



**CITY OF SURPRISE
City Audit Committee
16000 N. Civic Center Plaza
Surprise, AZ 85374**

Wednesday, March 29, 2023 @ 3:00 PM
Council Chambers Overflow Room

Amended Agenda (Location Change) - March 16 at 3:15 PM

- 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:

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

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

CONSENT AGENDA:

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

- | | | | |
|----|----------|--|--------------|
| 1. | Citywide | Consideration and action pertaining to the December 7, 2022 meeting minutes. | City Auditor |
| 2. | Citywide | Presentation and discussion pertaining to the FY2021-2022 Annual Comprehensive Financial Report (ACFR) and associated reports. | City Auditor |
| 3. | Citywide | Consideration and action pertaining to the Vendor Master File Audit Report. | City Auditor |
| 4. | Citywide | Consideration and action pertaining to the Signature Authorization Audit Report. | City Auditor |
| 5. | Citywide | Consideration and action pertaining to the Quarterly Audit Recommendations Status Report | City Auditor |

- 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: Wednesday, March 15 2023 @ 12:15 PM
Amended Agenda (Location Change) Posted on: March 16, 2023 @ 3:15 PM

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**

Council Meeting Date: March 29, 2023
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to the December 7, 2022 meeting minutes.

Motion:

I move to approve the minutes of the December 7, 2022, City Audit Committee meeting.

Background:

Per Arizona state law, all public bodies shall provide for the taking of written minutes or a recording of all their meetings, including executive sessions. For meetings other than executive sessions, the minutes or recording shall include:

- 1) The date, time and place of the meeting;
 - 2) the members of the public body recorded as either present or absent;
 - 3) a general description of the matters considered; and
 - 4) an accurate description of all legal actions proposed, discussed or taken, including a record of how each member voted. The minutes shall also include the names of the members who propose each motion and the names of the persons, as given, who make statements or present material to the public body and a reference to the legal action about which they made statements or presented material.
-

Objective Analysis:

The mission of the City Audit Committee is to provide advice to the 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 city 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 city 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 associated with this item.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. 2022-12-07 Summary draft
-

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

Wednesday, December 7, 2022 – 3:30 p.m.

CALL TO ORDER

Vice-Chair Alan Meyer called the **Audit Committee Meeting** to order at 3:30 p.m. at Surprise City Hall, Overflow Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Wednesday, December 7, 2022.

ROLL CALL

Brenda Kiner, Chair (Absent), Alan Meyer, Vice-Chair, Tatiana Young, Committee Member (Absent), Councilmember Chris Judd, Councilmember Patrick Duffy, Holly Osborn, Director of Parks and Recreation, Andrea Davis, Director of Finance

PLEDGE OF ALLEGIANCE

CURRENT EVENTS AND REPORTS

None.

STAFF REPORTS

None.

STAFF PRESENT

Carol Holley, City Auditor, Angela Hanson, Internal Auditor, Athena DoBell-Garcia, Internal Auditor-Sr., Erick Martin, Accounting Manager, Jackie Moucheron, Staff Liaison, Genevieve Martin Del Campo, Staff Liaison.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. **Action item: Consideration and action pertaining to the approval of the September 7, 2022 Audit Committee meeting minutes:**

Alan Meyer moved to approve the September 7, 2022, Audit Committee Meeting minutes, and Councilmember Patrick Duffy seconded the motion. Motion carried 3-0.

2. **Action item: Discussion and possible action pertaining to the Continuous Monitoring: Citywide Procurement Cards Audit Report:**

Carol gave an overview of the Citywide Procurement Cards Audit Report.

Alan Meyer asked if using credit cards for purchases made more sense than invoices and checks. Carol Holley responded that it is a quicker process for the departments from an operational standpoint. She added that the City also receives a rebate based on the level of transactions.

Councilmember Judd asked if the city is getting a cash rebate by using credit cards. Carol Holley responded that, yes, the city is receiving an annual rebate based on the spending level of the city. Erick Martin added that there is a calculation based on what was spent, and the city receives an annual rebate.

Alan Meyer stated that some of the completion deadlines listed in the report, say November 30, 2022, and asked if the city was successful in meeting those deadlines. Erick Martin responded that the implementation of most of the findings from previous auditor reports is complete, and now it is about making sure everyone remains consistent and clearing everything through the internal auditing process.

Councilmember Judd asked if the procurement card process is still more efficient than invoices and checks, even with all of the follow-ups that have to be done. Erick Martin responded that, in some ways, yes. He added that for departments with traveling staff or departments that need to purchase something quick from a store, there are great efficiencies with procurement cards. Erick Martin stated that the number of procurement cards given out might need to be addressed in the future to cut down on follow-ups. Holly Osborn stated that having one procurement card per department becomes tricky when it comes to accountability because multiple people use the same card. She added that the efficiency of the procurement card process has been significant in her department. Andrea Davis stated that it is up to each department director to determine who gets a procurement card and who does not. She added that Finance does an annual review to go over limits and whether someone may still need a card. Andrea further explained that Finance has become stricter with those not reconciling their procurement cards by deactivating them if it has not been reconciled 30 days after it is due. She added that some of these stricter measures would increase efficiencies.

Alan Meyer moved to approve the Continuous Monitoring: Citywide Procurement Cards Audit Report, and Councilmember Judd seconded the motion. Motion carried 3-0.

3. Action item: Discussion and possible action pertaining to the Quarterly Audit Recommendations Status Report:

Carol gave an overview of the Quarterly Audit Recommendations Status Report.

Councilmember Duffy asked how long the departments are given to respond to audit recommendations. Carol Holley responded that it starts with an initial audit report, and once the department is met, they are given two weeks to provide responses, from where it can be an additional one to two months. She added that after the management audit responses, she begins tracking them in SharePoint.

Alan Meyer stated that there are two high-risk recommendations in Fire–Medical dating back to 2020 and asked at what point we come down on them to complete the recommendations. Carol Holley responded that she continues to send emails and do follow-ups with the department. She added that in some instances, departments are waiting for special projects to be completed before they can complete some audit recommendations.

Alan Meyer asked if there should be a process that the audit committee brings forth the departments that are not completing the recommendations. Carol Holley responded that the audit committee does have the power to bring in department heads to ask questions and get updates. However, if there were anything that the committee would want to be done beyond that, it is a discussion the committee will need to have on how to proceed. Councilmember Judd stated that the audit committee could recommend that City Council do something.

Alan Meyer moved to approve the Quarterly Audit Recommendations Status Report, and Councilmember Judd seconded the motion. Motion carried 3-0.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

The next Audit Committee Meeting will be held on March 29, 2022, at 3:00 p.m.

EXECUTIVE SESSION

None.

ADJOURNMENT

Alan Meyer moved to adjourn, and Councilmember Judd seconded the motion. Motion carried 3-0. The meeting was adjourned at 4:05 p.m.

ATTEST:

Brenda Kiner, Vice-Chair
Alan Meyer

Jackie Moucheron, 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 **Wednesday, December 7, 2022.**

Sherry Ann Aguilar, City Clerk, MMC

DRAFT



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: March 29, 2023
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation and discussion pertaining to the FY2021-2022 Annual Comprehensive Financial Report (ACFR) 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 authorized 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. 2022 Annual Comprehensive Financial Report
 2. AERL Gen Rep Letter FY22
 3. City of Surprise - Impact Fee AUP 22
 4. City of Surprise Communication to Governance 22
 5. City of Surprise ELR Report 22 - Signed
 6. City of Surprise HURF Accountant's Report 22
 7. City of Surprise SA 22
 8. general_representation_letter-signed
 9. Signed Gen Rep Letter FY22
-



SURPRISE
ARIZONA

City of Surprise, Arizona

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



CITY OF SURPRISE, ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the fiscal year ended
June 30, 2022

Prepared by:
Finance Department



SURPRISE

ARIZONA

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SURPRISE

ARIZONA



INTRODUCTORY SECTION



SURPRISE

ARIZONA



INTRODUCTORY SECTION

The Introductory Section is the first of three essential components of the City's Annual Comprehensive Financial Report (ACFR). 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 ACFR to the intended readers.



SURPRISE

ARIZONA

December 16, 2022

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 Annual Comprehensive Financial Report (ACFR) of the City of Surprise, Arizona (the City), for the fiscal year ended June 30, 2022. 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, 2022, 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, 2022, 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 ACFR. 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 140,000 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

The FY2021 budget was set flat to the FY2020 budget due to the financial uncertainty of national shutdowns caused by the COVID-19 global pandemic. The budget was set to provide flexibility as we monitored the economic state of our city; we were planning for the worst, but hopeful for the best. The financial outlook was surprisingly better than anticipated, and the contingency we built into the budget was utilized to implement the pre-Covid budget. This allowed us to keep up with the growing needs of our city, adding public safety funding and setting aside one-time funds for Public Safety Pension debt, future land purchases, and park improvement and expansion projects.

While the national shutdown impacted the city's non-essential amenities, we continued to provide essential services to our residents such as fire, police, and utilities. The city experienced several areas of revenue loss, but also adapted quickly to cut expenses to ensure a balanced budget.

The economic position coming out of the global pandemic was one of optimism as the City adjusted to the new normal. Commercial and residential development did not slow down during the pandemic, which brought in one-time revenues above the FY2021 and FY2022 adopted budget.

Despite the global economic impacts of the pandemic, the City's year-end financial results were strong in both sales tax revenues, population growth, and commercial and residential development. In addition, the American Rescue Plan Act (ARPA) was signed into law during FY2021, to provide additional relief from COVID-19. The City was allocated \$15.5M and received the first half early in FY2022, and received the second half in early FY2023.

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. These have combined to result in a 14.1% increase in sales tax collections while state shared sales tax revenues increased by 3.6% over the previous year. The population and commercial square footage growth has been a factor in the improved economic performance for the city.

Further information on the history of City revenues and expenses can be found in the MD&A, pages 4 through 17, and the statistical section that begins on page 148, 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.

During FY2022, the City continued to contribute additional funding to Public Safety Pension Reserve dedicated for the Public Safety Personnel Retirement System (PSPRS) unfunded liability.

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.

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%.

The City continues to work in partnership with Ottawa University Arizona and the surrounding landowners to develop the City Center. The Residential Housing Facility and the O'Dell Center which includes athletic facilities for the University was completed last year. Additionally, the Texas Rangers completed construction on their team housing complex, Rangers' Village in FY2021, and this fiscal year, the Kansas City Royals completed construction on their team housing complex, The Fountains at Surprise Center. Both projects are multi-story team complexes located at City Center near Surprise Stadium. Finally, the City continues to see development in the Entertainment District of City Center.

During fiscal year 2022, a number of projects were completed that strengthened the City's ability to provide services to the public. The construction of the Fire Station 308 was completed and will serve the southeast portion of Surprise. This area continues to grow in terms of new homes and commercial businesses and manufacturers. Improved roadways, coupled with a railroad line that travels right through the area's industrial park, have attracted large manufacturing businesses including IRIS USA, Gestamp Solar Steel, and Brentwood Industries. The Public Safety Evidence & Readiness Center was also completed and will provide Police and Fire-Medical a centralized logistics, training, and tactical storage area.

The City also finished the widening of Greenway Road, this project provided another fully developed east/west corridor in the City to help relieve traffic along Bell Road.

The City also dedicated funding for the construction of a new park. The Countryside project is currently under construction, and will provide another dedicated location for the Parks Department to provide much needed programming for City residents. Finally, design is currently underway on improvements for the Surprise Community Park located in the heart of the City.

Water conservation also continues to be a priority of the City. During fiscal year 2022, the Xeriscape Garden was completed. The Garden demonstrates a wide variety of plants and hardscapes, and learn more about responsible and sustainable water use when creating a beautiful arid landscape.

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 fiscal year 2022, the City created or revised a number of policies and desk procedures. A few of those policies include, an E-Verify audit, fiber telecommunications ROW use agreement, procurement card, and utility services. Some of the desk procedures include, City delinquency process, cash handling policy, and online payments.

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 Acknowledgments

As of the date of this letter the City has not received notification from the Government Finance Officers Association (GFOA) regarding the Certificate of Achievement for Excellence in Financial Reporting for the annual comprehensive financial report for the fiscal year ended June 30, 2021. The City believes the prior year annual comprehensive financial report meets the Certificate of Achievement Program's requirements. If awarded, this would be the 18th consecutive year that the City has achieved this prestigious award. In order to receive the Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Acknowledgments

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

Respectfully submitted,



Andrea Davis
Chief Financial Officer

City of Surprise
Organization Chart
 September 27, 2022

City of Surprise
 Residents, Businesses, Volunteers, Youth,
 Seniors, Visitors, Parents, Families, Veterans
 Employers, Entrepreneurs, Persons with
 Disabilities, Pioneers, Artists,
 Commissioners, Teachers, **EVERYONE**



Mayor Skip Hall
Council Members
 Roland F. Winters Jr., Vice-Mayor Aly Cline, Patrick Duffy,
 Ken Remley, Jack Hastings, and Chris Judd

Presiding Judge
 Louis Frank Dominguez

City Clerk
 Sherry Aguilar

City Auditor
 Carol Holley

City Attorney
 Robert Wingo

Community Development
 Lloyd Abrams

Fire-Medical
 Tom Abbott

Economic Development
 Jeanine Jerkovic

Police
 Benny Piña

Public Works
 Kristin Tytler

Finance
 Andrea Davis

Human Service & Community Vitality
 Seth Dyson

Marketing & Communications
 Virginia Mungovan

Arts, Culture & Library (Acting)
 Kelsey Lamphier

Emergency Management
 Kimberly Campbell

Human Resources
 Donna Meuse

Sports & Tourism
 Kendra Pettis

Water Resource Management
 Lee Lambert

Deputy City Manager
 Tracy Montgomery

Information Technology
 Tammie Hollowell

Parks & Recreation
 Holly Osborn

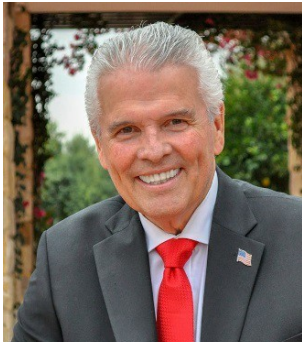
Deputy City Manager
 Mike Gent

City Manager
 Bob Wingenroth

Prepared by Office of City Manager

Mayor and City Council Members

MAYOR SKIP HALL – Mayor@surpriseaz.gov



Skip Hall was elected to serve as Mayor in August 2020. His four-year term began on January 1, 2021 and ends on December 31, 2024.

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. He also served as Vice Mayor in 2011 and 2014. Hall was selected to serve as Mayor by the City Council in November 2018 to serve as Mayor of Surprise to fill a vacancy.

Prior to serving in politics and serving three years on the City of Surprise Planning and Zoning Commission, Hall 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. Mayor Hall also played a proactive supporting role with initiating a Surprise youth initiative and initiated the annual Surprise Literacy Challenge with former Councilman John Williams.

His goals for the city include a sustainable water plan, maintaining strong public safety with our continued growth, working with transportation partners to expand east-west connections, expanding our parks and recreational spaces for our families, increasing youth involvement in the community, increasing local veteran outreach and services and attracting new businesses to Surprise. Supporting and promoting Economic Development initiatives has been a top priority for Mayor Hall.

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, MAG Transportation Policy Committee, and Luke West Valley Council. Hall is active with the AZ TechCelerator to promote business growth, the Mayor's veterans roundtable, and Chair of the Public Safety Personnel Retirement System. 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.

ROLAND WINTERS – Roland.Winters@surpriseaz.gov



Roland F. Winters Jr. was first elected to City Council in 2013 with a term beginning January 2014. He was re-elected in 2018 and began his new four-year term in January 2019, when he was also appointed to the role of Vice Mayor.

Born and educated through high school in New Jersey, Winters 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. Winters is also certified in the FEMA National Incident Management System (NIMS) 100 and 700 courses.

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.

Winters and his wife Carroll have four children – two sons and two daughters. David lives in Ontario, Indiana; Donald lives in Wildwood, Florida; Nancy lives in Gilbert, Arizona; and Jennifer lives at home. Winters and Carroll have seven grandchildren.

Winters currently serves as the Chair on the city’s Boards and Commissions Selection Committee.

Winters’ goal for Surprise is to be a fully self-sustaining city where its residents can live, get educated, work and play.

VICE MAYOR ALY CLINE – Aly.Cline@surpriseaz.gov



Alyson “Aly” Cline was first elected to City Council in 2020, with a term beginning in January 2021 and a term expiration of December 31, 2024.

Cline and her husband Gary have lived in Surprise since 2002 and have been married for 33 years and have two stepsons, Eric and Nathan Cline.

In the last 12 years, she has volunteered more than 20,000 hours within the City of Surprise. Before retiring in 2008, she worked for 35 years in the financial services industry, managing staff and developing training programs for management and staff. Cline has a Certificate in Business Management from UCLA.

Cline currently Chairs the City’s Boards and Commissions selection Committee, Community Outreach, Partnership and Grants Committee, and serves on the Education Committee. In addition, she serves on the Maricopa Association of Government (MAG) Human Services and Community Initiatives board and MAG Domestic Violence board. Cline also serves on the Broadband USA Committee relating to the need for Broadband access in rural areas of Arizona and the impacts on businesses, families, students and local schools.

Cline is active in West Valley Women, an organization that supports women in business and participates in Women 4 Women. A non-profit organization provides hygiene products to help women in crisis. She also supports the West Valley Veterans Success Center in the Surprise Resource Center.

Cline continues to serve as President of Friends of the Surprise Libraries, Inc. A non-profit organization supports local teachers through a grant program focused on literacy, reading and special education programs.

Representing the interests of all of the communities within District 2 is of the utmost importance to her, which means reaching out to local Home Owner Associations, meeting residents, and listening to their needs and concerns.

PATRICK DUFFY – Patrick.Duffy@surpriseaz.gov



Patrick Duffy was first appointed by City Council in September 2017 to represent the residents of District 3 (D3) and was subsequently elected to the D3 seat in 2018 and 2020. City Council selected him to serve a one-year term as Vice Mayor in January 2021.

Duffy is a Financial Advisor for First Financial Equity Corporation, and for nine years prior to his appointment to City Council, he worked part-time as a City of Surprise Recreation Leader. He has lived in Surprise for 11 years, four of them in D3. Duffy is currently a Board Member on WESTMARC, and also serves on City Council Subcommittees for Performance Evaluation Leaders; and the Tourism Fund. 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 to the D3 seat expired December 31, 2018. When the seat went to ballot, he was elected to serve out the remainder of the four-year term (two years) with an expiration of December 31, 2020. Duffy was re-elected for another four-year term in the August 2020 primary. His term will expire December 31, 2024.

KEN REMLEY – Ken.Remley@surpriseaz.gov



Remley is a believer in strong leadership by example, building consensus among his peers in decision-making, developing partnership relationships, and maintaining fiscal responsibility and transparency.

Drawing upon his 30+ years of experience in public accounting and as a Chief Financial Officer of a publicly-held company, his vision is to attract quality employers and good paying jobs to Surprise, while maintaining cost-effective city services and fostering community pride.

He was elected to a four-year term as District 4 Councilman in 2016, served as Vice Mayor for the year 2018, and was re-elected for another four-year term in the August 2020 primary, with a term expiration of December 31, 2024.

In addition to his city council duties, Remley is currently employed as a Licensed Mortgage Loan Originator and income tax preparer.

Remley has always been actively involved in the community. He previously served as Treasurer of Litchfield Manor Homeowners Association for 13 years, participating in its Budget, Landscaping, Architectural and Social Committees. Remley currently serves on the Salvation Army Advisory Board.

Remley is a Vietnam Era Veteran, having served in the United States Navy from 1963-1967.

Educational accomplishments include a Bachelor's degree in Business Education-Accounting from California State University Fullerton, followed by graduate studies at University of Phoenix. Remley also holds lifetime teaching credentials in Community Colleges.

On a personal basis, Remley has lived in Surprise since 2004. He has four children, nine grandchildren, and 10 great-grandchildren.

JACK HASTINGS – Jack.Hastings@surpriseaz.gov



Councilman Jack Hastings was elected to Surprise City Council on August 4, 2020 to represent the residents of District 5.

Hastings is a third-generation Surprise resident. He is married to his wife Olivia, who he met in Surprise. Hastings teaches US Civics in Surprise at Valley Vista, the high school he graduated from. He has a Bachelor’s Degree from Arizona State University and earned his Master’s Degree in Educational Leadership.

Councilman Hastings has helped pass balanced budgets on the Surprise City Council and currently serves on the Sports & Tourism and the Community Outreach, Partnerships & Grants Subcommittees. He serves as an ambassador to the Greater Phoenix Economic Council (GPEC) to help promote our city and bring jobs and businesses to Surprise. Councilman Hastings is a strong supporter of public safety and an outspoken advocate for our first responders. Hastings’ faith and relationship with God is central to his life. He attends church and loves seeing the work that God is doing in the community. At the end of the day, Hastings loves Surprise and is dedicated to giving back to the city he grew up in. Councilman Hastings serves as your voice on the Surprise City Council.

CHRIS JUDD – Chris.Judd@surpriseaz.gov



Chris Judd was elected as the District 6 (DC6) 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-’90’s, 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.

Chris began working in Surprise in 1996, right out of college, and spent 14 years as General Manager of a local small manufacturing plant. There he learned about the many challenges that businesses—especially small businesses—face, and how difficult it can be to juggle all of the factors required to make a business successful, profitable, and a good place to work. He took that knowledge and experience, and applied it to a small business of his own, a Surprise-based trucking company that served local and long-haul clients.

Chris is employed by Liberty Mutual Insurance. He holds a professional designation as a Life Underwriter Training Council Fellowship from the College for Financial Planning, as well as a Bachelor of Science degree from ASU.

Chris and his wife Jenna have been married for over 20 years, and are most proud of the work they’ve done, and are doing, raising their three wonderful daughters. The family loves the great outdoors and they spend as much time as they can together, camping and hiking in and around the beautiful backcountry of Arizona’s deserts, mountains, and forests.



City of Surprise Appointed Officials

City Manager

Bob Wingenroth

City Clerk

Sherry Aguilar

City Attorney

Robert Wingo

Presiding Judge

Louis Frank Dominguez



SURPRISE

ARIZONA



FINANCIAL SECTION - INDEPENDENT AUDITORS' REPORT



SURPRISE

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 Subsections

- ❖ Independent Auditor’s Report
- ❖ Management’s Discussion and Analysis
- ❖ Government Wide Financial Statements
- ❖ Fund Financial Statements
- ❖ Notes to the Financial Statements



SURPRISE

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Independent Auditor's Report

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

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Surprise, Arizona (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Surprise, Arizona, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Surprise, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue

as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of 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, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Surprise, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 16, 2022



SURPRISE

ARIZONA



**FINANCIAL SECTION - MANAGEMENT'S DISCUSSION AND
ANALYSIS**



SURPRISE

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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, 2022. 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 19.4% or \$119.8 million from \$618.4 million to \$738.2 million. This increase is attributable to an increase in revenue due to continued economic and population growth.
- ❖ **Business-Type Activities net position.** The City's net position increased by 6.5% or \$26.0 million from \$397.3 million to \$423.3 million. Continued growth in the City accounts for the increase, with \$22.9 million of the increase resulting from developer capital contributions.
- ❖ **Governmental Activities expenses** of \$189.5 million exceeded program revenues of \$135.1 million, a difference of \$54.5 million. The remaining \$54.5 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 Activities expenses** were \$60.0 million, while program revenues totaled \$87.2 million, a difference of \$27.2 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 18-19 and 20-21) 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 22. 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 18. 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. The City's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – is 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. Consider other non-financial factors, 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 22 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 35-36.

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, 2022 and June 30, 2021.

City of Surprise's Net Position (in Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------------------|-------------------------|-----------------|--------------------------|-----------------|--------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| ASSETS | | | | | | |
| Current and other assets | \$ 327.9 | \$ 246.8 | \$ 114.1 | \$ 101.7 | \$ 441.9 | \$ 348.4 |
| Capital assets, net | 634.7 | 578.1 | 358.1 | 348.5 | 992.8 | 926.6 |
| Total assets | <u>962.5</u> | <u>824.8</u> | <u>472.2</u> | <u>450.2</u> | <u>1,434.8</u> | <u>1,275.0</u> |
| DEFERRED OUTFLOWS OF RESOURCES | 32.5 | 35.5 | 3.3 | 3.3 | 35.8 | 38.8 |
| LIABILITIES | | | | | | |
| Current liabilities | 22.6 | 23.7 | 6.4 | 8.8 | 29.0 | 32.5 |
| Long-term liabilities | 185.5 | 214.1 | 41.6 | 47.0 | 227.1 | 261.1 |
| Total liabilities | <u>208.2</u> | <u>237.8</u> | <u>48.0</u> | <u>55.8</u> | <u>256.1</u> | <u>293.6</u> |
| DEFERRED INFLOWS OF RESOURCES | 48.6 | 4.1 | 4.3 | 0.3 | 52.9 | 4.5 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 557.1 | 503.0 | 332.0 | 320.3 | 889.1 | 823.3 |
| Restricted | 39.3 | 39.6 | 12.4 | 9.4 | 51.7 | 49.0 |
| Unrestricted | 141.8 | 75.9 | 78.9 | 67.6 | 220.7 | 143.4 |
| Total net position | <u>\$ 738.2</u> | <u>\$ 618.4</u> | <u>\$ 423.3</u> | <u>\$ 397.3</u> | <u>\$ 1,161.5</u> | <u>\$ 1,015.7</u> |

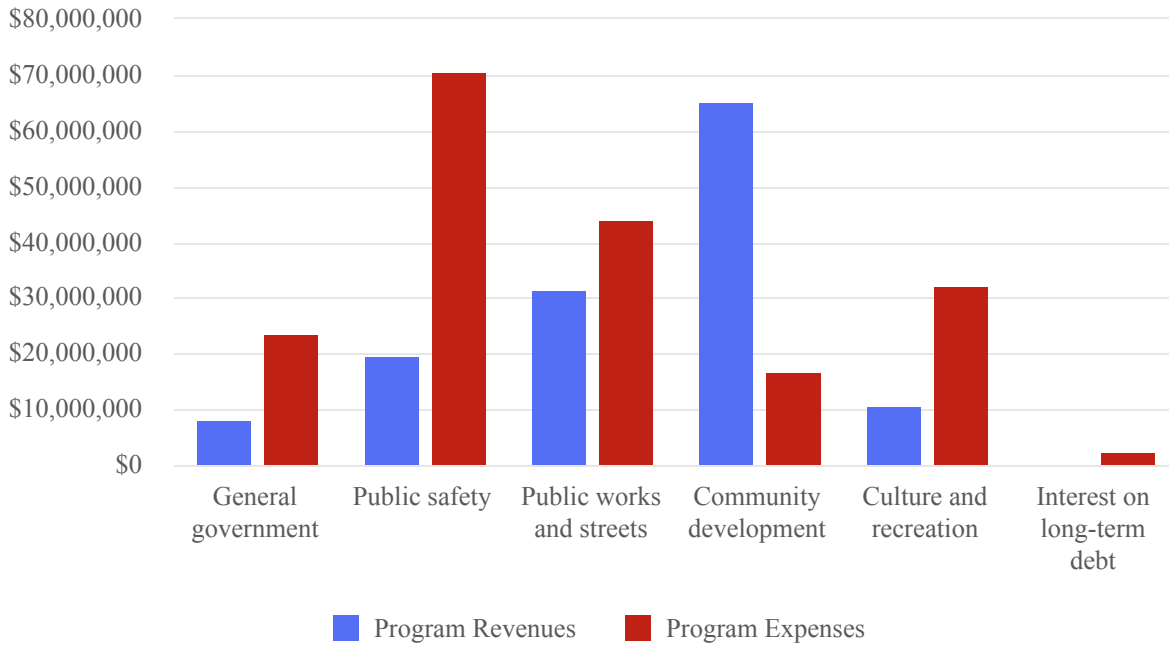
Net position is a good indicator of a city's overall financial standing. For fiscal year 2022, the City had total combined net position of \$1,161.5 million. This was an increase of \$145.8 million, or 14.4% over the prior year's net position of \$1,015.7 million. The increase is attributed to continued economic strength, population growth, and capital grants and contributions.

Not all of the \$1,161.5 million is available for the City to use without restraint. The largest portion of the City's total net position, \$889.1 million, or 76.5%, represents the City's net investment in capital assets. Of the remaining net position, \$51.7 million is restricted for various purposes with the remaining \$220.7 million unrestricted as to its use.

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|-------------------------------------|-------------------------|----------|--------------------------|----------|--------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 41.2 | \$ 34.8 | \$ 64.4 | \$ 60.4 | \$ 105.6 | \$ 95.2 |
| Operating grants and contributions | 25.2 | 22.7 | — | — | 25.2 | 22.7 |
| Capital grants and contributions | 68.6 | 92.2 | 22.9 | 46.9 | 91.5 | 139.1 |
| General Revenues: | | | | | | |
| Property taxes | 19.3 | 17.7 | — | — | 19.3 | 17.7 |
| Sales taxes | 103.4 | 90.6 | — | — | 103.4 | 90.6 |
| Franchise taxes | 6.4 | 5.7 | — | — | 6.4 | 5.7 |
| State shared revenues | 45.7 | 44.1 | — | — | 45.7 | 44.1 |
| Unrestricted investment earnings | (2.6) | 0.2 | (0.8) | 0.1 | (3.4) | 0.3 |
| Other | 1.4 | 1.0 | 0.3 | 0.2 | 1.7 | 1.2 |
| Total revenues | 308.7 | 309.1 | 86.7 | 107.6 | 395.4 | 416.7 |
| EXPENSES | | | | | | |
| Program activities: | | | | | | |
| Governmental activities: | | | | | | |
| General government | 23.5 | 27.7 | — | — | 23.5 | 27.7 |
| Public Safety | 70.5 | 66.4 | — | — | 70.5 | 66.4 |
| Public works and streets | 44.1 | 39.7 | — | — | 44.1 | 39.7 |
| Community development | 16.8 | 11.6 | — | — | 16.8 | 11.6 |
| Culture and recreation | 32.1 | 29.2 | — | — | 32.1 | 29.2 |
| Interest on long-term debt | 2.5 | 2.7 | — | — | 2.5 | 2.7 |
| Business-type activities: | | | | | | |
| Ground Ambulance Services | — | — | 5.6 | 4.7 | 5.6 | 4.7 |
| Water | — | — | 16.3 | 19.0 | 16.3 | 19.0 |
| Sewer | — | — | 26.4 | 24.7 | 26.4 | 24.7 |
| Sanitation | — | — | 10.5 | 7.7 | 10.5 | 7.7 |
| Stormwater | — | — | 1.3 | 1.2 | 1.3 | 1.2 |
| Total expenses | 189.5 | 177.3 | 60.0 | 57.3 | 249.5 | 234.6 |
| Excess before transfers | 119.1 | 131.7 | 26.7 | 50.4 | 145.8 | 182.1 |
| Transfers in (out) | 0.7 | 1.4 | (0.7) | (1.4) | — | — |
| Increase/(Decrease) in net position | 119.8 | 133.2 | 26.0 | 48.9 | 145.8 | 182.1 |
| Net position - beginning | 618.4 | 485.2 | 397.3 | 348.4 | 1,015.7 | 833.6 |
| Net position - ending | \$ 738.2 | \$ 618.4 | \$ 423.3 | \$ 397.3 | \$ 1,161.5 | \$ 1,015.7 |

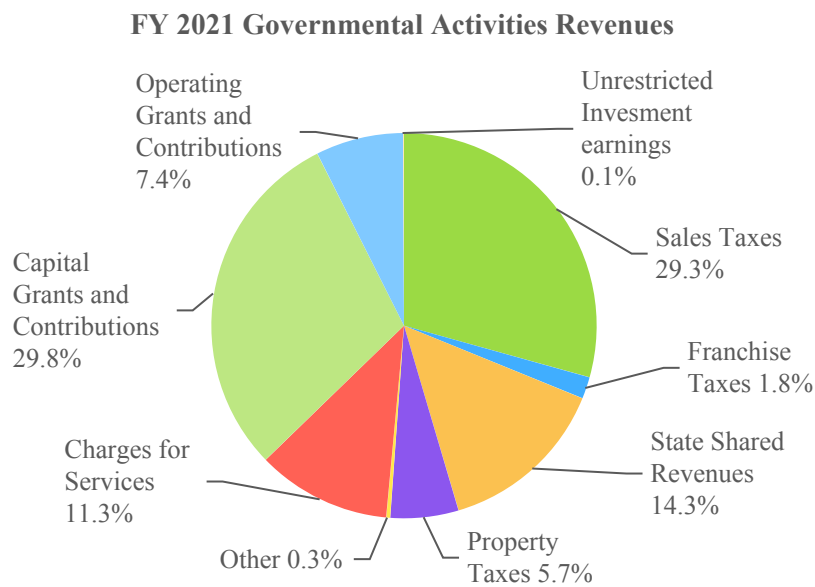
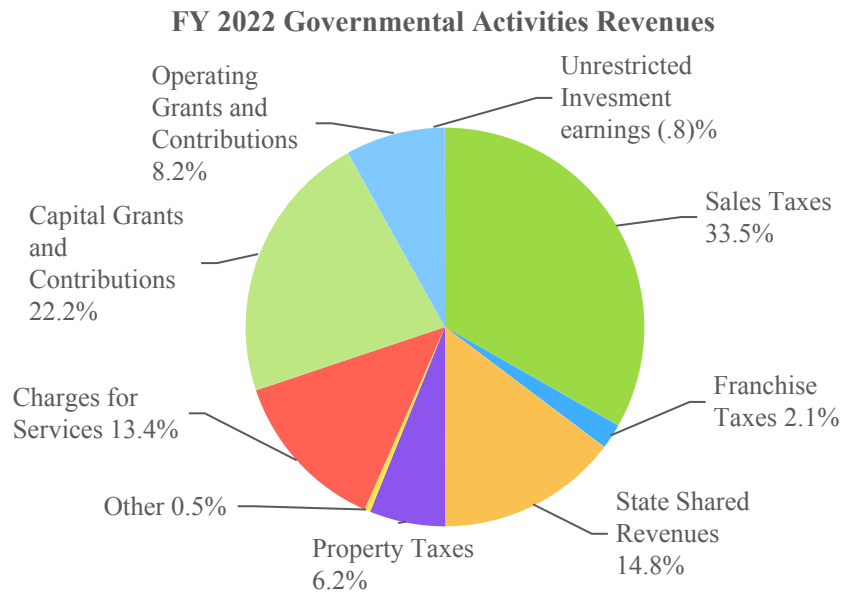
FY 2022 Governmental Activities Program Revenues and Expenses



For fiscal year 2022, governmental activities program expenses exceeded program specific revenues by \$54.5 million. The remaining expenses were supported by general governmental revenues.

- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 43.8% 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.

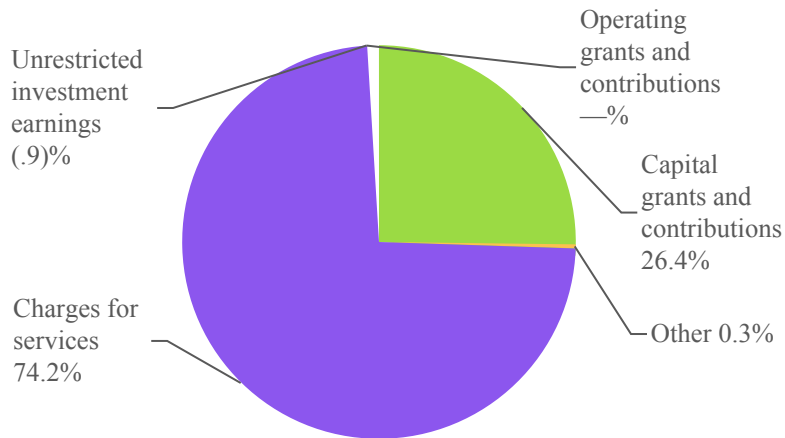
Governmental Activities revenues for the fiscal year ended June 30, 2022 totaled \$308.7 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.



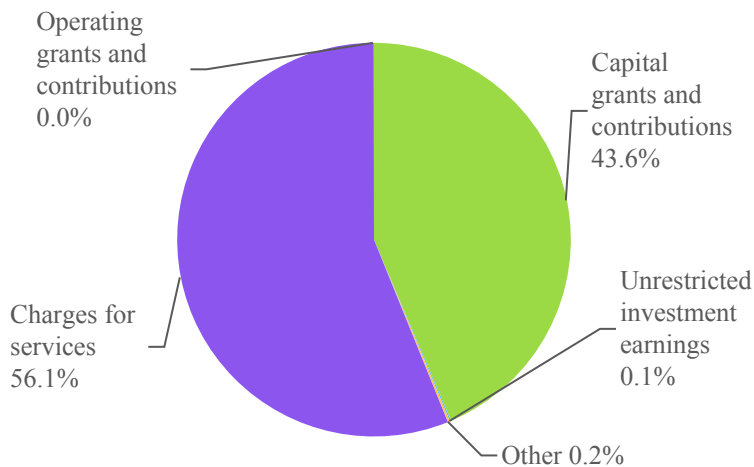
- ❖ The City’s largest revenue source is sales tax revenue at \$103.4 million, followed by capital grants and contributions totaling \$68.6 million. Total governmental activities revenues decreased \$0.4 million from the prior year as a result of the following changes in revenue: Charges for services increased \$6.4 million, local sales taxes increased \$12.8 million due to local economic and population growth, State shared revenues also increased \$1.6 million from continued state economic growth, and capital grants and contributions decreased \$23.6 million from developer donated infrastructure in prior year.

Business-Type Activities revenues for the fiscal year ended June 30, 2022 totaling \$86.7 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

FY 2022 Business-Type Activities Revenues

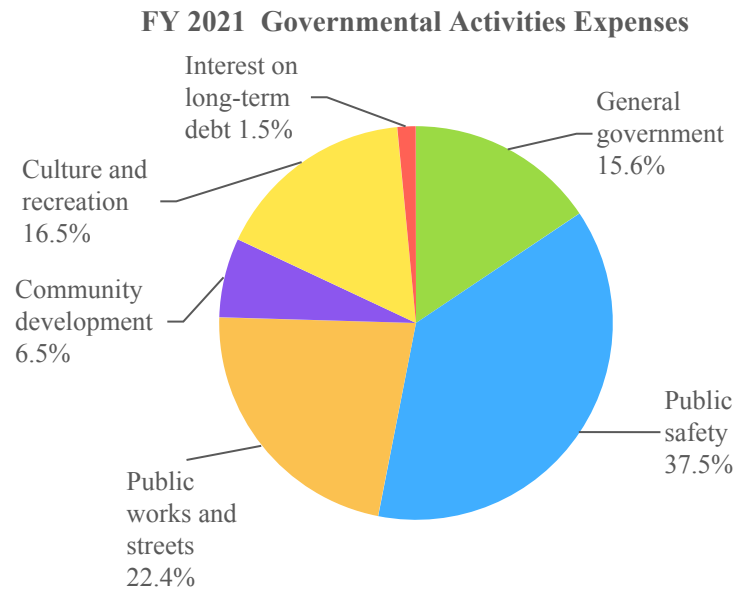


FY 2021 Business-Type Activities Revenues



- ❖ Total Business-Type Activities revenues decreased 19.5% or \$21.0 million from the prior fiscal year. Capital grants and contributions decreased by 51.3% or \$24.1 million due to a larger amount of developer donated infrastructure in the prior year. Charges for services increased by 6.6% or \$4.0 million from increase in customers due to population growth. In addition to growth, the sanitation fund had a \$0.10 rate increase effective July 1, 2021.

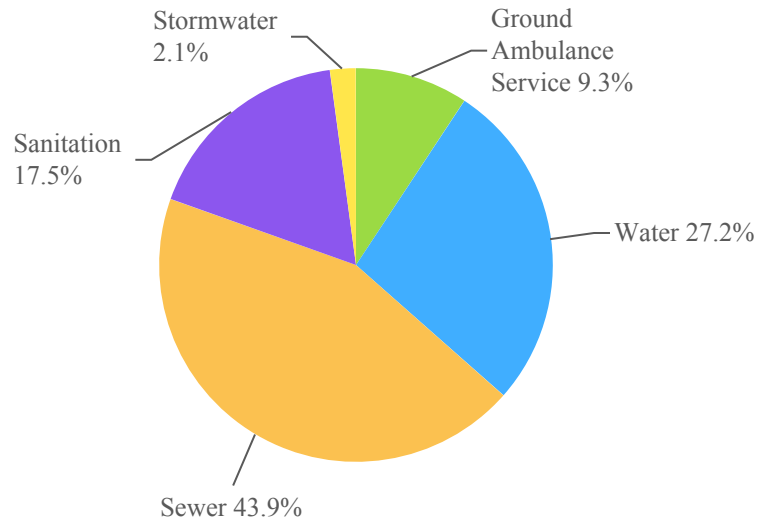
Governmental Activities expenses for the fiscal year ended June 30, 2022 totaled \$189.5 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



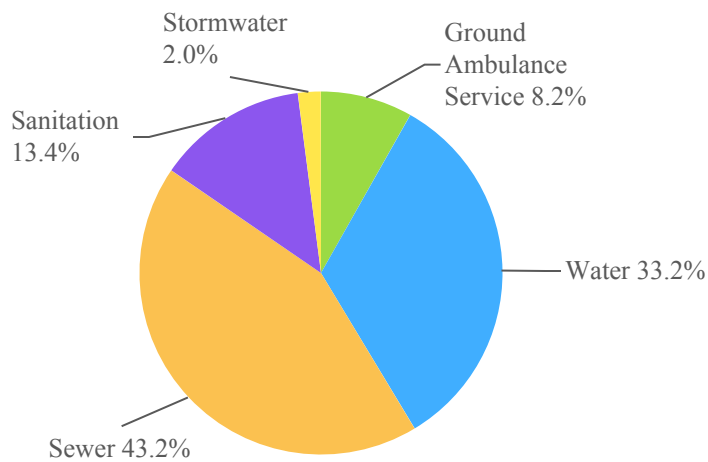
- ❖ Current year expenses increased by \$12.2 million or 6.9% as result of increases in personnel, supplies, and services. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at 37.2% or \$70.5 million.

Business-Type Activities expenses for the fiscal year ended June 30, 2022 totaled \$60.0 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

FY 2022 Business-Type Activities Expenses



FY 2021 Business-Type Activities Expenses



Business-Type Activities expenses increased by \$2.7 million or 4.8% from the prior year. The Sewer Fund mainly contributed to the increase in expense due to assuming operations and maintenance of a water reclamation facility, and an asset replacement project.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$57.4 million from \$200.2 million to \$257.6 million. The increase is attributed to continued economic strength, population growth, and grants. Of the total ending fund balance, \$2.2 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 \$39.2 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, \$45.0 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 \$108.7 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 \$62.4 million which can be used for any purpose.
 - The General Fund balance increased \$8.5 million. This change was the result of increases in property taxes, sales taxes, state shared revenues, intergovernmental revenues, grants and charges for services.
 - The General Capital Projects Fund balance increased \$35.0 million. This increase was due to a transfer of one-time revenue and savings from the General Fund.
 - The General Government Development Fee Fund contains \$4.4 million in advances from other funds and debt service obligations. The cash on hand in the fund is maintained to meet future debt service obligations in accordance with a settlement agreement. Any cash on hand in excess of the future debt service obligation shall be used to repay the advances from other funds.
 - The Transportation Improvement Fund balance increased \$5.1 million from \$13.2 million to \$18.3 million. This increase is the result of revenues exceeding expenditures.
 - The Nonmajor Governmental Funds fund balance increased \$7.4 million. The increase was due to an increase in taxes, intergovernmental revenues, and development fees.
- ❖ **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 \$138.8 million. Budget adjustments throughout the year resulted in total budgeted expenditures of \$142.6 million. The \$3.9 million budget increase is mainly related to Public Safety costs due to overtime, increase in supplies and services and vehicle purchases.
- ❖ Actual General Fund expenditures totaling \$132.9 million was \$9.8 million less than the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land and improvements | \$ 194.5 | \$ 146.6 | \$ 5.5 | \$ 5.3 | \$ 199.9 | \$ 151.9 |
| Parks | 8.6 | 8.6 | — | — | 8.6 | 8.6 |
| Water rights | — | — | 25.0 | 21.3 | 25.0 | 21.3 |
| Construction in progress | 5.7 | 16.6 | 9.6 | 4.5 | 15.3 | 21.1 |
| Buildings and improvements | 144.9 | 136.8 | 296.0 | 294.3 | 440.8 | 431.0 |
| Improvements other than buildings | 21.5 | 22.4 | 9.1 | 8.3 | 30.6 | 30.7 |
| Equipment and vehicles | 22.5 | 19.6 | 13.0 | 14.7 | 35.6 | 34.4 |
| Intangibles | 4.8 | 5.9 | 0.0 | 0.1 | 4.8 | 6.0 |
| Infrastructure | 226.5 | 221.5 | — | — | 226.5 | 221.5 |
| Lease assets | 5.7 | 4.9 | — | — | 5.7 | 4.9 |
| Total capital assets, net | <u>\$ 634.7</u> | <u>\$ 582.9</u> | <u>\$ 358.1</u> | <u>\$ 348.5</u> | <u>\$ 992.8</u> | <u>\$ 931.4</u> |

The capital assets of the Governmental Activities increased by \$51.7 million from the prior fiscal year, net of depreciation (\$81.1 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2022 were the result of:
 - Implementation of GASB 87 where certain leases previously recorded only when cash was received/paid, are now recorded as right-to-use capital assets.
 - Current year depreciation expense of \$30.9 million
 - Capital contributions made to the City by developers
 - \$44.8 million – right-of ways
 - \$13.9 million – streets infrastructure
- ❖ Governmental Activities construction in progress includes:
 - \$1.7 million – Sweetwater Avenue (Sarival Av. to L303)
 - \$1.3 million – Regional Communications Tower #1
 - \$0.8 million – Countryside Park

The capital assets of the Business-Type Activities funds increased by \$9.7 million from the prior fiscal year, net of depreciation (\$23.5 million increase before depreciation).

- ❖ Changes to the Business-Type Activities capital assets for fiscal year 2022 were the result of:
 - Current year depreciation expense of \$15.4 million.
 - Capital contributions made to the City by developers. The assets donated consisted primarily of water, sewer, and stormwater improvements.
 - \$4.9 million – Water lines
 - \$5.3 million – Sewer lines
 - \$3.0 million – Stormwater drains
- ❖ Business-Type Activities construction in progress includes:
 - \$4.8 million – South Plant Operations Building Remodel
 - \$1.1 million – SPA1 Recharge Expansion
- ❖ For more detailed information on Capital Assets, see Note 4 of this report.

Outstanding Debt at Year-End (in Millions)

| | Governmental | | Business-Type | | Total | |
|---|----------------|----------------|----------------|----------------|-----------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| General obligations | \$ 46.6 | \$ 50.3 | \$ — | \$ — | \$ 46.6 | \$ 50.3 |
| Pledged revenue obligations | 15.4 | 18.3 | 1.6 | 2.4 | 17.0 | 20.8 |
| Senior lien utility system revenue refunding obligations | — | — | 24.5 | 25.8 | 24.5 | 25.8 |
| Community facilities district bonds | 18.4 | 18.9 | — | — | 18.4 | 18.9 |
| Community facilities district notes | 2.2 | 2.4 | — | — | 2.2 | 2.4 |
| Leases payable | 6.0 | 4.9 | — | — | 6.0 | 4.9 |
| Total debt outstanding | \$ 88.6 | \$ 94.8 | \$ 26.2 | \$ 28.2 | \$ 114.7 | \$ 123.0 |

- ❖ **Long-term debt**, including amounts due within one year, decreased \$8.2 million this year from \$123.0 million to \$114.7 million.
- ❖ For more detailed information on long-term debt, see Note 7 of this report.

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

The FY2021 budget was set flat to the FY2020 budget due to the financial uncertainty of national shutdowns caused by the COVID-19 global pandemic. The budget was set to provide flexibility as we monitored the economic state of our city; we were planning for the worst, but hopeful for the best. The financial outlook was surprisingly better than anticipated, and the contingency we built into the budget was utilized to implement the pre-Covid budget. This allowed us to keep up with the growing needs of our city, adding public safety funding and setting aside one-time funds for Public Safety Pension debt, future land purchases, and park improvement and expansion projects.

While the national shutdown impacted the city's non-essential amenities, we continued to provide essential services to our residents such as fire, police, and utilities. The city experienced several areas of revenue loss, but also adapted quickly to cut expenses to ensure a balanced budget.

The economic position coming out of the global pandemic was one of optimism as the City adjusted to the new normal.. Commercial and residential development did not slow down during the pandemic, which brought in one-time revenues above the FY2021 and FY2022 adopted budget.

These have combined to result in a 14.1% increase in sales tax collections while state shared sales tax revenues increased by 3.6% over the previous year. The population and commercial square footage growth has been a factor in the improved economic performance for the city.

- ❖ **Revenues are expected to decrease slightly** – Revenues are estimated to increase due to population growth and a strengthening local economy.
- ❖ **Personnel increase** – For the FY2023 budget, city employees received merit/step increases of 1.5% and COLA increases of 6.0%. Further, increases in personnel costs are also attributable to new positions added to the budget.
- ❖ **Next year's budget** – Total budgeted expenditures for the City's FY2023 is \$734.6 million, a \$248.6 million increase over the FY2022 adopted budgeted of \$485.9 million.

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**



SURPRISE

ARIZONA



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The third subsection is comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. The first component is comprised of the government-wide financial statements. These financial statements incorporate all of the City's governmental and business-type activities. The business-type activities are financed in whole or in part by fees charged to external parties for goods or services. There are two basic government-wide financial statements: the statement of net position and the statement of activities.

City of Surprise, Arizona
Statement of Net Position
June 30, 2022

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 262,188,479 | \$ 77,540,334 | \$ 339,728,813 |
| Restricted cash and investments | 27,127,931 | 15,196,496 | 42,324,427 |
| Receivables (net of allowances): | | | |
| Accounts | 261,746 | 8,088,039 | 8,349,785 |
| Taxes and franchise fees | 15,747,626 | — | 15,747,626 |
| Grants | 2,765,096 | — | 2,765,096 |
| Intergovernmental | 1,164,905 | — | 1,164,905 |
| Leases | 375,652 | — | 375,652 |
| Other | 2,519,788 | 887,612 | 3,407,400 |
| Prepaid items and other assets | 323,219 | 285,490 | 608,709 |
| Inventory | 1,869,089 | 3,502,021 | 5,371,110 |
| Internal balances | (8,134,609) | 8,134,609 | — |
| Total current assets | <u>306,208,922</u> | <u>113,634,601</u> | <u>419,843,523</u> |
| Noncurrent assets: | | | |
| Equity interest in joint venture | 904,430 | — | 904,430 |
| Net other postemployment benefits asset (OPEB) | 2,225,200 | 435,496 | 2,660,696 |
| Leases receivable | 18,532,862 | — | 18,532,862 |
| Capital assets, non-depreciable | 208,798,434 | 40,051,195 | 248,849,629 |
| Capital assets, depreciable | 866,443,150 | 487,058,388 | 1,353,501,538 |
| Accumulated depreciation/amortization | (440,563,909) | (168,963,240) | (609,527,149) |
| Total noncurrent assets | <u>656,340,167</u> | <u>358,581,839</u> | <u>1,014,922,006</u> |
| Total assets | <u>962,549,089</u> | <u>472,216,440</u> | <u>1,434,765,529</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources - pension related | 32,105,196 | 3,203,531 | 35,308,727 |
| Deferred outflows of resources - OPEB related | 377,385 | 77,943 | 455,328 |
| Total deferred outflows of resources | <u>32,482,581</u> | <u>3,281,474</u> | <u>35,764,055</u> |
| Total assets and deferred outflows of resources | <u>995,031,670</u> | <u>475,497,914</u> | <u>1,470,529,584</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 7,117,562 | 2,288,926 | 9,406,488 |
| Accrued payroll and related taxes | 5,435,996 | 796,794 | 6,232,790 |
| Deposits | 401,803 | 422,121 | 823,924 |
| Unearned revenues | 1,386,117 | 518,756 | 1,904,873 |
| Other liabilities | 39,115 | — | 39,115 |
| Matured bond and loan interest payable | 1,556,560 | 612,226 | 2,168,786 |
| Matured bond and loans payable | 6,712,275 | 1,727,725 | 8,440,000 |
| Total current liabilities | <u>\$ 22,649,428</u> | <u>\$ 6,366,548</u> | <u>\$ 29,015,976</u> |

See accompanying Notes to Financial Statements

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|------------------------|
| | Governmental Activities | Business-type Activities | Total |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Contracts payable | \$ 10,564,891 | \$ 1,545,926 | \$ 12,110,817 |
| Compensated absences payable | 3,643,337 | 514,439 | 4,157,776 |
| Bonds, loans and payables | 7,155,056 | 1,812,513 | 8,967,569 |
| Claims payable | 2,393,136 | — | 2,393,136 |
| Due in more than one year: | | | |
| Contracts payable | — | 1,023,887 | 1,023,887 |
| Compensated absences payable | 5,698,554 | 804,634 | 6,503,188 |
| Bonds, loans and payables | 81,404,928 | 24,345,438 | 105,750,366 |
| Claims payable | 534,030 | — | 534,030 |
| Net pension liability | 74,053,809 | 11,553,277 | 85,607,086 |
| Net OPEB liability | 60,858 | 18,013 | 78,871 |
| Total noncurrent liabilities | <u>185,508,599</u> | <u>41,618,127</u> | <u>227,126,726</u> |
| Total liabilities | <u>208,158,027</u> | <u>47,984,675</u> | <u>256,142,702</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pension related | 27,836,884 | 3,878,815 | 31,715,699 |
| Deferred inflows of resources - OPEB related | 2,206,922 | 373,957 | 2,580,879 |
| Deferred inflows of resources - lease related | 18,596,934 | — | 18,596,934 |
| Total deferred inflows of resources | <u>48,640,740</u> | <u>4,252,772</u> | <u>52,893,512</u> |
| Total liabilities and deferred inflows of resources | <u>256,798,767</u> | <u>52,237,447</u> | <u>309,036,214</u> |
| NET POSITION | | | |
| Net investment in capital assets | 557,077,466 | 331,988,392 | 889,065,858 |
| Restricted for: | | | |
| Capital projects | 4,390,496 | 12,396,990 | 16,787,486 |
| Court | 474,574 | — | 474,574 |
| Debt service | 646,268 | 11,380 | 657,648 |
| Economic development | 12,655 | — | 12,655 |
| Fire-Medical | 11,632,684 | — | 11,632,684 |
| Human services and community vitality | 36,530 | — | 36,530 |
| Parks and recreation | 8,903,202 | — | 8,903,202 |
| Police | 7,084,014 | — | 7,084,014 |
| Public works | 582,979 | — | 582,979 |
| Transportation | 5,544,456 | — | 5,544,456 |
| Unrestricted | 141,847,579 | 78,863,705 | 220,711,284 |
| Total net position | <u>\$ 738,232,903</u> | <u>\$ 423,260,467</u> | <u>\$1,161,493,370</u> |

City of Surprise, Arizona
Statement of Activities
For the Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|-----------------------|-----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 23,540,312 | \$ 7,074,743 | \$ 60,998 | \$ 954,958 |
| Public safety | 70,506,625 | 2,715,939 | 11,705,891 | 5,153,528 |
| Public works and streets | 44,050,913 | 6,154,286 | 11,461,412 | 13,893,437 |
| Community development | 16,842,667 | 20,408,874 | 5,000 | 44,849,980 |
| Culture and recreation | 32,115,378 | 4,887,693 | 2,002,319 | 3,727,038 |
| Interest on long-term debt | 2,471,982 | — | — | — |
| Total governmental activities | <u>189,527,877</u> | <u>41,241,535</u> | <u>25,235,620</u> | <u>68,578,941</u> |
| Business-type activities: | | | | |
| Ground ambulance services | 5,577,280 | 5,929,650 | — | — |
| Water | 16,337,896 | 21,541,940 | — | 11,886,659 |
| Sewer | 26,366,082 | 21,257,199 | — | 7,957,035 |
| Sanitation | 10,463,274 | 13,054,015 | — | — |
| Stormwater | 1,269,792 | 2,579,333 | — | 3,029,305 |
| Total business-type activities | <u>60,014,324</u> | <u>64,362,137</u> | <u>—</u> | <u>22,872,999</u> |
| Total primary government | <u>\$ 249,542,201</u> | <u>\$ 105,603,672</u> | <u>\$ 25,235,620</u> | <u>\$ 91,451,940</u> |

General revenues:
Property taxes
Sales taxes
Franchise taxes
Unrestricted State shared revenues
Unrestricted investment earnings
Other
Transfers
Total general revenues 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 |
|------------------------------------|-------------------------------------|-------------------------|
| \$ (15,449,613) | \$ — | \$ (15,449,613) |
| (50,931,267) | — | (50,931,267) |
| (12,541,778) | — | (12,541,778) |
| 48,421,187 | — | 48,421,187 |
| (21,498,328) | — | (21,498,328) |
| (2,471,982) | — | (2,471,982) |
| <u>(54,471,781)</u> | <u>—</u> | <u>(54,471,781)</u> |
| — | 352,370 | 352,370 |
| — | 17,090,703 | 17,090,703 |
| — | 2,848,152 | 2,848,152 |
| — | 2,590,741 | 2,590,741 |
| — | 4,338,846 | 4,338,846 |
| — | 27,220,812 | 27,220,812 |
| <u>(54,471,781)</u> | <u>27,220,812</u> | <u>(27,250,969)</u> |
| 19,263,163 | — | 19,263,163 |
| 103,406,232 | — | 103,406,232 |
| 6,424,278 | — | 6,424,278 |
| 45,691,294 | — | 45,691,294 |
| (2,591,655) | (821,961) | (3,413,616) |
| 1,420,878 | 282,092 | 1,702,970 |
| 702,041 | (702,041) | — |
| <u>174,316,231</u> | <u>(1,241,910)</u> | <u>173,074,321</u> |
| 119,844,450 | 25,978,902 | 145,823,352 |
| 618,388,453 | 397,281,565 | 1,015,670,018 |
| <u>\$ 738,232,903</u> | <u>\$ 423,260,467</u> | <u>\$ 1,161,493,370</u> |



SURPRISE

ARIZONA



**FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS
FUND 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.

City of Surprise, Arizona
 Balance Sheet
 Governmental Funds
 June 30, 2022

| | General Fund | General Capital Projects Fund | General Government Development Fee Fund |
|---|-----------------------|--|--|
| ASSETS | | | |
| Cash and investments | \$ 107,577,757 | \$ 83,179,681 | \$ 733,370 |
| Restricted cash and investments | 11,814,179 | 4,932,982 | — |
| Receivables (net of allowances): | | | |
| Accounts | 261,746 | — | — |
| Taxes and franchise fees | 15,588,580 | — | — |
| Grants | 2,227,008 | — | — |
| Intergovernmental | 92,378 | — | — |
| Leases | 16,637,059 | — | — |
| Due from other funds | 330,307 | — | — |
| Other | 635,828 | — | — |
| Prepaid items and other assets | 310,573 | 6,435 | — |
| Inventory | 1,295,793 | 177,877 | — |
| Total assets | <u>\$ 156,771,208</u> | <u>\$ 88,296,975</u> | <u>\$ 733,370</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 2,623,660 | \$ 2,215,868 | \$ — |
| Accrued payroll and related taxes | 5,123,833 | — | — |
| Due to other funds | — | — | — |
| Deposits | 349,126 | — | — |
| Unearned revenue | 1,000,702 | — | — |
| Contracts payable | 10,421,870 | — | — |
| Other liabilities | 37,619 | — | — |
| Matured bond interest payable | — | — | — |
| Matured bonds and notes payable | — | — | — |
| Advances from other funds | — | — | 4,418,040 |
| Total liabilities | <u>19,556,810</u> | <u>2,215,868</u> | <u>4,418,040</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - unavailable revenue | 210,568 | — | — |
| Deferred inflows - leases | 16,376,834 | — | — |
| Total deferred inflow of resources | <u>16,587,402</u> | <u>—</u> | <u>—</u> |
| Total liabilities and deferred inflows of resources | <u>36,144,212</u> | <u>2,215,868</u> | <u>4,418,040</u> |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | 1,606,366 | 184,312 | — |
| Restricted | 419,863 | 4,390,496 | — |
| Committed | 25,185,400 | — | — |
| Assigned | 27,234,620 | 81,506,299 | — |
| Unassigned | 66,180,747 | — | (3,684,670) |
| Total fund balances (deficits) | <u>120,626,996</u> | <u>86,081,107</u> | <u>(3,684,670)</u> |
| Total liabilities, deferred inflows and fund balances (deficits) | <u>\$ 156,771,208</u> | <u>\$ 88,296,975</u> | <u>\$ 733,370</u> |

See accompanying Notes to Financial Statements

| Highway User Revenue Fund | Transportation Improvement Fund | Debt Service Fund | Total Nonmajor Funds | Total Governmental Funds |
|---------------------------|---------------------------------|---------------------|----------------------|--------------------------|
| \$ 4,863,777 | \$ 18,602,758 | \$ — | \$ 29,322,130 | \$ 244,279,473 |
| 45,459 | 99,024 | 7,304,965 | 2,931,322 | 27,127,931 |
| — | — | — | — | 261,746 |
| — | — | 102,587 | 56,459 | 15,747,626 |
| — | — | — | 538,088 | 2,765,096 |
| 1,072,527 | — | — | — | 1,164,905 |
| — | — | — | 2,271,455 | 18,908,514 |
| — | — | — | — | 330,307 |
| — | 659,179 | — | 188,415 | 1,483,422 |
| — | — | — | 2,834 | 319,842 |
| 385,991 | — | — | 9,428 | 1,869,089 |
| <u>\$ 6,367,754</u> | <u>\$ 19,360,961</u> | <u>\$ 7,407,552</u> | <u>\$ 35,320,131</u> | <u>\$ 314,257,951</u> |
| \$ 339,998 | \$ 953,512 | \$ 354 | \$ 839,381 | \$ 6,972,773 |
| 167,762 | — | — | 119,689 | 5,411,284 |
| — | — | — | 330,307 | 330,307 |
| — | 52,215 | — | 462 | 401,803 |
| 2,000 | — | — | 383,415 | 1,386,117 |
| 43,459 | 46,809 | — | 52,753 | 10,564,891 |
| — | — | — | — | 37,619 |
| — | — | 1,225,396 | 331,164 | 1,556,560 |
| — | — | 6,077,275 | 635,000 | 6,712,275 |
| — | — | — | — | 4,418,040 |
| <u>553,219</u> | <u>1,052,536</u> | <u>7,303,025</u> | <u>2,692,171</u> | <u>37,791,669</u> |
| — | — | 40,386 | 29,426 | 280,380 |
| — | — | — | 2,220,100 | 18,596,934 |
| — | — | 40,386 | 2,249,526 | 18,877,314 |
| <u>553,219</u> | <u>1,052,536</u> | <u>7,343,411</u> | <u>4,941,697</u> | <u>56,668,983</u> |
| 385,991 | — | — | 12,262 | 2,188,931 |
| 5,428,544 | — | 64,141 | 28,936,055 | 39,239,099 |
| — | 18,308,425 | — | 1,526,846 | 45,020,671 |
| — | — | — | — | 108,740,919 |
| — | — | — | (96,729) | 62,399,348 |
| <u>5,814,535</u> | <u>18,308,425</u> | <u>64,141</u> | <u>30,378,434</u> | <u>257,588,968</u> |
| <u>\$ 6,367,754</u> | <u>\$ 19,360,961</u> | <u>\$ 7,407,552</u> | <u>\$ 35,320,131</u> | <u>\$ 314,257,951</u> |



SURPRISE

ARIZONA

City of Surprise, Arizona

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2022

| | | |
|---|----------------------|------------------------------|
| Fund balances - total governmental funds | | \$ 257,588,968 |
| 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 | 1,075,241,584 | |
| Less accumulated depreciation | <u>(440,563,909)</u> | |
| | | 634,677,675 |
| Some revenues will not be available to pay for current-period expenditures and, therefore, are unavailable in the funds. | | |
| | | 280,380 |
| 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) | 12,135,513 | |
| Net pension liability | (388,506) | |
| Deferred outflows | 100,806 | |
| Deferred inflows | (125,876) | |
| Compensated absences payable | (50,811) | |
| Net OPEB asset | 14,711 | |
| Net OPEB asset/liability deferred outflows | 2,613 | |
| Net OPEB asset/liability deferred inflows | (12,451) | |
| Net OPEB liability | <u>(616)</u> | |
| | | 11,675,383 |
| 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 | 32,004,390 | |
| Deferred inflows of resources related to pensions | <u>(27,711,008)</u> | |
| | | 4,293,382 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Bonds payable | (77,658,677) | |
| Leases payable | (6,026,793) | |
| Interest payable | (1,496) | |
| Issuance premium (to be amortized as interest expense) | (4,874,514) | |
| Net pension liability | (73,665,303) | |
| Compensated absences payable | (9,291,080) | |
| Net OPEB asset | 2,210,489 | |
| Net OPEB liability | <u>(60,242)</u> | |
| | | (169,367,616) |
| The equity interest in the joint venture, Regional Wireless Cooperative, is not a financial resource and, therefore, is not reported in the funds. | | |
| | | 904,430 |
| 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 | 374,772 | |
| Deferred inflows of resources related to OPEB | <u>(2,194,471)</u> | |
| | | (1,819,699) |
| Net position of governmental activities | | <u><u>\$ 738,232,903</u></u> |

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, 2022

| | General Fund | General Capital Projects Fund | General Government Development Fee Fund |
|---|-----------------------|--|--|
| REVENUES | | | |
| Taxes | \$ 85,463,638 | \$ 15,954,824 | \$ — |
| Licenses and permits | 6,314,397 | 640,001 | — |
| Intergovernmental revenues | 46,912,312 | — | — |
| Charges for services | 28,805,039 | 20,638 | — |
| Grants revenue | 10,027,733 | — | — |
| Fines | 998,737 | — | — |
| Rents | 638,891 | — | — |
| Development fees | — | — | 954,957 |
| Interest revenue | (1,393,544) | (577,634) | — |
| Donations | 85,090 | — | — |
| Indirect charges | 6,254,474 | — | — |
| Other revenue | 556,047 | — | — |
| Total revenues | <u>184,662,814</u> | <u>16,037,829</u> | <u>954,957</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 22,359,655 | 106,743 | — |
| Public safety | 69,307,287 | 143,094 | — |
| Public works and streets | 9,703,931 | 48,916 | — |
| Community development | 14,323,167 | 98,716 | — |
| Culture and recreation | 15,861,384 | 2,806,910 | — |
| Debt service: | | | |
| Administrative charges | — | — | — |
| Principal retirement | 30,753 | — | — |
| Interest | 5,618 | — | — |
| Capital outlay | 1,285,251 | 17,417,019 | — |
| Total expenditures | <u>132,877,046</u> | <u>20,621,398</u> | <u>—</u> |
| Excess (deficiency) of revenues over expenditures | <u>51,785,768</u> | <u>(4,583,569)</u> | <u>954,957</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | 166,226 | — | — |
| Transfers in | 1,643,618 | 39,445,800 | — |
| Transfers out | (45,794,128) | (69,400) | (366,633) |
| Issuance of debt | — | — | — |
| Premium on debt issuance | — | — | — |
| Lease agreements | 500,914 | — | — |
| Total other financing sources (uses) | <u>(43,483,370)</u> | <u>39,376,400</u> | <u>(366,633)</u> |
| Net change in fund balances | 8,302,398 | 34,792,831 | 588,324 |
| Fund balances - beginning | 112,127,417 | 51,110,399 | (4,272,994) |
| Increase (decrease) in inventories | 197,181 | 177,877 | — |
| Fund balances (deficits) - ending | <u>\$ 120,626,996</u> | <u>\$ 86,081,107</u> | <u>\$ (3,684,670)</u> |

See accompanying Notes to Financial Statements

| Highway User Revenue Fund | Transportation Improvement Fund | Debt Service Fund | Total Nonmajor Funds | Total Governmental Funds |
|----------------------------------|--|--------------------------|-----------------------------|---------------------------------|
| \$ — | \$ 10,878,289 | \$ 5,089,127 | \$ 5,286,981 | \$ 122,672,859 |
| — | — | — | — | 6,954,398 |
| 10,538,762 | — | — | 1,223,112 | 58,674,186 |
| 7,500 | — | — | 1,843,649 | 30,676,826 |
| 461,310 | — | — | 3,131,024 | 13,620,067 |
| — | — | — | 505,638 | 1,504,375 |
| — | — | — | 478,734 | 1,117,625 |
| — | — | — | 8,880,566 | 9,835,523 |
| (47,152) | (173,473) | (86,403) | 11,071 | (2,267,135) |
| — | — | — | 2,400 | 87,490 |
| — | — | — | — | 6,254,474 |
| 1,059 | 659,179 | — | 34,693 | 1,250,978 |
| <u>10,961,479</u> | <u>11,363,995</u> | <u>5,002,724</u> | <u>21,397,868</u> | <u>250,381,666</u> |
| 142,912 | — | — | 216,078 | 22,825,388 |
| — | — | — | 1,028,913 | 70,479,294 |
| 8,639,671 | 2,933,348 | — | 394,051 | 21,719,917 |
| — | — | — | 2,374,050 | 16,795,933 |
| — | — | — | 7,738,518 | 26,406,812 |
| — | — | 2,404 | 600 | 3,004 |
| 2,814 | — | 6,077,275 | 670,396 | 6,781,238 |
| 83 | — | 2,450,792 | 670,348 | 3,126,841 |
| 1,260,853 | 3,476,923 | — | 3,477,755 | 26,917,801 |
| <u>10,046,333</u> | <u>6,410,271</u> | <u>8,530,471</u> | <u>16,570,709</u> | <u>195,056,228</u> |
| 915,146 | 4,953,724 | (3,527,747) | 4,827,159 | 55,325,438 |
| 69,000 | — | — | — | 235,226 |
| — | 200,000 | 3,433,861 | 3,545,604 | 48,268,883 |
| — | (56,900) | — | (1,715,160) | (48,002,221) |
| — | — | — | — | — |
| — | — | — | — | — |
| — | — | — | 724,423 | 1,225,337 |
| <u>69,000</u> | <u>143,100</u> | <u>3,433,861</u> | <u>2,554,867</u> | <u>1,727,225</u> |
| 984,146 | 5,096,824 | (93,886) | 7,382,026 | 57,052,663 |
| 4,823,121 | 13,211,601 | 158,027 | 22,997,018 | 200,154,589 |
| 7,268 | — | — | (610) | 381,716 |
| <u>\$ 5,814,535</u> | <u>\$ 18,308,425</u> | <u>\$ 64,141</u> | <u>\$ 30,378,434</u> | <u>\$ 257,588,968</u> |

City of Surprise, ArizonaReconciliation 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, 2022

| | | |
|---|---------------------|----------------------|
| Net change in fund balances - total governmental funds | | \$ 57,052,663 |
| 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 | 24,069,521 | |
| Less current year depreciation | <u>(30,861,981)</u> | (6,792,460) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. | | |
| Capital contributions | 58,743,417 | |
| Disposals of assets | <u>(201,525)</u> | 58,541,892 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| | | (361,594) |
| 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 | | 381,716 |
| 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 | 13,549,326 | |
| Pension expense | <u>(8,935,047)</u> | 4,614,279 |
| 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 | 656,355 | |
| Principal Paid | 6,781,238 | |
| Interest expense | (1,496) | |
| Lease proceeds | <u>(1,225,337)</u> | 6,210,760 |

See accompanying Notes to Financial Statements

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 | | (959,147) |
|----------------------------------|--|-----------|

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) | 401,057 | |
| Transfers | 375,000 | |
| | | 776,057 |

| | | |
|--|--|----------|
| Change in equity interest in joint venture | | (64,905) |
|--|--|----------|

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 | 228,677 | |
| OPEB expense | 216,512 | |
| | | 445,189 |

| | | |
|--|--|-------------------------------------|
| Change in net position of governmental activities | | <u><u>\$ 119,844,450</u></u> |
|--|--|-------------------------------------|

City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2022

| | Business-Type Activities | | |
|--|--|-----------------------|-----------------------|
| | Ground Ambulance Service Fund | Water Fund | Sewer Fund |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 974,348 | \$ 35,849,575 | \$ 29,384,460 |
| Restricted cash and investments | — | 4,510,397 | 10,378,538 |
| Receivables (net of allowances): | | | |
| Accounts | 772,849 | 2,334,135 | 2,385,186 |
| Other | — | 887,612 | — |
| Other assets | — | 269,847 | 9,892 |
| Inventory | — | 2,614,046 | 594,768 |
| Total current assets | <u>1,747,197</u> | <u>46,465,612</u> | <u>42,752,844</u> |
| Noncurrent assets: | | | |
| Advances to other funds | — | — | 4,418,040 |
| Net OPEB asset | 94,158 | 104,061 | 125,216 |
| Capital assets, non depreciable | — | 29,690,605 | 9,383,639 |
| Capital assets, depreciable | 1,909,483 | 135,823,277 | 329,838,089 |
| Accumulated depreciation | (940,995) | (44,192,004) | (117,795,842) |
| Total noncurrent assets | <u>1,062,646</u> | <u>121,425,939</u> | <u>225,969,142</u> |
| Total assets | <u>2,809,843</u> | <u>167,891,551</u> | <u>268,721,986</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 864,445 | 713,099 | 858,068 |
| Deferred outflows related to OPEB | 17,314 | 18,483 | 22,241 |
| Total deferred outflows of resources | <u>881,759</u> | <u>731,582</u> | <u>880,309</u> |
| Total assets and deferred outflows of resources | <u>\$ 3,691,602</u> | <u>\$ 168,623,133</u> | <u>\$ 269,602,295</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 26,777 | \$ 1,262,593 | \$ 485,378 |
| Accrued payroll and related taxes | 200,745 | 181,579 | 211,782 |
| Deposits | — | 122,220 | 233,802 |
| Unearned revenue | — | — | 390,113 |
| Claims payable | — | — | — |
| Compensated absences payable, due in less than one year | 47,007 | 161,216 | 197,820 |
| Contracts payable | — | 733,454 | 812,472 |
| Matured bond interest payable | — | — | 612,226 |
| Matured bonds and loans payable | — | — | 1,727,725 |
| Bonds, loans and payables, due in less than one year | — | — | 1,812,513 |
| Advances from other funds | — | — | — |
| Total current liabilities | <u>274,529</u> | <u>2,461,062</u> | <u>6,483,831</u> |
| Noncurrent liabilities: | | | |
| Compensated absences payable, due in more than one year | 73,524 | 252,159 | 309,410 |
| Contracts payable, due in more than one year | — | 1,019,484 | 4,403 |
| Bonds, loans and payables, due in more than one year | — | — | 24,345,438 |
| Claims payable | — | — | — |
| Net pension liability | 2,538,498 | 2,748,266 | 3,306,972 |
| Net OPEB liability | 3,699 | 4,364 | 5,251 |
| Total noncurrent liabilities | <u>2,615,721</u> | <u>4,024,273</u> | <u>27,971,474</u> |
| Total liabilities | <u>2,890,250</u> | <u>6,485,335</u> | <u>34,455,305</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 958,012 | 890,443 | 1,071,464 |
| Deferred inflows related to OPEB | 85,083 | 88,067 | 105,970 |
| Total deferred inflows of resources | <u>1,043,095</u> | <u>978,510</u> | <u>1,177,434</u> |
| Total liabilities and deferred inflows of resources | <u>3,933,345</u> | <u>7,463,845</u> | <u>35,632,739</u> |
| NET POSITION | | | |
| Net investment in capital assets | 968,488 | 121,321,878 | 195,267,935 |
| Restricted for: | | | |
| Capital projects | — | 11,755,179 | 641,811 |
| Debt service | — | — | 11,380 |
| Unrestricted | (1,210,231) | 28,082,231 | 38,048,430 |
| Total net position | <u>\$ (241,743)</u> | <u>\$ 161,159,288</u> | <u>\$ 233,969,556</u> |
| Difference between business-type adjustments to assets and liabilities | | | |
| Net position of business-type activities | | | |

| Business-Type Activities | | | Governmental Activities |
|--------------------------|----------------------|------------------------|-------------------------|
| Sanitation Fund | Stormwater Fund | Total Enterprise Funds | Internal Service Funds |
| \$ 8,115,895 | \$ 3,216,056 | \$ 77,540,334 | \$ 17,909,006 |
| 152,168 | 155,393 | 15,196,496 | — |
| 1,544,160 | 1,051,709 | 8,088,039 | — |
| — | — | 887,612 | 1,036,366 |
| 4,371 | 1,380 | 285,490 | 3,377 |
| 293,207 | — | 3,502,021 | — |
| <u>10,109,801</u> | <u>4,424,538</u> | <u>105,499,992</u> | <u>18,948,749</u> |
| — | — | 4,418,040 | — |
| 94,456 | 17,605 | 435,496 | 14,711 |
| 87,321 | 889,630 | 40,051,195 | — |
| 11,244,682 | 8,242,857 | 487,058,388 | — |
| (5,517,073) | (517,326) | (168,963,240) | — |
| <u>5,909,386</u> | <u>8,632,766</u> | <u>362,999,879</u> | <u>14,711</u> |
| <u>16,019,187</u> | <u>13,057,304</u> | <u>468,499,871</u> | <u>18,963,460</u> |
| 647,280 | 120,639 | 3,203,531 | 100,806 |
| 16,778 | 3,127 | 77,943 | 2,613 |
| <u>664,058</u> | <u>123,766</u> | <u>3,281,474</u> | <u>103,419</u> |
| \$ 16,683,245 | \$ 13,181,070 | \$ 471,781,345 | \$ 19,066,879 |
| \$ 501,205 | \$ 12,973 | \$ 2,288,926 | \$ 144,789 |
| 171,276 | 31,412 | 796,794 | 24,712 |
| 66,097 | 2 | 422,121 | — |
| 86,071 | 42,572 | 518,756 | — |
| — | — | — | 2,393,136 |
| 106,266 | 2,130 | 514,439 | 19,816 |
| — | — | 1,545,926 | — |
| — | — | 612,226 | — |
| — | — | 1,727,725 | — |
| — | — | 1,812,513 | — |
| — | — | — | — |
| <u>930,915</u> | <u>89,089</u> | <u>10,239,426</u> | <u>2,582,453</u> |
| 166,210 | 3,331 | 804,634 | 30,995 |
| — | — | 1,023,887 | — |
| — | — | 24,345,438 | — |
| — | — | — | 534,030 |
| 2,494,601 | 464,940 | 11,553,277 | 388,506 |
| 3,961 | 738 | 18,013 | 616 |
| <u>2,664,772</u> | <u>469,009</u> | <u>37,745,249</u> | <u>954,147</u> |
| <u>3,595,687</u> | <u>558,098</u> | <u>47,984,675</u> | <u>3,536,600</u> |
| 808,255 | 150,641 | 3,878,815 | 125,876 |
| 79,939 | 14,898 | 373,957 | 12,451 |
| <u>888,194</u> | <u>165,539</u> | <u>4,252,772</u> | <u>138,327</u> |
| <u>4,483,881</u> | <u>723,637</u> | <u>52,237,447</u> | <u>3,674,927</u> |
| 5,814,930 | 8,615,161 | 331,988,392 | — |
| — | — | 12,396,990 | — |
| — | — | 11,380 | — |
| 6,384,434 | 3,842,272 | 75,147,136 | 15,391,952 |
| <u>\$ 12,199,364</u> | <u>\$ 12,457,433</u> | <u>\$ 419,543,898</u> | <u>\$ 15,391,952</u> |
| | | 3,716,569 | |
| | | <u>\$ 423,260,467</u> | |

City of Surprise, Arizona
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

| | Business-Type Activities | | |
|---|---|-----------------------|-----------------------|
| | Ground Ambulance Services Fund | Water Fund | Sewer Fund |
| OPERATING REVENUES | | | |
| Charges for services | \$ 3,053,657 | \$ 21,278,365 | \$ 21,012,778 |
| Other revenue | 2,875,993 | 373,567 | 256,421 |
| Total operating revenues | <u>5,929,650</u> | <u>21,651,932</u> | <u>21,269,199</u> |
| OPERATING EXPENSES | | | |
| Costs of sales and services | 4,617,812 | 10,093,036 | 12,868,338 |
| Personnel services | — | — | — |
| Contractual services, materials, and supplies | — | — | — |
| Insurance claims, premiums, and administrative expenses | — | — | — |
| Indirect costs | 723,828 | 1,781,746 | 1,619,971 |
| Depreciation | 240,762 | 4,080,322 | 9,618,036 |
| Total operating expenses | <u>5,582,402</u> | <u>15,955,104</u> | <u>24,106,345</u> |
| Operating income (loss) | <u>347,248</u> | <u>5,696,828</u> | <u>(2,837,146)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | (9,268) | (378,999) | (316,321) |
| Developer reimbursement | — | (459,754) | (1,555,105) |
| Gain\ (Loss) on disposal of capital assets | — | 12,575 | (43,554) |
| Amortization of bond premium | — | — | 309,604 |
| Interest and fiscal charges | — | — | (1,226,573) |
| Total nonoperating revenues (expenses) | <u>(9,268)</u> | <u>(826,178)</u> | <u>(2,831,949)</u> |
| Income (loss) before contributions and transfers | 337,980 | 4,870,650 | (5,669,095) |
| Transfers in | — | 1,486,801 | 441,684 |
| Transfers out | (2,609) | (594,210) | (2,121,212) |
| Capital contributions | — | 11,886,659 | 7,957,035 |
| Change in net position | <u>335,371</u> | <u>17,649,900</u> | <u>608,412</u> |
| Total net position - beginning | (577,114) | 143,509,388 | 233,361,144 |
| Total net position - ending | <u>\$ (241,743)</u> | <u>\$ 161,159,288</u> | <u>\$ 233,969,556</u> |

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 |
| \$ 12,993,085 | \$ 2,579,333 | \$ 60,917,218 | \$ 20,262,999 |
| 60,930 | 5,700 | 3,572,611 | 872,194 |
| 13,054,015 | 2,585,033 | 64,489,829 | 21,135,193 |
| 7,324,239 | 802,609 | 35,706,034 | — |
| — | — | — | 576,956 |
| — | — | — | 280,388 |
| — | — | — | 19,432,127 |
| 1,873,043 | 255,886 | 6,254,474 | — |
| 1,288,590 | 212,039 | 15,439,749 | — |
| 10,485,872 | 1,270,534 | 57,400,257 | 20,289,471 |
| 2,568,143 | 1,314,499 | 7,089,572 | 845,722 |
| (85,412) | (31,961) | (821,961) | (127,353) |
| — | — | (2,014,859) | — |
| 125,000 | — | 94,021 | — |
| — | — | 309,604 | — |
| — | — | (1,226,573) | — |
| 39,588 | (31,961) | (3,659,768) | (127,353) |
| 2,607,731 | 1,282,538 | 3,429,804 | 718,369 |
| 188,936 | 4,852 | 2,122,273 | 375,000 |
| (41,751) | (4,153) | (2,763,935) | — |
| — | 3,029,305 | 22,872,999 | — |
| 2,754,916 | 4,312,542 | 25,661,141 | 1,093,369 |
| 9,444,448 | 8,144,891 | 393,882,757 | 14,298,583 |
| \$ 12,199,364 | \$ 12,457,433 | \$ 419,543,898 | \$ 15,391,952 |
| | | 317,761 | |
| | | \$ 25,978,902 | |

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

| | Business-Type Activities | | |
|---|---|----------------------|----------------------|
| | Ground Ambulance Services Fund | Water Fund | Sewer Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ 4,498,269 | \$ 20,515,697 | \$ 20,785,933 |
| Cash receipts from interfund services provided | — | — | — |
| Payments to employees | (3,347,302) | (3,546,555) | (4,162,693) |
| Payments to suppliers | (1,743,355) | (12,335,276) | (10,778,436) |
| Payments for insurance claims and expenses | — | — | — |
| Other operating cash receipts | 817,924 | 373,567 | 256,421 |
| Net cash provided (used) by operating activities | <u>225,536</u> | <u>5,007,433</u> | <u>6,101,225</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Cash received from other governments | — | — | — |
| Cash received from other funds | (2,609) | — | — |
| Cash paid to other funds | — | (479,027) | (731,289) |
| Net cash provided (used) by noncapital financing activities | <u>(2,609)</u> | <u>(479,027)</u> | <u>(731,289)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds received from development fees | — | 6,813,548 | 2,632,662 |
| Principal and interest paid on bonds, loans and payables | — | — | (2,913,684) |
| Sale/Acquisition of capital assets | — | (5,933,559) | (3,988,129) |
| Developer reimbursements | — | (459,754) | (1,443,600) |
| Net cash provided (used) by capital and related financing activities | <u>—</u> | <u>420,235</u> | <u>(5,712,751)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash received from interest income/(loss) | (9,268) | (378,999) | (316,321) |
| Net cash provided (used) by investing activities | <u>(9,268)</u> | <u>(378,999)</u> | <u>(316,321)</u> |
| Net increase (decrease) in cash and cash equivalents | 213,659 | 4,569,642 | (659,136) |
| Balances - beginning of year | 760,689 | 35,790,330 | 40,422,134 |
| Balances - end of the year | <u>\$ 974,348</u> | <u>\$ 40,359,972</u> | <u>\$ 39,762,998</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income/(loss) | \$ 347,248 | \$ 5,696,828 | \$ (2,837,146) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 240,762 | 4,080,322 | 9,618,036 |
| Forgiveness of debt | (2,058,069) | — | — |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 1,444,612 | 89,106 | (207,434) |
| Other receivables | — | (813,267) | 15,994 |
| Other assets | 300 | 203,837 | 13,307 |
| Inventory | — | (2,084,994) | 97,662 |
| Accounts payable | (11,123) | (2,273,015) | (409,857) |
| Accrued payroll and related taxes | 52,291 | 45,039 | 30,563 |
| Deposits | — | 18,599 | (12,699) |
| Unearned revenue | — | (57,106) | (22,706) |
| Compensated absences | 26,137 | 89,740 | 47,851 |
| Net pension liability | 201,989 | 31,049 | (210,815) |
| Claims payable | — | — | — |
| Net OPEB asset/liability | (18,611) | (18,705) | (21,531) |
| Net cash provided (used) by operating activities | <u>\$ 225,536</u> | <u>\$ 5,007,433</u> | <u>\$ 6,101,225</u> |
| Noncash investing, capital and financing activities | | | |
| Capital asset contributions from developers | \$ — | \$ 5,073,111 | \$ 5,324,378 |
| Capital asset contributions to/from other funds/governmental activities | — | 1,371,618 | — |
| Forgiveness of interfund advance | 2,058,069 | — | — |
| Total noncash investing, capital and financing activities | <u>\$ 2,058,069</u> | <u>\$ 6,444,729</u> | <u>\$ 5,324,378</u> |
| Reconciliation to Statement of Net Position | | | |
| Cash and investments | \$ 974,348 | \$ 35,849,575 | \$ 29,384,460 |
| Restricted cash and investments | — | 4,510,397 | 10,378,538 |
| Total cash and investments | <u>\$ 974,348</u> | <u>\$ 40,359,972</u> | <u>\$ 39,762,998</u> |

| | | | Governmental Activities | |
|---------------------|---------------------|------------------------|-------------------------|---|
| Sanitation Fund | Stormwater Fund | Total Enterprise Funds | Internal Service Funds | |
| \$ 12,898,404 | \$ 2,639,019 | \$ 61,337,322 | \$ — | — |
| — | — | — | 19,915,953 | — |
| (3,217,652) | (609,263) | (14,883,465) | (497,885) | — |
| (5,972,372) | (506,449) | (31,335,888) | (270,492) | — |
| — | — | — | (18,565,075) | — |
| 60,930 | 5,700 | 1,514,542 | 351,134 | — |
| <u>3,769,310</u> | <u>1,529,007</u> | <u>16,632,511</u> | <u>933,635</u> | — |
| — | — | — | — | — |
| 147,185 | 700 | 145,276 | 375,000 | — |
| — | — | (1,210,316) | — | — |
| <u>147,185</u> | <u>700</u> | <u>(1,065,040)</u> | <u>375,000</u> | — |
| — | — | 9,446,210 | — | — |
| — | — | (2,913,684) | — | — |
| 117,594 | (462,035) | (10,266,129) | — | — |
| — | — | (1,903,354) | — | — |
| <u>117,594</u> | <u>(462,035)</u> | <u>(5,636,957)</u> | — | — |
| (85,412) | (31,961) | (821,961) | (127,353) | — |
| <u>(85,412)</u> | <u>(31,961)</u> | <u>(821,961)</u> | <u>(127,353)</u> | — |
| 3,948,677 | 1,035,711 | 9,108,553 | 1,181,282 | — |
| 4,319,386 | 2,335,738 | 83,628,277 | 16,727,724 | — |
| <u>\$ 8,268,063</u> | <u>\$ 3,371,449</u> | <u>\$ 92,736,830</u> | <u>\$ 17,909,006</u> | — |
| \$ 2,568,143 | \$ 1,314,499 | \$ 7,089,572 | \$ 845,722 | — |
| 1,288,590 | 212,039 | 15,439,749 | — | — |
| — | — | (2,058,069) | — | — |
| (94,244) | 75,360 | 1,307,400 | — | — |
| — | — | (797,273) | (868,106) | — |
| 665 | 129 | 218,238 | 612 | — |
| (240,286) | — | (2,227,618) | — | — |
| 99,758 | 4,578 | (2,589,659) | 19,387 | — |
| 43,819 | 9,353 | 181,065 | 8,437 | — |
| 2,057 | (12,947) | (4,990) | — | — |
| (2,494) | (2,727) | (85,033) | 23,180 | — |
| 36,997 | 1,048 | 201,773 | — | — |
| 83,502 | (69,453) | 36,272 | 40,136 | — |
| — | — | — | 867,052 | — |
| (17,197) | (2,872) | (78,916) | (2,785) | — |
| <u>\$ 3,769,310</u> | <u>\$ 1,529,007</u> | <u>\$ 16,632,511</u> | <u>\$ 933,635</u> | — |
| \$ — | \$ 3,029,305 | \$ 13,426,794 | \$ — | — |
| — | — | 1,371,618 | — | — |
| — | — | 2,058,069 | — | — |
| <u>\$ —</u> | <u>\$ 3,029,305</u> | <u>\$ 16,856,481</u> | <u>\$ —</u> | — |
| \$ 8,115,895 | \$ 3,216,056 | \$ 77,540,334 | \$ 17,909,006 | — |
| 152,168 | 155,393 | 15,196,496 | — | — |
| <u>\$ 8,268,063</u> | <u>\$ 3,371,449</u> | <u>\$ 92,736,830</u> | <u>\$ 17,909,006</u> | — |

City of Surprise, Arizona
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

| | <u>Custodial Fund</u> |
|----------------------|------------------------------|
| ASSETS | |
| Cash and investments | \$ 186,006 |
| Total assets | <u>186,006</u> |
| LIABILITIES | |
| Accounts payable | <u>90,000</u> |
| Total liabilities | <u>90,000</u> |
| NET POSITION | |
| Restricted for: | |
| Individuals | <u>96,006</u> |
| Total net position | <u><u>\$ 96,006</u></u> |

See accompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2022

| | <u>Custodial Fund</u> |
|---|------------------------------|
| ADDITIONS | |
| Contributions: | |
| Employee contributions | \$ 514,610 |
| Total contributions | <u>514,610</u> |
| Total additions | <u>514,610</u> |
| DEDUCTIONS | |
| Claim settlement | <u>441,360</u> |
| Total deductions | <u>441,360</u> |
| Net increase (decrease) in net position | 73,250 |
| Net Position - beginning | <u>22,756</u> |
| Net Position - end of the year | <u><u>\$ 96,006</u></u> |

See accompanying Notes to Financial Statements



SURPRISE

ARIZONA



FINANCIAL SECTION - NOTES TO THE FINANCIAL STATEMENTS



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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Surprise, Arizona (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

For the year ended June 30, 2022, the City implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the City's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Capital assets and leases payable were restated by \$4,870,419 each, resulting in no net effect on beginning balances reported in the financial statements due to the implementation of the standard.

The more significant of the City'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, stormwater, 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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2022, 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, this 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.

NOTES TO THE FINANCIAL STATEMENTS

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. General capital asset acquisitions are reported as expenditures. Issuances of general long-term debt and acquisitions under lease contracts are reported as other financing sources. 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.

NOTES TO THE FINANCIAL STATEMENTS

The ***Debt Service Fund***, a debt service fund, accounts for revenues and expenditures that are legally restricted for the payment of principal, interest, and associated costs of 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

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 receivable 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 right-to-use lease assets), 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.

NOTES TO THE FINANCIAL STATEMENTS

Depreciation and amortization of capital assets is computed and recorded according to 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 and improvements | 20-50 |
| Buildings and system | 20-50 |
| Improvements other than buildings | 5-50 |
| Equipment and vehicles | 2-15 |
| Intangibles | 5-30 |
| Infrastructure | 5-50 |
| Right-to-use lease assets: | |
| Land and land improvements | 5-50 |
| Buildings and improvements | 5-50 |
| Equipment and vehicles | 2-15 |

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

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 post employment 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 straight line method. Bonds payable are reported net of the applicable bond premium or discount.

NOTES TO THE FINANCIAL STATEMENTS

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 nonmajor 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 lease accounting, 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 resolution. Only City Council can remove or change the constraints placed on committed fund balance through formal council resolution.

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

NOTES TO THE FINANCIAL STATEMENTS

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 balances are not intended to be spent. The purpose of the minimum fund balance is to ensure the City has adequate resources to meet its needs. If the necessity arises to draw down a fund balance below the minimum requirements that have been set, a plan to replenish the minimum fund balance will be presented to the City Council for approval.

Minimum fund balance requirements will be evaluated annually for long-term adequacy and use requirements.

The City has formally adopted a minimum fund balance policy for the following governmental funds:

The General Fund will maintain a reserve equal to two months of budgeted personnel, supplies, and services for the General Fund, Ground Ambulance Fund, and Highway User Revenue Fund. This amount will be allocated across a three-part reserve as follows:

- i. Ten percent (10%) will be dedicated to an Emergency Reserve 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 within the next fiscal year following the fiscal year in which the event occurred. For the year ended June 30, 2022 this balance totaled \$2.5 million.
- ii. Sixty percent (60%) will be dedicated to an Operating Reserve 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 within

NOTES TO THE FINANCIAL STATEMENTS

two fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 the operating reserve totaled \$15.1 million.

iii. Thirty percent (30%) will be dedicated to a Stabilization Reserve 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 within the three fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 the stabilization reserve totaled \$7.5 million.

General Capital Projects Fund - \$1.0 million

Transportation Improvement Fund - \$0.5 million

Tourism Fund - \$5,000

Sports & Tourism Fund - will have a minimum fund balance of \$600,000. Any excess fund balance remaining as of June 30 shall be remitted to the General Fund.

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.

These minimum fund balance policies do not affect 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 represents 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

NOTES TO THE FINANCIAL STATEMENTS

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 Ground Ambulance Service Fund will have a reserve as follows:

- i. 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, 2022 this balance totaled \$38,190.

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, 2022 this balance totaled \$3,076,400.
- 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, 2022 this balance totaled \$2,635,239.
- iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total charges for services revenue. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate 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 Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 this balance totaled \$996,800.
- 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 water 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, 2022 this balance totaled \$459,200.

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 Wastewater Fund. For the year ended June 30, 2022 this balance totaled \$3,420,300.
- 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, 2022 this balance totaled \$6,596,060.

NOTES TO THE FINANCIAL STATEMENTS

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total revenues collected through charges for services. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate 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 Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 this balance totaled \$1,047,600.

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, 2022 this balance totaled \$2,022,000.

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, 2022 this balance totaled \$252,925.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total revenues collected through charges for services. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate 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 Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 this balance totaled \$654,500.

iv. As the Sanitation Fund has excess revenues, the City will maintain a phased Contingency Reserve equal to one-half percent (0.5%) beginning in FY2022 and increases to one percent (1%) for each subsequent year through FY2024. For the year ended June 30, 2022, this balance was \$65,400.

The Stormwater Fund will have a three-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, 2022 this balance totaled \$184,600.

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, 2022 this balance totaled \$112,819.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total revenues collected through charges for services. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate 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 Rate

NOTES TO THE FINANCIAL STATEMENTS

Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 this balance totaled \$136,400.

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 Trust Fund (“Trust 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. If, at any time prior to the end of the fiscal year, the Trust Fund’s target reserve is met and fully funded for the entire fiscal year based on the original budget projections approved by the City Council, the Finance Director shall document such funding and, after consulting with the City Manager, may conduct an evaluation of the claims incurred by the Trust Fund year to date, and if fiscally and financially prudent based on the claims incurred, transfer from the City’s various operating funds only that portion of the employer premium necessary to cover actual claims incurred, such that the Trust Fund revenues are equal to the Trust Fund expenses, and the Trust Fund account experiences a zero change in net position. At all times the City will continue to transfer and deposit into the Trust Fund 100% of the monthly employee premiums collected.

The Workers’ Compensation Fund will maintain an amount which, together with the purchased excess insurance policy, will adequately indemnify the City. The City has established an Adverse Times Reserve of \$3,000,000. The purpose of this reserve is to maintain the regulatory required reserve. For the year ended June 30, 2022, the balance was \$3,046,358.

The City is in compliance with its established minimum net position policies.

Q. PROPERTY TAX

An annual 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 become delinquent 30 days thereafter.

NOTES TO THE FINANCIAL STATEMENTS

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 presented 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. LEASES

As lessee, the City recognizes lease liabilities with an initial, individual value of \$10,000 or more. The City does not have an incremental borrowing rate or any current debt instruments representing leasing arrangements as a basis for calculating such a rate. Therefore, the City uses discounted lease rates of comparable governmental entities in similar leasing arrangements to measure lease liabilities unless it can readily determine the interest rate implicit in the lease.

As lessor, the City recognizes receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the City charges the lessee) and the implicit rate cannot be determined, the City uses discounted lease rates of comparable governmental entities in similar leasing arrangements to measure lease receivables.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

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 \$214,856,438 and the bank balance was \$217,014,158. At year end, \$586,028 of the City’s deposits were covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance, \$216,428,130, was fully collateralized. The collateral is held in the pledging bank’s 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, 2022 follows:

| | |
|---------------------------|-----------------------|
| Cash in bank | \$ 217,014,158 |
| <i>Reconciling items:</i> | |
| Outstanding checks | (2,581,667) |
| Deposits in transit | 424,231 |
| Other | (284) |
| | <u>\$ 214,856,438</u> |
| Less: | |
| Custodial Fund | \$ 186,006 |
| Total City deposits | <u>\$ 214,670,432</u> |

The City’s investments consisted of the following as of June 30, 2022:

| Investment Type | Total Fair Value | Less than 1 year | 1-2 years | 2-3 years |
|----------------------------------|-----------------------|----------------------|----------------------|----------------------|
| U. S. government securities | \$ 85,261,034 | \$ 9,401,223 | \$ 32,741,282 | \$ 43,118,529 |
| Government sponsored entity debt | 26,593,046 | 8,662,395 | 17,930,651 | — |
| Money market mutual funds | 3,802,900 | 3,802,900 | — | — |
| Local government investment pool | 50,516,738 | 50,516,738 | — | — |
| | <u>\$ 166,173,718</u> | <u>\$ 72,383,256</u> | <u>\$ 50,671,933</u> | <u>\$ 43,118,529</u> |

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

Total cash and investments for the City as of June 30, 2022, are as follows:

| | |
|----------------------|-----------------------|
| City's deposits | \$ 214,856,438 |
| Cash on hand | 3,800 |
| City's investments | 166,173,718 |
| Cash held by trustee | 1,205,290 |
| Total | <u>\$ 382,239,246</u> |

NOTES TO THE FINANCIAL STATEMENTS

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 \$26,593,046 of government sponsored entity debt. At June 30, 2022, these investments were rated by Standard and Poor's at AA+, the money market mutual funds were rated at AAAm, and the Local Government Investment Pool was rated at AA Af. 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

NOTES TO THE FINANCIAL STATEMENTS

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.

The City had investments at June 30, 2022, of 5% or more in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments were 8.9% and 7.1%, respectively, of the City’s total investments.

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, or inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

NOTES TO THE FINANCIAL STATEMENTS

Investments are measured as follows:

| | Disclosure of Fair Value Inputs | | |
|--|---------------------------------|----------------------|----------------------|
| | Total | Level 1 | Level 2 |
| Investments by Fair Value Level: | | | |
| U. S. Treasury Notes | \$ 85,261,034 | \$ 85,261,034 | \$ — |
| Federal Agency | 26,593,046 | — | 26,593,046 |
| Total investments by fair value level | <u>\$ 111,854,080</u> | <u>\$ 85,261,034</u> | <u>\$ 26,593,046</u> |
| External Investment Pool Measured at Fair Value: | | | |
| LGIP | 50,516,738 | | |
| Total investments measured at fair value | <u>\$ 162,370,818</u> | | |
| Investments Measured at Amortized Cost: | | | |
| Money market funds | 3,802,900 | | |
| Total investments | <u>\$ 166,173,718</u> | | |

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 | \$ 339,728,813 |
| Total restricted cash and investments | 42,324,427 |
| Subtotal | <u>382,053,240</u> |
| Government-wide total cash and investments | 382,053,240 |
| Plus: Custodial Fund cash and cash equivalents | 186,006 |
| Total | <u>\$ 382,239,246</u> |

Fund Financial Statements

| | |
|--------------------------------------|-----------------------|
| <i>Governmental Funds</i> | |
| Cash and investments | \$ 244,279,473 |
| Restricted cash and cash equivalents | 27,127,931 |
| <i>Enterprise Funds</i> | |
| Cash and investments | 77,540,334 |
| Restricted cash and cash equivalents | 15,196,496 |
| <i>Internal Service Fund</i> | |
| Cash and investments | 17,909,006 |
| <i>Custodial Fund</i> | |
| Cash and cash equivalents | 186,006 |
| Total | <u>\$ 382,239,246</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES

The intergovernmental receivable of \$1,164,905, as reported in the statement of net position includes \$1,072,527 in highway user tax and \$92,378 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, 2022 are as follows:

| <u>ACFR Fund Name</u> | <u>Unearned</u> | <u>Unavailable</u> |
|-----------------------------|---------------------|--------------------|
| General Fund | \$ 1,000,702 | \$ 210,568 |
| Highway User Revenue Fund | 2,000 | — |
| Debt Service Fund | — | 40,386 |
| Nonmajor Governmental Funds | 383,415 | 29,426 |
| | <u>\$ 1,386,117</u> | <u>\$ 280,380</u> |

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, 2022 are as follows:

| <u>ACFR Fund Name</u> | <u>Unearned</u> |
|-----------------------|-------------------|
| Sewer | \$ 390,113 |
| Sanitation | 86,071 |
| Stormwater | 42,572 |
| | <u>\$ 518,756</u> |

Lease receivables—The City leases land, buildings and building improvements to third parties under the provisions of various lease agreements. One of the buildings is a sublease to the third party. During the fiscal year ended June 30, 2022, the City recognized total lease-related revenues, including lease revenue and interest revenue on leases, of \$779,438.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, was as follows:

| | Primary Government | | | | Balance June 30, 2022 |
|---|-------------------------|----------------------|---------------------|---------------------|--------------------------|
| | Balance July 1, 2021 | Increases | Decreases | Transfers | |
| Governmental activities: | | | | | |
| Not being depreciated: | | | | | |
| Land and land improvements | \$ 146,576,147 | \$ 44,849,987 | \$ — | \$ 3,032,862 | \$ 194,458,996 |
| Parks | 8,607,783 | — | — | — | 8,607,783 |
| Construction in progress | 16,640,497 | 18,176,081 | — | (29,084,923) | 5,731,655 |
| Total not being depreciated | <u>171,824,427</u> | <u>63,026,068</u> | <u>—</u> | <u>(26,052,061)</u> | <u>208,798,434</u> |
| Other capital assets: | | | | | |
| Buildings and improvements | 231,115,590 | 93,579 | (266,068) | 16,380,269 | 247,323,370 |
| Improvements other than buildings | 34,675,716 | 118,836 | (18,971) | 313,080 | 35,088,661 |
| Equipment and vehicles | 56,721,032 | 4,143,337 | (1,346,029) | 3,296,601 | 62,814,941 |
| Intangibles | 11,563,894 | 251,965 | — | — | 11,815,859 |
| Infrastructure | 483,353,567 | 13,893,437 | (64,931) | 6,122,490 | 503,304,563 |
| Right-to-use lease assets: | | | | | |
| Land and land improvements | 11,380 | — | — | — | 11,380 |
| Buildings and improvements | 4,848,998 | 1,225,337 | — | — | 6,074,335 |
| Equipment and vehicles | 10,041 | — | — | — | 10,041 |
| Total other capital assets | <u>822,300,218</u> | <u>19,726,491</u> | <u>(1,695,999)</u> | <u>26,112,440</u> | <u>866,443,150</u> |
| Total assets before depreciation/ amortization | <u>994,124,645</u> | <u>82,752,559</u> | <u>(1,695,999)</u> | <u>60,379</u> | <u>1,075,241,584</u> |
| Accumulated depreciation/amortization | | | | | |
| Building and improvements | (94,343,056) | (8,105,322) | — | — | (102,448,378) |
| Improvements other than buildings | (12,277,386) | (1,280,276) | — | — | (13,557,662) |
| Equipment and vehicles | (37,083,047) | (4,720,292) | 1,494,474 | — | (40,308,865) |
| Intangibles | (5,632,114) | (1,428,263) | — | — | (7,060,377) |
| Infrastructure | (261,860,799) | (14,945,240) | — | — | (276,806,039) |
| Right-to-use lease assets: | | | | | |
| Land and land improvements | — | (2,845) | — | — | (2,845) |
| Buildings and improvements | — | (371,136) | — | — | (371,136) |
| Equipment and vehicles | — | (8,607) | — | — | (8,607) |
| Total accumulated depreciation/ amortization | <u>(411,196,402)</u> | <u>(30,861,981)</u> | <u>1,494,474</u> | <u>—</u> | <u>(440,563,909)</u> |
| Net capital assets - governmental activities | <u>\$ 582,928,243</u> | <u>\$ 51,890,578</u> | <u>\$ (201,525)</u> | <u>\$ 60,379</u> | <u>\$ 634,677,675</u> |

Depreciation/Amortization was charged by function as follows:

| | |
|---|----------------------|
| General government | \$ 1,772,164 |
| Public safety | 3,804,246 |
| Public works and streets | 19,148,237 |
| Community development | 42,915 |
| Culture and recreation | 6,094,419 |
| Total governmental activities depreciation/ amortization expense | <u>\$ 30,861,981</u> |

NOTES TO THE FINANCIAL STATEMENTS

| | Primary Government | | | | Balance June 30, 2022 |
|---|-------------------------|---------------------|--------------------|--------------------|--------------------------|
| | Balance July 1, 2021 | Increases | Decreases | Transfers | |
| Business-type activities: | | | | | |
| Not being depreciated: | | | | | |
| Land | \$ 5,332,044 | \$ 208,881 | \$ — | \$ (60,379) | \$ 5,480,546 |
| Water rights | 21,305,388 | 3,684,856 | — | — | 24,990,244 |
| Construction in progress | 4,456,145 | 7,167,770 | — | (2,043,510) | 9,580,405 |
| Total not being depreciated | <u>31,093,577</u> | <u>11,061,507</u> | <u>—</u> | <u>(2,103,889)</u> | <u>40,051,195</u> |
| Other capital assets: | | | | | |
| Buildings and system | 435,137,529 | 13,225,331 | — | 765,326 | 449,128,186 |
| Improvements other than buildings | 9,551,467 | — | — | 1,108,452 | 10,659,919 |
| Vehicles and equipment | 27,293,867 | 865,067 | (1,609,475) | 169,732 | 26,719,191 |
| Intangibles | 551,092 | — | — | — | 551,092 |
| Total other capital assets | <u>472,533,955</u> | <u>14,090,398</u> | <u>(1,609,475)</u> | <u>2,043,510</u> | <u>487,058,388</u> |
| Total assets before depreciation | <u>503,627,532</u> | <u>25,151,905</u> | <u>(1,609,475)</u> | <u>(60,379)</u> | <u>527,109,583</u> |
| Accumulated depreciation: | | | | | |
| Buildings and system | (140,864,888) | (12,309,307) | — | — | (153,174,195) |
| Improvements other than buildings | (1,229,869) | (357,034) | — | — | (1,586,903) |
| Vehicles and equipment | (12,561,229) | (2,718,299) | 1,609,475 | — | (13,670,053) |
| Intangibles | (476,980) | (55,109) | — | — | (532,089) |
| Total accumulated depreciation | <u>(155,132,966)</u> | <u>(15,439,749)</u> | <u>1,609,475</u> | <u>—</u> | <u>(168,963,240)</u> |
| Net capital assets business type activities | <u>\$ 348,494,566</u> | <u>\$ 9,712,156</u> | <u>\$ —</u> | <u>\$ (60,379)</u> | <u>\$ 358,146,343</u> |

Depreciation was charged by function as follows:

| | |
|----------------------------|----------------------|
| Ground ambulance | \$ 240,762 |
| Water | 4,080,322 |
| Sewer | 9,618,036 |
| Sanitation | 1,288,590 |
| Stormwater | 212,039 |
| Total depreciation expense | <u>\$ 15,439,749</u> |

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 eleven years. Once an

NOTES TO THE FINANCIAL STATEMENTS

agreement expires, water system fees are no longer eligible for developer reimbursement. As of June 30, 2022, \$19,219,660 had expired or been reimbursed, leaving a potential remaining balance of \$6,410,330.

Development agreement reimbursements related to wastewater system infrastructure will be calculated based on specified sales tax revenues. The total net value reimbursable for wastewater system infrastructure is \$15,340,869. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-eight years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2022, \$451,520 had expired or been reimbursed, leaving a potential remaining balance of \$14,889,349.

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 \$71,691,632 at June 30, 2022. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-eight years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2022, \$3,954,189 had expired or been reimbursed, leaving a potential remaining balance of \$67,737,443.

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, 2022, the City has reimbursed \$900,475 leaving a potential balance remaining of \$3,877,407.

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 indeterminable.

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 2022, \$31,563 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.

NOTES TO THE FINANCIAL STATEMENTS

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 2022 cannot be disclosed in accordance with Ariz. Rev. Stat. § 42-2002.

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, 2022, the city reimbursed \$8,623,111.

NOTE 6 – SIGNIFICANT COMMITMENTS

The City of Surprise has active construction projects as of June 30, 2022. At year end, the City commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining Commitment | Funding Source |
|--|----------------------|----------------------|--------------------------------|
| Animal Control Kennels | \$ 25,753 | \$ 139,959 | General Capital Projects Fund |
| Art Pavement Preservation | 22,921 | 105,779 | Pavmnt Preservtn Election 2017 |
| Art Pavement Preservation | 30,509 | 148,218 | Traffic Election 2017 |
| Baseball Park Audio System | 159,999 | 50,000 | General Capital Projects Fund |
| Bell Road Landscaping | 63,036 | 86,406 | General Capital Projects Fund |
| Camino Permit Intake Platform | 290,162 | 221,600 | General Capital Projects Fund |
| CDBG Community Center | 37,645 | 47,225 | Neighborhood Revitalization |
| Circle City Water Acquisition | 1,125,790 | 231,370 | Water Utility Capital |
| City Hall Access and Video | 14,182 | 28,592 | General Capital Projects Fund |
| Community Park Improvements | 162,460 | 3,826,104 | General Capital Projects Fund |
| Community Park Improvements | 150,620 | 1,849,380 | Parks/Rec Dev Fee 2020 |
| Countryside Park | 755,336 | 9,916,902 | General Capital Projects Fund |
| Desert Oasis Facility Security | 107,026 | 494,455 | Water Utility Capital |
| Improv - Regional Communication Tower #1 | 1,289,576 | 554,218 | General Capital Projects Fund |
| Improv - Regional Communication Tower #1 | 159,795 | 69,589 | Sewer Utility Capital |
| Improv - Regional Communication Tower #1 | 160,041 | 69,589 | Water Utility Capital |
| Land for Substation | 5,990 | 3,308,921 | Public Safety Election 2017 |
| Plant Capacity Increase / Enhancement | 660,675 | 577,049 | Sewer Utility Capital |
| Rancho Mercado WSF Ph II | 251,450 | 20,472 | Water Utility Capital |
| Reems Rd Flooding Control Cactus & Waddell | 374,652 | 23,405 | Stormwater Capital |
| SCADA Integration/Enhancement | 215,361 | 105,506 | Sewer Utility Capital |
| SCADA Integration/Enhancement | 20,175 | 18,439 | Water Utility Capital |
| Security Measures | 110,320 | 16,137 | General Capital Projects Fund |
| South Plant Ops Bldg Remodel | 2,433,958 | 132,242 | Sewer Utility Capital |
| South Plant Ops Bldg Remodel | 1,309,123 | 122,047 | Water Utility Capital |
| SPA1 Recharge Expansion | 833,361 | 528,384 | Sewer Utility Capital |
| Sweetwater Avenue (Sarival Ave-303) | 1,721,406 | 4,077,217 | Transportation Improvement |
| Traffic Signal - Cactus/Magnolia & 163Av/PTilman | 71,349 | 73,155 | Transportation Improvement |
| Traffic Signal - Waddell & 140th Dr | 28,405 | 4,795 | Transportation Improvement |
| Water Storage Tank Dick McComb Park | 42,800 | 1,680,006 | General Capital Projects Fund |
| | <u>\$ 12,633,876</u> | <u>\$ 28,527,161</u> | |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT & OTHER PAYABLES

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, 2022 (revenues to debt service payable) is 44.1.

The Pledged Revenue Obligations, Series 2015, were issued in the amount of \$17,385,000, and have an outstanding principal balance at June 30, 2022 of \$10,645,000. Proceeds of these obligations are designated for the construction of stadium improvements. The obligations are payable solely from pledged revenues and are payable through 2030. Principal and interest payments and pledged revenues for the current year were \$1,584,800 and \$186,992,086, respectively. Next year's principal and interest payments of \$1,585,800 constitute approximately .8% 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, 2022 of \$4,930,002. 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 \$2,651,000 and \$186,992,086, respectively. Next year's principal and interest payments totaling \$2,651,500 constitute approximately 1.4% 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 which fully defeased the City of Surprise Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Revenue Bonds, Series 2007, on October 1, 2018.

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, 2022 of \$21,270,000. The refunding obligations have interest rates that range between 4%-5%, are payable solely from pledged revenue, and mature in 2036. Principal and interest payable and pledged revenues for the current year were \$2,150,250 and \$17,326,318, respectively. Current year pledged revenue equals approximately 806 percent of next year's principal and interest payments, which total \$2,148,500.

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, 2022 the Parity Lien Test Debt Service is \$2,952,177 and pledged revenues are \$17,326,318. The current year ratio is 587 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

NOTES TO THE FINANCIAL STATEMENTS

for the corresponding Bond Year. At June 30, 2022 pledged revenue equals 806 percent of the Principal Requirement and Interest Requirement.

GENERAL OBLIGATIONS

The City of Surprise has two issues of General Obligation Bonds, secured by secondary property taxes, which are currently outstanding. 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, and 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 were 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 projects including improvements to Greenway, Litchfield, and Waddell Roads, and the costs of issuance of the Bonds.

Series 2018 of the General Obligation Bonds were issued in May 2018 in the amount of \$37,730,000. These bonds have coupon rates ranging from 3%-5% with final maturity occurring in 2038, and a principal balance at June 30, 2022 of \$29,880,000.

The Series 2020 General Obligation Bonds were issued in September 2020 in the amount of \$17,460,000, and represent the second and last installment of general obligation bonds approved at the Election. The Bonds carry interest rates ranging from 2% to 4%, have a final maturity in 2038, and have a remaining principal balance at June 30, 2022 of \$13,345,000.

COMMUNITY FACILITIES DISTRICT BONDS AND NOTES

Community Facilities District (CFD) Bonds and Notes are special purpose government entity debt which the City Council and District Board 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 through new general obligation notes. These new note funds were used for the cost of issuance as well as the acquisition of infrastructure. 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.

At June 30, 2022, there remained \$55,020,000 in authorized but unissued debt authority. Such debt could be issued in future years, when and if qualifying infrastructure costs are incurred and presented for acceptance by the District.

NOTES TO THE FINANCIAL STATEMENTS

Long-term debt as of June 30, 2022 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 | \$ 10,645,000 |
| 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 | 3,438,677 |
| Total 2015 Pledged Revenue Obligation | 14,083,677 |
| 2015, Pledged Revenue Revenue Obligations, Issuance Premium | 1,290,141 |
| 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 | 29,880,000 |
| 2018, General Obligation Bonds, Issuance Premium. | 1,806,000 |
| 2020, General Obligation Bonds, (issued September 30, 2020) due in annual installments of \$260,000 to \$3,010,000 through July 1, 2028; interest at 2 percent to 4 percent. Original issue amount of \$17,460,000 | 13,345,000 |
| 2020, General Obligation Bonds, Issuance Premium | 1,536,591 |
| Total General and Revenue Obligations | <u>\$ 61,941,409</u> |
| | Long-Term Debt Outstanding |
| Community Facilities District General Obligation Bonds and Notes | |
| 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 | \$ 9,950,000 |
| 2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, Issuance Premium | 205,620 |
| 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 | 2,200,000 |
| 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 | 8,200,000 |
| 2019 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium | 36,162 |
| Total Community Facilities Districts General Obligation Bonds and Notes Outstanding | <u>20,591,782</u> |
| Total Bonds and Notes Payable Recorded in Governmental Activities | <u>\$ 82,533,191</u> |

NOTES TO THE FINANCIAL STATEMENTS

Classified in Business-type Activities on the Government-wide Financial Statements:

| Revenue Obligations | Long-Term Debt Outstanding |
|--|---------------------------------------|
| 2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$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 | \$ 1,491,325 |
| 2015, Pledged Revenue Refunding Obligation, Issuance Premium | 156,305 |
| 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 | 21,270,000 |
| 2018, Senior Lien Utility System Revenue Refunding Obligations, Issuance Premium | 3,240,321 |
| Total Bonds Payable Recorded in Business-type Activities | 26,157,951 |
| Total Long-Term Bonds Payable | \$ 108,691,142 |

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2022:

| | Balance July 1, 2021 | Additions | Reductions | Balance June 30, 2022 | 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) | \$ 16,760,952 | \$ — | \$ (2,677,275) | \$ 14,083,677 | \$ 2,812,488 |
| City of Surprise, Series 2018 General obligations \$37,730,000 | 31,145,000 | — | (1,265,000) | 29,880,000 | 1,330,000 |
| City of Surprise, Series 2020 General obligations \$17,460,000 | 15,480,000 | — | (2,135,000) | 13,345,000 | 2,280,000 |
| For issuance premium 2015 | 1,586,560 | — | (296,419) | 1,290,141 | — |
| For issuance premium 2018 | 1,863,499 | — | (57,499) | 1,806,000 | — |
| For issuance premium 2020 | 1,816,451 | — | (279,860) | 1,536,591 | — |
| Community Facilities District | | | | | |
| Series 2016 Bonds \$11,365,000 issued | 10,345,000 | — | (395,000) | 9,950,000 | 405,000 |
| Series 2017 Direct Placement Note \$3,000,000 issued | 2,390,000 | — | (190,000) | 2,200,000 | 195,000 |
| Series 2019 Bonds, \$8,470,000 issued | 8,250,000 | — | (50,000) | 8,200,000 | 55,000 |
| For issuance premium 2016 | 226,553 | — | (20,933) | 205,620 | — |
| For issuance premium 2019 | 37,806 | — | (1,644) | 36,162 | — |
| Leases payable | 4,870,419 | 1,225,337 | (68,963) | 6,026,793 | 77,568 |
| Total bonds and notes payable | <u>94,772,240</u> | <u>1,225,337</u> | <u>(7,437,593)</u> | <u>88,559,984</u> | <u>7,155,056</u> |
| Compensated absences payable | 8,359,564 | 6,030,827 | (5,048,500) | 9,341,891 | 3,643,337 |
| Contracts and developer payable | 8,666,397 | 6,158,727 | (4,260,233) | 10,564,891 | 10,564,891 |
| Claims payable | 2,060,114 | 15,733,189 | (14,866,137) | 2,927,166 | 2,393,136 |
| Total governmental activities long-term liabilities | <u>\$ 113,858,315</u> | <u>\$29,148,080</u> | <u>\$(31,612,463)</u> | <u>\$ 111,393,932</u> | <u>\$ 23,756,420</u> |
| Business-type activities | | | | | |
| City of Surprise, Series 2015 Pledged revenue obligations \$5,278,625 (\$36,665,000 issued) | \$ 2,184,050 | \$ — | \$ (692,725) | \$ 1,491,325 | \$ 727,513 |
| Senior Lien Utility System Revenue Refunding Obligations, Series 2018 | 22,305,000 | — | (1,035,000) | 21,270,000 | 1,085,000 |
| For issuance premium 2015 | 234,458 | — | (78,153) | 156,305 | — |
| For issuance premium 2018 | 3,471,772 | — | (231,451) | 3,240,321 | — |
| Total bonds payable | <u>28,195,280</u> | <u>—</u> | <u>(2,037,329)</u> | <u>26,157,951</u> | <u>1,812,513</u> |
| Compensated absences payable | 1,117,300 | 916,778 | (715,005) | 1,319,073 | 514,439 |
| Contracts and developer payable | 2,525,338 | 1,550,329 | (1,505,854) | 2,569,813 | 1,545,926 |
| Total business-type activities long-term liabilities | <u>\$ 31,837,918</u> | <u>\$ 2,467,107</u> | <u>\$(4,258,188)</u> | <u>\$ 30,046,837</u> | <u>\$ 3,872,878</u> |

NOTES TO THE FINANCIAL STATEMENTS

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 | AAA | AA+ |
| City of Surprise, Arizona, General Obligation Bonds SERIES 2018 | Not rated | AA |
| City of Surprise, Arizona, General Obligation Bonds SERIES 2020 | 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

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of debt service requirements for the year ended June 30, 2022. Deferred amounts are not included:

| Year Ended June 30 | Governmental Activities | | | | | |
|-----------------------|----------------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| | Refunding/Stadium Imp 2015 | | GO Bonds 2018 | | GO Bonds 2020 | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 2,812,488 | \$ 622,734 | \$ 1,330,000 | \$ 1,148,544 | \$ 2,280,000 | \$ 439,700 |
| 2024 | 2,951,189 | 482,109 | 1,395,000 | 1,082,044 | 2,425,000 | 394,100 |
| 2025 | 1,250,000 | 334,550 | 1,465,000 | 1,012,294 | 2,580,000 | 345,600 |
| 2026 | 1,310,000 | 272,050 | 1,540,000 | 939,044 | 2,790,000 | 242,400 |
| 2027 | 1,375,000 | 206,550 | 1,620,000 | 862,044 | 3,010,000 | 130,800 |
| 2028-2032 | 4,385,000 | 363,250 | 9,235,000 | 3,163,320 | 260,000 | 10,400 |
| 2033-2037 | — | — | 10,895,000 | 1,504,863 | — | — |
| 2038-2042 | — | — | 2,400,000 | 81,000 | — | — |
| 2043-2044 | — | — | — | — | — | — |
| Total | <u>\$ 14,083,677</u> | <u>\$ 2,281,243</u> | <u>\$ 29,880,000</u> | <u>\$ 9,793,153</u> | <u>\$ 13,345,000</u> | <u>\$ 1,563,000</u> |

| Year Ended June 30 | Governmental Activities | | | | | |
|-----------------------|-------------------------|---------------------|---------------------------------------|-------------------|----------------------|---------------------|
| | Marley Park CFD 2016 | | Marley Park CFD 2017 Direct Placement | | Marley Park CFD 2019 | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 405,000 | \$ 329,138 | \$ 195,000 | \$ 59,180 | \$ 55,000 | \$ 255,550 |
| 2024 | 415,000 | 316,987 | 200,000 | 53,934 | 60,000 | 253,900 |
| 2025 | 425,000 | 304,538 | 205,000 | 48,555 | 65,000 | 252,100 |
| 2026 | 435,000 | 296,037 | 210,000 | 43,040 | 65,000 | 250,150 |
| 2027 | 445,000 | 286,250 | 215,000 | 37,391 | 70,000 | 248,200 |
| 2028-2032 | 2,470,000 | 1,188,406 | 1,175,000 | 96,168 | 365,000 | 1,207,750 |
| 2033-2037 | 2,805,000 | 678,906 | — | — | 1,980,000 | 1,026,950 |
| 2038-2042 | 2,550,000 | 202,031 | — | — | 3,055,000 | 693,450 |
| 2043-2044 | — | — | — | — | 2,485,000 | 112,350 |
| Total | <u>\$ 9,950,000</u> | <u>\$ 3,602,293</u> | <u>\$ 2,200,000</u> | <u>\$ 338,268</u> | <u>\$ 8,200,000</u> | <u>\$ 4,300,400</u> |

| Year Ended June 30 | Governmental Activities | |
|-----------------------|-------------------------|----------------------|
| | Principal | Interest |
| 2023 | \$ 7,077,488 | \$ 2,854,846 |
| 2024 | 7,446,189 | 2,583,074 |
| 2025 | 5,990,000 | 2,297,637 |
| 2026 | 6,350,000 | 2,042,721 |
| 2027 | 6,735,000 | 1,771,235 |
| 2028-2032 | 17,890,000 | 6,029,294 |
| 2033-2037 | 15,680,000 | 3,210,719 |
| 2038-2042 | 8,005,000 | 976,481 |
| 2043-2044 | 2,485,000 | 112,350 |
| Total | <u>\$ 77,658,677</u> | <u>\$ 21,878,357</u> |

NOTES TO THE FINANCIAL STATEMENTS

| Year Ended June 30 | Business-Type Activities | | | | | |
|-----------------------|----------------------------|------------|---|--------------|---------------|--------------|
| | Refunding/Stadium Imp 2015 | | Sr. Lien Utility System Revenue Refunding 2018 | | Total | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 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 | — | — | 1,255,000 | 892,500 | 1,255,000 | 892,500 |
| 2027 | — | — | 1,320,000 | 829,750 | 1,320,000 | 829,750 |
| 2028-2032 | — | — | 7,655,000 | 3,090,750 | 7,655,000 | 3,090,750 |
| 2033-2036 | — | — | 7,620,000 | 975,500 | 7,620,000 | 975,500 |
| Total | \$ 1,491,325 | \$ 112,756 | \$ 21,270,000 | \$ 8,813,500 | \$ 22,761,325 | \$ 8,926,256 |

Contracts Payable

General Government Activities

A balance of \$10,564,891 is owed based on improvements and deposits paid toward 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 \$2,569,813 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 assessed full cash value 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 assessed full cash value of the taxable property of the city. The following summarizes the City of Surprise, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2022:

| 20% Limitation | | 6% Limitation | |
|--|-----------------------|---|-----------------------|
| 20% Constitutional Limit | \$ 357,855,740 | 6% Constitutional Limit | \$ 107,356,722 |
| Less General Obligation 20% Bonds Outstanding | (43,225,000) | Less General Obligation 6% Bonds Outstanding | — |
| Reduction for Excess Premium | (3,342,591) | Reduction for Excess Premium | — |
| Available 20% Limitation Borrowing Capacity | <u>\$ 311,288,149</u> | Available 6% Limitation Borrowing Capacity | <u>\$ 107,356,722</u> |

NOTES TO THE FINANCIAL STATEMENTS

LEASES

The City has acquired intangible right-to-use assets of land, copier equipment and buildings, such as a church, a social hall and nearby university facilities, under the provisions of various lease agreements. The City subleases the church building to a third party.

The total amount of lease assets and related accumulated amortization, as of June 30, 2022, are as follows:

| | |
|--|---------------------|
| Total intangible right-to-use lease assets | \$ 6,095,756 |
| Less: accumulated amortization | 382,588 |
| Carrying value | <u>\$ 5,713,168</u> |

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2022:

| Year ending June 30 | Governmental activities | |
|---------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2023 | \$ 77,568 | \$ 17,242 |
| 2024 | 74,907 | 16,112 |
| 2025 | 311,778 | 29,241 |
| 2026 | 1,024,218 | 63,904 |
| 2027 | 1,037,304 | 51,552 |
| 2028-2032 | 3,114,452 | 93,337 |
| 2033-2037 | 386,566 | 12,647 |
| Total | <u>\$ 6,026,793</u> | <u>\$ 284,035</u> |

NOTES TO THE FINANCIAL STATEMENTS

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, 2022, 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 | \$ 2,225,200 | \$ 435,496 | \$ 2,660,696 |
| Net pension liabilities | 74,053,809 | 11,553,277 | 85,607,086 |
| Net OPEB liabilities | 60,858 | 18,013 | 78,871 |
| Deferred outflows of resources related to pensions | 32,105,196 | 3,203,531 | 35,308,727 |
| Deferred outflows of resources related to OPEB | 377,385 | 77,943 | 455,328 |
| Deferred inflows of resources related to pensions | 27,836,884 | 3,878,815 | 31,715,699 |
| Deferred inflows of resources related to OPEB | 2,206,922 | 373,957 | 2,580,879 |
| Pension expense | 8,935,047 | 1,024,452 | 9,959,499 |
| OPEB expense | (216,512) | (21,752) | (238,264) |
| Pension contributions | 13,549,326 | 1,358,392 | 14,907,718 |
| OPEB contributions | 228,677 | 43,096 | 271,773 |

The City reported accrued payroll and employee benefits of \$909,549 for outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2022. Also, the City reported \$8,718,535 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:

NOTES TO THE FINANCIAL STATEMENTS

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 is based on | Highest 36 consecutive months of last 120 months | Highest 60 consecutive months of last 120 months |
| Benefit percent per year of service | 2.1% to 2.3% | 2.1% to 2.3% |

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions — In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 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 10.22 percent (10.13 percent for retirement and 0.09 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-

NOTES TO THE FINANCIAL STATEMENTS

term disability plans for the year ended June 30, 2022, were \$5,478,357, \$97,559, and \$86,437, respectively.

During fiscal year 2022, the City paid for ASRS pension and OPEB contributions as follows: 73% from the General Fund, 22% from enterprise funds, and 5% from other funds.

Liability/(Asset) — At June 30, 2022, 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 | \$ 49,671,464 |
| Health insurance premium benefit | (1,880,770) |
| Long-term disability | 78,871 |

The net asset and net liabilities were measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5% to 7.0% and changing the projected salary increases from 2.7–7.2% to 2.9–8.4%.

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, 2021. The City's proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

| ASRS | Proportion June 30, 2021 | Increase (decrease) from June 30, 2020 |
|----------------------------------|-----------------------------|---|
| Pension | 0.38% | —% |
| Health insurance premium benefit | 0.39% | 0.01% |
| Long-term disability | 0.38% | —% |

Expense — For the year ended June 30, 2022, the City recognized the following pension and OPEB expense.

| ASRS | Pension/OPEB expense |
|----------------------------------|----------------------|
| Pension | \$ 4,401,850 |
| Health insurance premium benefit | (141,760) |
| Long-term disability | 49,471 |

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources — At June 30, 2022, 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 | \$ 757,196 | \$ — |
| Changes in assumptions or other inputs | 6,465,138 | — |
| Difference between projected and actual investment earnings | — | 15,737,667 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 187,683 | 355,969 |
| City contributions subsequent to the measurement date | 5,478,357 | — |
| Total | <u>\$ 12,888,374</u> | <u>\$ 16,093,636</u> |

| | Health insurance premium benefit | |
|---|----------------------------------|-------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources |
| Difference between expected and actual experience | \$ — | \$ 652,255 |
| Changes in assumptions or other inputs | 93,243 | 76,040 |
| Difference between projected and actual investment earnings | — | 697,671 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 731 | 1,587 |
| City contributions subsequent to the measurement date | 97,559 | — |
| Total | <u>\$ 191,533</u> | <u>\$ 1,427,553</u> |

| | Long-term disability | |
|---|--------------------------------|-------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources |
| Difference between expected and actual experience | \$ 22,783 | \$ 6,427 |
| Changes in assumptions or other inputs | 25,225 | 99,381 |
| Difference between projected and actual investment earnings | — | 54,625 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 8,084 | 3,714 |
| City contributions subsequent to the measurement date | 86,437 | — |
| Total | <u>\$ 142,529</u> | <u>\$ 164,147</u> |

NOTES TO THE FINANCIAL STATEMENTS

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2023. 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 |
|---------------------|-------------|-------------------------------------|-------------------------|
| 2023 | \$ (58,223) | \$ (312,606) | \$ (14,225) |
| 2024 | 267,270 | (299,694) | (13,276) |
| 2025 | (3,469,349) | (328,621) | (15,249) |
| 2026 | (5,423,317) | (363,205) | (23,515) |
| 2027 | — | (29,453) | (8,570) |
| Thereafter | — | — | (33,220) |

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

| | |
|-----------------------------|---|
| Actuarial valuation date | June 30, 2020 |
| Actuarial roll forward date | June 30, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.0% |
| Projected salary increases | 2.9–8.4% 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 for pensions and health insurance premium benefit |
| Recovery rates | 2012 GLDT for long-term disability |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes, which were applied to the June 30, 2020 actuarial valuation.

NOTES TO THE FINANCIAL STATEMENTS

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. 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 Allocation | Long-term expected geometric real rate of return |
|-------------------------------|-------------------|--|
| Equity | 50% | 4.90% |
| Credit | 20% | 5.20% |
| Interest rate sensitive bonds | 10% | 0.70% |
| Real estate | 20% | 5.70% |
| Total | <u>100%</u> | |

Discount rate — At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0%, which was a decrease of 0.5% from the discount rate used as of June 30, 2020.. 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 7.0%, 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 (6.0%) or 1 percentage point higher (8.0%) than the current rate.

| ASRS City’s proportionate share | 1% Decrease (6.0%) | Current discount rate (7.0%) | 1% Increase (8.0%) |
|---|-----------------------|---------------------------------|-----------------------|
| Net pension liability | \$ 78,129,052 | \$ 49,671,464 | \$ 25,945,709 |
| Net health insurance premium benefit liability (asset) | (1,245,265) | (1,880,770) | (2,421,159) |
| Net long-term disability liability | 102,703 | 78,871 | 55,816 |

Plan 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.

NOTES TO THE FINANCIAL STATEMENTS

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 (PSDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS plans. The report is available on the PSPRS website at www.psprs.com.

NOTES TO THE FINANCIAL STATEMENTS

Benefits provided — The PSPRS 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 monthly compensation, and service credit based on initial membership date as follows:

| PSPRS | Initial membership date: | | |
|--|--|--|---|
| | Before January 1, 2012 (Tier 1) | On or after January 1, 2012 and before July 1, 2017 (Tier 2) | On or after July 1, 2017 (Tier 3) |
| Retirement and disability | | | |
| Years of service and age required to receive benefit | 20 years of service, any age, or 15 years of service, age 62 | 25 years of service or 15 years of credited service, age 52.5 | 15 or more years of service, age 55, 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 | Highest 60 consecutive months of last 15 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 | | |

*with actuarially reduced benefits

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.

NOTES TO THE FINANCIAL STATEMENTS

Employees covered by benefit terms — At June 30, 2022, the following employees were covered by the agent plans' benefit terms:

| | PSPRS Police | | PSPRS Fire | |
|--|--------------|------------|------------|------------|
| | Pension | Health | Pension | Health |
| Inactive employees or beneficiaries currently receiving benefits | 59 | 59 | 15 | 15 |
| Inactive employees entitled to but not yet receiving benefits | 24 | 8 | 12 | 10 |
| Active employees | 98 | 98 | 109 | 109 |
| Total | 181 | 165 | 136 | 134 |

Contributions — State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

| | PSPRS | | | |
|----------------------------------|----------------|--------|----------------|--------|
| | Police | | Fire | |
| | Tier 1 & 2 | Tier 3 | Tier 1 & 2 | Tier 3 |
| Active members - pension | 7.65% - 11.65% | 9.05% | 7.65% - 11.65% | 9.05% |
| Active members - health benefit | 0.00% | 0.13% | 0.00% | 0.13% |
| City Pension | 34.51% | 9.05% | 26.08% | 9.05% |
| Health insurance premium benefit | 0.21% | 0.13% | 0.31% | 0.13% |

In addition, statute required the City to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

| | PSPRS | |
|---|---------|---------|
| | Police | Fire |
| Alternative contribution rate- pension and health | 20.67 % | 11.03 % |

The City's contributions to the plans for the year ended June 30, 2022, were:

| | PSPRS Police | PSPRS Fire |
|----------------------------------|--------------|--------------|
| Contributions made | | |
| Pension | \$ 4,670,817 | \$ 4,637,873 |
| Health Insurance premium benefit | 41,394 | 46,383 |

NOTES TO THE FINANCIAL STATEMENTS

During fiscal year 2022, the City paid for PSPRS pension and OPEB contributions primarily from the General Fund.

Liability — At June 30, 2022, the City reported the following net pension/OPEB liabilities/(assets):

| | Net pension liability | Net OPEB liability/(asset) |
|--------------|--------------------------|-------------------------------|
| PSPRS Police | \$ 25,282,699 | \$ (546,060) |
| PSPRS Fire | 9,056,463 | (233,866) |

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS

| | |
|----------------------------|--|
| Actuarial valuation date | June 30, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.3% |
| 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, 2021, 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 7.3% 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 |
|-------------------------------------|----------------------|--|
| U.S. Public Equity | 24% | 4.08% |
| International Public Equity | 16% | 5.20% |
| Global Private Equity | 20% | 7.67% |
| Other Assets (Capital Appreciation) | 7% | 5.43% |
| Core Bonds | 2% | 0.42% |
| Private Credit | 20% | 5.74% |
| Diversifying Strategies | 10% | 3.99% |
| Cash Mellon | 1% | (0.31)% |
| Total | 100% | |

NOTES TO THE FINANCIAL STATEMENTS

Discount rate — At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.3%. 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 (asset).

Changes in the net pension/OPEB liability (asset) – The following tables present changes in the City's net pension/OPEB liability (asset) 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, 2021 | \$ 82,022,723 | \$ 47,648,979 | \$ 34,373,744 |
| Adjustment to Beginning of Year | — | — | — |
| Changes for the year: | | | |
| Service cost | 2,331,614 | — | 2,331,614 |
| Interest on the total pension liability | 6,036,548 | — | 6,036,548 |
| Changes of benefit terms | — | — | — |
| Difference between expected and actual experience of the total pension liability | 2,228,040 | — | 2,228,040 |
| Changes of assumptions | — | — | — |
| Contributions—employer | — | 4,486,148 | (4,486,148) |
| Contributions—employee | — | 1,228,642 | (1,228,642) |
| Net investment income | — | 14,037,729 | (14,037,729) |
| Benefit payments, including refunds of employee contributions | (3,323,784) | (3,323,784) | — |
| Administrative expense | — | (65,272) | 65,272 |
| Other changes | — | — | — |
| Net changes | 7,272,418 | 16,363,463 | (9,091,045) |
| Balances at June 30, 2022 | \$ 89,295,141 | \$ 64,012,442 | \$ 25,282,699 |

NOTES TO THE FINANCIAL STATEMENTS

| 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, 2021 | \$ 1,104,863 | \$ 1,255,795 | \$ (150,932) |
| Adjustment to Beginning of Year | — | — | — |
| Changes for the year: | | | |
| Service cost | 43,797 | — | 43,797 |
| Interest on the total OPEB liability | 82,702 | — | 82,702 |
| Difference between expected and actual experience of the total OPEB liability | (146,929) | — | (146,929) |
| Changes of assumptions | — | — | — |
| Contributions—employer | — | 33,459 | (33,459) |
| Contributions—employee | — | — | — |
| Net investment income | — | 342,648 | (342,648) |
| Benefit payments, including refunds of employee contributions | (31,522) | (31,522) | — |
| OPEB plan administrative expense | — | (1,409) | 1,409 |
| Other changes | — | — | — |
| Net changes | (51,952) | 343,176 | (395,128) |
| Balances at June 30, 2022 | \$ 1,052,911 | \$ 1,598,971 | \$ (546,060) |

| PSPRS - Fire - Pension | Total pension liability (a) | Plan fiduciary net position (b) | Net pension liability (asset) (a) – (b) |
|--|--------------------------------|------------------------------------|--|
| Balances at June 30, 2021 | \$ 71,669,589 | \$ 51,950,043 | \$ 19,719,546 |
| Adjustment to Beginning of Year | — | — | — |
| Changes for the year: | | | |
| Service cost | 2,605,918 | — | 2,605,918 |
| Interest on the total pension liability | 5,389,067 | — | 5,389,067 |
| Difference between expected and actual experience of the total pension liability | 2,288,365 | — | 2,288,365 |
| Changes of assumptions | — | — | — |
| Contributions—employer | — | 4,411,913 | (4,411,913) |
| Contributions—employee | — | 1,194,804 | (1,194,804) |
| Net investment income | — | 15,348,395 | (15,348,395) |
| Benefit payments, including refunds of employee contributions | (905,343) | (905,343) | — |
| Administrative expense | — | (71,250) | 71,250 |
| Other changes | — | 62,571 | (62,571) |
| Net changes | 9,378,007 | 20,041,090 | (10,663,083) |
| Balances at June 30, 2022 | \$ 81,047,596 | \$ 71,991,133 | \$ 9,056,463 |

NOTES TO THE FINANCIAL STATEMENTS

| 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, 2021 | \$ 1,055,865 | \$ 1,034,541 | \$ 21,324 |
| Adjustment to Beginning of Year | — | — | — |
| Changes for the year: | | | |
| Service cost | 42,778 | — | 42,778 |
| Interest on the total OPEB liability | 79,625 | — | 79,625 |
| Difference between expected and actual experience of the total OPEB liability | (57,371) | — | (57,371) |
| Changes of assumptions | — | — | — |
| Contributions—employer | — | 37,731 | (37,731) |
| Net investment income | — | 283,657 | (283,657) |
| Benefit payments, including refunds of employee contributions | (15,780) | (15,780) | — |
| OPEB plan administrative expense | — | (1,166) | 1,166 |
| Other changes | — | — | — |
| Net changes | 49,252 | 304,442 | (255,190) |
| Balances at June 30, 2022 | \$ 1,105,117 | \$ 1,338,983 | \$ (233,866) |

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 (assets) calculated using the discount rate of 7.3%, as well as what the City’s net pension/OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.3%) or 1 percentage point higher (8.3%) than the current rate:

| | 1% Decrease (6.3%) | Current discount rate (7.3%) | 1% Increase (8.3%) |
|----------------------------|-----------------------|---------------------------------|-----------------------|
| PSPRS Police | | | |
| Net pension liability | \$ 39,096,752 | \$ 25,282,699 | \$ 14,156,274 |
| Net OPEB liability (asset) | (411,393) | (546,060) | (658,745) |
| PSPRS Fire | | | |
| Net pension liability | \$ 22,439,993 | \$ 9,056,463 | \$ (1,753,201) |
| Net OPEB liability (asset) | (91,119) | (233,866) | (353,939) |

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, 2022, the City recognized the following pension and OPEB expense:

| | Pension expense | OPEB expense |
|--------------|-----------------|--------------|
| PSPRS Police | \$ 4,013,991 | \$ (92,839) |
| PSPRS Fire | 825,509 | (29,158) |

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources — At June 30, 2022, 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 | \$ 4,443,608 | \$ 303,454 |
| Changes in assumptions or other inputs | 1,902,942 | — |
| Net difference between projected and actual earnings on pension plan investments | — | 6,406,374 |
| City contributions subsequent to the measurement date | 4,670,817 | — |
| Total | \$ 11,017,367 | \$ 6,709,828 |

| PSPRS - Police - Health insurance premium benefit | Deferred outflows of resources | Deferred inflows of resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ — | \$ 398,869 |
| Changes in assumptions or other inputs | 15,145 | 34,358 |
| Net difference between projected and actual earnings on OPEB plan investments | — | 145,883 |
| City contributions subsequent to the measurement date | 41,394 | — |
| Total | \$ 56,539 | \$ 579,110 |

| PSPRS - Fire - Pension | Deferred outflows of resources | Deferred inflows of resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 4,598,162 | \$ 1,871,004 |
| Changes in assumptions or other inputs | 2,034,154 | — |
| Net difference between projected and actual earnings on pension plan investments | — | 6,938,648 |
| City contributions subsequent to the measurement date | 4,637,873 | — |
| Total | \$ 11,270,189 | \$ 8,809,652 |

| PSPRS - Fire - Health insurance premium benefit | Deferred outflows of resources | Deferred inflows of resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 9,008 | \$ 226,814 |
| Changes in assumptions or other inputs | 9,336 | 62,213 |
| Net difference between projected and actual earnings on OPEB plan investments | — | 121,042 |
| City contributions subsequent to the measurement date | 46,383 | — |
| Total | \$ 64,727 | \$ 410,069 |

NOTES TO THE FINANCIAL STATEMENTS

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability (asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

| Year ending June 30 | PSPRS | | | |
|---------------------|-------------|--------------|--------------|-------------|
| | Police | | Fire | |
| | Pension | Health | Pension | Health |
| 2023 | \$ 420,704 | \$ (120,409) | \$ (684,229) | \$ (63,926) |
| 2024 | (186,847) | (121,305) | (723,698) | (64,695) |
| 2025 | (559,582) | (110,400) | (921,687) | (68,366) |
| 2026 | (1,100,983) | (116,956) | (1,646,697) | (80,615) |
| 2027 | 1,063,430 | (61,694) | 458,734 | (38,502) |
| Thereafter | — | (33,201) | 1,340,241 | (75,621) |

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, 2022, 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% 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, 2022, the City recognized pension expense of \$111,533.

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 the financial statements or presented here in the notes to the financial statements.

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: | |
|--|--|---|
| | Before January 1, 2012 | On or after January 1, 2012 |
| Retirement and disability | | |
| Years of service and age required to receive benefit | 20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled | 10 years, age 62 5 years, age 65 any years and age if disabled |
| Final average salary is based on | Highest 36 consecutive months of last 10 years | Highest 60 consecutive months of last 10 years |
| Benefit percent | | |
| Normal retirement | 4% per year of service, not to exceed 80% | 3% per year of service, not to exceed 75% |
| Disability retirement | 80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service | 75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service |
| Survivor benefit | | |
| Retired members | 75% of retired member's benefit | 50% of retired member's benefit |
| Active members and other inactive members | 75% of disability retirement benefit | 50% of disability retirement benefit |

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

NOTES TO THE FINANCIAL STATEMENTS

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, 2022, 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% of all active EORP members' annual covered payroll. Also, statute required the City to contribute 49.21% to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43% 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, 2022, were \$120,671 and \$100, respectively.

During fiscal year 2022, the City paid for EORP pension contributions as follows: 100% from the General Fund.

Liability — At June 30, 2022, 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 | \$ 1,596,460 |
| State's proportionate share of the EORP net pension liability associated with the City | 160,464 |
| Total | <u>\$ 1,756,924</u> |

The net liability was measured as of June 30, 2021, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

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, 2021. The City's proportion measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

| <u>EORP</u> | <u>Proportion June 30, 2021</u> | <u>Increase (decrease) from June 30, 2020</u> |
|-------------|-------------------------------------|---|
| Pension | 0.26% | —% |

Expense — For the year ended June 30, 2022, the City recognized pension expense for EORP of \$223,920 and revenue of \$37,868 for the City's proportionate share of the State's appropriation to EORP and the designated court fees.

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources — At June 30, 2022, 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 | \$ — | \$ 21,246 |
| Changes of assumptions or other inputs | — | — |
| Net difference between projected and actual earnings on plan investments | — | 81,337 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 12,126 | — |
| City contributions subsequent to the measurement date | 120,671 | — |
| Total | \$ 132,797 | \$ 102,583 |

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, 2023. 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 |
|---------------------|-------------|
| 2023 | \$ (25,819) |
| 2024 | (16,937) |
| 2025 | (20,004) |
| 2026 | (27,697) |
| 2027 | — |

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

| | |
|---------------------------|------------------|
| Actuarial Valuation Date | June 30, 2021 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.3% |
| Wage Inflation | 3.75% |
| Price Inflation | 2.5% |
| Cost of Living Adjustment | 1.75% |
| Mortality rate | PUBG-2010 Tables |

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on EORP plan investments was determined to be 7.3% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

NOTES TO THE FINANCIAL STATEMENTS

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

EORP

| Asset class | Target allocation | Long-term expected geometric real rate of return |
|-------------------------------------|-------------------|--|
| U. S. Public Equity | 24% | 4.08% |
| International Public Equity | 16% | 5.20% |
| Global Private Equity | 20% | 7.67% |
| Other Assets (Capital Appreciation) | 7% | 5.43% |
| Core Bonds | 2% | 0.42% |
| Private Credit | 20% | 5.74% |
| Diversifying Strategies | 10% | 3.99% |
| Cash-Mellon | 1% | (0.31)% |
| Total | 100% | |

Discount rates — At June 30, 2021, the discount rate used to measure the EORP total pension liability was 7.3%. The projection of cash flows used to determine the discount rate 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 rate of 7.3%, 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 (6.3%) or 1 percentage point higher (8.3%) than the current rate:

| EORP | 1% Decrease (6.3%) | Current discount rate (7.3%) | 1% Increase (8.3%) |
|---|-----------------------|---------------------------------|-----------------------|
| City's proportionate share of the net pension liability | \$ 1,834,457 | \$ 1,596,460 | \$ 1,392,203 |

Plan fiduciary net position — Detailed information about the plan's fiduciary net position is available in the separately issued EORP financial report.

EODCRS plan — Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by State statute. The EODCDP is not further disclosed because of its relative insignificance to the City's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022, 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, 2022, the City recognized pension expense of \$4,909.

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 2022, 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 \$777,316 for the year ended June 30, 2022. 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 \$45 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 \$613,749 for the year ended June 30, 2022.

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

NOTES TO THE FINANCIAL STATEMENTS

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 covering 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 reserves 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, 2022, unpaid claims were as follows:

| | Risk Management Fund | |
|--|----------------------|-------------------|
| | 2021 | 2022 |
| Beginning unpaid claims | \$ 117,564 | \$ 245,082 |
| Claims incurred and changes in estimates | 854,618 | 584,381 |
| Payments made | (727,100) | (509,637) |
| Ending unpaid claims | <u>\$ 245,082</u> | <u>\$ 319,826</u> |

Employee Healthcare Fund

The City has established the Employee Healthcare Fund to account for the costs of claims incurred by the City through a self-insurance program. The City is self-insured for individual health claims up to \$250,000. Commercial stop loss insurance is in place for claims in excess of the individual limit as well as aggregate insurance for claims in excess of 125% of the City's total actuarially projected claims.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$905,413 of the total claims payable reported. The remaining \$846,400 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2022, unpaid claims were as follows:

| | Employee Healthcare Fund | |
|--|--------------------------|---------------------|
| | 2021 | 2022 |
| Beginning unpaid claims | \$ 1,810,817 | \$ 1,511,371 |
| Claims incurred and changes in estimates | 12,271,613 | 13,705,945 |
| Payments made | (12,571,059) | (13,465,503) |
| Ending unpaid claims | <u>\$ 1,511,371</u> | <u>\$ 1,751,813</u> |

Worker's Compensation Fund

Following in-depth analysis including an actuarial study to determine feasibility, the Mayor and City Council approved establishing a Workers' 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 commendable, 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 \$3,000,000, 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 \$824,950 of the total claims payable reported. The remaining \$30,577 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2022, unpaid claims were as follows:

| | Workers' Compensation Fund | |
|--|----------------------------|-------------------|
| | 2021 | 2022 |
| Beginning unpaid claims | \$ 202,747 | \$ 303,661 |
| Claims incurred and changes in estimates | 660,908 | 1,442,863 |
| Payments made | (559,994) | (890,997) |
| Ending unpaid claims | <u>\$ 303,661</u> | <u>\$ 855,527</u> |

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 grantors cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 11 - INTERFUND BORROWING AND TRANSFERS

As of June 30, 2022, interfund balances were as follows:

Due to/from other funds:

| Due from | Due to |
|------------------------------|--------------|
| | General Fund |
| Non-Major Governmental Funds | |
| Grants | \$ 330,307 |

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 repaid within one year.

Advances to/from other funds:

| Advances to | Advances from | |
|---|---------------------|---------------------|
| | Sewer Fund | Total |
| General Government Development Fee Fund | \$ 4,418,040 | \$ 4,418,040 |
| Total | <u>\$ 4,418,040</u> | <u>\$ 4,418,040</u> |

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2022, the City had several long-term loans outstanding. The loans relate to expenditures for projects to be funded by impact fees. These loans will be repaid as impact fees are collected in future years.

Interfund Transfers:

| | <u>Transfers Out</u> | <u>Transfers In</u> |
|---|-----------------------------|-----------------------------|
| Governmental Funds | | |
| General Fund | \$ 45,794,128 | \$ 1,643,618 |
| General Capital Projects Fund | 69,400 | 39,445,800 |
| General Government Development Fee Fund | 366,633 | — |
| Debt Service Fund | — | 3,433,861 |
| Transportation Improvement Fund | 56,900 | 200,000 |
| Non-Major Governmental Funds | 1,715,160 | 3,545,604 |
| Total Governmental Funds | <u>48,002,221</u> | <u>48,268,883</u> |
| Enterprise Funds | | |
| Ground Ambulance Services Fund | 2,609 | — |
| Water Fund | 594,210 | 1,486,801 |
| Sewer Fund | 2,121,212 | 441,684 |
| Sanitation Fund | 41,751 | 188,936 |
| Stormwater Fund | 4,153 | 4,852 |
| Total Enterprise Funds | <u>2,763,935</u> | <u>2,122,273</u> |
| Internal Service Funds | — | 375,000 |
| Total Transfers | <u><u>\$ 50,766,156</u></u> | <u><u>\$ 50,766,156</u></u> |

Transfers between funds were used to (1) record payments in lieu of franchise fees from the enterprise funds to the General Fund (2) record payments in lieu of property taxes from the enterprise funds to the General Fund and Debt Service Fund (3) support as needed replacement of vehicles and maintenance and construction or purchase of city assets (4) move amounts for debt service payments (5) to fund municipal arts projects, and (6) transfer water rights (capital assets) generated by the Sewer Fund to the Water Fund to be used for water services.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – FUND BALANCE CLASSIFICATION

The fund balance classifications of the governmental funds as of June 30, 2022, were as follows:

| | General Fund | General Capital Projects Fund | General Govt Development Fee Fund | Highway User Revenue Fund | Transportation Improvement Fund | Debt Service Fund | Non-Major Governmental Fund | Total |
|---|----------------|-------------------------------|-----------------------------------|---------------------------|---------------------------------|-------------------|-----------------------------|----------------|
| Fund balance | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Inventory | \$ 1,295,793 | \$ 177,877 | \$ — | \$ 385,991 | \$ — | \$ — | \$ 9,428 | \$ 1,869,089 |
| Prepays | 310,573 | 6,435 | — | — | — | — | 2,834 | 319,842 |
| Total Nonspendable | 1,606,366 | 184,312 | — | 385,991 | — | — | 12,262 | 2,188,931 |
| Restricted: | | | | | | | | |
| Court | — | — | — | — | — | — | 474,574 | 474,574 |
| Debt service | — | — | — | — | — | 64,141 | 533,363 | 597,504 |
| Economic development | 12,655 | — | — | — | — | — | — | 12,655 |
| Fire and medical | 8,668 | — | — | — | — | — | 11,624,016 | 11,632,684 |
| Human services and community vitality | 23,062 | — | — | — | — | — | — | 23,062 |
| Parks and recreation | 296,620 | — | — | — | — | — | 8,606,582 | 8,903,202 |
| Police | 78,858 | — | — | — | — | — | 7,005,156 | 7,084,014 |
| Public works | — | — | — | — | — | — | 576,452 | 576,452 |
| Transportation | — | — | — | 5,428,544 | — | — | 115,912 | 5,544,456 |
| Unspent bond proceeds - public safety | — | 3,305,407 | — | — | — | — | — | 3,305,407 |
| Unspent bond proceeds - traffic mitigation | — | 645,655 | — | — | — | — | — | 645,655 |
| Unspent bond proceeds - pavement preservation | — | 439,434 | — | — | — | — | — | 439,434 |
| Total Restricted | 419,863 | 4,390,496 | — | 5,428,544 | — | 64,141 | 28,936,055 | 39,239,099 |
| Committed: | | | | | | | | |
| Emergency reserve | 2,518,500 | — | — | — | — | — | — | 2,518,500 |
| Operating reserve | 15,111,300 | — | — | — | — | — | — | 15,111,300 |
| Stabilization reserve | 7,555,600 | — | — | — | — | — | — | 7,555,600 |
| Transportation | — | — | — | — | 18,308,425 | — | — | 18,308,425 |
| Tourism | — | — | — | — | — | — | 1,526,846 | 1,526,846 |
| Total Committed | 25,185,400 | — | — | — | 18,308,425 | — | 1,526,846 | 45,020,671 |
| Assigned: | | | | | | | | |
| Construction projects | — | 77,178,136 | — | — | — | — | — | 77,178,136 |
| FS package replacement reserve | — | 93,045 | — | — | — | — | — | 93,045 |
| Vehicle replacement | — | 2,168,219 | — | — | — | — | — | 2,168,219 |
| IT asset replacement | — | 831,777 | — | — | — | — | — | 831,777 |
| Parks and recreation | — | 1,083,249 | — | — | — | — | — | 1,083,249 |
| PSPRS funding | 26,625,600 | — | — | — | — | — | — | 26,625,600 |
| Public safety | 12,421 | — | — | — | — | — | — | 12,421 |
| Wildland vehicle replacement | 269,173 | — | — | — | — | — | — | 269,173 |
| Other | 327,426 | 151,873 | — | — | — | — | — | 479,299 |
| Total Assigned | 27,234,620 | 81,506,299 | — | — | — | — | — | 108,740,919 |
| Unassigned: | | | | | | | | |
| Unassigned or negative fund balance | 66,180,747 | — | (3,684,670) | — | — | — | (96,729) | 62,399,348 |
| Total | \$ 120,626,996 | \$ 86,081,107 | \$ (3,684,670) | \$ 5,814,535 | \$ 18,308,425 | \$ 64,141 | \$ 30,378,434 | \$ 257,588,968 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2022, the following individual governmental funds reported deficits in fund balances:

| Fund | Deficit |
|---|--------------|
| Major Funds: | |
| General Government Development Fee Fund | \$ 3,684,670 |
| Non-Major Governmental Funds: | |
| Grants Fund | 28,361 |
| Neighborhood Revitalization Fund | 65,534 |
| Proprietary Funds: | |
| Ground Ambulance Services Fund | 241,743 |

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, ambulance revenues, and grant revenue reimbursements.

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 of the City in the RWC at June 30, 2022, was \$904,430.

Separate financial statements may be obtained from the RWC Director's Office, 200 W. Washington Street, 14th Floor, Phoenix, Arizona 85003.

NOTE 16 – SUBSEQUENT EVENTS

On July 21, 2022, the Marley Park Community Facilities District issued \$13,065,000 of principal and \$27,551 of premium in General Obligation Bonds, Series 2022. The bonds were issued to acquire certain public infrastructure benefiting the District that was constructed by the developer. The bonds are payable in annual installments through July 15, 2047 of \$40,000 to \$6,865,000, with coupon rates of 4.125% to 5.0%. This issuance of bonds reduced the authorized but unissued debt authority of the District to \$41,927,449.



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) | | | | | | | |
|--|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2016 |
| | (2021) | (2020) | (2019) | (2018) | (2017) | (2016) | (2015) | (2015) |
| City's proportion of the net pension liability | 0.38% | 0.38% | 0.38% | 0.37% | 0.36% | 0.35% | 0.32% | 0.29% |
| City's proportionate share of the net pension liability | \$49,671,464 | \$65,171,972 | \$55,824,084 | \$51,433,226 | \$56,257,015 | \$56,796,968 | \$50,841,272 | \$42,980,167 |
| City's covered payroll | \$42,528,059 | \$42,439,245 | \$38,971,217 | \$37,581,388 | \$35,238,842 | \$32,932,534 | \$30,121,665 | \$26,536,195 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 116.80% | 153.57% | 143.24% | 136.86% | 159.64% | 172.46% | 168.79% | 161.97% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.58% | 69.33% | 73.24% | 73.40% | 69.92% | 67.06% | 68.35% | 69.49% |

Information not available for fiscal years 2012 through 2014

| Arizona State Retirement System - Health insurance premium benefit | Reporting fiscal year (measurement date) | | | | |
|---|--|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| | (2021) | (2020) | (2019) | (2018) | (2017) |
| City's proportion of the net OPEB (asset) | 0.38 % | 0.38 % | 0.39 % | 0.38 % | 0.37 % |
| City's proportionate share of the net OPEB (asset) | \$ (1,880,770) | \$ (270,717) | \$ (108,422) | \$ (135,084) | \$ (199,174) |
| City's covered payroll | \$ 42,528,059 | \$ 42,439,245 | \$ 38,971,217 | \$ 37,581,388 | \$ 35,238,842 |
| City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll | -4.42% | -0.64% | -0.28% | -0.36% | -0.57% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 130.24% | 104.33% | 101.62% | 102.20% | 103.57% |

Information not available for fiscal years 2012 through 2017

| Arizona State Retirement System - Long-term disability | Reporting fiscal year (measurement date) | | | | |
|--|--|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| | (2021) | (2020) | (2019) | (2018) | (2017) |
| City's proportion of the net OPEB liability | 0.38% | 0.38% | 0.39% | 0.37% | 0.36% |
| City's proportionate share of the net OPEB liability | \$ 78,871 | \$ 287,923 | \$ 253,425 | \$ 193,112 | \$ 131,344 |
| City's covered payroll | \$ 42,528,059 | \$ 42,439,245 | \$ 38,971,217 | \$ 37,581,388 | \$ 35,238,842 |
| City's proportionate share of the net OPEB liability) as a percentage of its covered payroll | 0.19% | 0.68% | 0.65% | 0.51% | 0.37% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 90.38% | 68.01% | 72.85% | 77.83% | 84.44% |

Information not available for fiscal years 2012 through 2017

| Elected Official Retirement Plan - Pension | Reporting fiscal year (measurement date) | | | | | | | |
|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (2021) | (2020) | (2019) | (2018) | (2017) | (2016) | (2015) | (2014) |
| City's proportion of the net pension liability | 0.26% | 0.26% | 0.23% | 0.29% | 0.17% | 0.19% | 0.16% | 0.22% |
| City's proportionate share of the net pension liability | \$1,596,460 | \$1,745,940 | \$1,511,837 | \$1,849,518 | \$2,034,660 | \$1,829,709 | \$1,276,030 | \$1,505,462 |
| State's proportionate share of the net pension liability associated with the city | \$ 160,464 | \$ 165,938 | \$ 142,097 | \$ (90,103) | \$ 213,700 | \$ 100,812 | \$ 107,037 | \$ 136,820 |
| Total | \$1,756,924 | \$1,911,878 | \$1,653,934 | \$1,759,415 | \$2,248,360 | \$1,930,521 | \$1,383,067 | \$1,642,282 |
| City's covered payroll | \$ 205,522 | \$ 206,644 | \$ 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 | 854.86% | 925.20% | 939.08% | 1166.98% | 1454.63% | 1241.73% | 889.60% | 1059.65% |
| Plan fiduciary net position as a percentage of the total pension liability | 36.27% | 29.80% | 30.14% | 30.36% | 19.66% | 23.42% | 28.32% | 31.91% |

Information not available for fiscal years 2012 through 2014

See accompanying notes to this schedule

Required supplementary information
Schedule of the City's proportionate share of the net pension/OPEB liability (asset)
Agent plans

| PSPRS - Police - Pension | Reporting fiscal year (measurement date) | | | | | | | |
|--|---|--------------|--------------|--------------|--------------|---------------|--------------|--------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (2021) | (2020) | (2019) | (2018) | (2017) | (2016) | (2015) | (2014) |
| Total pension liability | | | | | | | | |
| Service cost | \$ 2,331,614 | \$ 2,500,116 | \$ 2,625,724 | \$ 2,432,053 | \$ 2,580,430 | \$ 2,064,206 | \$ 1,663,042 | \$ 1,565,018 |
| Interest on the total pension liability | 6,036,548 | 5,548,786 | 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 | 2,228,040 | 1,718,866 | 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 | (3,323,784) | (2,511,403) | (2,089,561) | (2,328,125) | (2,887,339) | (1,829,352) | (965,851) | (1,157,301) |
| Net change in total pension liability | \$ 7,272,418 | \$ 7,256,365 | \$ 9,085,814 | \$ 4,052,856 | \$ 6,111,187 | \$ 10,665,632 | \$ 9,104,921 | \$ 6,638,202 |
| Total pension liability-beginning | 82,022,723 | 74,766,358 | 65,680,544 | 61,627,688 | 55,516,501 | 44,850,869 | 35,745,948 | 29,107,746 |
| Total pension liability-ending (a) | \$89,295,141 | \$82,022,723 | \$74,766,358 | \$65,680,544 | \$61,627,688 | \$55,516,501 | \$44,850,869 | \$35,745,948 |
| Plan fiduciary net position | | | | | | | | |
| Contributions-employer | \$ 4,486,148 | \$ 3,698,985 | \$ 4,065,062 | \$ 3,608,348 | \$ 2,601,364 | \$ 2,303,420 | \$ 1,729,946 | \$ 1,359,213 |
| Contributions-employee | 1,228,642 | 972,696 | 1,015,880 | 1,121,032 | 1,376,163 | 1,496,064 | 1,196,870 | 977,373 |
| Net investment income | 14,037,729 | 607,678 | 2,315,207 | 2,508,024 | 3,589,391 | 168,147 | 951,951 | 2,875,527 |
| Benefit payments, including refunds of employee contributions | (3,323,784) | (2,511,403) | (2,089,561) | (2,328,125) | (2,887,339) | (1,829,352) | (965,851) | (1,157,301) |
| Pension plan administrative expense | (65,272) | (49,546) | (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 | \$16,363,463 | \$ 2,718,410 | \$ 5,265,373 | \$ 4,891,275 | \$ 4,684,173 | \$ 2,252,572 | \$ 3,099,750 | \$ 3,591,816 |
| Plan fiduciary net position-beginning | 47,648,979 | 44,930,566 | 39,693,746 | 34,802,471 | 30,118,298 | 27,865,726 | 24,765,976 | 21,174,160 |
| Adjustment to Beginning of Year | — | 3 | (28,553) | — | — | — | — | — |
| Plan fiduciary net position-ending (b) | \$64,012,442 | \$47,648,979 | \$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) | \$25,282,699 | \$34,373,744 | \$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 | 71.69% | 58.09% | 60.09% | 60.43% | 56.47% | 54.25% | 62.13% | 69.28% |
| Covered payroll | \$13,066,287 | \$12,989,361 | \$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 | 193.50% | 264.63% | 228.34% | 210.83% | 227.91% | 227.59% | 158.99% | 125.76% |

Information not available for fiscal years 2012 through 2014

See accompanying notes to this schedule

Required supplementary information
Schedule of changes in the City's net pension/OPEB liability (asset) and related ratios
Agent plans

| PSPRS - Police - OPEB | Reporting fiscal year (measurement date) | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|
| | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) |
| Total OPEB liability | | | | | |
| Service cost | \$ 43,797 | \$ 47,355 | \$ 33,493 | \$ 34,574 | \$ 37,056 |
| Interest on the total pension liability | 82,702 | 83,812 | 88,366 | 87,925 | 94,154 |
| Changes of benefit terms | — | — | — | — | 6,912 |
| Differences between expected and actual experience of the total OPEB liability | (146,929) | (97,685) | (194,295) | (105,683) | (68,029) |
| Changes of assumptions or other inputs | — | — | 24,230 | — | (107,363) |
| Benefit payments, including refunds of employee contributions | (31,522) | (27,706) | (26,693) | (27,446) | (29,932) |
| Net change in total pension liability | \$ (51,952) | \$ 5,776 | \$ (74,899) | \$ (10,630) | \$ (67,202) |
| Total OPEB liability-beginning | 1,104,863 | 1,099,087 | 1,173,986 | 1,184,616 | 1,251,818 |
| Total OPEB liability-ending (a) | <u>\$ 1,052,911</u> | <u>\$ 1,104,863</u> | <u>\$ 1,099,087</u> | <u>\$ 1,173,986</u> | <u>\$ 1,184,616</u> |
| Plan fiduciary net position | | | | | |
| Contributions-employer | \$ 33,459 | \$ 34,570 | \$ 42,535 | \$ 26,730 | \$ 55,927 |
| Contributions-employee | — | — | — | — | — |
| Net investment income | 342,648 | 15,453 | 61,524 | 73,735 | 110,362 |
| Benefit payments, including refunds of employee contributions | (31,522) | (27,706) | (26,693) | (27,446) | (29,932) |
| OPEB plan administrative expense | (1,409) | (1,257) | (1,062) | (1,122) | (976) |
| Other changes | — | — | — | 1 | — |
| Net change in plan fiduciary net position | \$ 343,176 | \$ 21,060 | \$ 76,304 | \$ 71,898 | \$ 135,381 |
| Plan fiduciary net position-beginning | 1,255,795 | 1,234,735 | 1,129,879 | 1,057,981 | 922,600 |
| Adjustment to beginning of year | — | — | 28,552 | — | — |
| Plan fiduciary net position-ending (b) | <u>\$ 1,598,971</u> | <u>\$ 1,255,795</u> | <u>\$ 1,234,735</u> | <u>\$ 1,129,879</u> | <u>\$ 1,057,981</u> |
| City's net OPEB (asset) liability-ending (a) - (b) | <u>\$ (546,060)</u> | <u>\$ (150,932)</u> | <u>\$ (135,648)</u> | <u>\$ 44,107</u> | <u>\$ 126,635</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 151.86% | 113.66% | 112.34% | 96.24% | 89.31% |
| Covered payroll | \$13,066,287 | \$12,989,361 | \$13,066,419 | \$12,326,006 | \$11,769,882 |
| City's net OPEB (asset) liability as a percentage of covered payroll | -4.18% | -1.16% | -1.04% | 0.36% | 1.08% |

Information not available for fiscal years 2012 through 2017

See accompanying notes to this schedule

Required supplementary information
Schedule of changes in the City's net pension/OPEB liability (asset) and related ratios
Agent plans

| PSPRS - Fire - Pension | Reporting fiscal year (measurement date) | | | | | | | |
|--|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| Total pension liability | | | | | | | | |
| Service cost | \$ 2,605,918 | \$ 2,585,747 | \$ 2,703,787 | \$ 2,629,254 | \$ 2,540,844 | \$ 1,944,045 | \$ 1,709,096 | \$ 1,635,304 |
| Interest on the total pension liability | 5,389,067 | 4,775,536 | 4,299,178 | 3,959,756 | 3,537,634 | 2,858,919 | 2,480,922 | 2,170,938 |
| Changes of benefit terms | — | — | — | — | 324,839 | 4,813,386 | — | 25,204 |
| Differences between expected and actual experience in the measurement of the pension liability | 2,288,365 | 2,107,451 | 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 | (905,343) | (1,263,395) | (759,444) | (652,543) | (1,074,336) | (485,385) | (481,494) | (1,740,565) |
| Net change in total pension liability | \$ 9,378,007 | \$ 8,205,339 | \$ 7,691,316 | \$ 3,251,071 | \$ 6,086,657 | \$10,745,185 | \$ 4,699,725 | \$ 3,282,408 |
| Total pension liability-beginning | 71,669,589 | 63,464,250 | 55,772,934 | 52,521,863 | 46,435,206 | 35,690,021 | 30,990,296 | 27,707,888 |
| Total pension liability-ending (a) | \$81,047,596 | \$71,669,589 | \$63,464,250 | \$55,772,934 | \$52,521,863 | \$46,435,206 | \$35,690,021 | \$30,990,296 |
| Plan fiduciary net position | | | | | | | | |
| Contributions-employer | \$ 4,411,913 | \$ 2,592,924 | \$ 3,232,317 | \$ 3,149,148 | \$ 1,828,952 | \$ 1,773,960 | \$ 1,394,750 | \$ 1,298,311 |
| Contributions-employee | 1,194,804 | 1,086,498 | 955,090 | 1,036,287 | 1,340,153 | 1,188,041 | 1,085,819 | 916,860 |
| Net investment income | 15,348,395 | 662,772 | 2,477,023 | 2,659,343 | 3,742,608 | 170,022 | 956,696 | 2,973,644 |
| Benefit payments, including refunds of employee contributions | (905,343) | (1,263,395) | (759,444) | (652,543) | (1,074,336) | (485,385) | (481,494) | (1,740,565) |
| Pension plan administrative expense | (71,250) | (54,041) | (44,033) | (41,175) | (33,516) | (24,864) | (23,732) | — |
| Other changes | 62,571 | — | — | 147,401 | 141,131 | 30,036 | 23,521 | (491,977) |
| Net change in plan fiduciary net position | \$20,041,090 | \$ 3,024,758 | \$ 5,860,953 | \$ 6,298,461 | \$ 5,944,992 | \$ 2,651,810 | \$ 2,955,560 | \$ 2,956,273 |
| Plan fiduciary net position-beginning | 51,950,043 | 48,925,283 | 43,082,800 | 36,784,339 | 30,839,347 | 28,187,537 | 25,231,977 | 22,275,704 |
| Adjustment to Beginning of Year | — | 2 | (18,470) | — | — | — | — | — |
| Plan fiduciary net position-ending (b) | \$71,991,133 | \$51,950,043 | \$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) | \$ 9,056,463 | \$19,719,546 | \$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 | 88.83% | 72.49% | 77.09% | 77.25% | 70.04% | 66.41% | 78.98% | 81.42% |
| Covered payroll | \$13,277,038 | \$11,738,436 | \$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 | 68.21% | 167.99% | 123.55% | 110.02% | 139.32% | 146.46% | 76.54% | 64.39% |

Information not available for fiscal years 2012 through 2014

See accompanying notes to this schedule

Required supplementary information
 Schedule of changes in the City's net pension/OPEB liability (asset) and related ratios
 Agent plans

| PSPRS - Fire - OPEB | Reporting fiscal year (measurement date) | | | | |
|--|---|----------------|----------------|----------------|----------------|
| | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) |
| Total OPEB liability | | | | | |
| Service cost | \$ 42,778 | \$ 42,441 | \$ 28,223 | \$ 28,223 | \$ 28,898 |
| Interest on the total pension liability | 79,625 | 72,508 | 78,968 | 72,743 | 78,136 |
| Changes of benefit terms | — | — | — | — | 8 |
| Differences between expected and actual experience of the total OPEB liability | (57,371) | 11,259 | (206,517) | (17,297) | (28,004) |
| Changes of assumptions or other inputs | — | — | 12,836 | — | (124,948) |
| Benefit payments, including refunds of employee contributions | (15,780) | (15,486) | (14,571) | (12,727) | (12,382) |
| Net change in total pension liability | \$ 49,252 | \$ 110,722 | \$ (101,061) | \$ 70,942 | \$ (58,292) |
| Total OPEB liability-beginning | 1,055,865 | 945,143 | 1,046,204 | 975,262 | 1,033,554 |
| Total OPEB liability-ending (a) | \$ 1,105,117 | \$ 1,055,865 | \$ 945,143 | \$ 1,046,204 | \$ 975,262 |
| Plan fiduciary net position | | | | | |
| Contributions-employer | \$ 37,731 | \$ 35,723 | \$ 34,300 | \$ 29,385 | \$ 40,649 |
| Contributions-employee | — | — | — | — | — |
| Net investment income | 283,657 | 12,652 | 50,072 | 58,948 | 86,787 |
| Benefit payments, including refunds of employee contributions | (15,780) | (15,486) | (14,571) | (12,727) | (12,382) |
| OPEB plan administrative expense | (1,166) | (1,029) | (864) | (897) | (769) |
| Other changes | — | — | — | 1 | — |
| Net change in plan fiduciary net position | \$ 304,442 | \$ 31,860 | \$ 68,937 | \$ 74,710 | \$ 114,285 |
| Plan fiduciary net position-beginning | 1,034,541 | 1,002,681 | 915,274 | 840,564 | 726,279 |
| Adjust to Beginning of Year | — | — | 18,470 | — | — |
| Plan fiduciary net position-ending (b) | \$ 1,338,983 | \$ 1,034,541 | \$ 1,002,681 | \$ 915,274 | \$ 840,564 |
| City's net OPEB (asset) liability-ending (a) - (b) | \$ (233,866) | \$ 21,324 | \$ (57,538) | \$ 130,930 | \$ 134,698 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 121.16% | 97.98% | 106.09% | 87.49% | 86.19% |
| Covered payroll | \$13,277,038 | \$11,738,436 | \$11,767,811 | \$11,534,304 | \$11,296,060 |
| City's net OPEB (asset) liability as a percentage of covered payroll | -1.76% | 0.18% | -0.49% | 1.14% | 1.19% |

Information for fiscal years 2012 through 2017 is not available.

See accompanying notes to this schedule



SURPRISE

ARIZONA

Required supplementary information
Schedule of City pension/OPEB contributions

Arizona State Retirement System - Pension

| | Reporting fiscal year | | | | | | | | | |
|---|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Statutorily required contribution | \$5,478,357 | \$4,940,338 | \$4,678,053 | \$4,349,366 | \$4,084,163 | \$3,773,263 | \$3,569,994 | \$3,259,073 | \$2,801,701 | |
| City's contributions in relation to the statutorily required contribution | 5,478,357 | 4,940,338 | 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 | \$45,673,733 | \$42,528,059 | \$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 | 11.99% | 11.62% | 11.02% | 11.16% | 10.87% | 10.71% | 10.84% | 10.82% | 10.56% | |

Information for fiscal years 2012 through 2013 is not available.

Arizona State Retirement System - Health insurance premium benefit

| | Reporting fiscal year | | | | | |
|---|-----------------------|--------------|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Statutorily required contribution | \$ 97,559 | \$ 172,796 | \$ 191,599 | \$ 178,575 | \$ 164,581 | \$ 196,952 |
| City's contributions in relation to the statutorily required contribution | 97,559 | 172,796 | 191,599 | 178,575 | 164,581 | 196,952 |
| City's contribution deficiency | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| City's covered payroll | \$45,673,733 | \$42,528,059 | \$42,439,245 | \$38,971,217 | \$37,581,388 | \$35,238,842 |
| City's contributions as a percentage of covered payroll | 0.21% | 0.41% | 0.45% | 0.46% | 0.44% | 0.56% |

Information for fiscal years 2012 through 2016 is not available.

Arizona State Retirement System - Long-term disability

| | Reporting fiscal year | | | | | |
|---|-----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Statutorily required contribution | \$ 86,437 | \$ 76,187 | \$ 69,064 | \$ 62,149 | \$ 61,374 | \$ 49,278 |
| City's contributions in relation to the statutorily required contribution | 86,437 | 76,187 | 69,064 | 62,149 | 61,374 | 49,278 |
| City's contribution deficiency | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| City's covered payroll | \$ 45,673,733 | \$ 42,528,059 | \$ 42,439,245 | \$ 38,971,217 | \$ 37,581,388 | \$ 35,238,842 |
| City's contributions as a percentage of covered payroll | 0.19% | 0.18% | 0.16% | 0.16% | 0.16% | 0.14% |

Reporting fiscal years 2016 through 2012 information not available.

See accompanying notes to this schedule

Required supplementary information
Schedule of City pension/OPEB contributions

Elected Official Retirement Plan - Pension

| | Reporting fiscal year | | | | | | | | |
|---|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Statutorily required contribution | \$ 120,671 | \$ 115,754 | \$ 117,327 | \$ 101,371 | \$ 66,206 | \$ 34,133 | \$ 36,535 | \$ 35,199 | \$ 47,836 |
| City's contributions in relation to the statutorily required contribution | 120,671 | 115,754 | 117,327 | 101,371 | 66,206 | 34,133 | 36,535 | 35,199 | 47,836 |
| City's contribution deficiency (excess) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| City's covered payroll | \$ 376,872 | \$ 205,523 | \$ 206,644 | \$ 176,123 | \$ 150,767 | \$ 154,566 | \$ 155,470 | \$ 155,470 | \$ 154,983 |
| City's contributions as a percentage of covered payroll | 32.02% | 56.32% | 56.78% | 57.56% | 43.91% | 22.08% | 23.50% | 22.64% | 30.87% |

Information for fiscal years 2012 through 2013 is not available.

The City was not required to and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2022, 2021, 2020, 2019, 2018, or 2017. Information for fiscal years 2016 through 2012 is not available.

PSPRS - Police - Pension

| | Reporting fiscal year | | | | | | | | |
|---|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Statutorily required contribution | \$4,670,817 | \$4,094,704 | \$3,850,896 | \$3,977,387 | \$5,056,552 | \$2,598,440 | \$2,301,028 | \$1,753,988 | \$1,359,213 |
| City's contributions in relation to the actuarially determined contribution | 4,670,817 | 4,094,704 | 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 | \$13,046,658 | \$13,066,287 | \$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 | 35.80 % | 31.34 % | 29.65 % | 30.44 % | 41.02 % | 22.08 % | 20.62 % | 16.42 % | 15.57 % |

Information for fiscal years 2012 through 2013 is not available.

PSPRS - Police - OPEB

| | Reporting fiscal year | | | | | |
|---|-----------------------|--------------|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Statutorily required contribution | \$ 41,394 | \$ 40,791 | \$ 37,796 | \$ 44,365 | \$ 79,382 | \$ 58,849 |
| City's contributions in relation to the actuarially determined contribution | 41,394 | 40,791 | 37,796 | 44,365 | 79,382 | 58,849 |
| City's contribution deficiency (excess) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| City's covered payroll | \$13,046,658 | \$13,066,287 | \$12,989,361 | \$13,066,419 | \$12,326,006 | \$11,769,882 |
| City's contributions as a percentage of covered payroll | 0.32% | 0.31% | 0.29% | 0.34% | 0.64% | 0.50% |

Information for fiscal years 2012 through 2016 is not available.

See accompanying notes to this schedule

Required supplementary information
Schedule of City pension/OPEB contributions

PSPRS - Fire - Pension

| | Reporting fiscal year | | | | | | | | |
|---|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Actuarially determined contribution | \$4,637,873 | \$3,569,521 | \$3,060,602 | \$2,977,137 | \$4,499,428 | \$1,832,987 | \$1,716,087 | \$1,417,546 | \$1,298,311 |
| City's contributions in relation to the actuarially determined contribution | 4,637,873 | 3,569,521 | 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 | \$15,441,184 | \$13,277,038 | \$11,738,436 | \$11,767,811 | \$11,534,304 | \$11,296,060 | \$10,648,460 | \$9,802,389 | \$8,492,409 |
| City's contributions as a percentage of covered payroll | 30.04% | 26.88% | 26.07% | 25.30% | 39.01% | 16.23% | 16.12% | 14.46% | 15.29% |

Information for fiscal years 2012 through 2013 is not available.

PSPRS - Fire - OPEB

| | Reporting fiscal year | | | | | |
|---|-----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Actuarially determined contribution | \$ 46,383 | \$ 40,124 | \$ 36,517 | \$ 35,366 | \$ 77,072 | \$ 40,740 |
| City's contributions in relation to the actuarially determined contribution | 46,383 | 40,124 | 36,517 | 35,366 | 77,072 | 40,740 |
| City's contribution deficiency (excess) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| City's covered payroll | \$ 15,441,184 | \$ 13,277,038 | \$ 11,738,436 | \$ 11,767,811 | \$ 11,534,304 | \$ 11,296,060 |
| City's contributions as a percentage of covered payroll | 0.30% | 0.30% | 0.31% | 0.30% | 0.67% | 0.36% |

Information for fiscal years 2012 through 2016 is not available.

See accompanying notes to this schedule

Required supplementary information

Notes to Pension/OPEB Schedules

Note 1 – Actuarially determined contribution rates

Actuarially determined contribution rates are calculated as of June 30 each year for ASRS which is 12 months prior to the beginning of the fiscal year in which contributions are reported. Actuarial determined contribution rates for PSPRS are calculated as of June 30, two 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 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2019 actuarial valuation, changed to PubS-2010 tables. 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.

City of Surprise, Arizona

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

General Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|-----------------------------|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 69,499,600 | \$ 69,499,600 | \$ 85,463,638 | \$ 15,964,038 |
| Licenses and permits | 6,464,300 | 6,464,300 | 6,314,397 | (149,903) |
| Intergovernmental revenues | 42,618,100 | 43,168,100 | 46,912,312 | 3,744,212 |
| Charges for services | 11,365,400 | 11,365,400 | 28,805,039 | 17,439,639 |
| Grants revenue | — | — | 10,027,733 | 10,027,733 |
| Fines | 1,170,600 | 1,170,600 | 998,737 | (171,863) |
| Rents | 299,900 | 336,000 | 638,891 | 302,891 |
| Interest revenue | 478,500 | 478,500 | (1,393,544) | (1,872,044) |
| Donations | 142,500 | 142,500 | 85,090 | (57,410) |
| Indirect charges | 6,254,700 | 6,254,700 | 6,254,474 | (226) |
| Other revenue | 367,400 | 367,400 | 556,047 | 188,647 |
| Total revenues | <u>138,661,000</u> | <u>139,247,100</u> | <u>184,662,814</u> | <u>45,415,714</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| City council | 703,800 | 703,800 | 549,250 | 154,550 |
| City manager | 3,556,000 | 3,556,000 | 3,559,449 | (3,449) |
| City attorney | 2,580,700 | 2,580,700 | 2,462,830 | 117,870 |
| City clerk | 912,500 | 916,300 | 911,336 | 4,964 |
| Finance | 5,398,900 | 5,223,900 | 4,045,210 | 1,178,690 |
| Human resources | 3,009,200 | 3,009,200 | 2,633,957 | 375,243 |
| Information technology | 6,719,300 | 6,721,700 | 6,373,444 | 348,256 |
| General operations | 4,327,600 | 4,327,600 | 1,824,179 | 2,503,421 |
| Total general government | <u>27,208,000</u> | <u>27,039,200</u> | <u>22,359,655</u> | <u>4,679,545</u> |
| Public safety: | | | | |
| Police | 34,426,900 | 35,590,400 | 34,978,854 | 611,546 |
| Fire-medical | 26,475,800 | 28,950,800 | 31,685,965 | (2,735,165) |
| Court | 2,781,200 | 2,781,200 | 2,642,468 | 138,732 |
| Total public safety | <u>63,683,900</u> | <u>67,322,400</u> | <u>69,307,287</u> | <u>(1,984,887)</u> |
| Community development: | | | | |
| Economic development | 11,114,000 | 11,166,400 | 8,750,576 | 2,415,824 |
| Community development | 6,267,800 | 6,235,300 | 5,572,591 | 662,709 |
| Total community development | <u>17,381,800</u> | <u>17,401,700</u> | <u>14,323,167</u> | <u>3,078,533</u> |

| | | | | |
|---|------------------------|------------------------|---------------------|----------------------|
| Culture and recreation: | | | | |
| Human services and community vitality | 2,690,900 | 2,676,500 | 2,220,917 | 455,583 |
| Parks and recreation | 13,489,700 | 13,776,300 | 13,633,347 | 142,953 |
| Sports and tourism | 193,800 | 193,800 | 7,120 | 186,680 |
| Total culture and recreation | <u>16,374,400</u> | <u>16,646,600</u> | <u>15,861,384</u> | <u>785,216</u> |
| Public works and streets: | | | | |
| Public works and streets | 9,648,800 | 9,931,300 | 9,703,931 | 227,369 |
| Total public works and streets | <u>9,648,800</u> | <u>9,931,300</u> | <u>9,703,931</u> | <u>227,369</u> |
| Contingency | 4,283,600 | 4,063,100 | — | 4,063,100 |
| Total contingency | <u>4,283,600</u> | <u>4,063,100</u> | <u>—</u> | <u>4,063,100</u> |
| Total current | <u>138,580,500</u> | <u>142,404,300</u> | <u>131,555,424</u> | <u>10,848,876</u> |
| Debt service: | | | | |
| Principal retirement | — | — | 30,753 | (30,753) |
| Interest | — | — | 5,618 | (5,618) |
| Total debt service | <u>—</u> | <u>—</u> | <u>36,371</u> | <u>(36,371)</u> |
| Capital outlay | 212,000 | 240,200 | 1,285,251 | (1,045,051) |
| Total expenditures | <u>138,792,500</u> | <u>142,644,500</u> | <u>132,877,046</u> | <u>9,767,454</u> |
| Excess (deficiency) of revenues over expenditures | <u>(131,500)</u> | <u>(3,397,400)</u> | <u>51,785,768</u> | <u>55,183,168</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 77,100 | 77,100 | 166,226 | 89,126 |
| Transfers in | 2,057,700 | 2,067,000 | 1,643,618 | (423,382) |
| Transfers out | (18,683,600) | (19,058,600) | (45,794,128) | (26,735,528) |
| Lease agreements | — | — | 500,914 | 500,914 |
| Total other financing sources (uses) | <u>(16,548,800)</u> | <u>(16,914,500)</u> | <u>(43,483,370)</u> | <u>(26,568,870)</u> |
| Net change in fund balances | <u>\$ (16,680,300)</u> | <u>\$ (20,311,900)</u> | <u>\$ 8,302,398</u> | <u>\$ 28,614,298</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Development fees | \$ 721,900 | \$ 721,900 | \$ 954,957 | \$ 233,057 |
| Interest revenue | 11,900 | 11,900 | — | (11,900) |
| Total revenues | <u>733,800</u> | <u>733,800</u> | <u>954,957</u> | <u>221,157</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contingency | <u>360,600</u> | <u>360,600</u> | <u>—</u> | <u>360,600</u> |
| Total current | <u>360,600</u> | <u>360,600</u> | <u>—</u> | <u>360,600</u> |
| Total expenditures | <u>360,600</u> | <u>360,600</u> | <u>—</u> | <u>360,600</u> |
| Excess (deficiency) of revenues over expenditures | <u>373,200</u> | <u>373,200</u> | <u>954,957</u> | <u>581,757</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(367,300)</u> | <u>(367,300)</u> | <u>(366,633)</u> | <u>667</u> |
| Total other financing sources (uses) | <u>(367,300)</u> | <u>(367,300)</u> | <u>(366,633)</u> | <u>667</u> |
| Net change in fund balances | <u>\$ 5,900</u> | <u>\$ 5,900</u> | <u>\$ 588,324</u> | <u>\$ 582,424</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-----------------------|-----------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 9,411,100 | \$ 9,411,100 | \$ 10,538,762 | \$ 1,127,662 |
| Charges for services | 8,100 | 8,100 | 7,500 | (600) |
| Interest revenue | — | — | (47,152) | (47,152) |
| Grants revenue | — | — | 461,310 | 461,310 |
| Other revenue | 1,500 | 1,500 | 1,059 | (441) |
| Total revenues | <u>9,420,700</u> | <u>9,420,700</u> | <u>10,961,479</u> | <u>1,540,779</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 153,900 | 153,900 | 142,912 | 10,988 |
| Public works and streets | 9,824,100 | 9,172,300 | 8,639,671 | 532,629 |
| Contingency | — | 1,131,600 | — | 1,131,600 |
| Total current | <u>9,978,000</u> | <u>10,457,800</u> | <u>8,782,583</u> | <u>1,675,217</u> |
| Debt service: | | | | |
| Principal retirement | — | — | 2,814 | (2,814) |
| Interest | — | — | 83 | (83) |
| Total debt service | <u>—</u> | <u>—</u> | <u>2,897</u> | <u>(2,897)</u> |
| Capital outlay | <u>2,639,200</u> | <u>2,159,400</u> | <u>1,260,853</u> | <u>898,547</u> |
| Total expenditures | <u>12,617,200</u> | <u>12,617,200</u> | <u>10,046,333</u> | <u>2,570,867</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,196,500)</u> | <u>(3,196,500)</u> | <u>915,146</u> | <u>4,111,646</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | — | — | 69,000 | 69,000 |
| Transfers in | — | — | — | — |
| Transfers out | — | — | — | — |
| Lease agreements | — | — | — | — |
| Total other financing sources (uses) | <u>—</u> | <u>—</u> | <u>69,000</u> | <u>69,000</u> |
| Net change in fund balances | <u>\$ (3,196,500)</u> | <u>\$ (3,196,500)</u> | <u>\$ 984,146</u> | <u>\$ 4,180,646</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-----------------------|-----------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 9,835,100 | \$ 9,835,100 | \$ 10,878,289 | \$ 1,043,189 |
| Interest revenue | 114,700 | 114,700 | (173,473) | (288,173) |
| Other revenue | — | — | 659,179 | 659,179 |
| Total revenues | <u>9,949,800</u> | <u>9,949,800</u> | <u>11,363,995</u> | <u>1,414,195</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works and streets | 4,971,500 | 3,126,300 | 2,933,348 | 192,952 |
| Contingency | 2,467,900 | 5,143,400 | — | 5,143,400 |
| Total current | <u>7,439,400</u> | <u>8,269,700</u> | <u>2,933,348</u> | <u>5,336,352</u> |
| Capital outlay | 9,146,400 | 8,516,100 | 3,476,923 | 5,039,177 |
| Total expenditures | <u>16,585,800</u> | <u>16,785,800</u> | <u>6,410,271</u> | <u>10,375,529</u> |
| Excess (deficiency) of revenues over expenditures | <u>(6,636,000)</u> | <u>(6,836,000)</u> | <u>4,953,724</u> | <u>11,789,724</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | — | — | 200,000 | 200,000 |
| Transfers out | (90,300) | (90,300) | (56,900) | 33,400 |
| Total other financing sources (uses) | <u>(90,300)</u> | <u>(90,300)</u> | <u>143,100</u> | <u>233,400</u> |
| Net change in fund balances | <u>\$ (6,726,300)</u> | <u>\$ (6,926,300)</u> | <u>\$ 5,096,824</u> | <u>\$ 12,023,124</u> |

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, leases, 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

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------------|------------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 14,424,800 | \$ 14,424,800 | \$ 15,954,824 | \$ 1,530,024 |
| Licenses and permits | — | — | 640,001 | 640,001 |
| Charges for services | — | — | 20,638 | 20,638 |
| Interest revenue | 325,100 | 325,100 | (577,634) | (902,734) |
| Other revenue | — | — | — | — |
| Total revenues | <u>14,749,900</u> | <u>14,749,900</u> | <u>16,037,829</u> | <u>1,287,929</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| City manager | 120,800 | 107,800 | 58,684 | 49,116 |
| Information technology | 44,000 | 14,900 | 3,637 | 11,263 |
| General operations | 76,200 | 76,200 | 44,422 | 31,778 |
| Public safety: | | | | |
| Police | 272,400 | 173,400 | 140,094 | 33,306 |
| Fire-Medical | 183,500 | 55,500 | 3,000 | 52,500 |
| Public works and streets | 208,200 | 126,500 | 48,916 | 77,584 |
| Community development: | | | | |
| Economic development | 150,000 | 150,000 | 89,355 | 60,645 |
| Community development | — | — | 9,361 | (9,361) |
| Culture and recreation: | | | | |
| Human services and community vitality | 42,700 | 36,700 | 29,120 | 7,580 |
| Parks and recreation | 2,361,800 | 2,082,600 | 1,297,056 | 785,544 |
| Sports and tourism | 2,302,500 | 1,919,300 | 1,480,734 | 438,566 |
| Contingency | 5,000,000 | 13,262,100 | — | 13,262,100 |
| Total current | <u>10,762,100</u> | <u>18,005,000</u> | <u>3,204,379</u> | <u>14,800,621</u> |
| Capital outlay | 45,456,200 | 46,813,300 | 17,417,019 | 29,396,281 |
| Total expenditures | <u>56,218,300</u> | <u>64,818,300</u> | <u>20,621,398</u> | <u>44,196,902</u> |
| Excess (deficiency) of revenues over expenditures | <u>(41,468,400)</u> | <u>(50,068,400)</u> | <u>(4,583,569)</u> | <u>45,484,831</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 13,445,800 | 13,445,800 | 39,445,800 | 26,000,000 |
| Transfers out | (108,300) | (108,300) | (69,400) | 38,900 |
| Total other financing sources (uses) | <u>13,337,500</u> | <u>13,337,500</u> | <u>39,376,400</u> | <u>26,038,900</u> |
| Net change in fund balances | <u>\$ (28,130,900)</u> | <u>\$ (36,730,900)</u> | <u>\$ 34,792,831</u> | <u>\$ 71,523,731</u> |



SURPRISE

ARIZONA

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 5,097,800 | \$ 5,097,800 | \$ 5,089,127 | \$ (8,673) |
| Interest revenue | — | — | (86,403) | (86,403) |
| Total revenues | <u>5,097,800</u> | <u>5,097,800</u> | <u>5,002,724</u> | <u>(95,076)</u> |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Administrative charges | 8,000 | 8,000 | 2,404 | 5,596 |
| Principal retirement | 6,077,300 | 6,077,300 | 6,077,275 | 25 |
| Interest | 2,450,800 | 2,450,800 | 2,450,792 | 8 |
| Total debt service | <u>8,536,100</u> | <u>8,536,100</u> | <u>8,530,471</u> | <u>5,629</u> |
| Total expenditures | <u>8,536,100</u> | <u>8,536,100</u> | <u>8,530,471</u> | <u>5,629</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,438,300)</u> | <u>(3,438,300)</u> | <u>(3,527,747)</u> | <u>(89,447)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>3,438,900</u> | <u>3,438,900</u> | <u>3,433,861</u> | <u>(5,039)</u> |
| Total other financing sources (uses) | <u>3,438,900</u> | <u>3,438,900</u> | <u>3,433,861</u> | <u>(5,039)</u> |
| Net change in fund balances | <u>\$ 600</u> | <u>\$ 600</u> | <u>\$ (93,886)</u> | <u>\$ (94,486)</u> |

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 discretely track funds received from the participation on DEA task forces in the Greater Phoenix area. The use of these funds is limited to approval by the disbursing program manager and is generally related to purchase and maintenance of department equipment not included in the general budget. SPD - Surprise Police Department. DEA - Drug Enforcement Activity.
 - *SPD RICO Fund* - This fund is used to discretely track funds received from participation in the Maricopa County Attorney's Office Anti-Racketeering Influenced and Corrupt Organizations (RICO) task force.
 - *SPD Towing Fund* - This fund is used to track activity in the Police Department for vehicle impounds. The use of these funds is limited to administrative management of the vehicle impound program.
 - *Sports & 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.
 -

NON MAJOR GOVERNMENTAL FUND DESCRIPTIONS (continued)

- *Smart & Safe Police Fund* - This fund is used to track Police revenues and expenditures related to Prop 207.
- *Smart & Safe Fire-Medical Fund* - This fund is used to track Fire revenues and expenditures related to Prop 207.
- *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.
- *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.
- *Street Lighting District Fund* – 142 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 expenses 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 expenses and debt service within the district.

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2022

| | Grants Fund | LTAF II/ALF Fund | Municipal Court Enhancement Fund | Municipal Court FARE Fund | Municipal Court JCEF Fund |
|---|--------------------|-------------------------|---|----------------------------------|----------------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 34 | \$ 1,203 | \$ 312,124 | \$ 20,107 | \$ 94,975 |
| Restricted cash and investments | — | — | — | — | — |
| Receivables (net of allowances): | | | | | |
| Taxes and franchise fees | — | — | — | — | — |
| Grants | 321,162 | — | — | — | — |
| Leases | — | — | — | — | — |
| Other | — | — | — | — | — |
| Prepaid items and other assets | 2,834 | — | — | — | — |
| Inventory | — | — | — | — | — |
| Total assets | <u>\$ 324,030</u> | <u>\$ 1,203</u> | <u>\$ 312,124</u> | <u>\$ 20,107</u> | <u>\$ 94,975</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 2,858 | \$ — | \$ — | \$ — | \$ — |
| Accrued payroll and related taxes | — | — | — | — | — |
| Due to other fund | 330,307 | — | — | — | — |
| Deposits | — | — | — | — | — |
| Unearned revenue | 5,758 | — | — | — | — |
| Contracts payable | — | — | — | — | — |
| Matured bond interest payable | — | — | — | — | — |
| Matured bonds payable | — | — | — | — | — |
| Total liabilities | <u>338,923</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Inflows - unavailable revenue | 13,468 | — | — | — | — |
| Deferred Inflows - leases | — | — | — | — | — |
| Total deferred inflow of resources | <u>13,468</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total liabilities and deferred inflows of resources | <u>352,391</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable | 2,834 | — | — | — | — |
| Restricted | — | 1,203 | 312,124 | 20,107 | 94,975 |
| Committed | — | — | — | — | — |
| Unassigned | (31,195) | — | — | — | — |
| Total fund balances (deficits) | <u>(28,361)</u> | <u>1,203</u> | <u>312,124</u> | <u>20,107</u> | <u>94,975</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 324,030</u> | <u>\$ 1,203</u> | <u>\$ 312,124</u> | <u>\$ 20,107</u> | <u>\$ 94,975</u> |

| Municipal Court MFTG Fund | Neighborhood Revitalization Fund | Net Premium Seating Fund | Proposition 400 Fund | SB1398 Fines Fund | SPD DEA Fund | SPD RICO Fund |
|----------------------------------|---|---------------------------------|-----------------------------|--------------------------|---------------------|----------------------|
| \$ 47,368 | \$ — | \$ 167,896 | \$ 392 | \$ 41,369 | \$ — | \$ — |
| — | 201,099 | — | — | — | 16,922 | 1,258,677 |
| — | — | — | — | — | — | — |
| — | 216,926 | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| <u>\$ 47,368</u> | <u>\$ 418,025</u> | <u>\$ 167,896</u> | <u>\$ 392</u> | <u>\$ 41,369</u> | <u>\$ 16,922</u> | <u>\$ 1,258,677</u> |
| \$ — | \$ 105,902 | \$ 1,928 | \$ — | \$ — | \$ — | \$ 7,560 |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | 377,657 | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | 483,559 | 1,928 | — | — | — | 7,560 |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | 483,559 | 1,928 | — | — | — | 7,560 |
| — | — | — | — | — | — | — |
| 47,368 | — | — | 392 | 41,369 | 16,922 | 1,251,117 |
| — | — | 165,968 | — | — | — | — |
| — | (65,534) | — | — | — | — | — |
| <u>47,368</u> | <u>(65,534)</u> | <u>165,968</u> | <u>392</u> | <u>41,369</u> | <u>16,922</u> | <u>1,251,117</u> |
| <u>\$ 47,368</u> | <u>\$ 418,025</u> | <u>\$ 167,896</u> | <u>\$ 392</u> | <u>\$ 41,369</u> | <u>\$ 16,922</u> | <u>\$ 1,258,677</u> |

(Continued)

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2022

| | SPD Towing Fund | Sports & Tourism Fund | Smart & Safe Police Fund | Smart & Safe Fire-Medical Fund | Tourism Fund |
|---|----------------------------|--------------------------------------|---|---|---------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 48,919 | \$ 784,565 | \$ 407,587 | \$ 397,011 | \$ 1,378,490 |
| Restricted cash and investments | — | — | — | — | — |
| Receivables (net of allowances): | | | | | |
| Taxes and franchise fees | — | — | — | — | — |
| Grants | — | — | — | — | — |
| Leases | — | 2,271,455 | — | — | — |
| Other | — | 156,165 | — | — | — |
| Prepaid items and other assets | — | — | — | — | — |
| Inventory | — | 9,428 | — | — | — |
| Total assets | <u>\$ 48,919</u> | <u>\$ 3,221,613</u> | <u>\$ 407,587</u> | <u>\$ 397,011</u> | <u>\$ 1,378,490</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 4,893 | \$ 182,135 | \$ — | \$ — | \$ 17,612 |
| Accrued payroll and related taxes | 1,897 | 117,792 | — | — | — |
| Due to other funds | — | — | — | — | — |
| Deposits | — | — | — | — | — |
| Unearned revenue | — | — | — | — | — |
| Contracts payable | — | — | — | — | — |
| Matured bond interest payable | — | — | — | — | — |
| Matured bonds payable | — | — | — | — | — |
| Total liabilities | <u>6,790</u> | <u>299,927</u> | <u>—</u> | <u>—</u> | <u>17,612</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Inflows - unavailable revenue | — | — | — | — | — |
| Deferred Inflows - leases | — | 2,220,100 | — | — | — |
| Total deferred inflow of resources | <u>—</u> | <u>2,220,100</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total liabilities and deferred inflows of resources | <u>6,790</u> | <u>2,520,027</u> | <u>—</u> | <u>—</u> | <u>17,612</u> |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable | — | 9,428 | — | — | — |
| Restricted | 42,129 | 692,158 | 407,587 | 397,011 | — |
| Committed | — | — | — | — | 1,360,878 |
| Unassigned | — | — | — | — | — |
| Total fund balances (deficits) | <u>42,129</u> | <u>701,586</u> | <u>407,587</u> | <u>397,011</u> | <u>1,360,878</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 48,919</u> | <u>\$ 3,221,613</u> | <u>\$ 407,587</u> | <u>\$ 397,011</u> | <u>\$ 1,378,490</u> |

| 163rd Ave Development Fee Fund | Fire Development Fee Fund | Parks and Recreation Development Fee Fund | Police Development Fee Fund | Street Lighting Districts Fund | Marley Park Community Facility District Fund | Total Nonmajor Special Revenue Funds |
|---|--|--|--|---|---|---|
| \$ 114,317 | \$ 11,227,005 | \$ 8,098,333 | \$ 5,255,856 | \$ 749,782 | \$ 174,797 | \$ 29,322,130 |
| — | — | — | — | — | 1,454,624 | 2,931,322 |
| — | — | — | — | 33,443 | 23,016 | 56,459 |
| — | — | — | — | — | — | 538,088 |
| — | — | — | — | — | — | 2,271,455 |
| — | — | — | — | — | 32,250 | 188,415 |
| — | — | — | — | — | — | 2,834 |
| — | — | — | — | — | — | 9,428 |
| <u>\$ 114,317</u> | <u>\$ 11,227,005</u> | <u>\$ 8,098,333</u> | <u>\$ 5,255,856</u> | <u>\$ 783,225</u> | <u>\$ 1,684,687</u> | <u>\$ 35,320,131</u> |
| \$ — | \$ — | \$ 150,620 | \$ 9,824 | \$ 199,522 | \$ 156,527 | \$ 839,381 |
| — | — | — | — | — | — | 119,689 |
| — | — | — | — | — | — | 330,307 |
| — | — | — | — | 462 | — | 462 |
| — | — | — | — | — | — | 383,415 |
| — | — | 52,753 | — | — | — | 52,753 |
| — | — | — | — | — | 331,164 | 331,164 |
| — | — | — | — | — | 635,000 | 635,000 |
| — | — | 203,373 | 9,824 | 199,984 | 1,122,691 | 2,692,171 |
| — | — | — | — | 6,789 | 9,169 | 29,426 |
| — | — | — | — | — | — | 2,220,100 |
| — | — | — | — | 6,789 | 9,169 | 2,249,526 |
| — | — | 203,373 | 9,824 | 206,773 | 1,131,860 | 4,941,697 |
| — | — | — | — | — | — | 12,262 |
| 114,317 | 11,227,005 | 7,894,960 | 5,246,032 | 576,452 | 552,827 | 28,936,055 |
| — | — | — | — | — | — | 1,526,846 |
| — | — | — | — | — | — | (96,729) |
| <u>114,317</u> | <u>11,227,005</u> | <u>7,894,960</u> | <u>5,246,032</u> | <u>576,452</u> | <u>552,827</u> | <u>30,378,434</u> |
| <u>\$ 114,317</u> | <u>\$ 11,227,005</u> | <u>\$ 8,098,333</u> | <u>\$ 5,255,856</u> | <u>\$ 783,225</u> | <u>\$ 1,684,687</u> | <u>\$ 35,320,131</u> |

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2022

| | <u>Grants Fund</u> | <u>LTAF II/ALF Fund</u> | <u>Municipal Court Enhancement Fund</u> | <u>Municipal Court FARE Fund</u> | <u>Municipal Court JCEF Fund</u> |
|---|--------------------|-------------------------|---|----------------------------------|----------------------------------|
| REVENUES | | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ — | \$ — |
| Intergovernmental revenues | — | 362,834 | — | 1,591 | — |
| Charges for services | — | — | — | — | — |
| Grants revenue | 1,953,835 | — | — | — | — |
| Fines | — | — | 78,511 | — | 13,998 |
| Rents | — | — | — | — | — |
| Development fees | — | — | — | — | — |
| Interest revenue | — | 73 | (3,106) | (192) | (925) |
| Donations | — | — | — | — | — |
| Other revenue | — | 23,889 | — | — | — |
| Total revenues | <u>1,953,835</u> | <u>386,796</u> | <u>75,405</u> | <u>1,399</u> | <u>13,073</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,520 | — | — | — | — |
| Public safety | 914,294 | — | — | — | — |
| Public works and streets | — | 394,051 | — | — | — |
| Community development | — | — | — | — | — |
| Culture and recreation | 708,189 | — | — | — | — |
| Debt service: | | | | | |
| Administrative charges | — | — | — | — | — |
| Principal retirement | — | — | — | — | — |
| Interest | — | — | — | — | — |
| Capital outlay | 65,000 | — | — | — | — |
| Total expenditures | <u>1,689,003</u> | <u>394,051</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Excess (deficiency) of revenues over expenditures | <u>264,832</u> | <u>(7,255)</u> | <u>75,405</u> | <u>1,399</u> | <u>13,073</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | — | — | — | — | — |
| Transfers out | — | — | — | — | — |
| Issuance of debt | — | — | — | — | — |
| Lease agreements | — | — | — | — | — |
| Total other financing sources (uses) | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net change in fund balance | <u>264,832</u> | <u>(7,255)</u> | <u>75,405</u> | <u>1,399</u> | <u>13,073</u> |
| Fund balances - beginning | <u>(293,193)</u> | <u>8,458</u> | <u>236,719</u> | <u>18,708</u> | <u>81,902</u> |
| Increase / (decrease) in inventories | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Fund balances - ending | <u>\$ (28,361)</u> | <u>\$ 1,203</u> | <u>\$ 312,124</u> | <u>\$ 20,107</u> | <u>\$ 94,975</u> |

| Municipal Court MFTG Fund | Neighborhood Revitalization Fund | Net Premium Seating Fund | Proposition 400 Fund | SB1398 Fines Fund | SPD DEA Fund | SPD RICO Fund |
|----------------------------------|---|---------------------------------|-----------------------------|--------------------------|---------------------|----------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 9,126 | — | — | — | — | — | — |
| — | — | 9,093 | — | — | — | — |
| — | 1,177,189 | — | — | — | — | — |
| — | — | — | — | 19,858 | — | 393,271 |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| (463) | — | (72) | (3) | (414) | 52 | 29,510 |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| 8,663 | 1,177,189 | 9,021 | (3) | 19,444 | 52 | 422,781 |
| — | — | — | — | — | — | — |
| — | — | — | — | 6,854 | — | 43,288 |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | 1,096,998 | 113,391 | — | — | — | — |
| — | — | — | — | — | — | — |
| — | 35,396 | — | — | — | — | — |
| — | 8,019 | — | — | — | — | — |
| — | 724,423 | — | — | — | — | 495 |
| — | 1,864,836 | 113,391 | — | 6,854 | — | 43,783 |
| 8,663 | (687,647) | (104,370) | (3) | 12,590 | 52 | 378,998 |
| — | — | 136,998 | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | 724,423 | — | — | — | — | — |
| — | 724,423 | 136,998 | — | — | — | — |
| 8,663 | 36,776 | 32,628 | (3) | 12,590 | 52 | 378,998 |
| 38,705 | (102,310) | 133,340 | 395 | 28,779 | 16,870 | 872,119 |
| — | — | — | — | — | — | — |
| \$ 47,368 | \$ (65,534) | \$ 165,968 | \$ 392 | \$ 41,369 | \$ 16,922 | \$ 1,251,117 |

(Continued)

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds (Continued)

For the Year Ended June 30, 2022

| | SPD Towing Fund | Sports & Tourism Fund | Smart & Safe Police Fund | Smart & Safe Fire-Medical Fund | Tourism Fund |
|---|----------------------------|--------------------------------------|---|---|---------------------|
| REVENUES | | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ — | \$ 1,078,319 |
| Intergovernmental revenues | — | — | 342,073 | 349,450 | 158,038 |
| Charges for services | 24,450 | 1,807,006 | — | — | — |
| Grants revenue | — | — | — | — | — |
| Fines | — | — | — | — | — |
| Rents | — | 478,734 | — | — | — |
| Development fees | — | — | — | — | — |
| Interest revenue | (431) | 20,174 | — | — | (21,934) |
| Donations | — | 2,400 | — | — | — |
| Other revenue | — | 10,804 | — | — | — |
| Total revenues | <u>24,019</u> | <u>2,319,118</u> | <u>342,073</u> | <u>349,450</u> | <u>1,214,423</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | — | — | — | — | — |
| Public safety | 58,815 | — | — | — | — |
| Public works and streets | — | — | — | — | — |
| Community development | — | — | — | — | — |
| Culture and recreation | — | 5,556,575 | — | — | 106,383 |
| Debt service: | | | | | |
| Administrative charges | — | — | — | — | — |
| Principal retirement | — | — | — | — | — |
| Interest | — | — | — | — | — |
| Capital outlay | — | — | — | — | — |
| Total expenditures | <u>58,815</u> | <u>5,556,575</u> | <u>—</u> | <u>—</u> | <u>106,383</u> |
| Excess (deficiency) of revenues over expenditures | <u>(34,796)</u> | <u>(3,237,457)</u> | <u>342,073</u> | <u>349,450</u> | <u>1,108,040</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | — | 3,408,606 | — | — | — |
| Transfers out | — | (54,829) | — | — | (808,739) |
| Issuance of debt | — | — | — | — | — |
| Lease agreements | — | — | — | — | — |
| Total other financing sources (uses) | <u>—</u> | <u>3,353,777</u> | <u>—</u> | <u>—</u> | <u>(808,739)</u> |
| Net change in fund balances | <u>(34,796)</u> | <u>116,320</u> | <u>342,073</u> | <u>349,450</u> | <u>299,301</u> |
| Fund balances - beginning | 76,925 | 585,876 | 65,514 | 47,561 | 1,061,577 |
| Increase / (decrease) in inventories | — | (610) | — | — | — |
| Fund balances - ending | <u>\$ 42,129</u> | <u>\$ 701,586</u> | <u>\$ 407,587</u> | <u>\$ 397,011</u> | <u>\$ 1,360,878</u> |

| 163rd Ave Development Fee Fund | Fire Development Fee Fund | Parks and Recreation Development Fee Fund | Police Development Fee Fund | Street Lighting Districts Fund | Marley Park Community Facility District Fund | Total Nonmajor Special Revenue Funds |
|---|--|--|--|---|---|---|
| \$ — | \$ — | \$ — | \$ — | \$ 2,394,517 | \$ 1,814,145 | \$ 5,286,981 |
| — | — | — | — | — | — | 1,223,112 |
| — | — | — | — | 3,100 | — | 1,843,649 |
| — | — | — | — | — | — | 3,131,024 |
| — | — | — | — | — | — | 505,638 |
| — | — | — | — | — | — | 478,734 |
| — | 3,463,405 | 3,727,038 | 1,690,123 | — | — | 8,880,566 |
| — | — | — | — | (11,198) | — | 11,071 |
| — | — | — | — | — | — | 2,400 |
| — | — | — | — | — | — | 34,693 |
| — | 3,463,405 | 3,727,038 | 1,690,123 | 2,386,419 | 1,814,145 | 21,397,868 |
| — | — | 103,610 | — | 110,948 | — | 216,078 |
| — | 2,831 | — | 2,831 | — | — | 1,028,913 |
| — | — | — | — | — | — | 394,051 |
| — | — | — | — | 2,374,050 | — | 2,374,050 |
| — | — | — | — | — | 156,982 | 7,738,518 |
| — | — | — | — | — | 600 | 600 |
| — | — | — | — | — | 635,000 | 670,396 |
| — | — | — | — | — | 662,329 | 670,348 |
| — | 1,463,636 | — | 1,224,201 | — | — | 3,477,755 |
| — | 1,466,467 | 103,610 | 1,227,032 | 2,484,998 | 1,454,911 | 16,570,709 |
| — | 1,996,938 | 3,623,428 | 463,091 | (98,579) | 359,234 | 4,827,159 |
| — | — | — | — | — | — | 3,545,604 |
| — | (279,506) | (436,884) | (135,202) | — | — | (1,715,160) |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | 724,423 |
| — | (279,506) | (436,884) | (135,202) | — | — | 2,554,867 |
| — | 1,717,432 | 3,186,544 | 327,889 | (98,579) | 359,234 | 7,382,026 |
| 114,317 | 9,509,573 | 4,708,416 | 4,918,143 | 675,031 | 193,593 | 22,997,018 |
| — | — | — | — | — | — | (610) |
| \$ 114,317 | \$ 11,227,005 | \$ 7,894,960 | \$ 5,246,032 | \$ 576,452 | \$ 552,827 | \$ 30,378,434 |

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and changes in Fund Balances - Budget to Actual

Grants Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|-----------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Grants revenue | \$ 5,800,700 | \$ 6,765,500 | \$ 1,953,835 | \$ (4,811,665) |
| Total revenues | <u>5,800,700</u> | <u>6,765,500</u> | <u>1,953,835</u> | <u>(4,811,665)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| City attorney | 1,600 | 1,600 | 1,520 | 80 |
| Public safety: | | | | |
| Police | 609,400 | 775,100 | 411,412 | 363,688 |
| Fire-Medical | 767,600 | 929,600 | 502,882 | 426,718 |
| Public works and streets | — | 260,300 | — | 260,300 |
| Community development | 285,200 | — | — | — |
| Culture and recreation: | | | | |
| Human services and community vitality | — | 2,079,800 | 705,531 | 1,374,269 |
| Parks and recreation | — | 4,200 | 2,658 | 1542 |
| Contingency | 3,919,400 | 2,068,700 | — | 2,068,700 |
| Total current | <u>5,583,200</u> | <u>6,119,300</u> | <u>1,624,003</u> | <u>4,495,297</u> |
| Capital outlay | 8,011,300 | 136,300 | 65,000 | 71,300 |
| Total expenditures | <u>13,594,500</u> | <u>6,255,600</u> | <u>1,689,003</u> | <u>4,566,597</u> |
| Excess (deficiency) of revenues over expenditures | (7,793,800) | 509,900 | 264,832 | (245,068) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | — | (9,300) | — | 9,300 |
| Total other financing sources (uses) | <u>—</u> | <u>(9,300)</u> | <u>—</u> | <u>9,300</u> |
| Net change in fund balances | <u>\$ (7,793,800)</u> | <u>\$ 500,600</u> | <u>\$ 264,832</u> | <u>\$ (235,768)</u> |

City of Surprise, Arizona

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

LTAI II/ALF Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|----------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 355,000 | \$ 395,400 | \$ 362,834 | \$ (32,566) |
| Interest revenue | — | — | 73 | 73 |
| Other revenue | — | — | 23,889 | 23,889 |
| Total revenues | <u>355,000</u> | <u>395,400</u> | <u>386,796</u> | <u>(8,604)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works and streets | 355,000 | 395,400 | 394,051 | 1,349 |
| Contingency | — | — | — | — |
| Total current | <u>355,000</u> | <u>395,400</u> | <u>394,051</u> | <u>1,349</u> |
| Total expenditures | <u>355,000</u> | <u>395,400</u> | <u>394,051</u> | <u>1,349</u> |
| Excess (deficiency) of revenues over expenditures | <u>—</u> | <u>—</u> | <u>(7,255)</u> | <u>(7,255)</u> |
| Net change in fund balances | <u>\$ —</u> | <u>\$ —</u> | <u>\$ (7,255)</u> | <u>\$ (7,255)</u> |

City of Surprise, Arizona

Schedule of Revenues, Expenditure, and Changes in Fund Balances - Budget to Actual

Municipal Court Enhancement Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fines | \$ 77,200 | \$ 77,200 | \$ 78,511 | \$ 1,311 |
| Interest revenue | — | — | (3,106) | (3,106) |
| Total revenues | <u>77,200</u> | <u>77,200</u> | <u>75,405</u> | <u>(1,795)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Court | 40,000 | 40,000 | — | 40,000 |
| Contingency | — | — | — | — |
| Total current | <u>40,000</u> | <u>40,000</u> | <u>—</u> | <u>40,000</u> |
| Total expenditures | <u>40,000</u> | <u>40,000</u> | <u>—</u> | <u>40,000</u> |
| Excess (deficiency) of revenues over expenditures | <u>37,200</u> | <u>37,200</u> | <u>75,405</u> | <u>38,205</u> |
| Net change in fund balances | <u>\$ 37,200</u> | <u>\$ 37,200</u> | <u>\$ 75,405</u> | <u>\$ 38,205</u> |

City of Surprise, Arizona

Schedule of Revenues, Expenditure, and Changes in Fund Balances - Budget to Actual

Municipal Court FARE Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|-----------------|-----------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 4,000 | \$ 4,000 | \$ 1,591 | \$ (2,409) |
| Interest revenue | — | — | (192) | (192) |
| Total revenues | <u>4,000</u> | <u>4,000</u> | <u>1,399</u> | <u>(2,601)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contingency | — | — | — | — |
| Total current | — | — | — | — |
| Total expenditures | — | — | — | — |
| Excess (deficiency) of revenues over expenditures | <u>4,000</u> | <u>4,000</u> | <u>1,399</u> | <u>(2,601)</u> |
| Net change in fund balances | <u>\$ 4,000</u> | <u>\$ 4,000</u> | <u>\$ 1,399</u> | <u>\$ (2,601)</u> |

City of Surprise, Arizona

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

Municipal Court JCEF Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fines | \$ 19,500 | \$ 19,500 | \$ 13,998 | \$ (5,502) |
| Interest revenue | — | — | (925) | (925) |
| Total revenues | <u>19,500</u> | <u>19,500</u> | <u>13,073</u> | <u>(6,427)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contingency | — | — | — | — |
| Total current | — | — | — | — |
| Total expenditures | — | — | — | — |
| Excess (deficiency) of revenues over expenditures | <u>19,500</u> | <u>19,500</u> | <u>13,073</u> | <u>(6,427)</u> |
| Net change in fund balances | <u>\$ 19,500</u> | <u>\$ 19,500</u> | <u>\$ 13,073</u> | <u>\$ (6,427)</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|-----------------|-----------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 9,500 | \$ 9,500 | \$ 9,126 | \$ (374) |
| Interest revenue | — | — | (463) | (463) |
| Total revenues | <u>9,500</u> | <u>9,500</u> | <u>8,663</u> | <u>(837)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contingency | — | — | — | — |
| Total current | — | — | — | — |
| Total expenditures | — | — | — | — |
| Excess (deficiency) of revenues over expenditures | <u>9,500</u> | <u>9,500</u> | <u>8,663</u> | <u>(837)</u> |
| Net change in fund balances | <u>\$ 9,500</u> | <u>\$ 9,500</u> | <u>\$ 8,663</u> | <u>\$ (837)</u> |

City of Surprise, Arizona

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

Neighborhood Revitalization Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Grants revenue | \$ 3,569,100 | \$ 3,104,300 | \$ 1,177,189 | \$ (1,927,111) |
| Total revenues | <u>3,569,100</u> | <u>3,104,300</u> | <u>1,177,189</u> | <u>(1,927,111)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation: | | | | |
| Human services and community vitality | 3,258,800 | 3,089,000 | 1,096,998 | 1,992,002 |
| Total current | <u>3,258,800</u> | <u>3,089,000</u> | <u>1,096,998</u> | <u>1,992,002</u> |
| Debt service: | | | | |
| Principal retirement | — | — | 35,396 | (35,396) |
| Interest | — | — | 8,019 | (8,019) |
| Total debt service | <u>—</u> | <u>—</u> | <u>43,415</u> | <u>(43,415)</u> |
| Capital outlay | — | — | 724,423 | (724,423) |
| Total expenditures | <u>3,258,800</u> | <u>3,089,000</u> | <u>1,864,836</u> | <u>1,224,164</u> |
| Excess (deficiency) of revenues over expenditures | <u>310,300</u> | <u>15,300</u> | <u>(687,647)</u> | <u>(702,947)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Lease agreements | — | — | 724,423 | 724,423 |
| Total other financing sources (uses) | <u>—</u> | <u>—</u> | <u>724,423</u> | <u>724,423</u> |
| Net change in fund balances | <u>\$ 310,300</u> | <u>\$ 15,300</u> | <u>\$ 36,776</u> | <u>\$ 21,476</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 28,700 | \$ 28,700 | \$ 9,093 | \$ (19,607) |
| Interest revenue | 1,300 | 1,300 | (72) | (1,372) |
| Total revenues | <u>30,000</u> | <u>30,000</u> | <u>9,021</u> | <u>(20,979)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation: | | | | |
| Sports and tourism | 165,000 | 165,000 | 113,391 | 51,609 |
| Total current | <u>165,000</u> | <u>165,000</u> | <u>113,391</u> | <u>51,609</u> |
| Total expenditures | <u>165,000</u> | <u>165,000</u> | <u>113,391</u> | <u>51,609</u> |
| Excess (deficiency) of revenues over expenditures | <u>(135,000)</u> | <u>(135,000)</u> | <u>(104,370)</u> | <u>30,630</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 138,900 | 138,900 | 136,998 | (1,902) |
| Total other financing sources (uses) | <u>138,900</u> | <u>138,900</u> | <u>136,998</u> | <u>(1,902)</u> |
| Net change in fund balances | <u>\$ 3,900</u> | <u>\$ 3,900</u> | <u>\$ 32,628</u> | <u>\$ 28,728</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|---------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fines | \$ 15,900 | \$ 15,900 | \$ 19,858 | \$ 3,958 |
| Interest revenue | 200 | 200 | (414) | (614) |
| Total revenues | <u>16,100</u> | <u>16,100</u> | <u>19,444</u> | <u>3,344</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Police | 15,900 | 15,900 | 6,854 | 9,046 |
| Total current | <u>15,900</u> | <u>15,900</u> | <u>6,854</u> | <u>9,046</u> |
| Total expenditures | <u>15,900</u> | <u>15,900</u> | <u>6,854</u> | <u>9,046</u> |
| Excess (deficiency) of revenues over expenditures | <u>200</u> | <u>200</u> | <u>12,590</u> | <u>12,390</u> |
| Net change in fund balances | <u>\$ 200</u> | <u>\$ 200</u> | <u>\$ 12,590</u> | <u>\$ 12,390</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|-------|--------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Interest revenue | \$ — | \$ — | \$ 52 | \$ 52 |
| Total revenues | — | — | 52 | 52 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contingency | — | — | — | — |
| Total current | — | — | — | — |
| Total expenditures | — | — | — | — |
| Excess (deficiency) of revenues over expenditures | — | — | 52 | 52 |
| Net change in fund balances | \$ — | \$ — | \$ 52 | \$ 52 |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fines | \$ 245,000 | \$ 245,000 | \$ 393,271 | \$ 148,271 |
| Interest revenue | — | — | 29,510 | 29,510 |
| Total revenues | <u>245,000</u> | <u>245,000</u> | <u>422,781</u> | <u>177,781</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Police | 510,800 | 510,800 | 43,288 | 467,512 |
| Total current | <u>510,800</u> | <u>510,800</u> | <u>43,288</u> | <u>467,512</u> |
| Capital outlay | 64,700 | 64,700 | 495 | 64,205 |
| Total expenditures | <u>575,500</u> | <u>575,500</u> | <u>43,783</u> | <u>531,717</u> |
| Excess (deficiency) of revenues over expenditures | <u>(330,500)</u> | <u>(330,500)</u> | <u>378,998</u> | <u>709,498</u> |
| Net change in fund balances | <u>\$ (330,500)</u> | <u>\$ (330,500)</u> | <u>\$ 378,998</u> | <u>\$ 709,498</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 22,400 | \$ 22,400 | \$ 24,450 | \$ 2,050 |
| Interest revenue | — | — | (431) | (431) |
| Total revenues | <u>22,400</u> | <u>22,400</u> | <u>24,019</u> | <u>1,619</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Police | <u>72,500</u> | <u>72,500</u> | <u>58,815</u> | <u>13,685</u> |
| Total current | <u>72,500</u> | <u>72,500</u> | <u>58,815</u> | <u>13,685</u> |
| Total expenditures | <u>72,500</u> | <u>72,500</u> | <u>58,815</u> | <u>13,685</u> |
| Excess (deficiency) of revenues over expenditures | <u>(50,100)</u> | <u>(50,100)</u> | <u>(34,796)</u> | <u>15,304</u> |
| Net change in fund balances | <u>\$ (50,100)</u> | <u>\$ (50,100)</u> | <u>\$ (34,796)</u> | <u>\$ 15,304</u> |

City of Surprise, Arizona

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

Sports & Tourism Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 2,936,700 | \$ 2,936,700 | \$ 1,807,006 | \$ (1,129,694) |
| Rents | 266,600 | 266,600 | 478,734 | 212,134 |
| Interest revenue | — | — | 20,174 | 20,174 |
| Donations | 4,000 | 4,000 | 2,400 | (1,600) |
| Other revenue | — | — | 10,804 | 10,804 |
| Total revenues | <u>3,207,300</u> | <u>3,207,300</u> | <u>2,319,118</u> | <u>(888,182)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation: | | | | |
| Sports and tourism | 6,393,500 | 6,279,600 | 5,556,575 | 723,025 |
| Contingency | — | — | — | — |
| Total current | <u>6,393,500</u> | <u>6,279,600</u> | <u>5,556,575</u> | <u>723,025</u> |
| Total expenditures | <u>6,393,500</u> | <u>6,279,600</u> | <u>5,556,575</u> | <u>723,025</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,186,200)</u> | <u>(3,072,300)</u> | <u>(3,237,457)</u> | <u>(165,157)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 3,141,100 | 3,141,100 | 3,408,606 | 267,506 |
| Transfers out | — | — | (54,829) | (54,829) |
| Total other financing sources (uses) | <u>3,141,100</u> | <u>3,141,100</u> | <u>3,353,777</u> | <u>212,677</u> |
| Net change in fund balances | <u>\$ (45,100)</u> | <u>\$ 68,800</u> | <u>\$ 116,320</u> | <u>\$ 47,520</u> |

City of Surprise, Arizona

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

Smart & Safe Police Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|-------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ — | \$ — | \$ 342,073 | \$ 342,073 |
| Total revenues | — | — | 342,073 | 342,073 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | — | — | — | — |
| Total current | — | — | — | — |
| Total expenditures | — | — | — | — |
| Excess (deficiency) of revenues over expenditures | — | — | 342,073 | 342,073 |
| Net change in fund balances | \$ — | \$ — | \$ 342,073 | \$ 342,073 |

City of Surprise, Arizona

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

Smart & Safe Fire-Medical Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|-------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ — | \$ — | \$ 349,450 | \$ 349,450 |
| Total revenues | — | — | 349,450 | 349,450 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | — | — | — | — |
| Total current | — | — | — | — |
| Total expenditures | — | — | — | — |
| Excess (deficiency) of revenues over expenditures | — | — | 349,450 | 349,450 |
| Net change in fund balances | \$ — | \$ — | \$ 349,450 | \$ 349,450 |

City of Surprise, Arizona

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

Tourism Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-------------------|---------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 631,800 | \$ 631,800 | \$ 1,078,319 | \$ 446,519 |
| Intergovernmental revenues | 44,000 | 181,800 | 158,038 | (23,762) |
| Interest revenue | — | — | (21,934) | (21,934) |
| Total revenues | <u>675,800</u> | <u>813,600</u> | <u>1,214,423</u> | <u>400,823</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation: | | | | |
| Sports and tourism | 92,200 | 867,500 | 106,383 | 761,117 |
| Contingency | 5,000 | 5,000 | — | 5,000 |
| Total current | <u>97,200</u> | <u>872,500</u> | <u>106,383</u> | <u>766,117</u> |
| Total expenditures | <u>97,200</u> | <u>872,500</u> | <u>106,383</u> | <u>766,117</u> |
| Excess (deficiency) of revenues over expenditures | <u>578,600</u> | <u>(58,900)</u> | <u>1,108,040</u> | <u>1,166,940</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (473,900) | (473,900) | (808,739) | (334,839) |
| Total other financing sources (uses) | <u>(473,900)</u> | <u>(473,900)</u> | <u>(808,739)</u> | <u>(334,839)</u> |
| Net change in fund balances | <u>\$ 104,700</u> | <u>\$ (532,800)</u> | <u>\$ 299,301</u> | <u>\$ 832,101</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|-------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Interest revenue | \$ 900 | \$ 900 | \$ — | \$ (900) |
| Total revenues | <u>900</u> | <u>900</u> | <u>—</u> | <u>(900)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works and streets | — | — | — | — |
| Total current | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Capital outlay | 115,500 | 115,500 | — | 115,500 |
| Total expenditures | <u>115,500</u> | <u>115,500</u> | <u>—</u> | <u>115,500</u> |
| Excess (deficiency) of revenues over expenditures | <u>(114,600)</u> | <u>(114,600)</u> | <u>—</u> | <u>114,600</u> |
| Net change in fund balances | <u>\$ (114,600)</u> | <u>\$ (114,600)</u> | <u>\$ —</u> | <u>\$ 114,600</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-----------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Development fees | \$ 2,539,600 | \$ 2,539,600 | \$ 3,463,405 | \$ 923,805 |
| Interest revenue | 58,500 | 58,500 | — | (58,500) |
| Total revenues | <u>2,598,100</u> | <u>2,598,100</u> | <u>3,463,405</u> | <u>865,305</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety: | | | | |
| Fire-medical | 1,601,800 | 1,601,800 | 2,831 | 1,598,969 |
| Total current | <u>1,601,800</u> | <u>1,601,800</u> | <u>2,831</u> | <u>1,598,969</u> |
| Capital outlay | 1,964,000 | 1,845,900 | 1,463,636 | 382,264 |
| Total expenditures | <u>3,565,800</u> | <u>3,447,700</u> | <u>1,466,467</u> | <u>1,981,233</u> |
| Excess (deficiency) of revenues over expenditures | <u>(967,700)</u> | <u>(849,600)</u> | <u>1,996,938</u> | <u>2,846,538</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (66,900) | (66,900) | (279,506) | (212,606) |
| Total other financing sources (uses) | <u>(66,900)</u> | <u>(66,900)</u> | <u>(279,506)</u> | <u>(212,606)</u> |
| Net change in fund balances | <u>\$ (1,034,600)</u> | <u>\$ (916,500)</u> | <u>\$ 1,717,432</u> | <u>\$ 2,633,932</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Development fees | \$ 2,344,900 | \$ 2,344,900 | \$ 3,727,038 | \$ 1,382,138 |
| Interest revenue | 24,100 | 24,100 | — | (24,100) |
| Total revenues | <u>2,369,000</u> | <u>2,369,000</u> | <u>3,727,038</u> | <u>1,358,038</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| General operations | 2,066,500 | 2,066,500 | 103,610 | 1,962,890 |
| Total current | <u>2,066,500</u> | <u>2,066,500</u> | <u>103,610</u> | <u>1,962,890</u> |
| Total expenditures | <u>2,066,500</u> | <u>2,066,500</u> | <u>103,610</u> | <u>1,962,890</u> |
| Excess (deficiency) of revenues over expenditures | <u>302,500</u> | <u>302,500</u> | <u>3,623,428</u> | <u>3,320,928</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (437,600) | (437,600) | (436,884) | 716 |
| Total other financing sources (uses) | <u>(437,600)</u> | <u>(437,600)</u> | <u>(436,884)</u> | <u>716</u> |
| Net change in fund balances | <u>\$ (135,100)</u> | <u>\$ (135,100)</u> | <u>\$ 3,186,544</u> | <u>\$ 3,321,644</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-----------------------|-----------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Development fees | \$ 1,274,500 | \$ 1,274,500 | \$ 1,690,123 | \$ 415,623 |
| Interest revenue | 32,300 | 32,300 | — | (32,300) |
| Total revenues | <u>1,306,800</u> | <u>1,306,800</u> | <u>1,690,123</u> | <u>383,323</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Police | 1,006,200 | 1,006,200 | 2,831 | 1,003,369 |
| Total current | <u>1,006,200</u> | <u>1,006,200</u> | <u>2,831</u> | <u>1,003,369</u> |
| Capital outlay | 2,311,500 | 2,304,900 | 1,224,201 | 1,080,699 |
| Total expenditures | <u>3,317,700</u> | <u>3,311,100</u> | <u>1,227,032</u> | <u>2,084,068</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,010,900)</u> | <u>(2,004,300)</u> | <u>463,091</u> | <u>2,467,391</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (135,400) | (135,400) | (135,202) | 198 |
| Total other financing sources (uses) | <u>(135,400)</u> | <u>(135,400)</u> | <u>(135,202)</u> | <u>198</u> |
| Net change in fund balances | <u>\$ (2,146,300)</u> | <u>\$ (2,139,700)</u> | <u>\$ 327,889</u> | <u>\$ 2,467,589</u> |

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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 2,396,600 | \$ 2,396,600 | \$ 2,394,517 | \$ (2,083) |
| Charges for services | 3,100 | 3,100 | 3,100 | — |
| Interest revenue | — | — | (11,198) | (11,198) |
| Total revenues | <u>2,399,700</u> | <u>2,399,700</u> | <u>2,386,419</u> | <u>(13,281)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| General operations | 59,600 | 114,000 | 110,948 | 3,052 |
| Contingency | 2,988,500 | 3,122,100 | 2,374,050 | 748,050 |
| Total current | <u>3,048,100</u> | <u>3,236,100</u> | <u>2,484,998</u> | <u>751,102</u> |
| Total expenditures | <u>3,048,100</u> | <u>3,236,100</u> | <u>2,484,998</u> | <u>751,102</u> |
| Excess (deficiency) of revenues over expenditures | <u>(648,400)</u> | <u>(836,400)</u> | <u>(98,579)</u> | <u>737,821</u> |
| Net change in fund balances | <u>\$ (648,400)</u> | <u>\$ (836,400)</u> | <u>\$ (98,579)</u> | <u>\$ 737,821</u> |

City of Surprise, Arizona

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

Marley Park Community Facility District Fund

For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 1,819,700 | \$ 1,819,700 | \$ 1,814,145 | \$ (5,555) |
| Total revenues | <u>1,819,700</u> | <u>1,819,700</u> | <u>1,814,145</u> | <u>(5,555)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| General operations | — | — | — | — |
| Culture and recreation: | | | | |
| Parks and recreation | 157,000 | 157,000 | 156,982 | 18 |
| Contingency | 129,500 | 129,500 | — | 129,500 |
| Total current | <u>286,500</u> | <u>286,500</u> | <u>156,982</u> | <u>129,518</u> |
| Debt service: | | | | |
| Administrative charges | 335,000 | 335,000 | 600 | 334,400 |
| Principal retirement | 715,000 | 715,000 | 635,000 | 80,000 |
| Interest | 772,400 | 772,400 | 662,329 | 110,071 |
| Total debt service | <u>1,822,400</u> | <u>1,822,400</u> | <u>1,297,929</u> | <u>524,471</u> |
| Capital outlay | 4,800,000 | 4,800,000 | — | 4,800,000 |
| Total expenditures | <u>6,908,900</u> | <u>6,908,900</u> | <u>1,454,911</u> | <u>5,453,989</u> |
| Excess (deficiency) of revenues over expenditures | <u>(5,089,200)</u> | <u>(5,089,200)</u> | <u>359,234</u> | <u>5,448,434</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 4,800,000 | 4,800,000 | — | (4,800,000) |
| Transfers out | (4,800,000) | (4,800,000) | — | 4,800,000 |
| Issuance of debt | 4,870,000 | 4,870,000 | — | (4,870,000) |
| Total other financing sources (uses) | <u>4,870,000</u> | <u>4,870,000</u> | <u>—</u> | <u>(4,870,000)</u> |
| Net change in fund balances | <u>\$ (219,200)</u> | <u>\$ (219,200)</u> | <u>\$ 359,234</u> | <u>\$ 578,434</u> |

INTERNAL SERVICE FUND DESCRIPTIONS

- ❖ Internal Service Funds – These funds are used to track those transactions relating to the City’s internal insurance activities.
 - *Risk Management Fund* – This fund was created to provide general insurance coverage as well as risk management, loss control, and safety programs city-wide.
 - *Employee Healthcare Trust Fund* – This fund was created to provide health insurance claims, plan administration, stop loss premiums, and fund reserves.
 - *Workers’ Compensation Fund* – This fund was created to account for expenses incurred for worker’s compensation claims, administration, coverage, and fund reserves.

City of Surprise, Arizona
Combining Statement of Net Position
Internal Service Funds
June 30, 2022

| | Risk Management Fund | Employee Healthcare Trust | Workers' Compensation Fund | Total Internal Service funds |
|--|-------------------------------------|--|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 5,360,085 | \$ 8,554,621 | \$ 3,994,300 | \$ 17,909,006 |
| Receivables (net of allowances): | | | | |
| Other | 689,320 | 347,046 | — | 1,036,366 |
| Other assets | 2,306 | 1,071 | — | 3,377 |
| Total current assets | <u>6,051,711</u> | <u>8,902,738</u> | <u>3,994,300</u> | <u>18,948,749</u> |
| Noncurrent assets: | | | | |
| Net other postemployment benefits asset | 8,761 | 3,180 | 2,770 | 14,711 |
| Total noncurrent assets | <u>8,761</u> | <u>3,180</u> | <u>2,770</u> | <u>14,711</u> |
| Total assets | <u>6,060,472</u> | <u>8,905,918</u> | <u>3,997,070</u> | <u>18,963,460</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions | 60,035 | 21,792 | 18,979 | 100,806 |
| Deferred outflows related to other postemployment benefits | 1,556 | 565 | 492 | 2,613 |
| Total deferred outflows of resources | <u>61,591</u> | <u>22,357</u> | <u>19,471</u> | <u>103,419</u> |
| Total assets and deferred outflows of resources | <u>\$ 6,122,063</u> | <u>\$ 8,928,275</u> | <u>\$ 4,016,541</u> | <u>\$ 19,066,879</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 5,349 | \$ 136,240 | \$ 3,200 | \$ 144,789 |
| Accrued payroll and related taxes | 14,823 | 5,297 | 4,592 | 24,712 |
| Claims payable, current portion | 319,826 | 1,751,813 | 321,497 | 2,393,136 |
| Compensated absences payable, due in less than one year | 10,700 | 6,168 | 2,948 | 19,816 |
| Total current liabilities | <u>350,698</u> | <u>1,899,518</u> | <u>332,237</u> | <u>2,582,453</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences payable, due in more than one year | 16,736 | 9,648 | 4,611 | 30,995 |
| Claims payable, noncurrent portion | — | — | 534,030 | 534,030 |
| Net pension liability | 231,375 | 83,985 | 73,146 | 388,506 |
| Net other postemployment benefits liability | 367 | 133 | 116 | 616 |
| Total noncurrent liabilities | <u>248,478</u> | <u>93,766</u> | <u>611,903</u> | <u>954,147</u> |
| Total liabilities | <u>599,176</u> | <u>1,993,284</u> | <u>944,140</u> | <u>3,536,600</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions | 74,966 | 27,211 | 23,699 | 125,876 |
| Deferred inflows related to other postemployment benefits | 7,415 | 2,692 | 2,344 | 12,451 |
| Total deferred inflows of resources | <u>82,381</u> | <u>29,903</u> | <u>26,043</u> | <u>138,327</u> |
| Total liabilities and deferred inflows of resources | <u>681,557</u> | <u>2,023,187</u> | <u>970,183</u> | <u>3,674,927</u> |
| NET POSITION | | | | |
| Unrestricted | 5,440,506 | 6,905,088 | 3,046,358 | 15,391,952 |
| Total net position | <u>\$ 5,440,506</u> | <u>\$ 6,905,088</u> | <u>\$ 3,046,358</u> | <u>\$ 15,391,952</u> |

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Net Position

Internal Service Funds

For the Year Ended June 30, 2022

| | Risk Management Fund | Employee Healthcare Trust | Workers' Compensation Fund | Total Internal Service Funds |
|---|-------------------------------------|--|---|---|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 3,176,800 | \$ 15,379,841 | \$ 1,706,358 | \$ 20,262,999 |
| Other revenue | 856,336 | 4,787 | 11,071 | 872,194 |
| Total operating revenues | <u>4,033,136</u> | <u>15,384,628</u> | <u>1,717,429</u> | <u>21,135,193</u> |
| OPERATING EXPENSES | | | | |
| Personnel services | 354,275 | 115,512 | 107,169 | 576,956 |
| Contractual services, materials and supplies | 37,100 | 150,675 | 92,613 | 280,388 |
| Insurance claims, premiums, and administrative expenses | 2,301,956 | 15,085,607 | 2,044,564 | 19,432,127 |
| Total operating expenses | <u>2,693,331</u> | <u>15,351,794</u> | <u>2,244,346</u> | <u>20,289,471</u> |
| Operating income (loss) | <u>1,339,805</u> | <u>32,834</u> | <u>(526,917)</u> | <u>845,722</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue | (52,918) | (35,725) | (38,710) | (127,353) |
| Total nonoperating revenues (expenses) | <u>(52,918)</u> | <u>(35,725)</u> | <u>(38,710)</u> | <u>(127,353)</u> |
| Income (loss) before contributions and transfers | <u>1,286,887</u> | <u>(2,891)</u> | <u>(565,627)</u> | <u>718,369</u> |
| Transfers in | — | — | 375,000 | 375,000 |
| Change in net position | <u>1,286,887</u> | <u>(2,891)</u> | <u>(190,627)</u> | <u>1,093,369</u> |
| Total net position - beginning | <u>4,153,619</u> | <u>6,907,979</u> | <u>3,236,985</u> | <u>14,298,583</u> |
| Total net position - ending | <u>\$ 5,440,506</u> | <u>\$ 6,905,088</u> | <u>\$ 3,046,358</u> | <u>\$ 15,391,952</u> |

City of Surprise, Arizona
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2022

| | Risk Management Fund | Employee Healthcare Trust | Workers' Compensation Fund | Total Internal Service Funds |
|---|-------------------------------------|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash receipts from interfund services | \$ 3,176,800 | \$ 15,032,795 | \$ 1,706,358 | \$ 19,915,953 |
| Payments to employees | (290,217) | (112,874) | (94,794) | (497,885) |
| Payments to suppliers | (56,699) | (120,458) | (93,335) | (270,492) |
| Payments for insurance claims and expenses | (2,227,212) | (14,845,165) | (1,492,698) | (18,565,075) |
| Other receipts | 167,016 | 173,047 | 11,071 | 351,134 |
| Net cash provided (used) by operating activities | <u>769,688</u> | <u>127,345</u> | <u>36,602</u> | <u>933,635</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Cash received from other funds | — | — | 375,000 | 375,000 |
| Net cash provided (used) by noncapital financing activities | <u>—</u> | <u>—</u> | <u>375,000</u> | <u>375,000</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash received from interest income | (52,918) | (35,725) | (38,710) | (127,353) |
| Net cash provided (used) by investing activities | <u>(52,918)</u> | <u>(35,725)</u> | <u>(38,710)</u> | <u>(127,353)</u> |
| Net increase (decrease) in cash and cash equivalents | 716,770 | 91,620 | 372,892 | 1,181,282 |
| Balances - beginning of year | 4,643,315 | 8,463,001 | 3,621,408 | 16,727,724 |
| Balances - end of the year | <u>\$ 5,360,085</u> | <u>\$ 8,554,621</u> | <u>\$ 3,994,300</u> | <u>\$ 17,909,006</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating Income (loss) | \$ 1,339,805 | \$ 32,834 | \$ (526,917) | \$ 845,722 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Changes in assets and liabilities: | | | | |
| Other receivables | (689,320) | (178,786) | — | (868,106) |
| Other assets | (680) | 1,292 | — | 612 |
| Accounts payable | (11,207) | 28,925 | 1,669 | 19,387 |
| Accrued payroll and related taxes | 3,982 | 763 | 3,692 | 8,437 |
| Compensated absences | 14,802 | 4,642 | 3,736 | 23,180 |
| Net pension liability | 39,281 | (2,208) | 3,063 | 40,136 |
| Claims payable | 74,744 | 240,442 | 551,866 | 867,052 |
| Net other postemployment asset/liability | (1,719) | (559) | (507) | (2,785) |
| Net cash provided (used) by operating activities | <u>\$ 769,688</u> | <u>\$ 127,345</u> | <u>\$ 36,602</u> | <u>\$ 933,635</u> |



SURPRISE

ARIZONA



STATISTICAL SECTION



SURPRISE

ARIZONA



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 Annual Comprehensive Reports for the relevant year.

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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | |
| Net investment of capital assets | \$ 428,076,477 | \$ 413,717,047 | \$ 409,274,827 | \$ 405,111,110 |
| Restricted | 28,105,434 | 29,650,958 | 27,948,361 | 22,743,525 |
| Unrestricted | 19,164,721 | 25,538,922 | (18,482,747) | (16,896,594) |
| Total governmental activities net position | <u>\$ 475,346,632</u> | <u>\$ 468,906,927</u> | <u>\$ 418,740,441</u> | <u>\$ 410,958,041</u> |
| Business-type activities | | | | |
| Net investment of capital assets | \$ 262,605,698 | \$ 263,420,571 | \$ 264,678,599 | \$ 270,081,565 |
| Restricted | 6,867,426 | 6,895,582 | 5,381,403 | 13,039,887 |
| Unrestricted | 60,409,577 | 57,257,700 | 44,564,505 | 29,979,759 |
| Total business-type activities net position | <u>\$ 329,882,701</u> | <u>\$ 327,573,853</u> | <u>\$ 314,624,507</u> | <u>\$ 313,101,211</u> |
| Primary government | | | | |
| Net investment of capital assets | \$ 690,682,175 | \$ 677,137,618 | \$ 673,953,426 | \$ 675,192,675 |
| Restricted | 34,972,860 | 36,546,540 | 33,329,764 | 35,783,412 |
| Unrestricted | 79,574,298 | 82,796,622 | 26,081,758 | 13,083,165 |
| Total primary government net position | <u>\$ 805,229,333</u> | <u>\$ 796,480,780</u> | <u>\$ 733,364,948</u> | <u>\$ 724,059,252</u> |

Source: City financial records

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----|--------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| \$ | 392,458,485 | \$ 393,984,378 | \$ 399,420,150 | \$ 435,144,710 | \$ 502,976,390 | \$ 557,077,466 |
| | 24,613,341 | 67,683,440 | 29,462,370 | 21,821,951 | 39,557,045 | 39,307,858 |
| | (27,479,276) | (57,592,973) | 1,815,847 | 28,238,342 | 75,855,018 | 141,847,579 |
| \$ | <u>389,592,550</u> | <u>\$ 404,074,845</u> | <u>\$ 430,698,367</u> | <u>\$ 485,205,003</u> | <u>\$ 618,388,453</u> | <u>\$ 738,232,903</u> |
| \$ | 279,249,380 | \$ 277,989,957 | \$ 274,750,943 | \$ 282,360,332 | \$ 320,299,739 | \$ 331,988,392 |
| | 12,326,207 | 14,365,125 | 12,932,109 | 13,735,679 | 9,425,177 | 12,408,370 |
| | 22,570,204 | 31,396,601 | 43,938,146 | 52,259,316 | 67,556,649 | 78,863,705 |
| \$ | <u>314,145,791</u> | <u>\$ 323,751,683</u> | <u>\$ 331,621,198</u> | <u>\$ 348,355,327</u> | <u>\$ 397,281,565</u> | <u>\$ 423,260,467</u> |
| \$ | 671,707,865 | \$ 671,974,335 | \$ 674,171,093 | \$ 717,505,042 | \$ 823,276,129 | \$ 889,065,858 |
| | 36,939,548 | 82,048,565 | 42,394,479 | 35,557,630 | 48,982,222 | 51,716,228 |
| | (4,909,072) | (26,196,372) | 45,753,993 | 80,497,658 | 143,411,667 | 220,711,284 |
| \$ | <u>703,738,341</u> | <u>\$ 727,826,528</u> | <u>\$ 762,319,565</u> | <u>\$ 833,560,330</u> | <u>\$ 1,015,670,018</u> | <u>\$ 1,161,493,370</u> |

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

| | 2013 | 2014 | 2015 | 2016 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | |
| Governmental Activities: | | | | |
| General government | \$ 14,958,702 | \$ 16,079,202 | \$ 21,038,892 | \$ 18,906,430 |
| Public safety | 39,096,150 | 40,931,709 | 44,415,505 | 47,273,449 |
| Public works & streets | 33,710,624 | 34,988,682 | 35,141,030 | 38,670,796 |
| Community development | 7,668,373 | 8,388,639 | 5,205,925 | 10,235,430 |
| Culture and recreation | 16,285,289 | 17,228,719 | 21,863,417 | 25,690,406 |
| Interest | 1,505,313 | 1,378,709 | 1,635,320 | 1,472,910 |
| Total governmental activities expenses | <u>113,224,451</u> | <u>118,995,660</u> | <u>129,300,089</u> | <u>142,249,421</u> |
| Business-type Activities: | | | | |
| Ground ambulance services | — | — | — | — |
| Sanitation | 5,934,789 | 7,144,521 | 7,883,309 | 7,972,061 |
| Sewer | 18,717,547 | 20,072,400 | 20,360,031 | 20,399,067 |
| Stormwater | — | — | — | — |
| Water | 10,849,653 | 10,546,378 | 10,619,858 | 11,823,538 |
| Total business-type activities | <u>35,501,989</u> | <u>37,763,299</u> | <u>38,863,198</u> | <u>40,194,666</u> |
| Total primary government expenses | <u>\$ 148,726,440</u> | <u>\$ 156,758,959</u> | <u>\$ 168,163,287</u> | <u>\$ 182,444,087</u> |
| Program Revenues | | | | |
| Governmental Activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 6,313,245 | \$ 8,494,212 | \$ 5,301,697 | \$ 5,041,335 |
| Public safety | 2,922,055 | 1,306,553 | 2,963,326 | 3,778,584 |
| Public works & streets | 792,288 | 499,338 | 507,198 | 853,321 |
| Community development | 2,003,777 | 1,697,315 | 2,005,421 | 2,552,293 |
| Culture and recreation | 4,837,786 | 4,917,918 | 5,313,203 | 5,894,021 |
| Operating grants and contributions | 10,139,981 | 9,833,470 | 9,908,788 | 11,178,339 |
| Capital grants and contributions | 5,925,348 | 2,877,937 | 11,561,202 | 11,558,409 |
| Total governmental activities program revenues | <u>32,934,480</u> | <u>29,626,743</u> | <u>37,560,835</u> | <u>40,856,302</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Ground ambulance services | — | — | — | — |
| Sanitation | 6,862,696 | 7,000,935 | 6,952,296 | 7,099,896 |
| Sewer | 15,904,030 | 16,046,564 | 17,950,085 | 16,151,096 |
| Stormwater | — | — | — | — |
| Water | 10,073,124 | 9,987,819 | 10,814,903 | 12,195,621 |
| Operating grants and contributions | — | — | — | — |
| Capital grants and contributions | 4,427,857 | 3,270,131 | 129,722 | 3,107,265 |
| Total business-type activities program revenues | <u>37,267,707</u> | <u>36,305,449</u> | <u>35,847,006</u> | <u>38,553,878</u> |
| Total primary government program revenues | <u>\$ 70,202,187</u> | <u>\$ 65,932,192</u> | <u>\$ 73,407,841</u> | <u>\$ 79,410,180</u> |

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 27,733,034 | \$ 24,693,086 | \$ 18,847,192 | \$ 30,683,840 | \$ 27,692,032 | \$ 23,540,312 |
| | 64,148,194 | 51,157,392 | 60,235,535 | 60,035,327 | 66,442,651 | 70,506,625 |
| | 41,540,981 | 37,661,923 | 41,578,280 | 46,270,405 | 39,687,896 | 44,050,913 |
| | 12,326,274 | 12,345,202 | 12,382,036 | 12,764,778 | 11,564,452 | 16,842,667 |
| | 22,555,794 | 26,471,045 | 24,970,626 | 20,925,306 | 29,248,928 | 32,115,378 |
| | 1,381,807 | 1,927,016 | 2,473,876 | 2,635,766 | 2,695,568 | 2,471,982 |
| | <u>169,686,084</u> | <u>154,255,664</u> | <u>160,487,545</u> | <u>173,315,422</u> | <u>177,331,527</u> | <u>189,527,877</u> |
| | — | 3,141,623 | 3,375,334 | 4,407,898 | 4,696,823 | 5,577,280 |
| | 9,034,441 | 8,557,348 | 8,657,107 | 9,077,490 | 7,669,633 | 16,337,896 |
| | 19,519,303 | 20,039,173 | 19,340,045 | 19,418,478 | 24,744,000 | 26,366,082 |
| | 187,744 | 775,651 | 1,363,889 | 1,209,576 | 1,167,538 | 10,463,274 |
| | 15,013,661 | 10,926,918 | 11,690,946 | 18,376,477 | 19,000,628 | 1,269,792 |
| | <u>43,755,149</u> | <u>43,440,713</u> | <u>44,427,321</u> | <u>52,489,919</u> | <u>57,278,622</u> | <u>60,014,324</u> |
| \$ | <u>213,441,233</u> | <u>\$ 197,696,377</u> | <u>\$ 204,914,866</u> | <u>\$ 225,805,341</u> | <u>\$ 234,610,149</u> | <u>\$ 249,542,201</u> |
| \$ | 5,863,856 | \$ 7,171,091 | \$ 6,744,068 | \$ 6,729,339 | \$ 8,125,797 | \$ 7,074,743 |
| | 3,600,402 | 2,801,908 | 1,948,725 | 1,581,814 | 1,754,361 | 2,715,939 |
| | 1,445,873 | 2,252,924 | 4,100,847 | 3,570,832 | 5,283,508 | 6,154,286 |
| | 3,770,393 | 7,384,028 | 9,901,258 | 12,206,567 | 16,185,099 | 20,408,874 |
| | 5,586,303 | 5,507,476 | 5,590,198 | 3,311,464 | 3,480,856 | 4,887,693 |
| | 12,097,958 | 12,530,903 | 11,555,218 | 21,503,712 | 22,709,789 | 25,235,620 |
| | 14,356,832 | 25,485,790 | 22,468,016 | 42,184,054 | 92,168,449 | 68,578,941 |
| | <u>46,721,617</u> | <u>63,134,120</u> | <u>62,308,330</u> | <u>91,087,782</u> | <u>149,707,859</u> | <u>135,056,096</u> |
| | — | 2,974,704 | 3,284,354 | 3,946,881 | 4,541,588 | 5,929,650 |
| | 7,525,140 | 7,485,027 | 7,859,915 | 10,380,560 | 12,271,547 | 21,541,940 |
| | 17,190,499 | 17,345,559 | 17,612,146 | 19,142,098 | 20,301,588 | 21,257,199 |
| | 1,282,788 | 1,834,202 | 1,987,661 | 1,934,275 | 2,554,905 | 13,054,015 |
| | 14,048,726 | 14,227,502 | 16,125,842 | 18,226,759 | 20,727,214 | 2,579,333 |
| | — | — | — | 60,647 | 14,820 | — |
| | 5,788,132 | 9,682,391 | 5,509,692 | 15,030,201 | 46,935,506 | 22,872,999 |
| | <u>45,835,285</u> | <u>53,549,385</u> | <u>52,379,610</u> | <u>68,721,421</u> | <u>107,347,168</u> | <u>87,235,136</u> |
| \$ | <u>92,556,902</u> | <u>\$ 116,683,505</u> | <u>\$ 114,687,940</u> | <u>\$ 159,809,203</u> | <u>\$ 257,055,027</u> | <u>\$ 222,291,232</u> |

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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|------------------------|------------------------|------------------------|-------------------------|
| Net revenue/expense: | | | | |
| Governmental activities | \$ (80,289,971) | \$ (89,368,917) | \$ (91,739,254) | \$ (101,393,119) |
| Business-type activities | 1,765,718 | (1,457,850) | (3,016,192) | (1,640,788) |
| Total primary government net expense | <u>\$ (78,524,253)</u> | <u>\$ (90,826,767)</u> | <u>\$ (94,755,446)</u> | <u>\$ (103,033,907)</u> |
| <u>General Revenues and Other Changes in Net Position</u> | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property taxes | \$ 9,274,735 | \$ 9,401,277 | \$ 9,713,903 | \$ 9,962,925 |
| Sales taxes | 37,836,088 | 39,685,844 | 42,111,177 | 46,807,817 |
| Franchise taxes | 4,732,649 | 5,159,956 | 5,249,320 | 5,062,719 |
| Unrestricted State shared revenue | 25,983,982 | 26,722,541 | 29,879,804 | 30,560,635 |
| Unrestricted investment earnings | 164,984 | 329,637 | 400,260 | 607,602 |
| Other | 562,787 | 482,776 | 1,146,649 | 407,445 |
| Transfers | 1,068,522 | 1,147,181 | 1,132,145 | 201,576 |
| Total governmental activities | <u>79,623,747</u> | <u>82,929,212</u> | <u>89,633,258</u> | <u>93,610,719</u> |
| Business-type activities: | | | | |
| Unrestricted investment earnings | 150,350 | 296,183 | 253,407 | 319,068 |
| Other | — | — | — | — |
| Transfers | (1,068,522) | (1,147,181) | (1,132,145) | (201,576) |
| Total business-type activities | <u>(918,172)</u> | <u>(850,998)</u> | <u>(878,738)</u> | <u>117,492</u> |
| Total primary government | <u>\$ 78,705,575</u> | <u>\$ 82,078,214</u> | <u>\$ 88,754,520</u> | <u>\$ 93,728,211</u> |
| <u>Change in Net Position</u> | | | | |
| Governmental activities | \$ (666,224) | \$ (6,439,705) | \$ (2,105,996) | \$ (7,782,400) |
| Business-type activities | 847,546 | (2,308,848) | (3,894,930) | (1,523,296) |
| Prior period adjustments | — | — | — | — |
| Total primary government | <u>\$ 181,322</u> | <u>\$ (8,748,553)</u> | <u>\$ (6,000,926)</u> | <u>\$ (9,305,696)</u> |

Source: City 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 years' financial statements were not restated.

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|
| \$ (122,964,467) | \$ (91,121,544) | \$ (98,179,215) | \$ (82,227,640) | \$ (27,623,668) | \$ (54,471,781) |
| 2,080,136 | 10,108,672 | 7,952,289 | 16,231,502 | 50,068,546 | 27,220,812 |
| <u>\$ (120,884,331)</u> | <u>\$ (81,012,872)</u> | <u>\$ (90,226,926)</u> | <u>\$ (65,996,138)</u> | <u>\$ 22,444,878</u> | <u>\$ (27,250,969)</u> |
| | | | | | |
| \$ 10,441,730 | \$ 10,813,317 | \$ 16,143,232 | \$ 17,015,618 | \$ 17,675,230 | \$ 19,263,163 |
| 49,416,383 | 54,419,572 | 61,596,634 | 70,904,612 | 90,643,310 | 103,406,232 |
| 5,674,974 | 5,643,876 | 5,609,625 | 5,514,602 | 5,654,379 | 6,424,278 |
| 31,755,661 | 35,032,519 | 35,899,596 | 38,379,519 | 44,122,121 | 45,691,294 |
| 26,274 | 324,501 | 3,494,962 | 3,403,862 | 228,665 | (2,591,655) |
| 3,129,094 | (753,721) | 517,587 | 418,161 | 1,040,102 | 1,420,878 |
| 1,154,860 | 1,355,582 | 1,541,101 | 1,097,902 | 1,443,311 | 702,041 |
| <u>101,598,976</u> | <u>106,835,646</u> | <u>124,802,737</u> | <u>136,734,276</u> | <u>160,807,118</u> | <u>174,316,231</u> |
| | | | | | |
| 119,304 | 141,108 | 1,458,327 | 1,556,564 | 115,514 | (821,961) |
| — | — | — | 43,965 | 185,489 | 282,092 |
| <u>(1,154,860)</u> | <u>(1,355,582)</u> | <u>(1,541,101)</u> | <u>(1,097,902)</u> | <u>(1,443,311)</u> | <u>(702,041)</u> |
| <u>(1,035,556)</u> | <u>(1,214,474)</u> | <u>(82,774)</u> | <u>502,627</u> | <u>(1,142,308)</u> | <u>(1,241,910)</u> |
| <u>\$ 100,563,420</u> | <u>\$ 105,621,172</u> | <u>\$ 124,719,963</u> | <u>\$ 137,236,903</u> | <u>\$ 159,664,810</u> | <u>\$ 173,074,321</u> |
| | | | | | |
| \$ (21,365,491) | \$ 15,714,102 | \$ 26,623,522 | \$ 54,506,636 | \$ 133,183,450 | \$ 119,844,450 |
| 1,044,580 | 8,894,198 | 7,869,515 | 16,734,129 | 48,926,238 | 25,978,902 |
| — | (520,113) | — | — | — | — |
| <u>\$ (20,320,911)</u> | <u>\$ 24,088,187</u> | <u>\$ 34,493,037</u> | <u>\$ 71,240,765</u> | <u>\$ 182,109,688</u> | <u>\$ 145,823,352</u> |

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

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund | | | | | |
| Nonspendable | \$ 626,565 | \$ 821,009 | \$ 1,313,505 | \$ 1,287,510 | \$ 1,262,361 |
| Restricted | 77,439 | 66,385 | — | — | 501,278 |
| Committed | — | — | — | — | — |
| Assigned | 327,182 | 360,030 | 578,518 | 542,821 | 338,555 |
| Unassigned | 17,166,622 | 26,849,205 | 34,324,717 | 37,385,696 | 38,436,548 |
| Total general fund | \$ 18,197,808 | \$ 28,096,629 | \$ 36,216,740 | \$ 39,216,027 | \$ 40,538,742 |
| All other governmental funds | | | | | |
| Nonspendable | \$ 134,673 | \$ 206,294 | \$ 195,374 | \$ 368,126 | \$ 618,466 |
| Restricted | 28,027,995 | 29,584,573 | 46,848,361 | 23,064,256 | 24,112,063 |
| Committed | 7,266,032 | 47,607,527 | 42,241,616 | 40,246,190 | 40,005,619 |
| Assigned | 44,505,144 | 1,173,198 | 1,209,403 | 469,830 | 1,109,942 |
| Unassigned | (49,901,573) | (50,029,315) | (49,288,936) | (47,671,784) | (46,064,773) |
| Total all other governmental funds | \$ 30,032,271 | \$ 28,542,277 | \$ 41,205,818 | \$ 16,476,618 | \$ 19,781,317 |

Source: City financial records

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------|-------------------|----------------------|----------------------|-----------------------|-----------------------|
| \$ | 1,602,598 | \$ 2,197,168 | \$ 2,563,831 | \$ 3,565,902 | \$ 1,606,366 |
| | 480,554 | 454,024 | 491,526 | 525,607 | 419,863 |
| | — | — | — | — | 25,185,400 |
| | 338,167 | 393,622 | 490,732 | 16,732,161 | 27,234,620 |
| | 41,763,040 | 42,252,127 | 73,973,321 | 91,303,747 | 66,180,747 |
| \$ | 44,184,359 | \$ 45,296,941 | \$ 77,519,410 | \$ 112,127,417 | \$ 120,626,996 |
| | | | | | |
| \$ | 638,371 | \$ 664,672 | \$ 415,537 | \$ 405,327 | \$ 582,565 |
| | 67,202,886 | 61,562,397 | 29,864,806 | 39,031,439 | 38,819,236 |
| | 3,483,301 | 6,446,528 | 9,115,539 | 14,406,518 | 19,835,271 |
| | 2,912,343 | 19,690,585 | 17,786,146 | 38,853,060 | 81,506,299 |
| | (8,258,667) | (5,888,966) | (4,903,347) | (4,669,172) | (3,781,399) |
| \$ | 65,978,234 | \$ 82,475,216 | \$ 52,278,681 | \$ 88,027,172 | \$ 136,961,972 |

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

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------|---------------|---------------|-----------------|---------------|
| Revenues | | | | | |
| Taxes | \$ 47,442,186 | \$ 48,262,126 | \$ 52,178,522 | \$ 56,908,903 | \$ 59,749,360 |
| Licenses and permits | 4,771,649 | 5,197,956 | 4,975,398 | 5,121,719 | 5,811,255 |
| Intergovernmental revenues | 33,441,035 | 35,923,296 | 37,947,604 | 39,209,688 | 40,430,400 |
| Charges for services | 7,943,039 | 7,896,783 | 9,241,853 | 11,363,453 | 13,127,359 |
| Grants revenue | 2,443,199 | 2,131,707 | 1,659,609 | 3,060,620 | 1,856,830 |
| Fines | 1,986,692 | 1,498,451 | 1,768,671 | 1,214,978 | 1,052,366 |
| Rents | 584,972 | 606,679 | 549,400 | 630,514 | 621,033 |
| Development fees | 2,240,664 | 1,790,461 | 2,224,125 | 3,297,082 | 4,413,714 |
| Interest revenue | 149,655 | 307,139 | 400,260 | 607,602 | 24,449 |
| Special assessments | — | — | — | — | — |
| Donations | 344,589 | 148,062 | 245,671 | 228,316 | 160,706 |
| Indirect charges | 3,660,700 | 4,682,772 | 4,682,772 | 4,884,443 | 4,768,960 |
| Other revenue | 960,297 | 482,776 | 1,155,192 | 392,199 | 2,908,665 |
| Total revenues | 105,968,677 | 108,928,208 | 117,029,077 | 126,919,517 | 134,925,097 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 11,925,890 | 13,674,046 | 20,291,986 | 16,306,183 | 16,675,593 |
| Public safety | 35,984,984 | 38,018,470 | 41,862,877 | 44,433,546 | 47,036,287 |
| Public works and streets | 15,350,181 | 16,784,098 | 17,314,612 | 20,492,467 | 20,116,384 |
| Community development | 7,605,656 | 8,344,991 | 5,074,395 | 10,080,446 | 12,225,155 |
| Culture and recreation | 13,210,175 | 14,912,746 | 19,301,123 | 18,416,339 | 17,998,257 |
| Capital outlay | 3,215,160 | 6,409,054 | 8,604,468 | 36,511,052 | 17,501,271 |
| Debt Service | | | | | |
| Principal | 2,533,138 | 2,661,713 | 2,786,800 | 2,361,425 | 2,613,738 |
| Interest | 1,505,313 | 1,378,709 | 1,245,447 | 1,749,568 | 1,587,151 |
| Other charges | — | — | 389,873 | 19,762 | 724,982 |
| Total expenditures | 91,330,497 | 102,183,827 | 116,871,581 | 150,370,788 | 136,478,818 |
| Excess of revenues over (under) expenses | 14,638,180 | 6,744,381 | 157,496 | (23,451,271) | (1,553,721) |
| Other financing sources (uses) | | | | | |
| Proceeds from sale of assets | 33,035 | 240,830 | 226,080 | 336,821 | 368,156 |
| Transfers in (out) | 1,068,522 | 4,803,747 | 1,132,145 | 1,150,009 | 354,860 |
| From bonding | — | (3,656,566) | 19,320,205 | — | 11,696,218 |
| Insurance recoveries | — | — | — | — | — |
| Payments to refunded bond escrow agent | — | — | — | — | (6,500,617) |
| Leases | — | — | — | — | — |
| Total other financing sources (uses) | 1,101,557 | 1,388,011 | 20,678,430 | 1,486,830 | 5,918,617 |
| Net change in fund balances | \$ 15,739,737 | \$ 8,132,392 | \$ 20,835,926 | \$ (21,964,441) | \$ 4,364,896 |
| Debt service as a percentage of noncapital expenditures | 4.6 % | 4.2 % | 4.1 % | 3.6 % | 4.1 % |

Source: City financial records

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|----|-------------|---------------|---------------|----------------|----------------|
| \$ | 65,257,328 | \$ 77,739,476 | \$ 87,768,923 | \$ 108,394,703 | \$ 122,672,859 |
| | 5,817,956 | 5,991,243 | 5,944,921 | 6,168,794 | 6,954,398 |
| | 44,773,004 | 45,774,226 | 48,421,077 | 55,052,905 | 58,674,186 |
| | 15,186,099 | 19,189,262 | 18,680,847 | 24,318,166 | 30,676,826 |
| | 2,691,930 | 1,581,233 | 11,165,982 | 11,476,297 | 13,620,067 |
| | 2,281,998 | 1,788,745 | 1,340,263 | 1,441,835 | 1,504,375 |
| | 601,628 | 724,073 | 620,862 | 621,198 | 1,117,625 |
| | 5,306,365 | 6,482,159 | 5,321,641 | 6,892,441 | 9,835,523 |
| | 310,038 | 3,299,929 | 3,169,797 | 207,335 | (2,267,135) |
| | — | — | — | 52,791 | 87,490 |
| | 183,307 | 125,872 | 103,910 | 6,348,174 | 6,254,474 |
| | 5,249,200 | 5,481,600 | 5,591,100 | 855,497 | 1,250,978 |
| | 522,745 | 726,564 | 670,836 | — | — |
| | 148,181,598 | 168,904,382 | 188,800,159 | 221,830,136 | 250,381,666 |
| | 16,965,220 | 17,358,137 | 18,294,432 | 28,780,110 | 22,825,388 |
| | 51,471,894 | 51,993,630 | 53,778,182 | 56,880,732 | 70,479,294 |
| | 19,858,787 | 20,580,186 | 20,721,301 | 20,287,785 | 21,719,917 |
| | 11,890,816 | 12,141,786 | 12,024,962 | 6,745,974 | 16,795,933 |
| | 19,540,944 | 19,613,758 | 19,275,188 | 18,980,135 | 26,406,812 |
| | 18,067,055 | 22,824,600 | 62,975,337 | 31,142,540 | 26,917,801 |
| | 2,776,050 | 5,352,900 | 6,003,700 | 6,429,038 | 6,781,238 |
| | 1,578,092 | 3,271,455 | 3,015,280 | 3,227,799 | 3,126,841 |
| | 472,877 | 4,851 | 453,307 | 222,909 | 3,004 |
| | 142,621,735 | 153,141,303 | 196,541,689 | 172,697,022 | 195,056,228 |
| | 5,559,863 | 15,763,079 | (7,741,530) | 49,133,114 | 55,325,438 |
| | 136,426 | 276,091 | 205,824 | 159,875 | 235,226 |
| | 974,136 | 1,607,973 | 951,667 | 1,174,545 | 266,662 |
| | 43,211,107 | — | 8,511,093 | 19,625,309 | — |
| | — | — | 7,249 | — | — |
| | — | — | — | — | — |
| | — | — | — | — | 1,225,337 |
| | 44,321,669 | 1,884,064 | 9,675,833 | 20,959,729 | 1,727,225 |
| \$ | 49,881,532 | \$ 17,647,143 | \$ 1,934,303 | \$ 70,092,843 | \$ 57,052,663 |
| | 3.3 % | 6.2 % | 6.1 % | 7.0 % | 5.9 % |



SURPRISE

ARIZONA

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 |
|--------------------|---------------------|------------------|--|---------------|
| 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 |
| 2021 | 17,675,230 | 90,643,310 | 5,654,379 | 113,972,919 |
| 2022 | 19,263,163 | 103,406,232 | 6,424,278 | 129,093,673 |

Source: City financial records

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

| | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| <u>Description of Payers Business</u> | | | | |
| Construction | \$ 7,071,711 | \$ 5,702,652 | \$ 5,318,361 | \$ 8,429,076 |
| Retail trade | 13,831,839 | 15,319,378 | 17,897,576 | 18,608,256 |
| Communications and utilities | 5,053,313 | 5,230,594 | 5,379,741 | 5,609,855 |
| Restaurant and bar | 4,877,292 | 5,262,786 | 5,600,500 | 5,933,745 |
| Real estate, rental and leasing | 3,610,593 | 3,872,029 | 4,077,066 | 4,246,757 |
| Other | 3,488,295 | 3,439,338 | 4,188,861 | 4,109,905 |
| Total | \$ 37,933,043 | \$ 38,826,777 | \$ 42,462,105 | \$ 46,937,594 |

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2022.

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.

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ 7,444,202 | \$ 9,424,657 | \$ 13,938,324 | \$ 17,529,115 | \$ 24,116,467 | \$ 26,833,113 |
| 20,578,048 | 24,170,542 | 25,309,922 | 30,133,931 | 39,817,504 | 45,163,884 |
| 5,682,238 | 5,010,541 | 4,873,454 | 4,804,402 | 5,218,205 | 5,465,416 |
| 6,543,214 | 7,673,195 | 8,226,189 | 8,368,795 | 9,966,480 | 12,102,740 |
| 4,790,722 | 4,858,025 | 5,495,101 | 6,013,853 | 6,798,088 | 7,662,985 |
| 4,377,959 | 3,282,612 | 3,753,644 | 4,054,516 | 4,726,567 | 6,178,095 |
| <u>\$ 49,416,383</u> | <u>\$ 54,419,572</u> | <u>\$ 61,596,634</u> | <u>\$ 70,904,612</u> | <u>\$ 90,643,311</u> | <u>\$ 103,406,233</u> |



SURPRISE

ARIZONA

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

| Fiscal Year | | Real Property | | Exemptions | Total | | Ratio of Total | |
|-------------|---|----------------|----------------|---------------|------------------------|-----------------|--|--|
| | | Assessed Value | Assessed Value | Real Property | Net Assessed Valuation | Direct Tax Rate | Estimated Actual Taxable Full Cash Value | Assessed Value to Total Estimated Actual Value |
| 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 | — | 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% |
| 2021 | P | 911,365,696 | 443,779,946 | (149,135,143) | 1,206,010,499 | 0.7591 | 11,823,893,218 | 10.20% |
| 2021 | S | 1,192,185,322 | 601,386,798 | (197,101,947) | 1,596,470,173 | 0.3880 | 15,624,599,329 | 10.22% |
| 2022 | P | 990,350,177 | 482,829,467 | (158,793,354) | 1,314,386,290 | 0.7591 | 12,850,915,016 | 10.23% |
| 2022 | S | 1,326,558,965 | 687,137,725 | (224,417,986) | 1,789,278,704 | 0.3880 | 17,496,518,302 | 10.23% |

Source: Maricopa County Assessor's Office State Abstract
Direct Tax Rate is From the Maricopa County Finance Department's "Tax Levy Book for the City of Surprise" for the applicable tax year.

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

| Fiscal Year | City of Surprise | | | Overlapping Rates Maricopa County | | | | Total County Tax Rate |
|-------------|------------------------------|-----------------------------------|---------------------|--------------------------------------|-----------------------|----------------|---------------|-----------------------|
| | Operating (Primary) Tax Rate | Debt Service (Secondary) Tax Rate | Total City Tax Rate | Operating Tax Rate | Debt Service Tax Rate | County Library | Flood Control | |
| 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 |
| 2021 | 0.7591 | 0.3880 | 1.1471 | 1.4009 | — | 0.0556 | 0.1792 | 1.6357 |
| 2022 | 0.7591 | 0.3880 | 1.1471 | 1.3459 | — | 0.0556 | 0.1792 | 1.5807 |

Source: Maricopa County Finance Department's "Maricopa County 2021 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 |
| 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 |
| 3.8251 | 2.6201 | 6.4452 | 2.3408 | 11.5688 |
| 3.8026 | 2.3794 | 6.1820 | 2.3408 | 11.2506 |

City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2022 and 2013

| Taxpayer | 2022 | | | 2013 | | |
|---|----------------------|------|---------------------|----------------------|------|---------------------|
| | Assessed Valuation | Rank | Percentage of Total | Assessed Valuation | Rank | Percentage of Total |
| Arizona Public Service Company | \$ 34,329,620 | 1 | 2.61% | \$ 23,000,331 | 1 | 2.70% |
| SFI Grand Vista LLC | 10,714,518 | 2 | 0.82% | | | |
| Southwest Gas Corporation (T&D) | 8,357,150 | 3 | 0.64% | 5,116,984 | 2 | 0.60% |
| Toll Prasada LLC | 7,115,944 | 4 | 0.54% | | | |
| EPCOR (Agua Fria Water Division) | 4,504,880 | 5 | 0.34% | | | |
| CCD Real Estate Holdings LLC | 3,588,607 | 6 | 0.27% | 3,421,878 | 3 | 0.40% |
| DG Industrial Portfolio I Property Owner LP | 3,438,792 | 7 | 0.26% | | | |
| Wal Mart Stores Inc | 3,429,483 | 8 | 0.26% | 2,247,069 | 10 | 0.26% |
| BFM IV AZ Harmony at Surprise SPE LLC | 3,319,918 | 9 | 0.25% | | | |
| LAACO Ltd. | 3,098,496 | 10 | 0.24% | | | |
| Mci Communications Services Inc | | | | 3,382,189 | 4 | 0.40% |
| Karlin Surprise LLC | | | | 3,348,245 | 3 | 0.39% |
| Aawc: Agua Fria Water Division | | | | 2,806,552 | 6 | 0.33% |
| Surprise Marketplace Holdings LLC | | | | 2,668,670 | 7 | 0.31% |
| Surprise Towne Center Holdings LLC | | | | 2,618,766 | 8 | 0.31% |
| Roskamp/Sun Health Management Services LLP | | | | 2,408,474 | 9 | 0.28% |
| Total | <u>\$ 81,897,408</u> | | <u>6.23%</u> | <u>\$ 51,019,158</u> | | <u>5.99%</u> |
| Total Net Limited Assessed Valuation | \$1,314,386,290 | | | \$ 851,987,113 | | |

Source: Maricopa County Assessor's Office

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

| Fiscal Year | Total Tax Levy | Collected within the Fiscal Year of the Levy | | Tax Collections in Subsequent Years | Total Collections to Date | |
|-------------|----------------|--|--------------------|-------------------------------------|---------------------------|--------------------|
| | | Current Tax Collections | Percentage of Levy | | Tax Collections | Percentage of Levy |
| 2013 | 6,295,546 | 6,159,818 | 97.8% | 95,673 | 6,255,491 | 99.4% |
| 2014 | 6,350,356 | 6,249,156 | 98.4% | 69,251 | 6,318,407 | 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% | 39,168 | 6,700,236 | 99.2% |
| 2017 | 7,037,842 | 6,947,745 | 98.7% | 53,915 | 7,001,660 | 99.5% |
| 2018 | 7,424,272 | 7,321,178 | 98.6% | 64,283 | 7,385,461 | 99.5% |
| 2019 | 12,369,233 | 12,219,247 | 98.8% | (20,976) | 12,192,352 | 98.6% |
| 2020 | 12,735,513 | 12,539,853 | 98.5% | 105,969 | 12,698,311 | 99.7% |
| 2021 | 13,835,935 | 13,663,445 | 98.8% | 132,259 | 13,795,704 | 99.7% |
| 2022 | 15,079,386 | 14,897,120 | 98.8% | — | 14,897,120 | 98.8% |

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2022.

City of Surprise, Arizona
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | |
|-------------|--------------------------|--|--------------------------------|-----------------------------|
| | General Obligation Bonds | Special (CFD) Assessment Bonds and Notes | Municipal Property Corp. Bonds | Pledged Revenue Obligations |
| 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 |
| 2021 | 50,304,950 | 21,249,359 | — | 18,347,512 |
| 2022 | 46,567,591 | 20,591,782 | — | 15,373,818 |

Source: City financial records

| Business-Type Activities | | | | | | |
|---------------------------------|------------------------|------------------------|----------------------|-------------------|--------------------|-------------------|
| Municipal | | | | | Percentage | |
| Property Corp. | Utility Revenue | Pledged Revenue | Total Primary | Government | of Personal | Per Capita |
| Bonds | Obligations | Obligations | | | Income | |
| \$ 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 |
| — | 25,776,772 | 2,418,508 | 118,097,101 | | 3.2% | 798 |
| — | 24,510,321 | 1,647,630 | 108,691,142 | | 2.8% | 729 |

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 |
|--------------------|---------------------------------|---|--------------|---|-------------------|
| 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 |
| 2021 | 46,625,000 | 158,771 | 46,466,229 | 0.393% | 314 |
| 2022 | 43,225,000 | 104,285 | 43,120,715 | 0.276% | 289 |

Source: City financial records

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022

| Overlapping Jurisdiction | General Obligation and Pledged Revenue Bonded Debt | Proportion Applicable to the City | |
|---|---|--|------------------------------|
| | | Approximate Percent | Net Debt Amount |
| Maricopa County | None | 2.55 % | None |
| Maricopa County Community College District | \$ 135,585,000 | 2.69 % | \$ 3,647,238 |
| Maricopa County Special Health Care District | 600,335,000 | 2.69 % | 16,149,012 |
| Western Maricopa Education Center | 130,195,000 | 7.27 % | 9,465,177 |
| Dysart Unified School District No. 89 | 83,570,000 | 77.83 % | 65,042,531 |
| Peoria Unified School District No. 11 | 167,005,000 | 0.37 % | 617,919 |
| Nadaburg Unified School District No. 81 | — | 36.40 % | — |
| Wickenburg Unified School District No. 9 | 5,775,000 | 1.59 % | 91,823 |
| Subtotal, overlapping debt | <u>\$ 1,122,465,000</u> | | <u>\$ 95,013,700</u> |
| City of Surprise | \$ 61,941,409 | 100.00 % | \$ 61,941,409 |
| Marley Park Community Facilities District | 20,591,782 | 100.00 % | 20,591,782 |
| Subtotal, direct debt | <u>\$ 82,533,191</u> | | <u>\$ 82,533,191</u> |
| Total Direct and Overlapping General Obligation and Pledged Revenue Bonded Debt | | | <u><u>\$ 177,546,891</u></u> |

Source: The various jurisdictions

Proportion applicable to City of Surprise, Arizona is computed on the ratio of net limited property valuation for fiscal year 2021/2022.
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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Debt limit 6% | \$ 51,281,020 | \$ 49,298,862 | \$ 54,283,263 | \$ 61,914,585 |
| Unrestricted legal debt margin | <u>\$ 51,281,020</u> | <u>\$ 49,298,862</u> | <u>\$ 54,283,263</u> | <u>\$ 61,914,585</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 0.00 % | 0.00 % |

Restricted

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt limit 20% | \$ 170,936,735 | \$ 164,329,540 | \$ 180,944,209 | \$ 206,381,949 |
| Total net debt applicable to limit | — | — | — | — |
| Restricted legal debt margin | <u>\$ 170,936,735</u> | <u>\$ 164,329,540</u> | <u>\$ 180,944,209</u> | <u>\$ 206,381,949</u> |
| Total net debt applicable to the limit as a percentage of 20% debt limit | 0.00% | 0.00% | 0.00% | 0.00% |

Source: City financial records

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ 65,970,879 | \$ 71,371,537 | \$ 78,996,747 | \$ 84,563,180 | \$ 95,788,210 | \$ 107,356,722 |
| <u>\$ 65,970,879</u> | <u>\$ 71,371,537</u> | <u>\$ 78,996,747</u> | <u>\$ 84,563,180</u> | <u>\$ 95,788,210</u> | <u>\$ 107,356,722</u> |

0.00% 0.00% 0.00% 0.00% 0.00% 0.00%

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 219,902,931 | \$ 237,905,123 | \$ 263,322,489 | \$ 281,877,265 | \$ 319,294,035 | \$ 357,855,740 |
| — | 39,987,500 | 37,322,019 | 34,285,598 | 50,304,950 | 46,567,591 |
| <u>\$ 219,902,931</u> | <u>\$ 197,917,623</u> | <u>\$ 226,000,470</u> | <u>\$ 247,591,667</u> | <u>\$ 268,989,085</u> | <u>\$ 311,288,149</u> |

0.00% 16.81% 14.17% 12.16% 15.76% 13.01%

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

| Year | Population | Personal Income | Median Household Income | Median Age | Unemployment Rate |
|-------------|-------------------|------------------------|--------------------------------|-------------------|--------------------------|
| 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% |
| 2021 | 147,965 | 3,743,919,200 | 69,076 | 41.4 | 6.8% |
| 2022 | 149,191 | 3,890,551,528 | 71,192 | 41.9 | 6.9% |

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, 2022 and Nine Years Prior

| Employer | 2022 ¹ | | | 2013 ² | | |
|--|--------------------------|-------------|-------------------|--------------------------|-------------|-------------------|
| | Employees | Rank | % of Total | Employees | Rank | % of Total |
| Dysart School District (Surprise Schools Only) | 1,610 | 1 | 6.81% | 1,753 | 1 | 14.61% |
| Wal-Mart | 1,040 | 2 | 4.40% | 988 | 2 | 8.24% |
| City of Surprise | 1,030 | 3 | 4.36% | 631 | 3 | 5.26% |
| Fry's Food Store | 560 | 4 | 2.37% | 537 | 4 | 4.48% |
| Sun Health Foundation Inc | 460 | 5 | 1.95% | | | |
| Rousseau Farming Company | 340 | 6 | 1.44% | | | |
| Home Depot | 280 | 7 | 1.18% | 176 | 9 | 1.47% |
| McDonalds | 270 | 8 | 1.14% | | | |
| Maricopa County | 220 | 9 | 0.93% | 225 | 5 | 1.88% |
| Costco | 220 | 10 | 0.93% | | | |
| Safeway | | | | 182 | 8 | 1.52% |
| Crescent Crown | | | | 200 | 7 | 1.67% |
| Albertson's Food Store | | | | 159 | 10 | 1.33% |
| Kohl's Department Store | | | | 224 | 6 | 1.87% |
| Total | 6,030 | | 25.51% | 5,075 | | 42.31% |
| Total City Employment | 23,640 | | | 11,996 | | |

Sources:

¹ Maricopa Association of Governments, as of June 30, 2022

² City previous ACFR



SURPRISE

ARIZONA

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

| Function | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| General government | 123 | 123 | 136 | 134 | 140 | 142 | 146 | 150 | 150 | 156 |
| Public safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Officer | 133 | 134 | 130 | 139 | 158 | 159 | 159 | 155 | 154 | 161 |
| Civilians | 49 | 48 | 54 | 49 | 43 | 42 | 45 | 55 | 55 | 65 |
| Fire: | | | | | | | | | | |
| Firefighters and officers | 111 | 111 | 113 | 113 | 128 | 127 | 126 | 132 | 138 | 144 |
| Civilians | 7 | 7 | 7 | 8 | 8 | 7 | 7 | 7 | 9 | 10 |
| Public works and streets: | | | | | | | | | | |
| All others | 83 | 83 | 83 | 84 | 84 | 80 | 84 | 90 | 92 | 96 |
| Community development | 40 | 40 | 43 | 40 | 41 | 41 | 42 | 43 | 43 | 49 |
| Economic development | — | — | — | 8 | 8 | 8 | 7 | 9 | 9 | 9 |
| Parks and recreation | 110 | 110 | 122 | 118 | 117 | 116 | 120 | 105 | 84 | 90 |
| Sports and tourism | — | — | — | — | — | — | — | 18 | 39 | 41 |
| Human service and community vitality | — | — | — | 9 | 15 | 16 | 18 | 24 | 25 | 26 |
| Water | 25 | 25 | 24 | 29 | 33 | 36 | 35 | 42 | 43 | 44 |
| Sanitation | 31 | 31 | 32 | 33 | 35 | 37 | 37 | 41 | 41 | 44 |
| Sewer | 36 | 36 | 37 | 39 | 50 | 45 | 45 | 47 | 49 | 48 |
| Stormwater | — | — | — | — | — | 6 | 5 | 6 | 6 | 7 |
| Ground ambulance services | — | — | — | — | — | 19 | 26 | 32 | 32 | 36 |
| Total | 748 | 748 | 781 | 804 | 861 | 881 | 902 | 956 | 969 | 1,026 |

Source: Fiscal year 2022 Adopted Budget

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

| Function | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|
| Public safety: | | | | |
| Police: | | | | |
| Calls - incidents responded to | 39,866 | 37,566 | 38,191 | 39,511 |
| Citations issued | 9,673 | 7,020 | 7,524 | 5,971 |
| Officers per 1,000 residents | 1.1 | 1.1 | 1.1 | 1.0 |
| Fire-Medical: | | | | |
| Number of responses | 13,649 | 14,004 | 15,750 | 16,896 |
| Inspections | 1,184 | 1,411 | 1,885 | 2,745 |
| Public works and streets: | | | | |
| Sq. ft. of buildings to maintain | 830,271 | 830,271 | 830,271 | 855,774 |
| Vehicles/equipment maintained per month | 403 | 392 | 405 | 334 |
| Number of street lights repaired | 300 | 377 | 43 | 44 |
| Street miles maintained | 607 | 607 | 627 | 627 |
| Community development: | | | | |
| Building safety inspections performed | 20,150 | 18,220 | 15,624 | 20,320 |
| Annual new residential starts | 554 | 385 | 417 | 486 |
| Parks and recreation: | | | | |
| Organized recreation program participants | 191,648 | 192,300 | 178,186 | 160,535 |
| Special events/open facility participants | 269,823 | 278,980 | 321,214 | 307,475 |
| Sports and Tourism | | | | |
| Special events/open facility participants | N/A | N/A | N/A | N/A |
| Water: | | | | |
| Water service connections | 14,570 | 14,740 | 14,971 | 15,362 |
| 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) | 8.1 | 8.1 | 8.4 | 8.4 |
| Sewer service connections | 45,802 | 45,984 | 44,923 | 47,273 |
| Sanitation: | | | | |
| Refuse collected (tons/annually) | 29,400 | 30,583 | 33,351 | 32,787 |
| Number of routes | 33 | 32 | 32 | 56 |
| Total services | 32,975 | 33,321 | 32,683 | 35,366 |
| Stormwater: | | | | |
| Customers | — | — | — | — |

Sources: Various government departments
N/A - This information is not available.

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------|---------|---------|---------|-----------|-----------|
| 40,909 | 41,806 | 40,541 | 42,306 | 41,430 | 45,634 |
| 6,358 | 5,136 | 8,602 | 6,350 | 6,098 | 7,550 |
| 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 16,546 | 17,435 | 10,865 | 18,195 | 19,493 | 21,677 |
| 2,407 | 1,810 | 1,595 | 2,391 | 1,781 | 2,614 |
| 855,774 | 855,774 | 855,774 | 973,187 | 1,016,276 | 1,016,276 |
| 375 | 397 | 415 | 425 | 353 | 415 |
| 38 | 79 | 52 | 71 | 68 | 180 |
| 627 | 627 | 629 | 630 | 665 | 688 |
| 22,407 | 31,063 | 34,598 | 45,750 | 51,542 | 60,013 |
| 600 | 1,288 | 1,303 | 2,076 | 2,856 | 2,873 |
| 163,580 | 162,012 | 141,189 | 85,362 | 70,873 | 135,632 |
| 306,714 | 343,868 | 120,114 | 78,548 | 22,935 | 105,284 |
| N/A | N/A | 253,823 | 240,065 | 143,728 | 270,962 |
| 15,499 | 16,331 | 16,729 | 17,886 | 19,705 | 21,283 |
| N/A | 4 | 2 | 6 | 15 | 11 |
| N/A | 7,322 | 7,416 | 7,402 | 7,776 | 7,787 |
| 8.4 | 8.4 | 9 | 9 | 9.1 | 9.2 |
| 48,196 | 50,303 | 48,451 | 53,164 | 55,796 | 58,568 |
| 33,671 | 34,979 | 36,757 | 48,905 | 56,781 | 58,354 |
| 56 | 57 | 59 | 55 | 58 | 59 |
| 36,421 | 36,657 | 35,510 | 39,676 | 41,212 | 42,964 |
| 49,429 | 50,594 | 47,235 | 51,199 | 54,177 | 56,781 |

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

| Function | 2013 | 2014 | 2015 | 2016 |
|---|-------------|-------------|-------------|-------------|
| Public safety: | | | | |
| Police: | | | | |
| Stations | 2 | 2 | 2 | 2 |
| Patrol units | 63 | 63 | 68 | 72 |
| Fire: | | | | |
| Fire stations | 7 | 7 | 7 | 7 |
| Fire engines and ladder trucks | 11 | 12 | 12 | 12 |
| Ambulances | 0 | 0 | 0 | 1 |
| Public works and streets: | | | | |
| Street miles | 607 | 607 | 627 | 627 |
| Street lighting improvement districts | 101 | 101 | 107 | 107 |
| Traffic Signals | 51 | 51 | 50 | 50 |
| Bridges | 19 | 19 | 19 | 19 |
| Community development: | | | | |
| Inspection vehicles | 12 | 10 | 10 | 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: | | | | |
| Well Production Maximum Daily Capacity (millions of gallons) | 31 | 31 | 32 | 32 |
| 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 | 27 |

Sources: Various government departments

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------|------|------|------|------|------|
| 2 | 2 | 2 | 2 | 2 | 2 |
| 90 | 73 | 87 | 87 | 87 | 74 |
| 7 | 7 | 7 | 7 | 7 | 8 |
| 12 | 13 | 13 | 13 | 13 | 15 |
| 3 | 4 | 5 | 5 | 5 | 5 |
| 627 | 627 | 629 | 630 | 665 | 688 |
| 123 | 132 | 146 | 155 | 156 | 159 |
| 50 | 50 | 52 | 58 | 61 | 61 |
| 19 | 19 | 19 | 21 | 21 | 21 |
| 11 | 11 | 11 | 11 | 13 | 14 |
| 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 | 3 | 3 | 3 |
| 33 | 33 | 33 | 34 | 30 | 30 |
| 2 | 2 | 2 | 2 | 3 | 3 |
| 18.3 | 18.3 | 18.3 | 18.3 | 20.1 | 20.1 |
| 27 | 27 | 27 | 27 | 28 | 28 |



SURPRISE

ARIZONA



The City of Surprise Finance Department strives to be a professional, proactive leader, identifying issues and offering innovative solutions while providing high quality customer service.



SURPRISEAZ.GOV/ACFR

FINANCE DEPARTMENT

16000 N. Civic Center Plaza

Surprise, AZ 85374-7470

623.222.1800 • 623.222.1801 Fax

623.222.1002 TTY

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Road. Suite 300
Scottsdale, AZ 85257

In connection with your examination of the Annual Expenditure Limitation Report (AELR) for the year ended June 30, 2022, 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, 2022 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 are responsible for selecting the criteria and determining the criteria are suitable, available to intended users, and appropriate for the purpose of the engagement.
4. Under the terms of the agreement, we have provided you with all relevant information and access to information and personnel in connection with your examination of the AELR.
5. We have disclosed to you all deficiencies in internal control relevant to the engagement of which we are aware.
6. We have disclosed to you knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the AELR.
7. All relevant matters are reflected in the measurement and/or evaluation of the AELR.
8. We believe that significant assumptions used in making any material estimates are reasonable.
9. 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.
10. We have disclosed to you all events subsequent to June 30, 2022 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

02/14/2023

Andrea Davis, Finance Director
City of Surprise, Arizona

Date

SIGNATURE CERTIFICATE




REFERENCE NUMBER

4C48B88C-86A4-45D9-A9CF-6951FFA2A067

| TRANSACTION DETAILS | DOCUMENT DETAILS |
|---|---|
| <p>Reference Number 4C48B88C-86A4-45D9-A9CF-6951FFA2A067</p> <p>Transaction Type Signature Request</p> <p>Sent At 02/14/2023 16:37 EST</p> <p>Executed At 02/14/2023 19:33 EST</p> <p>Identity Method email</p> <p>Distribution Method email</p> <p>Signed Checksum 0543eae71bf8974adb54bb0d1b77c52b3699c1384022eb4a14760c714cf426ef</p> <p>Signer Sequencing Disabled</p> <p>Document Passcode Disabled</p> | <p>Document Name City Of Surprise Grl Elr Examination 2022</p> <p>Filename city_of_surprise_grl_elr_examination_2022.pdf</p> <p>Pages 2 pages</p> <p>Content Type application/pdf</p> <p>File Size 154 KB</p> <p>Original Checksum e535391a3b70eebea757500ce7196c491fb683680e2bf0dc31d4fb1cb9dcfb70</p> |

SIGNERS

| SIGNER | E-SIGNATURE | EVENTS |
|--|--|--|
| <p>Name Andrea Davis</p> <p>Email andrea.davis@surpriseaz.gov</p> <p>Components 2</p> | <p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 3f35b51c544f72337ddc78a18715d9c909f191592ac770d15a5c57b0f2d68eda</p> <p>IP Address 67.132.117.228</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 946146C8</p> | <p>Viewed At 02/14/2023 19:31 EST</p> <p>Identity Authenticated At 02/14/2023 19:33 EST</p> <p>Signed At 02/14/2023 19:33 EST</p> |

AUDITS

| TIMESTAMP | AUDIT |
|----------------------|--|
| 02/14/2023 16:37 EST | Holly Griglio (holly.griglio@hm.cpa) created document 'city_of_surprise_grl_elr_examination_2022.pdf' on Chrome via Windows from 67.234.193.207. |
| 02/14/2023 16:37 EST | Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a link to sign. |
| 02/14/2023 19:31 EST | Andrea Davis (andrea.davis@surpriseaz.gov) viewed the document on Microsoft Edge via Windows from 67.132.117.228. |
| 02/14/2023 19:33 EST | Andrea Davis (andrea.davis@surpriseaz.gov) authenticated via email on Microsoft Edge via Windows from 67.132.117.228. |
| 02/14/2023 19:33 EST | Andrea Davis (andrea.davis@surpriseaz.gov) signed the document on Microsoft Edge via Windows from 67.132.117.228. |



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, 2020 through June 30, 2022

**CITY OF SURPRISE, ARIZONA
TABLE OF CONTENTS**

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| Summary of Findings | 3 |
| Appendix A – Progress of Infrastructure Improvement Plan Projects | 4 |

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and Members of the City Council

We have performed this agreed-upon procedures engagement to assist management of the City of Surprise, Arizona (City), with the requirement 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”. As such, we have performed the procedures identified below, solely to assist users in evaluating the City’s compliance with the progress reporting requirements of the infrastructure improvement plan for the period from July 1, 2020 through June 30, 2022, 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.

City of Surprise, Arizona’s management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the City complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We have applied the following procedures:

The progress of the infrastructure improvements plan.

- a. Compared growth projections for 2021 and 2022 related to population, number of housing units, and nonresidential square footage, as reported in the Infrastructure Improvement Plan (IIP) to actual results. 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, 2022 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. Any inequities in the imposition of development fees are reported in the Summary of Findings.
- 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.

We were engaged by City of Surprise, Arizona's management to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of City of Surprise, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

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.
Scottsdale, Arizona
February 3, 2023

**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 and Infrastructure Improvements Plan when compared to actual results. All variances are reported below.

| | 2021 | | | |
|---|-------------|------------|-----------|------------|
| | Projected | Actual | Variance | Variance % |
| Population ¹ | 158,178 | 149,710 | (8,468) | -5% |
| Residential Housing Units | 66,141 | 62,412 | (3,729) | -6% |
| Nonresidential Square Footage | | | | |
| Retail | 6,148,561 | 5,637,046 | (511,515) | -8% |
| Office | 1,620,314 | 1,675,589 | 55,275 | 3% |
| Public | 6,111,141 | 5,991,692 | (119,449) | -2% |
| Industrial | 4,169,032 | 4,528,401 | 359,369 | 9% |
| Total Nonresidential Square Footage | 18,049,048 | 17,832,728 | (216,320) | -1% |
| ¹ Projected population is based on the Municipal Planning Area boundary and the actual population is based on the City limits. | | | | |

| | 2022 | | | |
|---|-------------|------------|-----------|------------|
| | Projected | Actual | Variance | Variance % |
| Population ¹ | 164,136 | 155,389 | (8,747) | -5% |
| Residential Housing Units | 68,502 | 64,651 | (3,851) | -6% |
| Nonresidential Square Footage | | | | |
| Retail | 6,416,903 | 5,655,518 | (761,385) | -12% |
| Office | 1,701,714 | 1,675,589 | (26,125) | -2% |
| Public | 6,345,292 | 6,005,012 | (340,280) | -5% |
| Industrial | 4,283,001 | 4,638,204 | 355,203 | 8% |
| Total Nonresidential Square Footage | 18,746,910 | 17,974,323 | (772,587) | -4% |
| ¹ Projected population is based on the Municipal Planning Area boundary and the actual population is based on the City limits. | | | | |

**APPENDIX A
PROGRESS OF INFRASTRUCTURE IMPROVEMENT PLAN PROJECTS**

| Project Number | IIP page, figure | Project Description | Fund Description | DIF Fund | Estimated Cost (a) | Expenditures as of 6/30/22 (b) | Estimated Cost to Complete | IIP Fiscal Year | Status |
|----------------|---|---|---|----------|--------------------|--------------------------------|----------------------------|-----------------|--------|
| P31030 | Page 26, Figure P9 & Page 33, Figure F8 | Evidence & Readiness Center (shared project - Police/Fire) | | | \$ 4,173,073 | | | 2020-2022 | Active |
| P31030 | Page 26, Figure P9 & Page 33, Figure F8 | Evidence & Readiness Center (shared project - Police/Fire) | General Capital Projects Fund | No | | \$ 130,583 | | 2020-2022 | Active |
| P31030 | Page 26, Figure P9 & Page 33, Figure F8 | Evidence & Readiness Center (shared project - Police/Fire) | Public Safety Election 2017 Fund (Bond) | No | | \$ 10,605,588 | | 2020-2022 | Active |
| P31030 | Page 26, Figure P9 & Page 33, Figure F8 | Evidence & Readiness Center (shared project - Police/Fire) | Police DIF Fund | Yes | | \$ 1,063,400 | | 2020-2022 | Active |
| P31030 | Page 26, Figure P9 & Page 33, Figure F8 | Evidence & Readiness Center (shared project - Police/Fire) | Fire DIF Fund | Yes | | \$ 394,947 | \$ 1,550,800 | 2020-2022 | Active |
| P31060 | Page 26, Figure P9 | Public Safety Vehicles | | | \$ 1,700,000 | | | 2019-2028 | Active |
| P31060 | Page 26, Figure P9 | Public Safety Vehicles | Police DIF Fund | Yes | | \$ 323,809 | \$ 1,376,191 | 2019-2028 | Active |
| P31070 | Page 26, Figure P9 | Police Substation | | | \$ 9,573,800 | | | 2021-2022 | Active |
| P31070 | Page 26, Figure P9 | Police Substation | Police DIF Fund | Yes | | \$ 48,599 | \$ 17,276,000 | 2021-2022 | Active |
| P34070 | Page 26, Figure P9 & Page 33, Figure F8 | Police Substation Land & Fire Station Land (shared project - Police/Fire) | | | \$ 1,125,000 | | | 2019 | Active |
| P34070 | Page 26, Figure P9 & Page 33, Figure F8 | Police Substation Land & Fire Station Land (shared project - Police/Fire) | Public Safety Election 2017 Fund (Bond) | No | | \$ 5,990 | \$ 3,300,000 | 2019 | Active |
| P34080 | Page 33, Figure F8 | District Fire Station 304 | | | \$ 8,598,400 | | | 2019-2021 | Closed |
| P34080 | Page 33, Figure F8 | District Fire Station 304 | Public Safety Election 2017 Fund (Bond) | No | | \$ 8,404,194 | | 2019-2021 | Closed |
| P34090 | Page 33, Figure F8 | Fire Station 308 (includes engine) | | | \$ 7,873,600 | | | 2019-2022 | Active |
| P34090 | Page 33, Figure F8 | Fire Station 308 (includes engine) | Fire DIF Fund | Yes | | \$ 1,269,149 | | 2019-2022 | Active |
| P34090 | Page 33, Figure F8 | Fire Station 308 (includes engine) | Public Safety Election 2017 Fund (Bond) | No | | \$ 6,708,207 | \$ 266,900 | 2019-2022 | Active |
| P34100 | Page 33, Figure F8 | Ambulance # 4 | | | \$ 375,300 | | | 2020 | Closed |
| P34100 | Page 33, Figure F8 | Ambulance # 4 | Ground Ambulance Service Fund | No | | \$ 395,327 | | 2020 | Closed |
| P34130 | Page 33, Figure F8 | Ambulance # 6 | | | \$ 375,300 | | | 2022 | Closed |
| P34130 | Page 33, Figure F8 | Ambulance # 6 | Ground Ambulance Capital Fund | No | | \$ 302,686 | | 2022 | Closed |
| P54140 | Page 20, Figure PR10 | Tennis & Racquet Complex - Lighting for 8 tennis courts | | | \$ 300,000 | | | 2019 | Closed |
| P54140 | Page 20, Figure PR10 | Tennis & Racquet Complex - Lighting for 8 tennis courts | General Capital Projects Fund | No | | \$ 356,907 | | 2019 | Closed |
| P71550 | Page 44, Figure W17 | SPA 2 Rancho Mercado WSF | | | \$ 8,700,000 | | | 2019-2028 | Active |
| P71550 | Page 44, Figure W17 | SPA 2 Rancho Mercado WSF | Water Utility Capital Fund | No | | \$ 251,450 | \$ 1,197,000 | 2019-2028 | Active |
| P71020 | Page 44, Figure W17 | Arsenic Treatment, Desert Oasis WSF | | | \$ 1,400,000 | | | 2019-2028 | Active |
| P71020 | Page 44, Figure W17 | Arsenic Treatment, Desert Oasis WSF | Water Utility Capital Fund | No | | \$ 134,641 | \$ 815,600 | 2019-2028 | Active |
| P71020 | Page 44, Figure W17 | Arsenic Treatment, Desert Oasis WSF | Water System SPA 2 DIF Fund | Yes | | \$ 1,399,942 | | 2019-2028 | Active |
| P71230 | Page 44, Figure W17 | Arsenic Treatment - Rancho Gabriela | | | \$ 1,030,000 | | | 2019-2028 | Closed |
| P71230 | Page 44, Figure W17 | Arsenic Treatment - Rancho Gabriela | Water Utility Capital Fund | No | | \$ 1,125,263 | | 2019-2028 | Closed |
| P71240 | Page 52, Figure WR9 | Water Acquisitions | | | \$ 2,738,600 | | | 2020-2023 | Active |
| P71240 | Page 52, Figure WR9 | Water Acquisitions | Water Utility Capital Fund | No | | \$ 3,171,744 | | 2020-2023 | Active |
| P71240 | Page 52, Figure WR9 | Water Acquisitions | Water Resource DIF Fund | Yes | | | \$ 4,265,600 | 2020-2023 | Active |
| P71190 | Page 52, Figure WR9 | Wet Water Recharge Basins | | | \$ 2,200,000 | | | 2020-2021 | Active |
| P71190 | Page 52, Figure WR9 | Wet Water Recharge Basins | Sewer Utility Capital Fund | No | | \$ 1,088,200 | \$ 7,252,400 | 2020-2021 | Active |
| P71210 | Page 52, Figure WR9 | Wet Water Recharge Basins | | | \$ 2,200,000 | | | 2025-2026 | Active |
| P71210 | Page 52, Figure WR9 | Wet Water Recharge Basins | Water Resource DIF Fund | Yes | | \$ 14,952 | \$ 691,100 | 2025-2026 | Active |
| P71210 | Page 52, Figure WR9 | Wet Water Recharge Basins | Sewer Utility Capital Fund | No | | \$ 153,535 | \$ 1,094,000 | 2025-2026 | Active |
| P71250 | Page 61, Figure WW13 | Digester Modifications | | | \$ 5,500,000 | | | 2019-2020 | Closed |
| P71250 | Page 61, Figure WW13 | Digester Modifications | Sewer Utility Capital Fund | No | | \$ 34,388 | | 2019-2020 | Closed |
| P71260 | Page 52, Figure WR9 | Circle City Water Acquisition | | | \$ 16,034,300 | | | 2019 | Active |
| P71260 | Page 52, Figure WR9 | Circle City Water Acquisition | Water Utility Capital Fund | No | | \$ 1,130,694 | \$ 737,300 | 2019 | Active |
| P71320 | Page 44, Figure W17 | Operations Expansion | | | \$ 1,132,863 | | | 2020-2023 | Active |
| P71320 | Page 44, Figure W17 | Operations Expansion | Water Utility Capital Fund | No | | \$ 1,309,123 | | 2020-2023 | Active |
| P71320 | Page 44, Figure W17 | Operations Expansion | Sewer Utility Capital Fund | No | | \$ 2,444,633 | | 2020-2023 | Active |
| P71320 | Page 44, Figure W17 | Operations Expansion | Water System SPA 1 DIF Fund | Yes | | \$ 1,150,000 | \$ 867,000 | 2020-2023 | Active |
| P71330 | Page 61, Figure WW13 | SPA 2 Additional Land | | | \$ 3,288,500 | | | 2022 | Active |
| P71330 | Page 61, Figure WW13 | SPA 2 Additional Land | Sewer SPA 2 DIF Fund | Yes | | | \$ 3,288,500 | 2022 | Active |
| P71390 | Page 44, Figure W17 | SPA 2 Rancho Mercado Well | | | \$ 3,000,000 | | | 2019-2028 | Active |
| P71390 | Page 44, Figure W17 | SPA 2 Rancho Mercado Well | Water System SPA 2 DIF Fund | Yes | | | | 2019-2028 | Active |
| P71390 | Page 44, Figure W17 | SPA 2 Rancho Mercado Well | Water Resource DIF Fund | Yes | | \$ 32,812 | \$ 2,294,500 | 2019-2028 | Active |
| P71400 | Page 61, Figure WW13 | SPA 2 Connecting Influent Pipeline | | | \$ 250,000 | | | 2023 | Closed |
| P71400 | Page 61, Figure WW13 | SPA 2 Connecting Influent Pipeline | Sewer Utility Capital Fund | No | | \$ 430,328 | | 2023 | Closed |
| P71400 | Page 61, Figure WW13 | SPA 2 Connecting Influent Pipeline | Sewer SPA 2 DIF Fund | Yes | | \$ 334,998 | | 2023 | Closed |
| P71410 | Page 44, Figure W17 | Arsenic Treatment - Desert Oasis WSF | | | \$ 1,400,000 | | | 2019-2028 | Closed |
| P34150 | Page 33, Figure F8 | New Fire Station 309 | | | \$ 7,098,600 | | \$ 13,200,000 | 2024-2028 | Active |
| T34110 | Page 33, Figure F8 | Utility Truck | | | \$ 600,000 | | \$ 600,000 | 2021 | Hold |
| T34120 | Page 33, Figure F8 | Type 3 Fire Engine | | | \$ 560,000 | | \$ 560,000 | 2020 | Hold |
| P34160 | Page 33, Figure F8 | Water Tender | | | \$ 300,000 | | \$ 708,200 | 2020 | Active |
| T34170 | Page 33, Figure F8 | Ambulance | | | \$ 375,500 | | \$ 512,300 | 2019 | Hold |
| T34220 | Page 33, Figure F8 | Ambulance | | | \$ 375,500 | | \$ 538,100 | 2019 | Hold |

**APPENDIX A
PROGRESS OF INFRASTRUCTURE IMPROVEMENT PLAN PROJECTS**

| | | | | | | | | |
|--------|----------------------|--|--|---------------|--|---------------|-----------|------|
| T54030 | Page 20, Figure PR10 | Community Pool | | \$ 6,500,000 | | \$ 6,500,000 | 2022-2023 | Hold |
| T54040 | Page 20, Figure PR10 | Rancho Mercado Neighborhood Park- New 13 acre park | | \$ 2,200,000 | | \$ 2,200,000 | 2020-2021 | Hold |
| T54050 | Page 20, Figure PR10 | White Tanks Community Park - New 25 acre park | | \$ 9,000,000 | | \$ 9,000,000 | 2023 | Hold |
| T54120 | Page 20, Figure PR10 | Sierra Montana Park - Restrooms & Lighting | | \$ 770,000 | | \$ 770,000 | 2023 | Hold |
| T54200 | Page 20, Figure PR10 | Recreation Facility | | \$ 10,000,000 | | \$ 10,000,000 | 2019-2029 | Hold |
| T54210 | Page 20, Figure PR10 | Two West Community Park - New 25 acre park | | \$ 9,000,000 | | \$ 9,000,000 | 2026-2027 | Hold |
| T54260 | Page 20, Figure PR10 | Prasada Community Park - New 25 acre park | | \$ 9,000,000 | | \$ 9,000,000 | 2020-2021 | Hold |
| T54360 | Page 20, Figure PR10 | Tribly Wash Community Park - New 25 acre park | | \$ 9,000,000 | | \$ 9,000,000 | 2028-2029 | Hold |
| P54160 | Page 20, Figure PR10 | Surprise Community Park - Lighting, Parking, Restrooms | | \$ 2,110,000 | | \$ 2,000,000 | 2022-2023 | Hold |
| T71050 | Page 44, Figure W17 | Operations Expansion | | \$ 114,350 | | \$ 114,350 | 2020-2023 | Hold |
| T71070 | Page 44, Figure W17 | SPA 1 Drinking Water Well | | \$ 3,000,000 | | \$ 3,000,000 | 2020-2023 | Hold |
| T71220 | Page 44, Figure W17 | Operations Expansion | | \$ 956,287 | | \$ 956,287 | 2020-2023 | Hold |
| T71270 | Page 44, Figure W17 | Water Transmission Line - Ashton Ranch/Roseview | | \$ 2,750,000 | | \$ 2,750,000 | 2019-2028 | Hold |
| N/A | Page 26, Figure P9 | Public Safety Equipment | | \$ 2,800,000 | | \$ 2,800,000 | 2019-2028 | Hold |
| N/A | Page 44, Figure W17 | Surprise Downtown Waterline Loop | | \$ 1,150,000 | | \$ 1,150,000 | 2019-2028 | Hold |
| P71270 | Page 52, Figure WR9 | Long Term Storage Credit Purchase | | \$ 14,000,000 | | \$ 14,000,000 | 2019-2028 | Hold |
| N/A | Page 52, Figure WR9 | Wet Water Leases | | \$ 14,000,000 | | \$ 14,000,000 | 2020-2028 | Hold |

- a) The source of the information in the City of Surprise 2020 Infrastructure Improvements Plan.
b) The source of the information is the City's financial records through June 30, 2022.

December 19, 2022

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, 2022. 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 new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year 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.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. GASB Statement No. 87 increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The City's analysis of contracts and agreements in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

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 those expected.

The most sensitive estimates affecting the financial statements were:

- 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.

The financial statement disclosures are neutral, consistent, and clear.

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 60 days of the date of this letter.

- Single Audit Report
- 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.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?
- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**
- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations
- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**
- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check
- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**
- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**
- 11. Are anonymous surveys conducted to assess employee morale?**

May 23, 2022

Honorable Mayor, Members of the City Council, and Management
City of Surprise
16000 N. Civic Center Plaza
Surprise, AZ 85374

We are pleased to confirm our understanding of the services we are to provide for City of Surprise, Arizona (City) for the year ended June 30, 2022. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, and the disclosures, which collectively comprise the basic financial statements of City of Surprise, Arizona as of and for the year ended June 30, 2022. We have also been engaged to report on supplementary information that accompanies the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the basic financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits schedules

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

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. We will also report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole.

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. In this context, it is reasonable for us to assume that users –

1. have a reasonable knowledge of business and economic activities and accounting principles, and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable economic decisions on the basis of the information in the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion in our report on internal control issued pursuant to *Government Auditing Standards*. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue a written report upon completion of our audit of City of Surprise, Arizona's financial statements. Our report will be addressed to the City Council. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. 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 audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

We will issue written reports on –

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Nonaudit Services

As part of the audit, we will assist with the completion of the auditee section of the data collection form to be submitted to the General Services Administration. You have expressed your intention to use these nonaudit services within the scope of your request for proposal for audit services. These nonaudit services do not constitute an audit and such services will not be conducted in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; (3) other information as needed to perform an audit under *Government Auditing Standards*; (4) and unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, including the preparation of the schedule of expenditures of federal awards in accordance with the requirements of the Uniform Guidance.

Management is responsible for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported.

Management is responsible for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others.

Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports.

Management is required to disclose in the financial statements the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date the subsequent event note earlier than the date of your management representation letter.

Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You

also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in May 2022 and conclude audit procedures and date our report in December 2022.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

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

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the General Services Administration. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

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.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client’s acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$275; Manager - \$215; Senior - \$155; Staff - \$115.

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.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Andrea Davis, Finance Director
Erick Martin, Accounting Supervisor

RESPONSE

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

Andrea Davis
Printed Name: _____

Finance Director
Title: _____

Andrea Davis
Signature: _____

06/01/2022
Date: _____

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

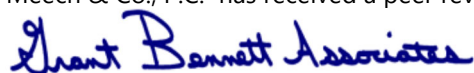
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
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Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

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, 2022, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively 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 (including information obtained from outside of the general and subsidiary ledgers), 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 waste 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, including any side agreements.

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 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. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. 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.
25. 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.

26. With respect to your compliance examination of highway user revenue fund monies and other dedicated state transportation revenues, we represent the following:
 - we are responsible for compliance with A.R.S. Title 28, Chapter 18, Article 2; and for establishing and maintaining effective internal controls to ensure compliance.
 - we have disclosed to you all known noncompliance with the aforementioned statutes and related requirements.
 - we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with the aforementioned statutes and related requirements.
27. We have appropriately disclosed all information for conduit debt obligations in accordance with U.S. GAAP.
28. We have identified and disclosed to you all instances of identified fraud and suspected fraud 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.
29. We have identified and disclosed to you all instances of identified 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.
30. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
31. 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.
32. 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.
33. 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.
34. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
35. 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.
36. The financial statements include all fiduciary activities required by U.S. GAAP.

37. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
38. 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.
39. 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.
40. Investments are properly valued.
41. 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.
42. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
43. 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.
44. 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.
45. Revenues are appropriately classified in the statement of activities within program revenues, and general revenues.
46. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
47. Special and extraordinary items, if any, are appropriately classified and reported.
48. Deposits and investment securities are properly classified as to risk and are properly disclosed.
49. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

50. We have identified and disclosed to you all contracts, agreements, and transactions that result in leases for financial reporting purposes. Leases have been properly recorded and disclosed in the notes to the financial statements.
51. 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.
52. 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.
53. 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.
54. 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.
55. 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.
56. 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 preparing and presenting the schedule of expenditures of federal awards and related disclosures 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, Chief Financial Officer
 City of Surprise, Arizona

12/16/2022


 Date

Erick Martin

 Erick Martin, Accounting Manager
 City of Surprise, Arizona

12/16/2022

 Date



City of Surprise, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2022

**ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022**

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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, 2022, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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.
Scottsdale, Arizona
February 14, 2023

City of Surprise, Arizona
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2022

| | |
|---|------------------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ <u>1,201,827,672</u> |
| 2. Amount subject to the expenditure limitation (total amount from Part II, line C) | <u>210,142,819</u> |
| 3. Amount under the expenditure limitation | \$ <u><u>991,684,853</u></u> |

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the Uniform Expenditure Reporting System.

Signature of chief financial officer: Andrea Davis

Name and title: Andrea Davis, Finance Director

Telephone number: 623-222-1853 Date: 02/15/2023

See accompanying notes to report.

City of Surprise, Arizona
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2022

| Description | Governmental funds | Enterprise funds | Internal service funds | Total |
|---|-----------------------|----------------------|------------------------------|-----------------------|
| A. Amounts reported on the Reconciliation, line D | \$ 188,137,771 | \$ 56,778,821 | \$ 19,835,780 | \$ 264,752,372 |
| B. Less exclusions claimed: | | | | |
| Debt service requirements (see Note 2) | 8,528,067 | 2,954,298 | - | 11,482,365 |
| Grants and aid from the federal government (see Note 3) | 12,660,582 | 14,916 | - | 12,675,498 |
| Amounts received from the State of Arizona (see Note 4) | 394,050 | - | - | 394,050 |
| Quasi-external interfund transactions (see Note 5) | - | - | 16,020,183 | 16,020,183 |
| Highway user revenues in excess of those received in fiscal year 1979-80 (see Note 6) | 9,983,902 | - | - | 9,983,902 |
| Refunds, reimbursements, and other recoveries (see Note 7) | 823,038 | 3,214,660 | 15,858 | 4,053,556 |
| Total exclusions claimed | <u>32,389,638</u> | <u>6,183,874</u> | <u>16,036,041</u> | <u>54,609,553</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 155,748,132</u> | <u>\$ 50,594,947</u> | <u>\$ 3,799,739</u> | <u>\$ 210,142,819</u> |

See accompanying notes to report.

City of Surprise, Arizona
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2022

| 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 | \$ 195,056,228 | \$ 61,463,650 | \$ 20,416,824 | \$ 276,936,702 |
| B. Subtractions: | | | | |
| Items not requiring use of current financial resources: | | | | |
| Depreciation | - | 15,439,749 | - | 15,439,749 |
| Bad debt expense (Note 8) | 2,940,680 | 2,799,724 | - | 5,740,404 |
| Pension and other postemployment benefits (OPEB) expense (see Note 9) | 37,868 | 1,191,405 | 40,801 | 1,270,074 |
| Claims incurred but not reported (IBNR) (see Note 10) | - | - | 1,730,363 | 1,730,363 |
| Expenditures of separate legal entities established under Arizona Revised Statutes (see Note 11) | 3,939,909 | - | - | 3,939,909 |
| Total subtractions | 6,918,457 | 19,430,878 | 1,771,164 | 28,120,499 |
| C. Additions: | | | | |
| Principal payments on long-term debt (see Note 2) | - | 1,727,725 | - | 1,727,725 |
| Capital asset acquisitions (see Note 12) | - | 11,725,111 | - | 11,725,111 |
| Amounts paid in the current year but reported as expenses in previous years: | | | | |
| Claims previously recognized as IBNR (see Note 10) | - | - | 1,145,833 | 1,145,833 |
| Pension and OPEB contributions paid in the current year (see Note 9) | - | 1,293,213 | 44,287 | 1,337,500 |
| Total additions | - | 14,746,049 | 1,190,120 | 15,936,169 |
| D. Amounts reported on Part II, line A | \$ 188,137,771 | \$ 56,778,821 | \$ 19,835,780 | \$ 264,752,372 |

See accompanying notes to report.

City of Surprise, Arizona
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2022

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

The exclusion claimed for debt service requirements on bonded indebtedness of \$8,528,067 in the governmental funds consists of principal and interest payments of \$6,077,275 and \$2,450,792, respectively. The exclusion claimed for debt service requirements on bonded indebtedness of \$2,954,298 in the enterprise funds consists of principal and interest payments of \$1,727,725 and \$1,224,452, respectively, and \$2,121 in miscellaneous administrative expenses.

Note 3

The following schedule presents revenues from which exclusions have been claimed for grants and aid from the federal government in the governmental and enterprise funds.

| Federal Agency | |
|--|-----------------------------|
| U.S Department of Agriculture | \$ 14,916 |
| U.S. Department of Housing and Urban Development | 1,140,417 |
| U.S. Department of Justice | 177,446 |
| U.S. Department of Transportation | 206,890 |
| U.S. Department of the Treasury | 10,285,136 |
| U.S. Department of Health and Human Services | 353,806 |
| U.S. Department of Homeland Security | 496,887 |
| Total | \$ <u><u>12,675,498</u></u> |

Note 4

The exclusion claimed for amounts received from the State of Arizona in the governmental funds consist of intergovernmental revenues received in the following funds:

| Governmental Fund | |
|--|--------------------------|
| Local Transportation Assistance II / Arizona Lottery | \$ <u>394,050</u> |
| | \$ <u><u>394,050</u></u> |

City of Surprise, Arizona
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2022

Note 5

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 \$11,082,507 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 \$3,176,800 to provide risk management, loss control and safety programs citywide. The Worker's Compensation Fund charged other funds \$1,706,358 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 Fund totaled \$2,693,331, resulting in a current year carryforward balance of \$483,469.

Note 6

Highway user revenues for the current fiscal year were \$10,538,762 which is \$10,476,331 more than the highway user revenues received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled \$9,983,902, which is less than current excludable revenues by \$492,429, increasing the carryforward balance to \$4,556,165.

Note 7

The exclusions claimed for refunds, reimbursements, and other recoveries includes recovery of prior year expenses of \$48,856, \$3,115,801, and \$15,858 in the governmental, enterprise and internal service funds, respectively; miscellaneous refunds and reimbursements of \$771,747 and \$98,859 in the governmental and enterprise funds, respectively; and insurance recoveries of \$2,435 in the governmental funds.

Note 8

The subtraction of \$2,940,680 and \$2,799,724 of bad debt expense in the governmental and enterprise funds, respectively, are reported as an offset to revenue under Charges for Services.

Note 9

The \$1,191,405 and \$40,801 subtraction amounts for pension and other post employment benefit (OPEB) expense in the enterprise funds and internal service funds, respectively, consists of changes in the net pension and OPEB assets and liabilities, and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise funds and internal service funds. The \$1,293,213 and \$44,287 addition amounts for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds and internal service funds.

| | Enterprise funds | Internal service funds |
|---|-----------------------------|-----------------------------------|
| Subtractions - Pension/OPEB Expense | | |
| Pension expense | \$ 1,128,206 | \$ 38,637 |
| OPEB expense | 63,199 | 2,164 |
| Total | \$ 1,191,405 | \$ 40,801 |
| Additions - Pension/OPEB Contributions | | |
| Pension contributions | \$ 1,251,191 | \$ 42,849 |
| OPEB contributions | 42,022 | 1,438 |
| Total | \$ 1,293,213 | \$ 44,287 |

The subtraction of \$37,868 for pension expense in the governmental funds consists of nonemployer contributions to the Elected Officials Retirement Plan (EORP) that was reported as a revenue and an offsetting expenditure in the governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

City of Surprise, Arizona
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2022

Note 10

The subtraction of \$1,730,363 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 \$1,145,833 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 11

The subtraction in the governmental funds of \$3,939,898 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 Fund | | |
| General government | | \$ 110,948 |
| Community development | | <u>2,374,050</u> |
| | Subtotal | <u>\$ 2,484,998</u> |
| Marley Park Community Facility District Fund | | |
| Culture and recreation | | \$ 156,982 |
| Principal payments on debt | | 635,000 |
| Interest payments on debt and other charges | | <u>662,929</u> |
| | Subtotal | <u>\$ 1,454,911</u> |
| Total separate legal entities | | <u><u>\$ 3,939,909</u></u> |

Note 12

The addition of \$11,725,111 for the acquisition of capital assets in the enterprise funds is comprised of total capital asset increases of \$25,151,905 less \$13,426,794 in capital contributions.

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 pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City, were used solely for authorized transportation purposes during the fiscal year ended June 30, 2022. Management is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Surprise, Arizona complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2022.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 16, 2022



City of Surprise, Arizona
Single Audit Report
Year Ended June 30, 2022

**CITY OF SURPRISE, ARIZONA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

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**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Surprise, Arizona's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, City of Surprise, Arizona complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Surprise, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Surprise, Arizona's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Surprise, Arizona's federal programs.

Report on 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.
Scottsdale, Arizona
December 16, 2022

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Surprise, Arizona's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, City of Surprise, Arizona complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Surprise, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Surprise, Arizona's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Surprise, Arizona's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Surprise, Arizona's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about City of Surprise, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Surprise, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Surprise, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Surprise, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022, and the related notes to the financial statements, which collectively comprise City of Surprise, Arizona's basic financial statements. We issued our report thereon dated December 16, 2022, 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.
Scottsdale, Arizona
February 3, 2023

CITY OF SURPRISE, ARIZONA
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2022

| Federal agency/Pass-through grantor/Program Title | Additional Award ID | Assistance Listing Number | Other Award ID Number | Program expenditures | Amount provided to subrecipients |
|---|---------------------|---------------------------|-----------------------|----------------------|----------------------------------|
| U.S. Department of Agriculture | | | | | |
| Passed through the AZ Department of Forestry and Fire Management | | | | | |
| Cooperative Forestry Assistance | | 10.664 | CCG 19-107 | \$ 14,916 | - |
| Total U.S. Department of Agriculture | | | | 14,916 | - |
| U.S. Department of Housing and Urban Development | | | | | |
| Direct Programs | | | | | |
| CDBG-Entitlement Grants Cluster | | | | | |
| Community Development Block Grants/Entitlement Grants | | 14.218 | | 606,907 | 89,197 |
| COVID-19 Community Development Block Grant/Entitlement Grants | COVID-19 | 14.218 | | 36,652 | 21,212 |
| Total CDBG-Entitlement Grants Cluster | | | | 643,559 | 110,409 |
| Passed through Maricopa County/the Maricopa HOME Consortium | | | | | |
| HOME Investment Partnerships Programs | | 14.239 | C-22-17-046-3-02 | 151,458 | 151,458 |
| HOME Investment Partnerships Programs | | 14.239 | C-22-17-046-3-03 | 136,333 | 136,333 |
| HOME Investment Partnerships Programs | | 14.239 | C-22-21-092-X-00 | 165,884 | 165,884 |
| HOME Investment Partnerships Programs | | 14.239 | C-22-21-092-X-01 | 8,984 | 8,984 |
| HOME Investment Partnerships Programs - Program Income | | 14.239 | C-22-21-092-X-01 | 34,199 | 34,199 |
| Total HOME Investment Partnership Programs | | | | 496,857 | 496,857 |
| Total U.S. Department of Housing and Urban Development | | | | 1,140,417 | 607,266 |
| U.S. Department of Justice | | | | | |
| Direct Programs | | | | | |
| COVID-19 Coronavirus Emergency Supplemental Funding Program | COVID-19 | 16.034 | | 1,292 | - |
| Passed through Arizona Department of Public Safety | | | | | |
| Crime Victim Assistance | | 16.575 | VOCA-2021-SPD-00158 | 112,175 | - |
| Equitable Sharing Program | | 16.922 | AZ0072700 | 63,979 | - |
| Total U.S. Department of Justice | | | | 177,446 | - |
| U.S. Department of Transportation | | | | | |
| Passed through Arizona Governor's Office of Highway Safety | | | | | |
| Highway Safety Cluster | | | | | |
| State and Community Highway Safety | | 20.600 | 2022-405D-047 | 26,000 | - |
| State and Community Highway Safety | | 20.600 | 2021-PTS-067 | 7,288 | - |
| State and Community Highway Safety | | 20.600 | 2022-PTS-065 | 10,911 | - |
| State and Community Highway Safety | | 20.600 | 2022-PS-010 | 6,889 | - |
| State and Community Highway Safety | | 20.600 | 2022-OP-014 | 10,156 | - |
| State and Community Highway Safety | | 20.600 | 2021-MC-003 | 11,329 | - |
| State and Community Highway Safety | | 20.600 | 2022-MC-003 | 17,675 | - |
| State and Community Highway Safety | | 20.600 | 2022-AI-010 | 1,869 | - |
| State and Community Highway Safety | | 20.600 | 2021-AL-037 | 3,573 | - |
| State and Community Highway Safety | | 20.600 | 2022-OP-013 | 8,246 | - |
| Subtotal 20.600 State and Community Highway Safety | | | | 103,936 | - |
| National Priority Safety Programs | | 20.616 | 2021-II-006 | 4,889 | - |
| National Priority Safety Programs | | 20.616 | 2022-II-005 | 24,781 | - |
| National Priority Safety Programs | | 20.616 | 2022-405D-047 | 39,000 | - |
| National Priority Safety Programs | | 20.616 | 2021-405d-039 | 4,549 | - |
| National Priority Safety Programs | | 20.616 | 2022-405d-046 | 8,123 | - |
| National Priority Safety Programs | | 20.616 | 2021-405h-019 | 7,089 | - |
| National Priority Safety Programs | | 20.616 | 2021-405b-008 | 10,469 | - |
| National Priority Safety Programs | | 20.616 | 2022-CIOT-023 | 4,000 | - |
| National Priority Safety Programs | | 20.616 | 2021-405b-007 | 55 | - |
| Subtotal 20.616 National Priority Safety Programs | | | | 102,954 | - |
| Total Highway Safety Cluster | | | | 206,890 | - |
| Total U.S. Department of Transportation | | | | 206,890 | - |

CITY OF SURPRISE, ARIZONA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

| Federal agency/Pass-through grantor/Program Title | Additional Award ID | Assistance Listing Number | Other Award ID Number | Program expenditures | Amount provided to subrecipients |
|--|---------------------|---------------------------|-----------------------|----------------------|----------------------------------|
| U.S. Department of the Treasury | | | | | |
| Direct Programs | | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | COVID-19 | 21.027 | | 10,018,716 | - |
| Passed through Area Agency on Aging, Region One | | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | COVID-19 | 21.027 | 2022-36-SUR | 7,253 | - |
| Passed through City of El Mirage | | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | COVID-19 | 21.027 | 322280 | 6,705 | - |
| Total Coronavirus SLFRF Program | | | | 10,032,674 | - |
| Passed through Maricopa County Human Services | | | | | |
| COVID-19 Emergency Rental Assistance Program | COVID-19 | 21.023 | C-22-16-043-3-08 | 252,461 | - |
| Total U.S. Department of the Treasury | | | | 10,285,136 | - |
| U.S. Department of Health and Human Services | | | | | |
| Passed through Area Agency on Aging, Region One | | | | | |
| Aging Cluster | | | | | |
| Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers | | 93.044 | 2022-36-SUR | 11,028 | - |
| Special Programs for the Aging Title III, Part C Nutrition Services | | 93.045 | 2022-36-SUR | 60,514 | - |
| Nutrition Services Incentive Program | | 93.053 | 2022-36-SUR | 3,306 | - |
| Total Aging Cluster | | | | 74,848 | - |
| Passed through Maricopa County Human Services | | | | | |
| Temporary Assistance for Needy Families | | 93.558 | C-22-16-043-3-08 | 5,190 | - |
| Community Services Block Grant | | 93.569 | C-22-16-043-3-08 | 6,566 | - |
| Community Services Block Grant | | 93.569 | C-22-19-038-3-02 | 100,000 | - |
| Low-Income Home Energy Assistance | | 93.568 | C-22-16-043-3-08 | 159,661 | - |
| Passed through Area Agency on Aging, Region One | | | | | |
| Social Services Block Grant | | 93.667 | 2022-36-SUR | 7,541 | - |
| Total U.S. Department of Health and Human Services | | | | 353,806 | - |
| U.S. Department of Homeland Security | | | | | |
| Passed through Arizona Department of Homeland Security | | | | | |
| Homeland Security Grant Program | | 97.067 | 200823-01 | 25,986 | - |
| Homeland Security Grant Program | | 97.067 | 210821-01 | 2,700 | - |
| Homeland Security Grant Program | | 97.067 | 200822-01 | 1,115 | - |
| Homeland Security Grant Program | | 97.067 | 210820-01 | 12,026 | - |
| Total Homeland Security Grant Program | | | | 41,826 | - |
| Direct Programs | | | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | | 97.083 | EMW-2018-FH-00377 | 455,061 | - |
| Total U.S. Department of Homeland Security | | | | 496,887 | - |
| Total Expenditures of Federal Awards | | | | \$ 12,675,497 | 607,266 |

CITY OF SURPRISE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Cit of Surprise, Arizona, under programs of the federal government for the year ended June 30, 2022. 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 auditee did not use the de minimis cost rate.

Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing 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, 2022**

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:

| <u>Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------------------|---|
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |

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

Auditee qualified as low-risk auditee: Yes

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

Findings and Questioned Costs Related to Federal Awards: 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 3, 2023

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,

Andrea Davis
Finance Director

**CITY OF SURPRISE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

**Status of Findings Related to Financial Statements Reported in Accordance with
*Government Auditing Standards***

Finding Number: FS-2021-001

Status: Fully corrected.

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

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, 2022, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively 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 (including information obtained from outside of the general and subsidiary ledgers), 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 waste 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, including any side agreements.

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 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. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. 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.
25. 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.

26. With respect to your compliance examination of highway user revenue fund monies and other dedicated state transportation revenues, we represent the following:
 - we are responsible for compliance with A.R.S. Title 28, Chapter 18, Article 2; and for establishing and maintaining effective internal controls to ensure compliance.
 - we have disclosed to you all known noncompliance with the aforementioned statutes and related requirements.
 - we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with the aforementioned statutes and related requirements.
27. We have appropriately disclosed all information for conduit debt obligations in accordance with U.S. GAAP.
28. We have identified and disclosed to you all instances of identified fraud and suspected fraud 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.
29. We have identified and disclosed to you all instances of identified 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.
30. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
31. 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.
32. 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.
33. 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.
34. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
35. 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.
36. The financial statements include all fiduciary activities required by U.S. GAAP.

37. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
38. 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.
39. 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.
40. Investments are properly valued.
41. 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.
42. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
43. 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.
44. 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.
45. Revenues are appropriately classified in the statement of activities within program revenues, and general revenues.
46. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
47. Special and extraordinary items, if any, are appropriately classified and reported.
48. Deposits and investment securities are properly classified as to risk and are properly disclosed.
49. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

50. We have identified and disclosed to you all contracts, agreements, and transactions that result in leases for financial reporting purposes. Leases have been properly recorded and disclosed in the notes to the financial statements.
51. 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.
52. 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.
53. 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.
54. 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.
55. 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.
56. 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 preparing and presenting the schedule of expenditures of federal awards and related disclosures 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, Chief Financial Officer
 City of Surprise, Arizona

12/16/2022

 Date

Erick Martin

 Erick Martin, Accounting Manager
 City of Surprise, Arizona

12/16/2022

 Date

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Road, Suite 300
Scottsdale, AZ 85257

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, 2022, 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 preparing and presenting the schedule of expenditures of federal awards and related disclosures 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 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.

Andrea Davis

02/03/2023

Andrea Davis, Finance Director
City of Surprise, Arizona

Date




REFERENCE NUMBER

47E90D20-DDD2-4536-9AA5-C02A9AA445D0

SIGNATURE CERTIFICATE

| TRANSACTION DETAILS | DOCUMENT DETAILS |
|---|---|
| <p>Reference Number 47E90D20-DDD2-4536-9AA5-C02A9AA445D0</p> <p>Transaction Type Signature Request</p> <p>Sent At 02/03/2023 14:27 EST</p> <p>Executed At 02/03/2023 15:01 EST</p> <p>Identity Method email</p> <p>Distribution Method email</p> <p>Signed Checksum ac6cdb6a0bc10517a60d3f0f64a55c6cdcf9ade1d683754e223f892419ef5f3b</p> <p>Signer Sequencing Disabled</p> <p>Document Passcode Disabled</p> | <p>Document Name General Representation Letter Uniform Guidance FY22 Surprise City</p> <p>Filename general_representation_letter_uniform_guidance_fy22_surprise_city.pdf</p> <p>Pages 5 pages</p> <p>Content Type application/pdf</p> <p>File Size 192 KB</p> <p>Original Checksum ac718abbb88f13e5e74e620aee59bfb3d6520982eeab0c5fd4eb17163a0b746d</p> |

SIGNERS

| SIGNER | E-SIGNATURE | EVENTS |
|--|--|--|
| <p>Name Andrea Davis</p> <p>Email andrea.davis@surpriseaz.gov</p> <p>Components 2</p> | <p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 857893b07010ab2aad070802d442b1322bd926dfe2dc524cf37e295615a36692</p> <p>IP Address 67.132.117.228</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID D6D2E8EB</p> | <p>Viewed At 02/03/2023 15:01 EST</p> <p>Identity Authenticated At 02/03/2023 15:01 EST</p> <p>Signed At 02/03/2023 15:01 EST</p> |

AUDITS

| TIMESTAMP | AUDIT |
|----------------------|--|
| 02/03/2023 14:27 EST | Holly Griglio (holly.griglio@hm.cpa) created document 'general_representation_letter_uniform_guidance_fy22_surprise_city.pdf' on Chrome via Windows from 67.234.193.207. |
| 02/03/2023 14:27 EST | Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a link to sign. |
| 02/03/2023 15:01 EST | Andrea Davis (andrea.davis@surpriseaz.gov) viewed the document on Microsoft Edge via Windows from 67.132.117.228. |
| 02/03/2023 15:01 EST | Andrea Davis (andrea.davis@surpriseaz.gov) authenticated via email on Microsoft Edge via Windows from 67.132.117.228. |
| 02/03/2023 15:01 EST | Andrea Davis (andrea.davis@surpriseaz.gov) signed the document on Microsoft Edge via Windows from 67.132.117.228. |



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: March 29, 2023
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to the Vendor Master File Audit Report.

Motion:

I move to approve and distribute the Vendor Master File Audit Report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2022-2023 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.

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:

This item relates to work performed as part of the FY2022-2023 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. Secured Audit Report - Vendor Master File
-



S U R P R I S E

A R I Z O N A

**Vendor Master File
City Auditor Report**

September 30, 2022

City Auditor Report

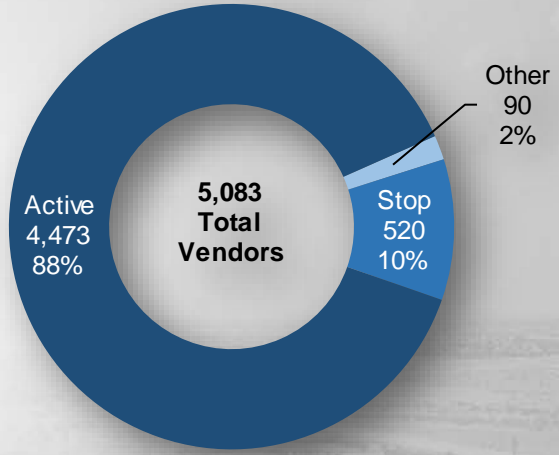
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| Executive Summary and Observations | Page 3 |
| Detailed Observations | Page 4 |
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Appendices

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| B – Data Reliability and Risk Rating | Page 10 |
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Figure 1

Vendor status in Munis as of July 21, 2022, shows 88 percent of 5,083 total vendors were active



- 1 *Stop* vendor status prevents the use of the vendor on requisitions, purchase orders, and invoices.
- 2 *Other* vendors include vendors with temporary, inactive, one-time pay, and vendor self-service status.

Source: City Auditor Department staff analysis of Munis vendors as of July 21, 2022.

Executive Summary and Observations

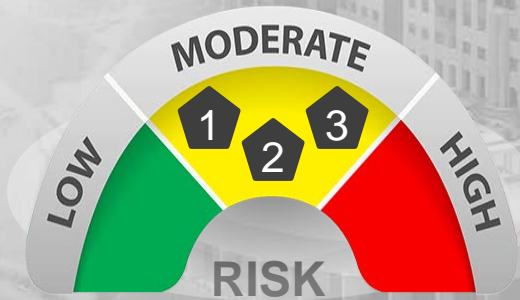
Executive Summary

As part of the City Auditor Department's (CAD) FY2022-2023 Annual Audit Plan, a desk audit of the Vendor Master File for July 1, 2021, to July 21, 2022, was performed. The purpose of the audit was to determine whether adequate controls were in place over vendor setup, modification, and maintenance processes to prevent duplicate payments, errors, and unauthorized transactions. The audit is part of the CAD's continuous auditing program in which professional judgment and CaseWare IDEA software are used to periodically test a sample of high-risk transactions based on the nature of the transaction type. Previously, in April 2019, the Vendor Master File controls were addressed in the *Accounts Payable Continuous Review Program* audit report.

Overall, the Finance Department (Finance) has controls over the setup, modification, and maintenance of its Vendor Master File. Additionally, access controls to the Vendor Master File were adequate. However, not all policies and procedures were consistently followed, and some controls require strengthening. Specifically, Finance did not maintain W-9s for all eligible vendors and it did not follow the City's *Conflict of Interest* Employee Policy Manual (EPM) policy 9.2 that directs it to cross-reference employee data with vendor data to check for possible conflicts of interest on an annual basis. Further, although Finance had a policy to detect and resolve duplicate vendor records in the City's financial system (Munis), it did not implement the policy during FY2021-2022 through July 21, 2022. Lastly, approximately two years ago, Finance's Accounts Payable (AP) Division reviewed the Vendor Master File for inactive vendor accounts but did not act on the 1,123 accounts it identified.

As a result, this report makes recommendations to implement and consistently follow vendor policies and procedures and to establish controls over inactive vendors. Further, by establishing controls over inactive vendors that were never used or not used within an established period, Finance can improve the efficiency of its other review processes, like its reviews for duplicate vendors, conflict of interest, and potential double payments.

Refer to Appendix A for more information about the Vendor Master File.

| Observations | Observation Risk Rating |
|---|--|
| <ol style="list-style-type: none"> 1. Finance did not consistently follow its vendor setup, modification, and maintenance policies and procedures because it: <ol style="list-style-type: none"> a. Did not maintain W-9s for all eligible vendors. b. Did not cross-reference employee and vendor data to identify possible conflicts of interest. 2. Finance did not implement its policy to detect and resolve duplicate vendor records in Munis. 3. Finance did not take action on the 1,123 active vendor accounts identified during AP's review for inactive vendors. |  <p>Audit observations have been assigned a qualitative assessment of high, moderate, or low priority based on the need for action or correction. Refer to the rating definitions in Appendix B.</p> |

Detailed Observation – Moderate-Risk

| Observation | Recommendations | Management Responses |
|---|---|---|
| <p>1 – Finance vendor setup, modification, and maintenance policies and procedures were not consistently followed by Finance staff.</p> <p>Finance’s <i>Vendor Setup</i> policies and procedures require a complete W-9 or W-8 prior to setup in Munis. Additionally, the City’s <i>Conflict of Interest</i> EPM policy 9.2 directs Finance, on an annual basis, to cross-reference employee data, like addresses, phone numbers, etc., with vendor data to identify possible conflicts of interest.</p> <p>Finance did not consistently follow its vendor setup, modification, and maintenance policies and procedures. Specifically, it did not maintain W-9s for all eligible vendors, and it did not cross-reference employee data, like addresses, phone numbers, etc., with vendor data to identify potential conflicts of interest. We reviewed a sample of active vendors that did not have W-9 received notation in Munis. We found that some vendors in the sample had a W-9 in Tyler Content Manager (TCM), which stores attachments in Munis. However, some vendors in the sample did not have a W-9 in TCM. Finance is reviewing the exceptions. Additionally, we reviewed the Vendor Master File and employee data for potential conflicts of interest and identified several potential conflicts of interest that Finance is reviewing.</p> <p>Although Finance had policies and procedures to ensure that eligible vendors complete a W-9 or W-8 prior to setup in Munis and that employee data was cross-referenced with vendor data to identify potential conflicts of interest, Finance did not provide adequate oversight to ensure that its policies and procedures were administered with fidelity.</p> <p>Continuation on Page 5</p> | <p>The Finance Department should:</p> <p>A. Review; evaluate; and take action, if needed, on the potential missing W-9s identified during the audit.</p> <p>B. Review; evaluate; and take action, if needed, on the potential conflicts of interest identified during the audit.</p> | <p>A. We concur with the recommendation to obtain the missing W-9s identified in the audit. We have already reached out to all vendors and have begun the collection process. We have also split all vendors among the AP staff, and they were tasked with reviewing that we have a current W-9. W-9s will be reviewed as vendors are paid to ensure that we have a current W-9. All missing W-9s were received in November 2022.</p> <p>B. We concur with the recommendation to obtain documentation for the potential conflicts of interest identified in the audit. The Accounting Manager and AP team will work with Procurement and Human Resources to obtain documentation on future potential conflicts of interest and document within the Vendor Master File starting December 1, 2022. A review of the conflicts of interest identified in the audit will be completed by January 31, 2023.</p> |

Detailed Observation – Moderate-Risk

| Observation | Recommendations | Management Responses |
|--|--|---|
| <p>Continuation from Page 4</p> <p>Risks:</p> <ul style="list-style-type: none"> • Finance increases its risk of inaccurate and incomplete vendor records when it does not collect W-9s and document changes to vendor records. • Further, the City increases its risk of backup withholding assessments and IRS penalties if it conducts business with vendors that do not have a W-9 form on record. • Additionally, when conflicts of interest are not disclosed and properly documented, it violates the City's <i>Conflict of Interest</i> EPM policy 9.2 and increases the City's risk of participating in these types of transactions. | <p>C. Follow with fidelity its policies and procedures that direct it:</p> <ol style="list-style-type: none"> 1. To obtain a W-9 or W-8 before setup in Munis. 2. To cross-reference employee data, like addresses, phone numbers, etc. with vendor data for possible conflicts of interest. | <p>C. We concur with the recommendation and will review that a W-9 is received before setup in Munis and will review each new vendor for potential conflict of interest. The Accounting Manager will cross reference employee and vendor data quarterly to review for possible conflicts of interest starting January 1, 2023. The first quarterly review will be completed for the quarter ending March 31, 2023, and completed in April 2023.</p> |

Detailed Observation – Moderate-Risk

| Observation | Recommendations | Management Responses |
|--|---|--|
| <p>2 – Finance did not implement its policy to detect and resolve duplicate vendor records in Munis.</p> <p>As a result of the CAD’s April 2019 <i>Accounts Payable Continuous Review Program</i> audit report, Finance developed procedures to review the Vendor Master File for duplicate vendors. Specifically, Finance’s <i>Accounts Payable Guidelines</i> direct AP to review Munis quarterly for duplicate vendors and to document its review, including any updates made.</p> <p>Although Finance had a policy to detect and resolve duplicate vendor records in Munis, it did not implement it. Using CaseWare IDEA data analytics, the CAD reviewed for possible duplicate vendors in Munis by analyzing vendor names, addresses, emails, and phone numbers. We identified several possible vendor name, address, email, and phone number duplicates that Finance is reviewing.</p> <p>In FY2021-2022, Finance had management-level turnover. As a result, Finance’s Accounting Manager position was vacant for over two months, and quarterly reviews for duplicate vendors were not performed. The current Accounting Manager joined the City towards the end of FY2021-2022 and plans to implement the quarterly reviews.</p> <p>Risk:</p> <ul style="list-style-type: none"> • Duplicate vendor records increase the risk of duplicate vendor payments. | <p>The Finance Department should:</p> <p>A. Modify the Munis <i>status</i> field to “stop” for the identified duplicate vendors so that only one active vendor record exists per vendor.</p> <p>B. Implement its duplicate vendor policy by:</p> <ol style="list-style-type: none"> 1. Performing and documenting its quarterly review for duplicate vendors. 2. Documenting any updates it makes as a result of its quarterly review. | <p>A. We concur with the recommendation and have already deactivated any potential duplicate vendors identified during the audit. This was completed in November 2022.</p> <p>B. We concur with the recommendation to adhere to the policy for a quarterly review of potential duplicate vendors and will document the results as that review is performed. AP staff will review prior vendor data as new vendors are entered to ensure that duplicate vendors are not processed starting December 1, 2022. The first quarterly review will be completed for the quarter ended March 31, 2023.</p> |

Detailed Observation – Moderate-Risk

| Observation | Recommendations | Management Responses |
|---|---|--|
| <p>3 – Finance did not take action on the 1,123 active vendor accounts identified during AP’s review for inactive vendors.</p> <p>Approximately two years ago, Finance’s then Accounting Manager directed AP to review vendor records for inactivity and place the vendor on “stop” status if the vendor was in Munis for over three years; if the vendor lacked activity for three or more years; and if the vendor did not have an open purchase order.</p> <p>During this informal Vendor Master File review for inactive vendor accounts, AP identified 1,123 active vendor accounts that met its criteria for “stop” status. However, AP did not take action on these vendor accounts. All 1,123 accounts were active as of July 21, 2022. Because AP’s review was conducted about two years ago under a former Accounting Manager, it is not clear why action was not taken on the 1,123 active vendor accounts identified by AP for “stop” status.</p> <p>The CAD reviewed active vendors as of July 21, 2022, using AP’s criteria from roughly two years ago, and determined that the number of active vendor accounts that met AP’s criteria for “stop” status had increased from the 1,123 previously identified by AP. However, we found during our review that not all 1,123 accounts previously identified by AP still met its criteria for “stop” status, although most did. To its credit, Finance is planning to perform a mass “stop” on its inactive vendors and is reviewing its vendors to determine which vendors it should modify to “stop” status.</p> <p>Continuation on Page 8</p> | <p>The Finance Department should:</p> <p>A. Create a formal “stop” vendor policy that includes, but is not limited to:</p> <ol style="list-style-type: none"> 1. Indicating the frequency of review. 2. Detailing the process for review, including criteria it will use to evaluate a vendor for “stop” status to prevent its use on requisitions, purchase orders, and invoices. 3. Directing AP to act on the vendors it identifies. <p>B. Implement a formal “stop” vendor policy and:</p> <ol style="list-style-type: none"> 1. Review vendors for inactivity, as defined by Finance’s “stop” vendor policy. 2. Modify vendor status to “stop” for vendors that meet or exceed the “stop” vendor policy. | <p>A. We concur with the recommendation to create a formal "stop" vendor policy. The policy will be created by December 31, 2023. Note that the AP Division has engaged the Information Technology Department to help with a "mass stop" of inactive vendors identified by the Accounting Manager. All vendors that have not had activity in the previous three years have been deactivated within Munis. This was completed in November 2022.</p> <p>B. We concur with the recommendation to implement a formal "stop" vendor policy. The AP Division will review vendor activity once a year at the end of the fiscal year for vendors that have not had activity within the previous three years. This will occur in June each year, starting in June 2023, and will be completed by July 2023.</p> |

Detailed Observation – Moderate-Risk

| Observation | Recommendations | Management Responses |
|---|---|----------------------|
| <p>Continuation from Page 7</p> <p>In FY2021-2022 through July 21, 2022, Finance did not have a formal policy requiring AP to review its Vendor Master File for inactivity and modify vendor status to “stop” to prevent inactive vendors from being used on requisitions, purchase orders, and invoices.</p> <p>Risk:</p> <ul style="list-style-type: none">• Maintaining vendors that have either never been used or have not had activity within an established period increases the City’s risk for errors and fraud. | <p>3. Document the results of the review.</p> | |

Appendix A - Background, Objectives, and Scope

Background

Tyler Technologies Munis is an Enterprise Resource Planning system that manages City functions, including Employee Self-Service, Financials, Human Resources/Payroll, Tyler Cashiering, and TCM. Within Munis Financials is the Vendor Master File, which is maintained by the AP and Procurement Divisions within the City's Finance Department. In addition to the AP and Procurement Divisions, a vendor can register and modify its record using Vendor Self-Service, which is an online application for such purposes. However, the City is discontinuing the use of the Vendor Self-Service application in October 2022.

The Vendor Master File contains information about the City's vendors, including name, address, contact information, and tax identification number. The Vendor Master File is used for vendor payment purposes. It is important to effectively maintain the file to avoid inappropriate activity and to prevent duplicate payments, errors, and unauthorized transactions. Because the Vendor Master File is used to process vendor payments, inaccurate, incomplete, or unauthorized vendor records could negatively impact vendor payments and may increase the City's risk of fraud or misuse.

Audit Objectives

To determine if adequate controls were in place over the Vendor Master File, the CAD evaluated if Finance:

- Complied with its vendor setup, modification, and maintenance policies and procedures.
- Had a system in place to review vendor activity and modify vendor status for inactive vendors in accordance with AP's informal policy.
- Used one-time vendors in accordance with its procedures.
- Appropriately restricted access to its Vendor Master File.
- Reviewed its vendors to ensure vendors were not on a federal list of individuals or entities to refrain from conducting business with.

Scope / Methodology

The audit focused on the Vendor Master File from July 1, 2021, to July 21, 2022. The CAD did not include Vendor Self-Service in its scope as the City is discontinuing the application in October 2022. The CAD used various methods to review the specific objectives in this audit. These methods included:

- Reviewing Finance's vendor-related policies and procedures.
- Reviewing AP's *Stop Vendor List*.
- Interviewing Finance and Information Technology (IT) staff.
- Reviewing a September 2022 user access report.
- Reviewing IT-generated reports—*Active Vendors Most Recent Check or Invoice*, *One Time Pay Vendors*, and *Workflow History by Date and Code*.
- Analyzing Munis vendor and employee data.
- Using CaseWare IDEA data analytical software.
- Reviewing the August 2022 Foreign Terrorist Organization, Bureau of Industry and Security Export Administration Regulations Entity, and Office of Foreign Assets Control lists.

Appendix B – Data Reliability and Risk Rating

Data Reliability

The data utilized for the work performed was either obtained from Munis, the City's financial system of record, or directly from Finance. Munis data reliability is materially verified annually via the audit of the Munis financial reports and the Annual Comprehensive Financial Report (ACFR) performed by the City's external auditor.

The CAD selected audit samples to provide sufficient evidence to support our findings and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

The CAD determined the data utilized is sufficiently reliable given its intended use.

Audit Observation Risk Rating

Audit observations have been assigned a qualitative assessment of high, moderate, or low priority based on the need for action or correction:



- High – Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High-risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to City assets.
- Moderate – Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate-risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate the potential risk of loss to City assets.
- Low – Represents an observation for consideration by management for correction or implementation associated with the process being audited. Low-risk observations should be implemented to improve the efficiency and effectiveness of operations.

Appendix C – Standards and Acknowledgements

Audit Standards

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of this audit included review and testing of the design, implementation, and operating effectiveness of key internal controls relevant to the audit's objectives. In accordance with GAGAS, the CAD verified the audit objectives and related controls identified address the 5 internal control components of the COSO framework. Though some control weaknesses were identified and are included in the Detailed Observations section of this report, none rose individually or cumulatively to the level of a Risk Division or Citywide internal control deficiency.

This project was not intended or designed to be a detailed study of every relevant procedure, regulation, system, or transaction related to the Vendor Master File. As such, the conclusion and recommendations contained in this report may not include all areas which may need improvement.

Acknowledgements

The CAD appreciates the time City staff contributed to this review. The City Auditor would like to take this opportunity to thank all City departments and individuals involved in the Vendor Master File Audit for their considerable cooperation and assistance.

We received input and assistance from the following:

- Finance Department, specifically the Accounting Manager and Accounts Payable Supervisor.
- Information Technology Department, specifically the Senior Application Analyst and Application Analyst.

Auditor: Angela Hanson, Internal Auditor

Surprise City Auditor Department

Vision

The development of people, systems, and processes that delivers innovative and effective auditing services to the City of Surprise.

Mission

To provide independent, objective, accurate, and timely auditing services that are designed to improve operations, cultivate transparency, and accountability.

For more information or to contact the City Auditor Department:

<https://www.surpriseaz.gov/166/City-Auditor>



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: March 29, 2023
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to the Signature Authorization Audit Report.

Motion:

I move to approve and distribute the Signature Authorization Audit report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY 2022-2023 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.

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:

This item relates to work performed as part of the FY 2022-2023 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. Secured_Audit Report - Signature_Jan2423
-



SURPRISE
ARIZONA

**Signature Authorization
Audit Report**

October 11, 2022

Audit Report

Executive Summary and Observation

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Detailed Observation

Page 4

Low-Risk Observation

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Appendices

A – Background, Objectives, and Scope

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B – Data Reliability and Risk Rating

Page 6

C – Standards and Acknowledgements

Page 7

Executive Summary and Observation

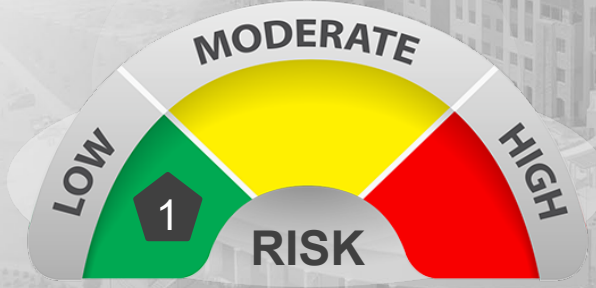
Executive Summary

As part of the City Auditor Department's (CAD) FY2022-23 Annual Audit Plan, a continuous audit of the Signature Authorization audit was performed. The purpose of the audit was to determine whether adequate controls were in place over Signature Authorization and whether authorizations have been done in accordance with the City of Surprise (City's) policies and procedures. Continuous auditing enables CAD to have an ongoing assessment of the effectiveness and efficiency related to the audit area. This review did not cover Citywide signing authority, or the awarding authority related to the procurement process.

Our review found that system, physical, and manual controls were in place for electronic signatures when printing checks. In addition, segregation of duties is in place for those that perform the approval, payment processing, and account reconciliation functions. The audit work also showed that banking access is restricted to users who require it to perform their job duties, and a second layer of authentication is required for those who initiate/approve payments. The City has three Security Administrators with the bank reviewed. The Security Administrators have authorization to deactivate user access; however, a second approval is required to add/delete users from the banking system. Access is also restricted in the City's financial system (Munis). The financial system access is defined through roles in the system and granted based on the users' job duties.

Based on our audit results, reconciliations are prepared by an individual that does not have assigned job duties to process payments; however, they are not always completed within the 45-day time frame per the Finance Department Bank Reconciliation policy. This observation is discussed in further detail within the Detailed Observation section of this report.

See Appendix A for more information about Signature Authorization.

| Observation | Observation Risk Rating |
|--|--|
| 1. Bank reconciliations should be prepared timely. |  <p>The audit observation has been assigned a qualitative assessment of high, moderate, or low priority based on the need for action or correction. Refer to the rating definitions in Appendix B.</p> |

Detailed Observation – Low-Risk

| Observation | Recommendations | Management Responses |
|--|---|--|
| <p>1 – Bank reconciliations should be prepared timely.</p> <p>Per the Finance Department’s Standard Operating Procedure, effective May 2018, each bank account reconciliation should be completed within 45 days of receiving bank statements either through mail or electronically. Each bank account will be reconciled and signed by the Senior Accountant upon completion.</p> <p>When performing our review, we found that 10 of 22 (45%) reconciliations selected were not completed timely, ranging from 49 to 206 days to complete.</p> <p>During the reconciliation review, CAD observed repeating reconciling items being notated due to not being recorded in the general ledger.</p> <p>Per the Senior Accountant performing the reconciliations, and the Accounting Manager, researching and resolving the bank and general ledger discrepancies can be time-consuming, resulting in delays. The Senior Accountant is reconciling to the penny, so when trying to research and resolve, for example, 31 cents, this can take a lot of time. The process can also involve working with other departments to identify the cause of the discrepancies between the bank and general ledger.</p> <p>Risk: When the process of bank reconciliation is delayed, the opportunity to identify and correct issues in the system in a timely manner is missed.</p> | <p>The Finance Department should:</p> <p>A. Complete the reconciliations in accordance with the 45-day policy. If the requirement cannot be met, the reason for the delay should be noted on the reconciliation and approved by the Accounting Manager.</p> <p>The Finance Department should evaluate establishing tolerances and materiality thresholds for reconciling items allowing discrepancies below these thresholds to be researched and resolved later but still reconciled within the fiscal year.</p> <p>B. In addition, when completing the reconciliation, the Finance Department should consider identifying repeating reconciling items and work with the appropriate department personnel to find the underlying cause of the reconciling items in an effort to reduce future instances.</p> | <p>A. We concur with the recommendation to complete the reconciliation within 45 days and to evaluate the tolerances for discrepancies. The bank reconciliations have always been started as soon as the month ends; however, historically, we haven't considered the reconciliation complete until every penny is accounted for. We will implement the recommendation to complete the reconciliation and research immaterial discrepancies in the following month, beginning with the December 2022 reconciliation.</p> <p>B. We concur with the recommendation to determine the causes for any reoccurring immaterial discrepancies, such as discrepancies due to the timing of when certain transactions post to the general ledger versus when they post to the bank, beginning with the December 2022 reconciliation.</p> |

Appendix A - Background, Objectives, and Scope

Background

The City maintains several bank accounts with multiple banks to support its activities. To maintain bank accounts, authorized signers are established with the banking institution. The City has between two and four authorized signers on the bank accounts reviewed during the audit. The accounts with four authorized signers are the Disbursement Accounts Payable (AP) and Payroll accounts with JPMorgan Chase Bank.

Signature Authorization was broken down into two categories for this audit: 1) those with signing authority with the banking institution and 2) those individuals who have day-to-day functions of processing payments for the City.

The City has multiple ways that payments are processed, including printed checks, electronic fund transfers, virtual credit card payments, and wires. To control payments and cash flow, the City utilizes controlled disbursement accounts. Controlled disbursement accounts allow the City to determine which checks will post to the bank account each business day, allowing for payments to be controlled. The process is completed by uploading a positive pay file after a check run that provides a list of authorized checks to the bank.

Authorized signers with the bank, including those whose names appear on the signature line on the checks, do not necessarily have an active role in the check signing process. In order to effectively and efficiently carry out the City's objectives, personnel are assigned job duties that allow for the initiation and execution of payments by utilizing an electronic signature, access to the financial system, and secured access to the banking system.

Audit Objectives

To determine whether adequate controls were in place over Signature Authorization .

1. Determine whether adequate controls are in place to prevent unauthorized payments (printed checks and electronic).
2. Determine if bank reconciliations were prepared timely, by an employee without assigned duties related to payment issuance, for the Disbursement AP and Payroll accounts.
3. Determine access rights and end user entitlements for JPMorgan Chase Access (online banking system) and Munis for segregation of duties and appropriateness of access based on job duties.

Scope / Methodology

The audit scope was for Signature Authorization from January 1, 2020, to August 31, 2022.

Procedures included:

- Interviewed the Finance Department, Payroll Division, and Information Technology Department personnel.
- Requested a list of authorized signers from the bank.
- Observed the check run process for Payroll and AP Division.
- Reviewed reconciliations for timeliness and preparer for separation of duties.

Appendix B – Data Reliability and Risk Rating

Data Reliability

The data utilized for work performed was either obtained directly from Munis, the City's financial system of record, JPMorgan Chase Access (online banking system), or directly from the Finance Department. Munis data reliability is materially verified annually via the audit of the Munis financial reports and the Annual Comprehensive Financial Report (ACFR) performed by the City's external auditor.

As the data that was primarily relied upon related to access rights in Munis and JPMorgan Chase Access, CAD reviewed the user manual and user entitlement and description mapping for JPMorgan Chase Access and worked with the Information Technology Department at the City to understand the access rights and permissions in Munis. Observations were also performed to confirm the access definitions to the end user access.

The CAD determined the data utilized is sufficiently reliable given its intended use.

Audit Observation Risk Rating

Audit observations have been assigned a qualitative assessment of high, moderate, or low priority based on the need for action or correction:



- High – Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High-risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to City assets.
- Moderate – Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate-risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate the potential risk of loss to City assets.
- Low – Represents an observation for consideration by management for correction or implementation associated with the process being audited. Low-risk observations should be implemented to improve efficiency and effectiveness of operations.

Appendix C – Standards and Acknowledgements

Audit Standards

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo.

This project was not intended or designed to be a detailed study of every relevant procedure, regulation, system, or transaction. As such, the conclusion and recommendations contained in this report may not include all areas which may need improvement.

Acknowledgements

CAD appreciates the time City staff contributed to this review. CAD would like to take this opportunity to thank all the departments and individuals involved in the Signature Authorization Audit for their considerable cooperation.

We received input and assistance from the following:

- AP Division
- Payroll and HRIS Division
- Finance Department
- Information Technology Department

Auditor: A. Garcia, Internal Auditor - Senior

Surprise City Auditor

Vision

The development of people, systems, and processes that delivers innovative and effective auditing services to the City of Surprise.

Mission

To provide independent, objective, accurate, and timely auditing services that are designed to improve operations, cultivate transparency, and accountability.

For more information or to contact the City Auditor Department:
<https://www.surpriseaz.gov/166/City-Auditor>



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: March 29, 2023
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to the Quarterly Audit Recommendations Status Report

Motion:

I move to approve and distribute the Quarterly Audit Recommendations Status Report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2022-2023 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 the 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 city 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 city 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:

This item relates to work performed as part of the FY2022-2023 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. Audit Recommendations Status Report - 13March2023
 2. Qrtly Audit CMTE 29Mar2023
-



Audit Recommendations Status Report

March 13, 2023

Carol Holley, City Auditor

Summary

Periodically, the City Auditor Department (CAD) reports to the City of Surprise (City) Audit Committee on actions taken by staff to address audit recommendations. This report summarizes actions taken by staff from November 29, 2022, to March 13, 2023.

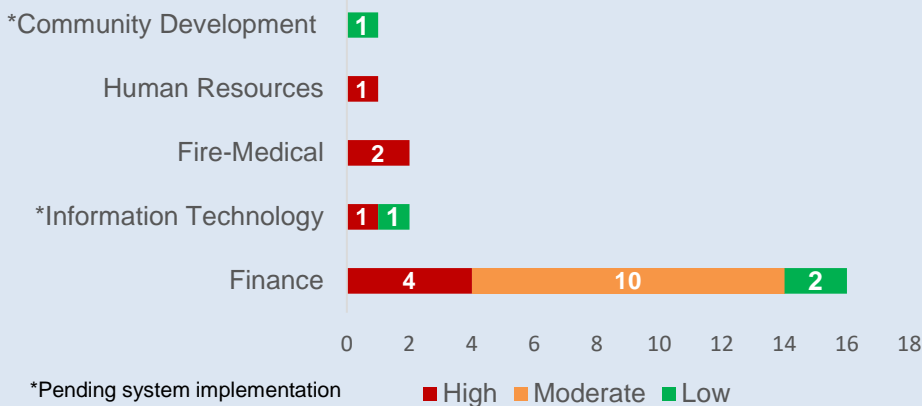
During the period, 22 audit recommendations were tracked and monitored by the CAD for the period: 59% (13 out of 22) audit recommendations were completed; and 41% (9 out of 22) are pending completion. Exhibit A summarizes the 22 audit recommendations monitored for the period.

The CAD appreciates the time and resources allocated by City departments to develop action plans to address identified risks to City assets and information.

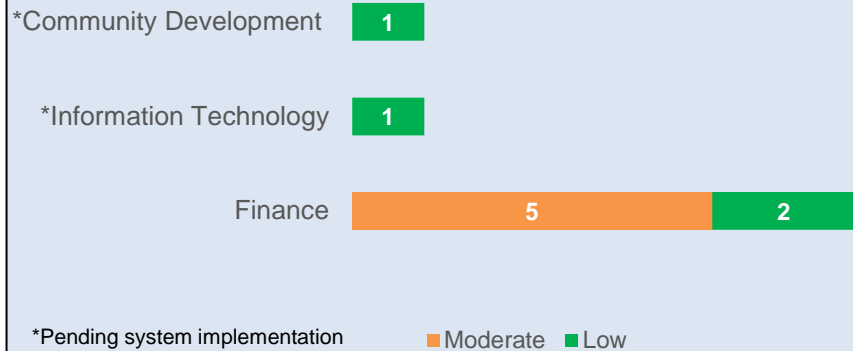
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| Methodology | 2 |
| Exhibit A – Audit Recommendations Detail | 4 |

Audit Recommendations Monitored by Department
for the Period
11/29/2022 to 3/13/2023



Audit Recommendations Pending Completion
as of
3/13/2023



Purpose and Standards

The recommendations referenced in each audit report were designed to decrease the risk to City assets and improve the efficiency and effectiveness of operations. In response to each audit recommendation, management developed an action plan to address identified risks.

The purpose of performing audit follow-up procedures is to determine the status of management action plans. *Governmental Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing* reference the need for audit follow-up procedures:

Governmental Auditing Standards:

GAGAS 8.30 – *“Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives.”*

International Standards for the Professional Practice of Internal Auditing:

2500 – Monitoring Progress

“The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.”

2500.A1 – *“The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”*

Methodology

After completing each audit, the CAD tracks observations and recommendations in SharePoint. Periodically, the CAD performs follow-up procedures on the status of audit recommendations with the appropriate City departments. Departments self-report the status of management action plans via SharePoint. Testimonial or documentary evidence is obtained and reviewed by the CAD. In some cases, the CAD will go beyond the standard process, perform more in-depth verification of the extent to which specific audit recommendations have been implemented, and issue a separate report on this work.

All recommendations reviewed were categorized as follows:

Complete – City staff partially concurred or concurred with the audit recommendation. Management action plan has been completed, and when appropriate, supporting documentation was provided to the CAD for review. **(See Exhibit A.)**

Ongoing – City staff partially concurred or concurred with the audit recommendation. Staff is currently working on implementing the audit recommendation by the management-assigned completion date. **(See Exhibit A.)**

Not Implemented – City staff concurred with audit recommendations and are in the process of implementing a management action plan to address the identified risk to City assets and information. **(See Exhibit A.)**

Audit Recommendations Detail - As of March 13, 2023

| Current Status | Audit ID | Section ID | Department | Report Date | Recommendation | Current Status | Management Update Comments | Risk Level |
|----------------|----------|---|------------------------|--|---|--|--|------------|
| Complete | 2021-01 | Fire-Medical Pharmaceutical Safeguards and Contracts Audit | | | | | | |
| | | 1A | Fire - Medical | 12/30/2020 12:00:00 AM | Collaborate with the Surprise Police Department to conduct a security assessment of SFMD. Where feasible, implement assessment recommendations to ensure the safety of the City's first responders and City assets. | Complete | The SFMD conducted a walkthrough with SPD at the readiness center and fire stations with EMS vending machines. After the assessment, the recommendation was to install card readers on all doors leading into the EMS rooms and to install cameras to monitor activity in the room, specifically any activity at the vending machines. This recommendation impacts five fire stations; they are FS301, FS302, FS303, FS305 & FS307. Since the walkthrough, all the EMS rooms have had card readers installed. Additionally, FS303 & FS305 had cameras installed. The department will continue working with the budget team to secure the funding needed to install the cameras at the remaining stations. | High |
| | 1C | Fire - Medical | 12/30/2020 12:00:00 AM | Ensure compliance with the DEA pharmaceutical refrigerator protocol. | Complete | In July 2022, the SFMD implemented the narcotics tracking feature in its consumable software. This feature is compliant with all AZDHS and DEA requirements. Lastly, the SFMD installed a larger refrigerator at the warehouse that meets the DEA weight requirements. The SFMD still needs one additional refrigerator at FS305. Unfortunately, the department still needs to secure the funding for that unit. | High | |
| Complete | 2022-01 | AP Trends and Analysis | | | | | | |
| | | 1A | Human Resources | 9/8/2021 12:00:00 AM | Protect confidential PII recorded on AP invoices by: <ul style="list-style-type: none"> i. Reviewing and updating the TCM AP Confidential role for all applicable AP invoices stored in Munis for vendor #10146. ii. Using professional judgment, assess potential HR AP vendors that might require flagging the TCM AP Confidential role to protect PII data and take the appropriate action. iii. Developing departmental policy and procedures for protecting PII recorded on AP invoices. The policy and procedures should include, but not be limited to, complying with the City's Information Security Policies and Procedures, redacting PII on AP invoices before scanning invoices into Munis, and flagging TCM AP Confidential role when redacting is not an option. iv. Training applicable staff on the new policy and procedures, at least annually and when new staff is hired, staff transfer, or job duties are changed. | Complete | HR policies and staff training for processing AP invoices and safeguarding PII are complete. HR has moved this function around and restructured team responsibilities, so the payroll and HRIS team is now responsible for processing invoices. Due to staffing changes in this area, we have not been able to fully complete this task. We have revised team procedures and provided staff training to ensure that going forward from February 2023, appropriate invoices are flagged as confidential. The area we still need to complete is the review of past invoices to make corrections as needed. This is a large undertaking, and we plan to review vendors based on risk level (type of services provided) to update as needed. | High |

Audit Recommendations Detail - As of March 13, 2023

| Current Status | Audit ID | Section ID | Department | Report Date | Recommendation | Current Status | Management Update Comments | Risk Level |
|----------------|----------|--|------------------------|----------------------|--|----------------|---|------------|
| Complete | 2022-01 | 1B | Finance | Audit | Work with IT to develop a policy and procedure for processing and protecting PII recorded on AP invoices. This should include but is not limited to requiring City departments to access the need for recording PII on AP invoices and to redact PII before saving AP documents in Munis when PII is not necessary for AP payment processing. | Complete | As of November 28, 2022: IT and finance have developed a policy to protect PII. Invoices that contain PII have been locked from public viewing since July 2022. Invoices that contained PII prior to that, we are working on reviewing. However, based on personnel and time constraints, it does not appear that we will be able to review all invoices prior to July 2022. As of December 1, 2022: It does not appear to be worth it to try to go back to try to find invoices that should have been locked prior to when we starting using the lock feature in full force. It is my understanding that we really starting locking everything down in June or July of 2022. Anything after that is locked if it has PII, anything before that, I don't think we are going to be able to accomplish because the population is so large. As of January 13, 2023: IT online training added a portion to protect PII. Departments lock down items that contain PII so they are not viewable by the public. AP division reviews all invoices as a final check to make sure invoices/payments with PII are locked. Auditor's Comment: On March 9, 2023, the City Auditor discussed with the Assistant Director of the Finance Department and the Director of Human Resources the potential risk associated with invoices stored in Munis prior to June 2022 for which access to PII has not been locked. Finance, HR, and the IT Security Manager are aware of the potential risk and penalties associated with the unlocked PII if the data is inappropriately accessed and used. If an unlocked invoice with PII is identified in the normal course of operation, the identified invoice will be locked at the time that it is identified by staff. | High |
| | | 1C | Information Technology | 9/8/2021 12:00:00 AM | Assess if PII recorded on AP invoices is appropriately stored in the Munis AP Module in compliance with the City's Information Security Policies and Procedures related to encryption of confidential, sensitive, or vulnerable information during transit and rest. | Complete | IT Security Awareness training has been updated to include Munis PII Data Security, and assigned to all employees. Items containing privacy information is being properly stored in the appropriate TCM. We concur with the Finance determination not to review locked invoices, however, will we periodically review for PII as indicated in the Security Policy and report any findings to the appropriate department manager. Periodic reviews and findings will be documented. | |
| | | 3B | Finance | 9/8/2021 12:00:00 AM | Work in conjunction with the IT Department to assess and develop an action plan to address the access to PII recorded on AP invoices stored in Munis. The Finance Department should function as the action plan coordinator by monitoring, tracking, and reporting on the progress through an automated procedure. | Complete | The Assistant Director of Finance has discussed with the IT Security Manager, and we agree that it would not be cost effective to review all past invoices to determine if they have PII and need to be locked. As noted in response to other findings, City staff has been trained and informed of the need to lock invoices with potential PII. The Accounts Payable department also reviews all invoices paid by the City for PII and will lock any invoices not previously locked at the department level. This process has been in place since July 2022 and will be the process going forward. | High |
| | | 4A | Finance | 9/8/2021 12:00:00 AM | At least quarterly, review all paid invoices for potential duplicate transactions. Results of quarterly reviews should be documented and used as a training tool for City staff. As staff continues to update their policy and procedures, staff should use Excel fuzzy matching function to identify potential duplicate transactions resulting from altered invoice numbers. | Complete | The Finance Assistant Director reviewed the last two fiscal years and the first quarter of FY 2022-2023. Accounts Payables (A/P) followed up on any potential duplicates noted and obtained credits for any actual duplicate payments. The Finance Assistant Director did all of this in September 2022. | High |
| | | 4B | Finance | 9/8/2021 12:00:00 AM | Review and update their Accounts-Payable-Guidelines, train staff on updates, and ensure compliance with policies and procedures. | Complete | As of November 28, 2022: A/P guidelines have stated that PII needs to be protected. Since July 2022, invoices are "locked" from public view. As of March 21, 2022: Concur. Finance will work with other City departments to ensure recommendations are implemented by October 31, 2022. | High |
| | 2023-01 | Continuous Auditing: Citywide Procurement Cards Audit Report | | | | | | |

Audit Recommendations Detail - As of March 13, 2023

| Current Status | Audit ID | Section ID | Department | Report Date | Recommendation | Current Status | Management Update Comments | Risk Level |
|-----------------|----------|---|---------------------|------------------------|---|-----------------|--|------------|
| | | 3B | Finance | 8/16/2022 12:00:00 AM | Develop a process for routinely reviewing and monitoring P-Cardholder data in Munis and the P-Card Vendor's system. | Complete | We concur with the recommendation to obtain the missing W-9s identified in the audit. We have already reached out to all vendors and have begun the collection process. We have also split all vendors among the A/P staff, and they were tasked with reviewing that we have a current W-9. W-9s will be reviewed as vendors are paid to ensure that we have a current W-9. All missing W-9s were received in November 2022. | Moderate |
| Complete | 2023-01 | 5A | Finance | 8/16/2022 12:00:00 AM | Review and update the Manual to provide P-Cardholders with additional guidance, such as Amazon Prime membership purchases and utility payments. | Complete | The new p-card policy addresses the use of shared memberships such as Amazon prime. A/P staff and department supervisors will review to ensure policy is enforced. | Moderate |
| | 2023-03 | Vendor Master File City Auditor Report | | | | | | |
| | | 1A | Finance | 9/30/2022 12:00:00 AM | Review; evaluate; and take action, if needed, on the potential missing W-9s identified during the audit. | Complete | We concur with the recommendation to obtain the missing W-9s identified in the audit. We have already reached out to all vendors and have begun the collection process. We have also split all vendors among the AP staff, and they were tasked with reviewing that we have a current W-9. W-9s will be reviewed as vendors are paid to ensure that we have a current W-9. All missing W-9s were received in November 2022. | Moderate |
| | 2023-01 | Continuous Auditing: Citywide Procurement Cards Audit Report | | | | | | |
| | | 2B | Finance | 11/30/2022 12:00:00 AM | Incorporate monitoring controls for the Finance P-Card Administrator or designee in the Manual to provide assurance that the P-Card Program is operating as intended. | Complete | Concur. The P-Card Manual will be updated to note that the Agreement and the Request of P-Card Forms are completed by the P-Cardholder/supervisor and that the forms will be documented in Munis by Accounts Payable staff. Auditor's Note: Supporting documentation provided on January 13, 2023. | Moderate |
| | 2023-03 | Vendor Master File City Auditor Report | | | | | | |
| | | 2A | Finance | 9/30/2022 12:00:00 AM | Modify the Munis status field to "stop" for the identified duplicate vendors so that only one active vendor record exists per vendor. | Complete | Accounting manager performed a review of other potential duplicate vendors at the end of the quarter (first week of January 2023) and identified a few potential duplicates. The list was provided to A/P Division to research and deactivate as needed. This will be the process going forward (quarterly duplicate vendor review.) | Moderate |
| Not Implemented | 2023-02 | Signature Authorization | | | | | | |
| | | 1A | Finance: Accounting | 10/11/2022 12:00:00 AM | Complete the reconciliations in accordance with the 45-day policy. If the requirement cannot be met, the reason for the delay should be noted on the reconciliation and approved by the Accounting Manager. The Finance Department should evaluate establishing tolerances and materiality thresholds for reconciling items allowing discrepancies below these thresholds to be researched and resolved later but still reconciled within the fiscal year. | Not Implemented | We concur with the recommendation to complete the reconciliation within 45 days and to evaluate the tolerances for discrepancies. The bank reconciliations have always been started as soon as the month ends; however, historically, we haven't considered the reconciliation complete until every penny is accounted for. We will implement the recommendation to complete the reconciliation and research immaterial discrepancies in the following month, beginning with the December 2022 reconciliation. | Low |
| | | 1B | Finance: Accounting | 10/11/2022 12:00:00 AM | In addition, when completing the reconciliation, the Finance Department should consider identifying repeating reconciling items and work with the appropriate department personnel to find the underlying cause of the reconciling items in an effort to reduce future instances. | Not Implemented | We concur with the recommendation to determine the causes for any reoccurring immaterial discrepancies, such as discrepancies due to the timing of when certain transactions post to the general ledger versus when they post to the bank, beginning with the December 2022 reconciliation. | Low |
| | 2023-03 | Vendor Master File City Auditor Report | | | | | | |

Audit Recommendations Detail - As of March 13, 2023

| Current Status | Audit ID | Section ID | Department | Report Date | Recommendation | Current Status | Management Update Comments | Risk Level | |
|-----------------|----------|--|------------------------|-----------------------|--|-----------------|---|------------|--|
| | | 1B | Finance | 9/30/2022 12:00:00 AM | Review; evaluate; and take action, if needed, on the potential conflicts of interest identified during the audit. | Not Implemented | We concur with the recommendation to obtain documentation for the potential conflicts of interest identified in the audit. The Accounting Manager and AP team will work with Procurement and Human Resources to obtain documentation on future potential conflicts of interest and document within the Vendor Master File starting December 1, 2022. A review of the conflicts of interest identified in the audit will be completed by January 31, 2023. | Moderate | |
| Not Implemented | 2023-03 | 1C | Finance | 9/30/2022 12:00:00 AM | Follow with fidelity its policies and procedures that direct it: i. To obtain a W-9 or W-8 before setup in Munis. ii. To cross-reference employee data, like addresses, phone numbers, etc. with vendor data for possible conflicts of interest. | Not Implemented | We concur with the recommendation and will review that a W-9 is received before setup in Munis and will review each new vendor for potential conflict of interest. The Accounting Manager will cross reference employee and vendor data quarterly to review for possible conflicts of interest starting January 1, 2023. The first quarterly review will be completed for the quarter ending March 31, 2023, and completed in April 2023. | Moderate | |
| | | 3A | Finance | 9/30/2022 12:00:00 AM | Create a formal "stop" vendor policy that includes, but is not limited to: i. Indicating the frequency of review. ii. Detailing the process for review, including criteria it will use to evaluate a vendor for "stop" status to prevent its use on requisitions, purchase orders, and invoices. iii. Directing AP to act on the vendors it identifies. | Not Implemented | We concur with the recommendation to create a formal "stop" vendor policy. The policy will be created by December 31, 2023. Note that the AP department has engaged the Information Technology department to help with a "mass stop" of inactive vendors identified by the Accounting Manager. All vendors that have not had activity in the previous three years have been deactivated within Munis. This was completed in November 2022. | Moderate | |
| OnGoing | 2020-01 | Building Safety Permit Processing | | | | | | | |
| | | 3A | Community Development | 6/16/2019 12:00:00 AM | At least annually, request a printout of the database fee tables from IT and perform a comprehensive review of the tables for accuracy and completeness. i. The LIS "End Date" field should be updated when fees expire. ii. Any corrections should be submitted to IT for processing. | OnGoing | As of December 2, 2022 - Database design was finalized and accepted in November 2021. Currently, coding of the following modules (Dev. Agreement, Design Review, Permit Tracking, Code Enforcement, Digital Review, Cashiering) are still underway along with the integration and coding of the different Application Programming Interfaces (APIs) to Munis, Tyler cashiering, Paymentus (online payment portal) and Camino (online user interface). Upon module completion, staff will begin User Acceptance Testing (UAT), which may require the developer to adjust code based on user input. Prior to final acceptance, the project team will conduct staff training. The project is estimated to be at 70% with Final acceptance of the LIS project estimated for late fall or early winter. | Low | |
| | | 3B | Information Technology | 9/16/2019 12:00:00 AM | Work with the developer to address database duplications, such as in the LIS Development Fee and LU_Flat_Fee tables. Assess how redundancy in tables might impact future data migration efforts, time and impact of making adjustments now. Any potential updates should be discussed with the Division. | OnGoing | Provided by the Community Development Director on December 2, 2022: Database design was finalized and accepted in November 2021. Currently, coding of the following modules (Dev. Agreement, Design Review, Permit Tracking, Code Enforcement, Digital Review, Cashiering) are still underway along with the integration and coding of the different Application Programming Interfaces (APIs) to Munis, Tyler cashiering, Paymentus (online payment portal) and Camino (online user interface). Upon module completion, staff will begin User Acceptance Testing (UAT), which may require the developer to adjust code based on user input. Prior to final acceptance, the project team will conduct staff training. The project is estimated to be at 70% with Final acceptance of the LIS project estimated for late fall or early winter. | Low | |

Audit Recommendations Detail - As of March 13, 2023

| Current Status | Audit ID | Section ID | Department | Report Date | Recommendation | Current Status | Management Update Comments | Risk Level |
|--------------------------------------|--|---|------------|-----------------------|---|-----------------------|---|------------|
| Partially Implemented | 2023-03 | Vendor Master File City Auditor Report | | | | | | |
| | | 2B | Finance | 9/30/2022 12:00:00 AM | Implement its duplicate vendor policy by: i. Performing and documenting its quarterly review for duplicate vendors. ii. Documenting any updates it makes as a result of its quarterly review. | Partially Implemented | The first quarterly review was performed on January 2, 2023. A/P researched the potential duplicates and "stopped" one vendor, as a result. | Moderate |
| | | 3B | Finance | 9/30/2022 12:00:00 AM | Implement a formal "stop" vendor policy and: i. Review vendors for inactivity, as defined by Finance's "stop" vendor policy. ii. Modify vendor status to "stop" for vendors that meet or exceed the "stop" vendor policy. iii. Document the results of the review. | Partially Implemented | A/P worked with IT to identify and "stop" all vendors that did not have activity for the previous three years as of June 2022. That resulted in over 1,000 vendors being "stopped." A/P will review each year after year end. | Moderate |
| Audit Observation Risk Rating | | | | | | | | |
| High | Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to city assets. | | | | | | | |
| Moderate | Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate potential risk of loss to city assets. | | | | | | | |
| Low | Represents an observation for consideration by management for correction or implementation associated the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations. | | | | | | | |



SURPRISE
ARIZONA

AUDIT COMMITTEE

March 29, 2023
3:00 PM

VENDOR MASTER FILE

Objective: Determine whether adequate controls are in place over the setup, modification, and maintenance processes to prevent duplicate payments, errors, or unauthorized transactions

Background:

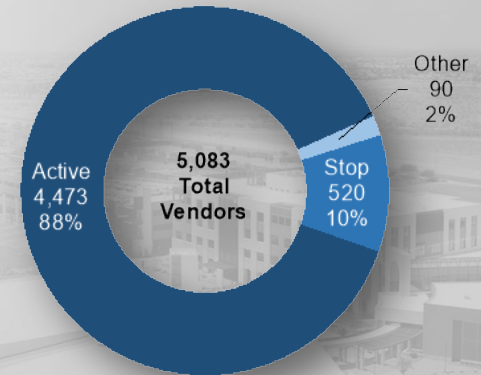
- Contains information about the City’s vendors—name, address, contact information, and tax identification number
- Used for vendor payment purposes

Magnitude:

- 5,083 vendor records

Key Opportunities:

- Follow existing Finance policies and procedures to reduce risks of IRS penalties, conflict of interest transactions, and duplicate payments
- Develop and implement a “stop” vendor policy to reduce the risk of errors and fraud and improve the efficiency of other review processes





SIGNATURE AUTHORIZATION

Objective: Determine whether adequate controls were in place over signature authority/authorization.

Background:

- The City has multiple ways that payments are processed, including printed checks, electronic fund transfers, virtual credit card payments, and wires.
- Authorized signers with the bank, including those whose names appear on the signature line on the checks, do not necessarily have an active role in the check signing process.

Key Opportunities:

- Follow existing Finance policies and procedures to reduce the risk of not identifying and correcting issues in the system in a timely manner.

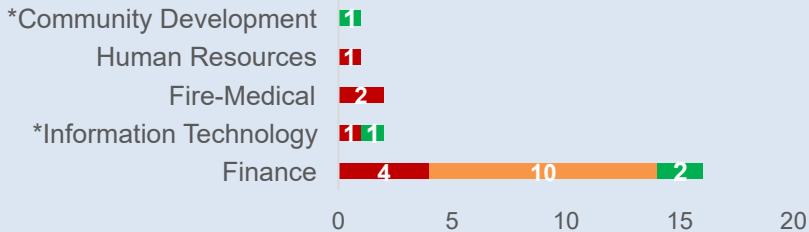
SUMMARY OF AUDIT RECOMMENDATIONS

As of March 13, 2023

- Pending Implementation
 - 7 from FY2022-2023
 - 2 from FY2019-2020 (Pending System Implementation)

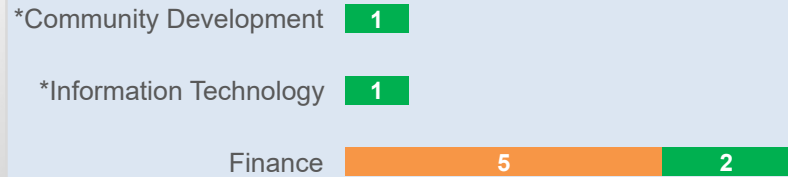
- Implemented Recommendation
 - 2 from FY2020-2021; 5 from FY2021-2022; and 5 from FY2022-2023

Audit Recommendations Monitored by Department for the Period
11/29/2022 to 3/13/2023



*Pending system implementation ■ High ■ Moderate ■ Low

Audit Recommendations Pending Implementation as of
3/13/2023



*Pending system implementation ■ Moderate ■ Low



SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You