



**Building a City**

# *Beyond Expectations*



City of Surprise,  
Arizona  
Comprehensive Annual  
Financial Report  
for the fiscal year ended  
June 30, 2005



# CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the fiscal year ended  
June 30, 2005

Prepared by:  
Finance Department



**SURPRISE**  
ARIZONA

**CITY OF SURPRISE, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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(continued)



October 27, 2005

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, 2005.

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, 2005, 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, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Surprise was related to a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Surprise's separately issued Single Audit 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 76 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 needs of its residential community and the growth of its business and industrial sections.

Over the past 45 years, Surprise has grown from 500 residents to a city of nearly 100,000 people in 2005. Not only is our population growing, our service area has expanded from 1.67 square miles in 1980 to our current incorporated area which is part of a planning area of 302 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. Policymaking 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 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 and a community facilities district designed to provide funding for the construction and acquisition of public infrastructure improvements. These last four 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 four 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. 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, budget director, and City Manager use these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review in May. The Council is then required to hold public hearings on the proposed budget and to adopt a final budget by the second 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 and within the personnel category. While the City Manager may authorize transfers from the personnel category and from operating capital to services or supplies within a department, the Council must approve all transfers from contingency dollars, between funds, and between departments.

### **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 improved growth of the State's economy, the City's economy is doing extremely 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 years, 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 twenty-five percent (25%) to subsidize general

fund operations and of seventy-five percent (75%) 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.

Items number one and three have not been programmed for expenditure and are only available for use within the confines of our expenditure limits (these amounts are not included in the budget).

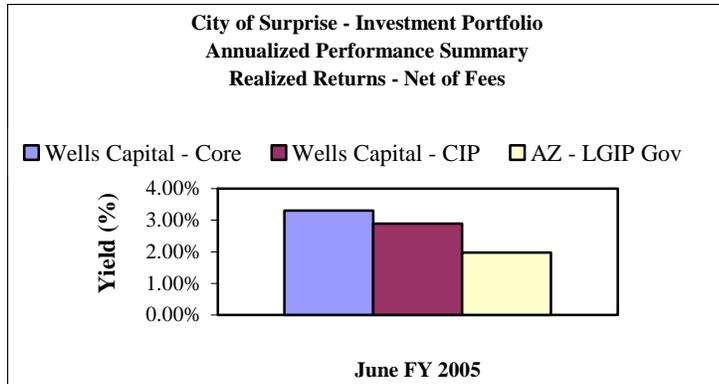
At least \$56.0 million (\$56,000,000) has been listed as contingency in various funds, which means that it has not been allocated for any specific activity. If revenues are sufficient, Council can use this contingency for unexpected emergencies and projects. In addition, beginning fund balances (prior 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, County Court Complex, and a state-of-the-art Cactus League spring training facility for the Texas Rangers and the Kansas City Royals. In the next few years the City of Surprise will be constructing a Public Safety/Municipal Court facility, a new City Hall, an eight million gallon per day sewer plant expansion, and a satellite location for the renowned Heard Museum. During this time, the County will be centralizing its West Valley Court system into one central location at Surprise Center.



**Cash management policies and practices.** State statutes permit municipalities 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 invests its idle funds with an external investment management company as well as the State Treasurer's LGIP. The year-to-date yield on

investments as of June 30, 2005 ranged from just under 2% to 3.3%. 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.** The City of Surprise currently maintains insurance coverage of 20 million dollars. As the City grows, it will continue to increase its coverage and deductibles to effectively self-insure for smaller claims and protect the City from larger claims. In order to better manage our insurance coverage, the City hired a risk coordinator in 2001. This individual ensures that the City has adequate insurance coverage, appropriate deductibles, reasonable insurance rates, valid and timely claims are filed, and proper training in loss and accident prevention is conducted. This individual also updates and maintains policies and procedures related to insurance and other risk related exposures. For further information regarding risk management, please refer to Note 9 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 state agency plans are offered to state and local governments statewide and are 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 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 8 in the financial statement.

### **Awards and Acknowledgements**

The City of Surprise has received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for our CAFR for the past three fiscal years. 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 every year 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 department and other departments who assisted and contributed to the preparation of this report.

Respectfully submitted,



James Rumpeltes  
City Manager



Robert Nilles  
Finance Director

# 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, 2004

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.



*Nancy L. Zielke*

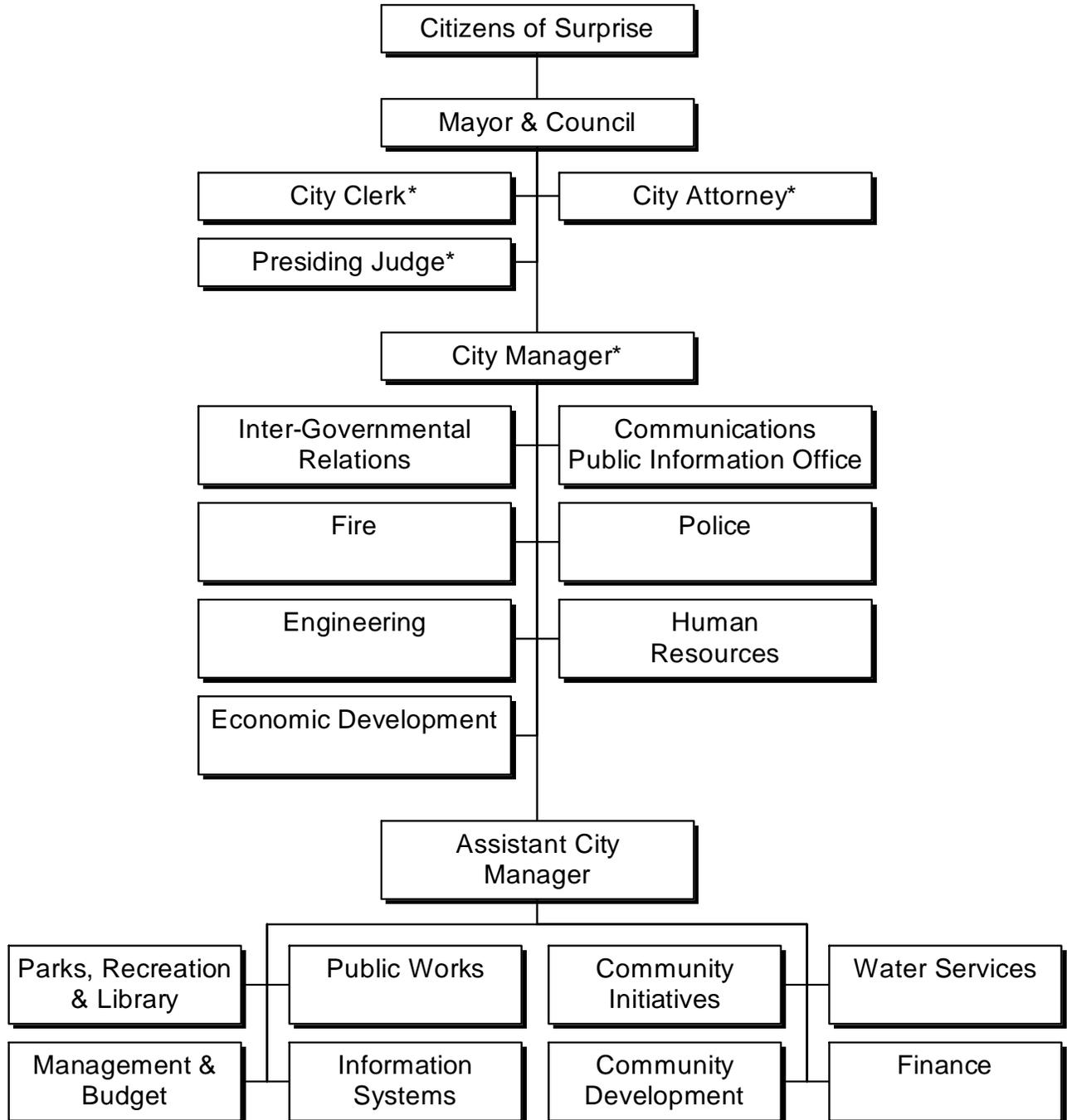
President

*Jeffrey R. Emer*

Executive Director



# CITY OF SURPRISE ORGANIZATIONAL CHART FY2005



**\*Appointed by Council**

## COUNCIL MEMBERS

### **MAYOR JOAN H. SHAFER** – [Mayor@surpriseaz.com](mailto:Mayor@surpriseaz.com)



Mayor Joan Shafer has set a record for "firsts" since 1990, when she was the first woman elected to the Surprise City Council. In 1994, she became the first woman mayor and the first elected mayor of the City of Surprise. After a string of two-year terms, she was re-elected in 1999 to a four-year term as mayor. Shafer is best known for her, "The Mayor is In" forums in local grocery stores where she informally disseminates information and listens to the concerns of her constituents. It's an idea copied by mayors nationally, even internationally.

Shafer worked as a medical records librarian at several Phoenix area hospitals and, for nearly 25 years, volunteered her time working with youth. She is a U.S. Navy veteran having served during the Korean War.

The widow of a Phoenix firefighter and arson investigator, Shafer enjoys spending time with her two children, five grandchildren and two cats. The Sun City Grand resident also likes reading and swimming. Shafer's vision for Surprise is "a City where diverse population come together in harmony and where services are sufficient to meet the needs."

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

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### **VICE-MAYOR DANIEL ARISMENDEZ** – [danny.arizmendez@surpriseaz.com](mailto:danny.arizmendez@surpriseaz.com)



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

A native of the area, Arismendez moved to Surprise from El Mirage in 1982. He opened his business, Sun Cities Appliance, in June of 1979 and serves on the finance committee of St. Theresita Catholic Church in El Mirage.

A resident of the City's Original Townsite, Arismendez said he is "grateful and thankful" for a second opportunity to serve the residents of Surprise and especially his district. "There are a lot of things I didn't get done the first time around," he said. "I can do a good job. I can make a difference. If I can do something, I will do something."

He was instrumental in bringing a swimming pool to the Original Townsite. The \$2 million Hollyhock Community Pool opened in July 2004. He is also interested in stepping up rehabilitation and beautification efforts in his district.

Arismendez and his wife, Becky, have six children and three grandchildren. He enjoys playing golf and watching Phoenix Suns, Diamondbacks and ASU football games.

The Mulberry District encompasses the majority of the Original Townsite, from Bell Road south to Greenway Road between Dysart Road and Jerry Street.

Arismendez's term expires in June 2007.

**GWYN FORO** – [gwyn.foro@surpriseaz.com](mailto:gwyn.foro@surpriseaz.com)



Gwyn Foro, representative of the Palo Verde District (6), was elected to her first four-year term on the Surprise City Council in May 2005.

Foro was born into a Navy family, is a Navy veteran, and has worked for the Phoenix Police Department since 1990. She earned a Bachelor of Science degree in Justice Studies from Arizona State University and a Master of Arts degree in Human Resources from Ottawa University.

She has traveled extensively both in the United States and abroad. Foro has lived in Rose Garden since 2001 and shares her home with her mother and several geriatric cats. Her hobbies include designing stained glass and mosaics which she often donates to charity fundraisers.

According to the District 6 councilwoman, long-range planning is one of her many strengths; along with project analysis and decision-making.

The Palo Verde District includes Coyote Lakes, Canyon Ridge West, Sunflower Resort, Sun Village, Rose Garden, Fox Hill Run and the eastern portion of the City's Original Townsite.

Foro's term expires in June 2009.

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**JOE JOHNSON** – [joe.Johnson@surpriseaz.com](mailto:joe.Johnson@surpriseaz.com)



Joe Johnson, a Surprise resident for seven years, represents the Palm District (5). Elected to the City Council in a September 2004 recall election.

Johnson, a small business owner, has lived in Arizona for 31 years. A New York native and graduate of Moon Valley High School, he attended Glendale Community College and Arizona State University where he majored in business, minored in mechanical drawing and played on the tennis team.

He has worked as a human resources manager for an agricultural chemical company and as a supervisor for a large air conditioning firm before starting his own business, Custom Air Design Inc. The father of a junior high and high school student, Johnson has been active in the Dysart Unified School District, serving on subcommittees and as a founding member and immediate past president of Parents Plus, a parent/teacher organization at Willow Canyon High School.

Johnson said he wants Surprise to be a destination - a City where people can live, work and play. "Right now people are leaving here to go to work, to go to the mall...they're conducting their day outside of Surprise," he said. "I would like to see us doing everything here." As a result, his goals are to attract more family entertainment venues to Surprise, as well as high-end industrial employers such as Honeywell or Motorola.

Transportation is one of Johnson's main concerns and, he said, public safety (police and fire departments) should keep pace with the City's growth. In his spare time, Johnson plays tennis and coaches the Willow Canyon Varsity Girls Tennis Team.

The Palm District encompasses the northwest portion of the Original Townsite, the northern portion of West Point Towne Center, The Orchards and Kingswood Parke.

Johnson's term expires in June 2009.

**GARY “DOC” SULLIVAN** – [doc.Sullivan@surpriseaz.com](mailto:doc.Sullivan@surpriseaz.com)



Gary “Doc” Sullivan, representative of the Mesquite 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 centers for Sports Arenas Inc. and AMF Bowling.

A resident of Greenway Parc I, 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 more than 33 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.

The Mesquite District includes Mountain Vista Ranch, Ashton Ranch, Surprise Farms, Northwest Ranch, Countryside, Cotton Gin, Mountain Gate, Rancho Gabriela, Legacy Parc, Sierra Montana, Roseview, Marley Park, T.A.S.H., the southern portion of West Point Towne Center and the southwestern portion of the Original Townsite.

Sullivan’s term expires in June 2007.

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**MARTHA BAILS** – [martha.bails@surpriseaz.com](mailto:martha.bails@surpriseaz.com)



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 council member 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 is also concerned about transportation issues.

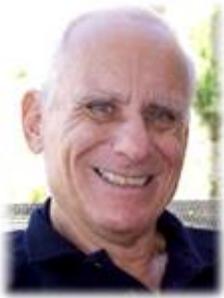
She wants residents to know they can call anytime. "I respect everyone's opinion and hopefully they respect mine even though we might not agree," Bails said. "Although I represent a district, the decisions I make impact the entire City." Bails has one grown son and, in her spare time, enjoys traveling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

The Cottonwood District encompasses the majority of Sun City Grand, the northwest portion of Sun Village, Stonebrook, Summerfield and Bell West Ranch.

Bail's term expires in June 2007.

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**CLIFF ELKINS** – [cliff.elkins@surpriseaz.com](mailto:cliff.elkins@surpriseaz.com)



Cliff Elkins, a Surprise resident since July 1997, represents the Acacia District (1). He was elected to the City Council in a September 2004 recall election. His current term expires in June of 2009.

Elkins, a graduate of Georgetown University's School of Foreign Service, has an extensive background in transportation issues. He spent 15 years in the steamship business representing ship owners and managing cargo operations before moving to Washington D.C. where he worked as a transportation economist on various international projects.

In 1967, Elkins moved to Albany, NY where he worked as a planner for the New York State Department of Transportation, and helped to author the state's master plan for transportation. He later returned to Washington, D.C. as Associate Deputy Director of the American Association of State Highway & Transportation Officials, and Staff Director of the House Transportation, Commerce & Tourism Subcommittee. After a 10-year stint as a lobbyist, he worked as a regional manager for Holiday Retirement Corporation.

Since moving to Surprise, the Sun City Grand resident has served as a member of the Parks and Recreation Advisory Board and helped with the management of adult programs for ASU West.

Elkins says Surprise has "great, great potential," but it's critical to seek long term solutions for transportation. "Obviously the City can't do everything, but we've got to be on the cutting edge with the County - with Maricopa County Department of Transportation (MCDOT)," he said.

A competitive race walker who officiates up to 500 games a year in a variety of sports, Elkins also favors continued development of recreational opportunities in the City, as well as employment centers. Elkins and his wife Claire, have six children and 12 grandchildren. Claire is a real estate agent.

The Acacia District includes Arizona Traditions, Happy Trails, West View Estates, the area northwest of the Beardsley Canal, including Saguaro Acres, Saguaro View, Happy Valley, Martin Acres and the portion of Sun City Grand west of the Estrella Freeway (Loop 303), and the portion of Sun City Grand east of the Estrella Freeway and bounded by Mountain View, Sunrise and Clearview Boulevards.

Elkins's term expires in June 2009.

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**APPOINTED OFFICIALS**

**Manager**

**Clerk**

**Attorney**

**Magistrate**

**James Rumpeltes**

**Sherry Aguilar**

**Scott McCoy**

**Paul Cragan**



## INDEPENDENT AUDITOR'S REPORT

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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* as of and for the year ended June 30, 2005, 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 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 *Government 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, 2005, 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 19, 2005 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 agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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 comparisons on pages 3-14, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 of Surprise, Arizona's* basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have 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 19, 2005

## 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, 2005. *The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing 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 47% from \$133.3 million to \$196.1 million, a difference of \$62.8 million.
  - The increases in Current & Other Assets of \$40.4 million and Governmental Activity Capital Assets of \$18.7 million were in addition to the decrease in liabilities of \$3.6 million.
  - The \$62.8 million excess of revenues (\$120.1 million) over expenditures (\$56.0 million) and transfers (\$1.3 million) was due primarily to Sales Tax collections of \$37.4 million, and other construction related revenues, exceeding projections as a result of a stronger than expected housing construction industry.
- ❖ **Business Type net assets** increased 26% from \$134.1 million to \$169.1 million, a difference of \$35.0 million.
  - Projected housing starts for 2005 were approximately 6,000. Actual housing permits issued in 2005 were 7,685.
  - Cash and receivables accounted for the \$23.8 million increase in Current assets.
  - Capital assets (net) increased \$10.6 million.
  - Current liabilities recorded a \$0.5 million decrease. During Fiscal Year 2005 the City of Surprise relaxed its requirements for requiring utility deposits. Deposits reduced by \$0.8 million. All other liabilities increased by \$0.3 million.
- ❖ **Governmental Activities Expenses** of \$56.0 million were exceeded by Program Revenues of \$67.1 million, a difference of \$11.1 million in Fiscal Year 2005.
  - Charges for Services (\$25.1 million) covered approximately 45% of expenses (\$56.0 million).
  - Operating & Capital Grants & Contributions accounted for \$42.0 million.
  - We rely upon General Revenues, such as taxes, to subsidize operating expenses.
    - General Revenues after transfers were (\$51.7 million).
- ❖ **Business Type Expenses** were \$13.6 million while program revenues, including development fees, were \$46.0 million, a difference of \$32.4 million.
  - The addition of General Revenues, including transfers, of \$2.6 million increases the change in net assets from \$32.4 million to \$35.0 million.
  - For the second consecutive year, all four Business type activities reported increases in net assets.

- ❖ **Component units** – The City includes four types of separate legal entities in its report – the City of Surprise Voluntary Firefighters’ Pension and Relief Fund, the Surprise Municipal Property Corporation, Marley Park Community Facilities District, 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. These four 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 15 and 16) 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 17. 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 15. 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 provides 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/or 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 and recreation departments, and general administration.
- ❖ **Business type activities** – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City’s 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 17. The fund financial statements begin on page 17, and 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 29-30.

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, 2004 and June 30, 2005.

### City of Surprise's Net Assets

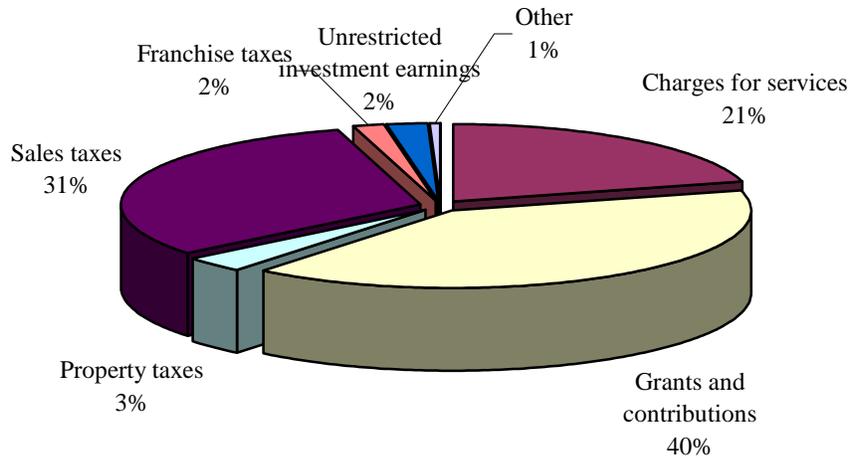
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	85.7	126.1	49.9	73.7	135.6	199.8
Capital assets, net	122.6	141.3	87.6	98.2	210.2	239.5
Total assets	<u>208.3</u>	<u>267.4</u>	<u>137.5</u>	<u>171.9</u>	<u>345.8</u>	<u>439.4</u>
Liabilities:						
Liabilities - except general obligations	12.5	12.4	3.4	2.9	15.9	15.3
Bonds Payable: Due within one year	3.6	2.9	-	-	3.6	2.9
Due within more than one year	59.0	56.0	-	-	59.0	56.0
Total liabilities	<u>75.0</u>	<u>71.4</u>	<u>3.4</u>	<u>2.9</u>	<u>78.4</u>	<u>74.3</u>
Net assets:						
Invested in capital assets, net of related debt	69.0	102.2	87.6	98.2	156.6	200.4
Restricted	3.5	56.1	-	-	3.5	56.1
Unrestricted	60.8	37.8	46.5	70.8	107.2	108.6
Total net assets	<u>133.3</u>	<u>196.1</u>	<u>134.1</u>	<u>169.1</u>	<u>267.4</u>	<u>365.1</u>

Our **combined net assets** increased by 37% from \$267.4 million to \$365.1 million, a difference of \$97.7 million.

- ❖ 55% of combined net assets (\$365.1 million) are invested in Capital assets (\$200.4 million).
- ❖ A more in-depth analysis of this table shows that current and other assets (\$199.8 million) exceed total liabilities (\$74.3 million) by \$125.5 million, suggesting that all debts of the City of Surprise could be satisfied without having to sell off capital assets.

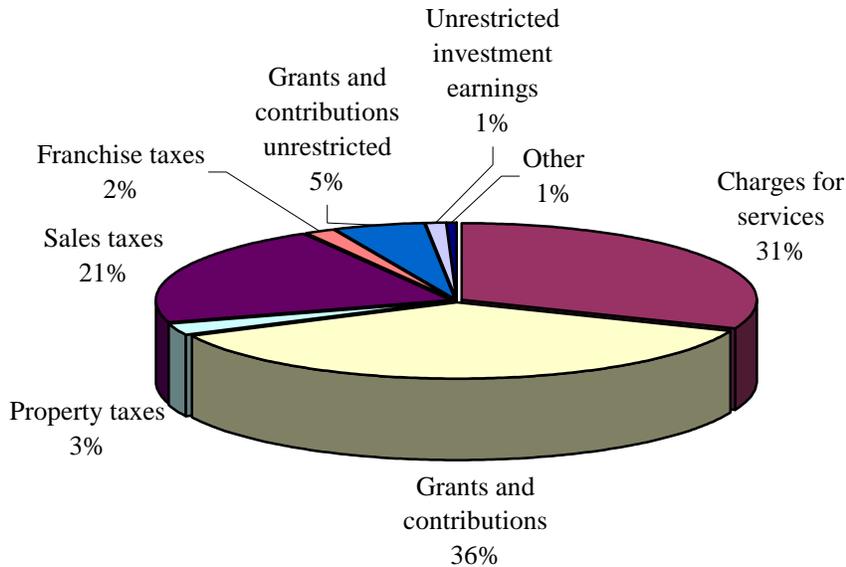
**Revenues** for the fiscal year ended June 30, 2005 totaled \$120.1 million and are identified by major revenue source in percentage format as follows:

**Fiscal Year 2005 Revenue Sources**



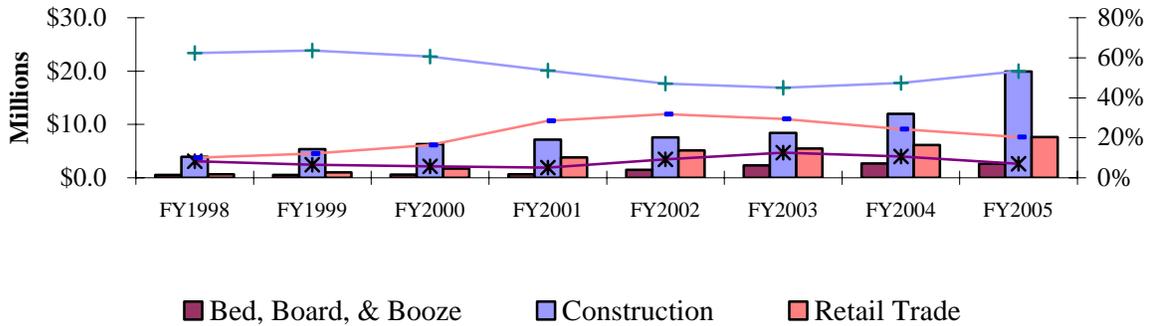
- ❖ The 2004 chart is provided for comparison purposes only.
  - Revenues for the fiscal year ended June 30, 2004 totaled \$112.7 million.

**Fiscal Year 2004 Revenue Sources**



- ❖ Our largest revenues in 2005 were Grants & Contributions (which included development impact fees) at 40% and Sales Tax at 31%.
- ❖ Last year, Grants & Contributions accounted for 41% of total revenues.
- ❖ In April 2004, the City of Surprise eliminated tax on food/groceries and lowered the tax on Hotel-Restaurant-Bar (BBB) by 2%. To offset this reduction, the General Sales Tax (Transaction Privilege Tax) was increased by 0.2%. For more information, refer to Economic Factors on page 13-14 of the MD&A.

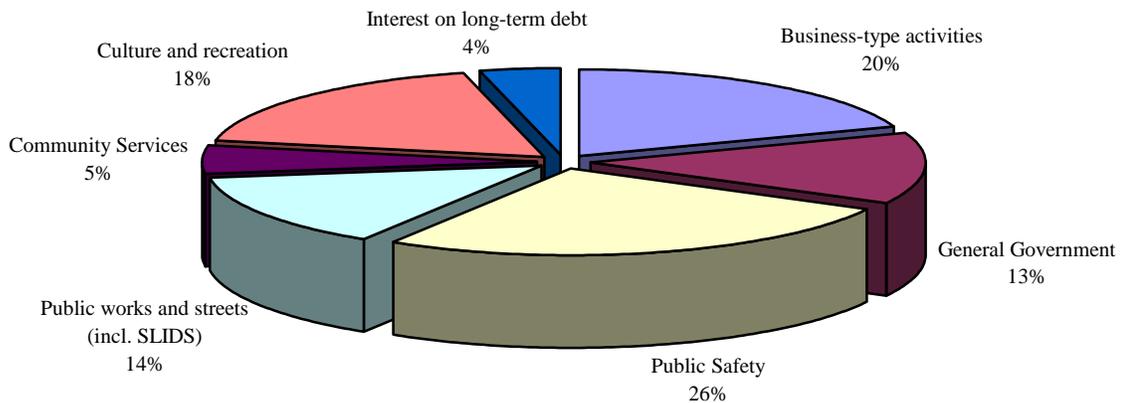
### Sales Tax Collection - Construction, Retail & BBB



The bar in this graph represents collections in dollars (left). The line represents percentage of total tax collections (right).

- ❖ This graph shows that Construction sales tax accounts for more than 50% of all sales taxes followed by Retail taxes at about 20%. The reduction in Hotel-Restaurant-Bar (BBB) taxes is due to a change in tax structures last year.
- ❖ Combined, these three subcategories represent about 80% of all sales tax revenue collected.
- ❖ Construction sales tax collections increased dramatically in Fiscal Year 2005. With an additional 1.5% added to the existing 2.2% on July 1, 2005 this figure and percentage should continue to increase dramatically in Fiscal Year 2006.

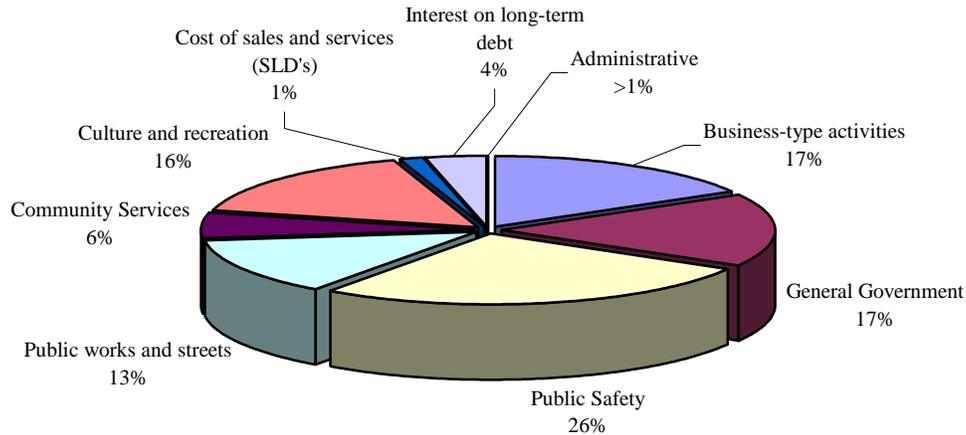
### Fiscal Year 2005 Functional Expenses



The 2004 chart is provided for comparison purposes only.

- ❖ Expenses (excluding transfers & capital outlays) were \$60.3 million in 2004.

### Fiscal Year 2004 Functional Expenses



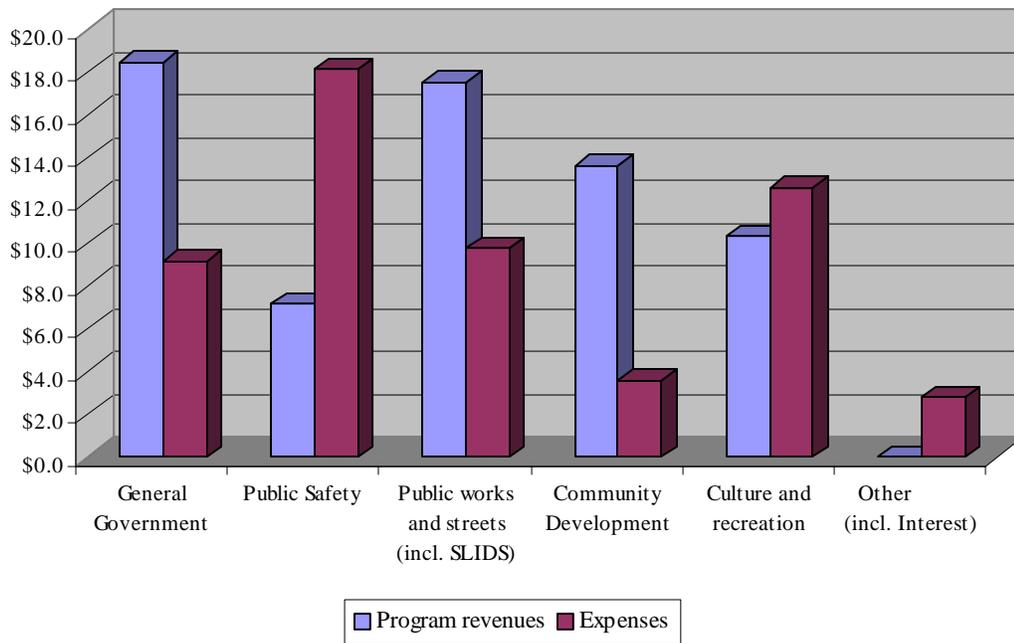
**Expenses** (excluding transfers & capital outlays) were \$69.7 million in 2005.

- ❖ Public Safety (Police, Fire, & Courts) accounted for approximately 26% of program expenditures (\$18.1 million in 2005 and \$16.1 million in 2004).
- ❖ Business Activities (Water, Sewer, Replenishment, & Sanitation) were next at 20% (\$13.6 million in 2005 and \$10.1 million in 2004).
- ❖ Culture & Recreation (Parks & Recreation) was third with 18% (\$12.6 million in 2005 and \$9.7 million in 2004).
- ❖ Public Works & Streets was fourth with 14% (\$9.8 million in 2005 and \$7.9 million in 2004)
- ❖ General Government was fifth with 13% (\$9.2 million in 2005 and \$10.0 million in 2004).
- ❖ All others make up 9% (\$6.4 million in 2005 and \$6.5 million in 2004).

**City of Surprises Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for service	22.6	25.1	12.5	15.3	35.1	40.4
Grants and contributions	20.4	42.0	20.8	30.7	41.2	72.8
General revenues:						
Property taxes	3.0	4.0	-	-	3.0	4.0
Sales taxes	24.1	37.4	-	-	24.1	37.4
Franchise taxes	1.8	2.3	-	-	1.8	2.3
Grants and contributions unrestricted	5.6	6.1	-	-	5.6	6.1
Unrestricted investment earnings	0.7	2.5	0.5	1.3	1.3	3.7
Other	0.6	0.7	-	-	0.6	0.7
Total revenues	<u>78.9</u>	<u>120.1</u>	<u>33.8</u>	<u>47.3</u>	<u>112.7</u>	<u>167.4</u>
<b>EXPENSES</b>						
Program activities:						
Governmental activities:						
General Government	10.0	9.2	-	-	10.0	9.2
Public Safety	16.1	18.1	-	-	16.1	18.1
Public works and streets (incl. SLIDS)	7.9	9.8	-	-	7.9	9.8
Community Services	3.5	3.6	-	-	3.5	3.6
Culture and recreation	9.7	12.6	-	-	9.7	12.6
Cost of sales and services (SLD's)	0.8	-	-	-	0.8	-
Interest on long-term debt	2.1	2.8	-	-	2.1	2.8
Administrative	0.1	-	-	-	0.1	-
Business-type activities:						
Water	-	-	2.7	3.8	2.7	3.8
Sewer	-	-	5.3	7.3	5.3	7.3
Sanitation	-	-	1.6	2.1	1.6	2.1
Replenishment	-	-	0.4	0.5	0.4	0.5
Total expenses	<u>50.2</u>	<u>56.0</u>	<u>10.1</u>	<u>13.6</u>	<u>60.3</u>	<u>69.7</u>
Excess before transfers	<u>28.7</u>	<u>64.1</u>	<u>23.7</u>	<u>33.6</u>	<u>52.4</u>	<u>97.7</u>
Transfers in (out)	<u>(4.1)</u>	<u>(1.3)</u>	<u>4.1</u>	<u>1.3</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>24.6</u>	<u>62.8</u>	<u>27.8</u>	<u>34.9</u>	<u>52.4</u>	<u>97.7</u>

**FY 2005 Governmental Program Revenues & Expenses**  
(In Millions)



- ❖ More than 70% of **General Government** revenues are from grants and contributions.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior services) are often subsidized or are free to the residents. They are not intended to directly cover their cost.
  - The City of Surprise maintains a full-time paramedic-trained Fire Department subsidized by General Government revenues.
  - Culture and Recreation often charges a fee for services it provides, but usually that fee does not cover the entire cost of the service.
- ❖ The State of Arizona mandates that a city have at least two funds, one is a General Fund and the other is a Highway User Revenue Fund (HURF).
  - The HURF fund was established for the sharing of gasoline and other vehicular taxes between the State and Cities and Counties.
  - The result is dedicated revenue used to pay for street maintenance (**Public Works and Streets**) costs.
- ❖ **Community Services** revenues come primarily from construction related activities.
  - Construction activity in Fiscal Year 2005 was more than twenty-five percent higher than what was budgeted.
- ❖ **SLIDs** are Street Light Improvement Districts that charge a fee/tax to pay for the electricity used by neighborhood streetlights.

**THE CITY’S FUNDS**

- ❖ The City as a whole was well within its **budgeted expenditure limitation**.
- ❖ The original General Fund Budget for expenditures was \$74.8 million (plus \$7.2 million in budgeted operating transfers). Budget transfers totaling \$0.8 million were made decreasing the final budget to \$74.0 million (plus \$7.2 million in budgeted operating transfers). Actual General Fund expenditures were \$46.5 million (plus \$7.1 million in

- operating transfers) leaving \$27.5 million in unused budget authority.
- ❖ Actual expenditures for Current – General Government were about 63% of budget (66% when including operating transfers) 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 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:**
      - \$0.6 million from Museum Operations to Museum Construction.
      - \$0.1 from Fire Operations to Fire Improvements to Vehicles.
    - **Between the General Fund and other Funds:**
      - \$0.1 million from General Capital to the Surprise Municipal Property Corporation to allow for sewer line oversizing
      - \$0.1 million from General Capital to Police Development Fees to cover a grant carryforward.
      - \$1.7 million from General Capital to various funds to cover reallocation of Municipal Property Debt payments.

## CAPITAL ASSET AND DEBT ADMINISTRATION

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

	General Government		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	0.6	0.6	3.1	4.1	3.7	4.7
Parks Land	5.1	5.7			5.1	5.7
Buildings & Improvements	59.7	61.2			59.7	61.2
Equipment & Vehicles	5.5	7.6	1.3	2.5	6.8	10.1
Streets	24.6	30.1			24.6	30.1
Curb Gutter & Sidewalks	21.6	27.0			21.6	27
Traffic Signals	1.8	1.7			1.8	1.7
Storm Drains	3.5	4.4			3.5	4.4
Other Infrastructure		0.3			-	0.3
Sewer System			43.2	71.4	43.2	71.4
Water System			8.4	12.3	8.4	12.3
Construction in Progress	<u>0.2</u>	<u>2.7</u>	<u>31.7</u>	<u>7.9</u>	<u>31.9</u>	<u>10.6</u>
Total Capital Assets (Net)	<u>122.6</u>	<u>141.3</u>	<u>87.7</u>	<u>98.2</u>	<u>210.3</u>	<u>239.5</u>

- ❖ The **capital assets of the Governmental Activities funds** increased by \$18.7 million net of annual depreciation (\$23.8 million before depreciation).
  - \$2.0 million was spent this year to provide a temporary modular police facility until the permanent facility is completed in Fiscal Year 2008.

- \$1.5 million was spent this year to provide additional recreation facilities
  - \$12.0 million was contributed or spent on new streets, signals, Curb, Gutter & Sidewalks, and other infrastructure this year.
- ❖ The **capital assets of the Business-type Activities funds** increased by \$10.5 million net of annual depreciation (\$12.6 million before depreciation).
- The City of Surprise completed the construction of a sewer plant expansion increasing daily treatment of sewage from 3.2 million gallons per day (mgd) to 7.2 mgd. \$30.2 million was added to sewer facilities and infrastructure fixed assets this year. This was offset by a \$26.1 million reduction in construction in progress.
  - \$4.2 million was added for water infrastructure supply lines.
  - 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 four (4) of this report.
- ❖ **Long-term debt** decreased this year from \$64.0 million to \$60.8 million. Greater detail of outstanding Long-term debt can be found in note six (6).
- \$3.5 million in notes and bonds were retired this year.
  - \$0.4 million in compensated employee absences was added to long-term debt.
  - \$0.1 million in developer payables were paid.

## ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

- ❖ **Bond rating** – Since 2000, the City of Surprise General Obligation and Municipal Property Corporation bond rates have increased from BBB to +A/A.

**City of Surprise, AZ  
Secondary Tax Rate  
1990 - 2006**



- ❖ **Secondary Property Tax Rate** – The Fiscal Year 2006 rate increased by \$0.02 from the previous year. The above graph shows that since 1995 the rate has dropped precipitously from \$1.76 to \$0.18.

❖ **Transaction Privilege Tax/General Sales Tax** – On April 1, 2004 the City of Surprise modified its tax rates. The result of the tax change is an increased reliance on our largest tax revenue source (construction), a decrease of our BBB (Hotel, Restaurant, & Bar) tax, and the elimination of tax on food/groceries. The new rates for these categories are as follows:

- General Sales Tax – from 2.0% to 2.2%
- BBB Tax – from 3% to 1% (on top of General Sales Tax).
- Food/groceries – from 1% to 0%

❖ **Transaction Privilege Tax/General Sales Tax** – On July 1, 2005 the City of Surprise modified its tax rate. The Construction portion of the General Sales Tax was increased from 2.2% to 3.7%. The additional 1.5% was specifically designated to pay costs related to new roadways and to refurbish existing transportation corridors.



## **FINANCIAL CONTACT**

The financial report is designed to provide a general overview of the City of Surprise's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Finance Director at: 12425 W. Bell Road, Surprise, Arizona 85374.

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 121,151,990	\$ 67,175,226	\$ 188,327,216
Receivables (net of allowances)			
Accounts	-	2,815,866	2,815,866
Interest	177,829	13,663	191,492
Taxes and franchise fees	747,920	-	747,920
Grants	226,265	-	226,265
Intergovernmental	647,843	-	647,843
Other	266,134	-	266,134
Debt issuance cost, net of amortization	589,934	-	589,934
Other assets	2,289,308	3,720,741	6,010,049
Capital assets, non-depreciable	9,020,016	12,058,167	21,078,183
Capital assets, depreciable	152,129,480	97,639,809	249,769,289
Accumulated depreciation	(19,840,007)	(11,475,207)	(31,315,214)
	<u>267,406,712</u>	<u>171,948,265</u>	<u>439,354,977</u>
Total assets			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,556,946	\$ 741,940	\$ 3,298,886
Accrued payroll and related taxes	1,270,184	114,459	1,384,643
Deposits	6,720	337,914	344,634
Accrued interest payable	1,263,013	-	1,263,013
Unearned revenues	5,550,538	874,295	6,424,833
Contracts payable	-	280,000	280,000
Other liabilities	270,932	439,338	710,270
Compensated absences payable, due in less than one year	1,477,804	110,098	1,587,902
Compensated absences payable, due in more than one year	33,011	-	33,011
Bonds, loans, and payables due in less than one year	2,943,031	-	2,943,031
Bonds, loans, and payables due in more than one year	55,981,156	-	55,981,156
	<u>71,353,335</u>	<u>2,898,044</u>	<u>74,251,379</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt and depreciation	82,385,302	98,222,769	180,608,071
Restricted for			
Debt service	133,352	-	133,352
Special revenue	55,938,643	-	55,938,643
Unrestricted	57,596,080	70,827,452	128,423,532
Total net assets	<u>\$ 196,053,377</u>	<u>\$ 169,050,221</u>	<u>\$ 365,103,598</u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

See Notes to Financial Statements

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 9,183,596	\$ 4,938,746	\$ 824	\$ 13,530,420	\$ 9,286,394	\$ -	\$ 9,286,394
Public safety	18,142,250	1,181,405	629,243	5,352,987	(10,978,615)	-	(10,978,615)
Public works and streets (incl. SLIDS)	9,754,900	2,729,991	360,763	14,466,012	7,801,866	-	7,801,866
Community Development	3,565,707	13,613,078	-	-	10,047,371	-	10,047,371
Culture and recreation	12,579,822	2,637,300	559,032	7,133,171	(2,250,319)	-	(2,250,319)
Cost of sales and services (SLD's)	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	-
Interest	2,802,299	-	-	-	(2,802,299)	-	(2,802,299)
	<u>56,028,574</u>	<u>25,100,520</u>	<u>1,549,862</u>	<u>40,482,590</u>	<u>11,104,398</u>	<u>-</u>	<u>11,104,398</u>
Business-type Activities							
Water	3,761,890	3,878,556	-	10,157,691	-	10,274,357	10,274,357
Sewer	7,348,509	8,155,012	-	18,424,307	-	19,230,810	19,230,810
Sanitation	2,064,479	2,569,783	-	-	-	505,304	505,304
Replenishment	461,179	650,607	-	2,154,543	-	2,343,971	2,343,971
	<u>13,636,057</u>	<u>15,253,958</u>	<u>-</u>	<u>30,736,541</u>	<u>-</u>	<u>32,354,442</u>	<u>32,354,442</u>
Total primary government	<u>\$ 69,664,631</u>	<u>\$ 40,354,478</u>	<u>\$ 1,549,862</u>	<u>\$ 71,219,131</u>	<u>\$ 11,104,398</u>	<u>\$ 32,354,442</u>	<u>\$ 43,458,840</u>
		General Revenues					
		Property taxes			\$ 4,019,951	\$ -	\$ 4,019,951
		Sales taxes			37,433,674	-	37,433,674
		Franchise taxes			2,283,688	-	2,283,688
		Grants and contributions not restricted to specific programs			6,084,821	-	6,084,821
		Unrestricted investment earnings			2,480,100	1,269,321	3,749,421
		Other			704,004	-	704,004
		Transfers			(1,321,453)	1,321,453	-
		Other financing sources			0	-	-
		Total general revenues and transfers			<u>51,684,785</u>	<u>2,590,774</u>	<u>54,275,559</u>
		Increase (decrease) in net assets			62,789,183	34,945,216	97,734,399
		Net assets - beginning			133,264,194	134,105,005	267,369,199
		Net assets - ending			<u>\$ 196,053,377</u>	<u>\$ 169,050,221</u>	<u>\$ 365,103,598</u>



**SURPRISE**  
ARIZONA

**CITY OF SURPRISE, ARIZONA**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

<b>ASSETS</b>	<b>General Fund</b>	<b>Municipal Property Corporation Fund</b>	<b>Highway User Fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 58,270,919	\$ 25,994,465	\$ 268,888
Receivables (net of allowances)			
Interest	34,912	-	-
Taxes and franchise fees	747,920	-	-
Grants	226,265	-	-
Intergovernmental	420,309	-	227,534
Due from other funds	298,105	-	-
Other	154,027	-	-
Prepaid items	-	-	-
Total assets	<u>\$ 60,152,457</u>	<u>\$ 25,994,465</u>	<u>\$ 496,422</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,368,346	\$ 848,187	\$ 71,857
Accrued payroll and related taxes	1,196,920	-	66,665
Due to other funds	-	-	-
Deposits	6,720	-	-
Deferred revenues	548,928	4,999,610	2,000
Other liabilities	270,932	-	-
Total liabilities	<u>3,391,846</u>	<u>5,847,797</u>	<u>140,522</u>
 <b>FUND BALANCE</b>			
Fund Balances			
Reserved for prepaid items	-	-	-
Unreserved, reported in			
General fund	56,760,611	-	-
Special revenue funds	-	20,146,668	355,900
Debt service funds	-	-	-
Total fund balance	<u>56,760,611</u>	<u>20,146,668</u>	<u>355,900</u>
Total liabilities and fund balance	<u>\$ 60,152,457</u>	<u>\$ 25,994,465</u>	<u>\$ 496,422</u>

*(Continued)*

*See Notes to Financial Statements*

<b>Police Development Fee Fund</b>	<b>Fire Development Fee Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,644,301	\$ 3,781,474	\$ 29,458,063	\$ 120,418,110
7,276	2,938	132,611	177,737
-	-	-	747,920
-	-	-	226,265
-	-	-	647,843
-	-	-	298,105
-	-	112,107	266,134
439,635	-	1,849,673	2,289,308
<u>\$ 3,091,212</u>	<u>\$ 3,784,412</u>	<u>\$ 31,552,454</u>	<u>\$ 125,071,422</u>
\$ 81,157	\$ 26,714	\$ 159,739	\$ 2,556,000
-	-	3,628	1,267,213
-	-	298,105	298,105
-	-	-	6,720
-	-	-	5,550,538
-	-	-	270,932
<u>81,157</u>	<u>26,714</u>	<u>461,472</u>	<u>9,949,508</u>
439,635	-	1,849,673	2,289,308
-	-	-	56,760,611
2,570,420	3,757,698	29,107,957	55,938,643
-	-	133,352	133,352
<u>3,010,055</u>	<u>3,757,698</u>	<u>31,090,982</u>	<u>115,121,914</u>
<u>\$ 3,091,212</u>	<u>\$ 3,784,412</u>	<u>\$ 31,552,454</u>	<u>\$ 125,071,422</u>

(Continued)  
See Notes to Financial Statements

**CITY OF SURPRISE, ARIZONA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2005**

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Total governmental fund balances	\$ 115,121,914
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in funds	141,309,489
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds	589,934
Current liabilities, including accrued interest, are not due and payable in the current period, and therefore, are not reported in the funds	(1,263,013)
Internal service funds used by the management to charge cost of insurance to individual fund	730,055
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds	<u>(60,435,002)</u>
Net assets of governmental activities	<u><u>\$ 196,053,377</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, 2005**

	<b>General Fund</b>	<b>Municipal Property Corporation Fund</b>	<b>Highway User Fund</b>
<b>REVENUES</b>			
Taxes	\$ 40,697,940	\$ -	\$ -
Licenses and permits	2,283,688	-	-
Intergovernmental	7,016,660	-	2,242,582
Charges for services	16,877,085	-	-
Grants	895,849	-	-
Fines	1,027,951	-	-
Rents	689,116	4,831,500	-
Development fees	-	-	-
Interest	1,055,258	530,909	5,264
Other	1,285,093	140,538	58,049
	<u>71,828,640</u>	<u>5,502,947</u>	<u>2,305,895</u>
<b>EXPENDITURES</b>			
Current			
General government	8,781,974	-	-
Public safety	16,312,432	3,981	-
Public works and streets	3,418,562	-	2,708,635
Community development	3,497,025	-	-
Culture and recreation	7,545,503	840	300,965
Capital outlay	6,831,397	2,886,269	-
Debt service			
Principal	70,022	2,985,000	-
Interest and fiscal charges	81,528	2,752,944	-
	<u>46,538,443</u>	<u>8,629,034</u>	<u>3,009,600</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>25,290,197</u>	<u>(3,126,087)</u>	<u>(703,705)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(7,056,171)</u>	<u>5,755,700</u>	<u>831,034</u>
Total other financing sources (uses)	<u>(7,056,171)</u>	<u>5,755,700</u>	<u>831,034</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>18,234,026</u>	<u>2,629,613</u>	<u>127,329</u>
<b>FUND BALANCES, beginning of year</b>	<u>38,526,585</u>	<u>17,517,055</u>	<u>228,571</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 56,760,611</u>	<u>\$ 20,146,668</u>	<u>\$ 355,900</u>

(Continued)

See Notes to Financial Statements

<b>Police Development Fee Fund</b>	<b>Fire Development Fee Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 761,328	\$ 41,459,268
-	-	-	2,283,688
-	-	395,497	9,654,739
-	-	720,271	17,597,356
-	-	336,259	1,232,108
-	-	48,750	1,076,701
-	-	-	5,520,616
3,859,184	2,732,689	18,098,259	24,690,132
52,599	52,453	772,304	2,468,787
-	-	392,751	1,876,431
<u>3,911,783</u>	<u>2,785,142</u>	<u>21,525,419</u>	<u>107,859,826</u>
-	-	162,480	8,944,454
354,826	344,405	41,663	17,057,307
-	-	1,400,103	7,527,300
-	-	4,429	3,501,454
-	-	2,797,492	10,644,800
1,189,006	112,236	2,385,342	13,404,250
-	-	590,025	3,645,047
-	-	180,090	3,014,562
<u>1,543,832</u>	<u>456,641</u>	<u>7,561,624</u>	<u>67,739,174</u>
<u>2,367,951</u>	<u>2,328,501</u>	<u>13,963,795</u>	<u>40,120,652</u>
<u>(1,429,197)</u>	<u>1,429,197</u>	<u>491,000</u>	<u>21,563</u>
<u>(1,429,197)</u>	<u>1,429,197</u>	<u>491,000</u>	<u>21,563</u>
<u>938,754</u>	<u>3,757,698</u>	<u>14,454,795</u>	<u>40,142,215</u>
<u>2,071,301</u>	<u>-</u>	<u>16,636,187</u>	<u>74,979,699</u>
<u>\$ 3,010,055</u>	<u>\$ 3,757,698</u>	<u>\$ 31,090,982</u>	<u>\$ 115,121,914</u>

(Continued)

See Notes to Financial Statements

**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, 2005**

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Net change in fund balances - total governmental funds \$40,142,215

Governmental funds report capital outlays as expenditures.  
do not record capital contributions as revenue,  
do not record gains (losses) on the sale of fixed assets  
and do not record depreciation expense.

However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives as depreciation  
expense, capital contributions as revenue and gains(losses) as other revenue.

In the current period, these amounts are:

Capital outlays	13,404,250	
Capital contributions - to governmental funds	12,223,440	
Gain (loss) on sale of fixed assets	44,631	
Transfers of capital assets to proprietary funds	(1,343,016)	
Depreciation expense	<u>(5,550,364)</u>	18,778,941

In the statement of activities, interest is accrued on outstanding bonds,  
whereas in governmental funds, an interest expenditure is reported when due 212,263

Internal service funds used by management to charge the cost of insurance to individual  
funds 455,043

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. (377,670)

Issuance and repayment of long-term debt is a revenue and expenditure in the governmental  
funds, but the issuance and repayment reduces long-term liabilities in the statement of  
net assets. In the current period, these amounts are:

Repayments on long-term debt	3,645,047	
Amortization of deferred charges issuance cost	(38,060)	
Amortization on issuance premiums (amortized over the life of the debt)	131,080	
Amortized charges on refunding (amortized over the life of the debt)	(161,176)	
Amortization of administrative costs on long-term debt issuance	<u>1,500</u>	<u>3,578,391</u>

\$62,789,183



**SURPRISE**  
ARIZONA

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	<b>Business-type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Replenishment</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 15,926,277	\$ 42,349,590	\$ 1,211,139	\$ 7,688,220
Receivables (net of allowances)				
Accounts	793,142	1,492,658	462,097	67,969
Interest	4,782	7,317	-	1,564
Other assets	1,010,356	2,710,302	83	-
	<u>17,734,557</u>	<u>46,559,867</u>	<u>1,673,319</u>	<u>7,757,753</u>
Non-current assets				
Capital assets	18,948,106	88,330,608	2,278,452	140,810
Accumulated depreciation	(1,144,189)	(9,686,122)	(643,843)	(1,053)
	<u>17,803,917</u>	<u>78,644,486</u>	<u>1,634,609</u>	<u>139,757</u>
Total assets	<u>35,538,474</u>	<u>125,204,353</u>	<u>3,307,928</u>	<u>7,897,510</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 519,807	\$ 116,530	\$ 100,963	\$ 4,640
Accrued payroll and related taxes	12,588	61,320	33,815	6,736
Deposits	107,907	153,836	56,815	19,356
Deferred revenues	782,969	64,676	23,604	3,046
Compensated absences payable	11,186	71,352	21,137	6,423
Other liabilities	439,338	-	-	-
Contracts payable	280,000	-	-	-
	<u>2,153,795</u>	<u>467,714</u>	<u>236,334</u>	<u>40,201</u>
Total current liabilities	<u>2,153,795</u>	<u>467,714</u>	<u>236,334</u>	<u>40,201</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	17,803,917	78,644,486	1,634,609	139,757
Net assets				
Undesignated	15,580,762	46,092,153	1,436,985	7,717,552
Total net assets	<u>\$ 33,384,679</u>	<u>\$ 124,736,639</u>	<u>\$ 3,071,594</u>	<u>\$ 7,857,309</u>

(Continued)  
 See Notes to Financial Statements

<u>Business-type Activities</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service</u>
\$ 67,175,226	\$ 733,880
2,815,866	-
13,663	92
3,720,741	-
<u>73,725,496</u>	<u>733,972</u>
109,697,976	-
(11,475,207)	-
<u>98,222,769</u>	<u>-</u>
<u>171,948,265</u>	<u>733,972</u>
\$ 741,940	946
114,459	2,971
337,914	-
874,295	-
110,098	2,888
439,338	-
280,000	-
<u>2,898,044</u>	<u>6,805</u>
98,222,769	-
70,827,452	727,167
<u>\$ 169,050,221</u>	<u>\$ 727,167</u>

(Continued)  
See Notes to Financial Statements

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-type Activities</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Replenishment</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,878,556	\$ 8,155,012	\$ 2,569,783	\$ 650,607
<b>OPERATING EXPENSES</b>				
Cost of sales and services	3,458,815	5,527,126	1,896,335	460,126
Depreciation	303,075	1,821,383	168,144	1,053
Total operating expenses	3,761,890	7,348,509	2,064,479	461,179
Operating income	116,666	806,503	505,304	189,428
<b>NONOPERATING REVENUES</b>				
Capital contributions	3,330,616	5,029,443	512,417	11,220
Development fees	6,940,661	13,181,495	-	2,143,323
Extension fees	16,810	913,572	-	-
Interest revenue	292,073	799,932	31,453	145,863
Total nonoperating revenues	10,580,160	19,924,442	543,870	2,300,406
Income before transfers	10,696,826	20,730,945	1,049,174	2,489,834
<b>TRANSFERS</b>				
Transfers	-	(1,933)	(19,630)	-
<b>CHANGE IN NET ASSETS</b>	10,696,826	20,729,012	1,029,544	2,489,834
<b>NET ASSETS, beginning of the year</b>	22,687,853	104,007,627	2,042,050	5,367,475
<b>NET ASSETS, ending of year</b>	<u>\$ 33,384,679</u>	<u>\$ 124,736,639</u>	<u>\$ 3,071,594</u>	<u>\$ 7,857,309</u>

(Continued)  
See Notes to Financial Statements

<u>Business-type Activities</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service</u>
\$ 15,253,958	\$ 1,380,404
11,342,402	936,674
2,293,655	-
<u>13,636,057</u>	<u>936,674</u>
1,617,901	443,730
8,883,696	-
22,265,479	-
930,382	-
1,269,321	11,313
<u>33,348,878</u>	<u>11,313</u>
34,966,779	455,043
<u>(21,563)</u>	<u>-</u>
34,945,216	455,043
<u>134,105,005</u>	<u>272,124</u>
<u>\$ 169,050,221</u>	<u>\$ 727,167</u>

(Continued)  
See Notes to Financial Statements

**CITY OF SURPRISE, ARIZONA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-type Activities</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Replenishment</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 3,666,292	\$ 7,823,748	\$ 2,299,391	\$ 681,629
Cash paid to suppliers	(2,582,938)	(4,075,462)	(1,120,837)	(343,643)
Cash paid to employees	(241,220)	(1,383,555)	(714,330)	(117,810)
Cash paid for insurance	-	-	-	-
Net cash provided by (used in) operating activities	<u>842,134</u>	<u>2,364,731</u>	<u>464,224</u>	<u>220,176</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING TRANSACTIONS</b>				
Proceeds received from development fees	6,940,661	13,181,495	-	2,143,323
Proceeds received from extension fees	16,810	913,572	-	-
Capital assets received from donations	3,330,616	5,029,443	512,417	11,220
Acquisitions, construction, and transfer of capital assets	<u>(5,191,380)</u>	<u>(7,160,597)</u>	<u>(999,208)</u>	<u>(32,080)</u>
Net cash provided by (used in) capital and related financing transactions	<u>5,096,707</u>	<u>11,963,913</u>	<u>(486,791)</u>	<u>2,122,463</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash paid to other funds	-	(1,933)	(19,630)	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(1,933)</u>	<u>(19,630)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash received from interest income	<u>311,247</u>	<u>860,110</u>	<u>34,409</u>	<u>157,216</u>
Net cash provided by investing activities	<u>311,247</u>	<u>860,110</u>	<u>34,409</u>	<u>157,216</u>
<b>NET CHANGE IN CASH</b>	6,250,088	15,186,821	(7,788)	2,499,855
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>9,676,189</u>	<u>27,162,769</u>	<u>1,218,927</u>	<u>5,188,365</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 15,926,277</u>	<u>\$ 42,349,590</u>	<u>\$ 1,211,139</u>	<u>\$ 7,688,220</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income	\$ 116,666	\$ 806,503	\$ 505,304	\$ 189,428
Reconciliation of operating income to net cash provided (used) by operating activities:				
Depreciation expense	303,075	1,821,383	168,144	1,053
(Increase) decrease in				
Accounts receivable	(131,746)	108,716	(36,185)	63,688
Other assets	-	-	(83)	-
Increase (decrease) in				
Accounts payable	188,056	3,118	26,989	(4,593)
Accrued payroll and taxes	9,344	42,914	25,849	4,567
Utility deposits	(78,988)	(425,160)	(234,751)	(32,111)
Deferred revenues	(1,530)	(14,820)	627	(555)
Compensated absences payable	(2,081)	22,077	8,330	(1,301)
Other Liabilities	439,338	-	-	-
Total adjustments	<u>725,468</u>	<u>1,558,228</u>	<u>(41,080)</u>	<u>30,748</u>
Net cash provided by (used in) operating activities	<u>\$ 842,134</u>	<u>\$ 2,364,731</u>	<u>\$ 464,224</u>	<u>\$ 220,176</u>

*(Continued)*  
*See Notes to Financial Statements*

<u>Business-type Activities</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service</u>
\$ 14,471,060	\$ 1,380,404
(8,122,880)	(139,293)
(2,456,915)	(79,595)
-	(765,201)
3,891,265	396,315
22,265,479	-
930,382	-
8,883,696	-
(13,383,265)	-
18,696,292	-
(21,563)	-
(21,563)	-
1,362,982	11,904
1,362,982	11,904
23,928,976	408,219
43,246,250	325,661
\$ 67,175,226	\$ 733,880
\$ 1,617,901	\$ 443,730
2,293,655	-
4,473	-
(83)	-
213,570	(50,959)
82,674	1,433
(771,010)	-
(16,278)	-
27,025	2,111
439,338	-
2,273,364	(47,415)
\$ 3,891,265	\$ 396,315

(Continued)

See Notes to Financial Statements

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION TRUST FUND**  
**JUNE 30, 2005**

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	<b>Volunteer Firefighters Pension and Relief Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 88,330
Receivables	
Interest	<u>858</u>
Total assets	<u>89,188</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
Net assets	<u><u>\$ 89,188</u></u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Volunteer Firefighters Pension and Relief Fund</b>
<b>REVENUES</b>	
Interest	\$ 3,026
Total revenues	<u>3,026</u>
<b>NET ASSETS, beginning of year</b>	<u>86,162</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 89,188</u></u>



**SURPRISE**  
ARIZONA

**CITY OF SURPRISE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 2003, the voters approved the Home Rule, an alternative expenditure limitation for budget years through June 30, 2007. The City is governed by an elected mayor, vice mayor, and a six 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 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.

*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 a special revenue fund.

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

For the fiscal year ended June 30, 2005, 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

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### ***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 type 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, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with the service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the receipts of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program 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

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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 expenditure, 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 proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor 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 this 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. 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 ***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 acts as the governing board and the City staff performs all administrative and accounting functions for the corporation.

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

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

The ***fire safety development fee fund*** accounts for revenue and expenditures that are legally restricted to expenditures for fire 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-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. 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.

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

(Continued)

## NOTES TO FINANCIAL STATEMENTS

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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 and invested with Wells Capital Management.

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, 2005 are immaterial, they were not included in the statement of net assets.

### F. 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 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 basis for proprietary fund capital assets are the same as those used for the general capital assets.

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## NOTES TO FINANCIAL STATEMENTS

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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.

### **G. 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 reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated vacation leave in proprietary funds and the government-wide statements are recorded as an expense and liability of those funds as the benefits accrue to employees. The City pays employees for unused sick leave annually, at which point the expenditure is recognized.

### **H. 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.

### **I. 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 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.

## NOTES TO FINANCIAL STATEMENTS

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### J. 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.

### K. 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.

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### NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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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 Manager 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 department 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.

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### NOTE 3 - CASH AND CASH EQUIVALENTS

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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. Total cash and cash equivalents were \$188,415,546 as of June 30, 2005, including the \$88,330 from the Firefighters Pension Fund.

**Deposits and Invested Deposits** - At year-end, the carrying amount of the City's operating deposits were \$1,923,929 and the bank balance was \$3,822,728. 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 \$3,620,488 deposited into bank accounts under the Municipal Property Corporation Fund.

**Cash Invested** - Funds of \$38,016,108 are held in the L.G.I.P and \$144,851,346 at Wells Capital Management(WCM). In the LGIP the City's investments in are stated at fair value. In the LGIP, the City's

(Continued)

**NOTES TO FINANCIAL STATEMENTS**

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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. In WCM the securities are stated at market value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Average Portfolio Credit Quality</u>
Local Government Investment Pool	\$38,016,108	.23	AAA to A1/A1+
<u>Pool Portfolio by Type</u>			
Commercial Paper 27%			
Repurchase Agreements 19%			
Government Agency 44%			
Corporate Notes 10%			
Wells Capital Management:			
Core Account:	127,659,083	1.68	Aa1
<u>Portfolio Breakdown</u>			
Government Securities 35%			
Corporate Securities 34%			
Money Market Securities 31%			
CIP Account	17,191,263	.56	Aaa
<u>Portfolio Breakdown</u>			
Government Securities 37%			
Corporate Securities 26%			
Money Market Securities 37%			
Total fair value	<u>\$182,866,454</u>		
Portfolio weighted average maturity		1.27	

*Interest rate risk.* In accordance with its investment policy, the City seeks to mitigate interest rate risk by:

- Structuring the investment portfolio so that securities mature concurrent with the anticipated cash requirements for ongoing operations, thereby avoiding, as much as possible, the need to sell securities into an adverse market environment prior to maturity.
- Investing funds primarily in shorter-term securities or similar investment pools and limiting the average maturity of the portfolio in accordance with the needs of the City;
- Utilizing external research and advice regarding the current interest rate outlook and global economic condition to optimize portfolio duration strategy.

*Credit Risk.* State law limits investments in commercial paper to those of prime quality with a rating of “P1” by Moody’s investor’s service or rated “A1” or better by Standard and Poor’s rating service. All commercial paper must be issued by corporations organized and doing business in the United States. Corporate bonds, debentures and notes are limited to those that are issued by corporations organized and doing business in the United States and that are rated “A” or better by Moody’s investor’s service or Standard and Poor’s rating service. The City further limits its investments to those rated at least “Aa-”.

*Concentration of credit risk.* The City’s investment policy does not allow for an investment in any one issuer that is in excess of 5% of the market value of the portfolio at the time of purchase. Debt backed by the United States Treasury or GSE’s are exempt from this concentration criterion.

*Custodial credit risk- deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, however, the

(Continued)

**NOTES TO FINANCIAL STATEMENTS**

City’s deposits and bank balances are entirely covered by federal depository insurance (FDIC) or by collateral held in the pledging financial institution’s trust department in the City’s name.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counter party, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All trades of marketable securities are executed by delivery vs. Payment (DVS), per the City’s investment policy. This ensures that securities are deposited in an eligible financial institution prior to the release of funds. Securities are held by the custodian selected by the City, Wells Capital Management, and evidenced by custodial reports. This safekeeping institution annually provides a copy of their most recent report on internal controls.

**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, 2005 was \$3,675.

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2005, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
<b>Governmental activities:</b>					
Not being depreciated:					
Land and land improvements	\$ 5,734,251	\$ 589,905	\$ -	\$ -	\$ 6,324,156
Construction in process	142,597	2,683,657	-	(130,394)	2,695,860
Total not being depreciated	<u>5,876,848</u>	<u>3,273,562</u>	<u>-</u>	<u>(130,394)</u>	<u>9,020,016</u>
Other capital assets:					
Building and improvements	63,503,489	3,620,870	-	(28,008)	67,096,351
Equipment and vehicles	9,883,233	4,121,817	(579,823)	(596,444)	12,828,783
Infrastructure	58,152,237	14,640,279	-	(588,170)	72,204,346
Total other capital assets	<u>131,538,959</u>	<u>22,382,966</u>	<u>(579,823)</u>	<u>(1,212,622)</u>	<u>152,129,480</u>
Total assets before depreciation	<u>137,415,807</u>	<u>25,656,528</u>	<u>(579,823)</u>	<u>(1,343,016)</u>	<u>161,149,496</u>
Accumulated depreciation:					
Building and improvements	(3,776,022)	(2,143,340)	-	-	(5,919,362)
Equipment and vehicles	(4,403,884)	(1,360,751)	565,550	-	(5,199,085)
Infrastructure	(6,675,287)	(2,046,273)	-	-	(8,721,560)
Total accumulated depreciation	<u>(14,855,193)</u>	<u>(5,550,364)</u>	<u>565,550</u>	<u>-</u>	<u>(19,840,007)</u>
Net capital assets-governmental activities	<u>\$ 122,560,614</u>	<u>\$ 20,106,164</u>	<u>\$ (14,273)</u>	<u>\$ (1,343,016)</u>	<u>\$ 141,309,489</u>
Depreciation was charged by function as follows:					
General government			\$ 391,778		
Public safety			892,992		
Public works and streets, includes depreciation for infrastructure			2,247,254		
Community services			31,856		
Culture and recreation			1,986,484		
Total governmental activities depreciation expense			<u>\$ 5,550,364</u>		

(Continued)

**NOTES TO FINANCIAL STATEMENTS**

	<b>Primary Government</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
<b>Business-type activities:</b>				
Not being depreciated:				
Land	\$ 3,087,151	\$ 1,025,418	\$ -	\$ 4,112,569
Construction in progress	31,693,351	2,316,932	(26,064,685)	7,945,598
Total not being depreciated	<u>34,780,502</u>	<u>3,342,350</u>	<u>(26,064,685)</u>	<u>12,058,167</u>
Other capital assets:				
Plant and improvements	60,168,972	34,376,986	-	94,545,958
Vehicles and equipment	2,161,390	1,225,602	(293,141)	3,093,851
Total other capital assets	<u>62,330,362</u>	<u>35,602,588</u>	<u>(293,141)</u>	<u>97,639,809</u>
Total assets before depreciation	<u>97,110,864</u>	<u>38,944,938</u>	<u>(26,357,826)</u>	<u>109,697,976</u>
Accumulated depreciation:				
Sewer	(7,905,533)	(1,821,383)	40,794	(9,686,122)
Replenishment	-	(1,053)	-	(1,053)
Sanitation	(716,833)	(168,144)	241,134	(643,843)
Water	(841,116)	(303,075)	2	(1,144,189)
Total accumulated depreciation	<u>(9,463,482)</u>	<u>(2,293,655)</u>	<u>281,930</u>	<u>(11,475,207)</u>
Net capital assets - business activities	<u>\$ 87,647,382</u>	<u>\$ 36,651,283</u>	<u>\$ (26,075,896)</u>	<u>\$ 98,222,769</u>
Depreciation was charged by function as follows:				
Sewer			\$ 1,821,383	
Sanitation			168,144	
Replenishment			1,053	
Water			303,075	
			<u>\$ 2,293,655</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 5 - 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, 2005, 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.

*(Continued)*

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds					
4.5% 1994 Series A, \$1,500,000 issued	\$ 900,000	\$ -	\$ (85,000)	\$ 815,000	\$ 85,000
4.5% 1994 Series B, \$2,530,000 issued	1,510,000	-	(140,000)	1,370,000	145,000
	<u>2,410,000</u>	<u>-</u>	<u>(225,000)</u>	<u>2,185,000</u>	<u>230,000</u>
General municipal property corporation fund obligation					
Series 2000 Bonds, \$59,120,000 issued	13,925,000	-	(2,050,000)	11,875,000	2,180,000
Series 2003 Bonds, \$42,860,000 issued	42,860,000	-	(935,000)	41,925,000	155,000
Deferred amounts					
For issuance premium	2,162,824	-	(131,080)	2,031,744	-
On refunding	(2,659,412)	-	161,176	(2,498,236)	-
Expected administrative expenses	24,750	-	(1,500)	23,250	1,500
	<u>56,313,162</u>	<u>-</u>	<u>(2,956,404)</u>	<u>53,356,758</u>	<u>2,336,500</u>
Total governmental obligation bonds	<u>58,723,162</u>	<u>-</u>	<u>(3,181,404)</u>	<u>55,541,758</u>	<u>2,566,500</u>
Notes payable					
3.15% Loan-Wastewater Management Authority, \$4,765,955 issued	1,943,867	-	(365,025)	1,578,842	376,531
Compensated absences	1,133,145	1,477,804	(1,100,134)	1,510,815	1,477,804
Developer payable	1,873,609	-	(70,022)	1,803,587	-
Total governmental activities debt	<u>\$ 63,673,783</u>	<u>\$ 1,477,804</u>	<u>\$ (4,716,585)</u>	<u>\$ 60,435,002</u>	<u>\$ 4,420,835</u>
<b>Business-type activities:</b>					
Compensated absences	<u>\$ 83,073</u>	<u>\$ 107,196</u>	<u>\$ (80,171)</u>	<u>\$ 110,098</u>	<u>\$ 110,098</u>
Contracts payable	<u>\$ 280,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 280,000</u>

#### Governmental Activities - Bonds & Loans

Year Ended December 31	Governmental Obligation		WWMA Loan	
	Principal	Interest	Principal	Interest
2006	2,565,000	4,802,252	376,531	49,765
2007	2,655,000	4,678,053	388,399	37,896
2008	2,790,000	4,547,802	400,642	25,654
2009	2,900,000	3,183,464	413,270	13,026
2010-2014	16,550,000	9,932,314	-	-
2015-2019	19,425,000	4,672,875	-	-
2020-2024	9,100,000	566,775	-	-
Total	<u>\$ 55,985,000</u>	<u>\$ 32,383,535</u>	<u>\$ 1,578,842</u>	<u>\$ 126,341</u>

(Continued)

## NOTES TO FINANCIAL STATEMENTS

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### *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, 2005, the remaining balance of these costs was \$1,803,587. 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 2005, \$151,550 was paid to the developer, with \$70,022 applied to principal and the remaining \$81,528 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 2004 secondary assessed valuation of the City is \$480,830,038. Accordingly, the legal limit for bonded indebtedness for the City is \$96,166,008 for the fiscal year ended June 30, 2005, leaving \$92,402,166, respectively of unused borrowing capacity.

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## **NOTE 7 – MUNICIPAL PROPERTY CORPORATION FUND CONSTRUCTION COMMITMENT LIABILITY**

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Governmental funds report deferred revenue in connection to resources that have been received, but not yet earned. As of June 30, 2005, the deferred revenue balance of approximately \$5,000,000 in the Municipal Property Corporation Fund represents payments made by the City for use in future periods.

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## **NOTE 8 - RETIREMENT PLANS**

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### *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

## NOTES TO FINANCIAL STATEMENTS

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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 5.2% of their compensation for the year ended June 30, 2005, 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 to contribution rate from that actuarially determined rate. The total contributions made by the City for the years ended June 30, 2005, 2004, and 2003, were, \$812,620 \$658,403, and \$228,340, 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 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, 2005, the City contributed 6.14% and 8.19% of annual covered firefighter and police payroll to the plan, respectively.

#### **C. Annual Pension Cost**

For 2004, the City's annual pension cost of \$441,469 for ASPSPRS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004 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 8.75% per year compounded annually, (b) projected salary increases of 5.25% 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.

*(Continued)*

## NOTES TO FINANCIAL STATEMENTS

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### *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.

#### *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, death, or an 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, therefore, employee assets held in Section 457 plan assets are held in trust for employees. Employee assets held in Section 457 plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Agency Fund is not included in the City's Financial Statements.

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## **NOTE 9 - RISK MANAGEMENT**

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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.

*(Continued)*

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - 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, 2005.

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.

**NOTE 11 - INTERFUND ASSETS, LIABILITIES, AND TRANSFERS**

	<u>Due (to) from</u>	<u>Transfers in (out)</u>
Governmental funds		
Major governmental funds		
General fund	\$ 298,104	\$ (7,056,171)
Highway user fund		831,034
Police Development Fee Fund		(1,429,197)
Fire Development Fee Fund		1,429,197
Municipal Property Corporation Fund		5,755,700
Other governmental funds	(298,104)	491,000
	<u>-</u>	<u>21,563</u>
Business-type funds		
Major business-type funds		
Sewer	-	(1,933)
Sanitation	-	(19,630)
	<u>-</u>	<u>(21,563)</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 operating transfers resulted in the normal course of the City’s operations.

**NOTE 12 – STREET LIGHTING DISTRICT NET ASSETS (DEFICIT)**

The following is a detail of *Special Revenue SLID Districts* fund equity balances as of June 30, 2005 reported as nonmajor special revenue funds.

(Continued)

## NOTES TO FINANCIAL STATEMENTS

### *Special Revenue SLID Districts Fund Balances:*

Kingswood Park SLID	\$	62,194
DW Sun City Grand SLID		(25,100)
Westpoint Towne Center SLID		7,364
Continental @ Kingswood SLID		26,232
Mountain Vista Ranch SLID		20,071
Sun City Grand II SLID		(2,165)
Sun City Grand III SLID		(54,037)
Bell West Ranch SLD		15,734
Canyon Ridge West SLID		5,422
Ashton Ranch Unit I SLID		(320)
Ashton Ranch Unit II SLID		33,797
Mountain Vista Ranch II SLID		6,014
Mountain Vista Ranch III SLD		12,095
Legacy Park SLID		1,063
Greenway Park SLID		(3,838)
Roseview SLID		2,221
Countryside SLD		9,967
Park Row SLID		(5,421)
Northwest Ranch #2 SLID		13,913
Bell West Ranch 1B SLID		(1,177)
Ashton Ranch Unit III SLID		11,919
Ashton Ranch Unit IV SLID		12,361
Legacy Park GHI SLID		5,005
Rancho Gabriela Phase I SLID		50,513
Northwest Ranch #1 SLID		730
Sun City Grand IV SLID		(31,332)
Rancho Gabriela 2,3, 4A-B SLD		(18,788)
Greenway Park II SLD		9,100
Greenway Park III SLD		4,245
Bell West Ranch 1A SLID		2,861
Tash/Western Meadows SLD		5,512
Roseview 5, 5A, 7&8 SLID		27,772
Orchards 1,2,3,4,5 SLD		2,925
Surprise Farms 1A SLD		16,711
Legacy Park Parcels E, F & J SLD		8,534
Sierra Montana 1A SLD		(23,684)
Bell West Ranch II SLD		(10,694)
Royal Ranch Unit I SLID		(2,972)
Surprise Farms 1B SLID		4,054
Desert Oasis #1 SLID		(13,304)
Litchfield Manor SLID		(29,699)
Cotton Gin SLID		(6,583)
Summerfield at Litchfield SLID		(3,465)
Marley Park Phase I SLID		(1,537)
Greer Ranch South SLID		(1,184)
Bell West Ranch Parcel 3 SLID		(1,065)
Sierra Montana Parcel 12 SLID		(5,614)
Sierra Verde Phase One SLID		(15,174)
Surprise Farms II		(1,917)
Royal Ranch Unit II SLID		(1,703)
Kenly Farms		(2,192)
Veramonte		(1,411)
Bell Point 1		(1,001)
Rancho Gabriela Phase II Parcel 11 SLID		(938)
Royal Ranch Unit II, Parcels 5,6 & 9		(2,904)
Sierra Verde Parcel 4		(1,008)
	\$	<u>108,102</u>

(Continued)

## NOTES TO FINANCIAL STATEMENTS

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As a result of revenues inadequate to cover expenses some SLID districts have a deficit net asset. This is due to state imposed limit on taxes within those districts. Future revenue collected is expected to fund the deficit fund equity balances.

# # # # #

**Required Supplementary Information – Schedule of Employer Contributions**

Year ended June 30,	Annual Required Contribution		
	Fire	Police	Percent
	Fighters		Contributed
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	279,843	260,897	100.0%
2004	93,437	348,032	100.0%
2005 *	226,379	327,835	100.0%

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

**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)
1998	\$ 3,003,120	\$ 2,855,963	\$ (147,157)	105.2%	\$ 2,067,826	-7%
1999	3,807,496	3,756,622	(50,874)	101.4%	2,416,085	-2%
2000	4,941,863	4,582,526	(359,337)	107.8%	2,934,962	-12%
2001	6,447,706	5,031,601	(1,416,105)	128.1%	4,077,707	-35%
2002	8,514,189	6,452,541	(2,061,648)	132.0%	5,838,324	-35%
2003	10,993,504	8,423,619	(2,569,885)	130.5%	6,569,599	-39%
2004	12,421,828	11,004,127	(1,417,701)	112.9%	7,689,826	-18%

**Figure 1**

**Six-Year Trend Information**

Fiscal Year Ended June 30,	Annual Pension Cost		Percent Contributed	Net Pension Obligation
	Fire	Police		
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	279,843	260,897	100.0%	-
2004 *	93,437	348,032	100.0%	-

**Figure 2**

(Continued)

**CITY OF SURPRISE, ARIZONA**

**REQUIRED SUPPLEMENTAL INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES AND**

**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**

**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 31,070,500	\$ 31,070,500	\$ 40,697,940
Licenses and permits	1,723,800	1,723,800	2,283,688
Intergovernmental	6,848,800	6,848,800	7,016,660
Charges for services	13,460,800	13,460,800	16,877,085
Grants	5,927,300	5,927,300	895,849
Fines	823,700	823,700	1,027,951
Rents	372,600	372,600	689,116
Interest	250,000	250,000	1,055,258
Other	1,430,000	1,430,000	1,285,093
Total revenues	<u>61,907,500</u>	<u>61,907,500</u>	<u>71,828,640</u>
<b>EXPENDITURES</b>			
Current			
General government	15,315,400	15,152,300	8,781,974
Public safety	16,767,800	16,905,700	16,312,432
Public works and streets	3,590,700	3,609,900	3,418,562
Community development	3,704,600	3,822,000	3,497,025
Culture and recreation	9,101,400	9,046,300	7,545,503
Capital Outlay	26,313,100	25,499,500	6,831,397
Debt Service			
Principal	-	-	70,022
Interest	-	-	81,528
Total expenditures	<u>74,793,000</u>	<u>74,035,700</u>	<u>46,538,443</u>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>(12,885,500)</u>	<u>(12,128,200)</u>	<u>25,290,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(7,192,800)</u>	<u>(7,192,800)</u>	<u>(7,056,171)</u>
<b>NET CHANGE IN FUND</b>			
<b>BALANCES</b>	<u>(20,078,300)</u>	<u>(19,321,000)</u>	<u>18,234,026</u>
<b>FUND BALANCES, beginning of</b>			
the year	<u>38,526,585</u>	<u>38,526,585</u>	<u>38,526,585</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 18,448,285</u>	<u>\$ 19,205,585</u>	<u>\$ 56,760,611</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Municipal Property Corporation Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Rents	\$ 4,831,500	\$ 4,831,500	\$ 4,831,500
Interest	-	-	530,909
Other	-	-	140,538
Total revenues	<u>4,831,500</u>	<u>4,831,500</u>	<u>5,502,947</u>
<b>EXPENDITURES</b>			
Current			
Public safety	-	-	3,981
Culture and Recreation	-	-	840
Capital outlay	22,576,000	21,653,900	2,886,269
Debt Service			
Principal	2,100,000	2,985,100	2,985,000
Interest and fiscal charges	2,731,500	2,750,500	2,752,944
Total expenditures	<u>27,407,500</u>	<u>27,389,500</u>	<u>8,629,034</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(22,576,000)</u>	<u>(22,558,000)</u>	<u>(3,126,087)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>5,755,700</u>	<u>5,755,700</u>	<u>5,755,700</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(22,576,000)</u>	<u>(22,558,000)</u>	<u>2,629,613</u>
<b>FUND BALANCES, beginning of the year</b>	<u>17,517,055</u>	<u>17,517,055</u>	<u>17,517,055</u>
<b>FUND BALANCES (DEFICIT), end of the year</b>	<u>\$ (5,058,945)</u>	<u>\$ (5,040,945)</u>	<u>\$ 20,146,668</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**

**REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Highway User Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental	\$ 2,120,400	\$ 2,120,400	\$ 2,242,582
Interest	15,000	15,000	5,264
Other	-	-	58,049
Total revenues	<u>2,135,400</u>	<u>2,135,400</u>	<u>2,305,895</u>
<b>EXPENDITURES</b>			
Current			
Public works and streets	2,711,900	2,724,200	2,708,635
Culture and Recreation	<u>333,400</u>	<u>333,400</u>	<u>300,965</u>
Total expenditures	<u>3,045,300</u>	<u>3,057,600</u>	<u>3,009,600</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(909,900)</u>	<u>(922,200)</u>	<u>(703,705)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>946,100</u>	<u>946,100</u>	<u>831,034</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>36,200</u>	<u>23,900</u>	<u>127,329</u>
<b>FUND BALANCES, beginning of the year</b>	<u>228,571</u>	<u>228,571</u>	<u>228,571</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 264,771</u>	<u>\$ 252,471</u>	<u>\$ 355,900</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Police Development Fee Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Development Fees	\$ 2,212,200	\$ 1,382,600	3,859,184
Interest	15,000	9,400	52,599
Total revenues	<u>2,227,200</u>	<u>1,392,000</u>	<u>3,911,783</u>
<b>EXPENDITURES</b>			
Current			
Public safety	681,400	399,500	354,826
Capital outlay	<u>2,139,300</u>	<u>2,219,800</u>	<u>1,189,006</u>
Total expenditures	<u>2,820,700</u>	<u>2,619,300</u>	<u>1,543,832</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(593,500)</u>	<u>(1,227,300)</u>	<u>2,367,951</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>-</u>	<u>138,000</u>	<u>(1,429,197)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(593,500)</u>	<u>(1,089,300)</u>	<u>938,754</u>
<b>FUND BALANCES, beginning of the year</b>	<u>2,071,301</u>	<u>2,071,301</u>	<u>2,071,301</u>
<b>FUND BALANCES, end of the year</b>	<u><u>\$ 1,477,801</u></u>	<u><u>\$ 982,001</u></u>	<u><u>\$ 3,010,055</u></u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Fire Safety Development Fee Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Development Fees	\$ -	\$ 829,600	\$ 2,732,689
Interest	-	5,600	52,453
Total revenues	-	835,200	2,785,142
<b>EXPENDITURES</b>			
Current			
Public safety	-	407,900	344,405
Capital outlay	-	350,100	112,236
Total expenditures	-	758,000	456,641
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	77,200	2,328,501
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	1,429,197
<b>NET CHANGE IN FUND BALANCES</b>	-	77,200	3,757,698
<b>FUND BALANCES, beginning of the year</b>	-	-	-
<b>FUND BALANCES, end of the year</b>	\$ -	\$ 77,200	\$ 3,757,698

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

<b>ASSETS</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 29,324,711	\$ 133,352	\$ 29,458,063
Receivables (net of allowances)			
Interest	132,611	-	132,611
Other	112,107	-	112,107
Prepaid items	1,849,673	-	1,849,673
<b>Total assets</b>	<b>\$ 31,419,102</b>	<b>\$ 133,352</b>	<b>\$ 31,552,454</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 159,739	\$ -	\$ 159,739
Accrued payroll and related taxes	3,628	-	3,628
Due to other funds	298,105	-	298,105
<b>Total liabilities</b>	<b>461,472</b>	<b>-</b>	<b>461,472</b>
<b>FUND BALANCE</b>			
Reserved for prepaid items	1,849,673	-	1,849,673
Unreserved, reported in			
Special revenue funds	29,107,957		29,107,957
Debt service funds	-	133,352	133,352
<b>Total fund balance</b>	<b>30,957,630</b>	<b>133,352</b>	<b>31,090,982</b>
<b>Total liabilities and fund balance</b>	<b>\$ 31,419,102</b>	<b>\$ 133,352</b>	<b>\$ 31,552,454</b>

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ 761,328	\$ 761,328
Intergovernmental	395,497	-	395,497
Charges for services	720,271	-	720,271
Grants	336,259	-	336,259
Fines	48,750	-	48,750
Development fees	18,098,259	-	18,098,259
Interest	761,265	11,039	772,304
Other	392,751	-	392,751
	<u>20,753,052</u>	<u>772,367</u>	<u>21,525,419</u>
<b>EXPENDITURES</b>			
Current			
General government	162,480	-	162,480
Public Safety	41,663	-	41,663
Public works and streets	1,400,103	-	1,400,103
Community development	4,429	-	4,429
Culture and recreation	2,797,492	-	2,797,492
Capital outlay	2,385,342	-	2,385,342
Debt service			
Principal	-	590,025	590,025
Interest and fiscal charges	-	180,090	180,090
	<u>6,791,509</u>	<u>770,115</u>	<u>7,561,624</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>13,961,543</u>	<u>2,252</u>	<u>13,963,795</u>
<b>OTHER FINANCING USES</b>			
Transfers in	491,000	-	491,000
	<u>491,000</u>	<u>-</u>	<u>491,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>14,452,543</u>	<u>2,252</u>	<u>14,454,795</u>
<b>FUND BALANCES, beginning of year</b>	<u>16,505,087</u>	<u>131,100</u>	<u>16,636,187</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 30,957,630</u>	<u>\$ 133,352</u>	<u>\$ 31,090,982</u>



**SURPRISE**  
ARIZONA

# CITY OF SURPRISE, ARIZONA

## SUPPLEMENTAL INFORMATION

### COMBINING BALANCE SHEET

#### NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2005

	<u>Transit</u> <u>Fund</u>	<u>Donations</u> <u>Fund</u>	<u>Neighborh.</u> <u>Revitaliz.</u> <u>Fund</u>	<u>Parks &amp;</u> <u>Recreational</u> <u>Enhancement</u>	<u>Library</u> <u>Development</u> <u>Fund</u>	<u>General</u> <u>Govt. Dev</u> <u>Fee Fund</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 296,414	\$ 312,847	\$ -	\$ 12,458,777	\$ 1,397,874	\$ 5,519,219
Receivables, net						
Interest	-	206	-	120,966	1,332	2,069
Other	-	-	-	-	-	-
Prepaid items	-	-	-	1,849,673	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,849,673</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 296,414</u>	<u>\$ 313,053</u>	<u>\$ -</u>	<u>\$ 14,429,416</u>	<u>\$ 1,399,206</u>	<u>\$ 5,521,288</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 4,004	\$ 8,182	\$ 333	28,578	-	\$ 8,651
Accrued payroll and related taxes	2,629	-	999	-	-	-
Due to other funds	-	-	39,435	-	-	-
	<u>-</u>	<u>-</u>	<u>39,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,633</u>	<u>8,182</u>	<u>40,767</u>	<u>28,578</u>	<u>-</u>	<u>8,651</u>
<b>FUNDBALANCE</b>						
Reserved for prepaid items	-	-	-	1,849,673	-	-
Unreserved						
Undesignated	289,781	304,871	(40,767)	12,551,165	1,399,206	5,512,637
	<u>289,781</u>	<u>304,871</u>	<u>(40,767)</u>	<u>12,551,165</u>	<u>1,399,206</u>	<u>5,512,637</u>
Total fund equity	<u>289,781</u>	<u>304,871</u>	<u>(40,767)</u>	<u>14,400,838</u>	<u>1,399,206</u>	<u>5,512,637</u>
Total liabilities and fund balances	<u>\$ 296,414</u>	<u>\$ 313,053</u>	<u>\$ -</u>	<u>\$ 14,429,416</u>	<u>\$ 1,399,206</u>	<u>\$ 5,521,288</u>

(Continued)

See Notes to Financial Statements

<u>Employee Dep Scholarship</u>	<u>Street Lighting Districts</u>	<u>Community Facility Districts</u>	<u>10% Set Aside OTS</u>	<u>Municipal Court Enhancement</u>	<u>Public Works Expansion Development</u>	<u>Totals</u>
\$ 9,673	\$ 350,527	\$ 58,042	\$ 427,496	\$ 109,993	\$ 8,383,849	\$ 29,324,711
-	3,408	564	206	-	3,860	132,611
-	112,107	-	-	-	-	112,107
-	-	-	-	-	-	1,849,673
<u>\$ 9,673</u>	<u>\$ 466,042</u>	<u>\$ 58,606</u>	<u>\$ 427,702</u>	<u>\$ 109,993</u>	<u>\$ 8,387,709</u>	<u>\$ 31,419,102</u>
\$ -	\$ 99,270	\$ -	\$ 3,411	\$ -	\$ 7,310	\$ 159,739
-	-	-	-	-	-	3,628
-	258,670	-	-	-	-	298,105
-	357,940	-	3,411	-	7,310	461,472
-	-	-	-	-	-	1,849,673
<u>9,673</u>	<u>108,102</u>	<u>58,606</u>	<u>424,291</u>	<u>109,993</u>	<u>8,380,399</u>	<u>29,107,957</u>
<u>9,673</u>	<u>108,102</u>	<u>58,606</u>	<u>424,291</u>	<u>109,993</u>	<u>8,380,399</u>	<u>30,957,630</u>
<u>\$ 9,673</u>	<u>\$ 466,042</u>	<u>\$ 58,606</u>	<u>\$ 427,702</u>	<u>\$ 109,993</u>	<u>\$ 8,387,709</u>	<u>\$ 31,419,102</u>

(Continued)  
See Notes to Financial Statements

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Transit Fund</u>	<u>Donations Fund</u>	<u>Neighborh. Revitaliz. Fund</u>	<u>Parks &amp; Recreational Enhancement</u>	<u>Library Development Fund</u>	<u>General Govt. Dev Fee Fund</u>
<b>REVENUES</b>						
Intergovernmental	\$ 388,970	\$ 6,527	\$ -	\$ -	\$ -	\$ -
Charges for services	9,954	-	-	-	-	-
Grants	3,659	-	332,600	-	-	-
Fines	-	-	-	-	-	-
Development fees	-	-	-	8,277,666	1,381,303	2,494,928
Interest	7,238	3,877	-	468,684	17,903	99,001
Other	-	200,011	-	-	-	-
Total revenues	<u>409,821</u>	<u>210,415</u>	<u>332,600</u>	<u>8,746,350</u>	<u>1,399,206</u>	<u>2,593,929</u>
<b>EXPENDITURES</b>						
Current						
General government	-	-	-	-	-	101,217
Public Safety	-	41,663	-	-	-	-
Public works and streets	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Culture and recreation	283,626	151,422	396,380	1,933,246	-	-
Capital outlay	46,497	-	-	788,657	-	199,568
Total expenditures	<u>330,123</u>	<u>193,085</u>	<u>396,380</u>	<u>2,721,903</u>	<u>-</u>	<u>300,785</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>79,698</u>	<u>17,330</u>	<u>(63,780)</u>	<u>6,024,447</u>	<u>1,399,206</u>	<u>2,293,144</u>
<b>OTHER FINANCING SOURCES</b>						
Interfund transfers in	-	105,800	16,000	-	-	-
Total other financing sources	<u>-</u>	<u>105,800</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>79,698</u>	<u>123,130</u>	<u>(47,780)</u>	<u>6,024,447</u>	<u>1,399,206</u>	<u>2,293,144</u>
<b>FUND BALANCES, beginning of year</b>	<u>210,083</u>	<u>181,741</u>	<u>7,013</u>	<u>8,376,391</u>	<u>-</u>	<u>3,219,493</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 289,781</u>	<u>\$ 304,871</u>	<u>\$ (40,767)</u>	<u>\$ 14,400,838</u>	<u>\$ 1,399,206</u>	<u>\$ 5,512,637</u>

(Continued)  
See Notes to Financial Statements

<b>Employee Dep Scholarship</b>	<b>Street Lighting Districts</b>	<b>Community Facility Districts</b>	<b>10% Set Aside OTS</b>	<b>Municipal Court Enhancement</b>	<b>Public Works Expansion Development</b>	<b>Totals</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395,497
-	710,317	-	-	-	-	720,271
-	-	-	-	-	-	336,259
-	-	-	-	48,750	-	48,750
-	-	-	-	-	5,944,362	18,098,259
190	12,245	1,851	8,448	-	141,828	761,265
824	116,916	75,000	-	-	-	392,751
<b>1,014</b>	<b>839,478</b>	<b>76,851</b>	<b>8,448</b>	<b>48,750</b>	<b>6,086,190</b>	<b>20,753,052</b>
1,500	-	18,245	41,518	-	-	162,480
-	-	-	-	-	-	41,663
-	981,941	-	-	-	418,162	1,400,103
-	-	-	-	-	4,429	4,429
-	-	-	32,818	-	-	2,797,492
-	-	-	13,325	-	1,337,295	2,385,342
<b>1,500</b>	<b>981,941</b>	<b>18,245</b>	<b>87,661</b>	<b>-</b>	<b>1,759,886</b>	<b>6,791,509</b>
(486)	(142,463)	58,606	(79,213)	48,750	4,326,304	13,961,543
-	-	-	369,200	-	-	491,000
-	-	-	369,200	-	-	491,000
(486)	(142,463)	58,606	289,987	48,750	4,326,304	14,452,543
10,159	250,565	-	134,304	61,243	4,054,095	16,505,087
<b>\$ 9,673</b>	<b>\$ 108,102</b>	<b>\$ 58,606</b>	<b>\$ 424,291</b>	<b>\$ 109,993</b>	<b>\$ 8,380,399</b>	<b>\$ 30,957,630</b>

(Continued)  
See Notes to Financial Statements

**CITY OF SURPRISE, ARIZONA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 31,070,500	\$ 31,070,500	\$ 40,697,940
Licenses and permits	1,723,800	1,723,800	2,283,688
Intergovernmental	6,848,800	6,848,800	7,016,660
Charges for services	13,460,800	13,460,800	16,877,085
Grants	5,927,300	5,927,300	895,849
Fines	823,700	823,700	1,027,951
Rents	372,600	372,600	689,116
Interest	250,000	250,000	1,055,258
Other	1,430,000	1,430,000	1,285,093
Total revenues	<u>61,907,500</u>	<u>61,907,500</u>	<u>71,828,640</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
City council	369,400	367,800	262,288
City manager	751,400	751,400	596,764
Intergovernmental relations	120,400	120,400	112,443
Legal	708,200	733,200	622,855
City clerk	522,400	522,400	488,944
Finance	1,159,200	1,159,200	1,042,809
Human resources	623,000	652,600	624,044
Information technology	1,867,400	1,874,600	1,700,447
Management and Budget	658,600	658,600	589,732
Public information	571,500	584,100	562,238
General operations	7,963,900	7,728,000	2,179,410
Total general government	<u>15,315,400</u>	<u>15,152,300</u>	<u>8,781,974</u>
<b>PUBLIC SAFETY</b>			
City court	1,212,200	1,262,200	1,159,201
Police	8,996,000	9,145,500	8,675,381
Fire	6,559,600	6,498,000	6,477,850
Total public safety	<u>16,767,800</u>	<u>16,905,700</u>	<u>16,312,432</u>
<b>PUBLIC WORKS AND STREETS</b>			
Engineering	1,203,800	1,260,000	1,103,117
Vehicle maintenance	927,700	928,100	843,853
Facilities Management	1,311,400	1,276,400	1,403,872
Streets	-	33,000	-
Stormwater	147,800	112,400	67,720
Total public works and streets	<u>3,590,700</u>	<u>3,609,900</u>	<u>3,418,562</u>
<b>COMMUNITY DEVELOPMENT</b>			
Econ development	393,000	393,000	320,508
Community development	3,311,600	3,429,000	3,176,517
Total community service	<u>3,704,600</u>	<u>3,822,000</u>	<u>3,497,025</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>CULTURE AND RECREATION</b>			
Com Initiatives	1,186,900	1,138,500	910,483
Parks and Recreation	7,914,500	7,907,800	6,635,020
Total culture and recreation	<u>9,101,400</u>	<u>9,046,300</u>	<u>7,545,503</u>
<b>DEBT SERVICE</b>			
Principal	-	-	70,022
Interest	-	-	81,528
Total debt service	<u>-</u>	<u>-</u>	<u>151,550</u>
<b>CAPITAL OUTLAY</b>	<u>26,313,100</u>	<u>25,499,500</u>	<u>6,831,397</u>
Total expenditures	<u>74,793,000</u>	<u>74,035,700</u>	<u>46,538,443</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(12,885,500)</u>	<u>(12,128,200)</u>	<u>25,290,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	<u>(7,192,800)</u>	<u>(7,192,800)</u>	<u>(7,056,171)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(20,078,300)</u>	<u>(19,321,000)</u>	<u>18,234,026</u>
<b>FUND BALANCES, beginning of the year</b>	<u>38,526,585</u>	<u>38,526,585</u>	<u>38,526,585</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 18,448,285</u>	<u>\$ 19,205,585</u>	<u>\$ 56,760,611</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Debt Service Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Taxes	\$ 769,300	\$ 769,300	\$ 761,328
Interest	5,800	5,800	11,039
Total revenues	<u>775,100</u>	<u>775,100</u>	<u>772,367</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	648,200	648,200	590,025
Interest	190,700	190,700	180,090
Total expenditures	<u>838,900</u>	<u>838,900</u>	<u>770,115</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(63,800)</u>	<u>(63,800)</u>	<u>2,252</u>
<b>FUND BALANCES, beginning of the year</b>	<u>131,100</u>	<u>131,100</u>	<u>131,100</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 67,300</u>	<u>\$ 67,300</u>	<u>\$ 133,352</u>
	<b>Transit Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental	\$ 265,300	\$ 265,300	\$ 388,970
Charges for services	9,000	9,000	9,954
Grants	112,800	112,800	3,659
Interest	-	-	7,238
Total revenues	<u>387,100</u>	<u>387,100</u>	<u>409,821</u>
<b>EXPENDITURES</b>			
Current			
Culture and Recreation	276,300	291,700	283,626
Capital outlay	317,900	302,500	46,497
Total expenditures	<u>594,200</u>	<u>594,200</u>	<u>330,123</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(207,100)</u>	<u>(207,100)</u>	<u>79,698</u>
<b>FUND BALANCES, beginning of the year</b>	<u>210,083</u>	<u>210,083</u>	<u>210,083</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 2,983</u>	<u>\$ 2,983</u>	<u>\$ 289,781</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Donations Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ 6,527
Interest	-	-	3,877
Other	500,000	500,000	200,011
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>210,415</u>
<b>EXPENDITURES</b>			
Current			
General Government	531,700	531,700	41,663
Culture and recreation	105,800	105,800	151,422
Total expenditures	<u>637,500</u>	<u>637,500</u>	<u>193,085</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(137,500)</u>	<u>(137,500)</u>	<u>17,330</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in (out)	<u>105,800</u>	<u>105,800</u>	<u>105,800</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(31,700)</u>	<u>(31,700)</u>	<u>123,130</u>
<b>FUND BALANCES, beginning of the year</b>	<u>181,741</u>	<u>181,741</u>	<u>181,741</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 150,041</u>	<u>\$ 150,041</u>	<u>\$ 304,871</u>

	<b>Neighborh. Revitaliz. Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Grants	\$ 1,035,800	\$ 1,035,800	\$ 332,600
Total revenues	<u>1,035,800</u>	<u>1,035,800</u>	<u>332,600</u>
<b>EXPENDITURES</b>			
Current			
Culture and recreation	1,276,500	1,128,600	396,380
Total expenditures	<u>1,276,500</u>	<u>1,128,600</u>	<u>396,380</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(240,700)</u>	<u>(92,800)</u>	<u>(63,780)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in (out)	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(224,700)</u>	<u>(76,800)</u>	<u>(47,780)</u>
<b>FUND BALANCES, beginning of the year</b>	<u>7,013</u>	<u>7,013</u>	<u>7,013</u>
<b>FUND BALANCES (DEFICIT), end of the year</b>	<u>\$ (217,687)</u>	<u>\$ (69,787)</u>	<u>\$ (40,767)</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Parks &amp; Recreational Enhancement</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Development fee	\$ 6,020,600	\$ 5,420,600	\$ 8,277,666
Interest	10,000	9,000	468,684
Total revenues	<u>6,030,600</u>	<u>5,429,600</u>	<u>8,746,350</u>
<b>EXPENDITURES</b>			
Current			
Culture and Recreation	1,910,600	2,291,300	1,933,246
Capital Outlay	<u>8,811,500</u>	<u>8,811,500</u>	<u>788,657</u>
Total expenditures	<u>1,910,600</u>	<u>2,291,300</u>	<u>2,721,903</u>
<b>FUND BALANCES</b> , beginning of the year	<u>8,376,391</u>	<u>8,376,391</u>	<u>8,376,391</u>
<b>FUND BALANCES</b> , end of the year	<u>\$ 12,496,391</u>	<u>\$ 11,514,691</u>	<u>\$ 14,400,838</u>

	<b>Library Development Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Development fee	\$ -	\$ 600,000	\$ 1,381,303
Interest	-	1,000	17,903
Total revenues	<u>-</u>	<u>601,000</u>	<u>1,399,206</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>601,000</u>	<u>1,399,206</u>
<b>FUND BALANCES</b> , beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b> , end of the year	<u>\$ -</u>	<u>\$ 601,000</u>	<u>\$ 1,399,206</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General Govt. Dev Fee Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Development fees	\$ 1,832,000	\$ 1,832,000	\$ 2,494,928
Interest	17,400	17,400	99,001
Total revenues	<u>1,849,400</u>	<u>1,849,400</u>	<u>2,593,929</u>
<b>EXPENDITURES</b>			
Current			
General government	300,000	300,000	101,217
Capital outlay	<u>3,583,800</u>	<u>3,531,300</u>	<u>199,568</u>
Total expenditures	<u>3,883,800</u>	<u>3,831,300</u>	<u>300,785</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(2,034,400)</u>	<u>(1,981,900)</u>	<u>2,293,144</u>
<b>FUND BALANCES, beginning of the year</b>	<u>3,219,493</u>	<u>3,219,493</u>	<u>3,219,493</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 1,185,093</u>	<u>\$ 1,237,593</u>	<u>\$ 5,512,637</u>

	<b>Employee Dependent Scholarship Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Interest	\$ 500	\$ 500	\$ 190
Other	-	-	824
Total revenues	<u>500</u>	<u>500</u>	<u>1,014</u>
<b>EXPENDITURES</b>			
Current			
General government	10,700	10,700	1,500
Total expenditures	<u>10,700</u>	<u>10,700</u>	<u>1,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(10,200)</u>	<u>(10,200)</u>	<u>(486)</u>
<b>FUND BALANCES, beginning of the year</b>	<u>10,159</u>	<u>10,159</u>	<u>10,159</u>
<b>FUND BALANCES (DEFICIT), end of the year</b>	<u>\$ (41)</u>	<u>\$ (41)</u>	<u>\$ 9,673</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Street Lighting District</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Charges for services	\$ 684,100	\$ 684,100	\$ 710,317
Interest	-	-	12,245
Other	1,166,400	1,166,400	116,916
Total revenues	<u>1,850,500</u>	<u>1,850,500</u>	<u>839,478</u>
<b>EXPENDITURES</b>			
Current			
Public Works	<u>2,000,000</u>	<u>2,000,000</u>	<u>981,941</u>
Total expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>981,941</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(149,500)</u>	<u>(149,500)</u>	<u>(142,463)</u>
<b>FUND BALANCES, beginning of the year</b>	<u>250,565</u>	<u>250,565</u>	<u>250,565</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 101,065</u>	<u>\$ 101,065</u>	<u>\$ 108,102</u>

	<b>Community Facilities Districts</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Interest	\$ -	\$ -	\$ 1,851
Other	-	-	75,000
Total revenues	<u>-</u>	<u>-</u>	<u>76,851</u>
<b>EXPENDITURES</b>			
Current			
General government	<u>-</u>	<u>-</u>	<u>18,245</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>18,245</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>58,606</u>
<b>FUND BALANCES, beginning of the year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,606</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>10% Set Aside Square Mile</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Interest	\$ 3,000	\$ 3,000	\$ 8,448
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>8,448</u>
<b>EXPENDITURES</b>			
Current			
General Government	42,800	42,800	41,518
Culture and recreation	105,000	105,000	32,818
Capital outlay	<u>319,300</u>	<u>315,300</u>	<u>13,325</u>
Total expenditures	<u>467,100</u>	<u>463,100</u>	<u>87,661</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(464,100)</u>	<u>(460,100)</u>	<u>(79,213)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>369,200</u>	<u>369,200</u>	<u>369,200</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(94,900)</u>	<u>(90,900)</u>	<u>289,987</u>
<b>FUND BALANCES, beginning of the year</b>	<u>134,304</u>	<u>134,304</u>	<u>134,304</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 39,404</u>	<u>\$ 43,404</u>	<u>\$ 424,291</u>
	<b>Municipal Court Enhancement</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Fines	\$ -	\$ -	\$ 48,750
Total revenues	<u>-</u>	<u>-</u>	<u>48,750</u>
<b>EXPENDITURES</b>			
Current			
Public Safety	<u>17,000</u>	<u>17,000</u>	<u>-</u>
Total expenditures	<u>17,000</u>	<u>17,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(17,000)</u>	<u>(17,000)</u>	<u>48,750</u>
<b>FUND BALANCES, beginning of the year</b>	<u>61,243</u>	<u>61,243</u>	<u>61,243</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 44,243</u>	<u>\$ 44,243</u>	<u>\$ 109,993</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Public Works Expansion Development</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Development fees	\$ 2,366,300	\$ 2,366,300	\$ 5,944,362
Interest	25,000	25,000	141,828
Total revenues	<u>2,391,300</u>	<u>2,391,300</u>	<u>6,086,190</u>
<b>EXPENDITURES</b>			
Current			
Public Works	148,000	532,000	418,162
Community Development	70,000	70,000	4,429
Capital outlay	<u>5,057,400</u>	<u>4,646,700</u>	<u>1,337,295</u>
Total expenditures	<u>5,275,400</u>	<u>5,248,700</u>	<u>1,759,886</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(2,884,100)</u>	<u>(2,857,400)</u>	<u>4,326,304</u>
<b>FUND BALANCES, beginning of the year</b>	<u>4,054,095</u>	<u>4,054,095</u>	<u>4,054,095</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 1,169,995</u>	<u>\$ 1,196,695</u>	<u>\$ 8,380,399</u>

(Continued)

**City of Surprise**  
**Government Wide Expenses by Function**  
**Last Nine Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works and Streets (inc SLIDS)</b>	<b>Community Services</b>	<b>Culture and Recreation</b>	<b>Interest</b>	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Replenishment</b>	<b>Total</b>
1996/97	\$ 1,615,195	\$ 2,156,627	\$ 1,565,724	\$ 473,607	\$ 736,622	\$ 405,840	\$ 51,450	\$ 1,297,325	\$ 289,554	\$ -	\$ 8,591,944
1997/98	2,438,467	3,570,003	2,291,318	619,493	1,199,841	322,782	981,564	659,109	272,881	-	12,355,459
1998/99	2,054,109	3,478,494	3,598,318	156,072	1,337,691	734,904	640,315	991,467	481,446	-	13,472,814
1999/00	7,340,084	5,262,491	5,756,944	1,339,271	1,677,460	387,413	1,136,521	1,393,103	645,457	10,000	24,948,743
2000/01	5,426,805	8,617,222	6,686,411	1,925,975	6,253,556	2,306,856	1,249,808	2,017,488	960,484	32,074	35,476,679
2001/02	6,151,129	10,638,974	6,663,461	2,271,931	5,959,097	4,988,389	1,782,272	5,659,805	1,171,441	104,292	45,390,791
2002/03	7,261,998	12,421,571	6,443,612	2,765,942	8,814,719	3,439,953	2,520,676	5,299,290	1,286,846	269,688	50,524,295
2003/04	10,048,590	16,091,306	8,725,320	3,494,720	9,693,533	2,149,947	2,743,166	5,310,460	1,641,006	431,316	60,329,364
2004/05	9,183,596	18,142,250	9,754,900	3,565,707	12,579,822	2,802,299	3,761,890	7,348,509	2,064,479	461,179	69,664,631

<sup>1</sup> Restricted to last nine fiscal years, this is the fourth 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 Nine Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Taxes</b>	<b>Grants and Contributions Not Restricted to Specific Programs</b>	<b>Unrestricted Investment Earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
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
2003/04	35,086,354	1,393,209	39,786,963	28,971,599	5,605,862	1,268,035	617,820	112,729,842
2004/05	25,100,520	1,549,862	40,482,590	43,737,313	6,084,821	2,480,100	704,004	120,139,210

<sup>1</sup> Only nine years of financial information exists is sufficient detail to aggregate in this format.

**City of Surprise**  
**General Governmental Expenditures by Function<sup>2</sup>**  
**Last Nine Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works &amp; Streets</b>	<b>Community Development</b>	<b>Culture and Recreation</b>	<b>Debt Service</b>	<b>Total</b>
1996/97	\$ 1,772,374	\$ 2,657,903	\$ 1,856,929	\$ 473,607	\$ 791,971	\$ 1,426,715	\$ 8,979,499
1997/98	2,523,554	4,148,482	2,488,587	619,493	1,208,159	1,201,533	12,189,809
1998/99	2,363,635	4,556,219	3,847,312	156,072	2,452,738	1,207,914	14,583,889
1999/00	7,305,030	5,244,899	5,761,752	1,339,271	1,634,867	874,973	22,160,792
2000/01	5,924,496	8,895,622	6,788,352	1,925,975	6,246,519	4,664,269	34,445,233
2001/02	7,509,924	10,187,801	5,309,349	2,255,604	4,639,572	5,449,653	35,351,903
2002/03	7,116,791	12,032,201	5,333,461	2,726,882	8,577,218	6,097,029	41,883,582
2003/04	9,051,514	14,652,086	6,506,475	3,241,710	7,328,847	5,489,639	46,270,271
2004/05	9,183,596	18,142,250	9,754,900	3,565,707	12,579,822	2,802,299	56,028,574

<sup>1</sup>Restricted to last nine fiscal years, this is the fourth 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.

<sup>2</sup>Does not include Capital Outlay

Note: Changed from last years CAFR General government includes administrative and public works now includes cost of sales and services (SLIDS).

**City of Surprise**  
**General Government Revenues by Source**  
**Last Nine Fiscal Years<sup>1,2</sup>**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses &amp; Permits</b>	<b>Inter-gov.</b>	<b>Charges for Services</b>	<b>Fines</b>	<b>Rents</b>	<b>Donations /Grants</b>	<b>Development Fees</b>	<b>Investment Earnings</b>	<b>Misc.</b>	<b>Total</b>
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
2003/04	27,126,908	1,844,692	9,962,621	14,716,657	689,721	5,524,818	468,774	15,421,946	715,156	2,352,780	78,824,073
2004/05	41,459,268	2,283,688	9,654,739	17,597,356	1,076,701	24,690,132	1,232,108	5,520,616	2,468,787	1,876,431	107,859,826

<sup>1</sup> Only nine years of financial information exists is sufficient detail to aggregate in this format.

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

**City of Surprise**  
**General Government Tax Revenues by Source**  
**Last Nine Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise &amp; Business Licenses</b>	<b>Total</b>
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
2003/04	3,039,352	24,087,555	1,844,692	\$ 28,971,599
2004/05	4,019,951	37,433,674	2,283,688	\$ 43,737,313

<sup>1</sup> Only nine years of financial information exists is sufficient detail to aggregate in this format.

**City of Surprise  
Primary Property Tax Levies and Collections<sup>1</sup>**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
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
2003/04	2,251,700	2,237,772	99.4	26,091	2,263,863	100.5	13,928	0.6
2004/05	3,303,900	3,221,174	97.5	37,441	3,258,615	98.6	82,726	2.5

<sup>1</sup>Limited all schedules to nine 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 Nine Fiscal Years<sup>1,2</sup>**

<b>Year</b>	<b>Real Property</b>		<b>Exemptions</b>	<b>Total</b>		<b>Ratio of Total Assessed Value to Total Estimated Actual Value</b>
	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Real Property</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	
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
2003/04	362,793,189	3,100,683,511	10,775,706	352,017,483	3,100,683,511	11.35
2004/05	502,353,562	4,159,527,322	21,523,524	480,830,038	4,159,527,322	11.56

<sup>1</sup>Limited all schedules to nine years to be consistent with restrictions on revenue and expenditure schedules in this section.

<sup>2</sup> Source: Maricopa County Assessor's Office

**City of Surprise  
Property Tax Rates<sup>2</sup>  
Direct and Overlapping Governments  
Last Nine Calendar Years<sup>1</sup>**

	<b>City of Surprise</b>			<b>Maricopa County</b>			<b>Dysart School District</b>					
<b>Year</b>	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total City Millage</b>	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>County Library</b>	<b>Total County Millage</b>	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total School District Millage</b>	<b>Other</b>	<b>Total</b>
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	0.4400	0.8510	1.1641	0.1152	0.0421	1.3214	4.5713	1.5735	6.1448	1.8947	10.2119
2001	0.6632	0.1777	0.8409	1.1832	0.0876	0.0421	1.3129	4.3012	1.2575	5.5587	1.9791	9.6916
2002	0.6632	0.2469	0.9101	1.2108	0.0800	0.0421	1.3329	4.0828	1.3021	5.3849	1.9511	9.5790
2003	0.6936	0.2165	0.9101	1.2108	0.0700	0.0521	1.3329	4.3099	1.5850	5.8949	1.8891	10.0270
2004	0.7501	0.1600	0.9101	1.2108	0.0000	0.0521	1.2629	4.4518	1.3014	5.7532	1.8320	9.7582
2005	0.7227	0.1824	0.9051	1.1971	0.0000	0.0521	1.2492	5.4627	1.6924	7.1551	1.9267	11.2361

<sup>1</sup>Limited all schedules to nine years to be consistent with restrictions on revenue and expenditure schedules in this section.

<sup>2</sup> Source: Maricopa County Assessor's Office

**City of Surprise**  
**Principal Taxpayers<sup>1</sup>**  
**June 30, 2004<sup>2</sup>**

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2003-04 Assessed Valuation</u>	<u>As % of City's Total Assessed Valuation</u>
Arizona Public Service Company	Gas & Electric Utility	\$ 10,263,047	2.92%
Sun City Grand	Drive-In/Golf Course/Race Track	5,465,162	1.55%
Surprises Village Co. LLC	Vacant Land	4,350,242	1.24%
Del Webb Construction	Vacant Land	4,077,360	1.16%
Cox Communications	TV System	3,349,235	0.95%
Southwest Gas Corporation	Gas & Electric Utility	3,148,685	0.89%
Fulton Homes Corporation	Vacant Land	2,784,890	0.79%
Surprise Towne Center	Shopping Center	2,780,010	0.79%
Wal Mart Stores	Shopping Center	2,771,190	0.79%
Arizona American Water	Water Utility	2,766,084	0.79%
Qwest U.S. West Communications, Inc.	System	2,475,931	0.70%
Lennar Homes	Vacant Land	2,131,860	0.61%
Grand Village Deborado LLC	Shopping Center	2,119,780	0.60%
Target Corp.	Department Store	2,013,048	0.57%
		<u>50,496,524</u>	<u>14.34%</u>

<sup>1</sup>Data obtained from the Maricopa County Treasurer's Office.

<sup>2</sup>Most recent data available.

**City of Surprise**  
**Computation of Legal Debt Margin 6%<sup>1,2</sup>**  
**June 30, 2005**

<hr/>		
Assessed valuations:		
Secondary Assessed Value		\$ 480,830,038
Unrestricted-Legal debt margin		
Debt limitation-6 percent of total secondary assessed valuation		\$ 28,849,802
Debt applicable to limitation:		
Not identified below	\$	-
Total debt applicable to limitation		-
Unrestricted Legal debt margin		<u><u>\$ 28,849,802</u></u>

**Computation of Legal Debt Margin 20%<sup>1,2</sup>**  
**June 30, 2005**

<hr/>		
Assessed valuations:		
Secondary Assessed Value		\$ 480,830,038
Restricted-Legal debt margin		
Debt limitation-20 percent of total secondary assessed valuation		\$ 96,166,008
Debt applicable to limitation:		
Total Bonded Debt	\$	3,763,842
Less: Debt service		<u>133,352</u>
Amount available for repayment of general obligation bonds		<u>3,630,490</u>
Total debt applicable to limitation		<u><u>\$ 92,535,518</u></u>
Restricted Legal debt margin		

<sup>1</sup>The Arizona Constitution provides that the general obligation bonded indebtedness for a city for general municipal purposes may not exceed 6% of the secondary assessed valuation of the taxable property in that City. In addition to the 6% limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20% of the secondary assessed valuation for supplying such city with water, artificial light, sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities.

<sup>2</sup>Does not include debt issued by the Surprise Municipal Property Corporation.

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

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Secondary Assessed Value<sup>2</sup></b>	<b>Gross Bonded Debt<sup>3</sup></b>	<b>Less Debt Service Fund<sup>4</sup></b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
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 <sup>6</sup>	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
2003/04	65,000	352,017,483	4,353,867	123,741	4,230,126	1.20	65
2004/05	81,431	480,830,038	3,763,842	133,352	3,630,490	0.76	45

<sup>1</sup>Unless otherwise noted, annual estimates provided by Arizona Department of Economic Security or Maricopa County or City of Surprise

<sup>2</sup>From the Assessed and Estimated Actual Value of Property table in this section

<sup>3</sup>Amount does not include debt related to SMPC.

<sup>4</sup>Amount available for repayment of general obligation bonds

<sup>5</sup>Limited all schedules to nine years to be consistent with restrictions on revenue and expenditure schedules in this section.

<sup>6</sup>Per 2000 Census

**City of Surprise**  
**Ratio of Annual Debt Service Expenditures**  
**For General Obligation Bonded Debt<sup>1</sup>**  
**to Total General Governmental Expenditures**  
**Last Nine Fiscal Years<sup>2</sup>**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total Governmental Expenditures</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>
1996/97	\$ 1,024,775	\$ 430,140	\$ 1,454,915	\$ 6,953,615	20.92%
1997/98	878,751	345,109	1,223,860	10,441,905	11.72
1998/99	473,010	303,622	1,228,275	11,359,587	10.81
1999/00	487,561	285,057	772,618	21,763,663	3.55
2000/01	507,413	267,113	774,526	31,216,826	2.48
2001/02	527,575	246,588	774,163	36,672,981	2.11
2002/03	548,058	210,588	758,646	41,147,795	1.84
2003/04	568,871	190,550	759,421	50,203,416	1.51
2004/05	590,025	169,721	759,746	56,028,574	1.36

<sup>1</sup>General obligation bonds only, does not include the Municipal Property Corp..

<sup>2</sup>Limited all schedules to nine 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, 2005**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding<sup>2</sup></u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct:			
City of Surprise <sup>1</sup>	3,630,490	100.00%	3,630,490
Overlapping:			
Maricopa Community College District <sup>3</sup>	278,775,000	1.28%	3,568,320
Dysart School District <sup>3</sup>	<u>17,990,000</u>	66.68%	<u>11,995,732</u>
Total	<u><u>\$ 300,395,490</u></u>		<u><u>\$ 19,194,542</u></u>

<sup>1</sup>Excluding the amount available for repayment in the debt service fund and MPC debt.

<sup>2</sup>Overlapping amounts provided by the Maricopa County Assessor's Office.

<sup>3</sup>Most recent data available.

**City of Surprise**  
**Property Value, Construction and Bank Deposits**  
**Last Nine Calendar Years<sup>1</sup>**

<u>Year</u>	<u>Property Value<sup>2</sup></u>			<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Bank Deposits<sup>4</sup></u>
	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>	<u>Commercial Permits Completed</u>	<u>Commercial Valuation</u>	<u>Residential Number of Units</u>	<u>Residential Valuation</u>	
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	115	42,051,593	4,176	524,558,864	344,590,000
2004	553,244,578	2,547,438,933	3,100,683,511	207	96,227,743	8,143	890,770,818	493,508,000
2005	1,002,785,013	3,156,742,309	4,159,527,322	122 <sup>2</sup>	37,027,229 <sup>2</sup>	4,465 <sup>2</sup>	526,130,746 <sup>2</sup>	Not yet available

<sup>1</sup>Limited all schedules to nine years to be consistent with restrictions on revenue and expenditure schedules in this section.

<sup>2</sup>Includes only the first six months of calendar year 2005

<sup>3</sup>Source: Maricopa County Treasurer's Office

<sup>4</sup>Source: Federal Deposit Insurance Corporation, most recent data available.

**City of Surprise  
Miscellaneous Statistics  
June 30, 2005**

Date of Incorporation	1960
Form of Government	Council/Manager
Number of full time employees (excluding police and fire):	276
Area in square miles	76
City of Surprise facilities and services:	
Miles of streets	586
Number of street lights	375
Culture and Recreation:	
Libraries	2
Community Centers	3
Parks	7
Swimming Pools	2
Fire Protection:	
Number of stations	4
Number of fire personnel and officers	75
Number of calls answered	7,416
Number of inspections conducted	1,272
Police Protection:	
Number of stations	2
Number of sworn police officers	76
Number of patrol units	84
Number of law violations:	
Criminal traffic Caseload	2,456
Misdemeanor Caseload	5,744
Civil Traffic Caseload	10,548
Hearings	256
Bench Trials	25
Jury Trials	5
Search Warrants	65
Orders of Protection & Injunction	192
Local Ordinance Violations	303
Sewerage System:	
Number of treatment plants	1
Number of service connections	35,001
Daily average treatment in gallons	5.1mgd
Maximum daily capacity of treatment plant in gallons	7.2mgd
Water systems:	
Number of service connections	11,047
Daily average consumption in gallons	2,871,958
Maximum daily capacity of plant in gallons	5.8mgd million gallons daily

**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