



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

Wednesday, January 22, 2025 @ 4:15 PM
COUNCIL CHAMBERS 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 October 23, 2024 City Audit Committee meeting minutes. | City Auditor |
| 2. | Citywide | Presentation, discussion, and possible action pertaining to the review and update of the Audit Committee Bylaws. | City Auditor |
| 3. | Citywide | Presentation and discussion pertaining to the fiscal year 2023-2024 Annual Comprehensive Financial Report (ACFR) and associated reports. | City Auditor |
| 4. | Citywide | Presentation, discussion, and possible action pertaining to the Tourism Fund Audit Report. | City Auditor |
| 5. | Citywide | Presentation, discussion, and possible action pertaining to the FY2023-2024 Annual City Auditor Activity Report. | City Auditor |

- G. Other Business and Future Agenda Items
- H. Adjournment

KRISTI PASSARELLI, CITY CLERK

POSTED: Friday, January 17th, 2025 @ 4:00 PM

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



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: January 22, 2025
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 October 23, 2024 City Audit Committee meeting minutes.

Motion:

I move to approve the minutes of the October 23, 2024, City Audit Committee meeting.

Background:

N/A

Objective Analysis:

N/A

Policy Compliant:

N/A

Financial Impact:

N/A

Budget Impact:

N/A

FTE Impact:

N/A

ATTACHMENTS:

1. 2024-10-23 Draft Minutes
-

CITY OF SURPRISE
Audit Committee Meeting
16000 North Civic Center Plaza
Surprise, AZ 85374
Wednesday, October 23, 2024 – 4:00 p.m.

CALL TO ORDER

Vice Chair Connie Bowers called the Audit Committee Meeting to order at 4:09 p.m. at Surprise City Hall, Overflow Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Wednesday, October 23, 2024.

ROLL CALL

Vice Chair Connie Bowers, Committee Member Heavenly Clegg, Councilmember Chris Judd, Deputy City Manager/CFO Andrea Davis, Parks and Recreation Director Holly Osborn.

Absent: Councilmember Ken Remley, Chair Tatiana Young

PLEDGE OF ALLEGIANCE

CURRENT EVENTS AND REPORTS

None.

STAFF REPORTS

None.

STAFF PRESENT

City Auditor Carol Holley, Internal Auditor Angela Hanson, Internal Auditor Sr. Melissa Moreno, Assistant Director of Finance Erick Martin, Court Administrator Elaina Cano, Senior Assistant City Attorney Hobie Wingard, Executive Management Assistant Karina Caraveo.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. Consideration and action pertaining to the August 21, 2024 meeting minutes.

Councilmember Judd moved to approve the August 21, 2024 Audit Committee meeting minutes. Vice Chair Bowers seconded. Committee Member Clegg abstain. Motion approved 2-0.

2. Presentation, discussion, and possible action pertaining to the City Court Compliance Assistance Program audit report.

Ms. Holley provided an overview and update of the City Court Compliance Assistance Program (CAP). The City Auditor team recommended to have the City Court policies and procedures updated to comply with the Financial Affidavit form.

Committee Member Clegg moved to approve and distribute the City Court Compliance Assistance Program audit report. Councilmember Judd seconded. Motion carried 3-0.

3. Presentation, discussion, and possible action pertaining to the review and update of the Audit Committee Bylaws.

Ms. Holley reviewed the primary changes to the audit Committee Bylaws with the Committee.

Vice-Chair Bowers suggested some grammar changes, Ms. Holley agreed and stated corrections would be made and brought back to the committee for approval.

4. Presentation and discussion pertaining to the Compliance Connection Issue #6 Audit Newsletter.

Ms. Hanson and Ms. Moreno made the presentation to the Committee related to the Compliance Connection #6 Audit Newsletter.

5. Presentation to the Audit Committee by the City Attorney's Office pertaining to Arizona Open Meeting Law.

Mr. Wingard made the presentation to the Committee.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

Ms. Holley recommended to have future Audit Committee meetings begin at 4:15 p.m., the Committee agreed.

The next Audit Committee Meeting will be held on **January 8, 2024**, at 4:15 p.m.

EXECUTIVE SESSION

ADJOURNMENT

Councilmember Judd moved to adjourn the meeting, and Committee Member Clegg seconded. Motion carried 3-0. The meeting was adjourned at 4:58 p.m.

ATTEST:

Connie Bowers, Vice Chair

Karina Caraveo, Staff Liaison



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: January 22, 2025
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation, discussion, and possible action pertaining to the review and update of the Audit Committee Bylaws.

Motion:

I move to approve updates to the Audit Committee Bylaws.

Background:

This item has been placed on the agenda in accordance with the Government Finance Officers Association (GFOA), Best Practices Audit Committees. GFOA recommends periodic review, no less than once every five years, of written documentation that establishes the Audit Committee's scope of responsibilities, structure, process, and membership requirements to assess its continued adequacy.

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:

No financial impact.

Budget Impact:

No budget impact.

FTE Impact:

No FTE impact.

ATTACHMENTS:

1. Audit Committee By Laws -29Oct2024docx
-



SURPRISE

ARIZONA

Audit Committee Bylaws

Revised: October 29, 2024

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I. Ordinance

On September 6, 2016, Ordinance #2016-25 of the Mayor and Council of the City of Surprise amended Chapter 2, Article VIII of the Surprise Municipal Code by adding Section 2-304, Audit Committee, that formally established an Audit Committee and its powers and duties.

II. Purpose

The purpose of the Audit Committee (AC) shall be to provide advice to City Council in respect to fulfilling its oversight responsibilities regarding the integrity of the financial statements of the City of Surprise, Arizona (City). The AC will further 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. Consistent with this function, the AC endeavors to encourage continuous improvement of, and foster adherence to, City policies, procedures and practices at all levels.

III. Composition

The AC shall consist of seven (7) members: two (2) elected City council members appointed by the Mayor, three (3) appointed citizens, and two (2) City department executives appointed by the City Manager. The Chief Finance Officer (or designee) will serve as a permanent member of the AC as the financial expert, at the discretion of the City Manager.

AC members should have an understanding of financial reporting, accounting, auditing, or related business field(s), be familiar with local government operations, and have sufficient time to effectively perform the duties listed herein. At least one (1) member shall be designated as the "financial expert".

The AC's five voting members (two elected City council members and three appointed citizens) will designate a Chairperson and Vice-Chairperson by majority vote. The Chairperson has the authority to sign correspondence and resolutions as the AC's official representative. During the chairperson's absence, the Vice-Chairperson shall act as the presiding officer over all AC meetings and activities.

Members will be appointed for a period not exceeding two (2) years, after which they will be eligible for re-appointment for one (1) additional term. Each term shall start on July 1st of the applicable year. Any vacancy shall be filled in a timely manner. Members shall be appointed to achieve staggered two (2) year terms. Members appointed to fill a

vacancy in an unexpired term will serve through the immediately succeeding June 30th of the vacancy's unexpired term, and then automatically serve a full two (2)-year term starting on July 1st of the respective year. Terms for council members appointed by the Mayor will expire at the discretion of the Mayor.

IV. Voting

Each voting member of the AC shall have one (1) vote. AC members must be present at the time of the vote. The act of the majority of AC members present at the meeting, at which a quorum is present, is the act of the AC. A quorum shall consist of three (3) voting AC members, one (1) of whom shall be a City council member. A majority shall mean more than half of the voting members present at a meeting. The two city department executive members shall be non-voting members.

AC members cannot vote on any matter in which they, directly or indirectly, have a material interest.

V. Conflict of Interest

A conflict of interest occurs when an AC member or a family member has a financial or personal interest in any matter before the AC. AC members with a conflict of interest or who think they may have one must disclose the conflict or potential conflict to the AC at the meeting during which the matter involving the conflict of interest exists. AC members must refrain from voting or participating in discussions on any matter in which they have a conflict or potential conflict of interest.

VI. Responsibility

The AC's primary duties and responsibilities include:

- ❖ Reporting to the City Council on risk areas as deemed appropriate.
- ❖ Reviewing and approving the internal Annual Audit Plan. In making its pre-approval determination, the AC shall consider whether providing non-audit services (professional services unrelated to an audit or review) is compatible with maintaining ~~the~~ independence of the City Auditor Department and its staff.
- ❖ Evaluating findings and recommendations resulting from the City Auditor Department's triennial peer review.
- ❖ Meeting at least once annually with the City's external auditor to discuss the City's Annual Comprehensive Financial Report and other applicable risk management and City financial concerns.

- ❖ The AC may, at its discretion, also review reports from City management on other finance, legal, and administrative issues to the extent that it deems appropriate or necessary.
- ❖ Periodically assess the AC's performance under the bylaws, reassess the adequacy of the bylaws, and report to the City Council the results of the evaluation and any recommendations for proposed changes to the bylaws.
- ❖ Performing other functions as requested by City Council.

The AC should consider and review with ~~the~~ City Auditor Department:

- ❖ Audit findings and management's responses to audit findings.
- ❖ Follow up on reported findings to ensure corrective action is taken.
- ❖ Difficulties encountered during the performance of an audit, including any restrictions or limitations on audit scope or access to required information.
- ❖ Changes required in the planned scope of the Annual Audit Plan.
- ❖ The Internal Audit Charter.
- ❖ The City Auditor Department's overall performance and its compliance with accepted standards for the professional practice of internal auditing

VII. Compliance

The AC shall:

- ❖ Discuss significant risk exposures periodically with the independent external auditor, City management, and the City Auditor Department's staff.
- ❖ Review the steps and programs that City management and the City Auditor Department have taken to identify, monitor, control, and report risk exposures.
- ❖ Periodically require City management, the City Auditor Department, and the independent external auditor to review, report, and comment on significant City risks or exposures and actions needed to minimize such risks or exposures.
- ❖ Consider any emerging issues ~~that where~~ the AC should become involved ~~with~~.

VIII. Other Responsibilities

The AC shall oversee the City Auditor Department's receipt, retention, and treatment of hotline complaints regarding accounting, internal accounting controls, or auditing matters. The IA shall keep a record of complaints and inform the AC periodically or at least annually of complaints received and actions taken to resolve them.

IX. Meetings

The AC shall meet as frequently as circumstances dictate, but no less than four times annually, generally once per quarter. All AC members are expected to attend each meeting, in person or via tele or video-conference. The AC will invite members of City management, auditors or others to attend meetings and provide pertinent information, as necessary, **as needed**. The AC may hold private meetings with auditors in executive sessions. A majority of the voting members of the AC shall constitute a quorum. The AC shall maintain minutes or other records of meetings and activities of the AC.

The AC shall, through its Chairperson, report regularly to the City Council following the meetings of the AC, addressing such matters as the quality of the City's financial statements, compliance with legal or regulatory requirements, the performance and independence of the external auditors, the performance of the internal audit function or other matters related to the AC's functions and responsibilities.

X. Access

The AC may request reports from the Chief Financial Officer or City department executives. The AC may retain (and determine the funding for) experts to advise or assist **the AC**, including outside counsel, accountants, financial analysts or others, and the City shall provide sufficient funding as City funds are available.

XI. Limitation of Audit Committee's Role

While the AC has the responsibilities and powers set forth in the bylaws, it is not the duty of the AC to plan or conduct audits or to determine that the City's financial statements and disclosures are complete and accurate and are in accordance with Generally Accepted Accounting Principles (GAAP) and applicable rules and regulations. These are the responsibilities of City management and the independent external auditor.

Members of the AC are entitled to rely on the expertise, knowledge, and professional judgment of City management, the City Auditor Department, the independent external auditor(s), and any consultant or expert retained by the AC. The AC's responsibilities are not to be interpreted as a substitute for the professional obligations of others.

Nothing contained in the bylaws are intended to expand the applicable standards of liability under statutory or regulatory requirements for the City Council.

XII. Authority

The AC has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- ❖ Advise City Council on the appointment, and compensation, and oversee the work of any registered public accounting firm hired by the City.
- ❖ Resolve any disagreements between City Management and the independent external auditor regarding financial reporting, and other non-auditing services.
- ❖ Resolve any disagreements between City Management and the City Auditor Department regarding audit scope, observations, and recommendations.
- ❖ Obtain any information it requires from any City employee, volunteer, or other external parties, subject to legal confidentiality restrictions, necessary to complete AC responsibilities.
- ❖ Request attendance of any employee or volunteer of the City and its enterprises at AC meetings.
- ❖ Pre-approve all auditing and non-audit services.
- ❖ Retain independent counsel or others to advise the AC or assist in the conduction of an investigation.
- ❖ Request sufficient funds to exercise the powers and duties set forth herein from City Council.

These bylaws and the policies therein become effective immediately upon adoption by the voting members of the AC.

Audit Committee Chair	Date
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Audit Committee Vice Chair	Date
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Audit Committee Member	Date
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Audit Committee Member	Date
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Audit Committee Member	Date
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**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: January 22, 2025
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 fiscal year 2023-2024 Annual Comprehensive Financial Report (ACFR) and associated reports.

Motion:

N/A - Informational only

Background:

The city is subject to an annual audit performed by external auditors. Each year the finance department, in conjunction with the city's external auditors, produces the city of Surprise ACFR, 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.

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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 Communication to Governance FY24
 2. City of Surprise HURF Accountant's Report 24
 3. City of Surprise Impact Fee AUP Report 24 (1)
 4. City of Surprise Impact Fee AUP Report 24
 5. FY 2024 ACFR small PDF
 6. FY 2024 COS Single Audit
 7. General_Rep and Single_Audit Rep_FY24
-

December 12, 2024

To the Honorable Mayor and Members of the City 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, 2024. 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.

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
- Impact Fees 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

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, 2024. 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, 2024.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 12, 2024



City of Surprise, Arizona
Report on Applying Agreed-Upon Procedures
Biennial Certification of Land Use Assumptions,
Infrastructure Improvement Plan
and Development Impact Fees
For the Period July 1, 2022 through June 30, 2024

**City of Surprise, Arizona
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Independent Accountant’s Report on Applying Agreed-Upon Procedures

Honorable Mayor and Members of the City Council

We have performed this agreed-upon procedures engagement to assist management of the City of Surprise, Arizona (City), with the requirement set forth in Arizona Revised Statutes (A.R.S.) 9-463.05.G.2 “to provide for a biennial certified audit of the municipality’s land use assumptions, infrastructure improvements plan and development fees”. As such, we have performed the procedures identified below, solely to assist users in evaluating the City’s compliance with the progress reporting requirements of the infrastructure improvement plan for the period from July 1, 2022 through June 30, 2024, as specified in A.R.S. 9-463.05.G.2. City of Surprise, Arizona’s management is responsible for its compliance with those requirements.

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

We have applied the following procedures:

The progress of the infrastructure improvements plan.

- a. Compared growth projections for 2023 and 2024 related to population, number of housing units, and nonresidential square footage, as reported in the Infrastructure Improvement Plan (IIP) to actual results. A list of all variances are reported in the Summary of Findings.
- b. Obtained City-prepared report (see Appendix A) documenting the progress of each project identified in the Infrastructure Improvement Plan (IIP) and performed the following procedures:
 - i. Agreed expenditures as of June 30, 2024 to the underlying accounting records.
 - ii. Agreed amounts reported as estimated cost to complete to underlying accounting records.

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

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

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

- e. Determined each developer/unit was charged the same rate as another equivalent developer/unit by recalculating impact fees at the transaction level for the sample mentioned in step c. above.
- f. Determined that there were no instances in which the City waived development impact fees, except as allowed for under A.R.S. 9-499.10.B and A.R.S. 9-500.18.

The accompanying Summary of Findings describes the findings we noted.

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

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

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

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
January 7, 2025

**City of Surprise, Arizona
Summary of Findings**

Finding No. 1

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

2023				
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Population ¹	170,892	160,273	(10,619)	-6%
Residential Housing Units	71,165	67,379	(3,786)	-5%
Nonresidential Square Footage				
Retail	6,719,249	5,820,990	(898,259)	-13%
Office	1,794,426	1,682,114	(112,312)	-6%
Public	6,608,923	6,005,012	(603,911)	-9%
Industrial	4,393,196	5,426,484	1,033,288	24%
Total Nonresidential Square Footage	<u>19,515,794</u>	<u>18,934,600</u>	<u>(581,194)</u>	<u>-3%</u>
¹ Projected population is based on the Municipal Planning Area boundary and the actual population is based on the City limits.				

2024				
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Population ¹	178,636	162,911	(15,725)	-9%
Residential Housing Units	74,279	70,610	(3,669)	-5%
Nonresidential Square Footage				
Retail	7,067,502	5,912,774	(1,154,728)	-16%
Office	1,901,429	1,685,240	(216,189)	-11%
Public	6,909,559	6,005,012	(904,547)	-13%
Industrial	4,503,705	5,856,100	1,352,395	30%
Total Nonresidential Square Footage	<u>20,382,195</u>	<u>19,459,126</u>	<u>(923,069)</u>	<u>-5%</u>
¹ Projected population is based on the Municipal Planning Area boundary and the actual population is based on the City limits.				

Appendix A
Progress of Infrastructure Improvement Plan Projects

Project Number	IIP page, figure	Project Description	Fund Description	DIF Fund	Estimated Cost (a)	Expenditures as of 6/30/24 (b)	Estimated Cost to Complete	IIP Fiscal Year	Status
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)			\$ 4,173,073			2020-2022	Active
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	General Capital Projects Fund	No		\$ 677,441		2020-2022	Active
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	Public Safety Election 2017 Fund (Bond)	No		\$ 11,095,282		2020-2022	Active
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	Police DIF Fund	Yes		\$ 696,670		2020-2022	Active
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	Fire DIF Fund	Yes		\$ 431,561	\$ 211,100	2020-2022	Active
P31060	Page 26, Figure P9	Public Safety Vehicles			\$ 1,700,000			2019-2028	Closed
P31060	Page 26, Figure P9	Public Safety Vehicles	Police DIF Fund	Yes		\$ 323,809	\$ 1,376,191	2019-2028	Closed
P31070	Page 26, Figure P9	Police Substation			\$ 9,573,800			2021-2022	Active
P31070	Page 26, Figure P9	Police Substation	Police DIF Fund	Yes		\$ 319,265	\$ 9,254,535	2021-2022	Active
P34070	Page 26, Figure P9 & Page 33, Figure F8	Police Substation Land & Fire Station Land (shared project - Police/Fire)			\$ 1,125,000	-		2019	Closed
P34070	Page 26, Figure P9 & Page 33, Figure F8	Police Substation Land & Fire Station Land (shared project - Police/Fire)	Public Safety Election 2017 Fund (Bond)	No		\$ 3,314,911		2019	Closed
P34080	Page 33, Figure F8	District Fire Station 304			\$ 8,598,400	-		2019-2021	Closed
P34080	Page 33, Figure F8	District Fire Station 304	Public Safety Election 2017 Fund (Bond)	No		\$ 8,404,194	\$ 194,206	2019-2021	Closed
P34090	Page 33, Figure F8	Fire Station 308 (includes engine)			\$ 7,873,600			2019-2022	Active
P34090	Page 33, Figure F8	Fire Station 308 (includes engine)	Fire DIF Fund	Yes		\$ 1,270,664		2019-2022	Active
P34090	Page 33, Figure F8	Fire Station 308 (includes engine)	Public Safety Election 2017 Fund (Bond)	No		\$ 6,771,891	\$ 2,700	2019-2022	Active
P34100	Page 33, Figure F8	Ambulance # 4			\$ 375,300	-		2020	Closed
P34100	Page 33, Figure F8	Ambulance # 4	Ground Ambulance Service Fund	No		\$ 395,327		2020	Closed
P34130	Page 33, Figure F8	Ambulance # 6			\$ 375,300	-		2022	Closed
P34130	Page 33, Figure F8	Ambulance # 6	Ground Ambulance Capital Fund	No		\$ 302,686		2022	Closed
P34150	Page 33, Figure F8	New Fire Station 309			\$ 7,098,600			2024-2028	Active
P34150	Page 33, Figure F8	New Fire Station 309	General Capital Projects Fund	No		\$ 887		2024-2028	Active
P34150	Page 33, Figure F8	New Fire Station 309	Fire DIF Fund	Yes		\$ 6,315,623	\$ 17,048,200	2024-2028	Active
P34160	Page 33, Figure F8	Water Tender			\$ 300,000	-		2020	Active
P34160	Page 33, Figure F8	Water Tender	Fire DIF Fund	Yes		\$ 614,356	\$ 102,800	2020	Active
P34170	Page 33, Figure F8	Ambulance #7-M308			\$ 375,500	-		2019	Active
P34170	Page 33, Figure F8	Ambulance #7-M308	Fire DIF Fund	Yes		\$ 397,410	\$ 457,800	2019	Active
P34180	Page 33, Figure F8	Ambulance #8-M304			\$ 375,500	-	\$ 500,000	2019	Active
P54140	Page 20, Figure PR10	Tennis & Racquet Complex - Lighting for 8 tennis courts			\$ 300,000			2019	Closed
P54140	Page 20, Figure PR10	Tennis & Racquet Complex - Lighting for 8 tennis courts	General Capital Projects Fund	No		\$ 356,907		2019	Closed
P54160	Page 20, Figure PR10	Surprise Community Park - Lighting, Parking, Restrooms			\$ 2,110,000	-		2022-2023	Active
P54160	Page 20, Figure PR10	Surprise Community Park - Lighting, Parking, Restrooms	General Capital Projects Fund	No		\$ 3,562,838		2022-2023	Active
P54160	Page 20, Figure PR10	Surprise Community Park - Lighting, Parking, Restrooms	Parks DIF Fund	Yes		\$ 2,000,000	\$ 1,581,300	2022-2023	Active
P54190	Page 20, Figure PR10	Community Pool			\$ 6,500,000	-		2022-2023	Active
P54190	Page 20, Figure PR10	Community Pool		No		\$ 12,102,467	\$ 35,000,000	2022-2023	Active
P54220	Page 20, Figure PR10	Sierra Montana Park Improvements - Restrooms & Lighting			\$ 770,000	-	\$ 770,000	2023	Hold
P54230	Page 20, Figure PR10	Recreation Facility - Community # 1			\$ 10,000,000	-	\$ 10,000,000	2019-2029	Hold
P54240	Page 20, Figure PR10	Prasada Community Park - Perryville & Cactus (Community Park 2B)			\$ 9,000,000	-		2023	Active
P54240	Page 20, Figure PR10	Prasada Community Park - Perryville & Cactus (Community Park 2B)	General Fund	No		\$ 109,081		2023	Active
P54240	Page 20, Figure PR10	Prasada Community Park - Perryville & Cactus (Community Park 2B)	Parks DIF Fund	Yes		\$ 1,911,496	\$ 6,979,423	2023	Active
P71020	Page 44, Figure W17	SPA 2 Rancho Mercado WSF			\$ 8,700,000			2019-2028	Active
P71020	Page 44, Figure W17	SPA 2 Rancho Mercado WSF	Water Utility Capital Fund	No		\$ 437,248		2019-2028	Active
P71020	Page 44, Figure W17	SPA 2 Rancho Mercado WSF	Water System SPA 2 DIF Fund	Yes		\$ 1,356,471	\$ 6,906,280	2019-2028	Active
P71230	Page 44, Figure W17	Arsenic Treatment - Rancho Gabriela			\$ 1,030,000			2019-2028	Closed
P71230	Page 44, Figure W17	Arsenic Treatment - Rancho Gabriela	Water Utility Capital Fund	No		\$ 1,125,263		2019-2028	Closed
P71240	Page 52, Figure WR9	Water Acquisitions			\$ 2,738,600			2020-2023	Active
P71240	Page 52, Figure WR9	Water Acquisitions	Water Utility Capital Fund	No		\$ 5,752,044		2020-2023	Active
P71240	Page 52, Figure WR9	Water Acquisitions	Water Resource DIF Fund	Yes		\$ 569,700	\$ 4,211,310	2020-2023	Active
P71250	Page 61, Figure WW13	Digester Modifications			\$ 5,500,000			2019-2020	Closed
P71250	Page 61, Figure WW13	Digester Modifications	Sewer Utility Capital Fund	No		\$ 34,388	\$ 5,465,613	2019-2020	Closed
P71260	Page 52, Figure WR9	Circle City Water Acquisition			\$ 16,034,300			2019	Active
P71260	Page 52, Figure WR9	Circle City Water Acquisition	Water Utility Capital Fund	No		\$ 1,354,621	\$ 14,679,679	2019	Active
P71320	Page 44, Figure W17	Operations Expansion			\$ 1,132,863			2020-2023	Active
P71320	Page 44, Figure W17	Operations Expansion	Water Utility Capital Fund	No		\$ 1,490,849		2020-2023	Active
P71320	Page 44, Figure W17	Operations Expansion	Sewer Utility Capital Fund	No		\$ 2,637,374		2020-2023	Active
P71320	Page 44, Figure W17	Operations Expansion	Water System SPA 1 DIF Fund	Yes		\$ 1,150,000	\$ 208,300	2020-2023	Active
P71330	Page 61, Figure WW13	SPA 2 Additional Land			\$ 3,288,500			2022	Active
P71330	Page 61, Figure WW13	SPA 2 Additional Land	Sewer SPA 2 DIF Fund	Yes		-	\$ 3,288,500	2022	Active
P71390	Page 44, Figure W17	SPA 2 Rancho Mercado Well			\$ 3,000,000			2019-2028	Active
P71390	Page 44, Figure W17	SPA 2 Rancho Mercado Well	Water System SPA 2 DIF Fund	Yes		\$ 30,901	\$ 2,841,949	2019-2028	Active
P71390	Page 44, Figure W17	SPA 2 Rancho Mercado Well	Water Resource DIF Fund	Yes		\$ 127,149		2019-2028	Active

Appendix A
Progress of Infrastructure Improvement Plan Projects

P71400	Page 61, Figure WW13	SPA 2 Connecting Influent Pipeline			\$ 250,000				2023	Closed
P71400	Page 61, Figure WW13	SPA 2 Connecting Influent Pipeline	Sewer Utility Capital Fund	No		\$ 430,328			2023	Closed
P71400	Page 61, Figure WW13	SPA 2 Connecting Influent Pipeline	Sewer SPA 2 DIF Fund	Yes		\$ 334,998			2023	Closed
P71410	Page 44, Figure W17	Arsenic Treatment - Desert Oasis WSF			\$ 1,400,000				2019-2028	Closed
P71560	Page 44, Figure W17	Operations Expansion			\$ 114,350	-	\$ 114,350		2020-2023	Hold
P71580	Page 44, Figure W17	SPA 1 Drinking Water Well			\$ 3,000,000	-	\$ 3,000,000		2020-2023	Hold
P71610	Page 44, Figure W17	Operations Expansion			\$ 956,287	-	\$ 956,287		2020-2023	Active
P71640	Page 44, Figure W17	Water Transmission Line - Ashton Ranch/Roseview			\$ 2,750,000	-	\$ 2,750,000		2019-2028	Hold
T34110	Page 33, Figure F8	Utility Truck			\$ 600,000	-	\$ 600,000		2021	Hold
T34120	Page 33, Figure F8	Type 3 Fire Engine			\$ 560,000	-	\$ 560,000		2020	Hold
T54040	Page 20, Figure PR10	Rancho Mercado Neighborhood Park- New 13 acre park			\$ 2,200,000	-	\$ 2,200,000		2020-2021	Hold
T54050	Page 20, Figure PR10	White Tanks Community Park - New 25 acre park			\$ 9,000,000	-	\$ 9,000,000		2023	Hold
T54210	Page 20, Figure PR10	Two West Community Park - New 25 acre park			\$ 9,000,000	-	\$ 9,000,000		2026-2027	Hold
T54360	Page 20, Figure PR10	Tribly Wash Community Park - New 25 acre park			\$ 9,000,000	-	\$ 9,000,000		2028-2029	Hold
	Page 26, Figure P9	Public Safety Equipment			\$ 2,800,000	-	\$ 2,800,000		2019-2028	Hold
	Page 44, Figure W17	Surprise Downtown Waterline Loop			\$ 1,150,000	-	\$ 1,150,000		2019-2028	Hold

- a) The source of the information is the City of Surprise 2022 Infrastructure Improvements Plan.
b) The source of the information is the City's financial records through June 30, 2024.



City of Surprise, Arizona
Report on Applying Agreed-Upon Procedures
Biennial Certification of Land Use Assumptions,
Infrastructure Improvement Plan
and Development Impact Fees
For the Period July 1, 2022 through June 30, 2024

**City of Surprise, Arizona
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Summary of Findings	3
Appendix A – Progress of Infrastructure Improvement Plan Projects	4

Independent Accountant's Report on Applying Agreed-Upon Procedures

Honorable Mayor and Members of the City Council

We have performed this agreed-upon procedures engagement to assist management of the City of Surprise, Arizona (City), with the requirement set forth in Arizona Revised Statutes (A.R.S.) 9-463.05.G.2 "to provide for a biennial certified audit of the municipality's land use assumptions, infrastructure improvements plan and development fees". As such, we have performed the procedures identified below, solely to assist users in evaluating the City's compliance with the progress reporting requirements of the infrastructure improvement plan for the period from July 1, 2022 through June 30, 2024, as specified in A.R.S. 9-463.05.G.2. City of Surprise, Arizona's management is responsible for its compliance with those requirements.

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

We have applied the following procedures:

The progress of the infrastructure improvements plan.

- a. Compared growth projections for 2023 and 2024 related to population, number of housing units, and nonresidential square footage, as reported in the Infrastructure Improvement Plan (IIP) to actual results. A list of all variances are reported in the Summary of Findings.
- b. Obtained City-prepared report (see Appendix A) documenting the progress of each project identified in the Infrastructure Improvement Plan (IIP) and performed the following procedures:
 - i. Agreed expenditures as of June 30, 2024 to the underlying accounting records.
 - ii. Agreed amounts reported as estimated cost to complete to underlying accounting records.

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

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

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

- e. Determined each developer/unit was charged the same rate as another equivalent developer/unit by recalculating impact fees at the transaction level for the sample mentioned in step c. above.
- f. Determined that there were no instances in which the City waived development impact fees, except as allowed for under A.R.S. 9-499.10.B and A.R.S. 9-500.18.

The accompanying Summary of Findings describes the findings we noted.

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

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

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

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
January 7, 2025

**City of Surprise, Arizona
Summary of Findings**

Finding No. 1

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

2023				
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Population ¹	170,892	160,273	(10,619)	-6%
Residential Housing Units	71,165	67,379	(3,786)	-5%
Nonresidential Square Footage				
Retail	6,719,249	5,820,990	(898,259)	-13%
Office	1,794,426	1,682,114	(112,312)	-6%
Public	6,608,923	6,005,012	(603,911)	-9%
Industrial	4,393,196	5,426,484	1,033,288	24%
Total Nonresidential Square Footage	<u>19,515,794</u>	<u>18,934,600</u>	<u>(581,194)</u>	<u>-3%</u>
¹ Projected population is based on the Municipal Planning Area boundary and the actual population is based on the City limits.				

2024				
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Population ¹	178,636	162,911	(15,725)	-9%
Residential Housing Units	74,279	70,610	(3,669)	-5%
Nonresidential Square Footage				
Retail	7,067,502	5,912,774	(1,154,728)	-16%
Office	1,901,429	1,685,240	(216,189)	-11%
Public	6,909,559	6,005,012	(904,547)	-13%
Industrial	4,503,705	5,856,100	1,352,395	30%
Total Nonresidential Square Footage	<u>20,382,195</u>	<u>19,459,126</u>	<u>(923,069)</u>	<u>-5%</u>
¹ Projected population is based on the Municipal Planning Area boundary and the actual population is based on the City limits.				

Appendix A
Progress of Infrastructure Improvement Plan Projects

Project Number	IIP page, figure	Project Description	Fund Description	DIF Fund	Estimated Cost (a)	Expenditures as of 6/30/24 (b)	Estimated Cost to Complete	IIP Fiscal Year	Status
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)			\$ 4,173,073			2020-2022	Active
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	General Capital Projects Fund	No		\$ 677,441		2020-2022	Active
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	Public Safety Election 2017 Fund (Bond)	No		\$ 11,095,282		2020-2022	Active
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	Police DIF Fund	Yes		\$ 696,670		2020-2022	Active
P31030	Page 26, Figure P9 & Page 33, Figure F8	Evidence & Readiness Center (shared project - Police/Fire)	Fire DIF Fund	Yes		\$ 431,561	\$ 211,100	2020-2022	Active
P31060	Page 26, Figure P9	Public Safety Vehicles			\$ 1,700,000			2019-2028	Closed
P31060	Page 26, Figure P9	Public Safety Vehicles	Police DIF Fund	Yes		\$ 323,809	\$ 1,376,191	2019-2028	Closed
P31070	Page 26, Figure P9	Police Substation			\$ 9,573,800			2021-2022	Active
P31070	Page 26, Figure P9	Police Substation	Police DIF Fund	Yes		\$ 319,265	\$ 9,254,535	2021-2022	Active
P34070	Page 26, Figure P9 & Page 33, Figure F8	Police Substation Land & Fire Station Land (shared project - Police/Fire)			\$ 1,125,000	-		2019	Closed
P34070	Page 26, Figure P9 & Page 33, Figure F8	Police Substation Land & Fire Station Land (shared project - Police/Fire)	Public Safety Election 2017 Fund (Bond)	No		\$ 3,314,911		2019	Closed
P34080	Page 33, Figure F8	District Fire Station 304			\$ 8,598,400	-		2019-2021	Closed
P34080	Page 33, Figure F8	District Fire Station 304	Public Safety Election 2017 Fund (Bond)	No		\$ 8,404,194	\$ 194,206	2019-2021	Closed
P34090	Page 33, Figure F8	Fire Station 308 (includes engine)			\$ 7,873,600			2019-2022	Active
P34090	Page 33, Figure F8	Fire Station 308 (includes engine)	Fire DIF Fund	Yes		\$ 1,270,664		2019-2022	Active
P34090	Page 33, Figure F8	Fire Station 308 (includes engine)	Public Safety Election 2017 Fund (Bond)	No		\$ 6,771,891	\$ 2,700	2019-2022	Active
P34100	Page 33, Figure F8	Ambulance # 4			\$ 375,300	-		2020	Closed
P34100	Page 33, Figure F8	Ambulance # 4	Ground Ambulance Service Fund	No		\$ 395,327		2020	Closed
P34130	Page 33, Figure F8	Ambulance # 6			\$ 375,300	-		2022	Closed
P34130	Page 33, Figure F8	Ambulance # 6	Ground Ambulance Capital Fund	No		\$ 302,686		2022	Closed
P34150	Page 33, Figure F8	New Fire Station 309			\$ 7,098,600			2024-2028	Active
P34150	Page 33, Figure F8	New Fire Station 309	General Capital Projects Fund	No		\$ 887		2024-2028	Active
P34150	Page 33, Figure F8	New Fire Station 309	Fire DIF Fund	Yes		\$ 6,315,623	\$ 17,048,200	2024-2028	Active
P34160	Page 33, Figure F8	Water Tender			\$ 300,000	-		2020	Active
P34160	Page 33, Figure F8	Water Tender	Fire DIF Fund	Yes		\$ 614,356	\$ 102,800	2020	Active
P34170	Page 33, Figure F8	Ambulance #7-M308			\$ 375,500	-		2019	Active
P34170	Page 33, Figure F8	Ambulance #7-M308	Fire DIF Fund	Yes		\$ 397,410	\$ 457,800	2019	Active
P34180	Page 33, Figure F8	Ambulance #8-M304			\$ 375,500	-	\$ 500,000	2019	Active
P54140	Page 20, Figure PR10	Tennis & Racquet Complex - Lighting for 8 tennis courts			\$ 300,000			2019	Closed
P54140	Page 20, Figure PR10	Tennis & Racquet Complex - Lighting for 8 tennis courts	General Capital Projects Fund	No		\$ 356,907		2019	Closed
P54160	Page 20, Figure PR10	Surprise Community Park - Lighting, Parking, Restrooms			\$ 2,110,000	-		2022-2023	Active
P54160	Page 20, Figure PR10	Surprise Community Park - Lighting, Parking, Restrooms	General Capital Projects Fund	No		\$ 3,562,838		2022-2023	Active
P54160	Page 20, Figure PR10	Surprise Community Park - Lighting, Parking, Restrooms	Parks DIF Fund	Yes		\$ 2,000,000	\$ 1,581,300	2022-2023	Active
P54190	Page 20, Figure PR10	Community Pool			\$ 6,500,000	-		2022-2023	Active
P54190	Page 20, Figure PR10	Community Pool		No		\$ 12,102,467	\$ 35,000,000	2022-2023	Active
P54220	Page 20, Figure PR10	Sierra Montana Park Improvements - Restrooms & Lighting			\$ 770,000	-	\$ 770,000	2023	Hold
P54230	Page 20, Figure PR10	Recreation Facility - Community # 1			\$ 10,000,000	-	\$ 10,000,000	2019-2029	Hold
P54240	Page 20, Figure PR10	Prasada Community Park - Perryville & Cactus (Community Park 2B)			\$ 9,000,000	-		2023	Active
P54240	Page 20, Figure PR10	Prasada Community Park - Perryville & Cactus (Community Park 2B)	General Fund	No		\$ 109,081		2023	Active
P54240	Page 20, Figure PR10	Prasada Community Park - Perryville & Cactus (Community Park 2B)	Parks DIF Fund	Yes		\$ 1,911,496	\$ 6,979,423	2023	Active
P71020	Page 44, Figure W17	SPA 2 Rancho Mercado WSF			\$ 8,700,000			2019-2028	Active
P71020	Page 44, Figure W17	SPA 2 Rancho Mercado WSF	Water Utility Capital Fund	No		\$ 437,248		2019-2028	Active
P71020	Page 44, Figure W17	SPA 2 Rancho Mercado WSF	Water System SPA 2 DIF Fund	Yes		\$ 1,356,471	\$ 6,906,280	2019-2028	Active
P71230	Page 44, Figure W17	Arsenic Treatment - Rancho Gabriela			\$ 1,030,000			2019-2028	Closed
P71230	Page 44, Figure W17	Arsenic Treatment - Rancho Gabriela	Water Utility Capital Fund	No		\$ 1,125,263		2019-2028	Closed
P71240	Page 52, Figure WR9	Water Acquisitions			\$ 2,738,600			2020-2023	Active
P71240	Page 52, Figure WR9	Water Acquisitions	Water Utility Capital Fund	No		\$ 5,752,044		2020-2023	Active
P71240	Page 52, Figure WR9	Water Acquisitions	Water Resource DIF Fund	Yes		\$ 569,700	\$ 4,211,310	2020-2023	Active
P71250	Page 61, Figure WW13	Digester Modifications			\$ 5,500,000			2019-2020	Closed
P71250	Page 61, Figure WW13	Digester Modifications	Sewer Utility Capital Fund	No		\$ 34,388	\$ 5,465,613	2019-2020	Closed
P71260	Page 52, Figure WR9	Circle City Water Acquisition			\$ 16,034,300			2019	Active
P71260	Page 52, Figure WR9	Circle City Water Acquisition	Water Utility Capital Fund	No		\$ 1,354,621	\$ 14,679,679	2019	Active
P71320	Page 44, Figure W17	Operations Expansion			\$ 1,132,863			2020-2023	Active
P71320	Page 44, Figure W17	Operations Expansion	Water Utility Capital Fund	No		\$ 1,490,849		2020-2023	Active
P71320	Page 44, Figure W17	Operations Expansion	Sewer Utility Capital Fund	No		\$ 2,637,374		2020-2023	Active
P71320	Page 44, Figure W17	Operations Expansion	Water System SPA 1 DIF Fund	Yes		\$ 1,150,000	\$ 208,300	2020-2023	Active
P71330	Page 61, Figure WW13	SPA 2 Additional Land			\$ 3,288,500			2022	Active
P71330	Page 61, Figure WW13	SPA 2 Additional Land	Sewer SPA 2 DIF Fund	Yes		-	\$ 3,288,500	2022	Active
P71390	Page 44, Figure W17	SPA 2 Rancho Mercado Well			\$ 3,000,000			2019-2028	Active
P71390	Page 44, Figure W17	SPA 2 Rancho Mercado Well	Water System SPA 2 DIF Fund	Yes		\$ 30,901	\$ 2,841,949	2019-2028	Active
P71390	Page 44, Figure W17	SPA 2 Rancho Mercado Well	Water Resource DIF Fund	Yes		\$ 127,149		2019-2028	Active

Appendix A
Progress of Infrastructure Improvement Plan Projects

P71400	Page 61, Figure WW13	SPA 2 Connecting Influent Pipeline			\$ 250,000				2023	Closed
P71400	Page 61, Figure WW13	SPA 2 Connecting Influent Pipeline	Sewer Utility Capital Fund	No		\$ 430,328			2023	Closed
P71400	Page 61, Figure WW13	SPA 2 Connecting Influent Pipeline	Sewer SPA 2 DIF Fund	Yes		\$ 334,998			2023	Closed
P71410	Page 44, Figure W17	Arsenic Treatment - Desert Oasis WSF			\$ 1,400,000				2019-2028	Closed
P71560	Page 44, Figure W17	Operations Expansion			\$ 114,350	-	\$ 114,350		2020-2023	Hold
P71580	Page 44, Figure W17	SPA 1 Drinking Water Well			\$ 3,000,000	-	\$ 3,000,000		2020-2023	Hold
P71610	Page 44, Figure W17	Operations Expansion			\$ 956,287	-	\$ 956,287		2020-2023	Active
P71640	Page 44, Figure W17	Water Transmission Line - Ashton Ranch/Roseview			\$ 2,750,000	-	\$ 2,750,000		2019-2028	Hold
T34110	Page 33, Figure F8	Utility Truck			\$ 600,000	-	\$ 600,000		2021	Hold
T34120	Page 33, Figure F8	Type 3 Fire Engine			\$ 560,000	-	\$ 560,000		2020	Hold
T54040	Page 20, Figure PR10	Rancho Mercado Neighborhood Park- New 13 acre park			\$ 2,200,000	-	\$ 2,200,000		2020-2021	Hold
T54050	Page 20, Figure PR10	White Tanks Community Park - New 25 acre park			\$ 9,000,000	-	\$ 9,000,000		2023	Hold
T54210	Page 20, Figure PR10	Two West Community Park - New 25 acre park			\$ 9,000,000	-	\$ 9,000,000		2026-2027	Hold
T54360	Page 20, Figure PR10	Tribly Wash Community Park - New 25 acre park			\$ 9,000,000	-	\$ 9,000,000		2028-2029	Hold
	Page 26, Figure P9	Public Safety Equipment			\$ 2,800,000	-	\$ 2,800,000		2019-2028	Hold
	Page 44, Figure W17	Surprise Downtown Waterline Loop			\$ 1,150,000	-	\$ 1,150,000		2019-2028	Hold

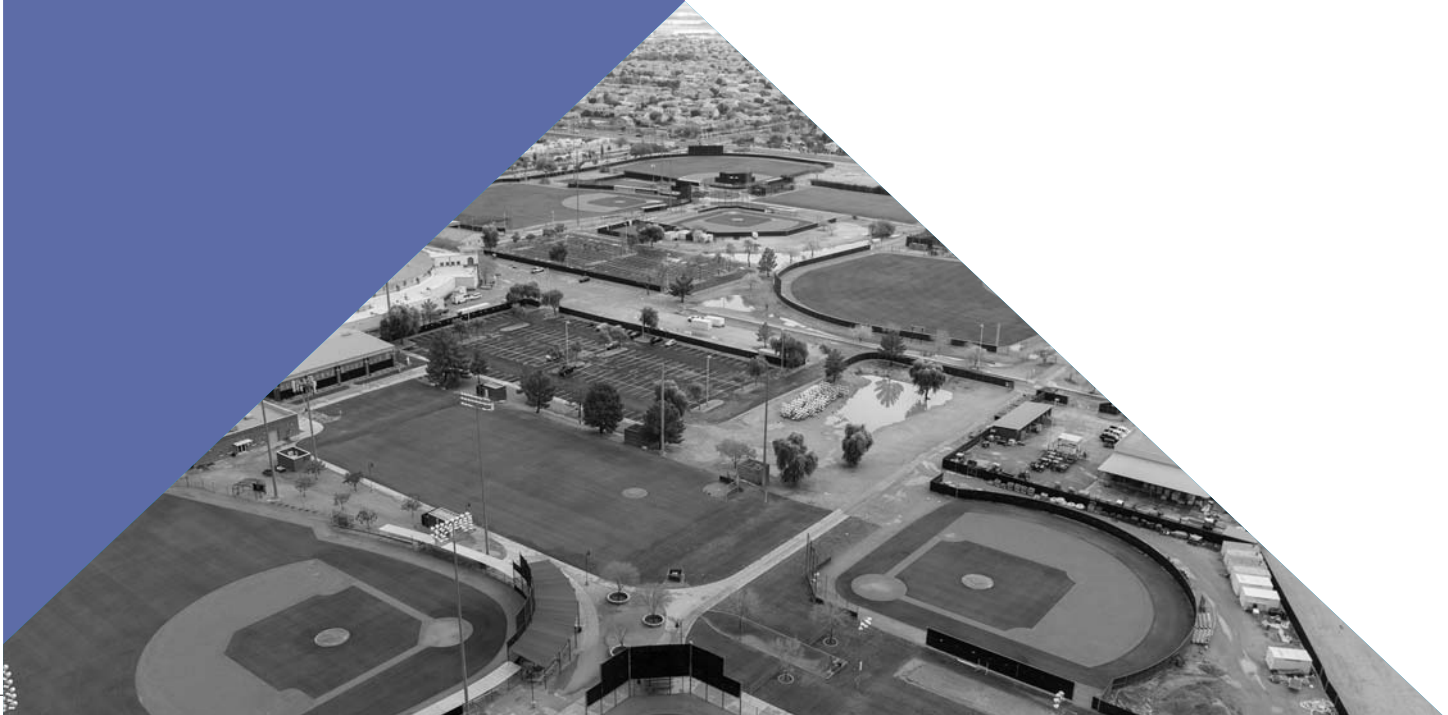
- a) The source of the information is the City of Surprise 2022 Infrastructure Improvements Plan.
b) The source of the information is the City's financial records through June 30, 2024.



SURPRISE
ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024





S U R P R I S E

A R I Z O N A

CITY OF SURPRISE, ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the fiscal year ended
June 30, 2024

Prepared by:
Finance Department



SURPRISE

ARIZONA

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SURPRISE

ARIZONA



INTRODUCTORY SECTION



SURPRISE

ARIZONA



INTRODUCTORY SECTION

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



S U R P R I S E

A R I Z O N A



December 12, 2024

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, 2024. 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, 2024, 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, 2024, 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

The City of 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 160,000 people, evolving from a small town government to a regional governmental entity.

The City 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 provides a full range of services, including police and fire protection, ground ambulance services, roadway maintenance and construction, recreational and cultural activities, as well as general administrative services. Sanitation, water, stormwater, 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 two 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 the two 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 operates.

Local Economy

The fiscal year 2024 budget provides a continued commitment to maintaining the residents' quality of life in a growing city. The City continues to navigate the economic climate of inflation, rising interest rates, growth, ever-changing supply chain markets, and workforce shortages. The City remains focused on balancing financial stability while maintaining its current level of service.

The City's economic position continues to be strong due to financially sound policy decisions led by our City Council. The City continues to see robust commercial development along with a significant growth of single family home permits issued. 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 an 8.6% increase in sales tax collections while state shared sales tax revenues increased by 24% over the previous year. The population and commercial square footage growth has been a factor in the improved economic performance for the city.

Further information on the history of City revenues and expenses can be found in the MD&A, pages 4 through 16, and the Statistical Section that begins on page 159, 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 2024, 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. Construction is to begin in fiscal year 2025.

In fiscal year 2024, the City began construction on the expansion of the City's primary wastewater treatment facility, financed through a loan from the Water Infrastructure Financing Authority.

In fiscal year 2024, the Water Resource Management department completed the federally mandated Lead & Copper Water Service Line Inventory. This initiative required the validation and documentation of nearly 25,000 water service line connections to verify the pipeline material. The department reported zero unknown lines and no lead service lines within the City's water service area. Additionally, the department has been fulfilling the goals of four grant funded projects that have allowed an increase in water conservation offerings and participated in numerous regional water resource and conservation initiatives that put the City in a strategic position for future acquisitions.

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.

The City has been focused on the implementation of the Fiscal Year 2025 – 2029 Utility Rate Study. This has included the delivery of large scale water and wastewater projects that will provide the necessary capacity and redundancy for the growth of our city.

Fiscal year 2024 was the first complete fiscal year of operations for the Surprise Public Library System which welcomed more than 325,000 patrons through its doors. In fiscal year 2024, nearly 30,000 library cards were created and the Library of Things expanded which provides resources and access to the Surprise community including a seed library, record player and vinyl kits, video games, book club kits, developmental toys.

The Arts and Culture Division completed updated the 1 1/3 Percent for Art policies and procedures to be more efficient and effective. A Strategic Plan was developed and implemented with support from the Arts and Cultural Advisory Commission. This document serves as the guiding light for Arts and Culture operations within the cities and ensures that projects are sustainable, efficient and align with the mission of the division. The division programming attendance grew 180% and added 2 new public art pieces to the City's collection.

In fiscal year 2024, the City, in conjunction with Arizona Department of Transportation and the Maricopa Association of Governments, completed many short-term improvements to the area of US 60 & SR 303 to help mitigate traffic congestion in the area. This transportation corridor feeds the area of North Surprise, the fastest growing area of the City, that is bounded by those two state operated transportation facilities. These improvements have provided additional capacity through additional lanes, turn lanes, ramp modifications, and traffic signal improvements.

Also, the City dedicated funding for the City's first transportation master plan. This planning effort will provide the City with a short and long range plan that will help to shape the future of the City's transportation network, as well as provide the residents of the City with a voice in developing the City's transportation network.

Rescue Oasis is fully designed and under construction at Perryville and Cactus roads. The complex will include roadway improvement, a new pool with 3 bodies of water, a park with a splash pad and Fire Station 309. The complex is scheduled to be completed in 2025.

Relevant Financial Policies

The City of Surprise has adopted a comprehensive set of financial policies which are reviewed annually and updated as necessary. During fiscal year 2024, the City created or revised several policies and desk procedures. The following list includes the policies and procedures that were reviewed during the year: the Accounts Payable Guidelines, Comprehensive Financial Management Policies, Procurement Card Standard Operating Procedure, City Leases, Subscription Based IT Arrangements, City Mailroom Policy, Surplus Policy, and Cash Services.

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 City of Surprise for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023, which represented the 20th 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.



FINANCE DEPARTMENT
CITY OF SURPRISE

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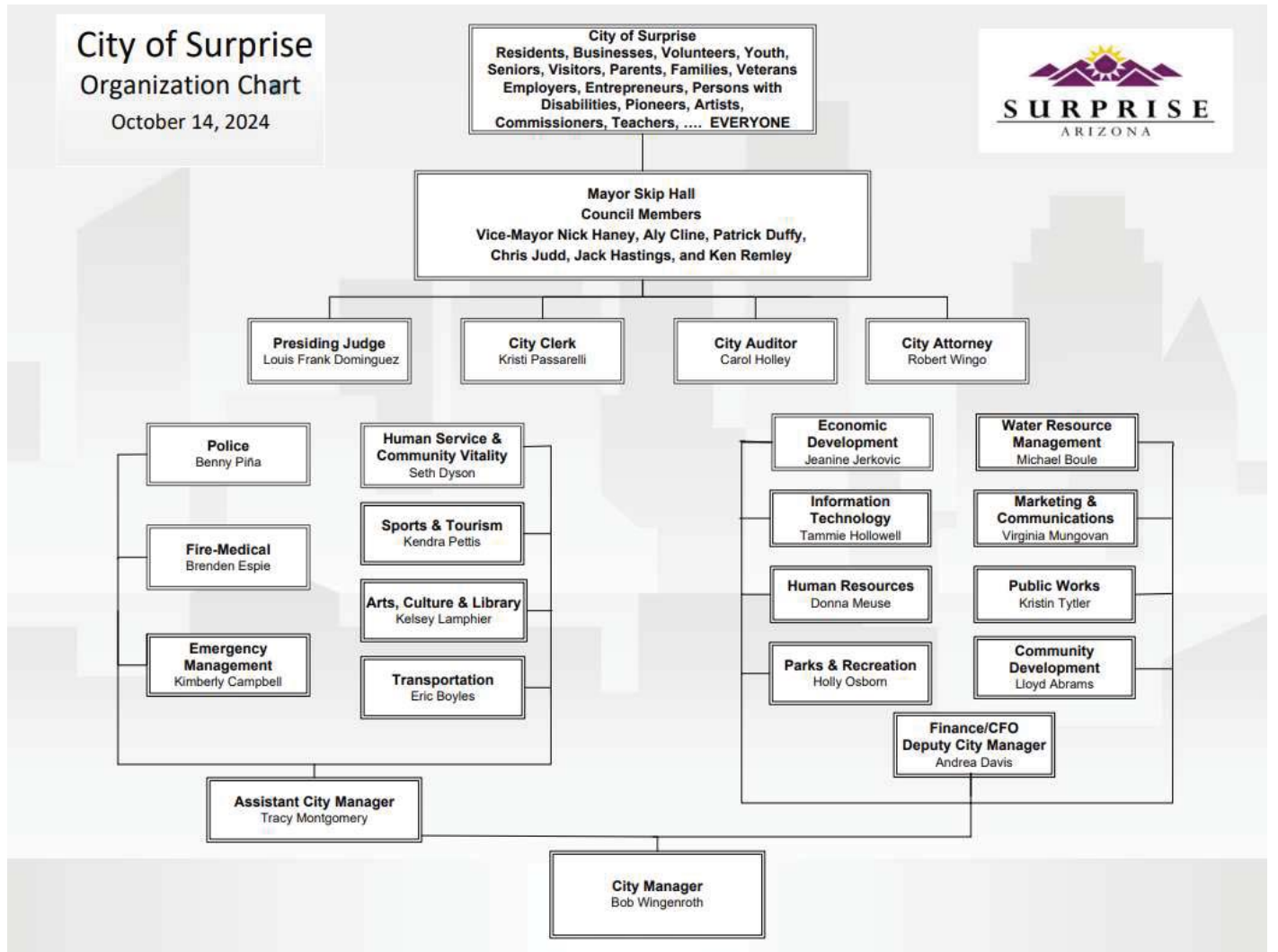
Acknowledgments

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,

A handwritten signature in blue ink that reads "Andrea Davis".

Andrea Davis
Chief Financial Officer/Deputy City Manager





SURPRISE

ARIZONA

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 Prasada 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.

VICE MAYOR 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 to City Council in September 2017 to represent the residents of District 3 (D3) through December 31, 2018. When the D3 seat went to ballot, he was elected to serve the remainder of the four-year term (two years), which expired December 31, 2020. Duffy was re-elected for another four-year term in the August 2020 primary, and also served a one-year term as Vice Mayor in January 2021. His term will expire on December 31, 2024.

Patrick is a Financial Advisor for SCF Securities, Inc, 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 chairs the Performance Evaluation Leaders Subcommittee and the Tourism Fund Subcommittee, and serves on the Community Outreach, Partnership, and Grants Subcommittee. He is also a board member WESTMARC and Greater Phoenix Economic Council. 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.

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 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.

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
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Reporting

Presented to

City of Surprise

Arizona

For its Annual Comprehensive

Financial Report

For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION – INDEPENDENT AUDITOR’S REPORT



SURPRISE

ARIZONA



FINANCIAL SECTION – INDEPENDENT AUDITOR’S REPORT

The Financial Section is divided into seven subsections. The first subsection is the Independent Auditor’s Report, which is the official written communication of the audit results provided by the independent auditors expressing their opinion on the City’s financial statements as to whether the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

Financial Subsections

- Independent Auditor’s Report
- Management’s Discussion and Analysis
- Government Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information



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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, 2024, 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, 2024, 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.

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 12, 2024, 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 12, 2024



SURPRISE

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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 seven subsections. The second subsection is Management’s Discussion and Analysis. This component is to furnish an objective and easily readable analysis of the City’s financial activities.



SURPRISE

ARIZONA

The City of Surprise (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2024. 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 15.7% or \$136.2 million from \$868.8 million to \$1.0 billion. 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 11.5% or \$54.0 million from \$468.3 million to \$522.3 million. Continued growth in the City accounts for the increase, with \$51.4 million of the increase resulting from developer capital contributions.
- *Governmental Activities expenses* of \$259.5 million exceeded program revenues of \$141.8 million. The difference of \$117.7 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 \$65.5 million, while program revenues totaled \$115.8 million, a difference of \$50.3 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 17-18 and 19-20) 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 21. These fund 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 17. 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 service 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 21 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 34-35.

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, 2024 and June 30, 2023.

	City of Surprise’s Net Position (in Millions)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and other assets	\$ 462.8	\$ 387.1	\$ 151.9	\$ 128.4	\$ 614.7	\$ 515.5
Capital assets, net	792.5	722.9	418.9	383.3	1,211.4	1,106.2
Total assets	<u>1,255.3</u>	<u>1,110.0</u>	<u>570.8</u>	<u>511.7</u>	<u>1,826.1</u>	<u>1,621.7</u>
DEFERRED OUTFLOWS OF RESOURCES	43.6	40.5	1.8	2.2	45.4	42.7
LIABILITIES						
Current liabilities	52.4	27.1	11.6	6.9	64.0	34.0
Long-term liabilities	217.9	230.8	38.0	38.1	255.9	268.9
Total liabilities	<u>270.3</u>	<u>257.9</u>	<u>49.6</u>	<u>45.0</u>	<u>319.9</u>	<u>302.9</u>
DEFERRED INFLOWS OF RESOURCES	23.6	23.8	0.7	0.6	24.3	24.4
NET POSITION						
Net investment in capital assets	693.0	635.1	390.2	359.3	1,083.2	994.4
Restricted	41.1	40.4	29.5	19.5	70.6	59.9
Unrestricted	270.9	193.3	102.6	89.5	373.5	282.8
Total net position	<u>\$ 1,005.0</u>	<u>\$ 868.8</u>	<u>\$ 522.3</u>	<u>\$ 468.3</u>	<u>\$ 1,527.3</u>	<u>\$ 1,337.1</u>

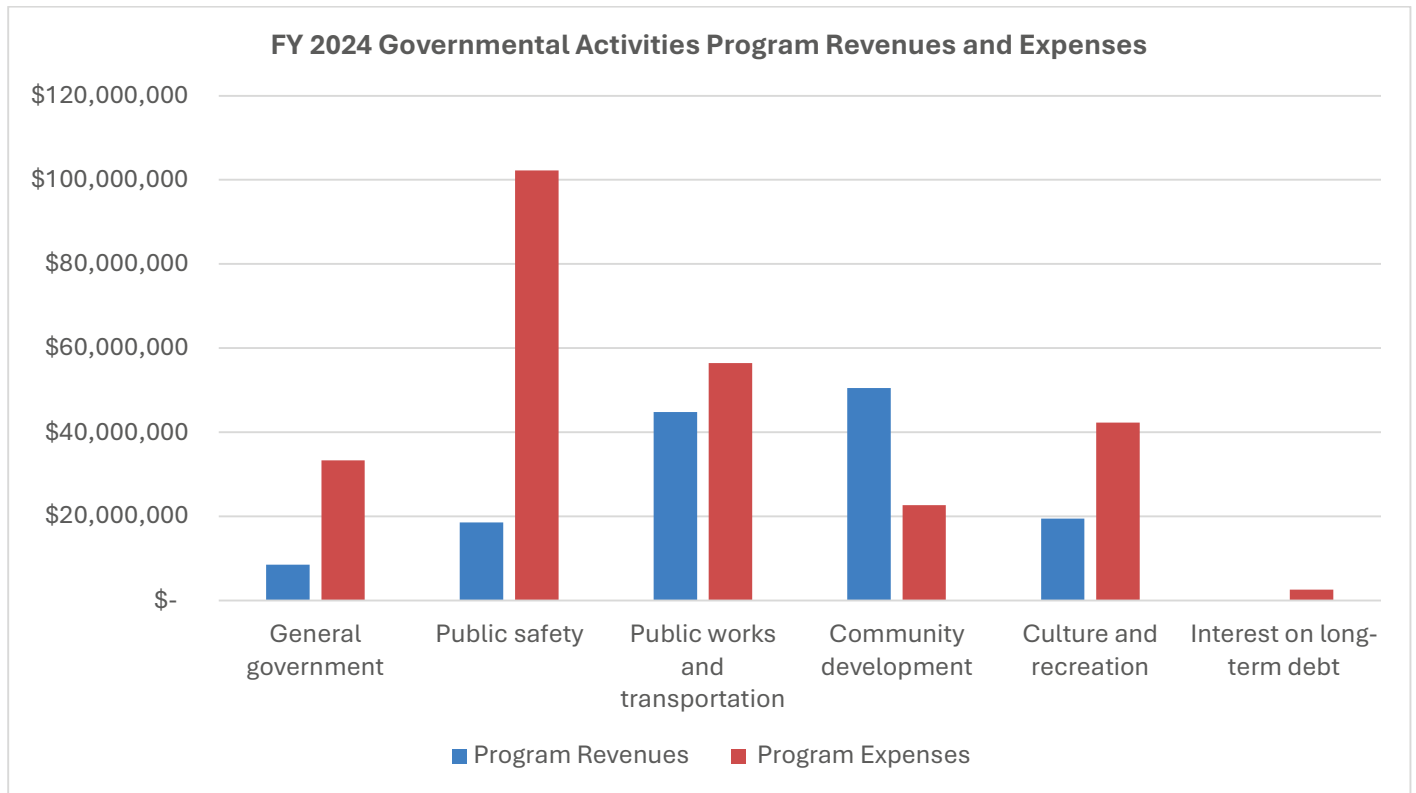
Net position is a good indicator of a City’s overall financial standing. For fiscal year 2024, the City had total combined net position of \$1.5 billion. This was an increase of \$190.2 million, or 14.2% over the prior year’s net

position of \$1.3 billion. The increase can be attributed to continued economic strength, population growth, and capital grants and contributions.

Not all of the \$1.5 billion is available for the City to use without restraint. The largest portion of the City’s total net position, \$1.0 billion, or 70.9%, represents the City’s net investment in capital assets. Of the remaining net position, \$70.6 million is restricted for various purposes with the remaining \$373.5 million unrestricted as to its use.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
REVENUES						
Program revenues:						
Charges for services	\$ 55.4	\$ 45.4	\$ 64.0	\$ 59.1	\$ 119.4	\$ 104.5
Operating grants and contributions	15.9	16.2	-	-	15.9	16.2
Capital grants and contributions	70.5	78.6	51.4	41.8	121.9	120.4
General revenues:						
Property taxes	22.1	21.3	-	-	22.1	21.3
Sales taxes	135.0	124.3	-	-	135.0	124.3
Franchise taxes	7.5	6.7	-	-	7.5	6.7
State shared revenues	71.7	57.8	-	-	71.7	57.8
Unrestricted investment earnings	15.4	5.8	5.1	2.0	20.5	7.8
Other	0.6	0.8	0.6	0.2	1.2	1.0
Total revenues	394.1	356.9	121.1	103.1	515.2	460.0
EXPENSES						
Program activities:						
Governmental activities:						
General government	33.3	28.3	-	-	33.3	28.3
Public safety	102.2	81.6	-	-	102.2	81.6
Public works and transportation	56.4	55.1	-	-	56.4	55.1
Community development	22.7	19.8	-	-	22.7	19.8
Culture and recreation	42.3	40.1	-	-	42.3	40.1
Interest on long-term debt	2.6	2.8	-	-	2.6	2.8
Business-type activities:						
Water	-	-	23.6	18.0	23.6	18.0
Sewer	-	-	26.4	25.2	26.4	25.2
Sanitation	-	-	13.6	12.0	13.6	12.0
Stormwater	-	-	1.9	1.5	1.9	1.5
Total expenses	259.5	227.7	65.5	56.7	325.0	284.4
Excess before transfers	134.6	129.2	55.6	46.4	190.2	175.6
Transfers in (out)	1.6	1.6	(1.6)	(1.6)	-	-
Increase/(Decrease) in net position	136.2	130.8	54.0	44.8	190.2	175.6
Net position - beginning	868.8	738.0	468.3	423.5	1,337.1	1,161.5
Net position - ending	\$ 1,005.0	\$ 868.8	\$ 522.3	\$ 468.3	\$ 1,527.3	\$ 1,337.1

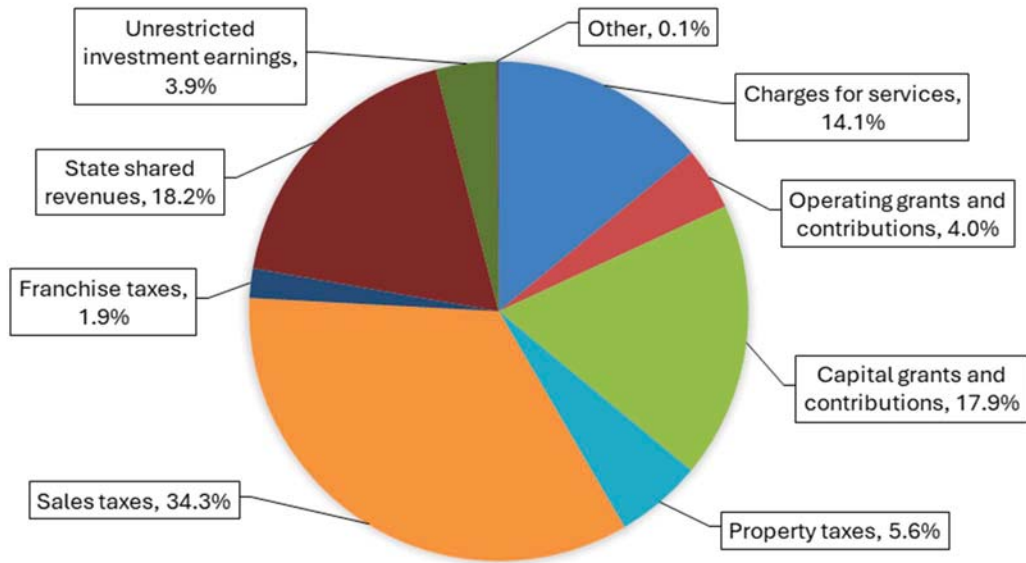


For fiscal year 2024, governmental activities program expenses exceeded program specific revenues by \$117.7 million. The remaining expenses were supported by general governmental revenues.

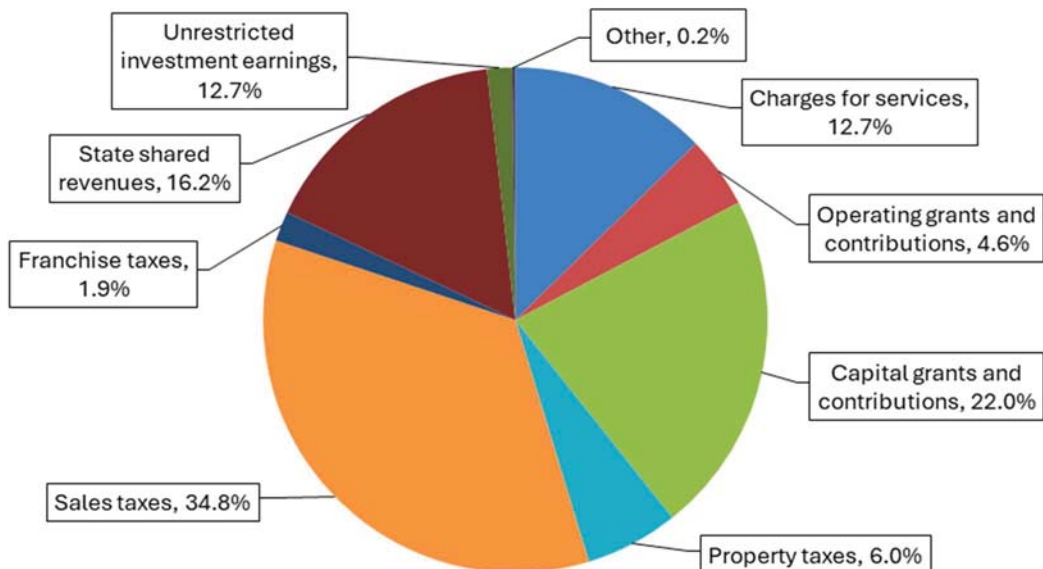
- Charges for services, operating grants and contributions, and capital grants and contributions account for 36% of total governmental revenues.
- Community oriented programs such as public safety (police, fire, ambulance services, and courts) and culture and recreation (parks, recreation, youth, and 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 transportation program.

Governmental Activities revenues for the fiscal year ended June 30, 2024 totaled \$394.1 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

FY 2024 Governmental Activities Revenues



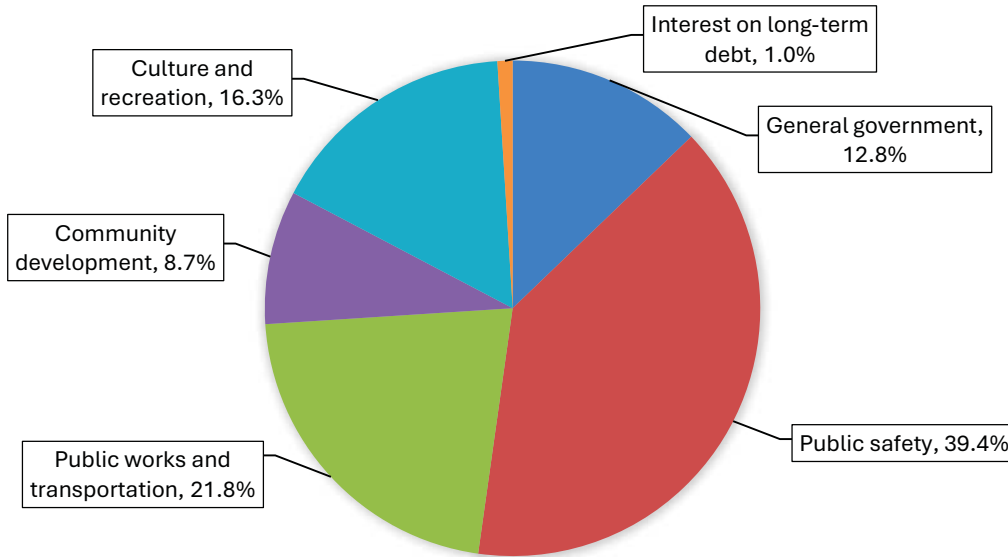
FY 2023 Governmental Activities Revenues



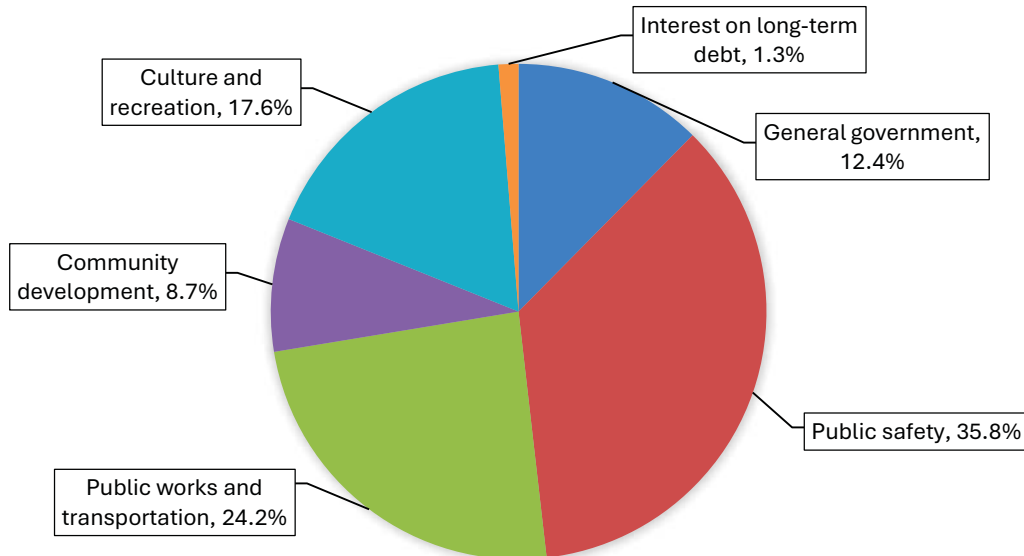
The City’s largest revenue source is sales tax revenue at \$135.0 million, followed by state shared revenues totaling \$71.7 million. Total governmental activities revenues increased \$37.2 million from the prior year as a result of the following changes in revenue: Charges for services increased \$10 million due to the increase of \$4.6 million in permit revenues and \$2.9 million in development services revenue. Also, local sales taxes increased \$10.7 million due to local economic and population growth. State shared revenues also increased \$13.9 million from continued state economic and population growth. Capital grants and contributions decreased \$8.1 million from the prior year. This decrease is primarily due to less developer donated infrastructure compared to the prior year.

Governmental Activities expenses for the fiscal year ended June 30, 2024 totaled \$259.5 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

FY 2024 Governmental Activities Expenses



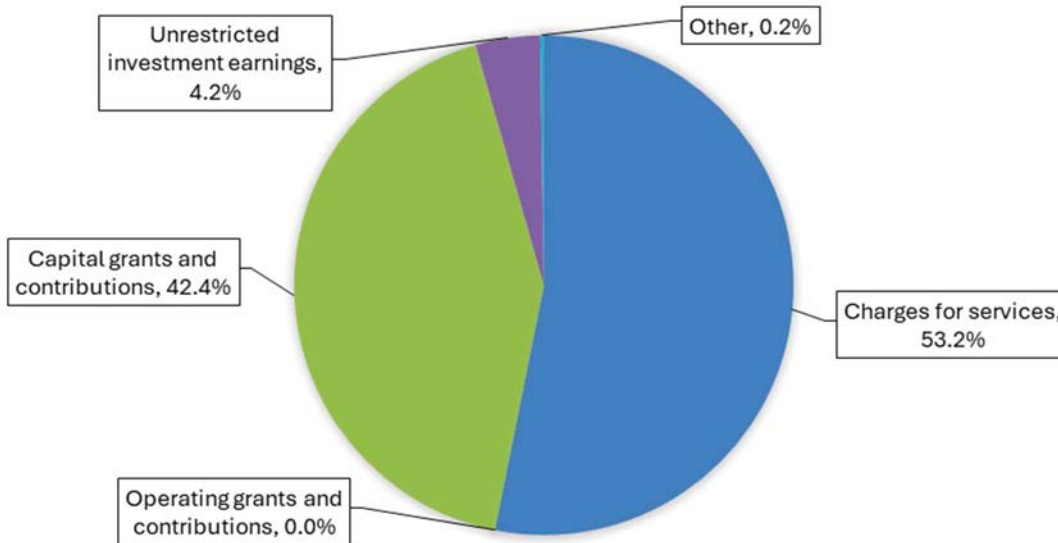
FY 2023 Governmental Activities Expenses



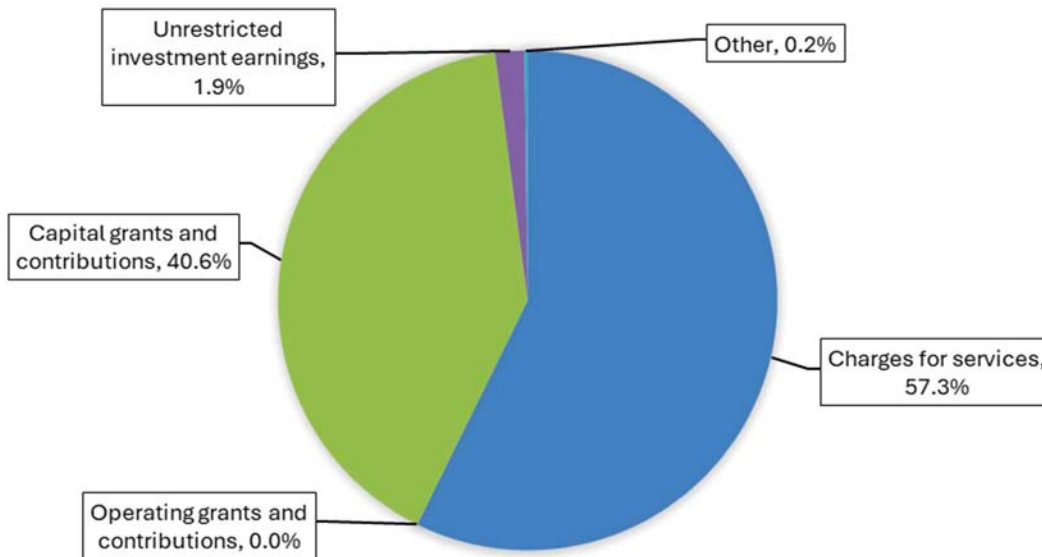
Current year expenses increased by \$31.8 million or 14% as result of increases in personnel, supplies, and services. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at 39.4% or \$102.2 million.

Business-Type Activities revenues for the fiscal year ended June 30, 2024 totaling \$121.1 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

FY 2024 Business-Type Activities Revenues

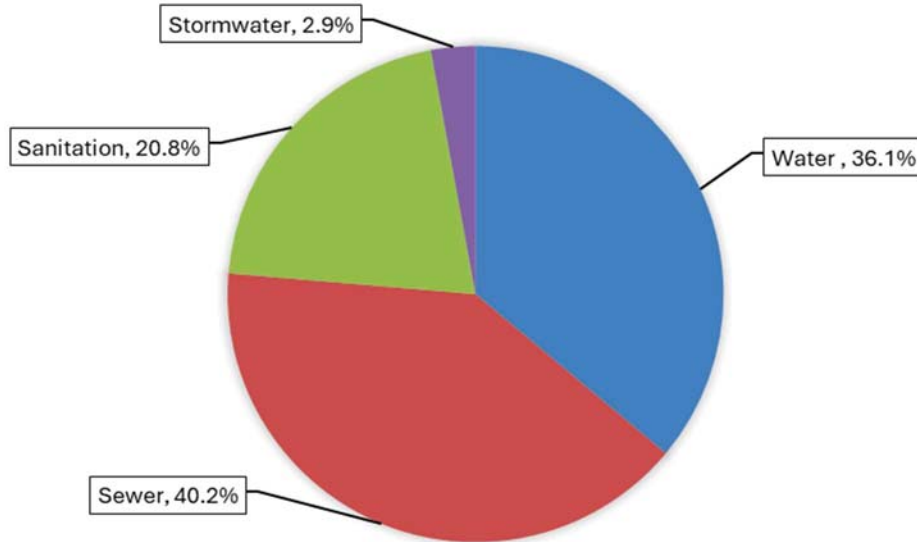


FY 2023 Business-Type Activities Revenues

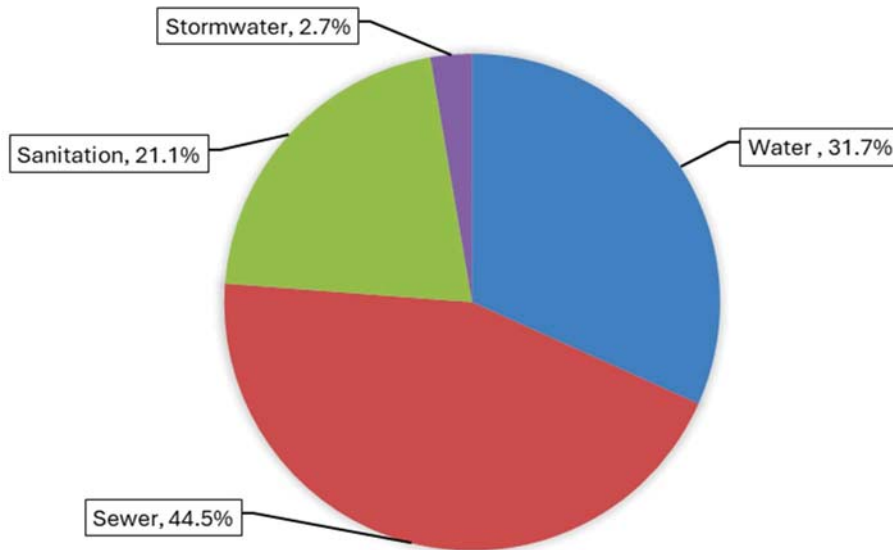


Business-Type Activities expenses for the fiscal year ended June 30, 2024 totaled \$65.5 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

FY 2024 Business-Type Activities Expenses



FY 2023 Business-Type Activities Expenses



Business-Type Activities expenses increased by \$8.8 million or 15.5% from the prior year. The increase is primary due to \$6.8 million in expenses for a sewer plant capacity enhancement.

Financial Analysis of the City's Funds

Total Governmental Funds fund balance increased \$56.8 million from \$309.8 million to \$366.6 million. The increase is attributed to continued economic strength, population growth, and grants. Of the total ending fund balance, \$5.8 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 \$37.3 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, \$89.2 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 \$186.2 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 \$48.1 million which can be used for any purpose.

- The General Fund balance increased \$10.7 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 increased approximately \$6.2 million compared to prior year, due to more residential building permits being issued in fiscal year 2024.
- The General Capital Projects Fund balance increased \$39.2 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 \$4.1 million compared to the prior year.
- The General Government Development Fee Fund contains \$2.7 million in advances from other funds and debt service obligations. Cash on hand in this fund will be used to repay existing advances from other funds.
- The Transportation Improvement Fund balance increased \$7.7 million from \$26.0 million to \$33.7 million. This increase is due to an increase in construction sales tax revenue. This revenue is derived from sales tax on construction within the City. Interest revenue increased by \$967.8 thousand from the previous year.
- The Grants Fund is reported as a major fund for fiscal year 2024. It was previously reported as NonMajor in fiscal year 2023.
- The Nonmajor Governmental Funds fund balance decreased \$1.7 million. The decrease was due to \$5.5 million in expenditures in the Fire Development Fee Fund for a new fire station to address continued growth in the City.

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 \$190.4 million. Budget adjustments throughout the year resulted in total budgeted expenditures of \$196.6 million. The \$6.2 million budget increase is mainly related to public safety costs due to additional overtime, increase in supplies and services, vehicle purchases and a grant received for additional School Resource Officers

- Actual General Fund expenditures totaling \$171.9 million was \$24.6 million less than the final budget due to budgeting for public safety personnel costs that were not expended due to position vacancies. Also, included in the budget were amounts for contingencies and unforeseen expenses that did not need to be expended.

Capital Asset and Debt Administration

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Land and improvements	\$ 264.0	\$ 235.6	\$ 17.4	\$ 13.3	\$ 281.4	\$ 248.9
Parks	8.6	8.6	-	-	8.6	8.6
Water rights	-	-	31.7	28.3	31.7	28.3
Construction in progress	45.6	7.8	14.7	10.8	60.3	18.6
Buildings and improvements	134.8	143.2	333.6	308.4	468.4	451.6
Improvements other than buildings	34.3	32.6	8.9	8.8	43.2	41.4
Equipment and vehicles	23.7	22.1	12.6	13.6	36.3	35.7
Intangibles	2.5	3.6	-	-	2.5	3.6
Infrastructure	270.1	261.2	-	-	270.1	261.2
Subscriptions assets	3.5	2.5	-	0.1	3.5	2.6
Lease assets	5.7	5.7	-	-	5.7	5.7
Total capital assets, net	\$ 792.8	\$ 722.9	\$ 418.9	\$ 383.3	\$ 1,211.7	\$ 1,106.2

The capital assets of the Governmental Activities increased by \$69.6 million from the prior fiscal year, net of depreciation (\$104.5 million increase before depreciation).

- Changes to the Governmental Activities capital assets for fiscal year 2024 were the result of:
 - New IT subscriptions asset of \$2.4 million
 - Current year depreciation expense of \$38.3 million
 - Capital contributions made to the City by developers
 - \$28.4 million – right-of ways
 - \$26.1 million – streets infrastructure
- Governmental Activities construction in progress includes:
 - \$12.5 million – Community Pool
 - \$6.5 million – Fire Station Improvements
 - \$6.3 million – Cactus Road (Cotton to Reems)
 - \$3.1 million – Multigenerational Community Center
 - \$2.1 million – Park – Perryville & Cactus

The capital assets of the Business-Type Activities funds increased by \$35.6 million from the prior fiscal year, net of depreciation (\$53.1 million increase before depreciation).

- Changes to the Business-Type Activities capital assets for fiscal year 2024 were the result of:
 - Current year depreciation expense of \$17.7 million.
 - Capital contributions made to the City by developers. The assets donated consisted primarily of water, sewer, and stormwater improvements.
 - \$2.7 million – Water lines
 - \$8.7 million – Sewer lines
 - \$4.2 million – Stormwater drains

- Business-Type Activities construction in progress includes:
 - \$8.6 million – Plant Capacity Increase / Enhancement
 - \$1.7 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	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
General obligations	\$ 38.4	\$ 42.6	\$ -	\$ -	\$ 38.4	\$ 42.6
Pledged revenue obligations	9.0	12.3	-	0.8	9.0	13.1
Senior lien utility system revenue refunding obligations	-	-	21.8	23.2	21.8	23.2
Community facilities district bonds	30.5	31.0	-	-	30.5	31.0
Community facilities district notes	1.8	2.0	-	-	1.8	2.0
WIFA loan	-	-	3.2	-	3.2	-
Subscriptions liability	3.5	2.6	-	0.1	3.5	2.7
Leases payable	7.3	6.7	-	-	7.3	6.7
Total debt outstanding	\$ 90.5	\$ 97.2	\$ 25.0	\$ 24.1	\$ 115.5	\$ 121.3

- Long-term debt, including amounts due within one year, decreased \$5.7 million this year from \$121.3 million to \$115.6 million due to normal debt service payments.

- The City also received \$3.2 million for a loan from the Water Infrastructure Finance Authority of Arizona in fiscal year 2024 to help fund the expansion of the City’s main wastewater treatment facility.

For more detailed information on long-term debt, see Note 7 of this report.

Economic Factors, Rates, and Next Year’s Budget

The fiscal year 2024 budget provided a continued commitment to maintaining the residents’ quality of life in a growing city. The City continues to navigate the economic climate of inflation, rising interest rates, growth, ever-changing supply chain markets, and workforce shortages. The City remains focused on balancing financial stability while maintaining its current level of service.

The City’s economic position continues to be strong due to financially sound policy decisions led by our City Council. The City continues to see robust commercial development along with a significant growth of single family home permits issued. 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 an 8.6% increase in sales tax collections while state shared sales tax revenues increased by 24% over the previous year. The population and commercial square footage growth has been a factor in the improved economic performance for the City.

The fiscal year 2025 budget is focused on City Council's commitment to maintain quality public services and ensure community priorities are met. This was done by devoting resources toward outcomes that make Surprise a sustainable, vibrant place for residents, businesses and visitors – today and into the future.

The fiscal year 2025 budget includes adjustments to revenues, property tax rates, and utility fees. Tax reform was adopted to address the \$14.3 million in revenue loss due to new State tax policies. The tax reform includes a 25% reduction to the City's primary property tax rate, lowering it from \$0.7591 to \$0.5693 per \$100 assessed limited property value; and an increase to the rate of certain local transaction privilege tax categories, also referred to as sales tax, from 2.2% to 2.8%. These adjustments are expected to replace the lost revenue to the General Fund, so that the City will be able to maintain its current level of service to residents in fiscal year 2025 by addressing increased operational needs, such as staffing and inflation, and capital needs, such as roads and buildings. A utility rate study was conducted to determine the utility rate recommendations included in this budget. The rate study considered growth from households, increased operational needs, such as staffing and inflation, as well as capital needs. To maintain service levels for fiscal year 2025, the final budget includes an increase of 61 full-time positions over the fiscal year 2024 adopted budget. Total budgeted expenditures for the City's fiscal year 2025 is \$952.1 million, a \$181.0 million increase over the fiscal year 2024 adopted budgeted of \$771.1 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**



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FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Financial Section is divided into seven 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 of the Basic Financial Statements 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, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 406,946,332	\$ 118,506,610	\$ 525,452,942
Restricted cash and investments	4,305,596	11,281,490	15,587,086
Receivables (net of allowances):			
Accounts	3,426,013	7,700,770	11,126,783
Taxes and franchise fees	19,433,166	-	19,433,166
Grants	2,703,214	-	2,703,214
Intergovernmental	2,252,656	-	2,252,656
Leases	359,856	-	359,856
Other	3,392,517	62,639	3,455,156
Prepaid items and other assets	3,217,763	175,392	3,393,155
Inventory	2,629,218	5,954,571	8,583,789
Internal balances	(7,823,786)	7,823,786	-
Total current assets	<u>440,842,545</u>	<u>151,505,258</u>	<u>592,347,803</u>
NonCurrent assets:			
Equity interest in joint venture	809,886	-	809,886
Net other postemployment benefits (OPEB) asset	2,346,609	396,989	2,743,598
Leases receivable	18,753,497	-	18,753,497
Capital assets, non-depreciable	318,149,430	63,846,146	381,995,576
Capital assets, depreciable/amortizable	984,754,183	556,904,549	1,541,658,732
Accumulated depreciation/amortization	(510,359,269)	(201,854,202)	(712,213,471)
Total noncurrent assets	<u>814,454,336</u>	<u>419,293,482</u>	<u>1,233,747,818</u>
Total assets	<u>1,255,296,881</u>	<u>570,798,740</u>	<u>1,826,095,621</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related	43,117,264	1,760,796	44,878,060
Deferred outflows of resources - OPEB related	489,773	59,655	549,428
Total deferred outflows of resources	<u>43,607,037</u>	<u>1,820,451</u>	<u>45,427,488</u>
Total assets and deferred outflows of resources	<u>1,298,903,918</u>	<u>572,619,191</u>	<u>1,871,523,109</u>
LIABILITIES			
Current liabilities:			
Accounts payable	17,067,739	7,374,143	24,441,882
Accrued payroll and related taxes	2,675,336	270,487	2,945,823
Deposits	1,139,705	554,772	1,694,477
Unearned revenues	6,513,726	487,367	7,001,093
Contracts payable	13,729,042	-	13,729,042
Other liabilities	2,170,887	-	2,170,887
Matured bond and loan interest payable	1,583,182	1,000,290	2,583,472
Matured bonds and loans payable	7,486,188	1,903,812	9,390,000
Total current liabilities	<u>\$ 52,365,805</u>	<u>\$ 11,590,871</u>	<u>\$ 63,956,676</u>

See accompanying Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NonCurrent liabilities:			
Due within one year:			
Compensated absences payable	\$ 4,287,322	\$ 512,221	\$ 4,799,543
Bonds, loans, and payables	7,904,624	2,484,873	10,389,497
Claims payable	3,321,232	-	3,321,232
Due in more than one year:			
Compensated absences payable	6,705,811	801,166	7,506,977
Bonds, loans, and payables	82,639,978	22,551,680	105,191,658
Claims payable	481,480	-	481,480
Net pension liability	112,542,978	11,653,864	124,196,842
Net OPEB liability	42,924	9,518	52,442
Total noncurrent liabilities	<u>217,926,349</u>	<u>38,013,322</u>	<u>255,939,671</u>
Total liabilities	<u>270,292,154</u>	<u>49,604,193</u>	<u>319,896,347</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related	3,936,210	466,132	4,402,342
Deferred inflows of resources - OPEB related	1,487,539	197,728	1,685,267
Deferred inflows of resources - lease related	18,180,454	-	18,180,454
Total deferred inflows of resources	<u>23,604,203</u>	<u>663,860</u>	<u>24,268,063</u>
Total liabilities and deferred inflows of resources	<u>293,896,357</u>	<u>50,268,053</u>	<u>344,164,410</u>
NET POSITION			
Net investment in capital assets	693,013,470	390,227,565	1,083,241,035
Restricted for:			
Capital projects	-	29,123,172	29,123,172
Court	751,552	-	751,552
Debt service	1,166,613	11,717	1,178,330
Economic development	2,986	-	2,986
Fire-Medical	9,235,931	-	9,235,931
Human service and community vitality	1,128,151	-	1,128,151
Parks and recreation	10,282,436	-	10,282,436
Police	9,153,461	-	9,153,461
Public works	910,070	-	910,070
Transportation	6,089,318	-	6,089,318
OPEB	2,346,609	396,989	2,743,598
Unrestricted	270,926,964	102,591,695	373,518,659
Total net position	<u>\$ 1,005,007,561</u>	<u>\$ 522,351,138</u>	<u>\$ 1,527,358,699</u>

CITY OF SURPRISE, ARIZONA

Statement of Activities

For the Year Ended June 30, 2024

Functions/Programs Primary government:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 33,279,341	\$ 7,334,363	\$ 170,285	\$ 1,015,208
Public safety	102,223,843	10,731,966	2,161,408	5,637,709
Public works and transportation	56,438,765	6,748,752	11,592,619	26,472,980
Community development	22,653,720	22,077,995	10,000	28,390,761
Culture and recreation	42,312,853	8,489,303	1,992,062	8,998,436
Interest on long-term debt	2,559,564	-	-	-
Total governmental activities	259,468,086	55,382,379	15,926,374	70,515,094
Business-type activities:				
Water	23,647,322	24,345,273	-	19,196,338
Sewer	26,371,523	22,605,212	-	27,972,682
Sanitation	13,608,286	14,196,955	-	-
Stormwater	1,897,536	2,809,444	-	4,228,505
Total business-type activities	65,524,667	63,956,884	-	51,397,525
Total primary government	\$ 324,992,753	\$ 119,339,263	\$ 15,926,374	\$ 121,912,619

General revenues:

Property taxes

Sales taxes

Franchise taxes

Unrestricted State shared revenues

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See accompanying Notes to Financial Statements

Net (Expense)/Revenue and Changes in Net Position

Primary Government

Governmental Activities		Business-Type Activities		Total
\$	(24,759,485)	\$	-	\$ (24,759,485)
	(83,692,760)		-	(83,692,760)
	(11,624,414)		-	(11,624,414)
	27,825,036		-	27,825,036
	(22,833,052)		-	(22,833,052)
	(2,559,564)		-	(2,559,564)
	(117,644,239)		-	(117,644,239)
	-		19,894,289	19,894,289
	-		24,206,371	24,206,371
	-		588,669	588,669
	-		5,140,413	5,140,413
	-		49,829,742	49,829,742
	(117,644,239)		49,829,742	(67,814,497)
	22,107,325		-	22,107,325
	134,984,846		-	134,984,846
	7,500,528		-	7,500,528
	71,703,348		-	71,703,348
	15,420,973		5,053,685	20,474,658
	545,304		723,963	1,269,267
	1,617,665		(1,617,665)	-
	253,879,989		4,159,983	258,039,972
	136,235,750		53,989,725	190,225,475
	868,771,811		468,361,413	1,337,133,224
\$	1,005,007,561	\$	522,351,138	\$ 1,527,358,699



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**FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**



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FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS FUND FINANCIAL STATEMENTS

The Financial Section is divided into seven 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, 2024

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
ASSETS			
Cash and investments	\$ 142,572,448	\$ 152,215,629	\$ -
Restricted cash and investments	-	-	-
Receivables (net of allowances):			
Accounts	420,977	-	-
Taxes and franchise fees	19,246,714	-	-
Grants	-	-	-
Intergovernmental	1,119,052	-	-
Leases	16,510,070	-	-
Other	1,088,290	-	-
Prepaid items and other assets	662,418	961,240	-
Inventory	1,855,940	263,253	-
Total assets	<u>\$ 183,475,909</u>	<u>\$ 153,440,122</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 2,864,527	\$ 6,006,797	\$ -
Accrued payroll and related taxes	2,565,950	-	-
Deposits	800,096	-	-
Unearned revenue	807,917	-	-
Contracts payable	12,883,707	-	-
Other liabilities	1,029,408	-	-
Matured bond interest payable	-	-	-
Matured bonds and notes payable	-	-	-
Advances from other funds	-	-	2,659,483
Total liabilities	<u>20,951,605</u>	<u>6,006,797</u>	<u>2,659,483</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - unavailable revenue	384,873	-	-
Deferred inflows - leases	15,739,994	-	-
Total deferred inflow of resources	<u>16,124,867</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>37,076,472</u>	<u>6,006,797</u>	<u>2,659,483</u>
FUND BALANCES/(DEFICITS)			
NonSpendable	2,518,358	1,224,493	-
Restricted	156,631	-	-
Committed	51,571,900	-	-
Assigned	40,013,117	146,208,832	-
Unassigned	52,139,431	-	(2,659,483)
Total fund balances/(deficits)	<u>146,399,437</u>	<u>147,433,325</u>	<u>(2,659,483)</u>
Total liabilities, deferred inflows, and fund balances/(deficits)	<u>\$ 183,475,909</u>	<u>\$ 153,440,122</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements

Highway User Revenue Fund	Transportation Improvement Fund	Grants Fund	Debt Service Fund	Total NonMajor Funds	Total Governmental Funds
\$ 5,471,251	\$ 36,787,995	\$ 4,362,934	\$ 5,978,619	\$ 36,216,569	\$ 383,605,445
-	-	-	3,192,242	1,113,354	4,305,596
-	-	-	-	3,005,036	3,426,013
-	-	-	127,796	58,656	19,433,166
-	-	2,612,045	-	91,169	2,703,214
1,133,604	-	-	-	-	2,252,656
-	-	-	-	2,603,283	19,113,353
-	-	-	-	1,074,408	2,162,698
-	2,580	8,841	-	1,582,414	3,217,493
454,119	-	-	-	55,906	2,629,218
<u>\$ 7,058,974</u>	<u>\$ 36,790,575</u>	<u>\$ 6,983,820</u>	<u>\$ 9,298,657</u>	<u>\$ 45,800,795</u>	<u>\$ 442,848,852</u>
\$ 508,350	\$ 2,242,243	\$ 1,532,382	\$ -	\$ 3,358,826	\$ 16,513,125
8,434	-	-	-	90,124	2,664,508
-	52,215	-	-	287,394	1,139,705
-	-	5,466,620	-	239,189	6,513,726
-	803,750	-	-	41,585	13,729,042
-	-	-	671,595	426,833	2,127,836
-	-	-	979,127	604,055	1,583,182
-	-	-	6,771,188	715,000	7,486,188
-	-	-	-	-	2,659,483
<u>516,784</u>	<u>3,098,208</u>	<u>6,999,002</u>	<u>8,421,910</u>	<u>5,763,006</u>	<u>54,416,795</u>
-	-	1,330,276	52,086	1,842,796	3,610,031
-	-	-	-	2,440,460	18,180,454
-	-	1,330,276	52,086	4,283,256	21,790,485
<u>516,784</u>	<u>3,098,208</u>	<u>8,329,278</u>	<u>8,473,996</u>	<u>10,046,262</u>	<u>76,207,280</u>
454,119	2,580	8,841	-	1,638,320	5,846,711
6,088,071	-	-	824,661	30,266,303	37,335,666
-	33,689,787	-	-	3,917,132	89,178,819
-	-	-	-	-	186,221,949
-	-	(1,354,299)	-	(67,222)	48,058,427
<u>6,542,190</u>	<u>33,692,367</u>	<u>(1,345,458)</u>	<u>824,661</u>	<u>35,754,533</u>	<u>366,641,572</u>
<u>\$ 7,058,974</u>	<u>\$ 36,790,575</u>	<u>\$ 6,983,820</u>	<u>\$ 9,298,657</u>	<u>\$ 45,800,795</u>	<u>\$ 442,848,852</u>



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CITY OF SURPRISE, ARIZONA

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

June 30, 2024

Fund balances - total governmental funds		\$ 366,641,572
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	1,302,903,613	
Less accumulated depreciation	<u>(510,359,269)</u>	
		792,544,344
Some revenues are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
		3,610,031
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)	15,038,519	
Net pension liability	(502,241)	
Net pension deferred outflows	75,885	
Net pension deferred inflows	(20,089)	
Compensated absences payable	(65,377)	
Net OPEB asset	17,108	
Net OPEB deferred outflows	2,572	
Net OPEB deferred inflows	(8,521)	
Net OPEB liability	<u>(410)</u>	
		14,537,446
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	43,041,379	
Deferred inflows of resources related to pensions	<u>(3,916,121)</u>	
		39,125,258
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(76,160,000)	
Leases payable/subscriptions payable	(10,860,681)	
Interest payable	(43,051)	
Issuance premium (to be amortized as interest expense)	(3,523,921)	
Net pension liability	(112,040,737)	
Compensated absences payable	(10,927,756)	
Net OPEB asset	2,329,501	
Net OPEB liability	<u>(42,514)</u>	
		(211,269,159)
The equity interest in the joint venture, Regional Wireless Cooperative, is not a financial resource and, therefore, is not reported in the funds.		
		809,886
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	487,201	
Deferred inflows of resources related to OPEB	<u>(1,479,018)</u>	
		(991,817)
Net position of governmental activities		<u>\$ 1,005,007,561</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, 2024

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
REVENUES			
Taxes	\$ 98,480,485	\$ 27,862,140	\$ -
Licenses and permits	7,318,946	579,982	-
Intergovernmental revenue	73,770,912	-	-
Charges for services	31,731,798	-	-
Grants revenue	-	-	-
Fines	979,413	-	-
Rents	633,505	-	-
Development fees	-	-	1,015,207
Interest revenue	4,433,780	6,688,637	41,454
Donations	69,635	-	-
Indirect charges	6,710,286	-	-
Other revenue	870,581	-	-
Total revenues	224,999,341	35,130,759	1,056,661
EXPENDITURES			
Current:			
General government	27,619,462	198,460	-
Public safety	83,217,096	37,130	-
Public works and transportation	15,692,774	660,582	-
Community development	19,891,273	54,841	-
Culture and recreation	19,087,460	4,588,323	-
Debt service:			
Administrative charges	-	-	-
Principal retirement	1,571,417	-	-
Interest	47,318	-	-
Capital outlay	4,817,373	32,972,671	-
Total expenditures	171,944,173	38,512,007	-
Excess/(deficiency) of revenues over expenditures	53,055,168	(3,381,248)	1,056,661
OTHER FINANCING SOURCES/(USES)			
Proceeds from sale of capital assets	160,005	-	-
Transfers in	2,909,951	43,891,106	-
Transfers out	(49,154,150)	(870,500)	(366,668)
Lease/SBITA arrangements	3,174,137	-	-
Total other financing sources/(uses)	(42,910,057)	43,020,606	(366,668)
Net change in fund balances	10,145,111	39,639,358	689,993
Fund balances - June 30, 2023, as previously reported	135,662,932	108,155,276	(3,349,476)
Change within financial reporting entity	-	-	-
Fund balances - June 30, 2023, as adjusted	135,662,932	108,155,276	(3,349,476)
Increase/(decrease) in inventories	591,394	(361,309)	-
Fund balances - June 30, 2024	\$ 146,399,437	\$ 147,433,325	\$ (2,659,483)

Highway User Revenue Fund	Transportation Improvement Fund	Grants Fund	Debt Service Fund	Total NonMajor Funds	Total Governmental Funds
\$ -	\$ 18,996,913	\$ -	\$ 5,955,202	\$ 5,710,137	\$ 157,004,877
-	-	-	-	-	7,898,928
11,119,022	-	-	-	1,362,068	86,252,002
18,750	-	-	-	11,077,930	42,828,478
-	-	6,118,524	-	1,279,415	7,397,939
-	-	-	-	244,177	1,223,590
-	-	-	-	502,733	1,136,238
-	-	-	-	8,932,294	9,947,501
383,897	1,458,949	547	140,558	1,632,499	14,780,321
-	-	-	-	-	69,635
-	-	-	-	-	6,710,286
166	-	-	-	74,229	944,976
<u>11,521,835</u>	<u>20,455,862</u>	<u>6,119,071</u>	<u>6,095,760</u>	<u>30,815,482</u>	<u>336,194,771</u>
27,000	-	14,056	-	775,253	28,634,231
-	-	791,391	-	8,041,781	92,087,398
10,305,725	3,423,177	-	-	364,546	30,446,804
-	-	-	-	2,298,889	22,245,003
-	-	3,282,465	-	10,278,887	37,237,135
-	-	-	675,560	72,910	748,470
-	2,855	-	6,771,189	810,168	9,155,629
-	42	-	1,958,254	1,229,335	3,234,949
10,996	8,913,875	3,277,228	-	10,851,111	60,843,254
<u>10,343,721</u>	<u>12,339,949</u>	<u>7,365,140</u>	<u>9,405,003</u>	<u>34,722,880</u>	<u>284,632,873</u>
<u>1,178,114</u>	<u>8,115,913</u>	<u>(1,246,069)</u>	<u>(3,309,243)</u>	<u>(3,907,398)</u>	<u>51,561,898</u>
-	-	-	-	-	160,005
-	-	-	3,430,331	3,794,181	54,025,569
-	(397,400)	-	-	(1,619,186)	(52,407,904)
-	-	-	-	-	3,174,137
-	(397,400)	-	3,430,331	2,174,995	4,951,807
<u>1,178,114</u>	<u>7,718,513</u>	<u>(1,246,069)</u>	<u>121,088</u>	<u>(1,732,403)</u>	<u>56,513,705</u>
5,342,922	25,973,854	-	703,573	37,340,573	309,829,654
-	-	(99,389)	-	99,389	-
5,342,922	25,973,854	(99,389)	703,573	37,439,962	309,829,654
21,154	-	-	-	46,974	298,213
<u>\$ 6,542,190</u>	<u>\$ 33,692,367</u>	<u>\$ (1,345,458)</u>	<u>\$ 824,661</u>	<u>\$ 35,754,533</u>	<u>\$ 366,641,572</u>

CITY OF SURPRISE, ARIZONA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ 56,513,705

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/amortization expense.

Expenditures for capitalized assets	54,346,218	
Less current year depreciation/amortization	<u>(38,326,891)</u>	
		16,019,327

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

Capital contributions	54,490,082	
Disposals of assets	<u>(901,266)</u>	
		53,588,816

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

2,620,765

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		298,213
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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	19,569,398	
Pension expense	<u>(20,529,555)</u>	
		(960,157)

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	9,155,629	
Issuance of debt	(3,174,137)	
Interest payable	<u>(13,687)</u>	
		\$ 6,656,877

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 are reported regardless of when the financial resources are available.

Increase in compensated absences	\$	(564,866)
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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)		1,769,646
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Change in equity interest in joint venture		(91,992)
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Governmental funds report City OPEB contributions as expenditures when made. However, in the statement of activities, OPEB expense is the cost of benefits earned adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to OPEB, and the investment experience.

OPEB contributions	226,551	
OPEB expense	158,865	
		385,416

Change in net position of governmental activities	\$	<u>136,235,750</u>
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CITY OF SURPRISE, ARIZONA

Statement of Net Position

Proprietary Funds

June 30, 2024

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
ASSETS			
Current assets:			
Cash and investments	\$ 58,724,451	\$ 42,797,208	\$ 11,065,966
Restricted cash and investments	3,166,358	7,834,526	-
Receivables (net of allowances):			
Accounts	2,461,212	2,367,565	1,645,287
Other	62,639	-	-
Other assets	59,288	72,657	35,777
Inventory	4,703,920	989,903	260,748
Total current assets	<u>69,177,868</u>	<u>54,061,859</u>	<u>13,007,778</u>
NonCurrent assets:			
Advances to other funds	-	2,659,483	-
Net OPEB asset	121,027	145,631	109,856
Capital assets, non-depreciable	46,804,030	16,332,656	253,734
Capital assets, depreciable	154,601,739	370,295,875	13,885,386
Accumulated depreciation	(53,402,082)	(138,634,486)	(8,355,002)
Total noncurrent assets	<u>148,124,714</u>	<u>250,799,159</u>	<u>5,893,974</u>
Total assets	<u>217,302,582</u>	<u>304,861,018</u>	<u>18,901,752</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	536,800	645,928	487,254
Deferred outflows related to OPEB	18,187	21,883	16,508
Total deferred outflows of resources	<u>554,987</u>	<u>667,811</u>	<u>503,762</u>
Total assets and deferred outflows of resources	<u>\$ 217,857,569</u>	<u>\$ 305,528,829</u>	<u>\$ 19,405,514</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,447,835	\$ 5,352,789	\$ 497,995
Accrued payroll and related taxes	88,950	89,890	77,924
Deposits	207,801	256,727	90,006
Unearned revenue	-	363,536	84,537
Claims payable	-	-	-
Compensated absences payable, due in less than one year	215,003	179,907	116,157
Matured bond interest payable	-	1,000,290	-
Matured bonds and loans payable	-	1,903,812	-
Bonds, loans, and payables, due in less than one year	-	2,484,873	-
Total current liabilities	<u>1,959,589</u>	<u>11,631,824</u>	<u>866,619</u>
NonCurrent liabilities:			
Compensated absences payable, due in more than one year	336,287	281,393	181,682
Bonds, loans, and payables, due in more than one year	-	22,551,680	-
Claims payable	-	-	-
Net pension liability	3,552,823	4,275,091	3,224,898
Net OPEB liability	2,902	3,491	2,634
Total noncurrent liabilities	<u>3,892,012</u>	<u>27,111,655</u>	<u>3,409,214</u>
Total liabilities	<u>5,851,601</u>	<u>38,743,479</u>	<u>4,275,833</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	142,106	170,995	128,990
Deferred inflows related to OPEB	60,280	72,534	54,716
Total deferred inflows of resources	<u>202,386</u>	<u>243,529</u>	<u>183,706</u>
Total liabilities and deferred inflows of resources	<u>6,053,987</u>	<u>38,987,008</u>	<u>4,459,539</u>
NET POSITION			
Net investment in capital assets	148,003,687	219,325,117	5,784,118
Restricted for:			
Capital projects	24,956,563	4,166,609	-
Debt service	-	11,717	-
Unrestricted	38,843,332	43,038,378	9,161,857
Total net position	<u>\$ 211,803,582</u>	<u>\$ 266,541,821</u>	<u>\$ 14,945,975</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	
\$ 5,918,985	\$ 118,506,610	\$ 23,340,887	
280,606	11,281,490	-	
1,226,706	7,700,770	-	
-	62,639	1,229,819	
7,670	175,392	270	
-	5,954,571	-	
<u>7,433,967</u>	<u>143,681,472</u>	<u>24,570,976</u>	
-	2,659,483	-	
20,475	396,989	17,108	
455,726	63,846,146	-	
18,121,549	556,904,549	-	
(1,462,632)	(201,854,202)	-	
<u>17,135,118</u>	<u>421,952,965</u>	<u>17,108</u>	
<u>24,569,085</u>	<u>565,634,437</u>	<u>24,588,084</u>	
90,814	1,760,796	75,885	
3,077	59,655	2,572	
<u>93,891</u>	<u>1,820,451</u>	<u>78,457</u>	
<u>\$ 24,662,976</u>	<u>\$ 567,454,888</u>	<u>\$ 24,666,541</u>	
\$ 75,524	\$ 7,374,143	\$ 554,614	
13,723	270,487	10,828	
238	554,772	-	
39,294	487,367	-	
-	-	3,321,232	
1,154	512,221	25,497	
-	1,000,290	-	
-	1,903,812	-	
-	2,484,873	-	
<u>129,933</u>	<u>14,587,965</u>	<u>3,912,171</u>	
1,804	801,166	39,880	
-	22,551,680	-	
-	-	481,480	
601,052	11,653,864	502,241	
491	9,518	410	
<u>603,347</u>	<u>35,016,228</u>	<u>1,024,011</u>	
<u>733,280</u>	<u>49,604,193</u>	<u>4,936,182</u>	
24,041	466,132	20,089	
10,198	197,728	8,521	
<u>34,239</u>	<u>663,860</u>	<u>28,610</u>	
<u>767,519</u>	<u>50,268,053</u>	<u>4,964,792</u>	
17,114,643	390,227,565	-	
-	29,123,172	-	
-	11,717	-	
<u>6,780,814</u>	<u>97,824,381</u>	<u>19,701,749</u>	
<u>\$ 23,895,457</u>	<u>\$ 517,186,835</u>	<u>\$ 19,701,749</u>	
	<u>5,164,303</u>		
	<u>\$ 522,351,138</u>		

See accompanying Notes to Financial Statements

CITY OF SURPRISE, ARIZONA

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2024

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
OPERATING REVENUES			
Charges for services	\$ 24,345,273	\$ 22,605,212	\$ 14,196,955
Other revenue	472,376	232,368	19,219
Total operating revenues	<u>24,817,649</u>	<u>22,837,580</u>	<u>14,216,174</u>
OPERATING EXPENSES			
Costs of sales and services	16,025,836	12,780,946	10,006,396
Personnel services	-	-	-
Contractual services, materials, and supplies	-	-	-
Insurance claims, premiums, and administrative expenses	-	-	-
Indirect costs	2,493,858	1,784,375	2,194,339
Depreciation/amortization	4,880,458	10,814,264	1,445,766
Total operating expenses	<u>23,400,152</u>	<u>25,379,585</u>	<u>13,646,501</u>
Operating income/(loss)	<u>1,417,497</u>	<u>(2,542,005)</u>	<u>569,673</u>
NONOPERATING REVENUES/(EXPENSES)			
Interest revenue	2,456,273	1,832,690	463,997
Developer reimbursement	(436,673)	(327,400)	-
Amortization on bond premium	-	309,604	-
Interest and fiscal charges	(607)	(1,526,530)	-
Total nonoperating revenues/(expenses)	<u>2,018,993</u>	<u>288,364</u>	<u>463,997</u>
Income/(loss) before contributions and transfers	3,436,490	(2,253,641)	1,033,670
Transfers in	1,341,376	-	-
Transfers out	(664,255)	(2,236,723)	(47,426)
Capital contributions	19,196,338	27,972,682	-
Change in net position	23,309,949	23,482,318	986,244
Total net position - beginning	188,493,633	243,059,503	13,959,731
Total net position - ending	<u>\$ 211,803,582</u>	<u>\$ 266,541,821</u>	<u>\$ 14,945,975</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Changes in net position of business-type activities

See accompanying Notes to Financial Statements

		Governmental Activities	
Stormwater Fund	Total Enterprise Funds	Internal Service Funds	
\$ 2,809,444	\$ 63,956,884	\$ 24,971,098	
-	723,963	1,381,220	
<u>2,809,444</u>	<u>64,680,847</u>	<u>26,352,318</u>	
1,122,735	39,935,913	-	
-	-	565,942	
-	-	349,801	
-	-	23,667,944	
237,714	6,710,286	-	
535,912	17,676,400	-	
<u>1,896,361</u>	<u>64,322,599</u>	<u>24,583,687</u>	
<u>913,083</u>	<u>358,248</u>	<u>1,768,631</u>	
300,725	5,053,685	780,553	
-	(764,073)	-	
-	309,604	-	
-	(1,527,137)	-	
<u>300,725</u>	<u>3,072,079</u>	<u>780,553</u>	
1,213,808	3,430,327	2,549,184	
-	1,341,376	-	
(10,637)	(2,959,041)	-	
<u>4,228,505</u>	<u>51,397,525</u>	<u>-</u>	
5,431,676	53,210,187	2,549,184	
18,463,781	463,976,648	17,152,565	
<u>\$ 23,895,457</u>	<u>\$ 517,186,835</u>	<u>\$ 19,701,749</u>	
	779,538		
	<u>\$ 53,989,725</u>		

CITY OF SURPRISE, ARIZONA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2024

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 24,564,265	\$ 23,779,741	\$ 14,339,933
Cash receipts from interfund services provided	-	-	-
Payments to employees	(5,051,186)	(5,184,286)	(4,543,520)
Payments to suppliers	(12,570,003)	(8,660,059)	(7,721,984)
Payments for insurance claims and expenses	-	-	-
Other operating cash receipts	472,376	232,368	19,219
Net cash provided/(used) by operating activities	<u>7,415,452</u>	<u>10,167,764</u>	<u>2,093,648</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other funds	-	1,056,660	-
Cash paid to other funds	(664,255)	(2,236,723)	(47,426)
Net cash provided/(used) by noncapital financing activities	<u>(664,255)</u>	<u>(1,180,063)</u>	<u>(47,426)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds received from development fees	6,540,610	1,609,080	-
Proceeds from debt	-	3,214,135	-
Principal and interest paid on bonds, loans and payables	(44,144)	(2,947,355)	-
Sale/acquisition of capital assets	(944,314)	(3,892,315)	(166,412)
Developer reimbursements	(436,673)	(914,350)	-
Net cash provided/(used) by capital and related financing activities	<u>5,115,479</u>	<u>(2,930,805)</u>	<u>(166,412)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from interest income/(loss)	2,456,273	1,832,690	463,997
Net cash provided/(used) by investing activities	<u>2,456,273</u>	<u>1,832,690</u>	<u>463,997</u>
Net increase/(decrease) in cash and cash equivalents	14,322,949	7,889,586	2,343,807
Balances - beginning of year	47,567,860	42,742,148	8,722,159
Balances - end of the year	<u>\$ 61,890,809</u>	<u>\$ 50,631,734</u>	<u>\$ 11,065,966</u>
Reconciliation of operating income/(loss) to net cash provided/ (used) by operating activities:			
Operating income/(loss)	\$ 1,417,497	\$ (2,542,005)	\$ 569,673
Adjustments to reconcile operating income/(loss) to net cash provided/ (used) by operating activities:			
Depreciation/Amortization expense	4,880,458	10,814,264	1,445,766
Changes in assets and liabilities:			
Accounts receivable	54,184	1,189,448	137,642
Other receivables	123,658	3,789	-
Other assets	3,362,392	(72,575)	(35,613)
Inventory	(2,426,050)	(278,235)	51,566
Accounts payable	(254,544)	985,971	(176,763)
Accrued payroll and related taxes	11,898	(13,567)	7,615
Deposits	41,150	(8,972)	5,045
Unearned revenue	-	(9,736)	291
Compensated absences	96,431	(31,031)	(9,950)
Net pension liability	125,821	151,402	114,209
Claims payable	-	-	-
Net OPEB asset/liability	(17,443)	(20,989)	(15,833)
Net cash provided/(used) by operating activities	<u>\$ 7,415,452</u>	<u>\$ 10,167,764</u>	<u>\$ 2,093,648</u>
NonCash investing, capital, and financing activities			
Capital asset contributions from developers	\$ 12,655,728	\$ 26,363,602	\$ -
Capital asset contributions to/from other funds/governmental activities	1,341,376	-	-
Total noncash investing, capital, and financing activities	<u>\$ 13,997,104</u>	<u>\$ 26,363,602</u>	<u>\$ -</u>
Reconciliation to Statement of Net Position			
Cash and investments	\$ 58,724,451	\$ 42,797,208	\$ 11,065,966
Restricted cash and investments	3,166,358	7,834,526	-
Total cash and investments	<u>\$ 61,890,809</u>	<u>\$ 50,631,734</u>	<u>\$ 11,065,966</u>

		Governmental Activities	
Stormwater Fund	Total Enterprise Funds	Internal Service Funds	
\$ 2,751,576	\$ 65,435,515	\$ -	-
-	-	24,624,052	-
(710,385)	(15,489,377)	(543,094)	-
(700,557)	(29,652,603)	31,462	-
-	-	(22,868,369)	-
-	723,963	1,504,446	-
<u>1,340,634</u>	<u>21,017,498</u>	<u>2,748,497</u>	-
-	1,056,660	-	-
(10,637)	(2,959,041)	-	-
<u>(10,637)</u>	<u>(1,902,381)</u>	-	-
-	8,149,690	-	-
-	3,214,135	-	-
-	(2,991,499)	-	-
(318,269)	(5,321,310)	-	-
-	(1,351,023)	-	-
<u>(318,269)</u>	<u>1,699,993</u>	-	-
300,725	5,053,685	780,553	-
<u>300,725</u>	<u>5,053,685</u>	<u>780,553</u>	-
1,312,453	25,868,795	3,529,050	-
4,887,138	103,919,305	19,811,837	-
<u>\$ 6,199,591</u>	<u>\$ 129,788,100</u>	<u>\$ 23,340,887</u>	-
\$ 913,083	\$ 358,248	\$ 1,768,631	-
535,912	17,676,400	-	-
(56,447)	1,324,827	-	-
-	127,447	(223,820)	-
(7,670)	3,246,534	1,972	-
-	(2,652,719)	-	-
(62,373)	492,291	378,730	-
2,210	8,156	3,043	-
(85)	37,138	-	-
(1,336)	(10,781)	-	-
(993)	54,457	5,046	-
21,286	412,718	17,786	-
-	-	799,575	-
(2,953)	(57,218)	(2,466)	-
<u>\$ 1,340,634</u>	<u>\$ 21,017,498</u>	<u>\$ 2,748,497</u>	-
\$ 4,228,505	43,247,835	\$ -	-
-	1,341,376	-	-
<u>\$ 4,228,505</u>	<u>\$ 44,589,211</u>	<u>\$ -</u>	-
\$ 5,918,985	\$ 118,506,610	\$ 23,340,887	-
280,606	11,281,490	-	-
<u>\$ 6,199,591</u>	<u>\$ 129,788,100</u>	<u>\$ 23,340,887</u>	-

See accompanying Notes to Financial Statements

CITY OF SURPRISE, ARIZONA

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2024

	Custodial Fund
ASSETS	
Cash and investments	\$ 249,274
Total assets	<u>249,274</u>
LIABILITIES	
Accounts payable	60,000
Total liabilities	<u>60,000</u>
NET POSITION	
Restricted for:	
Individuals	189,274
Total net position	<u>\$ 189,274</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, 2024

	<u>Custodial Fund</u>
ADDITIONS	
Contributions:	
Employee contributions	\$ 725,730
Total contributions	<u>725,730</u>
Total additions	<u>725,730</u>
DEDUCTIONS	
Claim settlement	<u>555,487</u>
Total deductions	<u>555,487</u>
Net increase/(decrease) in net position	<u>170,243</u>
Net position - beginning	19,031
Net position - end of the year	<u>\$ 189,274</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 seven 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. In addition to the government-wide and fund financial statements, the third component of the Basic Financial Statements, the notes to the basic financial statements, are an integral part of the financial statements and include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.



SURPRISE

ARIZONA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Implementation of New Accounting Principles

For the year ended June 30, 2024, the City implemented the following GASB Statements:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. 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.

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, 2024, 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.

The government-wide statement of activities presents 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. NonMajor 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.
- 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 **Grants Fund**, a special revenue fund, accounts for revenues and expenditures from the various grants received by the City.
- 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.

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.

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 noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All accounts receivable are shown net of allowance for un-collectibles when applicable.

F. INVENTORIES AND PREPAID ITEMS

Inventories consist of expendable supplies held for consumption. For the governmental funds, inventories are reported using the purchases method: expenditures are incurred as inventory is purchased and an adjustment is made at year end directly to inventory and fund balance. For the proprietary funds and government wide statements inventories are reported using the consumption method: inventory is recorded when it is purchased and expensed as it is used. Inventory is valued using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are reported using the consumption method in both government-wide and fund financial statements and are therefore recorded as prepaid items.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, intangibles (e.g. software, rights such as water rights, and right-to-use lease assets), and infrastructure assets (e.g., streets, traffic signals and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's policy defines capital assets as assets with an initial individual cost greater than \$10,000 and an estimated useful life of two or more years. Land, right-of-ways, and easements regardless of cost are capitalized. Donated (contributed) capital assets, works of art, historical treasures, and any capital assets the City may receive as part of a service concession arrangement are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Significant outlays for capital assets and improvements are capitalized as projects are constructed.

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, Workers' Compensation Fund, and the Risk Management Fund have been used in prior years to liquidate the compensated absences liability.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental

activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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, Grants Fund, the nonmajor funds - SPD Towing 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.

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 three 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:

1. 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, 2024, this balance totaled \$5.2 million.
2. Sixty percent (60%) will be dedicated to an Operating Reserve for unexpected events such as failure of the state to remit revenues to the City, loss of state shared revenues, or other impairment of a significant funding source for the remainder of the fiscal year.

The Operating Reserve may also be used for unexpected mandates or other events that cause the City to incur unplanned expenses. The Operating Reserve allows for the continuance of critical City services due to these unanticipated events and is done so after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Operating Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan that projects to restore the Operating Reserve within two fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2024, the operating reserve totaled \$30.9 million.

3. 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, 2024, the stabilization reserve totaled \$15.5 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.

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:

1. 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, 2024, this balance totaled \$3.8 million.
2. 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, 2024, this balance totaled \$3.2 million.
3. 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, 2024, this balance totaled \$1.1 million.
4. 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, 2024, this balance totaled \$754,200.

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

1. 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, 2024, this balance totaled \$4.3 million.
2. 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, 2024, this balance totaled \$7.1 million.
3. 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, 2024, this balance totaled \$1.1 million.

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

1. 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, 2024, this balance totaled \$2.7 million.
2. 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, 2024, this balance totaled \$228,100.
3. 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, 2024, this balance totaled \$708,400.
4. As the Sanitation Fund has excess revenues, the City will maintain a phased Contingency Reserve equal to one-half percent (0.5%) beginning in FY2022 and increases to one percent (1%) for each subsequent year through FY2024. For the year ended June 30, 2024, this balance was \$108,400.

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

1. 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, 2024, this balance totaled \$225,300.
2. 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, 2024, this balance totaled \$280,606.
3. 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, 2024, this balance totaled \$149,900.

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. For the year ended June 30, 2024, the balance was \$3.7 million.

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, 2024, the balance was \$3.7 million.

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 42-17051, 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.

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 non-operating 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 \$50,000 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 \$50,000 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 does not have an 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.

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NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2024 are classified in the accompanying statements as follows:

Government-Wide Financial Statements

Total cash and investments	\$ 525,452,942
Total restricted cash and investments	<u>15,587,086</u>
Subtotal	541,040,028
Government-wide total cash and investments	541,040,028
Plus: Fiduciary Fund cash and cash equivalents	<u>249,274</u>
Total	<u><u>\$ 541,289,302</u></u>

Fund Financial Statements

Governmental Funds

Cash and investments	\$ 383,605,445
Restricted cash and cash equivalents	4,305,596

Enterprise Funds

Cash and investments	118,506,610
Restricted cash and cash equivalents	11,281,490

Internal Service Funds

Cash and investments	23,340,887
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Custodial Fund

Cash and cash equivalents	<u>249,274</u>
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Total	<u><u>\$ 541,289,302</u></u>
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Deposits

Total cash and investments for the City as of June 30, 2024, are as follows:

City's deposits	\$ 236,039,349
Cash on hand	3,800
City's investments	304,076,458
Cash held by trustee	<u>1,169,695</u>
Total	<u><u>\$ 541,289,302</u></u>

A reconciliation of the bank balance of the City’s deposit balance as of June 30, 2024, follows:

Cash in bank	\$ 237,671,195
<i>Reconciling items:</i>	
Outstanding checks	(2,300,093)
Deposits in transit	668,303
Other	(56)
	<u>\$ 236,039,349</u>
Less:	
Custodial Fund	249,274
Total City deposits	<u>\$ 235,790,075</u>

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, \$750,000 of the City’s deposits were covered by federal depository insurance. Of the remaining bank balance not covered by federal depository insurance, \$235,751,500 was covered by the pledging financial institution’s trust department or agent, but not in the City’s name and \$1,169,695 was not held by the City.

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.

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 Statutes 35-323 (A);
3. Securities of or any other interests in any open-end management type investment company whose underlying investments are invested in securities allowed by state law, registered under the investment company act of 1940, as amended.
4. The pooled investment funds established by the State Treasurer pursuant to Arizona Revised Statute 35-326;
5. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities;
6. 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 Statutes 11-635;

7. 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
8. 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.
9. Commercial paper of prime quality.
10. Bonds, debentures, notes or other evidences of indebtedness.

The City’s investments consisted of the following as of June 30, 2024:

Investment Type	Total Fair Value	Maturities			
		Less than 1 year	1-2 years	2-3 years	3-5 years
U. S. government securities	\$ 182,291,945	\$ 88,675,137	\$ 27,441,851	\$ 22,383,174	\$ 43,791,783
Corporate bonds	9,546,213	-	-	6,505,530	3,040,683
Money market mutual funds	3,975,151	3,975,151	-	-	-
Local government investment pool	108,263,149	108,263,149	-	-	-
	<u>\$ 304,076,458</u>	<u>\$ 200,913,437</u>	<u>\$ 27,441,851</u>	<u>\$ 28,888,704</u>	<u>\$ 46,832,466</u>

Credit Risk -Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2024, the City’s investments were rated as follows:

Investment Type	Amount	Minimum Legal Rating			
		AA-/AA+	A/A+	Not Rated	
U. S. government securities	\$ 182,291,945	N/A	\$ 101,823,762	\$ 80,468,183	\$ -
Corporate bonds	9,546,213	A	5,718,352	3,827,861	-
Money market mutual funds	3,975,151	N/A	-	-	3,975,151
Local government investment pool	108,263,149	N/A	-	-	108,263,149
	<u>\$ 304,076,458</u>		<u>\$ 107,542,114</u>	<u>\$ 84,296,044</u>	<u>\$ 112,238,300</u>

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 formal investment policy places a limit on certain investment choices as follows:

1. Certificates of deposits have a 50% sector limit.
2. Bonds or other evidences 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.
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/A2" 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 that 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.

Investment in State Investment Pool - 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.

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.

Investments are measured as follows:

	Disclosure of Fair Value Inputs		
	Total	Level 1	Level 2
Investments by Fair Value Level:			
U. S. government securities	\$ 182,291,945	\$ 182,291,945	\$ -
Corporate Bonds	9,546,213	-	9,546,213
Total investments by fair value level	<u>\$ 191,838,158</u>	<u>\$ 182,291,945</u>	<u>\$ 9,546,213</u>
External Investment Pool Measured at Fair Value:			
LGIP	108,263,149		
Total investments measured at fair value	<u>\$ 300,101,307</u>		
Investments Measured at Amortized Cost			
Money market mutual funds	3,975,151		
Total investments	<u>\$ 304,076,458</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.

NOTE 3 – RECEIVABLES

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectible accounts as follows at June 30, 2024:

<u>ACFR Fund Name</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental funds:			
General Fund	\$ 12,307,005	\$ 11,886,028	\$ 420,977
NonMajor Funds	8,832,723	5,827,687	3,005,036
Total governmental funds	<u>\$ 21,139,728</u>	<u>\$ 17,713,715</u>	<u>\$ 3,426,013</u>
Proprietary funds:			
Water Fund	\$ 2,772,915	\$ 311,703	\$ 2,461,212
Sewer Fund	3,197,347	829,782	2,367,565
Sanitation Fund	2,296,563	651,276	1,645,287
Stormwater Fund	1,861,153	634,447	1,226,706
Total proprietary funds	<u>\$ 10,127,978</u>	<u>\$ 2,427,208</u>	<u>\$ 7,700,770</u>

The intergovernmental receivable of \$2,252,656 as reported in the statement of net position is made up of \$745,889 in State shared sales tax, \$283,074 in State shared in-lieu auto tax, \$90,089 in Wildland Fire billings, and \$1,133,604 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, 2024, are as follows:

<u>ACFR Fund Name</u>	<u>Unearned</u>	<u>Unavailable</u>
General Fund	\$ 807,917	\$ 384,873
Grants Fund	5,466,620	1,330,276
Debt Service Fund	-	52,086
NonMajor Governmental Funds	239,189	1,842,796
Total	<u>\$ 6,513,726</u>	<u>\$ 3,610,031</u>

Proprietary funds also report unearned revenue in connection with resources that have been received, but not yet earned.

The amounts reported in the proprietary funds for the year ended June 30, 2024, are as follows:

<u>ACFR Fund Name</u>	<u>Unearned</u>
Sewer Fund	\$ 363,536
Sanitation Fund	84,537
Stormwater Fund	39,294
Total	<u>\$ 487,367</u>

Lease receivables — The City leases land, buildings and building improvements to third parties under the provisions of various lease agreements. One of the buildings is a sublease to the third party. During the fiscal year ended June 30, 2024, the City recognized total lease-related revenues of \$731,270.

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, 2024, is \$484,846.

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NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024, was as follows:

	Primary Government				Balance June 30, 2024
	Balance July 1, 2023	Increases	Decreases	Transfers	
Governmental activities:					
Not being depreciated:					
Land and land improvements	\$ 235,600,689	\$ 28,390,761	\$ (9,440)	\$ -	\$ 263,982,010
Parks	8,607,783	-	-	-	8,607,783
Construction in progress	7,813,811	43,502,845	-	(5,757,019)	45,559,637
Total not being depreciated	252,022,283	71,893,606	(9,440)	(5,757,019)	318,149,430
Other capital assets:					
Buildings and improvements	253,820,232	20,751	(528,053)	470,639	253,783,569
Improvements other than buildings	48,672,334	2,141,794	-	2,069,491	52,883,619
Equipment and vehicles	67,674,434	5,506,691	(3,405,340)	2,411,268	72,187,053
Intangibles	11,815,859	-	-	224,975	12,040,834
Infrastructure	553,935,493	26,099,321	-	589,520	580,624,334
Right-to-use subscription assets	3,587,189	2,436,973	(389,974)	-	5,634,188
Right-to-use lease assets:					
Land and land improvements	11,380	-	-	-	11,380
Buildings and improvements	6,860,916	-	-	(8,874)	6,852,042
Equipment and vehicles	-	737,164	-	-	737,164
Total other capital assets	946,377,837	36,942,694	(4,323,367)	5,757,019	984,754,183
Total assets before depreciation/ amortization	1,198,400,120	108,836,300	(4,332,807)	-	1,302,903,613
Accumulated depreciation/amortization:					
Building and improvements	(110,665,473)	(8,435,274)	71,338	-	(119,029,409)
Improvements other than buildings	(16,053,981)	(2,571,855)	-	-	(18,625,836)
Equipment and vehicles	(45,556,270)	(5,949,744)	2,970,229	-	(48,535,785)
Intangibles	(8,250,613)	(1,245,375)	-	-	(9,495,988)
Infrastructure	(292,751,639)	(17,816,791)	-	-	(310,568,430)
Right-to-use subscription assets	(1,026,250)	(1,528,488)	389,974	-	(2,164,764)
Right-to-use lease assets:					
Land and land improvements	(5,690)	(2,845)	-	-	(8,535)
Buildings and improvements	(1,154,003)	(739,661)	-	-	(1,893,664)
Equipment and vehicles	-	(36,858)	-	-	(36,858)
Total accumulated depreciation/ amortization	(475,463,919)	(38,326,891)	3,431,541	-	(510,359,269)
Net capital assets governmental activities	\$ 722,936,201	\$ 70,509,409	\$ (901,266)	\$ -	\$ 792,544,344

Depreciation/amortization was charged by function as follows:

General government	\$ 3,463,150
Public safety	5,060,435
Public works and transportation	22,389,321
Community development	45,066
Culture and recreation	7,368,919
Total governmental activities depreciation/amortization expense	<u>\$ 38,326,891</u>

	Primary Government				Balance June 30, 2024
	Balance July 1, 2023	Increases	Decreases	Transfers	
Business-type activities:					
Not being depreciated:					
Land	\$ 13,340,576	\$ 4,082,764	\$ (9,566)	\$ -	\$ 17,413,774
Water rights	28,335,494	3,403,041	-	-	31,738,535
Construction in progress	10,803,113	9,893,876	(222,723)	(5,780,429)	14,693,837
Total not being depreciated	52,479,183	17,379,681	(232,289)	(5,780,429)	63,846,146
Other capital assets:					
Buildings and system	474,673,917	34,458,433	-	4,971,864	514,104,214
Improvements other than buildings	10,797,703	-	-	502,296	11,299,999
Vehicles and equipment	28,977,903	1,665,072	-	306,269	30,949,244
Intangibles	551,092	-	-	-	551,092
Right-to-use subscription assets	165,069	-	(165,069)	-	-
Total other capital assets	515,165,684	36,123,505	(165,069)	5,780,429	556,904,549
Total assets before depreciation/ amortization	567,644,867	53,503,186	(397,358)	-	620,750,695
Accumulated depreciation/amortization:					
Buildings and system	(166,237,493)	(14,273,539)	-	-	(180,511,032)
Improvements other than buildings	(1,986,198)	(446,467)	-	-	(2,432,665)
Vehicles and equipment	(15,501,632)	(2,870,934)	-	-	(18,372,566)
Intangibles	(535,013)	(2,926)	-	-	(537,939)
Right-to-use subscription assets	(82,535)	(82,534)	165,069	-	-
Total accumulated depreciation/ amortization	(184,342,871)	(17,676,400)	165,069	-	(201,854,202)
Net capital assets business-type activities	\$ 383,301,996	\$ 35,826,786	\$ (232,289)	\$ -	\$ 418,896,493

Depreciation/amortization was charged by function as follows:

Water	\$ 4,880,458
Sewer	10,814,264
Sanitation	1,445,766
Stormwater	535,912
Total business-type depreciation/amortization expense	<u>\$ 17,676,400</u>

NOTE 5 - DEVELOPER AGREEMENTS

The City of Surprise has entered into agreements with developers for infrastructure related to commercial and residential development. The developers construct the infrastructure and convey the assets to the City. Based on the terms of the agreements, over a designated period of time, the City pays the developers for the infrastructure with collections of impact fees and other specified revenues, up to the maximum amount per agreement. Commitments to reimburse developers under these agreements are not currently recognized until the requirements of the agreements are met. If the term of the agreement expires before the maximum amount has been repaid, the City has no further obligation to continue making payments under the agreement.

Development agreements related to water system infrastructure will be reimbursed using water system impact fees. Total water system infrastructure value conveyed is \$25,629,990. Depending on the terms of the specific agreement, this value is eligible for reimbursement during the next nine years. Once an agreement expires, water

system fees are no longer eligible for developer reimbursement. As of June 30, 2024, \$19,939,795 had expired or been reimbursed, leaving a potential remaining balance of \$5,690,195

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 \$15,606,338. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-six years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2024, \$451,520 had expired or been reimbursed, leaving a potential remaining balance of \$15,154,818.

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 \$72,899,358 at June 30, 2024. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-six years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2024, \$3,954,189 had expired or been reimbursed, leaving a potential remaining balance of \$68,945,169.

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, 2024, the City has reimbursed \$1,325,593 leaving a potential balance remaining of \$3,452,289.

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 5 percent compared to class one properties which have an assessment ratio of 17 percent. For fiscal year 2024, \$29,815 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 Arizona Revised Statutes 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 2024 cannot be disclosed in accordance with Arizona Revised Statutes 42-2002.

The City has entered into a development agreement to reimburse developers for the construction of public infrastructure that will benefit the community. These reimbursements are paid over time from collections within a defined area. For the fiscal year ended June 30, 2024, the City reimbursed \$10,851,650.

Contracts Payable

General Government Activities

A balance of \$13,729,042 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.

NOTE 6 – SIGNIFICANT COMMITMENTS

The City of Surprise has active construction projects as of June 30, 2024. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Funding Source
136th Ave Junction Structure	\$ 16,015	\$ 483,621	Sewer Utility Capital
163rd Ave Roadway Improvements	1,348,543	10,732,378	General Capital Projects Fund
Cactus Rd (Cotton-Reems)	7,042,411	26,270,269	In Lieu Developer Revenue
Cactus Road (Litchfield-RR Track)	736,406	7,840,444	General Capital Projects Fund
Cactus/Perryville Intersection	1,498,241	5,482,826	General Capital Projects Fund
Circle City Water Acquisition	1,341,669	144,980	Water Utility Capital
Community Pool	13,292,222	24,376,894	Program Fees Revenue
Desert Oasis Facility Security	553,348	48,132	Water Utility Capital
Elm Street - From Civic Center Dr to Bullard Ave	1,028,639	5,471,360	General Capital Projects Fund
Fire Station #5 Remodel	15,641	26,709	General Capital Projects Fund
Happy Valley Rd (163rd-Rncho Mercado)	194,768	2,526,085	General Capital Projects Fund
Multigenerational Community Center	3,596,444	828,920	Human Svcs & Comm Vitality CIP
Park - Perryville & Cactus	2,143,026	6,126,367	Parks Developer Fees
Plant Capacity Increase / Enhancement	8,802,594	26,572,607	Sewer Utility Capital
Rancho Mercado Well No. 2	187,524	2,831,431	Water Res Developer Fee 2020
Solar Biosolids Dryer Phase II	276,106	1,123,638	Sewer Utility Capital
SPA1 Recharge Expansion	1,470,016	392,852	Sewer Utility Capital
Stadium Needs	374,057	83,434	General Capital Projects Fund
Traffic Signal - Bell Rd & Bell Pointe Blvd	797,491	442,853	In Lieu Developer Revenue
Traffic signal - Sun Valley Pkwy & 219th	16,203	23,681	In Lieu Developer Revenue
Traffic signal - Sun Valley Pkwy & 227th	16,203	23,681	In Lieu Developer Revenue
Waddell Road Fiber Optic Connection	8,929	80,542	General Capital Projects Fund
Total	\$ 44,756,496	\$ 121,933,704	

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, 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, 2024, (revenues to debt service payable) is 159.1.

The Pledged Revenue Obligations, Series 2015, were issued in the amount of \$17,385,000, and have an outstanding principal balance at June 30, 2024, of \$8,320,000. 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 \$252,029,109, respectively. Next year's principal and interest payments of \$1,584,550 constitute approximately 0.6% of the 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, 2024, of \$19,045,000. 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 \$2,149,250 and \$20,608,896, respectively. Current year pledged revenue equals approximately 960 percent of next year's principal and interest payments, which total \$2,147,250.

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, 2024, the Parity Lien Test Debt Service is \$2,151,000 and pledged revenues are \$20,608,896. The current year ratio is 958 percent of the Parity Lien Test Debt Service.

The issuance also requires the City to establish and maintain rates, fees, and charges for all services supplied by the System, to provide Pledged Revenues fully sufficient to produce pledged revenue in each fiscal year equal to at least 125 percent of the Principal Requirement and Interest Requirement on all Series 2018 Senior Lien Utility System Obligations and Additional Utility Obligations then outstanding for the corresponding Bond Year. At June 30, 2024, pledged revenue equals 960 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, 2024, the City incurred \$6,968,128 in expenses, for a total of \$7,053,128 of project-to-date expenses, of which \$3,214,135 has been funded to date by WIFA. The total outstanding loan balance at June 30, 2024 was \$3,214,135.

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, 2024, of \$27,155,000.

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 2028, and have a remaining principal balance at June 30, 2024, of \$8,640,000.

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.

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, 2024, 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, 2024, 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.	\$ 8,320,000
2015, Pledged Revenue Revenue Obligations, Issuance Premium	697,302
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.	27,155,000
2018, General Obligation Bonds, Issuance Premium	1,580,250
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.	8,640,000
2020, General Obligation Bonds, Issuance Premium	1,024,394
Total General and Revenue Obligations	<u>\$ 47,416,946</u>

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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.	\$ 9,130,000
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, Issuance Premium	163,754
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.	1,805,000
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.	8,085,000
2019 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	32,874
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.	13,025,000
2022 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	25,347
Total Community Facilities Districts General Obligation Bonds and Notes Outstanding	32,266,975
Total Bonds and Notes Payable Recorded in Governmental Activities	\$ 79,683,921

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

Revenue Obligations	Long-Term Debt Outstanding
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.	\$ 19,045,000
2018, Senior Lien Utility System Revenue Refunding Obligations, Issuance Premium	2,777,418
Total Bonds Payable Recorded in Business-type Activities	21,822,418
Total Long-Term Bonds Payable	\$ 101,506,339

The following is a summary of long-term liabilities for the year ended June 30, 2024:

	Balance			Balance	Due within 1
	July 1, 2023	Additions	Reductions	June 30, 2024	Year
Governmental activities					
Bonds, loans, and payables:					
City of Surprise, Series 2015					
Pledged revenue obligations					
\$28,701,375 (\$36,665,000 issued)	\$ 11,271,189	\$ -	\$ (2,951,189)	\$ 8,320,000	\$ 1,250,000
City of Surprise, Series 2018					
General obligations \$37,730,000	28,550,000	-	(1,395,000)	27,155,000	1,465,000
City of Surprise, Series 2020					
General obligations \$17,460,000	11,065,000	-	(2,425,000)	8,640,000	2,580,000
For issuance premium 2015	993,721	-	(296,419)	697,302	-
For issuance premium 2018	1,693,125	-	(112,875)	1,580,250	-
For issuance premium 2020	1,280,493	-	(256,099)	1,024,394	-
Community Facilities District					
Series 2016 Bonds \$11,365,000					
issued	9,545,000	-	(415,000)	9,130,000	425,000
Series 2017 Direct Placement Note					
\$3,000,000 issued	2,005,000	-	(200,000)	1,805,000	205,000
Series 2019 Bonds					
\$8,470,000 issued	8,145,000	-	(60,000)	8,085,000	65,000
Series 2022 Bonds, \$13,065,000					
issued	13,065,000	-	(40,000)	13,025,000	130,000
For issuance premium 2016	184,687	-	(20,933)	163,754	-
For issuance premium 2019	34,518	-	(1,644)	32,874	-
For issuance premium 2022	26,449	-	(1,102)	25,347	-
Subscriptions liability	2,608,188	2,436,973	(1,517,341)	3,527,820	1,280,836
Leases payable	6,747,796	737,164	(152,099)	7,332,861	503,788
Total bonds, loans, and payables	<u>97,215,166</u>	<u>3,174,137</u>	<u>(9,844,701)</u>	<u>90,544,602</u>	<u>7,904,624</u>
Compensated absences payable	10,423,221	7,946,639	(7,376,727)	10,993,133	4,287,322
Claims payable	3,003,137	19,296,423	(18,496,848)	3,802,712	3,321,232
Total governmental activities					
long-term liabilities	<u>\$ 110,641,524</u>	<u>\$ 30,417,199</u>	<u>\$ (35,718,276)</u>	<u>\$ 105,340,447</u>	<u>\$ 15,513,178</u>

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	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within 1 Year
Business-type activities					
Bonds, loans, and payables:					
City of Surprise, Series 2015 Pledged revenue obligations \$5,278,625 (\$36,665,000 issued)					
	\$ 763,813	\$ -	\$ (763,813)	\$ -	\$ -
Senior Lien Utility System Revenue Refunding Obligations, Series 2018	20,185,000	-	(1,140,000)	19,045,000	1,195,000
For issuance premium 2015	78,152	-	(78,152)	-	-
For issuance premium 2018	3,008,870	-	(231,452)	2,777,418	-
Loan Payable to WIFA, Revolving to \$33,980,000	-	3,214,135	-	3,214,135	1,289,873
Subscriptions liability	83,106	-	(83,106)	-	-
Total bonds, loans, and payables	24,118,941	3,214,135	(2,296,523)	25,036,553	2,484,873
Compensated absences payable long-term liabilities	1,258,930	899,237	(844,780)	1,313,387	512,221
	<u>\$ 25,377,871</u>	<u>\$ 4,113,372</u>	<u>\$ (3,141,303)</u>	<u>\$ 26,349,940</u>	<u>\$ 2,997,094</u>

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 2018	Not rated	AA
City of Surprise, Arizona, Senior Lien Utility System Revenue Refunding Obligations SERIES 2018	Not rated	AA+
Marley Park Community Facilities District General Obligation Bonds SERIES 2019*	Not rated	AA
Marley Park Community Facilities District General Obligation Bonds SERIES 2017	Not rated	Not rated
Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds SERIES 2016*	Not rated	AA
Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds SERIES 2022*	Not rated	AA

* Insured by Building America Mutual

The following is a summary of debt service requirements for the year ended June 30, 2024. Deferred amounts are not included:

Governmental Activities						
Year Ended	Refunding/Stadium Imp		GO Bonds 2018		GO Bonds 2020	
	2015					
June 30	Principal	Interest	Principal	Interest	Principal	Interest
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	1,460,000	122,700	1,785,000	696,044	-	-
2030-2034	1,505,000	75,250	9,905,000	2,490,970	-	-
2035-2039	-	-	9,140,000	781,125	-	-
2040-2044	-	-	-	-	-	-
2045-2047	-	-	-	-	-	-
Total	\$ 8,320,000	\$ 1,176,400	\$ 27,155,000	\$ 7,562,565	\$ 8,640,000	\$ 729,200

Governmental Activities						
Year Ended	Marley Park CFD 2016		Direct Placement		Marley Park CFD 2019	
	Principal	Interest	Principal	Interest	Principal	Interest
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	470,000	257,281	230,000	25,555	75,000	244,300
2030-2034	2,630,000	987,006	720,000	39,005	955,000	1,169,650
2035-2039	2,955,000	487,656	-	-	2,155,000	893,700
2040-2044	1,310,000	61,720	-	-	4,640,000	486,750
2045-2047	-	-	-	-	-	-
Total	\$ 9,130,000	\$ 2,956,169	\$ 1,805,000	\$ 225,154	\$ 8,085,000	\$ 3,790,950

Year Ended	Governmental Activities							
	Marley Park CFD 2022		Total					
	June 30	Principal	Interest	Principal	Interest			
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		275,000		537,287		4,295,000		1,883,167
2030-2034		1,590,000		2,466,438		17,305,000		7,228,319
2035-2039		2,005,000		2,060,856		16,255,000		4,223,337
2040-2044		2,455,000		1,600,956		8,405,000		2,149,424
2045-2047		5,820,000		516,688		5,820,000		516,688
Total		\$ 13,025,000		\$ 9,451,624		\$ 76,160,000		\$ 25,892,060

Year Ended	Business-Type Activities											
	Sr. Lien Utility System		WIFA 2023 Loan*		Total							
	June 30	Principal	Interest	Principal	Interest	Principal	Interest					
2025	\$	1,195,000	\$	952,250	\$	1,289,873	\$	935,049	\$	2,484,873	\$	1,887,299
2026		1,255,000		892,500		1,326,053		898,360		2,581,053		1,790,860
2027		1,320,000		829,750		1,363,249		860,643		2,683,249		1,690,393
2028		1,385,000		763,750		1,401,488		821,867		2,786,488		1,585,617
2029		1,455,000		694,500		1,440,800		782,004		2,895,800		1,476,504
2030-2034		8,440,000		2,306,000		7,833,370		3,271,823		16,273,370		5,577,823
2035-2039		3,995,000		302,000		8,995,387		2,093,509		12,990,387		2,395,509
2040-2044		-		-		10,329,780		740,402		10,329,780		740,402
Total		\$ 19,045,000		\$ 6,740,750		\$ 33,980,000		\$ 10,403,657		\$ 53,025,000		\$ 17,144,407

* reflects the full loan authorization amount; the debt payment schedule will be revised after the final draw has been made.

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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, 2024:

20% Limitation		6% Limitation	
20% Constitutional Limit	\$ 519,589,818	6% Constitutional Limit	\$ 155,876,945
Less General Obligation 20% Bonds Outstanding	(35,795,000)	Less General Obligation 6% Bonds Outstanding	-
Reduction for Excess Premium	<u>(2,604,644)</u>	Reduction for Excess Premium	<u>-</u>
Available 20% Limitation		Available 6% Limitation	
Borrowing Capacity	<u><u>\$ 481,190,174</u></u>	Borrowing Capacity	<u><u>\$ 155,876,945</u></u>

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, 2024, are as follows:

	<u>Governmental Activities</u>
Total intangible right-to-use lease assets	\$ 7,600,586
Less: accumulated amortization	<u>(1,939,057)</u>
Carrying value	<u><u>\$ 5,661,529</u></u>

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2024:

Year ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 503,788	\$ 69,730
2026	1,221,489	88,234
2027	1,240,529	70,442
2028	1,260,168	52,318
2029	1,253,599	33,888
2030-2034	1,496,839	59,419
2035-2037	356,449	6,121
Total	<u><u>\$ 7,332,861</u></u>	<u><u>\$ 380,152</u></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, 2024, are as follows:

	Governmental Activities
Total intangible right-to-use subscription assets	\$ 5,634,188
Less: accumulated amortization	(2,164,764)
Carrying value	<u>\$ 3,469,424</u>

The following schedule details minimum subscription payments to maturity for the City’s subscriptions liability at June 30, 2024:

	Governmental Activities	
Year ending June 30	Principal	Interest
2025	\$ 1,280,836	\$ 80,074
2026	1,260,782	54,856
2027	485,793	29,684
2028	500,409	15,068
Total	<u>\$ 3,527,820</u>	<u>\$ 179,682</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, 2024, 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	\$ 2,346,609	\$ 396,989	\$ 2,743,598
Net pension liabilities	112,542,978	11,653,864	124,196,842
Net OPEB liabilities	42,924	9,518	52,442
Deferred outflows of resources related to pensions	43,117,264	1,760,796	44,878,060
Deferred outflows of resources related to OPEB	489,773	59,655	549,428
Deferred inflows of resources related to pensions	3,936,210	466,132	4,402,342
Deferred inflows of resources related to OPEB	1,487,539	197,728	1,685,267
Pension expense	20,529,555	1,796,626	22,326,181
OPEB expense	(158,865)	(30,200)	(189,065)
Pension contributions	19,569,398	1,366,142	20,935,540
OPEB contributions	226,551	29,479	256,030

The City reported accrued payroll and employee benefits of \$427,308 for outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2024. Also, the City reported \$20,370,690 of pension and OPEB expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System

Plan description — City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

ASRS	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, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent for long-term disability) of the members’ annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members’ annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.99 percent (9.94 percent for retirement and 0.05 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, 2024, were \$7,216,809, \$66,231, and \$89,497, respectively.

During fiscal year 2024, 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, 2024, 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	\$ 64,212,828
Health insurance premium benefit	(2,187,407)
Long-term disability	52,442

The net asset and net liabilities were measured as of June 30, 2023. 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, 2022, to the measurement date of June 30, 2023.

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, 2023. The City’s proportions measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2022, were:

ASRS	Proportion June 30, 2023	Increase/(decrease) from June 30, 2022
Pension	0.40%	0.00%
Health insurance premium benefit	0.41%	0.00%
Long-term disability	0.40%	0.00%

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, 2024, the City recognized the following pension and OPEB expense:

ASRS	Pension/OPEB expense
Pension	\$ 9,490,891
Health insurance premium benefit	(212,482)
Long-term disability	52,946

Deferred outflows/inflows of resources — At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

ASRS - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 1,450,957	\$ -
Changes in assumptions or other inputs	-	-
Difference between projected and actual investment earnings	-	2,271,906
Changes in proportion and differences between City contributions and proportionate share of contributions	1,034,221	296,482
City contributions subsequent to the measurement date	7,216,809	-
Total	<u>\$ 9,701,987</u>	<u>\$ 2,568,388</u>

ASRS - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 92,307	\$ 815,738
Changes in assumptions or other inputs	-	43,529
Difference between projected and actual investment earnings	-	96,076
Changes in proportion and differences between City contributions and proportionate share of contributions	6,613	20,783
City contributions subsequent to the measurement date	66,231	-
Total	<u>\$ 165,151</u>	<u>\$ 976,126</u>

ASRS - Long-term disability	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 47,349	\$ 29,517
Changes in assumptions or other inputs	13,839	76,336
Difference between projected and actual investment earnings	-	4,197
Changes in proportion and differences between City contributions and proportionate share of contributions	12,858	3,305
City contributions subsequent to the measurement date	89,497	-
Total	<u>\$ 163,543</u>	<u>\$ 113,355</u>

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, 2025. 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:

ASRS	Pension	Health insurance premium benefit	Long-term disability
Year ending June 30			
2025	\$ 542,172	\$ (370,094)	\$ (4,044)
2026	(2,791,508)	(406,386)	(12,701)
2027	2,448,443	(56,124)	2,967
2028	(282,317)	(51,484)	(13,312)
2029	-	6,882	(12,180)
Thereafter	-	-	(39)

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

ASRS	
Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.00%
Projected salary increases	2.9–8.4% for pensions/not applicable for OPEB
Inflation	2.30%
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, 2022, 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.

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

ASRS - Asset Class	Target Allocation	Long-term expected geometric real rate of return
Public equity	44%	3.50%
Fixed income - credit	23%	5.90%
Real estate	17%	5.90%
Private equity	10%	6.70%
Interest rate sensitive	6%	1.50%
Total	100%	

Discount rate — At June 30, 2023, 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	1% Decrease (6.0%)	Current discount rate (7.0%)	1% Increase (8.0%)
City’s proportionate share of the:			
Net pension liability	\$ 96,181,385	\$ 64,212,828	\$ 37,556,706
Net health insurance premium benefit liability/(asset)	(1,528,902)	(2,187,407)	(2,746,990)
Net long-term disability liability	76,688	52,442	28,591

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 Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. 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

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, 2024, the following employees were covered by the agent plans’ benefit terms:

PSPRS	Police		Fire	
	Pension	Health	Pension	Health
Inactive employees or beneficiaries				
currently receiving benefits	73	73	18	18
Inactive employees entitled to but not yet receiving benefits	26	7	17	15
Active employees	87	87	100	100
Total	186	167	135	133

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, 2024, 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%	9.44%	7.65%	9.44%
Active members - health benefit	0.00%	0.12%	0.00%	0.12%
City Pension	35.22%	30.53%	28.37%	21.70%
Health insurance premium benefit	0.32%	0.12%	0.33%	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%	12.26%

The City’s contributions to the plans for the year ended June 30, 2024, were:

PSPRS	Police	Fire
Pension	\$ 7,035,412	\$ 6,514,995
Health Insurance premium benefit	47,897	52,405

During fiscal year 2024, the City paid for PSPRS pension and OPEB contributions primarily from the General Fund.

Liability/(asset) — At June 30, 2024, the City reported the following net pension/OPEB liabilities/(assets):

PSPRS	Net pension liability	Net OPEB liability/(asset)
Police	\$ 37,370,803	\$ (406,324)
Fire	21,729,620	(149,867)

The net assets and net liabilities were measured as of June 30, 2023, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS	
Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.0 - 6.25% 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, 2023, 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.

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%	3.98%
International Public Equity	16%	4.49%
Global Private Equity	20%	7.28%
Other Assets (Capital Appreciation)	7%	4.49%
Core Bonds	6%	1.90%
Private Credit	20%	6.19%
Diversifying Strategies	5%	3.68%
Cash Mellon	2%	0.69%
Total	100%	

Discount rate — At June 30, 2023, the discount rate used to measure the PSPRS total pension/OPEB liability/(asset) was 7.2%, which did not change from the prior year. 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).

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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, 2023	\$ 96,473,442	\$ 63,445,426	\$ 33,028,016
Changes for the year:			
Service cost	2,334,509	-	2,334,509
Interest on the total pension liability	6,977,214	-	6,977,214
Difference between expected and actual experience of the total pension liability	6,778,671	-	6,778,671
Contributions—employer	-	5,524,671	(5,524,671)
Contributions—employee	-	1,130,368	(1,130,368)
Net investment income	-	5,183,262	(5,183,262)
Benefit payments, including refunds of employee contributions	(3,804,415)	(3,804,415)	-
Administrative expense	-	(39,197)	39,197
Tiers 1 & 2 adjustment	-	(54,195)	54,195
Other changes	-	2,698	(2,698)
Net changes	12,285,979	7,943,192	4,342,787
Balances at June 30, 2024	<u>\$ 108,759,421</u>	<u>\$ 71,388,618</u>	<u>\$ 37,370,803</u>
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, 2023	\$ 1,212,584	\$ 1,520,412	\$ (307,828)
Changes for the year:			
Service cost	38,587	-	38,587
Interest on the total OPEB liability	88,223	-	88,223
Difference between expected and actual experience of the total OPEB liability	(102,573)	-	(102,573)
Contributions—employer	-	10,229	(10,229)
Net investment income	-	113,415	(113,415)
Benefit payments, including refunds of employee contributions	(51,717)	(51,717)	-
OPEB plan administrative expense	-	(911)	911
Net changes	(27,480)	71,016	(98,496)
Balances at June 30, 2024	<u>\$ 1,185,104</u>	<u>\$ 1,591,428</u>	<u>\$ (406,324)</u>

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability/(asset) (a) – (b)
PSPRS - Fire - Pension			
Balances at June 30, 2023	\$ 93,962,761	\$ 72,973,474	\$ 20,989,287
Changes for the year:			
Service cost	3,219,873	-	3,219,873
Interest on the total pension liability	6,946,492	-	6,946,492
Difference between expected and actual experience of the total pension liability	2,321,913	-	2,321,913
Contributions—employer	-	4,806,903	(4,806,903)
Contributions—employee	-	1,093,961	(1,093,961)
Net investment income	-	5,931,533	(5,931,533)
Benefit payments, including refunds of employee contributions	(1,407,149)	(1,407,149)	-
Administrative expense	-	(29,506)	29,506
Tiers 1 & 2 adjustment	-	(51,020)	51,020
Other changes	-	(3,926)	3,926
Net changes	11,081,129	10,340,796	740,333
Balances at June 30, 2024	\$ 105,043,890	\$ 83,314,270	\$ 21,729,620

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability/(asset) (a) – (b)
PSPRS - Fire - Health insurance premium benefit			
Balances at June 30, 2023	\$ 1,217,860	\$ 1,304,287	\$ (86,427)
Changes for the year:			
Service cost	44,720	-	44,720
Interest on the total OPEB liability	90,368	-	90,368
Difference between expected and actual experience of the total OPEB liability	(66,110)	-	(66,110)
Contributions—employer	-	34,231	(34,231)
Net investment income	-	98,704	(98,704)
Benefit payments, including refunds of employee contributions	(14,928)	(14,928)	-
OPEB plan administrative expense	-	(517)	517
Net changes	54,050	117,490	(63,440)
Balances at June 30, 2024	\$ 1,271,910	\$ 1,421,777	\$ (149,867)

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:

PSPRS	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
Police			
Net pension liability	\$ 53,905,142	\$ 37,370,803	\$ 24,044,363
Net OPEB liability/(asset)	(261,781)	(406,324)	(527,425)
Fire			
Net pension liability	\$ 38,446,295	\$ 21,729,620	\$ 8,194,910
Net OPEB liability/(asset)	7,244	(149,867)	(282,157)

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, 2024, the City recognized the following pension and OPEB expense:

PSPRS	Pension expense	OPEB expense
Police	\$ 6,900,807	\$ (41,383)
Fire	6,258,128	11,851

Deferred outflows/inflows of resources — At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
PSPRS - Police - Pension		
Difference between expected and actual experience	\$ 8,699,150	\$ 147,498
Changes in assumptions or other inputs	1,359,864	-
Net difference between projected and actual earnings on pension plan investments	399,980	-
City contributions subsequent to the measurement date	7,035,412	-
Total	\$ 17,494,406	\$ 147,498

	Deferred outflows of resources	Deferred inflows of resources
PSPRS - Police - Health insurance premium benefit		
Difference between expected and actual experience	\$ 38,725	\$ 326,257
Changes in assumptions or other inputs	26,267	5,156
Net difference between projected and actual earnings on OPEB plan investments	17,268	-
City contributions subsequent to the measurement date	47,897	-
Total	\$ 130,157	\$ 331,413

PSPRS - Fire - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 8,822,739	\$ 1,291,046
Changes in assumptions or other inputs	1,495,556	-
Net difference between projected and actual earnings on pension plan investments	676,347	-
City contributions subsequent to the measurement date	6,514,995	-
Total	<u>\$ 17,509,637</u>	<u>\$ 1,291,046</u>

PSPRS - Fire - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 6,756	\$ 227,254
Changes in assumptions or other inputs	14,828	37,119
Net difference between projected and actual earnings on OPEB plan investments	16,588	-
City contributions subsequent to the measurement date	52,405	-
Total	<u>\$ 90,577</u>	<u>\$ 264,373</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, 2025. 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				
2025	\$ 2,538,500	\$ (81,726)	\$ 1,581,917	\$ (46,193)
2026	1,997,099	(88,282)	856,907	(58,442)
2027	4,161,512	(33,020)	2,962,338	(16,329)
2028	1,614,385	(40,210)	1,169,961	(31,803)
2029	-	(5,915)	1,320,509	(30,979)
Thereafter	-	-	1,811,964	(42,455)

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, 2024, 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 pension plan retains nonvested City contributions when forfeited because of employment terminations. For the year ended June 30, 2024, the City recognized pension expense of \$331,551.

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%.

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, 2024, 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 76.51% of all active EORP members’ annual covered payroll. Also, statute required the City to contribute 64.37% to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 70.51% 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, 2024, were \$168,324 and \$100, respectively.

During fiscal year 2024, the City paid for EORP pension contributions as follows: 100% from the General Fund.

Liability — At June 30, 2024, 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:

<u>EORP</u>	
City's proportionate share of the net pension liability	\$ 883,591
State's proportionate share of the net pension liability associated with the City	987,898
Total	<u>\$ 1,871,489</u>

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, 2023. The City’s proportion measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2022, were:

<u>EORP</u>	<u>Proportion June 30, 2023</u>	<u>Increase/(decrease) from June 30, 2022</u>
Pension	0.14%	(0.12%)

Expense — For the year ended June 30, 2024, the City recognized pension expense for EORP of \$(200,331) and revenue of \$156,233 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, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>EORP - Pension</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 3,706	\$ -
Changes in proportion and differences between City contributions and proportionate share of contributions	-	395,410
City contributions subsequent to the measurement date	168,324	-
Total	\$ 172,030	\$ 395,410

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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

<u>Year ending June 30</u>	<u>Pension</u>
2025	\$ (396,117)
2026	(4,841)
2027	10,044
2028	(790)
2029	-

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

<u>EORP</u>	
Actuarial Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Price Inflation	2.50%
Cost of Living Adjustment	1.85%
Mortality rate	PUBG-2010 Tables

Actuarial assumptions used in the June 30, 2023, 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%	3.98%
International Public Equity	16%	4.49%
Global Private Equity	20%	7.28%
Other Assets (Capital Appreciation)	7%	4.49%
Core Bonds	6%	1.90%
Private Credit	20%	6.19%
Diversifying Strategies	5%	3.68%
Cash-Mellon	2%	0.69%
Total	100%	

Discount rates — At June 30, 2023, 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.

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	\$ 1,020,782	\$ 883,591	\$ 765,964

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, 2024, 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, 2024, the City recognized pension expense of \$7,185.

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 2024, 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 \$1,015,580 for the year ended June 30, 2024. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency.

The City's fiduciary responsibility for the plan is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 plan assets be held in trust for employees; therefore, employee assets held in Section 457 plan assets are held in trust for employees. Employee assets held in Section 457 plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Custodial Fund is not included in the City's Financial Statements.

Defined Contribution Other Postemployment Plans

The City also offers a Post-Employment Health Plan (PEHP). The PEHP is a defined contribution plan designed to allow the City and employees to set aside money during the course of employment with the City, for the payment of qualified medical expenses incurred post-employment. The Post-Employment Health Plan consists of two sub-accounts that can accept contributions. One account accepts fixed contributions from the City and the other accepts earned and unused personal time off (vacation and sick leave). After voluntary termination of employment with the City, employees are provided with the option to be paid for all, or a portion of, earned and unused personal time off, or move earned and unused personal time off into their PEHP account.

The City is contributing \$45 per pay period to the plan for members of the Surprise Police Employees Association and the Northwest Valley Fire Fighters Association Local 4361. Employees are not required to contribute in order to receive the City's contribution.

Further, eligible employees that are Tier 1 members of the Public Safety Personnel Retirement System (PSPRS), who enter the Deferred Retirement Option Plan (DROP) are eligible for an additional benefit. Upon the employee's acceptance by the local board and PSPRS to the DROP program, the City will contribute eight percent of total PSPRS eligible earnings, per pay period, to the employee's PEHP. If for any reason an employee terminates participation in DROP, this additional benefit shall cease.

The City contributed \$905,908 for the year ended June 30, 2024.

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.

As of June 30, 2024, unpaid claims were as follows:

	Risk Management Fund	
	2024	2023
Beginning unpaid claims	\$ 236,677	\$ 319,826
Claims incurred and changes in estimates	683,846	806,479
Payments made	(790,996)	(889,628)
Ending unpaid claims	<u>\$ 129,527</u>	<u>\$ 236,677</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 \$1,591,500 of the total claims payable reported. The remaining \$1,212,437 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, 2024, unpaid claims were as follows:

	Employee Healthcare Fund	
	2024	2023
Beginning unpaid claims	\$ 1,779,297	\$ 1,751,813
Claims incurred and changes in estimates	17,824,121	15,736,560
Payments made	(16,799,481)	(15,709,076)
Ending unpaid claims	<u>\$ 2,803,937</u>	<u>\$ 1,779,297</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 compensable, while leaving liability of prior claims with the previous insurance carrier. Beginning on April 1, 2023, the City transitioned the workers’ compensation program from the self-administered and self-insured model to a fully insured model with the Arizona Risk Retention Pool providing continuity of care, greatly reducing the City’s long-term liability. The City will continue to provide funding to the Workers’ Compensation fund for the management of processing self-insured claims in accordance with the rules and regulations set forth by the ICA.

The self-insured program assumes first-dollar losses up to the established self-insured retention (SIR) levels of three 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. The third category, presumptive loss, assumes a self-insured retention of \$2,000,000 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 Health Benefits Trust Fund Board, as prescribed by Arizona Revised Statute.

The Workers’ Compensation Fund currently has an established reserve of \$3,000,000, which exceeds the required amount designated by the ICA. 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 R20-5-5025.

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 \$772,400 of the total claims payable reported. The remaining \$96,848 is made up of outstanding claims at year end. The City’s loss on the self-insured program has not exceeded its coverage over the last year. Settled claims on the fully insured model have not exceeded commercial insurance coverage for the fiscal year.

As of June 30, 2024, unpaid claims were as follows:

	Workers' Compensation Fund	
	2024	2023
Beginning unpaid claims	\$ 987,163	\$ 855,527
Claims incurred and changes in estimates	788,456	894,612
Payments made	(906,371)	(762,976)
Ending unpaid claims	<u>\$ 869,248</u>	<u>\$ 987,163</u>

NOTE 10 – CONTINGENT LIABILITIES

The City is a defendant in various lawsuits that are incidental to the ordinary course of its operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s legal counsel, the resolution of these matters will not have a material adverse effect on the City’s financial position.

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

NOTE 11 – INTERFUND BORROWING AND TRANSFERS

As of June 30, 2024, interfund balances were as follows:

Advances to/from other funds:

Advances to	Advances from Sewer Fund
General Government Development Fee Fund	\$ 2,659,483

As of June 30, 2024, the City had one long-term loan 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.

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Interfund Transfers:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General Fund	\$ 49,154,150	\$ 2,909,951
General Capital Projects Fund	870,500	43,891,106
General Government Development Fee Fund	366,668	-
Debt Service Fund	-	3,430,331
Transportation Improvement Fund	397,400	-
NonMajor Governmental Funds	1,619,186	3,794,181
Total Governmental	<u>52,407,904</u>	<u>54,025,569</u>
Enterprise Funds		
Water Fund	664,255	1,341,376
Sewer Fund	2,236,723	-
Sanitation Fund	47,426	-
Stormwater Fund	10,637	-
Total Enterprise Funds	<u>2,959,041</u>	<u>1,341,376</u>
Total	<u>\$ 55,366,945</u>	<u>\$ 55,366,945</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) 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.

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NOTE 12 – FUND BALANCE CLASSIFICATION

The fund balance classifications of the governmental funds as of June 30, 2024, were as follows:

	General Fund	General Capital Projects Fund	General Govt Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	Grants Fund	Debt Service Fund	NonMajor Governmental Funds	Total
Fund balance									
NonSpendable:									
Inventory	\$ 1,855,940	\$ 263,253	\$ -	\$ 454,119	\$ -	\$ -	\$ -	\$ 55,906	\$ 2,629,218
Prepays	662,418	961,240	-	-	2,580	8,841	-	1,582,414	3,217,493
Total NonSpendable	2,518,358	1,224,493	-	454,119	2,580	8,841	-	1,638,320	5,846,711
Restricted:									
Court	-	-	-	-	-	-	-	751,552	751,552
Debt Service	-	-	-	-	-	-	824,661	285,184	1,109,845
Economic development	2,986	-	-	-	-	-	-	-	2,986
Fire-Medical	-	-	-	-	-	-	-	9,217,726	9,217,726
HSCV	23,224	-	-	-	-	-	-	-	23,224
Library	12,457	-	-	-	-	-	-	-	12,457
Parks and recreation	7,802	-	-	-	-	-	-	10,274,634	10,282,436
Police	110,162	-	-	-	-	-	-	8,846,398	8,956,560
Public works	-	-	-	-	-	-	-	889,562	889,562
Transportation	-	-	-	6,088,071	-	-	-	1,247	6,089,318
Total Restricted	156,631	-	-	6,088,071	-	-	824,661	30,266,303	37,335,666
Committed:									
Emergency reserve	5,157,200	-	-	-	-	-	-	-	5,157,200
Operating reserve	30,943,100	-	-	-	-	-	-	-	30,943,100
Stabilization reserve	15,471,600	-	-	-	-	-	-	-	15,471,600
Public safety	-	-	-	-	-	-	-	2,578,122	2,578,122
Transportation	-	-	-	-	33,689,787	-	-	-	33,689,787
Tourism	-	-	-	-	-	-	-	1,339,010	1,339,010
Total Committed	51,571,900	-	-	-	33,689,787	-	-	3,917,132	89,178,819
Assigned:									
Construction projects	-	129,026,273	-	-	-	-	-	-	129,026,273
Facilities	-	4,561,051	-	-	-	-	-	-	4,561,051
Vehicle replacement	-	5,067,277	-	-	-	-	-	-	5,067,277
IT Asset replacement	-	4,253,260	-	-	-	-	-	-	4,253,260
Parks and recreation	-	2,649,156	-	-	-	-	-	-	2,649,156
PSPRS funding	38,297,959	-	-	-	-	-	-	-	38,297,959
Public safety	10,630	-	-	-	-	-	-	-	10,630
Wildland vehicle replacement	214,663	-	-	-	-	-	-	-	214,663
Other	1,489,865	651,815	-	-	-	-	-	-	2,141,680
Total Assigned	40,013,117	146,208,832	-	-	-	-	-	-	186,221,949
Unassigned:									
Unassigned or negative fund balance	52,139,431	-	(2,659,483)	-	-	(1,354,299)	-	(67,222)	48,058,427
Total	\$146,399,437	\$147,433,325	\$ (2,659,483)	\$ 6,542,190	\$ 33,692,367	\$ (1,345,458)	\$ 824,661	\$ 35,754,533	\$366,641,572

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2024, the following individual governmental funds reported deficits in fund balances:

Fund	Deficit
Major Fund:	
General Government Development Fee Fund	\$ 2,659,483
Grants Fund	1,345,458
NonMajor Governmental Funds:	
Neighborhood Revitalization Fund	67,222

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, 2023, which is the latest audited information available, was \$809,886.

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

NOTE 16 – CHANGE WITHIN FINANCIAL REPORTING ENTITY

A change within the financial reporting entity was made to report the Grants Fund as a major fund for the year ended June 30, 2024. The Grants Fund was previously reported as nonmajor for the year ended June 30, 2023. The change resulted in the following adjustment to the presentation of fund balances at June 30, 2023:

	June 30, 2023, as previously reported	Change within the financial reporting entity	June 30, 2023, as adjusted
Governmental Funds			
Major Funds:			
General Fund	\$ 135,662,932	\$ -	\$ 135,662,932
General Capital Projects Fund	108,155,276	-	108,155,276
General Government Development Fee Fund	(3,349,476)	-	(3,349,476)
Highway User Revenue Fund	5,342,922	-	5,342,922
Transportation Improvement Fund	25,973,854	-	25,973,854
Grants Fund	-	(99,389)	(99,389)
Debt Service Fund	703,573	-	703,573
NonMajor Governmental Funds	37,340,573	99,389	37,439,962
Total Governmental Funds	<u>\$ 309,829,654</u>	<u>\$ -</u>	<u>\$ 309,829,654</u>

NOTE 17 – SUBSEQUENT EVENTS

On September 4, 2024, the City issued \$27,065,000 in General Obligation Bonds, Series 2024, the proceeds from which will be used to finance public safety and transportation projects. The bonds were issued as the first installment of \$100,000,000 in bonds authorized by voters in November 2023. The bonds are payable in annual principal installments and semiannual interest installments, and carry coupon interest rates from 4% to 5%, with final maturity in 2044. The bonds received a rating of AA from Standard and Poor’s, and a rating of AAA from Fitch.



SURPRISE

ARIZONA



FINANCIAL SECTION - REQUIRED SUPPLEMENTARY INFORMATION



SURPRISE

ARIZONA



FINANCIAL SECTION – REQUIRED SUPPLEMENTARY INFORMATION

The sixth subsection is comprised of the Required Supplementary Information (RSI) section which 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)		
	2024	2023	2022
	(2023)	(2022)	(2021)
Arizona State Retirement System - Pension			
City's proportion of the net pension liability	0.40%	0.40%	0.38%
City's proportionate share of the net pension liability	\$ 64,212,828	\$ 65,244,813	\$ 49,671,464
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059
City's proportionate share of the net pension liability as a percentage of its covered payroll	124.47%	142.85%	116.80%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%

	Reporting fiscal year (measurement date)		
	2024	2023	2022
	(2023)	(2022)	(2021)
Arizona State Retirement System - Health insurance premium benefit			
City's proportion of the net OPEB (asset)	0.41%	0.41%	0.38%
City's proportionate share of the net OPEB (asset)	\$ (2,187,407)	\$ (2,278,716)	\$ (1,880,770)
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(4.24%)	(4.99%)	(4.42%)
Plan fiduciary net position as a percentage of the total OPEB liability	134.37%	137.79%	130.24%

Information not available for fiscal year 2015 through 2017.

	Reporting fiscal year (measurement date)		
	2024	2023	2022
	(2023)	(2022)	(2021)
Arizona State Retirement System - Long-term disability			
City's proportion of the net OPEB liability	0.40%	0.40%	0.38%
City's proportionate share of the net OPEB liability	\$ 52,442	\$ 37,211	\$ 78,871
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.10%	0.08%	0.19%
Plan fiduciary net position as a percentage of the total OPEB liability	93.70%	95.40%	90.38%

Information not available for fiscal year 2015 through 2017.

	Reporting fiscal year (measurement date)		
	2024	2023	2022
	(2023)	(2022)	(2021)
Elected Officials Retirement Plan - Pension			
City's proportion of the net pension liability	0.14%	0.26%	0.26%
City's proportionate share of the net pension liability	\$ 883,591	\$ 1,749,832	\$ 1,596,460
State's proportionate share of the net pension liability associated with the City	\$ 987,898	\$ 170,379	\$ 160,464
Total	\$ 1,871,489	\$ 1,920,211	\$ 1,756,924
City's covered payroll	\$ 250,647	\$ 233,509	\$ 205,522
City's proportionate share of the net pension liability as a percentage of its covered payroll	352.52%	749.36%	776.78%
Plan fiduciary net position as a percentage of the total pension liability	38.63%	32.01%	36.27%

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
0.38%	0.38%	0.37%	0.36%	0.35%	0.32%	0.29%
\$ 65,171,972	\$ 55,824,084	\$ 51,433,226	\$ 56,257,015	\$ 56,796,968	\$ 50,841,272	\$ 42,980,167
\$ 42,439,245	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	\$ 32,932,534	\$ 30,121,665	\$ 26,536,195
153.57%	143.24%	136.86%	159.64%	172.46%	168.79%	161.97%
69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
0.38%	0.39%	0.38%	0.37%
\$ (270,717)	\$ (108,422)	\$ (135,084)	\$ (199,174)
\$ 42,439,245	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
(0.64%)	(0.28%)	(0.36%)	(0.57%)
104.33%	101.62%	102.20%	103.57%

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
0.38%	0.39%	0.37%	0.36%
\$ 287,923	\$ 253,425	\$ 193,112	\$ 131,344
\$ 42,439,245	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.68%	0.65%	0.51%	0.37%
68.01%	72.85%	77.83%	84.44%

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
0.26%	0.23%	0.29%	0.17%	0.19%	0.16%	0.22%
\$ 1,745,940	\$ 1,511,837	\$ 1,849,518	\$ 2,034,660	\$ 1,829,709	\$ 1,276,030	\$ 1,505,462
\$ 165,938	\$ 142,097	\$ (90,103)	\$ 213,700	\$ 100,812	\$ 107,037	\$ 136,820
\$ 1,911,878	\$ 1,653,934	\$ 1,759,415	\$ 2,248,360	\$ 1,930,521	\$ 1,383,067	\$ 1,642,282
\$ 206,644	\$ 176,123	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,918	\$ 154,983
844.90%	858.40%	1226.74%	1316.37%	1176.89%	818.40%	971.37%
29.80%	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

	Reporting fiscal year (measurement date)		
	2024 (2023)	2023 (2022)	2022 (2021)
PSPRS - Police - Pension			
Total pension liability			
Service cost	\$ 2,334,509	\$ 2,296,280	\$ 2,331,614
Interest on the total pension liability	6,977,214	6,546,272	6,036,548
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	6,778,671	1,311,952	2,228,010
Changes of assumptions or other inputs	-	856,726	-
Benefit payments	(3,804,415)	(3,832,929)	(3,323,784)
Net change in total pension liability	12,285,979	7,178,301	7,272,388
Total pension liability-beginning	96,473,442	89,295,141	82,022,723
Total pension liability-ending (a)	<u>\$ 108,759,421</u>	<u>\$ 96,473,442</u>	<u>\$ 89,295,111</u>
Plan fiduciary net position			
Contributions-employer	\$ 5,524,671	\$ 4,734,626	\$ 4,486,148
Contributions-employee	1,130,368	1,225,997	1,228,642
Net investment income	5,183,262	(2,669,674)	14,037,729
Benefit payments, including refunds of employee contributions	(3,804,415)	(3,832,929)	(3,323,784)
Pension plan administrative expense	(39,197)	(48,124)	(65,272)
Tiers 1 & 2 adjustment	(54,195)	-	-
Other changes	2,698	23,088	-
Net change in plan fiduciary net position	7,943,192	(567,016)	16,363,463
Plan fiduciary net position-beginning	63,445,426	64,012,442	47,648,979
Adjustment to beginning of year	-	-	-
Plan fiduciary net position-ending (b)	<u>\$ 71,388,618</u>	<u>\$ 63,445,426</u>	<u>\$ 64,012,442</u>
City's net pension (asset) liability-ending (a) - (b)	<u>\$ 37,370,803</u>	<u>\$ 33,028,016</u>	<u>\$ 25,282,699</u>
Plan fiduciary net position as a percentage of the total pension liability	65.64%	65.76%	71.69%
Covered payroll	\$ 16,214,339	\$ 13,046,658	\$ 13,066,287
City's net pension (asset)/liability as a percentage of covered payroll	230.48%	253.15%	193.50%

See accompanying notes to this schedule

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 2,500,116	\$ 2,625,724	\$ 2,432,053	\$ 2,580,430	\$ 2,064,206	\$ 1,663,042	\$ 1,565,018
5,548,786	4,977,350	4,564,294	4,152,228	3,530,011	2,833,422	2,300,961
-	-	-	431,035	4,507,117	-	241,790
1,718,866	1,469,073	(615,366)	884,245	144,478	5,574,308	1,218,340
-	2,103,228	-	950,588	2,249,172	-	2,469,394
(2,511,403)	(2,089,561)	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)
7,256,365	9,085,814	4,052,856	6,111,187	10,665,632	9,104,921	6,638,202
74,766,358	65,680,544	61,627,688	55,516,501	44,850,869	35,745,948	29,107,746
<u>\$ 82,022,723</u>	<u>\$ 74,766,358</u>	<u>\$ 65,680,544</u>	<u>\$ 61,627,688</u>	<u>\$ 55,516,501</u>	<u>\$ 44,850,869</u>	<u>\$ 35,745,948</u>
\$ 3,698,985	\$ 4,065,062	\$ 3,608,348	\$ 2,601,364	\$ 2,303,420	\$ 1,729,946	\$ 1,359,213
972,696	1,015,880	1,121,032	1,376,163	1,496,064	1,196,870	977,373
607,678	2,315,207	2,508,024	3,589,391	168,147	951,951	2,875,527
(2,511,403)	(2,089,561)	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)
(49,546)	(41,215)	(38,871)	(32,160)	(24,595)	(23,613)	-
-	-	-	-	-	-	-
-	-	20,867	36,754	138,888	210,447	(462,996)
2,718,410	5,265,373	4,891,275	4,684,173	2,252,572	3,099,750	3,591,816
44,930,566	39,693,746	34,802,471	30,118,298	27,865,726	24,765,976	21,174,160
3	(28,553)	-	-	-	-	-
<u>\$ 47,648,979</u>	<u>\$ 44,930,566</u>	<u>\$ 39,693,746</u>	<u>\$ 34,802,471</u>	<u>\$ 30,118,298</u>	<u>\$ 27,865,726</u>	<u>\$ 24,765,976</u>
<u>\$ 34,373,744</u>	<u>\$ 29,835,792</u>	<u>\$ 25,986,798</u>	<u>\$ 26,825,217</u>	<u>\$ 25,398,203</u>	<u>\$ 16,985,143</u>	<u>\$ 10,979,972</u>
58.09%	60.09%	60.43%	56.47%	54.25%	62.13%	69.28%
\$ 12,989,361	\$ 13,066,419	\$ 12,326,006	\$ 11,769,882	\$ 11,159,388	\$ 10,682,880	\$ 8,730,979
264.63%	228.34%	210.83%	227.91%	227.59%	158.99%	125.76%

Required Supplementary Information

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

Agent Plans

	Reporting fiscal year (measurement date)		
	2024 (2023)	2023 (2022)	2022 (2021)
PSPRS - Police - OPEB			
Total OPEB liability			
Service cost	\$ 38,587	\$ 40,190	\$ 43,797
Interest on the total OPEB liability	88,223	78,438	82,702
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total OPEB liability	(102,573)	54,218	(146,929)
Changes of assumptions or other inputs	-	24,055	-
Benefit payments	(51,717)	(37,228)	(31,522)
Net change in total OPEB liability	<u>(27,480)</u>	<u>159,673</u>	<u>(51,952)</u>
Total OPEB liability-beginning	1,212,584	1,052,911	1,104,863
Total OPEB liability-ending (a)	<u>\$ 1,185,104</u>	<u>\$ 1,212,584</u>	<u>\$ 1,052,911</u>
Plan fiduciary net position			
Contributions-employer	\$ 10,229	\$ 22,060	\$ 33,459
Net investment income	113,415	(62,282)	342,648
Benefit payments, including refunds of employee contributions	(51,717)	(37,228)	(31,522)
OPEB plan administrative expense	(911)	(1,109)	(1,409)
Other changes	-	-	-
Net change in plan fiduciary net position	<u>71,016</u>	<u>(78,559)</u>	<u>343,176</u>
Plan fiduciary net position-beginning	1,520,412	1,598,971	1,255,795
Adjustment to beginning of the year	-	-	-
Plan fiduciary net position-ending (b)	<u>\$ 1,591,428</u>	<u>\$ 1,520,412</u>	<u>\$ 1,598,971</u>
City's net OPEB (asset) liability-ending (a) - (b)	<u>\$ (406,324)</u>	<u>\$ (307,828)</u>	<u>\$ (546,060)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	134.29%	125.39%	151.86%
Covered payroll	\$ 16,214,339	\$ 13,046,658	\$ 13,066,287
City's net OPEB (asset) liability as a percentage of covered payroll	(2.51%)	(2.36%)	(4.18%)

Information not available for fiscal years 2015 through 2017.

See accompanying notes to this schedule

	2021	2020	2019	2018
	(2020)	(2019)	(2018)	(2017)
\$	47,355	\$ 33,493	\$ 34,574	\$ 37,056
	83,812	88,366	87,925	94,154
	-	-	-	6,912
	(97,685)	(194,295)	(105,683)	(68,029)
	-	24,230	-	(107,363)
	(27,706)	(26,693)	(27,446)	(29,932)
	5,776	(74,899)	(10,630)	(67,202)
	1,099,087	1,173,986	1,184,616	1,251,818
\$	1,104,863	\$ 1,099,087	\$ 1,173,986	\$ 1,184,616
\$	34,570	\$ 42,535	\$ 26,730	\$ 55,927
	15,453	61,524	73,735	110,362
	(27,706)	(26,693)	(27,446)	(29,932)
	(1,257)	(1,062)	(1,122)	(976)
	-	-	1	-
	21,060	76,304	71,898	135,381
	1,234,735	1,129,879	1,057,981	922,600
	-	28,552	-	-
\$	1,255,795	\$ 1,234,735	\$ 1,129,879	\$ 1,057,981
\$	(150,932)	\$ (135,648)	\$ 44,107	\$ 126,635
	113.66%	112.34%	96.24%	89.31%
\$	12,989,361	\$ 13,066,419	\$ 12,326,006	\$ 11,769,882
	(1.16%)	(1.04%)	0.36%	1.08%

Required Supplementary Information

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

Agent Plans

	Reporting fiscal year (measurement date)		
	2024 (2023)	2023 (2022)	2022 (2021)
PSPRS - Fire - Pension			
Total pension liability			
Service cost	\$ 3,219,873	\$ 2,827,598	\$ 2,605,918
Interest on the total pension liability	6,946,492	6,083,653	5,389,067
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	2,321,913	4,696,366	2,288,365
Changes of assumptions or other inputs	-	382,523	-
Benefit payments	(1,407,149)	(1,074,975)	(905,343)
Net change in total pension liability	11,081,129	12,915,165	9,378,007
Total pension liability-beginning	93,962,761	81,047,596	71,669,589
Total pension liability-ending (a)	<u>\$ 105,043,890</u>	<u>\$ 93,962,761</u>	<u>\$ 81,047,596</u>
Plan fiduciary net position			
Contributions-employer	\$ 4,806,903	\$ 4,049,340	\$ 4,411,913
Contributions-employee	1,093,961	1,070,430	1,194,804
Net investment income	5,931,533	(3,008,243)	15,348,395
Benefit payments, including refunds of employee contributions	(1,407,149)	(1,074,975)	(905,343)
Pension plan administrative expense	(29,506)	(54,211)	(71,250)
Tiers 1 & 2 adjustment	(51,020)	-	-
Other changes	(3,926)	-	62,571
Net change in plan fiduciary net position	10,340,796	982,341	20,041,090
Plan fiduciary net position-beginning	72,973,474	71,991,133	51,950,043
Adjustment to beginning of year	-	-	-
Plan fiduciary net position-ending (b)	<u>\$ 83,314,270</u>	<u>\$ 72,973,474</u>	<u>\$ 71,991,133</u>
City's net pension (asset)/liability-ending (a) - (b)	<u>\$ 21,729,620</u>	<u>\$ 20,989,287</u>	<u>\$ 9,056,463</u>
Plan fiduciary net position as a percentage of the total pension liability	79.31%	77.66%	88.83%
Covered payroll	\$ 16,649,124	\$ 17,278,086	\$ 13,277,038
City's net pension (asset)/liability as a percentage of covered payroll	130.52%	121.48%	68.21%

See accompanying notes to this schedule

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 2,585,747	\$ 2,703,787	\$ 2,629,254	\$ 2,540,844	\$ 1,944,045	\$ 1,709,096	\$ 1,635,304
4,775,536	4,299,178	3,959,756	3,537,634	2,858,919	2,480,922	2,170,938
-	-	-	324,839	4,813,386	-	25,204
2,107,451	223,172	(2,685,396)	721,498	(428,646)	991,201	122,957
-	1,224,623	-	36,178	2,042,866	-	1,068,570
(1,263,395)	(759,444)	(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)
8,205,339	7,691,316	3,251,071	6,086,657	10,745,185	4,699,725	3,282,408
63,464,250	55,772,934	52,521,863	46,435,206	35,690,021	30,990,296	27,707,888
<u>\$ 71,669,589</u>	<u>\$ 63,464,250</u>	<u>\$ 55,772,934</u>	<u>\$ 52,521,863</u>	<u>\$ 46,435,206</u>	<u>\$ 35,690,021</u>	<u>\$ 30,990,296</u>
\$ 2,592,924	\$ 3,232,317	\$ 3,149,148	\$ 1,828,952	\$ 1,773,960	\$ 1,394,750	\$ 1,298,311
1,086,498	955,090	1,036,287	1,340,153	1,188,041	1,085,819	916,860
662,772	2,477,023	2,659,343	3,742,608	170,022	956,696	2,973,644
(1,263,395)	(759,444)	(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)
(54,041)	(44,033)	(41,175)	(33,516)	(24,864)	(23,732)	-
-	-	-	-	-	-	-
-	-	147,401	141,131	30,036	23,521	(491,977)
3,024,758	5,860,953	6,298,461	5,944,992	2,651,810	2,955,560	2,956,273
48,925,283	43,082,800	36,784,339	30,839,347	28,187,537	25,231,977	22,275,704
2	(18,470)	-	-	-	-	-
<u>\$ 51,950,043</u>	<u>\$ 48,925,283</u>	<u>\$ 43,082,800</u>	<u>\$ 36,784,339</u>	<u>\$ 30,839,347</u>	<u>\$ 28,187,537</u>	<u>\$ 25,231,977</u>
<u>\$ 19,719,546</u>	<u>\$ 14,538,967</u>	<u>\$ 12,690,134</u>	<u>\$ 15,737,524</u>	<u>\$ 15,595,859</u>	<u>\$ 7,502,484</u>	<u>\$ 5,758,319</u>
72.49%	77.09%	77.25%	70.04%	66.41%	78.98%	81.42%
\$ 11,738,436	\$ 11,767,811	\$ 11,534,304	\$ 11,296,060	\$ 10,648,460	\$ 9,802,389	\$ 8,942,409
167.99%	123.55%	110.02%	139.32%	146.46%	76.54%	64.39%

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)		
	2024	2023	2022
	(2023)	(2022)	(2021)
Total OPEB liability			
Service cost	\$ 44,720	\$ 42,976	\$ 42,778
Interest on the total OPEB liability	90,368	82,978	79,625
Changes of benefit terms	-	10,060	-
Differences between expected and actual experience of the total OPEB liability	(66,110)	(467)	(57,371)
Changes of assumptions or other inputs	-	-	-
Benefit payments, including refunds of employee contributions	(14,928)	(22,804)	(15,780)
Net change in total OPEB liability	54,050	112,743	49,252
Total OPEB liability-beginning	1,217,860	1,105,117	1,055,865
Total OPEB liability-ending (a)	\$ 1,271,910	\$ 1,217,860	\$ 1,105,117
Plan fiduciary net position			
Contributions-employer	\$ 34,231	\$ 41,621	\$ 37,731
Contributions-employee	-	-	-
Net investment income	98,704	(52,577)	283,657
Benefit payments	(14,928)	(22,804)	(15,780)
OPEB plan administrative expense	(517)	(936)	(1,166)
Other changes	-	-	-
Net change in plan fiduciary net position	117,490	(34,696)	304,442
Plan fiduciary net position-beginning	1,304,287	1,338,983	1,034,541
Adjust to beginning of year	-	-	-
Plan fiduciary net position-ending (b)	\$ 1,421,777	\$ 1,304,287	\$ 1,338,983
City's net OPEB (asset)/liability-ending (a) - (b)	\$ (149,867)	\$ (86,427)	\$ (233,866)
Plan fiduciary net position as a percentage of the total OPEB liability	111.78%	107.10%	121.16%
Covered payroll	\$ 16,649,124	\$ 17,278,086	\$ 13,277,038
City's net OPEB (asset)/liability as a percentage of covered payroll	(0.90%)	(0.50%)	(1.76%)

Information not available for fiscal years 2015 through 2017.

See accompanying notes to this schedule

	2021	2020	2019	2018
	(2020)	(2019)	(2018)	(2017)
\$	42,441	\$ 28,223	\$ 28,223	\$ 28,898
	72,508	78,968	72,743	78,136
	-	-	-	8
	11,259	(206,517)	(17,297)	(28,004)
	-	12,836	-	(124,948)
	(15,486)	(14,571)	(12,727)	(12,382)
	110,722	(101,061)	70,942	(58,292)
	945,143	1,046,204	975,262	1,033,554
\$	1,055,865	\$ 945,143	\$ 1,046,204	\$ 975,262
\$	35,723	\$ 34,300	\$ 29,385	\$ 40,649
	-	-	-	-
	12,652	50,072	58,948	86,787
	(15,486)	(14,571)	(12,727)	(12,382)
	(1,029)	(864)	(897)	(769)
	-	-	1	-
	31,860	68,937	74,710	114,285
	1,002,681	915,274	840,564	726,279
	-	18,470	-	-
\$	1,034,541	\$ 1,002,681	\$ 915,274	\$ 840,564
\$	21,324	\$ (57,538)	\$ 130,930	\$ 134,698
	97.98%	106.09%	87.49%	86.19%
\$	11,738,436	\$ 11,767,811	\$ 11,534,304	\$ 11,296,060
	0.18%	(0.49%)	1.14%	1.19%

Required Supplementary Information

Schedule of City Pension/OPEB Contributions

Arizona State Retirement System - Pension

	Reporting fiscal year		
	2024	2023	2022
Statutorily required contribution	\$ 7,216,809	\$ 6,091,867	\$ 5,478,357
City's contributions in relation to the statutorily required contribution	7,216,809	6,091,867	5,478,357
City's contribution deficiency/(excess)	\$ -	\$ -	\$ -
City's covered payroll	\$ 60,062,519	\$ 51,589,538	\$ 45,673,733
City's contributions as a percentage of covered payroll	12.02%	11.81%	11.99%

Arizona State Retirement System - Health insurance premium benefit

	Reporting fiscal year		
	2024	2023	2022
Statutorily required contribution	\$ 66,231	\$ 110,400	\$ 97,559
City's contributions in relation to the statutorily required contribution	66,231	110,400	97,559
City's contribution deficiency/(excess)	\$ -	\$ -	\$ -
City's covered payroll	\$ 60,062,519	\$ 51,589,538	\$ 45,673,733
City's contributions as a percentage of covered payroll	0.11%	0.21%	0.21%

Information not available for fiscal years 2015 through 2016.

Arizona State Retirement System - Long-term disability

	Reporting fiscal year		
	2024	2023	2022
Statutorily required contribution	\$ 89,497	\$ 72,905	\$ 86,437
City's contributions in relation to the statutorily required contribution	89,497	72,905	86,437
City's contribution deficiency/(excess)	\$ -	\$ -	\$ -
City's covered payroll	\$ 60,062,519	\$ 51,589,538	\$ 45,673,733
City's contributions as a percentage of covered payroll	0.15%	0.14%	0.19%

Information not available for fiscal years 2015 through 2016.

See accompanying notes to this schedule

2021	2020	2019	2018	2017	2016	2015
\$ 4,940,338	\$ 4,678,053	\$ 4,349,366	\$ 4,084,163	\$ 3,773,263	\$ 3,569,994	\$ 3,259,073
4,940,338	4,678,053	4,349,366	4,084,163	3,773,263	3,569,994	3,259,073
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 42,528,059	\$ 42,439,245	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	\$ 32,932,534	\$ 30,121,665
11.62%	11.02%	11.16%	10.87%	10.71%	10.84%	10.82%

2021	2020	2019	2018	2017
\$ 172,796	\$ 191,599	\$ 178,575	\$ 164,581	\$ 196,952
172,796	191,599	178,575	164,581	196,952
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 42,528,059	\$ 42,439,245	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.41%	0.45%	0.46%	0.44%	0.56%

2021	2020	2019	2018	2017
\$ 76,187	\$ 69,064	\$ 62,149	\$ 61,374	\$ 49,278
76,187	69,064	62,149	61,374	49,278
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 42,528,059	\$ 42,439,245	\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.18%	0.16%	0.16%	0.16%	0.14%

Required Supplementary Information

Schedule of City Pension/OPEB Contributions

Elected Official Retirement Plan - Pension

	Reporting fiscal year		
	2024	2023	2022
Statutorily required contribution	\$ 168,324	\$ 145,311	\$ 120,671
City's contributions in relation to the statutorily required contribution	168,324	145,311	120,671
City's contribution deficiency/(excess)	\$ -	\$ -	\$ -
City's covered payroll	\$ 294,811	\$ 250,647	\$ 233,509
City's contributions as a percentage of covered payroll	57.10%	57.97%	51.68%

The City was not required to and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2024 through 2017.

PSPRS - Police - Pension

	Reporting fiscal year		
	2024	2023	2022
Actuarially determined contribution	\$ 6,230,911	\$ 5,515,963	\$ 4,043,750
City's contributions in relation to the actuarially determined contribution	7,035,412	5,911,475	4,670,817
City's contribution deficiency/(excess)	\$ (804,501)	\$ (395,512)	\$ (627,067)
City's covered payroll	\$ 18,961,470	\$ 16,214,339	\$ 13,046,658
City's contributions as a percentage of covered payroll	37.10%	36.46%	35.80%

PSPRS - Police - OPEB

	Reporting fiscal year		
	2024	2023	2022
Actuarially determined contribution	\$ 47,897	\$ 41,698	\$ 25,907
City's contributions in relation to the actuarially determined contribution	47,897	41,698	41,394
City's contribution deficiency/(excess)	\$ -	\$ -	\$ -
City's covered payroll	\$ 18,961,470	\$ 16,214,339	\$ 13,046,658
City's contributions as a percentage of covered payroll	0.25%	0.26%	0.32%

Information not available for fiscal years 2015 through 2016.

See accompanying notes to this schedule

2021	2020	2019	2018	2017	2016	2015
\$ 115,754	\$ 117,327	\$ 101,371	\$ 66,206	\$ 34,133	\$ 36,535	\$ 35,199
115,754	117,327	101,371	66,206	34,133	36,535	35,199
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 205,522	\$ 206,644	\$ 176,123	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,918
56.32%	56.78%	57.56%	43.91%	22.08%	23.50%	22.58%

2021	2020	2019	2018	2017	2016	2015
\$ 4,094,704	\$ 3,850,896	\$ 3,977,387	\$ 5,056,552	\$ 2,598,440	\$ 2,301,028	\$ 1,753,988
4,094,704	3,850,896	3,977,387	5,056,552	2,598,440	2,301,028	1,753,988
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 13,066,287	\$ 12,989,361	\$ 13,066,419	\$ 12,326,006	\$ 11,769,882	\$ 11,159,388	\$ 10,682,880
31.34%	29.65%	30.44%	41.02%	22.08%	20.62%	16.42%

2021	2020	2019	2018	2017
\$ 40,791	\$ 37,796	\$ 44,365	\$ 79,382	\$ 58,849
40,791	37,796	44,365	79,382	58,849
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 13,066,287	\$ 12,989,361	\$ 13,066,419	\$ 12,326,006	\$ 11,769,882
0.31%	0.29%	0.34%	0.64%	0.50%

Required Supplementary Information

Schedule of City Pension/OPEB Contributions

PSPRS - Fire - Pension

	Reporting fiscal year		
	2024	2023	2022
Actuarially determined contribution	\$ 4,298,173	\$ 4,565,888	\$ 3,181,809
City's contributions in relation to the actuarially determined contribution	6,514,995	5,543,071	4,637,873
City's contribution deficiency/(excess)	\$ (2,216,822)	\$ (977,183)	\$ (1,456,064)
City's covered payroll	\$ 18,669,354	\$ 16,649,124	\$ 17,278,086
City's contributions as a percentage of covered payroll	34.90%	33.29%	26.84%

PSPRS - Fire - OPEB

	Reporting fiscal year		
	2024	2023	2022
Actuarially determined contribution	\$ 52,405	\$ 47,581	\$ 37,981
City's contributions in relation to the actuarially determined contribution	52,405	47,581	46,383
City's contribution deficiency/(excess)	\$ -	\$ -	\$ (8,402)
City's covered payroll	\$ 18,669,354	\$ 16,649,124	\$ 17,278,086
City's contributions as a percentage of covered payroll	0.28%	0.29%	0.27%

Information not available for fiscal years 2015 through 2016

See accompanying notes to this schedule

2021	2020	2019	2018	2017	2016	2015
\$ 3,569,521	\$ 3,060,602	\$ 2,977,137	\$ 4,499,428	\$ 1,832,987	\$ 1,716,087	\$ 1,417,546
3,569,521	3,060,602	2,977,137	4,499,428	1,832,987	1,716,087	1,417,546
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 13,277,038 26.88%	\$ 11,738,436 26.07%	\$ 11,767,811 25.30%	\$ 11,534,304 39.01%	\$ 11,296,060 16.23%	\$ 10,648,460 16.12%	\$ 9,802,389 14.46%

2021	2020	2019	2018	2017
\$ 40,124	\$ 36,517	\$ 35,366	\$ 77,072	\$ 40,740
40,124	36,517	35,366	77,072	40,740
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 13,277,038 0.30%	\$ 11,738,436 0.31%	\$ 11,767,811 0.30%	\$ 11,534,304 0.67%	\$ 11,296,060 0.36%

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTIONS RATES

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 assumptions:

Investment rate of return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. 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%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 - 6.25%. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. 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 State Retirement System (ASRS)**

The actuarial assumptions related to funding used in the June 30, 2022, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The major changes in assumptions involved the investment return, the inflation rate, general wage inflation, and future permanent benefit increases. The ASRS Board adopted the recommended changes from the experience study, which were first applied to the June 30, 2021, actuarial valuation.

Public Safety Personnel Retirement System (PSPRS)

The actuarial assumptions used in the June 30, 2023, valuation for PSPRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes, which were applied beginning with the June 30, 2022, actuarial valuation. The total liabilities as of June 30, 2023, reflected changes in actuarial assumptions based on the results of the actuarial experience study, including decreasing the discount rate from 7.3 percent to 7.2 percent, changing the wage inflation rate from 3.5 percent to a range of 3.25-15.0 percent, and increasing the cost-of-living adjustment rate from 1.75 percent to 1.85 percent.

Arizona courts have ruled those 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 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 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.

Elected Official Retirement Plan (EORP)

The fiscal year 2019 (measurement date 2018) pension liability 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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 97,923,500	\$ 97,923,500	\$ 98,480,485	\$ 556,985
Licenses and permits	6,966,900	6,966,900	7,318,946	352,046
Intergovernmental revenue	75,115,600	76,562,600	73,770,912	(2,791,688)
Charges for services	22,493,400	22,744,200	31,731,798	8,987,598
Fines	911,800	911,800	979,413	67,613
Rents	758,200	763,200	633,505	(129,695)
Interest revenue	516,500	516,500	4,433,780	3,917,280
Donations	240,300	240,300	69,635	(170,665)
Indirect charges	6,710,400	6,710,400	6,710,286	(114)
Other revenue	355,800	355,800	870,581	514,781
Total revenues	<u>211,992,400</u>	<u>213,695,200</u>	<u>224,999,341</u>	<u>11,304,141</u>
EXPENDITURES				
Current:				
General government:				
City council	784,600	784,600	738,154	46,446
City manager	2,405,700	2,405,700	2,080,726	324,974
City attorney	3,262,700	3,262,700	2,929,807	332,893
City clerk	1,100,000	1,100,000	1,078,676	21,324
Finance	7,372,900	7,379,800	6,162,919	1,216,881
Human resources	3,203,400	3,202,800	2,969,794	233,006
Information technology	6,841,700	7,293,900	6,521,573	772,327
Marketing and communications	1,657,600	1,657,600	1,525,359	132,241
City auditor	484,600	484,600	471,645	12,955
General operations	8,016,200	8,202,200	3,140,809	5,061,391
Total general government	<u>35,129,400</u>	<u>35,773,900</u>	<u>27,619,462</u>	<u>8,154,438</u>
Public safety:				
Police	45,370,000	48,417,300	43,380,315	5,036,985
Fire-Medical	38,682,700	39,884,300	37,113,644	2,770,656
Court	3,347,000	3,347,000	2,723,137	623,863
Total public safety	<u>87,399,700</u>	<u>91,648,600</u>	<u>83,217,096</u>	<u>8,431,504</u>
Public works and transportation:				
Public works	11,390,100	11,472,700	9,836,894	1,635,806
Transportation	6,438,300	6,298,800	5,855,880	442,920
Total public works and transportation	<u>17,828,400</u>	<u>17,771,500</u>	<u>15,692,774</u>	<u>2,078,726</u>
Community development:				
Economic development	16,229,100	16,061,900	12,944,981	3,116,919
Community development	8,239,000	8,236,300	6,946,292	1,290,008
Total community development	<u>24,468,100</u>	<u>24,298,200</u>	<u>19,891,273</u>	<u>4,406,927</u>
Culture and recreation:				
Human service and community vitality	3,056,100	3,182,500	2,564,028	618,472
Arts, culture, and library	4,181,700	4,068,900	3,572,259	496,641
Parks and recreation	13,207,500	13,425,700	12,945,204	480,496
Sports and tourism	-	6,000	5,969	31
Total culture and recreation	<u>20,445,300</u>	<u>20,683,100</u>	<u>19,087,460</u>	<u>1,595,640</u>
Total current	<u>\$ 185,270,900</u>	<u>\$ 190,175,300</u>	<u>\$ 165,508,065</u>	<u>\$ 24,667,235</u>

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Debt service:				
Principal retirement	\$ 1,571,500	\$ 1,571,500	\$ 1,571,417	\$ 83
Interest	47,400	47,400	47,318	82
Total debt service	1,618,900	1,618,900	1,618,735	165
Capital outlay	3,508,000	4,775,900	4,817,373	(41,473)
Total expenditures	190,397,800	196,570,100	171,944,173	24,625,927
Excess/(deficiency) of revenues over expenditures	21,594,600	17,125,100	53,055,168	35,930,068
OTHER FINANCING SOURCES/(USES)				
Proceeds from sale of capital assets	-	-	160,005	160,005
Transfers in	2,866,200	2,866,200	2,909,951	43,751
Transfers out	(44,123,100)	(44,123,100)	(49,154,150)	(5,031,050)
Lease/SBITA arrangements	-	-	3,174,137	3,174,137
Total other financing sources/(uses)	(41,256,900)	(41,256,900)	(42,910,057)	(1,653,157)
Net change in fund balances	\$ (19,662,300)	\$ (24,131,800)	\$ 10,145,111	\$ 34,276,911

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 729,400	\$ 729,400	\$ 1,015,207	\$ 285,807
Interest revenue	5,300	5,300	41,454	36,154
Total revenues	<u>734,700</u>	<u>734,700</u>	<u>1,056,661</u>	<u>321,961</u>
EXPENDITURES				
Current:				
General government	1,484,900	1,484,900	-	1,484,900
Total current	<u>1,484,900</u>	<u>1,484,900</u>	<u>-</u>	<u>1,484,900</u>
Total expenditures	<u>1,484,900</u>	<u>1,484,900</u>	<u>-</u>	<u>1,484,900</u>
Excess/(deficiency) of revenues over expenditures	<u>(750,200)</u>	<u>(750,200)</u>	<u>1,056,661</u>	<u>1,806,861</u>
OTHER FINANCING SOURCES/(USES)				
Transfers out	(366,900)	(366,900)	(366,668)	232
Total other financing sources/(uses)	<u>(366,900)</u>	<u>(366,900)</u>	<u>(366,668)</u>	<u>232</u>
Net change in fund balances	<u>\$ (1,117,100)</u>	<u>\$ (1,117,100)</u>	<u>\$ 689,993</u>	<u>\$ 1,807,093</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 12,213,500	\$ 12,213,500	\$ 11,119,022	\$ (1,094,478)
Charges for services	8,300	8,300	18,750	10,450
Interest revenue	-	-	383,897	383,897
Other revenue	1,500	1,500	166	(1,334)
Total revenues	<u>12,223,300</u>	<u>12,223,300</u>	<u>11,521,835</u>	<u>(701,465)</u>
EXPENDITURES				
Current:				
General government	27,000	27,000	27,000	-
Public works and transportation	13,568,900	13,568,900	10,305,725	3,263,175
Total current	<u>13,595,900</u>	<u>13,595,900</u>	<u>10,332,725</u>	<u>3,263,175</u>
Capital outlay	-	11,000	10,996	4
Total expenditures	<u>13,595,900</u>	<u>13,606,900</u>	<u>10,343,721</u>	<u>3,263,179</u>
Excess/(deficiency) of revenues over expenditures	<u>(1,372,600)</u>	<u>(1,383,600)</u>	<u>1,178,114</u>	<u>2,561,714</u>
Net change in fund balances	<u>\$ (1,372,600)</u>	<u>\$ (1,383,600)</u>	<u>\$ 1,178,114</u>	<u>\$ 2,561,714</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 15,705,500	\$ 15,705,500	\$ 18,996,913	\$ 3,291,413
Interest revenue	68,000	68,000	1,458,949	1,390,949
Other revenue	230,400	230,400	-	(230,400)
Total revenues	<u>16,003,900</u>	<u>16,003,900</u>	<u>20,455,862</u>	<u>4,451,962</u>
EXPENDITURES				
Current:				
Public works and transportation	4,391,400	4,391,400	3,423,177	968,223
Total current	<u>4,391,400</u>	<u>4,391,400</u>	<u>3,423,177</u>	<u>968,223</u>
Debt service:				
Principal retirement	2,900	2,900	2,855	45
Interest	100	100	42	58
Total debt service	<u>3,000</u>	<u>3,000</u>	<u>2,897</u>	<u>103</u>
Capital outlay	<u>38,015,700</u>	<u>38,015,700</u>	<u>8,913,875</u>	<u>29,101,825</u>
Total expenditures	<u>42,410,100</u>	<u>42,410,100</u>	<u>12,339,949</u>	<u>30,070,151</u>
Excess/(deficiency) of revenues over expenditures	<u>(26,406,200)</u>	<u>(26,406,200)</u>	<u>8,115,913</u>	<u>34,522,113</u>
OTHER FINANCING SOURCES/(USES)				
Transfers out	<u>(397,400)</u>	<u>(397,400)</u>	<u>(397,400)</u>	<u>-</u>
Total other financing sources/(uses)	<u>(397,400)</u>	<u>(397,400)</u>	<u>(397,400)</u>	<u>-</u>
Net change in fund balances	<u>\$ (26,803,600)</u>	<u>\$ (26,803,600)</u>	<u>\$ 7,718,513</u>	<u>\$ 34,522,113</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grants revenue	\$ 25,700,400	\$ 31,373,400	\$ 6,118,524	\$ (25,254,876)
Interest revenue	-	600	547	(53)
Total revenues	<u>25,700,400</u>	<u>31,374,000</u>	<u>6,119,071</u>	<u>(25,254,929)</u>
EXPENDITURES				
Current:				
General government:				
General government:	-	189,100	10,247	178,853
City attorney	-	4,200	3,809	391
Public safety:				
Police	406,600	1,424,100	635,715	788,385
Fire-Medical	40,900	522,400	155,676	366,724
Culture and recreation:				
Human service and community vitality	1,104,000	4,846,800	3,276,126	1,570,674
Parks and recreation	600	235,900	6,339	229,561
Sports and tourism	120,000	-	-	-
Total current	<u>1,672,100</u>	<u>7,222,500</u>	<u>4,087,912</u>	<u>3,134,588</u>
Capital outlay	<u>28,030,600</u>	<u>28,367,300</u>	<u>3,277,228</u>	<u>25,090,072</u>
Total expenditures	<u>29,702,700</u>	<u>35,589,800</u>	<u>7,365,140</u>	<u>28,224,660</u>
Excess/(deficiency) of revenues over expenditures	<u>(4,002,300)</u>	<u>(4,215,800)</u>	<u>(1,246,069)</u>	<u>2,969,731</u>
Net change in fund balances	<u>\$ (4,002,300)</u>	<u>\$ (4,215,800)</u>	<u>\$ (1,246,069)</u>	<u>\$ 2,969,731</u>

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.



FINANCIAL SECTION - OTHER SUPPLEMENTARY INFORMATION



S U R P R I S E

A R I Z O N A

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 23,034,700	\$ 23,034,700	\$ 27,862,140	\$ 4,827,440
Licenses and permits	-	-	579,982	579,982
Interest revenue	339,600	339,600	6,688,637	6,349,037
Other revenue	862,500	862,500	-	(862,500)
Total revenues	<u>24,236,800</u>	<u>24,236,800</u>	<u>35,130,759</u>	<u>10,893,959</u>
EXPENDITURES				
Current:				
General government:				
City manager	-	-	-	-
Information technology	114,900	546,800	70,366	476,434
Marketing and communications	281,500	226,100	102,013	124,087
General operations	117,000	101,300	26,081	75,219
Total general government	<u>513,400</u>	<u>874,200</u>	<u>198,460</u>	<u>675,740</u>
Public safety:				
Police	603,900	253,600	36,830	216,770
Fire-Medical	-	-	300	(300)
Total public safety	<u>603,900</u>	<u>253,600</u>	<u>37,130</u>	<u>216,470</u>
Public works and transportation:				
Public works	-	-	(39,418)	39,418
Transportation	700,000	700,000	700,000	-
Total public works and transportation	<u>700,000</u>	<u>700,000</u>	<u>660,582</u>	<u>39,418</u>
Community development:				
Economic development	138,900	128,300	54,841	73,459
Total community development	<u>138,900</u>	<u>128,300</u>	<u>54,841</u>	<u>73,459</u>
Culture and recreation:				
Human service and community vitality	28,000	21,400	7,128	14,272
Parks and recreation	2,916,000	2,342,800	1,686,566	656,234
Sports and tourism	4,126,700	3,508,700	2,894,629	614,071
Total culture and recreation	<u>7,070,700</u>	<u>5,872,900</u>	<u>4,588,323</u>	<u>1,284,577</u>
Total current	<u>9,026,900</u>	<u>7,829,000</u>	<u>5,539,336</u>	<u>2,289,664</u>
Capital outlay	118,623,900	132,073,100	32,972,671	99,100,429
Total expenditures	<u>127,650,800</u>	<u>139,902,100</u>	<u>38,512,007</u>	<u>101,390,093</u>
Excess/(deficiency) of revenues over expenditures	<u>(103,414,000)</u>	<u>(115,665,300)</u>	<u>(3,381,248)</u>	<u>112,284,052</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in	38,424,100	38,424,100	43,891,106	5,467,006
Transfers out	(870,500)	(870,500)	(870,500)	-
Total other financing sources/(uses)	<u>37,553,600</u>	<u>37,553,600</u>	<u>43,020,606</u>	<u>5,467,006</u>
Net change in fund balances	<u>\$ (65,860,400)</u>	<u>\$ (78,111,700)</u>	<u>\$ 39,639,358</u>	<u>\$ 117,751,058</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, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,026,000	\$ 6,026,000	\$ 5,955,202	\$ (70,798)
Interest revenue	1,000	1,000	140,558	139,558
Total revenues	6,027,000	6,027,000	6,095,760	68,760
EXPENDITURES				
Debt service:				
Administrative charges	8,000	8,000	675,560	(667,560)
Principal retirement	7,961,500	7,961,500	6,771,189	1,190,311
Interest	1,961,100	1,961,100	1,958,254	2,846
Total debt service	9,930,600	9,930,600	9,405,003	525,597
Total expenditures	9,930,600	9,930,600	9,405,003	525,597
Excess/(deficiency) of revenues over expenditures	(3,903,600)	(3,903,600)	(3,309,243)	594,357
OTHER FINANCING SOURCES/(USES)				
Transfers in	3,436,300	3,436,300	3,430,331	(5,969)
Total other financing sources/(uses)	3,436,300	3,436,300	3,430,331	(5,969)
Net change in fund balances	\$ (467,300)	\$ (467,300)	\$ 121,088	\$ 588,388

Special Revenue Funds - These funds account for specific non-capital revenues that are restricted in their allowable use.

Ground Ambulance Service Fund — This fund accounts for ground ambulance services provided to patients in need of emergency medical services within the City.

LTAIF II/ALF Fund — This fund has been established to account for revenues and expenditures received by the City from the State of Arizona. These funds are a portion of lottery money collected and can be used to fund transit operations, facilities, and equipment purchases.

Municipal Court Enhancement Fund — Established in FY2003, this fund tracks revenue associated with fines dedicated to Municipal Court technology improvements. City policy restricts the use of these funds.

Municipal Court FARE Fund — This fund is used to discretely track funds received by the City that are restricted to use on projects which enhance the fine collections process. FARE - Fare/fees and restitution enforcement.

Municipal Court JCEF Fund — This fund is used to discretely track funds received by the City that are restricted to use on technology improvements in the Municipal Court. JCEF - Judicial court enhancement fund.

Municipal Court MFTG Fund — This fund is used to discretely track funds received by the City that are restricted to use on projects which aid in the processing of criminal cases. MFTG - Municipal Fill The Gap.

Neighborhood Revitalization Fund — This fund is used to track all revenues and expenditures associated with the City's neighborhood revitalization program. This program is funded through a combination of federal, state and local funds. City policy, grant agreements, and contractual obligations restrict the use of these funds.

Net Premium Seating Fund — This fund was established to account for the revenues and expenditures for a ticket surcharge on the sale of spring training tickets for premium seats.

Proposition 400 Fund — This fund is used to track all revenues and expenditures for the county-wide half-cent sales tax to be used for regional transportation improvements.

SB1398 Fines Fund — This fund was established to account for funds the City receives from the State of Arizona for penalties charged on certain violations. These revenues are limited to the purchase of officer safety equipment.

SPD DEA Fund — This fund is used to discretely track funds received from the participation on DEA task forces in the Greater Phoenix area. The use of these funds is limited to approval by the disbursing program manager and is generally related to purchase and maintenance of department equipment not included in the general budget. SPD - Surprise Police Department. DEA - Drug Enforcement Activity.

SPD RICO Fund — This fund is used to discretely track funds received from participation in the Maricopa County Attorney's Office Anti-Racketeering Influenced and Corrupt Organizations (RICO) task force.

SPD Towing Fund — This fund is used to track activity in the Police Department for vehicle impounds. The use of these funds is limited to administrative management of the vehicle impound program.

Sports & Tourism Fund — This fund is used to track all revenues and expenditures from a \$1 per ticket surcharge on the sale of spring training tickets. These revenues are limited to operational improvements to stadium facilities.

Smart & Safe Police Fund — This fund is used to track Police revenues and expenditures related to Prop 207.

Smart & Safe Fire-Medical Fund — This fund is used to track Fire revenues and expenditures related to Prop 207.

Tourism Fund — This fund is used to track all revenues and expenditures associated with the City's 2.52% bed tax. The funds are used to support tourism within the City. City policy and state statute restrict the use of these funds.

163rd Avenue Roadway Development Impact Fee Fund — This fund was established to account for development impact fees which are assessed to the service area identified as the 163rd Avenue Roadway.

Fire Development Fee Fund — This fund was established to account for the inflow of Fire and EMS development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on Fire and EMS services caused by growth.

Parks and Recreation Development Fee Fund — This fund was established to account for the inflow of parks and recreation development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on parks and recreation services caused by growth.

Police Development Fee Fund — This fund was established to account for the inflow of police development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction financing and furnishing of new capital or one-time items directly related to the increased demand of police services caused by growth.

Street Lighting District Fund — 168 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, 2024

	Ground Ambulance Service Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund
ASSETS					
Cash and investments	\$ 1,467,161	\$ 1,247	\$ 530,711	\$ 24,059	\$ 129,511
Restricted cash and investments	-	-	-	-	-
Receivables (net of allowances):					
Accounts	3,005,036	-	-	-	-
Taxes and franchise fees	-	-	-	-	-
Grants	-	-	-	-	-
Leases	-	-	-	-	-
Other	-	-	-	-	-
Prepaid items and other assets	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	<u>\$ 4,472,197</u>	<u>\$ 1,247</u>	<u>\$ 530,711</u>	<u>\$ 24,059</u>	<u>\$ 129,511</u>
LIABILITIES					
Accounts payable	\$ 30,339	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related taxes	36,465	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Contracts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Total liabilities	<u>66,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - unavailable revenue	1,827,271	-	-	-	-
Deferred Inflows - leases	-	-	-	-	-
Total deferred inflows of resources	<u>1,827,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>1,894,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES/(DEFICITS)					
NonSpendable	-	-	-	-	-
Restricted	-	1,247	530,711	24,059	129,511
Committed	2,578,122	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances/(deficits)	<u>2,578,122</u>	<u>1,247</u>	<u>530,711</u>	<u>24,059</u>	<u>129,511</u>
Total liabilities and fund balances/(deficits)	<u>\$ 4,472,197</u>	<u>\$ 1,247</u>	<u>\$ 530,711</u>	<u>\$ 24,059</u>	<u>\$ 129,511</u>

<u>Municipal Court MFTG Fund</u>	<u>Neighborhood Revitalization Fund</u>	<u>Net Premium Seating Fund</u>	<u>Proposition 400 Fund</u>	<u>SB1398 Fines Fund</u>	<u>SPD DEA Fund</u>	<u>SPD RICO Fund</u>	<u>SPD Towing Fund</u>
\$ 67,271	\$ 164,633	\$ 207,065	\$ -	\$ 82,026	\$ 18,093	\$ -	\$ 7,218
-	-	-	-	-	-	1,113,354	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	91,169	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	236,869	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 67,271</u>	<u>\$ 255,802</u>	<u>\$ 207,065</u>	<u>\$ -</u>	<u>\$ 82,026</u>	<u>\$ 18,093</u>	<u>\$ 1,350,223</u>	<u>\$ 7,218</u>
\$ -	\$ 83,835	\$ 6,000	\$ -	\$ 11,722	\$ -	\$ 10,697	\$ -
-	-	-	-	-	-	-	633
-	-	-	-	-	-	286,932	-
-	239,189	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	323,024	6,000	-	11,722	-	297,629	633
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	323,024	6,000	-	11,722	-	297,629	633
-	-	-	-	-	-	-	-
67,271	-	-	-	70,304	18,093	1,052,594	6,585
-	-	201,065	-	-	-	-	-
-	(67,222)	-	-	-	-	-	-
<u>67,271</u>	<u>(67,222)</u>	<u>201,065</u>	<u>-</u>	<u>70,304</u>	<u>18,093</u>	<u>1,052,594</u>	<u>6,585</u>
<u>\$ 67,271</u>	<u>\$ 255,802</u>	<u>\$ 207,065</u>	<u>\$ -</u>	<u>\$ 82,026</u>	<u>\$ 18,093</u>	<u>\$ 1,350,223</u>	<u>\$ 7,218</u>

(continued)

CITY OF SURPRISE, ARIZONA

Combining Balance Sheet (continued)

NonMajor Special Revenue Funds

June 30, 2024

	<u>Sports & Tourism Fund</u>	<u>Smart & Safe Police Fund</u>	<u>Smart & Safe Fire-Medical Fund</u>	<u>Tourism Fund</u>	<u>163rd Ave Development Fee Fund</u>
ASSETS					
Cash and investments	\$ 609,905	\$ 32,766	\$ 585,392	\$ 1,160,621	\$ -
Restricted cash and investments	-	-	-	-	-
Receivables (net of allowances):					
Accounts	-	-	-	-	-
Taxes and franchise fees	-	-	-	-	-
Grants	-	-	-	-	-
Leases	2,603,283	-	-	-	-
Other	837,539	-	-	-	-
Prepaid items and other assets	15,718	-	-	-	-
Inventory	55,906	-	-	-	-
Total assets	<u>\$ 4,122,351</u>	<u>\$ 32,766</u>	<u>\$ 585,392</u>	<u>\$ 1,160,621</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 230,231	\$ -	\$ -	\$ 22,676	\$ -
Accrued payroll and related taxes	53,026	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Contracts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Total liabilities	<u>283,257</u>	<u>-</u>	<u>-</u>	<u>22,676</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - unavailable revenue	-	-	-	-	-
Deferred Inflows - leases	2,440,460	-	-	-	-
Total deferred inflows of resources	<u>2,440,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>2,723,717</u>	<u>-</u>	<u>-</u>	<u>22,676</u>	<u>-</u>
FUND BALANCES/(DEFICITS)					
NonSpendable	71,624	-	-	-	-
Restricted	1,327,010	32,766	585,392	-	-
Committed	-	-	-	1,137,945	-
Unassigned	-	-	-	-	-
Total fund balances/(deficits)	<u>1,398,634</u>	<u>32,766</u>	<u>585,392</u>	<u>1,137,945</u>	<u>-</u>
Total liabilities and fund balances/(deficits)	<u>\$ 4,122,351</u>	<u>\$ 32,766</u>	<u>\$ 585,392</u>	<u>\$ 1,160,621</u>	<u>\$ -</u>

Fire Development Fee Fund	Parks and Recreation Development Fee Fund	Police Development Fee Fund	Street Lighting Districts Fund	Marley Park CFD Fund	Total NonMajor Special Revenue Funds
\$ 10,572,558	\$ 9,419,084	\$ 7,714,529	\$ 1,438,658	\$ 1,984,061	\$ 36,216,569
-	-	-	-	-	1,113,354
-	-	-	-	-	3,005,036
-	-	-	36,512	22,144	58,656
-	-	-	-	-	91,169
-	-	-	-	-	2,603,283
-	-	-	-	-	1,074,408
1,566,696	-	-	-	-	1,582,414
-	-	-	-	-	55,906
<u>\$ 12,139,254</u>	<u>\$ 9,419,084</u>	<u>\$ 7,714,529</u>	<u>\$ 1,475,170</u>	<u>\$ 2,006,205</u>	<u>\$ 45,800,795</u>
\$ 1,940,224	\$ 409,588	\$ 48,473	\$ 187,808	\$ 377,233	\$ 3,358,826
-	-	-	-	-	90,124
-	-	-	462	-	287,394
-	-	-	-	-	239,189
-	41,585	-	-	-	41,585
-	-	-	387,073	39,760	426,833
-	-	-	-	604,055	604,055
-	-	-	-	715,000	715,000
<u>1,940,224</u>	<u>451,173</u>	<u>48,473</u>	<u>575,343</u>	<u>1,736,048</u>	<u>5,763,006</u>
-	-	-	10,265	5,260	1,842,796
-	-	-	-	-	2,440,460
-	-	-	10,265	5,260	4,283,256
<u>1,940,224</u>	<u>451,173</u>	<u>48,473</u>	<u>585,608</u>	<u>1,741,308</u>	<u>10,046,262</u>
1,566,696	-	-	-	-	1,638,320
8,632,334	8,967,911	7,666,056	889,562	264,897	30,266,303
-	-	-	-	-	3,917,132
-	-	-	-	-	(67,222)
<u>10,199,030</u>	<u>8,967,911</u>	<u>7,666,056</u>	<u>889,562</u>	<u>264,897</u>	<u>35,754,533</u>
<u>\$ 12,139,254</u>	<u>\$ 9,419,084</u>	<u>\$ 7,714,529</u>	<u>\$ 1,475,170</u>	<u>\$ 2,006,205</u>	<u>\$ 45,800,795</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, 2024

	<i>Formerly NonMajor Grants Fund</i>	Ground Ambulance Service Fund	LTAf II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund
REVENUES					
Taxes		\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue		-	364,134	-	-
Charges for services		6,627,174	-	-	-
Grants revenue		-	-	-	-
Fines		-	-	104,882	-
Rents		-	-	-	-
Development fees		-	-	-	-
Interest revenue		73,363	29	21,392	1,080
Other revenue		31,972	-	-	-
Total revenues		<u>6,732,509</u>	<u>364,163</u>	<u>126,274</u>	<u>1,080</u>
EXPENDITURES					
Current:					
General government		-	-	-	-
Public safety		5,958,333	-	-	-
Public works and transportation		-	364,134	-	-
Community development		-	-	-	-
Culture and recreation		-	-	-	-
Debt service:					
Administrative charges		-	-	-	-
Principal retirement		-	-	-	-
Interest		-	-	-	-
Capital outlay		575,864	-	-	-
Total expenditures		<u>6,534,197</u>	<u>364,134</u>	<u>-</u>	<u>-</u>
Excess/(deficiency) of revenues over expenditures		<u>198,312</u>	<u>29</u>	<u>126,274</u>	<u>1,080</u>
OTHER FINANCING SOURCES/(USES)					
Transfers in		-	-	-	-
Transfers out		-	-	-	-
Total other financing sources/(uses)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance		<u>198,312</u>	<u>29</u>	<u>126,274</u>	<u>1,080</u>
Fund balances - June 30, 2023, as previously reported	(99,389)	2,379,810	1,218	404,437	22,979
Change within financial reporting entity	99,389	-	-	-	-
Fund balances - June 30, 2023, as adjusted	-	2,379,810	1,218	404,437	22,979
Increase/(decrease) in inventories		-	-	-	-
Fund balances - June 30, 2024		<u>\$ 2,578,122</u>	<u>\$ 1,247</u>	<u>\$ 530,711</u>	<u>\$ 24,059</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	7,680	-	-	-	-	-	-
-	-	-	28,206	-	-	-	-
-	-	1,279,415	-	-	-	-	-
14,713	-	-	-	-	25,395	-	99,187
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,447	2,798	-	9,662	12	3,094	813	39,032
-	-	-	-	-	-	-	-
<u>20,160</u>	<u>10,478</u>	<u>1,279,415</u>	<u>37,868</u>	<u>12</u>	<u>28,489</u>	<u>813</u>	<u>138,219</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	11,722	-	159,508
-	-	-	-	412	-	-	-
-	-	-	-	-	-	-	-
-	-	1,553,984	216,592	-	-	-	-
-	-	-	-	-	-	-	-
-	-	95,168	-	-	-	-	-
-	-	21,225	-	-	-	-	-
-	-	-	-	-	-	-	225,775
-	-	<u>1,670,377</u>	<u>216,592</u>	<u>412</u>	<u>11,722</u>	<u>-</u>	<u>385,283</u>
<u>20,160</u>	<u>10,478</u>	<u>(390,962)</u>	<u>(178,724)</u>	<u>(400)</u>	<u>16,767</u>	<u>813</u>	<u>(247,064)</u>
-	-	389,274	123,840	-	-	-	-
-	-	-	-	-	-	-	-
-	-	<u>389,274</u>	<u>123,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>20,160</u>	<u>10,478</u>	<u>(1,688)</u>	<u>(54,884)</u>	<u>(400)</u>	<u>16,767</u>	<u>813</u>	<u>(247,064)</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>
-	-	-	-	-	-	-	-
<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>\$ 129,511</u>	<u>\$ 67,271</u>	<u>\$ (67,222)</u>	<u>\$ 201,065</u>	<u>\$ -</u>	<u>\$ 70,304</u>	<u>\$ 18,093</u>	<u>\$ 1,052,594</u>

(continued)

CITY OF SURPRISE, ARIZONA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

NonMajor Special Revenue Funds

For the Year Ended June 30, 2024

	SPD Towing Fund	Sports & Tourism Fund	Smart & Safe Police Fund	Smart & Safe Fire-Medical Fund	Tourism Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,274,466
Intergovernmental revenue	-	-	418,017	426,323	145,914
Charges for services	32,000	4,300,906	-	-	83,183
Grants revenue	-	-	-	-	-
Fines	-	-	-	-	-
Rents	-	502,733	-	-	-
Development fees	-	-	-	-	-
Interest revenue	573	46,458	-	-	74,375
Other revenue	-	39,840	-	-	-
Total revenues	<u>32,573</u>	<u>4,889,937</u>	<u>418,017</u>	<u>426,323</u>	<u>1,577,938</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	41,727	-	1,207,500	647,000	-
Public works and transportation	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	7,634,261	-	-	675,448
Debt service:					
Administrative charges	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>41,727</u>	<u>7,634,261</u>	<u>1,207,500</u>	<u>647,000</u>	<u>675,448</u>
Excess/(deficiency) of revenues over expenditures	<u>(9,154)</u>	<u>(2,744,324)</u>	<u>(789,483)</u>	<u>(220,677)</u>	<u>902,490</u>
OTHER FINANCING SOURCES/(USES)					
Transfers in	-	3,281,067	-	-	-
Transfers out	-	(24,386)	-	-	(955,849)
Total other financing sources/(uses)	<u>-</u>	<u>3,256,681</u>	<u>-</u>	<u>-</u>	<u>(955,849)</u>
Net change in fund balance	<u>(9,154)</u>	<u>512,357</u>	<u>(789,483)</u>	<u>(220,677)</u>	<u>(53,359)</u>
Fund balances - June 30, 2023, as previously reported	<u>15,739</u>	<u>839,303</u>	<u>822,249</u>	<u>806,069</u>	<u>1,191,304</u>
Change within financial reporting entity	-	-	-	-	-
Fund balances - June 30, 2023, as adjusted	<u>15,739</u>	<u>839,303</u>	<u>822,249</u>	<u>806,069</u>	<u>1,191,304</u>
Increase/(decrease) in inventories	-	46,974	-	-	-
Fund balances - June 30, 2024	<u>\$ 6,585</u>	<u>\$ 1,398,634</u>	<u>\$ 32,766</u>	<u>\$ 585,392</u>	<u>\$ 1,137,945</u>

163rd Ave Development Fee Fund	Fire Development Fee Fund	Parks & Recreation Development Fee Fund	Police Development Fee Fund	Street Lighting Districts Fund	Marley Park CFD Fund	Total NonMajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,628,768	\$ 1,806,903	\$ 5,710,137
-	-	-	-	-	-	1,362,068
-	-	-	-	6,461	-	11,077,930
-	-	-	-	-	-	1,279,415
-	-	-	-	-	-	244,177
-	-	-	-	-	-	502,733
-	3,669,097	3,473,886	1,789,311	-	-	8,932,294
70	567,016	416,361	319,090	51,834	-	1,632,499
-	-	-	-	2,417	-	74,229
<u>70</u>	<u>4,236,113</u>	<u>3,890,247</u>	<u>2,108,401</u>	<u>2,689,480</u>	<u>1,806,903</u>	<u>30,815,482</u>
-	-	242,098	4,381	528,774	-	775,253
-	14,880	-	1,111	-	-	8,041,781
-	-	-	-	-	-	364,546
-	-	-	-	2,298,889	-	2,298,889
-	-	-	-	-	198,602	10,278,887
-	-	-	-	-	72,910	72,910
-	-	-	-	-	715,000	810,168
-	-	-	-	-	1,208,110	1,229,335
70	7,402,213	2,332,116	315,073	-	-	10,851,111
<u>70</u>	<u>7,417,093</u>	<u>2,574,214</u>	<u>320,565</u>	<u>2,827,663</u>	<u>2,194,622</u>	<u>34,722,880</u>
-	(3,180,980)	1,316,033	1,787,836	(138,183)	(387,719)	(3,907,398)
-	-	-	-	-	-	3,794,181
-	(66,812)	(436,926)	(135,213)	-	-	(1,619,186)
-	(66,812)	(436,926)	(135,213)	-	-	2,174,995
-	(3,247,792)	879,107	1,652,623	(138,183)	(387,719)	(1,732,403)
-	13,446,822	8,088,804	6,013,433	1,027,745	652,616	37,340,573
-	-	-	-	-	-	99,389
-	13,446,822	8,088,804	6,013,433	1,027,745	652,616	37,439,962
-	-	-	-	-	-	46,974
<u>\$ -</u>	<u>\$ 10,199,030</u>	<u>\$ 8,967,911</u>	<u>\$ 7,666,056</u>	<u>\$ 889,562</u>	<u>\$ 264,897</u>	<u>\$ 35,754,533</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 5,935,500	\$ 5,935,500	\$ 6,627,174	\$ 691,674
Interest revenue	3,100	3,100	73,363	70,263
Other revenue	42,400	42,400	31,972	(10,428)
Total revenues	<u>5,981,000</u>	<u>5,981,000</u>	<u>6,732,509</u>	<u>751,509</u>
EXPENDITURES				
Current:				
Public safety:				
Fire-Medical	6,783,700	6,383,900	5,958,333	425,567
Total current	<u>6,783,700</u>	<u>6,383,900</u>	<u>5,958,333</u>	<u>425,567</u>
Capital outlay	1,346,000	1,322,500	575,864	746,636
Total expenditures	<u>8,129,700</u>	<u>7,706,400</u>	<u>6,534,197</u>	<u>1,172,203</u>
Excess/(deficiency) of revenues over expenditures	<u>(2,148,700)</u>	<u>(1,725,400)</u>	<u>198,312</u>	<u>1,923,712</u>
Net change in fund balances	<u>\$ (2,148,700)</u>	<u>\$ (1,725,400)</u>	<u>\$ 198,312</u>	<u>\$ 1,923,712</u>

CITY OF SURPRISE, ARIZONA

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

LTAI II/ALF Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 400,000	\$ 400,000	\$ 364,134	\$ (35,866)
Interest revenue	-	-	29	29
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>364,163</u>	<u>(35,837)</u>
EXPENDITURES				
Current:				
Public works and transportation	400,000	400,000	364,134	35,866
Total current	<u>400,000</u>	<u>400,000</u>	<u>364,134</u>	<u>35,866</u>
Total expenditures	<u>400,000</u>	<u>400,000</u>	<u>364,134</u>	<u>35,866</u>
Excess/(deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>29</u>	<u>29</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 29</u>

CITY OF SURPRISE, ARIZONA

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

Municipal Court Enhancement Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 74,400	\$ 74,400	\$ 104,882	\$ 30,482
Interest revenue	-	-	21,392	21,392
Total revenues	<u>74,400</u>	<u>74,400</u>	<u>126,274</u>	<u>51,874</u>
EXPENDITURES				
Current:				
Public safety:				
Court	40,000	40,000	-	40,000
Total current	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Capital outlay	185,000	185,000	-	185,000
Total expenditures	<u>225,000</u>	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Excess/(deficiency) of revenues over expenditures	<u>(150,600)</u>	<u>(150,600)</u>	<u>126,274</u>	<u>276,874</u>
Net change in fund balances	<u>\$ (150,600)</u>	<u>\$ (150,600)</u>	<u>\$ 126,274</u>	<u>\$ 276,874</u>

CITY OF SURPRISE, ARIZONA

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

Municipal Court FARE Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Interest revenue	-	-	1,080	1,080
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>1,080</u>	<u>(920)</u>
EXPENDITURES				
Current:				
Public safety:				
Court	-	-	-	-
Total current	-	-	-	-
Total expenditures	-	-	-	-
Excess/(deficiency) of revenues over expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,080</u>	<u>(920)</u>
Net change in fund balances	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,080</u>	<u>\$ (920)</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 16,000	\$ 16,000	\$ 14,713	\$ (1,287)
Interest revenue	-	-	5,447	5,447
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>20,160</u>	<u>4,160</u>
EXPENDITURES				
Current:				
Public safety:				
Court	-	-	-	-
Total current	-	-	-	-
Total expenditures	-	-	-	-
Excess/(deficiency) of revenues over expenditures	<u>16,000</u>	<u>16,000</u>	<u>20,160</u>	<u>4,160</u>
Net change in fund balances	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 20,160</u>	<u>\$ 4,160</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 9,400	\$ 9,400	\$ 7,680	\$ (1,720)
Interest revenue	-	-	2,798	2,798
Total revenues	<u>9,400</u>	<u>9,400</u>	<u>10,478</u>	<u>1,078</u>
EXPENDITURES				
Current:				
Public safety:				
Court	-	-	-	-
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>9,400</u>	<u>9,400</u>	<u>10,478</u>	<u>1,078</u>
Net change in fund balances	<u>\$ 9,400</u>	<u>\$ 9,400</u>	<u>\$ 10,478</u>	<u>\$ 1,078</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grants revenue	\$ 2,751,100	\$ 2,574,000	\$ 1,279,415	\$ (1,294,585)
Total revenues	2,751,100	2,574,000	1,279,415	(1,294,585)
EXPENDITURES				
Current:				
Culture and recreation:				
Human service and community vitality	2,634,600	2,457,500	1,553,984	903,516
Total current	2,634,600	2,457,500	1,553,984	903,516
Debt service:				
Principal retirement	95,200	95,200	95,168	32
Interest	21,300	21,300	21,225	75
Total debt service	116,500	116,500	116,393	107
Capital outlay				
Total expenditures	2,751,100	2,574,000	1,670,377	903,623
Excess/(deficiency) of revenues over expenditures	-	-	(390,962)	(390,962)
OTHER FINANCING SOURCES/(USES)				
Transfers in	-	-	389,274	389,274
Total other financing sources/(uses)	-	-	389,274	389,274
Net change in fund balances	\$ -	\$ -	\$ (1,688)	\$ (1,688)

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 24,800	\$ 24,800	\$ 28,206	\$ 3,406
Interest revenue	1,000	1,000	9,662	8,662
Total revenues	<u>25,800</u>	<u>25,800</u>	<u>37,868</u>	<u>12,068</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	302,200	302,200	216,592	85,608
Total current	<u>302,200</u>	<u>302,200</u>	<u>216,592</u>	<u>85,608</u>
Total expenditures	<u>302,200</u>	<u>302,200</u>	<u>216,592</u>	<u>85,608</u>
Excess/(deficiency) of revenues over expenditures	<u>(276,400)</u>	<u>(276,400)</u>	<u>(178,724)</u>	<u>97,676</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in	124,700	124,700	123,840	(860)
Total other financing sources/(uses)	<u>124,700</u>	<u>124,700</u>	<u>123,840</u>	<u>(860)</u>
Net change in fund balances	<u>\$ (151,700)</u>	<u>\$ (151,700)</u>	<u>\$ (54,884)</u>	<u>\$ 96,816</u>

CITY OF SURPRISE, ARIZONA

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

Proposition 400 Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ -	\$ -	\$ 12	\$ 12
Total revenues	-	-	12	12
EXPENDITURES				
Current:				
Public works and transportation	-	500	412	88
Total current	-	500	412	88
Total expenditures	-	500	412	88
Excess/(deficiency) of revenues over expenditures	-	(500)	(400)	100
Net change in fund balances	\$ -	\$ (500)	\$ (400)	\$ 100

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 18,000	\$ 18,000	\$ 25,395	\$ 7,395
Interest revenue	200	200	3,094	2,894
Total revenues	<u>18,200</u>	<u>18,200</u>	<u>28,489</u>	<u>10,289</u>
EXPENDITURES				
Current:				
Public safety:				
Police	30,500	30,500	11,722	18,778
Total current	<u>30,500</u>	<u>30,500</u>	<u>11,722</u>	<u>18,778</u>
Total expenditures	<u>30,500</u>	<u>30,500</u>	<u>11,722</u>	<u>18,778</u>
Excess/(deficiency) of revenues over expenditures	<u>(12,300)</u>	<u>(12,300)</u>	<u>16,767</u>	<u>29,067</u>
Net change in fund balances	<u>\$ (12,300)</u>	<u>\$ (12,300)</u>	<u>\$ 16,767</u>	<u>\$ 29,067</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ -	\$ -	\$ 813	\$ 813
Total revenues	-	-	813	813
EXPENDITURES				
Current:				
Public safety:				
Police	-	-	-	-
Total current	-	-	-	-
Total expenditures	-	-	-	-
Excess/(deficiency) of revenues over expenditures	-	-	813	813
Net change in fund balances	\$ -	\$ -	\$ 813	\$ 813

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 268,000	\$ 268,000	\$ 99,187	\$ (168,813)
Interest revenue	-	-	39,032	39,032
Total revenues	<u>268,000</u>	<u>268,000</u>	<u>138,219</u>	<u>(129,781)</u>
EXPENDITURES				
Current:				
Public safety:				
Police	510,800	510,800	159,508	351,292
Total current	<u>510,800</u>	<u>510,800</u>	<u>159,508</u>	<u>351,292</u>
Capital outlay	-	-	225,775	(225,775)
Total expenditures	<u>510,800</u>	<u>510,800</u>	<u>385,283</u>	<u>125,517</u>
Excess/(deficiency) of revenues over expenditures	<u>(242,800)</u>	<u>(242,800)</u>	<u>(247,064)</u>	<u>(4,264)</u>
Net change in fund balances	<u>\$ (242,800)</u>	<u>\$ (242,800)</u>	<u>\$ (247,064)</u>	<u>\$ (4,264)</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 25,800	\$ 25,800	\$ 32,000	\$ 6,200
Interest revenue	200	200	573	373
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>32,573</u>	<u>6,573</u>
EXPENDITURES				
Current:				
Public safety:				
Police	71,100	71,100	41,727	29,373
Total current	<u>71,100</u>	<u>71,100</u>	<u>41,727</u>	<u>29,373</u>
Total expenditures	<u>71,100</u>	<u>71,100</u>	<u>41,727</u>	<u>29,373</u>
Excess/(deficiency) of revenues over expenditures	<u>(45,100)</u>	<u>(45,100)</u>	<u>(9,154)</u>	<u>35,946</u>
Net change in fund balances	<u>\$ (45,100)</u>	<u>\$ (45,100)</u>	<u>\$ (9,154)</u>	<u>\$ 35,946</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 2,924,900	\$ 3,085,200	\$ 4,300,906	\$ 1,215,706
Rents	355,500	355,500	502,733	147,233
Interest revenue	-	-	46,458	46,458
Other revenue	61,100	61,100	39,840	(21,260)
Total revenues	<u>3,341,500</u>	<u>3,501,800</u>	<u>4,889,937</u>	<u>1,388,137</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	7,414,800	8,124,600	7,634,261	490,339
Total current	<u>7,414,800</u>	<u>8,124,600</u>	<u>7,634,261</u>	<u>490,339</u>
Total expenditures	<u>7,414,800</u>	<u>8,124,600</u>	<u>7,634,261</u>	<u>490,339</u>
Excess/(deficiency) of revenues over expenditures	<u>(4,073,300)</u>	<u>(4,622,800)</u>	<u>(2,744,324)</u>	<u>1,878,476</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in	4,073,300	4,073,300	3,281,067	(792,233)
Transfers out	-	-	(24,386)	(24,386)
Total other financing sources/(uses)	<u>4,073,300</u>	<u>4,073,300</u>	<u>3,256,681</u>	<u>(816,619)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (549,500)</u>	<u>\$ 512,357</u>	<u>\$ 1,061,857</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 400,000	\$ 400,000	\$ 418,017	\$ 18,017
Total revenues	400,000	400,000	418,017	18,017
EXPENDITURES				
Current:				
Public safety:				
Police	1,207,500	1,207,500	1,207,500	-
Total current	1,207,500	1,207,500	1,207,500	-
Total expenditures	1,207,500	1,207,500	1,207,500	-
Excess/(deficiency) of revenues over expenditures	(807,500)	(807,500)	(789,483)	18,017
Net change in fund balances	\$ (807,500)	\$ (807,500)	\$ (789,483)	\$ 18,017

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 400,000	\$ 400,000	\$ 426,323	\$ 26,323
Total revenues	400,000	400,000	426,323	26,323
EXPENDITURES				
Current:				
Public safety				
Fire-Medical	647,000	647,000	647,000	-
Total current	647,000	647,000	647,000	-
Capital outlay	550,000	550,000	-	550,000
Total expenditures	1,197,000	1,197,000	647,000	550,000
Excess/(deficiency) of revenues over expenditures	(797,000)	(797,000)	(220,677)	576,323
Net change in fund balances	\$ (797,000)	\$ (797,000)	\$ (220,677)	\$ 576,323

CITY OF SURPRISE, ARIZONA

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

Tourism Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,238,500	\$ 1,238,500	\$ 1,274,466	\$ 35,966
Intergovernmental revenue	230,000	230,000	145,914	(84,086)
Charges for services	500,000	500,000	83,183	(416,817)
Interest revenue	-	-	74,375	74,375
Total revenues	<u>1,968,500</u>	<u>1,968,500</u>	<u>1,577,938</u>	<u>(390,562)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	956,900	1,086,900	675,448	411,452
Total current	<u>956,900</u>	<u>1,086,900</u>	<u>675,448</u>	<u>411,452</u>
Total expenditures	<u>956,900</u>	<u>1,086,900</u>	<u>675,448</u>	<u>411,452</u>
Excess/(deficiency) of revenues over expenditures	<u>1,011,600</u>	<u>881,600</u>	<u>902,490</u>	<u>20,890</u>
OTHER FINANCING SOURCES/(USES)				
Transfers out	(928,900)	(928,900)	(955,849)	(26,949)
Total other financing sources/(uses)	<u>(928,900)</u>	<u>(928,900)</u>	<u>(955,849)</u>	<u>(26,949)</u>
Net change in fund balances	<u>\$ 82,700</u>	<u>\$ (47,300)</u>	<u>\$ (53,359)</u>	<u>\$ (6,059)</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ 100	\$ 100	\$ 70	\$ (30)
Total revenues	100	100	70	(30)
EXPENDITURES				
Current:				
Public works and transportation	-	94,900	-	94,900
Total current	-	94,900	-	94,900
Capital outlay	100,600	5,700	70	5,630
Total expenditures	100,600	100,600	70	100,530
Excess/(deficiency) of revenues over expenditures	(100,500)	(100,500)	-	100,500
Net change in fund balances	\$ (100,500)	\$ (100,500)	\$ -	\$ 100,500

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 2,639,600	\$ 2,639,600	\$ 3,669,097	\$ 1,029,497
Interest revenue	107,700	107,700	567,016	459,316
Total revenues	<u>2,747,300</u>	<u>2,747,300</u>	<u>4,236,113</u>	<u>1,488,813</u>
EXPENDITURES				
Current				
Public safety:				
Fire-Medical	32,500	332,700	14,880	317,820
Total current	<u>32,500</u>	<u>332,700</u>	<u>14,880</u>	<u>317,820</u>
Capital Outlay	15,341,000	15,040,800	7,402,213	7,638,587
Total expenditures	<u>15,373,500</u>	<u>15,373,500</u>	<u>7,417,093</u>	<u>7,956,407</u>
Excess/(deficiency) of revenues over expenditures	<u>(12,626,200)</u>	<u>(12,626,200)</u>	<u>(3,180,980)</u>	<u>9,445,220</u>
OTHER FINANCING SOURCES/(USES)				
Transfers out	(67,000)	(67,000)	(66,812)	188
Total other financing sources/(uses)	<u>(67,000)</u>	<u>(67,000)</u>	<u>(66,812)</u>	<u>188</u>
Net change in fund balances	<u>\$ (12,693,200)</u>	<u>\$ (12,693,200)</u>	<u>\$ (3,247,792)</u>	<u>\$ 9,445,408</u>

CITY OF SURPRISE, ARIZONA

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

Parks & Recreation Development Fee Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 2,963,100	\$ 2,963,100	\$ 3,473,886	\$ 510,786
Interest revenue	81,300	81,300	416,361	335,061
Total revenues	<u>3,044,400</u>	<u>3,044,400</u>	<u>3,890,247</u>	<u>845,847</u>
EXPENDITURES				
Current:				
General government	3,116,700	3,150,500	242,098	2,908,402
Total current	<u>3,116,700</u>	<u>3,150,500</u>	<u>242,098</u>	<u>2,908,402</u>
Capital outlay	8,174,900	8,141,100	2,332,116	5,808,984
Total expenditures	<u>11,291,600</u>	<u>11,291,600</u>	<u>2,574,214</u>	<u>8,717,386</u>
Excess/(deficiency) of revenues over expenditures	<u>(8,247,200)</u>	<u>(8,247,200)</u>	<u>1,316,033</u>	<u>9,563,233</u>
OTHER FINANCING SOURCES/(USES)				
Transfers out	(437,100)	(437,100)	(436,926)	174
Total other financing sources/(uses)	<u>(437,100)</u>	<u>(437,100)</u>	<u>(436,926)</u>	<u>174</u>
Net change in fund balances	<u>\$ (8,684,300)</u>	<u>\$ (8,684,300)</u>	<u>\$ 879,107</u>	<u>\$ 9,563,407</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 1,448,300	\$ 1,448,300	\$ 1,789,311	\$ 341,011
Interest revenue	65,000	65,000	319,090	254,090
Total revenues	<u>1,513,300</u>	<u>1,513,300</u>	<u>2,108,401</u>	<u>595,101</u>
EXPENDITURES				
Current:				
General government	9,900	7,700	4,381	3,319
Public safety:				
Police	5,048,100	5,055,300	1,111	5,054,189
Total current	<u>5,058,000</u>	<u>5,063,000</u>	<u>5,492</u>	<u>5,057,508</u>
Capital outlay	<u>2,280,900</u>	<u>2,275,900</u>	<u>315,073</u>	<u>1,960,827</u>
Total expenditures	<u>7,338,900</u>	<u>7,338,900</u>	<u>320,565</u>	<u>7,018,335</u>
Excess/(deficiency) of revenues over expenditures	<u>(5,825,600)</u>	<u>(5,825,600)</u>	<u>1,787,836</u>	<u>7,613,436</u>
OTHER FINANCING SOURCES/(USES)				
Transfers out	(135,400)	(135,400)	(135,213)	187
Total other financing sources/(uses)	<u>(135,400)</u>	<u>(135,400)</u>	<u>(135,213)</u>	<u>187</u>
Net change in fund balances	<u>\$ (5,961,000)</u>	<u>\$ (5,961,000)</u>	<u>\$ 1,652,623</u>	<u>\$ 7,613,623</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,660,100	\$ 2,660,100	\$ 2,628,768	\$ (31,332)
Charges for services	11,900	11,900	6,461	(5,439)
Interest revenue	-	-	51,834	51,834
Other revenue	-	-	2,417	2,417
Total revenues	<u>2,672,000</u>	<u>2,672,000</u>	<u>2,689,480</u>	<u>17,480</u>
EXPENDITURES				
Current:				
General government	303,300	352,200	528,774	(176,574)
Community development	3,379,900	3,393,600	2,298,889	1,094,711
Total current	<u>3,683,200</u>	<u>3,745,800</u>	<u>2,827,663</u>	<u>918,137</u>
Total expenditures	<u>3,683,200</u>	<u>3,745,800</u>	<u>2,827,663</u>	<u>918,137</u>
Excess/(deficiency) of revenues over expenditures	<u>(1,011,200)</u>	<u>(1,073,800)</u>	<u>(138,183)</u>	<u>935,617</u>
Net change in fund balances	<u>\$ (1,011,200)</u>	<u>\$ (1,073,800)</u>	<u>\$ (138,183)</u>	<u>\$ 935,617</u>

CITY OF SURPRISE, ARIZONA

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

Marley Park Community Facilities District Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,815,300	\$ 1,815,300	\$ 1,806,903	\$ (8,397)
Total revenues	<u>1,815,300</u>	<u>1,815,300</u>	<u>1,806,903</u>	<u>(8,397)</u>
EXPENDITURES				
Current:				
General government	268,000	268,000	-	268,000
Culture and recreation:				
Parks and recreation	199,600	199,600	198,602	998
Total current	<u>467,600</u>	<u>467,600</u>	<u>198,602</u>	<u>268,998</u>
Debt service:				
Administrative charges	4,000	4,000	72,910	(68,910)
Principal retirement	715,000	715,000	715,000	-
Interest	1,208,200	1,208,200	1,208,110	90
Total debt service	<u>1,927,200</u>	<u>1,927,200</u>	<u>1,996,020</u>	<u>(68,820)</u>
Total expenditures	<u>2,394,800</u>	<u>2,394,800</u>	<u>2,194,622</u>	<u>200,178</u>
Excess/(deficiency) of revenues over expenditures	<u>(579,500)</u>	<u>(579,500)</u>	<u>(387,719)</u>	<u>191,781</u>
Net change in fund balances	<u>\$ (579,500)</u>	<u>\$ (579,500)</u>	<u>\$ (387,719)</u>	<u>\$ 191,781</u>

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, 2024

	Risk Management Fund	Employee Healthcare Trust Fund	Workers' Compensation Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 9,098,890	\$ 9,621,877	\$ 4,620,120	\$ 23,340,887
Receivables (net of allowances):				
Other	883,987	345,832	-	1,229,819
Other assets	-	270	-	270
Total current assets	<u>9,982,877</u>	<u>9,967,979</u>	<u>4,620,120</u>	<u>24,570,976</u>
NonCurrent assets:				
Net OPEB asset	10,189	3,698	3,221	17,108
Total noncurrent assets	<u>10,189</u>	<u>3,698</u>	<u>3,221</u>	<u>17,108</u>
Total assets	<u>9,993,066</u>	<u>9,971,677</u>	<u>4,623,341</u>	<u>24,588,084</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	45,194	16,404	14,287	75,885
Deferred outflows related to OPEB	1,532	555	485	2,572
Total deferred outflows of resources	<u>46,726</u>	<u>16,959</u>	<u>14,772</u>	<u>78,457</u>
Total assets and deferred outflows of resources	<u>\$ 10,039,792</u>	<u>\$ 9,988,636</u>	<u>\$ 4,638,113</u>	<u>\$ 24,666,541</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,003	\$ 545,261	\$ 8,350	\$ 554,614
Accrued payroll and related taxes	7,388	3,440	-	10,828
Claims payable, current portion	129,527	2,803,937	387,768	3,321,232
Compensated absences payable, due in less than one year	6,196	3,424	15,877	25,497
Total current liabilities	<u>144,114</u>	<u>3,356,062</u>	<u>411,995</u>	<u>3,912,171</u>
NonCurrent liabilities:				
Compensated absences payable, due in more than one year	9,691	5,356	24,833	39,880
Claims payable, noncurrent portion	-	-	481,480	481,480
Net pension liability	299,111	108,571	94,559	502,241
Net OPEB liability	244	89	77	410
Total noncurrent liabilities	<u>309,046</u>	<u>114,016</u>	<u>600,949</u>	<u>1,024,011</u>
Total liabilities	<u>453,160</u>	<u>3,470,078</u>	<u>1,012,944</u>	<u>4,936,182</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	11,964	4,343	3,782	20,089
Deferred inflows related to OPEB	5,075	1,842	1,604	8,521
Total deferred inflows of resources	<u>17,039</u>	<u>6,185</u>	<u>5,386</u>	<u>28,610</u>
Total liabilities and deferred inflows of resources	<u>470,199</u>	<u>3,476,263</u>	<u>1,018,330</u>	<u>4,964,792</u>
NET POSITION				
Unrestricted	9,569,593	6,512,373	3,619,783	19,701,749
Total net position	<u>\$ 9,569,593</u>	<u>\$ 6,512,373</u>	<u>\$ 3,619,783</u>	<u>\$ 19,701,749</u>

CITY OF SURPRISE, ARIZONA

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

Internal Service Funds

For the Year Ended June 30, 2024

	Risk Management Fund	Employee Healthcare Trust Fund	Workers' Compensation Fund	Total Internal Service funds
OPERATING REVENUES				
Charges for services	\$ 3,768,000	\$ 19,660,397	\$ 1,542,701	\$ 24,971,098
Other revenue	1,380,570	-	650	1,381,220
Total operating revenues	<u>5,148,570</u>	<u>19,660,397</u>	<u>1,543,351</u>	<u>26,352,318</u>
OPERATING EXPENSES				
Personnel services	148,875	129,510	287,557	565,942
Contractual services, materials, and supplies	94,962	185,744	69,095	349,801
Insurance claims, premiums, and administrative expenses	2,687,927	19,552,326	1,427,691	23,667,944
Total operating expenses	<u>2,931,764</u>	<u>19,867,580</u>	<u>1,784,343</u>	<u>24,583,687</u>
Operating income/(loss)	<u>2,216,806</u>	<u>(207,183)</u>	<u>(240,992)</u>	<u>1,768,631</u>
NONOPERATING REVENUES/(EXPENSES)				
Interest revenue	373,122	205,196	202,235	780,553
Total nonoperating revenues/(expenses)	<u>373,122</u>	<u>205,196</u>	<u>202,235</u>	<u>780,553</u>
Change in net position	<u>2,589,928</u>	<u>(1,987)</u>	<u>(38,757)</u>	<u>2,549,184</u>
Total net position - beginning	6,979,665	6,514,360	3,658,540	17,152,565
Total net position - ending	<u>\$ 9,569,593</u>	<u>\$ 6,512,373</u>	<u>\$ 3,619,783</u>	<u>\$ 19,701,749</u>

CITY OF SURPRISE, ARIZONA

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2024

	Risk Management Fund	Employee Healthcare Trust Fund	Workers' Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from interfund services provided	\$ 3,768,000	\$ 19,313,351	\$ 1,542,701	\$ 24,624,052
Payments to employees	(116,903)	(137,496)	(288,695)	(543,094)
Payments to suppliers	(96,526)	199,754	(71,766)	31,462
Payments for insurance claims and expenses	(2,795,077)	(18,527,686)	(1,545,606)	(22,868,369)
Other receipts	1,007,027	496,769	650	1,504,446
Net cash provided/(used) by operating activities	<u>1,766,521</u>	<u>1,344,692</u>	<u>(362,716)</u>	<u>2,748,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from interest income/(loss)	373,122	205,196	202,235	780,553
Net cash provided/(used) by investing activities	<u>373,122</u>	<u>205,196</u>	<u>202,235</u>	<u>780,553</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,139,643</u>	<u>1,549,888</u>	<u>(160,481)</u>	<u>3,529,050</u>
Balances - beginning of year	\$ 6,959,247	\$ 8,071,989	\$ 4,780,601	\$ 19,811,837
Balances - end of the year	<u>\$ 9,098,890</u>	<u>\$ 9,621,877</u>	<u>\$ 4,620,120</u>	<u>\$ 23,340,887</u>
Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities:				
Operating income/(loss)	\$ 2,216,806	\$ (207,183)	\$ (240,992)	\$ 1,768,631
Adjustments to reconcile operating income/(loss) to net cash provided/(used) by operating activities:				
Changes in assets and liabilities:				
Other receivables	(373,543)	149,723	-	(223,820)
Other assets	1,822	150	-	1,972
Accounts payable	(3,812)	385,348	(2,806)	378,730
Accrued payroll and related taxes	7,386	1,393	(5,736)	3,043
Compensated absences	15,887	(12,692)	1,851	5,046
Net pension liability	10,593	3,845	3,348	17,786
Claims payable	(107,150)	1,024,640	(117,915)	799,575
Net OPEB asset/liability	(1,468)	(532)	(466)	(2,466)
Net cash provided/(used) by operating activities	<u>\$ 1,766,521</u>	<u>\$ 1,344,692</u>	<u>\$ (362,716)</u>	<u>\$ 2,748,497</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 Financial Reports for the relevant year.

CITY OF SURPRISE, ARIZONA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities				
Net investment in capital assets	\$ 409,274,827	\$ 405,111,110	\$ 392,458,485	\$ 393,984,378
Restricted	27,948,361	22,743,525	24,613,341	67,683,440
Unrestricted	(18,482,747)	(16,896,594)	(27,479,276)	(57,592,973)
Total governmental activities net position	<u>\$ 418,740,441</u>	<u>\$ 410,958,041</u>	<u>\$ 389,592,550</u>	<u>\$ 404,074,845</u>
Business-type activities				
Net investment in capital assets	\$ 264,678,599	\$ 270,081,565	\$ 279,249,380	\$ 277,989,957
Restricted	5,381,403	13,039,887	12,326,207	14,365,125
Unrestricted	44,564,505	29,979,759	22,570,204	31,396,601
Total business-type activities net position	<u>\$ 314,624,507</u>	<u>\$ 313,101,211</u>	<u>\$ 314,145,791</u>	<u>\$ 323,751,683</u>
Primary government				
Net investment in capital assets	\$ 673,953,426	\$ 675,192,675	\$ 671,707,865	\$ 671,974,335
Restricted	33,329,764	35,783,412	36,939,548	82,048,565
Unrestricted	26,081,758	13,083,165	(4,909,072)	(26,196,372)
Total primary government net position	<u>\$ 733,364,948</u>	<u>\$ 724,059,252</u>	<u>\$ 703,738,341</u>	<u>\$ 727,826,528</u>

Source: City financial records

2019	2020	2021	2022	2023	2024
\$ 399,420,150	\$ 435,144,710	\$ 502,976,390	\$ 557,077,466	\$ 635,129,381	\$ 693,013,470
29,462,370	21,821,951	39,557,045	39,307,858	40,382,529.00	41,067,127
1,815,847	28,238,342	75,855,018	141,847,579	193,259,901.00	270,926,964
<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>	<u>\$ 1,005,007,561</u>
\$ 274,750,943	\$ 282,360,332	\$ 320,299,739	\$ 331,988,392	\$ 359,266,161	\$ 390,227,565
12,932,109	13,735,679	9,425,177	12,408,370	19,561,463	29,531,878
43,938,146	52,259,316	67,556,649	78,863,705	89,533,789	102,591,695
<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>	<u>\$ 522,351,138</u>
\$ 674,171,093	\$ 717,505,042	\$ 823,276,129	\$ 889,065,858	\$ 994,395,542	\$ 1,083,241,035
42,394,479	35,557,630	48,982,222	51,716,228	59,943,992	70,599,005
45,753,993	80,497,658	143,411,667	220,711,284	282,793,690	373,518,659
<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>	<u>\$ 1,527,358,699</u>

CITY OF SURPRISE, ARIZONA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2015	2016	2017	2018
Expenses				
Governmental Activities:				
General government	\$ 21,038,892	\$ 18,906,430	\$ 27,733,034	\$ 24,693,086
Public safety	44,415,505	47,273,449	64,148,194	51,157,392
Public works and transportation	35,141,030	38,670,796	41,540,981	37,661,923
Community development	5,205,925	10,235,430	12,326,274	12,345,202
Culture and recreation	21,863,417	25,690,406	22,555,794	26,471,045
Interest on long-term debt	1,635,320	1,472,910	1,381,807	1,927,016
Total governmental activities expenses	<u>129,300,089</u>	<u>142,249,421</u>	<u>169,686,084</u>	<u>154,255,664</u>
Business-type Activities:				
Ground ambulance services	-	-	-	3,141,623
Water	10,619,858	11,823,538	15,013,661	10,926,918
Sewer	20,360,031	20,399,067	19,519,303	20,039,173
Sanitation	7,883,309	7,972,061	9,034,441	8,557,348
Stormwater	-	-	187,744	775,651
Total business-type activities	<u>38,863,198</u>	<u>40,194,666</u>	<u>43,755,149</u>	<u>43,440,713</u>
Total primary government expenses	<u>\$ 168,163,287</u>	<u>\$ 182,444,087</u>	<u>\$ 213,441,233</u>	<u>\$ 197,696,377</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	\$ 5,301,697	\$ 5,041,335	\$ 5,863,856	\$ 7,171,091
Public safety	2,963,326	3,778,584	3,600,402	2,801,908
Public works and transportation	507,198	853,321	1,445,873	2,252,924
Community development	2,005,421	2,552,293	3,770,393	7,384,028
Culture and recreation	5,313,203	5,894,021	5,586,303	5,507,476
Operating grants and contributions	9,908,788	11,178,339	12,097,958	12,530,903
Capital grants and contributions	11,561,202	11,558,409	14,356,832	25,485,790
Total governmental activities program revenues	<u>37,560,835</u>	<u>40,856,302</u>	<u>46,721,617</u>	<u>63,134,120</u>
Business-type activities:				
Charges for services:				
Ground ambulance services	-	-	-	2,974,704
Water	10,814,903	12,195,621	14,048,726	14,227,502
Sewer	17,950,085	16,151,096	17,190,499	17,345,559
Sanitation	6,952,296	7,099,896	7,525,140	7,485,027
Stormwater	-	-	1,282,788	1,834,202
Operating grants and contributions	-	-	-	-
Capital grants and contributions	129,722	3,107,265	5,788,132	9,682,391
Total business-type activities program revenues	<u>35,847,006</u>	<u>38,553,878</u>	<u>45,835,285</u>	<u>53,549,385</u>
Total primary government program revenues	<u>\$ 73,407,841</u>	<u>\$ 79,410,180</u>	<u>\$ 92,556,902</u>	<u>\$ 116,683,505</u>

2019	2020	2021	2022	2023	2024
\$ 18,847,192	\$ 30,683,840	\$ 27,692,032	\$ 23,540,312	\$ 28,301,955	\$ 33,279,341
60,235,535	60,035,327	66,442,651	70,506,625	81,547,703	102,223,843
41,578,280	46,270,405	39,687,896	44,050,913	55,094,815	56,438,765
12,382,036	12,764,778	11,564,452	16,842,667	19,817,626	22,653,720
24,970,626	20,925,306	29,248,928	32,115,378	40,095,959	42,312,853
2,473,876	2,635,766	2,695,568	2,471,982	2,804,532	2,559,564
<u>160,487,545</u>	<u>173,315,422</u>	<u>177,331,527</u>	<u>189,527,877</u>	<u>227,662,590</u>	<u>259,468,086</u>
3,375,334	4,407,898	4,696,823	5,577,280	-	-
11,690,946	18,376,477	19,000,628	16,337,896	17,982,628	23,647,322
19,340,045	19,418,478	24,744,000	26,366,082	25,233,442	26,371,523
8,657,107	9,077,490	7,669,633	10,463,274	11,969,060	13,608,286
1,363,889	1,209,576	1,167,538	1,269,792	1,532,003	1,897,536
<u>44,427,321</u>	<u>52,489,919</u>	<u>57,278,622</u>	<u>60,014,324</u>	<u>56,717,133</u>	<u>65,524,667</u>
<u>\$ 204,914,866</u>	<u>\$ 225,805,341</u>	<u>\$ 234,610,149</u>	<u>\$ 249,542,201</u>	<u>\$ 284,379,723</u>	<u>\$ 324,992,753</u>
\$ 6,744,068	\$ 6,729,339	\$ 8,125,797	\$ 7,074,743	\$ 6,986,841	\$ 7,334,363
1,948,725	1,581,814	1,754,361	2,715,939	8,895,858	10,731,966
4,100,847	3,570,832	5,283,508	6,154,286	5,758,180	6,748,752
9,901,258	12,206,567	16,185,099	20,408,874	16,694,651	22,077,995
5,590,198	3,311,464	3,480,856	4,887,693	7,108,660	8,489,303
11,555,218	21,503,712	22,709,789	25,235,620	16,226,512	15,926,374
<u>22,468,016</u>	<u>42,184,054</u>	<u>92,168,449</u>	<u>68,578,941</u>	<u>78,590,365</u>	<u>70,515,094</u>
<u>62,308,330</u>	<u>91,087,782</u>	<u>149,707,859</u>	<u>135,056,096</u>	<u>140,261,067</u>	<u>141,823,847</u>
3,284,354	3,946,881	4,541,588	5,929,650	-	-
16,125,842	18,226,759	20,727,214	21,541,940	20,634,451	24,345,273
17,612,146	19,142,098	20,301,588	21,257,199	22,089,082	22,605,212
7,859,915	10,380,560	12,271,547	13,054,015	13,621,619	14,196,955
1,987,661	1,934,275	2,554,905	2,579,333	2,732,797	2,809,444
-	60,647	14,820	-	-	-
<u>5,509,692</u>	<u>15,030,201</u>	<u>46,935,506</u>	<u>22,872,999</u>	<u>41,854,478</u>	<u>51,397,525</u>
<u>52,379,610</u>	<u>68,721,421</u>	<u>107,347,168</u>	<u>87,235,136</u>	<u>100,932,427</u>	<u>115,354,409</u>
<u>\$ 114,687,940</u>	<u>\$ 159,809,203</u>	<u>\$ 257,055,027</u>	<u>\$ 222,291,232</u>	<u>\$ 241,193,494</u>	<u>\$ 257,178,256</u>

CITY OF SURPRISE, ARIZONA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2015	2016	2017	2018
Net revenue/expense:				
Governmental activities	\$ (91,739,254)	\$ (101,393,119)	\$ (122,964,467)	\$ (91,121,544)
Business-type activities	(3,016,192)	(1,640,788)	2,080,136	10,108,672
Total primary government net expense	<u>\$ (94,755,446)</u>	<u>\$ (103,033,907)</u>	<u>\$ (120,884,331)</u>	<u>\$ (81,012,872)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 9,713,903	\$ 9,962,925	\$ 10,441,730	\$ 10,813,317
Sales taxes	42,111,177	46,807,817	49,416,383	54,419,572
Franchise taxes	5,249,320	5,062,719	5,674,974	5,643,876
Unrestricted State shared revenue	29,879,804	30,560,635	31,755,661	35,032,519
Unrestricted investment earnings	400,260	607,602	26,274	324,501
Other	1,146,649	407,445	3,129,094	(753,721)
Transfers	1,132,145	201,576	1,154,860	1,355,582
Total governmental activities	<u>89,633,258</u>	<u>93,610,719</u>	<u>101,598,976</u>	<u>106,835,646</u>
Business-type activities:				
Unrestricted investment earnings	253,407	319,068	119,304	141,108
Other	-	-	-	-
Transfers	(1,132,145)	(201,576)	(1,154,860)	(1,355,582)
Total business-type activities	<u>(878,738)</u>	<u>117,492</u>	<u>(1,035,556)</u>	<u>(1,214,474)</u>
Total primary government	<u>\$ 88,754,520</u>	<u>\$ 93,728,211</u>	<u>\$ 100,563,420</u>	<u>\$ 105,621,172</u>
Change in Net Position				
Governmental activities	\$ (2,105,996)	\$ (7,782,400)	\$ (21,365,491)	\$ 15,714,102
Business-type activities	(3,894,930)	(1,523,296)	1,044,580	8,894,198
Prior period adjustments	-	-	-	(520,113)
Total primary government	<u>\$ (6,000,926)</u>	<u>\$ (9,305,696)</u>	<u>\$ (20,320,911)</u>	<u>\$ 24,088,187</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 year's financial statements were not restated.

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

2019	2020	2021	2022	2023	2024
\$ (98,179,215)	\$ (82,227,640)	\$ (27,623,668)	\$ (54,471,781)	\$ (87,401,523)	\$ (117,644,239)
7,952,289	16,231,502	50,068,546	27,220,812	44,215,294	49,829,742
<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>	<u>\$ (67,814,497)</u>
\$ 16,143,232	\$ 17,015,618	\$ 17,675,230	\$ 19,263,163	\$ 21,294,443	\$ 22,107,325
61,596,634	70,904,612	90,643,310	103,406,232	124,293,240	134,984,846
5,609,625	5,514,602	5,654,379	6,424,278	6,676,257	7,500,528
35,899,596	38,379,519	44,122,121	45,691,294	57,757,239	71,703,348
3,494,962	3,403,862	228,665	(2,591,655)	5,759,229	15,420,973
517,587	418,161	1,040,102	1,420,878	838,040	545,304
1,541,101	1,097,902	1,443,311	702,041	1,563,726	1,617,665
<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>	<u>253,879,989</u>
1,458,327	1,556,564	115,514	(821,961)	1,959,742	5,053,685
-	43,965	185,489	282,092	247,893	723,963
(1,541,101)	(1,097,902)	(1,443,311)	(702,041)	(1,563,726)	(1,617,665)
<u>(82,774)</u>	<u>502,627</u>	<u>(1,142,308)</u>	<u>(1,241,910)</u>	<u>643,909</u>	<u>4,159,983</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>	<u>\$ 258,039,972</u>
\$ 26,623,522	\$ 54,506,636	\$ 133,183,450	\$ 119,844,450	\$ 130,780,651	\$ 136,235,750
7,869,515	16,734,129	48,926,238	25,978,902	44,859,203	53,989,725
-	-	-	-	-	-
<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>	<u>\$ 190,225,475</u>

CITY OF SURPRISE, ARIZONA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2015	2016	2017	2018
General fund				
NonSpendable	\$ 1,313,505	\$ 1,287,510	\$ 1,262,361	\$ 1,602,598
Restricted	-	-	501,278	480,554
Committed	-	-	-	-
Assigned	578,518	542,821	338,555	338,167
Unassigned	34,324,717	37,385,696	38,436,548	41,763,040
Total general fund	<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	\$ 195,374	\$ 368,126	\$ 618,466	\$ 638,371
Restricted	46,848,361	23,064,256	24,112,063	67,202,886
Committed	42,241,616	40,246,190	40,005,619	3,483,301
Assigned	1,209,403	469,830	1,109,942	2,912,343
Unassigned	(49,288,936)	(47,671,784)	(46,064,773)	(8,258,667)
Total all other governmental funds	<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	2024
\$ 2,197,168	\$ 2,563,831	\$ 3,565,902	\$ 1,606,366	\$ 1,469,470	\$ 2,518,358
454,024	491,526	525,607	419,863	303,801	156,631
-	-	-	25,185,400	43,210,100	51,571,900
393,622	490,732	16,732,161	27,234,620	29,737,690	40,013,117
42,252,127	73,973,321	91,303,747	66,180,747	60,941,871	52,139,431
<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>	<u>\$ 146,399,437</u>
\$ 664,672	\$ 415,537	\$ 405,327	\$ 582,565	\$ 3,618,463	\$ 3,328,353
61,562,397	29,864,806	39,031,439	38,819,236	37,715,188	37,179,035
6,446,528	9,115,539	14,406,518	19,835,271	29,800,917	37,606,919
19,690,585	17,786,146	38,853,060	81,506,299	106,547,453	146,208,832
(5,888,966)	(4,903,347)	(4,669,172)	(3,781,399)	(3,515,299)	(4,081,004)
<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>	<u>\$ 220,242,135</u>

CITY OF SURPRISE, ARIZONA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues				
Taxes	\$ 52,178,522	\$ 56,908,903	\$ 59,749,360	\$ 65,257,328
Licenses and permits	4,975,398	5,121,719	5,811,255	5,817,956
Intergovernmental revenue	37,947,604	39,209,688	40,430,400	44,773,004
Charges for services	9,241,853	11,363,453	13,127,359	15,186,099
Grants revenue	1,659,609	3,060,620	1,856,830	2,691,930
Fines	1,768,671	1,214,978	1,052,366	2,281,998
Rents	549,400	630,514	621,033	601,628
Development fees	2,224,125	3,297,082	4,413,714	5,306,365
Interest revenue	400,260	607,602	24,449	310,038
Donations	245,671	228,316	160,706	183,307
Indirect charges	4,682,772	4,884,443	4,768,960	5,249,200
Other revenue	1,155,192	392,199	2,908,665	522,745
Total revenues	<u>117,029,077</u>	<u>126,919,517</u>	<u>134,925,097</u>	<u>148,181,598</u>
Expenditures				
Current:				
General government	20,291,986	16,306,183	16,675,593	16,965,220
Public safety	41,862,877	44,433,546	47,036,287	51,471,894
Public works and transportation	17,314,612	20,492,467	20,116,384	19,858,787
Community development	5,074,395	10,080,446	12,225,155	11,890,816
Culture and recreation	19,301,123	18,416,339	17,998,257	19,540,944
Debt Service:				
Principal	2,786,800	2,361,425	2,613,738	2,776,050
Interest	1,245,447	1,749,568	1,587,151	1,578,092
Other charges	389,873	19,762	724,982	472,877
Capital outlay	8,604,468	36,511,052	17,501,271	18,067,055
Total expenditures	<u>116,871,581</u>	<u>150,370,788</u>	<u>136,478,818</u>	<u>142,621,735</u>
Excess of revenues over/(under) expenses	157,496	(23,451,271)	(1,553,721)	5,559,863
Other financing sources/(uses)				
Proceeds from sale of assets	226,080	336,821	368,156	136,426
Transfers in/(out)	1,132,145	1,150,009	354,860	974,136
Proceeds from bonds	19,320,205	-	11,696,218	43,211,107
Insurance recoveries	-	-	-	-
Payments to refunded bond escrow agent	-	-	(6,500,617)	-
Leases	-	-	-	-
Total other financing sources /(uses)	<u>20,678,430</u>	<u>1,486,830</u>	<u>5,918,617</u>	<u>44,321,669</u>
Net change in fund balances	<u>\$ 20,835,926</u>	<u>\$ (21,964,441)</u>	<u>\$ 4,364,896</u>	<u>\$ 49,881,532</u>
Debt service as a percentage of noncapital expenditures				
	4.1%	3.6%	4.1%	3.9%

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

	2019	2020	2021	2022	2023	2024
\$	77,739,476	\$ 87,768,923	\$ 108,394,703	\$ 122,672,859	\$ 145,599,915	\$ 157,004,877
	5,991,243	5,944,921	6,168,794	6,954,398	7,217,312	7,898,928
	45,774,226	48,421,077	55,052,905	58,674,186	71,745,446	86,252,002
	19,189,262	18,680,847	24,318,166	30,676,826	35,086,455	42,828,478
	1,581,233	11,165,982	11,476,297	13,620,067	3,733,991	7,397,939
	1,788,745	1,340,263	1,441,835	1,504,375	1,159,299	1,223,590
	724,073	620,862	621,198	1,117,625	1,109,330	1,136,238
	6,482,159	5,321,641	6,892,441	9,835,523	6,867,622	9,947,501
	3,299,929	3,169,797	207,335	(2,267,135)	5,592,714	14,780,321
	125,872	103,910	52,791	87,490	94,899	69,635
	5,481,600	5,591,100	6,348,174	6,254,474	6,455,301	6,710,286
	726,564	670,836	855,497	1,250,978	1,211,618	944,976
	168,904,382	188,800,159	221,830,136	250,381,666	285,873,902	336,194,771
	17,358,137	18,294,432	28,780,110	22,825,368	25,076,415	29,538,496
	51,993,630	53,778,182	56,880,732	70,479,294	78,398,666	96,819,051
	20,580,186	20,721,301	20,287,785	21,719,917	32,529,112	33,842,357
	12,141,786	12,024,962	6,745,974	16,795,933	19,645,774	22,472,677
	19,613,758	19,275,188	18,980,135	26,406,812	31,612,059	34,475,026
	5,352,900	6,003,700	6,429,038	6,781,238	8,046,984	9,155,629
	3,271,455	3,015,280	3,227,799	3,126,841	3,465,736	3,234,949
	4,851	453,307	222,909	3,004	510,933	748,470
	22,824,600	62,975,337	31,142,540	26,917,801	50,508,267	54,346,218
	153,141,303	196,541,689	172,697,022	195,056,208	249,793,946	284,632,873
	15,763,079	(7,741,530)	49,133,114	55,325,458	36,079,956	51,561,898
	276,091	205,824	159,875	235,226	213,945	160,005
	1,607,973	951,667	1,174,545	266,662	1,563,726	1,617,665
	-	8,511,093	19,625,309	-	13,092,551	-
	-	7,249	-	-	-	-
	-	-	-	-	-	-
	-	-	-	1,225,337	56,124	3,174,137
	1,884,064	9,675,833	20,959,729	1,727,225	14,926,346	4,951,807
\$	17,647,143	\$ 1,934,303	\$ 70,092,843	\$ 57,052,683	\$ 51,006,302	\$ 56,513,705
	6.6%	7.1%	7.0%	5.9%	6.0%	5.7%



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
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
2024	22,107,325	134,984,846	7,500,528	164,592,699

Source: City financial records.

CITY OF SURPRISE, ARIZONA

Major Sources of Municipal Sales Tax

Last Ten Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Description of Payers Business				
Construction	\$ 5,318,361	\$ 8,429,076	\$ 7,444,202	\$ 9,424,657
Retail trade	17,897,576	18,608,256	20,578,048	24,170,542
Communications and utilities	5,379,741	5,609,855	5,682,238	5,010,541
Restaurant and bar	5,600,500	5,933,745	6,543,214	7,673,195
Real estate, rental and leasing	4,077,066	4,246,757	4,790,722	4,858,025
Other	4,188,861	4,109,905	4,377,959	3,282,612
Total	<u>\$ 42,462,105</u>	<u>\$ 46,937,594</u>	<u>\$ 49,416,383</u>	<u>\$ 54,419,572</u>

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2024.

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.

2019	2020	2021	2022	2023	2024
\$ 13,938,324	\$ 17,529,115	\$ 24,116,467	\$ 26,833,113	\$ 39,935,328	\$ 46,859,053
25,309,922	30,133,931	39,817,504	45,163,884	48,855,932	50,886,947
4,873,454	4,804,402	5,218,205	5,465,416	6,156,707	7,021,536
8,226,189	8,368,795	9,966,480	12,102,740	13,436,032	15,083,085
5,495,101	6,013,853	6,798,088	7,662,985	9,238,151	9,355,857
3,753,644	4,054,516	4,726,567	6,178,095	6,671,090	5,778,368
\$ 61,596,634	\$ 70,904,612	\$ 90,643,311	\$ 103,406,233	\$ 124,293,240	\$ 134,984,846



SURPRISE

ARIZONA

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Property		Exemptions	Net Assessed Valuation	Total	Estimated Actual Taxable Full Cash Value	Ratio of Total
		Assessed Value Residential Property	Assessed Value Commercial Property	Real Property		Direct Tax Rate		Assessed Value to Total Estimated Actual Value
2015	P	\$ 635,011,041	\$ 351,426,277	\$ (128,356,166)	\$ 858,081,152	0.7591	\$ 8,378,359,740	10.24%
2015	S	674,517,543	367,445,212	(137,241,712)	904,721,043	-	8,871,516,138	10.20%
2016	P	659,032,840	359,978,533	(129,767,780)	889,243,593	0.7591	8,723,777,883	10.19%
2016	S	775,338,584	403,053,294	(146,482,133)	1,031,909,745	-	10,151,951,511	10.16%
2017	P	703,447,546	353,382,997	(127,933,738)	928,896,805	0.7591	9,188,106,400	10.11%
2017	S	832,582,676	418,393,201	(151,461,223)	1,099,514,654	-	10,888,981,453	10.10%
2018	P	742,214,719	372,303,716	(136,482,015)	978,036,420	0.7591	9,704,804,426	10.08%
2018	S	883,909,865	470,218,102	(164,602,354)	1,189,525,613	-	11,739,266,942	10.13%
2019	P	786,977,862	394,591,418	(132,661,610)	1,048,907,670	0.7591	10,275,630,683	10.21%
2019	S	979,109,102	501,184,044	(163,680,703)	1,316,612,443	0.4200	12,872,480,509	10.23%
2020	P	844,245,064	406,984,939	(141,141,959)	1,110,088,044	0.7591	10,927,509,235	10.16%
2020	S	1,064,787,961	529,620,552	(185,022,186)	1,409,386,327	0.3880	13,911,798,083	10.13%
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)	1,433,728,075	0.7591	14,077,385,223	10.18%
2023	S	1,503,503,120	724,998,192	(237,855,457)	1,990,645,855	0.3880	19,563,322,605	10.18%
2024	P	1,181,547,666	543,672,090	(172,408,029)	1,552,811,727	0.7591	15,236,224,808	10.19%
2024	S	1,984,491,524	881,286,405	(267,828,844)	2,597,949,085	0.3880	25,428,497,783	10.22%

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	County Library	Flood Control	Fire District Assistance	Total County Tax Rate
2015	0.7591	-	0.7591	1.3609	0.0556	0.1592	0.0116	1.5873
2016	0.7591	-	0.7591	1.4009	0.0556	0.1792	0.0112	1.6469
2017	0.7591	-	0.7591	1.4009	0.0556	0.1792	0.0102	1.6459
2018	0.7591	0.4200	1.1791	1.4009	0.0556	0.1792	0.0107	1.6464
2019	0.7591	0.3880	1.1471	1.4009	0.0556	0.1792	0.0095	1.6452
2020	0.7591	0.3880	1.1471	1.4009	0.0556	0.1792	0.009	1.6447
2021	0.7591	0.3880	1.1471	1.3459	0.0556	0.1792	0.0086	1.5893
2022	0.7591	0.3880	1.1471	1.3459	0.0556	0.1792	0.0086	1.5893
2023	0.7591	0.3880	1.1471	1.2473	0.0505	0.1592	0.0082	1.4652
2024	0.7591	0.3880	1.1471	1.2044	0.0488	0.1536	0.0081	1.4149

Source: Maricopa County Finance Department's "Maricopa County 2024 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
4.2672	2.4096	6.6768	2.511	11.535
4.2197	2.9085	7.1282	2.495	12.030
4.1562	2.8032	6.9594	2.500	11.865
4.1089	2.7859	6.8948	2.433	12.153
3.9117	2.6680	6.5797	2.422	11.794
3.8251	2.6201	6.4452	2.341	11.578
3.8026	2.3794	6.1820	2.247	11.165
3.8026	2.3794	6.1820	2.247	11.165
3.5443	2.3467	5.8910	2.092	10.595
3.4138	2.1511	5.5649	1.731	9.858

CITY OF SURPRISE, ARIZONA

Principal Property Taxpayers

June 30, 2024 and nine years prior

Taxpayer	2024			2015		
	Net Limited Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Route 14 Investment Partners LLC	\$ 11,661,378	1	0.75%			
Toll Prasada LLC	7,443,062	2	0.48%			
Arizona Public Service Company	4,453,068	3	0.29%			
Smiths Food & Drug Centers Inc	4,108,789	4	0.26%			
TI Investors of Arizona Apartments LLC	3,939,653	5	0.25%			
NPC TruGold LLC	3,710,511	6	0.24%			
Breit MF Stadium Village LLC	3,660,209	7	0.24%			
DG Industrial Portfolio I Property Owner LP	3,574,624	8	0.23%			
Wal-Mart Stores Inc	3,564,947	9	0.23%			
Nirvc-AZ LLC	3,539,824	10	0.23%			
Arizona Public Service Company				\$ 22,854,894	1	2.57%
Southwest Gas Corporation (T&D)				5,601,719	2	0.63%
EPCOR (Agua Fria Water Division)				3,404,514	3	0.38%
Skyway LLC				3,252,944	4	0.37%
CCD Real Estate Holdings LLC				3,101,403	5	0.35%
MCI Communication Services Inc				2,646,674	6	0.30%
Wal-Mart Stores Inc				2,603,540	7	0.29%
Surprise Pointe LLC				2,454,631	8	0.28%
Sanifill of Arizona Inc				2,417,572	9	0.27%
G&I VII Stadium Village LLC				2,359,403	10	0.27%
Total	\$ 49,656,065		3.20%	\$ 50,697,294		5.70%
Total City Valuation	\$ 1,552,811,727			\$ 889,243,593		

Source: Maricopa County Assessor's Office.

CITY OF SURPRISE, ARIZONA

Primary Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year			Tax Collections in Subsequent Years	Total Collections to Date	
		Current Tax Collections	Percentage of Levy	Percentage of Levy		Tax Collections	Percentage of Levy
2015	\$ 6,509,332	\$ 6,425,856	98.7%	\$ 62,538	\$ 6,488,394	99.7%	
2016	6,754,752	6,661,068	98.6%	39,228	6,700,296	99.2%	
2017	7,037,842	6,947,745	98.7%	53,978	7,001,723	99.5%	
2018	7,424,272	7,321,178	98.6%	64,216	7,385,394	99.5%	
2019	12,369,233	12,219,247	98.8%	(29,275)	12,189,972	98.6%	
2020	12,735,513	12,539,853	98.5%	155,323	12,695,176	99.7%	
2021	13,835,935	13,663,445	98.8%	125,847	13,789,292	99.7%	
2022	15,079,386	14,897,120	98.8%	143,630	15,040,750	99.7%	
2023	16,448,765	16,165,481	98.3%	160,637	16,326,118	99.3%	
2024	17,816,718	17,508,227	98.3%	-	17,508,227	98.3%	

Source: Maricopa County Assessor's Office.

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	Pledged Revenue Obligations	Leases and Subscriptions*
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
2024	38,399,644	32,266,975	9,017,302	10,860,681

Source: City financial records

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

Business-Type Activities							
Property Corp. Bonds	Utility Revenue Obligations	Pledged Revenue Obligations	Loans Payable	Leases and Subscriptions*	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 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	-	83,106	121,334,107	2.8%	786
-	21,822,418	-	3,214,135	-	115,581,155	2.2%	721

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
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
2024	35,795,000	(1,345,458)	37,140,458	0.146%	232

Source: City financial records.

CITY OF SURPRISE, ARIZONA

Direct and Overlapping Governmental Activities Debt
As of June 30, 2024

Overlapping Jurisdiction		Proportion Applicable to the City	
		Approximate Percent	Net Debt Amount
Maricopa County	None	2.82%	None
Maricopa County Community College District	\$ 57,615,000	2.82%	\$ 1,624,743
Maricopa County Special Health Care District	544,135,000	2.82%	15,344,607
Western Maricopa Education Center	98,510,000	8.00%	7,880,800
Dysart Unified School District No. 89	54,410,000	76.34%	41,536,594
Peoria Unified School District No. 11	133,955,000	0.36%	482,238
Nadaburg Unified School District No. 81	2,068,000	39.19%	810,449
Wickenburg Unified School District No. 9	3,600,000	1.78%	64,080
Subtotal, overlapping debt	<u>\$ 894,293,000</u>		<u>\$ 67,743,511</u>
City of Surprise	\$ 54,975,681	100.00%	\$ 54,975,681
Marley Park Community Facilities District	32,045,000	100.00%	32,045,000
Subtotal, direct debt	<u>\$ 87,020,681</u>		<u>\$ 87,020,681</u>
Total Direct and Overlapping General Obligation Bonded Debt			<u>\$ 154,764,192</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.

CITY OF SURPRISE, ARIZONA

Legal Debt Margin Information Unrestricted and Restricted Last Ten Fiscal Years

	2015	2016	2017	2018
Unrestricted				
Debt limit 6%	\$ 54,283,263	\$ 61,914,585	\$ 65,970,879	\$ 71,371,537
Unrestricted legal debt margin	\$ 54,283,263	\$ 61,914,585	\$ 65,970,879	\$ 71,371,537
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%
	2015	2016	2017	2018
Restricted				
Debt limit 20%	\$ 180,944,209	\$ 206,381,949	\$ 219,902,931	\$ 237,905,123
Total net debt applicable to limit	-	-	-	39,987,500
Restricted legal debt margin	\$ 180,944,209	\$ 206,381,949	\$ 219,902,931	\$ 197,917,623
Total net debt applicable to the 20% limit as a percentage of the 20% debt limit	0.00%	0.00%	0.00%	16.81%

Source: City financial records

2019	2020	2021	2022	2023	2024
\$ 78,996,747	\$ 84,563,180	\$ 95,788,210	\$ 107,356,722	\$ 119,438,751	\$ 155,876,945
<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>	<u>\$ 155,876,945</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2019	2020	2021	2022	2023	2024
\$ 263,322,489	\$ 281,877,265	\$ 319,294,035	\$ 357,855,740	\$ 398,129,171	\$ 519,589,818
37,322,019	34,285,598	50,304,950	46,567,591	38,399,644	38,399,644
<u>\$ 226,000,470</u>	<u>\$ 247,591,667</u>	<u>\$ 268,989,085</u>	<u>\$ 311,288,149</u>	<u>\$ 359,729,527</u>	<u>\$ 481,190,174</u>
14.17%	12.16%	15.76%	13.01%	9.65%	7.39%

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
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	147,966	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%
2024	160,273	5,151,984,391	87,756	41.5	3.8%

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, 2024 and Nine Years Prior

Employer	2024 ¹			2015 ²		
	Employees	Rank	% of Total	Employees	Rank	% of Total
Dysart School District (Surprise Schools Only)	1,760	1	6.45%	1,790	1	12.97%
City of Surprise	1,170	2	4.29%	980	3	7.10%
Walmart	890	3	3.26%	750	2	5.44%
Sun Health Foundation Inc.	570	4	2.09%			0.00%
Fry's Food Stores	550	5	2.02%	520	4	3.77%
Costco Wholesale	370	6	1.36%			
Home Depot	300	7	1.10%			
McDonalds	270	8	0.99%	220	5	1.59%
Safeway	240	9	0.88%	160	10	1.16%
Maricopa County	230	10	0.84%	220	6	1.59%
Kohl's Department Store				210	7	1.52%
Sands Motor Company				190	8	1.38%
Sam's Club				170	9	1.23%
						0.00%
Total	6,350		23.27%	5,210		37.76%
Total City Employment	27,290			13,798		

Sources: ¹ Maricopa Association of Governments, as of June 30, 2024.

² City previous ACFR.



SURPRISE

ARIZONA

CITY OF SURPRISE, ARIZONA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Function										
General government	136	134	140	142	146	150	150	156	167	178
Public safety:										
Police:										
Officers	130	139	158	159	159	155	154	161	165	175
Civilians	54	49	43	42	45	55	55	65	70	70
Fire:										
Firefighters and officers	113	113	128	127	126	132	138	144	160	128
Ambulance	-	-	-	19	26	32	32	36	39	44
Civilians	7	8	8	7	7	7	9	10	11	50
Public works and transportation:										
All others	83	84	84	80	84	90	92	96	110	109
Community development	43	40	41	41	42	43	43	49	52	54
Economic development	-	8	8	8	7	9	9	9	10	9
Parks and recreation	122	118	117	116	120	105	84	90	99	101
Sports and tourism	-	-	-	-	-	18	39	41	40	41
Human service and community vitality	-	9	15	16	18	24	25	26	26	29
Arts, culture, & library	-	-	-	-	-	-	-	-	-	33
Water	24	29	33	36	35	42	43	44	47	47
Sewer	37	39	50	45	45	47	49	48	46	53
Sanitation	32	33	35	37	37	41	41	44	53	49
Stormwater	-	-	-	6	5	6	6	7	8	8
Total	<u>781</u>	<u>803</u>	<u>860</u>	<u>881</u>	<u>902</u>	<u>956</u>	<u>969</u>	<u>1,026</u>	<u>1,103</u>	<u>1,178</u>

Source: Fiscal year 2024 Adopted Budget

CITY OF SURPRISE, ARIZONA

Operating Indicators by Function

Last Ten Fiscal Years

Function	2015	2016	2017	2018
Public safety:				
Police:				
Calls- incidents responded to	38,191	39,511	40,909	41,806
Citations issued	7,524	5,971	6,358	5,136
Officers per 1,000 residents	1.1	1.0	1.0	1.0
Fire-Medical:				
Number of responses	15,750	16,896	16,546	17,435
Inspections	1,885	2,745	2,407	1,810
Public works and transportation:				
Sq. ft. of buildings to maintain	830,271	855,774	855,774	855,774
Vehicles/equipment maintained per month	405	334	375	397
Number of street lights repaired	43	44	38	79
Street miles maintained	627	627	627	627
Community development:				
Building safety inspections performed	15,624	20,320	22,407	31,063
Annual new residential starts	417	486	600	1,288
Parks and recreation:				
Organized recreation program participants	178,186	160,535	163,580	162,012
Special events/open facility participants	321,214	307,475	306,714	343,868
Sports and Tourism				
Special events/open facility participants	N/A	N/A	N/A	N/A
Water:				
Water service connections	14,971	15,362	15,499	16,331
Water main breaks	N/A	N/A	N/A	4
Average daily consumption (thousands of gallons)	N/A	N/A	N/A	7,322
Sewer:				
Sewage treated (million gallons per day)	8.4	8.4	8.4	8.4
Sewer service connections	44,923	47,273	48,196	50,303
Sanitation:				
Refuse collected (tons/annually)	33,351	32,787	33,671	34,979
Number of routes	32	56	56	57
Total services	32,683	35,366	36,421	36,657
Stormwater:				
Customers	-	-	49,429	50,594

Sources: Various government departments

N/A - This information is not available.

2019	2020	2021	2022	2023	2024
40,541	42,306	41,430	45,634	44,805	43,403
8,602	6,350	6,098	7,550	7,476	9,348
1.0	1.0	1.0	1.0	0.5	1.0
10,865	18,195	19,493	21,677	22,286	22,832
1,595	2,391	1,781	2,614	2,024	1,230
855,774	973,187	1,016,276	1,016,276	1,066,317	1,067,060
415	425	353	415	479	530
52	71	68	180	45	38
629	630	665	688	700	682
34,598	45,750	51,542	60,013	62,769	63,184
1,303	2,076	2,856	2,873	2,039	3,267
141,189	85,362	70,873	135,632	160,783	170,133
120,114	78,548	22,935	105,284	67,800	105,828
253,823	240,065	143,728	270,962	405,902	458,753
16,729	17,886	19,705	21,283	22,167	23,833
2	6	15	11	4	4
7,416	7,402	7,776	7,787	7,815	8,986
9	9	9.1	9.2	9.5	10.2
48,451	53,164	55,796	58,568	60,300	63,071
36,757	48,905	56,781	58,354	59,516	56,328
59	55	58	59	74	76
35,510	39,676	41,212	42,964	45,206	47,600
47,235	51,199	54,177	56,781	58,413	61,030

CITY OF SURPRISE, ARIZONA

Capital Asset Statistics by Function

Last Ten Fiscal Years

	2015	2016	2017	2018
Function				
Public safety:				
Police:				
Stations	2	2	2	2
Patrol units	68	72	90	73
Fire:				
Fire stations	7	7	7	7
Fire engines and ladder trucks	12	12	12	13
Ambulances	-	1	3	4
Public works and transportation:				
Street miles	627	627	627	627
Street lighting improvement districts	107	107	123	132
Traffic Signals	50	50	50	50
Bridges	19	19	19	19
Community development:				
Inspection vehicles	10	10	11	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)	32	32	33	33
Sewer:				
Sewer treatment plants	2	2	2	2
Maximum daily treatment capacity	18	18	18	18
Sanitation:				
Collection trucks	26	27	27	27

Sources: Various government departments.

2019	2020	2021	2022	2023	2024
2	2	2	2	2	2
87	87	87	74	83	77
7	7	7	8	8	8
13	13	13	15	14	14
5	5	5	5	6	6
629	630	665	688	700	682
146	155	156	159	161	168
52	58	61	61	65	67
19	21	21	21	21	21
11	11	13	14	15	17
393	393	393	393	406	406
12	12	12	12	13	13
2	2	2	2	2	2
11	11	11	11	11	11
21	21	21	21	21	21
2	3	3	3	3	3
33	34	30	30	30	30
2	2	3	3	3	4
18	18	20	20	20	21
27	27	28	28	35	35



SURPRISE

ARIZONA



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.



SURPRISE
ARIZONA

SURPRISEAZ.GOV/ACFR

FINANCE DEPARTMENT

16000 N. Civic Center Plaza
Surprise, AZ 85374-7470

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City of Surprise, Arizona
Single Audit Report
Year Ended June 30, 2024

**City of Surprise, Arizona
Single Audit Report
For the Year Ended June 30, 2024**

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**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, 2024, 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 12, 2024.

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 12, 2024

**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, 2024. 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Surprise, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Surprise, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Surprise, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Surprise, Arizona as of and for the year ended June 30, 2024, 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 12, 2024, 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 12, 2024

City of Surprise, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

<u>Federal/Pass-Through/Agency</u>	<u>AL</u> <u>Number</u>	<u>Federal Award</u> <u>Number</u>	<u>Expenditures</u> <u>and Transfers</u>	<u>Amount</u> <u>Provided to</u> <u>Subrecipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
CDBG-Entitlement/Special Purpose Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-23-MC-04-0514	\$ 671,051	\$ 434,262
Community Development Block Grants/Entitlement Grants - Program Income	14.218	B-23-MC-04-0514	77,729	49,305
COVID-19 Community Development Block Grant/Entitlement Grants	14.218	B-20-MW-04-0514	57,439	57,439
Total CDBG-Entitlement/Special Purpose Grants Cluster			806,219	541,006
COVID-19 Neighborhood Stabilization Program (Recovery Act Funded)	14.256	B-11-MN-04-0506	550,000	550,000
Passed through the Maricopa County/Maricopa HOME Constorium:				
HOME Investment Partnerships Program	14.239	C-22-21-092-X-03	314,158	302,100
Total U.S. Department of Housing and Urban Development			\$ 1,670,377	\$ 1,393,106
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	1,224	-
Passed through Arizona Department of Public Safety:				
Crime Victim Assistance	16.575	VOCA-2021-SPD-00158	34,445	-
Crime Victim Assistance	16.575	VOCA-2024-SPD-00158	70,649	-
Total Crime Victim Assistance			105,094	-
Total U.S. Department of Justice			\$ 106,318	\$ -
<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	2023-AI-011	1,945	-
State and Community Highway Safety	20.600	2023-OP-013	15,522	-
State and Community Highway Safety	20.600	2023-PS-010	12,570	-
State and Community Highway Safety	20.600	2023-PTS-063	14,912	-
State and Community Highway Safety	20.600	2023-PTS-064	5,384	-
State and Community Highway Safety	20.600	2024-AI-021	24,582	-
State and Community Highway Safety	20.600	2024-AL-038	25,323	-
State and Community Highway Safety	20.600	2024-MC-003	19,924	-
State and Community Highway Safety	20.600	2024-PS-011	5,767	-
State and Community Highway Safety	20.600	2024-PTS-065	27,828	-
National Priority Safety Programs	20.616	2023-405b-008	15,154	-
National Priority Safety Programs	20.616	2023-405d-044	4,935	-
National Priority Safety Programs	20.616	2024-405b-009	11,758	-
National Priority Safety Programs	20.616	2024-405b-502	6,000	-
National Priority Safety Programs	20.616	2024-405d-040	53,820	-
Total Highway Safety Cluster			245,424	-
Total U.S. Department of Transportation			\$ 245,424	\$ -
<u>U.S. Department of Treasury</u>				
Direct Program:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLT-7753	58,667	-
Passed through Maricopa County Human Services:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-23-077-X-00	2,039,131	1,996,994
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-24-024-X-00	91,118	91,118
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-22-084-X-00	3,044,381	-
Passed through Water Infrastructure Finance Authority of Arizona:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	WC1-050-2023	10,244	-
Total Coronavirus SLFRF Program			5,243,541	2,088,112
Passed through Maricopa County Human Services:				
COVID-19 Emergency Rental Assistance Program	21.023	C-22-22-110-X-02	147,891	-
Total U.S. Department of the Treasury			\$ 5,391,432	\$ 2,088,112

City of Surprise, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

U.S. Environmental Protection Agency

Passed through Water Infrastructure Finance Authority of Arizona:

Clean Water State Revolving Fund	66.458	910210-23	3,214,134	-
Total U.S. Environmental Protection Agency			\$ 3,214,134	\$ -

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	2024-36-SUR	6,410	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2024-36-SUR	64,085	-
Nutrition Services Incentive Program	93.053	2024-36-SUR	448	-
Total Aging Cluster			70,943	-

Passed through National Council on Aging:

Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	N/A	10,000	-
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Passed through Maricopa County Human Services:

Low-Income Home Energy Assistance	93.568	C-22-22-110-X-02	268,370	-
Community Services Block Grant	93.569	C-22-24-039-X-00	125,000	125,000

Passed through Area Agency on Aging, Region One

Social Services Block Grant	93.667	2024-36-SUR	2,488	-
Total U.S. Department of Health and Human Services			\$ 476,801	\$ 125,000

U.S. Department of Homeland Security

Passed through Arizona Department of Homeland Security:

Homeland Security Grant Program	97.067	200822-02	45,000	-
Homeland Security Grant Program	97.067	220216-01	18,205	-
Homeland Security Grant Program	97.067	220824-01	40,000	-
Homeland Security Grant Program	97.067	220825-01	9,705	-
Homeland Security Grant Program	97.067	230822-02	25,395	-
Total Homeland Security Grant Program			138,305	-
Total U.S. Department of Homeland Security			\$ 138,305	\$ -

Total Expenditures of Federal Awards

\$ 11,242,791	\$ 3,606,218
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City of Surprise, Arizona
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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, 2024. 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 in excess of \$25,000 per fiscal year 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.

Program Name	Assistance Listing Number	Outstanding Balance as of June 30, 2024
Community Development Block Grants/Entitlement Grants	14.218	\$484,846

**City of Surprise, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

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

66.458

21.027

Name of Federal Programs or Clusters

Clean Water State Revolving Fund

Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee: Yes

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

Findings and Questioned Costs Related to Federal Awards: No

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

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, 2024, 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 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.

50. 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.
51. 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.
52. 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.
53. With respect to the supplementary information presented, such as the combining and individual fund financial statements and schedules, financial data schedules (FDS) or HUD reporting, 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.
54. 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.
55. 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/Deputy
City Manager
City of Surprise, Arizona

12/10/2024

Date

Erick Martin

Erick Martin, Accounting Manager
City of Surprise, Arizona

12/12/2024

Date



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: January 22, 2025
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation, discussion, and possible action pertaining to the Tourism Fund Audit Report.

Motion:

I move to approve and distribute the Tourism Fund Audit Report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2024-2025 Annual Audit Plan approved by the Audit Committee on April 25, 2024.

Objective Analysis:

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

Policy Compliant:

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

Financial Impact:

This item relates to work performed as part of the FY2024-2025 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. FINAL Secured Tourism Fund Audit Report
-



SURPRISE

ARIZONA

Tourism Fund Audit Report

September 30, 2024

Melissa Moreno, Internal Auditor Sr.

City Auditor Department

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Executive Summary

As part of the City Auditor Department’s (CAD) Fiscal Year (FY) 2025 Annual Audit Plan, an audit of the City of Surprise (City) Tourism Fund for July 1, 2022, through June 30, 2024, was performed. The purpose of the audit was to determine whether the Tourism Fund is being used effectively and efficiently to accomplish its key initiatives in compliance with City policies and procedures. The CAD has not previously audited the Tourism Fund.

Overall, auditors found the process the Sports and Tourism Department was following when processing Tourism Fund applications was not always in compliance with their written process. Auditors reviewed five events that took place over FY2023 and FY2024, two of which took place in both years. The proper approval process was followed for all events, and the amounts that were

reimbursed for the events were accurate according to the policy and the approved agreements. Auditors also reviewed the goals related to the Tourism Fund in the Sports and Tourism Strategic Plan and found that these goals had been met by FY2023. However, auditors found the process that the Sports and Tourism Department was following when processing Tourism Fund applications was not always in compliance with their written process. Auditors identified some areas where the Tourism Fund Application Process should be updated to reflect current needs.

As a result, this report documents opportunities for improvement and makes recommendations to the Sports and Tourism Department to ensure they review and update the Tourism Fund Application Process for specific areas identified and ensure it is reviewed every one to three years.

The Tourism Fund has areas of achievement and opportunities for improvement

- ✓ Obtained all proper approvals
- ✓ Reimbursed proper amount according to agreements
- ✓ Met or exceeded goals related to Tourism Fund
- ✗ Documented Tourism Fund Process

Area of achievement Area of improvement

Observation Summary and Risk Rating

Audit observation has been assigned a qualitative assessment of high, moderate, or low priority based on the need for action or correction. Refer to the rating definitions in Appendix B.

1. The documented application process has areas of improvement to more accurately reflect actual processes.



Detailed Observation

Moderate Risk - Observation

1. The documented application process has areas of improvement to more accurately reflect actual processes.

According to the Government Finance Officers Association (GFOA), best practice requires that policies be reviewed and updated every one to three years, depending on the organization's needs, to ensure that they reflect the current regulations and systems in place.

In a review of the Tourism Fund Application Process for July 1, 2022, through June 30, 2024, auditors found instances where the written process does not reflect the actual processes that are taking place, including:

- The Tourism Fund Application Process has a list of required items and states that these items must be included in the application for consideration, as well as a list of documents required after the event. However, most of these items are not being collected, and according to interviews with staff, they often don't need all of the items to make a determination and will only follow up if needed.
- The Tourism Fund Application Process requires a final report after the event, which must include a fully completed final report submission form. However, there is no form that is provided to be completed.
- The Tourism Fund Application Process restricts funds related to "any salary supplements, staffing costs, or any personnel payments". However, there was at least one instance where staffing costs were authorized in the contract when they were related to direct operational costs.

The current process was last updated in 2018. However, with no policy in place to require a periodic review, it has not been reviewed or updated since then to ensure it is still consistent with the needs of the Tourism Fund.

Risk

When the written process doesn't reflect what is actually occurring, important steps might be overlooked by City staff or applicants might not have a clear understanding of expectations.

Recommendations

The Sports and Tourism Department should:

- 1A. Review the written process to ensure that it reflects the current needs of the Tourism Fund.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 6/30/2025

Sports and Tourism staff will review and update the application process and bring it to the Tourism Fund Subcommittee and City Council for approval.

- 1B. Ensure that the written process is reviewed and updated as needed on a schedule of every one to three years.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 6/30/2025

Sports and Tourism staff will review and update the written process at least every three years.

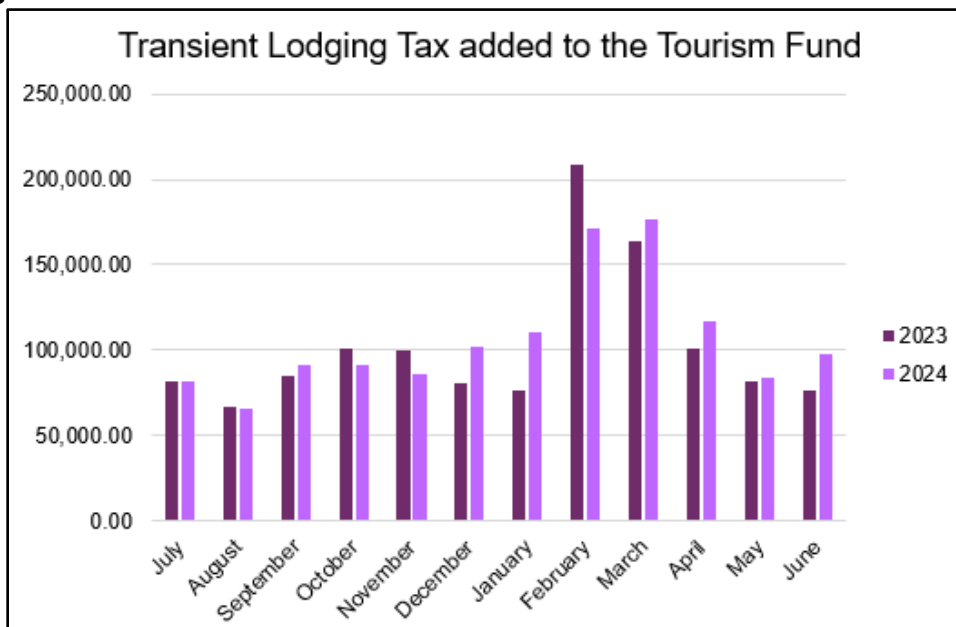
Appendices

Appendix A: Background, Objectives, Scope, and Methodology

Background

The Tourism Fund was first established in FY2010 to track the expenses and revenues associated with the Transient Lodging Tax (Bed Tax) and promote tourism activities within the City. In August 2015, the Mayor and City Council approved increasing the total Bed Tax rate to 4.52%. To ensure compliance with A.R.S. §9-500.06, 1% is included in the General Fund, with the remaining 3.52% included in the Tourism Fund to be used to promote and market tourism for the City. These rates have not changed since then, and the distribution to the Tourism Fund has been approved in each subsequent year in the Comprehensive Financial Management Policies.

Figure 1



Source: Transient Lodging Tax Fund Allocations Reports for FY2023 and FY2024. Increased transient lodging tax in February and March was due to Spring Training events that took place during that time.

The Sports and Tourism Department oversees the Tourism Fund. It develops criteria for activities and then reviews applications or solicits events that meet the Tourism Fund's objectives. Events that meet the key initiatives are then presented to the City Tourism Subcommittee (Subcommittee). The Subcommittee will decide which events to recommend to the City Council, who will provide final approval on them.

Objectives, Scope, and Methodology

We conducted a performance audit of the Tourism Fund pursuant to Ordinance No. 2016-26, which grants the City's internal audit program authority to conduct City internal audits. This audit focused on events funded by the Tourism Fund from July 1, 2022, to June 30, 2024, and evaluated whether City policies and procedures were followed.

Specifically, the CAD evaluated whether:

- Tourism Fund policies and procedures were being followed appropriately.
- Reimbursements were accurate and in accordance with the signed agreements.
- Goals for the Sports and Tourism Department related to the Tourism Fund were being met.
- The Tourism Fund was funded appropriately and correctly based on approved rates.

The CAD used various methods to review the specific objectives of this audit. These methods included:

- Interviewing Sports and Tourism Department staff.
- Reviewing City policies, municipal code, and state statutes.
- Analyzing application documentation related to each Tourism Fund event that took place between July 1, 2022, and June 30, 2024.
- Reviewing post event documentation related to each Tourism Fund event that took place between July 1, 2022, and June 30, 2024.
- Analyzing financial reports for the Tourism Fund between July 1, 2022, and June 30, 2024.
- Reviewing Subcommittee and City Council Agendas and meeting minutes.
- Using CaseWare IDEA data analytical software.

Appendix B: Data Reliability and Audit Observation Risk Rating

Data Reliability

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

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

Audit Observation Risk Rating

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



- High – Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High-risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to City assets.

- Moderate – Represents an observation requiring timely action by management to mitigate risks associated with the process being audited.

Moderate-risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate the potential risk of loss to City assets.

- Low – Represents an observation for consideration by management for correction or implementation associated with the process being audited. Low-risk observations should be implemented to improve the efficiency and effectiveness of operations

Appendix C: Audit Standards and Acknowledgments

Audit Standards

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

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

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

Acknowledgments

The CAD appreciates the time City staff contributed to this review. The City Auditor would like to take this opportunity to thank the City departments and individuals involved in the Tourism Fund Audit for their considerable cooperation and assistance, including the:

- Sports and Tourism Department
- Finance Department

Surprise City Auditor Department

- **Vision**—The development of people, systems, and processes that delivers innovative and effective auditing services to the City.
- **Mission**—To provide independent, objective, accurate, and timely auditing services that are designed to improve operations, cultivate transparency, and accountability.

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



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: January 22, 2025
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation, discussion, and possible action pertaining to the FY2023-2024 Annual City Auditor Activity Report.

Motion:

I move to approve and distribute the FY2023-2024 Annual City Auditor Activity Report.

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 on September 21, 2023.

Objective Analysis:

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

Policy Compliant:

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

Financial Impact:

This item relates to work performed as part of the FY2023-2024 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. Annual Activity Rpt-FY2024
 2. Exhibit A - Detail Summary of FY2023-2024 Audit Recommendations
-



SURPRISE
ARIZONA

Annual City Auditor Activity Report
FY2023-2024

January 15, 2024
Carol Holley, City Auditor

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Summary of FY2023-2024 in Review

This report highlights the activities of the City Auditor Department (CAD) during FY2023-2024. For this report, direct audit hours refer to the time CAD staff spent actively performing tasks directly related to a specific audit engagement. Indirect audit hours include administrative tasks, meetings, training, paid leave, and audit reports unrelated to a particular audit engagement.

In September 2023, CAD filled an internal auditor position that had been periodically vacant since June 2020. With a fully dedicated CAD team, the percentage of direct audit hours and the number of audit engagements completed will increase as new hire training is completed, and the necessary software training will be completed by the end of FY2024-2025.

Through audit engagements completed during FY2023-2024, CAD identified opportunities to reduce the risk to City assets and resources. The 22 audit recommendations generated during FY2023-2024 were related to data security, strengthening policies and procedures, appropriate segregation of duties, and the continued monitoring of the authorization and documentation of transactions made using City-issued procurement cards.

During FY2023-2024, CAD managed and monitored 32 audit recommendations, including ten recommendations from previous fiscal years. At the end of FY2023-2024, seven audit recommendations from FY2023-2024 were open and pending the implementation of management’s action plans.

CAD’s audit reports with audit recommendations are the primary method by which CAD adds value to City operations and helps the City reduce risk. Approved audit engagements are referenced in CAD’s Annual Audit Plan (Plan). The Plan is limited to specific approved activities or departments. CAD has created a periodic newsletter (Compliance Connection) to connect with departments and staff not included in the Plan. Compliance Connection allows CAD to bring general internal control awareness to City staff and departments not currently being audited. Compliance Connection provides helpful information in preparing for an audit and ideas for limiting risk to City assets and resources.

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Vision

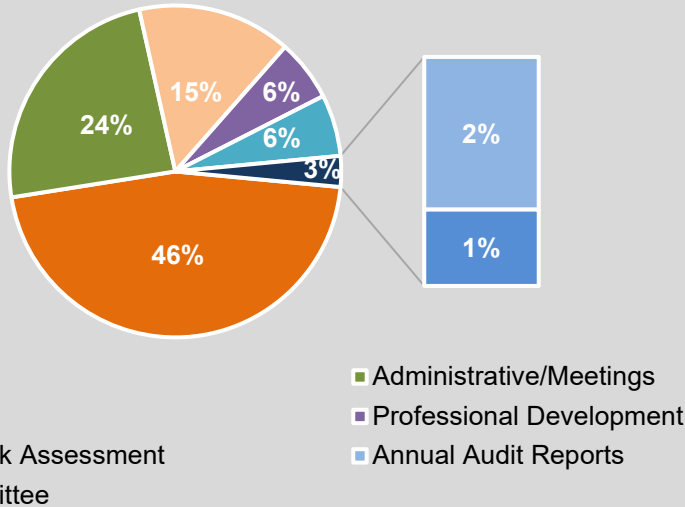
The development of people, systems, and processes that delivers innovative and effective auditing services to the City of Surprise.

Mission

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

Productivity

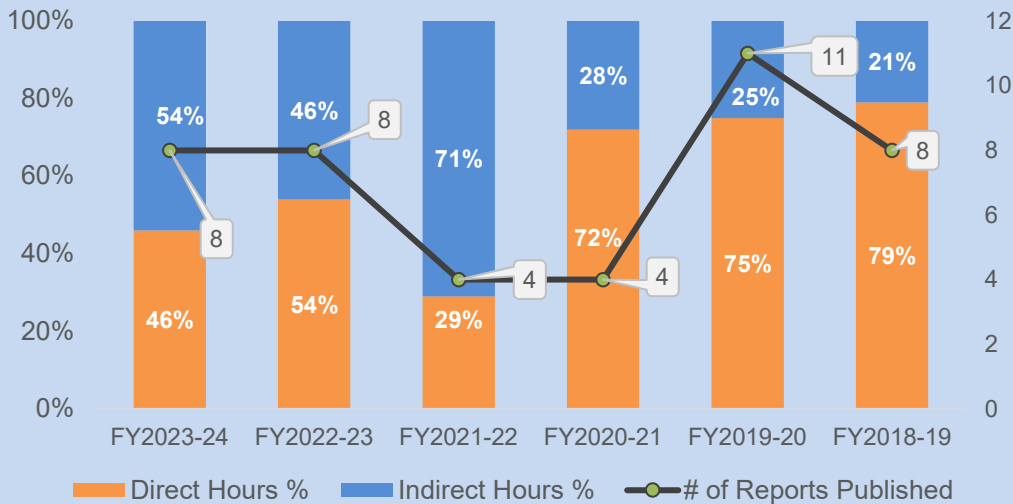
FY2023-2024 Use of Available Audit Hours



FY2023-2024 Highlights

- Completed seven audits and one summary report
- Completed citywide audit risk assessment:
 - ✓ Surveyed City of Surprise directors
 - ✓ Surveyed 1,399 line staff with a 14.7% response rate
- Received 10 submissions from the CAD's "Report Waste, Fraud & Abuse" online form. No waste, fraud or abuse was identified.
- Received one anonymous report regarding potential conflict of interest. Research was completed and submitted to the appropriate director for further investigation.

6-Year Trend of Direct vs. Indirect Use of Audit Hours



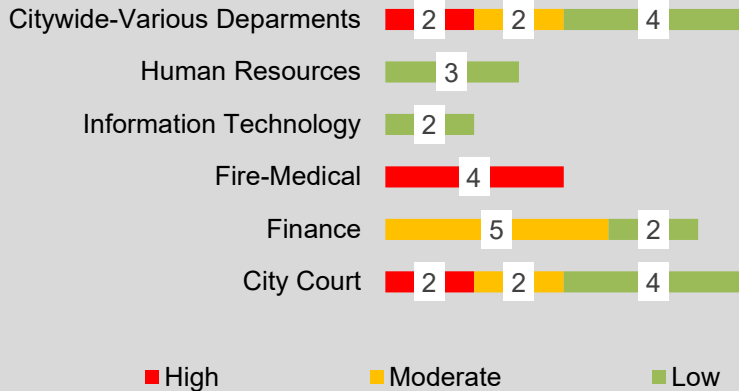
6-Year Trend Highlights

- CAD has experienced a higher percentage of indirect administrative hours for three consecutive fiscal years. This increase can be attributed to:
- Short-term leave of absence and an increase in unplanned paid leave
 - New hire training in response to staff turnover in the past three fiscal years
 - Increase in hours allocated to software training in FY2022-2023 and FY2023-2024
- CAD anticipates a decrease in indirect hours by the end of FY2025-2026, as staff has completed new hire training during FY2023-2024, and the necessary software training will be completed by the end of FY2024-2025.

FY2023-2024 Summary of Audit Recommendations

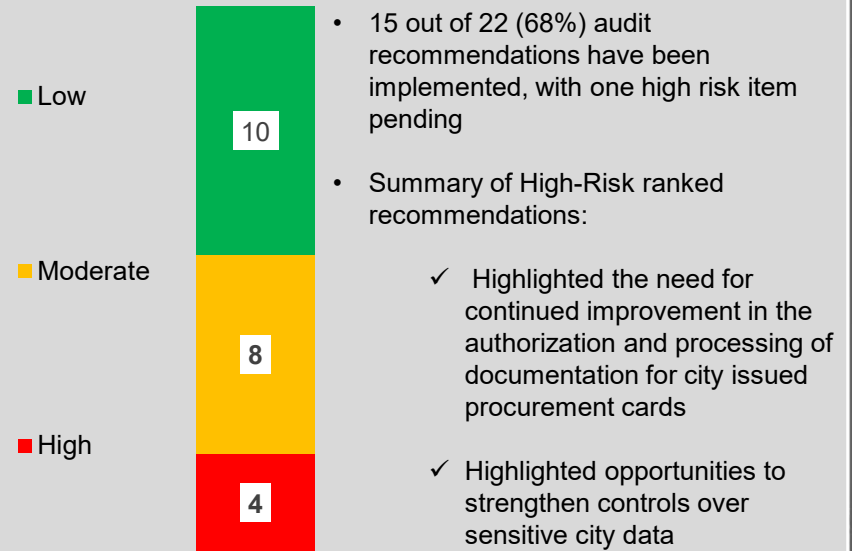
32 Audit Recommendations Monitored

Audit Recommendations by Department



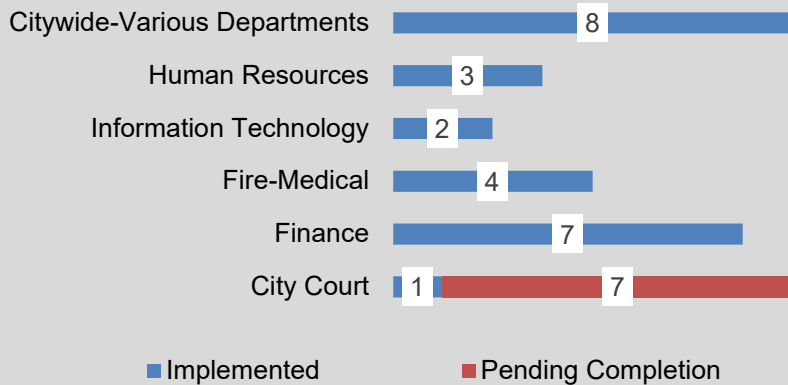
Note: See Exhibit A for Recommendations Details

22 New Audit Recommendations Issued



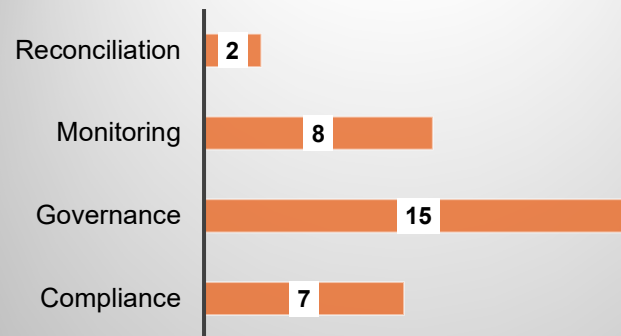
78% of 32 Recommendations Implemented

Audit Recommendations Implemented vs. Open



Impact of FY2023-2024 Recommendations

Recommendations by Impact Category



Note: See Slide #5 for the definition of categories.

FY2023-2024 Summary of Audit Recommendations

Summary Highlights of Audit Recommendation Impact Category Definitions

- **Reconciliation –**

- **Impact Category Definition** - Reconciliation procedures provide departments with the opportunity to identify potential discrepancies, fraud, misstatements, or errors in City records. This is accomplished by comparing two sets of records or supporting documentation to general ledger account balances.
- **Summary of Audit Recommendations** - Auditing procedures helped to identify the need to strengthen the reimbursement review process for travel reimbursements.

- **Monitoring –**

- **Impact Category Definition** - As part of the internal control system, management evaluates processes to ensure internal controls continue to operate effectively and achieve objectives.
- **Summary of Audit Recommendations** - Audit procedures identified the need for independent staff verification of documents submitted for travel reimbursements. In addition, there is a continued need for departments to be aware of how sensitive data, personally identifiable information, and health information is recorded, stored, and used in their departments.

- **Governance –**

- **Impact Category Definition** - Policies and procedures provide guidance for daily operational decision-making that supports managements' initiatives to accomplish goals.
- **Summary of Audit Recommendations** - CAD supported managements' initiatives by identifying gaps and a lack of documentation in audited policies and procedures that required updating.

- **Compliance –**

- **Impact Category Definition** - Complying with laws, regulations, and City policies and procedures.
- **Summary of Audit Recommendations** - Audit recommendations identified opportunities to strengthen control and security over sensitive City data and reduce city fines' potential. Audit procedures continued to identify the need for City departments to comply with policies and procedures when using city-issued procurement cards.

Professional Associations and On the Horizon

Professional Associations	Status of FY2023-2024 Horizon	On the Horizon for FY2024-2025
<p>During FY2023-2024, the CAD staff continued to network with local internal audit shops and professional organizations as an avenue to share auditing best practices, experience, and knowledge:</p> <ul style="list-style-type: none"> • Association of Local Government Auditors <ul style="list-style-type: none"> ✓ Constitution and Bylaws Procedures Committee • Information Systems Auditor and Control Association • Institute of Internal Auditors (Local and National Chapters) • West Valley Auditors 	<ul style="list-style-type: none"> • Recruitment of vacant position – Initiated the process with the Human Resources Department on June 27, 2023. <ul style="list-style-type: none"> ✓ Vacant position filled in September 2023 • Throughout FY2023-2024, reviewed CAD's processes and procedures for opportunities to streamline procedures. <ul style="list-style-type: none"> ✓ Change made in the citywide risk assessment process to maximize time allocated for interviews • Completed citywide risk assessment as part of the FY2024-2025 Annual Audit Planning process: <ul style="list-style-type: none"> ✓ Emailed Risk Assessment Template to 17 Department Directors – Included seven categories, which were weighted and ranked by CAD for each department ✓ Surveyed 1,399 line staff members – Anonymous Responses with a 14.7% response rate • Continuation of Caseware IDEA data analysis software training to increase the efficiency of audit analytic procedures. <ul style="list-style-type: none"> ✓ Beginning scripting training taken ✓ One staff member is currently planning to take the IDEA certification exam by June 30, 2025 • Issuance of quarterly CAD newsletters <ul style="list-style-type: none"> ✓ Four newsletters issued 	<ul style="list-style-type: none"> • In March 2025, the Association of Local Government Auditors will coordinate CAD's third triannual peer review in compliance with Generally Accepted Government Auditing Standards. • CAD will update its quality management system by December 15, 2025, the deadline for complying with the Government Auditing Standards 2024 Revision. • As a West Valley Auditor's group member, CAD will work with the group to coordinate local West Valley training for auditors. • CAD will continue to work to improve its effectiveness by reviewing and updating its key performance indicators.



Count	Audit ID	Section ID	Title	Department	Report Date	Recommendation	Current Status	Latest Mgt Comments	Risk Level	Estimated Completion	Completed Date
1	2023-04	2	Accounts Payable Audit Report	Finance	3/23/2023	Update its Guidelines to require that departments include sufficient supporting documentation, including documented evidence that goods and/or services were received, and invoices are okay-to-pay, with all invoices that are submitted for payment. Minimally, the Guidelines should include guidance on what documentation is sufficient support for the receipt of goods and/or services and how departments should document the person authorizing the okay-to-pay before entry in Munis.	Implemented	Page 7 Number 2c. shows that AP guidelines have been updated to require departments to submit evidence of receipt of goods. It is the departments responsibility to ensure that all receiving documentation is attached with the invoice. Department supervisors sign off through electronic workflow that they agree that the goods have been received and all necessary documentation is attached.	Moderate	8/31/2023	9/11/2023
	2023-05	6B	Management of Policies and Procedures	Human Resources	3/23/2023	Update the Ethic and Values Guide to clearly define the city's core values, as shown in the Values Statement. It should also be updated to be consistent with and reflect EPM updates and amendments and include a commitment to investigate and take action on reported concerns, a policy on data security, a policy on compliance with laws and regulations, and consequences for non-compliance. The Ethic and Values Guide should be acknowledged by employees annually, similarly to how the EPM is acknowledged by employees.	Implemented	Concur. The City of Surprise Ethics Handbook is being removed by the webmaster. Content has been incorporated into the EPM with a Ethics Statement and Ethics related policies have been notated with a callout throughout the EPM. This will ensure policies are consistent and up to date.	Low	12/29/2023	9/8/2023
2	2023-05	6A	Management of Policies and Procedures	Human Resources	3/23/2023	Update the conflict of interest notification process to be clearly defined and consistent across policies and procedures where conflict of interest is mentioned by working with Finance. Conflict of interest should be acknowledged by employees annually, similarly to how Secondary Employment is acknowledged by employees.	Implemented	Concur. Worked with Finance AD to develop a Conflict of Interest training that was pushed out to employees on 09/11/2023 and will be pushed out annually with Secondary Employment training moving forward.	Low	3/31/2024	9/11/2023
1	2023-05	5A	Management of Policies and Procedures	Human Resources	3/23/2023	Ensure notice and training of EPM updates and amendments are provided to employees in accordance with EPM 1.4.	Implemented	Concur. The EPM has been updated to reflect notice and training to be provided within 60 days of updates. Additionally, internal processes were updated to ensure this is adhered to. Processes were utilized in the 09/08/2023 updates and will remain in place moving forward.	Low	12/29/2023	9/11/2023
4	2024-01	1A	Fire-Medical Protected Health Information Practices	Fire-Medical	5/1/2023	Work with the ITD, Human Resources Department (HRD), and other applicable departments to correct all SFMD HIPAA violations identified in the audit.	Implemented	Concur. The Fire Department selected a Captain to take on this new role. He started his new role on 10/3/2023. I have attached a copy of the job responsibilities for your records.	High	3/29/2024	10/3/2023
5	2024-01	1B	Fire-Medical Protected Health Information Practices	Fire-Medical	5/1/2023	Develop, document, and implement a HIPAA compliance review program for each fire station. At a minimum, the program should: Incorporate the use of the annual HIPAA checklists used by the ITD. Occur at least six months before the ITD SFMD Annual HIPAA Compliance Audit. Track and monitor all violations identified and share the results with the IT Security Manager for their preparation for the Annual HIPAA compliance audit. Ensure that all SFMD staff participate in the required HIPAA and IT Security training.	Implemented	Concur. The Fire Department selected a Captain to take on this new role. He started his new role on 10/3/2023. I have attached a copy of the job responsibilities for your records.	High	3/29/2024	10/2/2023
6	2024-01	2A	Fire-Medical Protected Health Information Practices	Fire-Medical	5/1/2023	Develop and maintain a comprehensive list of all HIPAA business associates and ensure a signed BAA is in place for each business associate.	Implemented	Concur. The City of Buckeye Fire Medical Department has separated from the shared RMS system therefore there will be no BAA from them on file.	High	5/1/2023	9/19/2023
7	2024-01	2B	Fire-Medical Protected Health Information Practices	Fire-Medical	5/1/2023	Work with the ITD to develop and document a process for managing HIPAA BAAs. The documented process should include, but not be limited to: Assigning the responsibility for maintaining a complete comprehensive list of BAAs to a specific SFMD staff position who validates the information with user access privileges. Maintaining a current and complete list of HIPAA Business Associates. Sharing the comprehensive list and a copy of each BAA with the IT Security Manager when it is signed.	Implemented	Concur. This recommendation has been completed.	High	5/1/2023	9/19/2023
8											

Count	Audit ID	Section ID	Title	Department	Report Date	Recommendation	Current Status	Latest Mgt Comments	Risk Level	Estimated Completion	Completed Date
9	2024-01	5A	Fire-Medical Protected Health Information Practices	Information Technology	5/1/2023	Implement a process for monitoring and tracking annual HIPAA compliance audit result trends year-to-year and provide a written report to the appropriate department head.	Implemented	Concur. The HIPAA Steering Committee has been established to ensure compliance with HIPAA regulations and to protect the privacy and security of PHI. Members include the HIPAA Security Officers, HIPAA Privacy Officers, Risk Manager, and Assistant City Attorney. This committee will establish and ensure regulatory compliance, risk management, policy development and implementation, and ongoing monitoring and auditing. Meetings will be held quarterly. Currently, audits are completed annually, and all findings are documented in "The Guard" software provided by the City's compliance vendor for the previous seven years. During the quarterly steering committee meetings, all findings will be tracked and reviewed, and trends will be discussed. Human Resources and Fire Medical Privacy Officers have been granted access to this software to review the status of these findings.	Low	9/18/2023	9/18/2023
	2024-01	5B	Fire-Medical Protected Health Information	Information Technology	5/1/2023	Update ITD policies and procedures to include tracking and monitoring annual HIPAA compliance audit result trends year-to-year.	Implemented	Concur. Current language in the General Security Controls Policy, section 1.1, page 1 requires tracking and monitoring of all audits. The HIPAA Steering Committee has been formed (section 2.2, page 7) to ensure compliance, review all audits, and recommend corrective actions for any discrepancies found. This committee will meet at a minimum, semi-annually and more frequently in the event of open discrepancies requiring the attention of the group. This policy has been sent to the City Attorney's office for review. It is also attached to this finding.	Low	9/15/2023	9/18/2023
10	2024-02	1A	Procurement Audit Report	Citywide/Finance	11/30/2023	Develop and implement procedures to review Steps 50 and 60 of the Contract Approvals, Requisition Approvals, and PO Change Order Approvals workflows at least annually and during staff changes to ensure workflow is separated following the City's <i>Information Security General Controls Policies</i> .	Not Implemented	Concur. Currently the risk of fraud, error, and abuse of authority is mitigated by the separation of approvals between the requesting department and procurement. The two steps, 50 and 60 were created within procurement to add a layer of review for the manager, however, it is not necessary for segregation of duties. The procurement division is currently working on updating policies and procedures and will evaluate the workflow and review process to ensure proper segregation of duties, and fraud, errors or abuse is mitigated while having an efficient process.	Low	1/31/2025	8/19/2024
11	2024-02	1B	Procurement Audit Report	Citywide/Finance	11/30/2023	Develop and implement procedures to ensure that forwarded workflow is separated following the City's <i>Information Security General Controls Policies</i> .	Implemented	Concur. Currently, the Procurement Policies and Procedures address proper segregation of duties which include workflow. Training has been provided to Procurement staff, to ensure workflow is not forwarded to maintain compliance with the Procurement Guidelines.	Low	3/20/2024	3/20/2024
12	2024-02	2A	Procurement Audit Report	Citywide/Finance	11/30/2023	Resolve the identified exceptions for the contracts in the audit sample, if applicable.	Implemented	Concur. The Procurement Manager will work with the Procurement team to resolve exceptions where applicable.	Low	3/22/2024	3/22/2024
13											

Count	Audit ID	Section ID	Title	Department	Report Date	Recommendation	Current Status	Latest Mgt Comments	Risk Level	Estimated Completion	Completed Date
14	2024-02	2B	Procurement Audit Report	Citywide/Finance	11/30/2023	Develop and implement procedures to ensure exempt procurements have supporting documentation as required by Guidelines 601 and 2501 and State records retention policies.	Implemented	Concur. Complete. Training has been provided to procurement staff to ensure all supporting documentation as required by Guidelines 601 and 2501 and State records retention policies. The procurement manager will haphazardly review and sample transactions throughout the year to ensure compliance.	Low	11/1/2023	11/1/2023
	2024-03	1A	Continuous Auditing: Citywide Procurement Cards Audit Re	Citywide/Finance	2/29/2024	Ensure that the P-Cards are reviewed at least monthly to deactivate any P-Cards for employees that have separated from City employment.	Implemented	We concur with the recommendation. The accounting manager will compare terminations and active P-Cards monthly.	High	5/30/2024	5/3/2024
15	2024-03	2A	Continuous Auditing: Citywide Procurement Cards Audit Re	City Wide/Finance	2/29/2024	Develop a process to review information for new P-Cards entered and periodically check P-Card approvers to ensure they are updated and appropriate.	Implemented	We concur with the recommendation. The accounts payable lead will review P-Card approvers monthly to ensure that every cardholder has an appropriate reviewer.	High	5/30/2024	5/24/2024
16	2024-03	3A	Continuous Auditing: Citywide Procurement Cards Audit Re	Citywide/Finance	2/29/2024	Develop a process to ensure that Procurement Card User Agreements are uploaded and maintained appropriately.	Implemented	We concur with the recommendation. The Accounts Payable Division will ensure that the signed P-Card agreements are attached to the employee file in Munis and saved on the Finance secured drive.	Moderate	7/31/2024	5/24/2024
17	2024-03	4A	Continuous Auditing: Citywide Procurement Cards Audit Re	Citywide/Finance	2/29/2024	See Appendix D - Departmental Findings Detail for individual City department recommendations and management responses.	Implemented		Moderate	2/29/2024	2/29/2024
18	2024-04	1A	Travel Reimbursement Audit	Finance	5/20/2024	Ensure that all future travel reimbursement claims are accurate and reimbursed at the appropriate amount per the Policy.	Implemented	Management concurs with the audit recommendation. Management will provide additional training to accounts payable and accounting staff on items to review when reviewing travel reimbursement claims.	Moderate	6/30/2024	6/30/2024
19	2024-04	1B	Travel Reimbursement Audit	Finance	5/20/2024	Moving forward, ensure that AP staff independently verify any data submitted by the traveler when reviewing supporting documentation and reject travel reimbursement claims for correction when needed.	Implemented	Management concurs with the audit recommendation. Management will provide additional training to accounts payable and accounting staff on items to review when reviewing travel reimbursement claims.	Moderate	6/30/2024	6/30/2024
20	2024-04	2A	Travel Reimbursement Audit	Finance	5/20/2024	Review and update the Policy to clarify the intent of management to include, but not limited to: Per diem reimbursement rates on the first day of travel.Tips, and which situations they are allowed to be reimbursed.Distance for travel that would require a memo approving an exception if this is needed.Length of time after return from travel to require reconciliation.	Implemented	Management concurs with the audit recommendation. Management will review the Travel Policy during the next round of policy reviews to determine if any updates are needed.	Moderate	1/31/2025	8/20/2024
21	2024-04	2B	Travel Reimbursement Audit	Finance	5/20/2024	Update the current process to ensure that the Policy is reviewed at least annually and updated periodically according to the schedule.	Implemented	Management concurs with the audit recommendation. Management will review the Travel Policy during the next round of policy updates and will put the Policy on schedule to be reviewed annually.	Moderate	1/31/2025	8/19/2024
22	2024-04	3A	Travel Reimbursement Audit	Finance	5/20/2024	Ensure that all future travel reimbursement claims have the proper final approval from department directors.	Implemented	Management concurs with the audit recommendation. Management will provide additional training to accounts payable and accounting staff on items to review when reviewing travel reimbursement claims	Low	6/30/2024	6/30/2024
23											

Count	Audit ID	Section ID	Title	Department	Report Date	Recommendation	Current Status	Latest Mgt Comments	Risk Level	Estimated Completion	Completed Date
24	2024-04	3B	Travel Reimbursement Audit	Finance	5/20/2024	Moving forward, review all travel reconciliation forms for signatures to indicate department approval, and reject forms that do not have this.	Implemented	Management concurs with the audit recommendation. Management will review the Travel Policy during the next round of policy updates and will put the Policy on schedule to be reviewed annually.	Low	6/30/2024	6/30/2024
	2024-05	1A	Compliance Assistance Program	City Court	6/11/2024	Review and update PII practices related to processing CAP payment plan contracts. This includes reviewing the process of where PII is stored and how it is transmitted, such as: <ul style="list-style-type: none"> • Deleting PII from training material • Ensuring PII emailed over the AOC systems are appropriately secured 	Implemented	Management concurs with the audit recommendation. All Surprise City Court training materials are for internal use only and may not be distributed outside the Surprise City Court without authorization from the Court Administrator or, in certain cases, the Presiding Judge. While the PII included in these materials is information that staff already have access to, the Surprise City Court recognizes that using actual PII from real cases in training materials may not be necessary. As a result, PII has been removed from the CAP training materials. The Surprise City Court will collaborate closely with the AOC to establish and implement best practices for distributing correspondence that contains PII through AJACS. This will involve a thorough review of current protocols to ensure that sensitive information is handled securely and in compliance with all applicable regulations. The goal is to create a streamlined process that maintains the integrity of PII while facilitating efficient communication. We will also engage in continuous monitoring and adjustments as needed to adapt to any emerging challenges.	High	6/19/2024	6/19/2024
25	2024-05	1B	Compliance Assistance Program	City Court	6/11/2024	Ensure that processes and procedures are reviewed and updated at least annually.	Not Implemented	Management concurs with the audit recommendation. The Surprise City Court is committed to ensuring that CAP's policies and procedures are reviewed and updated on an annual basis. The initial review of CAP's policies and procedures will be conducted in October 2024. Thereafter, a designated CAP staff member will be responsible for conducting these reviews, ensuring that any changes in laws, regulations, or best practices are incorporated. The designee will assess current policies and procedures to identify any areas that require revision. A comprehensive review will be conducted each year, with updates approved by the Court Administrator and, where applicable, the presiding judge. To maintain accountability, all updates will be documented and communicated to staff promptly.	High	10/23/2024	
26	2024-05	2A	Compliance Assistance Program	City Court	6/11/2024	Continue working with the AOC to resolve the user access report issue.	Not Implemented	Management concurs with the audit recommendation. The Surprise City Court will continue to recommend and collaborate with the AOC on the potential benefits of flagging terminated employees in the system as a best practice.	Moderate	1/8/2025	
27											

Count	Audit ID	Section ID	Title	Department	Report Date	Recommendation	Current Status	Latest Mgt Comments	Risk Level	Estimated Completion	Completed Date
28	2024-05	2B	Compliance Assistance Program	City Court	6/11/2024	Develop and implement written procedures to review AJACS access at least annually and when a user leaves the City to ensure access changes are made accurately, that access is limited to the least privilege necessary, and that access is promptly removed when a user terminates employment with the City.	Not Implemented	Management concurs with the audit recommendation. The Surprise City Court recognizes the critical importance of maintaining secure and accurate user access within the AJACS system. To address this, the Surprise City Court will develop procedures to ensure that AJACS access is reviewed at least annually and promptly after a Remedy Ticket is issued from the AOC IT department confirming that the request to remove access has been completed and the ticket is closed.	Moderate	2/5/2025	
	2024-05	3A	Compliance Assistance Program	City Court	6/11/2024	Ensure that all fields for the online Financial Affidavit form are fillable fields and that a signed Financial Affidavit form is retained on file as required by the Handbook.	Not Implemented	Management partially concurs with the audit recommendation. While ensuring that all fields on the online Financial Affidavit form are crucial for completeness, it is essential to acknowledge that some users may face limitations in signing documents electronically. Not all customers have the ability to digitally sign the affidavit or manually sign the document and scan it back to the Surprise City Court. The Surprise City Court will review the current practice for accepting the Financial Affidavit form to determine if alternative methods can be used to accept the affidavit with or without a signature and update the CAP procedures.	Low	1/22/2025	
29	2024-05	3B	Compliance Assistance Program	City Court	6/11/2024	Review and update the Handbook to identify all requirements for the Financial Affidavit form. This should include but not be limited to when staff can waive the completion of a Financial Affidavit form.	Not Implemented	Management concurs with the audit recommendation. The Surprise City Court will review and update the Handbook to clearly identify all requirements for the Financial Affidavit form. This update will encompass all aspects of the form's completion, including guidelines on when staff may have the authority to waive its completion. Our goal is to ensure that the Handbook provides comprehensive and precise instructions to facilitate compliance and consistency. We will incorporate any relevant feedback to address potential gaps and enhance the clarity of these procedures. The updated Handbook will be distributed to all staff to ensure full awareness and adherence to the revised requirements.	Low	1/15/2025	
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Count	Audit ID	Section ID	Title	Department	Report Date	Recommendation	Current Status	Latest Mgt Comments	Risk Level	Estimated Completion	Completed Date
31	2024-05	4A	Compliance Assistance Program	City Court	6/11/2024	Review the Arizona Code of Judicial Records Retention and Disposition Schedule and identify the appropriate retention category for the CAP Recommendation Form.	Not Implemented	Management concurs with the audit recommendation. The CAP Recommendation Form is an internal document designed to organize thoughts and provide recommendations to judicial officers. Although there are no specific mandates regarding the retention of internally created forms, the Surprise City Court acknowledges the importance of maintaining consistency with best practices. The Surprise City Court is committed to upholding these practices to ensure effective and efficient operations. The Surprise City Court aims to ensure that the CAP policies align with the Arizona Code of Judicial Records Retention and Disposition Schedule, as appropriate for the specified case type and document type under the relevant administrative documents.	Low	1/15/2025	
	2024-05	4B	Compliance Assistance Program	City Court	6/11/2024	Ensure the CAP Recommendation Form is maintained in compliance with the Arizona Code of Judicial Records Retention and Disposition Schedule.	Not Implemented	Management concurs with the audit recommendation. The CAP Recommendation Form is an internal document designed to organize thoughts and provide recommendations to judicial officers. Although there are no specific mandates regarding the retention of internally created forms, the Surprise City Court acknowledges the importance of maintaining consistency with best practices. The Surprise City Court is committed to upholding these practices to ensure effective and efficient operations. The Surprise City Court aims to ensure that the CAP policies align with the Arizona Code of Judicial Records Retention and Disposition Schedule, as appropriate for the specified case type and document type under the relevant administrative documents.	Low	1/15/2025	
32											