



2017 ANNUAL REPORT

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Cover Photo:

The RWC tower (center) on South Mountain with Piestewa Peak (left of tower) and Camelback Mountain (right of tower) visible in the distance.

EXECUTIVE DIRECTOR'S MESSAGE

Dear RWC Board of Directors and Community Members:

I am pleased to submit the 2016-2017 Annual Report for review. The Annual Report highlights the on-going modernization, financial health, operational performance and achievements of the Regional Wireless Cooperative (RWC). Some of the areas of interest and achievement highlighted in this year's report include the following:



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

The plan for Phase II of the RWC TDMA, Lifecycle and Infrastructure project, under the management of the Phoenix IT/Radio Services Department, the Operations Working Group, and Motorola Solutions, has been finalized and will be deployed over the next four years.

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

Finally, the addition of three Interoperability Participants and use of our "Good Neighbor" policies have continued to showcase the RWC as the premiere public safety radio communications network serving the Phoenix metropolitan region and its partner agencies.

I extend my appreciation to the Board of Directors, Executive Committee, and Operations and Policy Working Groups for their commitment to the RWC. I also offer my thanks to the men and women who provide expert technical and administrative support behind the scenes to make the RWC one of the most successful interoperable public safety 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 and tribal entities and currently includes most of the communities 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 agencies 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 provides 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 numerous 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 | Luke Air Force Base |
| Arizona Attorney General's Office | Maricopa County Adult Probation |
| Arizona Department of Corrections | Maricopa County Attorney's Office |
| Arizona Department of Game and Fish | Maricopa County Department |
| Arizona Department of Health Services | of Emergency Management |
| Arizona Department of Juvenile Corrections | Maricopa County Department of Transportation |
| Arizona Department | Maricopa County Judicial Branch |
| of Liquor Licenses and Control | Security Department |
| Arizona Department of Public Safety | Maricopa County Juvenile Probation Department |
| Arizona Department of Transportation | Maricopa County Office of Enterprise Technology |
| Arizona Division of Emergency Management | Maricopa County Office of Medical Examiner |
| Arizona National Guard | Maricopa County Regional Emergency Action |
| Arizona Radiation Regulatory Agency | Coordination Team (REACT) |
| Arizona State University Police Department | Maricopa County Sheriff's Office |
| BNSF Railway Police Department | Pinal County |
| Buckeye Valley Fire District | Rural Metro Fire Department |
| Carefree Fire Department / Rural Metro | Salt River Pima Maricopa Indian Community |
| Casa Grande Fire Department | Tonopah Valley Fire District |
| Cave Creek Marshal's Office | Union Pacific Railroad Police Department |
| Circle City / Morristown Fire District | US DOJ Bureau of Alcohol, Tobacco and Firearms |
| Community Bridges, Inc. | US DOJ Drug Enforcement Agency |
| Federal Reserve Police Department | US DOJ Federal Bureau of Investigation |
| Fort McDowell Yavapai Nation Fire Department | US DOJ United States Marshals Service |
| Gila River Indian Community | Town of Wickenburg |
| Grand Canyon University Police Department | Wittmann Fire District |
| Harquahala Fire District | Yavapai County Sheriff's Office |

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.

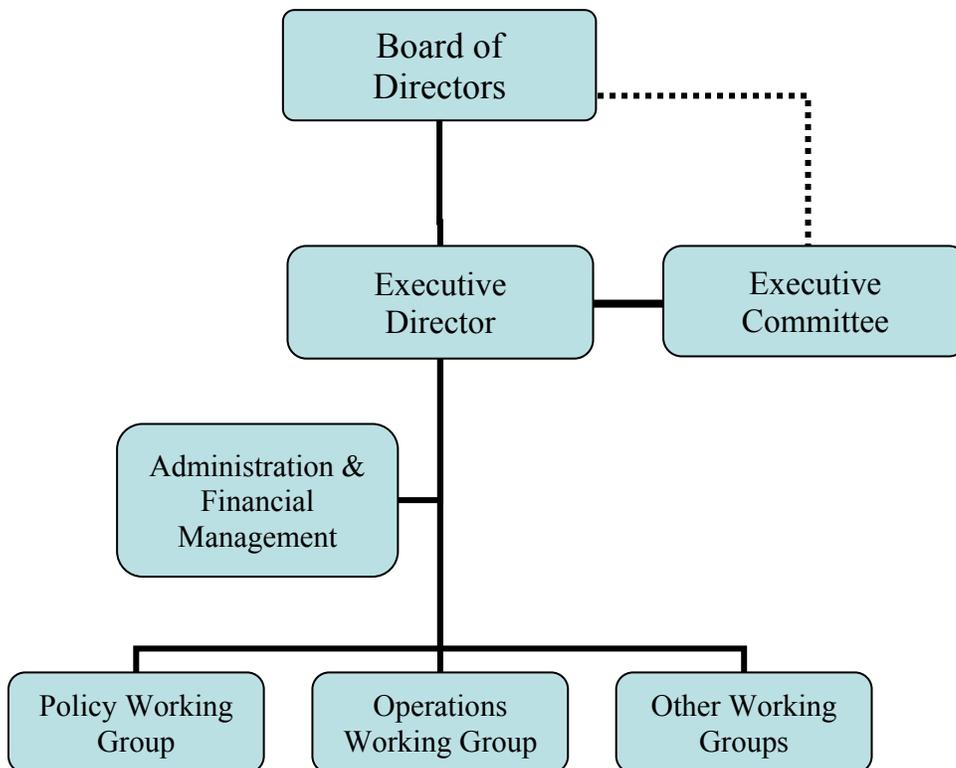
We Make the RWC Better

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

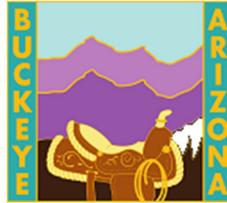
ATC Buckeye Tower

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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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

Police Representative
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Administrative Managing Member
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.

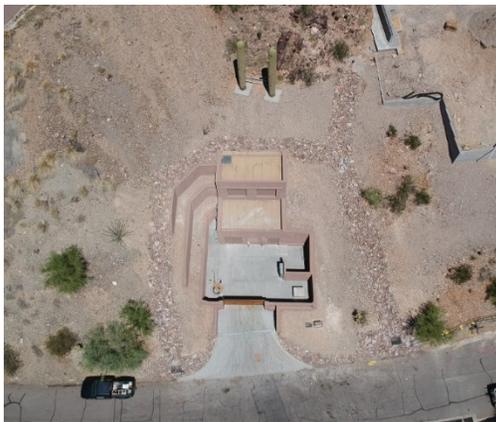
FINANCIAL MANAGEMENT

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 2016-17 and 2017-18

| | FY 2016-17 | FY 2017-18 |
|---|----------------|-----------------|
| Operations, Maintenance and Staffing | \$7,003,247.00 | \$6,673,341.00 |
| System Upgrade (SUAll) | \$2,660,349.00 | \$2,660,549.00 |
| 700MHz Narrow Banding, TDMA, Lifecycle Upgrade | \$0.00 | \$1,606,008.00 |
| Required Minimum Balance | \$1,256.00 | \$0.00 |
| Total Budget | \$9,664,852.00 | \$10,939,897.00 |
| Subscriber Unit* Rate | \$32.03 | \$30.30 |
| Total Positions (Administrative Staff) | 4 | 4 |

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



An aerial view of the Paradise Valley site.
(read more on page 16)



Faux cactus antennas for the Paradise Valley Site,
shown installed at center top of the image to left.
(read more on page 16)

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, 2016. 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 2012, 2013, 2014, and 2015.

PLAN FOR THE FUTURE

| RWC PROJECTS | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|--|--|--|--|
| Software & Hardware Upgrades | | 7.16 Upgrade | | 7.?? Upgrade |
| Goodyear | Increase capacity on Simulcast J | Increase capacity on Simulcast J | | |
| Paradise Valley | Construction of new site in Simulcast H and complete transition to RWC | Construction of new site in Simulcast H and complete transition to RWC | | |
| Scottsdale | | Microwave replacement planning. | | |
| 700 MHz Narrow-banding | TDMA upgrade pushed out until the 7.16 upgrade is complete. | TDMA Phase II- "A" will begin first quarter, 2018. | TDMA installation continues based on ITL from Motorola which is not set yet. | TDMA installation continues based on ITL from Motorola which is not set yet. |
| END USER PROJECTS | | | | |
| Gold Elite to MCC7500 Replacement | Phoenix Fire Console Replacement Complete. | | | |
| 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. |

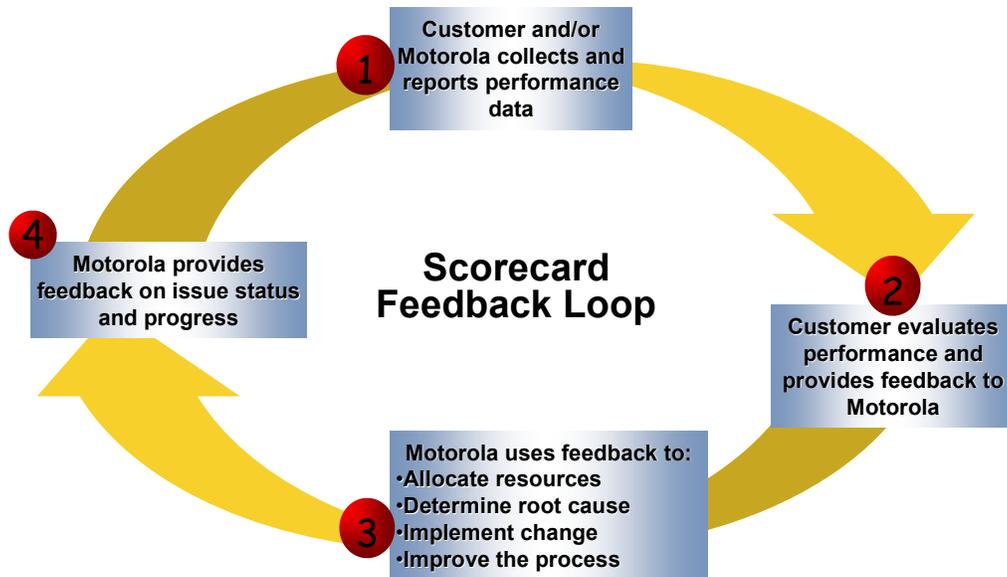
MOTOROLA SCORECARD

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 2017 scorecard for the RWC has fourteen metric/performance items. Many of the deliverables are very strategic and help other Motorola customers of the same size. A new project and activities tracking tool was implemented in 2016 which improved accountability and communication among the key RWC stakeholders.

The Scorecard Process is based on a Continuous Improvement Model



PROJECTS AND MAJOR INITIATIVES

These projects and initiatives, underway in 2016/17 and beyond, added new interoperability partners, improved radio coverage and reliability, and showcased the Regional Wireless Cooperative as a reliable regional public safety radio communications backup through its “Good Neighbor” policies.

Paradise Valley

Construction on the Paradise Valley site made significant progress this year with a target “go live” date slated for late September 2017. The new communications site will provide improved coverage in the Town’s “commercial corridor” along Lincoln Drive. Working with a local homeowner, the Town 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 Scottsdale Simulcast H sub-system. Once the site is completed, Paradise Valley Police will transition to full operation on the RWC network.



David Felix (3rd from left) inspecting construction at the Paradise Valley site.



The completed Paradise Valley site. See the faux cactus pictured on page 12 in the upper left.

700 MHz Narrow Banding, TDMA Conversion and Lifecycle Upgrade Project

The purpose of this project is 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. The TDMA upgrade will be implemented in four phases – Phase II A, B, C and D. Phase II “A” will begin after the 7.16 upgrade which is scheduled to be complete in September 2017.

PROJECTS AND MAJOR INITIATIVES (continued)

7.16 Software Upgrade

The RWC Network will be upgraded from 7.14 to 7.16 beginning in September 2017, consistent with the terms of the System Upgrade Agreement (SUAII). Both hardware and software components are included as part of this upgrade. The 7.16 upgrade is targeted to be complete by September 28th.

Peoria Simulcast “G” Subsite

The City of Peoria received funding to construct a new subsite at the Pyramid Peak Water Treatment plant. The RWC is contributing the 18 RF base stations for this site. These base stations were utilized for the Simulcast “A” and “B” upgrade and are not utilized now that both systems are fully operational. Once constructed, the new site will provide improved coverage for an expanded residential community.

Daisy Mountain Fire New Simulcast Zone

Daisy Mountain Fire received funding for the installation of a new three site, six channel simulcast network. The three sites are already existing RWC facilities – Outlet Mall – Fire Station 141 – Fire Station 146. This project is currently underway. The RWC is contributing the 18 RF base stations for these sites. These base stations were utilized for the Simulcast “A” and “B” upgrade and are not utilized now that both systems are fully operational.

GRIC Granted Temporary Operability Access

In May of 2016 the RWC, based upon the RWC’s “Good Neighbor Policy”, approved a request from the Gila River Indian Community (GRIC) Police Department to allow temporary operability access on the RWC Network for 90 days while GRIC re-deployed their own network. GRIC’s first attempt at deploying a new system was unexpectedly unsuccessful. An additional request was approved to extend that access to September 30, 2016, to accommodate additional testing.

DPS Access to RWC Interoperability Resources

This past year the Arizona Department of Public Safety (DPS) assumed primary responsibility for law enforcement and security at University of Phoenix Stadium. The RWC’s Board of Directors endorsed a plan to provide DPS temporary operational use of the RWC until DPS could develop independent radio communications connectivity inside the Stadium. The RWC and its key west side Members also worked closely with DPS to ensure a smooth transition and efficient use of RWC interoperability resources for major events hosted at the Stadium.

New Interoperability Participants

The RWC continued to expand its partnership with other regional agencies in need of interoperability resources. Yavapai County, Grand Canyon University Police and Arizona Game and Fish Department were approved as RWC Interoperability Partners.

PROJECTS AND MAJOR INITIATIVES (continued)

RWC Secure Website

At the request of the members of the Operations Working Group, a secure online document sharing and calendar resource has been created and is now in use. This provides the members an easily accessible place to store, share, and collaborate on documents such as talkgroup plans and encryption protocols, to access records of past meetings, and also to coordinate efforts on projects.

Access to this secure website is carefully vetted by RWC Administrative Staff to ensure only RWC Members are permitted. This is done to ensure sensitive data that could put our end users at risk is kept protected.

A second phase is currently in development to establish a secure online resource for scheduling the use of Interoperability channels. This will prevent unintentional double-booking of channels and will ensure interoperability activity is conducted in compliance with RWC policies and procedures. This resource is expected to be available to the Members in the Fall of 2017.

Finalizing joint RWC/TRWC IGA

An intergovernmental agreement (IGA) which formalizes activities with the TRWC and other potential partners is near completion and sets the stage for future statewide regional communications efforts. This activity has been a long time in the making but is expected to be finalized and brought before the respective boards of directors in late 2017.

Other Projects

- Gold Elite Console Replacements: Phoenix Fire MCC7500 installation was completed in June of 2017.
- Southwest Valley Fire Districts: RWC, Phoenix Fire and Motorola conducted 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 prepared a proposal for the Fire Districts' consideration.

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 2016-17 | | | |
|--------------------|---------------|---------------|---------------|---------------|
| | July | October | January | April |
| | Count | Count | Count | Count |
| Member Total | 18,068 | 18,169 | 18,962 | 18,610 |
| Interoperability | 19,096 | 19,552 | 21,170 | 22,301 |
| Grand Total | 37,164 | 37,721 | 40,132 | 40,911 |



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 16/17 System Statistics | |
|---|-------------|
| Total # of Calls | 30,263,364 |
| Total Call Duration (hours) | 76635 |
| Total Call Duration (sec) | 275,886,000 |
| Average Call Duration (sec) | 9.1 |
| Average Call Per Day | 82913 |
| Total Busies | 261 |
| Busy Duration (hours) | 0.05 |
| Total Busy Duration | 177 |
| Average Busy Duration (sec) | 0.7 |
| Average Busy per Day | 0.7 |
| Total Emergency Calls | 3415 |
| Total Emergency Duration (hours) | 27.4 |
| Total Emergency Duration (sec) | 98640 |
| Average Emergency Duration (sec) | 28.9 |
| Average Emergency Calls per Day | 9.4 |
| FY 16/17 System Reliability | 99.97805 |

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 16 /17 | | | | |
|--|-----------------|------------------|--------------------|-----------------|
| Average GOS | Peak GOS | Site | Average Use | Peak Use |
| 0.009% | 0.059% | Simulcast B | 27.94% | 34.97% |
| 0.000% | 0.000% | Simulcast C | 32.20% | 41.09% |
| 0.000% | 0.000% | Sky Harbor South | 17.82% | 29.30% |
| 0.000% | 0.000% | Mountain | 28.13% | 36.88% |
| 0.000% | 0.000% | North Mountain | 28.44% | 35.89% |
| 0.000% | 0.000% | Mt. Gillen | 7.14% | 10.16% |
| 0.000% | 0.000% | Sacaton | 8.20% | 15.40% |
| 0.000% | 0.000% | Thompson Peak | 19.68% | 27.78% |
| 0.000% | 0.000% | Towers Mountain | 8.94% | 13.93% |
| 0.017% | 0.105% | Simulcast A * | 45.15% | 53.63% |
| 0.000% | 0.000% | Outlet Mall | 18.50% | 32.13% |
| 0.000% | 0.000% | Simulcast F | 19.63% | 45.82% |
| 0.000% | 0.000% | White Tanks | 17.48% | 27.46% |
| 0.000% | 0.000% | Simulcast H | 28.91% | 36.63% |
| 0.002% | 0.037% | Simulcast G | 44.52% | 54.98% |
| 0.000% | 0.000% | Quintero | 2.10% | 6.62% |
| 0.004% | 0.203% | Simulcast J | 26.45% | 34.55% |

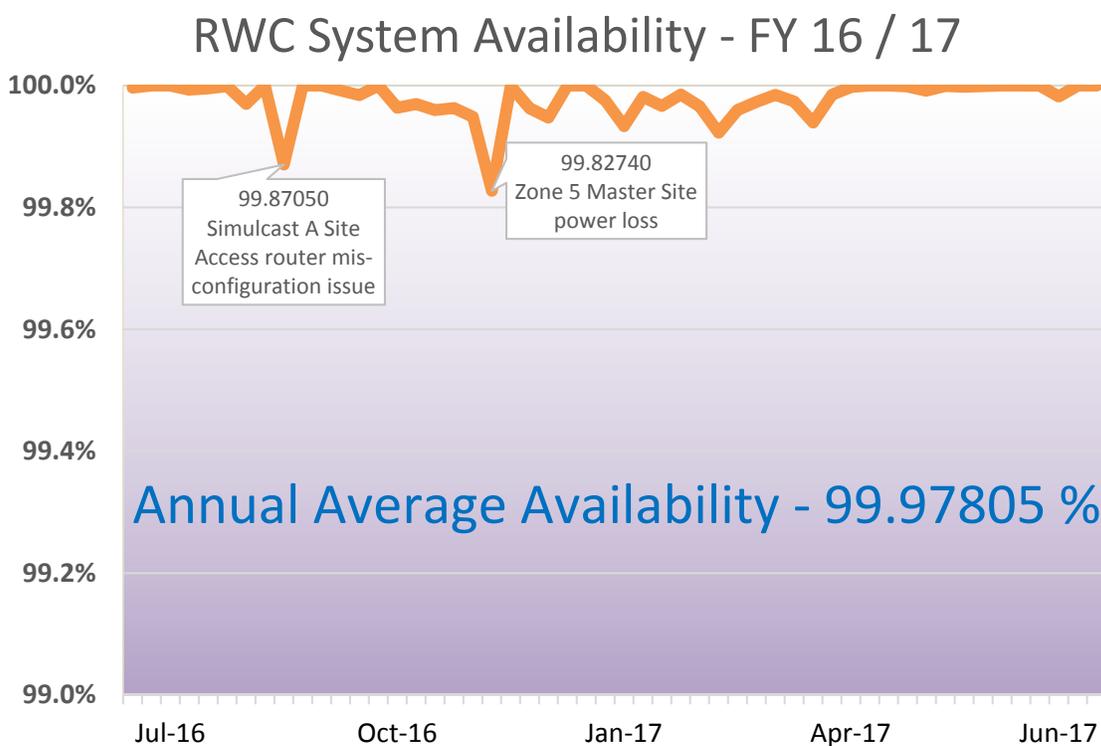
* estimated value based on time in service for period



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 2016 through June 2017 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.

City of Phoenix Radio Shop



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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7-1-1 Friendly

www.RWCAZ.org



RWC Staff on the roof of the Paradise Valley Site, with Camelback Mountain in the background.
From left to right: Jeanine Besnier, Almira Santos, David Felix, David Clarke



Regional Wireless Cooperative

An Arizona Joint Venture
Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2017



Prepared by:
Regional Wireless Cooperative
&
City of Phoenix Finance Department

Regional Wireless Cooperative
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION



December 12, 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, 2017. 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, 2017. 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.

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 700MHz frequency bands and uses standard Simulcast, IP Simulcast and individual site trunking. The network consists of five (5) 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 2016 was 6.9 million. This represents a population growth of 8.4% from 2010. 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

LOCAL ECONOMY (CONTINUED)

and personal income growth. From 2010 to 2015, population growth was 5.3% in Maricopa County compared to 3.9% 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 \$38 billion annually. In 2016, more than 43 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 26 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 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, 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

RWC began system software upgrades to version 7.16 in 2016. 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 million.

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 \$10.0 million.

MAJOR INITIATIVES

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

Paradise Valley

The Town of Paradise Valley joined the RWC in the fall of 2012. The Town has a two-phased approach to joining the RWC. In the first phase is a new site which is being 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

MAJOR INITIATIVES (CONTINUED)

Paradise Valley (CONTINUED)

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 Fall of 2017.

City of Peoria's "Pyramid Peak" Site

The City of Peoria received funding to construct a new subsite at the Pyramid Peak Water Treatment plant. The RWC is contributing the 18 RF base stations for this site. These base stations were utilized for the Simulcast "A" and "B" upgrade and are not utilized now that both systems are fully operational. Once constructed, the new site will provide improved coverage for an expanded residential community.

Daisy Mountain Fire New Simulcast Zone

Daisy Mountain Fire received funding for the installation of a new three site, six channel simulcast network. The three sites are already existing RWC facilities - Outlet Mall - Fire Station 141 - Fire Station 146. This project is currently underway. The RWC is contributing the 18 RF base stations for these sites. These base stations were utilized for the Simulcast "A" and "B" upgrade and are not utilized now that both systems are fully operational.

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 administrative and financial management policies and procedures of the City of Phoenix. RWC has four full-time staff who 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, 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, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

AWARDS AND ACKNOWLEDGEMENTS (CONTINUED)

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,

David Felix
RWC Executive Director



Government Finance Officers Association

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

Presented to

**Regional Wireless Cooperative
Arizona**

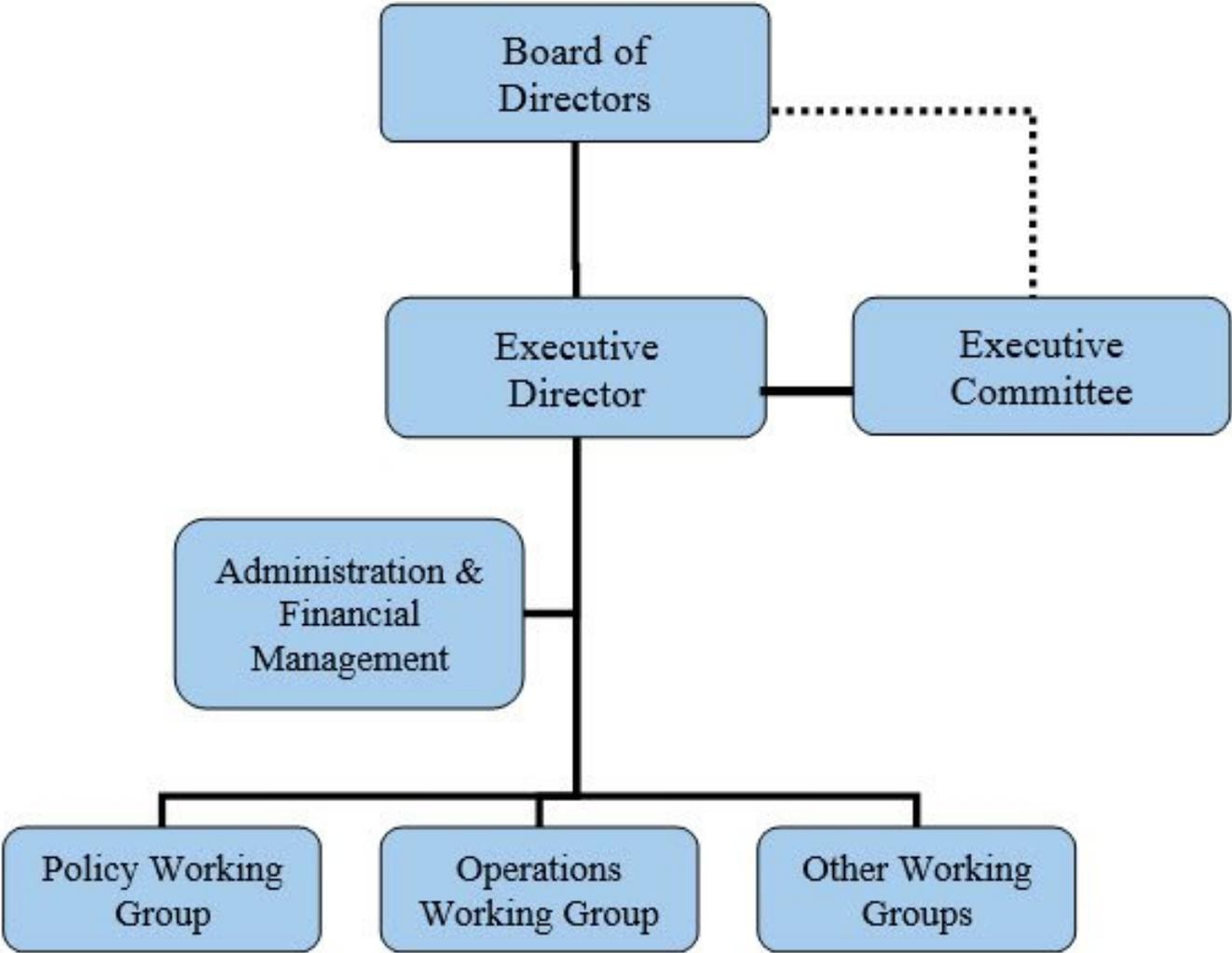
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

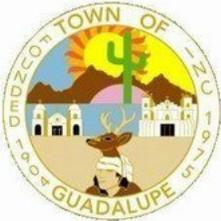
Christopher P. Morill

Executive Director/CEO

Regional Wireless Cooperative Organizational Chart



MEMBERS



**Regional Wireless Cooperative
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

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 Inskip
Assistant Chief
City of Maricopa

Mike Thompson
Fire Chief
Sun City Fire District

Brad Miller
Assistant Fire Chief
City of Chandler

Brent Ackzen
Communications and 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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional Wireless Cooperative
Phoenix, Arizona

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, 2017, 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, 2017, 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 7 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
December 12, 2017

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017. 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

- Net position for the RWC totaled \$81.7 million at June 30, 2017 and decreased by \$7.0 million compared to fiscal year 2016. The decrease in 2017 is primarily due to the continued depreciation of capital assets.
- Operating revenues were \$9.3 million for fiscal year 2017 and decreased by \$14.1 million compared to fiscal year 2016. The decrease in 2017 was due to \$14.9 million lower special assessment revenues due to the completion of the Hardware Upgrade phase of the Narrowband project in August 2016.
- The operating expenses increased by \$1.0 million to \$16.3 million in fiscal year 2017. This increase was due to an increase in the current year depreciation expense after capitalizing Narrow-Banding Phase I in 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 the statement of net position, statement of revenues, 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.

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

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 \$7.0 million for the year ended June 30, 2017 as compared to June 30, 2016.

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

RWC'S FINANCIAL ANALYSIS (CONTINUED)

**RWC's Condensed Statement of Net Position
as of June 30, 2017 and 2016
(in thousands)**

| | June 30, | |
|--------------------------------|------------------|------------------|
| | 2017 | 2016 |
| Current Assets | \$ 6,998 | \$ 10,847 |
| Capital Assets, Net | 80,098 | 86,472 |
| Total Assets | <u>87,096</u> | <u>97,319</u> |
| Deferred Outflows of Resources | — | — |
| Current Liabilities | 1,489 | 3,769 |
| Noncurrent Liabilities | 3,929 | 4,898 |
| Total Liabilities | <u>5,418</u> | <u>8,667</u> |
| Deferred Inflows of Resources | — | — |
| Investment in Capital Assets | 80,098 | 86,472 |
| Restricted | — | 243 |
| Unrestricted | 1,580 | 1,937 |
| Total Net Position | <u>\$ 81,678</u> | <u>\$ 88,652</u> |

During fiscal year 2017, current assets decreased by \$3.8 million from fiscal year 2016. The decrease in 2017 was primarily due to a decrease in equity in pooled cash and investments as a result of lower special assessment revenues collected from members.

Capital assets, net decreased by \$6.4 million from fiscal years 2016 primarily due to current year depreciation expense of \$9.5 million and \$3.1 million of additions.

Liabilities decreased in 2017 by \$3.2 million from fiscal year 2016. The decrease in 2016 was due to a decrease in accounts payable related to an unexpected project change order that held up processing of an invoice in accounts payable in 2016, as well as \$1.0 million of unearned revenue adjustments.

Net position decreased by \$7.0 million to \$81.7 million in fiscal year 2017. This overall decrease is primarily related to the decrease in capital assets, net based on current year depreciation expense.

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

RWC'S FINANCIAL ANALYSIS (CONTINUED)

**RWC's Condensed Statements of Revenues,
Expenses, and Change in Net Position
For the Years Ended June 30, 2017 and 2016
(in thousands)**

| | June 30, | |
|-------------------------------------|-----------|-----------|
| | 2017 | 2016 |
| Operating Revenues | \$ 9,309 | \$ 23,359 |
| Non-Operating Revenues | 24 | 287 |
| Total Revenues | 9,333 | 23,646 |
| Operating Expenses | | |
| Staff and Administrative Allocation | 538 | 691 |
| Operations and Maintenance | 6,048 | 3,925 |
| Special Assessments | 245 | 2,429 |
| Depreciation | 9,476 | 8,299 |
| Total Operating Expenses | 16,307 | 15,344 |
| Non-Operating Expenses | — | 15,533 |
| Total Expenses | 16,307 | 30,877 |
| Changes in Net Positions | (6,974) | (7,231) |
| Net Position, July 1 | 88,652 | 95,883 |
| Net Position, June 30 | \$ 81,678 | \$ 88,652 |

Operating revenues decreased by \$14.0 million during 2017 primarily due to lower special assessments after the completion of the Hardware Upgrade phase of the Narrowband project in August 2016.

Non-operating revenues consist mainly of investment income. The \$0.3 million decrease during 2017 is mainly due to lower interest income from equity in pooled cash and investments and a decrease in the fair value of the investments held at June 30, 2017.

During fiscal year 2017, total operating expenses increased by \$1.0 million, when compared to fiscal year 2016. This increase was primarily due to a higher depreciation expense on capital assets.

Non-operating expenses decreased by \$15.5 million during 2017 because there were no disposals of capital assets nor any distributions to members, as there was in fiscal year 2016.

OPERATING REVENUES

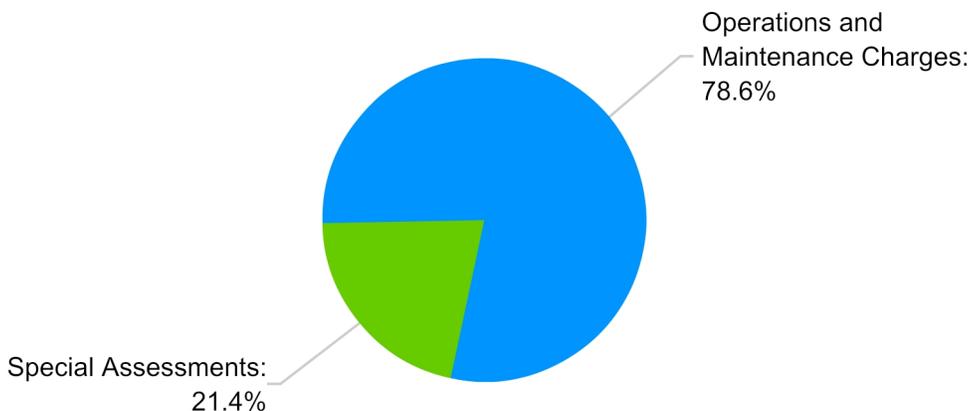
The RWC's revenue is primarily generated by charges to the joint venture members for operations and maintenance costs, special assessments, and an operating reserve. For fiscal year 2017, revenues amounted to \$9.3 million of which \$7.3 million is revenue from operations and maintenance and \$2.0 million is from special assessments.

**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES (CONTINUED)

The following chart depicts the RWC's operating revenues by category for the year ended June 30, 2017:

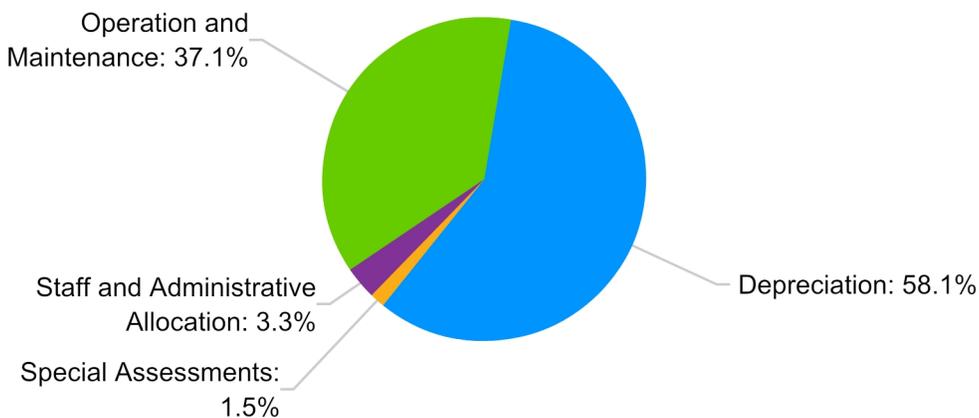
**Operating Revenues
Total = \$9,309
(in thousands)**



OPERATING EXPENSES

The following chart depicts the RWC's operating expenses by category for the year ended June 30, 2017:

**Operating Expenses
Total = \$16,307
(in thousands)**



**REGIONAL WIRELESS COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CAPITAL ASSETS

The RWC's investment in capital assets as of June 30, 2017 amounts to \$80.1 million (net of accumulated depreciation) and \$86.5 million as of June 30, 2016. Net capital assets decreased by \$6.4 million during fiscal year 2017. For additional information on RWC's capital assets, please refer to the Notes to the Financial Statements, Organization and Summary of Significant Accounting Policies, Note 1, page 13 and Capital Assets, Note 3, page 18.

**RWC's Capital Assets
(in thousands)**

| | June 30 | |
|-----------------------------------|-----------|-----------|
| | 2017 | 2016 |
| Buildings | \$ 28,842 | \$ 28,842 |
| Improvements other than Buildings | 4,830 | 4,830 |
| Equipment | 113,941 | 91,803 |
| Intangible Assets | 4,511 | 4,510 |
| Construction in Progress | 4,862 | 23,898 |
| Accumulated Depreciation | (76,888) | (67,411) |
| Capital Assets, Net | \$ 80,098 | \$ 86,472 |

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.

BASIC FINANCIAL STATEMENTS

Regional Wireless Cooperative
Statement of Net Position
June 30, 2017
(in thousands)

| <u>ASSETS</u> | |
|---|------------------|
| Current Assets | |
| Unrestricted Assets | |
| Equity in Pooled Cash and Investments | \$ 2,140 |
| Equity in Pooled Cash and Investments - Operating Reserve | 1,057 |
| Equity in Pooled Cash and Investments - Capital | 3,801 |
| Total Unrestricted Assets | <u>6,998</u> |
| Total Current Assets | <u>6,998</u> |
| Noncurrent Assets | |
| Capital Assets | |
| Buildings | 28,842 |
| Improvements other than Buildings | 4,830 |
| Equipment | 113,941 |
| Intangible Assets | 4,511 |
| Construction in Progress | 4,862 |
| Less: Accumulated Depreciation | <u>(76,888)</u> |
| Capital Assets, Net | <u>80,098</u> |
| Total Assets | <u>87,096</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Total Deferred Outflows of Resources | <u>—</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities | |
| Accounts Payable | 978 |
| Members' Payable | 500 |
| Accrued Expenses | 11 |
| Total Current Liabilities | <u>1,489</u> |
| Noncurrent Liabilities | |
| Accrued Expenses | 77 |
| Unearned Revenue | 3,852 |
| Total Noncurrent Liabilities | <u>3,929</u> |
| Total Liabilities | <u>5,418</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Total Deferred Inflows of Resources | <u>—</u> |
| <u>NET POSITION</u> | |
| Investment in Capital Assets | 80,098 |
| Restricted | |
| Capital Projects | — |
| Unrestricted | 1,580 |
| Net Position | <u>\$ 81,678</u> |

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, 2017
(in thousands)

| | | |
|---|----|---------|
| Operating Revenues | | |
| Operations and Maintenance Charges | \$ | 7,320 |
| Special Assessments | | 1,989 |
| Total Operating Revenues | | 9,309 |
| | | |
| Operating Expenses | | |
| Staff and Administrative Allocation | | 538 |
| Operation and Maintenance | | 6,048 |
| Special Assessments | | 245 |
| Depreciation | | 9,476 |
| Total Operating Expenses | | 16,307 |
| Operating Loss | | (6,998) |
| | | |
| Non-Operating Revenues (Expenses) | | |
| Investment Income | | |
| Net Decrease in Fair Value of Investments | | (86) |
| Interest | | 110 |
| Total Non-Operating Revenues (Expenses) | | 24 |
| | | |
| Changes in Net Position | | (6,974) |
| Net Position, July 1 | | 88,652 |
| Net Position, June 30 | | 81,678 |

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

Regional Wireless Cooperative
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
(in thousands)

| | |
|---|------------|
| Cash Flows from Operating Activities | |
| Cash Received from Members | \$ 8,339 |
| Cash Paid to Suppliers | (8,573) |
| Cash Paid for Staff and Administration Allocation | (537) |
| Net Cash Used by Operating Activities | (771) |
| | |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition and Construction of Capital Assets | (3,102) |
| Net Cash Used by Capital and Related Financing Activities | (3,102) |
| | |
| Cash Flows from Investing Activities | |
| Interest on Investments | 24 |
| Net Cash Provided by Investing Activities | 24 |
| | |
| Net Decrease in Cash and Cash Equivalents | (3,849) |
| | |
| Cash and Cash Equivalents, July 1 | 10,847 |
| Cash and Cash Equivalents, June 30 | \$ 6,998 |
| | |
| Reconciliation of Operating Loss to Net Cash | |
| Used by Operating Activities | |
| Operating Loss | \$ (6,998) |
| Adjustments | |
| Depreciation | 9,476 |
| Increase (Decrease) in Liabilities | |
| Accounts Payable | (1,516) |
| Members' Payable | (764) |
| Accrued Expenses | 1 |
| Unearned Revenue | (970) |
| Net Cash Used by Operating Activities | \$ (771) |

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

NOTES TO THE FINANCIAL STATEMENTS

Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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 | 12 |
| 2 | Cash and Pooled Investments | 15 |
| 3 | Capital Assets | 17 |
| 4 | Risk Management | 17 |
| 5 | Members' Equity | 18 |
| 6 | Related Party Transactions | 18 |
| 7 | Commitments and Contingencies | 19 |

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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 that 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:

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, 2017**

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

Basis of Accounting (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. Donated capital assets are recorded at the estimated acquisition value at the date of donation. 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 |

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, 2017 was \$500,036.

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 assigned staff. Operating, maintenance, and administrative costs are allocated to the members based on the number of operable subscribers on the network.

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

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 assigned 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 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. 77, ***Tax Abatement Disclosures***, improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. RWC has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 78, ***Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***, amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions* - and amendment of GASB Statement No. 27 to exclude pension plans provided to employees of state or local government employers through a cost-sharing multiple-employer defined benefit pension plan that (a) is not a state or local government pension plan, (b) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The Statement also established requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. RWC has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 79, ***Certain External Investment Pools and Pool Participants***, establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The Statement also establishes additional note disclosures for qualifying external investment pools. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. RWC has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 80, ***Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14***, will enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances is

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

New Accounting Pronouncements (continued)

value for assessing government accountability. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. RWC has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 82, ***Pension Issues-and amendment of GASB Statements No. 67, No. 68, and No. 73***, will enhance consistency in the application of financial reporting requirements to certain pension issues. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. RWC has determined there is no impact to the financial statements as a result of this Statement.

GASB has issued the following pronouncements that may effect future financial position, results of operations, cash flows, or financial presentation of RWC upon implementation. RWC has not fully determined the effect these pronouncements will have on the RWC's financial statements.

Pronouncements Issued But Not Yet Effective:

| GASB Statement No. | GASB Accounting Standard | Effective Fiscal Year |
|-----------------------------------|---|----------------------------------|
| 75 | <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i> | 2018 |
| 81 | <i>Irrevocable Split-Interest Agreements</i> | 2018 |
| 83 | <i>Certain Asset Retirement Obligations</i> | 2019 |
| 84 | <i>Fiduciary Activities</i> | 2020 |
| 85 | <i>Omnibus 2017</i> | 2018 |
| 86 | <i>Certain Debt Extinguishment Issues</i> | 2018 |
| 87 | <i>Leases</i> | 2021 |

2. Cash and Pooled Investments

The RWC did not have cash on hand at June 30, 2017. 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's pooled investments. The City Charter and ordinances authorize the City to invest in U.S. Treasury securities, securities guaranteed, insured or backed by the full faith and credit of the U.S. Government, U.S. Government agency securities, repurchase agreements, commercial paper, money market accounts, certificates of deposit, the State Treasurer's Local Government Investment Pool "LGIP", highly rated securities 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 evidence of indebtedness issued or guaranteed by a solvent U.S. corporation which are not in default as to principal or interest. Investments are carried at fair value. It is the City's policy generally to hold investments until maturity. A detailed listing of City investments can be found in the City CAFR in Note 5 in the Notes to the Financial Statements.

RWC maintains a portion of its unrestricted cash and investments in the City's cash and investment pool. Total investments for RWC at June 30, 2017 stated at fair value, was \$6,998,036.

RWC's portion in the City's cash and investment pool is not identified with specific investments.

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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 twelve 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 purchase of 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-refunded 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. Money market mutual funds must have a current minimum money market rating of AAAm by S&P and Aaa-mf 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.

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> | <u>Fair Value</u> |
|---------------|-------------------|
| FFCB | \$ 239,034 |
| FHLB | 476,240 |
| FHLMC | 190,981 |
| FNMA | 173,350 |

Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

3. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows (in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|-----------------------------------|----------------------|-----------|-------------|-------------------|
| Non-depreciable Assets | | | | |
| Construction in Progress | \$ 23,898 | \$ 2,591 | \$ (21,627) | \$ 4,862 |
| Total Non-depreciable Assets | 23,898 | 2,591 | (21,627) | 4,862 |
| Depreciable Assets | | | | |
| Buildings | 28,842 | — | — | 28,842 |
| Improvements other than Buildings | 4,830 | — | — | 4,830 |
| Equipment | 91,803 | 22,138 | — | 113,941 |
| Intangible Assets | 4,511 | — | — | 4,511 |
| Total Depreciable Assets | 129,986 | 22,138 | — | 152,124 |
| Accumulated Depreciation | | | | |
| Buildings | (5,213) | (794) | — | (6,007) |
| Improvements other than Buildings | (1,377) | (238) | — | (1,615) |
| Equipment | (60,595) | (7,542) | — | (68,137) |
| Intangible Assets | (227) | (902) | — | (1,129) |
| Total Accumulated Depreciation | (67,412) | (9,476) | — | (76,888) |
| Total Depreciable Assets, Net | 62,574 | 12,662 | — | 75,236 |
| Total Capital Assets, Net | \$ 86,472 | \$ 15,253 | \$ (21,627) | \$ 80,098 |

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 2017, RWC was charged \$45,581 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, 2017, 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, 2017**

5. Members' Equity

A summary of the joint venture members' equity as of June 30, 2017 is as follows:

| | | |
|--|-----------|-------------------|
| City of Avondale | \$ | 614,214 |
| City of Buckeye | | 290,529 |
| City of Chandler | | 2,020,241 |
| Daisy Mountain Fire District | | 102,096 |
| City of El Mirage | | 319,312 |
| City of Glendale | | 3,141,885 |
| City of Goodyear | | 266,611 |
| Town of Guadalupe | | 99,922 |
| City of Maricopa | | 189,084 |
| Maricopa County Community College District | | 220,670 |
| North County Fire & Medical | | 361,431 |
| Town of Paradise Valley | | — |
| City of Peoria | | 2,066,234 |
| City of Phoenix | | 57,484,846 |
| City of Scottsdale | | 1,879,621 |
| Sun City Fire District | | 750,510 |
| Sun Lakes Fire District | | 41,027 |
| City of Surprise | | 1,167,159 |
| City of Tempe | | 10,518,375 |
| City of Tolleson | | 145,588 |
| Total Members' Equity | <u>\$</u> | <u>81,679,355</u> |

6. Related Party Transactions

Staff and administrative costs allocated by the City of Phoenix to RWC was \$538,353 for the year ended June 30, 2017. 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, 2017 and compensation totaled \$509,490 for the year ended June 30, 2017.

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.

**Regional Wireless Cooperative
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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 53% for the year ended June 30, 2017.

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
Members' Operating Fund Reserve
For the Fiscal Year Ended June 30, 2017**

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 | Beginning Balance July 1, 2016 | Contributions | Interest | Expenditures | Ending Balance June 30, 2017 |
|--|--------------------------------------|---------------|------------------|--------------|---------------------------------|
| City of Avondale | \$ 18,080 | \$ — | \$ 210 | \$ — | \$ 18,290 |
| City of Buckeye | 17,482 | — | 203 | — | 17,685 |
| City of Chandler | 52,691 | — | 611 | — | 53,302 |
| Daisy Mountain Fire District | 1,084 | — | 13 | — | 1,097 |
| City of El Mirage | 8,879 | — | 103 | — | 8,982 |
| City of Glendale | 74,275 | — | 861 | — | 75,136 |
| City of Goodyear | 22,476 | — | 261 | — | 22,737 |
| Town of Guadalupe | 571 | — | 7 | — | 578 |
| City of Maricopa | 9,462 | — | 110 | — | 9,572 |
| Maricopa County Community College District | 13,085 | — | 152 | — | 13,237 |
| North County Fire & Medical District | 2,176 | — | 25 | — | 2,201 |
| Town of Paradise Valley | — | — | — | — | — |
| City of Peoria | 50,565 | — | 586 | — | 51,151 |
| City of Phoenix | 551,335 | — | 6,394 | — | 557,729 |
| Rural Metro | 6,323 | — | 73 | — | 6,396 |
| City of Scottsdale | 86,623 | — | 1,005 | — | 87,628 |
| Sun City Fire District | 2,575 | — | 30 | — | 2,605 |
| Sun Lakes Fire District | 1,948 | — | 23 | — | 1,971 |
| City of Surprise | 23,428 | — | 272 | — | 23,700 |
| City of Tempe | 100,435 | — | 1,165 | — | 101,600 |
| City of Tolleson | 1,772 | — | 21 | — | 1,793 |
| | \$ 1,045,265 | \$ — | \$ 12,125 | \$ — | \$ 1,057,390 |

**Regional Wireless Cooperative
Members' Infrastructure Replacement and Enhancement Activity
For the Fiscal Year Ended June 30, 2017**

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 1, 2016 | Contributions | Interest | Expenditures | Ending Balance June 30, 2017 |
|--|--------------------------------------|---------------|------------------|-----------------------|---------------------------------|
| City of Avondale | \$ 120,713 | \$ — | \$ 1,089 | \$ (29,408) | \$ 92,394 |
| City of Buckeye | 88,172 | — | 795 | (21,480) | 67,487 |
| City of Chandler | 440,699 | — | 3,975 | (107,364) | 337,310 |
| Daisy Mountain Fire District | 2,318 | — | 21 | (565) | 1,774 |
| City of El Mirage | 37,457 | — | 338 | (9,125) | 28,670 |
| City of Glendale | 310,690 | — | 2,802 | (75,691) | 237,801 |
| City of Goodyear | 19,962 | — | 180 | (4,863) | 15,279 |
| Town of Guadalupe | 5,020 | — | 45 | (1,224) | 3,841 |
| City of Maricopa | 62,870 | — | 567 | (15,317) | 48,120 |
| Maricopa County Community College District | 90,718 | — | 818 | (22,101) | 69,435 |
| North County Fire & Medical District | 17,316 | — | 156 | (4,218) | 13,254 |
| City of Peoria | 410,337 | — | 3,701 | (99,967) | 314,071 |
| City of Phoenix | 2,178,373 | — | 19,647 | (530,698) | 1,667,322 |
| City of Scottsdale | 635,027 | — | 5,727 | (154,706) | 486,048 |
| Sun City Fire District | 19,143 | — | 173 | (4,665) | 14,651 |
| Sun Lakes Fire District | 13,684 | — | 123 | (3,334) | 10,473 |
| City of Surprise | 183,066 | — | 1,651 | (44,598) | 140,119 |
| City of Tempe | 317,105 | — | 2,860 | (77,254) | 242,711 |
| City of Tolleson | 13,209 | — | 119 | (3,218) | 10,110 |
| | \$ 4,965,879 | \$ — | \$ 44,787 | \$ (1,209,796) | \$ 3,800,870 |

Regional Wireless Cooperative
Members' Net Operating and Maintenance Expenditures
For the Fiscal Year Ended June 30, 2017

| Member | Amount Billed | 2017 Charge (Credit) Per User Settlement (1) | Net Operating Expenditures before Adjustments | 2017 Unearned Revenue Adjustments (2) | Net Operating Expenditures |
|--|--------------------|--|---|---------------------------------------|----------------------------|
| City of Avondale | \$ 138,464 | \$ (11,294) | \$ 127,170 | \$ — | \$ 127,170 |
| City of Buckeye | 123,412 | (9,298) | 114,114 | — | 114,114 |
| City of Chandler | 383,687 | (27,102) | 356,585 | — | 356,585 |
| Daisy Mountain Fire District | 8,840 | (631) | 8,209 | — | 8,209 |
| City of El Mirage | 40,934 | (2,893) | 38,041 | — | 38,041 |
| City of Glendale | 490,155 | (34,618) | 455,537 | — | 455,537 |
| City of Goodyear | 153,936 | (10,873) | 143,063 | 75,958 | 219,021 |
| Town of Guadalupe | 3,844 | (270) | 3,574 | — | 3,574 |
| City of Maricopa | 72,164 | (5,123) | 67,041 | — | 67,041 |
| Maricopa County Community College District | 90,647 | (6,611) | 84,036 | — | 84,036 |
| North County Fire & Medical District | 16,527 | (1,167) | 15,360 | — | 15,360 |
| Town of Paradise Valley | — | — | — | — | — |
| City of Peoria | 337,959 | (25,888) | 312,071 | — | 312,071 |
| City of Phoenix | 3,710,998 | (262,413) | 3,448,585 | — | 3,448,585 |
| City of Scottsdale | 597,053 | (43,495) | 553,558 | — | 553,558 |
| Sun City Fire District | 19,314 | (1,369) | 17,945 | — | 17,945 |
| Sun Lakes Fire District | 14,510 | (1,023) | 13,487 | — | 13,487 |
| City of Surprise | 185,069 | (13,289) | 171,780 | — | 171,780 |
| City of Tempe | 580,960 | (41,025) | 539,935 | 691,546 | 1,231,481 |
| City of Tolleson | 21,077 | (1,653) | 19,424 | — | 19,424 |
| Non-Members | 62,555 | — | 62,555 | — | 62,555 |
| | <u>\$7,052,105</u> | <u>\$ (500,035)</u> | <u>\$ 6,552,070</u> | <u>\$ 767,504</u> | <u>\$ 7,319,574</u> |

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

(2) Unearned Revenues were recorded in 2016 for overpayments received from members. Members have elected to offset current year billings with these overpayments.

STATISTICAL SECTION

**Regional Wireless Cooperative
Statistical Section
For the fiscal year ended June 30, 2017**

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 | 24 |
| Statements of Revenues, Expenses, and Changes in Net Position | 24 |
| Members' Operation and Maintenance Expenses | 25 |

Demographic and Economic Information

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

| | |
|--------------------------------------|-------------|
| | <u>Page</u> |
| Major Employers Metropolitan Phoenix | 29 |

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:

| | |
|------------------|-------------|
| | <u>Page</u> |
| Subscriber Units | 29 |

**Regional Wireless Cooperative
Statements of Net Position
Last Eight Fiscal Years
(in thousands)**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| Investment in Capital Assets | \$ 80,098 | \$ 86,472 | \$ 83,376 | \$ 83,280 | \$ 87,125 | \$ 95,643 | \$ 99,481 | \$ 96,350 |
| Restricted | | | | | | | | |
| Capital Projects | — | 243 | 121 | — | 88 | — | — | — |
| Unrestricted | 1,580 | 1,937 | 12,386 | 4,250 | 498 | 706 | 534 | 514 |
| Net Position | <u>\$ 81,678</u> | <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 Eight Fiscal Years
(in thousands)**

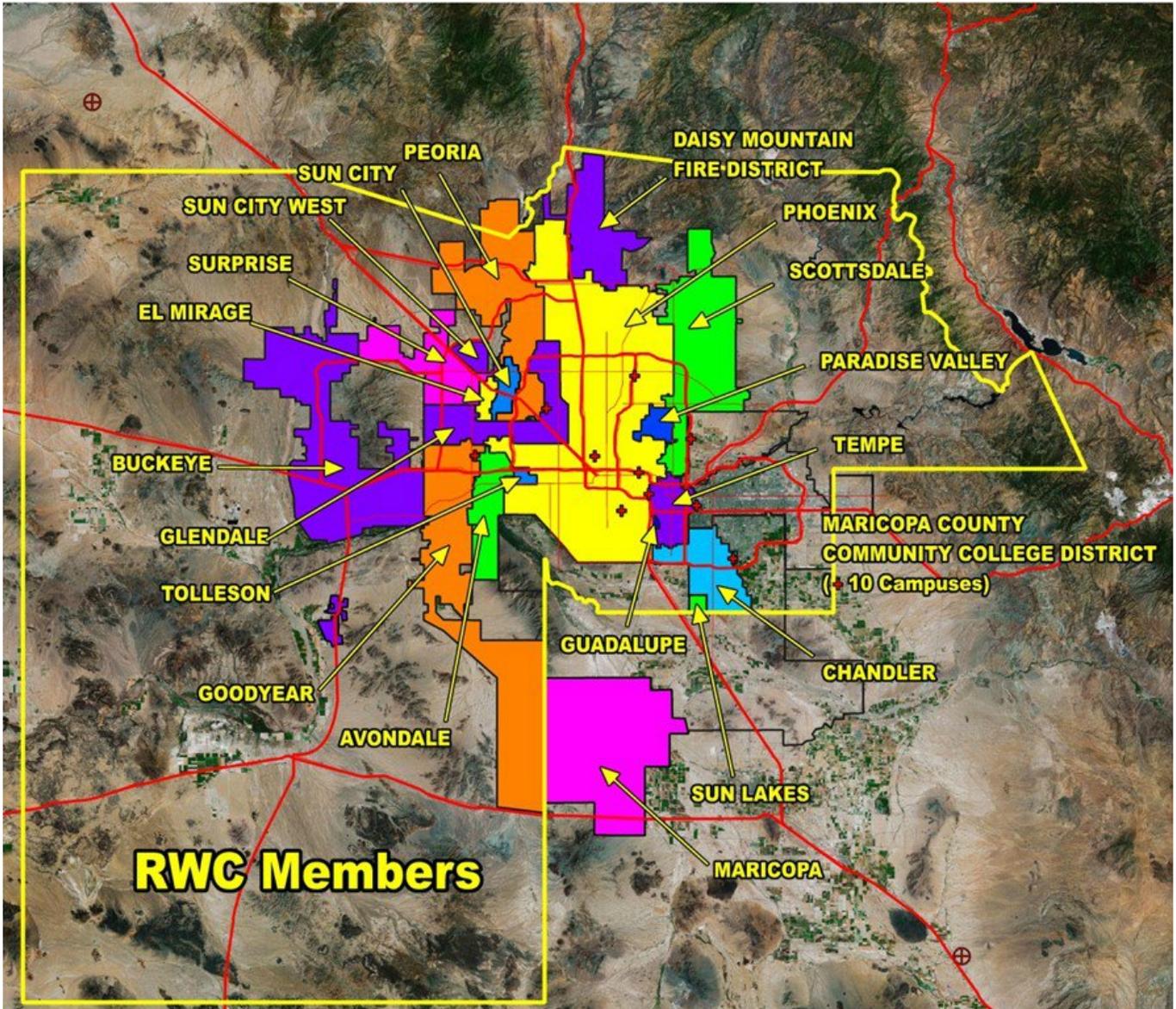
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-------------------|-------------------|-----------------|-----------------|-------------------|-------------------|-----------------|------------------|
| Operating Revenues | | | | | | | | |
| Operation and Maintenance Charges | \$ 7,320 | \$ 6,592 | \$ 7,209 | \$ 7,201 | \$ 6,746 | \$ 8,305 | \$ 6,389 | \$ 5,964 |
| Special Assessments | 1,989 | 16,646 | 16,170 | 11,143 | 2,390 | 48 | 93 | — |
| Other | — | 121 | 121 | 88 | 88 | 60 | 445 | — |
| Total Operating Revenues | <u>9,309</u> | <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 | | | | | | | | |
| Staff and Administrative Allocation | 538 | 691 | 582 | 617 | 597 | 499 | 527 | 30 |
| Operation and Maintenance | 6,048 | 3,925 | 6,174 | 6,541 | 6,048 | 7,602 | 5,853 | 5,420 |
| Special Assessments | 245 | 2,429 | 5 | 3 | — | 48 | 93 | — |
| Depreciation | 9,476 | 8,299 | 8,509 | 11,546 | 10,444 | 9,999 | 10,181 | 9,926 |
| Total Operating Expenses | <u>16,307</u> | <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 Income (Loss) | <u>(6,998)</u> | <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 Increase (Decrease) in Fair Value of | | | | | | | | |
| Investments | (86) | 25 | (109) | (109) | (77) | (53) | (18) | — |
| Interest | 110 | 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>24</u> | <u>(15,246)</u> | <u>123</u> | <u>94</u> | <u>(773)</u> | <u>25</u> | <u>12</u> | <u>—</u> |
| Income (Loss) Before Contributions | <u>(6,974)</u> | <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>\$ (6,974)</u> | <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> |

**Regional Wireless Cooperative
Members' Operations and Maintenance Expenses
Last Seven Fiscal Years**

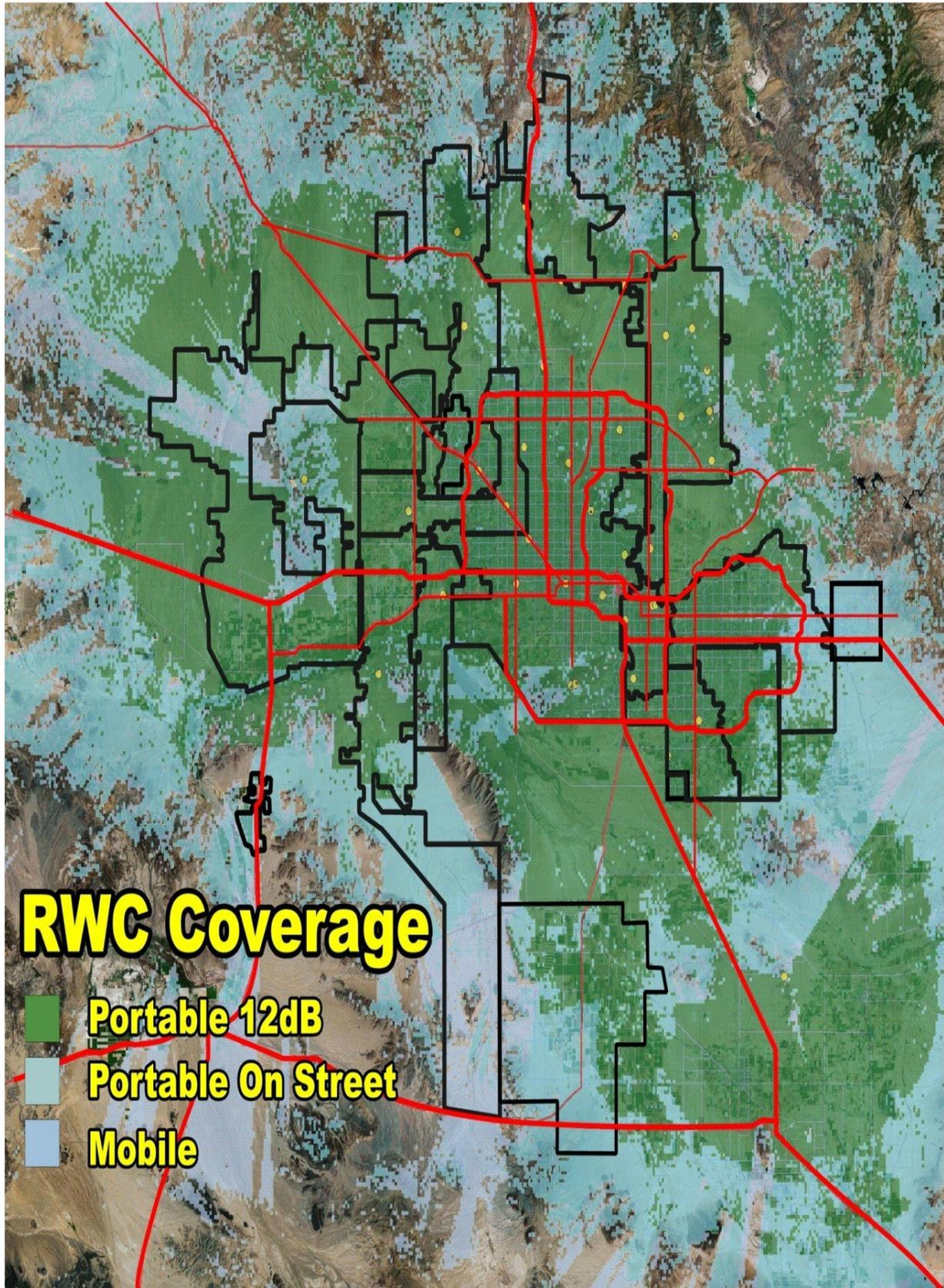
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| City of Avondale | \$ 127,170 | \$ 96,672 | \$ 121,150 | \$ 123,697 | \$ 108,885 | \$ 39,787 | \$ 10,297 |
| City of Buckeye | 114,114 | 113,819 | 123,292 | 105,746 | 77,987 | 91,438 | 81,737 |
| City of Chandler | 356,585 | 345,177 | 362,723 | 378,692 | 340,153 | 455,420 | 54,459 |
| Daisy Mountain Fire District | 8,209 | 7,443 | 8,239 | 3,819 | 2,111 | 3,314 | 1,830 |
| City of El Mirage | 38,041 | 45,293 | 39,139 | 38,067 | 31,944 | 38,635 | 34,353 |
| City of Glendale | 455,537 | 487,326 | 513,312 | 535,581 | 583,921 | 248,367 | 5,604 |
| City of Goodyear | 219,021 | 144,228 | 170,265 | 41,573 | 36,693 | 46,518 | 12,539 |
| Town of Guadalupe | 3,574 | 3,631 | 4,217 | 4,126 | 4,036 | 2,417 | 382 |
| City of Maricopa | 67,041 | 64,285 | 64,588 | 63,551 | 39,943 | 8,707 | 6,099 |
| Maricopa County Community College | 84,036 | 84,503 | 79,523 | — | — | — | — |
| North County Fire & Medical District | 15,360 | 14,976 | 15,184 | 15,680 | 13,944 | 16,758 | 4,337 |
| Town of Paradise Valley | — | — | — | — | — | — | — |
| City of Peoria | 312,071 | 321,022 | 354,495 | 369,820 | 330,061 | 430,102 | 411,673 |
| City of Phoenix | 3,448,585 | 3,470,070 | 3,758,471 | 3,999,612 | 3,878,073 | 5,289,117 | 4,937,469 |
| City of Scottsdale | 553,558 | 558,223 | 596,642 | 568,508 | 503,669 | 717,469 | 48,494 |
| Sun City Fire District | 17,945 | 17,246 | 18,166 | 18,260 | 15,411 | 18,971 | 6,807 |
| Sun Lakes Fire District | 13,487 | 13,299 | 12,663 | 12,379 | 11,008 | 14,271 | 4,562 |
| City of Surprise | 171,780 | 152,212 | 170,233 | 167,321 | 147,314 | 144,535 | 123,972 |
| City of Tempe | 1,231,481 | 571,819 | 711,487 | 675,808 | 573,249 | 710,090 | 630,029 |
| City of Tolleson | 19,424 | 11,618 | 12,887 | 12,174 | 10,454 | 12,498 | — |
| Non Members (1) | 62,555 | 68,926 | 72,710 | 66,432 | 37,498 | 16,506 | 14,537 |
| Total | \$7,319,574 | \$6,591,788 | \$7,209,386 | \$7,200,846 | \$6,746,354 | \$8,304,920 | \$6,389,180 |

(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
Cities' and Towns' Population Growth
Last Eight Calendar Years**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| City of Avondale | 82,881 | 80,684 | 78,090 | 78,822 | 77,511 | 76,870 | 76,392 | 76,238 |
| City of Buckeye | 64,629 | 62,138 | 58,795 | 56,683 | 56,460 | 54,102 | 52,334 | 50,876 |
| City of Chandler | 247,477 | 260,828 | 249,423 | 245,588 | 246,197 | 241,214 | 238,381 | 236,326 |
| City of El Mirage | 35,043 | 33,935 | 32,857 | 32,998 | 32,472 | 32,067 | 31,862 | 31,797 |
| City of Glendale | 245,895 | 240,126 | 232,680 | 234,632 | 231,109 | 229,008 | 227,446 | 226,721 |
| City of Goodyear | 77,258 | 79,003 | 74,743 | 72,864 | 72,275 | 69,018 | 67,337 | 65,275 |
| Town of Guadalupe | 6,336 | 6,177 | 6,084 | 6,072 | 6,019 | 5,943 | 5,895 | 5,523 |
| City of Maricopa | 46,903 | 48,602 | 47,442 | 45,508 | 44,946 | 44,396 | 43,598 | 43,482 |
| Town of Paradise Valley | 14,355 | 13,922 | 13,457 | 13,387 | 13,282 | 13,154 | 13,035 | 12,820 |
| City of Peoria | 164,173 | 171,237 | 163,832 | 162,592 | 160,545 | 157,653 | 155,754 | 154,058 |
| City of Phoenix | 1,615,017 | 1,563,025 | 1,506,439 | 1,505,070 | 1,485,751 | 1,465,901 | 1,453,462 | 1,447,128 |
| City of Scottsdale | 246,645 | 236,839 | 225,698 | 226,918 | 222,213 | 219,713 | 217,965 | 217,385 |
| City of Surprise | 132,677 | 128,422 | 123,797 | 123,546 | 121,629 | 119,530 | 118,349 | 117,517 |
| City of Tempe | 182,498 | 175,826 | 169,529 | 168,228 | 165,158 | 164,659 | 162,503 | 161,719 |
| City of Tolleson | 7,178 | 7,008 | 6,777 | 6,756 | 6,632 | 6,579 | 6,541 | 6,545 |

Source: Maricopa Association of Governments, US Census Bureau

**Regional Wireless Cooperative
Major Employers Metropolitan Phoenix
Current Year and Nine Years Ago**

| Employer | 2017 | | 2008 | |
|--------------------------|-----------|------|-----------|------|
| | Employees | Rank | Employees | Rank |
| State of Arizona | 42,687 | 1 | 50,079 | 1 |
| Banner Health | 34,776 | 2 | 17,020 | 3 |
| Wal-Wart Stores Inc. | 34,090 | 3 | 30,174 | 2 |
| Wells Fargo | 14,818 | 4 | 14,000 | 6 |
| City of Phoenix | 13,776 | 5 | 14,453 | 4 |
| Maricopa County | 12,939 | 6 | 14,057 | 5 |
| Arizona State University | 12,715 | 7 | 12,727 | 7 |
| Honor Health | 11,296 | 8 | | |
| Dignity | 11,182 | 9 | | |
| Intel Corp | 11,000 | 10 | | |
| Fry's Food & Drug | | | 11,780 | 8 |
| US Postal Service | | | 11,000 | 9 |
| 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 Eight Fiscal Years**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Subscriber Units | | | | | | | | |
| Member Total | 18,522 | 18,046 | 18,242 | 17,371 | 17,695 | 18,213 | 17,996 | 14,049 |
| Interoperability | 22,576 | 18,976 | 17,574 | 10,143 | 11,682 | 8,390 | 5,727 | 6,639 |
| Grand Total | 41,098 | 37,022 | 35,816 | 27,514 | 29,377 | 26,603 | 23,723 | 20,688 |