CITY OF SURPRISE
City Audit Committee Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374
Wednesday, March 31, 2021 @ 3:30 PM
COUNCIL CHAMBERS

NOTICE: In an effort to protect health and safety of city employees, residents, and visitors, the Council Chambers will be closed to the public during this meeting. The public may access the meeting by viewing a live stream or broadcast of the meeting. Watch live on Cox channel 11, www.surpriseaz.gov/surprisetv, or the Surprise City Gov Facebook page at www.facebook.com/cityofsurprise.

For instructions on how to comment on agenda items and public hearings, please go to https://bit.ly/30XKdHA

A. Call To Order

B. Roll Call

C. Pledge of Allegiance

D. Current Events and Reports

E. Staff Reports

F. City Audit Committee Agenda

CALL TO THE PUBLIC:

Public comment will be taken through email or via phone. To submit email comments, including Call to the Public for non-agenda items, please email publiccomments@surpriseaz.gov. Comments for Call to the Public must be submitted prior to the start of the meeting. To comment on agenda items, emails must be submitted prior to the time(s) designated for public comment by the Subcommittee Chair during the meeting or before the agenda item has otherwise concluded.

To comment live by phone for Call to the Public for non-agenda items or for agenda items, please call 623-222-1331 prior to, or during, the meeting to have your name placed on a callback list. If you reach voicemail, please leave your name and phone number. The Subcommittee Secretary will call those wishing to comment from the dais during the meeting, and the call will be streamed through the Council Chamber audio system. Only calls received before Call to the Public for non-agenda items or before or during the time(s) designated for public comment by the Subcommittee Chair during the meeting on the subject agenda item will be accepted and streamed. No calls will be accepted after the time(s) designated by the Subcommittee Chair for public comment or after an agenda item has otherwise concluded.

CONSENT AGENDA:

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

1.	Citywide	Consideration and action pertaining to approval of the November 19, 2020 meeting minutes.	City Manager Office
2.	Citywide	Presentation and discussion pertaining to the fiscal year 2020 annual audit and Comprehensive Annual Financial Report and associated reports.	City Manager Office

G. Other Business and Future Agenda Items

H. Executive Session

For information purposes: Upon a public majority vote of a quorum ("Commission"), the Commission may hold an executive session, which will not be open to the public, but for only the following purposes: discussion or consideration of records exempt by law from public inspection (A.R.S. §38-431.03(A)(2));

or discussion or consultation for legal advice with the attorney or attorneys of the public body (A.R.S. §38-431.03(A)(3)).

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 or by agreement of the Commission, or as otherwise ordered by a court of competent jurisdiction.

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

I. Adjournment

SHERRY ANN AGUILAR, CITY CLERK, MMC

POSTED: March 30, 2021 at 9:40 AM

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
City Audit Committee Meeting

Council Meeting Date: March 31, 2021
Submitting Department: City Manager Office
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to approval of the November 19, 2020 meeting minutes.

Motion:

I move to approve the minutes of the November 19, 2020 City Audit Committee meeting.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2020-2021 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the internal auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

Policy Compliant:

Sec. 2-304 (c) (6-8) of the Surprise Municipal Code directs the Audit Committee to: In coordination with the internal auditor, review significant audit findings and monitor responses thereto; provide independent review and oversight of the internal and external auditor including any audits either performs; and evaluate internal and external audits for performance and compliance with accepted professional standards.

Financial Impact:

There is no financial impact.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. 2020-11-19 Minutes-Draft

CITY OF SURPRISE
Audit Committee Meeting
16000 North Civic Center Plaza
Surprise, AZ 85374

Wednesday, November 19, 2020 – 3:30 p.m.

CALL TO ORDER

Chair Connie Bowers called the **Audit Committee Meeting** to order at 3:30 p.m. at Surprise City Hall, Council Overflow Conference Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Wednesday, November 19, 2020.

ROLL CALL

Connie Bowers, Chair, Aaron Bacon, Seth Dyson HSCV Director, Vice Mayor Chris Judd, Councilmember Patrick Duffy (on behalf of Councilmember Remley), Andrea Davis, Finance Director.

Please note, there is a current vacancy on the Audit Committee membership.

PLEDGE OF ALLEGIANCE

CURRENT EVENTS AND REPORTS

None.

STAFF REPORTS

None.

STAFF PRESENT

Carol Holley, Internal Auditor-Sr., Charis Newberry, Internal Auditor, Michael Frazier, City Manager, Mark Schott, Assistant City Manager, Breanne Lorefice, Staff Liaison.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. **Action item: Consideration and Action pertaining to the approval of the August 12, 2020 Audit Committee meeting minutes.**

   Committee Member Bacon moved to approve August 12, 2020, Audit Committee Meeting minutes, Vice Mayor Judd seconded. Motion carried 3-0. Councilmember Duffy abstained.

2. **Action item: Consideration and action to elect a Chairperson and Vice-Chairperson for the Audit Committee.**
Vice Mayor Judd made a motion to nominate Connie Bowers as Chair and Aaron Bacon as Vice-chair. Committee Member Bacon seconded. Motion carried 4-0.

3. **Action Item: Discussion and Action pertaining to FY 2019-2020 Annual Internal Audit Activity Report**

   Carol Holley presented the Annual Internal Audit Activity Report.

   There was discussion on the timelines for completing Audit recommendations.

   Committee Member Bacon moved to approve and distribute the FY2019-2020 Annual Internal Audit Activity Report. Councilmember Patrick Duffy seconded the motion. Motion carried 4-0.

4. **Action item: Consideration and action pertaining to the FY2020-2021 Annual Audit Plan.**

   Carol Holley presented on the FY2020-2021 Annual Audit Plan.

   There were no questions.

   Committee Member Bacon moved to approve the FY2020-2021 Annual Audit Plan. Councilmember Patrick Duffy seconded the motion. Motion carried 4-0.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

The next Audit Committee Meeting will be held on March 31, 2021 at 3:30 p.m. at Surprise City Hall, Council Overflow Conference Room, 16000 N. Civic Center Plaza, Surprise, AZ 85374.

ADJOURNMENT

Committee Member Bacon moved to adjourn. Vice Mayor Judd seconded the motion. Motion carried 4-0. The meeting was adjourned at 4:02 p.m.

ATTEST:

____
Connie Bowers, Chair

Breanne Lorefice, Staff Liaison

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 Audit Committee Meeting of **Thursday, November 19, 2020.**

Sherry Ann Aguilar, City Clerk, MMC

CITY OF SURPRISE
City Audit Committee Meeting

Council Meeting Date: March 31, 2021
Submitting Department: City Manager Office
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation and discussion pertaining to the fiscal year 2020 annual audit and Comprehensive Annual Financial Report and associated reports.

Motion:

N/A Informational 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 CAFR, Single Audit, Management Letter, Communication with Governance, Annual Expenditure Limitation (AELR) Report, and Highway User Revenue Fund (HURF) Report.

Objective Analysis:

The mission of the Audit Committee is to provide advice to city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the internal auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion will lend itself to the oversight and advisory components of the mission statement.

Policy Compliant:

Sec. 2-304 of the City of Surprise Municipal Code authorize the adoption of the Audit Committee Bylaws. The Audit Committee Bylaws require the Audit Committee to meet at least once annually with the City's external auditor to discuss the City's Comprehensive Annual Financial Report and other applicable risk management and City financial concerns.

Financial Impact:

N/A - Informational only

Budget Impact:

N/A - Informational only

FTE Impact:

N/A - Informational only

ATTACHMENTS:

1. City of Surprise AELR Report 20 (003)
2. City of Surprise HURF Auditor's Report 20
3. City of Surprise ML 20
4. City of Surprise SARP 20
5. FY20 AELR General Rep Letter - signed
6. FY20 Audit General Rep Letter - signed
7. FY20 CAFR Final Report
8. General Representation Letter - Single Audit - signed
9. City of Surprise Communication to Governance 20
10. Impact Fee AUP Report 2020

SURPRISE
ARIZONA

City of Surprise, Arizona

Annual Expenditure Limitation Report

For the Fiscal Year Ended June 30, 2020

ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2020

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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, 2020, 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
March 8, 2021

1.	Economic Estimates Commission expenditure limitation	$ 1,095,795,955	
2.	Voter-approved alternative expenditure limitation	-	
3.	Enter applicable amount from line 1 or line 2		$ 1,095,795,955
4.	Amount subject to the expenditure limitation (total amount from part II, line C)	209,675,952	
11.	Amount under (in excess of) the expenditure limitation		$ 886,120,003

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, Finance Director

Telephone number: (623) 222-1853 Date: 03/03/2021

See accompanying notes to report.

	Description	Governmental funds	Enterprise funds	Internal service funds	Total
A.	Amounts reported on the reconciliation, line D	$ 184,229,587	$ 52,960,649	$ 15,229,189	$ 252,419,424
B.	Less exclusions claimed:				
	Debt service requirements (See Note 2)	7,712,254	2,954,290	-	10,666,544
	Grants and aid from the federal government (See Note 3)	11,951,749	423,872	-	12,375,621
	Amounts received from the State of Arizona (See Note 5)	347,127	-	-	347,127
	Quasi-external interfund transactions (See Note 10)	-	-	11,378,657	11,378,657
	Highway user revenues in excess of those received in fiscal year 1979-80 (See Note 4)	7,975,523	-	-	7,975,523
	Total exclusions claimed	27,986,653	3,378,162	11,378,657	42,743,472
C.	Amounts subject to the expenditure limitation	$ 156,242,934	$ 49,582,487	$ 3,850,532	$ 209,675,952

See accompanying notes to report.

	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	$ 196,541,689	$ 53,351,259	$ 15,234,046	$265,126,994
B.	Subtractions:				
	Items not requiring use of current financial resources:				
	Depreciation	-	13,070,390	-	13,070,390
	Claims incurred but not reported (IBNR) (See Note 6)	-	-	935,360	935,360
	Pension/OPEB expense (See Note 7)	-	1,726,204	64,595	1,790,799
	Expenditures of separate legal entities established under Arizona Revised Statutes (See Note 8)	12,312,102	-	-	12,312,102
	Total subtractions	12,312,102	14,796,594	999,955	28,108,651
C.	Additions:				
	Principal payments on long-term debt (See Note 2)	-	1,581,300	-	1,581,300
	Capital asset acquisitions (See Note 9)	-	11,688,324	-	11,688,324
	Amounts paid in the current year but reported as expenses in previous years:				
	Claims previously recognized as IBNR (See Note 6)	-	-	953,090	953,090
	Pension/OPEB contributions paid in the current year (See Note 7)	-	1,136,360	42,007	1,178,367
	Total additions	-	14,405,984	995,097	15,401,081
D.	Amounts reported on part II, line A	$ 184,229,587	$ 52,960,649	$ 15,229,189	$252,419,424

See accompanying notes to report.

City of Surprise, Arizona
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2020

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

Bonded Indebtedness		
2015 Bond Issuance Principal	$	2,473,700
2015 Bond Issuance Interest		958,260
2018 Bond Issuance Principal		2,865,000
2018 Bond Issuance Interest		1,415,294
Total	$	7,712,254

Enterprise

Bonded Indebtedness		
2015 Bond Issuance Principal	$	641,300
2015 Bond Issuance Interest		161,490
2018 Bond Issuance Principal		940,000
2018 Bond Issuance Interest		1,211,500
Total	$	2,954,290

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 the Treasury	$	9,031,538
U.S. Department of Housing and Urban Development		1,269,639
U.S. Department of Justice		706,772
U.S. Department of Transportation		274,896
U.S. Department of Health and Human Services		347,700
U.S. Department of Homeland Security		745,076
Total	$	12,375,621

NOTE 4 – HIGHWAY USER REVENUES

Highway user revenues for the current fiscal year were $9,230,433 which is $9,168,002 more than the highway user revenues received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled $7,975,523, which is less than current excludable revenues by $1,192,479, increasing the carryforward balance to $3,227,985.

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	$	347,127

NOTE 6 – CLAIMS INCURRED BUT NOT REPORTED

The subtraction of $935,360 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 $953,090 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.

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	$	1,677,756
Internal Service		62,700
Total	$	1,740,456
Pension Contributions		
Enterprise Funds	$	1,078,558
Internal Service		39,789
Total	$	1,118,347
OPEB Expense		
Enterprise Funds	$	48,448
Internal Service		1,895
Total	$	50,343
OPEB Contributions		
Enterprise Funds	$	57,802
Internal Service		2,218
Total	$	60,020

NOTE 8 – SEPARATE LEGAL ENTITIES

The subtraction of $12,312,102 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	$	2,389,990
Subtotal	$	2,389,990
Marley Park Community Facility District Fund		
Culture and Recreation	$	102,293
Principal		665,000
Interest and other charges		1,093,681
Capital outlay		8,061,138
Subtotal	$	9,922,112
Total separate legal entities	$	12,312,102

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	$	19,227,139
Less: capital contributions		(7,538,815)
Total	$	11,688,324

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 $8,762,202 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 $2,021,300 to provide risk management, loss control and safety programs citywide. The Worker's Compensation Fund charged other funds $868,316 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 $1,885,372, which is less than current revenues by $135,928, increasing the carryforward balance to $168,243. Excludable revenues expended in the current fiscal year for the Worker's Compensation Funds totaled $731,082, which is less than current year revenues by $137,234 increasing the carryforward balance to $634,373.

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, 2020. 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, 2020.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 21, 2021

City of Surprise, Arizona
Management Letter
Year Ended June 30, 2020

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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, 2020, 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 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, 2020. 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 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 party. 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. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 21, 2021

Conflicts of Interest

During the year the City paid a business, owned by an employee to clean the seats of a firetruck. The City paid the business $150 on a city procurement card. This is a violation of ARS 38-503 due to this conflict not being formally disclosed and the purchase was not subject to public competitive bidding. Furthermore, it's a violation of the City's Conflict of Interest Policy 9.2, which prohibits employees from supplying the City with services beyond the scope of employment.

Internal controls must ensure that employees involved in purchasing have the appropriate training to properly identify and avoid conflict of interests.

Financial Reporting

During the course of the audit several immaterial audit adjustments were recommended. A summary of the adjustments are listed below.

- The allowance for doubtful accounts for utility receivables was not updated. This error resulted in receivables and revenue being overstated by $295,751.
- Restricted cash and investments and restricted liabilities in the utility funds were misclassified. Additionally, restricted cash was misclassified in the general fund.
- Unearned grant revenue was overstated by $105,071 and grant revenue was overstated by $52,558. Additionally, unavailable grant revenue was understated by $157,629.
- Unavailable property tax revenue and court revenues were misclassified as unearned revenue.
- The City improperly recorded a restriction of net position for debt service in the sewer fund of $2.3 million.
- The net investment in capital assets for governmental activities was overstated by $108,905 due to the calculation being performed before the City amortized the annual deferred loss on refunding.
- Prepaid contributions to the public safety retirement system were not accounted for in the deferred outflow of resources calculation for contributions subsequent to the measurement date. Furthermore, the fire insurance premium credit was included in the deferred outflow calculation when it should not be due to the funds being contributed by the State.

These errors are attributed to the turnover the finance department experienced before and after year end including being without an accounting manager and lead senior accountant during the audit. The lack of resources resulted in quality control checks on the financial statements not being performed before the financial statements were provided to the audit team. Additionally, the City experienced unanticipated difficulties using the report writer software to prepare the financial statements.

It is recommended that the City take note of these adjustments and add them to the year-end adjustments checklist. Additionally, it is recommended that the City's review procedures are thoroughly performed prior to providing the financial statements to the audit team. Finally, the City should seek training on the use of the CAFR Builder software.

City of Surprise, Arizona
Single Audit Reporting Package
Year Ended June 30, 2020

CITY OF SURPRISE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2020

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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, 2020, 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 January 21, 2021.

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) as a basis for designing 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 financial statements. 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
January 21, 2021

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

Governing Board
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, 2020. 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.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2020.

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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 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, 2020, 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 January 21, 2021, 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 taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
February 23, 2021

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.S. Department of the Treasury					
Passed through the Executive Office of the State of Arizona					
21 019	2020 Coronavirus Relief Fund		ERMT-20-008	9,031,538	
	Total U.S. Department of the Treasury			9,031,538	
U.S. Department of Housing and Urban Development					
14 218	Community Development Block Grants/Entitlement Grants	CDBG–Entitlement Grants Cluster			
	2018 Community Development Block Grant			650,366	
	2019 Community Development Block Grant			441,908	
	Community Development Block Grant			49,463	49,463
	Neighborhood Stabilization Program NSP1			110,327	
	Neighborhood Stabilization Program NSP3			1,688	
	Total CDBG-Entitlement Grants Cluster			1,253,752	49,463
Passed through Maricopa County/the Maricopa HOME Consortium					
14 239	Home Investment Partnerships Program				
	2019 HOME Investment Partnerships Program		C-22-17-046-3-03	15,887	-
	Total HOME Investment Partnerships Program			15,887	-
	Total U.S. Department of Housing and Urban Development			1,269,639	49,463
U.S. Department of Justice					
16 004	Law Enforcement Assistance_Narcotics and Dangerous Drugs Training			33,527	-
Passed through City of Phoenix Police Department					
16 543	Missing Children's Assistance			5,000	-
Passed through Arizona Department of Public Safety					
16 575	Crime Victim Assistance				
	Crime Victim Assistance		VOCA-2018-CSPO-00293	129,479	-
	Crime Victim Assistance		VOCA-2018-SFD-00215	114,235	-
	Total Crime Victim Assistance			243,714	-
16 710	Public Safety Partnership and Community Policing Grants		2016UMWX0122	182,051	-
16 922	Equitable Sharing Program		AZ0072700	242,480	-
	Total U.S. Department of Justice			706,772	-
U.S. Department of Transportation					
Passed through Arizona Department of Transportation					
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster			
	Highway Planning and Construction		SUR-0(232)D	3,968	-
	Highway Planning and Construction		SUR-0(233)D	4,150	-
	Highway Planning and Construction		SUR-0(229)T	4,306	-
	Total Highway Planning and Construction Cluster			12,424	-
Passed through Arizona Governor's Office of Highway Safety					
20 600	State and Community Highway Safety	Highway Safety Cluster			
	State and Community Highway Safety		2020-AI-011	39,542	-
	State and Community Highway Safety		2020-PTS-061	13,406	-
	State and Community Highway Safety		2019-PTS-052	27,393	-
	State and Community Highway Safety		2020-MC-003	6,498	-
	State and Community Highway Safety		2019-MC-003	2,502	-
	State and Community Highway Safety		2020-AL-037	367	-
	Subtotal 20.600 State and Community Highway Safety			89,708	-

See accompanying notes to schedule.

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		2020-II-006	72,905	-
	National Priority Safety Programs		2019-405d-051	40,798	-
	National Priority Safety Programs		2020-405d-040	5,985	-
	National Priority Safety Programs		2019-405h-018	1,264	-
	National Priority Safety Programs		2020-405b-008	10,759	-
	National Priority Safety Programs		2019-405b-010	780	-
	National Priority Safety Programs		2019-405b-011	9,729	-
	National Priority Safety Programs		2020-405b-009	5,544	-
	Subtotal 20.616 National Priority Safety Programs			147,764	-
	Total Highway Safety Cluster			237,472	-
Passed through Governor's Office of Highway Safety					
20 614	National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants		2019-PB-008	25,000	-
	Total U.S. Department of Transportation			274,896	-
U.S. Department of Health and Human Services					
Passed through Area Agency on Aging, Region One		Aging Cluster			
93 045	Special Programs for the Aging_Title III, Part C_Nutrition Services		2020-36-SUR	101,349	-
Passed through Maricopa County Human Services					
93 569	Community Services Block Grant		C-22-19-038-3-00	100,000	-
Passed through United Health Group					
93 498	COVID-19 Provider Relief Fund			60,647	-
Passed through Maricopa County Human Services					
93 667	Social Services Block Grant		C-22-16-043-3-03	85,704	-
	Total U.S. Department of Health and Human Services			347,700	-
U.S. Department of Homeland Security					
97 044	Assistance to Firefighters Grant			301,456	-
Passed through Arizona Department of Emergency Management					
97 036	COVID-19 Disaster Grants- Public Assistance		CV-037	175,302	
Passed through Arizona Department of Homeland Security					
97 067	Homeland Security Grant Program				
	Homeland Security Grant Program		180821-01	6,166	-
	Homeland Security Grant Program		180215-01	3,583	-
	Homeland Security Grant Program		180820-01	3,251	-
	Homeland Security Grant Program		190822-01	28,287	-
	Homeland Security Grant Program		190821-01	16,799	-
	Total Homeland Security Grant Program			58,086	-
97 083	Staffing for Adequate Fire and Emergency Response (SAFER)		EMW-2018-FH-00377	210,232	
	Total U.S. Department of Homeland Security			745,076	-
	Total Expenditures of Federal Awards			$ 12,375,621	$ 49,463

See accompanying notes to schedule.

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of City of Surprise, Arizona under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. 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 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 City has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Catalog of Federal Domestic Assistance Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or through beta.sam.gov. If the three-digit CFDA extension is unknown, there is a U followed by a two-digit number in the CFDA extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

CITY OF SURPRISE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	CDBG–Entitlement Grants Cluster
21.019	COVID 19 - Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee: No

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: Yes

Finance Department
City of Surprise
16000 N. Civic Center Plaza
Surprise, AZ 85374
T. 623·222·1800

February 23, 2021

To Whom It May Concern:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The status for each finding included in the prior year audit's Schedule of Findings and Questioned Costs has been provided.

Sincerely,

Jon Gake
Accounting Manager

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2019-001
Program Name/CFDA Title: CDBG-Entitlement Grants Cluster
CFDA Number: 14.218
Status: Fully corrected.

Finding Number: 2019-002
Program Name/CFDA Title: CDBG-Entitlement Grants Cluster
CFDA Number: 14.218
Status: Fully corrected.

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

In connection with your examination of the Annual Expenditure Limitation Report (AELR) for the year ended June 30, 2020, for the purpose of expressing an opinion about whether the AELR is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System, 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 examination.

1. The AELR for the year ended June 30, 2020 is presented in accordance with the Uniform Expenditure Reporting System.

2. We are responsible for the AELR and for our assertion that it is presented in accordance with the Uniform Expenditure Reporting System.

3. We have provided you with all relevant information and access to information and personnel in connection with your examination of the AELR.

4. We have disclosed to you all deficiencies in internal control relevant to the engagement of which we are aware.

5. We have disclosed to you knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the AELR.

6. All relevant matters are reflected in the measurement and/or evaluation of the AELR.

7. We believe that significant assumptions used in making any material estimates are reasonable.

8. We have disclosed to you all known matters that may contradict the AELR, and we have disclosed to you all communications from regulatory agencies, received through the date of your report affecting the AELR.

9. We have disclosed to you all events subsequent to June 30, 2020 that would have a material effect on the AELR.

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 information that, in the 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.

Andrea Davis
Andrea Davis (Mar 8, 2021 12:09 MST)

03/08/2021

Andrea Davis, Finance Director
City of Surprise, Arizona

Date

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, 2020, 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 (Jan 21, 2021 09:45 MST)

01/21/2021

Andrea Davis, Chief Financial Officer
City of Surprise, Arizona

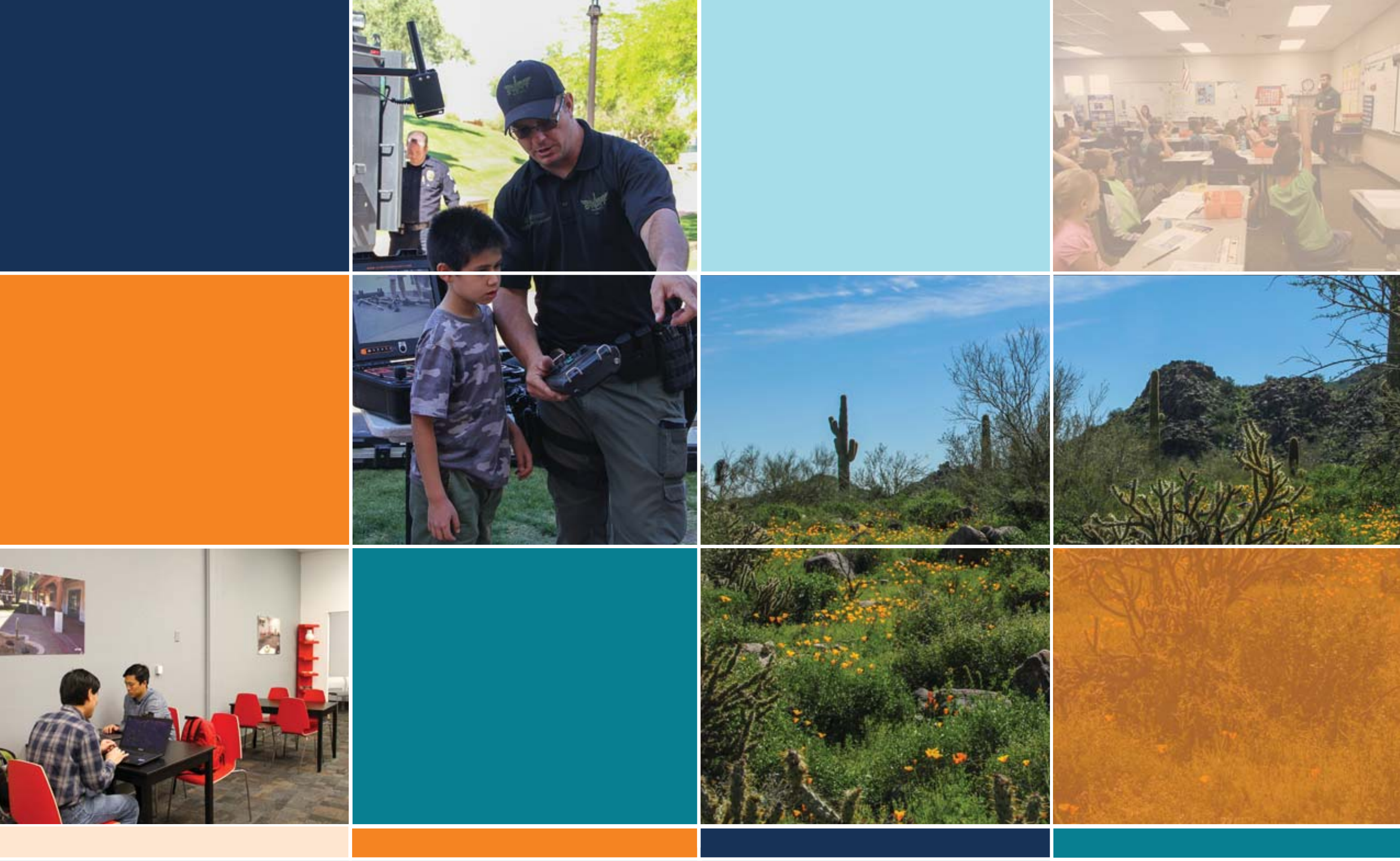
Date

Teresa Butterbredt
Teresa Butterbredt (Jan 20, 2021 09:38 MST)

01/20/2021

Teresa Butterbredt, Assistant Director/Accounting
City of Surprise, Arizona

Date



SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FY2020

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2020

Prepared by:
Finance Department

SURPRISE

ARIZONA

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SURPRISE
ARIZONA

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.

SURPRISE

ARIZONA

FINANCE DEPARTMENT
CITY OF SURPRISE
16000 N. CIVIC CENTER PLAZA
SURPRISE, AZ 85374
T. 623-222-1800

January 21, 2021

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, 2020. 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, 2020, 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, 2020, 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, City Attorney, 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

During the fiscal year, the City was faced with the COVID-19 health pandemic and a state of emergency was declared in March 2020. City Management took immediate steps in March to reduce planned spending levels in the sales tax dependent funds, mainly the General Fund. Due to the unknown economic impacts, the FY2021 General Fund budget was adopted using the FY2020 budget as the baseline for revenues and expenditures. Non- sales tax dependent funds, such as the utility funds, adopted a conservative budget compared to the original FY2021 budget plan.

Despite the Governor's stay at home order and the global economic impacts of the pandemic, the City's year-end financial results were strong in both sales tax revenues, population growth, and development. The General Fund ended the year with sales tax exceeding budget by 5.7% or $2.9M. In addition, the City received $16.3 million of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Throughout the year, the city experienced residential population growth and significant residential and commercial permit activity. The city continues to exceed the statewide average in population growth and the trend 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 a 15.1% increase in sales tax collections while state shared sales tax revenues increased by 5.8% over the previous year. The population and commercial square footage growth has been a factor in 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 165, of this financial report.

Long-Term Financial Planning

The City continues to plan for investment in maintaining facilities, infrastructure, and equipment that allow for the continued delivery of high quality services to the residents of Surprise. The asset replacement policy was updated for FY2021 and new funds were created to allow departments to carry funding into future years for long-term planning. In addition, the policy dedicated 100% of construction sales tax to the General Capital Fund for asset replacement and capital projects.

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 projects in fiscal year 2023.

The City continues to work in partnership with Ottawa University Arizona and the surrounding landowners to develop the City Center. In the last year, this has seen the completion of the Residential Housing Facility and the O'Dell Center which includes athletic facilities for the University. Further, within City Center the Texas Rangers completed a Residential Housing Facility and Performance Center to aid in player development.

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%. 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%. In addition, the Development Impact Fee Study was updated. 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).

During FY2020, a number of projects were completed to include two new recreation facilities that opened their doors to the community; the $4.5 million Asante Regional Library, funded by development impact fees, and the shared recreation facility with Ottawa University. The recreation facility will allow Surprise residents to access and use the facility through City Parks and Recreation programs. The Public Works operations Facility also opened its doors and construction to widen Waddell and Litchfield Road is almost complete.

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 2020, the minimum fund balance (net position) policy for the City's Enterprise Funds were updated to match the categories laid out in the comprehensive utility rate study for the Water, Sewer, and Sanitation Funds. Further, the minimum fund balance for the Risk Management Fund (Internal Service Fund) was updated to be set at three times the maximum annual loss of $250,000 which is equal to $750,000.

During the fiscal year 2020, the City created or revised a number of policies and desk procedures. A few of those policies include, an accounts payable policy and vendor setup policy to mitigate fraud. Some of the desk procedures include, a Community Facilities District desk procedure to assist staff during application review, Public Safety Pension Funding, and Finance Administration of City Leases.

Budgetary Controls

The adopted level of budget control is appropriated by department within each fund. The Capital Improvement Plan (CIP) is appropriated by project.

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, 2019. 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

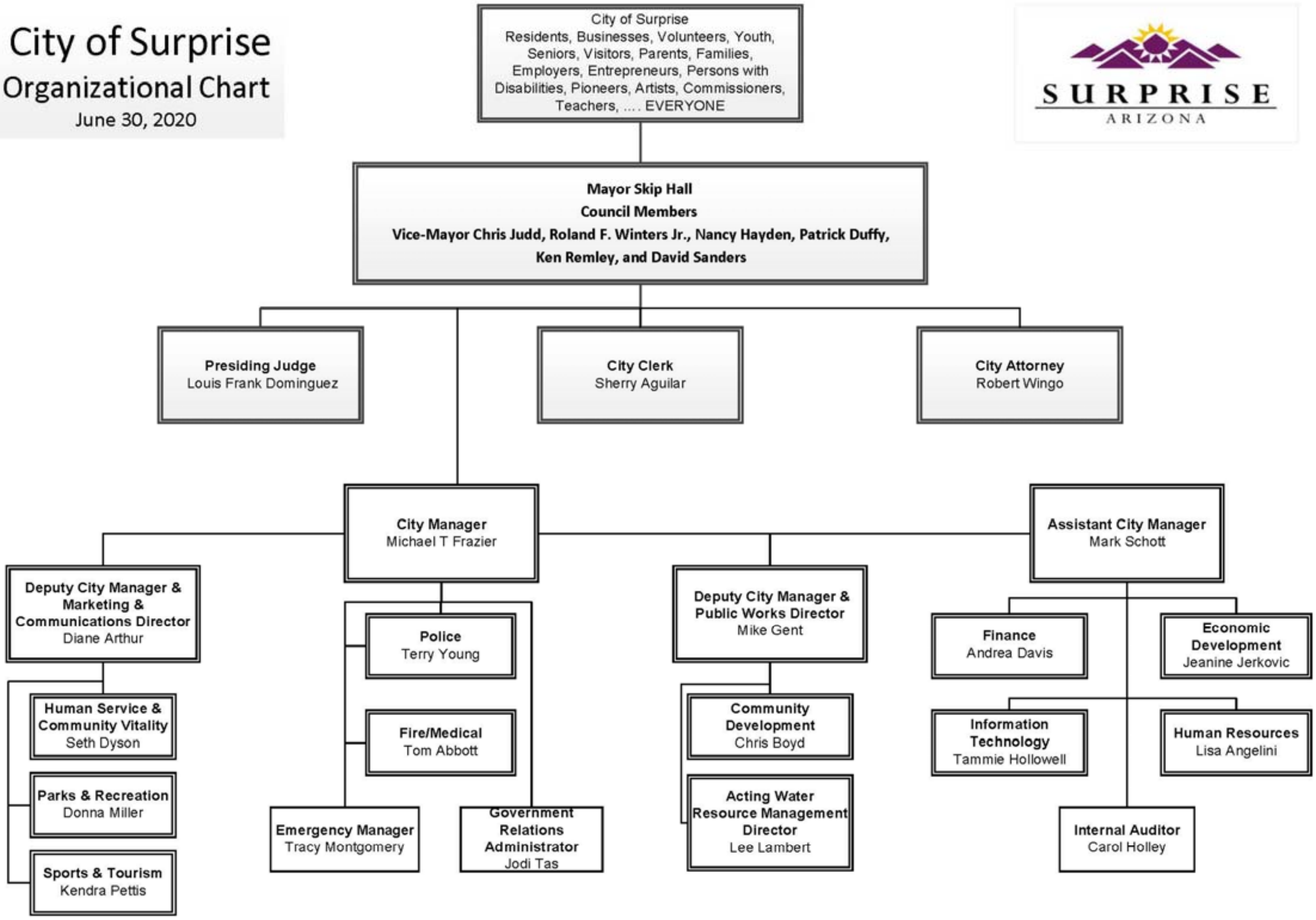
I want to thank and recognize the staff of the Finance Department for their efforts in preparing this report. I would also like to thank all City departments for their assistance throughout the past year and express my appreciation for the guidance and support from the City Manager's Office and Mayor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

Respectfully submitted,

Andrea Davis

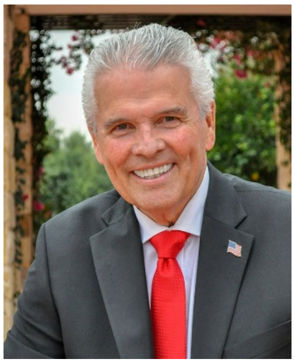
Andrea Davis
Chief Financial Officer

City of Surprise
Organizational Chart
June 30, 2020



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 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.

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.

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.

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 in Financial Reporting

Presented to

City of Surprise
Arizona

For its Comprehensive Annual Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

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ARIZONA

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ARIZONA

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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 January 21, 2021, 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

January 21, 2021

SURPRISE

ARIZONA

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.

SURPRISE

ARIZONA

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, 2020. 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 12.7% or $54.5 million from $430.7 million to $485.2 million. This increase is attributable to an increase in sales taxes, permit revenue, and grant funding. Sales taxes and permit revenue increased from prior year due to a strong economy and population growth. In addition, the city was awarded $16.3 million of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, of which $9.0 million was recognized as revenue in the current year.
- ❖ **Business-type net position.** The City's net position increased by 5.0% or $16.7 million from $331.6 million to $348.4 million. Continued growth in the City accounts for the change, with $15.0 million of the increase due to developer capital contributions.
- ❖ **Governmental Activities expenses** of $173.3 million exceeded program revenues of $91.1 million, a difference of $82.2 million. The remaining $82.2 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 $52.5 million, while program revenues totaled $68.7 million, a difference of $16.2 million. The current year excess will be added to net position.
- ❖ **Component units** – The City includes two separate legal entities in its report: 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, 2020 and June 30, 2019.

City of Surprise's Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
ASSETS	2020	2019	2020	2019	2020	2019
Current and other assets	$ 179.1	$ 162.6	$ 88.1	$ 76.9	$ 267.2	$ 239.5
Capital assets, net	499.1	441.3	312.6	306.8	811.7	748.1
Total assets	678.2	603.9	400.7	383.7	1,078.9	987.6
DEFERRED OUTFLOWS OF RESOURCES	26.7	25.7	2.0	2.1	28.7	27.8
LIABILITIES						
Current liabilities	45.4	33.8	9.7	8.1	55.1	41.9
Long-term liabilities	167.5	155.5	43.7	44.6	211.2	200.1
Total liabilities	212.9	189.3	53.4	52.7	266.3	242.0
DEFERRED INFLOWS OF RESOURCES	6.8	9.5	0.9	1.4	7.7	10.9
NET POSITION						
Net investment in capital assets	435.2	399.4	282.4	274.8	717.6	674.2
Restricted	21.8	29.5	13.7	12.9	35.5	42.4
Unrestricted	28.2	1.8	52.3	43.9	80.5	45.7
Total net position	$ 485.2	$ 430.7	$ 348.4	$ 331.6	$ 833.6	$ 762.3

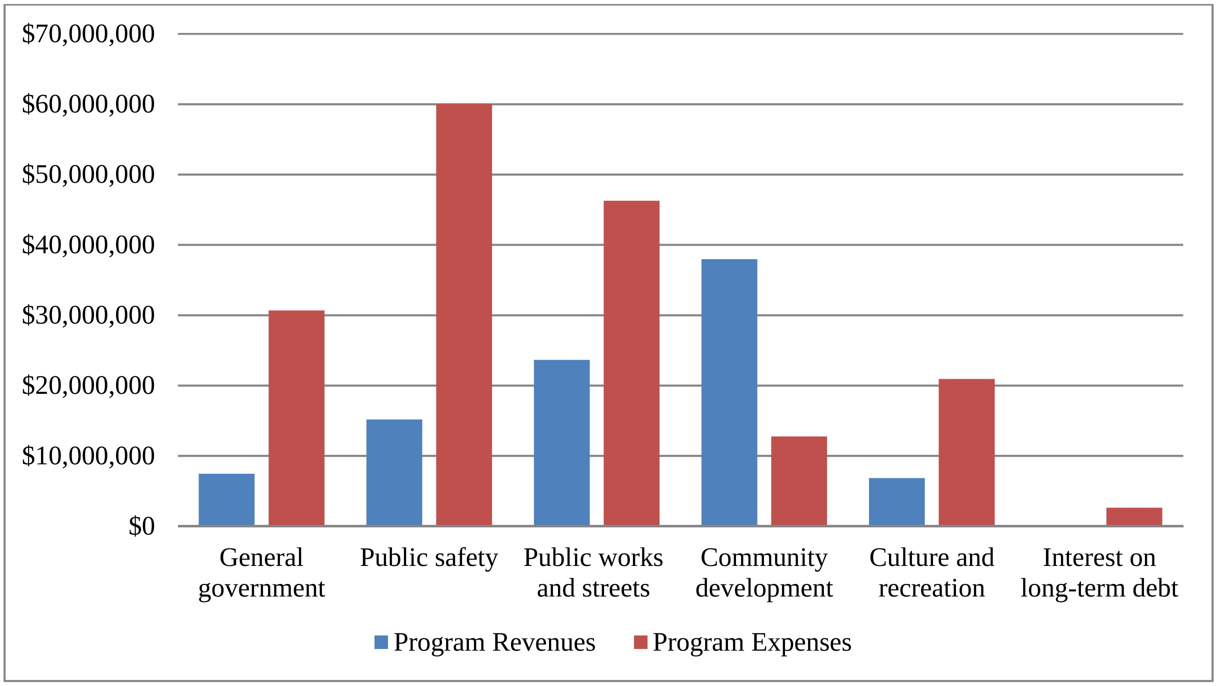
Net position is a good indicator of a city's overall financial standing. For fiscal year 2020, the City had total combined net position of $833.6 million. This was an increase of $71.2 million, or 9.3% over the prior year's net position of $762.3 million. The increase is attributed to population growth, a strong economy and CARES Act grant funding.

Not all of the $833.6 million is available for the City to use without restraint. The largest portion of the City's total net position $717.5 million, or 86.1% represents the City's net investment in capital assets. Of the remaining net position, $37.9 million is restricted for various purposes with the remaining $78.2 million unrestricted as to its use.

City of Surprise's Changes in Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
REVENUES	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for services	$ 27.4	$ 28.3	$ 53.6	$ 46.8	$ 81.0	$ 75.1
Operating grants and contributions	21.5	11.6	0.1	-	21.6	11.6
Capital grants and contributions	42.2	22.5	15.0	5.5	57.2	28.0
General Revenues:						
Property taxes	17.0	16.1	-	-	17.0	16.1
Sales taxes	70.9	61.6	-	-	70.9	61.6
Franchise taxes	5.5	5.6	-	-	5.5	5.6
State shared revenues	38.4	35.9	-	-	38.4	35.9
Unrestricted investment earnings	3.4	3.5	1.6	1.4	5.0	4.9
Other	0.4	0.5	0.0	-	0.4	0.5
Total revenues	226.7	185.6	70.3	53.7	297.0	239.3
EXPENSES						
Program activities:						
Governmental activities:						
General government	30.7	18.8	-	-	30.7	18.8
Public Safety	60.0	60.2	-	-	60.0	60.2
Public works and streets	46.3	41.6	-	-	46.3	41.6
Community development	12.8	12.4	-	-	12.8	12.4
Culture and recreation	20.9	25.0	-	-	20.9	25.0
Interest on long-term debt	2.6	2.5	-	-	2.6	2.5
Business-type activities:						
Ground Ambulance Services	-	-	4.4	3.4	4.4	3.4
Sanitation	-	-	9.0	8.6	9.0	8.6
Sewer	-	-	19.4	19.3	19.4	19.3
Stormwater	-	-	1.2	1.4	1.2	1.4
Water	-	-	18.4	11.7	18.4	11.7
Total expenses	173.3	160.5	52.4	44.4	225.7	204.9
Excess before transfers	53.4	25.1	17.9	9.3	71.3	34.4
Transfers in (out)	1.1	1.5	(1.1)	(1.5)	-	-
Increase/(Decrease) in net position	54.5	26.6	16.8	7.8	71.3	34.4
Net position - beginning	430.7	404.1	331.6	323.8	762.3	727.9
Net Position - ending	$ 485.2	$ 430.7	$ 348.4	$ 331.6	$ 833.6	$ 762.3

FY 2020 Governmental Activities Program Revenues and Expenses



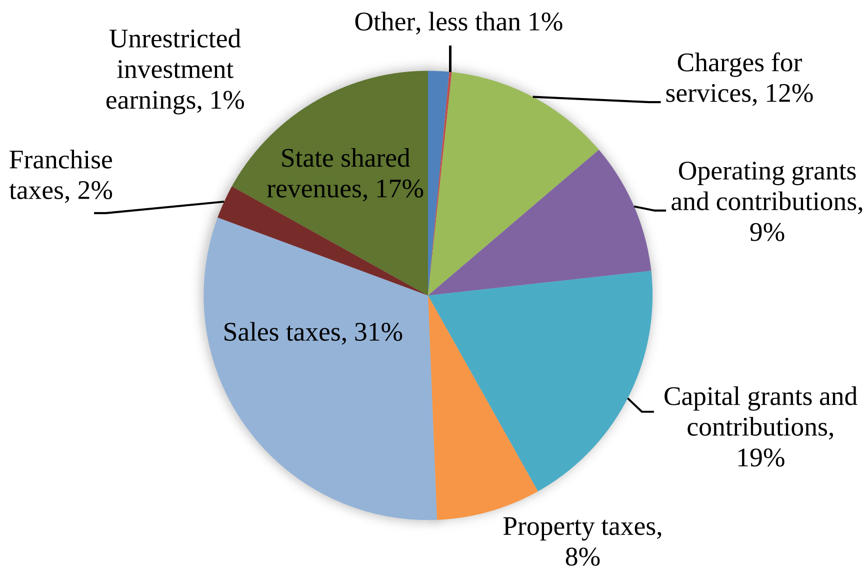
For fiscal year 2020, governmental activities program expenses exceeded program specific revenues by $82.2 million. The remaining expenses were supported by general governmental revenues.

- Charges for services, operating grants and contributions, and capital grants and contributions account for 40.2% 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.

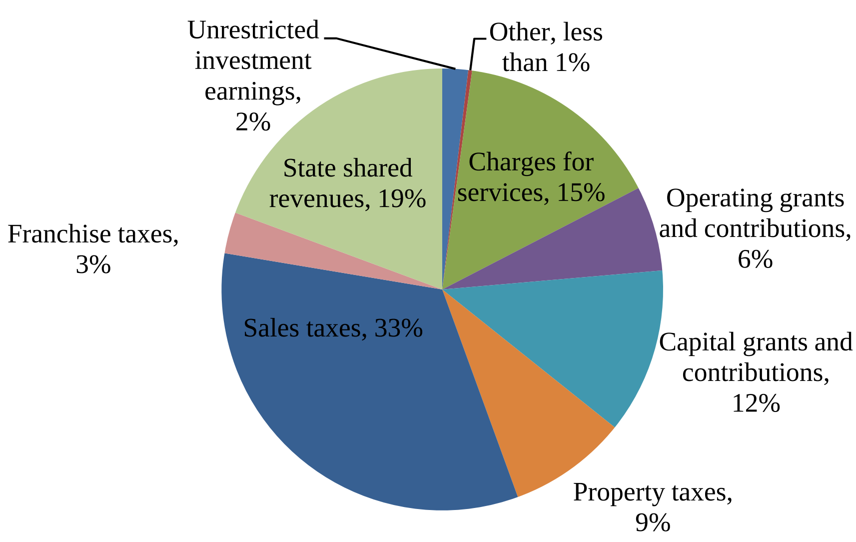
  SLIDS are Street Light Improvement Districts that charge a fee/tax to pay for the maintenance of light poles and the electricity used by neighborhood streetlights. Revenues and expenses for SLIDS are included in the public works and streets program.

Governmental Activities Revenues for the fiscal year ended June 30, 2020 totaled $226.7 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2020 Governmental Activities Revenues



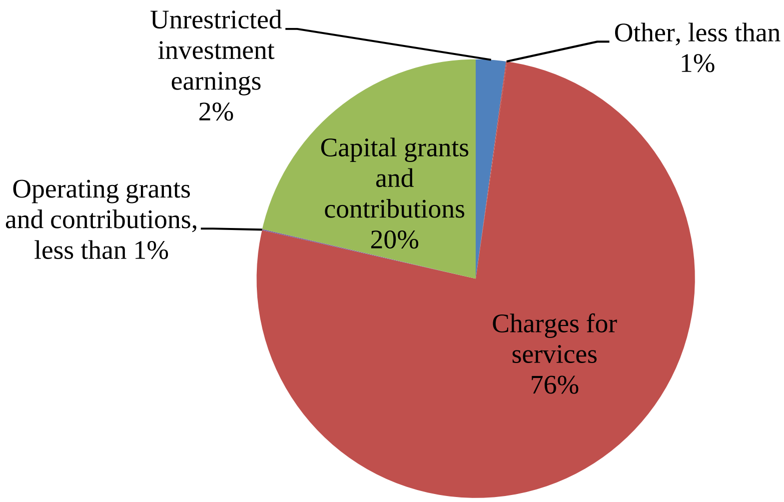
Fiscal Year 2019 Governmental Activities Revenues



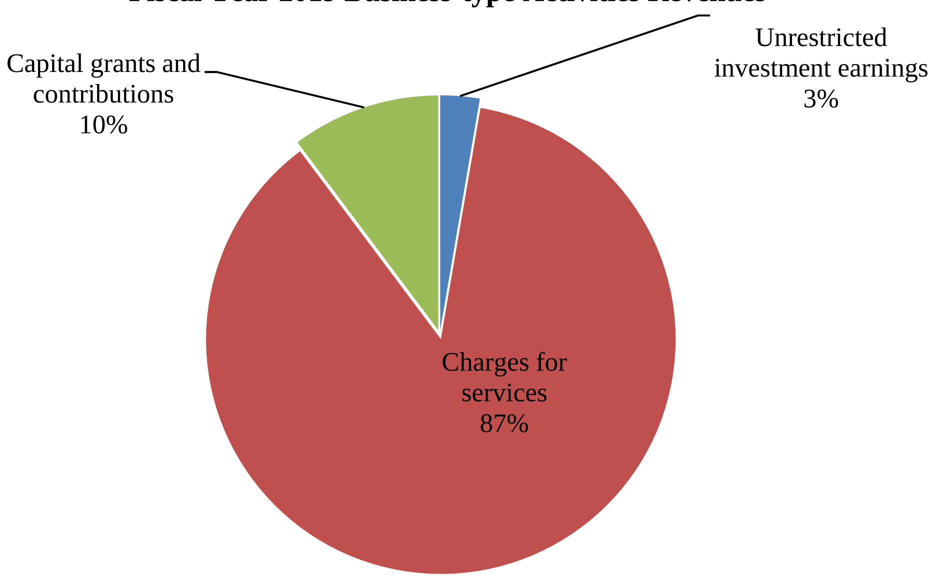
- The City's largest revenue source is sales taxes at $70.9 million. This is followed by state shared revenues totaling $38.4 million. Total governmental activities revenues increased $41.1 million from the prior year as a result of the following changes in revenue: local sales taxes increased $9.3 million due to an improving local economy and population growth. State shared revenues also increased $2.5 million from a strong state economy and growth. Operating grants and contributions increased by $9.9 million from the CARES Act funding. Capital grants and contributions increased $19.7 million for developer donated infrastructure.

Business-type Activities Revenues for the fiscal year ended June 30, 2020 totaled $70.3 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2020 Business-type Activities Revenues

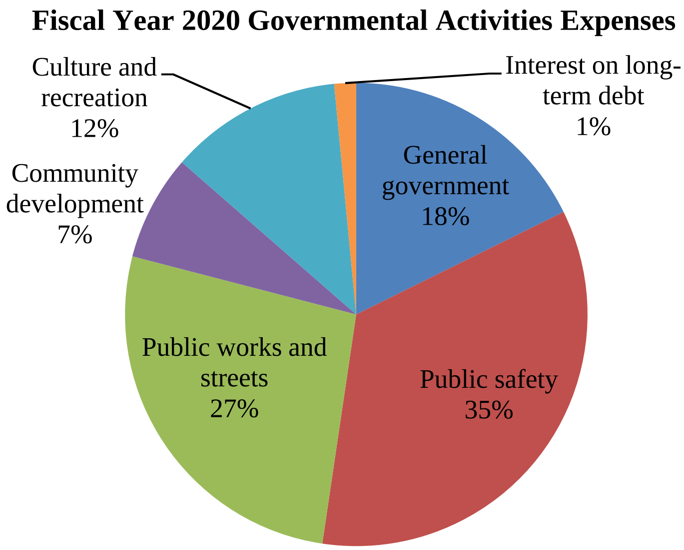


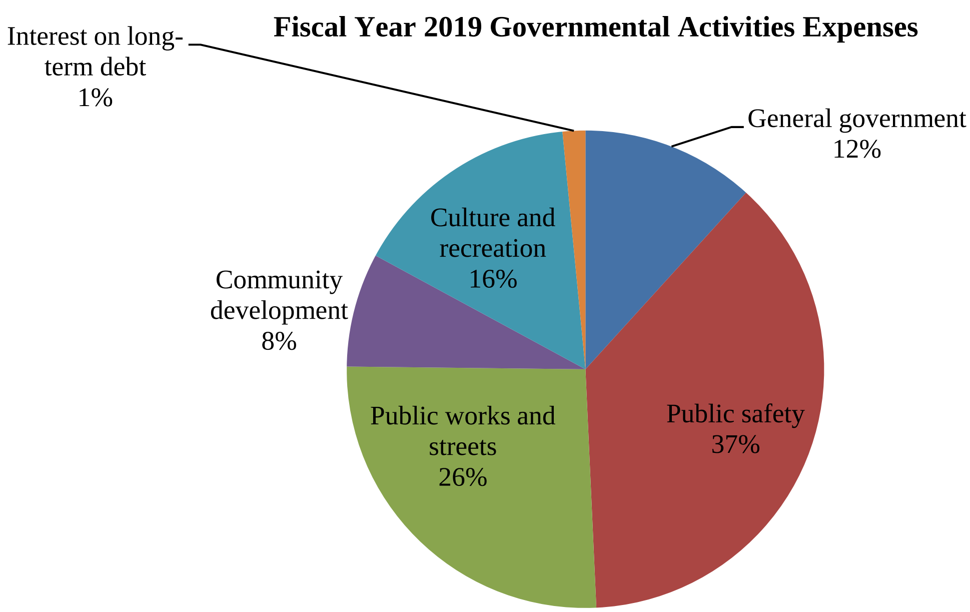
Fiscal Year 2019 Business-type Activities Revenues



- ❖ Total Business-type Activities revenues increased 30.9% or $16.6 million from the prior fiscal year. Charges for services increased by 41.5% or $6.8 million from increase in customers due to population growth. In addition to growth, the sanitation fund had a $2.70 rate increase effective July 1, 2019.

Governmental Activities Expenses for the fiscal year ended June 30, 2020 totaled $173.3 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

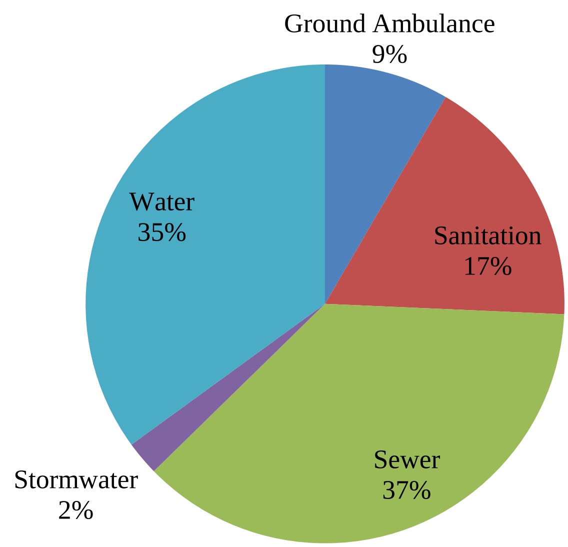




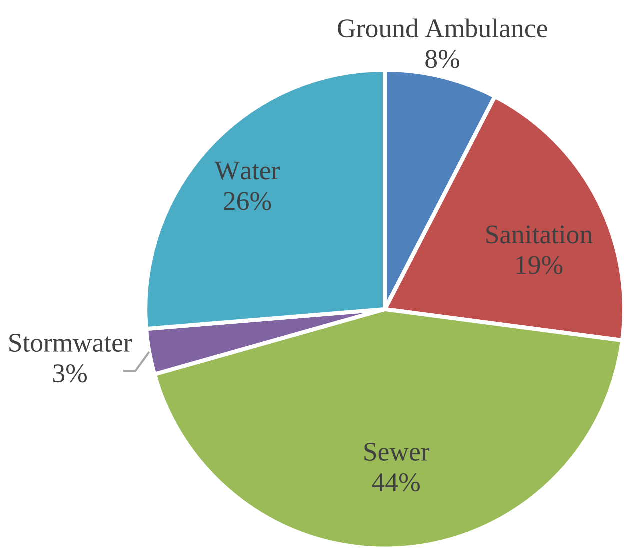
- ❖ Current year expenses increased by $12.8 million or 8.0% as result of increases in personnel. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at $60.0 million.

Business-type Activities Expenses for the fiscal year ended June 30, 2020 totaled $52.4 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

Fiscal year 2020 Business-type Activities Expenses



Fiscal year 2019 Business-type Activities Expenses



- Business-type Activities expenses increased by $8.0 million or 18.0% 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 $2.0 million from $127.8 million to $129.8 million. The increase was primarily due to increase in tax revenue. Of the total ending fund balance, $3.0 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 $30.4 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, $9.1 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 $18.3 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 $69.0 million which can be used for any purpose.
    - The General Fund balance increased $32.1 million. This change was the result of increases in property taxes, sales taxes, state shared revenues, intergovernmental revenues, and grant revenues.
    - The General Capital Projects Fund balance decreased $26.0 million. This decrease was due to programing previous year surplus on asset replacement or capital projects.
    - 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 and expenditures less than budgeted.
    - The Transportation Improvement Fund balance increased $2.5 million from $5.7 million to $8.2 million. This increase is the result of a $2.5 million decrease in capital outlays related to construction projects during the current year and increased construction sales taxes.
    - The Non-Major Governmental Funds fund balance decreased $8.0 million. A portion of the decrease, $3.1 million, was due to the Sports and Tourism department moving out of the General Fund, and combing with the Spring Training Surcharge Special Revenue Fund and development impact fee funded capital projects

- **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 $119.7 million. Budget adjustments throughout the year resulted in total budgeted expenditures of $136.4 million. Of the $16.7 million budget increase, $16.3 million was to account for the CARES Act funding.
- Actual General Fund expenditures totaling $105.6 million was $30.8 million less than budgeted. The majority of the savings was the result of a planned spending reduction in March due to COVID-19 health pandemic.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at Year-End Net of Depreciation (in Millions)

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and improvements	$ 86.9	$ 60.9	$ 4.8	$ 4.9	$ 91.7	$ 65.8
Parks	8.6	8.6	-	-	8.6	8.6
Water rights	-	-	17.5	13.7	17.5	13.7
Construction in progress	25.0	9.4	3.5	2.1	28.5	11.5
Buildings and improvements	134.8	124.7	265.3	266.9	400.1	391.6
Improvements other than buildings	21.7	21.6	8.1	6.7	29.8	28.3
Equipment and vehicles	19.8	18.9	13.1	12.2	32.9	31.1
Intangibles	7.5	3.6	0.2	0.3	7.7	3.9
Infrastructure	194.8	193.6	-	-	194.8	193.6
Total capital assets, net	$ 499.1	$ 441.3	$ 312.5	$ 306.8	$ 811.6	$ 748.1

The capital assets of the Governmental Activities increased by $57.8 million from the prior fiscal year, net of depreciation ($81.7 million increase before depreciation).

- Changes to the Governmental Activities capital assets for fiscal year 2020 were the result of:
  - Current year depreciation expense of $26.2 million.
  - Capital contributions made to the City by developers. The assets donated consisted of land, streets infrastructure and right-of-ways.
    - $25.7 million – right-of-ways throughout the city
    - $10.7 million – streets infrastructure throughout the city

- Governmental Activities construction in process includes:
  - $8.4 million – Waddell Road (State Route 303 to Reems Road)
  - $7.1 million – District Fire Station 304
  - $4.3 million – Litchfield Road (Waddell Road to Peoria Avenue)
  - $1.6 million – Civic Center Infrastructure Improvements
  - $0.7 million – Public Safety Evidence & Readiness

The capital assets of the Business Type Activities funds increased by $5.7 million from the prior fiscal year, net of depreciation ($18.1 million increase before depreciation).

- Changes to the Business Type Activities capital assets for fiscal year 2020 were the result of:
  - Current year depreciation expense of $13.1 million.
  - Capital contributions made to the City by developers. The assets donated consisted of water, sewer, and stormwater utilities.
    - $0.7 million – Stormwater improvements
    - $3.6 million – Sewer lines
    - $3.2 million – Water lines

- Business Type Activities construction in process - includes:
  - $1.0 million – SPA1 Recharge Expansion
  - $0.9 million – Circle City Water Acquisition
  - $0.9 million – Consent Order Trihalomethanes

- For more detailed information on Capital Assets, see Note 4 of this report.

Outstanding Debt at Year-End (in Millions)

	Governmental		Business Type		Total	
	2020	2019	2020	2019	2020	2019
General obligations	$34.2	$37.3	$ -	$ -	$ 34.2	$ 37.3
Pledged revenue obligations	21.2	23.9	3.2	3.9	24.4	27.8
Senior lien utility system revenue refunding obligations	-	-	27.0	28.1	27.0	28.1
Community facilities district bonds	19.4	11.4	-	-	19.4	11.4
Community facilities district notes	2.6	2.8	-	-	2.6	2.8
Total debt outstanding	$77.4	$75.4	$30.2	$32.0	$107.6	$107.4

- **Long-term debt**, including amounts due within one year, increased $0.2 million this year from $107.4 million to $107.6 million.
- For more detailed information on long-term debt, see Note 7 of this report.

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

During the fiscal year, the City was faced with the COVID-19 health pandemic and a state of emergency was declared in March 2020. City Management took immediate steps in March to reduce planned spending levels in the sales tax dependent funds, mainly the General Fund. Due to the unknown economic impacts, the FY2021 General Fund budget was adopted using the FY2020 budget as the baseline for revenues and expenditures. Non- sales tax dependent funds, such as the utility funds, adopted a conservative budget compared to the original FY2021 budget plan.

Despite the Governor's stay at home order and the global economic impacts of the pandemic, the City's year-end financial results were strong in both sales tax revenues, population growth, and development. The General Fund ended the year with sales tax exceeding budget by 4.6% or $2.7 million. In addition, the City received $16.3 million of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Throughout the year, the city experienced residential population growth and significant residential and commercial permit activity. The city continues to exceed the statewide average in population growth and the trend 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 a 15.1% increase in sales tax collections while state shared sales tax revenues increased by 5.8% over the previous year. The population and commercial square footage growth has been a factor in in the improved economic performance for the city.

- **Revenues are expected to remain flat –** Due to the COVID-19 impacts, revenue estimates in the tax dependent funds, such as the General Fund remained flat, while enterprise funds had a slight increase.
- **Personnel increase –** For the FY2021 budget, city employees received a merit/step increases of 3%. 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). All planned FTE additions were placed in contingency due to the unknown impacts of COVID-19.
- **Next year's budget –** Total budgeted expenditures for the City's fiscal year 2021 is $415.5 million, a $2.8 million increase over the FY2020 adopted budged of $412.7 million. The FY2021 adopted budget was decreased due to the unknown impacts of COVID-19. City contingency was budgeted at an amount to allow the City flexibility to increase expenditures if revenue was not significantly impacted.

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.

SURPRISE

ARIZONA

City of Surprise, Arizona
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 132,954,871	$ 60,188,546	$ 193,143,417
Restricted cash and investments	35,547,439	11,962,881	47,510,320
Receivables (net of allowances)			
Accounts	238,997	6,988,148	7,227,145
Taxes and franchise fees	11,363,182	-	11,363,182
Grants	521,658	-	521,658
Intergovernmental	755,446	-	755,446
Other	1,907,858	151,236	2,059,094
Prepaid items and other assets	454,592	310,083	764,675
Inventory	1,223,717	1,283,013	2,506,730
Internal balances	(7,237,571)	7,237,571	-
Total current assets	177,730,189	88,121,478	265,851,667
Noncurrent assets:			
Equity interest in joint venture	1,051,916	-	1,051,916
Net other postemployment benefits asset	277,074	24,534	301,608
Capital assets, non-depreciable	120,561,326	25,747,909	146,309,235
Capital assets, depreciable	764,437,072	428,384,199	1,192,821,271
Accumulated depreciation	(385,881,553)	(141,620,929)	(527,502,482)
Total noncurrent assets	500,445,835	312,535,713	812,981,548
Total assets	678,176,024	400,657,191	1,078,833,215
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension related	26,143,782	1,853,953	27,997,735
Deferred Outflows of Resources - Other postemployment benefits	545,375	122,107	667,482
Total deferred outflows of resources	26,689,157	1,976,060	28,665,217
Total assets and deferred outflows of resources	704,865,181	402,633,251	1,107,498,432
LIABILITIES			
Current liabilities:			
Accounts payable	11,487,549	3,393,339	14,880,888
Accrued payroll and related taxes	3,433,089	510,475	3,943,564
Deposits	201,564	450,089	651,653
Unearned revenues	8,871,044	631,702	9,502,746
Contracts payable, due in less than one year	2,556,294	398,404	2,954,698
Claims payable	2,131,128	-	2,131,128
Other liabilities	1,382,454	-	1,382,454
Compensated absences payable, due in less than one year	3,369,777	424,900	3,794,677
Matured bond and loan interest payable	1,536,202	686,495	2,222,697
Matured bond and loans payable	6,003,700	1,581,300	7,585,000
Bonds, loans and payables due in less than one year	4,449,037	1,645,963	6,095,000
Total current liabilities	45,421,838	9,722,667	55,144,505
Noncurrent liabilities:			
Contracts payable, due in more than one year	-	1,960,457	1,960,457
Compensated absences payable, due in more than one year	5,054,664	637,350	5,692,014
Bonds, loans and payables due in more than one year	72,996,464	28,504,884	101,501,348
Net pension liability	89,185,194	12,525,486	101,710,680
Net other postemployment benefits liability	197,600	55,825	253,425
Total noncurrent liabilities	167,433,922	43,684,002	211,117,924
Total liabilities	$ 212,855,760	$ 53,406,669	$ 266,262,429

See accompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension Related	$ 5,928,740	$ 806,892	$ 6,735,632
Deferred Inflows of Resources - other postemployment benefits related	875,678	64,363	940,041
Total deferred inflows of resources	6,804,418	871,255	7,675,673
Total liabilites and deferred inflows of resources	219,660,178	54,277,924	273,938,102
NET POSITION			
Net investment in capital assets	435,144,710	282,360,332	717,505,042
Restricted for:			
Capital Projects	-	5,503,155	5,503,155
City Manager's Office	-	-	-
Court	290,037	-	290,037
Debt Service	758,601	-	758,601
Economic Development	13,314	-	13,314
Fire-Medical	7,309,506	-	7,309,506
Human Services and Community Vitality	33,149	-	33,149
Library	-	-	-
Parks and recreation	3,997,909	-	3,997,909
Police	5,189,741	-	5,189,741
Public Works	508,602	-	508,602
System repair and replacement	-	8,232,524	8,232,524
Transportation	3,721,092	-	3,721,092
Unrestricted	28,238,342	52,259,316	80,497,658
Total net position	$ 485,205,003	$ 348,355,327	$ 833,560,330

See accompanying Notes to Financial Statements

SURPRISE

ARIZONA

City of Surprise, Arizona
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General Government	$ 30,683,840	$ 6,729,339	$ 95,042	$ 646,321
Public Safety	60,035,327	1,581,814	10,389,008	3,198,261
Public works and streets	46,270,405	3,570,832	9,363,721	10,714,032
Community Development	12,764,778	12,206,567	9,371	25,747,327
Culture and recreation	20,925,306	3,311,464	1,646,570	1,878,113
Interest on long-term debt	2,635,766	-	-	-
Total governmental activities	173,315,422	27,400,016	21,503,712	42,184,054
Business-type activities:				
Ground Ambulance Services	4,407,898	3,946,881	60,647	245,103
Sanitation	9,077,490	10,380,560	-	-
Sewer	19,418,478	19,142,098	-	7,211,689
Stormwater	1,209,576	1,934,275	-	709,010
Water	18,376,477	18,226,759	-	6,864,399
Total business-type activities	52,489,919	53,630,573	60,647	15,030,201
Total primary government	$ 225,805,341	$ 81,030,589	$ 21,564,359	$ 57,214,255

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

See accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (23,213,138)	$ -	$ (23,213,138)
(44,866,244)	-	(44,866,244)
(22,621,820)	-	(22,621,820)
25,198,487	-	25,198,487
(14,089,159)	-	(14,089,159)
(2,635,766)	-	(2,635,766)
(82,227,640)	-	(82,227,640)
-	(155,267)	(155,267)
-	1,303,070	1,303,070
-	6,935,309	6,935,309
-	1,433,709	1,433,709
-	6,714,681	6,714,681
-	16,231,502	16,231,502
(82,227,640)	16,231,502	(65,996,138)
17,015,618	-	17,015,618
70,904,612	-	70,904,612
5,514,602	-	5,514,602
38,379,519	-	38,379,519
3,403,862	1,556,564	4,960,426
418,161	43,965	462,126
1,097,902	(1,097,902)	-
136,734,276	502,627	137,236,903
54,506,636	16,734,129	71,240,765
430,698,367	331,621,198	762,319,565
$ 485,205,003	$ 348,355,327	$ 833,560,330

See accompanying Notes to Financial Statements

SURPRISE

ARIZONA

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

SURPRISE
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City of Surprise, Arizona
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
ASSETS			
Cash and investments	$ 67,953,313	$ 18,723,366	$ 1,391,309
Restricted cash and investments	12,435,589	13,364,462	-
Receivables (net of allowances)			
Accounts	238,997	-	-
Taxes and franchise fees	11,222,619	-	-
Grants	-	-	-
Intergovernmental	40,698	-	-
Due from other funds	318,954	-	-
Other	211,380	-	-
Prepaid items and other assets	415,113	8,889	-
Inventory	824,236	-	-
Advances to other funds	1,324,482	-	-
Total assets	$ 94,985,381	$ 32,096,717	$ 1,391,309
LIABILITIES			
Accounts payable	1,617,509	5,767,301	-
Accrued payroll and related taxes	3,242,845	-	-
Due to other funds	-	-	-
Deposits	147,975	-	-
Unearned revenue	8,346,365	-	-
Contracts payable	2,556,294	-	-
Other liabilities	1,292,186	-	-
Matured bond interest payable	-	-	-
Matured bonds and notes payable	-	-	-
Advances from other funds	-	-	5,993,321
Total liabilities	17,203,174	5,767,301	5,993,321
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Unavailable revenue	262,797	-	-
Total deferred inflow of resources	262,797	-	-
Total liabilities and deferred inflows of resources	17,465,971	5,767,301	5,993,321
FUND BALANCES (DEFICITS)			
Nonspendable	2,563,831	8,889	-
Restricted	491,526	8,534,381	-
Committed	-	-	-
Assigned	490,732	17,786,146	-
Unassigned	73,973,321	-	(4,602,012)
Total fund balances (deficits)	77,519,410	26,329,416	(4,602,012)
Total liabilities and fund balances (deficits)	$ 94,985,381	$ 32,096,717	$ 1,391,309

Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
$ 4,119,596	$ 10,495,484	$ -	$ 16,566,131	$ 119,249,199
45,459	99,024	7,044,180	2,558,725	35,547,439
-	-	-	-	238,997
-	-	85,509	55,054	11,363,182
-	-	-	521,658	521,658
714,748	-	-	-	755,446
-	-	-	-	318,954
-	-	-	817,392	1,028,772
2,028	-	-	5,139	431,169
391,537	-	-	7,944	1,223,717
-	-	-	-	1,324,482
$ 5,273,368	$ 10,594,508	$ 7,129,689	$ 20,532,043	$ 172,003,015
1,106,237	2,286,518	-	642,435	11,420,000
122,001	4,046	-	47,068	3,415,960
-	-	-	318,954	318,954
-	52,215	-	1,374	201,564
2,000	-	-	522,679	8,871,044
-	-	-	-	2,556,294
43,459	46,809	-	-	1,382,454
-	-	1,186,777	349,425	1,536,202
-	-	5,338,700	665,000	6,003,700
-	-	-	-	5,993,321
1,273,697	2,389,588	6,525,477	2,546,935	41,699,493
-	-	60,100	182,534	505,431
-	-	60,100	182,534	505,431
1,273,697	2,389,588	6,585,577	2,729,469	42,204,924
393,565	-		13,083	2,979,368
3,606,106	-	544,112	17,180,207	30,356,332
-	8,204,920	-	910,619	9,115,539
-	-	-	-	18,276,878
-	-	-	(301,335)	69,069,974
3,999,671	8,204,920	544,112	17,802,574	129,798,091
$ 5,273,368	$ 10,594,508	$ 7,129,689	$ 20,532,043	$ 172,003,015

City of Surprise, Arizona
Reconciliation of the Governmental Funds Balance Sheet Fund Balances
to the Statement of Net Position
June 30, 2020

Fund balances - total governmental funds		$ 129,798,091
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	884,998,398	
Less accumulated depreciation	(385,881,553)	
		499,116,845
Some revenues will not be available to pay for current-period expenditures and, therefore, are unavailable in the funds.		505,431
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)	9,823,643	
Net pension liability	(474,809)	
Deferred Outflows	66,810	
Deferred Inflows	(29,670)	
Compensated absences	(21,760)	
Net OPEB asset	922	
Net OPEB asset/liability deferred outflows	4,694	
Net OPEB asset/liability deferred inflows	(2,351)	
Net OPEB liability	(2,155)	
		9,365,324
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	26,076,972	
Deferred inflows of resources related to pensions	(5,899,070)	
		20,177,902
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(73,339,989)	
Contracts payable	-	
Issuance premium (to be amortized as interest expense)	(4,105,512)	
Net pension liability	(88,710,385)	
Compensated absences payable	(8,402,681)	
Net OPEB Asset	276,152	
Net OPEB Liability	(195,445)	
		(174,477,860)

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, 2020

The equity interest in the joint venture, Regional Wireless Cooperative, is not a financial resource and, therefore, is not reported in the funds.		$ 1,051,916
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	540,681	
Deferred inflows of resources related to OPEB	(873,327)	
		(332,646)
Net position of governmental activities		$ 485,205,003

See accompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Highway User Revenue Fund
REVENUES				
Taxes	$ 62,299,971	$ 9,172,717	$ -	$ -
Licenses and permits	5,775,835	169,086	-	-
Intergovernmental revenues	38,718,690	-	-	9,230,433
Charges for services	16,782,747	-	-	11,250
Grants revenue	9,031,538	-	-	-
Fines	1,193,389	-	-	-
Rents	305,598	-	-	-
Development fees	-	-	646,321	-
Interest revenue	1,401,130	924,185	32,112	85,671
Donations	103,110	-	-	-
Indirect charges	5,591,100	-	-	-
Other revenue	559,131	72,831	-	2,875
Total revenues	141,762,239	10,338,819	678,433	9,330,229
EXPENDITURES				
Current:				
General Government	18,176,296	-	-	-
Public Safety	53,034,357	-	-	-
Public works and streets	7,754,674	-	-	7,479,272
Community Development	11,841,510	-	-	-
Culture and recreation	14,302,719	-	-	-
Debt service:				
Administrative charges	-	-	-	-
Principal retirement	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay:				
General Government	126,394	1,586,492	-	-
Public Safety	138,050	9,469,991	-	-
Public works and streets	269,943	24,811,133	-	558,682
Community Development	-	682,366	-	-
Culture and recreation	4,200	2,350,563	-	-
Total expenditures	105,648,143	38,900,545	-	8,037,954
Excess (deficiency) of revenues over expenditures	36,114,096	(28,561,726)	678,433	1,292,275
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	196,066	-	-	9,758
Insurance Recoveries	532	6,717	-	-
Transfers in	1,443,447	2,739,369	-	-
Transfers out	(5,938,698)	(151,596)	(367,028)	(104,478)
Issuance of debt	-	-	-	-
Premium on debt issuance	-	-	-	-
Total other financing sources (uses)	(4,298,653)	2,594,490	(367,028)	(94,720)
Net change in fund balances	31,815,443	(25,967,236)	311,405	1,197,555
Fund balances - beginning, as restated	45,377,079	52,296,652	(4,913,417)	3,017,142
Increase (decrease) in inventories	326,888	-	-	(215,026)
Fund Balances (deficits) - ending	$ 77,519,410	$ 26,329,416	$ (4,602,012)	$ 3,999,671

See accompanying Notes to Financial Statements

Transportation Improvement Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
$ 7,106,398	$ 4,278,872	$ 4,910,965	$ 87,768,923
-	-	-	5,944,921
-	-	471,954	48,421,077
-	-	1,886,850	18,680,847
-	-	2,134,444	11,165,982
-	-	146,874	1,340,263
-	-	315,264	620,862
-	-	4,675,320	5,321,641
197,496	63,523	465,680	3,169,797
-	-	800	103,910
-	-	-	5,591,100
-	-	35,999	670,836
7,303,894	4,342,395	15,044,150	188,800,159
-	-	118,136	18,294,432
-	-	743,825	53,778,182
2,750,238	-	2,737,117	20,721,301
-	-	183,452	12,024,962
-	-	4,972,469	19,275,188
-	1,352	2,000	3,352
-	5,338,700	665,000	6,003,700
-	2,373,554	641,726	3,015,280
-	-	449,955	449,955
-	-	8,061,138	9,774,024
-	-	942,691	10,550,732
2,069,925	-	9,011,646	36,721,329
10,717	-	-	693,083
-	-	2,881,406	5,236,169
4,830,880	7,713,606	31,410,561	196,541,689
2,473,014	(3,371,211)	(16,366,411)	(7,741,530)
-	-	-	205,824
-	-	-	7,249
-	3,430,679	1,430,424	9,043,919
(10)	-	(1,530,442)	(8,092,252)
-	-	8,470,000	8,470,000
-	-	41,093	41,093
(10)	3,430,679	8,411,075	9,675,833
2,473,004	59,468	(7,955,336)	1,934,303
5,731,916	484,644	25,778,141	127,772,157
-	-	(20,231)	91,631
$ 8,204,920	$ 544,112	$ 17,802,574	$ 129,798,091

See accompanying Notes to Financial Statements

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, 2020

Net change in fund balances - total governmental funds		$ 1,934,303
Amounts reported for governmental activities in the statement of activities 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	47,436,745	
Less current year depreciation	(26,191,014)	
		21,245,731
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		
Capital Contributions	36,969,764	
Disposals of assets	(388,903)	
		36,580,861
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		290,511
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		91,631
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	10,563,024	
Pension expense	(15,071,056)	
		(4,508,032)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. There is the same effect with premiums, discounts and similar items when debt is first issued. These items are current finance resources or uses to governmental funds, whereas, the 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	490,418	
Principal Paid	6,003,700	
Issuance Premium	(41,093)	
Bond Proceeds	(8,470,000)	
Amortization of loss on refunding	(108,904)	
		(2,125,879)
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		(55,007)

See accompanying Notes to Financial Statements

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, 2020

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)	$ 877,601	
Transfers	9,998	
		$ 887,599
Change in equity interest in joint venture		(9,359)
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	274,317	
OPEB expense	(100,040)	
		174,277
Change in net position of governmental activities		$ 54,506,636

See accompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2020

	Ground Ambulance Services Fund	Business-Type Activities Water Fund	Sewer Fund
ASSETS			
Current assets:			
Cash and investments	$ 545,736	$ 25,244,889	$ 28,855,414
Restricted cash and investments	-	2,549,676	9,185,525
Receivables (net of allowances)			
Accounts	1,673,294	1,880,966	1,614,201
Other	-	57,979	93,257
Other assets	11,182	291,023	2,519
Inventory	39,511	471,057	677,087
Total current assets	2,269,723	30,495,590	40,428,003
Noncurrent assets:			
Advances to other funds	-	-	5,993,321
Net other postemployment benefits asset	4,046	6,000	7,891
Capital assets	1,909,483	142,114,042	296,040,420
Accumulated depreciation	(448,351)	(36,476,815)	(99,593,335)
Total noncurrent assets	1,465,178	105,643,227	202,448,297
Total assets	3,734,901	136,138,817	242,876,300
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	369,670	434,677	571,663
Deferred outflows related to other postemployment benefits	17,824	30,540	40,164
Total deferred outflows of resources	387,494	465,217	611,827
Total assets and deferred outflows of resources	$ 4,122,395	$ 136,604,034	$ 243,488,127
LIABILITIES			
Current liabilities:			
Accounts payable	$ 81,077	$ 1,911,969	$ 823,182
Accrued payroll and related taxes	120,905	120,518	140,620
Deposits	50	94,582	291,089
Unearned revenue	14,820	47,061	442,540
Claims payable	-	-	-
Compensated absences payable, due in less than one year	33,487	128,554	160,612
Contracts payable	-	-	398,404
Matured bond interest payable	-	-	686,495
Matured bonds and loans payable	-	-	1,581,300
Bonds, loans and payables, due in less than one year	-	-	1,645,963
Advances from other funds	1,324,482	-	-
Total current liabilities	1,574,821	2,302,684	6,170,205
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	50,231	192,830	240,918
Contracts payable, due in more than one year	-	1,960,457	-
Bonds, loans and payables, due in more than one year	-	-	28,504,884
Net pension liability	1,976,862	3,089,196	4,062,742
Net other postemployment benefits liability	7,938	14,024	18,444
Total noncurrent liabilities	2,035,031	5,256,507	32,826,988
Total liabilities	3,609,852	7,559,191	38,997,193
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	147,744	193,033	253,867
Deferred inflows related to other postemployment benefits	12,145	15,292	20,112
Total deferred inflows of resources	159,889	208,325	273,979
Total liabilities and deferred inflows of resources	3,769,741	7,767,516	39,271,172
NET POSITION			
Net investment in capital assets	1,461,132	105,637,227	166,296,238
Restricted for:			
System repair and replacement	-	2,408,033	5,787,764
Capital Projectss	-	4,539,962	963,193
Unrestricted	(1,108,478)	16,251,296	31,169,760
Total net position	$ 352,654	$ 128,836,518	$ 204,216,955

Difference between business-type adjustments to assets and liabilities
Net position of business-type activities

See accompanying Notes to Financial Statements

Sanitation Fund	Stormwater Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 3,327,894	$ 2,214,613	$ 60,188,546	$ 13,705,672
156,134	71,546	11,962,881	-
992,446	827,241	6,988,148	-
-	-	151,236	879,086
5,213	146	310,083	23,423
95,358	-	1,283,013	-
4,577,045	3,113,546	80,883,907	14,608,181
-	-	5,993,321	-
5,681	916	24,534	922
10,795,330	3,272,833	454,132,108	-
(4,932,033)	(170,395)	(141,620,929)	-
5,868,978	3,103,354	318,529,034	922
10,446,023	6,216,900	399,412,941	14,609,103
411,599	66,344	1,853,953	66,810
28,918	4,661	122,107	4,694
440,517	71,005	1,976,060	71,504
$ 10,886,540	$ 6,287,905	$ 401,389,001	$ 14,680,607
$ 509,643	$ 67,468	$ 3,393,339	$ 67,549
104,433	23,999	510,475	17,129
63,672	696	450,089	-
92,462	34,819	631,702	-
-	-	-	2,131,128
95,167	7,080	424,900	8,703
-	-	398,404	-
-	-	686,495	-
-	-	1,581,300	-
-	-	1,645,963	-
-	-	1,324,482	-
865,377	134,062	11,047,149	2,224,509
142,751	10,620	637,350	13,057
-	-	1,960,457	-
-	-	28,504,884	-
2,925,184	471,502	12,525,486	474,809
13,279	2,140	55,825	2,155
3,081,214	484,262	43,684,002	490,021
3,946,591	618,324	54,731,151	2,714,530
182,785	29,463	806,892	29,670
14,480	2,334	64,363	2,351
197,265	31,797	871,255	32,021
4,143,856	650,121	55,602,406	2,746,551
5,863,297	3,102,438	282,360,332	-
-	36,727	8,232,524	-
-	-	5,503,155	-
879,387	2,498,619	49,690,584	11,934,056
$ 6,742,684	$ 5,637,784	$ 345,786,595	$ 11,934,056
		2,568,732	
		$ 348,355,327	

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, 2020

	Business-Type Activities		
	Ground Ambulance Services Fund	Water Fund	Sewer Fund
OPERATING REVENUES			
Charges for services	$ 3,933,720	$ 18,045,809	$ 19,224,020
Other revenue	73,808	238,690	78,719
Total operating revenues	4,007,528	18,284,499	19,302,739
OPERATING EXPENSES			
Costs of sales and services	3,822,790	13,292,984	8,141,189
Personnel services	-	-	-
Contractual services, materials & supplies	-	-	-
Insurance claims, premiums, and administrative expenses	-	-	-
Indirect costs	389,300	1,552,500	1,680,100
Depreciation	213,150	3,627,201	8,199,180
Total operating expenses	4,425,240	18,472,685	18,020,469
Operating income (loss)	(417,712)	(188,186)	1,282,270
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	18,089	601,343	796,633
Developer reimbursement	-	-	(722,758)
Gain\(Loss) on disposal of capital assets	-	(57,680)	(116,677)
Amortization on premium	-	-	309,604
Interest and fiscal charges	-	-	(1,373,189)
Total nonoperating revenues (expenses)	18,089	543,663	(1,106,387)
Income (loss) before contributions and transfers	(399,623)	355,477	175,883
Transfers in	-	1,386,867	776,444
Transfers out	(1,608)	(589,922)	(2,174,134)
Capital contributions	245,103	6,864,399	7,211,689
Change in net position	(156,128)	8,016,821	5,989,882
Total net position - beginning	508,782	120,819,697	198,227,073
Total net position - ending	$ 352,654	$ 128,836,518	$ 204,216,955

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Changes in 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
$ 10,438,506	$ 1,934,275	$ 53,576,330	$ 15,539,571
6,415	-	397,632	753,504
10,444,921	1,934,275	53,973,962	16,293,075
6,373,083	963,776	32,593,822	-
-	-	-	419,496
-	-	-	240,551
-	-	-	14,573,999
1,798,700	170,500	5,591,100	-
951,397	79,462	13,070,390	-
9,123,180	1,213,738	51,255,312	15,234,046
1,321,741	720,537	2,718,650	1,059,029
85,171	55,271	1,556,507	234,069
-	-	(722,758)	-
(64,361)	-	(238,718)	-
-	-	309,604	-
-	-	(1,373,189)	-
20,810	55,271	(468,554)	234,069
1,342,551	775,808	2,250,096	1,293,098
-	-	2,163,311	9,998
(357,509)	(1,803)	(3,124,976)	-
-	709,010	15,030,201	-
985,042	1,483,015	16,318,632	1,303,096
5,757,642	4,154,769	329,467,963	10,630,960
$ 6,742,684	$ 5,637,784	$ 345,786,595	$ 11,934,056
		415,497	
		$ 16,734,129	

See accompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities			
	Ground Ambulance Services Fund	Water Fund	Sewer Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	$ 3,602,886	$ 17,633,239	$ 18,973,532	$ 10,118,796
Cash receipts from interfund services provided	-	-	-	-
Payments to employees	(2,640,601)	(3,009,771)	(3,968,980)	(2,793,890)
Payments to suppliers	(907,245)	(11,097,622)	(5,802,585)	(5,057,560)
Payments for insurance claims and expenses	-	-	-	-
Other operating cash receipts	73,808	238,690	78,719	6,415
Net cash provided (used) by operating activities	128,848	3,764,536	9,280,686	2,273,761
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	453,532	-	1,748,767	-
Cash paid to other funds	(1,608)	(589,922)	(787,267)	(357,509)
Net cash provided (used) by noncapital financing activities	451,924	(589,922)	961,500	(357,509)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds received from development fees	-	3,574,330	2,535,618	-
Proceeds received from extension fees	-	-	153,435	-
Principal and interest paid on bonds, loans and payables	-	-	(3,048,131)	-
Sale/Acquisition of capital assets	(339,311)	(3,312,097)	(3,453,793)	(2,428,107)
Developer reimbursements	-	(364,024)	(614,683)	-
Proceeds received from capital grants	42,084	-	-	-
Net cash provided (used) by capital and related financing activities	(297,227)	(101,791)	(4,427,554)	(2,428,107)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from interest income/(loss)	18,089	601,343	796,633	85,171
Net cash provided (used) by investing activities	18,089	601,343	796,633	85,171
Net increase (decrease) in cash and cash equivalents	301,634	3,674,166	6,611,265	(426,684)
Balances - beginning of year	244,102	24,120,399	31,429,674	3,910,712
Balances - end of the year	$ 545,736	$ 27,794,565	$ 38,040,939	$ 3,484,028
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income/(loss)	$ (417,712)	$ (188,186)	$ 1,282,270	$ 1,321,741
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	213,150	3,627,201	8,199,180	951,397
Changes in assets and liabilities:				
Accounts receivable	(345,704)	(431,322)	(223,376)	(342,145)
Other receivables	-	(57,979)	(2,519)	-
Other assets	(7,973)	(51,814)	(63,946)	(279)
Inventory	(1,998)	(223,885)	(219,530)	35,247
Accounts payable	26,152	890,003	347,073	77,747
Accrued payroll and related taxes	51,390	18,373	3,772	7,011
Deposits	50	29,670	15,941	3,056
Unearned revenue	14,820	47,061	(40,534)	19,379
Compensated absences	21,779	66,625	(23,791)	29,518
Net pension liability	577,741	41,445	9,562	173,821
Claims payable	-	-	-	-
Net other postemployment asset/liability	(2,847)	(2,656)	(3,416)	(2,732)
Net cash provided (used) by operating activities	$ 128,848	$ 3,764,536	$ 9,280,686	$ 2,273,761
Noncash investing, capital and financing activities				
Capital asset contributions from developers	$ -	$ 3,290,069	$ 4,676,071	$ -
Capital asset contributions to/from other funds/governmental activities	245,103	1,386,867	(1,386,867)	-
Increase in the fair market value of investments	4,559	233,165	313,061	29,209
Total noncash investing, capital and financing activities	$ 249,662	$ 4,910,101	$ 3,602,265	$ 29,209
Reconciliation to Statement of Net Position				
Cash and investments	$ 545,736	$ 25,244,889	$ 28,855,414	$ 3,327,894
Restricted cash and investments	-	2,549,676	9,185,525	156,134
Total cash and investments	$ 545,736	$ 27,794,565	$ 38,040,939	$ 3,484,028
Total Cash	$ 545,736	$ 27,794,565	$ 38,040,939	$ 3,484,028

See accompanying Notes to Financial Statements

Stormwater Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 1,910,173	$ 52,238,626	$ 1,106,791
-	-	14,387,447
(578,450)	(12,991,692)	(415,527)
(459,543)	(23,324,555)	(232,722)
-	-	(13,530,646)
-	397,632	-
872,180	16,320,011	1,315,343
-	2,202,299	9,998
(1,803)	(1,738,109)	-
(1,803)	464,190	9,998
-	6,109,948	-
-	153,435	-
-	(3,048,131)	-
(727,467)	(10,260,775)	-
-	(978,707)	-
-	42,084	-
(727,467)	(7,982,146)	-
55,271	1,556,507	234,069
55,271	1,556,507	234,069
198,181	10,358,562	1,559,410
2,087,978	61,792,865	12,146,262
$ 2,286,159	$ 72,151,427	$ 13,705,672
$ 720,537	$ 2,718,650	$ 1,059,029
79,462	13,070,390	-
(22,969)	(1,365,516)	-
-	(60,498)	(122,123)
(58)	(124,070)	(17,328)
-	(410,166)	-
62,481	1,403,456	25,425
9,225	89,771	4,004
696	49,413	-
(1,829)	38,897	-
718	94,849	(25,506)
24,351	826,920	25,643
-	-	366,639
(434)	(12,085)	(440)
$ 872,180	$ 16,320,011	$ 1,315,343
$ 709,010	$ 8,675,150	$ -
-	245,103	-
20,178	600,172	90,911
$ 729,188	$ 9,520,425	$ 90,911
$ 2,214,613	$ 60,188,546	$ 13,705,672
71,546	11,962,881	-
$ 2,286,159	$ 72,151,427	$ 13,705,672
$ 2,286,159	$ 72,151,427	$ 13,705,672

See accompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2020

		Custodial Fund
ASSETS		
Cash and investments	$	50,258
Prepaid items and other assets		-
Total assets		50,258
LIABILITIES		
Accounts Payable		30,000
Total liabilities		30,000
NET POSITION		
Restricted for:		
Individuals		20,258
Total net position	$	20,258

See acompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2020

	Custodial Fund
ADDITIONS	
Contributions:	
Employee contributions	$ 497,611
Total contributions	497,611
Total additions	497,611
DEDUCTIONS	
Claim settlement	549,626
Total deductions	549,626
Net increase (decrease) in fiduciary net position	(52,015)
Net Position - beginning	72,273
Net Position -- end of the year	$ 20,258

See accompanying Notes to Financial Statements

SURPRISE

ARIZONA

SURPRISE
ARIZONA

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.

SURPRISE

ARIZONA

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.

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:

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.

For the fiscal year ended June 30, 2020, 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 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 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.

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:

Assets	Useful life (Years)
Buildings	20-50
Improvements/Infrastructure	5-50
Machinery & Equipment	2-15
Intangibles (Software and Facility Use Rights)	5-30

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.

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 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, 2020 this balance totaled $2.2 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, 2020 this balance totaled $13.0 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, 2020 this balance totaled $6.5 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.

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.

The Water Fund will have a four-part reserve as follows:

i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year’s Council Adopted Budget for the Water Fund. For the year ended June 30, 2020 this balance totaled $3,093,550.

ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2020 this balance totaled $2,468,033.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the budgeted operating sources for that year’s Council Adopted Budget for the Water Fund. For the year ended June 30, 2020 this balance totaled $926,695.

iv. The City will maintain a Resource Portfolio Reserve equal to fifteen percent (15%) of the total cost of delivery and capital charges for Municipal and Industrial plus the Phoenix Active Management Area (AMA) Underground Storage charges multiplied by the total amount of the City’s Central Arizona Project (CAP) allocation. For the year ended June 30, 2020 this balance totaled $598,900.

The Sewer Fund will have a three-part reserve as follows:

i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year’s Council Adopted Budget for the Sewer Fund. For the year ended June 30, 2020 this balance totaled $2,680,275.

ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2020 this balance totaled $5,787,764.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the budgeted operating sources for that year’s Council Adopted Budget for the Water Fund. For the year ended June 30, 2020 this balance totaled $949,240.

The Sanitation Fund will have a four-part reserve as follows:

i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year’s Council Adopted Budget for the Sanitation Fund. For the year ended June 30, 2020 this balance totaled $1,707,200.

ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2020 this balance totaled $89,019.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the budgeted operating sources for that year's Council Adopted Budget for the Sanitation Fund. For the year ended June 30, 2020 this balance totaled $513,880.

iv. As the Sanitation Utility has excess revenues, the City will maintain a phased Contingency Reserve equal to one-half percent (0.5%) beginning in FY2022 and increase to one percent (1%) or each subsequent year through FY2024. For the year ended June 30, 2020 this balance totaled $0.

The Stormwater Fund will have a two-part reserve as follows:

i. The City will maintain an amount equal to the average budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the Stormwater Fund. For the year ended June 30, 2020 this balance totaled $246,100.

ii. The City will maintain an amount equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year for repair and replacement. For the year ended June 30, 2020 this balance totaled $36,727.

The Risk Management Fund will maintain an amount that, together with purchased insurance policies, will adequately indemnify the City. The appropriate funding level will be set at three times the maximum annual loss of $250,000 which is equal to $750,000, which will be approved by the City Council.

The Employee Healthcare Fund will maintain an amount 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 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, 2020, the required reserve was $2.97 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, 2020, 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.

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

The City's Sports and Tourism fund was previously reported as part of the General Fund. Effective July 1, 2019, the City now reports this fund as a part of the Non-Major Governmental Fund- Sports and Tourism.

	General Fund	Non-Major Governmental Funds
Beginning of the year, as previously reported Fund Balance at June 30, 2019	$ 45,296,941	$ 25,858,279
Effect of combining Fire Development 2014 Law Fund with Fire Development Fee Grandfathered Fund to create Fire Development Fee Fund	-	-
Effect of reclassifying the Sports and Tourism fund from the General Fund to the Spring Training Ticket Surcharge Fund - a Non-Major Governmental Fund	80,138	(80,138)
Total change in accounting principle	80,138	(80,138)
Beginning of the year, as restated Fund Balance, July 1, 2019	$ 45,377,079	$ 25,778,141

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 $109,004,215 and the bank balance was $105,918,514. At year end, $250,000 of the City's deposits were covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance $105,668,514 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, 2020 follows:

Cash in bank	$ 105,918,514
Reconciling items:	
Outstanding checks	(981,818)
Deposits in transit	4,116,259
Other	1,518
	109,054,473
Less:	
Fiduciary Fund	50,258
Total City deposits	$ 109,004,215

The City's investments consisted of the following as of June 30, 2020:

Investment Type	Total Fair Value	Less than 1 year	1-2 years	2-3 years
U. S. government securities	$ 54,336,535	$ 7,621,769	$ 20,929,849	$ 25,784,917
Debt Securities	3,674,875	3,674,875		
Government sponsored entity debt	50,257,722	8,338,363	19,779,271	22,140,088
Money market mutual funds	16,727,782	16,727,782		
Local government investment pool	5,438,754	5,438,754		
	$ 130,435,668	$ 41,801,543	$ 40,709,120	$ 47,925,005

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, 2020, are as follows:

City's deposits	$ 109,004,215
Cash on hand	4,350
City's investments	130,435,668
Cash held by trustee	1,209,504
Total	$ 240,653,737

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 $53,932,597 of government sponsored entity debt. At June 30, 2020, 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;
(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:

- 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
Investments by Fair Value Level			
Debt Securities	$ 3,674,875	$ 3,674,875	$ -
U. S. Treasury Notes	54,336,535	54,336,535	-
Federal Agency	50,257,722		50,257,721
Total investments by fair value level	$108,269,132	$58,011,410	$50,257,721
Investments measured at net asset value			
LGIP	5,438,754		
Total investments measured at fair value	$113,707,886		
Investments measured at amortized cost			
Money market funds	16,727,782		
Total investments:	$130,435,668		

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	$	193,143,417
Total restricted cash and investments		47,510,320
Subtotal		240,653,737
Government-wide total cash and investments		240,653,737
Plus: Fiduciary Fund cash and cash equivalents		50,258
Total	$	240,703,995

Fund Financial Statements		
Governmental Funds		
Cash and investments	$	119,249,199
Restricted cash and cash equivalents		35,547,439
Enterprise Funds		
Cash and investments		60,188,546
Restricted cash and cash equivalents		11,962,881
Internal Service Fund		
Cash and investments		13,705,672
Fiduciary Fund		
Cash and cash equivalents		50,258
Total	$	240,703,995

NOTE 3 – ACCOUNTS RECEIVABLE

The intergovernmental receivable of $755,446, as reported in the statement of net position includes $714,748 in highway user tax and $40,698 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, 2020 are as follows:

CAFR Fund Name	Unearned	Unavailable
General Fund	$ 8,346,365	$ 262,797
Highway User Revenue Fund	2,000	-
Debt Service Fund	-	60,100
Non-major Governmental Funds	522,679	182,534
	$ 8,871,044	$ 505,431

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, 2020 are as follows:

CAFR Fund Name	Unearned
Ground Ambulance Services	$ 14,820
Water	47,061
Sewer	442,540
Sanitation	92,462
Stormwater	34,819
	$ 631,702

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Not being depreciated:					
Land and land improvements	$ 60,921,280	$ 25,864,359	$ -	$ 136,235	$ 86,921,874
Parks	8,607,783	-	-	-	8,607,783
Construction in process	9,330,069	36,813,985	-	(21,112,385)	25,031,669
Total Not Being Depreciated	78,859,132	62,678,344	-	(20,976,150)	120,561,326
Other capital assets:					
Buildings and improvements	204,207,454	723,566	(19,844)	16,605,827	221,517,003
Improvements other than buildings	31,425,258	663,933	-	639,975	32,729,166
Equipment and vehicles	52,990,541	3,814,474	(2,091,284)	1,179,149	55,892,880
Intangibles	6,365,705	5,000,000	-	49,397	11,415,102
Infrastructure	429,419,203	11,389,957	(564,276)	2,638,037	442,882,921
Total Other Capital Assets	724,408,161	21,591,930	(2,675,404)	21,112,385	764,437,072
Total Assets before Depreciation	803,267,293	84,270,274	(2,675,404)	136,235	884,998,398
Accumulated depreciation:					
Building and improvements	(79,515,318)	(7,172,178)	16,867	-	(86,670,629)
Improvements other than buildings	(9,767,470)	(1,237,415)	-	-	(11,004,885)
Equipment and vehicles	(34,123,356)	(4,018,704)	2,026,255	-	(36,115,805)
Intangibles	(2,780,464)	(1,178,106)	-	-	(3,958,570)
Infrastructure	(235,790,432)	(12,584,611)	243,379	-	(248,131,664)
Total Accumulated Depreciation	(361,977,040)	(26,191,014)	2,286,501	-	(385,881,553)
Net Capital Assets - Governmental Activities	$ 441,290,253	$ 58,079,260	$ (388,903)	$ 136,235	$ 499,116,845

Depreciation was charged by function as follows:

General government	$ 2,440,470
Public safety	2,941,044
Public works and streets, includes depreciation for infrastructure	15,981,658
Community development	39,495
Culture and recreation	4,788,347
Total governmental activities depreciation expense	$ 26,191,014

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Not being depreciated:					
Land	$ 4,906,981	$ -	$ -	$ (136,235)	$ 4,770,746
Water Rights	13,704,271	3,807,366	-	-	17,511,637
Construction in progress	2,077,526	4,373,047	-	(2,985,047)	3,465,526
Total not being depreciated	20,688,778	8,180,413	-	(3,121,282)	25,747,909
Other capital assets:					
Buildings and system	385,682,685	7,823,899	(108,645)	1,454,065	394,852,004
Improvements other than buildings	7,327,555	561,725	(148,348)	1,235,535	8,976,467
Vehicles and equipment	21,758,469	2,661,103	(710,383)	295,447	24,004,636
Intangibles	551,092	-	-	-	551,092
Total other capital assets	415,319,801	11,046,727	(967,376)	2,985,047	428,384,199
Total assets before depreciation	436,008,579	19,227,140	(967,376)	(136,235)	454,132,108
Accumulated depreciation:					
Buildings and system	(118,796,009)	(10,670,674)	62,976	-	(129,403,707)
Improvements other than buildings	(647,755)	(262,031)	-	-	(909,786)
Vehicles and equipment	(9,509,731)	(2,030,390)	602,370	-	(10,937,751)
Intangibles	(262,390)	(107,295)	-	-	(369,685)
Total accumulated depreciation	(129,215,885)	(13,070,390)	665,346	-	(141,620,929)
Net capital assets - Business-type activities	$ 306,792,694	$ 6,156,750	$ (302,030)	$ (136,235)	$ 312,511,179

Depreciation was charged by function as follows:

Ground Ambulance	$ 213,150
Water	3,627,201
Sewer	8,199,180
Sanitation	951,397
Stormwater	79,462
Total Depreciation Expense	$ 13,070,390

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, 2020, $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 $15,049,433. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2020, $451,520 had expired or been reimbursed, leaving a potential remaining balance of $14,597,913.

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 $70,365,777 at June 30, 2020. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2020, $3,954,189 had expired or been reimbursed, leaving a potential remaining balance of $66,411,588.

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 2030. Once an agreement expires, park impact fees are no longer eligible for developer reimbursement. As of June 30, 2020, the City has reimbursed $745,419 leaving a potential balance remaining of $4,032,463.

Development agreements related to fire infrastructure are reimbursed using fire development impact fees. The total net value reimbursable for fire infrastructure was $496,663. As of June 30, 2020, 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.

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 2020, $27,491 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 2020 cannot be disclosed in accordance with Ariz. Rev. Stat. § 42-2002.

In addition, the City has entered into a development agreement to reimburse developers for the construction of public infrastructure that will benefit the community. These reimbursements are paid over time from collections within a defined area. For the fiscal year ended June 30, 2020, the city reimbursed $3,948,702.

NOTE 6 – SIGNIFICANT COMMITMENTS

Construction Commitments

The City of Surprise has active construction projects as of June 30, 2020. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Funding Source
107th & Union Hills Drainage	$ 977,420	$ 647,466	Stormwater Capital
Advanced Metering Infrastructure	6,698,321	11,501,679	Water Utility Capital
Art - Fire Station 304	-	99,550	Public Safety Election 2017
Art - Public Works Yard	30,000	20,000	Public Safety Election 2017
Bell & Litchfield Signal Modification	84,821	279,971	Transportation Improvement
City Asset Management System	223,605	99,393	General Capital Projects Fund
Civic Center Infrastructure Improvements	31,880	1,706	General Capital Projects Fund
District Fire Station 304	6,248,278	1,081,645	Public Safety Election 2017
Fire Station 308	73,215	488,598	Public Safety Election 2017
Greenway Rd Cotton Ln-Sarival	265,104	161,350	Traffic Election 2017
Infrastructure - Consent Order Tthm	67,062	7,128	Sewer Utility Capital
Infrastructure - SPA 2 Influent Line	-	70,656	Sewer Utility Capital
Litchfield Rd (Waddell Rd-Peoria)	3,768,999	169,277	Traffic Election 2017
Litchfield Rd (Waddell Rd-Peoria)	-	578,001	Transportation Improvement
New Gaines Park	110,027	51,047	Neighborhood Revitalization
On-Site Fuel Management FS303	42,095	70,332	General Capital Projects Fund
Peoria & Litchfield Drainage	175,746	18,657	Stormwater Capital
Public Safety Evidence & Readiness	647,434	289,019	Public Safety Election 2017
South Plant Ops Bldg Remodel	26,634	147,379	Sewer Utility Capital
South Plant Ops Bldg Remodel	10,638	163,375	Water Utility Capital
SPA1 Rancho Gabriela WSF-Arsenic	245,962	180,934	Water Utility Capital
SPA1 Recharge Expansion	165,742	826,555	Sewer Utility Capital
Traffic Signal - Litchfield & Sweetwater	96,587	131,589	Transportation Improvement
Traffic Signal - Waddell & La Cometa	24,390	7,305	Transportation Improvement
Waddell Rd (SR303-Reems Rd)	-	698,500	Highway User Revenue
Waddell Rd (SR303-Reems Rd)	6,382,871	557,856	Traffic Election 2017
Waddell Rd (SR303-Reems Rd)	723,382	1,540,209	Transportation Improvement
Xeriscape Garden	27,939	61,991	Water Utility Capital
	$ 27,148,152	$ 19,951,168	

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	$ 19,186
General Capital Projects Fund	2,143
Non-Major Funds	1,888
Sewer Fund	55,962
Water Fund	17,572
Sanitation Fund	267
Total encumbrances	$ 97,018

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, 2020 (revenues to debt service payable) is 31.5.

The Pledged Revenue Obligations, Series 2015, were issued in the amount of $17,385,000, and have an outstanding principal balance at June 30, 2020 of $12,750,000. 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 $1,580,000 and $133,297,380, respectively. Next year’s principal and interest payments of $1,581,050 constitute approximately 1.2% 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, 2020 of $9,405,003. 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 $2,653,850 and $133,297,380, respectively. Next year’s principal and interest payments totaling $2,655,250 constitute approximately 2.0% 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 Series 2018 Senior Lien Utility System obligations and additional Utility System obligations then outstanding, to fall due and payable in the current or any future Bond Year. At June 30, 2020 the Parity Lien Test Debt Service is $2,954,290 and pledged revenues are $15,152,789. The current year ratio is 512.9 percent of the Parity Lien Test Debt Service.

The issuance also 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 Series 2018 Senior Lien Utility System Obligations and Additional Utility Obligations then outstanding for the corresponding Bond Year. At June 30, 2020 pledged revenue equal 512.9 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, 2020 of $23,290,000. 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 $2,151,500 and $15,152,789, respectively. Current year pledged revenue equals approximately 705% of next year's principle and interest payments, which total $2,149,500.

GENERAL OBLIGATIONS

In May 2018, the City of Surprise issued $37,730,000 in Series 2018 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 Series 2018 General Obligations represented the first installment of an aggregate voted principal amount of $59,500,000 of general obligation bonds approved at the Election. In September, 2020 the City issued the remainder of the Election approved bonds by issuing $17,460,000 in Series 2020 General Obligation Bonds, with interest rates from 2% to 4% and a final maturity in 2038.

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 2016, Marley Park Community Facilities District defeased certain general obligation bonds related to the Series 2006, 2007 and 2008 Bond Series' through a new issuance of Marley Park Series 2016 general obligation bonds. The new bonds were issued in the original amount of $11,365,000 of which $4,800,000 was new issuance and $6,565,000 was in refunding obligations for the purpose of accomplishing the aforementioned defeasance.

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. These 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 2019, Marley Park Community Facilities District issued $8,470,000 in new general obligation bonds. The proceeds were used for the cost of issuance as well as the acquisition of capital assets. The bonds carry interest rates from 3% to 4% with final maturity occurring in 2044.

Long-term debt as of June 30, 2020 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 $1,025,000 to $1,505,000 through July 1, 2030; interest at 3 percent to 5 percent. Original issue amount $17,385,000.	$ 12,750,000
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of $2,185,000 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.	6,559,989
Total 2015 Pledged Revenue Obligation	19,309,989
2015, Pledged Revenue Revenue Obligations, Issuance Premium	1,882,979
2018, General Obligation Bonds, (issued May 9, 2018) due in annual installments of $1,205,000 to $2,400,000 through July 1, 2038; interest at 3 percent to 5 percent. Original issue amount of $37,730,000.	32,350,000
2018, General Obligation Bonds, Issuance Premium	1,935,598
Total General and Revenue Obligations	$ 55,478,566

Community Facilities District General Obligation Bonds and Notes		Long-Term Debt Outstanding
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, due in annual installments of $385,000 to $665,000 through July 15, 2041; interest from 2 to 4%. Original issue amount $11,365,000 of which $4,800,000 was new issuance and $6,565,000 was refunding obligations.	$	10,730,000
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, Issuance Premium		247,486
2017 Marley Park Community Facilities District General Obligation Notes, directly placed borrowing, due in annual installments of $185,000 to $245,000 through July 15, 2032; interest at 2.690%. Original issue amount $3,000,000.		2,575,000
2019 Marley Park Community Facilities District General Obligation Bonds, due in annual installments of $50,000 to $1,260,000 through July 15, 2044; interest from 3% to 4%. Original issue amount $8,470,000.		8,375,000
2019 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium		39,449
Total Community Facilities Districts General Obligation Bonds and Notes Outstanding		21,966,935
Total Bonds and Notes Payable Recorded in Governmental Activities	$	77,445,501

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 $2,185,000 to $2,525,000 through July 1, 2024; interest at 3% to 5%. Original issue amount $19,280,000. 30.25% of this issue pertains to business-type activities.	$	2,845,014
2015, Pledged Revenue Refunding Obligation, Issuance Premium		312,609
2018, Senior Lien Utility System Revenue Refunding Obligations (issued August 7, 2018) due in installments of $985,000 to $2,045,000 through July 1, 2036; interest from 4% to 5%. Original issue amount $25,255,000.		23,290,000
2018, Senior Lien Utility System Revenue Refunding Obligations, Issuance Premium		3,703,224
Total Bonds Payable Recorded in Business-type Activities		30,150,847
Total Long-Term Bonds Payable	$	107,596,348

The following is a summary of long-term liabilities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	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)	$ 21,783,689	$ -	$ (2,473,700)	$ 19,309,989	$ 2,549,037
City of Surprise, Series 2018 General obligations $37,730,000	35,215,000	-	(2,865,000)	32,350,000	1,205,000
For issuance premium 2015	2,179,399	-	(296,420)	1,882,979	-
For issuance premium 2018	2,107,019	-	(171,421)	1,935,598	-
Community Facilities District					
Series 2008 Bonds, $3,395,000 issued	100,000	-	(100,000)	-	-
Series 2016 Bonds, $11,365,000 issued	11,005,000	-	(275,000)	10,730,000	385,000
Series 2017 Direct Placement Note, $3,000,000 issued	2,770,000	-	(195,000)	2,575,000	185,000
Series 2019 Bonds, $8,470,000 issued	-	8,470,000	(95,000)	8,375,000	125,000
For issuance premium 2016	268,419	-	(20,933)	247,486	-
For issuance premium 2019	-	41,093	(1,644)	39,449	-
Total bonds and notes payable	75,428,526	8,511,093	(6,494,118)	77,445,501	4,449,037
Net pension liabilities	80,685,680	18,899,869	(10,400,355)	89,185,194	-
Net OPEB liabilities	324,878	153,281	(280,560)	197,600	-
Compensated absences payable	8,369,434	5,593,585	(5,538,578)	8,424,441	3,369,777
Total governmental activities long-term liabilities	$ 164,808,518	$ 33,157,828	$ (22,713,611)	$ 175,252,736	$ 7,818,814
Business-type activities					
City of Surprise, Series 2015 Pledged revenue obligations $5,278,625 ($36,665,000 issued)	$ 3,486,314	$ -	$ (641,300)	$ 2,845,014	$ 660,963
Senior Lien Utility System Revenue Refunding Obligations, Series 2018	24,230,000	-	(940,000)	23,290,000	985,000
For issuance premium 2015	390,762	-	(78,153)	312,609	-
For issuance premium 2018	3,934,675	-	(231,451)	3,703,224	-
Total bonds payable	32,041,751	-	(1,890,904)	30,150,847	1,645,963
Net pension liabilities	11,273,996	2,256,396	(1,004,906)	12,525,486	-
Net OPEB liabilities	43,272	52,448	(39,895)	55,825	-
Compensated absences payable	967,401	718,420	(623,571)	1,062,250	424,900
Contracts and developer payable	2,614,810	287,254	(543,203)	2,358,861	398,404
Total business-type activities long-term liabilities	$ 46,941,230	$ 3,314,518	$ (4,102,479)	$ 46,153,269	$ 2,469,267

At June 30, 2020, 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 2019*	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

* Insured by Building America Mutual

The following is a summary of debt service requirements for the year ended June 30, 2020. Deferred amounts are not included:

Year Ended June 30	Governmental Activities: Refunding/Stadium Imp 2015 Principal	Refunding/Stadium Imp 2015 Interest	GO Bonds 2018 Principal	GO Bonds 2018 Interest	Marley Park CFD 2016 Principal	Marley Park CFD 2016 Interest
2021	$ 2,549,037	$ 884,049	$ 1,205,000	$ 1,272,044	$ 385,000	$ 348,688
2022	2,677,275	756,598	1,265,000	1,211,794	395,000	340,987
2023	2,812,487	622,734	1,330,000	1,148,544	405,000	329,138
2024	2,951,188	482,109	1,395,000	1,082,044	415,000	316,987
2025	1,250,000	334,550	1,465,000	1,012,294	425,000	304,538
2026-2030	7,070,000	841,850	8,500,000	3,902,820	2,305,000	1,353,731
2031-2035	-	-	10,225,000	2,172,082	2,690,000	881,806
2036-2040	-	-	6,965,000	475,369	3,045,000	395,313
2041-2044	-	-	-	-	665,000	20,781
Total	$ 19,309,987	$ 3,921,890	$ 32,350,000	$ 12,276,991	$ 10,730,000	$ 4,291,969

	Governmental Activities: Marley Park CFD 2017 Direct Placement Principal	Marley Park CFD 2017 Direct Placement Interest	Marley Park CFD 2019 Principal	Marley Park CFD 2019 Interest	Total Principal	Total Interest
2021	$ 185,000	$ 69,268	$ 125,000	$ 260,800	$ 4,449,037	$ 2,834,849
2022	190,000	64,291	50,000	257,050	4,577,275	2,630,720
2023	195,000	59,180	55,000	255,550	4,797,487	2,415,146
2024	200,000	53,934	60,000	253,900	5,021,188	2,188,974
2025	205,000	48,555	65,000	252,100	3,410,000	1,952,037
2026-2030	1,115,000	156,962	340,000	1,230,800	19,330,000	7,486,163
2031-2035	485,000	19,637	1,290,000	1,131,450	14,690,000	4,204,975
2036-2040	-	-	2,225,000	829,050	12,235,000	1,699,732
2041-2044	-	-	4,165,000	347,550	4,830,000	368,331
Total	$ 2,575,000	$ 471,827	$ 8,375,000	$ 4,818,250	$ 73,339,987	$ 25,780,927

Year Ended June 30	Business-Type Activities: Refunding/Stadium Imp 2015 Principal	Refunding/Stadium Imp 2015 Interest	Sr. Lien Utility System Revenue Refunding 2018 Principal	Sr. Lien Utility System Revenue Refunding 2018 Interest	Total Principal	Total Interest
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	-	-	1,195,000	952,250	1,195,000	952,250
2026-2030	-	-	6,940,000	3,802,250	6,940,000	3,802,250
2031-2035	-	-	8,865,000	1,884,000	8,865,000	1,884,000
2036	-	-	2,045,000	102,250	2,045,000	102,250
Total	$ 2,845,013	$ 364,210	$ 23,290,000	$ 11,093,250	$ 26,135,013	$ 11,457,460

Contracts Payable

General Government Activities

A balance of $2,556,294 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 $2,358,861 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, 2020:

20% Limitation			6% Limitation		
20% Constitutional Limit	$	281,877,265	6% Constitutional Limit	$	84,563,180
Less General Obligation 20% Bonds Outstanding		(32,350,000)	Less General Obligation 6% Bonds Outstanding		-
Reduction for Excess Premium		(1,935,598)	Reduction for Excess Premium		-
Available 20% Limitation Borrowing Capacity	$	247,591,667	Available 6% Limitation Borrowing Capacity	$	84,563,180

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, 2020 was $66,600.

The following is a schedule of the future minimum lease payments on the non-cancelable operating leases:

Year Ending June 30:	
2021	$ 41,526
2022	39,895
2023	19,102
Total minimum payments required	$ 100,523

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 $9,200,778 (cost of $13,149,588 less accumulated depreciation of $3,948,810). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2020 were $492,210.

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, 2020, 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	$ 277,074	$ 24,534	$ 301,608
Net pension liabilities	89,185,194	12,525,486	101,710,680
Net OPEB liabilities	197,600	55,825	253,425
Deferred outflows of resources related to pensions	26,143,782	1,853,953	27,997,735
Deferred outflows of resources related to OPEB	545,375	122,107	667,482
Deferred inflows of resources related to pensions	5,928,740	806,892	6,735,632
Deferred inflows of resources related to OPEB	875,678	64,363	940,041
Pension expense	15,317,185	1,677,756	16,994,941
OPEB expense	157,383	49,130	206,513
Pension contributions	10,630,565	1,076,313	11,706,878
OPEB contributions	276,534	57,803	334,337

The City reported accrued payroll and employee benefits of $530,745 for outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2020. Also, the City reported $12,041,216 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 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 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary 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 $150 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 equal to 10% 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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 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, 2020, were $4,678,053, $191,722, and $69,064, respectively.

During fiscal year 2020, the City paid for ASRS pension and OPEB contributions as follows: 70% from the general fund, 28% from major funds, and 2% from other funds.

Liability/(asset) — At June 30, 2020, 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	$	55,824,084
Health insurance premium benefit		(108,422)
Long-term disability		253,425

The net asset and net liabilities were measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. The total liabilities as of June 30, 2019, 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% to 7.5%, changing the projected salary increases from 3–6.75% to 2.7–7.2%, decreasing the inflation rate from 3% to 2.3%, and changing the mortality rates.

The 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, 2019. The City's proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

ASRS	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.38%	0.01%
Health insurance premium benefit	0.39%	0.01%
Long-term disability	0.39%	0.02%

Expense — For the year ended June 30, 2020, the City recognized the following pension and OPEB expense.

ASRS		Pension/OPEB expense
Pension	$	7,371,708
Health insurance premium benefit		141,950
Long-term disability		80,860

Deferred outflows/inflows of resources — At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 1,008,477	$ 10,495
Changes in assumptions	235,970	2,223,025
Difference between projected and actual investment earnings	-	1,254,733
Changes in proportion and differences between City contributions and proportionate share of contributions	1,932,430	-
City contributions subsequent to the measurement date	4,678,053	-
Total	$ 7,854,930	$ 3,488,253

	Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ -	$ 129,606
Changes in assumptions	213,221	-
Difference between projected and actual investment earnings	-	140,996
Changes in proportion and differences between City contributions and proportionate share of contributions	270	322
City contributions subsequent to the measurement date	191,722	-
Total	$ 405,213	$ 270,924

	Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 29,941	$ -
Changes in assumptions	37,912	-
Difference between projected and actual investment earnings	-	5,406
Changes in proportion and differences between City contributions and proportionate share of contributions	9,747	13
City contributions subsequent to the measurement date	69,064	-
Total	$ 146,664	$ 5,419

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, 2021. 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
2021	$ 398,846	$ (46,934)	$ 7,544
2022	(805,312)	(46,933)	7,545
2023	(240,962)	13,195	12,818
2024	336,052	26,319	13,785
2025	-	(3,080)	11,777
Thereafter	-	-	18,712

Actuarial assumptions — The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Pension/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, 2018 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% 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:

ASRS Asset Class	Target Asset Allocation	Real Return Geometric Basis	Long-term Contribution to Expected Real Return
Equity	50%	6.09%	3.05%
Credit	20%	5.36%	1.07%
Interest rate sensitive bonds	10%	1.62%	0.16%
Real estate	20%	5.85%	1.17%
Total	100%		5.45%

Discount rate — At June 30, 2019, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona 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%, 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%) or 1 percentage point higher (8.5%) than the current rate.

ASRS City's proportionate share of the	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
Net pension liability	$ 79,450,601	$ 55,824,084	$ 36,078,395
Net health insurance premium benefit liability (asset)	549,208	(108,422)	(668,755)
Net long-term disability liability	280,472	253,425	227,198

P**lan fiduciary net position** — Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

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.

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:	
Retirement and disability	Before January 1, 2012 (Tier 1)	On or after January 1, 2012 and before July 1, 2017 (Tier 2)
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% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50% 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.

Employees covered by benefit terms — At June 30, 2020, the following employees were covered by the agent plans' benefit terms:

	PSPRSPolice		PSPRSFire	
	Pension	Health	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	47	47	14	14
Inactive employees entitled to but not yet receiving benefits	20	5	8	7
Active employees	116	116	114	114
Total	183	168	136	135

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, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

Contribution rates	PSPRS			
	Police		Fire	
	Tier 1 & 2	Tier 3	Tier 1 & 2	Tier 3
Active members - pension	7.65%	11.65%	7.65%	11.65%
Active members - Health benefit	0.00%	0.26%	0.00%	0.21%
City				
Pension	30.99%	25.83%	22.88%	17.19%
Health insurance premium benefit	0.32%	0.21%	0.32%	0.21%

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.

	Tier 1 & 2 PSPRS	
	Police	Fire
Alternative contribution rate- Pension and Health	16.10%	7.46%

The City's contributions to the plans for the year ended June 30, 2020, were:

	PSPRS Police	PSPRS Fire
Contributions made		
Pension	$3,850,896	$3,060,602
Health Insurance premium benefit	42,143	31,408

During fiscal year 2020, the City paid for PSPRS pension and OPEB contributions as follows: 98.8% from the general fund, 0.5% from major funds, and 0.7% from non-major funds.

Liability — At June 30, 2020, the City reported the following net pension/OPEB liabilities/(assets):

	Net pension liability	Net OPEB liability/(asset)
PSPRS Police	$ 29,835,792	$ (135,648)
PSPRS Fire	14,538,967	(57,538)

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. Total liabilities as of June 30, 2019, reflect changes of actuarial valuation as of the date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4% to 7.3% and update the mortality rates.

Actuarial assumptions — The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

PSPRS	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, 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 7.30% 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%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100%	

PSPRS Asset class	Target allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100%	

Discount rate — At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.30 percent, a decrease of 0.1% from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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 pension/OPEB liability/(asset) – The following tables present changes in the City's net pension/OPEB liability for the PSPRS – Police and PSPRS – Fire plans as follows:

PSPRS - Police - Pension	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2019	$ 65,680,544	$ 39,693,746	$ 25,986,798
Adjustment to Beginning of Year	-	(28,553)	28,553
Changes for the year:			
Service cost	2,625,724	-	2,625,724
Interest on the total pension liability	4,977,350	-	4,977,350
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	1,469,073	-	1,469,073
Changes of assumptions	2,103,228	-	2,103,228
Contributions—employer	-	4,065,062	(4,065,062)
Contributions—employee	-	1,015,880	(1,015,880)
Net investment income	-	2,315,207	(2,315,207)
Benefit payments, including refunds of employee contributions	(2,089,561)	(2,089,561)	-
Administrative expense	-	(41,215)	41,215
Other changes	-	-	-
Net changes	9,085,814	5,236,820	3,848,994
Balances at June 30, 2020	$ 74,766,358	$ 44,930,566	$ 29,835,792

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, 2019	$ 1,173,986	$ 1,129,879	$ 44,107
Adjustment to Beginning of Year	-	28,552	(28,552)
Changes for the year:			
Service cost	33,493	-	33,493
Interest on the total OPEB liability	88,366	-	88,366
Difference between expected and actual experience of the total OPEB liability	(194,295)	-	(194,295)
Changes of assumptions	24,230	-	24,230
Contributions—employer	-	42,535	(42,535)
Contributions—employee	-	-	-
Net investment income	-	61,524	(61,524)
Benefit payments, including refunds of employee contributions	(26,693)	(26,693)	-
OPEB plan administrative expense	-	(1,062)	1,062
Other changes	-	-	-
Net changes	(74,899)	104,856	(179,755)
Balances at June 30, 2020	$ 1,099,087	$ 1,234,735	$ (135,648)

PSPRS - Fire - Pension	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2019	$ 55,772,934	$ 43,082,800	$ 12,690,134
Adjustment to Beginning of Year	-	(18,470)	18,470
Changes for the year:			
Service cost	2,703,787	-	2,703,787
Interest on the total pension liability	4,299,178	-	4,299,178
Difference between expected and actual experience of the total pension liability	223,172	-	223,172
Changes of assumptions	1,224,623	-	1,224,623
Contributions—employer	-	3,232,317	(3,232,317)
Contributions—employee	-	955,090	(955,090)
Net investment income	-	2,477,023	(2,477,023)
Benefit payments, including refunds of employee contributions	(759,444)	(759,444)	-
Administrative expense	-	(44,033)	44,033
Net changes	7,691,316	5,842,483	1,848,833
Balances at June 30, 2020	$ 63,464,250	$ 48,925,283	$ 14,538,967

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, 2019	$ 1,046,204	$ 915,274	$ 130,930
Adjustment to Beginning of Year	-	18,470	(18,470)
Changes for the year:			
Service cost	28,223	-	28,223
Interest on the total OPEB liability	78,968	-	78,968
Difference between expected and actual experience of the total OPEB liability	(206,517)	-	(206,517)
Changes of assumptions	12,836	-	12,836
Contributions—employer	-	34,300	(34,300)
Net investment income	-	50,072	(50,072)
Benefit payments, including refunds of employee contributions	(14,571)	(14,571)	-
OPEB plan administrative expense	-	(864)	864
Other changes	-	-	-
Net changes	(101,061)	87,407	(188,468)
Balances at June 30, 2020	$ 945,143	$ 1,002,681	$ (57,538)

Sensitivity of the City's net pension/OPEB liability/(asset) to changes in the discount rate — The following table presents the City's net pension/OPEB liabilities calculated using the discount rate of 7.30%, 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 (6.30%) or 1 percentage point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current discount rate (7.30%)	1% Increase (8.30%)
PSPRS Police			
Net pension liability	$ 41,849,023	$ 29,835,792	$20,198,975
Net OPEB liability/(asset)	4,690	(135,648)	(252,938)
PSPRS Fire			
Net pension liability	$ 25,405,759	$ 14,538,967	$ 5,801,501
Net OPEB liability	68,927	(57,538)	(163,520)

Plan fiduciary net position — Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports. These reports are available on the PSPRS website at www.psprs.com.

Expense — For the year ended June 30, 2020, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	$ 6,294,311	$ (20,638)
PSPRS Fire	3,431,678	4,342

Deferred outflows/inflows of resources — At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 3,801,252	$ 459,410
Changes in assumptions	3,819,120	-
Net difference between projected and actual earnings on pension plan investments	582,792	-
City contributions subsequent to the measurement date	3,850,896	-
Total	$ 12,054,060	$ 459,410

PSPRS - Police - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ -	$ 291,353
Changes in assumptions	21,203	63,560
Net difference between projected and actual earnings on OPEB plan investments	4,709	-
City contributions subsequent to the measurement date	42,143	-
Total	$ 68,055	$ 354,913

PSPRS - Fire - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 1,277,454	$ 2,450,963
Changes in assumptions	2,859,642	-
Net difference between projected and actual earnings on pension plan investments	676,651	-
City contributions subsequent to the measurement date	3,060,602	-
Total	$ 7,874,349	$ 2,450,963

PSPRS - Fire - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ -	$ 221,479
Changes in assumptions	11,670	87,306
Net difference between projected and actual earnings on OPEB plan investments	4,472	-
City contributions subsequent to the measurement date	31,408	-
Total	$ 47,550	$ 308,785

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/(asset) in the year ending June 30, 2021. 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:

	PSPRS			
	Police		Fire	
	Pension	Health	Pension	Health
Year ending June 30				
2021	$2,584,778	$ (60,038)	$ 687,782	$ (36,348)
2022	1,876,719	(60,037)	259,762	(36,348)
2023	1,348,846	(51,994)	529,174	(30,089)
2024	741,295	(52,890)	489,705	(30,858)
2025	368,560	(41,985)	291,716	(34,529)
Thereafter	823,556	(62,057)	104,646	(124,471)

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, 2020, active PSPDCRP members were required by statute to contribute at least 9% of the members' annual covered payroll, and the City was required by statute to contribute 9%, 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, 2020, the City recognized pension expense of $59,381.

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:

EORP	Initial membership date:	
Retirement and disability	Before January 1, 2012	On or after January 1, 2012
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, 2020, statute required active EORP members to contribute 7% or 13% of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 61.43 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 55.43 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, 2020, were $117,327 and $0, respectively.

During fiscal year 2020, the City paid for EORP pension contributions as follows: 100% from the general fund.

Liability — At June 30, 2020, 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	$ 1,511,837
State's proportionate share of the EORP net pension liability associated with the City	(9,879)
Total	$ 1,501,958

The net liability was measured as of June 30, 2019, 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, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4% to 7.3% and update the mortality rates.

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, 2019. The City's proportion measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, was:

EORP	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.227969%	-0.07%

Expense — For the year ended June 30, 2020, the City recognized pension expense for EORP of ($102,757) and revenue of ($9,879) 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, 2020, 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	$ 33,707	$ 1,434
Changes of assumptions or other inputs	4,752	42,962
Net difference between projected and actual earnings on plan investments	10,286	-
Changes in proportion and differences between City contributions and proportionate share of contributions	48,324	292,610
City contributions subsequent to the measurement date	117,327	-
Total	$ 214,396	$ 337,006

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30	Pension
2021	$ (242,851)
2022	(2,623)
2023	2,872
2024	2,665
2025	-

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

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Wage Inflation	3.75%
Investment Rate of Return	7.30%
Cost of Living Adjustments	1.75%
Price Inflation	2.50%
Permanent benefit increase	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 averaging 1.75% each year in the future.
Mortality rates	PUBG-2010 Mortality Tables with MP-2018 improvement scale with adjustments to match current experience
Retirement Age	Experience-Based Table

Actuarial assumptions used in the June 30, 2019, 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 7.30% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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:

EORP

Asset class	Target allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100%	

Discount rates — At June 30, 2019, the discount rates used to measure the EORP total pension liability was 7.3% which was a decrease of 0.1% for pension from the discount rates used as of June 30, 2018. 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	6.30%	7.30%	8.30%
City's proportionate share of the net pension liability	$ 1,731,281	$ 1,511,837	$ 1,324,930

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.

For the year ended June 30, 2020, active EODCRS members were required by statute to contribute 8% of the members' annual covered payroll, and the City was required by statute to contribute 6% 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, 2020, the City recognized pension expense of $6,560.

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 2020, 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 $686,077 for the year ended June 30, 2020. 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.

The City is 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 $400,592 for the year ended June 30, 2020.

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.

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, 2020, unpaid claims were as follows:

	Risk Management Fund	
	2019	2020
Beginning unpaid claims	$ 180,000	$ 147,533
Claims incurred and changes in estimates	543,806	180,407
Payments made	(576,273)	(210,376)
Ending unpaid claims	$ 147,533	$ 117,564

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 $782,150 of the total claims payable reported. The remaining $1,028,697 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, 2020, unpaid claims were as follows:

	Employee Healthcare Fund	
	2019	2020
Beginning unpaid claims	$ 1,257,598	$ 1,445,621
Claims incurred and changes in estimates	11,161,235	11,170,957
Payments made	(10,973,212)	(10,805,761)
Ending unpaid claims	$ 1,445,621	$ 1,810,817

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 $153,210 of the total claims payable reported. The remaining $49,537 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, 2020, unpaid claims were as follows:

	Workers' Compensation Fund	
	2019	2020
Beginning unpaid claims	$ 13,577	$ 171,335
Claims incurred and changes in estimates	387,745	379,262
Payments made	(229,987)	(347,850)
Ending unpaid claims	$ 171,335	$ 202,747

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, 2020 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, 2020, interfund balances were as follows:

Due to/from other funds:

	Due to
Due from	General Fund
Non-Major Governmental Fund - Grants Fund	$ 318,954

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 from		
Advances to	General Fund	Sewer Fund	Total
General Government Development Fee Fund	$ -	$5,993,321	$ 5,993,321
Ground Ambulance Services Fund	1,324,482	-	1,324,482
Total	$ 1,324,482	$5,993,321	$ 7,317,803

As of June 30, 2020, 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.

Interfund Transfers:

	Transfers in							
Transfers Out	General Fund	General Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Water Fund	Sewer Fund	Internal Service Funds	Total
General Fund	$ -	$ 2,635,700	$ 1,912,379	$ 1,383,306	$ -	$ -	$ 7,313	$ 5,938,698
General Capital Projects Fund	10,400	-	-	-	-	141,196	-	151,596
General Government Development Fee Fund	-	-	367,028	-	-	-	-	367,028
Highway User Revenue Fund	-	103,669	-	-	-	-	809	104,478
Transportation Improvement Fund	-	-	-	-	-	-	10	10
Non-Major Governmental Funds	-	-	1,151,272	47,118	-	331,969	83	1,530,442
Ground Ambulance Services Fund	1,301	-	-	-	-	-	307	1,608
Water Fund	589,616	-	-	-	-	-	306	589,922
Sewer Fund	786,867	-	-	-	1,386,867	-	400	2,174,134
Sanitation Fund	53,549	-	-	-	-	303,279	681	357,509
Stormwater Fund	1,714	-	-	-	-	-	89	1,803
Total	$1,443,447	$ 2,739,369	$ 3,430,679	$ 1,430,424	$ 1,386,867	$ 776,444	$ 9,998	$11,217,228

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. (7) During the year ended June 30, 2020, the Sewer Fund sold 12.94 acres of land with a book value of $223,556 to the Sanitation Fund and Governmental Activities for $1,000,000. The value of the land is split between the Sanitation Fund ($87,321) and the Governmental Activities ($136,235) based on the proportionate share of the $1,000,000 purchase price paid by each fund.

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	$ 1,324,482	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,324,482
Inventory	824,236	-	-	391,537	-	-	7,944	1,223,717
Prepaids	415,113	8,889	-	2,028	-	-	5,139	431,169
Total Nonspendable	2,563,831	8,889	-	393,565	-	-	13,083	2,979,368
Restricted:								
City Manager's Office	-	-	-	-	-	-	-	-
Court	-	-	-	-	-	-	290,036	290,036
Debt Service	-	-	-	-	-	544,112	214,488	758,600
Economic Development	13,314	-	-	-	-	-	-	13,314
Fire and Medical	9,701	-	-	-	-	-	7,299,805	7,309,506
Human Services and Community Vitality	33,149	-	-	-	-	-	-	33,149
Library	-	-	-	-	-	-	-	-
Parks and recreation	354,105	-	-	-	-	-	3,643,804	3,997,909
Police	81,257	-	-	-	-	-	5,108,484	5,189,741
Public works	-	-	-	-	-	-	508,603	508,603
Transportation	-	-	-	3,606,106	-	-	114,987	3,721,093
Unspent Bond Proceeds - Public Safety	-	4,534,602	-	-	-	-	-	4,534,602
Unspent Bond Proceeds - Traffic Mitigation	-	1,510,787	-	-	-	-	-	1,510,787
Unspent Bond Proceeds - Pavement Preservation	-	2,488,992	-	-	-	-	-	2,488,992
Total Restricted	491,526	8,534,381	-	3,606,106	-	544,112	17,180,207	30,356,332
Committed:								
Transportation	-	-	-	-	8,204,920	-	-	8,204,920
Tourism	-	-	-	-	-	-	910,619	910,619
Total Committed	-	-	-	-	8,204,920	-	910,619	9,115,539
Assigned:								
Construction projects	-	15,179,585	-	-	-	-	-	15,179,585
FS Package Replacement Reserve	-	80,442	-	-	-	-	-	80,442
Vehicle Replacement	-	2,526,119	-	-	-	-	-	2,526,119
Public Safety	12,421	-	-	-	-	-	-	12,421
Wildland Vehicle Replacement	371,384	-	-	-	-	-	-	371,384
Other	106,927	-	-	-	-	-	-	106,927
Total Assigned	490,732	17,786,146	-	-	-	-	-	18,276,878
Unassigned:								
Unassigned or negative fund balance	73,973,321	-	(4,602,012)	-	-	-	(301,335)	69,069,974
Total	$ 77,519,410	$ 26,329,416	$ (4,602,012)	$ 3,999,671	$ 8,204,920	$ 544,112	$ 17,802,574	$ 129,798,091

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2020, the following individual governmental funds reported deficits in fund balances:

Fund	Deficit
Major Funds:	
General Government Development Fee Fund	$ 4,602,012
Non-Major Governmental Funds	
Grants Fund	194,945
Neighborhood Revitalization Fund	105,292

Deficits arose due to project and grant expenditures incurred in current and prior years exceeding impact fee and available grant revenues. The deficit fund balances are expected to be funded with future development impact fees and grant revenues 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, 2020, was $1,051,916.

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 September 30, 2020, the City issued $17,460,000 in General Obligation Bonds, Series 2020. The bonds were issued as the second and last installment in completion of the bonds authorized to be issued by the November 7, 2017 voter election. The election authorized bonds to be issued for the purpose of constructing certain facilities and improvements, road improvements, and firefighting facilities. The bonds are payable in annual principle installments and semiannual interest installments, and carry interest rates from 2% to 4%, with final maturity in 2038. The bonds received a Standard and Poor's rating of AA.

SURPRISE

ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

SURPRISE

ARIZONA

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)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
City's proportion of the net pension liability	0.38%	0.37%	0.36%	0.35%	0.32%	0.29%	Information
City's proportionate share of the net pension liability	$ 55,824,084	$ 51,433,226	$ 56,257,015	$ 56,796,968	$ 50,841,272	$ 42,980,167	not
City's covered payroll	$ 38,971,217	$ 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	143.24%	136.86%	159.64%	172.46%	168.79%	161.97%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

Arizona State Retirement System - Health insurance premium benefit

	Reporting fiscal year (measurement date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
City's proportion of the net OPEB (asset)	0.39%	0.38%	0.37%	Information
City's proportionate share of the net OPEB (asset)	$ (108,422)	$ (135,084)	$ (199,174)	not
City's covered payroll	$ 38,971,217	$ 37,581,388	$ 35,238,842	available
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.28%	-0.36%	-0.57%	
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%	

Arizona State Retirement System - Long-term disability

	Reporting fiscal year (measurement date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
City's proportion of the net OPEB liability	0.39%	0.37%	0.36%	Information
City's proportionate share of the net OPEB liability	$ 253,425	$ 193,112	$ 131,344	not
City's covered payroll	$ 38,971,217	$ 37,581,388	$ 35,238,842	available
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.65%	0.51%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	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)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
City’s proportion of the net pension liability	23%	0.29%	0.17%	0.19%	0.16%	0.22%	Information
City’s proportionate share of the net pension liability	$ 1,511,837	$ 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	$ 142,097	$ (90,103)	$ 213,700	$ 100,812	$ 107,037	$ 136,820	
Total	$ 1,653,934	$ 1,759,415	$ 2,248,360	$ 1,930,521	$ 1,383,067	$ 1,642,282	
City’s covered payroll	$ 176,123	$ 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	939.08%	1166.98%	1454.63%	1241.73%	889.60%	1059.65%	
Plan fiduciary net position as a percentage of the total pension liability	30.14%	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)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
Total pension liability							Information not available
Service cost	$ 2,625,724	$ 2,432,053	$ 2,580,430	$ 2,064,206	$ 1,663,042	$ 1,565,018	
Interest on the total pension liability	4,977,350	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	1,469,073	(615,366)	884,245	144,478	5,574,308	1,218,340	
Changes of assumptions or other inputs	2,103,228	-	950,588	2,249,172	-	2,469,394	
Benefit payments, including refunds of employee contributions	(2,089,561)	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)	
Net change in total pension liability	$ 9,085,814	$ 4,052,856	$ 6,111,187	$ 10,665,632	$ 9,104,921	$ 6,638,202	
Total pension liability-beginning	65,680,544	61,627,688	55,516,501	44,850,869	35,745,948	29,107,746	
Total pension liability-ending (a)	$ 74,766,358	$ 65,680,544	$ 61,627,688	$ 55,516,501	$ 44,850,869	$ 35,745,948	
Plan fiduciary net position							
Contributions-employer	$ 4,065,062	$ 3,608,348	$ 2,601,364	$ 2,303,420	$ 1,729,946	$ 1,359,213	
Contributions-employee	1,015,880	1,121,032	1,376,163	1,496,064	1,196,870	977,373	
Net investment income	2,315,207	2,508,024	3,589,391	168,147	951,951	2,875,527	
Benefit payments, including refunds of employee contributions	(2,089,561)	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)	
Pension plan administrative expense	(41,215)	(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	$ 5,265,373	$ 4,891,275	$ 4,684,173	$ 2,252,572	$ 3,099,750	$ 3,591,816	
Plan fiduciary net position-beginning	39,693,746	34,802,471	30,118,298	27,865,726	24,765,976	21,174,160	
Adustment to Beginning of Year	(28,553)	-	-	-	-	-	
Plan fiduciary net position-ending (b)	$ 44,930,566	$ 39,693,746	$ 34,802,471	$ 30,118,298	$ 27,865,726	$ 24,765,976	
City's net pension (asset) liability-ending (a) - (b)	$ 29,835,792	$ 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	60.09%	60.43%	56.47%	54.25%	62.13%	69.28%	
Covered payroll	$ 13,066,419	$ 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	228.34%	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) 2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Total OPEB liability				Information not available
Service cost	$ 33,493	$ 34,574	$ 37,056	
Interest on the total OPEB liability	88,366	87,925	94,154	
Changes of benefit terms	-	-	6,912	
Differences between expected and actual experience of the total OPEB liability	(194,295)	(105,683)	(68,029)	
Changes of assumptions	24,230	-	(107,363)	
Benefit payments, including refunds of employee contributions	(26,693)	(27,446)	(29,932)	
Net change in total OPEB liability	$ (74,899)	$ (10,630)	$ (67,202)	
Total OPEB liability-beginning	1,173,986	1,184,616	1,251,818	
Total OPEB liability-ending (a)	$ 1,099,087	$ 1,173,986	$ 1,184,616	
Plan fiduciary net position				
Contributions-employer	$ 42,535	$ 26,730	$ 55,927	
Contributions-employee	-	-	-	
Net investment income	61,524	73,735	110,362	
Benefit payments, including refunds of employee contributions	(26,693)	(27,446)	(29,932)	
OPEB plan dministrative expense	(1,062)	(1,122)	(976)	
Other changes	-	1	-	
Net change in plan fiduciary net position	$ 76,304	$ 71,898	$ 135,381	
Plan fiduciary net position-beginning	1,158,431	1,057,981	922,600	
Plan fiduciary net position-ending (b)	$ 1,234,735	$ 1,129,879	$ 1,057,981	
City's net OPEB (asset) liability-ending (a) - (b)	$ (135,648)	$ 44,107	$ 126,635	
Plan fiduciary net position as a percentage of the total OPEB liability	112.34%	96.24%	89.31%	
Covered payroll	$ 13,066,419	$ 12,326,006	$ 11,769,882	
City's net OPEB (asset) liability as a percentage of covered payroll	-1.04%	0.36%	1.08%	

See accompanying notes to this schedule.

PSPRS - Fire - Pension	Reporting fiscal year (measurement date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
Total pension liability							Information
Service cost	$ 2,703,787	$ 2,629,254	$ 2,540,844	$ 1,944,045	$ 1,709,096	$ 1,635,304	not
Interest on the total pension liability	4,299,178	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	223,172	(2,685,396)	721,498	(428,646)	991,201	122,957	
Changes of assumptions or other inputs	1,224,623	-	36,178	2,042,866	-	1,068,570	
Benefit payments, including refunds of employee contributions	(759,444)	(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)	
Net change in total pension liability	$ 7,691,316	$ 3,251,071	$ 6,086,657	$ 10,745,185	$ 4,699,725	$ 3,282,408	
Total pension liability-beginning	55,772,934	52,521,863	46,435,206	35,690,021	30,990,296	27,707,888	
Total pension liability-ending (a)	$ 63,464,250	$ 55,772,934	$ 52,521,863	$ 46,435,206	$ 35,690,021	$ 30,990,296	
Plan fiduciary net position							
Contributions-employer	$ 3,232,317	$ 3,149,148	$ 1,828,952	$ 1,773,960	$ 1,394,750	$ 1,298,311	
Contributions-employee	955,090	1,036,287	1,340,153	1,188,041	1,085,819	916,860	
Net investment income	2,477,023	2,659,343	3,742,608	170,022	956,696	2,973,644	
Benefit payments, including refunds of employee contributions	(759,444)	(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)	
Pension plan administrative expense	(44,033)	(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	$ 5,860,953	$ 6,298,461	$ 5,944,992	$ 2,651,810	$ 2,955,560	$ 2,956,273	
Plan fiduciary net position-beginning	43,082,800	36,784,339	30,839,347	28,187,537	25,231,977	22,275,704	
Adjustment to Beginning of Year	(18,470)	-	-	-	-	-	
Plan fiduciary net position-ending (b)	$ 48,925,283	$ 43,082,800	$ 36,784,339	$ 30,839,347	$ 28,187,537	$ 25,231,977	
City's net pension (asset) liability-ending (a) - (b)	$ 14,538,967	$ 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	77.09%	77.25%	70.04%	66.41%	78.98%	81.42%	
Covered payroll	$ 11,767,811	$ 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	123.55%	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)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Total OPEB liability				Information
Service cost	$ 28,223	$ 28,223	$ 28,898	not available
Interest on the total OPEB liability	78,968	72,743	78,136	
Changes of benefit terms	-	-	8	
Differences between expected and actual experience of the total OPEB liability	(206,517)	(17,297)	(28,004)	
Changes of assumptions	12,836	-	(124,948)	
Benefit payments, including refunds of employee contributions	(14,571)	(12,727)	(12,382)	
Net change in total OPEB liability	$ (101,061)	$ 70,942	$ (58,292)	
Total OPEB liability-beginning	1,046,204	975,262	1,033,554	
Total OPEB liability-ending (a)	$ 945,143	$ 1,046,204	$ 975,262	
Plan fiduciary net position				
Contributions-employer	$ 34,300	$ 29,385	$ 40,649	
Contributions-employee	-	-	-	
Net investment income	50,072	58,948	86,787	
Benefit payments, including refunds of employee contributions	(14,571)	(12,727)	(12,382)	
OPEB plan dministrative expense	(864)	(897)	(769)	
Other changes	-	1	-	
Net change in plan fiduciary net position	$ 68,937	$ 74,710	$ 114,285	
Plan fiduciary net position-beginning	915,274	840,564	726,279	
Adjust to Beginning of Year	18,470	-	-	
Plan fiduciary net position-ending (b)	$ 1,002,681	$ 915,274	$ 840,564	
City's net OPEB (asset) liability-ending (a) - (b)	$ (57,538)	$ 130,930	$ 134,698	
Plan fiduciary net position as a percentage of the total OPEB liability	106.09%	87.49%	86.19%	
Covered payroll	$ 11,767,811	$ 11,534,304	$ 11,296,060	
City's net OPEB (asset) liability as a percentage of covered payroll	-0.49%	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 2020	2019	2018	2017	2016	2015	2014	2013 through 2011
Statutorily required contribution	$ 4,678,053	$ 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	4,678,053	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	$42,439,245	$ 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	11.02%	11.16%	10.87%	10.71%	10.84%	10.82%	10.56%	

Arizona State Retirement System - Health insurance premium benefit

	Reporting fiscal year 2020	2019	2018	2017	2016 through 2011
Statutorily required contribution	$ 191,599	$ 178,575	$ 164,581	$ 196,952	Information not available
City's contributions in relation to the statutorily required contribution	191,599	178,575	164,581	196,952	
City's contribution deficiency	$ -	$ -	$ -	$ -	
City's covered payroll	$ 42,439,245	$ 38,971,217	$ 37,581,388	$ 35,238,842	
City's contributions as a percentage of covered payroll	0.45%	0.46%	0.44%	0.56%	

Arizona State Retirement System - Long-term disability

	Reporting fiscal year 2020	2019	2018	2017	2016 through 2011
Statutorily required contribution	$ 69,064	$ 62,149	$ 61,374	$ 49,278	Information not available
City's contributions in relation to the statutorily required contribution	69,064	62,149	61,374	49,278	
City's contribution deficiency	$ -	$ -	$ -	$ -	
City's covered payroll	$ 42,439,245	$ 38,971,217	$ 37,581,388	$ 35,238,842	
City's contributions as a percentage of covered payroll	0.16%	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							
	2020	2019	2018	2017	2016	2015	2014	2013 through 2011
Statutorily required contribution	$ 117,327	$ 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	117,327	101,371	66,206	34,133	36,535	35,199	47,836	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered payroll	$ 206,644	$ 176,123	$ 150,767	$ 154,566	$ 155,470	$ 155,470	$ 154,983	
City's contributions as a percentage of covered payroll	56.78%	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 2020, 2019, 2018, or 2017. Information for fiscal years 2016 through 2011 is not available.

PSPRS - Police - Pension	Reporting fiscal year							
	2020	2019	2018	2017	2016	2015	2014	2013 through 2011
Actuarially determined contribution	$ 3,850,896	$ 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	3,850,896	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	$12,989,361	$ 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	29.65%	30.44%	41.02%	22.08%	20.62%	16.42%	15.57%	

PSPRS - Police - OPEB	Reporting fiscal year				
	2020	2019	2018	2017	2016 through 2011
Actuarially determined contribution	$ 37,796	$ 44,365	$ 79,382	$ 58,849	Information not available
City's contributions in relation to the actuarially determined contribution	37,796	44,365	79,382	58,849	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
City's covered payroll	$ 12,989,361	$ 13,066,419	$ 12,326,006	$ 11,769,882	
City's contributions as a percentage of covered payroll	0.29%	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							
	2020	2019	2018	2017	2016	2015	2014	2013 through 2011
Actuarially determined contribution	$ 3,060,602	$ 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	3,060,602	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	$11,738,436	$ 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	26.07%	25.30%	39.01%	16.23%	16.12%	14.46%	14.52%	

PSPRS - Fire - OPEB

	Reporting fiscal year				
	2020	2019	2018	2017	2016 through 2011
Actuarially determined contribution	$ 36,517	$ 35,366	$ 77,072	$ 40,740	Information not available
City's contributions in relation to the actuarially determined contribution	36,517	35,366	77,072	40,740	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
City's covered payroll	$ 11,738,436	$ 11,767,811	$ 11,534,304	$ 11,296,060	
City's contributions as a percentage of covered payroll	0.31%	0.30%	0.67%	0.36%	

See accompanying notes to this schedule.

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 2020 (measurement date 2019) 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 2020 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, 2018, 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, 2019, valuation for PSPRS 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 PSPRS Board adopted the experience study and recommended changes which were applied to the June 30, 2017 actuarial valuation. The total liabilities as of June 30, 2019 reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4% to 7.3% and update the mortality rates.

City of Surprise, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 59,559,800	$ 59,559,800	$ 62,299,971	$ 2,740,171
Licenses and permits	5,577,900	5,577,900	5,775,835	197,935
Intergovernmental revenues	38,141,100	38,141,100	38,718,690	577,590
Charges for services	10,868,100	10,868,100	16,782,747	5,914,647
Grants	-	16,264,000	9,031,538	(7,232,462)
Fines	1,417,300	1,417,300	1,193,389	(223,911)
Rents	351,000	351,000	305,598	(45,402)
Interest revenue(loss)	206,100	206,100	1,401,130	1,195,030
Donations	133,700	133,700	103,110	(30,590)
Indirect charges	5,591,100	5,591,100	5,591,100	-
Other revenue	579,800	579,800	559,131	(20,669)
Total revenues	122,425,900	138,689,900	141,762,239	3,072,339
EXPENDITURES				
Current:				
General Government				
City council	663,800	663,800	446,186	217,614
City manager	3,315,400	3,315,350	3,018,218	297,132
City attorney	2,371,400	2,371,400	2,159,177	212,223
City clerk	593,700	593,700	565,559	28,141
Finance	4,615,600	4,595,600	4,073,696	521,904
Human resources	2,684,800	2,684,800	2,451,950	232,850
Information technology	5,769,650	5,769,650	5,461,510	308,140
General operations	752,000	752,000	-	752,000
Total general government	20,766,350	20,746,300	18,176,296	2,570,004
Public Safety				
Police	30,079,300	38,211,300	28,323,558	9,887,742
Fire-Medical	23,029,300	31,458,600	22,253,406	9,205,194
Court	2,626,600	2,626,600	2,457,393	169,207
Total public safety	55,735,200	72,296,500	53,034,357	19,262,143
Community Development				
Economic development	8,140,000	8,140,000	7,400,539	739,461
Community development	5,063,400	5,064,200	4,440,971	623,229
Total community development	13,203,400	13,204,200	11,841,510	1,362,690
Culture and Recreation				
Human services and community vitality	2,518,592	2,613,700	1,971,423	642,277
Parks and recreation	14,634,000	14,677,000	12,317,030	2,359,970
Sports and Tourism	193,800	193,800	14,266	179,534
Total culture and recreation	17,346,392	17,484,500	14,302,719	3,181,781
Public Works and Streets				
Public works and streets	8,835,750	8,835,750	7,754,674	1,081,076
Total public works and streets	8,835,750	8,835,750	7,754,674	1,081,076
Contingency				
Contingency	3,406,600	3,287,300	-	3,287,300
Total contingency	3,406,600	3,287,300	-	3,287,300
Total current	119,293,692	135,854,550	105,109,556	30,744,994
Capital outlay:				
General Government				
City manager	-	25,000	17,308	7,692
Finance	-	20,000	26,975	(6,975)
Human resources	5,800	5,800	-	5,800
Information technology	82,000	82,000	82,111	(111)
Public Safety				
Police	138,000	138,000	138,050	(50)
Public works and streets				
Public works and streets	178,500	259,800	269,943	(10,143)
Community Development				
Economic development	35,000	35,000	-	35,000
Culture and recreation				
Parks and recreation	4,200	4,200	4,200	-
Total capital outlay	443,500	569,800	538,587	31,213
Total expenditures	119,737,192	136,424,350	105,648,143	30,776,207
Excess (deficiency) of revenues over expenditures	2,688,708	2,265,550	36,114,096	33,848,546

OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	75,600	75,600	196,066	120,466
Insurance Recoveries	-	-	532	532
Transfers in	1,410,800	1,410,800	1,443,447	32,647
Transfers out	(5,598,200)	(5,598,200)	(5,938,698)	(340,498)
Total other financing sources (uses)	(4,111,800)	(4,111,800)	(4,298,653)	(186,853)
Net change in fund balances	$ (1,423,092)	$ (1,846,250)	$ 31,815,443	$ 33,661,693

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	$ 323,200	$ 323,200	$ 646,321	$ 323,121
Interest revenue	-	-	32,112	32,112
Total revenues	323,200	323,200	678,433	355,233
EXPENDITURES				
Current:				
Contingency				
Contingency	278,300	278,300	-	278,300
Total current	278,300	278,300	-	278,300
Total expenditures	278,300	278,300	-	278,300
Excess (deficiency) of revenues over expenditures	44,900	44,900	678,433	633,533
OTHER FINANCING SOURCES (USES)				
Transfers out	(437,700)	(437,700)	(367,028)	70,672
Total other financing sources (uses)	(437,700)	(437,700)	(367,028)	70,672
Net change in fund balances	$ (392,800)	$ (392,800)	$ 311,405	$ 704,205

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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	$ 8,560,000	$ 8,560,000	$ 9,230,433	$ 670,433
Charges for services	8,000	8,000	11,250	3,250
Interest revenue	-	-	85,671	85,671
Other revenue	1,500	1,500	2,875	1,375
Total revenues	8,569,500	8,569,500	9,330,229	760,729
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	8,409,700	8,409,700	7,479,272	930,428
Contingency				
Contingency	698,500	800	-	800
Total current	9,108,200	8,410,500	7,479,272	931,228
Capital outlay:				
Public Works and Streets				
Public works and streets	666,100	1,363,800	558,682	805,118
Total capital outlay	666,100	1,363,800	558,682	805,118
Total expenditures	9,774,300	9,774,300	8,037,954	1,736,346
Excess (deficiency) of revenues over expenditures	(1,204,800)	(1,204,800)	1,292,275	2,497,075
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	9,758	9,758
Transfers out	-	-	(104,478)	(104,478)
Total other financing sources (uses)	-	-	(94,720)	(94,720)
Net change in fund balances	$ (1,204,800)	$ (1,204,800)	$ 1,197,555	$ 2,402,355

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 2,959,700	$ 2,959,700	$ 7,106,398	$ 4,146,698
Grants revenue	250,000	250,000	-	(250,000)
Interest revenue	-	-	197,496	197,496
Total revenues	3,209,700	3,209,700	7,303,894	4,094,194
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	2,909,100	2,909,100	2,750,238	158,862
Contingency				
Contingency	1,565,400	127,900	-	127,900
Total current	4,474,500	3,037,000	2,750,238	286,762
Capital outlay:				
Public works and streets				
Public works and streets	1,604,500	3,984,900	2,069,925	1,914,975
Community Development	171,200	171,200	10,717	160,483
Total capital outlay	1,775,700	4,156,100	2,080,642	2,075,458
Total expenditures	6,250,200	7,193,100	4,830,880	2,362,220
Excess (deficiency) of revenues over expenditures	(3,040,500)	(3,983,400)	2,473,014	6,456,414
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(10)	(10)
Total other financing sources (uses)	-	-	(10)	(10)
Net change in fund balances	$ (3,040,500)	$ (3,983,400)	$ 2,473,004	$ 6,456,404

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.

SURPRISE

ARIZONA

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

SURPRISE

ARIZONA

SURPRISE

ARIZONA

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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 3,597,600	$ 3,597,600	$ 9,172,717	$ 5,575,117
Licenses and permits	-	-	169,086	169,086
Interest revenue	-	-	924,185	924,185
Other revenue	-	-	72,831	72,831
Total revenues	3,597,600	3,597,600	10,338,819	6,741,219
EXPENDITURES				
Capital outlay:				
General Government				
City manager	790,700	790,700	58,001	732,699
Information technology	2,083,600	2,083,600	1,505,440	578,160
General operations	35,400	35,400	23,051	12,349
Public Safety				
Police	2,006,500	2,006,600	1,056,749	949,851
Fire-Medical	12,226,100	13,347,300	8,413,242	4,934,058
Public works and streets				
Public works and streets	30,426,900	29,421,100	24,811,133	4,609,967
Community Development				
Economic development	990,800	873,600	504,488	369,112
Community development	1,185,700	1,157,200	177,878	979,322
Culture and recreation				
Human services and community vitality	10,000	10,000	12,327	(2,327)
Parks and recreation	2,586,600	2,363,000	2,092,149	270,851
Sports and Tourisn	250,000	250,000	246,087	3,913
Contingency				
Contingency	2,969,300	4,627,900	-	4,627,900
Total capital outlay	55,561,600	56,966,400	38,900,545	18,065,855
Total expenditures	55,561,600	56,966,400	38,900,545	18,065,855
Excess (deficiency) of revenues over expenditures	(51,964,000)	(53,368,800)	(28,561,726)	24,807,074
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	-	6,717	6,717
Transfers in	2,635,700	2,635,700	2,739,369	103,669
Transfers out	(10,400)	(10,400)	(151,596)	(141,196)
Total other financing sources (uses)	2,625,300	2,625,300	2,594,490	(30,810)
Net change in fund balances	$ (49,338,700)	$ (50,743,500)	$ (25,967,236)	$ 24,776,264

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 4,370,900	$ 4,370,900	$ 4,278,872	$ (92,028)
Interest revenue	-	-	63,523	63,523
Total revenues	4,370,900	4,370,900	4,342,395	(28,505)
EXPENDITURES				
Current:				
Contingency				
Contingency	170,300	170,300	-	170,300
Total current	170,300	170,300	-	170,300
Debt service:				
Administrative charges	500	500	1,352	(852)
Principal retirement	5,338,700	5,338,700	5,338,700	-
Interest	2,373,600	2,373,600	2,373,554	46
Bond issuance costs	5,000	5,000	-	5,000
Total debt service	7,717,800	7,717,800	7,713,606	4,194
Total expenditures	7,888,100	7,888,100	7,713,606	174,494
Excess (deficiency) of revenues over expenditures	(3,517,200)	(3,517,200)	(3,371,211)	145,989
OTHER FINANCING SOURCES (USES)				
Transfers in	3,432,000	3,432,000	3,430,679	(1,321)
Total other financing sources (uses)	3,432,000	3,432,000	3,430,679	(1,321)
Net change in fund balances	$ (85,200)	$ (85,200)	$ 59,468	$ 144,668

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/ALF 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 discreetly 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.
- *Sports and Tourism Fund* - This fund is used to track all revenues 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 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.
- *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, 2020

	Grants Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund
ASSETS					
Cash and investments	$ -	$ 31,382	$ 178,344	$ 16,884	$ 65,192
Restricted cash and investments	-	-	-	-	-
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	-	-
Grants	379,994	-	-	-	-
Other	-	-	-	-	-
Prepaid items and other assets	1,098	-	-	-	-
Inventory	-	-	-	-	-
Total assets	$ 381,092	$ 31,382	$ 178,344	$ 16,884	$ 65,192
LIABILITIES					
Accounts payable	$ 67,953	$ 30,885	$ -	$ -	$ -
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	318,954	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	31,501	-	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Total liabilities	418,408	30,885	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - Unavailable revenue	157,629	-	-	-	-
Total deferred inflow of resources	157,629	-	-	-	-
Total liabilities and deferred inflows of resources	576,037	30,885	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	1,098	-	-	-	-
Restricted	-	497	178,344	16,884	65,192
Committed	-	-	-	-	-
Unassigned	(196,043)	-	-	-	-
Total fund balances (deficits)	(194,945)	497	178,344	16,884	65,192
Total liabilities and fund balances (deficits)	$ 381,092	$ 31,382	$ 178,344	$ 16,884	$ 65,192

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2020

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
$ 29,616	$ -	$ 47,412	$ 395	$ 29,560	$ -	$ -	$ 93,898
-	331,022	-	-	-	16,836	987,442	-
-	-	-	-	-	-	-	-
-	141,664	-	-	-	-	-	-
-	-	13,002	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 29,616	$ 472,686	$ 60,414	$ 395	$ 29,560	$ 16,836	$ 987,442	$ 93,898
$ -	$ 86,800	$ -	$ -	$ -	$ -	$ 51	$ -
-	-	-	-	-	-	-	202
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,374	-
-	491,178	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	577,978	-	-	-	-	1,425	202
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	577,978	-	-	-	-	1,425	202
-	-	-	-	-	-	-	-
29,616	-	-	395	29,560	16,836	986,017	93,696
-	-	60,414	-	-	-	-	-
-	(105,292)	-	-	-	-	-	-
29,616	(105,292)	60,414	395	29,560	16,836	986,017	93,696
$ 29,616	$ 472,686	$ 60,414	$ 395	$ 29,560	$ 16,836	$ 987,442	$ 93,898

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2020

	Sports and Tourism Fund	Tourism Fund	163rd Ave Development Fee Fund	Fire Development Fee Fund
ASSETS				
Cash and investments	$ 284,162	$ 850,205	$ 114,095	$ 7,299,805
Restricted cash and investments	-	-	-	-
Receivables (net of allowances)				
Taxes and franchise fees	-	-	-	-
Grants	-	-	-	-
Other	804,390	-	-	-
Prepaid items and other assets	3,325	716	-	-
Inventory	7,944	-	-	-
Total assets	$ 1,099,821	$ 850,921	$ 114,095	$ 7,299,805
LIABILITIES				
Accounts payable	$ 161,856	$ -	$ -	$ -
Accrued payroll and related taxes	46,866	-	-	-
Due to other funds	-	-	-	-
Deposits	-	-	-	-
Unearned revenue	-	-	-	-
Matured bond interest payable	-	-	-	-
Matured bonds payable	-	-	-	-
Total liabilities	208,722	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Unavailable revenue	-	-	-	-
Total deferred inflow of resources	-	-	-	-
Total liabilities and deferred inflows of resources	208,722	-	-	-
FUND BALANCES (DEFICITS)				
Nonspendable	11,269	716	-	-
Restricted	879,830	-	114,095	7,299,805
Committed	-	850,205	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	891,099	850,921	114,095	7,299,805
Total liabilities and fund balances (deficits)	$ 1,099,821	$ 850,921	$ 114,095	$ 7,299,805

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2020

	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
	$ -	$ 2,744,102	$ 3,982,384	$ -	$ -	$ -	$ 677,221
	-	-	-	-	-	-	-
	-	-					-
	-	-	-	-	-	-	40,251
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	$ -	$ 2,744,102	$ 3,982,384	$ -	$ -	$ -	$ 717,472
	$ -	$ -	$ 10	$ -	$ -	$ -	$ 192,825
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	10	-	-	-	192,825
	-	-	-	-	-	-	16,044
	-	-	-	-	-	-	16,044
	-	-	10	-	-	-	208,869
	-	-	-	-	-	-	-
	-	2,744,102	3,982,374	-	-	-	508,603
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	2,744,102	3,982,374	-	-	-	508,603
	$ -	$ 2,744,102	$ 3,982,384	$ -	$ -	$ -	$ 717,472

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2020

	Marley Park Community Facility District Fund	Total Nonmajor Special Revenue Funds
ASSETS		
Cash and investments	$ 121,474	$ 16,566,131
Restricted cash and investments	1,223,425	2,558,725
Receivables (net of allowances)		
Taxes and franchise fees	14,803	55,054
Grants	-	521,658
		817,392
Prepaid items and other assets	-	5,139
	-	7,944
Total assets	$ 1,359,702	$ 20,532,043
LIABILITIES		
Accounts payable	$ 102,055	$ 642,435
Accrued payroll and related taxes	-	47,068
Due to other funds	-	318,954
Deposits	-	1,374
Unearned revenue	-	522,679
Matured bond interest payable	349,425	349,425
Matured bonds payable	665,000	665,000
Total liabilities	1,116,480	2,546,935
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Unavailable revenue	8,861	182,534
Total deferred inflow of resources	8,861	182,534
Total liabilities and deferred inflows of resources	1,125,341	2,729,469
FUND BALANCES (DEFICITS)		
Nonspendable	-	13,083
Restricted	234,361	17,180,207
Committed	-	910,619
Unassigned	-	(301,335)
Total fund balances (deficits)	234,361	17,802,574
Total liabilities and fund balances (deficits)	$ 1,359,702	$ 20,532,043

SURPRISE

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City of Surprise, Arizona
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Grants Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenues	-	347,127	-	5,529	-
Charges for services	-	-	-	-	-
Grants revenue	939,495	-	-	-	-
Fines	-	-	70,609	-	18,357
Rents	-	-	-	-	-
Development fees	-	-	-	-	-
Interest revenue	-	344	3,738	357	1,347
Donations	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	939,495	347,471	74,347	5,886	19,704
EXPENDITURES					
Current:					
General Government	118,136	-	-	-	-
Public Safety	586,452	-	32,801	-	-
Public works and streets	-	347,127	-	-	-
Community Development	12,415	-	-	-	-
Culture and recreation	242,482	-	-	-	-
Debt service:					
Administrative charges	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay:					
General Government	-	-	-	-	-
Public Safety	175,829	-	-	-	-
Public works and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	1,135,314	347,127	32,801	-	-
Excess (deficiency) of revenues over expenditures	(195,819)	344	41,546	5,886	19,704
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Issuance of debt	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(195,819)	344	41,546	5,886	19,704
Fund balances - beginning, as restated	874	153	136,798	10,998	45,488
Increase / (Decrease) in inventories	-	-	-	-	-
Fund balances - ending	$ (194,945)	$ 497	$ 178,344	$ 16,884	$ 65,192

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
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12,788	-	-	-	-	-	-	-
-	-	13,002	-	-	-	-	29,400
-	1,194,949	-	-	-	-	-	-
-	-	-	-	17,488	-	40,420	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
586	-	2,767	9	641	387	24,432	5,338
-	-	-	-	-	-	-	-
-	-	-	-	-	-	18,483	-
13,374	1,194,949	15,769	9	18,129	387	83,335	34,738
-	-	-	-	-	-	-	-
-	-	-	-	9,126	-	68,321	47,125
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,198,052	164,479	-	-	-	-	-
	-						
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	411,506	225,000
-	-	-	-	-	-	-	-
-	110,326	-	-	-	-	-	-
-	1,308,378	164,479	-	9,126	-	479,827	272,125
13,374	(113,429)	(148,710)	9	9,003	387	(396,492)	(237,387)
-	-	127,563	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	127,563	-	-	-	-	-
13,374	(113,429)	(21,147)	9	9,003	387	(396,492)	(237,387)
16,242	8,137	81,561	386	20,557	16,449	1,382,509	331,083
-	-	-	-	-	-	-	-
$ 29,616	$ (105,292)	$ 60,414	$ 395	$ 29,560	$ 16,836	$ 986,017	$ 93,696

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, 2020

	Sports and Tourism Fund	Tourism Fund	163rd Ave Development Fee Fund	Fire Development Fee Fund
REVENUES				
Taxes	$ -	$ 682,261	$ -	$ -
Intergovernmental revenues	-	106,510	-	-
Charges for services	1,840,548	-	-	-
Grants revenue	-	-	-	-
Fines	-	-	-	-
Rents	315,264	-	-	-
Development fees	-	-	-	2,153,688
Interest revenue	10,106	24,978	2,628	156,137
Donations	800	-	-	-
Other revenue	12,639	-	-	-
Total revenues	2,179,357	813,749	2,628	2,309,825
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public works and streets	-	-	-	-
Community Development	-	-	-	-
Culture and recreation	3,115,968	84,183	-	-
Debt service:				
Administrative charges	-	-	-	-
Principal retirement	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public works and streets	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	3,115,968	84,183	-	-
Excess (deficiency) of revenues over expenditures	(936,611)	729,566	2,628	2,309,825
OTHER FINANCING SOURCES (USES)				
Transfers in	1,255,743	-	-	15,706
Transfers out	(83)	(511,696)	-	(66,877)
Issuance of debt	-	-	-	-
Premium on debt issuance	-	-	-	-
Total other financing sources (uses)	1,255,660	(511,696)	-	(51,171)
Net change in fund balances	319,049	217,870	2,628	2,258,654
Fund balances - beginning, as restated	592,281	633,051	111,467	5,041,151
Increase / (Decrease) in inventories	(20,231)	-	-	-
Fund balances - ending	$ 891,099	$ 850,921	$ 114,095	$ 7,299,805

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, 2020

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
$ -	$ -	$ -	$ -	$ -	$ -	$ 2,749,361
-	-	-	-	-	-	-
-	-	-	-	-	-	3,900
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,487,059	1,034,573	-	-	-	-
14,669	61,197	86,442	36,752	16,345	213	16,267
-	-	-	-	-	-	-
-	-	-	-	-	-	-
14,669	1,548,256	1,121,015	36,752	16,345	213	2,769,528
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,389,990
-	171,037	-	-	-	-	-
-	65,012	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	130,356	-	-	-	-
-	-	-	6,633,050	2,378,596	-	-
2,698,890	72,190	-	-	-	-	-
2,698,890	308,239	130,356	6,633,050	2,378,596	-	2,389,990
(2,684,221)	1,240,017	990,659	(6,596,298)	(2,362,251)	213	379,538
-	15,706	15,706	-	-	-	-
(1,303)	(437,354)	(135,346)	(331,969)	(21,240)	(24,574)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,303)	(421,648)	(119,640)	(331,969)	(21,240)	(24,574)	-
(2,685,524)	818,369	871,019	(6,928,267)	(2,383,491)	(24,361)	379,538
2,685,524	1,925,733	3,111,355	6,928,267	2,383,491	24,361	129,065
-	-	-	-	-	-	-
$ -	$ 2,744,102	$ 3,982,374	$ -	$ -	$ -	$ 508,603

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, 2020

	Marley Park Community Facility District Fund	Total Nonmajor Special Revenue Funds
REVENUES		
Taxes	$ 1,479,343	$ 4,910,965
Intergovernmental revenues	-	471,954
Charges for services	-	1,886,850
Grants revenue	-	2,134,444
Fines	-	146,874
Rents	-	315,264
Development fees	-	4,675,320
Interest revenue	-	465,680
Donations	-	800
Other revenue	4,877	35,999
Total revenues	1,484,220	15,044,150
EXPENDITURES		
Current:		
General Government	-	118,136
Public Safety	-	743,825
Public works and streets	-	2,737,117
Community Development	-	183,452
Culture and recreation	102,293	4,972,469
Debt service:		
Administrative charges	2,000	2,000
Principal retirement	665,000	665,000
Interest	641,726	641,726
Bond issuance costs	449,955	449,955
Capital outlay:		
General Government	8,061,138	8,061,138
Public Safety	-	942,691
Public works and streets	-	9,011,646
Culture and recreation	-	2,881,406
Total expenditures	9,922,112	31,410,561
Excess (deficiency) of revenues over expenditures	(8,437,892)	(16,366,411)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	1,430,424
Transfers out	-	(1,530,442)
Issuance of debt	8,470,000	8,470,000
Premium on debt issuance	41,093	41,093
Total other financing sources (uses)	8,511,093	8,411,075
Net change in fund balances	73,201	(7,955,336)
Fund balances - beginning, as restated	161,160	25,778,141
Increase / (Decrease) in inventories	-	(20,231)
Fund balances - ending	$ 234,361	$ 17,802,574

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Grants Fund

For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grants revenue	$ 25,832,500	$ 8,638,100	$ 939,495	$ (7,698,605)
Total revenues	25,832,500	8,638,100	939,495	(7,698,605)
EXPENDITURES				
Current:				
General Government				
City attorney	186,000	156,200	113,849	42,351
Parks and recreation	5,000	5,000	4,287	713
Public Safety				
Police	631,400	528,600	370,394	158,206
Fire-Medical	414,800	365,500	216,058	149,442
Community Development				
Community development	126,700	123,900	12,415	111,485
Culture and recreation				
Human services and community vitality	197,600	239,100	242,482	(3,382)
Contingency				
Contingency	24,000,000	4,043,100	-	4,043,100
Total current	25,561,500	5,461,400	959,485	4,501,915
Capital outlay:				
Public Safety				
Police	105,400	211,600	175,829	35,771
Fire-Medical	20,000	20,000	-	20,000
Total capital outlay	125,400	231,600	175,829	55,771
Total expenditures	25,686,900	5,693,000	1,135,314	4,557,686
Excess (deficiency) of revenues over expenditures	145,600	2,945,100	(195,819)	(3,140,919)
Net change in fund balances	$ 145,600	$ 2,945,100	$ (195,819)	$ (3,140,919)

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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	$ 369,100	$ 347,200	$ 347,127	$ (73)
Interest revenue	-	-	344	344
Total revenues	369,100	347,200	347,471	271
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	369,100	347,200	347,127	73
Total current	369,100	347,200	347,127	73
Total expenditures	369,100	347,200	347,127	73
Excess (deficiency) of revenues over expenditures	-	-	344	344
Net change in fund balances	$ -	$ -	$ 344	$ 344

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines	$ 85,800	$ 85,800	$ 70,609	$ (15,191)
Interest revenue	-	-	3,738	3,738
Total revenues	85,800	85,800	74,347	(11,453)
EXPENDITURES				
Current:				
Public Safety				
Court	40,000	40,000	32,801	7,199
Contingency				
Contingency	175,400	175,400	-	175,400
Total current	215,400	215,400	32,801	182,599
Total expenditures	215,400	215,400	32,801	182,599
Excess (deficiency) of revenues over expenditures	(129,600)	(129,600)	41,546	171,146
Net change in fund balances	$ (129,600)	$ (129,600)	$ 41,546	$ 171,146

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenues	$ 5,500	$ 5,500	$ 5,529	$ 29
Interest revenue	-	-	357	357
Total revenues	5,500	5,500	5,886	386
EXPENDITURES				
Contingency				
Contingency	15,400	15,400	-	15,400
Total current	15,400	15,400	-	15,400
Total expenditures	15,400	15,400	-	15,400
Excess (deficiency) of revenues over expenditures	(9,900)	(9,900)	5,886	15,786
Net change in fund balances	$ (9,900)	$ (9,900)	$ 5,886	$ 15,786

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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Fines	$ 20,000	$ 20,000	$ 18,357	$ (1,643)
Interest revenue	-	-	1,347	1,347
Total revenues	20,000	20,000	19,704	(296)
EXPENDITURES				
Current:				
Contingency				
Contingency	63,500	63,500	-	63,500
Total current	63,500	63,500	-	63,500
Total expenditures	63,500	63,500	-	63,500
Excess (deficiency) of revenues over expenditures	(43,500)	(43,500)	19,704	63,204
Net change in fund balances	$ (43,500)	$ (43,500)	$ 19,704	$ 63,204

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenues	$ 6,500	$ 6,500	$ 12,788	$ 6,288
Interest revenue	-	-	586	586
Total revenues	6,500	6,500	13,374	6,874
EXPENDITURES				
Current:				
Contingency				
Contingency	21,800	21,800	-	21,800
Total current	21,800	21,800	-	21,800
Total expenditures	21,800	21,800	-	21,800
Excess (deficiency) of revenues over expenditures	(15,300)	(15,300)	13,374	28,674
Net change in fund balances	$ (15,300)	$ (15,300)	$ 13,374	$ 28,674

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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Grants revenue	$ 3,960,600	$ 4,352,200	$ 1,194,949	$ (3,157,251)
Total revenues	3,960,600	4,352,200	1,194,949	(3,157,251)
EXPENDITURES				
Current:				
Culture and Recreation				
Human services and community vitality	3,843,600	4,177,200	1,198,052	2,979,148
Total current	3,843,600	4,177,200	1,198,052	2,979,148
Capital outlay:				
Culture and Recreation				
Human services and community vitality	8,100	-	110,326	(110,326)
Total capital outlay	8,100	-	110,326	(110,326)
Total expenditures	3,851,700	4,177,200	1,308,378	2,868,822
Excess (deficiency) of revenues over expenditures	108,900	175,000	(113,429)	(288,429)
Net change in fund balances	$ 108,900	$ 175,000	$ (113,429)	$ (288,429)

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 30,000	$ 30,000	$ 13,002	$ (16,998)
Interest revenue	-	-	2,767	2,767
Total revenues	30,000	30,000	15,769	(14,231)
EXPENDITURES				
Current:				
Culture and Recreation				
Parks and recreation	165,000	165,000	164,479	521
Contingency				
Contingency	44,200	44,200	-	44,200
Total current	209,200	209,200	164,479	44,721
Total expenditures	209,200	209,200	164,479	44,721
Excess (deficiency) of revenues over expenditures	(179,200)	(179,200)	(148,710)	30,490
OTHER FINANCING SOURCES (USES)				
Transfers in	125,800	125,800	127,563	1,763
Total other financing sources (uses)	125,800	125,800	127,563	1,763
Net change in fund balances	$ (53,400)	$ (53,400)	$ (21,147)	$ 32,253

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest revenue	$ -	$ -	$ 9	$ 9
Total revenues	-	-	9	9
EXPENDITURES				
Current:				
Contingency				
Contingency	400	400	-	400
Total current	400	400	-	400
Total expenditures	400	400	-	400
Excess (deficiency) of revenues over expenditures	(400)	(400)	9	409
Net change in fund balances	$ (400)	$ (400)	$ 9	$ 409

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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Fines	$ 15,900	$ 15,900	$ 17,488	$ 1,588
Interest revenue	-	-	641	641
Total revenues	15,900	15,900	18,129	2,229
EXPENDITURES				
Current:				
Public Safety				
Police	15,900	15,900	9,126	6,774
Contingency				
Contingency	20,400	20,400	-	20,400
Total current	36,300	36,300	9,126	27,174
Total expenditures	36,300	36,300	9,126	27,174
Excess (deficiency) of revenues over expenditures	(20,400)	(20,400)	9,003	29,403
Net change in fund balances	$ (20,400)	$ (20,400)	$ 9,003	$ 29,403

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest revenue	$ -	$ -	$ 387	$ 387
Total revenues	-	-	387	387
EXPENDITURES				
Current:				
Contingency				
Contingency	16,100	16,100	-	16,100
Total current	16,100	16,100	-	16,100
Total expenditures	16,100	16,100	-	16,100
Excess (deficiency) of revenues over expenditures	(16,100)	(16,100)	387	16,487
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ (16,100)	$ (16,100)	$ 387	$ 16,487

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines	$ 245,000	$ 245,000	$ 40,420	$ (204,580)
Interest revenue	-	-	24,432	24,432
Other revenue	-	-	18,483	18,483
Total revenues	245,000	245,000	83,335	(161,665)
EXPENDITURES				
Current:				
Public Safety				
Police	510,800	360,800	68,321	292,479
Contingency				
Contingency	374,400	374,400	-	374,400
Total current	885,200	735,200	68,321	666,879
Capital outlay:				
Public Safety				
Police	475,000	625,000	411,506	213,494
Total capital outlay	475,000	625,000	411,506	213,494
Total expenditures	1,360,200	1,360,200	479,827	880,373
Excess (deficiency) of revenues over expenditures	(1,115,200)	(1,115,200)	(396,492)	718,708
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ (1,115,200)	$ (1,115,200)	$ (396,492)	$ 718,708

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 62,500	$ 62,500	$ 29,400	$ (33,100)
Interest revenue	-	-	5,338	5,338
Total revenues	62,500	62,500	34,738	(27,762)
EXPENDITURES				
Current:				
Public Safety				
Police	113,900	113,900	47,125	66,775
Contingency				
Contingency	63,200	63,200	-	63,200
Total current	177,100	177,100	47,125	129,975
Capital outlay:				
Public Safety				
Police	225,000	225,000	225,000	-
Total capital outlay	225,000	225,000	225,000	-
Total expenditures	402,100	402,100	272,125	129,975
Excess (deficiency) of revenues over expenditures	(339,600)	(339,600)	(237,387)	102,213
Net change in fund balances	$ (339,600)	$ (339,600)	$ (237,387)	$ 102,213

City of Surprise, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
Sports and Tourism Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Charges for services	$ 2,914,400	$ 2,914,400	$ 1,840,548	$ (1,073,852)
Rents	263,900	263,900	315,264	51,364
Interest revenue	-	-	10,106	10,106
Donations	4,000	4,000	800	(3,200)
Other Revenue	-	-	12,639	12,639
Total revenues	3,182,300	3,182,300	2,179,357	(1,002,943)
EXPENDITURES				
Current:				
Culture and Recreation				
Sports and Tourism	4,042,400	4,042,400	3,115,968	926,432
Total current	4,042,400	4,042,400	3,115,968	926,432
Total expenditures	4,042,400	4,042,400	3,115,968	926,432
Excess (deficiency) of revenues over expenditures	(860,100)	(860,100)	(936,611)	(76,511)
OTHER FINANCING SOURCES (USES)				
Transfers in	860,100	860,100	1,255,743	395,643
Transfers out	-	-	(83)	(83)
Total other financing sources (uses)	860,100	860,100	1,255,660	395,560
Net change in fund balances	$ -	$ -	$ 319,049	$ 319,049

City of Surprise, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
Tourism Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 605,400	$ 605,400	$ 682,261	$ 76,861
Intergovernmental revenues	106,800	106,800	106,510	(290)
Charges for Services	-	175,000	-	(175,000)
Interest revenue	-	-	24,978	24,978
Total revenues	712,200	887,200	813,749	(73,451)
EXPENDITURES				
Current:				
Culture and Recreation				
Sports and Tourism	106,800	281,800	84,183	197,617
Contingency				
Contingency	761,500	586,500	-	586,500
Total current	868,300	868,300	84,183	784,117
Total expenditures	868,300	868,300	84,183	784,117
Excess (deficiency) of revenues over expenditures	(156,100)	18,900	729,566	710,666
OTHER FINANCING SOURCES (USES)				
Transfers out	(448,300)	(448,300)	(511,696)	(63,396)
Total other financing sources (uses)	(448,300)	(448,300)	(511,696)	(63,396)
Net change in fund balances	$ (604,400)	$ (429,400)	$ 217,870	$ 647,270

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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Interest revenue	$ 1,100	$ 1,100	$ 2,628	$ 1,528
Total revenues	1,100	1,100	2,628	1,528
EXPENDITURES				
Capital outlay:				
Public works and streets	111,700	111,700	-	111,700
Total capital outlay	111,700	111,700	-	111,700
Total expenditures	111,700	111,700	-	111,700
Excess (deficiency) of revenues over expenditures	(110,600)	(110,600)	2,628	113,228
Net change in fund balances	$ (110,600)	$ (110,600)	$ 2,628	$ 113,228

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Fire Development Fee Fund

For the Year Ended June 30, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Development fees	$ 1,100,000	$ 1,100,000	$ 2,153,688	$ 1,053,688
Interest revenue	-	-	156,137	156,137
Total revenues	1,100,000	1,100,000	2,309,825	1,209,825
EXPENDITURES				
Current				
Contingency	3,538,800	3,538,800	-	3,538,800
Total expenditures	3,538,800	3,538,800	-	3,538,800
Excess (deficiency) of revenues over expenditures	(2,438,800)	(2,438,800)	2,309,825	4,748,625
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	15,706	15,706
Transfers Out	(838,100)	(838,100)	(66,877)	771,223
Total other financing sources (uses)	(838,100)	(838,100)	(51,171)	786,929
Net change in fund balances	$ (3,276,900)	$ (3,276,900)	$ 2,258,654	$ 5,535,554

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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Interest revenue	$ 20,700	$ 20,700	$ 14,669	$ (6,031)
Total revenues	20,700	20,700	14,669	(6,031)
EXPENDITURES				
Capital outlay:				
Culture and recreation				
Parks and recreation	3,788,200	2,850,200	2,698,890	151,310
Total capital outlay	3,788,200	2,850,200	2,698,890	151,310
Total expenditures	3,788,200	3,788,200	2,698,890	1,089,310
Excess (deficiency) of revenues over expenditures	(3,767,500)	(3,767,500)	(2,684,221)	1,083,279
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(1,303)	(1,303)
Total other financing sources (uses)	-	-	(1,303)	(1,303)
Net change in fund balances	$ (3,767,500)	$ (3,767,500)	$ (2,685,524)	$ 1,081,976

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	$ 1,079,300	$ 1,129,300	$ 1,487,059	$ 357,759
Interest revenue	-	-	61,197	61,197
Total revenues	1,079,300	1,129,300	1,548,256	418,956
EXPENDITURES				
Current:				
Community Development				
Economic development	280,000	280,000	171,037	108,963
Culture and Recreation				
Culture and recreation	-	50,000	65,012	(15,012)
Contingency	1,899,700	1,813,800	-	1,813,800
Total current	2,179,700	2,143,800	236,049	1,907,751
Capital outlay:				
Parks and Recreation	-	85,900	72,190	13,710
Total capital outlay	-	85,900	72,190	13,710
Total expenditures	2,179,700	2,229,700	308,239	1,921,461
Excess (deficiency) of revenues over expenditures	(1,100,400)	(1,100,400)	1,240,017	2,340,417
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,706	15,706
Transfers out	(437,600)	(437,600)	(437,354)	246
Total other financing sources (uses)	(437,600)	(437,600)	(421,648)	15,952
Net change in fund balances	$ (1,538,000)	$ (1,538,000)	$ 818,369	$ 2,356,369

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	$ 534,800	$ 534,800	$ 1,034,573	$ 499,773
Interest revenue	-	-	86,442	86,442
Total revenues	534,800	534,800	1,121,015	586,215
EXPENDITURES				
Current:				
Contingency				
Contingency	2,985,600	2,985,600	-	2,985,600
Total current	2,985,600	2,985,600	-	2,985,600
Public Safety				
Police	326,000	326,000	130,356	195,644
Total capital outlay	326,000	326,000	130,356	195,644
Total expenditures	3,311,600	3,311,600	130,356	3,181,244
Excess (deficiency) of revenues over expenditures	(2,776,800)	(2,776,800)	990,659	3,767,459
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,706	15,706
Transfers out	(135,400)	(135,400)	(135,346)	54
Total other financing sources (uses)	(135,400)	(135,400)	(119,640)	15,760
Net change in fund balances	$ (2,912,200)	$ (2,912,200)	$ 871,019	$ 3,783,219

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest revenue	$ 112,100	$ 112,100	$ 36,752	(75,348)
Total revenues	112,100	112,100	36,752	(75,348)
EXPENDITURES				
Current:				
Contingency				-
Contingency	-	1,071,500	-	1,071,500
Total Current	-	1,071,500	-	1,071,500
Capital outlay:				
Public Works and Streets				
Public Works and Streets	8,173,800	7,102,300	6,633,050	469,250
Total capital outlay	8,173,800	7,102,300	6,633,050	469,250
Total expenditures	8,173,800	8,173,800	6,633,050	1,540,750
Excess (deficiency) of revenues over expenditures	(8,061,700)	(8,061,700)	(6,596,298)	1,465,402
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(331,969)	(331,969)
Total other financing sources (uses)	-	-	(331,969)	(331,969)
Net change in fund balances	$ (8,061,700)	$ (8,061,700)	$ (6,928,267)	$ 1,133,433

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest revenue	$ 20,500	$ 20,500	$ 16,345	$ (4,155)
Total revenues	20,500	20,500	16,345	(4,155)
EXPENDITURES				
Current:				
Contingency	-	52,200	-	52,200
Total current	-	52,200	-	52,200
Capital outlay:				
Public works and streets				
Public works and streets	2,456,200	2,404,000	2,378,596	25,404
Total capital outlay	2,456,200	2,404,000	2,378,596	25,404
Total expenditures	2,456,200	2,456,200	2,378,596	77,604
Excess (deficiency) of revenues over expenditures	(2,435,700)	(2,435,700)	(2,362,251)	73,449
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(21,240)	(21,240)
Total other financing sources (uses)	-	-	(21,240)	-
Net change in fund balances	$ (2,435,700)	$ (2,435,700)	$ (2,383,491)	$ 73,449

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest revenue	$ -	$ -	$ 213	$ 213
Total revenues	-	-	213	213
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	(23,900)	(23,900)	213	24,113
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(24,574)	(24,574)
Total other financing sources (uses)	-	-	(24,574)	(24,574)
Net change in fund balances	$ (23,900)	$ (23,900)	$ (24,361)	$ (461)

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 2,764,600	$ 2,764,600	$ 2,749,361	$ (15,239)
Charges for services	-	-	3,900	3,900
Interest revenue	-	-	16,267	16,267
Total revenues	2,764,600	2,764,600	2,769,528	4,928
EXPENDITURES				
Current:				
Public Works and Streets				
Public works and streets	2,882,400	2,882,400	2,389,990	492,410
Total current	2,882,400	2,882,400	2,389,990	492,410
Total expenditures	2,882,400	2,882,400	2,389,990	492,410
Excess (deficiency) of revenues over expenditures	(117,800)	(117,800)	379,538	497,338
Net change in fund balances	$ (117,800)	$ (117,800)	$ 379,538	$ 497,338

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 1,580,900	$ 1,580,900	$ 1,479,343	$ (101,557)
Other revenue	-	-	4,877	4,877
Total revenues	1,580,900	1,580,900	1,484,220	(96,680)
EXPENDITURES				
Current:				
Culture and Recreation				
Parks and recreation	108,700	108,700	102,293	6,407
Contingency	223,500	223,500	-	223,500
Total current	332,200	332,200	102,293	229,907
Debt service:				
Administrative charges	3,400	3,400	2,000	1,400
Principal retirement	505,000	505,000	665,000	(160,000)
Interest	783,400	783,400	641,726	141,674
Bond issuance costs	217,500	217,500	449,955	(232,455)
Total debt service	1,509,300	1,509,300	1,758,681	(249,381)
Capital outlay:				
General Government				
General operations	8,580,000	8,580,000	8,061,138	518,862
Total capital outlay	8,580,000	8,580,000	8,061,138	518,862
Total expenditures	10,421,500	10,421,500	9,922,112	499,388
Excess (deficiency) of revenues over expenditures	(8,840,600)	(8,840,600)	(8,437,892)	402,708
OTHER FINANCING SOURCES (USES)				
Issuance of debt	8,797,500	8,797,500	8,470,000	(327,500)
Premium on debt issuance	-	-	41,093	41,093
Total other financing sources (uses)	8,797,500	8,797,500	8,511,093	(286,407)
Net change in fund balances	$ (43,100)	$ (43,100)	$ 73,201	$ 116,301

- 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.

SURPRISE

ARIZONA

City of Surprise, Arizona
Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service funds
ASSETS				
Current assets:				
Cash and investments	$ 3,277,397	$ 8,395,521	$ 2,032,754	$ 13,705,672
Receivables (net of allowances)				
Other	600,837	278,249	-	879,086
Other assets	1,807	3,311	18,305	23,423
Total current assets	3,880,041	8,677,081	2,051,059	14,608,181
Noncurrent assets:				
Net other postemployment benefits asset	556	212	154	922
Total noncurrent assets	556	212	154	922
Total assets	3,880,597	8,677,293	2,051,213	14,609,103
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	40,300	15,344	11,166	66,810
Deferred outflows related to other postemployment benefits	2,831	1,078	785	4,694
Total deferred outflows of resources	43,131	16,422	11,951	71,504
Total assets and deferred outflows of resources	$ 3,923,728	$ 8,693,715	$ 2,063,164	$ 14,680,607
LIABILITIES				
Current liabilities:				
Accounts payable	2,339	57,871	7,339	67,549
Accrued payroll and related taxes	10,006	3,836	3,287	17,129
Claims payable	117,564	1,810,817	202,747	2,131,128
Compensated absences payable, due in less than one year	2,925	2,406	3,372	8,703
Total current liabilities	132,834	1,874,930	216,745	2,224,509
Noncurrent liabilities:				
Compensated absences payable, due in more than one year	4,388	3,610	5,059	13,057
Net pension liability	286,407	109,046	79,356	474,809
Net other postemployment benefits liability	1,300	495	360	2,155
Total noncurrent liabilities	292,095	113,151	84,775	490,021
Total liabilities	424,929	1,988,081	301,520	2,714,530
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	17,897	6,814	4,959	29,670
Deferred inflows related to other postemployment benefits	1,418	540	393	2,351
Total deferred inflows of resources	19,315	7,354	5,352	32,021
Total liabilities and deferred inflows of resources	444,244	1,995,435	306,872	2,746,551
NET POSITION				
Unrestricted	3,479,484	6,698,280	1,756,292	11,934,056
Total net position	$ 3,479,484	$ 6,698,280	$ 1,756,292	$ 11,934,056

City of Surprise, Arizona
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	$ 2,023,637	$ 12,643,554	$ 872,380	$ 15,539,571
Other revenue	710,191	-	43,313	753,504
Total operating revenues	2,733,828	12,643,554	915,693	16,293,075
OPERATING EXPENSES				
Personnel services	223,127	104,572	91,797	419,496
Contractual services, materials & supplies	31,815	116,708	92,028	240,551
Insurance claims, premiums, and administrative expenses	1,644,055	12,384,466	545,478	14,573,999
Total operating expenses	1,898,997	12,605,746	729,303	15,234,046
Operating income (loss)	834,831	37,808	186,390	1,059,029
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	72,819	117,088	44,162	234,069
Total nonoperating revenues (expenses)	72,819	117,088	44,162	234,069
Income (loss) before contributions and transfers	907,650	154,896	230,552	1,293,098
Transfers in	-	-	9,998	9,998
Change in net position	907,650	154,896	240,550	1,303,096
Total net position - beginning	2,571,834	6,543,384	1,515,742	10,630,960
Total net position - ending	$ 3,479,484	$ 6,698,280	$ 1,756,292	$ 11,934,056

City of Surprise, Arizona
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	$ -	$ 1,102,727	$ 4,064	$ 1,106,791
Cash receipts from interfund services provided	2,023,637	11,495,494	868,316	14,387,447
Payments to employees	(241,294)	(92,686)	(81,547)	(415,527)
Payments to suppliers	(60,458)	(62,693)	(109,571)	(232,722)
Payments for insurance claims and expenses	(1,040,623)	(12,019,270)	(470,753)	(13,530,646)
Net cash provided (used) by operating activities	681,262	423,572	210,509	1,315,343
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	-	-	9,998	9,998
Net cash provided (used) by noncapital financing activities	-	-	9,998	9,998
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from interest income	72,819	117,088	44,162	234,069
Net cash provided (used) by investing activities	72,819	117,088	44,162	234,069
Net increase (decrease) in cash and cash equivalents	754,081	540,660	264,669	1,559,410
Balances - beginning of year	2,523,316	7,854,861	1,768,085	12,146,262
Balances - end of the year	$ 3,277,397	$ 8,395,521	$ 2,032,754	$ 13,705,672
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income (loss)	$ 834,831	$ 37,808	$ 186,390	$ 1,059,029
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
Other receivables	(76,790)	(45,333)	-	(122,123)
Other assets	967	10	(18,305)	(17,328)
Accounts payable	(29,342)	54,005	762	25,425
Accrued payroll and related taxes	(440)	3,836	608	4,004
Compensated absences	(35,653)	6,016	4,131	(25,506)
Net pension liability	17,926	2,129	5,588	25,643
Claims payable	(29,969)	365,196	31,412	366,639
Net other postemployment asset/liability	(268)	(95)	(77)	(440)
Net cash provided (used) by operating activities	$ 681,262	$ 423,572	$ 210,509	$ 1,315,343
Noncash investing, capital and financing activities				
Increase in the fair market value of investments	$ 27,406	$ 46,454	$ 17,051	$ 90,911
Total noncash investing, capital and financing activities	$ 27,406	$ 46,454	$ 17,051	$ 90,911

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

SURPRISE

ARIZONA

City of Surprise, Arizona
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Governmental activities				
Net investment of capital assets	$ 425,526,375	$ 445,035,827	$ 428,076,477	$ 413,717,047
Restricted	27,405,931	27,011,749	28,105,434	29,650,958
Unrestricted	1,266,669	4,750,944	19,164,721	25,538,922
Total governmental activities net position	$ 454,198,975	$ 476,798,520	$ 475,346,632	$ 468,906,927
Business-type activities				
Net investment of capital assets	$ 257,403,366	$ 269,712,138	$ 262,605,698	$ 263,420,571
Restricted	21,445,388	6,673,158	6,867,426	6,895,582
Unrestricted	39,592,483	54,053,088	60,409,577	57,257,700
Total business-type activities net position	$ 318,441,237	$ 330,438,384	$ 329,882,701	$ 327,573,853
Primary government				
Net investment of capital assets	$ 682,929,741	$ 714,747,965	$ 690,682,175	$ 677,137,618
Restricted	48,851,319	33,684,907	34,972,860	36,546,540
Unrestricted	40,859,152	58,804,032	79,574,298	82,796,622
Total primary government net position	$ 772,640,212	$ 807,236,904	$ 805,229,333	$ 796,480,780

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

2015	2016	2017	2018	2019	2020
$ 409,274,827	$ 405,111,110	$ 392,458,485	$ 393,984,378	$ 399,420,150	$ 435,144,710
27,948,361	22,743,525	24,613,341	67,683,440	29,462,370	21,821,951
(18,482,747)	(16,896,594)	(27,479,276)	(57,592,973)	1,815,847	28,238,342
$ 418,740,441	$ 410,958,041	$ 389,592,550	$ 404,074,845	$ 430,698,367	$ 485,205,003
$ 264,678,599	$ 270,081,565	$ 279,249,380	$ 277,989,957	$ 274,750,943	$ 282,360,332
5,381,403	13,039,887	12,326,207	14,365,125	12,932,109	13,735,679
44,564,505	29,979,759	22,570,204	31,396,601	43,938,146	52,259,316
$ 314,624,507	$ 313,101,211	$ 314,145,791	$ 323,751,683	$ 331,621,198	$ 348,355,327
$ 673,953,426	$ 675,192,675	$ 671,707,865	$ 671,974,335	$ 674,171,093	$ 717,505,042
33,329,764	35,783,412	36,939,548	82,048,565	42,394,479	35,557,630
26,081,758	13,083,165	(4,909,072)	(26,196,372)	45,753,993	80,497,658
$ 733,364,948	$ 724,059,252	$ 703,738,341	$ 727,826,528	$ 762,319,565	$ 833,560,330

City of Surprise, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Expenses				
Governmental Activities:				
General government	$ 18,092,847	$ 17,438,582	$ 14,958,702	$ 16,079,202
Public safety	38,760,889	39,628,843	39,096,150	40,931,709
Public works & streets	29,748,611	29,415,043	33,710,624	34,988,682
Community development	4,915,385	7,401,566	7,668,373	8,388,639
Culture and recreation	15,229,013	16,189,568	16,285,289	17,228,719
Interest	1,919,145	1,594,060	1,505,313	1,378,709
Total governmental activities expenses	108,665,890	111,667,662	113,224,451	118,995,660
Business-type Activities:				
Ground ambulance services	-	-	-	-
Sanitation	5,603,983	6,047,844	5,934,789	7,144,521
Sewer	20,090,934	19,325,017	18,717,547	20,072,400
Stormwater	-	-	-	-
Water	11,188,199	10,792,041	10,849,653	10,546,378
Total business-type activities	36,883,116	36,164,902	35,501,989	37,763,299
Total primary government expenses	$ 145,549,006	$ 147,832,564	$ 148,726,440	$ 156,758,959
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	$ 7,947,615	$ 6,435,843	$ 6,313,245	$ 8,494,212
Public safety	1,522,658	3,096,058	2,922,055	1,306,553
Public works & streets	3,786,620	3,238,179	792,288	499,338
Community development	1,315,799	1,622,594	2,003,777	1,697,315
Culture and recreation	3,838,003	5,307,491	4,837,786	4,917,918
Operating grants and contributions	10,404,916	8,207,130	10,139,981	9,833,470
Capital grants and contributions	8,655,730	32,449,260	5,925,348	2,877,937
Total governmental activities program revenues	37,471,341	60,356,555	32,934,480	29,626,743
Business-type activities:				
Charges for services:				
Ground ambulance services	-	-	-	-
Sanitation	6,598,929	6,700,961	6,862,696	7,000,935
Sewer	15,303,709	15,481,721	15,904,030	16,046,564
Stormwater	-	-	-	-
Water	9,841,874	10,047,169	10,073,124	9,987,819
Operating grants and contributions	-	-	-	-
Capital grants and contributions	16,878,654	14,502,214	4,427,857	3,270,131
Total business-type activities program revenues	48,623,166	46,732,065	37,267,707	36,305,449
Total primary government program revenues	$ 86,094,507	$ 107,088,620	$ 70,202,187	$ 65,932,192

2015	2016	2017	2018	2019	2020
$ 21,038,892	$ 18,906,430	$ 27,733,034	$ 24,693,086	$ 18,847,192	$ 30,683,840
44,415,505	47,273,449	64,148,194	51,157,392	60,235,535	60,035,327
35,141,030	38,670,796	41,540,981	37,661,923	41,578,280	46,270,405
5,205,925	10,235,430	12,326,274	12,345,202	12,382,036	12,764,778
21,863,417	25,690,406	22,555,794	26,471,045	24,970,626	20,925,306
1,635,320	1,472,910	1,381,807	1,927,016	2,473,876	2,635,766
129,300,089	142,249,421	169,686,084	154,255,664	160,487,545	173,315,422
-	-	-	3,141,623	3,375,334	4,407,898
7,883,309	7,972,061	9,034,441	8,557,348	8,657,107	9,077,490
20,360,031	20,399,067	19,519,303	20,039,173	19,340,045	19,418,478
-	-	187,744	775,651	1,363,889	1,209,576
10,619,858	11,823,538	15,013,661	10,926,918	11,690,946	18,376,477
38,863,198	40,194,666	43,755,149	43,440,713	44,427,321	52,489,919
$ 168,163,287	$ 182,444,087	$ 213,441,233	$ 197,696,377	$ 204,914,866	$ 225,805,341
$ 5,301,697	$ 5,041,335	$ 5,863,856	$ 7,171,091	$ 6,744,068	$ 6,729,339
2,963,326	3,778,584	3,600,402	2,801,908	1,948,725	1,581,814
507,198	853,321	1,445,873	2,252,924	4,100,847	3,570,832
2,005,421	2,552,293	3,770,393	7,384,028	9,901,258	12,206,567
5,313,203	5,894,021	5,586,303	5,507,476	5,590,198	3,311,464
9,908,788	11,178,339	12,097,958	12,530,903	11,555,218	21,503,712
11,561,202	11,558,409	14,356,832	25,485,790	22,468,016	42,184,054
37,560,835	40,856,302	46,721,617	63,134,120	62,308,330	91,087,782
-	-	-	2,974,704	3,284,354	3,946,881
6,952,296	7,099,896	7,525,140	7,485,027	7,859,915	10,380,560
17,950,085	16,151,096	17,190,499	17,345,559	17,612,146	19,142,098
-	-	1,282,788	1,834,202	1,987,661	1,934,275
10,814,903	12,195,621	14,048,726	14,227,502	16,125,842	18,226,759
-	-	-	-	-	60,647
129,722	3,107,265	5,788,132	9,682,391	5,509,692	15,030,201
35,847,006	38,553,878	45,835,285	53,549,385	52,379,610	68,721,421
$ 73,407,841	$ 79,410,180	$ 92,556,902	$ 116,683,505	$ 114,687,940	$ 159,809,203

City of Surprise, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Net revenue/expense:				
Governmental activities	$ (71,194,549)	$ (51,311,107)	$ (80,289,971)	$ (89,368,917)
Business-type activities	11,740,050	10,567,163	1,765,718	(1,457,850)
Total primary government net expense	$ (59,454,499)	$ (40,743,944)	$ (78,524,253)	$ (90,826,767)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	$ 7,018,180	$ 6,112,789	$ 9,274,735	$ 9,401,277
Sales taxes	29,826,572	33,266,049	37,836,088	39,685,844
Franchise taxes	4,448,614	4,547,621	4,732,649	5,159,956
Unrestricted State shared revenue	18,767,966	23,434,911	25,983,982	26,722,541
Unrestricted investment earnings	488,919	304,846	164,984	329,637
Other	489,667	297,016	562,787	482,776
Transfers	946,818	968,148	1,068,522	1,147,181
Total governmental activities	61,986,736	68,931,380	79,623,747	82,929,212
Business-type activities:				
Unrestricted investment earnings	552,583	331,127	150,350	296,183
Other	483,773	-	-	-
Transfers	(946,818)	(968,148)	(1,068,522)	(1,147,181)
Total business-type activities	89,538	(637,021)	(918,172)	(850,998)
Total primary government	$ 62,076,274	$ 68,294,359	$ 78,705,575	$ 82,078,214
Change in Net Position				
Governmental activities	$ (9,207,813)	$ 17,620,273	$ (666,224)	$ (6,439,705)
Business-type activities	11,829,588	9,930,142	847,546	(2,308,848)
Prior period adjustments	-	-	-	-
Total primary government	$ 2,621,775	$ 27,550,415	$ 181,322	$ (8,748,553)

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.

	2015		2016		2017		2018		2019		2020
$	(91,739,254)	$	(101,393,119)	$	(122,964,467)	$	(91,121,544)	$	(98,179,215)	$	(82,227,640)
	(3,016,192)		(1,640,788)		2,080,136		10,108,672		7,952,289		16,231,502
$	(94,755,446)	$	(103,033,907)	$	(120,884,331)	$	(81,012,872)	$	(90,226,926)	$	(65,996,138)
$	9,713,903	$	9,962,925	$	10,441,730	$	10,813,317	$	16,143,232	$	17,015,618
	42,111,177		46,807,817		49,416,383		54,419,572		61,596,634		70,904,612
	5,249,320		5,062,719		5,674,974		5,643,876		5,609,625		5,514,602
	29,879,804		30,560,635		31,755,661		35,032,519		35,899,596		38,379,519
	400,260		607,602		26,274		324,501		3,494,962		3,403,862
	1,146,649		407,445		3,129,094		(753,721)		517,587		418,161
	1,132,145		201,576		1,154,860		1,355,582		1,541,101		1,097,902
	89,633,258		93,610,719		101,598,976		106,835,646		124,802,737		136,734,276
	253,407		319,068		119,304		141,108		1,458,327		1,556,564
	-		-		-		-		-		43,965
	(1,132,145)		(201,576)		(1,154,860)		(1,355,582)		(1,541,101)		(1,097,902)
	(878,738)		117,492		(1,035,556)		(1,214,474)		(82,774)		502,627
$	88,754,520	$	93,728,211	$	100,563,420	$	105,621,172	$	124,719,963	$	137,236,903
$	(2,105,996)	$	(7,782,400)	$	(21,365,491)	$	15,714,102	$	26,623,522	$	54,506,636
	(3,894,930)		(1,523,296)		1,044,580		8,894,198		7,869,515		16,734,129
	-		-		-		(520,113)		-		
$	(6,000,926)	$	(9,305,696)	$	(20,320,911)	$	24,088,187	$	34,493,037	$	71,240,765

City of Surprise, Arizona
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015
General fund					
Nonspendable	$ 327,420	$ 637,513	$ 626,565	$ 821,009	$ 1,313,505
Restricted	129,117	79,170	77,439	66,385	-
Committed	-	-	-	-	-
Assigned	1,334,202	317,343	327,182	360,030	578,518
Unassigned	239,533	4,459,773	17,166,622	26,849,205	34,324,717
Total general fund	$ 2,030,272	$ 5,493,799	$ 18,197,808	$ 28,096,629	$ 36,216,740
All other governmental funds					
Nonspendable	$ 125,744	$ 106,844	$ 134,673	$ 206,294	$ 195,374
Restricted	27,151,070	26,932,579	28,027,995	29,584,573	46,848,361
Committed	7,767,079	7,915,957	7,266,032	47,607,527	42,241,616
Assigned	41,951,897	42,460,372	44,505,144	1,173,198	1,209,403
Unassigned	(50,850,735)	(50,409,260)	(49,901,573)	(50,029,315)	(49,288,936)
Total all other governmental funds	$ 26,145,055	$ 27,006,492	$ 30,032,271	$ 28,542,277	$ 41,205,818

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

2016	2017	2018	2019	2020
$ 1,287,510	$ 1,262,361	$ 1,602,598	$ 2,197,168	$ 2,563,831
-	501,278	480,554	454,024	491,526
-	-	-	-	-
542,821	338,555	338,167	393,622	490,732
37,385,696	38,436,548	41,763,040	42,252,127	73,973,321
$ 39,216,027	$ 40,538,742	$ 44,184,359	$ 45,296,941	$ 77,519,410
$ 368,126	$ 618,466	$ 638,371	$ 664,672	$ 415,537
23,064,256	24,112,063	67,202,886	61,562,397	29,864,806
40,246,190	40,005,619	3,483,301	6,446,528	9,115,539
469,830	1,109,942	2,912,343	19,690,585	17,786,146
(47,671,784)	(46,064,773)	(8,258,667)	(5,888,966)	(4,903,347)
$ 16,476,618	$ 19,781,317	$ 65,978,234	$ 82,475,216	$ 52,278,681

City of Surprise, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015
Revenues					
Taxes	$ 39,445,440	$ 42,290,109	$ 47,442,186	$ 48,262,126	$ 52,178,522
Licenses and permits	4,490,664	4,586,621	4,771,649	5,197,956	4,975,398
Intergovernmental revenues	25,743,085	30,476,028	33,441,035	35,923,296	37,947,604
Charges for services	5,708,552	7,052,487	7,943,039	7,896,783	9,241,853
Grants revenue	3,010,650	1,626,534	2,443,199	2,131,707	1,659,609
Fines	1,827,127	1,870,202	1,986,692	1,498,451	1,768,671
Rents	611,019	580,820	584,972	606,679	549,400
Development fees	2,494,845	2,415,290	2,240,664	1,790,461	2,224,125
Interest revenue	464,496	278,177	149,655	307,139	400,260
Donations	429,237	257,372	344,589	148,062	245,671
Indirect charges	3,660,700	3,660,700	3,660,700	4,682,772	4,682,772
Other revenue	2,047,634	1,175,823	960,297	482,776	1,155,192
Total revenues	89,933,449	96,270,163	105,968,677	108,928,208	117,029,077
Expenditures					
Current					
General government	12,073,329	12,627,722	11,925,890	13,674,046	20,291,986
Public safety	34,968,406	35,592,854	35,984,984	38,018,470	41,862,877
Public works and streets	15,425,981	14,706,512	15,350,181	16,784,098	17,314,612
Community development	4,802,971	7,336,377	7,605,656	8,344,991	5,074,395
Culture and recreation	12,373,798	13,421,538	13,210,175	14,912,746	19,301,123
Capital outlay	6,186,111	5,177,828	3,215,160	6,409,054	8,604,468
Debt Service					
Principal	2,328,300	2,449,900	2,533,138	2,661,713	2,786,800
Interest	1,898,152	1,594,060	1,505,313	1,378,709	1,245,447
Other charges	-	-	-	-	389,873
Total expenditures	90,057,048	92,906,791	91,330,497	102,183,827	116,871,581
Excess of revenues over (under) expenses	(123,599)	3,363,372	14,638,180	6,744,381	157,496
Other financing sources (uses)					
Proceeds from sale of assets	-	-	33,035	240,830	226,080
Transfers in (out)	946,818	968,148	1,068,522	4,803,747	1,132,145
From bonding	-	-	-	(3,656,566)	19,320,205
Insurance recoveries	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	
Total other financing sources (uses)	946,818	968,148	1,101,557	1,388,011	20,678,430
Net change in fund balances	$ 823,219	$ 4,331,520	$ 15,739,737	$ 8,132,392	$ 20,835,926
Debt service as a percentage of noncapital expenditures	5.0%	4.6%	4.6%	4.2%	4.1%

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

2016	2017	2018	2019	2020
$ 56,908,903	$ 59,749,360	$ 65,257,328	$ 77,739,476	$ 87,768,923
5,121,719	5,811,255	5,817,956	5,991,243	5,944,921
39,209,688	40,430,400	44,773,004	45,774,226	48,421,077
11,363,453	13,127,359	15,186,099	19,189,262	18,680,847
3,060,620	1,856,830	2,691,930	1,581,233	11,165,982
1,214,978	1,052,366	2,281,998	1,788,745	1,340,263
630,514	621,033	601,628	724,073	620,862
3,297,082	4,413,714	5,306,365	6,482,159	5,321,641
607,602	24,449	310,038	3,299,929	3,169,797
228,316	160,706	183,307	125,872	103,910
4,884,443	4,768,960	5,249,200	5,481,600	5,591,100
392,199	2,908,665	522,745	726,564	670,836
126,919,517	134,925,097	148,181,598	168,904,382	188,800,159
16,306,183	16,675,593	16,965,220	17,358,137	18,294,432
44,433,546	47,036,287	51,471,894	51,993,630	53,778,182
20,492,467	20,116,384	19,858,787	20,580,186	20,721,301
10,080,446	12,225,155	11,890,816	12,141,786	12,024,962
18,416,339	17,998,257	19,540,944	19,613,758	19,275,188
36,511,052	17,501,271	18,067,055	22,824,600	62,975,337
2,361,425	2,613,738	2,776,050	5,352,900	6,003,700
1,749,568	1,587,151	1,578,092	3,271,455	3,015,280
19,762	724,982	472,877	4,851	453,307
150,370,788	136,478,818	142,621,735	153,141,303	196,541,689
(23,451,271)	(1,553,721)	5,559,863	15,763,079	(7,741,530)
336,821	368,156	136,426	276,091	205,824
1,150,009	354,860	974,136	1,607,973	951,667
-	11,696,218	43,211,107	-	8,511,093
-	-	-	-	7,249
-	(6,500,617)	-	-	-
1,486,830	5,918,617	44,321,669	1,884,064	9,675,833
$ (21,964,441)	$ 4,364,896	$ 49,881,532	$ 17,647,143	$ 1,934,303
3.6%	4.1%	3.3%	6.2%	6.1%

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
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
2020	17,015,618	70,904,612	5,514,602	93,434,832

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

SURPRISE

ARIZONA

City of Surprise, Arizona
Major Sources of Municipal Sales Tax
Last Ten Fiscal Years

	2011	2012	2013	2014
Description of Payers Business				
Construction	$ 3,870,561	$ 4,936,286	$ 7,071,711	$ 5,702,652
Retail trade	11,258,630	12,588,859	13,831,839	15,319,378
Communications and utilities	4,558,281	4,813,827	5,053,313	5,230,594
Restaurant and bar	3,910,930	4,254,798	4,877,292	5,262,786
Real estate, rental and leasing	2,824,605	3,160,567	3,610,593	3,872,029
Other	2,858,970	3,278,980	3,488,295	3,439,338
Total	$ 29,281,977	$ 33,033,317	$ 37,933,043	$ 38,826,777

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2020.

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.

2015	2016	2017	2018	2019	2020
$ 5,318,361	$ 8,429,076	$ 7,444,202	$ 9,424,657	$ 13,938,324	$ 17,529,115
17,897,576	18,608,256	20,578,048	24,170,542	25,309,922	30,133,931
5,379,741	5,609,855	5,682,238	5,010,541	4,873,454	4,804,402
5,600,500	5,933,745	6,543,214	7,673,195	8,226,189	8,368,795
4,077,066	4,246,757	4,790,722	4,858,025	5,495,101	6,013,853
4,188,861	4,109,905	4,377,959	3,282,612	3,753,644	4,054,516
$ 42,462,105	$ 46,937,594	$ 49,416,383	$ 54,419,572	$ 61,596,634	$ 70,904,612

City of Surprise, Arizona
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Property: Assessed Value Residential Property	Real Property: Assessed Value Commercial Property	Exemptions: Real Property	Total: Net Assessed Valuation	Total: Direct Tax Rate	Total: Estimated Actual Taxable Full Cash Value	Ratio of Total Assessed Value to Total Estimated Actual Value
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%
2020	P	844,245,064	406,984,939	(141,141,959)	1,110,088,044	0.7591	10,927,509,235	10.16%
2020	S	1,064,787,961	529,620,552	(185,022,186)	1,409,386,327	0.3880	13,911,798,083	10.13%

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.

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City of Surprise, Arizona
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	City of Surprise			Overlapping Rates Maricopa County				
Fiscal Year	**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**
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
2020	0.7591	0.3880	1.1471	1.4009	-	0.0556	0.1792	1.6357

Source: Maricopa County Finance Department's "Maricopa County 2019 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
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
3.9117	2.6680	6.5797	2.4218	11.7843

City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2020 and 2011

	2020			2011		
Taxpayer	Net Limited Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Arizona Public Service Company	$ 30,382,441	1	2.74%			
Southwest Gas Corporation (T&D)	6,378,806	2	0.57%			
EPCOR (Agua Fria Water Division)	4,831,202	3	0.44%			
CCD Real Estate Holdings LLC	3,636,040	4	0.33%			
DG Industrial Portfolio I Property Owner LP	3,208,202	5	0.29%			
Toll Prasada LLC	3,121,137	6	0.28%			
Wal Mart Stores Inc	3,029,500	7	0.27%			
Breit MF Stadium Village LLC	3,011,263	8	0.27%			
Harmony at Surprise SPE LLC	2,810,427	9	0.25%			
Smith's Food & Drug Centers Inc	2,441,709	10	0.22%			
Arizona Public Service Company				$ 22,523,162	1	2.11%
Southwest Gas Corporation (T&D)				6,293,350	2	0.59%
Marley Park Phase II LLC				5,272,076	3	0.49%
Surprise Holdings LLC				4,890,540	4	0.46%
CCD Real Estate Holdings LLC				4,528,603	5	0.42%
PCCP CS CH Surprise LLC				3,435,229	6	0.32%
GVSW Surprise Plaza LLC				3,339,676	7	0.31%
Transwestern Pipeline Company				3,886,508	8	0.36%
Federal National Mortgage Association				3,753,910	9	0.35%
Sands Surprise Real Estate Chevy LLC				3,081,090	10	0.29%
Total	$ 62,850,727		5.66%	$ 61,004,144		5.71%
Total Net Limited Assessed Valuation	1,110,088,044			1,068,727,289		

Source: Maricopa County Assessor's Office

City of Surprise, Arizona
Primary Property Tax Levies and Collections
Last Ten Fiscal Years

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy	Tax Collections in Subsequent Years	Tax Collections	Percentage of Levy
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%	70,122	7,017,867	99.7%
2018	7,424,272	7,321,178	98.6%	81,353	7,402,531	99.7%
2019	7,962,251	7,862,533	98.7%	79,665	7,942,198	99.7%
2020	8,426,674	8,293,892	98.4%	-	8,293,892	98.4%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2020.

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
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	-	23,963,088
2020	34,285,598	21,966,935	-	21,192,968

Soure: City financial records

Business-Type Activities						
Municipal Property Corp. Bonds	Water Infrastructure Financing Authority Loan	Utility Revenue Obligations	Pledged Revenue Obligations	Total Primary Government	Percentage of Personal Income	Per Capita
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	3,877,076	107,470,277	3.4%	778
-	-	26,993,224	3,157,623	107,596,348	3.2%	760

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
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
2020	32,350,000	544,112	31,805,888	2.257%	225

Soure: City financial records

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

Overlapping Jurisdiction	General Obligation and Pledged Revenue Bonded Debt	Proportion Applicable to the City: Approximate Percent	Proportion Applicable to the City: Net Debt Amount
State of Arizona	None	1.72%	None
Maricopa County	None	2.63%	None
Maricopa County Community College District	$ 312,450,000	2.63%	$ 8,217,436
Maricopa County Special Health Care District	429,125,000	2.63%	11,285,988
Western Maricopa Education Center	157,075,000	7.14%	11,215,155
Dysart Unified School District No. 89	109,671,000	78.12%	85,674,985
Peoria Unified School District No. 11	207,770,000	0.38%	789,526
Nadaburg Unified School District No. 81	-	30.33%	-
Wickenburg Unified School District No. 9	7,845,000	1.68%	131,796
Subtotal, overlapping debt	$ 1,223,936,000		$ 117,314,886
City of Surprise	$ 55,478,566	100.00%	$ 55,478,566
Marley Park Community Facilities District	21,966,935	100.00%	21,966,935
Subtotal, direct debt	$ 77,445,501		$ 77,445,501
Total Direct and Overlapping General Obligation and Pledged Revenue Bonded Debt			$ 194,760,387

Source: The various jurisdictions

Proportion applicable to City of Surprise, Arizona is computed on the ratio of net limited property valuation for fiscal year 2020/2021.
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.
Includes: Excise Tax Revenue obligations for City of Surprise

City of Surprise, Arizona
Legal Debt Margin Information Unrestricted and Restricted
Last Ten Fiscal Years

Unrestricted

	2011	2012	2013	2014
Debt limit 6%	$ 67,742,464	$ 56,203,800	$ 51,281,020	$ 49,298,862
Unrestricted legal debt margin	$ 67,742,464	$ 56,203,800	$ 51,281,020	$ 49,298,862
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Restricted

	2011	2012	2013	2014
Debt limit 20%	$ 225,808,214	$ 187,346,001	$ 170,936,735	$ 164,329,540
Total net debt applicable to limit	-	-	-	-
Restricted legal debt margin	$ 225,808,214	$ 187,346,001	$ 170,936,735	$ 164,329,540
Total net debt applicable to the 20% limit as a percentage of the 20% debt limit	0.00%	0.00%	0.00%	0.00%

2015	2016	2017	2018	2019	2020
$ 54,283,263	$ 61,914,585	$ 65,970,879	$ 71,371,537	$ 78,996,747	$ 84,563,180
$ 54,283,263	$ 61,914,585	$ 65,970,879	$ 71,371,537	$ 78,996,747	$ 84,563,180
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

2015	2016	2017	2018	2019	2020
$ 180,944,209	$ 206,381,949	$ 219,902,931	$ 237,905,123	$ 263,322,489	$ 281,877,265
-	-	-	39,987,500	37,322,019	34,285,598
$ 180,944,209	$ 206,381,949	$ 219,902,931	$ 197,917,623	$ 226,000,470	$ 247,591,667
0.00%	0.00%	0.00%	16.81%	14.17%	12.16%

City of Surprise, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
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%
2020	141,664	3,381,255,033	65,160	41.2	5.4%

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, 2020 and Nine Years Prior

	2020 [1]			2011 [2]		
Employer	**Employees**	**Rank**	**%of Total**	**Employees**	**Rank**	**%of Total**
Dysart School District (Surprise Schools Only)	1,610	1	7.54%	1,654	1	7.50%
City of Surprise	1,230	2	5.76%	867	2	3.93%
Wal-Mart	860	3	4.03%	549	4	2.49%
Fry’s Food Store	560	4	2.62%	549	3	2.49%
Rousseau Farming Company	340	5	1.59%			
Home Depot	280	6	1.31%	166	9	0.75%
McDonalds	270	7	1.26%			
Maricopa County	220	8	1.03%	202	6	0.92%
Safeway Food Store	180	9	0.84%	188	8	0.85%
Sun City Grand Community Assoc. Inc.	170	10	0.80%			
Crescent Crown				200	7	0.91%
Kohl's Department Store				237	5	1.07%
Sam's Club				134	10	0.61%
Total	5,720		26.79%	4,746		21.51%
Total City Employment	21,350			22,062		

Sources:

[1] Maricopa Association of Governments, as of June 30, 2020
[2] Emsi

City of Surprise, Arizona
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
General government	124	118	123	123	136	134	140	142	146	150
Public safety:										
Police:										
Officers	130	132	133	134	130	139	158	159	159	155
Civilians	58	49	49	48	54	49	43	42	45	55
Fire:										
Firefighters and officers	114	112	111	111	113	113	128	127	126	132
Civilians	8	6	7	7	7	8	8	7	7	7
Public works and streets:										
All others	96	87	83	83	83	84	84	80	84	90
Community development	36	36	40	40	43	40	41	41	42	43
Economic development	-	-	-	-	-	8	8	8	7	9
Parks and recreation	97	97	110	110	122	118	117	116	120	105
Sports and tourism	-	-	-	-	-	-	-	-	-	18
Human service and communtiy vitality	-	-	-	-	-	9	15	16	18	24
Water	33	29	25	25	24	29	33	36	35	42
Sanitation	34	34	31	31	32	33	35	37	37	41
Sewer	39	36	36	36	37	39	50	45	45	47
Stormwater	-	-	-	-	-	-	-	6	5	6
Ground ambulance services	-	-	-	-	-	-	-	19	26	32
Total	769	736	748	748	781	804	861	881	902	956

Source: Fiscal year 2020 Adopted Budget

SURPRISE

ARIZONA

City of Surprise, Arizona
Operating Indicators by Function
Last Ten Fiscal Years

Function	2011	2012	2013	2014
Public safety:				
Police:				
Calls- incidents responded to	40,779	42,010	39,866	37,566
Citations issued	8,233	7,856	9,673	7,020
Officers per 1,000 residents	1.5	1.1	1.1	1.1
Fire-Medical:				
Number of responses	11,620	12,313	13,649	14,004
Inspections	1,101	1,122	1,184	1,411
Public works and streets:				
Sq. ft. of buildings to maintain	830,431	830,431	830,271	830,271
Vehicles/equipment maintained per month	387	494	403	392
Number of street lights repaired	270	291	300	377
Street miles maintained	536	539	607	607
Community development:				
Building safety inspections performed	11,106	13,257	20,150	18,220
Annual new residential starts	206	395	554	385
Parks and recreation:				
Organized recreation program participants	176,569	185,232	191,648	192,300
Special events/open facility participants	261,327	256,674	269,823	278,980
Sports and Tourism				
Special events/open facility participants	N/A	N/A	N/A	N/A
Water:				
Water service connections	14,130	14,329	14,570	14,740
Water main breaks	N/A	N/A	N/A	N/A
Average daily consumption (thousands of gallons)	N/A	N/A	N/A	N/A
Sewer:				
Sewage treated (million gallons per day)	7.4	7.6	8.1	8.1
Sewer service connections	44,077	44,583	45,802	45,984
Sanitation:				
Refuse collected (tons/annually)	30,803	30,289	29,400	30,583
Number of routes	34	33	33	32
Total services	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	2019	2020
38,191	39,511	40,909	41,806	40,541	42,306
7,524	5,971	6,358	5,136	8,602	6,350
1.1	1.0	1.0	1.0	1.0	1.0
15,750	16,896	16,546	17,435	10,865	18,195
1,885	2,745	2,407	1,810	1,595	2,391
830,271	855,774	855,774	855,774	855,774	973,187
405	334	375	397	415	425
43	44	38	79	52	71
627	627	627	627	629	630
15,624	20,320	22,407	31,063	34,598	45,750
417	486	600	1,288	1,303	2,076
178,186	160,535	163,580	162,012	141,189	85,362
321,214	307,475	306,714	343,868	120,114	78,548
N/A	N/A	N/A	N/A	253,823	240,065
14,971	15,362	15,499	16,331	16,729	17,886
N/A	N/A	N/A	4	2	6
N/A	N/A	N/A	7,322	7,416	7,402
8.4	8.4	8.4	8.4	9	9
44,923	47,273	48,196	50,303	48,451	53,164
33,351	32,787	33,671	34,979	36,757	48,905
32	56	56	57	59	55
32,683	35,366	36,421	36,657	35,510	39,676
-	-	49,429	50,594	47,235	51,199

City of Surprise, Arizona
Capital Asset Statistics by Function
Last Ten Years

Function	2011	2012	2013	2014
Public safety:				
Police:				
Stations	2	2	2	2
Patrol units	80	64	63	63
Fire:				
Fire stations	7	7	7	7
Fire engines and ladder trucks	11	11	11	12
Ambulances	0	0	0	0
Public works and streets:				
Street miles	536	539	607	607
Street lighting improvement districts	98	103	101	105
Traffic Signals	42	45	51	51
Bridges	15	19	19	19
Community development:				
Inspection vehicles	12	12	12	10
Parks and recreation:				
Parks acreage	393	393	393	393
Parks	12	12	12	12
Swimming pools	2	2	2	2
Softball fields	11	11	11	11
Baseball fields	21	21	21	21
Libraries	2	2	2	2
Water:				
(millions of gallons)	31.0	31.0	31	31
Sewer:				
Sewer treatment plants	2	2	2	2
Maximum daily treatment capacity	18.3	18.3	18.3	18.3
Sanitation:				
Collection trucks	26	26	26	26

Sources: Various government departments

2015	2016	2017	2018	2019	2020
2	2	2	2	2	2
68	72	90	73	87	87
7	7	7	7	7	7
12	12	12	13	13	13
0	1	3	4	5	5
627	627	627	627	629	630
107	107	123	132	146	155
50	50	50	50	52	58
19	19	19	19	19	21
10	10	11	11	11	11
393	393	393	393	393	393
12	12	12	12	12	12
2	2	2	2	2	2
11	11	11	11	11	11
21	21	21	21	21	21
2	2	2	2	2	3
32	32	33	33	33	34
2	2	2	2	2	2
18.3	18.3	18.3	18.3	18.3	18.3
26	27	27	27	27	27

SURPRISE

ARIZONA

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 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, 2020, for the purpose of expressing an opinion on compliance for each of the 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).

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 with respect to our federal award programs.

1. 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).

2. 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.

3. All material transactions have been recorded in the accounting records and are reflected in the schedule of expenditures of federal awards.

4. 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.

5. 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.

6. 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.

7. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to federal programs that are free from material noncompliance, whether due to fraud or error.

8. We 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.

9. We have no knowledge of any fraud or suspected fraud that affects federal programs and involves:
   - Management,
   - Employees who have significant roles in internal control, or
   - Others where the fraud could have a material effect on federal programs.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting federal programs communicated by employees, former employees, grantors, regulators, or others.

11. 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.

12. We have received no requests from a federal agency to audit one or more specific programs as a major program.

13. 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.

14. 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.

15. 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.

16. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB’s Uniform Guidance (2 CFR Part 200, Subpart E).

17. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.

27. We have charged costs to federal awards in accordance with applicable cost principles.

28. 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.

29. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

30. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

31. 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.

32. 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.

33. In addition to your audit, you assisted with preparation of the data collection form. We acknowledge our responsibility as it relates to those nonaudit services, including that
    - we assume all management responsibilities;
    - oversee the nonaudit services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
    - evaluate the adequacy and results of the nonaudit services performed;

    and accept responsibility for the results of the nonaudit services.

34. We have reviewed, approved, and accepted responsibility for the data collection form on which you have assisted with the preparation.

Teresa Butterbredt
Teresa Butterbredt (Feb 23, 2021 14:03 MST)

Teresa Butterbredt, Assistant Director/Accounting
City of Surprise, Arizona

02/23/2021
Date

Jon Gake
Jon Gake (Feb 23, 2021 13:42 MST)

Jon Gake, Accounting Manager
City of Surprise, Arizona

02/23/2021
Date

January 21, 2021

To the Honorable Mayor and Members of the Town Council
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, 2020. 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. All significant transactions have been recognized in the financial statements in the proper period.

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 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 are based on historical trends and industry standards.

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
- Management Letter
- 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?

June 22, 2020

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 the City of Surprise, Arizona (City).

We will examine the Annual Expenditure Limitation Report (AELR) of the City for the year ended June 30, 2020. The objectives of our examination are to (1) obtain reasonable assurance about whether the AELR is free from material misstatement; and (2) to express an opinion as to whether the AELR is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System.

Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Accordingly, it will include examining, on a test basis, your records and other procedures to obtain evidence necessary to enable us to express our opinion. We will issue a written report upon completion of our examination. Our report will be addressed to the Auditor General of the State of Arizona, Honorable Mayor, Members of the City Council, and Management of the City. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.

We will plan and perform the examination to obtain reasonable assurance about whether the AELR is free from material misstatement, based on the Uniform Expenditure Reporting System. Our engagement will not include a detailed inspection of every transaction and cannot be relied on to disclose all material errors, or known and suspected fraud or noncompliance with laws or regulations, or internal control deficiencies that may exist. However, we will inform you of any known and suspected fraud and noncompliance with laws or regulations, internal control deficiencies identified during the engagement, and uncorrected misstatements that come to our attention unless clearly trivial.

We understand that you will provide us with the information required for our examination and that you are responsible for the accuracy and completeness of that information. We may advise you about appropriate criteria, but the responsibility for the subject matter remains with you.

You are responsible for the presentation of AELR in accordance with the Uniform Expenditure Reporting System and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are responsible for, and agree to provide us with, a written assertion about whether the AELR is presented in accordance with the Uniform Expenditure Reporting System. Failure to provide such an assertion will result in our withdrawal from the engagement. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the measurement, evaluation, or disclosure of the subject matter; (2) additional information that we may request for the purpose of the examination; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

At the conclusion of the engagement, you agree to provide us with certain written representations in the form of a representation letter.

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

The documentation for this engagement is the property of Heinfeld, Meech & Co., P.C. and constitutes confidential information. However, subject to applicable laws and regulations, documentation will be made available upon request to governmental agencies pursuant to authority given to them by law or regulation. We will notify you of any such request. Furthermore, upon request, we may provide copies of selected documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

The documentation for this engagement will be retained for a minimum of five (5) years after the report release date, or for any additional period requested by a regulator, oversight agency, or pass-through entity. Upon expiration of the five year period, or any additional period, we will commence the process of destroying the contents of our engagement files.

Any disagreement, controversy, or claim ("dispute") that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

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 examination. 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 consultation and assistance in correcting errors in City prepared information, or rescheduling when the City is not prepared. 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 - $270; Manager - $215; Senior - $155; Staff - $110. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, 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: Teresa Butterbredt, Assistant Director of Finance
Andrea Davis, Finance Director

RESPONSE:

This letter correctly sets forth the understanding of City of Surprise, Arizona.

By: Teresa Butterbredt
Teresa Butterbredt (Jun 22, 2020 13:50 PDT)

Title: Assistant Finance Director

Date: 06/22/2020

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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, 2020, 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 (Jan 21, 2021 09:45 MST)

Andrea Davis, Chief Financial Officer
City of Surprise, Arizona

01/21/2021
Date

Teresa Butterbredt
Teresa Butterbredt (Jan 20, 2021 09:38 MST)

Teresa Butterbredt, Assistant Director/Accounting
City of Surprise, Arizona

01/20/2021
Date

City of Surprise, Arizona

Report on Applying Agreed-Upon Procedures Biennial Certification of Land Use Assumptions, Infrastructure Improvement Plan and Development Impact Fees

For the Period July 1, 2018 through June 30, 2020

CITY OF SURPRISE, ARIZONA
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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed this agreed-upon procedures engagement to assist management of the City of Surprise, Arizona (City), in complying with the requirement as set forth in Arizona Revised Statutes (A.R.S.) 9-463.05.G.2 "to provide for a biennial certified audit of the municipality's land use assumptions, infrastructure improvements plan and development fees". We have performed the procedures identified below, which were agreed to by the management of City of Surprise, Arizona, solely to assist management of the City of Surprise in evaluating the City of Surprise's compliance with the progress reporting requirements of the infrastructure improvement plan for the period from July 1, 2018 through June 30, 2020, as specified in A.R.S. 9-463.05.G.2. City of Surprise, Arizona's management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

We have applied the following procedures:

The progress of the infrastructure improvements plan.

a. Compared growth projections for 2019 and 2020 related to population, housing units and nonresidential square footage as reported in the Land Use Assumptions. A list of all variances are reported in the Summary of Findings.
b. Obtained City-prepared report (see Appendix A) documenting the progress of each project identified in the Infrastructure Improvement Plan (IIP) and performed the following procedures:
    i. Agreed expenditures as of June 30, 2020 to the underlying accounting records.
    ii. Agreed amounts reported as estimated cost to complete to underlying accounting records.

The collection and expenditures of development impact fees for each project in the plan.

c. Selected a sample of 40 building permits issued and determined fees were charged in accordance with authorized fee schedules and that each permit holder was charged the same rate as another equivalent permit holder.
d. Selected a sample of 25 expenditures and determined that the expenditures were associated with an approved project in the City's IIP.

Evaluating any inequities in implementing the plan or imposing the development impact fee.

e. Determined each developer/unit was charged the same rate as another equivalent developer/unit by recalculating impact fees at the transaction level for the sample mentioned in step c. above.

f. Determined that there were no instances in which the City waived development impact fees, except as allowed for under A.R.S. 9-499.10.B and A.R.S. 9-500.18.

The accompanying Summary of Findings describes the findings we noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of City of Surprise, Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
November 12, 2020

CITY OF SURPRISE, ARIZONA
SUMMARY OF FINDINGS

FINDING NO. 1

Variances were noted for growth projections related to population, housing units and nonresidential square footage as reported in the Land Use Assumptions when compared to actual results. All variances are reported below.

2019	Projected	Actual	Variance	Variance %
Population[1]	144,395	132,852	(11,543)	-8%
Residential Housing Units	60,970	58,040	(2,930)	-5%
Nonresidential Square Footage				
Retail	5,410,087	5,345,255	(64,832)	-1%
Office	1,412,970	1,569,531	156,561	11%
Public	5,514,231	5,779,395	265,164	5%
Industrial	3,801,323	3,864,991	63,668	2%
Total Nonresidential Square Footage	16,138,611	16,559,172	420,561	3%

[1]Projected population is based on the Municipal Planning Area boundary and the actual population is based on the City limits.

2020	Projected	Actual	Variance	Variance %
Population[1]	148,028	136,194	(11,834)	-8%
Residential Housing Units	62,278	58,257	(4,021)	-6%
Nonresidential Square Footage				
Retail	5,637,463	5,608,191	(29,272)	-1%
Office	1,474,239	1,661,888	187,649	13%
Public	5,687,358	5,975,006	287,648	5%
Industrial	3,941,939	3,982,385	40,446	1%
Total Nonresidential Square Footage	16,740,999	17,227,470	486,471	3%

[1]Projected population is based on the Municipal Planning Area boundary and the actual population is based on the City limits.

FINDING NO. 2

The City charged several impact fee funds for the costs associated with the Report on Applying Agreed-Upon Procedures Biennial Certification of Land Use Assumptions, Infrastructure Improvement Plan and Development Impact Fees. It’s reasonable to charge these expenditures to the impact fee funds; however, it should be noted that these expenditures are not explicitly listed in the City’s IIP.

APPENDIX A
PROGRESS OF INFRASTRUCTURE IMPROVEMENT PLAN PROJECTS

IIP page, figure	Project Description	Estimated Cost[a]	Expenditures as of 6/30/20[b]	Estimated Cost to Complete	IIP Fiscal Year
Page 20, Figure PR10	Prasada Community Park - New 25 acre park	$ 9,000,000	$ -	$9,000,000	2020-2021
Page 20, Figure PR10	White Tanks Community Park - New 25 acre park	9,000,000	-	9,000,000	2023
Page 20, Figure PR10	Surprise Community Park - Lighting, Parking, Restrooms	2,110,000	-	2,110,000	2022-2023
Page 20, Figure PR10	Tennis & Racquet Complex - Lighting for 8 tennis courts	300,000	356,907	(56,907)	2019
Page 20, Figure PR10	Sierra Montana Park - Restrooms & Lighting	770,000	-	770,000	2023
Page 20, Figure PR10	Rancho Mercado Neighborhood Park- New 13 acre park	2,200,000	-	2,200,000	2020-2021
Page 20, Figure PR10	Community Pool	6,500,000	-	6,500,000	2022-2023
Page 20, Figure PR10	Tribly Wash Community Park - New 25 acre park	9,000,000	-	9,000,000	2028-2029
Page 20, Figure PR10	Two West Community Park - New 25 acre park	9,000,000	-	9,000,000	2026-2027
Page 20, Figure PR10	Recreation Facility	10,000,000	-	10,000,000	2019-2029
Page 26, Figure P9	Evidence & Readiness Center (shared project - Police/Fire)	2,015,690	271,260	1,744,430	2020-2022
Page 26, Figure P9	Police Substation Land (3 acres) (shared project - Police/Fire)	562,500	1,449	561,051	2019
Page 26, Figure P9	Police Substation	9,573,800	-	9,573,800	2021-2022
Page 26, Figure P9	Public Safety Vehicles	1,700,000	93,885	1,606,115	2019-2028
Page 26, Figure P9	Public Safety Equipment	2,800,000	-	2,800,000	2019-2028
Page 33, Figure F8	District Fire Station 304	8,598,400	5,581,515	3,016,885	2019-2021
Page 33, Figure F8	Fire Station 308 (includes engine - see row 28)	7,098,600	93,785	7,004,815	2019-2022
Page 33, Figure F8	New Fire Station 309	7,098,600	-	7,098,600	2024-2028
Page 33, Figure F8	Fire Station Land (shared project - Police/Fire)	562,500	1,449	561,051	2019
Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	2,157,383	271,260	1,886,123	2020-2022
Page 33, Figure F8	Type 3 Fire Engine	560,000	-	560,000	2020
Page 33, Figure F8	Ambulance	375,500	-	375,500	2019
Page 33, Figure F8	Ambulance	375,500	-	375,500	2019
Page 33, Figure F8	Ambulance	375,500	395,327	(19,827)	2020
Page 33, Figure F8	Fire Engine (part of Fire Station 308 project)	775,000	349,811	425,189	2021
Page 33, Figure F8	Ambulance	375,300	296,703	78,597	2022
Page 33, Figure F8	Utility Truck	600,000	-	600,000	2021
Page 33, Figure F8	Water Tender	300,000	-	300,000	2020
Page 44, Figure W17	Water Transmission Line - Ashton Ranch/Roseview	2,750,000	-	2,750,000	2019-2028
Page 44, Figure W17	Arsenic Treatment - Rancho Gabriela	1,030,000	1,125,263	(95,263)	2019-2028
Page 44, Figure W17	Surprise Downtown Waterline Loop	1,150,000	-	1,150,000	2019-2028

APPENDIX A
PROGRESS OF INFRASTRUCTURE IMPROVEMENT PLAN PROJECTS

IIP page, figure	Project Description	Estimated Cost[a]	Expenditures as of 6/30/20[b]	Estimated Cost to Complete	IIP Fiscal Year
Page 44, Figure W17	Operations Expansion	1,132,863	-	1,132,863	2020-2023
Page 44, Figure W17	SPA 1 Drinking Water Well	3,000,000	-	3,000,000	2020-2023
Page 44, Figure W17	Arsenic Treatment - Desert Oasis WSF	1,400,000	-	1,400,000	2019-2028
Page 44, Figure W17	SPA 2 Rancho Mercado WSF	8,700,000	57,962	8,642,038	2019-2028
Page 44, Figure W17	SPA 2 Rancho Mercado Well	3,000,000	-	3,000,000	2019-2028
Page 44, Figure W17	Operations Expansion	956,287	-	956,287	2020-2023
Page 44, Figure W17	Operations Expansion	114,350	-	114,350	2020-2023
Page 52, Figure WR9	Water Acquisitions	2,738,600	302,652	2,435,948	2020-2023
Page 52, Figure WR9	Circle City Water Acquisition	16,034,300	866,559	15,167,741	2019
Page 61, Figure WW13	Digester Modifications	5,500,000	34,388	5,465,613	2019-2020
Page 61, Figure WW13	SPA 2 Connecting Influent Pipeline	250,000	78,863	171,137	2023
Page 61, Figure WW13	SPA 2 Additional Land	3,288,500	-	3,288,500	2022

a) The source of the information in the City of Surprise 2019 Infrastructure Improvements Plan.

b) The source of the information is the City's financial records for the period July 1, 2018 through June 30, 2020.