



2016 ANNUAL REPORT

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Cover Photo:

A new RWC tower becomes operational in Maricopa.

EXECUTIVE DIRECTOR'S MESSAGE

Dear RWC Board of Directors and Community Members:

I am pleased to submit for your review the 2015-2016 Annual Report. The Annual Report highlights the modernization, financial health, operational performance and achievements of the Regional Wireless Cooperative (RWC). Some of these areas of interest and achievement highlighted in this year's report include the following:



The joint RWC/ TOPAZ Regional Wireless Cooperative Governance Working Group (GWG) continued making progress by beginning development of an intergovernmental agreement (IGA) which will formalize many of the joint activities underway since the formation of the two cooperatives.

The RWC TDMA, Lifecycle and Infrastructure project, under the management of Phoenix IT/Radio Services Department, the Operations Working Group, and Motorola Solutions, was finalized ahead of schedule and under budget. Having met all the project milestones, the RWC received the maximum pay out from Sprint/Nextel in our successful negotiations for our 800 MHz re-banding buyout. Phase II of the project is being planned and costs negotiated with Motorola to finalize the project over the next four years.

Both Daisy Mountain Fire and the Town of Paradise Valley have made progress with their plans for updating sites and infrastructure for improved performance and coverage for their member agencies.

My appreciation goes out to the Board of Directors, Executive Committee, and Operations and Policy Working Groups for their involvement and hard work on behalf of the RWC. Also, I offer my thanks to the men and women who provide expert technical and administrative support to the RWC to make it one of the most successful public safety interoperable communications systems in the country.

Sincerely,

A handwritten signature in black ink that reads "David A. Felix". The signature is written in a cursive, flowing style.

David Felix, Executive Director
Regional Wireless Cooperative

OVERVIEW

Background

The VHF communications system formerly used by the City of Phoenix's public safety and other departments was based on 1950s technology and unable to meet the operational needs of its users. After much study and several consultants' recommendations, the City replaced the existing system with a Project 25, digital, 800 MHz trunked radio system. 2001 Bond Funds were approved by Phoenix residents to pursue the replacement, which was completed in 2005.

The City formed the Phoenix Regional Wireless Network (PRWN) and began transitioning Phoenix Police, Fire and municipal departments to the new system. PRWN was intended to be a regional radio system supporting the City's operations as well as the Fire Department's automatic aid partners.

In 2008, in order to meet the needs of the expanding network and its many new partners, the Regional Wireless Cooperative (RWC) was formed; PRWN transitioned to RWC upon its formation. The RWC now oversees the administration, operation, management, maintenance and growth of this regional communications network.

Governance

The RWC is a cooperative body formed under an Intergovernmental Agreement. Membership is open to all local, state, and federal governmental entities and tribal entities and currently includes the majority of cities in the Phoenix metropolitan area. Governance provides for a Board of Directors consisting of one executive representative from each Member. The Board directs the operation, maintenance, planning, design, implementation, and financing of the RWC.

The City of Phoenix serves as the "Administrative Managing Member" responsible for the administration and financial management of the RWC. Four administrative staff positions support the RWC: Executive Director, Accountant III, Management Assistant I, and Administrative Aide. RWC staff are City of Phoenix employees residing in the Government Relations office.

System Description

The RWC is a large, Public Safety radio network based on the Project 25, Phase I Standard. The network is an ASTRO 25™, Integrated Voice and Data, trunked radio system. It operates in the 700/800 MHz frequency bands and uses standard Simulcast, IP Simulcast, and individual site trunking. The network consists of seven (7) major simulcast subsystems and ten (10) Intelligent Site Repeaters (ISRs).

The system provides seamless, wide area coverage across the entire metropolitan area. It is data capable, but at the current time is only used in a data capacity to provide encryption services.

Some of the benefits of this large regional radio system include wide area coverage beyond what cities could achieve individually; seamless *interoperability* (the ability for diverse public safety agencies to communicate directly, in real-time, as the need requires); shared resources, such as people, equipment and tower sites and funding and financial responsibilities shared by all members based on their relative size, measured by the number of radios on the network and increased success in obtaining state and federal grant support.

OVERVIEW (continued)

Interoperability

The RWC system has provided a platform on which to build interoperability with many other agencies. Because of the regional nature of the system, significant grant funding has been made available to increase the regional use of the system and reduce the cost of membership in the RWC. Grants have been used to link the many dispatch centers, also known as Public Safety Answering points (PSAPs), in the Valley; add the City of Tempe to the network; increase system capacity to allow greater roaming and interoperability; add several mountain sites to be used for very wide-area coverage, emergency backup and wide area interoperability; provide connectivity to Peoria's new system; and provide cache radios to be used for emergencies.

The RWC system has been effectively used to provide interoperable communications for several special events in the metropolitan area. The system was used during the 2004 Presidential Debate linking motorcade officers, providing interoperability for Tempe and ASU, and administrative communications for the ASU staff coordinating the debate. The system provided support for the annual Fiesta Bowls, the BCS football game, the 2008 and 2015 Super Bowls, and the 2009 NBA and 2010 MLB All Star games. The Super Bowls, in particular, have clearly demonstrated the need for a truly regional radio system and has prompted more discussions between the metropolitan cities regarding more effective use of the RWC.

Many non-members of the RWC have programmed radios to allow them to interoperate with RWC members and other agencies around the Valley. These agencies include members of federal, tribal, state, county, local, quasi-government and support agencies:

Ak-Chin Fire Department	Maricopa County Adult Probation
Arizona Attorney General's Office	Maricopa County Attorney's Office
Arizona Department of Corrections	Maricopa County Department
Arizona Department of Health Services	of Emergency Management
Arizona Department of Juvenile Corrections	Maricopa County Department
Arizona Department	of Transportation
of Liquor Licenses and Control	Maricopa County Judicial Branch
Arizona Department of Public Safety	Security Department
Arizona Department of Transportation	Maricopa County Juvenile Probation Department
Arizona Division of Emergency Management	Maricopa County Office
Arizona National Guard	of Enterprise Technology
Arizona Radiation Regulatory Agency	Maricopa County Office of Medical Examiner
Arizona State University Police Department	Maricopa County Regional Emergency Action
BNSF Railway Police Department	Coordination Team (REACT)
Buckeye Valley Fire District	Maricopa County Sheriff's Office
Carefree Fire Department / Rural Metro	Pinal County
Casa Grande Fire Department	Salt River Pima Maricopa Indian Community
Cave Creek Marshal's Office	Tonopah Valley Fire District
Circle City / Morristown Fire District	Union Pacific Railroad Police Department
Community Bridges, Inc.	US DOJ Bureau of Alcohol, Tobacco,
Federal Reserve Police Department	Firearms and Explosives
Fort McDowell Yavapai Nation	US DOJ Drug Enforcement Agency
Fire Department	US DOJ Federal Bureau of Investigation
Gila River Indian Community	US DOJ United States Marshals Service
Harquahala Fire District	Town of Wickenburg
Luke Air Force Base	Wittmann Fire District

MISSION STATEMENT

The Mission of the Regional Wireless Cooperative (RWC) is to provide seamless operable and interoperable communications for all Members through a governance structure founded on the principle of cooperation for the mutual benefit of all Members.

In November of 2010, the newly formed staff of the RWC, as a component of the City of Phoenix's Government Relations Department, met to develop a strategic plan to assist them in serving the needs of RWC Members, Board of Directors, Executive Committee and other work groups. The following Value Statements are intended to focus staff's efforts and memorialize their commitment to support the RWC Mission:

We Are Dedicated to Serving Our Customers

We succeed by responding to and focusing our attention on the needs of our customers.

We Value and Respect Diversity

Understanding diversity helps us to work together and serve our communities.

We Work as a Team

Teamwork is the basis of our success. We use cooperation as our first tool in working with others.

We Each Do All We Can

We each have the opportunity and responsibility to develop and use our skills to the highest level.

We Learn, Change and Improve

We are open to new methods and we listen and learn from others. Training and education is the basis for our success.

We Focus on Results

Each of us knows the level of our customer satisfaction, our response time in delivering services and the cost of those services. We use information about the results we provide so we can improve.

We Work with Integrity

Whenever we make a decision, provide a service or deal with customers, we act with honesty and integrity.

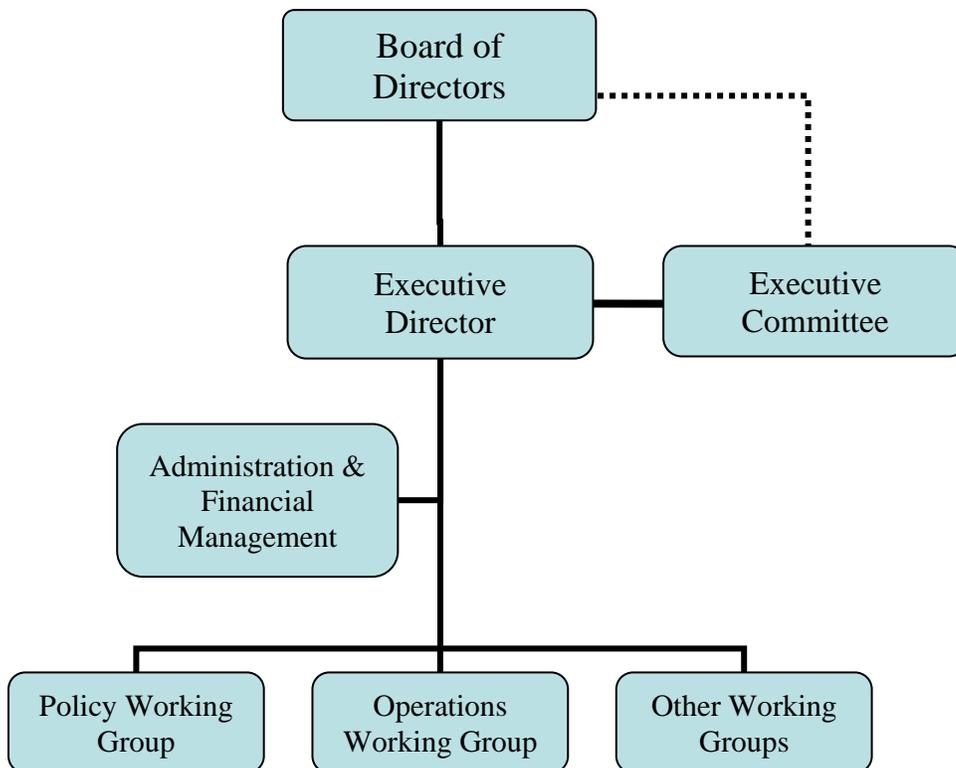
We Make the RWC Better

We work to make the RWC better. Improving the RWC is the reason we come to work each day.

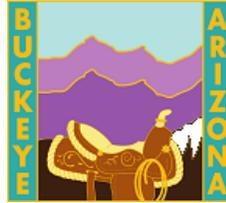
ATC Buckeye Tower

ORGANIZATIONAL STRUCTURE

The RWC is governed by a Board of Directors, with all members of the RWC having a seat and a vote on the Board. The Executive Director reports to the Board of Directors and serves as a non-voting member of the Board-appointed Executive Committee. The Executive Director is supported by the Executive Committee, Operations Working Group, and other Working Groups, in addition to three staff positions who assist with the administration and financial management of the RWC. The Executive Director and staff are City of Phoenix employees residing in the Office of Government Relations.



MEMBERS



BOARD OF DIRECTORS

Chair

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Vice Chair

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EXECUTIVE COMMITTEE

The purpose of the Executive Committee is to provide high level expertise in communications and operations, advise the Board of Directors, help direct the efforts of the Executive Director and provide intermediate strategic direction for the RWC. Functions of the Executive Committee include review and approval of all proposals and recommendations, budget and financial reports, Network performance reports, and Board of Directors meeting agendas prior to submittal to the Board of Directors. The Executive Committee also identifies performance issues and recommendations for Network enhancements and construction.

The Executive Committee consists of five Representatives appointed by the Board of Directors, plus the Executive Director who is a non-voting member. Representatives, selected from the RWC Membership, consist of: one (1) Police Department executive manager; one (1) Fire Department executive manager; one (1) Municipal executive manager; one (1) Chief Information Officer (or equivalent); and one (1) executive manager from a Network Managing Member. The Executive Committee may not be comprised of Representatives from only one Member and every two years the Board of Directors reviews the Executive Committee representation. The Executive Committee Chair serves a two-year term.

The Executive Committee conducts regularly scheduled meetings at least once monthly prior to the Board of Directors meeting.

Executive Committee Members

Chair

Administrative Managing Member Representative
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Police Representative
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Public Works Representative
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OPERATIONS WORKING GROUP

The Operations Working Group is responsible for addressing Network operational issues and maintaining Board-approved comprehensive policies and procedures for the operation and maintenance of the Network. The Operations Working Group reviews the RWC policies and procedures on an as needed basis, but not less than bi-annually, and submits necessary revisions to the Executive Director for Board of Directors' approval.

Each Member may have up to three (3) representatives ("Agency Representatives"), with one (1) Agency Representative each from a Law Enforcement Agency, Fire Services Agency and Municipal Agency. However, each Member may only have an Agency Representative from each agency for which the Member has actual users on the Network. The Agency Representatives act as liaisons to their respective agencies and are responsible for promptly notifying the Operations Working Group of issues potentially affecting Network operations.



Above: A typical Operations Working Group Meeting (many participants join via conference call).

POLICY WORKING GROUP

The Policy Working Group (PWG) is responsible for developing, reviewing and modifying RWC policies and procedures. The PWG consists of representatives from Member agencies and meets monthly or as required throughout the year. Policies and procedures completed by the PWG must be approved by the Operations Working Group, Executive Committee or Board of Directors prior to implementation.

FINANCIAL MANAGEMENT

The responsibilities and tasks of managing the financial well-being of The Regional Wireless Cooperative includes Fund Management, Budget Development, Subscriber Unit Rates and Fees, Member Billing, Procurement, Financial Reporting and Financial Audit.

RWC Budgetary Information for Fiscal Year 2015-16 and 2016-17

	FY 2015-16	FY 2016-17
Operations, Maintenance and Staffing	\$7,961,407	\$7,003,247
System Upgrade (SUAll)	\$2,804,000	\$2,660,349
700MHz Narrow Banding, TDMA, Lifecycle Upgrade	\$8,588,364	
Required Minimum Balance*		\$ 1,256
Total Budget	\$19,353,771	\$9,664,852
Subscriber Unit** Rate	\$36.15	\$32.03
Total Positions (Administrative Staff)	4	4

* This amount is for the Tolleson Police Department, expected to join in FY 2016-17.

** Includes: mobile and portable radios, dispatch consoles and control stations.



Assistant Chief Lonnie Inskeep (3rd from right), RWC Board Member from the City of Maricopa, and David Felix (2nd from right) inspect an RWC tower construction site in Maricopa.

FINANCIAL MANAGEMENT (continued)

Funding

The RWC is funded through annual membership fees and special assessments from the Members. The annual membership fees are used to pay for administrative services, network operations and maintenance services, network infrastructure replacement, and system upgrades.

Operations, Maintenance, and Staffing Costs

The operations, maintenance, and staffing portions of the budget are used to pay for the cost of maintaining and staffing the RWC Network. Operations and maintenance expenditures include labor costs related to network operations and maintenance, microwave expenses, and software subscription and service agreements contracted through Motorola. Other costs include land leases, utilities charges, insurance premiums, and maintenance managing member expenses. Staffing include costs associated with the RWC Executive Director and the support staff. Such costs include salaries for staff and an Encryption Specialist, a Project Manager's wages, and office expenses.

Capital Improvement Project Fund

Funds budgeted for system upgrades, infrastructure replacement and other long term capital improvement projects (CIP) are accounted for in this fund. Funds from RWC members deposited into the CIP Fund are included in determining RWC Members' equity percentages.

Required Minimum Balance

The required minimum balance is used to provide a contingency for the cost of operating and maintaining the communications network. Member billing for the required minimum balance is accounted for in an RWC operating reserve fund.

Equity

Members of the RWC who contributed assets or funds to pay for RWC infrastructure have equity in the RWC. The total Members' equity in the RWC is equal to the Net Position of RWC.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the RWC for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. The RWC also won this award in 2013 and 2014.

PLAN FOR THE FUTURE

RWC PROJECTS	2015/16	2016/17	2017/18	2018/19
Software & Hardware Upgrades		7.16 Upgrade		7.18 Upgrade
Goodyear		Increase capacity on Simulcast J		
City of Maricopa	Add new site in Maricopa to improve in-building coverage			
Paradise Valley		Construction of new site in Simulcast H and complete transition to RWC		
Scottsdale				
700 MHz Narrow-banding	Complete Hardware Upgrade to Simulcast A	Consider TDMA conversion to provide additional capacity, or extend cutover to 2019 or beyond	Consider TDMA conversion to provide additional capacity, or extend cutover to 2019 or beyond	Consider TDMA conversion to provide additional capacity, or extend cutover to 2019 or beyond
800 MHz Re-banding	Complete Negotiations for Cash-Out Option			
END USER PROJECTS				
Gold Elite to MCC7500 Replacement	Phoenix PD Console Replacement	Phoenix Fire Console Replacement		
Subscriber Replacement or Upgrade to TDMA Capable Radios	Coincide with possible TDMA conversion for capacity.	Coincide with possible TDMA conversion for capacity.	Coincide with possible TDMA conversion for capacity.	Coincide with possible TDMA conversion for capacity.

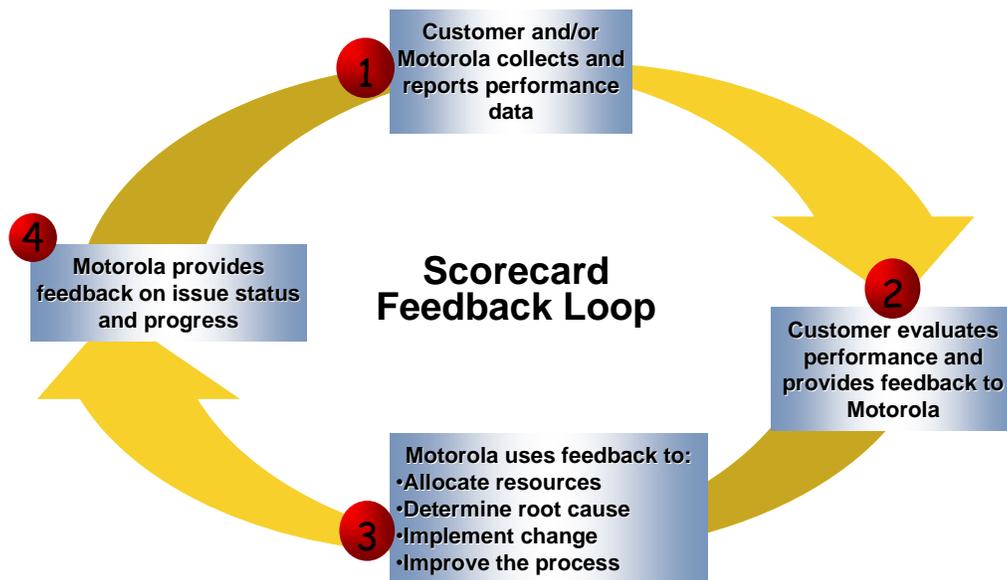
MOTOROLA SCORECARD

The scorecard initiative, which began at the end of 2004, is a joint process between Motorola and the RWC. It is used as a way for Motorola to improve its performance by validating key requirements through measurable objectives. Quarterly meetings are held with Motorola’s local team, select executives, and RWC Members.

The continuous improvement model includes the collection of performance data, evaluation by the customer, and feedback to Motorola so that improvements can be made.

The 2016 scorecard for the RWC has fifteen metric/performance items. Many of the deliverables are very strategic and also help other Motorola customers of the same size.

The Scorecard Process is based on a Continuous Improvement Model



PROJECTS AND MAJOR INITIATIVES

These projects, underway in 2015/16 and beyond, are adding new members and improving radio coverage and reliability provided by the Regional Wireless Cooperative (RWC).

Paradise Valley

The Town of Paradise Valley has been working with area residents to jointly select and design a new communications site to provide improved coverage in the Town's "commercial corridor." Working with a local homeowner, the Town has entered into an agreement for the new site and equipment shelter. Antennas and the shelter will blend with the architecture and landscape of the surrounding area. The new site will be added to the Simulcast H sub-system (Scottsdale) to provide necessary coverage for the Town. After the site is completed, Paradise Valley Police will transition to full operation on the RWC network.

700 MHz Narrow Banding, TDMA Conversion and Lifecycle Upgrade Project

The purpose of this project was to convert the RWC system to Time Division Multiple Access (TDMA) protocol and implement several key lifecycle changes required due to equipment obsolescence. The project also converted the entire RWC network to 700 MHz frequencies. Simulcast "A", "B" and "C" have been upgraded with new TDMA compliant base station radios and antennas. Simulcast "F" was upgraded with two additional channels to help accommodate the additional subscriber traffic that was transitioned from Simulcast "C". The Simulcast "C" upgrade was completed in November, 2014. Simulcast "B" was turned off in April, 2015 to begin the upgrade of TDMA base station radios and 700 MHz antennas. Simulcast "B" was completed in December, 2015 and has returned to service. The Simulcast "A" upgrade began in December, 2015 and was completed in June, 2016. Users that are normally assigned to either Simulcast "A", "B" or "C" are given permissions to operate on other RWC systems while project work is completed. This transition had little to no impact on the end user communications.

7.14 Software Upgrade

During March 2015, the RWC Network was upgraded from Motorola platform 7.11 to 7.14, consistent with the terms of the System Upgrade Agreement (SUAI). Both hardware and software components were included as part of this upgrade. The 7.14 system release was successfully implemented in twelve weeks. During that time the RWC replaced five zone cores, updated operating systems in over 1400 network elements and refreshed nearly 250 dispatch consoles and network clients. Overall the upgrade went quite well with minimal operational impact. Thanks to the RWC member community for their patience and cooperation during this project.

PROJECTS AND MAJOR INITIATIVES (continued)

City of Maricopa Coverage

The City of Maricopa funded a new RWC Simulcast C sub-site that went live in January, 2016. This new site has greatly enhanced RWC coverage for the City of Maricopa and surrounding areas. The City of Maricopa has also installed a new dispatch center that went live in 2nd quarter of 2016. Currently the center is operating on landline T1 connections and is in the process of procuring new microwave equipment for the primary link to the RWC.

Other Projects

- **Gold Elite Console Replacements:** All member dispatch centers have installed new MCC7500 consoles. Phoenix Fire has installed new MCC7500's at Alarm Headquarters II (AHQII) but the Fire Operations Center (FOPS) is still operating on Gold Elite consoles. The FOPS Gold Elites consoles were scheduled to be complete by September, 2016 but due to delays in transitioning to AHQII, completion date has been pushed back.
- **Daisy Mountain Fire District Upgrade:** The RWC, Phoenix Fire and Motorola are working with Daisy Mountain Fire District (DMFD) on a project which will upgrade the existing radio system to improve coverage and reliability, as well as allow DMFD to operate consistent with other Fire Automatic Aid partners in the Phoenix metropolitan area. After consultation with DMFD, Motorola has developed a budgetary proposal which is under review and utilized by DMFD for a CIP bond funding request.
- **Southwest Valley Fire Districts:** RWC, Phoenix Fire and Motorola are conducting a radio communications coverage and impact assessment for Harquahala, Tonopah and Buckeye Valley Fire Districts for potential membership. The latest meeting continued discussions on needs, coverage and build-out options. Motorola is preparing a proposal for the Fire Districts' consideration.
- **City of Tolleson:** Tolleson PD has purchased new MCC7500 consoles for their dispatch center. They will be transitioning to the RWC network in 4th quarter, 2016.

SYSTEM PERFORMANCE

Radio Counts

Radio counts give a generalized picture of the size and relative volume of the system. Radios on the system include all consoles, control stations, portables and mobiles. They also include radios used by the RWC Members and those radios used by outside agencies for interoperability. Radio counts are updated quarterly and the last year's totals are shown below:

	FY 2015-16			
	July	October	January	April
	Count	Count	Count	Count
Member Total	18,062	18,151	18,118	18,163
Interoperability	16,868	18,246	17,310	18,976
Grand Total	34,930	36,397	35,428	37,139



Typical portable radio used by Public Safety personnel on the RWC network.



The City of Phoenix has replaced all of their municipal department portable radios with the new Tait radio.

SYSTEM PERFORMANCE (continued)

Overall System Statistics

The following charts provide a compilation of the overall system statistics including the number of calls, busy calls and emergency calls, including the total and average duration of each type of call. A busy signal occurs when a user tries to make a call, but all channel resources are in use and thus the user must wait to complete the call. An emergency call occurs when the user presses the emergency button on a radio. Grade of Service (GOS) for the system is also shown; GOS is explained in more detail in the next item. System statistics provide a general overview of system performance, but they cannot be used as the final guide since statistics must be viewed individually for each sub-system in order to truly see the performance from the user perspective. These statistics are not shown in this report since they are so voluminous.

FY 15/16 System Statistics	
Total # of Calls	28,063,866
Total Call Duration (hours)	81,535
Total Call Duration (sec)	293,526,981
Average Call Duration (sec)	10.6
Average Call Per Day	76,001
Total Buses	530
Busy Duration (hours)	0.13
Total Busy Duration	478
Average Busy Duration (sec)	0.9
Average Busy per Day	1.5
Total Emergency Calls	3519
Total Emergency Duration (hours)	29.6
Total Emergency Duration (sec)	106,156
Average Emergency Duration (sec)	30.2
Average Emergency Calls per Day	9.6
FY 15/16 System Reliability	99.994%

SYSTEM PERFORMANCE (continued)

Grade of Service

Grade of Service (GOS) is a measure of how many times a user gets a “Busy” signal when a user “Pushes To Talk” (PTT) on their radio. GOS is measured in percent as the number of PTT’s where a Busy occurs divided by the total number of PTT’s. The design specifications for the RWC system is to maintain a GOS of 2% or less, which means that there will be only 2 Buses or less, out of each 100 PTT’s. GOS is measured on each Simulcast and Intelligent Site Repeater (ISR) subsystem. GOS reports are prepared weekly and the 2% GOS goal has not been exceeded on any subsystem. The following table shows the maximum GOS for the past year on each subsystem:

System Use

System Use shows the averages of how many of the system’s channels are used. It is shown as a percentage of the number of channels used divided by the total number of channels available for each Simulcast and Intelligent Site Repeater (ISR) subsystem.

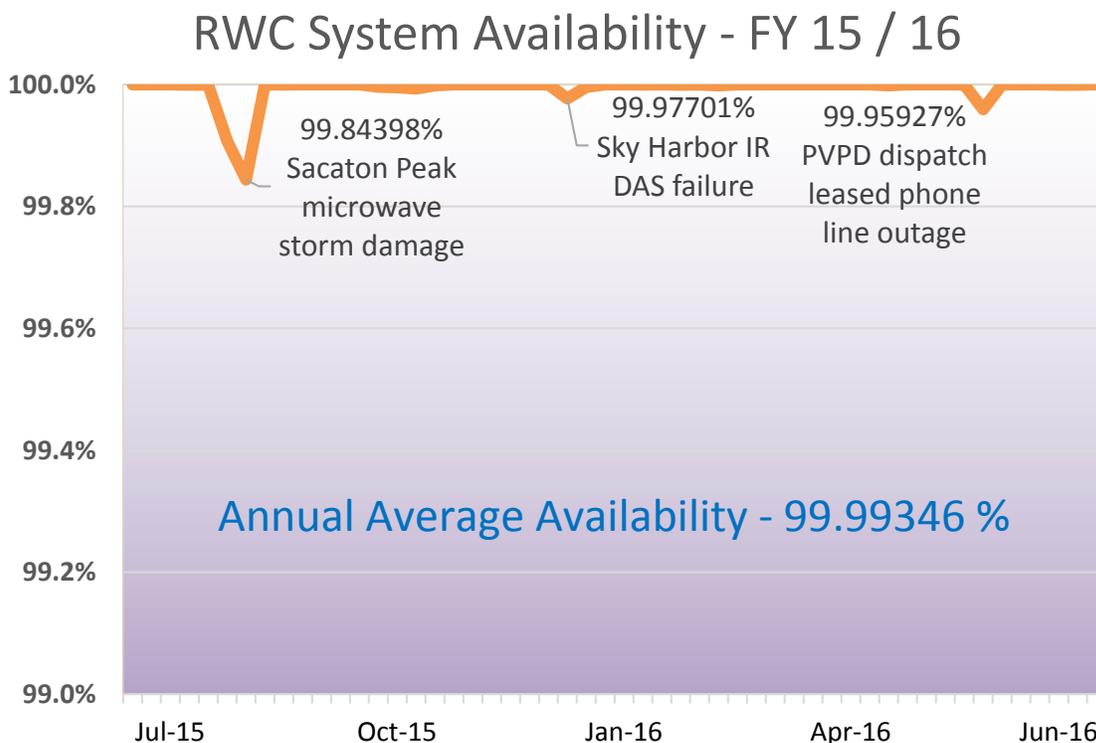
RWC Site Utilization and Grade of Service - FY 15 /16					
<i>Average</i> <i>GOS</i>	<i>Peak</i> <i>GOS</i>	<i>Site</i>	<i>Average</i> <i>Use</i>	<i>Peak</i> <i>Use</i>	
0.000%	0.000%	Simulcast B *	19.68%	56.85%	
0.000%	0.000%	Simulcast C	16.94%	42.38%	
0.032%	0.381%	Sky Harbor	9.43%	44.53%	
0.000%	0.000%	South Mountain	6.84%	36.29%	
0.000%	0.000%	North Mountain	6.41%	34.76%	
0.000%	0.000%	Mt. Gillen	1.05%	12.44%	
0.000%	0.000%	Sacaton	0.04%	6.22%	
0.000%	0.000%	Thompson Peak	8.62%	23.79%	
0.000%	0.000%	Towers Mountain	1.13%	9.59%	
0.041%	0.126%	Simulcast A *	10.82%	62.39%	
0.000%	0.000%	Outlet Mall	6.00%	20.66%	
0.000%	0.000%	Simulcast F	8.51%	29.01%	
0.000%	0.000%	White Tanks	7.01%	28.46%	
0.000%	0.000%	Simulcast H	14.09%	38.91%	
0.000%	0.000%	Simulcast G	24.64%	56.42%	
0.000%	0.000%	Quintero	0.03%	7.78%	
0.041%	0.493%	Simulcast J	13.47%	48.23%	

* estimated value based on time in service for period

SYSTEM PERFORMANCE (continued)

System Availability

System Availability is a measure of the percentage of time that the system is operating normally, with no operational impact to the users. Since the system is made up of many Simulcast and ISR sub-systems, the system availability is the combined availability of all these subsystems. The goal is to keep the system operating as close to 100% available from the user’s perspective. Note that failures may occur to various components, but due to the system redundancy, there is no impact to the user. If System Availability is less than 100%, it may be due to a failure in a single subsystem, with the majority of the overall network remaining available to the users. System Availability for the RWC network for the twelve month period of July 2015 through June 2016 is shown below:



NOTE: The industry standard and baseline for system availability of public safety radio systems is 98.5%. The performance of the RWC Network is well above this standard. The scale above has been adjusted to a baseline of 100% to more easily show performance values.

SYSTEM PERFORMANCE (continued)



Above: The City of Phoenix Radio Shop Staff.

The City of Phoenix is the Maintenance Managing Member for all RWC zones except Zone 3 (Simulcast “H”) which operates in and is managed by the City of Scottsdale.

The City of Phoenix is also the Administrative Managing Member of the Cooperative and is responsible for tracking of all subscriber radios on the RWC network. This work is done by the City of Phoenix Radio Shop, who also provide quarterly report subscriber information for Operations and Maintenance billing.

CONTACT INFORMATION

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www.RWCAZ.org



From left to right: David Clarke, Jeanine Besnier, Kelly Stewart, David Felix



RWC

Comprehensive Annual Financial Report Fiscal Year 2016
Regional Wireless Cooperative, an Arizona Joint Venture
for the Fiscal Year Ended June 30, 2016



RWC

FY2016 Comprehensive Annual Financial Report

**Regional Wireless Cooperative, an Arizona Joint Venture
for the Fiscal Year Ended June 30, 2016**

**Prepared by:
Regional Wireless Cooperative (RWC)
Almira Santos, Accountant III**

**Regional Wireless Cooperative
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

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<p>About the cover: City of Maricopa tower construction, Police & Fire users of the RWC network, and Radio Shop Staff</p>
--

INTRODUCTORY SECTION



January 30, 2017

To the Board of Directors of the Regional Wireless Cooperative:

In accordance with the governance of the Regional Wireless Cooperative (RWC), I am pleased to submit the RWC Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. These financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America (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 fairly present the financial position, results of operations and cash flows of the RWC. All disclosures necessary to enable the reader to gain an understanding of the RWC's net position and changes in net position have been included.

CliftonLarsonAllen, LLP has issued an unmodified ("clean") opinion on the RWC financial statements as of and for the year ended June 30, 2016. The independent auditors' report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE REGIONAL WIRELESS COOPERATIVE

This report summarizes the activities of the RWC. The RWC was formed in 2008 to oversee the administration, operation, management, and maintenance of an expanding regional communications network. The RWC was formed through a governance structure founded on the principles of cooperation for the mutual benefit of all members, and has expanded to serve a still-growing list of cities, towns, and fire districts, along with many other area entities who serve public safety needs.

The RWC is an independent, multi-jurisdictional organization throughout the Phoenix Metropolitan Region which currently consists of the following 20 members: City of Avondale, City of Buckeye, City of Chandler, Daisy Mountain Fire District, City of El Mirage, City of Glendale, City of Goodyear, Town of Guadalupe, City of Maricopa, Maricopa County Community College District, Town of Paradise Valley, City of Peoria, City of Phoenix, City of Scottsdale, Sun City Fire District, North County Fire & Medical District, Sun Lakes Fire District, City of Surprise, City of Tempe, and City of Tolleson.

PROFILE OF THE REGIONAL WIRELESS COOPERATIVE (CONTINUED)

The RWC is a large, Public Safety radio network based on the Project 25, Phase I Standard. The network is an ASTRO 25™, integrated voice and data, trunked radio system that operates in the 700/800 MHz frequency bands and uses standard Simulcast, IP Simulcast and individual site trunking. The network consists of seven (7) major simulcast subsystems and ten (10) Intelligent Site Repeaters (ISR's).

This regional radio communications network was built to seamlessly serve the interoperable communication needs of first responders and other municipal radio users in and around Central Arizona's Valley of the Sun. The system is data capable, but at the current time, is only used in a data capacity to provide encryption services. Some of the benefits of this large regional radio system include wide area coverage beyond what cities could achieve individually; seamless interoperability (the ability for diverse public safety agencies to communicate directly, in real-time, as the need requires); shared resources; such as people, equipment, and tower sites; shared funding; and increased success in obtaining state and federal grant support. Financial responsibilities are shared by all members based on their relative size, and is measured by the number of subscriber units (radios) on the network.

LOCAL ECONOMY

According to the US Department of Commerce, the estimated population in the State of Arizona as of 2015 was 6.8 million. This represents a population growth of 19% from a decade ago. The Phoenix metropolitan area has been one of the most rapidly growing metropolitan areas in the country in recent decades in terms of population, employment and personal income growth. From 2001 to 2011, population growth was 21.9% in Maricopa County compared to 9.4% for the United States.

Metro Phoenix, also known as the Valley of the Sun, is home to a strong and growing transportation system including one of the nation's 10 busiest airports, Sky Harbor International Airport. The airport's estimated economic impact is \$28.7 billion annually. In 2015, more than 44 million passengers arrived and departed from Sky Harbor. Other features of the area transportation system are two major railways and excellent interstate highways and local freeways connecting the Valley to major markets and ports in western states and Mexico. The Metro Light Rail System currently covers 23 miles linking Mesa, Tempe, and Phoenix. Expansion plans will include service to additional cities in the region.

The Valley has access to a labor pool of several million diverse workers, and has a wealth of educational resources to educate new and existing talent. All three Arizona public universities have a presence in the Valley, along with many other public and private academic institutions offering undergraduate and graduate degrees.

Major employers range from hospitals and banks, to private universities and aerospace manufacturers. Emerging industries include renewable energy, biotechnology, and data centers. Arizona has a well-managed water and power supply including an abundant supply of electricity from various sources, including the largest U.S. nuclear plant, dams,

LOCAL ECONOMY (CONTINUED)

coal and gas burning plants as well as wind and solar plants. The water supply to the Valley via canals from local reservoirs and the Colorado River is adequate to meet projected population growth for at least the next 100 years.

LONG TERM FINANCIAL PLANNING

During 2016, the RWC began system software upgrades to version 7.16. These upgrades have been included in the RWC Five-Year Plan and budget that was recently submitted to the RWC Board of Directors. In addition, there are many product changes that occur as part of the life of the system. Motorola has briefed the RWC on the product roadmap for the next five years. The roadmap includes several key product changes where support for certain products will be ending, thus necessitating upgrades and/or changes in these products. The critical product changes that must be considered are those affecting base stations, consoles, and subscriber units.

A Federal Communications Commission (FCC) mandate to narrowband all 700 MHz frequencies was finally overturned, resulting in a tremendous time and costs savings for RWC Members as well as other 700 MHz-based systems across the country. Narrowband (TDMA) capable equipment has to be replaced, which allowed the 12.5 KHz bandwidth of the 700 MHz channels to be changed to 6.25 KHz, effectively doubling the number of channels available.

Currently, the RWC is using the Frequency Division Multiple Access (FDMA) protocol. Although both protocols may be used on the same system, they cannot be used on the same talk group at the same time. This limits the ability to seamlessly roam. Thus, in order to overcome this limitation, the RWC will convert the 700 MHz components of the system to TDMA. Eventually, all subscriber equipment will be converted to TDMA.

The Hardware Upgrade phase of this project was completed in August 2016 at a cost of \$22.4 M.

The second phase is the conversion to TDMA throughout the system. The implementation of this phase will begin in Fiscal Year 2018. This phase is estimated to cost \$10.1 M.

MAJOR INITIATIVES

The membership of the RWC continues to increase, therefore, the RWC is embarking on several projects aimed at expanding the regional radio network or fortify its resiliency and reliability. The projects include the following:

Tolleson

The Tolleson Police Department began transitioning and is estimated to be fully operational in January 2017.

MAJOR INITIATIVES (CONTINUED)

Paradise Valley

The Town of Paradise Valley joined the RWC in the fall of 2012. The Town is planning a two-phased approach to joining the RWC. In the first phase, a new site will be constructed in Paradise Valley. During the second phase, equipment will be purchased and installed and the new site will be added to the Simulcast H sub-system (Scottsdale). This will provide the necessary coverage for the Town. After the site is completed, Paradise Valley Police will transition to full operation on the RWC network by the spring of 2017.

800 MHz Re-Banding

The original project was to provide compliance with the FCC mandate to relocate the 800 MHz spectrum. The spectrum needed to be relocated to eliminate interference with the cellular carriers. Rather than go through the actual re-banding process, the RWC moved off of the 800 MHz frequencies, and onto the 700 MHz band making the entire RWC system all 700 MHz. The RWC negotiated with Sprint/Nextel to use an available “cash-out” option. The funding obtained from this effort was used to offset the cost of the 700 MHz Narrow-Banding Hardware Upgrade (see “Long Term Financial Planning” above).

RELEVANT FINANCIAL POLICIES

General

The City of Phoenix serves as the Administrative Managing Member, responsible for the administration and financial management of the RWC. As such, the RWC follows all of the administrative and financial management policies and procedures of the City of Phoenix. RWC has no employees. Four full-time staff are employed by the City of Phoenix.

Budgeting Systems and Controls

The RWC maintains budgetary controls, which are designed to ensure compliance with the provisions of the annual budget adopted by the RWC Board of Directors. The RWC budget process provides for input from the RWC Members and the Executive Committee in developing revenue and expenditure projections, and determines RWC programs and services for the coming year.

Accounting and Administrative Controls

Internal controls are procedures that are designed to protect assets from loss, theft, or misuse; check the accuracy and reliability of accounting data; promote operational efficiency; and encourage compliance with managerial policies at a cost that does not exceed the benefits to be derived. Management of the RWC has established a system of integral internal controls designed to provide reasonable, rather than absolute assurance,

RELEVANT FINANCIAL POLICIES (CONTINUED)

that the financial statements are free of any material misstatements and that these objectives are met.

Federal and State financial assistance programs require recipients to comply with many laws and regulations. Administrative controls are procedures designed to ensure compliance with these requirements. The RWC has established a system of administrative controls to ensure compliance with the requirements of the programs under which it receives financial assistance. As with other internal controls, this system is subject to a periodic review and evaluation by management. As part of the annual audit process, internal controls are considered in order to determine the nature, timing, and extent of auditing procedures.

AWARDS AND ACKNOWLEDGEMENTS

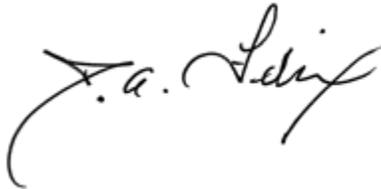
The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the RWC for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the RWC published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and the applicable legal requirements.

I believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

I want to thank all the members of the RWC Board of Directors, the RWC Executive Committee, City of Phoenix (City) Information Technology and Services Department, and City Budget and Research Department for their assistance throughout the past year. Special thanks to the City Finance Department for their assistance in the preparation of this comprehensive financial report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. Felix". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David Felix
RWC Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

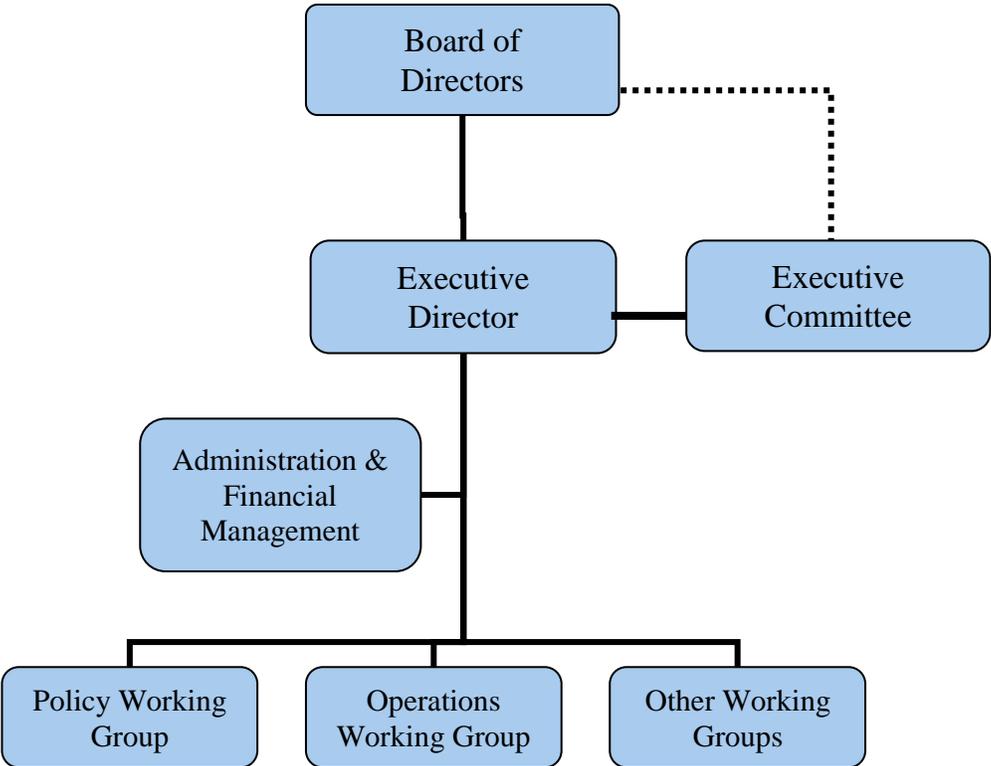
**Regional Wireless Cooperative
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Regional Wireless Cooperative Organizational Chart



MEMBERS



**Regional Wireless Cooperative
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

RWC BOARD OF DIRECTORS

Chair

Brad Hartig
CIO/Executive Director IT
City of Scottsdale

Vice Chair

Danny Johnson
Deputy Fire Chief
Daisy Mountain Fire District

Kevin Artz
Acting Assistant City Manager
City of Avondale

Wayne Clement
Fire Chief
Town of Guadalupe

Milton Dohoney, Jr
Assistant City Manager
City of Phoenix

Bob Costello
Fire Chief
City of Buckeye

Lonnie Inskeep
Assistant Chief
City of Maricopa

Mike Thompson
Fire Chief
Sun City Fire District

Brad Miller
Assistant Fire Chief
City of Chandler

Brent Ackzen
Communications & Records
Manager
Maricopa County Community
College District

Troy Maloney
Fire Chief
Sun Lakes Fire District

Terry McDonald
Police Chief
City of El Mirage

Tim Van Scoter
Assistant Fire Chief
North County Fire & Medical
District

Mike Frazier
Assistant City Manager
City of Surprise

Rick St. John
Assistant Police Chief
City of Glendale

Michael Cole
Police Lieutenant
Town of Paradise Valley

Brenda Buren
Assistant Police Chief
City of Tempe

Paul Luizzi
Fire Chief
City of Goodyear

John Imig
Information Technology
Director
City of Peoria

Bob Hansen
Fire Battalion Chief
City of Tolleson

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FINANCIAL SECTION



Regional Wireless Cooperative

INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional Wireless Cooperative

Report on the Financial Statements

We have audited the accompanying financial statements of the Regional Wireless Cooperative, which comprise the statement of net position as of June 30, 2016, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Regional Wireless Cooperative as of June 30, 2016, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Wireless Cooperative's basic financial statements. The accompanying supplementary information, introductory and statistical sections, as referenced in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



CliftonLarsonAllen LLP

Phoenix, Arizona
January 31, 2017

REGIONAL WIRELESS COOPERATIVE MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the Regional Wireless Cooperative's (RWC) activities and financial performance provides an introduction to RWC's financial statements as of and for fiscal year ended June 30, 2016. The information in this MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introductory Section of this report.

FINANCIAL AND OPERATIONAL HIGHLIGHTS (in thousands)

- Net position for the RWC totaled \$88,652 at June 30, 2016 and decreased by \$7,231 compared to fiscal year 2015. The decrease in 2016 is primarily due to a decrease in equity in pooled cash and investments for capital.
- Operating revenue was \$23,359 for fiscal year 2016 and decreased by \$141 compared to fiscal year 2015. The decrease in 2016 was due to Members' refunds from the Narrow-banding project as Sprint-Nextel funds were received and utilized in lieu of Member's contributions.
- The operating expenses increased by \$74 to \$15,344 in fiscal year 2016. This increase was due to an increase in Special Assessments for the Narrow banding upgrade.

OVERVIEW OF THE FINANCIAL STATEMENTS (in thousands)

This discussion and analysis is intended to serve as an introduction to the RWC's basic financial statements. The RWC's basic financial statements include statement of net position, statement of revenues and expenses and changes in net position; statement of cash flows; and notes to the financial statements. The RWC's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles applicable to a governmental entity.

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Enterprise Operations

The RWC is structured as a joint venture, governed by a Board of Directors, with all members of the RWC having a seat and a vote on the Board. The Executive Director reports to the Board of Directors and serves as a non-voting member of the Board-appointed Executive Committee.

The Executive Director is supported by the Executive Committee, Operations Working Group, and other Working Groups, in addition to three staff positions who assist with the administration and financial management of the RWC. The Executive Director and staff are City of Phoenix employees residing in the Office of Government Relations.

RWC'S FINANCIAL ANALYSIS (in thousands)

Net position may serve over time as a useful indicator of the joint venture's financial position. The net position of the RWC decreased by \$7,231 for the year ended June 30, 2016 as compared to June 30, 2015.

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

RWC'S FINANCIAL ANALYSIS (CONTINUED)

RWC's Net Position
(in thousands)

	June 30,	
	2016	2015
Current Assets	\$ 10,847	\$ 15,061
Capital Assets, Net	86,472	83,376
Total Assets	<u>97,319</u>	<u>98,437</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Current Liabilities	3,769	2,482
Noncurrent Liabilities	76	72
Total Liabilities	<u>3,845</u>	<u>2,554</u>
Deferred Inflow of Resources	<u>4,822</u>	<u>-</u>
Investments in Capital Assets	86,472	83,376
Restricted	243	121
Unrestricted	<u>1,937</u>	<u>12,386</u>
Total Net Position	<u>\$ 88,652</u>	<u>\$ 95,883</u>

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

RWC'S FINANCIAL ANALYSIS (CONTINUED) (in thousands)

- During fiscal year 2016, current assets decreased by \$4,214 from fiscal year 2015. The decrease in 2016 was primarily due to a decrease in unrestricted equity in pooled cash and investments for capital. A portion of the capital reserve was refunded to Members due to Sprint Nextel funds being utilized for the Narrow-banding Phase I project.
- Capital assets, net increased by \$3,096 from fiscal years 2015. Increases were in equipment, intangible assets and construction in progress. There was also an increase to accumulated depreciation.
- Liabilities increased in 2016 by \$1,291 from fiscal year 2015. The increase in 2016 was due to an unexpected project change order that held up processing of an invoice in accounts payable.
- Deferred Inflow of Resources increased by \$4,822 from fiscal year 2015. This was due to excess contributions that was not utilized and will be used for future year capital projects. This action was approved by the RWC Board.
- Net position decreased by \$7,231 to \$88,652 in fiscal year 2016. For fiscal year 2016, total current assets were reduced by \$4,336. Construction in progress increased by \$12,750 and accumulated depreciation increased by \$6,896.

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

RWC'S FINANCIAL ANALYSIS (CONTINUED)

RWC's Changes in Net Position
(in thousands)

	Years Ended June 30,	
	2016	2015
Operating Revenues - Primarily Memebers' Charges	\$ 23,359	\$ 23,500
Non-Operating Revenues, net	287	123
Total Revenues	<u>23,646</u>	<u>23,623</u>
Operating Expenses		
Administration	691	582
Operations and Maintenance	3,925	6,174
Special Assessments	2,429	5
Depreciation	8,299	8,509
Total Operating Expenses	<u>15,344</u>	<u>15,270</u>
Non-Operating Expenses, Net	<u>15,533</u>	<u>-</u>
Total Expenses	<u>30,877</u>	<u>-</u>
Increase (Decrease) in Net Positions	<u>(7,231)</u>	<u>8,353</u>
Net Position, July 1	95,883	87,530
Net Position, June 30	<u>\$ 88,652</u>	<u>\$ 95,883</u>

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

RWC'S FINANCIAL ANALYSIS (CONTINUED) (in thousands)

- Operating revenues decreased by \$141 during 2016 primarily due to refunds of Members' contributions when compared to fiscal year 2015
- Non-operating revenues consist mainly of investment income and increased \$164 during 2016, mainly due to an increase in the fair value of the investments held at June 30, 2016.
- During fiscal year 2016, total operating expenses increased by \$74, when compared to fiscal year 2015.
- Non-operating expenses increased \$15,533 during 2016 mainly due to distributions to Members, since the Sprint-Nextel funds were utilized for the Narrow-banding Phase I project. In addition, outdated system upgrades were removed from the asset inventory, which created a loss on the disposal of capital assets.

OPERATING REVENUES

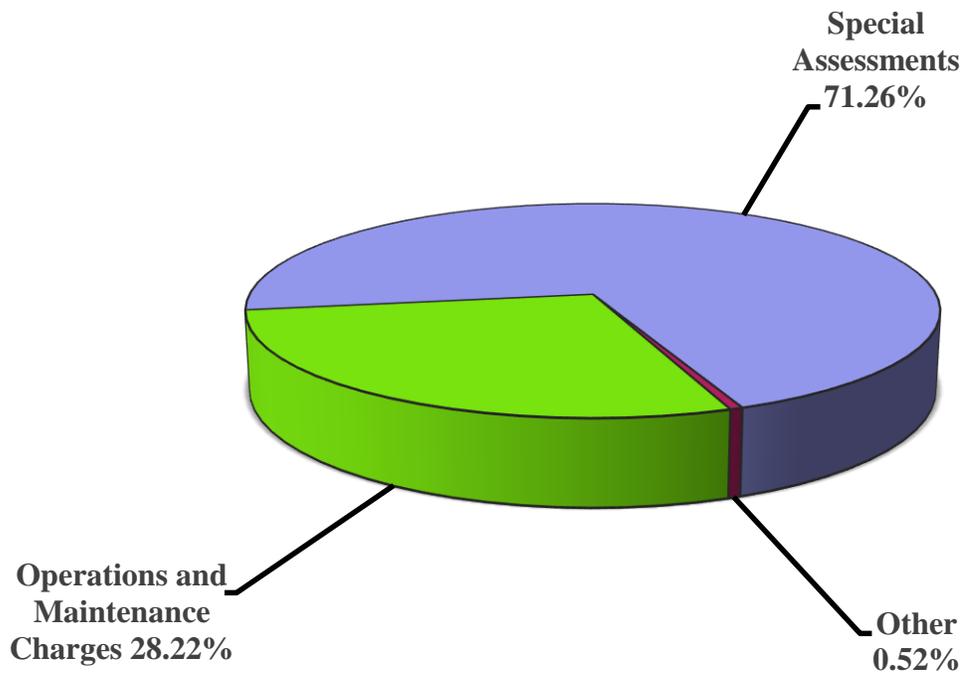
The RWC's revenue is primarily generated by charges to the joint venture members for operations and maintenance costs, special assessments, and an operating reserve. For fiscal year 2016, revenues amounted to \$23,359 of which \$6,592 is revenue from operations and maintenance, \$16,646 is from special assessments, and the remaining \$121 is from another revenue source.

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OPERATING REVENUES (CONTINUED)

The following chart depicts the RWC's revenues by category for the year ended June 30, 2016.

**Operating Revenues
For Fiscal Year Ended June 30, 2016
Total = \$23,359
(in thousands)**

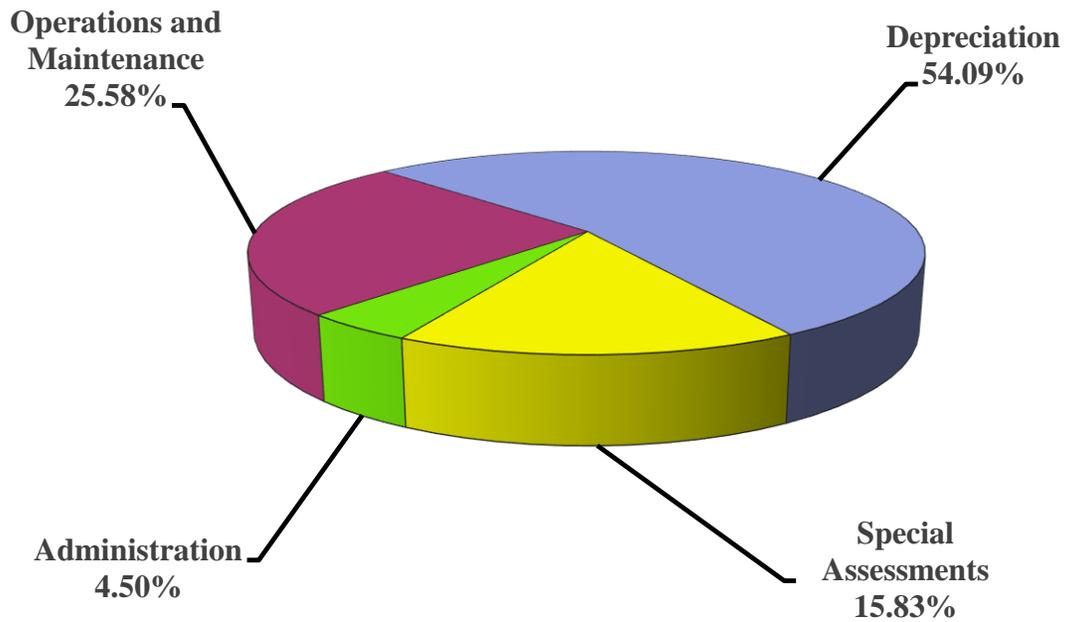


**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OPERATING EXPENSES

The following chart depicts the RWC's operating expenses by category for the year ended June 30, 2016.

**Operating Expenses
For Fiscal Year Ended June 30, 2016
Total = \$15,344
(in thousands)**



**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS

The RWC's investment in capital assets as of June 30, 2016 amounts to \$86,472 (net of accumulated depreciation) and \$83,376 as of June 30, 2015. Net capital assets increased by \$3,096 during fiscal year 2016. Additional information on RWC's capital assets can be found in the Notes to the Financial Statements, Organization and Summary of Significant Accounting Policies, Note 1, page 16 and Capital Assets, Note 3, page 21 of this report.

RWC's Capital Assets
(in thousands)

	June 30,	
	2016	2015
Buildings	\$ 28,842	\$ 28,842
Improvements Other than Buildings	4,830	4,830
Equipment	91,803	91,968
Intangible Assets	4,510	7,103
Construction in Progress	23,898	11,148
Accumulated Depreciation	(67,411)	(60,515)
Capital Assets, Net	\$ 86,472	\$ 83,376

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of RWC'S finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Regional Wireless Cooperative, 200 West Washington Street, 7th Floor, Phoenix, Arizona, 85003-1611.

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BASIC FINANCIAL STATEMENTS



Regional Wireless Cooperative

Regional Wireless Cooperative
Statement of Net Position
June 30, 2016
(in thousands)

<u>ASSETS</u>	
Current Assets	
Unrestricted Assets	
Equity in Pooled Cash and Investments	\$ 4,593
Equity in Pooled Cash and Investments - Operating Reserve	1,045
Equity in Pooled Cash and Investments - Capital	4,966
Total Unrestricted Assets	10,604
Current Restricted Assets	
Equity in Pooled Cash and Investments	243
Total Restricted Assets	243
Total Current Assets	10,847
Noncurrent Assets	
Capital Assets	
Buildings	28,842
Improvements other than Buildings	4,830
Equipment	91,803
Intangible Assets	4,510
Construction in Progress	23,898
Less: Accumulated Depreciation	(67,411)
Capital Assets, Net	86,472
Total Assets	97,319
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Total Deferred Outflows of Resources	-
<u>LIABILITIES</u>	
Current Liabilities	
Current Liabilities Payable from Current Assets	
Accounts Payable	2,494
Members' Payable	1,264
Accrued Expenses	11
Total Current Liabilities	3,769
Noncurrent Liabilities	
Accrued Expenses	76
Total Noncurrent Liabilities	76
Total Liabilities	3,845
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Special Assessments	4,822
Total Deferred Inflows of Resources	4,822
<u>NET POSITION</u>	
Investment in Capital Assets	86,472
Restricted	
Capital Projects	243
Unrestricted	1,937
Net Position	\$ 88,652

The accompanying notes are an integral part of these financial statements.

Regional Wireless Cooperative
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2016
(in thousands)

Operating Revenues	
Operations and Maintenance Charges	\$ 6,592
Special Assessments	16,646
Other	121
Total Operating Revenues	<u>23,359</u>
Operating Expenses	
Staff and Administrative Allocation	691
Operation and Maintenance	3,925
Special Assessments	2,429
Depreciation	8,299
Total Operating Expenses	<u>15,344</u>
Operating Income	<u>8,015</u>
Non-Operating Revenues (Expenses)	
Investment Income:	
Net Increase in Fair Value of Investments	25
Interest	262
Loss on Disposal of Capital Assets	(1,190)
Distribution to Members	(14,343)
Total Non-Operating Revenues (Expenses)	<u>(15,246)</u>
Changes in Net Position	(7,231)
Net Position, July 1	<u>95,883</u>
Net Position, June 30	<u>\$ 88,652</u>

The accompanying notes are an integral part of these financial statements.

Regional Wireless Cooperative
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2016
(in thousands)

Cash Flows from Operating Activities	
Cash Received from Members	\$ 23,386
Cash Paid to Suppliers	(5,068)
Cash Paid for Administration	(686)
Net Cash Provided by Operating Activities	<u>17,632</u>
Cash Flows from Noncapital Financing Activities	
Member Distributions	(9,521)
Net Cash Used by Noncapital Financing Activities	<u>(9,521)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(12,585)
Net Cash Used by Capital and Related Financing Activities	<u>(12,585)</u>
Cash Flows from Investing Activities	
Interest on Investments	287
Net Cash Provided by Investing Activities	<u>287</u>
Net Decrease in Cash and Cash Equivalents	(4,187)
Cash and Cash Equivalents, July 1	15,034
Cash and Cash Equivalents, June 30	<u>\$ 10,847</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating Income	\$ 8,015
Adjustments to Reconcile Operating Income to Net Cash	
Depreciation	8,299
Changes in Assets and Liabilities:	
Accounts Receivables	27
Accounts Payable	1,457
Members' Payable	(171)
Accrued Expenses	5
Net Cash Provided by Operating Activities	<u>\$ 17,632</u>

The accompanying notes are an integral part of these financial statements.

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**NOTES TO THE FINANCIAL
STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The Notes to the Financial Statements include a summary of significant accounting policies and other disclosures necessary for a clear understanding of the accompanying financial statements.

An index to the notes follows:

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Organization and Summary of Significant Accounting Policies	15
2	Cash and Pooled Investments	19
3	Capital Assets	21
4	Risk Management	22
5	Members' Equity	23
6	Related Party Transactions	24
7	Commitments and Contingencies	24

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

The Regional Wireless Cooperative (RWC) was formed in 2008 to oversee the administration, operation, management and maintenance of the expanding regional communication network. The RWC is an Arizona joint venture, multi-jurisdictional organization throughout the Phoenix Metropolitan Region which currently consists of 20 members. The RWC is a large, Public Safety radio network based on the Project 25, Phase I Standard. The network is an ASTRO 25™, integrated voice and data, trunked radio system. It operates in the 700/800 MHz frequency bands and uses standard Simulcast, IP Simulcast, and individual site trunking. The network consists of seven major simulcast subsystems and ten Intelligent Site Repeaters (ISR's).

The system provides seamless, wide area coverage in and around Central Arizona's Valley of the Sun. The system is data capable, but at the current time is only used in a data capacity to provide encryption services.

Some of the benefits of this large regional radio system include wide area coverage beyond what cities could achieve individually; seamless interoperability (the ability for diverse public safety agencies to communicate directly, in real-time, as the need requires); shared resources; such as people, equipment, and tower sites and funding; and increased success in obtaining state and federal grant support. Financial responsibilities are shared by all members based on their relative size, and is measured by the number of subscriber units on the network.

1. Organization and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The RWC is a special purpose governmental entity, engaged only in business-type activities. It is required to present the financial statements required for enterprise funds, which include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It also requires a Management's Discussion and Analysis as required supplementary information.

The RWC's other significant accounting and financial policies are described as follows:

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. Organization and Summary of Significant Accounting Policies (Continued)

Reporting Entity

The RWC is structured and reported as a joint venture between the members. Each member includes their equity in the joint venture in their respective basic financial statements. The accompanying financial statements present the financial position of the RWC only. The RWC does not have any component units.

Basis of Accounting

The RWC is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through an enterprise fund. Revenues are recorded when earned and expenses recorded at the time the liabilities are incurred.

The Statement of Net Position present the reporting entity's assets and liabilities, with the difference reported as net position. Net position is reported in three components:

Investment in capital assets consists of capital assets, net of accumulated depreciation and is reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted results when constraints placed on asset use are either externally imposed by creditors, grantor, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted consist of those assets which do not meet the definition of the two preceding categories. Unrestricted often are designated to indicate that management does not consider them to be available for general operations. The unrestricted component often has constraints on resources which are imposed by management, but can be removed or modified by the RWC Board of Directors.

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. Organization and Summary of Significant Accounting Policies (Continued)

The Statement of Revenues, Expenses and Changes in Net Position demonstrates the degree to which the expenses are offset by revenues. Operating revenues are members' charges and other miscellaneous revenues that are received based on the ongoing activities of the RWC. Operating expenses are those incurred for network operations, maintenance, administration and depreciation of capital assets. Non-operating revenues and expenses are items that are not a result of the direct operations of the network, including interest.

Cash and Pooled Investments

Equity in Pooled Cash and Investments on the Statement of Net Position and Cash and Cash Equivalents on the Statement of Cash Flows consists only of pooled investments. Pooled investments are cash equivalents and are held in the investment pool of the City of Phoenix, Arizona (City). The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer. Interest earned by the pool is distributed monthly to the RWC based on daily equity in the pool.

The RWC's pooled investments are stated at fair value, except for re-purchase agreements with original maturities of one year or less which are valued at cost that approximates fair value. Fair value is based on quoted market prices as of the valuation date.

Receivables

Management analyzes receivables periodically to determine whether an allowance for doubtful accounts should be recorded. There is no current provision required for possible bad debts.

Capital Assets

Capital assets are recorded at historical cost plus capitalized interest on assets constructed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Land	Not depreciated
Buildings	10 – 40 years
Improvements other than buildings	10 – 50 years
Equipment	5 – 30 years
Intangible assets	5 – 40 years
Construction in progress	Not depreciated

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. Organization and Summary of Significant Accounting Policies (Continued)

A gain or loss on disposal of capital assets is recognized when assets are retired from service or are otherwise sold or removed. The minimum capitalization policy is \$5,000 or more with an estimated useful life exceeding two years.

Members' Payable

The RWC reports members' payable in connection with revenues from billings to members. Members' payable at June 30, 2016 was \$1,264,258.

Operating Revenues

Operating revenues include members' charges and other revenues. Members' charges are contributions received from the members for costs of operation and maintenance, administration, and the construction of capital assets. All operating revenues are recognized when earned. Members' charges for operating costs are earned ratably throughout the year.

Operating Expenses

Operating expenses include operation and maintenance expenses, depreciation and administrative expenses. Administrative expenses include direct administrative costs for RWC staff. Operating, maintenance, and administrative costs are allocated to the members based on the number of operable subscribers on the network.

Application of Restricted or Unrestricted Resources

In cases where an expense is incurred for purposes for which both restricted and unrestricted resources are available, the expense is applied to the restricted resources.

Budget

The RWC staff prepares and presents the operating and capital budget to the Executive Committee. The budget includes operations and maintenance, administration costs as well as planned capital costs. The budget is forwarded to the RWC Board of Directors for approval and adoption. It is the responsibility of each RWC member to take appropriate steps in conformity with the state and local laws to ensure that it appropriates sufficient funds to cover its obligation. The budget is prepared in sufficient detail to facilitate its use by management in monitoring operations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. Organization and Summary of Significant Accounting Policies (Continued)

financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

2. Cash and Pooled Investments

The RWC did not have cash on hand at June 30, 2016. Pooled investments are maintained in the cash and investment pool of the City. RWC does not have a formal investment policy. The investment policy is maintained with the City.

Pooled Investments

The RWC investments are included in the City pooled investments. The City Charter and ordinances authorize the City to invest in obligations of the United States Treasury, its agencies and instrumentalities, repurchase agreements, money market accounts, certificates of deposit, the State Treasurer's investment pool, highly rated obligations issued or guaranteed by any state or political subdivision thereof rated in the highest short-term or second highest long-term category, and investment grade corporate bonds, debentures, notes and other evidences of indebtedness issued or guaranteed by a solvent U.S. corporation which is not in default as to principal or interest.

The RWC's pooled investments are carried at fair value, which is the same as the fair value of the City's pooled shares. It is the City of Phoenix's policy generally to hold investments until maturity. The RWC's pooled investments at June 30, 2016 is summarized below.

<u>Fiscal Year Ended</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
June 30, 2016	N/A	\$ 10,847	1.746

Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

2. Cash and Pooled Investments (Continued)

Interest Rate Risk

In order to limit interest rate risk, the City's investment policy limits maturities as follows:

U.S. Treasury Securities	5 year final maturity
Securities guaranteed, insured, or backed by the full faith and credit of the U.S. Government	5 year final maturity
U.S. Government Agency Securities	5 year final maturity
Repurchase Agreements	60 days
Municipal Obligations	5 years for long-term issues
Money Market Mutual Funds	90 days
Commercial Paper	270 days

For Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO), the maximum weighted average life using current Public Securities Association (PSA) prepayment assumption shall be 12 years at the time of purchase for MBS and 5 years at the time of purchase for CMO.

Credit Risk

The City's investment policy limits its investments to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's "S&P" and Moody's Investors Service "Moody's". The portfolio is primarily invested in securities issued by the U.S. Treasury or by U.S. Government Agency Securities which are rated AAA by Moody's and AA+ by S&P. Repurchase agreements are generally collateralized by U.S. Treasuries and U.S. Government Agency Securities at 102%. In addition, the portfolio is invested in pre-funded municipal securities for which the payment of interest, and ultimately the repayment of the principal, is backed by U.S. Government Securities. Municipal securities must have a short-term minimum rating of A1 by S&P and P1 by Moody's and a long-term uninsured rating of A+ by S&P and A1 by Moody's. The rating requirements do not apply to obligations, issued by the City of Phoenix. Money market mutual funds must have a current minimum money market rating of AAA by S&P and AAA by Moody's. For commercial paper, an Issuer's program must have a minimum rating of A1 by S&P and P1 by Moody's. The issuing corporation must be organized and operating in the United States and have a minimum long-term debt rating of A+ by S&P and A1 by Moody's. Programs rated by only one of the agencies are ineligible.

Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

2. Cash and Pooled Investments (Continued)

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total City investment are as follows (in thousands)

<u>Issuer</u>	2016 <u>Fair Value</u>
FFCB Notes	\$132,418
FNMA Notes	\$164,233
FHLMC Notes	\$206,866
FHLB Notes	\$422,359

3. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-Depreciable Assets				
Construction in Progress	\$ 11,148	\$ 12,750	\$ -	\$ 23,898
Total Non-Depreciable Assets	<u>11,148</u>	<u>12,750</u>	<u>-</u>	<u>23,898</u>
Depreciable Assets				
Buildings	28,842	-	-	28,842
Improvements other than Buildings	4,830	-	-	4,830
Equipment	91,968	-	(165)	91,803
Intangible Assets	7,103	-	(2,592)	4,511
Total Depreciable Assets	<u>132,743</u>	<u>-</u>	<u>(2,757)</u>	<u>129,986</u>
Less Accumulated Depreciation for:				
Buildings	(4,420)	(793)	-	(5,213)
Improvements other than Buildings	(1,140)	(237)	-	(1,377)
Equipment	(54,005)	(6,590)	-	(60,595)
Intangible Assets	(950)	(679)	1,402	(227)
Total Accumulated Depreciation	<u>(60,515)</u>	<u>(8,299)</u>	<u>1,402</u>	<u>(67,412)</u>
Total Depreciable Assets, Net	<u>72,228</u>	<u>(8,299)</u>	<u>(1,355)</u>	<u>62,574</u>
Total Capital Assets, Net	<u>\$ 83,376</u>	<u>\$ 4,451</u>	<u>\$ (1,355)</u>	<u>\$ 86,472</u>

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

4. Risk Management

RWC's insurance program is administered by the City of Phoenix Risk Management Division of the Finance Department. RWC is charged annually for its share of insurance coverage. For fiscal year 2016, RWC was charged \$52,774 for insurance premiums. The members proportionately share the costs of the insurance program according to the provisions of the intergovernmental agreement. The City of Phoenix maintains a \$7.5 million self-insured retention for third-party liability claims. Losses which exceed the retention levels are covered by commercial insurance purchased through the City. Self-insured claims are reported as liabilities in the City of Phoenix's basic financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on an independent actuarial analysis of reported claims and estimated claims incurred but not reported. For the year ended June 30, 2016, there were no reductions in insurance coverage from the prior year and settled claims have not exceeded insurance coverage for the past three years. In the opinion of management, no provision for claims is required in the accompanying financial statements.

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

5. Members' Equity

A summary of the joint venture members' equity as of June 30, 2016 is as follows:

	<u>June 30, 2016</u>
City of Avondale	\$ 655,519
City of Buckeye	294,570
City of Chandler	2,147,992
Daisy Mountain Fire District	110,945
City of El Mirage	343,879
City of Glendale	3,358,962
City of Goodyear	262,077
Town of Guadalupe	109,403
City of Maricopa	193,622
Maricopa County Community College District	223,682
North County Fire & Medical	395,190
Town of Paradise Valley	-
City of Peoria	2,205,179
City of Phoenix	62,658,481
City of Scottsdale	1,943,121
Sun City Fire District	824,068
Sun Lakes Fire District	42,256
City of Surprise	1,252,299
City of Tempe	11,478,146
City of Tolleson	153,183
Total	<u><u>\$88,652,572</u></u>

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

6. Related Party Transactions

Staff and administrative costs allocated by the City of Phoenix to RWC was \$690,821 for the year ended June 30, 2016. These costs include: salaries, photocopy equipment, office supplies, computer software, computer components, motor pool, and security charges. The City of Phoenix subsidizes central services costs for the RWC. These costs include: building maintenance, custodial services, electrical maintenance, money management, accounts payable, various financial services, materials management, human resources, safety, fringe benefit administration, labor relations, training, network services, communication services, and general management services.

As RWC has no employees, the City assigned four full-time staff to RWC as of June 30, 2016 and compensation totaled \$487 thousand for the year ended June 30, 2016.

RWC's full-time staff are employed by the City of Phoenix, Arizona and participate in the City of Phoenix Employees' Retirement Plan (COPERS). In addition to normal retirement benefits, COPERS also provides for disability and survivor benefits, as well as deferred pensions for former employees. Pension benefits vest after five years for general City of Phoenix (City) employees.

The City provides certain post-employment health care benefits for its retired employees. Retirees meeting certain qualifications are eligible to participate in the City's health insurance program along with the City's active employees.

7. Commitments and Contingencies

The RWC has entered into contractual agreements with Motorola to provide services related to maintenance, operations, and upgrades of the RWC Network. The percentages of the total RWC budget for these agreements were 74% for the year ended June 30, 2016.

At this point in time, RWC is not involved in any litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, from pending litigation and claims are covered by insurance or are immaterial; therefore, no provision has been made in the accompanying financial statements for losses, if any, that might arise from the ultimate outcome of these matters.

SUPPLEMENTARY INFORMATION



Regional Wireless Cooperative

**Regional Wireless Cooperative
Members' Operating Fund Reserve
For the Fiscal Year Ended June 30, 2016**

RWC members maintain an operating fund reserve to provide cash flow for cost of operating and maintenance of the Network. Each member's obligation to fund the balance reserve is proportionate to its subscriber units in use on the Network at the time the fee is assessed.

Member	Ending Balance June 2015	Contributions	Interest	Expenditures	Ending Balance June 2016
City of Avondale	\$ 17,879	\$ -	\$ 201	\$ -	\$ 18,080
City of Buckeye	17,288	-	194	-	17,482
City of Chandler	52,106	-	585	-	52,691
Daisy Mountain Fire District	1,072	-	12	-	1,084
City of El Mirage	5,428	3,353	98	-	8,879
City of Glendale	73,450	-	825	-	74,275
City of Goodyear	22,226	-	250	-	22,476
Town of Guadalupe	565	-	6	-	571
City of Maricopa	8,882	475	105	-	9,462
Maricopa County Community College District	12,940	-	145	-	13,085
North County Fire & Medical District	2,152	-	24	-	2,176
Town of Paradise Valley	-	-	-	-	-
City of Peoria	50,003	-	562	-	50,565
City of Phoenix	545,212	-	6,123	-	551,335
Rural Metro	6,253	-	70	-	6,323
City of Scottsdale	85,661	-	962	-	86,623
Sun City Fire District	2,546	-	29	-	2,575
Sun Lakes Fire District	1,698	228	22	-	1,948
City of Surprise	23,168	-	260	-	23,428
City of Tempe	99,320	-	1,115	-	100,435
City of Tolleson	1,752	-	20	-	1,772
Total	<u>\$ 1,029,601</u>	<u>\$ 4,056</u>	<u>\$ 11,608</u>	<u>\$ -</u>	<u>\$ 1,045,265</u>

Regional Wireless Cooperative
Members' Infrastructure Replacement and Enhancement Activity
For the Fiscal Year Ended June 30, 2016

RWC Members fund the Infrastructure Replacement and Enhancement Fund through RWC Board of Directors formal resolution stating the purpose of the project, term of project, total cost of project, and each RWC Member's fixed share of the project cost programmed across the specified term. Funds are used to pay for network upgrades and system enhancements.

Member	Beginning Balance July 2015	Contributions	Interest	Expenditures	Ending Balance June 2016
City of Avondale	\$ 158,043	\$ 198,723	\$ 2,470	\$ (238,523)	\$ 120,713
City of Buckeye	115,865	144,731	1,799	(174,223)	88,172
City of Chandler	577,329	725,154	9,014	(870,798)	440,699
Daisy Mountain Fire District	3,100	3,750	47	(4,579)	2,318
City of El Mirage	49,214	61,492	764	(74,013)	37,457
City of Glendale	929,005	(15,077)	10,668	(613,906)	310,690
City of Goodyear	59,690	(968)	685	(39,445)	19,962
Town of Guadalupe	6,584	8,249	103	(9,916)	5,020
City of Maricopa	82,327	103,486	1,286	(124,229)	62,870
Maricopa County Community College District	95,331	172,497	2,144	(179,254)	90,718
North County Fire & Medical	22,683	28,496	354	(34,217)	17,316
City of Peoria	539,360	673,410	8,371	(810,804)	410,337
City of Phoenix	6,557,057	(149,105)	74,771	(4,304,350)	2,178,373
City of Scottsdale	832,212	1,044,611	12,985	(1,254,781)	635,027
Sun City Fire District	25,078	31,497	392	(37,824)	19,143
Sun Lakes Fire District	17,944	22,497	280	(27,037)	13,684
City of Surprise	240,349	300,709	3,738	(361,730)	183,066
City of Tempe	948,156	(15,289)	10,819	(626,581)	317,105
City of Tolleson	17,292	21,747	270	(26,100)	13,209
Total	<u>\$11,276,619</u>	<u>\$ 3,360,610</u>	<u>\$140,960</u>	<u>\$ (9,812,310)</u>	<u>\$ 4,965,879</u>

**Regional Wireless Cooperative
Net Operating and Maintenance Expenditures
For the Fiscal Year Ended June 30, 2016**

Member	Amount Billed	2016 Charge (Credit) Per User Settlement (1)	Net Operating Expenditures
City of Avondale	\$ 115,499	\$ (18,827)	\$ 96,672
City of Buckeye	136,406	(22,587)	113,819
City of Chandler	413,438	(68,261)	345,177
Daisy Mountain Fire District	8,893	(1,450)	7,443
City of El Mirage	46,624	(1,331)	45,293
City of Glendale	582,268	(94,942)	487,326
City of Goodyear	172,584	(28,356)	144,228
Town of Guadalupe	4,338	(707)	3,631
City of Maricopa	76,716	(12,431)	64,285
Maricopa County Community College District	101,216	(16,713)	84,503
North County Fire & Medical	17,935	(2,959)	14,976
Town of Paradise Valley	-	-	-
City of Peoria	384,555	(63,533)	321,022
City of Phoenix	4,145,646	(675,576)	3,470,070
City of Scottsdale	665,556	(107,333)	558,223
Sun City Fire District	20,606	(3,360)	17,246
Sun Lakes Fire District	15,845	(2,546)	13,299
City of Surprise	181,871	(29,659)	152,212
City of Tempe	683,235	(111,416)	571,819
City of Tolleson	13,890	(2,272)	11,618
Non-Members	68,926	-	68,926
Total	<u>\$ 7,856,047</u>	<u>\$ (1,264,259)</u>	<u>\$ 6,591,788</u>

(1) These amounts represent the settlement of operating and maintenance expenditures.

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STATISTICAL SECTION



Regional Wireless Cooperative

STATISTICAL SECTION

This section of the RWC's comprehensive annual financial report presents detailed information as context for understanding of the information in the financial statements, note disclosures, required supplementary information, and the joint venture's overall financial condition. The RWC began operation in FY 2010; therefore, 10 years of data is not available for presentation in this section.

Financial Trends

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

	<u>Page</u>
Statements of Net Position	29
Statements of Revenues, Expenses and Changes in Net Position	29
Members' Operations and Maintenance Expenses	30

Demographic and Economic Information

These schedules offer demographic and economic indicators to show the environment within which the RWC's financial activities take place.

Major Employers Metropolitan Phoenix	34
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Operating Information

These schedules contain service data to show how the RWC's financial information relates to the services the RWC provides and the activity it performs.

Subscriber Units	34
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**Regional Wireless Cooperative
Statements of Net Position
Last Seven Fiscal Years
(in thousands)**

	2016	2015	2014	2013	2012	2011	2010
Investment in Capital Asset	\$ 86,472	\$ 83,376	\$83,280	\$87,125	\$95,643	\$ 99,481	\$96,350
Restricted							
Capital Projects	243	121	-	88	-	-	-
Unrestricted	1,937	12,386	4,250	498	706	534	514
Net Position	<u>\$ 88,652</u>	<u>\$ 95,883</u>	<u>\$87,530</u>	<u>\$87,711</u>	<u>\$96,349</u>	<u>\$100,015</u>	<u>\$96,864</u>

**Statements of Revenues, Expenses and Changes in Net Position
Last Seven Fiscal Years (in thousands)**

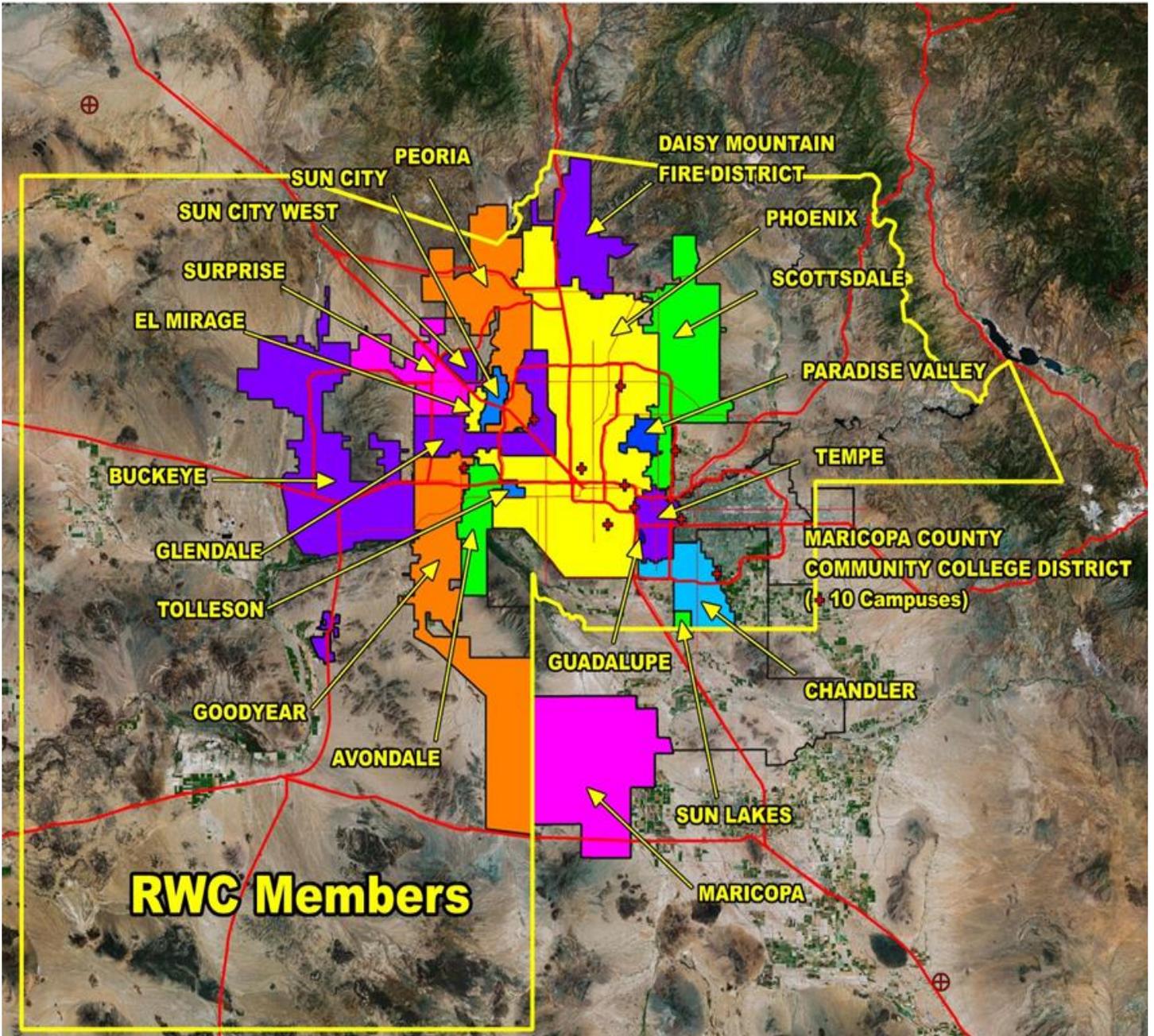
	2016	2015	2014	2013	2012	2011	2010
Operating Revenues							
Operation and Maintenance Charges	\$ 6,592	\$ 7,209	\$ 7,201	\$ 6,746	\$ 8,305	\$ 6,389	\$ 5,964
Special Assessments	16,646	16,170	11,143	2,390	48	93	-
Other	121	121	88	88	60	445	-
Total Operating Revenues	<u>23,359</u>	<u>23,500</u>	<u>18,432</u>	<u>9,224</u>	<u>8,413</u>	<u>6,927</u>	<u>5,964</u>
Operating Expenses							
Administration	691	582	617	597	499	527	30
Operation and Maintenance	3,925	6,174	6,541	6,048	7,602	5,853	5,420
Special Assessments	2,429	5	3	-	48	93	-
Depreciation	8,299	8,509	11,546	10,444	9,999	10,181	9,926
Total Operating Expenses	<u>15,344</u>	<u>15,270</u>	<u>18,707</u>	<u>17,089</u>	<u>18,148</u>	<u>16,654</u>	<u>15,376</u>
Operating Loss	<u>8,015</u>	<u>8,230</u>	<u>(275)</u>	<u>(7,865)</u>	<u>(9,735)</u>	<u>(9,727)</u>	<u>(9,412)</u>
Non-Operating Revenues (Expenses)							
Investment Income							
Net Decrease in Fair Value of Investments	25	(109)	(109)	(77)	(53)	(18)	-
Interest	262	232	203	81	78	30	-
Loss on Disposal of Capital Assets	(1,190)	-	-	(777)	-	-	-
Distribution to Members	(14,343)	-	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>(15,246)</u>	<u>123</u>	<u>94</u>	<u>(773)</u>	<u>25</u>	<u>12</u>	<u>-</u>
Loss Before Contributions	<u>(7,231)</u>	<u>8,353</u>	<u>(181)</u>	<u>(8,638)</u>	<u>(9,710)</u>	<u>(9,715)</u>	<u>(9,412)</u>
Capital Contributions	-	-	-	-	6,044	12,866	106,276
Changes in Net Position	<u>\$ (7,231)</u>	<u>\$ 8,353</u>	<u>\$ (181)</u>	<u>\$ (8,638)</u>	<u>\$ (3,666)</u>	<u>\$ 3,151</u>	<u>\$ 96,864</u>

**Members' Operations and Maintenance Expenses
Last Seven Fiscal Years**

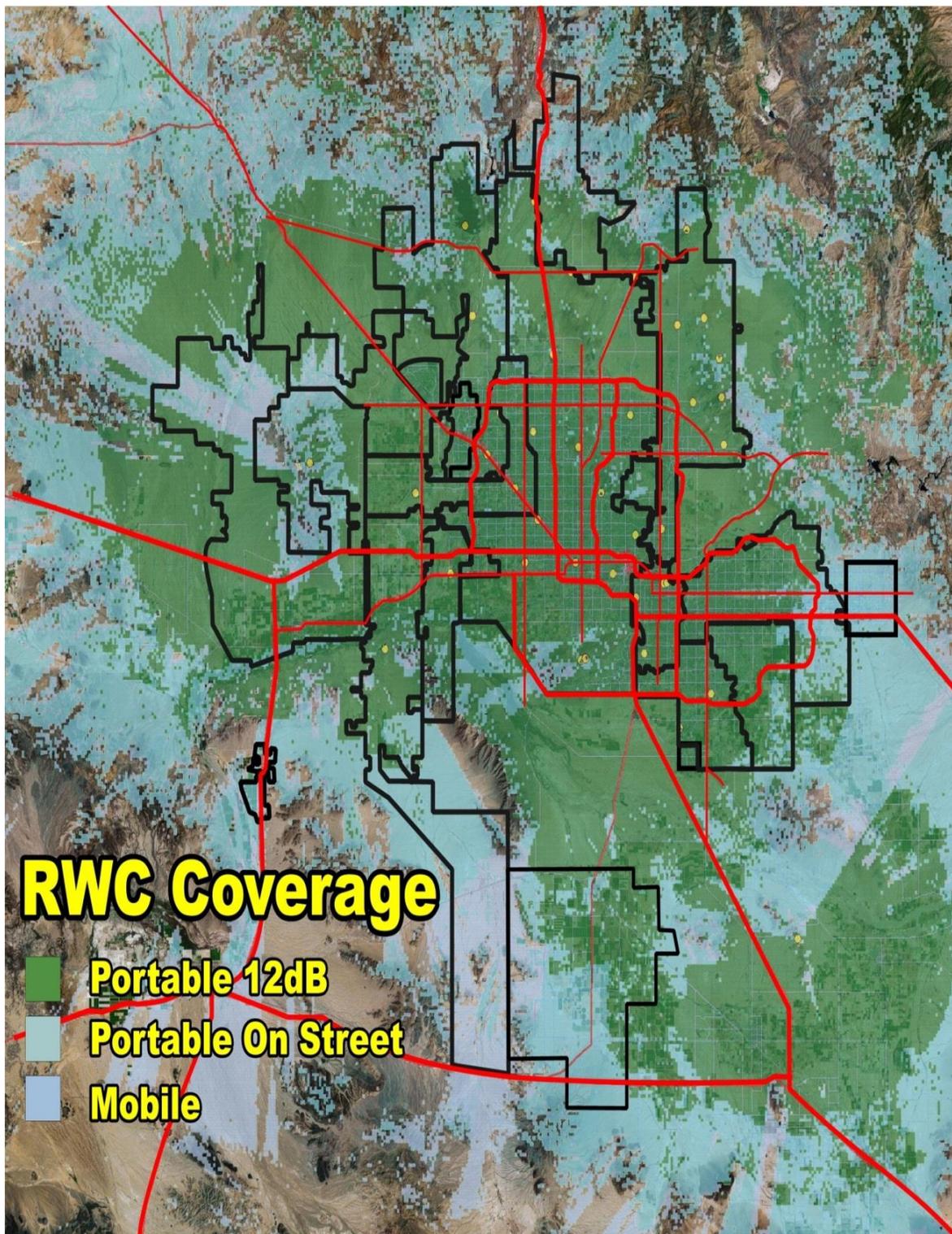
Member	2016	2015	2014	2013	2012	2011	2010
City of Avondale	\$ 96,672	\$ 121,150	\$ 123,697	\$ 108,885	\$ 39,787	\$ 10,297	\$ 885
City of Buckeye	113,819	123,292	105,746	77,987	91,438	81,737	41,952
City of Chandler	345,177	362,723	378,692	340,153	455,420	54,459	2,856
Daisy Mountain Fire District	7,443	8,239	3,819	2,111	3,314	1,830	110
City of El Mirage	45,293	39,139	38,067	31,944	38,635	34,353	22,574
City of Glendale	487,326	513,312	535,581	583,921	248,367	5,604	-
City of Goodyear	144,228	170,265	41,573	36,693	46,518	12,539	1,121
Town of Guadalupe	3,631	4,217	4,126	4,036	2,417	382	34
City of Maricopa	64,285	64,588	63,551	39,943	8,707	6,099	366
Maricopa County Community College	84,503	79,523	-	-	-	-	-
North County Fire & Medical	14,976	15,184	15,680	13,944	16,758	4,337	190
Town of Paradise Valley	-	-	-	-	-	-	-
City of Peoria	321,022	354,495	369,820	330,061	430,102	411,673	340,948
City of Phoenix	3,470,070	3,758,471	3,999,612	3,878,073	5,289,117	4,937,469	4,912,226
City of Scottsdale	558,223	596,642	568,508	503,669	717,469	48,494	4,336
Sun City Fire District	17,246	18,166	18,260	15,411	18,971	6,807	141
Sun Lakes Fire District	13,299	12,663	12,379	11,008	14,271	4,562	102
City of Surprise	152,212	170,233	167,321	147,314	144,535	123,972	82,651
City of Tempe	571,819	711,487	675,808	573,249	710,090	630,029	553,684
City of Tolleson	11,618	12,887	12,174	10,454	12,498	-	-
Non-Members (1)	68,926	72,710	66,432	37,498	16,506	14,537	-
Total	<u>\$ 6,591,788</u>	<u>\$ 7,209,386</u>	<u>\$ 7,200,846</u>	<u>\$ 6,746,354</u>	<u>\$ 8,304,920</u>	<u>\$ 6,389,180</u>	<u>\$ 5,964,176</u>

(1) Non-RWC Member's fee for use of the RWC Network.

Regional Wireless Cooperative Jurisdictions Map



Regional Wireless Cooperative Coverage Map



**Regional Wireless Cooperative
RWC Cities' and Towns' Population Growth
Last Seven Calendar Years**

Member	2016	2015	2014	2013	2012	2011	2010
City of Avondale	80,684	78,090	78,822	77,511	76,870	76,392	76,238
City of Buckeye	62,138	58,795	56,683	56,460	54,102	52,334	50,876
City of Chandler	260,828	249,423	245,588	246,197	241,214	238,381	236,326
City of El Mirage	33,935	32,857	32,998	32,472	32,067	31,862	31,797
City of Glendale	240,126	232,680	234,632	231,109	229,008	227,446	226,721
City of Goodyear	79,003	74,743	72,864	72,275	69,018	67,337	65,275
Town of Guadalupe	6,177	6,084	6,072	6,019	5,943	5,895	5,523
City of Maricopa	48,602	47,442	45,508	44,946	44,396	43,598	43,482
Town of Paradise Valley	13,922	13,457	13,387	13,282	13,154	13,035	12,820
City of Peoria	171,237	163,832	162,592	160,545	157,653	155,754	154,058
City of Phoenix	1,563,025	1,506,439	1,505,070	1,485,751	1,465,901	1,453,462	1,447,128
City of Scottsdale	236,839	225,698	226,918	222,213	219,713	217,965	217,385
City of Surprise	128,422	123,797	123,546	121,629	119,530	118,349	117,517
City of Tempe	175,826	169,529	168,228	165,158	164,659	162,503	161,719
City of Tolleson	7,008	6,777	6,756	6,632	6,579	6,541	6,545

Source: Maricopa Association of Governments, US Census Bureau.

**Major Employers Metropolitan Phoenix
Current Year and Nine Years Ago**

Employer	2016		2007	
	Employees	Rank	Employees	Rank
State of Arizona	42,687	1	49,305	1
Banner Health	40,226	2	16,400	3
Wal-Mart Stores Inc.	34,350	3	28,800	2
Fry's Food Stores	18,870	4	11,780	8
Wells Fargo	14,860	5	11,800	7
University of Arizona	14,521	6		
City of Phoenix	14,421	7	14,566	4
U.S. Postal Service	13,509	8	11,000	9
Arizona State University	12,488	9	12,083	6
Intel Corporation	11,000	10		
Maricopa County			13,274	5
Honeywell Aerospace			10,700	10

Source: Phoenix Business Journal Book of Lists, Arizona Department of Commerce, Workforce Development

Note: Top employers in Maricopa County

**Subscriber Units
Last Seven Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010
Subscriber Units							
Member Total	18,046	18,242	17,371	17,695	18,213	17,996	14,049
Interoperability	18,976	17,574	10,143	11,682	8,390	5,727	6,639
Grand Total	<u>37,022</u>	<u>35,816</u>	<u>27,514</u>	<u>29,377</u>	<u>26,603</u>	<u>23,723</u>	<u>20,688</u>