



CITY OF SURPRISE
Audit Committee
16000 N. Civic Center Plaza
Surprise, AZ 85374
 Thursday, January 18, 2024 @ 3:30 PM
COUNCIL OVERFLOW ROOM

- 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 September 21, 2023 meeting minutes. City Auditor
- 2. Citywide Presentation and discussion pertaining to the FY2022-2023 Annual Comprehensive Financial Report and associated reports. Finance
- 3. Citywide Presentation and discussion pertaining to the status of the FY2023-2024 Annual Audit Plan. 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

POSTED: Wednesday, January 17, 2024 @ 9:00 AM

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



**CITY OF SURPRISE
Audit Committee**

Council Meeting Date: January 18, 2024
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 September 21, 2023 meeting minutes.

Motion:

I move to approve the minutes of the September 21, 2023 City Audit Committee meeting.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2023-2024 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:

N/A - Informational only

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. 2023-09-21 Summary draft
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CITY OF SURPRISE
Audit Committee Meeting
16000 North Civic Center Plaza
Surprise, AZ 85374

Thursday, September 21, 2023 – 3:30 p.m.

CALL TO ORDER

Acting Chair Tatiana Young 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 Thursday, September 21, 2023.

ROLL CALL

Tatiana Young, Acting Chair, Stephen Gaddis, Committee Member, Councilmember Chris Judd, Councilmember Ken Remley (Telephone), Holly Osborn, Director of Parks and Recreation, Andrea Davis, Chief Financial Officer/Deputy City Manager

PLEDGE OF ALLEGIANCE

CURRENT EVENTS AND REPORTS

None.

STAFF REPORTS

None.

STAFF PRESENT

Carol Holley, City Auditor, Angela Hanson, Internal Auditor, Melissa Moreno, Internal Auditor Sr., Erick Martin, Assistant Director of Finance, Tracy Montgomery, Assistant City Manager, Bob Wingenroth, City Manager, Brenden Espie, Fire Chief, Gina Busby, IT Security Manager, Lloyd Abrams, Director of Community Development, 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 approval of the June 22, 2023 meeting minutes:**

Committee member Stephen Gaddis moved to approve the June 22, 2023, meeting minutes and Councilmember Judd seconded the motion. Motion carried 4-0.

2. Action item: Consideration and action to elect a City of Surprise Audit Committee Chairperson and Vice-Chairperson:

Councilmember Judd moved to elect Tatiana Young as the Audit Committee Chairperson and Stephen Gaddis as the Vice-Chairperson, and Councilmember Remley seconded the motion. Motion carried 4-0.

3. Action item: Consideration and action pertaining to the FY2022-2023 Annual City Auditor Activity Report:

Carol Holley gave an overview of the FY2022-2023 Annual City Auditor Activity Report.

Stephen Gaddis stated that he thought the activity report was very thorough.

Stephen Gaddis moved to approve the FY2022-2023 Annual City Auditor Activity Report, and Councilmember Judd seconded the motion. Motion carried 4-0.

4. Action item: Consideration and action pertaining to the FY2023-2024 Annual Audit Plan:

Carol Holley presented to the committee the FY2023-2024 Annual Audit Plan.

Tatiana Young stated the report shows training outside of the direct hours. Does it not count as direct hours? Carol Holley responded that direct hours pertain to a direct audit report. Tatiana Young stated that those hours go towards professional certification and Carol Holley responded with yes, but not direct hours. Stephen Gaddis stated that the number of allocated hours seemed high and asked on what do you base these hours. Carol Holley responded that it is based on past experience and the expectation that each auditor should complete one engagement per quarter. Stephen Gaddis followed up by asking about the new hire training, is that city-wide as opposed to just audit. Carol Holley responded, yes. By the time April comes around, it is my expectation that Melissa will know our systems, know our people and she will be ready to hit the ground running. Holly Osborn asked with this plan, is this all three of your dedicated hours, it looks like hours are missing. Carol Holley responded by saying Melissa did not start at the beginning of this fiscal year, so it accounts for Angela and me 2,080 hours each and the other hours are for Melissa from the day that she started to the end of the fiscal year.

Stephen Gaddis moved to approve the FY2023-2024 Annual Audit Plan, and Councilmember Judd seconded the motion. Motion carried 4-0.

5. Action item: Consideration and action pertaining to the Audit Recommendations Status Report:

Carol Holley gave an overview of the Audit Recommendations Status Report and then turned it over to Lloyd Abrams to give an update on where Community

Development stands on the LIS system. Lloyd Abrams proceeded to give an update on the LIS system and plans to go live in July of 2024.

Stephen Gaddis asked if you have initiated the process of training and if training is occurring for new and pending employees. Carol responded that it is on the recommendation list. Stephen further stated that he recalled from the last audit meeting that some of the departments simply were not reporting, checking, or entering the data. Stephen encouraged the Audit Department team to get going on this because training and education are important to our work. Carol responded that the SharePoint system would look at the estimated completion date, and two weeks before the due date, the contact person or department head would receive a notification that the audit recommendation needs to be completed. If the recommendation is still not completed a month later, the department contact will continue to receive notifications until the recommendation is completed. Stephen asked if there was any rule for the Audit Department to gently push the departments to comply with this. Carol responded that the peer review team determined that auditing standards did not require the Audit Department to issue follow-up reports. She further stated that the Audit Department was doing more than needed as a small team, so they relied on the departments to self-report; at this time, the department reviewed what the departments self-reported. Bob Wingenroth commented that city management will follow up on this process.

Tatiana Young asked when the LIS system will be done. Lloyd Abrams responded that the goal is to go live on July 1, 2024.

Stephen Gaddis moved to approve the Audit Recommendations Status Report, and Councilmember Judd seconded the motion. Motion carried 4-0.

6. Discussion item: Discussion pertaining to the Compliance Connection Newsletter, Issue No. 2.:

Carol Holley discussed the Compliance Connection Newsletter. Carol hopes this newsletter will encourage better internal control processes. She stated that Audit took the committee's advice and moved forward with a quarterly newsletter. Stephen requested an electronic copy of the newsletter with the link to the video.

No action was taken on this item.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

The next Audit Committee Meeting will be held on **January 18, 2024**, at 3:30 p.m.

EXECUTIVE SESSION

Councilmember Judd moved to recess into executive session at 3:55 p.m., and Stephen Gaddis seconded the motion. Motion carried 4-0.

ADJOURNMENT

Councilmember Judd moved to adjourn, and Stephen Gaddis seconded the motion. Motion carried 4-0. The meeting was adjourned at 4:39 p.m.

ATTEST:

Tatiana Young, Chair

Jackie Moucheron, Staff Liaison

DRAFT



**CITY OF SURPRISE
Audit Committee**

Council Meeting Date: January 18, 2024
Submitting Department: Finance
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation and discussion pertaining to the FY2022-2023 Annual Comprehensive Financial Report and associated reports.

Motion:

N/A Informational only

Background:

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

Objective Analysis:

The mission of the 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:

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Financial Impact:

N/A - Informational only

Budget Impact:

N/A - Informational only

FTE Impact:

N/A - Informational only

ATTACHMENTS:

1. City of Surprise HURF Accountant's Report 23
 2. General_Representation_Letter_-_FY23_City_of_Surprise_Updated__Erick_Martin-signed
 3. City of Surprise Communication to Governance 23
 4. City of Surprise FY2023 Signed ACFR
 5. City of Surprise SA 23
 6. City of Surprise Management Letter 23
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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, 2023. 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, 2023.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2023

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, 2023, 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. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
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 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.
28. 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, 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 abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. 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.
31. 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.
32. 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.
33. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
34. 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.
35. The financial statements include all fiduciary activities required by U.S. GAAP.
36. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.

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

49. We have identified and disclosed to you all contracts, agreements, and transactions that result in subscription-based information technology arrangements (SBITAs) for financial reporting purposes. SBITAs have been properly recorded and disclosed in the notes to the financial statements.
50. 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.
51. 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.
52. 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.
53. 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.
54. 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.
55. We acknowledge our responsibility for the other information included in the financial statements, such as the transmittal letter and statistical data. We believe the other information,

including its form and content, is fairly presented and is materially consistent with the basic financial statements.

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

12/14/2023

 Date

Erick Martin

 Erick Martin, Accounting Manager
 City of Surprise, Arizona

12/13/2023

 Date

December 16, 2023

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, 2023. 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. No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023. GASB Statement No. 96 increases the usefulness of the financial statements by requiring the recognition of certain assets and liabilities for SBITAs. 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. The City also implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Statement No. 99, *Omnibus 2022*, which did not affect the financial statements.

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.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined as a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected 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
- Management Letter
- Examination report on the Annual Expenditure Limitation Report
- HURF Report

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

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

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
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 8, 2023

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, 2023. 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, including the disclosures, which collectively comprise the basic financial statements of City of Surprise, Arizona as of and for the year ended June 30, 2023.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 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 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 and *Government Auditing Standards* 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. The objectives also include reporting on:

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

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. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting 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 judgements based on the information in the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, 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 and *Government Auditing Standards*, 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 some 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 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.

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.

Audit Procedures – Internal Control

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 opinions. 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*.

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

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

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with 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 written reports upon completion of our Single Audit. Our reports will be addressed to the Governing Board of the City. Circumstances may arise in which our reports may differ from 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 opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state 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 City'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 City's internal control and compliance. The Uniform Guidance report on internal control over compliance will state 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 Federal Audit Clearinghouse. 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 and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, 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) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. 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 related matters.

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 of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City 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 City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) 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 accounting principles generally accepted in the United States of America; (2) you 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; (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 Scope and 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 City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. 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 City or to acts by management or employees acting on behalf of the City. 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 2023 and conclude audit procedures and date our report in December 2023.

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 Federal Audit Clearinghouse. 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 - \$225; 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

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Erick Martin

Name: _____

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

Andrea Davis

Printed Name: _____

CFO/Deputy City Manager

Title: _____

Andrea Davis

Signature: _____

05/15/2023

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.

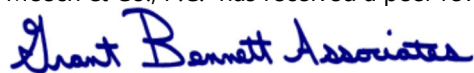
Required Selections and Considerations

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
A PROFESSIONAL CORPORATION
Certified Public Accountants



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

SIGNATURE CERTIFICATE




REFERENCE NUMBER

E2741DFA-9A0D-4F21-9196-F6A03895E2CA

TRANSACTION DETAILS	DOCUMENT DETAILS
<p>Reference Number E2741DFA-9A0D-4F21-9196-F6A03895E2CA</p> <p>Transaction Type Signature Request</p> <p>Sent At 05/08/2023 14:03 MST</p> <p>Executed At 05/15/2023 09:51 MST</p> <p>Identity Method email</p> <p>Distribution Method email</p> <p>Signed Checksum afb5ab5963bf1bd9985d15c5c09cb57852b591e52ffa2dc0253bada9371ea74a</p> <p>Signer Sequencing Disabled</p> <p>Document Passcode Disabled</p>	<p>Document Name Engagement Ltr Fy23 Surprise City</p> <p>Filename engagement_ltr_fy23_surprise_city.pdf</p> <p>Pages 13 pages</p> <p>Content Type application/pdf</p> <p>File Size 388 KB</p> <p>Original Checksum aafd3a67bbb81d225249bd85ec040d1c59dab00c510648618c8014b808c6cedb</p>

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Andrea Davis</p> <p>Email andrea.davis@surpriseaz.gov</p> <p>Components 5</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 7a6edad8f892880a08a8095a56576315aac45a5cbe444486cd55dfce3da36a45</p> <p>IP Address 67.132.117.228</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 669F5B44</p>	<p>Viewed At 05/15/2023 09:49 MST</p> <p>Identity Authenticated At 05/15/2023 09:51 MST</p> <p>Signed At 05/15/2023 09:51 MST</p>

AUDITS

TIMESTAMP	AUDIT
05/08/2023 14:03 MST	Carri Corbett (carri.corbett@hm.cpa) created document 'engagement_ltr_fy23_surprise_city.pdf' on Chrome via Windows from 69.242.238.232.
05/08/2023 14:03 MST	Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a link to sign.
05/12/2023 16:02 MST	Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a reminder.
05/15/2023 09:49 MST	Andrea Davis (andrea.davis@surpriseaz.gov) viewed the document on Microsoft Edge via Windows from 67.132.117.228.
05/15/2023 09:51 MST	Andrea Davis (andrea.davis@surpriseaz.gov) authenticated via email on Microsoft Edge via Windows from 67.132.117.228.
05/15/2023 09:51 MST	Andrea Davis (andrea.davis@surpriseaz.gov) signed the document on Microsoft Edge via Windows from 67.132.117.228.

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, 2023, 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. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
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 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.
28. 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, 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 abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. 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.
31. 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.
32. 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.
33. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
34. 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.
35. The financial statements include all fiduciary activities required by U.S. GAAP.
36. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.

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

49. We have identified and disclosed to you all contracts, agreements, and transactions that result in subscription-based information technology arrangements (SBITAs) for financial reporting purposes. SBITAs have been properly recorded and disclosed in the notes to the financial statements.
50. 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.
51. 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.
52. 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.
53. 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.
54. 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.
55. We acknowledge our responsibility for the other information included in the financial statements, such as the transmittal letter and statistical data. We believe the other information,

including its form and content, is fairly presented and is materially consistent with the basic financial statements.

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

12/14/2023

 Date

Erick Martin

 Erick Martin, Accounting Manager
 City of Surprise, Arizona

12/13/2023

 Date

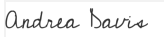

SIGNATURE CERTIFICATE



REFERENCE NUMBER
B5E2B1FA-8567-4598-8D24-4BA1F4D85EB5

TRANSACTION DETAILS	DOCUMENT DETAILS
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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 4e8533a3fe9e1ecf782fee910ca1a687e539af5efedac904bac66825de11e300</p> <p>IP Address 67.132.117.228</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 5A0EDB91</p>	<p>Viewed At 12/14/2023 19:06 EST</p> <p>Identity Authenticated At 12/14/2023 19:06 EST</p> <p>Signed At 12/14/2023 19:06 EST</p>
<p>Name Erick Martin</p> <p>Email erick.martin@surpriseaz.gov</p> <p>Components 2</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 83adb9273afc36a9e60059f098823ef993e4fa007710daece7648cc2ac6c4117</p> <p>IP Address 67.132.117.228</p> <p>Device Microsoft Edge via Windows</p> <p>Drawn Signature </p> <p>Signature Reference ID 105630BE</p> <p>Signature Biometric Count 6</p>	<p>Viewed At 12/13/2023 17:18 EST</p> <p>Identity Authenticated At 12/13/2023 17:20 EST</p> <p>Signed At 12/13/2023 17:20 EST</p>

AUDITS

TIMESTAMP	AUDIT
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City of Surprise, Arizona

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



CITY OF SURPRISE, ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the fiscal year ended
June 30, 2023

Prepared by:
Finance Department



SURPRISE

ARIZONA

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	ix
Organizational Chart	xiv
Mayor and City Council Members	xv
Appointed Officials	xix
Certificate of Achievement for Excellence in Financial Reporting	xx
FINANCIAL SECTION	
Independent Auditor’s Report	1
Management’s Discussion and Analysis (Required Supplementary Information)	9
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Statement of Net Position	26
Statement of Activities	28
Fund Financial Statements:	
Balance Sheet – Governmental Funds	34
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	40
Statement of Net Position – Proprietary Funds	42
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	44
Statement of Cash Flows – Proprietary Funds	46
Statement of Fiduciary Net Position	48
Statement of Changes in Fiduciary Net Position	49
Notes to Financial Statements:	
1. Summary of Significant Accounting Policies	55
2. Cash and Investments	67
3. Receivables	72
4. Capital Assets	73
5. Developer Agreements	74
6. Significant Commitments	76
7. Long-term Debt & Other Payables	77
8. Pensions and Other Postemployment Benefits	86
9. Risk Management	105
10. Contingent Liabilities	107
11. Interfund Borrowing and Transfers	108
12. Fund Balance Classification	109
13. Deficit Fund Balances	110
14. Budget Basis of Accounting	110
15. Joint Venture	110
16. Prior Period Adjustment	111
17. Subsequent Events	111

TABLE OF CONTENTS

	<u>Page</u>
<u>Required Supplementary Information:</u>	
Schedule of the City’s Proportionate Share of the Net Pension/OPEB Liability (Asset) – Cost-Sharing Plans	116
Schedule of Changes in the City’s Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans	118
Schedule of City Pension/OPEB Contributions	126
Notes to Pension/OPEB Schedules	132
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	
– General Fund	134
– General Government Development Fee Fund	136
– Highway User Revenue Fund	137
– Transportation Improvement Fund	138
Note to Required Supplementary Information	139
<u>Other Supplementary Information:</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	
– General Capital Projects Fund	143
– Debt Service Fund	145
Nonmajor Governmental Fund Descriptions	146
Combining Balance Sheet – Nonmajor Special Revenue Funds	148
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	152
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual	
– Grants Fund	156
– Ground Ambulance Service Fund	157
– LTAF II/ALF Fund	158
– Municipal Court Enhancement Fund	159
– Municipal Court FARE Fund	160
– Municipal Court JCEF Fund	161
– Municipal Court MFTG Fund	162
– Neighborhood Revitalization Fund	163
– Net Premium Seating Fund	164
– SB1398 Fines Fund	165
– SPD DEA Fund	166
– SPD RICO Fund	167
– SPD Towing Fund	168
– Sports and Tourism Fund	169
– Smart & Safe Police Fund	170
– Smart & Safe Fire-Medical Fund	171
– Tourism Fund	172
– 163rd Ave Development Fee Fund	173
– Fire Development Fee Fund	174
– Parks and Recreation Development Fee Fund	175

TABLE OF CONTENTS

	<u>Page</u>
<u>Other Supplementary Information (Concluded):</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	
– Police Development Fee Fund	176
– Street Lighting Districts Fund	177
– Marley Park Community Facility District Fund	178
Internal Service Fund Descriptions	179
– Combining Statement of Net Position – Internal Service Funds	180
– Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	181
– Combining Statement of Cash Flows – Internal Service Funds	182
 STATISTICAL SECTION	
Financial Trends	
– Net Position by Component	186
– Changes in Net Position	188
– Fund Balances of Governmental Funds	192
– Changes in Fund Balances of Governmental Funds	194
– Governmental Activities Tax Revenues by Source	197
Revenue Capacity	
– Major Sources of Municipal Sales Tax	198
– Assessed and Estimated Actual Value of Taxable Property	201
– Property Tax Rates – Direct and Overlapping Governments	202
– Principal Property Taxpayers	204
– Primary Property Tax Levies and Collections	205
Debt Capacity	
– Ratios of Outstanding Debt by Type	206
– Ratios of General Bonded Debt Outstanding	208
– Direct and Overlapping Governmental Activities Debt	209
– Legal Debt Margin Information Unrestricted and Restricted	210
Demographic and Economic Information	
– Demographic and Economic Statistics	212
– Principal Employers	213
Operating Information	
– Full-time Equivalent City Government Employees by Function	215
– Operating Indicators by Function	216
– Capital Asset Statistics by Function	218



SURPRISE

ARIZONA



INTRODUCTORY SECTION



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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 14, 2023

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, 2023. 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, 2023, 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, 2023, 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 150,000 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 for, among other things, 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 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

Last year's fiscal year 2022 budget was unique in the fact that its focus was on the recovery from a global pandemic. After two consecutive budgets with financial uncertainty, the fiscal year 2022 budget was the

first step back into normalcy. As the City continues to navigate in this economic climate, new challenges such as sweeping supply chain interruptions, rising inflation, and workforce shortages are now at the forefront of not only the headlines, but also the City's budget strategy

The City's economic position continues to be strong due to financially sound policy decisions led by our City Council. This is evident by receiving a AAA Fitch bond rating. The City continues to see robust commercial development, and while the single-family home market is slowing, Surprise is seeing the emergence of the multi-family residential market. This has resulted in continued strong revenues, which has provided the City the opportunity to provide dedicated funding to maintain our high level of service and provide operational funding to enhance the services that we provide to our residents. Additionally, the City saw an increase in its state shared revenue, mainly due to the growth that the State of Arizona continues to see. This revenue provides funding to help offset the cost to support new residents. Residential and commercial growth adds demand to our service levels in areas such as public safety, transportation, parks and recreation, and community development. The City continues to strengthen its financial position to maintain its valuable assets moving into the future

Throughout the year, the city experienced residential population growth and significant 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 20.2% increase in sales tax collections while state shared sales tax revenues increased by 26.4% 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 9 through 21, and the statistical section that begins on page 185, 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 fiscal year 2023, 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, 2023, the voters of the City of Surprise approved two General Obligation Bond questions in the areas of public safety and transportation. The amounts raised from issuing bonds will be used to fund significant public safety and transportation improvements, such as the building of a new fire station, a new police substation and expansion of roads, reducing public safety response times and traffic across the City.

In fiscal year 2023, the City began design on a new multigenerational community resource center on city owned land in the original town site, funded mainly by grant funding from the American Rescue Plan Act. The center is expected to be around 30,000 square feet and would provide services such as recreation and congregate meals to seniors, resources such as utility and rental assistance to eligible residents, and an updated and more modernized library.

The City received approval of a loan from the Water Infrastructure Financing Authority in fiscal year 2023 for the expansion of the City's primary wastewater treatment facility.

In fiscal year 2023, the City established the Water Resource Roundtable that will provide a forum for the City, other utility providers, and our customers to discuss water conservation and augmentation.

In fiscal year 2023, the Water Resource Management department initiated the second phase of the Biosolids Dryer project that will provide significant environmental and financial benefits.

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 is currently undergoing a five-year comprehensive utility rate study which will cover fiscal years 2025-2030.

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 fiscal year 2021, and in fiscal year 2022, 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.

The City also finished the roadway construction on Sweetwater Avenue - Sarival Avenue to SR 303, Cactus Road and Cotton Road intersection improvements and multiple traffic signal improvements.

The City is also dedicated to funding the construction of new parks. In fiscal year 2023, the Countryside project was completed. This park provides another dedicated location for the Parks Department to provide much needed programming for City residents. The Surprise Community Park improvements were also completed, which provides a place for residents to relax and play in the the heart of the City.

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 2023, the City created or revised a number of policies and desk procedures. A few of those policies include, the City investment policy, developer in-lieu payments, procurement card, and accounts payable guidelines.

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the the City of Surprise for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022, which represented the 19th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

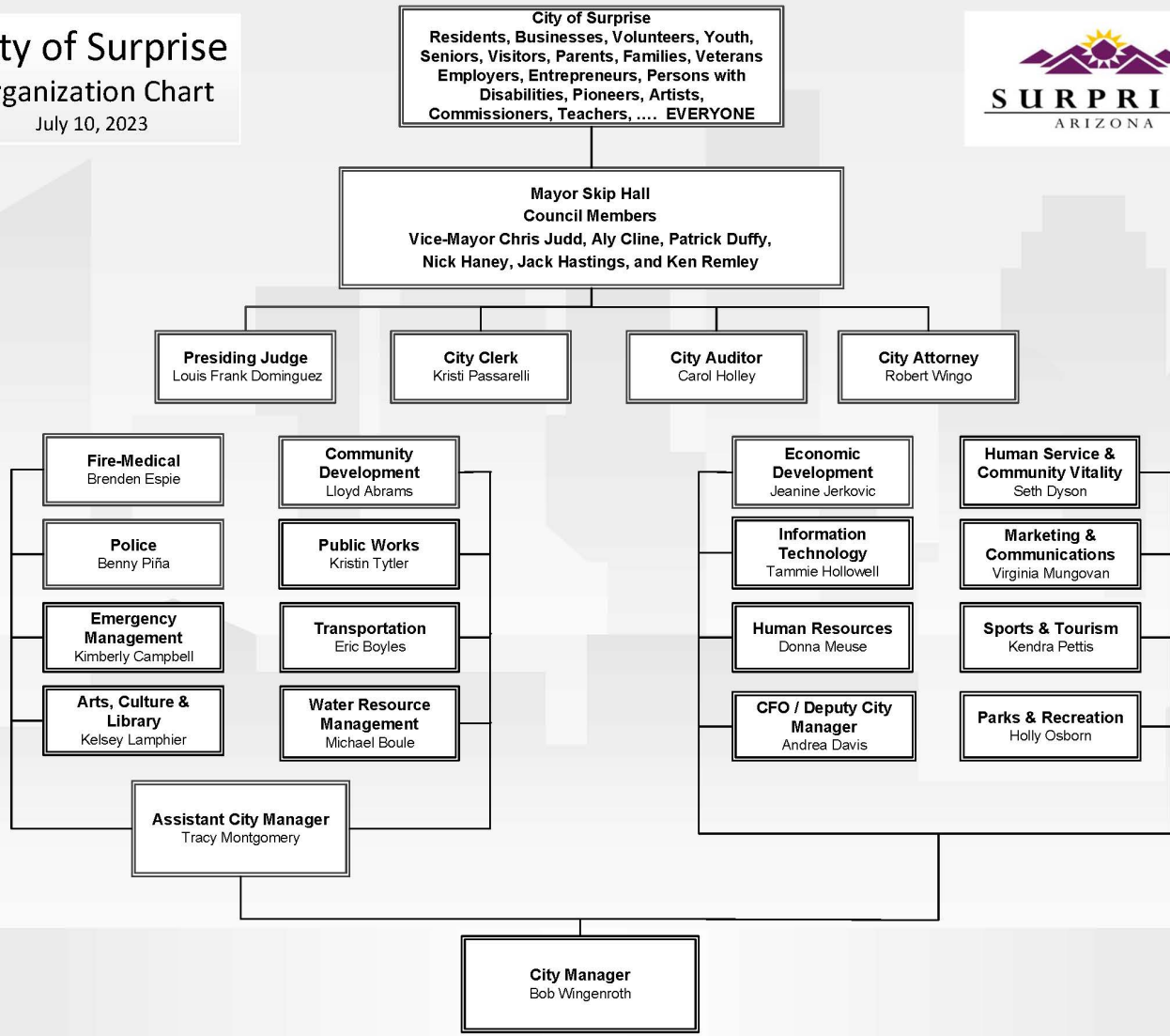
I want to thank and recognize the staff of the Finance Department for their efforts in preparing this report. I would also like to thank all City departments for their assistance throughout the past year and express my appreciation for the guidance and support from the City Manager's Office and Mayor 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/Deputy City Manager

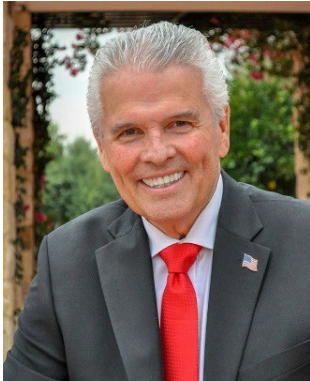
City of Surprise Organization Chart

July 10, 2023



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.

Mayor Hall was first elected to the City Council with a special election for District 6 (Palo Verde) in April 2008 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. Mayor Hall was selected to serve as Mayor by the City Council in November 2018 to fill a vacancy.

Prior to serving on City Council, Mayor Hall served three years on the City of Surprise Planning and Zoning Commission. He also spent several decades working in various capacities in the hospitality and real estate industries.

For three years, Mayor Hall served as the Vice President for a new homebuilder in California, 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.

Mayor Hall has been part of the City Council's united effort that helped bring Surprise back to fiscal health during the recession, generating a budget surplus placing the City's fiscal house in order and improving our City's bond ratings. Mayor Hall also played a proactive supporting role in initiating a Surprise youth initiative and the annual Surprise Literacy Challenge with former Councilman John Williams. Mayor Hall oversees a growing economy that has added many new businesses and thousands of jobs to Surprise, as well as a new capital investment and employers like Amazon, IRIS USA, OUAZ and many more. He brings a renewed focus and attention to Surprise downtown area and a creative economy with new restaurant and entertainment options to the Prasad area.

During his time on Council, Mayor Hall has served on numerous City Council Sub-Committees, including as current chair of Public Safety Retirement Commission. He has also served on WESTMARC's Water and Energy Committee and the Valley Metro RPTA Board. Mayor Hall's regional service currently includes a position on the Maricopa Association of Governments (MAG) Regional Council, MAG Transportation Policy Committee, and Luke West Valley Council. Mayor Hall is active with the City's AZ TechCelerator to promote business growth, and he is the chair of the Mayor's Veterans Roundtable.

Mayor Hall's goals for the City include maintaining strong public safety for residents amidst continued growth; continuing to expand upon the City's long-term, sustainable water master plan; working with federal, state and county partners to increase funding opportunities and maintain focus on transportation infrastructure needs and expanding east-west connections specific to north Surprise. Mayor Hall continues to seek opportunities to bring healthy and active outdoor spaces to our community that will help meet the demands of our recreational and sports programs and increase youth involvement within the community.

Mayor Hall continues to look for ways to serve the residents of Surprise with an emphasis on public safety, financial health, water resources, streets, solid waste, recycling, youth, veterans and keeping the friendly, small-town feel of Surprise as the City grows.

Mayor Hall is a Vietnam War Veteran and was awarded the Bronze Star for his outstanding service 1969-1970. He grew up in Idaho and received a business degree from Seattle University.

NICK HANEY – Nick.Haney@surpriseaz.gov



Nick Haney was elected to serve the residents of District One in August of 2022 and began a four-year term in January 2023. His family moved to Surprise over 20 years ago and put down roots in the community. Nick was raised in Surprise and attended school in the Dysart Unified School District. His call to service started at a young age as he became involved in the Surprise Youth Council and was elected to serve as chair.

Nick obtained his bachelor's degree from Arizona State University where he quickly became a student leader on campus. In addition to his volunteer involvement on campus, Nick achieved the highest academic success, graduating Summa Cum Laude. After college, he chose to carry on the family tradition of public service as a first responder.

Nick is proud to come from a family of public servants. Two of his grandparents served in the United States Air Force. In addition, his other grandfather, who lives in Surprise, served in the United States Navy as a Corpsman and is a veteran of the Vietnam War. Nick's father is a United States Army Veteran, and his mother is a member of law enforcement. Nick has continued this tradition of service as a firefighter paramedic with one of the busiest fire departments in the Valley. When he is not at the fire station, he volunteers at various charitable events throughout the year, giving back to those in need.

Nick recently married the love of his life, Nicole, who is a nurse at Phoenix Children's Hospital in the Pediatric Intensive Care Unit. The Haney's bought their first home in Surprise and are excited to start their new family in the city they both love.

Nick is excited to serve the City and community that has given him so much. He is committed to making Surprise an even better and safer city for his family and yours.

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.

Aly 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, Aly 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. Aly has a Certificate in Business Management from UCLA.

Aly 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. She 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.

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

Aly continues to serve as President of Friends of the Surprise Libraries, Inc., a non-profit organization that 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 Aly, 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.

Patrick 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. Patrick is currently a Board Member on WESTMARC, and also serves on City Council Subcommittees for Performance Evaluation Leaders; and the Tourism Fund. Patrick 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.

Patrick'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. Patrick 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



Ken Remley believes 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, Ken's vision is to attract quality employers and good paying jobs to Surprise, while maintaining cost-effective city services and fostering community pride.

Ken 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, Ken is currently employed as a Licensed Mortgage Loan Originator and income tax preparer.

Ken 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. Ken currently serves on the Salvation Army Advisory Board.

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

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

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

JACK HASTINGS – Jack.Hastings@surpriseaz.gov



Jack Hastings was elected in 2020, and re-elected in 2022 to represent the residents of Surprise District 5.

Jack is a third-generation Surprise resident. He is married to his wife Olivia, who he met in Surprise. He works as an Academic Intervention Specialist at West Point Elementary in the Dysart Unified School District. Jack has a Bachelor’s Degree from Arizona State University and earned his Master’s Degree in Educational Leadership.

Jack has helped pass balanced budgets on the Surprise City Council. He currently chairs the Education Subcommittee and serves on the Sports and Tourism Fund Subcommittee, the Community Outreach, Partnerships and Grants Subcommittee, and the Joint Planning Advisory Council. He also is an ambassador to the Greater Phoenix Economic Council (GPEC) to help promote our city and bring jobs and businesses to Surprise.

Jack is a strong supporter of public safety and an outspoken advocate for our first responders. His faith and relationship with God is central to his life. He loves seeing the work that God is doing in the community. Jack loves Surprise and is dedicated to giving back to the city he grew up in. He serves as your voice on the Surprise City Council.

VICE MAYOR CHRIS JUDD – Chris.Judd@surpriseaz.gov



Chris Judd was elected as the District 6 (D6) Councilmember in the August 2018 Primary Election to serve a four-year term beginning January 1, 2019.

Chris is a native Arizonan and graduate of Arizona State University. He has been part of the Surprise business community since the mid-’90’s, and he and his family of five have been coming home to Surprise for over a decade.

As an independent businessman, 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 from 2015-2016 and currently serves on the Board of Directors for the Rotary Club of Surprise Community Foundation.

Chris currently chairs the Community Outreach, Partnership and Grants Committee, Rules Committee and White Tanks Conservancy and serves on the Audit Committee and served on the MAG Economic Development Committee.

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 applied that knowledge and experience to a small business of his own, a Surprise-based trucking company that served local and long-haul clients.

Chris is an independent Insurance broker licensed in Property and Casualty Insurance. He holds a professional designation as a Life Underwriter Training Council Fellowship from the College for Financial Planning and a Bachelor of Science degree from Arizona State University.

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

Kristi Passarelli

City Attorney

Robert Wingo

Presiding Judge

Louis Frank Dominguez



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Surprise
Arizona**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



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



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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, 2023, 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, 2023, 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 GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Statement No. 99, *Omnibus 2022* for the year ended June 30, 2023, 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 14, 2023, 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 14, 2023



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



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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

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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, 2023. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes and 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 17.7% or \$130.8 million from \$738.0 million to \$868.8 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 10.6% or \$44.9 million from \$423.5 million to \$468.4 million. Continued growth in the City accounts for the increase, with \$41.9 million of the increase resulting from developer capital contributions.
- ❖ **Governmental Activities expenses** of \$227.7 million exceeded program revenues of \$140.3 million. The difference of \$87.4 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 \$56.7 million, while program revenues totaled \$100.9 million, a difference of \$44.2 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 26-27 and 28-29) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 34. These government-wide financial 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 26. 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. You may also 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, ground ambulance services, 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 water, sewer, sanitation, and stormwater systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 34 where the fund financial statements begin. These provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- ❖ **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. A description of the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is included in the reconciliations following the fund financial statements.
- ❖ **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash

flows, for proprietary funds. The City uses an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, specifically the City's Employee Healthcare Fund, the Risk Management Fund, and the Workers' Compensation Fund.

- ❖ **Fiduciary Funds** – The City is the fiduciary for the Flexible Spending Account. All of the City's fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 48-49.

These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of June 30, 2023 and June 30, 2022.

City of Surprise's Net Position (in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 387.1	\$ 327.8	\$ 128.4	\$ 114.1	\$ 515.5	\$ 441.9
Capital assets, net	722.9	634.7	383.3	358.1	1,106.2	992.8
Total assets	1,110.0	962.5	511.7	472.2	1,621.7	1,434.7
DEFERRED OUTFLOWS OF RESOURCES	40.5	32.5	2.2	3.3	42.7	35.8
LIABILITIES						
Current liabilities	27.1	22.7	6.9	6.4	34.0	29.1
Long-term liabilities	230.8	185.5	38.1	41.6	268.9	227.1
Total liabilities	257.9	208.2	45.0	48.0	302.9	256.2
DEFERRED INFLOWS OF RESOURCES	23.8	48.6	0.6	4.2	24.4	52.8
NET POSITION						
Net investment in capital assets	635.1	557.1	359.3	332.0	994.4	889.1
Restricted	40.4	39.3	19.5	12.4	59.9	51.7
Unrestricted	193.3	141.8	89.5	78.9	282.8	220.7
Total net position	\$ 868.8	\$ 738.2	\$ 468.3	\$ 423.3	\$ 1,337.1	\$ 1,161.5

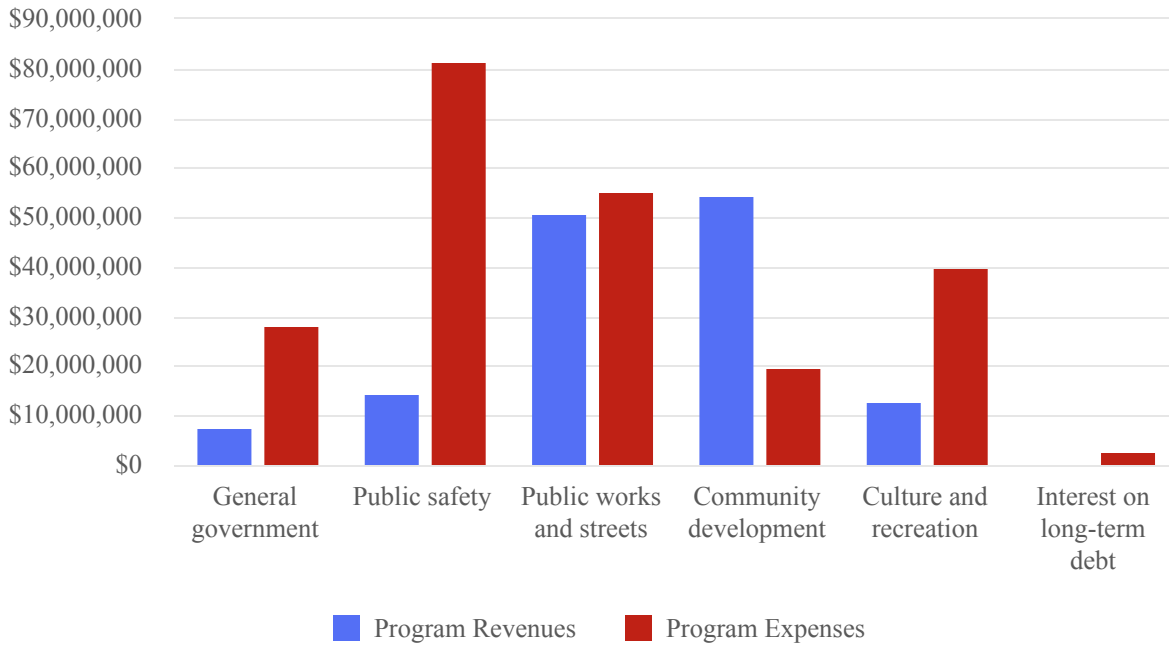
Net position is a good indicator of a city's overall financial standing. For fiscal year 2023, the City had total combined net position of \$1,337.1 million. This was an increase of \$175.6 million, or 15.1% over the prior year's net position of \$1,161.5 million. The increase can be attributed to continued economic strength, population growth, and capital grants and contributions.

Not all of the \$1,337.1 million is available for the City to use without restraint. The largest portion of the City's total net position, \$994.4 million, or 74.4%, represents the City's net investment in capital assets. Of the remaining net position, \$59.9 million is restricted for various purposes with the remaining \$282.8 million unrestricted as to its use.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues:						
Charges for services	\$ 45.4	\$ 41.3	\$ 59.1	\$ 64.3	\$ 104.5	\$ 105.6
Operating grants and contributions	16.2	25.2	—	—	16.2	25.2
Capital grants and contributions	78.6	68.6	41.8	22.9	120.4	91.5
General revenues:						
Property taxes	21.3	19.3	—	—	21.3	19.3
Sales taxes	124.3	103.4	—	—	124.3	103.4
Franchise taxes	6.7	6.4	—	—	6.7	6.4
State shared revenues	57.8	45.7	—	—	57.8	45.7
Unrestricted investment earnings	5.8	(2.6)	2.0	(0.8)	7.8	(3.4)
Other	0.8	1.4	0.2	0.3	1.0	1.7
Total revenues	356.9	308.7	103.1	86.7	460.0	395.4
EXPENSES						
Program activities:						
Governmental activities:						
General government	28.3	23.5	—	—	28.3	23.5
Public safety	81.6	70.5	—	—	81.6	70.5
Public works and streets	55.1	44.1	—	—	55.1	44.1
Community development	19.8	16.8	—	—	19.8	16.8
Culture and recreation	40.1	32.1	—	—	40.1	32.1
Interest on long-term debt	2.8	2.5	—	—	2.8	2.5
Business-type activities:						
Ground ambulance services	—	—	—	5.6	—	5.6
Water	—	—	18.0	16.3	18.0	16.3
Sewer	—	—	25.2	26.4	25.2	26.4
Sanitation	—	—	12.0	10.4	12.0	10.4
Stormwater	—	—	1.5	1.3	1.5	1.3
Total expenses	227.7	189.5	56.7	60.0	284.4	249.5
Excess before transfers	129.2	119.2	46.4	26.7	175.6	145.9
Transfers in (out)	1.6	0.7	(1.6)	(0.7)	—	—
Increase/(Decrease) in net position	130.8	119.9	44.9	26.0	175.6	145.9
Net position - beginning	738.0	618.3	423.5	397.3	1,161.5	1,015.6
Net position - ending	\$ 868.8	\$ 738.2	\$ 468.4	\$ 423.3	\$ 1,337.1	\$ 1,161.5

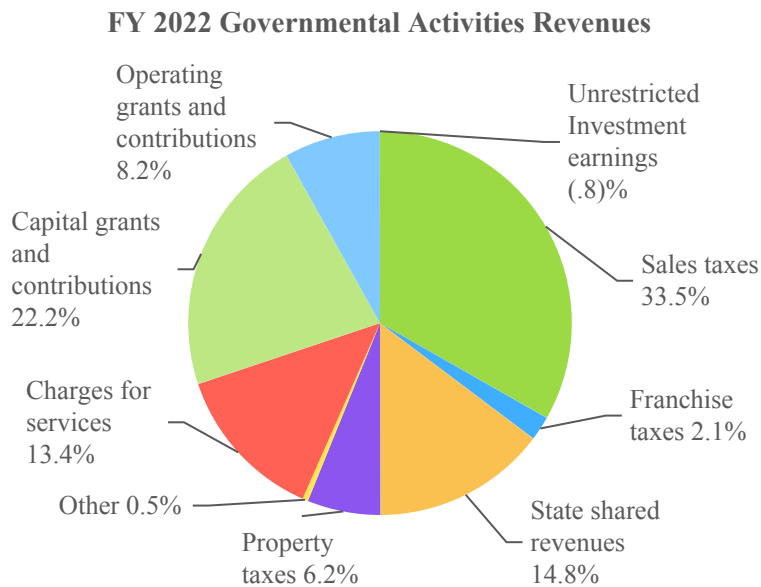
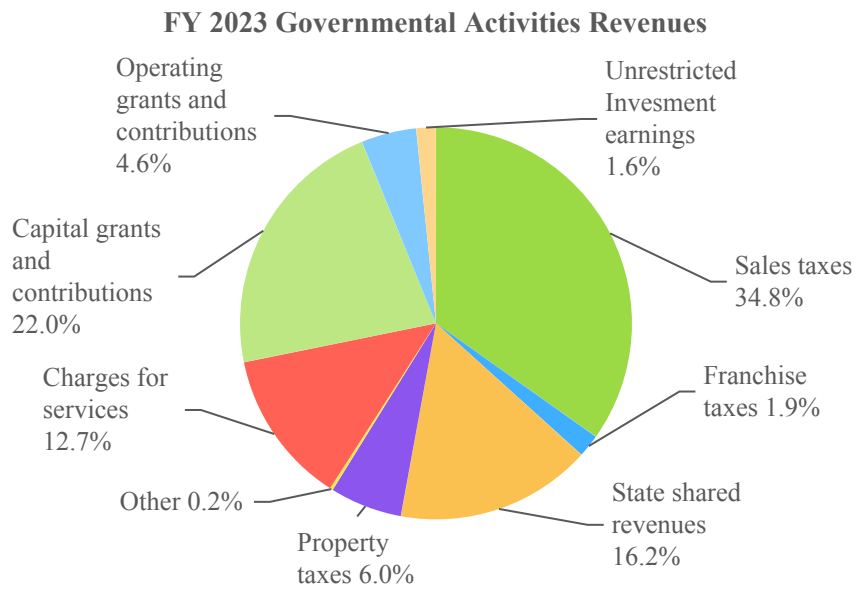
FY 2023 Governmental Activities Program Revenues and Expenses



For fiscal year 2023, governmental activities program expenses exceeded program specific revenues by \$87.4 million. The remaining expenses were supported by general governmental revenues.

- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 39.3% of total governmental revenues.
- ❖ Community oriented programs such as public safety (police, fire, ambulance services, 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, 2023 totaled \$356.9 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

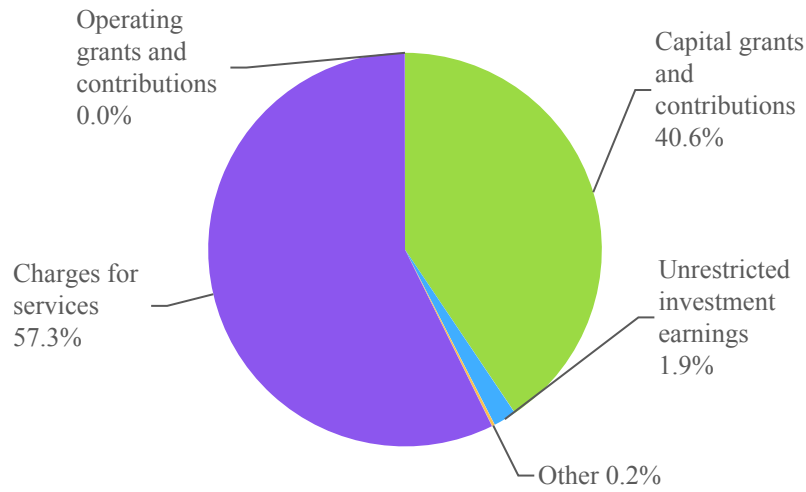


- ❖ The City’s largest revenue source is sales tax revenue at \$124.3 million, followed by capital grants and contributions totaling \$78.6 million. Total governmental activities revenues increased \$48.2 million from the prior year as a result of the following changes in revenue: Charges for services increased \$4.1 million due to the inclusion of the ground ambulance services fund as a governmental fund in fiscal year 2023. Also, local sales taxes increased \$20.9 million due to local economic and population growth, State shared revenues also increased \$12.1 million from continued state economic and population growth. Charges for services revenue also increased over prior year due to spring training attendance returning to normal after the pandemic restrictions in prior years. Building inspection revenue and administrative fee revenue related to

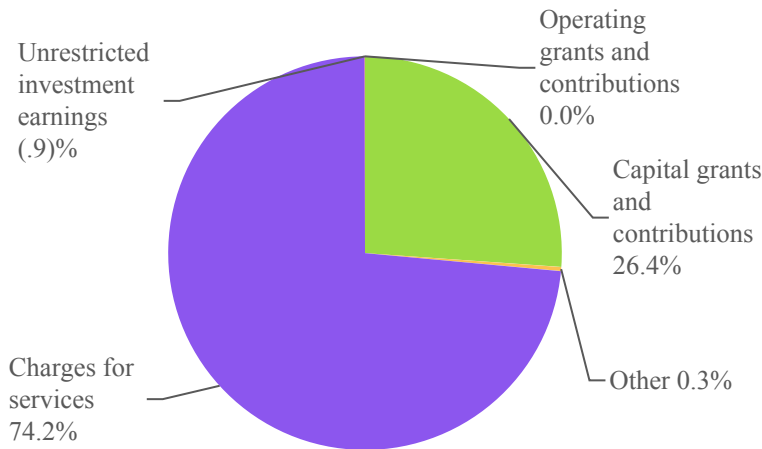
permitting decreased by about \$4 million compared to prior year, due to less residential building permits issued. Capital grants and contributions increased \$10.0 million from developer donated infrastructure in prior year and operating grants and contributions decreased \$9.0 million due to the American Rescue Plan Act grant revenue recorded in prior year, not applicable to fiscal year 2023.

Business-Type Activities revenues for the fiscal year ended June 30, 2023 totaling \$103.1 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

FY 2023 Business-Type Activities Revenues



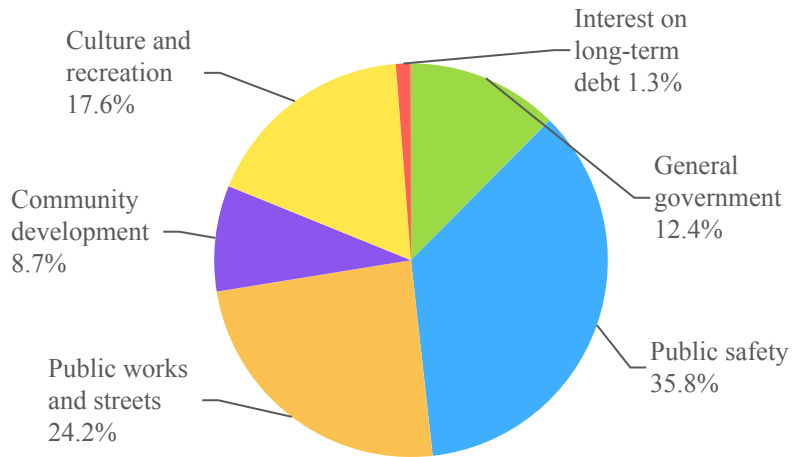
FY 2022 Business-Type Activities Revenues



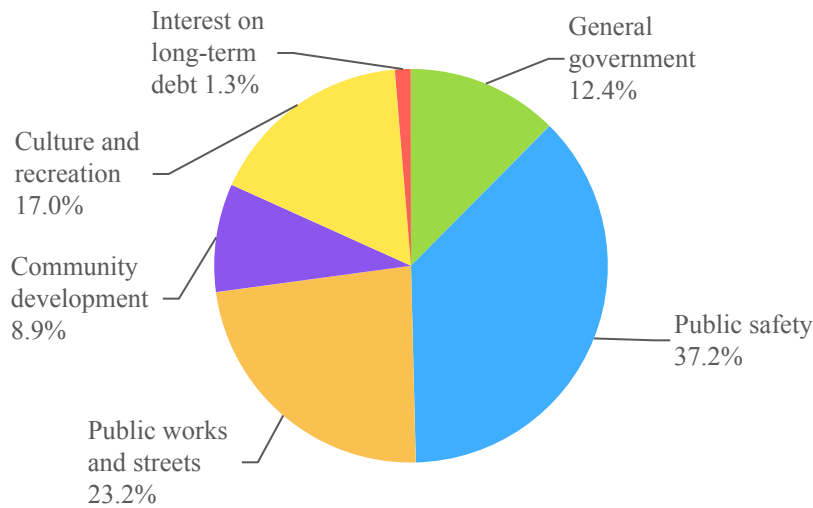
- ❖ Total Business-Type Activities revenues increased 19.0% or \$16.4 million from the prior fiscal year. Capital grants and contributions increased by 83.0% or \$18.9 million due to a larger amount of developer donated infrastructure in the current year compared to prior year.

Governmental Activities expenses for the fiscal year ended June 30, 2023 totaled \$227.7 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison

FY 2023 Governmental Activities Expenses



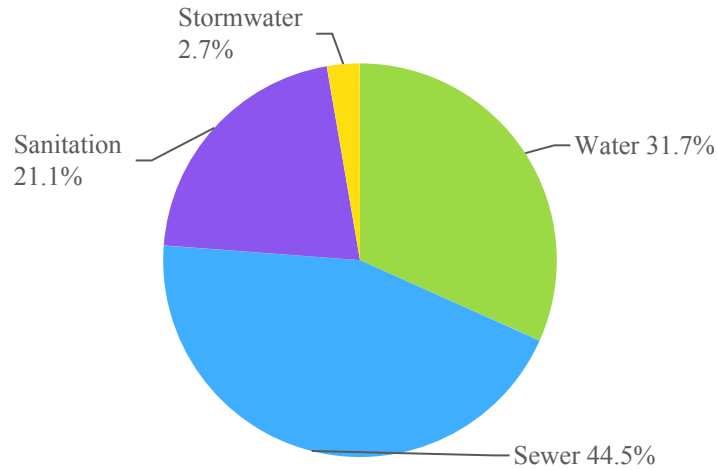
FY 2022 Governmental Activities Expenses



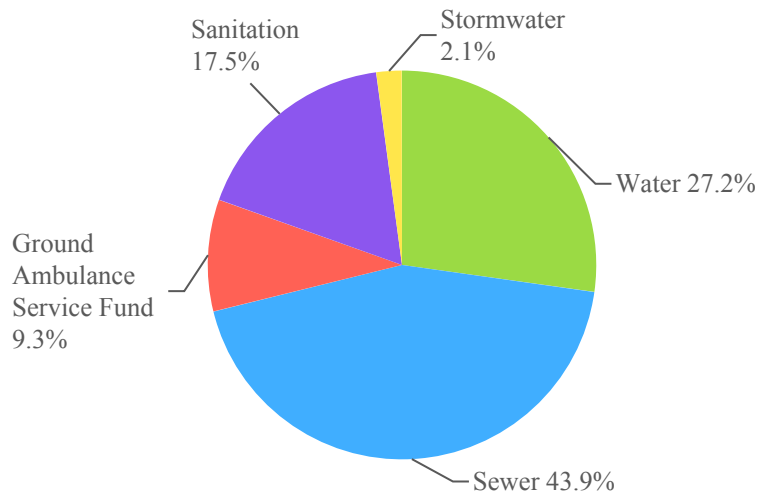
- ❖ Current year expenses increased by \$38.2 million or 20.1% as result of increases in personnel, supplies, and services. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at 35.8% or \$81.6 million.

Business-Type Activities expenses for the fiscal year ended June 30, 2023 totaled \$56.7 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

FY 2023 Business-Type Activities Expenses



FY 2022 Business-Type Activities Expenses



- ❖ Business-Type Activities expenses decreased by \$3.3 million or 5.5% from the prior year. The ground ambulance service fund being converted to a governmental fund contributed \$5.6 million to the decrease, offset by about \$2.3 million for inventory adjustment of water storage credits used up in fiscal year 2023 that were purchased in prior years.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$51.0 million from \$258.4 million to \$309.8 million. The increase is attributed to continued economic strength, population growth, and grants. Of the total ending fund balance, \$5.1 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 \$38.0 million has been classified as restricted and consists of amounts restricted by external parties or as a result of the law. Of the remaining fund balance, \$73.0 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 \$136.3 million of fund balance which has been assigned to a specific purpose by the Chief Financial Officer; these amounts may be used for other purposes than the currently assigned positions if the Chief Financial Officer deems it necessary. Finally, there is an unassigned fund balance of \$57.4 million which can be used for any purpose.
 - The General Fund balance increased \$15.0 million. This change was the result of increases in property taxes due to additional properties being built in the City and a general increase in taxable property values, and sales taxes, state shared revenues, and intergovernmental revenues due to growth within the State. The increase can also be attributed to the increase in investment value and investment interest received. Administrative development revenue and building inspections related to permitting decreased by about \$4.0 million compared to prior year, due to less residential building permits being issued in fiscal year 2023.
 - The General Capital Projects Fund balance increased \$22.1 million. This increase was due to a transfer of one-time revenue and savings from the General Fund and an increase of construction sales tax of \$7.7 million compared to prior year.
 - The General Government Development Fee Fund contains \$3.7 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 \$7.7 million from \$18.3 million to \$26.0 million. This increase is mainly due to construction sales tax revenue, which increased by \$5.3 million from prior year. This revenue is derived from sales tax on construction within the City.
 - The Nonmajor Governmental Funds fund balance increased \$6.2 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 \$189.4 million. Budget adjustments throughout the year resulted in total budgeted expenditures of \$190.9 million. The \$1.5 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 \$145.2 million was \$45.7 million less than the final budget due to budgeting for certain contingencies and unforeseen expenses that did not come to fruition.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and improvements	\$ 235.6	\$ 194.5	\$ 13.3	\$ 5.4	\$ 248.9	\$ 199.9
Parks	8.6	8.6	—	—	8.6	8.6
Water rights	—	—	28.3	25.0	28.3	25.0
Construction in progress	7.8	5.7	10.8	9.6	18.6	15.3
Buildings and improvements	143.2	144.9	308.4	296.0	451.6	440.9
Improvements other than buildings	32.6	21.5	8.8	9.1	41.4	30.6
Equipment and vehicles	22.1	22.5	13.6	13.0	35.7	35.5
Intangibles	3.6	4.8	—	—	3.6	4.8
Infrastructure	261.2	226.5	—	—	261.2	226.5
Subscriptions assets	2.5	—	0.1	—	2.6	—
Lease assets	5.7	5.7	—	—	5.7	5.7
Total capital assets, net	<u>\$ 722.9</u>	<u>\$ 634.7</u>	<u>\$ 383.3</u>	<u>\$ 358.1</u>	<u>\$ 1,106.2</u>	<u>\$ 992.8</u>

The capital assets of the Governmental Activities increased by \$88.2 million from the prior fiscal year, net of depreciation (\$117.8 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2023 were the result of:
 - Implementation of GASB 96 where certain IT subscriptions previously recorded only when cash was received/paid, are now recorded as right-to-use capital assets.
 - Current year depreciation expense of \$36.1 million
 - Capital contributions made to the City by developers
 - \$37.8 million – right-of ways
 - \$32.9 million – streets infrastructure
- ❖ Governmental Activities construction in progress includes:
 - \$1.0 million – Community Pool
 - \$1.7 million – Regional Communications Tower #1
 - \$0.8 million – Cactus Road (Cotton to Reems)

The capital assets of the Business-Type Activities funds increased by \$25.2 million from the prior fiscal year, net of depreciation (\$42.3 million increase before depreciation).

- ❖ Changes to the Business-Type Activities capital assets for fiscal year 2023 were the result of:
 - Current year depreciation expense of \$16.4 million.
 - Capital contributions made to the City by developers. The assets donated consisted primarily of water, sewer, and stormwater improvements.
 - \$7.7 million – Water lines
 - \$10.7 million – Sewer lines
 - \$4.8 million – Stormwater drains

- ❖ Business-Type Activities construction in progress includes:
 - \$5.1 million – South Plant Operations Building Remodel
 - \$1.3 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	
	2023	2022	2023	2022	2023	2022
General obligations	\$ 42.6	\$ 46.6	\$ —	\$ —	\$ 42.6	\$ 46.6
Pledged revenue obligations	12.3	15.4	0.8	1.6	13.1	17.0
Senior lien utility system revenue refunding obligations	—	—	23.2	24.5	23.2	24.5
Community facilities district bonds	31.0	18.4	—	—	31.0	18.4
Community facilities district notes	2.0	2.2	—	—	2.0	2.2
Subscriptions liability	2.6	—	0.1	—	2.7	—
Leases payable	6.7	6.0	—	—	6.7	6.0
Total debt outstanding	\$ 97.2	\$ 88.6	\$ 24.1	\$ 26.1	\$ 121.3	\$ 114.7

- ❖ **Long-term debt**, including amounts due within one year, increased \$6.6 million this year from \$114.7 million to \$121.3 million due to the issuance of \$13.0 million in community facilities districts bonds less normal debt service payments.
- ❖ **Subscriptions liability** - The City implemented GASB Statement No. 96, Subscription-Based Information Technology Agreements, in fiscal year 2023, which establishes that the contracted value of certain technology based subscriptions should be recorded as an intangible asset and have a corresponding liability.
- ❖ For more detailed information on long-term debt, see Note 7 of this report.

ECONOMIC FACTORS, RATES, AND NEXT YEAR’S BUDGET

Last year’s fiscal year 2022 budget was unique in the fact that its focus was on the recovery from a global pandemic. After two consecutive budgets with financial uncertainty, the fiscal year 2022 budget was the first step back into normalcy. As the City continues to navigate in this economic climate, new challenges such as sweeping supply chain interruptions, rising inflation, and workforce shortages are now at the forefront of not only the headlines, but also the City’s budget strategy

The City’s economic position continues to be strong due to financially sound policy decisions led by our City Council. This is evident by receiving a AAA Fitch bond rating. The City continues to see robust commercial development, and while the single-family home market is slowing, Surprise is seeing the emergence of the multi-family residential market. This has resulted in continued strong revenues, which has provided the City the opportunity to provide dedicated funding to maintain our high level of service and provide operational funding to enhance the services that we provide to our residents. Additionally, the City saw an increase in its state shared revenue, mainly due to the growth that the State of Arizona continues to see. This revenue provides funding to help offset the cost to support new residents. Residential and commercial growth adds demand to our service levels in areas such as public safety, transportation, parks and recreation, and community development. The City continues to strengthen its financial position to maintain its valuable assets moving into the future.

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 20.2% increase in sales tax collections while state shared sales tax revenues increased by 26.4% 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 increase** – Revenues are estimated to increase due to population growth and a strengthening local economy.
- ❖ **Personnel increase** – For the fiscal year 2024 budget, city employees received COLA increases of 8.0%. 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 fiscal year 2024 is \$771.1 million, a \$36.5 million increase over the fiscal year 2023 adopted budgeted of \$734.6 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.



SURPRISE

ARIZONA



**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, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 338,314,692	\$ 93,385,103	\$ 431,699,795
Restricted cash and investments	4,425,857	10,534,202	14,960,059
Receivables (net of allowances):			
Accounts	1,720,139	9,025,597	10,745,736
Taxes and franchise fees	17,706,258	—	17,706,258
Grants	1,078,110	—	1,078,110
Intergovernmental	2,288,665	—	2,288,665
Leases	341,093	—	341,093
Other	1,937,891	190,086	2,127,977
Prepaid items and other assets	2,759,170	3,421,926	6,181,096
Inventory	2,331,005	3,301,852	5,632,857
Internal balances	(8,100,908)	8,100,908	—
Total current assets	<u>364,801,972</u>	<u>127,959,674</u>	<u>492,761,646</u>
Noncurrent assets:			
Equity interest in joint venture	901,878	—	901,878
Net other postemployment benefits asset (OPEB)	2,259,411	413,560	2,672,971
Leases receivable	19,113,353	—	19,113,353
Capital assets, non-depreciable	252,022,283	52,479,183	304,501,466
Capital assets, depreciable	946,377,837	515,165,684	1,461,543,521
Accumulated depreciation/amortization	(475,463,919)	(184,342,871)	(659,806,790)
Total noncurrent assets	<u>745,210,843</u>	<u>383,715,556</u>	<u>1,128,926,399</u>
Total assets	<u>1,110,012,815</u>	<u>511,675,230</u>	<u>1,621,688,045</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related	40,010,214	2,206,582	42,216,796
Deferred outflows of resources - OPEB related	470,573	50,096	520,669
Total deferred outflows of resources	<u>40,480,787</u>	<u>2,256,678</u>	<u>42,737,465</u>
Total assets and deferred outflows of resources	<u>1,150,493,602</u>	<u>513,931,908</u>	<u>1,664,425,510</u>
LIABILITIES			
Current liabilities:			
Accounts payable	8,303,680	3,249,476	11,553,156
Accrued payroll and related taxes	2,541,677	262,331	2,804,008
Deposits	534,877	517,634	1,052,511
Unearned revenues	6,848,508	498,148	7,346,656
Other liabilities	59,850	—	59,850
Matured bond and loan interest payable	1,719,067	569,033	2,288,100
Matured bond and loans payable	7,077,488	1,812,512	8,890,000
Total current liabilities	<u>\$ 27,085,147</u>	<u>\$ 6,909,134</u>	<u>\$ 33,994,281</u>

See accompanying Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Due within one year:			
Contracts payable	\$ 10,973,352	\$ 858,950	\$ 11,832,302
Compensated absences payable	4,065,056	490,983	4,556,039
Bonds, loans and payables	8,647,694	1,986,919	10,634,613
Claims payable	2,420,267	—	2,420,267
Due in more than one year:			
Compensated absences payable	6,358,165	767,947	7,126,112
Bonds, loans and payables	88,567,472	22,132,022	110,699,494
Claims payable	582,870	—	582,870
Net pension liability	109,170,792	11,841,156	121,011,948
Net OPEB liability	30,458	6,753	37,211
Total noncurrent liabilities	<u>230,816,126</u>	<u>38,084,730</u>	<u>268,900,856</u>
Total liabilities	<u>257,901,273</u>	<u>44,993,864</u>	<u>302,895,137</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related	3,223,403	311,908	3,535,311
Deferred inflows of resources - OPEB related	1,781,489	264,723	2,046,212
Deferred inflows of resources - lease related	18,815,626	—	18,815,626
Total deferred inflows of resources	<u>23,820,518</u>	<u>576,631</u>	<u>24,397,149</u>
Total liabilities and deferred inflows of resources	<u>281,721,791</u>	<u>45,570,495</u>	<u>327,292,286</u>
NET POSITION			
Net investment in capital assets	635,129,381	359,266,161	994,395,542
Restricted for:			
Capital projects	—	19,143,984	19,143,984
Court	593,560	—	593,560
Debt service	1,390,416	10,672	1,401,088
Economic development	6,127	—	6,127
Fire-Medical	12,696,123	—	12,696,123
Human services and community vitality	26,412	—	26,412
Parks and recreation	9,169,151	—	9,169,151
Police	8,327,713	—	8,327,713
Public works	1,033,646	—	1,033,646
Transportation	4,910,428	—	4,910,428
OPEB	2,228,953	406,807	2,635,760
Unrestricted	193,259,901	89,533,789	282,793,690
Total net position	<u>\$ 868,771,811</u>	<u>\$ 468,361,413</u>	<u>\$1,337,133,224</u>

City of Surprise, Arizona
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs Primary government:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 28,301,955	\$ 6,986,841	\$ 52,916	\$ 672,173
Public safety	81,547,703	8,895,858	1,970,757	3,582,696
Public works and streets	55,094,815	5,758,180	11,582,757	33,329,730
Community development	19,817,626	16,694,651	5,000	37,802,725
Culture and recreation	40,095,959	7,108,660	2,615,082	3,203,041
Interest on long-term debt	2,804,532	—	—	—
Total governmental activities	<u>227,662,590</u>	<u>45,444,190</u>	<u>16,226,512</u>	<u>78,590,365</u>
Business-type activities:				
Water	17,982,628	20,634,451	—	22,928,305
Sewer	25,233,442	22,089,082	—	14,212,924
Sanitation	11,969,060	13,621,619	—	—
Stormwater	1,532,003	2,732,797	—	4,713,249
Total business-type activities	<u>56,717,133</u>	<u>59,077,949</u>	<u>—</u>	<u>41,854,478</u>
Total primary government	<u>\$ 284,379,723</u>	<u>\$ 104,522,139</u>	<u>\$ 16,226,512</u>	<u>\$ 120,444,843</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 (as restated)
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
(20,590,025)	—	(20,590,025)
(67,098,392)	—	(67,098,392)
(4,424,148)	—	(4,424,148)
34,684,750	—	34,684,750
(27,169,176)	—	(27,169,176)
(2,804,532)	—	(2,804,532)
<u>(87,401,523)</u>	<u>—</u>	<u>(87,401,523)</u>
—	25,580,128	25,580,128
—	11,068,564	11,068,564
—	1,652,559	1,652,559
—	5,914,043	5,914,043
—	44,215,294	44,215,294
<u>(87,401,523)</u>	<u>44,215,294</u>	<u>(43,186,229)</u>
21,294,443	—	21,294,443
124,293,240	—	124,293,240
6,676,257	—	6,676,257
57,757,239	—	57,757,239
5,759,229	1,959,742	7,718,971
838,040	247,893	1,085,933
1,563,726	(1,563,726)	—
<u>218,182,174</u>	<u>643,909</u>	<u>218,826,083</u>
130,780,651	44,859,203	175,639,854
737,991,160	423,502,210	1,161,493,370
<u>868,771,811</u>	<u>468,361,413</u>	<u>1,337,133,224</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, 2023

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
ASSETS			
Cash and investments	\$ 131,354,407	\$ 109,679,132	\$ 366,667
Restricted cash and investments	—	—	—
Receivables (net of allowances):			
Accounts	266,843	—	—
Taxes and franchise fees	17,500,909	—	—
Grants	—	—	—
Intergovernmental	1,191,661	—	—
Leases	16,566,611	—	—
Due from other funds	69,457	—	—
Other	560,186	—	—
Prepaid items and other assets	204,924	983,261	—
Inventory	1,264,546	624,562	—
Total assets	<u>\$ 168,979,544</u>	<u>\$ 111,286,955</u>	<u>\$ 366,667</u>
LIABILITIES			
Accounts payable	\$ 2,281,111	\$ 3,131,679	\$ —
Accrued payroll and related taxes	2,381,760	—	—
Due to other funds	—	—	—
Deposits	482,200	—	—
Unearned revenue	965,198	—	—
Contracts payable	10,911,062	—	—
Other liabilities	30,486	—	—
Matured bond interest payable	—	—	—
Matured bonds and notes payable	—	—	—
Advances from other funds	—	—	3,716,143
Total liabilities	<u>17,051,817</u>	<u>3,131,679</u>	<u>3,716,143</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - unavailable revenue	215,622	—	—
Deferred inflows - leases	16,049,173	—	—
Total deferred inflow of resources	<u>16,264,795</u>	<u>—</u>	<u>—</u>
Total liabilities and deferred inflows of resources	<u>33,316,612</u>	<u>3,131,679</u>	<u>3,716,143</u>
FUND BALANCES (DEFICITS)			
Nonspendable	1,469,470	1,607,823	—
Restricted	303,801	—	—
Committed	43,210,100	—	—
Assigned	29,737,690	106,547,453	—
Unassigned	60,941,871	—	(3,349,476)
Total fund balances (deficits)	<u>135,662,932</u>	<u>108,155,276</u>	<u>(3,349,476)</u>
Total liabilities, deferred inflows and fund balances (deficits)	<u>\$ 168,979,544</u>	<u>\$ 111,286,955</u>	<u>\$ 366,667</u>

See accompanying Notes to Financial Statements

Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 4,380,328	\$ 26,749,329	\$ 5,008,547	\$ 40,964,445	\$ 318,502,855
—	—	3,123,856	1,302,001	4,425,857
—	—	—	1,453,296	1,720,139
—	—	138,443	66,906	17,706,258
—	—	—	1,078,110	1,078,110
1,097,004	—	—	—	2,288,665
—	—	—	2,887,835	19,454,446
—	—	—	—	69,457
—	—	—	371,706	931,892
1,147	—	—	1,567,596	2,756,928
432,965	—	—	8,932	2,331,005
<u>\$ 5,911,444</u>	<u>\$ 26,749,329</u>	<u>\$ 8,270,846</u>	<u>\$ 49,700,827</u>	<u>\$ 371,265,612</u>
\$ 555,110	\$ 719,510	\$ —	\$ 1,440,386	\$ 8,127,796
11,412	—	—	140,720	2,533,892
—	—	—	69,457	69,457
—	52,215	—	462	534,877
2,000	—	—	5,881,310	6,848,508
—	3,750	—	58,540	10,973,352
—	—	—	—	30,486
—	—	1,105,489	613,578	1,719,067
—	—	6,422,488	655,000	7,077,488
—	—	—	—	3,716,143
<u>568,522</u>	<u>775,475</u>	<u>7,527,977</u>	<u>8,859,453</u>	<u>41,631,066</u>
—	—	39,296	734,348	989,266
—	—	—	2,766,453	18,815,626
—	—	39,296	3,500,801	19,804,892
<u>568,522</u>	<u>775,475</u>	<u>7,567,273</u>	<u>12,360,254</u>	<u>61,435,958</u>
434,112	—	—	1,576,528	5,087,933
4,908,810	—	703,573	32,102,805	38,018,989
—	25,973,854	—	3,827,063	73,011,017
—	—	—	—	136,285,143
—	—	—	(165,823)	57,426,572
<u>5,342,922</u>	<u>25,973,854</u>	<u>703,573</u>	<u>37,340,573</u>	<u>309,829,654</u>
<u>\$ 5,911,444</u>	<u>\$ 26,749,329</u>	<u>\$ 8,270,846</u>	<u>\$ 49,700,827</u>	<u>\$ 371,265,612</u>



SURPRISE

ARIZONA

City of Surprise, Arizona

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

June 30, 2023

Fund balances - total governmental funds		\$ 309,829,654
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	1,198,400,120	
Less accumulated depreciation	<u>(475,463,919)</u>	
		722,936,201
Some revenues will not be available to pay for current period expenditures and, therefore, are unavailable in the funds.		
		989,266
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)	13,248,507	
Net pension liability	(510,313)	
Net pension deferred outflows	95,096	
Net pension deferred inflows	(13,442)	
Compensated absences payable	(60,331)	
Net OPEB asset	17,824	
Net OPEB deferred outflows	2,158	
Net OPEB deferred inflows	(11,408)	
Net OPEB liability	<u>(291)</u>	
		12,767,800
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	39,915,118	
Deferred inflows of resources related to pensions	<u>(3,209,961)</u>	
		36,705,157
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(83,646,189)	
Leases payable/subscriptions payable	(9,355,984)	
Interest payable	(29,364)	
Issuance premium (to be amortized as interest expense)	(4,212,993)	
Net pension liability	(108,660,479)	
Compensated absences payable	(10,362,890)	
Net OPEB asset	2,241,587	
Net OPEB liability	<u>(30,167)</u>	
		(214,056,479)
The equity interest in the joint venture, Regional Wireless Cooperative, is not a financial resource and, therefore, is not reported in the funds.		
		901,878
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	468,415	
Deferred inflows of resources related to OPEB	<u>(1,770,081)</u>	
		(1,301,666)
Net position of governmental activities		<u><u>\$ 868,771,811</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, 2023

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
REVENUES			
Taxes	\$ 93,988,457	\$ 23,745,330	\$ —
Licenses and permits	6,781,295	436,017	—
Intergovernmental revenues	59,294,953	—	—
Charges for services	24,966,845	—	—
Grants revenue	—	—	—
Fines	859,484	—	—
Rents	621,200	—	—
Development fees	—	—	672,173
Interest revenue	2,244,178	1,992,623	29,723
Donations	94,899	—	—
Indirect charges	6,455,301	—	—
Other revenue	768,606	94,154	—
Total revenues	<u>196,075,218</u>	<u>26,268,124</u>	<u>701,896</u>
EXPENDITURES			
Current:			
General government	23,414,458	125,800	—
Public safety	72,354,872	1,231,244	—
Public works and streets	11,096,412	3,822,219	—
Community development	17,274,552	82,415	—
Culture and recreation	18,191,996	4,938,536	—
Debt service:			
Administrative charges	—	—	—
Principal retirement	936,693	—	—
Interest	15,132	—	—
Capital outlay	1,921,035	27,704,627	—
Total expenditures	<u>145,205,150</u>	<u>37,904,841</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>50,870,068</u>	<u>(11,636,717)</u>	<u>701,896</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	165,522	—	—
Transfers in	1,779,600	33,359,800	—
Transfers out	(37,804,131)	(95,599)	(366,702)
Issuance of debt	—	—	—
Premium on debt issuance	—	—	—
Lease agreements	56,124	—	—
Total other financing sources (uses)	<u>(35,802,885)</u>	<u>33,264,201</u>	<u>(366,702)</u>
Net change in fund balances	15,067,183	21,627,484	335,194
Fund balances - beginning (as restated)	120,626,996	86,081,107	(3,684,670)
Increase (decrease) in inventories	(31,247)	446,685	—
Fund balances (deficits) - ending	<u>\$ 135,662,932</u>	<u>\$ 108,155,276</u>	<u>\$ (3,349,476)</u>

See accompanying Notes to Financial Statements

Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ —	\$ 16,189,998	\$ 5,552,056	\$ 6,124,074	\$ 145,599,915
—	—	—	—	7,217,312
11,093,076	—	—	1,357,417	71,745,446
15,000	—	—	10,104,610	35,086,455
—	—	—	3,733,991	3,733,991
—	—	—	299,815	1,159,299
—	—	—	488,130	1,109,330
—	—	—	6,195,449	6,867,622
109,834	447,991	63,106	705,259	5,592,714
—	—	—	—	94,899
—	—	—	—	6,455,301
44,450	43,059	184,347	77,002	1,211,618
<u>11,262,360</u>	<u>16,681,048</u>	<u>5,799,509</u>	<u>29,085,747</u>	<u>285,873,902</u>
163,509	—	—	312,400	24,016,167
—	—	—	5,817,322	79,403,438
10,695,785	2,992,766	—	364,134	28,971,316
—	—	—	2,304,899	19,661,866
—	—	—	9,990,653	33,121,185
—	—	2,516	508,417	510,933
2,835	—	6,422,488	684,968	8,046,984
62	—	2,210,978	1,239,564	3,465,736
967,179	5,910,553	—	16,092,927	52,596,321
<u>11,829,370</u>	<u>8,903,319</u>	<u>8,635,982</u>	<u>37,315,284</u>	<u>249,793,946</u>
<u>(567,010)</u>	<u>7,777,729</u>	<u>(2,836,473)</u>	<u>(8,229,537)</u>	<u>36,079,956</u>
48,423	—	—	—	213,945
—	—	3,475,905	2,892,023	41,507,328
—	(112,300)	—	(1,564,870)	(39,943,602)
—	—	—	13,065,000	13,065,000
—	—	—	27,551	27,551
—	—	—	—	56,124
<u>48,423</u>	<u>(112,300)</u>	<u>3,475,905</u>	<u>14,419,704</u>	<u>14,926,346</u>
(518,587)	7,665,429	639,432	6,190,167	51,006,302
5,814,535	18,308,425	64,141	31,150,902	258,361,436
46,974	—	—	(496)	461,916
<u>\$ 5,342,922</u>	<u>\$ 25,973,854</u>	<u>\$ 703,573</u>	<u>\$ 37,340,573</u>	<u>\$ 309,829,654</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, 2023

Net change in fund balances - total governmental funds \$ 51,006,302

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	50,508,267	
Less current year depreciation	<u>(36,098,714)</u>	14,409,553

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.

Capital contributions	70,733,187	
Disposals of assets	<u>(1,299,810)</u>	69,433,377

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (38,321)

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		461,916
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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	16,538,534	
Pension expense	<u>(16,489,870)</u>	48,664

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	689,072	
Principal paid	8,046,984	
Bond proceeds	(13,907,705)	
Issuance premium	(27,551)	
Interest payable	(27,868)	
Disposal of lease	<u>(8,874)</u>	(5,235,942)

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	(951,279)
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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)	1,092,417
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Change in equity interest in joint venture	(2,552)
--	---------

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	237,884	
OPEB expense	318,632	
	556,516	

Change in net position of governmental activities		<u><u>\$ 130,780,651</u></u>
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City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
ASSETS			
Current assets:			
Cash and investments	\$ 44,760,775	\$ 35,197,677	\$ 8,722,159
Restricted cash and investments	2,807,085	7,544,471	—
Receivables (net of allowances):			
Accounts	2,515,396	3,557,013	1,782,929
Other	186,297	3,789	—
Other assets	3,421,680	82	164
Inventory	2,277,870	711,668	312,314
Total current assets	<u>55,969,103</u>	<u>47,014,700</u>	<u>10,817,566</u>
Noncurrent assets:			
Advances to other funds	—	3,716,143	—
Net OPEB asset	126,079	151,710	114,442
Capital assets, non depreciable	41,596,241	10,651,934	87,321
Capital assets, depreciable	145,226,586	342,166,898	13,885,386
Accumulated depreciation	(48,608,100)	(127,898,816)	(6,909,235)
Total noncurrent assets	<u>138,340,806</u>	<u>228,787,869</u>	<u>7,177,914</u>
Total assets	<u>194,309,909</u>	<u>275,802,569</u>	<u>17,995,480</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	672,703	809,461	610,613
Deferred outflows related to OPEB	15,273	18,377	13,863
Total deferred outflows of resources	<u>687,976</u>	<u>827,838</u>	<u>624,476</u>
Total assets and deferred outflows of resources	<u>\$ 194,997,885</u>	<u>\$ 276,630,407</u>	<u>\$ 18,619,956</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,702,379	\$ 734,442	\$ 674,758
Accrued payroll and related taxes	77,052	103,457	70,309
Deposits	166,651	265,699	84,961
Unearned revenue	—	373,272	84,246
Claims payable	—	—	—
Compensated absences payable, due in less than one year	177,395	192,009	120,038
Contracts payable	272,000	586,950	—
Matured bond interest payable	—	569,033	—
Matured bonds and loans payable	—	1,812,512	—
Bonds, loans and payables, due in less than one year	43,537	1,943,382	—
Total current liabilities	<u>2,439,014</u>	<u>6,580,756</u>	<u>1,034,312</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	277,464	300,322	187,751
Bonds, loans and payables, due in more than one year	—	22,132,022	—
Claims payable	—	—	—
Net pension liability	3,609,922	4,343,797	3,276,726
Net OPEB liability	2,059	2,477	1,869
Total noncurrent liabilities	<u>3,889,445</u>	<u>26,778,618</u>	<u>3,466,346</u>
Total liabilities	<u>6,328,459</u>	<u>33,359,374</u>	<u>4,500,658</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	95,089	114,420	86,312
Deferred inflows related to OPEB	80,704	97,110	73,255
Total deferred inflows of resources	<u>175,793</u>	<u>211,530</u>	<u>159,567</u>
Total liabilities and deferred inflows of resources	<u>6,504,252</u>	<u>33,570,904</u>	<u>4,660,225</u>
NET POSITION			
Net investment in capital assets	138,214,727	200,884,181	7,063,472
Restricted for:			
Capital projects	17,552,013	1,591,971	—
Debt service	—	10,672	—
Unrestricted	32,726,893	40,572,679	6,896,259
Total net position	<u>\$ 188,493,633</u>	<u>\$ 243,059,503</u>	<u>\$ 13,959,731</u>

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

		Governmental Activities	
Stormwater Fund	Total Enterprise Funds	Internal Service Funds	
\$ 4,704,492	\$ 93,385,103	\$ 19,811,837	
182,646	10,534,202	—	
1,170,259	9,025,597	—	
—	190,086	1,005,999	
—	3,421,926	2,242	
—	3,301,852	—	
<u>6,057,397</u>	<u>119,858,766</u>	<u>20,820,078</u>	
—	3,716,143	—	
21,329	413,560	17,824	
143,687	52,479,183	—	
13,886,814	515,165,684	—	
(926,720)	(184,342,871)	—	
<u>13,125,110</u>	<u>387,431,699</u>	<u>17,824</u>	
<u>19,182,507</u>	<u>507,290,465</u>	<u>20,837,902</u>	
113,805	2,206,582	95,096	
2,583	50,096	2,158	
<u>116,388</u>	<u>2,256,678</u>	<u>97,254</u>	
<u>\$ 19,298,895</u>	<u>\$ 509,547,143</u>	<u>\$ 20,935,156</u>	
\$ 137,897	\$ 3,249,476	\$ 175,884	
11,513	262,331	7,785	
323	517,634	—	
40,630	498,148	—	
—	—	2,420,267	
1,541	490,983	23,529	
—	858,950	—	
—	569,033	—	
—	1,812,512	—	
—	1,986,919	—	
<u>191,904</u>	<u>10,245,986</u>	<u>2,627,465</u>	
2,410	767,947	36,802	
—	22,132,022	—	
—	—	582,870	
610,711	11,841,156	510,313	
348	6,753	291	
<u>613,469</u>	<u>34,747,878</u>	<u>1,130,276</u>	
<u>805,373</u>	<u>44,993,864</u>	<u>3,757,741</u>	
16,087	311,908	13,442	
<u>13,654</u>	<u>264,723</u>	<u>11,408</u>	
<u>29,741</u>	<u>576,631</u>	<u>24,850</u>	
<u>835,114</u>	<u>45,570,495</u>	<u>3,782,591</u>	
13,103,781	359,266,161	—	
—	19,143,984	—	
—	10,672	—	
<u>5,360,000</u>	<u>85,555,831</u>	<u>17,152,565</u>	
<u>\$ 18,463,781</u>	<u>\$ 463,976,648</u>	<u>\$ 17,152,565</u>	
	4,384,765		
	<u>\$ 468,361,413</u>		

City of Surprise, Arizona
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
OPERATING REVENUES			
Charges for services	\$ 20,291,846	\$ 21,973,634	\$ 13,576,514
Other revenue	530,585	156,984	45,105
Total operating revenues	<u>20,822,431</u>	<u>22,130,618</u>	<u>13,621,619</u>
OPERATING EXPENSES			
Costs of sales and services	11,290,698	11,287,679	8,402,243
Personnel services	—	—	—
Contractual services, materials, and supplies	—	—	—
Insurance claims, premiums, and administrative expenses	—	—	—
Indirect costs	2,060,030	1,950,152	2,203,408
Depreciation	4,412,620	10,144,409	1,392,162
Total operating expenses	<u>17,763,348</u>	<u>23,382,240</u>	<u>11,997,813</u>
Operating income (loss)	<u>3,059,083</u>	<u>(1,251,622)</u>	<u>1,623,806</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	965,325	717,820	183,050
Developer reimbursement	(378,915)	(1,500,000)	—
Gain/(Loss) on disposal of capital assets	—	14,216	—
Amortization of bond premium	—	309,604	—
Interest and fiscal charges	(1,205)	(1,141,130)	—
Total nonoperating revenues (expenses)	<u>585,205</u>	<u>(1,599,490)</u>	<u>183,050</u>
Income (loss) before contributions and transfers	3,644,288	(2,851,112)	1,806,856
Transfers in	1,391,374	20,898	—
Transfers out	(629,622)	(2,292,763)	(46,489)
Capital contributions	22,928,305	14,212,924	—
Change in net position	<u>27,334,345</u>	<u>9,089,947</u>	<u>1,760,367</u>
Total net position - beginning (as restated)	161,159,288	233,969,556	12,199,364
Total net position - ending	<u>\$ 188,493,633</u>	<u>\$ 243,059,503</u>	<u>\$ 13,959,731</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Changes in net position of business-type activities

		Governmental Activities	
Stormwater Fund	Total Enterprise Funds	Internal Service Funds	
\$ 2,732,797	\$ 58,574,791	\$ 23,279,121	
4,161	736,835	889,750	
<u>2,736,958</u>	<u>59,311,626</u>	<u>24,168,871</u>	
879,177	31,859,797	—	
—	—	628,144	
—	—	383,142	
—	—	21,707,719	
241,711	6,455,301	—	
409,394	16,358,585	—	
<u>1,530,282</u>	<u>54,673,683</u>	<u>22,719,005</u>	
<u>1,206,676</u>	<u>4,637,943</u>	<u>1,449,866</u>	
93,547	1,959,742	310,747	
—	(1,878,915)	—	
—	14,216	—	
—	309,604	—	
—	(1,142,335)	—	
<u>93,547</u>	<u>(737,688)</u>	<u>310,747</u>	
1,300,223	3,900,255	1,760,613	
—	1,412,272	—	
(7,124)	(2,975,998)	—	
4,713,249	41,854,478	—	
<u>6,006,348</u>	<u>44,191,007</u>	<u>1,760,613</u>	
12,457,433	419,785,641	15,391,952	
<u>\$ 18,463,781</u>	<u>\$ 463,976,648</u>	<u>\$ 17,152,565</u>	
	668,196		
	<u>\$ 44,859,203</u>		

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 20,856,331	\$ 20,813,074	\$ 13,354,784
Cash receipts from interfund services provided	—	—	—
Payments to employees	(4,194,106)	(4,705,132)	(3,877,312)
Payments to suppliers	(11,517,314)	(8,419,825)	(6,564,338)
Payments for insurance claims and expenses	—	—	—
Other operating cash receipts	530,585	156,984	45,105
Net cash provided (used) by operating activities	<u>5,675,496</u>	<u>7,845,101</u>	<u>2,958,239</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other funds	—	—	(46,489)
Cash paid to other funds	(607,533)	(1,569,968)	—
Net cash provided (used) by noncapital financing activities	<u>(607,533)</u>	<u>(1,569,968)</u>	<u>(46,489)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds received from development fees	5,988,202	3,493,628	—
Principal and interest paid on bonds, loans and payables	(44,143)	(2,951,073)	—
Sale/Acquisition of capital assets	(4,390,544)	(2,826,433)	(2,640,704)
Developer reimbursements	(378,915)	(1,729,925)	—
Net cash provided (used) by capital and related financing activities	<u>1,174,600</u>	<u>(4,013,803)</u>	<u>(2,640,704)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from interest income/(loss)	965,325	717,820	183,050
Net cash provided (used) by investing activities	<u>965,325</u>	<u>717,820</u>	<u>183,050</u>
Net increase (decrease) in cash and cash equivalents	7,207,888	2,979,150	454,096
Balances - beginning of year	40,359,972	39,762,998	8,268,063
Balances - end of the year	<u>\$ 47,567,860</u>	<u>\$ 42,742,148</u>	<u>\$ 8,722,159</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income/(loss)	\$ 3,059,083	\$ (1,251,622)	\$ 1,623,806
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	4,412,620	10,144,409	1,392,162
Changes in assets and liabilities:			
Accounts receivable	(181,261)	(1,171,827)	(238,769)
Other receivables	701,315	(3,789)	—
Other assets	(3,151,833)	9,810	4,207
Inventory	336,176	(116,900)	(19,107)
Accounts payable	439,786	249,064	173,553
Accrued payroll and related taxes	(104,527)	(108,325)	(100,967)
Deposits	44,431	31,897	18,864
Unearned revenue	—	(16,841)	(1,825)
Compensated absences	41,484	(14,899)	35,313
Net pension liability	106,698	128,388	96,849
Claims payable	—	—	—
Net OPEB asset/liability	(28,476)	(34,264)	(25,847)
Net cash provided (used) by operating activities	<u>\$ 5,675,496</u>	<u>\$ 7,845,101</u>	<u>\$ 2,958,239</u>
Noncash investing, capital and financing activities			
Capital asset contributions from developers	\$ 16,940,103	\$ 10,719,296	\$ —
Capital asset contributions to/from other funds/governmental activities	1,369,285	—	—
Lease agreement commitments	86,475	78,594	—
Total noncash investing, capital and financing activities	<u>\$ 18,395,863</u>	<u>\$ 10,797,890</u>	<u>\$ —</u>
Reconciliation to Statement of Net Position			
Cash and investments	\$ 44,760,775	\$ 35,197,677	\$ 8,722,159
Restricted cash and investments	2,807,085	7,544,471	—
Total cash and investments	<u>\$ 47,567,860</u>	<u>\$ 42,742,148</u>	<u>\$ 8,722,159</u>

		Governmental Activities	
Stormwater Fund	Total Enterprise Funds	Internal Service Funds	
\$ 2,612,626	\$ 57,636,815	\$ —	—
—	—	22,932,075	—
(644,414)	(13,420,964)	(622,054)	—
(358,342)	(26,859,819)	(353,352)	—
—	—	(21,631,748)	—
4,161	736,835	1,267,163	—
<u>1,614,031</u>	<u>18,092,867</u>	<u>1,592,084</u>	—
(7,124)	(53,613)	—	—
—	(2,177,501)	—	—
<u>(7,124)</u>	<u>(2,231,114)</u>	—	—
—	9,481,830	—	—
—	(2,995,216)	—	—
(184,765)	(10,042,446)	—	—
—	(2,108,840)	—	—
<u>(184,765)</u>	<u>(5,664,672)</u>	—	—
93,547	1,959,742	310,747	—
<u>93,547</u>	<u>1,959,742</u>	<u>310,747</u>	—
1,515,689	12,156,823	1,902,831	—
3,371,449	91,762,482	17,909,006	—
<u>\$ 4,887,138</u>	<u>\$ 103,919,305</u>	<u>\$ 19,811,837</u>	—
\$ 1,206,676	\$ 4,637,943	\$ 1,449,866	—
409,394	16,358,585	—	—
(118,550)	(1,710,407)	—	—
—	697,526	30,367	—
1,380	(3,136,436)	1,135	—
—	200,169	—	—
124,924	987,327	31,095	—
(19,899)	(333,718)	(16,927)	—
321	95,513	—	—
(1,942)	(20,608)	9,520	—
(1,510)	60,388	—	—
18,051	349,986	15,083	—
—	—	75,971	—
(4,814)	(93,401)	(4,026)	—
<u>\$ 1,614,031</u>	<u>\$ 18,092,867</u>	<u>\$ 1,592,084</u>	—
\$ 4,713,249	\$ 32,372,648	\$ —	—
—	1,369,285	—	—
—	165,069	—	—
<u>\$ 4,713,249</u>	<u>\$ 33,907,002</u>	<u>\$ —</u>	—
\$ 4,704,492	\$ 93,385,103	\$ 19,811,837	—
182,646	10,534,202	—	—
<u>\$ 4,887,138</u>	<u>\$ 103,919,305</u>	<u>\$ 19,811,837</u>	—

City of Surprise, Arizona
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2023

	Custodial Fund
ASSETS	
Cash and investments	\$ 79,031
Total assets	<u>79,031</u>
LIABILITIES	
Accounts payable	<u>60,000</u>
Total liabilities	<u>60,000</u>
NET POSITION	
Restricted for:	
Individuals	19,031
Total net position	<u>\$ 19,031</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, 2023

	<u>Custodial Fund</u>
ADDITIONS	
Contributions:	
Employee contributions	\$ 533,037
Total contributions	<u>533,037</u>
Total additions	<u>533,037</u>
DEDUCTIONS	
Claim settlement	610,012
Total deductions	<u>610,012</u>
Net increase (decrease) in net position	<u>(76,975)</u>
Net Position - beginning	96,006
Net Position - end of the year	<u><u>\$ 19,031</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.

Implementation of New Accounting Principles

For the year ended June 30, 2023, the City implemented the following GASB Statements:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve the financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This pronouncement did not impact the preparation of these financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Agreements*. This statement (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset — an intangible asset — and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the City's financial statements have been modified to reflect the implementation of this new standard. Capital assets and SBITAs payable were restated by \$3,455,982 each in the Governmental Activities and \$165,069 each in the Business-Type Activities, resulting in no net effect on beginning balances reported in the financials due to the implementation of the standard.

GASB Statement No. 99, *Omnibus 2022*. This Statement establishes accounting and financial reporting requirements for specific issues related to derivative instruments, leases, public-private and public-public partnerships, subscription-based information technology arrangements (SBITAs), LIBOR usage extension, disclosures for nonmonetary transactions, pledging of revenues, government-wide financial statement focus. This pronouncement did not impact the preparation of these financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

Component Units

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. A primary government is considered financially accountable for another organization when it can impose its will or have a financial benefit or burden relationship. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The following entities are blended component units of the City:

Various *Street Lighting Improvement Districts* (SLIDs) are maintained by the City for developing areas, and the City's council is the board for the SLIDs. The SLID property tax assessment rates are approved by the City's council. The SLIDs are reported in a special revenue fund.

Marley Park Community Facilities District (CFD) is maintained by the City for a developing area. The CFD's board is the same as the City's council. CFD property tax rates are approved by the City's council. The CFD is reported in a special revenue fund.

For the fiscal year ended June 30, 2023, 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 maintained is 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.

NOTES TO THE FINANCIAL STATEMENTS

The government-wide statement of activities present a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with the service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the receipts of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenue, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net position is reported as restricted when constraints placed on net position is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activity. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

Governmental Funds

All governmental funds are accounted for using the 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 and subscription-based information technology arrangements 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.

NOTES TO THE FINANCIAL STATEMENTS

The **Highway User Revenue Fund***, a special revenue fund, accounts for State shared highway user revenues consisting of state taxes collected on gasoline, vehicle registration, vehicle license tax, and a number of other additional transportation related fees and expenditures that are legally restricted to expenditures for transportation and the construction, repairs, and maintenance of public works and streets.

The **Transportation Improvement Fund***, a special revenue fund, accounts for revenues and expenditures that are legally restricted to expenditures for existing roadway corridor improvements and the related costs of the construction of new roadways.

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

NOTES TO THE FINANCIAL STATEMENTS

C. DEPOSITS AND INVESTMENTS

Cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less, including amounts on deposit with the Local Government Investment Pool and invested with the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

D. RESTRICTED ASSETS

Restricted cash and investments reported in the statements are comprised of restricted deposits for development and construction agreements, for outstanding debt amounts and other contractual requirements.

E. RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Fund balance resulting from advances to other funds is shown as nonspendable and committed amounts.

All accounts 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.

NOTES TO THE FINANCIAL STATEMENTS

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Significant outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation and amortization of capital assets is computed and recorded 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 subscription assets	2-5
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, unless the lease contains a purchase option that the City is reasonably certain of being exercised - then the lease asset is amortized over the useful life of the underlying asset.

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

H. DEFERRED OUTFLOWS OF RESOURCES

The City recognizes the consumption of net assets 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, Ground Ambulance Service 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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, Ground Ambulance Service Fund, Neighborhood Revitalization Fund, Municipal Court FARE Fund, Municipal Court JCEF Fund, and the Municipal Court MFTG Fund; the Employee Healthcare Fund, Workers' 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 assets 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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, 2023, this balance totaled \$4.3 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.

NOTES TO THE FINANCIAL STATEMENTS

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 two fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2023, the operating reserve totaled \$25.9 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, 2023, the stabilization reserve totaled \$13.0 million.

General Capital Projects Fund - \$1.0 million

Transportation Improvement Fund - \$500,000

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.

NOTES TO THE FINANCIAL STATEMENTS

Unrestricted Net Position represents amounts that have not been restricted for any project or other purpose. These amounts are available to meet any needs of the City. While unrestricted net position is technically available to be spent by the City, it is important to remember that the City has established financial policies that would prevent this. There are certain self-imposed criteria, such as maintaining a minimum operating fund balance that would further reduce the amount the City is willing to spend.

P. MINIMUM NET POSITION

Minimum net position is not intended to be spent. The purpose of the minimum net position balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances.

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

- i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year's Council Adopted Budget for the Water Fund. For the year ended June 30, 2023, this balance totaled \$3,480,100.
- 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, 2023, this balance totaled \$2,807,085.
- 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, 2023, this balance totaled \$1,053,900.
- 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, 2023, this balance totaled \$722,500.

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, 2023, this balance totaled \$4,148,700.
- 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, 2023, this balance totaled \$6,779,675.

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, 2023, this balance totaled \$1,023,600.

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, 2023, this balance totaled \$2,354,300.

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, 2023, this balance totaled \$258,000.

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, 2023, this balance totaled \$623,400.

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 FY2023 and increases to one percent (1%) for each subsequent year through FY2024. For the year ended June 30, 2023, this balance was \$623,400.

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, 2023, this balance totaled \$198,200.

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, 2023, this balance totaled \$182,646.

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, 2023, this balance totaled \$136,700.

NOTES TO THE FINANCIAL STATEMENTS

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, 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, 2023, the balance was \$3,658,540.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 / SBITAs

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.

Subscription-based information technology arrangements - The City recognizes subscription liabilities with an initial, individual value of \$50,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City's estimated incremental borrowing rate is calculated as described above.

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.

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 \$155,438,087 and the bank balance was \$157,117,466. At year end, \$1,250,000 of the City's deposits were covered by federal depository insurance. Of the remaining bank balance not covered by federal depository insurance, \$154,500,716 was covered by the pledging financial institution's trust department or agent, but not in the City's name and \$1,366,750 was uninsured and is not collateralized.

NOTES TO THE FINANCIAL STATEMENTS

A reconciliation of the bank balance to the City's deposit balance as of June 30, 2023, follows:

Cash in bank	\$ 157,117,466
<i>Reconciling items:</i>	
Outstanding checks	(2,174,646)
Deposits in transit	493,652
Other	1,615
	<u>\$ 155,438,087</u>
Less:	
Custodial Fund	<u>\$ 79,031</u>
Total City deposits	<u><u>\$ 155,359,056</u></u>

The City's investments consisted of the following as of June 30, 2023:

Investment Type	Total Fair Value	Less than 1 year	1-2 years	2-3 years	3+ years
U. S. government securities	\$172,971,162	\$ 79,053,916	\$ 34,690,075	\$ 23,549,496	\$ 35,677,675
Government sponsored entity debt	2,123,314	—	2,123,314	—	—
Corporate bonds	8,398,922	—	—	4,321,562	4,077,360
Money market mutual funds	3,888,652	3,888,652	—	—	—
Local government investment pool	102,612,847	102,612,847	—	—	—
	<u>\$289,994,897</u>	<u>\$185,555,415</u>	<u>\$ 36,813,389</u>	<u>\$ 27,871,058</u>	<u>\$ 39,755,035</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, 2023, are as follows:

City's deposits	\$ 155,438,087
Cash on hand	3,900
City's investments	289,994,897
Cash held by trustee	1,302,001
Total	<u><u>\$ 446,738,885</u></u>

Interest Rate Risk. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO THE FINANCIAL STATEMENTS

Credit Risk. The City's investments in securities included \$2,123,314 of government sponsored entity debt. At June 30, 2023, these investments were rated by Standard and Poor's at AA+, the money market mutual funds were rated at AAAM, the corporate bonds were rated at A/A2 or better, 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.
- (8) Commercial paper of prime quality.
- (9) Bonds, debentures, notes or other evidences of indebtedness.

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 25% sector limit and a 5% issuer limit;
- (3) Bonds, notes, evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district within the State of Arizona that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations that are rated "A" or the equivalent by a nationally recognized statistical rating organization have a 25% sector limit and a 5% issuer limit;

NOTES TO THE FINANCIAL STATEMENTS

- (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 25% 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.
- (5) Commercial paper of prime quality that is rated within the top two ratings by a nationally recognized rating agency, must be issued by corporations organized and doing business in the United States and are subject to a 10% sector limit and a 2% issuer limit.
- (6) Bonds, debentures, notes or other evidences of indebtedness are denominated in United States dollars and carry at a minimum an “A/A2” or better rating, at the time of purchase, from at least two nationally recognized rating agencies and are subject to a 10% sector limit and a 2% issuer limit.

The City’s current investments are in U.S. government securities, government sponsored entity debt, corporate bonds, money market mutual funds and the local governmental investment pool which policy does not constrain.

Fair Value Measurements. The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, 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	\$ 172,971,162	\$ 172,971,162	\$ —
Federal Agency	2,123,314	—	2,123,314
Corporate bonds	8,398,922	—	8,398,922
Total investments by fair value level	<u>\$ 183,493,398</u>	<u>\$ 172,971,162</u>	<u>\$ 10,522,236</u>
External Investment Pool Measured at Fair Value:			
LGIP	102,612,847		
Total investments measured at fair value	<u>\$ 286,106,245</u>		
Investments Measured at Amortized Cost:			
Money market funds	3,888,652		
Total investments	<u>\$ 289,994,897</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	\$ 431,699,795
Total restricted cash and investments	14,960,059
Subtotal	<u>446,659,854</u>
Government-wide total cash and investments	446,659,854
Plus: Custodial Fund cash and cash equivalents	79,031
Total	<u>\$ 446,738,885</u>

Fund Financial Statements

<i>Governmental Funds</i>	
Cash and investments	\$ 318,502,855
Restricted cash and cash equivalents	4,425,857
<i>Enterprise Funds</i>	
Cash and investments	93,385,103
Restricted cash and cash equivalents	10,534,202
<i>Internal Service Fund</i>	
Cash and investments	19,811,837
<i>Custodial Fund</i>	
Cash and cash equivalents	79,031
Total	<u>\$ 446,738,885</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES

The intergovernmental receivable of \$2,288,665, as reported in the statement of net position is made up of \$867,057 in State shared sales tax, \$324,604 in State shared in-lieu auto tax, and \$1,097,004 in highway user tax.

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, 2023, are as follows:

ACFR Fund Name	Unearned	Unavailable
General Fund	\$ 965,198	\$ 215,622
Highway User Revenue Fund	2,000	—
Debt Service Fund	—	39,296
Nonmajor Governmental Funds	5,881,310	734,348
	\$ 6,848,508	\$ 989,266

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, 2023, are as follows:

ACFR Fund Name	Unearned
Sewer	\$ 373,272
Sanitation	84,246
Stormwater	40,630
	\$ 498,148

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, 2023, the City recognized total lease-related revenues of \$831,933. This includes \$10,000 of other payments not previously included in the lease receivable.

Housing rehabilitation loan program - The City has entered into several Housing Rehabilitation Agreements utilizing Community Development Block Grant funds. These deferred loans are due upon the sale, transfer or foreclosure of the property. Due to the contingent nature of the repayment of these loans, there is an allowance recorded at 100% of the outstanding balance. The balance of the rehabilitation loans at June 30, 2023, is \$511,883.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Primary Government				Balance June 30, 2023
	Balance July 1, 2022 (restated)	Increases	Decreases	Transfers	
Governmental activities:					
Not being depreciated:					
Land and land improvements	\$ 194,458,996	\$ 41,172,985	\$ (31,292)	\$ —	\$ 235,600,689
Parks	8,607,783	—	—	—	8,607,783
Construction in progress	5,731,655	28,501,666	—	(26,419,510)	7,813,811
Total not being depreciated	<u>208,798,434</u>	<u>69,674,651</u>	<u>(31,292)</u>	<u>(26,419,510)</u>	<u>252,022,283</u>
Other capital assets:					
Buildings and improvements	247,323,370	939,074	(9,843)	5,567,631	253,820,232
Improvements other than buildings	35,088,661	368,834	—	13,214,839	48,672,334
Equipment and vehicles	64,724,424	3,915,744	(1,541,141)	575,407	67,674,434
Intangibles	11,815,859	—	—	—	11,815,859
Infrastructure	503,304,563	45,416,490	(1,847,193)	7,061,633	553,935,493
Right-to-use subscription assets	3,455,982	131,207	—	—	3,587,189
Right-to-use lease assets:					
Land and land improvements	11,380	—	—	—	11,380
Buildings and improvements	6,074,335	786,581	—	—	6,860,916
Equipment and vehicles	10,041	8,873	(18,914)	—	—
Total other capital assets	<u>871,808,615</u>	<u>51,566,803</u>	<u>(3,417,091)</u>	<u>26,419,510</u>	<u>946,377,837</u>
Total assets before depreciation/ amortization	<u>1,080,607,049</u>	<u>121,241,454</u>	<u>(3,448,383)</u>	<u>—</u>	<u>1,198,400,120</u>
Accumulated depreciation/amortization					
Building and improvements	(102,254,264)	(8,420,068)	8,859	—	(110,665,473)
Improvements other than buildings	(13,538,691)	(2,515,290)	—	—	(16,053,981)
Equipment and vehicles	(41,499,307)	(5,438,885)	1,381,922	—	(45,556,270)
Intangibles	(7,060,377)	(1,190,236)	—	—	(8,250,613)
Infrastructure	(276,769,677)	(16,720,839)	738,877	—	(292,751,639)
Right-to-use subscription assets	—	(1,026,250)	—	—	(1,026,250)
Right-to-use lease assets:					
Land and land improvements	(2,845)	(2,845)	—	—	(5,690)
Buildings and improvements	(371,136)	(782,867)	—	—	(1,154,003)
Equipment and vehicles	(8,607)	(1,434)	10,041	—	—
Total accumulated depreciation/ amortization	<u>(441,504,904)</u>	<u>(36,098,714)</u>	<u>2,139,699</u>	<u>—</u>	<u>(475,463,919)</u>
Net capital assets - governmental activities	<u>\$ 639,102,145</u>	<u>\$ 85,142,740</u>	<u>\$ (1,308,684)</u>	<u>\$ —</u>	<u>\$ 722,936,201</u>

Depreciation/amortization was charged by function as follows:

General government	\$ 2,979,568
Public safety	4,533,208
Public works and streets	21,060,501
Community development	54,625
Culture and recreation	7,470,812
Total governmental activities depreciation/ amortization expense	<u>\$ 36,098,714</u>

NOTES TO THE FINANCIAL STATEMENTS

	Primary Government				Balance June 30, 2023
	Balance July 1, 2022 (restated)	Increases	Decreases	Transfers	
Business-type activities:					
Not being depreciated:					
Land	\$ 5,480,546	\$ 7,860,030	\$ —	\$ —	\$ 13,340,576
Water rights	24,990,244	3,345,250	—	—	28,335,494
Construction in progress	9,580,405	2,153,426	—	(930,718)	10,803,113
Total not being depreciated	40,051,195	13,358,706	—	(930,718)	52,479,183
Other capital assets:					
Buildings and system	449,128,186	24,615,013	—	930,718	474,673,917
Improvements other than buildings	10,659,919	137,784	—	—	10,797,703
Vehicles and equipment	24,809,712	4,206,155	(37,964)	—	28,977,903
Intangibles	551,092	—	—	—	551,092
Right-to-use subscription assets	165,069	—	—	—	165,069
Total other capital assets	485,313,978	28,958,952	(37,964)	930,718	515,165,684
Total assets before depreciation/ amortization	525,365,173	42,317,658	(37,964)	—	567,644,867
Accumulated depreciation/amortization:					
Buildings and system	(153,174,195)	(13,063,298)	—	—	(166,237,493)
Improvements other than buildings	(1,586,903)	(399,295)	—	—	(1,986,198)
Vehicles and equipment	(12,729,063)	(2,810,533)	37,964	—	(15,501,632)
Intangibles	(532,089)	(2,924)	—	—	(535,013)
Right-to-use subscription assets	—	(82,535)	—	—	(82,535)
Total accumulated depreciation/ amortization	(168,022,250)	(16,358,585)	37,964	—	(184,342,871)
Net capital assets business type activities	<u>\$ 357,342,923</u>	<u>\$ 25,959,073</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 383,301,996</u>

Depreciation/amortization was charged by function as follows:

Water	\$ 4,412,620
Sewer	10,144,409
Sanitation	1,392,162
Stormwater	409,394
Total depreciation expense	<u>\$ 16,358,585</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.

NOTES TO THE FINANCIAL STATEMENTS

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 ten years. Once an agreement expires, water system fees are no longer eligible for developer reimbursement. As of June 30, 2023, \$19,508,717 had expired or been reimbursed, leaving a potential remaining balance of \$6,121,273.

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 \$15,450,485. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-seven years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2023, \$451,520 had expired or been reimbursed, leaving a potential remaining balance of \$14,998,965.

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 \$72,190,319 at June 30, 2023. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-seven years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2023, \$3,954,189 had expired or been reimbursed, leaving a potential remaining balance of \$68,236,130.

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, 2023, the City has reimbursed \$1,088,989 leaving a potential balance remaining of \$3,688,893.

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 2023, \$32,554 of property taxes were abated by this program.

Sales Tax Incentive Program - The City of Surprise administers a sales tax (transaction privilege tax) incentive program in accordance with Ariz. Rev. Stat. § 42-6010. The City has entered into agreements with specific businesses to return a portion of the sales tax generated by the business and paid to the Arizona State Department of Revenue. The City will return up to 50% of the sales tax generated by the business. The amount of taxes paid and returned is determined by the City's review of the monthly reports received from the Arizona State Department of Revenue. The exact amount of taxes abated during fiscal year 2023 cannot be disclosed in accordance with Ariz. Rev. Stat. § 42-2002.

NOTES TO THE FINANCIAL STATEMENTS

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, 2023, the city reimbursed \$10,079,135.

NOTE 6 – SIGNIFICANT COMMITMENTS

The City of Surprise has active construction projects as of June 30, 2023. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Funding Source
163rd Ave (Happy Valley - W Desert M)	\$ 76,755	\$ 180,185	In Lieu Developer Revenue
163rd Ave/Jomax Rd Intersection Ph2	130,886	5,614	In Lieu Developer Revenue
164th Ave (Grand-Happy Valley)	102,210	498,327	In Lieu Developer Revenue
Animal Control Kennels	167,130	3,139	General Capital Projects Fund
Cactus Rd (Cotton-Reems)	751,937	931,634	In Lieu Developer Revenue
Cactus Road (Litchfield-RR Track)	114,796	103,990	General Capital Projects Fund
Cactus Road (Litchfield-RR Track)	36,380	1,103	Sewer Utility Capital
Camino Permit Intake Platform	434,786	75,711	General Capital Projects Fund
Circle City Water Acquisition	1,271,650	85,509	Water Utility Capital
City Hall Access and Video	117,099	26,863	General Capital Projects Fund
Community Pool	961,452	2,038,547	Program Fees Revenue
Desert Oasis Facility Security	149,654	451,828	Water Utility Capital
Fire Station #9 Improvements	197,675	1,043,967	General Capital Projects Fund
Regional Communication Tower #1	1,618,156	290,768	General Capital Projects Fund
Improv - Regional Communication Tower #1	205,279	35,895	Sewer Utility Capital
Improv - Regional Communication Tower #1	205,525	35,895	Water Utility Capital
Isilon Expansion	394,219	256,653	General Capital Projects Fund
Multigenerational Community Center	545,288	3,162,741	Human Svcs & Comm Vitality CIP
Plant Capacity Increase / Enhancement	1,643,039	195,419	Sewer Utility Capital
Rancho Mercado Well No. 2	127,509	53,811	Wtr Res Dev Fee 2020
SCADA Integration/Enhancement	306,546	20,539	Sewer Utility Capital
SCADA Integration/Enhancement	31,117	4,261	Water Utility Capital
Security Measures	130,835	87	General Capital Projects Fund
South Plant Ops Bldg Remodel	2,570,002	25,846	Sewer Utility Capital
South Plant Ops Bldg Remodel	1,459,029	22,059	Water Utility Capital
SPA1 Recharge Expansion	1,108,548	247,827	Sewer Utility Capital
Traffic Signal - Bell Rd & Bell Pointe Blvd	24,650	3,699	In Lieu Developer Revenue
Traffic Signal - Waddell & 140th Dr	360,719	127,901	In Lieu Developer Revenue
	<u>\$ 15,242,871</u>	<u>\$ 9,929,818</u>	

The City had contractual commitments related to subscription-based information technology arrangements for which the subscription term had not yet commenced at June 30, 2023, for library software. At June 30, 2023, the City had made payments of \$26,250 to the vendors and had remaining contractual commitments with vendors of \$141,099, including the subscription liabilities that will be recognized at the commencement of the subscription terms.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT & OTHER PAYABLES

PLEDGED REVENUE OBLIGATIONS

Series 2015 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, 2023, (revenues to debt service payable) is 51.6.

The Pledged Revenue Obligations, Series 2015, were issued in the amount of \$17,385,000, and have an outstanding principal balance at June 30, 2023, of \$9,510,000. 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 \$1,585,000 and \$218,499,888, respectively. Next year's principal and interest payments of \$1,584,050 constitute approximately 0.7% 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, 2023, of \$2,525,002. 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 \$2,651,500 and \$218,499,888, respectively. Next year's principal and interest payments totaling \$2,651,251 constitute approximately 1.2% of current year pledged revenue.

Series 2018 Senior Lien Utility System Revenue Refunding Obligations

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, 2023, of \$20,185,000. 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 \$2,148,500 and \$19,771,473, respectively. Current year pledged revenue equals approximately 920 percent of next year's principal and interest payments, which total \$2,149,250.

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, 2023, the Parity Lien Test Debt Service is \$2,951,253 and pledged revenues are \$19,771,473. The current year ratio is 670 percent of the Parity Lien Test Debt Service.

NOTES TO THE FINANCIAL STATEMENTS

The issuance also requires the City to establish and maintain rates, fees, and charges for all services supplied by the System, to provide Pledged Revenues fully sufficient to produce pledged revenue in each fiscal year equal to at least 125 percent of the Principal Requirement and Interest Requirement on all Series 2018 Senior Lien Utility System Obligations and Additional Utility Obligations then outstanding for the corresponding Bond Year. At June 30, 2023, pledged revenue equals 670 percent of that Principal Requirement and Interest Requirement.

Water Infrastructure Finance Authority of Arizona Loan

On May 23, 2023, the City executed a loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) in which WIFA would reimburse costs incurred by the City for funding wastewater capital improvement projects for an amount not to exceed \$34,980,000. The loan is secured by system net revenues and provides for semiannual payments of principal and interest, payable from system revenues, for a term of 20 years, at a combined interest and fee rate percentage of 2.805%, with maturity at July 1, 2043. The loan carries a forgivable amount of \$1,000,000 upon qualification. During the year ended June 30, 2023, the City incurred \$85,000 of expenses that were reimbursed in September 2023, however no reimbursements had been received under this loan agreement as of June 30, 2023.

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, 2023, of \$28,550,000.

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, 2023, of \$11,065,000.

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 Bonds 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

In September 2022 Marley Park Community Facilities District issued \$13,065,000 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 4.125% to 5.0% with final maturity occurring in 2047.

At June 30, 2023, there remained \$41,955,000 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. Long-term debt as of June 30, 2023, is comprised of the following:

Classified in Governmental Activities on the Government-wide Financial Statements:

<u>City of Surprise General and Revenue Obligations</u>	<u>Long-Term Debt Outstanding</u>
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	\$ 9,510,000
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	1,761,189
Total 2015 Pledged Revenue Obligation	<u>11,271,189</u>
2015, Pledged Revenue Revenue Obligations, Issuance Premium	993,721
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	28,550,000
2018, General Obligation Bonds, Issuance Premium.	1,693,125
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	11,065,000
2020, General Obligation Bonds, Issuance Premium	1,280,493
Total General and Revenue Obligations	<u><u>\$ 54,853,528</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Community Facilities District General Obligation Bonds and Notes	Long-Term Debt Outstanding
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, due in annual installments of \$385,000 to \$665,000 through July 15, 2041; interest from 2 to 4%. Original issue amount \$11,365,000 of which \$4,800,000 was new issuance and \$6,565,000 was refunding obligations	\$ 9,545,000
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, Issuance Premium	184,687
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	2,005,000
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	8,145,000
2019 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	34,518
2022 Marley Park Community Facilities General Obligation Bonds, due in annual installments of \$40,000 to \$2,025,000 through May 15, 2047; interest from 4.125% to 5%. Original issue of \$13,065,000.	13,065,000
2022 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	26,449
Total Community Facilities Districts General Obligation Bonds and Notes Outstanding	33,005,654
Total Bonds and Notes Payable Recorded in Governmental Activities	\$ 87,859,182

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	\$ 763,813
2015, Pledged Revenue Refunding Obligation, Issuance Premium	78,152
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	20,185,000
2018, Senior Lien Utility System Revenue Refunding Obligations, Issuance Premium	3,008,870
Total Bonds Payable Recorded in Business-type Activities	24,035,835
Total Long-Term Bonds Payable	\$ 111,895,017

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2023:

	Balance July 1, 2022 (restated)	Additions	Reductions	Balance June 30, 2023	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)	\$ 14,083,677	\$ —	\$ (2,812,488)	\$ 11,271,189	\$ 2,951,189
City of Surprise, Series 2018 General obligations \$37,730,000	29,880,000	—	(1,330,000)	28,550,000	1,395,000
City of Surprise, Series 2020 General obligations \$17,460,000	13,345,000	—	(2,280,000)	11,065,000	2,425,000
For issuance premium 2015	1,290,141	—	(296,420)	993,721	—
For issuance premium 2018	1,806,000	—	(112,875)	1,693,125	—
For issuance premium 2020	1,536,591	—	(256,098)	1,280,493	—
Community Facilities District					
Series 2016 Bonds \$11,365,000 issued	9,950,000	—	(405,000)	9,545,000	415,000
Series 2017 Direct Placement Note \$3,000,000 issued	2,200,000	—	(195,000)	2,005,000	200,000
Series 2019 Bonds, \$8,470,000 issued	8,200,000	—	(55,000)	8,145,000	60,000
Series 2022 Bonds, \$13,065,000 issued	—	13,065,000	—	13,065,000	40,000
For issuance premium 2016	205,620	—	(20,933)	184,687	—
For issuance premium 2019	36,162	—	(1,644)	34,518	—
For issuance premium 2022	—	27,551	(1,102)	26,449	—
Subscriptions liability	3,455,982	56,124	(903,918)	2,608,188	1,034,027
Leases payable	6,026,793	786,581	(65,578)	6,747,796	127,478
Total bonds and notes payable	<u>92,015,966</u>	<u>13,935,256</u>	<u>(8,736,056)</u>	<u>97,215,166</u>	<u>8,647,694</u>
Compensated absences payable	9,462,422	7,296,552	(6,335,753)	10,423,221	4,065,056
Contracts and developer payable	10,564,891	5,323,692	(4,915,231)	10,973,352	10,973,352
Claims payable	2,927,166	17,437,651	(17,361,680)	3,003,137	2,420,267
Total governmental activities long-term liabilities	<u>\$ 114,970,445</u>	<u>\$43,993,151</u>	<u>\$(37,348,720)</u>	<u>\$ 121,614,876</u>	<u>\$ 26,106,369</u>
Business-type activities					
City of Surprise, Series 2015 Pledged revenue obligations \$5,278,625 (\$36,665,000 issued)	\$ 1,491,325	\$ —	\$ (727,512)	\$ 763,813	\$ 763,813
Senior Lien Utility System Revenue Refunding Obligations, Series 2018	21,270,000	—	(1,085,000)	20,185,000	1,140,000
For issuance premium 2015	156,305	—	(78,153)	78,152	—
For issuance premium 2018	3,240,321	—	(231,451)	3,008,870	—
Subscriptions liability	165,069	—	(81,963)	83,106	83,106
Total bonds payable	<u>26,323,020</u>	<u>—</u>	<u>(2,204,079)</u>	<u>24,118,941</u>	<u>1,986,919</u>
Compensated absences payable	1,198,542	812,039	(751,651)	1,258,930	490,983
Contracts and developer payable	2,569,813	590,646	(2,301,509)	858,950	858,950
Total business-type activities long-term liabilities	<u>\$ 30,091,375</u>	<u>\$ 1,402,685</u>	<u>\$(5,257,239)</u>	<u>\$ 26,236,821</u>	<u>\$ 3,336,852</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, 2023. 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
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	1,420,000	165,300	1,700,000	781,044	260,000	10,400
2029-2033	2,965,000	197,950	9,580,000	2,815,320	—	—
2034-2038	—	—	11,250,000	1,152,819	—	—
Total	<u>\$ 11,271,189</u>	<u>\$ 1,658,509</u>	<u>\$ 28,550,000</u>	<u>\$ 8,644,609</u>	<u>\$ 11,065,000</u>	<u>\$ 1,123,300</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
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	460,000	275,681	225,000	31,608	60,000	246,100
2029-2033	2,565,000	1,089,606	950,000	64,560	640,000	730,289
2034-2038	2,860,000	581,713	—	—	2,090,000	960,300
2039-2043	1,940,000	122,344	—	—	3,835,000	601,800
2044-2047	—	—	—	—	1,260,000	37,800
Total	<u>\$ 9,545,000</u>	<u>\$ 3,273,156</u>	<u>\$ 2,005,000</u>	<u>\$ 279,088</u>	<u>\$ 8,145,000</u>	<u>\$ 3,580,639</u>

Year Ended June 30	Marley Park CFD 2022		Governmental Activities	
	Total		Total	
	Principal	Interest	Principal	Interest
2024	\$ 40,000	\$ 583,288	\$ 7,486,189	\$ 3,166,362
2025	130,000	581,287	6,120,000	2,878,924
2026	240,000	574,788	6,590,000	2,617,509
2027	245,000	562,787	6,980,000	2,334,022
2028	265,000	550,537	4,390,000	2,060,670
2029-2033	1,515,000	2,542,187	18,215,000	7,439,912
2034-2038	1,920,000	2,143,638	18,120,000	4,838,470
2039-2043	2,355,000	1,701,681	8,130,000	2,425,825
2044-2047	6,355,000	794,719	7,615,000	832,519
Total	<u>\$ 13,065,000</u>	<u>\$ 10,034,912</u>	<u>\$ 83,646,189</u>	<u>\$ 28,594,213</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
2024	\$ 763,813	\$ 38,190	\$ 1,140,000	\$ 1,009,250	\$ 1,903,813	\$ 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	—	—	1,385,000	763,750	1,385,000	763,750
2029-2033	—	—	8,040,000	2,708,000	8,040,000	2,708,000
2034-2036	—	—	5,850,000	594,500	5,850,000	594,500
Total	\$ 763,813	\$ 38,190	\$ 20,185,000	\$ 7,750,000	\$ 20,948,813	\$ 7,788,190

Contracts Payable

General Government Activities

A balance of \$10,973,352 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 \$858,950 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, 2023:

20% Limitation		6% Limitation	
20% Constitutional Limit	\$ 398,129,171	6% Constitutional Limit	\$ 119,438,751
Less General Obligation 20% Bonds Outstanding	(39,615,000)	Less General Obligation 6% Bonds Outstanding	—
Reduction for Excess Premium	(2,973,618)	Reduction for Excess Premium	—
Available 20% Limitation Borrowing Capacity	<u>\$ 355,540,553</u>	Available 6% Limitation Borrowing Capacity	<u>\$ 119,438,751</u>

NOTES TO THE FINANCIAL STATEMENTS

LEASES

The City has obtained the right to use land and buildings, such as a church, a social hall, a residential facility 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, 2023, are as follows:

	Governmental Activities
Total intangible right-to-use lease assets	\$ 6,872,296
Less: accumulated amortization	(1,159,693)
Carrying value	<u>\$ 5,712,603</u>

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2023:

	Governmental Activities	
Year ending June 30	Principal	Interest
2024	\$ 127,478	\$ 27,837
2025	365,150	40,165
2026	1,078,404	74,014
2027	1,092,855	60,833
2028	1,107,757	47,468
2029-2033	2,461,625	88,097
2034-2037	514,527	12,818
Total	<u>\$ 6,747,796</u>	<u>\$ 351,232</u>

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

The City has acquired intangible right-to-use software, under the provisions of various subscription-based information technology arrangements.

The total amount of subscription assets and related accumulated amortization, as of June 30, 2023, are as follows:

	Governmental Activities	Business-Type Activities
Total intangible right-to-use subscription	\$ 3,587,189	\$ 165,069
Less: accumulated amortization	(1,026,250)	(82,535)
Carrying value	<u>\$ 2,560,939</u>	<u>\$ 82,534</u>

NOTES TO THE FINANCIAL STATEMENTS

The following schedule details minimum subscription payments to maturity for the City's subscriptions liability at June 30, 2023:

Year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,034,027	\$ 36,335	\$ 83,106	\$ 1,158
2025	804,116	21,930	—	—
2026	770,045	10,728	—	—
Total	<u>\$ 2,608,188</u>	<u>\$ 68,993</u>	<u>\$ 83,106</u>	<u>\$ 1,158</u>

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, 2023, 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	\$ 2,259,411	\$ 413,560	\$ 2,672,971
Net pension liabilities	109,170,792	11,841,156	121,011,948
Net OPEB liabilities	30,458	6,753	37,211
Deferred outflows of resources related to pensions	40,010,214	2,206,582	42,216,796
Deferred outflows of resources related to OPEB	470,573	50,096	520,669
Deferred inflows of resources related to pensions	3,223,403	311,908	3,535,311
Deferred inflows of resources related to OPEB	1,781,489	264,723	2,046,212
Pension expense	16,489,870	1,518,241	18,008,111
OPEB expense	(318,632)	(62,724)	(381,356)
Pension contributions	16,538,534	1,153,190	17,691,724
OPEB contributions	237,884	34,700	272,584

The City reported accrued payroll and employee benefits of \$385,977 for outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2023. Also, the City reported \$16,171,238 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.

NOTES TO THE FINANCIAL STATEMENTS

Benefits provided — The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll.

NOTES TO THE FINANCIAL STATEMENTS

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.68 percent (9.62 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023, were \$6,091,867, \$110,400, and \$72,905, respectively.

During fiscal year 2023, 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, 2023, 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	\$ 65,244,813
Health insurance premium benefit	(2,278,716)
Long-term disability	37,211

The net asset and net liabilities were measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022. The total liabilities as of June 30, 2022, 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, 2022. The City's proportions measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

ASRS	Proportion June 30, 2022	Increase (decrease) from June 30, 2021
Pension	0.40%	0.02%
Health insurance premium benefit	0.41%	0.02%
Long-term disability	0.40%	0.02%

Expense — The City has deferred outflows and inflows of resources related to the net pension liability and net OPEB liability/(asset). Certain changes in the liability/(asset) are recognized over time rather than the year of occurrence. For the year ended June 30, 2023, the City recognized the following pension and OPEB expense.

ASRS	Pension/OPEB expense
Pension	\$ 8,020,290
Health insurance premium benefit	(342,566)
Long-term disability	11,219

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources — At June 30, 2023, 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	\$ 555,925	\$ —
Changes in assumptions or other inputs	3,238,226	—
Difference between projected and actual investment earnings	—	1,718,611
Changes in proportion and differences between City contributions and proportionate share of contributions	2,272,257	—
City contributions subsequent to the measurement date	6,091,867	—
Total	<u>\$ 12,158,275</u>	<u>\$ 1,718,611</u>

	Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ —	\$ 1,162,926
Changes in assumptions or other inputs	36,983	62,148
Difference between projected and actual investment earnings	—	76,759
Changes in proportion and differences between City contributions and proportionate share of contributions	481	27,028
City contributions subsequent to the measurement date	110,400	—
Total	<u>\$ 147,864</u>	<u>\$ 1,328,861</u>

	Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 19,366	\$ 34,673
Changes in assumptions or other inputs	20,265	90,819
Difference between projected and actual investment earnings	—	1,157
Changes in proportion and differences between City contributions and proportionate share of contributions	15,629	3,112
City contributions subsequent to the measurement date	72,905	—
Total	<u>\$ 128,165</u>	<u>\$ 129,761</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, 2024. 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
2024	\$ 4,328,515	\$ (353,988)	\$ (5,575)
2025	252,476	(384,583)	(7,655)
2026	(2,983,913)	(421,159)	(16,370)
2027	2,750,719	(68,158)	(596)
2028	—	(63,509)	(16,977)
Thereafter	—	—	(27,328)

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
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, 2021, 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 7.0% 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%	3.90%
Fixed income - credit	20%	5.30%
Interest rate sensitive bonds	10%	(0.20)%
Real estate	20%	6.00%
Total	<u>100%</u>	

Discount rate — At June 30, 2022, 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	\$ 96,266,783	\$ 65,244,813	\$ 39,377,338
Net health insurance premium benefit liability (asset)	(1,638,520)	(2,278,716)	(2,821,908)
Net long-term disability liability	61,685	37,211	13,492

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms — At June 30, 2023, 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	66	66	15	15
Inactive employees entitled to but not yet receiving benefits	25	7	15	13
Active employees	92	92	104	104
Total	183	165	134	132

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, 2023, 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%	9.94%	7.65% - 11.65%	9.94%
Active members - health benefit	0.00%	0.12%	0.00%	0.12%
City				
Pension	35.61%	31.93%	25.80%	20.90%
Health insurance premium benefit	0.09%	0.13%	0.26%	0.12%

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	21.09 %	11.03 %

NOTES TO THE FINANCIAL STATEMENTS

The City's contributions to the plans for the year ended June 30, 2023, were:

	PSPRS Police	PSPRS Fire
Contributions made		
Pension	\$ 5,911,475	\$ 5,543,071
Health Insurance premium benefit	41,698	47,581

During fiscal year 2023, the City paid for PSPRS pension and OPEB contributions primarily from the General Fund.

Liability — At June 30, 2023, the City reported the following net pension/OPEB liabilities/(assets):

	Net pension liability	Net OPEB liability/(asset)
PSPRS Police	\$ 33,028,016	\$ (307,828)
PSPRS Fire	20,989,287	(86,427)

The net assets and net liabilities were measured as of June 30, 2022, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 2.75 - 15.0 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

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

PSPRS

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	2.75 - 15.0% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022, actuarial valuation.

NOTES TO THE FINANCIAL STATEMENTS

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.2% 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%	3.49%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Other Assets (Capital Appreciation)	7%	4.83%
Core Bonds	2%	0.45%
Private Credit	20%	5.10%
Diversifying Strategies	10%	2.68%
Cash Mellon	1%	(0.35)%
Total	100%	

Discount rate — At June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.2%, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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).

NOTES TO THE FINANCIAL STATEMENTS

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, 2022	\$ 89,295,141	\$ 64,012,442	\$ 25,282,699
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	2,296,280	—	2,296,280
Interest on the total pension liability	6,546,272	—	6,546,272
Changes of benefit terms	—	—	—
Difference between expected and actual experience of the total pension liability	1,311,952	—	1,311,952
Changes of assumptions	856,726	—	856,726
Contributions—employer	—	4,734,626	(4,734,626)
Contributions—employee	—	1,225,997	(1,225,997)
Net investment income	—	(2,669,674)	2,669,674
Benefit payments, including refunds of employee contributions	(3,832,929)	(3,832,929)	—
Administrative expense	—	(48,124)	48,124
Other changes	—	23,088	(23,088)
Net changes	7,178,301	(567,016)	7,745,317
Balances at June 30, 2023	\$ 96,473,442	\$ 63,445,426	\$ 33,028,016

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, 2022	\$ 1,052,911	\$ 1,598,971	\$ (546,060)
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	40,190	—	40,190
Interest on the total OPEB liability	78,438	—	78,438
Difference between expected and actual experience of the total OPEB liability	54,218	—	54,218
Changes of assumptions	24,055	—	24,055
Contributions—employer	—	22,060	(22,060)
Contributions—employee	—	—	—
Net investment income	—	(62,282)	62,282
Benefit payments, including refunds of employee contributions	(37,228)	(37,228)	—
OPEB plan administrative expense	—	(1,109)	1,109
Other changes	—	—	—
Net changes	159,673	(78,559)	238,232
Balances at June 30, 2023	\$ 1,212,584	\$ 1,520,412	\$ (307,828)

NOTES TO THE FINANCIAL STATEMENTS

PSPRS - Fire - Pension	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2022	\$ 81,047,596	\$ 71,991,133	\$ 9,056,463
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	2,827,598	—	2,827,598
Interest on the total pension liability	6,083,653	—	6,083,653
Difference between expected and actual experience of the total pension liability	4,696,366	—	4,696,366
Changes of assumptions	382,523	—	382,523
Contributions—employer	—	4,049,340	(4,049,340)
Contributions—employee	—	1,070,430	(1,070,430)
Net investment income	—	(3,008,243)	3,008,243
Benefit payments, including refunds of employee contributions	(1,074,975)	(1,074,975)	—
Administrative expense	—	(54,211)	54,211
Other changes	—	—	—
Net changes	12,915,165	982,341	11,932,824
Balances at June 30, 2023	\$ 93,962,761	\$ 72,973,474	\$ 20,989,287
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, 2022	\$ 1,105,117	\$ 1,338,983	\$ (233,866)
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	42,976	—	42,976
Interest on the total OPEB liability	82,978	—	82,978
Difference between expected and actual experience of the total OPEB liability	(467)	—	(467)
Changes of assumptions	10,060	—	10,060
Contributions—employer	—	41,621	(41,621)
Net investment income	—	(52,577)	52,577
Benefit payments, including refunds of employee contributions	(22,804)	(22,804)	—
OPEB plan administrative expense	—	(936)	936
Other changes	—	—	—
Net changes	112,743	(34,696)	147,439
Balances at June 30, 2023	\$ 1,217,860	\$ 1,304,287	\$ (86,427)

NOTES TO THE FINANCIAL STATEMENTS

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 7.2%, 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 (6.2%) or 1 percentage point higher (8.2%) than the current rate:

	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
PSPRS Police			
Net pension liability	\$ 47,805,389	\$ 33,028,016	\$ 21,116,352
Net OPEB liability (asset)	(158,751)	(307,828)	(432,721)
PSPRS Fire			
Net pension liability	\$ 36,120,749	\$ 20,989,287	\$ 8,741,001
Net OPEB liability (asset)	65,313	(86,427)	(214,227)

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, 2023, the City recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Police	\$ 5,094,815	\$ (50,601)
PSPRS Fire	4,715,041	588

Deferred outflows/inflows of resources — At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police - Pension	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 4,392,244	\$ 225,476
Changes in assumptions or other inputs	1,895,189	—
Net difference between projected and actual earnings on pension plan investments	896,084	—
City contributions subsequent to the measurement date	5,911,475	—
Total	<u>\$ 13,094,992</u>	<u>\$ 225,476</u>
PSPRS - Police - Health insurance premium benefit	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 46,470	\$ 319,823
Changes in assumptions or other inputs	32,732	19,757
Net difference between projected and actual earnings on OPEB plan investments	26,640	—
City contributions subsequent to the measurement date	41,698	—
Total	<u>\$ 147,540</u>	<u>\$ 339,580</u>

NOTES TO THE FINANCIAL STATEMENTS

PSPRS - Fire - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 8,042,798	\$ 1,581,025
Changes in assumptions or other inputs	1,956,115	—
Net difference between projected and actual earnings on pension plan investments	1,260,432	—
City contributions subsequent to the measurement date	5,543,071	—
Total	<u>\$ 16,802,416</u>	<u>\$ 1,581,025</u>

PSPRS - Fire - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 7,882	\$ 198,344
Changes in assumptions or other inputs	17,113	49,666
Net difference between projected and actual earnings on OPEB plan investments	24,524	—
City contributions subsequent to the measurement date	47,581	—
Total	<u>\$ 97,100</u>	<u>\$ 248,010</u>

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	PSPRS			
	Police		Fire	
	Pension	Health	Pension	Health
Year ending June 30				
2024	\$ 1,658,297	\$ (74,441)	\$ 1,593,013	\$ (33,434)
2025	1,285,562	(63,536)	1,395,024	(37,105)
2026	744,161	(70,092)	670,014	(49,354)
2027	2,908,574	(14,830)	2,775,445	(7,241)
2028	361,447	(22,020)	983,068	(22,715)
Thereafter	—	11,181	2,261,756	(48,642)

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, 2023, 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, 2023, the City recognized pension expense of \$111,533.

NOTES TO THE FINANCIAL STATEMENTS

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.

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%.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Contributions — State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2023, 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 70.42% of all active EORP members' annual covered payroll. Also, statute required the City to contribute 58.39% to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 64.42% 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, 2023, were \$145,311 and \$100, respectively.

During fiscal year 2023, the City paid for EORP pension contributions as follows: 100% from the General Fund.

Liability — At June 30, 2023, 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	\$ 1,749,832
State's proportionate share of the EORP net pension liability associated with the City	170,379
Total	<u>\$ 1,920,211</u>

The net liability was measured as of June 30, 2022, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

NOTES TO THE FINANCIAL STATEMENTS

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, 2022. The City's proportion measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

EORP	Proportion June 30, 2022	Increase (decrease) from June 30, 2021
Pension	0.26%	—%

Expense — For the year ended June 30, 2023, the City recognized pension expense for EORP of \$197,598 and revenue of \$49,810 for the City's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources — At June 30, 2023, 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
Net difference between projected and actual earnings on plan investments	\$ 15,802	\$ —
Changes in proportion and differences between City contributions and proportionate share of contributions	—	10,199
City contributions subsequent to the measurement date	145,311	—
Total	\$ 161,113	\$ 10,199

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, 2024. 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
2024	\$ (7,017)
2025	152
2026	(7,448)
2027	19,916
2028	—

NOTES TO THE FINANCIAL STATEMENTS

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

Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.2%
Wage Inflation	3.25%
Price Inflation	2.5%
Cost of Living Adjustment	1.85%
Mortality rate	PUBG-2010 Tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

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

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

EORP		
Asset class	Target allocation	Long-term expected geometric real rate of return
U. S. Public Equity	24%	3.49%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Other Assets (Capital Appreciation)	7%	4.83%
Core Bonds	2%	0.45%
Private Credit	20%	5.10%
Diversifying Strategies	10%	2.68%
Cash-Mellon	1%	(0.35)%
Total	<u>100%</u>	

Discount rates — At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.2%, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 7.2%, 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 (6.2%) or 1 percentage point higher (8.2%) than the current rate:

EORP	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
City's proportionate share of the net pension liability	\$ 1,997,679	\$ 1,749,832	\$ 1,537,534

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

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

For the year ended June 30, 2023, 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, 2023, 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 2023, 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 \$889,198 for the year ended June 30, 2023. 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.

NOTES TO THE 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 \$735,592 for the year ended June 30, 2023.

The City's fiduciary responsibility for the plan is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that post-employment health plan assets be held in trust for employees; therefore, employee assets held in post-employment plan assets are held in trust for employees. Employee assets held in post-employment health plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Custodial Fund is not included in the City's Financial Statements.

NOTE 9 - RISK MANAGEMENT

Risk Management Fund

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Thus, the City participates in the Arizona Municipal Risk Retention Pool (AMRRP), which provides a comprehensive municipal coverage program 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.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2023, unpaid claims were as follows:

	Risk Management Fund	
	2023	2022
Beginning unpaid claims	\$ 319,826	\$ 245,082
Claims incurred and changes in estimates	806,479	584,381
Payments made	(889,628)	(509,637)
Ending unpaid claims	<u>\$ 236,677</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 \$949,413 of the total claims payable reported. The remaining \$829,884 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

As of June 30, 2023, unpaid claims were as follows:

	Employee Healthcare Fund	
	2023	2022
Beginning unpaid claims	\$ 1,751,813	\$ 1,511,371
Claims incurred and changes in estimates	15,736,560	13,705,945
Payments made	(15,709,076)	(13,465,503)
Ending unpaid claims	<u>\$ 1,779,297</u>	<u>\$ 1,751,813</u>

Workers' 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.

NOTES TO THE FINANCIAL STATEMENTS

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 \$0.35 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 \$873,790 of the total claims payable reported. The remaining \$113,373 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

As of June 30, 2023, unpaid claims were as follows:

	Workers' Compensation Fund	
	2023	2022
Beginning unpaid claims	\$ 855,527	\$ 303,661
Claims incurred and changes in estimates	894,612	1,442,863
Payments made	(762,976)	(890,997)
Ending unpaid claims	<u>\$ 987,163</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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - INTERFUND BORROWING AND TRANSFERS

As of June 30, 2023, interfund balances were as follows:

Due to/from other funds:

Due from	Due to General Fund
Non-Major Governmental Funds	
Neighborhood Revitalization Fund	\$ 69,457

At year end, the Neighborhood Revitalization 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	\$ 3,716,143	\$ 3,716,143
Total	<u>\$ 3,716,143</u>	<u>\$ 3,716,143</u>

As of June 30, 2023, the City had one long-term loans outstanding. The loan relates to expenditures for projects to be funded by impact fees. This loan will be repaid as impact fees are collected in future years.

Interfund Transfers:

	Transfers Out	Transfers In
Governmental Funds		
General Fund	\$ 37,804,131	\$ 1,779,600
General Capital Projects Fund	95,599	33,359,800
General Government Development Fee Fund	366,702	—
Debt Service Fund	—	3,475,905
Transportation Improvement Fund	112,300	—
Non-Major Governmental Funds	1,564,870	2,892,023
Total Governmental Funds	<u>39,943,602</u>	<u>41,507,328</u>
Enterprise Funds		
Water Fund	629,622	1,391,374
Sewer Fund	2,292,763	20,898
Sanitation Fund	46,489	—
Stormwater Fund	7,124	—
Total Enterprise Funds	<u>2,975,998</u>	<u>1,412,272</u>
Total Transfers	<u>\$ 42,919,600</u>	<u>\$ 42,919,600</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, 2023, 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	\$ 1,264,546	\$ 624,562	\$ —	\$ 432,965	\$ —	\$ —	\$ 8,932	\$ 2,331,005
Prepays	204,924	983,261	—	1,147	—	—	1,567,596	2,756,928
Total Nonspendable	1,469,470	1,607,823	—	434,112	—	—	1,576,528	5,087,933
Restricted:								
Court	—	—	—	—	—	—	593,560	593,560
Debt service	—	—	—	—	—	703,573	633,144	1,336,717
Economic development	6,127	—	—	—	—	—	—	6,127
Fire and medical	4,291	—	—	—	—	—	12,686,195	12,690,486
Human services and community vitality	26,412	—	—	—	—	—	—	26,412
Library	9,220	—	—	—	—	—	—	9,220
Parks and recreation	151,934	—	—	—	—	—	8,938,647	9,090,581
Police	105,817	—	—	—	—	—	8,221,896	8,327,713
Public works	—	—	—	—	—	—	1,027,745	1,027,745
Transportation	—	—	—	4,908,810	—	—	1,618	4,910,428
Total Restricted	303,801	—	—	4,908,810	—	703,573	32,102,805	38,018,989
Committed:								
Emergency reserve	4,321,000	—	—	—	—	—	—	4,321,000
Operating reserve	25,926,100	—	—	—	—	—	—	25,926,100
Stabilization reserve	12,963,000	—	—	—	—	—	—	12,963,000
Public safety	—	—	—	—	—	—	2,379,810	2,379,810
Transportation	—	—	—	—	25,973,854	—	—	25,973,854
Tourism	—	—	—	—	—	—	1,447,253	1,447,253
Total Committed	43,210,100	—	—	—	25,973,854	—	3,827,063	73,011,017
Assigned:								
Construction projects	—	99,877,700	—	—	—	—	—	99,877,700
FS package replacement reserve	—	95,017	—	—	—	—	—	95,017
Vehicle replacement	—	2,577,607	—	—	—	—	—	2,577,607
IT asset replacement	—	1,971,859	—	—	—	—	—	1,971,859
Parks and recreation	—	1,590,138	—	—	—	—	—	1,590,138
PSPRS funding	29,091,778	—	—	—	—	—	—	29,091,778
Public safety	10,630	—	—	—	—	—	—	10,630
Wildland vehicle replacement	268,193	—	—	—	—	—	—	268,193
Other	367,089	435,132	—	—	—	—	—	802,221
Total Assigned	29,737,690	106,547,453	—	—	—	—	—	136,285,143
Unassigned:								
Unassigned or negative fund balance	60,941,871	—	(3,349,476)	—	—	—	(165,823)	57,426,572
Total	\$ 135,662,932	\$ 108,155,276	\$ (3,349,476)	\$ 5,342,922	\$ 25,973,854	\$ 703,573	\$ 37,340,573	\$ 309,829,654

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2023, the following individual governmental funds reported deficits in fund balances:

Fund	Deficit
Major Funds:	
General Government Development Fee Fund	\$ 3,349,476
Non-Major Governmental Funds:	
Grants Fund	99,389
Neighborhood Revitalization Fund	65,534

Deficits arose due to project and grant expenditures incurred in current and prior years exceeding impact fee and available grant revenues. The deficit fund balances are expected to be funded with future development impact fees and grant 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 twenty two cities, towns and fire districts in the Regional Wireless Cooperative (RWC) agreement for the administration, operation, management, construction, and maintenance of a regional public safety communications network. The RWC is an Arizona joint venture, multi-jurisdictional organization throughout the Phoenix Metropolitan Region. The City of Phoenix is both the Network Managing Member and the Administrative Managing Member. As the Network Managing Member, the City of Phoenix operates and maintains the network. As the Administrative Managing Member, the City of Phoenix is responsible for accounting, budgeting, procurement and contracting for the RWC.

The City has an ongoing financial responsibility as a result of the agreement to participate in the cost to construct, operate and maintain the network. The City's share of costs is determined based on the proportionate number of subscriber units in use at the time of assessment. The equity interest for the City at June 30, 2022, which is the latest audited information available, was \$901,878.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 - PRIOR PERIOD ADJUSTMENT

Government Wide and Proprietary Funds

A total prior period adjustment of \$1,519,673 was made to increase the beginning fund balance of the Ground Ambulance Service fund, due to the conversion from enterprise fund to special revenue fund at June 30, 2022. The adjustment resulted in the following restatement to net position/fund balances at June 30, 2022:

	Governmental Activities	Business-type Activities	Proprietary Fund Ground Ambulance Service Fund	Non-Major Special Revenue Fund Ground Ambulance Service Fund
Net Position/Fund Balance at June 30, 2022, as previously reported	\$ 738,232,903	\$ 423,260,467	\$ (241,743)	\$ —
Prior period adjustments:				
Unavailable revenue	—	—	—	(747,205)
Capital assets	1,909,483	(1,909,483)	—	(1,909,483)
Accumulated depreciation	(940,993)	940,993	—	940,993
Compensated absences	(120,531)	120,531	—	120,531
Pension liabilities	(2,538,498)	2,538,498	—	2,538,498
Net OPEB assets	90,459	(90,459)	—	(90,459)
Deferred outflows related to pension	864,445	(864,445)	—	(864,445)
Deferred outflows related to OPEB	17,314	(17,314)	—	(17,314)
Deferred inflows related to pensions	(958,012)	958,012	—	958,012
Deferred inflows related to OPEB	(85,083)	85,083	—	85,083
Reclass Ground Ambulance Net Position/Fund Balance	1,519,673	(1,519,673)	241,743	(241,743)
Net position/Fund Balance at June 30, 2022, as restated	<u>\$ 737,991,160</u>	<u>\$ 423,502,210</u>	<u>\$ —</u>	<u>\$ 772,468</u>

NOTE 17 – SUBSEQUENT EVENTS

On November 7, 2023 the voters of the City of Surprise authorized the City to issue \$100,000,000 in General Obligation bonds for public safety and transportation projects. The bonds will be issued in installments over the next 3 to 4 years.



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REQUIRED SUPPLEMENTARY INFORMATION



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REQUIRED SUPPLEMENTARY INFORMATION

The Required Supplementary information (RSI) section presents certain information concerning the City's progress in funding its pension obligations and its other post employment benefits (OPEB) obligations. This section also includes budgetary comparison schedules for the General fund and for each major special revenue fund.

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability (Asset)
Cost-Sharing Plans

	Reporting fiscal year (measurement date)		
	2023	2022	2021
	(2022)	(2021)	(2020)
City's proportion of the net pension liability	0.40%	0.38%	0.38%
City's proportionate share of the net pension liability	\$ 65,244,813	\$ 49,671,464	\$ 65,171,972
City's covered payroll	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's proportionate share of the net pension liability as a percentage of its covered payroll	142.85%	116.80%	153.57%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%

Information not available for fiscal years 2012 through 2014.

Arizona State Retirement System - Health insurance premium benefit

	Reporting fiscal year (measurement date)		
	2023	2022	2021
	(2022)	(2021)	(2020)
City's proportion of the net OPEB (asset)	0.41 %	0.38 %	0.38 %
City's proportionate share of the net OPEB (asset)	\$ (2,278,716)	\$ (1,880,770)	\$ (270,717)
City's covered payroll	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-4.99%	-4.42%	-0.64%
Plan fiduciary net position as a percentage of the total OPEB liability	137.79%	130.24%	104.33%

Information not available for fiscal years 2012 through 2017.

Arizona State Retirement System - Long-term disability

	Reporting fiscal year (measurement date)		
	2023	2022	2021
	(2022)	(2021)	(2020)
City's proportion of the net OPEB liability	0.40%	0.38%	0.38%
City's proportionate share of the net OPEB liability	\$ 37,211	\$ 78,871	\$ 287,923
City's covered payroll	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's proportionate share of the net OPEB liability) as a percentage of its covered payroll	0.08%	0.19%	0.68%
Plan fiduciary net position as a percentage of the total OPEB liability	95.40%	90.38%	68.01%

Information not available for fiscal years 2012 through 2017.

Elected Official Retirement Plan - Pension

	Reporting fiscal year (measurement date)		
	2023	2022	2021
	(2022)	(2021)	(2020)
City's proportion of the net pension liability	0.26%	0.26%	0.26%
City's proportionate share of the net pension liability	\$ 1,749,832	\$ 1,596,460	\$ 1,745,940
State's proportionate share of the net pension liability associated with the city	\$ 170,379	\$ 160,464	\$ 165,938
Total	\$ 1,920,211	\$ 1,756,924	\$ 1,911,878
City's covered payroll	\$ 233,509	\$ 205,522	\$ 206,644
City's proportionate share of the net pension liability as a percentage of its covered payroll	822.33%	854.86%	925.20%
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.27%	29.80%

Information not available for fiscal years 2012 through 2014.

See accompanying notes to this schedule

2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
0.38%	0.37%	0.36%	0.35%	0.32%	0.29%
\$ 55,824,084	\$ 51,433,226	\$ 56,257,015	\$ 56,796,968	\$ 50,841,272	\$ 42,980,167
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	\$ 32,932,534	\$ 30,121,665	\$ 26,536,195
143.24%	136.86%	159.64%	172.46%	168.79%	161.97%
73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

2020 (2019)	2019 (2018)	2018 (2017)
0.39 %	0.38 %	0.37 %
\$ (108,422)	\$ (135,084)	\$ (199,174)
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
-0.28%	-0.36%	-0.57%
101.62%	102.20%	103.57%

2020 (2019)	2019 (2018)	2018 (2017)
0.39%	0.37%	0.36%
\$ 253,425	\$ 193,112	\$ 131,344
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.65%	0.51%	0.37%
72.85%	77.83%	84.44%

2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
0.23%	0.29%	0.17%	0.19%	0.16%	0.22%
\$ 1,511,837	\$ 1,849,518	\$ 2,034,660	\$ 1,829,709	\$ 1,276,030	\$ 1,505,462
\$ 142,097	\$ (90,103)	\$ 213,700	\$ 100,812	\$ 107,037	\$ 136,820
\$ 1,653,934	\$ 1,759,415	\$ 2,248,360	\$ 1,930,521	\$ 1,383,067	\$ 1,642,282
\$ 176,123	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,470	\$ 154,983
939.08%	1166.98%	1454.63%	1241.73%	889.60%	1059.65%
30.14%	30.36%	19.66%	23.42%	28.32%	31.91%

Required Supplementary Information

Schedule of Changes in the City's Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans

PSPRS - Police - Pension	Reporting fiscal year (measurement date)			
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
Total pension liability				
Service cost	\$ 2,296,280	\$ 2,331,614	\$ 2,500,116	\$ 2,625,724
Interest on the total pension liability	6,546,272	6,036,548	5,548,786	4,977,350
Changes of benefit terms	—	—	—	—
Differences between expected and actual experience in the measurement of the pension liability	1,311,952	2,228,040	1,718,866	1,469,073
Changes of assumptions or other inputs	856,726	—	—	2,103,228
Benefit payments, including refunds of employee contributions	(3,832,929)	(3,323,784)	(2,511,403)	(2,089,561)
Net change in total pension liability	\$ 7,178,301	\$ 7,272,418	\$ 7,256,365	\$ 9,085,814
Total pension liability-beginning	89,295,141	82,022,723	74,766,358	65,680,544
Total pension liability-ending (a)	\$ 96,473,442	\$ 89,295,141	\$ 82,022,723	\$ 74,766,358
Plan fiduciary net position				
Contributions-employer	\$ 4,734,626	\$ 4,486,148	\$ 3,698,985	\$ 4,065,062
Contributions-employee	1,225,997	1,228,642	972,696	1,015,880
Net investment income	(2,669,674)	14,037,729	607,678	2,315,207
Benefit payments, including refunds of employee contributions	(3,832,929)	(3,323,784)	(2,511,403)	(2,089,561)
Pension plan administrative expense	(48,124)	(65,272)	(49,546)	(41,215)
Other changes	23,088	—	—	—
Net change in plan fiduciary net position	\$ (567,016)	\$ 16,363,463	\$ 2,718,410	\$ 5,265,373
Plan fiduciary net position-beginning	64,012,442	47,648,979	44,930,566	39,693,746
Adjustment to Beginning of Year	—	—	3	(28,553)
Plan fiduciary net position-ending (b)	\$ 63,445,426	\$ 64,012,442	\$ 47,648,979	\$ 44,930,566
City's net pension (asset) liability-ending (a) - (b)	\$ 33,028,016	\$ 25,282,699	\$ 34,373,744	\$ 29,835,792
Plan fiduciary net position as a percentage of the total pension liability	65.76%	71.69%	58.09%	60.09%
Covered payroll	\$ 13,046,658	\$ 13,066,287	\$ 12,989,361	\$ 13,066,419
City's net pension (asset) liability as a percentage of covered payroll	253.15%	193.50%	264.63%	228.34%

Information not available for fiscal years 2012 through 2014.

See accompanying notes to this schedule

2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 2,432,053	\$ 2,580,430	\$ 2,064,206	\$ 1,663,042	\$ 1,565,018
4,564,294	4,152,228	3,530,011	2,833,422	2,300,961
—	431,035	4,507,117	—	241,790
(615,366)	884,245	144,478	5,574,308	1,218,340
—	950,588	2,249,172	—	2,469,394
(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)
\$ 4,052,856	\$ 6,111,187	\$ 10,665,632	\$ 9,104,921	\$ 6,638,202
61,627,688	55,516,501	44,850,869	35,745,948	29,107,746
\$ 65,680,544	\$ 61,627,688	\$ 55,516,501	\$ 44,850,869	\$ 35,745,948
\$ 3,608,348	\$ 2,601,364	\$ 2,303,420	\$ 1,729,946	\$ 1,359,213
1,121,032	1,376,163	1,496,064	1,196,870	977,373
2,508,024	3,589,391	168,147	951,951	2,875,527
(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)
(38,871)	(32,160)	(24,595)	(23,613)	—
20,867	36,754	138,888	210,447	(462,996)
\$ 4,891,275	\$ 4,684,173	\$ 2,252,572	\$ 3,099,750	\$ 3,591,816
34,802,471	30,118,298	27,865,726	24,765,976	21,174,160
—	—	—	—	—
\$ 39,693,746	\$ 34,802,471	\$ 30,118,298	\$ 27,865,726	\$ 24,765,976
\$ 25,986,798	\$ 26,825,217	\$ 25,398,203	\$ 16,985,143	\$ 10,979,972
60.43%	56.47%	54.25%	62.13%	69.28%
\$ 12,326,006	\$ 11,769,882	\$ 11,159,388	\$ 10,682,880	\$ 8,730,979
210.83%	227.91%	227.59%	158.99%	125.76%



SURPRISE

ARIZONA

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)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability						
Service cost	\$ 40,190	\$ 43,797	\$ 47,355	\$ 33,493	\$ 34,574	\$ 37,056
Interest on the total pension liability	78,438	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	54,218	(146,929)	(97,685)	(194,295)	(105,683)	(68,029)
Changes of assumptions or other inputs	24,055	—	—	24,230	—	(107,363)
Benefit payments, including refunds of employee contributions	(37,228)	(31,522)	(27,706)	(26,693)	(27,446)	(29,932)
Net change in total pension liability	\$ 159,673	\$ (51,952)	\$ 5,776	\$ (74,899)	\$ (10,630)	\$ (67,202)
Total OPEB liability-beginning	1,052,911	1,104,863	1,099,087	1,173,986	1,184,616	1,251,818
Total OPEB liability-ending (a)	\$ 1,212,584	\$ 1,052,911	\$ 1,104,863	\$ 1,099,087	\$ 1,173,986	\$ 1,184,616
Plan fiduciary net position						
Contributions-employer	\$ 22,060	\$ 33,459	\$ 34,570	\$ 42,535	\$ 26,730	\$ 55,927
Contributions-employee	—	—	—	—	—	—
Net investment income	(62,282)	342,648	15,453	61,524	73,735	110,362
Benefit payments, including refunds of employee contributions	(37,228)	(31,522)	(27,706)	(26,693)	(27,446)	(29,932)
OPEB plan administrative expense	(1,109)	(1,409)	(1,257)	(1,062)	(1,122)	(976)
Other changes	—	—	—	—	1	—
Net change in plan fiduciary net position	\$ (78,559)	\$ 343,176	\$ 21,060	\$ 76,304	\$ 71,898	\$ 135,381
Plan fiduciary net position-beginning	1,598,971	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)	\$ 1,520,412	\$ 1,598,971	\$ 1,255,795	\$ 1,234,735	\$ 1,129,879	\$ 1,057,981
City's net OPEB (asset) liability-ending (a) - (b)	\$ (307,828)	\$ (546,060)	\$ (150,932)	\$ (135,648)	\$ 44,107	\$ 126,635
Plan fiduciary net position as a percentage of the total OPEB liability	125.39%	151.86%	113.66%	112.34%	96.24%	89.31%
Covered payroll	\$13,046,658	\$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	-2.36%	-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)			
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
Total pension liability				
Service cost	\$ 2,827,598	\$ 2,605,918	\$ 2,585,747	\$ 2,703,787
Interest on the total pension liability	6,083,653	5,389,067	4,775,536	4,299,178
Changes of benefit terms	—	—	—	—
Differences between expected and actual experience in the measurement of the pension liability	4,696,366	2,288,365	2,107,451	223,172
Changes of assumptions or other inputs	382,523	—	—	1,224,623
Benefit payments, including refunds of employee contributions	(1,074,975)	(905,343)	(1,263,395)	(759,444)
Net change in total pension liability	\$ 12,915,165	\$ 9,378,007	\$ 8,205,339	\$ 7,691,316
Total pension liability-beginning	81,047,596	71,669,589	63,464,250	55,772,934
Total pension liability-ending (a)	\$ 93,962,761	\$ 81,047,596	\$ 71,669,589	\$ 63,464,250
Plan fiduciary net position				
Contributions-employer	\$ 4,049,340	\$ 4,411,913	\$ 2,592,924	\$ 3,232,317
Contributions-employee	1,070,430	1,194,804	1,086,498	955,090
Net investment income	(3,008,243)	15,348,395	662,772	2,477,023
Benefit payments, including refunds of employee contributions	(1,074,975)	(905,343)	(1,263,395)	(759,444)
Pension plan administrative expense	(54,211)	(71,250)	(54,041)	(44,033)
Other changes	—	62,571	—	—
Net change in plan fiduciary net position	\$ 982,341	\$ 20,041,090	\$ 3,024,758	\$ 5,860,953
Plan fiduciary net position-beginning	71,991,133	51,950,043	48,925,283	43,082,800
Adjustment to Beginning of Year	—	—	2	(18,470)
Plan fiduciary net position-ending (b)	\$ 72,973,474	\$ 71,991,133	\$ 51,950,043	\$ 48,925,283
City's net pension (asset) liability-ending (a) - (b)	\$ 20,989,287	\$ 9,056,463	\$ 19,719,546	\$ 14,538,967
Plan fiduciary net position as a percentage of the total pension liability	77.66%	88.83%	72.49%	77.09%
Covered payroll	\$ 17,278,086	\$ 13,277,038	\$ 11,738,436	\$ 11,767,811
City's net pension (asset) liability as a percentage of covered payroll	121.48%	68.21%	167.99%	123.55%

Information not available for fiscal years 2012 through 2014.

See accompanying notes to this schedule

2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 2,629,254	\$ 2,540,844	\$ 1,944,045	\$ 1,709,096	\$ 1,635,304
3,959,756	3,537,634	2,858,919	2,480,922	2,170,938
—	324,839	4,813,386	—	25,204
(2,685,396)	721,498	(428,646)	991,201	122,957
—	36,178	2,042,866	—	1,068,570
(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)
\$ 3,251,071	\$ 6,086,657	\$ 10,745,185	\$ 4,699,725	\$ 3,282,408
52,521,863	46,435,206	35,690,021	30,990,296	27,707,888
\$ 55,772,934	\$ 52,521,863	\$ 46,435,206	\$ 35,690,021	\$ 30,990,296
\$ 3,149,148	\$ 1,828,952	\$ 1,773,960	\$ 1,394,750	\$ 1,298,311
1,036,287	1,340,153	1,188,041	1,085,819	916,860
2,659,343	3,742,608	170,022	956,696	2,973,644
(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)
(41,175)	(33,516)	(24,864)	(23,732)	—
147,401	141,131	30,036	23,521	(491,977)
\$ 6,298,461	\$ 5,944,992	\$ 2,651,810	\$ 2,955,560	\$ 2,956,273
36,784,339	30,839,347	28,187,537	25,231,977	22,275,704
—	—	—	—	—
\$ 43,082,800	\$ 36,784,339	\$ 30,839,347	\$ 28,187,537	\$ 25,231,977
\$ 12,690,134	\$ 15,737,524	\$ 15,595,859	\$ 7,502,484	\$ 5,758,319
77.25%	70.04%	66.41%	78.98%	81.42%
\$ 11,534,304	\$ 11,296,060	\$ 10,648,460	\$ 9,802,389	\$ 8,942,409
110.02%	139.32%	146.46%	76.54%	64.39%



SURPRISE

ARIZONA

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)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability						
Service cost	\$ 42,976	\$ 42,778	\$ 42,441	\$ 28,223	\$ 28,223	\$ 28,898
Interest on the total pension liability	82,978	79,625	72,508	78,968	72,743	78,136
Changes of benefit terms	10,060	—	—	—	—	8
Differences between expected and actual experience of the total OPEB liability	(467)	(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	(22,804)	(15,780)	(15,486)	(14,571)	(12,727)	(12,382)
Net change in total pension liability	\$ 112,743	\$ 49,252	\$ 110,722	\$ (101,061)	\$ 70,942	\$ (58,292)
Total OPEB liability-beginning	1,105,117	1,055,865	945,143	1,046,204	975,262	1,033,554
Total OPEB liability-ending (a)	\$ 1,217,860	\$ 1,105,117	\$ 1,055,865	\$ 945,143	\$ 1,046,204	\$ 975,262
Plan fiduciary net position						
Contributions-employer	\$ 41,621	\$ 37,731	\$ 35,723	\$ 34,300	\$ 29,385	\$ 40,649
Contributions-employee	—	—	—	—	—	—
Net investment income	(52,577)	283,657	12,652	50,072	58,948	86,787
Benefit payments, including refunds of employee contributions	(22,804)	(15,780)	(15,486)	(14,571)	(12,727)	(12,382)
OPEB plan administrative expense	(936)	(1,166)	(1,029)	(864)	(897)	(769)
Other changes	—	—	—	—	1	—
Net change in plan fiduciary net position	\$ (34,696)	\$ 304,442	\$ 31,860	\$ 68,937	\$ 74,710	\$ 114,285
Plan fiduciary net position-beginning	1,338,983	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)	\$ 1,304,287	\$ 1,338,983	\$ 1,034,541	\$ 1,002,681	\$ 915,274	\$ 840,564
City's net OPEB (asset) liability-ending (a) - (b)	\$ (86,427)	\$ (233,866)	\$ 21,324	\$ (57,538)	\$ 130,930	\$ 134,698
Plan fiduciary net position as a percentage of the total OPEB liability	107.10%	121.16%	97.98%	106.09%	87.49%	86.19%
Covered payroll	\$17,278,086	\$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	-0.50%	-1.76%	0.18%	-0.49%	1.14%	1.19%

Information not available for fiscal years 2012 through 2017.

See accompanying notes to this schedule

Required Supplementary Information
Schedule of City Pension/OPEB Contributions

Arizona State Retirement System - Pension

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 6,091,867	\$ 5,478,357	\$ 4,940,338	\$ 4,678,053
City's contributions in relation to the statutorily required contribution	6,091,867	5,478,357	4,940,338	4,678,053
City's contribution deficiency	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's contributions as a percentage of covered payroll	11.81%	11.99%	11.62%	11.02%

Information not available for fiscal years 2012 through 2013.

Arizona State Retirement System - Health insurance premium benefit

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 110,400	\$ 97,559	\$ 172,796	\$ 191,599
City's contributions in relation to the statutorily required contribution	110,400	97,559	172,796	191,599
City's contribution deficiency	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's contributions as a percentage of covered payroll	0.21%	0.21%	0.41%	0.45%

Information not available for fiscal years 2012 through 2016.

Arizona State Retirement System - Long-term disability

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 72,905	\$ 86,437	\$ 76,187	\$ 69,064
City's contributions in relation to the statutorily required contribution	72,905	86,437	76,187	69,064
City's contribution deficiency	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's contributions as a percentage of covered payroll	0.14%	0.19%	0.18%	0.16%

Information not available for fiscal years 2012 through 2016.

See accompanying notes to this schedule

2019	2018	2017	2016	2015	2014
\$ 4,349,366	\$ 4,084,163	\$ 3,773,263	\$ 3,569,994	\$ 3,259,073	\$ 2,801,701
4,349,366	4,084,163	3,773,263	3,569,994	3,259,073	2,801,701
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	\$ 32,932,534	\$ 30,121,665	\$ 26,536,195
11.16%	10.87%	10.71%	10.84%	10.82%	10.56%

2019	2018	2017
\$ 178,575	\$ 164,581	\$ 196,952
178,575	164,581	196,952
\$ —	\$ —	\$ —
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.46%	0.44%	0.56%

2019	2018	2017
\$ 62,149	\$ 61,374	\$ 49,278
62,149	61,374	49,278
\$ —	\$ —	\$ —
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.16%	0.16%	0.14%

Required Supplementary Information
Schedule of City Pension/OPEB Contributions

Elected Official Retirement Plan - Pension

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 145,311	\$ 120,671	\$ 115,754	\$ 117,327
City's contributions in relation to the statutorily required contribution	145,311	120,671	115,754	117,327
City's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 250,647	\$ 376,872	\$ 205,523	\$ 206,644
City's contributions as a percentage of covered payroll	57.97%	32.02%	56.32%	56.78%

Information not available for fiscal years 2012 through 2013.

The City was not required to and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2023 through 2017. Information for fiscal years 2016 through 2012 is not available.

PSPRS - Police - Pension

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 5,515,963	\$ 4,043,750	\$ 4,094,704	\$ 3,850,896
City's contributions in relation to the actuarially determined contribution	5,911,475	4,670,817	4,094,704	3,850,896
City's contribution deficiency (excess)	\$ (395,512)	\$ (627,067)	\$ —	\$ —
City's covered payroll	\$ 16,214,339	\$ 13,046,658	\$ 13,066,287	\$ 12,989,361
City's contributions as a percentage of covered payroll	36.46%	35.80%	31.34%	29.65%

Information not available for fiscal years 2012 through 2013.

PSPRS - Police - OPEB

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 41,698	\$ 25,907	\$ 40,791	\$ 37,796
City's contributions in relation to the actuarially determined contribution	41,698	41,394	40,791	37,796
City's contribution deficiency (excess)	\$ —	\$ (15,487)	\$ —	\$ —
City's covered payroll	\$ 16,214,339	\$ 13,046,658	\$ 13,066,287	\$ 12,989,361
City's contributions as a percentage of covered payroll	0.26%	0.32%	0.31%	0.29%

Information not available for fiscal years 2012 through 2016.

See accompanying notes to this schedule

2019	2018	2017	2016	2015	2014
\$ 101,371	\$ 66,206	\$ 34,133	\$ 36,535	\$ 35,199	\$ 47,836
101,371	66,206	34,133	36,535	35,199	47,836
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 176,123	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,918	\$ 154,983
57.56%	43.91%	22.08%	23.50%	22.58%	30.87%

2019	2018	2017	2016	2015	2014
\$ 3,977,387	\$ 5,056,552	\$ 2,598,440	\$ 2,301,028	\$ 1,753,988	\$ 1,359,213
3,977,387	5,056,552	2,598,440	2,301,028	1,753,988	1,359,213
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 13,066,419	\$ 12,326,006	\$ 11,769,882	\$ 11,159,388	\$ 10,682,880	\$ 8,730,979
30.44%	41.02 %	22.08 %	20.62 %	16.42 %	15.57 %

2019	2018	2017
\$ 44,365	\$ 79,382	\$ 58,849
44,365	79,382	58,849
\$ —	\$ —	\$ —
\$ 13,066,419	\$ 12,326,006	\$ 11,769,882
0.34%	0.64%	0.50%

Required Supplementary Information
Schedule of City pension/OPEB Contributions

	Reporting fiscal year			
	2023	2022	2021	2020
PSPRS - Fire - Pension				
Actuarially determined contribution	\$ 4,565,888	\$ 3,181,809	\$ 3,569,521	\$ 3,060,602
City's contributions in relation to the actuarially determined contribution	5,543,071	4,637,873	3,569,521	3,060,602
City's contribution deficiency (excess)	\$ (977,183)	\$ (1,456,064)	\$ —	\$ —
City's covered payroll	\$ 16,649,124	\$ 17,278,086	\$ 13,277,038	\$ 11,738,436
City's contributions as a percentage of covered payroll	33.29%	26.84%	26.88%	26.07%

Information not available for fiscal years 2012 through 2013.

	Reporting fiscal year			
	2023	2022	2021	2020
PSPRS - Fire - OPEB				
Actuarially determined contribution	\$ 47,581	\$ 37,981	\$ 40,124	\$ 36,517
City's contributions in relation to the actuarially determined contribution	47,581	46,383	40,124	36,517
City's contribution deficiency (excess)	\$ —	\$ (8,402)	\$ —	\$ —
City's covered payroll	\$ 16,649,124	\$ 17,278,086	\$ 13,277,038	\$ 11,738,436
City's contributions as a percentage of covered payroll	0.29%	0.27%	0.30%	0.31%

Information not available for fiscal years 2012 through 2016.

See accompanying notes to this schedule

2019	2018	2017	2016	2015	2014
\$ 2,977,137	\$ 4,499,428	\$ 1,832,987	\$ 1,716,087	\$ 1,417,546	\$ 1,298,311
2,977,137	4,499,428	1,832,987	1,716,087	1,417,546	1,298,311
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 11,767,811	\$ 11,534,304	\$ 11,296,060	\$ 10,648,460	\$ 9,802,389	\$ 8,492,409
25.30%	39.01%	16.23%	16.12%	14.46%	15.29%

2019	2018	2017
\$ 35,366	\$ 77,072	\$ 40,740
35,366	77,072	40,740
\$ —	\$ —	\$ —
\$ 11,767,811	\$ 11,534,304	\$ 11,296,060
0.30%	0.67%	0.36%

Required Supplementary Information

Notes to Pension/OPEB Schedules

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTIONS 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 2019 (measurement date 2018) pension liabilities for EORP reflects the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

City of Surprise, Arizona

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

General Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 89,969,400	\$ 89,969,400	\$ 93,988,457	\$ 4,019,057
Licenses and permits	6,010,700	6,010,700	6,781,295	770,595
Intergovernmental revenues	57,080,300	57,130,300	59,294,953	2,164,653
Charges for services	13,044,300	13,044,300	24,966,845	11,922,545
Fines	1,218,300	1,218,300	859,484	(358,816)
Rents	563,900	563,900	621,200	57,300
Interest revenue	222,300	222,300	2,244,178	2,021,878
Donations	157,900	157,900	94,899	(63,001)
Indirect charges	6,455,200	6,455,200	6,455,301	101
Other revenue	231,300	231,300	768,606	537,306
Total revenues	<u>174,953,600</u>	<u>175,003,600</u>	<u>196,075,218</u>	<u>21,071,618</u>
EXPENDITURES				
Current:				
General government:				
City council	697,300	697,300	613,387	83,913
City manager	2,212,300	2,212,500	2,212,388	112
City attorney	2,880,800	2,880,800	2,591,385	289,415
City clerk	807,300	807,300	714,338	92,962
Finance	5,757,200	5,757,200	4,330,058	1,427,142
Human resources	3,286,800	3,286,800	2,820,678	466,122
Information technology	7,761,900	7,761,900	6,296,850	1,465,050
Marketing and communications	1,334,600	1,334,600	1,289,106	45,494
City auditor	500,800	500,800	419,768	81,032
General operations	34,381,800	33,938,000	2,126,500	31,811,500
Total general government	<u>59,620,800</u>	<u>59,177,200</u>	<u>23,414,458</u>	<u>35,762,742</u>
Public safety:				
Police	39,181,700	39,181,700	38,080,054	1,101,646
Fire-medical	31,802,000	32,224,500	31,659,763	564,737
Court	2,972,400	2,972,400	2,615,055	357,345
Total public safety	<u>73,956,100</u>	<u>74,378,600</u>	<u>72,354,872</u>	<u>2,023,728</u>
Public works and streets				
Public works and streets	12,896,700	12,869,500	11,096,412	1,773,088
Total public works and streets	<u>12,896,700</u>	<u>12,869,500</u>	<u>11,096,412</u>	<u>1,773,088</u>

<hr/>				
Community development:				
Economic development	13,944,600	13,929,600	11,039,104	2,890,496
Community development	7,310,200	7,310,200	6,235,448	1,074,752
Total community development	<u>21,254,800</u>	<u>21,239,800</u>	<u>17,274,552</u>	<u>3,965,248</u>
Culture and recreation:				
Human services and community vitality	3,013,800	3,003,400	2,420,341	583,059
Arts, culture, and library	—	1,967,500	1,556,058	411,442
Parks and recreation	16,138,100	14,855,000	14,058,752	796,248
Sports and tourism	157,000	157,000	156,845	155
Total culture and recreation	<u>19,308,900</u>	<u>19,982,900</u>	<u>18,191,996</u>	<u>1,790,904</u>
Total current	<u>187,037,300</u>	<u>187,648,000</u>	<u>142,332,290</u>	<u>45,315,710</u>
Debt service:				
Principal retirement	—	—	936,693	(936,693)
Interest	—	—	15,132	(15,132)
Total debt service	<u>—</u>	<u>—</u>	<u>951,825</u>	<u>(951,825)</u>
Capital outlay	2,324,800	3,222,500	1,921,035	1,301,465
Total expenditures	<u>189,362,100</u>	<u>190,870,500</u>	<u>145,205,150</u>	<u>45,665,350</u>
Excess (deficiency) of revenues over expenditures	<u>(14,408,500)</u>	<u>(15,866,900)</u>	<u>50,870,068</u>	<u>66,736,968</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	—	—	165,522	165,522
Transfers in	1,762,500	1,783,600	1,779,600	(4,000)
Transfers out	(26,336,000)	(26,336,000)	(37,804,131)	(11,468,131)
Lease agreements	—	—	56,124	56,124
Total other financing sources (uses)	<u>(24,573,500)</u>	<u>(24,552,400)</u>	<u>(35,802,885)</u>	<u>(11,250,485)</u>
Net change in fund balances	<u>\$ (38,982,000)</u>	<u>\$ (40,419,300)</u>	<u>\$ 15,067,183</u>	<u>\$ 55,486,483</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 649,800	\$ 649,800	\$ 672,173	\$ 22,373
Interest revenue	3,300	3,300	29,723	26,423
Total revenues	<u>653,100</u>	<u>653,100</u>	<u>701,896</u>	<u>48,796</u>
EXPENDITURES				
Current:				
General government	1,475,900	1,475,900	—	1,475,900
Total current	<u>1,475,900</u>	<u>1,475,900</u>	<u>—</u>	<u>1,475,900</u>
Total expenditures	<u>1,475,900</u>	<u>1,475,900</u>	<u>—</u>	<u>1,475,900</u>
Excess (deficiency) of revenues over expenditures	<u>(822,800)</u>	<u>(822,800)</u>	<u>701,896</u>	<u>1,524,696</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(366,900)	(366,900)	(366,702)	198
Total other financing sources (uses)	<u>(366,900)</u>	<u>(366,900)</u>	<u>(366,702)</u>	<u>198</u>
Net change in fund balances	<u>\$ (1,189,700)</u>	<u>\$ (1,189,700)</u>	<u>\$ 335,194</u>	<u>\$ 1,524,894</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 11,355,200	\$ 11,355,200	\$ 11,093,076	\$ (262,124)
Charges for services	8,300	8,300	15,000	6,700
Interest revenue	—	—	109,834	109,834
Other revenue	1,500	1,500	44,450	42,950
Total revenues	<u>11,365,000</u>	<u>11,365,000</u>	<u>11,262,360</u>	<u>(102,640)</u>
EXPENDITURES				
Current:				
General government	2,394,300	2,708,900	163,509	2,545,391
Public works and streets	11,312,000	11,274,100	10,695,785	578,315
Total current	<u>13,706,300</u>	<u>13,983,000</u>	<u>10,859,294</u>	<u>3,123,706</u>
Debt service:				
Principal retirement	—	—	2,835	(2,835)
Interest	—	—	62	(62)
Total debt service	<u>—</u>	<u>—</u>	<u>2,897</u>	<u>(2,897)</u>
Capital outlay	2,184,400	1,907,700	967,179	940,521
Total expenditures	<u>15,890,700</u>	<u>15,890,700</u>	<u>11,829,370</u>	<u>4,061,330</u>
Excess (deficiency) of revenues over expenditures	<u>(4,525,700)</u>	<u>(4,525,700)</u>	<u>(567,010)</u>	<u>3,958,690</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	—	—	48,423	48,423
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>48,423</u>	<u>48,423</u>
Net change in fund balances	<u>\$ (4,525,700)</u>	<u>\$ (4,525,700)</u>	<u>\$ (518,587)</u>	<u>\$ 4,007,113</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,127,800	\$ 10,127,800	\$ 16,189,998	\$ 6,062,198
Interest revenue	20,600	20,600	447,991	427,391
Other revenue	862,500	862,500	43,059	(819,441)
Total revenues	<u>11,010,900</u>	<u>11,010,900</u>	<u>16,681,048</u>	<u>5,670,148</u>
EXPENDITURES				
Current:				
Public works and streets	3,124,900	3,059,500	2,992,766	66,734
Total current	<u>3,124,900</u>	<u>3,059,500</u>	<u>2,992,766</u>	<u>66,734</u>
Capital outlay	25,658,800	25,724,200	5,910,553	19,813,647
Total expenditures	<u>28,783,700</u>	<u>28,783,700</u>	<u>8,903,319</u>	<u>19,880,381</u>
Excess (deficiency) of revenues over expenditures	<u>(17,772,800)</u>	<u>(17,772,800)</u>	<u>7,777,729</u>	<u>25,550,529</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(112,300)	(112,300)	(112,300)	—
Total other financing sources (uses)	<u>(112,300)</u>	<u>(112,300)</u>	<u>(112,300)</u>	<u>—</u>
Net change in fund balances	<u>\$ (17,885,100)</u>	<u>\$ (17,885,100)</u>	<u>\$ 7,665,429</u>	<u>\$ 25,550,529</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



OTHER SUPPLEMENTARY INFORMATION



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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 14,893,200	\$ 14,893,200	\$ 23,745,330	\$ 8,852,130
Licenses and permits	—	—	436,017	436,017
Interest revenue	138,400	138,400	1,992,623	1,854,223
Other revenue	—	—	94,154	94,154
Total revenues	<u>15,031,600</u>	<u>15,031,600</u>	<u>26,268,124</u>	<u>11,236,524</u>
EXPENDITURES				
Current:				
General government:				
Information technology	14,900	14,900	—	14,900
Marketing and communications	179,900	149,200	98,284	50,916
General operations	47,400	47,400	27,516	19,884
Total general government	<u>242,200</u>	<u>211,500</u>	<u>125,800</u>	<u>85,700</u>
Public safety:				
Police	1,134,700	1,475,900	1,222,323	253,577
Fire-Medical	21,500	21,500	8,921	12,579
Total public safety	<u>1,156,200</u>	<u>1,497,400</u>	<u>1,231,244</u>	<u>266,156</u>
Public works and streets	4,100,000	4,100,000	3,822,219	277,781
Community development:				
Economic development	240,100	210,700	82,415	128,285
Total community development	<u>240,100</u>	<u>210,700</u>	<u>82,415</u>	<u>128,285</u>
Culture and recreation:				
Human services and community vitality	14,100	13,600	8,965	4,635
Parks and recreation	3,394,200	2,935,600	1,952,435	983,165
Sports and tourism	4,218,700	3,759,600	2,977,136	782,464
Total culture and recreation	<u>7,627,000</u>	<u>6,708,800</u>	<u>4,938,536</u>	<u>1,770,264</u>
Total current	<u>13,365,500</u>	<u>12,728,400</u>	<u>10,200,214</u>	<u>2,528,186</u>
Capital outlay	108,059,000	110,949,100	27,704,627	83,244,473
Total expenditures	<u>121,424,500</u>	<u>123,677,500</u>	<u>37,904,841</u>	<u>85,772,659</u>
Excess (deficiency) of revenues over expenditures	<u>(106,392,900)</u>	<u>(108,645,900)</u>	<u>(11,636,717)</u>	<u>97,009,183</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,588,300	20,588,300	33,359,800	12,771,500
Transfers out	(94,900)	(94,900)	(95,599)	(699)
Total other financing sources (uses)	<u>20,493,400</u>	<u>20,493,400</u>	<u>33,264,201</u>	<u>12,770,801</u>
Net change in fund balances	<u>\$ (85,899,500)</u>	<u>\$ (88,152,500)</u>	<u>\$ 21,627,484</u>	<u>\$ 109,779,984</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,557,500	\$ 5,557,500	\$ 5,552,056	\$ (5,444)
Interest revenue	—	—	63,106	63,106
Other revenue	—	—	184,347	184,347
Total revenues	<u>5,557,500</u>	<u>5,557,500</u>	<u>5,799,509</u>	<u>242,009</u>
EXPENDITURES				
Debt service:				
Administrative charges	8,000	8,000	2,516	5,484
Principal retirement	7,218,200	7,218,200	6,422,488	795,712
Interest	2,211,100	2,211,100	2,210,978	122
Total debt service	<u>9,437,300</u>	<u>9,437,300</u>	<u>8,635,982</u>	<u>801,318</u>
Total expenditures	<u>9,437,300</u>	<u>9,437,300</u>	<u>8,635,982</u>	<u>801,318</u>
Excess (deficiency) of revenues over expenditures	<u>(3,879,800)</u>	<u>(3,879,800)</u>	<u>(2,836,473)</u>	<u>1,043,327</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,437,300	3,437,300	3,475,905	38,605
Total other financing sources (uses)	<u>3,437,300</u>	<u>3,437,300</u>	<u>3,475,905</u>	<u>38,605</u>
Net change in fund balances	<u>\$ (442,500)</u>	<u>\$ (442,500)</u>	<u>\$ 639,432</u>	<u>\$ 1,081,932</u>

NONMAJOR 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.
 - *Ground Ambulance Service Fund* - This fund accounts for ground ambulance services provided to patients in need of emergency medical services within the City.
 - *LTAI 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.
 - *SBI398 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.
 - *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.

NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS (continued)

- *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* – 161 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, 2023

	Grants Fund	Ground Ambulance Service Fund	LTAFF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund
ASSETS					
Cash and investments	\$ 4,978,625	\$ 1,694,015	\$ 1,218	\$ 404,437	\$ 22,979
Restricted cash and investments	—	—	—	—	—
Receivables (net of allowances):					
Accounts	—	1,453,296	—	—	—
Taxes and franchise fees	—	—	—	—	—
Grants	635,546	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Prepaid items and other assets	900	—	—	—	—
Inventory	—	—	—	—	—
Total assets	<u>\$ 5,615,071</u>	<u>\$ 3,147,311</u>	<u>\$ 1,218</u>	<u>\$ 404,437</u>	<u>\$ 22,979</u>
LIABILITIES					
Accounts payable	\$ 124,540	\$ 46,311	\$ —	\$ —	\$ —
Accrued payroll and related taxes	—	92,595	—	—	—
Due to other fund	—	—	—	—	—
Deposits	—	—	—	—	—
Unearned revenue	5,505,713	—	—	—	—
Contracts payable	—	—	—	—	—
Matured bond interest payable	—	—	—	—	—
Matured bonds payable	—	—	—	—	—
Total liabilities	<u>5,630,253</u>	<u>138,906</u>	<u>—</u>	<u>—</u>	<u>—</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - unavailable revenue	84,207	628,595	—	—	—
Deferred Inflows - leases	—	—	—	—	—
Total deferred inflow of resources	<u>84,207</u>	<u>628,595</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and deferred inflows of resources	<u>5,714,460</u>	<u>767,501</u>	<u>—</u>	<u>—</u>	<u>—</u>
FUND BALANCES (DEFICITS)					
Nonspendable	900	—	—	—	—
Restricted	—	—	1,218	404,437	22,979
Committed	—	2,379,810	—	—	—
Unassigned	(100,289)	—	—	—	—
Total fund balances (deficits)	<u>(99,389)</u>	<u>2,379,810</u>	<u>1,218</u>	<u>404,437</u>	<u>22,979</u>
Total liabilities and fund balances (deficits)	<u>\$ 5,615,071</u>	<u>\$ 3,147,311</u>	<u>\$ 1,218</u>	<u>\$ 404,437</u>	<u>\$ 22,979</u>

Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborhood Revitalization Fund	Net Premium Seating Fund	Proposition 400 Fund	SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund
\$ 109,351	\$ 56,793	\$ —	\$ 269,242	\$ 400	\$ 53,537	\$ 17,280	\$ 5,192
—	—	—	—	—	—	—	1,302,001
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	442,564	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 109,351</u>	<u>\$ 56,793</u>	<u>\$ 442,564</u>	<u>\$ 269,242</u>	<u>\$ 400</u>	<u>\$ 53,537</u>	<u>\$ 17,280</u>	<u>\$ 1,307,193</u>
\$ —	\$ —	\$ 63,044	\$ 13,293	\$ —	\$ —	\$ —	\$ 7,535
—	—	—	—	—	—	—	—
—	—	69,457	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	375,597	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	508,098	13,293	—	—	—	7,535
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	508,098	13,293	—	—	—	7,535
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
109,351	56,793	—	—	400	53,537	17,280	1,299,658
—	—	—	255,949	—	—	—	—
—	—	(65,534)	—	—	—	—	—
<u>109,351</u>	<u>56,793</u>	<u>(65,534)</u>	<u>255,949</u>	<u>400</u>	<u>53,537</u>	<u>17,280</u>	<u>1,299,658</u>
<u>\$ 109,351</u>	<u>\$ 56,793</u>	<u>\$ 442,564</u>	<u>\$ 269,242</u>	<u>\$ 400</u>	<u>\$ 53,537</u>	<u>\$ 17,280</u>	<u>\$ 1,307,193</u>

(Continued)

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2023

	SPD Towing Fund	Sports & Tourism Fund	Smart & Safe Police Fund	Smart & Safe Fire-Medical Fund	Tourism Fund
ASSETS					
Cash and investments	\$ 16,352	\$ 606,166	\$ 822,249	\$ 806,069	\$ 1,641,382
Restricted cash and investments	—	—	—	—	—
Receivables (net of allowances):					
Accounts	—	—	—	—	—
Taxes and franchise fees	—	—	—	—	—
Grants	—	—	—	—	—
Leases	—	2,887,835	—	—	—
Other	—	339,456	—	—	—
Prepaid items and other assets	—	—	—	—	—
Inventory	—	8,932	—	—	—
Total assets	<u>\$ 16,352</u>	<u>\$ 3,842,389</u>	<u>\$ 822,249</u>	<u>\$ 806,069</u>	<u>\$ 1,641,382</u>
LIABILITIES					
Accounts payable	\$ —	\$ 189,121	\$ —	\$ —	\$ 450,078
Accrued payroll and related taxes	613	47,512	—	—	—
Due to other funds	—	—	—	—	—
Deposits	—	—	—	—	—
Unearned revenue	—	—	—	—	—
Contracts payable	—	—	—	—	—
Matured bond interest payable	—	—	—	—	—
Matured bonds payable	—	—	—	—	—
Total liabilities	<u>613</u>	<u>236,633</u>	<u>—</u>	<u>—</u>	<u>450,078</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - unavailable revenue	—	—	—	—	—
Deferred Inflows - leases	—	2,766,453	—	—	—
Total deferred inflow of resources	<u>—</u>	<u>2,766,453</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and deferred inflows of resources	<u>613</u>	<u>3,003,086</u>	<u>—</u>	<u>—</u>	<u>450,078</u>
FUND BALANCES (DEFICITS)					
Nonspendable	—	8,932	—	—	—
Restricted	15,739	830,371	822,249	806,069	—
Committed	—	—	—	—	1,191,304
Unassigned	—	—	—	—	—
Total fund balances (deficits)	<u>15,739</u>	<u>839,303</u>	<u>822,249</u>	<u>806,069</u>	<u>1,191,304</u>
Total liabilities and fund balances (deficits)	<u>\$ 16,352</u>	<u>\$ 3,842,389</u>	<u>\$ 822,249</u>	<u>\$ 806,069</u>	<u>\$ 1,641,382</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
\$ 34,448	\$ 11,993,128	\$ 8,172,694	\$ 6,013,771	\$ 1,193,816	\$ 2,051,301	\$ 40,964,445
—	—	—	—	—	—	1,302,001
—	—	—	—	—	—	1,453,296
—	—	—	—	34,989	31,917	66,906
—	—	—	—	—	—	1,078,110
—	—	—	—	—	—	2,887,835
—	—	—	—	—	32,250	371,706
—	1,566,696	—	—	—	—	1,567,596
—	—	—	—	—	—	8,932
<u>\$ 34,448</u>	<u>\$ 13,559,824</u>	<u>\$ 8,172,694</u>	<u>\$ 6,013,771</u>	<u>\$ 1,228,805</u>	<u>\$ 2,115,468</u>	<u>\$ 49,700,827</u>
\$ 34,448	\$ 113,002	\$ 25,350	\$ 338	\$ 194,697	\$ 178,629	\$ 1,440,386
—	—	—	—	—	—	140,720
—	—	—	—	—	—	69,457
—	—	—	—	462	—	462
—	—	—	—	—	—	5,881,310
—	—	58,540	—	—	—	58,540
—	—	—	—	—	613,578	613,578
—	—	—	—	—	655,000	655,000
<u>34,448</u>	<u>113,002</u>	<u>83,890</u>	<u>338</u>	<u>195,159</u>	<u>1,447,207</u>	<u>8,859,453</u>
—	—	—	—	5,901	15,645	734,348
—	—	—	—	—	—	2,766,453
—	—	—	—	5,901	15,645	3,500,801
<u>34,448</u>	<u>113,002</u>	<u>83,890</u>	<u>338</u>	<u>201,060</u>	<u>1,462,852</u>	<u>12,360,254</u>
—	1,566,696	—	—	—	—	1,576,528
—	11,880,126	8,088,804	6,013,433	1,027,745	652,616	32,102,805
—	—	—	—	—	—	3,827,063
—	—	—	—	—	—	(165,823)
<u>—</u>	<u>13,446,822</u>	<u>8,088,804</u>	<u>6,013,433</u>	<u>1,027,745</u>	<u>652,616</u>	<u>37,340,573</u>
<u>\$ 34,448</u>	<u>\$ 13,559,824</u>	<u>\$ 8,172,694</u>	<u>\$ 6,013,771</u>	<u>\$ 1,228,805</u>	<u>\$ 2,115,468</u>	<u>\$ 49,700,827</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, 2023

	Grants Fund	Ground Ambulance Service Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund
REVENUES					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental revenues	—	—	364,134	—	2,401
Charges for services	—	6,621,160	—	—	—
Grants revenue	2,113,000	—	—	—	—
Fines	—	—	—	84,666	—
Rents	—	—	—	—	—
Development fees	—	—	—	—	—
Interest revenue	—	26,246	15	7,647	471
Other revenue	—	54,936	—	—	—
Total revenues	<u>2,113,000</u>	<u>6,702,342</u>	<u>364,149</u>	<u>92,313</u>	<u>2,872</u>
EXPENDITURES					
Current:					
General government	1,600	—	—	—	—
Public safety	669,937	4,965,490	—	—	—
Public works and streets	—	—	364,134	—	—
Community development	—	—	—	—	—
Culture and recreation	903,245	—	—	—	—
Debt service:					
Administrative charges	—	—	—	—	—
Principal retirement	—	—	—	—	—
Interest	—	—	—	—	—
Capital outlay	609,246	129,510	—	—	—
Total expenditures	<u>2,184,028</u>	<u>5,095,000</u>	<u>364,134</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(71,028)</u>	<u>1,607,342</u>	<u>15</u>	<u>92,313</u>	<u>2,872</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	—	—	—	—	—
Transfers out	—	—	—	—	—
Issuance of debt	—	—	—	—	—
Issuance of premium	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u>(71,028)</u>	<u>1,607,342</u>	<u>15</u>	<u>92,313</u>	<u>2,872</u>
Fund balances - beginning (as restated)	<u>(28,361)</u>	<u>772,468</u>	<u>1,203</u>	<u>312,124</u>	<u>20,107</u>
Increase / (decrease) in inventories	—	—	—	—	—
Fund balances - ending	<u>\$ (99,389)</u>	<u>\$ 2,379,810</u>	<u>\$ 1,218</u>	<u>\$ 404,437</u>	<u>\$ 22,979</u>

Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborhood Revitalization Fund	Net Premium Seating Fund	Proposition 400 Fund	SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	8,312	—	—	—	—	—	—
—	—	—	26,160	—	—	—	—
—	—	1,620,991	—	—	—	—	—
12,216	—	—	—	—	21,058	—	181,875
—	—	—	—	—	—	—	—
2,160	1,113	—	2,432	8	1,036	358	27,848
—	—	—	—	—	—	—	—
<u>14,376</u>	<u>9,425</u>	<u>1,620,991</u>	<u>28,592</u>	<u>8</u>	<u>22,094</u>	<u>358</u>	<u>209,723</u>
—	—	—	—	—	—	—	—
—	—	—	—	—	9,926	—	106,559
—	—	—	—	—	—	—	—
—	—	1,568,893	79,518	—	—	—	—
—	—	—	—	—	—	—	—
—	—	29,968	—	—	—	—	—
—	—	22,130	—	—	—	—	—
—	—	—	—	—	—	—	54,623
—	—	<u>1,620,991</u>	<u>79,518</u>	<u>—</u>	<u>9,926</u>	<u>—</u>	<u>161,182</u>
<u>14,376</u>	<u>9,425</u>	<u>—</u>	<u>(50,926)</u>	<u>8</u>	<u>12,168</u>	<u>358</u>	<u>48,541</u>
—	—	—	140,907	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	<u>140,907</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>14,376</u>	<u>9,425</u>	<u>—</u>	<u>89,981</u>	<u>8</u>	<u>12,168</u>	<u>358</u>	<u>48,541</u>
<u>94,975</u>	<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>\$ 109,351</u>	<u>\$ 56,793</u>	<u>\$ (65,534)</u>	<u>\$ 255,949</u>	<u>\$ 400</u>	<u>\$ 53,537</u>	<u>\$ 17,280</u>	<u>\$ 1,299,658</u>

(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, 2023

	SPD Towing Fund	Sports & Tourism Fund	Smart & Safe Police Fund	Smart & Safe Fire-Medical Fund	Tourism Fund
REVENUES					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 1,222,911
Intergovernmental revenues	—	—	414,662	409,058	158,850
Charges for services	22,500	3,427,632	—	—	—
Grants revenue	—	—	—	—	—
Fines	—	—	—	—	—
Rents	—	488,130	—	—	—
Development fees	—	—	—	—	—
Interest revenue	479	40,520	—	—	43,639
Other revenue	—	22,066	—	—	—
Total revenues	<u>22,979</u>	<u>3,978,348</u>	<u>414,662</u>	<u>409,058</u>	<u>1,425,400</u>
EXPENDITURES					
Current:					
General government	—	—	—	—	—
Public safety	49,369	—	—	—	—
Public works and streets	—	—	—	—	—
Community development	—	—	—	—	—
Culture and recreation	—	6,582,577	—	—	677,791
Debt service:					
Administrative charges	—	—	—	—	—
Principal retirement	—	—	—	—	—
Interest	—	—	—	—	—
Capital outlay	—	—	—	—	—
Total expenditures	<u>49,369</u>	<u>6,582,577</u>	<u>—</u>	<u>—</u>	<u>677,791</u>
Excess (deficiency) of revenues over expenditures	<u>(26,390)</u>	<u>(2,604,229)</u>	<u>414,662</u>	<u>409,058</u>	<u>747,609</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	—	2,751,116	—	—	—
Transfers out	—	(8,674)	—	—	(917,183)
Issuance of debt	—	—	—	—	—
Premium on debt issuance	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>2,742,442</u>	<u>—</u>	<u>—</u>	<u>(917,183)</u>
Net change in fund balances	<u>(26,390)</u>	<u>138,213</u>	<u>414,662</u>	<u>409,058</u>	<u>(169,574)</u>
Fund balances - beginning (as restated)	<u>42,129</u>	<u>701,586</u>	<u>407,587</u>	<u>397,011</u>	<u>1,360,878</u>
Increase / (decrease) in inventories	—	(496)	—	—	—
Fund balances - ending	<u>\$ 15,739</u>	<u>\$ 839,303</u>	<u>\$ 822,249</u>	<u>\$ 806,069</u>	<u>\$ 1,191,304</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
\$ —	\$ —	\$ —	\$ —	\$ 2,832,015	\$ 2,069,148	\$ 6,124,074
—	—	—	—	—	—	1,357,417
—	—	—	—	7,158	—	10,104,610
—	—	—	—	—	—	3,733,991
—	—	—	—	—	—	299,815
—	—	—	—	—	—	488,130
—	2,377,853	2,657,753	1,159,843	—	—	6,195,449
2,197	247,004	157,486	119,185	25,415	—	705,259
—	—	—	—	—	—	77,002
<u>2,197</u>	<u>2,624,857</u>	<u>2,815,239</u>	<u>1,279,028</u>	<u>2,864,588</u>	<u>2,069,148</u>	<u>29,085,747</u>
—	—	195,460	6,944	108,396	—	312,400
—	16,041	—	—	—	—	5,817,322
—	—	—	—	—	—	364,134
—	—	—	—	2,304,899	—	2,304,899
—	—	—	—	—	178,629	9,990,653
—	—	—	—	—	508,417	508,417
—	—	—	—	—	655,000	684,968
—	—	—	—	—	1,217,434	1,239,564
116,514	322,181	1,988,967	369,456	—	12,502,430	16,092,927
<u>116,514</u>	<u>338,222</u>	<u>2,184,427</u>	<u>376,400</u>	<u>2,413,295</u>	<u>15,061,910</u>	<u>37,315,284</u>
(114,317)	2,286,635	630,812	902,628	451,293	(12,992,762)	(8,229,537)
—	—	—	—	—	—	2,892,023
—	(66,818)	(436,968)	(135,227)	—	—	(1,564,870)
—	—	—	—	—	13,065,000	13,065,000
—	—	—	—	—	27,551	27,551
—	(66,818)	(436,968)	(135,227)	—	13,092,551	14,419,704
<u>(114,317)</u>	<u>2,219,817</u>	<u>193,844</u>	<u>767,401</u>	<u>451,293</u>	<u>99,789</u>	<u>6,190,167</u>
<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>31,150,902</u>
—	—	—	—	—	—	(496)
<u>\$ —</u>	<u>\$ 13,446,822</u>	<u>\$ 8,088,804</u>	<u>\$ 6,013,433</u>	<u>\$ 1,027,745</u>	<u>\$ 652,616</u>	<u>\$ 37,340,573</u>

City of Surprise, Arizona

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

Grants Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grants revenue	\$ 23,845,100	\$ 24,055,900	\$ 2,113,000	\$ (21,942,900)
Total revenues	<u>23,845,100</u>	<u>24,055,900</u>	<u>2,113,000</u>	<u>(21,942,900)</u>
EXPENDITURES				
Current:				
General government:				
City attorney	—	1,600	1,600	—
Public safety:				
Police	586,600	714,400	467,102	247,298
Fire-Medical	514,800	368,000	202,835	165,165
Culture and recreation:				
Human services and community vitality	1,189,000	4,548,500	781,945	3,766,555
Parks and recreation	—	7,200	4,760	2,440
Sports and Tourism	—	120,000	116,540	3,460
Total current	<u>2,290,400</u>	<u>5,759,700</u>	<u>1,574,782</u>	<u>4,184,918</u>
Capital outlay	27,105,700	23,756,400	609,246	23,147,154
Total expenditures	<u>29,396,100</u>	<u>29,516,100</u>	<u>2,184,028</u>	<u>27,332,072</u>
Excess (deficiency) of revenues over expenditures	<u>(5,551,000)</u>	<u>(5,460,200)</u>	<u>(71,028)</u>	<u>5,389,172</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	—	(21,100)	—	21,100
Total other financing sources (uses)	<u>—</u>	<u>(21,100)</u>	<u>—</u>	<u>21,100</u>
Net change in fund balances	<u>\$ (5,551,000)</u>	<u>\$ (5,481,300)</u>	<u>\$ (71,028)</u>	<u>\$ 5,410,272</u>

City of Surprise, Arizona

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

Ground Ambulance Service Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 5,004,800	\$ 5,004,800	\$ 6,621,160	\$ 1,616,360
Interest revenue	3,100	3,100	26,246	23,146
Other revenue	10,000	10,000	54,936	44,936
Total revenues	<u>5,017,900</u>	<u>5,017,900</u>	<u>6,702,342</u>	<u>1,684,442</u>
EXPENDITURES				
Current:				
Public safety	<u>5,234,700</u>	<u>5,860,000</u>	<u>4,965,490</u>	<u>894,510</u>
Total current	<u>5,234,700</u>	<u>5,860,000</u>	<u>4,965,490</u>	<u>894,510</u>
Capital outlay	<u>902,000</u>	<u>902,000</u>	<u>129,510</u>	<u>772,490</u>
Total expenditures	<u>6,136,700</u>	<u>6,762,000</u>	<u>5,095,000</u>	<u>1,667,000</u>
Excess (deficiency) of revenues over expenditures	<u>(1,118,800)</u>	<u>(1,744,100)</u>	<u>1,607,342</u>	<u>3,351,442</u>
Net change in fund balances	<u>\$ (1,118,800)</u>	<u>\$ (1,744,100)</u>	<u>\$ 1,607,342</u>	<u>\$ 3,351,442</u>

City of Surprise, Arizona

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

LTAF II/ALF Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 400,000	\$ 400,000	\$ 364,134	\$ (35,866)
Interest revenue	—	—	15	15
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>364,149</u>	<u>(35,851)</u>
EXPENDITURES				
Current:				
Public works and streets	<u>401,100</u>	<u>401,100</u>	<u>364,134</u>	<u>36,966</u>
Total current	<u>401,100</u>	<u>401,100</u>	<u>364,134</u>	<u>36,966</u>
Total expenditures	<u>401,100</u>	<u>401,100</u>	<u>364,134</u>	<u>36,966</u>
Excess (deficiency) of revenues over expenditures	<u>(1,100)</u>	<u>(1,100)</u>	<u>15</u>	<u>1,115</u>
Net change in fund balances	<u>\$ (1,100)</u>	<u>\$ (1,100)</u>	<u>\$ 15</u>	<u>\$ 1,115</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 74,400	\$ 74,400	\$ 84,666	\$ 10,266
Interest revenue	—	\$ —	7,647	7,647
Total revenues	<u>74,400</u>	<u>74,400</u>	<u>92,313</u>	<u>17,913</u>
EXPENDITURES				
Current:				
Public safety:				
Court	317,500	317,500	—	317,500
Total current	<u>317,500</u>	<u>317,500</u>	<u>—</u>	<u>317,500</u>
Capital outlay	25,000	25,000	—	25,000
Total expenditures	<u>342,500</u>	<u>342,500</u>	<u>—</u>	<u>342,500</u>
Excess (deficiency) of revenues over expenditures	<u>(268,100)</u>	<u>(268,100)</u>	<u>92,313</u>	<u>360,413</u>
Net change in fund balances	<u>\$ (268,100)</u>	<u>\$ (268,100)</u>	<u>\$ 92,313</u>	<u>\$ 360,413</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 2,000	\$ 2,000	\$ 2,401	\$ 401
Interest revenue	—	—	471	471
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>2,872</u>	<u>872</u>
EXPENDITURES				
Current:				
Public safety	—	—	—	—
Total current	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>2,000</u>	<u>2,000</u>	<u>2,872</u>	<u>872</u>
Net change in fund balances	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,872</u>	<u>\$ 872</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 16,000	\$ 16,000	\$ 12,216	\$ (3,784)
Interest revenue	—	—	2,160	2,160
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>14,376</u>	<u>(1,624)</u>
EXPENDITURES				
Current:				
Public safety	—	—	—	—
Total current	—	—	—	—
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>16,000</u>	<u>16,000</u>	<u>14,376</u>	<u>(1,624)</u>
Net change in fund balances	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 14,376</u>	<u>\$ (1,624)</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 9,400	\$ 9,400	\$ 8,312	\$ (1,088)
Interest revenue	—	—	1,113	1,113
Total revenues	<u>9,400</u>	<u>9,400</u>	<u>9,425</u>	<u>25</u>
EXPENDITURES				
Current:				
Public safety	—	—	—	—
Total current	—	—	—	—
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>9,400</u>	<u>9,400</u>	<u>9,425</u>	<u>25</u>
Net change in fund balances	<u>\$ 9,400</u>	<u>\$ 9,400</u>	<u>\$ 9,425</u>	<u>\$ 25</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grants revenue	\$ 3,086,800	\$ 2,876,000	\$ 1,620,991	\$ (1,255,009)
Total revenues	<u>3,086,800</u>	<u>2,876,000</u>	<u>1,620,991</u>	<u>(1,255,009)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Human services and community vitality	3,021,400	2,883,300	1,568,893	1,314,407
Total current	<u>3,021,400</u>	<u>2,883,300</u>	<u>1,568,893</u>	<u>1,314,407</u>
Debt service:				
Principal retirement	—	—	29,968	(29,968)
Interest	—	—	22,130	(22,130)
Total debt service	<u>—</u>	<u>—</u>	<u>52,098</u>	<u>(52,098)</u>
Total expenditures	<u>3,021,400</u>	<u>2,883,300</u>	<u>1,620,991</u>	<u>1,262,309</u>
Excess (deficiency) of revenues over expenditures	<u>65,400</u>	<u>(7,300)</u>	<u>—</u>	<u>7,300</u>
Net change in fund balances	<u>\$ 65,400</u>	<u>\$ (7,300)</u>	<u>\$ —</u>	<u>\$ 7,300</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 23,000	\$ 23,000	\$ 26,160	\$ 3,160
Interest revenue	1,300	1,300	2,432	1,132
Total revenues	<u>24,300</u>	<u>24,300</u>	<u>28,592</u>	<u>4,292</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	281,600	281,600	79,518	202,082
Total current	<u>281,600</u>	<u>281,600</u>	<u>79,518</u>	<u>202,082</u>
Total expenditures	<u>281,600</u>	<u>281,600</u>	<u>79,518</u>	<u>202,082</u>
Excess (deficiency) of revenues over expenditures	<u>(257,300)</u>	<u>(257,300)</u>	<u>(50,926)</u>	<u>206,374</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	139,600	139,600	140,907	1,307
Total other financing sources (uses)	<u>139,600</u>	<u>139,600</u>	<u>140,907</u>	<u>1,307</u>
Net change in fund balances	<u>\$ (117,700)</u>	<u>\$ (117,700)</u>	<u>\$ 89,981</u>	<u>\$ 207,681</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 16,200	\$ 16,200	\$ 21,058	\$ 4,858
Interest revenue	200	200	1,036	836
Total revenues	<u>16,400</u>	<u>16,400</u>	<u>22,094</u>	<u>5,694</u>
EXPENDITURES				
Current:				
Public safety:				
Police	45,400	45,400	9,926	35,474
Total current	<u>45,400</u>	<u>45,400</u>	<u>9,926</u>	<u>35,474</u>
Total expenditures	<u>45,400</u>	<u>45,400</u>	<u>9,926</u>	<u>35,474</u>
Excess (deficiency) of revenues over expenditures	<u>(29,000)</u>	<u>(29,000)</u>	<u>12,168</u>	<u>41,168</u>
Net change in fund balances	<u>\$ (29,000)</u>	<u>\$ (29,000)</u>	<u>\$ 12,168</u>	<u>\$ 41,168</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ —	\$ —	\$ 358	\$ 358
Total revenues	—	—	358	358
EXPENDITURES				
Current:				
Public safety	16,900	16,900	—	16,900
Total current	16,900	16,900	—	16,900
Total expenditures	16,900	16,900	—	16,900
Excess (deficiency) of revenues over expenditures	(16,900)	(16,900)	358	17,258
Net change in fund balances	\$ (16,900)	\$ (16,900)	\$ 358	\$ 17,258

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 249,900	\$ 249,900	\$ 181,875	\$ (68,025)
Interest revenue	—	—	27,848	27,848
Total revenues	<u>249,900</u>	<u>249,900</u>	<u>209,723</u>	<u>(40,177)</u>
EXPENDITURES				
Current:				
Public safety:				
Police	857,500	857,500	106,559	750,941
Total current	<u>857,500</u>	<u>857,500</u>	<u>106,559</u>	<u>750,941</u>
Capital outlay	—	—	54,623	(54,623)
Total expenditures	<u>857,500</u>	<u>857,500</u>	<u>161,182</u>	<u>696,318</u>
Excess (deficiency) of revenues over expenditures	<u>(607,600)</u>	<u>(607,600)</u>	<u>48,541</u>	<u>656,141</u>
Net change in fund balances	<u>\$ (607,600)</u>	<u>\$ (607,600)</u>	<u>\$ 48,541</u>	<u>\$ 656,141</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 25,800	\$ 25,800	\$ 22,500	\$ (3,300)
Interest revenue	200	200	479	279
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>22,979</u>	<u>(3,021)</u>
EXPENDITURES				
Current:				
Public safety:				
Police	77,400	77,400	49,369	28,031
Total current	<u>77,400</u>	<u>77,400</u>	<u>49,369</u>	<u>28,031</u>
Total expenditures	<u>77,400</u>	<u>77,400</u>	<u>49,369</u>	<u>28,031</u>
Excess (deficiency) of revenues over expenditures	<u>(51,400)</u>	<u>(51,400)</u>	<u>(26,390)</u>	<u>25,010</u>
Net change in fund balances	<u>\$ (51,400)</u>	<u>\$ (51,400)</u>	<u>\$ (26,390)</u>	<u>\$ 25,010</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 2,893,700	\$ 2,893,700	\$ 3,427,632	\$ 533,932
Rents	336,500	336,500	488,130	151,630
Interest revenue	—	—	40,520	40,520
Other revenue	—	—	22,066	22,066
Total revenues	<u>3,230,200</u>	<u>3,230,200</u>	<u>3,978,348</u>	<u>748,148</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	7,065,600	7,065,600	6,582,577	483,023
Total current	<u>7,065,600</u>	<u>7,065,600</u>	<u>6,582,577</u>	<u>483,023</u>
Total expenditures	<u>7,065,600</u>	<u>7,065,600</u>	<u>6,582,577</u>	<u>483,023</u>
Excess (deficiency) of revenues over expenditures	<u>(3,835,400)</u>	<u>(3,835,400)</u>	<u>(2,604,229)</u>	<u>1,231,171</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,835,400	3,835,400	2,751,116	(1,084,284)
Transfers out	—	—	(8,674)	(8,674)
Total other financing sources (uses)	<u>3,835,400</u>	<u>3,835,400</u>	<u>2,742,442</u>	<u>(1,092,958)</u>
Net change in fund balances	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 138,213</u>	<u>\$ 138,213</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 176,500	\$ 176,500	\$ 414,662	\$ 238,162
Total revenues	<u>176,500</u>	<u>176,500</u>	<u>414,662</u>	<u>238,162</u>
EXPENDITURES				
Current:				
Public safety	418,500	418,500	—	418,500
Total current	<u>418,500</u>	<u>418,500</u>	<u>—</u>	<u>418,500</u>
Total expenditures	<u>418,500</u>	<u>418,500</u>	<u>—</u>	<u>418,500</u>
Excess (deficiency) of revenues over expenditures	<u>(242,000)</u>	<u>(242,000)</u>	<u>414,662</u>	<u>656,662</u>
Net change in fund balances	<u>\$ (242,000)</u>	<u>\$ (242,000)</u>	<u>\$ 414,662</u>	<u>\$ 656,662</u>

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 165,400	\$ 165,400	\$ 409,058	\$ 243,658
Total revenues	<u>165,400</u>	<u>165,400</u>	<u>409,058</u>	<u>243,658</u>
EXPENDITURES				
Current:				
Public safety	378,400	378,400	—	378,400
Total current	<u>378,400</u>	<u>378,400</u>	<u>—</u>	<u>378,400</u>
Total expenditures	<u>378,400</u>	<u>378,400</u>	<u>—</u>	<u>378,400</u>
Excess (deficiency) of revenues over expenditures	<u>(213,000)</u>	<u>(213,000)</u>	<u>409,058</u>	<u>622,058</u>
Net change in fund balances	<u>\$ (213,000)</u>	<u>\$ (213,000)</u>	<u>\$ 409,058</u>	<u>\$ 622,058</u>

City of Surprise, Arizona

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

Tourism Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 991,500	\$ 991,500	\$ 1,222,911	\$ 231,411
Intergovernmental revenues	230,000	304,300	158,850	(145,450)
Charges for services	500,000	500,000	—	(500,000)
Interest revenue	—	—	43,639	43,639
Total revenues	<u>1,721,500</u>	<u>1,795,800</u>	<u>1,425,400</u>	<u>(370,400)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	<u>2,256,700</u>	<u>2,331,000</u>	<u>677,791</u>	<u>1,653,209</u>
Total current	<u>2,256,700</u>	<u>2,331,000</u>	<u>677,791</u>	<u>1,653,209</u>
Total expenditures	<u>2,256,700</u>	<u>2,331,000</u>	<u>677,791</u>	<u>1,653,209</u>
Excess (deficiency) of revenues over expenditures	<u>(535,200)</u>	<u>(535,200)</u>	<u>747,609</u>	<u>1,282,809</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(658,200)</u>	<u>(658,200)</u>	<u>(917,183)</u>	<u>(258,983)</u>
Total other financing sources (uses)	<u>(658,200)</u>	<u>(658,200)</u>	<u>(917,183)</u>	<u>(258,983)</u>
Net change in fund balances	<u>\$ (1,193,400)</u>	<u>\$ (1,193,400)</u>	<u>\$ (169,574)</u>	<u>\$ 1,023,826</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ —	\$ —	\$ 2,197	\$ 2,197
Total revenues	—	—	2,197	2,197
EXPENDITURES				
Capital outlay	125,000	125,000	116,514	8,486
Total expenditures	125,000	125,000	116,514	8,486
Excess (deficiency) of revenues over expenditures	(125,000)	(125,000)	(114,317)	10,683
Net change in fund balances	\$ (125,000)	\$ (125,000)	\$ (114,317)	\$ 10,683

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 2,464,800	\$ 2,464,800	\$ 2,377,853	\$ (86,947)
Interest revenue	26,800	26,800	247,004	220,204
Total revenues	<u>2,491,600</u>	<u>2,491,600</u>	<u>2,624,857</u>	<u>133,257</u>
EXPENDITURES				
Current				
Public safety:				
Fire-medical	10,057,600	8,833,500	16,041	8,817,459
Total current	<u>10,057,600</u>	<u>8,833,500</u>	<u>16,041</u>	<u>8,817,459</u>
Capital outlay	3,155,300	4,249,000	322,181	3,926,819
Total expenditures	<u>13,212,900</u>	<u>13,082,500</u>	<u>338,222</u>	<u>12,744,278</u>
Excess (deficiency) of revenues over expenditures	<u>(10,721,300)</u>	<u>(10,590,900)</u>	<u>2,286,635</u>	<u>12,877,535</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(66,900)	(66,900)	(66,818)	82
Total other financing sources (uses)	<u>(66,900)</u>	<u>(66,900)</u>	<u>(66,818)</u>	<u>82</u>
Net change in fund balances	<u>\$ (10,788,200)</u>	<u>\$ (10,657,800)</u>	<u>\$ 2,219,817</u>	<u>\$ 12,877,617</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 3,299,000	\$ 3,299,000	\$ 2,657,753	\$ (641,247)
Other revenue	—	—	—	—
Interest revenue	10,800	10,800	157,486	146,686
Total revenues	<u>3,309,800</u>	<u>3,309,800</u>	<u>2,815,239</u>	<u>(494,561)</u>
EXPENDITURES				
Current:				
General government:				
General operations	7,496,600	7,496,600	195,460	7,301,140
Total current	<u>7,496,600</u>	<u>7,496,600</u>	<u>195,460</u>	<u>7,301,140</u>
Capital outlay	2,000,000	2,000,000	1,988,967	11,033
Total expenditures	<u>9,496,600</u>	<u>9,496,600</u>	<u>2,184,427</u>	<u>7,312,173</u>
Excess (deficiency) of revenues over expenditures	<u>(6,186,800)</u>	<u>(6,186,800)</u>	<u>630,812</u>	<u>6,817,612</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(437,200)	(437,200)	(436,968)	232
Total other financing sources (uses)	<u>(437,200)</u>	<u>(437,200)</u>	<u>(436,968)</u>	<u>232</u>
Net change in fund balances	<u>\$ (6,624,000)</u>	<u>\$ (6,624,000)</u>	<u>\$ 193,844</u>	<u>\$ 6,817,844</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 1,204,700	\$ 1,204,700	\$ 1,159,843	\$ (44,857)
Other revenue	—	—	—	—
Interest revenue	13,900	13,900	119,185	105,285
Total revenues	<u>1,218,600</u>	<u>1,218,600</u>	<u>1,279,028</u>	<u>60,428</u>
EXPENDITURES				
Current:				
General government				
General operations	—	16,100	6,944	9,156
Public safety:				
Police	3,154,700	3,229,200	—	3,229,200
Total current	<u>3,154,700</u>	<u>3,245,300</u>	<u>6,944</u>	<u>3,238,356</u>
Capital outlay	2,735,900	2,645,300	369,456	2,275,844
Total expenditures	<u>5,890,600</u>	<u>5,890,600</u>	<u>376,400</u>	<u>5,514,200</u>
Excess (deficiency) of revenues over expenditures	<u>(4,672,000)</u>	<u>(4,672,000)</u>	<u>902,628</u>	<u>5,574,628</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(135,400)	(135,400)	(135,227)	173
Total other financing sources (uses)	<u>(135,400)</u>	<u>(135,400)</u>	<u>(135,227)</u>	<u>173</u>
Net change in fund balances	<u>\$ (4,807,400)</u>	<u>\$ (4,807,400)</u>	<u>\$ 767,401</u>	<u>\$ 5,574,801</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,838,100	\$ 2,838,100	\$ 2,832,015	\$ (6,085)
Charges for services	10,900	10,900	7,158	(3,742)
Interest revenue	—	—	25,415	25,415
Total revenues	<u>2,849,000</u>	<u>2,849,000</u>	<u>2,864,588</u>	<u>15,588</u>
EXPENDITURES				
Current:				
General government:				
General operations	80,400	116,400	108,396	8,004
Community development	3,238,600	3,245,000	2,304,899	940,101
Total current	<u>3,319,000</u>	<u>3,361,400</u>	<u>2,413,295</u>	<u>948,105</u>
Total expenditures	<u>3,319,000</u>	<u>3,361,400</u>	<u>2,413,295</u>	<u>948,105</u>
Excess (deficiency) of revenues over expenditures	<u>(470,000)</u>	<u>(512,400)</u>	<u>451,293</u>	<u>963,693</u>
Net change in fund balances	<u>\$ (470,000)</u>	<u>\$ (512,400)</u>	<u>\$ 451,293</u>	<u>\$ 963,693</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,073,600	\$ 2,073,600	\$ 2,069,148	\$ (4,452)
Other revenue	—	—	—	—
Total revenues	<u>2,073,600</u>	<u>2,073,600</u>	<u>2,069,148</u>	<u>(4,452)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and recreation	199,500	199,500	178,629	20,871
Total current	<u>199,500</u>	<u>199,500</u>	<u>178,629</u>	<u>20,871</u>
Debt service:				
Administrative charges	580,200	580,200	508,417	71,783
Principal retirement	1,080,200	1,080,200	655,000	425,200
Interest	1,350,600	1,350,600	1,217,434	133,166
Total debt service	<u>3,011,000</u>	<u>3,011,000</u>	<u>2,380,851</u>	<u>630,149</u>
Capital outlay	12,503,000	12,503,000	12,502,430	570
Total expenditures	<u>15,713,500</u>	<u>15,713,500</u>	<u>15,061,910</u>	<u>651,590</u>
Excess (deficiency) of revenues over expenditures	<u>(13,639,900)</u>	<u>(13,639,900)</u>	<u>(12,992,762)</u>	<u>647,138</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	13,079,200	13,079,200	13,065,000	(14,200)
Premium on debt issuance	—	—	27,551	27,551
Total other financing sources (uses)	<u>13,079,200</u>	<u>13,079,200</u>	<u>13,092,551</u>	<u>13,351</u>
Net change in fund balances	<u>\$ (560,700)</u>	<u>\$ (560,700)</u>	<u>\$ 99,789</u>	<u>\$ 660,489</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 workers’ compensation claims, administration, coverage, and fund reserves.

City of Surprise, Arizona
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 6,959,247	\$ 8,071,989	\$ 4,780,601	\$ 19,811,837
Receivables (net of allowances):				
Other	510,444	495,555	—	1,005,999
Other assets	1,822	420	—	2,242
Total current assets	<u>7,471,513</u>	<u>8,567,964</u>	<u>4,780,601</u>	<u>20,820,078</u>
Noncurrent assets:				
Net other postemployment benefits asset	10,615	3,853	3,356	17,824
Total noncurrent assets	<u>10,615</u>	<u>3,853</u>	<u>3,356</u>	<u>17,824</u>
Total assets	<u>7,482,128</u>	<u>8,571,817</u>	<u>4,783,957</u>	<u>20,837,902</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	56,635	20,557	17,904	95,096
Deferred outflows related to other postemployment benefits	1,286	466	406	2,158
Total deferred outflows of resources	<u>57,921</u>	<u>21,023</u>	<u>18,310</u>	<u>97,254</u>
Total assets and deferred outflows of resources	<u>\$ 7,540,049</u>	<u>\$ 8,592,840</u>	<u>\$ 4,802,267</u>	<u>\$ 20,935,156</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,815	\$ 159,913	\$ 11,156	\$ 175,884
Accrued payroll and related taxes	2	2,047	5,736	7,785
Claims payable, current portion	236,677	1,779,297	404,293	2,420,267
Compensated absences payable, due in less than one year	—	8,374	15,155	23,529
Total current liabilities	<u>241,494</u>	<u>1,949,631</u>	<u>436,340</u>	<u>2,627,465</u>
Noncurrent liabilities:				
Compensated absences payable, due in more than one year	—	13,098	23,704	36,802
Claims payable, noncurrent portion	—	—	582,870	582,870
Net pension liability	303,918	110,316	96,079	510,313
Net other postemployment benefits liability	173	63	55	291
Total noncurrent liabilities	<u>304,091</u>	<u>123,477</u>	<u>702,708</u>	<u>1,130,276</u>
Total liabilities	<u>545,585</u>	<u>2,073,108</u>	<u>1,139,048</u>	<u>3,757,741</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	8,005	2,906	2,531	13,442
Deferred inflows related to other postemployment benefits	6,794	2,466	2,148	11,408
Total deferred inflows of resources	<u>14,799</u>	<u>5,372</u>	<u>4,679</u>	<u>24,850</u>
Total liabilities and deferred inflows of resources	<u>560,384</u>	<u>2,078,480</u>	<u>1,143,727</u>	<u>3,782,591</u>
NET POSITION				
Unrestricted	6,979,665	6,514,360	3,658,540	17,152,565
Total net position	<u>\$ 6,979,665</u>	<u>\$ 6,514,360</u>	<u>\$ 3,658,540</u>	<u>\$ 17,152,565</u>

City of Surprise, Arizona

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

Internal Service Funds

For the Year Ended June 30, 2023

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 3,705,600	\$ 17,133,933	\$ 2,439,588	\$ 23,279,121
Other revenue	876,101	13,529	120	889,750
Total operating revenues	<u>4,581,701</u>	<u>17,147,462</u>	<u>2,439,708</u>	<u>24,168,871</u>
OPERATING EXPENSES				
Personnel services	355,280	125,140	147,724	628,144
Contractual services, materials and supplies	81,320	186,317	115,505	383,142
Insurance claims, premiums, and administrative expenses	<u>2,739,088</u>	<u>17,316,799</u>	<u>1,651,832</u>	<u>21,707,719</u>
Total operating expenses	<u>3,175,688</u>	<u>17,628,256</u>	<u>1,915,061</u>	<u>22,719,005</u>
Operating income (loss)	<u>1,406,013</u>	<u>(480,794)</u>	<u>524,647</u>	<u>1,449,866</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	<u>133,146</u>	<u>90,066</u>	<u>87,535</u>	<u>310,747</u>
Total nonoperating revenues (expenses)	<u>133,146</u>	<u>90,066</u>	<u>87,535</u>	<u>310,747</u>
Income (loss) before contributions and transfers	<u>1,539,159</u>	<u>(390,728)</u>	<u>612,182</u>	<u>1,760,613</u>
Change in net position	1,539,159	(390,728)	612,182	1,760,613
Total net position - beginning	<u>5,440,506</u>	<u>6,905,088</u>	<u>3,046,358</u>	<u>15,391,952</u>
Total net position - ending	<u>\$ 6,979,665</u>	<u>\$ 6,514,360</u>	<u>\$ 3,658,540</u>	<u>\$ 17,152,565</u>

City of Surprise, Arizona
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from interfund services provided	\$ 3,705,600	\$ 16,786,887	\$ 2,439,588	\$ 22,932,075
Payments to employees	(389,100)	(120,343)	(112,611)	(622,054)
Payments to suppliers	(83,224)	(161,993)	(108,135)	(353,352)
Payments for insurance claims and expenses	(2,822,237)	(17,289,315)	(1,520,196)	(21,631,748)
Other receipts	1,054,977	212,066	120	1,267,163
Net cash provided (used) by operating activities	<u>1,466,016</u>	<u>(572,698)</u>	<u>698,766</u>	<u>1,592,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from interest income	<u>133,146</u>	<u>90,066</u>	<u>87,535</u>	<u>310,747</u>
Net cash provided (used) by investing activities	<u>133,146</u>	<u>90,066</u>	<u>87,535</u>	<u>310,747</u>
Net increase (decrease) in cash and cash equivalents	1,599,162	(482,632)	786,301	1,902,831
Balances - beginning of year	5,360,085	8,554,621	3,994,300	17,909,006
Balances - end of the year	<u>\$ 6,959,247</u>	<u>\$ 8,071,989</u>	<u>\$ 4,780,601</u>	<u>\$ 19,811,837</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income (loss)	\$ 1,406,013	\$ (480,794)	\$ 524,647	\$ 1,449,866
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
Other receivables	178,876	(148,509)	—	30,367
Other assets	484	651	—	1,135
Accounts payable	(534)	23,673	7,956	31,095
Accrued payroll and related taxes	(14,821)	(3,250)	1,144	(16,927)
Compensated absences	(27,436)	5,656	31,300	9,520
Net pension liability	8,982	3,261	2,840	15,083
Claims payable	(83,149)	27,484	131,636	75,971
Net other postemployment asset/liability	(2,399)	(870)	(757)	(4,026)
Net cash provided (used) by operating activities	<u>\$ 1,466,016</u>	<u>\$ (572,698)</u>	<u>\$ 698,766</u>	<u>\$ 1,592,084</u>



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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities				
Net investment of capital assets	\$ 413,717,047	\$ 409,274,827	\$ 405,111,110	\$ 392,458,485
Restricted	29,650,958	27,948,361	22,743,525	24,613,341
Unrestricted	25,538,922	(18,482,747)	(16,896,594)	(27,479,276)
Total governmental activities net position	<u>\$ 468,906,927</u>	<u>\$ 418,740,441</u>	<u>\$ 410,958,041</u>	<u>\$ 389,592,550</u>
Business-type activities				
Net investment of capital assets	\$ 263,420,571	\$ 264,678,599	\$ 270,081,565	\$ 279,249,380
Restricted	6,895,582	5,381,403	13,039,887	12,326,207
Unrestricted	57,257,700	44,564,505	29,979,759	22,570,204
Total business-type activities net position	<u>\$ 327,573,853</u>	<u>\$ 314,624,507</u>	<u>\$ 313,101,211</u>	<u>\$ 314,145,791</u>
Primary government				
Net investment of capital assets	\$ 677,137,618	\$ 673,953,426	\$ 675,192,675	\$ 671,707,865
Restricted	36,546,540	33,329,764	35,783,412	36,939,548
Unrestricted	82,796,622	26,081,758	13,083,165	(4,909,072)
Total primary government net position	<u>\$ 796,480,780</u>	<u>\$ 733,364,948</u>	<u>\$ 724,059,252</u>	<u>\$ 703,738,341</u>

Source: City financial records

2018	2019	2020	2021	2022	2023
\$ 393,984,378	\$ 399,420,150	\$ 435,144,710	\$ 502,976,390	\$ 557,077,466	\$ 635,129,381
67,683,440	29,462,370	21,821,951	39,557,045	39,307,858	40,382,529
(57,592,973)	1,815,847	28,238,342	75,855,018	141,847,579	193,259,901
<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>	<u>\$ 868,771,811</u>
\$ 277,989,957	\$ 274,750,943	\$ 282,360,332	\$ 320,299,739	\$ 331,988,392	\$ 359,266,161
14,365,125	12,932,109	13,735,679	9,425,177	12,408,370	19,561,463
31,396,601	43,938,146	52,259,316	67,556,649	78,863,705	89,533,789
<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>	<u>\$ 468,361,413</u>
\$ 671,974,335	\$ 674,171,093	\$ 717,505,042	\$ 823,276,129	\$ 889,065,858	\$ 994,395,542
82,048,565	42,394,479	35,557,630	48,982,222	51,716,228	59,943,992
(26,196,372)	45,753,993	80,497,658	143,411,667	220,711,284	282,793,690
<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>	<u>\$ 1,337,133,224</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Expenses</u>				
Governmental Activities:				
General government	\$ 16,079,202	\$ 21,038,892	\$ 18,906,430	\$ 27,733,034
Public safety	40,931,709	44,415,505	47,273,449	64,148,194
Public works & streets	34,988,682	35,141,030	38,670,796	41,540,981
Community development	8,388,639	5,205,925	10,235,430	12,326,274
Culture and recreation	17,228,719	21,863,417	25,690,406	22,555,794
Interest	1,378,709	1,635,320	1,472,910	1,381,807
Total governmental activities expenses	<u>118,995,660</u>	<u>129,300,089</u>	<u>142,249,421</u>	<u>169,686,084</u>
Business-type Activities:				
Ground ambulance services	—	—	—	—
Sanitation	7,144,521	7,883,309	7,972,061	9,034,441
Sewer	20,072,400	20,360,031	20,399,067	19,519,303
Stormwater	—	—	—	187,744
Water	10,546,378	10,619,858	11,823,538	15,013,661
Total business-type activities	<u>37,763,299</u>	<u>38,863,198</u>	<u>40,194,666</u>	<u>43,755,149</u>
Total primary government expenses	<u>\$ 156,758,959</u>	<u>\$ 168,163,287</u>	<u>\$ 182,444,087</u>	<u>\$ 213,441,233</u>
<u>Program Revenues</u>				
Governmental Activities:				
Charges for services:				
General government	\$ 8,494,212	\$ 5,301,697	\$ 5,041,335	\$ 5,863,856
Public safety	1,306,553	2,963,326	3,778,584	3,600,402
Public works & streets	499,338	507,198	853,321	1,445,873
Community development	1,697,315	2,005,421	2,552,293	3,770,393
Culture and recreation	4,917,918	5,313,203	5,894,021	5,586,303
Operating grants and contributions	9,833,470	9,908,788	11,178,339	12,097,958
Capital grants and contributions	2,877,937	11,561,202	11,558,409	14,356,832
Total governmental activities program revenues	<u>29,626,743</u>	<u>37,560,835</u>	<u>40,856,302</u>	<u>46,721,617</u>
Business-type activities:				
Charges for services:				
Ground ambulance services	—	—	—	—
Sanitation	7,000,935	6,952,296	7,099,896	7,525,140
Sewer	16,046,564	17,950,085	16,151,096	17,190,499
Stormwater	—	—	—	1,282,788
Water	9,987,819	10,814,903	12,195,621	14,048,726
Operating grants and contributions	—	—	—	—
Capital grants and contributions	3,270,131	129,722	3,107,265	5,788,132
Total business-type activities program revenues	<u>36,305,449</u>	<u>35,847,006</u>	<u>38,553,878</u>	<u>45,835,285</u>
Total primary government program revenues	<u>\$ 65,932,192</u>	<u>\$ 73,407,841</u>	<u>\$ 79,410,180</u>	<u>\$ 92,556,902</u>

Note 1: Ground Ambulance Service Fund converted from a Business-Type fund to a Special Revenue Governmental Fund for fiscal year 2023.

2018	2019	2020	2021	2022	2023
\$ 24,693,086	\$ 18,847,192	\$ 30,683,840	\$ 27,692,032	\$ 23,540,312	\$ 28,301,955
51,157,392	60,235,535	60,035,327	66,442,651	70,506,625	81,547,703
37,661,923	41,578,280	46,270,405	39,687,896	44,050,913	55,094,815
12,345,202	12,382,036	12,764,778	11,564,452	16,842,667	19,817,626
26,471,045	24,970,626	20,925,306	29,248,928	32,115,378	40,095,959
1,927,016	2,473,876	2,635,766	2,695,568	2,471,982	2,804,532
154,255,664	160,487,545	173,315,422	177,331,527	189,527,877	227,662,590
3,141,623	3,375,334	4,407,898	4,696,823	5,577,280	—
8,557,348	8,657,107	9,077,490	7,669,633	16,337,896	17,982,628
20,039,173	19,340,045	19,418,478	24,744,000	26,366,082	25,233,442
775,651	1,363,889	1,209,576	1,167,538	10,463,274	11,969,060
10,926,918	11,690,946	18,376,477	19,000,628	1,269,792	1,532,003
43,440,713	44,427,321	52,489,919	57,278,622	60,014,324	56,717,133
\$ 197,696,377	\$ 204,914,866	\$ 225,805,341	\$ 234,610,149	\$ 249,542,201	\$ 284,379,723
\$ 7,171,091	\$ 6,744,068	\$ 6,729,339	\$ 8,125,797	\$ 7,074,743	\$ 6,986,841
2,801,908	1,948,725	1,581,814	1,754,361	2,715,939	8,895,858
2,252,924	4,100,847	3,570,832	5,283,508	6,154,286	5,758,180
7,384,028	9,901,258	12,206,567	16,185,099	20,408,874	16,694,651
5,507,476	5,590,198	3,311,464	3,480,856	4,887,693	7,108,660
12,530,903	11,555,218	21,503,712	22,709,789	25,235,620	16,226,512
25,485,790	22,468,016	42,184,054	92,168,449	68,578,941	78,590,365
63,134,120	62,308,330	91,087,782	149,707,859	135,056,096	140,261,067
2,974,704	3,284,354	3,946,881	4,541,588	5,929,650	—
7,485,027	7,859,915	10,380,560	12,271,547	21,541,940	20,634,451
17,345,559	17,612,146	19,142,098	20,301,588	21,257,199	22,089,082
1,834,202	1,987,661	1,934,275	2,554,905	13,054,015	13,621,619
14,227,502	16,125,842	18,226,759	20,727,214	2,579,333	2,732,797
—	—	60,647	14,820	—	—
9,682,391	5,509,692	15,030,201	46,935,506	22,872,999	41,854,478
53,549,385	52,379,610	68,721,421	107,347,168	87,235,136	100,932,427
\$ 116,683,505	\$ 114,687,940	\$ 159,809,203	\$ 257,055,027	\$ 222,291,232	\$ 241,193,494

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net revenue/expense:				
Governmental activities	\$ (89,368,917)	\$ (91,739,254)	\$ (101,393,119)	\$ (122,964,467)
Business-type activities	(1,457,850)	(3,016,192)	(1,640,788)	2,080,136
Total primary government net expense	<u>\$ (90,826,767)</u>	<u>\$ (94,755,446)</u>	<u>\$ (103,033,907)</u>	<u>\$ (120,884,331)</u>
<u>General Revenues and Other Changes in Net Position</u>				
Governmental activities:				
Taxes				
Property taxes	\$ 9,401,277	\$ 9,713,903	\$ 9,962,925	\$ 10,441,730
Sales taxes	39,685,844	42,111,177	46,807,817	49,416,383
Franchise taxes	5,159,956	5,249,320	5,062,719	5,674,974
Unrestricted State shared revenue	26,722,541	29,879,804	30,560,635	31,755,661
Unrestricted investment earnings	329,637	400,260	607,602	26,274
Other	482,776	1,146,649	407,445	3,129,094
Transfers	1,147,181	1,132,145	201,576	1,154,860
Total governmental activities	<u>82,929,212</u>	<u>89,633,258</u>	<u>93,610,719</u>	<u>101,598,976</u>
Business-type activities:				
Unrestricted investment earnings	296,183	253,407	319,068	119,304
Other	—	—	—	—
Transfers	(1,147,181)	(1,132,145)	(201,576)	(1,154,860)
Total business-type activities	<u>(850,998)</u>	<u>(878,738)</u>	<u>117,492</u>	<u>(1,035,556)</u>
Total primary government	<u>\$ 82,078,214</u>	<u>\$ 88,754,520</u>	<u>\$ 93,728,211</u>	<u>\$ 100,563,420</u>
<u>Change in Net Position</u>				
Governmental activities	\$ (6,439,705)	\$ (2,105,996)	\$ (7,782,400)	\$ (21,365,491)
Business-type activities	(2,308,848)	(3,894,930)	(1,523,296)	1,044,580
Prior period adjustments	—	—	—	—
Total primary government	<u>\$ (8,748,553)</u>	<u>\$ (6,000,926)</u>	<u>\$ (9,305,696)</u>	<u>\$ (20,320,911)</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.

Note 3: Ground Ambulance Service Fund converted from a Business-Type fund to a Special Revenue Governmental Fund for fiscal year 2023.

2018	2019	2020	2021	2022	2023
\$ (91,121,544)	\$ (98,179,215)	\$ (82,227,640)	\$ (27,623,668)	\$ (54,471,781)	\$ (87,401,523)
10,108,672	7,952,289	16,231,502	50,068,546	27,220,812	44,215,294
<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>	<u>\$ (43,186,229)</u>
\$ 10,813,317	\$ 16,143,232	\$ 17,015,618	\$ 17,675,230	\$ 19,263,163	\$ 21,294,443
54,419,572	61,596,634	70,904,612	90,643,310	103,406,232	124,293,240
5,643,876	5,609,625	5,514,602	5,654,379	6,424,278	6,676,257
35,032,519	35,899,596	38,379,519	44,122,121	45,691,294	57,757,239
324,501	3,494,962	3,403,862	228,665	(2,591,655)	5,759,229
(753,721)	517,587	418,161	1,040,102	1,420,878	838,040
1,355,582	1,541,101	1,097,902	1,443,311	702,041	1,563,726
<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>	<u>218,182,174</u>
141,108	1,458,327	1,556,564	115,514	(821,961)	1,959,742
—	—	43,965	185,489	282,092	247,893
(1,355,582)	(1,541,101)	(1,097,902)	(1,443,311)	(702,041)	(1,563,726)
<u>(1,214,474)</u>	<u>(82,774)</u>	<u>502,627</u>	<u>(1,142,308)</u>	<u>(1,241,910)</u>	<u>643,909</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>	<u>\$ 218,826,083</u>
\$ 15,714,102	\$ 26,623,522	\$ 54,506,636	\$ 133,183,450	\$ 119,844,450	\$ 130,780,651
8,894,198	7,869,515	16,734,129	48,926,238	25,978,902	44,859,203
(520,113)	—	—	—	—	—
<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>	<u>\$ 175,639,854</u>

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

	2014	2015	2016	2017	2018
General fund					
Nonspendable	\$ 821,009	\$ 1,313,505	\$ 1,287,510	\$ 1,262,361	\$ 1,602,598
Restricted	66,385	—	—	501,278	480,554
Committed	—	—	—	—	—
Assigned	360,030	578,518	542,821	338,555	338,167
Unassigned	26,849,205	34,324,717	37,385,696	38,436,548	41,763,040
Total general fund	<u>\$ 28,096,629</u>	<u>\$ 36,216,740</u>	<u>\$ 39,216,027</u>	<u>\$ 40,538,742</u>	<u>\$ 44,184,359</u>
All other governmental funds					
Nonspendable	\$ 206,294	\$ 195,374	\$ 368,126	\$ 618,466	\$ 638,371
Restricted	29,584,573	46,848,361	23,064,256	24,112,063	67,202,886
Committed	47,607,527	42,241,616	40,246,190	40,005,619	3,483,301
Assigned	1,173,198	1,209,403	469,830	1,109,942	2,912,343
Unassigned	(50,029,315)	(49,288,936)	(47,671,784)	(46,064,773)	(8,258,667)
Total all other governmental funds	<u>\$ 28,542,277</u>	<u>\$ 41,205,818</u>	<u>\$ 16,476,618</u>	<u>\$ 19,781,317</u>	<u>\$ 65,978,234</u>

Source: City financial records

2019	2020	2021	2022	2023
\$ 2,197,168	\$ 2,563,831	\$ 3,565,902	\$ 1,606,366	\$ 1,469,470
454,024	491,526	525,607	419,863	303,801
—	—	—	25,185,400	43,210,100
393,622	490,732	16,732,161	27,234,620	29,737,690
42,252,127	73,973,321	91,303,747	66,180,747	60,941,871
<u>\$ 45,296,941</u>	<u>\$ 77,519,410</u>	<u>\$ 112,127,417</u>	<u>\$ 120,626,996</u>	<u>\$ 135,662,932</u>
\$ 664,672	\$ 415,537	\$ 405,327	\$ 582,565	\$ 3,618,463
61,562,397	29,864,806	39,031,439	38,819,236	37,715,188
6,446,528	9,115,539	14,406,518	19,835,271	29,800,917
19,690,585	17,786,146	38,853,060	81,506,299	106,547,453
(5,888,966)	(4,903,347)	(4,669,172)	(3,781,399)	(3,515,299)
<u>\$ 82,475,216</u>	<u>\$ 52,278,681</u>	<u>\$ 88,027,172</u>	<u>\$ 136,961,972</u>	<u>\$ 174,166,722</u>

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

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

Source: City financial records

2018	2019	2020	2021	2022	2023
\$ 65,257,328	\$ 77,739,476	\$ 87,768,923	\$ 108,394,703	\$ 122,672,859	\$ 145,599,915
5,817,956	5,991,243	5,944,921	6,168,794	6,954,398	7,217,312
44,773,004	45,774,226	48,421,077	55,052,905	58,674,186	71,745,446
15,186,099	19,189,262	18,680,847	24,318,166	30,676,826	35,086,455
2,691,930	1,581,233	11,165,982	11,476,297	13,620,067	3,733,991
2,281,998	1,788,745	1,340,263	1,441,835	1,504,375	1,159,299
601,628	724,073	620,862	621,198	1,117,625	1,109,330
5,306,365	6,482,159	5,321,641	6,892,441	9,835,523	6,867,622
310,038	3,299,929	3,169,797	207,335	(2,267,135)	5,592,714
—	—	—	52,791	87,490	94,899
183,307	125,872	103,910	6,348,174	6,254,474	6,455,301
5,249,200	5,481,600	5,591,100	855,497	1,250,978	1,211,618
522,745	726,564	670,836	—	—	—
148,181,598	168,904,382	188,800,159	221,830,136	250,381,666	285,873,902
16,965,220	17,358,137	18,294,432	20,835,950	23,106,538	25,076,415
51,471,894	51,993,630	53,778,182	56,880,732	70,355,566	78,398,666
19,858,787	20,580,186	20,721,301	20,287,785	24,769,074	32,529,112
11,890,816	12,141,786	12,024,962	13,554,495	16,958,678	19,645,774
19,540,944	19,613,758	19,275,188	20,113,774	25,885,768	31,612,059
18,067,055	22,824,600	62,975,337	30,339,040	24,069,521	50,508,267
2,776,050	5,352,900	6,003,700	6,429,038	6,781,238	8,046,984
1,578,092	3,271,455	3,015,280	3,227,799	3,126,841	3,465,736
472,877	4,851	453,307	222,909	3,004	510,933
142,621,735	153,141,303	196,541,689	171,891,522	195,056,228	249,793,946
5,559,863	15,763,079	(7,741,530)	49,938,614	55,325,438	36,079,956
136,426	276,091	205,824	159,875	235,226	213,945
974,136	1,607,973	951,667	369,045	266,662	1,563,726
43,211,107	—	8,511,093	19,625,309	—	13,092,551
—	—	7,249	—	—	—
—	—	—	—	—	—
—	—	—	—	1,225,337	56,124
44,321,669	1,884,064	9,675,833	20,154,229	1,727,225	14,926,346
\$ 49,881,532	\$ 17,647,143	\$ 1,934,303	\$ 70,092,843	\$ 57,052,663	\$ 51,006,302
3.3 %	6.2 %	6.1 %	7.5 %	5.8 %	5.8 %



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
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
2023	21,294,443	124,293,240	6,676,257	152,263,940

Source: City financial records

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

Description of Payers Business	2014	2015	2016	2017
Construction	\$ 5,702,652	\$ 5,318,361	\$ 8,429,076	\$ 7,444,202
Retail trade	15,319,378	17,897,576	18,608,256	20,578,048
Communications and utilities	5,230,594	5,379,741	5,609,855	5,682,238
Restaurant and bar	5,262,786	5,600,500	5,933,745	6,543,214
Real estate, rental and leasing	3,872,029	4,077,066	4,246,757	4,790,722
Other	3,439,338	4,188,861	4,109,905	4,377,959
Total	\$ 38,826,777	\$ 42,462,105	\$ 46,937,594	\$ 49,416,383

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2023.

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.

	2018	2019	2020	2021	2022	2023
\$	9,424,657	\$ 13,938,324	\$ 17,529,115	\$ 24,116,467	\$ 26,833,113	\$ 39,935,328
	24,170,542	25,309,922	30,133,931	39,817,504	45,163,884	48,855,932
	5,010,541	4,873,454	4,804,402	5,218,205	5,465,416	6,156,707
	7,673,195	8,226,189	8,368,795	9,966,480	12,102,740	13,436,032
	4,858,025	5,495,101	6,013,853	6,798,088	7,662,985	9,238,151
	3,282,612	3,753,644	4,054,516	4,726,567	6,178,095	6,671,090
\$	54,419,572	\$ 61,596,634	\$ 70,904,612	\$ 90,643,311	\$ 103,406,233	\$ 124,293,240



SURPRISE

ARIZONA

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

Fiscal Year		Real Property		Exemptions	Net Assessed Valuation	Total		Ratio of Total Assessed Value to Total Estimated Actual Value
		Assessed Value Residential Property	Assessed Value Commercial Property	Real Property		Direct Tax Rate	Estimated Actual Taxable Full Cash Value	
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	—	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%
2023	P	1,091,571,186	510,365,131	168,208,242	1,770,144,559	0.7591	14,077,385,223	12.57%
2023	S	1,503,503,120	724,998,192	237,855,457	2,466,356,769	0.3880	19,563,322,605	12.61%

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

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

Fiscal Year	City of Surprise			Overlapping Rates Maricopa County				
	Operating (Primary) Tax Rate	Debt Service (Secondary) Tax Rate	Total City Tax Rate	Operating Tax Rate	Debt Service Tax Rate	County Library	Flood Control	Total County Tax Rate
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	—	0.7591	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
2023	0.7591	0.3880	1.1471	1.2473	—	0.0505	0.1592	1.4570

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
4.3492	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
3.5443	2.3467	5.8910	2.2469	10.7420

City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2023 and 2014

Taxpayer	2023			2014		
	Net Limited Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Route 14 Investment Partners LLC	\$ 35,406,445	1	2.00%			
Toll Prasada LLC	23,348,174	2	1.32%			
Breit MF Stadium Village LLC	9,464,350	3	0.53%			
Arizona Public Service	9,395,452	4	0.53%	\$ 22,910,103	1	2.67%
Fulton Homes Corporation	9,314,065	5	0.53%			
BMF IV AZ Harmony Surprise LLC	7,737,930	6	0.44%			
DG Industrial Portfolio 1 Property Owner LP	6,722,922	7	0.38%			
GSA Surprise LP	6,114,559	8	0.35%			
CCD Real Estate Holdings LLC	5,728,083	9	0.32%	3,023,742	4	0.35%
Phoenix SFR Dist	4,431,860	10	0.25%			
Southwest Gas Corporation (T&D)				5,750,491	2	0.67%
EPCOR (Agua Fria Water Division)				3,131,197	3	0.36%
MCI Communications Services Inc				2,844,277	5	0.33%
Wal Mart Stores Inc				2,574,253	6	0.30%
Sanifill of Arizona Inc				2,428,384	7	0.28%
Surprise Pointe LLC				2,404,108	8	0.28%
Surprise Marketplace Holdings LLC				2,350,737	9	0.27%
Surprise Towne Center Holdings LLC				2,329,723	10	0.27%
Total	\$ 117,663,840		6.65%	\$ 49,747,015		5.78%
Total Net Limited Assessed Valuation	\$ 1,770,144,559			\$ 858,081,152		

Source: Maricopa County Assessor's Office

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

Fiscal Year	Collected within the Fiscal Year of the Levy			Tax Collections in Subsequent Years	Total Collections to Date	
	Total Tax Levy	Current Tax Collections	Percentage of Levy		Tax Collections	Percentage of Levy
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%
2023	16,448,765	16,165,481	98.3%	—	16,165,481	98.3%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2023.

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	Leases and Subscriptions*
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	6,026,793
2023	42,588,618	33,005,654	—	12,264,910	9,355,984

Source: City financial records

*Note: The provisions of Governmental Accounting Standards Board (GASB) Statement Nos. 87 and 96 were adopted in FY 2022 and 2023 respectively.

Business-Type Activities					
Municipal Property Corp. Bonds	Utility Revenue Obligations	Pledged Revenue Obligations	Total Primary Government	Percentage of Personal Income	Per Capita
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	114,717,935	2.9%	769
—	23,193,870	841,965	121,251,001	2.8%	786

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
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
2023	39,615,000	703,573	38,911,427	0.249%	261

Source: City financial records

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2023

<u>Overlapping Jurisdiction</u>	<u>General Obligation and Pledged Revenue Bonded Debt</u>	<u>Proportion Applicable to the City</u>	
		<u>Approximate Percent</u>	<u>Net Debt Amount</u>
Maricopa County	None	2.76 %	None
Maricopa County Community College District	\$ 87,320,000	2.76 %	\$ 2,410,032
Maricopa County Special Health Care District	574,205,000	2.76 %	15,848,058
Western Maricopa Education Center	114,930,000	7.27 %	8,355,411
Dysart Unified School District No. 89	69,425,000	76.50 %	53,110,125
Peoria Unified School District No. 11	153,065,000	0.37 %	566,341
Nadaburg Unified School District No. 81	None	37.87 %	—
Wickenburg Unified School District No. 9	4,710,000	1.63 %	76,773
Subtotal, overlapping debt	<u>\$ 1,003,655,000</u>		<u>\$ 80,366,740</u>
City of Surprise	\$ 54,853,528	100.00 %	\$ 54,853,528
Marley Park Community Facilities District	33,005,654	100.00 %	33,005,654
Subtotal, direct debt	<u>\$ 87,859,182</u>		<u>\$ 87,859,182</u>
Total Direct and Overlapping General Obligation and Pledged Revenue Bonded Debt			<u><u>\$ 168,225,922</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 2022/2023.

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit 6%	\$ 49,298,862	\$ 54,283,263	\$ 61,914,585	\$ 65,970,879
Unrestricted legal debt margin	<u>\$ 49,298,862</u>	<u>\$ 54,283,263</u>	<u>\$ 61,914,585</u>	<u>\$ 65,970,879</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00 %	0.00 %

Restricted

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit 20%	\$ 164,329,540	\$ 180,944,209	\$ 206,381,949	\$ 219,902,931
Total net debt applicable to limit	—	—	—	—
Restricted legal debt margin	<u>\$ 164,329,540</u>	<u>\$ 180,944,209</u>	<u>\$ 206,381,949</u>	<u>\$ 219,902,931</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

2018	2019	2020	2021	2022	2023
\$ 71,371,537	\$ 78,996,747	\$ 84,563,180	\$ 95,788,210	\$ 107,356,722	\$ 119,438,751
<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>	<u>\$ 119,438,751</u>

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

2018	2019	2020	2021	2022	2023
\$ 237,905,123	\$ 263,322,489	\$ 281,877,265	\$ 319,294,035	\$ 357,855,740	\$ 398,129,171
39,987,500	37,322,019	34,285,598	50,304,950	46,567,591	42,588,618
<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>	<u>\$ 355,540,553</u>

16.81% 14.17% 12.16% 15.76% 13.01% 10.70%

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

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
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%
2023	154,198	4,327,880,349	76,623	41.7	4.3%

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, 2023 and Nine Years Prior

Employer	2023 ¹			2014 ²		
	Employees	Rank	% of Total	Employees	Rank	% of Total
Dysart School District (Surprise Schools Only)	1,610	1	5.93%	1,753	1	14.61%
Wal-Mart	1,070	2	3.94%	988	2	8.24%
City of Surprise	1,103	3	4.06%	748	3	6.24%
Fry's Food Store	590	4	2.17%	537	4	4.48%
Sun Health Foundation Inc	460	5	1.70%			
Rousseau Farming Company	340	6	1.25%			
Costco	330	7	1.22%		9	
Home Depot	320	8	1.18%	176		1.47%
McDonalds	270	9	1.00%		5	
Maricopa County	230	10	0.85%	225		1.88%
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	6,323		23.30%	5,192		43.28%
Total City Employment	27,130			11,996		

Sources:

¹ Maricopa Association of Governments, as of June 30, 2023

² City previous ACFR



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City of Surprise, Arizona

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	123	136	134	140	142	146	150	150	156	167
Public safety:										
Police:										
Officer	134	130	139	158	159	159	155	154	161	165
Civilians	48	54	49	43	42	45	55	55	65	70
Fire:										
Firefighters and officers	111	113	113	128	127	126	132	138	144	160
Ground ambulance services	—	—	—	—	19	26	32	32	36	39
Civilians	7	7	8	8	7	7	7	9	10	11
Public works and streets:										
All others	83	83	84	84	80	84	90	92	96	110
Community development	40	43	40	41	41	42	43	43	49	52
Economic development	—	—	8	8	8	7	9	9	9	10
Parks and recreation	110	122	118	117	116	120	105	84	90	99
Sports and tourism	—	—	—	—	—	—	18	39	41	40
Human service and community	—	—	9	15	16	18	24	25	26	26
Water	25	24	29	33	36	35	42	43	44	47
Sanitation	31	32	33	35	37	37	41	41	44	53
Sewer	36	37	39	50	45	45	47	49	48	46
Stormwater	—	—	—	—	6	5	6	6	7	8
Total	748	781	803	860	881	902	956	969	1,026	1,103

Source: Fiscal year 2023 Adopted Budget

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

Function	2014	2015	2016	2017
Public safety:				
Police:				
Calls - incidents responded to	37,566	38,191	39,511	40,909
Citations issued	7,020	7,524	5,971	6,358
Officers per 1,000 residents	1.1	1.1	1.0	1.0
Fire-Medical:				
Number of responses	14,004	15,750	16,896	16,546
Inspections	1,411	1,885	2,745	2,407
Public works and streets:				
Sq. ft. of buildings to maintain	830,271	830,271	855,774	855,774
Vehicles/equipment maintained per month	392	405	334	375
Number of street lights repaired	377	43	44	38
Street miles maintained	607	627	627	627
Community development:				
Building safety inspections performed	18,220	15,624	20,320	22,407
Annual new residential starts	385	417	486	600
Parks and recreation:				
Organized recreation program participants	192,300	178,186	160,535	163,580
Special events/open facility participants	278,980	321,214	307,475	306,714
Sports and Tourism				
Special events/open facility participants	N/A	N/A	N/A	N/A
Water:				
Water service connections	14,740	14,971	15,362	15,499
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	8.4	8.4	8.4
Sewer service connections	45,984	44,923	47,273	48,196
Sanitation:				
Refuse collected (tons/annually)	30,583	33,351	32,787	33,671
Number of routes	32	32	56	56
Total services	33,321	32,683	35,366	36,421
Stormwater:				
Customers	—	—	—	49,429

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

2018	2019	2020	2021	2022	2023
41,806	40,541	42,306	41,430	45,634	44,805
5,136	8,602	6,350	6,098	7,550	7,476
1.0	1.0	1.0	1.0	1.0	0.5
17,435	10,865	18,195	19,493	21,677	22,286
1,810	1,595	2,391	1,781	2,614	2,024
855,774	855,774	973,187	1,016,276	1,016,276	1,066,317
397	415	425	353	415	479
79	52	71	68	180	45
627	629	630	665	688	700
31,063	34,598	45,750	51,542	60,013	62,769
1,288	1,303	2,076	2,856	2,873	2,039
162,012	141,189	85,362	70,873	135,632	160,783
343,868	120,114	78,548	22,935	105,284	67,800
N/A	253,823	240,065	143,728	270,962	405,902
16,331	16,729	17,886	19,705	21,283	22,167
4	2	6	15	11	4
7,322	7,416	7,402	7,776	7,787	7,815
8.4	9.0	9.0	9.1	9.2	9.5
50,303	48,451	53,164	55,796	58,568	60,300
34,979	36,757	48,905	56,781	58,354	59,516
57	59	55	58	59	74
36,657	35,510	39,676	41,212	42,964	45,206
50,594	47,235	51,199	54,177	56,781	58,413

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

Function	2014	2015	2016	2017
Public safety:				
Police:				
Stations	2	2	2	2
Patrol units	63	68	72	90
Fire:				
Fire stations	7	7	7	7
Fire engines and ladder trucks	12	12	12	12
Ambulances	0	0	1	3
Public works and streets:				
Street miles	607	627	627	627
Street lighting improvement districts	101	107	107	123
Traffic Signals	51	50	50	50
Bridges	19	19	19	19
Community development:				
Inspection vehicles	10	10	10	11
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	32	32	33
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	27	27

Sources: Various government departments

2018	2019	2020	2021	2022	2023
2	2	2	2	2	2
73	87	87	87	74	83
7	7	7	7	8	8
13	13	13	13	15	14
4	5	5	5	5	6
627	629	630	665	688	700
132	146	155	156	159	161
50	52	58	61	61	65
19	19	21	21	21	21
11	11	11	13	14	15
393	393	393	393	393	406
12	12	12	12	12	13
2	2	2	2	2	2
11	11	11	11	11	11
21	21	21	21	21	21
2	2	3	3	3	3
33	33	34	30	30	30
2	2	2	3	3	3
18.3	18.3	18.3	20.1	20.1	20.1
27	27	27	28	28	35



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.



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Surprise, AZ 85374-7470

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City of Surprise, Arizona
Single Audit Report
Year Ended June 30, 2023

**City of Surprise, Arizona
Single Audit Report
For the Year Ended June 30, 2023**

<u>Contents</u>	<u>Page</u>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Surprise, Arizona, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Surprise, Arizona’s basic financial statements, and have issued our report thereon dated December 14, 2023. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*, and Statement No. 99, *Omnibus 2022*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Surprise, Arizona’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Surprise, Arizona’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Surprise, Arizona’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 14, 2023

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

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, 2023. 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, 2023.

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; 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, 2023, 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 14, 2023, 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
December 14, 2023

City of Surprise, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal/Pass-Through/Agency</u>	<u>AL Number</u>	<u>Federal Award Number</u>	<u>Expenditures and Transfers</u>	<u>Amount Provided to Subrecipients</u>	<u>Total Expenditures and Transfers</u>
<u>U.S. Department of Housing and Urban Development</u>					
Direct Programs					
CDBG-Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 638,760	\$ 325,599	\$
Community Development Block Grants/Entitlement Grants	14.218	N/A	70,192		
COVID-19 Community Development Block Grant	14.218	N/A	<u>523,542</u>	<u>513,438</u>	
Total CDBG-Entitlement Grants Cluster					1,232,494
Passed through the Maricopa County/Maricopa HOME Constorium					
HOME Investment Partnerships Programs	14.239	C-22-17-046-3-04	8,790	8,790	
HOME Investment Partnerships Programs	14.239	C-22-21-092-X-01	176,945	176,945	
HOME Investment Partnerships Programs	14.239	C-22-21-092-X-02	200,703	200,703	
HOME Investment Partnerships Programs	14.239	C-22-21-092-X-02	<u>2,059</u>	<u>2,059</u>	
Total HOME Investment Partnership Programs					<u>388,497</u>
Total U.S. Department of Housing and Urban Development					
<u>1,620,991</u>					
<u>U.S. Department of Justice</u>					
Passed through Arizona Department of Public Safety					
COVID-19 Crime Victim Assistance	16.575	VOCA-2021-SPD-00158			129,623
Passed through the City of Phoenix					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13429092	3,650		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13688934	<u>12,731</u>		
Total Edward Byrne Memorial Justice Assistance Grant Program					<u>16,381</u>
Total U.S. Department of Justice					
<u>146,004</u>					
<u>U.S. Department of Transportation</u>					
Passed through Arizona Governor's Office of Highway and Safety:					
Highway Safety Cluster					
State and Community Highway Safety	20.600	2022-PTS-065	14,089		
State and Community Highway Safety	20.600	2023-PTS-064	14,616		
State and Community Highway Safety	20.600	2022-PS-010	16,021		
State and Community Highway Safety	20.600	2023-PS-010	12,403		
State and Community Highway Safety	20.600	2022-OP-014	16,327		
State and Community Highway Safety	20.600	2022-MC-003	10,324		
State and Community Highway Safety	20.600	2023-MC-004	34,994		
State and Community Highway Safety	20.600	2022-AI-010	576		
State and Community Highway Safety	20.600	2023-AI-011	27,378		
State and Community Highway Safety	20.600	2023-OP-013	2,392		
National Priority Safety Programs	20.616	2022-II-005	208		
National Priority Safety Programs	20.616	2023-405d-043	40,000		
National Priority Safety Programs	20.616	2022-405d-046	4,077		
National Priority Safety Programs	20.616	2023-405d-044	16,065		
National Priority Safety Programs	20.616	2023-405b-008	11,129		
National Priority Safety Programs	20.616	2023-CIOT-024	<u>4,000</u>		
Total Highway Safety Cluster					<u>224,599</u>
Total U.S. Department of Transportation					
<u>224,599</u>					
<u>U.S. Department of Treasury</u>					
Direct Program					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	49,434		
Passed through Maricopa County Human Services					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-22-084-X-00	545,288		
Passed through Area Agency on Aging, Region One					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2022-36-SUR	4,675		
Passed through Arizona Office of Tourism					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-09162022-02-034	116,540		
Passed through City of El Mirage					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	322280	<u>20,744</u>		
Total Coronavirus SLFRF Program					736,681
Passed through Maricopa County Human Services					
COVID-19 Emergency Rental Assistance Program	21.023	C-22-22-110-X-00			<u>343,433</u>
Total U.S. Department of the Treasury					
<u>1,080,114</u>					

City of Surprise, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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	2023-36-SUR	9,188	
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2023-36-SUR	61,251	
Nutrition Services Incentive Program	93.053	2023-36-SUR	<u>3,049</u>	
Total Aging Cluster				73,488
Passed through Maricopa County Human Services				
Low-Income Home Energy Assistance	93.568	C-22-22-110-X-00		97,953
Community Services Block Grant	93.569	C-22-19-038-3-03	82,605	136,669
Passed through Area Agency on Aging, Region One				
Social Services Block Grant	93.667	2023-36-SUR		<u>6,202</u>
Total U.S. Department of Housing and Urban Development				<u><u>314,312</u></u>

U.S. Department of Homeland Security

Direct Programs				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2018-FH-00377		150,320
Passed through Arizona Department of Homeland Security:				
Homeland Security Grant Program	97.067	210821-01	34,281	
Homeland Security Grant Program	97.067	190822-02	10,000	
Homeland Security Grant Program	97.067	220825-01	22,084	
Homeland Security Grant Program	97.067	210216-01	34,221	
Homeland Security Grant Program	97.067	210820-01	42,445	
Total Homeland Security Grant Program				<u>143,031</u>
Total U.S. Department of Homeland Security				<u><u>293,351</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 1,310,139</u></u>	<u><u>\$ 3,679,371</u></u>

City of Surprise, Arizona
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of City of Surprise, Arizona under programs of the federal government for the year ended June 30, 2023. 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 Indirect Cost Rate

The auditee did not use the de minimis indirect 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.

Housing Rehabilitation Loan Program

The City has entered into several Housing Rehabilitation Agreements utilizing CDBG funds (Assistance Listing Number 14.218). These deferred loans are due upon the sale, transfer, or foreclosure of the property. Loan repayments to the City are considered program income and are subject to the CDBG guidelines in perpetuity. Due to the contingent nature of the repayment of these loans, there is an allowance recorded at 100% of the outstanding balance.

**City of Surprise, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

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:

Assistance Listing Numbers

14.218

Name of Federal Programs or Clusters

CDBG-Entitlement Grants Cluster

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

Auditee qualified as low-risk auditee: Yes

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

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: No



City of Surprise
Management Letter
Year Ended June 30, 2023

Honorable Mayor and Members of City Council
City of Surprise

Members of the City Council:

In planning and conducting our single audit of the City of Surprise, Arizona for the year ended June 30, 2023, we performed the following as required by *Government Auditing Standards* (GAS) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance):

- Considered the City's internal control over financial reporting,
- Tested internal controls over major Federal programs, and
- Tested compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the City's financial statements and major federal programs.

Any audit findings that are required to be reported by GAS and Uniform Guidance have been included in the City's Single Audit Report for the year ended June 30, 2023. However, during our audit we noted a certain immaterial matter that is an opportunity for strengthening internal controls and instances of noncompliance with laws and regulations that did not meet that reporting criteria. Management should address this item to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws, regulations, contracts, and grant agreements. This item and our related recommendation is briefly described in the accompanying summary. The item discussed in the accompanying summary is only a result of audit procedures performed based on risk assessment procedures and not all deficiencies or weaknesses in controls may have been identified.

This information is intended for the City of Surprise, Arizona's Council and Management and is not intended to be and should not be used by anyone other than the specified party. However, this information is a matter of public record, and its distribution is not limited.

We have already discussed this item and suggestion with City personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Sincerely,



Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2023

**City of Surprise
Management Letter
Year Ended June 30, 2023**

Payroll

The payroll and human resources roles and responsibilities are not sufficiently segregated to prevent or detect a misstatement or misappropriation. The City's payroll supervisor and payroll specialists make changes to employee pay, process payroll, and disburse payroll. There is not a compensating control in place to detect improper changes to employee pay.

It is recommended the City segregate duties, require system workflow approval for changes to employee pay, or have an employee independent of the payroll process review changes to employee pay for propriety.



**CITY OF SURPRISE
Audit Committee**

Council Meeting Date: January 18, 2024
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 status of the FY2023-2024 Annual Audit Plan.

Motion:

N/A Information only.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2023-2024 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:

N/A - Informational only

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

- 1. Qrtly Audit CMTE 18Jan2024
 - 2. Issue Jan2024-03
-



SURPRISE
ARIZONA

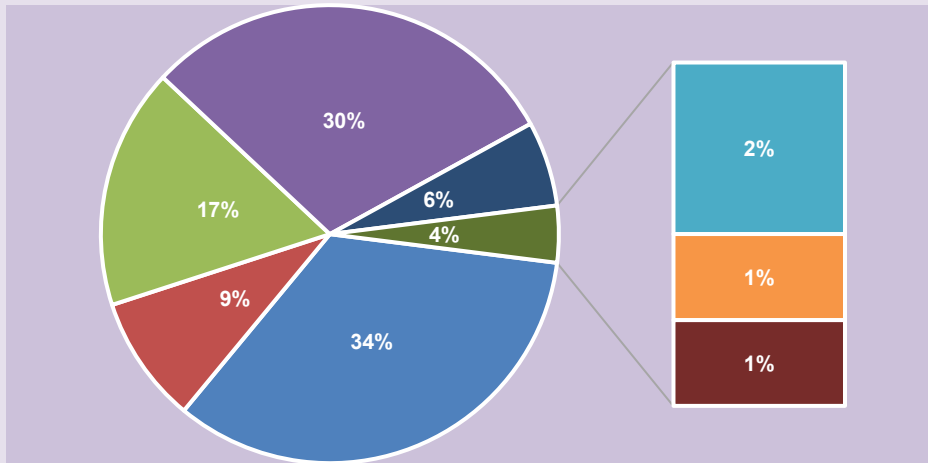
Quarterly Audit Committee Meeting

January 18, 2024
3:30 PM

FY2023-2024 ANNUAL AUDIT PLAN

AS OF JANUARY 12, 2024

Direct vs. Indirect Audit Hours YTD



- Direct Hours
- Paid Leave
- Annual IA Activity Report
- Citywide Risk Assessment
- Professional Development/Training
- Administrative/Meeting
- Annual Audit Plan
- Audit Committee/Council Meeting

Audit Engagements Status





FY2023-2024 ANNUAL AUDIT PLAN

❖ Line Staff Risk Assessment

- ✓ Surveyed 1,399 staff members – Anonymous Responses:
 1. Did Not Include Directors, Appointed or Elected Officials
 2. Received 206 Responses (14.72% Response Rate)

- ✓ Three Questions:
 1. Override of Controls
 2. Misuse of City Assets
 3. Opportunities for Improvement

❖ Directors' Risk Assessment

- ✓ Emailed Risk Assessment Template to 17 Department Directors:
 1. Included Seven Categories
 2. City Auditor Department Weighted and Ranked the Seven Categories for Each Department

- ✓ 1/8/2024 - Started Phase II of the Risk Assessment Process – Meeting with Department Heads

QUARTERLY NEWSLETTER

ISSUE #3

Compliance Connection



Data Silos

- Defined Data Silos
- Examples of Inefficiencies and Inaccuracies Resulting from Data Silos
- How to Identifying Data Silos
- How Data Silos are Created

Scavenger Hunt

- Highlights Key Items from the City Auditor Department's City Website



SAVE THE DATE

- Event:** Boards & Commissions Thank You Dinner
- Date:** Monday, March 25, 5:30-7:30 pm
- Location:** Surprise Regional Library- Large Program Room



SURPRISE

ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You

Compliance Connection

Issue #3

January 19, 2024

Welcome to the City Auditor Department's third edition of **Compliance Connection**. This issue of **Compliance Connection** focuses on data silos and a scavenger hunt.

Congratulations to Deacon White, our contest winner from Issue #2 of **Compliance Connection**.

Data Silos – Impacts and Causes

By Carol Holley

Are you working within a data silo? Data silos refer to data sources or systems within an organization in which the data is isolated or not easily accessible by other areas of the organization when required to perform their job.

Data silos can hurt city operations and lead to inefficiencies or inaccuracies within city operations, such as:

- Inefficient use of city resources (staffing hours, public funds, etc.) as processes may be duplicated or additional manual data entries might be required.
- Inaccurate decisions might result when a holistic view of relevant information is lacking or missing essential facts.

How do you know if your department is working within a data silo:

- Inconsistent data: Different departments are providing conflicting data.
- Missing or hard-to-find data: Some departments cannot access or find essential data.
- Incomplete data: End users are discovering out-of-date or incomplete data.

Data silos can be created when a legacy system is used, data hoarding is occurring (“data-ownership” vs. “data-sharing mindset”), or systems are segregated. Working within a data silo? Consider:

- Identifying potential data gaps between teams.
- Working with the city's Information Technology Department to discuss and implement data governance management processes.
- Creating a collaborative approach to share data by obtaining feedback from other departments to identify opportunities to improve cross-collaboration.

Breaking down data silos improves the quality of management's decision-making process, enhances management's knowledge of the organization's operations, and decreases the cost of managing data.

Source: Grieve, P. (2023, February 23). What are data silos? Why they're a problem + how to fix your business silos. Zendesk. <https://www.zendesk.com/blog/ways-data-silos-impact-business-knock/>.

City Auditor Department Website

By Melissa Moreno

Did you know that the City Auditor Department has its own page on the Surprise City Website? You can find it at <https://surpriseaz.gov/166/City-Auditor>. This is a great place to see what the City Audit Department has been up to and has planned for the future. The main page shows who the City Auditor is and our mission to provide independent, objective, accurate, and timely auditing services that are designed to improve operations, cultivate transparency, and accountability.

In addition, you can see when the next Audit Committee meeting will be and get more information about the Audit Committee. There is a list of all the current members, and a copy of the bylaws and meeting minutes from past meetings. The internal audit plan approved by the Audit Committee is also included along with copies of audits completed every year. There is also a link to a form to report suspected fraud, waste, and abuse along with definitions of each.

You may not be aware, but even the City Auditor Department gets audited. The City Auditor Department is reviewed periodically by an external quality control team to ensure they are meeting the highest standards of compliance. Copies of these reports are available on the City Auditor Department website.

Check out the City Auditor Department website and then, to be entered into a drawing for a gift card, send an email to SurpriseAuditor@surpriseaz.gov by Friday, 2/2/2023, including: 1) Who is the current Chair on the Audit Committee; 2) What year was the last External Quality Control Review completed; and 3) What are two examples of fraud, waste, and abuse?