

City of
Surprise, Arizona
Comprehensive
Annual Financial Report

for the fiscal year ended
June 30, 2003

surprise
ARIZONA

CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2003

Prepared by:
Finance Department



SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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October 31, 2003

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Surprise:

State law requires that all general-purpose local governments publish within 120 days (240 days with an extension) following the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Surprise for the fiscal year ended June 30, 2003.

This report consists of management's representations concerning the finances of the City of Surprise. Responsibility for the accuracy, completeness and fairness of this presentation, the data and all disclosures is the responsibility of the City of Surprise. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner that fairly sets forth the financial position and results of the operations of the City of Surprise as measured by the financial activity of its various funds, and that all disclosures necessary to understand the City's financial affairs to its fullest have been included. To provide a reasonable basis for making these representations, management of the City of Surprise has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the operation of the City of Surprise's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City of Surprise's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Eide Bailly LLP, a firm of licensed certified public accountants, has audited the City of Surprise's financial statements. The goal of the independent audit was to provide reasonable assurance, that the financial statements of the City of Surprise for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Surprise's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Surprise's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Surprise

Surprise, located just 25 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded in 1929 and incorporated in 1960. The name “Surprise” came from Surprise, Nebraska, hometown of the city’s founder, Homer C. Ludden. What was once a small farming village now encompasses more than 70 square miles, including urban and commercial developments, ranches and industrial parks. The once irrigated farmlands and orchards are now affordable real estate for people and industry that wish to live, work and play in a progressive city. Surprise strikes the perfect balance between the need of residential community and the growth of its business and industrial sections.

Over the past 40 years, Surprise has grown from 500 residents to a city of nearly 67,000 people in 2003. The Maricopa Association of Governments (MAG), estimates that our population will continue to grow to near 100,000 in the next 3 – 5 years. Not only is our population growing, our service area has expanded from 1.67 square miles in 1980 to our current incorporated area of 74 square miles with a planning area of 228 square miles. This growth is due in large part to what we are providing and building in our community.

The city offers a broad range of living styles, from small family subdivisions to a number of secluded ranches. Surprise also offers a number of retirement communities that address the needs and lifestyles of active adults. There are a number of recreation facilities including several beautiful golf courses. In 2003, the City of Surprise became the Major League Baseball Spring Training home of the Texas Rangers and the Kansas City Royals. Industrial growth zones have been carefully selected to operate competitively, but harmoniously, with the residential community.

The City’s Mission and Value Statements are as follows:

Mission

The mission of the City of Surprise is to enhance the quality of life through the dedicated and efficient management of our resources.

We Value

Our Citizens

Honesty and Integrity

Community Pride and Sense of Commitment

Professionalism and Teamwork

Mutual Respect

Surprise is a city that operates under the Council/Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four year staggered terms, with three then four elected alternately every two years. The mayor is elected at large every four years, while the other council members are elected by district.

The City of Surprise provides a full range of services, including police and fire protection, roadway maintenance and construction, recreational and cultural activities, health and social services, as well as, general administrative services. Sanitation, water, sewer and water recharge utility services are provided to many of the residents through the City’s enterprise funds. The City provides street lighting for developing areas through legally formed street lighting districts. The City provides and accounts for a legally separate fund volunteer firefighters pension fund as mandated by Arizona Revised Statute, Title 9.

As well as, a non-profit corporation formed under Arizona revised statutes Title 10 designed to facilitate the acquisition and improvement of City property. These last three activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all three of these legally separate entities can be found in Note 1.A in the notes to the financial statements.

The annual budget serves as the foundation for the City of Surprise's financial planning and control. The required legal level of budgetary compliance is at the over all City wide level. For financial management purposes all departments within the City of Surprise are required to submit requests for appropriation to the budget manager before the end of February of the preceding fiscal year. The City's budget team, chief financial officer and city manager use these requests as the starting point for developing a proposed budget. The budget manager then presents this proposed budget to the council for review by the beginning of May. The City Council is then required to hold public hearings on the proposed budget and to adopt a final budget by the third Monday in August. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department between the major categories of services and supplies. While the city manager may authorize transfers from and within personnel and from operating capital to services or supplies within a department, all transfers between contingency dollars, between funds and between departments must be approved by the Council.

Factors Affecting Financial Condition

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

Local economy. Despite the uncertain economic conditions of the nation and slower growth of the State's economy, the City's economy is doing relatively well. As a City on the fringe of a well-developed metropolitan area, our housing market continues to steam ahead. Due to the rapid residential growth in the City, extensive retail and office development continues to follow the rooftops. It is this business development that will provide the city with a reliable, long term, source of revenue. Further information on the history of City revenues can be found in the statistical section of this Comprehensive Annual Financial Report (CAFR) and in the Management's Discussion and Analysis (MD&A) of the financial statements.



Long-term financial planning. During the coming year, we are faced with the challenge to accommodate growth while ensuring that the City develops as a place in which people want to live, work and play. Increases in population, tax base, development fees, commercial and retail activity and the City's economic development efforts continue to provide additional revenue to offset the costs related to both continuing and expanding services and facilities.

Because of the current economic uncertainty on the national level and local level, the City administration recognizes the need to assure reserves for future revenue shortfalls in case of economic downturns.

Because a large portion of General Fund, operating revenue comes from construction related activity that eventually may be constrained by the economy and availability of land the following policy guidelines have been devised to assist in assuring an adequate future fund balance:

1. The equivalent of two months in operating revenue will be designated as an economic stabilization amount set-aside in all operating funds;
2. An allocation of construction related sales tax of 50 percent (50%) to subsidize general fund operations and of 50 percent (50%) to subsidize one-time expenditures and capital construction and acquisition; and,
3. Maintain a minimum debt service reserved fund balance equal to one year of debt service payments.

These amounts have not been programmed for expenditure and are only available for use within the confines of our expenditure limits. At least \$15.3 million (\$15,300,000) has been listed as contingency in various funds, which means that it has not been allocated for any specific activity. If revenues are sufficient, council can use this contingency for unexpected emergencies and projects. In addition, beginning fund balances (prior years' revenues in excess of expenditures) are only available to fund capital or other one-time projects.

The City is finalizing facilities and infrastructure that have been planned, programmed and saved for over the past five years. Utilizing bond funds, state grants and local sources of revenue, the City of Surprise has spearheaded construction on a new downtown by developing 250 acres of city owned property. This new downtown, known as Surprise Center, includes a recreation complex, regional library, aquatics center, 37-acre park and a state of the art Cactus League Spring Training facility for the Texas Rangers and the Kansas City Royals.

Cash management policies and practices. State statutes permit us to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The City of Surprise primarily invests its idle funds in the State Treasurer's LGIP. The year-to-date yield on investments as of June 30, 2003 was 1.8719 percent (1.8719%) before LGIP adjustment (see note 13 on page 37). Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year; however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the managers of the investment pool may intend to hold to maturity.

Risk management. During 2003, the City increased its coverage from 13 million to 20 million dollars to address the growth and related increase in exposure. As the City grows it will continue to increase its deductibles and effectively self-insure for smaller claims. In order to better manage our insurance coverage and claims, a risk coordinator was hired. They will ensure that the City has adequate insurance coverage, appropriate deductibles, reasonable insurance rates, validate claims, file claims timely and provide for proper training in loss and accident prevention. They will also update and maintain the proper policies and procedures related to insurance and other risk related exposures. For further information regarding risk management please refer to Note 12 on page 37 in the financial statements.

Pensions. The City has several venues available to employees to provide for them during retirement. The City participates in the Arizona Retirement System and the Arizona Public Safety Retirement System. Both of these state agency plans are offered to state and local governments statewide and funded by employee wage deductions and matching City contributions. The rates for these contributions are determined by the respective retirement systems, in order to ensure the proper amount of funding to meet the obligations to retired employees on a timely basis.

The City also must maintain a pension and relief fund for volunteer firefighters that was funded by the City as required under Title 9 of the Arizona Revised Statutes. However, the City no longer utilizes volunteer firefighters and there are no qualifying recipients for the funds contained in the plan.

The City has selected a third party administrator to facilitate employee participation in a deferred compensation plan in accordance with Internal Revenue Code Section 457.

For further information on these plans refer to Note 11 A.B.A.B.C. starting on page 34 in the financial statements.

Awards and Acknowledgements

The City of Surprise received the Government Finance Officers Associations (GFOA) Certificate of Achievement for Excellence in Financial Reporting for our (CAFR) for the fiscal year ended June 30, 2002. This was our first submission for the award. The award is equally satisfying in that we early implemented the new requirements of Government Accounting Standards Board (GASB) statement number 34. In order to qualify for the award, the document must be easily readable, efficiently organized and compliant with GAAP and applicable legal requirements.

The City of Surprise has received the GFOA's Distinguished Budget Presentation Award for its annual budget document since July 1, 2001. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the finance and other departments, who assisted and contributed to the preparation of this report.

Respectfully submitted,



James Rumpeltes
City Manager



Robert Nilles
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Surprise,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

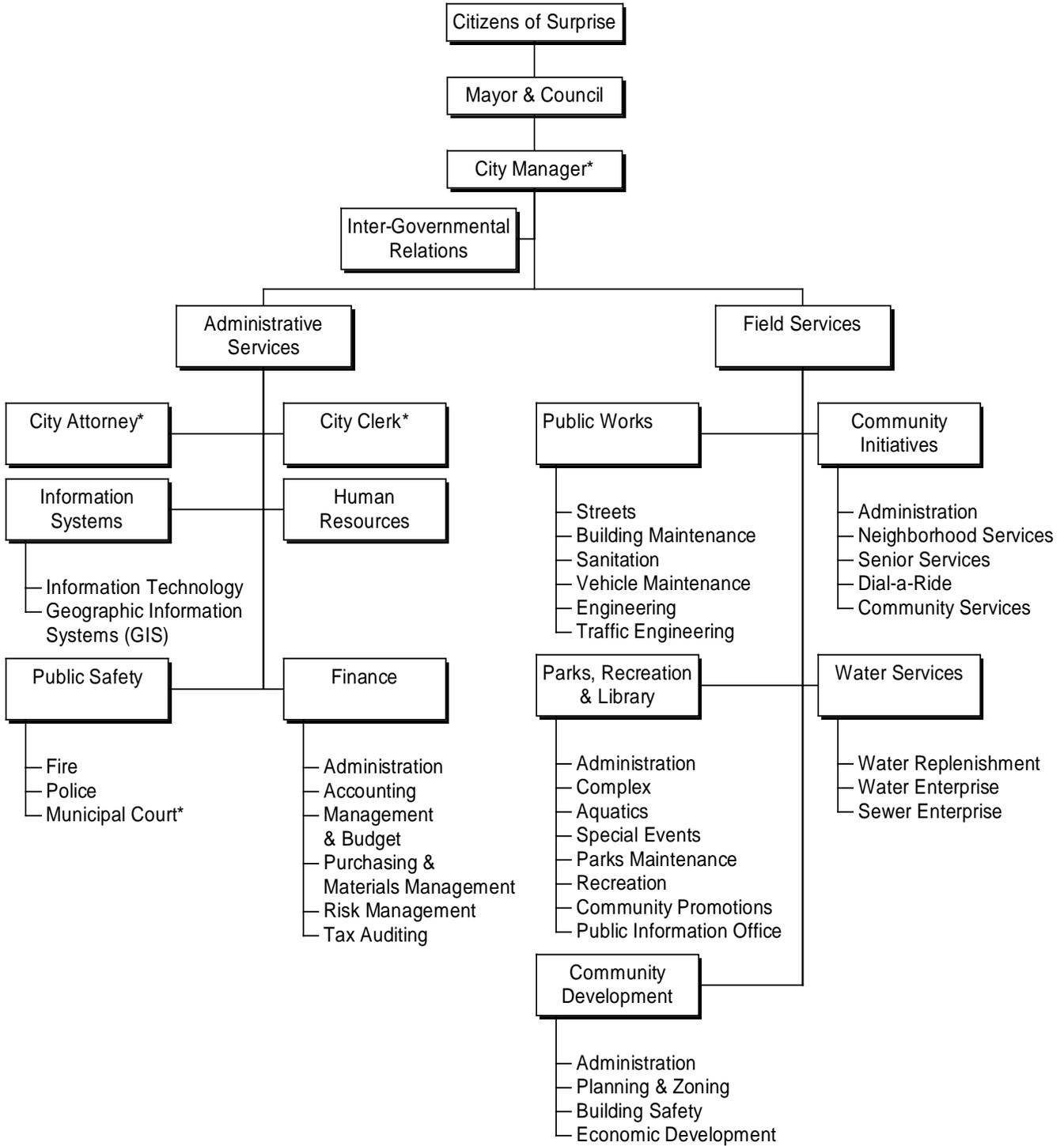
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**CITY OF SURPRISE
ORGANIZATIONAL CHART**



***Council Appointed**

**CITY OF SURPRISE
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2003**

ELECTED OFFICIALS

MAYOR JOAN H. SHAFER



Joan Shafer was born in Sacramento, Calif., a third-generation Californian. She was educated in California public schools before attending the University of Nevada at Reno.

After attending college she joined the U.S. Navy serving with the WAVES in Norfolk, VA. She is a veteran of the Korean War. After getting married Mrs. Shafer worked as a medical record librarian at several hospitals in the Valley of the Sun before retiring in 1986.

Mrs. Shafer began her political career in 1991 when she was the first woman to be elected to the Surprise City Council. She later was elected vice mayor. In 1994 she became the first elected mayor of the City of Surprise. In 1997, Mrs. Shafer was re-elected to a second two-year term as mayor and she was re-elected to four-year terms in 1999 and 2003. Her current term expires in June 2007.

Since being elected Mayor, Mrs. Shafer has helped guide the city through a period of unparalleled growth and development. During the past three years, the City of Surprise has been the fastest growing city in the state and one of the fastest growing cities in the nation. When Mrs. Shafer began her first term the city had about 70 employees, today the city staff numbers more than 450. In 2003, Surprise is home to approximately 55,000 residents.

Shafer's term expires in June 2007. She is elected at-large.

DONALD COX



Vice Mayor **Don Cox**, who represents the Acacia District (District 1), was elected to the Surprise City Council in 2001. Don and his wife have lived in Surprise since 1997. He has four grown children and 10 grandchildren, all living in the Midwest.

Cox retired from the federal government in electronics from Alaska. He was a City Council member in Delta Junction, Alaska, where he was also Commissioner of Public Health and Safety and, such, was responsible for the fire department and emergency medical service for that community. He is a Korean vet, having served in the U.S. Navy.

Cox has been a community volunteer for all of his adult life, working with youth and adults. He is pleased to be able to use his experience to help the people of Surprise. Cox strongly supports voters' rights and gathering their input on areas that affect their future. Truly representing the people is his goal.

Cox is very interested in preserving the rural aspects of Surprise because of his background, living for many years in rural areas in Minnesota and Alaska. He is also concerned about the population growing faster than the road system and bringing public transportation to residents. He supports city efforts in working to protect Luke Air Force Base.

Contact: Don.Cox@surpriseaz.com

Cox's term expires in June 2005.

**CITY OF SURPRISE
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2003**

ELECTED OFFICIALS (CONTINUED)

THOMAS ALLEN



Thomas Allen, who represents the Palo Verde District (District 6), was appointed to the Surprise City Council in May 1999, and elected to his first four-year term in March 2001.

Allen, who is employed as the Director of Operations for Aerotech Laboratories, is married and has two children. Allen has bachelor's degrees in microbiology and business administration from Brigham Young University, Utah. The Phoenix native is also fluent in Spanish.

"The City of Surprise is where my growing family has decided to live," Allen said. "I feel that the good work of the past will only continue with the efforts of people who have a vested interest in seeing Surprise grow successfully. I feel that I have a responsibility to apply my efforts to assisting in this growth." Allen said he is particularly interested in trying to attract industry to the City of Surprise. "I hope we can attract good, clean industry to our City. We want and need good jobs here."

Contact: Thomas.Allen@surpriseaz.com

Allen's term expires in June 2005.

GARY "DOC" SULLIVAN



Gary "Doc" Sullivan, representative of the Mesquite District (District 3), was elected to his first four-year term on the Surprise City Council in May 2003.

Sullivan moved to Surprise in June of 2001 from San Diego, California where the avid bowler traded a years-long career in the mortgage business for a 10-year stint managing bowling alleys for AMF. Back in the mortgage trade again, he currently works for Goldstar Mortgage in Scottsdale.

A resident of Greenway Parc II, Sullivan quickly became involved in the community. He is a member of the Greenway Parc homeowners' association and architectural review committee, the Surprise Economic Development Advisory Board and Future Focus II, a group formed to provide direction on implementation of the City's general plan.

He supports Luke Air Force Base and its mission. "We must stop encroachment on Luke," said Sullivan, who witnessed first-hand the impact of the Gulf War on military towns in California. "If Luke closes, it could be catastrophic for local businesses." He is also concerned about education and the maintenance of City streets.

Sullivan and his wife, Stephanie, have been married for 30 years and have two grown sons. For the time-being, he's putting his bowling hobby on hold to devote the time to City business. He wants residents to know he welcomes their input and he will return phone calls.

Contact: Doc.Sullivan@surpriseaz.com

Sullivan's term expires in June 2007.

CITY OF SURPRISE
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2003
ELECTED OFFICIALS (CONTINUED)

MARTHA BAILS



Martha Bails, who represents the Cottonwood District (2), began her first four-year term on the Surprise City Council in June 2003.

Bails moved to Surprise in 1999 from Hawthorne, California where she spent 33 years working for Rockwell International, retiring in 1996 from her job as an executive planning advisor responsible for the design and maintenance of procurement systems. She also served as a member of the Hawthorne City Council from 1994-96.

A resident of Sun City Grand, Bails quickly became involved in her new community, volunteering one day a week in the emergency room of nearby Del E. Webb Memorial Hospital, collecting stuffed animals for the Surprise Police and Fire departments through the Sun City Grand Singles Club, and finally, landing an appointment to the Surprise Planning and Zoning Commission in April 2000, most recently serving as chairperson of the seven-member group. "I like to participate and be active, rather than sit there and be a number," she said. "I've always been interested in politics, budgets and spending – where the taxpayer's money goes."

Bails supports low density development for Surprise and her primary goal as a councilmember is to help the City Council and/or voters determine the City's growth rate. "I would also like the City to rethink its position of no more senior communities because of the demands on the school district, and particularly in light of Luke Air Force Base's position that no new schools be built in the flight path," she said. Bails also supports lowering the "restaurant" tax and is concerned about transportation issues.

She wants residents to know they can call anytime. "I respect everyone's opinion and hopefully they respect mine even though we might not agree," Bails said. "Although I represent a district, the decisions I make impact the entire City." Bails has one grown son and, in her spare time, enjoys traveling and needlepoint.

Contact: Martha.Bails@surpriseaz.com

Bail's term expires in June 2007.

DANIEL ARISMELENDEZ



Danny Arismendez was elected in 2003 to a four-year term as the representative of the Mulberry District (District 4). He previously served on the City Council from 1989 to 1995 when all members were elected at-large.

A life-long resident of the area, Arismendez owns Sun Cities Appliance in El Mirage. He has owned the business since 1979. "I'm grateful and thankful for a second opportunity to serve the residents of Surprise, and especially the Original Townsite," he said. "There are a lot of things I didn't get done the first time around. I can do a good job. I can make a difference." As a resident of the City's Original Townsite, Arismendez' mission for the Original Townsite includes building a public swimming pool and holding Town Hall meetings twice a year.

**CITY OF SURPRISE
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2003**

ELECTED OFFICIALS (CONTINUED)

Arismendez and his wife, Becky, have six children and three grandchildren. His favorite pastime is playing golf, however, he also enjoys watching the Phoenix Suns, Diamondbacks, Arizona Cardinals, ASU football and Cactus League baseball games in Surprise. He also enjoys spending time with his grandchildren.

Contact: Danny.Arismendez@surpriseaz.com

Arismendez's term expires in June 2007.

BOB VUKANOVICH



A native of the Valley of the Sun, Bob Vukanovich is a first term councilman representing the Palm District (District 5). He was elected in March 2001.

Vukanovich grew up in Chandler and served in the Coast Guard during World War II. He worked as a building inspector for Los Angeles County in the 1950s and later opened his own contracting business. In the 1970s, he expanded his operations to Arizona and eventually moved back, buying a piece of property near Dysart and Grand, and in the 1980s, opened the Surprise Swap Meet as a hobby. The father of two and grandfather of four said he enjoys meeting people.

Among his goals as councilman are to see Surprise's quality of life preserved in the face of rapid growth, and to ensure that City government remains responsive to residents' needs. "We represent the citizens. We work for them," he said. "I'm a firm believer in 'the buck stops here.'"

Vukanovich envisions a Surprise where residents respect and embrace the City's various lifestyles – from resort retirement to family to rural agricultural - regardless of age or ethnic background. "I want Surprise to be a place citizens can be proud of," he said.

Contact: Bob.Vukanovich@surpriseaz.com

Vukanovich's term expires in June 2005.

APPOINTED OFFICIALS

Manager

Clerk

Attorney

Magistrate

Jim Rumpeltes

Sherry Aguilar

Jeffrey Blilie

Paul Cragan



SURPRISE
ARIZONA

FINANCIAL SECTION



Consultants • Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate fund information of the *City of Surprise, Arizona*, (the City) as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *City of Surprise, Arizona* management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Surprise, Arizona*, at June 30, 2003, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2003 on our consideration of the *City of Surprise, Arizona's* internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 3-11 and pages 40-43, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and on the combining and individual fund statements. The accompanying introductory section, other supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Phoenix, Arizona
August 26, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

We (The City of Surprise) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2003. *The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year.* This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation.

Please read this analysis in conjunction with our letter of transmittal.

FINANCIAL HIGHLIGHTS

- ❖ Our **Governmental Type net assets** increased 43% from \$75.9 million to \$108.6 million a difference of \$32.7 million.
 - The increase in Governmental Activity Capital Assets \$31.9 million and reduced liabilities of \$35.4 offset the \$34.6 million decrease in Current & Other Assets.
 - The \$32.7 million excess of revenues (\$73.8 million, \$91.3 revenue - \$17.5, net transfers) over expenditures (\$41.1 million) was due primarily to Parks grants of \$28.7 million.
- ❖ **Business Type net assets** increased 40% from \$75.7 million to \$106.2 million a difference of \$30.5 million.
 - In September 2002 Sewer and Sanitation rates were increased, for year two of a three-year rate increase program, intended to eliminate subsidies from the General Fund. These rate increases coupled with approximately a 20% population growth resulted in a \$7.2 million dollar increase in current assets over liabilities.
 - Capital assets (net) increased \$23.3 million dollars.
- ❖ **Governmental Activities Expenses** of \$41.1 million were exceeded by Program Revenues of \$61.3 million a difference of \$20.2 million in fiscal year 2003.
 - Operating & Capital Grants & Contributions accounted for \$44.5 million.
 - Charges for Services (\$16.8 million) covered approximately 41% of expenses (\$41.1 million).
 - We rely upon General revenues, such as taxes, to subsidize operating expenses.
 - General revenues after transfers were \$12.5 million (\$30 revenue - \$17.5 net transfers).
- ❖ **Business Type Expenses** were \$9.4 million while program revenues, including development fees, were \$22.6 million.
 - The addition of General Revenues, including transfers, of \$17.5 million increases the change in net assets from \$13.2 million to \$30.7 million.
 - All four Business type activities reported increases in net assets.
- ❖ **Component units** – The City includes three types of separate legal entities in its report – the City of Surprise Voluntary Firefighters Pension and Relief Fund, the Surprise Municipal Property Corporation, and Various Street Lighting Improvement Districts. Although legally separate, these “component units” are important because the City is accountable for reporting on them. A description of these three types of component units is available in Note 1 on page 23. These three types of entities do not issue separate Financial Statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 12. One of the most important questions asked about the City's finances is, "is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divided the City into two kinds of activities:

- ❖ **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, public works, parks & recreation departments, and general administration.
- ❖ **Business type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, water replenishment, sewer, and sanitation systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

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

activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.

- ❖ **Proprietary Funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City’s other programs and activities – such as the City’s Risk Management Fund.

The City as Trustee

The City is the trustee, or fiduciary, for its City of Surprise Voluntary Firefighters Pension and Relief Fund. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21-22. We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The following table reflects the condensed Statement of Net Assets as of June 30, 2002 and June 30, 2003.

City of Surprise’s Net Assets (in millions)

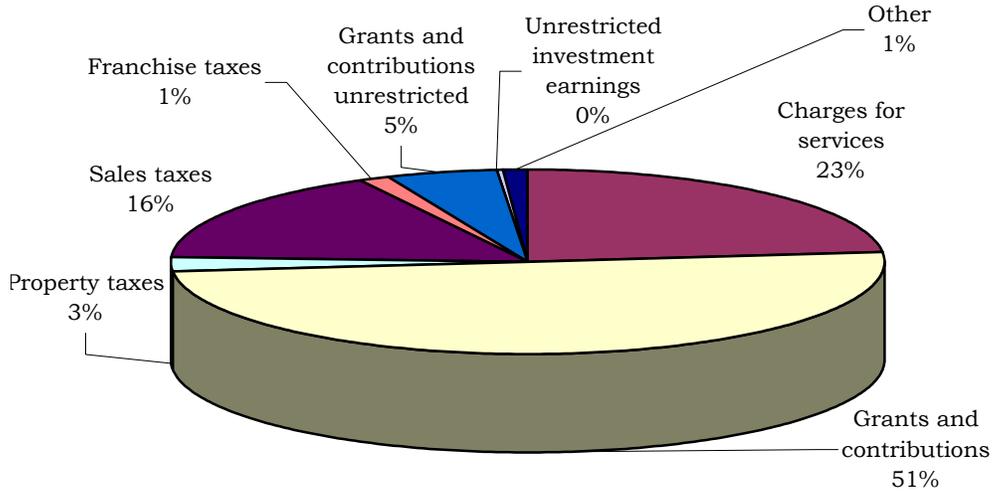
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|--------------|-----------------------------|--------------|-----------------------------|--------------|
| | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> |
| Current and other assets | 99.2 | 64.6 | 21.6 | 29.3 | 120.8 | 93.9 |
| Capital assets | 86.8 | 118.7 | 57.3 | 80.7 | 144.1 | 199.4 |
| Total assets | <u>186.0</u> | <u>183.3</u> | <u>78.9</u> | <u>110.0</u> | <u>264.9</u> | <u>293.3</u> |
| Liabilities: | | | | | | |
| Liabilities - except general obligations | 44.5 | 11.8 | 3.2 | 3.7 | 47.7 | 15.5 |
| General obligations: Due within one year | 2.6 | 3.5 | - | - | 2.6 | 3.5 |
| Due within more than one year | 63.0 | 59.4 | - | - | 63.0 | 59.4 |
| Total liabilities | <u>110.1</u> | <u>74.7</u> | <u>3.2</u> | <u>3.7</u> | <u>113.3</u> | <u>78.4</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 21.3 | 55.7 | 57.3 | 80.6 | 78.6 | 136.3 |
| Restricted | 1.1 | 0.1 | | | 1.1 | 0.1 |
| Unrestricted | 53.5 | 52.8 | 18.4 | 25.7 | 71.9 | 78.5 |
| Total net assets | <u>75.9</u> | <u>108.6</u> | <u>75.7</u> | <u>106.3</u> | <u>151.6</u> | <u>214.9</u> |
| Total liabilities and net assets | <u>186.0</u> | <u>183.3</u> | <u>78.9</u> | <u>110.0</u> | <u>264.9</u> | <u>293.3</u> |

Our **combined net assets** increased by 42% from \$151.6 million to \$214.9 million a difference of \$63.3 million.

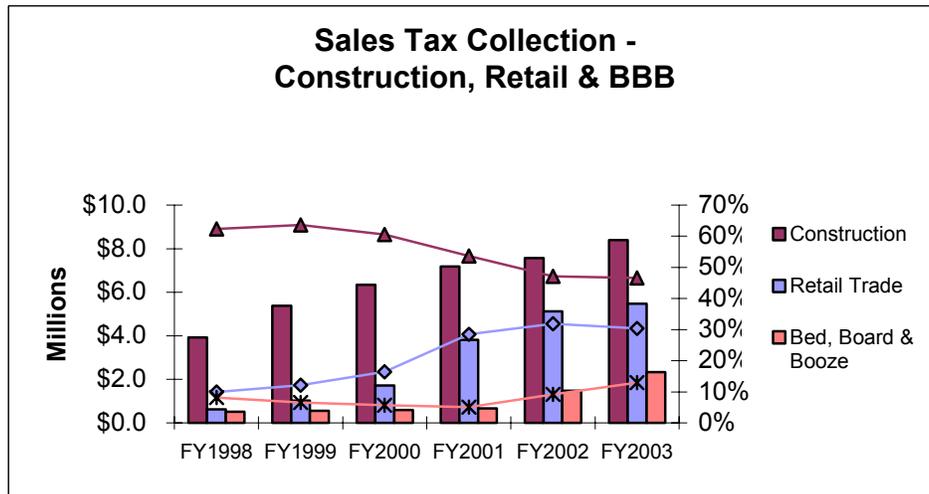
- ❖ 93% of combined net assets (\$214.9 million) are invested in Capital assets (\$199.4 million).
- ❖ A more in depth analysis of this table shows that current assets (\$93.9 million) exceed total liabilities (\$78.4 million) by \$15.5 million, suggesting that all debts of the City of Surprise could be satisfied without having to sell off capital assets

Revenues for fiscal year end June 30, 2003 totaled \$113.9 million.

Fiscal Year 2003 Revenue Sources

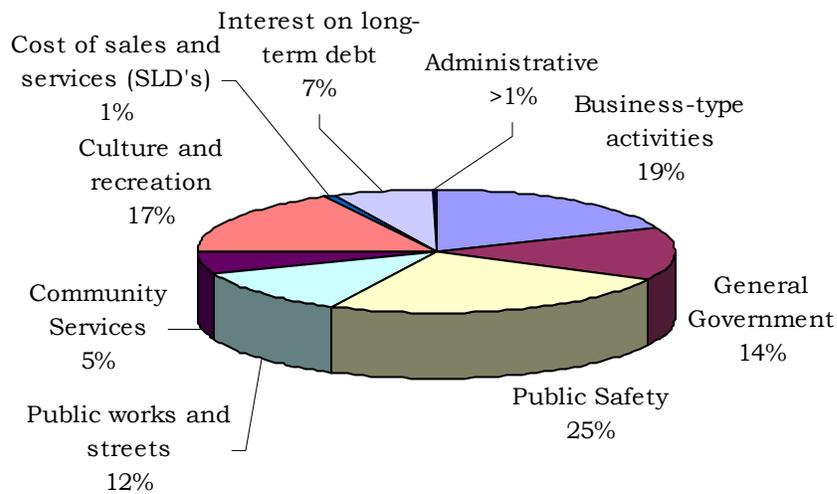


- ❖ Our largest revenues in 2003 were Grants & Contributions (which included development fees) at 51% and charges for services at 23%.



- ❖ This graph shows that Construction sales tax accounts for almost 50% of all sales taxes followed by Retail taxes and Hotel-Restaurant-Bar (BBB) taxes.
- ❖ Unrestricted Investment Earnings for 2003 were a negative 0.4 million. This was due to a write down of investments due to a loss from the Local Government Investment Pool (LGIP) of \$1.6 million. For additional information please see Note 13 on page 37.

Fiscal Year 2003 Functional Expenses



Expenses (excluding transfers & capital outlays) were \$50.5 million in 2003.

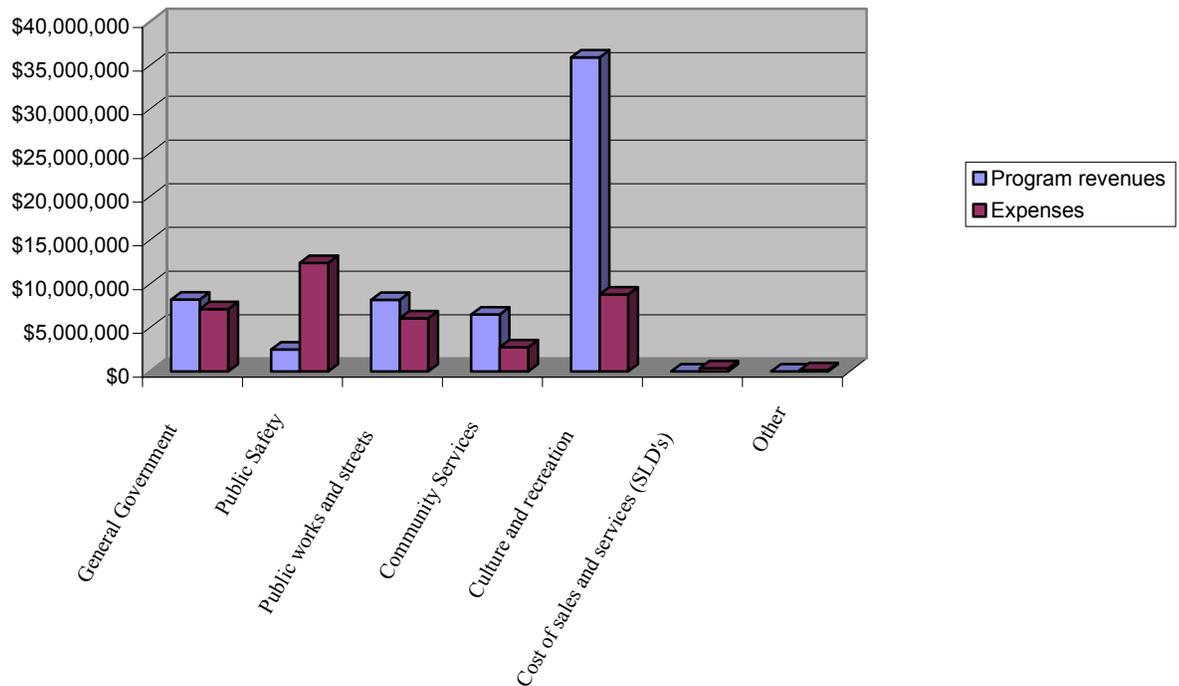
- ❖ Public Safety (Police, Fire, & Courts) accounted for approximately 25% of program expenditures (\$12.4 million).
- ❖ Business Activities (Water, Sewer, Replenishment, & Sanitation) were second with 19% (\$9.4 million).
- ❖ Culture & Recreation (Parks & Recreation) was at 17% (\$8.8 million).
- ❖ General Government was next at 14% (\$7.1 million).
- ❖ Public Works & Streets rounds out the top five at 12% (\$6.1 million)
- ❖ All others make up 13% (\$6.7 million).

City of Surprise's Changes in Net Assets

(in millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------------------|----------------------------|-------------|-----------------------------|-------------|-----------------------------|--------------|
| | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for service | 12.3 | 16.8 | 14.8 | 9.9 | 27.1 | 26.7 |
| Grants and contributions | 8.9 | 44.5 | 6.4 | 12.9 | 15.3 | 57.4 |
| General revenues: | | | | | | |
| Property taxes | 2.6 | 3.0 | - | - | 2.6 | 3.0 |
| Sales taxes | 21.9 | 18.7 | - | - | 21.9 | 18.7 |
| Franchise taxes | 1.3 | 1.5 | - | - | 1.3 | 1.5 |
| Grants and contributions unrestricted | 3.4 | 5.9 | - | - | 3.4 | 5.9 |
| Unrestricted investment earnings | 2.1 | (0.2) | 0.4 | (0.2) | 2.5 | (0.4) |
| Other | 1.4 | 1.1 | - | - | 1.4 | 1.1 |
| Total revenues | 53.9 | 91.3 | 21.6 | 22.6 | 75.5 | 113.9 |
| EXPENSES | | | | | | |
| Program activities: | | | | | | |
| Governmental activities: | | | | | | |
| General Government | 5.6 | 7.1 | - | - | 5.6 | 7.1 |
| Public Safety | 10.6 | 12.4 | - | - | 10.6 | 12.4 |
| Public works and streets | 6.4 | 6.1 | - | - | 6.4 | 6.1 |
| Community Services | 2.3 | 2.8 | - | - | 2.3 | 2.8 |
| Culture and recreation | 6.0 | 8.8 | - | - | 6.0 | 8.8 |
| Cost of sales and services (SLD's) | 0.3 | 0.4 | - | - | 0.3 | 0.4 |
| Interest on long-term debt | 5.0 | 3.4 | - | - | 5.0 | 3.4 |
| Administrative | 0.5 | 0.1 | - | - | 0.5 | 0.1 |
| Business-type activities: | | | | | | |
| Water utility | - | - | 1.8 | 2.5 | 1.8 | 2.5 |
| Replenishment | - | - | 0.1 | 0.3 | 0.1 | 0.3 |
| Sewer | - | - | 5.7 | 5.3 | 5.7 | 5.3 |
| Sanitation utility | - | - | 1.2 | 1.3 | 1.2 | 1.3 |
| Total expenses | 36.7 | 41.1 | 8.8 | 9.4 | 45.5 | 50.5 |
| Excess before transfers | 17.2 | 50.2 | 12.8 | 13.2 | 30.0 | 63.4 |
| Transfers in (out) | (2.5) | (17.5) | 2.5 | 17.5 | - | - |
| Increase in net assets | 14.7 | 32.7 | 15.3 | 30.7 | 30.0 | 63.4 |

Governmental Program Revenues & Expenses



THE CITY'S FUNDS

- ❖ None of our funds exceeded **budgeted expenditure authority**.
- ❖ The original General Fund Budget for expenditures was \$42.6 million. Budget transfers totaling \$1.5 were made leaving a final budget of \$41.1 million. Actual General Fund expenditures were \$30.2 million leaving \$10.9 million in unused budget authority.
- ❖ Actual expenditures for Current – General Government were less than ½ of budget due to statutory requirements to budget for all possible expenditures (unforeseen grants, etc...).
- ❖ Budget amendments are broken down into two types of transfers. One type is between the General Fund (includes Capital and Complex Funds) and other funds, and the other type is from one location in the General Fund to another location within the General Fund.
 - Within the General Fund:
 - Transfer from Council Contingencies to General Consulting in the amount of \$0.1 million.
 - Transfer from Capital Contingencies to Street Repairs in the amount of \$0.2 million.
 - Transfer from Campus Operations Water to Campus Operations Equipment Rental in the amount of \$0.1 million.
 - Between the General Fund and other Funds.
 - Transfer from Unforeseen Grants to the Sports Complex in the Municipal Property Corporation (MPC) in the amount of \$0.6 million.
 - Transfer from Unforeseen Grants to the Sports Complex - MPC in the amount of \$0.1 million.
 - Transfer from Capital Fund Contingencies to the Passive Park - MPC in the amount of \$0.3 million.
 - Other lesser transfers amounted to \$0.5 million

CAPITAL ASSET AND DEBT ADMINISTRATION

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

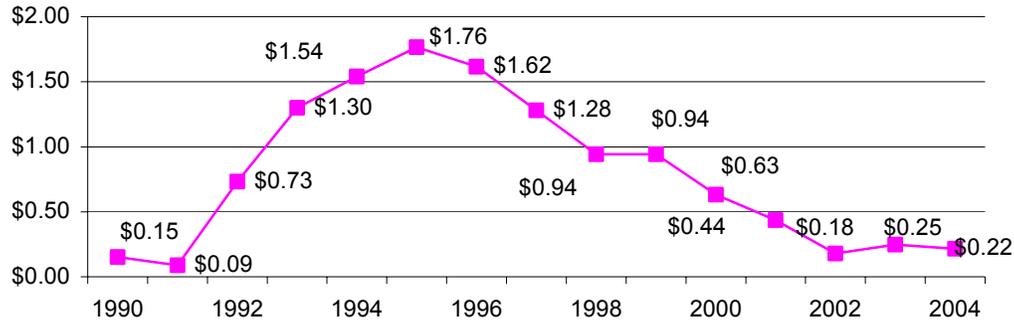
| | General Government | | Business-type Activities | | Total Primary Government | |
|-----------------------------------|--------------------|----------------|--------------------------|---------------|--------------------------|----------------|
| | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 |
| Land | \$ 0.6 | \$ 0.6 | \$ 3.1 | \$ 3.1 | \$ 3.7 | \$ 3.7 |
| Parks Land | 5.1 | 5.1 | | | 5.1 | 5.1 |
| Buildings & Improvements | 10.2 | 61.4 | | | 10.2 | 61.4 |
| Equipment & Vehicles | 3.8 | 4.5 | 0.6 | 0.9 | 4.4 | 5.4 |
| Streets | 21.3 | 23.2 | | | 21.3 | 23.2 |
| Curb Gutter & Sidewalks | 17.7 | 19.7 | | | 17.7 | 19.7 |
| Traffic Signals | 0.8 | 1.0 | | | 0.8 | 1.0 |
| Storm Drains | 2.9 | 3.2 | | | 2.9 | 3.2 |
| Other Infrastructure | | | | | - | - |
| Sewer System | | | 41.6 | 42.8 | 41.6 | 42.8 |
| Water System | | | 7.8 | 8.5 | 7.8 | 8.5 |
| Construction in Progress | 24.4 | - | 4.1 | 25.4 | 28.5 | 25.4 |
| Total Capital Assets (Net) | \$86.8 | \$118.7 | \$57.2 | \$80.7 | \$144.0 | \$199.4 |

- ❖ The **capital assets of the governmental activities funds** increased by \$31.9 million net of annual depreciation (\$34.3 million before depreciation).
 - We substantially completed the construction of a \$77 million government center known as Surprise Center. This facility includes:
 - \$50 million Spring Training Facility/Stadium for the Texas Rangers and Kansas City Royals,
 - \$4 million aquatics center,
 - \$1 million Recreation Center,
 - \$4 million 23,000 square foot library,
 - \$4 million 37 acre park with a 5 acre lake
 - \$14 million in furniture, fixtures, equipment, and infrastructure for the facilities listed above and the County Court Facility built in the government center.
- ❖ The **capital assets of the business-type activities funds** increased by \$23.4 million net of annual depreciation (\$24.9 million before depreciation).
 - We are in the process of constructing a \$25 million sewer plant expansion intended to increase daily treatment from the current 3.2 million gallons per day (mgd) to 7.2 mgd. This project should be completed by December 2003.
 - There are water supply facilities being constructed by developers, which will be dedicated to the City upon completion, as they are the property of the Developer until dedicated to the City they are not shown as construction in progress.
- ❖ For more detailed information on Capital Assets see Note 5 on page 29 of this report.
- ❖ **Long-term debt** decreased this year from \$66.5 million to less than \$64 million. Greater detail of outstanding Long-term debt can be found in Note 7 on page 32.
 - \$2.6 million in debt was retired during the year, reducing long-term debt
 - \$0.2 million in compensated employee absences was added to long-term debt.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

- ❖ **Bond rating** – This Spring our General Obligation and Municipal Property Corporation bond rates were increased from A/-A to +A/A.

City of Surprise, AZ Secondary Tax Rate 1990 - 2004



- ❖ **Secondary Property Tax Rate** – The 2003-2004 rate decreased by \$0.03 from the previous year. The reason for the decrease was due to a +50% increase in Secondary Assessed Valuation (from \$229.7 million to \$352.0 million). The above graph shows that over the last ten years the rate has dropped steadily from \$1.76 to \$0.22.
- ❖ **Spring Training** – March 1, 2003 marked the first ever Spring Training Game held in the City of Surprise. We attracted the Texas Rangers and Kansas City Royals to Surprise from Florida by agreeing to build a new state of the art two-team facility.
 - A \$32 million grant from the Tourism Sports Authority (TSA) has made this project successful.

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the City of Surprise, Arizona's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to the City's Chief Financial Officer at the following address: 12425 W. Bell Rd. Suite D-100, Surprise, Arizona 85374.



SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2003

| ASSETS | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 56,708,120 | \$ 28,227,370 | \$ 84,935,490 |
| Receivables, (net of allowances) | | | |
| Interest | 139,076 | 117,440 | 256,516 |
| Taxes and franchise fees | 821,765 | - | 821,765 |
| Accounts | 75,219 | 1,792,110 | 1,867,329 |
| Due from (to) other funds | 4,519,952 | (4,519,952) | - |
| Capital assets, net | 118,691,177 | 80,646,084 | 199,337,261 |
| Prepaid items | 2,289,308 | - | 2,289,308 |
| Other Assets | 87,479 | 3,722,546 | 3,810,025 |
| | <u>\$ 183,332,096</u> | <u>\$ 109,985,598</u> | <u>\$ 293,317,694</u> |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 3,221,817 | \$ 2,007,454 | \$ 5,229,271 |
| Accrued payroll and related taxes | 391,899 | 27,001 | 418,900 |
| Deposits | 6,720 | 438,296 | 445,016 |
| Accrued interest payable | 1,522,076 | - | 1,522,076 |
| Deferred revenues | 5,559,441 | 820,570 | 6,380,011 |
| Contracts payable | - | 280,000 | 280,000 |
| Other liabilities | 32,056 | - | 32,056 |
| Compensated absences payable | 1,014,959 | 80,386 | 1,095,345 |
| General obligation bonds payable: | | | |
| Due within one year | 3,533,830 | - | 3,533,830 |
| Due within more than one year | 59,412,469 | - | 59,412,469 |
| | <u>74,695,267</u> | <u>3,653,707</u> | <u>78,348,974</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 55,744,878 | 80,646,084 | 136,390,962 |
| Restricted for: | | | |
| Debt service | 127,420 | - | 127,420 |
| Unrestricted | 52,764,531 | 25,685,807 | 78,450,338 |
| Total net assets | <u>108,636,829</u> | <u>106,331,891</u> | <u>214,968,720</u> |
| | <u>\$ 183,332,096</u> | <u>\$ 109,985,598</u> | <u>\$ 293,317,694</u> |

See Notes to Financial Statements

CITY OF SURPRISE, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

| FUNCTIONS/PROGRAMS | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Governmental Activities | | | | | | | |
| General government | \$ 7,123,534 | \$ 133,663 | \$ 8,796 | \$ 8,088,616 | \$ 1,107,541 | \$ - | \$ 1,107,541 |
| Public safety | 12,421,571 | 809,559 | 218,136 | 1,495,732 | (9,898,144) | - | (9,898,144) |
| Public works and streets | 6,075,568 | 2,445,654 | - | 5,748,700 | 2,118,786 | - | 2,118,786 |
| Community services | 2,765,942 | 6,501,088 | - | - | 3,735,146 | - | 3,735,146 |
| Culture and recreation | 8,814,719 | 6,938,081 | 245,346 | 28,742,803 | 27,111,511 | - | 27,111,511 |
| Cost of sales and services (SLD's) | 368,044 | - | - | - | (368,044) | - | (368,044) |
| Administrative | 138,464 | - | - | - | (138,464) | - | (138,464) |
| Interest | 3,439,953 | - | - | - | (3,439,953) | - | (3,439,953) |
| | <u>41,147,795</u> | <u>16,828,045</u> | <u>472,278</u> | <u>44,075,851</u> | <u>20,228,379</u> | <u>-</u> | <u>20,228,379</u> |
| Business Type Activities | | | | | | | |
| Water | 2,520,676 | 2,402,258 | - | 2,979,592 | - | 2,861,174 | 2,861,174 |
| Replenishment | 269,688 | 319,719 | - | 1,161,368 | - | 1,211,399 | 1,211,399 |
| Sewer | 5,299,290 | 5,416,830 | - | 8,786,739 | - | 8,904,279 | 8,904,279 |
| Sanitation | 1,286,846 | 1,771,777 | - | - | - | 484,931 | 484,931 |
| | <u>9,376,500</u> | <u>9,910,584</u> | <u>-</u> | <u>12,927,699</u> | <u>-</u> | <u>13,461,783</u> | <u>13,461,783</u> |
| Total Primary Government | <u>\$ 50,524,295</u> | <u>\$ 26,738,629</u> | <u>\$ 472,278</u> | <u>\$ 57,003,550</u> | <u>\$ 20,228,379</u> | <u>\$ 13,461,783</u> | <u>\$ 33,690,162</u> |
| General Revenues | | | | | | | |
| Property taxes | | | | | \$ 2,945,714 | \$ - | \$ 2,945,714 |
| Sales taxes | | | | | 18,649,326 | - | 18,649,326 |
| Franchise taxes | | | | | 1,469,246 | - | 1,469,246 |
| Grants and contributions not restricted to specific programs | | | | | 5,919,754 | - | 5,919,754 |
| Unrestricted investment earnings | | | | | (151,038) | (244,180) | (395,218) |
| Other | | | | | 1,137,581 | - | 1,137,581 |
| Transfers | | | | | (17,459,444) | 17,459,444 | - |
| Total General Revenues and Transfers | | | | | <u>12,511,139</u> | <u>17,215,264</u> | <u>29,726,403</u> |
| Increase (decrease) in net assets | | | | | <u>32,739,518</u> | <u>30,677,047</u> | <u>63,416,565</u> |
| Net Assets - beginning (As restated in footnote 10) | | | | | <u>75,897,311</u> | <u>75,654,844</u> | <u>151,552,155</u> |
| Net Assets - ending | | | | | <u>\$ 108,636,829</u> | <u>\$ 106,331,891</u> | <u>\$ 214,968,720</u> |

See Notes to Financial Statements



SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

| ASSETS | General Fund | Municipal Property Corporation Fund | Highway User Fund |
|---|-------------------------|--|----------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 21,646,052 | \$ 27,899,244 | \$ 581,441 |
| Investment in employee deferred compensation fund | | | |
| Receivables, (net of allowances) | | | |
| Interest | 111,056 | - | 2,825 |
| Taxes and franchise fees | 647,113 | - | 174,652 |
| Grants | 73,885 | - | - |
| Due from other funds | 4,758,200 | - | - |
| Prepaid items | - | - | - |
| Other assets | 72,375 | - | - |
| | <u>27,308,681</u> | <u>27,899,244</u> | <u>758,918</u> |
| Total assets | <u>\$ 27,308,681</u> | <u>\$ 27,899,244</u> | <u>\$ 758,918</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 1,266,969 | \$ 1,254,352 | \$ 206,596 |
| Accrued payroll and related taxes | 389,195 | - | - |
| Due to other funds | - | - | - |
| Deposits | 6,720 | - | - |
| Deferred revenues | 557,831 | 4,999,610 | 2,000 |
| Other liabilities | 32,056 | - | - |
| | <u>2,252,771</u> | <u>6,253,962</u> | <u>208,596</u> |
| Total liabilities | <u>2,252,771</u> | <u>6,253,962</u> | <u>208,596</u> |
| FUND BALANCE | | | |
| Fund Balances | | | |
| Reserved for prepaid items | - | - | - |
| Unreserved, reported in: | | | |
| General fund | 25,055,910 | - | - |
| Special revenue funds | - | 21,645,282 | 550,322 |
| Debt service funds | - | - | - |
| Total fund balance | <u>25,055,910</u> | <u>21,645,282</u> | <u>550,322</u> |
| | <u>\$ 27,308,681</u> | <u>\$ 27,899,244</u> | <u>\$ 758,918</u> |
| Total liabilities and fund balance | <u>\$ 27,308,681</u> | <u>\$ 27,899,244</u> | <u>\$ 758,918</u> |

| Public Safety Development Fee Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| \$ 1,075,902 | \$ 5,191,144 | \$ 56,393,783 |
| 4,466 | 20,729 | 139,076 |
| - | - | 821,765 |
| - | 11,851 | 85,736 |
| - | - | 4,758,200 |
| 439,635 | 1,849,673 | 2,289,308 |
| - | 3,253 | 75,628 |
| <u>\$ 1,520,003</u> | <u>\$ 7,076,650</u> | <u>\$ 64,563,496</u> |
| | | |
| \$ 209,114 | \$ 170,597 | \$ 3,107,628 |
| - | - | 389,195 |
| - | 238,248 | 238,248 |
| - | - | 6,720 |
| - | - | 5,559,441 |
| - | - | 32,056 |
| <u>209,114</u> | <u>408,845</u> | <u>9,333,288</u> |
| | | |
| 439,635 | 1,849,673 | 2,289,308 |
| - | - | 25,055,910 |
| 871,254 | 4,690,712 | 27,757,570 |
| - | 127,420 | 127,420 |
| <u>1,310,889</u> | <u>6,667,805</u> | <u>55,230,208</u> |
| | | |
| <u>\$ 1,520,003</u> | <u>\$ 7,076,650</u> | <u>\$ 64,563,496</u> |

CITY OF SURPRISE, ARIZONA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

| | |
|--|------------------------------|
| Total Governmental Fund Balances | \$ 55,230,208 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in funds | 118,691,177 |
| Current liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds | (1,522,076) |
| Internal service funds used by the management to charge cost of insurance to individual fund | 198,778 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds | <u>(63,961,258)</u> |
| Net Assets of Governmental Activities | <u><u>\$ 108,636,829</u></u> |



SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | General Fund | Municipal Property Corporation Fund | Highway User Fund |
|--|-------------------------|--|----------------------------------|
| REVENUES | | | |
| Taxes | \$ 21,636,438 | \$ - | \$ 2,462,104 |
| Licenses and permits | 1,469,246 | 28,742,802 | - |
| Intergovernmental | 6,027,330 | - | - |
| Charges for services | 9,560,210 | - | - |
| Fines | 778,307 | - | - |
| Rents | 431,504 | 5,000,000 | - |
| Grants | 119,309 | - | - |
| Development fees | - | - | - |
| Investment income | (455,667) | 181,835 | 33,470 |
| Other | 949,104 | 1,518,436 | - |
| Total revenues | <u>40,515,781</u> | <u>35,443,073</u> | <u>2,495,574</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 6,513,426 | 259,450 | - |
| Public safety | 11,531,799 | - | - |
| Public works and streets | 2,278,396 | - | 2,364,301 |
| Community services | 2,535,905 | - | 190,977 |
| Culture and recreation | 5,572,987 | 34,628 | - |
| Costs of sales and services (SLD's) | - | - | - |
| Administration | - | - | - |
| Capital outlay | 1,515,086 | 25,701,535 | 1,031,994 |
| Debt service | | | |
| Principal | 215,080 | 1,850,000 | - |
| Interest and fiscal charges | 170,134 | 3,088,090 | - |
| Total expenditures | <u>30,332,813</u> | <u>30,933,703</u> | <u>3,587,272</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>10,182,968</u> | <u>4,509,370</u> | <u>(1,091,698)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>(1,819,368)</u> | <u>(16,542,850)</u> | <u>782,600</u> |
| Total other financing sources (uses) | <u>(1,819,368)</u> | <u>(16,542,850)</u> | <u>782,600</u> |
| NET CHANGE IN FUND BALANCES | <u>8,363,600</u> | <u>(12,033,480)</u> | <u>(309,098)</u> |
| FUND BALANCES, beginning of year - As restated in Footnote 10 | <u>16,692,310</u> | <u>33,678,762</u> | <u>859,420</u> |
| FUND BALANCES, end of year | <u>\$ 25,055,910</u> | <u>\$ 21,645,282</u> | <u>\$ 550,322</u> |

See Notes to Financial Statements

| Public Safety Development Fee Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| \$ - | \$ 1,172,134 | \$ 25,270,676 |
| - | - | 30,212,048 |
| - | 152,810 | 6,180,140 |
| - | 7,537 | 9,567,747 |
| - | - | 778,307 |
| - | - | 5,431,504 |
| - | - | 119,309 |
| 1,495,732 | 6,874,077 | 8,369,809 |
| 24,974 | 104,098 | (111,290) |
| - | 218,773 | 2,686,313 |
| <u>1,520,706</u> | <u>8,529,429</u> | <u>88,504,563</u> |
| 7,362 | 198,089 | 6,978,327 |
| 500,402 | - | 12,032,201 |
| - | 322,720 | 4,965,417 |
| - | - | 2,726,882 |
| - | 2,969,603 | 8,577,218 |
| - | 368,044 | 368,044 |
| - | 138,464 | 138,464 |
| 1,444,351 | 1,146,545 | 30,839,511 |
| - | 548,058 | 2,613,138 |
| - | 225,667 | 3,483,891 |
| <u>1,952,115</u> | <u>5,917,190</u> | <u>72,723,093</u> |
| <u>(431,409)</u> | <u>2,612,239</u> | <u>15,781,470</u> |
| <u>20,000</u> | <u>100,174</u> | <u>(17,459,444)</u> |
| <u>20,000</u> | <u>100,174</u> | <u>(17,459,444)</u> |
| <u>(411,409)</u> | <u>2,712,413</u> | <u>(1,677,974)</u> |
| <u>1,722,298</u> | <u>3,955,392</u> | <u>56,908,182</u> |
| <u>\$ 1,310,889</u> | <u>\$ 6,667,805</u> | <u>\$ 55,230,208</u> |

CITY OF SURPRISE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

| | |
|---|-----------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (1,677,974) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 31,434,748 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid | 43,938 |
| Internal service funds used by management to charge the cost of insurance to individual funds | 170,584 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | 155,084 |
| Repayment of long term debt is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets | <u>2,613,138</u> |
| | <u><u>\$ 32,739,518</u></u> |



SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003

| ASSETS | Business-type Activities | | | |
|---|--------------------------|----------------------|---------------------|---------------------|
| | Water | Sewer | Sanitation | Replenishment |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 10,409,098 | \$ 13,705,912 | \$ 739,477 | \$ 3,372,883 |
| Receivables, (net of allowances) | | | | |
| Accounts | 452,355 | 966,230 | 308,491 | 65,034 |
| Interest | 41,436 | 58,753 | 3,217 | 14,034 |
| Capital assets, net | 11,516,147 | 68,504,711 | 581,595 | 43,631 |
| Other assets | 1,012,244 | 2,710,302 | - | - |
| Total assets | <u>\$ 23,431,280</u> | <u>\$ 85,945,908</u> | <u>\$ 1,632,780</u> | <u>\$ 3,495,582</u> |
| LIABILITIES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,227,235 | \$ 619,686 | \$ 137,384 | \$ 23,149 |
| Accrued payroll and related taxes | 2,755 | 15,635 | 6,768 | 1,843 |
| Due to other funds | 4,519,952 | - | - | - |
| Deposits | 150,092 | 166,562 | 102,934 | 18,708 |
| Deferred revenues | 780,745 | 32,056 | 6,978 | 791 |
| Compensated absences payable | 12,222 | 48,143 | 16,451 | 3,570 |
| Contracts payable | 280,000 | - | - | - |
| Total liabilities | <u>6,973,001</u> | <u>882,082</u> | <u>270,515</u> | <u>48,061</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 11,516,147 | 68,504,711 | 581,595 | 43,631 |
| Unrestricted | 4,942,132 | 16,559,115 | 780,670 | 3,403,890 |
| Total net assets | <u>16,458,279</u> | <u>85,063,826</u> | <u>1,362,265</u> | <u>3,447,521</u> |
| Total liabilities and net assets | <u>\$ 23,431,280</u> | <u>\$ 85,945,908</u> | <u>\$ 1,632,780</u> | <u>\$ 3,495,582</u> |

| Business-type Activities | Governmental Activities |
|-------------------------------------|------------------------------------|
| Totals | Internal Service |
| \$ 28,227,370 | 314,337 |
| 1,792,110 | - |
| 117,440 | 1,334 |
| 80,646,084 | - |
| 3,722,546 | - |
| <u>\$ 114,505,550</u> | <u>315,671</u> |
| | |
| \$ 2,007,454 | 114,189 |
| 27,001 | 1,306 |
| 4,519,952 | - |
| 438,296 | - |
| 820,570 | - |
| 80,386 | 1,398 |
| 280,000 | - |
| <u>8,173,659</u> | <u>116,893</u> |
| | |
| 80,646,084 | - |
| 25,685,807 | 198,778 |
| <u>106,331,891</u> | <u>198,778</u> |
| | |
| <u>\$ 114,505,550</u> | <u>\$ 315,671</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | Business-type Activities | | | |
|--|---------------------------------|---------------|-------------------|----------------------|
| | Water | Sewer | Sanitation | Replenishment |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 2,404,520 | \$ 6,183,573 | \$ 1,771,778 | \$ 319,719 |
| OPERATING EXPENSES | | | | |
| Cost of sales and services | 2,303,295 | 4,030,530 | 1,193,500 | 269,688 |
| Administration | - | - | - | - |
| Depreciation | 217,381 | 1,268,760 | 93,346 | - |
| Total operating expenses | 2,520,676 | 5,299,290 | 1,286,846 | 269,688 |
| Operating income (loss) | (116,156) | 884,283 | 484,932 | 50,031 |
| NONOPERATING REVENUES | | | | |
| Donations | 884,426 | 2,351,516 | - | - |
| Development Fees | 2,092,902 | 5,668,480 | - | 1,161,368 |
| Investment income | (198,428) | (127,080) | 10,860 | 70,468 |
| Total nonoperating revenues | 2,778,900 | 7,892,916 | 10,860 | 1,231,836 |
| Income before transfers | 2,662,744 | 8,777,199 | 495,792 | 1,281,867 |
| TRANSFERS | | | | |
| Transfers in | 15,932 | 17,296,750 | 146,762 | - |
| CHANGE IN NET ASSETS | 2,678,676 | 26,073,949 | 642,554 | 1,281,867 |
| NET ASSETS, beginning of the year | 13,779,603 | 58,989,877 | 719,711 | 2,165,654 |
| NET ASSETS, ending of year | \$ 16,458,279 | \$ 85,063,826 | \$ 1,362,265 | \$ 3,447,521 |

See Notes to Financial Statements

| Business-type Activities | Governmental Activities |
|-------------------------------------|------------------------------------|
| Totals | Internal Service |
| \$ 10,679,590 | \$ 948,166 |
| 7,797,013 | - |
| - | 790,586 |
| 1,579,487 | - |
| 9,376,500 | 790,586 |
| 1,303,090 | 157,580 |
| 3,235,942 | - |
| 8,922,750 | - |
| (244,180) | 13,004 |
| 11,914,512 | 13,004 |
| 13,217,602 | 170,584 |
| 17,459,444 | - |
| 30,677,046 | 170,584 |
| 75,654,845 | 28,194 |
| \$ 106,331,891 | \$ 198,778 |

CITY OF SURPRISE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | Business-type Activities | | | |
|--|---------------------------------|-----------------------------|--------------------------|----------------------------|
| | Water | Sewer | Sanitation | Replenishment |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 3,538,705 | \$ 5,542,184 | \$ 1,816,413 | \$ 459,026 |
| Cash paid to suppliers | (1,856,296) | (3,442,225) | (869,543) | (221,638) |
| Cash paid to employees | (129,075) | (718,518) | (277,537) | (61,583) |
| Cash paid for insurance | - | - | - | - |
| Net cash provided by operating activities | <u>1,553,334</u> | <u>1,381,441</u> | <u>669,333</u> | <u>175,805</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING TRANSACTIONS | | | | |
| Proceeds received from development fees | 2,092,902 | 5,668,480 | - | 1,161,368 |
| Capital assets received from donations | 884,426 | 2,351,516 | - | - |
| Acquisitions, construction, and transfer of capital assets | <u>(3,407,644)</u> | <u>(21,435,091)</u> | <u>(124,637)</u> | <u>-</u> |
| Net cash provided by capital and related financing transactions | <u>(430,316)</u> | <u>(13,415,095)</u> | <u>(124,637)</u> | <u>1,161,368</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Cash received from other funds | <u>1,886,447</u> | <u>17,296,750</u> | <u>146,762</u> | <u>-</u> |
| Net cash provided by noncapital financing activities | <u>1,886,447</u> | <u>17,296,750</u> | <u>146,762</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash received from interest income | <u>(239,864)</u> | <u>(185,833)</u> | <u>7,643</u> | <u>56,435</u> |
| Net cash provided by investing activities | <u>(239,864)</u> | <u>(185,833)</u> | <u>7,643</u> | <u>56,435</u> |
| NET CHANGE IN CASH | 2,769,601 | 5,077,263 | 699,101 | 1,393,608 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>7,639,497</u> | <u>8,628,649</u> | <u>40,376</u> | <u>1,979,275</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u><u>\$ 10,409,098</u></u> | <u><u>\$ 13,705,912</u></u> | <u><u>\$ 739,477</u></u> | <u><u>\$ 3,372,883</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ (116,156) | \$ 884,283 | \$ 484,932 | \$ 50,031 |
| Changes in operating assets and liabilities | | | | |
| Depreciation expense | 217,381 | 1,268,760 | 93,346 | - |
| (Increase) decrease in | | | | |
| Accounts receivable | 453,434 | 148,330 | 106,756 | 138,694 |
| Other assets | (1,249) | (385,302) | - | - |
| Increase (decrease) in | | | | |
| Accounts payable | 311,787 | (141,631) | 41,962 | (16,848) |
| Accrued payroll and taxes | 568 | 4,276 | 2,316 | 1,236 |
| Utility deposits | 15,624 | (140,761) | (63,099) | 13,246 |
| Deferred revenues | 666,376 | (263,657) | 978 | (12,633) |
| Compensated absences payable | 5,569 | 7,143 | 2,142 | 2,079 |
| Total adjustments | <u>1,669,490</u> | <u>497,158</u> | <u>184,401</u> | <u>125,774</u> |
| Net cash provided by operating activities | <u>1,553,334</u> | <u>1,381,441</u> | <u>669,333</u> | <u>175,805</u> |

| <u>Business-type Activities</u> | <u>Governmental Activities</u> |
|-------------------------------------|------------------------------------|
| <u>Totals</u> | <u>Internal Service</u> |
| \$ 11,356,328 | \$ 949,215 |
| (6,389,702) | - |
| (1,186,713) | - |
| - | (674,093) |
| 3,779,913 | 275,122 |
| 8,922,750 | - |
| 3,235,942 | - |
| (24,967,372) | - |
| (12,808,680) | - |
| 19,329,959 | - |
| 19,329,959 | - |
| (361,619) | 11,670 |
| (361,619) | 11,670 |
| 9,939,573 | 286,792 |
| 18,287,797 | 27,545 |
| \$ 28,227,370 | \$ 314,337 |
| \$ 1,303,090 | \$ 157,580 |
| 1,579,487 | - |
| 847,214 | 1,049 |
| (386,551) | - |
| 195,270 | 113,789 |
| 8,396 | 1,306 |
| (174,990) | - |
| 391,064 | - |
| 16,933 | 1,398 |
| 2,476,823 | 117,542 |
| 3,779,913 | 275,122 |

CITY OF SURPRISE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND
JUNE 30, 2003

| | Volunteer Firefighters Pension and Relief Fund |
|--|---|
| ASSETS | |
| Cash and cash equivalents | \$ 84,451 |
| Receivables | |
| Interest | 350 |
| | <u>84,801</u> |
| | <u>\$ 84,801</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | |
| Net assets | <u>\$ 84,801</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2003

| | Volunteer Firefighters Pension and Relief Fund |
|--------------------------------------|---|
| REVENUES | |
| Interest | \$ 3,383 |
| Total revenues | <u>3,383</u> |
| EXPENSES | |
| Miscellaneous | <u>-</u> |
| Net income | 3,383 |
| NET ASSETS, beginning of year | <u>81,418</u> |
| NET ASSETS, end of year | <u><u>\$ 84,801</u></u> |



SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Surprise, Arizona (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The City is located approximately 20 miles northwest of downtown Phoenix and was incorporated in 1964 under the provision of the Arizona Constitution. During 1999, the voters approved the Home Rule, an alternative expenditure limitation for budget years through June 30, 2003. The City is governed by an elected mayor, vice mayor, and a five member council, and offers the following services: public safety (police and fire), highways and streets, sanitation, water, sewer, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

COMPONENT UNITS

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

The City of Surprise Voluntary Firefighters Pension and Relief Fund (Fund) is administered by an appointed board as set forth by Title 9 of the Arizona Revised Statutes. The Fund provides retirement benefits to the City's firefighters, and is held by the City in a trustee capacity. The City is responsible for appointing the board members.

The Surprise Municipal Property Corporation is an Arizona nonprofit corporation formed under the provision of Title 10 of the Arizona Revised Statutes. The Corporation was organized to acquire, construct, reconstruct, or improve buildings and other real and personal property suitable for leasing or sale to the City. The board members are appointed by the City.

Various Street Lighting Districts (SLD's) are maintained by the City for developing areas. The SLD assessment rates are approved by the City's council. The SLD's are reported in the special revenue fund.

For the fiscal year ended June 30, 2003, the City had no discretely presented component units.

RELATED ORGANIZATIONS

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

(Continued)

NOTES TO FINANCIAL STATEMENTS

EXCLUDED ORGANIZATIONS

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

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

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end and on behalf of the government are also recognized as revenue. All other governmental fund types revenues are recognized when received. Therefore, governmental fund financial statements include a reconciliation with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

(Continued)

NOTES TO FINANCIAL STATEMENTS

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rule for the fund activity and are separately established for restricted and unrestricted activity. For both restricted and unrestricted funds that are available for expenditures, the decision for funding is transactional based with the departmental management system in place at the City.

Fund Financial Statements

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

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and current financial resources measurement focus. Under the basis revenues are recognized in the accounting period in which they become measurable and available, except for the City's court fines for which revenues are recognized when fines are collected. The major sources of revenues susceptible to accrual are taxes, grants, and investment earnings. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Governmental funds include the following:

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

The ***highway user fund*** accounts for revenue and expenditures that are legally restricted to expenditures for the construction, repairs, and maintenance of public works and streets.

The ***municipal property corporation fund*** accounts for revenue and expenditures that are legally restricted to expenditures for the construction of major capital facilities. The City Council appoints the governing board and the City staff performs all administrative and accounting functions for the corporation.

The ***public safety development fee fund*** accounts for revenue and expenditures that are legally restricted to expenditures for public safety activities.

Proprietary Funds

All proprietary funds are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operation items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The proprietary fund of the City includes the following fund type:

The ***water fund*** accounts for the provision of the water treatment and distribution to the residents and commercial users of the City.

(Continued)

NOTES TO FINANCIAL STATEMENTS

The *sewer fund* accounts for sanitary sewer services provided to the residential and commercial users of the City.

The *sanitation fund* accounts for trash collection services provided to the residential and some commercial users of the City.

The *replenishment fund* accounts for future replenishment of water sources used in the water treatment and distribution to residents and commercial users of the City.

In addition, the City reports the following fund types:

Internal Service Fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The fund accounts for financial activity of the City's internal insurance activity.

Pension Trust Fund (not included in government-wide statements) is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The fund accounts for the assets of the City's firefighter pension and trust. The City Council acts as the governing board and the City staff performs all administrative and accounting functions for this fund.

C. CASH AND CASH EQUIVALENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less, including amounts on deposit with the Local Government Investment Pool.

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

D. RECEIVABLES AND PAYABLES

Outstanding balances between funds are reported as "due from other funds" or "due to other funds." All accounts receivable are shown net of allowance for uncollectibles when applicable.

E. INVENTORIES

Inventories consist of expendable supplies held for consumption and are recorded at the time of purchase as expenditures in the fund from which the purchases were made; and because the amounts on hand at June 30, 2003 are immaterial, they were not included in the statement of net assets.

F. PREPAID ITEMS

Prepaid items consist of governmental departments prepaid rent for the use of certain facilities throughout the year.

G. CAPITAL ASSETS

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The City capitalizes all purchases

(Continued)

NOTES TO FINANCIAL STATEMENTS

greater than \$10,000. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical costs is not available, estimated historical costs based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

Donated capital assets are capitalized at estimated fair value on date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciated capital assets are as follows: building, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

H. COMPENSATED ABSENCES

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as an expenditure in the fund financial statements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provision of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The City pays employees for unused sick leave annually, at which point the expenditure is recognized.

I. FUND BALANCE

Reservations of fund balances represent amounts that are not appropriate or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

J. PROPERTY TAXES

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

The two-tiered system includes a primary levy (discussed above) and a secondary property tax for the purpose of retiring the principal and interest on bonded indebtedness. This levy is referred to as the "unlimited" levy. In other words, this property tax may be levied in an amount necessary by the City (Article IX, Section 19, Subsection 2, Paragraph A, Arizona State Constitution).

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

The County levies real property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day in November. The second installment is due on the first day of March of the next year and

(Continued)

NOTES TO FINANCIAL STATEMENTS

becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and becomes delinquent 30 days thereafter.

K. GRANT REVENUES

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

L. INTERFUND TRANSACTIONS

Interfund services provided or used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses are accounted for as interfund transactions in the reimbursing fund and as reductions of expenditures/expenses in the funds that are reimbursed.

All other interfund transactions are reported as transfers.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds with the following exceptions: (1) the present value of net minimum capital lease payments is not budgeted as a capital outlay expenditure and other financing source at the inception of the agreement, and (2) Grants Special Revenue funds and the Capital Projects fund adopt project-length budgets which normally extend beyond the fiscal year.

Prior to the third Monday in July, the City Administrator submits to the City Council a tentative budget for the fiscal year commencing on July 1. The tentative budget includes proposed expenditures and the means of financing them. The proposed budget sets the maximum limit. The tentative budget is published once a week for two weeks in a local newspaper. On or before the second Monday in August, the City Council amends and approves the budget by a simple majority.

The budget is adopted at the city-wide level, and expenditures may not exceed this limit, unless an emergency exists. In such a case, transfers may be approved after final adoption by the Council at a public meeting. During the year, transfers were not approved as an emergency measure.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the governmental-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

(Continued)

NOTES TO FINANCIAL STATEMENTS

| | |
|----------------------------|----------------------|
| Capital outlays | \$ 30,839,511 |
| Donated capital assets | 3,535,855 |
| Depreciation expense | (2,763,876) |
| Loss on disposal of assets | <u>(177,042)</u> |
| | <u>\$ 31,434,448</u> |

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of deposits in the bank, cash on hand, and cash invested in the Local Government Investment Pool (L.G.I.P.) managed by the Arizona State Treasurer in accordance with Arizona statutes. With consideration for the loss as indicated in Note 13, the total cash and cash equivalents were \$85,019,941 as of June 30, 2003, which includes the volunteer firefighters pension fund.

Deposits and Invested Deposits - At year-end, the carrying amount of the City's operating deposits were \$2,513,193 and the bank balance was \$1,636,247. The difference represents outstanding checks and deposits which are held in the checking account at the financial institutions trust department until checks are presented for payment. Of the bank balance, seven percent was covered by federal depository insurance and the remainder was covered by collateral held in the pledging financial institution's trust department in the City's name. The City has an additional \$3,842,720 deposited into bank accounts under the Municipal Property Corporation Fund.

Cash Invested - Funds of \$80,259,387 are held exclusive in the L.G.I.P.. The City's investment in the L.G.I.P. is stated at cost, which approximates fair value. In this Pool, the City's monies are combined with those of the other investors in the Pool. As such, the City does not own specific securities within the Pool; they are, therefore, not categorized. The state does not provide specific fair values to its participants. Interest earned from investments in the L.G.I.P. is allocated to all funds monthly.

Cash on Hand - This includes a petty cash fund and beginning cash for the registers kept at the City Hall, the Courthouse, and the Parks and Recreation Department. Cash on hand at June 30, 2003 was \$1,999.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2003, was as follows:

(Continued)

| | Primary Government | | | | |
|--|------------------------------|----------------------|---------------------|------------------|---------------------------|
| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
| Governmental activities: | | | | | |
| Not being depreciated: | | | | | |
| Land and land improvements | \$ 5,701,753 | \$ 32,498 | \$ - | \$ - | \$ 5,734,251 |
| Construction in process | 24,405,852 | - | - | (24,405,852) | - |
| Other capital assets: | | | | | |
| Building and improvements | 11,552,991 | 27,268,618 | (163,584) | 24,405,852 | 63,063,877 |
| Equipment and vehicles | 6,657,904 | 1,595,367 | (315,707) | - | 7,937,564 |
| Infrastructure | 46,105,042 | 5,924,888 | - | - | 52,029,930 |
| | 94,423,542 | 34,821,371 | (479,291) | - | 128,765,622 |
| Accumulated depreciation: | | | | | |
| Building and improvements | (1,343,723) | (351,448) | - | - | (1,695,171) |
| Equipment and vehicles | (2,809,723) | (919,040) | 302,249 | - | (3,426,514) |
| Infrastructure | (3,459,372) | (1,493,388) | - | - | (4,952,760) |
| | (7,612,818) | (2,763,876) | 302,249 | - | (10,074,445) |
| | <u>\$ 86,810,724</u> | <u>\$ 32,057,495</u> | <u>\$ (177,042)</u> | <u>\$ -</u> | <u>\$ 118,691,177</u> |
| Depreciation was charged by function as follows: | | | | | |
| General government | | | \$ 300,291 | | |
| Public safety | | | 559,954 | | |
| Public works and streets, includes depreciation for infrastructure | | | 1,627,070 | | |
| Community services | | | 39,060 | | |
| Culture and recreation | | | 237,501 | | |
| Total governmental activities depreciation expense | | | <u>\$ 2,763,876</u> | | |

(Continued)

NOTES TO FINANCIAL STATEMENTS

| | Primary Government | | | Ending Balance |
|--|------------------------------|----------------------|---------------------|---------------------------|
| | Beginning Balance | Increases | Decreases | |
| Business-type activities: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 3,087,151 | \$ - | \$ - | \$ 3,087,151 |
| Construction in progress | 4,131,665 | 21,338,234 | (100,000) | 25,369,899 |
| | <u>7,218,816</u> | <u>21,338,234</u> | <u>(100,000)</u> | <u>28,457,050</u> |
| Other capital assets: | | | | |
| Plant and improvements | 55,050,912 | 3,335,943 | - | 58,386,855 |
| Vehicles and equipment | 1,313,384 | 416,569 | (87,769) | 1,642,184 |
| | <u>56,364,296</u> | <u>3,752,512</u> | <u>(87,769)</u> | <u>60,029,039</u> |
| | 63,583,112 | 25,090,746 | (187,769) | 88,486,089 |
| Accumulated depreciation: | | | | |
| Sewer | (5,323,509) | (1,270,010) | - | (6,593,519) |
| Sanitation | (596,127) | (93,346) | 65,644 | (623,829) |
| Water | (405,276) | (217,381) | - | (622,657) |
| | <u>(6,324,912)</u> | <u>(1,580,737)</u> | <u>65,644</u> | <u>(7,840,005)</u> |
| | <u>\$ 57,258,200</u> | <u>\$ 23,510,009</u> | <u>\$ (122,125)</u> | <u>\$ 80,646,084</u> |
| Depreciation was charged by function as follows: | | | | |
| Sewer | | | \$ 1,270,010 | |
| Sanitation | | | 93,346 | |
| Water | | | <u>217,381</u> | |
| | | | <u>\$ 1,580,737</u> | |

During the year ended June 30, 2002, the City implemented the infrastructure reporting requirements of GASB Statement #34, including retroactive infrastructure, with the following exception: the City is currently working with other governmental entities to obtain appropriate records to value certain roads and buildings.

NOTE 6 - WATER RIGHTS – MOUNTAIN VISTA

Water rights reported in the water enterprise fund represent the intangible right to water usage in conjunction with the purchase of Mountain Vista. The land is not usable for any other purpose and therefore has no value to the City separate from the water rights. Water rights are to be amortized over a 40 year estimated useful life. As of June 30, 2003, the water rights had not been used; therefore, no amortization expense was incurred.

Contracts payable in the water enterprise fund represent \$280,000 due to the same developer for the purchase of the water rights. The contract payable is to be repaid as the City collects water development fees once the water well is in operation.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2003:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------|-------------------|-----------------------|---------------------------|--|
| Governmental activities: | | | | | |
| General obligation bonds | | | | | |
| 4.5% 1994 Series A, \$1,500,000 issued | \$ 1,055,000 | \$ - | \$ (75,000) | \$ 980,000 | \$ 80,000 |
| 4.5% 1994 Series B, \$2,530,000 issued | 1,775,000 | - | (130,000) | 1,645,000 | 135,000 |
| | <u>2,830,000</u> | <u>-</u> | <u>(205,000)</u> | <u>2,625,000</u> | <u>215,000</u> |
| General municipal property corporation fund obligation | | | | | |
| Series 2000 Bonds, \$59,120,000 issued | 57,845,000 | - | (1,850,000) | 55,995,000 | 1,950,000 |
| Total governmental obligation bonds | <u>60,675,000</u> | <u>-</u> | <u>(2,055,000)</u> | <u>58,620,000</u> | <u>2,165,000</u> |
| Notes payable | | | | | |
| 3.15% Loan-Wastewater Management Authority, \$4,765,955 issued | 2,640,796 | - | (343,058) | 2,297,738 | 353,871 |
| Capital leases | | | | | |
| 5.20% Front-end loader | 24,142 | - | (24,142) | - | - |
| 5.20% Police Vehicles | 37,803 | - | (37,803) | - | - |
| 5.20% Fire engine | 104,553 | - | (104,553) | - | - |
| | <u>166,498</u> | <u>-</u> | <u>(166,498)</u> | <u>-</u> | <u>-</u> |
| Compensated absences | 859,875 | 155,084 | - | 1,014,959 | 1,014,959 |
| Developer payable | 2,077,143 | - | (48,582) | 2,028,561 | - |
| Total governmental activities debt | <u>\$ 66,419,312</u> | <u>\$ 155,084</u> | <u>\$ (2,613,138)</u> | <u>\$ 63,961,258</u> | <u>\$ 3,533,830</u> |
| Business-type activities: | | | | | |
| Compensated absences | <u>\$ 63,454</u> | <u>\$ 16,932</u> | <u>\$ -</u> | <u>\$ 80,386</u> | <u>\$ 80,386</u> |
| Contracts payable | <u>\$ 280,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 280,000</u> | <u>\$ 280,000</u> |

Governmental Activities - Bonds & Loans

| <u>Year Ended December 31</u> | <u>Governmental Obligation</u> | | <u>WWMA Loan</u> | |
|-----------------------------------|--------------------------------|----------------------|---------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2004 | \$ 2,165,000 | \$ 3,115,478 | \$ 353,871 | \$ 72,425 |
| 2005 | 2,275,000 | 3,009,802 | 365,025 | 61,270 |
| 2006 | 2,410,000 | 2,895,977 | 376,531 | 49,765 |
| 2007 | 2,495,000 | 2,774,878 | 388,399 | 37,896 |
| 2008 | 2,630,000 | 2,648,227 | 400,642 | 25,654 |
| 2009-2013 | 15,225,000 | 10,993,256 | 413,270 | 13,026 |
| 2014-2018 | 17,980,000 | 6,461,660 | - | - |
| 2019-2023 | 13,440,000 | 1,177,620 | - | - |
| Total | <u>\$ 58,620,000</u> | <u>\$ 33,076,898</u> | <u>\$ 2,297,738</u> | <u>\$ 260,036</u> |

(Continued)

NOTES TO FINANCIAL STATEMENTS

Municipal Property Corporation

The City of Surprise Municipal Property Corporation (MPC) issued special limited obligations for the construction of major capital facilities. The bonds and interest are limited obligations of the MPC, payable from lease rental income.

Developer Payable

Del Webb, a developer, incurred \$2,077,143 in costs for road development. As of June 30, 2003, the remaining balance of these costs was \$2,028,561. In an agreement with the City, the first \$200,000 in sales tax received annually from the applicable parcels goes to the City. The second \$200,000 goes to the developer to be applied to interest and the \$2,077,143. Any monies received over \$400,000 are split equally between the City and the developer. In 2003, \$212,195 was paid to the developer, with \$48,582 applied to principal and the remaining \$163,613 applied to accrued interest.

Legal Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the secondary assessed valuation of the taxable property of the city for projects supplying the city with water, artificial light or sewers. The 2002 secondary assessed valuation of the City of Surprise is \$280,190,899. Accordingly, the legal limit for bonded indebtedness for the City is \$56,038,180 for the fiscal year ended June 30, 2003, leaving \$51,115,442, respectively of unused borrowing capacity.

NOTE 8 – MUNICIPAL PROPERTY CORPORATION FUND CONSTRUCTION COMMITMENT LIABILITY

Government funds report deferred revenue in connection to resources that have been received, but not yet earned. As of June 30, 2003, the deferred revenue balance of \$4,999,610 in the Municipal Property Corporation Fund represents payments made by the City for use in future periods.

NOTE 9 – RESTATEMENT OF PRIOR YEAR BALANCES

During the current year, the City evaluated its ability to collect court fine revenue that was in prior years recorded as deferred revenue, and has subsequently determined these amounts not to be collectable. This has resulted in a current year reduction in the accounts receivable and deferred revenue for the City of Surprise of approximately \$2.5 million dollars.

NOTE 10 – BEGINNING FUND BALANCE/NET ASSETS ADJUSTMENTS

The following schedule reconciles June 30, 2002 fund balances/net assets as previously reported, to beginning fund balances/net assets, as restated.

(Continued)

Governmental Funds

| | <u>Special Revenue Funds</u> |
|---|----------------------------------|
| Fund balance/net assets, June 30, 2002 | \$ 3,755,652 |
| Correction of an error | 9,811 |
| | <hr/> |
| Fund balance/net assets, June 30, 2002, as restated | <u>\$ 3,765,463</u> |

Government Wide Statements

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Fund balance/net assets, June 30, 2002 | \$ 75,887,500 |
| Correction of error | 9,811 |
| | <hr/> |
| Fund balance/net assets, June 30, 2002, as restated | <u>\$ 75,897,311</u> |

NOTE 11 - RETIREMENT PLANS

Arizona State Retirement Plan**A. Plan Description**

The Arizona State Retirement System (the System) is a cost-sharing multiple-employer defined benefit plan covering employees of Arizona school districts, the State and certain political subdivisions. The System provides for retirement, disability, health insurance benefits, and death and survivor benefits. Benefits are paid from resources contributed by members and employers and from earnings on the invested funds. The Arizona Revised Statutes provide statutory authority for determining the employees' and employer contribution amounts as a percentage of covered payroll. The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arizona State Retirement System, 3300 North Central Avenue, Suite 1300, Phoenix, AZ 85012 or by calling (602) 240-2000.

B. Funding Policy

Under Arizona State Statutes, employee member contributions to the System were fixed at two percent of their compensation for the year ended June 30, 2003, with the contributions made by payroll deduction. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change the contribution rate from that actuarially determined rate. The total contributions made by the City for the years ended June 30, 2003, 2002, and 2001, were \$228,340, \$176,735, and \$139,215, respectively, equal to the required contributions for each year.

Retirement Plan For Public Safety Employees**A. Plan Description**

The City contributes to an agent multiple-employer retirement plan, the Arizona Public Safety Personnel Retirement System (APSPRS), for public safety employees. The APSPRS functions as an investment and administrative agent for the City with respect to the retirement plan for policemen and firemen. The APSPRS

(Continued)

NOTES TO FINANCIAL STATEMENTS

provides retirement benefits as well as death and disability benefits. Both benefits and contributions are determined by State of Arizona statutes. The APSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri Avenue, Phoenix, AZ 85014 or by calling (602) 255-5575.

B. Funding Policy

Employee members are required to contribute 7.65% of their annual covered salary. The retirement plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. For the year ended June 30, 2003, the City contributed 7.51% and 7.53% of annual covered firefighter and police payroll to the plan, respectively.

C. Annual Pension Cost

For 2002, the City’s annual pension cost of \$527,619 for APSPRS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the individual entry age normal cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually, (b) projected salary increases of 5.5% per year compounded annually attributable to inflation and (c) additional projected salary increases ranging from 1.0% to 4.0% per year, depending on age, attributable to seniority/merit. The actuarial value of APSPRS assets are determined on a smoothed market basis which spreads differences between actual and assumed investment return over a four-year period. APSPRS’s unfunded actuarial accrued liability, calculated as of June 30, 2002, is being amortized as a level percentage open of projected payroll over a period of 40 years (from July 1, 1978). The remaining amortization period at June 30, 2002, was 20 years.

Required Supplementary Information – Schedule of Employer Contributions

| Year ended June 30, | Annual Required Contribution | | |
|---------------------|------------------------------|------------|------------------------|
| | Fire Fighters | Police | Percent Contributed |
| 1998 | \$ 46,869 | \$ 108,020 | 100.0% |
| 1999 | 93,000 | 84,376 | 100.0% |
| 2000 | 120,353 | 95,652 | 100.0% |
| 2001 | 198,361 | 220,241 | 100.0% |
| 2002 | 254,228 | 273,391 | 100.0% |
| 2003 * | 192,711 | 246,413 | 100.0% |

**Actual recognized contribution dollar amount will be based on the required contribution rate and the actual pensionable payroll for the period.*

(Continued)

Schedule of Funding Progress

| Actuarial Valuation Date June 30 | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|----------------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| 1997 | \$ 2,410,417 | 2,239,515 | (170,902) | 107.6% | 1,267,395 | (0.13) |
| 1998 | 3,003,120 | 2,855,963 | (147,157) | 105.2% | 2,067,826 | (0.08) |
| 1999 | 3,807,496 | 3,756,622 | (50,874) | 101.4% | 2,416,085 | (0.02) |
| 2000 | 4,941,863 | 4,582,526 | (359,337) | 107.8% | 2,934,962 | (0.12) |
| 2001 | 6,447,706 | 5,031,601 | (1,416,105) | 128.1% | 4,077,707 | (0.35) |
| 2002 | 8,514,189 | 6,452,541 | (2,061,648) | 132.0% | 5,838,324 | (0.35) |

Six-Year Trend Information

| Fiscal Year Ended June 30, | Annual Pension Cost | | Percent Contributed | Net Pension Obligation |
|----------------------------|---------------------|-----------|---------------------|------------------------|
| | Fire | Police | | |
| 1997 | \$ 35,905 | \$ 89,385 | 100.0% | \$ - |
| 1998 | 46,869 | 108,020 | 100.0% | - |
| 1999 | 93,000 | 84,376 | 100.0% | - |
| 2000 | 120,353 | 95,652 | 100.0% | - |
| 2001 | 198,361 | 220,241 | 100.0% | - |
| 2002 * | 254,228 | 273,391 | 100.0% | - |

Volunteer Firefighters' Pension and Relief Fund

Plan Description

The Volunteer Firefighters' Pension and Relief Fund is a discretionary defined benefit plan directly administered by the City. The fund was established to provide pension benefits for its qualified volunteer firefighters. The fund is authorized by Title 9, Chapter VIII, Article 3 of the Arizona Revised Statutes, and is administered by the Board of Trustees. No actuarial valuation of the fund's position has been made, and no separate report is prepared. Assets of the fund are invested in the State Local Government Investment Pool.

Pension Benefits

Volunteer firefighters having served twenty-five years or more, or having reached sixty years of age and served twenty years or more, shall be paid a monthly pension not to exceed \$150 per month as determined by the Board of Trustees. Such pension, if paid, may be increased, decreased, or discontinued at the discretion of the Board of Trustees. If the fund resources are insufficient to pay fully the pensions authorized, the fund shall be prorated among those entitled thereto. The Board of Trustees may grant temporary relief and assistance from the fund to any qualified participant, or beneficiaries of such participant.

(Continued)

NOTES TO FINANCIAL STATEMENTS

Deferred Compensation Plans

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, or death of unforeseeable emergency. The City's fiduciary responsibility is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 plan assets be held in trust for employees. This means that employee assets held in Section 457 plan assets be held in trust for employees. This means that employee assets held in Section 457 plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Agency Fund is not included in the City's Financial Statements.

NOTE 12 - RISK MANAGEMENT

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

The limit for basic coverage is \$20 million per occurrence on a claim made basis. The AMRRP is structured such that member premiums are based on actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligation. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. The City can be assessed up to the amount of the current year's contribution. The City's obligation is to file claims timely. The AMRRP is responsible for investigating claims, settling claims and billing the City for any deductible portion. The City's loss has not exceeded its coverage in any of the last three years, and the deductible portion has not been material to the City's financial position.

NOTE 13 - CONTINGENT LIABILITIES

The City was not involved in any pending or threatened litigation that could materially affect the City's financial position and results of operations at June 30, 2003.

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

During the year ended June 30, 2003, investors in the Local Governments Investment Pool (LGIP) sustained investments losses due to the bankruptcy of a financing corporation in which LGIP funds were invested. The City's portion of this investment loss was \$1,597,358 and has been recorded as a reduction of investment income. The City has joined a class action lawsuit with the State of Arizona and other investors against the financing corporation in an effort to recover lost funds. The class action lawsuit is in its early stages and the likelihood of outcomes is not estimable or able to be reasonable determined; however, the City may recover a portion of its losses in the long-term.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - INTERFUND ASSETS, LIABILITIES, AND TRANSFERS

| | <u>Due (to) from</u> | <u>Transfers in (out)</u> |
|-------------------------------------|----------------------|---------------------------|
| Governmental funds | | |
| Major governmental funds | | |
| General fund | \$ 4,758,201 | \$ (1,819,368) |
| Municipal property corporation fund | - | (16,542,850) |
| Highway user fund | - | 782,600 |
| Public safety developmental fund | - | 20,000 |
| Other governmental funds | (238,249) | 100,174 |
| | <u>4,519,952</u> | <u>(17,459,444)</u> |
| Business-type funds | | |
| Major business-type funds | | |
| Water | (4,519,952) | 15,932 |
| Sewer | - | 17,296,750 |
| Sanitation | - | 146,762 |
| | <u>(4,519,952)</u> | <u>17,459,444</u> |
| Total | <u>\$ -</u> | <u>\$ -</u> |

The above due to/due from other funds were short-term receivables or payables in the normal course of the City's operations and the above transfers resulted in the normal course of the City's operations.

NOTE 15 – DEFICIT FUND NET ASSETS

Governmental Funds Equity Deficits:

Transit Fund – Deficit fund equity balance of \$109,652 is the result of revenues inadequate to cover expenditures for the current year.

The following ***Special Revenue SLID Districts*** have deficit fund equity balances as of June 30, 2003 as a result of revenues inadequate to cover expenses. Future revenue collected is expected to fund the deficit fund equity balances.

NOTES TO FINANCIAL STATEMENTS

| | Deficit Fund Balance |
|------------------------------|-------------------------|
| Park Row SLID | \$ 9,899 |
| Sun City Grand III SLID | 4,207 |
| Bell West Ranch SLD | 1,248 |
| Mountain Vista Ranch III SLD | 13,340 |
| Countryside SLD | 7,154 |
| NW Ranch #2 | 7,637 |
| Ashton Ranch SLID Unit III | 12,067 |
| Ashton Ranch SLID Unit IV | 7,843 |
| Legacy Park GHI SLID | 4,187 |
| Rancho Gabriela Phase I | 8,678 |
| Sun City Grand 4 SLID | 17,593 |
| Rancho Gabriela 2,3 SLD | 2,217 |
| Greenway Park II SLD | 4,494 |
| Greenway Park III SLD | 281 |
| Tash/Weste Meadows SLD | 1,814 |
| Roseview 5, 5A, 7&8 | 18,432 |
| Orchards 1,2,3,4,5 SLD | 5,114 |
| Surprise Farms 1A SLD | 2,479 |
| Legacy Park Parcels E, F & J | 2,514 |
| Sierra Montana SLD | 1,352 |
| Bell West Ranch 2 SLD | 1,089 |

There are certain street and lighting districts that reflect a deficit fund variance. This is due to the state-imposed limit on taxes within those districts.

#



SURPRISE
ARIZONA

SUPPLEMENTAL SECTION

CITY OF SURPRISE, ARIZONA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | General Fund | | |
|---|----------------------------|-------------------------|----------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Taxes | \$ 19,834,200 | \$ 19,834,200 | \$ 21,636,438 |
| Licenses and permits | 1,275,000 | 1,275,000 | 1,469,246 |
| Intergovernmental | 5,772,100 | 5,772,100 | 6,027,330 |
| Charges for services | 7,020,000 | 7,020,000 | 9,560,210 |
| Fines | 610,000 | 610,000 | 778,307 |
| Rents | 66,000 | 66,000 | 431,504 |
| Grants | 136,500 | 136,500 | 119,309 |
| Investment income | 300,000 | 300,000 | (455,667) |
| Other | 7,727,500 | 7,727,500 | 949,104 |
| Total revenues | <u>42,741,300</u> | <u>42,741,300</u> | <u>40,515,781</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 13,294,600 | 12,244,000 | 6,513,426 |
| Public safety | 12,547,200 | 12,526,000 | 11,531,799 |
| Public works and streets | 2,326,700 | 2,366,600 | 2,278,396 |
| Community services | 2,942,600 | 2,916,400 | 2,535,905 |
| Culture and recreation | 6,446,800 | 6,303,900 | 5,572,987 |
| Capital outlay | 4,825,600 | 4,555,700 | 1,515,086 |
| Debt service: | | | |
| Principal | 190,600 | 190,600 | 215,080 |
| Interest and fiscal charges | 15,400 | 15,400 | 170,134 |
| Total expenditures | <u>42,589,500</u> | <u>41,118,600</u> | <u>30,332,813</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>151,800</u> | <u>1,622,700</u> | <u>10,182,968</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>(2,867,800)</u> | <u>(2,867,800)</u> | <u>(1,819,368)</u> |
| NET CHANGE IN FUND BALANCE | <u>(2,716,000)</u> | <u>(1,245,100)</u> | <u>8,363,600</u> |
| FUND BALANCES, beginning of the year | <u>11,818,000</u> | <u>11,818,000</u> | <u>16,692,310</u> |
| FUND BALANCES, end of the year | <u>\$ 9,102,000</u> | <u>\$ 10,572,900</u> | <u>\$ 25,055,910</u> |

(Continued)

**REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

| | Municipal Property Corporation Fund | | |
|---|--|-------------------------|----------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Licenses and permits | \$ 22,742,800 | \$ 22,742,800 | \$ 28,742,802 |
| Rents | 5,900,000 | 5,900,000 | 5,000,000 |
| Investment income | 300,000 | 300,000 | 181,835 |
| Other | 10,000,000 | 10,000,000 | 1,518,436 |
| Total revenues | <u>38,942,800</u> | <u>38,942,800</u> | <u>35,443,073</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 245,000 | 245,000 | 259,450 |
| Culture and recreation | - | - | 34,628 |
| Capital outlay | 58,212,600 | 60,845,500 | 25,701,535 |
| Debt Service: | | | |
| Principal | 1,850,000 | 1,850,000 | 1,850,000 |
| Interest and fiscal charges | 3,089,590 | 3,089,590 | 3,088,090 |
| Total expenditures | <u>63,397,190</u> | <u>66,030,090</u> | <u>30,933,703</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(24,454,390)</u> | <u>(27,087,290)</u> | <u>4,509,370</u> |
| OTHER FINANCING USES | | | |
| Transfers out | - | - | (16,542,850) |
| NET CHANGE IN FUND BALANCE | <u>(24,454,390)</u> | <u>(27,087,290)</u> | <u>(12,033,480)</u> |
| FUND BALANCES, beginning of the year | <u>24,514,800</u> | <u>24,514,800</u> | <u>33,678,762</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ 60,410</u> | <u>\$ (2,572,490)</u> | <u>\$ 21,645,282</u> |

(Continued)

**REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

| | Highway User Fund | | |
|---|----------------------------|-------------------------|--------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Taxes | \$ 2,239,500 | \$ 2,239,500 | \$ 2,462,104 |
| Investment income | 40,000 | 40,000 | 33,470 |
| Total revenues | <u>2,279,500</u> | <u>2,279,500</u> | <u>2,495,574</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public works and streets | 2,344,000 | 2,021,500 | 2,364,301 |
| Community services | - | 210,800 | 190,977 |
| Capital outlay | <u>1,266,200</u> | <u>1,125,600</u> | <u>1,031,994</u> |
| Total expenditures | <u>3,610,200</u> | <u>3,357,900</u> | <u>3,587,272</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(1,330,700)</u> | <u>(1,078,400)</u> | <u>(1,091,698)</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in | <u>850,300</u> | <u>850,300</u> | <u>782,600</u> |
| NET CHANGE IN FUND BALANCE | <u>(480,400)</u> | <u>(228,100)</u> | <u>(309,098)</u> |
| FUND BALANCES, beginning of the year | <u>510,300</u> | <u>510,300</u> | <u>859,420</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ 29,900</u> | <u>\$ 282,200</u> | <u>\$ 550,322</u> |

(Continued)

**REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

| | Public Safety Development Fee Fund | | |
|---|---|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development Fees | \$ 743,700 | \$ 743,700 | \$ 1,495,732 |
| Investment income | 1,000 | 1,000 | 24,974 |
| Total revenues | <u>744,700</u> | <u>744,700</u> | <u>1,520,706</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 10,000 | 16,000 | 7,362 |
| Public safety | 442,000 | 503,600 | 500,402 |
| Capital outlay | <u>2,006,900</u> | <u>1,985,300</u> | <u>1,444,351</u> |
| Total expenditures | <u>2,458,900</u> | <u>2,504,900</u> | <u>1,952,115</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(1,714,200)</u> | <u>(1,760,200)</u> | <u>(431,409)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>-</u> | <u>-</u> | <u>20,000</u> |
| NET CHANGE IN FUND BALANCE | <u>(1,714,200)</u> | <u>(1,760,200)</u> | <u>(411,409)</u> |
| FUND BALANCES, beginning of the year | <u>1,714,200</u> | <u>1,714,200</u> | <u>1,722,298</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ -</u> | <u>\$ (46,000)</u> | <u>\$ 1,310,889</u> |

CITY OF SURPRISE, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

| ASSETS | Special Revenue Funds | Debt Service Fund | Total Nonmajor Governmental Funds |
|-------------------------------------|--------------------------------------|----------------------------------|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,063,724 | \$ 127,420 | \$ 5,191,144 |
| Receivables, (net of allowances) | | | |
| Interest | 20,729 | - | 20,729 |
| Accounts | 11,851 | - | 11,851 |
| Prepaid items | 1,849,673 | - | 1,849,673 |
| Other Assets | 3,253 | - | 3,253 |
| | <u>\$ 6,949,230</u> | <u>\$ 127,420</u> | <u>\$ 7,076,650</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 170,597 | \$ - | \$ 170,597 |
| Due to other funds | 238,248 | - | 238,248 |
| | <u>408,845</u> | <u>-</u> | <u>408,845</u> |
| FUND BALANCE | | | |
| Reserved for prepaid items | 1,849,673 | - | 1,849,673 |
| Unreserved, reported in: | | | |
| Special revenue funds | 4,690,712 | | 4,690,712 |
| Debt service funds | - | 127,420 | 127,420 |
| Total fund balance | <u>6,540,385</u> | <u>127,420</u> | <u>6,667,805</u> |
| | <u>\$ 6,949,230</u> | <u>\$ 127,420</u> | <u>\$ 7,076,650</u> |

CITY OF SURPRISE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | Special Revenue Funds | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|--------------------------------------|----------------------------------|--|
| REVENUES | | | |
| Taxes | \$ 486,800 | \$ 685,334 | \$ 1,172,134 |
| Intergovernmental | 152,810 | - | 152,810 |
| Charges for services | 7,537 | - | 7,537 |
| Development fees | 6,874,077 | - | 6,874,077 |
| Investment income | 78,216 | 25,882 | 104,098 |
| Other | 218,773 | - | 218,773 |
| | <u>7,818,213</u> | <u>711,216</u> | <u>8,529,429</u> |
| Total revenues | | | |
| EXPENDITURES | | | |
| Current | | | |
| General government | 198,089 | - | 198,089 |
| Public works and streets | 322,720 | - | 322,720 |
| Culture and recreation | 2,969,603 | - | 2,969,603 |
| Costs of sales and services (SLD's) | 368,044 | - | 368,044 |
| Administration | 138,464 | - | 138,464 |
| Capital outlay | 1,146,545 | - | 1,146,545 |
| Debt service | | | |
| Principal | - | 548,058 | 548,058 |
| Interest and fiscal charges | - | 225,667 | 225,667 |
| | <u>5,143,465</u> | <u>773,725</u> | <u>5,917,190</u> |
| Total expenditures | | | |
| REVENUES OVER (UNDER) EXPENDITURES | <u>2,674,748</u> | <u>(62,509)</u> | <u>2,612,239</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 100,174 | - | 100,174 |
| | <u>100,174</u> | <u>-</u> | <u>100,174</u> |
| Total other financing sources | | | |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | <u>2,774,922</u> | <u>(62,509)</u> | <u>2,712,413</u> |
| FUND BALANCES, beginning of year | <u>3,765,463</u> | <u>189,929</u> | <u>3,955,392</u> |
| FUND BALANCES, end of year | <u>\$ 6,540,385</u> | <u>\$ 127,420</u> | <u>\$ 6,667,805</u> |

CITY OF SURPRISE, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2003

| | Library, Parks & Recreational Enhancement | Transit Fund | Publicworks Expansion Development | 10% Set Aside Square Mile | General Govt. Dev Fee Fund |
|-------------------------------------|--|-------------------------|--|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 453,134 | \$ - | \$ 2,594,561 | \$ 36,082 | \$ 1,434,143 |
| Receivables, net | | | | | |
| Interest | 1,881 | | 10,862 | 146 | 5,953 |
| Accounts | - | - | - | | - |
| Prepaid items | 1,849,673 | - | - | - | - |
| Other Assets | - | - | 3,253 | - | - |
| | <u>2,304,688</u> | <u>-</u> | <u>2,608,676</u> | <u>36,228</u> | <u>1,440,096</u> |
| Total assets | <u>\$ 2,304,688</u> | <u>\$ -</u> | <u>\$ 2,608,676</u> | <u>\$ 36,228</u> | <u>\$ 1,440,096</u> |
| LIABILITIES | | | | | |
| Accounts payable | 8,975 | \$ 3,016 | \$ 83,528 | \$ 2,245 | \$ 37,322 |
| Due to other funds | - | 106,636 | - | - | - |
| | <u>8,975</u> | <u>109,652</u> | <u>83,528</u> | <u>2,245</u> | <u>37,322</u> |
| Total liabilities | <u>8,975</u> | <u>109,652</u> | <u>83,528</u> | <u>2,245</u> | <u>37,322</u> |
| FUND EQUITY | | | | | |
| Fund balances | | | | | |
| Reserved for prepaid items | 1,849,673 | - | - | - | - |
| Unreserved | | | | | |
| Undesignated | 446,040 | (109,652) | 2,525,148 | 33,983 | 1,402,774 |
| | <u>2,295,713</u> | <u>(109,652)</u> | <u>2,525,148</u> | <u>33,983</u> | <u>1,402,774</u> |
| Total fund balances | <u>2,295,713</u> | <u>(109,652)</u> | <u>2,525,148</u> | <u>33,983</u> | <u>1,402,774</u> |
| Total liabilities and fund balances | <u>\$ 2,304,688</u> | <u>\$ -</u> | <u>\$ 2,608,676</u> | <u>\$ 36,228</u> | <u>\$ 1,440,096</u> |

(Continued)

| Park Row SLID | Kingswood Park SLD | Del Webb Sun City Grand SLD | West Point Towne Center SLD | Continental Kingswood SLD | Mountain Vista Ranch SLD | Sun City Grand II SLD | Sun City Grand III SLD |
|--------------------------|-------------------------------|--|--|--|---|--------------------------------------|---------------------------------------|
| \$ - | \$ 81,142 | \$ 85,076 | \$ 81,491 | \$ 36,882 | \$ 29,020 | \$ 38,280 | \$ - |
| - | 337 | 353 | 338 | 153 | 120 | 159 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 81,479</u> | <u>\$ 85,429</u> | <u>\$ 81,829</u> | <u>\$ 37,035</u> | <u>\$ 29,140</u> | <u>\$ 38,439</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ 16,692 | \$ - | \$ - | \$ - | \$ 15,342 | \$ 60 |
| 9,899 | - | - | - | - | - | - | 4,147 |
| <u>9,899</u> | <u>-</u> | <u>16,692</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,342</u> | <u>4,207</u> |
| - | - | - | - | - | - | - | - |
| (9,899) | 81,479 | 68,737 | 81,829 | 37,035 | 29,140 | 23,097 | (4,207) |
| - | - | - | - | - | - | - | - |
| (9,899) | 81,479 | 68,737 | 81,829 | 37,035 | 29,140 | 23,097 | (4,207) |
| <u>\$ -</u> | <u>\$ 81,479</u> | <u>\$ 85,429</u> | <u>\$ 81,829</u> | <u>\$ 37,035</u> | <u>\$ 29,140</u> | <u>\$ 38,439</u> | <u>\$ -</u> |

CITY OF SURPRISE, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2003

| | Bell West Ranch SLD | Canyon Ridge West SLD | Ashton Ranch I SLD | Ashton Ranch II SLD | Mountain Vista Ranch II SLD |
|-------------------------------------|------------------------------------|--------------------------------------|-----------------------------------|------------------------------------|--|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 4,916 | \$ 5,105 | \$ 18,482 | \$ 14,296 |
| Receivables, net | | | | | |
| Interest | - | 20 | 21 | 77 | 59 |
| Accounts | - | - | - | 2,251 | - |
| Prepaid items | - | - | - | - | - |
| Other assets | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ -</u> | <u>\$ 4,936</u> | <u>\$ 5,126</u> | <u>\$ 20,810</u> | <u>\$ 14,355</u> |
| LIABILITIES | | | | | |
| Accrued payroll and related taxes | - | - | - | - | - |
| Due to other funds | <u>1,248</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>1,248</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND EQUITY | | | | | |
| Fund balances | | | | | |
| Reserved for prepaid items | - | - | - | - | - |
| Unreserved | | | | | |
| Undesignated | <u>(1,248)</u> | <u>4,936</u> | <u>5,126</u> | <u>20,810</u> | <u>14,355</u> |
| Total fund balances | <u>(1,248)</u> | <u>4,936</u> | <u>5,126</u> | <u>20,810</u> | <u>14,355</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 4,936</u> | <u>\$ 5,126</u> | <u>\$ 20,810</u> | <u>\$ 14,355</u> |

(Continued)

| Mountain Vista Ranch III SLD | Legacy Parc SLD | Greenway Parc SLD | Roseview SLD | Countryside SLD | NW Ranch #2 | Bell West Ranch 1B | Ashton Ranch SLID Unit III |
|---|--------------------------------|----------------------------------|-------------------------|----------------------------|------------------------|-------------------------------|---|
| \$ - | \$ 5,895 | \$ 13,039 | \$ 17,131 | \$ - | \$ - | \$ 6,033 | \$ - |
| - | 24 | 54 | 71 | - | - | 25 | - |
| - | - | 9,600 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 5,919</u> | <u>\$ 22,693</u> | <u>\$ 17,202</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,058</u> | <u>\$ -</u> |
| - | - | - | - | - | - | - | - |
| 13,340 | - | - | - | 7,154 | 7,637 | - | 12,067 |
| <u>13,340</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,154</u> | <u>7,637</u> | <u>-</u> | <u>12,067</u> |
| - | - | - | - | - | - | - | - |
| (13,340) | 5,919 | 22,693 | 17,202 | (7,154) | (7,637) | 6,058 | (12,067) |
| <u>(13,340)</u> | <u>5,919</u> | <u>22,693</u> | <u>17,202</u> | <u>(7,154)</u> | <u>(7,637)</u> | <u>6,058</u> | <u>(12,067)</u> |
| <u>\$ -</u> | <u>\$ 5,919</u> | <u>\$ 22,693</u> | <u>\$ 17,202</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,058</u> | <u>\$ -</u> |

CITY OF SURPRISE, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2003

| | Ashton Ranch SLID Unit IV | Legacy Park GHI SLID | Rancho Gabriela Phase 1 | NW Ranch 1 SLID | Sun City Grand 4 SLID |
|-------------------------------------|--|-------------------------------------|--|--------------------------------|--------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 1,408 | \$ - |
| Receivables, net | | | | | |
| Interest | - | - | - | 6 | - |
| Accounts | - | - | - | - | - |
| Prepaid items | - | - | - | - | - |
| Other assets | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,414</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 1,976 |
| Due to other funds | 7,843 | 4,187 | 8,678 | - | 15,617 |
| | <u>7,843</u> | <u>4,187</u> | <u>8,678</u> | <u>-</u> | <u>17,593</u> |
| Total liabilities | <u>7,843</u> | <u>4,187</u> | <u>8,678</u> | <u>-</u> | <u>17,593</u> |
| FUND EQUITY | | | | | |
| Fund balances | | | | | |
| Reserved for prepaid items | - | - | - | - | - |
| Unreserved | | | | | |
| Undesignated | (7,843) | (4,187) | (8,678) | 1,414 | (17,593) |
| | <u>(7,843)</u> | <u>(4,187)</u> | <u>(8,678)</u> | <u>1,414</u> | <u>(17,593)</u> |
| Total fund balances | <u>(7,843)</u> | <u>(4,187)</u> | <u>(8,678)</u> | <u>1,414</u> | <u>(17,593)</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,414</u> | <u>\$ -</u> |

(Continued)

| Rancho Gabriela 2,3 SLID | Greenway Parc II SLID | Greenway Parc III SLID | Bell West Ranch 1A | Western Meadows SLID | Roseview 5,5A 7&8 | Orchards 1,2,3,4,5 SLID | Surprise Farms 1A SLID |
|---|--------------------------------------|---------------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|--|---------------------------------------|
| \$ - | \$ 4 | \$ 5 | \$ 5,817 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | 24 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 4</u> | <u>\$ 5</u> | <u>\$ 5,841</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| <u>2,217</u> | <u>4,498</u> | <u>286</u> | <u>-</u> | <u>1,814</u> | <u>18,432</u> | <u>5,114</u> | <u>2,479</u> |
| <u>2,217</u> | <u>4,498</u> | <u>286</u> | <u>-</u> | <u>1,814</u> | <u>18,432</u> | <u>5,114</u> | <u>2,479</u> |
| - | - | - | - | - | - | - | - |
| <u>(2,217)</u> | <u>(4,494)</u> | <u>(281)</u> | <u>5,841</u> | <u>(1,814)</u> | <u>(18,432)</u> | <u>(5,114)</u> | <u>(2,479)</u> |
| <u>(2,217)</u> | <u>(4,494)</u> | <u>(281)</u> | <u>5,841</u> | <u>(1,814)</u> | <u>(18,432)</u> | <u>(5,114)</u> | <u>(2,479)</u> |
| <u>\$ -</u> | <u>\$ 4</u> | <u>\$ 5</u> | <u>\$ 5,841</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF SURPRISE, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2003

| | Legacy Parc Parcels E,F & J | Sierra Montana SLID | Bell West Ranch 2 SLID | Donations Fund | Municipal Court Enhancement |
|-------------------------------------|-----------------------------------|---------------------------|------------------------------|-------------------|-----------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 55,649 | \$ 27,798 |
| Receivables, net | | | | | |
| Interest | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Prepaid items | - | - | - | - | - |
| Other assets | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 55,649</u> | <u>\$ 27,798</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 1,441 | \$ - |
| Due to other funds | 2,514 | 1,352 | 1,089 | - | - |
| | <u>2,514</u> | <u>1,352</u> | <u>1,089</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>2,514</u> | <u>1,352</u> | <u>1,089</u> | <u>1,441</u> | <u>-</u> |
| FUND EQUITY | | | | | |
| Fund balances | | | | | |
| Reserved for prepaid items | - | - | - | - | - |
| Unreserved | | | | | |
| Undesignated | (2,514) | (1,352) | (1,089) | 54,208 | 27,798 |
| | <u>(2,514)</u> | <u>(1,352)</u> | <u>(1,089)</u> | <u>54,208</u> | <u>27,798</u> |
| Total fund balances | <u>(2,514)</u> | <u>(1,352)</u> | <u>(1,089)</u> | <u>54,208</u> | <u>27,798</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 55,649</u> | <u>\$ 27,798</u> |

(Continued)

| Neighborh. Revitaliz. Fund | Employee Dep Scholarship | Totals |
|---|---|---------------------|
| \$ 7,168 | \$ 11,167 | \$ 5,063,724 |
| - | 46 | 20,729 |
| - | - | 11,851 |
| - | - | 1,849,673 |
| - | - | 3,253 |
| <u>\$ 7,168</u> | <u>\$ 11,213</u> | <u>\$ 6,949,230</u> |
| \$ - | \$ - | \$ 170,597 |
| - | - | 238,248 |
| - | - | \$ 408,845 |
| - | - | 1,849,673 |
| <u>7,168</u> | <u>11,213</u> | <u>4,690,712</u> |
| <u>7,168</u> | <u>11,213</u> | <u>6,540,385</u> |
| <u>\$ 7,168</u> | <u>\$ 11,213</u> | <u>\$ 6,949,230</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | Library, Parks & Recreational Enhancement | Transit Fund | Publicworks Expansion Development | 10% Set Aside Square Mile | General Govt. Dev Fee Fund |
|---|--|-------------------------|--|--|---|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | | 80,610 | | - | - |
| Charges for services | - | 7,537 | - | - | - |
| Development fees | 4,015,540 | - | 1,750,286 | - | 1,108,251 |
| Investment income | 2,375 | 183 | 38,101 | 5,940 | 20,843 |
| Other | | - | 96,476 | - | - |
| Total revenues | <u>4,017,915</u> | <u>88,330</u> | <u>1,884,863</u> | <u>5,940</u> | <u>1,129,094</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | - | 169,658 | 9,880 | - | 4,436 |
| Public works and streets | - | - | - | 48,364 | - |
| Culture and recreation | 2,955,362 | - | - | - | - |
| Costs of sales of services (SLD's) | - | - | - | - | - |
| Administration | - | - | - | - | - |
| Capital outlay | <u>303,649</u> | <u>-</u> | <u>229,732</u> | <u>105,365</u> | <u>507,799</u> |
| Total expenditures | <u>3,259,011</u> | <u>169,658</u> | <u>239,612</u> | <u>153,729</u> | <u>512,235</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>758,904</u> | <u>(81,328)</u> | <u>1,645,251</u> | <u>(147,789)</u> | <u>616,859</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund transfers in (out) | <u>-</u> | <u>41,400</u> | <u>(146,762)</u> | <u>173,400</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>41,400</u> | <u>(146,762)</u> | <u>173,400</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 758,904 | (39,928) | 1,498,489 | 25,611 | 616,859 |
| FUND BALANCES (DEFICIT), beginning of year | <u>1,536,809</u> | <u>(69,724)</u> | <u>1,026,659</u> | <u>8,372</u> | <u>785,915</u> |
| FUND BALANCES (DEFICIT), end of year | <u>\$ 2,295,713</u> | <u>\$ (109,652)</u> | <u>\$ 2,525,148</u> | <u>\$ 33,983</u> | <u>\$ 1,402,774</u> |

(Continued)

| <u>Park Row SLID</u> | <u>Kingswood Park SLD</u> | <u>Del Webb Sun City Grand SLD</u> | <u>West Point Towne Center SLD</u> | <u>Continental Kingswood SLD</u> | <u>Mountain Vista Ranch SLD</u> | <u>Sun City Grand II SLD</u> | <u>Sun City Grand III SLD</u> |
|--------------------------|-------------------------------|--|--|--|---|--------------------------------------|---------------------------------------|
| \$ - | \$ 70 | \$ 265,059 | \$ 1,461 | \$ 140 | \$ - | \$ 11,221 | \$ 6,003 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 1,863 | 1,101 | 2,092 | 855 | 693 | 2,537 | - |
| - | - | - | - | - | - | - | - |
| - | 1,933 | 266,160 | 3,553 | 995 | 693 | 13,758 | 6,003 |
| 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 |
| - | 10,141 | 220,164 | 35,553 | 5,267 | - | - | - |
| - | - | - | - | - | - | - | - |
| 4,887 | - | - | - | - | 6,332 | 199,672 | 6,063 |
| - | - | - | - | - | - | - | - |
| 5,367 | 10,621 | 220,644 | 36,033 | 5,747 | 6,812 | 200,152 | 6,543 |
| (5,367) | (8,688) | 45,516 | (32,480) | (4,752) | (6,119) | (186,394) | (540) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| (5,367) | (8,688) | 45,516 | (32,480) | (4,752) | (6,119) | (186,394) | (540) |
| (4,532) | 90,167 | 23,221 | 114,309 | 41,787 | 35,259 | 209,491 | (3,667) |
| \$ (9,899) | \$ 81,479 | \$ 68,737 | \$ 81,829 | \$ 37,035 | \$ 29,140 | \$ 23,097 | \$ (4,207) |

CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | Bell West Ranch SLD | Canyon Ridge West SLD | Ashton Ranch I SLD | Ashton Ranch II SLD | Mountain Vista Ranch II SLD |
|---|------------------------------------|--------------------------------------|-----------------------------------|------------------------------------|--|
| REVENUES | | | | | |
| Taxes | \$ 3,984 | \$ 119 | \$ 286 | \$ 34,179 | \$ 285 |
| Intergovernmental | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Development fees | - | - | - | - | - |
| Investment income | - | 124 | 139 | 140 | 358 |
| Other | 1,850 | - | - | - | - |
| Total revenues | <u>5,834</u> | <u>243</u> | <u>425</u> | <u>34,319</u> | <u>643</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 480 | 480 | 480 | 480 | 480 |
| Public works and streets | - | - | - | - | - |
| Water project (Fund 2) | - | - | - | - | - |
| Costs of sales of services (SLD's) | - | 1,569 | 5,068 | 6,464 | 4,254 |
| Administration | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Total expenditures | <u>480</u> | <u>2,049</u> | <u>5,548</u> | <u>6,944</u> | <u>4,734</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>5,354</u> | <u>(1,806)</u> | <u>(5,123)</u> | <u>27,375</u> | <u>(4,091)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund transfers in (out) | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 5,354 | (1,806) | (5,123) | 27,375 | (4,091) |
| FUND BALANCES (DEFICIT), beginning of year | <u>(6,602)</u> | <u>6,742</u> | <u>10,249</u> | <u>(6,565)</u> | <u>18,446</u> |
| FUND BALANCES (DEFICIT), end of year | <u>\$ (1,248)</u> | <u>\$ 4,936</u> | <u>\$ 5,126</u> | <u>\$ 20,810</u> | <u>\$ 14,355</u> |

(Continued)

| Mountain Vista Ranch III SLD | Legacy Parc SLD | Greenway Parc SLD | Roseview SLD | Countryside SLD | NW Ranch #2 | Bell West Ranch 1B | Ashton Ranch SLID Unit III |
|---|--------------------------------|----------------------------------|-------------------------|----------------------------|------------------------|-------------------------------|---|
| \$ 2,114 | \$ 192 | \$ 27,648 | \$ 55,754 | \$ 26,672 | \$ 291 | \$ 9,395 | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 176 | 108 | 82 | - | - | 44 | - |
| - | - | - | - | - | - | - | - |
| <u>2,114</u> | <u>368</u> | <u>27,756</u> | <u>55,836</u> | <u>26,672</u> | <u>291</u> | <u>9,439</u> | <u>-</u> |
| 480 | 480 | 475 | 480 | 480 | 480 | 480 | 480 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 7,900 | 6,941 | - | 6,524 | 14,500 | 5,368 | 1,921 | 7,314 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>8,380</u> | <u>7,421</u> | <u>475</u> | <u>7,004</u> | <u>14,980</u> | <u>5,848</u> | <u>2,401</u> | <u>7,794</u> |
| <u>(6,266)</u> | <u>(7,053)</u> | <u>27,281</u> | <u>48,832</u> | <u>11,692</u> | <u>(5,557)</u> | <u>7,038</u> | <u>(7,794)</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| (6,266) | (7,053) | 27,281 | 48,832 | 11,692 | (5,557) | 7,038 | (7,794) |
| <u>(7,074)</u> | <u>12,972</u> | <u>(4,588)</u> | <u>(31,630)</u> | <u>(18,846)</u> | <u>(2,080)</u> | <u>(980)</u> | <u>(4,273)</u> |
| <u>\$ (13,340)</u> | <u>\$ 5,919</u> | <u>\$ 22,693</u> | <u>\$ 17,202</u> | <u>\$ (7,154)</u> | <u>\$ (7,637)</u> | <u>\$ 6,058</u> | <u>\$ (12,067)</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | Ashton Ranch SLID Unit IV | Legacy Park GHI SLID | Rancho Gabriela Phase 1 | NW Ranch 1 SLID | Sun City Grand 4 SLID |
|---|---------------------------------|----------------------------|-------------------------------|-----------------------|-----------------------------|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 4,967 | \$ 7,201 |
| Intergovernmental | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Development fees | - | - | - | - | - |
| Investment income | - | - | - | 38 | - |
| Other | - | - | - | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,005</u> | <u>7,201</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 480 | 480 | 480 | 360 | 360 |
| Public works and streets | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Costs of sales of services (SLD's) | 4,845 | 2,040 | 3,372 | 3,231 | 24,434 |
| Administration | - | - | 4,826 | - | - |
| Capital outlay | - | - | - | - | - |
| Total expenditures | <u>5,325</u> | <u>2,520</u> | <u>8,678</u> | <u>3,591</u> | <u>24,794</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(5,325)</u> | <u>(2,520)</u> | <u>(8,678)</u> | <u>1,414</u> | <u>(17,593)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund transfers in (out) | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (5,325) | (2,520) | (8,678) | 1,414 | (17,593) |
| FUND BALANCES (DEFICIT), beginning of year | <u>(2,518)</u> | <u>(1,667)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES (DEFICIT), end of year | <u>\$ (7,843)</u> | <u>\$ (4,187)</u> | <u>\$ (8,678)</u> | <u>\$ 1,414</u> | <u>\$ (17,593)</u> |

(Continued)

| Rancho Gabriela 2,3 SLID | Greenway Parc II SLID | Greenway Parc III SLID | Bell West Ranch 1A | Western Meadows SLID | Roseview 5,5A 7&8 | Orchards 1,2,3,4,5 SLID | Surprise Farms 1A SLID |
|---|--------------------------------------|---------------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|--|---------------------------------------|
| \$ - | \$ 7,415 | \$ 6,459 | \$ 15,885 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 3 | 6 | 32 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 7,418 | 6,465 | 15,917 | - | - | - | - |
| 160 | 360 | 360 | 360 | - | 240 | 120 | 120 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 2,057 | 11,552 | 6,386 | 9,716 | 1,814 | 18,192 | 2,572 | 2,359 |
| - | - | - | - | - | - | 2,422 | - |
| - | - | - | - | - | - | - | - |
| 2,217 | 11,912 | 6,746 | 10,076 | 1,814 | 18,432 | 5,114 | 2,479 |
| (2,217) | (4,494) | (281) | 5,841 | (1,814) | (18,432) | (5,114) | (2,479) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| (2,217) | (4,494) | (281) | 5,841 | (1,814) | (18,432) | (5,114) | (2,479) |
| - | - | - | - | - | - | - | - |
| <u>\$ (2,217)</u> | <u>\$ (4,494)</u> | <u>\$ (281)</u> | <u>\$ 5,841</u> | <u>\$ (1,814)</u> | <u>\$ (18,432)</u> | <u>\$ (5,114)</u> | <u>\$ (2,479)</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | <u>Legacy Parc Parcels E,F & J</u> | <u>Sierra Montana SLID</u> | <u>Bell West Ranch 2 SLID</u> | <u>Donations Fund</u> | <u>Municipal Court Enhancement</u> |
|---|--|------------------------------------|---------------------------------------|---------------------------|--|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Development fees | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Other | - | - | - | 53,557 | 27,798 |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>53,557</u> | <u>27,798</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 80 | 80 | - | - | - |
| Public works and streets | - | - | - | 3,231 | - |
| Culture and recreation | - | - | - | 14,241 | - |
| Costs of sales of services (SLD's) | - | - | - | - | - |
| Administration | 2,434 | 1,272 | 1,089 | 14,013 | - |
| Capital outlay | - | - | - | - | - |
| Total expenditures | <u>2,514</u> | <u>1,352</u> | <u>1,089</u> | <u>31,485</u> | <u>-</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(2,514)</u> | <u>(1,352)</u> | <u>(1,089)</u> | <u>22,072</u> | <u>27,798</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund transfers in (out) | - | - | - | 32,136 | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,136</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (2,514) | (1,352) | (1,089) | 54,208 | 27,798 |
| FUND BALANCES, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES, end of year | <u>\$ (2,514)</u> | <u>\$ (1,352)</u> | <u>\$ (1,089)</u> | <u>\$ 54,208</u> | <u>\$ 27,798</u> |

(Continued)

| Neighborh. Revitaliz. Fund | Employee Dep Scholarship | Total |
|---|---|---------------------|
| \$ - | \$ - | \$ 486,800 |
| 72,200 | - | 152,810 |
| - | - | 7,537 |
| - | - | 6,874,077 |
| - | 383 | 78,216 |
| <u>38,073</u> | <u>1,019</u> | <u>218,773</u> |
| <u>110,273</u> | <u>1,402</u> | <u>\$ 7,818,213</u> |
| - | - | \$ 198,089 |
| - | - | 322,720 |
| - | - | 2,969,603 |
| - | - | 368,044 |
| 103,105 | - | 138,464 |
| <u>-</u> | <u>-</u> | <u>1,146,545</u> |
| <u>103,105</u> | <u>-</u> | <u>\$ 5,143,465</u> |
| <u>7,168</u> | <u>1,402</u> | <u>2,674,748</u> |
| <u>-</u> | <u>-</u> | <u>100,174</u> |
| <u>-</u> | <u>-</u> | <u>100,174</u> |
| 7,168 | 1,402 | 2,774,922 |
| <u>-</u> | <u>9,811</u> | <u>3,765,463</u> |
| <u>\$ 7,168</u> | <u>\$ 11,213</u> | <u>\$ 6,540,385</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

| | Debt Service Fund | | |
|--|----------------------------|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Taxes | \$ 691,900 | \$ 691,900 | \$ 685,334 |
| Investment income | 10,000 | 10,000 | 25,882 |
| Total revenues | <u>701,900</u> | <u>701,900</u> | <u>711,216</u> |
| EXPENDITURES | | | |
| Debt service | <u>826,600</u> | <u>826,600</u> | <u>773,725</u> |
| Total expenditures | <u>826,600</u> | <u>826,600</u> | <u>773,725</u> |
| REVENUES UNDER EXPENDITURES | <u>(124,700)</u> | <u>(124,700)</u> | <u>(62,509)</u> |
| FUND BALANCES , beginning of the year | <u>124,700</u> | <u>124,700</u> | <u>189,929</u> |
| FUND BALANCES , end of the year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 127,420</u> |
| | | | |
| | Transit Fund | | |
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Intergovernmental | \$ - | \$ - | \$ 80,610 |
| Charges for services | 8,000 | 8,000 | 7,537 |
| Investment income | 10,000 | 10,000 | 183 |
| Total revenues | <u>18,000</u> | <u>18,000</u> | <u>88,330</u> |
| EXPENDITURES | | | |
| General government | <u>247,200</u> | <u>247,200</u> | <u>169,658</u> |
| Total expenditures | <u>247,200</u> | <u>247,200</u> | <u>169,658</u> |
| REVENUES UNDER EXPENDITURES | <u>(229,200)</u> | <u>(229,200)</u> | <u>(81,328)</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in | <u>41,400</u> | <u>41,400</u> | <u>41,400</u> |
| REVENUE UNDER EXPENDITURES AND OTHER FINANCING USES | <u>(187,800)</u> | <u>(187,800)</u> | <u>(39,928)</u> |
| FUND BALANCES , beginning of the year | <u>187,800</u> | <u>187,800</u> | <u>(69,724)</u> |
| FUND BALANCES , end of the year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (109,652)</u> |

(Continued)

**SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE AND SPECIAL REVENUE FUNDS**

| | Donations Fund | | |
|--|-----------------------------------|-------------------------|---------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Other | \$ 500,000 | \$ 500,000 | 53,557 |
| Total revenues | 500,000 | 500,000 | 53,557 |
| EXPENDITURES | | | |
| Current | | | |
| Public works and streets | - | - | 3,231 |
| Culture and recreation | 250,000 | 250,000 | 14,241 |
| Administration | 250,000 | 272,800 | 14,013 |
| Total expenditures | 500,000 | 522,800 | 31,485 |
| REVENUES UNDER EXPENDITURES | - | (22,800) | 22,072 |
| OTHER FINANCING SOURCES | | | |
| Transfers in | - | - | 32,136 |
| REVENUE UNDER EXPENDITURES AND OTHER FINANCING USES | - | (22,800) | 54,208 |
| FUND BALANCES, beginning of the year | - | - | - |
| FUND BALANCES, end of the year | \$ - | \$ (22,800) | \$ 54,208 |
| | | | |
| | Neighborh. Revitaliz. Fund | | |
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Intergovernmental | \$ 490,000 | \$ 490,000 | \$ 72,200 |
| Other | - | - | 38,073 |
| Total revenues | 490,000 | 490,000 | 110,273 |
| EXPENDITURES | | | |
| Current | | | |
| Administration | 490,000 | 490,000 | 103,105 |
| Total expenditures | 490,000 | 490,000 | 103,105 |
| REVENUES UNDER EXPENDITURES | - | - | 7,168 |
| FUND BALANCES, beginning of the year | - | - | - |
| FUND BALANCES, end of the year | \$ - | \$ - | \$ 7,168 |

(Continued)

**SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE AND SPECIAL REVENUE FUNDS**

| | 10% Set Aside Square Mile | | |
|--|----------------------------------|-------------------------|-------------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Investment income | \$ 1,000 | \$ 1,000 | \$ 5,940 |
| Total revenues | <u>1,000</u> | <u>1,000</u> | <u>5,940</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public works and streets | 90,100 | 90,100 | 48,364 |
| Capital outlay | <u>180,000</u> | <u>180,000</u> | <u>105,365</u> |
| Total expenditures | <u>270,100</u> | <u>270,100</u> | <u>153,729</u> |
| REVENUES UNDER EXPENDITURES | <u>(269,100)</u> | <u>(269,100)</u> | <u>(147,789)</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in | <u>173,400</u> | <u>173,400</u> | <u>173,400</u> |
| REVENUE UNDER EXPENDITURES AND OTHER FINANCING USES | <u>(95,700)</u> | <u>(95,700)</u> | <u>25,611</u> |
| FUND BALANCES, beginning of the year | <u>95,700</u> | <u>95,700</u> | <u>8,372</u> |
| FUND BALANCES (DEFICIT), end of the year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 33,983</u></u> |

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City of Surprise
Government-wide Expenses by Function
Last Seven Fiscal Years¹

| Fiscal Year | General Government | Public Safety | Public Works and Streets | Community Services | Culture and Recreation | Cost of Sales and Services | Admin. | Interest | Water | Replenishment | Sewer | Sanitation | Total |
|--------------------|---------------------------|----------------------|---------------------------------|---------------------------|-------------------------------|-----------------------------------|---------------|-----------------|--------------|----------------------|--------------|-------------------|--------------|
| 1996/97 | \$ 1,586,995 | \$ 2,156,627 | \$ 1,550,661 | \$ 473,607 | \$ 736,622 | \$ 15,063 | \$ 28,200 | \$ 405,840 | \$ 51,450 | \$ - | \$ 1,297,325 | \$ 289,554 | \$ 8,591,944 |
| 1997/98 | 2,416,141 | 3,570,003 | 2,042,990 | 619,493 | 1,199,841 | 248,328 | 22,326 | 322,782 | 981,564 | - | 659,109 | 272,881 | 12,355,459 |
| 1998/99 | 2,033,748 | 3,478,494 | 3,438,777 | 156,072 | 1,337,691 | 159,541 | 20,361 | 734,904 | 640,315 | - | 991,467 | 481,446 | 13,472,814 |
| 1999/00 | 6,219,296 | 5,262,491 | 5,325,395 | 1,339,271 | 1,677,460 | 431,550 | 1,120,788 | 387,413 | 1,136,521 | 10,000 | 1,393,103 | 645,457 | 24,948,743 |
| 2000/01 | 5,341,087 | 8,617,222 | 6,095,121 | 1,925,975 | 6,253,556 | 591,290 | 85,717 | 2,306,856 | 1,249,808 | 32,074 | 2,017,488 | 960,484 | 35,476,679 |
| 2001/02 | 5,641,126 | 10,638,974 | 6,385,869 | 2,271,931 | 5,959,097 | 277,592 | 510,003 | 4,988,389 | 1,782,272 | 104,292 | 5,659,805 | 1,171,441 | 45,390,791 |
| 2002/03 | 7,123,534 | 12,421,571 | 6,075,568 | 2,765,942 | 8,814,719 | 368,044 | 138,464 | 3,439,953 | 2,520,676 | 269,688 | 5,299,290 | 1,286,846 | 50,524,295 |

¹Restricted to last seven fiscal years, this is the first year a CAFR was prepared and the information available on expenditures prior to this was not available in sufficient detail to utilize in the preparation of this schedule.

**City of Surprise
Government Wide Revenues
Last Seven Fiscal Years¹**

| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Taxes | Grants and Contributions Not Restricted to Specific Programs | Unrestricted Investment Earnings | Miscellaneous | Total |
|--------------------|-----------------------------|---|---|--------------|---|---|----------------------|---------------|
| 1996/97 | \$ 3,764,415 | \$ 651,804 | \$ 2,750,033 | \$ 5,491,692 | \$ 1,598,720 | \$ 458,793 | \$ 961,438 | \$ 15,676,895 |
| 1997/98 | 8,033,523 | 715,187 | 5,799,152 | 8,147,674 | 1,734,403 | 681,787 | 393,162 | 25,504,888 |
| 1998/99 | 7,664,019 | 1,089,718 | 4,954,062 | 11,034,560 | 2,034,199 | 1,256,548 | 330,398 | 28,363,504 |
| 1999/00 | 8,992,188 | 697,460 | 6,352,992 | 12,372,499 | 2,089,608 | 1,787,835 | 466,800 | 32,759,382 |
| 2000/01 | 14,194,713 | 671,386 | 11,523,869 | 17,252,888 | 2,330,568 | 5,539,740 | 310,662 | 51,823,828 |
| 2001/02 | 27,109,896 | 3,001,252 | 12,275,834 | 25,730,075 | 3,438,860 | 2,487,976 | 1,379,420 | 75,423,313 |
| 2002/03 | 26,738,629 | 472,278 | 57,003,550 | 23,064,286 | 5,919,754 | (395,218) | 1,137,581 | 113,940,860 |

¹ Only seven years of financial information exists is sufficient detail to aggregate in this format.

City of Surprise
General Governmental Expenditures by Function²
Last Seven Fiscal Years¹

| Fiscal Year | General Government | Public Safety | Public Works and Streets | Community Services | Culture and Recreation | Cost of Sales and Services | Administrative | Debt Service | Total |
|--------------------|---------------------------|----------------------|---------------------------------|---------------------------|-------------------------------|-----------------------------------|-----------------------|---------------------|--------------|
| 1996/97 | \$ 1,744,174 | \$ 2,657,903 | \$ 1,841,866 | \$ 473,607 | \$ 791,971 | \$ 15,063 | \$ 28,200 | \$ 1,426,715 | \$ 8,979,499 |
| 1997/98 | 2,501,228 | 4,148,482 | 2,240,259 | 619,493 | 1,208,159 | 248,328 | 22,326 | 1,201,533 | 12,189,809 |
| 1998/99 | 2,343,274 | 4,556,219 | 3,687,772 | 156,072 | 2,452,738 | 159,541 | 20,361 | 1,207,914 | 14,583,889 |
| 1999/00 | 6,184,242 | 5,244,899 | 5,330,203 | 1,339,271 | 1,634,867 | 431,550 | 1,120,788 | 874,973 | 22,160,792 |
| 2000/01 | 5,838,779 | 8,895,622 | 6,197,062 | 1,925,975 | 6,246,519 | 591,290 | 85,717 | 4,664,269 | 34,445,233 |
| 2001/02 | 6,999,921 | 10,187,801 | 5,031,757 | 2,255,604 | 4,639,572 | 277,592 | 510,003 | 5,449,653 | 35,351,903 |
| 2002/03 | 6,978,327 | 12,032,201 | 4,965,417 | 2,726,882 | 8,577,218 | 368,044 | 138,464 | 6,097,029 | 41,883,582 |

¹Restricted to last seven fiscal years, this is the first year a CAFR was prepared and the information available on expenditures prior to this was not available in sufficient detail to utilize in the preparation of this schedule.

²Does not include Capital Outlay

**City of Surprise
General Government Revenues by Source
Last Seven Fiscal Years^{1,2}**

| Fiscal Year | Taxes | Licenses and Permits | Inter-governmental | Charges for Services | Fines | Rents | Donations | Development Fees | Investment Earnings | Misc. | Total |
|--------------------|--------------|-----------------------------|---------------------------|-----------------------------|--------------|--------------|------------------|-------------------------|----------------------------|--------------|---------------|
| 1996/97 | \$ 5,491,692 | \$ 1,981,144 | \$ 3,327,969 | \$ 283,334 | \$ 252,339 | \$ 251,362 | \$ 16,862 | \$ 242,220 | \$ 331,973 | \$ 960,938 | \$ 13,139,832 |
| 1997/98 | 8,147,674 | 3,776,847 | 3,179,802 | 334,849 | 248,515 | 357,947 | 10,756 | 507,360 | 545,668 | 296,310 | 17,405,730 |
| 1998/99 | 11,034,560 | 4,560,554 | 4,167,068 | 270,001 | 309,972 | 272,642 | 124,018 | 499,306 | 1,042,756 | 187,911 | 22,468,788 |
| 1999/00 | 12,372,499 | 5,345,864 | 3,554,763 | 187,012 | 403,310 | 461,878 | 16,318 | 685,424 | 1,387,719 | 445,753 | 24,860,541 |
| 2000/01 | 17,252,888 | 4,900,470 | 3,822,729 | 225,117 | 530,101 | 5,063,371 | 21,864 | 3,160,751 | 5,012,497 | 357,279 | 40,347,066 |
| 2001/02 | 21,733,191 | 4,518,042 | 6,065,448 | 6,925,318 | 681,061 | 5,630,923 | 9,336 | 4,551,017 | 2,127,574 | 1,560,586 | 53,802,496 |
| 2002/03 | 25,270,676 | 30,212,048 | 6,180,140 | 9,567,747 | 778,307 | 5,431,504 | 119,309 | 8,369,809 | (111,290) | 2,686,313 | 88,504,563 |

¹ Only seven years of financial information exists is sufficient detail to aggregate in this format.

² Includes general, MPC, highway user, public safety development, debt service and special revenue funds.

**City of Surprise
General Government Tax Revenues by Source
Last Seven Fiscal Years¹**

| Fiscal Year | Property Tax | Sales Tax | Franchise & Business Licenses | Total |
|--------------------|---------------------|------------------|--|---------------|
| 1996/97 | \$ 1,666,635 | \$ 3,295,691 | \$ 252,566 | \$ 5,214,891 |
| 1997/98 | 1,454,176 | 6,044,297 | 342,561 | \$ 7,841,033 |
| 1998/99 | 1,553,843 | 8,649,516 | 468,987 | \$ 10,672,346 |
| 1999/00 | 1,681,033 | 9,530,907 | 761,629 | \$ 11,973,569 |
| 2000/01 | 2,415,461 | 13,298,824 | 985,407 | \$ 16,699,693 |
| 2001/02 | 2,350,274 | 17,198,508 | 1,174,630 | \$ 20,723,412 |
| 2002/03 | 2,945,714 | 18,649,326 | 1,469,246 | \$ 23,064,286 |

¹ Only seven years of financial information exists is sufficient detail to aggregate in this format.

**City of Surprise
Primary Property Tax Levies and Collections¹**

| Fiscal Year | Total Tax Levy | Current Tax Collections | Percent of Current Taxes Collected | Delinquent Tax Collections | Total Tax Collections | Ratio of Total Tax Collections to Total Tax Levy | Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Total Tax Levy |
|--------------------|-----------------------|--------------------------------|---|-----------------------------------|------------------------------|---|-------------------------------------|--|
| 1996/97 | 1,016,647 | 923,966 | 90.9% | 6,968 | 930,935 | 91.6% | 85,712 | 8.4% |
| 1997/98 | 1,013,125 | 937,128 | 92.5 | 18,776 | 955,904 | 94.4 | 57,221 | 5.6 |
| 1998/99 | 1,144,130 | 1,050,014 | 91.8 | 3,083 | 1,053,097 | 92.0 | 91,033 | 8.0 |
| 1999/00 | 1,250,000 | 1,238,869 | 99.1 | - | 1,238,869 | 99.1 | 11,131 | 0.9 |
| 2000/01 | 657,800 | 614,901 | 93.5 | 16,732 | 631,632 | 96.0 | 26,168 | 4.0 |
| 2001/02 | 1,394,900 | 1,371,554 | 98.3 | - | 1,371,554 | 98.3 | 23,346 | 1.7 |
| 2002/03 | 1,734,200 | 1,717,390 | 99.0 | 34,462 | 1,751,852 | 101.0 | 16,810 | 1.0 |

¹Limited all schedules to seven years to be consistent with restrictions on revenue and expenditure schedules in this section.

City of Surprise
Assessed and Estimated Actual Value of Property
Last Seven Fiscal Years^{1,2}

| <u>Year</u> | <u>Real Property</u> | | <u>Exemptions</u> | <u>Total</u> | | <u>Ratio of Total Assessed Value to Total Estimated Actual Value</u> |
|-------------|-----------------------|-------------------------------|----------------------|-----------------------|-------------------------------|--|
| | <u>Assessed Value</u> | <u>Estimated Actual Value</u> | <u>Real Property</u> | <u>Assessed Value</u> | <u>Estimated Actual Value</u> | |
| 1996/97 | \$ 51,803,339 | \$ 355,668,191 | \$ 3,353,245 | \$ 48,450,094 | \$ 355,668,191 | 13.62% |
| 1997/98 | 64,436,219 | 458,500,211 | 3,542,274 | 60,893,945 | 458,500,211 | 13.28 |
| 1998/99 | 92,039,533 | 672,327,949 | 5,030,081 | 87,009,452 | 672,327,949 | 12.94 |
| 1999/00 | 129,054,533 | 1,002,586,737 | 5,214,223 | 123,840,310 | 1,002,586,737 | 12.35 |
| 2000/01 | 181,991,654 | 1,507,408,770 | 5,897,004 | 176,094,650 | 1,507,408,770 | 11.68 |
| 2001/02 | 235,522,019 | 1,977,250,961 | 5,859,449 | 229,662,570 | 1,977,250,961 | 11.62 |
| 2002/03 | 287,397,730 | 2,419,215,265 | 7,206,831 | 280,190,899 | 2,419,215,265 | 11.58 |

¹Limited all schedules to seven years to be consistent with restrictions on revenue and expenditure schedules in this section.

² Source: Maricopa County Assessor's Office

**City of Surprise
Property Tax Rates²
Direct and Overlapping Governments
Last Seven Fiscal Years¹**

| Year | City of Surprise | | | Maricopa County | | | | Dysart School District | | | Other | Total |
|------|-------------------|----------------------|--------------------|-------------------|----------------------|----------------|----------------------|------------------------|----------------------|-----------------------|--------|---------|
| | Operating Millage | Debt Service Millage | Total City Millage | Operating Millage | Debt Service Millage | County Library | Total County Millage | Operating Millage | Debt Service Millage | Total School District | | |
| 1997 | 0.4089 | 1.2806 | 1.6895 | 1.1054 | 0.1575 | 0.0421 | 1.3050 | 5.9232 | 2.2044 | 8.1276 | 0.3425 | 11.4646 |
| 1998 | 0.4155 | 0.9413 | 1.3568 | 1.1265 | 0.1364 | 0.0421 | 1.3050 | 4.3921 | 1.5918 | 5.9839 | 0.3425 | 8.9882 |
| 1999 | 0.4155 | 0.9413 | 1.3568 | 1.1472 | 0.1312 | 0.0421 | 1.3205 | 4.1829 | 1.4064 | 5.5893 | 0.3270 | 8.5936 |
| 2000 | 0.411 | 0.6298 | 1.0408 | 1.1884 | 0.1085 | 0.0421 | 1.3390 | 4.5713 | 1.5735 | 6.1448 | 0.2858 | 8.8104 |
| 2001 | 0.6632 | 0.4400 | 1.1032 | 1.1641 | 0.1152 | 0.0421 | 1.3214 | 4.3012 | 1.2575 | 5.5587 | 0.2534 | 8.2367 |
| 2002 | 0.6632 | 0.1777 | 0.8409 | 1.1832 | 0.0876 | 0.0421 | 1.3129 | 4.0828 | 1.3021 | 5.3849 | 0.2319 | 7.7706 |
| 2003 | 0.6936 | 0.2165 | 0.9101 | 1.2108 | 0.0700 | 0.0521 | 1.3329 | 4.3099 | 1.5850 | 5.8949 | 0.3389 | 8.4768 |

¹Limited all schedules to seven years to be consistent with restrictions on revenue and expenditure schedules in this section.

² Source: Maricopa County Assessor's Office

**City of Surprise
Principal Taxpayers¹
June 30, 2002²**

| Taxpayer | Type of Property | 2001-02 Assessed Valuation | As % of City's Total Assessed Valuation |
|--------------------------------------|---------------------------------|---|--|
| Arizona Public Service Company | Gas & Electric Utility | \$ 8,226,445 | 3.49% |
| Del Webb Construction | Vacant Land | 3,174,718 | 1.35% |
| Sun City Grand | Drive-In/Golf Course/Race Track | 2,619,466 | 1.11% |
| Cox Communications | TV System | 2,297,510 | 0.98% |
| Southwest Gas Corporation | Gas & Electric Utility | 2,163,067 | 0.92% |
| Elliott Homes | Vacant Land | 1,892,550 | 0.80% |
| Surprises Village Co. L.L.C. | Vacant Land | 1,868,464 | 0.79% |
| Qwest U.S. West Communications, Inc. | TV System | 1,729,138 | 0.73% |
| Target Corp. | Department Store | 1,630,080 | 0.69% |
| Paseo Village Ltd. Partnership | Shopping Center | 1,568,898 | 0.67% |
| Grand Village Deborado LLC | Shopping Center | 1,549,625 | 0.66% |
| Wal Mart Stores | Shopping Center | 1,509,567 | 0.64% |
| Arizona -American Water Co. | Water Utility | 1,382,983 | 0.59% |
| Home Depot | Shopping Center | 1,280,700 | 0.54% |
| Albertson's Stores | Shopping Center | 1,114,787 | 0.47% |
| Windmill Inn | Hotel | 1,045,045 | 0.44% |
| Alliance Residential Co. | Apartments | 909,901 | 0.39% |
| Surprise Center Development | Vacant Land | 835,023 | 0.35% |
| | | <u>36,797,967</u> | <u>15.62%</u> |

¹Data obtained from the Maricopa County Treasurer's Office.

²Most recent data available.

City of Surprise
Computation of Legal Debt Margin 6%¹
June 30, 2003

| | |
|---|----------------|
| Assessed valuations: | |
| Secondary Assessed Value | \$ 280,190,899 |
| Unrestricted-Legal debt margin | |
| Debt limitation-6 percent of total secondary assessed valuation | \$ 16,811,454 |
| Debt applicable to limitation: | |
| Total Bonded Debt | \$ 60,917,738 |
| Less: Water, Light, Sewer, Open Space and Park Bonds | 55,995,000 |
| Amount available for repayment of general obligation bonds | 127,420 |
| Total debt applicable to limitation | 4,795,318 |
| Unrestricted Legal debt margin | \$ 12,016,136 |

Computation of Legal Debt Margin 20%¹
June 30, 2003

| | |
|---|----------------|
| Assessed valuations: | |
| Secondary Assessed Value | \$ 280,190,899 |
| Restricted-Legal debt margin | |
| Debt limitation-20 percent of total secondary assessed valuation | \$ 56,038,180 |
| Debt applicable to limitation: | |
| Total Bonded Debt | \$ 60,917,738 |
| Less: Debt covered under 6% limitation Water, Light, Sewer, Open Space and Park Bonds | 60,790,318 |
| Amount available for repayment of general obligation bonds | 127,420 |
| Total debt applicable to limitation | - |
| Restricted Legal debt margin | \$ 56,038,180 |

¹See note 8 - Legal Debt Limit

City of Surprise
Ratio of Net General Obligation Bonded Debt
To Assessed Value and Net General Obligation Bonded Debt per Capita
Last Seven Fiscal Years

| Fiscal Year | Population¹ | Secondary Assessed Value² | Gross Bonded Debt³ | Less Debt Service Fund⁴ | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|--------------------|-------------------------------|---|--------------------------------------|---|------------------------|---|-----------------------------------|
| 1996/97 | 16,405 | \$ 48,450,094 | \$ 7,925,106 | \$ 324,640 | \$ 7,600,466 | 15.69% | \$ 463 |
| 1997/98 | 18,685 | 60,893,945 | 7,466,355 | 432,586 | 7,033,769 | 11.55 | 376 |
| 1998/99 | 26,145 | 87,009,452 | 6,993,345 | 426,816 | 6,566,529 | 7.55 | 251 |
| 1999/00 | 30,848 ⁶ | 123,840,310 | 6,505,784 | 468,715 | 6,037,069 | 4.87 | 196 |
| 2000/01 | 38,400 | 176,094,650 | 5,998,371 | 520,891 | 5,477,480 | 3.11 | 143 |
| 2001/02 | 45,125 | 229,662,570 | 5,470,796 | 189,929 | 5,280,867 | 2.30 | 117 |
| 2002/03 | 59,000 | 280,190,899 | 4,922,738 | 127,420 | 4,795,318 | 1.71 | 81 |

¹Unless otherwise noted, annual estimates provided by Arizona Department of Economic Security or Maricopa County

²From the Assessed and Estimated Actual Value of Property table in this section

³Amount does not include debt related to Water, Light, Sewer, Open Space and Park Bonds

⁴Amount available for repayment of general obligation bonds

⁵Limited all schedules to seven years to be consistent with restrictions on revenue and expenditure schedules in this section.

⁶Per 2000 Census

City of Surprise
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt^{1, 2,}
to Total General Governmental Expenditures
Last Seven Fiscal Years³

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> | <u>Total Governmental Expenditures</u> | <u>Ratio of Net Bonded Debt to Assessed Value</u> |
|--------------------|------------------|-----------------|---------------------------|--|---|
| 1996/97 | \$ 1,024,775 | \$ 430,140 | \$ 1,454,915 | \$ 6,547,775 | 22.22% |
| 1997/98 | 878,751 | 345,109 | 1,223,860 | 10,119,122 | 12.09 |
| 1998/99 | 473,010 | 303,622 | 1,228,275 | 10,624,683 | 11.56 |
| 1999/00 | 487,561 | 285,057 | 772,618 | 21,376,250 | 3.61 |
| 2000/01 | 507,413 | 267,113 | 774,526 | 28,909,970 | 2.68 |
| 2001/02 | 527,575 | 246,588 | 774,163 | 31,684,592 | 2.44 |
| 2002/03 | 548,058 | 210,588 | 758,646 | 37,707,842 | 2.01 |

¹General obligation bonds only.

²Excludes bond issuance and other costs

³Limited all schedules to seven years to be consistent with restrictions on revenue and expenditure schedules in this section.

City of Surprise
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
June 30, 2003

| <u>Jurisdiction</u> | <u>Net General Obligation Bonded Debt Outstanding²</u> | <u>Percentage Applicable to City</u> | <u>Amount Applicable to City</u> |
|--|---|--|--|
| Direct: | | | |
| City of Surprise ¹ | 4,795,318 | 100.00% | 4,795,318 |
| Overlapping: | | | |
| Maricopa County ³ | 39,515,000 | 0.94% | 371,063 |
| Maricopa Community College District ³ | 284,815,000 | 0.94% | 2,674,540 |
| Dysart School District ³ | 6,025,000 | 56.25% | 3,389,210 |
| Total | <u>\$ 335,150,318</u> | | <u>\$ 11,230,131</u> |

¹Excluding the amount available for repayment in the debt service fund and MPC debt.

²Overlapping amounts provided by the Maricopa County Assessor's Office.

³Most recent data available.

City of Surprise
Property Value, Construction and Bank Deposits
Last Seven Fiscal Years¹

| Year | Property Value² | | | Commercial Construction | | Residential Construction | | Bank Deposits⁴ |
|-------------|-----------------------------------|--------------------|----------------|-------------------------------------|-----------------------------|------------------------------------|------------------------------|----------------------------------|
| | Commercial | Residential | Total | Commercial Permits Completed | Commercial Valuation | Residential Number of Units | Residential Valuation | |
| 1997 | \$ 179,607,529 | \$ 176,060,662 | \$ 355,668,191 | 23 | \$5,627,655 | 981 | \$69,876,893 | \$ 11,148,000 |
| 1998 | 146,759,338 | 311,740,873 | 458,500,211 | 31 | 13,752,923 | 2,812 | 261,260,865 | 8,238,000 |
| 1999 | 293,383,163 | 378,944,786 | 672,327,949 | 30 | 17,387,674 | 3,070 | 298,613,520 | 7,519,000 |
| 2000 | 380,134,773 | 622,451,964 | 1,002,586,737 | 61 | 25,889,014 | 3,262 | 327,300,941 | 59,495,000 |
| 2001 | 513,908,896 | 993,499,874 | 1,507,408,770 | 86 | 25,187,420 | 3,215 | 323,247,757 | 159,677,000 |
| 2002 | 632,889,659 | 1,344,361,302 | 1,977,250,961 | 82 | 29,056,290 | 3,008 | 333,289,300 | 246,379,000 |
| 2003 | 745,887,218 | 1,673,328,047 | 2,419,215,265 | 13 ² | 11,105,099 ² | 1,593 ² | 209,904,969 ² | Not yet available |

¹Limited all schedules to seven years to be consistent with restrictions on revenue and expenditure schedules in this section.

²Includes only the first six months of calendar year 2003

³Source: Maricopa County Treasurer's Office

⁴Source: Federal Deposit Insurance Corporation, most recent data available.

**City of Surprise
Miscellaneous Statistics
June 30, 2003**

| | |
|--|-----------------|
| Date of Incorporation | 1960 |
| Form of Government | Council/Manager |
| Number of employees (excluding police and fire): | |
| Classified | 326 |
| Exempt | 78 |
| Area in square miles | 74 |
| Name of Government facilities and services: | |
| Miles of streets | 540 |
| Number of street lights | 435 |
| Culture and Recreation: | |
| Community Centers | 2 |
| Parks | 5 |
| Swimming Pools | 1 |
| Fire Protection: | |
| Number of stations | 4 |
| Number of fire personnel and officers | 60 |
| Number of calls answered | 5,086 |
| Number of inspections conducted | 1,796 |
| Police Protection: | |
| Number of stations | 2 |
| Number of police personnel and officers | 78 |
| Number of patrol units | 44 |
| Number of law violations: | |
| Criminal traffic Caseload | 1,847 |
| Misdemeanor Caseload | 1,974 |
| Civil Traffic Caseload | 8,799 |
| Hearings | 322 |
| Bench Trials | 32 |
| Jury Trials | 4 |
| Search Warrants | 14 |
| Orders of Protection & Injunction | 192 |
| Sewerage System: | |
| Number of treatment plants | 2 |
| Number of service connections | 17,293 |
| Daily average treatment in gallons | 7,200,000 |
| Maximum daily capacity of treatment plant in gallons | 18,000,000 |
| Water systems: | |
| Number of service connections | 5,939 |
| Daily average consumption in gallons | 1,100,000 |
| Maximum daily capacity of plant in gallons | 3,300,000 |

**City of Surprise
Demographic Statistics
Per 2000 Census**

| | |
|-------------------------|-----------|
| Total Population | 30,848 |
| Per Capita Income | \$ 21,451 |
| Median Household Income | \$ 44,156 |
| Median Age | 50 |
| School Enrollment | 5,356 |
| Education Level | 13.5 |



SURPRISE
ARIZONA