



SURPRISE
ARIZONA

City of Surprise, Arizona

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



CITY OF SURPRISE, ARIZONA

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

Prepared by:
Finance Department



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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	iv
Organizational Chart	ix
Mayor and City Council Members	x
Appointed Officials	xiv
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	4
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Net Position – Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	33
Statement of Fiduciary Net Position	35
Statement of Changes in Fiduciary Net Position	36
Notes to Financial Statements:	
1. Summary of Significant Accounting Policies	37
2. Cash and Investments	49
3. Receivables	54
4. Capital Assets	55
5. Developer Agreements	56
6. Significant Commitments	58
7. Long-term Debt & Other Payables	59
8. Pensions and Other Postemployment Benefits	68
9. Risk Management	88
10. Contingent Liabilities	90
11. Interfund Borrowing and Transfers	90
12. Fund Balance Classification	92
13. Deficit Fund Balances	93
14. Budget Basis of Accounting	93
15. Joint Venture	93
16. Subsequent Events	93

TABLE OF CONTENTS

	<u>Page</u>
<u>Required Supplementary Information:</u>	
Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability (Asset) – Cost-Sharing Plans	94
Schedule of Changes in the City's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans	95
Schedule of City Pension/OPEB Contributions	99
Notes to Pension/OPEB Schedules	102
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	
– General Fund	104
– General Government Development Fee Fund	106
– Highway User Revenue Fund	107
– Transportation Improvement Fund	108
Note to Required Supplementary Information	109
<u>Combining and Individual Fund Financial Statements and Schedules:</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	
– General Capital Projects Fund	110
– Debt Service Fund	111
Nonmajor Governmental Fund Descriptions	112
Combining Balance Sheet – Nonmajor Special Revenue Funds	114
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	118
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual	
– Grants Fund	122
– LTAF II/ALF Fund	123
– Municipal Court Enhancement Fund	124
– Municipal Court FARE Fund	125
– Municipal Court JCEF Fund	126
– Municipal Court MFTG Fund	127
– Neighborhood Revitalization Fund	128
– Net Premium Seating Fund	129
– SB1398 Fines Fund	130
– SPD DEA Fund	131
– SPD RICO Fund	132
– SPD Towing Fund	133
– Sports and Tourism Fund	134
– Smart & Safe Police Fund	135
– Smart & Safe Fire-Medical Fund	136
– Tourism Fund	137
– 163rd Ave Development Fee Fund	138

TABLE OF CONTENTS

	<u>Page</u>
<u>Combining and Individual Fund Financial Statements and Schedules (Concluded):</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	
– Fire Development Fee Fund	139
– Parks and Recreation Development Fee Fund	140
– Police Development Fee Fund	141
– Street Lighting Districts Fund	142
– Marley Park Community Facility District Fund	143
– Internal Service Fund Descriptions	144
– Combining Statement of Net Position – Internal Service Funds	145
– Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	146
– Combining Statement of Cash Flows – Internal Service Funds	147
STATISTICAL SECTION	
Financial Trends	
– Net Position by Component	149
– Changes in Net Position	151
– Fund Balances of Governmental Funds	155
– Changes in Fund Balances of Governmental Funds	157
– Governmental Activities Tax Revenues by Source	159
Revenue Capacity	
– Major Sources of Municipal Sales Tax	160
– Assessed and Estimated Actual Value of Taxable Property	162
– Property Tax Rates – Direct and Overlapping Governments	163
– Principal Property Taxpayers	165
– Primary Property Tax Levies and Collections	166
Debt Capacity	
– Ratios of Outstanding Debt by Type	167
– Ratios of General Bonded Debt Outstanding	169
– Direct and Overlapping Governmental Activities Debt	170
– Legal Debt Margin Information Unrestricted and Restricted	171
Demographic and Economic Information	
– Demographic and Economic Statistics	173
– Principal Employers	174
Operating Information	
– Full-time Equivalent City Government Employees by Function	175
– Operating Indicators by Function	176
– Capital Asset Statistics by Function	178



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INTRODUCTORY SECTION



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INTRODUCTORY SECTION

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



SURPRISE

ARIZONA

December 16, 2022

Members of the City Council and City Manager:

In accordance with the requirements of Arizona Revised Statutes (A.R.S.) § 41-1279.07, I am pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Surprise, Arizona (the City), for the fiscal year ended June 30, 2022. These financial statements are prepared and presented in conformity with generally accepted accounting principles in the United States (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the various funds of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information presented in this report based on internal controls established for this purpose. To provide a reasonable basis for making these representations, the City has established a framework of internal control that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Heinfeld, Meech and Co., P.C., a firm of licensed certified public accountants, has audited the City of Surprise's financial statements pursuant to A.R.S § 9-481. The audit is intended to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

An unmodified audit opinion denotes that the financial statements are presented fairly and in conformity with GAAP. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Heinfeld, Meech and Co., P.C. was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Uniform Grant Guidance.

The single audit report is issued separately from this ACFR. Copies are available online and upon request from the City's Finance Department.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

Surprise, located just 45 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded on May 17, 1938 by Flora Mae Statler who purchased and subdivided the original town site. The former small farming village now encompasses 108 square miles, including urban and commercial developments, ranches, industrial sites, and business parks. Surprise has grown from 500 residents to a city of over 140,000 people, evolving from a small town government to a regional governmental entity.

Surprise operates under the Council/Manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the Mayor and six Council Members. The Council is responsible, among other things, for passing ordinances, appointing committees, adopting the budget, and appointing the City Manager, the City Clerk, City Attorney, and the Presiding Judge. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for selecting department directors.

The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three elected alternately every two years. The Mayor is elected at large every four years, while the other Council members are elected by district.

The City of Surprise provides a full range of services, including police and fire protection, roadway maintenance and construction, recreational and cultural activities, as well as general administrative services. Sanitation, water, stormwater, ground ambulance, and sewer services are provided to many of the residents through the City's enterprise funds. The City provides street lighting for existing and new areas through legally formed street lighting districts. The City accounts for a non-profit corporation formed under Arizona Revised Statute, Title 10, designed to facilitate the acquisition and improvement of City property, and a community facilities district designed to provide funding for the construction and acquisition of certain public infrastructure improvements. These last three activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all three of these legally separate entities can be found in Note 1 section A. (1.A) in the Notes to the Financial Statements.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The budget preparation and adoption process is described in greater detail in the Notes to the Financial Statements. The budget is prepared by fund and by department and may be amended during the fiscal year in accordance with our budget amendment policy which can be found in the City's budget book.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City of Surprise operates.

Local Economy

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

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

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

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

Throughout the year, the city experienced residential population growth and significant residential and commercial permit activity. The city continues to exceed the statewide average in population growth and the trend is expected to continue based on the availability of land within the city's planning area. This results in a greater number of consumers and a larger proportion of state shared revenues. These have combined to result in a 14.1% increase in sales tax collections while state shared sales tax revenues increased by 3.6% over the previous year. The population and commercial square footage growth has been a factor in the improved economic performance for the city.

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

Long-Term Financial Planning

The City continues to plan for investment in maintaining facilities, infrastructure, and equipment that allow for the continued delivery of high quality services to the residents of Surprise.

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

Major Initiatives

On November 7, 2017, the voters of the City of Surprise approved three General Obligation Bond questions in the areas of Public Safety, Traffic Congestion Mitigation, and Pavement Preservation. The three questions represent ten capital improvement projects for a total authorized bond amount of \$59.5 million.

On May 15, 2018, the voters of the City of Surprise approved the acquisition of a local water company that operates in the City's northern planning area and future water service area. The acquisition will provide the City with the company's existing water infrastructure and grow the City's allocation of Colorado River water by more than 38%. The process for the acquisition of the water company has begun and is expected to be finalized within the next few years.

In fiscal year 2019, the City completed a five-year comprehensive utility rate study of the Water, Sewer, and Sanitation Funds. This study resulted in rates for the Water and Sewer funds remaining unchanged for next five fiscal years, 2020-2024. The study resulted in Sanitation Fund rates increasing from \$16.96 in fiscal year 2019 to \$23.70 in fiscal year 2024, an increase of 39.74%.

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

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

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

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

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

Relevant Financial Policies

The City of Surprise has adopted a comprehensive set of financial policies which are reviewed annually and updated as necessary.

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

Budgetary Controls

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

Awards and Acknowledgments

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

Acknowledgments

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

Respectfully submitted,



Andrea Davis
Chief Financial Officer

City of Surprise Organization Chart

September 27, 2022

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



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

Presiding Judge
Louis Frank Dominguez

City Clerk
Sherry Aguilar

City Auditor
Carol Holley

City Attorney
Robert Wingo

**Community
Development**
Lloyd Abrams

Fire-Medical
Tom Abbott

**Economic
Development**
Jeanine Jerkovic

**Human Service &
Community Vitality**
Seth Dyson

**Marketing &
Communications**
Virginia Mungovan

Police
Benny Piña

Public Works
Kristin Tytler

Finance
Andrea Davis

Human Resources
Donna Meuse

Sports & Tourism
Kendra Pettis

**Water Resource
Management**
Lee Lambert

**Arts, Culture & Library
(Acting)**
Kelsey Lamphier

**Emergency
Management**
Kimberly Campbell

**Information
Technology**
Tammie Hollowell

Parks & Recreation
Holly Osborn

Deputy City Manager
Tracy Montgomery

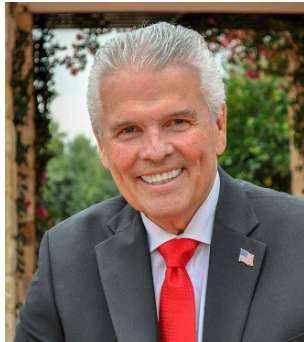
Deputy City Manager
Mike Gent

City Manager
Bob Wingenroth

Prepared by Office of City Manager

Mayor and City Council Members

MAYOR SKIP HALL – Mayor@surpriseaz.gov



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

He was first elected to the City Council in an April 2008 special election in District 6 (Palo Verde) and re-elected to office in 2009 to a full term. Redistricting placed him in the newly-configured District 5, and on August 27, 2013, he was elected to the District 5 seat. He was re-elected to that seat in the August 2018 Primary Election. He also served as Vice Mayor in 2011 and 2014. Hall was selected to serve as Mayor by the City Council in November 2018 to serve as Mayor of Surprise to fill a vacancy.

Prior to serving in politics and serving three years on the City of Surprise Planning and Zoning Commission, Hall spent several decades working in various capacities in the Hospitality and Real Estate industries. For three years, he was the Vice President of a new home builder and prior to that, he served 10 years as the Senior Vice President of a hospitality company based in Japan. Most of his professional career was spent opening and operating several restaurants and hotels along the west coast.

He has been part of the united Council effort that helped pull Surprise back to fiscal health over the last several years, generating a budget surplus and placing the City's fiscal house in order. Mayor Hall also played a proactive supporting role with initiating a Surprise youth initiative and initiated the annual Surprise Literacy Challenge with former Councilman John Williams.

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

He has served on a number of City Council Sub-Committees during his time on Council, as well as WESTMARC's Water & Energy Committee and the Valley Metro RPTA Board. Presently, Hall's regional service includes a position on the MAG Regional Council, MAG Transportation Policy Committee, and Luke West Valley Council. Hall is active with the AZ TechCelerator to promote business growth, the Mayor's veterans roundtable, and Chair of the Public Safety Personnel Retirement System. He grew up in Idaho and received a business degree from Seattle University. Skip is a Vietnam War Veteran and was awarded the Bronze Star for his outstanding service 1969-1970.

ROLAND WINTERS – Roland.Winters@surpriseaz.gov



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

Born and educated through high school in New Jersey, Winters earned a degree in Business Administration and Pre Law at Fullerton College in Fullerton, Ca. He earned a BA degree in Marketing Management from the University of California. Winters is also certified in the FEMA National Incident Management System (NIMS) 100 and 700 courses.

He worked thirty-five years at Hughes Air Craft Company in Fullerton, Ca. and also owned and operated a photo studio in Fullerton and Placentia, Ca. He served on the State Board of Directors for Californians for Disability Rights.

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

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

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

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



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

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

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

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

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

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

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

PATRICK DUFFY – Patrick.Duffy@surpriseaz.gov



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

Duffy is a Financial Advisor for First Financial Equity Corporation, and for nine years prior to his appointment to City Council, he worked part-time as a City of Surprise Recreation Leader. He has lived in Surprise for 11 years, four of them in D3. Duffy is currently a Board Member on WESTMARC, and also serves on City Council Subcommittees for Performance Evaluation Leaders; and the Tourism Fund. Duffy was a member of the Surprise Municipal Property Corporation Board, and through his city service, has been part of numerous Community and Recreation Services events, including

Spring Training support, Relay for Life events and Cal Ripken All-Star games. He holds a Bachelor of Arts in Political Science from Arizona State University.

Duffy's appointment to the D3 seat expired December 31, 2018. When the seat went to ballot, he was elected to serve out the remainder of the four-year term (two years) with an expiration of December 31, 2020. Duffy was re-elected for another four-year term in the August 2020 primary. His term will expire December 31, 2024.

KEN REMLEY – Ken.Remley@surpriseaz.gov



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

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

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

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

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

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

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

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

JACK HASTINGS – Jack.Hastings@surpriseaz.gov



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

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

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

CHRIS JUDD – Chris.Judd@surpriseaz.gov



Chris Judd was elected as the District 6 (DC6) Councilmember in the August 2018 Primary Election to serve a four-year term beginning January 1, 2019.

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

As an independent businessman and former owner and manager of local small businesses, Chris was very active with the Rotary Club of Surprise, and the Surprise Regional Chamber of Commerce. He served as the Rotary Club President in 2015-2016, and currently serves on the Board of Directors for the Rotary Club of Surprise Community Foundation.

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

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

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



City of Surprise Appointed Officials

City Manager

Bob Wingenroth

City Clerk

Sherry Aguilar

City Attorney

Robert Wingo

Presiding Judge

Louis Frank Dominguez



S U R P R I S E

A R I Z O N A



FINANCIAL SECTION - INDEPENDENT AUDITORS' REPORT



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FINANCIAL SECTION – INDEPENDENT AUDITORS’ REPORT

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

Financial Subsections

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



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Independent Auditor's Report

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

Report on Audit of Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of City of Surprise, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Surprise, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Surprise, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

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



SURPRISE

ARIZONA



FINANCIAL SECTION - MANAGEMENT'S DISCUSSION AND ANALYSIS



SURPRISE

ARIZONA



FINANCIAL SECTION - MANAGEMENT'S DISCUSSION AND ANALYSIS

The Financial Section is divided into five subsections. The second subsection is Management's Discussion and Analysis. This component of required supplementary information is used to introduce the basic financial statements and provide an analytical overview of the City's financial activities.



SURPRISE

ARIZONA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Surprise (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2022. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing a summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. Amounts presented may reflect some minor differences due to rounding. This analysis is meant to be read in conjunction with the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ❖ **Governmental Activities net position.** The City's net position increased 19.4% or \$119.8 million from \$618.4 million to \$738.2 million. This increase is attributable to an increase in revenue due to continued economic and population growth.
- ❖ **Business-Type Activities net position.** The City's net position increased by 6.5% or \$26.0 million from \$397.3 million to \$423.3 million. Continued growth in the City accounts for the increase, with \$22.9 million of the increase resulting from developer capital contributions.
- ❖ **Governmental Activities expenses** of \$189.5 million exceeded program revenues of \$135.1 million, a difference of \$54.5 million. The remaining \$54.5 million of expense represents the total burden each separate function places on the City, that is the total cost after deducting revenues charged or grants and contributions received specifically for these programs. This amount is covered by general governmental revenues net of transfers.
- ❖ **Business-Type Activities expenses** were \$60.0 million, while program revenues totaled \$87.2 million, a difference of \$27.2 million. The current year excess will be added to net position.
- ❖ **Component units.** The City includes two separate legal entities in its report: Marley Park Community Facilities District (CFD), and various Street Lighting Improvement Districts (SLID). Although legally separate, these "component units" are presented along with the City's financial statements (blended presentation). Blending component units is appropriate when they share a governing body with the primary government or when there is an exclusive benefit to the primary government. Each of the above mentioned component units meets these requirements. A more detailed description of these component units is available in Note 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 18-19 and 20-21) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 22. For government-wide financial statements, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The fiduciary statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 18. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities provide information about the City as a whole and about its activities in a way that helps answer this question. These statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

These two statements report the City's net position and/or changes in them. The City's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

The statement of net position and the statement of activities are divided into two kinds of activities:

- ❖ **Governmental activities** – Most of the City's basic services are reported here, including police, fire-medical, public works, parks and recreation, human services and community vitality, community development, economic development departments, and general administration.
- ❖ **Business-Type activities** – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City's ground ambulance services, water, sewer, sanitation, and stormwater systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 22 where the fund financial statements begin. These provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- ❖ **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. A description of the relationship

(or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is included in the reconciliations following the fund financial statements.

- ❖ **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City’s other programs and activities, specifically the City’s Employee Healthcare Fund, the Risk Management Fund, and the Workers’ Compensation Fund.
- ❖ **Fiduciary Funds** – The City is the fiduciary for the Flexible Spending Account. All of the City’s fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 35-36.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of June 30, 2022 and June 30, 2021.

City of Surprise's Net Position (in Millions)

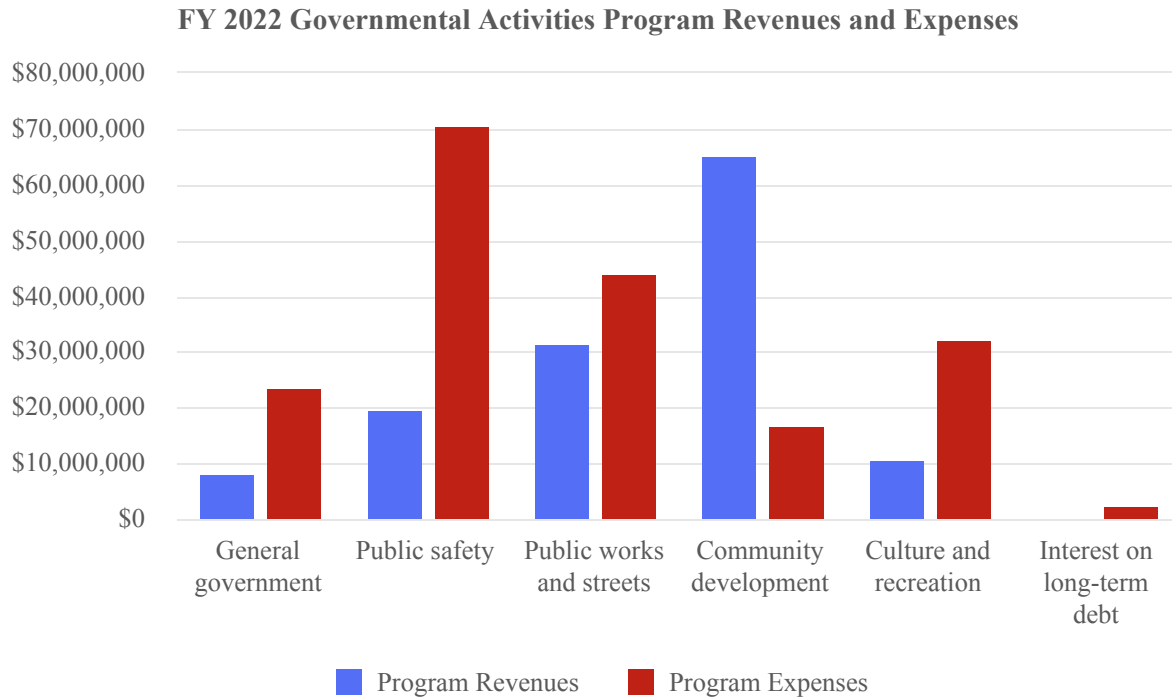
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	\$ 327.9	\$ 246.8	\$ 114.1	\$ 101.7	\$ 441.9	\$ 348.4
Capital assets, net	634.7	578.1	358.1	348.5	992.8	926.6
Total assets	962.5	824.8	472.2	450.2	1,434.8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

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

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

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

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

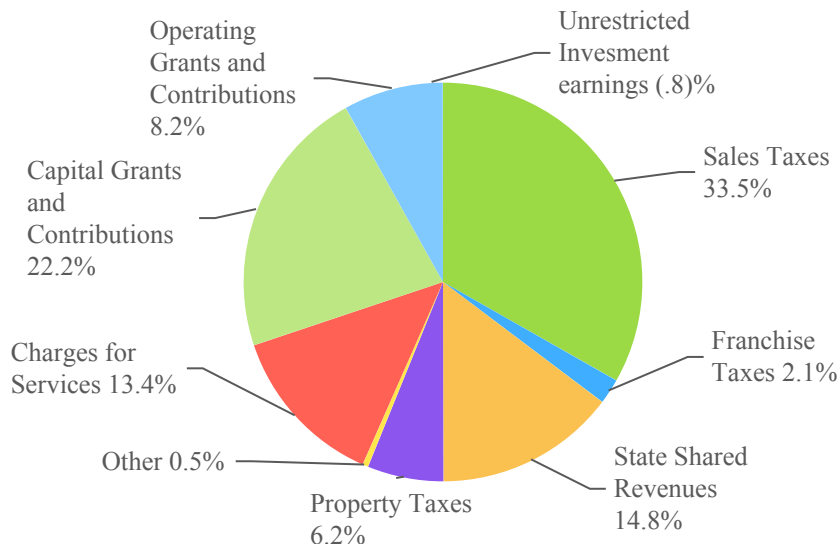


For fiscal year 2022, governmental activities program expenses exceeded program specific revenues by \$54.5 million. The remaining expenses were supported by general governmental revenues.

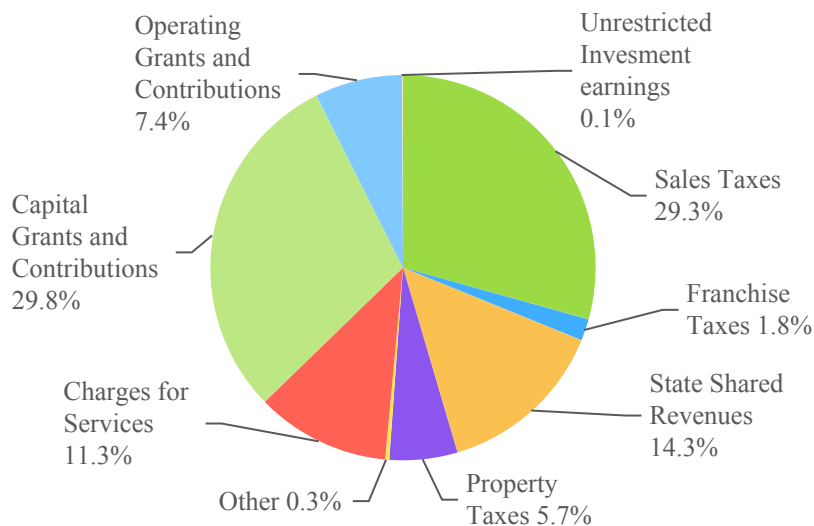
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 43.8% of total governmental revenues.
- ❖ Community oriented programs such as Public Safety (police, fire, and courts) and Culture and Recreation (parks, recreation, youth, and senior services) are subsidized by general governmental revenues. The City does not intend to charge for the total cost of these services directly.
 - Culture and Recreation often charges a fee for services it provides, but usually that fee does not cover the entire cost of the service.
- ❖ **Community Development** revenues come primarily from construction-related activities.
- ❖ **SLIDS** are Street Light Improvement Districts that charge a fee/tax to pay for the maintenance of light poles and the electricity used by neighborhood streetlights. Revenues and expenses for SLIDS are included in the public works and streets program.

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

FY 2022 Governmental Activities Revenues



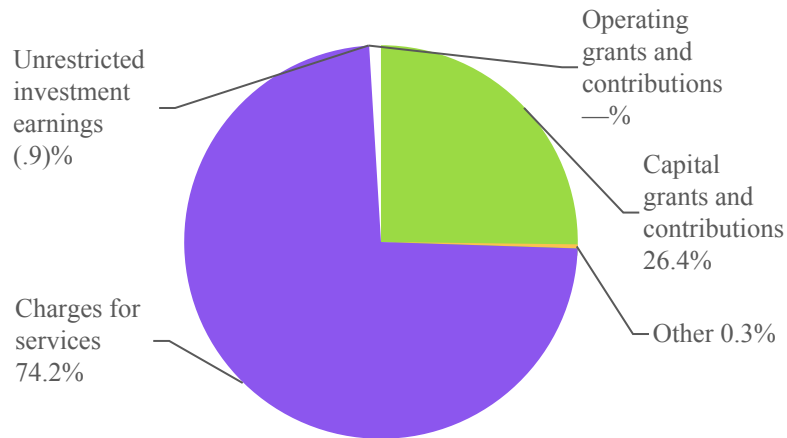
FY 2021 Governmental Activities Revenues



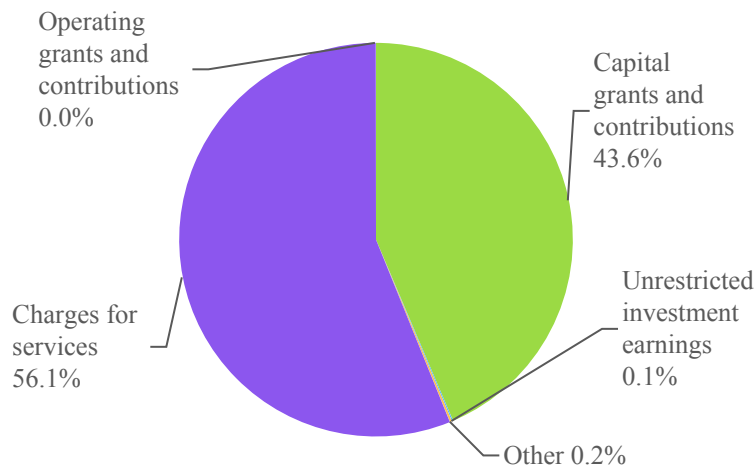
- ❖ The City's largest revenue source is sales tax revenue at \$103.4 million, followed by capital grants and contributions totaling \$68.6 million. Total governmental activities revenues decreased \$0.4 million from the prior year as a result of the following changes in revenue: Charges for services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

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

FY 2022 Business-Type Activities Revenues

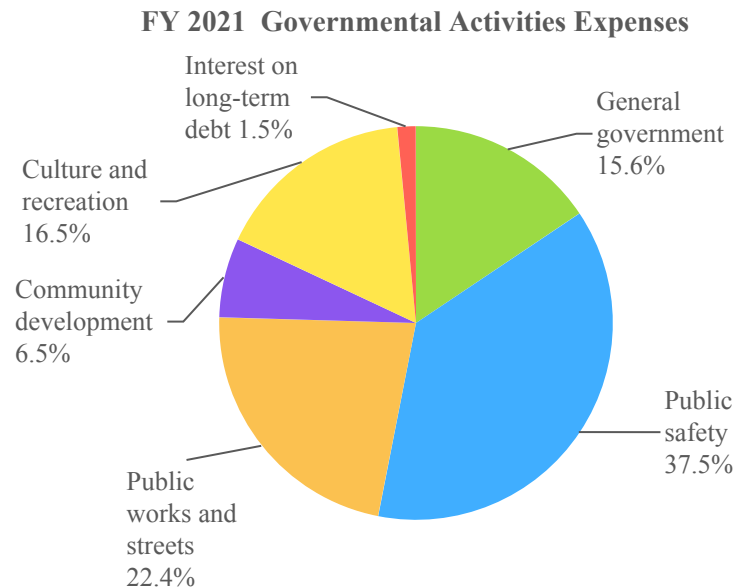


FY 2021 Business-Type Activities Revenues



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

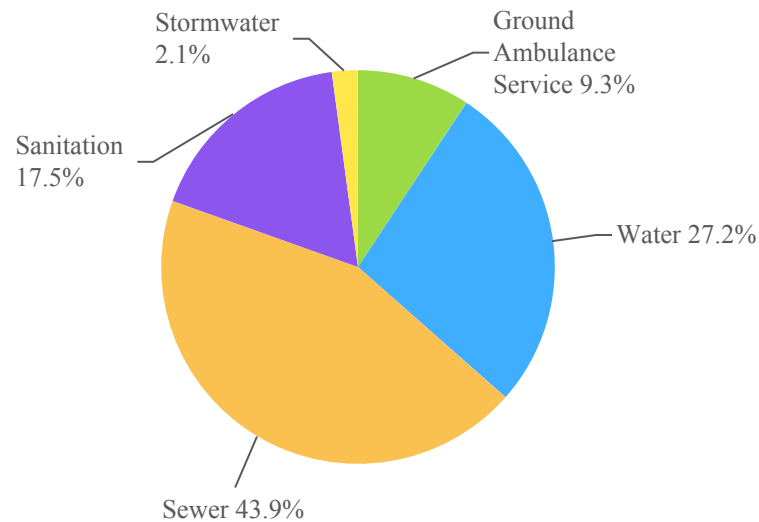
Governmental Activities expenses for the fiscal year ended June 30, 2022 totaled \$189.5 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



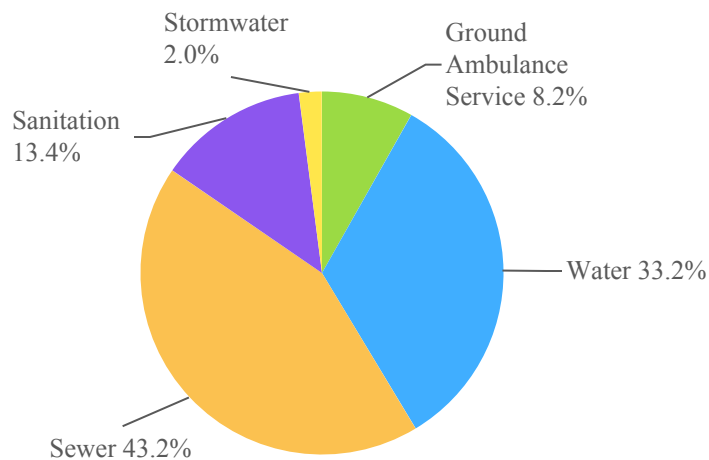
- ❖ Current year expenses increased by \$12.2 million or 6.9% as result of increases in personnel, supplies, and services. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest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

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

FY 2022 Business-Type Activities Expenses



FY 2021 Business-Type Activities Expenses



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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$57.4 million from \$200.2 million to \$257.6 million. The increase is attributed to continued economic strength, population growth, and grants. Of the total ending fund balance, \$2.2 million has been classified as nonspendable and is not available to meet future funding needs because it is not in spendable form or is legally or contractually required to be maintained intact. An additional \$39.2 million has been classified as restricted and consists of amounts restricted by external parties or as a result of the law. Of the remaining fund balance, \$45.0 million has been committed to recognize a specific council determined purpose which may not be used for another purpose without council's direction, but the purpose can be changed by council. There is \$108.7 million of fund balance which has been assigned to a specific purpose by the chief financial officer; these amounts may be used for other purposes than the currently assigned positions if the chief financial officer deems it necessary. Finally, there is an unassigned fund balance of \$62.4 million which can be used for any purpose.
 - The General Fund balance increased \$8.5 million. This change was the result of increases in property taxes, sales taxes, state shared revenues, intergovernmental revenues, grants and charges for services.
 - The General Capital Projects Fund balance increased \$35.0 million. This increase was due to a transfer of one-time revenue and savings from the General Fund.
 - The General Government Development Fee Fund contains \$4.4 million in advances from other funds and debt service obligations. The cash on hand in the fund is maintained to meet future debt service obligations in accordance with a settlement agreement. Any cash on hand in excess of the future debt service obligation shall be used to repay the advances from other funds.
 - The Transportation Improvement Fund balance increased \$5.1 million from \$13.2 million to \$18.3 million. This increase is the result of revenues exceeding expenditures.
 - The Nonmajor Governmental Funds fund balance increased \$7.4 million. The increase was due to an increase in taxes, intergovernmental revenues, and development fees.
- ❖ **Proprietary Fund** financial statements provide similar information contained in the government-wide financial statements but in more detail. Their results are discussed previously in the review of business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ❖ The original General Fund budget for expenditures was \$138.8 million. Budget adjustments throughout the year resulted in total budgeted expenditures of \$142.6 million. The \$3.9 million budget increase is mainly related to Public Safety costs due to overtime, increase in supplies and services and vehicle purchases.
- ❖ Actual General Fund expenditures totaling \$132.9 million was \$9.8 million less than the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

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

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

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

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

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

Outstanding Debt at Year-End (in Millions)

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

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

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

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

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

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

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

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

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the City of Surprise's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Chief Financial Officer at: 16000 North Civic Center Plaza, Surprise, Arizona 85374.



**FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**



SURPRISE

ARIZONA



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

City of Surprise, Arizona

Statement of Net Position

June 30, 2022

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

See accompanying Notes to Financial Statements

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

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

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

General revenues:

Property taxes

Sales taxes

Franchise taxes

Unrestricted State shared revenues

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (15,449,613)	\$ —	\$ (15,449,613)
(50,931,267)	—	(50,931,267)
(12,541,778)	—	(12,541,778)
48,421,187	—	48,421,187
(21,498,328)	—	(21,498,328)
(2,471,982)	—	(2,471,982)
(54,471,781)	—	(54,471,781)
—	352,370	352,370
—	17,090,703	17,090,703
—	2,848,152	2,848,152
—	2,590,741	2,590,741
—	4,338,846	4,338,846
—	27,220,812	27,220,812
(54,471,781)	27,220,812	(27,250,969)
19,263,163	—	19,263,163
103,406,232	—	103,406,232
6,424,278	—	6,424,278
45,691,294	—	45,691,294
(2,591,655)	(821,961)	(3,413,616)
1,420,878	282,092	1,702,970
702,041	(702,041)	—
174,316,231	(1,241,910)	173,074,321
119,844,450	25,978,902	145,823,352
618,388,453	397,281,565	1,015,670,018
\$ 738,232,903	\$ 423,260,467	\$ 1,161,493,370



S U R P R I S E

A R I Z O N A



**FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**



S U R P R I S E

A R I Z O N A



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS FUND FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The fourth subsection is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. The second component is comprised of the fund financial statements. These financial statements are presented on the basis of funds, in contrast to the government-wide financial statements.

City of Surprise, Arizona

Balance Sheet

Governmental Funds

June 30, 2022

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

See accompanying Notes to Financial Statements

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



SURPRISE

ARIZONA

City of Surprise, Arizona**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position**

June 30, 2022

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

See accompanying Notes to Financial Statements

City of Surprise, Arizona

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2022

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

See accompanying Notes to Financial Statements

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

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, 2022**

Net change in fund balances - total governmental funds		\$ 57,052,663
Amounts reported for governmental activities in the statement of activities net position are different because:		
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for capitalized assets	24,069,521	
Less current year depreciation	<u>(30,861,981)</u>	(6,792,460)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		
Capital contributions	58,743,417	
Disposals of assets	<u>(201,525)</u>	58,541,892
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(361,594)
Inventories are recorded using the purchases method in the governmental funds and an adjustment is made to record inventory using the consumption method for the statement of activities.		
Change in inventory		381,716
Governmental funds report City pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.		
Pension contributions	13,549,326	
Pension expense	<u>(8,935,047)</u>	4,614,279
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. There is the same effect with premiums, discounts and similar items when debt is first issued. These items are current finance resources or uses to governmental funds, whereas, the amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term liabilities and debt related items.		
Amortization of issuance premium	656,355	
Principal Paid	6,781,238	
Interest expense	(1,496)	
Lease proceeds	<u>(1,225,337)</u>	6,210,760

See accompanying Notes to Financial Statements

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.

Increase in compensated absences		(959,147)
----------------------------------	--	-----------

Internal service funds are used by management to charge the costs of employee healthcare, risk management, and workers' compensation. The net revenue of certain activities of the internal services funds is reported in the statement of activities.

Change in net position for the internal service funds (adjusted for interfund activity)	401,057	
Transfers	375,000	
		776,057

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

Governmental funds report City OPEB contributions as expenditures when made. However, in the statement of activities, OPEB expense is the cost of benefits earned adjusted for member contributions, the recognition of changes in deferred outflows, and inflows of resources related to OPEB, and the investment experience.

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

Change in net position of governmental activities		\$ 119,844,450
--	--	-----------------------

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

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

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

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

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

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

See accompanying Notes to Financial Statements

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

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

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

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

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

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

See accompanying Notes to Financial Statements

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

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

See accompanying Notes to Financial Statements



SURPRISE

ARIZONA



FINANCIAL SECTION - NOTES TO THE FINANCIAL STATEMENTS



SURPRISE

ARIZONA



Financial Section – Notes to the Financial Statements

The Financial Section is divided into five subsections. The fifth subsection is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. In addition to the government-wide and fund financial statements, the third component, the notes to the basic financial statements, are an integral part of the financial statements and include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.



S U R P R I S E

A R I Z O N A

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The City is located approximately 20 miles northwest of downtown Phoenix and was incorporated in 1960 under the provision of the Arizona Constitution. During 2003, the voters approved the Home Rule, an alternative expenditure limitation for budget years through June 30, 2007. City of Surprise voters approved an Alternative Expenditure Limitation (Permanent Base Adjustment) on November 7, 2006. The City is governed by an elected mayor, and a six-member council, and offers the following services: public safety (police, fire-medical, and court), highways and streets, sanitation, water, sewer, stormwater, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

Component Units

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

For the fiscal year ended June 30, 2022, the City had no discretely presented component units. Separately issued financial statements are not prepared for any of the component units.

Related Organizations

A related organization is one for which the primary government is not financially accountable even though the primary government appoints a voting majority of the organization's governing board.

Excluded Organizations

Although there are schools located within the geographic boundaries of the City, school districts are separate from the municipalities in which they are located, with their own elected officials and taxing powers. Consequently, this report does not include the activities of the area school districts.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Fund Financial Statements

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

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end and on behalf of the government are also recognized as revenue. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. General capital asset acquisitions are reported as expenditures. Issuances of general long-term debt and acquisitions under lease contracts are reported as other financing sources. Major governmental funds include the following:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***General Capital Projects Fund***, a capital projects fund, accounts for revenues and expenditures relating to the acquisition of capital items.

The ***General Government Development Fee Fund****, a special revenue fund, accounts for revenues and expenditures associated with general government development impact fees assessed to fund infrastructure and other expenditures for growth-related general government projects.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Proprietary and Fiduciary Funds

All proprietary and custodial funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues/additions are recorded when earned and expenses/deductions are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Major proprietary funds include the following:

The ***Ground Ambulance Services Fund**** accounts for ground ambulance services provided to patients in need of emergency medical services within the City.

The ***Water Fund*** accounts for the provision of the water treatment and distribution to residential and commercial customers of the City.

The ***Sewer Fund*** accounts for sanitary sewer services provided to the residential and commercial customers of the City.

The ***Sanitation Fund**** accounts for trash collection services provided to the residential and some commercial customers of the City.

The ***Stormwater Fund**** accounts for stormwater management services provided to the residential and commercial customers of the City.

* These funds have not met the criterion which mandates they be reported separately as major funds. However, the City has chosen to present these funds as major funds.

In addition, the City reports the following fund types:

Internal service funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The funds account for transactions of the City's internal insurance activities which includes general insurance, health insurance programs, and workers' compensation.

Custodial fund (not included in government-wide statements) accounts for employee contributions to their flexible spending accounts.

C. DEPOSITS AND INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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

D. RESTRICTED ASSETS

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

E. RECEIVABLES AND PAYABLES

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

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

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

F. INVENTORIES AND PREPAID ITEMS

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

G. CAPITAL ASSETS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Depreciation and amortization of capital assets is computed and recorded according to the straight-line method. Estimated useful lives of the various classes of depreciated and amortized capital assets are as follows:

Assets	Useful life (Years)
Buildings and improvements	20-50
Buildings and system	20-50
Improvements other than buildings	5-50
Equipment and vehicles	2-15
Intangibles	5-30
Infrastructure	5-50
Right-to-use lease assets:	
Land and land improvements	5-50
Buildings and improvements	5-50
Equipment and vehicles	2-15

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

H. DEFERRED OUTFLOWS OF RESOURCES

The City recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions, other post employment benefits (OPEB), and bond refunding.

I. COMPENSATED ABSENCES

Vested or accumulated Paid Time Off (PTO) leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated PTO leave that is not expected to be liquidated with expendable available financial resources is reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated PTO leave in proprietary funds and the government-wide statements is recorded as an expense and liability of those funds as the benefits accrue to employees. The internal service funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities schedule. For the governmental activities, the General Fund, Highway User Revenue Fund, Transportation Improvement Fund, the Employee Healthcare Fund, Worker's Compensation Fund, and the Risk Management Fund have been used in prior years to liquidate the compensated absences liability.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

NOTES TO THE FINANCIAL STATEMENTS

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. POSTEMPLOYMENT BENEFITS

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/ deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For the governmental activities, the General Fund, Highway User Revenue Fund, Transportation Improvement Fund, the nonmajor funds - SPD Towing Fund, Grants Fund, Neighborhood Revitalization Fund, Municipal Court FARE Fund, Municipal Court JCEF Fund, and the Municipal Court MFTG Fund; the Employee Healthcare Fund, Worker's Compensation Fund, and the Risk Management Fund have been used in prior years to liquidate the Pension and OPEB liabilities.

L. DEFERRED INFLOWS OF RESOURCES

The City recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions, other postemployment benefits (OPEB), and lease accounting, and in connection with receivables for revenues that are not considered to be measurable and available to liquidate liabilities of the current period.

M. FUND BALANCE

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as inventory or prepaid items, or because resources legally or contractually must remain intact.

Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantors, laws and regulations of other governments, or enabling legislation.

Committed fund balances are self-imposed limitations by the highest level of decision making authority, namely Mayor and City Council, prior to the end of the reporting period. Mayor and City Council approval is required to commit resources or to rescind the commitment through a City Council resolution. Only City Council can remove or change the constraints placed on committed fund balance through formal council resolution.

Assigned fund balances are limitations imposed internally by management based on the intended use of the funds. The City Council has designated the authority to assign amounts to be used for specific

NOTES TO THE FINANCIAL STATEMENTS

purposes to the Chief Financial Officer (CFO). Approval of the CFO is necessary to establish, modify or rescind an assignment of fund balance.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

N. MINIMUM FUND BALANCE

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

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

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

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

- i. Ten percent (10%) will be dedicated to an Emergency Reserve for unexpected, large-scale expenses resulting from events where immediate, remedial action must be taken to protect the health and safety of residents, all unassigned fund balance has been exhausted, and no amount previously appropriated by the City Council is otherwise available. Any use of the Emergency Reserve must be approved by the City Manager or designee. When this occurs, the City Manager shall provide a summary report to the City Council as soon as practical on the usage of these funds and have City Council approve any necessary budget amendments. At that time, the City Manager will also present a plan to restore the Emergency Reserve within the next fiscal year following the fiscal year in which the event occurred. For the year ended June 30, 2022 this balance totaled \$2.5 million.
- ii. Sixty percent (60%) will be dedicated to an Operating Reserve for unexpected events such as failure of the state to remit revenues to the City, loss of state shared revenues, or other impairment of a significant funding source for the remainder of the fiscal year. The Operating Reserve may also be used for unexpected mandates or other events that cause the City to incur unplanned expenses. The Operating Reserve allows for the continuance of critical City services due to these unanticipated events and is done so after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Operating Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan that projects to restore the Operating Reserve within

NOTES TO THE FINANCIAL STATEMENTS

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

iii. Thirty percent (30%) will be dedicated to a Stabilization Reserve to provide funding to offset reductions in revenues resulting from fluctuations in the economic cycle that cannot be otherwise absorbed by the operating budget. The reserve funds will provide time for the City to restructure its operations in a deliberate manner to ensure continuance of critical City activities and is used after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Budget Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Budget Stabilization Reserve within the three fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 the stabilization reserve totaled \$7.5 million.

General Capital Projects Fund - \$1.0 million

Transportation Improvement Fund - \$0.5 million

Tourism Fund - \$5,000

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

Street Light Improvement Districts Fund - SLIDs have a maximum levy limit of \$1.20 per \$100 of assessed valuation in accordance with A.R.S. 48-616. To the extent that the levy limit has not been exceeded, taxes will be levied at a rate that will approach an individual ending fund balance reserve of 5% of its budgeted annual expenses.

These minimum fund balance policies do not affect the presentation of fund balance on the face of the financial statements. The City is in compliance with its established minimum fund balance policies.

O. NET POSITION

The government-wide, proprietary and fiduciary fund financial statements present ending resources as net position. Net position is categorized to help signify their availability.

Net Investment in Capital Assets includes all capital assets of the City both depreciable and non-depreciable net of accumulated depreciation and outstanding debt balances attributable to the acquisition, construction or improvement of these assets. Net position in this category represents infrastructure of the City and is not available to meet the City's needs.

Restricted Net Position consists of amounts that have external restrictions imposed upon them by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Net position in this category represents amounts that are not available to meet the City's needs as they have been promised for other purposes.

Unrestricted Net Position represents amounts that have not been restricted for any project or other purpose. These amounts are available to meet any needs of the City. While unrestricted net position is technically available to be spent by the City, it is important to remember that the City has established

NOTES TO THE FINANCIAL STATEMENTS

financial policies that would prevent this. There are certain self-imposed criteria, such as maintaining a minimum operating fund balance that would further reduce the amount the City is willing to spend.

P. MINIMUM NET POSITION

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

The Ground Ambulance Service Fund will have a reserve as follows:

- i. The City will maintain an amount equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year for repair and replacement. For the year ended June 30, 2022 this balance totaled \$38,190.

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

- i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year's Council Adopted Budget for the Water Fund. For the year ended June 30, 2022 this balance totaled \$3,076,400.
- ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2022 this balance totaled \$2,635,239.
- iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total charges for services revenue. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 this balance totaled \$996,800.
- iv. The City will maintain a Resource Portfolio Reserve equal to fifteen percent (15%) of the total cost of delivery and capital charges for Municipal and Industrial water plus the Phoenix Active Management Area (AMA) Underground Storage charges multiplied by the total amount of the City's Central Arizona Project (CAP) allocation. For the year ended June 30, 2022 this balance totaled \$459,200.

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

- i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year's Council Adopted Budget for the Wastewater Fund. For the year ended June 30, 2022 this balance totaled \$3,420,300.
- ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2022 this balance totaled \$6,596,060.

NOTES TO THE FINANCIAL STATEMENTS

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

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

i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year's Council Adopted Budget for the Sanitation Fund. For the year ended June 30, 2022 this balance totaled \$2,022,000.

ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2022 this balance totaled \$252,925.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total revenues collected through charges for services. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2022 this balance totaled \$654,500.

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

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

i. The City will maintain an amount equal to the average budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the Stormwater Fund. For the year ended June 30, 2022 this balance totaled \$184,600.

ii. The City will maintain an amount equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year for repair and replacement. For the year ended June 30, 2022 this balance totaled \$112,819.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total revenues collected through charges for services. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Rate

NOTES TO THE FINANCIAL STATEMENTS

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

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

The Employee Healthcare Trust Fund (“Trust Fund”) will maintain an amount at a level which, together with purchased insurance policies (individual and aggregate stop loss), will adequately indemnify the City. The City has established an Adverse Times Reserve. The purpose of this reserve is to address cash flow needs caused by periods in which claim payments exceed projections. The target amount of this reserve is at least twenty-five percent (25%) of expected annual claims. If, at any time prior to the end of the fiscal year, the Trust Fund’s target reserve is met and fully funded for the entire fiscal year based on the original budget projections approved by the City Council, the Finance Director shall document such funding and, after consulting with the City Manager, may conduct an evaluation of the claims incurred by the Trust Fund year to date, and if fiscally and financially prudent based on the claims incurred, transfer from the City’s various operating funds only that portion of the employer premium necessary to cover actual claims incurred, such that the Trust Fund revenues are equal to the Trust Fund expenses, and the Trust Fund account experiences a zero change in net position. At all times the City will continue to transfer and deposit into the Trust Fund 100% of the monthly employee premiums collected.

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

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

Q. PROPERTY TAX

An annual primary tax levy is limited to an increase of two percent over the previous year’s maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year (Section 42-301, Arizona Revised Statutes). The two percent increase is based on the City’s “maximum allowable levy” for the prior year.

Property taxes are recognized as revenues in the year they are levied and collected, or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end, or collected in advance of the year-end for which they are levied, are reported as unavailable revenues.

The County levies real property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October, and becomes delinquent after the first business day in November. The second installment is due on the first day of March of the next year, and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter.

NOTES TO THE FINANCIAL STATEMENTS

R. GRANT REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

S. INTEREST REVENUE

Investment revenue is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment revenue is included in other local revenue in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

T. INTERFUND TRANSACTIONS

Interfund services provided or used are presented as revenues, expenditures or expenses. All other interfund transactions are reported as transfers.

U. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

V. LEASES

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

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

NOTE 2 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

NOTES TO THE FINANCIAL STATEMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City's deposits were \$214,856,438 and the bank balance was \$217,014,158. At year end, \$586,028 of the City's deposits were covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance, \$216,428,130, was fully collateralized. The collateral is held in the pledging bank's trust department in the name of the pledging bank.

A reconciliation of the bank balance to the City's deposit balance as of June 30, 2022 follows:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Credit Risk. The City's investments in securities included \$26,593,046 of government sponsored entity debt. At June 30, 2022, these investments were rated by Standard and Poor's at AA+, the money market mutual funds were rated at AAAm, and the Local Government Investment Pool was rated at AA Af. The City's formal investment policy limits investment choices to the following:

- (1) Certificates of deposit in eligible depositories that must be insured or fully collateralized;
- (2) Interest bearing savings accounts in banks and savings and loan institutions doing business in the State of Arizona whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository to the same extent and in the same manner as required under Arizona Revised Statute 35-323 (A);
- (3) The pooled investment funds established by the State Treasurer pursuant to Arizona Revised Statute 35-326;
- (4) Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities;
- (5) Bonds or other evidence of indebtedness of the State of Arizona or any of its counties, incorporated cities, towns, school districts, or special taxing districts, including registered warrants, substitute checks, and electronic funds transfers that bear interest pursuant to section Arizona Revised Statute 11-635;
- (6) Bonds, notes, evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district within the State of Arizona that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations that are rated "A" or the equivalent by a nationally recognized statistical rating organization; and
- (7) bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district in the State of Arizona to finance local improvements authorized by law that are rated "A" or the equivalent by a nationally recognized statistical rating organization.

Custodial Credit Risk – Investments. All of the City's security investments are held in the City's name. The City's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The City's investment policy places a limit on certain investment choices as follows:

- (1) Certificates of deposits have a 50% sector limit;
- (2) Bonds or other evidence of indebtedness of the State of Arizona or any of its counties, incorporated cities, towns, school districts, or special taxing districts, including registered warrants, substitute checks, and electronic funds transfers that bear interest pursuant to section Arizona Revised Statute 11-635 have a 40% sector limit and a 5% issuer limit;
- (3) Bonds, notes, evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district within the State of Arizona that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations

NOTES TO THE FINANCIAL STATEMENTS

that are rated “A” or the equivalent by a nationally recognized statistical rating organization have a 40% sector limit and a 5% issuer limit; and

- (4) Bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district in the State of Arizona to finance local improvements authorized by law that are rated “A” or the equivalent by a nationally recognized statistical rating organization have a 40% sector limit and a 5% issuer limit. All other eligible investment choices do not have a concentration limit placed on them by the City’s investment policy.

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

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

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

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

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

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, or inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

NOTES TO THE FINANCIAL STATEMENTS

Investments are measured as follows:

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

Cash Reconciliation to Financial Statements

The following reconciliations are provided to reconcile cash to the government wide and fund financial statements:

Government-wide Financial Statements

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

Fund Financial Statements

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES

The intergovernmental receivable of \$1,164,905, as reported in the statement of net position includes \$1,072,527 in highway user tax and \$92,378 in wildland fire reimbursements.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned.

The amounts reported in the governmental funds for the year ended June 30, 2022 are as follows:

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

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

The amounts reported in the proprietary funds for the year ended June 30, 2022 are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

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

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

Depreciation/Amortization was charged by function as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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

Depreciation was charged by function as follows:

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

NOTE 5 - DEVELOPER AGREEMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Infrastructure installed in connection with development agreements related to transportation will be reimbursed using a portion of sales tax collections as prescribed in the agreements. The total net reimbursable value for this infrastructure is \$71,691,632 at June 30, 2022. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-eight years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2022, \$3,954,189 had expired or been reimbursed, leaving a potential remaining balance of \$67,737,443.

Development agreements related to park infrastructure will be reimbursed using park impact fees. Total park infrastructure value conveyed is \$4,777,882. Depending on the terms of the specific agreement, this value is eligible for reimbursement through November 2030. Once an agreement expires, park impact fees are no longer eligible for developer reimbursement. As of June 30, 2022, the City has reimbursed \$900,475 leaving a potential balance remaining of \$3,877,407.

In addition, the City has entered into a number of developer agreements for infrastructure that has not yet been conveyed to the City. The total cost to be incurred under these agreements is currently indeterminable.

Tax Abatements

The City of Surprise participates in two tax abatement programs, foreign trade zones and a sales tax incentive program.

Foreign Trade Zones

The City of Surprise provides property tax abatements in any area of the City deemed to be foreign trade zone in accordance with Section 44-6501, Arizona Revised Statutes. The State of Arizona, any county, city or town within the state or a public or private corporation or any combination thereof can apply to the foreign trade zones board, United States Department of Commerce, for the right to establish, operate and maintain a foreign trade zone and subzones. For tax purposes, property in foreign trade zones is classified as class six property in accordance with Section 42-12006, Arizona Revised Statutes. The change in tax classification is administered by the County who levies and collects property taxes on the City's behalf. The property would otherwise be class one property. Class six foreign trade zones have a property tax assessment ratio of six percent compared to class one properties which have an assessment ratio of 18 percent. For fiscal year 2022, \$31,563 of property taxes were abated by this program.

Sales Tax Incentive Program

The City of Surprise administers a sales tax (transaction privilege tax) incentive program in accordance with Ariz. Rev. Stat. § 42-6010. The City has entered into agreements with specific businesses to return a portion of the sales tax generated by the business and paid to the Arizona State Department of Revenue.

NOTES TO THE FINANCIAL STATEMENTS

The City will return up to 50% of the sales tax generated by the business. The amount of taxes paid and returned is determined by the City's review of the monthly reports received from the Arizona State Department of Revenue. The exact amount of taxes abated during fiscal year 2022 cannot be disclosed in accordance with Ariz. Rev. Stat. § 42-2002.

The City has entered into a development agreement to reimburse developers for the construction of public infrastructure that will benefit the community. These reimbursements are paid over time from collections within a defined area. For the fiscal year ended June 30, 2022, the city reimbursed \$8,623,111.

NOTE 6 – SIGNIFICANT COMMITMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT & OTHER PAYABLES

PLEDGED REVENUE OBLIGATIONS

In 2015, the City of Surprise issued Pledged Revenue Obligations and Pledged Revenue Refunding Obligations secured by a pledge on excise tax revenues and state shared revenues. A portion of the issuance was for the purpose of refunding the former MPC Series 2003 Bonds, and the remainder was for the construction of stadium improvements.

The issuance requires excise tax and state shared revenues to be maintained at a minimum of 3.0 times the combined debt service requirement payable. The debt service coverage ratio at June 30, 2022 (revenues to debt service payable) is 44.1.

The Pledged Revenue Obligations, Series 2015, were issued in the amount of \$17,385,000, and have an outstanding principal balance at June 30, 2022 of \$10,645,000. Proceeds of these obligations are designated for the construction of stadium improvements. The obligations are payable solely from pledged revenues and are payable through 2030. Principal and interest payments and pledged revenues for the current year were \$1,584,800 and \$186,992,086, respectively. Next year's principal and interest payments of \$1,585,800 constitute approximately .8% of the current year pledged revenue.

The Pledged Revenue Refunding Obligations, Series 2015, were issued in the amount of \$19,280,000 and have an outstanding principal balance at June 30, 2022 of \$4,930,002. The proceeds of these obligations were used to refund (extinguish the debt) of the former MPC Series 2003 Bonds and pay costs of issuance. The refunding obligations are payable solely from pledged revenue and mature in 2024. Principal and interest payable and pledged revenues for the current year were \$2,651,000 and \$186,992,086, respectively. Next year's principal and interest payments totaling \$2,651,500 constitute approximately 1.4% of current year pledged revenue.

In August 2018, the City of Surprise issued Senior Lien Utility System Revenue Refunding Obligations, Series 2018, secured by a pledge of revenues of the system, which are revenues (including any unrestricted fund balances of the System) remaining after deducting operation expenses. A portion of the proceeds of the obligations, together with other legally available funds of the City, were placed in a trust fund which fully defeased the City of Surprise Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Revenue Bonds, Series 2007, on October 1, 2018.

The Senior Lien Utility System Revenue Refunding Obligations, Series 2018, were issued in the amount of \$25,255,000, and have an outstanding principal balance at June 30, 2022 of \$21,270,000. The refunding obligations have interest rates that range between 4%-5%, are payable solely from pledged revenue, and mature in 2036. Principal and interest payable and pledged revenues for the current year were \$2,150,250 and \$17,326,318, respectively. Current year pledged revenue equals approximately 806 percent of next year's principal and interest payments, which total \$2,148,500.

The issuance requires pledged revenues to be at least 175 percent of the Parity Lien Test Debt Service. Parity Lien Test Debt Service is the highest aggregate Principal Requirement and Interest Requirement of all Series 2018 Senior Lien Utility System obligations and additional Utility System obligations then outstanding, to fall due and payable in the current or any future Bond Year. At June 30, 2022 the Parity Lien Test Debt Service is \$2,952,177 and pledged revenues are \$17,326,318. The current year ratio is 587 percent of the Parity Lien Test Debt Service.

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

NOTES TO THE FINANCIAL STATEMENTS

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

GENERAL OBLIGATIONS

The City of Surprise has two issues of General Obligation Bonds, secured by secondary property taxes, which are currently outstanding. The Bonds are issued pursuant to the Arizona Constitution and laws of the State of Arizona, including particularly Title 35, Chapter 3, Article 3, Arizona Revised Statutes, and a vote of the qualified electors of the City at an election held on November 7, 2017 (the "Election"), and a resolution authorizing issuance of the Bonds adopted by the Mayor and Council of the City on April 3, 2018 (the "Bond Resolution"). The Bonds were issued for the purpose of paying for certain facilities improvements including a Fire Station, an Evidence and Readiness Center, a Public Works Operations Facility, and road projects including improvements to Greenway, Litchfield, and Waddell Roads, and the costs of issuance of the Bonds.

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

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

COMMUNITY FACILITIES DISTRICT BONDS AND NOTES

Community Facilities District (CFD) Bonds and Notes are special purpose government entity debt which the City Council and District Board may issue under Arizona law to (among other things) acquire and improve public infrastructure.

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

In October 2017, Marley Park Community Facilities District directly borrowed \$3,000,000 through new general obligation notes. These new note funds were used for the cost of issuance as well as the acquisition of infrastructure. These notes have an interest rate of 2.690% with final maturity occurring in 2032. The notes contain a gross up provision in the event they become taxable due to actions or omissions of the District. In such a case the taxable rate would be 4.14% and would be effective as of the date of a final determination of the Internal Revenue Service or a court of competent jurisdiction, or an opinion of a nationally recognized bond counsel selected by the lender.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Long-term debt as of June 30, 2022 is comprised of the following:

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

City of Surprise General and Revenue Obligations	Long-Term Debt Outstanding
2015, Pledged Revenue Obligation (issued June 23, 2015) due in annual installments of \$1,025,000 to \$1,505,000 through July 1, 2030; interest at 3 percent to 5 percent. Original issue amount \$17,385,000	\$ 10,645,000
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$2,185,000 to \$2,525,000 through July 1, 2024; interest at 3 percent to 5 percent. Original issue amount \$19,280,000. 69.75 percent of this issue pertains to governmental activities	3,438,677
Total 2015 Pledged Revenue Obligation	14,083,677
2015, Pledged Revenue Revenue Obligations, Issuance Premium	1,290,141
2018, General Obligation Bonds, (issued May 9, 2018) due in annual installments of \$1,205,000 to \$2,400,000 through July 1, 2038; interest at 3 percent to 5 percent. Original issue amount of \$37,730,000	29,880,000
2018, General Obligation Bonds, Issuance Premium.	1,806,000
2020, General Obligation Bonds, (issued September 30, 2020) due in annual installments of \$260,000 to \$3,010,000 through July 1, 2028; interest at 2 percent to 4 percent. Original issue amount of \$17,460,000	13,345,000
2020, General Obligation Bonds, Issuance Premium	1,536,591
Total General and Revenue Obligations	\$ 61,941,409
Community Facilities District General Obligation Bonds and Notes	Long-Term Debt Outstanding
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, due in annual installments of \$385,000 to \$665,000 through July 15, 2041; interest from 2 to 4%. Original issue amount \$11,365,000 of which \$4,800,000 was new issuance and \$6,565,000 was refunding obligations	\$ 9,950,000
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, Issuance Premium	205,620
2017 Marley Park Community Facilities District General Obligation Notes, directly placed borrowing, due in annual installments of \$185,000 to \$245,000 through July 15, 2032; interest at 2.690%. Original issue amount \$3,000,000	2,200,000
2019 Marley Park Community Facilities District General Obligation Bonds, due in annual installments of \$50,000 to \$1,260,000 through July 15, 2044; interest from 3% to 4%. Original issue amount \$8,470,000	8,200,000
2019 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	36,162
Total Community Facilities Districts General Obligation Bonds and Notes Outstanding	20,591,782
Total Bonds and Notes Payable Recorded in Governmental Activities	\$ 82,533,191

NOTES TO THE FINANCIAL STATEMENTS

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

Revenue Obligations	Long-Term Debt Outstanding
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$2,185,000 to \$2,525,000 through July 1, 2024; interest at 3% to 5%. Original issue amount \$19,280,000. 30.25% of this issue pertains to business-type activities	\$ 1,491,325
2015, Pledged Revenue Refunding Obligation, Issuance Premium	156,305
2018, Senior Lien Utility System Revenue Refunding Obligations (issued August 7, 2018) due in installments of \$985,000 to \$2,045,000 through July 1, 2036; interest from 4% to 5%. Original issue amount \$25,255,000	21,270,000
2018, Senior Lien Utility System Revenue Refunding Obligations, Issuance Premium	3,240,321
Total Bonds Payable Recorded in Business-type Activities	26,157,951
Total Long-Term Bonds Payable	\$ 108,691,142

NOTES TO THE FINANCIAL STATEMENTS

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

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within 1 Year
Governmental activities					
Bonds and notes payable:					
City of Surprise, Series 2015 Pledged revenue obligations \$28,701,375 (\$36,665,000 issued)	\$ 16,760,952	\$ —	\$ (2,677,275)	\$ 14,083,677	\$ 2,812,488
City of Surprise, Series 2018 General obligations \$37,730,000	31,145,000	—	(1,265,000)	29,880,000	1,330,000
City of Surprise, Series 2020 General obligations \$17,460,000	15,480,000	—	(2,135,000)	13,345,000	2,280,000
For issuance premium 2015	1,586,560	—	(296,419)	1,290,141	—
For issuance premium 2018	1,863,499	—	(57,499)	1,806,000	—
For issuance premium 2020	1,816,451	—	(279,860)	1,536,591	—
Community Facilities District					
Series 2016 Bonds \$11,365,000 issued	10,345,000	—	(395,000)	9,950,000	405,000
Series 2017 Direct Placement Note \$3,000,000 issued	2,390,000	—	(190,000)	2,200,000	195,000
Series 2019 Bonds, \$8,470,000 issued	8,250,000	—	(50,000)	8,200,000	55,000
For issuance premium 2016	226,553	—	(20,933)	205,620	—
For issuance premium 2019	37,806	—	(1,644)	36,162	—
Leases payable	4,870,419	1,225,337	(68,963)	6,026,793	77,568
Total bonds and notes payable	94,772,240	1,225,337	(7,437,593)	88,559,984	7,155,056
Compensated absences payable	8,359,564	6,030,827	(5,048,500)	9,341,891	3,643,337
Contracts and developer payable	8,666,397	6,158,727	(4,260,233)	10,564,891	10,564,891
Claims payable	2,060,114	15,733,189	(14,866,137)	2,927,166	2,393,136
Total governmental activities long-term liabilities	<u>\$ 113,858,315</u>	<u>\$29,148,080</u>	<u>\$ (31,612,463)</u>	<u>\$ 111,393,932</u>	<u>\$ 23,756,420</u>
Business-type activities					
City of Surprise, Series 2015 Pledged revenue obligations \$5,278,625 (\$36,665,000 issued)	\$ 2,184,050	\$ —	\$ (692,725)	\$ 1,491,325	\$ 727,513
Senior Lien Utility System Revenue Refunding Obligations, Series 2018	22,305,000	—	(1,035,000)	21,270,000	1,085,000
For issuance premium 2015	234,458	—	(78,153)	156,305	—
For issuance premium 2018	3,471,772	—	(231,451)	3,240,321	—
Total bonds payable	28,195,280	—	(2,037,329)	26,157,951	1,812,513
Compensated absences payable	1,117,300	916,778	(715,005)	1,319,073	514,439
Contracts and developer payable	2,525,338	1,550,329	(1,505,854)	2,569,813	1,545,926
Total business-type activities long-term liabilities	<u>\$ 31,837,918</u>	<u>\$ 2,467,107</u>	<u>\$ (4,258,188)</u>	<u>\$ 30,046,837</u>	<u>\$ 3,872,878</u>

NOTES TO THE FINANCIAL STATEMENTS

The City's outstanding bonds had the following ratings:

Description	Fitch Rating	Standard & Poor's Rating
City of Surprise, Arizona, Pledged Revenue and Revenue Refunding Obligations SERIES 2015	AAA	AA+
City of Surprise, Arizona, General Obligation Bonds SERIES 2018	Not rated	AA
City of Surprise, Arizona, General Obligation Bonds SERIES 2020	Not rated	AA
City of Surprise, Arizona, Senior Lien Utility System Revenue Refunding Obligations SERIES 2018	Not rated	AA+
Marley Park Community Facilities District General Obligation Bonds SERIES 2019*	Not rated	AA
Marley Park Community Facilities District General Obligation Bonds SERIES 2017	Not rated	Not rated
Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds SERIES 2016*	Not rated	AA

* Insured by Building America Mutual

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30	Business-Type Activities					
	Refunding/Stadium Imp 2015		Sr. Lien Utility System Revenue Refunding 2018		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 727,513	\$ 74,566	\$ 1,085,000	\$ 1,063,500	\$ 1,812,513	\$ 1,138,066
2024	763,812	38,190	1,140,000	1,009,250	1,903,812	1,047,440
2025	—	—	1,195,000	952,250	1,195,000	952,250
2026	—	—	1,255,000	892,500	1,255,000	892,500
2027	—	—	1,320,000	829,750	1,320,000	829,750
2028-2032	—	—	7,655,000	3,090,750	7,655,000	3,090,750
2033-2036	—	—	7,620,000	975,500	7,620,000	975,500
Total	<u>\$ 1,491,325</u>	<u>\$ 112,756</u>	<u>\$ 21,270,000</u>	<u>\$ 8,813,500</u>	<u>\$ 22,761,325</u>	<u>\$ 8,926,256</u>

Contracts Payable

General Government Activities

A balance of \$10,564,891 is owed based on improvements and deposits paid toward improvements made by developers per development agreements for various infrastructure items the City will own, and amounts owed to contractors for the retainage of on-going projects.

Business Type Activities

A balance of \$2,569,813 is owed based on improvements made by developers per development agreements for various equipment and infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Legal Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the net assessed full cash value of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities. Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent of the City's net assessed full cash value of the taxable property of the city. The following summarizes the City of Surprise, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2022:

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

NOTES TO THE FINANCIAL STATEMENTS

LEASES

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS) for police officers and firefighters, and the Elected Officials Retirement Plan (EORP) for elected officials and judges. The plans are component units of the State of Arizona.

At June 30, 2022, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

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

The City reported accrued payroll and employee benefits of \$909,549 for outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2022. Also, the City reported \$8,718,535 of pension and OPEB expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System

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

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

NOTES TO THE FINANCIAL STATEMENTS

Arizona State Retirement System

	Retirement Initial membership date	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

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

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

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

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

In addition, the City was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-

NOTES TO THE FINANCIAL STATEMENTS

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

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

Liability/(Asset) — At June 30, 2022, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

ASRS	Net Pension/OPEB (asset) liability
Pension	\$ 49,671,464
Health insurance premium benefit	(1,880,770)
Long-term disability	78,871

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

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The City's proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources — At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Year ending June 30	Pension	Health insurance premium benefit	Long-term disability
2023	\$ (58,223)	\$ (312,606)	\$ (14,225)
2024	267,270	(299,694)	(13,276)
2025	(3,469,349)	(328,621)	(15,249)
2026	(5,423,317)	(363,205)	(23,515)
2027	—	(29,453)	(8,570)
Thereafter	—	—	(33,220)

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9–8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

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

NOTES TO THE FINANCIAL STATEMENTS

The long-term expected rate of return on ASRS plan investments was determined to be 7.5% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-term expected geometric real rate of return
Equity	50%	4.90%
Credit	20%	5.20%
Interest rate sensitive bonds	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount rate — At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0%, which was a decrease of 0.5% from the discount rate used as of June 30, 2020.. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the City's proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate — The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Public Safety Personnel Retirement System

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

NOTES TO THE FINANCIAL STATEMENTS

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

PSPRS	Initial membership date:		
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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

PSPRS

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Discount rate — At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.3%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability (asset).

Changes in the net pension/OPEB liability (asset) – The following tables present changes in the City's net pension/OPEB liability (asset) for the PSPRS – Police and PSPRS – Fire plans as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

PSPRS - Police - Health insurance premium benefit	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) – (b)
Balances at June 30, 2021	\$ 1,104,863	\$ 1,255,795	\$ (150,932)
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	43,797	—	43,797
Interest on the total OPEB liability	82,702	—	82,702
Difference between expected and actual experience of the total OPEB liability	(146,929)	—	(146,929)
Changes of assumptions	—	—	—
Contributions—employer	—	33,459	(33,459)
Contributions—employee	—	—	—
Net investment income	—	342,648	(342,648)
Benefit payments, including refunds of employee contributions	(31,522)	(31,522)	—
OPEB plan administrative expense	—	(1,409)	1,409
Other changes	—	—	—
Net changes	(51,952)	343,176	(395,128)
Balances at June 30, 2022	<u>\$ 1,052,911</u>	<u>\$ 1,598,971</u>	<u>\$ (546,060)</u>
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
PSPRS - Fire - Pension			
Balances at June 30, 2021	\$ 71,669,589	\$ 51,950,043	\$ 19,719,546
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	2,605,918	—	2,605,918
Interest on the total pension liability	5,389,067	—	5,389,067
Difference between expected and actual experience of the total pension liability	2,288,365	—	2,288,365
Changes of assumptions	—	—	—
Contributions—employer	—	4,411,913	(4,411,913)
Contributions—employee	—	1,194,804	(1,194,804)
Net investment income	—	15,348,395	(15,348,395)
Benefit payments, including refunds of employee contributions	(905,343)	(905,343)	—
Administrative expense	—	(71,250)	71,250
Other changes	—	62,571	(62,571)
Net changes	9,378,007	20,041,090	(10,663,083)
Balances at June 30, 2022	<u>\$ 81,047,596</u>	<u>\$ 71,991,133</u>	<u>\$ 9,056,463</u>

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources — At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 4,443,608	\$ 303,454
Changes in assumptions or other inputs	1,902,942	—
Net difference between projected and actual earnings on pension plan investments	—	6,406,374
City contributions subsequent to the measurement date	4,670,817	—
Total	<u>\$ 11,017,367</u>	<u>\$ 6,709,828</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

PSPDCRP plan—City police and fire employees who are not members of PSPRS participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2022, active PSPDCRP members were required by statute to contribute at least 9% of the members' annual covered payroll, and the City was required by statute to contribute 9% of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City's contributions each year as set forth in statute. The plan retains nonvested City contributions when forfeited because of employment terminations. For the year ended June 30, 2022, the City recognized pension expense of \$111,533.

Elected Officials Retirement Plan

Plan description — Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com. The EORP OPEB is immaterial to the financial statements of the City; therefore, it is not included in the financial statements or presented here in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Contributions — State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2022, statute required active EORP members to contribute 7% or 13% of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 61.43% of all active EORP members' annual covered payroll. Also, statute required the City to contribute 49.21% to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43% to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges. The City's contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2022, were \$120,671 and \$100, respectively.

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

Liability — At June 30, 2022, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

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

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

The City's proportion of the net pension liability was based on the City's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2021. The City's proportion measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

EORP	Proportion June 30, 2021	Increase (decrease) from June 30, 2020
Pension	0.26%	—%

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

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources — At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP - Pension	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ —	\$ 21,246
Changes of assumptions or other inputs	—	—
Net difference between projected and actual earnings on plan investments	—	81,337
Changes in proportion and differences between City contributions and proportionate share of contributions	12,126	—
City contributions subsequent to the measurement date	120,671	—
Total	<u>\$ 132,797</u>	<u>\$ 102,583</u>

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

<u>Year ending June 30</u>	<u>Pension</u>
2023	\$ (25,819)
2024	(16,937)
2025	(20,004)
2026	(27,697)
2027	—

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

EORP

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

Discount rates — At June 30, 2021, the discount rate used to measure the EORP total pension liability was 7.3%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the EORP net pension liability to changes in the discount rate — The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.3%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3%) or 1 percentage point higher (8.3%) than the current rate:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022, active EODCRS members were required by statute to contribute 8% of the members' annual covered payroll, and the City was required by statute to contribute 6% of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the City's contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2022, the City recognized pension expense of \$4,909.

Deferred Compensation Plans

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. A governing board (committee) makes decisions about investment options available within each Plan. In fiscal year 2022, the City contributed to the 457 plan on behalf of eligible employees in an amount equal to a percentage of base annual salary. The City contributed \$777,316 for the year ended June 30, 2022. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency.

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

Defined Contribution Other Postemployment Plans

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

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

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

The City contributed \$613,749 for the year ended June 30, 2022.

The City's fiduciary responsibility for the plan is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that post-employment health plan assets be held in trust for employees; therefore, employee assets held in post-employment plan assets are held in trust for

NOTES TO THE FINANCIAL STATEMENTS

employees. Employee assets held in post-employment health plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Custodial Fund is not included in the City's Financial Statements.

NOTE 9 - RISK MANAGEMENT

Risk Management Fund

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Thus, the City participates in the Arizona Municipal Risk Retention Pool (AMRRP), which provides a comprehensive municipal coverage program covering property, general liability, public officials' liability, automobile liability and physical damage, bonds and crime. The basic coverage program is standard for all participants and deemed to be appropriate by the governing board of the AMRRP. Individual limits are determined by the Council and staff members.

The limit for basic coverage is \$2 million per occurrence and \$13 million under an umbrella policy for a total of \$15 million on a claim made basis. The AMRRP is structured such that member premiums are based on actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligation. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. The City can be assessed up to the amount of the current year's contribution. The City's obligation is to file claims timely. The AMRRP is responsible for investigating claims, settling claims and billing the City for any deductible portion. The City's loss has not exceeded its coverage in any of the last three years, and the deductible portion has not been material to the City's financial position.

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

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

Employee Healthcare Fund

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Worker's Compensation Fund

Following in-depth analysis including an actuarial study to determine feasibility, the Mayor and City Council approved establishing a Workers' Compensation Fund on January 3, 2017, to administer a self-insured workers' compensation program. The City sought and gained authority to self-insure/self-administer workplace injury claims through the Industrial Commission of Arizona (ICA), effective July 1, 2017. The program assumed responsibility for all new workplace injury/exposures deemed commendable, while leaving liability of prior claims with the previous insurance carrier.

The program assumes first-dollar losses up to the established self-insured retention (SIR) levels of two categories of employees. The first category, General Employee Population, carries a self-insured retention level of \$500,000 per occurrence. Public Safety Population assumes a self-insured retention of \$1,000,000 per occurrence. Should a claim exceed the respective SIR, the excess carrier assumes liability up to statutory limits. All claims below the SIR are managed in-house and resolved via funds established for claims settlement. Expenses within the program are reported regularly to the Workers' Compensation Trust Board, as prescribed by Arizona Revised Statute.

Excess insurance premiums are calculated following underwriting evaluation to include actuarial study and loss history. Being a newly designated self-administered program, the City has been assigned an experience modifier of 1.0, which designates an insurance premium of \$0.28 per \$100 of payroll. These premiums are assigned to each department based on industry hazard codes and total payroll.

The Workers' Compensation fund currently has an established reserve of \$3,000,000, which exceeds the required amount designated by the Industrial Commission of Arizona. The funds held in this reserve account are maintained by the City following approval from both City Council and the ICA for exemption from posting security for outstanding workers' compensation claims, per Arizona Administrative Code R20-5-114.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$824,950 of the total claims payable reported. The remaining \$30,577 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

NOTES TO THE FINANCIAL STATEMENTS

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

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

NOTE 10 - CONTINGENT LIABILITIES

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

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

NOTE 11 - INTERFUND BORROWING AND TRANSFERS

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

Due to/from other funds:

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

At year end, the Grants Fund, a non-major governmental fund, had a negative cash balance in the pooled cash account. The short-term negative cash balance was eliminated by interfund borrowing with the General Fund and is expected to be repaid within one year.

Advances to/from other funds:

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

NOTES TO THE FINANCIAL STATEMENTS

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

Interfund Transfers:

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – FUND BALANCE CLASSIFICATION

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – DEFICIT FUND BALANCES

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

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

Deficits arose due to project and grant expenditures incurred in current and prior years exceeding impact fee and available grant revenues. The deficit fund balances are expected to be funded with future development impact fees, ambulance revenues, and grant revenue reimbursements.

NOTE 14 – BUDGET BASIS OF ACCOUNTING

The City records expenditures for prepaid items as an expenditure in the period goods or services are received; however, on the budgetary basis of accounting the expenditure is recorded in the period of the actual cash outlay.

NOTE 15 – JOINT VENTURE

The City currently participates with nineteen cities, towns and fire districts in the Regional Wireless Cooperative (RWC) agreement for the administration, operation, management, construction, and maintenance of a regional public safety communications network. The RWC is an Arizona joint venture, multi-jurisdictional organization throughout the Phoenix Metropolitan Region. The City of Phoenix is both the Network Managing Member and the Administrative Managing Member. As the Network Managing Member, the City of Phoenix operates and maintains the network. As the Administrative Managing Member, the City of Phoenix is responsible for accounting, budgeting, procurement and contracting for the RWC.

The City has an ongoing financial responsibility as a result of the agreement to participate in the cost to construct, operate and maintain the network. The City's share of costs is determined based on the proportionate number of subscriber units in use at the time of assessment. The equity interest of the City in the RWC at June 30, 2022, was \$904,430.

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

NOTE 16 – SUBSEQUENT EVENTS

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



SURPRISE

ARIZONA



REQUIRED SUPPLEMENTARY INFORMATION



SURPRISE

ARIZONA

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

Arizona State Retirement System - Pension

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

Information not available for fiscal years 2012 through 2014

Arizona State Retirement System - Health insurance premium benefit

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

Information not available for fiscal years 2012 through 2017

Arizona State Retirement System - Long-term disability

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

Information not available for fiscal years 2012 through 2017

Elected Official Retirement Plan - Pension

	Reporting fiscal year (measurement date)							
	2022	2021	2020	2019	2018	2017	2016	2015
	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
City's proportion of the net pension liability	0.26%	0.26%	0.23%	0.29%	0.17%	0.19%	0.16%	0.22%
City's proportionate share of the net pension liability	\$1,596,460	\$1,745,940	\$1,511,837	\$1,849,518	\$2,034,660	\$1,829,709	\$1,276,030	\$1,505,462
State's proportionate share of the net pension liability associated with the city	\$ 160,464	\$ 165,938	\$ 142,097	\$ (90,103)	\$ 213,700	\$ 100,812	\$ 107,037	\$ 136,820
Total	\$1,756,924	\$1,911,878	\$1,653,934	\$1,759,415	\$2,248,360	\$1,930,521	\$1,383,067	\$1,642,282
City's covered payroll	\$ 205,522	\$ 206,644	\$ 176,123	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,470	\$ 154,983
City's proportionate share of the net pension liability as a percentage of its covered payroll	854.86%	925.20%	939.08%	1166.98%	1454.63%	1241.73%	889.60%	1059.65%
Plan fiduciary net position as a percentage of the total pension liability	36.27%	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%

Information not available for fiscal years 2012 through 2014

See accompanying notes to this schedule

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

PSPRS - Police - Pension	Reporting fiscal year (measurement date)							
	2022	2021	2020	2019	2018	2017	2016	2015
	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
Total pension liability								
Service cost	\$ 2,331,614	\$ 2,500,116	\$ 2,625,724	\$ 2,432,053	\$ 2,580,430	\$ 2,064,206	\$ 1,663,042	\$ 1,565,018
Interest on the total pension liability	6,036,548	5,548,786	4,977,350	4,564,294	4,152,228	3,530,011	2,833,422	2,300,961
Changes of benefit terms	—	—	—	—	431,035	4,507,117	—	241,790
Differences between expected and actual experience in the measurement of the pension liability	2,228,040	1,718,866	1,469,073	(615,366)	884,245	144,478	5,574,308	1,218,340
Changes of assumptions or other inputs	—	—	2,103,228	—	950,588	2,249,172	—	2,469,394
Benefit payments, including refunds of employee contributions	(3,323,784)	(2,511,403)	(2,089,561)	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)
Net change in total pension liability	\$ 7,272,418	\$ 7,256,365	\$ 9,085,814	\$ 4,052,856	\$ 6,111,187	\$ 10,665,632	\$ 9,104,921	\$ 6,638,202
Total pension liability-beginning	82,022,723	74,766,358	65,680,544	61,627,688	55,516,501	44,850,869	35,745,948	29,107,746
Total pension liability-ending (a)	<u>\$89,295,141</u>	<u>\$82,022,723</u>	<u>\$74,766,358</u>	<u>\$65,680,544</u>	<u>\$61,627,688</u>	<u>\$55,516,501</u>	<u>\$44,850,869</u>	<u>\$35,745,948</u>
Plan fiduciary net position								
Contributions-employer	\$ 4,486,148	\$ 3,698,985	\$ 4,065,062	\$ 3,608,348	\$ 2,601,364	\$ 2,303,420	\$ 1,729,946	\$ 1,359,213
Contributions-employee	1,228,642	972,696	1,015,880	1,121,032	1,376,163	1,496,064	1,196,870	977,373
Net investment income	14,037,729	607,678	2,315,207	2,508,024	3,589,391	168,147	951,951	2,875,527
Benefit payments, including refunds of employee contributions	(3,323,784)	(2,511,403)	(2,089,561)	(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)
Pension plan administrative expense	(65,272)	(49,546)	(41,215)	(38,871)	(32,160)	(24,595)	(23,613)	—
Other changes	—	—	—	20,867	36,754	138,888	210,447	(462,996)
Net change in plan fiduciary net position	\$16,363,463	\$ 2,718,410	\$ 5,265,373	\$ 4,891,275	\$ 4,684,173	\$ 2,252,572	\$ 3,099,750	\$ 3,591,816
Plan fiduciary net position-beginning	47,648,979	44,930,566	39,693,746	34,802,471	30,118,298	27,865,726	24,765,976	21,174,160
Adjustment to Beginning of Year	—	3	(28,553)	—	—	—	—	—
Plan fiduciary net position-ending (b)	<u>\$64,012,442</u>	<u>\$47,648,979</u>	<u>\$44,930,566</u>	<u>\$39,693,746</u>	<u>\$34,802,471</u>	<u>\$30,118,298</u>	<u>\$27,865,726</u>	<u>\$24,765,976</u>
City's net pension (asset) liability-ending (a) - (b)	<u>\$25,282,699</u>	<u>\$34,373,744</u>	<u>\$29,835,792</u>	<u>\$25,986,798</u>	<u>\$26,825,217</u>	<u>\$25,398,203</u>	<u>\$16,985,143</u>	<u>\$10,979,972</u>
Plan fiduciary net position as a percentage of the total pension liability	71.69%	58.09%	60.09%	60.43%	56.47%	54.25%	62.13%	69.28%
Covered payroll	\$13,066,287	\$12,989,361	\$13,066,419	\$12,326,006	\$11,769,882	\$11,159,388	\$10,682,880	\$8,730,979
City's net pension (asset) liability as a percentage of covered payroll	193.50%	264.63%	228.34%	210.83%	227.91%	227.59%	158.99%	125.76%

Information not available for fiscal years 2012 through 2014

See accompanying notes to this schedule

Required supplementary information

Schedule of changes in the City's net pension/OPEB liability (asset) and related ratios

Agent plans

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

Information not available for fiscal years 2012 through 2017

See accompanying notes to this schedule

Required supplementary information

Schedule of changes in the City's net pension/OPEB liability (asset) and related ratios

Agent plans

PSPRS - Fire - Pension	Reporting fiscal year (measurement date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability								
Service cost	\$ 2,605,918	\$ 2,585,747	\$ 2,703,787	\$ 2,629,254	\$ 2,540,844	\$ 1,944,045	\$ 1,709,096	\$ 1,635,304
Interest on the total pension liability	5,389,067	4,775,536	4,299,178	3,959,756	3,537,634	2,858,919	2,480,922	2,170,938
Changes of benefit terms	—	—	—	—	324,839	4,813,386	—	25,204
Differences between expected and actual experience in the measurement of the pension liability	2,288,365	2,107,451	223,172	(2,685,396)	721,498	(428,646)	991,201	122,957
Changes of assumptions or other inputs	—	—	1,224,623	—	36,178	2,042,866	—	1,068,570
Benefit payments, including refunds of employee contributions	(905,343)	(1,263,395)	(759,444)	(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)
Net change in total pension liability	\$ 9,378,007	\$ 8,205,339	\$ 7,691,316	\$ 3,251,071	\$ 6,086,657	\$10,745,185	\$ 4,699,725	\$ 3,282,408
Total pension liability-beginning	71,669,589	63,464,250	55,772,934	52,521,863	46,435,206	35,690,021	30,990,296	27,707,888
Total pension liability-ending (a)	<u>\$81,047,596</u>	<u>\$71,669,589</u>	<u>\$63,464,250</u>	<u>\$55,772,934</u>	<u>\$52,521,863</u>	<u>\$46,435,206</u>	<u>\$35,690,021</u>	<u>\$30,990,296</u>
Plan fiduciary net position								
Contributions-employer	\$ 4,411,913	\$ 2,592,924	\$ 3,232,317	\$ 3,149,148	\$ 1,828,952	\$ 1,773,960	\$ 1,394,750	\$ 1,298,311
Contributions-employee	1,194,804	1,086,498	955,090	1,036,287	1,340,153	1,188,041	1,085,819	916,860
Net investment income	15,348,395	662,772	2,477,023	2,659,343	3,742,608	170,022	956,696	2,973,644
Benefit payments, including refunds of employee contributions	(905,343)	(1,263,395)	(759,444)	(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)
Pension plan administrative expense	(71,250)	(54,041)	(44,033)	(41,175)	(33,516)	(24,864)	(23,732)	—
Other changes	62,571	—	—	147,401	141,131	30,036	23,521	(491,977)
Net change in plan fiduciary net position	\$20,041,090	\$ 3,024,758	\$ 5,860,953	\$ 6,298,461	\$ 5,944,992	\$ 2,651,810	\$ 2,955,560	\$ 2,956,273
Plan fiduciary net position-beginning	51,950,043	48,925,283	43,082,800	36,784,339	30,839,347	28,187,537	25,231,977	22,275,704
Adjustment to Beginning of Year	—	2	(18,470)	—	—	—	—	—
Plan fiduciary net position-ending (b)	<u>\$71,991,133</u>	<u>\$51,950,043</u>	<u>\$48,925,283</u>	<u>\$43,082,800</u>	<u>\$36,784,339</u>	<u>\$30,839,347</u>	<u>\$28,187,537</u>	<u>\$25,231,977</u>
City's net pension (asset) liability-ending (a) - (b)	<u>\$ 9,056,463</u>	<u>\$19,719,546</u>	<u>\$14,538,967</u>	<u>\$12,690,134</u>	<u>\$15,737,524</u>	<u>\$15,595,859</u>	<u>\$ 7,502,484</u>	<u>\$ 5,758,319</u>
Plan fiduciary net position as a percentage of the total pension liability	88.83%	72.49%	77.09%	77.25%	70.04%	66.41%	78.98%	81.42%
Covered payroll	\$13,277,038	\$11,738,436	\$11,767,811	\$11,534,304	\$11,296,060	\$10,648,460	\$ 9,802,389	\$ 8,942,409
City's net pension (asset) liability as a percentage of covered payroll	68.21%	167.99%	123.55%	110.02%	139.32%	146.46%	76.54%	64.39%

Information not available for fiscal years 2012 through 2014

See accompanying notes to this schedule

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

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

Information for fiscal years 2012 through 2017 is not available.

See accompanying notes to this schedule



SURPRISE

ARIZONA

Required supplementary information
Schedule of City pension/OPEB contributions

**Arizona State Retirement System -
Pension**

	Reporting fiscal year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$5,478,357	\$4,940,338	\$4,678,053	\$4,349,366	\$4,084,163	\$3,773,263	\$3,569,994	\$3,259,073	\$2,801,701
City's contributions in relation to the statutorily required contribution	5,478,357	4,940,338	4,678,053	4,349,366	4,084,163	3,773,263	3,569,994	3,259,073	2,801,701
City's contribution deficiency	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$45,673,733	\$42,528,059	\$42,439,245	\$38,971,217	\$37,581,388	\$35,238,842	\$32,932,534	\$30,121,665	\$26,536,195
City's contributions as a percentage of covered payroll	11.99%	11.62%	11.02%	11.16%	10.87%	10.71%	10.84%	10.82%	10.56%

Information for fiscal years 2012 through 2013 is not available.

**Arizona State Retirement System - Health insurance premium
benefit**

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

Information for fiscal years 2012 through 2016 is not available.

Arizona State Retirement System - Long-term disability

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

Reporting fiscal years 2016 through 2012 information not available.

See accompanying notes to this schedule

Required supplementary information
Schedule of City pension/OPEB contributions

Elected Official Retirement Plan - Pension

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

Information for fiscal years 2012 through 2013 is not available.

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

PSPRS - Police - Pension

	Reporting fiscal year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$4,670,817	\$4,094,704	\$3,850,896	\$3,977,387	\$5,056,552	\$2,598,440	\$2,301,028	\$1,753,988	\$1,359,213
City's contributions in relation to the actuarially determined contribution	4,670,817	4,094,704	3,850,896	3,977,387	5,056,552	2,598,440	2,301,028	1,753,988	1,359,213
City's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$13,046,658	\$13,066,287	\$12,989,361	\$13,066,419	\$12,326,006	\$11,769,882	\$11,159,388	\$10,682,880	\$8,730,979
City's contributions as a percentage of covered payroll	35.80 %	31.34 %	29.65 %	30.44 %	41.02 %	22.08 %	20.62 %	16.42 %	15.57 %

Information for fiscal years 2012 through 2013 is not available.

PSPRS - Police - OPEB

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

Information for fiscal years 2012 through 2016 is not available.

See accompanying notes to this schedule

Required supplementary information
Schedule of City pension/OPEB contributions

PSPRS - Fire - Pension

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

Information for fiscal years 2012 through 2013 is not available.

PSPRS - Fire - OPEB

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

Information for fiscal years 2012 through 2016 is not available.

See accompanying notes to this schedule

Required supplementary information

Notes to Pension/OPEB Schedules

Note 1 – Actuarially determined contribution rates

Actuarially determined contribution rates are calculated as of June 30 each year for ASRS which is 12 months prior to the beginning of the fiscal year in which contributions are reported. Actuarial determined contribution rates for PSPRS are calculated as of June 30, two years prior to the beginning of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, Closed
Remaining amortization period as of the 2017 actuarial valuation	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce normal cost which otherwise would be payable.
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

Note 2 – Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the City refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP provided the City the option to reduce its actual employer contributions for the refunded amounts; however, the City elected not to reduce its actual employer contributions for the refunded amounts.

The fiscal year 2020 (measurement date 2019) pension liabilities for EORP reflects the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2020 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

City of Surprise, Arizona

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

General Fund

For the Year Ended June 30, 2022

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

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

City of Surprise, Arizona

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

General Government Development Fee Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Highway User Revenue Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Transportation Improvement Fund

For the Year Ended June 30, 2022

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

Note to Required Supplementary Information

Note 1 – BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds with the following exceptions: (1) Capital Projects, the Grants, and Neighborhood Revitalization Funds adopt project-length budgets which normally extend beyond the fiscal year (2) Compensated absences are expended when paid, (3) Capital outlays within the enterprise funds are expended on a budget basis, (4) Bad debt expense represents revenue the City won't receive, rather than an actual cash outlay, and (5) Prepaid items, leases, and inventory are expended when paid not when the goods or services are received or used.

Prior to the third Monday in July, the City Manager submits to the City Council, and Council adopts a tentative budget for the fiscal year commencing on July 1. The tentative budget includes a schedule of the estimated expenditures and revenues. The proposed budget sets the maximum limit. The tentative budget is then published once a week for two consecutive weeks in a local newspaper. Finally, the City holds a public hearing on the budget and convenes a special meeting to adopt the final proposed budget on or before the 14th day before the tax levy is adopted.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. It has been programmed to allow as much flexibility as possible while still establishing useful guidelines. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The City budget is adopted by department within each fund and by project in the capital funds. In addition, the full-time equivalent (FTE) position count is adopted by department within each fund. Changes to the adopted budget must be made in accordance with the City's Budget Amendment Policy. This policy specifies the approval levels required for various types of budget amendments. During the fiscal year, amendment requests are submitted to the Finance Department for preparation and processing. Changes can be made pursuant to the policy only if funds are unencumbered and available.



SURPRISE

ARIZONA



**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**



SURPRISE

ARIZONA

City of Surprise, Arizona

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

General Capital Projects Fund

For the Year Ended June 30, 2022

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



SURPRISE

ARIZONA

City of Surprise, Arizona

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

Debt Service Fund

For the Year Ended June 30, 2022

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

NON MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- ❖ Special Revenue Funds – These funds account for specific non-capital revenues that are restricted in their allowable use.
 - *Grants Fund* - this fund has been established to account for revenues and expenditures from the various grants received by the City.
 - *LTAF II/ALF Fund* - This fund has been established to account for revenues and expenditures received by the City from the state of Arizona. These funds are a portion of lottery money collected and can be used to fund transit operations, facilities, and equipment purchases.
 - *Municipal Court Enhancement Fund* - Established in FY2003, this fund tracks revenue associated with fines dedicated to Municipal Court technology improvements. City policy restricts the use of these funds.
 - *Municipal Court FARE fund* - This fund is used to discretely track funds received by the City that are restricted to use on projects which enhance the fine collections process. FARE - Fare/fees and restitution enforcement.
 - *Municipal Court JCEF Fund* - This fund is used to discretely track funds received by the City that are restricted to use on technology improvements in the Municipal Court. JCEF - Judicial court enhancement fund.
 - *Municipal Court MFTG Fund* - This fund is used to discretely track funds received by the City that are restricted to use on projects which aid in the processing of criminal cases. MFTG - Municipal fill the gap.
 - *Neighborhood Revitalization Fund* - This fund is used to track all revenues and expenditures associated with the City's neighborhood revitalization program. This program is funded through a combination of federal, state and local funds. City policy, grant agreements, and contractual obligations restrict the use of these funds.
 - *Net Premium Seating Fund* - This fund was established to account for the revenues and expenditures for a ticket surcharge on the sale of spring training tickets for premium seats.
 - *Proposition 400 Fund* - This fund is used to track all revenues and expenditures for the county-wide half-cent sales tax to be used for regional transportation improvements.
 - *SB1398 Fines Fund* - This fund was established to account for funds the City receives from the state of Arizona for penalties charged on certain violations. These revenues are limited to the purchase of officer safety equipment.
 - *SPD DEA Fund* - This fund is used to discretely track funds received from the participation on DEA task forces in the Greater Phoenix area. The use of these funds is limited to approval by the disbursing program manager and is generally related to purchase and maintenance of department equipment not included in the general budget. SPD - Surprise Police Department. DEA - Drug Enforcement Activity.
 - *SPD RICO Fund* - This fund is used to discretely track funds received from participation in the Maricopa County Attorney's Office Anti-Racketeering Influenced and Corrupt Organizations (RICO) task force.
 - *SPD Towing Fund* - This fund is used to track activity in the Police Department for vehicle impounds. The use of these funds is limited to administrative management of the vehicle impound program.
 - *Sports & Tourism Fund* - This fund is used to track all revenues and expenditures from a \$1 per ticket surcharge on the sale of spring training tickets. These revenues are limited to operational improvements to stadium facilities.

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NON MAJOR GOVERNMENTAL FUND DESCRIPTIONS (continued)

- *Smart & Safe Police Fund* - This fund is used to track Police revenues and expenditures related to Prop 207.
- *Smart & Safe Fire-Medical Fund* - This fund is used to track Fire revenues and expenditures related to Prop 207.
- *Tourism Fund* - This fund is used to track all revenues and expenditures associated with the City's 2.52% bed tax. The funds are used to support tourism within the City. City policy and state statute restrict the use of these funds.
- *163rd Avenue Roadway Development Impact Fee Fund* - This fund was established to account for development impact fees which are assessed to the service area identified as the 163rd Avenue Roadway.
- *Fire Development Fee Fund* - This fund was established to account for the inflow of Fire and EMS development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one- time items directly related to the increased demand on Fire and EMS services caused by growth.
- *Parks and Recreation Development Fee Fund* - This fund was established to account for the inflow of parks and recreation development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on parks and recreation services caused by growth.
- *Police Development Fee Fund* - This fund was established to account for the inflow of police development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction financing and furnishing of new capital or one-time items directly related to the increased demand of police services caused by growth.
- *Street Lighting District Fund* – 142 Street Light Improvement Districts (SLIDs) have been established by ordinance to provide a centralized location for the collection of taxes from properties located in the district. These proceeds are legally restricted to the payment of expenses to operate the street lights within the district.
- *Marley Park Community Facility District Fund* – This fund was established to provide a location to process operating expenditures and for the collection of the related portion of the property taxes from properties located in the district. These proceeds are legally restricted to the payment of operations expenses and debt service within the district.

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

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

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

(Continued)

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

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

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

City of Surprise, Arizona

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2022

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

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

(Continued)

City of Surprise, Arizona

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

Nonmajor Special Revenue Funds (Continued)

For the Year Ended June 30, 2022

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

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

City of Surprise, Arizona

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

Grants Fund

For the Year Ended June 30, 2022

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

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, 2022

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

City of Surprise, Arizona

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

Municipal Court Enhancement Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Municipal Court FARE Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Municipal Court JCEF Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Municipal Court MFTG Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Neighborhood Revitalization Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Net Premium Seating Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

SB1398 Fines Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

SPD DEA Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

SPD RICO Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

SPD Towing Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Sports & Tourism Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Smart & Safe Police Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Smart & Safe Fire-Medical Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Tourism Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

163rd Ave Development Fee Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Fire Development Fee Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
Parks and Recreation Development Fee Fund**

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Police Development Fee Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Street Lighting Districts Fund

For the Year Ended June 30, 2022

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

City of Surprise, Arizona

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

Marley Park Community Facility District Fund

For the Year Ended June 30, 2022

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

INTERNAL SERVICE FUND DESCRIPTIONS

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

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

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

City of Surprise, Arizona

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

Internal Service Funds

For the Year Ended June 30, 2022

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

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

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



SURPRISE

ARIZONA



STATISTICAL SECTION



SURPRISE

ARIZONA



STATISTICAL SECTION

This section provides detailed information, for purposes of providing a context for comprehending the information presented in the financial statements, not disclosures and required supplementary information, and gaining a better understanding of the financial shape of the City of Surprise, Arizona.

Contents:

Financial Trends:

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity:

These schedules contain information to help the reader assess the government's most significant local revenue sources, transaction privilege (sales) tax and property taxes.

Debt Capacity:

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information:

These schedules of demographic and economic indicators help the reader understand the environment that the government's financial activities take place.

Operating Information:

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Reports for the relevant year.

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

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

Source: City financial records

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

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

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

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

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

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

Source: City financial records

Note 1: GASB Statement No. 68 was implemented in fiscal year 2015. Prior years' financial statements were not restated.

Note 2: GASB Statement No. 75 was implemented in fiscal year 2018. Prior years' financial statements were not restated.

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

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

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

Source: City financial records

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

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

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

Source: City financial records

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



SURPRISE

ARIZONA

City of Surprise, Arizona
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Franchise & Business Licenses	Total
2013	\$ 9,274,735	\$ 37,836,088	\$ 4,732,649	\$ 51,843,472
2014	9,401,277	39,685,844	5,159,956	54,247,077
2015	9,713,903	42,111,177	5,249,320	57,074,400
2016	9,962,925	46,807,817	5,062,719	61,833,461
2017	10,441,730	49,416,383	5,674,974	65,533,087
2018	10,813,317	54,419,572	5,643,876	70,876,765
2019	16,143,232	61,596,634	5,609,625	83,349,491
2020	17,015,618	70,904,612	5,514,602	93,434,832
2021	17,675,230	90,643,310	5,654,379	113,972,919
2022	19,263,163	103,406,232	6,424,278	129,093,673

Source: City financial records

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

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

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

When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category.

State and local laws prohibit the disclosure of individual taxpayer information.

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



SURPRISE

ARIZONA

City of Surprise, Arizona

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year		Real Property		Exemptions	Total		Ratio of Total
		Assessed Value	Assessed Value			Estimated Actual Taxable Full Cash Value	Assessed Value to Total Estimated Actual Value
		Residential Property	Commercial Property	Real Property	Net Assessed Valuation	Direct Tax Rate	
2013	P	613,827,446	355,335,651	(117,175,984)	851,987,113	0.7383	8,131,671,314 10.48%
2013	S	614,117,003	369,093,201	(128,526,531)	854,683,673	—	8,219,696,417 10.40%
2014	P	590,891,318	352,740,031	(120,457,469)	823,173,880	0.7783	7,921,310,783 10.39%
2014	S	592,539,973	366,349,440	(128,753,963)	830,135,450	—	8,021,860,448 10.35%
2015	P	635,011,041	351,426,277	(128,356,166)	858,081,152	0.7591	8,378,359,740 10.24%
2015	S	674,517,543	367,445,212	(137,241,712)	904,721,043	—	8,871,516,138 10.20%
2016	P	659,032,840	359,978,533	(129,767,780)	889,243,593	0.7591	8,723,777,883 10.19%
2016	S	775,338,584	403,053,294	(146,482,133)	1,031,909,745	—	10,151,951,511 10.16%
2017	P	703,447,546	353,382,997	(127,933,738)	928,896,805	0.7591	9,188,106,400 10.11%
2017	S	832,582,676	418,393,201	(151,461,223)	1,099,514,654	—	10,888,981,453 10.10%
2018	P	742,214,719	372,303,716	(136,482,015)	978,036,420	0.7591	9,704,804,426 10.08%
2018	S	883,909,865	470,218,102	(164,602,354)	1,189,525,613	—	11,739,266,942 10.13%
2019	P	786,977,862	394,591,418	(132,661,610)	1,048,907,670	0.7591	10,275,630,683 10.21%
2019	S	979,109,102	501,184,044	(163,680,703)	1,316,612,443	—	12,872,480,509 10.23%
2020	P	844,245,064	406,984,939	(141,141,959)	1,110,088,044	0.7591	10,927,509,235 10.16%
2020	S	1,064,787,961	529,620,552	(185,022,186)	1,409,386,327	0.3880	13,911,798,083 10.13%
2021	P	911,365,696	443,779,946	(149,135,143)	1,206,010,499	0.7591	11,823,893,218 10.20%
2021	S	1,192,185,322	601,386,798	(197,101,947)	1,596,470,173	0.3880	15,624,599,329 10.22%
2022	P	990,350,177	482,829,467	(158,793,354)	1,314,386,290	0.7591	12,850,915,016 10.23%
2022	S	1,326,558,965	687,137,725	(224,417,986)	1,789,278,704	0.3880	17,496,518,302 10.23%

Source: Maricopa County Assessor's Office State Abstract

Direct Tax Rate is From the Maricopa County Finance Department's "Tax Levy Book for the City of Surprise" for the applicable tax year.

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

Fiscal Year	City of Surprise			Overlapping Rates				
				Maricopa County				
	Operating (Primary) Tax Rate	Debt Service (Secondary) Tax Rate	Total City Tax Rate	Operating Tax Rate	Debt Service Tax Rate	County Library	Flood Control	Total County Tax Rate
2013	0.7383	—	0.7383	1.2407	—	0.0492	—	1.2899
2014	0.7783	—	0.7783	1.2807	—	0.0492	—	1.3299
2015	0.7591	—	0.7591	1.3209	—	0.0556	—	1.3765
2016	0.7591	—	0.7591	1.4009	—	0.0556	—	1.4565
2017	0.7591	—	0.7591	1.4009	—	0.0556	—	1.4565
2018	0.7591	—	0.7591	1.4009	—	0.0556	0.1792	1.6357
2019	0.7591	0.4200	1.1791	1.4009	—	0.0556	0.1792	1.6357
2020	0.7591	0.3880	1.1471	1.4009	—	0.0556	0.1792	1.6357
2021	0.7591	0.3880	1.1471	1.4009	—	0.0556	0.1792	1.6357
2022	0.7591	0.3880	1.1471	1.3459	—	0.0556	0.1792	1.5807

Source: Maricopa County Finance Department's "Maricopa County 2021 Tax Levy" report.

Note: Prior to fiscal year 2018, the Maricopa County Flood Control District tax rate was included in the other column.

Overlapping Rates				
Dysart School District				
Operating Tax Rate	Debt Service Tax Rate	Total School District Tax Rate	Other	Total Direct & Overlapping Rates
4.6547	2.7317	7.3864	1.8351	11.2497
4.3492	2.9538	7.3030	1.6356	11.0468
3.9957	2.7750	6.7707	1.7472	10.6535
3.0640	2.9085	5.9725	1.7120	9.9001
4.1562	2.8032	6.9594	2.5181	11.6931
4.1562	2.8032	6.9594	2.5104	11.8646
4.1089	2.7859	6.8948	2.4330	12.1426
3.9117	2.6680	6.5797	2.4218	11.7843
3.8251	2.6201	6.4452	2.3408	11.5688
3.8026	2.3794	6.1820	2.3408	11.2506

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

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

Source: Maricopa County Assessor's Office

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

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Tax Collections in Subsequent Years	Total Collections to Date	
		Current Tax Collections	Percentage of Levy		Tax Collections	Percentage of Levy
2013	6,295,546	6,159,818	97.8%	95,673	6,255,491	99.4%
2014	6,350,356	6,249,156	98.4%	69,251	6,318,407	99.5%
2015	6,509,332	6,425,856	98.7%	62,517	6,488,373	99.7%
2016	6,754,752	6,661,068	98.6%	39,168	6,700,236	99.2%
2017	7,037,842	6,947,745	98.7%	53,915	7,001,660	99.5%
2018	7,424,272	7,321,178	98.6%	64,283	7,385,461	99.5%
2019	12,369,233	12,219,247	98.8%	(20,976)	12,192,352	98.6%
2020	12,735,513	12,539,853	98.5%	105,969	12,698,311	99.7%
2021	13,835,935	13,663,445	98.8%	132,259	13,795,704	99.7%
2022	15,079,386	14,897,120	98.8%	—	14,897,120	98.8%

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

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

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Special (CFD) Assessment Bonds and Notes	Municipal Property Corp. Bonds	Pledged Revenue Obligations
2013	\$ —	\$ 7,545,000	\$ 19,896,188	\$ —
2014	—	7,335,000	17,444,474	—
2015	—	7,115,000	—	30,832,800
2016	—	6,885,000	—	31,770,034
2017	—	12,105,285	—	29,249,876
2018	40,211,105	14,619,352	—	24,166,587
2019	37,322,019	14,143,419	—	23,963,088
2020	34,285,598	21,966,935	—	21,192,968
2021	50,304,950	21,249,359	—	18,347,512
2022	46,567,591	20,591,782	—	15,373,818

Source: City financial records

Business-Type Activities						
Municipal		Utility Revenue	Pledged Revenue	Total Primary	Percentage	Per Capita
Property Corp.	Bonds					
		Obligations	Obligations	Government	of Personal	
					Income	
\$	59,303,813	\$ —	\$ —	\$ 86,745,001	3.3%	713
	53,565,524	—	—	78,344,998	3.0%	633
	39,365,000	—	5,832,000	83,144,800	3.1%	658
	37,585,000	—	5,903,844	82,143,878	3.0%	640
	35,720,000	—	5,249,430	82,324,591	2.8%	620
	33,770,000	—	4,103,413	116,870,457	3.9%	872
	—	28,164,675	3,877,076	107,470,277	3.4%	778
	—	26,993,224	3,157,623	107,596,348	3.2%	760
	—	25,776,772	2,418,508	118,097,101	3.2%	798
	—	24,510,321	1,647,630	108,691,142	2.8%	729

City of Surprise, Arizona

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2013	\$ —	\$ —	\$ —	0.000%	—
2014	—	—	—	0.000%	—
2015	—	—	—	0.000%	—
2016	—	—	—	0.000%	—
2017	—	—	—	0.000%	—
2018	37,730,000	5,857	37,724,143	3.171%	281
2019	35,215,000	483,319	34,731,681	2.638%	251
2020	32,350,000	544,112	31,805,888	2.257%	225
2021	46,625,000	158,771	46,466,229	0.393%	314
2022	43,225,000	104,285	43,120,715	0.276%	289

Source: City financial records

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

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

Source: The various jurisdictions

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

Excludes various other non-property tax supported debt such as Public Finance Corporation lease revenue bonds, Stadium District revenue bonds, Stadium District loans, Housing Authority loans and capital leases.

Includes: Excise Tax Revenue obligations for City of Surprise

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

Unrestricted

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

Restricted

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

Source: City financial records

2017	2018	2019	2020	2021	2022
\$ 65,970,879	\$ 71,371,537	\$ 78,996,747	\$ 84,563,180	\$ 95,788,210	\$ 107,356,722
\$ 65,970,879	\$ 71,371,537	\$ 78,996,747	\$ 84,563,180	\$ 95,788,210	\$ 107,356,722
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2017	2018	2019	2020	2021	2022
\$ 219,902,931	\$ 237,905,123	\$ 263,322,489	\$ 281,877,265	\$ 319,294,035	\$ 357,855,740
—	39,987,500	37,322,019	34,285,598	50,304,950	46,567,591
\$ 219,902,931	\$ 197,917,623	\$ 226,000,470	\$ 247,591,667	\$ 268,989,085	\$ 311,288,149
0.00%	16.81%	14.17%	12.16%	15.76%	13.01%

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

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
2013	121,629	\$ 2,608,232,906	\$ 60,687	36.8	5.0%
2014	123,797	2,623,490,276	59,973	36.0	5.4%
2015	126,275	2,684,147,318	58,455	37.0	9.8%
2016	128,422	2,779,842,369	59,094	38.7	9.4%
2017	132,677	2,911,895,653	59,916	39.0	4.5%
2018	134,085	2,997,757,500	61,035	39.9	4.6%
2019	138,161	3,184,636,354	62,927	41.3	3.7%
2020	141,664	3,381,255,033	65,160	41.2	5.4%
2021	147,965	3,743,919,200	69,076	41.4	6.8%
2022	149,191	3,890,551,528	71,192	41.9	6.9%

Sources: Office of Economic Opportunity
Maricopa Association of Governments
US Department of Labor, Bureau of Labor Statistics
US Census Bureau

City of Surprise, Arizona
Principal Employers
June 30, 2022 and Nine Years Prior

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

Sources:

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

² City previous ACFR



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City of Surprise, Arizona

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

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

Source: Fiscal year 2022 Adopted Budget

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

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

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

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

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

Function	2013	2014	2015	2016
Public safety:				
Police:				
Stations	2	2	2	2
Patrol units	63	63	68	72
Fire:				
Fire stations	7	7	7	7
Fire engines and ladder trucks	11	12	12	12
Ambulances	0	0	0	1
Public works and streets:				
Street miles	607	607	627	627
Street lighting improvement districts	101	101	107	107
Traffic Signals	51	51	50	50
Bridges	19	19	19	19
Community development:				
Inspection vehicles	12	10	10	10
Parks and recreation:				
Parks acreage	393	393	393	393
Parks	12	12	12	12
Swimming pools	2	2	2	2
Softball fields	11	11	11	11
Baseball fields	21	21	21	21
Libraries	2	2	2	2
Water:				
Well Production Maximum Daily Capacity (millions of gallons)	31	31	32	32
Sewer:				
Sewer treatment plants	2	2	2	2
Maximum daily treatment capacity	18.3	18.3	18.3	18.3
Sanitation:				
Collection trucks	26	26	26	27


Sources: Various government departments

2017	2018	2019	2020	2021	2022
2	2	2	2	2	2
90	73	87	87	87	74
7	7	7	7	7	8
12	13	13	13	13	15
3	4	5	5	5	5
627	627	629	630	665	688
123	132	146	155	156	159
50	50	52	58	61	61
19	19	19	21	21	21
11	11	11	11	13	14
393	393	393	393	393	393
12	12	12	12	12	12
2	2	2	2	2	2
11	11	11	11	11	11
21	21	21	21	21	21
2	2	2	3	3	3
33	33	33	34	30	30
2	2	2	2	3	3
18.3	18.3	18.3	18.3	20.1	20.1
27	27	27	27	28	28



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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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FINANCE DEPARTMENT

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