

CITY OF SURPRISE

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

For the fiscal year ended June 30, 2014



SURPRISE
ARIZONA

www.surpriseaz.gov

CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

June 30, 2014

**Prepared by:
Finance Department**



SURPRISE

ARIZONA

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organizational Chart	4
Mayor and City Council Members	5
Appointed Officials	9
Certificate of Achievement for Excellence in Financial Reporting	10
FINANCIAL SECTION	
Independent Auditors' Report	12
Management's Discussion and Analysis (Required Supplementary Information)	16
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Statement of Net Position	30
Statement of Activities	31
Fund Financial Statements:	
Balance Sheet – Governmental Funds	35
Reconciliation of the Governmental Funds Balance Sheet Fund Balances to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	39
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	41
Statement of Net Position – Proprietary Funds	43
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	45
Statement of Cash Flows – Proprietary Funds	47
Statement of Fiduciary Net Position – Fiduciary Funds	48
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	49
Notes to Financial Statements:	
1. Summary of Significant Accounting Policies	50
2. Compliance and Accountability	57
3. Cash and Investments	57
4. Accounts Receivable	59
5. Capital Assets	60
6. Developer Agreements	61
7. Construction Commitments	62
8. Long-term Debt & Other Payables	63
9. Retirement Plans	69
10. Risk Management	74
11. Contingent Liabilities	75
12. Interfund Borrowing and Transfers	75
13. Fund Balance Classification	76
14. Deficit Fund Balances	77

TABLE OF CONTENTS

	<u>Page</u>
<u>Required Supplementary Information:</u>	
APSPRS: Schedule of Funding Progress	78
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	
- General Fund	79
- General Government Development Fee Fund	81
- Fire Development Fee Fund	82
- Highway User Revenue Fund	83
- Transportation Improvement Fund	84
Note to Required Supplementary Information	85
<u>Combining and Individual Fund Financial Statements and Schedules:</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Capital Projects Fund	86
Combining Balance Sheet – Nonmajor Governmental Funds	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	88
Nonmajor Governmental Fund Descriptions	89
Combining Balance Sheet – Nonmajor Special Revenue Funds	91
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	95
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	
- 163 rd Ave Development Fee	99
- Employee Dep Scholarship Fund	100
- Grants Fund	101
- LTAF II Fund	102
- Library Development Fee Fund	103
- Marley Park Community Facility District Fund	104
- Municipal Court Enhancement Fund	105
- Municipal Court FARE Fund	106
- Municipal Court JCEF Fund	107
- Municipal Court MFTG Fund	108
- Neighborh. Revitaliz. Fund	109
- Net Premium Seating Fund	110
- Parks and Recreation Development Fee Fund	111
- Police Development Fee Fund	112
- Proposition 400 Fund	113
- Public Works Expansion Development Fee Fund	114
- Roads SPA 2, 4 & 6 Fund	115
- Roads SPA 3 & 5 Fund	116
- SB1398 Fines Fund	117
- SPD DEA Fund	118
- SPD RICO Fund	119
- SPD Towing Fund	120
- Spring Training Ticket Surcharge Fund	121
- Street Lighting Districts Fund	122
- Tourism Fund	123

TABLE OF CONTENTS

	<u>Page</u>
<u>Combining and Individual Fund Financial Statements and Schedules (Concluded):</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – 2000-03 Debt Service Fund	124
Internal Service Fund Descriptions	125
Combining Statement of Net Position –Internal Service Funds	126
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	127
Combining Statement of Cash Flows – Internal Service Funds	128
STATISTICAL SECTION	
Financial Trends	
Net Position by Component	129
Changes in Net Position	130
Fund Balances of Governmental Funds	132
Changes in Fund Balances of Governmental Funds	133
Governmental Activities Tax Revenues by Source	134
Revenue Capacity	
Major Sources of Municipal Sales Tax	135
Assessed and Estimated Actual Value of Taxable Property	136
Property Tax Rates- Direct and Overlapping Governments	137
Principal Property Taxpayers	138
Primary Property Tax Levies and Collections	139
Debt Capacity	
Ratios of Outstanding Debt by Type	140
Ratios of General Bonded Debt Outstanding	141
Direct and Overlapping Governmental Activities Debt	142
Legal Debt Margin Information Unrestricted and Restricted	143
Demographic and Economic Information	
Demographic and Economic Statistics	144
Principal Employers	145
Operating Information	
Full-time Equivalent City Government Employees by Function	146
Operating Indicators by Function	147
Capital Asset Statistics by Function	148



SURPRISE

ARIZONA

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.



Finance Department
16000 N. Civic Center Plaza
Surprise, AZ 85374-7470
Ph: 623-222-1800
Fax: 623-222-1801
TTY: 623-222-1002

January 27, 2015

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, 2014. 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 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, 2014, 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, 2014, 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 123,000 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, as well as general administrative services. Sanitation, water, and sewer 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 5.0 at June 2013 to 5.4% as of June 2014. 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 5% from the prior year and State shared revenues have increased 3%.

Further information on the history of City revenues can be found in the MD&A, pages 16 through 29, and the statistical section that begins on page 129, of this financial report.

Long-Term Financial Planning

Last year, the City accomplished its goal to attain an operating reserve level in the general fund equal to two months' expenditures (approximately \$12.5 million). In the upcoming year, the City is planning a broad expansion of Surprise amenities and services including new youth and sports programs, improvements of City parks and major roads, Surprise Stadium improvements, support for Economic Development efforts, employee pay increases, and backing the City's first Boys and Girls Club. In addition, improvements and maintenance were delayed as the City regained its fiscal health. The City is now ready to address overdue maintenance and improvements via the City's capital improvements plan.

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,

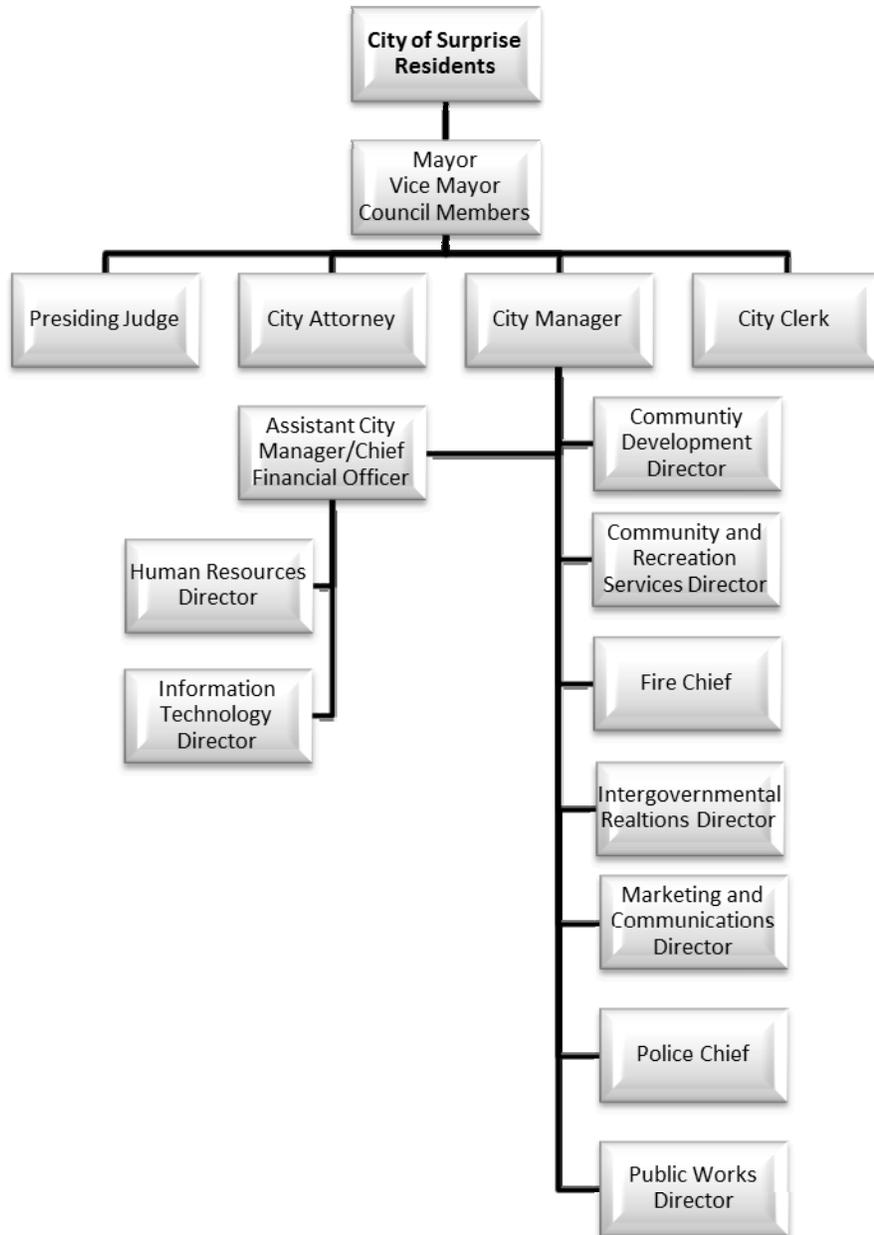
A handwritten signature in blue ink that reads "L. Duncan".

Lindsey Duncan
Chief Financial Officer



City of Surprise

Organizational Chart





MAYOR AND CITY COUNCIL MEMBERS

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 SKIP HALL – Skip.Hall@surpriseaz.gov



Skip Hall was elected to the City Council in an April 2008 special election in District 6 (Palo Verde) and re-elected to office in 2009 to a full term. Redistricting placed Skip in the newly-configured District 5, and on August 27, 2013, he was elected to the District 5 seat. He was sworn in on January 1, 2014 to a four-year term and elected Vice Mayor by the City Council on January 14, 2014.

Skip served as Vice Mayor in 2011. He has been part of the united Council effort that helped pull Surprise back to fiscal health in the last two years, generating a budget surplus and placing the City's fiscal house in order.

Skip's goals for the City include a 100-year water plan, working with transportation partners to expand east-west connections, developing a local circulator, expanding youth involvement in the community, and attracting new businesses to Surprise.

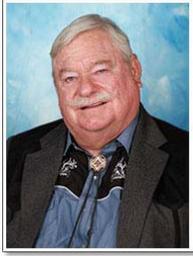
Skip currently serves on the Mayor's Business Roundtable Committee, the Form Based Code Sub-committee, and chairs the Water Sub-Committee. Skip also volunteers his time with the St. Mary's Food Bank at the Surprise location.

Skip is active with the City's Tourism Commission and in promoting the City to local, regional and national organizations. He is active with the Chamber of Commerce and the AZ TechCelerator to promote business growth.

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

Skip has two daughters, a son and five grandchildren.

ROLAND WINTERS – Roland.Winters@surpriseaz.gov



Roland F. Winters Jr. was elected in the newly-configured District 1 (Acacia) on August 27, 2013 and will serve a four-year term, which began January 1, 2014.

Born and educated through high school in New Jersey, Roland earned a degree in Business Administration and Pre Law at Fullerton College in Fullerton, Ca. He earned a BA degree in Marketing Management from the University of California.

He worked thirty five years at Hughes Air Craft Company in Fullerton, Ca. and also owned and operated a photo studio in Fullerton and Placentia, Ca. He served on the State Board of Directors for Californians for Disability Rights (CDR).

Roland and his wife Carroll have been married 44 years. They moved with their adult daughter to Surprise in 2008. He was appointed to the Surprise Disability Advisory Commission by the City Council and served 3 years.

In 2011, he was elected to the Board of Directors of his HOA in 2011 and in 2013 elected Vice president by his peers.

JIM BIUNDO – Jim.Biundo@surpriseaz.gov



Jim Biundo was appointed District 2 Councilmember on January 28, 2014, to fill a vacancy. He has been a resident of Surprise since 2003.

Jim was first appointed to the City Council's District 1 on June 14, 2011, to fill a vacancy and he served as Vice Mayor in 2013. His appointment to the District 1 seat expired December 31, 2013. Redistricting places Jim within the new District 2 boundaries.

Jim served in the United States Marine Corps from 1954 to 1957. Following military service, he attended college in Colorado and 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 forty 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.

JOHN WILLIAMS – John.Williams@surpriseaz.gov



John Williams was elected to the City Council from District 3 (Mesquite) in November 2007. 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 Masters 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.

John is a certified teacher and for the last several years has been building the Peoria Unified School District's Career and Technical Education Sports Medicine program. He has been selected by his peers to be the program lead.

John and Melissa have three children, Connor, Ashlyn, and Matthew. Melissa and John are animal lovers and have opened their home to numerous animals in need including Blaze, the three-legged cocker spaniel whose life was extended for 8 years after they took him into their home in 1999.

"I want to give my kids, our kids, the opportunity to be part of a community of connection and opportunity. 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."

RACHEL VILLANUEVA – Rachel.Villanueva@surpriseaz.gov



Rachel Villanueva will serve out the remainder of her late husband, Roy Villanueva's term as the new District 4 Councilmember, following a unanimous vote by the Surprise City Council.

Rachel has lived in Surprise for 37 years in the Original Town Site (OTS) and is retired following a 30-year career with Honeywell.

The 74-year old currently serves on the OTS Revitalization Committee and for 10 years served on the Dysart Unified School District Board.

Rachel was instrumental in creating the Fiestas Patrias at Gaines Park, a long-running festival recognizing Mexican Independence Day formally held in the OTS.

"I am honored to carry on the legacy of Roy and will work hard to represent my constituents," said Villanueva. "I plan to continue efforts to revitalize and preserve the history of the OTS and work with this Council for the betterment of the entire City of Surprise."

The term expiration for this appointment is December 31, 2016.

TODD TANDE – Todd.Tande@surpriseaz.gov



Todd Tande was elected in the newly-configured District 6 (Palo Verde) on August 27, 2013 to a four-year term beginning January 1, 2014.

Todd is a local Realtor and a business owner of Education Connection Solutions, LLC. He received his Bachelor of Science degree in Management and his MBA from California State Polytechnic University, Pomona. Todd's career in the private sector includes many years in the theme park and defense industries.

Todd also has experience in public service in California and Indiana. He served as Chief Financial Officer for Indianapolis-Marion County DPS until he joined Indiana State Government as Deputy Director for the Department of Natural Resources. Todd also served in the Indiana State Capitol a Finance Director responsible for Statewide Finances.

Todd and his wife Blossom have been married since 1980 and they have two children and one grandchild who call Surprise home. Todd's parents, Paul and Lois Tande, live in Sun City Grand - making it four generations of Tande's in Surprise.



City of Surprise

Appointed Officials

City Manager

Bob Wingenroth

City Clerk

Sherry Aguilar

City Attorney

Misty Leslie

Presiding Judge

Louis Frank Dominguez



Government Finance Officers Association

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

Presented to

**City of Surprise
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO





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

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, 2014, 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 as of June 30, 2014, 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.

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 16 through 29, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 78, and budgetary comparison information on pages 79 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Surprise'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 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, 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 the City of Surprise Arizona's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
January 27, 2015





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, 2014. 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 by 1% or \$6.4 million from \$475.3 million to \$468.9, a greater decrease than the prior year decrease of \$0.7 million. The decrease in net position is attributable to the following changes in revenue: capital contributions decreased \$3.1 million due to a decrease in developer contributions, development impact fees decreased \$0.45 million, sales taxes increased \$1.8 million due to an improving local economy, franchise fees increase \$0.43 million, and state shared revenues increased \$0.74 million. In addition, expenses increased \$5.6 million due to a \$4.8 million increase in personnel and \$2.3 million increase in services related to development agreements.
- ❖ **Business Type net position** decreased less than 1% or \$2.3 million from \$329.9 million to \$327.6 million. The current year net position decreased while the prior year net position had increase of \$0.9 million. The decrease in net position from the prior year is attributable an increase in capital contributions of \$0.24 million, and increase in charges for services of \$0.24 million, an increase in interest revenue of \$0.15 million, a decrease in development fees of \$1.4 million due to decreased permits, and a decrease in developer reimbursements of \$.22 million. In addition, operating expenses increased \$2.6 million due to increases in cost of sales and service, indirect costs, and depreciation.
- ❖ **Governmental Activities expenses** of \$118.9 million exceeded program revenues of \$29.6 million, a difference of \$89.3 million. The remaining \$89.3 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 \$37.8 million, while program revenues totaled \$36.3 million, a difference of \$1.5 million. For the business type activities for the current year this deficit will be covered by the unrestricted net position.
- ❖ **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 30. 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, liabilities and deferred inflows of resources – 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 35 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 48-49.

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, 2014 and June 30, 2013.

City of Surprise's Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Current and other assets	\$ 74.5	\$ 63.0	\$ 75.7	\$ 77.5	\$ 150.2	\$ 140.5
Capital assets, net	438.4	456.2	311.9	317.1	750.3	773.3
Total assets	<u>512.9</u>	<u>519.2</u>	<u>387.6</u>	<u>394.6</u>	<u>900.5</u>	<u>913.8</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	0.7	0.8	0.3	0.4	1.0	1.2
Total deferred outflows of resources	<u>0.7</u>	<u>0.8</u>	<u>0.3</u>	<u>0.4</u>	<u>1.0</u>	<u>1.2</u>
LIABILITIES						
Other liabilities	9.5	7.3	3.6	2.8	13.1	10.1
Long-term liabilities	35.2	37.4	56.7	62.3	91.9	99.7
Total liabilities	<u>44.7</u>	<u>44.7</u>	<u>60.3</u>	<u>65.1</u>	<u>105.0</u>	<u>109.8</u>
Net position:						
Net investment in capital assets	413.7	428.1	263.4	262.6	677.1	690.7
Restricted	29.7	28.0	6.9	6.9	36.6	34.9
Unrestricted	25.5	19.2	57.3	60.4	82.8	79.6
Total net position	<u>\$ 468.9</u>	<u>\$ 475.3</u>	<u>\$ 327.6</u>	<u>\$ 329.9</u>	<u>\$ 796.5</u>	<u>\$ 805.2</u>

Net position is a good indicator of a city's overall financial standing. For fiscal year 2014, the City had total combined net position of \$796.5 million. This was a decrease of \$8.7 million, or 1.09% over the prior year's net position of \$805.2 million. Not all of the \$796.5 million is available for the City to use without restraint. The largest portion of the City's total net position \$677.1 million, or 85% represents the City's net investment in capital assets. Of the remaining net position, \$36.6 million is restricted for various purposes and \$82.8 million is unrestricted.

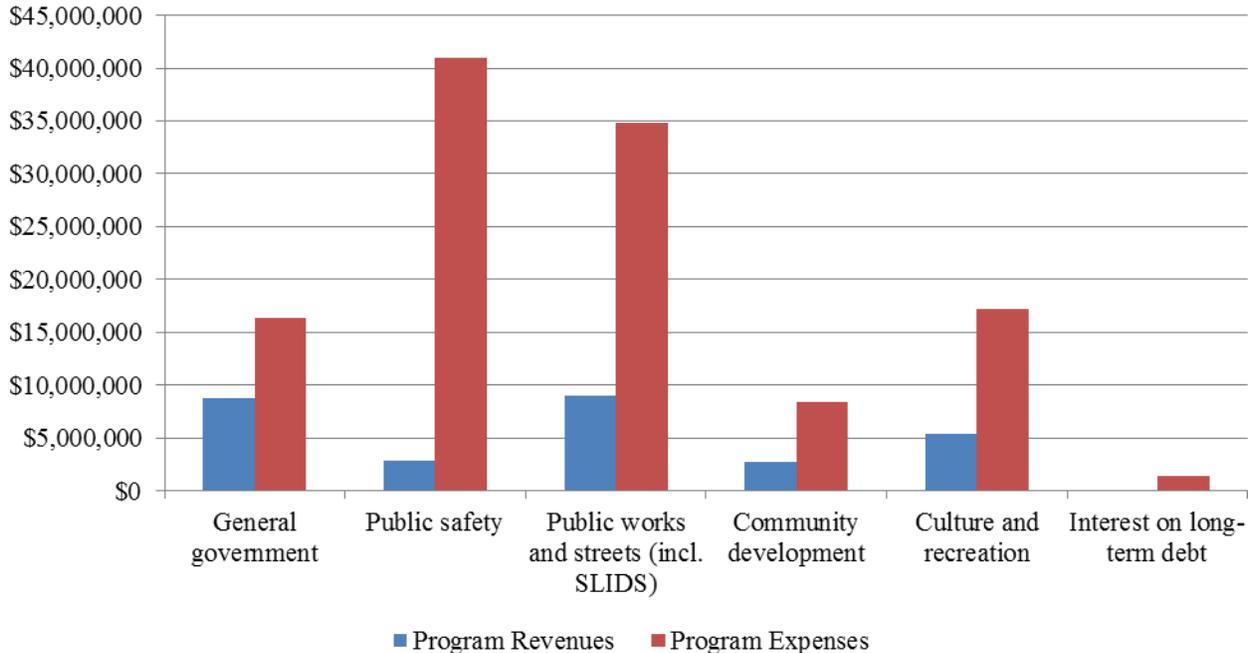


City of Surprises Changes in Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 16.9	\$ 16.9	\$ 33.0	\$ 32.8	\$ 49.9	\$ 49.7
Operating grants and contributions	9.8	10.1	-	-	9.8	10.1
Capital grants and contributions	2.9	5.9	3.3	4.4	6.2	10.3
General revenues:						
Property taxes	9.4	9.3	-	-	9.4	9.3
Sales taxes	39.7	37.8	-	-	39.7	37.8
Franchise taxes	5.2	4.7	-	-	5.2	4.7
State shared revenues	26.7	26.0	-	-	26.7	26.0
Unrestricted investment earnings	0.3	0.2	0.3	0.2	0.6	0.4
Other	0.5	0.6	-	-	0.5	0.6
Total revenues	<u>111.4</u>	<u>111.5</u>	<u>36.6</u>	<u>37.4</u>	<u>148.0</u>	<u>148.9</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	16.1	15.0	-	-	16.1	15.0
Public safety	40.8	39.1	-	-	40.8	39.1
Public works and streets	35.0	33.7	-	-	35.0	33.7
Community development	8.4	7.7	-	-	8.4	7.7
Culture and recreation	17.2	16.3	-	-	17.2	16.3
Interest on long-term debt	1.4	1.5	-	-	1.4	1.5
Business-type activities:						
Water	-	-	10.5	10.8	10.5	10.8
Sewer	-	-	20.1	18.7	20.1	18.7
Sanitation	-	-	7.1	5.9	7.1	5.9
Total expenses	<u>118.9</u>	<u>113.3</u>	<u>37.7</u>	<u>35.4</u>	<u>156.6</u>	<u>148.7</u>
Excess before special items and transfers	(7.5)	(1.8)	(1.1)	2.0	(8.6)	0.2
Transfers in (out)	1.1	1.1	(1.1)	(1.1)	-	-
Increase/(Decrease) in net position	<u>(6.4)</u>	<u>(0.7)</u>	<u>(2.2)</u>	<u>0.9</u>	<u>(8.6)</u>	<u>0.2</u>
Net position - beginning	<u>475.3</u>	<u>476.0</u>	<u>329.9</u>	<u>329.0</u>	<u>805.2</u>	<u>805.0</u>
Net position - ending	<u>\$ 468.9</u>	<u>\$ 475.3</u>	<u>\$ 327.7</u>	<u>\$ 329.9</u>	<u>\$ 796.6</u>	<u>\$ 805.2</u>



FY 2014 Governmental Program Revenues and Expenses

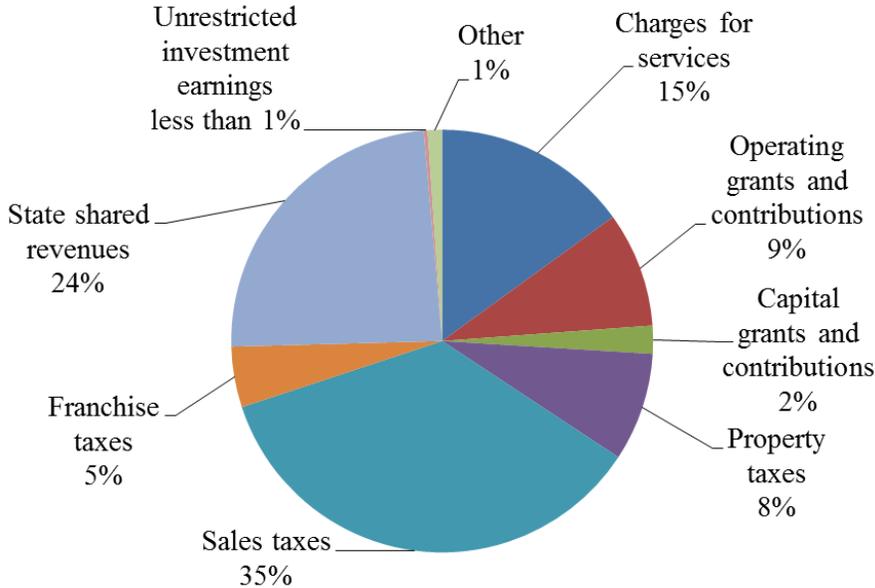


For fiscal year 2014, governmental program expenses exceeded program specific revenues by \$89.4 million. The remaining expenses were supported by general governmental revenues.

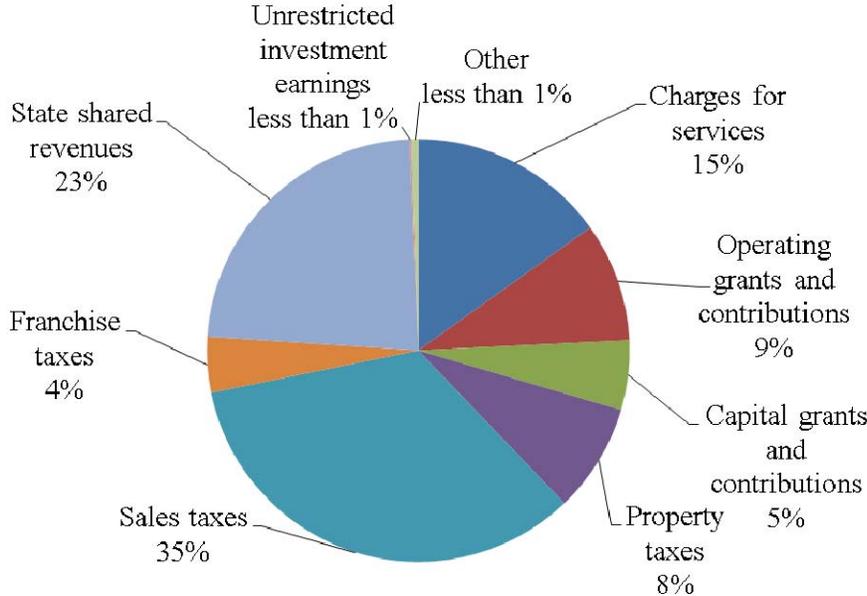
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 26% of total governmental revenues.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior 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, 2014 totaled \$111.4 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2014 Governmental Activities Revenues



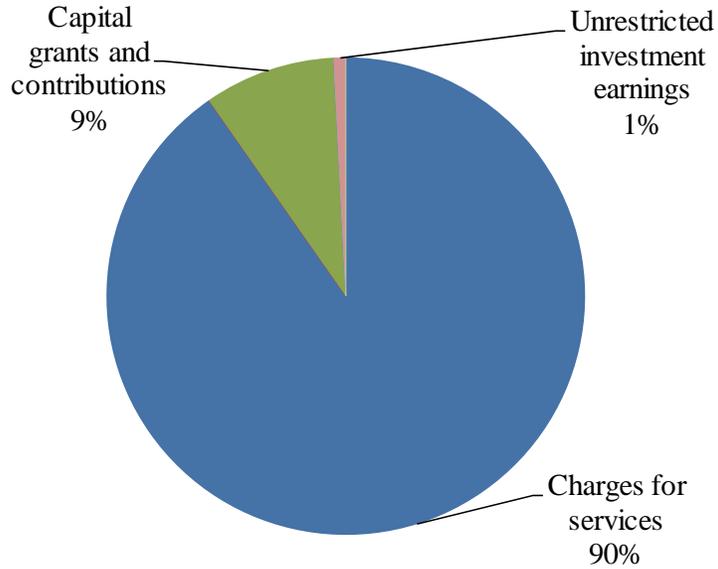
Fiscal Year 2013 Governmental Activities Revenues



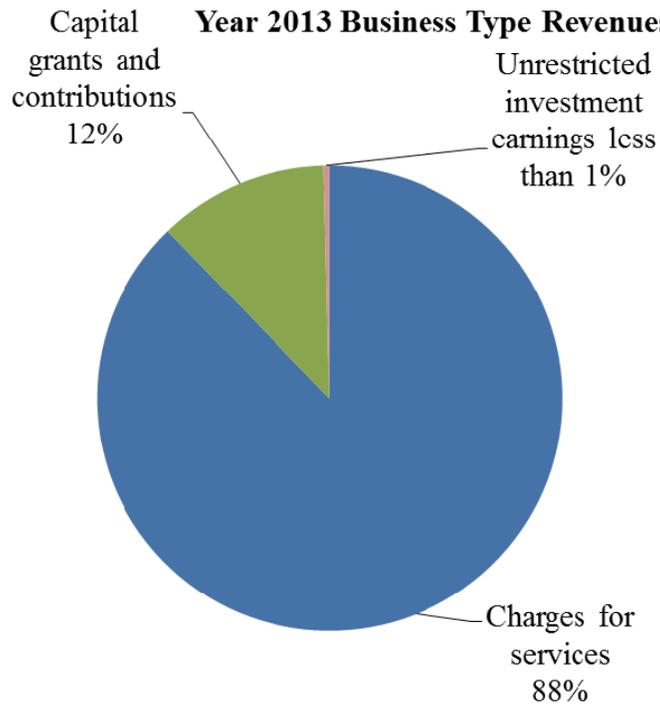
- ❖ The City’s largest revenue source is sales taxes at \$39.7 million. This is followed by state shared revenues totaling \$26.7 million.
- ❖ Total governmental activities revenues decreased \$0.1 million from the prior year as a result of the following changes in revenue: capital contributions decreased \$3.1 million due to a decrease in developer contributions, sales taxes increased 1.9 million due to an improving local economy, and state shared revenues increased \$0.7 million.

Business Type Revenues for the fiscal year ended June 30, 2014 totaled \$36.3 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2014 Business Type Revenues



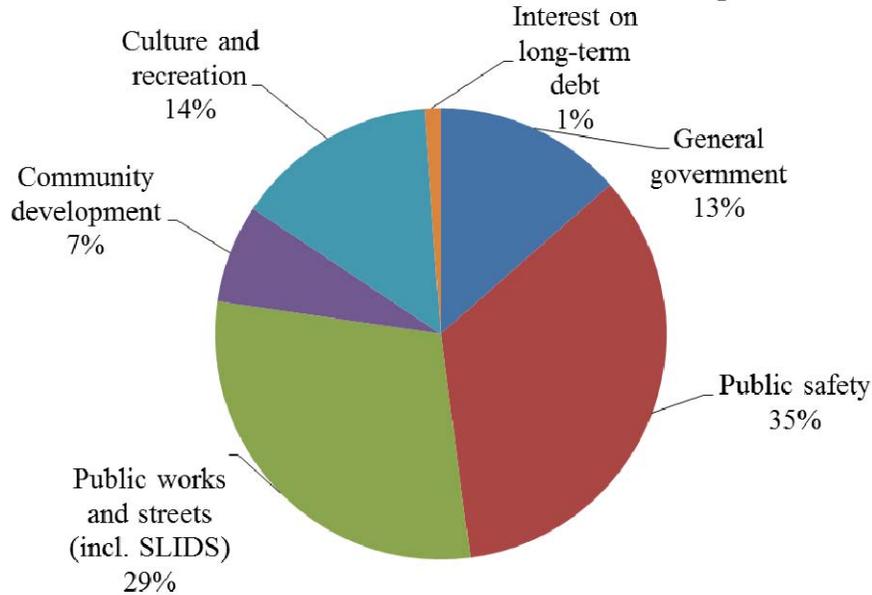
Year 2013 Business Type Revenues



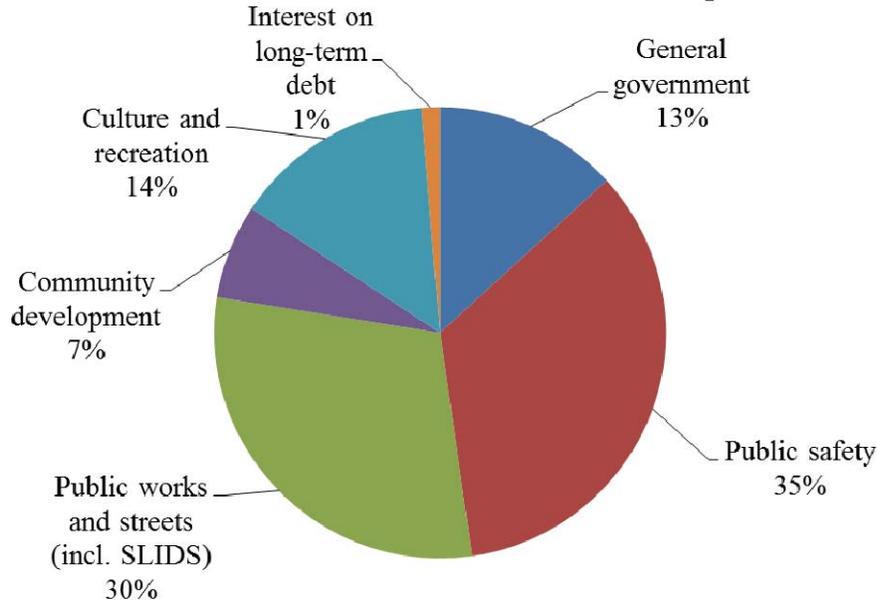
❖ Total Business Type Revenues decreased \$0.8 million from the prior fiscal year.

- ❖ **Governmental Activities Expenses** for the fiscal year ended June 30, 2014 totaled \$118.9 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2014 Governmental Activities Expenses



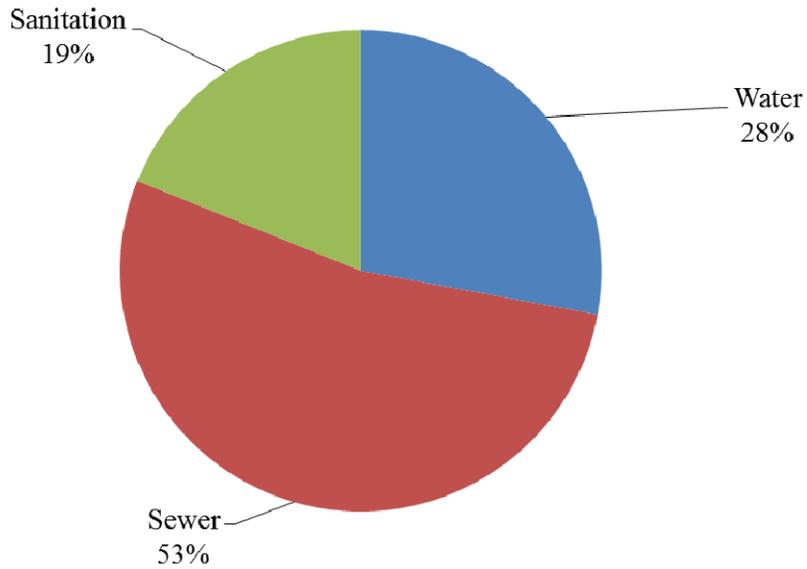
Fiscal Year 2013 Governmental Activities Expenses



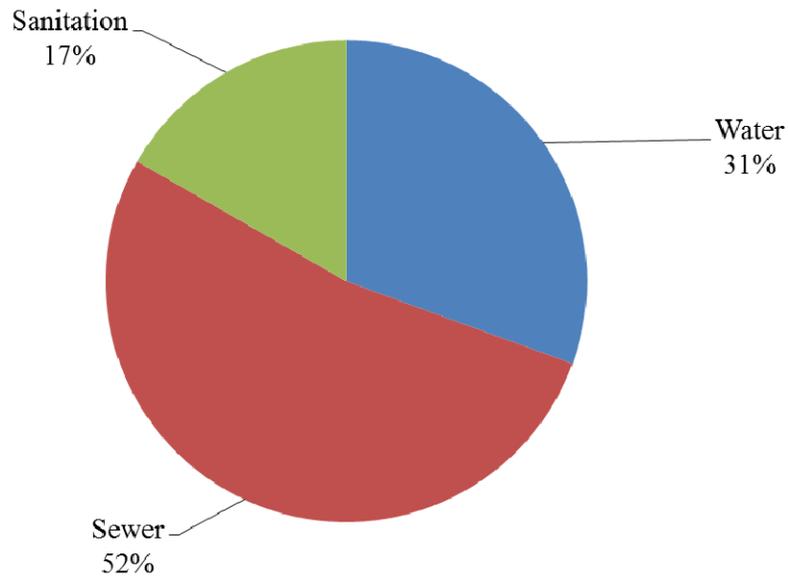
- ❖ Current year costs increased slightly by \$5.6 million. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at \$40.8 million, followed by public works and streets at \$35.0 million.

Business Type Expenses for the fiscal year ended June 30, 2014 totaled \$37.8 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2014 Business Type Expenses



Fiscal Year 2013 Business Type Expenses



❖ Business Type expenses increased slightly by \$2.4 million from the prior year.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$8.4 million from \$48.2 million to \$56.6 million. The increase was primarily due to increases in sales taxes, state shared revenues, intergovernmental revenue, fines, indirect charges, and inventories. Of the total ending fund balance, \$1.0 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 \$29.7 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, \$5.0 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 \$44.1 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 -\$23.2 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 \$9.9 million. This change was the result of increases in sales taxes, state shared revenues, intergovernmental revenue, fines, donations, and inventories. Sales taxes increased as a result of an improving economy.
 - The General Capital Projects Fund balance decreased \$2.5 million due to an increase in sales tax offset by an increase in capital outlay.
 - 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 \$0.3 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 \$6.2 million in the prior year to \$6.0 million this year. The remainder of the interfund loan will be repaid from future development fees.
 - The Highway User Revenue Fund balance increased \$1.4 million from \$1.6 million to \$3.0 million due to an increase in the amount of highway user tax received from the state.
 - The Transportation Improvement fund balance decreased \$0.6 million from \$3.1 million to \$2.5 million. This decrease is the result of an decrease in sales tax and an increase in expenditures for public works/streets and capital outlay.
 - The Non-major Governmental Funds fund balance increased \$0.4 million. The increase was due to an increase in sales tax, intergovernmental revenue, charges for service and development fees. The increases were offset by decreases in grants, fines, and expenditures for public safety, public works, community development, and interest/fiscal charges.
- ❖ **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 \$80.7 million. Budget adjustments throughout the year increased total budgeted expenditures \$0.5 million to reach the final budget of \$81.2 million.
- ❖ Actual General Fund expenditures totaling \$78.8 million were \$2.4 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	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 33.6	\$ 33.6	\$ 5.1	\$ 4.9	\$ 38.7	\$ 38.5
Parks	10.3	10.3	-	-	10.3	10.3
Water rights	-	-	7.3	6.9	7.3	6.9
Construction in progress	4.7	4.7	1.6	4.2	6.3	8.9
Buildings and improvements	141.5	147.8	291.5	296.3	433.0	444.1
Improvements other than buildings	13.3	13.4	0.9	0.9	14.2	14.2
Equipment and vehicles	12.7	13.1	5.5	3.9	18.2	17.0
Infrastructure	222.3	233.3	-	-	222.3	233.4
Total capital assets net	\$ 438.4	\$ 456.2	\$ 311.9	\$ 317.1	\$ 750.2	\$ 773.3

The capital assets of the Governmental Activities decreased by \$17.8 million from the prior fiscal year, net of depreciation (\$7.2 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2014 were the result of:
 - Current year depreciation expense of \$25.0 million.
 - Capital asset donations made to the City. The assets donated consisted of streets and water and sewer infrastructure.
 - \$0.1 million – Carden Elementary Public Improvements
 - \$0.2 million – Gestamp Solar Steel Public Improvements
 - \$0.2 million – Marley Park Public Improvements
 - \$0.1 million – Southwest Products Public Improvements



- ❖ Governmental Activities construction in process includes:
 - \$0.3 million for Fire Pumper
 - \$0.8 million for El Mirage Road – Northern to Bell
 - \$0.3 million for Fiber Optics – Peoria
 - \$1.3 million for Bell Road Sidewalks
 - \$0.3 million for Fiber Optics – Loop 303
 - \$0.5 million for Dove Valley Parkway
 - \$0.2 million for Pave Dirt Shoulder
 - \$0.3 million for Fire Station 304

The capital assets of the Business Type Activities funds decreased by \$5.2 million from the prior fiscal year, net of depreciation (\$5.6 million increase before depreciation).

- ❖ Changes to the Business Type Activities capital assets for fiscal year 2014 were the result of:
 - Current year depreciation expense of \$10.8 million.
 - Capital asset infrastructure donations made to the City. The assets donated consisted of water and sewer utilities.
 - \$0.1 million – Marley Park Square Public Improvements
 - \$0.2 million – Gestamp Solar Steel Public Improvements
 - \$0.3 million – Marley Park Public Improvements
 - \$0.1 million – Southwest Products Public Improvements
- ❖ Business Type Activities construction in process - includes:
 - \$0.2 million Disinfection Byproduct Reduction
 - \$1.3 million Mountain Vista Well #2
- ❖ For more detailed information on Capital Assets see Note 5 of this report.



	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Municipal property corporation bonds	\$ 18.0	\$ 20.6	\$ 53.8	\$ 59.7	\$ 71.8	\$ 80.3
Community facilities districts bonds	7.3	7.5	-	-	7.3	7.5
Contracts and developer payable	2.0	1.4	0.3	0.3	2.3	1.7
Total debt outstanding	<u>\$ 27.3</u>	<u>\$ 29.5</u>	<u>\$ 54.1</u>	<u>\$ 60.0</u>	<u>\$ 81.4</u>	<u>\$ 89.5</u>

- ❖ **Long-term debt** decreased this year from \$89.5 million to \$81.4 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 5%, or \$1.8 million as consumer spending continues to improve with the economy. State shared revenues are projected to increase by \$1.6 million, or 6% from the current year. Currently, the City of Surprise is the tenth most populated city in Arizona.
- ❖ **Personnel increase** – For the FY2015 budget, represented public safety employees implemented step plans at a cost of \$2.2 million. Non-represented employees received a 2.0% merit increase and all city employees on the general salary plan received a 1.3% COLA.
- ❖ **Next year's budget** – Total budgeted expenditures for the General Fund for fiscal year 2015 are \$85.5 million, an increase of \$6.4 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, (health insurance, COLA, retirement) and professional services.

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, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 65,267,697	\$ 37,649,176	\$ 102,916,873
Receivables (net of allowances)			
Accounts	400,973	6,347,937	6,748,910
Taxes and franchise fees	9,469,513	-	9,469,513
Grants	750,664	8,521	759,185
Intergovernmental	1,206,093	-	1,206,093
Internal balances	(14,670,360)	14,670,360	-
Other	361,796	4,997	366,793
Prepaid items and other assets	332,008	1,036	333,044
Inventory	696,855	1,140,639	1,837,494
Restricted cash and investments	10,676,963	15,801,001	26,477,964
Capital assets, non-depreciable	48,613,808	14,031,108	62,644,916
Capital assets, depreciable	640,570,057	372,366,794	1,012,936,851
Accumulated depreciation	(250,823,789)	(74,538,570)	(325,362,359)
Total assets	512,852,278	387,482,999	900,335,277
Deferred Outflows of Resources			
Deferred charge on refunding	730,728	316,912	1,047,640
Total deferred outflows of resources	730,728	316,912	1,047,640
Liabilities			
Accounts payable	3,667,108	2,184,219	5,851,327
Accrued payroll and related taxes	1,381,490	162,781	1,544,271
Deposits	184,796	509,870	694,666
Unearned revenues	3,103,873	713,697	3,817,570
Contracts payable, due in less than one year	1,424,124	152,141	1,576,265
Contracts payable, due in more than one year	503,001	137,560	640,561
Insurance claims payable	1,024,401	-	1,024,401
Other liabilities	131,093	-	131,093
Compensated absences payable, due in less than one year	2,145,195	293,526	2,438,721
Compensated absences payable, due in more than one year	2,830,820	389,093	3,219,913
Matured bond and loan interest payable	454,709	796,626	1,251,335
Matured bonds and loans payable	2,451,712	1,063,287	3,514,999
Bonds, loans and payables due in less than one year	2,786,800	1,113,200	3,900,000
Bonds, loans and payables due in more than one year	22,586,957	52,710,058	75,297,015
Total liabilities	44,676,079	60,226,058	104,902,137
Net Position			
Net investment in capital assets	413,717,047	263,420,571	677,137,618
Restricted for:			
Public works	9,568,220	-	9,568,220
Sewer system repair and replacement	-	5,345,012	5,345,012
Debt service	3,593,004	1,550,570	5,143,574
Parks	4,069,969	-	4,069,969
Library	4,541,085	-	4,541,085
Transportation	5,041,998	-	5,041,998
Police	2,272,529	-	2,272,529
Court	495,468	-	495,468
Fire	68,685	-	68,685
Unrestricted	25,538,922	57,257,700	82,796,622
Total net position	\$ 468,906,927	\$ 327,573,853	\$ 796,480,780

See accompanying notes to the financial statements.

City of Surprise, Arizona
Statement of Activities
Fiscal Year Ended June 30, 2014

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 16,079,202	\$ 8,494,212	\$ 48,983	\$ 276,931
Public safety	40,931,709	1,306,553	864,460	661,788
Public works and streets	34,988,682	499,338	7,445,055	1,102,833
Community development	8,388,639	1,697,315	1,266,629	-
Culture and recreation	17,228,719	4,917,918	208,343	836,385
Interest on long-term debt	1,378,709	-	-	-
Total governmental activities	<u>118,995,660</u>	<u>16,915,336</u>	<u>9,833,470</u>	<u>2,877,937</u>
Business-type activities:				
Water	10,546,378	9,987,819	-	1,228,281
Sewer	20,072,400	16,046,564	-	2,041,850
Sanitation	7,144,521	7,000,935	-	-
Total business-type activities	<u>37,763,299</u>	<u>33,035,318</u>	<u>-</u>	<u>3,270,131</u>
Total primary government	<u>\$ 156,758,959</u>	<u>\$ 49,950,654</u>	<u>\$ 9,833,470</u>	<u>\$ 6,148,068</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
Net position - ending

(Continued)

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

Governmental Activities	Business-Type Activities	Total
\$ (7,259,076)		\$ (7,259,076)
(38,098,908)		(38,098,908)
(25,941,456)		(25,941,456)
(5,424,695)		(5,424,695)
(11,266,073)		(11,266,073)
(1,378,709)		(1,378,709)
<u>(89,368,917)</u>		<u>(89,368,917)</u>
	\$ 669,722	669,722
	(1,983,986)	(1,983,986)
	(143,586)	(143,586)
	<u>(1,457,850)</u>	<u>(1,457,850)</u>
<u>(89,368,917)</u>	<u>(1,457,850)</u>	<u>(90,826,767)</u>
9,401,277	-	9,401,277
39,685,844	-	39,685,844
5,159,956	-	5,159,956
26,722,541	-	26,722,541
329,637	296,183	625,820
482,776	-	482,776
1,147,181	(1,147,181)	-
<u>82,929,212</u>	<u>(850,998)</u>	<u>82,078,214</u>
<u>(6,439,705)</u>	<u>(2,308,848)</u>	<u>(8,748,553)</u>
<u>475,346,632</u>	<u>329,882,701</u>	<u>805,229,333</u>
<u>\$ 468,906,927</u>	<u>\$ 327,573,853</u>	<u>\$ 796,480,780</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, 2014

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>General Government Development Fee Fund</u>	<u>Fire Development Fee Fund</u>
Assets				
Cash and investments	\$ 22,870,128	\$ 8,863,182	\$ -	\$ -
Receivables (net of allowances)				
Accounts	400,973	-	-	-
Taxes and franchise fees	8,436,242	577,219	-	-
Grants	-	272,979	-	-
Intergovernmental	-	-	-	-
Due from other funds	100,545	-	-	-
Other	355,372	-	-	-
Prepaid items and other assets	330,448	-	-	-
Inventory	490,561	-	-	-
Restricted cash and investments	2,280,087	2,415	-	68,685
Advances to other funds	327,355	36,019,204	-	-
Total assets	<u><u>\$ 35,591,711</u></u>	<u><u>\$ 45,734,999</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 68,685</u></u>
Liabilities				
Accounts payable	\$ 2,049,559	\$ 238,215	\$ 697	\$ 724
Accrued payroll and related taxes	1,301,700	-	-	-
Due to other funds	-	-	-	-
Deposits	83,869	-	-	-
Unearned revenue	1,920,439	-	-	-
Contracts payable	1,307,590	2,415	-	-
Other liabilities	40,826	-	-	-
Matured bond interest payable	-	-	-	-
Matured bonds payable	-	-	-	-
Advances from other funds	-	-	44,031,980	5,980,884
Total liabilities	<u><u>6,703,983</u></u>	<u><u>240,630</u></u>	<u><u>44,032,677</u></u>	<u><u>5,981,608</u></u>
Deferred Inflows of Resources				
Unavailable revenue	791,099	-	-	-
Total deferred inflows of resources	<u><u>791,099</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund Balances (Deficits)				
Nonspendable	821,009	-	-	-
Restricted	66,385	-	-	68,685
Committed	-	45,494,369	-	-
Assigned	360,030	-	-	-
Unassigned	26,849,205	-	(44,032,677)	(5,981,608)
Total fund balances (deficits)	<u><u>28,096,629</u></u>	<u><u>45,494,369</u></u>	<u><u>(44,032,677)</u></u>	<u><u>(5,912,923)</u></u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 35,591,711</u></u>	<u><u>\$ 45,734,999</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 68,685</u></u>

See accompanying notes to the financial statements.

Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 2,073,766	\$ 2,870,349	\$ 23,302,515	\$ 59,979,940
-	-	-	400,973
-	393,558	62,494	9,469,513
-	-	477,685	750,664
1,204,214	-	1,879	1,206,093
-	-	-	100,545
-	-	4,225	359,597
-	-	-	330,448
206,294	-	-	696,855
2,000	378,291	7,945,485	10,676,963
-	-	-	36,346,559
<u>\$ 3,486,274</u>	<u>\$ 3,642,198</u>	<u>\$ 31,794,283</u>	<u>\$ 120,318,150</u>
\$ 358,385	\$ 641,156	\$ 345,138	\$ 3,633,874
64,831	2,774	6,220	1,375,525
-	-	100,545	100,545
-	100,927	-	184,796
2,000	360,000	821,434	3,103,873
-	28,291	85,828	1,424,124
43,459	46,808	-	131,093
-	-	454,709	454,709
-	-	2,451,712	2,451,712
-	-	15,030	50,027,894
<u>468,675</u>	<u>1,179,956</u>	<u>4,280,616</u>	<u>62,888,145</u>
-	-	-	791,099
-	-	-	791,099
206,294	-	-	1,027,303
2,506,069	-	27,009,819	29,650,958
-	1,637,008	476,150	4,994,222
305,236	825,234	42,728	44,146,533
-	-	(15,030)	(23,180,110)
<u>3,017,599</u>	<u>2,462,242</u>	<u>27,513,667</u>	<u>56,638,906</u>
<u>\$ 3,486,274</u>	<u>\$ 3,642,198</u>	<u>\$ 31,794,283</u>	<u>\$ 120,318,150</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, 2014

Fund balances - total governmental funds		\$ 56,638,906
Amounts reported for <i>governmental activities</i> 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	\$ 689,183,865	
Less accumulated depreciation	<u>(250,823,789)</u>	
		438,360,076
Some revenues will not be available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
		791,099
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)	3,229,228	
Compensated absences	<u>9,663</u>	
		3,238,891
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.		
		730,728
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(24,779,474)	
Contracts payable	(503,001)	
Issuance premium (to be amortized as interest expense)	(594,283)	
Compensated absences payable	<u>(4,976,015)</u>	
		<u>(30,852,773)</u>
Net position of governmental activities		<u><u>\$ 468,906,927</u></u>

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, 2014

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>General Government Development Fee Fund</u>	<u>Fire Development Fee Fund</u>
Revenues:				
Taxes	\$ 40,537,455	\$ 2,140,766	\$ -	\$ -
Licenses and permits	5,197,956	-	-	-
Intergovernmental	28,224,072	502,577	-	-
Charges for services	7,440,951	-	-	-
Grants	-	530,672	-	-
Fines	1,255,895	-	-	-
Rents	606,679	-	-	-
Development fees	-	-	377,347	413,024
Interest	92,360	37,207	362	754
Donations	146,993	-	-	-
Indirect charges	4,682,772	-	-	-
Other	424,656	12,895	-	-
Total revenues	<u>88,609,789</u>	<u>3,224,117</u>	<u>377,709</u>	<u>413,778</u>
Expenditures:				
Current				
General government	13,276,649	-	-	101,319
Public safety	37,355,082	-	-	15,030
Public works and streets	6,248,920	-	-	-
Community development	7,021,802	-	-	-
Culture and recreation	14,818,519	-	-	-
Capital outlay	48,840	5,727,865	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>78,769,812</u>	<u>5,727,865</u>	<u>-</u>	<u>116,349</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,839,977</u>	<u>(2,503,748)</u>	<u>377,709</u>	<u>297,429</u>
Other financing sources (uses)				
Proceeds from sale of assets	240,830	-	-	-
Transfers in	1,147,181	-	-	-
Transfers out	(1,533,297)	-	(666,420)	(121,430)
Total other financing sources (uses)	<u>(145,286)</u>	<u>-</u>	<u>(666,420)</u>	<u>(121,430)</u>
Net change in fund balances	<u>9,694,691</u>	<u>(2,503,748)</u>	<u>(288,711)</u>	<u>175,999</u>
Fund Balances (deficits), beginning	18,197,808	47,998,117	(43,743,966)	(6,088,922)
Increase in inventories	204,130	-	-	-
Fund balances (deficits), ending	<u>\$ 28,096,629</u>	<u>\$ 45,494,369</u>	<u>\$ (44,032,677)</u>	<u>\$ (5,912,923)</u>

See accompanying notes to the financial statements.

Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,311,886	\$ 3,272,019	\$ 48,262,126
-	-	-	5,197,956
6,677,050	-	519,597	35,923,296
9,000	-	446,832	7,896,783
-	-	1,601,035	2,131,707
-	-	242,556	1,498,451
-	-	-	606,679
-	-	1,000,090	1,790,461
3,350	21,586	151,520	307,139
-	-	1,069	148,062
-	-	-	4,682,772
11,146	10,000	24,079	482,776
<u>6,700,546</u>	<u>2,343,472</u>	<u>7,258,797</u>	<u>108,928,208</u>
-	189,539	106,539	13,674,046
-	-	648,358	38,018,470
5,383,450	2,252,184	2,899,544	16,784,098
-	64,060	1,259,129	8,344,991
-	-	94,227	14,912,746
-	500,000	132,349	6,409,054
-	-	-	-
-	-	2,661,713	2,661,713
-	-	1,378,709	1,378,709
<u>5,383,450</u>	<u>3,005,783</u>	<u>9,180,568</u>	<u>102,183,827</u>
<u>1,317,096</u>	<u>(662,311)</u>	<u>(1,921,771)</u>	<u>6,744,381</u>
-	-	-	240,830
-	-	3,656,566	4,803,747
-	-	(1,335,419)	(3,656,566)
-	-	2,321,147	1,388,011
<u>1,317,096</u>	<u>(662,311)</u>	<u>399,376</u>	<u>8,132,392</u>
1,628,198	3,124,553	27,114,291	48,230,079
72,305	-	-	276,435
<u>\$ 3,017,599</u>	<u>\$ 2,462,242</u>	<u>\$ 27,513,667</u>	<u>\$ 56,638,906</u>

City of Surprise, ArizonaReconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

Fiscal Year Ended June 30, 2014

Net change in fund balances, total governmental funds		\$ 8,132,392
<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	\$ 6,783,328	
Less current year depreciation	<u>(25,005,635)</u>	(18,222,307)
<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	586,128	
Construction in progress written off	(159,537)	
Disposals of assets	<u>(47,585)</u>	379,006
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(421,057)
<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)	<u>524,520</u>	524,520
<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		276,435
<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 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	91,430	
Contracts payable paid	169,146	
Principal paid	2,661,713	
Refunding	<u>(112,420)</u>	2,809,869
<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>		
Decrease in compensated absences		<u>81,437</u>
Change in net position of governmental activities, statement of activities		<u><u>\$ (6,439,705)</u></u>

See accompanying notes to the financial statements.



City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2014

Business-Type Activities - Enterprise Funds

Assets	Water Fund	Sewer Fund	Sanitation Fund
Cash and investments	\$ 11,705,012	\$ 17,269,949	\$ 8,674,215
Restricted cash and investments	114,034	15,437,445	249,522
Receivables (net of allowances)			
Accounts	2,248,381	2,777,626	1,321,930
Grants	-	8,521	-
Other	2,158	2,816	23
Other assets	1,036	-	-
Inventory	47,681	894,380	198,578
Total current assets	<u>14,118,302</u>	<u>36,390,737</u>	<u>10,444,268</u>
Noncurrent assets			
Advances to other funds	-	13,681,335	-
Capital assets	111,258,653	269,070,163	6,069,086
Accumulated depreciation	(17,159,083)	(54,725,924)	(2,653,563)
Total noncurrent assets	<u>94,099,570</u>	<u>228,025,574</u>	<u>3,415,523</u>
Total assets	<u>108,217,872</u>	<u>264,416,311</u>	<u>13,859,791</u>
Deferred Outflows of Resources			
Deferred amount on refunding	-	316,912	-
Total deferred outflows of resources	<u>-</u>	<u>316,912</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	957,474	816,099	410,646
Accrued payroll and related taxes	39,221	69,346	54,214
Deposits	106,169	254,301	149,400
Unearned revenues	-	613,575	100,122
Insurance claims payable	-	-	-
Compensated absences payable	80,877	142,253	70,396
Contracts payable	7,865	144,276	-
Matured bond and loan interest payable	-	796,626	-
Matured bonds and loans payable	-	1,063,287	-
Bonds, loans and payables due in less than one year	-	1,113,200	-
Total current liabilities	<u>1,191,606</u>	<u>5,012,963</u>	<u>784,778</u>
Noncurrent liabilities:			
Contracts payable	-	137,560	-
Compensated absences payable, due in more than one year	107,209	188,569	93,315
Bonds, loans and payables due in more than one year	-	52,710,058	-
Total noncurrent liabilities	<u>107,209</u>	<u>53,036,187</u>	<u>93,315</u>
Total liabilities	<u>1,298,815</u>	<u>58,049,150</u>	<u>878,093</u>
Net Position			
Net investment in capital assets	94,099,570	165,905,478	3,415,523
Restricted			
Sewer system repair and replacement	-	5,345,012	-
Debt service	-	1,550,570	-
Unrestricted	12,819,487	33,883,013	9,566,175
Total net position	<u>\$ 106,919,057</u>	<u>\$ 206,684,073</u>	<u>\$ 12,981,698</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	
\$	37,649,176	\$	4,577,757
	15,801,001		710,000
	6,347,937		2,199
	8,521		-
	4,997		-
	1,036		1,560
	1,140,639		-
	<u>60,953,307</u>		<u>5,291,516</u>
	13,681,335		-
	386,397,902		-
	(74,538,570)		-
	<u>325,540,667</u>		<u>-</u>
	<u>386,493,974</u>		<u>5,291,516</u>
	316,912		-
	<u>316,912</u>		<u>-</u>
	2,184,219		33,234
	162,781		5,965
	509,870		-
	713,697		-
	-		1,024,401
	293,526		4,155
	152,141		-
	796,626		-
	1,063,287		-
	1,113,200		-
	<u>6,989,347</u>		<u>1,067,755</u>
	137,560		-
	389,093		5,508
	52,710,058		-
	<u>53,236,711</u>		<u>5,508</u>
	<u>60,226,058</u>		<u>1,073,263</u>
	263,420,571		-
	5,345,012		-
	1,550,570		-
	<u>56,268,675</u>		<u>4,218,253</u>
\$	<u>326,584,828</u>	\$	<u>4,218,253</u>
	989,025		
\$	<u>327,573,853</u>		

City of Surprise, Arizona

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2014

	Business-Type Activities-Enterprise Funds		
	Water Fund	Sewer Fund	Sanitation Fund
Operating Revenues:			
Charges for services	\$ 9,933,812	\$ 16,041,645	\$ 7,000,532
Other	54,007	4,919	403
Total operating revenues	<u>9,987,819</u>	<u>16,046,564</u>	<u>7,000,935</u>
Operating Expenses:			
Cost of sales and services	6,512,179	8,360,628	4,716,121
Indirect costs	1,244,052	1,552,368	1,886,352
Depreciation	2,801,796	7,386,276	568,288
Total operating expenses	<u>10,558,027</u>	<u>17,299,272</u>	<u>7,170,761</u>
Operating income (loss)	<u>(570,208)</u>	<u>(1,252,708)</u>	<u>(169,826)</u>
Non-operating revenues (expenses)			
Development fees	694,718	1,879,239	-
Extension fees	-	29,657	-
Developer reimbursement	(26,206)	(286,409)	-
Interest revenue	58,397	179,696	58,090
Amortization on premium/deferred refunding	-	(9,104)	-
Interest and fiscal charges	-	(2,569,109)	-
Total non-operating revenues (expenses)	<u>726,909</u>	<u>(776,030)</u>	<u>58,090</u>
Income (loss) before contributions and transfers	<u>156,701</u>	<u>(2,028,738)</u>	<u>(111,736)</u>
Capital contributions	533,563	132,954	-
Transfers out	(381,264)	(733,112)	(32,805)
Changes in net position	309,000	(2,628,896)	(144,541)
Net position, beginning	<u>106,610,057</u>	<u>209,312,969</u>	<u>13,126,239</u>
Net position, ending	<u>\$ 106,919,057</u>	<u>\$ 206,684,073</u>	<u>\$ 12,981,698</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
\$ 32,975,989	\$ 10,964,237
59,329	-
<u>33,035,318</u>	<u>10,964,237</u>
19,588,928	10,306,626
4,682,772	-
10,756,360	-
<u>35,028,060</u>	<u>10,306,626</u>
<u>(1,992,742)</u>	<u>657,611</u>
2,573,957	-
29,657	-
(312,615)	-
296,183	22,498
(9,104)	-
<u>(2,569,109)</u>	<u>-</u>
<u>8,969</u>	<u>22,498</u>
<u>(1,983,773)</u>	<u>680,109</u>
666,517	-
<u>(1,147,181)</u>	<u>-</u>
(2,464,437)	680,109
<u>329,049,265</u>	<u>3,538,144</u>
<u>\$ 326,584,828</u>	<u>\$ 4,218,253</u>
<u>155,589</u>	
<u>\$ (2,308,848)</u>	

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2014

	Business-Type Activities			Business-Type Activities	Governmental Activities
	Water Fund	Sewer Fund	Sanitation Fund	Total	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 9,904,056	\$ 16,177,434	\$ 6,894,630	\$ 32,976,120	\$ 10,962,756
Cash paid to suppliers	(5,489,928)	(6,585,325)	(4,339,500)	(16,414,753)	(10,119,690)
Cash paid to employees	(1,873,030)	(2,872,251)	(2,123,659)	(6,868,940)	(273,997)
Other operating cash receipts	54,007	4,919	403	59,329	-
Net cash provided by operating activities	2,595,105	6,724,777	431,874	9,751,756	569,069
Cash flows from capital and related financing activities					
Proceeds received from development fees	694,718	1,879,239	-	2,573,957	-
Proceeds received from extension fees	-	29,657	-	29,657	-
Principal and interest paid on bonds, loans and payables	-	(8,281,269)	-	(8,281,269)	-
Sale/acquisitions of capital assets	(1,635,303)	(2,021,672)	(1,514,806)	(5,171,781)	-
Net cash provided by (used in) capital and related financing activities	(940,585)	(8,394,045)	(1,514,806)	(10,849,436)	-
Cash flows from noncapital financing activities					
Cash received from other funds	-	208,342	-	208,342	-
Cash paid to other funds	(381,264)	(733,112)	(32,805)	(1,147,181)	-
Net cash provided by (used in) noncapital and related financing activities	(381,264)	(524,770)	(32,805)	(938,839)	-
Cash flows from investing activities					
Sales of investments	-	14,739,104	-	14,739,104	-
Purchases of investments	-	(14,819,179)	-	(14,819,179)	-
Cash received from interest income	58,397	179,696	58,090	296,183	22,498
Net cash provided by investing activities	58,397	99,621	58,090	216,108	22,498
Net change in cash	1,331,653	(2,094,417)	(1,057,647)	(1,820,411)	591,567
Cash, beginning of year	10,487,393	27,267,421	9,981,384	47,736,198	4,696,190
Cash, end of year	\$ 11,819,046	\$ 25,173,004	\$ 8,923,737	\$ 45,915,787	\$ 5,287,757
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (570,208)	\$ (1,252,708)	\$ (169,826)	\$ (1,992,742)	\$ 657,611
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation expense	2,801,796	7,386,276	568,288	10,756,360	-
(Increase) decrease in assets:					
Accounts receivable	(83,949)	41,760	(86,608)	(128,797)	(2,199)
Grants receivables	-	(8,521)	-	(8,521)	-
Other receivables	58,336	162,216	273	220,825	718
Other assets	5,511	10,985	2,674	19,170	188
Inventory	(30,673)	14,520	(31,944)	(48,097)	-
Increase (Decrease) in Current Liabilities:					
Accounts payable	396,718	338,584	137,612	872,914	(35,399)
Accrued payroll and related taxes	4,130	16,339	12,987	33,456	(2,764)
Deposits	(4,143)	(18,524)	(11,267)	(33,934)	-
Unearned revenue	-	(41,142)	(8,300)	(49,442)	-
Compensated Absences	17,587	74,992	17,985	110,564	-
Insurance claims payable	-	-	-	-	(49,086)
Total adjustments	3,165,313	7,977,485	601,700	11,744,498	(88,542)
Net cash provided by operating activities	\$ 2,595,105	\$ 6,724,777	\$ 431,874	\$ 9,751,756	\$ 569,069
Noncash capital activities					
Capital asset contributions from developers	\$ 533,563	\$ 132,954	\$ -	\$ 666,517	\$ -
Reconciliation to Statement of Net Position					
Cash and investments	\$ 11,705,012	\$ 17,269,949	\$ 8,674,215	\$ 37,649,176	\$ 4,577,757
Restricted cash and investments	114,034	15,437,445	249,522	15,801,001	710,000
Total cash and investments	\$ 11,819,046	\$ 32,707,394	\$ 8,923,737	\$ 53,450,177	\$ 5,287,757
Less investments	-	(7,534,390)	-	(7,534,390)	-
Total cash	\$ 11,819,046	\$ 25,173,004	\$ 8,923,737	\$ 45,915,787	\$ 5,287,757

See accompanying notes to the financial statements.

City of Surprise, Arizona
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	Flexible Spending Account Agency Fund
Assets	
Cash and investments	\$ 95,961
Total assets	<u>95,961</u>
Liabilities	
Deposits held for others	<u>95,961</u>
Total liabilities	<u>\$ 95,961</u>
Net Position Held in Trust for Flexible Spending Account	
Total net position	

See accompanying notes to the financial statements.

City of Surprise, Arizona
 Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 Fiscal Year Ended June 30, 2014

	Volunteer Firefighters Pension and Relief Fund
Additions	
Interest	\$ 334
Total additions	<u>334</u>
Deductions	
General government	<u>20,963</u>
Total deductions	<u>20,963</u>
Net decrease	<u>(20,629)</u>
Net Position , beginning of year	<u>20,629</u>
Net Position , end of year	<u><u>\$ -</u></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 (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The City is located approximately 20 miles northwest of downtown Phoenix and was incorporated in 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, 2014, 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.

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."

Fund balance resulting from advances to other funds are shown as committed 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. Inventory is valued using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are reported using the consumption method in both government-wide and fund financial statements and are therefore recorded as prepaid items.

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, Transportation Fund, and the non-major fund SPD Towing Fund and the 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

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as inventory or prepaid items, or because resources legally or contractually must remain intact.

Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantors, laws and regulations of other governments, or enabling legislation.

Committed fund balances are self-imposed limitations by the highest level of decision making authority, namely Mayor and City Council, prior to the end of the reporting period. Mayor and City Council approval is required to commit resources or to rescind the commitment through a City Council resolution or ordinance.

Assigned fund balances are limitations imposed internally by management based on the intended use of the funds. 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.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

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 \$75.3 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 \$265,710 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.

NOTES TO FINANCIAL STATEMENTS

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.

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.

NOTES TO FINANCIAL STATEMENTS

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.

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.

Expenditures exceeded appropriations in the following fund:

	<u>Amount of Overexpenditure</u>
Marley Park Community Facility District Fund:	
General government	\$ 7,895
Interest and fiscal charges	<u>2,948</u>
	<u>\$ 10,843</u>

Cash was available to cover the overexpenditure.

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 \$45,692,243 and the bank balance was \$46,544,885. At year end, \$296,262 of the City's deposits was covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance of \$46,248,623 was fully collateralized. The collateral is held in the pledging banks trust department in the name of the pledging bank.

NOTES TO FINANCIAL STATEMENTS

A reconciliation of the bank balance to the City’s deposit balance as of June 30, 2014 follows:

Total per bank balance	\$ 46,544,885
<i>Reconciling items:</i>	
Outstanding checks	(1,417,247)
General operating reconciling item	117,482
Deposits in transit	440,948
Cash on hand	6,175
	<u>45,692,243</u>
Less:	
Fiduciary fund	(95,961)
Total City deposits	<u>\$ 45,596,282</u>

The City’s investments consisted of the following as of June 30, 2014:

Investment Type	Fair Value	Investment Maturities			
		Less than 1 year	1-2 years	2-3 years	3+ years
U.S. Government Securities	\$ 59,876,621	\$ 9,085,169	\$ 21,694,113	\$ 29,097,339	\$ -
Government Sponsored Entity Debt	11,882,561	1,329,280	4,971,709	5,581,572	-
Money Market Mutual Funds	10,847,382	10,847,382	-	-	-
Local Government Investment Pool	401,456	401,456	-	-	-
Cash on deposit with the County Attorney	790,535	790,535	-	-	-
	<u>\$ 83,798,555</u>	<u>\$ 22,453,822</u>	<u>\$ 26,665,822</u>	<u>\$ 34,678,911</u>	<u>\$ -</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, 2014, are as follows:

City's deposits	\$ 45,692,243
City's investments	<u>83,798,555</u>
Total	<u>\$ 129,490,798</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.

Credit Risk. The City’s investments in securities included \$11,882,561 of government sponsored entity debt. At June 30, 2014, these investments were rated by Standard and Poor’s as follows: \$11,013,926 at AA+; and \$868,635 at AA-. The money market mutual funds and local government investment pool are not rated. 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	\$ 102,916,873
Total restricted cash and investments	26,477,964
Subtotal	<u>\$ 129,394,837</u>
Government-wide total cash and investments	\$ 129,394,837
plus: Fiduciary Fund cash and cash equivalents	95,961
Total	<u><u>\$ 129,490,798</u></u>

<u>Fund Financial Statements</u>	
<i>Governmental Funds</i>	
Cash and investments	\$ 59,979,940
Restricted cash and investments	10,676,963
	<u>70,656,903</u>
<i>Enterprise Funds</i>	
Cash and investments	37,649,176
Restricted cash and investments	15,801,001
	<u>53,450,177</u>
<i>Internal Service Funds</i>	
Cash and investments	<u>5,287,757</u>
<i>Fiduciary Funds</i>	
Cash and investments	<u>95,961</u>
Total	<u><u>\$ 129,490,798</u></u>

NOTE 4 – ACCOUNTS RECEIVABLE

Amounts due from other governments, as reported in the Statement of Net Position includes \$1,204,214 in highway user tax and \$1,879 from Arizona Department of Transportation.

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, 2014 are as follows:

<u>CAFR Fund Name</u>	<u>Unearned</u>	<u>Unavailable</u>
General Fund	\$ 1,920,439	\$ 791,099
Highway User Revenue Fund	2,000	-
Transportation Improvement Fund	360,000	-
Nonmajor Governmental Funds	821,434	-
	<u>\$ 3,103,873</u>	<u>\$ 791,099</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land and land improvements	\$ 33,609,071	\$ -	\$ -	\$ 33,609,071
Parks	10,256,905	-	-	10,256,905
Construction in process	4,718,112	4,598,266	(4,568,546)	4,747,832
Total not being depreciated	<u>48,584,088</u>	<u>4,598,266</u>	<u>(4,568,546)</u>	<u>48,613,808</u>
Other capital assets:				
Buildings and improvements	191,669,014	-	-	191,669,014
Improvements other than buildings	17,435,993	602,000	-	18,037,993
Equipment and vehicles	42,303,234	3,022,400	(1,137,905)	44,187,729
Infrastructure	383,167,106	3,508,215	-	386,675,321
Total other capital assets	<u>634,575,347</u>	<u>7,132,615</u>	<u>(1,137,905)</u>	<u>640,570,057</u>
 Total assets before depreciation	 <u>683,159,435</u>	 <u>11,730,881</u>	 <u>(5,706,451)</u>	 <u>689,183,865</u>
 Accumulated depreciation:				
Building and improvements	(43,898,200)	(6,300,318)	-	(50,198,518)
Improvements other than buildings	(4,076,144)	(654,607)	-	(4,730,751)
Equipment and vehicles	(29,208,420)	(3,421,493)	1,137,904	(31,492,009)
Infrastructure	(149,773,294)	(14,629,217)	-	(164,402,511)
 Total accumulated depreciation	 <u>(226,956,058)</u>	 <u>(25,005,635)</u>	 <u>1,137,904</u>	 <u>(250,823,789)</u>
 Net Capital Assets - Governmental Activities	 <u>\$ 456,203,377</u>	 <u>\$ (13,274,754)</u>	 <u>\$ (4,568,547)</u>	 <u>\$ 438,360,076</u>

Depreciation was charged by function as follows:

General government	\$ 1,352,159
Public safety	2,802,515
Public works and streets	17,883,158
Community development	29,321
Culture and recreation	<u>2,938,482</u>
 Total governmental activities depreciation expense	 <u>\$ 25,005,635</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	\$ 255,439	\$ -	\$ 5,140,050
Water Rights	6,940,558	322,300	-	7,262,858
Construction in progress	4,198,112	3,088,107	(5,658,019)	1,628,200
Total not being depreciated	<u>16,023,281</u>	<u>3,665,846</u>	<u>(5,658,019)</u>	<u>14,031,108</u>
Other capital assets:				
Buildings and system	355,588,396	4,932,978	-	360,521,374
Improvements other than buildings	893,499	-	-	893,499
Vehicles and equipment	9,677,021	2,535,491	(1,260,591)	10,951,921
Total other capital assets	<u>366,158,916</u>	<u>7,468,469</u>	<u>(1,260,591)</u>	<u>372,366,794</u>
Total assets before depreciation	<u>382,182,197</u>	<u>11,134,315</u>	<u>(6,918,610)</u>	<u>386,397,902</u>
Accumulated depreciation:				
Buildings and system	(59,263,055)	(9,802,243)	-	(69,065,298)
Improvements other than buildings	(14,892)	(29,783)	-	(44,675)
Vehicles and equipment	(5,764,854)	(924,334)	1,260,591	(5,428,597)
Total accumulated depreciation	<u>(65,042,801)</u>	<u>(10,756,360)</u>	<u>1,260,591</u>	<u>(74,538,570)</u>
Net capital assets - business activities	<u>\$ 317,139,396</u>	<u>\$ 377,955</u>	<u>\$ (5,658,019)</u>	<u>\$ 311,859,332</u>
Depreciation was charged by function as follows:				
Water			\$ 2,801,796	
Sewer			7,386,276	
Sanitation			<u>568,288</u>	
Total business-type activities depreciation expense			<u>\$ 10,756,360</u>	

During the current fiscal year, the Sewer Fund capitalized net interest costs of \$227,743. Total interest expense in the Sewer Fund before capitalization was \$2,796,852.

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 \$29,472,568. Depending on the terms of the specific agreement, this value is eligible for reimbursement during the next nineteen years. Once an agreement expires, water system and water resource impact fees are no longer eligible for developer reimbursement. As of June 30, 2014, the City has reimbursed \$11,218,540, leaving a potential remaining balance of \$18,254,028.

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 \$14,002,595. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty six years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2014, the amount the City has reimbursed is \$59,871, leaving a potential remaining balance of \$13,942,724.

Development agreements related to public safety-fire services are reimbursed using fire impact fees. Total fire services infrastructure value conveyed is \$226,663. This value was eligible for reimbursement during the next three years, however during fiscal year 2014 the previously remaining balance of \$101,319 was paid in full.

Infrastructure installed in connection with development agreements related to transportation will be reimbursed using a portion of sales tax collections as prescribed in the agreements. The total net reimbursable value for this infrastructure is \$65,603,304 at June 30, 2014. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty six years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2014, the City has reimbursed \$524,321 to developers, leaving a potential remaining balance of \$65,078,983.

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, 2014. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Fiber Optics-Loop 303-Peoria-Bell	\$ 293,148	\$ 7,500
Spa 1 Mountain Vista Well #2	1,347,365	1,104,700
Disinfection Byproduct Reduction	210,394	865,700
Pave Dirt Shoulders	212,618	114,000
Spa 1 VFDS Plant 4 & 5	10,384	137,000
Spa1Effluent Strg Reserve Covers	27,495	2,595,000
Bell Rd Sidewalks East of Grand	1,516,438	174,500
Dove Valley Pkway 163rd-179th	460,606	9,400
Martin Acres Flood Control	293,148	78,100
Site and Security Improvements	5,065	12,700
107th & Union Hills Drainage	72,000	178,000
Peoria (Sarivall to Reems)	21,590	488,400
Mountainview Boulevard West of Grand	283,069	527,900
Booster Station Bell Road Lake	11,127	113,900
Total	<u>\$ 4,764,447</u>	<u>\$ 6,406,800</u>

The Fiber Optics-Loop 303-Peoria-Bell, Pave Dirt Shoulders, Bell Rd Sidewalks East of Grand, Dove Valley Parkway 163rd-179th, Martin Acres Flood Control and 107th & Union Hills Drainage projects are financed by the General Capital Projects Fund. The Peoria (Sarivall to Reems), Mountainview Boulevard West of Grand and Booster Station Bell Road Lake projects are financed by the Transportation Improvement Fund. The Spa 1 Mountain Vista Well #2, Spa 1 VFDS Plant 4 & 5, Spa 1 Effluent Strg Reserve Covers, Site and Security Improvements projects are financed by the Water Fund. Disinfection Byproduct Reduction are financed by the Sewer 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, 2014 (revenues to debt service payable) is 16.1. Principal and interest payable next year and total excise tax revenues collected for the current year were \$4,808,076 and \$77,200,000, 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 \$2,199,000 and \$9,565,594, respectively. Of the total net revenues, \$1,879,239 are impact fee revenues that have been specifically designated for debt service payments per the bond issuance statement. The remaining \$7,832,124 represents net revenues from wastewater operations during the year and is available to meet debt service payment obligations. On October 1, 2014, \$6,635,000 of the Municipal Property Corporation Series 2007 Bonds were the subject of an early redemption.

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, 2014 is comprised of the following:

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

Municipal Property Corporation Bonds

Long-Term Debt
Outstanding

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.

\$ 17,444,474

Total MPC Bonds Outstanding

17,444,474

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.

1,090,000

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.

3,265,000

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.

2,980,000

Total Community Facilities Districts General Obligation Bonds Outstanding

7,335,000

Total Long-Term Debt Payable Recorded in Governmental Activities

\$ 24,779,474

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.	\$ 7,565,524
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>46,000,000</u>
Total MPC Bonds Outstanding	<u>53,565,524</u>
Total Bonds Payable Recorded in Business-type Activities	<u>53,565,524</u>
Total Long-Term Bonds Payable	<u>\$ 78,344,998</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2014:

	<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)	\$ 19,896,187	\$ -	\$ (2,451,713)	\$ 17,444,474	\$ 2,566,800
	<u>19,896,187</u>	<u>-</u>	<u>(2,451,713)</u>	<u>17,444,474</u>	<u>2,566,800</u>
For issuance premium 2003	685,713	-	(91,430)	594,283	-
	<u>685,713</u>	<u>-</u>	<u>(91,430)</u>	<u>594,283</u>	<u>-</u>
Community Facilities Districts					
Series 2006 Bonds, \$1,365,000 issued	1,130,000	-	(40,000)	1,090,000	40,000
Series 2007 Bonds, \$3,950,000 issued	3,365,000	-	(100,000)	3,265,000	105,000
Series 2008 Bonds, \$3,395,000 issued	3,050,000	-	(70,000)	2,980,000	75,000
	<u>7,545,000</u>	<u>-</u>	<u>(210,000)</u>	<u>7,335,000</u>	<u>220,000</u>
Total governmental obligation bonds	<u>28,126,900</u>	<u>-</u>	<u>(2,753,143)</u>	<u>25,373,757</u>	<u>2,786,800</u>
Compensated absences	5,057,452	3,329,745	(3,411,182)	4,976,015	2,145,195
Contracts and developer payable	1,417,753	1,339,903	(830,531)	1,927,125	1,424,124
Total governmental activities debt	<u>\$ 34,602,105</u>	<u>\$ 4,669,648</u>	<u>\$ (6,994,856)</u>	<u>\$ 32,276,897</u>	<u>\$ 6,356,119</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)	\$ 8,628,812	\$ -	\$ (1,063,288)	\$ 7,565,524	\$ 1,113,200
Series 2007 Bonds, \$50,675,000 issued	50,675,000	-	(4,675,000)	46,000,000	-
	<u>59,303,812</u>	<u>-</u>	<u>(5,738,288)</u>	<u>53,565,524</u>	<u>1,113,200</u>
For issuance premium 2003	297,386	-	(39,652)	257,734	-
	<u>297,386</u>	<u>-</u>	<u>(39,652)</u>	<u>257,734</u>	<u>-</u>
Total governmental obligation bonds	<u>59,601,198</u>	<u>-</u>	<u>(5,777,940)</u>	<u>53,823,258</u>	<u>1,113,200</u>
Compensated absences	572,055	590,650	(480,086)	682,619	293,526
Contracts and developer payable	316,670	156,315	(183,284)	289,701	152,141
Total business-type activities debt	<u>\$ 60,489,923</u>	<u>\$ 746,965</u>	<u>\$ (6,441,310)</u>	<u>\$ 54,795,578</u>	<u>\$ 1,558,867</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of debt service requirements for the year ended June 30, 2014. 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
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	2,702,812	658,493	45,000	54,938	110,000	189,675	75,000	197,804	2,932,812	1,100,910
2017	2,842,312	523,352	45,000	52,756	115,000	183,844	85,000	193,604	3,087,312	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	3,110,850	261,824	50,000	47,816	130,000	170,436	90,000	183,574	3,380,850	663,650
2020-2024	3,236,400	133,501	295,000	196,694	775,000	726,176	560,000	820,050	4,866,400	1,876,421
2025-2029	-	-	380,000	111,496	1,030,000	463,944	775,000	602,003	2,185,000	1,177,443
2030-2033	-	-	185,000	14,842	880,000	115,290	1,235,000	262,850	2,300,000	392,982
Total	\$ 17,444,474	\$ 2,745,239	\$ 1,090,000	\$ 585,836	\$ 3,265,000	\$ 2,222,135	\$ 2,980,000	\$ 2,650,415	\$ 24,779,474	\$ 8,203,625

Year Ended June 30	Business-Type Activities					
	2000 - 2003 MPC		2007 MPC		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	2,199,000	1,232,686	2,425,974
2018	1,294,700	165,340	6,500,000	1,906,500	7,794,700	2,071,840
2019	1,349,150	113,552	-	1,906,500	1,349,150	2,020,052
2020-2024	1,403,600	57,899	14,500,000	8,169,500	15,903,600	8,227,399
2025-2029	-	-	-	6,125,000	-	6,125,000
2030-2033	-	-	25,000,000	3,675,000	25,000,000	3,675,000
Total	\$ 7,565,524	\$ 1,190,591	\$ 46,000,000	\$ 28,379,500	\$ 53,565,524	\$ 29,570,091

NOTES TO FINANCIAL STATEMENTS

Contracts Payable

General Government Activities

A balance of \$1,927,125 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 \$289,701 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's legal general obligation bonded debt borrowing capacity at June 30, 2014:

General Obligation Bonds Subject to 20% Limitation		General Obligation Bonds Subject to 6% Limitation	
20% Constitutional Limit	\$ 180,944,209	6% Constitutional Limit	\$ 54,283,263
Less General Obligation 20% Bonds Outstanding	-	Less General Obligation 6% Bonds Outstanding	-
Available 20% Limitation Borrowing Capacity	\$ 180,944,209	Available 6% Limitation Borrowing Capacity	\$ 54,283,263

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, 2014 was \$46,918.

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

Year Ending June 30:	
2015	23,460
2016	20,287
2017	6,089
Total minimum payments required	\$49,836

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 \$2,699,420). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2014 were \$345,248.

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

3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
(602) 255-5575

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, 2014, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 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 11.54 percent (10.70 percent for retirement, 0.60 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>
2014	\$ 2,890,862	\$ 162,104	\$ 64,842
2013	2,567,953	162,846	60,128
2012	2,604,181	166,224	63,324

Agent plans – For the year ended June 30, 2014, 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 11.96 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.47 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 11.35 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.38 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 17.70 percent of the members’ annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at (1.18) percent of covered payroll.

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 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 2014 contribution requirements, are as follows:

NOTES TO FINANCIAL STATEMENTS

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess for PSPRS; 22 years for EORP
Asset valuation method	7 year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.00% - 8.00% for PSPRS; 4.25% for EORP 4.00% 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, 2014, and related information follows:

	PSPRS – Police		PSPRS – Fire		EORP	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 1,320,501	\$ 76,356	\$ 1,258,508	\$ 58,949	\$ 58,359	\$ (9,838)
Contributions made	1,320,501	76,356	1,258,508	58,949	58,359	(9,838)

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	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS – Police				
Pension	2014	\$ 1,320,501	100%	-0-
Health Insurance	2014	76,356	100%	-0-
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-
PSPRS – Fire				
Pension	2014	\$ 1,258,508	100%	-0-
Health Insurance	2014	58,949	100%	-0-
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-
EORP				
Pension	2014	\$ 58,359	100%	-0-
Health Insurance	2014	(9,838)	100%	-0-
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-

Funded Status – The funded status of the plans as of the most recent valuation date, June 30, 2014, 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)	\$ 35,745,948	\$ 952,965	\$ 30,990,296	\$ 806,301
Actuarial value of assets (b)	25,114,213	797,597	25,586,766	615,616
Unfunded actuarial accrued	10,631,735	155,368	5,403,530	190,685
Funded ratio (b) / (a)	70.26%	83.70%	82.56%	76.35%
Covered payroll (c)	8,561,827	8,561,827	8,942,411	8,942,411
Unfunded actuarial accrued	124.18%	1.81%	60.43%	2.13%

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, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay closed
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess for PSPRS; 22 years for EORP
Asset valuation method	7 year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.00% - 8.00% for PSPRS; 4.25% for EORP
includes inflation at	4.00% 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 \$13 million under an umbrella policy for a total of \$15 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 \$482,000 of the total claims payable reported. The remaining \$542,401 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, 2014, unpaid claims were as follows:

	Employee Healthcare Fund	
	2013	2014
Beginning unpaid claims	\$ 1,412,789	\$ 1,073,487
Claims incurred and changes in estimates	7,698,432	8,606,178
Payments made	(8,037,734)	(8,655,264)
Ending unpaid claims	<u>\$ 1,073,487</u>	<u>\$ 1,024,401</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, 2014.

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, 2014, interfund balances were as follows:

Due to/from other funds:

	Due to
Due from	General Fund
Non-Major Governmental Funds	\$ 100,545

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 from			
Advances to	General Fund	General Capital Projects Fund	Sewer Fund	Total
General Government Development Fee Fund	\$ 286,491	\$ 36,019,204	\$ 7,726,285	\$ 44,031,980
Fire Development Fee Fund	25,834	-	5,955,050	5,980,884
Non-Major Governmental Fund	15,030	-	-	15,030
Total	\$ 327,355	\$ 36,019,204	\$ 13,681,335	\$ 50,027,894

As of June 30, 2014, 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 in		
Transfers out	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 1,533,297	\$ 1,533,297
General Government Development Fee Fund	-	666,420	666,420
Fire Development Fee Fund	-	121,430	121,430
Non-Major Governmental Funds	-	1,335,419	1,335,419
Water Fund	381,264	-	381,264
Sewer Fund	733,112	-	733,112
Sanitation Fund	32,805	-	32,805
Total	\$ 1,147,181	\$ 3,656,566	\$ 4,803,747

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	\$ 330,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,448
Inventory	490,561	-	-	-	206,294	-	-	696,855
Total Nonspendable	821,009	-	-	-	206,294	-	-	1,027,303
Restricted:								
Public works	-	-	-	-	-	-	9,568,220	9,568,220
Parks and recreation	66,385	-	-	-	-	-	4,003,584	4,069,969
Library	-	-	-	-	-	-	4,541,085	4,541,085
Debt service	-	-	-	-	-	-	3,593,004	3,593,004
Transportation	-	-	-	-	2,506,069	-	2,535,929	5,041,998
Police	-	-	-	-	-	-	2,272,529	2,272,529
Court	-	-	-	-	-	-	495,468	495,468
Fire	-	-	-	68,685	-	-	-	68,685
Total Restricted	66,385	-	-	68,685	2,506,069	-	27,009,819	29,650,958
Committed:								
Vehicle replacement	-	2,881,064	-	-	-	-	-	2,881,064
Construction projects	-	42,613,305	-	-	-	-	-	42,613,305
Transportation	-	-	-	-	-	1,637,008	-	1,637,008
Tourism	-	-	-	-	-	-	476,150	476,150
Total Committed	-	45,494,369	-	-	-	1,637,008	476,150	47,607,527
Assigned:								
Parks and recreation	360,030	-	-	-	-	-	9,461	369,491
Transportation	-	-	-	-	305,236	825,234	1,049	1,131,519
Police	-	-	-	-	-	-	8,076	8,076
Tourism	-	-	-	-	-	-	4,981	4,981
Court	-	-	-	-	-	-	14,560	14,560
Other	-	-	-	-	-	-	4,601	4,601
Total Assigned	360,030	-	-	-	305,236	825,234	42,728	1,533,228
Unassigned:								
Unassigned or negative fund balance	26,849,205	-	(44,032,677)	(5,981,608)	-	-	(15,030)	(23,180,110)
Total	\$ 28,096,629	\$ 45,494,369	\$ (44,032,677)	\$ (5,912,923)	\$ 3,017,599	\$ 2,462,242	\$ 27,513,667	\$ 56,638,906

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – DEFICIT FUND BALANCES

As of June 30, 2014, the following individual governmental funds reported deficits in fund balances:

	<u>Deficit</u>
Major Funds:	
General Government Development Fee Fund	\$ 44,032,677
Fire Development Fee Fund	5,912,923
Non-Major Governmental Funds	
163rd Ave Development Fee Fund	15,030

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.



REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
APSPRS: Schedule of Funding Progress

POLICE

	Actuarial 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	6/30/2014	\$ 25,114,213	\$ 35,745,948	\$ (10,631,735)	70.26%	\$ 8,561,827	124.18%
Health Insurance	6/30/2014	797,597	952,965	(155,368)	83.70%	8,561,827	1.81%
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%

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	6/30/2014	\$ 25,586,766	\$ 30,990,296	\$ (5,403,530)	82.56%	\$ 8,942,411	60.43%
Health Insurance	6/30/2014	615,616	806,301	(190,685)	76.35%	8,942,411	2.13%
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%

City of Surprise, Arizona

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

General Fund

Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 39,822,200	\$ 39,822,200	\$ 40,537,455	\$ 715,255
Licenses and permits	4,679,500	4,679,500	5,197,956	518,456
Intergovernmental	27,902,900	27,967,900	28,224,072	256,172
Charges for services	7,833,200	7,828,100	7,440,951	(387,149)
Fines	1,351,300	1,351,300	1,255,895	(95,405)
Rents	672,500	677,600	606,679	(70,921)
Interest	14,000	14,000	92,360	78,360
Donations	210,100	210,100	146,993	(63,107)
Indirect charges	4,682,900	4,682,900	4,682,772	(128)
Other	430,900	430,900	424,656	(6,244)
Total revenues	<u>87,599,500</u>	<u>87,664,500</u>	<u>88,609,789</u>	<u>945,289</u>
Expenditures:				
GENERAL GOVERNMENT				
City council	432,300	432,300	388,152	(44,148)
City manager	2,073,400	2,073,400	2,038,841	(34,559)
City attorney	1,796,700	1,801,900	1,722,876	(79,024)
City clerk	669,800	669,800	572,790	(97,010)
Finance	2,981,500	2,892,300	2,888,699	(3,601)
Human resources	1,659,000	1,659,000	1,500,223	(158,777)
Information technology	4,105,600	4,089,100	4,008,191	(80,909)
General operations	-	-	156,877	156,877
Total general government	<u>13,718,300</u>	<u>13,617,800</u>	<u>13,276,649</u>	<u>(341,151)</u>
PUBLIC SAFETY				
Court	1,942,100	1,942,100	1,884,010	(58,090)
Police	20,144,200	20,144,200	19,941,516	(202,684)
Fire	15,637,900	15,637,900	15,529,556	(108,344)
Total public safety	<u>37,724,200</u>	<u>37,724,200</u>	<u>37,355,082</u>	<u>(369,118)</u>
PUBLIC WORKS AND STREETS				
Public works and streets	6,188,400	6,306,400	6,248,920	(57,480)
Total public works and streets	<u>6,188,400</u>	<u>6,306,400</u>	<u>6,248,920</u>	<u>(57,480)</u>
COMMUNITY DEVELOPMENT				
Community development	6,305,300	7,039,700	7,021,802	(17,898)
Total community service	<u>\$ 6,305,300</u>	<u>\$ 7,039,700</u>	<u>\$ 7,021,802</u>	<u>\$ (17,898)</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
CULTURE AND RECREATION				
Parks and recreation	\$ 14,956,400	\$ 15,513,300	\$ 14,818,519	\$ (694,781)
Total culture and recreation	14,956,400	15,513,300	14,818,519	(694,781)
Contingency	1,824,300	915,600	-	(915,600)
Total budget	1,824,300	915,600	-	(915,600)
CAPITAL OUTLAY	20,000	20,000	48,840	28,840
Total expenditures	80,736,900	81,137,000	78,769,812	(2,367,188)
Revenues over expenditures	6,862,600	6,527,500	9,839,977	3,312,477
Other financing sources (uses)				
Proceeds from sale of assets	-	-	240,830	240,830
Transfers in	1,089,400	1,208,900	1,147,181	(61,719)
Transfers out	(1,533,400)	(1,594,900)	(1,533,297)	(61,603)
Total other financing sources (uses)	(444,000)	(386,000)	(145,286)	117,508
Net change in fund balance	\$ 6,418,600	\$ 6,141,500	\$ 9,694,691	\$ 3,429,985

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, 2014

	<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	\$ 528,800	\$ 528,800	\$ 377,347	\$ (151,453)
Interest	8,600	8,600	362	(8,238)
Total revenues	<u>537,400</u>	<u>537,400</u>	<u>377,709</u>	<u>(159,691)</u>
Expenditures:				
Current:				
General government	20,000	20,000	-	(20,000)
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Revenues over expenditures	<u>517,400</u>	<u>517,400</u>	<u>377,709</u>	<u>(139,691)</u>
Other financing sources (uses)				
Transfers in	-	101,300	-	(101,300)
Transfers out	(666,500)	(767,800)	(666,420)	(101,380)
Total other financing sources (uses)	<u>(666,500)</u>	<u>(666,500)</u>	<u>(666,420)</u>	<u>(202,680)</u>
Net change in fund balance	<u>\$ (149,100)</u>	<u>\$ (149,100)</u>	<u>\$ (288,711)</u>	<u>\$ (342,371)</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, 2014

	<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	\$ 754,100	\$ 754,100	\$ 413,024	\$ (341,076)
Interest	6,000	6,000	754	(5,246)
Total revenues	<u>760,100</u>	<u>760,100</u>	<u>413,778</u>	<u>(346,322)</u>
Expenditures:				
Current:				
General government	20,000	121,400	101,319	(20,081)
Public safety	-	-	15,030	15,030
Total expenditures	<u>20,000</u>	<u>121,400</u>	<u>116,349</u>	<u>(5,051)</u>
Revenues over expenditures	<u>740,100</u>	<u>638,700</u>	<u>297,429</u>	<u>(341,271)</u>
Other financing sources (uses)				
Transfers in	-	208,300	-	(208,300)
Transfers out	(121,500)	(343,300)	(121,430)	(221,870)
Total other financing sources (uses)	<u>(121,500)</u>	<u>(135,000)</u>	<u>(121,430)</u>	<u>(430,170)</u>
Net change in fund balance	<u>\$ 618,600</u>	<u>\$ 503,700</u>	<u>\$ 175,999</u>	<u>\$ (771,441)</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,617,500	\$ 6,617,500	\$ 6,677,050	\$ 59,550
Charges for services	-	-	9,000	9,000
Interest	-	-	3,350	3,350
Other	11,600	11,600	11,146	(454)
Total revenues	<u>6,629,100</u>	<u>6,629,100</u>	<u>6,700,546</u>	<u>71,446</u>
Expenditures:				
Current:				
Public works and streets	7,730,600	7,730,600	5,383,450	(2,347,150)
Total expenditures	<u>7,730,600</u>	<u>7,730,600</u>	<u>5,383,450</u>	<u>(2,347,150)</u>
Revenues over (under) expenditures	<u>(1,101,500)</u>	<u>(1,101,500)</u>	<u>1,317,096</u>	<u>2,418,596</u>
Net change in fund balance	<u>\$ (1,101,500)</u>	<u>\$ (1,101,500)</u>	<u>\$ 1,317,096</u>	<u>\$ 2,418,596</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,181,800	\$ 2,181,800	\$ 2,311,886	\$ 130,086
Fines	46,500	46,500	-	(46,500)
Interest	-	-	21,586	21,586
Other	-	-	10,000	10,000
Total revenues	<u>2,228,300</u>	<u>2,228,300</u>	<u>2,343,472</u>	<u>115,172</u>
Expenditures:				
Current:				
General government	-	-	189,539	189,539
Public works and streets	4,793,100	4,793,100	2,252,184	(2,540,916)
Community development	260,000	260,000	64,060	(195,940)
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>	<u>250,000</u>
Total expenditures	<u>5,303,100</u>	<u>5,303,100</u>	<u>3,005,783</u>	<u>(2,297,317)</u>
Revenues (under) expenditures	<u>(3,074,800)</u>	<u>(3,074,800)</u>	<u>(662,311)</u>	<u>2,412,489</u>
Net change in fund balance	<u>\$ (3,074,800)</u>	<u>\$ (3,074,800)</u>	<u>\$ (662,311)</u>	<u>\$ 2,412,489</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,950,000	\$ 1,950,000	\$ 2,140,766	\$ 190,766
Intergovernmental	-	-	502,577	502,577
Grants	-	-	530,672	530,672
Interest	65,800	-	37,207	37,207
Other	-	-	12,895	12,895
Total revenues	<u>2,015,800</u>	<u>1,950,000</u>	<u>3,224,117</u>	<u>1,274,117</u>
Expenditures:				
Capital outlay	11,823,000	11,821,700	5,727,865	(6,093,835)
Total expenditures	<u>11,823,000</u>	<u>11,821,700</u>	<u>5,727,865</u>	<u>(6,093,835)</u>
Revenues (under) expenditures	<u>(9,807,200)</u>	<u>(9,871,700)</u>	<u>(2,503,748)</u>	<u>7,367,952</u>
Net change in fund balance	<u>\$ (9,807,200)</u>	<u>\$ (9,871,700)</u>	<u>\$ (2,503,748)</u>	<u>\$ 7,367,952</u>

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds	Debt Service Funds	Total Non-major Governmental Funds
Assets			
Cash and investments	\$ 23,302,515	\$ -	\$ 23,302,515
Receivables (net of allowances)			
Taxes and franchise fees	62,494	-	62,494
Grants	477,685	-	477,685
Intergovernmental	1,879	-	1,879
Other	4,225	-	4,225
Restricted cash and investments	<u>1,446,060</u>	<u>6,499,425</u>	<u>7,945,485</u>
Total assets	<u>\$ 25,294,858</u>	<u>\$ 6,499,425</u>	<u>\$ 31,794,283</u>
Liabilities			
Accounts payable	\$ 345,138	\$ -	\$ 345,138
Accrued payroll and related taxes	6,220	-	6,220
Due to other funds	100,545	-	100,545
Unearned revenues	821,434	-	821,434
Contracts payable	85,828	-	85,828
Matured bond interest payable	-	454,709	454,709
Matured bonds payable	-	2,451,712	2,451,712
Advances from other funds	<u>15,030</u>	<u>-</u>	<u>15,030</u>
Total liabilities	<u>1,374,195</u>	<u>2,906,421</u>	<u>4,280,616</u>
Fund Balances (Deficits)			
Restricted	23,416,815	3,593,004	27,009,819
Committed	476,150	-	476,150
Assigned	42,728	-	42,728
Unassigned	<u>(15,030)</u>	<u>-</u>	<u>(15,030)</u>
Total fund balances	<u>23,920,663</u>	<u>3,593,004</u>	<u>27,513,667</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 25,294,858</u>	<u>\$ 6,499,425</u>	<u>\$ 31,794,283</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2014

	Special Revenue Funds	Debt Service Funds	Total Non-major Governmental Funds
Revenues:			
Taxes	\$ 3,272,019	\$ -	\$ 3,272,019
Intergovernmental	519,597	-	519,597
Charges for services	446,832	-	446,832
Grants	1,601,035	-	1,601,035
Fines	242,556	-	242,556
Development fees	1,000,090	-	1,000,090
Interest	131,727	19,793	151,520
Donations	1,069	-	1,069
Other	24,079	-	24,079
Total revenues	<u>7,239,004</u>	<u>19,793</u>	<u>7,258,797</u>
Expenditures:			
Current			
General government	106,539	-	106,539
Public safety	648,358	-	648,358
Public works and streets	2,899,544	-	2,899,544
Community development	1,259,129	-	1,259,129
Culture and recreation	94,227	-	94,227
Capital outlay	132,349	-	132,349
Debt service		-	
Principal	210,000	2,451,713	2,661,713
Interest and fiscal charges	467,548	911,161	1,378,709
Total expenditures	<u>5,817,694</u>	<u>3,362,874</u>	<u>9,180,568</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>1,421,310</u>	<u>(3,343,081)</u>	<u>(1,921,771)</u>
Other financing sources (uses)			
Transfers in	295,553	3,361,013	3,656,566
Transfers out	(1,335,419)	-	(1,335,419)
Total other financing sources (uses)	<u>(1,039,866)</u>	<u>3,361,013</u>	<u>2,321,147</u>
Net change in fund balances	<u>381,444</u>	<u>17,932</u>	<u>399,376</u>
Fund balances, beginning	<u>23,539,219</u>	<u>3,575,072</u>	<u>27,114,291</u>
Fund balances, ending	<u>\$ 23,920,663</u>	<u>\$ 3,593,004</u>	<u>\$ 27,513,667</u>

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- ❖ Special revenue funds – These funds account for specific non-capital revenues that are restricted in their allowable use.
 - *163rd Avenue Roadway Development Impact Fee Fund* – This fund was established to account for development impact fees that are assessed to the service area identified as the 163rd Avenue Roadway.
 - *Employee Dependent 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.
 - *LTAF 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.
 - *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.

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- *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.
 - *SBI398 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 revenue 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, 2014

	163rd Ave Development Fee	Employee Dep Scholarship Fund	Grants Fund	LTAF II Fund	Library Development Fee Fund	Marley Park Community Facility District Fund
Assets						
Cash and investments	\$ -	\$ 4,601	\$ -	\$ -	\$ 4,541,254	\$ 32,410
Receivables (net of allowances)						
Taxes and franchise fees	-	-	-	-	-	3,496
Grants	-	-	151,265	-	-	-
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 4,601</u>	<u>\$ 151,265</u>	<u>\$ -</u>	<u>\$ 4,541,254</u>	<u>\$ 35,906</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 25,169	\$ -	\$ 169	\$ 767
Accrued payroll and related taxes	-	-	-	-	-	-
Due to other funds	-	-	100,545	-	-	-
Unearned revenue	-	-	25,551	-	-	-
Contracts payable	-	-	-	-	-	-
Advances from other funds	15,030	-	-	-	-	-
Total liabilities	<u>15,030</u>	<u>-</u>	<u>151,265</u>	<u>-</u>	<u>169</u>	<u>767</u>
Fund Balances (Deficits)						
Restricted	-	-	-	-	4,541,085	25,678
Committed	-	-	-	-	-	-
Assigned	-	4,601	-	-	-	9,461
Unassigned	(15,030)	-	-	-	-	-
Total fund balances	<u>(15,030)</u>	<u>4,601</u>	<u>-</u>	<u>-</u>	<u>4,541,085</u>	<u>35,139</u>
Total liabilities, deferred inflows and fund balances	<u>\$ -</u>	<u>\$ 4,601</u>	<u>\$ 151,265</u>	<u>\$ -</u>	<u>\$ 4,541,254</u>	<u>\$ 35,906</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
\$ 391,568	\$ 14,417	\$ 81,976	\$ 25,946	\$ -	\$ 11,054	\$ 3,293,250
-	-	-	-	-	-	-
-	-	-	-	325,355	-	-
-	-	-	-	3,775	-	-
-	-	-	-	354,863	22,561	143,712
<u>\$ 391,568</u>	<u>\$ 14,417</u>	<u>\$ 81,976</u>	<u>\$ 25,946</u>	<u>\$ 683,993</u>	<u>\$ 33,615</u>	<u>\$ 3,436,962</u>
\$ 3,269	\$ -	\$ 575	\$ -	\$ 52,668	\$ -	\$ 821
-	-	207	-	6,013	-	-
-	-	-	-	-	-	-
-	-	-	-	625,312	-	-
-	-	-	-	-	-	85,828
-	-	-	-	-	-	-
<u>3,269</u>	<u>-</u>	<u>782</u>	<u>-</u>	<u>683,993</u>	<u>-</u>	<u>86,649</u>
374,231	14,097	81,194	25,946	-	33,615	3,350,313
-	-	-	-	-	-	-
14,068	320	-	-	-	-	-
-	-	-	-	-	-	-
<u>388,299</u>	<u>14,417</u>	<u>81,194</u>	<u>25,946</u>	<u>-</u>	<u>33,615</u>	<u>3,350,313</u>
<u>\$ 391,568</u>	<u>\$ 14,417</u>	<u>\$ 81,976</u>	<u>\$ 25,946</u>	<u>\$ 683,993</u>	<u>\$ 33,615</u>	<u>\$ 3,436,962</u>

Continued

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2014

	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	SB1398 Fines Fund
Assets						
Cash and investments	\$ 1,085,320	\$ 120,331	\$ 9,610,710	\$ 2,393,327	\$ 23,356	\$ 42,770
Receivables (net of allowances)						
Taxes and franchise fees	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Intergovernmental	-	-	1,879	-	-	-
Other	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	\$ 1,085,320	\$ 120,331	\$ 9,612,589	\$ 2,393,327	\$ 23,356	\$ 42,770
Liabilities						
Accounts payable	\$ 407	\$ -	\$ 44,369	\$ 18	\$ 18	\$ -
Accrued payroll and related taxes	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	407	-	44,369	18	18	-
Fund Balances (Deficits)						
Restricted	1,084,913	119,282	9,568,220	2,393,309	23,338	42,598
Committed	-	-	-	-	-	-
Assigned	-	1,049	-	-	-	172
Unassigned	-	-	-	-	-	-
Total fund balances	1,084,913	120,331	9,568,220	2,393,309	23,338	42,770
Total liabilities, deferred inflows and fund balances	\$ 1,085,320	\$ 120,331	\$ 9,612,589	\$ 2,393,327	\$ 23,356	\$ 42,770

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
\$ 16,450	\$ 11,717	\$ 352,607	\$ 593,978	\$ 197,161	\$ 458,312	\$ 23,302,515
-	-	-	-	36,179	22,819	62,494
-	1,065	-	-	-	-	477,685
-	-	-	-	-	-	1,879
-	-	450	-	-	-	4,225
-	790,535	-	-	134,389	-	1,446,060
<u>\$ 16,450</u>	<u>\$ 803,317</u>	<u>\$ 353,057</u>	<u>\$ 593,978</u>	<u>\$ 367,729</u>	<u>\$ 481,131</u>	<u>\$ 25,294,858</u>
\$ -	\$ -	\$ 19,730	\$ -	\$ 197,158	\$ -	345,138
-	-	-	-	-	-	6,220
-	-	-	-	-	-	100,545
-	-	-	-	170,571	-	821,434
-	-	-	-	-	-	85,828
-	-	-	-	-	-	15,030
-	-	19,730	-	367,729	-	1,374,195
16,450	803,317	325,251	593,978	-	-	23,416,815
-	-	-	-	-	476,150	476,150
-	-	8,076	-	-	4,981	42,728
-	-	-	-	-	-	(15,030)
<u>16,450</u>	<u>803,317</u>	<u>333,327</u>	<u>593,978</u>	<u>-</u>	<u>481,131</u>	<u>23,920,663</u>
<u>\$ 16,450</u>	<u>\$ 803,317</u>	<u>\$ 353,057</u>	<u>\$ 593,978</u>	<u>\$ 367,729</u>	<u>\$ 481,131</u>	<u>\$ 25,294,858</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, 2014

	163rd Ave Development Fee	Employee Dep Scholarship Fund	Grants Fund	LTA II Fund	Library Development Fee Fund	Marley Park Community Facility District Fund
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 690,192
Intergovernmental	-	-	37,485	346,740	-	-
Charges for services	-	-	-	-	-	-
Grants	-	-	341,906	-	-	-
Fines	-	-	-	-	-	-
Development fees	-	-	-	-	54,407	-
Interest	-	27	-	-	24,571	-
Donations	-	1,069	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>1,096</u>	<u>379,391</u>	<u>346,740</u>	<u>78,978</u>	<u>690,192</u>
Expenditures:						
Current:						
General government	15,030	3,000	32,914	-	-	55,595
Public safety	-	-	297,954	-	-	-
Public works and streets	-	-	778	346,740	-	-
Community development	-	-	-	-	-	-
Culture and recreation	-	-	47,745	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	210,000
Interest and fiscal charges	-	-	-	-	-	467,548
Total expenditures	<u>15,030</u>	<u>3,000</u>	<u>379,391</u>	<u>346,740</u>	<u>-</u>	<u>733,143</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,030)</u>	<u>(1,904)</u>	<u>-</u>	<u>-</u>	<u>78,978</u>	<u>(42,951)</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(15,030)</u>	<u>(1,904)</u>	<u>-</u>	<u>-</u>	<u>78,978</u>	<u>(42,951)</u>
Fund balances, beginning	<u>-</u>	<u>6,505</u>	<u>-</u>	<u>-</u>	<u>4,462,107</u>	<u>78,090</u>
Fund balances, ending	<u>\$ (15,030)</u>	<u>\$ 4,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,541,085</u>	<u>\$ 35,139</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,078	-	12,012	-	-	-
-	-	-	-	-	26,496	-
-	-	-	-	1,259,129	-	-
89,191	-	21,758	-	-	-	-
-	-	-	-	-	-	280,630
2,145	76	563	81	-	36	22,113
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>91,336</u>	<u>4,154</u>	<u>22,321</u>	<u>12,093</u>	<u>1,259,129</u>	<u>26,532</u>	<u>302,743</u>
-	-	-	-	-	-	-
75,743	-	52,843	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,259,129	-	-
11,037	-	-	-	-	15,482	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>86,780</u>	<u>-</u>	<u>52,843</u>	<u>-</u>	<u>1,259,129</u>	<u>15,482</u>	<u>-</u>
<u>4,556</u>	<u>4,154</u>	<u>(30,522)</u>	<u>12,093</u>	<u>-</u>	<u>11,050</u>	<u>302,743</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	(794,115)
-	-	-	-	-	-	(794,115)
<u>4,556</u>	<u>4,154</u>	<u>(30,522)</u>	<u>12,093</u>	<u>-</u>	<u>11,050</u>	<u>(491,372)</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>
<u>\$ 388,299</u>	<u>\$ 14,417</u>	<u>\$ 81,194</u>	<u>\$ 25,946</u>	<u>\$ -</u>	<u>\$ 33,615</u>	<u>\$ 3,350,313</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, 2014

	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	SB1398 Fines Fund
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	119,282	-	-	-	-
Charges for services	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Fines	-	-	-	-	-	21,167
Development fees	248,764	-	136,254	280,035	-	-
Interest	6,012	649	52,344	11,222	141	117
Donations	-	-	-	-	-	-
Other	-	19,572	4,507	-	-	-
Total revenues	254,776	139,503	193,105	291,257	141	21,284
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	4,240
Public works and streets	-	19,572	125,638	-	-	-
Community development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	44,351	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	19,572	169,989	-	-	4,240
Excess of revenues over expenditures	254,776	119,931	23,116	291,257	141	17,044
Other financing sources						
Transfers in	-	-	-	-	-	-
Transfers out	(245,751)	-	-	-	-	-
Total other financing	(245,751)	-	-	-	-	-
Net change in fund balances	9,025	119,931	23,116	291,257	141	17,044
Fund balances, beginning	1,075,888	400	9,545,104	2,102,052	23,197	25,726
Fund balances, ending	\$ 1,084,913	\$ 120,331	\$ 9,568,220	\$ 2,393,309	\$ 23,338	\$ 42,770

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
\$ -	\$ -	\$ -	\$ -	\$ 2,404,515	\$ 177,312	\$ 3,272,019
-	-	-	-	-	-	519,597
-	-	94,050	326,286	-	-	446,832
-	-	-	-	-	-	1,601,035
-	110,440	-	-	-	-	242,556
-	-	-	-	-	-	1,000,090
2,234	3,421	2,468	(329)	2,301	1,535	131,727
-	-	-	-	-	-	1,069
-	-	-	-	-	-	24,079
<u>2,234</u>	<u>113,861</u>	<u>96,518</u>	<u>325,957</u>	<u>2,406,816</u>	<u>178,847</u>	<u>7,239,004</u>
-	-	-	-	-	-	106,539
-	138,061	79,517	-	-	-	648,358
-	-	-	-	2,406,816	-	2,899,544
-	-	-	-	-	-	1,259,129
-	-	-	-	-	31,000	94,227
-	2,163	74,798	-	-	-	132,349
-	-	-	-	-	-	210,000
-	-	-	-	-	-	467,548
<u>-</u>	<u>140,224</u>	<u>154,315</u>	<u>-</u>	<u>2,406,816</u>	<u>31,000</u>	<u>5,817,694</u>
<u>2,234</u>	<u>(26,363)</u>	<u>(57,797)</u>	<u>325,957</u>	<u>-</u>	<u>147,847</u>	<u>1,421,310</u>
-	295,553	-	-	-	-	295,553
<u>(295,553)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,335,419)</u>
<u>(295,553)</u>	<u>295,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,039,866)</u>
<u>(293,319)</u>	<u>269,190</u>	<u>(57,797)</u>	<u>325,957</u>	<u>-</u>	<u>147,847</u>	<u>381,444</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>\$ 16,450</u>	<u>\$ 803,317</u>	<u>\$ 333,327</u>	<u>\$ 593,978</u>	<u>\$ -</u>	<u>\$ 481,131</u>	<u>\$ 23,920,663</u>

Concluded

City of Surprise, Arizona

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

163rd Ave Development Fee

Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
General government	\$ -	\$ 15,100	\$ 15,030	\$ (70)
Total expenditures	<u>-</u>	<u>15,100</u>	<u>15,030</u>	<u>(70)</u>
Revenues (under) expenditures	<u>-</u>	<u>(15,100)</u>	<u>(15,030)</u>	<u>70</u>
Other financing (uses)				
Transfers in	-	(13,500)	-	13,500
Total other financing (uses)	<u>-</u>	<u>(13,500)</u>	<u>-</u>	<u>13,500</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (28,600)</u>	<u>\$ (15,030)</u>	<u>\$ 13,570</u>

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ 100	\$ 100	\$ 27	\$ (73)
Donations	1,300	1,300	1,069	(231)
Total revenues	1,400	1,400	1,096	(304)
Expenditures:				
Current:				
General government	6,100	6,100	3,000	(3,100)
Total expenditures	6,100	6,100	3,000	(3,100)
Revenues (under) expenditures	(4,700)	(4,700)	(1,904)	2,796
Net change in fund balance	\$ (4,700)	\$ (4,700)	\$ (1,904)	\$ 2,796

City of Surprise, Arizona

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

Grants Fund

Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 142,100	\$ 142,100	\$ 37,485	\$ (104,615)
Grants	5,085,700	3,783,300	341,906	(3,441,394)
Other	-	101,300	-	(101,300)
Total revenues	<u>5,227,800</u>	<u>4,026,700</u>	<u>379,391</u>	<u>(3,647,309)</u>
Expenditures:				
Current:				
General government	5,000,000	2,978,700	32,914	(2,945,786)
Public safety	177,800	434,800	297,954	(136,846)
Public works and streets	-	30,900	778	(30,122)
Culture and recreation	50,000	50,000	47,745	(2,255)
Total expenditures	<u>5,227,800</u>	<u>3,494,400</u>	<u>379,391</u>	<u>(3,115,009)</u>
Revenues over expenditures	<u>-</u>	<u>532,300</u>	<u>-</u>	<u>(532,300)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 532,300</u>	<u>\$ -</u>	<u>\$ (532,300)</u>

City of Surprise, Arizona

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

LTAI II Fund

Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 346,740	\$ (3,260)
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>346,740</u>	<u>(3,260)</u>
Expenditures:				
Public works and streets	<u>350,000</u>	<u>350,000</u>	<u>346,740</u>	<u>(3,260)</u>
Total expenditures	<u>350,000</u>	<u>350,000</u>	<u>346,740</u>	<u>(3,260)</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

Library Development Fee Fund

Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 81,700	\$ 81,700	\$ 54,407	\$ (27,293)
Interest	54,800	54,800	24,571	(30,229)
Total revenues	<u>136,500</u>	<u>136,500</u>	<u>78,978</u>	<u>(57,522)</u>
Expenditures:				
Current:				
General government	20,000	20,000	-	(20,000)
Culture and recreation	4,589,800	4,589,800	-	(4,589,800)
Total expenditures	<u>4,609,800</u>	<u>4,609,800</u>	<u>-</u>	<u>(4,609,800)</u>
Revenues over (under) expenditures	<u>(4,473,300)</u>	<u>(4,473,300)</u>	<u>78,978</u>	<u>4,552,278</u>
Net change in fund balance	<u>\$ (4,473,300)</u>	<u>\$ (4,473,300)</u>	<u>\$ 78,978</u>	<u>\$ 4,552,278</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 675,300	\$ 675,300	\$ 690,192	\$ 14,892
Total revenues	<u>675,300</u>	<u>675,300</u>	<u>690,192</u>	<u>14,892</u>
Expenditures:				
Current:				
General government	47,700	47,700	55,595	7,895
Principal	210,000	210,000	210,000	-
Interest and fiscal charges	464,600	464,600	467,548	2,948
Total expenditures	<u>722,300</u>	<u>722,300</u>	<u>733,143</u>	<u>10,843</u>
Revenues (under) expenditures	<u>(47,000)</u>	<u>(47,000)</u>	<u>(42,951)</u>	<u>4,049</u>
Net change in fund balance	<u>\$ (47,000)</u>	<u>\$ (47,000)</u>	<u>\$ (42,951)</u>	<u>\$ 4,049</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 113,000	\$ 113,000	\$ 89,191	\$ (23,809)
Interest	-	-	2,145	2,145
Total revenues	<u>113,000</u>	<u>113,000</u>	<u>91,336</u>	<u>(21,664)</u>
Expenditures:				
Current:				
Public safety	491,800	480,700	75,743	(404,957)
Capital outlay	-	11,100	11,037	(63)
Total expenditures	<u>491,800</u>	<u>491,800</u>	<u>86,780</u>	<u>(405,020)</u>
Revenues over (under) expenditures	<u>(378,800)</u>	<u>(378,800)</u>	<u>4,556</u>	<u>383,356</u>
Net change in fund balance	<u>\$ (378,800)</u>	<u>\$ (378,800)</u>	<u>\$ 4,556</u>	<u>\$ 383,356</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,300	\$ 4,300	\$ 4,078	\$ (222)
Interest	100	100	76	(24)
Total revenues	<u>4,400</u>	<u>4,400</u>	<u>4,154</u>	<u>(246)</u>
Expenditures:				
Capital outlay	<u>14,700</u>	<u>14,700</u>	<u>-</u>	<u>(14,700)</u>
Total expenditures	<u>14,700</u>	<u>14,700</u>	<u>-</u>	<u>(14,700)</u>
Revenues over (under) expenditures	<u>(10,300)</u>	<u>(10,300)</u>	<u>4,154</u>	<u>14,454</u>
Net change in fund balance	<u>\$ (10,300)</u>	<u>\$ (10,300)</u>	<u>\$ 4,154</u>	<u>\$ 14,454</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 22,500	\$ 22,500	\$ 21,758	\$ (742)
Interest	500	500	563	63
Total revenues	<u>23,000</u>	<u>23,000</u>	<u>22,321</u>	<u>(679)</u>
Expenditures:				
Current:				
Public safety	53,300	53,300	52,843	(457)
Capital outlay	77,300	77,300	-	(77,300)
Total expenditures	<u>130,600</u>	<u>130,600</u>	<u>52,843</u>	<u>(77,757)</u>
Revenues (under) expenditures	<u>(107,600)</u>	<u>(107,600)</u>	<u>(30,522)</u>	<u>77,078</u>
Net change in fund balance	<u>\$ (107,600)</u>	<u>\$ (107,600)</u>	<u>\$ (30,522)</u>	<u>\$ 77,078</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 8,600	\$ 8,600	\$ 12,012	\$ 3,412
Interest	300	300	81	(219)
Total revenues	<u>8,900</u>	<u>8,900</u>	<u>12,093</u>	<u>3,193</u>
Expenditures:				
Capital outlay	<u>20,200</u>	<u>20,200</u>	<u>-</u>	<u>(20,200)</u>
Total expenditures	<u>20,200</u>	<u>20,200</u>	<u>-</u>	<u>(20,200)</u>
Revenues over (under) expenditures	<u>(11,300)</u>	<u>(11,300)</u>	<u>12,093</u>	<u>23,393</u>
Net change in fund balance	<u>\$ (11,300)</u>	<u>\$ (11,300)</u>	<u>\$ 12,093</u>	<u>\$ 23,393</u>

City of Surprise, Arizona

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

Neighborhood Revitalization Fund

Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Grants	\$ 692,400	\$ 1,262,400	\$ 1,259,129	\$ (3,271)
Total revenues	<u>692,400</u>	<u>1,262,400</u>	<u>1,259,129</u>	<u>(3,271)</u>
Expenditures:				
Current:				
Community development	<u>692,400</u>	<u>1,270,300</u>	<u>1,259,129</u>	<u>(11,171)</u>
Total expenditures	<u>692,400</u>	<u>1,270,300</u>	<u>1,259,129</u>	<u>(11,171)</u>
Revenues (under) expenditures	<u>-</u>	<u>(7,900)</u>	<u>-</u>	<u>7,900</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (7,900)</u>	<u>\$ -</u>	<u>\$ 7,900</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ 25,500	\$ 25,500	\$ 26,496	\$ 996
Interest	-	-	36	36
Total revenues	<u>25,500</u>	<u>25,500</u>	<u>26,532</u>	<u>1,032</u>
Expenditures:				
Current:				
Culture and recreation	77,400	77,400	15,482	(61,918)
Total expenditures	<u>77,400</u>	<u>77,400</u>	<u>15,482</u>	<u>(61,918)</u>
Revenues over (under) expenditures	<u>(51,900)</u>	<u>(51,900)</u>	<u>11,050</u>	<u>62,950</u>
Net change in fund balance	<u>\$ (51,900)</u>	<u>\$ (51,900)</u>	<u>\$ 11,050</u>	<u>\$ 62,950</u>

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 482,000	\$ 482,000	\$ 280,630	\$ (201,370)
Interest	51,600	51,600	22,113	(29,487)
Total revenues	<u>533,600</u>	<u>533,600</u>	<u>302,743</u>	<u>(230,857)</u>
Expenditures:				
Current:				
General government	20,000	20,000	-	(20,000)
Culture and recreation	3,554,000	3,554,000	-	(3,554,000)
Total expenditures	<u>3,574,000</u>	<u>3,574,000</u>	<u>-</u>	<u>(3,574,000)</u>
Revenues over (under) expenditures	<u>(3,040,400)</u>	<u>(3,040,400)</u>	<u>302,743</u>	<u>3,343,143</u>
Other financing (uses)				
Transfers out	<u>(794,200)</u>	<u>(794,200)</u>	<u>(794,115)</u>	<u>(85)</u>
Total other financing (uses)	<u>(794,200)</u>	<u>(794,200)</u>	<u>(794,115)</u>	<u>(85)</u>
Net change in fund balance	<u>\$ (3,834,600)</u>	<u>\$ (3,834,600)</u>	<u>\$ (491,372)</u>	<u>\$ 3,343,058</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 227,800	\$ 227,800	\$ 248,764	\$ 20,964
Interest	12,900	12,900	6,012	(6,888)
Total revenues	<u>240,700</u>	<u>240,700</u>	<u>254,776</u>	<u>14,076</u>
Expenditures:				
Current:				
General government	20,000	20,000	-	(20,000)
Public safety	978,800	978,800	-	(978,800)
Total expenditures	<u>998,800</u>	<u>998,800</u>	<u>-</u>	<u>(998,800)</u>
Revenues over (under) expenditures	<u>(758,100)</u>	<u>(758,100)</u>	<u>254,776</u>	<u>1,012,876</u>
Other financing (uses)				
Transfers out	<u>(245,800)</u>	<u>(245,800)</u>	<u>(245,751)</u>	<u>(49)</u>
Total other financing (uses)	<u>(245,800)</u>	<u>(245,800)</u>	<u>(245,751)</u>	<u>(49)</u>
Net change in fund balance	<u>\$ (1,003,900)</u>	<u>\$ (1,003,900)</u>	<u>\$ 9,025</u>	<u>\$ 1,012,827</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 119,282	119,282
Interest	-	-	649	\$ 649
Other	19,600	19,600	19,572	(28)
Total revenues	<u>19,600</u>	<u>19,600</u>	<u>139,503</u>	<u>119,903</u>
Expenditures:				
Current:				
Public works and streets	19,600	19,600	19,572	(28)
Total expenditures	<u>19,600</u>	<u>19,600</u>	<u>19,572</u>	<u>(28)</u>
Revenues over expenditures	-	-	119,931	119,931
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,931</u>	<u>\$ 119,931</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 137,800	\$ 137,800	\$ 136,254	\$ (1,546)
Interest	117,300	117,300	52,344	(64,956)
Other	-	-	4,507	4,507
Total revenues	<u>255,100</u>	<u>255,100</u>	<u>193,105</u>	<u>(61,995)</u>
Expenditures:				
Current:				
General government	20,000	20,000	-	(20,000)
Public works and streets	9,798,700	9,737,500	125,638	(9,611,862)
Capital outlay	-	61,200	44,351	(16,849)
Total expenditures	<u>9,818,700</u>	<u>9,818,700</u>	<u>169,989</u>	<u>(9,648,711)</u>
Revenues over (under) expenditures	<u>(9,563,600)</u>	<u>(9,563,600)</u>	<u>23,116</u>	<u>9,586,716</u>
Net change in fund balance	<u>\$ (9,563,600)</u>	<u>\$ (9,563,600)</u>	<u>\$ 23,116</u>	<u>\$ 9,586,716</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ -	\$ -	\$ 280,035	\$ 280,035
Interest	27,100	27,100	11,222	(15,878)
Total revenues	<u>27,100</u>	<u>27,100</u>	<u>291,257</u>	<u>264,157</u>
Expenditures:				
Current:				
General government	2,136,000	2,136,000	-	(2,136,000)
Total expenditures	<u>2,136,000</u>	<u>2,136,000</u>	<u>-</u>	<u>(2,136,000)</u>
Revenues over (under) expenditures	<u>(2,108,900)</u>	<u>(2,108,900)</u>	<u>291,257</u>	<u>2,400,157</u>
Net change in fund balance	<u>\$ (2,108,900)</u>	<u>\$ (2,108,900)</u>	<u>\$ 291,257</u>	<u>\$ 2,400,157</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ 300	\$ 300	\$ 141	\$ (159)
Total revenues	<u>300</u>	<u>300</u>	<u>141</u>	<u>(159)</u>
Expenditures:				
Current:				
General government	14,900	14,900	-	(14,900)
Total expenditures	<u>14,900</u>	<u>14,900</u>	<u>-</u>	<u>(14,900)</u>
Revenues over (under) expenditures	<u>(14,600)</u>	<u>(14,600)</u>	<u>141</u>	<u>14,741</u>
Net change in fund balance	<u>\$ (14,600)</u>	<u>\$ (14,600)</u>	<u>\$ 141</u>	<u>\$ 14,741</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 17,000	\$ 17,000	\$ 21,167	\$ 4,167
Interest	-	-	117	117
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>21,284</u>	<u>4,284</u>
Expenditures:				
Current:				
Public safety	40,100	40,100	4,240	(35,860)
Total expenditures	<u>40,100</u>	<u>40,100</u>	<u>4,240</u>	<u>(35,860)</u>
Revenues over (under) expenditures	<u>(23,100)</u>	<u>(23,100)</u>	<u>17,044</u>	<u>40,144</u>
Net change in fund balance	<u>\$ (23,100)</u>	<u>\$ (23,100)</u>	<u>\$ 17,044</u>	<u>\$ 40,144</u>

City of Surprise, Arizona

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

SPD DEA Fund

Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 120,000	\$ 120,000	\$ -	\$ (120,000)
Interest	-	-	2,234	2,234
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>2,234</u>	<u>(117,766)</u>
Expenditures:				
Current:				
Public safety	154,400	154,400	-	(154,400)
Total expenditures	<u>154,400</u>	<u>154,400</u>	<u>-</u>	<u>(154,400)</u>
Revenues over (under) expenditures	<u>(34,400)</u>	<u>(34,400)</u>	<u>2,234</u>	<u>36,634</u>
Other financing (uses)				
Transfers out	-	(295,600)	(295,553)	(47)
Total other financing (uses)	<u>-</u>	<u>(295,600)</u>	<u>(295,553)</u>	<u>(47)</u>
Net change in fund balance	<u>\$ (34,400)</u>	<u>\$ (330,000)</u>	<u>\$ (293,319)</u>	<u>\$ 36,587</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 360,000	\$ 360,000	\$ 110,440	\$ (249,560)
Interest	-	-	3,421	3,421
Total revenues	<u>360,000</u>	<u>360,000</u>	<u>113,861</u>	<u>(246,139)</u>
Expenditures:				
Current:				
Public safety	806,000	806,000	138,061	(667,939)
Capital outlay	-	-	2,163	2,163
Total expenditures	<u>806,000</u>	<u>806,000</u>	<u>140,224</u>	<u>(665,776)</u>
Revenues (under) expenditures	<u>(446,000)</u>	<u>(446,000)</u>	<u>(26,363)</u>	<u>419,637</u>
Other financing sources				
Transfers in	-	295,600	295,553	(47)
Total other financing sources	<u>-</u>	<u>295,600</u>	<u>295,553</u>	<u>(47)</u>
Net change in fund balance	<u>\$ (446,000)</u>	<u>\$ (150,400)</u>	<u>\$ 269,190</u>	<u>\$ 419,590</u>

City of Surprise, Arizona

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

SPD Towing Fund

Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ 117,000	\$ 117,000	\$ 94,050	\$ (22,950)
Interest	-	-	2,468	2,468
Total revenues	<u>117,000</u>	<u>117,000</u>	<u>96,518</u>	<u>(20,482)</u>
Expenditures:				
Current:				
Public safety	532,000	448,000	79,517	(368,483)
Capital outlay	-	84,000	74,798	(9,202)
Total expenditures	<u>532,000</u>	<u>532,000</u>	<u>154,315</u>	<u>(377,685)</u>
Revenues (under) expenditures	<u>(415,000)</u>	<u>(415,000)</u>	<u>(57,797)</u>	<u>357,203</u>
Net change in fund balance	<u>\$ (415,000)</u>	<u>\$ (415,000)</u>	<u>\$ (57,797)</u>	<u>\$ 357,203</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ 100,000	\$ 100,000	\$ 326,286	\$ 226,286
Interest income (loss)	600	600	(329)	(929)
Total revenues	<u>100,600</u>	<u>100,600</u>	<u>325,957</u>	<u>225,357</u>
Expenditures:				
Current:				
Culture and recreation	301,500	301,500	-	(301,500)
Total expenditures	<u>301,500</u>	<u>301,500</u>	<u>-</u>	<u>(301,500)</u>
Revenues over (under) expenditures	<u>(200,900)</u>	<u>(200,900)</u>	<u>325,957</u>	<u>526,857</u>
Net change in fund balance	<u>\$ (200,900)</u>	<u>\$ (200,900)</u>	<u>\$ 325,957</u>	<u>\$ 526,857</u>

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,235,600	\$ 2,235,600	\$ 2,404,515	\$ 168,915
Interest	-	-	2,301	2,301
Total revenues	<u>2,235,600</u>	<u>2,235,600</u>	<u>2,406,816</u>	<u>171,216</u>
Expenditures:				
Current:				
Public works and streets	2,657,100	2,647,100	2,406,816	(240,284)
Total expenditures	<u>2,657,100</u>	<u>2,647,100</u>	<u>2,406,816</u>	<u>(240,284)</u>
Revenues (under) expenditures	<u>(421,500)</u>	<u>(411,500)</u>	-	411,500
Net change in fund balance	<u>\$ (421,500)</u>	<u>\$ (411,500)</u>	<u>\$ -</u>	<u>\$ 411,500</u>

City of Surprise, Arizona

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

Tourism Fund

Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 172,000	\$ 172,000	\$ 177,312	\$ 5,312
Interest	1,800	1,800	1,535	(265)
Total revenues	<u>173,800</u>	<u>173,800</u>	<u>178,847</u>	<u>5,047</u>
Expenditures:				
Current:				
Culture and recreation	506,400	506,400	31,000	(475,400)
Total expenditures	<u>506,400</u>	<u>506,400</u>	<u>31,000</u>	<u>(475,400)</u>
Revenues over (under) expenditures	<u>(332,600)</u>	<u>(332,600)</u>	<u>147,847</u>	<u>480,447</u>
Net change in fund balance	<u>\$ (332,600)</u>	<u>\$ (332,600)</u>	<u>\$ 147,847</u>	<u>\$ 480,447</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ 48,900	\$ 48,900	\$ 19,793	\$ (29,107)
Total revenues	48,900	48,900	19,793	(29,107)
Expenditures:				
Current:				
General government	1,800	1,800	-	(1,800)
Debt Service				
Principal	2,451,700	2,451,700	2,451,713	13
Interest and fiscal charges	909,400	909,400	911,161	1,761
Total expenditures	3,362,900	3,362,900	3,362,874	(26)
Revenues (under) expenditures	(3,314,000)	(3,314,000)	(3,343,081)	(29,081)
Other financing sources				
Transfers in	3,361,300	3,361,300	3,361,013	(287)
Total other financing sources	3,361,300	3,361,300	3,361,013	(287)
Net change in fund balance	\$ 47,300	\$ 47,300	\$ 17,932	\$ (29,368)

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, 2014

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Assets			
Current assets			
Cash and investments	\$ 3,112,241	\$ 2,175,516	\$ 5,287,757
Receivables (net of allowances)			
Accounts	2,199	-	2,199
Other assets	1,560	-	1,560
Total current assets	<u>3,116,000</u>	<u>2,175,516</u>	<u>5,291,516</u>
Total assets	<u>3,116,000</u>	<u>2,175,516</u>	<u>5,291,516</u>
Liabilities			
Current liabilities:			
Accounts payable	11,601	21,633	33,234
Accrued payroll and related taxes	2,031	3,934	5,965
Insurance claims payable	1,024,401	-	1,024,401
Compensated absences payable	1,634	2,521	4,155
Total current liabilities	<u>1,039,667</u>	<u>28,088</u>	<u>1,067,755</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>1,041,833</u>	<u>31,430</u>	<u>1,073,263</u>
Net Position			
Unrestricted	<u>2,074,167</u>	<u>2,144,086</u>	<u>4,218,253</u>
Total net position	<u>\$ 2,074,167</u>	<u>\$ 2,144,086</u>	<u>\$ 4,218,253</u>

City of Surprise, Arizona

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

Internal Service Funds

Fiscal Year Ended June 30, 2014

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Operating Revenues:			
Charges for services	\$ 9,262,406	\$ 1,701,831	\$ 10,964,237
Total operating revenues	<u>9,262,406</u>	<u>1,701,831</u>	<u>10,964,237</u>
Operating Expenses:			
Cost of sales and services	8,880,853	1,425,773	10,306,626
Total operating expenses	<u>8,880,853</u>	<u>1,425,773</u>	<u>10,306,626</u>
Operating income	<u>381,553</u>	<u>276,058</u>	<u>657,611</u>
Non-operating revenues			
Interest revenue	12,934	9,564	22,498
Total non-operating revenues	<u>12,934</u>	<u>9,564</u>	<u>22,498</u>
Income before contributions and transfers	<u>394,487</u>	<u>285,622</u>	<u>680,109</u>
Changes in net position	<u>394,487</u>	<u>285,622</u>	<u>680,109</u>
Net position (deficits), beginning	<u>1,679,680</u>	<u>1,858,464</u>	<u>3,538,144</u>
Net position, ending	<u>\$ 2,074,167</u>	<u>\$ 2,144,086</u>	<u>\$ 4,218,253</u>

City of Surprise, Arizona
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2014

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ 9,260,925	\$ 1,701,831	\$ 10,962,756
Cash paid to suppliers	(8,746,340)	(1,373,350)	(10,119,690)
Cash paid to employees	(178,327)	(95,670)	(273,997)
Net cash provided by operating activities	<u>336,258</u>	<u>232,811</u>	<u>569,069</u>
Cash flows from investing activities			
Cash received from interest income	<u>12,934</u>	<u>9,564</u>	<u>22,498</u>
Net cash provided by investing activities	<u>12,934</u>	<u>9,564</u>	<u>22,498</u>
Net change in cash	349,192	242,375	591,567
Cash, beginning of year	2,763,049	1,933,141	4,696,190
Cash, end of year	<u>\$ 3,112,241</u>	<u>\$ 2,175,516</u>	<u>\$ 5,287,757</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 381,553	\$ 276,058	\$ 657,611
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets:			
Accounts receivable	(2,199)	-	(2,199)
Other receivables	718	-	718
Other assets	120	68	188
Accounts payable	4,664	(40,063)	(35,399)
Accrued payroll and related taxes	488	(3,252)	(2,764)
Insurance claims payable	(49,086)	-	(49,086)
Total adjustments	<u>(45,295)</u>	<u>(43,247)</u>	<u>(88,542)</u>
Net cash provided by operating activities	<u>\$ 336,258</u>	<u>\$ 232,811</u>	<u>\$ 569,069</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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment of capital assets	\$ 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	\$ 413,717,047
Restricted	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	29,650,958
Unrestricted	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	25,538,922
Total governmental activities net position	\$ 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	\$ 468,906,927
Business-type activities										
Net investment of capital assets	\$ 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	\$ 263,420,571
Restricted*	-	-	-	-	-	13,841,284	21,445,388	6,673,158	6,867,426	6,895,582
Unrestricted	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	57,257,700
Total business-type activities net position	\$ 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	\$ 327,573,853
Primary government										
Net investment of capital assets	\$ 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	\$ 677,137,618
Restricted	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	36,546,540
Unrestricted	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	82,796,622
Total primary government net position	\$ 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	\$ 796,480,780

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
(accural basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 16,079,202
Public safety	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	40,931,709
Public works & streets (including SLIDs)	9,754,900	69,404,991	20,868,755	25,092,309	26,621,704	28,392,783	29,748,611	29,415,043	33,710,624	34,988,682
Community development	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	8,388,639
Culture and recreation	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	17,228,719
Interest	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	1,378,709
Total governmental activities expenses	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	118,995,660
Business-type Activities:										
Water	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	10,546,378
Sewer	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	20,072,400
Sanitation	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	7,144,521
Replenishment	461,179	637,096	628,514	1,585,734	-	-	-	-	-	-
Total business-type activities	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	37,763,299
Total primary government expenses	\$ 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	\$ 156,758,959
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 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	\$ 8,494,212
Public safety	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	1,306,553
Public works & streets (including SLIDs)	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	499,338
Community development	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	1,697,315
Culture and recreation	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	4,917,918
Operating grants and contributions	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	9,833,470
Capital grants and contributions	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	2,877,937
Total governmental activities program revenues	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	29,626,743
Business-type activities:										
Charges for services:										
Water	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	9,987,819
Sewer	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	16,046,564
Sanitation	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	7,000,935
Replenishment	650,607	1,037,188	796,503	771,602	-	-	-	-	-	-
Capital grants and contributions	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	3,270,131
Total business-type activities program revenues	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	36,305,449
Total primary government program revenues	\$ 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	\$ 65,932,192
Net revenue/expense:										
Governmental activities	\$ 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)	\$ (89,368,917)
Business-type activities	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	(1,457,850)
Total primary government net expense	\$ 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)	\$ (90,826,767)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,420	\$ 637,513	\$ 626,565	\$ 821,009
Restricted	-	-	-	-	-	-	129,117	79,170	77,439	66,385
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	1,334,202	317,343	327,182	360,030
Unassigned	-	-	-	-	-	-	239,533	4,459,773	17,166,622	26,849,205
Reserved	-	-	-	56,667	4,048,909	2,692,681	-	-	-	-
Unreserved	41,826,279	45,310,453	31,570,113	31,766,001	17,105,789	12,527,329	-	-	-	-
Total general fund	\$ 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	\$ 28,096,629

All other governmental funds										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,744	\$ 106,844	\$ 134,673	\$ 206,294
Restricted	-	-	-	-	-	-	27,151,070	26,932,579	28,027,995	29,584,573
Committed	-	-	-	-	-	-	7,767,079	7,915,957	7,266,032	47,607,527
Assigned	-	-	-	-	-	-	41,951,897	42,460,372	44,505,144	1,173,198
Unassigned	-	-	-	-	-	-	(50,850,735)	(50,409,260)	(49,901,573)	(50,029,315)
Reserved	2,289,308	2,289,309	2,289,308	2,289,307	2,289,308	57,870,335	-	-	-	-
Unreserved, reported in:										
Special revenue funds	55,938,643	62,118,371	36,752,608	37,336,735	22,123,789	(37,216,769)	-	-	-	-
Capital projects funds	14,934,332	29,508,462	58,960,539	21,474,937	2,895,166	(8,724,406)	-	-	-	-
Debt service funds	133,352	458,821	651,086	555,713	27,832	6,236,019	-	-	-	-
Total all other governmental funds	\$ 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	\$ 28,542,277

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 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	\$ 48,262,126
Licenses and permits	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	5,197,956
Intergovernmental	9,654,739	12,012,572	29,416,541	30,539,662	29,229,811	28,985,886	25,743,085	30,476,028	33,441,035	35,923,296
Charges for services	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	7,896,783
Grants	1,232,108	1,938,848	1,707,016	1,881,543	1,314,944	2,855,614	3,010,650	1,626,534	2,443,199	2,131,707
Fines	1,076,701	1,515,169	1,222,791	1,348,307	1,862,634	1,930,944	1,827,127	1,870,202	1,986,692	1,498,451
Rents	5,520,616	5,274,430	5,224,704	7,844,593	7,789,822	4,000,944	6,111,019	580,820	584,972	606,679
Development fees	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	1,790,461
Interest	2,468,787	4,215,995	7,138,672	3,894,950	403,629	391,530	464,496	278,177	149,655	307,139
Special assessments*	710,321	823,210	1,420,634	1,442,179	2,186,412	-	-	-	-	-
Donations	-	-	-	-	-	-	429,237	257,372	344,589	148,062
Indirect charges**	-	-	-	-	-	-	3,660,700	3,660,700	3,660,700	4,682,772
Other	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	482,776
Total revenues	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	108,928,208
Expenditures										
Current										
General government	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	13,674,046
Public safety	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	38,018,470
Public works and streets (incl. SLIDS)	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	16,784,098
Community development	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	8,344,991
Culture and recreation	10,644,800	12,137,290	15,537,728	17,326,488	18,110,338	13,393,070	12,373,798	13,421,538	13,210,175	14,912,746
Capital outlay	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	6,409,054
Debt Service										
Principal	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	2,661,713
Interest	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	1,378,709
Other charges	-	-	1,747,390	256,445	231,221	-	-	-	-	-
Total expenditures	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	102,183,827
Excess of revenues over (under) expenses	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	6,744,381
Other financing sources (uses)										
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	240,830
Transfers in (out)	21,563	-	(36,469,155)	4,078,000	4,373,199	(6,167,991)	946,818	968,148	1,068,522	4,803,747
From bonding	-	-	52,133,243	3,950,000	3,395,000	-	-	-	-	(3,656,566)
Total other financing sources (uses)	21,563	-	15,664,088	8,028,000	7,768,199	(6,167,991)	946,818	968,148	1,101,557	1,388,011
Net change in fund balances	\$ 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	\$ 8,132,392
Debt service as a percentage of noncapital expenditures***	12.3%	8.7%	9.6%	9.6%	8.7%	4.7%	5.0%	4.6%	4.6%	4.2%

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
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
2014	9,401,277	39,685,844	5,159,956	54,247,077

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Description of Payers Business</u>										
Construction	\$ 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	\$ 5,702,652
Retail trade	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	15,319,378
Communications and utilities	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	5,230,594
Restaurant and bar	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	5,262,786
Real estate, rental and leasing	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	3,872,029
Other	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	3,439,338
Total	\$ 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	\$ 38,826,777

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2014.

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	
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%
2014	P 635,011,041	351,426,277	(128,356,166)	858,081,152	0.7783	8,378,359,740	10.24%
2014	S 674,517,543	367,445,212	(137,241,712)	904,721,043	-	8,871,516,138	10.20%

Source: Maricopa County Assessor's Office 2013 State Abstract
Direct Tax Rate is From the Maricopa County Finance Department's "2013 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	City of Surprise										Overlapping Rates										Total Direct & Overlapping Rates
	City of Surprise					Maricopa County					Dysart School District					Total					
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Operating Tax Rate	Debt Service Tax Rate	County Library Tax Rate	County Tax Rate	Total County Tax Rate	Operating Tax Rate	Debt Service Tax Rate	Other Tax Rate	Operating Tax Rate	Debt Service Tax Rate	School District Tax Rate	Other Tax Rate						
2005	0.7501	0.1600	0.9101	1.2108	-	0.0521	1.2629	5.0924	1.3014	1.8320	6.3938	1.8320	6.3938	1.8320	10.3988						
2006	0.7277	0.1824	0.9101	1.1971	-	0.0521	1.2492	5.4627	1.6924	1.9267	7.1551	1.9267	7.1551	1.9267	11.2411						
2007	0.7229	0.1872	0.9101	1.1794	-	0.0507	1.2301	5.1144	1.8378	1.5145	6.9522	1.5145	6.9522	1.5145	10.6069						
2008	0.6593	0.1007	0.7600	1.1046	-	0.0391	1.1437	4.4326	1.6402	1.3281	6.0728	1.3281	6.0728	1.3281	9.3046						
2009	0.5939	0.0195	0.6134	1.0327	-	0.0353	1.0680	4.0525	1.5226	1.2662	5.5751	1.2662	5.5751	1.2662	8.5227						
2010	0.5661	-	0.5661	0.9909	-	0.0353	1.0262	3.0430	1.7251	1.2182	4.7681	1.2182	4.7681	1.2182	7.5786						
2011	0.6735	-	0.6735	1.0508	-	0.0412	1.0920	2.9051	2.0919	1.3405	4.9970	1.3405	4.9970	1.3405	8.1030						
2012	0.6700	-	0.6700	1.2407	-	0.0492	1.2899	3.4104	2.5820	1.6440	5.9924	1.6440	5.9924	1.6440	9.5963						
2013	0.7383	-	0.7383	1.2407	-	0.0492	1.2899	4.6547	2.7317	1.8351	7.3864	1.8351	7.3864	1.8351	11.2497						
2014	0.7783	-	0.7783	1.2807	-	0.0492	1.3299	4.3492	2.9538	1.6356	7.3030	1.6356	7.3030	1.6356	11.0468						

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

City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2014 and 2005

Taxpayer	2014			2005		
	Primary Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Arizona Public Service Company	\$ 22,910,103	1	2.67%			
Southwest Gas Corporation (T&D)	5,750,491	2	0.67%			
EPCOR - Agua Fria Water Division	3,131,197	3	0.36%			
CCD Real Estate Holdings LLC	3,023,742	4	0.35%			
MCI Communications Services Inc	2,844,277	5	0.33%			
Wal-Mart Stores Inc	2,574,253	6	0.30%			
Sanifill of Arizona Inc	2,428,384	7	0.28%			
Surprise Pointe LLC	2,404,108	8	0.28%			
Surprise Marketplace Holdings LLC	2,350,737	9	0.27%			
Surprise Towne Center Holdings LLC	2,329,723	10	0.27%			
Arizona Public Service Company				\$ 11,428,719	1	2.05%
Southwest Gas Corporation				4,008,496	2	0.72%
				3,462,896	3	0.62%
				3,048,130	4	0.55%
				2,970,026	5	0.53%
				2,632,584	6	0.47%
				2,508,110	7	0.45%
				2,281,596	8	0.41%
				2,222,175	9	0.40%
				2,159,678	10	0.39%
Total	<u><u>\$ 49,747,015</u></u>		5.78%	<u><u>\$ 36,722,410</u></u>		6.59%
Primary Assessed Valuation	858,081,152			558,439,274		

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
2005	\$ 3,293,058	\$ 3,221,174	97.8%	\$ 45,537	\$ 3,266,711	99.2%
2006	4,064,856	3,957,218	97.4%	53,162	4,010,380	98.7%
2007	5,044,070	4,830,192	95.8%	145,244	4,975,436	98.6%
2008	5,899,686	5,745,663	97.4%	103,259	5,848,922	99.1%
2009	6,381,730	6,166,879	96.6%	184,680	6,351,560	99.5%
2010	6,952,011	6,599,191	94.9%	136,308	6,735,499	96.9%
2011	7,174,003	6,892,250	96.1%	178,508	7,070,758	98.6%
2012	6,200,706	6,021,059	97.1%	125,053	6,146,112	99.1%
2013	6,295,546	6,159,818	97.8%	103,679	6,263,496	99.5%
2014	6,350,356	6,249,156	98.4%	-	6,249,156	98.4%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2014.

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	Municipal Property Corp. Bonds	Infrastructure Financing Authority Loan	Total Primary Government	Percentage of Personal Income			
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		
2014	-	7,335,000	17,444,474	53,565,524	-	-	78,344,998	2.8%	634		

* 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
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%		-
2014	-		-	-	0.000%		-

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

	<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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit 6%										
Total net debt applicable to limit	\$ 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	\$ 54,283,263
Unrestricted legal debt margin	\$ 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	\$ 54,283,263

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%
--	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Restricted

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit 20%										
Total net debt applicable to limit	\$ 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	\$ 180,944,209
Restricted legal debt margin	4,222,767	3,630,490	2,698,490	1,372,603	243,175	-	-	-	-	-
	\$ 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	\$ 180,944,209

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

	4.39%	3.03%	1.81%	0.57%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%
--	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Source: Maricopa County Assessor's Office - 2013 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
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%
2014	123,546	2,836,842,846	59,973	36.0	5.4%

Data Sources:
Arizona Department of Commerce
US Census Bureau

**City of Surprise, Arizona
Principal Employers
June 30, 2014 and Nine Years Prior**

Employer	2014			2005		
	Employees	Rank	%of Total	Employees	Rank	%of Total
Dysart School District (Surprise Schools Only)	1,753	1	14.61%	450	4	2.66%
Wal-Mart	988	2	8.24%	600	2	3.55%
City of Surprise	748	3	5.26%	660	1	3.90%
Fry's Food Store	537	4	4.48%			
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%			
Albertson's Food Store	159	10	1.33%	215	6	0.00%
Del Webb/Pulte				555	3	1.27%
Surprise Charter Schools (3)				280	5	3.28%
Sun City Grand Community Association				210	7	1.65%
Waste Management - Arizona				200	8	1.24%
Smith Food and Drugs				145	9	1.18%
Target				135	10	0.86%

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General government	80	97	124	139	140	124	124	123	123	123
Public safety:										
Police:										
Officers	97	117	128	150	134	132	130	132	133	134
Civilians	13	14	15	20	53	56	58	49	49	48
Fire:										
Firefighters and officers	94	106	129	156	110	110	114	112	112	111
Civilians	4	6	9	10	15	9	8	6	6	7
Public works and streets:										
All others	63	78	89	105	113	100	96	82	83	83
Community development	43	49	51	48	43	40	36	36	40	40
Culture and recreation	94	103	112	124	117	95	97	97	110	110
Water	7	10	8	8	31	31	33	29	25	25
Sanitation	16	23	29	29	32	32	34	34	31	31
Sewer	20	26	30	34	39	39	39	36	36	36
Replenishment	1	1	3	5	-	-	-	-	-	-
Total	532	630	727	828	827	768	769	736	748	748

Source: Fiscal year 2014 Adopted Budget

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety:										
Police:										
Calls- incidents responded to	28,503	33,047	38,283	40,344	43,002	41,495	40,779	42,010	39,866	37,566
Citations issued	11,080	12,117	8,347	11,732	13,728	12,455	8,233	7,856	9,673	7,020
Auto theft rates per capita										
Crimes per capita	1.1	1.1	1.2	1.2	1.2	1.2	1.5	1.1	1.1	1.1
Officers per 1,000 residents										
Fire:										
Number of responses	7,416	8,668	9,120	10,281	10,523	10,998	11,620	12,313	13,649	14,004
Inspections	1,023	1,055	2,164	2,285	2,114	639	1,101	1,122	1,184	1,411
Public works and streets:										
Sq. ft. of buildings to maintain	340,700	375,000	378,900	535,717	567,245	830,271	830,431	830,431	830,271	830,271
Vehicles/equipment maintained per month	229	244	394	418	484	444	387	494	403	392
Number of street lights repaired	135	150	148	124	212	249	270	291	300	377
Street miles maintained	550	592	592	592	592	526	536	539	607	607
Community development:										
Building safety inspections performed	61,215	37,607	38,000	30,311	17,749	11,349	11,106	13,257	20,150	18,220
Annual new residential starts	7,704	6,866	1,759	774	373	291	206	395	554	385
Culture and recreation:										
Organized recreation program participants	41,700	29,000	27,760	132,795	186,139	170,336	176,569	185,232	191,648	19,230
Special events/open facility participants	150,300	144,000	157,800	249,599	259,731	242,759	261,327	256,674	269,823	278,980
Water:										
Water service connections	11,047	13,249	13,985	14,375	14,472	14,519	14,130	14,329	14,570	14,740
Sewer:										
Sewage treated (million gallons per day)	5.9	7.0	7.0	7.0	6.0	7.6	7.4	7.6	8.1	8.1
Sewer service connections	35,001	40,072	42,284	42,912	45,032	46,448	44,077	44,583	45,802	45,984
Sanitation:										
Refuse collected (tons/annually)	21,200	28,100	30,700	31,506	29,757	30,398	30,803	30,289	29,400	30,583
Number of routes	11	31	31	25	26	34	34	33	33	32
Total services	21,800	28,625	30,800	32,096	32,719	33,797	37,144	32,357	32,975	33,321

Sources: Various government departments

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety:										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	55	75	66	68	81	73	80	64	63	63
Fire:										
Fire stations	4	4	4	6	7	7	7	7	7	7
Fire engines and ladder trucks	6	7	7	9	10	11	11	11	11	12
Public works and streets:										
Street miles	586	593	593	593	592	592	536	539	607	607
Street lighting improvement districts	57	69	71	79	79	83	98	103	101	105
Traffic Signals	20	23	27	34	41	42	42	45	51	51
Bridges	1	1	1	9	12	15	15	19	19	19
Community development:										
Inspection vehicles	27	29	23	14	12	12	12	12	12	10
Culture and recreation:										
Parks acreage	278	284	284	367	383	393	393	393	393	393
Parks	6	7	9	12	12	12	12	12	12	12
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball fields	2	2	3	3	9	11	11	11	11	11
Baseball fields	15	15	17	17	21	21	21	21	21	21
Libraries	2	2	2	2	2	2	2	2	2	2
Water:										
Well production maximum daily capacity (millions of gallons)	5.8	20.2	22.0	21.8	20.7	24.6	31.0	31.0	31	31
Sewer:										
Sewer treatment plants	1	1	1	1	1	1	2	2	2	2
Maximum daily treatment capacity	7.2	7.5	8.3	8.3	16.3	16.3	18.3	18.3	18.3	18.3
Sanitation:										
Collection trucks	17	22	22	25	26	26	26	26	26	26

Sources: Various government departments

FY 2014

CITY OF SURPRISE

FINANCE DEPARTMENT

16000 N. Civic Center Plaza

Surprise, AZ 85374-7470

623.222.1800

623.222.1801 fax

TTY: 623.222.1002



SURPRISE
ARIZONA

www.surpriseaz.gov