



**City of Surprise, Arizona**  
**Report on Applying Agreed-Upon Procedures**  
**Biennial Certification of Land Use**  
**Assumptions, Infrastructure Improvement Plan**  
**and Development Impact Fees**  
For the Period August 1, 2014 through June 30, 2016

**CITY OF SURPRISE, ARIZONA  
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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures identified below, which were agreed to by the management of City of Surprise, Arizona, solely to assist the management of City of Surprise, Arizona, in evaluating the City of Surprise, Arizona's compliance with the requirements set forth in Arizona Revised Statutes (A.R.S.) 9-463.05 for the period from August 1, 2014 through June 30, 2016. Management is responsible for City of Surprise, Arizona's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

We have applied the following procedures:

*The progress of the infrastructure improvements plan.*

- a. Compared growth projections for 2015 and 2016 related to population, housing units and nonresidential square footage as reported in the Land Use Assumptions to actual results. A list of all variances are reported in the Summary of Findings.
- b. Obtained City-prepared report (see Appendix A) documenting the progress of each project identified in the Infrastructure Improvement Plan (IIP) and performed the following procedures:
  - i. Agreed expenditures as of June 30, 2016 to the underlying accounting records.
  - ii. Agreed amounts reported as estimated cost to complete to underlying accounting records.

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

- c. Selected a sample of 40 building permits issued and determined fees were charged in accordance with authorized fee schedules and that each permit holder is charged the same rate as another equivalent permit holder.
- d. Selected a sample of 27 expenditures and determined that the expenditure was associated with an approved project in the City's IIP.

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

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

The accompanying Summary of Findings describes the findings we noted.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Heinfeld, Meech & Co., P.C.*

Heinfeld, Meech & Co., P.C.  
Phoenix, Arizona  
February 2, 2017

**CITY OF SURPRISE, ARIZONA  
SUMMARY OF FINDINGS**

**FINDING NO. 1**

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

	<b>2015</b>			
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Population	125,526	126,275	749	1%
Residential Housing Units	47,746	45,854	(1,892)	-4%
Nonresidential Square Footage				
Retail	4,079,586	3,954,190	(125,396)	-3%
Office	1,061,948	972,062	(89,886)	-8%
Public	952,625	986,790	34,165	4%
Industrial	1,443,504	1,206,040	(237,464)	-16%
Total Nonresidential Square Footage	<u>7,537,663</u>	<u>7,119,082</u>	<u>(418,581)</u>	<u>-6%</u>

	<b>2016</b>			
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Population	130,837	128,422	(2,415)	-2%
Residential Housing Units	50,288	46,348	(3,940)	-8%
Nonresidential Square Footage				
Retail	4,330,707	4,152,234	(178,473)	-4%
Office	1,182,767	1,126,353	(56,414)	-5%
Public	1,024,250	1,074,213	49,963	5%
Industrial	1,578,302	1,601,735	23,433	1%
Total Nonresidential Square Footage	<u>8,116,026</u>	<u>7,954,535</u>	<u>(161,491)</u>	<u>-2%</u>

**FINDING NO. 2**

For two of 27 expenditures reviewed, the expenditures were recorded in the incorrect Impact Fee fund. The expenditures were related to projects included in a prior Infrastructure Improvement Plan (IIP), but were recorded in the fund restricted for expenditures associated with projects in the 2014 IIP.

**APPENDIX A**

**PROGRESS OF INFRASTRUCTURE IMPROVEMENT PLAN PROJECTS**

<b>Project Description</b>	<b>IIP Fund</b>	<b>Estimated Cost<sup>a</sup></b>	<b>Expenditures as of 6/30/16<sup>b</sup></b>	<b>Estimated Cost to Complete</b>	<b>FY Budget Plan</b>
Fire Station 308	Fire & EMS Impact Fee Fund	\$ 6,135,001	\$ -	\$ 6,135,001	FY2018
Fire Station 309	Fire & EMS Impact Fee Fund	8,822,500	-	8,822,500	FY2020
163rd Ave Phase 1	163rd Ave Roadway Fee	11,275,000	-	11,275,000	FY2021
163rd Ave Phase 2	163rd Ave Roadway Fee	13,500,000	-	13,500,000	FY2021
Desert Oasis WSF - Arsenic Treatment Phase 2	Water Sys Dev Fee Fund SPA2	2,200,000	-	2,200,000	FY17-19
Mountain Vista Well #2	Water Resources Sys Dev Fee SPA1	2,073,500	2,776,244	-	FY12-15
Cactus Rd Sewer Line - Sarival to Reems (GAP Study)	Wastewater Sys Dev Fee SPA1	1,400,000	-	1,400,000	FY2026
(18") 21" Sewer Line Cotton Rd (W Cactus Rd to W Peoria Ave)	Wastewater Sys Dev Fee SPA1	1,400,000	-	1,400,000	FY2026

a) The source of the information in the City of Surprise 2014 Infrastructure Improvements Plan.

b) The source of the information is the City's financial records for the period July 1, 2012 through June 30, 2016.