec. 122-69.1(i)(1) below)	AUP	—
35.	Retail Shopping Establishment limited to under 45,000 sf (Typical general merchandise includes clothing and other apparel, equipment for hobbies and sports, gifts, flowers and household plants, dry goods, food and/or alcohol, home décor, home improvements, toys, furniture, antiques, books and stationery, pets, and similar consumer goods. Food store uses include grocery, delicatessen, catering, and specialty foods stores.)	—	P
36.	Retail Shopping Establishment - Less than 3,000 sq. ft. (Uses Listed Above)	AUP	P
37.	Retail Shopping Establishment (Uses Listed Above) - as a "cottage industry" (refer to Sec. 122-69.1(d) and Sec. 122-69.1(i)(1) below).	AUP	—
38.	Vehicle Fueling Stations (refer to Sec. 122-106)	—	P
Office Uses			
39.	Call Center - as a "cottage industry" (refer to Sec. 122-69.1(d) and Sec. 122-69.1(i)(1) below).	AUP	—
40.	Call Center	—	P
41.	General Office	—	P
42.	Professional Office - as a "cottage industry" (refer to Sec. 122-69.1(d) and Sec. 122-69.1(i)(1) below).	AUP	—
Public/Quasi-Public Facility Uses			
43.	Business/Technology Incubator Space	—	P
44.	Library	P	P
45.	Post Office	P	P
46.	State and County Facilities	—	P
47.	Utility Equipment Infrastructure	P	P
48.	Wireless Telecommunication Facility (WTF)	refer to Sec. 122-112 for permitting requirements	
Assembly Uses			
49.	Assembly Uses limited to under 5,000 sf (Private Clubhouse and Lodges, Community Facilities, Public Meeting Hall, Youth Organization Clubs & Associated Activities, Auditoriums, Places of Worship)	AUP	AUP
50.	Assembly Uses (Uses Listed Above) greater than 5,000 sf (refer to Sec. 122-69.1(i)(3) below)	CUP	CUP

51.	School—University or College (refer to Sec. 122-101)	—	CUP
52.	School—Pre-K through 12 (refer to Sec. 122-100)	CUP	CUP
Recreational and Amusement Uses			
53.	Athletic or Fitness Club, Commercial Recreation Facilities	—	P
54.	Athletic or Fitness Club, Commercial Recreation Facilities (Less than 5,000 gross sq. ft. and Indoor Activities Only)	P	P
55.	Athletic Fields—Non-commercial	P	P
56.	Bowling Alley, Dance Hall, Pool Hall	—	P
57.	Galleries, Museums (including display and production space)	—	P
58.	Galleries - as a "cottage industry" (refer to Sec. 122-69.1(d) and Sec. 122-69.1(i)(1) below).	AUP	—
59.	Theater - Indoor including Dinner Theatres	—	P
Transportation Uses			
60.	Park and Ride	—	CUP
61.	Surface Parking Lot and Parking Structure	CUP	P
62.	Transit Depot	CUP	CUP
Mixed Use Buildings			
63.	Mixed Use Buildings - for uses previously listed in this Matrix (refer to Sec. 122-91)	CUP	P
Manufacturing and Process Uses			
64.	Food Service Establishment under 15,000 sf that has manufacturing, on-site restaurant & retail combined as part of the establishment	—	CUP
65.	Paper Products - as a "cottage industry" (refer to Sec. 122-69.1(d) and Sec. 122-69.1(i)(1) below).	AUP	—
66.	Warehousing, Mini	—	CUP
67.	Welding Shop in association with art gallery - as a "cottage industry" (refer to Sec. 122-69.1(d) and Sec. 122-69.1(i)(1) below).	AUP	—

- (h) *Development standards for the SHD zoning districts.* The development standards shown in Table No. 2 and Table No. 3 below are applicable to all properties within the SHD. These tables identify the development standards for properties that either retain the standard zoning (for example: SHD-RL-5 or SHD-CN) or have been rezoned into one of the overlay zones (for example: SHD-RO and SHD-CO).

Table No. 2 - SHD Residential Neighborhood		
	Retaining Existing Zoning ⁵	Residential Overlay Zoning (RO)

	Existing RL-5	Existing RM	Attached Product	Detached Product	Multi-Family Product
Min. Lot Area	7,000	6,000	5,000	5,000	15,000
Min. Lot Width	60'	50'	—	—	—
Min. Lot Depth	100'	60'	—	—	—
Min. Front Setback	20' w/ 5' BTL ²	20' w/ 5' BTL ²	15' ^{2,3}	15' ^{2,3}	15' ^{2,3}
Max. Front Setback	—	—	30' ⁴	30' ⁴	30' ⁴
Min. Side Setback	5'/15'	5'/10' ¹	5'/10' ¹	5' w/ 15' total ¹	20'
Min. Rear Setback	12'	12'	12'	15'	20'
Max. Bldg. Height	35'	35'	30'	30'	35'
Lot Coverage %	45%	45%	65%	65%	65%

Notes:

1 0 feet; side yard setback permitted for common wall attached dwelling option. End units shall maintain minimum total yard setback on one side of building.

2 Only a covered front porch may encroach closer to the street by up to 5 feet.

3 Front facing garage doors shall be setback a minimum of 20 feet.

4 Measured from the primary dwelling; excluding front porch.

5 Dimensions may only be illustrative; specific property development standards are governed by the SUDC.

Table No. 3 - Non-Residential Area

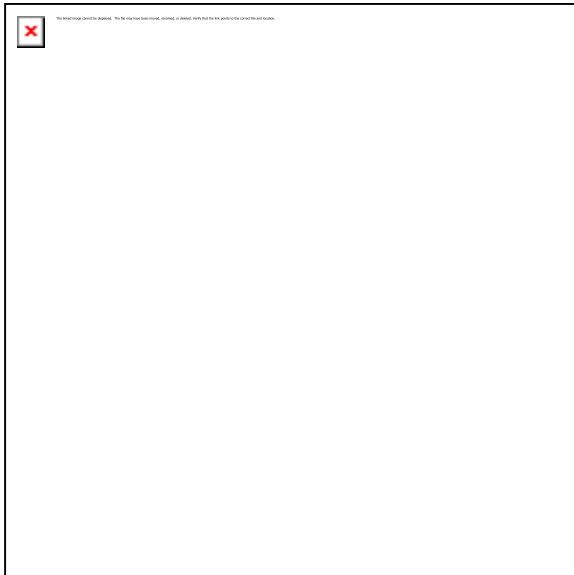
	Retaining Existing Zoning ⁴			Commercial Overlay (CO)
	Existing CN	Existing CC	Existing IP	
Min. Lot Area	12,000	18,000	20,000'	—
Min. Lot Width	100'	100'	50'	—
Min. Lot Depth	—	—	—	—
Front Yard Setback	Est. BTL	Est. BTL	Est. BTL	15'
Side Yard Setback	10'/0' ¹	24'/0' ¹	15' ²	10'/0' ¹

Rear Yard Setback	20'	24'	25' ²	10'
Max. Bldg. Height	30'	35'	35'	45'/35' ³
Lot Coverage %	—	—	—	85%
<u>Notes:</u>				
1 0 feet side yard setback permitted for common wall option.				
2 50 feet setback from residential.				
3 45 foot height limit for mixed-use, multi-family and assembly uses. All other uses limited to 35 feet.				
4 Dimensions may only be illustrative; specific property development standards are governed by the SUDC.				

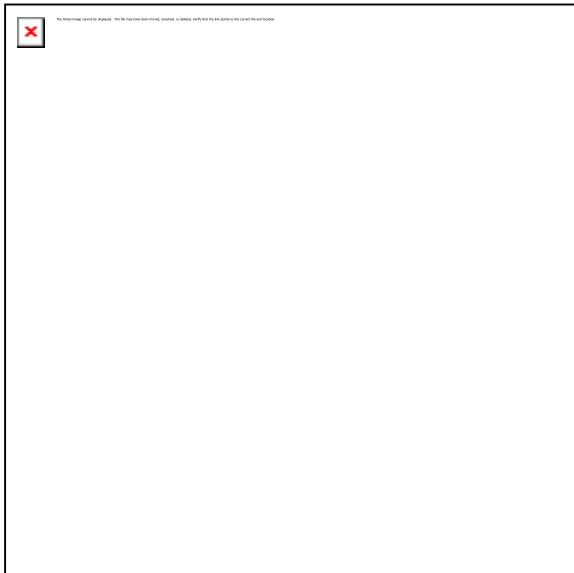
(i) *Use-specific standards.*

- (1) Cottage industry as accessory to a single-family residential use, as defined in section 122-69.1(d), shall adhere to the following use-specific standards:
 - a. Not more than 49 percent of the dwelling unit may be used for cottage industry. Up to 100 percent of accessory buildings may be used for cottage industry.
 - b. The maximum size, including all portions of the dwelling and any and all accessory buildings used as a cottage industry shall be limited to 4,000 square feet or not more than 65 percent lot coverage, whichever is less.
 - c. The cottage industry use shall be limited to the first floor of the dwelling, accessory buildings, and outdoor areas of the lot.
 - d. A cottage industry use that receives patrons, students or any business-related individuals may only do so between the hours of 8:00 a.m. and 8:00 p.m.
 - e. Individual accessory buildings used as part of a cottage industry may be a maximum of 800 square feet with the number of such buildings being subject to the total lot coverage limitations.
 - f. Accessory buildings and outdoor areas used for cottage industry purposes are intended to be limited to low intensity uses that produce or repair a product, and operate in such a way that they do not adversely affect adjacent properties. Parking and storage of business related commercial-rated vehicles, equipment, and products shall be limited to an enclosed building or within the rear yard and screened by an opaque wall or landscaping of approved drought-tolerant plant materials in combination with a wall.
 - g. Outdoor dining accessory to a cottage industry:
 1. Shall not be located within the required front yard, shall be a minimum of 15 feet from an adjacent residential use, and screened by a minimum three-foot high opaque screening barrier or landscaping of approved drought-tolerant plant materials in combination with the barrier.
 2. Shall not be more than 50 percent of the dwelling unit's ground floor gross area.
 3. Shall not operate outside of the indoor restaurant's hours of operation.
 - h. A cottage industry use shall not change the character of the structure or alter the residential character of the neighborhood and shall be pedestrian-oriented.

- i. Cottage industries may employ up to five employees in addition to those residing in the residence.
- j. Signage shall be limited and shall comply with the following:



1. One shingle sign designed to be hung from the front porch element of the structure and oriented primarily for the aid of pedestrians is permitted per business; the sign area shall not exceed six square feet. The minimum clearance between the bottom of the shingle sign and any underlying pedestrian walkway shall be seven feet, six inches.



2. One A-frame sign may be permitted; it shall not to exceed six square feet in surface area on any one side and must be located on-site and within ten feet from the edge of the front porch (or front door if no porch is present) of the business.
- (2) Community gardens as defined in section 122-69.1(d), shall adhere to the following use-specific standards:
 - a. A fence shall be provided on the perimeter of the garden in accordance with the design standards in section 122-69.1(i) herein.
 - b. The site shall be designed and maintained so that water and fertilizer will not drain to adjacent property.

- c. Hours of operation shall be limited to the hours between 6:00 a.m. and 8:00 p.m.
 - d. Waste receptacles shall be provided and screened from neighboring properties. Refuse shall be removed so as not to be a nuisance.
 - e. Composting equipment and containers, if provided, shall be specifically designed for that purpose and shall be located away from adjacent residences, businesses, and parks. Open composting piles are prohibited.
 - f. Facilities shall be provided for the storage of any tools, fertilizers, equipment or other materials used in conjunction with the community garden. Such facilities shall screen materials from neighboring properties and shall be adequately secured and meet setback requirements.
 - g. The property shall be maintained in a neat and orderly fashion as required by the Surprise Property Maintenance Code.
- (3) Multi-family dwellings and assembly uses over 5,000 square feet shall adhere to the following use-specific standards:
- a. The residential development shall have a building frontage presence to the neighborhood street rather than a parking lot frontage. The front entry shall include a walkway to the street or surrounding neighborhood.
 - b. All multi-story buildings shall have unified and stylistic design elements present on all sides of the building(s). A variety of massing and building heights and stepping rooflines are strongly encouraged. Straight rooflines should be minimized by using offsets, differing heights, stepping, or different orientations to produce variety within a development.
 - c. A color palette of earth tones shall be the predominate color used. The use of accent colors is encouraged to provide a festive and lively streetscape. Accent color, different from the dominate wall color, should be used to accent entryways and special architectural features of a building.
 - d. The required off-street parking spaces shall be located in the rear, to the side, or beneath the structures with cars recessed one-half level to avoid interrupting the rhythm of the established streetscape, to make land on site available for gardens and courtyards rather than for surface parking, and to provide a pedestrian level connection to the neighborhood.
 - e. Mechanical equipment and similar utility devices, whether ground level or roof mounted, shall be screened from public view and designed to appear as an integral part of the building, with the exception of solar panels. The mechanical equipment screening shall be included in the overall allowed building height. Mechanical equipment shall be treated to be non-reflective. Electrical meters, service components, and SES cabinets should be screened from public view or designed to appear as an integral part of the building.
 - f. Reflective building materials are prohibited. Metallic surfaces, including roof materials, shall be treated to be non-reflective.
 - g. The use of metal or corrugated metal as the primary building material is prohibited; it may however be used as an architectural accent or decorative element.
 - h. The building materials of a project shall be durable, require low maintenance, and be of the same or higher quality as surrounding developments. The city strongly encourages all new buildings to meet LEED (Leadership in Energy and Environmental Design) certification standards and building sites to utilize low impact development (LID) technologies.
 - i. All buildings shall harmonize architecturally with the residential character of the neighborhood.
 - j. Assembly uses may be required to provide a traffic study, depending on the specific location.
- (4) Attached single-family dwellings shall adhere to the following use-specific standards.
- a. All buildings shall have their main entrance opening to a street or a central interior courtyard.
 - b. A variety of roofline styles and heights shall be used as well as projections and recesses. The structures shall have stylistic architectural design elements on all sides. The architecture

shall incorporate style-appropriate and varied door and window openings and architectural embellishments. A variety of porch configurations shall be used to provide functional architectural integrity to the buildings.

- c. Brick, integral colored block, or slump block shall be used (not painted concrete masonry units) for buildings using masonry as the primary material.
 - d. Flat asphalt shingles shall not be permitted. Clay tile, concrete tile, architectural asphalt shingles, cementitious or fiberglass tiles, and standing-seam or corrugated metal shall be the permitted roofing material. New roofing products shall require city approval.
- (5) Manufactured homes, as defined in section 122-178, may be permitted to provide affordable and diversified housing opportunities within the SHD provided they maintain the aesthetic and architectural design standards similar to those required for conventional site-built homes; more specifically the following use-specific standards.
- a. Existing mobile homes or manufactured homes that are not in compliance with the use-specific standards listed herein at the time of the adoption of this ordinance shall be governed by the provisions of the SUDC - Zoning Ordinance on non-conforming structures.
 - b. The existing mobile home or manufactured home may be replaced in its entirety with a conventional site-built home or with a multi-sectional manufactured home that will provide a dimensional appearance similar to the site-built homes in the neighborhood.
 - c. All manufactured homes shall be required to meet the current HUD code standards, be certified under the National Manufactured Housing Construction and Safety Standards Act of 1974, and comply with State of Arizona Office of Manufactured Housing regulations.
 - d. A manufactured home shall not have been constructed more than ten years prior to the date of application for building installation permit.
 - e. A mobile home, recreational vehicle, or park model may not be used as a residential dwelling within the SHD zoning district.
 - f. *Foundations* . The manufactured home shall be pit set and placed on an excavated foundation with permanent stem wall so that the home appears to have a foundation wall similar in appearance and kind to conventional site built homes.
 - g. *Exterior building materials* . Reflective building materials are prohibited. Metallic surfaces, including roof materials, shall be treated to be non-reflective. The building materials shall be durable, require low maintenance, and be of the same or higher quality as the surrounding site-built homes. Acceptable siding materials include: vinyl, wood, stucco, brick, stone, or other masonry materials or any combination of these materials.
 - h. *Roof materials* . Flat asphalt shingles shall not be permitted. Clay tile, concrete tile, architectural asphalt shingles, cementitious or fiberglass tiles, and standing-seam or corrugated metal shall be the permitted roofing material.
 - i. *Mechanical equipment* . Roof-mounted mechanical equipment is prohibited. Mechanical equipment, propane tanks, water filters, coolers and air conditioning units and similar utility equipment shall be installed at ground level or wall mounted and should be screened from public view.
 - j. *Garage or carports* . The design and materials of any garage or carport shall be compatible with the design and materials of the main structure.
 - k. *Semi-attached accessory structures* . An open covered porch, deck or veranda is required on the front elevation. Uncovered porches, decks, or verandas are permitted on the side and rear of the home provided they meet the setback requirements. Canopies, awnings or other structures to provide shade or protection from weather shall be open on three sides.
 - l. *Steps* . If the dwelling unit has steps leading to the front entry the steps shall be attached to a permanent foundation and designed and constructed to compliment the architectural style of the dwelling unit.

- m. *Anchor ties* . The structure shall be anchored to the ground, in accordance with engineered plans and/or approved manufactured home installation standards.
- n. *Additions* . All additions and alterations shall be in compliance with the current building code as adopted by the city or in compliance with the most current HUD code standards.

(Ord. No. 2016-16, § 2(Exh. A), 6-21-16)

EXHIBIT 3

USPAP Reporting Options

USPAP Reporting Options

The 2018-2019 edition of USPAP requires that all written appraisal reports be prepared under one of the following options: Appraisal Report or Restricted Appraisal Report.

An Appraisal Report summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. The requirements for an Appraisal Report are set forth in Standards Rule 2-2 (a) of US PAP.

A Restricted Appraisal Report states the appraisal methods employed and the conclusions reached but is not required to include the data and reasoning that supports the analyses, opinions, and conclusions. Because the supporting information may not be included, the use of the report is restricted to the client, and further, the appraiser must maintain a work file that contains sufficient information for the appraiser to produce an Appraisal Report if required. The requirements for a Restricted Appraisal Report are set forth in Standards Rule 2-2 (b).

ATI Reporting Formats under the Appraisal Report Option

USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal. Accordingly, Appraisal Technology, Inc. has established internal standards for three alternative reporting formats that differ in depth and detail yet comply with the USPAP requirements for an Appraisal Report. The three ATI formats are:

- Appraisal Report - Comprehensive Format
- Appraisal Report- Standard Format
- Appraisal Report - Concise Summary Format

An Appraisal Report - Comprehensive Format has the greatest depth and detail of the three report types. It describes and explains the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Self-Contained Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

An Appraisal Report - Standard Format has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

An Appraisal Report - Concise Summary Format has less depth and detail than the Appraisal Report - Standard Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the minimum requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP.

On occasion, clients will request, and ATI will agree to provide, a report that is labeled a Self-Contained Appraisal Report. Other than the label, there is no difference between a Self-Contained Appraisal Report and an Appraisal Report - Comprehensive Format. Both types of reports meet or

exceed the former Self-Contained Appraisal Report requirements set forth in the 2012-2013 edition of USPAP.

ATI Reporting Format under Restricted Appraisal Report Option

ATI provides a Restricted Appraisal Report format under the USPAP Restricted Appraisal Report option. This format meets the requirements of the former Restricted Use Appraisal Report that were contained in the 2012-2013 edition of USPAP.

EXHIBIT 4

Contingent and Limiting Conditions

CONTINGENT AND LIMITING CONDITIONS

1. LIMITS OF LIABILITY: The liability of Appraisal Technology, Inc., and/or Independent Contractor(s) is limited to the client only and to the fee actually received by them. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, and/or legally. In the case of limited partnerships or syndication offering or stock offerings in real estate, the client agrees that in case of lawsuit (brought by lender, partner or part-owner in any form of ownership, tenant, or any other party), any and all awards, settlements of any type in such suit, regardless of outcome, the client will hold the appraiser completely harmless in any such action.

2. COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT: Possession of this report or any copy thereof does not carry with it the right of publication. It is a privileged communication. It may not be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only.

All valuations in the report are applicable only under the stated program of Highest and Best Use and are not necessarily applicable under other programs of use. The valuation of a component part of the property is applicable only as a part of the whole property. The distribution of the total valuation in this report between land and improvements applies only under the existing or proposed program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

The Bylaws and Regulations of the Appraisal Institute requires each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate; except as here-in-after provided, the client may distribute copies of this appraisal report in its entirety to such third parties as he may select; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of the report. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of the appraiser(s), particularly as to valuation conclusions, the identity of the appraiser(s), the firm, or any reference to the Appraisal Institute, the M.A.I., or SRA designations. (See last item in following list for client agreement/consent).

3. CONFIDENTIALITY AND TRADE SECRETS: This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the Appraiser(s) whose signature(s) appear on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the report shall be made by anyone other than the appraiser. The appraiser and firm shall have no responsibility if any such unauthorized change is made. The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement, or by a court of law or body with the power of subpoena.

This appraisal was prepared by the appraisers signing this report and/or related independent contractor(s) and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4). Notify the appraiser(s) signing this report, Appraisal Technology, Inc. of any request to reproduce this appraisal in whole or in part.

4. INDEPENDENT CONTRACTORS: Be advised that the people associated with Appraisal Technology, Inc. are independent contractors.

5. INFORMATION AND DATA: The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reliable; all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitment of funds or property.

6. TESTIMONY, CONSULTATION, COMPLETION OF INVOICE FOR APPRAISAL SERVICES: **When the invoice for appraisal, consultation or analytical service is fulfilled, the total fee is payable upon completion.** The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal (unless arrangements have previously been made). Any post appraisal consultation with the client or third parties will be at an additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees, and charges regardless of issuing party.

7. STATEMENT OF POLICY: The following statement represents official policy of Appraisal Institute with respect to neighborhood analysis and the appraisal of residential real estate:

- a. It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.
- b. Racial, religious and ethnic factors are deemed unreliable predictors of value trends or price variance.
- c. It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex or national origin or upon unsupported presumptions relating to the effective age or remaining life of the property or the life expectancy of the neighborhood in which it is located.

8. MANAGEMENT OF THE PROPERTY: The appraiser has no control over management; however, the appraiser considers the management of this investment of prime importance. Reasonable and prudent (not exceptional) management practices and expertise is assumed (anticipated) in the appraisal.

Should the present/prospective owner be unable and/or unwilling to take those actions required by reasonable and prudent management practices (see appraiser's observations at time of inspection following the purpose of appraisal) to meet financial goals and/or reasonable expectations, we recommend a careful reconsideration of the investment risk.

9. APPRAISAL IS NOT A LEGAL OPINION: No responsibility is assumed for matters of legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value estimated is given without regard to any questions of title, boundaries, encumbrances, or encroachments.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report. It is assumed that all applicable zoning and use of regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.

It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

If the Appraiser has not been supplied with a termite inspection, survey or occupancy permit(s), no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above mentioned items.

It is assumed that adequate municipal services including disposal are available and will continue to be.

Virtually all land in Arizona is affected by pending or potential litigation by Indian Tribes claiming superior water rights for their reservations. The amounts claimed and the effects on other water users are largely undetermined; but the claims could result in some curtailment of water usage or ground water pumping on private land. The State's New Ground Water 99Management Act may also restrict future ground water pumping in various parts of Arizona. Given this uncertainty, neither the appraiser(s) nor any of his representatives can make warranties concerning rights to or adequacy of the water supply with respect to the property being appraised, although, the sale of premises include such water rights as are appurtenant thereto.

10. FEDERAL AND STATE REGULATIONS: Further, the value reported is based upon cash, or its equivalent, and was drafted to adhere to the standards and practices of the Appraisal Institute, plus the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation and in accordance with appraisal standard required by Title XI of Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Office of the Comptroller of the Currency (OCC).

Under federal mandate, state licensing and/or certification of appraiser is required on or before August 1, 1991. Permission is hereby granted by the client for the appraiser to furnish the appropriate governmental authority or their authorized designated representative(s) any and all materials requested for oversight review.

11. CHANGES, MODIFICATIONS, FEE: The appraiser(s) reserves the right to alter statements, analysis, conclusion or value estimate contained in the appraisal if a fact(s) pertinent to the appraisal process unknown prior to the completion of the appraisal is/are discovered.

The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report or the physical report itself.

Compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The writing of this report to meet the requirements of the Competitive Equality Banking Act of 1987 ("CEBA") and in adherence with the standards and practices of the Appraisal Institute, plus the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation involves an interpretation of the phrase "totally self-contained".

Because no report regardless of length or the extent of documentation is "totally self-contained", the appraiser has tried to furnish sufficient documentation, analysis and detail to meet a "reasonableness criteria". Should the client reviewing this report require additional information, analysis, documentation, etc., it will be supplied in an expeditious manner at no charge to the client, following receipt of a written critique (within 2 months of the date of this letter), in the form of a new report.

12. APPRAISAL IS NOT A SURVEY: It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted with the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or when not supplied, as derived by the appraiser. The appraiser(s) assume no responsibility for such a survey, or for encroachments or overlapping that might be revealed thereby.

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Photos, if any, are included for the same purpose. Site plans are not surveys unless shown from a separate surveyor.

13. APPRAISAL IS NOT AN ENGINEERING REPORT: This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, or legal experts, and any opinion given on these matters in this report should be considered preliminary in nature.

The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating and/or cooling system, plumbing, insulation, electrical service, and all mechanical and construction is based on a casual inspection only and no detailed inspection was made. For instance, we are not experts on heating and/or cooling systems and no attempt was made to inspect the interior of the heating and/or cooling equipment. The structures were not checked for building code violations and it is assumed that all buildings meet the building codes unless so stated in the report.

Items such as conditions behind walls, above ceiling, behind locked doors, or under the ground are not exposed to casual view and, therefore, were not inspected. The existence of insulation (if any is mentioned) was found by conversation with others and/or circumstantial evidence.

Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

It is assumed that there are no hidden or unapparent conditions of the property, sub-soil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or the engineering which may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and/or energy related) were not considered in making this appraisal.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air-conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we strongly suggest that a construction expert be hired for a detailed investigation. Although a walk-through inspection has been performed, an appraiser is not an expert in the field of building inspection and/or engineering. An expert in the field of engineering/seismic hazards detection should be consulted if an analysis of seismic safety and seismic structural integrity is desired.

The appraiser is not a seismologist. The appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The appraisers assume no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

14. PROPOSED IMPROVEMENT, CONDITIONED VALUE: Improvements proposed, if any, on or off-site, as well as any repairs required are considered, for purposes of this appraisal, to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraiser(s). In cases of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. This estimate of value is as of the date shown, as proposed, as if completed and operating at levels shown and projected unless otherwise set forth.

15. INSULATION AND TOXIC MATERIALS: The existence of potentially hazardous materials used in the construction or maintenance of the structure, such as urea formaldehyde foam insulation, and/or the existence of toxic waste on or in the ground, which may or may not be present has not been considered (unless otherwise set forth). The appraiser(s) is not qualified to detect such substances. The client should retain an expert in this field. If such is present, the value of the property may be adversely affected; therefore, if a toxic waste and/or contaminant is detected, the value indicated in this report is Null and Void. A re-appraisal at an additional cost may be necessary to estimate the effects of hazardous materials.

16. AUXILIARY AND RELATED STUDIES: No environmental or impact studies, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an invoice for services or in the report.

17. APPRAISAL IS MADE UNDER CONDITIONS OF UNCERTAINTY: Information (including projections of income and expenses) provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, sellers, property owners, bookkeepers, accountants, attorneys, and others is assumed to be true, correct, and reliable. No responsibility for the accuracy of such information is assumed by the appraiser.

The comparable sales data relied upon in the appraisal is believed to be from reliable sources. Though all the comparable sales were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

Engineering analyses of the subject property were neither provided or used nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.

All values shown in the appraisal report are projections based on our analysis as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. Since the projected mathematical models are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

This appraisal is an estimate of value based on an analysis of information known to us at the time the appraisal was made. We do not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light and/or becomes known, the value given in this report is subject to change without notice.

18. AMERICANS WITH DISABILITIES ACT: The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser(s) have not made an analysis of this property to determine whether or not it is in conformity with the ADA requirements. It is possible that a compliance survey of the property, together with a detailed analysis of the ADA requirements could reveal that the property is not in compliance for one or all requirements. If so, this fact could have a negative effect upon the value of the property. The appraiser(s) have no direct evidence relating to this issue and did not consider possible non-compliance with the requirement of the ADA in estimating the value of the property.

19. ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE FOREGOING CONDITIONS. APPRAISER(S) LIABILITY EXTENDS ONLY TO STATED CLIENT, NOT SUBSEQUENT PARTIES OR USERS AND IS LIMITED TO THE AMOUNT OF THE FEE RECEIVED BY THE APPRAISER(S).

Exhibit A

The South Half of the North Half of the South Half of the East 314 Feet of the Northwest quarter of the Northwest Quarter of the Southeast quarter of the Section 2, Township 3 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona



CITY OF SURPRISE Regular City Council Meeting

Council Meeting Date: February 4, 2020

Contact Person: Jodi Tas, MNGMNT ANALYST - SR

Submitting Department: Mayor and Council

District: Internal

Staff Recommendations: None

Consent: No	Regular: Yes	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to support of potential legislation ensuring fair competition among all car rental operators, including both traditional rentals and online "peer-to-peer" car rental operations.

Motion:

I move to authorize the Mayor to execute the letter of support for equitable peer-to-peer car rental legislation on behalf of the City.

Background:

Last legislative session, there were two competing bills which would define car rental in the era of peer-to-peer rentals. A coalition called "Driving Arizona's Economy" has formed to advocate for equitable regulatory and tax treatment of peer-to-peer rentals during this 2020 legislative session. There has been a request that Cactus League Cities support this position.

Objective Analysis:

Non-regulation and non-taxation of peer-to-peer car "sharing," which essentially provides the same product as traditional rental car business, creates an uneven playing field in which traditional rental companies are disadvantaged. This inequity has the potential to negatively impact city revenue.

Policy Compliant:

Per the City Council Policies and Procedure Manual, a majority of City Council is required for the City to take an official position on any legislative issue or matter. Therefore, consideration by Council of this matter is consistent with city policy.

Financial Impact:

Equitable Transaction Privilege Tax assessment and collection of all entities involved in renting cars, whether in the traditional sense, or alternative online models of business, will ensure revenue is preserved.

Budget Impact:

N/A.

FTE Impact:

N/A.

ATTACHMENTS:

1. Peer-2-Peer (LTR to Legislators) FINAL
 2. P2P 2020 Presentation
-

January, _____

1700 W. Washington
Phoenix, Arizona 85007

Dear -----,

We are writing as members of Driving Arizona's Economy to request your support for fair peer-to-peer car sharing legislation in the 2020 Legislative Session. Our broad-based coalition is working together to cultivate a business environment where all of Arizona's car rental industry partners have a fair and equal opportunity to succeed by maintaining a level regulatory playing field. Our diverse coalition is comprised of representatives of numerous industries throughout Arizona and has worked tirelessly to contribute to the continued growth of Arizona's economy. Our coalition believes that fair legislation governing the car rental industry should include equal treatment of all participants, including peer-to-peer car sharing companies.

Despite providing essentially the same product, peer-to-peer car sharing companies are not collecting and remitting the fees and taxes that traditional car rental companies are collecting, remitting, and complying with under the law. Treating businesses differently that provide or facilitate the use of essentially the same products creates an unequal playing field for Arizona businesses. This current framework does not benefit Arizona and is why we think it is critical to clarify the law to ensure that responsibility falls on each peer-to-peer car sharing company (and not the host - just like AirBnB or Wayfair) to collect and remit taxes and fees on behalf of their hosts. Allowing these businesses to not pay fees or taxes also threatens to deplete the revenue that helps support our state. This includes support for one of our greatest economic drivers, tourism, since a portion of car rental taxes and fees supports tourism activities. Arizona's tourism industry is our #1 import, fueling Arizona's economy by providing nearly 25% of the state's General Fund. Visitors generate \$22.7 billion a year in direct spending, resulting in more than \$3.3 billion in tax revenues and 300,000 jobs statewide. Our plan to create a level regulatory playing field is a fair approach to ensure that our economic sustainability continues to be substantially supported by visitor dollars, and safeguards Arizona taxpayers from further, burdensome taxation to make up for the lost revenue.

Driving Arizona's Economy is supportive of an equitable legislative approach and constructive public policy that is nondiscriminatory for participants in the car rental industry and also protects consumers and car owners participating in peer-to-peer car sharing activity. It is time for peer-to-peer car sharing companies to be regulated using the wisdom gained adapting equitable regulatory frameworks for companies like Uber, Lyft and Wayfair. Our coalition believes strongly that leveling the playing field for everyone operating in the car rental industry arena is the fair and right thing to do.

We agree that Arizona should do everything it can to encourage and foster innovative economic disrupters and new business forces. However, the state must do so by creating a fair playing field. We appreciate your thoughtfulness and attention to this priority. Members of

our coalition will be reaching out in the near future to meet with you and your respective staffs to further discuss how we can come to a sensible resolution for all. Again, thank you in advance for your time and attention.

Respectfully,



Peer-to-Peer Coalition Support

BACKGROUND

- Last legislative session, there were two competing bills looking at how to define car rental companies in the era of peer-to-peer rentals.
 - One bill would have define peer-to-peer companies like Turo and Getaround as traditional rental car companies.
 - The other bill would have referred to these carsharing companies as carsharing and not renting.

DRIVING ARIZONA'S ECONOMY

- A broad coalition called “Driving Arizona’s Economy” has formed to advocate for regulatory and tax fairness this current legislative session.
- Members of the Coalition include:
 - Cactus League
 - Chambers of Commerce
 - Arizona Lodging and Tourism
 - Cactus League Cities

Request for Support

- The Coalition is requesting our support of a letter to legislators advocating for legislative changes that would ensure regulatory fairness for all rental operators.
- Peer-to-Peer carsharing companies operate online platforms that offer the same rental of products as traditional car rental companies.
- These businesses are facilitating car rental transactions that provide a tangible product and should pay the same fees and taxes as traditional car rental companies.



QUESTIONS OR COMMENTS?

Thank You