



CITY OF SURPRISE, ARIZONA
**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

For the fiscal year ended June 30, 2013

FY 2013



SURPRISE
ARIZONA

www.surpriseaz.gov

CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2013

Prepared by:
Finance Department



SURPRISE

ARIZONA

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INTRODUCTORY SECTION

The Introductory Section is the first of three essential components of the City's Comprehensive Annual Financial Report (CAFR). The second essential component is the Financial Section, and the third is the Statistical Section. The Introductory Section provides general information on the City's structure and personnel as well as information useful in assessing the City's economic condition, with the letter of transmittal as the key element to formally introduce the CAFR to the intended readers.



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January 29, 2014

Honorable Mayor, Members of the City Council, and City Manager:

In accordance with the requirements of Arizona Revised Statutes (A.R.S.) § 41-1279.07, I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Surprise, Arizona (the City), for the fiscal year ended June 30, 2013. These financial statements are prepared and presented in conformity with generally accepted accounting principles in the United States (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the various funds of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information presented in this report based on internal controls established for this purpose. To provide a reasonable basis for making these representations, the City has established a comprehensive framework of internal control that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, has audited the City of Surprise's financial statements pursuant to A.R.S § 9-481. The audit is intended to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2013, 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.

An unmodified audit opinion denotes that the financial statements are presented fairly and in conformity with GAAP. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2013, 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 City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. CliftonLarsonAllen LLP was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Single Audit Act of 1996 and related OMB Circular A-133. The single audit report is issued separately from this CAFR. Copies are available online and upon request from the City's Finance Department.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

Surprise, located just 45 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded on May 17, 1938 by Flora Mae Statler who purchased and subdivided the original town site. The former small farming village now encompasses 108 square miles, including urban and commercial

developments, ranches, industrial sites, and business parks. Surprise has grown from 500 residents to a city of over 118,000 people, evolving from a small town government to a regional governmental entity.

Surprise 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 Council is responsible, among other things, for passing ordinances, appointing committees, adopting the budget, and appointing the City Manager, the City Attorney, the City Clerk, and the Presiding Judge. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing department directors.

The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three 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 Statute, 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 certain 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 section A. (1.A) in the Notes to the Financial Statements.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The budget preparation and adoption process is described in greater detail in the Notes to the Financial Statements. The budget is prepared by fund and by department within the general fund. The budget may be amended during the fiscal year as follows: Department Directors may make transfers of appropriations within a department between the major categories of supplies and services and within the personnel category. 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, between departments and between projects.

Economic Condition and Outlook

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

Local Economy

Economic forecasts show a slow and steady economic recovery for Arizona. These forecasts are supported by several key indicators. The unemployment rate for the City of Surprise has increased slightly from 4.3% at June 2012 to 5.0% as of June 2013. Despite this increase, the unemployment rate is well below the high of 9.4% reached in June 2010. The City's largest revenue source is sales tax generated from a variety of business categories including retail stores, communications/utilities, construction, restaurant/bar, real estate/rental and leasing, service related, art/entertainment, and hotel/motel. Sales tax revenues have increased 14% from the prior year and State shared revenues have increased 11%.

The region is also marked by a continued inventory of vacant homes resulting from the previous downturn in the housing market and the consumer credit crisis. Residential construction continues at a moderate pace, and includes some in-fill activity in previously developed neighborhoods. The oversupply of vacant homes continues to be re-assimilated into the active real estate market.

Further information on the history of City revenues can be found in the MD&A, pages 15 through 28, and the statistical section that begins on page 127, of this financial report.

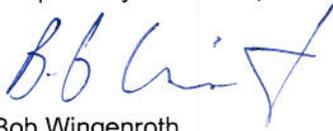
Long-Term Financial Planning

The City's financial planning has focused on cutting costs while maintaining current service levels. Last year, the City developed a two year plan to meet the Council's direction to attain an operating reserve level in the general fund equal to two months' expenditures (approximately \$12.5 million). The City has not only accomplished this goal, but has also exceeded it within a period of one year. It is expected that fiscal year 2014 will further augment the City's operating reserve level.

Acknowledgements

I want to thank and recognize the staff of the Finance Department for their efforts in preparing this report. I would like to thank all City departments for their assistance throughout the past year. I also appreciate the guidance and support extended by the City Manager and the Mayor and City Council in planning and conducting the financial operations of the City in a fiscally responsible manner.

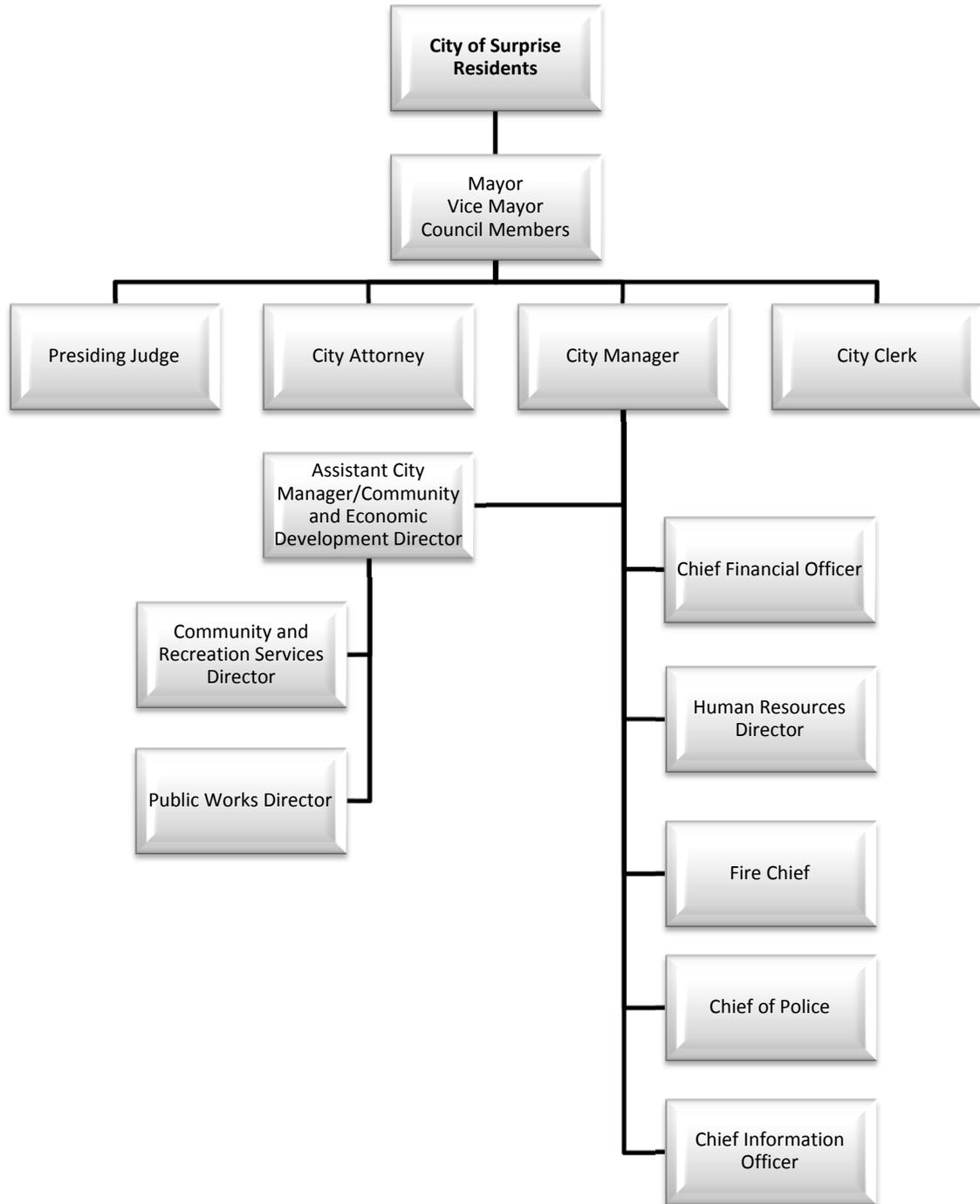
Respectfully submitted,

A handwritten signature in blue ink, appearing to read "B. B. Wingenroth".

Bob Wingenroth
Chief Financial Officer



City of Surprise Organizational Chart



MAYOR SHARON WOLCOTT – Mayor@surpriseaz.gov



Mayor Sharon Wolcott was elected November 2011 on a platform that called for creating more jobs, providing new education options, and addressing traffic congestion in Surprise.

The former District 1 council member also has worked hard to bring about more fiscal accountability and transparency at City Hall; and she intends to continue the fight for taxpayers in her new job.

As Mayor, she has promised to reach out to the community with regular town hall meetings in neighborhoods across Surprise. Sharon believes city government works best when elected officials and senior staff members take time away from City Hall to engage residents on the issues.

In December 2011, she joined several members of the City Council in an initial round of public meetings to discuss what citizens believe the city's priorities should be in 2012 and beyond.

Her hands-on style of leadership is expected to help drive solutions to some of our community's most pressing and important challenges and opportunities.

Sharon discovered Surprise in 2003. Her first opportunity to serve came in 2008, when she was appointed to the Surprise Transportation Commission, serving as Vice-Chair. She was elected to the Surprise City Council in 2009.

Before coming to our community, Sharon previously served on the city council in Newport, Minnesota and as a state legislator in both the Minnesota House and Senate.

Wolcott's term expires in December 2015. She is elected at-large.

VICE MAYOR JOHN WILLIAMS – John.Williams@surpriseaz.gov



John Williams was first elected to the City Council from District 3 (Mesquite) in November 2007. He was re-elected in November 2011. As a teacher, parent, and husband, John brings a community perspective to his commitment to serve as a voice for all residents. John has been in education and sports medicine since he and his wife Melissa bought their home in Surprise in 2000.

A graduate of Hofstra University in New York, John also holds a master's in health science from Towson University in Maryland. His professional career began in sports medicine and transitioned into education when he and Melissa came to Surprise.

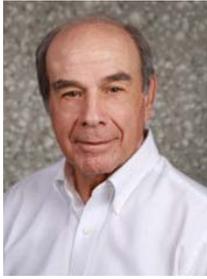
For the past seven years, he has been working as a teacher, building the Career and Technical Education Sports Medicine program in the Peoria Unified School District. He has been selected by his peers to be the program lead for the past two years.

John and Melissa have three children, Connor, Ashlyn, and Matthew. Melissa and John are animal lovers and they have opened their home to numerous animals in need including Blaze, the three-legged cocker spaniel whose life was extended for eight years after they took him into their home in 1999.

"I want to give my kids, our kids, the opportunity to be part of the city that is defining vibrant southwest living. In 15 years, I hope my oldest, Connor, can attend the next great university right here in Surprise. I hope when he graduates he will have the option of building his own family here because we will have grown a sustainable economy that offers high quality jobs to our residents. These are my hopes and dreams. I believe working together, we can make them happen."

Williams was re-elected in 2011 and his current term expires in December 2015.

JIM BIUNDO – Jim.Biundo@surpriseaz.gov



City Council member Biundo was appointed District 1 Council member on June 14, 2011 to fill a vacancy. He has been a resident of Surprise since 2003.

Jim served in the United States Marine Corps from 1954 to 1957. Following military service, he attended college in Colorado, received Bachelor of Arts and Master of Arts degrees in English, Speech, and Theatre, and continued studies in a post-graduate doctoral graduate program.

Jim has had a career in education as a high school teacher, associate professor, and administrator at colleges in Colorado, Iowa, Arizona, and Missouri. During that time, he also pursued a parallel track in public service. He has served as a Councilmember at-large and has been on boards of directors of Chambers of Commerce, convention and visitor's bureaus, civic/service organizations, and was on the Board of Directors of Brucemore, Inc., and a National Trust for Historic Preservation property located in Cedar Rapids, Iowa.

Jim is the author of two books, several published poems, and over thirty published articles. He has made over 40 presentations at regional, national, and international conferences. He retired in 2000 from Southeast Missouri State University where he served as Assistant to the President.

Jim and his wife Antoinette have three daughters: Terrilee Day in Del Norte, Colorado; Kimberly Peets in Las Vegas, Nevada; and Tammy Gerstner in Lee's Summit, Missouri. They also have four grandchildren.

Biundo's term expires in December 2013.

RICHARD ALTON – Richard.Alton@surpriseaz.gov

Richard Alton represents the Cottonwood District, 2. The Cottonwood District encompasses the majority of Sun City Grand, the northwest portion of Sun Village, Stonebrook, Summerfield, and Bell West Ranch.



Richard was elected to Council in 2007, and re-elected in 2011. Since arriving in Surprise in 2003, he has served as a member of the Surprise Revitalization Committee, served on the ad hoc committee to analyze and recommend an auto mileage reimbursement method (Alton voted for the IRS standards), and most recently, he served as a Commissioner on the Surprise Planning and Zoning Commission.

His experience on these commissions has given him valuable insight into the complexities and importance of zoning decisions, planning strategies, and redeveloping needy areas. His professional experience in the banking industry gives him a unique understanding of the economic and business development aspects of proper planning, zoning, and revitalization.

Richard brings more than 35 years of banking experience to his post, which will be a valuable asset in the city's budgeting and planning processes. He will address Surprise's urgent transportation needs, and make an impact in economic development strategies and networking. He is committed to enhancing the communications between citizens and the Council regarding Council agenda items.

He and his wife re-located to Surprise from the Seattle, Washington area. He has six children (all grown) and 11 grandchildren.

Alton was re-elected in 2011 and his current term expires in December 2015.

ROY VILLANUEVA – Roy.Villanueva@surpriseaz.gov



Long-time District 4 Councilmember Roy Villanueva passed away on July 22, 2013. Councilmember Villanueva, first sworn into city office in June 1979, brought more than 34 years of experience having served as Surprise Mayor, Vice Mayor and Councilmember.

“Roy’s passing is a tremendous loss for our community,” says Mayor Sharon Wolcott. “For decades he worked so very hard to help build our city and thanks to his leadership we are better off today. My heartfelt condolences to his wife Rachel, his children and grandsons. Please know that your Mayor and City Council are here for you.”

During his many years of service, Roy initiated many important improvements in the area of housing rehabilitation, economic development, utilities, police services, fire services and federal grants.

While serving as chair of the Community Development Block Grant Committee, Roy was instrumental in targeting these important federal dollars to improve housing, roads, streetlights, sidewalks, baseball fields, sewer systems and other important neighborhood infrastructure around the city.

He was also instrumental in developing important Surprise economic milestones such as the West Pointe Towne Center, and bringing major league baseball and Surprise Stadium to the community.

Councilmember Villanueva lived in Surprise for more than 34 years and has left an immeasurable legacy to the City of Surprise.

MIKE WOODARD – Mike.Woodard@surpriseaz.gov



City Council member Mike Woodard represents District 5 (Palm). District 5 includes the northern half of West Point, Kingswood Parke, The Orchards, Sierra Verde, a portion of the Original Town Site, the Stadium Village complex, and the Civic Center/Recreational campuses.

Mike, a Surprise resident since 1998, is a retired widower and resident of West Point Towne Center. He has been an active citizen in the community since 2001 as co-founder of the group Citizen’s for a Better Surprise, a member of the Planning and Zoning Commission, a Sundancer volunteer, an at-large member of the Citizen Bond Committee, and as a senior center volunteer driver. He also volunteers his time and efforts to West Valley Cancer Connections and the H.O.P.E. Team at Cancer Treatment Centers of America.

His involvement in the city combined with over 40 years of accounting and managerial experience in a broad range of industries will be valuable in the city’s budgeting and planning processes. He is committed to bringing commuter rail and improving transportation corridors, major factors affecting the city’s economic development strategies. Mike believes communication between the citizens and council is of paramount importance and will be a top personal endeavor for him.

Mike has helped raise four children and numerous foster children; and he is grandfather to six and great-grandfather to one great-granddaughter.

Woodard’s term expires in December 2013.

SKIP HALL – Skip.Hall@surpriseaz.gov



A resident of Surprise since 2003, Skip served on the Surprise Planning and Zoning Commission for three years and currently serves on the Sun Village Board of Directors as Treasurer.

Skip's goals for the city include additional east-west road crossings over the Aqua Fria River, working with other transportation partners to expand Grand Avenue, and attracting new businesses to Surprise.

He grew up in Idaho and received a business degree from Seattle University. Skip is a Vietnam War Veteran and he was awarded the Bronze Star for his outstanding service 1969-1970.

Skip worked in the restaurant and lodging business for decades, opening restaurants in California, Oregon, and Washington and earning a certification in hotel administration. He was involved in multi-unit management for two lodging chains and achieved the Best Practice Award from American Express and the National Lodging Institute.

He has worked with Junior Achievement and the Veterans of Foreign Wars. He has also taught community college courses on the hospitality business and restaurant and hotel management.

Skip has two daughters, one son, and five grandchildren.

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

Hall's term expires in December 2013.



City of Surprise Appointed Officials

City Manager	Chris Hillman
City Clerk	Sherry Aguilar
City Attorney	Misty Leslie
Presiding Judge	Louis Frank Dominguez





FINANCIAL SECTION – INDEPENDENT AUDITORS’ REPORT

The Financial Section is divided into five subsections. The first subsection is the Independent auditors’ report, which is the official written communication of the audit results provided by the independent auditors expressing their opinion on the City’s financial statements as to whether the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

Financial Subsection’s

- Independent Auditors’ Report
- Management’s Discussion and Analysis
- Government Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Surprise, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2013, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 65. The City reported a change in accounting principle (See Note 15.). Beginning net position was restated as debt issuance costs, except any portion related to prepaid insurance costs, are now recognized as an expense in the period incurred. Debt issuance costs were previously reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. The auditors' opinion was not modified with regards to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 28, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 77, and budgetary comparison information on pages 78 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 combining and individual fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014, on our consideration of the City of Surprise, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Surprise, Arizona's internal control over financial reporting and compliance.



Phoenix, Arizona
January 29, 2014





FINANCIAL SECTION – MANAGEMENT’S DISCUSSION AND ANALYSIS

The Financial Section is divided into five subsections. The second subsection is Management’s Discussion and Analysis. This component of required supplementary information is used to introduce the basic financial statements and provide an analytical overview of the City’s financial activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Surprise (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2013. 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 a 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. Amounts presented may reflect some minor differences due to rounding. This analysis is meant to be read in conjunction with the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ❖ **Governmental Type net position** decreased less than 1% or \$0.7 million from \$476.0 million to \$475.3 million as opposed to an increase in net position in the prior year of \$17.7 million. The decrease in the change in net position from the prior year totaling \$18.4 million is attributable to the following changes in revenue: capital contributions decreased \$26.5 million due to a decrease in developer contributions, sales taxes increased \$4.5 million due to an improving local economy, and state shared revenues increased \$2.6 million.
- ❖ **Business Type net position** increased less than 1% from \$329.0 million to \$329.9 million, a difference of \$0.9 million. The increase in net position in the current year was less than the prior year increase of \$10.0 million. The decrease in the change in net position from the prior year is attributable to a decrease in capital contributions of \$11.3 million resulting from fewer developer contributions. Developer fees increased \$1.2 million due to an increase in the number of permits issued.
- ❖ **Governmental Activities expenses** of \$113.3 million exceeded program revenues of \$32.9 million, a difference of \$80.4 million. The remaining \$80.4 million of expense represents the total burden each separate function places on the City, that is the total cost after deducting revenues charged or grants and contributions received specifically for these programs. This amount is covered by general governmental revenues net of transfers.
- ❖ **Business Type expenses** were \$35.4 million, while program revenues totaled \$37.2 million, a positive difference of \$1.8 million. For the business type activities for the current year this surplus in program revenues will cover the shortfall in general revenues net of transfers.
- ❖ **Component units** – The City includes four separate legal entities in its report: the City of Surprise Voluntary Firefighters' Pension and Relief Fund, the Surprise Municipal Property Corporation (SMPC), Marley Park Community Facilities District (CFD), and various Street Lighting Improvement Districts (SLID). Although legally separate, these "component units" are presented along with the City's financial statements (blended presentation). Blending component units is appropriate when they share a governing body with the primary government or when there is an exclusive benefit to the primary government. Each of the above mentioned component units, meets these requirements. A more detailed description of these component units is available in Note 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 29 and 30-31) 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 34. 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 fiduciary 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 29. 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 Position 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 use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

These two statements report the City's net position and/or changes in them. You can think of the City's net position – the difference between assets, deferred outflows of resources 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 position 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.

The Statement of Net Position and the Statement of Activities are divided 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, 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 34 where the fund financial statements begin. These 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.

- ❖ **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. A description of the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is included in the reconciliations following 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 Position 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 reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, specifically the City's Employee Healthcare Fund and the Risk Management Fund.

- ❖ **Fiduciary Funds** – The City is the trustee, or fiduciary, for the Volunteer Firefighters Pension and Relief Fund and Flexible Spending Account. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 47-48.

These activities are excluded 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of June 30, 2013 and June 30, 2012.

City of Surprise's Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012*</u>
ASSETS						
Current and other assets	\$ 63.0	\$ 49.6	\$ 77.5	\$ 71.2	\$ 140.5	\$ 120.8
Capital assets, net	<u>456.2</u>	<u>474.8</u>	<u>317.1</u>	<u>324.9</u>	<u>773.3</u>	<u>799.7</u>
Total assets	<u>519.2</u>	<u>524.4</u>	<u>394.6</u>	<u>396.1</u>	<u>913.8</u>	<u>920.5</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	0.8	-	0.4	-	1.2	-
Total deferred outflows of resources	<u>0.8</u>	<u>-</u>	<u>0.4</u>	<u>-</u>	<u>1.2</u>	<u>-</u>
LIABILITIES						
Other liabilities	7.3	7.7	2.8	3.5	10.1	11.2
Long-term liabilities	<u>37.4</u>	<u>40.7</u>	<u>62.3</u>	<u>63.6</u>	<u>99.7</u>	<u>104.3</u>
Total liabilities	<u>44.7</u>	<u>48.4</u>	<u>65.1</u>	<u>67.1</u>	<u>109.8</u>	<u>115.5</u>
Net position:						
Net investment in capital assets	428.1	445.0	262.6	269.7	690.7	714.7
Restricted	28.0	27.0	6.9	6.7	34.9	33.7
Unrestricted	<u>19.2</u>	<u>4.0</u>	<u>60.4</u>	<u>52.6</u>	<u>79.6</u>	<u>56.6</u>
Total net position	<u>\$ 475.3</u>	<u>\$ 476.0</u>	<u>\$ 329.9</u>	<u>\$ 329.0</u>	<u>\$ 805.2</u>	<u>\$ 805.0</u>

* Amounts presented have been changed to reflect the prior period adjustments made for a change in accounting principle.

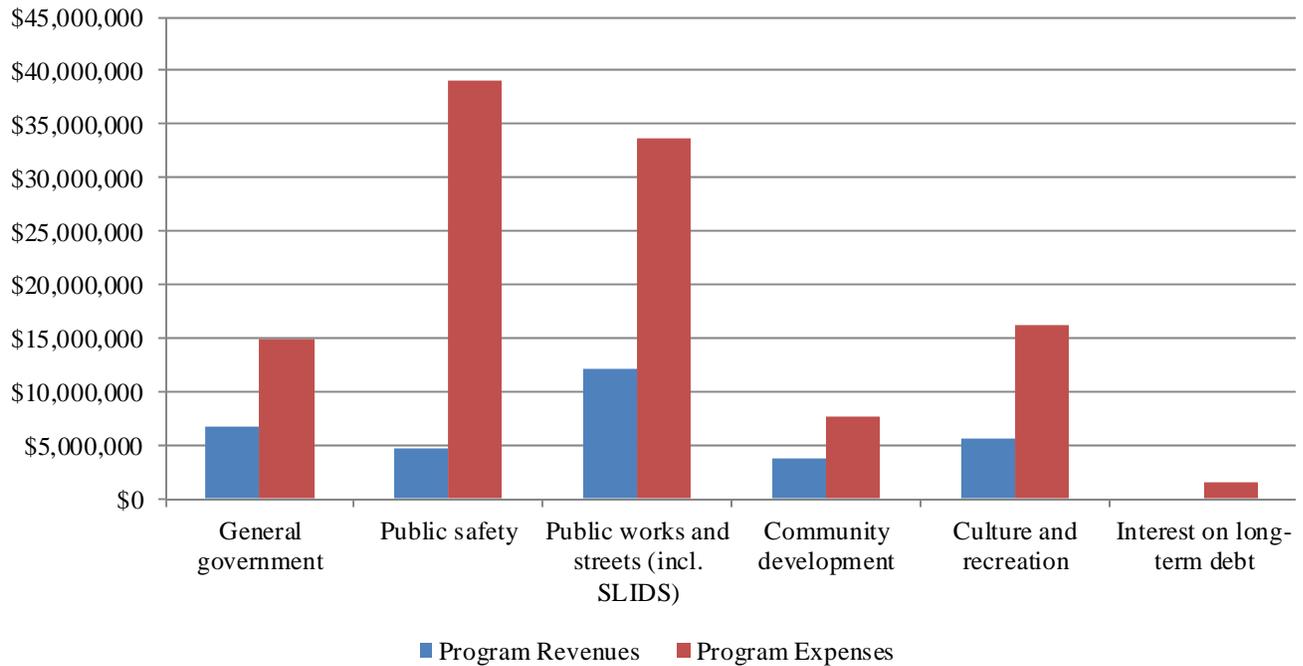
Net position is a good indicator of a city's overall financial standing. For fiscal year 2013, the City had total combined net position of \$805.2 million. This was an increase of \$0.2 million, or less than 1% over the prior year's net position of \$805.0 million. Not all of the \$805.2 million is available for the City to use without restraint. The largest portion of the City's total net position \$690.7 million, or 88% represents the City's net investment in capital assets. Of the remaining net position, \$34.9 million is restricted for various purposes and \$79.6 million is unrestricted.

City of Surprises Changes in Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012*</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 16.9	\$ 19.8	\$ 32.8	\$ 32.3	\$ 49.7	\$ 52.1
Operating grants and contributions	10.1	8.2	-	-	10.1	8.2
Capital grants and contributions	5.9	32.4	4.4	14.5	10.3	46.9
General revenues:						
Property taxes	9.3	6.1	-	-	9.3	6.1
Sales taxes	37.8	33.3	-	-	37.8	33.3
Franchise taxes	4.7	4.5	-	-	4.7	4.5
State shared revenues	26.0	23.4	-	-	26.0	23.4
Unrestricted investment earnings	0.2	0.3	0.2	0.3	0.4	0.6
Other	0.6	0.3	-	-	0.6	0.3
Total revenues	<u>111.5</u>	<u>128.3</u>	<u>37.4</u>	<u>47.1</u>	<u>148.9</u>	<u>175.4</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	15.0	17.4	-	-	15.0	17.4
Public safety	39.1	39.6	-	-	39.1	39.6
Public works and streets	33.7	29.4	-	-	33.7	29.4
Community development	7.7	7.4	-	-	7.7	7.4
Culture and recreation	16.3	16.2	-	-	16.3	16.2
Interest on long-term debt	1.5	1.6	-	-	1.5	1.6
Business-type activities:						
Water	-	-	10.8	10.8	10.8	10.8
Sewer	-	-	18.7	19.3	18.7	19.3
Sanitation	-	-	5.9	6.0	5.9	6.0
Total expenses	<u>113.3</u>	<u>111.6</u>	<u>35.4</u>	<u>36.1</u>	<u>148.7</u>	<u>147.7</u>
Excess before special items and transfers	(1.8)	16.7	2.0	11.0	0.2	27.7
Transfers in (out)	1.1	1.0	(1.1)	(1.0)	-	-
Increase/(Decrease) in net position	(0.7)	17.7	0.9	10.0	0.2	27.7
Net position - beginning, as restated	476.0	458.3	329.0	319.0	805.0	777.3
Net position - ending	<u>\$ 475.3</u>	<u>\$ 476.0</u>	<u>\$ 329.9</u>	<u>\$ 329.0</u>	<u>\$ 805.2</u>	<u>\$ 805.0</u>

* Amounts presented have been changed to reflect the prior period adjustments made for a change in accounting principle.

FY 2013 Governmental Program Revenues and Expenses

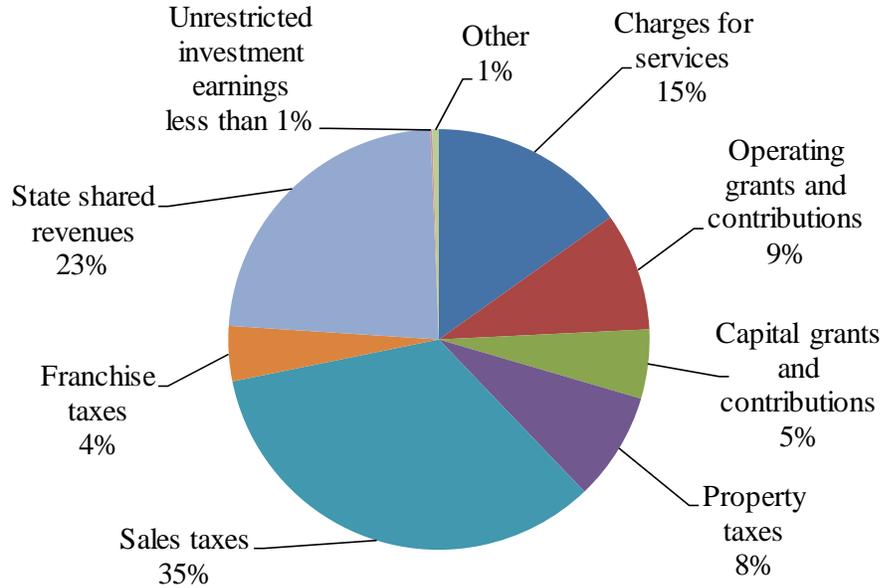


For fiscal year 2013, governmental program expenses exceeded program specific revenues by \$80.4 million. The remaining expenses were supported by general governmental revenues.

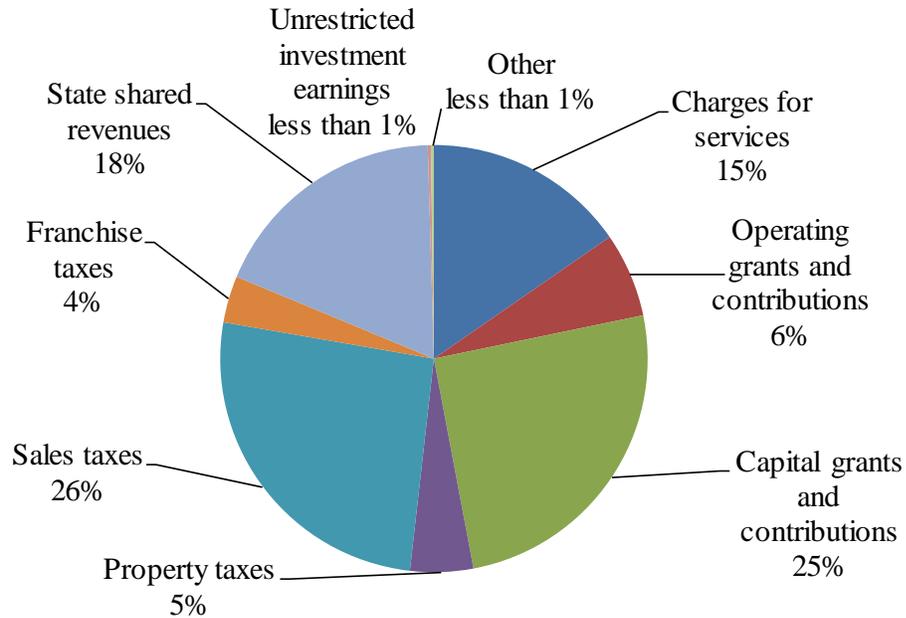
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 30% of total governmental revenues.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior services) are subsidized by general governmental revenues. The City does not intend to charge for the total cost of these services directly.
 - The City of Surprise maintains a full-time paramedic-trained Fire Department funded 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.
- ❖ **Community Development** revenues come primarily from construction related activities.
- ❖ **SLIDS** are Street Light Improvement Districts that charge a fee/tax to pay for the maintenance of light poles and the electricity used by neighborhood streetlights. Revenues and expenses for SLIDS are included in the public works and streets program.

Governmental Activities Revenues for the fiscal year ended June 30, 2013 totaled \$111.5 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2013 Governmental Activities Revenues



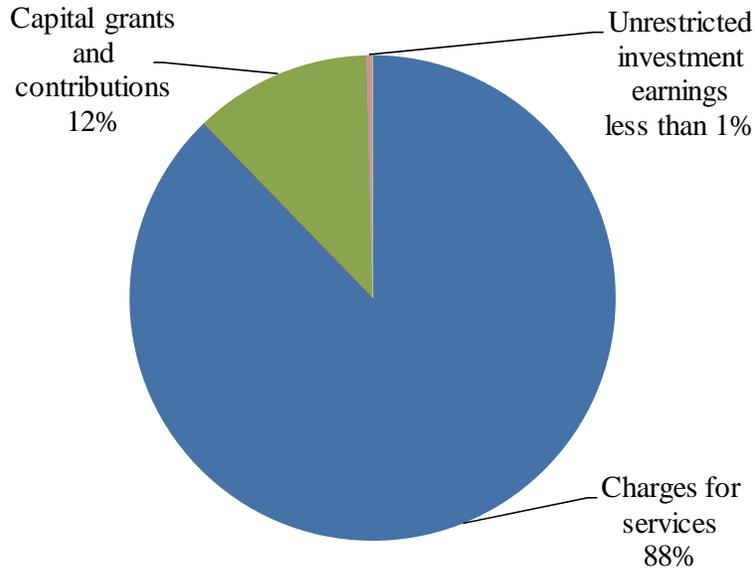
Fiscal Year 2012 Governmental Activities Revenues



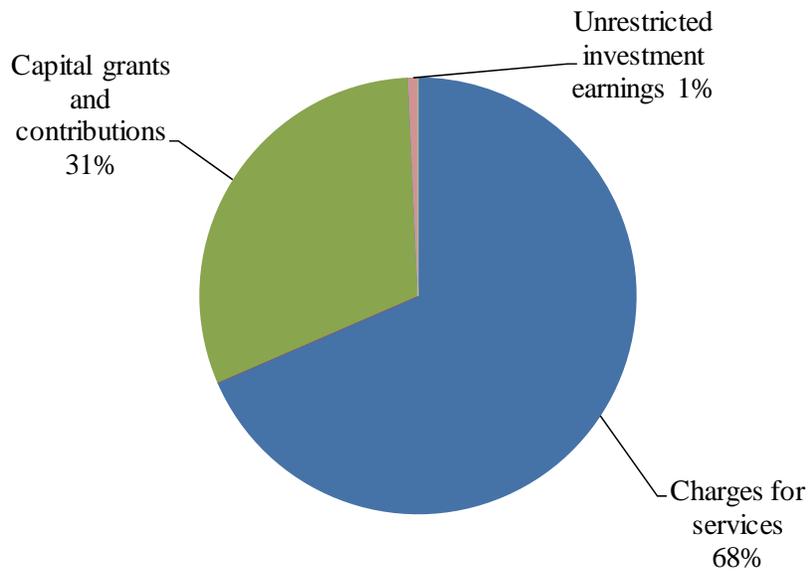
- ❖ The City’s largest revenue source is sales taxes at \$37.8 million. This is followed by state shared revenues totaling \$26.0 million.
- ❖ Total governmental activities revenues decreased \$16.8 million from the prior year as a result of the following changes in revenue: capital contributions decreased \$26.5 million due to a decrease in developer contributions, sales taxes increased \$4.5 million due to an improving local economy, and state shared revenues increased \$2.6 million.

Business Type Revenues for the fiscal year ended June 30, 2013 totaled \$37.4 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2013 Business Type Revenues

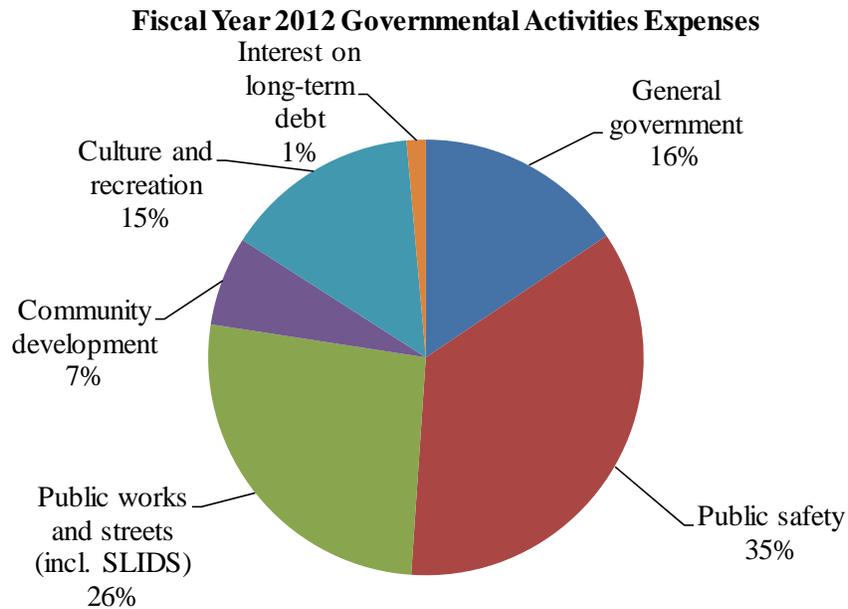
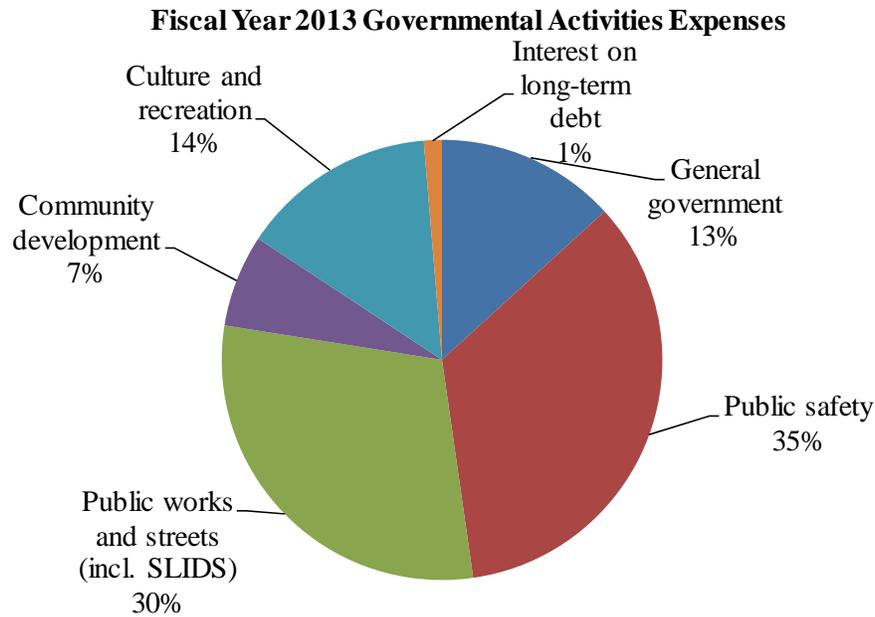


Fiscal Year 2012 Business Type Revenues



- ❖ Total Business Type Revenues decreased \$9.6 million from the prior fiscal year as a result of the following changes in revenue. A decrease in capital contributions of \$11.3 million resulting from fewer developer contributions. Developer fees increased \$1.2 million due to an increase in the number of permits issued.

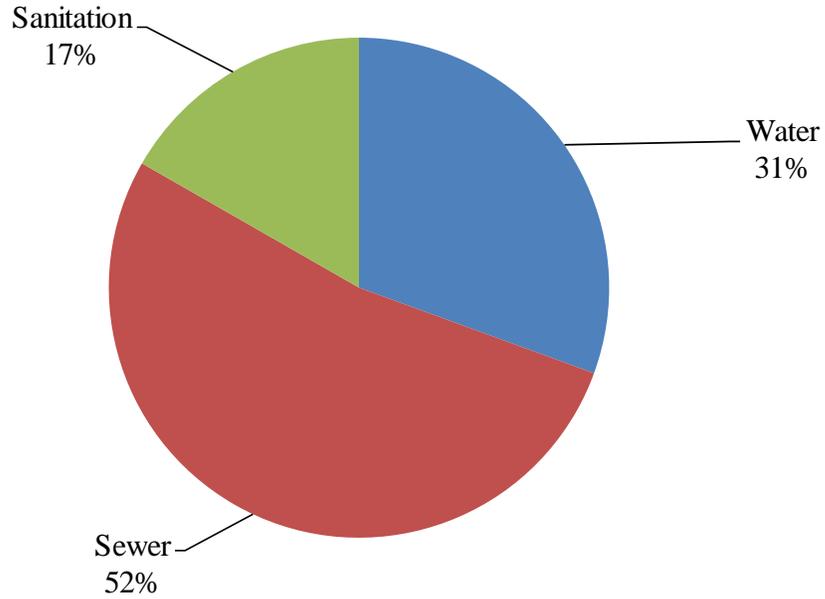
Governmental Activities Expenses for the fiscal year ended June 30, 2013 totaled \$113.3 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



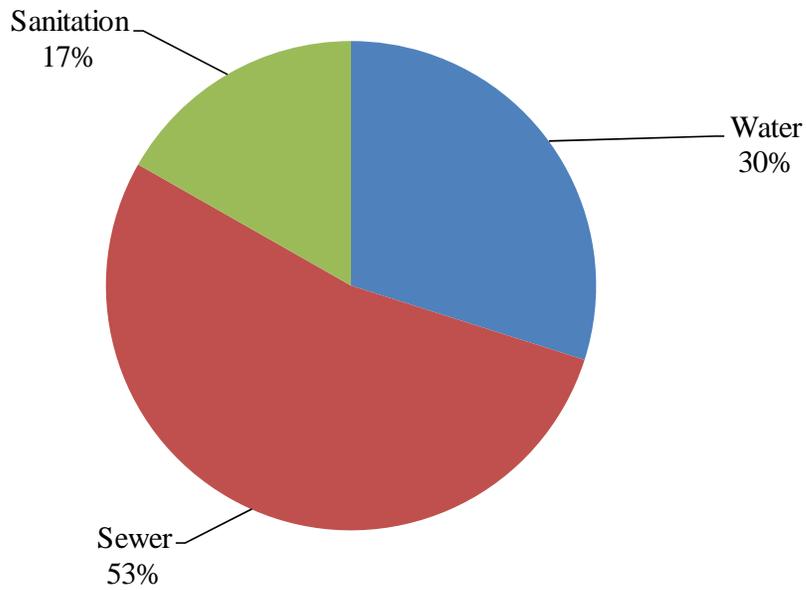
- ❖ Current year costs increased slightly by \$1.7 million. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at \$39.1 million, followed by public works and streets at \$33.7 million.

Business Type Expenses for the fiscal year ended June 30, 2013 totaled \$35.4 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2013 Business Type Expenses



Fiscal Year 2012 Business Type Expenses



❖ Business Type expenses decreased slightly by \$0.7 million from the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$15.7 million from \$32.5 million to \$48.2 million. The increase was primarily due to increases in sales taxes and state shared revenues. Of the total ending fund balance, \$0.8 million has been classified as nonspendable and is not available to meet future funding needs because it is not in spendable form or is legally or contractually required to be maintained intact. An additional \$28.1 million has been classified as restricted and consists of amounts restricted by external parties or as a result of the law. Of the remaining total, \$7.3 million has been committed to recognize a specific council determined purpose, these amounts may be used for another purpose with council's direction. There is \$44.8 million of fund balance which has been assigned to a specific purpose by the chief financial officer; these amounts may be used for other than their currently assigned positions if the chief financial officer deems it necessary. Finally, there is an unassigned fund balance of -\$32.8 million. This negative unassigned fund balance is the result of several development fee funds that currently have deficit cash balances. Interfund loans were created to replenish the cash balances in these funds and the future receipt of development fees will be used to repay these interfund loans.
 - The General Fund balance increased \$12.7 million. This change was the result of increases in sales taxes and state shared revenues. Sales taxes increased as a result of an improving economy.
 - The General Capital Projects Fund balance increased \$0.8 million due to an increase in sales tax.
 - The General Government Development Fee Fund contains \$43.7 million in advances from other funds which represents the current cash deficit in the fund. This amount will be reimbursed from future development fees to pay for the growth related capital improvements.
 - The Fire Development Fee Fund experienced an increase in fund balance of \$0.5 million as a result of development fee revenues exceeding expenditures for the current year. The fund used this income to pay down its interfund loan from \$6.7 million in the prior year to \$6.2 million this year. The remainder of the interfund loan will be repaid from future development fees.
 - The Highway User Revenue Fund balance increased \$1.1 million from \$0.5 million to \$1.6 million due to an increase in the amount of highway user tax received from the state.
 - The Transportation Improvement fund balance increased \$0.6 million from \$2.5 million to \$3.1 million. This increase is the result of an increase in sales tax.
 - The Non-major Governmental Funds fund balance increased \$9,946.
- ❖ **Proprietary Fund** financial statements provide similar information contained in the government-wide financial statements but in more detail. Their results are thoroughly discussed in the review of business type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ❖ The original General Fund budget for expenditures was \$75.1 million. Budget adjustments throughout the year decreased total budgeted expenditures \$0.6 million to reach the final budget of \$74.5 million.
- ❖ Actual General Fund expenditures totaling \$70.8 million were \$3.8 million less than budgeted. The variance between budgeted and actual expenditures was spread fairly evenly among all of the City's expenditures and was the result of conservative spending efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 33.6	\$ 33.5	\$ 4.9	\$ 4.9	\$ 38.5	\$ 38.4
Parks	10.3	10.3	-	-	10.3	10.3
Water rights	-	-	6.9	6.3	6.9	6.3
Construction in progress	4.7	4.8	4.2	3.6	8.9	8.4
Buildings and improvements	147.8	153.6	296.3	305.4	444.1	459.0
Improvements other than buildings	13.4	14.0	0.9	-	14.2	14.0
Equipment and vehicles	13.1	14.8	3.9	4.7	17.0	19.5
Infrastructure	233.3	243.8	-	-	233.4	243.8
Total capital assets net	<u>\$ 456.2</u>	<u>\$ 474.8</u>	<u>\$ 317.1</u>	<u>\$ 324.9</u>	<u>\$ 773.3</u>	<u>\$ 799.7</u>

The capital assets of the Governmental Activities decreased by \$18.6 million from the prior fiscal year, net of depreciation (\$6.0 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2013 were the result of:
 - Current year depreciation expense of \$25.2 million.
 - Capital asset donations made to the City. The assets donated consisted of streets and easements.
 - \$1.4 million – Paving Settlement West of 219th.
 - \$0.7 million – Marley Park Square Public Improvements.
 - \$0.7 million – Desert High School Public Improvements.
 - \$0.3 million – Prasada Gateway Public Improvements.
 - \$0.2 million – Surprise Medical Plaza Public Improvements.
 - \$0.2 million – Waddell and Autoshow Traffic Signal.

- ❖ Governmental Activities construction in process includes:
 - \$1.7 million for Traffic Signal Master Computer.
 - \$0.9 million for Bell Road Landscaping and Lighting.
 - \$0.3 million for Fire Pumper.
 - \$0.3 million for El Mirage Road – Northern to Bell.
 - \$0.3 million for Fiber Optics – Peoria.
 - \$0.3 million for Bell Road Sidewalks.
 - \$0.2 million for Fiber Optics – Loop 303.
 - \$0.2 million for Dove Valley Parkway.

The capital assets of the Business Type Activities funds decreased by \$7.8 million from the prior fiscal year, net of depreciation (\$2.6 million increase before depreciation).

- ❖ Changes to the Business Type Activities capital assets for fiscal year 2013 were the result of:
 - Current year depreciation expense of \$10.4 million.
 - Capital asset infrastructure donations made to the City. The assets donated consisted of water and sewer utilities.
 - \$0.1 million – Rio Glass Public Improvements.
 - \$0.1 million – Surprise Medical Plaza Public Improvements.
- ❖ Business Type Activities construction in process - includes:
 - \$3.9 million for the construction of recharge wells in SPA 1 at South Plant.
- ❖ For more detailed information on Capital Assets see Note 5 of this report.

Outstanding Debt at Year-End (in Millions)

	Governmental		Business-type Activities		Total	
	Activities					
	2013	2012	2013	2012	2013	2012
Municipal property corporation bonds	\$ 20.6	\$ 23.0	\$ 59.7	\$ 60.7	\$ 80.3	\$ 83.7
Community facilities districts bonds	7.5	7.7	-	-	7.5	7.7
Contracts and developer payable	1.4	2.9	0.3	0.8	1.7	3.7
Total debt outstanding	<u>\$ 29.5</u>	<u>\$ 33.6</u>	<u>\$ 60.0</u>	<u>\$ 61.5</u>	<u>\$ 89.5</u>	<u>\$ 95.1</u>

- ❖ **Long-term debt** decreased this year from \$95.1 million to \$89.5 million as a result of the current year repayments of principal.
- ❖ For more detailed information on long-term debt see Note 8 of this report.

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

- ❖ **Revenues are expected to increase slightly** – City sales tax is expected to increase 3%, or \$1.0 million as consumer spending continues to improve with the economy. State shared revenues are projected to increase by \$1.5 million, or 6% from the current year.
- ❖ **Personnel increase** – 12 full time equivalent positions have been added for the 2014 budget and along with a 2.2% cost of living increase will result in a \$2.2 million increase in costs.
- ❖ **Next year's budget** – Total budgeted expenditures for the General Fund for fiscal year 2014 are \$79.1 million, an increase of \$4.6 million over the current year's final budgeted expenditures. The increase in the budget is the result of increases in budgeted General Fund expenditures for personnel and increase in contingent funds.

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 Chief Financial Officer at: 16000 North Civic Center Plaza, Surprise, Arizona 85374.



FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The third subsection is comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments, and are separated into three components. The first component is comprised of the government-wide financial statements. These financial statements incorporate all of the City's governmental and business-type activities. The business-type activities are financed in whole or in part by fees charged to external parties for goods or services. There are two basic government-wide financial statements: the statement of net position and the statement of activities.

City of Surprise, Arizona
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 55,583,755	\$ 39,371,075	\$ 94,954,830
Receivables			
Accounts	453,816	6,219,140	6,672,956
Interest	183,823	-	183,823
Taxes and franchise fees	7,726,563	-	7,726,563
Grants	692,782	-	692,782
Intergovernmental	3,212,327	-	3,212,327
Internal balances	(14,723,113)	14,723,113	-
Other	490,103	225,822	715,925
Prepaid items and other assets	342,567	20,206	362,773
Inventory	420,419	1,092,542	1,512,961
Restricted cash and investments	8,664,138	15,819,438	24,483,576
Capital assets, non-depreciable	48,584,088	16,023,281	64,607,369
Capital assets, depreciable	634,575,347	366,158,916	1,000,734,263
Accumulated depreciation	(226,956,058)	(65,042,801)	(291,998,859)
	<u>519,250,557</u>	<u>394,610,732</u>	<u>913,861,289</u>
Deferred Outflows of Resources			
Deferred charge on refunding	843,148	365,668	1,208,816
	<u>843,148</u>	<u>365,668</u>	<u>1,208,816</u>
Liabilities			
Accounts payable	3,643,710	1,311,305	4,955,015
Accrued payroll and related taxes	978,461	129,325	1,107,786
Deposits	238,304	543,804	782,108
Unearned revenues	1,038,053	763,139	1,801,192
Contracts payable, due in less than one year	745,606	136,766	882,372
Contracts payable, due in more than one year	672,147	179,904	852,051
Insurance claims payable	1,073,487	-	1,073,487
Other liabilities	326,778	22,418	349,196
Compensated absences payable, due in less than one year	2,174,704	245,984	2,420,688
Compensated absences payable, due in more than one year	2,882,748	326,071	3,208,819
Matured bond and loan interest payable	513,037	821,922	1,334,959
Matured bonds and loans payable	2,333,138	1,011,863	3,345,001
Bonds, loans and payables due in less than one year	2,661,713	5,738,288	8,400,001
Bonds, loans and payables due in more than one year	25,465,187	53,862,910	79,328,097
	<u>44,747,073</u>	<u>65,093,699</u>	<u>109,840,772</u>
Net Position			
Net investment in capital assets	428,076,477	262,605,698	690,682,175
Restricted for:			
Public works	9,545,104	-	9,545,104
Sewer system repair and replacement	-	5,317,196	5,317,196
Debt service	3,575,072	1,550,230	5,125,302
Parks	4,278,164	-	4,278,164
Library	4,462,107	-	4,462,107
Transportation	3,337,718	-	3,337,718
Police	2,330,971	-	2,330,971
Court	507,408	-	507,408
Fire	68,685	-	68,685
Other	205	-	205
Unrestricted	19,164,721	60,409,577	79,574,298
	<u>\$ 475,346,632</u>	<u>\$ 329,882,701</u>	<u>\$ 805,229,333</u>

See accompanying notes to the financial statements.

City of Surprise, Arizona
Statement of Activities
Fiscal Year Ended June 30, 2013

<u>Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 14,958,702	\$ 6,313,245	\$ 375,214	\$ 11,002
Public safety	39,096,150	2,922,055	846,435	1,003,215
Public works and streets	33,710,624	792,288	6,835,985	4,452,757
Community development	7,668,373	2,003,777	1,710,348	-
Culture and recreation	16,285,289	4,837,786	371,999	458,374
Interest on long-term debt	1,505,313	-	-	-
Total governmental activities	<u>113,224,451</u>	<u>16,869,151</u>	<u>10,139,981</u>	<u>5,925,348</u>
Business-type activities:				
Water	10,849,653	10,073,124	-	1,200,662
Sewer	18,717,547	15,904,030	-	3,227,195
Sanitation	5,934,789	6,862,696	-	-
Total business-type activities	<u>35,501,989</u>	<u>32,839,850</u>	<u>-</u>	<u>4,427,857</u>
Total primary government	<u>\$ 148,726,440</u>	<u>\$ 49,709,001</u>	<u>\$ 10,139,981</u>	<u>\$ 10,353,205</u>

General revenues:
Property taxes
Sales taxes
Franchise taxes
State shared revenues
Unrestricted investment earnings
Other
Transfers in (out)
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

(Continued)

**Net (Expense) Revenues and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (8,259,241)		\$ (8,259,241)
(34,324,445)		(34,324,445)
(21,629,594)		(21,629,594)
(3,954,248)		(3,954,248)
(10,617,130)		(10,617,130)
(1,505,313)		(1,505,313)
<u>(80,289,971)</u>		<u>(80,289,971)</u>
	\$ 424,133	424,133
	413,678	413,678
	927,907	927,907
	<u>1,765,718</u>	<u>1,765,718</u>
<u>(80,289,971)</u>	<u>1,765,718</u>	<u>(78,524,253)</u>
9,274,735	-	9,274,735
37,836,088	-	37,836,088
4,732,649	-	4,732,649
25,983,982	-	25,983,982
164,984	150,350	315,334
562,787	-	562,787
1,068,522	(1,068,522)	-
<u>79,623,747</u>	<u>(918,172)</u>	<u>78,705,575</u>
<u>(666,224)</u>	<u>847,546</u>	<u>181,322</u>
<u>476,012,856</u>	<u>329,035,155</u>	<u>805,048,011</u>
<u>\$ 475,346,632</u>	<u>\$ 329,882,701</u>	<u>\$ 805,229,333</u>

See accompanying notes to the financial statements.





FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The fourth subsection is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments, and are separated into three components. The second component is comprised of the fund financial statements. These financial statements are presented on the basis of funds, in contrast to the government-wide financial statements.



City of Surprise, Arizona

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Fire Development Fee Fund
Assets				
Cash and investments	\$ 16,267,547	\$ 7,881,015	\$ 4,147	\$ 8,407
Receivables (net of allowances)				
Accounts	453,816	-	-	-
Interest	183,823	-	-	-
Taxes and franchise fees	6,256,080	818,622	-	-
Grants	-	2,900	-	-
Intergovernmental	2,071,510	-	-	-
Due from other funds	254,277	-	-	-
Other	478,810	-	-	-
Prepaid items and other assets	340,135	-	-	-
Inventory	286,430	-	-	-
Restricted cash and investments	249,817	-	-	95,517
Advances to other funds	-	39,454,852	-	-
Total assets	\$ 26,842,245	\$ 48,157,389	\$ 4,147	\$ 103,924
Liabilities				
Accounts payable	\$ 2,317,640	\$ 152,957	\$ 2,623	\$ 2,623
Accrued payroll and related taxes	922,156	-	-	-
Due to other funds	-	-	-	-
Deposits	137,377	-	-	-
Unearned revenue	-	-	-	-
Contracts payable	552,247	-	-	26,832
Other liabilities	73,199	6,315	-	-
Matured bond interest payable	-	-	-	-
Matured bonds payable	-	-	-	-
Advances from other funds	3,435,648	-	43,745,490	6,163,391
Total liabilities	7,438,267	159,272	43,748,113	6,192,846
Deferred Inflows of Resources				
Unavailable revenue	1,206,170	-	-	-
Total deferred inflows of resources	1,206,170	-	-	-
Fund Balances (Deficits)				
Nonspendable	626,565	-	-	-
Restricted	77,439	-	-	68,685
Committed	-	4,605,289	-	-
Assigned	327,182	43,392,828	-	-
Unassigned	17,166,622	-	(43,743,966)	(6,157,607)
Total fund balances (deficits)	18,197,808	47,998,117	(43,743,966)	(6,088,922)
Total liabilities, deferred inflows and fund balances	\$ 26,842,245	\$ 48,157,389	\$ 4,147	\$ 103,924

See accompanying notes to the financial statements.

Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 679,924	\$ 3,041,231	\$ 23,005,294	\$ 50,887,565
-	-	-	453,816
-	-	-	183,823
-	558,152	93,709	7,726,563
-	-	689,882	692,782
1,140,817	-	-	3,212,327
-	-	-	254,277
449	10,000	126	489,385
684	-	-	340,819
133,989	-	-	420,419
2,000	503,003	7,813,801	8,664,138
-	-	-	39,454,852
<u>\$ 1,957,863</u>	<u>\$ 4,112,386</u>	<u>\$ 31,602,812</u>	<u>\$ 112,780,766</u>
\$ 201,746	\$ 425,995	\$ 471,493	\$ 3,575,077
44,746	2,026	804	969,732
-	-	254,277	254,277
-	100,927	-	238,304
2,000	370,000	666,053	1,038,053
-	42,076	124,451	745,606
81,173	46,809	119,282	326,778
-	-	513,037	513,037
-	-	2,333,138	2,333,138
-	-	-	53,344,529
<u>329,665</u>	<u>987,833</u>	<u>4,482,535</u>	<u>63,338,531</u>
-	-	5,986	1,212,156
-	-	5,986	1,212,156
134,673	-	-	761,238
1,212,469	-	26,746,841	28,105,434
-	2,330,905	329,838	7,266,032
281,056	793,648	37,612	44,832,326
-	-	-	(32,734,951)
<u>1,628,198</u>	<u>3,124,553</u>	<u>27,114,291</u>	<u>48,230,079</u>
<u>\$ 1,957,863</u>	<u>\$ 4,112,386</u>	<u>\$ 31,602,812</u>	<u>\$ 112,780,766</u>

City of Surprise, Arizona

Reconciliation of the Governmental Funds Balance Sheet Fund Balances
to the Statement of Net Position
Fiscal Year Ended June 30, 2013

Fund balances - total governmental funds **\$ 48,230,079**

Amounts reported for *governmental activities* in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Governmental capital assets	683,159,435	
Less accumulated depreciation	<u>(226,956,058)</u>	
		456,203,377

Some revenues will not be available to pay for current-period expenditures
and, therefore, are unavailable in the funds. 1,212,156

Internal Service Funds used by management to charge cost of
employee healthcare and risk management to individual funds
are included in the Statement of Net Position.

Net position (adjusted for interfund activity)	2,704,708	
Compensated absences	<u>9,663</u>	
		2,714,371

The reacquisition price related to the issuance of long-term debt to
advance refund prior debt is amortized on a straight line basis
over the lesser of the maturity of the refunding bonds or the
refunded bonds and the balance is reported as a deferred outflow
in the Statement of Net Position. 843,148

Long-term liabilities are not due and payable in the
current period and, therefore, are not reported in
the funds.

Bonds payable	(27,441,187)	
Contracts payable	(672,147)	
Issuance premium (to be amortized as interest expense)	(685,713)	
Compensated absences payable	<u>(5,057,452)</u>	
		<u>(33,856,499)</u>

Net position of governmental activities **\$ 475,346,632**

See accompanying notes to the financial statements.



City of Surprise, Arizona

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2013

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Fire Development Fee Fund
Revenues:				
Taxes	\$ 38,423,824	\$ 2,950,369	\$ -	\$ -
Licenses and permits	4,771,649	-	-	-
Intergovernmental	26,249,641	236,124	-	-
Charges for services	7,619,906	-	-	-
Grants	-	376,930	-	-
Fines	1,359,194	-	-	-
Rents	584,972	-	-	-
Development fees	-	-	633,619	706,495
Interest (loss)	16,483	26,693	1,840	409
Donations	343,405	-	-	-
Indirect charges	3,660,700	-	-	-
Other	924,271	6,301	-	-
Total revenues	<u>83,954,045</u>	<u>3,596,417</u>	<u>635,459</u>	<u>706,904</u>
Expenditures:				
Current				
General government	11,579,523	-	10,022	36,854
Public safety	35,201,313	-	-	-
Public works and streets	5,162,619	-	-	-
Community development	5,833,803	-	-	-
Culture and recreation	12,953,039	-	-	-
Capital outlay	50,604	2,821,851	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>70,780,901</u>	<u>2,821,851</u>	<u>10,022</u>	<u>36,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,173,144</u>	<u>774,566</u>	<u>625,437</u>	<u>670,050</u>
Other financing sources (uses)				
Proceeds from sale of assets	33,035	-	-	-
Transfers in	1,068,522	-	-	-
Transfers out	(1,533,198)	-	(666,378)	(121,422)
Total other financing sources (uses)	<u>(431,641)</u>	<u>-</u>	<u>(666,378)</u>	<u>(121,422)</u>
Net change in fund balances	<u>12,741,503</u>	<u>774,566</u>	<u>(40,941)</u>	<u>548,628</u>
Fund balances (deficits), beginning	5,493,799	47,223,551	(43,703,025)	(6,637,550)
Increase (decrease) in inventories	(37,494)	-	-	-
Fund balances (deficits), ending	<u>\$ 18,197,808</u>	<u>\$ 47,998,117</u>	<u>\$ (43,743,966)</u>	<u>\$ (6,088,922)</u>

See accompanying notes to the financial statements.

Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,871,342	\$ 3,196,651	\$ 47,442,186
-	-	-	4,771,649
6,487,774	-	467,496	33,441,035
1,598	-	321,535	7,943,039
-	-	2,066,269	2,443,199
-	-	627,498	1,986,692
-	-	-	584,972
-	-	900,550	2,240,664
(164)	10,699	93,695	149,655
-	-	1,184	344,589
-	-	-	3,660,700
18,621	10,000	1,104	960,297
<u>6,507,829</u>	<u>2,892,041</u>	<u>7,675,982</u>	<u>105,968,677</u>
-	198,921	100,570	11,925,890
-	-	783,671	35,984,984
5,392,469	2,029,761	2,765,332	15,350,181
-	61,504	1,710,349	7,605,656
-	-	257,136	13,210,175
-	11,180	331,525	3,215,160
-	-	2,533,138	2,533,138
-	-	1,505,313	1,505,313
<u>5,392,469</u>	<u>2,301,366</u>	<u>9,987,034</u>	<u>91,330,497</u>
<u>1,115,360</u>	<u>590,675</u>	<u>(2,311,052)</u>	<u>14,638,180</u>
-	-	-	33,035
-	-	3,360,798	4,429,320
-	-	(1,039,800)	(3,360,798)
-	-	2,320,998	1,101,557
<u>1,115,360</u>	<u>590,675</u>	<u>9,946</u>	<u>15,739,737</u>
485,293	2,533,878	27,104,345	32,500,291
27,545	-	-	(9,949)
<u>\$ 1,628,198</u>	<u>\$ 3,124,553</u>	<u>\$ 27,114,291</u>	<u>\$ 48,230,079</u>

City of Surprise, Arizona

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2013

Net change in fund balances, total governmental funds		\$ 15,739,737
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>		
<p>Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capitalized assets	3,002,043	
Less current year depreciation	<u>(25,200,789)</u>	(22,198,746)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.</p>		
Capital contributions	3,674,408	
Construction in progress written off	(83,588)	
Disposals of assets	<u>(20,421)</u>	3,570,399
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(484,639)
<p>Internal service funds are used by management to charge the costs of employee healthcare and risk management. The net revenue of certain activities of the internal services funds is reported in the Statement of Activities.</p>		
Change in net position for the internal service funds (adjusted for interfund activity)	180,446	
Change in compensated absences already included below	<u>1</u>	180,447
<p>Inventories are recorded using the purchases method in the governmental funds and an adjustment is made to record inventory using the consumption method for the Statement of Activities.</p>		
Change in inventory		(9,949)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Also, the effect of premiums, discounts and similar items when debt is first issued. These items are current finance resources or uses to governmental funds whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term liabilities and debt related items.</p>		
Issuance premium	91,429	
Contracts payable paid	211,593	
Principal paid	2,533,138	
Refunding	<u>(112,422)</u>	2,723,738
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.</p>		
Increase in compensated absences		<u>(187,211)</u>
Change in net position of governmental activities, statement of activities		\$ <u>(666,224)</u>

See accompanying notes to the financial statements.



City of Surprise, Arizona

Statement of Net Position

Proprietary Funds

June 30, 2013

Business-Type Activities - Enterprise Funds

Assets	Water Fund	Sewer Fund	Sanitation Fund
Current assets			
Cash and investments	\$ 10,368,466	\$ 19,290,314	\$ 9,712,295
Restricted cash and investments	118,927	15,431,422	269,089
Receivables (net of allowances)			
Accounts	2,164,432	2,819,386	1,235,322
Other	60,494	165,032	296
Other assets	6,547	10,985	2,674
Inventory	17,008	908,900	166,634
Total current assets	<u>12,735,874</u>	<u>38,626,039</u>	<u>11,386,310</u>
Noncurrent assets			
Advances to other funds	-	13,889,677	-
Capital assets	109,116,741	267,250,582	5,814,874
Accumulated depreciation	(14,357,285)	(47,339,647)	(3,345,869)
Total noncurrent assets	<u>94,759,456</u>	<u>233,800,612</u>	<u>2,469,005</u>
Total assets	<u>107,495,330</u>	<u>272,426,651</u>	<u>13,855,315</u>
Deferred Outflows of Resources			
Deferred charge on refunding	-	365,668	-
Total deferred outflows of resources	<u>-</u>	<u>365,668</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	560,756	477,515	273,034
Accrued payroll and related taxes	35,091	53,007	41,227
Deposits	110,312	272,825	160,667
Unearned revenues	-	654,717	108,422
Insurance claims payable	-	-	-
Compensated absences payable	73,315	110,007	62,662
Other liabilities	-	22,418	-
Contracts payable	8,615	128,151	-
Matured bond and loan interest payable	-	821,922	-
Matured bonds and loans payable	-	1,011,863	-
Bonds, loans and payables due in less than one year	-	5,738,288	-
Total current liabilities	<u>788,089</u>	<u>9,290,713</u>	<u>646,012</u>
Noncurrent liabilities:			
Contracts payable	-	179,904	-
Compensated absences payable, due in more than one year	97,184	145,823	83,064
Bonds, loans and payables due in more than one year	-	53,862,910	-
Total noncurrent liabilities	<u>97,184</u>	<u>54,188,637</u>	<u>83,064</u>
Total liabilities	<u>885,273</u>	<u>63,479,350</u>	<u>729,076</u>
Net Position			
Net investment in capital assets	94,759,456	165,377,237	2,469,005
Restricted			
Sewer system repair and replacement	-	5,317,196	-
Debt service	-	1,550,230	-
Unrestricted	<u>11,850,601</u>	<u>37,068,306</u>	<u>10,657,234</u>
Total net position	<u>\$ 106,610,057</u>	<u>\$ 209,312,969</u>	<u>\$ 13,126,239</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.			
Total net position of the business-type activities			

See accompanying notes to the financial statements.

		Governmental Activities	
Total Enterprise Funds		Internal Service Fund	
\$	39,371,075	\$	4,696,190
	15,819,438		-
	6,219,140		-
	225,822		718
	20,206		1,748
	1,092,542		-
	<u>62,748,223</u>		<u>4,698,656</u>
	13,889,677		-
	382,182,197		-
	(65,042,801)		-
	<u>331,029,073</u>		<u>-</u>
	<u>393,777,296</u>		<u>4,698,656</u>
	365,668		-
	<u>365,668</u>		<u>-</u>
	1,311,305		68,633
	129,325		8,729
	543,804		-
	763,139		-
	-		1,073,487
	245,984		4,155
	22,418		-
	136,766		-
	821,922		-
	1,011,863		-
	5,738,288		-
	<u>10,724,814</u>		<u>1,155,004</u>
	179,904		-
	326,071		5,508
	53,862,910		-
	<u>54,368,885</u>		<u>5,508</u>
	<u>65,093,699</u>		<u>1,160,512</u>
	262,605,698		-
	5,317,196		-
	1,550,230		-
	<u>59,576,141</u>		<u>3,538,144</u>
\$	<u>329,049,265</u>	\$	<u>3,538,144</u>
	833,436		
\$	<u>329,882,701</u>		

City of Surprise, Arizona

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Sanitation Fund
Operating Revenues:			
Charges for services	\$ 10,062,751	\$ 15,889,332	\$ 6,847,209
Other	607	-	-
Total operating revenues	<u>10,063,358</u>	<u>15,889,332</u>	<u>6,847,209</u>
Operating Expenses:			
Cost of sales and services	6,297,921	7,301,484	4,539,596
Indirect costs	1,453,900	1,349,000	857,800
Depreciation	2,778,339	7,087,589	532,535
Total operating expenses	<u>10,530,160</u>	<u>15,738,073</u>	<u>5,929,931</u>
Operating income (loss)	<u>(466,802)</u>	<u>151,259</u>	<u>917,278</u>
Non-operating revenues (expenses)			
Development fees	1,016,807	2,932,749	-
Extension fees	-	52,312	-
Developer reimbursement	(302,157)	(234,819)	-
Interest revenue	31,497	89,199	29,654
Amortization on premium/deferred refunding	-	(9,104)	-
Interest and fiscal charges	-	(2,687,225)	-
Total non-operating revenues (expenses)	<u>746,147</u>	<u>143,112</u>	<u>29,654</u>
Income before contributions and transfers	<u>279,345</u>	<u>294,371</u>	<u>946,932</u>
Capital contributions	183,855	242,134	-
Transfers out	(356,051)	(681,890)	(30,581)
Changes in net position	107,149	(145,385)	916,351
Net position, beginning, as restated	<u>106,502,908</u>	<u>209,458,354</u>	<u>12,209,888</u>
Net position, ending	<u>\$ 106,610,057</u>	<u>\$ 209,312,969</u>	<u>\$ 13,126,239</u>
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.			
Total change in net position of the business-type activities			

See accompanying notes to the financial statements.

	Governmental Activities
Total Enterprise Funds	Internal Service Fund
\$ 32,799,292	\$ 10,192,920
607	-
32,799,899	10,192,920
18,139,001	10,058,370
3,660,700	-
10,398,463	-
32,198,164	10,058,370
601,735	134,550
3,949,556	-
52,312	-
(536,976)	-
150,350	15,327
(9,104)	-
(2,687,225)	-
918,913	15,327
1,520,648	149,877
425,989	-
(1,068,522)	-
878,115	149,877
328,171,150	3,388,267
\$ 329,049,265	\$ 3,538,144
(30,569)	
\$ 847,546	

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2013

	Business-Type Activities			Business-Type	Governmental
	Water Fund	Sewer Fund	Sanitation Fund	Activities	Activities
				Total	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 10,157,766	\$ 16,254,563	\$ 6,797,432	\$ 33,209,761	\$ 10,301,278
Cash paid to suppliers	(6,000,090)	(6,255,865)	(3,248,894)	(15,504,849)	(9,971,344)
Cash paid to employees	(2,094,558)	(2,792,697)	(2,257,103)	(7,144,358)	(422,004)
Other operating cash receipts	607	-	-	607	-
Net cash provided by (used in) operating activities	2,063,725	7,206,001	1,291,435	10,561,161	(92,070)
Cash flows from capital and related financing activities					
Proceeds received from development fees	1,016,807	2,932,749	-	3,949,556	-
Proceeds received from extension fees	-	52,312	-	52,312	-
Principal and interest paid on bonds, loans and payables	-	(3,684,476)	-	(3,684,476)	-
Sale/acquisitions of capital assets	(1,559,032)	(1,846,333)	(8,599)	(3,413,964)	-
Net cash provided by (used in) capital and related financing activities	(542,225)	(2,545,748)	(8,599)	(3,096,572)	-
Cash flows from noncapital financing activities					
Cash received from other funds	-	501,145	-	501,145	-
Cash paid to other funds	(356,051)	(681,890)	(30,581)	(1,068,522)	-
Net cash provided by (used in) noncapital and related financing activities	(356,051)	(180,745)	(30,581)	(567,377)	-
Cash flows from investing activities					
Sales of investments	-	3,974,246	-	3,974,246	-
Purchases of investments	-	(4,001,675)	-	(4,001,675)	-
Cash received from interest income	31,497	89,199	29,654	150,350	15,327
Net cash provided by investing activities	31,497	61,770	29,654	122,921	15,327
Net change in cash	1,196,946	4,541,278	1,281,909	7,020,133	(76,743)
Cash, beginning of year	9,290,447	22,726,143	8,699,475	40,716,065	4,772,933
Cash, end of year	\$ 10,487,393	\$ 27,267,421	\$ 9,981,384	\$ 47,736,198	\$ 4,696,190
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (466,802)	\$ 151,259	\$ 917,278	\$ 601,735	\$ 134,550
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation expense	2,778,339	7,087,589	532,535	10,398,463	-
(Increase) decrease in assets:					
Accounts receivable	47,449	355,616	(45,627)	357,438	-
Other receivables	37,028	64,193	12,361	113,582	108,354
Other assets	5,273	(8,121)	(377)	(3,225)	3,247
Inventory	3,763	(96,996)	(98,004)	(191,237)	-
Increase (decrease) in liabilities:					
Accounts payable	(286,230)	(269,979)	257	(555,952)	(4,194)
Accrued payroll and related taxes	(3,515)	2,955	(1,767)	(2,327)	5,274
Deposits	10,535	212	(1,344)	9,403	-
Deferred revenue	-	(54,785)	(15,167)	(69,952)	-
Insurance claims payable	-	-	-	-	(339,302)
Compensated absences payable	(62,115)	(25,942)	(8,710)	(96,767)	1
Total adjustments	2,530,527	7,054,742	374,157	9,959,426	(226,620)
Net cash provided by (used in) operating activities	\$ 2,063,725	\$ 7,206,001	\$ 1,291,435	\$ 10,561,161	\$ (92,070)
Noncash capital activities					
Capital asset contributions from developers	\$ 183,855	\$ 242,134	\$ -	\$ 425,989	\$ -
Total	\$ 183,855	\$ 242,134	\$ -	\$ 425,989	\$ -
Reconciliation to Statement of Net Position					
Cash and investments	\$ 10,368,466	\$ 19,290,314	\$ 9,712,295	\$ 39,371,075	\$ 4,696,190
Restricted cash and investments	118,927	15,431,422	269,089	15,819,438	-
Total cash and investments	\$ 10,487,393	\$ 34,721,736	\$ 9,981,384	\$ 55,190,513	\$ 4,696,190
Less investments	-	(7,454,315)	-	(7,454,315)	-
Total cash	\$ 10,487,393	\$ 27,267,421	\$ 9,981,384	\$ 47,736,198	\$ 4,696,190

See accompanying notes to the financial statements.

City of Surprise, Arizona
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Volunteer Firefighters Pension and Relief Fund	Flexible Spending Account Agency Fund
Assets		
Cash and investments	\$ 20,629	\$ 60,263
Total assets	<u>20,629</u>	<u>60,263</u>
Liabilities		
Deposits held for others	-	60,263
Total liabilities	-	<u>\$ 60,263</u>
Net Position Held in Trust for Pension Benefits		
Total net position	<u>\$ 20,629</u>	

See accompanying notes to the financial statements.



FINANCIAL SECTION - NOTES TO THE FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The fifth subsection is also comprised of the Basic Financial Statements, which are the core of general-purpose external financial reporting for local governments, and are separated into three components. In addition to the government-wide and fund financial statements, the third component, the notes to the basic financial statements are an integral part of the those financial statements, and include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the fiscal year ended June 30, 2013, the City's presentation of its financial statements was impacted by the provisions of GASB Statements No. 63 and 65. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, provides financial reporting guidance for deferred outflows of resources or deferred inflows of resources. GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows or deferred inflows of resources.

A. REPORTING ENTITY

The City is located approximately 20 miles northwest of downtown Phoenix and was incorporated in 1960 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. City of Surprise voters approved an Alternative Expenditure Limitation (Permanent Base Adjustment) on November 7, 2006. The City is governed by an elected 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 Surprise Municipal Property Corporation (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 Improvement Districts (SLIDs) are maintained by the City for developing areas, and the City's council is the board for the SLIDs. The SLID property tax assessment rates are approved by the City's council. The SLIDs are reported in a special revenue fund.

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

Volunteer Firefighters' Pension and Trust Board of Trustees administers the Volunteer Firefighters' Pension and Relief Fund, which was established to provide pension benefits for qualified volunteer firefighters. The City's council is the same as the Board of Trustees. As there have been no eligible participants since 1998, there are no remaining beneficiaries of the fund or encumbrances against it, the City is using the remaining cash to help fund the alternate fire pension and benefit program.

For the fiscal year ended June 30, 2013, the City had no discretely presented component units. Separately issued financial statements are not prepared for any of the component units.

NOTES TO FINANCIAL STATEMENTS

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.

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 government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

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 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 position is reported as restricted when constraints placed on net position is 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.

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activity. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

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. Non-major funds are aggregated and presented in a single column. The internal service funds are 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. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major 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 ***general capital projects fund***, a capital projects fund, accounts for revenues and expenditures relating to the acquisition of capital items.

The ***general government development fee fund***, a special revenue fund, accounts for revenues and expenditures associated with general government development impact fees assessed to fund infrastructure and other expenditures for growth-related general government projects.

The ***fire development fee fund****, a special revenue fund, accounts for revenues and expenditures associated with fire development impact fees assessed to fund infrastructure and other expenditures for growth-related fire service projects.

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

The ***transportation improvement fund****, a special revenue fund, accounts for revenues and expenditures that are legally restricted to expenditures of existing roadway corridor improvements and the related costs of the construction of new roadways.

* These funds have not met the criterion which mandates that they be reported separately as major funds. However, the City has chosen to present these funds as major funds.

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.

NOTES TO FINANCIAL STATEMENTS

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

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

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

* This fund has not met the criterion which mandates that it be reported separately as a major fund. However, the City has chosen to present it as a major fund.

In addition, the City reports the following fund types:

Internal service funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The funds account for transactions of the City's internal insurance activities.

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 volunteer 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.

Agency fund (not included in government-wide statements) accounts for employee contributions to their flexible spending accounts. The City staff performs all administrative and accounting functions for this fund.

C. DEPOSITS AND INVESTMENTS

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 the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona.

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. RESTRICTED ASSETS

Restricted cash and investments reported in the statements are comprised of restricted deposits for development and construction agreements, for outstanding debt amounts and other contractual requirements.

E. RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Net position balances resulting from advances to other funds are shown as assigned amounts.

All accounts receivable are shown net of allowance for un-collectibles when applicable.

NOTES TO FINANCIAL STATEMENTS

F. INVENTORIES AND PREPAID ITEMS

Inventories consist of expendable supplies held for consumption. For the governmental funds inventories are reported using the purchases method, expenditures are incurred as inventory is purchased and an adjustment is made at year end directly to inventory and fund balance. For the proprietary funds and government wide statements inventories are reported using the consumption method, inventory is recorded when it is purchased and expensed as it is used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Inventory is valued using the average cost method.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, traffic signals and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's policy defines capital assets as assets with an initial individual cost greater than \$10,000 and an estimated useful life of two or more years. Assets contributed (donated) to those funds are recorded at actual costs when available otherwise the estimated fair market value on date of receipt is used.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Significant outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

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: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

H. COMPENSATED ABSENCES

Vested or accumulated Paid Time Off (PTO) 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. Vested or accumulated PTO leave that is not expected to be liquidated with expendable available financial resources is reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated PTO leave in proprietary funds and the government-wide statements is recorded as an expense and liability of those funds as the benefits accrue to employees. The internal service funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities schedule. For the governmental activities, the General Fund, Highway User Revenue Fund, and certain non-major funds including the Neighborhood Revitalization Fund, SPD Towing Fund, Employee Healthcare Fund and the Risk Management Fund have been used in prior years to liquidate the compensated absences liability.

I. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

NOTES TO FINANCIAL STATEMENTS

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. FUND BALANCE

The governmental fund financial statements present ending resources as fund balance. Fund balance is categorized to help signify its availability.

Fund balance classifications necessary to meet the City's financial reporting requirements are completed in accordance with applicable statements from the Governmental Accounting Standards Board. The hierarchy from least spendable to most spendable fund balance is: nonspendable, restricted, committed, assigned and unassigned. When funds are available from multiple classifications of fund balance to meet the City's obligations, it is the City's policy to charge the least spendable fund balance available.

Nonspendable and restricted fund balances are determined solely by the nature of the fund balance itself. Committed fund balance represents amounts that have been constrained to a specific use by the formal action of the City's highest level of decision-making authority, the City Council. A majority vote of the City Council is necessary to establish, modify or rescind a fund balance commitment. Amounts that have been constrained by the City's intent to be used for a specific purpose but that are neither restricted nor committed, are reported as assigned fund balance. The City Council has designated the authority to assign amounts to be used for specific purposes to the Chief Financial Officer (CFO). Approval of the CFO is necessary to establish, modify or rescind an assignment of fund balance.

K. MINIMUM FUND BALANCE

The minimum fund balance is not intended to be spent. The purpose of the minimum fund balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances. If the necessity arises to draw down fund balance below the minimum requirements that have been set, a plan to replenish the minimum fund balance will be presented to Council for approval.

The City has formally adopted a minimum fund balance policy for the following funds. The General Fund totaling \$11.6 million calculated using an average of budgeted personnel, supplies and services expenditures over a two month period. The General Capital Projects Fund for \$1 million. The Transportation Improvement Fund for \$0.5 million. The Street Lighting Districts Fund totaling \$265,790 calculated using 10% of its budgeted annual expenditures. The Tourism Fund for \$5,000. There is no effect on the presentation of fund balance on the face of the financial statements.

The City is in compliance with its established minimum fund balance policies.

L. NET POSITION

The government-wide and proprietary fund financial statements present ending resources as net position. Net position is categorized to help signify their availability.

Net Investment in Capital Assets includes all capital assets of the City both depreciable and non-depreciable net of accumulated depreciation and outstanding debt balances attributable to the acquisition, construction or improvement of these assets. Net position in this category represents infrastructure of the City and is not available to meet the City's needs.

Restricted net position consists of amounts that have external restrictions imposed upon them by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Net position in this category represent amounts that are not available to meet the City's needs as they have been promised for other purposes.

NOTES TO FINANCIAL STATEMENTS

Unrestricted net position represents amounts that have not been restricted for any project or other purpose. These amounts are available to meet any needs of the City. While unrestricted net position is technically available to be spent by the City it is important to remember that the City has established financial policies that would prevent this. There are certain self-imposed criteria, such as maintaining a minimum operating fund balance that would further reduce the amount the City is willing to spend.

M. MINIMUM NET POSITION

Minimum net position is not intended to be spent. The purpose of the minimum net position balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances.

Within the Sanitation, Sewer and Water Funds, net position is to be maintained at an amount equal to the average budgeted personnel, supplies and services expenses over a two month period. Additionally, an amount will be kept for repair and replacement and will be maintained at a minimum of 2% of all tangible capital assets of the system.

The Risk Management Fund will maintain net position at an amount that, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed annually to recommend appropriate funding levels, which will be approved by the City Council.

The Employee Healthcare Fund will maintain net position at a level which, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed annually to recommend appropriate funding levels, which will be reviewed by the Loss Trust Fund Board and approved by the City Council.

The City is in compliance with its established minimum net position policies.

N. PROPERTY TAX

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.

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 unavailable 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.

O. 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.

P. INTERFUND TRANSACTIONS

Interfund services provided or used are accounted for as revenues, expenditures or expenses. All other interfund transactions are reported as transfers.

NOTES TO FINANCIAL STATEMENTS

Q. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditure appropriations are adopted at the fund level with the exception of the General Fund which has been set at the department level. There were no instances in the current year where actual expenditures exceeded the appropriated amount.

NOTE 3 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City's deposits was \$36,262,466 and the bank balance was \$37,846,152. At year end, \$268,056 of the City's deposits was covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance of \$37,578,096 was fully collateralized. The collateral is held in the pledging banks trust department in the name of the pledging bank.

A reconciliation of the bank balance to the City's deposit balance as of June 30, 2013 follows:

Total per bank balance	\$	37,846,152
<i>Reconciling items:</i>		
Outstanding checks		(1,735,159)
Deposits in transit		141,123
Cash on hand		10,350
		<u>36,262,466</u>
Less:		
Fiduciary funds		(80,892)
Total City deposits	\$	<u><u>36,181,574</u></u>

NOTES TO FINANCIAL STATEMENTS

The City's investments consisted of the following as of June 30, 2013:

Investment Type	Fair Value	Investment Maturities			
		Less than 1 year	1-2 years	2-3 years	3+ years
U.S. Government Securities	\$ 46,067,507	\$ 1,039,132	\$ 20,091,992	\$ 22,934,104	\$ 2,002,279
Government Sponsored Entity Debt	27,977,486	7,810,954	16,789,343	3,377,189	-
Money Market Mutual Funds	7,896,011	7,896,011	-	-	-
Local Government Investment Pool	390,819	390,819	-	-	-
Cash on deposit with the County Attorney	925,009	925,009	-	-	-
	<u>\$ 83,256,832</u>	<u>\$ 18,061,925</u>	<u>\$ 36,881,335</u>	<u>\$ 26,311,293</u>	<u>\$ 2,002,279</u>

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments.

Total cash and investments for the City as of June 30, 2013, are as follows:

City's deposits	\$ 36,262,466
City's investments	83,256,832
Total	<u>\$ 119,519,298</u>

Interest Rate Risk. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investments in securities included \$27,977,486 of government sponsored entity debt. At June 30, 2013, these investments were rated by Standard and Poor's as follows: \$27,100,960 at AA+; \$876,526 at AA.

Credit Risk. Aside from State laws, the City's formal investment policy does not further limit its investment choices.

Custodial Credit Risk – Investments. All of the City's security investments are held in the City's name. The City's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however the City's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer.

NOTES TO FINANCIAL STATEMENTS

Cash Reconciliation to Financial Statements

The following reconciliations are provided to reconcile cash to the government wide and fund financial statements.

<u>Government-wide Financial Statements</u>	
Total cash and investments	\$ 94,954,830
Total restricted cash and investments	24,483,576
Subtotal	\$ 119,438,406
Government-wide total cash and investments	\$ 119,438,406
plus: Fiduciary Fund cash and cash equivalents	80,892
Total	\$ 119,519,298
<u>Fund Financial Statements</u>	
<i>Governmental Funds</i>	
Cash and investments	\$ 50,887,565
Restricted cash and investments	8,664,138
	59,551,703
<i>Enterprise Funds</i>	
Cash and investments	39,371,075
Restricted cash and investments	15,819,438
	55,190,513
<i>Internal Service Funds</i>	
Cash and investments	4,696,190
<i>Fiduciary Funds</i>	
Cash and investments	80,892
Total	\$ 119,519,298

NOTE 4 – ACCOUNTS RECEIVABLE

Amounts due from other governments, as reported in the Statement of Net Position include \$1,660,826 in state shared sales tax, \$410,684 in auto lieu tax and \$1,140,817 in highway user tax.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned.

The amounts reported in the governmental funds for the year ended June 30, 2013 are as follows:

<u>CAFR Fund Name</u>	<u>Unearned</u>	<u>Unavailable</u>
General Fund	\$ -	\$ 1,206,170
Highway User Revenue Fund	2,000	-
Transportation Improvement Fund	370,000	-
Nonmajor Governmental Funds	666,053	5,986
	\$ 1,038,053	\$ 1,212,156

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land and land improvements	\$ 33,547,271	\$ 61,800	\$ -	\$ 33,609,071
Parks	10,256,905	-	-	10,256,905
Construction in process	4,805,960	895,546	(983,394)	4,718,112
Total not being depreciated	<u>48,610,136</u>	<u>957,346</u>	<u>(983,394)</u>	<u>48,584,088</u>
Other capital assets:				
Buildings and improvements	191,234,416	434,598	-	191,669,014
Improvements other than buildings	17,435,993	-	-	17,435,993
Equipment and vehicles	40,811,069	2,095,405	(603,240)	42,303,234
Infrastructure	379,078,198	4,088,908	-	383,167,106
Total other capital assets	<u>628,559,676</u>	<u>6,618,911</u>	<u>(603,240)</u>	<u>634,575,347</u>
Total assets before depreciation	<u>677,169,812</u>	<u>7,576,257</u>	<u>(1,586,634)</u>	<u>683,159,435</u>
Accumulated depreciation:				
Building and improvements	(37,608,499)	(6,289,701)	-	(43,898,200)
Improvements other than buildings	(3,437,008)	(639,136)	-	(4,076,144)
Equipment and vehicles	(26,051,622)	(3,739,617)	582,819	(29,208,420)
Infrastructure	(135,240,959)	(14,532,335)	-	(149,773,294)
Total accumulated depreciation	<u>(202,338,088)</u>	<u>(25,200,789)</u>	<u>582,819</u>	<u>(226,956,058)</u>
Net Capital Assets - Governmental Activities	<u>\$ 474,831,724</u>	<u>\$ (17,624,532)</u>	<u>\$ (1,003,815)</u>	<u>\$ 456,203,377</u>

Depreciation was charged by function as follows:

General government	\$ 1,212,879
Public safety	2,925,647
Public works and streets	18,091,269
Community development	29,321
Culture and recreation	<u>2,941,673</u>
Total governmental activities depreciation expense	<u>\$ 25,200,789</u>

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Not being depreciated:				
Land	\$ 4,884,611	\$ -	\$ -	\$ 4,884,611
Water Rights	6,312,086	628,472	-	6,940,558
Construction in progress	3,579,236	1,745,727	(1,126,851)	4,198,112
Total not being depreciated	<u>14,775,933</u>	<u>2,374,199</u>	<u>(1,126,851)</u>	<u>16,023,281</u>
Other capital assets:				
Buildings and system	355,195,014	393,382	-	355,588,396
Improvements other than buildings	-	893,499	-	893,499
Vehicles and equipment	9,556,319	120,702	-	9,677,021
Total other capital assets	<u>364,751,333</u>	<u>1,407,583</u>	<u>-</u>	<u>366,158,916</u>
Total assets before depreciation	<u>379,527,266</u>	<u>3,781,782</u>	<u>(1,126,851)</u>	<u>382,182,197</u>
Accumulated depreciation:				
Buildings and system	(49,788,843)	(9,474,212)	-	(59,263,055)
Improvements other than buildings	-	(14,892)	-	(14,892)
Vehicles and equipment	(4,855,495)	(909,359)	-	(5,764,854)
Total accumulated depreciation	<u>(54,644,338)</u>	<u>(10,398,463)</u>	<u>-</u>	<u>(65,042,801)</u>
Net capital assets - business activities	<u>\$ 324,882,928</u>	<u>\$ (6,616,681)</u>	<u>\$ (1,126,851)</u>	<u>\$ 317,139,396</u>

Depreciation was charged by function as follows:

Water	\$ 2,778,339
Sewer	7,087,589
Sanitaton	<u>532,535</u>
Total business-type activities depreciation expense	<u>\$ 10,398,463</u>

During the current fiscal year, the Sewer Fund capitalized net interest costs of \$160,206. Total interest expense in the Sewer Fund before capitalization was \$2,847,431.

NOTE 6 - DEVELOPER AGREEMENTS

The City of Surprise has entered into agreements with developers for infrastructure related to commercial and residential development. The developers construct the infrastructure and convey the assets to the City. Based on the terms of the agreements, over a designated period of time, the City pays the developers for the infrastructure with collections of impact fees and other specified revenues, up to the maximum amount per agreement. Commitments to reimburse developers under these agreements are not currently recognized until the requirements of the agreements are met. If the term of the agreement expires before the maximum amount has been repaid, the City has no further obligation to continue making payments under the agreement.

Development agreements related to water system infrastructure will be reimbursed using water system impact fees and water resource impact fees. Total water system infrastructure value conveyed is \$32,746,100. Depending on the terms of the specific agreement, this value is eligible for reimbursement between the next two to twenty years. Once the agreement expires, water system and water resource impact fees are no longer eligible for developer reimbursement. As of June 30, 2013, the City has reimbursed \$13,389,937, leaving a potential remaining balance of \$19,356,163.

NOTES TO FINANCIAL STATEMENTS

Development agreements related to wastewater system infrastructure will be reimbursed using specified sales tax revenues. The total net value reimbursable for wastewater system infrastructure is \$12,644,686. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty seven years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2013, the amount the City has reimbursed is \$50,745, leaving a potential remaining balance of \$12,593,941.

Development agreements related to public safety-fire services will be reimbursed using fire impact fees. Total fire services infrastructure value conveyed is \$226,663. This value is eligible for reimbursement for the next four years. Once the agreement expires, fire impact fees are no longer eligible for developer reimbursement. As of June 30, 2013, the City has reimbursed \$125,344, leaving a potential remaining balance of \$101,319.

Infrastructure installed in connection with development agreements related to transportation will be reimbursed using a portion of sales tax collections as prescribed in the agreement. The total net reimbursable value for this infrastructure is \$59,425,647 at June 30, 2013. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty seven years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2013, the City has reimbursed \$444,399 to developers, leaving a potential remaining balance of \$58,981,248.

In addition, the City has entered into a number of developer agreements for infrastructure that has not yet been conveyed to the City. The total cost to be incurred under these agreements is currently undeterminable.

NOTE 7 – CONSTRUCTION COMMITMENTS

City of Surprise has active construction projects as of June 30, 2013. At year end, the City commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Heritage Park Improvements	\$ 63,150	\$ 374,263
SPA 1 Mountain Vista Ranch Well 2	96,657	305,730
SPA 2 Overhead Crane	33,900	264,600
Disinfection Byproduct Reduction	112,894	83,964
Fiber Optics - Loop 303 - Peoria and Bell	105,516	5,554
Bell Road Sidewalks East of Grand	171,963	2,700
Total	<u>\$ 584,080</u>	<u>\$ 1,036,811</u>

The Disinfection Byproduct Reduction and the SPA 2 Overhead Crane are financed by the Sewer Fund. The SPA 1 Mountain Vista Well 2 is financed by the Water Fund. The Heritage Park Improvements and Bell Road Sidewalks East of Grand are financed by the General Capital Projects Fund. The Fiber Optics – Loop 303 – Peoria and Bell project is financed by both the General Capital Projects Fund and the Public Works Expansion Development Fee Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT & OTHER PAYABLES

MUNICIPAL PROPERTY CORPORATION BONDS

The City of Surprise Municipal Property Corporation (MPC) issued special limited obligations for the construction of major capital facilities. The Excise Tax Revenue Refunding Bonds, Series 2003 are secured by a pledge of the City's excise tax collections. The issuance statement requires excise tax revenues to be maintained at 2.5 times the debt service requirement payable. The coverage ratio at June 30, 2013 (revenues to debt service payable) is 15.3. Principal and interest payable next year and total excise tax revenues collected for the current year were \$4,818,827 and \$73,500,000, respectively.

The Wastewater Development Impact Fee and Utility Revenue Bonds, Series 2007 are secured by a pledge of the City's wastewater development impact fee collections as well as a subordinate pledge of wastewater utility revenue collections. The wastewater development impact fees and utility revenue collections are recorded in the Sewer Fund. Required reserves per the bond statements for the MPC issuances have been met by the City. Principal and interest payable next year and system net revenues for the current year were \$7,072,688 and \$11,427,289, respectively. Of the total net revenues, \$2,932,749 are impact fee revenues that have been specifically designated for debt service payments per the bond issuance statement. The remaining \$8,494,540 represents net revenues from wastewater operations during the year and is available to meet debt service payment obligations.

COMMUNITY FACILITIES DISTRICT BONDS

Community Facilities District (CFD) Bonds are special purpose government entities which the City Council may create under Arizona law to (among other things) acquire and improve public infrastructure.

NOTES TO FINANCIAL STATEMENTS

Long-term debt as of June 30, 2013 is comprised of the following:

Classified in Governmental Activities on the Government-wide Financial Statements:

	Long-Term Debt Outstanding
Municipal Property Corporation Bonds	
2003, Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued December 1, 2003) due in annual installments of \$155,000 to \$4,640,000 through July 1, 2020; interest at 2 percent to 5 percent. Original issue amount \$42,860,000. A 69.75 percentage of this issue pertains to governmental activities.	<u>\$ 19,896,187</u>
Total MPC Bonds Outstanding	<u>19,896,187</u>
Community Facilities Districts General Obligation Bonds	
2006 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$30,000 to \$95,000 beginning July 15, 2007 through July 15, 2031; interest at 4.85 percent to 5.30 percent. Original issue amount \$1,365,000.	1,130,000
2007 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$80,000 to \$375,000 beginning July 15, 2008 through July 15, 2032; interest at 4.35 percent to 6.10 percent. Original issue amount \$3,950,000.	3,365,000
2008 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$60,000 to \$630,000 beginning July 15, 2009 through July 15, 2033; interest at 3.80 percent to 7.00 percent. Original issue amount \$3,395,000.	<u>3,050,000</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>7,545,000</u>
Total Long-Term Debt Payable Recorded in Governmental Activities	<u><u>\$ 27,441,187</u></u>

NOTES TO FINANCIAL STATEMENTS

Classified in Business-type Activities on the Government-wide Financial Statements:

	<u>Long-Term Debt Outstanding</u>
Municipal Property Corporation Bonds	
2003, Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued December 1, 2003) due in annual installments of \$155,000 to \$4,640,000 through July 1, 2020; interest at 2 percent to 5 percent. Original issue amount \$42,860,000. A 30.25 percentage of this issue pertains to business-type activities.	\$ 8,628,812
2007, Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Utility Revenue Bonds (issued May 1, 2007) due in installments of \$4,675,000 to \$25,000,000 through April 1, 2032; interest at 4.25 percent to 4.90 percent. Original issue amount \$50,675,000.	<u>50,675,000</u>
Total MPC Bonds Outstanding	<u>59,303,812</u>
Total Bonds Payable Recorded in Business-type Activities	<u>59,303,812</u>
Total Long-Term Bonds Payable	<u><u>\$ 86,744,999</u></u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General municipal property corporation fund obligation					
Series 2003 Bonds, \$29,894,850 (\$42,860,000 issued)	\$ 22,229,325	\$ -	\$ (2,333,138)	\$ 19,896,187	\$ 2,451,713
	<u>22,229,325</u>	<u>-</u>	<u>(2,333,138)</u>	<u>19,896,187</u>	<u>2,451,713</u>
For issuance premium 2003	777,142	-	(91,429)	685,713	-
	<u>777,142</u>	<u>-</u>	<u>(91,429)</u>	<u>685,713</u>	<u>-</u>
Community Facilities Districts					
Series 2006 Bonds, \$1,365,000 issued	1,165,000	-	(35,000)	1,130,000	40,000
Series 2007 Bonds, \$3,950,000 issued	3,465,000	-	(100,000)	3,365,000	100,000
Series 2008 Bonds, \$3,395,000 issued	3,115,000	-	(65,000)	3,050,000	70,000
	<u>7,745,000</u>	<u>-</u>	<u>(200,000)</u>	<u>7,545,000</u>	<u>210,000</u>
Total governmental obligation bonds	<u>30,751,467</u>	<u>-</u>	<u>(2,624,567)</u>	<u>28,126,900</u>	<u>2,661,713</u>
Compensated absences	<u>4,870,241</u>	<u>3,705,734</u>	<u>(3,518,523)</u>	<u>5,057,452</u>	<u>2,174,704</u>
Contracts and developer payable	<u>2,854,363</u>	<u>661,387</u>	<u>(2,097,997)</u>	<u>1,417,753</u>	<u>745,606</u>
Total governmental activities debt	<u>\$ 38,476,071</u>	<u>\$ 4,367,121</u>	<u>\$ (8,241,087)</u>	<u>\$ 34,602,105</u>	<u>\$ 5,582,023</u>
	<u>Ending Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type activities:					
General municipal property corporation fund obligation					
Series 2003 Bonds, \$12,965,150 (\$42,860,000 issued)	\$ 9,640,675	\$ -	\$ (1,011,863)	\$ 8,628,812	\$ 1,063,288
Series 2007 Bonds, \$50,675,000 issued	50,675,000	-	-	50,675,000	4,675,000
	<u>60,315,675</u>	<u>-</u>	<u>(1,011,863)</u>	<u>59,303,812</u>	<u>5,738,288</u>
For issuance premium 2003	337,039	-	(39,653)	297,386	-
	<u>337,039</u>	<u>-</u>	<u>(39,653)</u>	<u>297,386</u>	<u>-</u>
Total governmental obligation bonds	<u>60,652,714</u>	<u>-</u>	<u>(1,051,516)</u>	<u>59,601,198</u>	<u>5,738,288</u>
Compensated absences	<u>668,822</u>	<u>477,174</u>	<u>(573,941)</u>	<u>572,055</u>	<u>245,984</u>
Contracts and developer payable	<u>825,377</u>	<u>132,592</u>	<u>(641,299)</u>	<u>316,670</u>	<u>136,766</u>
Total business-type activities debt	<u>\$ 62,146,913</u>	<u>\$ 609,766</u>	<u>\$ (2,266,756)</u>	<u>\$ 60,489,923</u>	<u>\$ 6,121,038</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of debt service requirements for the year ended June 30, 2013. Deferred amounts are not included:

Year Ended June 30	Governmental Activities									
	2000 - 2003 MPC		Marley Park CFD 2006		Marley Park CFD 2007		Marley Park CFD 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,451,713	\$ 909,419	\$ 40,000	\$ 58,818	\$ 100,000	\$ 200,236	\$ 70,000	\$ 205,496	\$ 2,661,713	\$ 1,373,969
2015	2,566,800	786,833	40,000	56,878	105,000	195,136	75,000	201,856	2,786,800	1,240,703
2016	2,702,813	658,493	45,000	54,938	110,000	189,675	75,000	197,804	2,932,813	1,100,910
2017	2,842,311	523,352	45,000	52,756	115,000	183,844	85,000	193,604	3,087,311	953,556
2018	2,985,300	381,236	50,000	50,416	120,000	177,634	85,000	188,674	3,240,300	797,960
2019-2023	6,347,250	395,326	280,000	211,256	730,000	769,976	525,000	854,174	7,882,250	2,230,732
2024-2028	-	-	360,000	130,440	975,000	522,870	725,000	652,753	2,060,000	1,306,063
2029-2033	-	-	270,000	29,152	1,110,000	183,000	1,410,000	361,550	2,790,000	573,702
Total	\$ 19,896,187	\$ 3,654,659	\$ 1,130,000	\$ 644,654	\$ 3,365,000	\$ 2,422,371	\$ 3,050,000	\$ 2,855,911	\$ 27,441,187	\$ 9,577,595

Year Ended June 30	Business-Type Activities					
	2000 - 2003 MPC		2007 MPC		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,063,288	\$ 394,407	\$ 4,675,000	\$ 2,397,688	\$ 5,738,288	\$ 2,792,095
2015	1,113,200	341,243	-	2,199,000	1,113,200	2,540,243
2016	1,172,188	285,583	-	2,199,000	1,172,188	2,484,583
2017	1,232,686	226,974	6,500,000	2,199,000	7,732,686	2,425,974
2018	1,294,700	165,340	-	1,906,500	1,294,700	2,071,840
2019-2023	2,752,750	171,450	14,500,000	8,851,000	17,252,750	9,022,450
2024-2028	-	-	-	6,125,000	-	6,125,000
2029-2032	-	-	25,000,000	4,900,000	25,000,000	4,900,000
Total	\$ 8,628,812	\$ 1,584,997	\$ 50,675,000	\$ 30,777,188	\$ 59,303,812	\$ 32,362,185

NOTES TO FINANCIAL STATEMENTS

Contracts Payable

General Government Activities

A balance of \$1,417,753 is owed based on improvements made by developers per development agreements for various infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Business Type Activities

A balance of \$316,670 is owed based on improvements made by developers per development agreements for various equipment and infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Legal Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the net secondary assessed valuation of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities. Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent of the City's net secondary assessed valuation. The following summarizes the City of Surprise, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2013:

General Obligation Bonds Subject to 20% Limitation		General Obligation Bonds Subject to 6% Limitation	
20% Constitutional Limit	\$ 170,936,735	6% Constitutional Limit	\$ 51,281,020
Less General Obligation 20% Bonds Outstanding	-	Less General Obligation 6% Bonds Outstanding	-
Available 20% Limitation Borrowing Capacity	<u>\$ 170,936,735</u>	Available 6% Limitation Borrowing Capacity	<u>\$ 51,281,020</u>

OPERATING LEASES

The City leases copiers, trash compactors, and land under certain cancelable and non-cancelable operating leases expiring at various dates. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the City's Statement of Net Position. Lease expense for the fiscal year ended June 30, 2013 was \$56,320.

The following is a schedule of the future minimum lease payments on the non-cancelable operating leases:

Year Ending June 30:	
2014	\$ 13,414
2015	14,428
2016	10,308
Total minimum payments required	<u>\$ 38,150</u>

NOTES TO FINANCIAL STATEMENTS

Operating Lease Revenue

The City leases various City-owned properties and buildings under cancelable long-term lease agreements. The carrying value of leased assets is \$4,567,680 (cost of \$7,070,069 less accumulated depreciation of \$2,502,389). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2013 were \$472,242.

NOTE 9 - RETIREMENT PLANS

Plan Descriptions – The City contributes to the three plans described below. In addition, the City maintains a Volunteer Firefighters’ Pension and Relief Fund described later. The City no longer makes contributions to the Volunteer Firefighters’ Pension and Relief Fund.

Benefits for the plans described below are established by state statute and generally provide retirement, death, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree’s healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple-employer defined benefit health insurance premium plan; and a cost-sharing multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS

3300 North Central Avenue
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2200 or (800) 621-3778

PSPRS and EORP

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NOTES TO FINANCIAL STATEMENTS

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates for the ASRS, PSPRS, and EORP.

Cost-sharing plans – For the year ended June 30, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium and 0.24 percent for long-term disability) of the members’ annual covered payroll.

The City’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2013	\$ 2,567,953	\$ 162,846	\$ 60,128
2012	2,604,181	166,224	63,324
2011	2,477,910	162,260	68,754

Agent plans – For the year ended June 30, 2013, active PSPRS police members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute 11.99 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.02 percent of covered payroll. Active PSPRS fire members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute 11.52 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.77 percent of covered payroll. Active EORP members were required by statute to contribute 7.00 percent of the members’ annual covered payroll; and the City was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 16.90 percent of the members’ annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 2.20 percent of covered payroll.

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2013 were established by the June 30, 2011 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the City and plans’ members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements, are as follows:

NOTES TO FINANCIAL STATEMENTS

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess for PSPRS; 23 years for EORP
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.50% - 8.50% for PSPRS; 4.25% for EORP 4.50% for PSPRS; 4.00% for EORP

Annual Pension/OPEB Cost – The City’s pension/OPEB cost for the agent plans for the year ended June 30, 2013, and related information follows:

	PSPRS – Police		PSPRS – Fire		EORP	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual pension/ OPEB cost	\$1,364,532	\$ 91,163	\$1,112,389	\$ 58,222	\$ 42,988	\$ 13,510
Contributions made	1,364,532	91,163	1,112,389	58,222	42,988	13,510

NOTES TO FINANCIAL STATEMENTS

Trend Information – Annual pension and OPEB cost information for the current and two preceding years follows for each of the agent plans.

Plan	Year Ended 30-Jun	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS – Police				
Pension	2013	\$1,364,532	100%	-0-
Health Insurance	2013	91,163	100%	-0-
Pension	2012	1,168,426	100%	-0-
Health Insurance	2012	87,582	100%	-0-
Pension	2011	1,179,782	100%	-0-
Health Insurance	2011	79,114	100%	-0-
PSPRS – Fire				
Pension	2013	1,112,389	100%	-0-
Health Insurance	2013	58,222	100%	-0-
Pension	2012	904,731	100%	-0-
Health Insurance	2012	58,062	100%	-0-
Pension	2011	949,349	100%	-0-
Health Insurance	2011	51,976	100%	-0-
EORP				
Pension	2013	42,988	100%	-0-
Health Insurance	2013	13,510	100%	-0-
Pension	2012	42,437	100%	-0-
Health Insurance	2012	9,457	100%	-0-
Pension	2011	36,311	100%	-0-
Health Insurance	2011	9,181	100%	-0-

Funded Status – The funded status of the plans as of the most recent valuation date, June 30, 2013, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the City, as a participating government, is not available.

	PSPRS – Police		PSPRS – Fire	
	Pension	Insurance	Pension	Insurance
Actuarial accrued liability (a)	\$ 29,107,746	\$ 856,758	\$ 27,707,888	\$ 729,789
Actuarial value of assets (b)	23,677,026	-0-	24,903,960	-0-
Unfunded actuarial accrued	5,430,720	856,758	2,803,928	729,789
Funded ratio (b) / (a)	81.34%	0.00%	89.88%	0.00%
Covered payroll (c)	7,998,905	7,998,905	8,419,235	8,419,235
Unfunded actuarial accrued	67.89%	10.71%	33.30%	8.67%

NOTES TO FINANCIAL STATEMENTS

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess for PSPRS; 23 years for EORP
Asset valuation method	smoothed market value
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.50% - 8.50% for PSPRS; 4.25% for EORP 4.50% for PSPRS; 4.00% for EORP

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. As there have been no eligible participants since 1998, there are no remaining beneficiaries of the fund or encumbrances against it, the City is using the remaining cash to help fund the alternate fire pension and benefit program.

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 also offers a Post-Employment Health Plan (PEHP). The PEHP is a defined contribution plan designed to allow the City and employees to set aside money during the course of employment with the City, for the payment of qualified medical expenses incurred post-employment. The Post-Employment Health Plan consists of two sub-accounts that can accept contributions. One account accepts fixed contributions, which has been suspended, and the other accepts earned and unused personal time off (vacation and sick leave). After voluntary termination of employment with the City, employees are provided with the option to be paid for all, or a portion of, earned and unused personal time off, or move earned and unused personal time off into their PEHP account.

NOTES TO FINANCIAL STATEMENTS

The City's fiduciary responsibility for both plans is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 plan and post-employment health plan assets be held in trust for employees; therefore, employee assets held in Section 457 plan and post-employment plan assets are held in trust for employees. Employee assets held in Section 457 plans and post-employment health 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 Funds are not included in the City's Financial Statements.

NOTE 10 - RISK MANAGEMENT

Risk Management Fund

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 \$2 million per occurrence and \$18 million under an umbrella policy for a total of \$20 million 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.

Employee Healthcare Fund

The City has established the Employee Healthcare Fund to account for the costs of claims incurred by the City through a self-insurance program. The City is self-insured for individual health claims up to \$100,000. Commercial stop loss insurance is in place for claims in excess of the individual limit as well as aggregate insurance for claims in excess of 110% of the City's total actuarially projected claims.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$508,000 of the total claims payable reported. The remaining \$565,487 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

As of June 30, 2013, unpaid claims were as follows:

	Employee Healthcare Fund	
	2012	2013
Beginning unpaid claims	\$ 1,139,588	\$ 1,412,789
Claims incurred and changes in estimates	6,947,589	7,698,432
Payments made	(6,674,388)	(8,037,734)
Ending unpaid claims	<u>\$ 1,412,789</u>	<u>\$ 1,073,487</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - 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, 2013.

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 12 - INTERFUND BORROWING AND TRANSFERS

As of June 30, 2013, interfund balances were as follows:

Due to/from other funds:

Due from	Due to General Fund
Non-Major Governmental Funds	\$ 254,277
Total	\$ 254,277

At year end, several non-major funds had negative cash balances in the pooled cash account. Short-term negative cash balances were eliminated by interfund borrowing with the General Fund and are expected to be paid within one year.

Advances to/from other funds:

Advances to	Advances from		
	General Projects Fund	Sewer Fund	Total
General Fund	\$ 3,435,648	\$ -	\$ 3,435,648
General Government Development Fee Fund	36,019,204	7,726,286	43,745,490
Fire Development Fee Fund	-	6,163,391	6,163,391
Total	\$ 39,454,852	\$ 13,889,677	\$ 53,344,529

As of June 30, 2013, the City had several long-term loans outstanding. The General Fund loan is the result of a shortage of cash in a prior year, the repayment is awaiting governing board approval. The remaining loans relate to expenditures for projects to be funded by impact fees. These loans will be repaid as impact fees are collected in future years.

Interfund transfers:

Transfers out	Transfers in		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 1,533,198	\$ 1,533,198
General Government Development Fee Fund	-	666,378	666,378
Fire Development Fee Fund	-	121,422	121,422
Non-Major Governmental Funds	-	1,039,800	1,039,800
Water Fund	356,051	-	356,051
Sewer Fund	681,890	-	681,890
Sanitation Fund	30,581	-	30,581
Total	\$ 1,068,522	\$ 3,360,798	\$ 4,429,320

Transfers between funds were used to (1) record payments in lieu of franchise fees, payments in lieu of property taxes and license fees from the enterprise funds to the General Fund and (2) move amounts for debt service payments.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – FUND BALANCE CLASSIFICATION

Fund balance classifications:

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Fire Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	Non-Major Governmental Funds	Total
Fund balances								
Nonspendable:								
Prepays	\$ 340,135	\$ -	\$ -	\$ -	\$ 684	\$ -	\$ -	\$ 340,819
Inventory	286,430	-	-	-	133,989	-	-	420,419
Total Nonspendable	626,565	-	-	-	134,673	-	-	761,238
Restricted:								
Public works	-	-	-	-	-	-	9,545,104	9,545,104
Parks and recreation	77,439	-	-	-	-	-	4,200,725	4,278,164
Library	-	-	-	-	-	-	4,462,107	4,462,107
Debt service	-	-	-	-	-	-	3,575,072	3,575,072
Transportation	-	-	-	-	1,212,469	-	2,125,249	3,337,718
Police	-	-	-	-	-	-	2,330,971	2,330,971
Court	-	-	-	-	-	-	507,408	507,408
Fire	-	-	-	68,685	-	-	-	68,685
Other	-	-	-	-	-	-	205	205
Total Restricted	77,439	-	-	68,685	1,212,469	-	26,746,841	28,105,434
Committed:								
Vehicle replacement	-	4,605,289	-	-	-	-	-	4,605,289
Transportation	-	-	-	-	-	2,330,905	-	2,330,905
Tourism	-	-	-	-	-	-	329,838	329,838
Total Committed	-	4,605,289	-	-	-	2,330,905	329,838	7,266,032
Assigned:								
Parks and recreation	327,182	-	-	-	-	-	9,636	336,818
Transportation	-	-	-	-	281,056	793,648	-	1,074,704
Police	-	-	-	-	-	-	5,663	5,663
Tourism	-	-	-	-	-	-	3,446	3,446
Construction projects	-	43,392,828	-	-	-	-	-	43,392,828
Court	-	-	-	-	-	-	12,167	12,167
Other	-	-	-	-	-	-	6,700	6,700
Total Assigned	327,182	43,392,828	-	-	281,056	793,648	37,612	44,832,326
Unassigned:								
Unassigned or negative fund balance	17,166,622	-	(43,743,966)	(6,157,607)	-	-	-	(32,734,951)
Total	\$ 18,197,808	\$ 47,998,117	\$ (43,743,966)	\$ (6,088,922)	\$ 1,628,198	\$ 3,124,553	\$ 27,114,291	\$ 48,230,079

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – DEFICIT FUND BALANCES

As of June 30, 2013, the following individual major governmental funds reported deficits in fund balances:

	<u>Deficit</u>
Major Funds:	
General Government Development Fee Fund	\$ 43,743,966
Fire Development Fee Fund	6,088,922

Deficits arose due to project expenses incurred in current and prior years exceeding impact fee revenues collected. The deficit fund balances are expected to be funded with future development impact fees received.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

The City implemented GASB Statement No. 65 for the fiscal year ended June 30, 2013. Prior to this statement debt issuance costs were reported as an asset and amortized over the life of the debt. Debt issuance costs are now to be expensed when occurred. As a result, the beginning net position as of July 1, 2012 has been restated.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Proprietary Fund Sewer Fund</u>
Net position, June 30, 2012, as previously reported	\$ 476,798,520	\$ 330,438,384	\$ 210,861,583
Debt issuance costs	(785,664)	(1,403,229)	(1,403,229)
Net position, July 1, 2012, as restated	<u>\$ 476,012,856</u>	<u>\$ 329,035,155</u>	<u>\$ 209,458,354</u>



REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information:
APSPRS: Schedule of Funding Progress

POLICE

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension	6/30/2013	\$23,677,026	\$29,107,746	\$(5,430,720)	81.34%	\$ 7,998,905	67.89%
Health Insurance	6/30/2013	-0-	856,758	(856,758)	0.00%	7,998,905	10.71%
Pension	6/30/2012	21,724,184	26,877,187	(5,153,003)	80.83%	8,147,849	63.24%
Health Insurance	6/30/2012	-0-	742,582	(742,582)	0.00%	8,147,849	9.11%
Pension	6/30/2011	18,635,939	23,822,110	(5,186,171)	78.23%	8,796,527	58.96%
Health Insurance	6/30/2011	-0-	838,416	(838,416)	0.00%	8,796,527	9.53%

FIRE

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension	6/30/2013	\$24,903,960	\$27,707,888	\$(2,803,928)	89.88%	\$ 8,419,235	33.30%
Health Insurance	6/30/2013	-0-	729,789	(729,789)	0.00%	8,419,235	8.67%
Pension	6/30/2012	21,783,832	25,038,925	(3,255,093)	87.00%	8,487,018	38.35%
Health Insurance	6/30/2012	-0-	605,606	(605,606)	0.00%	8,487,018	7.14%
Pension	6/30/2011	18,264,589	21,611,279	(3,346,690)	84.51%	8,001,344	41.83%
Health Insurance	6/30/2011	-0-	570,118	(570,118)	0.00%	8,001,344	7.13%

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

General Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 38,686,500	\$ 38,686,500	\$ 38,423,824	\$ (262,676)
Licenses and permits	4,648,600	4,648,600	4,771,649	123,049
Intergovernmental	26,727,200	26,416,400	26,249,641	(166,759)
Charges for services	5,237,900	5,751,500	7,619,906	1,868,406
Fines	1,395,000	1,395,000	1,359,194	(35,806)
Rents	510,300	510,300	584,972	74,672
Interest	2,100	2,100	16,483	14,383
Donations	-	10,100	343,405	333,305
Indirect charges	3,660,700	3,660,700	3,660,700	-
Other	1,053,200	1,053,200	924,271	(128,929)
Total revenues	<u>81,921,500</u>	<u>82,134,400</u>	<u>83,954,045</u>	<u>1,819,645</u>
Expenditures:				
GENERAL GOVERNMENT				
City council	434,700	434,700	401,057	(33,643)
City manager	1,815,900	1,815,900	1,624,854	(191,046)
Legal	1,749,100	1,831,400	1,752,571	(78,829)
City clerk	411,700	411,700	382,401	(29,299)
Finance	2,669,200	2,669,200	2,507,713	(161,487)
Human resources	1,567,300	1,567,300	1,319,476	(247,824)
Information technology	3,860,300	3,877,100	3,591,451	(285,649)
General operations	2,267,800	2,267,800	-	(2,267,800)
Total general government	<u>14,776,000</u>	<u>14,875,100</u>	<u>11,579,523</u>	<u>(3,295,577)</u>
PUBLIC SAFETY				
Court	1,886,500	1,955,300	1,895,780	(59,520)
Police	19,004,800	19,092,300	18,852,172	(240,128)
Fire	14,535,400	14,537,100	14,453,361	(83,739)
Total public safety	<u>35,426,700</u>	<u>35,584,700</u>	<u>35,201,313</u>	<u>(383,387)</u>
PUBLIC WORKS AND STREETS				
Public works and streets	5,910,200	5,360,000	5,162,619	(197,381)
Total public works and streets	<u>5,910,200</u>	<u>5,360,000</u>	<u>5,162,619</u>	<u>(197,381)</u>
COMMUNITY DEVELOPMENT				
Community development	5,788,300	6,311,000	5,833,803	(477,197)
Total community service	<u>\$ 5,788,300</u>	<u>\$ 6,311,000</u>	<u>\$ 5,833,803</u>	<u>\$ (477,197)</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
CULTURE AND RECREATION				
Parks and recreation	12,565,600	13,344,000	12,953,039	(390,961)
Total culture and recreation	12,565,600	13,344,000	12,953,039	(390,961)
DEBT SERVICE				
Interest and fiscal charges	200,000	200,000	-	(200,000)
Total debt service	200,000	200,000	-	(200,000)
BUDGET				
Contingency	1,433,500	489,500	-	(489,500)
Planned savings	(1,000,000)	(1,000,000)	-	1,000,000
Total budget	433,500	(510,500)	-	510,500
CAPITAL OUTLAY	35,000	35,000	50,604	15,604
Total expenditures	75,135,300	75,199,300	70,780,901	(4,418,399)
REVENUES OVER EXPENDITURES	6,786,200	6,935,100	13,173,144	6,238,044
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	33,035	33,035
Transfers in	1,028,300	1,070,600	1,068,522	(2,078)
Transfers out	(3,184,700)	(1,534,700)	(1,533,198)	(1,502)
Total other financing sources (uses)	(2,156,400)	(464,100)	(431,641)	29,455
NET CHANGE IN FUND BALANCES	\$ 4,629,800	\$ 6,471,000	\$ 12,741,503	\$ 6,267,499

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

General Government Development Fee Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Development fees	\$ 227,100	\$ 227,100	\$ 633,619	\$ 406,519
Interest	-	-	1,840	1,840
Other	2,203,000	2,203,000	-	(2,203,000)
Total revenues	<u>2,430,100</u>	<u>2,430,100</u>	<u>635,459</u>	<u>(1,794,641)</u>
Expenditures:				
Current:				
General government	20,000	20,000	10,022	(9,978)
Debt Service				
Interest and fiscal charges	1,837,000	1,837,000	-	(1,837,000)
Budget				
Contingency	8,500	8,500	-	(8,500)
Total expenditures	<u>1,865,500</u>	<u>1,865,500</u>	<u>10,022</u>	<u>(1,855,478)</u>
Revenues over expenditures	<u>564,600</u>	<u>564,600</u>	<u>625,437</u>	<u>60,837</u>
Other financing (uses)				
Transfers out	<u>(667,000)</u>	<u>(667,000)</u>	<u>(666,378)</u>	<u>(622)</u>
Total other financing (uses)	<u>(667,000)</u>	<u>(667,000)</u>	<u>(666,378)</u>	<u>(622)</u>
Net change in fund balance	<u>\$ (102,400)</u>	<u>\$ (102,400)</u>	<u>\$ (40,941)</u>	<u>\$ 60,215</u>

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Fire Development Fee Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 247,800	\$ 247,800	\$ 706,495	\$ 458,695
Interest	-	-	409	409
Other	64,800	64,800	-	(64,800)
Total revenues	<u>312,600</u>	<u>312,600</u>	<u>706,904</u>	<u>394,304</u>
Expenditures:				
Current:				
General government	20,000	20,000	36,854	16,854
Debt Service				
Interest and fiscal charges	292,600	292,600	-	(292,600)
Budget				
Contingency	8,500	8,500	-	(8,500)
Total expenditures	<u>321,100</u>	<u>321,100</u>	<u>36,854</u>	<u>(284,246)</u>
Revenues over (under) expenditures	<u>(8,500)</u>	<u>(8,500)</u>	<u>670,050</u>	<u>678,550</u>
Other financing sources (uses)				
Transfers in	-	417,100	-	(417,100)
Transfers out	(121,600)	(538,700)	(121,422)	(417,278)
Total other financing sources (uses)	<u>(121,600)</u>	<u>(121,600)</u>	<u>(121,422)</u>	<u>(834,378)</u>
Net change in fund balance	<u>\$ (130,100)</u>	<u>\$ (130,100)</u>	<u>\$ 548,628</u>	<u>\$ (155,828)</u>

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Highway User Revenue Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 6,613,600	\$ 6,613,600	\$ 6,487,774	\$ (125,826)
Charges for services	-	-	1,598	1,598
Interest (loss)	-	-	(164)	(164)
Other	11,400	11,400	18,621	7,221
Total revenues	<u>6,625,000</u>	<u>6,625,000</u>	<u>6,507,829</u>	<u>(117,171)</u>
Expenditures:				
Current:				
Public works and streets	5,790,900	5,801,000	5,392,469	(408,531)
Total expenditures	<u>5,790,900</u>	<u>5,801,000</u>	<u>5,392,469</u>	<u>(408,531)</u>
Revenues over expenditures	<u>834,100</u>	<u>824,000</u>	<u>1,115,360</u>	<u>291,360</u>
Net change in fund balance	<u>\$ 834,100</u>	<u>\$ 824,000</u>	<u>\$ 1,115,360</u>	<u>\$ 291,360</u>

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Transportation Improvement Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 1,981,400	\$ 1,981,400	\$ 2,871,342	\$ 889,942
Grants	1,450,000	1,450,000	-	(1,450,000)
Interest	13,300	13,300	10,699	(2,601)
Other	-	-	10,000	10,000
Total revenues	<u>3,444,700</u>	<u>3,444,700</u>	<u>2,892,041</u>	<u>(552,659)</u>
Expenditures:				
Current:				
General government	-	-	198,921	198,921
Public works and streets	2,345,100	2,345,100	2,029,761	(315,339)
Community development	300,000	300,000	61,504	(238,496)
Capital outlay	1,800,000	1,811,200	11,180	(1,800,020)
Total expenditures	<u>4,445,100</u>	<u>4,456,300</u>	<u>2,301,366</u>	<u>(2,154,934)</u>
Revenues over (under) expenditures	<u>(1,000,400)</u>	<u>(1,011,600)</u>	<u>590,675</u>	<u>1,602,275</u>
Net change in fund balance	<u>\$ (1,000,400)</u>	<u>\$ (1,011,600)</u>	<u>\$ 590,675</u>	<u>\$ 1,602,275</u>

See accompanying notes to this schedule.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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) Capital Projects Funds adopt project-length budgets which normally extend beyond the fiscal year (2) Compensated absences are expended when paid, (3) Capital outlays within the enterprise funds are expended on a budget basis.

Prior to the third Monday in July, the City Manager submits to the City Council, and Council adopts a tentative budget for the fiscal year commencing on July 1. The tentative budget includes a schedule of the estimated expenditures and revenues. The proposed budget sets the maximum limit. The tentative budget is then published once a week for two consecutive weeks in a local newspaper. Finally, the City holds a public hearing on the budget and convenes a special meeting to adopt the final proposed budget on or before the 14th day before the tax levy is adopted.

The budget is adopted at the department level in the General Fund and at the fund level for all other funds. Expenditures may not exceed this limit, but transfers may be approved to address new issues, increased prices and changes in scope of existing projects. In such cases, transfers may be approved after final adoption by the Council at a public meeting.



**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

General Capital Projects Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ 1,650,000	\$ 2,950,369	\$ 1,300,369
Intergovernmental	-	620,000	236,124	(383,876)
Grants	1,002,100	1,376,300	376,930	(999,370)
Interest	1,684,900	1,684,900	26,693	(1,658,207)
Other	-	-	6,301	6,301
Total revenues	<u>2,687,000</u>	<u>5,331,200</u>	<u>3,596,417</u>	<u>(1,734,783)</u>
Expenditures:				
Current:				
Public safety	-	40,000	-	(40,000)
Public works and streets	611,800	686,300	-	(686,300)
Community development	1,100,000	1,100,000	-	(1,100,000)
Culture and recreation	-	121,000	-	(121,000)
Capital outlay	6,595,600	7,241,700	2,821,851	(4,419,849)
Total expenditures	<u>8,307,400</u>	<u>9,189,000</u>	<u>2,821,851</u>	<u>(6,367,149)</u>
Revenues over (under) expenditures	<u>(5,620,400)</u>	<u>(3,857,800)</u>	<u>774,566</u>	<u>4,632,366</u>
Other financing sources				
Transfers in	1,650,000	-	-	-
Total other financing sources	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (3,970,400)</u>	<u>\$ (3,857,800)</u>	<u>\$ 774,566</u>	<u>\$ 4,632,366</u>

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Non- major Governmental</u>
Assets			
Cash and investments	\$ 23,005,294	\$ -	\$ 23,005,294
Receivables (net of allowances)			
Taxes and franchise fees	93,709	-	93,709
Grants	689,882	-	689,882
Other	126	-	126
Restricted cash and investments	<u>1,392,554</u>	<u>6,421,247</u>	<u>7,813,801</u>
Total assets	<u>\$ 25,181,565</u>	<u>\$ 6,421,247</u>	<u>\$ 31,602,812</u>
Liabilities			
Accounts payable	\$ 471,493	\$ -	\$ 471,493
Accrued payroll and related taxes	804	-	804
Due to other funds	254,277	-	254,277
Unearned revenues	666,053	-	666,053
Contracts payable	124,451	-	124,451
Other liabilities	119,282	-	119,282
Matured bond interest payable	-	513,037	513,037
Matured bonds payable	<u>-</u>	<u>2,333,138</u>	<u>2,333,138</u>
Total liabilities	<u>1,636,360</u>	<u>2,846,175</u>	<u>4,482,535</u>
Deferred Inflows of Resources			
Unavailable revenue	<u>5,986</u>	<u>-</u>	<u>5,986</u>
Total deferred inflows of resources	<u>5,986</u>	<u>-</u>	<u>5,986</u>
Fund Balances (Deficits)			
Restricted	23,171,769	3,575,072	26,746,841
Committed	329,838	-	329,838
Assigned	37,612	-	37,612
Total fund balances	<u>23,539,219</u>	<u>3,575,072</u>	<u>27,114,291</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 25,181,565</u>	<u>\$ 6,421,247</u>	<u>\$ 31,602,812</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2013

	Special Revenue Funds	Debt Service Funds	Total Non-major Governmental Funds
Revenues:			
Taxes	\$ 3,196,651	\$ -	\$ 3,196,651
Intergovernmental	467,496	-	467,496
Charges for services	321,535	-	321,535
Grants	2,066,269	-	2,066,269
Fines	627,498	-	627,498
Development fees	900,550	-	900,550
Interest	81,576	12,119	93,695
Donations	1,184	-	1,184
Other	1,104	-	1,104
Total revenues	<u>7,663,863</u>	<u>12,119</u>	<u>7,675,982</u>
Expenditures:			
Current			
General government	100,570	-	100,570
Public safety	783,671	-	783,671
Public works and streets	2,765,332	-	2,765,332
Community development	1,710,349	-	1,710,349
Culture and recreation	257,136	-	257,136
Capital outlay	331,525	-	331,525
Debt service			-
Principal	200,000	2,333,138	2,533,138
Interest and fiscal charges	477,495	1,027,818	1,505,313
Total expenditures	<u>6,626,078</u>	<u>3,360,956</u>	<u>9,987,034</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>1,037,785</u>	<u>(3,348,837)</u>	<u>(2,311,052)</u>
Other financing sources (uses)			
Transfers in	-	3,360,798	3,360,798
Transfers out	(1,039,800)	-	(1,039,800)
Total other financing sources (uses)	<u>(1,039,800)</u>	<u>3,360,798</u>	<u>2,320,998</u>
Net change in fund balances	<u>(2,015)</u>	<u>11,961</u>	<u>9,946</u>
Fund balances, beginning	<u>23,541,234</u>	<u>3,563,111</u>	<u>27,104,345</u>
Fund balances, ending	<u>\$ 23,539,219</u>	<u>\$ 3,575,072</u>	<u>\$ 27,114,291</u>

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- ❖ Special revenue funds – These funds account for specific non-capital revenues that are restricted in their allowable use.
 - *Employee Dep Scholarship Fund* – Employee dependent scholarships awarded to the dependents of current City of Surprise employees. Donations and interest earnings fund these scholarships. City policy restricts the use of these funds.
 - *Grants Fund* – This fund has been established to account for revenues and expenditures from the various grants received by the City.
 - *LTA II Fund* – This fund has been established to account for revenues and expenditures received by the City from the state of Arizona. These funds are a portion of lottery money collected and can be used to fund transit operations, facilities, and equipment purchases.
 - *Library Development Fee Fund* – This fund was established to account for the inflow of library development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing, and furnishing of new items directly related to the increased demand on library services caused by growth.
 - *Marley Park Community Facility District Fund* – This fund was established to provide a location to process operating expenditures and for the collection of the related portion of the property taxes from properties located in the district. These proceeds are legally restricted to the payment of operations within the district.
 - *Municipal Court Enhancement Fund* – Established in FY2003 this fund tracks revenue associated with fines dedicated to Municipal Court technology improvements. City policy restricts the use of these funds.
 - *Municipal Court FARE Fund* – This fund is used to discretely track funds received by the City that are restricted to use on projects that enhance the fine collections process. FARE - Fines/fees and restitution enforcement.
 - *Municipal Court JCEF Fund* – This fund is used to discretely track funds received by the City that are restricted to use on technology improvements in the Municipal Court. JCEF - Judicial court enhancement fund.
 - *Municipal Court MFTG Fund* – This fund is used to discretely track funds received by the City that are restricted to use on projects that aid in the processing of criminal cases. MFTG - Municipal fill the gap.
 - *Neighborhood Revitalization Fund* – This fund is used to track all revenues and expenditures associated with the City's neighborhood revitalization program. This program is funded through a combination of federal, state, and local funds. City policy, grant agreements, and contractual obligations restrict the use of these funds.
 - *Net Premium Seating Fund* – This fund was established to account for the revenues and expenditures for a ticket surcharge on the sale of spring training tickets for premium seats.
 - *Parks and Recreation Development Fee Fund* – This fund was established to account for the inflow of parks and recreation development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on parks and recreation services caused by growth.
 - *Police Development Fee Fund* – This fund was established to account for the inflow of police development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on police services caused by growth.

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- *Proposition 400 Fund* – This fund is used to track all revenues and expenditures for the county wide half-cent sales tax to be used for regional transportation improvements.
 - *Public Works Expansion Development Fee Fund* – This fund was established to account for the inflow of public works development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on public works caused by growth.
 - *Roads of Regional Significance SPA 2, 4 & 6 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
 - *Roads of Regional Significance SPA 3 & 5 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
 - *SB1398 Fines Fund* – This fund was established to account for funds the City receives from the state of Arizona for penalties charged on certain violations. These revenues are limited to the purchase of officer safety equipment.
 - *SPD DEA Fund* - This fund is used to discretely track funds received from the participation on DEA task forces in the Greater Phoenix area. This use of these funds is limited to approval by the disbursing program manager and is generally related to purchase and maintenance of departmental equipment not included in the general budgets. SPD – Surprise Police Department. DEA – Drug Enforcement Activity.
 - *SPD RICO Fund* – This fund is used to discretely track funds received from participation in the Maricopa County Attorney’s Office Anti-Racketeering Influenced and Corrupt Organizations (RICO) task force.
 - *SPD Towing Fund* – This fund is used to track activity in the Police Department for vehicle impounds. The use of these funds is limited to administrative management of the vehicle impound program.
 - *Spring Training Ticket Surcharge Fund* – This fund was established to account for the revenues and expenditures from a \$1 per ticket surcharge on the sale of spring training tickets. These revenues are limited to operational improvements to stadium facilities.
 - *Street Lighting Districts Fund* – Eighty-four Street Light Improvement Districts (SLIDs) have been established by ordinance to provide a centralized location for the collection of taxes from properties located in the district. These proceeds are legally restricted to the payment of electricity to operate the street lights within the district.
 - *Tourism Fund* – This fund is used to track all revenues and expenditures associated with the City’s 2.52% bed tax. The funds are used to support tourism within the City. City policy and state statute restrict the use of these funds.
- ❖ Debt service fund –Used to track those activities relating to the issuance and repayment of debt.
- *2000-03 Debt Service Fund* – This fund was created to track the debt service payments for the 2000-03 Municipal Property Corporation (MPC) bond issuance.

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2013

	Employee Dep Scholarship Fund	Grants Fund	LTAF II Fund	Library Development Fee Fund	Marley Park Community Facility District Fund
Assets					
Cash and investments	\$ 6,505	\$ -	\$ -	\$ 4,465,581	\$ 63,887
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	-	20,956
Grants	-	97,294	-	-	-
Other	-	-	-	-	-
Restricted cash and investments	-	8,392	-	-	-
Total assets	<u>\$ 6,505</u>	<u>\$ 105,686</u>	<u>\$ -</u>	<u>\$ 4,465,581</u>	<u>\$ 84,843</u>
Liabilities					
Accounts payable	\$ -	\$ 35,876	\$ -	\$ 3,474	\$ 767
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	61,418	-	-	-
Unearned revenue	-	8,392	-	-	-
Contracts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>105,686</u>	<u>-</u>	<u>3,474</u>	<u>767</u>
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	5,986
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,986</u>
Fund Balances (Deficits)					
Restricted	205	-	-	4,462,107	68,630
Committed	-	-	-	-	-
Assigned	6,300	-	-	-	9,460
Total fund balances	<u>6,505</u>	<u>-</u>	<u>-</u>	<u>4,462,107</u>	<u>78,090</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,505</u>	<u>\$ 105,686</u>	<u>\$ -</u>	<u>\$ 4,465,581</u>	<u>\$ 84,843</u>

Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborh. Revitaliz. Fund	Net Premium Seating Fund	Parks and Recreation Development Fee Fund
\$ 383,743	\$ 10,263	\$ 112,018	\$ 13,853	\$ 22,482	\$ 4	\$ 3,785,573
-	-	-	-	-	-	-
-	-	-	-	592,588	-	-
-	-	-	-	126	-	-
-	-	-	-	-	22,561	143,712
<u>\$ 383,743</u>	<u>\$ 10,263</u>	<u>\$ 112,018</u>	<u>\$ 13,853</u>	<u>\$ 615,196</u>	<u>\$ 22,565</u>	<u>\$ 3,929,285</u>
\$ -	\$ -	\$ 95	\$ -	\$ 193,877	\$ -	\$ 1,772
-	-	207	-	101	-	-
-	-	-	-	107,354	-	-
-	-	-	-	313,864	-	-
-	-	-	-	-	-	85,828
-	-	-	-	-	-	-
-	-	302	-	615,196	-	87,600
-	-	-	-	-	-	-
-	-	-	-	-	-	-
371,820	10,019	111,716	13,853	-	22,565	3,841,685
-	-	-	-	-	-	-
11,923	244	-	-	-	-	-
<u>383,743</u>	<u>10,263</u>	<u>111,716</u>	<u>13,853</u>	<u>-</u>	<u>22,565</u>	<u>3,841,685</u>
<u>\$ 383,743</u>	<u>\$ 10,263</u>	<u>\$ 112,018</u>	<u>\$ 13,853</u>	<u>\$ 615,196</u>	<u>\$ 22,565</u>	<u>\$ 3,929,285</u>

Continued

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2013

	Police Development Fee Fund	Proposition 400 Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund
Assets					
Cash and investments	\$ 1,078,511	\$ 119,682	\$ 9,586,350	\$ 2,103,364	\$ 24,509
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	-	-
Grants	-	-	-	-	-
Other	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 1,078,511</u>	<u>\$ 119,682</u>	<u>\$ 9,586,350</u>	<u>\$ 2,103,364</u>	<u>\$ 24,509</u>
Liabilities					
Accounts payable	\$ 2,623	\$ -	\$ 2,623	\$ 1,312	\$ 1,312
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Contracts payable	-	-	38,623	-	-
Other liabilities	-	119,282	-	-	-
Total liabilities	<u>2,623</u>	<u>119,282</u>	<u>41,246</u>	<u>1,312</u>	<u>1,312</u>
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)					
Restricted	1,075,888	-	9,545,104	2,102,052	23,197
Committed	-	-	-	-	-
Assigned	-	400	-	-	-
Total fund balances	<u>1,075,888</u>	<u>400</u>	<u>9,545,104</u>	<u>2,102,052</u>	<u>23,197</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,078,511</u>	<u>\$ 119,682</u>	<u>\$ 9,586,350</u>	<u>\$ 2,103,364</u>	<u>\$ 24,509</u>

SBI398 Fines Fund	SPD DEA Fund	SPD RICO Fund	SPD Towing Fund	Spring Training Ticket Surcharge Fund	Street Lighting Districts Fund	Tourism Fund	Total Nonmajor Special Revenue Funds
\$ 25,726	\$ 19,896	\$ -	\$ 391,620	\$ 282,971	\$ 197,308	\$ 311,448	\$ 23,005,294
-	-	-	-	-	50,917	21,836	93,709
-	-	-	-	-	-	-	689,882
-	-	-	-	-	-	-	126
-	295,553	629,456	-	-	292,880	-	1,392,554
<u>\$ 25,726</u>	<u>\$ 315,449</u>	<u>\$ 629,456</u>	<u>\$ 391,620</u>	<u>\$ 282,971</u>	<u>\$ 541,105</u>	<u>\$ 333,284</u>	<u>\$ 25,181,565</u>
\$ -	\$ 5,680	\$ 9,824	\$ -	\$ 14,950	\$ 197,308	\$ -	\$ 471,493
-	-	-	496	-	-	-	804
-	-	85,505	-	-	-	-	254,277
-	-	-	-	-	343,797	-	666,053
-	-	-	-	-	-	-	124,451
-	-	-	-	-	-	-	119,282
-	5,680	95,329	496	14,950	541,105	-	1,636,360
-	-	-	-	-	-	-	5,986
-	-	-	-	-	-	-	5,986
25,671	309,769	534,127	385,516	267,845	-	-	23,171,769
-	-	-	-	-	-	329,838	329,838
55	-	-	5,608	176	-	3,446	37,612
<u>25,726</u>	<u>309,769</u>	<u>534,127</u>	<u>391,124</u>	<u>268,021</u>	<u>-</u>	<u>333,284</u>	<u>23,539,219</u>
<u>\$ 25,726</u>	<u>\$ 315,449</u>	<u>\$ 629,456</u>	<u>\$ 391,620</u>	<u>\$ 282,971</u>	<u>\$ 541,105</u>	<u>\$ 333,284</u>	<u>\$ 25,181,565</u>

Concluded

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2013

	Employee Dep Scholarship Fund	Grants Fund	LTA II Fund	Library Development Fee Fund	Marley Park Community Facility District Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 637,555
Intergovernmental	-	37,202	345,576	-	-
Charges for services	-	-	-	-	-
Grants	-	355,920	-	-	-
Fines	-	-	-	-	-
Development fees	-	-	-	76,071	-
Interest	26	-	-	14,771	-
Donations	1,184	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>1,210</u>	<u>393,122</u>	<u>345,576</u>	<u>90,842</u>	<u>637,555</u>
Expenditures:					
Current:					
General government	4,000	-	-	10,873	46,460
Public safety	-	280,991	-	-	-
Public works and streets	-	2,680	345,576	-	-
Community development	-	-	-	-	-
Culture and recreation	-	42,340	-	-	-
Capital outlay	-	67,111	-	-	-
Debt service					
Principal	-	-	-	-	200,000
Interest and fiscal charges	-	-	-	-	477,495
Total expenditures	<u>4,000</u>	<u>393,122</u>	<u>345,576</u>	<u>10,873</u>	<u>723,955</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,790)</u>	<u>-</u>	<u>-</u>	<u>79,969</u>	<u>(86,400)</u>
Other financing sources (uses)					
Transfers out	-	-	-	-	-
Total other financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(2,790)</u>	<u>-</u>	<u>-</u>	<u>79,969</u>	<u>(86,400)</u>
Fund balances, beginning	<u>9,295</u>	<u>-</u>	<u>-</u>	<u>4,382,138</u>	<u>164,490</u>
Fund balances, ending	<u>\$ 6,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,462,107</u>	<u>\$ 78,090</u>

Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborh. Revitaliz. Fund	Net Premium Seating Fund	Parks and Recreation Development Fee Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,303	-	11,469	-	-	-
-	-	-	-	-	24,735	-
109,611	-	22,553	-	1,710,349	-	-
-	-	-	-	-	-	372,028
1,220	44	344	98	-	89	14,356
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>110,831</u>	<u>4,347</u>	<u>22,897</u>	<u>11,567</u>	<u>1,710,349</u>	<u>24,824</u>	<u>386,384</u>
-	-	-	-	-	-	9,171
78,689	3,500	9,568	31,000	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,710,349	-	-
-	-	-	-	-	31,916	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>78,689</u>	<u>3,500</u>	<u>9,568</u>	<u>31,000</u>	<u>1,710,349</u>	<u>31,916</u>	<u>9,171</u>
<u>32,142</u>	<u>847</u>	<u>13,329</u>	<u>(19,433)</u>	<u>-</u>	<u>(7,092)</u>	<u>377,213</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(794,064)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(794,064)</u>
<u>32,142</u>	<u>847</u>	<u>13,329</u>	<u>(19,433)</u>	<u>-</u>	<u>(7,092)</u>	<u>(416,851)</u>
<u>351,601</u>	<u>9,416</u>	<u>98,387</u>	<u>33,286</u>	<u>-</u>	<u>29,657</u>	<u>4,258,536</u>
<u>\$ 383,743</u>	<u>\$ 10,263</u>	<u>\$ 111,716</u>	<u>\$ 13,853</u>	<u>\$ -</u>	<u>\$ 22,565</u>	<u>\$ 3,841,685</u>

Continued

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2013

	Police Development Fee Fund	Proposition 400 Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	57,811	-	-
Charges for services	-	-	-	-	-
Grants	-	-	-	-	-
Fines	-	-	-	-	-
Development fees	296,719	-	144,621	5,715	5,396
Interest	3,430	400	31,907	7,037	76
Donations	-	-	-	-	-
Other	-	-	1,104	-	-
Total revenues	<u>300,149</u>	<u>400</u>	<u>235,443</u>	<u>12,752</u>	<u>5,472</u>
Expenditures:					
Current:					
General government	10,022	-	10,022	5,011	5,011
Public safety	-	-	-	-	-
Public works and streets	-	-	20,472	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	119,697	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>10,022</u>	<u>-</u>	<u>150,191</u>	<u>5,011</u>	<u>5,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>290,127</u>	<u>400</u>	<u>85,252</u>	<u>7,741</u>	<u>461</u>
Other financing sources (uses)					
Transfers out	<u>(245,736)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing	<u>(245,736)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>44,391</u>	<u>400</u>	<u>85,252</u>	<u>7,741</u>	<u>461</u>
Fund balances, beginning	<u>1,031,497</u>	<u>-</u>	<u>9,459,852</u>	<u>2,094,311</u>	<u>22,736</u>
Fund balances, ending	<u>\$ 1,075,888</u>	<u>\$ 400</u>	<u>\$ 9,545,104</u>	<u>\$ 2,102,052</u>	<u>\$ 23,197</u>

SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund	SPD Towing Fund	Spring Training Ticket Surcharge Fund	Street Lighting Districts Fund	Tourism Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,394,798	\$ 164,298	\$ 3,196,651
-	11,135	-	-	-	-	-	467,496
-	-	-	104,840	191,960	-	-	321,535
-	-	-	-	-	-	-	2,066,269
14,828	277,272	203,234	-	-	-	-	627,498
-	-	-	-	-	-	-	900,550
55	780	2,846	1,174	176	1,806	941	81,576
-	-	-	-	-	-	-	1,184
-	-	-	-	-	-	-	1,104
<u>14,883</u>	<u>289,187</u>	<u>206,080</u>	<u>106,014</u>	<u>192,136</u>	<u>2,396,604</u>	<u>165,239</u>	<u>7,663,863</u>
-	-	-	-	-	-	-	100,570
6,084	85,433	236,464	51,942	-	-	-	783,671
-	-	-	-	-	2,396,604	-	2,765,332
-	-	-	-	-	-	-	1,710,349
-	-	-	-	24,381	-	158,499	257,136
-	65,240	79,477	-	-	-	-	331,525
-	-	-	-	-	-	-	200,000
-	-	-	-	-	-	-	477,495
<u>6,084</u>	<u>150,673</u>	<u>315,941</u>	<u>51,942</u>	<u>24,381</u>	<u>2,396,604</u>	<u>158,499</u>	<u>6,626,078</u>
<u>8,799</u>	<u>138,514</u>	<u>(109,861)</u>	<u>54,072</u>	<u>167,755</u>	<u>-</u>	<u>6,740</u>	<u>1,037,785</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,039,800)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,039,800)</u>
<u>8,799</u>	<u>138,514</u>	<u>(109,861)</u>	<u>54,072</u>	<u>167,755</u>	<u>-</u>	<u>6,740</u>	<u>(2,015)</u>
<u>16,927</u>	<u>171,255</u>	<u>643,988</u>	<u>337,052</u>	<u>100,266</u>	<u>-</u>	<u>326,544</u>	<u>23,541,234</u>
<u>\$ 25,726</u>	<u>\$ 309,769</u>	<u>\$ 534,127</u>	<u>\$ 391,124</u>	<u>\$ 268,021</u>	<u>\$ -</u>	<u>\$ 333,284</u>	<u>\$ 23,539,219</u>

Concluded

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Employee Dep Scholarship Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ 100	\$ 100	\$ 26	\$ (74)
Donations	1,200	1,200	1,184	(16)
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>1,210</u>	<u>(90)</u>
Expenditures:				
Current:				
General government	6,000	6,000	4,000	(2,000)
Budget				
Contingency	3,300	3,300	-	(3,300)
Total expenditures	<u>9,300</u>	<u>9,300</u>	<u>4,000</u>	<u>(5,300)</u>
Revenues (under) expenditures	<u>(8,000)</u>	<u>(8,000)</u>	<u>(2,790)</u>	<u>5,210</u>
Net change in fund balance	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>	<u>\$ (2,790)</u>	<u>\$ 5,210</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Grants Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 37,202	\$ 37,202
Grants	13,709,200	9,062,100	355,920	(8,706,180)
Total revenues	13,709,200	9,062,100	393,122	(8,668,978)
Expenditures:				
Current:				
Public safety	141,000	256,200	280,991	24,791
Public works and streets	120,400	120,400	2,680	(117,720)
Culture and recreation	50,000	50,000	42,340	(7,660)
Capital outlay	12,500	198,900	67,111	(131,789)
Budget				
Contingency	13,385,300	10,148,100	-	(10,148,100)
Total expenditures	13,709,200	10,773,600	393,122	(10,380,478)
Revenues (under) expenditures	-	(1,711,500)	-	1,711,500
Net change in fund balance	\$ -	\$ (1,711,500)	\$ -	\$ 1,711,500

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

LTA II Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 345,600	\$ 345,576	\$ (24)
Total revenues	-	345,600	345,576	(24)
Expenditures:				
Current:				
Public works and streets	-	345,600	345,576	(24)
Total expenditures	-	345,600	345,576	(24)
Revenues over expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Library Development Fee Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Development fees	\$ 33,300	\$ 33,300	\$ 76,071	\$ 42,771
Interest	23,600	23,600	14,771	(8,829)
Total revenues	<u>56,900</u>	<u>56,900</u>	<u>90,842</u>	<u>33,942</u>
Expenditures:				
Current:				
General government	20,000	20,000	10,873	(9,127)
Budget Contingency	8,500	8,500	-	(8,500)
Total expenditures	<u>28,500</u>	<u>28,500</u>	<u>10,873</u>	<u>(17,627)</u>
Revenues over expenditures	<u>28,400</u>	<u>28,400</u>	<u>79,969</u>	<u>51,569</u>
Net change in fund balance	<u>\$ 28,400</u>	<u>\$ 28,400</u>	<u>\$ 79,969</u>	<u>\$ 51,569</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Marley Park Community Facility District Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 675,300	\$ 675,300	\$ 637,555	\$ (37,745)
Total revenues	<u>675,300</u>	<u>675,300</u>	<u>637,555</u>	<u>(37,745)</u>
Expenditures:				
Current:				
General government	48,400	48,400	46,460	(1,940)
Debt Service				
Principal	200,000	200,000	200,000	-
Interest and fiscal charges	474,700	477,700	477,495	(205)
Total expenditures	<u>723,100</u>	<u>726,100</u>	<u>723,955</u>	<u>(2,145)</u>
Revenues (under) expenditures	<u>(47,800)</u>	<u>(50,800)</u>	<u>(86,400)</u>	<u>(35,600)</u>
Net change in fund balance	<u>\$ (47,800)</u>	<u>\$ (50,800)</u>	<u>\$ (86,400)</u>	<u>\$ (35,600)</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Municipal Court Enhancement Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines	\$ 105,000	\$ 105,000	\$ 109,611	\$ 4,611
Interest	1,900	1,900	1,220	(680)
Total revenues	<u>106,900</u>	<u>106,900</u>	<u>110,831</u>	<u>3,931</u>
Expenditures:				
Current:				
Public safety	100,000	100,000	78,689	(21,311)
Budget Contingency	351,100	351,100	-	(351,100)
Total expenditures	<u>451,100</u>	<u>451,100</u>	<u>78,689</u>	<u>(372,411)</u>
Revenues over (under) expenditures	<u>(344,200)</u>	<u>(344,200)</u>	<u>32,142</u>	<u>376,342</u>
Net change in fund balance	<u>\$ (344,200)</u>	<u>\$ (344,200)</u>	<u>\$ 32,142</u>	<u>\$ 376,342</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Municipal Court FARE Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 4,303	\$ 4,303
Grants	9,000	9,000	-	(9,000)
Interest	100	100	44	(56)
Total revenues	<u>9,100</u>	<u>9,100</u>	<u>4,347</u>	<u>(4,753)</u>
Expenditures:				
Current:				
Public safety	9,000	9,000	3,500	(5,500)
Budget				
Contingency	9,500	9,500	-	(9,500)
Total expenditures	<u>18,500</u>	<u>18,500</u>	<u>3,500</u>	<u>(15,000)</u>
Revenues over (under) expenditures	<u>(9,400)</u>	<u>(9,400)</u>	<u>847</u>	<u>10,247</u>
Net change in fund balance	<u>\$ (9,400)</u>	<u>\$ (9,400)</u>	<u>\$ 847</u>	<u>\$ 10,247</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Municipal Court JCEF Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines	\$ -	\$ -	\$ 22,553	\$ 22,553
Interest	500	500	344	(156)
Total revenues	<u>500</u>	<u>500</u>	<u>22,897</u>	<u>22,397</u>
Expenditures:				
Current:				
Public safety	-	13,300	9,568	(3,732)
Budget Contingency	95,800	82,500	-	(82,500)
Total expenditures	<u>95,800</u>	<u>95,800</u>	<u>9,568</u>	<u>(86,232)</u>
Revenues over (under) expenditures	<u>(95,300)</u>	<u>(95,300)</u>	<u>13,329</u>	<u>108,629</u>
Net change in fund balance	<u>\$ (95,300)</u>	<u>\$ (95,300)</u>	<u>\$ 13,329</u>	<u>\$ 108,629</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Municipal Court MFTG Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 31,000	\$ 31,000	\$ 11,469	\$ (19,531)
Interest	200	200	98	(102)
Total revenues	<u>31,200</u>	<u>31,200</u>	<u>11,567</u>	<u>(19,633)</u>
Expenditures:				
Current:				
Public safety	31,000	31,000	31,000	-
Budget Contingency	28,600	28,600	-	(28,600)
Total expenditures	<u>59,600</u>	<u>59,600</u>	<u>31,000</u>	<u>(28,600)</u>
Revenues (under) expenditures	<u>(28,400)</u>	<u>(28,400)</u>	<u>(19,433)</u>	<u>8,967</u>
Net change in fund balance	<u>\$ (28,400)</u>	<u>\$ (28,400)</u>	<u>\$ (19,433)</u>	<u>\$ 8,967</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Neighborh. Revitaliz. Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants	\$ 699,000	\$ 3,798,300	\$ 1,710,349	\$ (2,087,951)
Total revenues	<u>699,000</u>	<u>3,798,300</u>	<u>1,710,349</u>	<u>(2,087,951)</u>
Expenditures:				
Current:				
Community development	699,000	3,798,300	1,710,349	(2,087,951)
Total expenditures	<u>699,000</u>	<u>3,798,300</u>	<u>1,710,349</u>	<u>(2,087,951)</u>
Revenues over expenditures	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Net Premium Seating Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ 25,500	\$ 24,735	\$ (765)
Interest	-	-	89	89
Total revenues	-	25,500	24,824	(676)
Expenditures:				
Current:				
Culture and recreation	-	55,200	31,916	(23,284)
Total expenditures	-	55,200	31,916	(23,284)
Revenues (under) expenditures	-	(29,700)	(7,092)	22,608
Net change in fund balance	\$ -	\$ (29,700)	\$ (7,092)	\$ 22,608

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Parks and Recreation Development Fee Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Development fees	\$ 196,300	\$ 196,300	\$ 372,028	\$ 175,728
Interest	24,400	24,400	14,356	(10,044)
Total revenues	<u>220,700</u>	<u>220,700</u>	<u>386,384</u>	<u>165,684</u>
Expenditures:				
Current:				
General government	20,000	20,000	9,171	(10,829)
Budget				
Contingency	8,500	8,500	-	(8,500)
Total expenditures	<u>28,500</u>	<u>28,500</u>	<u>9,171</u>	<u>(19,329)</u>
Revenues over expenditures	<u>192,200</u>	<u>192,200</u>	<u>377,213</u>	<u>185,013</u>
Other financing (uses)				
Transfers out	<u>(795,000)</u>	<u>(795,000)</u>	<u>(794,064)</u>	<u>(936)</u>
Total other financing (uses)	<u>(795,000)</u>	<u>(795,000)</u>	<u>(794,064)</u>	<u>(936)</u>
Net change in fund balance	<u>\$ (602,800)</u>	<u>\$ (602,800)</u>	<u>\$ (416,851)</u>	<u>\$ 184,077</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Police Development Fee Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 101,900	\$ 101,900	\$ 296,719	\$ 194,819
Interest	5,400	5,400	3,430	(1,970)
Total revenues	<u>107,300</u>	<u>107,300</u>	<u>300,149</u>	<u>192,849</u>
Expenditures:				
Current:				
General government	20,000	20,000	10,022	(9,978)
Budget				
Contingency	8,500	8,500	-	(8,500)
Total expenditures	<u>28,500</u>	<u>28,500</u>	<u>10,022</u>	<u>(18,478)</u>
Revenues over expenditures	<u>78,800</u>	<u>78,800</u>	<u>290,127</u>	<u>211,327</u>
Other financing (uses)				
Transfers out	(246,000)	(246,000)	(245,736)	(264)
Total other financing (uses)	<u>(246,000)</u>	<u>(246,000)</u>	<u>(245,736)</u>	<u>(264)</u>
Net change in fund balance	<u>\$ (167,200)</u>	<u>\$ (167,200)</u>	<u>\$ 44,391</u>	<u>\$ 211,063</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Proposition 400 Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 400	\$ 400
Total revenues	<u>-</u>	<u>-</u>	<u>400</u>	<u>400</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>400</u>	<u>400</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 400</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Public Works Expansion Development Fee Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 57,811	\$ 57,811
Development fees	37,300	37,300	144,621	107,321
Interest	52,800	52,800	31,907	(20,893)
Other	-	-	1,104	1,104
Total revenues	<u>90,100</u>	<u>90,100</u>	<u>235,443</u>	<u>145,343</u>
Expenditures:				
Current:				
General government	20,000	20,000	10,022	(9,978)
Public works and streets	41,000	41,700	20,472	(21,228)
Capital outlay	587,600	608,700	119,697	(489,003)
Budget				
Contingency	8,500	8,500	-	(8,500)
Total expenditures	<u>657,100</u>	<u>678,900</u>	<u>150,191</u>	<u>(528,709)</u>
Revenues over (under) expenditures	<u>(567,000)</u>	<u>(588,800)</u>	<u>85,252</u>	<u>674,052</u>
Net change in fund balance	<u>\$ (567,000)</u>	<u>\$ (588,800)</u>	<u>\$ 85,252</u>	<u>\$ 674,052</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Roads of Regional Significance SPA 2, 4 and 6 Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Development fees	\$ -	\$ -	\$ 5,715	\$ 5,715
Interest	11,500	11,500	7,037	(4,463)
Total revenues	<u>11,500</u>	<u>11,500</u>	<u>12,752</u>	<u>1,252</u>
Expenditures:				
Current:				
General government	10,000	10,000	5,011	(4,989)
Budget				
Contingency	4,900	4,900	-	(4,900)
Total expenditures	<u>14,900</u>	<u>14,900</u>	<u>5,011</u>	<u>(9,889)</u>
Revenues over (under) expenditures	<u>(3,400)</u>	<u>(3,400)</u>	<u>7,741</u>	<u>11,141</u>
Net change in fund balance	<u>\$ (3,400)</u>	<u>\$ (3,400)</u>	<u>\$ 7,741</u>	<u>\$ 11,141</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Roads of Regional Significance SPA 3 and 5 Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Development fees	\$ -	\$ -	\$ 5,396	\$ 5,396
Interest	100	100	76	(24)
Total revenues	<u>100</u>	<u>100</u>	<u>5,472</u>	<u>5,372</u>
Expenditures:				
Current:				
General government	10,000	10,000	5,011	(4,989)
Budget Contingency	4,900	4,900	-	(4,900)
Total expenditures	<u>14,900</u>	<u>14,900</u>	<u>5,011</u>	<u>(9,889)</u>
Revenues over (under) expenditures	<u>(14,800)</u>	<u>(14,800)</u>	<u>461</u>	<u>15,261</u>
Net change in fund balance	<u>\$ (14,800)</u>	<u>\$ (14,800)</u>	<u>\$ 461</u>	<u>\$ 15,261</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

SB1398 Fines Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ -	\$ 22,200	\$ 14,828	\$ (7,372)
Interest	-	-	55	55
Total revenues	-	22,200	14,883	(7,317)
Expenditures:				
Current:				
Public safety	-	39,200	6,084	(33,116)
Total expenditures	-	39,200	6,084	(33,116)
Revenues over (under) expenditures	-	(17,000)	8,799	25,799
Net change in fund balance	\$ -	\$ (17,000)	\$ 8,799	\$ 25,799

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

SPD DEA Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 11,135	\$ 11,135
Fines	-	-	277,272	277,272
Interest	1,100	1,100	780	(320)
Total revenues	<u>1,100</u>	<u>1,100</u>	<u>289,187</u>	<u>288,087</u>
Expenditures:				
Current:				
Public safety	-	85,900	85,433	(467)
Capital outlay	-	65,300	65,240	(60)
Budget				
Contingency	230,900	79,700	-	(79,700)
Total expenditures	<u>230,900</u>	<u>230,900</u>	<u>150,673</u>	<u>(80,227)</u>
Revenues over (under) expenditures	<u>(229,800)</u>	<u>(229,800)</u>	<u>138,514</u>	<u>368,314</u>
Net change in fund balance	<u>\$ (229,800)</u>	<u>\$ (229,800)</u>	<u>\$ 138,514</u>	<u>\$ 368,314</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

SPD RICO Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ -	\$ -	\$ 203,234	\$ 203,234
Interest	2,800	2,800	2,846	46
Total revenues	2,800	2,800	206,080	203,280
Expenditures:				
Current:				
Public safety	200,000	236,900	236,464	(436)
Capital outlay	-	79,500	79,477	(23)
Budget				
Contingency	313,200	196,800	-	(196,800)
Total expenditures	513,200	513,200	315,941	(197,259)
Revenues (under) expenditures	(510,400)	(510,400)	(109,861)	400,539
Net change in fund balance	\$ (510,400)	\$ (510,400)	\$ (109,861)	\$ 400,539

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

SPD Towing Fund

Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 32,900	\$ 32,900	\$ 104,840	\$ 71,940
Interest	1,700	1,700	1,174	(526)
Total revenues	<u>34,600</u>	<u>34,600</u>	<u>106,014</u>	<u>71,414</u>
Expenditures:				
Current:				
Public safety	32,500	281,100	51,942	(229,158)
Budget Contingency	340,400	91,800	-	(91,800)
Total expenditures	<u>372,900</u>	<u>372,900</u>	<u>51,942</u>	<u>(320,958)</u>
Revenues over (under) expenditures	<u>(338,300)</u>	<u>(338,300)</u>	<u>54,072</u>	<u>392,372</u>
Net change in fund balance	<u>\$ (338,300)</u>	<u>\$ (338,300)</u>	<u>\$ 54,072</u>	<u>\$ 392,372</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Spring Training Ticket Surcharge Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ 100,300	\$ 191,960	\$ 91,660
Interest	-	-	176	176
Total revenues	-	100,300	192,136	91,836
Expenditures:				
Current:				
Culture and recreation	-	-	24,381	24,381
Capital outlay	-	100,300	-	(100,300)
Total expenditures	-	100,300	24,381	(75,919)
Revenues over expenditures	-	-	167,755	167,755
Net change in fund balance	\$ -	\$ -	\$ 167,755	\$ 167,755

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Street Lighting Districts Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,653,617	\$ 2,653,617	\$ 2,394,798	\$ (258,819)
Charges for services	5,900	5,900	-	(5,900)
Interest	-	-	1,806	1,806
Total revenues	<u>2,659,517</u>	<u>2,659,517</u>	<u>2,396,604</u>	<u>(262,913)</u>
Expenditures:				
Current:				
Public works and streets	2,659,500	2,659,500	2,396,604	(262,896)
Total expenditures	<u>2,659,500</u>	<u>2,659,500</u>	<u>2,396,604</u>	<u>(262,896)</u>
Revenues over expenditures	<u>17</u>	<u>17</u>	<u>-</u>	<u>(17)</u>
Net change in fund balance	<u>\$ 17</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ (17)</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Tourism Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 164,298	\$ 164,298
Interest	1,300	1,300	941	(359)
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>165,239</u>	<u>163,939</u>
Expenditures:				
Current:				
Culture and recreation	100,000	158,500	158,499	(1)
Budget Contingency	158,900	100,400	-	(100,400)
Total expenditures	<u>258,900</u>	<u>258,900</u>	<u>158,499</u>	<u>(100,401)</u>
Revenues over (under) expenditures	<u>(257,600)</u>	<u>(257,600)</u>	<u>6,740</u>	<u>264,340</u>
Net change in fund balance	<u>\$ (257,600)</u>	<u>\$ (257,600)</u>	<u>\$ 6,740</u>	<u>\$ 264,340</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

2000-03 Debt Service Fund

Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ 19,500	\$ 19,500	\$ 12,119	\$ (7,381)
Total revenues	19,500	19,500	12,119	(7,381)
Expenditures:				
Debt Service				
Principal	2,333,200	2,333,200	2,333,138	(62)
Interest and fiscal charges	1,027,900	1,027,900	1,027,818	(82)
Total expenditures	3,361,100	3,361,100	3,360,956	(144)
Revenues (under) expenditures	(3,341,600)	(3,341,600)	(3,348,837)	(7,237)
Other financing sources				
Transfers in	3,364,300	3,364,300	3,360,798	(3,502)
Total other financing sources	3,364,300	3,364,300	3,360,798	(3,502)
Net change in fund balance	\$ 22,700	\$ 22,700	\$ 11,961	\$ (10,739)

INTERNAL SERVICE FUND DESCRIPTIONS

- ❖ Internal service funds – These funds are used to track those transactions relating to the City’s internal insurance activities.
 - *Employee Healthcare Fund* – This fund was created to provide health insurance claims, plan administration, stop loss premiums, and fund reserves.
 - *Risk Management Fund* – This fund was created to provide general insurance coverage as well as risk management, loss control, and safety programs citywide.

City of Surprise, Arizona
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Assets			
Current assets			
Cash and investments	\$ 2,763,049	\$ 1,933,141	\$ 4,696,190
Receivables (net of allowances)			
Other	718	-	718
Other assets	1,680	68	1,748
Total current assets	<u>2,765,447</u>	<u>1,933,209</u>	<u>4,698,656</u>
Total assets	<u>2,765,447</u>	<u>1,933,209</u>	<u>4,698,656</u>
Liabilities			
Current liabilities:			
Accounts payable	6,937	61,696	68,633
Accrued payroll and related taxes	1,543	7,186	8,729
Insurance claims payable	1,073,487	-	1,073,487
Compensated absences payable	1,634	2,521	4,155
Total current liabilities	<u>1,083,601</u>	<u>71,403</u>	<u>1,155,004</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	2,166	3,342	5,508
Total noncurrent liabilities	<u>2,166</u>	<u>3,342</u>	<u>5,508</u>
Total liabilities	<u>1,085,767</u>	<u>74,745</u>	<u>1,160,512</u>
Net Position			
Unrestricted	<u>1,679,680</u>	<u>1,858,464</u>	<u>3,538,144</u>
Total net position	<u>\$ 1,679,680</u>	<u>\$ 1,858,464</u>	<u>\$ 3,538,144</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2013

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Operating Revenues:			
Charges for services	\$ 8,520,548	\$ 1,672,372	\$ 10,192,920
Total operating revenues	<u>8,520,548</u>	<u>1,672,372</u>	<u>10,192,920</u>
Operating Expenses:			
Cost of sales and services	8,195,156	1,863,214	10,058,370
Total operating expenses	<u>8,195,156</u>	<u>1,863,214</u>	<u>10,058,370</u>
Operating income (loss)	<u>325,392</u>	<u>(190,842)</u>	<u>134,550</u>
Non-operating revenues			
Interest revenue	8,670	6,657	15,327
Total non-operating revenues	<u>8,670</u>	<u>6,657</u>	<u>15,327</u>
Income (loss) before contributions and transfers	<u>334,062</u>	<u>(184,185)</u>	<u>149,877</u>
Changes in net position	<u>334,062</u>	<u>(184,185)</u>	<u>149,877</u>
Net position (deficits), beginning	<u>1,345,618</u>	<u>2,042,649</u>	<u>3,388,267</u>
Net position, ending	<u>\$ 1,679,680</u>	<u>\$ 1,858,464</u>	<u>\$ 3,538,144</u>

City of Surprise, Arizona
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2013

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ 8,519,829	\$ 1,781,449	\$ 10,301,278
Cash paid to suppliers	(8,442,321)	(1,529,023)	(9,971,344)
Cash paid to employees	(85,491)	(336,513)	(422,004)
Net cash (used in) operating activities	<u>(7,983)</u>	<u>(84,087)</u>	<u>(92,070)</u>
Cash flows from investing activities			
Cash received from interest income	8,671	6,656	15,327
Net cash provided by investing activities	<u>8,671</u>	<u>6,656</u>	<u>15,327</u>
Net change in cash	688	(77,431)	(76,743)
Cash, beginning of year	2,762,361	2,010,572	4,772,933
Cash, end of year	<u>\$ 2,763,049</u>	<u>\$ 1,933,141</u>	<u>\$ 4,696,190</u>
Reconciliation of operating income (loss) to net cash (used in) operating activities			
Operating income (loss)	\$ 325,392	\$ (190,842)	\$ 134,550
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities			
(Increase) decrease in assets:			
Other receivables	(719)	109,073	108,354
Other assets	(473)	3,720	3,247
Increase (decrease) in liabilities:			
Accounts payable	6,937	(11,131)	(4,194)
Accrued payroll and related taxes	182	5,092	5,274
Insurance claims payable	(339,302)	-	(339,302)
Compensated absences payable	-	1	1
Total adjustments	<u>(333,375)</u>	<u>106,755</u>	<u>(226,620)</u>
Net cash (used in) operating activities	<u>\$ (7,983)</u>	<u>\$ (84,087)</u>	<u>\$ (92,070)</u>
Reconciliation to Statement of Net Position			
Cash, end of year	\$ 2,763,049	\$ 1,933,141	\$ 4,696,190
Total cash and investments	<u>\$ 2,763,049</u>	<u>\$ 1,933,141</u>	<u>\$ 4,696,190</u>



STATISTICAL SECTION

This section provides detailed information, for purposes of providing a context for comprehending the information presented in the financial statements, note disclosures and required supplementary information, and gaining a better understanding of the financial shape of the City of Surprise, Arizona.

Contents:

Financial Trends:

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

Revenue Capacity:

These schedules contain information to help the reader assess the government's most significant local revenue sources, transaction privilege (sales) tax and property taxes.

Debt Capacity:

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information:

These schedules of demographic and economic indicators help the reader understand the environment that the government's financial activities take place.

Operating Information:

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Reports for the relevant year.

City of Surprise, Arizona
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment of capital assets	\$ 68,998,321	\$ 82,385,302	\$ 187,462,971	\$ 235,593,851	\$ 309,902,948	\$ 355,991,192	\$ 437,142,472	\$ 425,526,375	\$ 445,035,827	\$ 428,076,477
Restricted	3,484,897	56,071,995	62,577,192	43,359,822	45,172,071	28,504,107	27,494,001	27,405,931	27,011,749	28,105,434
Unrestricted	60,780,976	57,596,080	75,952,911	86,660,609	47,851,783	16,550,858	5,285,625	1,266,669	4,750,944	19,164,721
Total governmental activities net position	\$ 133,264,194	\$ 196,053,377	\$ 325,993,074	\$ 365,614,282	\$ 402,926,802	\$ 401,046,157	\$ 469,922,098	\$ 454,198,975	\$ 476,798,520	\$ 475,346,632
Business-type activities										
Net investment of capital assets	\$ 87,647,382	\$ 98,222,769	\$ 127,958,364	204,428,757	\$ 238,368,447	\$ 256,006,743	\$ 250,936,354	\$ 257,403,366	\$ 269,712,138	\$ 262,605,698
Restricted*	-	-	-	-	-	-	13,841,284	21,445,388	6,673,158	6,867,426
Unrestricted	46,457,623	70,827,452	68,439,086	67,069,983	55,098,885	43,044,370	40,360,365	39,592,483	54,053,088	60,409,577
Total business-type activities net position	\$ 134,105,005	\$ 169,050,221	\$ 196,397,450	\$ 271,498,740	\$ 293,467,332	\$ 299,051,113	\$ 305,138,003	\$ 318,441,237	\$ 330,438,384	\$ 329,882,701
Primary government										
Net investment of capital assets	\$ 156,645,703	\$ 180,608,071	\$ 315,421,335	\$ 440,022,608	\$ 548,271,395	\$ 611,997,935	\$ 688,078,826	\$ 682,929,741	\$ 714,747,965	\$ 690,682,175
Restricted	3,484,897	56,071,995	62,577,192	43,359,822	45,172,071	28,504,107	41,335,285	48,851,319	33,684,907	34,972,860
Unrestricted	107,238,599	128,423,532	144,391,997	153,730,592	102,950,668	59,595,228	45,645,990	40,859,152	58,804,032	79,574,298
Total primary government net position	\$ 267,369,199	\$ 365,103,598	\$ 522,390,524	\$ 637,113,022	\$ 696,394,134	\$ 700,097,270	\$ 775,060,101	\$ 772,640,212	\$ 807,236,904	\$ 805,229,333

Source: The source of this information is the City's financial records.

* Restricted amount for fiscal year 2010 is for sewer fund debt-related reserves. Beginning in fiscal year 2010, sewer fund debt was properly recorded in the sewer fund as a business-type activity, instead of a governmental activity as previously reported.

City of Surprise, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General government	\$ 10,048,590	\$ 9,183,596	\$ 11,940,344	\$ 16,453,191	\$ 18,230,474	\$ 20,248,301	\$ 21,961,410	\$ 18,092,847	\$ 17,438,582	\$ 14,958,702
Public safety	16,091,306	18,142,250	22,468,552	27,987,949	34,962,539	39,409,554	33,876,919	38,760,889	39,628,843	39,096,150
Public works & streets (including SLIDs)	8,725,321	9,754,900	69,404,991	20,868,755	25,092,704	26,621,704	28,392,783	29,748,611	29,415,043	33,710,624
Community development	3,494,720	3,565,707	4,230,145	5,244,991	5,237,442	4,824,047	6,484,414	4,915,385	7,401,566	7,668,373
Culture and recreation	9,693,533	12,579,822	14,205,034	17,809,127	19,972,094	21,138,623	16,399,646	15,229,013	16,189,568	16,285,289
Interest	2,149,947	2,802,299	2,579,639	2,706,394	5,047,505	5,124,808	2,044,603	1,919,145	1,594,060	1,505,313
Total governmental activities expenses	50,203,417	56,028,574	124,828,705	91,070,407	108,542,363	117,367,037	109,159,775	108,665,890	111,667,662	113,224,451
Business-type Activities:										
Water	2,743,166	3,761,890	5,100,815	6,486,400	7,060,228	11,629,143	9,792,043	11,188,199	10,792,041	10,849,653
Sewer	431,316	7,348,509	9,261,758	10,765,370	11,021,010	16,315,148	16,665,251	20,090,934	19,325,017	18,717,547
Sanitation	5,310,460	2,064,479	2,705,418	3,542,024	4,015,174	4,269,858	4,559,778	5,603,983	6,047,844	5,934,789
Replenishment	1,641,006	461,179	637,096	628,514	1,585,734	-	-	-	-	-
Total business-type activities	10,125,948	13,636,057	17,705,087	21,422,308	23,682,146	32,214,149	31,017,072	36,883,116	36,164,902	35,501,989
Total primary government expenses	\$ 60,329,365	\$ 69,664,631	\$ 142,533,792	\$ 112,492,715	\$ 132,224,509	\$ 149,581,186	\$ 140,176,847	\$ 145,549,006	\$ 147,832,564	\$ 148,726,440
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 5,076,871	\$ 4,938,746	\$ 4,970,335	\$ 4,981,861	\$ 7,468,412	\$ 7,762,750	\$ 5,630,748	\$ 7,947,615	\$ 6,435,843	\$ 6,313,245
Public safety	741,975	1,181,405	1,998,261	1,719,969	2,409,665	3,132,368	1,257,537	1,522,658	3,096,058	2,922,055
Public works & streets (including SLIDs)	1,002,286	2,729,991	3,294,580	4,165,635	4,017,706	3,004,313	328,230	3,786,620	3,238,179	792,288
Community development	10,698,217	13,613,078	8,715,983	5,527,926	3,441,463	1,436,629	868,305	1,315,799	1,622,594	2,003,777
Culture and recreation	2,309,967	2,637,300	2,447,816	2,474,416	2,903,069	3,539,257	3,783,816	3,838,003	5,307,491	4,837,786
Operating grants and contributions	1,393,209	1,549,862	2,269,888	2,414,175	2,268,074	1,774,977	13,157,726	10,404,916	8,207,130	10,139,981
Capital grants and contributions	19,008,175	40,482,590	161,045,621	44,804,100	43,039,657	21,552,356	31,142,608	8,655,730	32,449,260	5,925,348
Total governmental activities program revenues	40,230,700	67,132,972	184,742,484	66,088,082	65,548,046	42,202,650	56,168,970	37,471,341	60,356,555	32,934,480
Business-type activities:										
Charges for services:										
Water	3,087,993	3,878,556	7,091,232	7,737,813	8,683,732	10,282,626	9,711,411	9,841,874	10,047,169	10,073,124
Sewer	6,856,787	8,155,012	10,844,860	12,367,546	12,990,898	13,587,358	14,857,689	15,303,709	15,481,721	15,904,030
Sanitation	2,036,690	2,569,783	3,893,555	4,573,178	5,280,028	5,627,829	6,175,989	6,598,929	6,700,961	6,862,696
Replenishment	535,862	650,607	1,037,188	796,503	771,602	-	-	-	-	-
Capital grants and contributions	20,778,789	30,736,541	21,040,118	25,616,242	22,488,762	12,856,449	51,714,784	16,878,654	14,502,214	4,427,857
Total business-type activities program revenues	33,296,121	45,990,499	43,906,953	51,091,282	50,215,022	42,354,262	82,459,873	48,623,166	46,732,065	37,267,707
Total primary government program revenues	\$ 73,526,821	\$ 113,123,471	\$ 228,649,437	\$ 117,179,364	\$ 115,763,068	\$ 84,556,912	\$ 138,628,843	\$ 86,094,507	\$ 107,088,620	\$ 70,202,187
Net revenue/expense:										
Governmental activities	\$ (9,972,717)	\$ 11,104,398	\$ 59,913,779	\$ (24,982,325)	\$ (42,994,317)	\$ (75,164,387)	\$ (52,990,805)	\$ (71,194,549)	\$ (51,311,107)	\$ (80,289,971)
Business-type activities	23,170,173	32,354,442	26,201,866	29,668,974	26,532,876	10,140,113	51,442,801	11,740,050	10,567,163	1,765,718
Total primary government net expense	\$ 13,197,456	\$ 43,458,840	\$ 86,115,645	\$ 4,686,649	\$ (16,461,441)	\$ (65,024,275)	\$ (1,548,004)	\$ (59,454,499)	\$ (40,743,944)	\$ (78,524,253)

General Revenues and Other Changes in Net Position

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Taxes										
Property taxes	\$ 3,039,352	\$ 4,019,951	\$ 5,078,661	\$ 6,728,647	\$ 7,379,236	\$ 7,403,211	\$ 6,831,553	\$ 7,018,180	\$ 6,112,789	\$ 9,274,735
Sales taxes	24,087,555	37,433,674	48,617,437	45,707,048	39,336,323	33,241,899	29,144,497	29,826,572	33,266,049	37,836,088
Franchise taxes	1,844,692	2,283,688	2,990,582	3,602,776	3,907,778	4,073,771	4,309,896	4,448,614	4,547,621	4,732,649
State shared revenue	5,605,862	6,084,821	7,437,667	19,247,219	20,808,942	20,546,483	21,234,739	18,767,966	23,434,911	25,983,982
Unrestricted investment earnings	718,264	2,480,100	4,253,352	7,218,793	3,959,328	422,965	414,492	488,919	304,846	164,984
Other	617,820	704,004	815,436	1,824,746	1,437,163	3,545,306	1,425,472	489,667	297,016	562,787
Transfers	(4,053,169)	(1,321,453)	832,783	(36,469,155)	4,078,000	4,050,107	(6,195,179)	946,818	968,148	1,068,522
Total governmental activities	31,860,376	51,684,785	70,025,918	47,860,074	80,906,770	73,283,742	57,165,470	61,986,736	68,931,380	79,623,747
Business-type activities:										
Unrestricted investment earnings	549,771	1,269,321	1,978,146	4,053,513	2,344,100	365,454	423,050	552,583	331,127	150,350
Other	-	-	-	-	-	-	110,149	483,773	-	-
Special item - Extinguishment of debt	-	-	-	-	-	-	2,821,348	-	-	-
Transfers	4,053,169	1,321,453	(832,783)	36,469,155	(4,078,000)	(4,373,199)	6,195,179	(946,818)	(968,148)	(1,068,522)
Total business-type activities	4,602,940	2,590,774	1,145,363	40,522,668	(1,733,900)	(4,007,745)	9,549,726	89,538	(637,021)	(918,172)
Total primary government	\$ 36,463,316	\$ 54,275,559	\$ 71,171,281	\$ 88,382,742	\$ 79,172,870	\$ 69,275,997	\$ 66,715,196	\$ 62,076,274	\$ 68,294,359	\$ 78,705,575
Change in Net Position										
Governmental activities	\$ 21,887,659	\$ 62,789,183	\$ 129,939,697	\$ 22,877,749	\$ 37,912,453	\$ (1,880,645)	\$ 4,174,665	\$ (9,207,813)	\$ 17,620,273	\$ (666,224)
Business-type activities	27,773,113	34,945,216	27,347,229	70,191,642	24,798,976	6,132,368	60,992,527	11,829,588	9,930,142	847,546
Prior period adjustments	-	-	-	21,653,107	(3,430,317)	-	-	-	-	-
Total primary government	\$ 49,660,772	\$ 97,734,399	\$ 157,286,926	\$ 114,722,498	\$ 59,281,112	\$ 4,251,722	\$ 65,167,192	\$ 2,621,775	\$ 27,550,415	\$ 181,322

Source: The source of this information is the City's financial records.

City of Surprise, Arizona
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,420	\$ 637,513	\$ 626,565
Restricted	-	-	-	-	-	-	-	129,117	79,170	77,439
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	1,334,202	317,343	327,182
Unassigned	-	-	-	-	-	-	-	239,533	4,459,773	17,166,622
Reserved	-	-	-	-	56,667	4,048,909	2,692,681	-	-	-
Unreserved	32,661,305	41,826,279	45,310,453	31,570,113	31,766,001	17,105,789	12,527,329	-	-	-
Total general fund	\$ 32,661,305	\$ 41,826,279	\$ 45,310,453	\$ 31,570,113	\$ 31,822,668	\$ 21,154,698	\$ 15,220,010	\$ 2,030,272	\$ 5,493,799	\$ 18,197,808
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,744	\$ 106,844	\$ 134,673
Restricted	-	-	-	-	-	-	-	27,151,070	26,932,579	28,027,995
Committed	-	-	-	-	-	-	-	7,767,079	7,915,957	7,266,032
Assigned	-	-	-	-	-	-	-	41,951,897	42,460,372	44,505,144
Unassigned	-	-	-	-	-	-	-	(50,850,735)	(50,409,260)	(49,901,573)
Reserved	5,643,105	2,289,308	2,289,309	2,289,308	2,289,307	2,289,308	57,870,335	-	-	-
Unreserved, reported in:										
Special revenue funds	30,678,909	55,938,643	62,118,371	36,752,608	37,336,735	22,123,789	(37,216,769)	-	-	-
Capital projects funds	5,865,280	14,934,332	29,508,462	58,960,539	21,474,937	2,895,166	(8,724,406)	-	-	-
Debt service funds	131,100	133,352	458,821	651,086	555,713	27,832	6,236,019	-	-	-
Total all other governmental funds	\$ 42,318,394	\$ 73,295,635	\$ 94,374,963	\$ 98,653,541	\$ 61,656,692	\$ 27,336,095	\$ 18,165,179	\$ 26,145,055	\$ 27,006,492	\$ 30,032,271

Source: The source of this information is the City's financial records.

Note: GASB 54 established new categories for reporting fund balance.

City of Surprise, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 27,126,908	\$ 41,459,268	\$ 53,696,072	\$ 52,439,926	\$ 46,715,559	\$ 40,645,112	\$ 38,940,670	\$ 39,445,440	\$ 42,290,109	\$ 47,442,186
Licenses and permits	1,844,692	2,283,688	2,990,582	3,602,764	3,907,778	4,073,771	4,342,546	4,490,664	4,586,621	4,771,649
Intergovernmental	9,962,621	9,654,739	12,012,572	29,416,541	30,559,662	29,229,811	28,985,886	25,743,085	30,476,028	33,441,035
Charges for services	14,018,782	16,887,035	12,720,371	9,811,846	8,198,304	9,511,853	4,963,482	5,708,552	7,052,487	7,943,039
Grants	468,774	1,232,108	1,938,848	1,707,016	1,881,543	1,314,944	3,010,650	3,010,650	1,626,534	2,443,199
Fines	689,721	1,076,701	1,515,169	1,222,791	1,348,307	1,862,634	1,930,945	1,827,127	1,870,202	1,986,692
Rents	5,524,818	5,520,616	5,274,430	5,224,704	7,844,593	7,789,822	4,000,944	611,019	580,820	584,972
Development fees	15,421,946	24,690,132	16,021,064	10,565,562	8,910,391	3,929,986	1,721,280	2,494,845	2,415,290	2,240,664
Interest	715,156	2,468,787	4,215,995	7,138,672	3,894,950	403,629	391,530	464,496	278,177	149,655
Special assessments*	697,875	710,321	823,210	1,420,634	1,442,179	2,186,412	-	-	-	-
Donations	-	-	-	-	-	-	-	429,237	257,372	344,589
Indirect charges**	-	-	-	-	-	-	-	3,660,700	3,660,700	3,660,700
Other	2,352,780	1,876,431	2,137,960	3,501,040	3,831,556	1,451,216	2,286,355	2,047,634	1,175,823	960,297
Total revenues	78,824,073	107,859,826	113,346,273	126,051,496	118,514,822	102,399,190	90,419,252	89,933,449	96,270,163	105,968,677
Expenditures										
Current										
General government	9,051,514	8,944,454	11,764,388	15,612,055	17,221,315	17,770,249	17,750,497	12,073,329	12,627,722	11,925,890
Public safety	14,652,086	17,057,307	21,076,990	26,203,451	31,932,891	34,769,733	30,461,294	34,968,406	35,592,854	35,984,984
Public works and streets (incl. SLIDS)	6,506,475	7,527,300	9,294,252	12,655,253	15,145,796	14,831,441	15,573,166	15,425,981	14,706,512	15,350,181
Community development	3,241,710	3,501,454	4,176,022	4,906,263	5,179,121	4,707,176	6,447,218	4,802,971	7,336,377	7,605,656
Culture and recreation	7,328,847	10,644,800	12,137,290	15,557,728	17,326,488	18,110,338	13,393,070	12,373,798	13,421,538	13,210,175
Capital outlay	12,703,354	13,404,250	24,756,609	77,435,948	67,295,318	56,371,993	12,918,988	6,186,111	5,177,828	3,215,160
Debt Service										
Principal	2,673,823	3,645,047	2,941,531	3,683,399	4,123,668	3,376,652	2,137,075	2,328,300	2,449,900	2,533,138
Interest	2,168,792	3,014,562	2,635,689	2,519,077	4,806,074	4,987,153	1,973,329	1,898,152	1,594,060	1,505,313
Other charges	647,024	-	-	1,747,390	256,445	231,221	-	-	-	-
Total expenditures	58,973,625	67,739,174	88,782,771	160,300,564	163,287,116	155,155,956	100,654,637	90,057,048	92,906,791	91,330,497
Excess of revenues over (under) expenses	19,850,448	40,120,652	24,563,502	(34,249,068)	(44,772,294)	(52,756,766)	(10,235,385)	(123,599)	3,363,372	14,638,180
Other financing sources (uses)										
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	33,035
Transfers in (out)	(50,000)	21,563	-	(36,469,155)	4,078,000	4,373,199	(6,167,991)	946,818	968,148	1,068,522
From bonding	45,660,720	-	-	52,133,243	3,950,000	3,395,000	-	-	-	-
Payments to refunded bond escrow agent	(45,711,677)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(100,957)	21,563	-	15,664,088	8,028,000	7,768,199	(6,167,991)	946,818	968,148	1,101,557
Net change in fund balances	\$ 19,749,491	\$ 40,142,215	\$ 24,563,502	\$ (18,584,980)	\$ (36,744,294)	\$ (44,988,567)	\$ (16,403,376)	\$ 823,219	\$ 4,331,520	\$ 15,739,737
Debt service as a percentage of noncapital expenditures***	11.9%	12.3%	8.7%	9.6%	9.6%	8.7%	4.7%	5.0%	4.6%	4.6%

Source: The source of this information is the City's financial records.

* Beginning in fiscal year 2010, the revenue related to Street Light Improvement Districts are reflected in the special assessments category rather than charges for services as in previous years.

** Beginning in fiscal year 2011, indirect charges are shown as revenue rather than transfers in.

*** Beginning in fiscal year 2010, the debt related to the sewer fund was properly reported in the sewer fund, which decreases the percentage of debt reported for governmental funds.

City of Surprise, Arizona
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Primary Property Tax*	Sales Tax	Franchise & Business Licenses	Total
2004	\$ 2,263,863	\$ 24,087,555	\$ 1,844,692	\$ 28,196,110
2005	3,258,615	37,433,674	2,283,688	42,975,977
2006	4,008,424	48,617,437	2,990,582	55,616,443
2007	5,139,517	45,707,048	3,602,776	54,449,341
2008	5,759,123	39,336,323	3,907,778	49,003,224
2009	6,349,918	33,241,899	4,073,771	43,665,588
2010	6,831,553	29,144,497	4,309,896	40,285,946
2011	7,018,180	29,826,572	4,448,614	41,293,366
2012	6,112,789	33,266,049	4,547,621	43,926,459
2013	9,274,735	37,836,088	4,732,649	51,843,472

Source: The source of this information is the City's financial records.

* Excludes tax assessments for Communities Facilities Districts, improvement districts, and secondary taxes for specific debt.

City of Surprise, Arizona
Major Sources of Municipal Sales Tax
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Description of Payers Business</u>										
Construction	\$ 11,995,287	\$ 19,944,596	\$ 26,920,187	\$ 22,273,119	\$ 19,944,596	\$ 10,173,434	\$ 4,391,089	\$ 3,870,561	\$ 4,936,286	\$ 7,071,711
Retail trade	6,376,568	7,614,991	9,898,903	10,818,523	7,614,991	9,839,563	10,886,710	11,258,630	12,588,859	13,831,839
Communications and utilities	1,568,774	2,319,957	3,043,575	3,817,854	2,319,957	4,278,158	4,706,978	4,558,281	4,813,827	5,053,313
Restaurant and bar	2,369,481	2,329,386	3,079,599	3,399,278	2,329,386	3,509,150	3,704,296	3,910,930	4,254,798	4,877,292
Real estate, rental and leasing	1,018,429	2,863,422	3,427,657	3,392,492	2,863,422	2,576,629	2,618,870	2,824,605	3,160,567	3,610,593
Other	1,974,909	2,747,576	3,213,600	2,873,787	2,747,576	2,559,706	2,833,644	2,858,970	3,278,980	3,488,295
Total	\$ 25,303,448	\$ 37,819,928	\$ 49,583,521	\$ 46,575,053	\$ 37,819,928	\$ 32,936,640	\$ 29,141,587	\$ 29,281,977	\$ 33,033,317	\$ 37,933,043

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2013.

The City records sales tax on the modified accrual basis. Therefore, there is a difference between the amounts on this schedule and sales tax reported on the previous page.

Beginning in January 2004, the Arizona Department of Revenue began using a new reporting software system for classifying business establishments call the North American Industry Classification System (NAICS). Under the new system, the category may be defined a little differently. In addition, more categories were established.

When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category.

State and local laws prohibit the disclosure of individual taxpayer information.

City of Surprise, Arizona
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Exemptions		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value Residential Property	Assessed Value Commercial Property	Real Property	Full Cash Value	Direct Tax Rate	Estimated Actual Taxable Full Cash Value	
2004	P \$ 310,173,557	\$ 143,452,774	\$ (14,430,182)	\$ 439,196,149	0.6936	\$ 3,848,072,997	11.41%
2004	S 315,724,458	185,674,681	(22,082,942)	479,316,197	0.2165	4,151,661,773	11.35%
2005	P 412,381,126	166,738,901	(20,680,753)	558,439,274	0.7501	4,985,269,701	11.20%
2005	S 428,009,039	197,570,134	(26,978,665)	598,600,508	0.1600	5,317,342,630	11.56%
2006	P 533,657,696	196,781,296	(32,647,265)	697,791,727	0.7277	6,334,258,210	11.02%
2006	S 428,009,039	197,570,134	(26,978,665)	746,315,549	0.1824	6,740,461,398	11.24%
2007	P 694,019,621	247,721,262	(46,868,662)	894,872,221	0.7229	8,200,671,779	10.91%
2007	S 941,366,143	331,586,677	(69,891,234)	1,203,061,586	0.1872	11,160,145,641	11.03%
2008	P 819,429,363	326,002,161	(70,878,667)	1,074,552,857	0.6593	9,933,288,785	10.82%
2008	S 1,080,135,505	508,970,816	(136,074,353)	1,453,031,968	0.1007	13,635,883,791	10.78%
2009	P 902,669,562	421,828,698	(96,442,274)	1,228,055,986	0.5939	11,327,541,715	10.84%
2009	S 935,770,645	586,634,924	(148,345,490)	1,374,060,079	0.0195	12,616,563,818	10.68%
2010	P 733,273,293	441,633,369	(109,721,336)	1,065,185,326	0.5661	9,764,355,064	10.91%
2010	S 738,039,896	527,866,735	(142,517,808)	1,123,388,823	-	10,309,334,830	10.84%
2011	P 653,462,350	390,032,243	(118,014,836)	925,479,757	0.6735	8,724,745,680	10.61%
2011	S 653,899,650	413,937,611	(137,942,758)	929,894,503	-	8,876,551,174	10.90%
2012	P 653,425,523	390,774,648	(112,327,444)	931,872,727	0.6700	8,729,697,453	10.67%
2012	S 653,862,821	414,853,720	(131,986,535)	936,730,006	-	8,883,000,424	10.55%
2013	P 613,827,446	355,335,651	(117,175,984)	851,987,113	0.7383	8,131,671,314	10.48%
2013	S 614,117,003	369,093,201	(128,526,531)	854,683,673	-	8,219,696,417	10.40%

Source: Maricopa County Assessor's Office 2013 State Abstract
Direct Tax Rate is From the Maricopa County Finance Department's "2012 Tax Levy Book for the City of Surprise".

City of Surprise, Arizona
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Overlapping Rates										Total Direct & Overlapping Rates	
	City of Surprise					Dysart School District						
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Operating Tax Rate	Debt Service Tax Rate	County Library	County Tax Rate	Total County Tax Rate	Operating Tax Rate	Debt Service Tax Rate		Total School District Tax Rate
2004	\$ 0.6936	\$ 0.2165	\$ 0.9101	\$ 1.2108	\$ 0.0700	\$ 0.0521	\$ 1.3329	\$ 4.5856	\$ 1.3185	\$ 5.9041	\$ 1.8891	\$ 10.0362
2005	0.7501	0.1600	0.9101	1.2108	-	0.0521	1.2629	5.0924	1.3014	6.3938	1.8320	10.3988
2006	0.7277	0.1824	0.9101	1.1971	-	0.0521	1.2492	5.4627	1.6924	7.1551	1.9267	11.2411
2007	0.7229	0.1872	0.9101	1.1794	-	0.0507	1.2301	5.1144	1.8378	6.9522	1.5145	10.6069
2008	0.6593	0.1007	0.7600	1.1046	-	0.0391	1.1437	4.4326	1.6402	6.0728	1.3281	9.3046
2009	0.5939	0.0195	0.6134	1.0327	-	0.0353	1.0680	4.0525	1.5226	5.5751	1.2662	8.5227
2010	0.5661	-	0.5661	0.9909	-	0.0353	1.0262	3.0430	1.7251	4.7681	1.2182	7.5786
2011	0.6735	-	0.6735	1.0508	-	0.0412	1.0920	2.9051	2.0919	4.9970	1.3405	8.1030
2012	0.6700	-	0.6700	1.2407	-	0.0492	1.2899	3.4104	2.5820	5.9924	1.6440	9.5963
2013	0.7383	-	0.7383	1.2407	-	0.0492	1.2899	4.6547	2.7317	7.3864	1.8351	11.2497

Source: Maricopa County Finance Department's "Maricopa County 2012 Tax Levy" report.

**City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2013 and 2004**

<u>Taxpayer</u>	<u>2013</u>			<u>2004</u>		
	Primary Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Arizona Public Service Company	\$ 23,000,331	1	2.70%			
Southwest Gas Corporation (T&D)	5,116,984	2	0.60%			
Ccd Real Estate Holdings LLC	3,421,878	3	0.40%			
Mci Communications Services Inc	3,382,189	4	0.40%			
Karlin Surprise LLC	3,348,245	5	0.39%			
AAW: Agua Fria Water Division	2,806,552	6	0.33%			
Surprise Marketplace Holdings LLC	2,668,670	7	0.31%			
Surprise Towne Center Holdings LLC	2,618,766	8	0.31%			
Roskamp/Sun Health Management Services LLP	2,408,474	9	0.28%			
Wal-Mart Stores Inc	2,247,069	10	0.26%			
Arizona Public Service Company				\$ 8,572,215	1	1.95%
Dell Webb Construction				4,108,019	2	0.94%
Southwest Gas Corporation				2,573,047	3	0.59%
Qwest U. S. West Communications, Inc.				2,526,905	4	0.58%
Wal Mart Stores				1,469,871	5	0.33%
Crossroads Towne Center Investors L.L.C.				1,469,076	6	0.33%
Lowe's HIW Inc				1,460,963	7	0.33%
Surprise Village North LLC				1,330,963	8	0.30%
Grand Village Deborado LLC				1,265,690	9	0.29%
Elliot Homes Inc.				1,172,198	10	0.27%
						0.00%
Total	<u>\$ 51,019,158</u>		<u>5.98%</u>	<u>\$ 25,948,947</u>		<u>5.91%</u>
Primary Assessed Valuation	851,987,113			439,196,149		

Sources: Maricopa County Assessor's Office
Arizona Department of Revenue

City of Surprise, Arizona
Primary Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
	Total Tax Levy	Current Tax Collections	Percentage of Levy	Tax Collections in Subsequent Years	Tax Collections	Percentage of Levy
2004	\$ 2,271,936	2,237,380	98.5%	\$ 34,482	\$ 2,271,862	100.0%
2005	3,267,143	3,221,174	98.6%	45,537	3,266,711	100.0%
2006	4,010,735	3,957,218	98.7%	53,162	4,010,380	100.0%
2007	4,976,127	4,830,192	97.1%	145,244	4,975,436	100.0%
2008	5,849,651	5,745,663	98.2%	103,254	5,848,917	100.0%
2009	6,352,774	6,166,879	97.1%	184,645	6,351,524	100.0%
2010	6,737,368	6,599,191	97.9%	137,026	6,736,218	100.0%
2011	7,078,824	6,892,250	97.4%	183,494	7,075,744	100.0%
2012	6,159,324	6,021,059	97.8%	128,881	6,149,941	99.8%
2013	6,277,189	6,159,818	98.1%	-	6,159,818	98.1%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2013.

City of Surprise, Arizona
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special (CFD) Assessment Bonds	Municipal Property Corp. Bonds	Municipal Property Corp. Bonds	Infrastructure Financing Authority Loan	Water			
2004	\$ 4,353,867	\$ -	\$ 56,785,000	\$ -	\$ -	\$ -	\$ 61,138,867	N/A	\$ 1,178
2005	3,763,842	-	53,800,000	-	-	-	57,563,842	3.0%	896
2006	3,157,311	-	51,465,000	-	-	-	54,622,311	2.4%	619
2007	1,883,912	1,365,000	99,730,000	-	-	-	102,978,912	4.1%	1,068
2008	413,270	5,275,000	97,195,000	-	-	-	102,883,270	N/A	1,048
2009	-	8,495,000	94,560,000	-	-	-	103,055,000	3.9%	948
2010*	-	8,290,000	28,677,713	63,112,287	1,500,000	-	101,580,000	4.3%	864
2011	-	7,935,000	24,489,225	61,295,775	1,324,760	-	95,044,760	4.0%	809
2012	-	7,745,000	22,229,325	60,315,675	-	-	90,290,000	3.2%	756
2013	-	7,545,000	19,896,188	59,303,813	-	-	86,745,001	3.0%	715

* The amount for fiscal year 2010 is for sewer related municipal property corporation bonds. Beginning in fiscal year 2010, the municipal property corporation bonds were properly recorded in the sewer fund as a business-type activity instead of as a governmental activity as previously reported.

City of Surprise, Arizona
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$ 4,353,867	\$ 131,100	\$ 4,222,767	0.136%	\$ 66
2005	3,763,842	133,352	3,630,490	0.087%	41
2006	3,157,311	458,821	2,698,490	0.051%	28
2007	1,883,912	511,309	1,372,603	0.020%	14
2008	413,270	170,095	243,175	0.002%	2
2009	-	-	-	0.000%	-
2010	-	-	-	0.000%	-
2011	-	-	-	0.000%	-
2012	-	-	-	0.000%	-
2013	-	-	-	0.000%	-

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

	<u>General Obligation Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Governmental Unit:</u>			
Debt repaid with property taxes :			
Maricopa County Community College	\$ 712,735,000	2.59%	\$ 18,459,837
Dysart Unified School District No. 89	170,995,000	78.47%	134,179,777
Subtotal, overlapping debt			<u>152,639,614</u>
City of Surprise, Arizona direct general obligation debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 152,639,614</u>

Sources: Assessed value used to estimate applicable percentages provided by Maricopa County.

Debt data provided by the Arizona Department of Revenue - Arizona Report of Bonded Indebtedness.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Surprise. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

City of Surprise, Arizona
Legal Debt Margin Information Unrestricted and Restricted
Last Ten Fiscal Years

Unrestricted

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit 6%	\$ 21,121,049	\$ 28,849,802	\$ 35,912,240	\$ 44,671,757	\$ 71,654,555	\$ 87,434,062	\$ 81,197,672	\$ 67,742,464	\$ 56,203,800	\$ 51,281,020
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Unrestricted legal debt margin	\$ 21,121,049	\$ 28,849,802	\$ 35,912,240	\$ 44,671,757	\$ 71,654,555	\$ 87,434,062	\$ 81,197,672	\$ 67,742,464	\$ 56,203,800	\$ 51,281,020

Total net debt applicable to the limit
as a percentage of debt limit

	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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Restricted

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit 20%	\$ 70,403,497	\$ 96,166,008	\$ 119,707,465	\$ 148,905,857	\$ 238,848,517	\$ 291,446,872	\$ 270,658,907	\$ 225,808,214	\$ 187,346,001	\$ 170,936,735
Total net debt applicable to limit	4,795,318	4,222,767	3,630,490	2,698,490	1,372,603	243,175	-	-	-	-
Restricted legal debt margin	\$ 65,608,179	\$ 91,943,241	\$ 116,076,975	\$ 146,207,367	\$ 237,475,914	\$ 291,203,697	\$ 270,658,907	\$ 225,808,214	\$ 187,346,001	\$ 170,936,735

Total net debt applicable to the 20% limit
as a percentage of the 20% debt limit

	6.81%	4.39%	3.03%	1.81%	0.57%	0.08%	0.00%	0.00%	0.00%	0.00%
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Source: Maricopa County Assessor's Office - 2012 Levy Limit Worksheet

City of Surprise, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
2004	64,210	N/A	N/A	N/A	4.4%
2005	88,265	\$ 1,889,921,774	\$ 53,958	35.4	4.1%
2006	96,425	2,303,409,583	60,198	36.0	4.5%
2007	98,140	2,500,467,000	64,206	35.7	4.8%
2008	104,895	N/A	N/A	N/A	6.0%
2009	108,761	2,643,237,573	61,244	40.2	8.3%
2010	117,517	2,367,906,098	61,208	35.4	9.4%
2011	117,517	2,471,437,008	57,114	36.8	6.5%
2012	119,489	2,841,770,071	62,141	35.9	4.3%
2013	121,287	2,870,616,474	60,687	36.8	5.0%

Data Sources:
Arizona Department of Commerce
US Census Bureau

**City of Surprise, Arizona
Principal Employers
June 30, 2013 and Nine Years Prior**

Employer	2013			2004		
	Employees	Rank	%of Total	Employees	Rank	%of Total
Dysart School District (Surprise Schools Only)	1,753	1	14.61%	557	2	3.29%
Wal-Mart	988	2	8.24%	550	3	3.25%
City of Surprise	631	3	5.26%	501	4	2.96%
Fry's Food Store	537	4	4.48%	175	7	1.03%
Maricopa County	225	5	1.88%			
Kohl's Department Store	224	6	1.87%			
Crescent Crown	200	7	1.67%			
Safeway Food Store	182	8	1.52%			
Home Depot	176	9	1.47%	160	10	0.95%
Albertson's Food Store	159	10	1.33%	175	8	1.03%
Del Webb Hospital				1,531	1	9.05%
Del Webb/Pulte				370	5	2.19%
Dillon's Restaurant/Catering				165	9	0.98%
Surprise Charter Schools (3)				181	6	1.07%

Source: City of Surprise Economic Development Division & Maricopa Association of Governments.

City of Surprise, Arizona
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	65	80	97	124	139	140	124	124	123	123
Public safety:										
Police:										
Officers	84	97	117	128	150	134	132	130	132	133
Civilians	13	13	14	15	20	53	56	58	49	49
Fire:										
Firefighters and officers	91	94	106	129	156	110	110	114	112	112
Civilians	3	4	6	9	10	15	9	8	6	6
Public works and streets:										
All others	55	63	78	89	105	113	100	96	82	83
Community development	37	43	49	51	48	43	40	36	36	40
Culture and recreation	85	94	103	112	124	117	95	97	97	110
Water	6	7	10	8	8	31	31	33	29	25
Sanitation	11	16	23	29	29	32	32	34	34	31
Sewer	17	20	26	30	34	39	39	39	36	36
Replenishment	1	1	1	3	5	-	-	-	-	-
Total	468	532	630	727	828	827	769	769	736	748

Source: Fiscal year 2014 Adopted Budget

City of Surprise, Arizona
Operating Indicators by Function
Last Ten Fiscal Years

Function	2004¹	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety:										
Police:										
Calls- incidents responded to	58,800	28,503	33,047	38,283	40,344	43,002	41,495	40,779	42,010	39,866
Citations issued	9,119	11,080	12,117	8,347	11,732	13,728	12,455	8,233	7,856	9,673
Officers per 1,000 residents	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.5	1.1	1.1
Fire:										
Number of responses	6,628	7,416	8,668	9,120	10,281	10,523	10,998	11,620	12,313	13,649
Inspections	852	1,023	1,055	2,164	2,285	2,114	639	1,101	1,122	1,184
Public works and streets:										
Sq. ft. of buildings to maintain	320,700	340,700	375,000	378,900	535,717	567,245	830,271	830,431	830,431	830,271
Vehicles/equipment maintained per month	200	229	244	394	418	484	444	387	494	403
Number of street lights repaired	50	135	150	148	124	212	249	270	291	300
Street miles maintained	525	550	592	592	592	592	526	536	539	607
Community development:										
Building safety inspections performed	76,843	61,215	37,607	38,000	30,311	17,749	11,349	11,106	13,257	20,150
Annual new residential starts	5,304	7,704	6,866	1,759	774	373	291	206	395	554
Culture and recreation:										
Organized recreation program participants	34,700	41,700	29,000	27,760	132,795	186,139	170,336	176,569	185,232	191,648
Special events/open facility participants	146,200	150,300	144,000	157,800	249,599	259,731	242,759	261,327	256,674	269,823
Water:										
Water service connections	7,593	11,047	13,249	13,985	14,375	14,472	14,519	14,130	14,329	14,570
Sewer:										
Sewage treated (million gallons per day)	4.5	5.9	7.0	7.0	7.0	6.0	7.6	7.4	7.6	8.1
Sewer service connections	26,991	35,001	40,072	42,284	42,912	45,032	46,448	44,077	44,583	45,802
Sanitation:										
Refuse collected (tons/annually)	18,470	21,200	28,100	30,700	31,506	29,757	30,398	30,803	30,289	29,400
Number of routes	8	11	31	31	25	26	34	34	33	33
Total services	15,341	21,800	28,625	30,800	32,096	32,719	33,797	37,144	32,357	32,975

¹2004 Data reflect both officer initiated and public calls for service. Years 2005 going forward reflect public calls for service only.

Sources: Various government departments

City of Surprise, Arizona
Capital Asset Statistics by Function
Last Ten Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety:										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	46	55	75	66	68	81	73	80	64	63
Fire:										
Fire stations	4	4	4	4	6	7	7	7	7	7
Fire engines and ladder trucks	4	6	7	7	9	10	11	11	11	11
Public works and streets:										
Street miles	630	586	593	593	593	592	592	536	539	607
Street lighting improvement districts	43	57	69	71	79	79	83	98	103	101
Traffic Signals	16	20	23	27	34	41	42	42	45	51
Bridges	1	1	1	1	9	12	15	15	19	19
Community development:										
Inspection vehicles	16	27	29	23	14	12	12	12	12	12
Culture and recreation:										
Parks acreage	277	278	284	284	367	383	393	393	393	393
Parks	5	6	7	9	12	12	12	12	12	12
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball fields	2	2	2	3	3	9	11	11	11	11
Baseball fields	15	15	15	17	17	21	21	21	21	21
Libraries	2	2	2	2	2	2	2	2	2	2
Water:										
Well production maximum daily	5.8	5.8	20.2	22.0	21.8	20.7	24.6	31.0	31.0	31
Sewer:										
Sewer treatment plants	1	1	1	1	1	1	1	2	2	2
Maximum daily treatment capacity	7.2	7.2	7.5	8.3	8.3	16.3	16.3	18.3	18.3	18.3
Sanitation:										
Collection trucks	11	17	22	22	25	26	26	26	26	26

Sources: Various government departments



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