CITY OF SURPRISE
Regular City Council Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, March 3, 2026 @ 5:00 PM
COUNCIL CHAMBERS

A. Call To Order

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

B. Roll Call

C. Pledge of Allegiance

D. Proclamation and Community Acknowledgements

E. City Manager Report

The City Manager may present a brief summary of current events, including recognition of community members, employees, and programs, pursuant to A.R.S. § 38-431.02(K). The City Council will not discuss or take action on any matter within the City Manager Report.

F. City Clerk Report

G. Regular City Council Meeting Agenda

CONSENT AGENDA:

1.	Citywide	Consideration and action to approve the minutes of the February 17, 2026, Regular City Council Work Session and Regular City Council Meeting.	Kristi Passarelli City Clerk
2.	Citywide	Consideration and action pertaining to approval of Amendment No.1 to the Independent Contract between the City of Surprise and Arizona Community Action Association for the Utility Assistance Program and approval of a Fiscal Year 2026 budget amendment moving budget in the amount of $20,000 to provide APS utility bill assistance; Resolution #2026-30.	Jennifer Cornelius Human Svcs and Comm Vitality
3.	Citywide	Consideration and action pertaining to amending the FY2026 budget by increasing the Human Service and Community Vitality Department donations budget by $43,000 and the HSCV sponsorships budget by $15,000 for acceptance of donations and sponsorships that exceed the current FY2026 budget; Resolution 2026-28.	Seth Dyson Human Svcs and Comm Vitality
4.	Internal	Consideration and action pertaining to acceptance of a funding award from the Banner University Family Care Community Reinvestment Program and approval of a Fiscal Year 2026 budget amendment moving budget in the amount of $75,000 from General Contingency to project G34072 to support the operation of a community paramedicine program; Resolution #2026-29.	Kevin Spirlong Fire - Medical

5.	Internal	Consideration and action pertaining to acceptance of a Q1 2026 Firehouse Subs Public Safety Foundation grant award for firefighting equipment and approval of a Fiscal Year 2026 budget amendment moving budget in the amount of $34,400 from General Contingency to Project G34211 in the Grants Fund to account for the value of the grant-awarded equipment; Resolution #2026-35.	Kevin Spirlong Fire - Medical
6.	District 1	Consideration and action on vacating approximately 324,520 square feet of right-of-way, generally located along the Grand Avenue frontage road, Pinnacle Peak Road, and 175th Avenue; Resolution 2026-17	Lloyd Abrams Community Development
7.	District 1	Consideration and Action on accepting an Amendment to Right of Way from Arizona State Land Department NO. 16-110840 for 235th Avenue north of Sun Valley Parkway.	Lloyd Abrams Community Development

REGULAR AGENDA ITEM - PUBLIC HEARING:

8.	District 1	Consideration and action pertaining to the rezone of approximately 264.9 gross acres from Mesquite Mountain Ranch PAD to Residential Low Density (R-1), Residential Medium Density (R-2), and Open Space Conservation (OS-1). The proposed rezone is located south of Deer Valley Road between 223rd Avenue and 231st Avenue. Case FS24-0765. Ordinance #2026-06.	Tanner Wessel Community Development
9.	District 4	Consideration and action pertaining to the CIP Project P51010/G51730 Multi-Generational Community Resource Center Comprehensive Sign Program for the Surprise Community and Resource Center generally located at W. Santa Fe Dr. and N. Hollyhock St. Case FS25-0835.	Trever Fleetham Community Development
10.	District 1	Consideration and action regarding the annexation of approximately 5.57 acres of county land, generally located south of the Central Arizona Project (CAP) canal along the Dixileta Drive and 179th Avenue roadway alignments. Case# FS25-0291. Ordinance #2026-09.	Chris Sexton Community Development
11.	Citywide	Presentation and discussion pertaining to the fiscal year 2025 annual audit and Annual Comprehensive Financial Report and associated reports.	Sandy Simmons Finance
12.	Internal	Consideration and action by City Council demonstrating compliance with A.R.S. § 41-1494 regarding prohibiting expending any public monies for the purpose of or requiring employees to engage in training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex, in accordance with A.R.S. § 9-481(H); Resolution #2026-23.	Sandy Simmons Finance

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

H. Call To The Public

INSTRUCTIONS: In order to address the City Council, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the City Clerk before the meeting begins. You may also fill out the Call to the Public form online If submitting form electronically, please submit to City Clerk at least one hour before the meeting start time.

Note: A.R.S. 38-431.01(H)- During this time members of the public may address City Council

only on issues within the jurisdiction of the City Council which are not an item on the agenda. At the conclusion of the open call, City Council may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

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

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

I. Other Business and Future Agenda Items

J. City Council Reports

K. Executive Session

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

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

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

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

L. Adjournment

KRISTI PASSARELLI, CITY CLERK

POSTED: Thursday, February 26th, 2026 @ 10:00 AM

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

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Submitting Department: City Clerk
Staff Recommendations:

Contact Person:
District: Internal

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

Agenda Wording:
Invocation

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:
FTE Impact:

ATTACHMENTS:

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Submitting Department:
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:
City Manager sub-text

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:
FTE Impact:

ATTACHMENTS:

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Submitting Department: City Clerk
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:
Election Update

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:
FTE Impact:

ATTACHMENTS:

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Submitting Department: City Clerk
Staff Recommendations:

Contact Person: Kristi Passarelli, City Clerk
District: Citywide

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

Agenda Wording:
Consideration and action to approve the minutes of the February 17, 2026, Regular City Council Work Session and Regular City Council Meeting.

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:
FTE Impact:

ATTACHMENTS:
1. 021726 Work Session Minutes DRAFT
2. 021726 Regular Meeting Minutes DRAFT

CITY OF SURPRISE
Regular City Council Work Session
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, February 17, 2026 @ 4:30 PM
COUNCIL CHAMBERS

A. Call To Order
Mayor Sartor called the City Council Work Session of February 17th, 2026 to order at 4:30 p.m., located at Surprise City Hall, 16000 N. Civic Center Plaza, Surprise, AZ. 85374.

B. Roll Call
In attendance with Mayor Sartor were Council members Chris Judd, Patrick Duffy, Johnny Melton, Jack Hastings and Nick Haney. Vice Mayor Earle Greenberg was excused.

C. Pledge of Allegiance
Mayor Sartor led in the Pledge of Allegiance.

D. Regular City Council Work Session Agenda

1. CONSENT AGENDA:

2. REGULAR AGENDA ITEM - PUBLIC HEARING:

3. REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

1. Presentation and discussion pertaining to Surprise Police Department Programs

Finance Director, Sandy Simmons, Chief Evan Beecher, and Sergeant Rick Hernandez, came to present this item. She talked about the FY 2026 General Fund Expense Budget. Evan talked about the Patrol Operations Divisions. Rick talked about the Criminal Investigations Division. Evan talked about the Tactical Support Division. Rick talked about Agency Support Division. Evan talked about Community Feedback Directs Enforcement. Rick talked about the Surprise PD Toy Drive.

Mayor Sartor thanked the Police Department for everything they do and asked the Chief what they need to do their job better? Chief Beecher said that staff is a significant concern and being proactive for the future.

Councilmember Melton, asked about the number of calls and if it was typical for the city of our size? Chief Beecher said that the City is very safe and that it's a hard number to calculate. Councilmember Melton asked how many FTE's are dedicated to crime scenes? Chief Beecher said there is a few positions they are hiring for and would have 4 normally.

Councilmember Haney, talked about the effort done on 163rd Avenue. He thanked the Police Department for what they do and the relationship they have made with the community.

Councilmember Hastings, talked about the SROs that the City uses with the local schools. He asked about a potential range and asking for what the City really needs. Chief Beecher talked about how they are very strategic in planning for appropriate growth for the City. Councilmember Hastings thanked the Police Department for their work.

Mayor Sartor asked about the public safety master plan? Chief Beecher said it would come out in a few months. Mayor Sartor asked if it would be a good roadmap for planning? Chief Beecher said it would.

2. Presentation and discussion pertaining to Public Works Programs

Sandy Simmons along with Public Works Director Kristen Tytler came to present this item. She talked about the FY26 General Fund Expense Budget. Kristen talked about Engineering, Fleet, Supporting Citywide Operations, Fleet Organization, Facilities, Facilities Organization, Fleets Assets Across Functions, Solid Waste, Curbside Pickup, and Other Services.

Mayor Sartor thanked staff for their work. He asked how Public Works integrates with Public Safety's Master Plan? Kristen talked about and part time hours that convert to full time eventually. Mayor Sartor asked if there would be a need for additional facilities in the future? Kristen said that there likely would be in the future.

Councilmember Melton, talked about the number of buildings the City uses and the use of energy efficiently. He asked if there were any tools they needed? Kristen said they were pretty good but were always looking ahead for new technology.

Councilmember Duffy, thanked staff for offering tours.

3. Presentation and discussion pertaining to the FY2026 Financial Status Report through December 2025.

Finance Director, Sandy Simmons, presented this item. She talked about the Category Sample Sources, FY26 General Fund Sources, and General Fund Uses.

E. Adjournment

Motion: To Adjourn
Initiated By: Nick Haney
Seconded By: Jack Hastings

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton, Earle Greenberg
No: None
Abstain: None

Vote Result: Passed
Meeting adjourned at 5:19 PM

_____
Kevin D. Sartor, Mayor

ATTEST:

_____
Kristi Passarelli, City Clerk

CERTIFICATION:

I, Kristi Passarelli, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Meeting of **Tuesday, February 17, 2026.**

_____
Kristi Passarelli, City Clerk

CITY OF SURPRISE
Regular City Council Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, February 17, 2026 @ 6:00 PM
COUNCIL CHAMBERS

A. Call To Order
Mayor Sartor called the Regular Council Meeting of February 17th, 2026 to order at 6:00 p.m., located at Surprise City Hall, 16000 N. Civic Center Plaza, Surprise, AZ. 85374.

1. Invocation
Pastor Marquis McLean, led in the Invocation.

B. Roll Call
In attendance with Mayor Sartor were Council members Chris Judd, Jack Hastings, Patrick Duffy, Johnny Melton and Nick Haney. Vice Mayor Earle Greenberg was excused.

C. Pledge of Allegiance
Riverview Student Council, led in the Pledge of Allegiance.

D. Proclamation and Community Acknowledgements

E. City Manager Report

2. City Manager sub-text

1. Veterans of Foreign Wars (VFW) Post 285 presenting the Firefighter Award

Glenn Stark from the VFW came to present an award to Battalion Chief Louis DeAngelo

3. Reports
Shelby Fenwick introduced the Youth Council Members.

Peyton Anthony, Highland Prep

Olivia Vuong, Paradise Honors

F. City Clerk Report

4. Reports

2. 2026 Elections Update

City Clerk, Kristi Passarelli, gave a brief update about the recent legislative change for the 2026 election dates.

Councilmember Melton had a question about mail out ballots. Kristi said that they would go out 27 days earlier.

G. Regular City Council Meeting Agenda

5. CONSENT AGENDA:
Motion: To Approve
Initiated By: Patrick Duffy
Seconded By: Chris Judd

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton
No: None
Abstain: None

Vote Result: Passed

3. Consideration and action to approve the minutes of the February 3, 2026, Regular City Council Meeting; February 5, 2026 Special City Council Meeting, & Executive Session; and February 11th, 2026 Special City Council Meeting.

4. Consideration and action to correct the Audit Committee term expiration dates for Tatiana Young and Gloria Bianco-Dailey to comply with the Audit Committee Bylaws. Tatiana Young's term expires on June 30, 2026, and Gloria Bianco-Dailey's term expires on June 30, 2028.

5. Consideration and action pertaining to authorizing the City of Goodyear's participation in the Maricopa HOME Consortium and approving an amendment to the intergovernmental agreement with Maricopa County to add the City of Goodyear as a member; Resolution 2026-22

6. Consideration and action pertaining to approval of an Intergovernmental Agreement with Maricopa County Department of Transportation (MCDOT); Resolution #2026-24

6. REGULAR AGENDA ITEM - PUBLIC HEARING:

7. Presentation and discussion regarding the Vistas Montanas Annexation, Case FS25-0291. In accordance with Arizona Revised Statutes § 9-471(A)(3), a public hearing is required to be held after filing a blank petition within the last ten days of the thirty-day waiting period.

Planner Chris Sexton, came to present this item. She came to talk about the Vicinity Map, Existing Boundary, Annexation Locations, Proposed Boundaries, and Annexation Steps.

7. REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

10. Consideration and action pertaining to the approval of a Fiscal Year 2026 budget amendment moving budget in the amount of $100,000 from General Contingency to the Tourism Fund, project N59130, for the Big 12 Baseball Championships; Resolution #2026-25.

Kendra Pettis, came to present this item, She introduced Scott Draper, and Anthony Bartkowski. She talked about the Background of the Big 12 Championship, Event Partnership Alignment, Council and Tourism Strategic Plan, Support for Strategic Goals, Tourism Fund Guidelines, and Tourism Fund Request Reimbursement.

Councilmember Judd, asked about where the money comes from that funds these events? Kendra said it largely comes from hotel taxes. Councilmember Judd asked Scott and Anthony what they were up to in Surprise? Scott talked about the history of the organization and relationship with the City.

Councilmember Melton, talked about the excitement about the tournament coming to Surprise.

Councilmember Duffy, talked about how exciting this was and how huge this event will be for the City.

Mayor Sartor said he was glad for this partnership.

Motion: To Approve
Initiated By: Chris Judd
Seconded By: Patrick Duffy

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton
No: None
Abstain: None

Vote Result: Passed

8. Consideration and action pertaining to approval of the Mesquite Mountain Ranch V Development Agreement; Resolution #2026-14.

Trever Fleetham, came to present this item. He talked about the Vicinity Map, Owner's Obligations, Roadway Network, and Motions.

Councilmember Melton, asked about the impact fee options with regards to the spa fee and recharge basin. He asked if this was an existing thing or something negotiated? Trever said it was needed from the time of development. Councilmember Melton, asked if this was new? Lloyd said he thinks it was new but would double check.

Mayor asked Rural Urban Overlay and if it was meant for this project? Trever said that it was something identified.

Councilmember Haney, asked when the obligations would be completed? Trever said that water and wastewater would be determined prior while the roads would be closer to development. Councilmember Haney asked about the roadway improvements and the traffic signals that are in the works. He then asked if the traffic would feed into sun valley parkway? Trever said it would. Councilmember Haney talked about the involvement from the community.

Motion: To Approve
Initiated By: Nick Haney
Seconded By: Jack Hastings

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton
No: None
Abstain: None

Vote Result: Passed

9. Consideration and action pertaining to the approval of a Resolution for the Intent to Annex for a portion of the project known as Desert Trails. Case# FS25-0856; Resolution 2026-15.

Leslie Carnie came to present this item. She talked about the Vicinity Map, Existing Boundaries, Proposed Boundaries, and Annexation Steps.

Motion: To Approve
Initiated By: Nick Haney
Seconded By: Patrick Duffy

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton
No: None
Abstain: None

Vote Result: Passed

11. Consideration and action pertaining to the approval of a Cell Tower Lease Agreement at the Section 10 Pocket Park, Resolution #2026-18.

Brad Mecham, came to present this item. He talked about the Location, Proposed Layout, and Terms.

Councilmember Haney, talked about the history of this item and the importance of phone coverage in the City.

Motion: To Approve
Initiated By: Nick Haney
Seconded By: Chris Judd

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton
No: None
Abstain: None

Vote Result: Passed

H. Call To The Public

Lisa Everett, came to talk about the DHS acquisition of property within the City.
Georgia Spillers, came to talk about the DHS acquisition of property within the City.
Alex Christ, came to talk about the Big 12 Championship. He also talked about the DHS acquisition of property within the City.
Kayla Bishop, came to talk about the DHS acquisition of property within the City.
Gary Hudson, came to talk about the DHS acquisition of property within the City.
Dianne Eden-Giordano, came to talk about the DHS acquisition of property within the City.
Amanda Kaminskas, came to talk about the DHS acquisition of property within the City.
Alexa Coulter, came to talk about the DHS acquisition of property within the City.
Brooke McNeil, came to talk about the DHS acquisition of property within the City.
Alexandira Moen, came to talk about the DHS acquisition of property within the City.
Sam Cooley, came to talk about the DHS acquisition of property within the City.
William Olear, came to talk about the DHS acquisition of property within the City.
Cali Overs, came to talk about the DHS acquisition of property within the City.
William Buckingham, came to talk about the DHS acquisition of property within the City.
Vincent Hernandez, came to talk about the DHS acquisition of property within the City.
Rosalynn Melling-Durocher, came to talk about the DHS acquisition of property within the City.
Tina Mollica, came to talk about the DHS acquisition of property within the City.
William Murphree, came to talk about the DHS acquisition of property within the City.
Leo Mankiewicz, came to talk about the DHS acquisition of property within the City.
Erica Williams, came to talk about the DHS acquisition of property within the City.
Donna Bronski, came to talk about the DHS acquisition of property within the City.
Maureen Miller, came to talk about the DHS acquisition of property within the City.
Hanna Grabowski, came to talk about the DHS acquisition of property within the City.
Nikki Ouellett, came to talk about the DHS acquisition of property within the City.
Paul Revere, came to talk about the DHS acquisition of property within the City.
Christine Scianna, came to talk about the DHS acquisition of property within the City.
William Spillers, came to talk about the DHS acquisition of property within the City.

I. Other Business and Future Agenda Items

J. City Council Reports

K. Executive Session

8. Executive Session Items

9. Executive Disclaimer - Part 1

10. Executive Disclaimer - Part 2

11. Executive Disclaimer - Part 3

L. Adjournment

Motion: To Adjourn
Initiated By: Nick Haney
Seconded By: Johnny Melton

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton
No: None
Abstain: None

Vote Result: Passed

Meeting adjourned at 8:09 PM

_____
Kevin D. Sartor, Mayor

ATTEST:

_____
Kristi Passarelli, City Clerk

CERTIFICATION:

I, Kristi Passarelli, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Meeting of **Tuesday, February 17, 2026.**

_____
Kristi Passarelli, City Clerk

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Contact Person: Jennifer Cornelius
Submitting Department: Human Svcs and Comm Vitality
District: Citywide
Staff Recommendations:

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

Agenda Wording:
Consideration and action pertaining to approval of Amendment No.1 to the Independent Contract between the City of Surprise and Arizona Community Action Association for the Utility Assistance Program and approval of a Fiscal Year 2026 budget amendment moving budget in the amount of $20,000 to provide APS utility bill assistance; Resolution #2026-30.

Motion:
I move to approve Resolution 2026-30.

Background:
The City entered into Independent Contractor Agreement No. 07012025-26 with Arizona Community Action Association DBA Wildfire (Wildfire) effective July 1, 2025. The City agreed to conduct application intake and eligibility determinations for utility bill assistance and deposits. The City also agreed to make guarantees and payments to utility companies for eligible applicants. Those payments are then reimbursed to the City by Wildfire. The original agreement provided a total of $29,080 in utility assistance funds. This included $19,010 for APS utility assistance, $7,440 for Southwest Gas utility assistance, and $2,630 for utility repair/replacement deposits. Amendment No. 1 to the Independent Contractor Agreement provides an additional $20,000 in funding for APS utility assistance. This increase in funding will provide a total of $39,010 for APS utility assistance. All other terms of the agreement remain in effect.

Objective Analysis:
This item allows the Human Service & Community Vitality Department to accept and administer the additional funding in support of the Utility Assistance Program.

Policy Compliant:
This item is consistent with City and Council Policy.

Financial Impact:
This amendment will allow a one-time additional $20,000 in APS utility assistance to support the Utility Assistance Program. All expenses are on a reimbursement basis. There is no match requirement for this

funding.

Budget Impact:

This item amends the Fiscal Year 2026 budget by moving budget authority in the amount of $20,000 from General Contingency to project G51743 FY26 Wildfire HEAF in the Grants Fund.

FTE Impact:

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

ATTACHMENTS:

1. Res 2026-30 - Wildfire Amendment No. 1

RESOLUTION # 2026-30

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA APPROVING AMENDMENT NO. 1 OF THE INDEPENDENT CONTRACTOR AGREEMENT BETWEEN THE CITY OF SURPRISE AND THE ARIZONA COMMUNITY ACTION ASSOCIATION DBA WILDFIRE; AUTHORIZING THE CITY TO ACCEPT ADDITIONAL GRANT FUNDING FOR THE UTILITY ASSISTANCE PROGRAM; AND AMENDING THE FISCAL YEAR 2026 BUDGET BY MOVING BUDGET AUTHORITY OF $20,000 FROM GENERAL CONTINGENCY TO PROJECT G51743 IN THE GRANTS FUND.

WHEREAS, the City entered into an Independent Contractor Agreement No. 07012025-26 ("Agreement") with the Arizona Community Action Association DBA Wildfire ("Contractor"), effective August 14, 2025, to support the Utility Assistance Program, attached hereto as *Exhibit B* and incorporated by reference herein;

WHEREAS, the Agreement allotted up to $19,010 for Arizona Public Service ("APS") Crisis Bill Assistance;

WHEREAS, the parties desire to enter into this Amendment No. 1 to the Agreement, attached hereto as *Exhibit C* and incorporated by reference herein, to increase the operating budget for the APS Crisis Bill Assistance Program in FY2026 by an additional twenty thousand dollars ($20,000), up to $39,010;

WHEREAS, all other terms and conditions of the Agreement shall remain in full force and effect, except as expressly amended by Amendment No. 1;

WHEREAS, the FY2026 budget was adopted by Council Resolution #2025-71 on June 3, 2025;

WHEREAS, this action will necessitate a budget amendment; and

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

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

Section 1. That the statements and schedules attached hereto as *Exhibit A* and incorporated by reference herein are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2025, through June 30, 2026.

Section 2. Amendment No. 1 to the Independent Contractor Agreement between the City of Surprise and the Arizona Community Action Association DBA Wildfire, attached as *Exhibit C*, is approved.

Section 3. The Mayor is hereby authorized to execute and submit all documents and other necessary or desirable instruments in connection with said agreement.

APPROVED AND ADOPTED this _____day of _____, 2026.

Kevin D. Sartor, Mayor

Attest:

Kristi Passarelli, City Clerk

Approved as to form:

Jeffrey Murray, City Attorney

RESOLUTION 2026-30
EXHIBIT A

1. Appropriation - The allocations below represent the moving of budget authority in the amount of $20,000 from General Contingency to Project G51743 in the Grants Fund to cover projected expenditures associated with the Utility Assistance Program. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Grants	Human Svcs and Comm Vitality	#G51743 FY26 Wildfire HEAF	E	29,100	20,000	49,100
Grants	Human Svcs and Comm Vitality	#G51743 FY26 Wildfire HEAF	R	29,100	20,000	49,100
Contingency	General Operations	Contingency	E	86,440,800	(20,000)	86,420,800
Contingency	General Operations	Other	R	77,629,100	(20,000)	77,609,100
			Expense Total	**86,469,900**	**-**	**86,469,900**
			Revenue Total	**77,658,200**	**-**	**77,658,200**

RESOLUTION 2026-30
EXHIBIT B

Independent Contractor Agreement
(Contract No. 07012025-26)

wildfire
Igniting Community Action to End Poverty in Arizona

INDEPENDENT CONTRACTOR AGREEMENT
2025-26 Utility Assistance Programs
Contract No. 07012025-26

This INDEPENDENT CONTRACTOR AGREEMENT (this "Agreement") is entered into as of the Effective Date set forth below by and between City of Surprise (hereinafter "Contractor") and Arizona Community Action Association, an Arizona nonprofit corporation DBA Wildfire (hereinafter "Wildfire"), together referred to as the Parties, ("Parties").

RECITALS:

A. Wildfire is a nonprofit organization that, as part of its mission to promote economic self-sufficiency for low-income Arizonans, administers energy program funding to provide weatherization services, utility repair and replacement, utility deposits and bill assistance.

B. Wildfire is receiving or expects to receive during the term of this Agreement funding from the fund sources in ***Section 1*** (the "Fund Sources") pursuant to Program Documents (as defined in ***Section 4***).

C. Wildfire desires to subcontract with Contractor to obtain assistance with fulfilling Wildfire's obligations under the Program Documents and Contractor desires to receive the funding described herein and use it to provide services in accordance with the Program Documents and this Agreement.

THEREFORE, in consideration of the terms and conditions set forth in this Agreement and intending to be bound, Wildfire and Contractor hereby agree as follows:

1. Services and Programs

1.1 Services. Contractor agrees, under the terms and conditions of this Agreement, to perform the following services for the programs listed in ***Section 1.2***: (i) conduct application intake services, (ii) make eligibility determinations, and (iii) where applicable, conduct weatherization work, utility deposits, repair and replacement work, and (iv) bill assistance. Contractor shall perform the foregoing services during the term set forth in ***Section 2***. Wildfire will not exercise control over the specific methods used by Contractor or the specific manner in which Contractor performs services under this Agreement, but Contractor shall follow Wildfire's instructions as to the result to be achieved. Contractor will receive Wildfire's instructions through an employee of Wildfire who is appointed to manage the program ("Program Manager"). Contractor may also receive instructions from a Wildfire employee designated to serve as a liaison between Wildfire and Contractor ("Monitor").

1.2. Fund Sources. For purposes of this Agreement, the programs, Fund Sources and amount of funding to be allocated to Contractor will be as set forth in the table on the following pages.

1.2 Fund Sources

Fund	Direct Service Amount	Program Delivery Amount	Total Allocation	Additional Information
APS Crisis Bill Assistance	$15,841.67	$3,168.33	$19,010.00	Refer to Exhibit A: Arizona Public Service (APS) Crisis Bill Assistance Program Summary
Global Water Bill Assistance	$0.00	$0.00		Refer to Exhibit A: Global Water Bill Assistance Program Summary
Salt River Project (SRP) Bill Assistance	$0.00	$0.00		Refer to Exhibit A: Salt River Project (SRP) Bill Assistance Program Summary
Southwest Gas Energy Share Bill Assistance	$0.00	$0.00		Refer to Exhibit A: Southwest Gas Energy Share – Bill Assistance Program Summary
Southwest Energy Share Repair/Replace	$0.00	$0.00		Refer to Exhibit A: Southwest Gas Energy Share Repair/Replace Program Summary
Southwest Gas Low Income Energy Conservation (LIEC) -- CY25	$3,973.00	$0.00	$3,973.00	Refer to Exhibit A: SWG LIEC Program Summary. No more than twenty-five percent (25%) of total allocation can be used for deposits. CY25 allocation must be expended by 12/31/2025
Southwest Gas Low Income Energy Conservation (LIEC) -- CY26	$3,467.00	$0.00	$3,467.00	Refer to Exhibit A: SWG LIEC Program Summary. No more than twenty-five percent (25%) of total allocation can be used for deposits. CY26 allocation must be expended by 06/30/2026
Tucson Electric Power (TEP) Bill Assistance	$0.00	$0.00		Refer to Exhibit A: Tucson Electric Power Bill Assistance Summary

1.2 Fund Sources (Continued)

Fund	Direct Service Amount	Program Delivery Amount	Total Allocation	Additional Information
Utility Repair Replacement Deposit (URRD)	$2,191.67	$438.33	$2,630.00	Refer to Exhibit A: URRD Program Summary. Refer to Exhibit A, Appendix B: Instructions for Verifying Citizenship and Non-Legal Permanent Resident (LPR) Status.
20% of URRD allocation above is available for HVAC Pilot Program	$0.00	$0.00		Refer to Exhibit A: URRD Program Summary
Unisource Electric Bill Assistance	$0.00	$0.00		Refer to Exhibit A: Unisource Electric Bill Assistance Program Summary
Warm Spirit Electric - Bill Assistance	$0.00	$0.00		Refer to Exhibit A: Warm Spirit Program Summary
Warm Spirit Gas - Bill Assistance	$0.00	$0.00		Refer to Exhibit A: Warm Spirit Program Summary
Heat Relief Initiative -- Replacement	$0.00	$0.00		Refer to Exhibit A: Heat Relief Initiative Program Summary
Heat Relief Initiative -- Repair Only	$0.00	$0.00		Refer to Exhibit A: Heat Relief Initiative Program Summary

1.2. Fund Sources (Continued). Contractor makes guarantees and payments to utility companies and repair/replacement vendors. Service costs and program delivery costs are then reimbursed based on activity reports.

The table above, which highlights certain provisions of the Program Documents, is provided for Contractor's convenience and is not intended to be an exhaustive description of all material terms of the Program Documents. Contractor is advised to carefully review the Program Documents in their entirety. In the event of any conflict between the summaries reflected in this Section and the Program Documents, the terms of the Program Documents will control.

1.3 Training. Contractor will participate in any training provided by Wildfire on dates and times selected by Wildfire.

1.4 Program Modification. Wildfire and the Fund Sources reserve the right to modify program eligibility

guidelines and Program Documents. Contractor agrees to implement and comply with any and all modifications immediately after receipt of written notice of such modifications.

2. Term and Termination.

2.1 Term. Unless sooner terminated pursuant to ***Section 2.2***, the term of this Agreement will begin on the later of full execution of this Agreement or **July 1, 2025** (the "Effective Date") and end on **June 30, 2026**.

2.2 Termination. Either Wildfire or Contractor may terminate this Agreement at any time, for any or no reason, by giving thirty (30) days written notice to the other party of its election to terminate. If a Fund Source terminates a program or otherwise discontinues funding to Wildfire, then this Agreement will automatically terminate as to any services to be provided for that Fund Source.

2.3 Effect of Termination; Survival. Upon termination, Contractor's obligation to perform further services for Wildfire shall terminate and Wildfire will be obligated to provide funding to Contractor for services rendered according to the terms of this contract up to the date of termination. Wildfire will not be obligated to provide funding to Contractor for any services performed after the date of termination. The remainder of this Agreement shall continue in full force and effect.

3. Funding; Expenses; Nature of Relationship.

3.1 Funding; Payments to Contractor. Not later than the 15th day of each month, Contractor will ensure that all services performed during the prior month are represented correctly in the Wildfire Grants Management System (GMS) as required by ***Section 4.*** After the 15th day of each month, Wildfire will endeavor to review Contractor's activities from the prior month and give notice to Contractor of any disallowed items within ten (10) business days. Wildfire will submit all approved portions of Contractor's activities to the applicable Fund Sources. Contractor acknowledges and agrees that all activities are subject to approval by the Fund Sources and Wildfire's approval does not bind any Fund Source or constitute a guarantee by Wildfire of payment to Contractor.

3.2 Request for Additional Funds. Contractor may submit in writing a request for additional funds to Wildfire no earlier than November 30 of the current contract year. Requests for additional funds will be submitted to the Home Energy Assistance Fund Advisory Board of Directors on the next available agenda. Approval of request(s) will be based on: a) there are adequate funds available; b) agency is at an expenditure rate to ensure any additional funds will be expended; c) request is not being used to cover over expenditures. All approved requests will be submitted to the Wildfire Board of Directors on the next available agenda for final review and approval.

3.3 Reimbursement of Expenses. Wildfire may provide certain materials and supplies to Contractor for use in performing services under this Agreement. Except for such materials and supplies, and except to the extent the Program Documents permit reimbursement of expenses from the Fund Sources, Contractor shall be responsible for expenses that it incurs in performing services under this Agreement, and shall not be entitled to reimbursement from Wildfire.

3.4 Expenditures. Wildfire reserves the right to terminate, reduce, or reallocate funds to another Contractor within the service territory, if Contractor's expenditure rate is not at a percentage to ensure one hundred percent expenditure of funds within the contract period. Wildfire will conduct a review of agency expenditures on a quarterly basis, and will notify the Contractor of any concerns. It is the responsibility of the Contractor to monitor all contract expenditures and to ensure that no over expenditures occur. If an

over expenditure occurs, the Contractor is responsible for absorbing and/or returning the amount of the payment.

3.5 Advance Payments. Contractor may request a one-time advance in accordance with the established One-Time Advance Payment Policy approved by the Home Energy Assistance Advisory Board of Directors and the Wildfire Board of Directors. Contractor may request the Advance Request Form through Wildfire, if needed.

3.6 Nature of Relationship. As between Wildfire and Contractor, Wildfire shall have the same rights as the Funding Sources have under the applicable Program Documents. Contractor shall have only those rights expressly provided to Contractor under this Agreement. The relationship between Wildfire and Contractor shall be that of independent contractors for purposes including tax law purposes and employment law purposes and not that of employer-employee, partners, joint ventures, or otherwise. Contractor acknowledges and agrees that Contractor shall have no right or opportunity to participate in any employee benefits plans, compensation plans, or other benefits that Wildfire may offer to its employees, and that Contractor will not be treated as an employee for purposes of workers compensation laws, employment laws, or tax laws, including without limitation federal and state income tax laws, social security tax laws and unemployment contribution laws. Contractor agrees to comply with all laws applicable to independent contractors including, but not limited to, professional and tax licensing requirements and reporting and payment of applicable federal, state and local taxes, including without limitation income taxes and self-employment taxes.

3.7 Indemnification. Contractor agrees to indemnify, defend and hold Wildfire and its directors, officers, employees and agents harmless for, from and against any tax or other liabilities, losses, costs, expenses (including attorneys' fees and court costs), penalties, claims, demands resulting from or arising out of a breach of this Agreement by Contractor or Contractor's employees or agents, or resulting from or arising out of rendering services under this Agreement by Contractor or Contractor's employees or agents or to the extent caused by the negligence or intentional misconduct of Contractor or Contractor's employees or agents. Wildfire agrees to indemnify, defend and hold Contractor and its directors, officers, employees and agents harmless for, from and against any liabilities, losses, costs, expenses (including attorneys' fees and court costs), penalties, claims, demands to the extent caused by the negligence or intentional misconduct of Wildfire or Wildfire's employees or agents.

3.8 Insurance.

- 3.8.1 Contractor and any subcontractors shall procure and maintain, until all of their obligations have been satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the services hereunder by Contractor or Contractor's agents, representatives, employees or subcontractors. Contractor shall also procure and maintain all additional insurance coverage required by the Program Documents.
- 3.8.2 The insurance requirements herein are minimum requirements for this Agreement and in no way limit Contractor's indemnity obligations contained in this Agreement. Wildfire makes no representation or warranty that the minimum limits contained herein are sufficient to protect Contractor from liabilities that might arise out of the performance of the work under this contract by Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.
- 3.8.3 Contractor shall provide coverage with limits of liability not less than those stated below.
    - *a) Commercial General Liability – Occurrence Form*
        - General Aggregate: The policy will have a combined single limit of $2,000,000 for

each occurrence for bodily injury and property damage. The policy shall include bodily injury, property damage, personal injury and broad form contractual liability.

- The policy shall be endorsed to include the following additional insured language: *"Arizona Community Action Association (dba Wildfire) shall be named as additional insured with respect to liability arising out of the activities performed by or on behalf of the Contractor"*.
- The policy shall contain a waiver of subrogation against Arizona Community Action Association (dba Wildfire) and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

- *b) Automobile Liability*

  - Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Agreement.
    - Combined Single Limit (CSL) $ 1,000,000
    - The policy shall be endorsed to include the following additional insured language: *"Arizona Community Action Association DBA Wildfire shall be named as additional insured with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor"*.

- *c) Worker's Compensation and Employers' Liability*

  - The policy will cover all obligations imposed by federal, state and local statutes with jurisdiction over Contractor's employees.
  - The policy shall contain a waiver of subrogation against Arizona Community Action Association (dba Wildfire) and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

- 3.8.4 Wherever additional insured status is required, such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Agreement. The Contractor's insurance coverage shall be primary insurance with respect to all other available sources. Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this Agreement.
- 3.8.5 Each insurance policy required by the insurance provisions of this Agreement shall provide the required coverage and shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been given to Wildfire.
- 3.8.6 Insurance is to be placed with duly licensed or approved non-admitted insurers in the state of Arizona with an "A.M. Best" rating of not less than A- VII. Wildfire makes no representation or warranty that the above-required minimum insurer rating is sufficient to protect Contractor from potential insurer insolvency. If Contractor utilizes the Social Service Contractors Indemnity Pool (SSCIP) or other approved insurance pool for insurance coverage, SSCIP or the other approved insurance pool is exempt from the A.M. Best's rating requirements listed in this Agreement. If Contractor chooses to use SSCIP or another approved insurance pool as its insurance provider, Contractor would be considered in full compliance with insurance requirements relating to the A.M. Best rating requirements.
- 3.8.7 Contractor shall furnish Wildfire with certificates of insurance (ACORD form or equivalent approved by Wildfire) as required by this Agreement. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates

and endorsements are to be received and approved by Wildfire before services commence. Each insurance policy required by this Agreement must be in effect at or prior to commencement of services under this Agreement and remain in effect for the duration of the term of this Agreement. Failure to maintain the insurance policies as required by this Agreement, or to provide evidence of renewal, is a material breach of contract.

- 3.8.8 Contractor's certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall furnish to Wildfire separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.
- 3.8.9. In the event the Contractor is a public entity, then the insurance requirements shall not apply. Such public entity, during the term of this Agreement, shall maintain liability insurance or self-insurance coverage for the negligent acts, errors and omissions of its officers, officials, agents, employees or volunteers. Contractor shall furnish Wildfire with evidence of its self-insured policy by submitting a certificate of insurance. Contractor shall maintain insurance policies for the duration of the term of this Agreement.

4. Compliance with Terms of Funding.

4.1 Contractor's Compliance with Terms of Funding. Contractor acknowledges that Contractor's services will be part of the programs funded by the Funding Sources in *Section 1* pursuant to the Program Documents. Contractor agrees it will be bound by and will comply with all terms and conditions of the Program Documents, including without limitation all indemnification and insurance obligations. The "Program Documents" consist of the Attachments and Exhibits hereto and any written policies and procedures that Wildfire may send to Contractor from time to time, all of which are incorporated herein by this reference. The Program Documents require Wildfire to submit certain periodic reports to the Fund Sources. Contractor agrees to cooperate with Wildfire in preparing these reports. In addition, Contractor agrees to comply with all other reporting obligations under the Program Documents.

4.2 Grants Management System Database (GMS). Contractor will ensure that applications from all fund sources will be directly entered into the GMS Database, or transferred electronically, in accordance with the policies outlined in the Program Documents.

5. Confidential Information.

5.1 Contractor's Obligation of Confidentiality. Contractor recognizes that as a result of this Agreement and Contractor's performance of services hereunder Contractor will have access to confidential information ("Confidential Information"). Contractor will keep the Confidential Information it receives confidential at all times and will not, without the prior written consent of Wildfire, disclose Confidential Information to any person other than its legal counsel and other parties authorized by Wildfire in writing prior to the disclosure of the Confidential Information (such legal counsel and other authorized parties will hereinafter be collectively referred to herein as the "Representatives") who need to know the Confidential Information. Contractor agrees to inform its Representatives of the confidential nature of the Confidential Information and to obtain their agreement to be bound by the terms of this ***Section 5*** for the benefit of Wildfire. Contractor agrees to treat and use Confidential Information in a manner that is consistent with protecting such information. Contractor agrees that it will be responsible for any unauthorized use or disclosure of Confidential Information or other non-compliance with this Agreement by any Representative or other agents, or by any other person who obtains access to Confidential Information from, or due to the fault of,

Contractor. Any such non-compliance will constitute a breach of this Agreement by Contractor.

5.2 Definition of Confidential Information. Confidential Information includes without limitation any information in whatever form, whether documents, computer disks, computer drives, computer chips, audio tapes or video tapes, that are marked with the legend "confidential" or other notice of similar meaning or are otherwise treated as confidential by Wildfire. Whether or not indicated to be confidential, the following information shall be deemed to constitute Confidential Information: all data collected from applicants for assistance and program participants including without limitation names, addresses, and any other information of a personal or intimate nature, and all trade secrets, proprietary data, financial information, business information and other proprietary information disclosed by Wildfire to Contractor, and further including without limitation any copies, summaries, indexes or abstracts of Confidential Information and any information or materials derived from Confidential Information. In addition to the foregoing, any information that is otherwise protected by law as confidential without regard to this Agreement shall constitute Confidential Information. The term "Confidential Information" as used herein does not include any information which (a) is already known to the public prior to disclosure to Contractor; (b) is subsequently made known to the public without any violation of this Agreement; (c) is rightfully received by Contractor from a third party without similar restriction and without breach of this Agreement; (d) is required by law to be disclosed; (e) is in the non-disclosing party's possession prior to disclosure by the disclosing party; (f) is independently developed or otherwise discovered by the non-disclosing party; and/or (g) the duty as to confidentiality is waived in writing by the disclosing party. Notwithstanding the foregoing, Contractor will not be deemed in violation of this Agreement in the event Contractor discloses Confidential Information in response to a duly issued court order or subpoena if Contractor provides prompt advance notice thereof to Wildfire or if Contractor discloses data regarding applicants for assistance and program participants to the extent required by Contractor's reporting obligations under other agreements pursuant to which Contractor receives funding.

6. Audit and Inspection. Wildfire will have the right to audit and inspect Contractor's work to verify compliance with this Agreement. Contractor agrees to provide Wildfire and its Fund Sources with access, upon reasonable advance notice and during normal business hours, to all of Contractor's books and records that relate to this Agreement. Contractor will maintain copies of all books and records that relate to this Agreement for at least 3 years after the expiration of this Agreement.

7. Notices. All notices given in connection with this Agreement shall be in writing and sent by: (i) hand delivery (ii) nationally recognized courier, (iii) facsimile, (iv) United States certified mail with return receipt requested, postage paid, or (v) e-mail. All notices shall be deemed given and received when (a) if given by facsimile, upon confirmed transmission during normal business hours (before 5:00 p.m. Arizona time), if confirmed transmission is after normal business hours it will be deemed given and received the next business day, (b) if hand delivered, when delivered (as confirmed by receipt executed by the recipient or delivery confirmation executed by the courier), (c) if given by a nationally recognized courier, on the day the notice is actually delivered (as confirmed by receipt executed by the recipient or delivery confirmation by the courier), (d) if given by certified mail, return receipt requested, postage paid, when actually delivered to the addresses specified herein as evidenced by return receipt or refusal or failure to accept delivery. All notices will be given at the address or by use of the facsimile number or e-mail address specified for a party on the signature page hereof. A party may change its mailing address, e-mail address and/or facsimile number for notice by giving notice to the other parties in accordance with this Section.

8. Limitation of Liability. Contractor acknowledges that all funds to be provided pursuant to this Agreement will be provided by the Fund Sources, and Contractor agrees to look solely to funds actually paid by the Fund Sources for Contractor invoices approved by the Fund Sources for all compensation and

reimbursement hereunder. Wildfire's obligations under this Agreement are subject to the Fund Sources actually providing the funds (either to Wildfire or directly to Contractor) pursuant to the Program Documents. Wildfire intends to allocate the funds from each Fund Source to multiple contractors. If one or more Fund Sources reduces their funding to Wildfire, then Wildfire reserves the right to reduce Contractor's funding under this Agreement and to allocate the reduced funding among Contractor and other contractors as determined by Wildfire in its sole discretion.

9. Assignment; Subcontractors. Contractor may not assign Contractor's rights or obligations under this Agreement without Wildfire's prior written consent, which consent Wildfire may withhold in its sole discretion. Contractor may not use a subcontractor to perform any of Contractor's obligations under this Agreement without Wildfire's prior written consent, which consent Wildfire will not unreasonably withhold. Wildfire's consent to an assignment or subcontractor will not release Contractor from any obligations hereunder.

10. Choice of Law and Forum. This Agreement has been entered into in Maricopa County, Arizona and its application and interpretation shall be governed exclusively by its terms and by the laws of the State of Arizona without regard to its choice of law rules. The exclusive and proper venue for any dispute arising out of this Agreement will be the state and federal courts located in Maricopa County Arizona.

11. Integration; Modification; Waiver. This Agreement reflects the entire agreement of the parties relating to the subject matter hereof. All recitals, Attachments and Exhibits to this Agreement are incorporated herein by this reference. No provision of this Agreement shall be deemed waived, amended, or modified by any party unless both parties sign a written amendment or the party against whom the waiver is asserted signs a written waiver.

12. Counterparts; Email. This Agreement may be executed in counterparts and delivered via email.

13. Cancellation for Conflict of Interest. This Agreement is subject to cancellation for conflict of interest as provided in A.R.S. § 38-511, which is hereby fully incorporated herein by this reference as if the same is fully set forth in this Agreement.

14. Exhibits.

Exhibits are accessible via the following hyperlinks and are hereby incorporated into the main agreement:

Exhibit A Home Energy Assistance Fund Policy Manual FY 2026

Exhibit B Federal Poverty Income Guidelines effective July 1, 2025 – June 30, 2026

[Signature page follows]

INDEPENDENT CONTRACTOR AGREEMENT
2025-26 Utility Assistance Programs
Signature Page

In witness whereof, the undersigned have executed this Agreement, effective as of the Effective Date.

CONTRACTOR
City of Surprise

Signature: BG

Name: BOB LINGENFELTY

Title: CITY MANAGER

Date: 8-7-25

Address:
16000 N. Civic Center Plaza
Surprise, AZ 85374
Email: jennifer.cornelius@surpriseaz.gov

Arizona Community Action Association (dba Wildfire), an Arizona nonprofit corporation

Signature: KG. McL

Name: Kelly McGowan

Title: Executive Director

Date: 8-14-2025

Address:
340 E Palm Lane, Suite 315
Phoenix, AZ 85004
Email: kmcgowan@wildfireaz.org

RESOLUTION 2026-30
EXHIBIT C

Amendment No. 1 to the Independent Contractor Agreement
(Contract No. 07012025-26)

Amendment No. 1 to the 2025-2026
Independent Contractor Agreement
Contract No. 07012025-26

The Independent Contract Agreement dated 07/01/2025 between Arizona Community Action Association (dba Wildfire) and **City of Surprise Resource Center** (hereinafter "Contractor") is hereby amended as follows:

Amendment to:

Section I. Services and Programs – 1.2 Fund Sources:

- **APS Crisis Bill Assistance:** The Direct Service amount will **increase** from **$15,841.67** to **$32,508.33** and the Program Delivery amount will **increase** from **$3,168.33** to **$6,501.67**. The Total Allocation amount will **increase** from **$19,010.00** to **$39,010.00**.

Whole Agreement:

Unless otherwise noted herein, all other provisions of the original Agreement will remain in place for the duration of the original Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Amendment No. 1, effective as of the effective date.

City of Surprise Resource Center:

Signature: _____

Name: _____

Title: _____

Date: _____

Address:
16000 N. Civic Center Plaza
Surprise, AZ 85374
Email: jennifer.cornelius@surpriseaz.gov

Wildfire:

Signature: _____

Name: Kelly McGowan

Title: Executive Director

Date: _____

Address:
340 E Palm Lane, Suite 315
Phoenix, AZ 85004
Email: kmcgowan@wildfireaz.org

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Contact Person: Seth Dyson, DIRECTOR - HSCV
Submitting Department: Human Svcs and Comm Vitality
District: Citywide
Staff Recommendations:

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

Agenda Wording:
Consideration and action pertaining to amending the FY2026 budget by increasing the Human Service and Community Vitality Department donations budget by $43,000 and the HSCV sponsorships budget by $15,000 for acceptance of donations and sponsorships that exceed the current FY2026 budget; Resolution 2026-28.

Motion:
I move to approve Resolution 2026-28.

Background:
The HSCV Department has received more donation and sponsorship revenue than originally anticipated. In order to be able to utilize these additional funds, a budget amendment is needed to increase the current budget authority. Expenses related to donations and sponsorships will not exceed actual revenue collected.

Objective Analysis:
This item allows the HSCV Department to utilize donation and sponsorship funds for associated expenses related to the funding provided.

Policy Compliant:
This item is consistent with City and Council policy.

Financial Impact:
This item will allow additional budget authority of $43,000 for various donation accounts and $15,000 for HSCV event sponsorships. This is to facilitate the use of this additional budget for expenses incurred for designated donation and sponsorship expenses. Expenses will not exceed actual revenues received.

Budget Impact:
This item amends the Fiscal Year 2026 budget by moving budget authority in the amount of $43,000 from General Contingency to various donation accounts and $15,000 to the HSCV events sponsorship

account.

FTE Impact:

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

ATTACHMENTS:

1. Resolution 2026-28

RESOLUTION # 2026-28

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2026 BUDGET BY INCREASING DONATIONS BUDGET AUTHORITY BY $43,000 AND INCREASING SPONSORSHIPS BUDGET AUTHORITY BY $15,000 FROM CONTINGENCY FOR THE ACCEPTANCE OF DONATIONS AND SPONSORSHIPS THAT EXCEED CURRENT BUDGET AUTHORITY.

WHEREAS, the FY2026 budget was adopted including anticipated FY26 donations and sponsorships;

WHEREAS, donations and sponsorships revenue will exceed anticipated revenues in Fiscal Year 2026;

WHEREAS, additional budget authority is needed in order to utilize the additional donation and sponsorship funds;

WHEREAS, the FY2026 budget was adopted by Council Resolution #2025-71 on June 3, 2025;

WHEREAS, this action will necessitate a budget amendment; and

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

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

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2025, through June 30, 2026.

APPROVED AND ADOPTED this _____day of _____, 2026.

Kevin D. Sartor, Mayor

Attest:

Kristi Passarelli, City Clerk

Approved as to form:

Jeffrey Murray, City Attorney

RESOLUTION # 2026-28
Exhibit A

1. Appropriation- The allocations below represent the movement of budget authority in the amount of $43,000 from General Contingency to HSCV Donations and $15,000 from General Contingency to HSCV Sponsorships to allow additional expenditures within the Donations and Sponsorships accounts. HSCV donations and sponsorships revenue has exceeded FY26 budget authority. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Sponsorships	Human Svcs and Comm Vitality	Services	E	36,000	15,000	51,000
Donations	Human Svcs and Comm Vitality	Supplies	E	29,400	25,000	54,400
Donations	Human Svcs and Comm Vitality	Services	E	18,000	18,000	36,000
Sponsorships	Human Svcs and Comm Vitality	Other	R	50,000	15,000	65,000
Donations	Human Svcs and Comm Vitality	Other	R	15,000	43,000	58,000
Contingency	General Operations	Contingency	E	86,430,800	(58,000)	86,372,800
Contingency	General Operations	Other	R	77,619,100	(58,000)	77,561,100
			Expense Total	**86,514,200**	**-**	**86,514,200**
			Revenue Total	**77,684,100**	**-**	**77,684,100**

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026

Contact Person: Kevin Spirlong, ACTING FIRE CHIEF

Submitting Department: Fire - Medical

District: Internal

Staff Recommendations:

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

Agenda Wording:

Consideration and action pertaining to acceptance of a funding award from the Banner University Family Care Community Reinvestment Program and approval of a Fiscal Year 2026 budget amendment moving budget in the amount of $75,000 from General Contingency to project G34072 to support the operation of a community paramedicine program; Resolution #2026-29.

Motion:

I move to approve Resolution #2026-29.

Background:

The Surprise Fire-Medical Department (SFMD) applied for funding from Banner University Family Care through their 2026 Community Reinvestment Program. The application sought $75,000 in funding to support the operation of the SFMD community paramedicine program by covering overtime and training expenses. The application was approved for the $75,000 in personnel expenses. This is the second year in a row that the SFMD has applied for and been approved to receive funding from the Banner University Family Care Community Reinvestment Program. The SMFD received $100,000 in 2025 to support its community paramedicine program operations ($75,000) and community car seat safety events ($25,000).

Objective Analysis:

Accepting this award will enable the SFMD to continue to cover personnel expenses associated with operating the community paramedicine program.

Policy Compliant:

The action is compliant with City and Council policies.

Financial Impact:

Acceptance of this one-time funding award totaling $75,000 will directly support personnel expenses, ensuring that the SFMD can continue to deliver community paramedicine services to the community.

Budget Impact:

The FY2026 budget did not include appropriations for revenue and expenses related to the Banner University Family Care Community Reinvestment Program awarded to the Fire-Medical Department. Acceptance of the funding award will require an amendment to the budget by moving budget authority of $75,000 from General Contingency to Project G34072 in the Grants Fund. This action represents a transfer of spending authority and will not increase or decrease the total adopted citywide expenditure budget, thus maintaining fiscal integrity while enabling the department to implement these crucial programs.

FTE Impact:

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

ATTACHMENTS:

1. 26.02.12_Resolution No. 2026-29 - 2026 Banner CP Grant_Final
2. SFMD BUFC Community Award Letter 2026 (Banner)

RESOLUTION # 2026-29

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA ACCEPTING A FUNDING AWARD IN THE AMOUNT OF $75,000, ACCEPTING THE CONDITIONS OF THE AWARD WITH BANNER UNIVERSITY FAMILY CARE, AND AMENDING THE FISCAL YEAR 2026 BUDGET BY MOVING BUDGET AUTHORITY FROM GENERAL CONTINGENCY TO THE GRANTS FUND IN THE AMOUNT OF $75,000 TO PROJECT G34072 TO SUPPORT THE OPERATION OF A COMMUNITY PARAMEDICINE PROGRAM.

WHEREAS, Banner University Family Care has awarded the City of Surprise Fire-Medical Department $75,000 through their Community Reinvestment Program to support the operation of a community paramedicine program by funding personnel expenses;

WHEREAS, the City desires to accept the funding from Banner University Family Care (B-UFC) in the above amount totaling $75,000;

WHEREAS, the FY2026 budget was adopted by Council Resolution #2025-71 on June 3, 2025;

WHEREAS, this action will necessitate a budget amendment; and

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

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

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the Fiscal Year 2026 budget of the City of Surprise, Arizona for the fiscal year July 1, 2025, through June 30, 2026.

Section 2. The Conditions of Funding Award Letter between Banner University Family Care and the City of Surprise attached as *Exhibit B* is approved.

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

SIGNATURES ON THE FOLLOWING PAGE

APPROVED AND ADOPTED this _____day of _____, 2026.

Kevin D. Sartor, Mayor

Attest:

Kristi Passarelli, City Clerk

Approved as to form:

Jeffrey Murray, City Attorney

RESOLUTION # 2026-29
Exhibit A

1. Appropriation - The allocations below represent the movement of budget authority in the amount of $75,000 from General Contingency to Project G34072 within the Grants Fund to cover the personnel expenses for the operation of a community paramedicine program. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Contingency	General Operations	Contingency	E	86,425,200	(75,000)	86,350,200
Contingency	General Operations	Other	R	77,613,500	(75,000)	77,538,500
Grants	Fire - Medical	#G34072 2026 Community Paramedicine	R	-	75,000	75,000
Grants	Fire - Medical	#G34072 2026 Community Paramedicine	E	-	75,000	75,000
			Expense Total	**86,425,200**	**-**	**86,425,200**
			Revenue Total	**77,613,500**	**-**	**77,613,500**

RESOLUTION # 2026-29
Exhibit B

Banner University Family Care (B-UFC) Community Reinvestment Program

Conditions of Funding Award Letter

Banner – University Family Care
5255 E Williams Circle, Ste 2050, Tucson, AZ 85711
Customer Care Center (800) 582-8686, TTY 711 | Fax (520) 874-5555
Nurse On Call (888) 747-7990 | www.BannerHealth.com/ACC

January 8, 2026

Jesus Rivera
City of Surprise Fire-Medical
14250 W Statler Plaza
Surprise, AZ 85374

Dear Deputy Chief Jesus Rivera:

Congratulations on your Community Reinvestment award. We look forward to working with you. Please note conditions apply and are outlined on the following page. Please acknowledge and accept these conditions by signing and returning to jody.gardner@bannerhealth.com.

Sincerely,

Sarah Spiekermeier
Chief Executive Officer, Medicaid
Banner University Family Care

Guillermo Velez
Complete Care- Health Equity Administrator
Banner University Family Care

Banner – University Family Care (B-UFC) Community Reinvestment Program
Conditions of Funding Award

1. Community Reinvestment funds must be used in accordance with the proposal outlined in your application and the applicable AHCCCS ACOM 303 requirements regarding Community Reinvestment.
2. City of Surprise Fire-Medical is responsible to report to B-UFC any information concerning changes in the proposal and application.
3. City of Surprise Fire-Medical will provide a written report with updates in May, September and January through the Cybergrants system.
4. If funds are not used for the purposes described in your application, B-UFC reserves the right to have all remaining Community Reinvestment funds immediately returned.
5. City of Surprise Fire-Medical gives B-UFC permission to use photographs, logos, published and printed information, and any other materials you supply, without further notice, in press releases, publications, and for any other purposes that B-UFC deems fit.

I hereby acknowledge receipt of and agree to the above outlined conditions of award of Community Reinvestment funds.

Representative Name: _____

Signature: _____ Date: _____

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026

Contact Person: Kevin Spirlong, ACTING FIRE CHIEF

Submitting Department: Fire - Medical

District: Internal

Staff Recommendations:

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

Agenda Wording:

Consideration and action pertaining to acceptance of a Q1 2026 Firehouse Subs Public Safety Foundation grant award for firefighting equipment and approval of a Fiscal Year 2026 budget amendment moving budget in the amount of $34,400 from General Contingency to Project G34211 in the Grants Fund to account for the value of the grant-awarded equipment; Resolution #2026-35.

Motion:

I move to approve Resolution #2026-35.

Background:

The Surprise Fire-Medical Department (SFMD) applied for the 2026 Firehouse Subs Public Safety Foundation Grant to obtain five (5) positive pressure ventilation (PPV) fans and accessories to support firefighting operations. The Firehouse Subs Public Safety Foundation Board of Directors awarded the City of Surprise a Q1 2026 Firehouse Subs Public Safety Foundation grant for the requested equipment, valued at $34,324.09.

The Firehouse Subs Public Safety Foundation will purchase the equipment directly from the vendor and provide the equipment to the Surprise Fire-Medical Department as an in-kind grant award. While no City funds are required for the purchase of the equipment, acceptance of the grant necessitates a budget amendment to recognize the value of the equipment received in accordance with City budgeting practices.

Objective Analysis:

Acceptance of this one-time grant award of firefighting equipment will directly enhance SFMD's firefighting operations by improving fireground safety for department personnel and members of the public. The PPV fans will allow crews to ventilate structures more efficiently, reducing heat and smoke conditions and improving operational effectiveness during fire incidents.

Policy Compliant:

The action is compliant with City and Council policies.

Financial Impact:

Acceptance of the grant-awarded equipment allows the SFMD to obtain critical firefighting equipment without expending existing City funds. There is no City match requirement associated with this grant. The SFMD has budgeted funds within its current base budget to support the ongoing maintenance of firefighting equipment, including the grant-awarded equipment.

Budget Impact:

The adopted FY2026 budget did not include appropriations for the acquisition of this firefighting equipment. Acceptance of the grant award requires a budget amendment to move budget authority in the amount of $34,400 from General Contingency to Project G34211 in the Grants Fund to account for the value of the equipment received. This amount reflects the grant value rounded to the nearest hundred in accordance with City budgeting practices. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

FTE Impact:

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

ATTACHMENTS:

1. 26.02.12_Resolution No. 2026-35 - 2026 Q1 Firehouse Subs Grant_Final
2. APPROVED_ Q1 2026 Firehouse Subs Public Safety Foundation Grant

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RESOLUTION # 2026-35

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA AMENDING THE FISCAL YEAR 2026 BUDGET BY MOVING BUDGET AUTHORITY FROM GENERAL CONTINGENCY TO THE GRANTS FUND IN THE AMOUNT OF $34,400 TO PROJECT G34211 AND ACCEPTING A GRANT AWARD FROM THE FIREHOUSE SUBS PUBLIC SAFETY FOUNDATION FOR FIREFIGHTING EQUIPMENT TO SUPPORT THE SURPRISE FIRE-MEDICAL DEPARTMENT'S FIREFIGHTING OPERATIONS.

WHEREAS, on behalf of the City of Surprise, the Surprise Fire-Medical Department submitted a grant application to the Firehouse Subs Public Safety Foundation for the purchase of five (5) positive pressure ventilation (PPV) fans and accessories to support firefighting operations, with an equipment value of $34,324.09;

WHEREAS, the Firehouse Subs Public Safety Foundation Board of Directors has awarded the City of Surprise a Q1 2026 Firehouse Subs Public Safety Foundation grant for five (5) PPV fans and accessories with a total value of $34,324.09;

WHEREAS, the Firehouse Subs Public Safety Foundation will purchase the equipment directly from the vendor and provide the equipment to the Surprise Fire-Medical Department as an in-kind grant award;

WHEREAS, the City desires to accept the grant-awarded equipment, and while the City of Surprise is not required to expend funds for the purchase of the equipment, a budget amendment is necessary to recognize the value of the equipment received in accordance with City budgeting practices, resulting in a budget amendment amount of $34,400;

WHEREAS, the FY2026 budget was adopted by Council Resolution #2025-71 on June 3, 2025;

WHEREAS, this action will necessitate a budget amendment; and

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council prior to the acceptance of grant awards.

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

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the Fiscal Year 2026 budget of the City of Surprise, Arizona for the fiscal year July 1, 2025, through June 30, 2026.

Section 2. The City of Surprise is authorized to accept the grant award of five (5) positive pressure ventilation (PPV) fans and accessories from the Firehouse Subs Public Safety Foundation for use by the Surprise Fire-Medical Department in support of firefighting operations, as outlined in the grant award documentation attached as *Exhibit B.*

Section 3. The City Manager, or her designee, is hereby authorized to execute and submit all documents and other necessary or desirable instruments in connection with said grant award.

APPROVED AND ADOPTED this _____day of _____, 2026.

Kevin D. Sartor, Mayor

Attest:

Kristi Passarelli, City Clerk

Approved as to form:

Jeffrey Murray, City Attorney

RESOLUTION # 2026-35
Exhibit A

Appropriation - The allocations below represent the movement of budget authority in the amount of $34,400 from General Contingency to Project G34211 within the Grants Fund for the purchase of five (5) positive pressure ventilation (PPV) fans and accessories to support firefighting operations, with an equipment value of $34,324.09. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Contingency	General Operations	Contingency	E	86,425,200	(34,400)	86,390,800
Contingency	General Operations	Other	R	77,613,500	(34,400)	77,579,100
Grants	Fire - Medical	#G34211 2026 Firehouse Subs Grant	R	-	34,400	34,400
Grants	Fire - Medical	#G34211 2026 Firehouse Subs Grant	E	-	34,400	34,400
			Expense Total	**86,425,200**	**-**	**86,424,200**
			Revenue Total	**77,613,500**	**-**	**77,613,500**

RESOLUTION # 2026-35
Exhibit B

Q1 2026 Firehouse Subs Public Safety Foundation Grant Award Email

From:	Firehouse Subs Public Safety Foundation
To:	Jesus Rivera; Jennifer Felton
Cc:	Firehouse Subs Public Safety Foundation; Stephen Kreisler; Chilcote, Paul; Lindsey, Mikenzie
Subject:	APPROVED: Q1 2026 Firehouse Subs Public Safety Foundation Grant
Date:	Tuesday, January 6, 2026 7:05:37 AM
Attachments:	image.png Q1 2026 US Press Release Template - FOR GRANT RECIPIENT FINAL.docx Q1 2026 US Social Media Templates - FOR GRANT RECIPIENT FINAL.docx Foundation_Full Color Logo CMYK.pdf Foundation_Full Color Logo CMYK.eps

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

Dear Chief Rivera & Jennifer,

We are pleased to announce that the Firehouse Subs Public Safety Foundation Board of Directors has awarded **City of Surprise, on behalf of Surprise Fire-Medical Department** in **Surprise, AZ** the requested **Five PPV Fans & Accessories** valued up to **$34,324.09**. If your grant award must be approved by a governing body (i.e., your city council or Board of Directors), please add this item to the agenda immediately, and contact us with the meeting date.

PROCUREMENT:
We will contact you no later than Friday, February 27, 2026, to initiate the procurement process. There are two possible methods for procurement, **to be determined by our Foundation**:

- Direct Purchase made by the Foundation
  OR
- Memo of Understanding. NOTE: Our Foundation provides funding via ACH transfer only. We are unable to fund a grant award by paper check.

Do not make advanced purchases until you have heard from the Foundation with the next steps. Failure to follow this process will jeopardize your grant award. If you have any fulfillment questions, please email Procurementfoundation@firehousesubs.com.

PUBLIC RELATIONS (PR) NOTES

- PR announcements from your organization regarding the grant award are optional. If you choose to share the good news, please use the attached press release template and/or social media post template and send it back to Foundation@firehousesubs.com for review and approval (allowing for 72 hours turnaround time). *Please do not pitch or post before receiving approval from the Foundation team.*

Use of the Firehouse Subs Public Safety Foundation logo:

- We ask that your organization acknowledge the grant by displaying our Foundation logo on granted items/equipment whenever possible. Our Foundation logo is attached for your convenience. Please note that the final artwork will need to be approved by our Foundation via Foundation@firehousesubs.com before being displayed.

Did you know?
More than 70% of the funds raised for the Firehouse Subs Public Safety Foundation come from the generosity of Firehouse Subs guests and the restaurant brand? Please consider supporting a Firehouse Subs restaurant near you.

We are very excited to assist your organization and ultimately improve the lifesaving capabilities of your community.

A portion of this grant was made possible by the Arizona Public Service (APS) Fund.

Firehouse Subs Public Safety Foundation
Deerwood North 4600 Touchton Road E, Bldg 100, Ste 300 Jacksonville, FL 32246
foundation@firehousesubs.com
FirehouseSubsFoundation.org
Twitter Facebook

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CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Contact Person: Lloyd Abrams, ASSISTANT CITY MANAGER
Submitting Department: Community Development
District: District 1
Staff Recommendations:

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

Agenda Wording:
Consideration and action on vacating approximately 324,520 square feet of right-of-way, generally located along the Grand Avenue frontage road, Pinnacle Peak Road, and 175th Avenue; Resolution 2026-17

Motion:
I move to approve Resolution 2026-17.

Background:
The City of Surprise annexed the area known as North Copper Canyon on May 23, 1978, under Ordinance Number 87-03. On December 14, 2006, the City Council passed Resolution No. 06-158 approving the "Burke Property Map of Dedication," which dedicated 175th Avenue, Grand Avenue frontage road, and Pinnacle Road between 174th Avenue and 171st Avenue.

On April 25, 2007, the City of Surprise recorded the plat dedicating varying widths of right-of-way, 40 feet to 80 feet, from HF Land Investment, Inc., per Maricopa County Recorded Document Number 2007-0479278. This dedication encompassed the subject roads around the Burke Property.

On April 18, 2023, the City Council approved a major amendment to the PAD for North Copper Canyon, effectively terminating the Burke Property PAD. As part of this amendment, the City updated the roadway circulation network. The developer has been working with the City to plat the remaining area for the new development, making the previously dedicated right-of-way unneeded.

Objective Analysis:
Approval of this Resolution will authorize the City to vacate the remaining portions of right-of-way that are no longer needed, thereby enabling the developer to implement the proposed roadway circulation improvements in full compliance with the Planned Area Development (PAD).

Policy Compliant:
The proposed Resolution is consistent with the Surprise General plan 2040 and the City of Surprise

Land Development Ordinance.

Financial Impact:

The item has no financial impact as this item is requesting to vacate a portion of right-of-way rather than obtain one.

Budget Impact:

There is no anticipated budget impact related to this item.

FTE Impact:

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

ATTACHMENTS:

1. Res 2026-17 RW abandonment Burke Property with legal
2. Burke Property RW Abandonment - CC 03.03.26

RESOLUTION #2026-17

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, VACATING THE CITY OF SURPRISE'S INTEREST IN A PORTION OF A ROADWAY WITHIN SECTION 11, TOWNSHIP 4 NORTH, RANGE 2 WEST, GENERALLY LOCATED WEST OF GRAND AVENUE AND NORTH OF DEER VALLEY ROAD.

WHEREAS, on April 23, 1987, the City annexed the area containing the roadway proposed to be vacated via Ordinance No. 87-03;

WHEREAS, a portion of the roadway proposed to be vacated was dedicated via Book 918 of Maps, page 9 of the Maricopa County Recorder;

WHEREAS, the area proposed to be vacated is approximately 7.5 acres;

WHEREAS, a portion of the roadway proposed to be vacated is located within the North Copper Canyon Village Development;

WHEREAS, Courtland Homes, Inc., the developer of the North Copper Canyon Village Development requested the City vacate a portion of roadway;

WHEREAS, City staff has opined that the portion of roadway proposed to be vacated is no longer necessary for City roadway purposes;

WHEREAS, pursuant to A.R.S. § 28-7205, the City Council may vacate a roadway;

WHEREAS, pursuant to A.R.S. § 28-7215(A), City staff has determined that any land adjoining the roadway will not be left without a public or private legal access connecting the land with an established public roadway, but nevertheless hereby expressly reserves herein the roadway rights of ingress and egress for public or emergency vehicles, all property owners, property owner guests and invitees, and persons lawfully conducting business on the land; and

WHEREAS, pursuant to A.R.S. § 28-7215(B), City staff has determined that the portion of the roadway proposed to be vacated has no public use, and the adjacent owner(s) and Courtland Homes, Inc., the developer of the North Copper Canyon Development, agree to and shall assume both the costs of maintaining the public roadway and all liability associated in any way with and for the public roadway.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, that:

Section 1. The City of Surprise hereby declares that the portion of roadway legally described in Exhibit A and depicted in Exhibit B (the "Property") attached hereto and incorporated herein by this reference, is no longer needed for a public roadway.

Section 2. The City of Surprise acknowledges that pursuant to A.R.S. § 28-7205, upon vacating title to the Property, title will vest in Courtland Homes, Inc., the developer of the North Copper Canyon Development.

Section 3. Courtland Homes, Inc., shall assume both the costs of maintaining the public roadway and all liability associated in any way with and for the public roadway.

Section 4. The City of Surprise hereby vacates its right, title, and interest in the Property, subject to expressly reserving the rights of ingress and egress for public or emergency vehicles, all property owners, property owner guests and invitees, and persons lawfully conducting business on the land, if any.

APPROVED AND ADOPTED this_____day of _____2026.

_____
Kevin D. Sartor, Mayor

Attest:

_____
Kristi Passarelli, City Clerk

Approved as to form:

_____
Jeffrey Murray, City Attorney

EXHIBIT A

Legal Description

BURKE PROPERTY RIGHT-OF-WAY ABANDONMENT – EAST (REVISED)

A parcel of land as shown on the "Map of Dedication – Burke Property" as recorded in Book 918 of Maps, page 9, Official Records and located within the South Half of Section 11, Township 4 North, Range 2 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Southeast corner of Section 11, being a 1/2" rebar with aluminum cap, from which the South quarter corner of said Section bears North 89° 14' 20" West a distance of 2,633.41 feet;
Thence North 89° 14' 20" West along the South line of Section 11 a distance of 750.63 feet to a Point herein referred to as Point "A":
Thence North 00° 37' 14" East a distance of 40.00 feet;
Thence South 89° 14' 20" East a distance of 560.65 feet to the beginning of a curve concave northwesterly having a radius of 110.00 feet;
Thence 172.84 feet along the arc of said curve through a central angle of 90° 01' 47";
Thence North 00° 43' 52" East a distance of 113.28 feet to the beginning of a curve concave southwesterly having a radius of 110.00 feet;
Thence 90.16 feet along the arc of said curve through a central angle of 46° 57' 35";
Thence North 46° 13' 43" West a distance of 1,432.72 feet;
Thence South 89° 17' 38" East a distance of 117.16 feet;
Thence South 46° 13' 43" East a distance of 1,429.66 feet;
Thence South 00° 43' 52" West 345.91 feet to the **POINT OF BEGINNING**; And also

Commencing at said Point "A";
Thence North 89° 14' 20" West along the South line of Section 11 a distance of 569.27 feet to the **POINT OF BEGINNING**;
Thence continuing North 89° 14' 20" West along said South line a distance of 598.38 feet to the beginning of a non-tangent curve concave northeasterly having a radius of 340.00 feet which bears North 28° 49' 59" East;
Thence 93.63 feet along the arc of said curve through a central angle of 15° 46' 42";
Thence North 45° 23' 17" West a distance of 798.57 feet to the beginning of a curve concave easterly having a radius of 340.00 feet;
Thence 273.55 feet along the arc of said curve through a central angle of 46° 05' 53";
Thence North 00° 42' 36" East a distance of 466.63 feet;
Thence South 89° 17' 32" East a distance of 40.00 feet;
Thence South 89° 17' 38" East a distance of 40.00 feet;
Thence South 00° 42' 36" West a distance of 466.64 feet to the beginning of a curve concave northeasterly having a radius of 260.00 feet;
Thence 209.19 feet along the arc of said curve through a central angle of 46° 05' 53";
Thence South 45° 23' 17" East a distance of 798.57 feet to the beginning of a curve concave northeasterly having a radius of 260.00 feet;
Thence 198.99 feet along the arc of said curve through a central angle of 43° 51' 03";

Land Survey Services PLC
20651 W. Pasadena Avenue
Buckeye, AZ 85396-1255
Phone 602.703.7010
Job No. 19040

Thence South 89° 14' 20" East a distance of 438.35 feet;
Thence South 00° 42’ 23” West a distance of 40.00 feet to the **POINT OF BEGINNING.**

Containing 324,520 sq. ft.

See attached Exhibit Drawing by reference made part hereto



Land Survey Services PLC
20651 W. Pasadena Avenue
Buckeye, AZ 85396-1255

Phone 602.703.7010

Job No. 19040

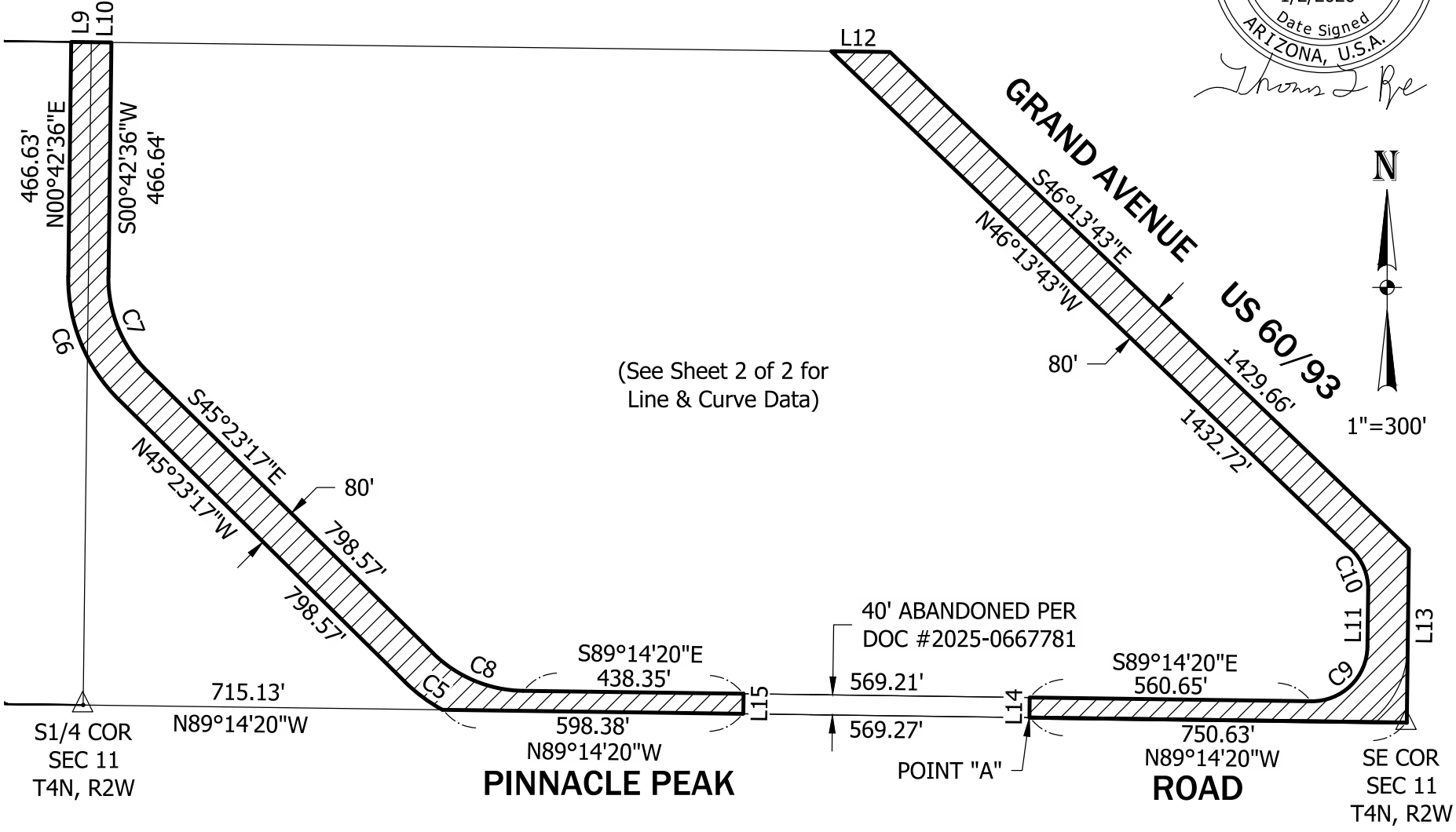
EXHIBIT B

Depiction

EXHIBIT

SHOWING RIGHT-OF-WAY ABANDONMENT
"MAP OF DEDICATION - BURKE PROPERTY"
RECORDED IN BOOK 918 OF MAPS PAGE 9

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
21081
THOMAS L.
ROPE
1/2/2026
Date Signed
ARIZONA, U.S.A.



Land Survey Services, PLC
20651 W. Pasadena Avenue
Buckeye, AZ 85396-1255

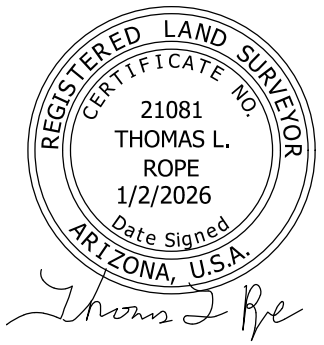
PART OF THE S1/2 OF SECTION 11, T4N, R2W
G.& S.R.B.M, MARICOPA COUNTY, ARIZONA

Phone: 602.703.7010
Date: APR 2023
Job No.: 19040

EXHIBIT

LINE TABLE		
LINE	BEARING	LENGTH
L9	S89°17'32"E	40.00'
L10	S89°17'38"E	40.00'
L11	N00°43'52"E	113.28'
L12	N89°17'38"W	117.16'
L13	N00°43'52"E	345.91'
L14	N00°37'14"E	40.00'
L15	S00°42'23"W	40.00'

CURVE TABLE					
CURVE	DELTA	LENGTH	RADIUS	DIRECTION	CHORD
C5	015°46'42"	93.63'	340.00'	N53°16'39"W	93.34'
C6	046°05'53"	273.55'	340.00'	N22°20'21"W	266.23'
C7	046°05'53"	209.19'	260.00'	S22°20'21"E	203.59'
C8	043°51'03"	198.99'	260.00'	S67°18'48"E	194.17'
C9	090°01'47"	172.84'	110.00'	N45°44'45"E	155.60'
C10	046°57'35"	90.16'	110.00'	N22°44'56"W	87.65'



Land Survey Services, PLC
20651 W. Pasadena Avenue
Buckeye, AZ 85396-1255

PART OF THE S1/2 OF SECTION 11, T4N, R2W
G.& S.R.B.M, MARICOPA COUNTY, ARIZONA

Phone: 602.703.7010
Date: APR 2023
Job No.: 19040

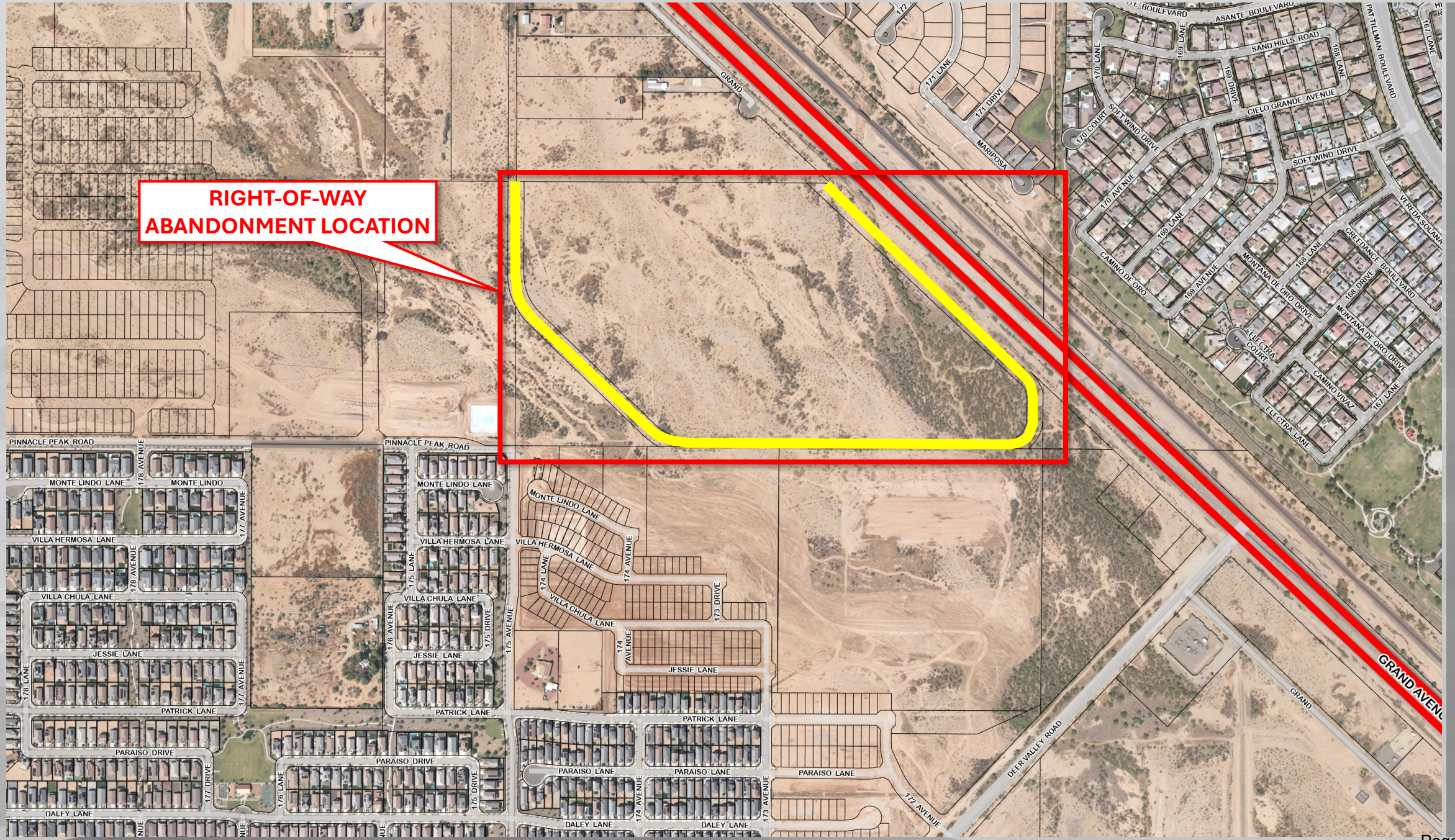
Burke Property

Right-of-Way Abandonment - East

City Council

March 3, 2026

SURPRISE
ARIZONA

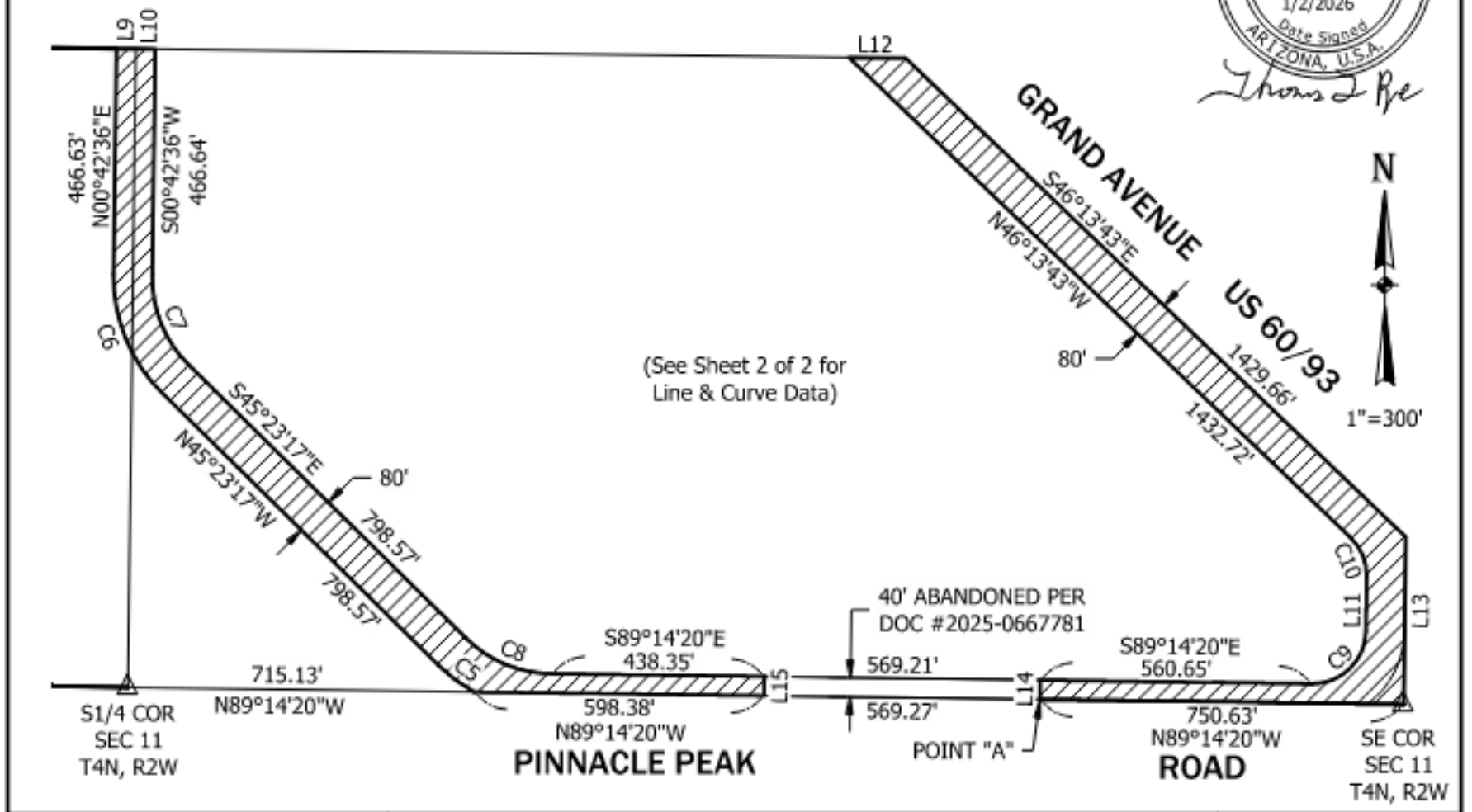


VICINITY MAP

EXHIBIT

SHOWING RIGHT-OF-WAY ABANDONMENT
"MAP OF DEDICATION - BURKE PROPERTY"
RECORDED IN BOOK 918 OF MAPS PAGE 9

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
21081
THOMAS L.
ROPE
1/2/2026
Date Signed
ARIZONA, U.S.A.



Land Survey Services, PLC
20651 W. Pasadena Avenue
Buckeye, AZ 85396-1255

PART OF THE S1/2 OF SECTION 11, T4N, R2W
G.& S.R.B.M, MARICOPA COUNTY, ARIZONA

Phone: 602.703.7010
Date: APR 2023
Job No.: 19040

EXHIBIT

Questions or Comments?

THANK YOU

SURPRISE
ARIZONA

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Contact Person: Lloyd Abrams, ASSISTANT CITY MANAGER
Submitting Department: Community Development
District: District 1
Staff Recommendations:

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

Agenda Wording:
Consideration and Action on accepting an Amendment to Right of Way from Arizona State Land Department NO. 16-110840 for 235th Avenue north of Sun Valley Parkway.

Motion:
I move to approve accepting an Amendment to Right of Way from Arizona State Land Department NO. 16-110840.

Background:
As part of the Surprise Foothills development, additional drainage easements are required along 235th Avenue. The property is owned by the Arizona State Land Department. On behalf of the City, the applicant has filed the amendment application and paid all associated application and amendment fees. These drainage easements are necessary to accommodate the related roadway improvements.

Objective Analysis:
The City is requiring the developer to improve 235th Avenue as part of their project. The developer has paid all fees associated with the right of way amendment. The roadway improvement is needed to access the development and the drainage easement is needed for roadway drainage.

Policy Compliant:
Approval of this item is policy compliant. The right of way amendment will advance the goals and policies of the Surprise General Plan and the City Council's Strategic Plan.

Financial Impact:
While this item does not have an immediate or direct financial impact, ongoing development activity in the City will inevitably have a future financial impact as additional resources are needed to provide City services.

Budget Impact:
There is currently no budgetary impact related to the approval of this item.

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

ATTACHMENTS:
1. 16-110840 amendment
2. ASLD 16-110840 Drainage Easements - CC 03.03.26

STATE LAND DEPARTMENT
STATE OF ARIZONA

AMENDMENT TO RIGHT OF WAY

NO. 16-110840-00

The Right of Way between the State of Arizona, Grantor, and _____

CITY OF SURPRISE

Grantee, by mutual consent, has been amended as follows:

As requested, adding three (3) new drainage easements totaling 0.689 acres and located in Sections 21 and 28, Township 4 North, Range 3 West to this right of way as depicted on Exhibit Z attached hereto and made a part of this Amendment. The total acreage of the right of way is now 12.969 acres as shown on attached Appendix A.

This Right of Way Amendment, when executed by the State Land Commissioner (Grantor) and the above mentioned Grantee and is affixed to the original Right of Way, shall be in full force and effect. All other terms and conditions of the Right of Way apply and shall remain in full force and effect.

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

STATE OF ARIZONA, GRANTOR
Arizona State Land Commissioner

_____

By: **Date**

(ASLD SEAL)

CITY OF SURPRISE
✓ GRANTEE

_____
✓ Authorized Signature **✓ Date**

_____
✓ Printed Name **✓ Title**

_____
✓ Address

_____
✓ City **✓ State** **✓ Zip**

#4-R/W 9/92

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

Parcel 1:

That part of the Northeast Quarter of Section 28, Township 4 North, Range 3 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the calculated position of the East Quarter Corner of said Section 28, from which the G.L.O. Brass Cap marking the Northeast Corner of said Section 28 bears North 00°30'28" East, a distance of 2640.44 feet;

Thence North 00°30'28" East, along the East line of said Northeast Quarter also being the centerline of a described Arizona State Land Department (ASLD) 110.00 foot wide roadway easements as recorded in Document Number 2007-0535829 and also referred to as ALSD Number 16-110840, a distance of 318.37 feet to the beginning of a tangent curve of 1000.00 foot radius, concave Southwesterly;

Thence Northerly, departing said East line and along said curve and said centerline, through a central angle of 41°21'42", a distance of 721.90 feet to a point hereinafter referred to as Point A;

Thence North 49°09'13" East, departing said centerline, a distance of 55.00 feet to a point on a 1055.00 foot radius non-tangent curve, whose center bears South 49°09'13" West, being the Point of Beginning;

Thence Northwesterly, along said curve, through a central angle of 02°56'27", a distance of 54.15 feet;

Thence North 48°08'29" East, a distance of 34.76 feet;
Thence South 42°05'19" East, a distance of 54.14 feet;

Thence South 48°08'26" West, a distance of 34.54 feet to the Point of Beginning.

Parcel 1 containing 1864 Square Feet or 0.043 Acres, more or less.

Together with:

Parcel 2:

That part of the Northeast Quarter of Section 28, Township 4 North, Range 3 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the aforementioned Point A, being a point on a curve of 1000.00 foot radius, concave Southwesterly;

Thence Northwesterly, along said curve and said centerline, through a central angle of 10°11'38", a distance of 177.92 feet;

Thence North 51°03'38" West, along said centerline, a distance of 532.22 feet to a point hereinafter referred to as Point B;

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

Thence North 38°56'22" East, departing said centerline, a distance of 55.00 feet to a point on a line which is parallel with and 55.00 feet Easterly from said centerline, being the Point of Beginning;

Thence North 51°03'38" West, along said parallel line, a distance of 150.65 feet;

Thence North 38°56'22" East, departing said parallel line, a distance of 128.00 feet;

Thence South 51°03'38" East, a distance of 150.65 feet;

Thence South 38°56'22" West, a distance of 128.00 feet to the Point of Beginning.

Parcel 2 containing 19283 Square Feet or 0.443 Acres, more or less.

Together with:

Parcel 3:

That part of the Southeast Quarter of Section 21, Township 4 North, Range 3 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the aforementioned Point B;

Thence North 51°03'38" West, along said centerline, a distance of 185.47 feet to the beginning of a tangent curve of 1000.00 foot radius, concave Northeasterly;

Thence Northwesterly, along said curve and said centerline, through a central angle of 51°30'54", a distance of 899.11 feet;

Thence North 00°27'16" East, along said centerline, a distance of 1197.30 feet;

Thence South 89°32'44" East, departing said centerline, a distance of 55.00 feet to a point on a line which is parallel with and 55.00 Easterly from said centerline, being the Point of Beginning;

Thence North 00°27'16" East, along said parallel line, a distance of 93.04 feet;

Thence South 89°32'44" East, departing said parallel line, a distance of 95.14 feet;

Thence South 00°27'16" West, a distance of 93.04 feet;

Thence North 89°32'44" West, a distance of 95.14 feet to the Point of Beginning.

Parcel 3 containing 8852 Square Feet or 0.203 Acres, more or less.



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

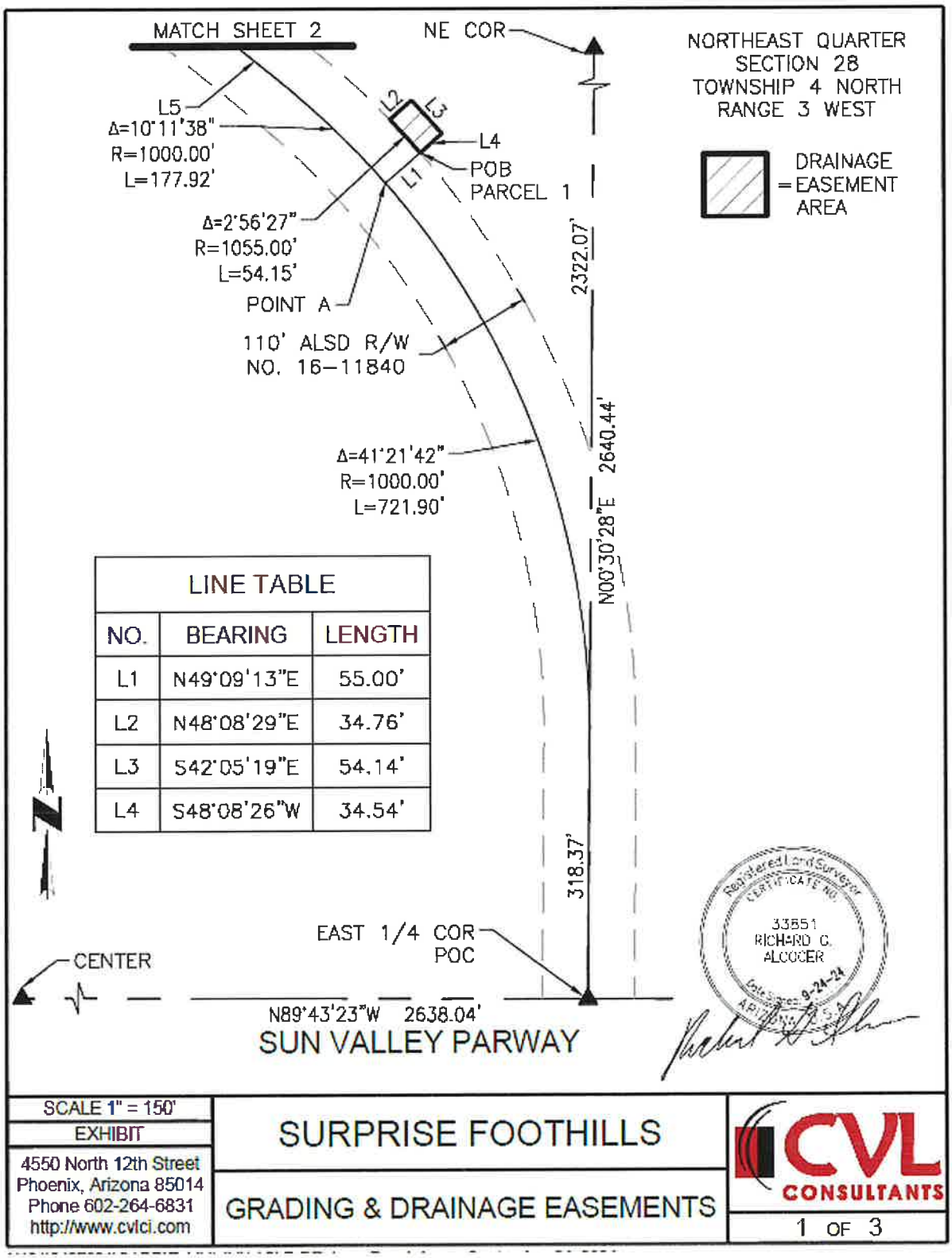
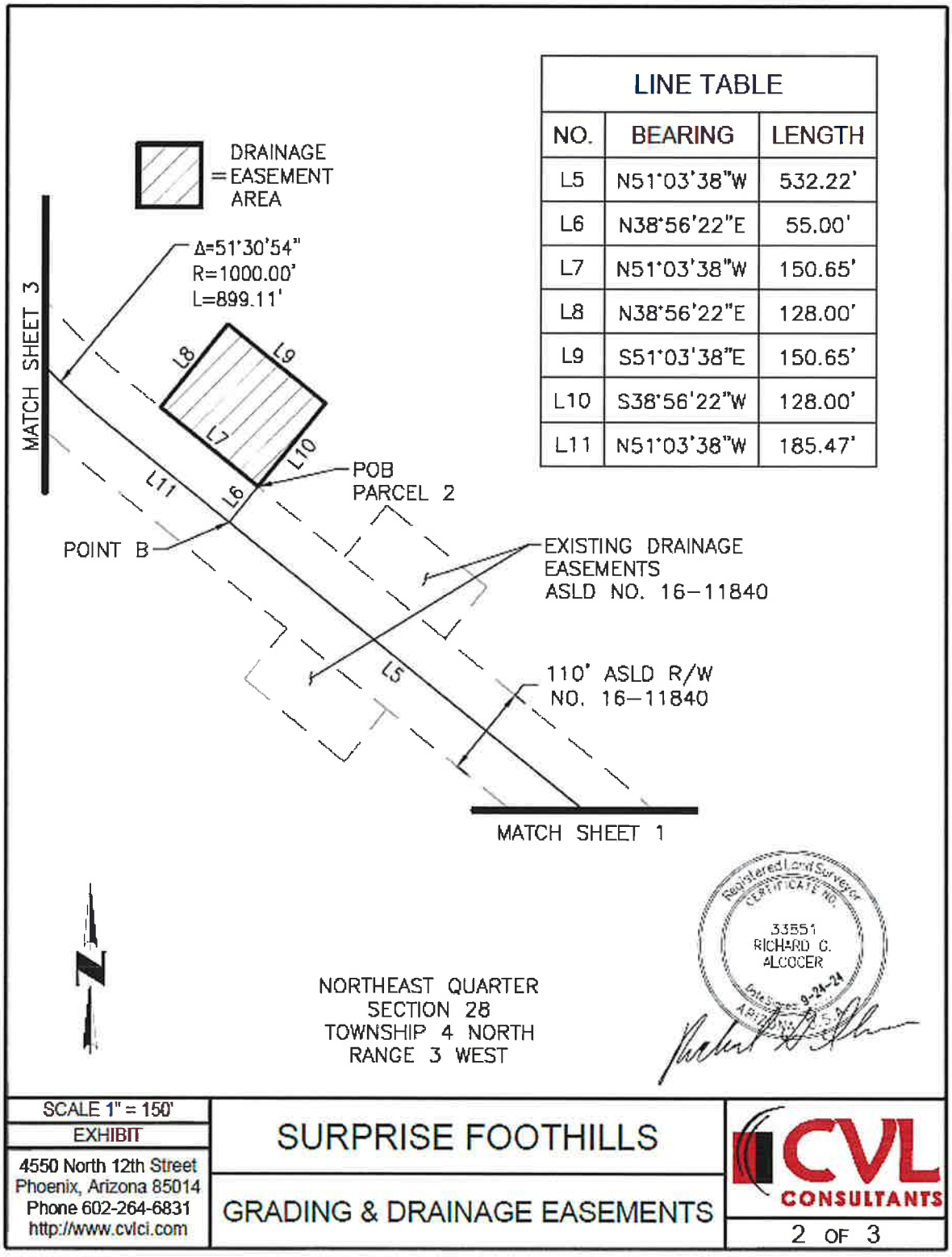
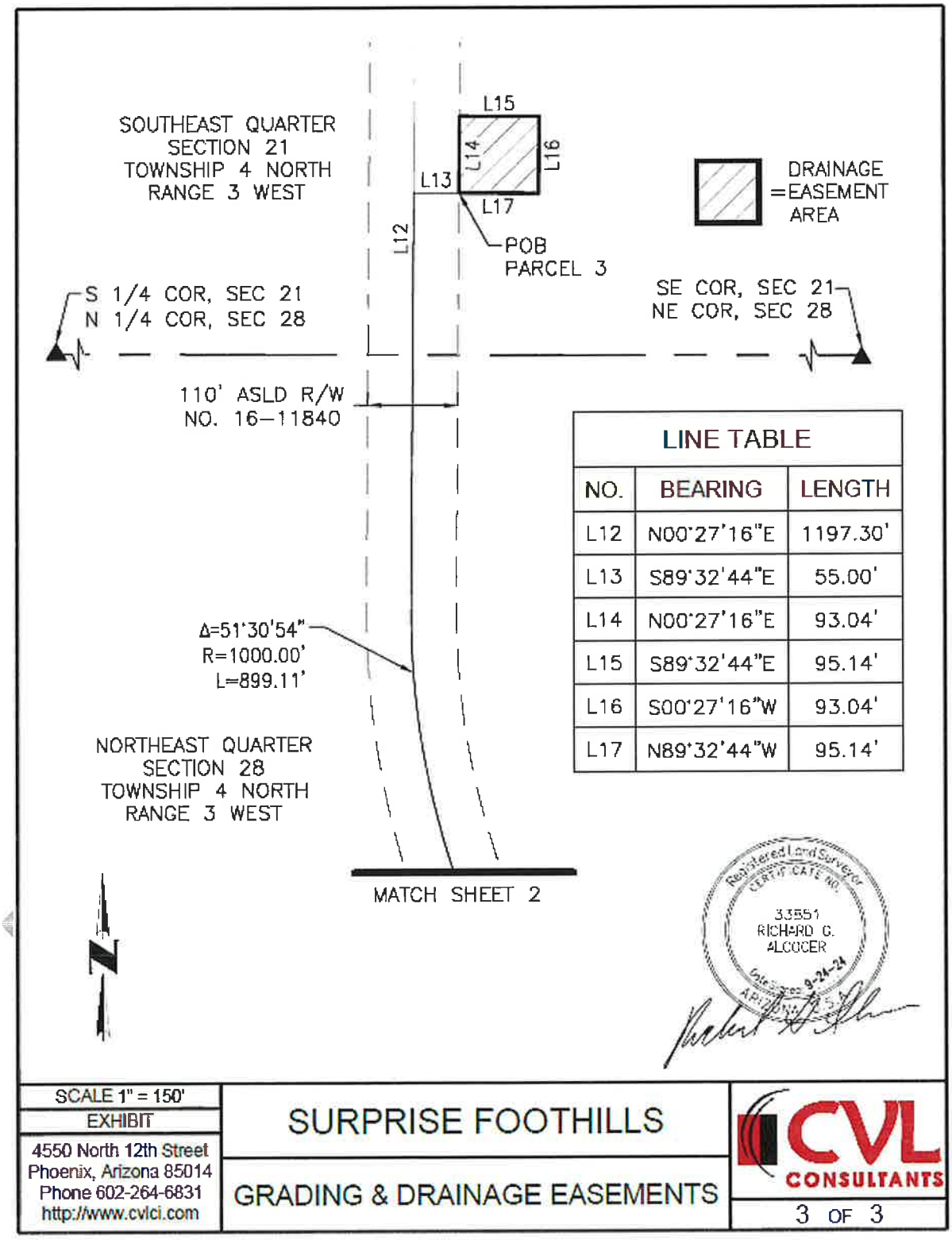


EXHIBIT Z - LEGAL DESCRIPTION AND/OR VISUAL DEPICTION OF RIGHT OF WAY



LINE TABLE		
NO.	BEARING	LENGTH
L5	N51°03'38"W	532.22'
L6	N38°56'22"E	55.00'
L7	N51°03'38"W	150.65'
L8	N38°56'22"E	128.00'
L9	S51°03'38"E	150.65'
L10	S38°56'22"W	128.00'
L11	N51°03'38"W	185.47'

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



LINE TABLE		
NO.	BEARING	LENGTH
L12	N00°27'16"E	1197.30'
L13	S89°32'44"E	55.00'
L14	N00°27'16"E	93.04'
L15	S89°32'44"E	95.14'
L16	S00°27'16"W	93.04'
L17	N89°32'44"W	95.14'

Registered Land Surveyor
CERTIFICATE NO.
33551
RICHARD G.
ALCOCER
9-24-21
ARIZONA U.S.A.

SCALE 1" = 150' EXHIBIT 4550 North 12th Street Phoenix, Arizona 85014 Phone 602-264-6831 http://www.cvlci.com	SURPRISE FOOTHILLS GRADING & DRAINAGE EASEMENTS	CVL CONSULTANTS 3 OF 3

APPENDIX A

STATE OF ARIZONA LAND DEPARTMENT
1110 W. WASHINGTON ST.
PHOENIX, AZ 85007

RUN DATE/TIME:
12/31/2025, 2:23 PM

KE-LEASE: 016-110840-00-100
APPTYPE: Amendment
TOTAL ACRES: 12.969

TRS	County	Fund	Legal	AUS	Acres
4.0N-3.0W-21	7	31	M&B THRU S2SE (3.33 AC = ROW) M&B THRU S2SE (0.843 AC = DRAINAGE)	0.0	4.173
4.0N-3.0W-27	7	31	M&B THRU W2SWNW (ROW)	0.0	0.570
4.0N-3.0W-28	7	31	M&B THRU M&B THRU NE (7.18 AC = ROW) M&B THRU E2NE (1.046 AC = DRAINAGE)	0.0	8.226

Total Acres: 12.969

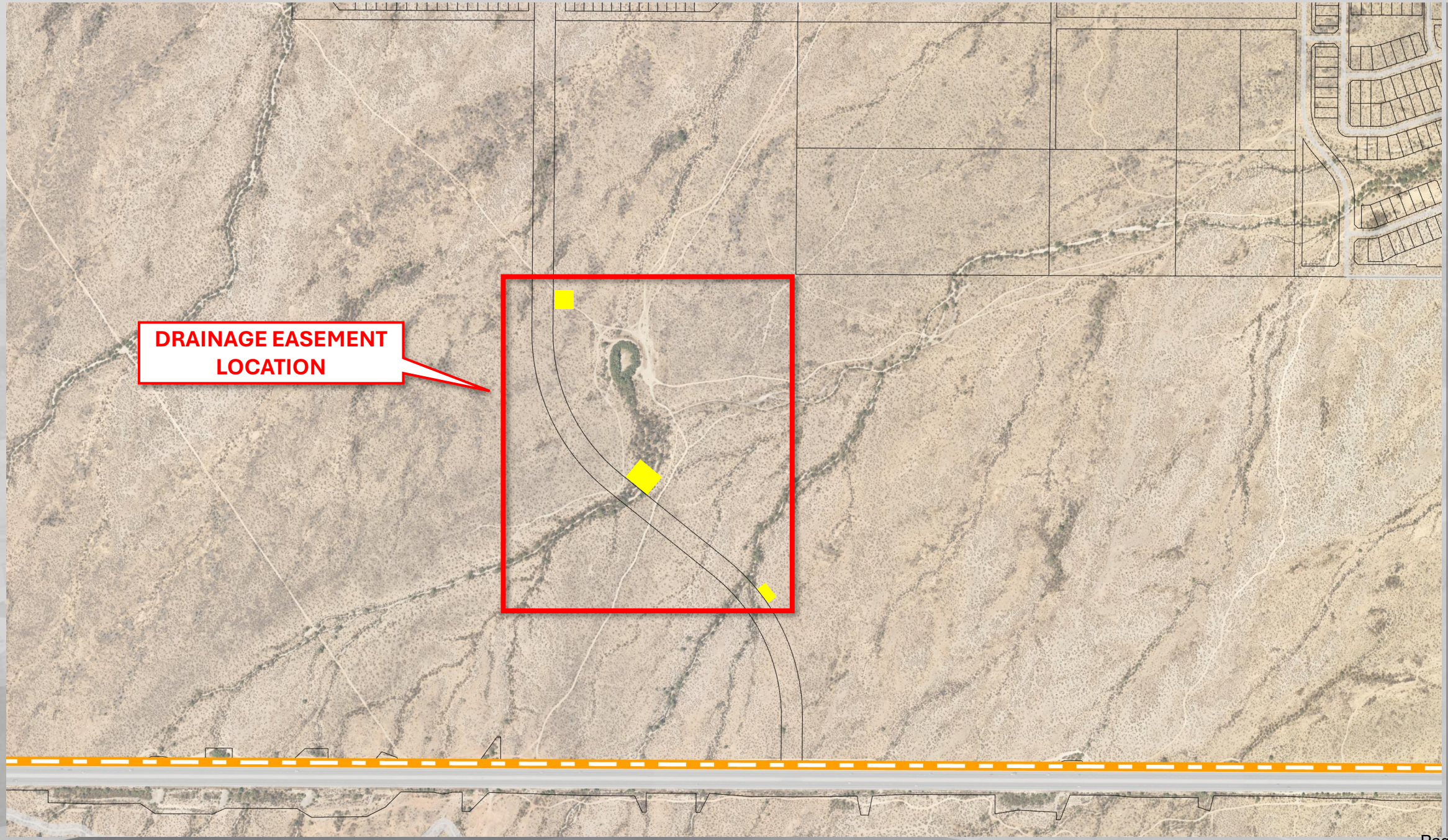
ASLD Lease No. 16-110840

Drainage Easements

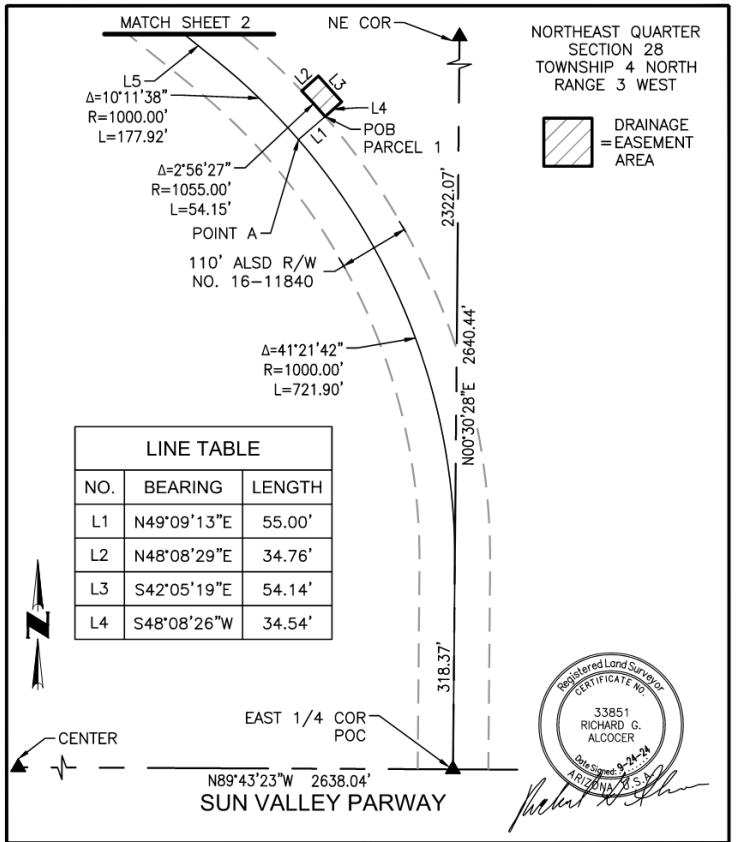
City Council

March 3, 2026

SURPRISE
ARIZONA



VICINITY MAP



SCALE 1" = 150'
EXHIBIT
4550 North 12th Street
Phoenix, Arizona 85014
Phone 602-264-6831
http://www.cvlci.com

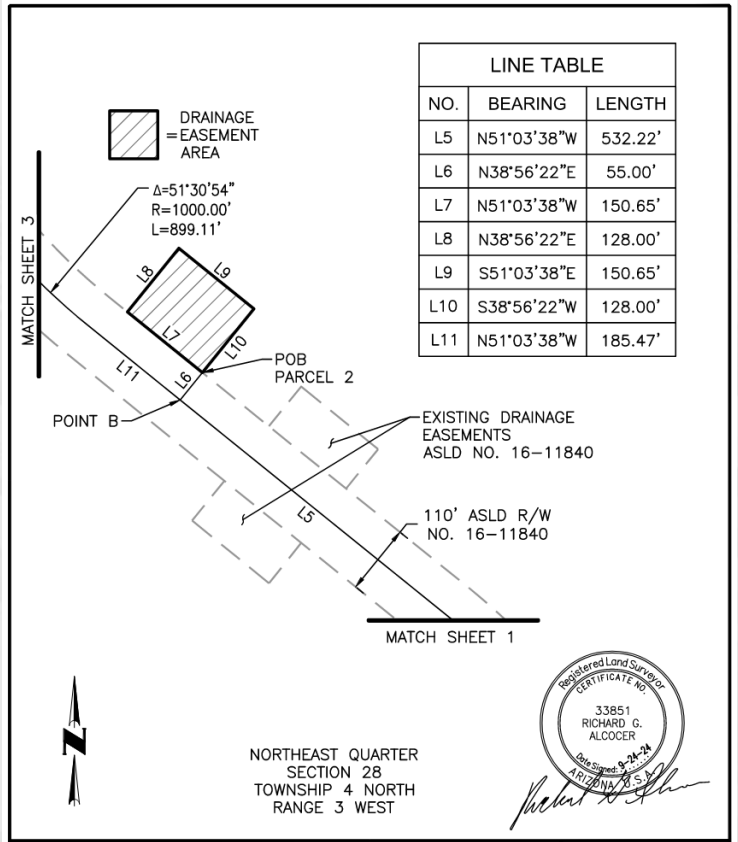
SURPRISE FOOTHILLS

GRADING & DRAINAGE EASEMENTS

CVL CONSULTANTS

1 OF 3

N:\01\0407801\CADD\Exhibits\VX.ASLD.DE.dwg **Dominique** **September 24, 2024**



SCALE 1" = 150'
EXHIBIT
4550 North 12th Street
Phoenix, Arizona 85014
Phone 602-264-6831
http://www.cvlci.com

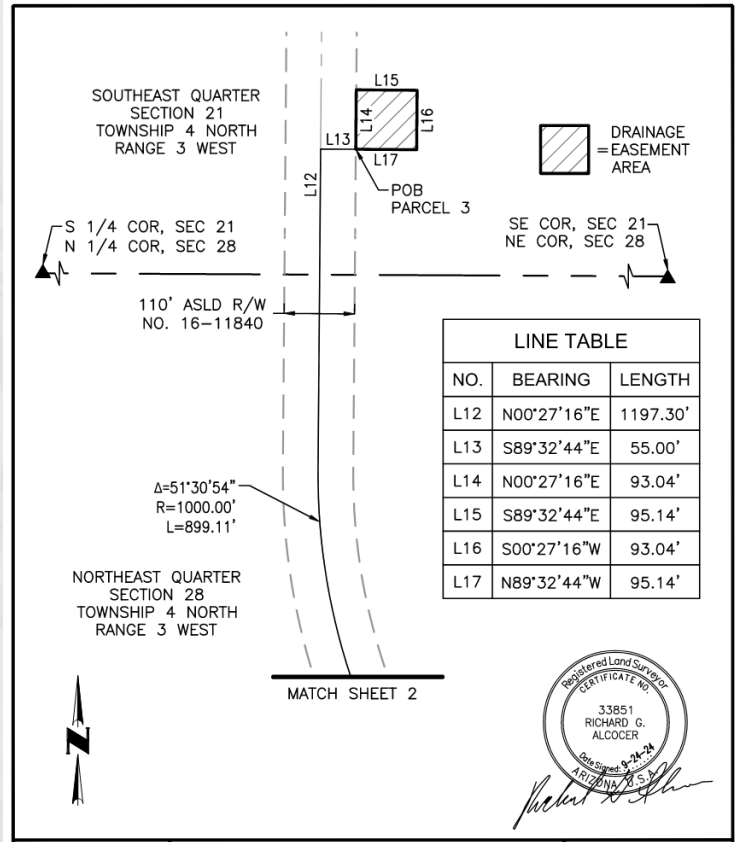
SURPRISE FOOTHILLS

GRADING & DRAINAGE EASEMENTS

CVL CONSULTANTS

2 OF 3

N:\01\0407801\CADD\Exhibits\VX.ASLD.DE.dwg **Dominique** **September 24, 2024**



SCALE 1" = 150'
EXHIBIT
4550 North 12th Street
Phoenix, Arizona 85014
Phone 602-264-6831
http://www.cvlci.com

SURPRISE FOOTHILLS

GRADING & DRAINAGE EASEMENTS

CVL CONSULTANTS

3 OF 3

N:\01\0407801\CADD\Exhibits\VX.ASLD.DE.dwg **Dominique** **September 24, 2024**

EXHIBIT

Questions or Comments?

THANK YOU

SURPRISE
ARIZONA

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026 Contact Person: Tanner Wessel
Submitting Department: Community Development District: District 1
Staff Recommendations:

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

Agenda Wording:
Consideration and action pertaining to the rezone of approximately 264.9 gross acres from Mesquite Mountain Ranch PAD to Residential Low Density (R-1), Residential Medium Density (R-2), and Open Space Conservation (OS-1). The proposed rezone is located south of Deer Valley Road between 223rd Avenue and 231st Avenue. Case FS24-0765. Ordinance #2026-06.

Motion:
I move to approve/deny Ordinance #2026-06.

Background:
Mark Reddie of RVi Planning + Landscape Architecture requests a rezone of approximately 264.9 gross acres from Mesquite Mountain Ranch PAD to Residential Low Density (R-1), Residential Medium Density (R-2), and Open Space Conservation (OS-1). The proposed rezone is located south of Deer Valley Road between 223rd Avenue and 231st Avenue.

Objective Analysis:
The subject rezone is in harmony with the purposes and intent of the Surprise Municipal Code, in addition to other applicable City of Surprise regulations. All city reviewing departments have reviewed the request and expressed no concerns.

Policy Compliant:
The subject rezone is consistent with the Surprise Municipal Code and advances the goals and policies of the General Plan.

Financial Impact:
While this item does not have an immediate or direct financial impact, ongoing development activity in the city will inevitably have a future financial impact as additional resources are needed to provide city services.

Budget Impact:
There is no anticipated budget impact related to this item.

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

ATTACHMENTS:

1. 00-FS24-0765 Mesquite Mountain Ranch V Rezone - Staff Report
2. 01-FS24-0765 Mesquite Mountain Ranch V Rezone - Vicinity Map
3. 02-FS24-0765 Mesquite Mountain Ranch V Rezone - Existing Zoning Map
4. 03-FS24-0765 Mesquite Mountain Ranch V Rezone - Proposed Zoning Map
5. 04-FS24-0765 Mesquite Mountain Ranch V Rezone - Rezone Narrative
6. 05-FS24-0765 Mesquite Mountain Ranch V Rezone - Citizen Participation Report REDACTED
7. 06 - FS24-0765 Mesquite Mountain Ranch V Rezone - Affidavit of Posting
8. 07-FS24-0765 Mesquite Mountain Ranch V Rezone - Luke AFB Letter
9. 08-FS24-0765 Mesquite Mountain Ranch V Rezone - Ordinance #2026-06
10. 09-FS24-0765 Mesquite Mountain Ranch V Rezone - P&Z Recommendation
11. FS24-0765 Mesquite Mountain Ranch V Rezone - CC PowerPoint

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REZONE

REPORT TO THE CITY COUNCIL

Case:	**FS24-0765**
Project Name:	Mesquite Mountain Ranch V Rezone
Council District:	1 – Acacia
Meeting Date:	**March 3, 2026**
Planner:	Tanner Wessel, Planner II
Owners:	Solana Bella LLC; Rootin Tootin LLC/ETAL; Geller Earl/Joyce Trust/Et al.; East Evergreen Technologies LLC/Schwab Revocable Trust; Snazzy Properties LLC, Et al.; N2N Trust/Equity Trust Company/Duncan/ Randy/Olden Kenneth/Cecelia/Schwab/Michael/Teri/Douglas/Janet; and Chang Andrew C/Mary M Trust.
Applicant:	Mark Reddie with RVi Planning + Landscape Architecture
Request:	Rezone of approximately 264.9 gross acres from Mesquite Mountain Ranch Planned Area Development (PAD) to Residential Low Density (R-1), Residential Medium Density (R-2), and Open Space Conservation (OS-1)
Site Location:	Located south of Deer Valley Road between 223rd Avenue and 231st Avenue
Site Size:	264.9 gross acres (approx.)
General Plan Conformance:	The proposal is consistent with the Surprise General Plan 2040.
Support/Opposition:	Refer to the attached Citizen Participation Report.
Recommendation:	The Commission recommends approval of the proposed Rezone, Case FS24-0765, to the Mayor and City Council, subject to stipulations (a) through (d).

Project Description:

Mark Reddie of RVi Planning + Landscape Architecture requests a rezone of approximately 264.9 gross acres from Mesquite Mountain Ranch PAD to Residential Low Density (R-1) and Residential Medium Density (R-2), and Open Space Conservation (OS-1). The project site is located south of Deer Valley Road between 223rd Avenue and 231st Avenue.

Background:

June 08, 1989: The subject property was annexed into the City of Surprise under Ordinance #89-05.

May 11, 2006: The Mayor and City Council approved the Mesquite Mountain Ranch Planned Area Development under case PAD05-314, Ordinance #06-22.

January 25, 2007: The Mayor and City Council approved a PAD for Mesquite Mountain Ranch II under Case PAD06-050, Ordinance #07-01.

June 16, 2020: The Mayor and City Council approved a rezone with PUD overlay for a portion of the Mesquite Mountain Ranch PAD and the Mesquite Mountain Ranch II PAD under case FS18-617, Ordinance #2020-05.

February 29, 2024: Staff met with the applicant during a regularly scheduled Concept Review meeting to discuss the subject project. CR24-0127.

April 16, 2024: The Mayor and City Council approved a major amendment to the Mesquite Mountain Ranch PAD to remove approximately 55 acres and change the land use designation for approximately 9 acres from residential to commercial with limited land uses. Case FS22-1260

June 17, 2024: The applicant filed a request for a Rezone under Case FS24-0765, the subject case.

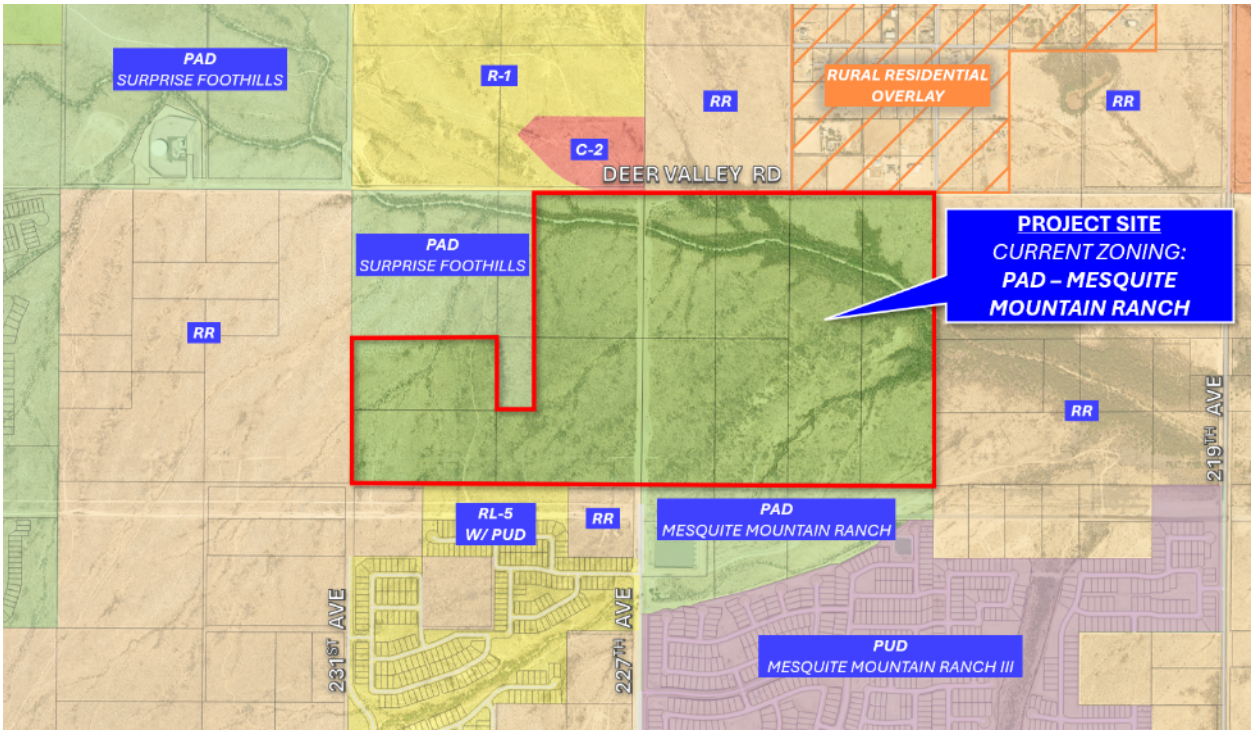
October 16, 2024: The applicant held a citizen outreach meeting at Willow Canyon High School. A summary of this meeting is included in the Citizen Participation Report attached to the staff report.

February 5, 2026: The Planning & Zoning Commission recommended approval to the Mayor and City Council of the subject rezone case.

Analysis and Discussion:

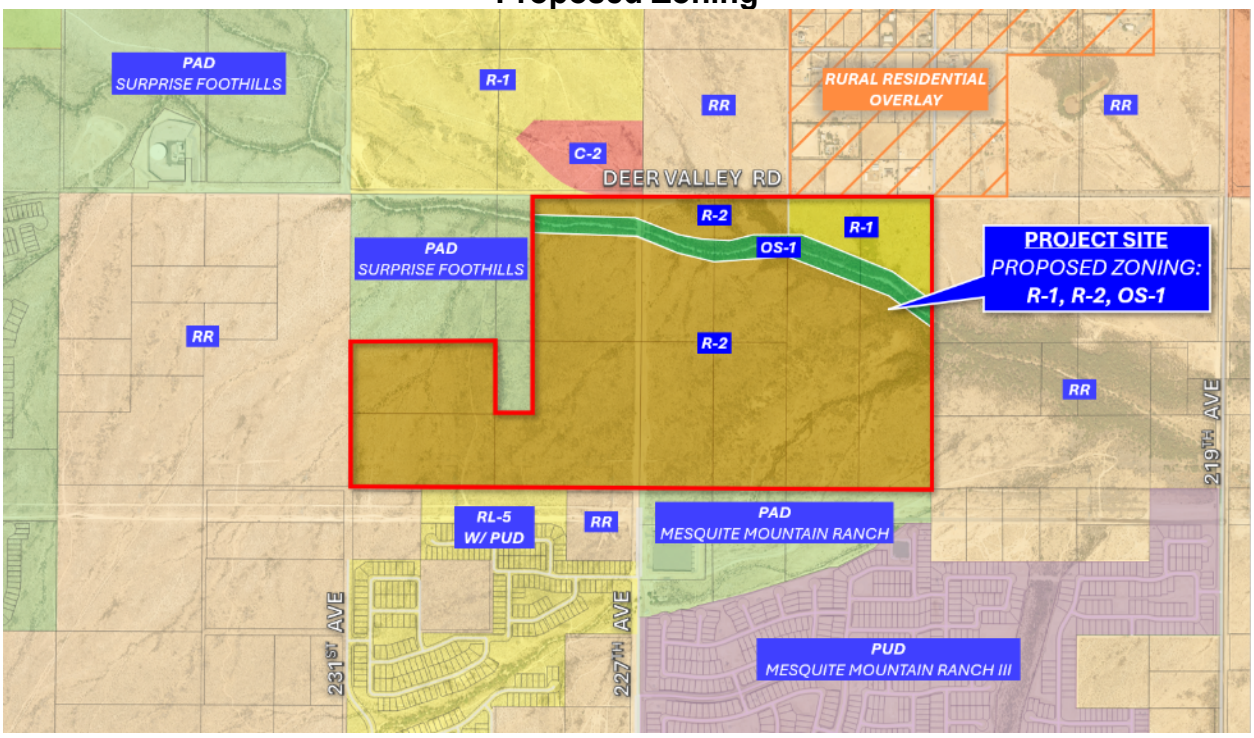
The subject properties, which encompass approximately 264.9 gross acres, are currently zoned Mesquite Mountain Ranch PAD. The applicant requests to rezone the subject properties to Residential Low Density (R-1), Residential Medium Density (R-2), and Open Space Conservation (OS-1). The existing and proposed zoning are shown below.

Existing Zoning



Community Commercial (C-2)	Rural Residential (RR)	Rural Residential (RR) with Desert Rural Overlay
Surprise Foothills PAD (Residential)	**Mesquite Mountain Ranch PAD (Residential)**	Rural Residential (RR)
Rural Residential (RR)	RL-5 with PUD Overlay	Mesquite Mountain Ranch PAD (Commercial)

Proposed Zoning



Community Commercial (C-2)	Rural Residential (RR)	Rural Residential (RR) with Desert Rural Overlay
Surprise Foothills PAD (Residential)	**Residential Low Density (R-1)** **Residential Medium Density (R-2)** **Open Space Conservation (OS-1)**	Rural Residential (RR)
Rural Residential (RR)	RL-5 with PUD Overlay	Mesquite Mountain Ranch PAD (Commercial)

Development Plan & Development Standards:

The applicant is requesting a rezone in response to market demands. The applicant is not requesting a deviation from the development standards of the LDO, Planning and Engineering Design Standards (PEDS), or City Code to facilitate the rezone.

This project is located adjacent to parcels designated under the General Plan 2040 as part of the Rural Residential Overlay (RRO). The proposed development incorporates a density transition between the RRO and the R-2 designations of this project by designating Parcel 1 as R-1.

The future development of the subject property will adhere to the applicable development standards of the R-1, R-2, and OS-1 zoning districts, as outlined in Section 106-2.3, Section 106-2.4, and Section 106-8.2 of the LDO, at the time of development. The following table shows the current development standards of the R-1, R-2, OS-1 zoning districts.

Table 106-2c – Residential Low Density (R-1) Zoning District						
Lot Categories	**A[3]**	**B**	**C**	**D**	**E**	**F**
General Plan Compatibility	Suburban	Suburban	Suburban and Rural	Rural	Rural	Rural
Lot area (sf)	4,950 – 7,999	8,000 – 11,999	12,000 – 17,999	18,000 – 27,999	28,000 – 43,559	≥ 43,560
Min. lot width[1] (ft)	45	60	80	90	100	130
Min. front setback[1] (ft)	12	12	15	20	20	30
Max. front setback (ft)	25	25	30	35		
Min. rear setback[1] (ft)	15	20	20	25	30	30
Min. side setback[1] (ft)	5 & 8	5 & 10	10	10 & 15	20	20
Min. street side setback [1,4] (ft)	15	15	15	15	20	20
Max. bldg. height (ft)	35	35	35	35	35	35
Max. lot coverage[5]		45%	40%	30%	30%	25%
Open space (% of gross area of residential development)[3]	20%	20%	20%	15%	15%	10%

Notes:

1.	Garage face and embellishments shall be setback a minimum of 20 feet measured from any opposing property line; except rear alley loaded garages, which shall be setback six (6) feet from edge of alley line.
2.	The city requires open space on a development/subdivision basis rather than on a lot-by-lot basis. Subdivisions with more than one (1) lot category will provide the higher percentage of open space.
3.	Residential projects shall contain no more than fifty (50) percent of lots less than forty-eight (48) feet wide as calculated across whole subdivision or preliminary plat and will include mitigating designs outline in Chapter 108 of this ordinance.
4.	Corner lots where block endcap landscape tracts are provided are not subject to the minimum streetside setbacks.
5.	Lots that have an RV garage within Lot Category B shall be allowed up to fifty-five (55) percent lot coverage.

110

111

Table 106-2d – Residential Medium Density (R-2) Zoning District					
Lot Categories	**A[4]**		**B[4]**	**C**	**D**
General Plan Compatibility	Urban		Suburban	Suburban	Suburban
Lot area[1] (sf)	Single-family & Townhouse: 800-4.949	Duplex & Triplex: 4,000 – 4,949	4,950 – 7,999	8,000 – 11,999	≥ 12,000
Min. lot width (sf)	35		45	70	80
Min. front setback[2] (ft)	10		12	12	15
Max. front setback (ft)	25		25	25	30
Min. rear setback[2] (ft)	10		15	20	20
Min. side setback[2] (ft)	5[3]		5 & 8[2,3]	5 & 10	10
Min. street side setback [2,6] (ft)	10		10	10	10
Max. bldg. height (ft)	35		35	35	35
Open space (% of gross acres of residential development)[4]	25%		20%	20%	20%

Notes:

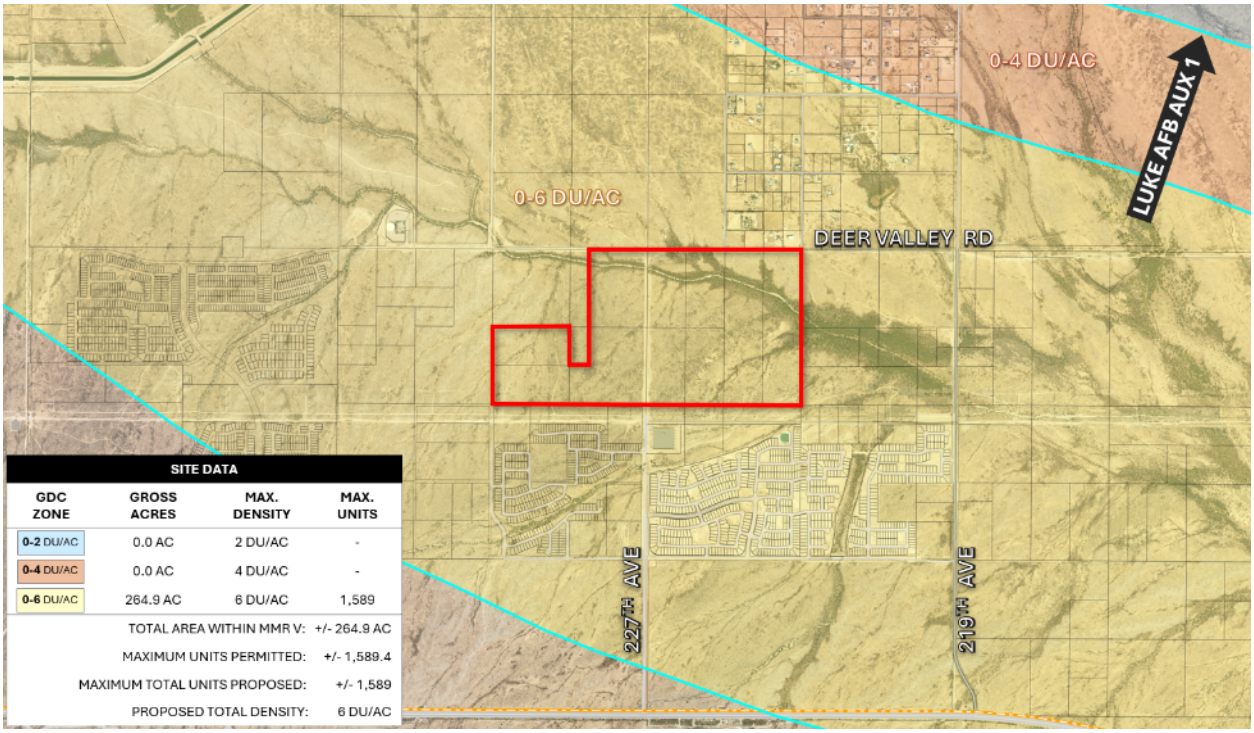
1.	At the sole discretion of the City, up to 5% of the total lots of a development may vary up to 5% in lot area to accommodate discrepancies in the lot category's respective lot area range, but in no case shall a lot in Lot Category A be less than 2,800 sf.
2.	Grage face and embellishments shall be setback a minimum of 18.5 feet measured from any opposing property line, except rear alley loaded garages, which shall be setback three (3) feet from alley edge line. Any portion of the 3-foot setback that is not a part of a driveway or walkway shall be fully landscaped. Walkways providing access to dwelling entryways may be located within the landscaped area.
3.	May be reduced to zero feet setback from single-family dwellings as attached building and separated by a common wall along the property line, and townhouses. End units must maintain the larger setback.
4.	The city requires open space on a subdivision or development site basis rather than on a lot-by-lot basis. Subdivisions with more than one (1) lot category will provide the higher percentage of open space.
5.	Residential development projects exceeding 150 total lots (including those with separate development parcels) shall contain no more than fifty (50) percent of lots that are less than forty (40) feet wide as calculated across whole subdivisions or preliminary plats and will include mitigating designs outlined in Chapter 108 of this ordinance.
6.	Corner lots where block endcap landscape tracts are provided are not subject to the minimum street side setbacks.

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Table 106-8a – Open Space Conservation (OS-1) Zoning District	
Min. arterial, collector, and local ROW setback (ft)	15
Adjacent to residential zoning (ft)	50
Adjacent to non-residential zoning (ft)	15
Max. bldg. height (ft)	15

Density

Due to the project's proximity to the Luke Air Force Base Auxiliary 1 Field, this project is subject to the Luke Air Force Base Graduated Density Concept (GDC). The entirety of the site is located within the 0-6 DU/AC band of the GDC.

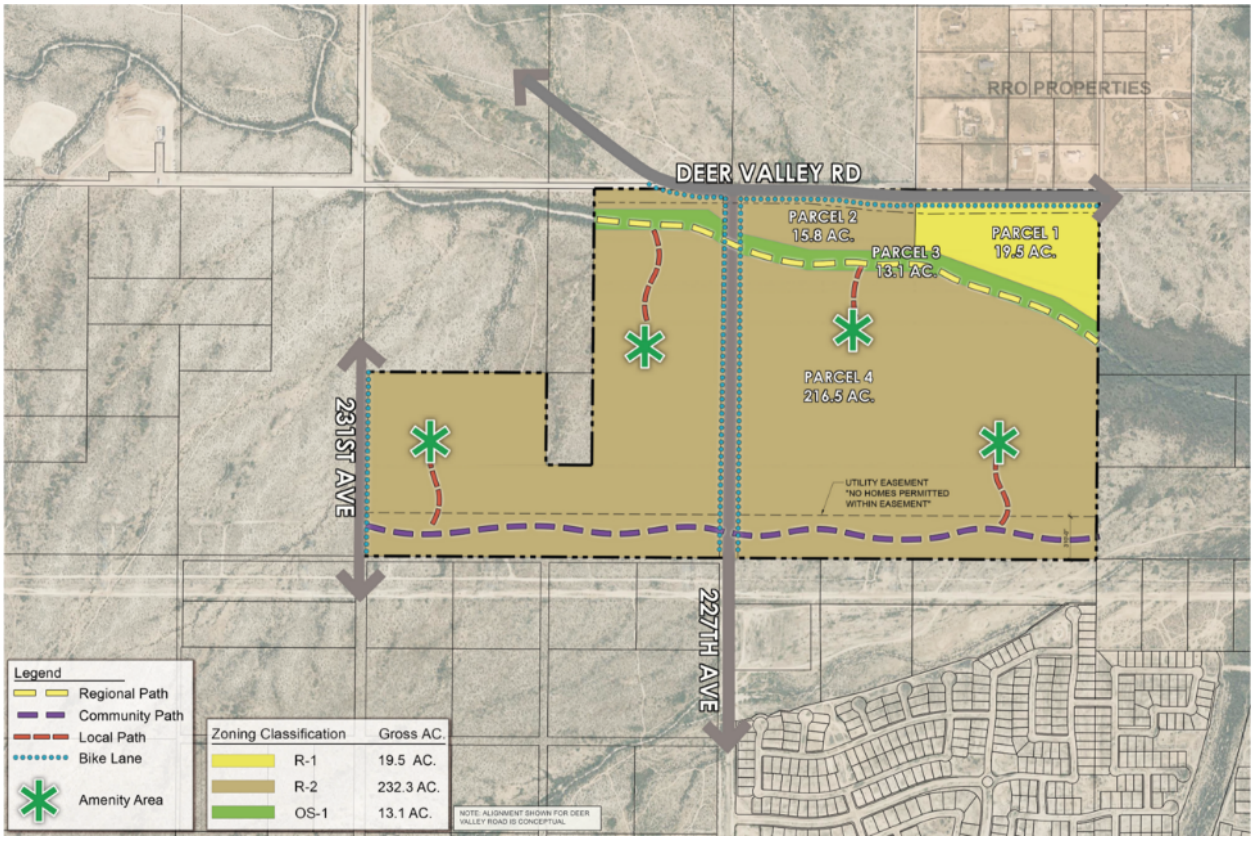


In collaboration between City staff, the applicant, and Luke AFB, it has been determined that a total number of dwelling units of 1,589 would be allowed within the project site, equating to an overall gross density of 6.0 DU/AC.

The GDC provides a guide for the maximum allowed dwelling units and densities of the proposed development. The specifics of the development, including the actual number of dwelling units and density, will be fully reviewed at the Preliminary Plat stage. At that time, the development will be subject to the transition and buffering requirements of the LDO, PEDS, and General Plan.

Open Space & Amenities

The following conceptual open space plan depicts open space and amenities for the proposed project. The future development shall adhere to the open space and amenity requirements of the LDO, PEDS, the Parks and Recreation Master Plan, and the General Plan regarding open space minimums, required trails, landscaping, and amenities. These elements will be reviewed in detail at the time of Preliminary Plat review.



Roadways

This project is bordered by the future alignments of Deer Valley Road to the north and 231st Avenue to the west. Additionally, the future alignment of 227th Avenue runs through the center of the project bisecting the project in half. At the request of the City's Transportation Department, the applicant submitted a Traffic Impact Analysis (TIA) with the rezone application. The TIA was reviewed and approved by City Transportation Department staff.

Additionally, to further protect the adjacent RRO properties to the north, the developer has agreed to shift the future alignment of Deer Valley Road south further into this project's boundary to provide a greater buffer and to protect the existing rural development.

Lastly, this project has an associated Development Agreement ("DA") which has been approved by City staff and signed by the landowner. This DA outlines the roadway infrastructure that will be required to be installed by the developer in conjunction with this development. The DA is scheduled for the upcoming February 17th, 2026, City Council meeting and will be required to be approved by City Council prior to the Council taking any action on this proposed Rezone.

Utility and Services Table:

Electric:	Arizona Public Service
Water:	City of Surprise
Wastewater:	City of Surprise
Refuse:	City of Surprise
Natural Gas:	Southwest Gas
School District:	Wickenburg School District

Conformance with Adopted Plans:

The proposed Rezone was reviewed against the goals, policies, recommendations, and guidelines of the City of Surprise General Plan 2040 and is consistent with the General Plan in some of the following ways:

This project is located within the Neighborhood Character Area of the General Plan. The proposed Rezone adheres to the design guidelines of the character area which allows for residential development.

This project maintains compatibility with the quality of existing land uses in the surrounding area in that it continues the low to medium residential development pattern established in the vicinity of the parcel.

Additionally, this project is located adjacent to parcels designated by the General Plan 2040 as being within the Rural Residential Overlay. As such, a density transition is being provided, and the alignment of Deer Valley Road is being shifted south further into this project's boundary to further protect the existing rural development.

Reviewing Agencies:

The request was routed to internal and external agencies including the Maricopa Water District, Maricopa County Department of Transportation, the Flood Control District of Maricopa County, and Luke Air Force Base. All agencies indicated no objections to the request.

Citizen Outreach:

The applicant held an outreach meeting on October 16, 2024, at Willow Canyon High School with 5 attendees present. This meeting complied with the advertisement requirements of the LDO. During this meeting, questions and concerns related to Deer Valley Road development and traffic, proposed access to the site, water, density, and timing of the development were raised. A detailed summary of the outreach meeting can be found in the attached Citizen Participation Report.

Summary:

Staff concludes the proposed Rezone is consistent with the Surprise General Plan 2040 and all applicable zoning codes.

Findings:

- The proposed Rezone is consistent with and will advance the goals of the Surprise General Plan 2040.
- The proposed Rezone is consistent with the City of Surprise Land Development Ordinance.
- The reviewing agencies had no objections.

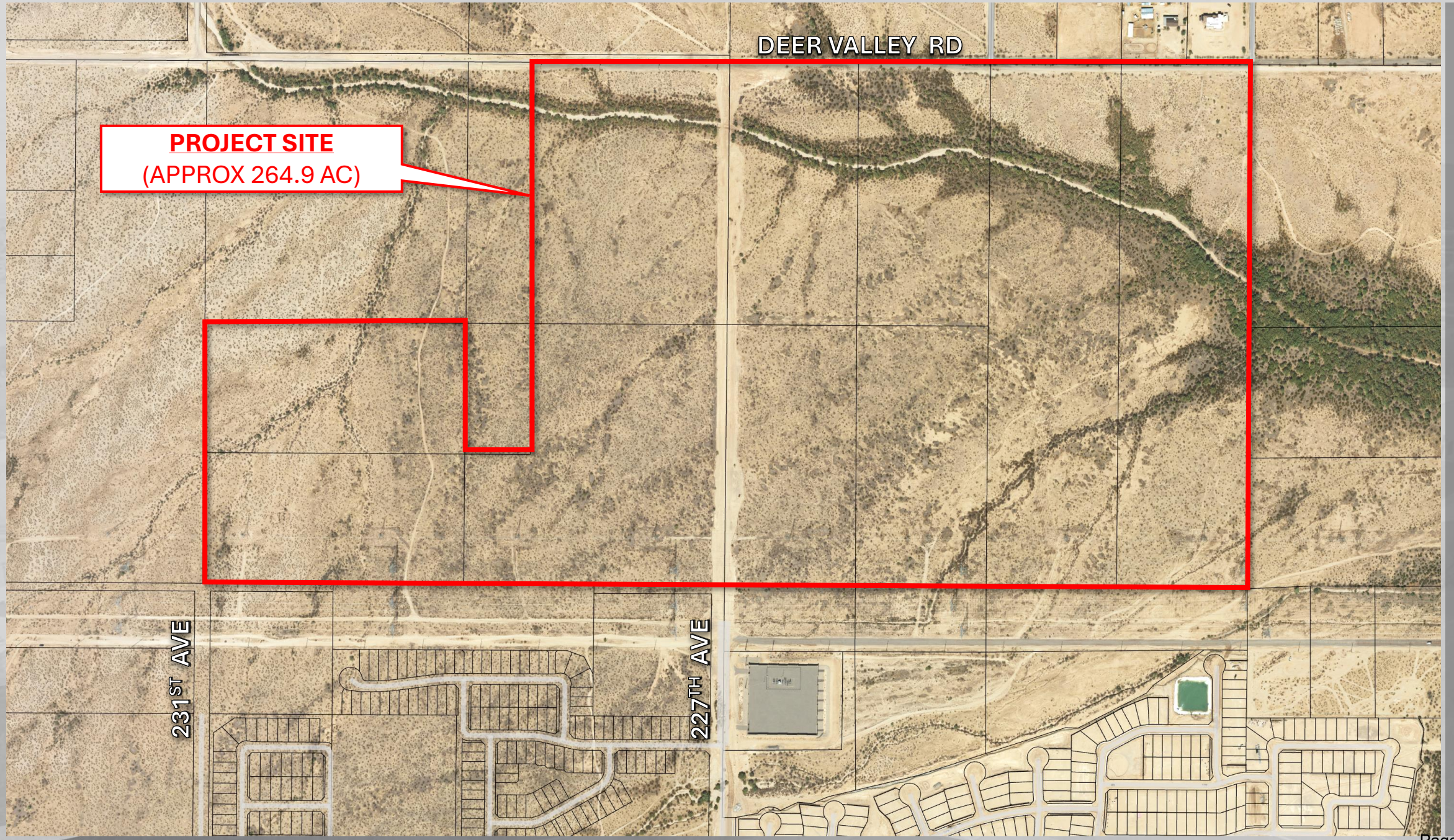
Recommendation:

Based on the findings noted above, the Planning & Zoning Commission recommended approval of the proposed Rezone, Case FS24-0765, subject to stipulations 'a' through 'd'.

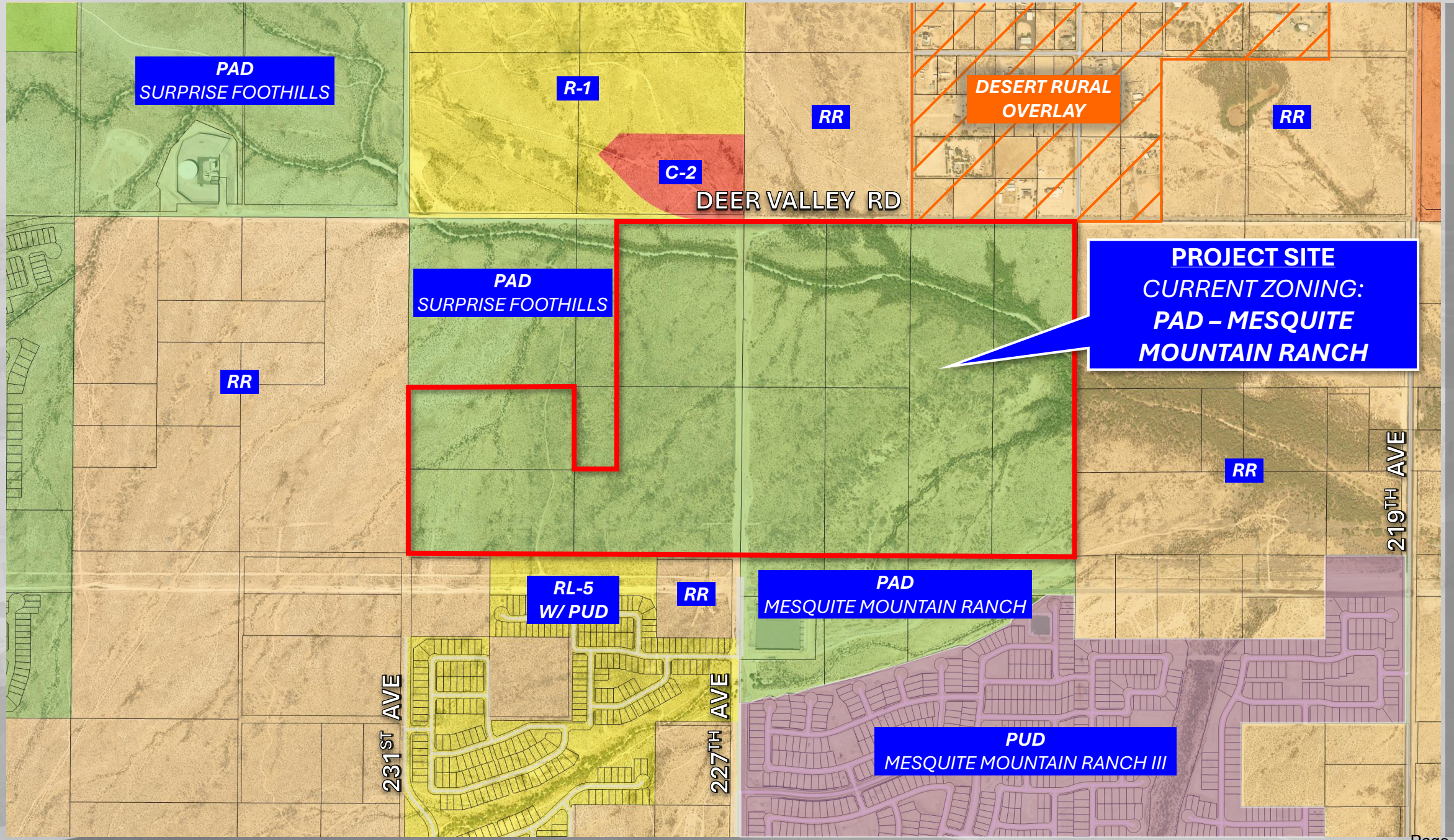
a. Development and use of the site shall be in compliance with Resolution 2026-14, Mesquite Mountain Ranch V Development Agreement.
b. Development and use of the site shall be consistent with the Rezone Narrative entitled "Mesquite Mountain Ranch V," prepared by RVI Planning + Landscape Architecture, and received March 27, 2025.
c. Non-compliance with the stipulations of approval of this case will be treated as a violation in accordance with the applicable provisions of the Surprise Municipal Code.
d. The subject site shall not exceed a maximum of 975 residential dwelling units.

Attachments:

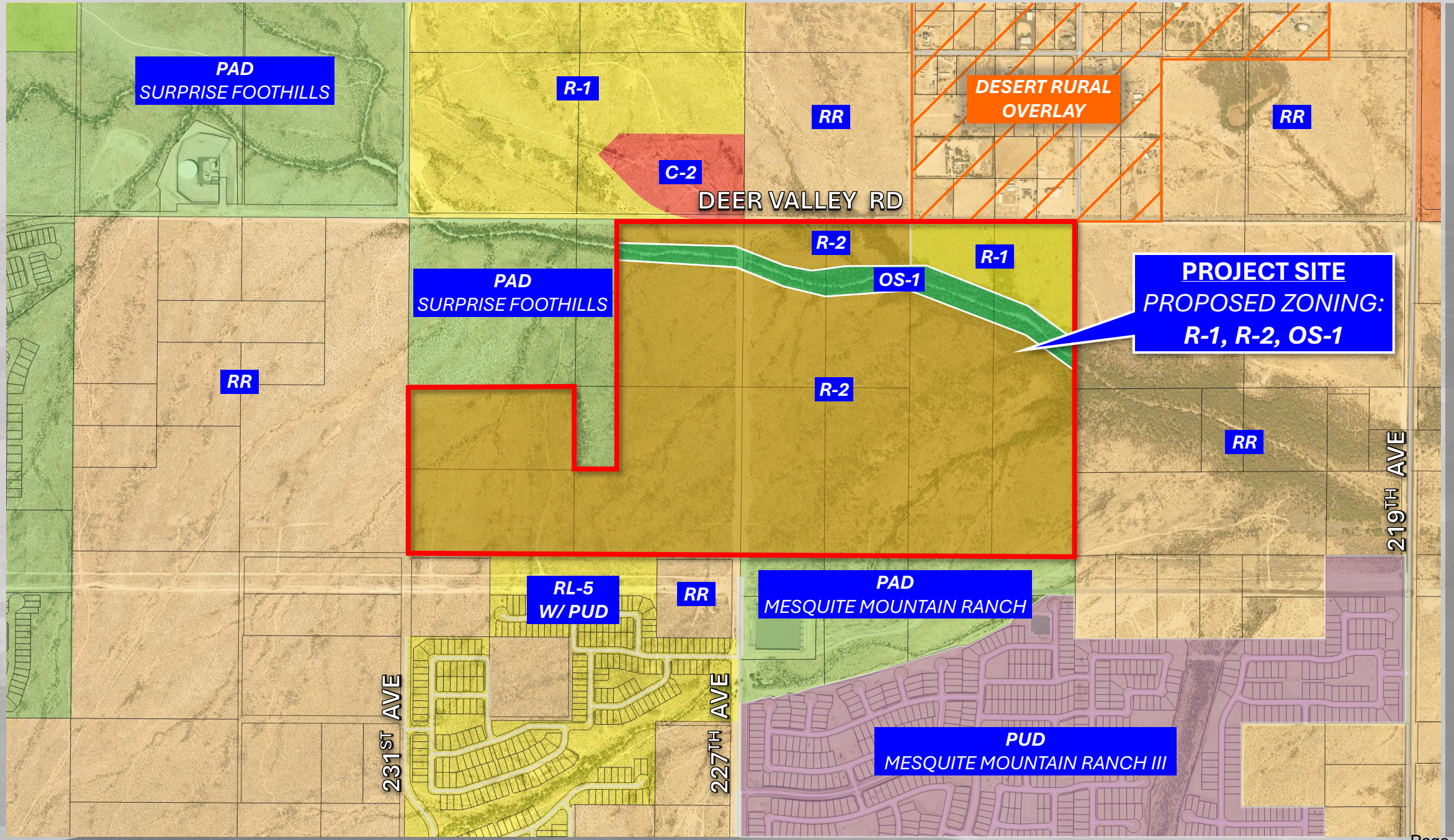
01 Vicinity Map
02 Existing Zoning Map
03 Proposed Zoning Map
04 Rezone Narrative
05 Citizen Outreach Report – REDACTED
06 Affidavit of Posting
07 Luke AFB Letter
08 Ordinance #2026-06
09 P&Z Recommendation
PPT



FS24-0765 VICINITY MAP



FS24-0765 ZONING MAP



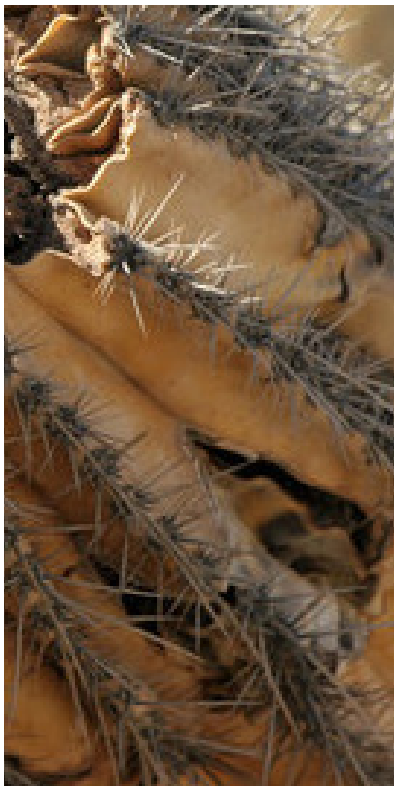
FS24-0765 ZONING MAP

MESQUITE MOUNTAIN RANCH

V

An Application to Rezone from PAD to R-1, R-2, and OS-1
FS24-0765







City of Surprise

1st Submittal: June, 2024
2nd Submittal: October, 2024
3rd Submittal: March, 2025
4th Submittal: March, 2025

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UCG United Civil Group

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1. INTRODUCTION

RVi Planning + Landscape Architecture is pleased to submit this request for a Major Rezoning of a portion of the existing Mesquite Mountain Ranch PAD from PAD District to Residential Low Density (R-1), Residential Medium Density (R-2), and Open Space Conservation (OS-1) Districts.

This proposed rezoning amendment, Mesquite Mountain Ranch V (MMR V), applies to approximately 264.9 acres (the "Site") which is generally located on the south side of Deer Valley Road between 231st Avenue and 223rd Avenue. More precisely, the Site of this requested rezoning amendment includes the following parcels:

- 503-80-041, 042, (Chang Andrew C/Mary M TR)
- 503-80-007F, 007G (Rootin Tootin LLC/ETAL)
- 503-80-007H, (Jewel Investment Co)
- 503-80-007J, (Geller Earl/Joyce TR/Et Al)
- 503-80-006X, (East Evergreen Technologies LLC/Schwab Rev Tr)
- 503-80-006Y, (Snazzy Properties LLC, Et Al)
- 503-80-007D, 007E, (Nelson Gary N/Equity Trust Company/...)

1.1. Purpose of Request

This rezoning aims to accomplish the following:

1. Simplify and update the development standards and regulation of the Site by conforming to the City of Surprise Land Development Ordinance (LDO) and Planning & Engineering Design Standards (PEDS);

2. Enhance housing product diversity based on current market demand by following the R-1 and R-2 development standards of the LDO;

3. Maintain the general land uses permitted by the existing approved PAD; and

4. Increase the assurance that the 5 West Wash will be preserved as open space by hard zoning it to Open Space Conservation District (OS-1), as outlined in LDO Section 106-8.2.

2. SITE ANALYSIS

2.1. Site Context and Existing Land Uses

As shown in Exhibit 1: Regional Vicinity Map, the 264.9-acre site is located less than one mile to the north of Sun Valley Parkway, in a growing area of Northwest Surprise. The Site is generally surrounded by 231st Avenue, Deer Valley Road, 223rd Avenue, and a powerline easement. The Site is undeveloped and vacant. The table below outlines the existing zoning and current land uses of the Site and surrounding properties.

Location	Zoning	Current Land Use
Site	PAD – Mesquite Mountain Ranch	Vacant Power lines
North	C-2 - Community Commercial R-2 - Medium Density Residential RR – Rural Residential	Deer Valley Road, Vacant and Large Lot Residential
East	RR – Rural Residential	Vacant
South	PAD - Mesquite Mountain Ranch PAD-Rancho Vista RR – Rural Residential	Vacant and Single Family Residential (under construction), APS substation
West	PAD - Surprise Foothills RR- Rural Residential	Vacant

2.2 Existing PAD Zoning

As shown in Exhibit 2: Existing Zoning Map, the Site is currently zoned PAD (Mesquite Mountain Ranch) which allows for Low Density Residential, Medium Density Residential, and Open Space land uses. The development standards for residential land uses and the open space consist of those approved 18 years ago as part of the original Mesquite Mountain Ranch PAD.

The remaining portion of the Mesquite Mountain Ranch PAD site, including the southern portion of the powerline easement, the APS substation, the C-3 parcel, and the southernmost wash are not part of this rezoning request and will remain as PAD zoning under the existing Mesquite Mountain Ranch IV PAD (FS22-1260) that was approved on April 16, 2024.

2.3. General Plan Designation

Figure 4.4 "Land Use Character Areas" of the City of Surprise 2040 General Plan designates the Site as Neighborhood and Open Space. Exhibit 3: Existing General Plan Land Use shows the land use designations for the Site and surrounding properties. The Neighborhood designation covers the majority of the Site and allows for a broad mix of residential zoning designations, among other supporting districts or land uses such as but not limited to commercial, offices, or civic uses. The Neighborhoods future land use designation is broken into three neighborhood character areas, Rural, Suburban, and Urban. The Suburban Character Area applies to this Site and represents the transition from rural settings and urban environments. Within this character area, medium-density residential housing types are encouraged to support housing availability for a variety of income levels across the city. The General Plan identifies a density range of 2-8 dwelling units per acre for Suburban Neighborhoods.

The Open Space land use designation includes the 5 West Wash located along the northern portion of the Site. Linear open spaces along washes are encouraged to be incorporated as a natural asset in the design of communities.

The proposed development plan is in conformance with the 2040 General Plan land use designation and character area and no General Plan amendment is required. Section 4 of this documents further summarizes how the proposed project conforms to the 2040 General Plan.

Nearby Rural Residential Overlay Designation

North of the Site is Deer Valley Parkway. A group of properties north of Deer Valley Parkway are designated as Neighborhoods with a Rural Residential Overlay (RRO).

The RRO recognizes existing rural enclaves where the City of Surprise supports the continuation of the rural lifestyle to include the ability to keep livestock and operate farm and agricultural enterprises while also allowing for compatible surrounding development.

While the Site is not designated RRO, Section 3.2 of this document summarizes how the proposed rezoning includes mitigation measures in support of the RRO goals.

2.4. School District

The Site is located within the Wickenburg-9 Elementary School District and the Wickenburg Unified School District. Within the district, Festival Hills is the closest current elementary school; it is approximately four miles from the Site. However, there are two schools planned within the Surprise Foothills property immediately to the west and north of the Site, and a third school planned within the Desert Trails development one mile to the east of the Site that will serve students from this development. Exhibit 8 includes formal correspondence from the Superintendent of the Wickenburg Unified School District supporting the relocation of the school site from Mesquite Mountain Ranch to Surprise Foothills.

2.5. Water and Sewer Service Facilities Plans

Mesquite Mountain Ranch is located within Special Planning Area 3 (SPA-3) in the City of Surprise, Arizona. SPA-3 is generally located north of Bell Road, west of Beardsley Canal, south of Grand Avenue and Central Arizona Project Aqueduct, east of 259th Avenue and encompasses approximately 59 square miles. Preliminary Water and Sewer Reports have been prepared and are included with the rezoning submittal package as a separate attachment.

2.6. Electricity

The Site is provided electricity by Arizona Public Service (APS).

2.7. Fire, Police, and Refuse Services

The Site is within the City of Surprise municipal service area and will receive fire, police, and residential refuse service from the City. Commercial uses will be responsible for securing private refuse service. The closest existing fire station is Station 303 located approximately 11 miles away. There are two planned fire stations near the Site, one within the Surprise Foothills development less than 1-mile west of the Site, and a second within the Desert Trails community 1-mile to the east.

2.8. Existing Drainage Conditions

The Site generally slopes from the southwest to the northeast. However, 5 West Wash is a major drainage corridor in this area and enters the Site along the western property line, just south of Deer Valley Road and extends across the Site to the eastern property line. A second smaller wash (Wash 4) runs along the southeast perimeter of the site near the powerline corridor and ultimately connects to the 5 West Wash east of the Site. Planned floodplain reclamation to the 5 West Wash and Wash 4 floodplains were approved via a CLOMR in 2007 – FEMA Case No.:07-09-0029R. The local offsite flows affecting the site on the west and south boundaries will be intercepted and routed around the site to historical outfall location along the north and east boundaries.

2.9. Existing Roads, Rights-of-way, and Utilities/Constraints

The Site includes and is surrounded by multiple rights-of-way or roadway alignments identified by the City of Surprise 2035 Roadway Functional Classification Plan, and utility corridors,

231st Avenue

Approximately 1,300 feet of the Site's western property line is adjacent to 231st Avenue. Today there is no dedicated ROW for this alignment within the vicinity of the Site, and the area consists of natural desert.

Deer Valley Parkway

Approximately 3,625 feet of the Site's northern property line fronts on Deer Valley Parkway. Today, between the Site's western property line to 225th Avenue, Deer Valley is a dirt road. From 225th Avenue to the eastern property line/223rd Avenue, it has been improved as a two-lane gravel road.

Beyond the Site to the east, the 2-lane gravel road continues until 219th Avenue. From 219th Avenue to North Landfill Road the alignment is unimproved and consists of dirt jeep trails. From Landfill Road to 195th Avenue it is a two-lane gravel road. It is not until 195th Avenue that Deer Valley Road is paved for one lane of traffic in each direction with turn lanes and dirt or gravel shoulders.

227th Avenue

The 227th Avenue alignment extends vertically through the center of the Site. Currently no ROW or improvements exist for 227th Avenue within the Site. Adjacent to the south of the Site, as part of Mesquite Mountain Ranch Phase 1, 227th Avenue has been improved as a paved two-lane roadway to Beardsley Road, where it heads east to 219th Avenue, then south to Sun Valley Parkway.

Dry Utilities

Several existing overhead transmission powerlines extend across the site from east to west. These lines are located within multiple easements dedicated to various governmental and utility entities.

2.10. Luke Air Force Base Compatibility Analysis

The Graduated Density Concept for Luke Air Force Base is best described as providing guidelines for dense development up to and surrounding the "high noise or accident potential zone," commonly referred to the 65 Ldn line, as defined in A.R.S. § 28-8461, which may limit future operations of the U.S.

This Graduated Density Concept proposes, in the absence of a more restrictive state, county or municipal general or comprehensive plan, graduating densities away from the 65 Ldn as follows:

- a maximum of 2 dwelling units (du) per acre (ac) from the 65 Ldn to ½ mile,
- a maximum of 4 du/ac from ½ mile to 1 mile,
- a maximum of 6 du/ac from 1 to 3 miles, and
- graduated densities beyond 3 miles that include open spaces, light industrial/commercial and rural uses throughout the area defined by State Statute A.R.S. § 28-8461 as "territory in the vicinity of a military airport".

Based on the noise contours published by Luke AFB, the property is entirely within the 1 to 3-mile distance from the noise contours, which allows a maximum of 6.0 du/ac for the overall property. Based on this, up to 1,589 units would be permitted per the Luke GDC. See Exhibit 4: Luke Air Force Base Graduated Density.

3. PROPOSED ZONING + DEVELOPMENT PLAN

3.1. Zoning Summary

This rezoning request seeks to amend the northern portion of the Mesquite Mountain Ranch PAD to establish residential and open space zoning districts that comply with current LDO standards. The proposed zoning is very similar to the current PAD land use plan, including residential uses and open space uses in the same general location, but establishes development standards and regulations based on the current LDO. Further, this plan hard zones the 5 West Wash to ensure it will remain as permanent open space. The rezoning will also conform to the Planning & Engineering Design Standards (PEDS) of the City of Surprise.

The proposed rezoning does not increase the overall unit count or density as already approved under the current Mesquite Mountain Ranch PAD, it simply modifies the zoning to conform to the LDO and the PEDS, and provides an opportunity to blend densities throughout the property. This plan also ensures that the areas closest to the Rural Residential Overlay (RRO) have the largest lots and lowest density within the development by incorporating R-1 zoning to this portion of the property, which is an appropriate zoning transition of the next closest residential district to the Rural Residential zoning district to the north.

As shown on Exhibit 5: Proposed Zoning Map and mentioned above, the Site is proposed to be developed relatively similarly to the existing PAD land use plan with residential and open space, including the R-1 District adjacent to the RRO property, OS-1 District for the major wash corridor, and R-2 District for the remainder of the property. The Site will be accessible by 227th Avenue, 231st Avenue, and Deer Valley Road for vehicles, bicycles, and pedestrians. Natural and improved open spaces will be provided throughout the site to follow the drainage corridors and easement areas, as well as additional active and passive open spaces within each residential development parcel in accordance with the LDO and PEDs. Further details pertaining to each proposed zoning district are provided in the subsections below.

3.1.1. Residential Low-Density (R-1)

Low-Density residential (R-1)is proposed in Parcel 1 in the northeast corner of the site, between Deer Valley Road and an existing wash. This 19.5-acre parcel is planned to be developed with single-family homes and will serve as a density transition from the rural residential lots to the north. All land uses and development standards within Parcel 1 will be as defined in accordance with the R-1 standards of the LDO and PEDs.

3.1.2. Medium-Density Residential (R-2)

Approximately 232.3-acres of the Site are proposed to be rezoned to Medium-Density Residential (R-2) District. The R-2 District allows for a variety of housing opportunities including detached single-family dwelling as well as attached single-family dwellings such as duplexes, triplexes, and townhomes. Permitted uses and development standards will follow R-2 standards of the LDO and PEDs.

3.1.3. Open Space Conservation (OS-1)

As shown on Exhibit 5: Proposed Zoning Map, approximately 13.1 acres located within the 5 West wash are proposed to be rezoned to Open Space Conservation (OS-1) District. As outlined by the LDO, the goal of this district is to conserve, protect, and enhance natural open spaces such as the natural desert landscape and washes located on this site. Rezoning this area to OS-1 assures the City that the proposed designated open space will remain undeveloped in accordance with LDO and PEDs standards.

3.2 Rural Residential Overlay (RRO) Mitigation Plan:

Shift Deer Valley Parkway South:
The applicant has agreed to shift the alignment of Deer Valley Parkway south by 42' to ensure no negative impact to the existing rural residential properties along Deer Valley Parkway. Currently, there is a 26' road north of the section line within the rural residential properties. We propose to maintain that 26' as the northern edge of the right-of-way (as opposed to the standard 68' north of the section line), shifting the roadway centerline 42 feet south. This will require the MMV developer to dedicate 110' of right-of-way south of the section line within the MMR property, minimizing the impact to the existing properties to the north.

R-1 Zoning Where Adjacent to the RRO:
While the majority of the MMR property is proposed as R-2 zoning, the portion of property immediately adjacent to the RRO property is proposed as R-1 zoning, which is a transition of only one zoning district from Rural Residential zoning. Additionally, by shifting Deer Valley Road south, and providing a minimum 15' landscape buffer along our northern perimeter, the first homes within MMR will be over 150 feet from the RRO properties.

Limited Property Access on Deer Valley Parkway: A majority of the property will be accessed from 227th Avenue and 231st Avenue, with very limited access along Deer Valley Parkway, minimizing access and intersection conflicts to the RRO property. The only portion of the property with direct access to Deer Valley Parkway is the small R-1 zoned parcel north of the 5 West Wash.

3.3. Pedestrian, Bike, and Open Space

Open spaces will be provided within and throughout each residential development as defined and required by the LDO and PEDS. As shown on Exhibit 6: Pedestrian Bike & Open Space Plan, it is anticipated at this time that three to four open

space amenity areas will be provided to meet applicable open space criteria and sufficiently serve the community. Bike lanes will be provided on arterial and collector streets, and paths for bicyclists and pedestrians will be provided throughout the community to connect residents to improved and natural open spaces. It is anticipated that a Regional Path will be provided in the 5 West Wash and a Community Path will be located within the existing utility easement. Local Paths will connect residents to the Community and Regional Paths and to the open spaces. Exact location of paths and open spaces will be determined as part of site plan review.

3.4. Transportation and Access

In discussion with the City of Surprise and in conformance with the City's 2040 General Plan, the following is a summary of the regional roadways within or adjacent to the Site (See Exhibit 7: Regional Transportation Plan) and the associated ROW dedications for half and/or full street dedications:

3.4.1 Deer Valley Parkway

Deer Valley Parkway is proposed as a major arterial road with 136-feet of ROW. As part of the development of this Site, and to mitigate impacts to the RRO properties to the north, Deer Valley Parkway will be shifted approximately 42-feet to the south and improved to accomodate two-way vehicular traffic. This will include a 110-foot ROW dedication south of the section line. In conjunction with the existing 26-feet of roadway located north of the section line, Deer Valley Parkway will ultimately be developed with 110' of ROW south of the section line and 26' of ROW north of the section line. Up to an additional 10-feet of ROW may also be dedicated on the south side to accommodate east bound right turn lanes as needed. Additional access along Deer Valley Road may be required to the east to connect to 219th Avenue. The required ROW and roadway improvements for this will be determined at the time of platting.

3.4.2 227th Avenue

227th Avenue is designated as a major arterial with 136-feet of total ROW connecting from Sun Valley Parkway running through the center of the Site to connect to and extend north beyond Deer Valley Parkway. Half street and full street ROW will be dedicated where the property is adjacent to the 227th Avenue alignment. As shown on Exhibit 6, ROW improvements will be provided south of the subject Site to connect to the existing improvements adjacent to the southern portion of Mesquite Mountain Ranch (FS18-617). These improvements will result in a paved point of access that will extend to Sun Valley Parkway. A future signal is planned for the intersection of Sun Valley Parkway and 227th Avenue. This development will have to contribute its proportionate share to the cost of the signal.

3.4.3 231st Avenue

231st Avenue is designated as a residential collector road with 80-feet of total ROW and will ultimately connect to Deer Valley Parkway. Where the Site has frontage on this alignment, the 40-foot east half street ROW and improvements will be provided.

3.4.4 Site Access + Circulation

As required by City of Surprise Transportation Planning and Traffic Engineering the developer will be responsible for submitting a Master Street Plan showing turn lanes, medians, and street widths as well as a full Master Site Plan showing the on-site traffic and pedestrian circulation, and emergency vehicle access. These documents will include two geographically separated points of vehicular access from the Site to an existing public roadway.

The developer will continue to work with staff to provide appropriate primary and secondary access to the Site with each phase of development. Primary access will be on 227th Avenue from Sun Valley Parkway to the property. Secondary geographically separated access will partially depend on project phasing, but will likely include the extension of Deer Valley Parkway from 227th Avenue east to 219th Avenue, which currently provides access to Sun Valley Parkway. Additionally, Desert Trails has the obligation to build Deer Valley Parkway from 219th Avenue to 195th Avenue with its first phase of development, ultimately connecting Deer Valley Parkway to Grand Avenue further to the east. While the MMR project does not control the timing of this extension, first phase plats have already been submitted to the City for Desert Trails, so it is likely this connection will be available at the time of MMR phase 1 development, providing additional access options from the east.

As a potential alternative, a connection to the west from 231st Avenue to Deer Valley Road via Foothills Boulevard south to Sun Valley Parkway may be provided for geographically separated secondary access. While not preferred, this provides an alternative geographically secondary access option if needed.

Since it is unknown what surrounding roadway improvements will be at the time of the development of MMR, the applicant reserves the right to explore additional alternatives to the geographically separated secondary access points, and will coordinate with City staff on an acceptable route.

3.5 Construction Sequencing and Maintenance of Traffic Exhibit

During every phase of construction of this development the developer will ensure that traffic flow will be maintained on all existing arterial and collector roadways. A detailed description of how and when this will be accomplished will be provided during the platting process along with a Construction Sequencing and Maintenance of Traffic Exhibit.

4. CONCLUSION + GENERAL PLAN CONFORMANCE

This rezoning application seeks to encourage future development consistent with the City's 2040 General Plan and City's LDO and PEDS, and includes appropriate mitigation to the RRO properties to the north.

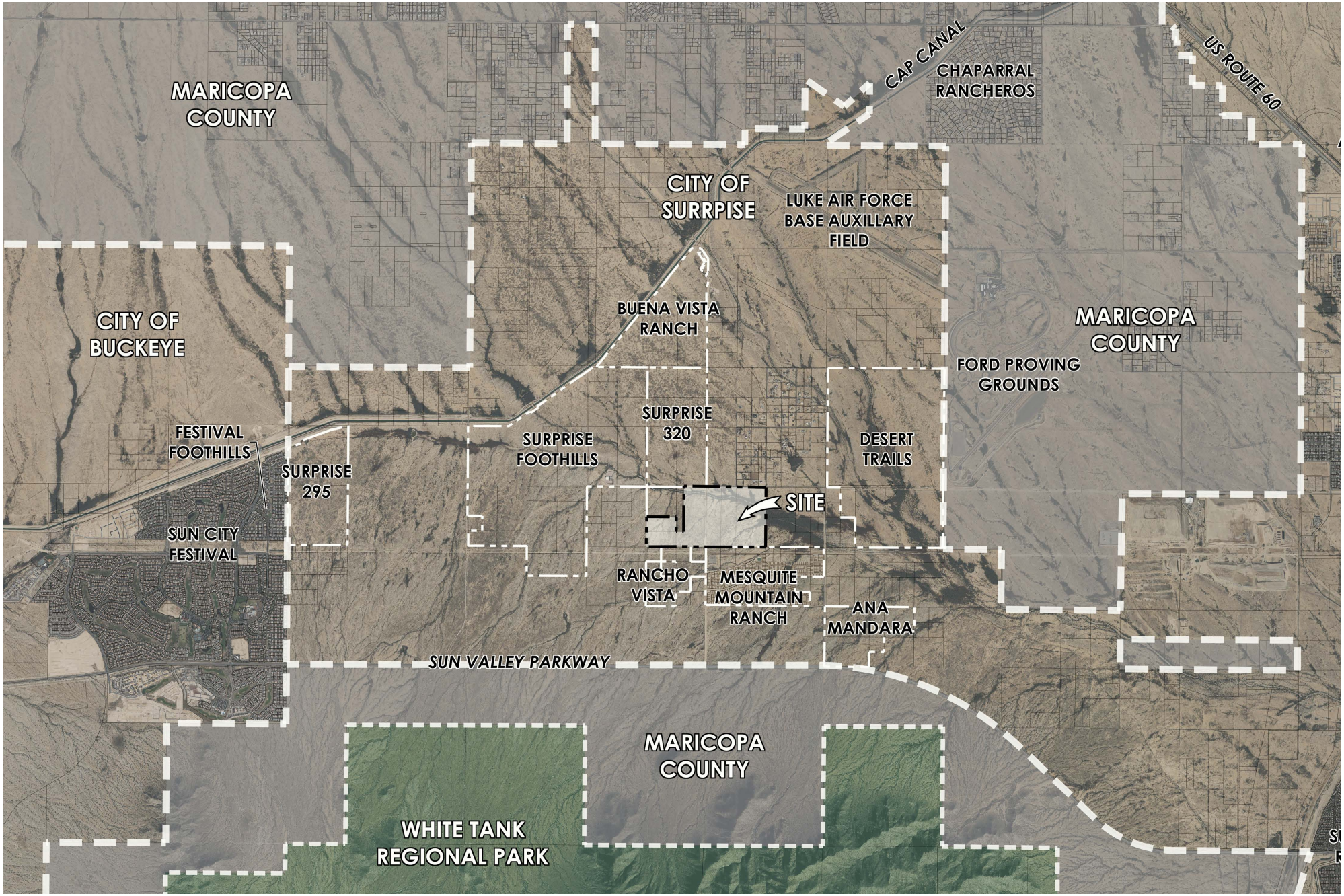
By rezoning to the R-1 District along a portion of Deer Valley Parkway the proposal provides a density transition to the Rural Residential Overlay (RRO) properties located to the north. As discussed in Section 3.4.1 of this document, Deer Valley Parkway is also proposed to shift to the south. This proposed shift greatly acknowledges the RRO properties to the north and will protect the RRO residents from the future noise and views of Deer Valley Parkway. These components of the proposed rezoning support the 2040 General Plan goals to support the continuation of rural communities located in the RRO and maintain the rural lifestyle choice.

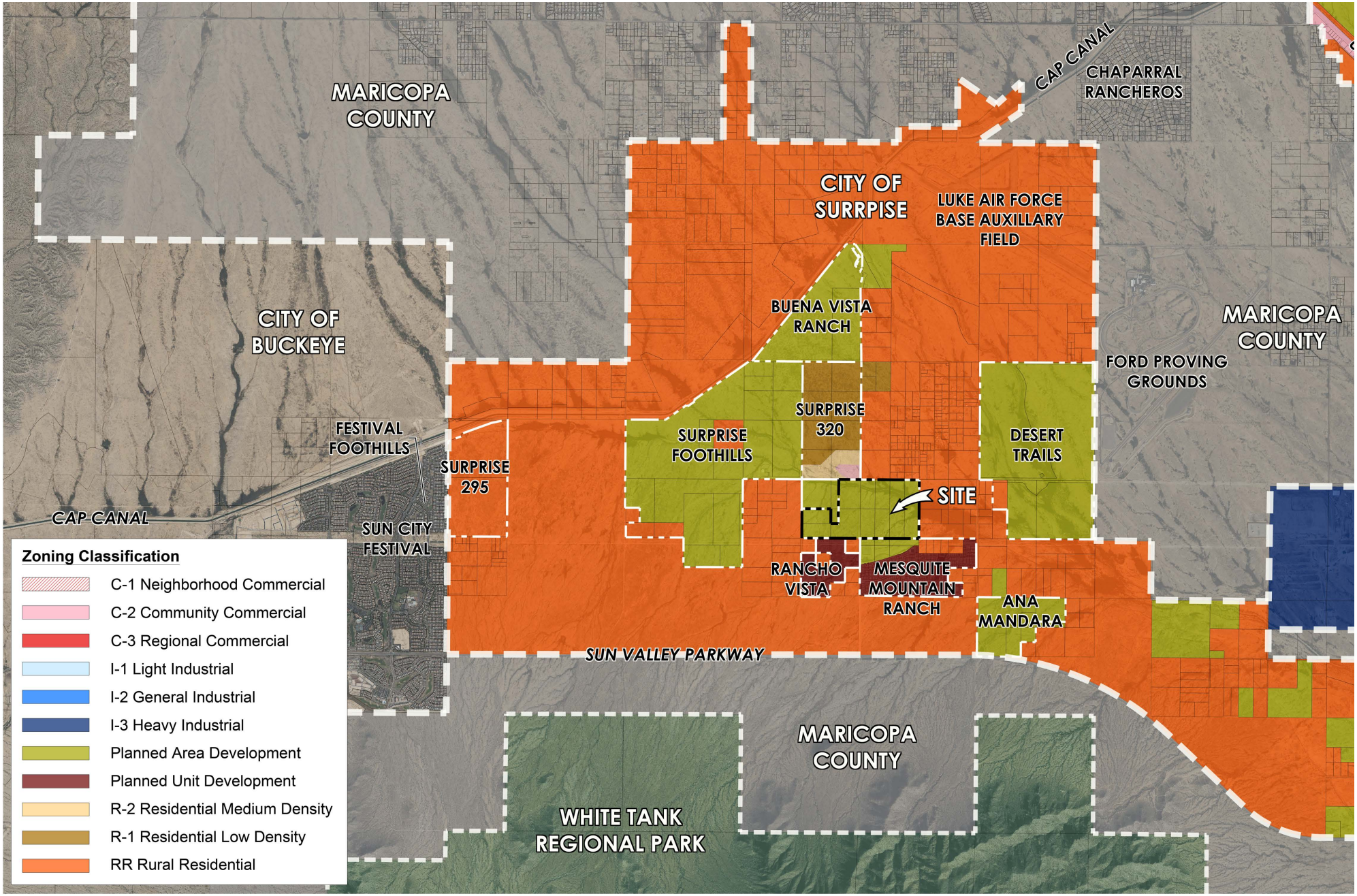
The majority of the Site is proposed to be rezoned to the R-2 District. As guided for by the 2040 General Plan Suburban Neighborhood Character Area, the R-2 District allows for a diverse variety of medium density attached or detached single-family homes that fall within a density range of 2-8 dwelling units per acre, without any increase in unit count or density from what is already approved within the Mesquite Mountain Ranch PAD.

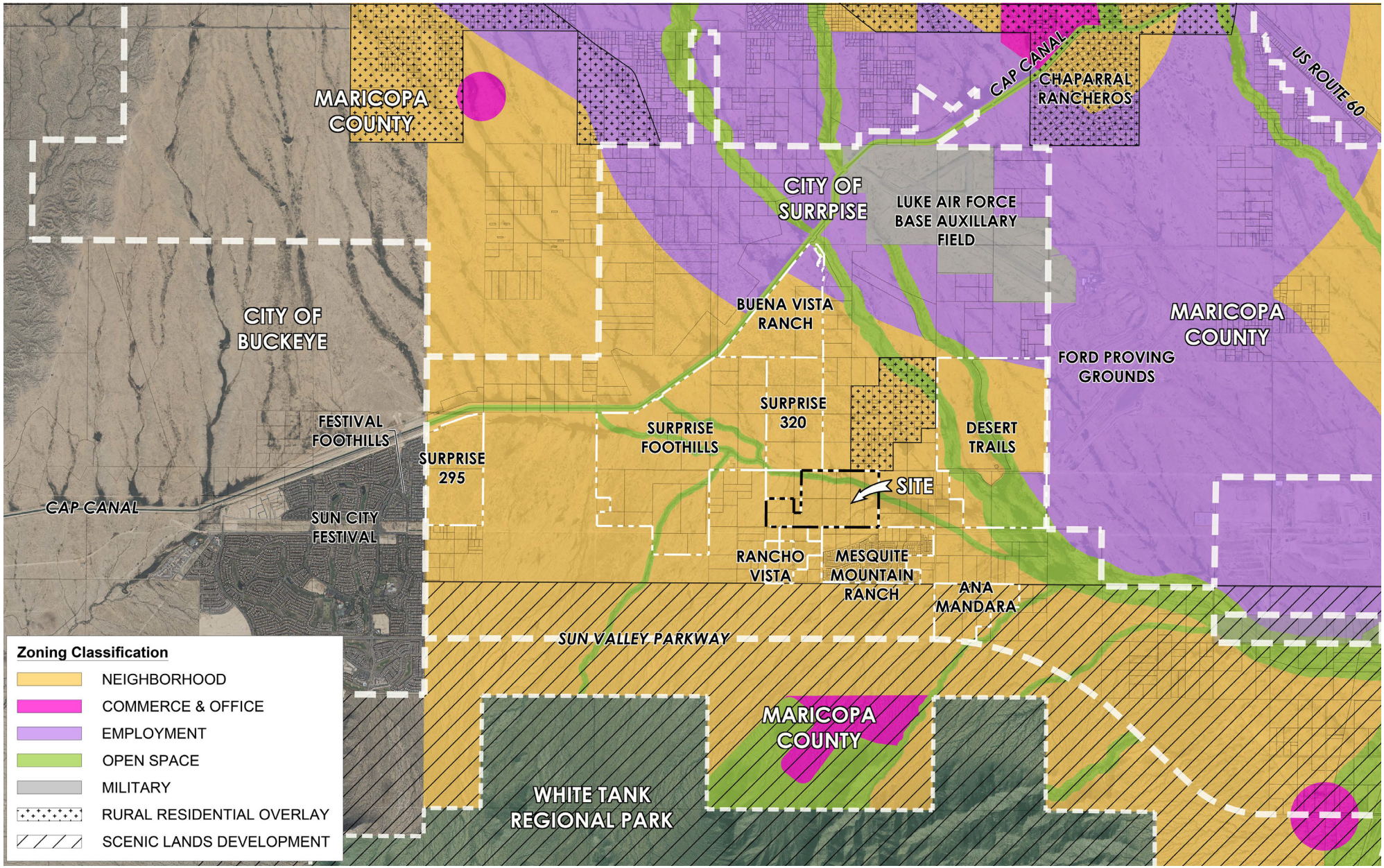
As further called for by the Open Space Character Area of the 2040 General Plan, the 5 West Wash will be protected with hard OS-1 zoning, ensuring it is maintained as permanent open space through zoning regulations. Additional active and passive open spaces will also be provided in accordance with current LDO requirements.

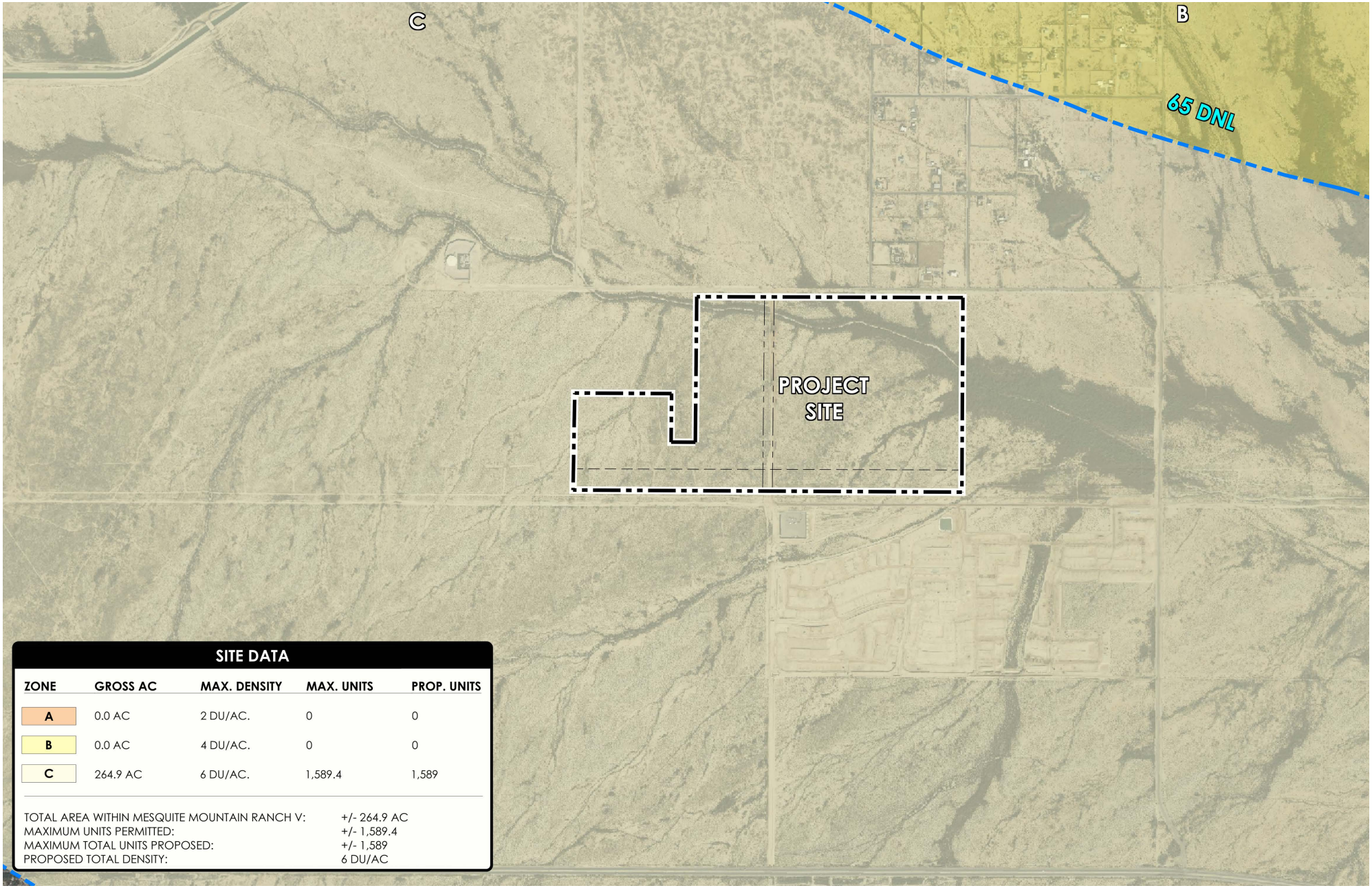
The regional transportation network will be enhanced in this area as the property is developed, ensuring multiple access and connection points for efficient circulation as this area of Surprise continues to develop.

The proposed project evaluated all the existing and proposed conditions of the site and surrounding area to ensure compatibility while establishing an appropriate land use plan to meet the demands of this growing area of Surprise.


MARICOPA COUNTY
CAP CANAL
CHAPARRAL RANCHEROS
US ROUTE 60
CITY OF SURRPISE
LUKE AIR FORCE BASE AUXILLARY FIELD
CITY OF BUCKEYE
BUENA VISTA RANCH
MARICOPA COUNTY
FORD PROVING GROUNDS
FESTIVAL FOOTHILLS
SURPRISE 295
SURPRISE FOOTHILLS
SURPRISE 320
DESERT TRAILS
SITE
SUN CITY FESTIVAL
RANCHO VISTA
MESQUITE MOUNTAIN RANCH
ANA MANDARA
SUN VALLEY PARKWAY
MARICOPA COUNTY
WHITE TANK REGIONAL PARK


MARICOPA COUNTY
CAP CANAL
CHAPARRAL RANCHEROS
CITY OF SURRPISE
LUKE AIR FORCE BASE AUXILLARY FIELD
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SUN CITY FESTIVAL
RANCHO VISTA
MESQUITE MOUNTAIN RANCH
ANA MANDARA
SUN VALLEY PARKWAY
MARICOPA COUNTY
WHITE TANK REGIONAL PARK
Zoning Classification
C-1 Neighborhood Commercial
C-2 Community Commercial
C-3 Regional Commercial
I-1 Light Industrial
I-2 General Industrial
I-3 Heavy Industrial
Planned Area Development
Planned Unit Development
R-2 Residential Medium Density
R-1 Residential Low Density
RR Rural Residential

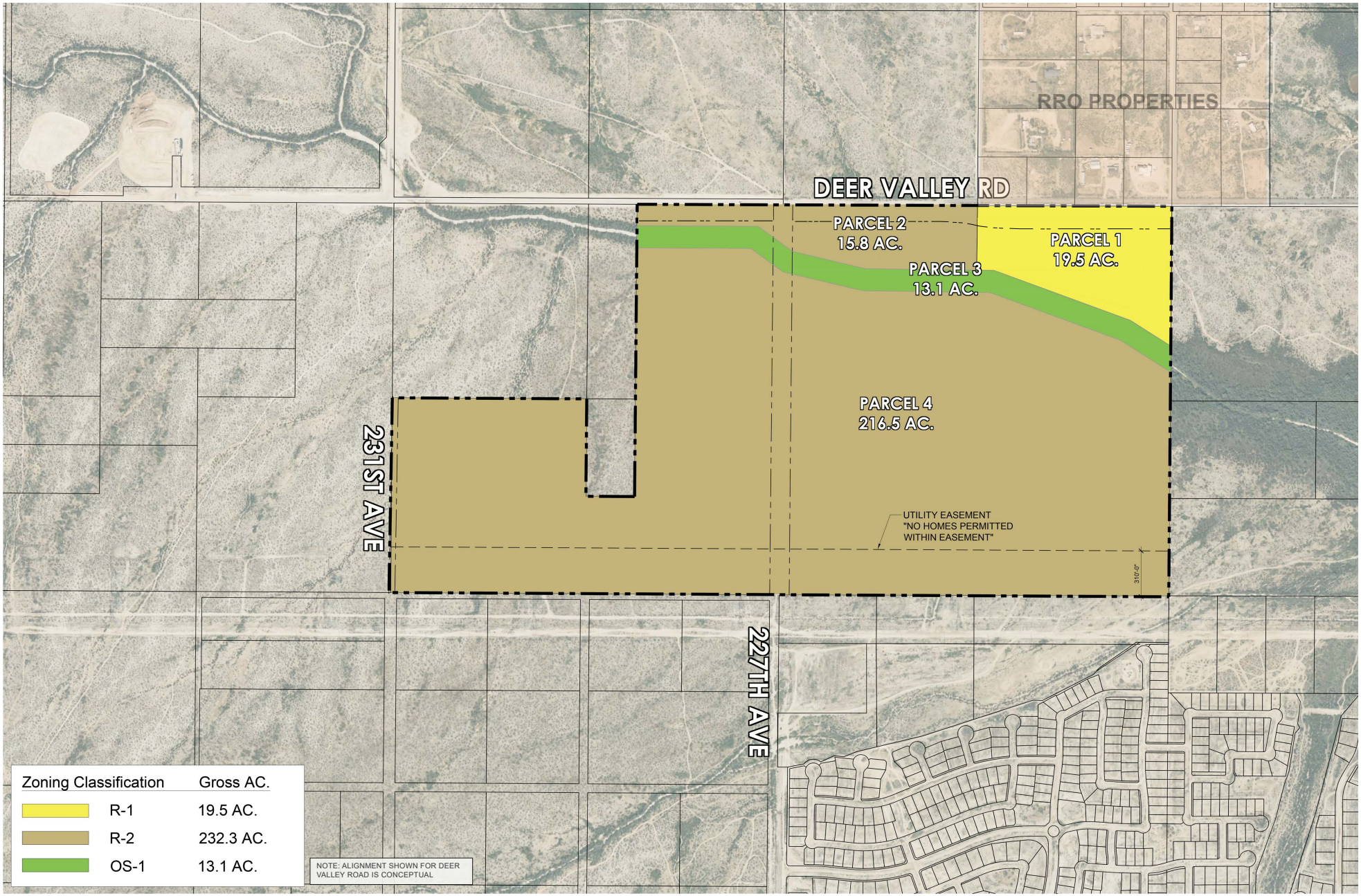

MARICOPA COUNTY
CAP CANAL
CHAPARRAL RANCHEROS
US ROUTE 60
CITY OF SURRPISE
LUKE AIR FORCE BASE AUXILLARY FIELD
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RANCHO VISTA
MESQUITE MOUNTAIN RANCH
ANA MANDARA
SUN VALLEY PARKWAY
MARICOPA COUNTY
WHITE TANK REGIONAL PARK
Zoning Classification
NEIGHBORHOOD
COMMERCE & OFFICE
EMPLOYMENT
OPEN SPACE
MILITARY
RURAL RESIDENTIAL OVERLAY
SCENIC LANDS DEVELOPMENT

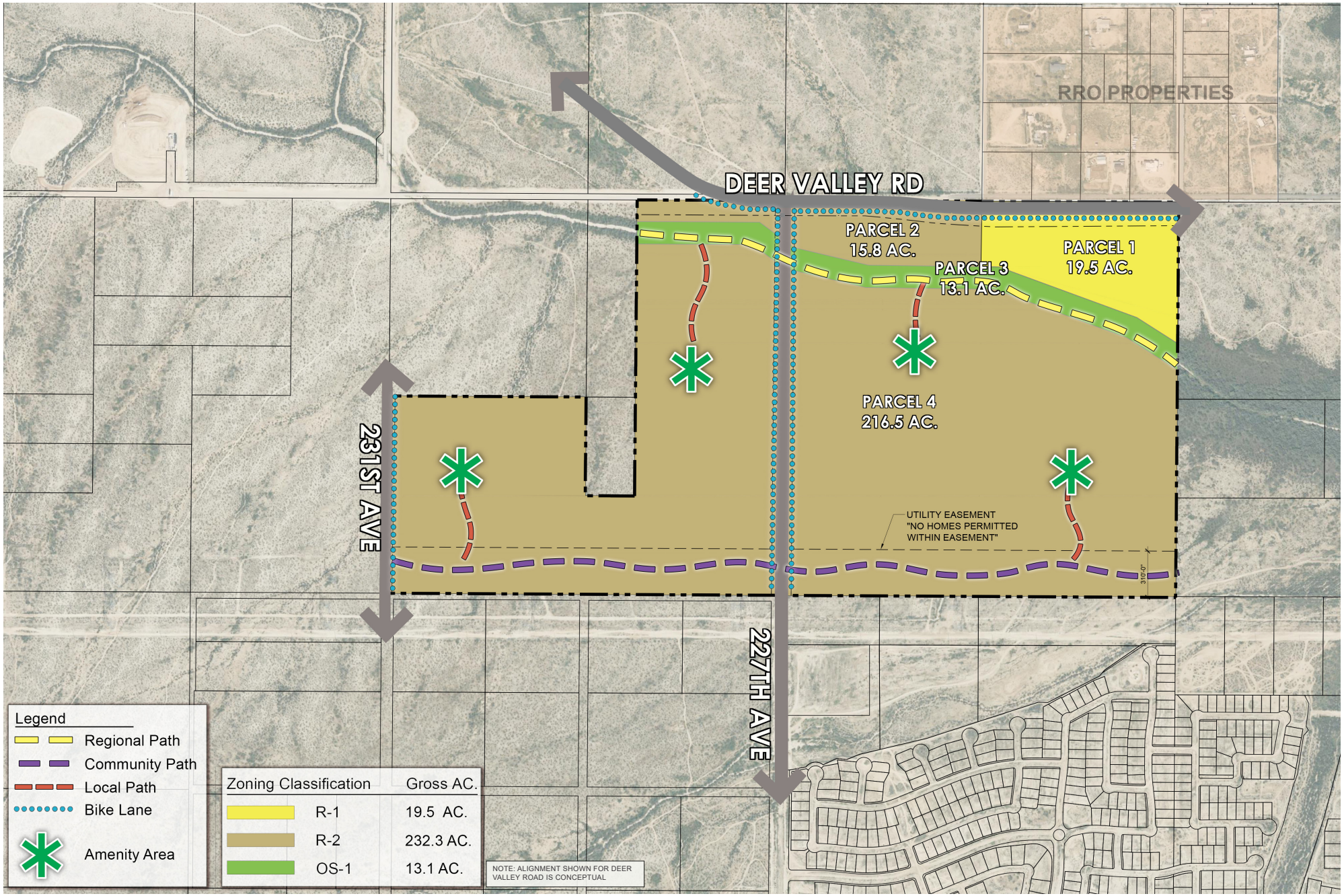


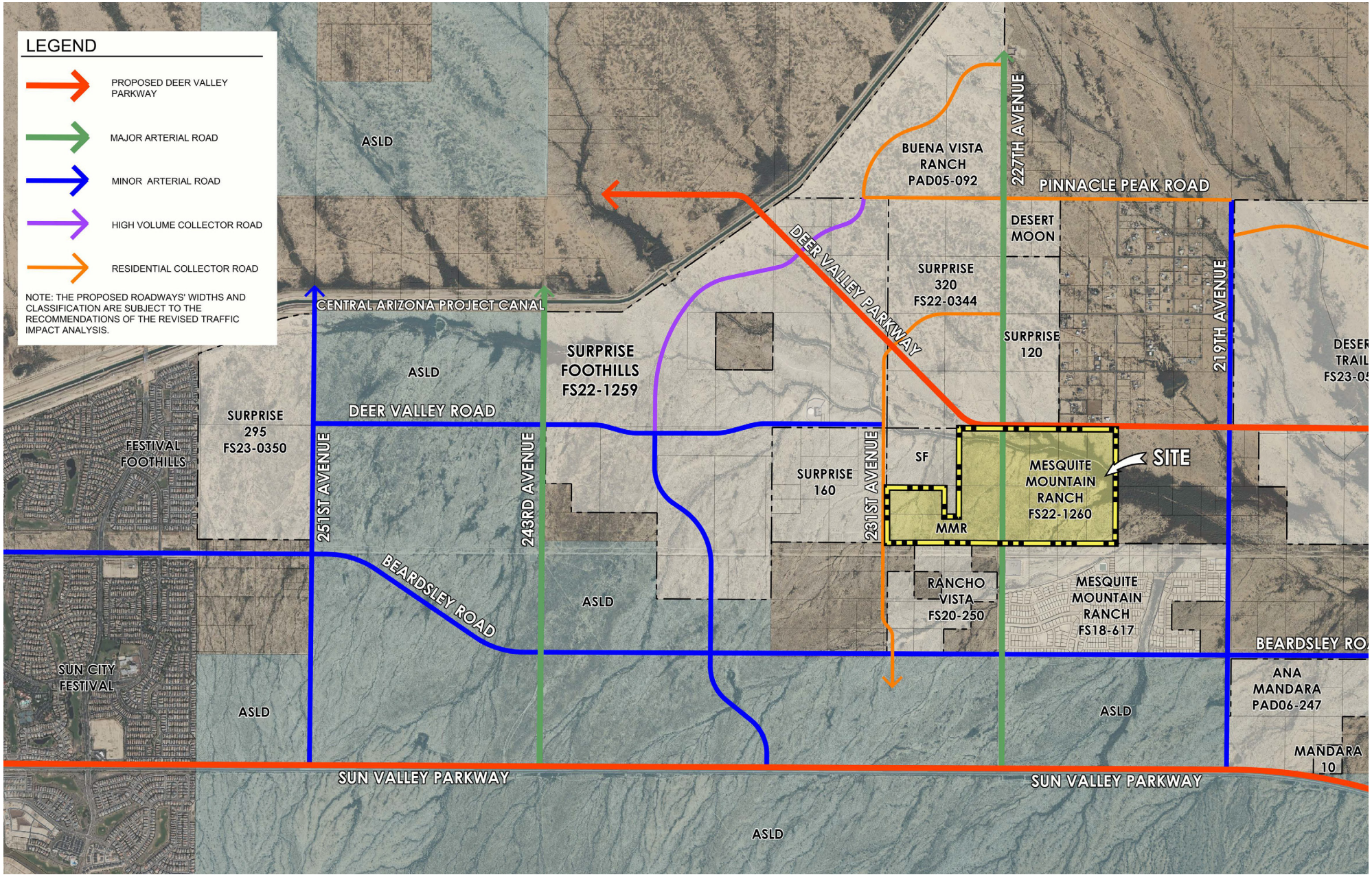
SITE DATA

ZONE	GROSS AC	MAX. DENSITY	MAX. UNITS	PROP. UNITS
A	0.0 AC	2 DU/AC.	0	0
B	0.0 AC	4 DU/AC.	0	0
C	264.9 AC	6 DU/AC.	1,589.4	1,589

TOTAL AREA WITHIN MESQUITE MOUNTAIN RANCH V:	+/- 264.9 AC
MAXIMUM UNITS PERMITTED:	+/- 1,589.4
MAXIMUM TOTAL UNITS PROPOSED:	+/- 1,589
PROPOSED TOTAL DENSITY:	6 DU/AC


RRO PROPERTIES
DEER VALLEY RD
PARCEL 2
15.8 AC.
PARCEL 1
19.5 AC.
PARCEL 3
13.1 AC.
PARCEL 4
216.5 AC.
231ST AVE
227TH AVE
UTILITY EASEMENT
"NO HOMES PERMITTED
WITHIN EASEMENT"
310'-0"
Zoning Classification
Gross AC.
R-1
19.5 AC.
R-2
232.3 AC.
OS-1
13.1 AC.
NOTE: ALIGNMENT SHOWN FOR DEER VALLEY ROAD IS CONCEPTUAL


RRO PROPERTIES
DEER VALLEY RD
PARCEL 2
15.8 AC.
PARCEL 1
19.5 AC.
PARCEL 3
13.1 AC.
PARCEL 4
216.5 AC.
231ST AVE
227TH AVE
UTILITY EASEMENT
"NO HOMES PERMITTED
WITHIN EASEMENT"
Legend
Regional Path
Community Path
Local Path
Bike Lane
Amenity Area
Zoning Classification
Gross AC.
R-1
19.5 AC.
R-2
232.3 AC.
OS-1
13.1 AC.
NOTE: ALIGNMENT SHOWN FOR DEER VALLEY ROAD IS CONCEPTUAL


LEGEND
PROPOSED DEER VALLEY PARKWAY
MAJOR ARTERIAL ROAD
MINOR ARTERIAL ROAD
HIGH VOLUME COLLECTOR ROAD
RESIDENTIAL COLLECTOR ROAD
NOTE: THE PROPOSED ROADWAYS' WIDTHS AND CLASSIFICATION ARE SUBJECT TO THE RECOMMENDATIONS OF THE REVISED TRAFFIC IMPACT ANALYSIS.
ASLD
BUENA VISTA RANCH PAD05-092
227TH AVENUE
PINNACLE PEAK ROAD
DESERT MOON
DEER VALLEY PARKWAY
SURPRISE 320 FS22-0344
SURPRISE 120
219TH AVENUE
CENTRAL ARIZONA PROJECT CANAL
SURPRISE FOOTHILLS FS22-1259
DEER VALLEY ROAD
SURPRISE 295 FS23-0350
FESTIVAL FOOTHILLS
251ST AVENUE
243RD AVENUE
SURPRISE 160
231ST AVENUE
SF
MESQUITE MOUNTAIN RANCH FS22-1260
SITE
MMR
BEARDSLEY ROAD
RANCHO VISTA FS20-250
MESQUITE MOUNTAIN RANCH FS18-617
SUN CITY FESTIVAL
ANA MANDARA PAD06-247
MANDARA 10
SUN VALLEY PARKWAY
SUN VALLEY PARKWAY

Wickenburg Unified School District
101 East Coconino Street
Wickenburg, AZ 85390
Phone: (928) 668-5350 FAX: (928) 668-5348
www.wickenburgschools.org

January 25, 2024

Mark Reddie
RVi Planning + Landscape Architecture
4900 North Scottsdale Road, Suite 1200
Scottsdale, AZ 85251

Dear Mr. Reddie,

This letter is to confirm that the Wickenburg Unified School District has reviewed and supports the updated Surprise Foothills Planned Area Development proposal.

The plan includes two (2) elementary school sites with one in Phase I of the project and the second to be included in a later phase. The first school site is adequate in size and location. The updated PAD provides the opportunity for the developer to work with the Wickenburg Unified School District on the location of the second school

Thank you for the opportunity to provide input into the preliminary plan, including the location of the school sites. We strongly believe that the best way to plan for future schools is to work closely with the developers in the beginning stages of the project, which you have allowed.

We wish you the best in this project and look forward to working with you.

Best Regards,

Barbara J. Remondini

Barbara J. Remondini, Ph.D.
Superintendent

Every Child has Hope, Every Student is a Graduate, Every Graduate has a Dream

Wickenburg Unified School District
101 East Coconino Street
Wickenburg, AZ 85390
Phone: (928) 668-5350 FAX: (928) 668-5348
www.wickenburgschools.org

September 4, 2024

Mark Reddie
RVi Planning + Landscape Architecture
4900 North Scottsdale Road, Suite 1200
Scottsdale, AZ 85251

Dear Mr. Reddie,

This letter is to confirm that the Wickenburg Unified School District has reviewed and supports the updated Mesquite Mountain Ranch Planned Area Development proposal.

The plan includes the removal of the previously designated elementary school site. Working with the developer of both Mesquite Mountain Ranch and the adjacent Surprise Foothills development, an additional school site has been identified and agreed upon to be placed in Surprise Foothills. With the additional school site in Surprise Foothills, the needs of future students in the general area will be met.

Thank you for the opportunity to provide input into the preliminary plan, including the relocation of the school site. We strongly believe that the best way to plan for future schools is to work closely with the developers in the beginning stages of the project, which you have allowed.

We wish you the best in this project and look forward to working with you.

Best Regards,

Barbara J. Remondini

Barbara J. Remondini, Ph.D.
Superintendent

Every Child has Hope, Every Student is a Graduate, Every Graduate has a Dream

CITIZEN PARTICIPATION REPORT

Mesquite Mountain Ranch V

Surprise, AZ
10/22/2024
FS24-0765

Introduction

Every development application in the City of Surprise that requires a public hearing shall be accompanied by a Citizen Participation Report designed to detail the results of their citizen participation effort prior to the notice of public hearing. The following sections document the neighborhood meeting that was held for Rezoning Case #FS24-0765 - Mesquite Mountain Ranch V, the related notification efforts, the information provided by the applicant, and the input received from the residents.

FS24-0765 is a proposed rezoning from the existing PAD District to R-1, R-2 and OS-1.

Public Outreach & Notification

An in-person neighborhood meeting was held on October 16, 2024. Notices were mailed to residents and neighborhood associations fifteen (15) days prior to the meeting by the City of Surprise using a mailing list generated by the City of Surprise for the following date and location.

October 16, 2024 Meeting

6:00 PM
Willow Canyon Highschool Cafeteria
17901 Lundberg Street
Surprise, AZ 85387

Two notification signs were posted as required by the City of Surprise, one along Deer Valley Road and another along 227th Avenue, adjacent to the Site. See *Exhibit A: Sign Locations* and *Exhibit B: Sign Posting Affidavit and Images*

Summary of January 18th In-Person Neighborhood Meeting

The in-person neighborhood meeting was held at Willow Canyon High School. At approximately 5:45 residents started to arrive to the meeting. The applicant started the presentation at 6:04 PM and concluded at approximately 6:40 PM. Five residents attended the meeting, two individuals from RVi Planning + Landscape Architecture with the applicant team, and three representatives from the City of Surprise Planning Department, but not everyone chose to sign in, see *Exhibit C: October 16th, 2024 In-Person Meeting Sign-In Sheet (Redacted).* The applicant team received input from one resident via email about the proposed rezoning; see *Exhibit D: Correspondence.*

Mark Reddie with the applicant team introduced and walked through the specifics of the project using printed 24”x 36” color exhibits. Upon conclusion of the formal presentation, the applicant answered questions from the attendees.

The applicant summarized the proposal and included the main talking points:

- Requesting to rezone from PAD to Zoning Districts established by the LDO to follow current development standards and achieve the same number of units, approx. 735 units.
- R-1 is proposed adjacent to RR Overlay properties. R-1 is the least dense residential district.

- City recommends one zoning district increase adjacent to RR, so remainder of site is proposed to be R-2 and OS-1. The OS-1 District will cover the wash areas.
- Current lotting drafts are producing approx. 720 units.
- A new Comprehensive Plan was recently adopted. Site is adjacent to RR Overlay to the north.
- To respect the RRO properties to the north of the site, this project proposes to realign Deer Valley Road by shifting the ROW south by 42' so it has no impact on the RRO properties. The current road used by the RRO properties is 26' north of the section line, so the remaining 110' of require ROW (136' total) will be dedicated south of the section line. To the west and east of the RRO properties, the ROW will realign with the section line.
- Primary access to the Site will be from 227th Avenue. Second point of access is required by City. The location will either be Deer Valley to 219th or 231st to Deer Valley Road down to Surprise Foothills. The second access point location is still to be determined.
- There are 3 Fire stations are planned around the site, in Desert Trails, Surprise Foothills, and Ana Mandara.
- It is anticipated that the Council hearing may be in December.

After the presentation, the applicant responded to questions and comments from the attendees. Below is a summary of the questions asked by residents in bold followed by the response provided by the applicant:

1. **What is happening to Deer Valley Road?**
   Applicant: Deer Valley Road will be shifting to the south away from the RRO properties. They City requires 136' of ROW for Deer Valley Road. The ROW will extend 110- feet to the south of the section line and it is anticipated that the northern ROW line will remain at the northern edge of the existing +/- 26-foot-wide roadway.

   Typically, the City will center the ROW on the section line which would result in 68' of ROW being needed from the north side of the section line. The proposed shift of Deer Valley Road reduces the amount of ROW needed north of the section line by 42'.

2. **How many lanes will Deer Valley be?**
   The City of Surprise long range plans identify it as a Major Arterial, so it will eventually be 6 lanes, but we don't anticipate all 6 lanes being required at the development of this project. We anticipate about three lanes being required initially, one in each direction and one center turn lane.

3. **How will it be accessed?**
   The City requires two points of access. Primary access to the Site will be from 227th Avenue. Second point of access is required by City. The location will either be Deer Valley to 219th or 231st to Deer Valley Road down to Surprise Foothills. The second access point location is still to be determined.

4. **Resident Comment: We prefer not to dump traffic to Deer Valley.**

5. **Resident Comment: Thank you for the deviation to Deer Valley Road and listing to us in the Rural Area.**

6. **Why isn't Sun Valley Parkway 6 lanes and Deer Valley 4 lanes?**
   Response from Planning Director: The long term plan is for Sun Valley Parkway to be 8 lanes.

7. **What will block noise of cars to the RRO properties when Deer Valley is 6 lanes?**
   Response from Planning Director: Walls and landscaping adjacent to public roadways are the responsibility of the property owner adjacent to the ROW. Screen walls and landscaping can be provided if the RRO properties redevelop or request to add walls and/or landscaping to their property north of the ROW.

8. **A wall on the north side of the road?**
   Response from Planning Director: There may potentially not be a wall since the properties to the north are already developed, unless the northern properties opted to build a wall themselves.

9. **When Deer Valley grows to 6 lanes, where is the extra land coming from?**
   That will all fit within the 136' wide ROW, we have to dedicate land now for the full build out. The 6-lane road is a long way out.
   Planning Direct Added: Deer Valley will only expand to 6-lanes if development and trip generation calls for it to happen.

10. **How many units per acres is R-1?**
    The LDO doesn't measure by density it measures by lot sizes, its approx. 3-3.5 units per acre.

11. **What is R-2 density?**
    R-2 can reach about 4 + units per acre. Builders like a variety of lot sizes to attract different markets, so the density varies.

12. **The power line is in an easement?**
    Yes, they are in an easement, there won't be any homes built in that area.

13. **Where will they get water from?**
    The site is part of the Surprise Foothills water campus, and water has already been allocated for these units.

14. **Sewer capacity?**
    The sewer capacity is available; the applicant is working through purchasing the capacity.

15. **Are there plans to make the RRO properties attach to City water and sewer?**
    Planning Director Response: no, there are no plans.

16. **Is there a distance before 219th Avenue that the Deer Valley will need to be straight?**
    Planning Director Response: Yes, but we don't know that length off hand.
    Applicant Response: It may be about 300 feet prior to 219th Avenue.

17. **How do we find out exactly what the alignment will be?**
    It will be designed at the time of pre-plat. The city is requiring zoning approvals to execute development agreements. After zoning is pretty much ready to go, we will begin negotiating with the City through a development agreement regarding secondary access and ROW improvements. Once we get to platting, we would have to design the alignment. It won't take property from you, it won't be moving in your direction.

18. **What about the properties to the east?**
    Lloyd: If the neighboring east property wants to develop, the City will ask for the same ROW.
    Mark: If we want to develop our site and our second point of access is to the east, we may need to acquire some land from the neighboring properties to the east for the partial street ROW.

Exhibit A: Sign Locations

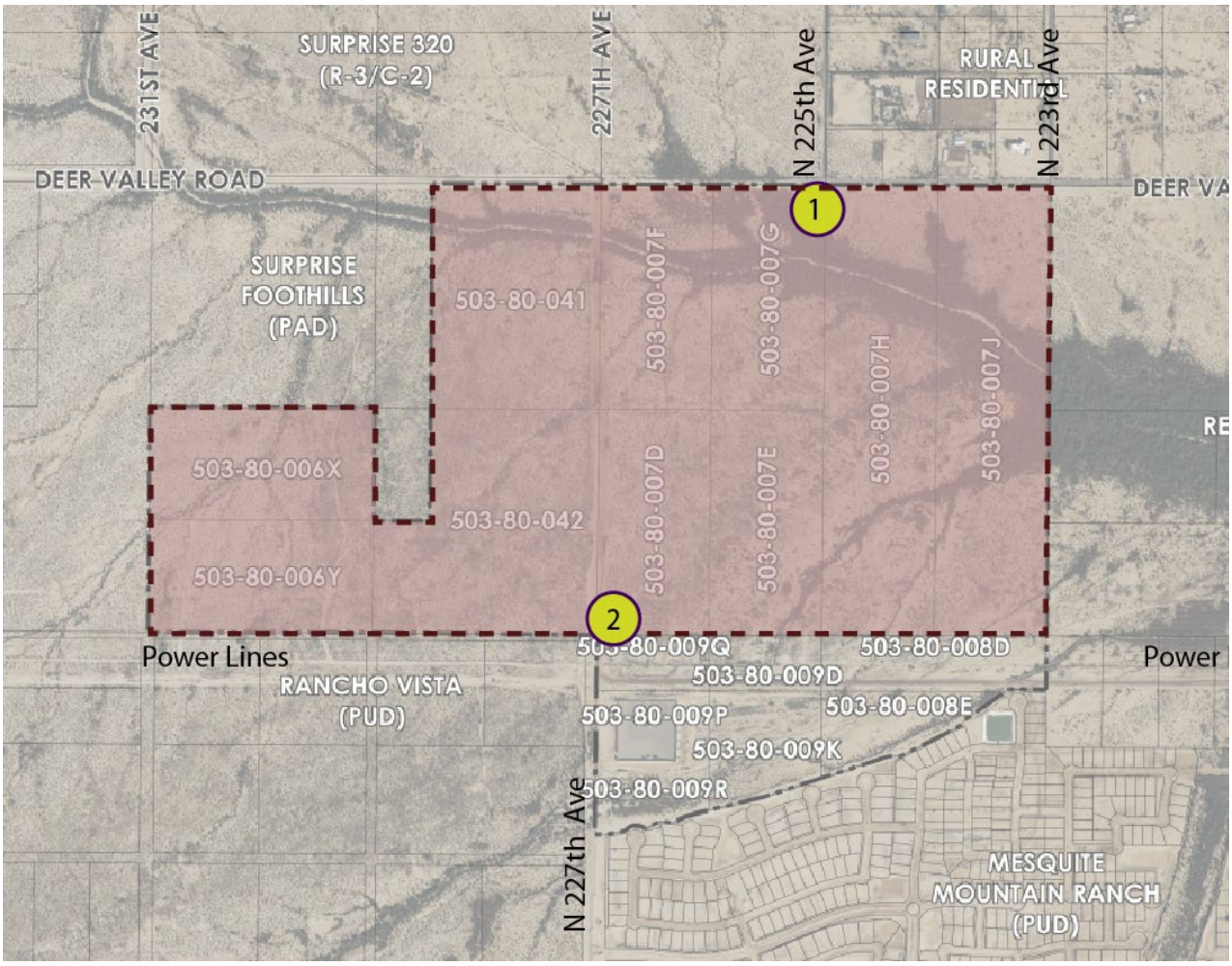


Exhibit B:
Sign-Posting Affidavit and Images

CITY OF SURPRISE
Site posting Process

AFFIDAVIT OF POSTING

Application No: FS24-0765

Applicant Name: RVi

Location: SWC 225th Ave and Deer Valley Pkwy

Date Site Posted: 09/30/24

In order to assist in providing adequate notice to interested parties, the applicant for any *type of public hearing* in the City of Surprise shall erect two (2) signs giving notice of the *date, time and place* of the scheduled hearings. These signs must be erected not less than **fifteen (15) days prior to** the date of the first hearing. The signs shall also include the nature of the request as contained on the formal zoning application. The size and format of this sign shall meet requirements established by the Planning and Zoning Department (see page 2).

Such notice shall be clearly legible and placed at a prominent location on the site – Generally adjacent and perpendicular to the public right-of-way. It shall be the *responsibility of the applicant* to erect and to maintain the sign on the subject property and to maintain the hearing information on the sign until final disposition of the case.

It shall also be the *responsibility of the applicant* to remove the signs within one week after the final disposition of the case.

I confirm that the site has been posted as required above, for the case noted above. A picture of the site posting, and photos of any subsequent changes/updates made to the sign, have also been submitted.

Meghan Liggett
Applicant/Representative Signature

9/30/24
Date

This instrument was acknowledged before me on 09/30/24, by Meghan Liggett. I witness whereof I hereunto set my hand and official seal.

MARYBETH CONARD
Notary Public - Arizona
Maricopa County
Commission # 591461
My Comm. Expires Oct 25, 2024

Notary Public

10-25-24
My commission expires

*Return completed and notarized **affidavit** and all relevant **photos** to the Planning and Zoning Department at least fifteen (15) days **prior to** the scheduled meeting(s).*


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: October 16, 2024
Time: 6:00 P.M.
Location: Willow Canyon High School Cafeteria
17901 W. Lundberg St.
Surprise, AZ 85388
Planning & Zoning
Date: TBD
Time: 6:00 P.M.
Location: Council Chambers
16000 Civic Center Plaza
Surprise, AZ 85374
City Council
Date: TBD
Time: 6:00 P.M.
Location: Council Chambers
16000 Civic Center Plaza
Surprise, AZ 85374
Surprise Case #: FS24-0765
Rezoning from the Mesquite Mountain Ranch PAD to R-1, R-2, and OS-1.
The proposed rezoning updates the land use plan and roadway network, and updates development standards to reflects the applicable development standards of the City of Surprise Land Development Ordinance.
For More Info: 623-222-3011
www.surpriseaz.gov
September 30, 2024 at 11:08 AM
+33.682402,-112.543293
W Deer Valley Rd
Surprise AZ 85387
United States
Maps


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City of Surprise
Neighborhood Meeting
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For More Info: 623-222-3011
www.surpriseaz.gov
September 30, 2024 at 11:01 AM
+33.675313,-112.547495
Surprise AZ 85387
United States
Maps


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: October 16, 2024
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Date: TBD
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Location: Council Chambers 16000 Civic Center Plaza Surprise, AZ 85374
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For More Info: 623-222-3011
www.surpriseaz.gov
Maps
September 30, 2024 at 11:02 AM
+33.675313,-112.547495
Surprise AZ 85387
United States

Exhibit C:
October 16th 2024 Neighborhood Meeting Sign-In Sheet (Redacted)

Neighborhood Meeting Sign-in Sheet

NAME	ADDRESS	PHONE	EMAIL
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Exhibit D: Correspondence

From: Lisa [redacted]
Sent: Monday, October 14, 2024 8:21 AM
To: Mark Reddie <mreddie@rviplanning.com>
Subject: Re: Request for Consideration Regarding Access and Transfer of Development Rights

Good Morning Mark,

Thank you for replying and forwarding my email. I look forward to hearing from you. I appreciate your help and time.

Have a blessed week

Here to serve,
Lisa Padilla
[redacted]

In God's hands and only His plans
Lisa Padilla

"We have to look with the heart. What's most important is invisible"

On Mon, Oct 14, 2024 at 7:57 AM Mark Reddie <mreddie@rviplanning.com> wrote:

> Good morning Lisa, thanks for your e-mail. We are processing a zoning amendment to the current PAD zoning, but we do not have any pending development plans for the east half of the property yet (the portion adjacent to your property). At this time, we are only planning to amend the zoning for the area that is already zoned as part of Mesquite Mountain Ranch.
>
> I will forward your e-mail to my client to discuss further, and will follow up once I hear back from them. Thanks and I will be in touch.
>
> **Mark Reddie**
> Managing Principal / Vice President
>
> **RVi Planning + Landscape Architecture**
> 4900 North Scottsdale Road, Suite 1200 • Scottsdale, AZ 85251
> 602.292.1685 Mobile • 480.586.2349 Direct • 480.994.0994 Main
> www.rviplanning.com
>
> ---
>
> **From:** Lisa [redacted]
> **Sent:** Thursday, October 10, 2024 12:08 PM
> **To:** Mark Reddie <mreddie@rviplanning.com>
> **Subject:** Request for Consideration Regarding Access and Transfer of Development Rights
>
> Hi Mark,
>
> I hope this message finds you well. I understand that you are in the planning stages of the Mesquite Mountain Ranch project (Case #FS24-0765), which is adjacent to my property, Lot #503-80-010-Z, and currently landlocked. I would appreciate it if you could ensure that access to my property is not blocked where our lands border, as it is the only feasible exit point from my land.
>
> Additionally, I would like to explore the possibility of a transfer of development rights (TDR) concerning 3 to 5 acres of my land, which include the wash. This idea was suggested to me by Robert Kuhfuss from the City of Surprise. I believe this could be mutually beneficial, and I am open to further discussions if it aligns with your development plans.
>
> Thank you for your consideration, and I look forward to discussing these points further.
>
> Best regards,
>
> Lisa Padilla

CITY OF SURPRISE
Site posting Process

AFFIDAVIT OF POSTING

Application No: FS24-0765

Applicant Name: RVi

Location: SWC 225th Ave and Deer Valley Pkwy

Date Site Posted: 02/10/26

In order to assist in providing adequate notice to interested parties, the applicant for any *type of public hearing* in the City of Surprise shall erect two (2) signs giving notice of the *date, time and place* of the scheduled hearings. These signs must be erected not less than **fifteen (15) days prior to** the date of the first hearing. The signs shall also include the nature of the request as contained on the formal zoning application. The size and format of this sign shall meet requirements established by the Planning and Zoning Department (see page 2).

Such notice shall be clearly legible and placed at a prominent location on the site – Generally adjacent and perpendicular to the public right-of-way. It shall be the *responsibility of the applicant* to erect and to maintain the sign on the subject property and to maintain the hearing information on the sign until final disposition of the case.

It shall also be the *responsibility of the applicant* to remove the signs within one week after the final disposition of the case.

I confirm that the site has been posted as required above, for the case noted above. A picture of the site posting, and photos of any subsequent changes/updates made to the sign, have also been submitted.

Meghan Liggett — February 10, 2026
Applicant/Representative Signature — Date

This instrument was acknowledged before me on 02/10/26, by Meghan Liggett. I witness whereof I hereunto set my hand and official seal.

MARYBETH CONRAD
Notary Public - Arizona
Maricopa County
Commission # 671441
My Comm. Expires Oct 25, 2028

Marybeth Conrad
Notary Public

10-25-28
My commission expires

*Return completed and notarized **affidavit** and all relevant **photo**s to the Planning and Zoning Department at least fifteen (15) days **prior to** the scheduled meeting(s).*


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: October 16, 2024
Time: 6:00 P.M.
Location: Willow Canyon High School Cafeteria
17901 W. Lundberg St.
Surprise, AZ 85388
Planning & Zoning
Date: February 5, 2026
Time: 6:00 P.M.
Location: Council Chambers
16000 Civic Center Plaza
Surprise, AZ 85374
City Council
Date: March 3, 2026
Time: 5:00 P.M.
Location: Council Chambers
16000 Civic Center Plaza
Surprise, AZ 85374
Surprise Case #: FS24-0765
Rezoning from the Mesquite Mountain Ranch PAD to R-1, R-2, and OS-1.
The proposed rezoning updates the land use plan and roadway network, and updates development standards to reflects the applicable development standards of the City of Surprise Land Development Ordinance.
For More Info: 623-222-3011
www.surpriseaz.gov
Maps
February 10, 2026 at 10:07 AM
+33.682332, -112.543241
22301–22499 W Deer Valley Rd
Surprise AZ 85387


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: October 16, 2024
Time: 6:00 P.M.
Location: Willow Canyon High School Cafeteria
17901 W. Lundberg St.
Surprise, AZ 85388
Planning & Zoning
Date: February 5, 2026
Time: 6:00 P.M.
Location: Council Chambers
16000 Civic Center Plaza
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The proposed rezoning updates the land use plan and roadway network, and updates development standards to reflects the applicable development standards of the City of Surprise Land Development Ordinance.
For More Info: 623-222-3011
www.surpriseaz.gov
February 10, 2026 at 10:05 AM
+33.682343,-112.543267
W Deer Valley Rd
Surprise AZ 85387
Maps


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: October 16, 2024
Time: 6:00 P.M.
Location: Willow Canyon High School Cafeteria
17901 W. Lundberg St.
Surprise, AZ 85388
Planning & Zoning
Date: February 5, 2026
Time: 6:00 P.M.
Location: Council Chambers
16000 Civic Center Plaza
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City Council
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Surprise Case #: FS24-0765
Rezoning from the Mesquite Mountain Ranch PAD to R-1, R-2, and OS-1.
The proposed rezoning updates the land use plan and roadway network, and updates development standards to reflects the applicable development standards of the City of Surprise Land Development Ordinance.
For More Info: 623-222-3011
www.surpriseaz.gov
February 10, 2026 at 10:01 AM
+33.675332,-112.547457
Surprise AZ 85387


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: October 16, 2024
Time: 6:00 P.M.
Location: Willow Canyon High School Cafeteria
17901 W. Lundberg St.
Surprise, AZ 85388
Planning & Zoning
Date: February 5, 2026
Time: 6:00 P.M.
Location: Council Chambers
16000 Civic Center Plaza
Surprise, AZ 85374
City Council
Date: March 3, 2026
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Location: Council Chambers
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Surprise Case #: FS24-0765
Rezoning from the Mesquite Mountain Ranch PAD to R-1, R-2, and OS-1.
The proposed rezoning updates the land use plan and roadway network, and updates development standards to reflects the applicable development standards of the City of Surprise Land Development Ordinance.
For More Info: 623-222-3011
www.surpriseaz.gov
Maps
February 10, 2026 at 10:00 AM
+33.675332, -112.547457
Surprise AZ 85387

Tanner Wessel

From: JAMES, MARK C CIV USAF AETC 56 FW/CVE <mark.james.14@us.af.mil>
Sent: Monday, November 11, 2024 3:02 PM
To: Alyssa Lester
Cc: 56 FW/CIT Community Initiative; BINKLEY, ERIC S CIV USAF AETC 56 FW/CVE
Subject: RE: FS24-0765 Mesquite Mountain Ranch V

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

Good Day Ms. Lester,

Thank you for the opportunity to provide comments on the Mesquite Mountain Ranch V Rezone. The site is approximately 264-acres and is comprised of multiple parcels under multiple ownerships. The overall site is located generally south of Deer Valley Road and east of 231st Avenue in Surprise, AZ. The site is approximately 1.5-3.0 miles outside the Luke AFB Aux-1 2004 65 Ldn, "high noise or accident potential zone" as identified by A.R.S. § 28-8461 and is outside the "territory in the vicinity of a military airport" also defined by A.R.S. § 28-8461.

In an effort to promote a more compatible co-existence, Luke AFB follows the guidelines in the Graduated Density Concept (GDC). The GDC proposes, in the absence of a more restrictive state, county or municipal general or comprehensive plan, graduating densities away from the 65 Ldn as follows: a maximum of 2 du/ac from the 65 Ldn to 1/2 mile, a maximum of 4 du/ac from 1/2 to 1 mile, and a maximum of 6 du/ac from 1 to 3 miles. The proposal for the property as stated in the narrative, consisting of a maximum of 1,589 units meets the GDC and the overall PAD will not exceed 6 du/ac.

The project, as described, *will not have a negative impact on Luke AFB flight operations*. Although the site will be located outside the "territory in the vicinity of a military airport," it may be subjected to approximately 170 over flights per day based on the proximity to Aux-1. We also recommend a strong notification program on the part of the applicant to inform any potential residents about Luke AFB operations.

Respectfully,

Mark James
Interim Director
56 FW Community Initiatives Team
Luke AFB, Arizona
623-856-6175

From: Alyssa Lester <Alyssa.Lester@Surpriseaz.gov>
Sent: Wednesday, October 30, 2024 2:02 PM
To: 56 FW/CIT Community Initiative <56FW.CIT.CommunityInitiative@us.af.mil>; Aspasia Angelou (Nadaburg School District) <aangelou@nadaburgsd.org>; Barbara J Remondini, Ph.D. (Wickenburg School District) <bremondini@wusd9.org>; Bryce Christo (bchristo@cityofelmirage.org) <bchristo@cityofelmirage.org>; Chris Cain (Maricopa Water District) <chrisc@mwdaz.com>; Darren V Gerard (Maricopa County Planning) <Darren.Gerard@maricopa.gov>; Debbie Trasancos (Maricopa Water District) <debbiet@mwdaz.com>; Douglas Kirkland (Epcor) <dkirkland@epcor.com>; Ernest (USPS) <Ernest.L.James@usps.gov>; Eva Pierce <eva.pierce@dysart.org>; Fahmida Maula <Fahmida.Maula@Maricopa.gov>; Jerome Choy (ADOT) <jchoy@azdot.gov>; John Willett (City of Buckeye) <jwillett@buckeyeaz.gov>; Jorge Gastelum (City of El Mirage) <jgastelum@cityofelmirage.org>; Judy Lopez -

Beardsley Water Company <managefnm365@aol.com>; Kaitlin Mckibben (FCD) <kaitlin.mckibben@maricopa.gov>; Kevin Shipman <kevin.shipman@dysart.org>; klaabs@nadaburgsd.org; Leslie - MWD <lesliej@mwdaz.com>; JAMES, MARK C CIV USAF AETC 56 FW/CVE <mark.james.14@us.af.mil>; Mary Orta - Surprise Chamber <mary.orta@surpriseregionalchamber.com>; MCDOT (MCDOTPlanning@maricopa.gov) <MCDOTPlanning@maricopa.gov>; Michael Norris <Michael.Norris@Maricopa.Gov>; Raoul Sada - Surprise Chamber <raoul@surpriseregionalchamber.com>; Rovell Foggy (Liberty Utilities) <Rovell.Foggy@libertyutilities.com>; Shelby Rios (MWD) <shelbyr@mwdaz.com>; Tasha Aldeguer (FCD) <tasha.aldeguer@maricopa.gov>; tfarrington@nadaburgsd.org; Victor.Schaum <Victor.Schaum@cox.com>; Yvonne Aguirre <yvonne.aguirre@swgas.com>
Subject: [Non-DoD Source] FS24-0765 Mesquite Mountain Ranch V

Good afternoon,

Attached please find the **application**, **and narrative** for the above referenced project.

Please feel free to contact us with any questions.

Best regards,

Alyssa Lester
Design Review Project Coordinator
Community Development Department
16000 N Civic Center Plaza Surprise, AZ 85374
City of Surprise | (623) 222-3100 Direct x3022

This e-mail and any accompanying files transmitted are intended solely for the use of the individual or entity to whom they are addressed; if you have received this e-mail in error please delete it and notify the sender. In addition, under Arizona law, e-mail communications and e-mail addresses may be public records.
0.1

ORDINANCE # 2026-06

AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, APPROVING A REZONE FROM MESQUITE MOUNTAIN RANCH PAD TO RESIDENTIAL LOW DENISTY (R-1), RESIDENTIAL MEDIUM DENSITY (R-2), AND OPEN SPACE CONSERVATION (OS-1) FOR THE PROPERTY GENERALLY LOCATED SOUTH OF DEER VALLEY ROAD BETWEEN 223RD AVENUE AND 231ST AVENUE.

WHEREAS, this Ordinance was properly noticed for public hearing, and the necessary hearings and opportunity for public input were completed;

WHEREAS, the subject site is located south of Deer Valley Road, between 223rd Avenue and 231st Avenue;

WHEREAS, the subject site is approximately 264.9 acres and is currently zoned Mesquite Mountain Ranch PAD;

WHEREAS, the proposed use of the subject site requires modification of the applicable zoning regulations;

WHEREAS, the proposed rezone to Residential Low Density (R-1), Residential Medium Density (R-2), and Open Space Conservation (OS-1) satisfies the requirements set forth in Sections 106-2.3, 106-2.4, and 106-8.2 of the Surprise Municipal Code;

WHEREAS, this Rezone is in harmony with the purposes and intent of the zoning ordinance and the Surprise General Plan; and

WHEREAS, on February 5, 2026, the Planning and Zoning Commission recommended approval of the subject rezoning request.

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

Section 1. *Rezoning.* The parcel legally described in **Exhibit A** and depicted on **Exhibit B** attached hereto and incorporated herein by this reference, known as "Mesquite Mountain Ranch V," is rezoned from Mesquite Mountain Ranch PAD to Residential Low Density (R-1), Residential Medium Density (R-2), and Open Space Conservation (OS-1) subject to the following stipulations:

a. Development and use of the site shall be in compliance with Resolution 2026-14, Mesquite Mountain Ranch V Development Agreement.

b. Development and use of the site shall be consistent with the Rezone Narrative entitled "Mesquite Mountain Ranch V," prepared by RVI Planning + Landscape Architecture, and received March 27, 2025.

c. Non-compliance with the stipulations of approval of this case will be treated as a violation in accordance with the applicable provisions of the Surprise Municipal Code.

d. The subject site shall not exceed a maximum of 975 residential dwelling units.

Section 2. *Amendment of Zoning Map.* The City of Surprise zoning map is herewith amended to reflect the change in districts referred to in Section 1 above.

Section 3. *Codification.* This Ordinance is not of a general nature and shall not be codified.

Section 4. *Repeal of Conflicting Ordinances.* All ordinances or parts of ordinances in conflict with the provisions of this Ordinance or any part of the Code adopted herein by reference are hereby repealed, upon the effective date of this Ordinance.

Section 5. *Severability.* If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

Section 6. *Effective Date.* This Ordinance shall become effective at the time and in the manner prescribed by law.

PASSED AND ADOPTED this_____day of _____2026.

Kevin D. Sartor, Mayor

Attest:

Approved as to form:

Kristi Passarelli, City Clerk

Jeffrey Murray, City Attorney

EXHIBIT A

LEGAL DESCRIPTION

LEGAL DESCRIPTION FOR
MESQUITE MOUNTAIN RANCH, PARCEL 1
ZONING CLASSIFICATION R-1

All that certain lot, tract, or parcel of land, situated in a portion of the Northwest Quarter of Section 23, Township 4 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, and being more completely described as follows, to-wit:

BEGINNING at the North Quarter corner of said Section 23, from which the Northwest corner of said Section 23 bears North 89 deg. 48 min. 54 sec. West (Basis of Bearings) - 2,635.00 feet;

THENCE South 00 deg. 27 min. 06 sec. West along the East line of the Northwest Quarter of said Section 23, a distance of 947.91 feet;

THENCE North 57 deg. 30 min. 49 sec. West departing said East line, a distance of 324.25 feet;

THENCE North 69 deg. 53 min. 28 sec. West, a distance of 985.32 feet;

THENCE North 89 deg. 13 min. 34 sec. West, a distance of 115.26 feet;

THENCE North 00 deg. 31 min. 21 sec. East, a distance of 437.68 feet to the North line of the Northwest Quarter of said Section 23;

THENCE South 89 deg. 48 min. 54 sec. East along said North line, a distance of 1,317.50 feet to the **POINT OF BEGINNING**, containing 850,137 square feet or 19.516 acres of land, more or less.



GMcivil
Engineering & Surveying

2705 S. Alma School Road, Suite 2
Chandler, Arizona 85286
602.218.7285
gmcivil.com

Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

LEGAL DESCRIPTION FOR
MESQUITE MOUNTAIN RANCH, PARCEL 2
ZONING CLASSIFICATION R-2

All that certain lot, tract, or parcel of land, situated in a portion of the Northeast Quarter of Section 22 and the Northwest Quarter of Section 23, Township 4 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, and being more completely described as follows, to-wit:

BEGINNING at the Northwest corner of said Section 23, same being the Northeast corner of said Section 22, from which the North Quarter corner of said Section 23 bears South 89 deg. 48 min. 54 sec. East (Basis of Bearings) - 2,635.00 feet;

THENCE South 89 deg. 48 min. 54 sec. East along the North line of the Northwest Quarter of said Section 23, a distance of 1,317.50 feet;

THENCE South 00 deg. 31 min. 21 sec. West departing said North line, a distance of 437.68 feet;

THENCE North 89 deg. 13 min. 34 sec. West, a distance of 757.47 feet;

THENCE North 76 deg. 40 min. 46 sec. West, a distance of 508.62 feet;

THENCE North 53 deg. 50 min. 55 sec. West, a distance of 288.05 feet;

THENCE North 89 deg. 43 min. 03 sec. West, a distance of 820.12 feet;

THENCE North 00 deg. 32 min. 13 sec. East, a distance of 145.67 feet to the North line of the Northeast Quarter of said Section 22;

THENCE South 89 deg. 42 min. 11 sec. East along said North line, a distance of 990.17 feet to the **POINT OF BEGINNING**, containing 686,329 square feet or 15.756 acres of land, more or less.



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Engineering & Surveying

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Chandler, Arizona 85286
602.218.7285
gmcivil.com

LEGAL DESCRIPTION FOR
MESQUITE MOUNTAIN RANCH, PARCEL 3
ZONING CLASSIFICATION OS-1

All that certain lot, tract, or parcel of land, situated in a portion of the Northeast Quarter of Section 22 and the Northwest Quarter of Section 23, Township 4 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, and being more completely described as follows, to-wit:

COMMENCING at the North Quarter corner of said Section 23, from which the Northwest corner of said Section 23 bears North 89 deg. 48 min. 54 sec. West (Basis of Bearings) - 2,635.00 feet;

THENCE South 00 deg. 27 min. 06 sec. West along the East line of the Northwest Quarter of said Section 23, a distance of 947.91 feet to the **TRUE POINT OF BEGINNING**;

THENCE South 00 deg. 27 min. 06 sec. West continuing along said East line, a distance of 176.95 feet;

THENCE North 57 deg. 30 min. 49 sec. West departing said East line, a distance of 401.84 feet;

THENCE North 69 deg. 53 min. 28 sec. West, a distance of 943.50 feet;

THENCE North 89 deg. 13 min. 34 sec. West, a distance of 863.67 feet;

THENCE North 76 deg. 40 min. 46 sec. West, a distance of 555.39 feet;

THENCE North 53 deg. 50 min. 55 sec. West, a distance of 269.79 feet;

THENCE North 89 deg. 43 min. 03 sec. West, a distance of 772.23 feet;

THENCE North 00 deg. 32 min. 13 sec. East, a distance of 150.00 feet;

THENCE South 89 deg. 43 min. 03 sec. East, a distance of 820.12 feet;

THENCE South 53 deg. 50 min. 55 sec. East, a distance of 288.05 feet;

THENCE South 76 deg. 40 min. 46 sec. East, a distance of 508.62 feet;

THENCE South 89 deg. 13 min. 34 sec. East, a distance of 872.73 feet;

THENCE South 69 deg. 53 min. 28 sec. East, a distance of 985.32 feet;

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
54332
JOHN N.
ROGERS
5/29/2024
Date Signed
ARIZONA, U.S.A.

THENCE South 57 deg. 30 min. 49 sec. East, a distance of 324.25 feet to the **POINT OF BEGINNING**, containing 570,412 square feet or 13.095 acres of land, more or less.

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Chandler, Arizona 85286
602.218.7285
gmcivil.com

Sheet 1 of 3
May 29, 2024
24004-ZONING-PARCEL 3.dwg

Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

LEGAL DESCRIPTION FOR
MESQUITE MOUNTAIN RANCH, PARCEL 4
ZONING CLASSIFICATION R-2

All that certain lot, tract, or parcel of land, situated in a portion of the Northeast Quarter of Section 22 and the Northwest Quarter of Section 23, Township 4 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, and being more completely described as follows, to-wit:

BEGINNING at the East Quarter corner of said Section 22, same being the West Quarter corner of said Section 23;

THENCE North 89 deg. 40 min. 51 sec. West (Bais of Bearings) along the South line of the Northeast Quarter of said Section 22, a distance of 2,633.50 feet to the Southwest corner of same;

THENCE North 00 deg. 26 min. 34 sec. East along the West line of the Northeast Quarter of said Section 22, a distance of 1,320.11 feet;

THENCE South 89 deg. 41 min. 31 sec. East departing said West line, a distance of 1,318.49 feet;

THENCE South 00 deg. 31 min. 06 sec. West, a distance of 660.19 feet;

THENCE South 89 deg. 41 min. 11 sec. East, a distance of 329.40 feet;

THENCE North 00 deg. 32 min. 13 sec. East, a distance of 1,684.98 feet;

THENCE South 89 deg. 43 min. 03 sec. East, a distance of 772.23 feet;

THENCE South 53 deg. 50 min. 55 sec. East, a distance of 269.79 feet;

THENCE South 76 deg. 40 min. 46 sec. East, a distance of 555.39 feet;

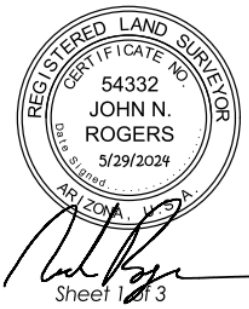
THENCE South 89 deg. 13 min. 34 sec. East, a distance of 863.67 feet;

THENCE South 69 deg. 53 min. 28 sec. East, a distance of 943.50 feet;

THENCE South 57 deg. 30 min. 49 sec. East, a distance of 401.84 feet to the East line of the Northwest Quarter of said Section 23;

THENCE South 00 deg. 27 min. 06 sec. West along said West line, a distance of 1,515.73 feet to the Southeast corner of same;

THENCE North 89 deg. 49 min. 45 sec. West along the South line of the Northwest Quarter of said Section 23, a distance of 2,641.55 feet to the **POINT OF BEGINNING**, containing 9,429,087 square feet or 216.462 acres of land, more or less.



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Chandler, Arizona 85286
602.218.7285
gmcivil.com

Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

EXHIBIT B

DEPICTION

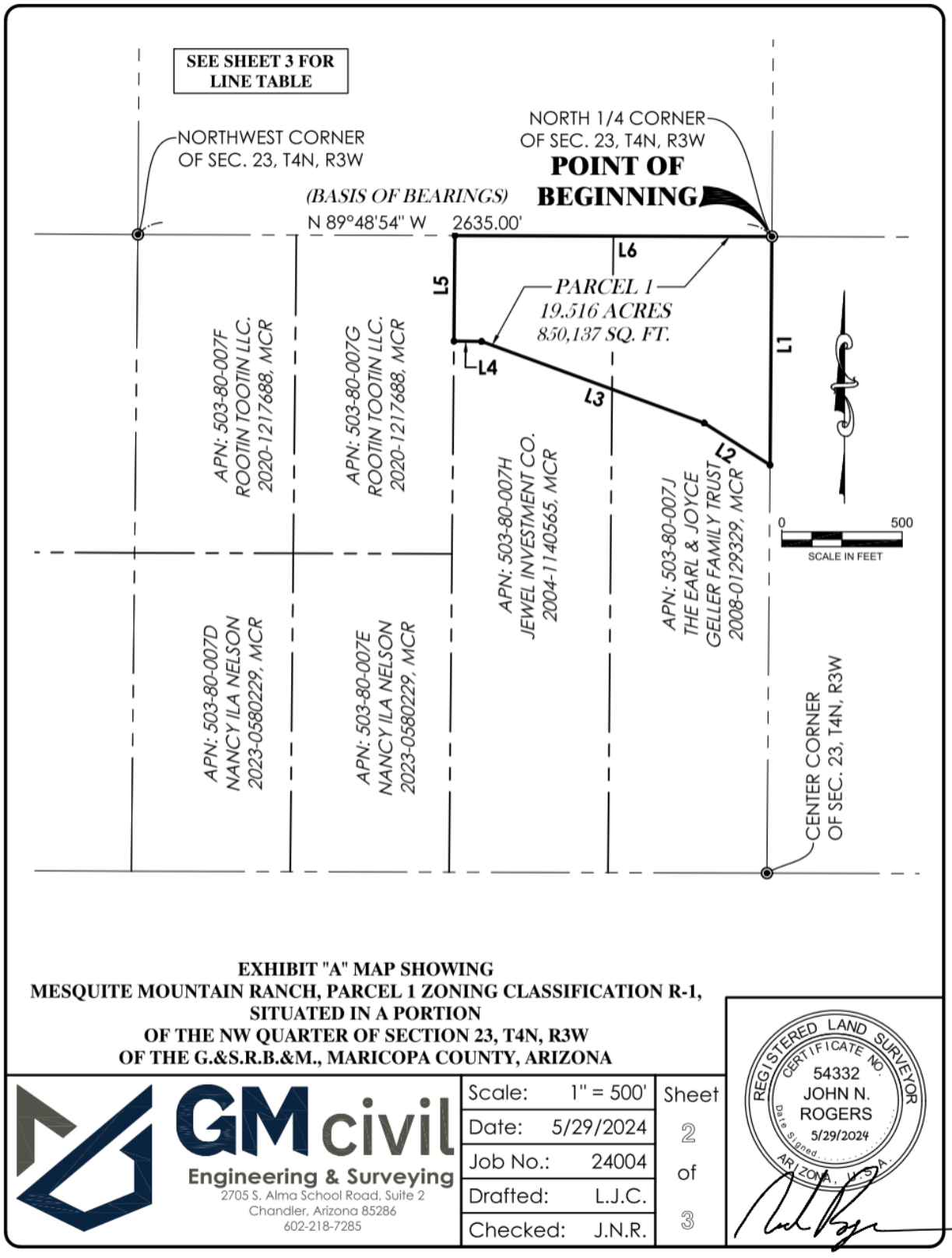


EXHIBIT "A" MAP SHOWING
MESQUITE MOUNTAIN RANCH, PARCEL 1 ZONING CLASSIFICATION R-1,
SITUATED IN A PORTION
OF THE NW QUARTER OF SECTION 23, T4N, R3W
OF THE G.&S.R.B.&M., MARICOPA COUNTY, ARIZONA

GM civil
Engineering & Surveying
2705 S. Alma School Road, Suite 2
Chandler, Arizona 85286
602-218-7285

Scale:	1" = 500'
Date:	5/29/2024
Job No.:	24004
Drafted:	L.J.C.
Checked:	J.N.R.

Sheet 2 of 3

REGISTERED LAND SURVEYOR
CERTIFICATE NO. 54332
JOHN N. ROGERS
Date Signed 5/29/2024
ARIZONA, U.S.A.

W:\24004 - MMR North\COGO\ZONING\24004-ZONING-PARCEL 1.dwg

Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

LINE TABLE		
LINE #	BEARING	DISTANCE
L1	S00°27'06"W	947.91'
L2	N57°30'49"W	324.25'
L3	N69°53'28"W	985.32'
L4	N89°13'34"W	115.26'
L5	N00°31'21"E	437.68'
L6	S89°48'54"E	1317.50'

EXHIBIT "A" MAP SHOWING
MESQUITE MOUNTAIN RANCH, PARCEL 1 ZONING CLASSIFICATION R-1,
SITUATED IN A PORTION
OF THE NW QUARTER OF SECTION 23, T4N, R3W
OF THE G.&S.R.B.&M., MARICOPA COUNTY, ARIZONA

GM civil
Engineering & Surveying
2705 S. Alma School Road, Suite 2
Chandler, Arizona 85286
602-218-7285

Scale:	NONE
Date:	5/29/2024
Job No.:	24004
Drafted:	L.J.C.
Checked:	J.N.R.

Sheet 3 of 3

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
54332
JOHN N.
ROGERS
5/29/2024
Date Signed
ARIZONA, U.S.A.

W:\24004 - MMR North\COGO\ZONING\24004-ZONING-PARCEL 1.dwg

Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

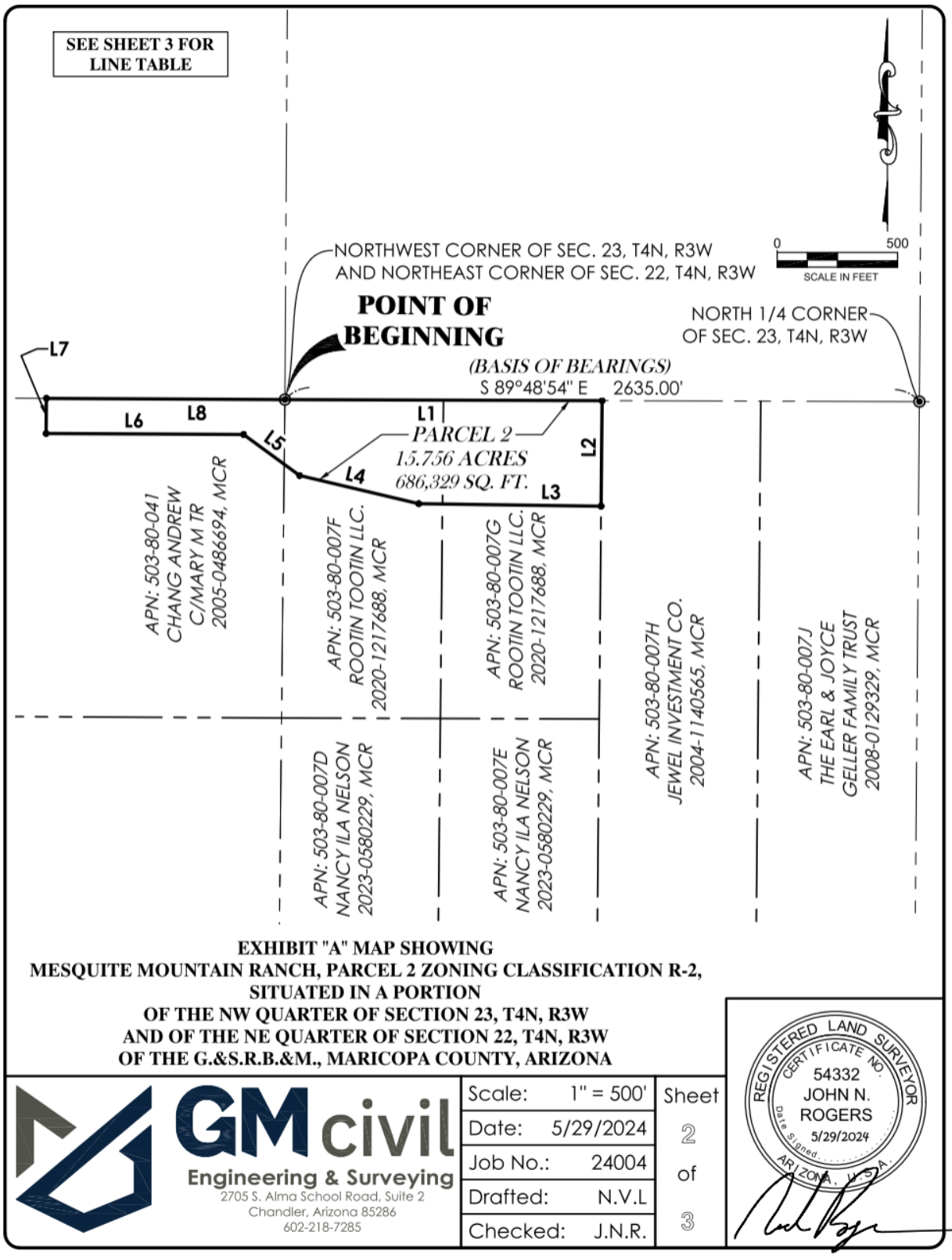


EXHIBIT "A" MAP SHOWING
MESQUITE MOUNTAIN RANCH, PARCEL 2 ZONING CLASSIFICATION R-2,
SITUATED IN A PORTION
OF THE NW QUARTER OF SECTION 23, T4N, R3W
AND OF THE NE QUARTER OF SECTION 22, T4N, R3W
OF THE G.&S.R.B.&M., MARICOPA COUNTY, ARIZONA

GM civil
Engineering & Surveying
2705 S. Alma School Road, Suite 2
Chandler, Arizona 85286
602-218-7285

Scale:	1" = 500'
Date:	5/29/2024
Job No.:	24004
Drafted:	N.V.L
Checked:	J.N.R.

Sheet 2 of 3

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
54332
JOHN N.
ROGERS
5/29/2024
Date Signed
ARIZONA, U.S.A.

W:\24004 - MMR North\COGO\ZONING\24004-ZONING-PARCEL 2.dwg

Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

LINE TABLE		
LINE #	BEARING	DISTANCE
L1	S89°48'54"E	1317.50'
L2	S00°31'21"W	437.68'
L3	N89°13'34"W	757.47'
L4	N76°40'46"W	508.62'
L5	N53°50'55"W	288.05'
L6	N89°43'03"W	820.12'
L7	N00°32'13"E	145.67'
L8	S89°42'11"E	990.17'

EXHIBIT "A" MAP SHOWING
MESQUITE MOUNTAIN RANCH, PARCEL 2 ZONING CLASSIFICATION R-2,
SITUATED IN A PORTION
OF THE NW QUARTER OF SECTION 23, T4N, R3W
AND OF THE NE QUARTER OF SECTION 22, T4N, R3W
OF THE G.&S.R.B.&M., MARICOPA COUNTY, ARIZONA

GM civil
Engineering & Surveying
2705 S. Alma School Road, Suite 2
Chandler, Arizona 85286
602-218-7285

Scale:	NONE
Date:	5/29/2024
Job No.:	24004
Drafted:	N.V.L
Checked:	J.N.R.

Sheet 3 of 3

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
54332
JOHN N.
ROGERS
5/29/2024
Date Signed
ARIZONA, U.S.A.

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Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

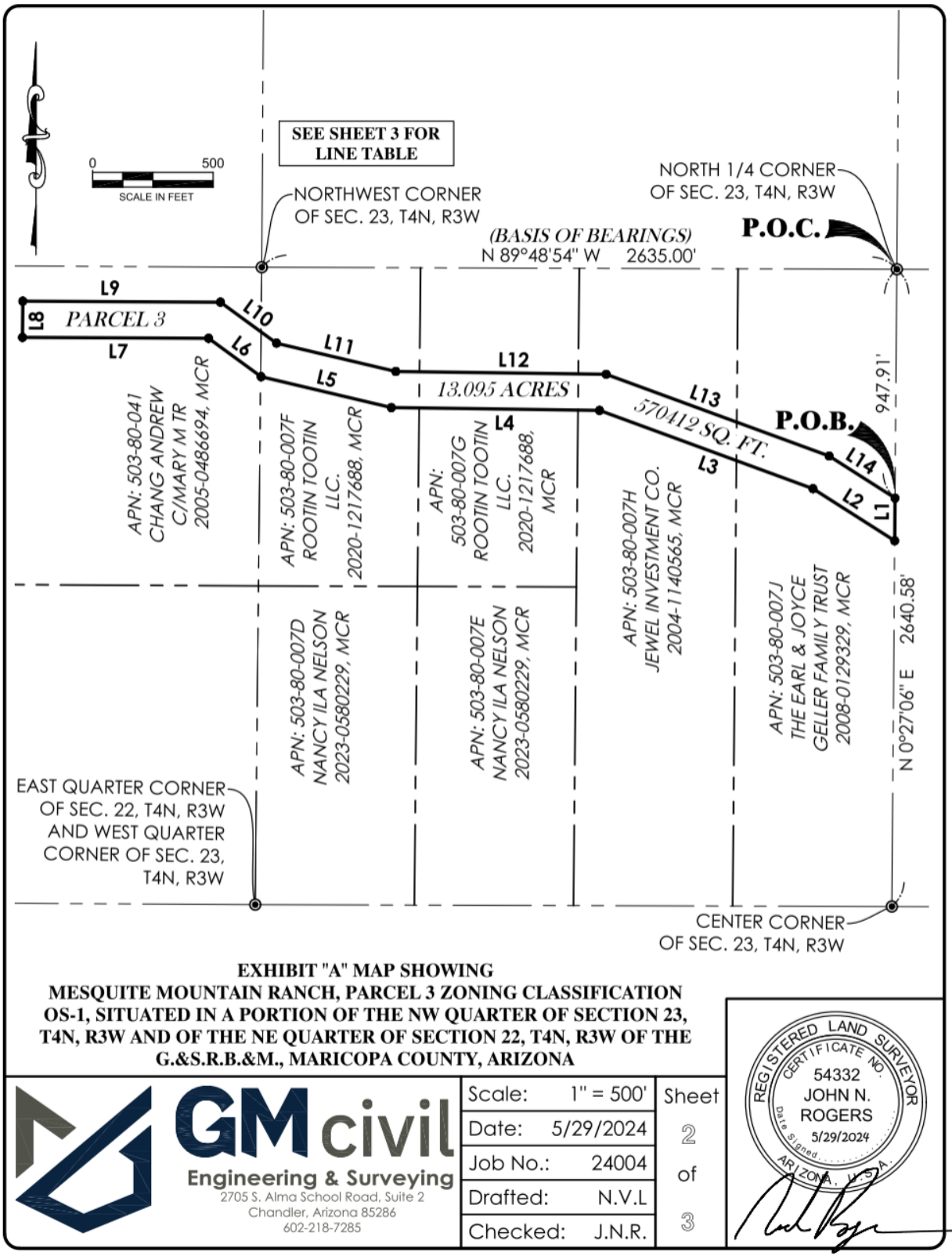


EXHIBIT "A" MAP SHOWING
MESQUITE MOUNTAIN RANCH, PARCEL 3 ZONING CLASSIFICATION OS-1, SITUATED IN A PORTION OF THE NW QUARTER OF SECTION 23, T4N, R3W AND OF THE NE QUARTER OF SECTION 22, T4N, R3W OF THE G.&S.R.B.&M., MARICOPA COUNTY, ARIZONA

GM civil
Engineering & Surveying
2705 S. Alma School Road, Suite 2
Chandler, Arizona 85286
602-218-7285

Scale:	1" = 500'
Date:	5/29/2024
Job No.:	24004
Drafted:	N.V.L
Checked:	J.N.R.

Sheet 2 of 3

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ARIZONA, U.S.A.

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Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

LINE TABLE		
LINE #	BEARING	DISTANCE
L1	S00°27'06"W	176.95'
L2	N57°30'49"W	401.84'
L3	N69°53'28"W	943.50'
L4	N89°13'34"W	863.67'
L5	N76°40'46"W	555.39'
L6	N53°50'55"W	269.79'
L7	N89°43'03"W	772.23'
L8	N00°32'13"E	150.00'
L9	S89°43'03"E	820.12'
L10	S53°50'55"E	288.05'
L11	S76°40'46"E	508.62'
L12	S89°13'34"E	872.73'
L13	S69°53'28"E	985.32'
L14	S57°30'50"E	324.25'

EXHIBIT "A" MAP SHOWING
MESQUITE MOUNTAIN RANCH, PARCEL 3 ZONING CLASSIFICATION OS-1,
SITUATED IN A PORTION
OF THE NW QUARTER OF SECTION 23, T4N, R3W
AND OF THE NE QUARTER OF SECTION 22, T4N, R3W
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Sheet 3 of 3

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Ordinance No. 2026-06
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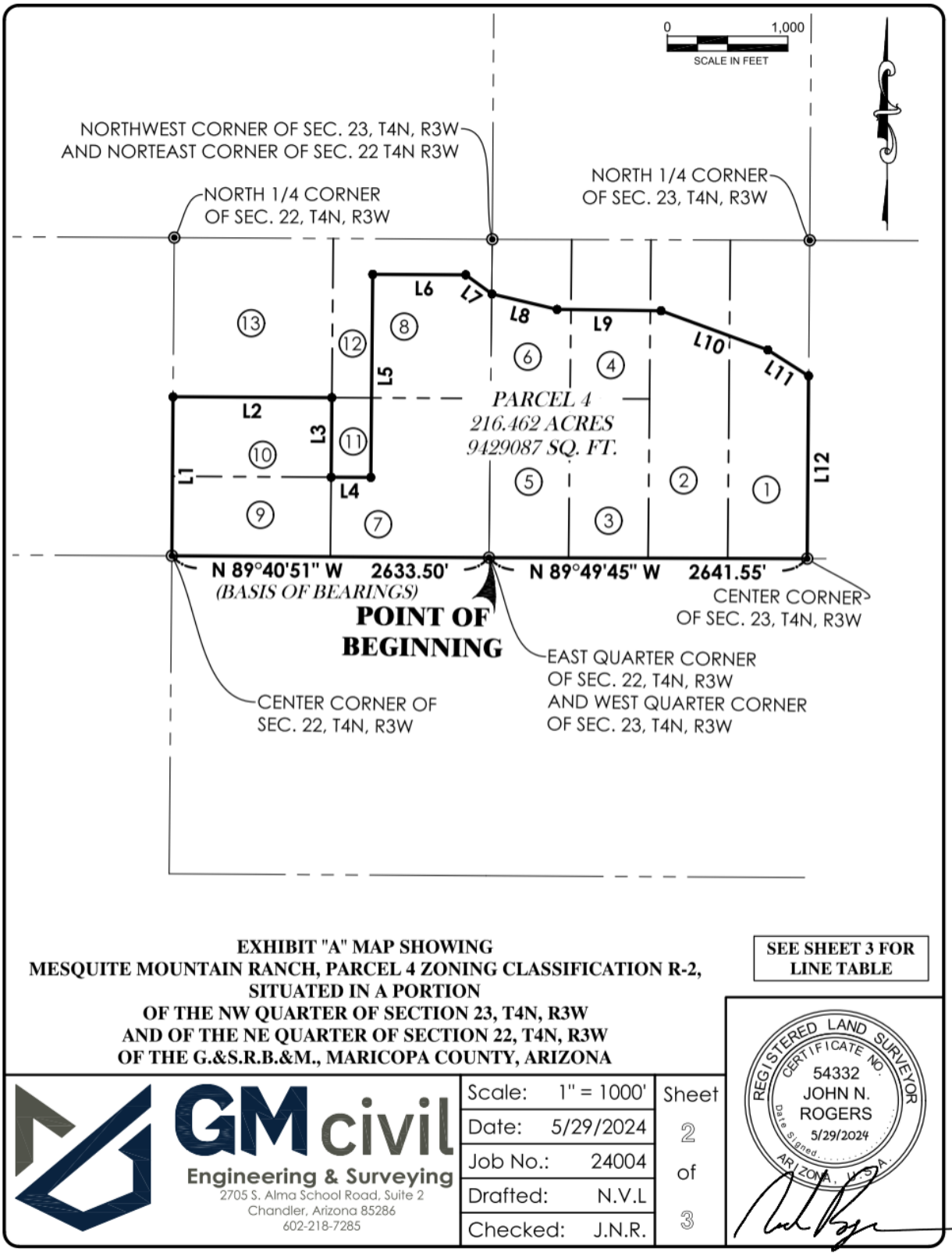


EXHIBIT "A" MAP SHOWING
MESQUITE MOUNTAIN RANCH, PARCEL 4 ZONING CLASSIFICATION R-2,
SITUATED IN A PORTION
OF THE NW QUARTER OF SECTION 23, T4N, R3W
AND OF THE NE QUARTER OF SECTION 22, T4N, R3W
OF THE G.&S.R.B.&M., MARICOPA COUNTY, ARIZONA

SEE SHEET 3 FOR LINE TABLE

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
54332
JOHN N.
ROGERS
5/29/2024
Date Signed
ARIZONA, U.S.A.

GM civil
Engineering & Surveying
2705 S. Alma School Road, Suite 2
Chandler, Arizona 85286
602-218-7285

Scale:	1" = 1000'
Date:	5/29/2024
Job No.:	24004
Drafted:	N.V.L
Checked:	J.N.R.

Sheet 2 of 3

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Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

ADJOINER INFORMATION:

1. *APN: 503-80-007J THE EARL & JOYCE GELLER FAMILY TRUST 2008-0129329, MCR*

2. *APN: 503-80-007H JEWEL INVESTMENT CO. 2004-1140565, MCR*

3. *APN; 503-80-007E NANCY ILA NELSON 2023-0580229, MCR*

4. *APN: 503-80-007G ROOTIN TOOTIN LLC. 2020-1217688, MCR*

5. *APN: 503-80-007D NANCY ILA NELSON 2023-0580229, MCR*

6. *APN: 503-80-007F ROOTIN TOOTIN LLC. 2020-1217688, MCR*

7. *APN: 503-80-042 CHANG ANDREW C/MARY M TR 2005-0486695, MCR*

8. *APN: 503-80-041 CHANG ANDREW C/MARY M TR 2005-0486694, MCR*

9. *APN: 503-80-006Y SNAZZY PROPERTIES LLC/ET AL 2017-0865744, MCR*

10. *APN: 503-80-006X EAST EVERGREEN TECHNOLOGIES LLC/SCHWAB REV TR 2011-0538063, MCR*

11. *APN: 503-80-040 MESQUITE MOUNTAIN RANCH INVESTMENTS LLC 2012-0682229, MCR*

12. *APN: 503-80-006Z MESQUITE MOUNTAIN RANCH INVESTMENTS LLC 2012-068222, MCR*

13. *APN: 503-80-006F MESQUITE MOUNTAIN RANCH INVESTMENT LLC 2012-0682229*

LINE TABLE

LINE #	BEARING	DISTANCE
L1	N00°26'34"E	1320.11'
L2	S89°41'31"E	1318.49'
L3	S00°31'06"W	660.19'
L4	S89°41'11"E	329.40'
L5	N00°32'13"E	1684.98'
L6	S89°43'03"E	772.23'
L7	S53°50'55"E	269.79'
L8	S76°40'46"E	555.39'
L9	S89°13'34"E	863.67'
L10	S69°53'28"E	943.50'
L11	S57°30'49"E	401.84'
L12	S00°27'06"W	1515.73'

EXHIBIT "A" MAP SHOWING
MESQUITE MOUNTAIN RANCH, PARCEL 4 ZONING CLASSIFICATION R-2,
SITUATED IN A PORTION
OF THE NW QUARTER OF SECTION 23, T4N, R3W
AND OF THE NE SECTION OF 22, T4N, R3W
OF THE G.&S.R.B.&M., MARICOPA COUNTY, ARIZONA

GM civil
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2705 S. Alma School Road, Suite 2
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602-218-7285

Scale:	NONE
Date:	5/29/2024
Job No.:	24004
Drafted:	N.V.L
Checked:	J.N.R.

Sheet 3 of 3

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
54332
JOHN N.
ROGERS
Date Signed
5/29/2024
ARIZONA, U.S.A.

W:\24004 - MMR North\COGO\ZONING\24004-ZONING-PARCEL 4.dwg

Ordinance No. 2026-06
RFLS # 10444
Rev 12/24

COMMUNITY DEVELOPMENT
Planning Division
16000 N. Civic Center Plaza
Surprise, AZ 85374
Phone: 623-222-3154

Planning and Zoning Commission Recommendation
FS24-0765

On February 5, 2026 the Planning and Zoning Commission recommended that City Council approve the rezone case known as “Mesquite Mountain Ranch V Rezone” Case# FS24-0765. The Commission discussed the following:

- Density of houses
- Development Agreement in terms of infrastructure
- Change in amount of R-1 based on original PAD to R-2
- Proximity of mixed density to existing rural residential
- Conceptual number of housing units in original PAD
- School locations and capacity

The motions were as follows:

Commissioner Bash moved to recommend approval of Mesquite Mountain Ranch V Rezone, Case #FS24-0765, subject to stipulations ‘a’ through ‘c’ with dwelling units not to exceed 975 units. Commissioner Leonard seconded the motion. Motion passed with 5 votes in favor. Commissioner Perry voted against.

FS24-0765

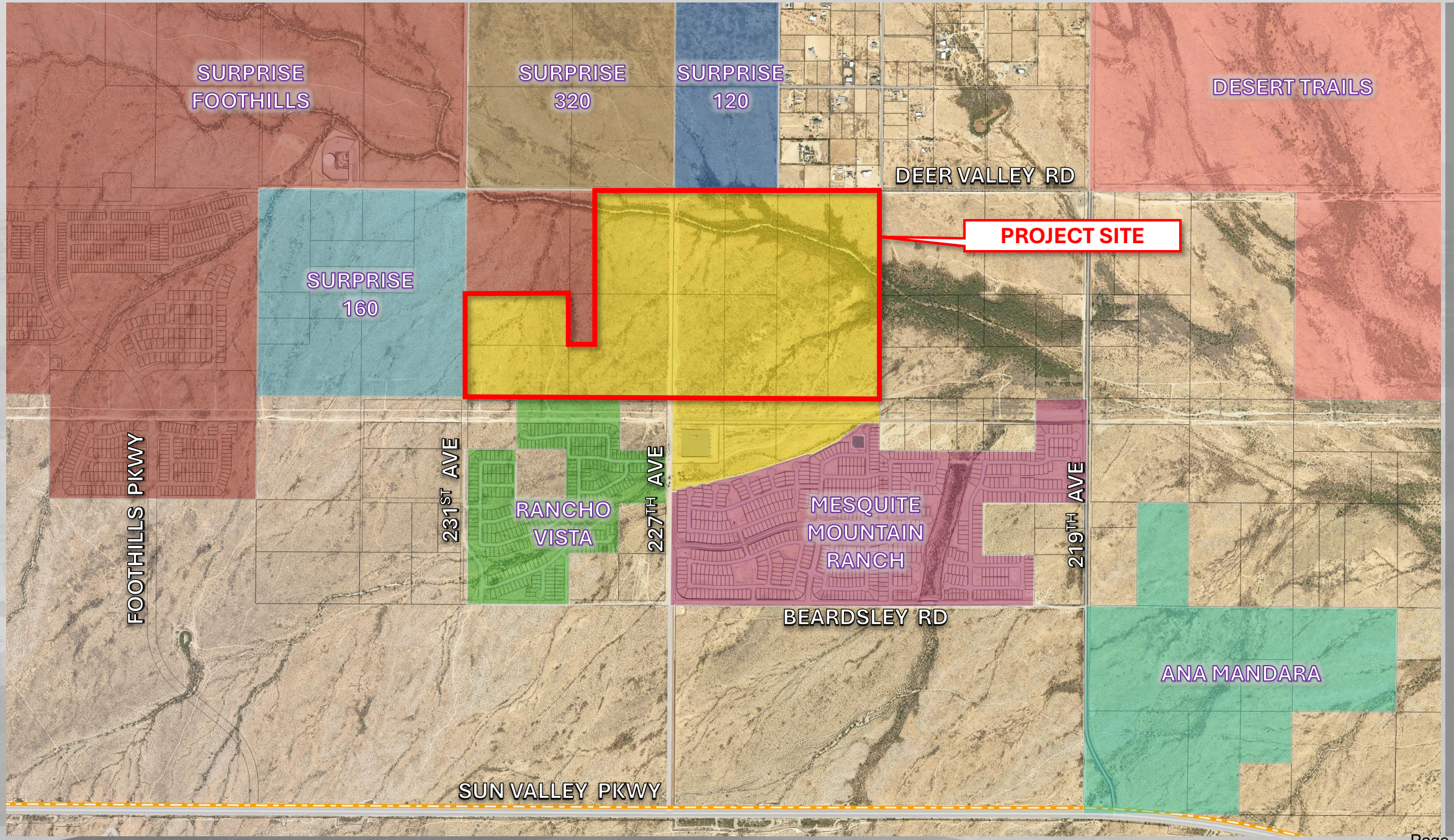
Mesquite Mountain Ranch V

Rezone

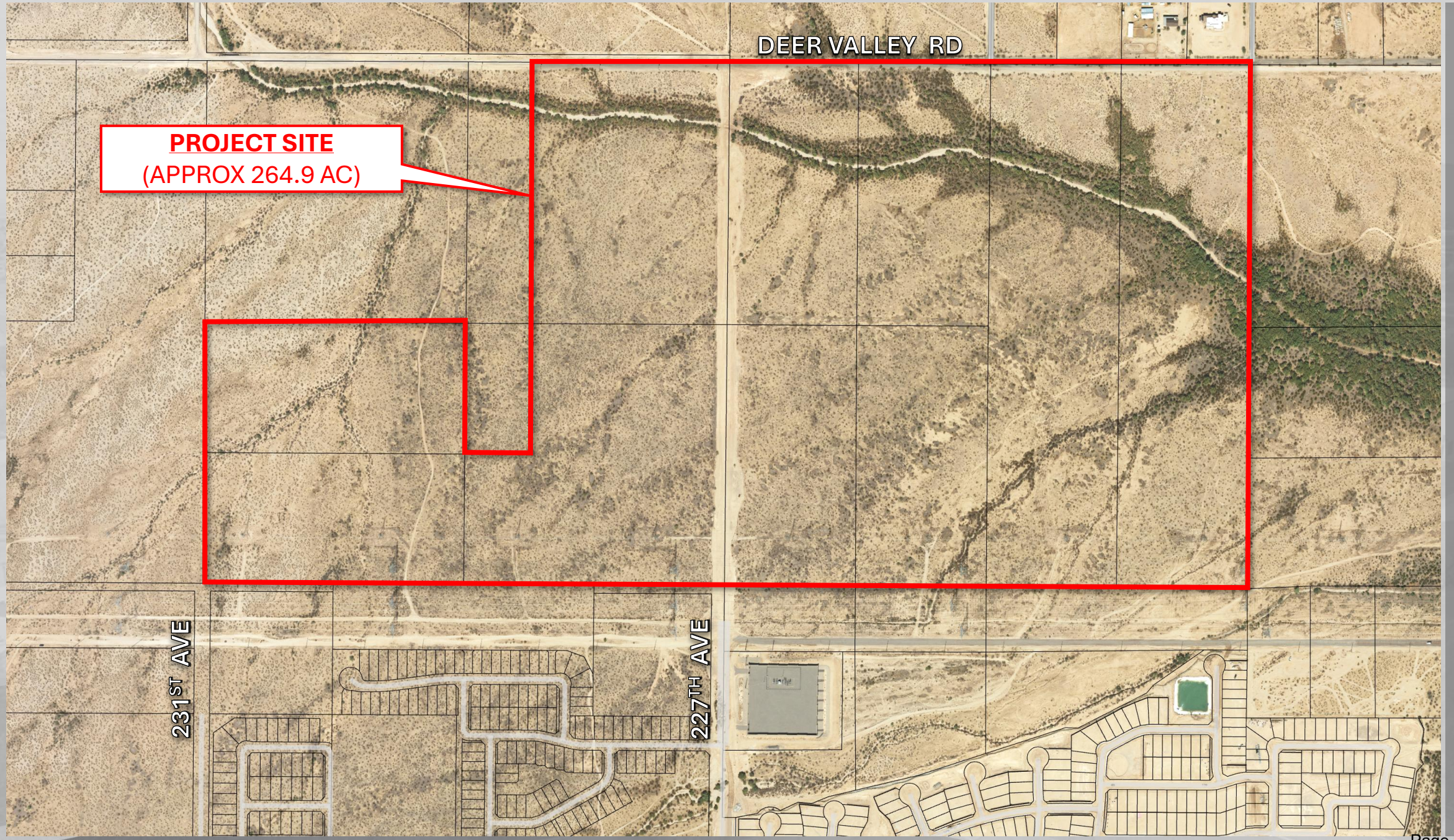
City Council

March 3, 2026

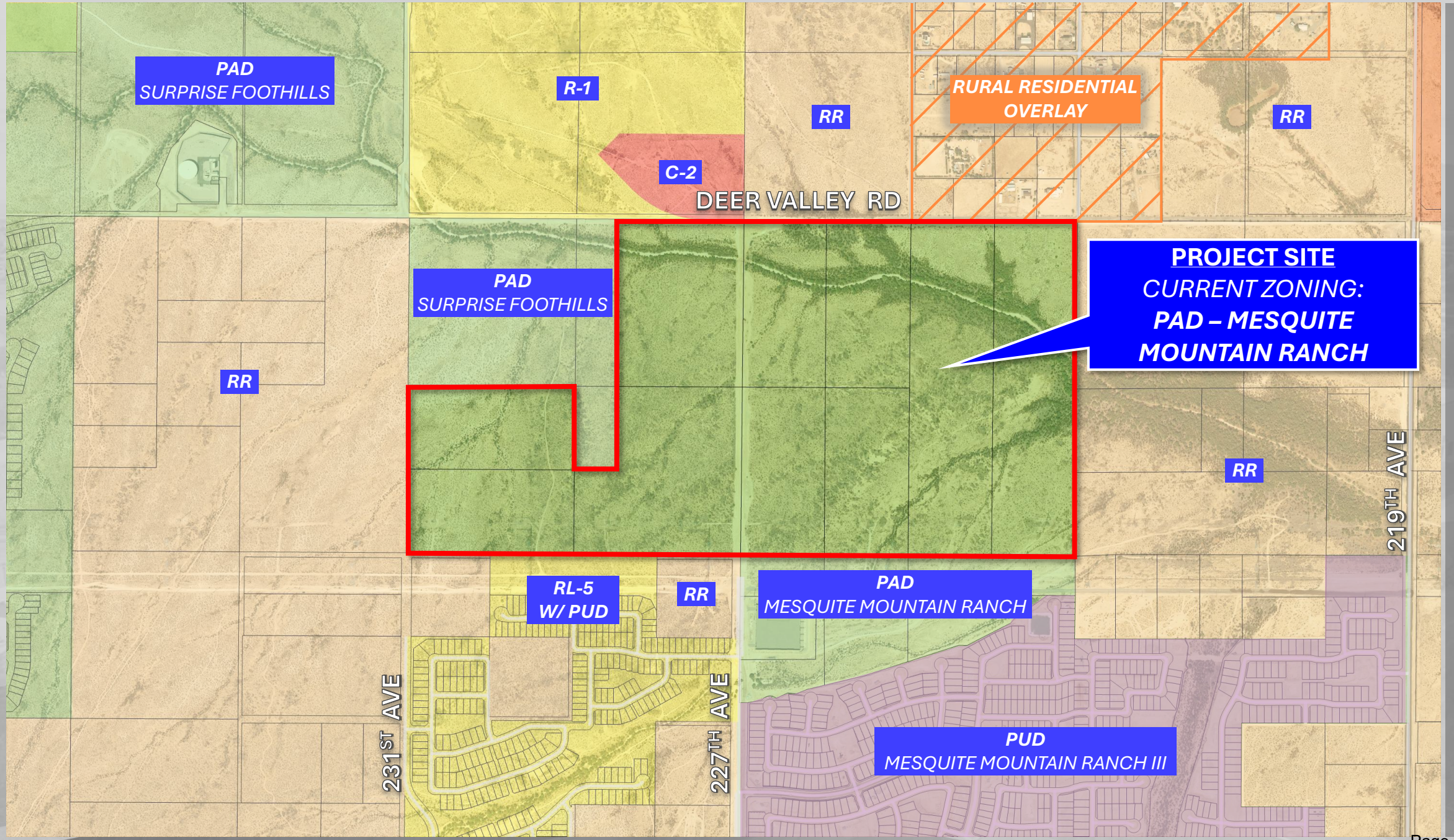
SURPRISE
ARIZONA



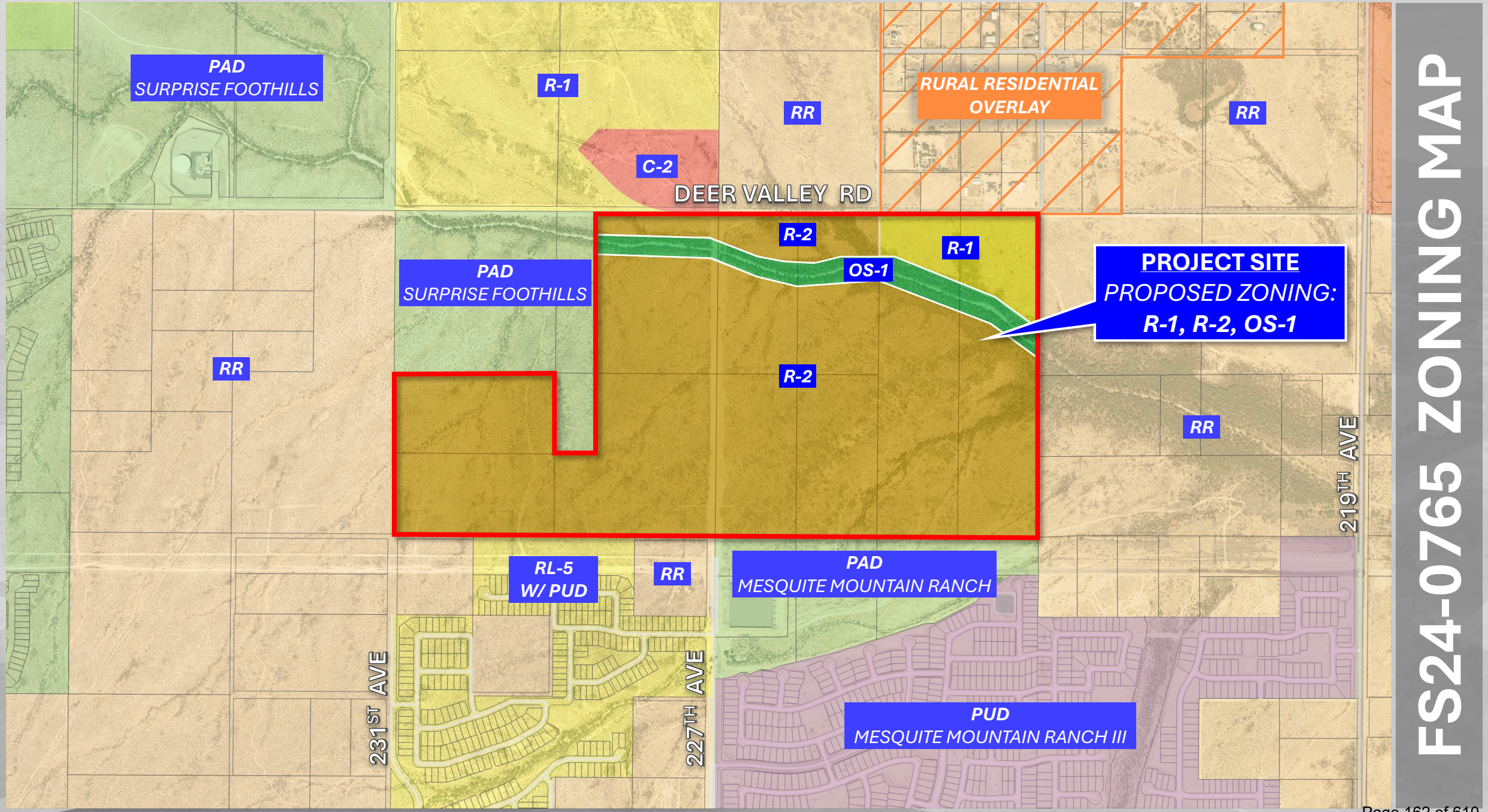
FS24-0765 VICINITY MAP



FS24-0765 VICINITY MAP

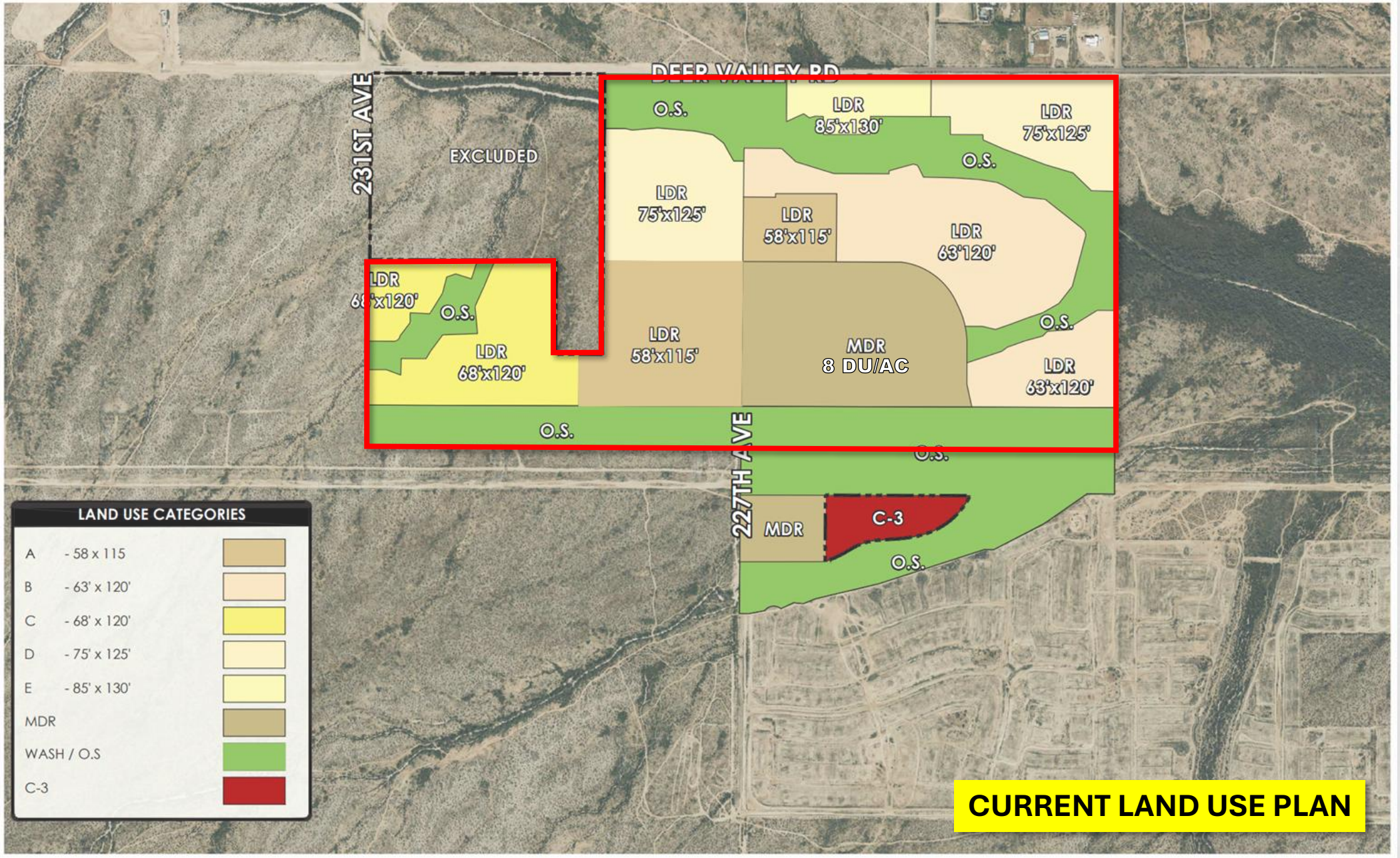


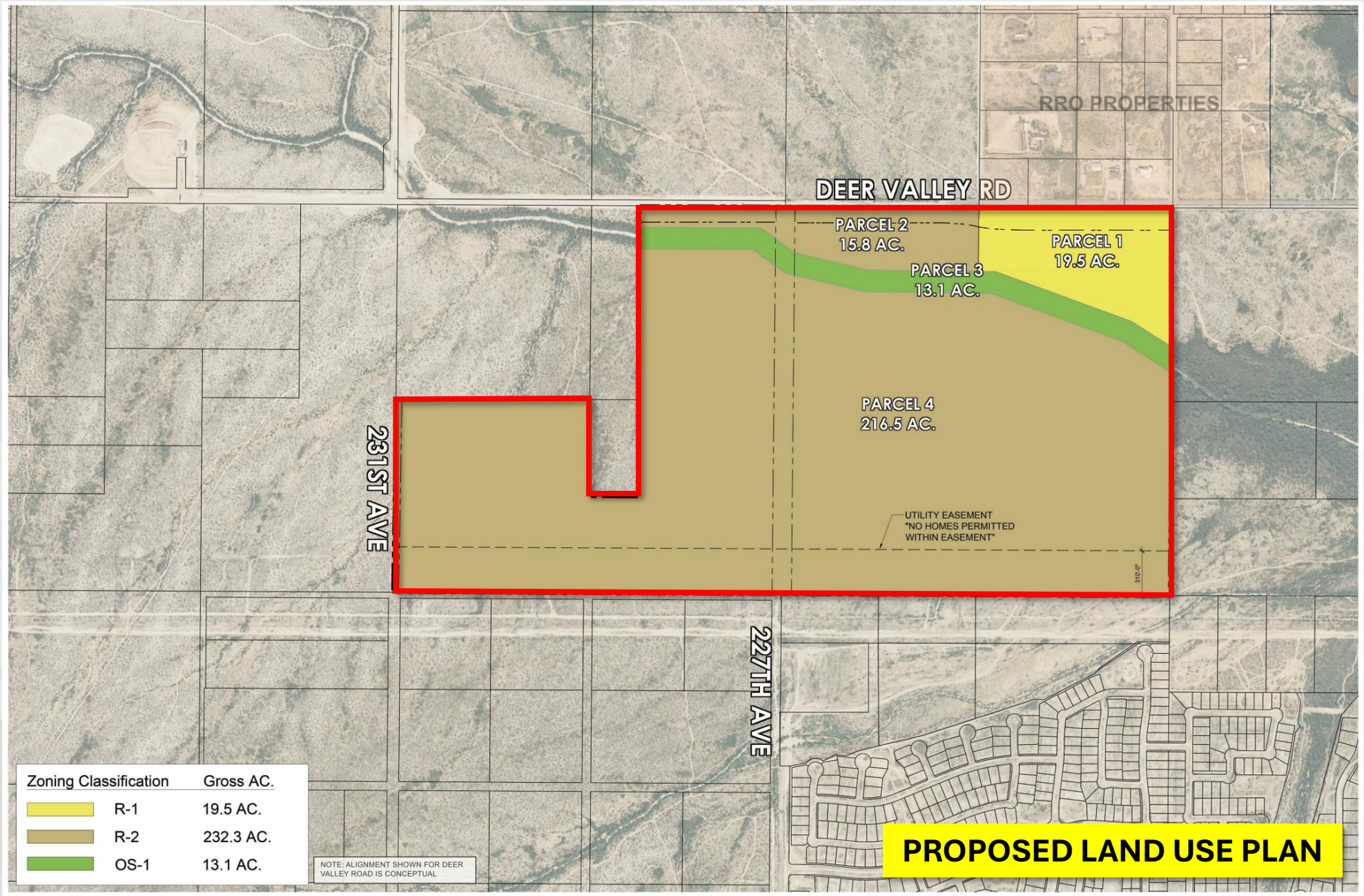
FS24-0765 ZONING MAP



FS24-0765 ZONING MAP

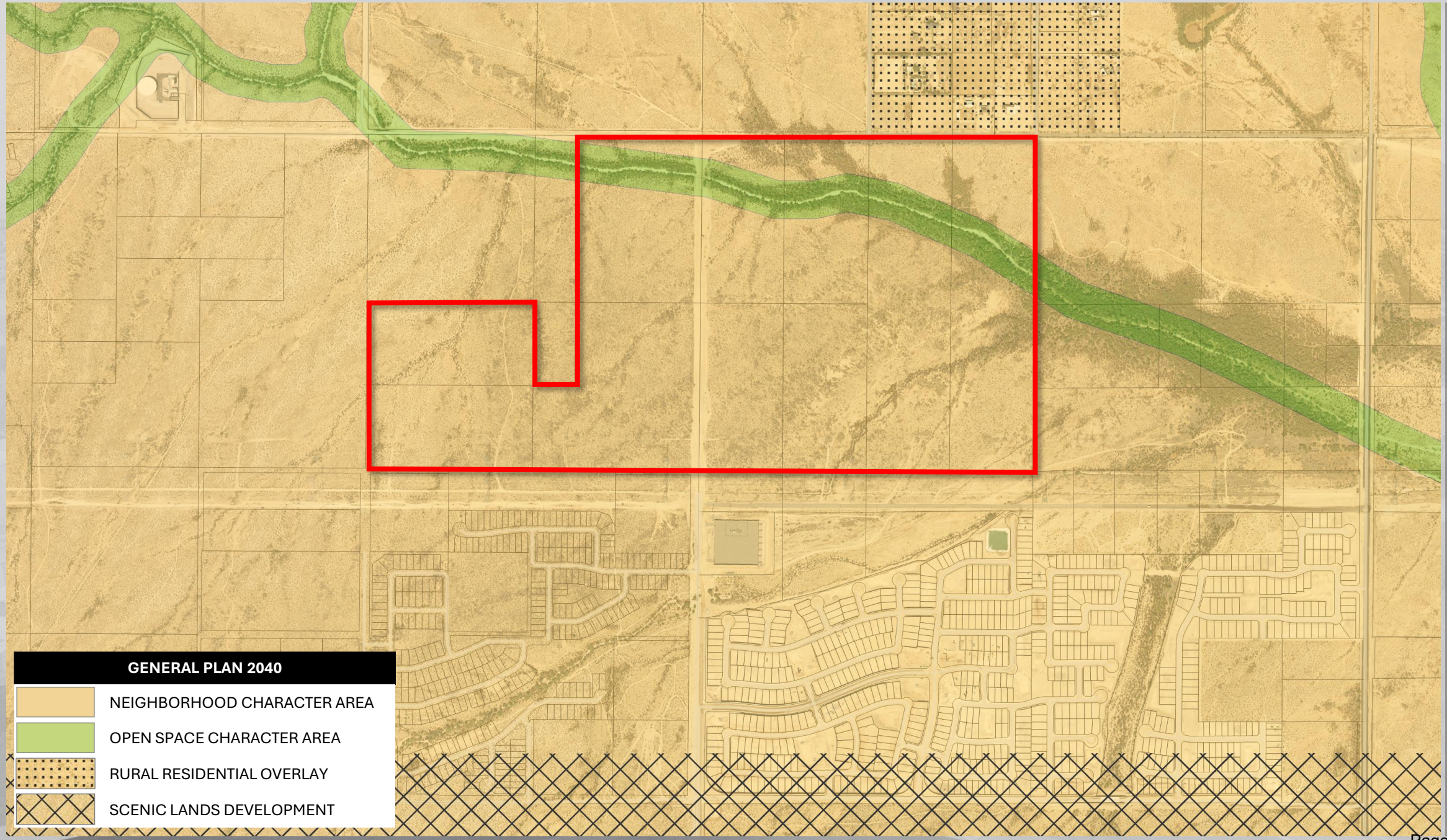
LAND USE COMPARISON

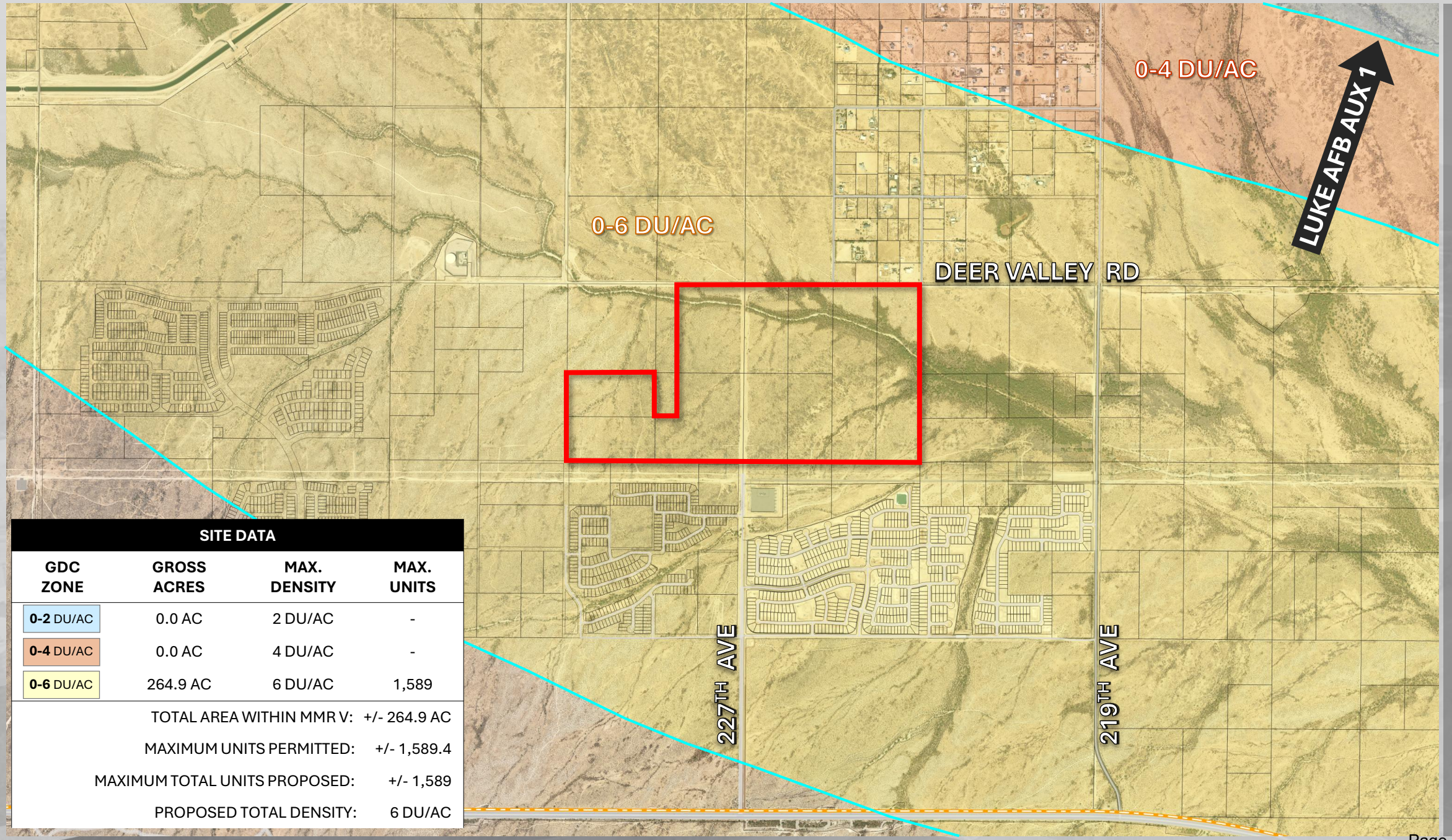




LAND USE COMPARISON

GENERAL PLAN MAP





FS24-0765 LUKE OVERLAY

SITE DATA

GDC ZONE	GROSS ACRES	MAX. DENSITY	MAX. UNITS
0-2 DU/AC	0.0 AC	2 DU/AC	-
0-4 DU/AC	0.0 AC	4 DU/AC	-
0-6 DU/AC	264.9 AC	6 DU/AC	1,589

TOTAL AREA WITHIN MMR V:	+/- 264.9 AC
MAXIMUM UNITS PERMITTED:	+/- 1,589.4
MAXIMUM TOTAL UNITS PROPOSED:	+/- 1,589
PROPOSED TOTAL DENSITY:	6 DU/AC

Table 106-2c – Residential Low Density (R-1) Zoning District						
Lot Categories	**A[3]**	**B**	**C**	**D**	**E**	**F**
General Plan Compatibility	Suburban	Suburban	Suburban and Rural	Rural	Rural	Rural
Lot area (sf)	4,950 – 7,999	8,000 – 11,999	12,000 – 17,999	18,000 – 27,999	28,000 – 43,559	≥ 43,560
Min. lot width[1] (ft)	45	60	80	90	100	130
Min. front setback[1] (ft)	12	12	15	20	20	30
Max. front setback (ft)	25	25	30	35		
Min. rear setback[1] (ft)	15	20	20	25	30	30
Min. side setback[1] (ft)	5 & 8	5 & 10	10	10 & 15	20	20
Min. street side setback [1,4] (ft)	15	15	15	15	20	20
Max. bldg. height (ft)	35	35	35	35	35	35
Max. lot coverage[5]		45%	40%	30%	30%	25%
Open space (% of gross area of residential development)[3]	20%	20%	20%	15%	15%	10%

Notes:

1.	Garage face and embellishments shall be setback a minimum of 20 feet measured from any opposing property line; except rear alley loaded garages, which shall be setback six (6) feet from edge of alley line.
2.	The city requires open space on a development/subdivision basis rather than on a lot-by-lot basis. Subdivisions with more than one (1) lot category will provide the higher percentage of open space.
3.	Residential projects shall contain no more than fifty (50) percent of lots less than forty-eight (48) feet wide as calculated across whole subdivision or preliminary plat and will include mitigating designs outline in Chapter 108 of this ordinance.
4.	Corner lots where block endcap landscape tracts are provided are not subject to the minimum streetside setbacks.
5.	Lots that have an RV garage within Lot Category B shall be allowed up to fifty-five (55) percent lot coverage.

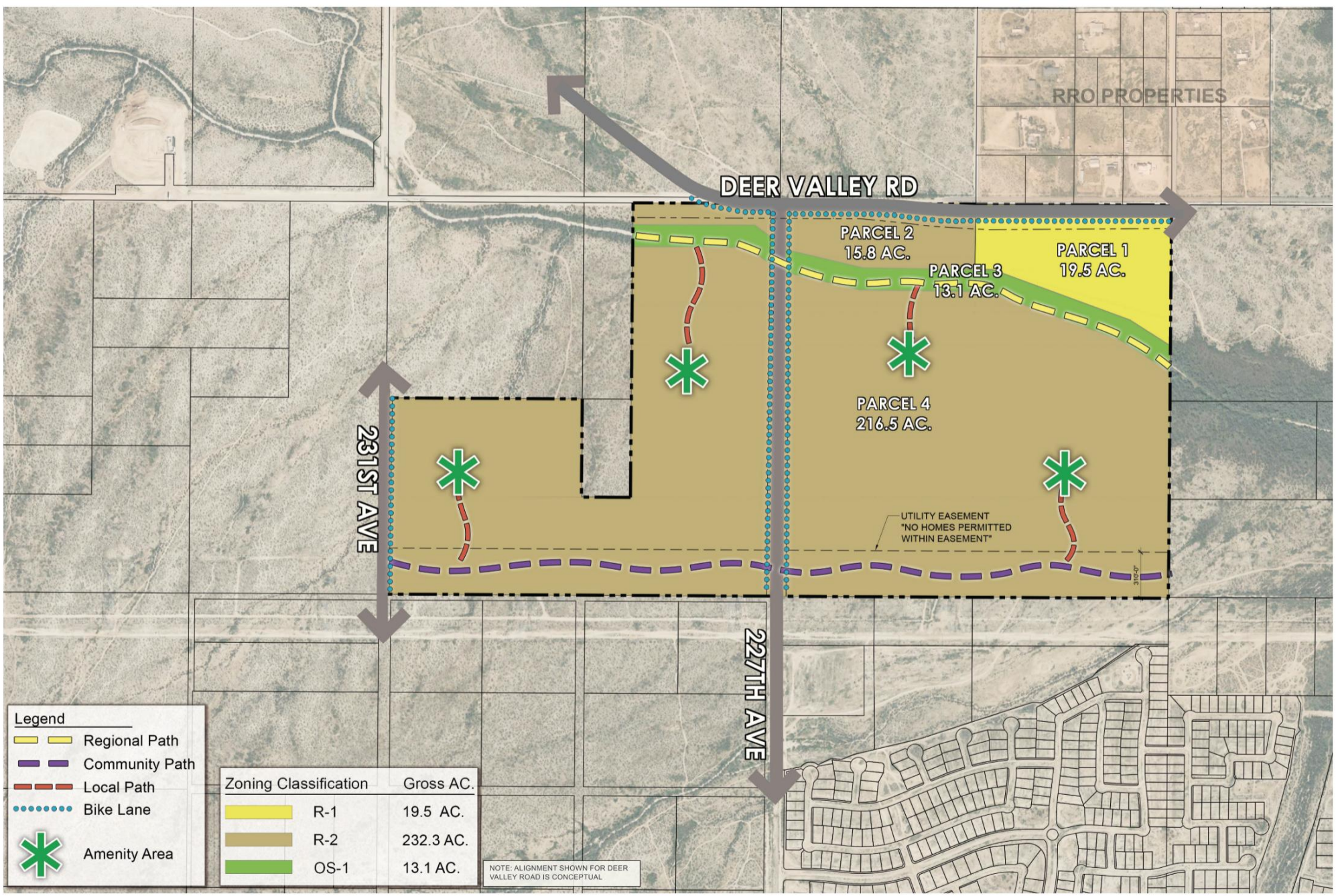
R-2 DEVELOPMENT STANDARDS

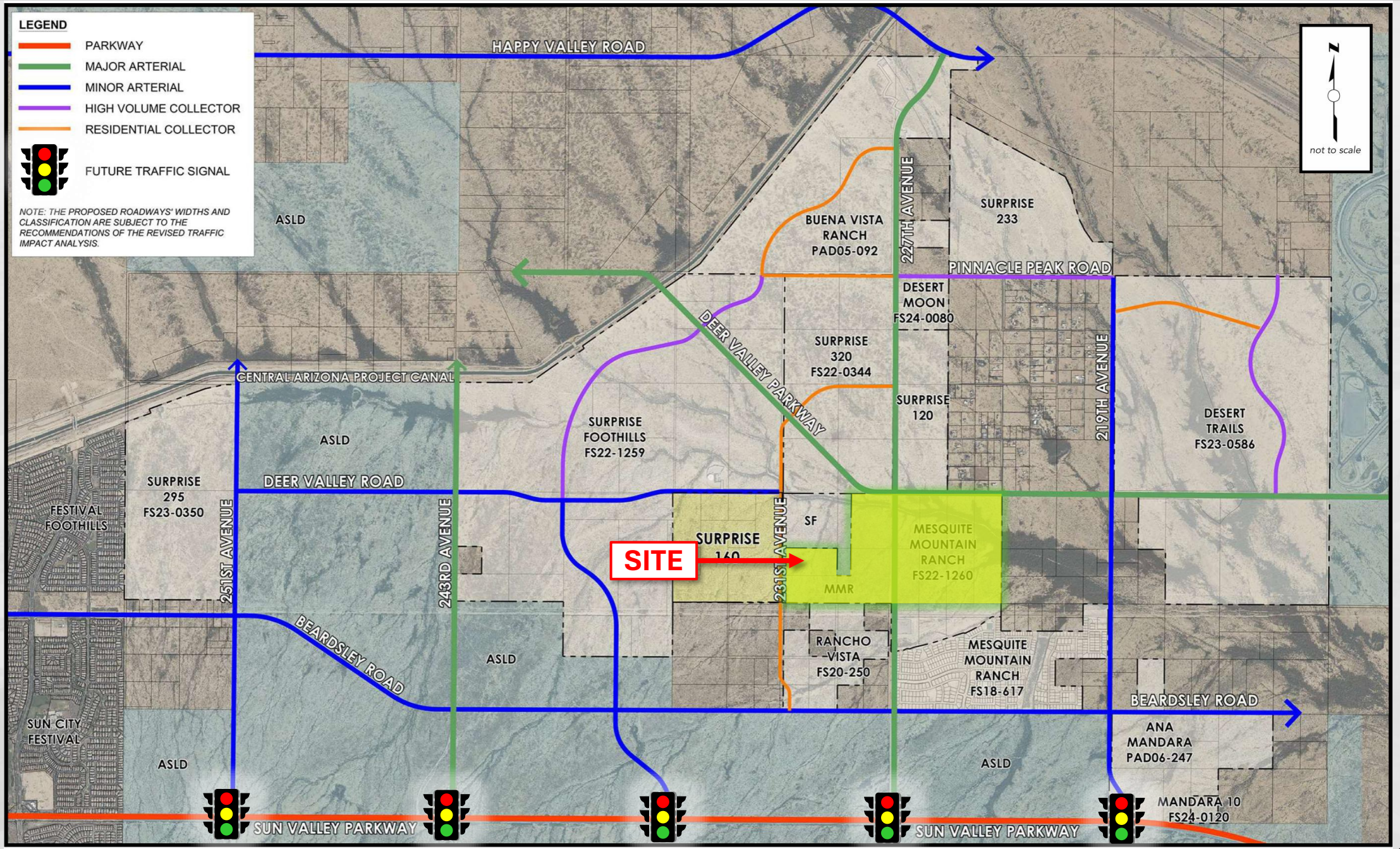
Table 106-2d – Residential Medium Density (R-2) Zoning District					
Lot Categories	**A[4]**		**B[4]**	**C**	**D**
General Plan Compatibility	Urban		Suburban	Suburban	Suburban
Lot area[1] (sf)	Single-family & Townhouse: 800-4.949	Duplex & Triplex: 4,000 – 4,949	4,950 – 7,999	8,000 – 11,999	≥ 12,000
Min. lot width (sf)	35		45	70	80
Min. front setback[2] (ft)	10		12	12	15
Max. front setback (ft)	25		25	25	30
Min. rear setback[2] (ft)	10		15	20	20
Min. side setback[2] (ft)	5[3]		5 & 8[2,3]	5 & 10	10
Min. street side setback [2,6] (ft)	10		10	10	10
Max. bldg. height (ft)	35		35	35	35
Open space (% of gross acres of residential development)[4]	25%		20%	20%	20%

Notes:

1.	At the sole discretion of the City, up to 5% of the total lots of a development may vary up to 5% in lot area to accommodate discrepancies in the lot category's respective lot area range, but in no case shall a lot in Lot Category A be less than 2,800 sf.
2.	Grage face and embellishments shall be setback a minimum of 18.5 feet measured from any opposing property line, except rear alley loaded garages, which shall be setback three (3) feet from alley edge line. Any portion of the 3-foot setback that is not a part of a driveway or walkway shall be fully landscaped. Walkways providing access to dwelling entryways may be located within the landscaped area.
3.	May be reduced to zero feet setback from single-family dwellings as attached building and separated by a common wall along the property line, and townhouses. End units must maintain the larger setback.
4.	The city requires open space on a subdivision or development site basis rather than on a lot-by-lot basis. Subdivisions with more than one (1) lot category will provide the higher percentage of open space.
5.	Residential development projects exceeding 150 total lots (including those with separate development parcels) shall contain no more than fifty (50) percent of lots that are less than forty (40) feet wide as calculated across whole subdivisions or preliminary plats and will include mitigating designs outlined in Chapter 108 of this ordinance.
6.	Corner lots where block endcap landscape tracts are provided are not subject to the minimum street side setbacks.

OPEN SPACE


RRO PROPERTIES
DEER VALLEY RD
PARCEL 2
15.8 AC.
PARCEL 1
19.5 AC.
PARCEL 3
13.1 AC.
PARCEL 4
216.5 AC.
231ST AVE
227TH AVE
UTILITY EASEMENT
"NO HOMES PERMITTED
WITHIN EASEMENT"
Legend
Regional Path
Community Path
Local Path
Bike Lane
Amenity Area
Zoning Classification
Gross AC.
R-1
19.5 AC.
R-2
232.3 AC.
OS-1
13.1 AC.
NOTE: ALIGNMENT SHOWN FOR DEER VALLEY ROAD IS CONCEPTUAL



REGIONAL TRAFFIC

Outreach

- **Citizen Participation Meeting (In-Person)**
  - October 16th , 2024
  - Willow Canyon High School
  - 5 attendees

- **Advertised according to the Surprise Land Development Ordinance (LDO)**

- **Questions/Concerns**
  - Deer Valley Road development / traffic, access to the site, water, density, and timing of development

Commission Recommendation

Planning & Zoning Commission recommended Approval to City Council subject to stipulations “a” through “d”

a. Development and use of the site shall be in compliance with Resolution 2026-14, Mesquite Mountain Ranch V Development Agreement.

b. Development and use of the site shall be consistent with the Rezone Narrative entitled “Mesquite Mountain Ranch V”, prepared by RVI Planning + Landscape Architecture, and received March 27, 2025.

c. Non-compliance with the stipulations of approval of this case will be treated as a violation in accordance with the applicable provisions of the Surprise Municipal Code.

d. The subject site shall not exceed a maximum of 975 residential dwelling units.

Questions or Comments?

THANK YOU

SURPRISE
ARIZONA

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Contact Person: Trever Fleetham, PLANNER SENIOR
Submitting Department: Community Development
District: District 4
Staff Recommendations:

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

Agenda Wording:
Consideration and action pertaining to the CIP Project P51010/G51730 Multi-Generational Community Resource Center Comprehensive Sign Program for the Surprise Community and Resource Center generally located at W. Santa Fe Dr. and N. Hollyhock St. Case FS25-0835.

Motion:
I move to approve/deny the Comprehensive Sign Program for Surprise Community and Resource Center, Case FS25-0835, subject to stipulations ‘a’ and ‘b’ as memorialized in the staff report.

Background:
Armando Lopez, City of Surprise, requests a Comprehensive Sign Program for the Surprise Community and Resource Center, generally located at the northwest corner of Santa Fe Dr. and Hollyhock St., to create consistency and request deviations.

Objective Analysis:
The subject Comprehensive Sign Program complies with the purposes and intent of the Surprise Municipal Code, and other applicable City of Surprise regulations. All city reviewing departments have reviewed the request and expressed no concerns.

Policy Compliant:
The subject Comprehensive Sign Program is consistent with the Surprise Municipal Code and advances the goals and policies of the General Plan.

Financial Impact:
While this item does not have an immediate or direct financial impact, ongoing development activity in the City will inevitably have a future financial impact as additional resources are needed to provide city services.

Budget Impact:
There is no anticipated budget impact related to this item.

FTE Impact:

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

ATTACHMENTS:

1. 00 - FS25-0835 CIP Project P51010 Multi-Gen CSP - Staff Report 03.03.26 CC
2. 01 - FS25-0835 CIP Project P51010 Multi-Gen CSP - Vicinity Map
3. 02 - FS25-0835 CIP Pojrect P51010 Multi-Gen CSP - Zoning Map
4. 03 - FS25-0835 CIP Project P51010 Multi-Gen CSP - CSP Document
5. 04 - FS25-0835 CIP Project P51010 Multi-Gen CSP - Citizen Participation Report
6. 05 - FS25-0835 CIP Project P51010 Multi-Gen CSP - Affidavit of Posting
7. FS25-0835 CIP Project P51010 Multi-Gen CSP - CC Presentation

Comprehensive Sign Program

REPORT TO THE CITY COUNCIL

Case:	**FS25-0835**
Project Name:	CIP Project P51010 Multi-Generational Community Resource Center Comprehensive Sign Program
Council District:	4 - Mulberry
Planning and Zoning Commission Date:	**March 03, 2026**
Planner:	Aslesha Basnet, Planner I

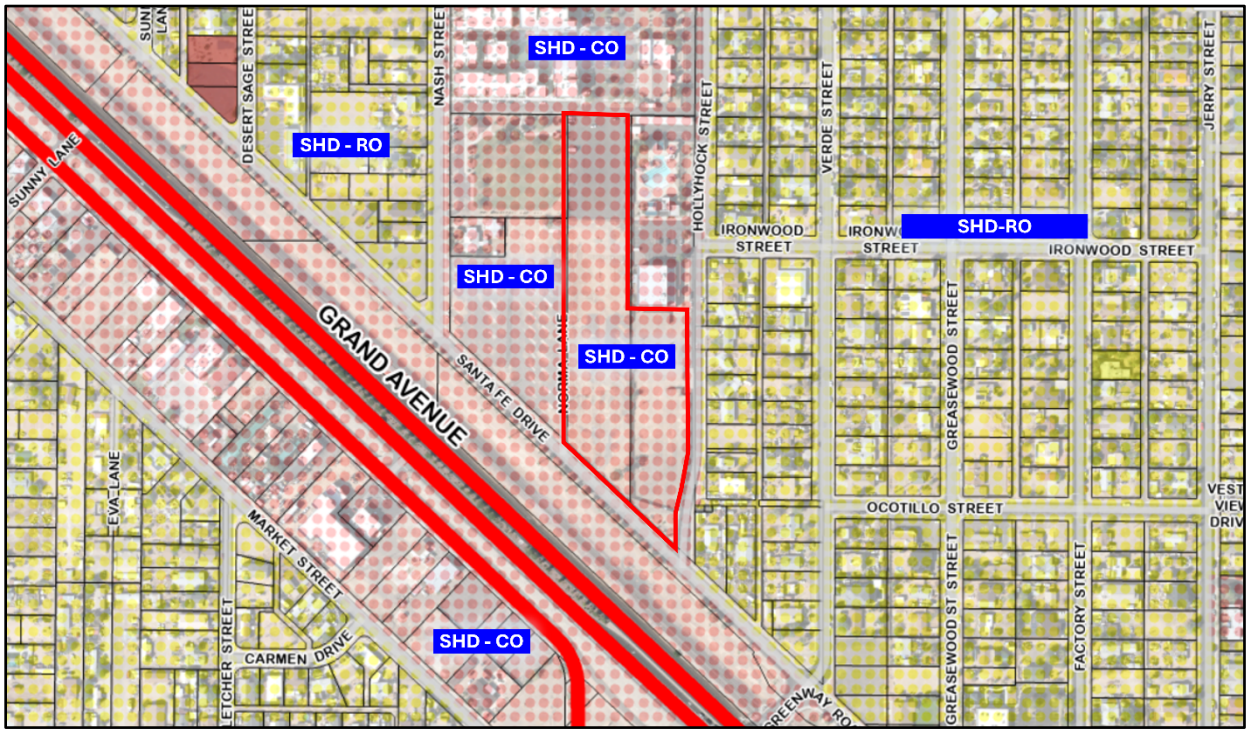
Owner:	City of Surprise 16000 N Civic Center Plaza Surprise, AZ 85374
Applicant:	Armando Lopez, Engineering Manager, City of Surprise
Request:	Comprehensive Sign Program (CSP) for the Surprise Community and Resource Center
Site Location:	Generally located on the Northwest corner of W. Santa Fe Dr. and N. Hollyhock St.
Site Size:	4 acres (approx.)
General Plan Conformance:	The proposal is consistent with the City of Surprise General Plan 2040 (the "General Plan").
Support/Opposition:	None known

Commission Recommendation: The Planning & Zoning Commission recommended approval of Case FS25-0853, CIP Project P51010 Multi-Generational Community Resource Center Comprehensive Sign Program, to the City Council at its regularly scheduled meeting on Thursday, February 19, 2026.

Project Description:

Armando Lopez with City of Surprise requests a Comprehensive Sign Program for the Surprise Community and Resource Center, a project generally located at the northwest corner of W. Santa Fe Dr. and N. Hollyhock St.

EXISTING ZONING:



Surprise Heritage District (Commercial Overlay)	Surprise Heritage District (Commercial Overlay)	Surprise Heritage District (Residential Overlay)
Surprise Heritage District (Commercial Overlay)	**Surprise Heritage District (Commercial Overlay)**	Surprise Heritage District (Residential Overlay)
Surprise Heritage District (Commercial Overlay)	Surprise Heritage District (Commercial Overlay)	Surprise Heritage District (Residential Overlay)

History:

December 06, 1960: The subject property was incorporated as part of the original townsite.

May 23, 2002: The City Council adopted "Specific Plan for the Revitalization of the Original Townsite" under Resolution No. 02-104.

January 16, 2025: The Site Plan for the subject site, case number FS24-0631, was administratively approved.

July 14, 2025: The Site Plan Amendment for the subject site, case number FS25-0181, was administratively approved.

August 7, 2025: A Concept Review Waiver for the subject application, case number CR25-0657, was administratively approved.

September 30, 2025: The applicant submitted the Comprehensive Sign Program ("CSP") for the Surprise Community and Resource Center application for the subject case.

November 12, 2025: The applicant held a neighborhood outreach meeting at Villanueva Community Center. A summary of this meeting is included in the Citizen Participation Report attached to this Staff Report.

Analysis and Discussion:

Armando Lopez, Engineering Manager, City of Surprise, requests approval of the CSP for the Surprise Community and Resource Center, encompassing approximately 4 acres generally bounded by W. Rimrock St to the north, W. Santa Fe Dr. to the South, N. Nash St. to the west and N. Hollyhock St. to the east. The CSP is developed pursuant to the Surprise Municipal Code to provide clear, effective, and appropriately scaled identification suitable for a civic facility; maintain aesthetic and material consistency with the Surprise Community and Resource Center's architecture; contribute to a safe and attractive visual environment for pedestrians, drivers, and surrounding public spaces within the Original Townsite community; and ensure durability, legibility, and long-term maintainability.

The proposed CSP requests deviations in height and area to the primary monument sign at W. Santa Fe Dr., which runs parallel and adjacent to Grand Avenue and is classified as a local road. While Class V monument signs are permitted on local roads, Class V signs have a maximum allowable height of eight feet (8') as measured from the edge of pavement of the street being served by the sign, and a maximum sign area of 32 square feet.

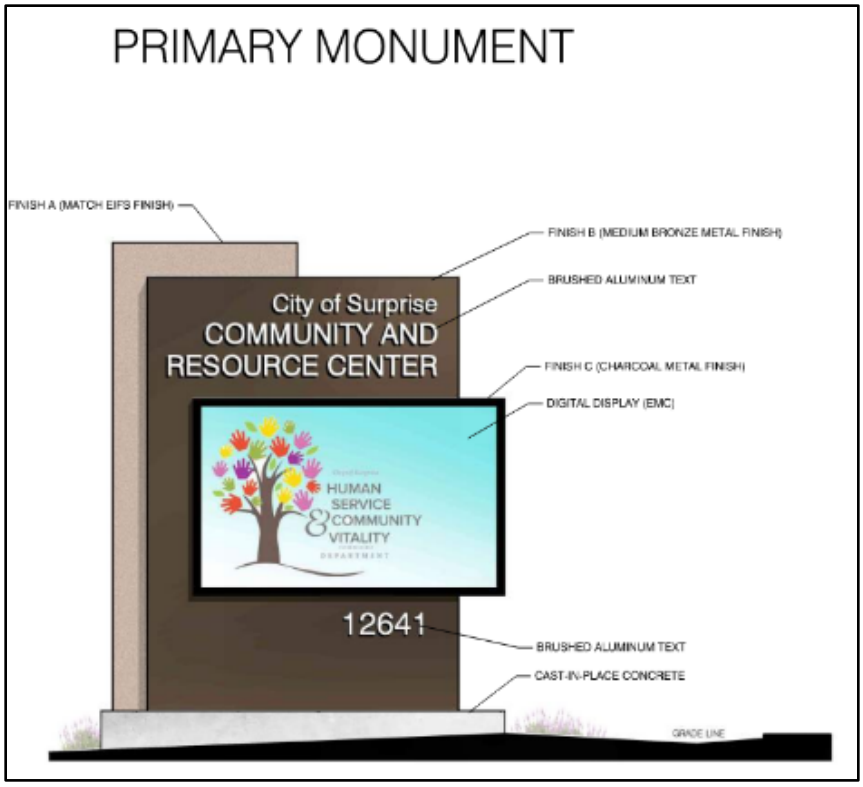
This CSP proposes a Class VI monument sign to increase the height and area allowances to ensure sufficient visibility. The Class VI monument sign type is permitted within non-residential zoning, but not on local roads. Because Grand Avenue is located directly behind W. Santa Fe Dr., the applicant believes a Class VI monument is warranted. With a height of fourteen feet and two inches (14'-2") and a maximum sign area of 56 square feet, the proposed sign otherwise meets all requirements of a Class VI monument sign.

Summary of Comprehensive Sign Program

The details of this CSP were evaluated against, and found to be in compliance with, the City of Surprise Land Development Ordinance ("LDO").

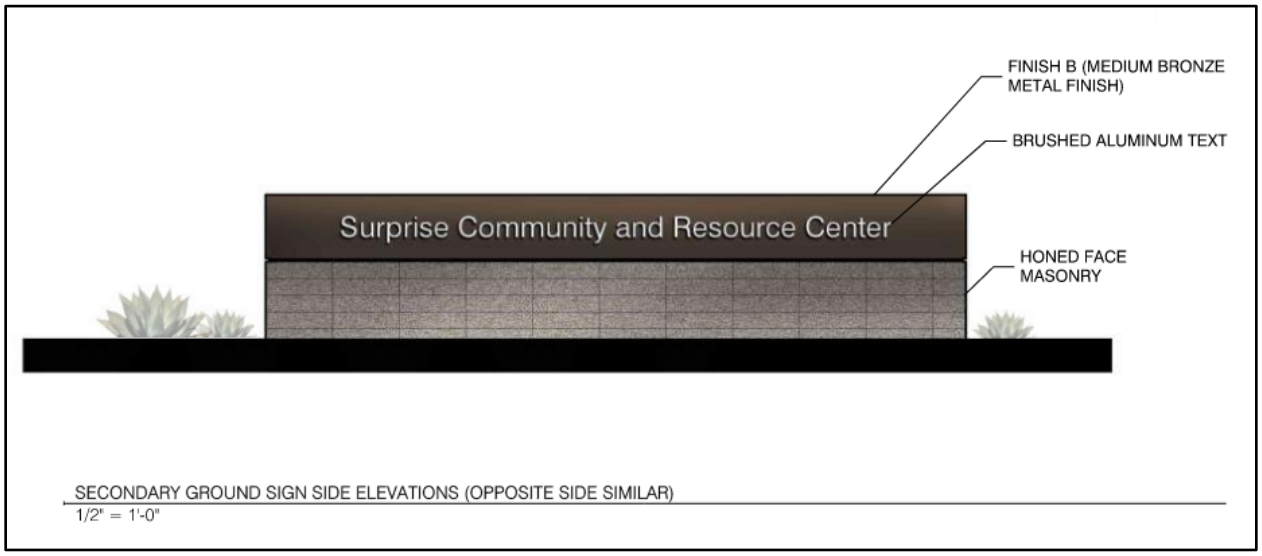
This CSP proposes three (3) permanent signs on the site. Each sign type is described below:

a. Primary Monument Sign (W. Santa Fe Dr.)
    i. Location: South edge of the site, adjacent to W. Santa Fe Dr.
    ii. Function: Primary identification for the Surprise Community and Resource Center; enhances visibility from the major approach road.
    iii. Characteristics: Monument-scale, internally illuminated lettering, level 2 EMC, low-profile base integrated with site grading and landscape.
    iv. Classification: The code classification of the proposed Primary Monument Sign is monument, class VI.
    v. EMC (Electronic Messaging Center): The EMC is located at the south edge of the site, adjacent to W. Santa Fe Dr. The proposed sign measures 14-feet and 2-inches in total height, and 11-feet and 4-inches in total width. The sign is comprised of aluminum, bronze metal, and charcoal metal finishes set atop a light sandblast finish cast-in-place concrete base. The sign uses a reverse pan channel letter, 1.25-inch returns brushed aluminum. The reverse pan channel letters are proposed to be halo illuminated with white LED modules stud mounted 1.0 inches off face of cabinet.

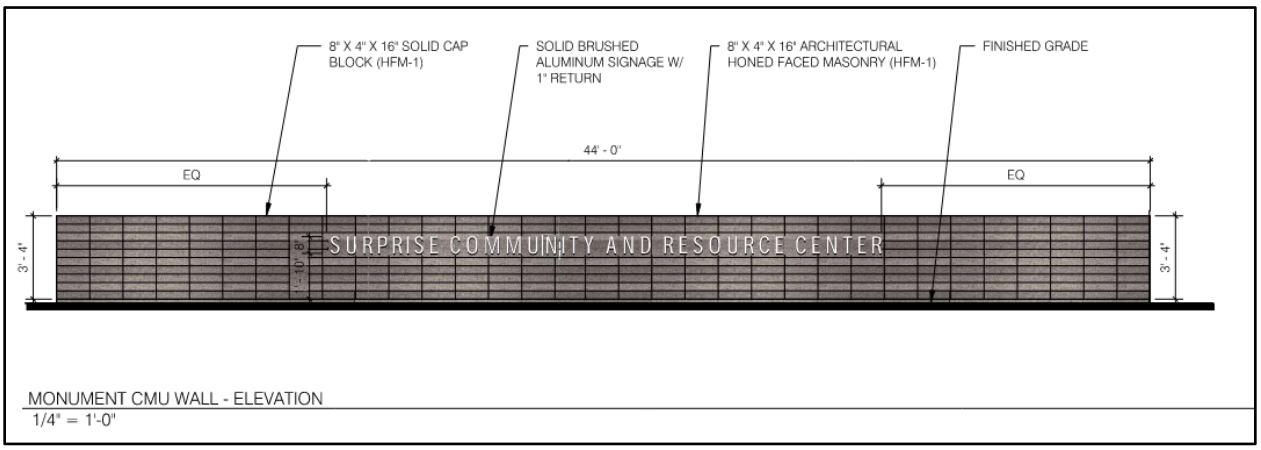


b. Secondary Ground Sign (N. Hollyhock St.)
    i. Location: Interior of development east of the Surprise Community and Resource Center.
    ii. Function: Supplemental facility identification for vehicles and pedestrians approaching from the east and from nearby civic facilities.
    iii. Characteristics: Smaller ground-mounted sign illuminated by ground lighting.

iv. Classification: The code classification of the proposed Secondary Ground sign is monument, class V.



c. Tertiary Ground Sign (Building Entry Area)
   i. Location: Near the primary pedestrian entry to the building.
   ii. Function: Close-range identification approaching building and confirmation of arrival for campus users.
   iii. Characteristics: Human-scale, architecturally integrated sign consistent with building materials and entry design, illuminated by ground lighting.
   iv. Classification: The code classification of the Tertiary Ground sign is monument, Class IV.



d. Materials

i. All proposed signage utilizes materials that are intentionally drawn from the building's exterior palette, including honed-faced masonry, EIFS, metal accent panels and coordinated color finishes. Lettering, bases, and frames will employ durable, exterior-grade metals consistent with the building architectural vocabulary.
ii. This approach ensures that the signage reads as an extension of the building, reinforcing the civic character of the campus and creating a consistent visual identity throughout the site.

Conformance with Adopted Plans:

General Plan: The General Plan shows the subject property as lying within the Surprise Heritage District, as well as the Commercial Overlay, which support a variety of land uses, including commercial. The proposed CSP supports the commercial development within its area while acting as an aesthetic enhancement to the area. In that regard, the proposal is consistent with the General Plan.

Summary:

The proposed CSP provides a cohesive signage package that enhances the identity, wayfinding, and visibility of the Surprise Community and Resource Center. The proposed CSP integrates seamlessly with the architectural character of the building and the larger campus while conforming to City standards.

The proposed signage meets the requirements of Surprise Municipal Code § 109-1.15 with respect to Comprehensive Sign Programs and does not introduce a sign type that is otherwise prohibited. The applicant's purpose to create a CSP for this development is to improve public accessibility and facilitate effective wayfinding for the Surprise Community and Resource Center campus, thereby supporting its function as a multi-service civic facility.

Citizen Outreach:

The applicant held a Neighborhood Outreach Meeting on November 12, 2025, at the Villanueva Community Center located at 15660 N. Hollyhock St., Surprise, AZ 85378. The meeting was posted and advertised in accordance with Surprise Municipal Code and State statute. There was one (1) resident in attendance; however, there were no questions related to signage. Staff has not received any support or opposition to the CSP request.

Findings:

- The proposed CSP is consistent with the General Plan.
- The proposed CSP is consistent with the applicable Surprise Municipal Code provisions.

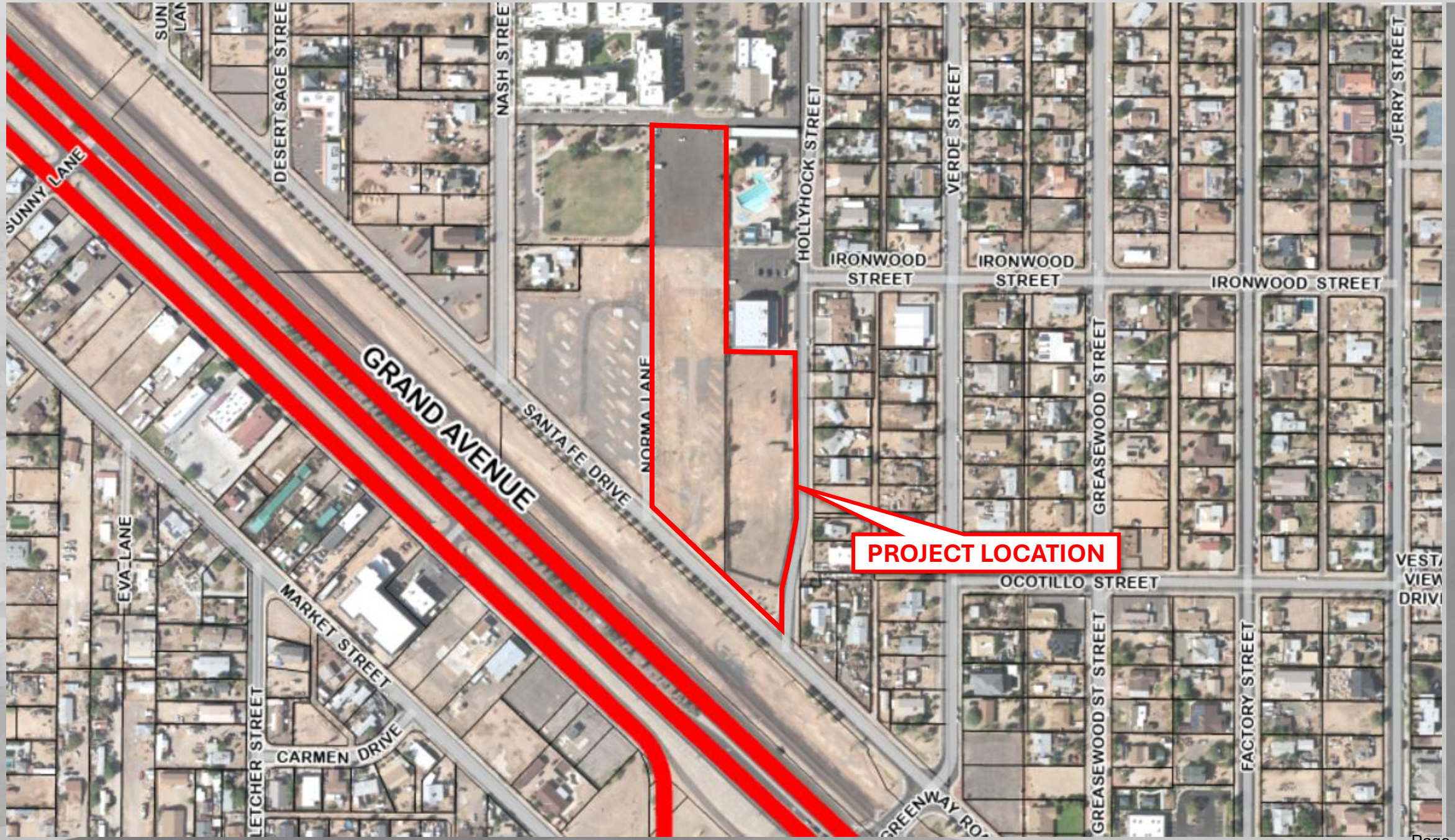
Recommendation:

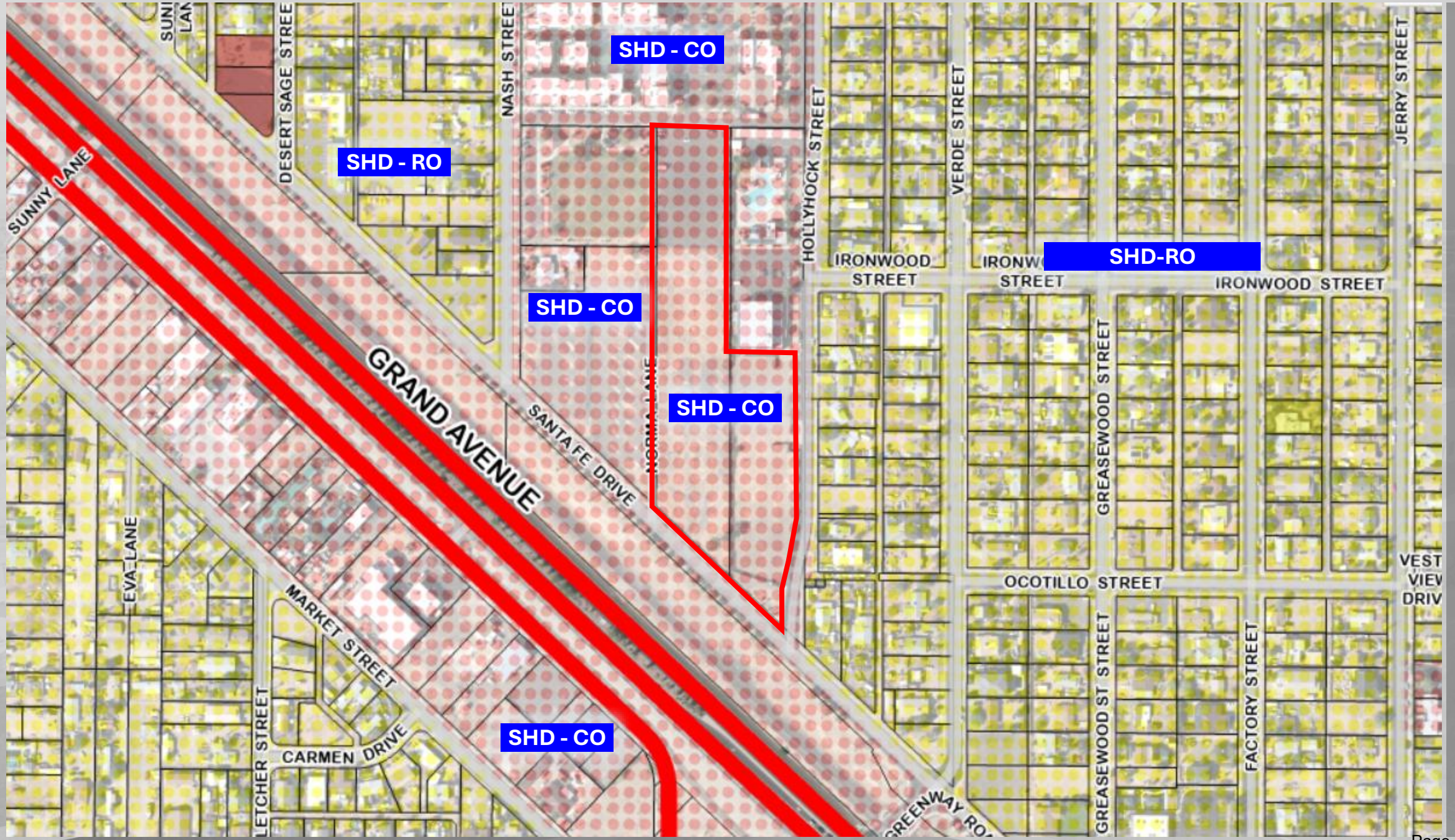
The Planning & Zoning Commission recommended to the City Council approval of Case FS 25-0853, CIP Project P51010 Multi-Generational Community Resource Center

Comprehensive Sign Program during its regular meeting held on Thursday, February 19, 2026.

Attachments:

01 Vicinity Map
02 Zoning Map
03 Comprehensive Sign Program Document
04 Citizen Participation Report
05 Affidavit of Posting
PPT


VICINITY MAP
PROJECT LOCATION
GRAND AVENUE
SANTA FE DRIVE
NORMA LANE
NASH STREET
DESERT SAGE STREET
SUNNY LANE
HOLLYHOCK STREET
VERDE STREET
IRONWOOD STREET
IRONWOOD STREET
IRONWOOD STREET
JERRY STREET
GREASEWOOD STREET
OCOTILLO STREET
GREASEWOOD ST STREET
FACTORY STREET
MARKET STREET
CARMEN DRIVE
EVA LANE
LETCHER STREET


SHD - CO
SHD - RO
SHD - CO
SHD - CO
SHD - CO
SHD-RO
GRAND AVENUE
SUNNY LANE
DESERT SAGE STREET
NASH STREET
HOLLYHOCK STREET
VERDE STREET
JERRY STREET
IRONWOOD STREET
IRONWOOD STREET
IRONWOOD STREET
SANTA FE DRIVE
NORMA LANE
GREASEWOOD STREET
OCOTILLO STREET
EVA LANE
MARKET STREET
CARMEN DRIVE
LETCHER STREET
GREASEWOOD ST STREET
FACTORY STREET
GREENWAY RO
VEST
VIEW
DRIV

ZONING MAP

SURPRISE COMMUNITY AND RESOURCE CENTER

COMPREHENSIVE SIGN PROGRAM

FS25-0835 MULTIGENERATIONAL COMMUNITY RESOURCE CENTER

SURPRISE
ARIZONA



01 Jan. 2026
FS25-0835

gla
gabor lorant architects

PROJECT

Surprise Community and Resource Center
12641 West Santa Fe Drive
Surprise, AZ 85378
A.P.N. 501-80-038A

PROJECT OWNER

City of Surprise
16000 N Civic Center Plaza
Surprise, AZ 85374

SIGN VENDOR

Summit West Signs
4049 E. Presidio
St., Ste 101,
Mesa, AZ 85215

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Project Materials and Finishes

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Secondary Ground Sign

Tertiary Ground Sign

INTRODUCTION

The Surprise Community and Resource Center is located within the SHD-CO zoning district and when completed, will serve as a central civic facility for the City of Surprise. As part of the facility development, a coordinated signage program is proposed to support wayfinding, public visibility, and site identity for this important community asset.

This Comprehensive Sign Program (CSP) establishes the standards and design intent for all proposed monument and ground signs located on the Community and Resource Center site. The CSP is intended to provide a unified and architecturally cohesive signage package that aligns with the buildings material palette, enhances campus wayfinding, and maintains compatibility with the surrounding civic environment.

1. General Permit Requirements
All permanent signage included in this CSP shall be submitted to the City of Surprise for review and approval, and a sign permit must be obtained prior to fabrication or installation of any sign. All signage shall comply with the City of Surprise Sign Code in effect at the time of sign-permit submittal, unless a specific deviation is identified and approved through this CSP.

2. Project Background and Existing Conditions
The Community and Resource Center will function as a multi-service civic building providing community programs, social services, and recreation facilities. The site fronts two public rights-of-way, Santa Fe Drive to the north and Hollyhock Street to the west, creating multiple approach paths for both vehicles and pedestrians.

There are no existing permanent monument signs serving the facility. This CSP establishes three new monument/ground signs at key campus locations to improve navigation and reinforce civic identity.

3. Proposed On-Site Signage
The CSP proposes three (3) permanent signs on the site. Each sign type is described below:

3.1 Primary Monument Sign (Santa Fe Drive)
- **Location:** South edge of the site, adjacent to Santa Fe Drive.
- **Function:** Primary identification for the Community and Resource Center; enhances visibility from the major approach road.
- **Characteristics:** Monument-scale, internally illuminated lettering, level 2 EMC, low-profile base integrated with site grading and landscape.
- **Classification:** The code classification of the proposed Primary Monument Sign is monument, class VI.

3.2 Secondary Ground Sign (Hollyhock Street)
- **Location:** Interior of development east of the Community and Resource Center.
- **Function:** Supplemental facility identification for vehicles and pedestrians approaching from the east and from nearby civic facilities.
- **Characteristics:** Smaller ground-mounted sign illuminated by ground lighting.
- **Classification:** The code classification of the proposed Secondary Ground Sign is monument, class IV.

3.3 Tertiary Ground Sign (Building Entry Area)

- **Location**: Near the primary pedestrian entry to the building.
- **Function**: Close-range identification approaching building and confirmation of arrival for campus users.
- **Characteristics**: Human-scale, architecturally integrated sign consistent with building materials and entry design, Illuminated by ground lighting.
- **Classification:** The code classification of the Tertiary Ground Sign is monument, class IV.

4. Materials, Colors, and Architectural Integration

All proposed signage utilizes materials that are intentionally drawn from the buildings exterior palette, including honed-face masonry, EIFS, metal accent panels and coordinated color finishes. Lettering, bases, and frames will employ durable, exterior-grade metals consistent with the buildings architectural vocabulary.

This approach ensures that the signage reads as an extension of the building, reinforcing the civic character of the campus and creating a consistent visual identity throughout the site.

5. Compliance, Compatibility, and General Criteria

The proposed signage program is designed to:

- Comply with the City of Surprise Sign Code unless otherwise specified in this CSP.
- Provide clear, effective, and appropriately scaled identification suitable for a civic facility.
- Maintain aesthetic and material consistency with the Community and Resource Centers architecture.
- Contribute to a safe and attractive visual environment for pedestrians, drivers, and surrounding public spaces within the OTS community.
- Ensure durability, legibility, and long-term maintainability.
- A statement is hereby included that: All signs shall comply with the City of Surprise Sign Code in effect at the time of permit submittal, unless a deviation included in this CSP is specifically approved by City Council.

6. Proposed Deviation

The CSP requests the following deviation from the SHD-CO district and/or Surprise Sign Code: Height Adjustment to the primary monument sign at Santa Fe Drive.

6.1 Existing Allowed Standard

Santa Fe Drive, which runs parallel to and adjacent to Grand Avenue, is classified by the City of Surprise as a local road. The Sign Code permits a Class V monument sign on local roads. Class V signs have a maximum allowable height of eight feet as measured from the edge of pavement of the street being served by the sign and a maximum sign area of 32 square feet (109-1.6.4) .

6.2 Proposed Alternative Standards

The CSP proposes to increase the height of the proposed primary monument sign to fourteen feet eight inches. This height falls within the design limitations of a class VI sign as permitted within non-residential SHD-CO zoning (109-1.9(c)(5)). In addition, CSP proposes to increase the sign area to 56 square feet (including EMC). For Class VI signs, the Code permits 36 square feet at 8’-0” in height, increasing by 12 square feet per each additional foot of overall height, up to 120 square feet ft. At 14’-2”, the allowable sign area is greater than 100 square feet. The proposed sign area of 45.96 sq. ft. per side (including EMC) complies (109-1.9(c)(5)).

6.3 Rationale for Deviations

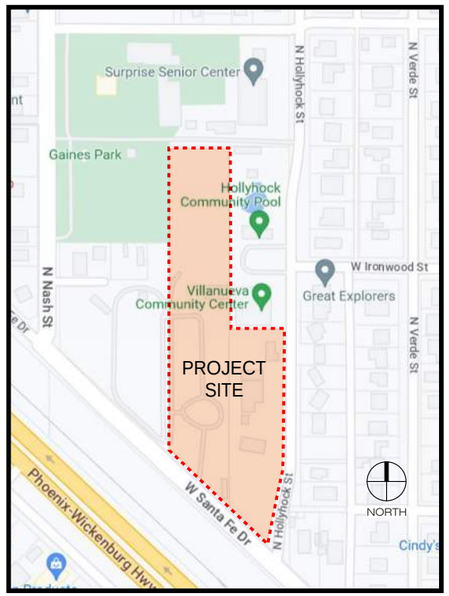
Given that the sole development separating Santa Fe Drive from Grand Avenue is the existing railroad line, and in consideration of the primary monument signs intended orientation toward Grand Avenue and its significant distance from the nearest residential use, Applicant believes the proposed increase in sign height and sign area is reasonable. The additional height and area will enhance visibility, improve public accessibility, and facilitate effective wayfinding for the Community and Resource Center campus, thereby supporting its function as a multi-service civic facility.

7. Summary

This Comprehensive Sign Program provides a cohesive signage package that enhances the identity, wayfinding, and visibility of the Surprise Community and Resource Center. The proposed signs integrate seamlessly with the architectural character of the building and the larger campus while conforming to City standards or seeking limited deviations for improved function.



Surprise Community and Resource Center - South Elevation



LOCATION MAP
Not To Scale

NORTH

PROJECT BACKGROUND

The City of Surprise is partnering with Maricopa County to construct a state of the art 35,000 sq. ft. multi-generational community and resource center to serve the Northwest Valley.

The new Surprise Community and Resource Center will serve as a long-term investment into Surprise's economic resiliency and community well-being, increasing opportunities for prevention and mitigation programs and services.

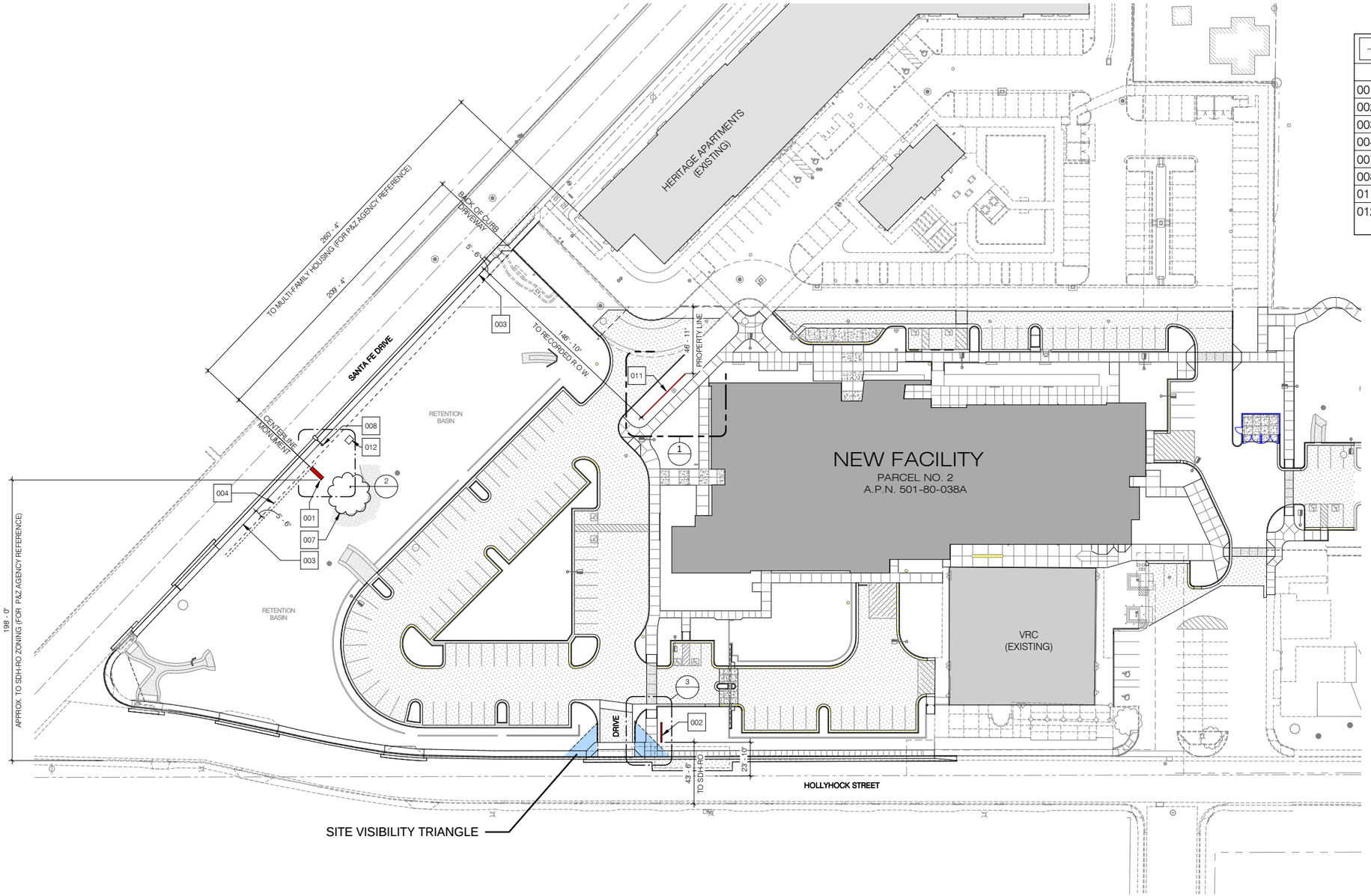
This new center at Hollyhock Street and Santa Fe Drive, in the heart of the Original Town Site of Surprise, will serve the entire Northwest Valley by bringing an array of community services under one roof.

Visitors will have access to health and wellness programs, Head Start classrooms, workforce development, housing and homeless assistance, benefits assistance, veteran services, senior services, after school youth programs, summer youth programs and expanded library services.

The Surprise Community & Resource Center is being made possible through an intergovernmental agreement between the City of Surprise and Maricopa County. The county is dedicating $18 million of its federal American Rescue Plan Act (ARPA) funding to the project and the City is committing $8 million from a combination of the City's federal ARPA and Health Resources and Services Administration funds, as well as City General Fund dollars.

The new Surprise Community and Resource Center is being constructed on, City-owned land in our historic Original Town Site. The center will be visible from Grand Avenue and is just west of the Hollyhock Pool and the Villanueva Recreation Center.

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~	KEYNOTES - NEW WORK
001	PRIMARY MONUMENT SIGN
002	SECONDARY GROUND SIGN
003	BACK OF EXISTING SIDEWALK
004	LINE OF EXISTING RECORDED RIGHT-OF-WAY
007	EXISTING TREE TO REMAIN
008	EXISTING STREET LIGHT TO REMAIN
011	TERTIARY GROUND SIGN
012	PROPOSED 10 KVA GROUND TRANSFORMER ON CONCRETE PAD

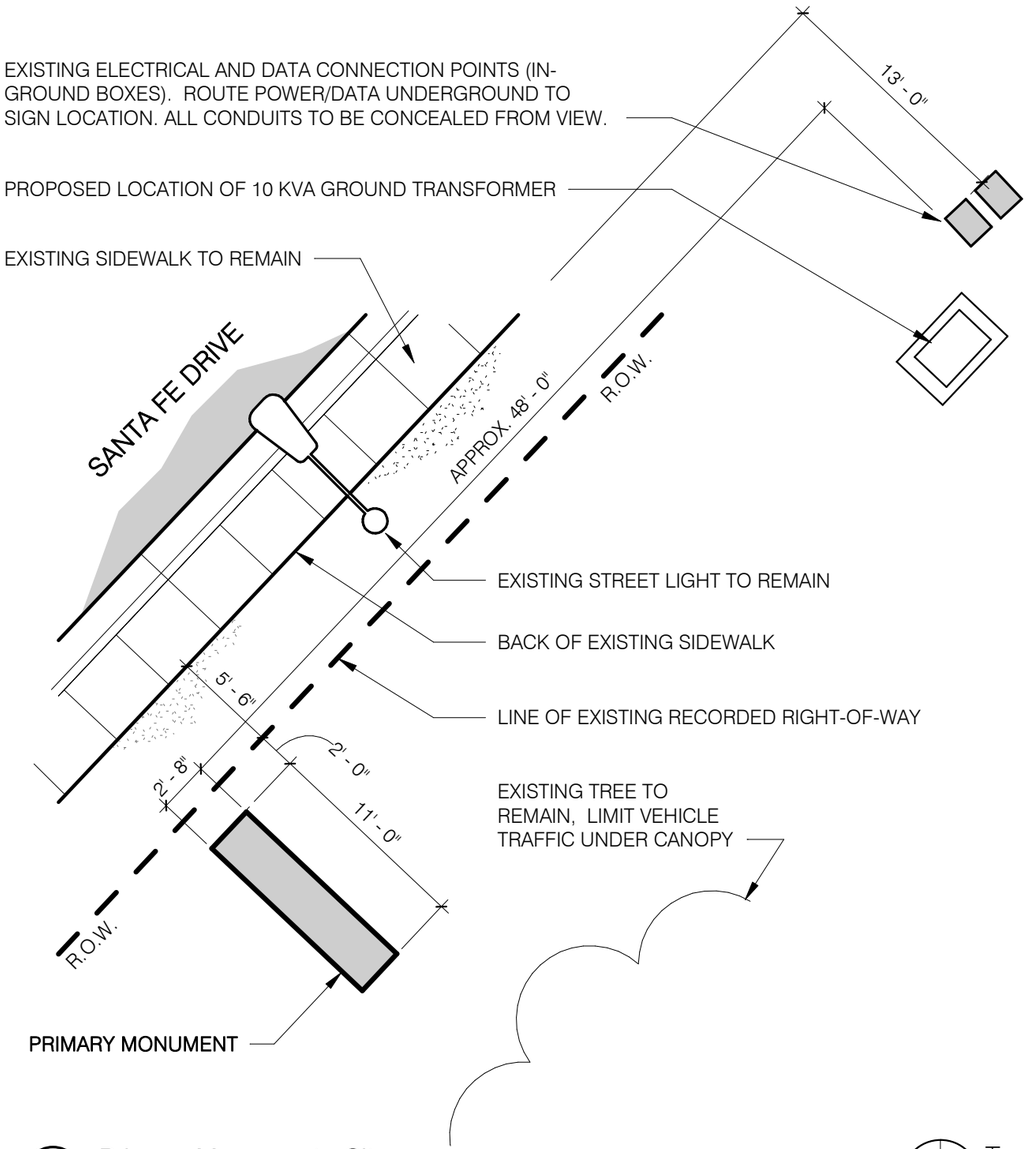
SIGN LOCATION SITE PLAN

1" = 80'

NORTH

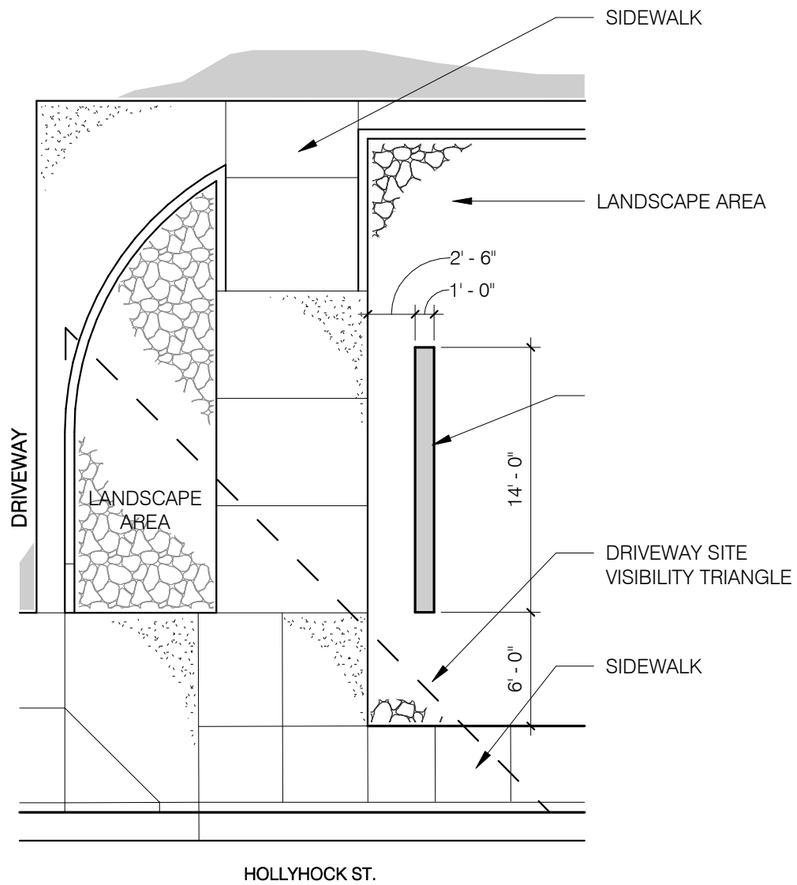
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ENLARGED PLANS



2 Primary Monument - Site
1/8" = 1'-0"

NORTH

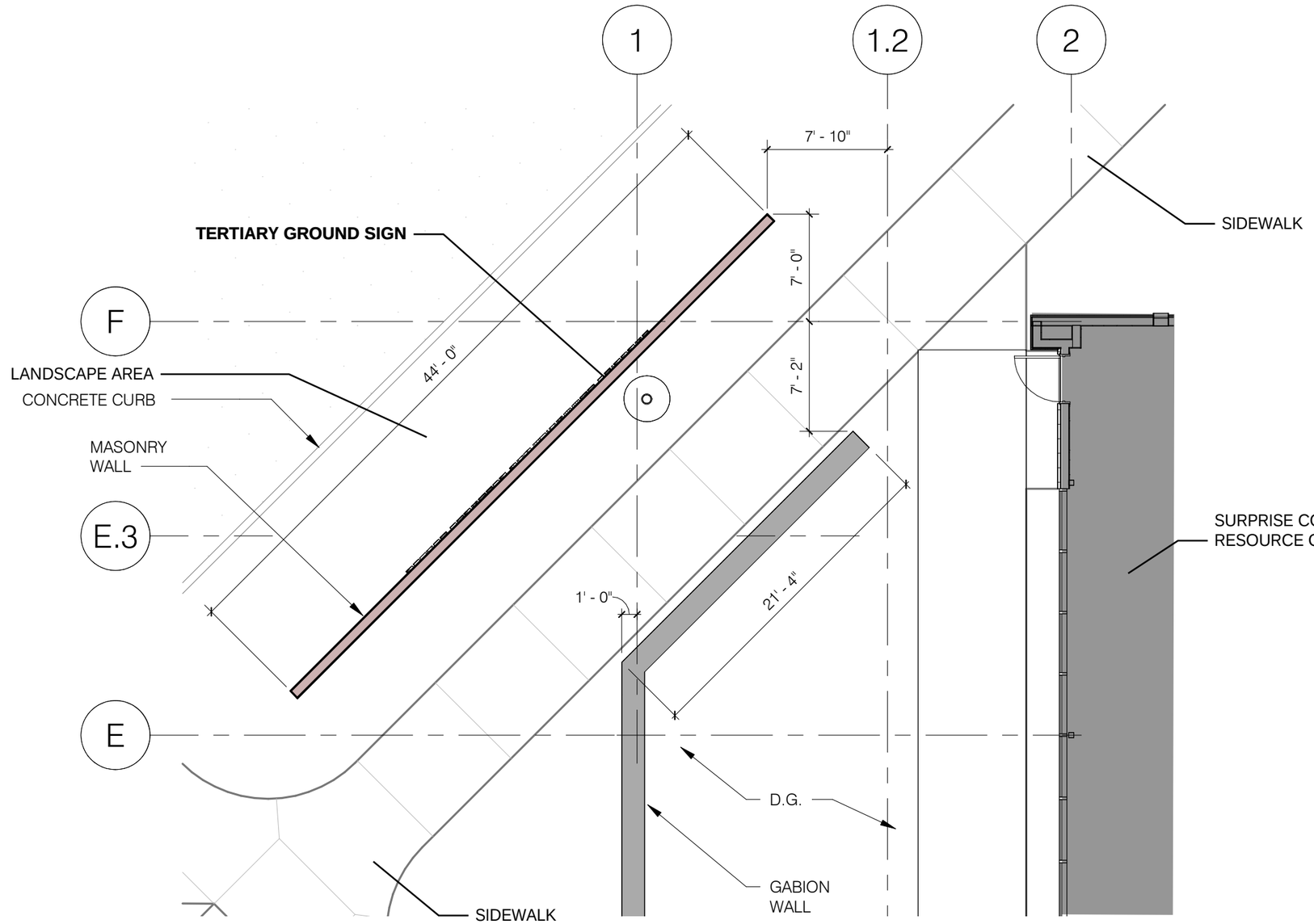


3 Secondary Ground Sign - Site
1/8" = 1'-0"

NORTH

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ENLARGED PLANS



1 Tertiary Ground Sign - Site
1/8" = 1'-0"

NORTH

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PROJECT MATERIALS AND FINISHES

Materials and Colors

All materials and finishes selected for the signage are drawn directly from the building's exterior material palette, including complementary stone, metal, and color finishes. This integration ensures the signage presents as an extension of the building design, creating a cohesive architectural identity across the site.



EIFS Dryvit 105 Suede
(Exterior Walls)



Anodized Aluminum
(Window Frames)



Honed Face Masonry
Echelon honed (ground) face
color: peppercorn to match existing



Medium Bronze Metal Finish
(Panels above building entries)



Cast-in-place Concrete
(Site Benches)



Cor-Ten AZP Raw
(Metal wall panels)



Java SW 6090
(Painted Metal)

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PRIMARY MONUMENT



The proposed primary monument sign is located in SHD-CO zoning approximately 198 feet from the nearest single-family residential zoning and 2 feet from the right-of-way line, in compliance with the setback requirements of the applicable code.

- Applicant notes that Class VI monument signs are permitted within non-residential SHD-CO zoning (109-1.9(c)(5)).
- Height: For Class VI signs, the Code permits 8’-0” at 80 feet from residential zoning, increasing 1’-6” per additional 10 feet, up to 17’-0” (with architectural elements above 15’-0”). At 198 feet, the allowable height is greater than 14’-2”. The proposed sign height of 14’-2” is compliant for Class VI signs (109-1.9(c)(5)).
- Sign Area: For Class VI signs, the Code permits 36sq. ft. at 8’-0” in height, increasing by 12 sq. ft. per each additional foot of overall height, up to 120 sq. ft. At 14’-2”, the maximum allowable sign area is greater than 100 sq. ft. The proposed sign area of 56 sq. ft. per side (including EMC) complies (109-1.9(c)(5)).
- Setback: The proposed sign is located 2 feet from the right-of-way line, meeting the minimum required setback. No conflict with public utility easements has been identified (109-1.9(c)(5)).
- Electronic Messaging Center (EMC): A Level 2 EMC is permitted in SHD-CO zoning and is included as part of the proposed sign (109-1.11).

PROJECT FINISHES

Sign Cabinet Finish A
Match Dryvit EIFS 105 Suede

Sign Cabinet Finish B
Medium Bronze Metal Finish

Sign Cabinet Finish C
Charcoal Metal Finish

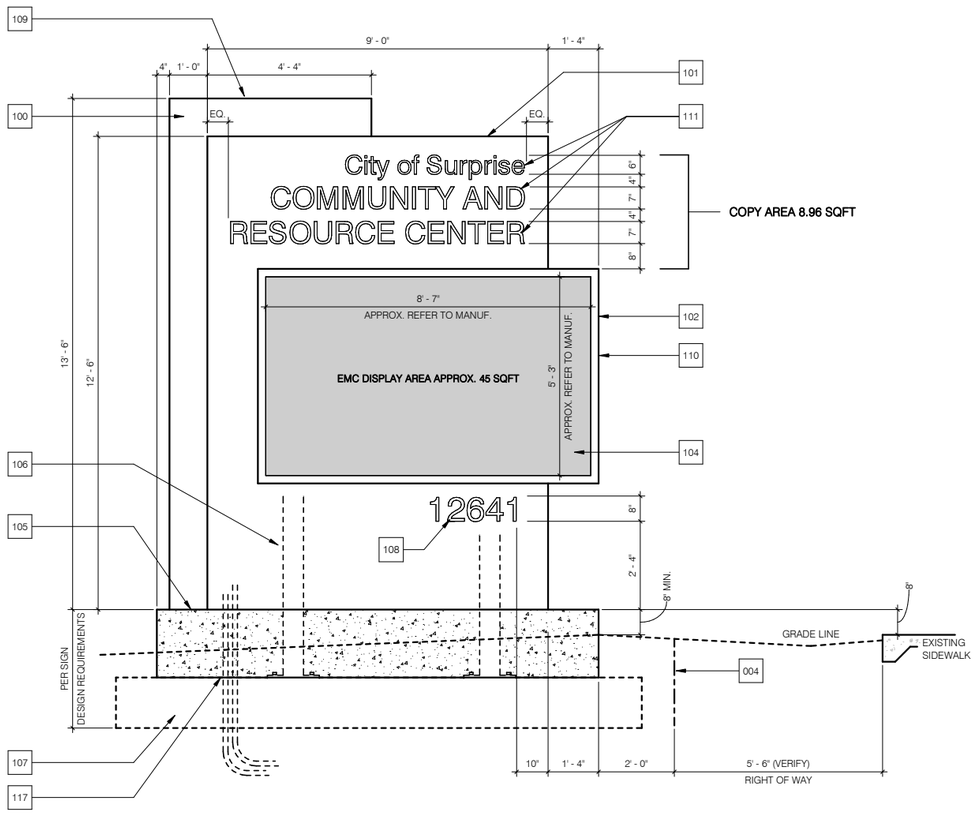
Brush Aluminum Text

Cast-in-place Concrete

Honed Face Masonry
Echelon honed (ground) face
color: peppercorn to match existing

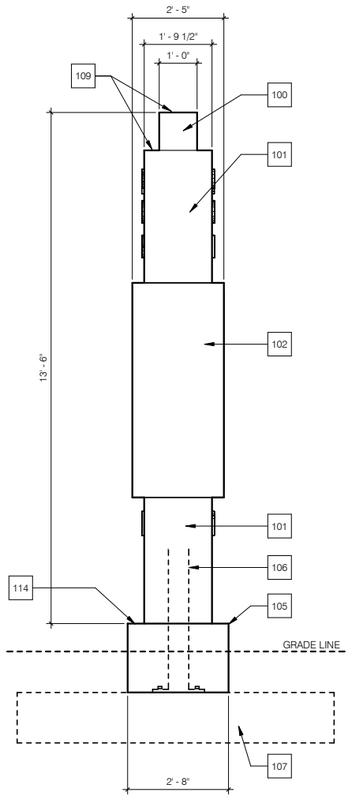
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PRIMARY MONUMENT



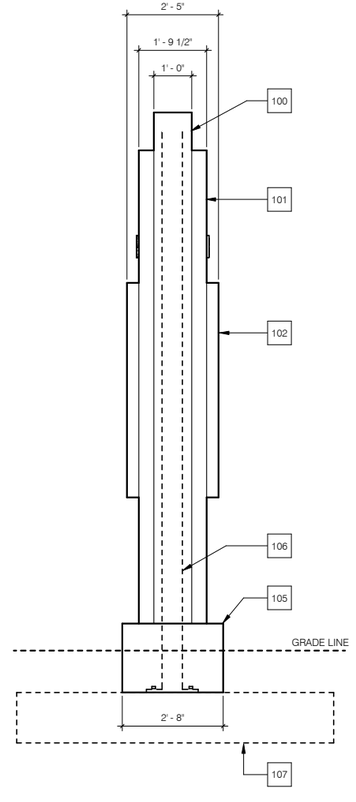
1 PRIMARY MONUMENT SIDE ELEVATION (OPPOSING SIDE SIMILAR)

1/4" = 1'-0"



2 PRIMARY MONUMENT FRONT ELEVATION

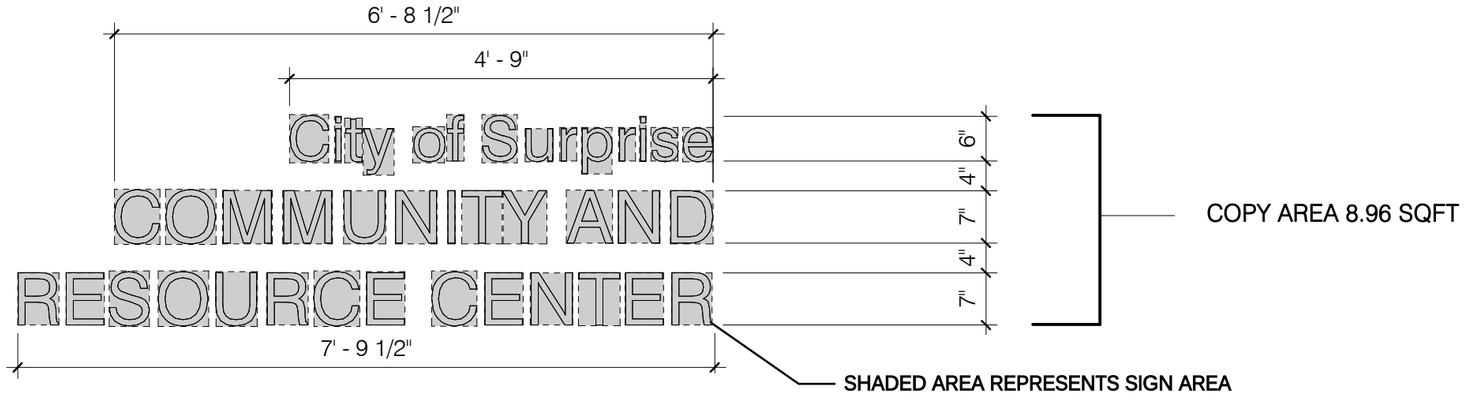
1/4" = 1'-0"



3 PRIMARY MOUNMENT REAR ELEVATION

1/4" = 1'-0"

~	KEYNOTES
004	LINE OF EXISTING RECORDED RIGHT-OF-WAY
100	DOUBLE-SIDED ALUMINUM SIGN CABINET - FINISH A
101	DOUBLE-SIDED ALUMINUM SIGN CABINET - FINISH B
102	DOUBLE-SIDED ALUMINUM SIGN CABINET AT ELECTRONIC DISPLAY - FINISH C
104	ELECTRONIC DISPLAY - CABINET TO INCLUDE MOUNTING SUPPORTS, TRIMS, VENTS, POWER/DATA CONNECTIONS, ETC. SEE SPECIFICATIONS FOR DISPLAY UNIT INFORMATION.
105	CAST-IN-PLACE CONCRETE BASE WITH LIGHT SANDBLAST FINISH - SLOPE UPPER SURFACE OF CONCRETE TO DRAIN 1/8-INCH PER FOOT
106	TUBE STEEL SUPPORT AND FOUNDATION BY SIGN PROVIDER
107	CONCRETE FOUNDATION BY SIGN PROVIDER
108	1/4-INCH THICK FCO ALUMINUM NUMBERS - BRUSHED ALUMINUM FINISH
109	TOP OF CABINETS SHALL BE WATER-SHEDDING & WEATHERTIGHT - TYP.
110	DESIGN SIGN CABINET TO PROVIDE ADEQUATE VENTILATION FOR DIGITAL DISPLAY AND LIGHTING COMPONENTS. LOCATE CABINET VENTS CONCEALED FROM VIEW TO GREATEST EXTENT POSSIBLE - ALL VENTS SHALL MATCH FINISH OF CABINET PANEL RECEIVING VENT
111	REVERSE PAN CHANNEL LOGO 1.25-INCH RETURNS BRUSHED ALUMINUM HALO ILLUMINATED WITH WHITE LED MODULES STUD MOUNTED 1.0 INCHES OFF FACE OF CABINET
114	SLOPE TOP OF CONCRETE TO DRAIN 1/8-INCH FOOT
115	12 X 4 X 16 STACKED BOND MASONRY - ECHELON HONED (GROUND) FACE / COLOR: PEPPERCORN TO MATCH EXISTING
116	FOOTING AND STEM WALL PER STRUCTURAL DETAIL 17/S302
117	ROUTE POWER/DATA CONDUITS UNDERGROUND TO INTERIOR OF SIGN CABINET(S). ALL CONDUITS TO BE CONCEALED FROM VIEW. EXTEND POWER CONDUIT FROM EXISTING IN-GROUND ELECTRICAL BOX. SEE SPECIFICATIONS FOR FULL ELECTRICAL SCOPE OF WORK. PROVIDE 1-1/2" EMPTY CONDUIT WITH PULL STRING FROM IN-GROUND DATA BOX TO SIGN INTERIOR FOR FUTURE DATA CONNECTION

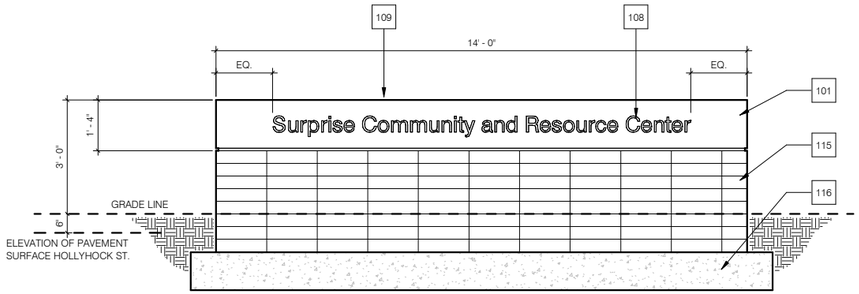


Sign Area Method of Measurement:

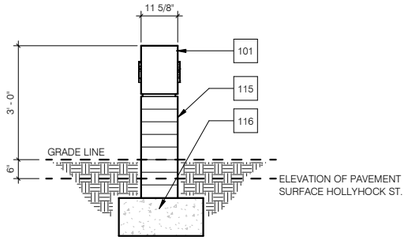
Individual letters of unframed sign are mounted directly to the sign structure; thus, the sign area is determined by calculating the smallest rectangle or combination of rectangles containing sign copy.

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SECONDARY GROUND SIGN



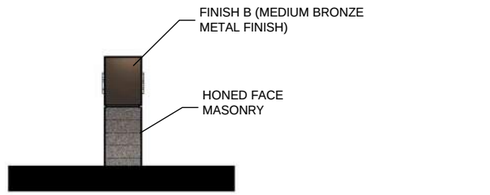
4 SECONDARY GROUND SIGN SIDE ELEVATIONS (OPPOSITE SIDE SIMILAR)
1/4" = 1'-0"



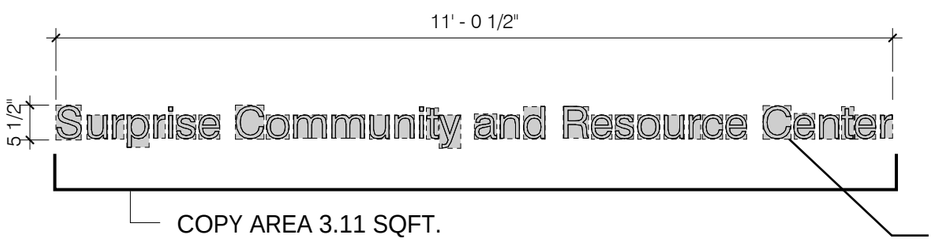
5 SECONDARY GROUND SIGN END ELEVATIONS (OPPOSITE END SIMILAR)
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SECONDARY GROUND SIGN SIDE ELEVATIONS (OPPOSITE SIDE SIMILAR)
1/2" = 1'-0"



SECONDARY GROUND SIGN END ELEVATIONS (OPPOSITE END SIMILAR)
1/2" = 1'-0"



Sign Area Method of Measurement:

Individual letters of unframed sign are mounted directly to the sign structure; thus, the sign area is determined by calculating the smallest rectangle or combination of rectangles containing sign copy.

PROJECT FINISHES

Sign Cabinet Finish A
Match Dryvit EIFS 105 Suede

Sign Cabinet Finish B
Medium Bronze Metal Finish

Sign Cabinet Finish C
Charcoal Metal Finish

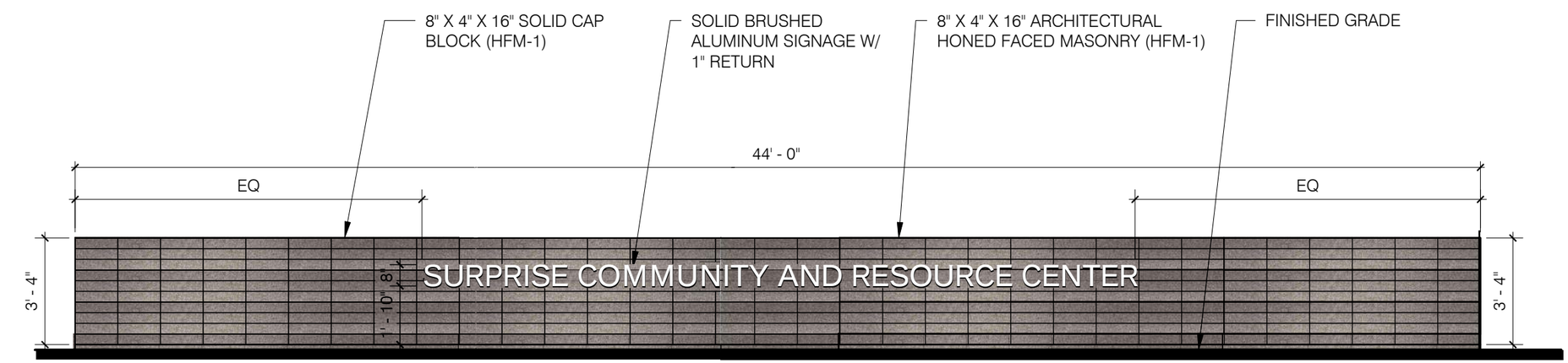
Brush Aluminum Text

Cast-in-place Concrete

Honed Face Masonry
Echelon honed (ground) face
color: peppercorn to match existing

01 Jan. 2026
FS25-0835

TERTIARY GROUND SIGN



MONUMENT CMU WALL - ELEVATION
1/4" = 1'-0"



Sign Area Method of Measurement:

Individual letters of unframed sign are mounted directly to the sign structure; thus, the sign area is determined by calculating the smallest rectangle or combination of rectangles containing sign copy.

01 Jan. 2026
FS25-0835

Citizen Participation Report

FS25-0835

Comprehensive Sign Program

Surprise Community & Resource Center

CIP P51010

Project Owner

City of Surprise
16000 N Civic Center Plaza
Surprise, AZ 85374

Project Location

Surprise Community and Resource Center
12641 West Santa Fe Drive
Surprise, AZ 85378

Contacts

Human Service & Community Vitality – Seth Dyson and Deb Perry
CIP – Armando Lopez

Meeting Details

The Citizen Outreach Meeting took place on Wednesday, November 12, 2025 at the Villanueva Recreation Center at 6 p.m.

Twenty-two mailings went out to the residents located within 300 feet of the project site. Names and addresses are on file with the Community Development Department, Planning Division.

Public notice signage was posted on the site on October 28th notifying the neighborhood of the upcoming meeting. One sign was placed on the corner of Hollyhock Street and Santa Fe Drive. The other sign is located on Santa Fe Drive. (Affidavit and photos attached)

In addition, the Planning Division placed an ad in the newspaper 15 days prior to the Outreach Meeting.

One resident attended the meeting; however, there were no questions related to signage, only to the services that will be provided at the new center.

AFFIDAVIT OF SIGN POSTING

Case Number: FS25-0835

Project Name: Multi-generational Community + Resource Center

Project Location: 12641 W. Santa Fe Dr.

Date Removed: _____

In order to assist in providing adequate notice to interested parties, the applicant for any type of public hearing shall erect two (2) signs providing notice of the date, time, and place of the scheduled hearing(s). These signs must be erected not less than fifteen (15) calendar days prior to the date of the first hearing. The signs shall also include the description of the request as contained on the formal development application. The size and format of this sign shall meet requirements established by the city (see example).

Such notice shall be clearly legible and placed at a prominent location on the site, generally adjacent and perpendicular to the public right-of-way. It shall be the responsibility of the applicant to erect and to maintain the sign on the subject property, as well as the information on the sign, until final disposition of the case.

I confirm that the site has been posted as required, for the case noted above. Photographs of the site posting, and any subsequent changes/updates made to the sign, have also been submitted.

Deborah Perry
Owner / Application Signature

10-28-25
Date

This instrument was acknowledged before me this 28th day of October,

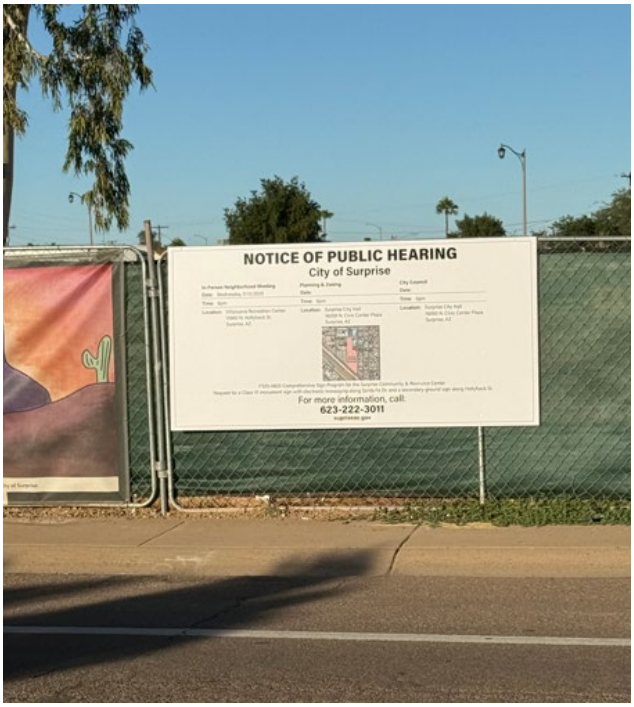
20 25 by Deborah Perry

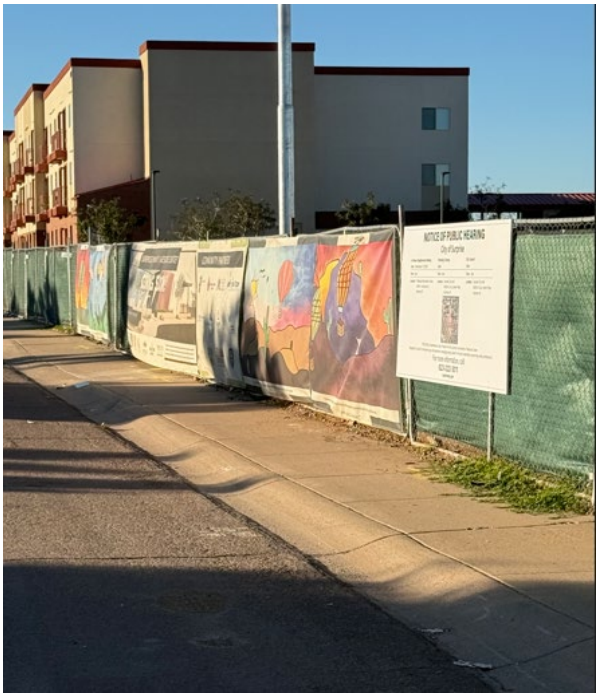
DANIELLE OSBORNE
Notary Public - Arizona
MARICOPA COUNTY
Commission # 659016
Expires November 17, 2027

Danielle Osborne
Notary Public

My Commission Expires: November 17, 2027


NOTICE OF PUBLIC HEARING
City of Surprise


NOTICE OF PUBLIC HEARING
City of Surprise
For more information, call:
623-222-3011


NOTICE OF PUBLIC HEARING

AFFIDAVIT OF SIGN POSTING

Case Number: FS25-0835

Project Name: Multi-generational Community + Resource Center

Project Location: 12641 W. Santa Fe Dr.

Date Posted: 1/20/26

In order to assist in providing adequate notice to interested parties, the applicant for any type of public hearing shall erect two (2) signs providing notice of the date, time, and place of the scheduled hearing(s). These signs must be erected not less than fifteen (15) calendar days prior to the date of the first hearing. The signs shall also include the description of the request as contained on the formal development application. The size and format of this sign shall meet requirements established by the city (see example).

Such notice shall be clearly legible and placed at a prominent location on the site, generally adjacent and perpendicular to the public right-of-way. It shall be the responsibility of the applicant to erect and to maintain the sign on the subject property, as well as the information on the sign, until final disposition of the case.

I confirm that the site has been posted as required, for the case noted above. Photographs of the site posting, and any subsequent changes/updates made to the sign, have also been submitted.

Owner / Application Signature

Date 1/22/26

This instrument was acknowledged before me this 22nd day of January 2026 by Sharla Sanders

Notary Public

SHARLA SANDERS
Notary Public - Arizona
MARICOPA COUNTY
Commission # 666012
Expires April 7, 2028

My Commission Expires: 4/7/2028

NOTICE OF PUBLIC HEARING

City of Surprise

In-Person Neighborhood Meeting
Date: Wednesday, 11/12/2025
Time: 6pm
Location: Villanueva Recreation Center
15660 N. Hollyhock St.
Surprise, AZ

Planning & Zoning
Date: 02/19/2026
Time: 6pm
Location: Surprise City Hall
16000 N. Civic Center Plaza
Surprise, AZ

City Council
Date: 03/03/2026
Time: ~~6pm~~ 5pm
Location: Surprise City Hall
16000 N. Civic Center Plaza
Surprise, AZ



FS25-0835 Comprehensive Sign Program for the Surprise Community & Resource Center.
Request for a Class VI monument sign with electronic messaging along Santa Fe Dr. and a secondary ground sign along Hollyhock St.

For more information, call:

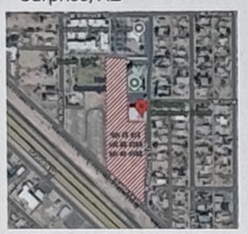
623-222-3011

supriseaz.gov

NOTICE OF PUBLIC HEARING

City of Surprise

In-Person Neighborhood Meeting	Planning & Zoning	City Council
Date: Wednesday, 11/12/2025	**Date:** 02/19/2026	**Date:** 03/03/2026
Time: 6pm	**Time:** 6pm	**Time:** 5 pm
Location: Villanueva Recreation Center 15660 N. Hollyhock St. Surprise, AZ	**Location:** Surprise City Hall 16000 N. Civic Center Plaza Surprise, AZ	**Location:** Surprise City Hall 16000 N. Civic Center Plaza Surprise, AZ



FS25-0835 Comprehensive Sign Program for the Surprise Community & Resource Center.
Request for a Class VI monument sign with electronic messaging along Santa Fe Dr. and a secondary ground sign along Hollyhock St.

For more information, call:

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supriseaz.gov

FS25-0835

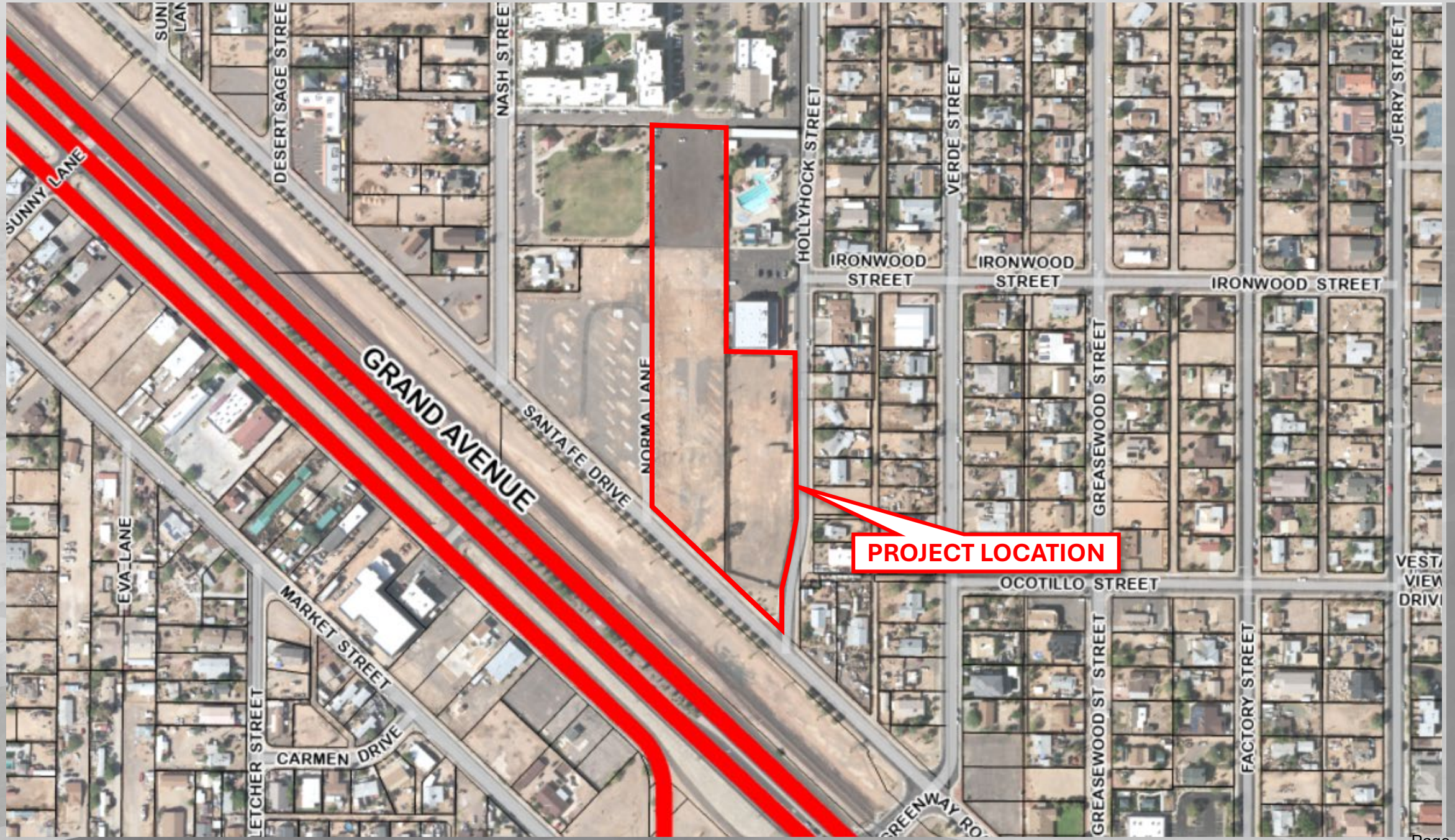
CIP Project P51010 Multi-Gen

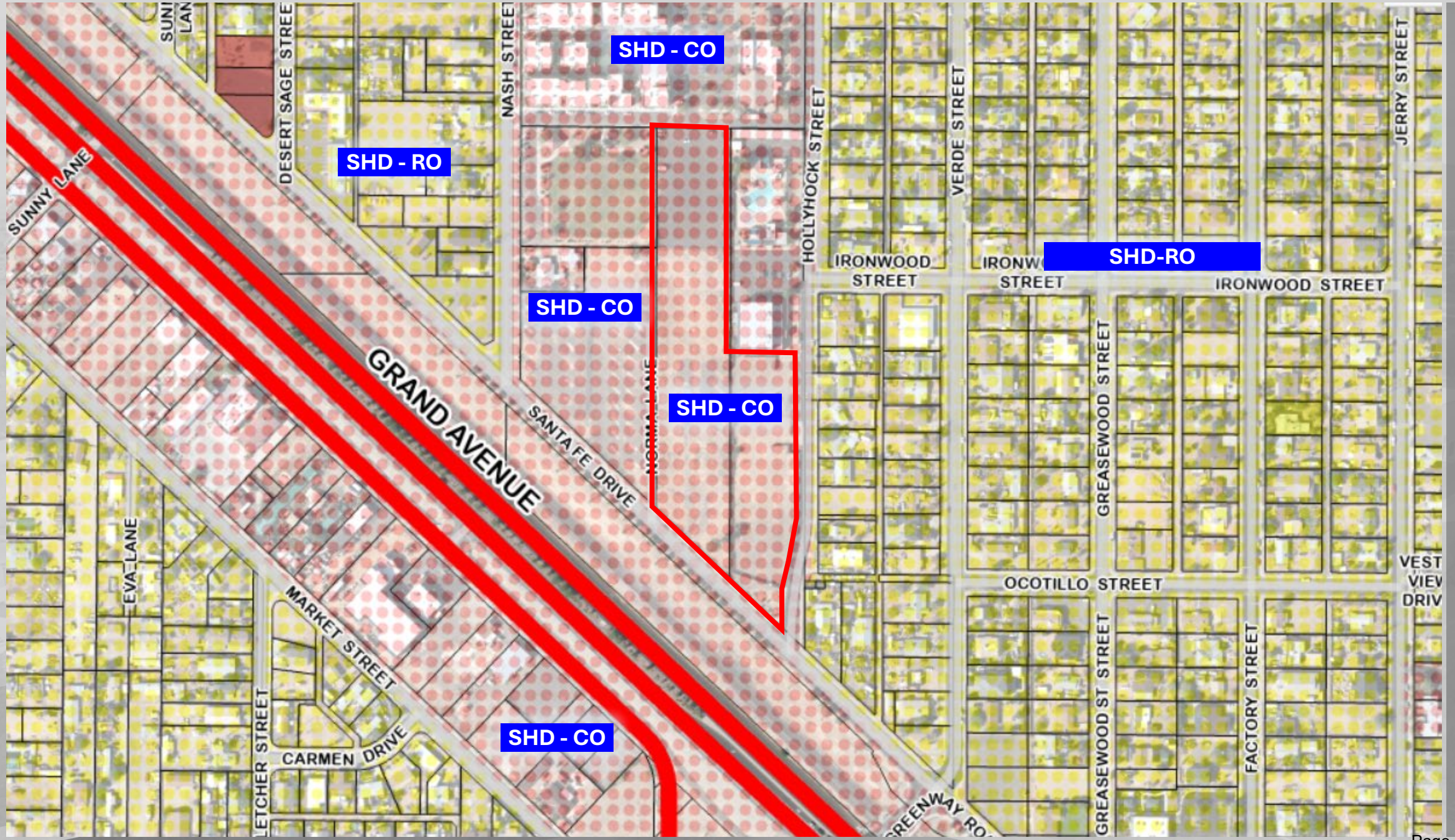
Comprehensive Sign Program

City Council

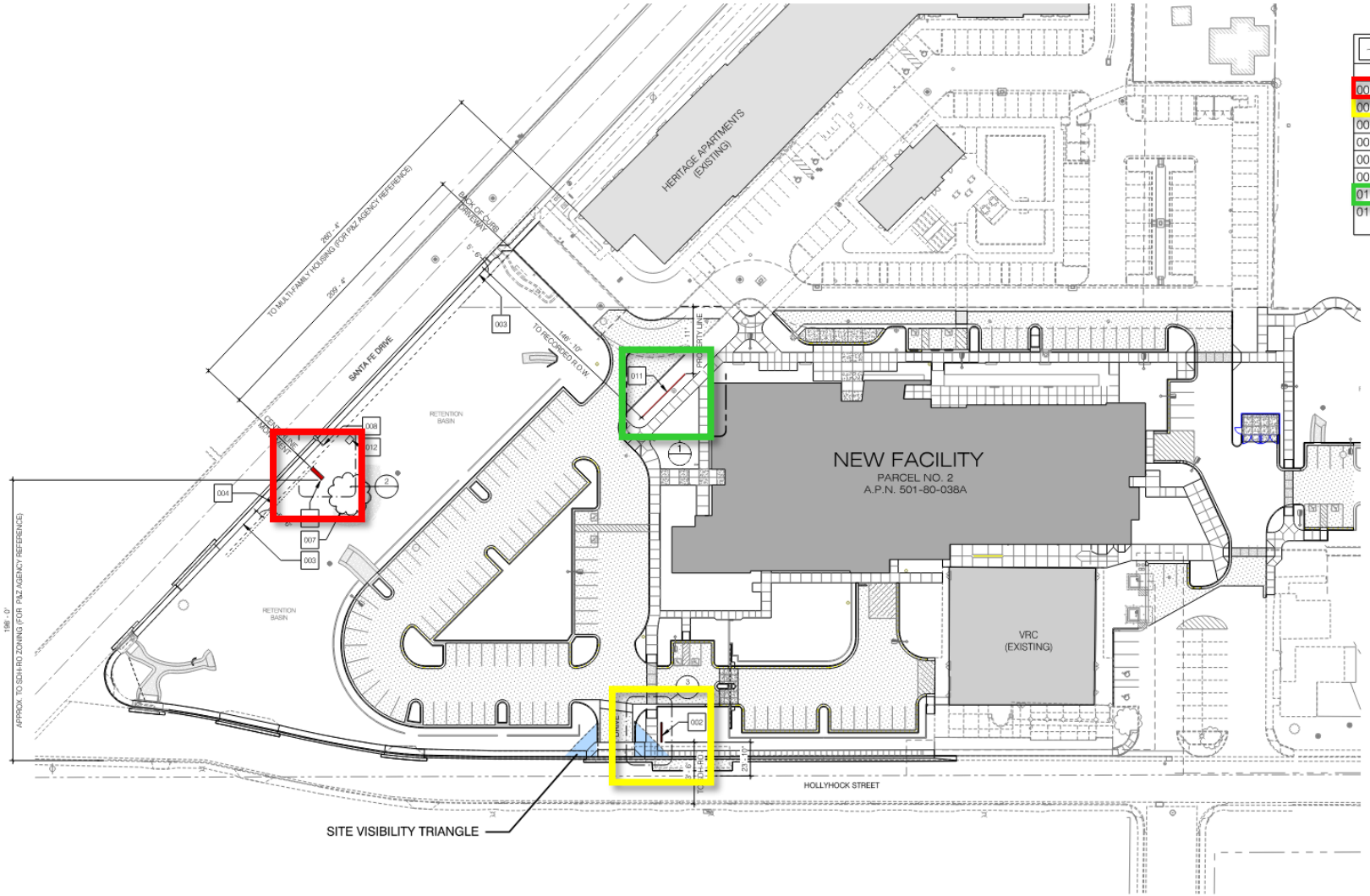
March 03, 2026

SURPRISE
ARIZONA


VICINITY MAP
PROJECT LOCATION
GRAND AVENUE
SANTA FE DRIVE
NORMA LANE
NASH STREET
DESERT SAGE STREET
SUNNY LANE
HOLLYHOCK STREET
VERDE STREET
JERRY STREET
IRONWOOD STREET
IRONWOOD STREET
IRONWOOD STREET
GREASEWOOD STREET
OCOTILLO STREET
GREASEWOOD ST STREET
FACTORY STREET
MARKET STREET
EVA LANE
CARMEN DRIVE
LETCHER STREET


SHD - CO
SHD - RO
SHD - CO
SHD - CO
SHD - CO
SHD-RO
GRAND AVENUE
SUNNY LANE
DESERT SAGE STREET
NASH STREET
HOLLYHOCK STREET
VERDE STREET
JERRY STREET
IRONWOOD STREET
IRONWOOD STREET
IRONWOOD STREET
SANTA FE DRIVE
NORMA LANE
GREASEWOOD STREET
OCOTILLO STREET
EVA LANE
MARKET STREET
CARMEN DRIVE
FLETCHER STREET
GREASEWOOD ST STREET
FACTORY STREET
GREENWAY RO
VEST VIEW DRIV

ZONING MAP



KEYNOTES - NEW WORK	
001	PRIMARY MONUMENT SIGN
002	SECONDARY GROUND SIGN
003	BACK OF EXISTING SIDEWALK
004	LINE OF EXISTING RECORDED RIGHT-OF-WAY
007	EXISTING TREE TO REMAIN
008	EXISTING STREET LIGHT TO REMAIN
011	TERTIARY GROUND SIGN
012	PROPOSED 10 KVA GROUND TRANSFORMER ON CONCRETE PAD

SITE PLAN

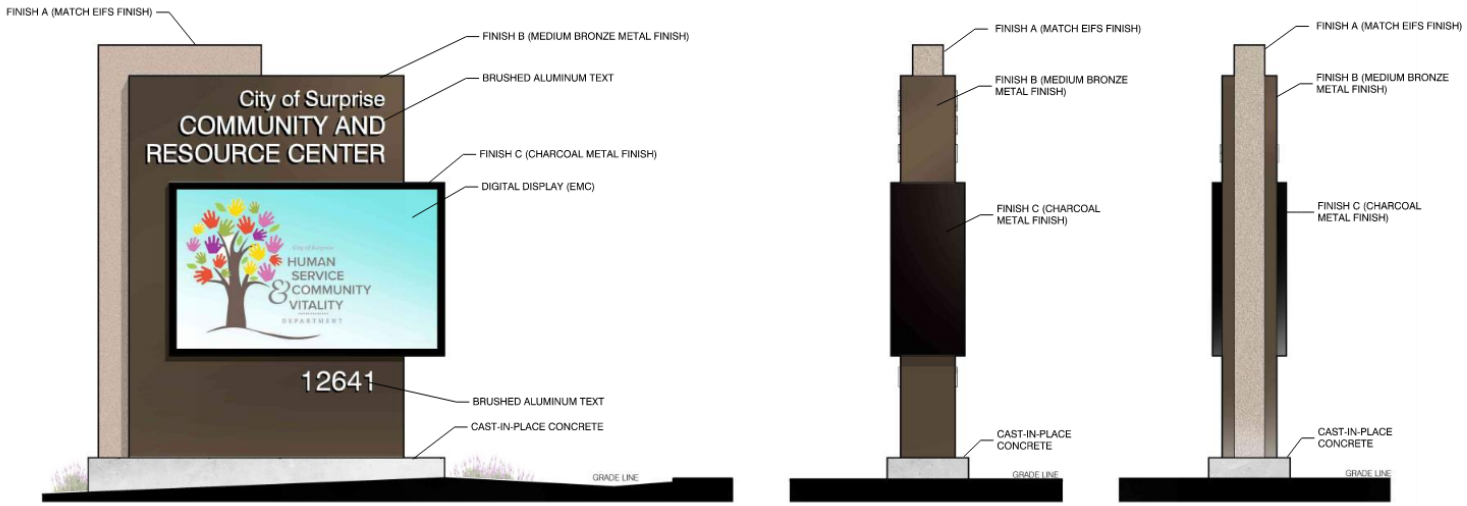
SIGN LOCATION SITE PLAN

1" = 80'

NORTH

01 Jan. 2026
FS25-0835

PRIMARY MONUMENT



The proposed primary monument sign is located in SHD-CO zoning approximately 198 feet from the nearest single-family residential zoning and 2 feet from the right-of-way line, in compliance with the setback requirements of the applicable code.

- Applicant notes that Class VI monument signs are permitted within non-residential SHD-CO zoning (109-1.9(c)(5)).
- Height: For Class VI signs, the Code permits 8'-0" at 80 feet from residential zoning, increasing 1'-6" per additional 10 feet, up to 17'-0" (with architectural elements above 15'-0"). At 198 feet, the allowable height is greater than 14'-2". The proposed sign height of 14'-2" is compliant for Class VI signs (109-1.9(c)(5)).
- Sign Area: For Class VI signs, the Code permits 36sq. ft. at 8'-0" in height, increasing by 12 sq. ft. per each additional foot of overall height, up to 120 sq. ft. At 14'-2", the maximum allowable sign area is greater than 100 sq. ft. The proposed sign area of 56 sq. ft. per side (including EMC) complies (109-1.9(c)(5)).
- Setback: The proposed sign is located 2 feet from the right-of-way line, meeting the minimum required setback. No conflict with public utility easements has been identified (109-1.9(c)(5)).
- Electronic Messaging Center (EMC): A Level 2 EMC is permitted in SHD-CO zoning and is included as part of the proposed sign (109-1.11).

PROJECT FINISHES

Sign Cabinet Finish A
Match Dryvit EIFS 105 Suede

Sign Cabinet Finish B
Medium Bronze Metal Finish

Sign Cabinet Finish C
Charcoal Metal Finish

Brush Aluminum Text

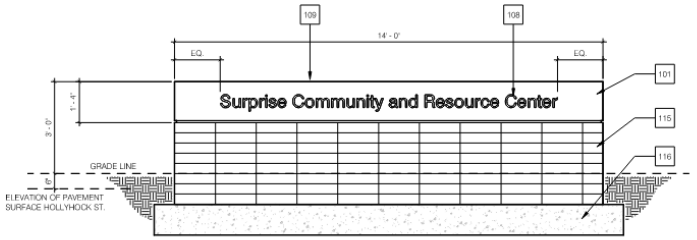
Cast-in-place Concrete

Honed Face Masonry
Echelon honed (ground) face
color: peppercorn to match existing

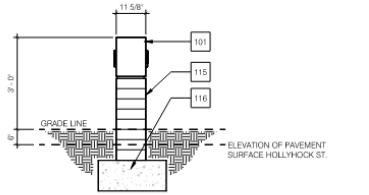
LDO	CSP
Max Height: 8' Allowed Sign Area: 32 sq. ft.	Height: 14' 8" Sign Area: 45.96 sq. ft.

PROPOSED SIGNAGE

SECONDARY GROUND SIGN



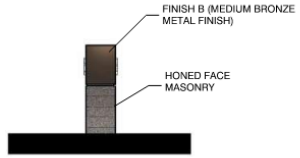
4 SECONDARY GROUND SIGN SIDE ELEVATIONS (OPPOSITE SIDE SIMILAR)
1/4" = 1'-0"



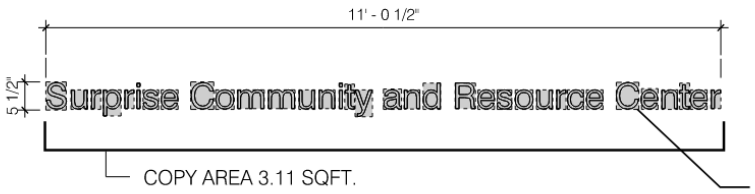
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SECONDARY GROUND SIGN SIDE ELEVATIONS (OPPOSITE SIDE SIMILAR)
1/2" = 1'-0"



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Sign Area Method of Measurement:

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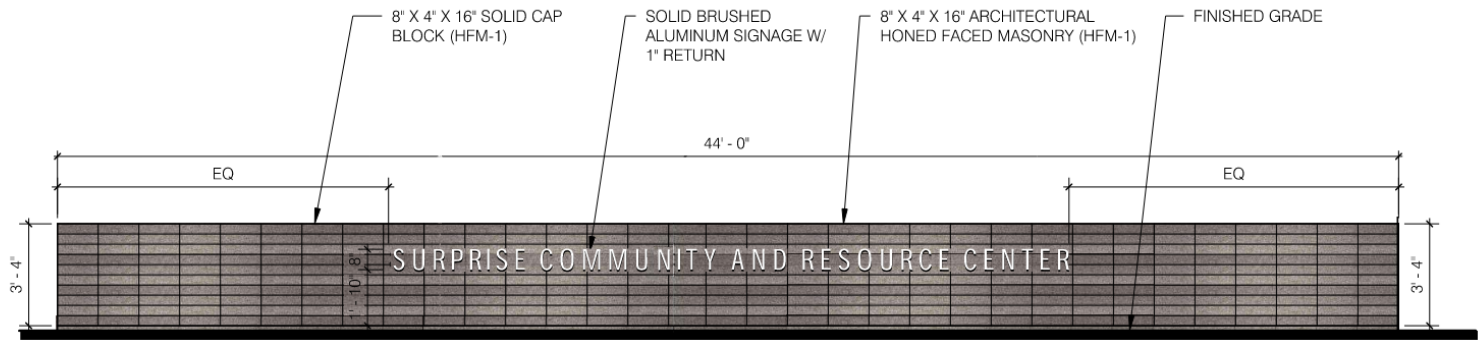
Cast-in-place Concrete

Honed Face Masonry
Echelon honed (ground) face
color: peppercorn to match existing

LDO	CSP
Max Height: 6' Allowed Sign Area: 12 sq. ft.	Height: 3' Sign Area: 3.11 sq. ft.

PROPOSED SIGNAGE

TERTIARY GROUND SIGN



MONUMENT CMU WALL - ELEVATION
1/4" = 1'-0"



Sign Area Method of Measurement:

Individual letters of unframed sign are mounted directly to the sign structure; thus, the sign area is determined by calculating the smallest rectangle or combination of rectangles containing sign copy.

LDO	CSP
Max Height: 6’ Allowed Sign Area: 12 sq. ft.	Height: 3’-4” Sign Area: 12 sq. ft.

PROPOSED SIGNAGE

OUTREACH

Neighborhood Meeting

- November 12, 2025
- Villanueva Recreation Center
- 1 attendee

Recommendation

The Planning & Zoning Commission recommended to the City Council approval of Case FS 25-0853, CIP Project P51010 Multi-Generational Community Resource Center Comprehensive Sign Program subject to stipulations “A” and “B”.

SURPRISE
ARIZONA

Questions or Comments?

THANK YOU

SURPRISE
ARIZONA

STIPULATIONS

a. Development and use of the site shall be consistent with the Comprehensive Sign Program entitled “Surprise Community Resource Center Comprehensive Sign Program”, prepared by Gabor Lorant Architects inc. dated January 1, 2026.

b. Non-compliance with the stipulations of approval of this case will be treated as a violation in accordance with the applicable provisions of the Surprise Municipal Code.

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026 Contact Person: Chris Sexton
Submitting Department: Community Development District: District 1
Staff Recommendations:

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

Agenda Wording:
Consideration and action regarding the annexation of approximately 5.57 acres of county land, generally located south of the Central Arizona Project (CAP) canal along the Dixileta Drive and 179th Avenue roadway alignments. Case# FS25-0291. Ordinance #2026-09.

Motion:
Motion to approve/deny Annexation Ordinance #2026-09, Case FS25-0291.

Background:
Atwell, LLC, applicant, on behalf of Surprise Land Holdings LLC, property owner, seek annexation of undeveloped land generally located south of the Central Arizona Project (CAP) canal along the Dixileta Drive and 179th Avenue roadway alignments. The annexation proposal includes two (2) parcels 503-51-008G and 503-51-008H, encompassing approximately 5.57 acres of unincorporated land. The subject properties are currently zoned Maricopa County Rural-43. If annexed, the property will assume the similar zoning district of Rural Residential (RR) as outlined in the Land Development Ordinance (LDO). A blank petition was recorded with the Maricopa County Recorder's Office on January 7, 2026. Following the recording of this blank petition, it was discovered that an incorrect legal description was included. A revised blank petition was recorded on January 21, 2026, to correct the legal description.

Arizona Revised Statutes also require that no signatures be obtained during a 30-day waiting period immediately following the filing of the blank petition, and that a public hearing must be held during the last 10 days of the 30-day waiting period. This requirement was met as the public hearing was held on day 27 of the 30-day waiting period. Once the public hearing was held and the 30-day waiting period had ended, the signature was collected. The signed petition was submitted on February 23, 2026.

Objective Analysis:
Positive impacts include adding additional property to the incorporated limits which will generate additional property and potential development fees. Negative impacts could include providing services in a 5.57 acres area where the City did not have to previously serve.

Policy Compliant:

Annexation of this property is compliant with City Council policy by expanding the range of influence of the city. The Surprise General Plan 2040 shows the subject property as lying within the Neighborhood Character Area, which supports residential development of up to 8 DU/Ac or more, provided appropriate transitions are made between the various Neighborhood types included within the character area.

Financial Impact:

While this item does not have an immediate or direct financial impact, ongoing development activity in the city will inevitably have a future financial impact as additional resources are needed to provide city services.

Budget Impact:

At this time, there are no budget impacts associated with this item. If the City Council moves forward to annex property into the City limits there could be minor budget impacts to the City to provide services to an area that the City did not provide services in the past. If the area is annexed that could result in future development fees, sales and property taxes.

FTE Impact:

At this time, there would be no additional FTEs associated with this item. If the City Council moves forward to annex property into the City limits staff does not believe any future FTEs would be needed based on the potential annexation.

ATTACHMENTS:

1. 00 - FS25-0291 Vistas Montanas Annexation - Final Annexation Hearing - Revised Staff Report
2. 01-FS25-0291 Vistas Montanas Annexation - Vicinity Map
3. 02-FS25-0291 Vistas Montanas Annexation - Annexation Map
4. 03-FS25-0291 Vistas Montanas Annexation - Annexation Narrative
5. 04-FS25-0291 Vistas Montanas Annexation - Assessor Annexation Report
6. 05-FS25-0291 Vistas Montanas Annexation - AZ Department of Revenue Report
7. 06-FS25-0291 Vistas Montanas Annexation - Final Annexation Hearing - Revised Ordinance#2026-09
8. 07-FS25-0291 Vistas Montanas Annexation - Signed Blank Petition
9. 08-FS25-0291 Vista Monatanas Annexation - Citizen Participation Report
10. 09-FS25-0291 Vistas Montanas Annexation - Affidavit of Posting
11. FS25-0291 Vistas Montanas Annexation - PowerPoint

SURPRISE
ARIZONA

ANNEXATION

REPORT TO THE CITY COUNCIL

Case:	**FS25-0291**
Project Name:	Vistas Montanas Annexation – Final Annexation Hearing
Council District:	1 - Acacia
City Council Date:	**March 3, 2026**
Planner:	Chris Sexton, Senior Planner

Owner:	Surprise Land Holdings, LLC
Applicant:	Atwell, LLC
Request:	Annexation of approximately 5.57 acres of two (2) parcels for right-of-way
Site Location:	Generally located south of the Central Arizona Project (CAP) canal along the Dixileta Drive and 179th Avenue roadway alignments
Site Size:	5.57 acres (approx.)
General Plan Conformance:	The proposal is consistent with the Surprise General Plan 2040
Actions:	**Approve:** Approval of the proposed annexation will increase the corporate limits of the City of Surprise which, in turn, will allow the property to be developed in accordance with the City of Surprise General Plan and Surprise Municipal Code. **Deny:** Denial of the proposed annexation will result in the continuation of a long-standing county jurisdiction.

Project Description:

Atwell LLC ("Applicant"), on behalf of Surprise Land Holdings LLC ("Property Owner"), seeks annexation of undeveloped land generally located south of the Central Arizona Project (CAP) canal along the Dixileta Drive and 179th Avenue roadway alignments. The annexation proposal includes parcels 503-51-008G and 503-51-008H, encompassing approximately 5.57 acres of unincorporated land. The subject properties are currently zoned Maricopa County Rural-43. If annexed, the property will assume the similar zoning district of Rural Residential (RR) as outlined in the Land Development Ordinance (LDO).

The Arizona Revised Statutes require the filling of a blank annexation petition. A blank petition was recorded with the Maricopa County Recorder's Office on January 7, 2026. Following the recording of this blank petition, it was discovered that an incorrect legal description was included. A revised blank petition was recorded on January 21, 2026, to correct the legal description (see attached). The Arizona Revised Statutes also require that no signatures be obtained during a 30-day waiting period immediately following the filing of the blank petition, and that a public hearing must be held during the last 10 days of the 30-day waiting period. This requirement was met as the public hearing was held on day 27 of the 30-day waiting period. Once the public hearing was held and the 30-day waiting period had ended, the signature was collected.

Background:

October 8, 2025: The Applicant held a neighborhood outreach meeting at Asante Preparatory Academy for the subject request.

January 6, 2026: Mayor and City Council approved Resolution #2026-19, Vistas Montanas Intent to Annex.

January 7, 2026: The Surprise City Clerk filed a blank petition with legal description and affidavit verifying that the territory is not subject to an earlier filing for annexation as filed with the Maricopa County Recorder's Office. Notice and copies of filings were sent to the Clerk of the Board of Supervisors and County Assessor.

January 20, 2026: Mayor and City Council approved Resolution 2026-19, Vistas Montanas Intent to Annex to correct the legal description for the blank petition.

January 21, 2026: The Surprise City Clerk filed a blank petition with legal description and affidavit verifying that the territory is not subject to an earlier filing for annexation as filed with the Maricopa County Recorder's Office. Notice and copies of filings were sent to the Clerk of the Board of Supervisors and County Assessor.

February 17, 2026: Mayor and City Council held a public hearing within the last ten days of the 30-day waiting period pursuant to A.R.S. § 9-471.

February 23, 2026: The City received the signed annexation petition.

Neighborhood Outreach:

The Applicant held an in-person neighborhood outreach meeting on October 8, 2025, at the Asante Preparatory Academy. This meeting was noticed pursuant to the requirements of the LDO and state statute. There were no attendees. There is no known opposition to the annexation request.

Summary:

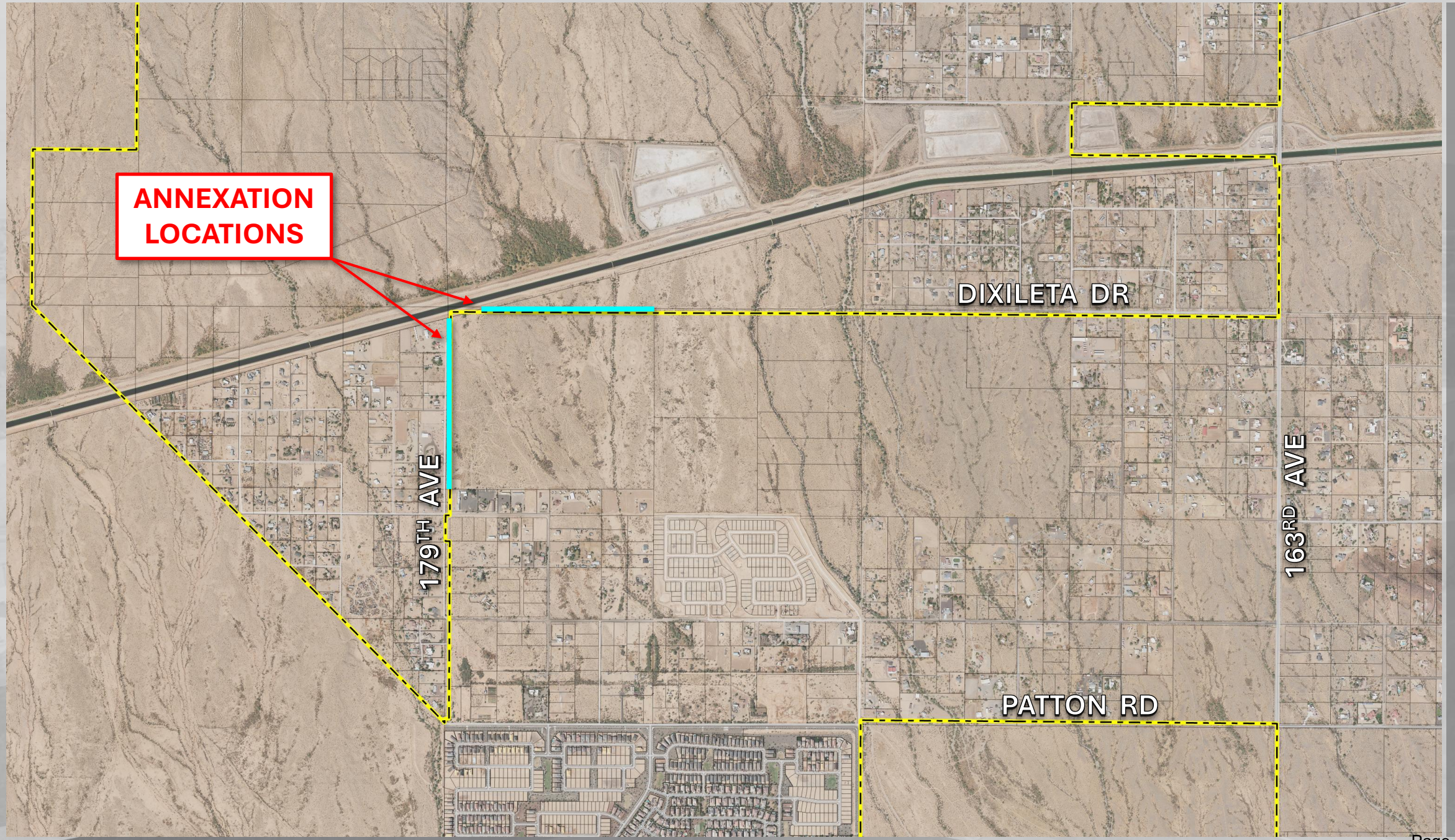
The proposed annexation includes approximately 5.57 acres and requires a signature from a representative of one (1) property owner after the Arizona Revised Statutes' required 30-day waiting period concludes on February 20, 2026. The Applicant provided the signature to be eligible for annexation by the City of Surprise. The signed petition is attached to this Staff Report to be considered by City Council.

Annexation Details	A.R.S. Requirements	Provided	Percentage provided
Real Property - 2 parcels (1 owner)	1 signature	1 signature	100%
Total Assessed Value - $0	$0	$0	100%

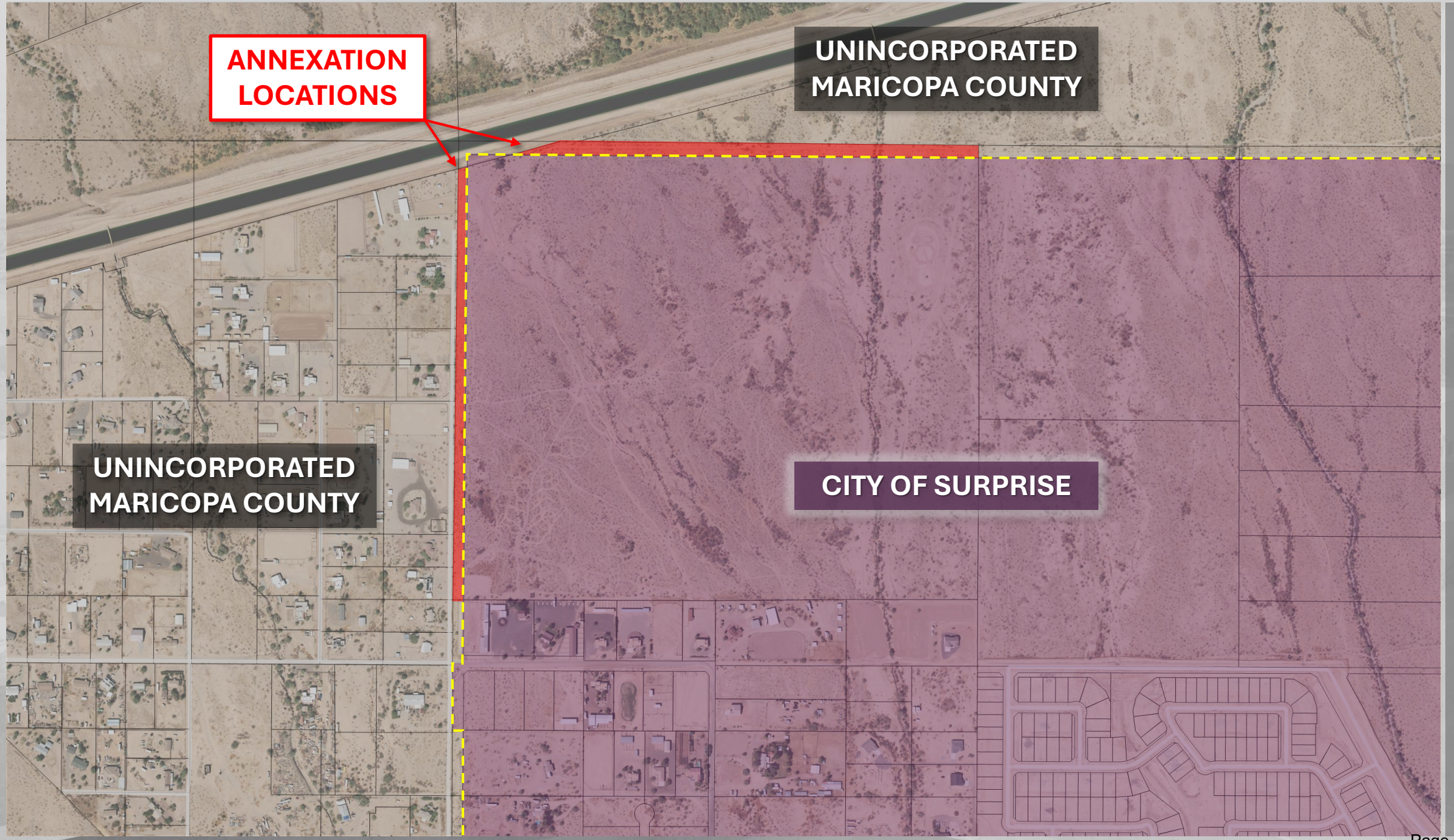
The parcels to be annexed comply with all requirements for size, shape, and contiguity set forth in the Arizona annexation statutes.

Attachments:

00 Staff Report
01 Vicinity Map
02 Annexation Map
03 Annexation Narrative
04 Assessor Annexation Report
05 AZ Department of Revenue Report
06 Ordinance
07 Signed Annexation Petition
08 Citizen Participation Report
09 Affidavit of Site Posting
PowerPoint Presentation



FS25-0291 VICINITY MAP



ANNEXATION LOCATIONS

Vista Montanas
Annexation Application Narrative
FS25-0291

Submitted March 21, 2025

Description: This request is for an Annexation for two parcels 55' in width, along the west and north property boundaries of the proposed Vista Montanas project. The annexation for the parcel on the west boundary line along 179th Avenue is needed for half street improvement to be dedicated to the City of Surprise. The annexation for the parcel on the north property line is needed to be included in the Final Plat of Vista Montanas as open space. This property has been planned as part of a pending Preliminary Plat approval effort, and annexation is necessary prior to the recording of the Final Plat.

The annexation boundary includes parcels that are included in the pending Preliminary Plat request FS24-1234 and need to be annexed before approval and recording of the Final Plat. The legal descriptions for these parcels are included with this narrative as *Attachment #1.* An economic analysis is not needed for a dedicated right of way per the City of Surprise.

The APN #'s included in this annexation request are provided below:
APN#503-51-008H, Surprise Land Holdings LLC
APN#503-51-008G, Surprise Land Holdings LLC

The two APN numbers are owned by Surprise Land Holdings LLC who is also the owner of the property to be Platted as FS24-1234. This property owner is requesting the annexation and is in full support of the request.

Parcel Number	Tax Year	PUC								
503-51-008G	2026	0014								
503-51-008H	2026	14								
Property Use	Tax Area Code	McrNum	Lot	Block	Tract					
VACANT RESIDENTIAL RURAL NON-SUBDIVID	810000									
VACANT RESIDENTIAL RURAL NON-SUBDIVID	810000									
Owner Name	Mailing Address	City State Zip	Country	Situs Address	Situs City Zip	Exempt Status	Exempt Type	Centrally Valued (CVP)	Land FCV	Improvement FCV
SURPRISE LAND HOLDINGS LLC C/O HSL PROPERTIES	3901 E BROADWAY BLVD	TUCSON	USA					N	197,000	0
SURPRISE LAND HOLDINGS LLC C/O HSL PROPERTIES	3901 E BROADWAY BLVD	TUCSON	USA					N	217,100	0
									216	**0**
CVP PP FCV	Total FCV	Total Assessed FCV	Total Exmpt Assed FCV	Total Net FCV	Total LPV	Total Assessed Value LPV	Exempt Assessed Value	Net Assessed Value LPV	Building Sq Ft	Parcel Sq Ft
0	197,000	29,550	0	29,550	21,410	3,212	0	3,212		121,053
0	217,100	32,565	0	32,565	22,650	3,398	0	3,398		118,962
								32		
IWCDAcreage	IWDDAcreage	Total Acreage	Pers Prop Owner Name	Pers Prop FCV	Pers Prop Net Assessed	Split Parcel	Asmt Ratio	Land LC1		
0	0	2.779		0	0	N	0.1500	2.R		
	0	2.731		0	0	N	0.1500	2.R		
				0	**0**					
Land Ratio1	Impr LC1	Impr Ratio 1								
1.00		0.00								
1.00		0.00								

AZ DEPARTMENT OF REVENUE

Local Jurisdiction District
Telephone (602) 716-6843

Katie Hobbs
GOVERNOR

Robert Woods
DIRECTOR

February 02, 2026

Ms. Christina Sexton
City of Surprise
16000 N. Center Plaza
Surprise, AZ 85374

RE: Valuation Transmittal for Docket # 07-2999-00, FS25-0291

Dear Ms. Sexton:

According to information provided by the taxpayer(s) and based on unit values established by the Centrally Valued Properties Unit, the estimates of value for properties located in the proposed annexation areas are as follows:

Taxpayer #	Taxpayer Name	Full Cash Value	Assessed Value
56769	ACCIPTER COMMUNICATIONS INC	$0.00	$0.00

Please direct any inquiries you may have regarding this estimate to our email address: gis@azdor.gov

Sincerely,

GIS/Annexations Team

ORDINANCE # 2026-09

AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZON EXTENDING AND INCREASING THE CORPORATE LIMITS OF THE CITY OF SURPRISE, MARICOPA COUNTY, STATE OF ARIZONA, PURSUANT TO THE PROVISIONS OF ARIZONA REVISED STATUTES TITLE 9, CHAPTER 4, ARTICLE 7, AND AMENDMENTS THERETO, BY ANNEXING THERETO CERTAIN TERRITORY CONTIGUOUS TO THE EXISTING CITY LIMITS OF THE CITY OF SURPRISE, CONSISTING OF APPROXIMATELY 5.57 ACRES GENERALLY LOCATED SOUTH OF THE CENTRAL ARIZONA PROJECT (CAP) CANAL ALONG THE DIXILETA DRIVE AND 179TH AVENUE ROADWAY ALIGNMENTS, STATE OF ARIZONA, AND ESTABLISHING EQUIVALENT CITY OF SURPRISE ZONING.

WHEREAS, a petition in writing accompanied by a map or plot of said real property having been filed and presented to the Mayor and Council of the City of Surprise, Arizona, signed by the owners of more than one-half in value of the real and personal property and more than one-half of the persons owning real and personal property as would be subject to taxation by the City of Surprise in the event of annexation within the territory and land hereinafter described in the attached **Exhibit A** (the "Annexation Area") and as shown by the last assessment of said property which said Annexation Area is contiguous to the City of Surprise, and not now embraced within its limits, asking that the Annexation Area be annexed to the City of Surprise, and to extend and increase the corporate limits of the City of Surprise so as to embrace the same;

WHEREAS, the Mayor and City Council of the City of Surprise, Arizona, are desirous of accepting said petition and extending and increasing the corporate limits of the City of Surprise to include said territory;

WHEREAS, the said petition sets forth a true and correct description of all the exterior boundaries of the entire Annexation Area proposed to be annexed to the City of Surprise and had attached thereto at all times an accurate map of the Annexation Area, as shown in **Exhibit B**, desired to be annexed;

WHEREAS, no alterations increasing or reducing the territory sought to be annexed have been made after the said petition had been signed by any owner of real and personal property within the Annexation Area;

WHEREAS, the provisions of A.R.S. § 9-471, and amendments thereto, have been fully observed;

WHEREAS, proper and sufficient certification and proof of the foregoing facts are now on file in the office of the City Clerk of the City of Surprise, Arizona, together with a true and correct copy of the original petition referred to herein, which is on file in the office of the County Recorder for Maricopa County, Arizona;

WHEREAS, the Annexation Area described in **Exhibit A** and depicted on **Exhibit B** includes approximately 5.57 acres of improved property owned by Surprise Holding Company, LLC, currently zoned as Rural-43;

WHEREAS, the subject property is within the Annexation Area having zoning in Maricopa County, as shown in **Exhibit C**, the Mayor and City Council, pursuant to A.R.S. § 9-471(L), shall adopt and apply to this area the City of Surprise zoning districts that permit densities and uses no greater than those permitted by the Maricopa County zoning immediately before annexation;

WHEREAS, the City Council has reviewed the Staff Reports and supporting materials which discuss the proposed annexation to be considered by the Council, and now finds that the annexation of the Annexation Area would be beneficial to Surprise by ensuring that all future development would be controlled by and be consistent with the objectives and policies of the Surprise General Plan 2040, the requirements of the Land Development Ordinance ("LDO"), all future land development ordinances, and all other applicable City of Surprise codes and regulations; and

WHEREAS, the City Council finds that annexation of the Annexation Area would not require any current expenditures in the City's Capital Improvement Plan ("CIP") because the site has been previously constructed within Maricopa County under Maricopa County's jurisdiction.

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

Section 1. That the Annexation Area described in the attached **Exhibit A** be and the same hereby is annexed to the City of Surprise and that the present corporate limits be and the same hereby are extended and increased to include the Annexation Area described in **Exhibit A** contiguous to the present City limits.

Section 2. That a copy of this Ordinance, together with an accurate map of the territory hereby annexed as shown in **Exhibit B**, is certified by the Mayor of the City of Surprise shall be recorded in the office of the County Recorder of Maricopa County, Arizona, and that a copy of this ordinance shall be provided to the Clerk of the Board of Supervisors of Maricopa County, Arizona.

Section 3. That the property described in **Section 1** of this Ordinance with current Maricopa County zoning of Rural RU-43 as shown in **Exhibit C** shall be designated with

equivalent City of Surprise zoning of Rural Residential as shown in **Exhibit C** upon the effective date of this Ordinance.

Section 4. That the City of Surprise zoning map is herewith amended to reflect the change in districts referred to in **Section 3**, above.

Section 5. This Ordinance shall take effect, and the annexation of the subject property shall become final, thirty days after this Ordinance is adopted.

Section 6. This Ordinance is not of general application throughout the City and therefore is not required to be codified.

Section 7. That the provisions of this Ordinance are not severable, and the entirety of this Ordinance shall become null and void and of no effect in the event any provision is finally determined to be illegal or invalid by a court of competent jurisdiction or if any provision should be invalidated by a referendum vote.

PASSED AND ADOPTED this _____ day of _____, 2026.

_____
Kevin D. Sartor, Mayor

Attest:

_____
Kristi Passarelli, City Clerk

Approved as to form:

_____
Jeffrey Murray, City Attorney

EXHIBIT A

LEGAL DESCRIPTION

ATWELL

ONE COMPANY.
INFINITE SOLUTIONS.

LEGAL DESCRIPTION
55 FOOT RIGHT OF WAY
VISTAS MONTANAS
APN 503-51-008G
MARICOPA COUNTY, ARIZONA

LOCATED WITHIN A PORTION OF THE NORTHWEST QUARTER OF SECTION 26, TOWNSHIP 5 NORTH, RANGE 2 WEST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A 55-FOOT STRIP OF LAND BEING SOUTH OF THE FOLLOWING DESCRIBED NORTH LINE OF SECTION 26;

COMMENCING AT THE NORTHWEST QUARTER CORNER OF SECTION 26, TOWNSHIP 5 NORTH, RANGE 2 WEST ALONG THE NORTH LINE OF THE NORTHWEST QUARTER OF SAID SECTION 26, A SECTION LINE THAT BEARS S89°59'10"E A DISTANCE OF 2646.05 FEET TO THE NORTH QUARTER CORNER;

THENCE, ALONG SAID NORTH LINE OF SECTION 26, S89°59'10"E A DISTANCE OF 516.39 TO THE **POINT OF BEGINNING**;

THENCE, S89°59'10"E A DISTANCE OF 2129.65 FEET TO THE POINT OF TERMINUS.

THE SIDE LINES OF SAID RIGHT OF WAY ARE SHORTENED OR LENGTHENED TO INTERSECT AT ADJOINING PROPERTY LINES.

THE ABOVE DESCRIBED PARCEL CONTAINS A COMPUTED AREA OF 122,714 SQUARE FEET OR 2.82 ACRES, MORE OR LESS AND IS SUBJECT TO ANY EASEMENTS, RESTRICTIONS, OR RIGHTS OF WAY OF RECORD OR OTHERWISE.

THE DESCRIPTION SHOWN HEREON IS NOT TO BE USED TO VIOLATE ANY SUBDIVISION REGULATIONS OF THE STATE, COUNTY AND/OR MUNICIPALITY OR ANY OTHER LAND DIVISION RESTRICTIONS.

PREPARED BY:
ATWELL, LLC
4700 E. SOUTHERN AVENUE
MESA, ARIZONA 85206
PROJECT NO. 21001285
DATE JANUARY 15, 2026.



ATWELL

ONE COMPANY.
INFINITE SOLUTIONS.

LEGAL DESCRIPTION
55 FOOT RIGHT OF WAY
VISTAS MONTANAS
APN 503-51-008H
MARICOPA COUNTY, ARIZONA

LOCATED WITHIN A PORTION OF THE NORTHWEST QUARTER OF SECTION 26, TOWNSHIP 5 NORTH, RANGE 2 WEST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

MORE PARTICULARLY DESCRIBED AS FOLLOWS:

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COMMENCING AT THE WEST QUARTER CORNER OF SECTION 26, TOWNSHIP 5 NORTH, RANGE 2 WEST ALONG THE WEST LINE OF THE NORTHWEST QUARTER OF SAID SECTION 26, A SECTION LINE THAT BEARS N00°01'23"W A DISTANCE OF 2641.33 FEET TO THE NORTHWEST CORNER;

THENCE, ALONG SAID WEST LINE OF SECTION 26, N00°01'23"W A DISTANCE OF 330.15 TO THE **POINT OF BEGINNING**;

THENCE, N00°01'23"W A DISTANCE OF 2171.29 FEET TO THE POINT OF TERMINUS.

THE SIDE LINES OF SAID RIGHT OF WAY ARE SHORTENED OR LENGTHENED TO INTERSECT AT ADJOINING PROPERTY LINES.

THE ABOVE DESCRIBED PARCEL CONTAINS A COMPUTED AREA OF 119,827 SQUARE FEET OR 2.75 ACRES, MORE OR LESS AND IS SUBJECT TO ANY EASEMENTS, RESTRICTIONS, OR RIGHTS OF WAY OF RECORD OR OTHERWISE.

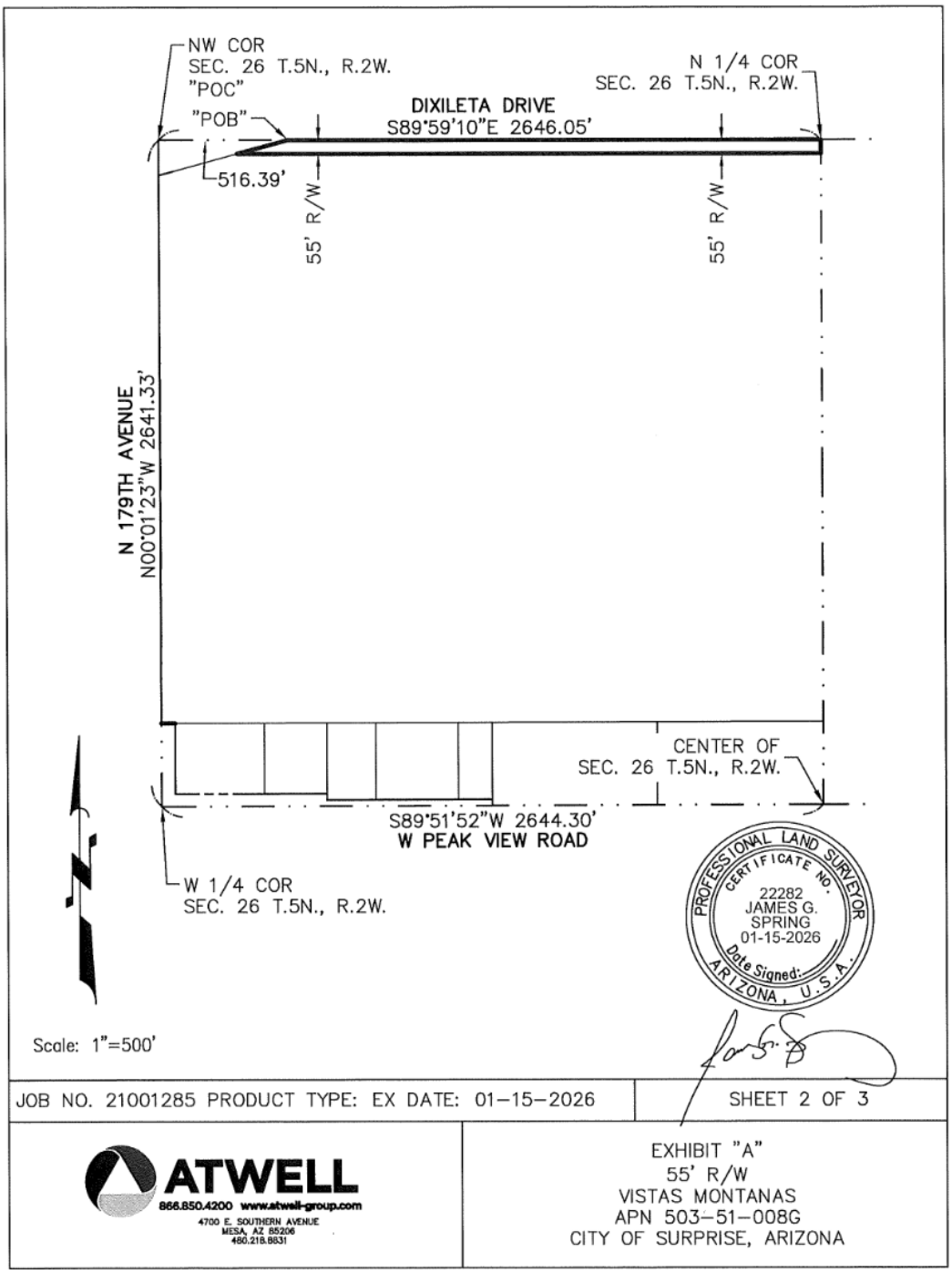
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PREPARED BY:
ATWELL, LLC
4700 E. SOUTHERN AVENUE
MESA, ARIZONA 85206
PROJECT NO. 21001285
DATE MARCH 18, 2025.

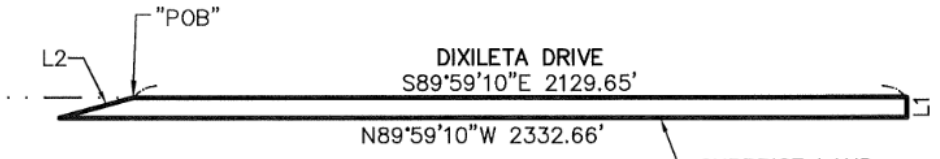


EXHIBIT B

MAP



V:\21001285 – VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\19–APN 503–51–008G – RW\21001285 503–51–008G EXHIBIT.DWG SAVE DATE: 1/15/2026 10:01 AM PLOT DATE:1/15/2026 10:04 AM



LINE TABLE		
LINE #	DIRECTION	LENGTH
L1	S00°00'15"W	55.00'
L2	N74°51'15"E	210.32'



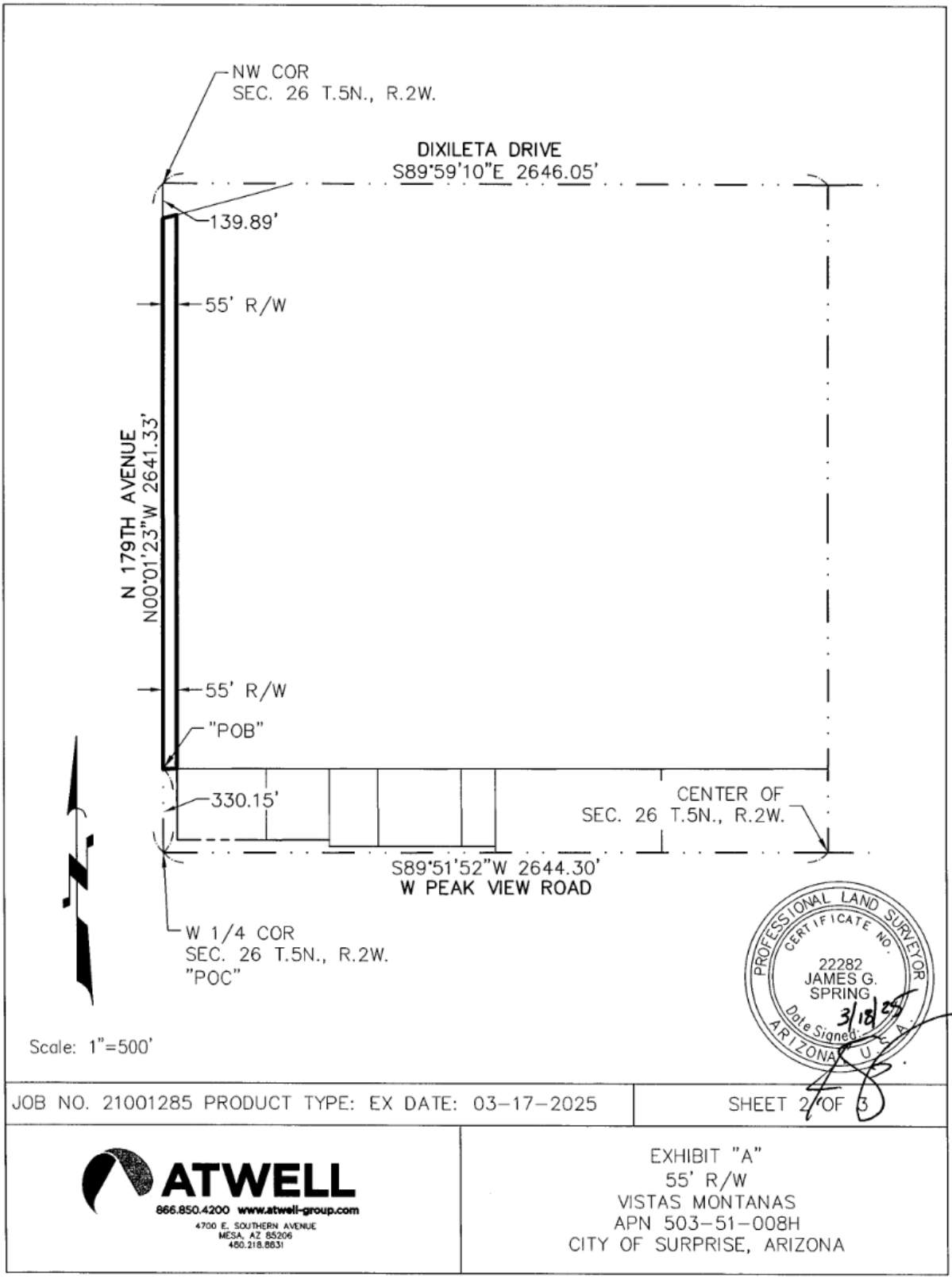
Scale: 1"=400'



JOB NO. 21001285 PRODUCT TYPE: EX DATE: 01-15-2026	SHEET 3 OF 3
ATWELL 866.850.4200 www.atwell-group.com 4700 E. SOUTHERN AVENUE MESA, AZ 85206 480.218.8831	EXHIBIT "A" 55' R/W VISTAS MONTANAS APN 503-51-008G CITY OF SURPRISE, ARIZONA

V:\21001285 - VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\19-APN 503-51-008G - RW\21001285 503-51-008G EXHIBIT.DWG SAVE DATE: 1/15/2026 10:01 AM PLOT DATE: 1/15/2026 10:04 AM

Ordinance No. 2026-09
RFLS #10509
Rev 06/23



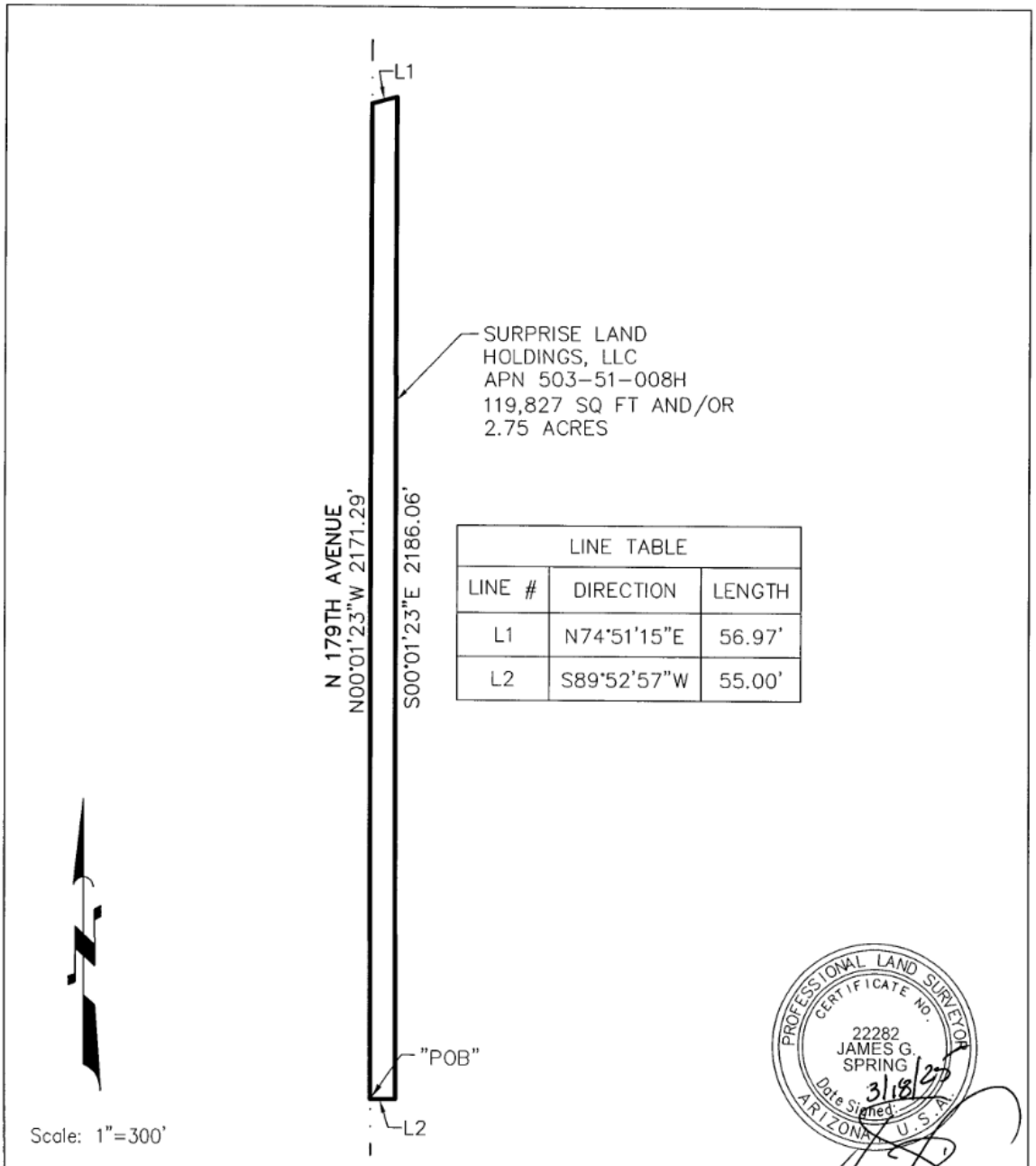
JOB NO. 21001285 PRODUCT TYPE: EX DATE: 03-17-2025	SHEET 2 OF 3

ATWELL
866.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
480.218.8631

EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008H
CITY OF SURPRISE, ARIZONA

K:\21001285 - VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\18-APN 503-51-008H\21001285 503-51-008H EXHIBIT.DWG SAVE DATE: 3/17/2025 3:37 PM PLOT DATE: 3/18/2025 8:29 AM

Ordinance No. 2026-09
RFLS #10509
Rev 06/23



LINE TABLE		
LINE #	DIRECTION	LENGTH
L1	N74°51'15"E	56.97'
L2	S89°52'57"W	55.00'

PROFESSIONAL LAND SURVEYOR
CERTIFICATE NO.
22282
JAMES G.
SPRING
Date Signed: 3/18/25
ARIZONA U.S.A.

JOB NO. 21001285 PRODUCT TYPE: EX DATE: 03-178-2025

SHEET 3 OF 3

ATWELL
866.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
480.218.8831

EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008H
CITY OF SURPRISE, ARIZONA

K:\21001285 - VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\18-APN 503-51-008H\21001285 503-51-008H EXHIBIT.DWG SAVE DATE: 3/17/2025 3:37 PM PLOT DATE: 3/18/2025 8:29 AM

EXHIBIT C

Zoning Table

APN	Owner	Pre-annexation Maricopa County Zoning	Post-annexation Surprise Zoning
503-51-008G	Surprise Land Holdings, LLC	Rural-43 (RU-43)	Rural Residential (RR)
503-51-008H	Surprise Land Holdings, LLC	Rural-43 (RU-43)	Rural Residential (RR)

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
JUSTIN HEAP
20260034875 01/21/2026 09:36
ELECTRONIC RECORDING

AnnexFS250291-18-1-1--
GarciaC

Recording requested by:

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

Re-recording Doc No 20260010507
to correct description

20260034875

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
JUSTIN HEAP
20260010507 01/07/2026 02:42
ELECTRONIC RECORDING

BPFS250291-9-1-1--
HoyP

Recording requested by:

City of Surprise
City Clerk's Office
1600 N Civic Center Plaza
Surprise, Arizona 85374

BLANK ANNEXATION

SURPRISE CASE #FS25-0291

AFFIDAVIT REGARDING ANNEXATION

Personally appears before me, Lloyd Abrams, who, first being duly sworn, deposes and says as follows:

1. I make this affidavit of my own personal knowledge.
2. I am the duly appointed Community Development Director of the City of Surprise, Arizona and I am qualified to make this affidavit on behalf of and for the City.
3. I have made a diligent search of the records of the Office of the Clerk of the City of Surprise and of the Office of the Maricopa County Recorder for any annexation filing which might involve territory sought to be annexed in the City of Surprise Annexation Petition, which is filed herewith, with exhibits, in the Office of the Maricopa County Recorder.
4. I hereby affirm, pursuant to A.R.S. §9-471(A)(6), that no part of the territory associated with **Surprise Case #FS25-0291** for which the attached Annexation Petition is filed is already subject to an earlier filing for annexation.

FURTHER AFFIANT SAYETH NOT.

Lloyd Abrams

(Lloyd Abrams, Surprise Community Development Director)

SWORN TO AND SUBSCRIBED before me this 7th day of January, 2026.

CHARLES VASQUEZ
Notary Public - Arizona
MARICOPA COUNTY
Commission # 655397
Expires August 21, 2027

Notary Public for the State of Arizona

My commission expires: 8-21-27

ANNEXATION PETITION

TO THE HONORABLE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA:

We, the undersigned, the owners of one-half or more of the real and personal property that also represents one-half or more of the value of the real and personal property that would be subject to taxation by the City of Surprise in the event of annexation within the territory proposed to be annexed, which is hereafter described, said territory being contiguous to the corporate limits of the City of Surprise, with the exterior boundaries of the territory proposed to be annexed shown on the map attached hereto, marked "Exhibit "B" and made a part hereof, request the City of Surprise to annex the following described territory, provided that the requirements of A.R.S. §9-471, and amendments thereto are fully observed.

The description of the territory proposed to be annexed as part of the Surprise Case #FS25-0291, not already within the present limits of the City of Surprise and located in Maricopa County, Arizona, is as described and attached hereto, marked Exhibit "A" and made part thereof:

DATE	NAME OF PROPERTY OWNER	MAILING ADDRESS	PHONE NO	PARCEL NUMBER OR LEGAL DESCRIPTION

ATWELL

ONE COMPANY.
INFINITE SOLUTIONS

LEGAL DESCRIPTION
55 FOOT RIGHT OF WAY
VISTAS MONTANAS
APN 503-51-008G
MARICOPA COUNTY, ARIZONA

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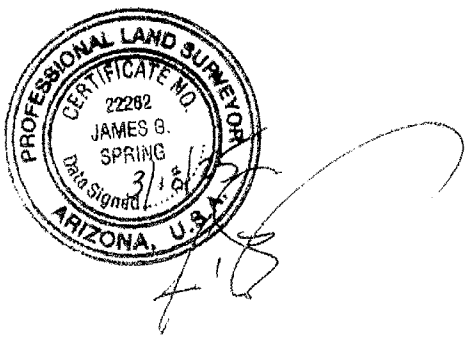
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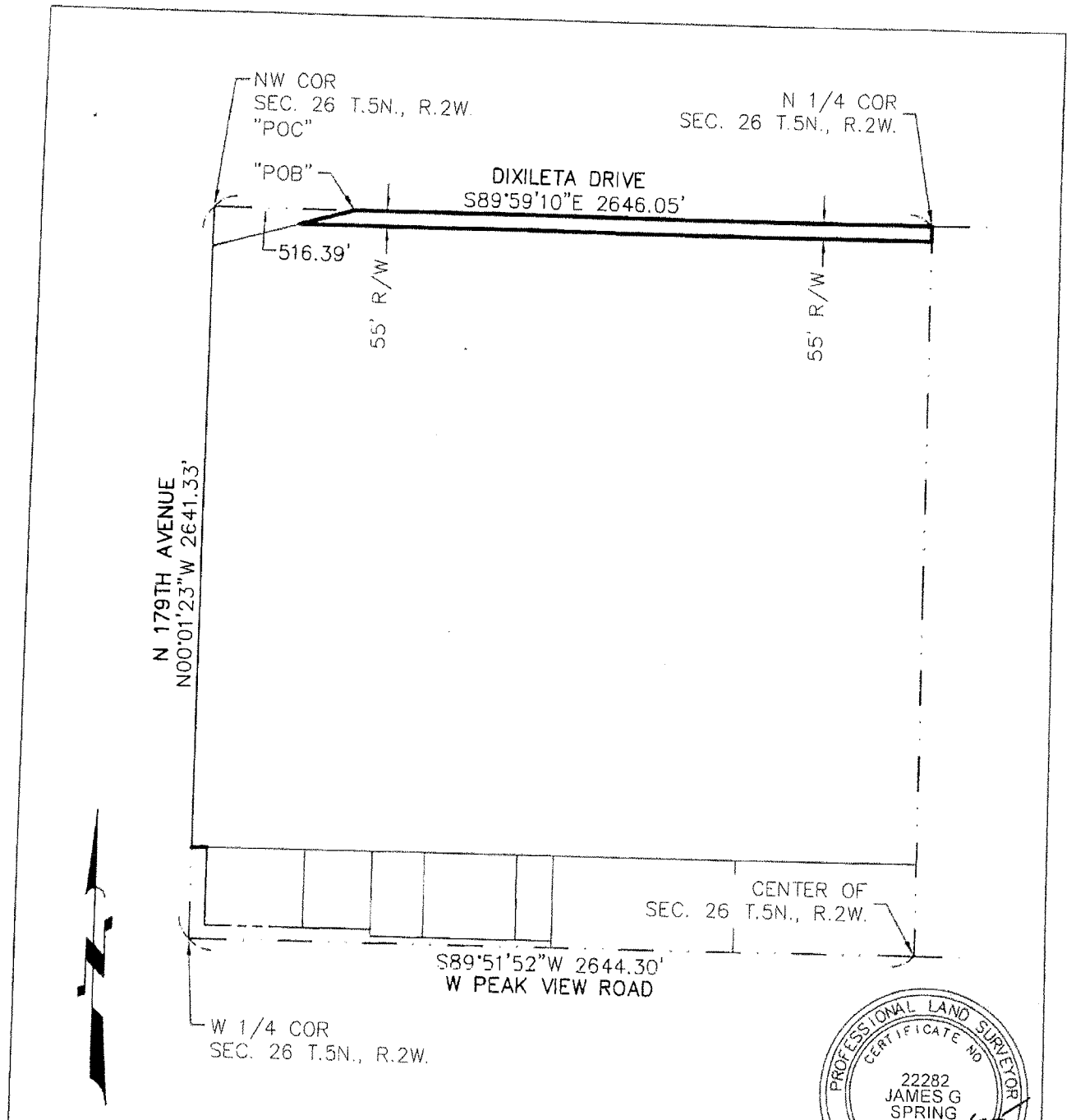
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PREPARED BY:
ATWELL, LLC
4700 E. SOUTHERN AVENUE
MESA, ARIZONA 85206
PROJECT NO. 21001285
DATE MARCH 18, 2025.





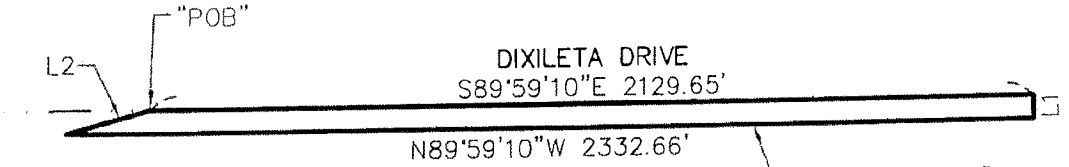
PROFESSIONAL LAND SURVEYOR
CERTIFICATE NO
22282
JAMES G
SPRING
Date Signed 3/18/25
ARIZONA U.S.A.

JOB NO. 21001285 PRODUCT TYPE: EX DATE: 03-18-2025 | SHEET 2 OF 3

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866.850.4200 www.atwell-group.com
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MESA, AZ 85206
480.218.8831

EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008G
CITY OF SURPRISE, ARIZONA

K:\21001285 - VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\19-APN 503-51-008G\21001285 503-51-008G EXHIBIT.DWG SAVE DATE: 3/18/2025 8:31 AM PLOT DATE: 3/18/2025 8:31 AM

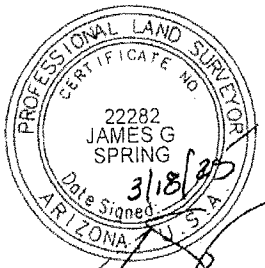


SURPRISE LAND
HOLDINGS, LLC
APN 503-51-008G
122,714 SQ FT
AND/OR 2.82 ACRES

LINE TABLE		
LINE #	DIRECTION	LENGTH
L1	S00°00'15"W	55.00'
L2	N74°51'15"E	210.32'



Scale: 1"=400'



JOB NO. 21001285 PRODUCT TYPE: EX DATE: 03-18-2025 | SHEET 3 OF 3

ATWELL
856.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
480.218.8831

EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008G
CITY OF SURPRISE, ARIZONA

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A 55 FOOT STRIP OF LAND BEING EAST OF THE FOLLOWING DESCRIBED WEST LINE OF SECTION 26;

COMMENCING AT THE WEST QUARTER CORNER OF SECTION 26, TOWNSHIP 5 NORTH, RANGE 2 WEST ALONG THE WEST LINE OF THE NORTHWEST QUARTER OF SAID SECTION 26, A SECTION LINE THAT BEARS N00°01'23"W A DISTANCE OF 2641.33 FEET TO THE NORTHWEST CORNER;

THENCE, ALONG SAID WEST LINE OF SECTION 26, N00°01'23"W A DISTANCE OF 330.15 TO THE POINT OF BEGINNING;

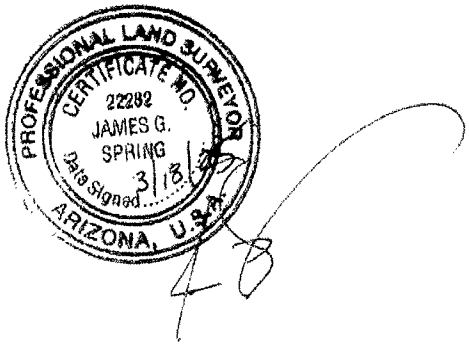
THENCE, N00°01'23"W A DISTANCE OF 2171.29 FEET TO THE POINT OF TERMINUS.

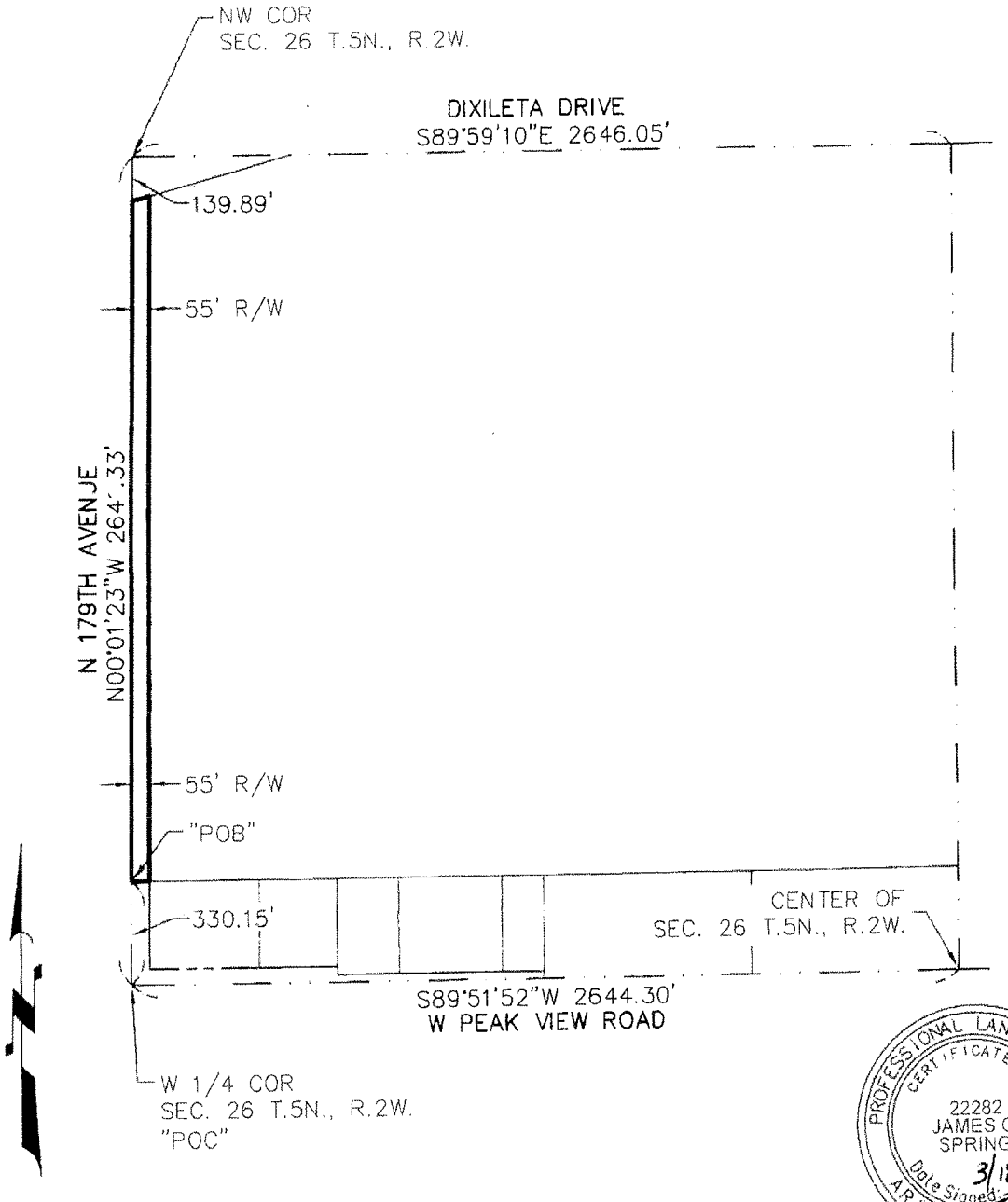
THE SIDE LINES OF SAID RIGHT OF WAY ARE SHORTENED OR LENGTHENED TO INTERSECT AT ADJOINING PROPERTY LINES.

THE ABOVE DESCRIBED PARCEL CONTAINS A COMPUTED AREA OF 119,827 SQUARE FEET OR 2.75 ACRES, MORE OR LESS AND IS SUBJECT TO ANY EASEMENTS, RESTRICTIONS, OR RIGHTS OF WAY OF RECORD OR OTHERWISE.

THE DESCRIPTION SHOWN HEREON IS NOT TO BE USED TO VIOLATE ANY SUBDIVISION REGULATIONS OF THE STATE, COUNTY AND/OR MUNICIPALITY OR ANY OTHER LAND DIVISION RESTRICTIONS.

PREPARED BY:
ATWELL, LLC
4700 E. SOUTHERN AVENUE
MESA, ARIZONA 85206
PROJECT NO. 21001285
DATE MARCH 18, 2025.





Scale: 1"=500'

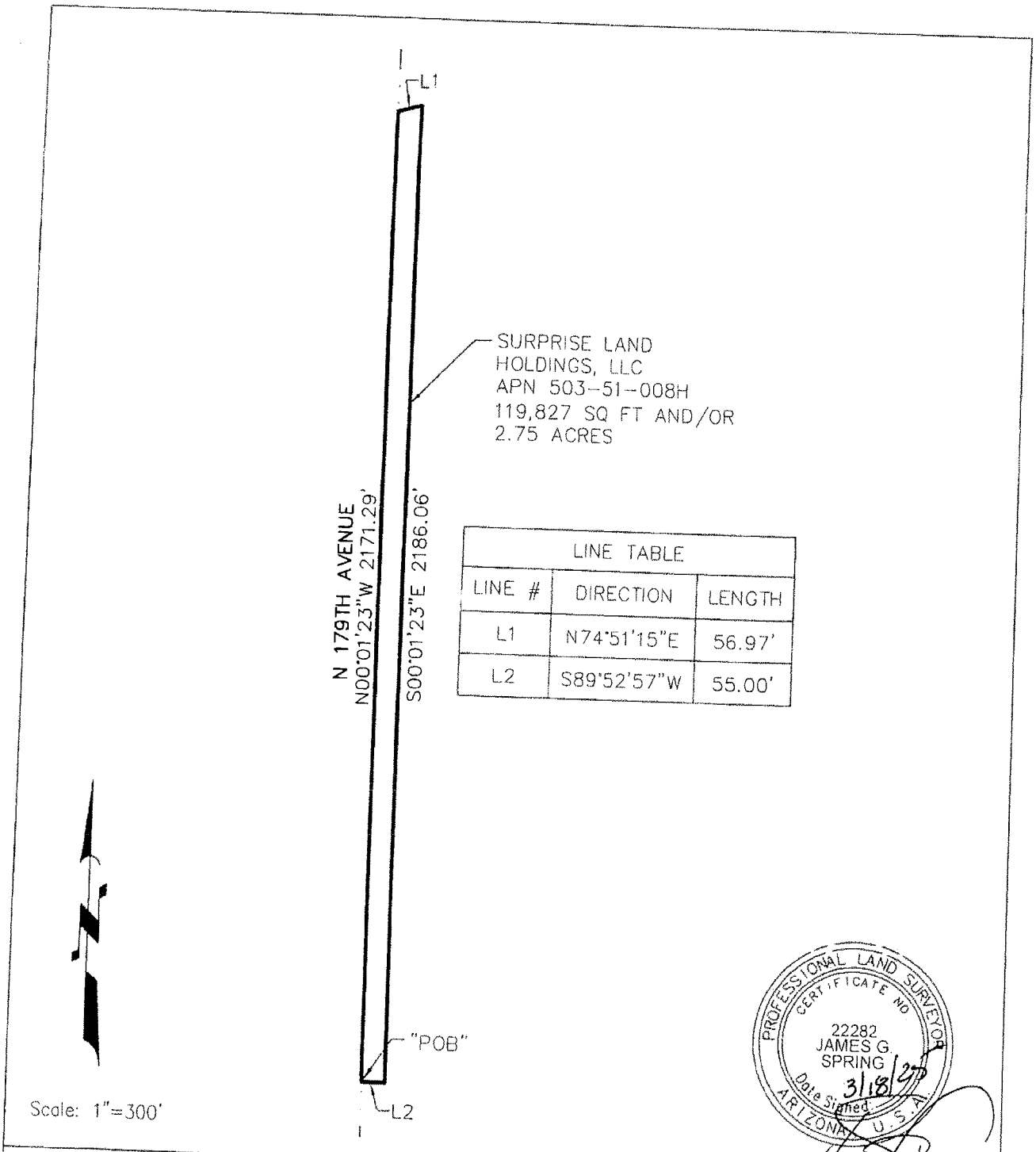
PROFESSIONAL LAND SURVEYOR
CERTIFICATE NO.
22282
JAMES G
SPRING
Date Signed: 3/18/25
ARIZONA U.S.

JOB NO. 21001285 PRODUCT TYPE: EX DATE: 03-17-2025 | SHEET 2 OF 3

ATWELL
866.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
480.218 8831

EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008H
CITY OF SURPRISE, ARIZONA

K:\21001285 - VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\18-APN 503-51-008H\21001285 503-51-008H EXHIBIT.DWG SAVE DATE: 3/17/2025 3:37 PM PLOT DATE: 3/18/2025 8:29 AM



LINE TABLE		
LINE #	DIRECTION	LENGTH
L1	N74°51'15"E	56.97'
L2	S89°52'57"W	55.00'

PROFESSIONAL LAND SURVEYOR
CERTIFICATE NO
22282
JAMES G.
SPRING
Date Signed: 3/18/25
ARIZONA U.S.A.

JOB NO. 21001285 PRODUCT TYPE: EX DATE: 03-178-2025

SHEET 3 OF 3

ATWELL
866.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
480.218.8831

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AFFIDAVIT REGARDING ANNEXATION

Personally appears before me, Lloyd Abrams, who, first being duly sworn, deposes and says as follows:

1. I make this affidavit of my own personal knowledge.
2. I am the duly appointed Community Development Director of the City of Surprise, Arizona and I am qualified to make this affidavit on behalf of and for the City.
3. I have made a diligent search of the records of the Office of the Clerk of the City of Surprise and of the Office of the Maricopa County Recorder for any annexation filing which might involve territory sought to be annexed in the City of Surprise Annexation Petition, which is filed herewith, with exhibits, in the Office of the Maricopa County Recorder.
4. I hereby affirm, pursuant to A.R.S. §9-471(A)(6), that no part of the territory associated with **Surprise Case #FS25-0291** for which the attached Annexation Petition is filed is already subject to an earlier filing for annexation.

FURTHER AFFIANT SAYETH NOT.

(Lloyd Abrams, Surprise Community Development Director)

SWORN TO AND SUBSCRIBED before me this 21st day of January, 2026.

CHARLES VASQUEZ
Notary Public - Arizona
MARICOPA COUNTY
Commission # 655397
Expires August 21, 2027

Notary Public for the State of Arizona

My commission expires: 8-21-27

ANNEXATION PETITION

TO THE HONORABLE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA:

We, the undersigned, the owners of one-half or more of the real and personal property that also represents one-half or more of the value of the real and personal property that would be subject to taxation by the City of Surprise in the event of annexation within the territory proposed to be annexed, which is hereafter described, said territory being contiguous to the corporate limits of the City of Surprise, with the exterior boundaries of the territory proposed to be annexed shown on the map attached hereto, marked "Exhibit "B" and made a part hereof, request the City of Surprise to annex the following described territory, provided that the requirements of A.R.S. §9-471, and amendments thereto are fully observed.

The description of the territory proposed to be annexed as part of the Surprise Case #FS25-0291, not already within the present limits of the City of Surprise and located in Maricopa County, Arizona, is as described and attached hereto, marked Exhibit "A" and made part thereof:

DATE	NAME OF PROPERTY OWNER	MAILING ADDRESS	PHONE NO	PARCEL NUMBER OR LEGAL DESCRIPTION

ATWELL

ONE COMPANY.
INFINITE SOLUTIONS.

LEGAL DESCRIPTION
55 FOOT RIGHT OF WAY
VISTAS MONTANAS
APN 503-51-008G
MARICOPA COUNTY, ARIZONA

LOCATED WITHIN A PORTION OF THE NORTHWEST QUARTER OF SECTION 26, TOWNSHIP 5 NORTH, RANGE 2 WEST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A 55-FOOT STRIP OF LAND BEING SOUTH OF THE FOLLOWING DESCRIBED NORTH LINE OF SECTION 26;

COMMENCING AT THE NORTHWEST QUARTER CORNER OF SECTION 26, TOWNSHIP 5 NORTH, RANGE 2 WEST ALONG THE NORTH LINE OF THE NORTHWEST QUARTER OF SAID SECTION 26, A SECTION LINE THAT BEARS S89°59'10"E A DISTANCE OF 2646.05 FEET TO THE NORTH QUARTER CORNER;

THENCE, ALONG SAID NORTH LINE OF SECTION 26, S89°59'10"E A DISTANCE OF 516.39 TO THE **POINT OF BEGINNING;**

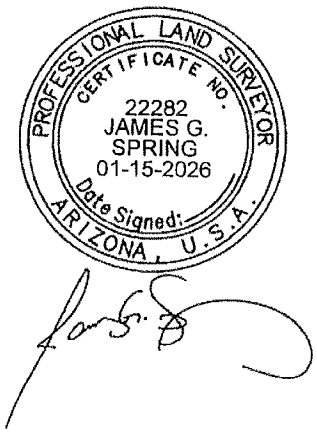
THENCE, S89°59'10"E A DISTANCE OF 2129.65 FEET TO THE POINT OF TERMINUS.

THE SIDE LINES OF SAID RIGHT OF WAY ARE SHORTENED OR LENGTHENED TO INTERSECT AT ADJOINING PROPERTY LINES.

THE ABOVE DESCRIBED PARCEL CONTAINS A COMPUTED AREA OF 122,714 SQUARE FEET OR 2.82 ACRES, MORE OR LESS AND IS SUBJECT TO ANY EASEMENTS, RESTRICTIONS, OR RIGHTS OF WAY OF RECORD OR OTHERWISE.

THE DESCRIPTION SHOWN HEREON IS NOT TO BE USED TO VIOLATE ANY SUBDIVISION REGULATIONS OF THE STATE, COUNTY AND/OR MUNICIPALITY OR ANY OTHER LAND DIVISION RESTRICTIONS.

PREPARED BY:
ATWELL, LLC
4700 E. SOUTHERN AVENUE
MESA, ARIZONA 85206
PROJECT NO. 21001285
DATE JANUARY 15, 2026.



ATWELL

ONE COMPANY.
INFINITE SOLUTIONS.

LEGAL DESCRIPTION
55 FOOT RIGHT OF WAY
VISTAS MONTANAS
APN 503-51-008H
MARICOPA COUNTY, ARIZONA

LOCATED WITHIN A PORTION OF THE NORTHWEST QUARTER OF SECTION 26, TOWNSHIP 5 NORTH, RANGE 2 WEST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

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THENCE, ALONG SAID WEST LINE OF SECTION 26, N00°01'23"W A DISTANCE OF 330.15 TO THE **POINT OF BEGINNING**;

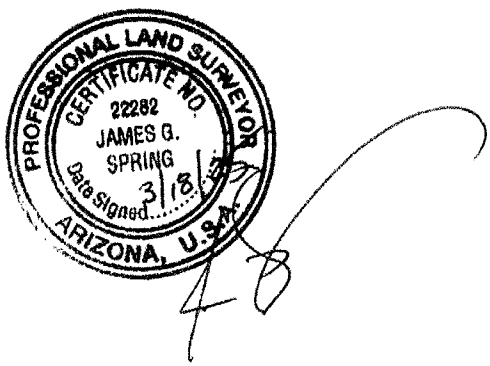
THENCE, N00°01'23"W A DISTANCE OF 2171.29 FEET TO THE POINT OF TERMINUS.

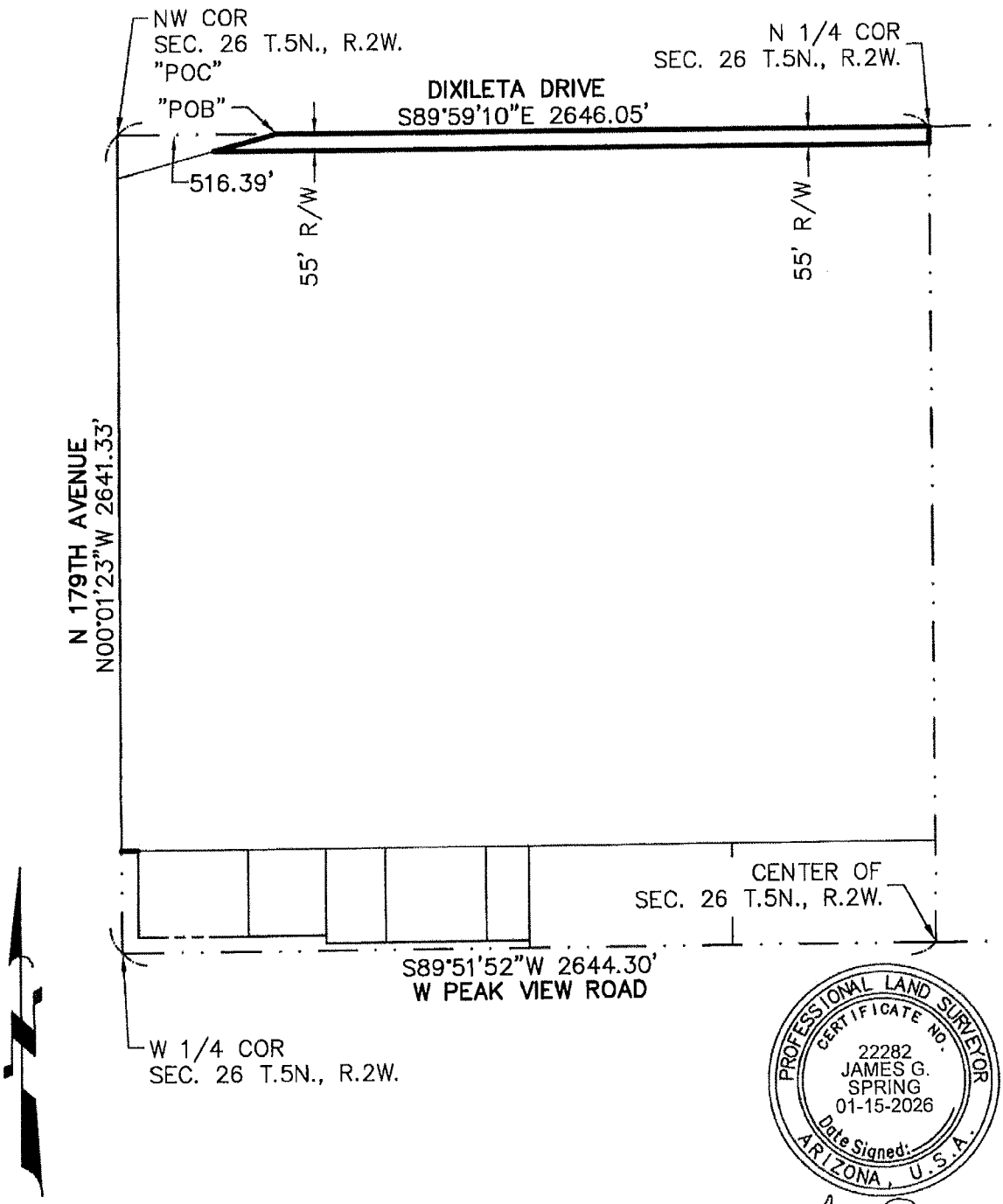
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PREPARED BY:
ATWELL, LLC
4700 E. SOUTHERN AVENUE
MESA, ARIZONA 85206
PROJECT NO. 21001285
DATE MARCH 18, 2025.





PROFESSIONAL LAND SURVEYOR
CERTIFICATE NO.
22282
JAMES G.
SPRING
01-15-2026
Date Signed:
ARIZONA, U.S.A.

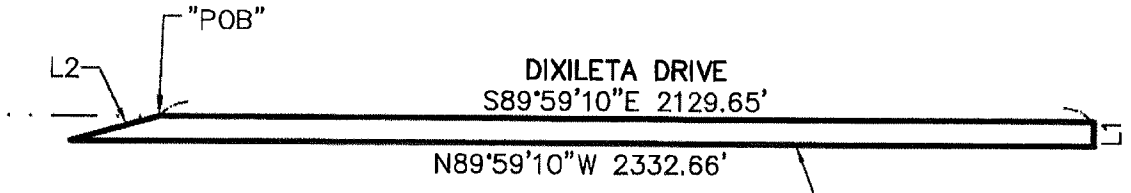
JOB NO. 21001285 PRODUCT TYPE: EX DATE: 01-15-2026

SHEET 2 OF 3

ATWELL
866.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
480.218.8831

EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008G
CITY OF SURPRISE, ARIZONA

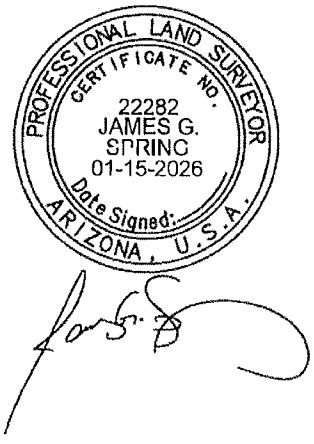
V:\21001285 - VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\19-APN 503-51-008G - RW\21001285 503-51-008G EXHIBIT.DWG SAVE DATE: 1/15/2026 10:01 AM PLOT DATE:1/15/2026 10:04 AM



LINE TABLE		
LINE #	DIRECTION	LENGTH
L1	S00°00'15"W	55.00'
L2	N74°51'15"E	210.32'



Scale: 1"=400'

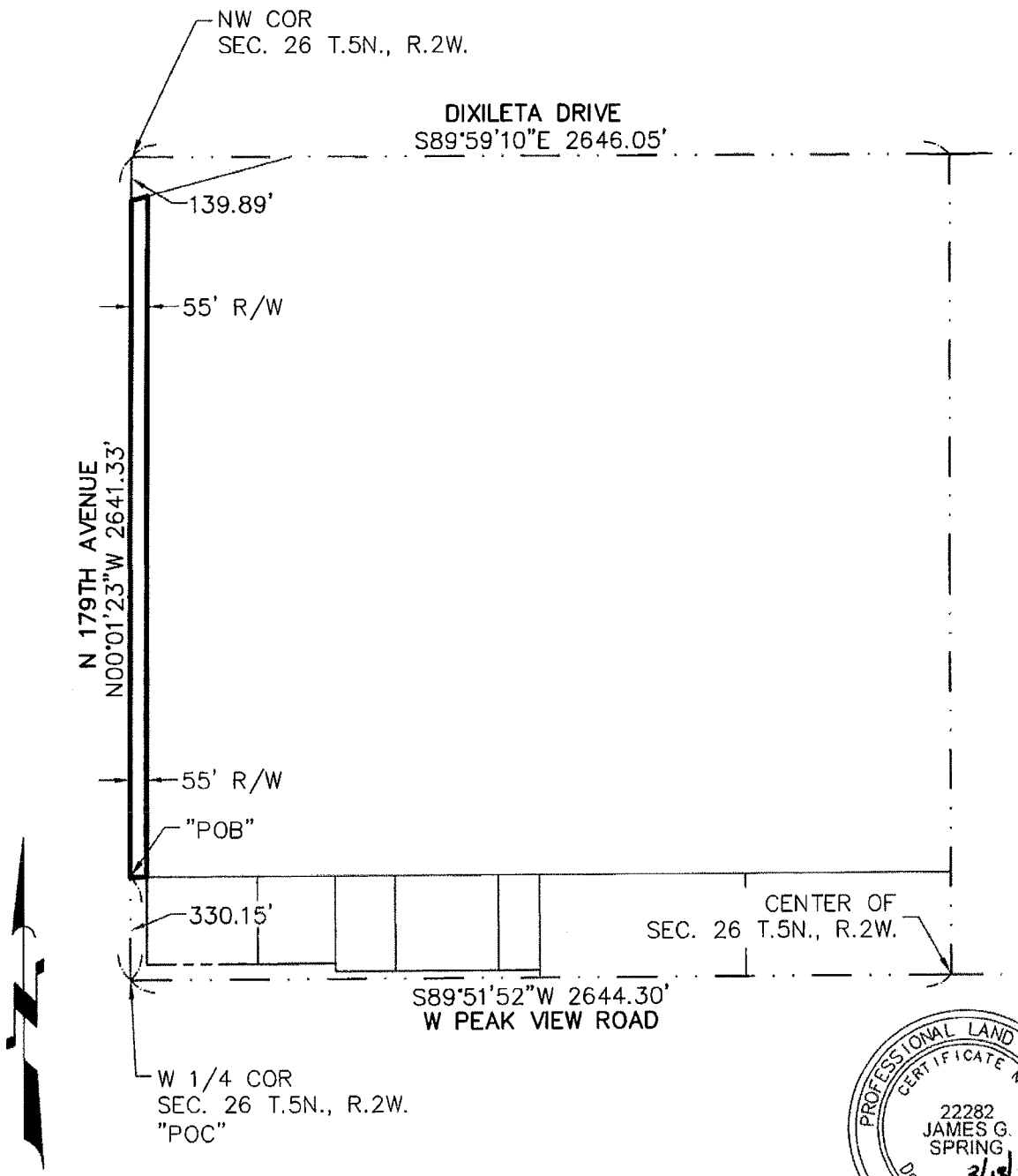


JOB NO. 21001285 PRODUCT TYPE: EX DATE: 01-15-2026	SHEET 3 OF 3

ATWELL
866.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
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EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008G
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Scale: 1"=500'

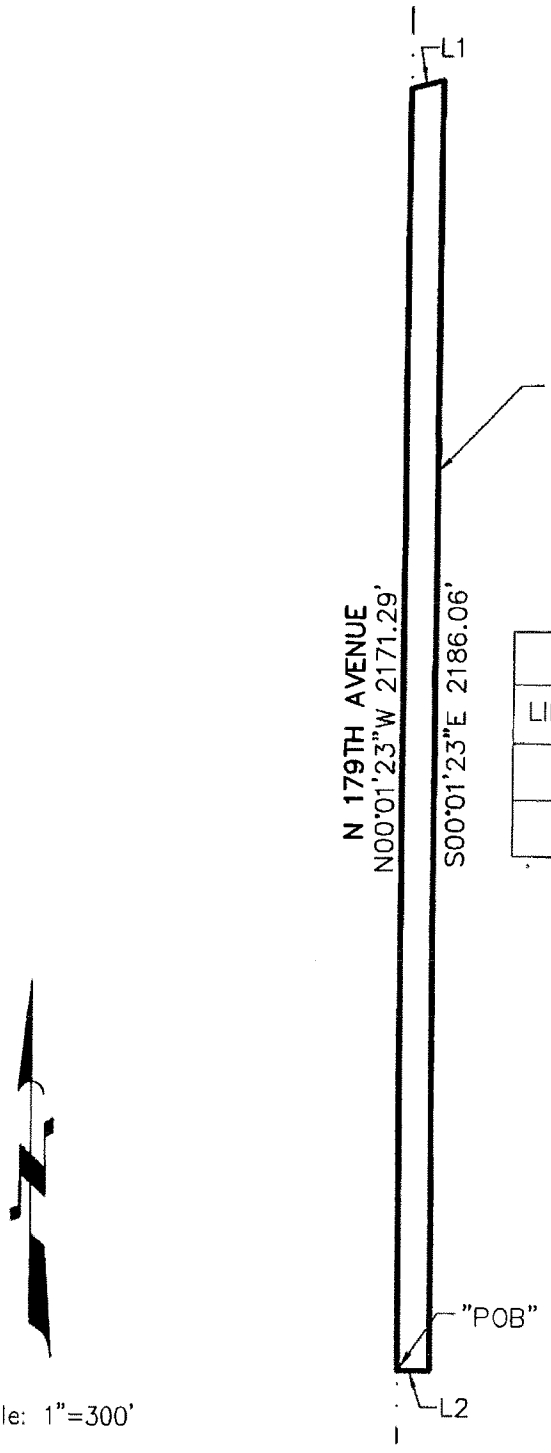
PROFESSIONAL LAND SURVEYOR
CERTIFICATE NO.
22282
JAMES G. SPRING
Date Signed 3/18/25
ARIZONA U.S.A.

JOB NO. 21001285 PRODUCT TYPE: EX DATE: 03-17-2025	SHEET 2 OF 3

ATWELL
866.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
480.218.8831

EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008H
CITY OF SURPRISE, ARIZONA

K:\21001285 - VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\18-APN 503-51-008H\21001285 503-51-008H EXHIBIT.DWG SAVE DATE: 3/17/2025 3:37 PM PLOT DATE: 3/18/2025 8:29 AM



LINE TABLE		
LINE #	DIRECTION	LENGTH
L1	N74°51'15"E	56.97'
L2	S89°52'57"W	55.00'

Scale: 1"=300'

PROFESSIONAL LAND SURVEYOR
CERTIFICATE NO.
22282
JAMES G.
SPRING
Date Signed: 3/18/25
ARIZONA U.S.A.

JOB NO. 21001285 PRODUCT TYPE: EX DATE: 03-178-2025

SHEET 3 OF 3

ATWELL
866.850.4200 www.atwell-group.com
4700 E. SOUTHERN AVENUE
MESA, AZ 85206
480.218.8831

EXHIBIT "A"
55' R/W
VISTAS MONTANAS
APN 503-51-008H
CITY OF SURPRISE, ARIZONA

K:\21001285 - VISTAS MONTANAS PAD AMENDMENT\DWG\SURVEY\EXHIBITS\18-APN 503-51-008H\21001285 503-51-008H EXHIBIT.DWG SAVE DATE: 3/17/2025 3:37 PM PLOT DATE: 3/18/2025 8:29 AM

ANNEXATION PETITION

TO THE HONORABLE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA:

We, the undersigned, the owners of one-half or more of the real and personal property that also represents one-half or more of the value of the real and personal property that would be subject to taxation by the City of Surprise in the event of annexation within the territory proposed to be annexed, which is hereafter described, said territory being contiguous to the corporate limits of the City of Surprise, with the exterior boundaries of the territory proposed to be annexed shown on the map attached hereto, marked "Exhibit "B" and made a part hereof, request the City of Surprise to annex the following described territory, provided that the requirements of A.R.S. §9-471, and amendments thereto are fully observed.

The description of the territory proposed to be annexed as part of the Surprise Case #FS25-0291, not already within the present limits of the City of Surprise and located in Maricopa County, Arizona, is as described and attached hereto, marked Exhibit "A" and made part thereof:

DATE	NAME OF PROPERTY OWNER	MAILING ADDRESS	PHONE NO	PARCEL NUMBER OR LEGAL DESCRIPTION
02/20/2026	Surprise Land Holdings LLC	3901 E Broadway Blvd, Tuscon AZ 85711	520-322-6994	503-51-008G
02/20/2026	Surprise Land Holdings LLC	3901 E Broadway Blvd, Tuscon AZ 85711	520-322-6994	503-51-008H

Signed: _____
Name: OMAR MIRELES
Its: VP

SWORN TO AND SUBSCRIBED before me this 21st day of February, 2026

_____
Notary Public for the State of Arizona

My commission expires: May 30, 2027

CATHY SACHS
Notary Public - Arizona
Pima County
My Commission Expires
05/30/2027
Commission # 651540

CITIZEN PARTICIPATION REPORT

Vistas Montanas Annexation

Surprise, AZ
October 2025
FS25-0291

Introduction

Every Type 3 development application (which includes rezoning applications) in the City of Surprise requires a neighborhood meeting. As such, these applications also require a Citizen Participation Report designed to detail the results of the citizen participation effort prior to the notice of public hearing. The following sections document the public outreach as it relates to the Vistas Montanas annexation, FS25-0291

Public Outreach

One neighborhood meeting was held for this project on October 8th, 2025, in accordance with City LDO requirements. Notices for the neighborhood meeting were mailed to residents and neighborhood associations fifteen (15) days prior by City staff in accordance with the LDO. The meeting details have been included below. Additionally, three on-site signs were posted on the property in accordance with the sign posting requirements.

Location: Asante Preparatory Academy - Media Center
23251 N 166th Drive
Surprise, AZ 85387

Date and Time: Wednesday October 8th, 2025 – 6:00 PM

The following exhibits are included as part of the Citizen Participation Report:

- Site posting affidavit and photos as **Exhibit A: Sign Posting Affidavit & Photos**
- Exhibits presented at the Meeting as **Exhibit B: Meeting Presentation Exhibits**

Summary of Neighborhood Outreach Efforts

The neighborhood meeting was held at a public place in general vicinity of the subject site in compliance with the recommendations of City staff. The project representatives provided exhibits and were available to discuss the project or answer any resident questions.

Meeting Documentation

The meeting officially began at 6:00 PM. No attendees were present during the meeting. Comment cards were made available during the meeting. No comment cards were filled out.

Ongoing Coordination

Throughout the processing of the rezoning application, the development team will engage with all interested parties to provide up to date information and tracking to the schedule public hearings, as needed. To date, no additional phone calls or emails have been received by the applicant.

Exhibit A: Sign Posting Affidavit and Photos

CITY OF SURPRISE
Site posting Process

AFFIDAVIT OF POSTING

Application No: FS25-0291

Applicant Name: RVi Planning

Location: SWC 179th Ave and Dixileta Dr (alignment)

Date Site Posted: 09/19/25

In order to assist in providing adequate notice to interested parties, the applicant for any *type of public hearing* in the City of Surprise shall erect two (2) signs giving notice of the *date, time and place* of the scheduled hearings. These signs must be erected not less than **fifteen (15) days prior to** the date of the first hearing. The signs shall also include the nature of the request as contained on the formal zoning application. The size and format of this sign shall meet requirements established by the Planning and Zoning Department (see page 2).

Such notice shall be clearly legible and placed at a prominent location on the site – Generally adjacent and perpendicular to the public right-of-way. It shall be the *responsibility of the applicant* to erect and to maintain the sign on the subject property and to maintain the hearing information on the sign until final disposition of the case.

It shall also be the *responsibility of the applicant* to remove the signs within one week after the final disposition of the case.

I confirm that the site has been posted as required above, for the case noted above. A picture of the site posting, and photos of any subsequent changes/updates made to the sign, have also been submitted.

Meghan Liggett — **September 19, 2025**

Applicant/Representative Signature — Date

This instrument was acknowledged before me on 09/19/25, by Meghan Liggett. I witness whereof I hereunto set my hand and official seal.

MARYBETH CONRAD
Notary Public - Arizona
Maricopa County
Commission # 673441
My Comm. Expires Oct 25, 2028

Marybeth Conrad
Notary Public

10-25-28
My commission expires

*Return completed and notarized **affidavit** and all relevant **photo**s to the Planning and Zoning Department at least fifteen (15) days **prior to** the scheduled meeting(s).*


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: Wednesday, October 8th, 2025
Time: 6:00 P.M.
Location: Asante Preparatory Academy
Media Center
23251 N 166th Drive
Surprise, AZ 85387
Planning & Zoning
Date: TBD
Time: TBD
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
City Council
Date: TBD
Time: TBD
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
Surprise Case Number: FS25-0291
Request: A request for an Annexation of two (2) parcels of unincorporated land, approximately 5.57 acres, into the City of Surprise. The parcels are 503-51-008G & 503-51-008H. Surprise Planning case FS25-0291.
SUBJECT PROPERTY
N.T.S.
VICINITY MAP
SECTION 24, T.5N., R.2W.
For more information, call:
623-222-3011
www.Surpriseaz.gov
Maps
September 19, 2025 at 11:44 AM
+33.752997,-112.445948
Surprise AZ 85387
United States


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: Wednesday, October 8th, 2025
Time: 6:00 P.M.
Location: Asante Preparatory Academy
Media Center
23251 N 166th Drive
Surprise, AZ 85387
Planning & Zoning
Date: TBD
Time: TBD
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
City Council
Date: TBD
Time: TBD
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
Surprise Case Number: FS25-0291
Request: A request for an Annexation of two (2) parcels of unincorporated land, approximately 5.57 acres, into the City of Surprise. The parcels are 503-51-008G & 503-51-008H. Surprise Planning case FS25-0291.
SUBJECT PROPERTY
VICINITY MAP
SECTION 26, T.5N., R.1W.
N.T.S.
For more information, call:
623-222-3011
www.Surpriseaz.gov
September 19, 2025 at 11:44 AM
+33.752997,-112.445948
Surprise AZ 85387
United States

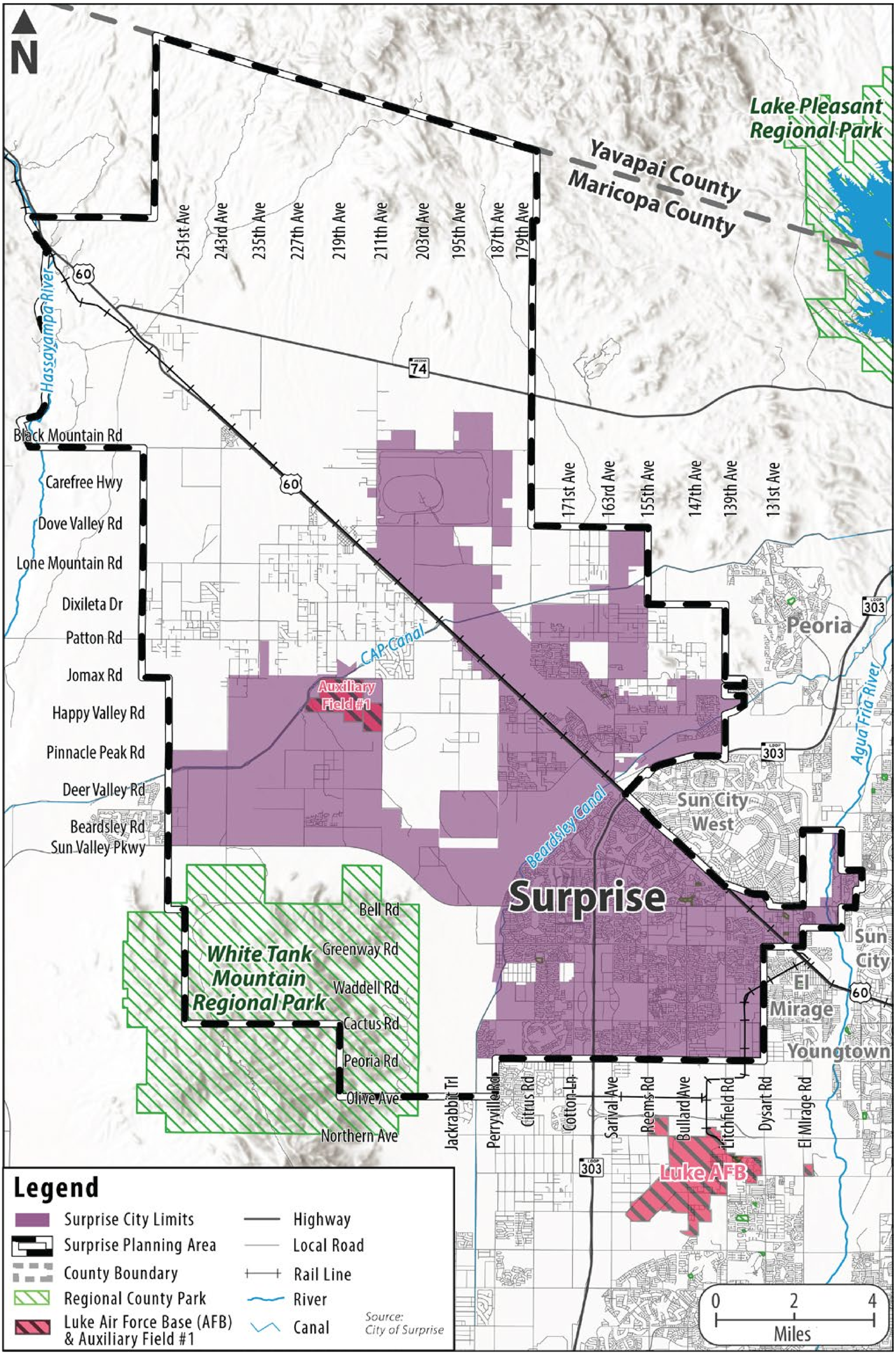

Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: Wednesday, October 8th, 2025
Time: 6:00 P.M.
Location: Asante Preparatory Academy
Media Center
23251 N 166th Drive
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For more information, call:
623-222-3011
www.Surpriseaz.gov
SUBJECT PROPERTY
N.T.S.
VICINITY MAP
SECTION 24, T.3N., R.2W.
Maps
September 19, 2025 at 11:32 AM
+33.752722,-112.446977
29756–29798 N 179th Ave
Surprise AZ 85387
United States


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: Wednesday, October 8th, 2025
Time: 6:00 P.M.
Location: Asante Preparatory Academy
Media Center
23251 N 166th Drive
Surprise, AZ 85387
Planning & Zoning
Date: TBD
Time: TBD
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
City Council
Date: TBD
Time: TBD
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
Surprise Case Number: FS25-0291
Request: A request for an Annexation of two (2) parcels of unincorporated land, approximately 5.57 acres, into the City of Surprise. The parcels are 503-51-008G & 503-51-008H. Surprise Planning case FS25-0291.
For more information, call:
623-222-3011
www.Surpriseaz.gov
SUBJECT PROPERTY
VICINITY MAP
Maps
September 19, 2025 at 11:32 AM
+33.752722,-112.446977
29756–29798 N 179th Ave
Surprise AZ 85387
United States

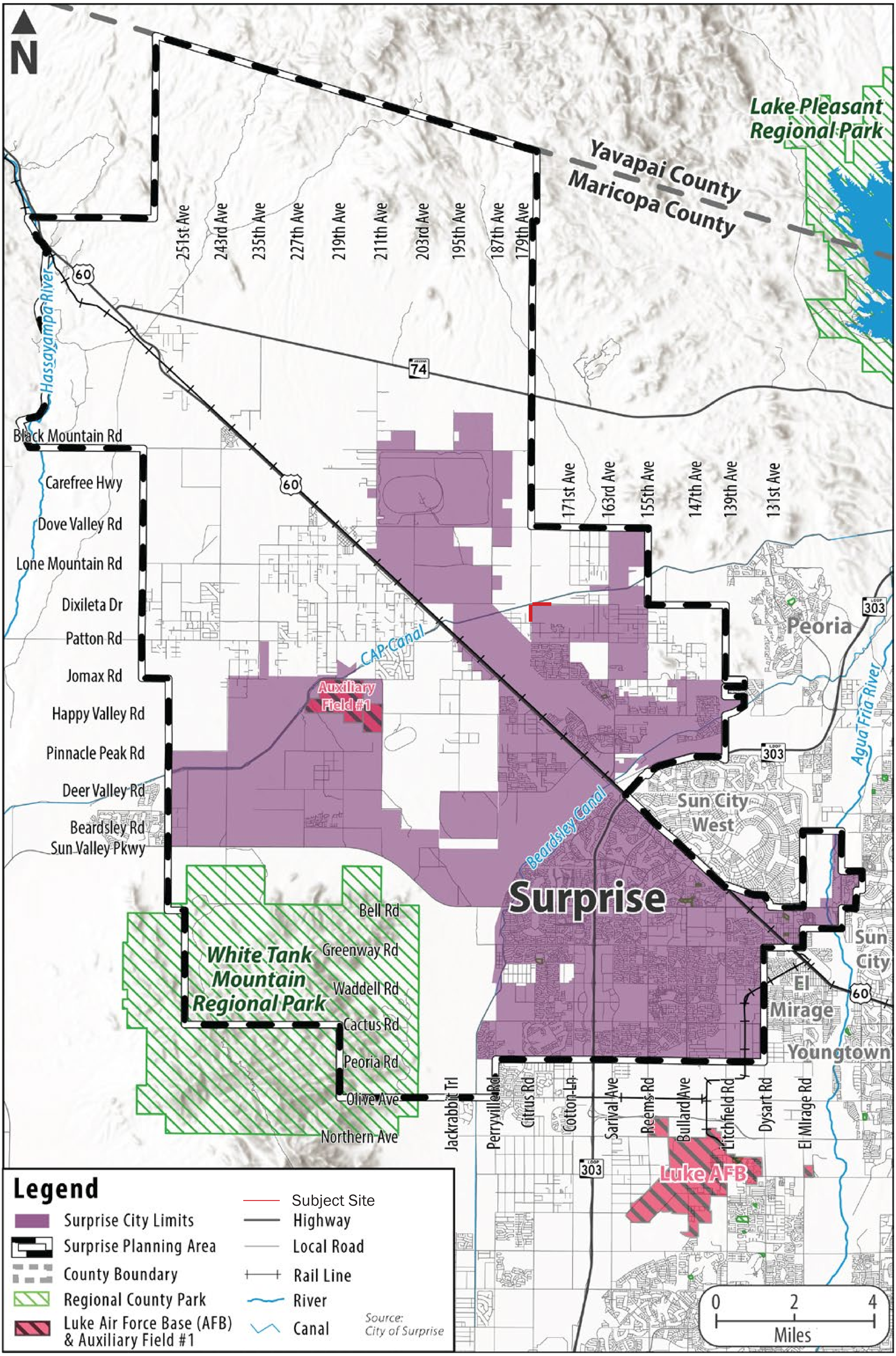

Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: Wednesday, October 8th, 2025
Time: 6:00 P.M.
Location: Asante Preparatory Academy
Media Center
23251 N 166th Drive
Surprise, AZ 85387
Planning & Zoning
Date: TBD
Time: TBD
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
City Council
Date: TBD
Time: TBD
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
Surprise Case Number: FS25-0291
Request: A request for an Annexation of two (2) parcels of unincorporated land, approximately 5.57 acres, into the City of Surprise. The parcels are 503-51-008G & 503-51-008H. Surprise Planning case FS25-0291.
SUBJECT PROPERTY
N.T.S.
VICINITY MAP
SECTION 36, T.5N., R.2W.
For more information, call:
623-222-3011
www.Surpriseaz.gov
Maps
September 19, 2025 at 11:10 AM
+33.747092,-112.447032
17850 W Peak View Rd
Surprise AZ 85387
United States


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: Wednesday, October 8th, 2025
Time: 6:00 P.M.
Location: Asante Preparatory Academy
Media Center
23251 N 166th Drive
Surprise, AZ 85387
Planning & Zoning
Date: TBD
Time: TBD
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16000 N. Civic Center Plaza
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623-222-3011
www.Surpriseaz.gov
SUBJECT PROPERTY
N.T.S.
VICINITY MAP
SECTION 26, T.5N., R.2W.
September 19, 2025 at 11:09 AM
+33.747092,-112.447032
17850 W Peak View Rd
Surprise AZ 85387
United States
Maps

Exhibit B: Meeting Presentation Exhibits



City of Surprise Municipal Boundaries and Municipal Planning Area



Context of Annexation Parcels with the City of Surprise Municipal Boundaries and Municipal Planning Area

CITY OF SURPRISE
Site posting Process

AFFIDAVIT OF POSTING

Application No: FS25-0291

Applicant Name: RVi Planning

Location: SWC 179th Ave and Dixileta Dr (alignment)

Date Site Posted: 01/30/26

In order to assist in providing adequate notice to interested parties, the applicant for any *type of public hearing* in the City of Surprise shall erect two (2) signs giving notice of the *date, time and place* of the scheduled hearings. These signs must be erected not less than **fifteen (15) days prior to** the date of the first hearing. The signs shall also include the nature of the request as contained on the formal zoning application. The size and format of this sign shall meet requirements established by the Planning and Zoning Department (see page 2).

Such notice shall be clearly legible and placed at a prominent location on the site – Generally adjacent and perpendicular to the public right-of-way. It shall be the *responsibility of the applicant* to erect and to maintain the sign on the subject property and to maintain the hearing information on the sign until final disposition of the case.

It shall also be the *responsibility of the applicant* to remove the signs within one week after the final disposition of the case.

I confirm that the site has been posted as required above, for the case noted above. A picture of the site posting, and photos of any subsequent changes/updates made to the sign, have also been submitted.

Meghan Liggett — January 30, 2026

Applicant/Representative Signature — Date

This instrument was acknowledged before me on 01/30/26, by Meghan Liggett. I witness whereof I hereunto set my hand and official seal.

MARYBETH CONRAD
Notary Public - Arizona
Maricopa County
Commission # 673441
My Comm. Expires Oct 25, 2028

Marybeth Conrad

Notary Public

10-25-28

My commission expires

*Return completed and notarized **affidavit** and all relevant **photo**s to the Planning and Zoning Department at least fifteen (15) days **prior to** the scheduled meeting(s).*



January 29, 2026 at 12:03 PM
+33.752989,-112.445979
Surprise AZ 85387

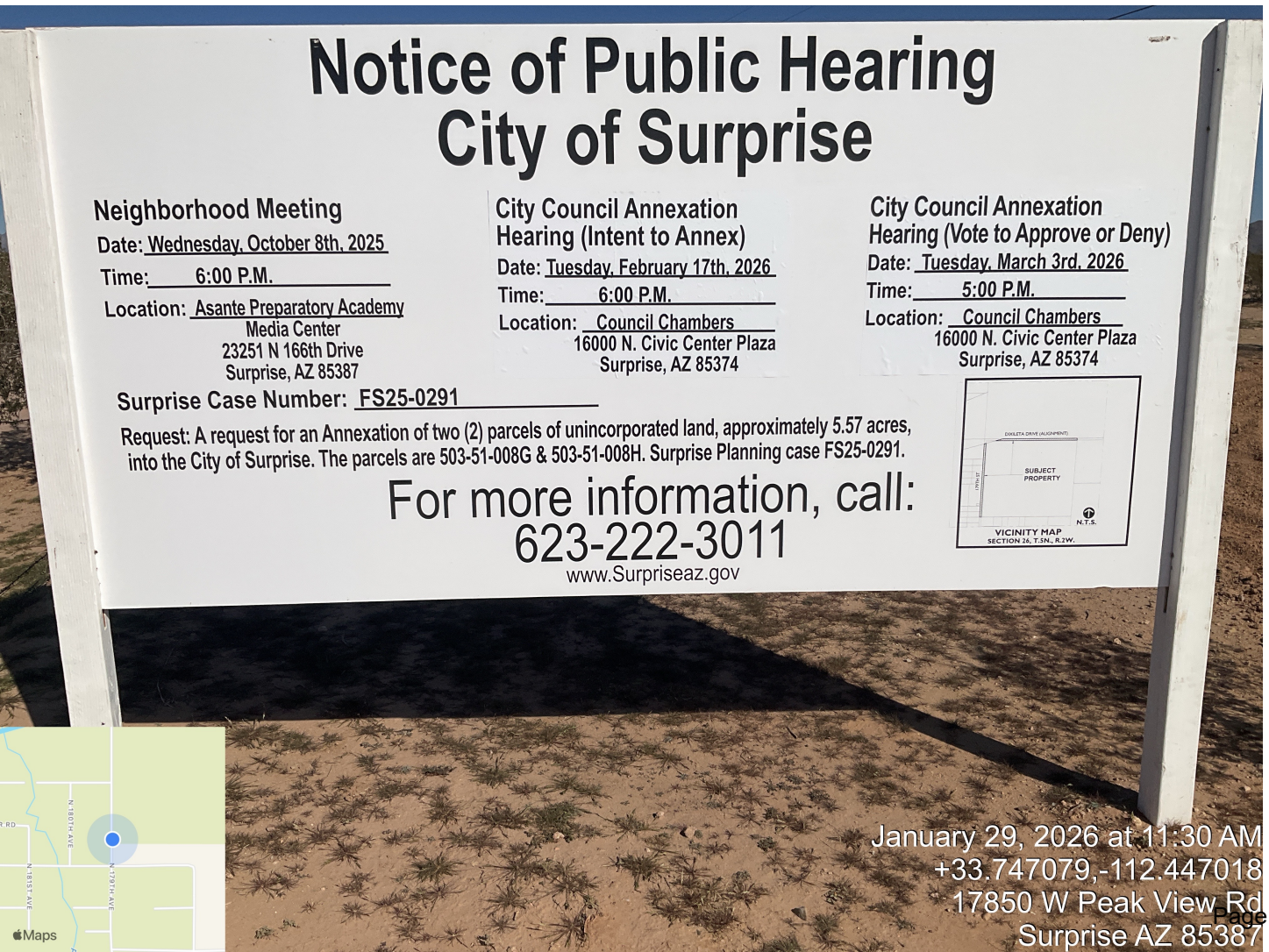

Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: Wednesday, October 8th, 2025
Time: 6:00 P.M.
Location: Asante Preparatory Academy
Media Center
23251 N 166th Drive
Surprise, AZ 85387
City Council Annexation
Hearing (Intent to Annex)
Date: Tuesday, February 17th, 2026
Time: 6:00 P.M.
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
City Council Annexation
Hearing (Vote to Approve or Deny)
Date: Tuesday, March 3rd, 2026
Time: 5:00 P.M.
Location: Council Chambers
16000 N. Civic Center Plaza
Surprise, AZ 85374
Surprise Case Number: FS25-0291
Request: A request for an Annexation of two (2) parcels of unincorporated land, approximately 5.57 acres, into the City of Surprise. The parcels are 503-51-008G & 503-51-008H. Surprise Planning case FS25-0291.
For more information, call:
623-222-3011
www.Surpriseaz.gov
SUBJECT PROPERTY
N.T.S.
VICINITY MAP
SECTION 26, T.3N., R.2W.
Maps
January 29, 2026 at 12:03 PM
+33.752294,-112.446442
N 179th Ave
Surprise AZ 85387



January 29, 2026 at 11:54 AM
+33.752788,-112.447050
29756–29798 N 179th Ave
Surprise AZ 85387



January 29, 2026 at 11:54 AM
+33.752788,-112.447050
29756–29798 N 179th Ave
Surprise AZ 85387


Notice of Public Hearing
City of Surprise
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623-222-3011
www.Surpriseaz.gov
SUBJECT PROPERTY
VICINITY MAP
SECTION 26, T.5N., R.2W.
N.T.S.
Maps
January 29, 2026 at 11:30 AM
+33.747079,-112.447018
17850 W Peak View Rd
Surprise AZ 85387


Notice of Public Hearing
City of Surprise
Neighborhood Meeting
Date: Wednesday, October 8th, 2025
Time: 6:00 P.M.
Location: Asante Preparatory Academy
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23251 N 166th Drive
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+33.747079,-112.447018
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Surprise AZ 85387

FS25-0291

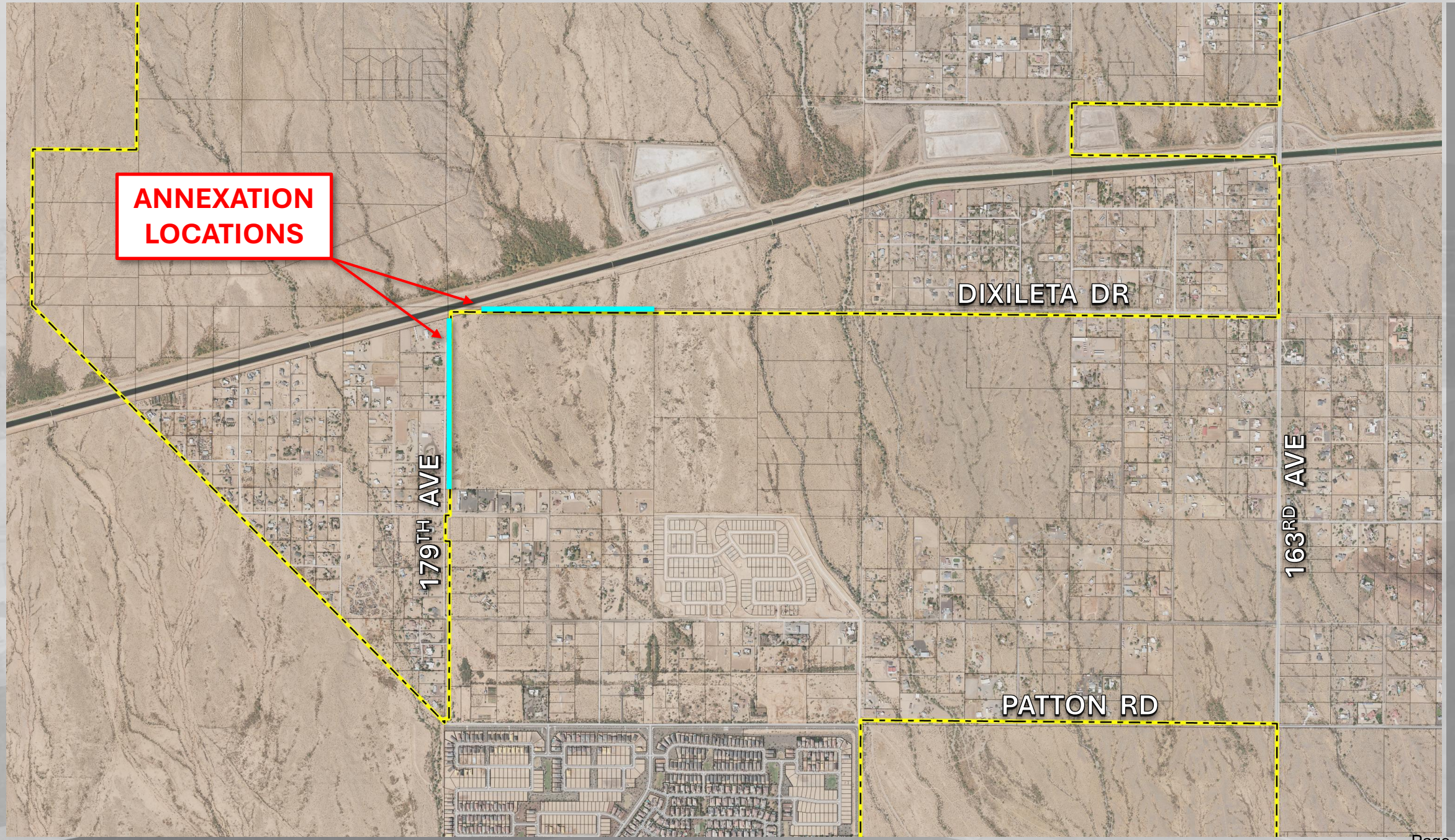
Vistas Montañas

Final Hearing

City Council

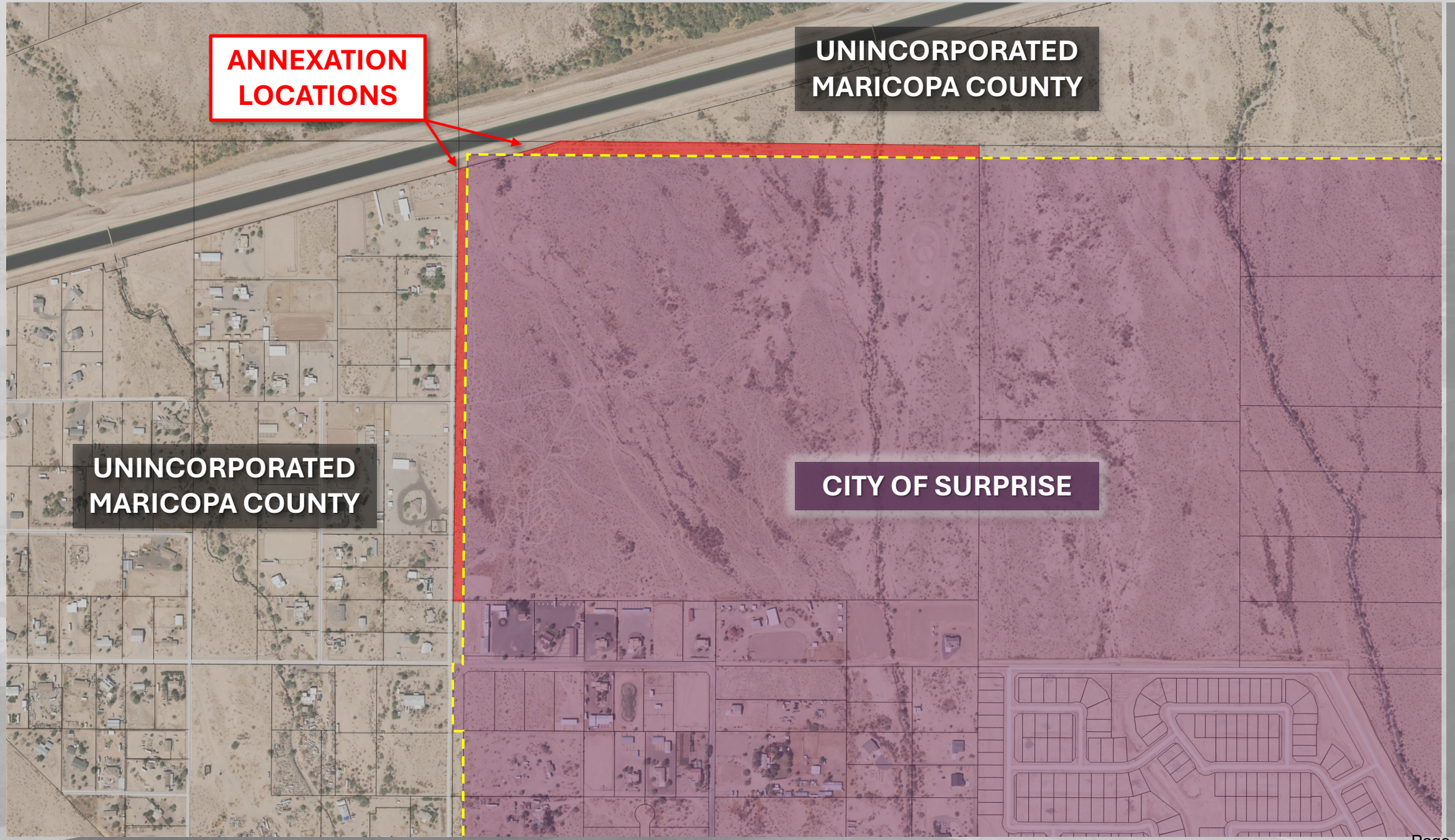
March 3, 2026

SURPRISE
ARIZONA

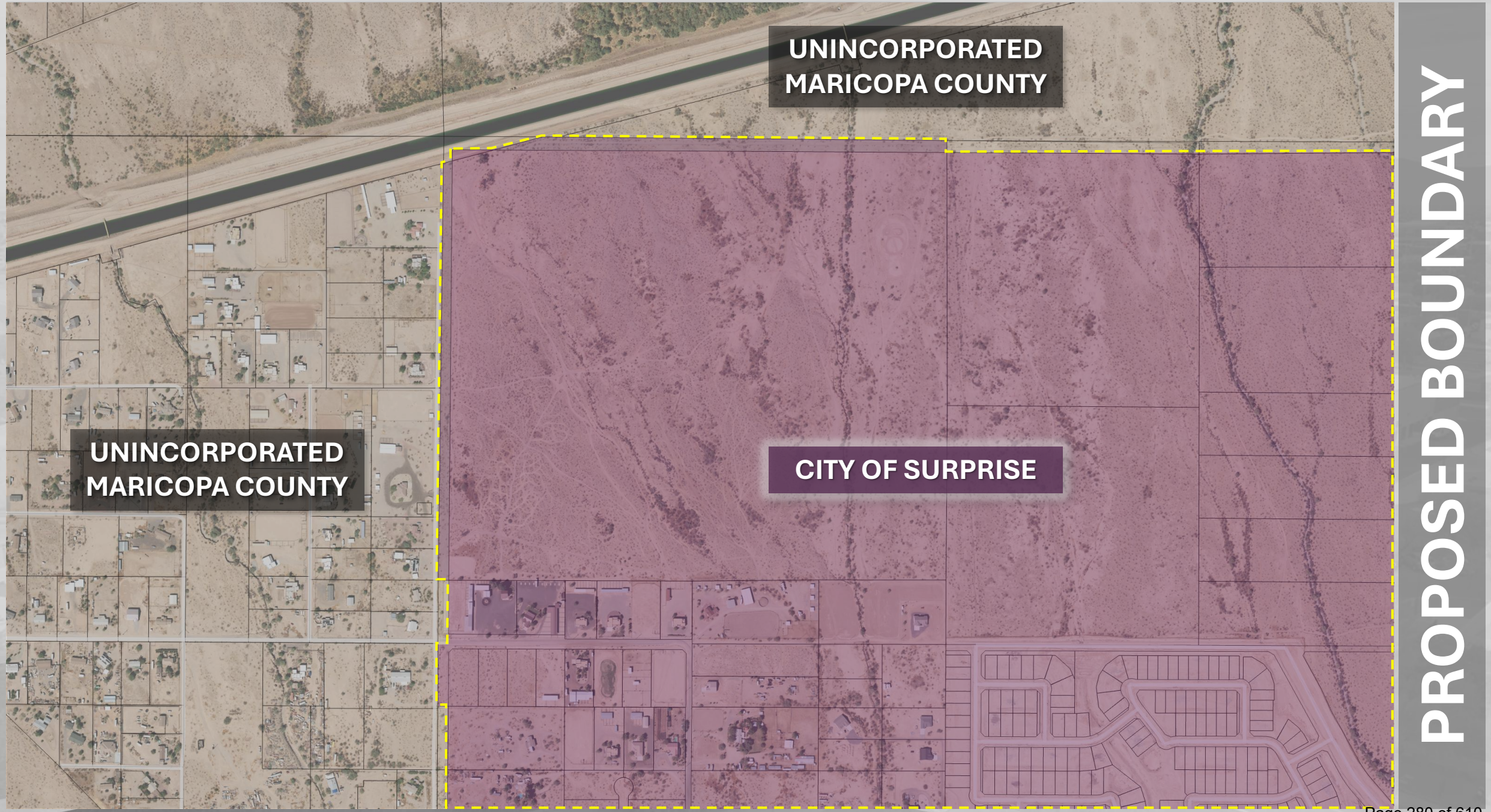


FS25-0291 VICINITY MAP


UNINCORPORATED
MARICOPA COUNTY
UNINCORPORATED
MARICOPA COUNTY
CITY OF SURPRISE
EXISTING BOUNDARY



ANNEXATION LOCATIONS


UNINCORPORATED
MARICOPA COUNTY
UNINCORPORATED
MARICOPA COUNTY
CITY OF SURPRISE
PROPOSED BOUNDARY

Annexation Steps

Resolution for the Intent to Annex ☑
- Approve Resolution for Blank Petition
- City Council meeting – January 20, 2026

File Blank Petition ☑
- Begin 30-day waiting period
- Reach out to County Assessor and Department of Revenue
- January 21, 2026 – Petition filed

Public Hearing ☑
- City Council holds public hearing to discuss the annexation
- Held in last 10 days of 30-day waiting period

Obtain signatures on annexation petitions ☑
- Applicant has 1 year to complete petition

Public Hearing
- City Council adopts annexation ordinance ← Tonight

Outreach Meeting

- **Date: October 8, 2025**
- **Location: Asante Preparatory Academy**
- **No attendees**

Questions or Comments?

Thank you

SURPRISE
ARIZONA

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Submitting Department: Finance
Staff Recommendations:

Contact Person: Sandy Simmons, Finance Director
District: Citywide

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

Agenda Wording:
Presentation and discussion pertaining to the fiscal year 2025 annual audit and Annual Comprehensive Financial Report and associated reports.

Motion:
None; discussion only.

Background:
The City is subject to an annual audit performed by external auditors. Each year the auditors issue an opinion on the City of Surprise Annual Comprehensive Financial Report (ACFR), Single Audit Report, Annual Expenditure Limitation Report (AELR), and Highway User Revenue Fund (HURF) Report, and provide letters related to the outcome of the audit such as the Management Letter and the Communication with Governance. The city received an unmodified opinion, which is the 'clean' opinion and the goal of all cities.

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

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

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

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

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

ATTACHMENTS:
1. COS FY25 Final ACFR

2. City of Surprise SA 25
3. City of Surprise Communication to Governance 25
4. City of Surprise HURF Accountant's Report 25
5. City of Surprise AELR 25 Signed-AD
6. Heinfeld Meech FY25 ACFR Presentation

SURPRISE
ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025





SURPRISE

ARIZONA

CITY OF SURPRISE, ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the fiscal year ended
June 30, 2025

Prepared by:
Finance Department



SURPRISE

ARIZONA

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SURPRISE

ARIZONA



INTRODUCTORY SECTION



SURPRISE

ARIZONA



INTRODUCTORY SECTION

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



SURPRISE

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ARIZONA

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

December 16, 2025

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, 2025. These financial statements are prepared and presented in conformity with generally accepted accounting principles (GAAP) in the United States 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, 2025, 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, 2025, 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.

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

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 110 square miles, including urban and commercial developments, ranches, industrial sites, and business parks. Surprise has grown from 500 residents to a city of over 165,000 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.

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

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 2025 budget was focused on City Council's commitment to maintain quality public services and ensure community priorities were 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 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 focused on maintaining current levels of service amidst continued growth and a $14.3 million annual revenue loss to the General Fund, which is the principal financial support for basic services such as the police and fire departments, parks and recreation, and general government operations. A portion of that revenue loss, $6.6 million, is due to Senate Bill 1131 passing during the 2023 legislative session, which prohibits all Arizona cities from assessing and collecting residential rental tax beginning January 1, 2025. An additional estimated $7.7 million of revenue loss comes from a state shared income tax shortfall due to the implementation of a 2.5% flat income tax rate.

Tax reform was adopted to address the estimated $14.3 million in revenue loss. The tax reform included a 25% reduction to the City's primary property tax rate, 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 the City will be able to maintain its current level of service to residents by addressing increased operational needs, such as staffing and inflation, and capital needs, such as roads and buildings.

The City's economic outlook remains strong and optimistic, fueled by continued population growth which 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.

The City's population growth continues to exceed the statewide average and the trend is expected to continue based on the availability of land within the City's planning area. The greater number of consumers, along with the tax reform noted above, resulted in an increase in sales tax collections of 17.6% over the previous year. The continued 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 18, and the Statistical Section that begins on page 158, of this financial report.

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

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 2025, 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. In September 2024, the City issued the Series 2024 General Obligation Bonds in the amount of $30.2 million. During this fiscal year these funds were used to finalize design of the police substation, purchase land for the new fire station and to design for transportation improvements, such as the expansion of roads.

In fiscal year 2025, the City began construction 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 35,000 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.

In fiscal year 2025, the City of Surprise and the City of El Mirage entered into a ten-year intergovernmental agreement for the Original Townsite, resulting in much more equitable water rates for those customers. As part of a public-private-partnership, the Water team will break ground on a $30M expansion of the Desert Oasis Water Supply Facility, increasing water system reliability and redundancy.

This fiscal year the Water Resource Management Department processed more water rebates and hosted more water conservation educational courses than ever before, resulting in tangible water savings.

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. On October 1, 2025, the City assumed the ownership and operation of the Circle City Water Company. This water service area has 325 accounts, and the acquisition grew the city's water portfolio by 20%.

The Arts and Culture Division installed 22 new artworks in Surprise, including two new iconic sculptures, "Bounce & Swing" at the Surprise Stadium. This year the division doubled the number of free arts and culture programs available to the community including a pilot of LIVE at Asante and Public Art Sketching Tours. The City also implemented programs to support Surprise's creative community, providing grants to 14 organizations for programs to serve 30,000+ participants, and provided over 212 hours of organizational development training to help sustain and grow Surprise's non-profit arts organizations.

Rescue Oasis located at Perryville and Cactus roads opened during the Spring of 2025. The complex includes, the City's newest fire station, the Oasis Swim Center which offers 6 water slides, a heated Olympic-size pool, a

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CITY OF SURPRISE
16000 N. CIVIC CENTER PLAZA
SURPRISE, AZ 85374
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rope swing, and rock walls; Rescue Oasis Park includes a playground, basketball and volleyball courts, and a fire station-themed splash pad.

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 2025, 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 Compensatory Time Policy, Mobile Devices Policy, Uniform Policy, Volunteer Policy, Procurement Card Policy, Travel Policy, Comprehensive Financial Management Policies, Inventory of Capital Assets, Inventory of Consumables, Suspicious Mail and Packages Procedure, and the Surplus Property Procedure.

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, 2024, which represented the 21st consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

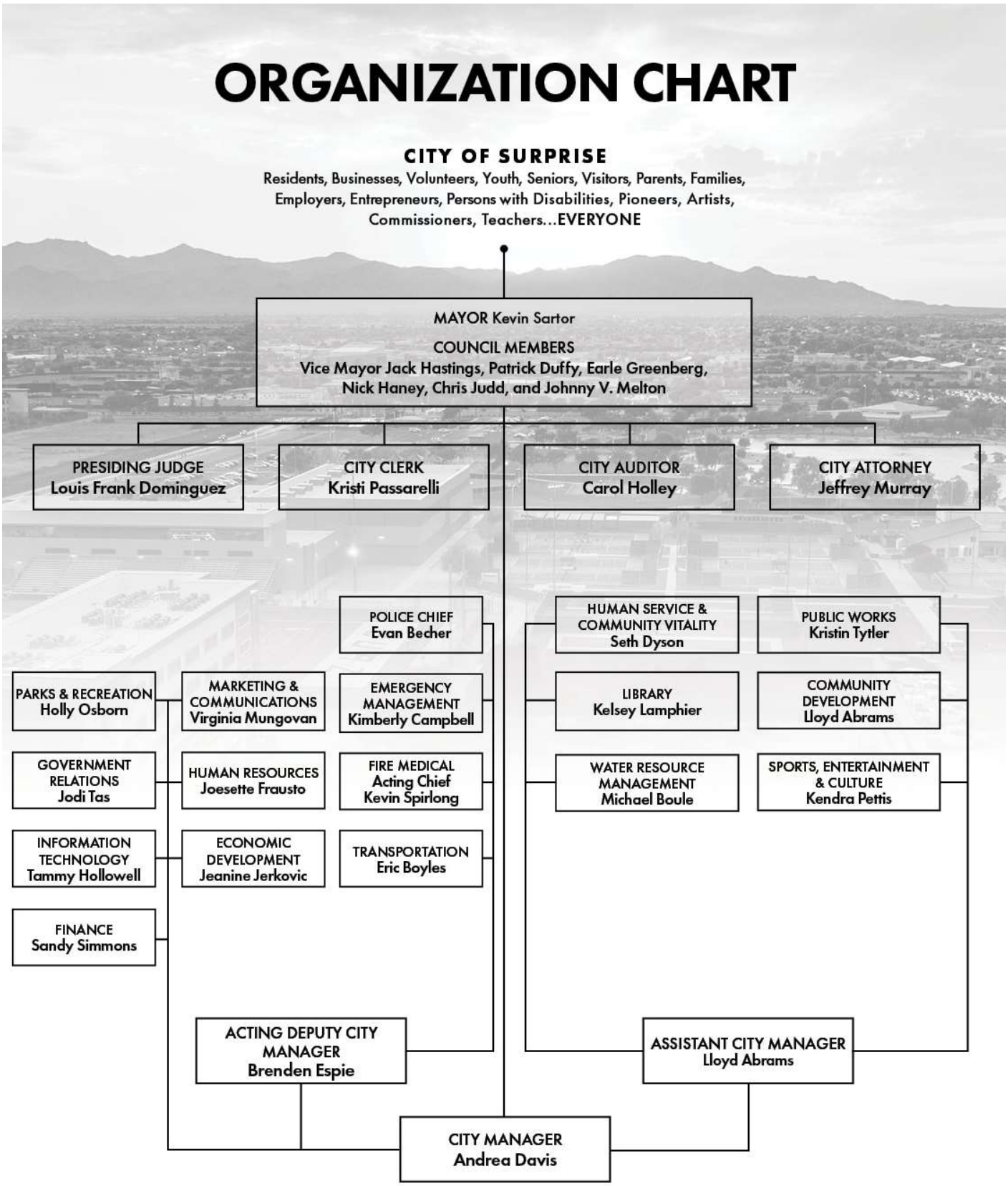
Acknowledgments

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

Respectfully submitted,



Sandy Simmons
Finance Director


ORGANIZATION CHART
CITY OF SURPRISE
Residents, Businesses, Volunteers, Youth, Seniors, Visitors, Parents, Families, Employers, Entrepreneurs, Persons with Disabilities, Pioneers, Artists, Commissioners, Teachers...EVERYONE
MAYOR Kevin Sartor
COUNCIL MEMBERS
Vice Mayor Jack Hastings, Patrick Duffy, Earle Greenberg, Nick Haney, Chris Judd, and Johnny V. Melton
PRESIDING JUDGE Louis Frank Dominguez
CITY CLERK Kristi Passarelli
CITY AUDITOR Carol Holley
CITY ATTORNEY Jeffrey Murray
POLICE CHIEF Evan Becher
HUMAN SERVICE & COMMUNITY VITALITY Seth Dyson
PUBLIC WORKS Kristin Tytler
PARKS & RECREATION Holly Osborn
MARKETING & COMMUNICATIONS Virginia Mungovan
EMERGENCY MANAGEMENT Kimberly Campbell
LIBRARY Kelsey Lamphier
COMMUNITY DEVELOPMENT Lloyd Abrams
GOVERNMENT RELATIONS Jodi Tas
HUMAN RESOURCES Joesette Frausto
FIRE MEDICAL Acting Chief Kevin Spirlong
WATER RESOURCE MANAGEMENT Michael Boule
SPORTS, ENTERTAINMENT & CULTURE Kendra Pettis
INFORMATION TECHNOLOGY Tammy Hollowell
ECONOMIC DEVELOPMENT Jeanine Jerkovic
TRANSPORTATION Eric Boyles
FINANCE Sandy Simmons
ACTING DEPUTY CITY MANAGER Brenden Espie
ASSISTANT CITY MANAGER Lloyd Abrams
CITY MANAGER Andrea Davis

MAYOR KEVIN SARTOR — Mayor@surpriseaz.gov



Kevin Sartor was sworn in as Mayor of Surprise in January 2025 for a four-year term expiring December 2028.

As Mayor, Kevin is dedicated to addressing critical issues such as public safety, transportation, and responsible growth and advocating for the needs and desires of residents as the City creates a vision for the future.

Mayor Sartor is an Arizona native and 20-year veteran of the United States Army who has dedicated his life to the service of others and to preserving the American way of life.

In addition to serving as Mayor, Kevin is the Safety Coordinator for Dysart Unified School District and ensures the highest standards of safety and security in K-12 education.

Previously, as a member of the United States Army, Mayor Sartor deployed twice to Iraq and served as a Drill Sergeant. He was also an Engineer Officer and Company Commander in the Arizona Army National Guard where he secured state and federal funding for a crucial infrastructure project in a remote village in Alaska to stimulate economic growth and support long-term prosperity.

Continuing his public service journey, Mayor Sartor became a City of Surprise Fellow in the summer of 2023. Collaborating with City officials, he played a key role developing the City's strategic growth plan through 2040.

Volunteerism has also been a passion of Mayor Sartor’s. He used his leadership and engineering background to serve on and chair the City of Surprise Planning and Zoning Commission, which brought him an in-depth understanding of growth and community development throughout the city.

In addition, Mayor Sartor has volunteered in community organizations such as the Shadow Ridge Booster Club and Girl Scout Troop 1093, served on the Dysart Override Committee in 2020 and was a volunteer youth coach in Surprise for five years.

Mayor Sartor has earned project management and leadership certificates from Cornell University, a Bachelor's Degree in Homeland Security and Emergency Management, and a Master's Degree in Public Administration from Grand Canyon University.

Mayor Sartor currently resides in Greer Ranch with his incredible wife and three children.

NICK HANEY — Nick.Haney@surpriseaz.gov



Nick Haney was elected to serve the residents of District 1 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.

EARLE GREENBERG — Earle.Greenberg@surpriseaz.gov



Earle Greenberg began serving as the District 2 Councilmember in January 2025, bringing nearly four decades of entrepreneurship in media and technology businesses serving dozens of Fortune 500 clients.

Originally from the Chicago area, Earle holds degrees from Northwestern University (Tv/Film Production) and the University of Illinois (Masters in Business Administration). He has served in various leadership roles, including President of Sun City Grand, Trustee and Treasurer of the Missionbrook Sanitary District, and Chair of Telecommunications Commissions in Skokie and Northbrook, Illinois.

Earle and his wife became full-time Surprise residents in 2018 after buying in Sun City Grand in 2013. Dedicated to data-driven decision-making and community service, he is committed to helping Surprise grow thoughtfully while representing the interests of District 2 residents.

PATRICK DUFFY — Patrick.Duffy@surpriseaz.gov



Patrick Duffy was first appointed to City Council in September 2017 to represent the residents of District 3. He was subsequently elected to the District 3 seat in 2018, 2020 and again in 2024 for a four-year term. City Council selected him to serve as Vice Mayor in January 2021.

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 District 3.

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.

JOHNNY MELTON — Johnny.Melton@surpriseaz.gov



Johnny V. Melton was elected to serve the residents of District 4 in August of 2024 and began a four-year term in January 2025.

Prior to his role on Council, Johnny served on the Dysart Unified School District (DUSD) Bond Advisory Committee in 2020 and the DUSD Bond/Override Advisory Committee in 2023/2024.

Professionally, Johnny works in energy performance contracting and has a background in corporate real estate in the areas of facility engineering and project management. He also served nine years in the United States Navy as a reactor plant operator and nuclear maintenance planner.

Johnny has lived in Surprise since 2011 and currently resides in Litchfield Manor with his wife Lori, who is heavily involved in animal rescue.

Johnny is committed to the future of Surprise through thoughtful planning and policy in all areas, including transportation, water and public safety.

VICE MAYOR 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 to represent District 6 on the Surprise City Council in 2018 and re-elected in 2022. He served as Vice Mayor in 2020 and again in 2023.

His work on Council focuses on driving economic development, preserving open space, and improving quality of life through sustainable, responsible government. He currently serves on the Community Outreach, Partnerships & Grants Committee and the Audit Committee.

A native Arizonan and graduate of Arizona State University, Chris has lived and worked in Surprise for nearly 30 years. He spent over a decade as General Manager of a local manufacturing company and also owned and operated several small businesses in the West Valley. He previously served as President of the Rotary Club of Surprise, Chairman of Taste of Surprise, and continues to serve as Chairman of the Board for the White Tank Mountains Conservancy, where he leads efforts to preserve connectivity between the White Tanks and the surrounding habitat.

In addition to his council service, Chris is a Career and Technical Education instructor at West-MEC, where he is rebuilding and expanding the Water Systems program to prepare high school students for careers in water operations and environmental science. Reviving a previously inactive program, he is actively developing curriculum, building industry partnerships, and creating hands-on training opportunities that lead to certification and career readiness.

Chris and his wife Jenna have been married for over 20 years and are raising their three daughters in Surprise. The Judd family enjoys hiking, camping, and exploring Arizona's backcountry together.

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ARIZONA

CITY OF SURPRISE

Appointed Officials

City Manager	**Andrea Davis**
City Clerk	**Kristi Passarelli**
City Attorney	**Jeffrey Murray**
Presiding Judge	**Louis Frank Dominguez**

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Surprise

Arizona

For its Annual Comprehensive

Financial Report

For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO



FINANCIAL SECTION – INDEPENDENT AUDITOR'S REPORT



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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, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025, on our consideration of City of Surprise, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Surprise, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Surprise, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 16, 2025



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.



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The City of Surprise (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2025. 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 11.0% or $110.5 million from $1.0 billion to $1.1 billion. This increase is attributable to an increase in revenue due to continued economic and population growth. The City also recorded a change in accounting principle which reduced the beginning net position by $0.8 million due to the implementation of a new GASB standard.

- *Business-Type Activities net position.* The City's net position increased by 10.6% or $55.2 million from $522.3 million to $577.5 million. Continued growth in the City accounts for the increase, with $45.8 million of the increase resulting from developer capital contributions. The City also recorded a change in accounting principle which reduced the beginning net position by $0.1 million due to the implementation of a new GASB standard.

- *Governmental Activities expenses* of $287.2 million exceeded program revenues of $124.1 million. The difference of $163.1 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 $70.2 million, while program revenues totaled $119.0 million, a difference of $48.8 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 19-20 and 21-22) 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 23. 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 19. 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 23 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 36-37.

  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, 2025 and June 30, 2024.

City of Surprise's Net Position (in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and other assets	$ 492.6	$ 462.8	$ 168.5	$ 151.9	$ 661.1	$ 614.7
Capital assets, net	897.9	792.5	470.2	418.9	1,368.1	1,211.4
Total assets	1,390.5	1,255.3	638.7	570.8	2,029.2	1,826.1
DEFERRED OUTFLOWS OF RESOURCES	56.6	43.6	2.9	1.8	59.5	45.4
LIABILITIES						
Current liabilities	55.3	52.4	12.1	11.6	67.4	64.0
Long-term liabilities	250.5	217.9	51.0	38.0	301.5	255.9
Total liabilities	305.8	270.3	63.1	49.6	368.9	319.9
DEFERRED INFLOWS OF RESOURCES	26.6	23.6	1.0	0.7	27.6	24.3
NET POSITION						
Net investment in capital assets	741.8	693.0	426.2	390.2	1,168.0	1,083.2
Restricted	63.0	41.1	37.1	29.5	100.1	70.6
Unrestricted	309.9	270.9	114.2	102.6	424.1	373.5
Total net position	$ 1,114.7	$ 1,005.0	$ 577.5	$ 522.3	$ 1,692.2	$ 1,527.3

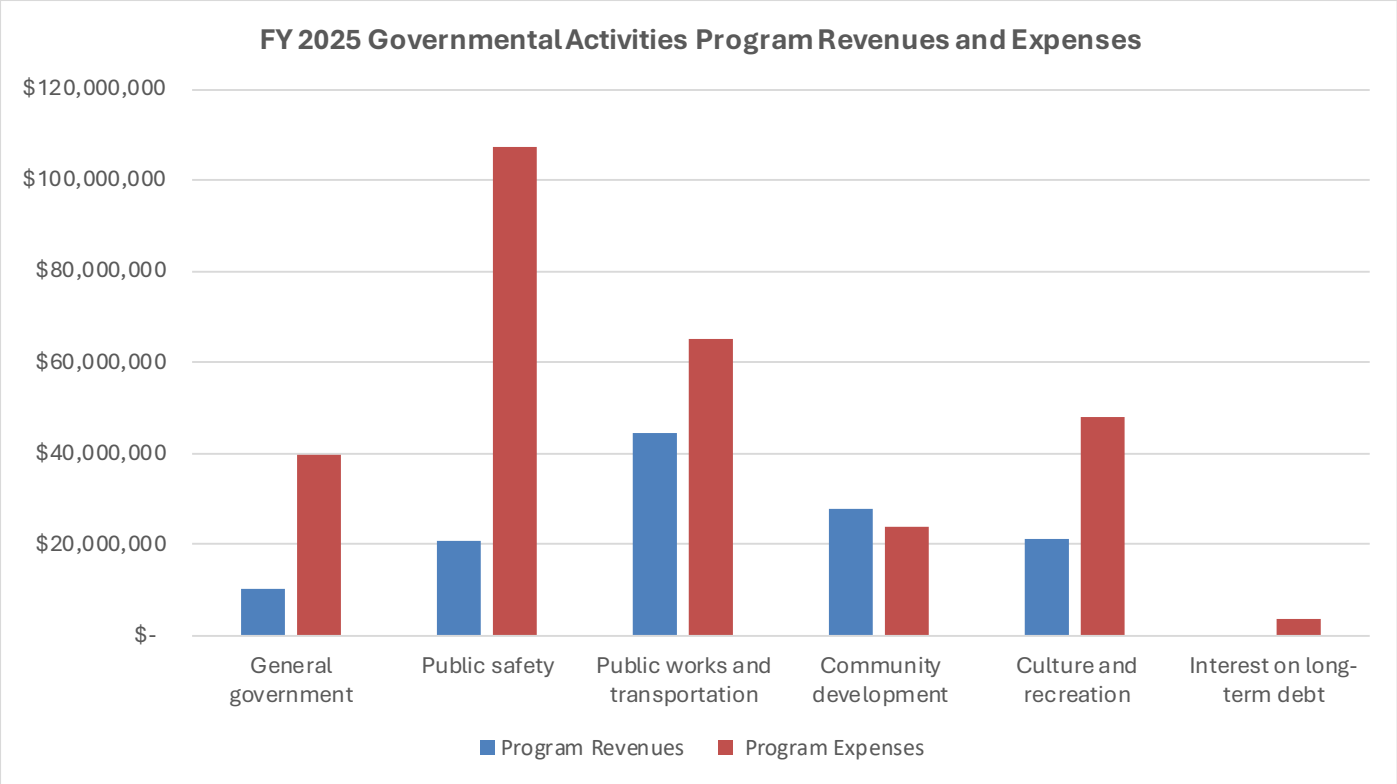
Net position is a good indicator of a City's overall financial standing. For fiscal year 2025, the City had total combined net position of $1.7 billion. This was an increase of $165.7 million, or 10.9% over the prior year's net position of $1.5 billion. The increase can be attributed to the change in sales tax revenues as part of the tax reform discussed in the transmittal letter. Other areas impacting the increase are the strong investment earnings and the increase in charges for services for utilities due to the rate study increase implemented during the fiscal year.

Not all of the $1.7 billion is available for the City to use without restraint. The largest portion of the City's total net position, $1.2 billion, or 69.1%, represents the City's net investment in capital assets. Of the remaining net position, $100.1 million is restricted for various purposes with the remaining $424.1 million unrestricted as to its use.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for services	$ 53.8	$ 55.4	$ 73.2	$ 64.0	$ 127.0	$ 119.4
Operating grants and contributions	16.3	15.9	-	-	16.3	15.9
Capital grants and contributions	54.0	70.5	45.8	51.4	99.8	121.9
General revenues:						
Property taxes	19.9	22.1	-	-	19.9	22.1
Sales taxes	158.8	135.0	-	-	158.8	135.0
Franchise taxes	7.3	7.5	-	-	7.3	7.5
State shared revenues	65.9	71.7	-	-	65.9	71.7
Unrestricted investment earnings	19.5	15.4	6.8	5.1	26.3	20.5
Other	0.6	0.6	1.2	0.6	1.8	1.2
Total revenues	396.1	394.1	127.0	121.1	523.1	515.2
EXPENSES						
Program activities:						
Governmental activities:						
General government	39.7	33.3	-	-	39.7	33.3
Public safety	107.3	102.2	-	-	107.3	102.2
Public works and transportation	64.9	56.4	-	-	64.9	56.4
Community development	23.9	22.7	-	-	23.9	22.7
Culture and recreation	48.0	42.3	-	-	48.0	42.3
Interest on long-term debt	3.4	2.6	-	-	3.4	2.6
Business-type activities:						
Water	-	-	25.5	23.6	25.5	23.6
Sewer	-	-	27.7	26.4	27.7	26.4
Sanitation	-	-	14.9	13.6	14.9	13.6
Stormwater	-	-	2.1	1.9	2.1	1.9
Total expenses	287.2	259.5	70.2	65.5	357.4	325.0
Excess before transfers	108.9	134.6	56.8	55.6	165.7	190.2
Transfers in (out)	1.6	1.6	(1.6)	(1.6)	-	-
Increase/(Decrease) in net position	110.5	136.2	55.2	54.0	165.7	190.2
Net position - beginning	1,004.2	868.8	522.3	468.3	1,526.5	1,337.1
Net position - ending	$ 1,114.7	$ 1,005.0	$ 577.5	$ 522.3	$ 1,692.2	$ 1,527.3

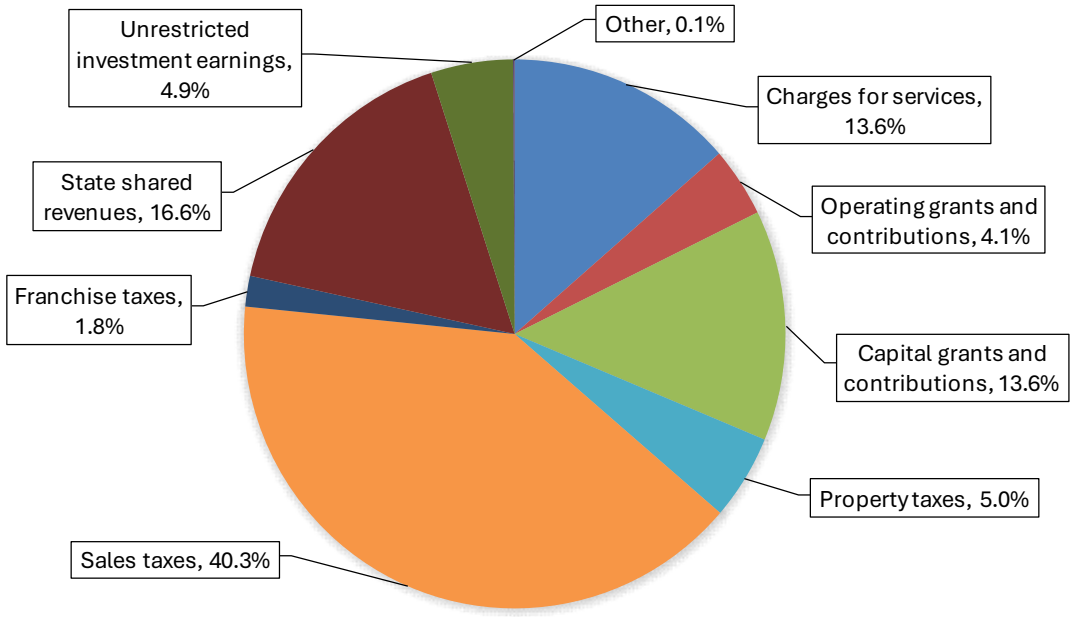
For fiscal year 2025, governmental activities program expenses exceeded program specific revenues by $163.1 million. The remaining expenses were supported by general governmental revenues.



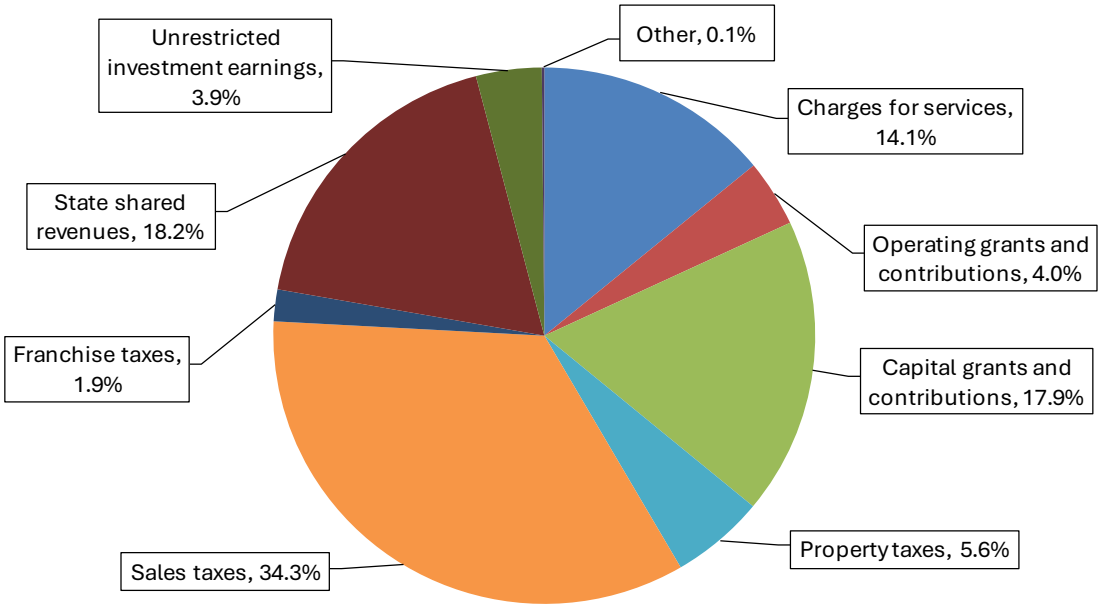
- Charges for services, operating grants and contributions, and capital grants and contributions account for 31.3% of total governmental revenues.
- Community oriented programs such as public safety (police, fire, ambulance services, and courts) and culture and recreation (parks, recreation, youth, and senior services) are subsidized by general governmental revenues. The City does not intend to charge for the total cost of these services directly.
- Culture and recreation often charges a fee for services it provides, but usually that fee does not cover the entire cost of the service.
- Community Development revenues come primarily from construction-related activities.
- SLIDS are Street Light Improvement Districts that charge a fee/tax to pay for the maintenance of light poles and the electricity used by neighborhood streetlights. Revenues and expenses for SLIDS are included in the public works and transportation program.

Governmental Activities revenues for the fiscal year ended June 30, 2025 totaled $396.1 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

FY 2025 Governmental Activities Revenues



FY 2024 Governmental Activities Revenues

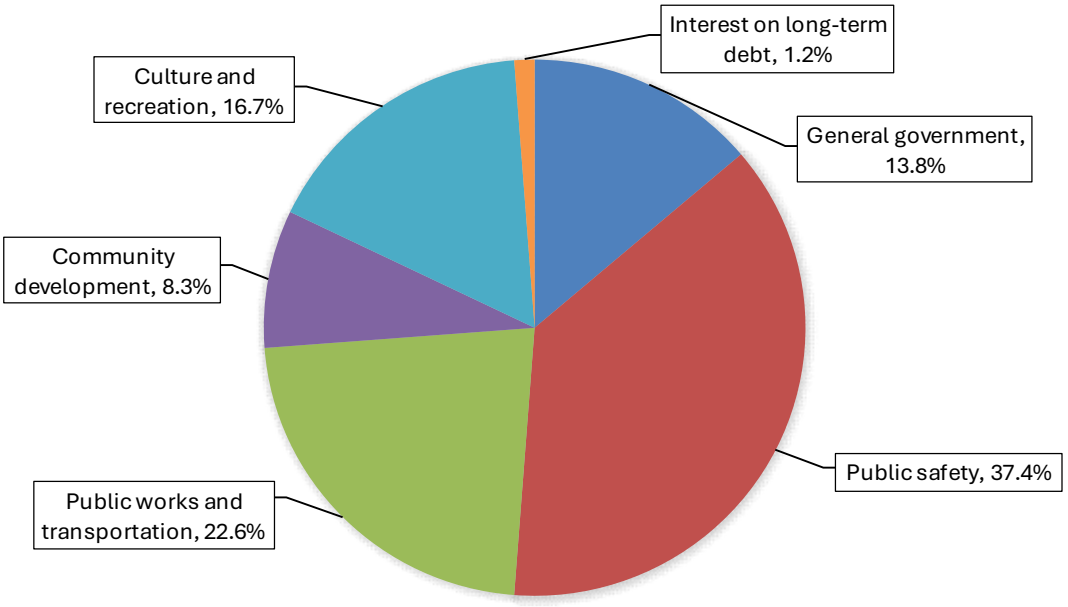


The City's largest revenue source is sales tax revenue at $158.8 million, followed by state shared revenues totaling $65.9 million. Total governmental activities revenues increased $2.0 million from the prior year as a result of the following changes in revenue: Local sales taxes increased $23.8 million due to local economic and population growth and an increase to the rate of certain local transaction privilege tax categories, from 2.2% to 2.8%. State

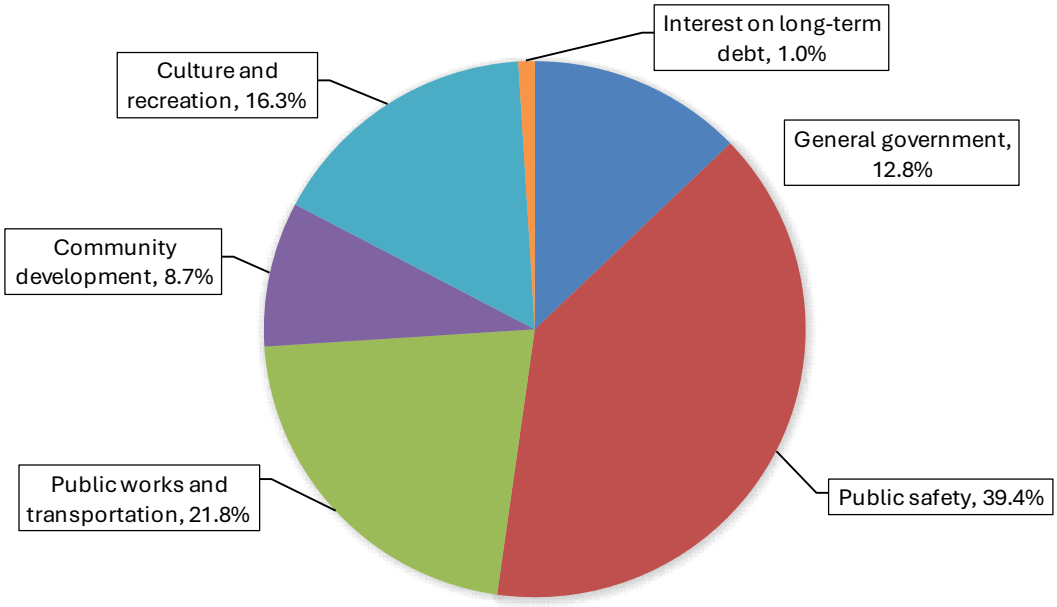
shared revenues decreased $5.8 million due to the implementation of a flat income tax at the State level. Capital grants and contributions decreased $16.5 million from the prior year primarily due to less developer donated infrastructure since less communities were finished compared to the prior year.

Governmental Activities expenses for the fiscal year ended June 30, 2025 totaled $287.2 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

FY 2025 Governmental Activities Expenses



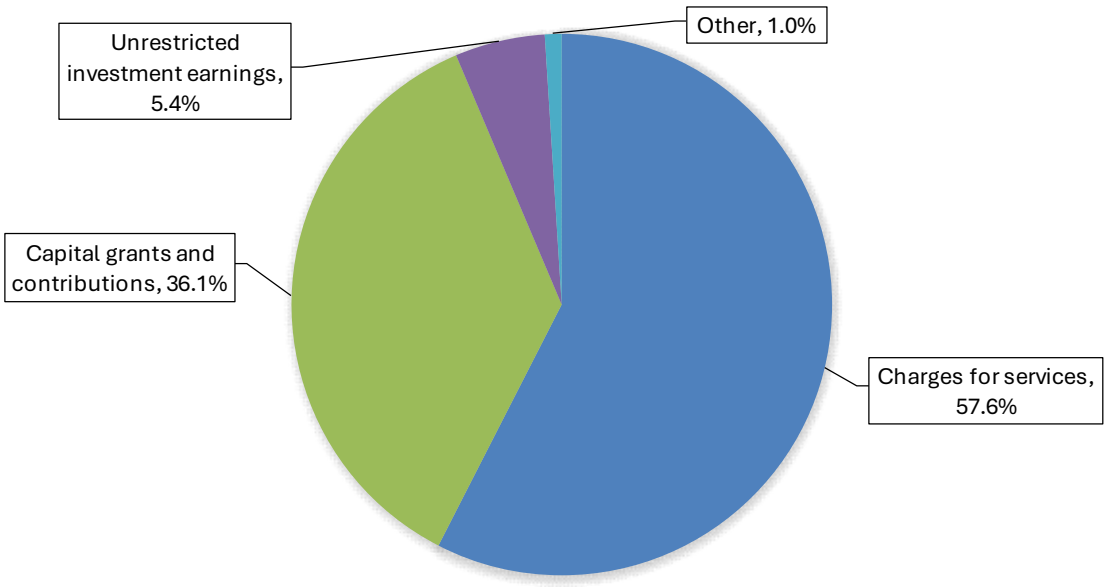
FY 2024 Governmental Activities Expenses



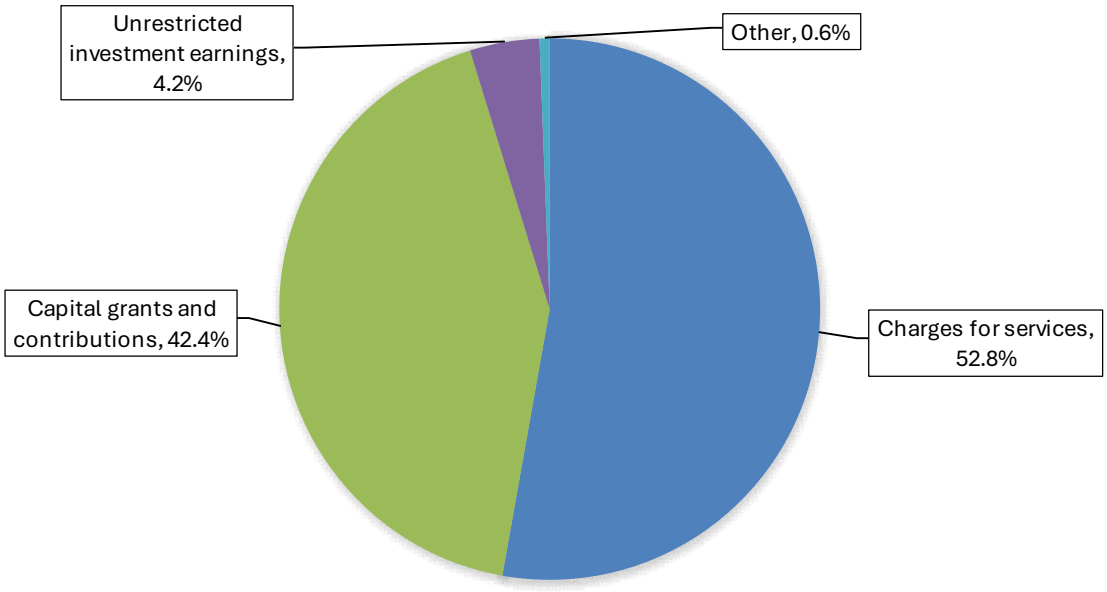
Current year expenses increased by $27.7 million or 10.7%. Culture and recreation expenses increased by $5.7 million or 13.5%. The increase to culture and recreation was due to adding staff to meet the demands of expanding park and recreation programs and increased community participation. There were also several park renovations that were completed during the year including Marley Park and Veramonte Splash Pads, and the Sierra Montana Playground. Public safety expenses increased by $5.1 million or 5%. The increase in public safety expenses can primarily be attributed to population growth. New positions were added in both the police and fire departments to maintain adequate response times and ensure public safety. Public safety expenses for services (medical direction, lab services, body cameras) and personal protective equipment increased by $1 million from the prior year. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at 37.4% or $107.3 million.

Business-Type Activities revenues for the fiscal year ended June 30, 2025 totaling $127.0 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

FY 2025 Business-Type Activities Revenues



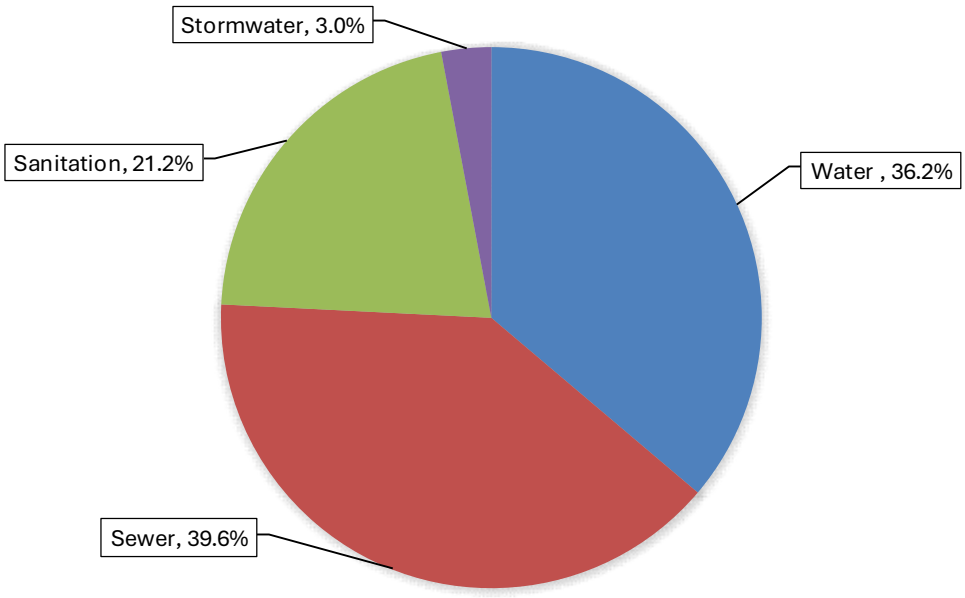
FY 2024 Business-Type Activities Revenues

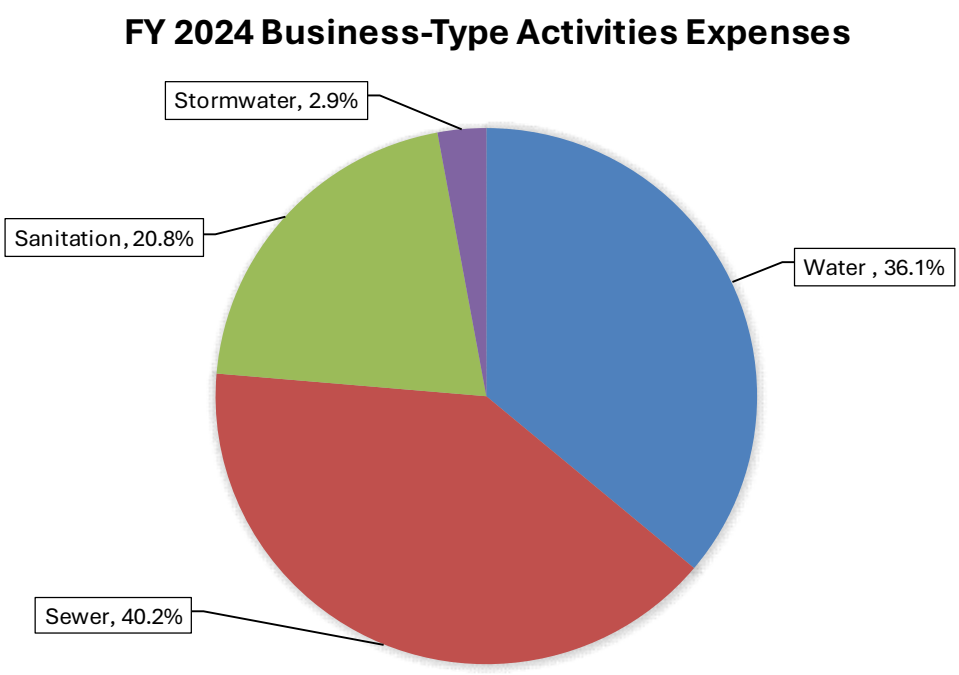


Business-Type Activities charges for services increased by $9.3 million, or 14.5%, due to the increase in charges for services for utilities due to the rate study increases implemented during the fiscal year.

Business-Type Activities expenses for the fiscal year ended June 30, 2025 totaled $70.2 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

FY 2025 Business-Type Activities Expenses





Business-Type Activities expenses increased by $4.7 million or 7.2% from the prior year. The increase is primarily due to $3.1 million in usage of water supplies inventory and an increase for the Central Arizona Project water storage and delivery costs.

Financial Analysis of the City's Funds

Total Governmental Funds fund balance increased $25.3 million from $366.6 million to $391.9 million. The increase is attributed to continued economic strength, population growth, and grants. Of the total ending fund balance, $8.3 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 $59.1 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, $89.3 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 $198.1 million of fund balance which has been assigned to a specific purpose by the Chief Financial Officer; these amounts may be used for other purposes than the currently assigned positions if the Chief Financial Officer deems it necessary. Finally, there is an unassigned fund balance of $37 million which can be used for any purpose.

- The General Fund balance decreased $4.1 million from the prior year. The decrease was mainly attributed to the addition of several general funded positions added during the fiscal year to serve the community after population growth. To better serve the community an additional pool, park and fire station was added during fiscal year 2025. Local sales tax revenue had an increase of $23.2 million over the prior year. An increase of certain local transaction privilege tax categories was implemented, with rates being adjusted from 2.2% to 2.8% beginning October 2024 to offset the revenue loss of $6.6 million due to the passing of Senate Bill 1131, which prohibits all Arizona cities from assessing and collecting residential rental tax beginning January 1, 2025. Another area of revenue loss for the City was a $6.1 million decrease in State shared sales tax due to the implementation of a statewide flat income tax rate being assessed. The General Fund also recorded a change within the financial reporting entity due to the ground

ambulance service being recorded in the General Fund beginning in fiscal year 2025. In fiscal year 2024, ground ambulance services were recorded as a special revenue fund. This change in reporting increased the beginning General Fund Balance by $2.6 million.

- The General Capital Projects Fund balance increased $39.6 million in comparison with the prior year. This increase was due to the issuance and funding from the 2024 General Obligation bonds and from a transfer of one-time revenue and savings from the General Fund.

- The General Government Development Fee Fund contains $1.8 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 Highway User Revenue Fund balance increased $2.2 million from $6.5 million to $8.7 million. The increase is due to street maintenance expenses coming in significantly lower than budgeted, resulting in an increase of fund balance.

- The Transportation Improvement Fund balance decreased $4.5 million from $33.7 million to $29.2 million. This reduction in fund balance was attributed to the $20.3 million expended on the construction of Cactus Road between Cotton Lane and Reems Road during the fiscal year.

- The Grants Fund was previously reported as a major fund in fiscal year 2024 but is reported as nonmajor in fiscal year 2025.

- The NonMajor Governmental Funds fund balance decreased $7.7 million. Major projects that were expended from the nonmajor governmental funds include $8 million expended on Fire Station 309 in the Fire Development Fee Fund and $6.7 million expended on the Rescue Oasis Park & Oasis Swim Center from the Parks and Recreation Development Fee Fund, both locations opened in the spring of this year. Another major project was for $4.8 million in expenditures in the Grants Fund to build a multi-generational community center. The NonMajor funds also recorded a change within the financial reporting entity due to the ground ambulance service being recorded in the General Fund beginning in fiscal year 2025, in the prior fiscal year it was recorded in a special revenue fund. The second change was the Grants Fund being recorded as nonmajor for this fiscal year, in the prior fiscal year the Grants Fund was reported as a major Fund.

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 final General Fund budget for expenditures was $226.7 million. The $30.1 million increase from the prior year is mainly related to the addition of several general funded positions being added during the year. The positions new in fiscal year 2025 include 32 General Fund positions, 12 of which are public safety.

- Actual General Fund expenditures totaled $203.0 million, which was $23.6 million less than the final budget. The variance was primarily due to budgeting for potential developer reimbursements that the City ultimately did not need to pay out during fiscal year 2025. 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 Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and improvements	$ 280.7	$ 264.0	$ 21.4	$ 17.4	$ 302.1	$ 281.4
Parks	8.6	8.6	-	-	8.6	8.6
Water rights	-	-	32.4	31.7	32.4	31.7
Construction in progress	18.8	45.6	34.9	14.7	53.7	60.3
Buildings and improvements	178.1	134.8	354.7	333.6	532.8	468.4
Improvements other than buildings	39.4	34.3	9.4	8.9	48.8	43.2
Equipment and vehicles	30.9	23.7	16.8	12.6	47.7	36.3
Intangibles	1.9	2.5	-	-	1.9	2.5
Infrastructure	331.5	270.1	-	-	331.5	270.1
Subscriptions assets	3.2	3.5	0.6	-	3.8	3.5
Lease assets	4.8	5.7	-	-	4.8	5.7
Total capital assets, net	$ 897.9	$ 792.8	$ 470.2	$ 418.9	$ 1,368.1	$ 1,211.7

The capital assets of the Governmental Activities increased by $105.4 million from the prior fiscal year, net of depreciation ($149.7 million increase before depreciation).

- Changes to the Governmental Activities capital assets for fiscal year 2025 were the result of:
  - Purchase of $8.3 million in land for future police and fire facilities.
  - Completed construction of a park, aquatic center, and fire station at Perryville and Cactus
  - Current year depreciation expense of $49.9 million
  - Capital contributions made to the City by developers
    - $9.3 million – right-of ways
    - $23.2 million – streets infrastructure

- Governmental Activities construction in progress includes:
  - $9.0 million – Multigenerational Community Center
  - $4.0 million – Elm Street improvements

The capital assets of the Business-Type Activities funds increased by $51.3 million from the prior fiscal year, net of depreciation ($68.2 million increase before depreciation).

- Changes to the Business-Type Activities capital assets for fiscal year 2025 were the result of:
  - Current year depreciation expense of $19.2 million.
  - Capital contributions made to the City by developers. The assets donated consisted primarily of water, sewer, and stormwater improvements.
    - $19.3 million – water supply facilities
    - $6.2 million – water lines
    - $8.8 million – sewer lines
    - $1.0 million – stormwater drains

- Business-Type Activities construction in progress includes:
  - $27.9 million – Plant Capacity Increase / Enhancement
  - $2.0 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 Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligations	$ 62.8	$ 38.4	$ -	$ -	$ 62.8	$ 38.4
Pledged revenue obligations	7.7	9.0	-	-	7.7	9.0
Senior lien utility system revenue refunding obligations	-	-	20.4	21.8	20.4	21.8
Community facilities district bonds	29.8	30.5	-	-	29.8	30.5
Community facilities district notes	1.6	1.8	-	-	1.6	1.8
WIFA loan	-	-	15.7	3.2	15.7	3.2
Subscriptions liability	3.7	3.5	0.6	-	4.3	3.5
Leases payable	6.8	7.3	-	-	6.8	7.3
Total debt outstanding	$ 112.4	$ 90.5	$ 36.7	$ 25.0	$ 149.1	$ 115.5

- Long-term debt, including amounts due within one year, increased $33.6 million this year from $115.5 million to $149.1 million due to:
  - Issuing $30.2 million in G.O. bonds in September 2024
  - Receiving an additional $15.1 million for a loan from the Water Infrastructure Finance Authority of Arizona in fiscal year 2025 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 2025 budget was focused on City Council's commitment to maintain quality public services and ensure community priorities were 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 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 focused on maintaining current levels of service amidst continued growth and a $14.3 million annual revenue loss to the General Fund, which is the principal financial support for basic services such as the police and fire departments, parks and recreation, and general government operations. A portion of that revenue loss, $6.6 million, is due to Senate Bill 1131 passing during the 2023 legislative session, which prohibits all Arizona cities from assessing and collecting residential rental tax beginning January 1, 2025. An additional estimated $7.7 million of revenue loss comes from a state shared income tax shortfall due to the implementation of a 2.5% flat income tax rate.

Tax reform was adopted to address the estimated $14.3 million in revenue loss. The tax reform included a 25% reduction to the City's primary property tax rate, 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 the City will be able to maintain its current level of service to residents by addressing increased operational needs, such as staffing and inflation, and capital needs, such as roads and buildings.

The City continues to see population growth. 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. 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 implemented the tax reform. These have combined to result in an 17.6% increase in sales tax collections 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 2026 budget is focused on City Council's strategic priorities outlined in the City Council Strategic Plan. Those priorities are public safety, transportation, community experience, fiscal responsibility, economic development, government transparency, and water.

The City's economic outlook remains strong and optimistic, fueled by continued population growth. This expansion brings both exciting opportunities and significant challenges. On the positive side, growth has led to sustained increases in revenue, including higher state-shared revenues due to the broader population gains across Arizona. These additional funds have enabled the City to maintain—and in some cases enhance—its service levels through dedicated investments.

However, with growth comes increased demand. To uphold the high quality of services our residents expect, the City must invest in essential infrastructure such as roads, fire stations, and police substations, as well as hire additional staff for public safety, transportation, and other critical services. While revenues are rising, so too are the expenses necessary to support a thriving and expanding community.

The fiscal year 2026 budget includes another reduction to the City's primary property tax rate, lowering it from $0.5693 to $0.5534 per $100 assessed limited property value. Although this is a decrease to property taxes, the City's overall revenue has increased due to continued growth in both population, and commercial and retail establishments.

To maintain service levels for fiscal year 2026, the final budget includes an increase of 91.5 positions over the fiscal year 2025 adopted budget. The new positions in fiscal year 2026 include 30 public safety employees, 12 transportation and streets employees, 10 water resource management employees, and 6.5 part-time equivalent employees for community services and public works. This also includes four positions that were added midyear in fiscal year 2025 and are for the Parks and Recreation department to assist in the maintenance of newly acquired McMicken Dam land.

The fiscal year 2026 Capital Improvement Plan (CIP) allocates $381.5 million in total funding, $109.8 million of new funding and $271.7 million in carryforward appropriations from prior years. Fiscal year's 2026 CIP program supports the Council's strategic plan and includes infrastructure initiatives approved through the General Obligation Bond funding for transportation and public safety projects, which voters approved in November 2023. The bond projects that are included in the fiscal year 2026 budget are a police substation, design of future public

safety facilities, and several transportation projects. The City is focused on public safety, transportation, and community services and continues to dedicate funding for asset replacement, pavement preservation and vehicle replacement to maintain the City's existing infrastructure and equipment.

Financial Contact

The financial report is designed to provide a general overview of the City of Surprise's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Chief Financial Officer at: 16000 North Civic Center Plaza, Surprise, Arizona 85374.



SURPRISE

ARIZONA



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS



SURPRISE

ARIZONA



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Financial Section is divided into 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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 404,991,331	$ 133,318,387	$ 538,309,718
Restricted cash and investments	35,528,735	11,900,244	47,428,979
Receivables (net of allowances):			
Accounts	2,771,680	9,064,257	11,835,937
Taxes and franchise fees	16,325,471	-	16,325,471
Grants	3,305,176	-	3,305,176
Intergovernmental	2,743,062	-	2,743,062
Leases	379,480	-	379,480
Other	2,662,098	140,827	2,802,925
Prepaid items and other assets	5,961,163	1,428,460	7,389,623
Inventory	2,368,160	5,393,311	7,761,471
Internal balances	(6,766,865)	6,766,865	-
Total current assets	470,269,491	168,012,351	638,281,842
NonCurrent assets:			
Equity interest in joint venture	1,263,117	-	1,263,117
Net other postemployment benefits (OPEB) asset	2,718,945	491,214	3,210,159
Leases receivable	18,374,017	-	18,374,017
Capital assets, non-depreciable	308,100,316	88,696,600	396,796,916
Capital assets, depreciable/amortizable	1,144,538,022	600,289,900	1,744,827,922
Accumulated depreciation/amortization	(554,711,464)	(218,787,197)	(773,498,661)
Total noncurrent assets	920,282,953	470,690,517	1,390,973,470
Total assets	1,390,552,444	638,702,868	2,029,255,312
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related	56,082,875	2,801,925	58,884,800
Deferred outflows of resources - OPEB related	505,312	53,277	558,589
Total deferred outflows of resources	56,588,187	2,855,202	59,443,389
Total assets and deferred outflows of resources	1,447,140,631	641,558,070	2,088,698,701
LIABILITIES			
Current liabilities:			
Accounts payable	19,829,751	8,889,092	28,718,843
Accrued payroll and related taxes	3,790,854	344,057	4,134,911
Deposits	878,001	619,721	1,497,722
Unearned revenues	5,071,254	526,981	5,598,235
Contracts payable	16,196,287	-	16,196,287
Other liabilities	165,581	-	165,581
Matured bond and loan interest payable	2,081,962	476,125	2,558,087
Matured bonds and loans payable	7,330,000	1,195,000	8,525,000
Total current liabilities	$ 55,343,690	$ 12,050,976	$ 67,394,666

See accompanying Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NonCurrent liabilities:			
Due within one year:			
Compensated absences payable	$ 4,969,930	$ 621,547	$ 5,591,477
Bonds, loans, and payables	9,344,116	2,747,723	12,091,839
Claims payable	5,019,499	-	5,019,499
Due in more than one year:			
Compensated absences payable	7,773,479	972,162	8,745,641
Bonds, loans, and payables	103,017,460	33,969,801	136,987,261
Claims payable	414,640	-	414,640
Net pension liability	119,960,457	12,734,522	132,694,979
Net OPEB liability	9,253	2,052	11,305
Total noncurrent liabilities	250,508,834	51,047,807	301,556,641
Total liabilities	305,852,524	63,098,783	368,951,307
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related	7,698,304	837,678	8,535,982
Deferred inflows of resources - OPEB related	1,348,027	196,824	1,544,851
Deferred inflows of resources - lease related	17,545,284	-	17,545,284
Total deferred inflows of resources	26,591,615	1,034,502	27,626,117
Total liabilities and deferred inflows of resources	332,444,139	64,133,285	396,577,424
NET POSITION			
Net investment in capital assets	741,754,521	426,182,440	1,167,936,961
Restricted for:			
Capital projects	-	36,564,967	36,564,967
Court	748,817	-	748,817
Debt service	63,677	10,293	73,970
Public safety	24,274,025	-	24,274,025
Human service and community vitality	1,128,625	-	1,128,625
Parks and recreation	7,772,435	-	7,772,435
Public works	18,026,358	-	18,026,358
Transportation	8,263,449	-	8,263,449
OPEB	2,718,945	491,214	3,210,159
Unrestricted	309,945,640	114,175,871	424,121,511
Total net position	$ 1,114,696,492	$ 577,424,785	$ 1,692,121,277

CITY OF SURPRISE, ARIZONA

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs Primary government:	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 39,689,566	$ 8,826,192	$ 488,567	$ 800,281
Public safety	107,251,015	11,293,092	1,663,099	7,929,079
Public works and transportation	64,913,524	5,270,559	12,028,594	27,248,875
Community development	23,880,531	19,419,057	20,000	8,055,361
Culture and recreation	48,008,341	9,039,029	2,112,774	9,952,658
Interest on long-term debt	3,416,872	-	-	-
Total governmental activities	287,159,849	53,847,929	16,313,034	53,986,254
Business-type activities:				
Water	25,460,958	27,245,344	-	33,362,045
Sewer	27,856,015	25,716,555	-	11,412,386
Sanitation	14,939,326	17,099,798	-	-
Stormwater	2,096,796	3,184,126	-	1,072,799
Total business-type activities	70,353,095	73,245,823	-	45,847,230
Total primary government	$ 357,512,944	$ 127,093,752	$ 16,313,034	$ 99,833,484
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 - June 30, 2024, as previously reported				
Change in accounting principle				
Net position - June 30, 2024, as restated				
Net position - June 30, 2025				

See accompanying Notes to Financial Statements

Net (Expense)/Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (29,574,526)	$ -	$ (29,574,526)
(86,365,745)	-	(86,365,745)
(20,365,496)	-	(20,365,496)
3,613,887	-	3,613,887
(26,903,880)	-	(26,903,880)
(3,416,872)	-	(3,416,872)
(163,012,632)	-	(163,012,632)
-	35,146,431	35,146,431
-	9,272,926	9,272,926
-	2,160,472	2,160,472
-	2,160,129	2,160,129
-	48,739,958	48,739,958
(163,012,632)	48,739,958	(114,272,674)
19,913,529	-	19,913,529
158,810,347	-	158,810,347
7,276,776	-	7,276,776
65,880,035	-	65,880,035
19,510,547	6,805,188	26,315,735
538,468	1,241,812	1,780,280
1,612,836	(1,612,836)	-
273,542,538	6,434,164	279,976,702
110,529,906	55,174,122	165,704,028
1,005,007,561	522,351,138	1,527,358,699
(840,975)	(100,475)	(941,450)
1,004,166,586	522,250,663	1,526,417,249
$ 1,114,696,492	$ 577,424,785	$ 1,692,121,277



SURPRISE

ARIZONA



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS



SURPRISE

ARIZONA



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

The Financial Section is divided into 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, 2025

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
ASSETS			
Cash and investments	$ 145,463,644	$ 163,287,597	$ -
Restricted cash and investments	-	26,717,929	-
Receivables (net of allowances):			
Accounts	2,771,680	-	-
Taxes and franchise fees	16,130,641	-	-
Grants	114,432	-	-
Intergovernmental	1,629,048	-	-
Leases	16,449,159	-	-
Due from other funds	119,660	-	-
Other	969,416	-	-
Prepaid items and other assets	990,797	4,943,476	-
Inventory	1,705,233	227,059	-
Total assets	$ 186,343,710	$ 195,176,061	$ -
LIABILITIES			
Accounts payable	$ 2,947,655	$ 8,214,088	$ 208
Accrued payroll and related taxes	3,704,016	-	-
Due to other funds	-	-	-
Deposits	825,324	-	-
Unearned revenue	718,329	-	-
Contracts payable	15,964,301	-	-
Other liabilities	65,657	-	-
Matured bond interest payable	-	-	-
Matured bonds and notes payable	-	-	-
Advances from other funds	-	-	1,830,253
Total liabilities	24,225,282	8,214,088	1,830,461
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - unavailable revenue	1,858,264	-	-
Deferred inflows - leases	15,430,816	-	-
Total deferred inflow of resources	17,289,080	-	-
Total liabilities and deferred inflows of resources	41,514,362	8,214,088	1,830,461
FUND BALANCES/(DEFICITS)			
NonSpendable	2,696,030	5,170,535	-
Restricted	200,425	26,459,948	-
Committed	58,627,300	-	-
Assigned	42,804,546	155,331,490	-
Unassigned	40,501,047	-	(1,830,461)
Total fund balances/(deficits)	144,829,348	186,961,973	(1,830,461)
Total liabilities, deferred inflows, and fund balances/(deficits)	$ 186,343,710	$ 195,176,061	$ -

See accompanying Notes to Financial Statements

Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Total NonMajor Funds	Total Governmental Funds
$ 9,229,290	$ 33,176,241	$ -	$ 28,231,138	$ 379,387,910
-	-	7,814,185	996,621	35,528,735
-	-	-	-	2,771,680
-	-	146,552	48,278	16,325,471
-	-	-	3,190,744	3,305,176
1,114,014	-	-	-	2,743,062
-	-	-	2,304,338	18,753,497
-	-	-	-	119,660
-	-	-	1,236,537	2,205,953
-	1,406	-	21,624	5,957,303
393,318	-	-	42,550	2,368,160
$ 10,736,622	$ 33,177,647	$ 7,960,737	$ 36,071,830	$ 469,466,607
$ 2,067,692	$ 3,888,548	$ -	$ 2,550,096	$ 19,668,287
12,163	-	-	59,439	3,775,618
-	-	-	119,660	119,660
-	52,215	-	462	878,001
-	-	-	4,352,925	5,071,254
-	3,750	-	228,236	16,196,287
-	-	-	-	65,657
-	-	1,488,722	593,240	2,081,962
-	-	6,505,000	825,000	7,330,000
-	-	-	-	1,830,253
2,079,855	3,944,513	7,993,722	8,729,058	57,016,979
-	-	53,451	1,113,335	3,025,050
-	-	-	2,114,468	17,545,284
-	-	53,451	3,227,803	20,570,334
2,079,855	3,944,513	8,047,173	11,956,861	77,587,313
393,318	1,406	-	64,174	8,325,463
8,263,449	-	-	24,188,041	59,111,863
-	29,231,728	-	1,431,677	89,290,705
-	-	-	-	198,136,036
-	-	(86,436)	(1,568,923)	37,015,227
8,656,767	29,233,134	(86,436)	24,114,969	391,879,294
$ 10,736,622	$ 33,177,647	$ 7,960,737	$ 36,071,830	$ 469,466,607



SURPRISE

ARIZONA

CITY OF SURPRISE, ARIZONA

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

Fund balances - total governmental funds		$ 391,879,294
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	1,452,638,338	
Less accumulated depreciation	(554,711,464)	
		897,926,874
Some revenues are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		3,025,050
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)	15,515,975	
Net pension liability	(544,958)	
Net pension deferred outflows	119,904	
Net pension deferred inflows	(35,846)	
Compensated absences payable	(92,399)	
Net OPEB asset	21,137	
Net OPEB deferred outflows	2,296	
Net OPEB deferred inflows	(8,471)	
Net OPEB liability	(89)	
		14,977,549
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	55,962,971	
Deferred inflows of resources related to pensions	(7,662,458)	
		48,300,513
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(95,895,000)	
Leases payable/subscriptions payable	(10,494,153)	
Interest payable	(99,924)	
Issuance premium (to be amortized as interest expense)	(5,972,423)	
Net pension liability	(119,415,499)	
Compensated absences payable	(12,651,010)	
Net OPEB asset	2,697,808	
Net OPEB liability	(9,164)	
		(241,839,365)
The equity interest in the joint venture, Regional Wireless Cooperative, is not a financial resource and, therefore, is not reported in the funds.		1,263,117
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	503,016	
Deferred inflows of resources related to OPEB	(1,339,556)	
		(836,540)
Net position of governmental activities		$ 1,114,696,492

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, 2025

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
REVENUES			
Taxes	$ 119,920,752	$ 28,201,935	$ -
Licenses and permits	7,632,584	-	-
Intergovernmental revenue	68,008,013	-	-
Charges for services	35,892,931	-	-
Grants revenue	134,434	-	-
Fines	1,276,614	-	-
Rents	665,312	-	-
Development fees	-	-	800,281
Interest revenue	6,499,608	8,327,682	28,741
Donations	138,874	-	-
Indirect charges	8,010,013	-	-
Other revenue	3,841,101	10,150	-
Total revenues	252,020,236	36,539,767	829,022
EXPENDITURES			
Current:			
General government	30,157,817	654,486	-
Public safety	101,863,184	124,569	-
Public works and transportation	18,103,747	127,596	-
Community development	25,443,155	210,695	-
Culture and recreation	21,679,284	4,498,026	-
Debt service:			
Administrative charges	-	-	-
Principal retirement	1,339,768	655,574	-
Interest	51,426	14,249	-
Bond issuance costs	-	257,632	-
Capital outlay	4,391,971	73,842,917	-
Total expenditures	203,030,352	80,385,744	-
Excess/(deficiency) of revenues over expenditures	48,989,884	(43,845,977)	829,022
OTHER FINANCING SOURCES/(USES)			
Proceeds from sale of capital assets	554,106	-	-
Transfers in	2,950,425	53,629,100	-
Transfers out	(57,556,233)	(1,060,300)	-
Issuance of debt	-	27,065,000	-
Premium on debt issuance	-	3,113,023	-
Lease/SBITA arrangements	1,064,313	663,996	-
Total other financing sources/(uses)	(52,987,389)	83,410,819	-
Net change in fund balances	(3,997,505)	39,564,842	829,022
Fund balances - June 30, 2024, as previously reported	146,399,437	147,433,325	(2,659,483)
Change within financial reporting entity	2,578,122	-	-
Fund balances - June 30, 2024, as restated	148,977,559	147,433,325	(2,659,483)
Increase/(decrease) in inventories	(150,706)	(36,194)	-
Fund balances - June 30, 2025	$ 144,829,348	$ 186,961,973	$ (1,830,461)

Highway User Revenue Fund	Transportation Improvement Fund	*Formerly Major* Grants Fund	Debt Service Fund	Total NonMajor Funds	Total Governmental Funds
$ -	$ 19,228,592		$ 6,609,737	$ 4,781,758	$ 178,742,774
-	-		-	-	7,632,584
11,350,643	-		-	1,497,459	80,856,115
19,500	-		-	4,463,520	40,375,951
-	-		-	9,677,407	9,811,841
-	-		-	368,886	1,645,500
-	-		-	522,041	1,187,353
-	-		-	10,621,456	11,421,737
450,148	1,675,573		155,906	1,540,602	18,678,260
-	-		-	-	138,874
-	-		-	-	8,010,013
-	803,618		-	38,864	4,693,733
11,820,291	21,707,783		6,765,643	33,511,993	363,194,735
27,000	-		-	801,678	31,640,981
-	-		-	1,918,721	103,906,474
9,617,913	3,661,598		-	465,056	31,975,910
-	-		-	2,555,048	28,208,898
-	-		-	11,870,372	38,047,682
-	-		2,279	900	3,179
-	2,876		6,505,000	921,619	9,424,837
-	21		2,752,569	1,206,255	4,024,520
-	-		-	-	257,632
-	22,250,821		-	23,793,409	124,279,118
9,644,913	25,915,316		9,259,848	43,533,058	371,769,231
2,175,378	(4,207,533)		(2,494,205)	(10,021,065)	(8,574,496)
-	-		-	-	554,106
-	-		1,583,108	3,504,427	61,667,060
-	(251,700)		-	(1,185,991)	(60,054,224)
-	-		-	-	27,065,000
-	-		-	-	3,113,023
-	-		-	-	1,728,309
-	(251,700)		1,583,108	2,318,436	34,073,274
2,175,378	(4,459,233)		(911,097)	(7,702,629)	25,498,778
6,542,190	33,692,367	(1,345,458)	824,661	35,754,533	366,641,572
-	-	1,345,458	-	(3,923,580)	-
6,542,190	33,692,367		824,661	31,830,953	366,641,572
(60,801)	-		-	(13,355)	(261,056)
$ 8,656,767	$ 29,233,134		$ (86,436)	$ 24,114,969	$ 391,879,294

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, 2025

Net change in fund balances - total governmental funds		$	25,498,778
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	123,263,940		
Less current year depreciation/amortization	(49,861,952)		
			73,401,988
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.			
Capital contributions	32,498,941		
Disposals of assets	(518,399)		
			31,980,542
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(584,981)
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			(261,056)
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	22,570,147		
Pension expense	(20,769,654)		
			1,800,493
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	664,521		
Principal paid	9,424,837		
Issuance of debt	(28,793,309)		
Issuance premium	(3,113,023)		
Interest payable	(56,873)		
		$	(21,873,847)

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		$ (887,281)
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)		445,105
Change in equity interest in joint venture		453,231
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	217,777	
OPEB expense	339,157	
		556,934
Change in net position of governmental activities		$ 110,529,906

CITY OF SURPRISE, ARIZONA

Statement of Fund Net Position
Proprietary Funds
June 30, 2025

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
ASSETS			
Current assets:			
Cash and investments	$ 72,019,848	$ 43,252,727	$ 10,403,596
Restricted cash and investments	3,800,700	7,727,998	-
Receivables (net of allowances):			
Accounts	2,861,722	2,902,985	1,916,979
Other	140,827	-	-
Other assets	173,968	1,212,567	39,947
Inventory	4,070,034	948,480	374,797
Total current assets	83,067,099	56,044,757	12,735,319
NonCurrent assets:			
Advances to other funds	-	1,830,253	-
Net OPEB asset	157,334	171,095	138,118
Capital assets, non-depreciable	52,098,373	36,510,906	87,321
Capital assets, depreciable	181,563,298	382,069,415	16,878,262
Accumulated depreciation	(58,945,799)	(149,577,289)	(8,125,442)
Total noncurrent assets	174,873,206	271,004,380	8,978,259
Total assets	257,940,305	327,049,137	21,713,578
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	895,121	980,677	785,574
Deferred outflows related to OPEB	16,606	19,108	14,848
Total deferred outflows of resources	911,727	999,785	800,422
Total assets and deferred outflows of resources	$ 258,852,032	$ 328,048,922	$ 22,514,000
LIABILITIES			
Current liabilities:			
Accounts payable	$ 1,453,355	$ 7,094,875	$ 298,564
Accrued payroll and related taxes	109,251	123,952	96,129
Deposits	268,674	256,874	94,173
Unearned revenue	-	386,919	102,574
Claims payable	-	-	-
Compensated absences payable, due in less than one year	249,626	238,796	131,727
Matured bond interest payable	-	476,125	-
Matured bonds and loans payable	-	1,195,000	-
Bonds, loans, and payables, due in less than one year	66,462	2,681,261	-
Total current liabilities	2,147,368	12,453,802	723,167
NonCurrent liabilities:			
Compensated absences payable, due in more than one year	390,440	373,501	206,034
Bonds, loans, and payables, due in more than one year	256,937	33,712,864	-
Claims payable	-	-	-
Net pension liability	4,068,250	4,457,099	3,570,369
Net OPEB liability	625	753	568
Total noncurrent liabilities	4,716,252	38,544,217	3,776,971
Total liabilities	6,863,620	50,998,019	4,500,138
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	267,610	293,188	234,859
Deferred inflows related to OPEB	62,727	68,935	55,251
Total deferred inflows of resources	330,337	362,123	290,110
Total liabilities and deferred inflows of resources	7,193,957	51,360,142	4,790,248
NET POSITION			
Net investment in capital assets	174,265,135	225,436,906	8,840,141
Restricted for:			
Capital projects	31,821,267	4,743,700	-
Debt service	-	10,293	-
OPEB	157,334	171,095	138,118
Unrestricted	45,414,339	46,326,786	8,745,493
Total net position	$ 251,658,075	$ 276,688,780	$ 17,723,752
Difference between business-type adjustments to assets and liabilities			
Net position of business-type activities			

Stormwater Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 7,642,216	$ 133,318,387	$ 25,603,421
371,546	11,900,244	-
1,382,571	9,064,257	-
-	140,827	456,145
1,978	1,428,460	3,860
-	5,393,311	-
9,398,311	161,245,486	26,063,426
-	1,830,253	-
24,667	491,214	21,137
-	88,696,600	-
19,778,925	600,289,900	-
(2,138,667)	(218,787,197)	-
17,664,925	472,520,770	21,137
27,063,236	633,766,256	26,084,563
140,553	2,801,925	119,904
2,715	53,277	2,296
143,268	2,855,202	122,200
$ 27,206,504	$ 636,621,458	$ 26,206,763
$ 42,298	$ 8,889,092	$ 161,464
14,725	344,057	15,236
-	619,721	-
37,488	526,981	-
-	-	5,019,499
1,398	621,547	36,036
-	476,125	-
-	1,195,000	-
-	2,747,723	-
95,909	15,420,246	5,232,235
2,187	972,162	56,363
-	33,969,801	-
-	-	414,640
638,804	12,734,522	544,958
106	2,052	89
641,097	47,678,537	1,016,050
737,006	63,098,783	6,248,285
42,021	837,678	35,846
9,911	196,824	8,471
51,932	1,034,502	44,317
788,938	64,133,285	6,292,602
17,640,258	426,182,440	-
-	36,564,967	-
-	10,293	-
24,667	491,214	21,137
8,752,641	109,239,259	19,893,024
$ 26,417,566	$ 572,488,173	$ 19,914,161
	4,936,612	
	$ 577,424,785	

See accompanying Notes to Financal Statements

CITY OF SURPRISE, ARIZONA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
OPERATING REVENUES			
Charges for services	$ 27,245,344	$ 25,716,555	$ 17,099,798
Other revenue	406,844	503,041	25,099
Total operating revenues	27,652,188	26,219,596	17,124,897
OPERATING EXPENSES			
Costs of sales and services	16,158,849	12,970,865	10,902,018
Personnel services	-	-	-
Contractual services, materials, and supplies	-	-	-
Insurance claims, premiums, and administrative expenses	-	-	-
Indirect costs	3,155,152	2,073,600	2,474,834
Depreciation/amortization	5,656,995	11,377,443	1,536,266
Total operating expenses	24,970,996	26,421,908	14,913,118
Operating income/(loss)	2,681,192	(202,312)	2,211,779
NONOPERATING REVENUES/(EXPENSES)			
Interest revenue	3,454,811	2,418,542	558,019
Developer reimbursement	(425,772)	(327,400)	-
Gain/(Loss) on disposal of capital assets	230,689	-	76,139
Amortization on bond premium	-	231,452	-
Interest and fiscal charges	(7,310)	(1,195,386)	-
Total nonoperating revenues/(expenses)	3,252,418	1,127,208	634,158
Income/(loss) before contributions and transfers	5,933,610	924,896	2,845,937
Transfers in	1,303,582	-	-
Transfers out	(702,570)	(2,155,033)	(45,375)
Capital contributions	33,362,045	11,412,386	-
Change in net position	39,896,667	10,182,249	2,800,562
Total net position - June 30, 2024, as previously reported	211,803,582	266,541,821	14,945,975
Change in accounting principle	(42,174)	(35,290)	(22,785)
Total net position - June 30, 2024, as restated	211,761,408	266,506,531	14,923,190
Total net position - June 30, 2025	$ 251,658,075	$ 276,688,780	$ 17,723,752

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

Stormwater Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 3,184,126	$ 73,245,823	$ 27,437,567
-	934,984	609,332
3,184,126	74,180,807	28,046,899
1,112,503	41,144,235	-
-	-	760,532
-	-	491,199
-	-	27,545,978
306,427	8,010,013	-
676,036	19,246,740	-
2,094,966	68,400,988	28,797,709
1,089,160	5,779,819	(750,810)
373,816	6,805,188	968,224
-	(753,172)	-
-	306,828	-
-	231,452	-
-	(1,202,696)	-
373,816	5,387,600	968,224
1,462,976	11,167,419	217,414
-	1,303,582	-
(13,440)	(2,916,418)	-
1,072,799	45,847,230	-
2,522,335	55,401,813	217,414
23,895,457	517,186,835	19,701,749
(226)	(100,475)	(5,002)
23,895,231	517,086,360	19,696,747
$ 26,417,566	$ 572,488,173	$ 19,914,161
	(227,691)	
	$ 55,174,122	

CITY OF SURPRISE, ARIZONA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ 26,827,519	$ 25,204,665	$ 16,850,310
Cash receipts from interfund services provided	-	-	-
Payments to employees	(5,439,462)	(5,923,810)	(4,937,604)
Payments to suppliers	(13,162,197)	(10,731,483)	(8,596,669)
Payments for insurance claims and expenses	-	-	-
Other operating cash receipts	406,844	503,041	25,099
Net cash provided/(used) by operating activities	8,632,704	9,052,413	3,341,136
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other funds	-	829,230	-
Cash paid to other funds	(702,570)	(2,155,033)	(45,375)
Net cash provided/(used) by noncapital financing activities	(702,570)	(1,325,803)	(45,375)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds received from development fees	7,175,537	2,200,851	-
Proceeds from debt	-	15,091,061	-
Principal and interest paid on bonds, loans and payables	(75,915)	(6,304,558)	-
Sale/acquisition of capital assets	(4,129,056)	(20,456,115)	(4,516,150)
Developer reimbursements	(425,772)	(327,400)	-
Net cash provided/(used) by capital and related financing activities	2,544,794	(9,796,161)	(4,516,150)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from interest income/(loss)	3,454,811	2,418,542	558,019
Net cash provided/(used) by investing activities	3,454,811	2,418,542	558,019
Net increase/(decrease) in cash and cash equivalents	13,929,739	348,991	(662,370)
Balances - beginning of year	61,890,809	50,631,734	11,065,966
Balances - end of the year	$ 75,820,548	$ 50,980,725	$ 10,403,596
Reconciliation of operating income/(loss) to net cash provided/ (used) by operating activities:			
Operating income/(loss)	$ 2,681,192	$ (202,312)	$ 2,211,779
Adjustments to reconcile operating income/(loss) to net cash provided/ (used) by operating activities:			
Depreciation/Amortization expense	5,656,995	11,377,443	1,536,266
Changes in assets and liabilities:			
Accounts receivable	(400,510)	(535,420)	(271,692)
Other receivables	(78,188)	-	-
Other assets	(114,680)	(1,139,910)	(4,170)
Inventory	633,886	41,423	(114,049)
Accounts payable	(121,821)	(602,536)	(199,431)
Accrued payroll and related taxes	20,301	34,062	18,205
Deposits	60,873	147	4,167
Unearned revenue	-	23,383	18,037
Compensated absences	46,602	115,707	17,137
Net pension liability	282,610	(30,548)	153,020
Claims payable	-	-	-
Net OPEB asset/liability	(34,556)	(29,026)	(28,133)
Net cash provided/(used) by operating activities	$ 8,632,704	$ 9,052,413	$ 3,341,136
NonCash investing, capital, and financing activities			
Capital asset contributions from developers	$ 26,186,508	$ 9,211,535	$ -
Capital asset contributions to/from other funds/governmental activities	1,303,582	-	-
Lease/SBITA arrangements	392,004	374,158	-
Total noncash investing, capital, and financing activities	$ 27,882,094	$ 9,585,693	$ -
Reconciliation to Statement of Net Position			
Cash and investments	$ 72,019,848	$ 43,252,727	$ 10,403,596
Restricted cash and investments	3,800,700	7,727,998	-
Total cash and investments	$ 75,820,548	$ 50,980,725	$ 10,403,596

Stormwater Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 3,026,217	$ 71,908,711	$ -
-	-	27,090,521
(839,534)	(17,140,410)	(722,104)
(604,036)	(33,094,385)	(889,608)
-	-	(25,914,551)
-	934,984	1,730,052
1,582,647	22,608,900	1,294,310
-	829,230	-
(13,440)	(2,916,418)	-
(13,440)	(2,087,188)	-
-	9,376,388	-
-	15,091,061	-
-	(6,380,473)	-
(128,852)	(29,230,173)	-
-	(753,172)	-
(128,852)	(11,896,369)	-
373,816	6,805,188	968,224
373,816	6,805,188	968,224
1,814,171	15,430,531	2,262,534
6,199,591	129,788,100	23,340,887
$ 8,013,762	$ 145,218,631	$ 25,603,421
$ 1,089,160	$ 5,779,819	$ (750,810)
676,036	19,246,740	-
(155,865)	(1,363,487)	-
-	(78,188)	773,674
5,692	(1,253,068)	(3,590)
-	561,260	-
(33,226)	(957,014)	(393,150)
1,002	73,570	4,408
(238)	64,949	-
(1,806)	39,614	-
401	179,847	22,020
5,993	411,075	14,455
-	-	1,631,427
(4,502)	(96,217)	(4,124)
$ 1,582,647	$ 22,608,900	$ 1,294,310
$ 1,072,799	36,470,842	$ -
-	1,303,582	-
-	766,162	-
$ 1,072,799	$ 38,540,586	$ -
$ 7,642,216	$ 133,318,387	$ 25,603,421
371,546	11,900,244	-
$ 8,013,762	$ 145,218,631	$ 25,603,421

See accompanying Notes to Financial Statements

CITY OF SURPRISE, ARIZONA

Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2025

	Custodial Fund
ASSETS	
Cash and investments	$ 167,022
Total assets	167,022
LIABILITIES	
Accounts payable	60,000
Total liabilities	60,000
NET POSITION	
Restricted for:	
Individuals	107,022
Total net position	$ 107,022

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, 2025

	Custodial Fund
ADDITIONS	
Contributions:	
Employee contributions	$ 784,817
Total contributions	784,817
Total additions	784,817
DEDUCTIONS	
Claim settlement	867,069
Total deductions	867,069
Net increase/(decrease) in net position	(82,252)
Net position - beginning	189,274
Net position - end of the year	$ 107,022

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, 2025, the City implemented the following GASB Statements:

GASB Statement No. 101, *Compensated Absences.* The objective of the statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The statement requires that liabilities be recognized for leave that has not been used, is attributable to services already rendered, accumulates and the leave is more likely than not to be paid in cash or settled through non-cash means. This pronouncement resulted in a prior period adjustment of $840,975 and $100,475 to the net positions of Governmental and Business Type Activities, respectively, due to the change in accounting principle.

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, 2025, 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 ***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 uncollectible amounts 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

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employe) during or upon separation from employment. Based on the criteria listed, one type of leave qualifies for liability recognition for compensated absences – Paid Time Off (PTO). The liability for compensated absences includes salary-related benefits, where applicable.

Vested or accumulated 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.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. POSTEMPLOYMENT BENEFITS

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For the governmental activities, the General Fund, Highway User Revenue Fund, Transportation Improvement Fund, the nonmajor funds – Grants Fund, SPD Towing 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), bond refundings, 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, 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, 2025, this balance totaled $5.9 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, 2025, the operating reserve totaled $35.2 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, 2025, the stabilization reserve totaled $17.6 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, 2025, this balance totaled $4.1 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, 2025, this balance totaled $3.8 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, 2025, this balance totaled $1.2 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, 2025, this balance totaled $887,900.

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, 2025, 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, 2025, this balance totaled $7.7 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, 2025, this balance totaled $1.3 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, 2025, this balance totaled $3.2 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, 2025, this balance totaled $278,800.

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, 2025, this balance totaled $839,000.

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, 2025, this balance was $126,100.

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, 2025, this balance totaled $274,400.

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, 2025, this balance totaled $371,546.

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, 2025, this balance totaled $169,000.

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. For the year ended June 30, 2025, the balance was $9.6 million.

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, 2025, the balance was $6.6 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 $2,000,000. The purpose of this reserve is to maintain the regulatory required reserve. For the year ended June 30, 2025, the balance was $3.8 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.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2025 are classified in the accompanying statements as follows:

Government-Wide Financial Statements	
Total cash and investments	$ 538,309,718
Total restricted cash and investments	47,428,979
Subtotal	585,738,697
Government-wide total cash and investments	585,738,697
Plus: Fiduciary Fund cash and cash equivalents	167,022
Total	$ 585,905,719

Fund Financial Statements	
Governmental Funds	
Cash and investments	$ 379,387,910
Restricted cash and cash equivalents	35,528,735
Enterprise Funds	
Cash and investments	133,318,387
Restricted cash and cash equivalents	11,900,244
Internal Service Funds	
Cash and investments	25,603,421
Custodial Fund	
Cash and cash equivalents	167,022
Total	$ 585,905,719

Deposits

Total cash and investments for the City as of June 30, 2025, are as follows:

City's deposits	$ 267,111,208
Cash on hand	4,899
City's investments	317,489,733
Cash held by trustee	1,299,879
Total	$ 585,905,719

A reconciliation of the bank balance of the City's deposit balance as of June 30, 2025, follows:

Cash in bank	$ 268,821,533
Reconciling items:	
Outstanding checks	(2,482,033)
Deposits in transit	772,468
Other	(760)
	$ 267,111,208
Less:	
Custodial Fund	167,022
Total City deposits	$ 266,944,186

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, $266,771,654 was covered by the pledging financial institution's trust department or agent, but not in the City's name and $1,299,879 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 Arizona Revised Statutes 11-635;

7. Bonds, notes, or 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/A2" or the equivalent by a nationally recognized statistical rating organization;

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; and

10. Bonds, debentures, notes or other evidences of indebtedness.

The City's investments consisted of the following as of June 30, 2025:

		Maturities			
Investment Type	Total Fair Value	Less than 1 year	1-2 years	2-3 years	3-5 years
U. S. government securities	$ 192,757,757	$ 89,489,392	$ 26,506,340	$ 32,408,322	$ 44,353,703
Corporate bonds	9,873,773	4,586,198	2,130,753	3,156,822	-
Money market mutual funds	1,417,274	1,417,274	-	-	-
Local government investment pool	113,440,929	113,440,929	-	-	-
	$ 317,489,733	$ 208,933,793	$ 28,637,093	$ 35,565,144	$ 44,353,703

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, 2025, the City's investments were rated as follows:

Investment Type	Amount	Minimum Legal Rating	AA-/AA+	A/A+	AAAf/S1+	Not Rated
U. S. government securities	$ 192,757,757	N/A	$ 108,426,617	$ 84,331,140	$ -	$ -
Corporate bonds	9,873,773	A/A2	5,946,223	3,927,550	-	-
Money market mutual funds	1,417,274	N/A	-	-	-	1,417,274
Local government investment pool	113,440,929	N/A	-	-	113,440,929	-
	$ 317,489,733		$ 114,372,840	$ 88,258,690	$ 113,440,929	$ 1,417,274

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 with a 5% issuer 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 Arizona Revised Statute 11-635 have a 25% sector limit and a 5% issuer limit.

3. Bonds, notes, or 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	$ 192,757,757	$ 192,757,757	$ -
Corporate Bonds	9,873,773	-	9,873,773
Total investments by fair value level	$ 202,631,530	$ 192,757,757	$ 9,873,773
External Investment Pool Measured at Fair Value:			
LGIP	113,440,929		
Total investments measured at fair value	$ 316,072,459		
Investments Measured at Amortized Cost			
Money market mutual funds	1,417,274		
Total investments	$ 317,489,733		

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, 2025:

ACFR Fund Name	Receivables	Allowance	Net
Governmental funds:			
General Fund	$ 19,691,551	$ 16,919,871	$ 2,771,680
Total governmental funds	$ 19,691,551	$ 16,919,871	$ 2,771,680
Proprietary funds:			
Water Fund	$ 3,335,139	$ 473,417	$ 2,861,722
Sewer Fund	4,054,475	1,151,490	2,902,985
Sanitation Fund	2,855,541	938,562	1,916,979
Stormwater Fund	2,099,696	717,125	1,382,571
Total proprietary funds	$ 12,344,851	$ 3,280,594	$ 9,064,257

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, 2025, are as follows:

ACFR Fund Name	Unearned	Unavailable
General Fund	$ 718,329	$ 1,858,264
Debt Service Fund	-	53,451
NonMajor Governmental Funds	4,352,925	1,113,335
Total	$ 5,071,254	$ 3,025,050

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, 2025, are as follows:

ACFR Fund Name	Unearned
Sewer Fund	$ 386,919
Sanitation Fund	102,574
Stormwater Fund	37,488
Total	$ 526,981

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, 2025, the City recognized total lease-related revenues of $726,566.

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, 2025, is $484,491.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025, was as follows:

	Primary Government				
	Balance July 1, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Governmental activities:					
Not being depreciated:					
Land and land improvements	$ 263,982,010	$ 17,043,068	$ (285,141)	$ -	$ 280,739,937
Parks	8,607,783	-	-	-	8,607,783
Construction in progress	45,559,637	97,968,088	-	(124,775,129)	18,752,596
Total not being depreciated	318,149,430	115,011,156	(285,141)	(124,775,129)	308,100,316
Other capital assets:					
Buildings and improvements	253,783,569	734,623	(1,709,969)	52,580,127	305,388,350
Improvements other than buildings	52,883,619	1,438,342	-	9,648,520	63,970,481
Equipment and vehicles	72,187,053	11,351,425	(3,874,557)	3,002,574	82,666,495
Intangibles	12,040,834	15,465	(13,257)	-	12,043,042
Infrastructure	580,624,334	25,915,452	-	59,543,908	666,083,694
Right-to-use subscription assets	5,634,188	1,296,418	(133,852)	-	6,796,754
Right-to-use lease assets:					
Land and land improvements	11,380	-	(11,380)	-	-
Buildings and improvements	6,852,042	-	-	-	6,852,042
Equipment and vehicles	737,164	-	-	-	737,164
Total other capital assets	984,754,183	40,751,725	(5,743,015)	124,775,129	1,144,538,022
Total assets before depreciation/ amortization	1,302,903,613	155,762,881	(6,028,156)	-	1,452,638,338
Accumulated depreciation/amortization:					
Building and improvements	(119,029,409)	(9,893,585)	1,651,757	-	(127,271,237)
Improvements other than buildings	(18,625,836)	(5,919,766)	-	-	(24,545,602)
Equipment and vehicles	(48,535,785)	(6,894,147)	3,699,511	-	(51,730,421)
Intangibles	(9,495,988)	(710,855)	13,257	-	(10,193,586)
Infrastructure	(310,568,430)	(23,979,621)	-	-	(334,548,051)
Right-to-use subscription assets	(2,164,764)	(1,574,039)	133,852	-	(3,604,951)
Right-to-use lease assets:					
Land and land improvements	(8,535)	(2,845)	11,380	-	-
Buildings and improvements	(1,893,664)	(739,661)	-	-	(2,633,325)
Equipment and vehicles	(36,858)	(147,433)	-	-	(184,291)
Total accumulated depreciation/ amortization	(510,359,269)	(49,861,952)	5,509,757	-	(554,711,464)
Net capital assets governmental activities	$ 792,544,344	$ 105,900,929	$ (518,399)	$ -	$ 897,926,874

Depreciation/amortization was charged by function as follows:

General government	$ 2,626,198
Public safety	7,943,680
Public works and transportation	28,899,644
Community development	35,686
Culture and recreation	10,356,744
Total governmental activities depreciation/amortization expense	$ 49,861,952

	Primary Government				
	Balance July 1, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Business-type activities:					
Not being depreciated:					
Land	$ 17,413,774	$ 3,933,053	$ -	$ -	$ 21,346,827
Water rights	31,738,535	699,810	-	-	32,438,345
Construction in progress	14,693,837	23,317,127	-	(3,099,536)	34,911,428
Total not being depreciated	63,846,146	27,949,990	-	(3,099,536)	88,696,600
Other capital assets:					
Buildings and system	514,104,214	35,420,664	(72,834)	1,356,755	550,808,799
Improvements other than buildings	11,299,999	-	-	903,280	12,203,279
Vehicles and equipment	30,949,244	7,074,897	(2,903,074)	839,501	35,960,568
Intangibles	551,092	-	-	-	551,092
Right-to-use subscription assets	-	766,162	-	-	766,162
Total other capital assets	556,904,549	43,261,723	(2,975,908)	3,099,536	600,289,900
Total assets before depreciation/ amortization	620,750,695	71,211,713	(2,975,908)	-	688,986,500
Accumulated depreciation/amortization:					
Buildings and system	(180,511,032)	(15,565,187)	3,895	-	(196,072,324)
Improvements other than buildings	(2,432,665)	(420,060)	-	-	(2,852,725)
Vehicles and equipment	(18,372,566)	(3,105,337)	2,309,850	-	(19,168,053)
Intangibles	(537,939)	(2,924)	-	-	(540,863)
Right-to-use subscription assets	-	(153,232)	-	-	(153,232)
Total accumulated depreciation/ amortization	(201,854,202)	(19,246,740)	2,313,745	-	(218,787,197)
Net capital assets business-type activities	$ 418,896,493	$ 51,964,973	$ (662,163)	$ -	$ 470,199,303

Depreciation/amortization was charged by function as follows:

Water	$ 5,656,995
Sewer	11,377,443
Sanitation	1,536,266
Stormwater	676,036
Total business-type depreciation/amortization expense	$ 19,246,740

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 eight years. Once an agreement expires, water system fees are no longer eligible for developer reimbursement. As of June 30, 2025, $20,364,363 had expired or been reimbursed, leaving a potential remaining balance of $5,265,627.

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 $15,863,666. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-five years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2025, $451,520 had expired or been reimbursed, leaving a potential remaining balance of $15,412,146.

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 $74,070,042 at June 30, 2025. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-five years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2025, $3,954,189 had expired or been reimbursed, leaving a potential remaining balance of $70,115,853.

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, 2025, the City has reimbursed $1,966,031 leaving a potential balance remaining of $2,811,851.

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 a tax abatement program, foreign trade zone 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 16.5 percent. For fiscal year 2025, $27,452 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 2025 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, 2025, the City reimbursed $16,249,397.

Contracts Payable

General Government Activities

A balance of $16,196,287 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, 2025. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Funding Source
136th Ave Junction Structure	$ 499,637	$ 223,592	Sewer Utility Capital
163rd Ave Roadway Improvements	1,647,496	10,732,379	General Capital Projects Fund
Cactus Rd (Cotton to Reems)	7,042,412	26,270,269	In Lieu Developer Revenue
Cactus Road (Litchfield to RR Track)	736,406	7,840,444	General Capital Projects Fund
Elm Street (Civic Center Dr to Bullard Ave)	9,386,220	5,817,438	General Capital Projects Fund
Happy Valley Rd (163rd to Rncho Mrcdo)	194,769	2,526,086	General Capital Projects Fund
Multigenerational Community Center	7,650,533	12,834,463	ARPA Grant Funding
Plant Capacity Increase / Enhancement	52,182,894	44,160,829	Sewer Utility Capital
Police Substation #1	1,752,833	1,055,714	Police Development Fee
Rancho Mercado Well No. 2	4,047,524	4,762,512	Wtr Res Dev Fee 2020
Solar Biosolids Dryer Phase II	2,401,519	1,521,608	Sewer Utility Capital
SPA 1 Headworks	251,142	2,008,459	Sewer Utility Capital
SPA 1 System Optimization	243,821	433,973	Wtr Res SPA 2 Dev Fee
SPA1 Recharge Expansion	1,878,305	547,055	Sewer Utility Capital
Traffic Signal (Bullard and Buck O'Neil)	79,569	543,578	In Lieu Developer Revenue
Traffic Signal (Parkview Place and Vista Center)	300,668	303,783	In Lieu Developer Revenue
Traffic signal (Perryville and Desert Cove)	470,602	474,016	In Lieu Developer Revenue
40 Acres (185th Ave and Deer Valley Rd)	303,000	1,062,000	General Capital Projects Fund
Regional Communications Tower #2	379,967	3,796,320	General Capital Projects Fund
Fiber Network (163rd Ave and 303)	162,649	367,311	General Capital Projects Fund
Circle City Enhancements	4,163	265,088	Wtr Res SPA 2 Dev Fee
Art - Confluencia	200,000	690,081	General Capital Projects Fund
Total	$ 91,816,129	$ 128,236,998	

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, 2025, (revenues to debt service payable) is 167.6.

The Pledged Revenue Obligations, Series 2015, were issued in the amount of $17,385,000, and have an outstanding principal balance at June 30, 2025, of $7,070,000. Proceeds of these obligations are designated for the construction of stadium improvements. The obligations are payable solely from pledged revenues and are payable through 2030. Principal and interest payments and pledged revenues for the current year were $1,584,550 and $265,171,922, respectively. Next year's principal and interest payments of $1,582,050 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, 2025, of $17,850,000. 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 $2,147,250 and $27,292,373, respectively. Current year pledged revenue equals approximately 1,271 percent of next year's principal and interest payments, which total $2,147,500.

The issuance requires pledged revenues to be at least 175 percent of the Parity Lien Test Debt Service. Parity Lien Test Debt Service is the highest aggregate Principal Requirement and Interest Requirement of all Series 2018 Senior Lien Utility System obligations and additional Utility System obligations then outstanding, to fall due and payable in the current or any future Bond Year. At June 30, 2025, the Parity Lien Test Debt Service is $2,151,000 and pledged revenues are $27,292,373. The current year ratio is 1,269 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, 2025, pledged revenue equals 1,271 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, 2025, the City incurred $17,289,664 in expenses, for a total of $25,094,585 of project expenses, of which $18,305,196 had been funded by WIFA through June 30, 2025. The total outstanding loan balance at June 30, 2025 was $15,689,271.

General Obligations

The City of Surprise has three 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.

In May 2018, the City issued the Series 2018 General Obligation Bonds 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, 2025, of $25,690,000.

In September 2020, the City issued the Series 2020 General Obligation Bonds in the amount of $17,460,000. 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, 2025, of $6,060,000.

The Series 2018 and Series 2020 General Obligation 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.

In September 2024, the City issued the Series 2024 General Obligation Bonds in the amount of $27,065,000. The Bonds carry interest rates ranging from 3% to 5%, have a final maturity in 2044, and have a remaining principal balance at June 30, 2025, of $25,855,000.

The Series 2024 General Obligation Bonds were issued for the purpose of paying for certain public safety projects, including a police substation and fire station and road projects including improvements to Waddell, Cactus, and Happy Valley roads and 163rd avenue. As of June 30, 2025, the City has $69,989,500 of unissued general obligation bonds from the November 2023 authorization.

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 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 in 2047.

At June 30, 2025, 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, 2025, is comprised of the following:

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

City of Surprise General and Revenue Obligations	Long-Term Debt Outstanding
2015, Pledged Revenue Obligation (issued June 23, 2015) due in annual installments of $1,025,000 to $1,505,000 through July 1, 2030; interest at 3 percent to 5 percent. Original issue amount $17,385,000.	$ 7,070,000
2015, Pledged Revenue Revenue Obligations, Issuance Premium	581,085
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.	25,690,000
2018, General Obligation Bonds, Issuance Premium	1,467,375
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.	6,060,000
2020, General Obligation Bonds, Issuance Premium	768,295
2024, General Obligation Bonds, (issued September 4, 2024) due in annual installments of $370,000 to $2,135,000 through July 1, 2044; interest at 3 percent to 5 percent. Original issue amount of $27,065,000.	25,855,000
2024, General Obligation Bonds, Issuance Premium	2,957,372
Total General and Revenue Obligations	$ 70,449,127

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.	$ 8,705,000
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, Issuance Premium	142,821
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.	1,600,000
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.	8,020,000
2019 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	31,230
2022 Marley Park Community Facilities General Obligation Bonds, due in annual installments of $40,000 to $2,025,000 through July 15, 2047; interest from 4.125% to 5%. Original issue of $13,065,000.	12,895,000
2022 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	24,245
Total Community Facilities Districts General Obligation Bonds and Notes Outstanding	31,418,296
Total Bonds and Notes Payable Recorded in Governmental Activities	$ 101,867,423

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

Revenue Obligations and Loans	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.	$ 17,850,000
2018, Senior Lien Utility System Revenue Refunding Obligations, Issuance Premium	2,545,967
WIFA Loan, interest and fee rate at 2.805%, not to exceed $34,980,000	15,689,271
Total Bonds Payable Recorded in Business-type Activities	36,085,238
Total Long-Term Bonds, Notes, and Loans Payable	$ 137,952,661

The following is a summary of long-term liabilities for the year ended June 30, 2025:

	Balance July 1, 2024 (as restated)	Additions	Reductions	Balance June 30, 2025	Due within 1 Year
Governmental activities					
Bonds, loans, and payables:					
City of Surprise, Series 2015 Pledged revenue obligations $28,701,375 ($36,665,000 issued)	$ 8,320,000	$ -	$ (1,250,000)	$ 7,070,000	$ 1,310,000
City of Surprise, Series 2018 General obligations $37,730,000	27,155,000	-	(1,465,000)	25,690,000	1,540,000
City of Surprise, Series 2020 General obligations $17,460,000	8,640,000	-	(2,580,000)	6,060,000	2,790,000
City of Surprise, Series 2024 General obligations $27,065,000		27,065,000	(1,210,000)	25,855,000	-
For issuance premium 2015	697,302	-	(116,217)	581,085	-
For issuance premium 2018	1,580,250	-	(112,875)	1,467,375	-
For issuance premium 2020	1,024,394	-	(256,099)	768,295	-
For issuance premium 2024		3,113,023	(155,651)	2,957,372	-
Community Facilities District Series 2016 Bonds $11,365,000 issued	9,130,000	-	(425,000)	8,705,000	435,000
Series 2017 Direct Placement Note $3,000,000 issued	1,805,000	-	(205,000)	1,600,000	210,000
Series 2019 Bonds $8,470,000 issued	8,085,000	-	(65,000)	8,020,000	65,000
Series 2022 Bonds, $13,065,000 issued	13,025,000	-	(130,000)	12,895,000	240,000
For issuance premium 2016	163,754	-	(20,933)	142,821	-
For issuance premium 2019	32,874	-	(1,644)	31,230	-
For issuance premium 2022	25,347	-	(1,102)	24,245	-
Subscriptions liability	3,527,820	1,728,309	(1,591,049)	3,665,080	1,532,627
Leases payable	7,332,861	-	(503,788)	6,829,073	1,221,489
Total bonds, loans, and payables	90,544,602	31,906,332	(10,089,358)	112,361,576	9,344,116
Compensated absences payable	11,834,108	8,694,476	(7,785,175)	12,743,409	4,969,930
Claims payable	3,802,712	22,871,142	(21,239,715)	5,434,139	5,019,499
Total governmental activities long-term liabilities	$ 106,181,422	$ 63,471,950	$ (39,114,248)	$ 130,539,124	$ 19,333,545

	Balance July 1, 2024 (as restated)	Additions	Reductions	Balance June 30, 2025	Due within 1 Year
Business-type activities					
Bonds, loans, and payables:					
Senior Lien Utility System Revenue Refunding Obligations, Series 2018	$ 19,045,000	$ -	$ (1,195,000)	$ 17,850,000	$ 1,255,000
For issuance premium 2018	2,777,418	-	(231,451)	2,545,967	-
Loan Payable to WIFA, Revolving to $33,980,000	3,214,135	15,091,061	(2,615,925)	15,689,271	1,363,249
Subscriptions liability	-	766,162	(133,876)	632,286	129,474
Total bonds, loans, and payables	25,036,553	15,857,223	(4,176,252)	36,717,524	2,747,723
Compensated absences payable	1,413,861	1,024,950	(845,102)	1,593,709	621,547
Total business-type activities long-term liabilities	$ 26,450,414	$ 16,882,173	$ (5,021,354)	$ 38,311,233	$ 3,369,270

The City's outstanding bonds had the following ratings:

Description	Fitch Rating	Standard & Poor's Rating
City of Surprise, Arizona, Pledged Revenue and Revenue Refunding Obligations SERIES 2015	AAA	AA+
City of Surprise, Arizona, General Obligation Bonds SERIES 2018	Not rated	AA
City of Surprise, Arizona, General Obligation Bonds SERIES 2020	Not rated	AA
City of Surprise, Arizona, General Obligation Bonds SERIES 2024	AAA	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, 2025. Deferred amounts are not included:

	Governmental Activities					
	Refunding/Stadium Imp 2015		GO Bonds 2018		GO Bonds 2020	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
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	1,505,000	75,250	1,855,000	624,644	-	-
2031-2035	-	-	10,225,000	2,172,082	-	-
2036-2040	-	-	6,965,000	475,369	-	-
Total	$ 7,070,000	$ 841,850	$ 25,690,000	$ 6,550,271	$ 6,060,000	$ 383,600

	Governmental Activities					
	GO Bonds 2024		Marley Park CFD 2016		Marley Park CFD 2017 Direct Placement	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ -	$ 1,224,500	$ 435,000	$ 296,037	$ 210,000	$ 43,040
2027	370,000	1,224,500	445,000	286,250	215,000	37,391
2028	540,000	1,206,000	460,000	275,681	225,000	31,608
2029	1,220,000	1,179,000	470,000	257,281	230,000	25,555
2030	1,220,000	1,118,000	495,000	238,481	235,000	19,368
2031-2035	6,715,000	4,700,450	2,690,000	881,806	485,000	19,637
2036-2040	7,790,000	3,011,000	3,045,000	395,313	-	-
2041-2045	8,000,000	876,100	665,000	20,781	-	-
Total	$ 25,855,000	$ 14,539,550	$ 8,705,000	$ 2,651,630	$ 1,600,000	$ 176,599

Year Ended June 30	Governmental Activities					
	Marley Park CFD 2019		Marley Park CFD 2022		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 65,000	$ 250,150	$ 240,000	$ 574,788	$ 6,590,000	$ 3,842,009
2027	70,000	248,200	245,000	562,787	7,350,000	3,558,522
2028	60,000	246,100	265,000	550,537	4,930,000	3,266,670
2029	75,000	244,300	275,000	537,287	5,515,000	3,062,167
2030	70,000	242,050	290,000	523,538	5,670,000	2,841,331
2031-2035	1,290,000	1,131,450	1,670,000	2,386,937	23,075,000	11,292,362
2036-2040	2,225,000	829,050	2,085,000	1,977,088	22,110,000	6,687,820
2041-2045	4,165,000	347,550	3,860,000	1,495,313	16,690,000	2,739,744
2046-2047	-	-	3,965,000	262,063	3,965,000	262,063
Total	$ 8,020,000	$ 3,538,850	$ 12,895,000	$ 8,870,338	$ 95,895,000	$ 37,552,688

Year Ended June 30	Business-Type Activities					
	Sr. Lien Utility System		WIFA 2023 Loan*		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,255,000	$ 892,500	$ 1,363,249	$ 860,643	$ 2,618,249	$ 1,753,143
2027	1,320,000	829,750	1,401,488	821,867	2,721,488	1,651,617
2028	1,385,000	763,750	1,440,800	782,004	2,825,800	1,545,754
2029	1,455,000	694,500	1,481,214	741,023	2,936,214	1,435,523
2030	1,525,000	621,750	1,522,762	698,892	3,047,762	1,320,642
2031-2035	8,865,000	1,884,000	8,278,986	2,819,958	17,143,986	4,703,958
2036-2040	2,045,000	102,250	9,507,106	1,574,613	11,552,106	1,676,863
2041-2045	-	-	6,368,469	271,247	6,368,469	271,247
Total	$ 17,850,000	$ 5,788,500	$ 31,364,074	$ 8,570,247	$ 49,214,074	$ 14,358,747

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

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, 2025:

20% Limitation		6% Limitation	
20% Constitutional Limit	$ 664,894,428	6% Constitutional Limit	$ 199,468,328
Less General Obligation 20% Bonds Outstanding	(57,605,000)	Less General Obligation 6% Bonds Outstanding	-
Reduction for Excess Premium	(5,193,042)	Reduction for Excess Premium	-
Available 20% Limitation Borrowing Capacity	$ 602,096,386	Available 6% Limitation Borrowing Capacity	$ 199,468,328

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, 2025, are as follows:

	Governmental Activities
Total intangible right-to-use lease assets	$ 7,589,206
Less: accumulated amortization	(2,817,616)
Carrying value	$ 4,771,590

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2025:

	Governmental Activities	
Year ending June 30	Principal	Interest
2026	$ 1,221,489	$ 97,271
2027	1,240,529	70,442
2028	1,260,168	52,318
2029	1,253,599	33,888
2030	888,176	18,709
2031-2035	770,810	44,986
2036-2037	194,302	1,845
Total	$ 6,829,073	$ 319,459

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, 2025, are as follows:

	Governmental Activities	Business-Type Activities
Total intangible right-to-use subscription assets	$ 6,796,754	$ 766,162
Less: accumulated amortization	(3,604,951)	(153,232)
Carrying value	$ 3,191,803	$ 612,930

The following schedule details minimum subscription payments to maturity for the City's subscriptions liability at June 30, 2025:

	Governmental Activities		Business-Type Activities	
Year ending June 30	Principal	Interest	Principal	Interest
2026	$ 1,532,627	$ 104,271	$ 129,474	$ 21,249
2027	720,325	70,005	136,778	16,898
2028	506,771	46,621	144,457	12,301
2029	479,894	30,426	152,548	7,447
2030	425,463	14,298	69,029	2,320
Total	$ 3,665,080	$ 265,621	$ 632,286	$ 60,215

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, 2025, 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	$ 2,718,945	$ 491,214	$ 3,210,159
Net pension liabilities	119,960,457	12,734,522	132,694,979
Net OPEB liabilities	9,253	2,052	11,305
Deferred outflows of resources related to pensions	56,082,875	2,801,925	58,884,800
Deferred outflows of resources related to OPEB	505,312	53,277	558,589
Deferred inflows of resources related to pensions	7,698,304	837,678	8,535,982
Deferred inflows of resources related to OPEB	1,348,027	196,824	1,544,851
Pension expense	20,769,654	1,667,584	22,437,238
OPEB expense	(339,157)	(65,546)	(404,703)
Pension contributions	22,570,147	1,479,737	24,049,884
OPEB contributions	217,777	26,856	244,633

The City reported accrued payroll and employee benefits of $564,737 for outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2025. Also, the City reported $20,430,488 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, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27 percent (12.12 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 12.27 percent (12.05 percent for retirement, 0.07 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 10.19 percent (10.14 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, 2025, were $7,816,889, $45,132, and $96,736, respectively.

During fiscal year 2025, 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, 2025, 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	$ 68,662,459
Health insurance premium benefit	(2,645,553)
Long-term disability	11,305

The net asset and net liabilities were measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024.

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, 2024. The City's proportions measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023, were:

ASRS	Proportion June 30, 2024	Increase/(decrease) from June 30, 2023
Pension	0.43%	0.03%
Health insurance premium benefit	0.44%	0.03%
Long-term disability	0.43%	0.03%

Expense —For the year ended June 30, 2025, the City recognized the following pension and OPEB expense:

ASRS	Pension/OPEB expense
Pension	$ 8,561,731
Health insurance premium benefit	(392,851)
Long-term disability	54,537

Deferred outflows/inflows of resources — At June 30, 2025, 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	$ 3,832,674	$ -
Difference between projected and actual investment earnings	-	4,384,850
Changes in proportion and differences between City contributions and proportionate share of contributions	3,457,961	131,769
City contributions subsequent to the measurement date	7,816,889	-
Total	$ 15,107,524	$ 4,516,619

ASRS - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 76,558	$ 638,798
Changes in assumptions or other inputs	-	27,442
Difference between projected and actual investment earnings	-	181,856
Changes in proportion and differences between City contributions and proportionate share of contributions	4,960	101,753
City contributions subsequent to the measurement date	45,132	-
Total	$ 126,650	$ 949,849

ASRS - Long-term disability	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 41,569	$ 30,108
Changes in assumptions or other inputs	8,180	67,681
Difference between projected and actual investment earnings	-	12,348
Changes in proportion and differences between City contributions and proportionate share of contributions	17,501	2,599
City contributions subsequent to the measurement date	96,736	-
Total	$ 163,986	$ 112,736

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, 2026.

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			
2026	$ (308,137)	$ (514,824)	$ (16,058)
2027	4,996,775	(136,293)	944
2028	(1,109,950)	(131,572)	(16,620)
2029	(804,672)	(68,602)	(15,417)
2030	-	(17,040)	(5,110)
Thereafter	-	-	6,775

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

ASRS	
Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
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, 2023, 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%	4.48%
Fixed income - credit	23%	4.40%
Real estate	17%	6.05%
Private equity	10%	6.11%
Interest rate sensitive	6%	(0.45)%
Total	100%	

Discount rate — At June 30, 2024, 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	$ 105,136,265	$ 68,662,459	$ 38,264,726
Net health insurance premium benefit liability/(asset)	(1,923,299)	(2,645,553)	(3,259,612)
Net long-term disability liability	38,899	11,305	(15,838)

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 are PSPRS members participate in the agent plans. 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:		
Retirement and disability	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)
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, 2025, the following employees were covered by the agent plans' benefit terms:

	Police		Fire	
PSPRS	Pension	Health	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	77	77	19	19
Inactive employees entitled to but not yet receiving benefits	22	5	22	20
Active employees	90	90	94	94
Total	189	172	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, 2025, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Police		Fire	
PSPRS	Tier 1 & 2	Tier 3	Tier 1 & 2	Tier 3
Active members - pension	7.65%	8.77%	7.65%	8.77%
Active members - health benefit	0.00%	0.12%	0.00%	0.12%
City				
Pension	37.67%	31.83%	29.45%	21.56%
Health insurance premium benefit	0.18%	0.12%	0.32%	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	23.06%	12.79%

The City's contributions to the plans for the year ended June 30, 2025, were:

PSPRS	Police	Fire
Pension	$ 8,123,499	$ 7,988,995
Health Insurance premium benefit	43,060	59,705

During fiscal year 2025, the City paid for PSPRS pension and OPEB contributions primarily from the General Fund.

Liability/(asset) — At June 30, 2025, the City reported the following net pension/OPEB liabilities/(assets):

PSPRS	Net pension liability	Net OPEB liability/(asset)
Police	$ 36,352,363	$ (409,891)
Fire	26,192,166	(154,715)

The net assets and net liabilities were measured as of June 30, 2024, 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, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	2.75 - 15.0% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2024, 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 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 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 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%	3.62%
International Public Equity	16%	4.47%
Global Private Equity	27%	7.05%
Core Bonds	6%	2.44%
Private Credit	20%	6.24%
Diversifying Strategies	5%	3.15%
Cash Mellon	2%	0.89%
Total	100%	

Discount rate — At June 30, 2024, 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability/(asset).

Changes in the net pension/OPEB liability/(asset) – The following tables present changes in the City's net pension/OPEB liability (asset) for the PSPRS – Police and PSPRS – Fire plans as follows:

PSPRS - Police - Pension	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability/(asset) (a) – (b)
Balances at June 30, 2024	$ 108,759,421	$ 71,388,618	$ 37,370,803
Changes for the year:			
Service cost	2,581,817	-	2,581,817
Interest on the total pension liability	7,840,196	-	7,840,196
Difference between expected and actual experience of the total pension liability	3,609,818	-	3,609,818
Contributions—employer	-	6,512,040	(6,512,040)
Contributions—employee	-	895,580	(895,580)
Net investment income		7,693,176	(7,693,176)
Benefit payments, including refunds of employee contributions	(4,899,243)	(4,899,243)	-
Administrative expense	-	(50,525)	50,525
Net changes	9,132,588	10,151,028	(1,018,440)
Balances at June 30, 2025	$ 117,892,009	$ 81,539,646	$ 36,352,363

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, 2024	$ 1,185,104	$ 1,591,428	$ (406,324)
Changes for the year:			
Service cost	35,955	-	35,955
Interest on the total OPEB liability	85,993	-	85,993
Difference between expected and actual experience of the total OPEB liability	68,766	-	68,766
Contributions—employer	-	37,897	(37,897)
Net investment income	-	157,308	(157,308)
Benefit payments, including refunds of employee contributions	(53,414)	(53,414)	-
OPEB plan administrative expense	-	(924)	924
Net changes	137,300	140,867	(3,567)
Balances at June 30, 2025	$ 1,322,404	$ 1,732,295	$ (409,891)

PSPRS - Fire - Pension	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability/(asset) (a) – (b)
Balances at June 30, 2024	$ 105,043,890	$ 83,314,270	$ 21,729,620
Changes for the year:			
Service cost	3,354,728	-	3,354,728
Interest on the total pension liability	7,683,372	-	7,683,372
Difference between expected and actual experience of the total pension liability	10,536,788	-	10,536,788
Contributions—employer	-	7,036,384	(7,036,384)
Contributions—employee	-	1,069,773	(1,069,773)
Net investment income	-	9,044,839	(9,044,839)
Benefit payments, including refunds of employee contributions	(3,370,249)	(3,370,249)	-
Administrative expense	-	(38,654)	38,654
Net changes	18,204,639	13,742,093	4,462,546
Balances at June 30, 2025	$ 123,248,529	$ 97,056,363	$ 26,192,166

PSPRS - Fire - Health insurance premium benefit	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability/(asset) (a) – (b)
Balances at June 30, 2024	$ 1,271,910	$ 1,421,777	$ (149,867)
Changes for the year:			
Service cost	44,159	-	44,159
Interest on the total OPEB liability	94,013	-	94,013
Difference between expected and actual experience of the total OPEB liability	45,416	-	45,416
Contributions—employer	-	46,663	(46,663)
Net investment income	-	142,316	(142,316)
Benefit payments, including refunds of employee contributions	(20,675)	(20,675)	-
OPEB plan administrative expense	-	(543)	543
Net changes	162,913	167,761	(4,848)
Balances at June 30, 2025	$ 1,434,823	$ 1,589,538	$ (154,715)

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	$ 54,266,490	$ 36,352,363	$ 21,897,441
Net OPEB liability/(asset)	(252,223)	(409,891)	(542,146)
Fire			
Net pension liability	$ 45,398,095	$ 26,192,166	$ 10,621,622
Net OPEB liability/(asset)	18,155	(154,715)	(300,286)

Plan fiduciary net position — Detailed information about the plan's 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, 2025, the City recognized the following pension and OPEB expense:

PSPRS	Pension expense	OPEB expense
Police	$ 7,639,388	$ (60,049)
Fire	5,829,616	(6,340)

Deferred outflows/inflows of resources — At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 9,212,087	$ 69,520
Changes in assumptions or other inputs	954,172	-
Net difference between projected and actual earnings on pension plan investments	-	1,407,656
City contributions subsequent to the measurement date	8,123,499	-
Total	$ 18,289,758	$ 1,477,176

PSPRS - Police - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 88,285	$ 236,102
Changes in assumptions or other inputs	19,802	-
Net difference between projected and actual earnings on OPEB plan investments	-	16,759
City contributions subsequent to the measurement date	43,060	-
Total	$ 151,147	$ 252,861

PSPRS - Fire - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 16,315,467	$ 1,001,067
Changes in assumptions or other inputs	1,062,555	-
Net difference between projected and actual earnings on pension plan investments	-	1,525,431
City contributions subsequent to the measurement date	7,988,995	-
Total	$ 25,367,017	$ 2,526,498

PSPRS - Fire - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 44,558	$ 190,052
Changes in assumptions or other inputs	12,543	24,572
Net difference between projected and actual earnings on OPEB plan investments	-	14,781
City contributions subsequent to the measurement date	59,705	-
Total	$ 116,806	$ 229,405

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, 2026. 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:

	Police		Fire	
PSPRS	Pension	Health	Pension	Health
Year ending June 30				
2026	$ 2,226,120	$ (85,484)	$ 1,786,740	$ (59,760)
2027	4,390,536	(30,222)	3,892,174	(17,647)
2028	1,843,406	(37,412)	2,099,794	(33,121)
2029	229,021	(3,117)	2,250,342	(32,297)
2030	-	11,461	3,026,980	(23,032)
Thereafter	-	-	1,795,494	(6,447)

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

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

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

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

Contributions — State statutes establish active member and employer contribution requirements. Statute also appropriates $5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain

court fees for the EORP. For the year ended June 30, 2025, statute required active EORP members to contribute 7% or 13% of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 70.44% of all active EORP members' annual covered payroll. Also, statute required the City to contribute 58.32% to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 46.62% 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, 2025, were $120,501 and $166, respectively.

During fiscal year 2025, the City paid for EORP pension contributions as follows: 100% from the General Fund.

Liability — At June 30, 2025, 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:

EORP		
City's proportionate share of the net pension liability	$	1,487,991
State's proportionate share of the net pension liability associated with the City		96,400
Total	$	1,584,391

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, 2024. The City's proportion measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023, were:

EORP	Proportion June 30, 2024	Increase/(decrease) from June 30, 2023
Pension	0.25%	0.11%

Expense — For the year ended June 30, 2025, the City recognized pension expense for EORP of $406,503 and revenue of $41,602 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, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP - Pension	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 15,689
City contributions subsequent to the measurement date	120,501	-
Total	$ 120,501	$ 15,689

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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30	Pension
2026	$ (14,425)
2027	11,874
2028	(7,267)
2029	(5,871)
2030	-

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

EORP	
Actuarial Valuation Date	June 30, 2024
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, 2024, 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%	3.62%
International Public Equity	16%	4.47%
Global Private Equity	27%	7.05%
Core Bonds	6%	2.44%
Private Credit	20%	6.24%
Diversifying Strategies	5%	3.15%
Cash-Mellon	2%	0.89%
Total	100%	

Discount rates — At June 30, 2024, 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	$ 1,730,129	$ 1,487,991	$ 1,280,028

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, 2025, 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, 2025, the City recognized pension expense of $7,133.

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 2025, 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 $1,130,830 for the year ended June 30, 2025. 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 $1,085,837 for the year ended June 30, 2025.

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, 2025, unpaid claims were as follows:

	Risk Management Fund	
	2025	2024
Beginning unpaid claims	$ 129,527	$ 236,677
Claims incurred and changes in estimates	2,046,346	683,846
Payments made	(913,567)	(790,996)
Ending unpaid claims	$ 1,262,306	$ 129,527

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 $2,120,300 of the total claims payable reported. The remaining $1,337,932 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, 2025, unpaid claims were as follows:

	Employee Healthcare Fund	
	2025	2024
Beginning unpaid claims	$ 2,803,937	$ 1,779,297
Claims incurred and changes in estimates	20,044,610	17,824,121
Payments made	(19,390,315)	(16,799,481)
Ending unpaid claims	$ 3,458,232	$ 2,803,937

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 $705,560 of the total claims payable reported. The remaining $8,041 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, 2025, unpaid claims were as follows:

	Workers' Compensation Fund	
	2025	2024
Beginning unpaid claims	$ 869,248	$ 987,163
Claims incurred and changes in estimates	780,186	788,456
Payments made	(935,833)	(906,371)
Ending unpaid claims	$ 713,601	$ 869,248

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, 2025, interfund balances were as follows:

Due to/from other funds:

The following "due to/from other funds" balance has been recorded to address temporary cash flow needs:

Due from	Due to General Fund
NonMajor Governmental Funds	
Neighborhood Revitalization Fund	$ 119,660

The Neighborhood Revitalization Fund had a deficit cash balance due to pending grant reimbursements.

Advances to/from other funds:

Advances to	Advances from Sewer Fund
General Government Development Fee Fund	$ 1,830,253

As of June 30, 2025, 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.

Interfund Transfers:

	Transfers Out	Transfers In
Governmental Funds		
General Fund	$ 57,556,233	$ 2,950,425
General Capital Projects Fund	1,060,300	53,629,100
Transportation Improvement Fund	251,700	-
Debt Service Fund	-	1,583,108
NonMajor Governmental Funds	1,185,991	3,504,427
Total Governmental	60,054,224	61,667,060
Enterprise Funds		
Water Fund	702,570	1,303,582
Sewer Fund	2,155,033	-
Sanitation Fund	45,375	-
Stormwater Fund	13,440	-
Total Enterprise Funds	2,916,418	1,303,582
Total	$ 62,970,642	$ 62,970,642

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.

NOTE 12 – FUND BALANCE CLASSIFICATION

The fund balance classifications of the governmental funds as of June 30, 2025, were as follows:

	General Fund	General Capital Projects Fund	General Govt Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	NonMajor Governmental Funds	Total
Fund balance								
NonSpendable:								
Inventory	$ 1,705,233	$ 227,059	$ -	$ 393,318	$ -	$ -	$ 42,550	$ 2,368,160
Prepaids	990,797	4,943,476	-	-	1,406	-	21,624	5,957,303
Total NonSpendable	2,696,030	5,170,535	-	393,318	1,406	-	64,174	8,325,463
Restricted:								
Court	-	-	-	-	-	-	748,817	748,817
Fire-Medical	-	-	-	-	-	-	5,722,176	5,722,176
HSCV	30,179	-	-	-	-	-	-	30,179
Parks and recreation	63,683	-	-	-	-	-	7,708,752	7,772,435
Police	106,563	-	-	-	-	-	10,008,296	10,114,859
Transportation	-	-	-	8,263,449	-	-	-	8,263,449
Unspent bond proceeds	-	26,459,948	-	-	-	-	-	26,459,948
Total Restricted	200,425	26,459,948	-	8,263,449	-	-	24,188,041	59,111,863
Committed:								
Emergency reserve	5,862,700	-	-	-	-	-	-	5,862,700
Operating reserve	35,176,400	-	-	-	-	-	-	35,176,400
Stabilization reserve	17,588,200	-	-	-	-	-	-	17,588,200
Transportation	-	-	-	-	29,231,728	-	-	29,231,728
Tourism	-	-	-	-	-	-	1,431,677	1,431,677
Total Committed	58,627,300	-	-	-	29,231,728	-	1,431,677	89,290,705
Assigned:								
Construction projects	-	135,784,993	-	-	-	-	-	135,784,993
Facilities	-	2,535,296	-	-	-	-	-	2,535,296
Vehicle replacement	-	5,539,656	-	-	-	-	-	5,539,656
IT asset replacement	-	5,153,876	-	-	-	-	-	5,153,876
S&T asset replacement	-	3,849,997	-	-	-	-	-	3,849,997
Parks asset replacement	-	1,290,188	-	-	-	-	-	1,290,188
PSPRS funding	40,391,495	-	-	-	-		-	40,391,495
Public safety	10,630	-	-	-	-	-	-	10,630
Wildland vehicle replacement	74,630	-	-	-	-	-	-	74,630
Municipal Art	2,327,791		-	-	-	-	-	2,327,791
Other	-	1,177,484	-	-	-	-	-	1,177,484
Total Assigned	42,804,546	155,331,490	-	-	-	-	-	198,136,036
Unassigned:								
Unassigned or negative fund balance	40,501,047	-	(1,830,461)	-	-	(86,436)	(1,568,923)	37,015,227
Total	$144,829,348	$186,961,973	$ (1,830,461)	$ 8,656,767	$ 29,233,134	$ (86,436)	$ 24,114,969	$391,879,294

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2025, the following individual governmental funds reported deficits in fund balances:

Fund	Deficit
Major Fund:	
General Government Development Fee Fund	$ 1,830,461
Debt Service Fund	86,436
NonMajor Governmental Funds:	
Grants Fund	1,379,916
Neighborhood Revitalization Fund	103,580
Street Lighting Districts Fund	58,321
Marley Park CFD Fund	24,888

Deficits arose in the General Government Development Fee Fund, Grants Fund, and Neighborhood Revitalization Fund due to timing differences from pending grant reimbursements and reimbursements from developers. Revenue accruals are not recognized in the current fiscal year due to the unavailability of the funds. These reimbursements will be recognized as revenue when received.

The Debt Service Fund, Street Lighting Districts Fund, and Marley Park CFD Fund had deficit ending fund balances due to the impact of the Maricopa County Qasimyar Settlement. The deficit fund balances are expected to be resolved in the next fiscal year.

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, 2024, which is the latest audited information available, was $1,263,117.

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

NOTE 16 – ACCOUNTING CHANGES

Changes within the financial reporting entity were made to record the activity related to ground ambulance service in the General Fund and to record the Grants Fund as a nonmajor fund. There was also a change in accounting principle made to reflect the impact of GASB 101 on the balance of reported compensated absences. The changes resulted in the following adjustments to the presentation of net position and fund balances at June 30, 2024:

	June 30, 2024, as previously reported	Change within the financial reporting entity	Change in accounting principle	June 30, 2024, as adjusted
Government-Wide Net Position				
Governmental Activities	$ 1,005,007,561	$ -	$ (840,975)	$ 1,004,166,586
Business Type Activities	522,351,138	-	(100,475)	522,250,663
Total Government Wide	$ 1,527,358,699	$ -	$ (941,450)	$ 1,526,417,249
Governmental Funds Fund Balances				
Major Funds:				
General Fund	$ 146,399,437	$ 2,578,122	$ -	$ 148,977,559
General Capital Projects Fund	147,433,325	-	-	147,433,325
General Government Development Fee Fund	(2,659,483)	-	-	(2,659,483)
Highway User Revenue Fund	6,542,190	-	-	6,542,190
Transportation Improvement Fund	33,692,367	-	-	33,692,367
Grants Fund	(1,345,458)	1,345,458	-	-
Debt Service Fund	824,661	-	-	824,661
NonMajor Governmental Funds	35,754,533	(3,923,580)	-	31,830,953
Total Governmental Funds	$ 366,641,572	$ -	$ -	$ 366,641,572
Enterprise Funds Net Position				
Water Fund	$ 211,803,582	$ -	$ (42,174)	$ 211,761,408
Sewer Fund	266,541,821	-	(35,290)	266,506,531
Sanitation Fund	14,945,975	-	(22,785)	14,923,190
Stormwater Fund	23,895,457	-	(226)	23,895,231
Total Enterprise Funds	$ 517,186,835	$ -	$ (100,475)	$ 517,086,360
Internal Service Funds Net Position				
Risk Management Fund	$ 9,569,593	$ -	$ (1,215)	$ 9,568,378
Employee Healthcare Trust Fund	6,512,373	-	(672)	6,511,701
Workers' Compensation Fund	3,619,783	-	(3,115)	3,616,668
Total Internal Service Funds	$ 19,701,749	$ -	$ (5,002)	$ 19,696,747



FINANCIAL SECTION - REQUIRED SUPPLEMENTARY INFORMATION



SURPRISE

ARIZONA

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

Arizona State Retirement System - Pension	Reporting fiscal year (measurement date) 2025 (2024)	2024 (2023)	2023 (2022)
City's proportion of the net pension liability	0.42%	0.40%	0.40%
City's proportionate share of the net pension liability	$ 68,662,459	$ 64,212,828	$ 65,244,813
City's covered payroll	$ 60,062,519	$ 51,589,538	$ 45,673,733
City's proportionate share of the net pension liability as a percentage of its covered payroll	114.32%	124.47%	142.85%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%

Arizona State Retirement System - Health insurance premium benefit	Reporting fiscal year (measurement date) 2025 (2024)	2024 (2023)	2023 (2022)
City's proportion of the net OPEB (asset)	0.44%	0.41%	0.41%
City's proportionate share of the net OPEB (asset)	$ (2,645,553)	$ (2,187,407)	$ (2,278,716)
City's covered payroll	$ 60,062,519	$ 51,589,538	$ 45,673,733
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(4.40%)	(4.24%)	(4.99%)
Plan fiduciary net position as a percentage of the total OPEB liability	137.51%	134.37%	137.79%

Information not available for fiscal year 2016 through 2017.

Arizona State Retirement System - Long-term disability	Reporting fiscal year (measurement date) 2025 (2024)	2024 (2023)	2023 (2022)
City's proportion of the net OPEB liability	0.43%	0.40%	0.40%
City's proportionate share of the net OPEB liability	$ 11,305	$ 52,442	$ 37,211
City's covered payroll	$ 60,062,519	$ 51,589,538	$ 45,673,733
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.02%	0.10%	0.08%
Plan fiduciary net position as a percentage of the total OPEB liability	98.77%	93.70%	95.40%

Information not available for fiscal year 2016 through 2017.

Elected Officials Retirement Plan - Pension	Reporting fiscal year (measurement date) 2025 (2024)	2024 (2023)	2023 (2022)
City's proportion of the net pension liability	0.25%	0.14%	0.26%
City's proportionate share of the net pension liability	$ 1,487,991	$ 883,591	$ 1,749,832
State's proportionate share of the net pension liability associated with the City	$ 96,399	$ 987,898	$ 170,379
Total	$ 1,584,390	$ 1,871,489	$ 1,920,211
City's covered payroll	$ 282,975	$ 250,647	$ 233,509
City's proportionate share of the net pension liability as a percentage of its covered payroll	525.84%	352.52%	749.36%
Plan fiduciary net position as a percentage of the total pension liability	42.22%	38.63%	32.01%

2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
0.38%	0.38%	0.38%	0.37%	0.36%	0.35%	0.32%
$ 49,671,464	$ 65,171,972	$ 55,824,084	$ 51,433,226	$ 56,257,015	$ 56,796,968	$ 50,841,272
$ 42,528,059	$ 42,439,245	$ 38,971,217	$ 37,581,388	$ 35,238,842	$ 32,932,534	$ 30,121,665
116.80%	153.57%	143.24%	136.86%	159.64%	172.46%	168.79%
78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
0.38%	0.38%	0.39%	0.38%	0.37%
$ (1,880,770)	$ (270,717)	$ (108,422)	$ (135,084)	$ (199,174)
$ 42,528,059	$ 42,439,245	$ 38,971,217	$ 37,581,388	$ 35,238,842
(4.42%)	(0.64%)	(0.28%)	(0.36%)	(0.57%)
130.24%	104.33%	101.62%	102.20%	103.57%

2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
0.38%	0.38%	0.39%	0.37%	0.36%
$ 78,871	$ 287,923	$ 253,425	$ 193,112	$ 131,344
$ 42,528,059	$ 42,439,245	$ 38,971,217	$ 37,581,388	$ 35,238,842
0.19%	0.68%	0.65%	0.51%	0.37%
90.38%	68.01%	72.85%	77.83%	84.44%

2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
0.26%	0.26%	0.23%	0.29%	0.17%	0.19%	0.16%
$ 1,596,460	$ 1,745,940	$ 1,511,837	$ 1,849,518	$ 2,034,660	$ 1,829,709	$ 1,276,030
$ 160,464	$ 165,938	$ 142,097	$ (90,103)	$ 213,700	$ 100,812	$ 107,037
$ 1,756,924	$ 1,911,878	$ 1,653,934	$ 1,759,415	$ 2,248,360	$ 1,930,521	$ 1,383,067
$ 205,522	$ 206,644	$ 176,123	$ 150,767	$ 154,566	$ 155,470	$ 155,918
776.78%	844.90%	858.40%	1226.74%	1316.37%	1176.89%	818.40%
36.27%	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%

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)		
PSPRS - Police - Pension	2025	2024	2023
	(2024)	(2023)	(2022)
Total pension liability			
Service cost	$ 2,581,817	$ 2,334,509	$ 2,296,280
Interest on the total pension liability	7,840,196	6,977,214	6,546,272
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	3,609,818	6,778,671	1,311,952
Changes of assumptions or other inputs	-	-	856,726
Benefit payments	(4,899,243)	(3,804,415)	(3,832,929)
Net change in total pension liability	9,132,588	12,285,979	7,178,301
Total pension liability-beginning	108,759,421	96,473,442	89,295,141
Total pension liability-ending (a)	$ 117,892,009	$ 108,759,421	$ 96,473,442
Plan fiduciary net position			
Contributions-employer	$ 6,512,040	$ 5,524,671	$ 4,734,626
Contributions-employee	895,580	1,130,368	1,225,997
Net investment income	7,693,176	5,183,262	(2,669,674)
Benefit payments, including refunds of employee contributions	(4,899,243)	(3,804,415)	(3,832,929)
Pension plan administrative expense	(50,525)	(39,197)	(48,124)
Tiers 1 & 2 adjustment	-	(54,195)	-
Other changes	-	2,698	23,088
Net change in plan fiduciary net position	10,151,028	7,943,192	(567,016)
Plan fiduciary net position-beginning	71,388,618	63,445,426	64,012,442
Adjustment to beginning of year	-	-	-
Plan fiduciary net position-ending (b)	$ 81,539,646	$ 71,388,618	$ 63,445,426
City's net pension (asset) liability-ending (a) - (b)	$ 36,352,363	$ 37,370,803	$ 33,028,016
Plan fiduciary net position as a percentage of the total pension liability	69.16%	65.64%	65.76%
Covered payroll	$ 18,961,470	$ 16,214,339	$ 13,046,658
City's net pension (asset)/liability as a percentage of covered payroll	191.72%	230.48%	253.15%

See accompanying notes to this schedule

2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
$ 2,331,614	$ 2,500,116	$ 2,625,724	$ 2,432,053	$ 2,580,430	$ 2,064,206	$ 1,663,042
6,036,548	5,548,786	4,977,350	4,564,294	4,152,228	3,530,011	2,833,422
-	-	-	-	431,035	4,507,117	-
2,228,010	1,718,866	1,469,073	(615,366)	884,245	144,478	5,574,308
-	-	2,103,228	-	950,588	2,249,172	-
(3,323,784)	(2,511,403)	(2,089,561)	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)
7,272,388	7,256,365	9,085,814	4,052,856	6,111,187	10,665,632	9,104,921
82,022,723	74,766,358	65,680,544	61,627,688	55,516,501	44,850,869	35,745,948
$ 89,295,111	$ 82,022,723	$ 74,766,358	$ 65,680,544	$ 61,627,688	$ 55,516,501	$ 44,850,869
$ 4,486,148	$ 3,698,985	$ 4,065,062	$ 3,608,348	$ 2,601,364	$ 2,303,420	$ 1,729,946
1,228,642	972,696	1,015,880	1,121,032	1,376,163	1,496,064	1,196,870
14,037,729	607,678	2,315,207	2,508,024	3,589,391	168,147	951,951
(3,323,784)	(2,511,403)	(2,089,561)	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)
(65,272)	(49,546)	(41,215)	(38,871)	(32,160)	(24,595)	(23,613)
-	-	-	-	-	-	-
-	-	-	20,867	36,754	138,888	210,447
16,363,463	2,718,410	5,265,373	4,891,275	4,684,173	2,252,572	3,099,750
47,648,979	44,930,566	39,693,746	34,802,471	30,118,298	27,865,726	24,765,976
-	3	(28,553)	-	-	-	-
$ 64,012,442	$ 47,648,979	$ 44,930,566	$ 39,693,746	$ 34,802,471	$ 30,118,298	$ 27,865,726
$ 25,282,699	$ 34,373,744	$ 29,835,792	$ 25,986,798	$ 26,825,217	$ 25,398,203	$ 16,985,143
71.69%	58.09%	60.09%	60.43%	56.47%	54.25%	62.13%
$ 13,066,287	$ 12,989,361	$ 13,066,419	$ 12,326,006	$ 11,769,882	$ 11,159,388	$ 10,682,880
193.50%	264.63%	228.34%	210.83%	227.91%	227.59%	158.99%

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)		
PSPRS - Police - OPEB	2025 (2024)	2024 (2023)	2023 (2022)
Total OPEB liability			
Service cost	$ 35,955	$ 38,587	$ 40,190
Interest on the total OPEB liability	85,993	88,223	78,438
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total OPEB liability	68,766	(102,573)	54,218
Changes of assumptions or other inputs	-	-	24,055
Benefit payments	(53,414)	(51,717)	(37,228)
Net change in total OPEB liability	137,300	(27,480)	159,673
Total OPEB liability-beginning	1,185,104	1,212,584	1,052,911
Total OPEB liability-ending (a)	$ 1,322,404	$ 1,185,104	$ 1,212,584
Plan fiduciary net position			
Contributions-employer	$ 37,897	$ 10,229	$ 22,060
Net investment income	157,308	113,415	(62,282)
Benefit payments, including refunds of employee contributions	(53,414)	(51,717)	(37,228)
OPEB plan administrative expense	(924)	(911)	(1,109)
Other changes	-	-	-
Net change in plan fiduciary net position	140,867	71,016	(78,559)
Plan fiduciary net position-beginning	1,591,428	1,520,412	1,598,971
Adjustment to beginning of the year	-	-	-
Plan fiduciary net position-ending (b)	$ 1,732,295	$ 1,591,428	$ 1,520,412
City's net OPEB (asset) liability-ending (a) - (b)	$ (409,891)	$ (406,324)	$ (307,828)
Plan fiduciary net position as a percentage of the total OPEB liability	131.00%	134.29%	125.39%
Covered payroll	$ 18,961,470	$ 16,214,339	$ 13,046,658
City's net OPEB (asset) liability as a percentage of covered payroll	(2.16%)	(2.51%)	(2.36%)

Information not available for fiscal years 2016 through 2017.

See accompanying notes to this schedule

2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
$ 43,797	$ 47,355	$ 33,493	$ 34,574	$ 37,056
82,702	83,812	88,366	87,925	94,154
-	-	-	-	6,912
(146,929)	(97,685)	(194,295)	(105,683)	(68,029)
-	-	24,230	-	(107,363)
(31,522)	(27,706)	(26,693)	(27,446)	(29,932)
(51,952)	5,776	(74,899)	(10,630)	(67,202)
1,104,863	1,099,087	1,173,986	1,184,616	1,251,818
$ 1,052,911	$ 1,104,863	$ 1,099,087	$ 1,173,986	$ 1,184,616
$ 33,459	$ 34,570	$ 42,535	$ 26,730	$ 55,927
342,648	15,453	61,524	73,735	110,362
(31,522)	(27,706)	(26,693)	(27,446)	(29,932)
(1,409)	(1,257)	(1,062)	(1,122)	(976)
-	-	-	1	-
343,176	21,060	76,304	71,898	135,381
1,255,795	1,234,735	1,129,879	1,057,981	922,600
-	-	28,552	-	-
$ 1,598,971	$ 1,255,795	$ 1,234,735	$ 1,129,879	$ 1,057,981
$ (546,060)	$ (150,932)	$ (135,648)	$ 44,107	$ 126,635
151.86%	113.66%	112.34%	96.24%	89.31%
$ 13,066,287	$ 12,989,361	$ 13,066,419	$ 12,326,006	$ 11,769,882
(4.18%)	(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)		
PSPRS - Fire - Pension	2025	2024	2023
	(2024)	(2023)	(2022)
Total pension liability			
Service cost	$ 3,354,728	$ 3,219,873	$ 2,827,598
Interest on the total pension liability	7,683,372	6,946,492	6,083,653
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	10,536,788	2,321,913	4,696,366
Changes of assumptions or other inputs	-	-	382,523
Benefit payments	(3,370,249)	(1,407,149)	(1,074,975)
Net change in total pension liability	18,204,639	11,081,129	12,915,165
Total pension liability-beginning	105,043,890	93,962,761	81,047,596
Total pension liability-ending (a)	$ 123,248,529	$ 105,043,890	$ 93,962,761
Plan fiduciary net position			
Contributions-employer	$ 7,036,384	$ 4,806,903	$ 4,049,340
Contributions-employee	1,069,773	1,093,961	1,070,430
Net investment income	9,044,839	5,931,533	(3,008,243)
Benefit payments, including refunds of employee contributions	(3,370,249)	(1,407,149)	(1,074,975)
Pension plan administrative expense	(38,654)	(29,506)	(54,211)
Tiers 1 & 2 adjustment	-	(51,020)	-
Other changes	-	(3,926)	-
Net change in plan fiduciary net position	13,742,093	10,340,796	982,341
Plan fiduciary net position-beginning	83,314,270	72,973,474	71,991,133
Adjustment to beginning of year	-	-	-
Plan fiduciary net position-ending (b)	$ 97,056,363	$ 83,314,270	$ 72,973,474
City's net pension (asset)/liability-ending (a) - (b)	$ 26,192,166	$ 21,729,620	$ 20,989,287
Plan fiduciary net position as a percentage of the total pension liability	78.75%	79.31%	77.66%
Covered payroll	$ 20,680,727	$ 16,649,124	$ 17,278,086
City's net pension (asset)/liability as a percentage of covered payroll	126.65%	130.52%	121.48%

See accompanying notes to this schedule

2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
$ 2,605,918	$ 2,585,747	$ 2,703,787	$ 2,629,254	$ 2,540,844	$ 1,944,045	$ 1,709,096
5,389,067	4,775,536	4,299,178	3,959,756	3,537,634	2,858,919	2,480,922
-	-	-	-	324,839	4,813,386	-
2,288,365	2,107,451	223,172	(2,685,396)	721,498	(428,646)	991,201
-	-	1,224,623	-	36,178	2,042,866	-
(905,343)	(1,263,395)	(759,444)	(652,543)	(1,074,336)	(485,385)	(481,494)
9,378,007	8,205,339	7,691,316	3,251,071	6,086,657	10,745,185	4,699,725
71,669,589	63,464,250	55,772,934	52,521,863	46,435,206	35,690,021	30,990,296
$ 81,047,596	$ 71,669,589	$ 63,464,250	$ 55,772,934	$ 52,521,863	$ 46,435,206	$ 35,690,021
$ 4,411,913	$ 2,592,924	$ 3,232,317	$ 3,149,148	$ 1,828,952	$ 1,773,960	$ 1,394,750
1,194,804	1,086,498	955,090	1,036,287	1,340,153	1,188,041	1,085,819
15,348,395	662,772	2,477,023	2,659,343	3,742,608	170,022	956,696
(905,343)	(1,263,395)	(759,444)	(652,543)	(1,074,336)	(485,385)	(481,494)
(71,250)	(54,041)	(44,033)	(41,175)	(33,516)	(24,864)	(23,732)
-	-	-	-	-	-	-
62,571	-	-	147,401	141,131	30,036	23,521
20,041,090	3,024,758	5,860,953	6,298,461	5,944,992	2,651,810	2,955,560
51,950,043	48,925,283	43,082,800	36,784,339	30,839,347	28,187,537	25,231,977
-	2	(18,470)	-	-	-	-
$ 71,991,133	$ 51,950,043	$ 48,925,283	$ 43,082,800	$ 36,784,339	$ 30,839,347	$ 28,187,537
$ 9,056,463	$ 19,719,546	$ 14,538,967	$ 12,690,134	$ 15,737,524	$ 15,595,859	$ 7,502,484
88.83%	72.49%	77.09%	77.25%	70.04%	66.41%	78.98%
$ 13,277,038	$ 11,738,436	$ 11,767,811	$ 11,534,304	$ 11,296,060	$ 10,648,460	$ 9,802,389
68.21%	167.99%	123.55%	110.02%	139.32%	146.46%	76.54%

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)		
PSPRS - Fire - OPEB	2025	2024	2023
	(2024)	(2023)	(2022)
Total OPEB liability			
Service cost	$ 44,159	$ 44,720	$ 42,976
Interest on the total OPEB liability	94,013	90,368	82,978
Changes of benefit terms	-	-	10,060
Differences between expected and actual experience of the total OPEB liability	45,416	(66,110)	(467)
Changes of assumptions or other inputs	-	-	-
Benefit payments, including refunds of employee contributions	(20,675)	(14,928)	(22,804)
Net change in total OPEB liability	162,913	54,050	112,743
Total OPEB liability-beginning	1,271,910	1,217,860	1,105,117
Total OPEB liability-ending (a)	$ 1,434,823	$ 1,271,910	$ 1,217,860
Plan fiduciary net position			
Contributions-employer	$ 46,663	$ 34,231	$ 41,621
Contributions-employee	-	-	-
Net investment income	142,316	98,704	(52,577)
Benefit payments	(20,675)	(14,928)	(22,804)
OPEB plan administrative expense	(543)	(517)	(936)
Other changes	-	-	-
Net change in plan fiduciary net position	167,761	117,490	(34,696)
Plan fiduciary net position-beginning	1,421,777	1,304,287	1,338,983
Adjust to beginning of year	-	-	-
Plan fiduciary net position-ending (b)	$ 1,589,538	$ 1,421,777	$ 1,304,287
City's net OPEB (asset)/liability-ending (a) - (b)	$ (154,715)	$ (149,867)	$ (86,427)
Plan fiduciary net position as a percentage of the total OPEB liability	110.78%	111.78%	107.10%
Covered payroll	$ 20,680,727	$ 16,649,124	$ 17,278,086
City's net OPEB (asset)/liability as a percentage of covered payroll	(0.75%)	(0.90%)	(0.50%)

Information not available for fiscal years 2016 through 2017.

See accompanying notes to this schedule

2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
$ 42,778	$ 42,441	$ 28,223	$ 28,223	$ 28,898
79,625	72,508	78,968	72,743	78,136
-	-	-	-	8
(57,371)	11,259	(206,517)	(17,297)	(28,004)
-	-	12,836	-	(124,948)
(15,780)	(15,486)	(14,571)	(12,727)	(12,382)
49,252	110,722	(101,061)	70,942	(58,292)
1,055,865	945,143	1,046,204	975,262	1,033,554
$ 1,105,117	$ 1,055,865	$ 945,143	$ 1,046,204	$ 975,262
$ 37,731	$ 35,723	$ 34,300	$ 29,385	$ 40,649
-	-	-	-	-
283,657	12,652	50,072	58,948	86,787
(15,780)	(15,486)	(14,571)	(12,727)	(12,382)
(1,166)	(1,029)	(864)	(897)	(769)
-	-	-	1	-
304,442	31,860	68,937	74,710	114,285
1,034,541	1,002,681	915,274	840,564	726,279
-	-	18,470	-	-
$ 1,338,983	$ 1,034,541	$ 1,002,681	$ 915,274	$ 840,564
$ (233,866)	$ 21,324	$ (57,538)	$ 130,930	$ 134,698
121.16%	97.98%	106.09%	87.49%	86.19%
$ 13,277,038	$ 11,738,436	$ 11,767,811	$ 11,534,304	$ 11,296,060
(1.76%)	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		
	2025	2024	2023
Statutorily required contribution	$ 7,816,889	$ 7,216,809	$ 6,091,867
City's contributions in relation to the statutorily required contribution	7,816,889	7,216,809	6,091,867
City's contribution deficiency/(excess)	$ -	$ -	$ -
City's covered payroll	$ 64,941,768	$ 60,062,519	$ 51,589,538
City's contributions as a percentage of covered payroll	12.04%	12.02%	11.81%

Arizona State Retirement System - Health insurance premium benefit

	Reporting fiscal year		
	2025	2024	2023
Statutorily required contribution	$ 45,142	$ 66,231	$ 110,400
City's contributions in relation to the statutorily required contribution	45,142	66,231	110,400
City's contribution deficiency/(excess)	$ -	$ -	$ -
City's covered payroll	$ 64,941,768	$ 60,062,519	$ 51,589,538
City's contributions as a percentage of covered payroll	0.07%	0.11%	0.21%

Information not avaiable for fiscal year 2016.

Arizona State Retirement System - Long-term disability

	Reporting fiscal year		
	2025	2024	2023
Statutorily required contribution	$ 96,736	$ 89,497	$ 72,905
City's contributions in relation to the statutorily required contribution	96,736	89,497	72,905
City's contribution deficiency/(excess)	$ -	$ -	$ -
City's covered payroll	$ 64,941,768	$ 60,062,519	$ 51,589,538
City's contributions as a percentage of covered payroll	0.15%	0.15%	0.14%

Information not avaiable for fiscal year 2016.

See accompanying notes to this schedule

2022	2021	2020	2019	2018	2017	2016
$ 5,478,357	$ 4,940,338	$ 4,678,053	$ 4,349,366	$ 4,084,163	$ 3,773,263	$ 3,569,994
5,478,357	4,940,338	4,678,053	4,349,366	4,084,163	3,773,263	3,569,994
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 45,673,733	$ 42,528,059	$ 42,439,245	$ 38,971,217	$ 37,581,388	$ 35,238,842	$ 32,932,534
11.99%	11.62%	11.02%	11.16%	10.87%	10.71%	10.84%

2022	2021	2020	2019	2018	2017
$ 97,559	$ 172,796	$ 191,599	$ 178,575	$ 164,581	$ 196,952
97,559	172,796	191,599	178,575	164,581	196,952
$ -	$ -	$ -	$ -	$ -	$ -
$ 45,673,733	$ 42,528,059	$ 42,439,245	$ 38,971,217	$ 37,581,388	$ 35,238,842
0.21%	0.41%	0.45%	0.46%	0.44%	0.56%

2022	2021	2020	2019	2018	2017
$ 86,437	$ 76,187	$ 69,064	$ 62,149	$ 61,374	$ 49,278
86,437	76,187	69,064	62,149	61,374	49,278
$ -	$ -	$ -	$ -	$ -	$ -
$ 45,673,733	$ 42,528,059	$ 42,439,245	$ 38,971,217	$ 37,581,388	$ 35,238,842
0.19%	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		
	2025	2024	2023
Statutorily required contribution	$ 120,501	$ 168,324	$ 145,311
City's contributions in relation to the statutorily required contribution	120,501	168,324	145,311
City's contribution deficiency/(excess)	$ -	$ -	$ -
City's covered payroll	$ 294,811	$ 282,975	$ 250,647
City's contributions as a percentage of covered payroll	40.87%	59.48%	57.97%

The City was not required to and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2025 through 2017.

PSPRS - Police - Pension

	Reporting fiscal year		
	2025	2024	2023
Actuarially determined contribution	$ 8,123,499	$ 6,230,911	$ 5,515,963
City's contributions in relation to the actuarially determined contribution	8,123,499	7,035,412	5,911,475
City's contribution deficiency/(excess)	$ -	$ (804,501)	$ (395,512)
City's covered payroll	$ 21,313,663	$ 18,961,470	$ 16,214,339
City's contributions as a percentage of covered payroll	38.11%	37.10%	36.46%

PSPRS - Police - OPEB

	Reporting fiscal year		
	2025	2024	2023
Actuarially determined contribution	$ 43,060	$ 47,897	$ 41,698
City's contributions in relation to the actuarially determined contribution	43,060	47,897	41,698
City's contribution deficiency/(excess)	$ -	$ -	$ -
City's covered payroll	$ 21,313,663	$ 18,961,470	$ 16,214,339
City's contributions as a percentage of covered payroll	0.20%	0.25%	0.26%

Information not avaiable for fiscal year 2016.

See accompanying notes to this schedule

2022	2021	2020	2019	2018	2017	2016
$ 120,671	$ 115,754	$ 117,327	$ 101,371	$ 66,206	$ 34,133	$ 36,535
120,671	115,754	117,327	101,371	66,206	34,133	36,535
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 233,509	$ 205,522	$ 206,644	$ 176,123	$ 150,767	$ 154,566	$ 155,470
51.68%	56.32%	56.78%	57.56%	43.91%	22.08%	23.50%

2022	2021	2020	2019	2018	2017	2016
$ 4,043,750	$ 4,094,704	$ 3,850,896	$ 3,977,387	$ 5,056,552	$ 2,598,440	$ 2,301,028
4,670,817	4,094,704	3,850,896	3,977,387	5,056,552	2,598,440	2,301,028
$ (627,067)	$ -	$ -	$ -	$ -	$ -	$ -
$ 13,046,658	$ 13,066,287	$ 12,989,361	$ 13,066,419	$ 12,326,006	$ 11,769,882	$ 11,159,388
35.80%	31.34%	29.65%	30.44%	41.02%	22.08%	20.62%

2022	2021	2020	2019	2018	2017
$ 25,907	$ 40,791	$ 37,796	$ 44,365	$ 79,382	$ 58,849
41,394	40,791	37,796	44,365	79,382	58,849
$ -	$ -	$ -	$ -	$ -	$ -
$ 13,046,658	$ 13,066,287	$ 12,989,361	$ 13,066,419	$ 12,326,006	$ 11,769,882
0.32%	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		
	2025	2024	2023
Actuarially determined contribution	$ 7,988,995	$ 4,298,173	$ 4,565,888
City's contributions in relation to the actuarially determined contribution	7,988,995	6,514,995	5,543,071
City's contribution deficiency/(excess)	$ -	$ (2,216,822)	$ (977,183)
City's covered payroll	$ 18,669,354	$ 18,669,354	$ 16,649,124
City's contributions as a percentage of covered payroll	42.79%	34.90%	33.29%

PSPRS - Fire - OPEB	Reporting fiscal year		
	2025	2024	2023
Actuarially determined contribution	$ 59,705	$ 52,405	$ 47,581
City's contributions in relation to the actuarially determined contribution	59,705	52,405	47,581
City's contribution deficiency/(excess)	$ -	$ -	$ -
City's covered payroll	$ 18,669,354	$ 18,669,354	$ 16,649,124
City's contributions as a percentage of covered payroll	0.32%	0.28%	0.29%

Information not avaiable for fiscal year 2016.

See accompanying notes to this schedule

2022	2021	2020	2019	2018	2017	2016
$ 3,181,809	$ 3,569,521	$ 3,060,602	$ 2,977,137	$ 4,499,428	$ 1,832,987	$ 1,716,087
4,637,873	3,569,521	3,060,602	2,977,137	4,499,428	1,832,987	1,716,087
$ (1,456,064)	$ -	$ -	$ -	$ -	$ -	$ -
$ 17,278,086	$ 13,277,038	$ 11,738,436	$ 11,767,811	$ 11,534,304	$ 11,296,060	$ 10,648,460
26.84%	26.88%	26.07%	25.30%	39.01%	16.23%	16.12%

2022	2021	2020	2019	2018	2017
$ 37,981	$ 40,124	$ 36,517	$ 35,366	$ 77,072	$ 40,740
46,383	40,124	36,517	35,366	77,072	40,740
$ (8,402)	$ -	$ -	$ -	$ -	$ -
$ 17,278,086	$ 13,277,038	$ 11,738,436	$ 11,767,811	$ 11,534,304	$ 11,296,060
0.27%	0.30%	0.31%	0.30%	0.67%	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 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, 2023, 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, 2020, actuarial valuation.

Public Safety Personnel Retirement System (PSPRS)

The actuarial assumptions used in the June 30, 2024, 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 2.75-15.0 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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 111,164,400	$ 111,164,400	$ 119,920,752	$ 8,756,352
Licenses and permits	7,307,200	7,307,200	7,632,584	325,384
Intergovernmental revenue	66,277,800	66,399,500	68,008,013	1,608,513
Charges for services	38,744,300	38,744,300	35,892,931	(2,851,369)
Grants revenue	-	114,500	134,434	19,934
Fines	751,100	751,100	1,276,614	525,514
Rents	687,900	687,900	665,312	(22,588)
Interest revenue	2,949,700	2,949,700	6,499,608	3,549,908
Donations	50,000	50,000	138,874	88,874
Indirect charges	8,010,000	8,010,000	8,010,013	13
Other revenue	531,600	531,600	3,841,101	3,309,501
Total revenues	236,474,000	236,710,200	252,020,236	15,310,036
EXPENDITURES				
Current:				
General government:				
City council	963,800	963,800	609,349	354,451
City manager	2,504,300	2,504,300	2,253,364	250,936
City attorney	3,457,400	3,457,400	3,263,555	193,845
City clerk	1,492,000	1,492,000	1,091,847	400,153
Finance	7,469,700	7,454,600	6,471,423	983,177
Human resources	3,343,100	3,343,100	2,960,789	382,311
Information technology	9,653,900	9,653,900	7,725,157	1,928,743
Marketing and communications	1,707,500	1,707,500	1,639,063	68,437
City auditor	538,700	538,700	526,756	11,944
General operations	11,106,600	11,119,400	3,616,514	7,502,886
Total general government	42,237,000	42,234,700	30,157,817	12,076,883
Public safety:				
Police	49,265,000	49,815,600	49,716,335	99,265
Fire-Medical	49,771,200	49,813,900	49,248,765	565,135
Court	3,482,500	3,482,500	2,898,084	584,416
Total public safety	102,518,700	103,112,000	101,863,184	1,248,816
Public works and transportation:				
Public works	11,880,600	11,880,600	10,983,780	896,820
Transportation	7,083,400	7,173,300	7,119,967	53,333
Total public works and transportation	18,964,000	19,053,900	18,103,747	950,153
Community development:				
Economic development	23,239,300	23,335,300	18,122,231	5,213,069
Community development	8,937,700	8,910,400	7,320,924	1,589,476
Total community development	32,177,000	32,245,700	25,443,155	6,802,545
Culture and recreation:				
Human service and community vitality	3,149,200	3,131,700	2,775,292	356,408
Arts, culture, and library	4,090,700	4,236,400	3,928,152	308,248
Parks and recreation	16,819,000	16,789,900	14,975,840	1,814,060
Total culture and recreation	24,058,900	24,158,000	21,679,284	2,478,716
Total current	$ 219,955,600	$ 220,804,300	$ 197,247,187	$ 23,557,113

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Debt service:				
Principal retirement	$ 1,339,850	$ 1,339,850	$ 1,339,768	$ 82
Interest	51,450	51,450	51,426	24
Total debt service	1,391,300	1,391,300	1,391,194	106
Capital outlay	5,117,600	4,474,100	4,391,971	82,129
Total expenditures	226,464,500	226,669,700	203,030,352	23,639,348
Excess/(deficiency) of revenues over expenditures	10,009,500	10,040,500	48,989,884	38,949,384
OTHER FINANCING SOURCES/(USES)				
Proceeds from sale of capital assets	157,900	157,900	554,106	396,206
Transfers in	2,779,500	2,779,500	2,950,425	170,925
Transfers out	(27,332,500)	(27,332,500)	(57,556,233)	(30,223,733)
Lease/SBITA arrangements	-	-	1,064,313	1,064,313
Total other financing sources/(uses)	(24,395,100)	(24,395,100)	(52,987,389)	(28,592,289)
Net change in fund balances	$ (14,385,600)	$ (14,354,600)	$ (3,997,505)	$ 10,357,095

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	$ 645,500	$ 645,500	$ 800,281	$ 154,781
Interest revenue	-	-	28,741	28,741
Total revenues	645,500	645,500	829,022	183,522
EXPENDITURES				
Current:				
General government	-	-	-	-
Total current	-	-	-	-
Total expenditures	-	-	-	-
Excess/(deficiency) of revenues over expenditures	645,500	645,500	829,022	183,522
Net change in fund balances	$ 645,500	$ 645,500	$ 829,022	$ 183,522

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenue	$ 11,819,000	$ 11,819,000	$ 11,350,643	$ (468,357)
Charges for services	8,300	8,300	19,500	11,200
Interest revenue	-	-	450,148	450,148
Other revenue	1,500	1,500	-	(1,500)
Total revenues	11,828,800	11,828,800	11,820,291	(8,509)
EXPENDITURES				
Current:				
General government	27,000	27,000	27,000	-
Public works and transportation	14,949,800	14,949,800	9,617,913	5,331,887
Total current	14,976,800	14,976,800	9,644,913	5,331,887
Total expenditures	14,976,800	14,976,800	9,644,913	5,331,887
Excess/(deficiency) of revenues over expenditures	(3,148,000)	(3,148,000)	2,175,378	5,323,378
Net change in fund balances	$ (3,148,000)	$ (3,148,000)	$ 2,175,378	$ 5,323,378

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 16,019,600	$ 16,019,600	$ 19,228,592	$ 3,208,992
Interest revenue	568,700	568,700	1,675,573	1,106,873
Other revenue	44,200	44,200	803,618	759,418
Total revenues	16,632,500	16,632,500	21,707,783	5,075,283
EXPENDITURES				
Current:				
Public works and transportation	4,408,800	4,408,800	3,661,598	747,202
Total current	4,408,800	4,408,800	3,661,598	747,202
Debt service:				
Principal retirement	2,880	2,880	2,876	4
Interest	20	20	21	(1)
Total debt service	2,900	2,900	2,897	3
Capital outlay	47,339,400	47,689,400	22,250,821	25,438,579
Total expenditures	51,751,100	52,101,100	25,915,316	26,185,784
Excess/(deficiency) of revenues over expenditures	(35,118,600)	(35,468,600)	(4,207,533)	31,261,067
OTHER FINANCING SOURCES/(USES)				
Transfers out	(251,700)	(251,700)	(251,700)	-
Total other financing sources/(uses)	(251,700)	(251,700)	(251,700)	-
Net change in fund balances	$ (35,370,300)	$ (35,720,300)	$ (4,459,233)	$ 31,261,067

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds with the following exceptions: (1) Capital Projects, the Grants, and Neighborhood Revitalization Funds adopt project-length budgets which normally extend beyond the fiscal year, (2) Compensated absences are expended when paid, (3) Capital outlays within the enterprise funds are expended on a budget basis, (4) Bad debt expense represents revenue the City won't receive, rather than an actual cash outlay, and (5) Prepaid items, leases, and inventory are expended when paid not when the goods or services are received or used.

Prior to the third Monday in July, the City Manager submits to the City Council, and Council adopts a tentative budget for the fiscal year commencing on July 1. The tentative budget includes a schedule of the estimated expenditures and revenues. The proposed budget sets the maximum limit. The tentative budget is then published once a week for two consecutive weeks in a local newspaper. Finally, the City holds a public hearing on the budget and convenes a special meeting to adopt the final proposed budget on or before the 14th day before the tax levy is adopted.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. It has been programmed to allow as much flexibility as possible while still establishing useful guidelines. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The City budget is adopted by department within each fund and by project in the capital funds. In addition, the full-time equivalent (FTE) position count is adopted by department within each fund. Changes to the adopted budget must be made in accordance with the City's Budget Amendment Policy. This policy specifies the approval levels required for various types of budget amendments. During the fiscal year, amendment requests are submitted to the Finance Department for preparation and processing. Changes can be made pursuant to the policy only if funds are unencumbered and available.



SURPRISE

ARIZONA



FINANCIAL SECTION - OTHER SUPPLEMENTARY INFORMATION



SURPRISE

ARIZONA

CITY OF SURPRISE, ARIZONA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Capital Projects Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 25,338,200	$ 25,338,200	$ 28,201,935	$ 2,863,735
Interest revenue	2,247,400	2,247,400	8,327,682	6,080,282
Other revenue	223,000	223,000	10,150	(212,850)
Total revenues	27,808,600	27,808,600	36,539,767	8,731,167
EXPENDITURES				
Current:				
General government:				
Information technology	9,170,680	9,123,780	595,337	8,528,443
Marketing and communications	330,800	299,100	31,573	267,527
General operations	1,143,200	1,139,500	27,576	1,111,924
Total general government	10,644,680	10,562,380	654,486	9,907,894
Public safety:				
Police	1,130,500	704,000	39,507	664,493
Fire-Medical	350,000	350,000	85,062	264,938
Total public safety	1,480,500	1,054,000	124,569	929,431
Public works and transportation:				
Public works	-	-	2,265	(2,265)
Transportation	1,211,500	1,000,000	125,331	874,669
Total public works and transportation	1,211,500	1,000,000	127,596	872,404
Community development:				
Economic development	224,300	215,000	210,695	4,305
Total community development	224,300	215,000	210,695	4,305
Culture and recreation:				
Human service and community vitality	43,300	39,300	23,097	16,203
Parks and recreation	3,746,300	2,832,300	1,900,156	932,144
Sports and tourism	4,997,700	4,282,700	2,574,773	1,707,927
Total culture and recreation	8,787,300	7,154,300	4,498,026	2,656,274
Total current	22,348,280	19,985,680	5,615,372	14,370,308
Debt service:				
Principal retirement	655,570	655,570	655,574	(4)
Interest	14,250	14,250	14,249	1
Bond issuance costs	-	257,700	257,632	68
Total debt service	669,820	927,520	927,455	65
Capital outlay	224,796,600	227,097,600	73,842,917	153,254,683
Total expenditures	247,814,700	248,010,800	80,385,744	167,625,056
Excess/(deficiency) of revenues over expenditures	(220,006,100)	(220,202,200)	(43,845,977)	176,356,223
OTHER FINANCING SOURCES/(USES)				
Transfers in	22,591,100	22,591,100	53,629,100	31,038,000
Transfers out	(1,060,300)	(1,060,300)	(1,060,300)	-
Issuance of debt	51,566,400	51,566,400	27,065,000	(24,501,400)
Premium on debt issuance	-	-	3,113,023	3,113,023
Lease/SBITA arrangements	-	-	663,996	663,996
Total other financing sources/(uses)	73,097,200	73,097,200	83,410,819	10,313,619
Net change in fund balances	$ (146,908,900)	$ (147,105,000)	$ 39,564,842	$ 186,669,842



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, 2025

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 6,690,400	$ 6,690,400	$ 6,609,737	$ (80,663)
Interest revenue	-	-	155,906	155,906
Total revenues	6,690,400	6,690,400	6,765,643	75,243
EXPENDITURES				
Debt service:				
Administrative charges	12,000	12,000	2,279	9,721
Principal retirement	6,260,000	6,260,000	6,505,000	(245,000)
Interest	3,004,300	3,004,300	2,752,569	251,731
Total debt service	9,276,300	9,276,300	9,259,848	16,452
Total expenditures	9,276,300	9,276,300	9,259,848	16,452
Excess/(deficiency) of revenues over expenditures	(2,585,900)	(2,585,900)	(2,494,205)	91,695
OTHER FINANCING SOURCES/(USES)				
Transfers in	1,587,600	1,587,600	1,583,108	(4,492)
Total other financing sources/(uses)	1,587,600	1,587,600	1,583,108	(4,492)
Net change in fund balances	$ (998,300)	$ (998,300)	$ (911,097)	$ 87,203

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

Grants Fund – This fund has been established to account for revenues and expenditures from the various grants received by the City.

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

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

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

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

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

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

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

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.

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, 2025

	Grants Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund
ASSETS					
Cash and investments	$ 2,392,659	$ -	$ 540,823	$ 25,357	$ 154,576
Restricted cash and investments	-	-	-	-	-
Receivables (net of allowances):					
Accounts	-	-	-	-	-
Taxes and franchise fees	-	-	-	-	-
Grants	3,109,074	-	-	-	-
Leases	-	-	-	-	-
Other	-	-	-	-	-
Prepaid items and other assets	2,218	-	-	-	-
Inventory	-	-	-	-	-
Total assets	$ 5,503,951	$ -	$ 540,823	$ 25,357	$ 154,576
LIABILITIES					
Accounts payable	$ 1,468,853	$ -	$ 51,653	$ -	$ -
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	4,352,925	-	-	-	-
Contracts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Total liabilities	5,821,778	-	51,653	-	-
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - unavailable revenue	1,062,089	-	-	-	-
Deferred Inflows - leases	-	-	-	-	-
Total deferred inflows of resources	1,062,089	-	-	-	-
Total liabilities and deferred inflows of resources	6,883,867	-	51,653	-	-
FUND BALANCES/(DEFICITS)					
NonSpendable	2,218	-	-	-	-
Restricted	-	-	489,170	25,357	154,576
Committed	-	-	-	-	-
Unassigned	(1,382,134)	-	-	-	-
Total fund balances/(deficits)	(1,379,916)	-	489,170	25,357	154,576
Total liabilities and fund balances/(deficits)	$ 5,503,951	$ -	$ 540,823	$ 25,357	$ 154,576

Municipal Court MFTG Fund	Neighborhood Revitalization Fund	Net Premium Seating Fund	SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund	SPD Towing Fund	Sports & Tourism Fund
$ 79,714	$ -	$ 250,439	$ 95,263	$ 143,340	$ -	$ 5,365	$ 595,916
-	-	-	-	-	996,621	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	81,670	-	-	-	-	-	-
-	-	-	-	-	-	-	2,304,338
-	-	-	-	22,664	11,565	-	1,029,094
-	-	-	-	-	-	-	19,406
-	-	-	-	-	-	-	42,550
$ 79,714	$ 81,670	$ 250,439	$ 95,263	$ 166,004	$ 1,008,186	$ 5,365	$ 3,991,304
$ -	$ 29,233	$ -	$ -	$ -	$ 42,322	$ -	$ 193,102
-	-	-	-	-	-	767	58,672
-	119,660	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	148,893	-	-	-	42,322	767	251,774
-	36,357	-	-	-	-	-	-
-	-	-	-	-	-	-	2,114,468
-	36,357	-	-	-	-	-	2,114,468
-	185,250	-	-	-	42,322	767	2,366,242
-	-	-	-	-	-	-	61,956
79,714	-	-	95,263	166,004	965,864	4,598	1,563,106
-	-	250,439	-	-	-	-	-
-	(103,580)	-	-	-	-	-	-
79,714	(103,580)	250,439	95,263	166,004	965,864	4,598	1,625,062
$ 79,714	$ 81,670	$ 250,439	$ 95,263	$ 166,004	$ 1,008,186	$ 5,365	$ 3,991,304

(continued)

CITY OF SURPRISE, ARIZONA

Combining Balance Sheet (continued)
NonMajor Special Revenue Funds
June 30, 2025

	Smart & Safe Police Fund	Smart & Safe Fire-Medical Fund	Tourism Fund	Fire Development Fee Fund	Parks and Recreation Development Fee Fund
ASSETS					
Cash and investments	$ 128,256	$ 550,366	$ 1,032,971	$ 5,241,976	$ 6,422,952
Restricted cash and investments	-	-	-	-	-
Receivables (net of allowances):					
Accounts	-	-	-	-	-
Taxes and franchise fees	-	-	-	-	-
Grants	-	-	-	-	-
Leases	-	-	-	-	-
Other	-	-	173,214	-	-
Prepaid items and other assets	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	$ 128,256	$ 550,366	$ 1,206,185	$ 5,241,976	$ 6,422,952
LIABILITIES					
Accounts payable	$ -	$ 55,328	$ 24,947	$ 14,838	$ 49,070
Accrued payroll and related taxes	-	-	-	-	-
Due to other fund	-	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Contracts payable	-	-	-	-	228,236
Other liabilities	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Total liabilities	-	55,328	24,947	14,838	277,306
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - unavailable revenue	-	-	-	-	-
Deferred Inflows - leases	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Total liabilities and deferred inflows of resources	-	55,328	24,947	14,838	277,306
FUND BALANCES/(DEFICITS)					
NonSpendable	-	-	-	-	-
Restricted	128,256	495,038	-	5,227,138	6,145,646
Committed	-	-	1,181,238	-	-
Unassigned	-	-	-	-	-
Total fund balances/(deficits)	128,256	495,038	1,181,238	5,227,138	6,145,646
Total liabilities and fund balances/(deficits)	$ 128,256	$ 550,366	$ 1,206,185	$ 5,241,976	$ 6,422,952

Police Development Fee Fund	Street Lighting Districts Fund	Marley Park CFD Fund	Total NonMajor Special Revenue Funds
$ 8,863,520	$ 117,869	$ 1,589,776	$ 28,231,138
-	-	-	996,621
-	-	-	-
-	21,913	26,365	48,278
-	-	-	3,190,744
-	-	-	2,304,338
-	-	-	1,236,537
-	-	-	21,624
-	-	-	42,550
$ 8,863,520	$ 139,782	$ 1,616,141	$ 36,071,830
$ 215,209	$ 194,241	$ 211,300	$ 2,550,096
-	-	-	59,439
-	-	-	119,660
-	462	-	462
-	-	-	4,352,925
-	-	-	228,236
-	-	-	-
-	-	593,240	593,240
-	-	825,000	825,000
215,209	194,703	1,629,540	8,729,058
-	3,400	11,489	1,113,335
-	-	-	2,114,468
-	3,400	11,489	3,227,803
215,209	198,103	1,641,029	11,956,861
-	-	-	64,174
8,648,311	-	-	24,188,041
-	-	-	1,431,677
-	(58,321)	(24,888)	(1,568,923)
8,648,311	(58,321)	(24,888)	24,114,969
$ 8,863,520	$ 139,782	$ 1,616,141	$ 36,071,830

CITY OF SURPRISE, ARIZONA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NonMajor Special Revenue Funds
For the Year Ended June 30, 2025

	Grants Fund	*Formerly NonMajor* 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	-		-	-	-
Grants revenue	8,598,989		-	-	-
Fines	-		-	88,237	-
Rents	-		-	-	-
Development fees	-		-	-	-
Interest revenue	492		-	28,885	1,298
Other revenue	-		-	-	-
Total revenues	8,599,481		364,134	117,122	1,298
EXPENDITURES					
Current:					
General government	160,273		-	-	-
Public safety	938,514		-	-	-
Public works and transportation	99,675		365,381	-	-
Community development	-		-	-	-
Culture and recreation	2,118,976		-	-	-
Debt service:					
Administrative charges	-		-	-	-
Principal retirement	-		-	-	-
Interest	-		-	-	-
Capital outlay	5,334,594		-	158,663	-
Total expenditures	8,652,032		365,381	158,663	-
Excess/(deficiency) of revenues over expenditures	(52,551)		(1,247)	(41,541)	1,298
OTHER FINANCING SOURCES/(USES)					
Transfers in	18,093		-	-	-
Transfers out	-		-	-	-
Total other financing sources/(uses)	18,093		-	-	-
Net change in fund balance	(34,458)		(1,247)	(41,541)	1,298
Fund balances - June 30, 2024, as previously reported	-	2,578,122	1,247	530,711	24,059
Change within financial reporting entity	(1,345,458)	(2,578,122)	-	-	-
Fund balances - June 30, 2024, as adjusted	(1,345,458)		1,247	530,711	24,059
Increase/(decrease) in inventories	-		-	-	-
Fund balances - June 30, 2025	$ (1,379,916)		$ -	$ 489,170	$ 25,357

Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborhood Revitalization Fund	Net Premium Seating Fund	SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund	SPD Towing Fund
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	8,679	-	-	-	-	-	-
-	-	-	27,273	-	-	-	35,550
-	-	1,078,418	-	-	-	-	-
17,735	-	-	-	20,659	4,392	237,863	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,330	3,764	-	8,009	4,300	5,637	42,100	358
-	-	-	-	-	-	-	-
25,065	12,443	1,078,418	35,282	24,959	10,029	279,963	35,908
-	-	-	-	-	-	-	-
-	-	-	-	-	-	147,524	37,895
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	998,382	107,702	-	-	-	-
-	-	-	-	-	-	-	-
-	-	96,619	-	-	-	-	-
-	-	19,775	-	-	-	-	-
-	-	-	-	-	22,664	40,530	-
-	-	1,114,776	107,702	-	22,664	188,054	37,895
25,065	12,443	(36,358)	(72,420)	24,959	(12,635)	91,909	(1,987)
-	-	-	121,794	-	178,639	-	-
-	-	-	-	-	(18,093)	(178,639)	-
-	-	-	121,794	-	160,546	(178,639)	-
25,065	12,443	(36,358)	49,374	24,959	147,911	(86,730)	(1,987)
129,511	67,271	(67,222)	201,065	70,304	18,093	1,052,594	6,585
-	-	-	-	-	-	-	-
129,511	67,271	(67,222)	201,065	70,304	18,093	1,052,594	6,585
-	-	-	-	-	-	-	-
$ 154,576	$ 79,714	$ (103,580)	$ 250,439	$ 95,263	$ 166,004	$ 965,864	$ 4,598

(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, 2025

	Sports & Tourism Fund	Smart & Safe Police Fund	Smart & Safe Fire-Medical Fund	Tourism Fund	Fire Development Fee Fund
REVENUES					
Taxes	$ -	$ -	$ -	$ 1,284,893	$ -
Intergovernmental revenue	-	495,490	475,782	153,374	-
Charges for services	4,150,547	-	-	243,195	-
Grants revenue	-	-	-	-	-
Fines	-	-	-	-	-
Rents	522,041	-	-	-	-
Development fees	-	-	-	-	4,467,875
Interest revenue	48,648	-	-	78,884	372,308
Other revenue	38,864	-	-	-	-
Total revenues	4,760,100	495,490	475,782	1,760,346	4,840,183
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	400,000	359,100	-	34,721
Public works and transportation	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	7,680,629	-	-	753,383	-
Debt service:					
Administrative charges	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	207,036	-	9,777,354
Total expenditures	7,680,629	400,000	566,136	753,383	9,812,075
Excess/(deficiency) of revenues over expenditures	(2,920,529)	95,490	(90,354)	1,006,963	(4,971,892)
OTHER FINANCING SOURCES/(USES)					
Transfers in	3,185,901	-	-	-	-
Transfers out	(25,589)	-	-	(963,670)	-
Total other financing sources/(uses)	3,160,312	-	-	(963,670)	-
Net change in fund balance	239,783	95,490	(90,354)	43,293	(4,971,892)
Fund balances - June 30, 2024, as previously reported	1,398,634	32,766	585,392	1,137,945	10,199,030
Change within financial reporting entity	-	-	-	-	-
Fund balances - June 30, 2024, as adjusted	1,398,634	32,766	585,392	1,137,945	10,199,030
Increase/(decrease) in inventories	(13,355)	-	-	-	-
Fund balances - June 30, 2025	$ 1,625,062	$ 128,256	$ 495,038	$ 1,181,238	$ 5,227,138

Parks & Recreation Development Fee Fund	Police Development Fee Fund	Street Lighting Districts Fund	Marley Park CFD Fund	Total NonMajor Special Revenue Funds
$ -	$ -	$ 1,562,970	$ 1,933,895	$ 4,781,758
-	-	-	-	1,497,459
-	-	6,955	-	4,463,520
-	-	-	-	9,677,407
-	-	-	-	368,886
-	-	-	-	522,041
4,153,337	2,000,244	-	-	10,621,456
449,881	451,468	37,240	-	1,540,602
-	-	-	-	38,864
4,603,218	2,451,712	1,607,165	1,933,895	33,511,993
641,405	-	-	-	801,678
-	967	-	-	1,918,721
-	-	-	-	465,056
-	-	2,555,048	-	2,555,048
-	-	-	211,300	11,870,372
-	-	-	900	900
-	-	-	825,000	921,619
-	-	-	1,186,480	1,206,255
6,784,078	1,468,490	-	-	23,793,409
7,425,483	1,469,457	2,555,048	2,223,680	43,533,058
(2,822,265)	982,255	(947,883)	(289,785)	(10,021,065)
-	-	-	-	3,504,427
-	-	-	-	(1,185,991)
-	-	-	-	2,318,436
(2,822,265)	982,255	(947,883)	(289,785)	(7,702,629)
8,967,911	7,666,056	889,562	264,897	35,754,533
-	-	-	-	(3,923,580)
8,967,911	7,666,056	889,562	264,897	31,830,953
-	-	-	-	(13,355)
$ 6,145,646	$ 8,648,311	$ (58,321)	$ (24,888)	$ 24,114,969

CITY OF SURPRISE, ARIZONA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Grants Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grants revenue	$ 24,948,300	$ 29,102,900	$ 8,598,989	$ (20,503,911)
Interest revenue	-	-	492	492
Other revenue	-	-	-	-
Total revenues	24,948,300	29,102,900	8,599,481	(20,503,419)
EXPENDITURES				
Current:				
General government:				
General government	183,100	178,900	155,573	23,327
City attorney	-	4,700	4,700	-
Public safety:				
Police	355,900	1,431,700	717,189	714,511
Fire-Medical	382,400	862,200	221,325	640,875
Public works and transportation:				
Transportation	-	100,000	99,675	325
Culture and recreation:				
Human service and community vitality	1,719,300	3,457,200	1,916,496	1,540,704
Arts, culture, and library	-	20,400	20,340	60
Parks and recreation	229,500	411,700	182,140	229,560
Total current	2,870,200	6,466,800	3,317,438	3,149,362
Capital outlay	22,080,300	21,310,300	5,334,594	15,975,706
Total expenditures	24,950,500	27,777,100	8,652,032	19,125,068
Excess/(deficiency) of revenues over expenditures	(2,200)	1,325,800	(52,551)	(1,378,351)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	18,093	18,093
Total other financing sources (uses)	-	-	18,093	18,093
Net change in fund balances	$ (2,200)	$ 1,325,800	$ (34,458)	$ (1,360,258)

CITY OF SURPRISE, ARIZONA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
LTAF II/ALF Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenue	$ 364,200	$ 364,200	$ 364,134	$ (66)
Interest revenue	-	-	-	-
Total revenues	364,200	364,200	364,134	(66)
EXPENDITURES				
Current:				
Public works and transportation	366,300	366,300	365,381	919
Total current	366,300	366,300	365,381	919
Total expenditures	366,300	366,300	365,381	919
Excess/(deficiency) of revenues over expenditures	(2,100)	(2,100)	(1,247)	853
Net change in fund balances	$ (2,100)	$ (2,100)	$ (1,247)	$ 853

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines	$ 74,400	$ 74,400	$ 88,237	$ 13,837
Interest revenue	-	-	28,885	28,885
Total revenues	74,400	74,400	117,122	42,722
EXPENDITURES				
Current:				
Public safety:				
Court	40,000	40,000	-	40,000
Total current	40,000	40,000	-	40,000
Capital outlay	185,000	185,000	158,663	26,337
Total expenditures	225,000	225,000	158,663	66,337
Excess/(deficiency) of revenues over expenditures	(150,600)	(150,600)	(41,541)	109,059
Net change in fund balances	$ (150,600)	$ (150,600)	$ (41,541)	$ 109,059

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenue	$ 2,000	$ 2,000	$ -	$ (2,000)
Interest revenue	-	-	1,298	1,298
Total revenues	2,000	2,000	1,298	(702)
EXPENDITURES				
Current:				
Public safety:				
Court	-	-	-	-
Total current	-	-	-	-
Total expenditures	-	-	-	-
Excess/(deficiency) of revenues over expenditures	2,000	2,000	1,298	(702)
Net change in fund balances	$ 2,000	$ 2,000	$ 1,298	$ (702)

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines	$ 16,000	$ 16,000	$ 17,735	$ 1,735
Interest revenue	-	-	7,330	7,330
Total revenues	16,000	16,000	25,065	9,065
EXPENDITURES				
Current:				
Public safety:				
Court	-	-	-	-
Total current	-	-	-	-
Total expenditures	-	-	-	-
Excess/(deficiency) of revenues over expenditures	16,000	16,000	25,065	9,065
Net change in fund balances	$ 16,000	$ 16,000	$ 25,065	$ 9,065

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenue	$ 9,400	$ 9,400	$ 8,679	$ (721)
Interest revenue	-	-	3,764	3,764
Total revenues	9,400	9,400	12,443	3,043
EXPENDITURES				
Current:				
Public safety:				
Court	-	-	-	-
Total current	-	-	-	-
Total expenditures	-	-	-	-
Excess/(deficiency) of revenues over expenditures	9,400	9,400	12,443	3,043
Net change in fund balances	$ 9,400	$ 9,400	$ 12,443	$ 3,043

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grants revenue	$ 1,934,500	$ 1,979,100	$ 1,078,418	$ (900,682)
Total revenues	1,934,500	1,979,100	1,078,418	(900,682)
EXPENDITURES				
Current:				
Culture and recreation:				
Human service and community vitality	1,818,100	1,801,800	998,382	803,418
Total current	1,818,100	1,801,800	998,382	803,418
Debt service:				
Principal retirement	96,600	96,600	96,619	(19)
Interest	19,800	19,800	19,775	25
Total debt service	116,400	116,400	116,394	6
Total expenditures	1,934,500	1,918,200	1,114,776	803,424
Excess/(deficiency) of revenues over expenditures	-	60,900	(36,358)	(97,258)
Net change in fund balances	$ -	$ 60,900	$ (36,358)	$ (97,258)

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 30,000	$ 30,000	$ 27,273	$ (2,727)
Interest revenue	900	900	8,009	7,109
Total revenues	30,900	30,900	35,282	4,382
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	286,000	286,000	107,702	178,298
Total current	286,000	286,000	107,702	178,298
Total expenditures	286,000	286,000	107,702	178,298
Excess/(deficiency) of revenues over expenditures	(255,100)	(255,100)	(72,420)	182,680
OTHER FINANCING SOURCES/(USES)				
Transfers in	127,300	127,300	121,794	(5,506)
Total other financing sources/(uses)	127,300	127,300	121,794	(5,506)
Net change in fund balances	$ (127,800)	$ (127,800)	$ 49,374	$ 177,174

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines	$ 18,000	$ 18,000	$ 20,659	$ 2,659
Interest revenue	200	200	4,300	4,100
Total revenues	18,200	18,200	24,959	6,759
EXPENDITURES				
Current:				
Public safety:				
Police	73,000	73,000	-	73,000
Total current	73,000	73,000	-	73,000
Total expenditures	73,000	73,000	-	73,000
Excess/(deficiency) of revenues over expenditures	(54,800)	(54,800)	24,959	79,759
Net change in fund balances	$ (54,800)	$ (54,800)	$ 24,959	$ 79,759

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines	$ -	$ -	$ 4,392	$ 4,392
Interest revenue	-	-	5,637	5,637
Total revenues	-	-	10,029	10,029
EXPENDITURES				
Current:				
Public safety:				
Police	17,300	17,300	-	17,300
Total current	17,300	17,300	-	17,300
Capital outlay	-	178,700	22,664	156,036
Total expenditures	17,300	196,000	22,664	173,336
Excess/(deficiency) of revenues over expenditures	(17,300)	(196,000)	(12,635)	183,365
OTHER FINANCING SOURCES/(USES)				
Transfers in	-	-	178,639	178,639
Transfers out	-	-	(18,093)	(18,093)
Total other financing sources/(uses)	-	-	160,546	160,546
Net change in fund balances	$ (17,300)	$ (196,000)	$ 147,911	$ 343,911

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines	$ 268,000	$ 268,000	$ 237,863	$ (30,137)
Interest revenue	-	-	42,100	42,100
Total revenues	268,000	268,000	279,963	11,963
EXPENDITURES				
Current:				
Public safety:				
Police	1,191,700	1,013,000	147,524	865,476
Total current	1,191,700	1,013,000	147,524	865,476
Capital outlay	-	-	40,530	(40,530)
Total expenditures	1,191,700	1,013,000	188,054	824,946
Excess/(deficiency) of revenues over expenditures	(923,700)	(745,000)	91,909	836,909
OTHER FINANCING SOURCES/(USES)				
Transfers out	-	-	(178,639)	(178,639)
Total other financing sources/(uses)	-	-	(178,639)	(178,639)
Net change in fund balances	$ (923,700)	$ (745,000)	$ (86,730)	$ 658,270

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 30,400	$ 30,400	$ 35,550	$ 5,150
Interest revenue	200	200	358	158
Total revenues	30,600	30,600	35,908	5,308
EXPENDITURES				
Current:				
Public safety:				
Police	38,900	38,900	37,895	1,005
Total current	38,900	38,900	37,895	1,005
Total expenditures	38,900	38,900	37,895	1,005
Excess/(deficiency) of revenues over expenditures	(8,300)	(8,300)	(1,987)	6,313
Net change in fund balances	$ (8,300)	$ (8,300)	$ (1,987)	$ 6,313

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 3,252,400	$ 3,652,400	$ 4,150,547	$ 498,147
Rents	440,400	440,400	522,041	81,641
Interest revenue	6,000	6,000	48,648	42,648
Other revenue	16,100	16,100	38,864	22,764
Total revenues	3,714,900	4,114,900	4,760,100	645,200
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	7,700,300	8,050,500	7,680,629	369,871
Total current	7,700,300	8,050,500	7,680,629	369,871
Total expenditures	7,700,300	8,050,500	7,680,629	369,871
Excess/(deficiency) of revenues over expenditures	(3,985,400)	(3,935,600)	(2,920,529)	1,015,071
OTHER FINANCING SOURCES/(USES)				
Transfers in	3,984,900	3,984,900	3,185,901	(798,999)
Transfers out	-	-	(25,589)	(25,589)
Total other financing sources/(uses)	3,984,900	3,984,900	3,160,312	(824,588)
Net change in fund balances	$ (500)	$ 49,300	$ 239,783	$ 190,483

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenue	$ 400,000	$ 400,000	$ 495,490	$ 95,490
Total revenues	400,000	400,000	495,490	95,490
EXPENDITURES				
Current:				
Public safety:				
Police	414,800	414,800	400,000	14,800
Total current	414,800	414,800	400,000	14,800
Total expenditures	414,800	414,800	400,000	14,800
Excess/(deficiency) of revenues over expenditures	(14,800)	(14,800)	95,490	110,290
Net change in fund balances	$ (14,800)	$ (14,800)	$ 95,490	$ 110,290

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenue	$ 400,000	$ 400,000	$ 475,782	$ 75,782
Total revenues	400,000	400,000	475,782	75,782
EXPENDITURES				
Current:				
Public safety				
Fire-Medical	359,100	359,100	359,100	-
Total current	359,100	359,100	359,100	-
Capital outlay	600,000	600,000	207,036	392,964
Total expenditures	959,100	959,100	566,136	392,964
Excess/(deficiency) of revenues over expenditures	(559,100)	(559,100)	(90,354)	468,746
Net change in fund balances	$ (559,100)	$ (559,100)	$ (90,354)	$ 468,746

CITY OF SURPRISE, ARIZONA

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

Tourism Fund

For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 1,277,800	$ 1,277,800	$ 1,284,893	$ 7,093
Intergovernmental revenue	230,000	230,000	153,374	(76,626)
Charges for services	275,000	301,300	243,195	(58,105)
Interest revenue	-	-	78,884	78,884
Total revenues	1,782,800	1,809,100	1,760,346	(48,754)
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	960,000	1,525,000	753,383	771,617
Total current	960,000	1,525,000	753,383	771,617
Total expenditures	960,000	1,525,000	753,383	771,617
Excess/(deficiency) of revenues over expenditures	822,800	284,100	1,006,963	722,863
OTHER FINANCING SOURCES/(USES)				
Transfers out	(958,400)	(958,400)	(963,670)	(5,270)
Total other financing sources/(uses)	(958,400)	(958,400)	(963,670)	(5,270)
Net change in fund balances	$ (135,600)	$ (674,300)	$ 43,293	$ 717,593

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	$ 2,547,400	$ 2,547,400	$ 4,467,875	$ 1,920,475
Interest revenue	-	-	372,308	372,308
Total revenues	2,547,400	2,547,400	4,840,183	2,292,783
EXPENDITURES				
Current				
Public safety:				
Fire-Medical	4,500	4,764,200	34,721	4,729,479
Total current	4,500	4,764,200	34,721	4,729,479
Capital Outlay	15,048,300	10,288,600	9,777,354	511,246
Total expenditures	15,052,800	15,052,800	9,812,075	5,240,725
Excess/(deficiency) of revenues over expenditures	(12,505,400)	(12,505,400)	(4,971,892)	7,533,508
Net change in fund balances	$ (12,505,400)	$ (12,505,400)	$ (4,971,892)	$ 7,533,508

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	$ 3,341,000	$ 3,341,000	$ 4,153,337	$ 812,337
Interest revenue	-	-	449,881	449,881
Total revenues	3,341,000	3,341,000	4,603,218	1,262,218
EXPENDITURES				
Current:				
General government	3,558,800	4,220,000	641,405	3,578,595
Total current	3,558,800	4,220,000	641,405	3,578,595
Capital outlay	9,463,100	8,801,900	6,784,078	2,017,822
Total expenditures	13,021,900	13,021,900	7,425,483	5,596,417
Excess/(deficiency) of revenues over expenditures	(9,680,900)	(9,680,900)	(2,822,265)	6,858,635
Net change in fund balances	$ (9,680,900)	$ (9,680,900)	$ (2,822,265)	$ 6,858,635

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	$ 1,205,700	$ 1,205,700	$ 2,000,244	$ 794,544
Interest revenue	-	-	451,468	451,468
Total revenues	1,205,700	1,205,700	2,451,712	1,246,012
EXPENDITURES				
Current:				
Public safety:				
Police	1,300	188,500	967	187,533
Total current	1,300	188,500	967	187,533
Capital outlay	8,074,900	7,887,700	1,468,490	6,419,210
Total expenditures	8,076,200	8,076,200	1,469,457	6,606,743
Excess/(deficiency) of revenues over expenditures	(6,870,500)	(6,870,500)	982,255	7,852,755
Net change in fund balances	$ (6,870,500)	$ (6,870,500)	$ 982,255	$ 7,852,755

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 1,560,000	$ 1,560,000	$ 1,562,970	$ 2,970
Charges for services	7,600	7,600	6,955	(645)
Interest revenue	-	-	37,240	37,240
Total revenues	1,567,600	1,567,600	1,607,165	39,565
EXPENDITURES				
Current:				
Community development	2,737,900	2,863,800	2,555,048	308,752
Total current	2,737,900	2,863,800	2,555,048	308,752
Total expenditures	2,737,900	2,863,800	2,555,048	308,752
Excess/(deficiency) of revenues over expenditures	(1,170,300)	(1,296,200)	(947,883)	348,317
Net change in fund balances	$ (1,170,300)	$ (1,296,200)	$ (947,883)	$ 348,317

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 1,963,000	$ 1,963,000	$ 1,933,895	$ (29,105)
Total revenues	1,963,000	1,963,000	1,933,895	(29,105)
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and recreation	235,300	235,300	211,300	24,000
Total current	235,300	235,300	211,300	24,000
Debt service:				
Administrative charges	4,000	4,000	900	3,100
Principal retirement	846,100	846,100	825,000	21,100
Interest	1,186,500	1,186,500	1,186,480	20
Total debt service	2,036,600	2,036,600	2,012,380	24,220
Total expenditures	2,271,900	2,271,900	2,223,680	48,220
Excess/(deficiency) of revenues over expenditures	(308,900)	(308,900)	(289,785)	19,115
Net change in fund balances	$ (308,900)	$ (308,900)	$ (289,785)	$ 19,115

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, 2025

	Risk Management Fund	Employee Healthcare Trust Fund	Workers' Compensation Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 11,162,861	$ 9,813,531	$ 4,627,029	$ 25,603,421
Receivables (net of allowances):				
Other	-	456,145	-	456,145
Other assets	-	3,860	-	3,860
Total current assets	11,162,861	10,273,536	4,627,029	26,063,426
NonCurrent assets:				
Net OPEB asset	11,355	6,058	3,724	21,137
Total noncurrent assets	11,355	6,058	3,724	21,137
Total assets	11,174,216	10,279,594	4,630,753	26,084,563
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	64,701	34,463	20,740	119,904
Deferred outflows related to OPEB	1,308	568	420	2,296
Total deferred outflows of resources	66,009	35,031	21,160	122,200
Total assets and deferred outflows of resources	$ 11,240,225	$ 10,314,625	$ 4,651,913	$ 26,206,763
LIABILITIES				
Current liabilities:				
Accounts payable	$ 20,170	$ 87,974	$ 53,320	$ 161,464
Accrued payroll and related taxes	8,280	4,169	2,787	15,236
Claims payable, current portion	1,262,306	3,458,232	298,961	5,019,499
Compensated absences payable, due in less than one year	18,237	11,688	6,111	36,036
Total current liabilities	1,308,993	3,562,063	361,179	5,232,235
NonCurrent liabilities:				
Compensated absences payable, due in more than one year	28,524	18,281	9,558	56,363
Claims payable, noncurrent portion	-	-	414,640	414,640
Net pension liability	294,062	156,636	94,260	544,958
Net OPEB liability	53	19	17	89
Total noncurrent liabilities	322,639	174,936	518,475	1,016,050
Total liabilities	1,631,632	3,736,999	879,654	6,248,285
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	19,343	10,303	6,200	35,846
Deferred inflows related to OPEB	4,602	2,366	1,503	8,471
Total deferred inflows of resources	23,945	12,669	7,703	44,317
Total liabilities and deferred inflows of resources	1,655,577	3,749,668	887,357	6,292,602
NET POSITION				
Unrestricted	9,584,648	6,564,957	3,764,556	19,914,161
Total net position	$ 9,584,648	$ 6,564,957	$ 3,764,556	$ 19,914,161

CITY OF SURPRISE, ARIZONA

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2025

	Risk Management Fund	Employee Healthcare Trust Fund	Workers' Compensation Fund	Total Internal Service funds
OPERATING REVENUES				
Charges for services	$ 3,768,000	$ 22,326,750	$ 1,342,817	$ 27,437,567
Other revenue	602,611	5,537	1,184	609,332
Total operating revenues	4,370,611	22,332,287	1,344,001	28,046,899
OPERATING EXPENSES				
Personnel services	408,298	254,871	97,363	760,532
Contractual services, materials, and supplies	94,492	239,056	157,651	491,199
Insurance claims, premiums, and administrative expenses	4,387,598	21,979,520	1,178,860	27,545,978
Total operating expenses	4,890,388	22,473,447	1,433,874	28,797,709
Operating income/(loss)	(519,777)	(141,160)	(89,873)	(750,810)
NONOPERATING REVENUES/(EXPENSES)				
Interest revenue	536,047	194,416	237,761	968,224
Total nonoperating revenues/(expenses)	536,047	194,416	237,761	968,224
Change in net position	16,270	53,256	147,888	217,414
Total net position - June 30, 2024, as previously reported	9,569,593	6,512,373	3,619,783	19,701,749
Change in accounting principle	(1,215)	(672)	(3,115)	(5,002)
Total net position - June 30, 2024, as restated	9,568,378	6,511,701	3,616,668	19,696,747
Total net position - June 30, 2025	$ 9,584,648	$ 6,564,957	$ 3,764,556	$ 19,914,161

CITY OF SURPRISE, ARIZONA

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2025

	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	$ 21,979,704	$ 1,342,817	$ 27,090,521
Payments to employees	(395,364)	(199,578)	(127,162)	(722,104)
Payments to suppliers	(76,491)	(699,933)	(113,184)	(889,608)
Payments for insurance claims and expenses	(3,254,819)	(21,325,225)	(1,334,507)	(25,914,551)
Other receipts	1,486,598	242,270	1,184	1,730,052
Net cash provided/(used) by operating activities	1,527,924	(2,762)	(230,852)	1,294,310
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from interest income/(loss)	536,047	194,416	237,761	968,224
Net cash provided/(used) by investing activities	536,047	194,416	237,761	968,224
Net increase/(decrease) in cash and cash equivalents	2,063,971	191,654	6,909	2,262,534
Balances - beginning of year	$ 9,098,890	$ 9,621,877	$ 4,620,120	$ 23,340,887
Balances - end of the year	$ 11,162,861	$ 9,813,531	$ 4,627,029	$ 25,603,421
Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities:				
Operating income/(loss)	$ (519,777)	$ (141,160)	$ (89,873)	$ (750,810)
Adjustments to reconcile operating income/(loss) to net cash provided/(used) by operating activities:				
Changes in assets and liabilities:				
Other receivables	883,987	(110,313)	-	773,674
Other assets	-	(3,590)	-	(3,590)
Accounts payable	19,167	(457,287)	44,970	(393,150)
Accrued payroll and related taxes	892	729	2,787	4,408
Compensated absences	29,659	20,517	(28,156)	22,020
Net pension liability	(17,177)	35,966	(4,334)	14,455
Claims payable	1,132,779	654,295	(155,647)	1,631,427
Net OPEB asset/liability	(1,606)	(1,919)	(599)	(4,124)
Net cash provided/(used) by operating activities	$ 1,527,924	$ (2,762)	$ (230,852)	$ 1,294,310



STATISTICAL SECTION



SURPRISE

ARIZONA

SURPRISE
ARIZONA

STATISTICAL SECTION

This section provides detailed information, for purposes of providing a context for comprehending the information presented in the financial statements, note 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)

	2016	2017	2018	2019
Governmental activities				
Net investment in capital assets	$ 405,111,110	$ 392,458,485	$ 393,984,378	$ 399,420,150
Restricted	22,743,525	24,613,341	67,683,440	29,462,370
Unrestricted	(16,896,594)	(27,479,276)	(57,592,973)	1,815,847
Total governmental activities net position	$ 410,958,041	$ 389,592,550	$ 404,074,845	$ 430,698,367
Business-type activities				
Net investment in capital assets	$ 270,081,565	$ 279,249,380	$ 277,989,957	$ 274,750,943
Restricted	13,039,887	12,326,207	14,365,125	12,932,109
Unrestricted	29,979,759	22,570,204	31,396,601	43,938,146
Total business-type activities net position	$ 313,101,211	$ 314,145,791	$ 323,751,683	$ 331,621,198
Primary government				
Net investment in capital assets	$ 675,192,675	$ 671,707,865	$ 671,974,335	$ 674,171,093
Restricted	35,783,412	36,939,548	82,048,565	42,394,479
Unrestricted	13,083,165	(4,909,072)	(26,196,372)	45,753,993
Total primary government net position	$ 724,059,252	$ 703,738,341	$ 727,826,528	$ 762,319,565

Source: City financial records

2020	2021	2022	2023	2024	2025
$ 435,144,710	$ 502,976,390	$ 557,077,466	$ 635,129,381	$ 693,013,470	$ 741,754,521
21,821,951	39,557,045	39,307,858	40,382,529.00	41,067,127	62,996,331
28,238,342	75,855,018	141,847,579	193,259,901.00	270,926,964	309,945,640
$ 485,205,003	$ 618,388,453	$ 738,232,903	$ 868,771,811	$ 1,005,007,561	$ 1,114,696,492
$ 282,360,332	$ 320,299,739	$ 331,988,392	$ 359,266,161	$ 390,227,565	$ 426,182,440
13,735,679	9,425,177	12,408,370	19,561,463	29,531,878	37,066,474
52,259,316	67,556,649	78,863,705	89,533,789	102,591,695	114,175,871
$ 348,355,327	$ 397,281,565	$ 423,260,467	$ 468,361,413	$ 522,351,138	$ 577,424,785
$ 717,505,042	$ 823,276,129	$ 889,065,858	$ 994,395,542	$ 1,083,241,035	$ 1,167,936,961
35,557,630	48,982,222	51,716,228	59,943,992	70,599,005	100,062,805
80,497,658	143,411,667	220,711,284	282,793,690	373,518,659	424,121,511
$ 833,560,330	$ 1,015,670,018	$ 1,161,493,370	$ 1,337,133,224	$ 1,527,358,699	$ 1,692,121,277

CITY OF SURPRISE, ARIZONA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2016	2017	2018	2019
Expenses				
Governmental Activities:				
General government	$ 18,906,430	$ 27,733,034	$ 24,693,086	$ 18,847,192
Public safety	47,273,449	64,148,194	51,157,392	60,235,535
Public works and transportation	38,670,796	41,540,981	37,661,923	41,578,280
Community development	10,235,430	12,326,274	12,345,202	12,382,036
Culture and recreation	25,690,406	22,555,794	26,471,045	24,970,626
Interest on long-term debt	1,472,910	1,381,807	1,927,016	2,473,876
Total governmental activities expenses	142,249,421	169,686,084	154,255,664	160,487,545
Business-type Activities:				
Ground ambulance services	-	-	3,141,623	3,375,334
Water	11,823,538	15,013,661	10,926,918	11,690,946
Sewer	20,399,067	19,519,303	20,039,173	19,340,045
Sanitation	7,972,061	9,034,441	8,557,348	8,657,107
Stormwater	-	187,744	775,651	1,363,889
Total business-type activities	40,194,666	43,755,149	43,440,713	44,427,321
Total primary government expenses	$ 182,444,087	$ 213,441,233	$ 197,696,377	$ 204,914,866
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	$ 5,041,335	$ 5,863,856	$ 7,171,091	$ 6,744,068
Public safety	3,778,584	3,600,402	2,801,908	1,948,725
Public works and transportation	853,321	1,445,873	2,252,924	4,100,847
Community development	2,552,293	3,770,393	7,384,028	9,901,258
Culture and recreation	5,894,021	5,586,303	5,507,476	5,590,198
Operating grants and contributions	11,178,339	12,097,958	12,530,903	11,555,218
Capital grants and contributions	11,558,409	14,356,832	25,485,790	22,468,016
Total governmental activities program revenues	40,856,302	46,721,617	63,134,120	62,308,330
Business-type activities:				
Charges for services:				
Ground ambulance services	-	-	2,974,704	3,284,354
Water	12,195,621	14,048,726	14,227,502	16,125,842
Sewer	16,151,096	17,190,499	17,345,559	17,612,146
Sanitation	7,099,896	7,525,140	7,485,027	7,859,915
Stormwater	-	1,282,788	1,834,202	1,987,661
Operating grants and contributions	-	-	-	-
Capital grants and contributions	3,107,265	5,788,132	9,682,391	5,509,692
Total business-type activities program revenues	38,553,878	45,835,285	53,549,385	52,379,610
Total primary government program revenues	$ 79,410,180	$ 92,556,902	$ 116,683,505	$ 114,687,940

2020	2021	2022	2023	2024	2025
$ 30,683,840	$ 27,692,032	$ 23,540,312	$ 28,301,955	$ 33,279,341	$ 39,689,566
60,035,327	66,442,651	70,506,625	81,547,703	102,223,843	107,251,015
46,270,405	39,687,896	44,050,913	55,094,815	56,438,765	64,913,524
12,764,778	11,564,452	16,842,667	19,817,626	22,653,720	23,880,531
20,925,306	29,248,928	32,115,378	40,095,959	42,312,853	48,008,341
2,635,766	2,695,568	2,471,982	2,804,532	2,559,564	3,416,872
173,315,422	177,331,527	189,527,877	227,662,590	259,468,086	287,159,849
4,407,898	4,696,823	5,577,280	-	-	-
18,376,477	19,000,628	16,337,896	17,982,628	23,647,322	25,460,958
19,418,478	24,744,000	26,366,082	25,233,442	26,371,523	27,856,015
9,077,490	7,669,633	10,463,274	11,969,060	13,608,286	14,939,326
1,209,576	1,167,538	1,269,792	1,532,003	1,897,536	2,096,796
52,489,919	57,278,622	60,014,324	56,717,133	65,524,667	70,353,095
$ 225,805,341	$ 234,610,149	$ 249,542,201	$ 284,379,723	$ 324,992,753	$ 357,512,944
$ 6,729,339	$ 8,125,797	$ 7,074,743	$ 6,986,841	$ 7,334,363	$ 8,826,192
1,581,814	1,754,361	2,715,939	8,895,858	10,731,966	11,293,092
3,570,832	5,283,508	6,154,286	5,758,180	6,748,752	5,270,559
12,206,567	16,185,099	20,408,874	16,694,651	22,077,995	19,419,057
3,311,464	3,480,856	4,887,693	7,108,660	8,489,303	9,039,029
21,503,712	22,709,789	25,235,620	16,226,512	15,926,374	16,313,034
42,184,054	92,168,449	68,578,941	78,590,365	70,515,094	53,986,254
91,087,782	149,707,859	135,056,096	140,261,067	141,823,847	124,147,217
3,946,881	4,541,588	5,929,650	-	-	-
18,226,759	20,727,214	21,541,940	20,634,451	24,345,273	27,245,344
19,142,098	20,301,588	21,257,199	22,089,082	22,605,212	25,716,555
10,380,560	12,271,547	13,054,015	13,621,619	14,196,955	17,099,798
1,934,275	2,554,905	2,579,333	2,732,797	2,809,444	3,184,126
60,647	14,820	-	-	-	-
15,030,201	46,935,506	22,872,999	41,854,478	51,397,525	45,847,230
68,721,421	107,347,168	87,235,136	100,932,427	115,354,409	119,093,053
$ 159,809,203	$ 257,055,027	$ 222,291,232	$ 241,193,494	$ 257,178,256	$ 243,240,270

CITY OF SURPRISE, ARIZONA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2016	2017	2018	2019
Net revenue/expense:				
Governmental activities	$ (101,393,119)	$ (122,964,467)	$ (91,121,544)	$ (98,179,215)
Business-type activities	(1,640,788)	2,080,136	10,108,672	7,952,289
Total primary government net expense	$ (103,033,907)	$ (120,884,331)	$ (81,012,872)	$ (90,226,926)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	$ 9,962,925	$ 10,441,730	$ 10,813,317	$ 16,143,232
Sales taxes	46,807,817	49,416,383	54,419,572	61,596,634
Franchise taxes	5,062,719	5,674,974	5,643,876	5,609,625
Unrestricted state shared revenue	30,560,635	31,755,661	35,032,519	35,899,596
Unrestricted investment earnings	607,602	26,274	324,501	3,494,962
Other	407,445	3,129,094	(753,721)	517,587
Transfers	201,576	1,154,860	1,355,582	1,541,101
Total governmental activities	93,610,719	101,598,976	106,835,646	124,802,737
Business-type activities:				
Unrestricted investment earnings	319,068	119,304	141,108	1,458,327
Other	-	-	-	-
Transfers	(201,576)	(1,154,860)	(1,355,582)	(1,541,101)
Total business-type activities	117,492	(1,035,556)	(1,214,474)	(82,774)
Total primary government	$ 93,728,211	$ 100,563,420	$ 105,621,172	$ 124,719,963
Change in Net Position				
Governmental activities	$ (7,782,400)	$ (21,365,491)	$ 15,714,102	$ 26,623,522
Business-type activities	(1,523,296)	1,044,580	8,894,198	7,869,515
Prior period adjustments	-	-	(520,113)	-
Total primary government	$ (9,305,696)	$ (20,320,911)	$ 24,088,187	$ 34,493,037

Source: City financial records

Note 1: GASB Statement No. 75 was implemented in fiscal year 2018. Prior year's financial statements were not restated.

Note 2: Ground Ambulance Service Fund converted from a Business-Type fund to a Special Revenue Governmental fund in fiscal year 2023.

2020	2021	2022	2023	2024	2025
$ (82,227,640)	$ (27,623,668)	$ (54,471,781)	$ (87,401,523)	$ (117,644,239)	$ (163,012,632)
16,231,502	50,068,546	27,220,812	44,215,294	49,829,742	48,739,958
$ (65,996,138)	$ 22,444,878	$ (27,250,969)	$ (43,186,229)	$ (67,814,497)	$ (114,272,674)
$ 17,015,618	$ 17,675,230	$ 19,263,163	$ 21,294,443	$ 22,107,325	$ 19,913,529
70,904,612	90,643,310	103,406,232	124,293,240	134,984,846	158,810,347
5,514,602	5,654,379	6,424,278	6,676,257	7,500,528	7,276,776
38,379,519	44,122,121	45,691,294	57,757,239	71,703,348	65,880,035
3,403,862	228,665	(2,591,655)	5,759,229	15,420,973	19,510,547
418,161	1,040,102	1,420,878	838,040	545,304	538,468
1,097,902	1,443,311	702,041	1,563,726	1,617,665	1,612,836
136,734,276	160,807,118	174,316,231	218,182,174	253,879,989	273,542,538
1,556,564	115,514	(821,961)	1,959,742	5,053,685	6,805,188
43,965	185,489	282,092	247,893	723,963	1,241,812
(1,097,902)	(1,443,311)	(702,041)	(1,563,726)	(1,617,665)	(1,612,836)
502,627	(1,142,308)	(1,241,910)	643,909	4,159,983	6,434,164
$ 137,236,903	$ 159,664,810	$ 173,074,321	$ 218,826,083	$ 258,039,972	$ 279,976,702
$ 54,506,636	$ 133,183,450	$ 119,844,450	$ 130,780,651	$ 136,235,750	$ 110,529,906
16,734,129	48,926,238	25,978,902	44,859,203	53,989,725	55,174,122
-	-	-	-	-	-
$ 71,240,765	$ 182,109,688	$ 145,823,352	$ 175,639,854	$ 190,225,475	$ 165,704,028

CITY OF SURPRISE, ARIZONA

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2016	2017	2018	2019
General fund				
NonSpendable	$ 1,287,510	$ 1,262,361	$ 1,602,598	$ 2,197,168
Restricted	-	501,278	480,554	454,024
Committed	-	-	-	-
Assigned	542,821	338,555	338,167	393,622
Unassigned	37,385,696	38,436,548	41,763,040	42,252,127
Total general fund	$ 39,216,027	$ 40,538,742	$ 44,184,359	$ 45,296,941
All other governmental funds				
NonSpendable	$ 368,126	$ 618,466	$ 638,371	$ 664,672
Restricted	23,064,256	24,112,063	67,202,886	61,562,397
Committed	40,246,190	40,005,619	3,483,301	6,446,528
Assigned	469,830	1,109,942	2,912,343	19,690,585
Unassigned	(47,671,784)	(46,064,773)	(8,258,667)	(5,888,966)
Total all other governmental funds	$ 16,476,618	$ 19,781,317	$ 65,978,234	$ 82,475,216

Source: City financial records.

2020	2021	2022	2023	2024	2025
$ 2,563,831	$ 3,565,902	$ 1,606,366	$ 1,469,470	$ 2,518,358	$ 2,696,030
491,526	525,607	419,863	303,801	156,631	200,425
-	-	25,185,400	43,210,100	51,571,900	58,627,300
490,732	16,732,161	27,234,620	29,737,690	40,013,117	42,804,546
73,973,321	91,303,747	66,180,747	60,941,871	52,139,431	40,501,047
$ 77,519,410	$ 112,127,417	$ 120,626,996	$ 135,662,932	$ 146,399,437	$ 144,829,348
$ 415,537	$ 405,327	$ 582,565	$ 3,618,463	$ 3,328,353	$ 5,629,433
29,864,806	39,031,439	38,819,236	37,715,188	37,179,035	58,911,438
9,115,539	14,406,518	19,835,271	29,800,917	37,606,919	30,663,405
17,786,146	38,853,060	81,506,299	106,547,453	146,208,832	155,331,490
(4,903,347)	(4,669,172)	(3,781,399)	(3,515,299)	(4,081,004)	(3,485,820)
$ 52,278,681	$ 88,027,172	$ 136,961,972	$ 174,166,722	$ 220,242,135	$ 247,049,946

CITY OF SURPRISE, ARIZONA

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2016	2017	2018	2019
Revenues				
Taxes	$ 56,908,903	$ 59,749,360	$ 65,257,328	$ 77,739,476
Licenses and permits	5,121,719	5,811,255	5,817,956	5,991,243
Intergovernmental revenue	39,209,688	40,430,400	44,773,004	45,774,226
Charges for services	11,363,453	13,127,359	15,186,099	19,189,262
Grants revenue	3,060,620	1,856,830	2,691,930	1,581,233
Fines	1,214,978	1,052,366	2,281,998	1,788,745
Rents	630,514	621,033	601,628	724,073
Development fees	3,297,082	4,413,714	5,306,365	6,482,159
Interest revenue	607,602	24,449	310,038	3,299,929
Donations	228,316	160,706	183,307	125,872
Indirect charges	4,884,443	4,768,960	5,249,200	5,481,600
Other revenue	392,199	2,908,665	522,745	726,564
Total revenues	126,919,517	134,925,097	148,181,598	168,904,382
Expenditures				
Current:				
General government	16,306,183	16,675,593	16,965,220	17,358,137
Public safety	44,433,546	47,036,287	51,471,894	51,993,630
Public works and transportation	20,492,467	20,116,384	19,858,787	20,580,186
Community development	10,080,446	12,225,155	11,890,816	12,141,786
Culture and recreation	18,416,339	17,998,257	19,540,944	19,613,758
Debt Service:				
Principal	2,361,425	2,613,738	2,776,050	5,352,900
Interest	1,749,568	1,587,151	1,578,092	3,271,455
Other charges	19,762	724,982	472,877	4,851
Capital outlay	36,511,052	17,501,271	18,067,055	22,824,600
Total expenditures	150,370,788	136,478,818	142,621,735	153,141,303
Excess of revenues over/(under) expenses	(23,451,271)	(1,553,721)	5,559,863	15,763,079
Other financing sources/(uses)				
Proceeds from sale of assets	336,821	368,156	136,426	276,091
Transfers in/(out)	1,150,009	354,860	974,136	1,607,973
Proceeds from bonds	-	11,696,218	43,211,107	-
Insurance recoveries	-	-	-	-
Payments to refunded bond escrow agent	-	(6,500,617)	-	-
Leases	-	-	-	-
Total other financing sources /(uses)	1,486,830	5,918,617	44,321,669	1,884,064
Net change in fund balances	$ (21,964,441)	$ 4,364,896	$ 49,881,532	$ 17,647,143
Debt service as a percentage of noncapital expenditures	3.6%	3.5%	3.5%	6.6%

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

2020	2021	2022	2023	2024	2025
$ 87,768,923	$ 108,394,703	$ 122,672,859	$ 145,599,915	$ 157,004,877	$ 178,742,774
5,944,921	6,168,794	6,954,398	7,217,312	7,898,928	7,632,584
48,421,077	55,052,905	58,674,186	71,745,446	86,252,002	80,856,115
18,680,847	24,318,166	30,676,826	35,086,455	42,828,478	40,375,951
11,165,982	11,476,297	13,620,067	3,733,991	7,397,939	9,811,841
1,340,263	1,441,835	1,504,375	1,159,299	1,223,590	1,645,500
620,862	621,198	1,117,625	1,109,330	1,136,238	1,187,353
5,321,641	6,892,441	9,835,523	6,867,622	9,947,501	11,421,737
3,169,797	207,335	(2,267,135)	5,592,714	14,780,321	18,678,260
103,910	52,791	87,490	94,899	69,635	138,874
5,591,100	6,348,174	6,254,474	6,455,301	6,710,286	8,010,013
670,836	855,497	1,250,978	1,211,618	944,976	4,693,733
188,800,159	221,830,136	250,381,666	285,873,902	336,194,771	363,194,735
18,294,432	28,780,110	22,825,368	25,076,415	29,538,496	33,850,301
53,778,182	56,880,732	70,479,294	78,398,666	96,819,051	102,075,046
20,721,301	20,287,785	21,719,917	32,529,112	33,842,357	35,945,948
12,024,962	6,745,974	16,795,933	19,645,774	22,472,677	23,451,189
19,275,188	18,980,135	26,406,812	31,612,059	34,475,026	39,472,639
6,003,700	6,429,038	6,781,238	8,046,984	9,155,629	9,424,837
3,015,280	3,227,799	3,126,841	3,465,736	3,234,949	4,024,520
453,307	222,909	3,004	510,933	748,470	260,811
62,975,337	31,142,540	26,917,801	50,508,267	54,346,218	123,263,940
196,541,689	172,697,022	195,056,208	249,793,946	284,632,873	371,769,231
(7,741,530)	49,133,114	55,325,458	36,079,956	51,561,898	(8,574,496)
205,824	159,875	235,226	213,945	160,005	554,106
951,667	1,174,545	266,662	1,563,726	1,617,665	1,612,836
8,511,093	19,625,309	-	13,092,551	-	30,178,023
7,249	-	-	-	-	-
-	-	-	-	-	-
-	-	1,225,337	56,124	3,174,137	1,728,309
9,675,833	20,959,729	1,727,225	14,926,346	4,951,807	34,073,274
$ 1,934,303	$ 70,092,843	$ 57,052,683	$ 51,006,302	$ 56,513,705	$ 25,498,778
6.8%	6.8%	5.9%	5.8%	5.4%	5.4%



SURPRISE

ARIZONA

CITY OF SURPRISE, ARIZONA

Schedule 5

Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accural basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Franchise & Business Licenses	Total
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
2025	19,913,529	158,810,347	7,276,776	186,000,652

Source: City financial records.

CITY OF SURPRISE, ARIZONA

Major Sources of Municipal Sales Tax
Last Ten Fiscal Years

	2016	2017	2018	2019
Description of Payers Business				
Construction	$ 8,429,076	$ 7,444,202	$ 9,424,657	$ 13,938,324
Retail trade	18,608,256	20,578,048	24,170,542	25,309,922
Communications and utilities	5,609,855	5,682,238	5,010,541	4,873,454
Restaurant and bar	5,933,745	6,543,214	7,673,195	8,226,189
Real estate, rental and leasing	4,246,757	4,790,722	4,858,025	5,495,101
Other	4,109,905	4,377,959	3,282,612	3,753,644
Total	$ 46,937,594	$ 49,416,383	$ 54,419,572	$ 61,596,634

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2025.

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.

2020	2021	2022	2023	2024	2025
$ 17,529,115	$ 24,116,467	$ 26,833,113	$ 39,935,328	$ 46,859,053	$ 47,430,527
30,133,931	39,817,504	45,163,884	48,855,932	50,886,947	67,863,825
4,804,402	5,218,205	5,465,416	6,156,707	7,021,536	8,533,261
8,368,795	9,966,480	12,102,740	13,436,032	15,083,085	16,688,004
6,013,853	6,798,088	7,662,985	9,238,151	9,355,857	10,596,942
4,054,516	4,726,566	6,178,094	6,671,090	5,778,368	7,697,788
$ 70,904,612	$ 90,643,310	$ 103,406,232	$ 124,293,240	$ 134,984,846	$ 158,810,347



SURPRISE

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CITY OF SURPRISE, ARIZONA

Schedule 7

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

		Real Property		Exemptions	Total			Ratio of Total
Fiscal Year		Assessed Value Residential Property	Assessed Value Commercial Property	Real Property	Net Assessed Valuation	Direct Tax Rate	Estimated Actual Taxable Full Cash Value	Assessed Value to Total Estimated Actual Value
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%
2025	P	1,419,071,832	644,440,882	(190,962,959)	1,872,549,755	0.5693	18,362,776,406	10.20%
2025	S	2,492,281,490	1,104,323,116	(318,341,317)	3,278,263,289	0.3880	32,093,717,955	10.21%

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

	City of Surprise			Overlapping Rates Maricopa County				
Fiscal Year	Operating (Primary) Tax Rate	Debt Service (Secondary) Tax Rate	Total City Tax Rate	Operating Tax Rate	County Library	Flood Control	Fire District Assistance	Total County Tax Rate
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	0.0090	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
2025	0.5693	0.3880	0.9573	1.1591	0.0470	0.1470	0.0080	1.3611

Source: Maricopa County Finance Department's "Maricopa County 2025 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
4.2197	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
3.4935	2.0170	5.5105	1.694	9.523

CITY OF SURPRISE, ARIZONA

Schedule 9

Principal Property Taxpayers

June 30, 2025 and nine years prior

Taxpayer	2025 Net Limited Assessed Valuation	2025 Rank	2025 Percentage of Total	2016 Primary Assessed Valuation	2016 Rank	2016 Percentage of Total
Arizona Public Service Company	$ 107,807,168	1	6.94%	$ 22,299,212	1	2.40%
Route 14 Investment Partners LLC	12,197,377	2	0.79%			
Southwest Gas Corporation (T&D)	8,538,853	3	0.55%	5,510,783	2	0.59%
RPC Mohr West Summit LLC	6,502,380	4	0.42%			
Toll Prasada LLC	6,287,678	5	0.40%			
Epcor (Agua Fria Water Division)	5,389,617	6	0.35%	3,721,769	4	0.40%
Epcor (Agua Fria Wastewater Division)	5,389,617	7	0.35%			
SH UTE LLC	4,167,993	8	0.27%			
Smiths Food & Drug Centers Inc	4,167,494	9	0.27%			
TI Investors of Arizona Apartments LLC	4,136,636	10	0.27%			
Arizona Public Service Company (CWIP)				3,995,534	3	0.43%
CCD Real Estate Holdings LLC				3,159,970	5	0.34%
Surprise Industrial NCP LLC				2,739,288	6	0.29%
Wal-Mart Stores Inc				2,626,731	7	0.28%
MCI Communications Services Inc.				2,547,137	8	0.27%
G&I VII Stadium Village LLC				2,477,373	9	0.27%
Harmony at Surprise LLC				2,312,146	10	0.25%
Total	$ 164,584,813		10.61%	$ 51,389,943		5.53%
Total City Valuation	$ 1,552,811,727			$ 928,896,805		

Source: Maricopa County Assessor's Office.

CITY OF SURPRISE, ARIZONA

Schedule 10

Primary Property Tax Levies and Collections
Last Ten Fiscal Years

		Collected within the Fiscal Year			Total Collections to Date	
Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy	Tax Collections in Subsequent Years	Tax Collections	Percentage of Levy
2016	6,754,752	6,661,068	98.6%	$ 13,518	$ 6,674,586	98.8%
2017	7,037,842	6,947,745	98.7%	7,984	6,955,729	98.8%
2018	7,424,272	7,321,178	98.6%	(1,937)	7,319,241	98.6%
2019	12,369,233	12,219,247	98.8%	(171,012)	12,048,235	97.4%
2020	12,735,513	12,539,853	98.5%	(10,020)	12,529,833	98.4%
2021	13,835,935	13,663,445	98.8%	(75,613)	13,587,832	98.2%
2022	15,079,386	14,897,120	98.8%	(104,865)	14,792,255	98.1%
2023	16,448,765	16,165,481	98.3%	(101,127)	16,064,354	97.7%
2024	17,816,718	17,508,227	98.3%	(71,891)	17,436,336	97.9%
2025	16,273,663	16,057,202	98.7%	-	16,057,202	98.7%

Source: Maricopa County Assessor's Office.

Note: Collections have been adjusted for the impact of Qasimyar v. Maricopa County for fiscal years 2016 through 2025.

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*
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
2025	62,798,042	31,418,296	7,651,085	10,494,153

Soure: 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
$ 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
-	20,395,967	-	15,689,271	632,286	149,079,100	2.9%	931

CITY OF SURPRISE, ARIZONA

Schedule 12

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
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	824,661	34,970,339	0.138%	218
2025	31,750,000	-	31,750,000	0.173%	198

Source: City financial records.

CITY OF SURPRISE, ARIZONA

Schedule 13

Direct and Overlapping Governmental Activities Debt
As of June 30, 2025

Overlapping Jurisdiction			Proportion Applicable to the City: Approximate Percent		Proportion Applicable to the City: Net Debt Amount
Maricopa County		None	2.95%		None
Maricopa County Community College District	$	54,758,400	2.95%	$	1,615,373
Maricopa County Special Health Care District		512,560,000	2.95%		15,120,520
Western Maricopa Education Center		65,830,000	7.65%		5,035,995
Dysart Unified School District No. 89		38,715,000	75.79%		29,342,099
Peoria Unified School District No. 11		124,430,000	0.37%		460,391
Nadaburg Unified School District No. 81		1,964,000	41.70%		818,988
Wickenburg Unified School District No. 9		2,490,000	1.60%		39,840
Subtotal, overlapping debt	$	800,747,400		$	52,433,206
City of Surprise	$	80,943,280	100.00%	$	80,943,280
Marley Park Community Facilities District		31,418,296	100.00%		31,418,296
Subtotal, direct debt	$	112,361,576		$	112,361,576
Total Direct and Overlapping General Obligation Bonded Debt				$	164,794,782

Source: The various jurisdictions.

Proportion applicable to City of Surprise, Arizona is computed on the ratio of net limited property valuation for fiscal year 2024/2025.

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

	2016	2017	2018	2019
Unrestricted				
Debt limit 6%	$ 61,914,585	$ 65,970,879	$ 71,371,537	$ 78,996,747
Unrestricted legal debt margin	$ 61,914,585	$ 65,970,879	$ 71,371,537	$ 78,996,747
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

	2016	2017	2018	2019
Restricted				
Debt limit 20%	$ 206,381,949	$ 219,902,931	$ 237,905,123	$ 263,322,489
Total net debt applicable to limit	-	-	39,987,500	37,322,019
Restricted legal debt margin	$ 206,381,949	$ 219,902,931	$ 197,917,623	$ 226,000,470
Total net debt applicable to the 20% limit as a percentage of the 20% debt limit	0.00%	0.00%	16.81%	14.17%

Source: City financial records

2020	2021	2022	2023	2024	2025
$ 84,563,180	$ 95,788,210	$ 107,356,722	$ 119,438,751	$ 155,876,945	$ 199,468,328
$ 84,563,180	$ 95,788,210	$ 107,356,722	$ 119,438,751	$ 155,876,945	$ 199,468,328
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

2020	2021	2022	2023	2024	2025
$ 281,877,265	$ 319,294,035	$ 357,855,740	$ 398,129,171	$ 519,589,818	$ 664,894,428
34,285,598	50,304,950	46,567,591	38,399,644	38,399,644	62,798,042
$ 247,591,667	$ 268,989,085	$ 311,288,149	$ 359,729,527	$ 481,190,174	$ 602,096,386
12.16%	15.76%	13.01%	9.65%	7.39%	9.44%

CITY OF SURPRISE, ARIZONA

Schedule 15

Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
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%
2025	160,176	5,148,866,321	87,756	41.5	3.6%

Sources: Office of Economic Opportunity.
Maricopa Association of Governments.
US Department of Labor, Bureau of Labor Statistics.
US Census Bureau.

CITY OF SURPRISE, ARIZONA

Schedule 16

Principal Employers

June 30, 2025 and Nine Years Prior

	2025 [1]			2016 [2]		
Employer	**Employees**	**Rank**	**% of Total**	**Employees**	**Rank**	**% of Total**
Dysart School District (Surprise Schools Only)	1,740	1	5.84%	1,800	1	9.31%
City of Surprise	1,440	2	4.84%	1,020	2	5.27%
Walmart	870	3	2.92%	770	3	3.98%
Sun Health Foundation Inc.	590	4	1.98%			
Fry's Food Stores	550	5	1.85%	500	4	2.59%
Costco Wholesale	390	6	1.31%			
Home Depot	270	7	0.91%	190	8	0.98%
McDonalds	270	8	0.91%	270	5	1.40%
Maricopa County	250	9	0.84%	210	6	1.09%
Safeway	220	10	0.74%			
Kohl's Department Store				170	9	0.88%
Sun City Grand Community Association				200	7	1.03%
Sam's Club				160	10	0.83%
Total	6,590		22.14%	5,290		27.35%
Total City Employment	29,770			19,340		

Sources: [1] Maricopa Association of Governments, as of June 30, 2025 (based on 2023 data).
[2] City previous ACFR.



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CITY OF SURPRISE, ARIZONA

Schedule 17

Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function										
General government	134	140	142	146	150	150	156	167	178	182
Public safety:										
Police:										
Officers	139	158	159	159	155	154	161	165	175	187
Civilians	49	43	42	45	55	55	65	70	70	77
Fire:										
Firefighters and officers	113	128	127	126	132	138	144	160	172	198
Ambulance	-	-	19	26	32	32	36	39	36	15
Civilians	8	8	7	7	7	9	10	11	14	17
Public works and transportation:										
All others	84	84	80	84	90	92	96	110	109	112
Community development	40	41	41	42	43	43	49	52	54	58
Economic development	8	8	8	7	9	9	9	10	9	9
Parks and recreation	118	117	116	120	105	84	90	99	101	140
Sports and tourism	-	-	-	-	18	39	41	40	41	42
Human service and communtiy vitality	9	15	16	18	24	25	26	26	29	31
Arts, culture, & library	-	-	-	-	-	-	-	-	33	33
Water	29	33	36	35	42	43	44	47	47	50
Sewer	39	50	45	45	47	49	48	46	53	59
Sanitation	33	35	37	37	41	41	44	53	49	50
Stormwater	-	-	6	5	6	6	7	8	8	9
Total	803	860	881	902	956	969	1,026	1,103	1,178	1,269

Source: Fiscal year 2025 Adopted Budget

CITY OF SURPRISE, ARIZONA

Operating Indicators by Function
Last Ten Fiscal Years

Function	2016	2017	2018	2019
Public safety:				
Police:				
Calls- incidents responded to	39,511	40,909	41,806	40,541
Citations issued	5,971	6,358	5,136	8,602
Officers per 1,000 residents	1.0	1.0	1.0	1.0
Fire-Medical:				
Number of responses	16,896	16,546	17,435	10,865
Inspections	2,745	2,407	1,810	1,595
Public works and transportation:				
Sq. ft. of buildings to maintain	855,774	855,774	855,774	855,774
Vehicles/equipment maintained per month	334	375	397	415
Number of street lights repaired	44	38	79	52
Street miles maintained	627	627	627	629
Community development:				
Building safety inspections performed	20,320	22,407	31,063	34,598
Annual new residential starts	486	600	1,288	1,303
Parks and recreation:				
Organized recreation program participants	160,535	163,580	162,012	141,189
Special events/open facility participants	307,475	306,714	343,868	120,114
Sports and Tourism				
Special events/open facility participants	N/A	N/A	N/A	253,823
Water:				
Water service connections	15,362	15,499	16,331	16,729
Water main breaks	N/A	N/A	4	2
Average daily consumption (thousands of gallons)	N/A	N/A	7,322	7,416
Sewer:				
Sewage treated (million gallons per day)	8.4	8.4	8.4	9
Sewer service connections	47,273	48,196	50,303	48,451
Sanitation:				
Refuse collected (tons/annually)	32,787	33,671	34,979	36,757
Number of routes	56	56	57	59
Total services	35,366	36,421	36,657	35,510
Stormwater:				
Customers	-	49,429	50,594	47,235

Sources: Various government departments

N/A - This information is not available.

2020	2021	2022	2023	2024	2025
42,306	41,430	45,634	44,805	43,403	45,737
6,350	6,098	7,550	7,476	9,348	9,913
1.0	1.0	1.0	0.5	1.0	1.1
18,195	19,493	21,677	22,286	22,832	23,111
2,391	1,781	2,614	2,024	1,230	622
973,187	1,016,276	1,016,276	1,066,317	1,067,060	1,092,012
425	353	415	479	530	524
71	68	180	45	38	32
630	665	688	700	682	779
45,750	51,542	60,013	62,769	63,184	58,943
2,076	2,856	2,873	2,039	3,267	2,867
85,362	70,873	135,632	160,783	170,133	161,214
78,548	22,935	105,284	67,800	105,828	106,680
240,065	143,728	270,962	405,902	458,753	481,245
17,886	19,705	21,283	22,167	23,833	25,791
6	15	11	4	4	5
7,402	7,776	7,787	7,815	8,986	9,796
9	9.1	9.2	9.5	10.2	10.8
53,164	55,796	58,568	60,300	63,071	65,800
48,905	56,781	58,354	59,516	56,328	49,053
55	58	59	74	76	82
39,676	41,212	42,964	45,206	47,600	50,049
51,199	54,177	56,781	58,413	61,030	63,698

CITY OF SURPRISE, ARIZONA

Capital Asset Statistics by Function

Last Ten Fiscal Years

	2016	2017	2018	2019
Function				
Public safety:				
Police:				
Stations	2	2	2	2
Patrol units	72	90	73	87
Fire:				
Fire stations	7	7	7	7
Fire engines and ladder trucks	12	12	13	13
Ambulances	1	3	4	5
Public works and transportation:				
Street miles	627	627	627	629
Street lighting improvement districts	107	123	132	146
Traffic Signals	50	50	50	52
Bridges	19	19	19	19
Community development:				
Inspection vehicles	10	11	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	33	33	33
Sewer:				
Sewer treatment plants	2	2	2	2
Maximum daily treatment capacity	18	18	18	18
Sanitation:				
Collection trucks	27	27	27	27

Sources: Various government departments.

2020	2021	2022	2023	2024	2025
2	2	2	2	2	2
87	87	74	83	77	80
7	7	8	8	8	9
13	13	15	14	14	15
5	5	5	6	6	6
630	665	688	700	682	779
155	156	159	161	168	172
58	61	61	65	67	74
21	21	21	21	21	21
11	13	14	15	17	18
393	393	393	406	406	421
12	12	12	13	13	14
2	2	2	2	2	5
11	11	11	11	11	11
21	21	21	21	21	21
3	3	3	3	3	3
34	30	30	30	30	30
2	3	3	3	4	4
18	20	20	20	21	21
27	28	28	35	35	35



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

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SURPRISEAZ.GOV/ACFR

FINANCE DEPARTMENT
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City of Surprise, Arizona
Single Audit Report
Year Ended June 30, 2025

City of Surprise, Arizona
Single Audit Report
For the Year Ended June 30, 2025

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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, 2025, 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 16, 2025. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences.*

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 were not 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 16, 2025

**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, 2025. 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, 2025.

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.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on City of Surprise, Arizona's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Surprise, Arizona's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness. However, as discussed below, we did identify a certain deficiency in internal control over compliance, that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on City of Surprise, Arizona's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Surprise, Arizona's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2025, and the related notes to the financial statements, which collectively comprise City of Surprise, Arizona's basic financial statements. We issued our report thereon dated December 16, 2025, which contained unmodified opinions on those financial statements. Our audit was performed 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 16, 2025

CITY OF SURPRISE, ARIZONA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Federal agency/Pass-through grantor/Program Title	Assistance Listing Number	Other Award ID Number	Program expenditures	Amount provided to subrecipients
U.S. Department of Housing and Urban Development				
Direct Programs				
CDBG–Entitlement/Special Purpose Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-24-MC-04-0514	$ 495,752	$ 245,940
Community Development Block Grants/Entitlement Grants - Program Income	14.218	B-24-MC-04-0514	62,822	50,258
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-04-0514	54,553	54,553
Total CDBG-Entitlement/Special Purpose Grants Cluster			613,127	350,751
COVID-19 Neighborhood Stabilization Program (Recovery Act Funded)	14.256	B-11-MN-04-0506	68,370	68,370
COVID-19 Neighborhood Stabilization Program (Recovery Act Funded) - Program Income	14.256	B-11-MN-04-0506	216,560	216,560
Passed through Maricopa County/the Maricopa HOME Consortium				
HOME Investment Partnerships Programs	14.239	C-22-21-092-X-03	86,265	82,530
HOME Investment Partnerships Programs	14.239	C-22-21-092-X-05	107,823	107,823
HOME Investment Partnerships Programs - Program Income	14.239	C-22-21-092-X-05	22,630	22,630
Total U.S. Department of Housing and Urban Development			**1,114,775**	**848,664**
U.S. Department of Justice				
Direct Programs				
Equitable Sharing Program	16.922	AZ0072700	22,664	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-23-GG-03068	15,839	-
Passed through City of Phoenix				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13429092	6,604	
Passed through Arizona Department of Public Safety				
Crime Victim Assistance	16.575	VOCA-2024-SPD-00158	32,414	-
Total U.S. Department of Justice			**77,521**	**-**
U.S. Department of Transportation				
Passed through City of Phoenix				
Transit Services Programs Cluster				
Enahnced Mobility of Seniors and Individuals with Disabilities	20.513	AZ-2025-013-00	114,432	
Total Transit Services Programs Cluster			114,432	-
Passed through Arizona Governor's Office of Highway Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	2024-AI-021	6,347	-
State and Community Highway Safety	20.600	2024-MC-003	7,836	-
State and Community Highway Safety	20.600	2024-PS-011	29,233	-
State and Community Highway Safety	20.600	2024-PTS-065	10,698	-
State and Community Highway Safety	20.600	2025-AI-017	13,739	-
State and Community Highway Safety	20.600	2025-MC-003	14,609	-
State and Community Highway Safety	20.600	2025-PTS-061	24,605	-
National Priority Safety Programs	20.616	2024-405b-009	19,565	-
National Priority Safety Programs	20.616	2024-405d-040	8,409	-
National Priority Safety Programs	20.616	2025-405b-011	18,391	-
National Priority Safety Programs	20.616	2025-405b-502	6,000	-
National Priority Safety Programs	20.616	2025-405d-040	48,955	-
National Priority Safety Programs	20.616	2025-405g-013	9,873	-
Total Highway Safety Cluster			218,260	-
Total U.S. Department of Transportation			**332,692**	-
U.S. Department of the Treasury				
Direct Programs				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLT-7753	1,477,350	-
Passed through Arizona Department of Public Safety				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2025-SPD-00054	120,730	
Passed through Maricopa County Human Services				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-23-077-X-00	509,984	471,006
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-24-024-X-00	256,746	208,882
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-22-084-X-00	3,225,168	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-22-110-X-05	169,396	-
Passed through Water Infrastructure Finance Authority of Arizona				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	WC1-050-2023	148,856	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	WC4-167-2024	88,547	-
Total U.S. Department of the Treasury			**$ 5,996,777**	**$ 679,888**

See accompanying notes to schedule.

Federal agency/Pass-through grantor/Program Title	Assistance Listing Number	Other Award ID Number	Program expenditures	Amount provided to subrecipients
U.S. Environmental Protection Agency				
Passed through Water Infrastructure Finance Authority of Arizona				
Clean Water State Revolving Fund	66.458	910210-23	$ 12,621,080	-
Total U.S. Environmental Protection Agency			**12,621,080**	**$ -**
U.S. Department of Energy				
Direct Programs				
Energy Efficiency and Conservation Block Grant Program	81.128	EECEQ-01092	178,140	
Total U.S. Department of Energy			**178,140**	
U.S. Department of Health and Human Services				
Direct Programs				
Congressional Directives	93.493	1 CE1HS52231-01-00	147,282	
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	2025-36-SUR	9,049	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2025-36-SUR	84,707	-
Total Aging Cluster			93,756	-
Passed through Maricopa County Human Services				
Low-Income Home Energy Assistance	93.568	C-22-22-110-X-05	210,533	-
Community Services Block Grant	93.569	C-22-22-110-X-05	8,000	
Community Services Block Grant	93.569	C-22-24-039-X-01	150,000	150,000
Total U.S. Department of Health and Human Services			**609,571**	**150,000**
U.S. Department of Homeland Security				
Passed through City of Glendale				
Assistance to Firefighters Grant	97.044	EMW-2023-FG-06309	22,823	
Passed through Arizona Department of Homeland Security				
Homeland Security Grant Program	97.067	220216-01	69,397	-
Homeland Security Grant Program	97.067	230822-01	6,468	-
Homeland Security Grant Program	97.067	230822-02	11,713	-
Homeland Security Grant Program	97.067	240821-01	12,376	-
Passed through Maricopa County Department of Emergency Management				
Securing the Cities Program	97.106	C-15-22-001-X-00	817	
Total U.S. Department of Homeland Security			**123,594**	**-**
Total Expenditures of Federal Awards			**$ 21,054,150**	**$ 1,678,552**

See accompanying notes to schedule.

City of Surprise, Arizona
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

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, 2025. 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.

15% 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, 2025
Community Development Block Grants/Entitlement Grants	14.218	$484,491

City of Surprise, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

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: Yes
- 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	Name of Federal Programs or Clusters
66.458	Clean Water State Revolving Fund

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

Auditee qualified as low-risk auditee: Yes

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

Findings and Questioned Costs Related to Federal Awards: Yes

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

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2025-001
Repeat Finding: No
Program Name/Assistance Listing Title: Clean Water State Revolving Fund
Assistance Listing Number: 66.458
Federal Agency: U.S. Environmental Protection Agency
Federal Award Number: 910210-23
Pass-Through Agency: Water Infrastructure Finance Authority of Arizona
Questioned Costs: N/A
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement: Procurement, Suspension and Debarment

Criteria
Non-Federal entities are prohibited from contracting with or making sub awards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR §180.220.

Condition
For one vendor reviewed, with whom the City spent more than $25,000, no documentation was retained for the verification of suspension and debarment.

Cause
There was no policy in place to ensure that verification of suspension and debarment was performed and documentation was retained.

Effect
The City was not in compliance with federal regulations and guidelines related to suspension and debarment or procurement. However, it was subsequently determined that the vendor utilized was not suspended or debarred.

Context
The City was unable to provide documentation verifying that one of two vendors utilized in the Clean Water State Revolving Fund program, was not suspended or debarred. The sample was not intended to be, and was not, a statistically valid sample.

Recommendation
The City should update its procurement policies to ensure the internal controls over suspension and debarment are in place to ensure compliance with federal procurement requirements.

Views of Responsible Officials
See Corrective Action Plan.

SURPRISE
ARIZONA

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

December 16, 2025

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The names of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

Sincerely,

Sandy Simmons
Finance Director

City of Surprise, Arizona
Corrective Action Plan
Year Ended June 30, 2025

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2025-001
Program Name/Assistance Listing Title: Clean Water State Revolving Fund
Assistance Listing Number: 66.458
Contact Person: Sandy Simmons, Finance Director
Anticipated Completion Date: January 30, 2026
Planned Corrective Action: The City will update our policy to ensure internal controls over suspension and debarment are in place to ensure compliance with federal procurement requirements. The policy will identify who is responsible for performing suspension and debarment reviews, timelines for when they are to be performed, and how records should be maintained for audit purposes.

December 16, 2025

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, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Surprise, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences,* for the year ended June 30, 2025. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences. The City's analysis of compensated absences in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

- The assumptions used in the actuarial valuations of the pension are based on historical trends and industry standards.

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

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, 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

Fraud Prevention Checklist

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

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

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

3. **To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?**
    - Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
    - Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
    - Are surprise fraud audits performed in addition to regularly scheduled audits?
    - Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

4. **Is the management climate/tone at the top one of honesty and integrity?**
    - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
    - Are performance goals realistic?
    - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
    - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

5. **Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

6. **Are strong anti-fraud controls in place and operating effectively, including the following?**
    - Proper separation of duties
    - Use of authorizations
    - Physical safeguards
    - Job rotations
    - Mandatory vacations

7. **Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

8. **Does the hiring policy include the following (where permitted by law)?**
    - Past employment verification
    - Criminal and civil background checks
    - Credit checks
    - Drug screening
    - Education verification
    - References check

9. **Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

10. **Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

11. **Are anonymous surveys conducted to assess employee morale?**

May 8, 2025

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

We are pleased to confirm our understanding of the services we are to provide for City of Surprise, Arizona (City) for the year ended June 30, 2025. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of City of Surprise, Arizona as of and for the year ended June 30, 2025.

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

The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

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

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole.

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

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

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

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

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

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP and report on the fairness of the supplementary information when considered in relation to the financial statements as a whole. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards.*

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

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

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

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

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

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

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs.

However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loos or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

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

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

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

1. Management override of controls
2. Improper revenue recognition

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

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

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

Audit Procedures – Compliance

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

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

Responsibilities of Management for the Financial Statements and Single Audit

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

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

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for the 12 months after the financial statement date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) and unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

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

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports.

Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

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

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

Planned Scope of the Audit

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

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

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

Timeliness of Financial Reporting and the Audit

One basic characteristic of financial reporting is timeliness, which indicates that if financial statements are to be useful, they must be issued soon enough after the reported events to affect decisions. Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had.

To maintain a timely approach, we expect to begin our audit in May 2025 and conclude audit procedures and date our report in December 2025. In order to meet this expected timeline, we require that all requests for the following significant audit areas be provided by October 2025. If these requests are not provided by the date indicated, it will result in delayed report issuance.

Significant audit areas include

- Compensated absence schedules (that adhere to GASB 101) – September 2, 2025
- Capital asset schedules – October 31, 2025
- Lease and SBITA documentation – October 31, 2025

Engagement Administration, Fees, and Other

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

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are made available for public inspection.

We understand that your employees will prepare all cash, accounts receivable or other confirmations we request and will locate any documents selected by us for testing.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication form us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we ware unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

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

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files

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

Heinfeld, Meech & Co., P.C. does not host any of the City's information. Sharefile is used solely to transmit data and is not intended to store the City's information. The City is solely responsible for downloading any deliverables and other records from Sharefile that the City wishes to retain for its own records at the completion of the engagement. If the engagement occurs over multiple years, the City should download such information at least annually. The data and deliverable and other records will either be removed from Sharefile or otherwise become unavailable to the City after the completion of the audit. If the engagement is multi-year, the completion of the engagement occurs each year when the deliverables for that year are delivered to the City.

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

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

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

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

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

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

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

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

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

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

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional advisory services, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement resulting in additional costs for the additional services provided. If additional time is necessary, we will discuss it with before we invoice the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - $288.40; Manager - $237.00; Senior - $165.00; Staff - $124.00.

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

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Honorable Mayor, Members of the City Council, and Management of the City. Circumstances may arise in which our reports may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

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

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2024 peer review report accompanies this letter.

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

Very truly yours,

Heinfeld Meech & Co. PC

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

cc: Andrea Davis, CFO/Deputy City Manager
Erick Martin, Assistant Finance Director
Rebecca Chitwood, Accounting Manager

RESPONSE

This letter correctly sets forth the understanding of City of Surprise, Arizona, including our agreement to the audit documentation deadline(s) established in the '*Timeliness of Financial Reporting and the Audit*' section above, and the potential for delayed issuance of the audit report.

Printed Name: Andrea Davis

Title: CFO/Deputy City Manager

Signature: Andrea Davis

Date: 05/08/2025

Report on the Firm's System of Quality Control

October 4, 2024

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

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2024. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

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

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

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

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

Opinion
In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2024, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Progress | RightSignature

SIGNATURE CERTIFICATE

REFERENCE NUMBER
9E5E22B5-9489-4B19-8AD0-0A788CB6120D

TRANSACTION DETAILS	DOCUMENT DETAILS
Reference Number 9E5E22B5-9489-4B19-8AD0-0A788CB6120D	**Document Name** Engagement Ltr FY25 Surprise City
Transaction Type Signature Request	**Filename** Engagement_Ltr_FY25_Surprise_City.pdf
Sent At 05/08/2025 08:02 MST	**Pages** 14 pages
Executed At 05/08/2025 13:37 MST	**Content Type** application/pdf
Identity Method email	**File Size** 433 KB
Distribution Method email	**Original Checksum** f009a3ee9dbbce447c354b5c0e598a658290fdb52296d02c488794d3ca096e61
Signed Checksum 190caed0e3f591e5be76e9e4dffe04cde05c7d808ee67829c32ccc77012dc085	
Signer Sequencing Disabled	
Document Passcode Disabled	

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
Name Andrea Davis	**Status** signed	**Viewed At** 05/08/2025 13:37 MST
Email andrea.davis@surpriseaz.gov	**Multi-factor Digital Fingerprint Checksum** 836a6aa7ae7277fb747592e2f6d3b30391f8c5f9756589d44fbf4edc2206419f	**Identity Authenticated At** 05/08/2025 13:37 MST
Components 4	**IP Address** 67.132.117.228	**Signed At** 05/08/2025 13:37 MST
	Device Microsoft Edge via Windows	
	Typed Signature Andrea Davis	
	Signature Reference ID 5B8453B1	

AUDITS

TIMESTAMP	AUDIT
05/08/2025 08:02 MST	Carri Corbett (carri.corbett@hm.cpa) created document 'Engagement_Ltr_FY25_Surprise_City.pdf' on Chrome via Windows from 76.134.178.164.
05/08/2025 08:02 MST	Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a link to sign.
05/08/2025 13:37 MST	Andrea Davis (andrea.davis@surpriseaz.gov) viewed the document on Microsoft Edge via Windows from 67.132.117.228.
05/08/2025 13:37 MST	Andrea Davis (andrea.davis@surpriseaz.gov) authenticated via email on Microsoft Edge via Windows from 67.132.117.228.
05/08/2025 13:37 MST	Andrea Davis (andrea.davis@surpriseaz.gov) signed the document on Microsoft Edge via Windows from 67.132.117.228.

SURPRISE
ARIZONA

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

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, 2025, 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. In addition, we believe:

    - The significant judgments made in making accounting estimates have considered all relevant information of which management is aware
    - The appropriateness and consistency of the measurement processes used by management in determining accounting estimates
    - That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action
    - That the disclosures related to accounting estimates, including those describing estimation uncertainty are complete and appropriate under GAAP
    - That, when necessary, appropriate specialized skills or expertise have been applied
    - That no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements
    - That for any accounting estimates not recognized or disclosed in the financial statements, management has decided to exclude them after considering the appropriate recognition and disclosure criteria in GAAP.

6. There are no known related-party relationships or transactions that need to be accounted for or 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. We have identified no unrecorded misstatements in the financial statements.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. 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.

12. 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 (SEFA).

13. 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.

14. 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.

15. 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.

16. 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.

17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18. 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

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. If applicable, we have taken timely and appropriate steps to remedy identified and suspected fraud, or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.

21. If applicable, we have a process to track the status of audit findings and recommendations.

22. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.

23. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

24. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

25. 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.

26. 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.

27. We have appropriately identified, recorded, and disclosed all leases in accordance with GASB Statement (GASBS) No. 87.

28. We have appropriately identified, recorded and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96.

29. We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASBS No. 101.

30. 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.

31. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements

32. 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.

33. 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.

34. 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.

35. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

36. 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.

37. The financial statements include all fiduciary activities required by GASBS No. 84, as amended.

38. The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.

39. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 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.

40. Components of net position (net investment in capital assets; restricted; and unrestricted) and classification of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

41. Investments are properly valued.

42. 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.

43. If applicable, provisions for uncollectible receivables have been properly identified and recorded.

44. Direct borrowings and direct placements of debt have been properly separated from other debt; and unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses have been properly disclosed.

45. 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.

46. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

47. 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.

48. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

49. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

50. If applicable, special and extraordinary items (unusual items or infrequent items after implementing GASBS No. 103), are appropriately classified and reported.

51. Deposits and investment securities are properly classified as to risk and are properly disclosed.

52. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

53. If applicable, the government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.

54. Asset retirement obligations associated with tangible capital assets have been properly recognized in accordance with GASBS No. 83.

55. Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.

56. 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.

57. 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.

58. 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.

59. 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.

60. With respect to the supplementary information on which in-relation-to opinions are issued, presented, such as the combining and individual fund financial statements and schedules, and the SEFA.

    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.

61. We acknowledge our responsibility for the other information included in the financial statements, such as the transmittal letter and statistical data.

    a. If applicable, with regard to the other information that will be included in the annual report that has not been obtained by you prior to the auditor's report date, we intend to prepare and issue the other information, as well as communicate the expected timing of issuance, and provide you with the final version of the document(s) when available and prior to the issuance of the annual report.

62. 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 SEFA 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, designing, implementing, and maintaining, and have established, designed, implemented, 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, or confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

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.

Sandy Simmons

_____ 12/16/2025

Sandy Simmons, Finance Director
City of Surprise, Arizona

Date

Erick Martin

_____ 12/16/2025

Erick Martin, Assistant Director-Accounting
City of Surprise, Arizona

Date

Progress | RightSignature

SIGNATURE CERTIFICATE

REFERENCE NUMBER
931E7537-419B-414B-A239-8BED55C311DB

TRANSACTION DETAILS	DOCUMENT DETAILS
Reference Number 931E7537-419B-414B-A239-8BED55C311DB	**Document Name** General Rep Single Audit 25 Surprise City
Transaction Type Signature Request	**Filename** General_Rep_Single_Audit_25_Surprise_City.pdf
Sent At 12/16/2025 02:25:56 PM EST	**Pages** 11 pages
Executed At 12/16/2025 02:53:46 PM EST	**Content Type** application/pdf
Identity Method email	**File Size** 298 KB
Distribution Method email	**Original Checksum** 5d51c0ab6a7b052abfbe6d0cea992867d4218875360383337821fc4534cced66
Signed Checksum 3519b22dc5dd407aa71aa49572ac1c5ff01937baa242aa81f4a25ee750627d35	
Signer Sequencing Disabled	
Document Passcode Disabled	

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
Name Sandy Simmons	**Status** signed	**Viewed At** 12/16/2025 02:30:07 PM EST
Email sandy.simmons@surpriseaz.gov	**Multi-factor Digital Fingerprint Checksum** 4f53cda18c2baa0c0354bb5f9a3ecbe5ed12ab4d8e11ba873c2f11161202b945	**Identity Authenticated At** 12/16/2025 02:53:46 PM EST
Components 2	**IP Address** 67.132.117.228	**Signed At** 12/16/2025 02:53:46 PM EST
	Device Microsoft Edge via Windows	
	Typed Signature Sandy Simmons	
	Signature Reference ID D7891FC1	
Name Erick Martin	**Status** signed	**Viewed At** 12/16/2025 02:28:26 PM EST
Email erick.martin@surpriseaz.gov	**Multi-factor Digital Fingerprint Checksum** 4f53cda18c2baa0c0354bb5f9a3ecbe5ed12ab4d8e11ba873c2f11161202b945	**Identity Authenticated At** 12/16/2025 02:29:13 PM EST
Components 2	**IP Address** 67.132.117.228	**Signed At** 12/16/2025 02:29:13 PM EST
	Device Microsoft Edge via Windows	
	Typed Signature Erick Martin	
	Signature Reference ID D8B0AA80	

AUDITS

TIMESTAMP	AUDIT
12/16/2025 02:25:56 PM EST	Emily Zamora (emily.zamora@hm.cpa) created document 'General_Rep_Single_Audit_25_Surprise_City.pdf' on Chrome via Windows from 199.117.84.122.
12/16/2025 02:25:57 PM EST	Sandy Simmons (sandy.simmons@surpriseaz.gov) was emailed a link to sign.
12/16/2025 02:25:57 PM EST	Erick Martin (erick.martin@surpriseaz.gov) was emailed a link to sign.
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12/16/2025 02:53:46 PM EST	Sandy Simmons (sandy.simmons@surpriseaz.gov) signed the document on Microsoft Edge via Windows from 67.132.117.228.

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, 2025. 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, 2025.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 16, 2025

City of Surprise, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2025

Annual Expenditure Limitation Report
Year Ended June 30, 2025

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Independent Accountant's Report

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of Surprise, Arizona for the year ended June 30, 2025, and the related notes to the report. The City's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System, in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Annual Expenditure Limitation Report referred to above is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System as described in Note 1.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
February 4, 2026

City of Surprise, Arizona
Annual Expenditure Limitation Report
Year ended June 30, 2025

Economic Estimates Commission expenditure limitation	$	1,572,829,021	
Amount subject to the expenditure limitation (total amount from Part II, line C)	$	375,280,949	
Amount under (in excess of) the expenditure limitation			$ 1,197,548,072

If excess expenditures are reported, provide an explanation here.
Delete all line item descriptions not used.

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

Signature of chief fiscal officer: Andrea Davis

Name and title: Andrea Davis, City Manager

Telephone number: (623)222-1335

Date: February 5, 2026

See accompanying notes to report.

City of Surprise, Arizona
Annual Expenditure Limitation Report
Year ended June 30, 2025

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the Reconciliation, line D	$ 365,262,194	$ 89,453,138	$ 27,899,659	$ 867,069	$ 483,482,060
B. Less exclusions claimed:					
Debt proceeds	4,667,899	15,091,061	-	-	19,758,960
Debt service requirements	9,257,569	5,681,883	-	-	14,939,452
Dividends, interest, and gains on the sale or redemption of investment securities	18,006,017	6,805,188	968,224	-	25,779,429
Trustee or custodian	-	-	-	867,069	867,069
Grants and aid from the federal government	8,433,070	-	-	-	8,433,070
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	470,684	-	-	-	470,684
Amounts received from the State of Arizona	2,225,911	-	-	-	2,225,911
Quasi-external interfund transactions	-	-	21,289,283	-	21,289,283
Highway user revenues in excess of those received in fiscal year 1979-80	9,582,482	-	-	-	9,582,482
Contracts with other political subdivisions	2,724,711	19,096	-	-	2,743,807
Refunds, reimbursements, and other recoveries	183,979	825,827	3,471	-	1,013,277
Prior years carryforward	-	-	1,097,687	-	1,097,687
Total exclusions claimed	55,552,322	28,423,055	23,358,665	867,069	108,201,111
C. Amounts subject to the expenditure limitation	$ 309,709,872	$ 61,030,083	$ 4,540,994	$ -	$ 375,280,949

If an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.

Delete all exclusion line item descriptions not used.

See accompanying notes to report.

City of Surprise, Arizona
Annual Expenditure Limitation Report
Year ended June 30, 2025

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	$ 371,769,231	$ 70,356,856	$ 28,797,709	$ 867,069	$ 471,790,865
B. Subtractions:					
1. Items not requiring use of current financial resources:					
a. Depreciation and amortization	-	19,246,740	-	-	19,246,740
d. Pension and other postemployment benefits (OPEB) expense	-	1,602,038	73,555	-	1,675,593
e. Claims incurred but not reported (IBNR)	-	-	2,825,860	-	2,825,860
g. Compensated absences	-	1,593,709	92,397	-	1,686,106
2. Expenditures of separate legal entities established under Arizona Revised Statutes	4,778,728	-	-	-	4,778,728
3. Required fees paid to the Industrial Commission of Arizona	-	-	398,674	-	398,674
4. Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception	1,728,309	-	-	-	1,728,309
6. Total subtractions	6,507,037	22,442,487	3,390,486	-	32,340,010
C. Additions:					
1. Principal payments on long-term debt	-	3,810,925	-	-	3,810,925
2. Amortization of bond premiums	-	231,452	-	-	231,452
4 Capital asset acquisitions	-	34,575,938	-	-	34,575,938
5. Amounts paid in the current year but reported as expenses in previous years:					
a. Claims previously recognized as IBNR	-	-	2,363,900	-	2,363,900
c. Compensated absences	-	1,413,861	65,378	-	1,479,239
6. Pension and OPEB contributions paid in the current year	-	1,506,593	63,158	-	1,569,751
` 8. Total additions	-	41,538,769	2,492,436	-	44,031,205
D. Amounts reported on Part II, line A	$ 365,262,194	$ 89,453,138	$ 27,899,659	$ 867,069	$ 483,482,060

Delete all subtraction and addition line item descriptions not used.

See accompanying notes to report.

Note 1 - Summary of significant accounting policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; the statement of cash flows for the proprietary funds and the statement of changes in fiduciary net position for the Fiduciary Funds.

Note 2

The exclusion claimed for debt service requirements on bonded indebtedness of $9,257,569 in the governmental funds consists of principal and interest payments of $6,505,000 and $2,752,569, respectively. The exclusion claimed for debt service requirements on bonded indebtedness of $5,681,883 in the enterprise funds consists of principal and interest payments of $3,810,925 and $1,378,856, respectively, and $492,102 in miscellaneous administrative expenses.

Note 3

The exclusions claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental, enterprise and internal service funds includes investment earnings expended of $18,006,017, $6,805,188, and $968,224, respectively, which are recorded as Interest Revenue in the fund financial statements.

Note 4

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

Federal Agency		
U.S. Department of Housing and Urban Development	$	1,114,775
U.S. Department of Justice		77,521
U.S. Department of Transportation		332,692
U.S. Department of the Treasury		5,996,777
U.S. Department of Energy		178,140
U.S. Department of Health and Human Services		609,571
U.S. Department of Homeland Security		123,594
Total	$	8,433,070

An additional $12,621,080 from the U.S. Environmental Protection Agency were excluded as debt proceeds as these funds were issued under a loan agreement.

Note 5

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

Governmental Funds		
Local Transportation Assistance II / Arizona	$	364,134
Smart & Safe - Police		400,000
Smart & Safe - Fire-Medical		359,100
Grants		592,489
Tourism		510,188
	$	2,225,911

Note 6

There are certain transactions that are recorded between the City's funds as if the transaction was with an entity external to the City. The Employee Healthcare Fund charged other funds $16,510,577 in order to meet the costs of providing health insurance claims coverage, plan administration, stop loss premiums and reserves. The Risk Management Fund charged other funds $3,768,000 to provide risk management, loss control and safety programs citywide. The Worker's Compensation Fund charged other funds $1,307,100. in order to meet the costs of providing worker's compensation claims coverage, plan administration, stop loss premiums and reserves. Only $1,010,706 of those charges were excludable in the current year.Excludable revenues expended in the current fiscal year for the Risk Management Fund totaled $4,852,274, resulting in the use of the prior year carryforward balance of $983,653. Excludable revenues expended in the current fiscal year for the Worker's Compensation Fund totaled $1,125,924, which is more than current year revenues by $114,034 resulting in the use of prior year carryforward

Note 7

The $2,743,807 exclusion claimed for contracts with other political subdivisions is made up of charges for services expended.

Note 8

The $470,684 exclusion claimed for grants, aid, contributions, or gifts from private agency is made up of charges for services expended.

Note 9

Highway user revenues for the current fiscal year were $11,820,291 which is $11,757,860 more than the highway user revenues received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled $9,582,482, which is less than current excludable revenues by $2,175,378, increasing the carryforward balance to $6,770,550.

Note 10

The exclusions claimed for refunds, reimbursements, and other recoveries includes recovery of prior year expenses of $126,474, $595,683, and $3,471 in the governmental, enterprise and internal service funds, respectively; miscellaneous refunds and reimbursements of $57,505 and $230,144 in the governmental and enterprise funds, respectively.

Note 11

The $1,602,038 and $73,555 subtraction amounts for pension and other post employment benefit (OPEB) expense in the enterprise funds and internal service funds, respectively, consists of changes in the net pension and OPEB assets and liabilities, and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise funds and internal service funds. The $1,506,593 and $63,158 addition amounts for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds and internal service funds.

	Enterprise funds	Internal service funds
Subtractions - Pension/OPEB Expense		
Pension expense	$ 1,667,584	$ 69,920
OPEB expense	(65,546)	3,635
Total	$ 1,602,038	$ 73,555
Additions - Pension/OPEB Contributions		
Pension contributions	$ 1,479,737	$ 62,041
OPEB contributions	26,856	1,117
Total	$ 1,506,593	$ 63,158

Note 12

The subtraction of $2,825,860 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the internal service funds. The addition of $2,363,900 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the internal service funds.

Note 13

The subtraction in the governmental funds of $4,778,728 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the City's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the governmental funds category in the fund financial statements:

Street Lighting Districts Fund		
Community development		$ 2,555,048
	Subtotal	$ 2,555,048
Marley Park Community Facility District Fund		
Culture and recreation		$ 211,300
Administrative charges		900
Principal payments on debt		825,000
Interest payments on debt and other charges		1,186,480
	Subtotal	$ 2,223,680
Total separate legal entities		$ 4,778,728

Note 14

The addition of $34,575,938 for the acquisition of capital assets in the enterprise funds is comprised of total capital asset increases of $71,211,713 less $35,869,613 in capital contributions and $766,162 in other non-cash items.

Note 15

The subtraction for required fees State law required the City to pay that are excluded from the city expenditure limitation consists of payments to the Industrial Commission of Arizona pursuant to A.R.S. §23-1703 for the Municipal Firefighter Cancer Reimbursement Fund, which were recorded as a $398,674 expenditure.

Note 16

The subtraction of $1,728,309 is the result of subscription-based IT arrangements at their inception.

Note 17

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. A summary of the accumulated revenue sources and their balances is shown in the table below:

Description	Balance 6/30/2024	Carryforward Added/(Used)	Balance 6/30/2025
Debt proceeds	$ -	$ 22,397,101	$ 22,397,101
Quasi-external interfund transactions	1,190,157	(1,097,687)	92,470
Highway user revenues in excess of those received in fiscal year	4,595,172	2,175,378	6,770,550
Total carryforward	$ 5,785,329	$ 23,474,792	$ 29,260,121

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City of Surprise

Audit Update

Year Ended June 30, 2025

Presented by:

Brittney Williams, CPA, CGFM
Engagement Partner

OUR TEAM



Brittney Williams

Personal Facts:
- Completed the Grand Canyon Rim2Rim in one day
- Ragnarian

Work Facts:
- Member of CalCPA RAB Committtee
- Member of the AICPA Peer Review Oversight task force (SME)
- Recipient of Advanced Single Audit Certificate from the AICPA
- Author of “Emotional Intelligence: Enhancing Your Leadership Skills”, in the Dec 2016 *AZ CPA* magazine



Emily Zamora
Audit Manager

Personal Facts:
- Board Game Collector
- Live Music Enthusiast

Work Facts:
- Recipient of Advanced Single Audit Certificate from the AICPA
- Specializes in municipalities
- Reviews of ACFRs for ASBO International’s Certificate of Excellence Program
- Meritorious Budget Award reviews for ASBO International

Standards to Guide the Audit



OMB Uniform Guidance 2 CFR 200 (UG)

- Federal Compliance Audit



Governmental Accounting Standards Board (GASB)

- Financial Reporting



AICPA Statements on Auditing Standards (SAS)

- General Audit Standards
- Working paper documentation
- Risk assessments



Government Auditing Standards (GAS)

- Auditing Standards particular to governmental entities
- Independence standards and requirements

Independent Auditor's Report

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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, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Accountant's Report

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Independent Accountant's Report

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

We have examined the City of Surprise, Arizona's (City) compliance as to whether highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City, were used solely for authorized transportation purposes during the fiscal year ended June 30, 2025. 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, 2025.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 16, 2025

Audit timeline FY 2025



Single Audit Report

* **Includes different elements**



Report on internal control for audit under *Government Auditing Standards*



Report on internal control and compliance for federal awards as required by the Uniform Guidance



Schedule of Expenditures of Federal Awards (SEFA)



Major federal programs tested and any findings noted



Prior year finding follow up

City of Surprise, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

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: Yes
- 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	Name of Federal Programs or Clusters
66.458	Clean Water State Revolving Fund

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

Auditee qualified as low-risk auditee: Yes

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

Findings and Questioned Costs Related to Federal Awards: Yes

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





Resources - GFOA's Elected Official's Guides

https://www.gfoa.org/eog



Internal Control
By Stephen J. Gauthier



Government Finance
By Girard Miller



Audit Committees
By Stephen J. Gauthier



Understanding the Fiscal Health of Your Community
By Brock, Cohen and Thomas

Resources for Elected Officials

Best Practice Pamphlets | E-books | Articles | On demand podcasts | Informative Resources



Government Finance Officers Association

https://www.gfoa.org/materials/topic/accounting-and-financial-reporting



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PEER REVIEW LETTER
AUDIT REPORT CARD
CONSULTING REPORT CARD
Heinfeld, Meech & Co., P.C. is a Certified Public Accounting firm that specializes in governmental and nonprofit accounting, auditing and consulting.
Founded in 1986, we have offices in Tucson, Scottsdale and Flagstaff, Arizona. Our success has been based on our focus on providing superior service and becoming a trusted advisor to our chosen niche. This is made possible with a team who is knowledgeable, enthusiastic and dedicated to client service. The national and local awards received for our excellent firm culture demonstrate our commitment to building the best team of professionals possible.
We strive to be an effective resource to our clients on a year-round basis. This dedication includes regularly publishing articles on topics related to governmental and nonprofit accounting. We also regularly offer trainings and conferences on current and upcoming issues faced by these industries.
AICPA Members
Recognized as experts in the field, we are frequently asked by many national and local industry organizations to share our expertise at their sponsored conferences and workshops. These include recent events sponsored by the American Institute of Certified Public Accountants (AICPA), Association of School Business Officials (ASBO), Arizona Society of CPAs, Government Finance Officers Association (GFOA), Association of Government Accountants (AGA), Native American Grant School Association (NAGSA), and many state societies.

Questions?





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Emily Zamora, CPA
Engagement Manager
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CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 3, 2026
Submitting Department: Finance
Staff Recommendations:

Contact Person: Sandy Simmons, Finance Director
District: Internal

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

Agenda Wording:
Consideration and action by City Council demonstrating compliance with A.R.S. § 41-1494 regarding prohibiting expending any public monies for the purpose of or requiring employees to engage in training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex, in accordance with A.R.S. § 9-481(H); Resolution #2026-23.

Motion:
I move to approve Resolution #2026-23.

Background:
In 2021 the Arizona Legislature enacted HB 2906 which requires the governing body of a city to demonstrate annual compliance with A.R.S. § 41-1494 which prohibits a city, town, county, or political subdivision from requiring employees to engage in training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex. Similarly, a city may not expend public monies on same.

Objective Analysis:
The Human Resources Director of the City of Surprise has verified that the City of Surprise has not required any employee to engage in training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex as defined by A.R.S. § 41-1494.

Policy Compliant:
The City is compliant with A.R.S. § 41-1494.

Financial Impact:
There is no financial impact as no public monies have been expended for this purpose.

Budget Impact:
There is no anticipated budget impact related to this item.

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

ATTACHMENTS:

1. HR Trainings Memo
2. 26.02.03 Res 2026-26 Compliance w ARS 41-1494 DRAFT_BAC Clean

SURPRISE
ARIZONA

HUMAN RESOURCES
CITY OF SURPRISE
16000 N. CIVIC CENTER PLAZA
SURPRISE, AZ 85374
T. 623·222·3500

Memorandum

From: Joesette Frausto, Director of Human Resources

Date: January 14, 2026

Re: Acknowledgement of Compliance with ARS 41-1494

The City of Surprise offers a variety of training programs in support of city policy and in compliance with state and federal law. As the Human Resources Director for the City of Surprise, I am familiar with mandated city-wide training. In compliance with ARS 41-1494, the City does not require employees to engage in any trainings, orientations, or therapies that present any form of blame or judgment on the basis of race, ethnicity, or sex. In addition to city-wide training presented by the Human Resources Department, I have confirmed that department specific trainings developed and delivered by the Police Department and the Fire Medical Department do not include training that violates the prohibition as defined by ARS 41-1494.

Joesette Frausto

RESOLUTION # 2026-23

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, DEMONSTRATING COMPLIANCE WITH A.R.S. § 41-1494 REGARDING PROHIBITING EXPENDING ANY PUBLIC MONIES FOR THE PURPOSE OF OR REQUIRING EMPLOYEES TO ENGAGE IN TRAINING, ORIENTATION, OR THERAPY THAT PRESENTS ANY FORM OF BLAME OR JUDGMENT ON THE BASIS OF RACE, ETHNICITY, OR SEX, IN ACCORDANCE WITH A.R.S. § 9-481(H).

WHEREAS, the Arizona Legislature enacted HB 2906 in 2021 which was codified in part as A.R.S. § 41-1494;

WHEREAS, A.R.S. § 41-1494 prohibits a city, town, county, or political subdivision from expending public monies for or requiring any employees to engage in training, orientation, or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex;

WHEREAS, pursuant to A.R.S. § 9-481(H), within 90 days of completing an audit pursuant to this section, the governing body of a city or town shall demonstrate compliance with A.R.S. § 41-1494; and

WHEREAS, the Human Resources Director of the City of Surprise has verified that the City of Surprise has not expended any public monies for the purpose of or required any employee to engage in training, orientation, or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex as provided in A.R.S. § 41-1494.

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

Section 1. The City Council hereby finds that the City of Surprise has complied with the provisions of A.R.S. § 41-1494, as applicable to the City.

Section 2. The City Council further finds that the City of Surprise has not expended any public monies for the purpose of or required any employees to engage in any training, orientation, or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex as provided in A.R.S. § 41-1494.

[S/GNATURES ON FOLLOWING PAGE]

APPROVED AND ADOPTED this _____day of _____, 2026.

Kevin D. Sartor, Mayor

Attest:

Approved as to form:

Kristi Passarelli, City Clerk

Jeffrey Murray, City Attorney