



SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA

**FY15 COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

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FY2015



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CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2015

Prepared by:
Finance Department



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ARIZONA

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INTRODUCTORY SECTION

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



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January 22, 2016

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, 2015. 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, 2015, 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, 2015, 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 126,000 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 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 three activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all 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 an improved economic outlook for the City of Surprise. These forecasts are supported by several key indicators such as unemployment, inflation, and local revenues. The unemployment rate for the City of Surprise has decreased from 6.9% at June 2014 to 5.9% as of June 2015. This current unemployment rate is well below the unemployment rate high of 11.5% reached in June 2009. In addition, the inflation rate has been held in check with the Phoenix-Mesa Consumer Price Index averaging 1.5% annually over the last five years. This shows prices have remained flat over the last five years assisting the local economy by increasing the purchasing power of residents. Lastly, 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 9% from the prior year and State shared revenues have increased 8%. The three indicators show low unemployment, low inflation, and increased sales tax revenues which translates into better economic performance for the city.

Further information on the history of City revenues can be found in the MD&A, pages 14 through 27, and the statistical section that begins on page 141, of this financial report.

Long-Term Financial Planning

With the fund balances back in line with reserve targets, the City now looks to evaluate the delivery of current services and add resources in areas of need. The City is planning to focus on critical services and improvements of city parks, major roads, and Surprise Stadium improvements. The Surprise Stadium improvements will be a \$21 million project that is designed to keep spring training in Surprise for years to come. Over the next five years, the city is projecting revenues to be in-line with expenditures. The City continues to build its financial strength and concentrate on critical services and major projects.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Surprise for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. In order to be awarded this certificate, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate is valid for a period of one year only. We believe that our current CAFR continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,

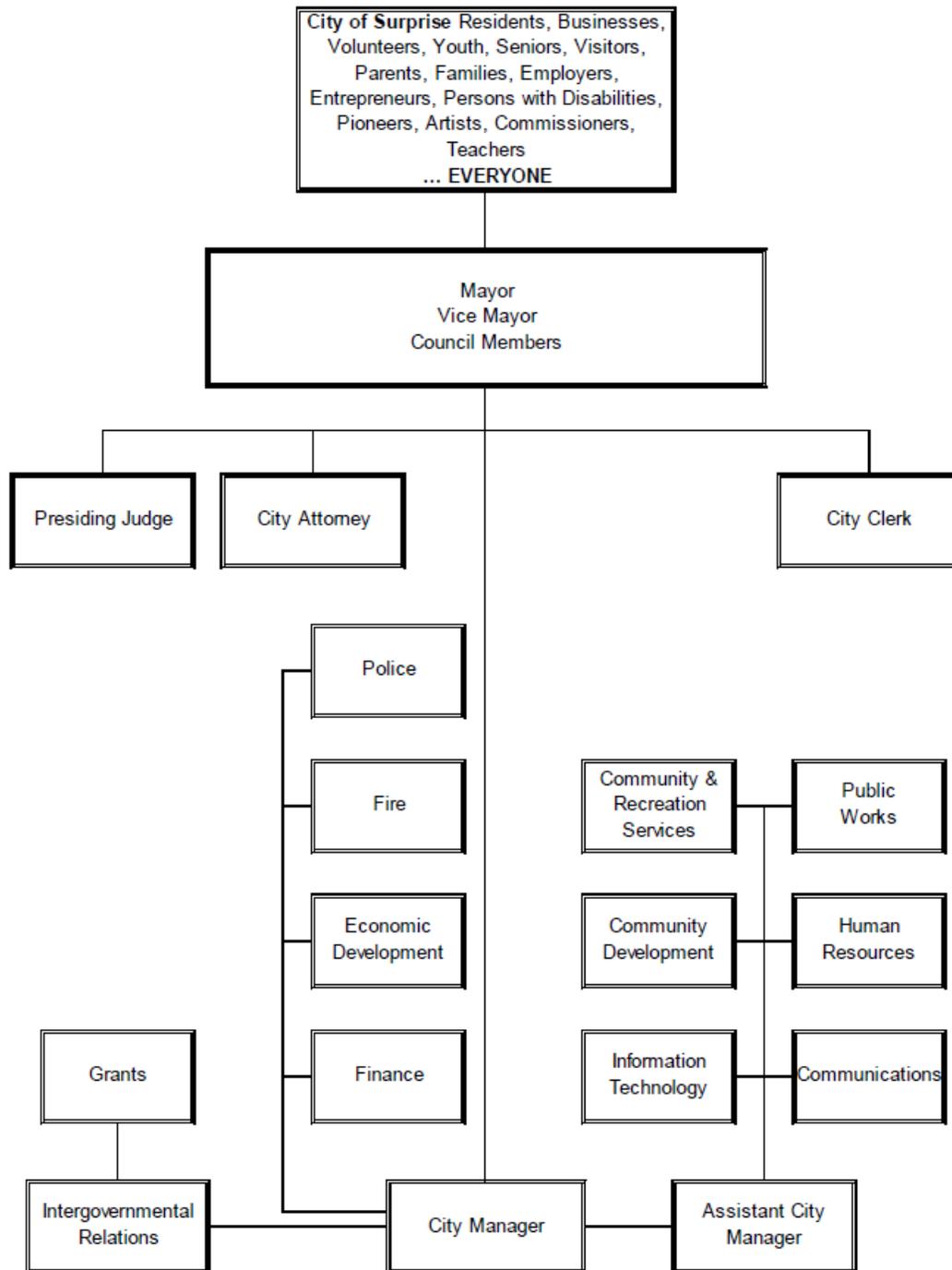


Lindsey Duncan
Chief Financial Officer



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 issues and opportunities.

Mayor Wolcott first visited 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 Surprise, Mayor Wolcott lived in Minnesota and served as a state legislator in both the Minnesota House of Representatives and Senate. She also served on the City Council in Newport, Minnesota. The mayor's term expires in December 2016.

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.

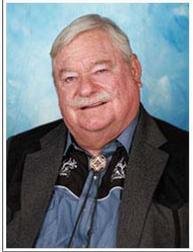
Skip is active with the City's Tourism Commission and in promoting the City to local, regional and national organizations. He is active with the Chamber of Commerce and the AZ TechCelerator to promote business growth.

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 visitors' 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 to 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 as 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
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for Excellence
in Financial
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Presented to

**City of Surprise
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Surprise, Arizona as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the City of Surprise, Arizona adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASB Statements No. 68 and No. 71, the City reported a restatement for the change in accounting principle (see Note 14.) Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension schedules, the OPEB plans' funding progress and budgetary comparison information as listed on the table of contents 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 Honorable Mayor and the City Council of the
City of Surprise, Arizona

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
January 22, 2016



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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, 2015. 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.** The City's unrestricted net position was negatively impacted this fiscal year with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which required the City to record its proportionate share of unfunded pension liabilities for pension plans in which it participates. Implementation of this statement caused an overall decrease of \$48.1 million. More information on the City's pension plans can be found in Note 8 on pages 63-78 of this report. The City's net position, as restated, decreased by 0.5% or \$2.1 million from \$420.8 million to \$418.7, a smaller decrease than the prior year decrease of \$6.4 million. Increase in one-time projects accounted for the decrease in net position.
- ❖ **Business Type net position.** The City's unrestricted net position was negatively impacted this fiscal year with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which required the City to record its proportionate share of unfunded pension liabilities for pension plans in which it participates. Implementation of this statement caused an overall decrease of \$9.1 million. More information on the City's pension plans can be found in Note 8 on pages 63-78 of this report. The City's net position, as restated, decreased by 1.2% or \$3.9 million from \$318.5 million to \$314.6, a greater decrease than the prior year decrease of \$2.1 million. Decrease in development fees and capital contributions and an increase in developer reimbursements account for the change.
- ❖ **Governmental Activities expenses** of \$129.3 million exceeded program revenues of \$37.6 million, a difference of \$91.7 million. The remaining \$91.7 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 \$38.9 million, while program revenues totaled \$35.8 million, a difference of \$3.1 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 three separate legal entities in its report: 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 28 and 29-30) 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 31. 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 28. 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 31 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 fiduciary for the Flexible Spending Account. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position on pages 42.

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, 2015 and June 30, 2014.

City of Surprise's Net Position (in Millions)

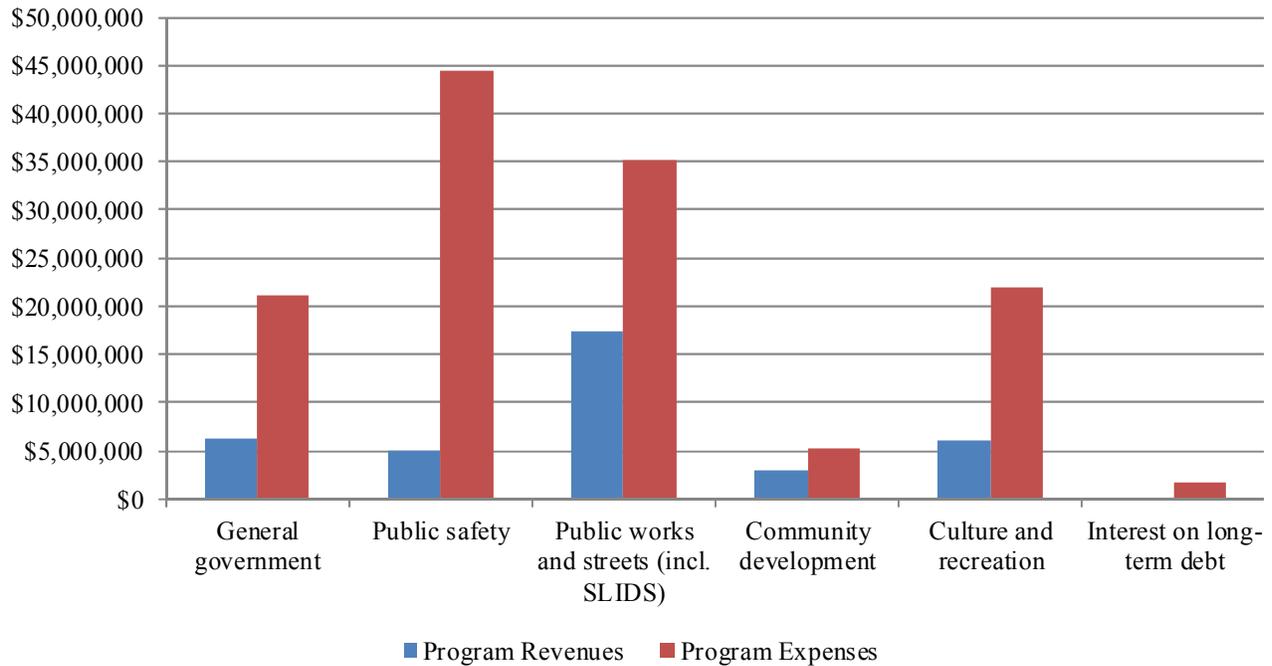
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
ASSETS						
Current and other assets	\$ 97.3	\$ 74.5	\$ 69.1	\$ 75.7	\$ 166.4	\$ 150.2
Capital assets, net	431.7	438.4	305.5	311.9	737.2	750.3
Total assets	<u>529.0</u>	<u>512.9</u>	<u>374.6</u>	<u>387.6</u>	<u>903.6</u>	<u>900.5</u>
DEFERRED OUTFLOWS OF RESOURCES	12.8	0.7	1.1	0.3	13.9	1.0
LIABILITIES						
Other liabilities	65.5	9.5	12.0	3.6	77.5	13.1
Long-term liabilities	49.6	35.2	47.6	56.7	97.2	91.9
Total liabilities	<u>115.1</u>	<u>44.7</u>	<u>59.6</u>	<u>60.3</u>	<u>174.7</u>	<u>105.0</u>
DEFERRED INFLOWS OF RESOURCES	8.0	-	1.5	-	9.5	-
Net position:						
Net investment in capital assets	409.3	413.7	264.7	263.4	674.0	677.1
Restricted	27.9	29.7	5.4	6.9	33.3	36.6
Unrestricted	(18.5)	25.5	44.5	57.3	26.0	82.8
Total net position	<u>\$ 418.7</u>	<u>\$ 468.9</u>	<u>\$ 314.6</u>	<u>\$ 327.6</u>	<u>\$ 733.3</u>	<u>\$ 796.5</u>

Net position is a good indicator of a city's overall financial standing. For fiscal year 2015, the City had total combined net position of \$733.3 million. This was a decrease of \$63.2 million, or 7.9% over the prior year's net position of \$796.5 million and is attributed to the recognition of the City's proportionate share of the net pension liability. Not all of the \$733.3 million is available for the City to use without restraint. The largest portion of the City's total net position \$674.0 million, or 92% represents the City's net investment in capital assets. Of the remaining net position, \$33.3 million is restricted for various purposes and \$26.0 million is unrestricted.

City of Surprises Changes in Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 16.1	\$ 16.9	\$ 35.7	\$ 33.0	\$ 51.8	\$ 49.9
Operating grants and contributions	9.9	9.8	-	-	9.9	9.8
Capital grants and contributions	11.6	2.9	0.1	3.3	11.7	6.2
General revenues:						
Property taxes	9.7	9.4	-	-	9.7	9.4
Sales taxes	42.1	39.7	-	-	42.1	39.7
Franchise taxes	5.2	5.2	-	-	5.2	5.2
State shared revenues	29.9	26.7	-	-	29.9	26.7
Unrestricted investment earnings	0.4	0.3	0.3	0.3	0.7	0.6
Other	1.1	0.5	-	-	1.1	0.5
Total revenues	<u>126.0</u>	<u>111.4</u>	<u>36.1</u>	<u>36.6</u>	<u>162.1</u>	<u>148.0</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	21.0	16.1	-	-	21.0	16.1
Public safety	44.4	40.8	-	-	44.4	40.8
Public works and streets	35.1	35.0	-	-	35.1	35.0
Community development	5.2	8.4	-	-	5.2	8.4
Culture and recreation	21.9	17.2	-	-	21.9	17.2
Interest on long-term debt	1.6	1.4	-	-	1.6	1.4
Business-type activities:						
Water	-	-	10.6	10.6	10.6	10.6
Sewer	-	-	20.4	20.1	20.4	20.1
Sanitation	-	-	7.9	7.1	7.9	7.1
Total expenses	<u>129.2</u>	<u>118.9</u>	<u>38.9</u>	<u>37.8</u>	<u>168.1</u>	<u>156.7</u>
Excess before transfers	(3.2)	(7.5)	(2.8)	(1.2)	(6.0)	(8.7)
Transfers in (out)	1.1	1.1	(1.1)	(1.1)	-	-
Increase/(Decrease) in net position	(2.1)	(6.4)	(3.9)	(2.3)	(6.0)	(8.7)
Net position - beginning	468.9	475.3	327.6	329.9	796.5	805.2
Change in Accounting Principle	(48.1)	-	(9.1)	-	(57.2)	-
Net position - beginning, as restated	<u>420.8</u>	<u>475.3</u>	<u>318.5</u>	<u>329.9</u>	<u>739.3</u>	<u>805.2</u>
Net position - ending	<u>\$ 418.7</u>	<u>\$ 468.9</u>	<u>\$ 314.6</u>	<u>\$ 327.6</u>	<u>\$ 733.3</u>	<u>\$ 796.5</u>

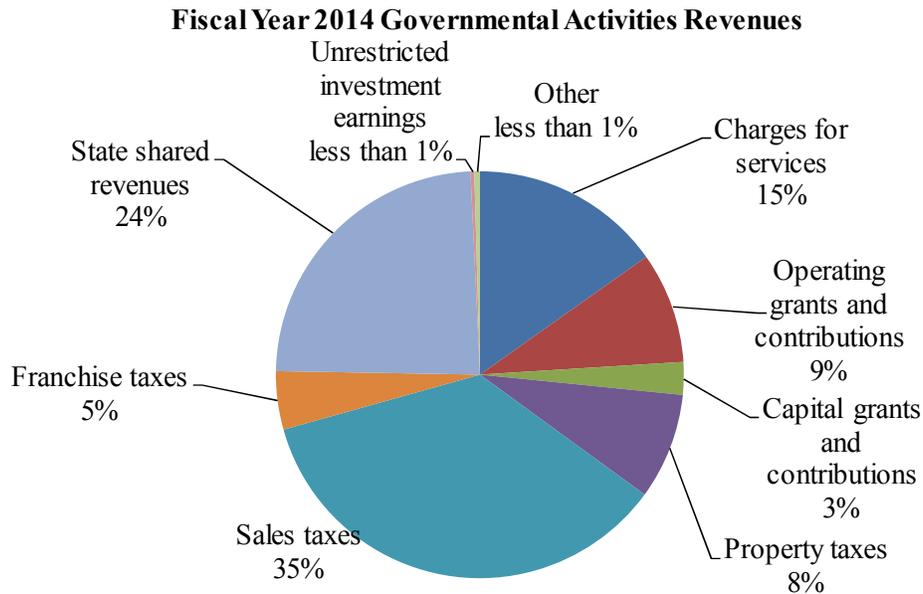
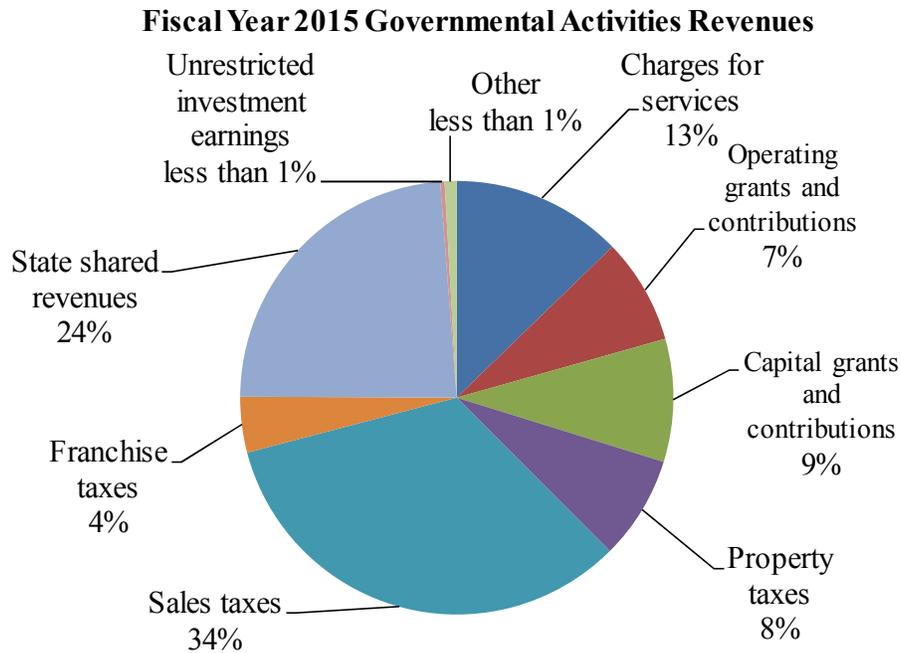
FY 2015 Governmental Program Revenues and Expenses



For fiscal year 2015, governmental program expenses exceeded program specific revenues by \$91.7 million. The remaining expenses were supported by general governmental revenues.

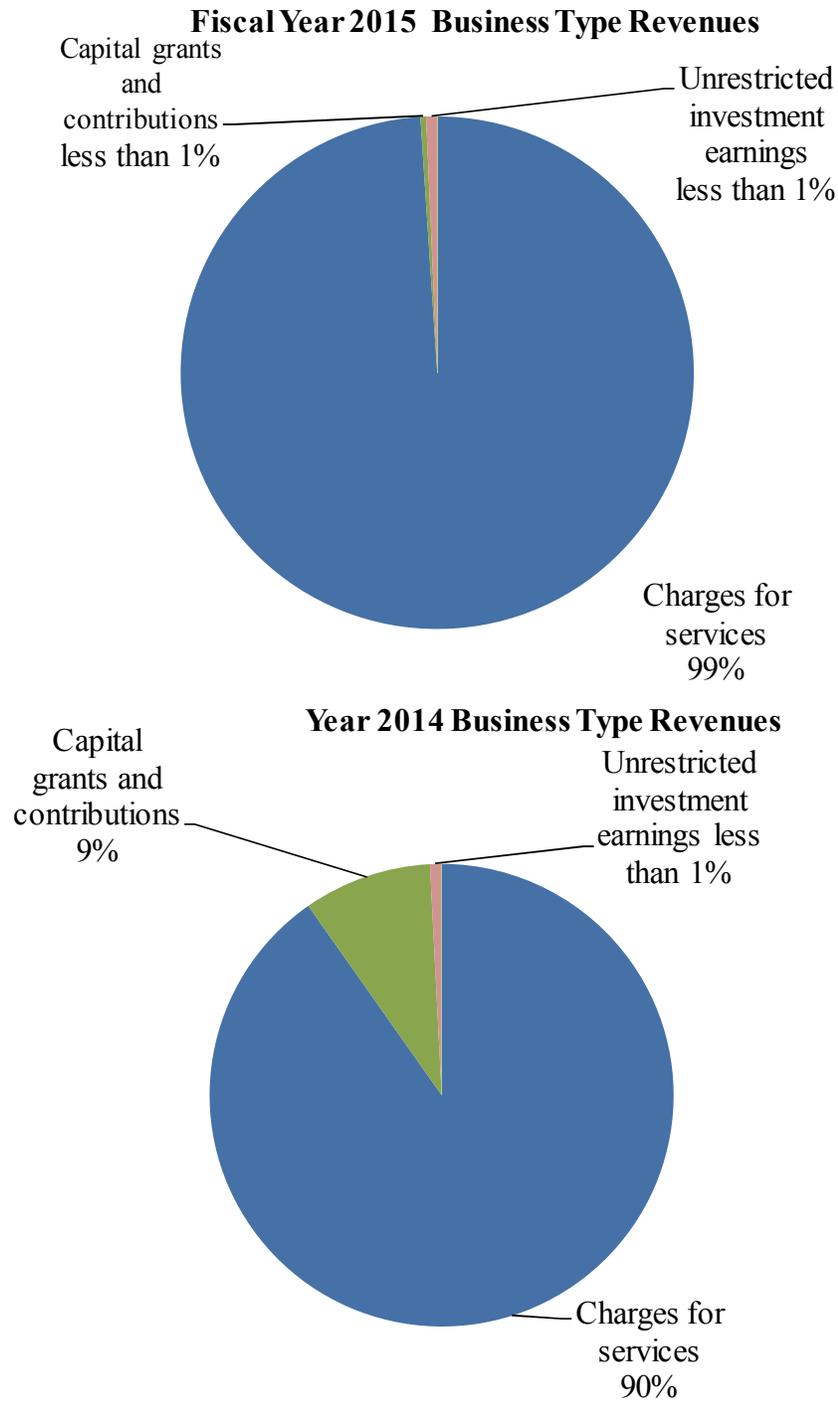
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 30% of total governmental revenues.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior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

Governmental Activities Revenues for the fiscal year ended June 30, 2015 totaled \$126.0 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.



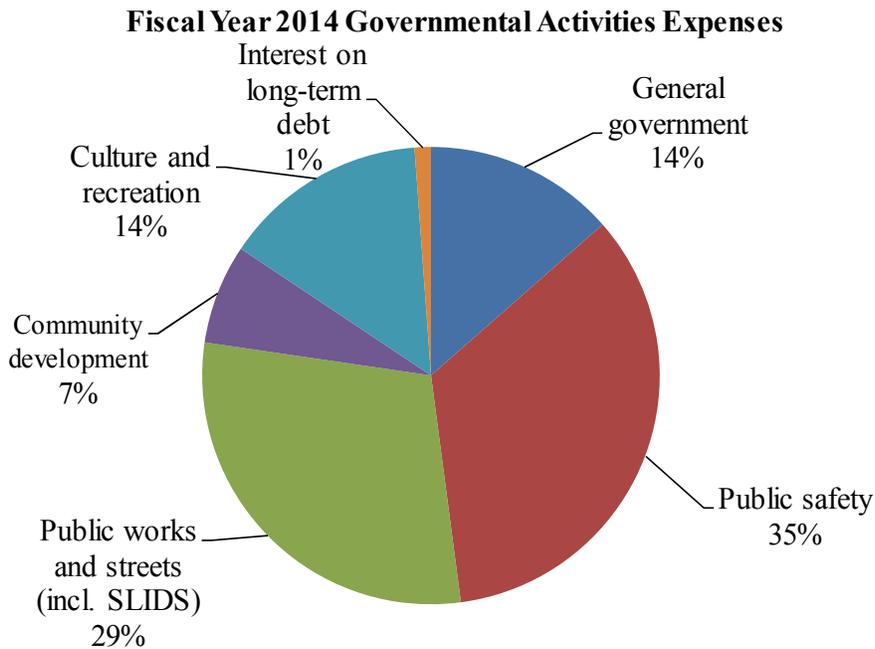
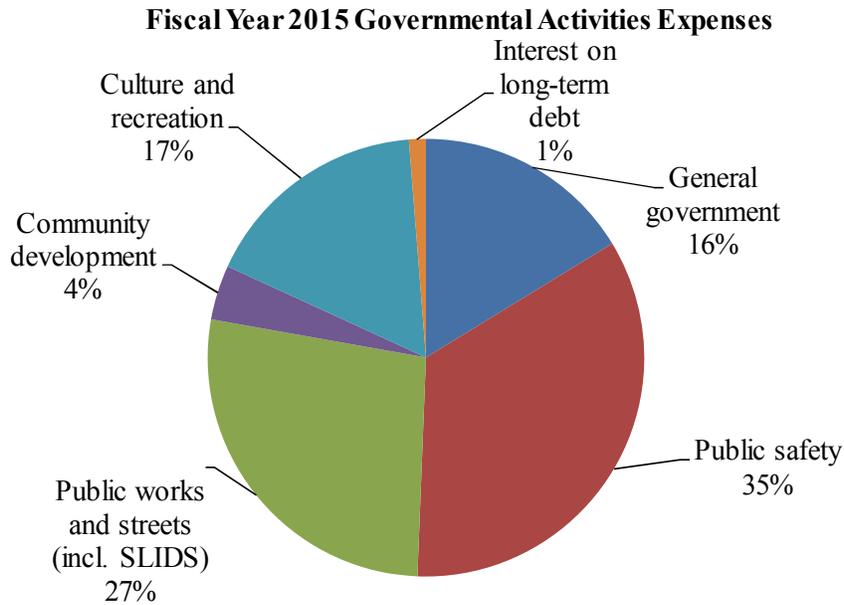
- ❖ The City's largest revenue source is sales taxes at \$42.1 million. This is followed by state shared revenues totaling \$29.9 million.
- ❖ Total governmental activities revenues increased \$14.6 million from the prior year as a result of the following changes in revenue: sales taxes increased \$2.4 million and state shared revenues increased \$3.2 million due to an improving local economy. Charges for services increased \$0.8 million, capital contributions and grants increased \$8.7 million and other revenue increased \$0.6 million from insurance recoveries, and miscellaneous revenues and recoveries.

Business Type Revenues for the fiscal year ended June 30, 2015 totaled \$36.1 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.



❖ Total Business Type Revenues decreased \$0.5 million from the prior fiscal year.

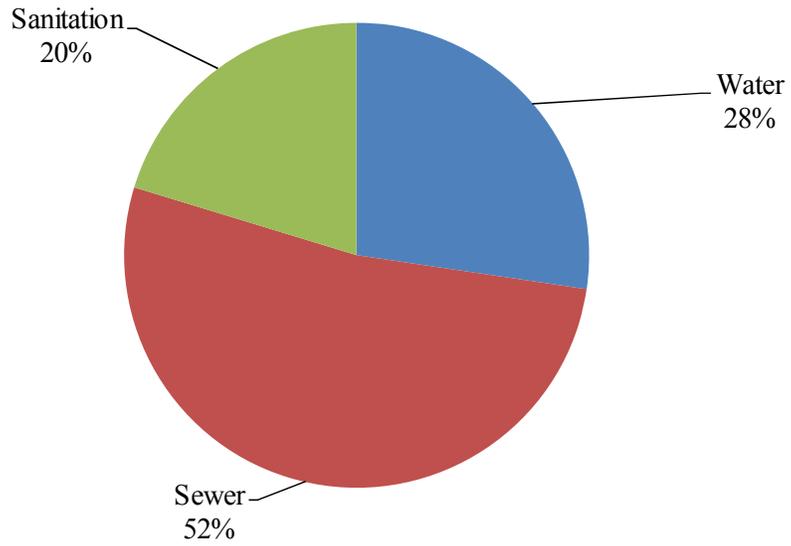
- ❖ **Governmental Activities Expenses** for the fiscal year ended June 30, 2015 totaled \$129.2 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



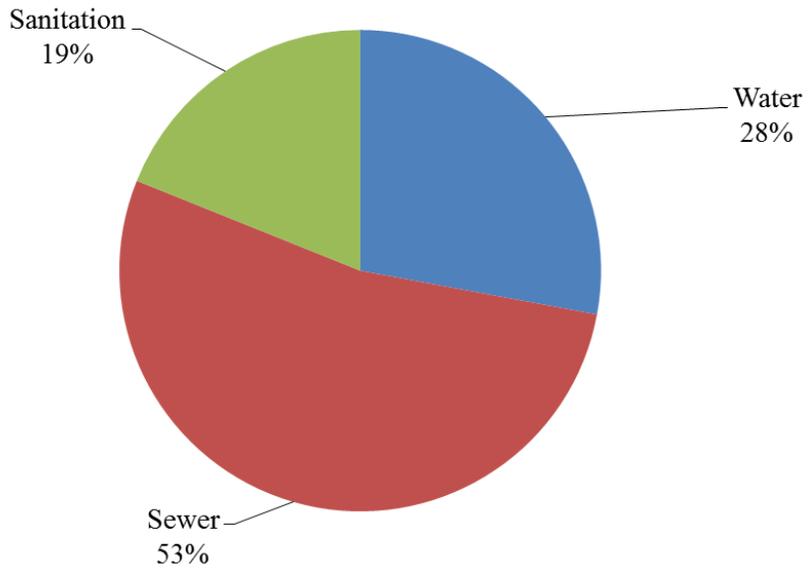
- ❖ Current year costs increased by \$10.3 million or 8.7%. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at \$44.4 million.

Business Type Expenses for the fiscal year ended June 30, 2015 totaled \$38.9 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2015 Business Type Expenses



Fiscal Year 2014 Business Type Expenses



- ❖ Business Type expenses increased by \$1.1 million or 2.9% from the prior year. Personnel increases account for the majority of the increase.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$20.8 million from \$56.6 million to \$77.4 million. The increase was primarily due to \$17.4 million in bond proceeds in the general capital projects fund. The remaining increase was due to a \$2.4 million increase in sales tax, \$3.2 million increase in property taxes and a \$0.6 increase in fire development fees. Of the total ending fund balance, \$1.5 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 \$46.8 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, \$42.2 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 \$1.8 million of fund balance which has been assigned to a specific purpose by the chief financial officer; these amounts may be used for other than their currently assigned positions if the chief financial officer deems it necessary. Finally, there is an unassigned fund balance of -\$14.9 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 \$8.1 million. This change was the result of increases in property taxes, sales taxes, state shared revenues and insurance recoveries.
 - The General Capital Projects Fund balance increased \$12.6 million. This change was due to unspent bond proceeds that were offset by decreased construction sales tax and increased expenditures related to the establishment of the Boys and Girls Club of Surprise and other projects.
 - The General Government Development Fee Fund contains \$44.2 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 \$0.8 million as a result of an increase in development fees. The fund used this income to pay down its interfund loan from \$6.0 million in the prior year to \$5.1 million this year. The remainder of the interfund loan will be repaid from future development fees.
 - The Highway User Revenue Fund balance decreased \$0.9 million from \$3.0 million to \$2.1 million due to increased expenditures related to pavement preservation projects and increased personnel costs.
 - The Transportation Improvement fund balance increased \$0.9 million from \$2.5 million to \$3.4 million. This increase is the result of decreased expenditures related to the pavement preservation projects.
 - The Non-major Governmental Funds fund balance decreased \$0.6 million. The decrease was due to increased expenditures for projects in the parks and recreation development fee fund and tourism fund.
- ❖ **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 \$104.6 million. Budget adjustments throughout the year increased total budgeted expenditures by \$2,000.
- ❖ Actual General Fund expenditures totaling \$87.6 million were \$17.0 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	
	2015	2014	2015	2014	2015	2014
Land and improvements	\$ 33.6	\$ 33.6	\$ 5.1	\$ 5.1	\$ 38.7	\$ 38.7
Parks	10.3	10.3	-	-	10.3	10.3
Water rights	-	-	7.9	7.3	7.9	7.3
Construction in progress	10.0	4.7	0.8	1.6	10.7	6.3
Buildings and improvements	135.5	141.5	286.2	291.5	421.8	433.0
Improvements other than buildings	12.7	13.3	0.8	0.9	13.5	14.2
Equipment and vehicles	11.1	12.7	4.7	5.5	15.8	18.2
Infrastructure	218.5	222.3	-	-	218.5	222.3
Total capital assets net	<u>\$ 431.7</u>	<u>\$ 438.4</u>	<u>\$ 305.5</u>	<u>\$ 311.9</u>	<u>\$ 737.2</u>	<u>\$ 750.3</u>

The capital assets of the Governmental Activities decreased by \$6.7 million from the prior fiscal year, net of depreciation (\$17.0 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2015 were the result of:
 - Current year depreciation expense of \$25.1 million.
 - Capital asset donations made to the City. The assets donated consisted of streets and water and sewer infrastructure.
 - \$2.5 million – Greer Ranch North Ph II.
 - \$98,000– Park Skyway at Solar Canyon Way and 132nd Ave.
 - \$192,000 – Austin Ranch SPA 3.
- ❖ Governmental Activities construction in process includes:
 - \$1.6 million – Bell Road Sidewalks.
 - \$1.49 million – Clubhouse Improvements.
 - \$0.8 million – Replace Financial Software.
 - \$0.7 million – Pumper Replacement.
 - \$0.5 million – Dove Valley Parkway.
 - \$0.4 million – Surprise Farms Park.

The capital assets of the Business Type Activities funds decreased by \$6.4 million from the prior fiscal year, net of depreciation (\$3.9 million increase before depreciation).

- ❖ Changes to the Business Type Activities capital assets for fiscal year 2015 were the result of:
 - Current year depreciation expense of \$10.7 million.
 - Capital asset infrastructure donations made to the City. The assets donated consisted of water and sewer utilities.
 - \$130,000 Park Skyway at Solar Canyon Way and 132nd Ave.
- ❖ Business Type Activities construction in process - includes:
 - \$184,000 Wastewater SCADA Upgrade.
 - \$117,000 SPA1 Effluent Reservoir Covers.
- ❖ For more detailed information on Capital Assets see Note 4 of this report.

Outstanding Debt at Year-End (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Pledged revenue obligations	\$ 34.2	\$ -	\$ 6.5	\$ -	\$ 40.7	\$ -
Municipal property corporation bonds	-	18.0	39.4	53.8	39.4	71.8
Community facilities districts bonds	7.1	7.3	-	-	7.1	7.3
Contracts and developer payable	2.1	2.0	0.4	0.3	2.5	2.3
Total debt outstanding	<u>\$ 43.4</u>	<u>\$ 27.3</u>	<u>\$ 46.3</u>	<u>\$ 54.1</u>	<u>\$ 89.7</u>	<u>\$ 81.4</u>

- ❖ **Long-term debt**, including amounts due within one year, increased \$8.3 million this year from \$81.4 million to \$89.7 million. The increase was the result of the issuance of \$17.4 million in stadium improvement pledged revenue obligations offset by current year principal payments.
- ❖ For more detailed information on long-term debt see Note 7 of this report.

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

- ❖ **Revenues are expected to increase slightly** – City sales tax is expected to increase 3%, or \$2.5 million as consumer spending continues to improve with the economy. State shared revenues are projected to increase by 3% from the current year. Currently, the City of Surprise is the tenth most populated city in Arizona.
- ❖ **Personnel increase** – For the FY2016 budget, represented public safety employees received a 5.0% step increase. Non-represented public safety employees received a 2.0% merit increase and all city employees on the general salary plan received a 3.0% merit increase.
- ❖ **Next year's budget** – Total budgeted expenditures for the General Fund for fiscal year 2016 is \$102.7 million, a decrease of \$1.9 million over the current year's final budgeted expenditures of \$104.6. The decrease in the budget is the result of a \$9.0 million decrease in contingency and a \$7.0 million increase for personnel increases and one-time projects.

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.



SURPRISE

ARIZONA

City of Surprise, Arizona
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 72,068,235	\$ 34,844,333	\$ 106,912,568
Receivables (net of allowances)			
Accounts	261,390	6,998,341	7,259,731
Taxes and franchise fees	9,095,717	-	9,095,717
Grants	401,961	-	401,961
Intergovernmental	1,275,685	-	1,275,685
Internal balances	(13,826,583)	13,826,583	-
Other	314,476	695	315,171
Prepaid items and other assets	398,485	116,770	515,255
Inventory	644,581	860,164	1,504,745
Restricted cash and investments	26,686,841	12,392,251	39,079,092
Capital assets, non-depreciable	53,905,935	13,839,664	67,745,599
Capital assets, depreciable	652,327,525	376,476,207	1,028,803,732
Accumulated depreciation	(274,545,754)	(84,804,793)	(359,350,547)
Total assets	<u>529,008,494</u>	<u>374,550,215</u>	<u>903,558,709</u>
Deferred Outflows of Resources			
Pension related	<u>12,802,291</u>	<u>1,146,686</u>	<u>13,948,977</u>
Liabilities			
Accounts payable	6,794,071	2,056,242	8,850,313
Accrued payroll and related taxes	1,744,068	196,501	1,940,569
Deposits	213,947	452,940	666,887
Unearned revenues	2,615,195	548,256	3,163,451
Contracts payable, due in less than one year	1,781,249	428,855	2,210,104
Contracts payable, due in more than one year	300,725	-	300,725
Insurance claims payable	1,538,461	-	1,538,461
Other liabilities	109,663	-	109,663
Compensated absences payable, due in less than one year	2,463,366	328,214	2,791,580
Compensated absences payable, due in more than one year	3,265,392	435,074	3,700,466
Matured bond and loan interest payable	226,934	475,039	701,973
Matured bonds and loans payable	220,000	-	220,000
Bonds, loans and payables due in less than one year	2,361,425	2,333,575	4,695,000
Bonds, loans and payables due in more than one year	38,951,454	43,566,996	82,518,450
Net Pension Liability	52,498,946	8,724,974	61,223,920
Total liabilities	<u>115,084,896</u>	<u>59,546,666</u>	<u>174,631,562</u>
Deferred Inflows of Resources			
Pension related	7,985,448	1,525,728	9,511,176
Net Position			
Net investment in capital assets	409,274,827	264,678,599	673,953,426
Restricted for:			
Public works	9,504,575	-	9,504,575
Sewer system repair and replacement	-	5,381,403	5,381,403
Debt service	3,646,087	-	3,646,087
Parks	3,259,080	-	3,259,080
Library	4,572,083	-	4,572,083
Transportation	4,193,684	-	4,193,684
Police	2,521,354	-	2,521,354
Court	251,498	-	251,498
Unrestricted	(18,482,747)	44,564,505	26,081,758
Total net position	<u>\$ 418,740,441</u>	<u>\$ 314,624,507</u>	<u>\$ 733,364,948</u>

See accompanying Notes to Financial Statements.

City of Surprise, Arizona
Statement of Activities
Fiscal Year Ended June 30, 2015

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 21,038,892	\$ 5,301,697	\$ 378,297	\$ 535,417
Public safety	44,415,505	2,963,326	800,849	1,258,872
Public works and streets	35,141,030	507,198	7,483,629	9,399,205
Community development	5,205,925	2,005,421	969,021	-
Culture and recreation	21,863,417	5,313,203	276,992	367,708
Interest on long-term debt	1,635,320	-	-	-
Total governmental activities	<u>129,300,089</u>	<u>16,090,845</u>	<u>9,908,788</u>	<u>11,561,202</u>
Business-type activities:				
Water	10,619,858	10,814,903	-	129,722
Sewer	20,360,031	17,950,085	-	-
Sanitation	7,883,309	6,952,296	-	-
Total business-type activities	<u>38,863,198</u>	<u>35,717,284</u>	<u>-</u>	<u>129,722</u>
Total primary government	<u>\$ 168,163,287</u>	<u>\$ 51,808,129</u>	<u>\$ 9,908,788</u>	<u>\$ 11,690,924</u>

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

(Continued)

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

Governmental Activities	Business-Type Activities	Total
\$ (14,823,481)		\$ (14,823,481)
(39,392,458)		(39,392,458)
(17,750,998)		(17,750,998)
(2,231,483)		(2,231,483)
(15,905,514)		(15,905,514)
<u>(1,635,320)</u>		<u>(1,635,320)</u>
<u>(91,739,254)</u>		<u>(91,739,254)</u>
	\$ 324,767	324,767
	(2,409,946)	(2,409,946)
	<u>(931,013)</u>	<u>(931,013)</u>
	<u>(3,016,192)</u>	<u>(3,016,192)</u>
<u>(91,739,254)</u>	<u>(3,016,192)</u>	<u>(94,755,446)</u>
9,713,903	-	9,713,903
42,111,177	-	42,111,177
5,249,320	-	5,249,320
29,879,804	-	29,879,804
400,260	253,407	653,667
1,146,649	-	1,146,649
<u>1,132,145</u>	<u>(1,132,145)</u>	<u>-</u>
<u>89,633,258</u>	<u>(878,738)</u>	<u>88,754,520</u>
<u>(2,105,996)</u>	<u>(3,894,930)</u>	<u>(6,000,926)</u>
468,906,927	327,573,853	796,480,780
<u>(48,060,490)</u>	<u>(9,054,416)</u>	<u>(57,114,906)</u>
<u>420,846,437</u>	<u>318,519,437</u>	<u>739,365,874</u>
<u>\$ 418,740,441</u>	<u>\$ 314,624,507</u>	<u>\$ 733,364,948</u>

See accompanying Notes to Financial Statements.



SURPRISE

ARIZONA

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, 2015

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Fire Development Fee Fund
Assets				
Cash and investments	\$ 31,668,039	\$ 5,944,503	\$ 661	\$ 19
Receivables (net of allowances)				
Accounts	260,592	-	-	-
Taxes and franchise fees	8,371,784	396,266	-	-
Grants	-	-	-	-
Intergovernmental	-	-	-	-
Due from other funds	170,485	-	-	-
Other	279,528	-	-	-
Prepaid items and other assets	392,322	-	-	-
Inventory	453,968	-	-	-
Restricted cash and investments	2,029,782	18,900,000	-	-
Advances to other funds	467,215	36,019,204	-	-
Total assets	<u>\$ 44,093,715</u>	<u>\$ 61,259,973</u>	<u>\$ 661</u>	<u>\$ 19</u>
Liabilities				
Accounts payable	\$ 2,449,771	\$ 3,125,346	\$ -	\$ -
Accrued payroll and related taxes	1,645,870	-	-	-
Due to other funds	-	-	-	-
Deposits	117,069	-	-	-
Unearned revenue	1,767,171	-	-	-
Contracts payable	1,616,865	-	-	-
Other liabilities	19,395	-	-	-
Matured bond interest payable	-	-	-	-
Matured bonds payable	-	-	-	-
Advances from other funds	-	-	44,186,872	5,097,986
Total liabilities	<u>7,616,141</u>	<u>3,125,346</u>	<u>44,186,872</u>	<u>5,097,986</u>
Deferred Inflows of Resources				
Unavailable revenue	260,834	-	-	-
Fund Balances (Deficits)				
Nonspendable	1,313,505	-	-	-
Restricted	-	18,900,000	-	-
Committed	-	39,234,627	-	-
Assigned	578,518	-	-	-
Unassigned	34,324,717	-	(44,186,211)	(5,097,967)
Total fund balances (deficits)	<u>36,216,740</u>	<u>58,134,627</u>	<u>(44,186,211)</u>	<u>(5,097,967)</u>
Total liabilities, deferred inflows and and fund balances	<u>\$ 44,093,715</u>	<u>\$ 61,259,973</u>	<u>\$ 661</u>	<u>\$ 19</u>

See accompanying Notes to Financial Statements.

Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 1,007,724	\$ 3,105,271	\$ 23,056,789	\$ 64,783,006
-	-	-	260,592
-	270,181	57,486	9,095,717
-	-	401,961	401,961
1,275,685	-	-	1,275,685
-	-	-	170,485
-	34,948	-	314,476
-	-	4,761	397,083
190,613	-	-	644,581
2,000	488,670	5,266,389	26,686,841
-	-	-	36,486,419
<u>\$ 2,476,022</u>	<u>\$ 3,899,070</u>	<u>\$ 28,787,386</u>	<u>\$ 140,516,846</u>
\$ 286,967	\$ 426	\$ 611,912	\$ 6,474,422
85,852	3,204	1,775	1,736,701
-	-	170,485	170,485
-	95,504	1,374	213,947
2,000	314,610	531,414	2,615,195
-	78,556	85,828	1,781,249
43,459	46,809	-	109,663
-	-	226,934	226,934
-	-	220,000	220,000
-	-	-	49,284,858
<u>418,278</u>	<u>539,109</u>	<u>1,849,722</u>	<u>62,833,454</u>
-	-	-	260,834
190,613	-	4,761	1,508,879
1,535,575	-	26,412,786	46,848,361
-	2,519,154	487,835	42,241,616
331,556	840,807	37,040	1,787,921
-	-	(4,758)	(14,964,219)
<u>2,057,744</u>	<u>3,359,961</u>	<u>26,937,664</u>	<u>77,422,558</u>
<u>\$ 2,476,022</u>	<u>\$ 3,899,070</u>	<u>\$ 28,787,386</u>	<u>\$ 140,516,846</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, 2015

Fund balances - total governmental funds		\$ 77,422,558
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 706,233,460	
Less accumulated depreciation	<u>(274,545,754)</u>	431,687,706
<p>Some revenues will not be available to pay for current-period expenditures and, therefore, are unavailable in the funds.</p>		
		260,834
<p>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.</p>		
Net position (adjusted for interfund activity)	4,030,710	
Net pension liability, pension outflows and inflows	356,579	
Compensated absences	<u>6,519</u>	4,393,808
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions		12,802,291
Deferred inflows of resources related to pensions		<u>(7,985,448)</u>
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	(37,947,800)	
Contracts payable	(300,725)	
Issuance premium (to be amortized as interest expense)	(3,365,079)	
Net pension liability	(52,498,946)	
Compensated absences payable	<u>(5,728,758)</u>	(99,841,308)
Net position of governmental activities		<u><u>\$ 418,740,441</u></u>

See accompanying Notes to Financial Statements.



SURPRISE

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City of Surprise, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2015

	<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	\$ 44,655,213	\$ 1,863,652	\$ -	\$ -
Licenses and permits	4,975,398	-	-	-
Intergovernmental	30,252,501	2,415	-	-
Charges for services	8,335,924	-	-	-
Grants	-	361,602	-	-
Fines	1,116,400	-	-	-
Rents	549,400	-	-	-
Development fees	-	-	511,862	1,004,208
Interest	153,105	54,229	196	713
Donations	244,767	-	-	-
Indirect charges	4,682,772	-	-	-
Other	1,107,440	41,527	-	-
Total revenues	<u>96,072,920</u>	<u>2,323,425</u>	<u>512,058</u>	<u>1,004,921</u>
Expenditures:				
Current				
General government	19,813,136	-	-	68,685
Public safety	41,070,231	-	-	-
Public works and streets	5,978,193	-	-	-
Community development	4,105,374	-	-	-
Culture and recreation	16,646,847	2,000,000	-	-
Capital outlay	-	6,632,942	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>87,613,781</u>	<u>8,632,942</u>	<u>-</u>	<u>68,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,459,139</u>	<u>(6,309,517)</u>	<u>512,058</u>	<u>936,236</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	96,812	49,775	-	-
Revenue bond proceeds	-	17,385,000	-	-
Premium on revenue bond proceeds	-	1,515,000	-	-
Refunding bond proceeds	-	-	-	-
Premium on refunding bond proceeds	-	-	-	-
Payment to refunded bond fiscal agent	-	-	-	-
Transfers in	1,132,145	-	-	-
Transfers out	(1,531,392)	-	(665,592)	(121,280)
Total other financing sources (uses)	<u>(302,435)</u>	<u>18,949,775</u>	<u>(665,592)</u>	<u>(121,280)</u>
Net change in fund balances	<u>8,156,704</u>	<u>12,640,258</u>	<u>(153,534)</u>	<u>814,956</u>
Fund Balances (deficits), beginning	28,096,629	45,494,369	(44,032,677)	(5,912,923)
Decrease in inventories	(36,593)	-	-	-
Fund balances (deficits), ending	<u>\$ 36,216,740</u>	<u>\$ 58,134,627</u>	<u>\$ (44,186,211)</u>	<u>\$ (5,097,967)</u>

See accompanying Notes to Financial Statements.

Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,204,709	\$ 3,454,948	\$ 52,178,522
-	-	-	4,975,398
7,292,171	-	400,517	37,947,604
9,000	-	896,929	9,241,853
-	45,389	1,252,618	1,659,609
-	-	652,271	1,768,671
-	-	-	549,400
-	-	708,055	2,224,125
16,237	15,584	160,196	400,260
-	-	904	245,671
-	-	-	4,682,772
1,083	-	5,142	1,155,192
<u>7,318,491</u>	<u>2,265,682</u>	<u>7,531,580</u>	<u>117,029,077</u>
-	302,549	107,616	20,291,986
-	-	792,646	41,862,877
8,163,601	200,530	2,972,288	17,314,612
-	-	969,021	5,074,395
-	-	654,276	19,301,123
99,064	864,884	1,007,578	8,604,468
-	-	2,786,800	2,786,800
-	-	1,245,447	1,245,447
-	-	389,873	389,873
<u>8,262,665</u>	<u>1,367,963</u>	<u>10,925,545</u>	<u>116,871,581</u>
<u>(944,174)</u>	<u>897,719</u>	<u>(3,393,965)</u>	<u>157,496</u>
-	-	79,493	226,080
-	-	-	17,385,000
-	-	228,255	1,743,255
-	-	13,447,800	13,447,800
-	-	1,621,824	1,621,824
-	-	(14,877,674)	(14,877,674)
-	-	3,356,838	4,488,983
-	-	(1,038,574)	(3,356,838)
-	-	2,817,962	20,678,430
<u>(944,174)</u>	<u>897,719</u>	<u>(576,003)</u>	<u>20,835,926</u>
3,017,599	2,462,242	27,513,667	56,638,906
(15,681)	-	-	(52,274)
<u>\$ 2,057,744</u>	<u>\$ 3,359,961</u>	<u>\$ 26,937,664</u>	<u>\$ 77,422,558</u>

City of Surprise, Arizona

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2015**

Net change in fund balances, total governmental funds		\$ 20,835,926
<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	\$ 9,552,434	
Less current year depreciation	<u>(25,092,564)</u>	(15,540,130)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
Capital contributions	9,337,027	
Disposals of assets	<u>(469,267)</u>	8,867,760
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(530,265)
<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)		1,155,163
<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		(52,274)
<p>Governmental funds report City pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.</p>		
Pension Contributions		5,862,094
Pension Expense		<u>(5,483,953)</u>
<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>		
Amortization of issuance premium	594,283	
Issuance premium	(3,365,079)	
Amount on refunding	(730,728)	
Contracts payable paid	202,276	
Principal paid	17,664,474	
Bonds issued	<u>(30,832,800)</u>	(16,467,574)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.</p>		
Increase in compensated absences		<u>(752,743)</u>
Change in net position of governmental activities, statement of activities		<u>\$ (2,105,996)</u>

See accompanying Notes to Financial Statements.



SURPRISE

ARIZONA

City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Sanitation Fund
Assets			
Cash and investments	\$ 11,837,654	\$ 14,415,036	\$ 8,591,643
Restricted cash and investments	332,205	11,837,361	222,685
Receivables (net of allowances)			
Accounts	2,355,605	3,238,752	1,403,984
Other	695	-	-
Other assets	112,460	-	4,310
Inventory	50,047	617,540	192,577
Total current assets	<u>14,688,666</u>	<u>30,108,689</u>	<u>10,415,199</u>
Noncurrent assets			
Advances to other funds	-	12,798,439	-
Capital assets	113,650,038	270,992,391	5,673,442
Accumulated depreciation	<u>(19,976,327)</u>	<u>(61,695,484)</u>	<u>(3,132,982)</u>
Total noncurrent assets	<u>93,673,711</u>	<u>222,095,346</u>	<u>2,540,460</u>
Total assets	<u>108,362,377</u>	<u>252,204,035</u>	<u>12,955,659</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>322,509</u>	<u>480,002</u>	<u>344,175</u>
Total deferred outflows of resources	<u>322,509</u>	<u>480,002</u>	<u>344,175</u>
Liabilities			
Current liabilities:			
Accounts payable	764,452	841,912	449,878
Accrued payroll and related taxes	43,359	94,347	58,795
Deposits	95,109	223,676	134,155
Unearned revenues	-	459,726	88,530
Insurance claims payable	-	-	-
Compensated absences payable	99,577	153,469	75,168
Contracts payable	237,096	191,759	-
Interest payable	-	475,039	-
Bonds, loans and payables due in less than one year	<u>-</u>	<u>2,333,575</u>	<u>-</u>
Total current liabilities	<u>1,239,593</u>	<u>4,773,503</u>	<u>806,526</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	131,997	203,436	99,641
Bonds, loans and payables due in more than one year	-	43,566,996	-
Net pension liability	<u>2,750,731</u>	<u>3,305,175</u>	<u>2,669,068</u>
Total noncurrent liabilities	<u>2,882,728</u>	<u>47,075,607</u>	<u>2,768,709</u>
Total liabilities	<u>4,122,321</u>	<u>51,849,110</u>	<u>3,575,235</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>481,017</u>	<u>577,973</u>	<u>466,738</u>
Total deferred inflows of resources	<u>481,017</u>	<u>577,973</u>	<u>466,738</u>
Net Position			
Net investment in capital assets	93,673,711	168,464,428	2,540,460
Restricted			
Sewer system repair and replacement	-	5,381,403	-
Unrestricted	<u>10,407,837</u>	<u>26,411,123</u>	<u>6,717,401</u>
Total net position	<u>\$ 104,081,548</u>	<u>\$ 200,256,954</u>	<u>\$ 9,257,861</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 Financial Statements.

City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2015

		Governmental Activities	
Total Enterprise Funds		Internal Service Fund	
\$	34,844,333	\$	7,285,229
	12,392,251		-
	6,998,341		798
	695		-
	116,770		1,402
	860,164		-
	<u>55,212,554</u>		<u>7,287,429</u>
	12,798,439		-
	390,315,871		-
	(84,804,793)		-
	<u>318,309,517</u>		<u>-</u>
	373,522,071		7,287,429
	<u>1,146,686</u>		<u>47,390</u>
	<u>1,146,686</u>		<u>47,390</u>
	2,056,242		319,649
	196,501		7,367
	452,940		-
	548,256		-
	-		1,538,461
	328,214		2,803
	428,855		-
	475,039		-
	2,333,575		-
	<u>6,819,622</u>		<u>1,868,280</u>
	435,074		3,716
	43,566,996		-
	8,724,974		343,841
	<u>52,727,044</u>		<u>347,557</u>
	<u>59,546,666</u>		<u>2,215,837</u>
	1,525,728		60,128
	<u>1,525,728</u>		<u>60,128</u>
	264,678,599		-
	5,381,403		-
	<u>43,536,361</u>		<u>5,058,854</u>
\$	<u>313,596,363</u>	\$	<u>5,058,854</u>
	1,028,144		
\$	<u>314,624,507</u>		

City of Surprise, Arizona
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2015

	Business-Type Activities-Enterprise Funds		
	Water Fund	Sewer Fund	Sanitation Fund
Operating Revenues:			
Charges for services	\$ 10,430,183	\$ 16,225,478	\$ 6,945,812
Other	30,783	20,571	6,484
Total operating revenues	<u>10,460,966</u>	<u>16,246,049</u>	<u>6,952,296</u>
Operating Expenses:			
Cost of sales and services	6,293,215	9,085,471	5,120,425
Indirect costs	1,244,052	1,552,368	1,886,352
Depreciation	2,837,929	6,969,562	884,843
Total operating expenses	<u>10,375,196</u>	<u>17,607,401</u>	<u>7,891,620</u>
Operating income (loss)	<u>85,770</u>	<u>(1,361,352)</u>	<u>(939,324)</u>
Non-operating revenues (expenses)			
Development fees	346,430	1,661,132	-
Extension fees	-	42,904	-
Developer reimbursement	(252,061)	(373,607)	-
Interest revenue	73,498	127,629	52,280
Gain\ (Loss) on disposal of capital assets	7,507	-	(32,558)
Amortization on premium	-	(59,177)	-
Interest and fiscal charges	-	(2,310,697)	-
Total non-operating revenues (expenses)	<u>175,374</u>	<u>(911,816)</u>	<u>19,722</u>
Income (loss) before contributions and transfers	<u>261,144</u>	<u>(2,273,168)</u>	<u>(919,602)</u>
Capital contributions	129,722	-	-
Transfers out	<u>(373,781)</u>	<u>(723,977)</u>	<u>(34,387)</u>
Changes in net position	17,085	(2,997,145)	(953,989)
Net position, beginning, as restated	<u>104,064,463</u>	<u>203,254,099</u>	<u>10,211,850</u>
Net position, ending	<u>\$ 104,081,548</u>	<u>\$ 200,256,954</u>	<u>\$ 9,257,861</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 Financial Statements.

City of Surprise, Arizona
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2015

<u>Total Enterprise Funds</u>	<u>Governmental Activities</u> <u>Internal Service Fund</u>
\$ 33,601,473	\$ 11,726,836
57,838	944
<u>33,659,311</u>	<u>11,727,780</u>
20,499,111	10,563,665
4,682,772	-
10,692,334	-
<u>35,874,217</u>	<u>10,563,665</u>
<u>(2,214,906)</u>	<u>1,164,115</u>
2,007,562	-
42,904	-
(625,668)	-
253,407	33,311
(25,051)	-
(59,177)	-
<u>(2,310,697)</u>	<u>-</u>
<u>(716,720)</u>	<u>33,311</u>
<u>(2,931,626)</u>	<u>1,197,426</u>
129,722	-
<u>(1,132,145)</u>	<u>-</u>
(3,934,049)	1,197,426
<u>317,530,412</u>	<u>3,861,428</u>
<u>\$ 313,596,363</u>	<u>\$ 5,058,854</u>
39,119	
<u>\$ (3,894,930)</u>	

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2015

	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	\$ 10,313,362	\$ 15,591,215	\$ 6,836,944	\$ 32,741,521	\$ 11,729,181
Cash paid to suppliers	(5,941,118)	(6,979,021)	(4,608,864)	(17,529,003)	(9,462,334)
Cash paid to employees	(1,800,690)	(3,331,909)	(2,319,528)	(7,452,127)	(302,686)
Other operating cash receipts	30,783	20,571	6,484	57,838	-
Net cash provided by (used in) operating activities	2,602,337	5,300,856	(84,964)	7,818,229	1,964,161
Cash flows from capital and related financing activities					
Proceeds received from development fees	346,430	1,661,132	-	2,007,562	-
Proceeds received from extension fees	-	42,904	-	42,904	-
Proceeds received on bond refunding	-	6,535,571	-	6,535,571	-
Principal and interest paid on bonds, loans and payables	-	(17,896,094)	-	(17,896,094)	-
Sale/acquisitions of capital assets	(2,297,671)	(2,385,914)	(42,338)	(4,725,923)	-
Net cash provided by (used in) capital and related financing activities	(1,951,241)	(12,042,401)	(42,338)	(14,035,980)	-
Cash flows from noncapital financing activities					
Cash received from other funds	-	882,896	-	882,896	-
Cash paid to other funds	(373,781)	(723,977)	(34,387)	(1,132,145)	-
Net cash provided by (used in) noncapital and related financing activities	(373,781)	158,919	(34,387)	(249,249)	-
Cash flows from investing activities					
Sales of investments	-	17,851,780	-	17,851,780	-
Purchases of investments	-	(16,084,742)	-	(16,084,742)	-
Cash received from interest income	73,498	127,629	52,280	253,407	33,311
Net cash provided by investing activities	73,498	1,894,667	52,280	2,020,445	33,311
Net change in cash	350,813	(4,687,959)	(109,409)	(4,446,555)	1,997,472
Cash, beginning of year	11,819,046	25,173,004	8,923,737	45,915,787	5,287,757
Cash, end of year	\$ 12,169,859	\$ 20,485,045	\$ 8,814,328	\$ 41,469,232	\$ 7,285,229
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 85,770	\$ (1,361,352)	\$ (939,324)	\$ (2,214,906)	\$ 1,164,115
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation expense	2,837,929	6,969,562	884,843	10,692,334	-
(Increase) decrease in assets:					
Accounts receivable	(107,224)	(461,126)	(82,054)	(650,404)	1,401
Grants receivables	-	8,521	-	8,521	-
Other receivables	1,463	2,816	23	4,302	-
Other assets	(111,424)	-	(4,310)	(115,734)	158
Inventory	(2,366)	276,840	6,001	280,475	-
Increase (Decrease) in Current Liabilities:					
Accounts payable	(193,022)	25,813	39,232	(127,977)	286,415
Accrued payroll and related taxes	4,138	25,001	4,581	33,720	1,402
Deposits	(11,060)	(30,625)	(15,245)	(56,930)	-
Unearned revenue	-	(153,849)	(11,592)	(165,441)	-
Compensated Absences	43,488	26,083	11,098	80,669	(3,144)
Net pension liability	54,645	(26,828)	21,783	49,600	(246)
Insurance claims payable	-	-	-	-	514,060
Total adjustments	2,516,567	6,662,208	854,360	10,033,135	800,046
Net cash provided by (used in) operating activities	\$ 2,602,337	\$ 5,300,856	\$ (84,964)	\$ 7,818,229	\$ 1,964,161
Noncash capital activities					
Capital asset contributions from developers	\$ 129,722	\$ -	\$ -	\$ 129,722	\$ -
Reconciliation to Statement of Net Position					
Cash and investments	\$ 11,837,654	\$ 14,415,036	\$ 8,591,643	\$ 34,844,333	\$ 7,285,229
Restricted cash and investments	332,205	11,837,361	222,685	12,392,251	-
Total cash and investments	\$ 12,169,859	\$ 26,252,397	\$ 8,814,328	\$ 47,236,584	\$ 7,285,229
Less investments	-	(5,767,352)	-	(5,767,352)	-
Total cash	\$ 12,169,859	\$ 20,485,045	\$ 8,814,328	\$ 41,469,232	\$ 7,285,229

See accompanying Notes to Financial Statements.

City of Surprise, Arizona
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	Flexible Spending Account Agency Fund
Assets	
Cash and investments	\$ 78,620
Total assets	<u>78,620</u>
Liabilities	
Deposits held for others	<u>78,620</u>
Total liabilities	<u><u>\$ 78,620</u></u>

See accompanying Notes to Financial Statements.



FINANCIAL SECTION – NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, both of which provide financial reporting guidance for reporting pension liabilities and expenses.

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.

For the fiscal year ended June 30, 2015, the City had no discretely presented component units. Separately issued financial statements are not prepared for any of the component units.

RELATED ORGANIZATIONS

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

NOTES TO FINANCIAL STATEMENTS

EXCLUDED ORGANIZATIONS

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

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

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

Government-Wide Financial Statements

The 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. Agency funds do not have a measurement focus. 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 State shared highway user revenues consisting of state taxes collected on gasoline, vehicle registration, vehicle license tax, and a number of other additional transportation related fees 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.

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 nonspendable and 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. DEFERRED OUTFLOWS OF RESOURCES

The City recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

I. 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.

NOTES TO FINANCIAL STATEMENTS

J. 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 amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

K. PENSION PLANS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), and the Elected Officials Retirement Plan (EORP) and additions to/deductions from ASRS/PSPRS/EORP's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS/EORP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. DEFERRED INFLOWS OF RESOURCES

The City recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68 and in connection with receivables for revenues that are not considered to be measurable and available to liquidate liabilities of the current period.

M. 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. Only City Council can remove or change the constraints placed on committed fund balance through formal council resolution.

NOTES TO FINANCIAL STATEMENTS

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.

N. 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 \$14.9 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 \$421,967 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.

O. 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.

NOTES TO FINANCIAL STATEMENTS

P. 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.

Q. PROPERTY TAX

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

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

The County levies real property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October, and becomes delinquent after the first business day in November. The second installment is due on the first day of March of the next year, and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and becomes delinquent 30 days thereafter.

R. 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.

S. INTERFUND TRANSACTIONS

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

T. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – 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 \$46,966,240 and the bank balance was \$50,083,076. At year end, \$5,348,073 of the City’s deposits was covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance of \$44,735,003 was fully collateralized. The collateral is held in the pledging banks trust department in the name of the pledging bank.

A reconciliation of the bank balance to the City’s deposit balance as of June 30, 2015 follows:

Total per bank balance	\$ 50,083,076
<i>Reconciling items:</i>	
Outstanding checks	(3,467,992)
General operating reconciling item	4,269
Deposits in transit	341,862
Cash on hand	5,025
	<u>46,966,240</u>
Less:	
Fiduciary fund	(78,620)
Total City deposits	<u>\$ 46,887,620</u>

The City’s investments consisted of the following as of June 30, 2015:

Investment Type	Fair Value	Investment Maturities		
		Less than 1 year	1-2 years	2-3 years
U.S. Government Securities	\$ 48,267,882	\$ 1,475,440	\$ 25,052,764	\$ 21,739,678
Government Sponsored Entity Debt	43,086,418	19,815,542	14,761,573	8,509,303
Money Market Mutual Funds	6,154,880	6,154,880	-	-
Local Government Investment Pool	401,907	401,907	-	-
Cash on deposit with the County Attorney	1,192,953	1,192,953	-	-
	<u>\$ 99,104,040</u>	<u>\$ 29,040,722</u>	<u>\$ 39,814,337</u>	<u>\$ 30,248,981</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.

NOTES TO FINANCIAL STATEMENTS

Total cash and investments for the City as of June 30, 2015, are as follows:

City's deposits	\$ 46,966,240
City's investments	<u>99,104,040</u>
Total	<u>\$ 146,070,280</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 \$43,086,418 of government sponsored entity debt. At June 30, 2015, these investments were rated by Standard and Poor’s as follows: \$23,270,876 at AA+; and \$19,815,542 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.

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	\$ 106,912,568
Total restricted cash and investments	<u>39,079,092</u>
Subtotal	<u>\$ 145,991,660</u>
Government-wide total cash and investments	\$ 145,991,660
plus: Fiduciary Fund cash and cash equivalents	<u>78,620</u>
Total	<u>\$ 146,070,280</u>

<u>Fund Financial Statements</u>	
<i>Governmental Funds</i>	
Cash and investments	\$ 64,783,006
Restricted cash and investments	<u>26,686,841</u>
	91,469,847
<i>Enterprise Funds</i>	
Cash and investments	34,844,333
Restricted cash and investments	<u>12,392,251</u>
	47,236,584
<i>Internal Service Funds</i>	
Cash and investments	<u>7,285,229</u>
<i>Fiduciary Funds</i>	
Cash and investments	<u>78,620</u>
Total	<u>\$ 146,070,280</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – ACCOUNTS RECEIVABLE

The amount due from other governments, as reported in the Statement of Net Position includes \$1,275,685 in highway user tax.

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

The amounts reported in the governmental funds for the year ended June 30, 2015 are as follows:

CAFR Fund Name	Unearned	Unavailable
General Fund	\$ 1,767,171	\$ 260,834
Highway User Revenue Fund	2,000	-
Transportation Improvement Fund	314,610	-
Nonmajor Governmental Funds	531,414	-
	\$ 2,615,195	\$ 260,834

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, 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	4,747,832	8,244,477	(2,952,350)	10,039,959
Total not being depreciated	48,613,808	8,244,477	(2,952,350)	53,905,935
Other capital assets:				
Buildings and improvements	191,669,014	380,562	(109,934)	191,939,642
Improvements other than buildings	18,037,993	-	-	18,037,993
Equipment and vehicles	44,187,729	1,727,813	(1,616,124)	44,299,418
Infrastructure	386,675,321	11,488,959	(113,808)	398,050,472
Total other capital assets	640,570,057	13,597,334	(1,839,866)	652,327,525
Total assets before depreciation	689,183,865	21,841,811	(4,792,216)	706,233,460
Accumulated depreciation:				
Building and improvements	(50,198,518)	(6,274,751)	47,638	(56,425,631)
Improvements other than buildings	(4,730,751)	(657,506)	-	(5,388,257)
Equipment and vehicles	(31,492,009)	(2,988,011)	1,322,961	(33,157,059)
Infrastructure	(164,402,511)	(15,172,296)	-	(179,574,807)
Total accumulated depreciation	(250,823,789)	(25,092,564)	1,370,599	(274,545,754)
Net Capital Assets - Governmental Activities	\$ 438,360,076	\$ (3,250,753)	\$ (3,421,617)	\$ 431,687,706

NOTES TO FINANCIAL STATEMENTS

Depreciation was charged by function as follows:

General government	\$ 1,359,406
Public safety	2,764,286
Public works and streets	17,993,362
Community development	24,705
Culture and recreation	<u>2,950,805</u>

Total governmental activities depreciation expense \$ 25,092,564

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Not being depreciated:				
Land	\$ 5,140,050	\$ -	\$ -	\$ 5,140,050
Water Rights	7,262,858	666,527	-	7,929,385
Construction in progress	1,628,200	3,126,690	(3,984,661)	770,229
Total not being depreciated	<u>14,031,108</u>	<u>3,793,217</u>	<u>(3,984,661)</u>	<u>13,839,664</u>
Other capital assets:				
Buildings and system	360,521,374	4,133,307	-	364,654,681
Improvements other than buildings	893,499	-	-	893,499
Vehicles and equipment	10,951,921	454,721	(478,615)	10,928,027
Total other capital assets	<u>372,366,794</u>	<u>4,588,028</u>	<u>(478,615)</u>	<u>376,476,207</u>
Total assets before depreciation	<u>386,397,902</u>	<u>8,381,245</u>	<u>(4,463,276)</u>	<u>390,315,871</u>
Accumulated depreciation:				
Buildings and system	(69,065,298)	(9,410,295)	-	(78,475,593)
Improvements other than buildings	(44,675)	(29,783)	-	(74,458)
Vehicles and equipment	(5,428,597)	(1,252,256)	426,111	(6,254,742)
Total accumulated depreciation	<u>(74,538,570)</u>	<u>(10,692,334)</u>	<u>426,111</u>	<u>(84,804,793)</u>
Net capital assets - business activities	<u>\$ 311,859,332</u>	<u>\$ (2,311,089)</u>	<u>\$ (4,037,165)</u>	<u>\$ 305,511,078</u>

Depreciation was charged by function as follows:

Water	\$ 2,837,929
Sewer	6,969,562
Sanitation	<u>884,843</u>

Total business-type activities depreciation expense \$ 10,692,334

During the current fiscal year, the Sewer Fund capitalized net interest costs of \$45,457. Total interest expense in the Sewer Fund before capitalization was \$2,356,154.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - 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 \$29,197,251. Depending on the terms of the specific agreement, this value is eligible for reimbursement during the next eighteen years. Once an agreement expires, water system and water resource impact fees are no longer eligible for developer reimbursement. As of June 30, 2015, the City has reimbursed \$11,561,010, leaving a potential remaining balance of \$17,636,241.

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 five years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2015, the amount the City has reimbursed is \$68,955, leaving a potential remaining balance of \$13,933,640.

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, 2015. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty five years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2015, the City has reimbursed \$609,965 to developers, leaving a potential remaining balance of \$64,993,339.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CONSTRUCTION COMMITMENTS

City of Surprise has active construction projects as of June 30, 2015. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Funding Source
Bell Rd Sidewalks East of Grand	\$ 1,646,458	\$ 25,053	General Capital Fund
Dove Valley Pkwy 163rd-179th	524,330	12,076	General Capital Fund
Fiber Optics-Loop 303-Peoria-Bell	301,234	51	General Capital/Public Works Dev Fund
107th & Union Hills Drainage	246,694	3,306	General Capital Fund
Peoria (Sarival to Reems)	45,390	586	Transportation Improvement Fund
City Hall Reclaim Connections	37,037	59,205	Water Fund
SPA 1 VDs Plant 4 & 5	47,351	443,247	Water Fund
Cactus Rd 175th to Cotton Ln	22,743	557	Transportation Improvement Fund
SPA1Effluent Strg Reser Covers	117,799	5,201	Water Fund
Replace Financial Software	800,683	1,866,094	General Capital Fund
IT Disaster Recovery	311,944	879	General Capital Fund
Booster Station Bell Road Lake	130,456	38,719	General Capital Fund/Water Fund
CRS Master Plan	67,000	25,000	General Capital Fund
Surprise Farms Park	364,986	1,368,189	Parks and Recreation Development Fund
Veramonte Park	194,004	683,299	Parks and Recreation Development Fund
Fire Pumper Replacement	682,807	8,917	Vehicle Replacement Fund
RWC Radio Replacement	220,000	1,885	General Capital Fund
Cactus S. Side RR Trk/Litchfield	70,360	80,906	General Capital/Water/Sewer Funds
Jomax 147 to 132 Pave Dirt Road	134,477	32,399	General Capital Fund
Skatepark-in-Ground	51,520	428,892	General Capital Fund
City Entry Monuments	10,677	39,256	General Capital Fund
Sidewalk Gaps	48,814	405	Highway User Revenue Fund
Park N Ride Enhancements	7,715	1,650	Proposition 400 Fund
Clubhouse Improvements	2,764,022	16,528,138	General Capital/Tourism Fund
New Public Works Yard	85,324	84,129	Sanitation/Public Works Development Fee
SPA1 Wrf N. Entr Gate and Wall	41,656	108,736	Sewer Fund
Litchfield E SD Cactus	65,334	64,616	Sewer Fund
Solar Biosolids Dryer	15,269	165,081	Sewer Fund
SPA Influent Ln Hydr Rehab	55,366	245,905	Sewer Fund
Wastewater Scada Upgrade	184,461	20,795	Sewer Fund
Greenway Road Lift Station Rehab	15,592	38,789	Sewer Fund
Elec Service Upgrade at Techcelerator	64,583	219,000	General Capital Fund
Medians at Waddell W. Litchfield	15,775	6,890	General Capital Fund
AZ Techcelerator Renovation	119,928	243,389	General Fund
Pumper 3272 Replacement	265,336	297,218	Vehicle Replacement Fund
LT 4026 Replacement	361,968	338,091	Vehicle Replacement Fund
Total	<u>\$ 10,139,093</u>	<u>\$ 23,486,549</u>	

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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 were refunded in June 2015 by the issuance of pledged revenue obligations.

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 \$3,638,325 and \$8,618,636 respectively. Of the total net revenues, \$1,661,132 are impact fee revenues that have been specifically designated for debt service payments per the bond issuance statement. The remaining \$6,957,504 represents net revenues from wastewater operations during the year and is available to meet debt service payment obligations.

PLEGGED REVENUE OBLIGATIONS

The Pledged Revenue Obligations, Series 2015, totaling \$17,385,000, are secured by a lien on excise tax revenues and state shared revenues. Proceeds of the bonds will be used for stadium improvements and at June 30, 2015 the bond proceeds remain unspent. The bonds are payable solely from pledged revenues and are payable through 2030. Principal and interest payable next year and pledged revenues for the current year were \$1,584,509 and \$86,056,301, respectively.

During fiscal year 2015, the City issued \$19,280,000 Pledged Revenue Refunding Obligations, Series 2015 to refund and defease outstanding MPC Excise Tax Revenue Refunding Bonds, Series 2003 and pay costs of issuance. The current refunding reduced debt service payments by a total of \$254,690 and resulted in a net present value savings of \$1,251,280. The refunding obligations are payable solely from pledged revenue and are payable through 2024. Principal and interest payable next year and pledged revenues for the current year were \$2,653,860 and \$86,056,301, respectively.

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, 2015 is comprised of the following:

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

Revenue Obligations	<u>Long-Term Debt Outstanding</u>
2015, Pledged Revenue Obligation (issued June 23, 2015) due in annual installments of \$855,000 to \$1,505,000 through July 1, 2030; interest at 3 percent to 5 percent. Original issue amount \$17,385,000.	\$ 17,385,000
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$1,830,000 to \$2,525,000 through July 1, 2024; interest at 3 percent to 5 percent. Original issue amount \$19,280,000. 69.75 percentage of this issue pertains to governmental activities.	<u>13,447,800</u>
Total Revenue Obligations	<u>30,832,800</u>
Community Facilities Districts General Obligation Bonds	
2006 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$30,000 to \$95,000 beginning July 15, 2007 through July 15, 2031; interest at 4.85 percent to 5.30 percent. Original issue amount \$1,365,000.	1,050,000
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.	3,160,000
2008 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$60,000 to \$630,000 beginning July 15, 2009 through July 15, 2033; interest at 3.80 percent to 7.00 percent. Original issue amount \$3,395,000.	<u>2,905,000</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>7,115,000</u>
Total Long-Term Debt Payable Recorded in Governmental Activities	<u><u>\$ 37,947,800</u></u>

NOTES TO FINANCIAL STATEMENTS

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

Revenue Obligations	Long-Term Debt <u>Outstanding</u>
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$1,830,000 to \$2,525,000 through July 1, 2024; interest at 3 percent to 5 percent. Original issue amount \$19,280,000. 30.25 percentage of this issue pertains to business-type activities.	\$ 5,832,200
Municipal Property Corporation Bonds	
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>39,365,000</u>
Total Bonds Payable Recorded in Business-type Activities	<u>45,197,200</u>
Total Long-Term Bonds Payable	<u><u>\$ 83,145,000</u></u>

Subsequent to June 30, 2015, the City called \$1,780,000 of the Series 2007, Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Utility Revenue Bonds.

NOTES TO FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
City of Surprise, Series 2015 Pledged revenue obligations \$30,832,800 (\$36,665,000 issued)	\$ -	\$ 30,832,800	\$ -	\$ 30,832,800	\$ 2,131,425
General municipal property corporation fund obligation Series 2003 Bonds, \$29,894,850 (\$42,860,000 issued)	17,444,474	-	(17,444,474)	-	-
	<u>17,444,474</u>	<u>30,832,800</u>	<u>(17,444,474)</u>	<u>30,832,800</u>	<u>2,131,425</u>
For issuance premium 2015	-	3,365,079	-	3,365,079	-
For issuance premium 2003	594,283	-	(594,283)	-	-
	<u>594,283</u>	<u>3,365,079</u>	<u>(594,283)</u>	<u>3,365,079</u>	<u>-</u>
Community Facilities Districts					
Series 2006 Bonds, \$1,365,000 issued	1,090,000	-	(40,000)	1,050,000	45,000
Series 2007 Bonds, \$3,950,000 issued	3,265,000	-	(105,000)	3,160,000	110,000
Series 2008 Bonds, \$3,395,000 issued	2,980,000	-	(75,000)	2,905,000	75,000
	<u>7,335,000</u>	<u>-</u>	<u>(220,000)</u>	<u>7,115,000</u>	<u>230,000</u>
Total governmental obligation bonds	<u>25,373,757</u>	<u>34,197,879</u>	<u>(18,258,757)</u>	<u>41,312,879</u>	<u>2,361,425</u>
Compensated absences	<u>4,976,015</u>	<u>4,452,560</u>	<u>(3,699,817)</u>	<u>5,728,758</u>	<u>2,463,366</u>
Contracts and developer payable	<u>1,927,125</u>	<u>1,828,078</u>	<u>(1,673,229)</u>	<u>2,081,974</u>	<u>1,781,249</u>
Total governmental activities debt	<u>\$ 32,276,897</u>	<u>\$ 40,478,517</u>	<u>\$ (23,631,803)</u>	<u>\$ 49,123,611</u>	<u>\$ 6,606,040</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:					
City of Surprise, Series 2015 Pledged revenue obligations \$5,832,200 (\$36,665,000 issued)	\$ -	\$ 5,832,200	\$ -	\$ 5,832,200	\$ 553,575
General municipal property corporation fund obligation Series 2003 Bonds, \$12,965,150 (\$42,860,000 issued)	7,565,524	-	(7,565,524)	-	-
Series 2007 Bonds, \$50,675,000 issued	46,000,000	-	(6,635,000)	39,365,000	1,780,000
	<u>53,565,524</u>	<u>5,832,200</u>	<u>(14,200,524)</u>	<u>45,197,200</u>	<u>2,333,575</u>
For issuance premium 2015	-	703,371	-	703,371	-
For issuance premium 2003	257,734	-	(257,734)	-	-
	<u>257,734</u>	<u>703,371</u>	<u>(257,734)</u>	<u>703,371</u>	<u>-</u>
Total governmental obligation bonds	<u>53,823,258</u>	<u>6,535,571</u>	<u>(14,458,258)</u>	<u>45,900,571</u>	<u>2,333,575</u>
Compensated absences	<u>682,619</u>	<u>611,495</u>	<u>(530,826)</u>	<u>763,288</u>	<u>328,214</u>
Contracts and developer payable	<u>289,701</u>	<u>433,070</u>	<u>(293,916)</u>	<u>428,855</u>	<u>428,855</u>
Total business-type activities debt	<u>\$ 54,795,578</u>	<u>\$ 7,580,136</u>	<u>\$ (15,283,000)</u>	<u>\$ 47,092,714</u>	<u>\$ 3,090,644</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of debt service requirements for the year ended June 30, 2015. Deferred amounts are not included:

Year Ended June 30	Governmental Activities									
	Refunding/Stadium Imp 2015		Marley Park CFD 2006		Marley Park CFD 2007		Marley Park CFD 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,131,425	\$ 1,304,151	\$ 45,000	\$ 54,938	\$ 110,000	\$ 189,675	\$ 75,000	\$ 197,804	\$ 2,361,425	\$ 1,746,568
2017	2,223,738	1,211,857	45,000	52,756	115,000	183,844	85,000	193,604	2,468,738	1,642,061
2018	2,311,050	1,122,908	50,000	50,416	120,000	177,634	85,000	188,674	2,566,050	1,539,632
2019	2,382,900	1,053,577	50,000	47,816	130,000	170,436	90,000	183,574	2,652,900	1,455,403
2020	2,473,700	958,260	55,000	45,215	135,000	162,635	100,000	177,724	2,763,700	1,343,834
2021-2025	12,239,987	3,080,040	310,000	181,355	820,000	679,675	595,000	783,026	13,964,987	4,724,096
2026-2030	7,070,000	841,850	400,000	91,425	1,095,000	401,490	830,000	547,753	9,395,000	1,882,518
2031-2033	-	-	95,000	5,035	635,000	61,610	1,045,000	176,400	1,775,000	243,045
Total	<u>\$ 30,832,800</u>	<u>\$ 9,572,643</u>	<u>\$ 1,050,000</u>	<u>\$ 528,956</u>	<u>\$ 3,160,000</u>	<u>\$ 2,026,999</u>	<u>\$ 2,905,000</u>	<u>\$ 2,448,559</u>	<u>\$ 37,947,800</u>	<u>\$ 14,577,157</u>

Year Ended June 30	Business-Type Activities					
	Refunding/Stadium Imp 2015		2007 MPC		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 553,575	\$ 249,218	\$ 1,780,000	\$ 1,858,325	\$ 2,333,575	\$ 2,107,543
2017	576,263	227,193	1,865,000	1,772,668	2,441,263	1,999,861
2018	598,950	204,142	1,950,000	1,683,015	2,548,950	1,887,157
2019	617,100	186,174	2,045,000	1,589,132	2,662,100	1,775,306
2020	641,300	161,490	2,140,000	1,490,785	2,781,300	1,652,275
2021-2025	2,845,012	364,209	10,855,000	5,892,163	13,700,012	6,256,372
2026-2030	-	-	12,715,000	3,091,532	12,715,000	3,091,532
2031-2033	-	-	6,015,000	298,288	6,015,000	298,288
Total	<u>\$ 5,832,200</u>	<u>\$ 1,392,426</u>	<u>\$ 39,365,000</u>	<u>\$ 17,675,908</u>	<u>\$ 45,197,200</u>	<u>\$ 19,068,334</u>

NOTES TO FINANCIAL STATEMENTS

Contracts Payable

General Government Activities

A balance of \$2,081,974 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 \$428,855 is owed based on improvements made by developers per development agreements for various equipment and infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Legal Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the net secondary assessed valuation of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities. Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent of the City's net secondary assessed valuation. The following summarizes the City of Surprise, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2015:

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

OPERATING LEASES

The City leases copiers, trash compactors, and land under certain cancelable and non-cancelable operating leases expiring at various dates. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the City's Statement of Net Position. Lease expense for the fiscal year ended June 30, 2015 was \$138,095.

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

Year Ending June 30:	
2016	\$ 33,892
2017	17,821
Total minimum payments required	<u>\$ 51,713</u>

NOTES TO FINANCIAL STATEMENTS

Operating Lease Revenue

The City leases various City-owned properties and buildings under cancelable long-term lease agreements. The carrying value of leased assets is \$4,095,661 (cost of \$7,070,069 less accumulated depreciation of \$2,974,408). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2015 were \$448,824.

NOTE 8 - RETIREMENT PLANS

Cost-Sharing and Agent Multiple Employer Pension Plans

The City contributes to the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS) for police officers and firefighters, and the Elected Officials Retirement Plan (EORP) for elected officials and judges. The plans are component units of the State of Arizona.

At June 30, 2015, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	\$ 52,498,946	\$ 8,724,974	\$ 61,223,920
Deferred Outflows of Resources	12,802,291	1,146,686	13,948,977
Deferred Inflows of Resources	7,985,448	1,525,728	9,511,176
Pension Expense	5,483,953	578,704	6,062,657

The City reported accrued payroll and employee benefits of \$13,406 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also, the City reported \$5,887,101 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System

Plan Descriptions – City employees not covered by the other pension plans described on the following pages participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

NOTES TO FINANCIAL STATEMENTS

	Retirement	
	Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 year age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3 %	2.1% to 2.3 %

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 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 11.60 percent (10.89 percent for retirement, 0.59 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City’s contributions to the pension plan for the year ended June 30, 2015, were \$3,259,073. The City’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

	Health Benefit Supplement Fund	Long-Term Disability Fund
<u>Year Ended June 30,</u>		
2015	\$ 178,990	\$ 36,405
2014	162,104	64,842
2013	162,846	60,128

During the fiscal year ended June 30, 2015, the City paid for ASRS pension and OPEB contributions as follows: 69 percent from the General Fund, 24 percent from major funds, and 7 percent from other funds.

NOTES TO FINANCIAL STATEMENTS

Pension Liability – At June 30, 2015, the City reported a liability of \$42,980,167 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The City’s reported liability at June 30, 2015, decreased by \$4,424,573 from the City’s prior year liability of \$47,404,740 because of changes in the ASRS’ net pension liability and the City’s proportionate share of that liability. The ASRS’ publicly available financial report provides details on the change in the net pension liability.

The City’s proportion of the net pension liability was based on the City’s FY 2014 contributions. The City’s proportion measured as of June 30, 2014, was 0.290473 percent, which was a decrease of 0.00532 from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the City recognized pension expense for ASRS of \$3,095,089. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,184,378	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,515,904
Changes in proportion and differences between City contributions and proportionate share of contributions	613,565	-
City contributions subsequent to the measurement date	3,259,072	-
Total	<u>\$ 6,057,015</u>	<u>\$ 7,515,904</u>

The \$3,259,072 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ (662,479)
2017	(662,479)
2018	(1,514,027)
2019	(1,878,976)

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2013
Actuarial Roll Forward Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the net pension liability	\$ 54,324,727	\$ 42,980,167	\$ 36,825,174

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan Descriptions—City police employees and City firefighters who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

NOTES TO FINANCIAL STATEMENTS

Benefits Provided — The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012
<u>Retirement and Disability</u>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80-100% of retired member's pension benefit	
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member’s compensation for up to 12 months.

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

	<u>PSPRS Police</u>	<u>PSPRS Firefighters</u>
Inactive employees or beneficiaries currently receiving benefits	19	7
Inactive employees entitled to but not yet receiving benefits	19	3
Active employees	120	107
Total	<u>158</u>	<u>117</u>

NOTES TO FINANCIAL STATEMENTS

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police	PSPRS Firefighters
Active Members - Pension	11.05%	11.05%
City		
Pension	16.06%	13.59%
Health Insurance Premium Benefit	1.02%	0.77%

For the agent plans, the City’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS Police	PSPRS Firefighters
Pension		
Contributions Made	\$ 1,753,988	\$ 1,417,546
Health Insurance Premium Benefit		
Annual OPEB Cost	111,399	80,317
Contributions Made	111,399	80,317

During the fiscal year 2015, the City paid for PSPRS pension and OPEB contributions 100 percent from the General Fund.

Pension Liability – At June 30, 2015, the City reported the following net pension liabilities:

	Net Pension Liability
PSPRS Police	\$ 10,979,972
PSPRS Firefighters	5,758,319

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, PSPRS plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

NOTES TO FINANCIAL STATEMENTS

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability for PSPRS is as follows:

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.85%
Projected Salary Increases	4.0%-8.0% for PSPRS
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS	Target	Long-Term
Asset Class	Allocation	Expected Real Rate of Return
Short Term Investments	2%	3.25%
Absolute Return	4%	6.75%
Risk Parity	4%	6.04%
Fixed Income	7%	4.75%
Real Assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real Estate	11%	6.50%
Credit Opportunities	13%	8.00%
Non-U.S. Equity	14%	8.63%
U.S. Equity	16%	7.60%
Total	100%	

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

	PSPRS	PSPRS
	<u>Police</u>	<u>Firefighters</u>
Discount Rates	7.85%	7.85%

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Changes in the Agent Plans Net Pension Liability – The following tables present changes in the City’s net pension liability for the PSPRS – Police and PSPRS – Fire pension plans as follows:

PSPRS - Police	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2014	\$ 29,107,746	\$ 20,536,256	\$ 8,571,490
Changes for the Year:			
Service Cost	1,565,018	-	1,565,018
Interest on the Total Pension Liability	2,300,961	-	2,300,961
Changes of Benefit Terms	241,790	-	241,790
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,218,340	-	1,218,340
Changes of Assumptions or Other Inputs	2,469,394		2,469,394
Contributions - Employer	-	1,359,213	(1,359,213)
Contributions - Employee	-	977,373	(977,373)
Net Investment Income	-	2,898,873	(2,898,873)
Benefit Payments, Including Refunds of Employee Contributions	(1,157,301)	(1,157,301)	-
Administrative Expenses	-	(23,346)	23,346
Other (Net Transfer)	-	174,908	(174,908)
Net Changes	6,638,202	4,229,720	2,408,482
Balances as of June 30, 2015	\$ 35,745,948	\$ 24,765,976	\$ 10,979,972

PSPRS - Firefighters	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2014	\$ 27,707,888	\$ 21,783,727	\$ 5,924,161
Changes for the Year:			
Service Cost	1,635,304	-	1,635,304
Interest on the Total Pension Liability	2,170,938	-	2,170,938
Changes of Benefit Terms	25,204	-	25,204
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	122,957	-	122,957
Changes of Assumptions or Other Inputs	1,068,570	-	1,068,570
Contributions - Employer	-	1,298,311	(1,298,311)
Contributions - Employee	-	916,860	(916,860)
Net Investment Income	-	2,997,787	(2,997,787)
Benefit Payments, Including Refunds of Employee Contributions	(1,740,565)	(1,740,565)	-
Administrative Expenses	-	(24,143)	24,143
Other (Net Transfer)	-	-	-
Net Changes	3,282,408	3,448,250	(165,842)
Balances as of June 30, 2015	\$ 30,990,296	\$ 25,231,977	\$ 5,758,319

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the City’s Net Pension Liability to Changes in the Discount Rate – The following table presents the City’s net pension liabilities calculated using the discount rates noted above, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net Pension Liability (Asset)	\$ 16,192,062	\$ 10,979,972	\$ 6,709,054
PSPRS Firefighters			
Rate	6.85%	7.85%	8.85%
Net Pension Liability (Asset)	10,787,188	5,758,319	1,642,215

Pension Plan Fiduciary Net Position – Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense – For the year ended June 30, 2015, the City recognized the following pension expense:

	Pension Expense
PSPRS Police	\$ 2,163,004
PSPRS Firefighters	1,524,579

Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,054,161	\$ -
Changes of assumptions or other inputs	2,136,627	-
Net difference between projected and actual earnings on pension plan investments	-	966,870
City contributions subsequent to the measurement date	1,753,988	-
Total	\$ 4,944,776	\$ 966,870
PSPRS - Firefighters	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 111,491	\$ -
Changes of assumptions or other inputs	968,922	-
Net difference between projected and actual earnings on pension plan investments	-	999,860
City contributions subsequent to the measurement date	1,417,546	-
Total	\$ 2,497,959	\$ 999,860

NOTES TO FINANCIAL STATEMENTS

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PSPRS	PSPRS
	Police	Firefighters
2016	\$ 255,229	\$ (138,852)
2017	255,229	(138,852)
2018	255,229	(138,852)
2019	255,229	(138,852)
2020	496,946	111,114
Thereafter	706,056	524,847

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts’ value 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 for the health insurance premium benefit 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 PSPRS and CORP plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

Actuarial Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.5% - 8.5%
Wage Growth	4.50%

NOTES TO FINANCIAL STATEMENTS

Agent Plan OPEB Trend Information – The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	\$ 111,399	100.00%	\$ -
2014	76,356	100.00	-
2013	91,163	100.00	-
PSPRS Firefighters			
2015	\$ 80,317	100.00%	\$ -
2014	58,949	100.00	-
2013	58,222	100.00	-

Agent Plan OPEB Funded Status – The funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2014 is as follows:

	PSPRS Police	PSPRS Firefighters
Actuarial Value of Assets (a)	\$ 797,597	\$ 615,616
Actuarial Accrued Liability (b)	952,965	806,301
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	155,368	190,685
Funded Ratio (a) / (b)	83.7%	76.4%
Annual Covered Payroll (c)	8,561,824	8,942,409
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	1.81%	2.13%

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

PSPRS - OPEB Funded Status

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.00%

NOTES TO FINANCIAL STATEMENTS

Elected Officials Retirement Plan (EORP)

Plan Description - Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The EORP issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS’s Web site at www.psprs.com.

Benefits Provided - The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

Retirement and Disability	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 10 years age 62 5 years age 65 5 years any age* any years and age if disabled	10 years age 62 5 years age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percentage Normal retirement	4% per year of service not to exceed 80%	3% per year of service not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor benefit Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

NOTES TO FINANCIAL STATEMENTS

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning.

Contributions - State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2015, active EORP members were required by statute to contribute 13 percent of the members’ annual covered payroll, and the City was required to contribute a designated portion of certain court fees and 23.5 percent of active EORP members’ annual covered payroll. The City’s contributions to the pension plan for the year ended June 30, 2015, were \$35,199. The City’s OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Health Benefit Supplement Fund</u>
2015	\$ 1,443
2014	(9,838)
2013	13,510

During fiscal year 2015, the City paid for EORP pension contributions 100 percent from the General Fund.

Pension Liability - At June 30, 2015, the City reported a liability for its proportionate share of the EORP’s net pension liability that reflected a reduction for the City’s proportionate share of the State’s appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of the EORP net pension liability	\$ 1,505,462
State’s proportionate share of the EORP net pension liability associated with the City	136,820
Total	<u>\$ 1,642,282</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The City’s proportion of the net pension liability as of June 30, 2013 and 2014 was based on the City’s actual contributions to the plan relative to the total of all participating employers’ actual contributions for the year ended June 30, 2014. The City’s proportion measured as of June 30, 2013 and 2014 was .2245042 percent.

NOTES TO FINANCIAL STATEMENTS

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2015, the City recognized pension expense for EORP of \$583,057 and revenue of \$136,820 for the City’s proportionate share of the State’s appropriation to EORP. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,615	\$ -
Changes of assumptions or other inputs	407,413	-
Net difference between projected and actual earnings on pension plan investments	-	28,542
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	35,199	-
Total	\$ 449,227	\$ 28,542

The \$35,199 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ 231,305
2017	168,453
2018	(7,136)
2019	(7,136)

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.85%
Projected Salary Increases	4.25%
Inflation	4.00%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

NOTES TO FINANCIAL STATEMENTS

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short Term Investments	2%	3.25%
Absolute Return	4%	6.75%
Risk Parity	4%	6.04%
Fixed Income	7%	4.75%
Real Assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real Estate	11%	6.50%
Credit Opportunities	13%	8.00%
Non-U.S. Equity	14%	8.63%
U.S. Equity	16%	7.60%
Total	100%	

Discount Rate - At June 30, 2014, the discount rate used to measure the EORP total pension liability was 5.67 percent, which was a decrease of 2.18 from the discount rate used as of June 30, 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2030. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2014, was applied to periods of projected benefit payments after June 30, 2030.

Sensitivity of the City’s Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate - The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 5.67 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

	1% Decrease (4.67%)	Current Discount Rate (5.67%)	1% Increase (6.67%)
	City's proportionate share of the net pension liability	\$ 1,757,502	\$ 1,505,462

Pension Plan Fiduciary Net Position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued EORP financial report.

NOTES TO FINANCIAL STATEMENTS

Deferred Compensation Plans

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, 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.

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 9 - 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.

NOTES TO FINANCIAL STATEMENTS

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 \$746,000 of the total claims payable reported. The remaining \$792,461 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, 2015, unpaid claims were as follows:

	Employee Healthcare Fund	
	2014	2015
Beginning unpaid claims	\$ 1,073,487	\$ 1,024,401
Claims incurred and changes in estimates	8,606,178	7,704,843
Payments made	<u>(8,655,264)</u>	<u>(7,190,783)</u>
Ending unpaid claims	<u>\$ 1,024,401</u>	<u>\$ 1,538,461</u>

NOTE 10 - CONTINGENT LIABILITIES

The City is a defendant in various lawsuits that are incidental to the ordinary course of its operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the City's financial position.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INTERFUND BORROWING AND TRANSFERS

As of June 30, 2015, interfund balances were as follows:

Due to/from other funds:

	Due to
Due from _____	General Fund
Non-Major Governmental Funds	\$ 170,485

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			
	General Capital			
Advances to	General Fund	Projects Fund	Sewer Fund	Total
General Government Development Fee Fund	\$ 438,681	\$ 36,019,204	\$ 7,728,987	\$ 44,186,872
Fire Development Fee Fund	28,534	-	5,069,452	5,097,986
Total	\$ 467,215	\$ 36,019,204	\$ 12,798,439	\$ 49,284,858

As of June 30, 2015, 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		
	Non-Major		
	Governmental		
Transfers out	General Fund	Funds	Total
General Fund	\$ -	\$ 1,531,392	\$ 1,531,392
General Government Development Fee Fund	-	665,592	665,592
Fire Development Fee Fund	-	121,280	121,280
Non-Major Governmental Funds	-	1,038,574	1,038,574
Water Fund	373,781	-	373,781
Sewer Fund	723,977	-	723,977
Sanitation Fund	34,387	-	34,387
Total	\$ 1,132,145	\$ 3,356,838	\$ 4,488,983

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 12 – 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	\$ 392,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,761	\$ 397,083
Inventory	453,968	-	-	-	190,613	-	-	644,581
Advance to Other Funds	467,215	-	-	-	-	-	-	467,215
Total Nonspendable	<u>1,313,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,613</u>	<u>-</u>	<u>4,761</u>	<u>1,508,879</u>
Restricted:								
Public works	-	-	-	-	-	-	9,504,575	9,504,575
Parks and recreation	-	18,900,000	-	-	-	-	3,259,080	22,159,080
Library	-	-	-	-	-	-	4,572,083	4,572,083
Debt service	-	-	-	-	-	-	3,646,087	3,646,087
Transportation	-	-	-	-	1,535,575	-	2,658,109	4,193,684
Police	-	-	-	-	-	-	2,521,354	2,521,354
Court	-	-	-	-	-	-	251,498	251,498
Total Restricted	<u>-</u>	<u>18,900,000</u>	<u>-</u>	<u>-</u>	<u>1,535,575</u>	<u>-</u>	<u>26,412,786</u>	<u>46,848,361</u>
Committed:								
Construction projects	-	39,234,627	-	-	-	-	-	39,234,627
Transportation	-	-	-	-	-	2,519,154	-	2,519,154
Tourism	-	-	-	-	-	-	487,835	487,835
Total Committed	<u>-</u>	<u>39,234,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,519,154</u>	<u>487,835</u>	<u>42,241,616</u>
Assigned:								
Parks and recreation	578,518	-	-	-	-	-	-	578,518
Transportation	-	-	-	-	331,556	840,807	1,785	1,174,148
Police	-	-	-	-	-	-	10,289	10,289
Tourism	-	-	-	-	-	-	4,987	4,987
Court	-	-	-	-	-	-	17,459	17,459
Other	-	-	-	-	-	-	2,520	2,520
Total Assigned	<u>578,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,556</u>	<u>840,807</u>	<u>37,040</u>	<u>1,787,921</u>
Unassigned:								
Unassigned or negative fund balance	34,324,717	-	(44,186,211)	(5,097,967)	-	-	(4,758)	(14,964,219)
Total	<u>\$ 36,216,740</u>	<u>\$ 58,134,627</u>	<u>\$ (44,186,211)</u>	<u>\$ (5,097,967)</u>	<u>\$ 2,057,744</u>	<u>\$ 3,359,961</u>	<u>\$ 26,937,664</u>	<u>\$ 77,422,558</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2015, the following individual governmental funds reported deficits in fund balances:

	<u>Deficit</u>
Major Funds:	
General Government Development Fee Fund	\$ 44,186,211
Fire Development Fee Fund	5,097,967

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

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2015, the City of Surprise Arizona adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the June 30, 2014, net position of the governmental activities, business-type activities, enterprise funds and internal service funds as follows:

	<u>Net Position as Previously Stated</u>	<u>Cumulative Affect of Application of GASB 68 Net Pension Liability</u>	<u>Cumulative Affect of Application of GASB 71 Deferred Outflow of Resources for City Contributions Made During 2013-14</u>	<u>Net Position As Restated</u>
Governmental Activities	\$ 468,906,927	\$ (52,998,805)	\$ 4,938,315	\$ 420,846,437
Business Type Activities	327,573,853	(9,623,162)	568,746	318,519,437
Water Fund	106,919,057	(3,033,903)	179,309	104,064,463
Sewer Fund	206,684,073	(3,645,425)	215,451	203,254,099
Sanitation Fund	12,981,698	(2,943,834)	173,986	10,211,850
Internal Service Funds	4,218,253	(379,238)	22,413	3,861,428



REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Schedule of the City's Proportionate Share of Net Pension Liability
Cost Sharing Pension Plans

Arizona State Retirement System

	Reporting Year (Measurement Date)
	2015 (2014)
City's Proportion of the Net Pension Liability	0.290473%
City's Proportionate Share of the Net Pension Liability	\$ 42,980,167
City's Covered-Employee Payroll	\$ 26,436,020
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll	162.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.49%

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
City's Proportion of the Net Pension Liability	0.224504%
City's Proportionate Share of the Net Pension Liability	\$ 1,505,462
State's Proportionate Share of the Net Pension Liability Associated with the City	136,820
Total	\$ 1,642,282
City's Covered-Employee Payroll	\$ 155,730
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll	966.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.91%

See accompanying notes to this schedule.

Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios
Agent Pension Plans

PSPRS Police	Reporting Year (Measurement Date)	
	2015	(2014)
Total Pension Liability		
Service Cost	\$ 1,565,018	
Interest on the Total Pension Liability	2,300,961	
Changes of Benefit Terms	241,790	
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,218,340	
Changes of Assumptions or Other Inputs	2,469,394	
Benefit Payments, Including Refunds of Employee Contributions	(1,157,301)	
Net Change in Total Pension Liability	6,638,202	
Total Pension Liability - Beginning	29,107,746	
Total Pension Liability - Ending (a)	35,745,948	
Plan Fiduciary Net Position		
Contributions - Employer	1,359,213	
Contributions - Employee	977,373	
Net Investment Income	2,898,873	
Benefit Payments, Including Refunds of Employee Contributions	(1,157,301)	
Administrative Expenses	(23,346)	
Other (Net Transfer)	174,908	
Net Change in Plan Fiduciary Net Position	4,229,720	
Plan Fiduciary Net Position - Beginning	20,536,256	
Plan Fiduciary Net Position - Ending (b)	24,765,976	
City's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 10,979,972	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		69.28%
Covered-employee Payroll	\$ 8,561,824	
City's Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll		128.24%

See accompanying notes to this schedule.

Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios (Continued)
Agent Pension Plans

PSPRS Fire	Reporting Year (Measurement Date)	
	2015 (2014)	
Total Pension Liability		
Service Cost	\$	1,635,304
Interest on the Total Pension Liability		2,170,938
Changes of Benefit Terms		25,204
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability		122,957
Changes of Assumptions or Other Inputs		1,068,570
Benefit Payments, Including Refunds of Employee Contributions		(1,740,565)
Net Change in Total Pension Liability		3,282,408
Total Pension Liability - Beginning		27,707,888
Total Pension Liability - Ending (a)		30,990,296
Plan Fiduciary Net Position		
Contributions - Employer		1,298,311
Contributions - Employee		916,860
Net Investment Income		2,997,787
Benefit Payments, Including Refunds of Employee Contributions		(1,740,565)
Administrative Expenses		(24,143)
Other (Net Transfer)		-
Net Change in Plan Fiduciary Net Position		3,448,250
Plan Fiduciary Net Position - Beginning		21,783,727
Plan Fiduciary Net Position - Ending (b)		25,231,977
City's Net Pension Liability (Asset) - Ending (a) - (b)	\$	5,758,319
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		81.42%
Covered-employee Payroll	\$	8,942,409
City's Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll		64.39%

See accompanying notes to this schedule.

Required Supplementary Information
Schedule of City Pension Contributions

Arizona State Retirement System

	Reporting Fiscal Year	
	2015	2014
Statutorily Required Contribution	\$ 3,259,073	\$ 2,801,701
City's Contribution in Relation to the Statutorily Required Contribution	3,259,073	2,801,701
City's Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 30,096,010	\$ 26,436,020
City's Contributions as a Percentage of Covered-Employee Payroll	10.83%	10.60%

Elected Officials Retirement Plan

	Reporting Fiscal Year	
	2015	2014
Statutorily Required Contribution	\$ 35,199	\$ 47,836
City's Contribution in Relation to the Statutorily Required Contribution	35,199	47,836
City's Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 155,918	\$ 155,730
City's Contributions as a Percentage of Covered-Employee Payroll	22.58%	30.72%

See accompanying notes to this schedule.

Required Supplementary Information
Schedule of City Pension Contributions (Continued)

PSPRS Police

	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	\$ 1,753,988	\$ 1,359,213
City's Contribution in Relation to the Actuarially Determined Contribution	1,753,988	1,359,213
City's Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 10,169,723	\$ 8,561,824
City's Contributions as a Percentage of Covered-Employee Payroll	17.25%	15.88%

PSPRS Fire

	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	\$ 1,417,546	\$ 1,298,311
City's Contribution in Relation to the Actuarially Determined Contribution	1,417,546	1,298,311
City's Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 9,861,191	\$ 8,942,409
City's Contributions as a Percentage of Covered-Employee Payroll	14.37%	14.52%

See accompanying notes to this schedule.

Required Supplementary Information
Notes to Pension Schedules

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial method and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2013 Actuarial Valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2013 actuarial valuation, projected salary increases decreased from 5.0%-9.0% to 4.5%- 8.5% for PSPRS
Wage Growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 INFORMATION PRIOR TO THE MEASUREMENT DATE

Information prior to the measurement date (June 30, 2014) was not available.

Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress

Actuarial Valuation Date	Actuarial value of assets	Actuarial accrued liability	Health Insurance Premium Benefit		Annual covered payroll	UAAL (funding excess) as a percentage of covered payroll
			Unfunded actuarial accrued liability (UAAL) (funding)	Funded ratio		
PSPRS Police						
6/30/14	\$ 797,597	\$ 952,965	\$ 155,368	83.70%	\$ 8,561,824	1.81%
6/30/13	-	856,758	856,758	-	7,998,905	10.71
6/30/12	-	742,582	742,582	-	8,147,849	9.11
PSPRS Fire						
6/30/14	\$ 615,616	\$ 806,301	\$ 190,685	76.35%	\$ 8,942,409	2.13%
6/30/13	-	729,789	729,789	-	8,419,235	8.67
6/30/12	-	605,606	605,606	-	8,487,018	7.14

See accompanying notes to this schedule.

Required Supplementary Information
Note to Schedule of Agent OPEB Plans' Funding Progress

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's pension fund to the new health insurance fund.

City of Surprise, Arizona

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

General Fund

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 42,305,800	\$ 42,305,800	\$ 44,655,213	\$ 2,349,413
Licenses and permits	5,522,800	5,522,800	4,975,398	(547,402)
Intergovernmental	29,846,600	29,846,600	30,252,501	405,901
Charges for services	7,799,200	7,922,700	8,335,924	413,224
Grants	-	2,000	-	(2,000)
Fines	1,295,500	1,295,500	1,116,400	(179,100)
Rents	633,600	633,600	549,400	(84,200)
Interest	16,500	16,500	153,105	136,605
Donations	451,700	451,700	244,767	(206,933)
Indirect charges	4,682,900	4,682,900	4,682,772	(128)
Other	449,800	326,300	1,107,440	781,140
Total revenues	<u>93,004,400</u>	<u>93,006,400</u>	<u>96,072,920</u>	<u>3,066,520</u>
Expenditures:				
GENERAL GOVERNMENT				
City council	404,300	404,300	361,353	(42,947)
City manager	8,114,400	8,267,100	8,126,703	(140,397)
City attorney	2,005,600	2,010,500	1,867,420	(143,080)
City clerk	504,600	504,600	447,295	(57,305)
Finance	3,974,500	4,564,900	3,272,234	(1,292,666)
Human resources	1,751,900	2,046,300	1,853,952	(192,348)
Information technology	4,620,900	3,991,800	3,884,179	(107,621)
Total general government	<u>21,376,200</u>	<u>21,789,500</u>	<u>19,813,136</u>	<u>(1,976,364)</u>
PUBLIC SAFETY				
Court	1,847,600	1,847,600	1,813,011	(34,589)
Police	23,786,200	23,801,300	22,588,224	(1,213,076)
Fire	17,773,800	17,605,600	16,668,996	(936,604)
Total public safety	<u>43,407,600</u>	<u>43,254,500</u>	<u>41,070,231</u>	<u>(2,184,269)</u>
PUBLIC WORKS AND STREETS				
Public works and streets	<u>6,857,400</u>	<u>7,229,500</u>	<u>5,978,193</u>	<u>(1,251,307)</u>
Total public works and streets	<u>6,857,400</u>	<u>7,229,500</u>	<u>5,978,193</u>	<u>(1,251,307)</u>
COMMUNITY DEVELOPMENT				
Community development	<u>4,094,900</u>	<u>4,576,000</u>	<u>4,105,374</u>	<u>(470,626)</u>
Total community service	<u>\$ 4,094,900</u>	<u>\$ 4,576,000</u>	<u>\$ 4,105,374</u>	<u>\$ (470,626)</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
CULTURE AND RECREATION				
Parks and recreation	\$ 17,876,700	\$ 17,942,700	\$ 16,646,847	\$ (1,295,853)
Total culture and recreation	17,876,700	17,942,700	16,646,847	(1,295,853)
Contingency	11,000,000	9,822,600	-	(9,822,600)
Total Contingency	11,000,000	9,822,600	-	(9,822,600)
Total expenditures	104,612,800	104,614,800	87,613,781	(17,001,019)
Revenues over (under) expenditures	(11,608,400)	(11,608,400)	8,459,139	20,067,539
Other financing sources (uses)				
Proceeds from sale of assets	-	-	96,812	96,812
Transfers in	1,140,100	1,140,100	1,132,145	(7,955)
Transfers out	-	-	(1,531,392)	1,531,392
Total other financing sources (uses)	1,140,100	1,140,100	(302,435)	1,620,249
Net change in fund balance	\$ (10,468,300)	\$ (10,468,300)	\$ 8,156,704	\$ 21,687,788

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 795,700	\$ 795,700	\$ 511,862	\$ (283,838)
Interest	8,600	8,600	196	(8,404)
Total revenues	<u>804,300</u>	<u>804,300</u>	<u>512,058</u>	<u>(292,242)</u>
Expenditures:				
Current:				
General government	919,200	919,200	-	(919,200)
Total expenditures	<u>919,200</u>	<u>919,200</u>	<u>-</u>	<u>(919,200)</u>
Revenues over (under) expenditures	<u>(114,900)</u>	<u>(114,900)</u>	<u>512,058</u>	<u>626,958</u>
Other financing (uses)				
Transfers out	<u>(665,000)</u>	<u>(665,000)</u>	<u>(665,592)</u>	<u>592</u>
Total other financing (uses)	<u>(665,000)</u>	<u>(665,000)</u>	<u>(665,592)</u>	<u>592</u>
Net change in fund balance	<u>\$ (779,900)</u>	<u>\$ (779,900)</u>	<u>\$ (153,534)</u>	<u>\$ 627,550</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 1,736,900	\$ 1,736,900	\$ 1,004,208	\$ (732,692)
Interest	6,000	6,000	713	(5,287)
Total revenues	<u>1,742,900</u>	<u>1,742,900</u>	<u>1,004,921</u>	<u>(737,979)</u>
Expenditures:				
Current:				
General government	25,000	93,700	68,685	(25,015)
Public safety	<u>2,024,600</u>	<u>1,955,900</u>	-	<u>(1,955,900)</u>
Total expenditures	<u>2,049,600</u>	<u>2,049,600</u>	<u>68,685</u>	<u>(1,980,915)</u>
Revenues over (under) expenditures	<u>(306,700)</u>	<u>(306,700)</u>	<u>936,236</u>	<u>1,242,936</u>
Other financing (uses)				
Transfers out	<u>(121,200)</u>	<u>(121,200)</u>	<u>(121,280)</u>	<u>80</u>
Total other financing (uses)	<u>(121,200)</u>	<u>(121,200)</u>	<u>(121,280)</u>	<u>80</u>
Net change in fund balance	<u>\$ (427,900)</u>	<u>\$ (427,900)</u>	<u>\$ 814,956</u>	<u>\$ 1,243,016</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 7,008,400	\$ 7,008,400	\$ 7,292,171	\$ 283,771
Charges for services	-	-	9,000	9,000
Interest	-	-	16,237	16,237
Other	-	-	1,083	1,083
Total revenues	<u>7,008,400</u>	<u>7,008,400</u>	<u>7,318,491</u>	<u>310,091</u>
Expenditures:				
Current:				
Public works and streets	9,185,200	9,166,200	8,163,601	(1,002,599)
Capital outlay	<u>210,000</u>	<u>229,000</u>	<u>99,064</u>	<u>(129,936)</u>
Total expenditures	<u>9,395,200</u>	<u>9,395,200</u>	<u>8,262,665</u>	<u>(1,132,535)</u>
Revenues (under) expenditures	<u>(2,386,800)</u>	<u>(2,386,800)</u>	<u>(944,174)</u>	<u>1,442,626</u>
Net change in fund balance	<u>\$ (2,386,800)</u>	<u>\$ (2,386,800)</u>	<u>\$ (944,174)</u>	<u>\$ 1,442,626</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 3,041,000	\$ 3,041,000	\$ 2,204,709	\$ (836,291)
Grants	-	-	45,389	45,389
Interest	46,500	46,500	15,584	(30,916)
Total revenues	<u>3,087,500</u>	<u>3,087,500</u>	<u>2,265,682</u>	<u>(821,818)</u>
Expenditures:				
Current:				
General government	286,100	286,100	302,549	16,449
Public works and streets	3,568,000	3,500,600	200,530	(3,300,070)
Capital outlay	<u>1,664,100</u>	<u>1,731,500</u>	<u>864,884</u>	<u>(866,616)</u>
Total expenditures	<u>5,518,200</u>	<u>5,518,200</u>	<u>1,367,963</u>	<u>(4,150,237)</u>
Revenues over (under) expenditures	<u>(2,430,700)</u>	<u>(2,430,700)</u>	<u>897,719</u>	<u>3,328,419</u>
Net change in fund balance	<u>\$ (2,430,700)</u>	<u>\$ (2,430,700)</u>	<u>\$ 897,719</u>	<u>\$ 3,328,419</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 3,210,200	\$ 3,210,200	\$ 1,863,652	\$ (1,346,548)
Intergovernmental	-	-	2,415	2,415
Grants	400,000	650,000	361,602	(288,398)
Interest	65,800	65,800	54,229	(11,571)
Other	386,400	386,400	41,527	(344,873)
Total revenues	<u>4,062,400</u>	<u>4,312,400</u>	<u>2,323,425</u>	<u>(1,988,975)</u>
Expenditures:				
Current:				
General government	14,336,800	2,771,500	-	(2,771,500)
Public safety	50,000	50,000	-	(50,000)
Public works and streets	338,900	338,900	-	(338,900)
Culture and recreation	-	-	2,000,000	2,000,000
Capital outlay	15,525,200	16,639,400	6,632,942	(10,006,458)
Total expenditures	<u>30,250,900</u>	<u>19,799,800</u>	<u>8,632,942</u>	<u>(11,166,858)</u>
Revenues (under) expenditures	<u>(26,188,500)</u>	<u>(15,487,400)</u>	<u>(6,309,517)</u>	<u>9,177,883</u>
Other financing sources				
Proceeds from sale of assets	-	-	49,775	49,775
Revenue bond proceeds	-	-	17,385,000	17,385,000
Premium on revenue bond proceeds	-	-	1,515,000	1,515,000
Transfers in	3,000,000	3,000,000	-	(3,000,000)
Total other financing sources	<u>3,000,000</u>	<u>3,000,000</u>	<u>18,949,775</u>	<u>15,949,775</u>
Net change in fund balance	<u>\$ (23,188,500)</u>	<u>\$ (12,487,400)</u>	<u>\$ 12,640,258</u>	<u>\$ 25,127,658</u>

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Non-major Governmental Funds</u>
Assets			
Cash and investments	\$ 23,056,789	\$ -	\$ 23,056,789
Receivables (net of allowances)			
Taxes and franchise fees	57,486	-	57,486
Grants	401,961	-	401,961
Prepaid items and other assets	4,761	-	4,761
Restricted cash and investments	<u>1,599,035</u>	<u>3,667,354</u>	<u>5,266,389</u>
Total assets	<u>\$ 25,120,032</u>	<u>\$ 3,667,354</u>	<u>\$ 28,787,386</u>
Liabilities			
Accounts payable	\$ 590,645	\$ 21,267	\$ 611,912
Accrued payroll and related taxes	1,775	-	1,775
Due to other funds	170,485	-	170,485
Deposits	1,374	-	1,374
Unearned revenues	531,414	-	531,414
Contracts payable	85,828	-	85,828
Matured bond interest payable	226,934	-	226,934
Matured bonds payable	<u>220,000</u>	<u>-</u>	<u>220,000</u>
Total liabilities	<u>1,828,455</u>	<u>21,267</u>	<u>1,849,722</u>
Fund Balances (Deficits)			
Nonspendable	4,761	-	4,761
Restricted	22,766,699	3,646,087	26,412,786
Committed	487,835	-	487,835
Assigned	37,040	-	37,040
Unassigned	<u>(4,758)</u>	<u>-</u>	<u>(4,758)</u>
Total fund balances	<u>23,291,577</u>	<u>3,646,087</u>	<u>26,937,664</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 25,120,032</u>	<u>\$ 3,667,354</u>	<u>\$ 28,787,386</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2015

	Special Revenue Funds	Debt Service Fund	Total Non-major Governmental Funds
Revenues:			
Taxes	\$ 3,454,948	\$ -	\$ 3,454,948
Intergovernmental	400,517	-	400,517
Charges for services	896,929	-	896,929
Grants	1,252,618	-	1,252,618
Fines	652,271	-	652,271
Development fees	708,055	-	708,055
Interest	138,904	21,292	160,196
Donations	904	-	904
Other	5,142	-	5,142
Total revenues	<u>7,510,288</u>	<u>21,292</u>	<u>7,531,580</u>
Expenditures:			
Current			
General government	107,616	-	107,616
Public safety	792,646	-	792,646
Public works and streets	2,972,288	-	2,972,288
Community development	969,021	-	969,021
Culture and recreation	654,276	-	654,276
Capital outlay	1,007,578	-	1,007,578
Debt service			
Principal	220,000	2,566,800	2,786,800
Interest and fiscal charges	456,868	788,579	1,245,447
Bond issuance costs	-	389,873	389,873
Total expenditures	<u>7,180,293</u>	<u>3,745,252</u>	<u>10,925,545</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>329,995</u>	<u>(3,723,960)</u>	<u>(3,393,965)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	79,493	-	79,493
Premium on revenue bond proceeds	-	228,255	228,255
Refunding bond proceeds	-	13,447,800	13,447,800
Premium on refunding bond proceeds	-	1,621,824	1,621,824
Payment to refunded bonds fiscal agent	-	(14,877,674)	(14,877,674)
Transfers in	-	3,356,838	3,356,838
Transfers out	(1,038,574)	-	(1,038,574)
Total other financing sources (uses)	<u>(959,081)</u>	<u>3,777,043</u>	<u>2,817,962</u>
Net change in fund balances	<u>(629,086)</u>	<u>53,083</u>	<u>(576,003)</u>
Fund balances, beginning	<u>23,920,663</u>	<u>3,593,004</u>	<u>27,513,667</u>
Fund balances, ending	<u>\$ 23,291,577</u>	<u>\$ 3,646,087</u>	<u>\$ 26,937,664</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.

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- *Proposition 400 Fund* – This fund is used to track all revenues and expenditures for the county wide half-cent sales tax to be used for regional transportation improvements.
 - *Public Works Expansion Development Fee Fund* – This fund was established to account for the inflow of public works development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on public works caused by growth.
 - *Roads of Regional Significance SPA 2, 4 & 6 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
 - *Roads of Regional Significance SPA 3 & 5 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
 - *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.
- *Debt Service Fund* – This fund was created to track the issuance and repayment of debt.

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	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	\$ 3,508	\$ 2,520	\$ -	\$ -	\$ 4,572,083	\$ 520,665
Receivables (net of allowances)						
Taxes and franchise fees	-	-	-	-	-	4,627
Grants	-	-	112,115	-	-	-
Prepaid items and other assets	-	-	4,761	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>\$ 3,508</u>	<u>\$ 2,520</u>	<u>\$ 116,876</u>	<u>\$ -</u>	<u>\$ 4,572,083</u>	<u>\$ 525,292</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 5,654	\$ -	\$ -	\$ 768
Accrued payroll and related taxes	-	-	-	-	-	-
Due to other funds	-	-	105,466	-	-	-
Deposits	-	-	-	-	-	-
Unearned revenue	-	-	5,753	-	-	-
Contracts payable	-	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-	226,934
Matured bonds payable	-	-	-	-	-	220,000
Total liabilities	<u>-</u>	<u>-</u>	<u>116,873</u>	<u>-</u>	<u>-</u>	<u>447,702</u>
Fund Balances (Deficits)						
Nonspendable	-	-	4,761	-	-	-
Restricted	3,508	-	-	-	4,572,083	77,590
Committed	-	-	-	-	-	-
Assigned	-	2,520	-	-	-	-
Unassigned	-	-	(4,758)	-	-	-
Total fund balances	<u>3,508</u>	<u>2,520</u>	<u>3</u>	<u>-</u>	<u>4,572,083</u>	<u>77,590</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,508</u>	<u>\$ 2,520</u>	<u>\$ 116,876</u>	<u>\$ -</u>	<u>\$ 4,572,083</u>	<u>\$ 525,292</u>

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds (Continued)
 June 30, 2015

<u>Municipal Court Enhancement Fund</u>	<u>Municipal Court FARE Fund</u>	<u>Municipal Court JCEF Fund</u>	<u>Municipal Court MFTG Fund</u>	<u>Neighborh. Revitaliz. Fund</u>	<u>Net Premium Seating Fund</u>	<u>Parks and Recreation Development Fee Fund</u>
\$ 168,980	\$ 17,609	\$ 60,874	\$ 22,747	\$ -	\$ 60,112	\$ 2,542,619
-	-	-	-	-	-	-
-	-	-	-	289,846	-	-
-	-	-	-	207,093	-	143,712
<u>\$ 168,980</u>	<u>\$ 17,609</u>	<u>\$ 60,874</u>	<u>\$ 22,747</u>	<u>\$ 496,939</u>	<u>\$ 60,112</u>	<u>\$ 2,686,331</u>
\$ -	\$ -	\$ 23	\$ -	\$ 66,281	\$ -	\$ 255,064
-	-	1,675	-	100	-	-
-	-	-	-	-	-	-
-	-	-	-	430,558	-	-
-	-	-	-	-	-	85,828
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,698	-	496,939	-	340,892
-	-	-	-	-	-	-
152,385	17,190	59,176	22,747	-	60,112	2,345,439
-	-	-	-	-	-	-
16,595	419	-	-	-	-	-
-	-	-	-	-	-	-
<u>168,980</u>	<u>17,609</u>	<u>59,176</u>	<u>22,747</u>	<u>-</u>	<u>60,112</u>	<u>2,345,439</u>
<u>\$ 168,980</u>	<u>\$ 17,609</u>	<u>\$ 60,874</u>	<u>\$ 22,747</u>	<u>\$ 496,939</u>	<u>\$ 60,112</u>	<u>\$ 2,686,331</u>

Continued

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds (Continued)
 June 30, 2015

	Police Development Fee Fund	Proposition 400 Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund
Assets					
Cash and investments	\$ 1,100,369	\$ 168,075	\$ 9,505,801	\$ 2,464,836	\$ 23,475
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	-	-
Grants	-	-	-	-	-
Prepaid items and other assets	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
	<u>1,100,369</u>	<u>168,075</u>	<u>9,505,801</u>	<u>2,464,836</u>	<u>23,475</u>
Total assets	<u>\$ 1,100,369</u>	<u>\$ 168,075</u>	<u>\$ 9,505,801</u>	<u>\$ 2,464,836</u>	<u>\$ 23,475</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ 1,226	\$ -	\$ -
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Contracts payable	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,226</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1,226</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	-	-
Restricted	1,100,369	166,290	9,504,575	2,464,836	23,475
Committed	-	-	-	-	-
Assigned	-	1,785	-	-	-
Unassigned	-	-	-	-	-
	<u>1,100,369</u>	<u>168,075</u>	<u>9,504,575</u>	<u>2,464,836</u>	<u>23,475</u>
Total fund balances	<u>1,100,369</u>	<u>168,075</u>	<u>9,504,575</u>	<u>2,464,836</u>	<u>23,475</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,100,369</u>	<u>\$ 168,075</u>	<u>\$ 9,505,801</u>	<u>\$ 2,464,836</u>	<u>\$ 23,475</u>

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds (Continued)
 June 30, 2015

<u>SB1398 Fines Fund</u>	<u>SPD DEA Fund</u>	<u>SPD RICO Fund</u>	<u>SPD Towing Fund</u>	<u>Spring Training Ticket Surcharge Fund</u>	<u>Street Lighting Districts Fund</u>	<u>Tourism Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 61,292	\$ 16,450	\$ -	\$ 227,797	\$ 775,939	\$ 202,314	\$ 538,724	\$ 23,056,789
-	-	-	-	-	39,826	13,033	57,486
-	-	-	-	-	-	-	401,961
-	-	-	-	-	-	-	4,761
-	-	1,192,953	-	-	55,277	-	1,599,035
<u>\$ 61,292</u>	<u>\$ 16,450</u>	<u>\$ 1,192,953</u>	<u>\$ 227,797</u>	<u>\$ 775,939</u>	<u>\$ 297,417</u>	<u>\$ 551,757</u>	<u>\$ 25,120,032</u>
\$ -	\$ -	\$ 380	\$ -	\$ -	\$ 202,314	\$ 58,935	590,645
-	-	-	-	-	-	-	1,775
-	-	65,019	-	-	-	-	170,485
-	-	1,374	-	-	-	-	1,374
-	-	-	-	-	95,103	-	531,414
-	-	-	-	-	-	-	85,828
-	-	-	-	-	-	-	226,934
-	-	-	-	-	-	-	220,000
-	-	66,773	-	-	297,417	58,935	1,828,455
-	-	-	-	-	-	-	4,761
60,847	16,450	1,126,180	217,508	775,939	-	-	22,766,699
-	-	-	-	-	-	487,835	487,835
445	-	-	10,289	-	-	4,987	37,040
-	-	-	-	-	-	-	(4,758)
<u>61,292</u>	<u>16,450</u>	<u>1,126,180</u>	<u>227,797</u>	<u>775,939</u>	<u>-</u>	<u>492,822</u>	<u>23,291,577</u>
<u>\$ 61,292</u>	<u>\$ 16,450</u>	<u>\$ 1,192,953</u>	<u>\$ 227,797</u>	<u>\$ 775,939</u>	<u>\$ 297,417</u>	<u>\$ 551,757</u>	<u>\$ 25,120,032</u>

Concluded

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Special Revenue Funds

June 30, 2015

	<u>163rd Ave Development Fee</u>	<u>Employee Dep Scholarship Fund</u>	<u>Grants Fund</u>	<u>LTA II Fund</u>	<u>Library Development Fee Fund</u>	<u>Marley Park Community Facility District Fund</u>
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 785,441
Intergovernmental	-	-	34,012	352,337	-	-
Charges for services	-	-	-	-	-	-
Grants	-	-	283,597	-	-	-
Fines	-	-	-	-	-	-
Development fees	18,538	-	-	-	4,256	-
Interest	-	15	80	-	26,742	-
Donations	-	904	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>18,538</u>	<u>919</u>	<u>317,689</u>	<u>352,337</u>	<u>30,998</u>	<u>785,441</u>
Expenditures:						
Current:						
General government	-	3,000	38,494	-	-	66,122
Public safety	-	-	216,431	-	-	-
Public works and streets	-	-	24,002	352,337	-	-
Community development	-	-	-	-	-	-
Culture and recreation	-	-	38,759	-	-	-
Capital outlay	-	-	24,771	-	-	-
Debt service						
Principal	-	-	-	-	-	220,000
Interest and fiscal charges	-	-	-	-	-	456,868
Total expenditures	<u>-</u>	<u>3,000</u>	<u>342,457</u>	<u>352,337</u>	<u>-</u>	<u>742,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,538</u>	<u>(2,081)</u>	<u>(24,768)</u>	<u>-</u>	<u>30,998</u>	<u>42,451</u>
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	24,771	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing	<u>-</u>	<u>-</u>	<u>24,771</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>18,538</u>	<u>(2,081)</u>	<u>3</u>	<u>-</u>	<u>30,998</u>	<u>42,451</u>
Fund balances, beginning	<u>(15,030)</u>	<u>4,601</u>	<u>-</u>	<u>-</u>	<u>4,541,085</u>	<u>35,139</u>
Fund balances, ending	<u>\$ 3,508</u>	<u>\$ 2,520</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 4,572,083</u>	<u>\$ 77,590</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Nonmajor Special Revenue Funds

June 30, 2015

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,092	-	11,076	-	-	-
-	-	-	-	-	29,466	-
-	-	-	-	969,021	-	-
77,140	-	19,769	-	-	-	-
-	-	-	-	-	-	363,402
2,527	100	407	204	-	121	19,477
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>79,667</u>	<u>3,192</u>	<u>20,176</u>	<u>11,280</u>	<u>969,021</u>	<u>29,587</u>	<u>382,879</u>
-	-	-	-	-	-	-
128,675	-	42,194	14,479	-	-	-
-	-	-	-	-	-	-
-	-	-	-	969,021	-	-
-	-	-	-	-	3,090	215,778
170,311	-	-	-	-	-	378,847
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>298,986</u>	<u>-</u>	<u>42,194</u>	<u>14,479</u>	<u>969,021</u>	<u>3,090</u>	<u>594,625</u>
<u>(219,319)</u>	<u>3,192</u>	<u>(22,018)</u>	<u>(3,199)</u>	<u>-</u>	<u>26,497</u>	<u>(211,746)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	(793,128)
-	-	-	-	-	-	(793,128)
<u>(219,319)</u>	<u>3,192</u>	<u>(22,018)</u>	<u>(3,199)</u>	<u>-</u>	<u>26,497</u>	<u>(1,004,874)</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>
<u>\$ 168,980</u>	<u>\$ 17,609</u>	<u>\$ 59,176</u>	<u>\$ 22,747</u>	<u>\$ -</u>	<u>\$ 60,112</u>	<u>\$ 2,345,439</u>

Continued

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Special Revenue Funds

June 30, 2015

	Police Development Fee Fund	Proposition 400 Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Grants	-	-	-	-	-
Fines	-	-	-	-	-
Development fees	254,664	-	10,045	57,150	-
Interest	6,238	737	56,262	14,377	137
Donations	-	-	-	-	-
Other	-	-	5,142	-	-
Total revenues	<u>260,902</u>	<u>737</u>	<u>71,449</u>	<u>71,527</u>	<u>137</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works and streets	-	7,715	135,094	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>7,715</u>	<u>135,094</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>260,902</u>	<u>(6,978)</u>	<u>(63,645)</u>	<u>71,527</u>	<u>137</u>
Other financing sources					
Proceeds from sale of capital assets	-	54,722	-	-	-
Transfers out	(245,446)	-	-	-	-
Total other financing	<u>(245,446)</u>	<u>54,722</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>15,456</u>	<u>47,744</u>	<u>(63,645)</u>	<u>71,527</u>	<u>137</u>
Fund balances, beginning	<u>1,084,913</u>	<u>120,331</u>	<u>9,568,220</u>	<u>2,393,309</u>	<u>23,338</u>
Fund balances, ending	<u>\$ 1,100,369</u>	<u>\$ 168,075</u>	<u>\$ 9,504,575</u>	<u>\$ 2,464,836</u>	<u>\$ 23,475</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Special Revenue Funds

June 30, 2015

SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund	SPD Towing Fund	Spring Training Ticket Surcharge Fund	Street Lighting Districts Fund	Tourism Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,451,765	\$ 217,742	\$ 3,454,948
-	-	-	-	-	-	-	400,517
-	-	-	103,450	764,013	-	-	896,929
-	-	-	-	-	-	-	1,252,618
18,250	-	537,112	-	-	-	-	652,271
-	-	-	-	-	-	-	708,055
272	-	3,074	2,213	1,652	1,375	2,894	138,904
-	-	-	-	-	-	-	904
-	-	-	-	-	-	-	5,142
<u>18,522</u>	<u>-</u>	<u>540,186</u>	<u>105,663</u>	<u>765,665</u>	<u>2,453,140</u>	<u>220,636</u>	<u>7,510,288</u>
-	-	-	-	-	-	-	107,616
-	-	179,674	211,193	-	-	-	792,646
-	-	-	-	-	2,453,140	-	2,972,288
-	-	-	-	-	-	-	969,021
-	-	-	-	187,704	-	208,945	654,276
-	-	37,649	-	396,000	-	-	1,007,578
-	-	-	-	-	-	-	220,000
-	-	-	-	-	-	-	456,868
<u>-</u>	<u>-</u>	<u>217,323</u>	<u>211,193</u>	<u>583,704</u>	<u>2,453,140</u>	<u>208,945</u>	<u>7,180,293</u>
<u>18,522</u>	<u>-</u>	<u>322,863</u>	<u>(105,530)</u>	<u>181,961</u>	<u>-</u>	<u>11,691</u>	<u>329,995</u>
-	-	-	-	-	-	-	79,493
-	-	-	-	-	-	-	(1,038,574)
-	-	-	-	-	-	-	(959,081)
<u>18,522</u>	<u>-</u>	<u>322,863</u>	<u>(105,530)</u>	<u>181,961</u>	<u>-</u>	<u>11,691</u>	<u>(629,086)</u>
<u>42,770</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>
<u>\$ 61,292</u>	<u>\$ 16,450</u>	<u>\$ 1,126,180</u>	<u>\$ 227,797</u>	<u>\$ 775,939</u>	<u>\$ -</u>	<u>\$ 492,822</u>	<u>\$ 23,291,577</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 19,800	\$ 19,800	\$ 18,538	\$ (1,262)
Total revenues	<u>19,800</u>	<u>19,800</u>	<u>18,538</u>	<u>(1,262)</u>
Expenditures:				
Current:				
General government	19,800	19,800	-	(19,800)
Total expenditures	<u>19,800</u>	<u>19,800</u>	<u>-</u>	<u>(19,800)</u>
Revenues over expenditures	-	-	18,538	18,538
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,538</u>	<u>\$ 18,538</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ 100	\$ 100	\$ 15	\$ (85)
Donations	1,100	1,100	904	(196)
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>919</u>	<u>(281)</u>
Expenditures:				
Current:				
General government	<u>5,900</u>	<u>5,900</u>	<u>3,000</u>	<u>(2,900)</u>
Total expenditures	<u>5,900</u>	<u>5,900</u>	<u>3,000</u>	<u>(2,900)</u>
Revenues (under) expenditures	<u>(4,700)</u>	<u>(4,700)</u>	<u>(2,081)</u>	<u>2,619</u>
Net change in fund balance	<u>\$ (4,700)</u>	<u>\$ (4,700)</u>	<u>\$ (2,081)</u>	<u>\$ 2,619</u>

City of Surprise, Arizona

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

Grants Fund

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 73,300	\$ 73,300	\$ 34,012	\$ (39,288)
Grants	5,523,200	5,012,900	283,597	(4,729,303)
Interest	-	-	80	80
Total revenues	<u>5,596,500</u>	<u>5,086,200</u>	<u>317,689</u>	<u>(4,768,511)</u>
Expenditures:				
Current:				
General government	5,098,600	3,878,700	38,494	(3,840,206)
Public safety	423,100	536,300	216,431	(319,869)
Public works and streets	-	397,800	24,002	(373,798)
Culture and recreation	50,000	50,100	38,759	(11,341)
Capital outlay	24,800	24,800	24,771	(29)
Total expenditures	<u>5,596,500</u>	<u>4,887,700</u>	<u>342,457</u>	<u>(4,545,243)</u>
Revenues over (under) expenditures	<u>-</u>	<u>198,500</u>	<u>(24,768)</u>	<u>(223,268)</u>
Other financing sources				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>24,771</u>	<u>24,771</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>24,771</u>	<u>24,771</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 198,500</u>	<u>\$ 3</u>	<u>\$ (198,497)</u>

City of Surprise, Arizona

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

LTA II Fund

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 352,337	\$ 2,337
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>352,337</u>	<u>2,337</u>
Expenditures:				
Public works and streets	<u>350,000</u>	<u>352,400</u>	<u>352,337</u>	<u>(63)</u>
Total expenditures	<u>350,000</u>	<u>352,400</u>	<u>352,337</u>	<u>(63)</u>
Revenues (under) expenditures	-	(2,400)	-	2,400
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,400)</u>	<u>\$ -</u>	<u>\$ 2,400</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ -	\$ -	\$ 4,256	\$ 4,256
Interest	54,800	54,800	26,742	(28,058)
Total revenues	<u>54,800</u>	<u>54,800</u>	<u>30,998</u>	<u>(23,802)</u>
Expenditures:				
Current:				
General government	25,000	25,000	-	(25,000)
Culture and recreation	4,532,200	4,532,200	-	(4,532,200)
Total expenditures	<u>4,557,200</u>	<u>4,557,200</u>	<u>-</u>	<u>(4,557,200)</u>
Revenues over (under) expenditures	<u>(4,502,400)</u>	<u>(4,502,400)</u>	<u>30,998</u>	<u>4,533,398</u>
Net change in fund balance	<u>\$ (4,502,400)</u>	<u>\$ (4,502,400)</u>	<u>\$ 30,998</u>	<u>\$ 4,533,398</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 749,800	\$ 749,800	\$ 785,441	\$ 35,641
Total revenues	<u>749,800</u>	<u>749,800</u>	<u>785,441</u>	<u>35,641</u>
Expenditures:				
Current:				
General government	87,800	85,200	66,122	(19,078)
Principal	220,000	220,000	220,000	-
Interest and fiscal charges	453,900	456,900	456,868	(32)
Total expenditures	<u>761,700</u>	<u>762,100</u>	<u>742,990</u>	<u>(19,110)</u>
Revenues over (under) expenditures	<u>(11,900)</u>	<u>(12,300)</u>	<u>42,451</u>	<u>54,751</u>
Net change in fund balance	<u>\$ (11,900)</u>	<u>\$ (12,300)</u>	<u>\$ 42,451</u>	<u>\$ 54,751</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 110,000	\$ 110,000	\$ 77,140	\$ (32,860)
Interest	-	-	2,527	2,527
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>79,667</u>	<u>(30,333)</u>
Expenditures:				
Current:				
Public safety	297,600	330,600	128,675	(201,925)
Capital outlay	200,000	200,000	170,311	(29,689)
Total expenditures	<u>497,600</u>	<u>530,600</u>	<u>298,986</u>	<u>(231,614)</u>
Revenues (under) expenditures	<u>(387,600)</u>	<u>(420,600)</u>	<u>(219,319)</u>	<u>201,281</u>
Net change in fund balance	<u>\$ (387,600)</u>	<u>\$ (420,600)</u>	<u>\$ (219,319)</u>	<u>\$ 201,281</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,200	\$ 4,200	\$ 3,092	\$ (1,108)
Interest	200	200	100	(100)
Total revenues	<u>4,400</u>	<u>4,400</u>	<u>3,192</u>	<u>(1,208)</u>
Expenditures:				
Current:				
Public safety	<u>18,900</u>	<u>18,900</u>	<u>-</u>	<u>(18,900)</u>
Total expenditures	<u>18,900</u>	<u>18,900</u>	<u>-</u>	<u>(18,900)</u>
Revenues over (under) expenditures	<u>(14,500)</u>	<u>(14,500)</u>	<u>3,192</u>	<u>17,692</u>
Net change in fund balance	<u>\$ (14,500)</u>	<u>\$ (14,500)</u>	<u>\$ 3,192</u>	<u>\$ 17,692</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 22,000	\$ 22,000	\$ 19,769	\$ (2,231)
Interest	1,300	1,300	407	(893)
Total revenues	<u>23,300</u>	<u>23,300</u>	<u>20,176</u>	<u>(3,124)</u>
Expenditures:				
Current:				
Public safety	<u>104,300</u>	<u>71,300</u>	<u>42,194</u>	<u>(29,106)</u>
Total expenditures	<u>104,300</u>	<u>71,300</u>	<u>42,194</u>	<u>(29,106)</u>
Revenues (under) expenditures	<u>(81,000)</u>	<u>(48,000)</u>	<u>(22,018)</u>	<u>25,982</u>
Net change in fund balance	<u>\$ (81,000)</u>	<u>\$ (48,000)</u>	<u>\$ (22,018)</u>	<u>\$ 25,982</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 8,300	\$ 8,300	\$ 11,076	\$ 2,776
Interest	300	300	204	(96)
Total revenues	<u>8,600</u>	<u>8,600</u>	<u>11,280</u>	<u>2,680</u>
Expenditures:				
Current:				
Public safety	<u>30,800</u>	<u>30,800</u>	<u>14,479</u>	<u>(16,321)</u>
Total expenditures	<u>30,800</u>	<u>30,800</u>	<u>14,479</u>	<u>(16,321)</u>
Revenues (under) expenditures	<u>(22,200)</u>	<u>(22,200)</u>	<u>(3,199)</u>	<u>19,001</u>
Net change in fund balance	<u>\$ (22,200)</u>	<u>\$ (22,200)</u>	<u>\$ (3,199)</u>	<u>\$ 19,001</u>

City of Surprise, Arizona

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

Neighborh. Revitaliz. Fund

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Grants	\$ 2,083,200	\$ 2,341,500	\$ 969,021	\$ (1,372,479)
Total revenues	<u>2,083,200</u>	<u>2,341,500</u>	<u>969,021</u>	<u>(1,372,479)</u>
Expenditures:				
Current:				
Community development	<u>2,083,200</u>	<u>2,341,500</u>	<u>969,021</u>	<u>(1,372,479)</u>
Total expenditures	<u>2,083,200</u>	<u>2,341,500</u>	<u>969,021</u>	<u>(1,372,479)</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Surprise, Arizona

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

Net Premium Seating Fund

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ 22,000	\$ 22,000	\$ 29,466	\$ 7,466
Interest	-	-	121	121
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>29,587</u>	<u>7,587</u>
Expenditures:				
Current:				
Culture and recreation	<u>52,600</u>	<u>52,600</u>	<u>3,090</u>	<u>(49,510)</u>
Total expenditures	<u>52,600</u>	<u>52,600</u>	<u>3,090</u>	<u>(49,510)</u>
Revenues over (under) expenditures	<u>(30,600)</u>	<u>(30,600)</u>	<u>26,497</u>	<u>57,097</u>
Net change in fund balance	<u>\$ (30,600)</u>	<u>\$ (30,600)</u>	<u>\$ 26,497</u>	<u>\$ 57,097</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 836,000	\$ 836,000	\$ 363,402	\$ (472,598)
Interest	5,800	5,800	19,477	13,677
Total revenues	<u>841,800</u>	<u>841,800</u>	<u>382,879</u>	<u>(458,921)</u>
Expenditures:				
Current:				
General government	25,000	25,000	-	(25,000)
Culture and recreation	1,659,300	1,659,300	215,778	(1,443,522)
Capital outlay	2,635,100	2,635,100	378,847	(2,256,253)
Total expenditures	<u>4,319,400</u>	<u>4,319,400</u>	<u>594,625</u>	<u>(3,724,775)</u>
Revenues (under) expenditures	<u>(3,477,600)</u>	<u>(3,477,600)</u>	<u>(211,746)</u>	<u>3,265,854</u>
Other financing (uses)				
Transfers out	<u>(792,400)</u>	<u>(792,400)</u>	<u>(793,128)</u>	<u>728</u>
Total other financing (uses)	<u>(792,400)</u>	<u>(792,400)</u>	<u>(793,128)</u>	<u>728</u>
Net change in fund balance	<u>\$ (4,270,000)</u>	<u>\$ (4,270,000)</u>	<u>\$ (1,004,874)</u>	<u>\$ 3,266,582</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 482,800	\$ 482,800	\$ 254,664	\$ (228,136)
Interest	12,900	12,900	6,238	(6,662)
Total revenues	<u>495,700</u>	<u>495,700</u>	<u>260,902</u>	<u>(234,798)</u>
Expenditures:				
Current:				
General government	<u>1,563,200</u>	<u>1,563,200</u>	-	(1,563,200)
Total expenditures	<u>1,563,200</u>	<u>1,563,200</u>	-	(1,563,200)
Revenues over (under) expenditures	<u>(1,067,500)</u>	<u>(1,067,500)</u>	<u>260,902</u>	<u>1,328,402</u>
Other financing (uses)				
Transfers out	<u>(245,200)</u>	<u>(245,200)</u>	<u>(245,446)</u>	<u>246</u>
Total other financing (uses)	<u>(245,200)</u>	<u>(245,200)</u>	<u>(245,446)</u>	<u>246</u>
Net change in fund balance	<u>\$ (1,312,700)</u>	<u>\$ (1,312,700)</u>	<u>\$ 15,456</u>	<u>\$ 1,328,648</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 737	737
Other	19,300	19,300	-	(19,300)
Total revenues	<u>19,300</u>	<u>19,300</u>	<u>737</u>	<u>(18,563)</u>
Expenditures:				
Current:				
Public works and streets	19,600	19,600	7,715	(11,885)
Capital outlay	108,200	108,200	-	(108,200)
Total expenditures	<u>127,800</u>	<u>127,800</u>	<u>7,715</u>	<u>(120,085)</u>
Revenues (under) expenditures	<u>(108,500)</u>	<u>(108,500)</u>	<u>(6,978)</u>	<u>101,522</u>
Other financing sources				
Proceeds from sale of capital assets	-	-	54,722	54,722
Total other financing sources	<u>-</u>	<u>-</u>	<u>54,722</u>	<u>54,722</u>
Net change in fund balance	<u>\$ (108,500)</u>	<u>\$ (108,500)</u>	<u>\$ 47,744</u>	<u>\$ 156,244</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ -	\$ -	\$ 10,045	\$ 10,045
Interest	117,300	117,300	56,262	(61,038)
Other	29,500	29,500	5,142	(24,358)
Total revenues	<u>146,800</u>	<u>146,800</u>	<u>71,449</u>	<u>(75,351)</u>
Expenditures:				
Current:				
General government	25,000	25,000	-	(25,000)
Public works and streets	8,903,200	8,903,200	135,094	(8,768,106)
Capital outlay	747,700	747,700	-	(747,700)
Total expenditures	<u>9,675,900</u>	<u>9,675,900</u>	<u>135,094</u>	<u>(9,540,806)</u>
Revenues (under) expenditures	<u>(9,529,100)</u>	<u>(9,529,100)</u>	<u>(63,645)</u>	<u>9,465,455</u>
Net change in fund balance	<u>\$ (9,529,100)</u>	<u>\$ (9,529,100)</u>	<u>\$ (63,645)</u>	<u>\$ 9,465,455</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ -	\$ -	\$ 57,150	\$ 57,150
Interest	27,100	27,100	14,377	(12,723)
Total revenues	<u>27,100</u>	<u>27,100</u>	<u>71,527</u>	<u>44,427</u>
Expenditures:				
Current:				
General government	2,124,700	2,124,700	-	(2,124,700)
Total expenditures	<u>2,124,700</u>	<u>2,124,700</u>	<u>-</u>	<u>(2,124,700)</u>
Revenues over (under) expenditures	<u>(2,097,600)</u>	<u>(2,097,600)</u>	<u>71,527</u>	<u>2,169,127</u>
Net change in fund balance	<u>\$ (2,097,600)</u>	<u>\$ (2,097,600)</u>	<u>\$ 71,527</u>	<u>\$ 2,169,127</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ 300	\$ 300	\$ 137	\$ (163)
Total revenues	<u>300</u>	<u>300</u>	<u>137</u>	<u>(163)</u>
Expenditures:				
Current:				
General government	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
Total expenditures	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
Revenues over (under) expenditures	<u>(18,700)</u>	<u>(18,700)</u>	<u>137</u>	<u>18,837</u>
Net change in fund balance	<u>\$ (18,700)</u>	<u>\$ (18,700)</u>	<u>\$ 137</u>	<u>\$ 18,837</u>

City of Surprise, Arizona

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

SB 1398 Fines Fund

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 17,000	\$ 17,000	\$ 18,250	\$ 1,250
Interest	-	-	272	272
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>18,522</u>	<u>1,522</u>
Expenditures:				
Current:				
Public safety	<u>19,600</u>	<u>19,600</u>	-	(19,600)
Total expenditures	<u>19,600</u>	<u>19,600</u>	-	(19,600)
Revenues over (under) expenditures	<u>(2,600)</u>	<u>(2,600)</u>	<u>18,522</u>	<u>21,122</u>
Net change in fund balance	<u>\$ (2,600)</u>	<u>\$ (2,600)</u>	<u>\$ 18,522</u>	<u>\$ 21,122</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 480,000	\$ 480,000	\$ 537,112	\$ 57,112
Interest	-	-	3,074	3,074
Total revenues	<u>480,000</u>	<u>480,000</u>	<u>540,186</u>	<u>60,186</u>
Expenditures:				
Current:				
Public safety	1,277,900	1,277,900	179,674	(1,098,226)
Capital outlay	-	-	37,649	37,649
Total expenditures	<u>1,277,900</u>	<u>1,277,900</u>	<u>217,323</u>	<u>(1,060,577)</u>
Revenues over (under) expenditures	<u>(797,900)</u>	<u>(797,900)</u>	<u>322,863</u>	<u>1,120,763</u>
Net change in fund balance	<u>\$ (797,900)</u>	<u>\$ (797,900)</u>	<u>\$ 322,863</u>	<u>\$ 1,120,763</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ 117,000	\$ 117,000	\$ 103,450	\$ (13,550)
Interest	-	-	2,213	2,213
Total revenues	<u>117,000</u>	<u>117,000</u>	<u>105,663</u>	<u>(11,337)</u>
Expenditures:				
Current:				
Public safety	<u>375,100</u>	<u>375,100</u>	<u>211,193</u>	<u>(163,907)</u>
Total expenditures	<u>375,100</u>	<u>375,100</u>	<u>211,193</u>	<u>(163,907)</u>
Revenues (under) expenditures	<u>(258,100)</u>	<u>(258,100)</u>	<u>(105,530)</u>	<u>152,570</u>
Net change in fund balance	<u>\$ (258,100)</u>	<u>\$ (258,100)</u>	<u>\$ (105,530)</u>	<u>\$ 152,570</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ 635,000	\$ 635,000	\$ 764,013	\$ 129,013
Interest income (loss)	-	-	1,652	1,652
Total revenues	<u>635,000</u>	<u>635,000</u>	<u>765,665</u>	<u>130,665</u>
Expenditures:				
Current:				
Culture and recreation	387,900	188,000	187,704	(296)
Capital outlay	-	396,000	396,000	-
Total expenditures	<u>387,900</u>	<u>584,000</u>	<u>583,704</u>	<u>(296)</u>
Revenues over expenditures	<u>247,100</u>	<u>51,000</u>	<u>181,961</u>	<u>130,961</u>
Other financing (uses)				
Transfers out	(645,100)	(645,100)	-	(645,100)
Total other financing (uses)	<u>(645,100)</u>	<u>(645,100)</u>	<u>-</u>	<u>(645,100)</u>
Net change in fund balance	<u>\$ (398,000)</u>	<u>\$ (594,100)</u>	<u>\$ 181,961</u>	<u>\$ (514,139)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,384,700	\$ 2,384,700	\$ 2,451,765	\$ 67,065
Interest	-	-	1,375	1,375
Total revenues	<u>2,384,700</u>	<u>2,384,700</u>	<u>2,453,140</u>	<u>68,440</u>
Expenditures:				
Current:				
Public works and streets	<u>2,531,800</u>	<u>2,531,400</u>	<u>2,453,140</u>	<u>(78,260)</u>
Total expenditures	<u>2,531,800</u>	<u>2,531,400</u>	<u>2,453,140</u>	<u>(78,260)</u>
Revenues (under) expenditures	<u>(147,100)</u>	<u>(146,700)</u>	<u>-</u>	<u>146,700</u>
Net change in fund balance	<u>\$ (147,100)</u>	<u>\$ (146,700)</u>	<u>\$ -</u>	<u>\$ 146,700</u>

City of Surprise, Arizona

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

Tourism Fund

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 182,800	\$ 182,800	\$ 217,742	\$ 34,942
Interest	2,700	2,700	2,894	194
Total revenues	<u>185,500</u>	<u>185,500</u>	<u>220,636</u>	<u>35,136</u>
Expenditures:				
Current:				
Culture and recreation	<u>676,900</u>	<u>676,900</u>	<u>208,945</u>	<u>(467,955)</u>
Total expenditures	<u>676,900</u>	<u>676,900</u>	<u>208,945</u>	<u>(467,955)</u>
Revenues over (under) expenditures	<u>(491,400)</u>	<u>(491,400)</u>	<u>11,691</u>	<u>503,091</u>
Net change in fund balance	<u>\$ (491,400)</u>	<u>\$ (491,400)</u>	<u>\$ 11,691</u>	<u>\$ 503,091</u>

City of Surprise, Arizona

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

Debt Service Fund

Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 21,292	\$ 21,292
Total revenues	-	-	21,292	21,292
Expenditures:				
Debt Service				
Principal	2,222,600	4,789,400	2,566,800	(2,222,600)
Interest and fiscal charges	1,746,300	2,535,100	788,579	(1,746,521)
Debt issuance costs	-	177,600	389,873	212,273
Total expenditures	3,968,900	7,502,100	3,745,252	(3,756,848)
Revenues (under) expenditures	(3,968,900)	(7,502,100)	(3,723,960)	3,778,140
Other financing sources				
Premium on revenue bond proceeds	-	-	228,255	228,255
Refunding bond proceeds	-	-	13,447,800	13,447,800
Premium on refunding bond proceeds	-	-	1,621,824	1,621,824
Payment to refunded bonds fiscal agent	-	(14,877,700)	(14,877,674)	26
Transfers in	3,968,900	3,968,900	3,356,838	(612,062)
Total other financing sources	3,968,900	(10,908,800)	3,777,043	14,685,843
Net change in fund balance	\$ -	\$ (18,410,900)	\$ 53,083	\$ 18,463,983

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 Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2015

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Assets			
Current assets			
Cash and investments	\$ 4,765,238	\$ 2,519,991	\$ 7,285,229
Receivables (net of allowances)			
Accounts	798	-	798
Other assets	1,402	-	1,402
Total current assets	<u>4,767,438</u>	<u>2,519,991</u>	<u>7,287,429</u>
Total assets	<u>4,767,438</u>	<u>2,519,991</u>	<u>7,287,429</u>
Deferred Outflows of Resources			
Pension Related	14,105	33,285	47,390
Liabilities			
Current liabilities:			
Accounts payable	10,810	308,839	319,649
Accrued payroll and related taxes	2,340	5,027	7,367
Insurance claims payable	1,538,461	-	1,538,461
Compensated absences payable	1,901	902	2,803
Total current liabilities	<u>1,553,512</u>	<u>314,768</u>	<u>1,868,280</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	2,520	1,196	3,716
Net Pension Liability	98,854	244,987	343,841
Total noncurrent liabilities	<u>101,374</u>	<u>246,183</u>	<u>347,557</u>
Total liabilities	1,654,886	560,951	2,215,837
Deferred Inflows of Resources			
Pension Related	17,287	42,841	60,128
Net Position			
Unrestricted	<u>3,109,370</u>	<u>1,949,484</u>	<u>5,058,854</u>
Total net position	<u>\$ 3,109,370</u>	<u>\$ 1,949,484</u>	<u>\$ 5,058,854</u>

City of Surprise, Arizona

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

Internal Service Funds

Fiscal Year Ended June 30, 2015

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Operating Revenues:			
Charges for services	\$ 10,039,235	\$ 1,687,601	\$ 11,726,836
Other	-	944	944
Total operating revenues	<u>10,039,235</u>	<u>1,688,545</u>	<u>11,727,780</u>
Operating Expenses:			
Cost of sales and services	8,920,833	1,642,832	10,563,665
Total operating expenses	<u>8,920,833</u>	<u>1,642,832</u>	<u>10,563,665</u>
Operating income	<u>1,118,402</u>	<u>45,713</u>	<u>1,164,115</u>
Non-operating revenues			
Interest revenue	<u>19,390</u>	<u>13,921</u>	<u>33,311</u>
Total non-operating revenues	<u>19,390</u>	<u>13,921</u>	<u>33,311</u>
Changes in net position	<u>1,137,792</u>	<u>59,634</u>	<u>1,197,426</u>
Net position, beginning, as restated	<u>1,971,578</u>	<u>1,889,850</u>	<u>3,861,428</u>
Net position, ending	<u>\$ 3,109,370</u>	<u>\$ 1,949,484</u>	<u>\$ 5,058,854</u>

City of Surprise, Arizona
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2015

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ 10,040,636	\$ 1,688,545	\$ 11,729,181
Cash paid to suppliers	(8,310,451)	(1,151,883)	(9,462,334)
Cash paid to employees	(96,578)	(206,108)	(302,686)
Net cash provided by operating activities	<u>1,633,607</u>	<u>330,554</u>	<u>1,964,161</u>
Cash flows from investing activities			
Cash received from interest income	<u>19,390</u>	<u>13,921</u>	<u>33,311</u>
Net cash provided by investing activities	<u>19,390</u>	<u>13,921</u>	<u>33,311</u>
Net change in cash	1,652,997	344,475	1,997,472
Cash, beginning of year	3,112,241	2,175,516	5,287,757
Cash, end of year	<u>\$ 4,765,238</u>	<u>\$ 2,519,991</u>	<u>\$ 7,285,229</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,118,402	\$ 45,713	\$ 1,164,115
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) in assets:			
Accounts receivable	1,401	-	1,401
Other assets	158	-	158
Increase (decrease) in liabilities:			
Accounts payable	(791)	287,206	286,415
Accrued payroll and related taxes	309	1,093	1,402
Net pension liability	(553)	307	(246)
Insurance claims payable	514,060	-	514,060
Compensated absences payable	621	(3,765)	(3,144)
Total adjustments	<u>515,205</u>	<u>284,841</u>	<u>800,046</u>
Net cash provided by operating activities	<u>\$ 1,633,607</u>	<u>\$ 330,554</u>	<u>\$ 1,964,161</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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment of capital assets	\$ 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	\$ 409,274,827
Restricted	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	27,948,361
Unrestricted	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	(18,482,747)
Total governmental activities net position	\$ 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	\$ 418,740,441
Business-type activities										
Net investment of capital assets	\$ 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	\$ 264,678,599
Restricted*	-	-	-	-	13,841,284	21,445,388	6,673,158	6,867,426	6,895,582	5,381,403
Unrestricted	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	44,564,505
Total business-type activities net position	\$ 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	\$ 314,624,507
Primary government										
Net investment of capital assets	\$ 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	\$ 673,953,426
Restricted	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	33,329,764
Unrestricted	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	26,081,758
Total primary government net position	\$ 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	\$ 733,364,948

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

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 21,038,892
Public safety	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	44,415,505
Public works & streets (including SLIDs)	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	35,141,030
Community development	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	5,205,925
Culture and recreation	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	21,863,417
Interest	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	1,635,320
Total governmental activities expenses	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	129,300,089
Business-type Activities:										
Water	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	10,619,858
Sewer	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	20,360,031
Sanitation	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	7,883,309
Replenishment	637,096	628,514	1,585,734	-	-	-	-	-	-	-
Total business-type activities	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	38,863,198
Total primary government expenses	\$ 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	\$ 168,163,287
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 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	\$ 5,301,697
Public safety	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	2,963,326
Public works & streets (including SLIDs)	3,294,580	4,165,635	4,017,706	3,004,313	328,230	3,786,620	3,238,179	792,288	499,338	507,198
Community development	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	2,005,421
Culture and recreation	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	5,313,203
Operating grants and contributions	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	9,908,788
Capital grants and contributions	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	11,561,202
Total governmental activities program revenues	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	37,560,835
Business-type activities:										
Charges for services:										
Water	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	10,814,903
Sewer	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	17,950,085
Sanitation	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	6,952,296
Replenishment	1,037,188	796,503	771,602	-	-	-	-	-	-	-
Capital grants and contributions	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	129,722
Total business-type activities program revenues	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	35,847,006
Total primary government program revenues	\$ 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	\$ 73,407,841
Net revenue/expense:										
Governmental activities	\$ 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)	\$ (91,739,254)
Business-type activities	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)	(3,016,192)
Total primary government net expense	\$ 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)	\$ (94,755,446)

General Revenues and Other Changes in Net Position

Governmental activities:											
Taxes											
Property taxes	\$ 5,078,661	\$ 6,728,647	\$ 7,379,236	\$ 7,403,211	\$ 6,831,553	\$ 7,018,180	\$ 6,112,789	\$ 9,274,735	\$ 9,401,277	\$ 9,713,903	
Sales taxes	48,617,437	45,707,048	39,336,323	33,241,899	29,144,497	29,826,572	33,266,049	37,836,088	39,685,844	42,111,177	
Franchise taxes	2,990,582	3,602,776	3,907,778	4,073,771	4,309,896	4,448,614	4,547,621	4,732,649	5,159,956	5,249,320	
State shared revenue	7,437,667	19,247,219	20,808,942	20,546,483	21,234,739	18,767,966	23,434,911	25,983,982	26,722,541	29,879,804	
Unrestricted investment earnings	4,253,352	7,218,793	3,959,328	422,965	414,492	488,919	304,846	164,984	329,637	400,260	
Other	815,436	1,824,746	1,437,163	3,545,306	1,425,472	489,667	297,016	562,787	482,776	1,146,649	
Transfers	832,783	(36,469,155)	4,078,000	4,050,107	(6,195,179)	946,818	968,148	1,068,522	1,147,181	1,132,145	
Total governmental activities	70,025,918	47,860,074	80,906,770	73,283,742	57,165,470	61,986,736	68,931,380	79,623,747	82,929,212	89,633,258	
Business-type activities:											
Unrestricted investment earnings	1,978,146	4,053,513	2,344,100	365,454	423,050	552,583	331,127	150,350	296,183	253,407	
Other	-	-	-	-	110,149	483,773	-	-	-	-	
Special item - Extinguishment of debt	-	-	-	-	2,821,348	-	-	-	-	-	
Transfers	(832,783)	36,469,155	(4,078,000)	(4,373,199)	6,195,179	(946,818)	(968,148)	(1,068,522)	(1,147,181)	(1,132,145)	
Total business-type activities	1,145,363	40,522,668	(1,733,900)	(4,007,745)	9,549,726	89,538	(637,021)	(918,172)	(850,998)	(878,738)	
Total primary government	\$ 71,171,281	\$ 88,382,742	\$ 79,172,870	\$ 69,275,997	\$ 66,715,196	\$ 62,076,274	\$ 68,294,359	\$ 78,705,575	\$ 82,078,214	\$ 88,754,520	
Change in Net Position											
Governmental activities	\$ 129,939,697	\$ 22,877,749	\$ 37,912,453	\$ (1,880,645)	\$ 4,174,665	\$ (9,207,813)	\$ 17,620,273	\$ (666,224)	\$ (6,439,705)	\$ (2,105,996)	
Business-type activities	27,347,229	70,191,642	24,798,976	6,132,368	60,992,527	11,829,588	9,930,142	847,546	(2,308,848)	(3,894,930)	
Prior period adjustments	-	21,653,107	(3,430,317)	(3,430,317)	-	-	-	-	-	-	
Total primary government	\$ 157,286,926	\$ 114,722,498	\$ 59,281,112	\$ 821,405	\$ 65,167,192	\$ 2,621,775	\$ 27,550,415	\$ 181,322	\$ (8,748,553)	\$ (6,000,926)	

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,420	\$ 637,513	\$ 626,565	\$ 821,009	\$ 1,313,505
Restricted	-	-	-	-	-	129,117	79,170	77,439	66,385	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	1,334,202	317,343	327,182	360,030	578,518
Unassigned	-	-	-	-	-	239,533	4,459,773	17,166,622	26,849,205	34,324,717
Reserved	-	-	56,667	4,048,909	2,692,681	-	-	-	-	-
Unreserved	45,310,453	31,570,113	31,766,001	17,105,789	12,527,329	-	-	-	-	-
Total general fund	\$ 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	\$ 36,216,740
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,744	\$ 106,844	\$ 134,673	\$ 206,294	\$ 195,374
Restricted	-	-	-	-	-	27,151,070	26,932,579	28,027,995	29,584,573	46,848,361
Committed	-	-	-	-	-	7,767,079	7,915,957	7,266,032	47,607,527	42,241,616
Assigned	-	-	-	-	-	41,951,897	42,460,372	44,505,144	1,173,198	1,209,403
Unassigned	-	-	-	-	-	(50,850,735)	(50,409,260)	(49,901,573)	(50,029,315)	(49,288,936)
Reserved	2,289,309	2,289,308	2,289,307	2,289,308	57,870,335	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	62,118,371	36,752,608	37,336,735	22,123,789	(37,216,769)	-	-	-	-	-
Capital projects funds	29,508,462	58,960,539	21,474,937	2,895,166	(8,724,406)	-	-	-	-	-
Debt service funds	458,821	651,086	555,713	27,832	6,236,019	-	-	-	-	-
Total all other governmental funds	\$ 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	\$ 41,205,818

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 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	\$ 52,178,522
Licenses and permits	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	4,975,398
Intergovernmental	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	37,947,604
Charges for services	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	9,241,853
Grants	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	1,659,609
Fines	1,515,169	1,222,791	1,348,307	1,862,634	1,930,945	1,827,127	1,870,202	1,986,692	1,498,451	1,768,671
Rents	5,274,430	5,224,704	7,844,593	7,789,822	4,000,944	611,019	580,820	584,972	606,679	549,400
Development fees	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	2,224,125
Interest	4,215,995	7,138,672	3,894,950	403,629	391,530	464,496	278,177	149,655	307,139	400,260
Special assessments*	823,210	1,420,634	1,442,179	2,186,412	-	-	-	-	-	-
Donations	-	-	-	-	-	429,237	257,372	344,589	148,062	245,671
Indirect charges**	-	-	-	-	-	3,660,700	3,660,700	3,660,700	4,682,772	4,682,772
Other	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	1,155,192
Total revenues	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	117,029,077
Expenditures										
Current										
General government	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	20,291,986
Public safety	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	41,862,877
Public works and streets (incl. SLIDS)	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	17,314,612
Community development	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	5,074,395
Culture and recreation	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	19,301,123
Capital outlay	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	8,604,468
Debt Service										
Principal	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	2,786,800
Interest	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	1,245,447
Other charges	-	1,747,390	256,445	231,221	-	-	-	-	-	389,873
Total expenditures	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	116,871,581
Excess of revenues over (under) expenses	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	157,496
Other financing sources (uses)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	33,035	240,830	226,080
Transfers in (out)	-	(36,469,155)	4,078,000	4,373,199	(6,167,991)	946,818	968,148	1,068,522	4,803,747	1,132,145
From bonding	-	52,133,243	3,950,000	3,395,000	-	-	-	-	(3,656,566)	19,320,205
Total other financing sources (uses)	-	15,664,088	8,028,000	7,768,199	(6,167,991)	946,818	968,148	1,101,557	1,388,011	20,678,430
Net change in fund balances	\$ 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	\$ 20,835,926
Debt service as a percentage of noncapital expenditures***	8.7%	9.6%	9.6%	8.7%	4.7%	5.0%	4.6%	4.6%	4.2%	4.1%

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
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
2015	9,713,903	42,111,177	5,249,320	57,074,400

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Description of Payers Business</u>										
Construction	\$ 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	\$ 5,318,361
Retail trade	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	17,897,576
Communications and utilities	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	5,379,741
Restaurant and bar	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	5,600,500
Real estate, rental and leasing	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	4,077,066
Other	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	4,188,861
Total	\$ 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	\$ 42,462,105

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2015.

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 Residential Property	Assessed Value Commercial Property	Real Property	Full Cash Value	Direct Tax Rate	Estimated Actual Taxable Full Cash Value	Assessed Value to Total Estimated Actual Value
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)	598,600,508	0.1824	6,740,461,398	11.24%
2007	P	533,628,022	196,628,121	(34,364,470)	695,891,673	0.7229	6,337,990,423	10.98%
2007	S	539,743,346	256,601,719	(51,815,780)	744,529,285	0.1872	6,750,201,089	11.03%
2008	P	694,136,036	234,267,304	(41,376,119)	887,027,221	0.6593	8,136,769,543	10.90%
2008	S	941,574,261	314,493,838	(61,825,516)	1,194,242,583	0.1007	11,075,464,347	10.78%
2009	P	819,125,453	326,443,400	(68,872,401)	1,076,696,452	0.5939	9,935,245,974	10.84%
2009	S	1,079,864,541	510,525,409	(133,155,590)	1,457,234,360	0.0195	13,645,111,961	10.68%
2010	P	899,879,844	407,255,079	(147,231,863)	1,159,903,060	0.5661	11,218,267,227	10.34%
2010	S	932,885,757	567,640,639	(95,418,806)	1,405,107,590	-	12,479,985,619	10.84%
2011	P	734,802,358	444,395,674	(110,470,743)	1,068,727,289	0.6735	9,795,021,688	10.91%
2011	S	739,725,180	532,775,146	(143,459,254)	1,129,041,072	-	10,353,625,385	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	590,891,318	352,740,031	(120,457,469)	823,173,880	0.7783	7,921,310,783	10.39%
2014	S	592,539,973	366,349,440	(128,753,963)	830,135,450	-	8,021,860,448	10.35%
2015	P	635,011,041	351,426,277	(128,356,166)	858,081,152	0.7591	8,378,359,740	10.24%
2015	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 State Abstract

Direct Tax Rate is From the Maricopa County Finance Department's "Tax Levy Book for the City of Surprise" for the applicable tax year.

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	
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Maricopa County			Dysart School District					
				Operating Tax Rate	Debt Service Tax Rate	County Library	Total County Tax Rate	Operating Tax Rate	Debt Service Tax Rate	Total School District Tax Rate	Other	
2006	0.7277	0.1824	0.9101	1.1971	-	0.0521	1.2492	5.4627	1.6924	7.1551	1.9267	11.2411
2007	0.7229	0.1872	0.9101	1.1794	-	0.0507	1.2301	5.1144	1.8378	6.9522	1.5145	10.6069
2008	0.6593	0.1007	0.7600	1.1046	-	0.0391	1.1437	4.4326	1.6402	6.0728	1.3281	9.3046
2009	0.5939	0.0195	0.6134	1.0327	-	0.0353	1.0680	4.0525	1.5226	5.5751	1.2662	8.5227
2010	0.5661	-	0.5661	0.9909	-	0.0353	1.0262	3.0430	1.7251	4.7681	1.2182	7.5786
2011	0.6735	-	0.6735	1.0508	-	0.0412	1.0920	2.9051	2.0919	4.9970	1.3405	8.1030
2012	0.6700	-	0.6700	1.2407	-	0.0492	1.2899	3.4104	2.5820	5.9924	1.6440	9.5963
2013	0.7383	-	0.7383	1.2407	-	0.0492	1.2899	4.6547	2.7317	7.3864	1.8351	11.2497
2014	0.7783	-	0.7783	1.2807	-	0.0492	1.3299	4.3492	2.9538	7.3030	1.6356	11.0468
2015	0.7591	-	0.7591	1.3209	-	0.0556	1.3765	3.9957	2.7750	6.7707	1.7472	10.6535

Source: Maricopa County Finance Department's "Maricopa County 2014 Tax Levy" report.

City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2015 and 2006

Taxpayer	2015			2006		
	Primary Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Arizona Public Service Company	\$ 22,854,894	1	2.57%			
Southwest Gas Corporation (T&D)	5,601,719	2	0.63%			
EPCOR - Agua Fria Water Division	3,404,514	3	0.38%			
Skyway LLC	3,252,944	4	0.37%			
CCD Real Estate Holdings LLC	3,101,403	5	0.35%			
MCI Communications Services Inc	2,646,674	6	0.30%			
Wal-Mart Stores Inc	2,603,540	7	0.29%			
Surprise Pointe LLC	2,454,631	8	0.28%			
Sanifill of Arizona Inc,	2,417,572	9	0.27%			
G&I VII Stadium Village LLC	2,359,403	10	0.27%			
Arizona Public Service Company				\$ 14,888,750	1	2.14%
Southwest Gas Corporation (T&D)				4,387,799	2	0.63%
AAWC: Aqua Fria Water Division				2,855,110	3	0.41%
QWEST Corporation				2,734,608	4	0.39%
Surprise Towne Center L C				2,706,443	5	0.39%
Sun City Grand Community Association				2,508,318	6	0.36%
Albertsons Inc.				2,463,062	7	0.35%
Wal-Mart Stores Inc				2,222,151	8	0.32%
Surprise Marketplace LC				2,143,474	9	0.31%
Cox Arizona Telecom LLC				2,112,779	10	0.30%
Total	<u>\$ 50,697,294</u>		5.71%	<u>\$ 39,022,494</u>		5.60%
Primary Assessed Valuation	889,243,593			695,891,673		

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	Total Tax Levy	Collected within the Fiscal Year of the Levy		Tax Collections in Subsequent Years	Total Collections to Date	
		Current Tax Collections	Percentage of Levy		Tax Collections	Percentage of Levy
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%	69,734	6,318,890	99.5%
2015	6,498,000	6,425,856	98.9%	38,453	6,464,309	99.5%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2015.

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

Fiscal Year	Governmental Activities				Business-Type Activities Water			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	General (CFD) Obligation Bonds	Municipal Property Corp. Bonds	Pledged Revenue Obligations	Municipal Property Corp. Bonds	Infrastructure Financing Authority Loan	Pledged Revenue Obligations			
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
2015	-	7,115,000	-	30,832,800	39,365,000	-	5,832,000	83,144,800	2.7%	658

* 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
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%	-
2015	-	-	-	0.000%	-

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015
(accrual basis of accounting)

Governmental Unit:	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes :			
Maricopa County Community College*	\$ 654,190,000	2.58%	\$ 16,878,102
Western Maricopa Education Center District	59,045,000	5.36%	3,164,812
Dysart Unified School District No. 89	167,605,000	77.02%	129,089,371
Marley Park	7,115,000	100.00%	7,115,000
City of Surprise**	80,098,450	100.00%	80,098,450
Total overlapping debt (within Marley Park)			<u>\$ 236,345,735</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.

* Excludes non-property tax supported debt such as revenue bonds.

** Includes: Revenue obligations, Revenue bonds and unamortized premiums.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit 6%	\$ 35,912,240	\$ 44,671,757	\$ 71,654,555	\$ 87,434,062	\$ 81,197,672	\$ 67,742,464	\$ 56,203,800	\$ 51,281,020	\$ 49,298,862	\$ 54,283,263
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Unrestricted legal debt margin	<u>\$ 35,912,240</u>	<u>\$ 44,671,757</u>	<u>\$ 71,654,555</u>	<u>\$ 87,434,062</u>	<u>\$ 81,197,672</u>	<u>\$ 67,742,464</u>	<u>\$ 56,203,800</u>	<u>\$ 51,281,020</u>	<u>\$ 49,298,862</u>	<u>\$ 54,283,263</u>
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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit 20%	\$ 119,707,465	\$ 148,905,857	\$ 238,848,517	\$ 291,446,872	\$ 270,658,907	\$ 225,808,214	\$ 187,346,001	\$ 170,936,735	\$ 164,329,540	\$ 180,944,209
Total net debt applicable to limit	3,630,490	2,698,490	1,372,603	243,175	-	-	-	-	-	-
Restricted legal debt margin	<u>\$ 116,076,975</u>	<u>\$ 146,207,367</u>	<u>\$ 237,475,914</u>	<u>\$ 291,203,697</u>	<u>\$ 270,658,907</u>	<u>\$ 225,808,214</u>	<u>\$ 187,346,001</u>	<u>\$ 170,936,735</u>	<u>\$ 164,329,540</u>	<u>\$ 180,944,209</u>
Total net debt applicable to the 20% limit as a percentage of the 20% debt limit	3.03%	1.81%	0.57%	0.08%	0.00%	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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Median Household Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
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	6.9%
2015	126,275	3,073,914,630	58,455	37.0	5.9%

Data Sources:

Arizona Department of Commerce
US Census Bureau

City of Surprise, Arizona
Principal Employers
June 30, 2015 and Nine Years Prior

Employer	2015			2006		
	Employees	Rank	%of Total	Employees	Rank	%of Total
Dysart School District (Surprise Schools Only)	1,790	1	14.61%	1,040	1	9.24%
Wal-Mart	750	2	8.24%	685	3	6.09%
City of Surprise	980	3	5.26%	830	2	7.38%
Fry's Food Store	520	4	4.48%	165	8	1.47%
McDonalds	220	5	1.88%			
Maricopa County	220	6	1.87%			
Kohl's Department Store	210	7	1.67%			
Sands Motor Company	190	8	1.52%			
Sam's Club	170	9	1.47%			
Safeway Food Store	160	10	1.33%			
Home Depot				230	6	2.04%
Albertson's Food Store				150	9	1.33%
Del Webb/Pulte				500	4	4.44%
Surprise Charter Schools (3)				335	5	2.98%
Sun City Grand Community Association				230	7	2.04%
APS				140	10	1.24%

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function										
General government	97	124	139	140	124	124	123	123	123	136
Public safety:										
Police:										
Officers	117	128	150	134	132	130	132	133	134	130
Civilians	14	15	20	53	56	58	49	49	48	54
Fire:										
Firefighters and officers	106	129	156	110	110	114	112	112	111	113
Civilians	6	9	10	15	9	8	6	6	7	7
Public works and streets:										
All others	78	89	105	113	100	96	82	83	83	83
Community development	49	51	48	43	40	36	36	40	40	43
Culture and recreation	103	112	124	117	95	97	97	110	110	122
Water	10	8	8	31	31	33	29	25	25	24
Sanitation	23	29	29	32	32	34	34	31	31	32
Sewer	26	30	34	39	39	39	36	36	36	37
Replenishment	1	3	5	-	-	-	-	-	-	-
Total	630	727	828	827	768	769	736	748	748	781

Source: Fiscal year 2015 Adopted Budget

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety:										
Police:										
Calls- incidents responded to	33,047	38,283	40,344	43,002	41,495	40,779	42,010	39,866	37,566	38,191
Citations issued	12,117	8,347	11,732	13,728	12,455	8,233	7,856	9,673	7,020	7,524
Auto theft rates per capita										
Crimes per capita										
Officers per 1,000 residents	1.1	1.2	1.2	1.2	1.2	1.5	1.1	1.1	1.1	1.1
Fire:										
Number of responses	8,668	9,120	10,281	10,523	10,998	11,620	12,313	13,649	14,004	15,750
Inspections	1,055	2,164	2,285	2,114	639	1,101	1,122	1,184	1,411	1,885
Public works and streets:										
Sq. ft. of buildings to maintain	375,000	378,900	535,717	567,245	830,271	830,431	830,431	830,271	830,271	830,271
Vehicles/equipment maintained per month	244	394	418	484	444	387	494	403	392	405
Number of street lights repaired	150	148	124	212	249	270	291	300	377	43
Street miles maintained	592	592	592	592	526	536	539	607	607	627
Community development:										
Building safety inspections performed	37,607	38,000	30,311	17,749	11,349	11,106	13,257	20,150	18,220	15,624
Annual new residential starts	6,866	1,759	774	373	291	206	395	554	385	417
Culture and recreation:										
Organized recreation program participants	29,000	27,760	132,795	186,139	170,336	176,569	185,232	191,648	192,300	178,186
Special events/open facility participants	144,000	157,800	249,599	259,731	242,759	261,327	256,674	269,823	278,980	321,214
Water:										
Water service connections	13,249	13,985	14,375	14,472	14,519	14,130	14,329	14,570	14,740	14,971
Sewer:										
Sewage treated (million gallons per day)	7.0	7.0	7.0	6.0	7.6	7.4	7.6	8.1	8.1	8.4
Sewer service connections	40,072	42,284	42,912	45,032	46,448	44,077	44,583	45,802	45,984	44,923
Sanitation:										
Refuse collected (tons/annually)	28,100	30,700	31,506	29,757	30,398	30,803	30,289	29,400	30,583	33,351
Number of routes	31	31	25	26	34	34	33	33	32	32
Total services	28,625	30,800	32,096	32,719	33,797	37,144	32,357	32,975	33,321	32,683

Sources: Various government departments

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety:										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	75	66	68	81	73	80	64	63	63	68
Fire:										
Fire stations	4	4	6	7	7	7	7	7	7	7
Fire engines and ladder trucks	7	7	9	10	11	11	11	11	12	12
Public works and streets:										
Street miles	593	593	593	592	592	536	539	607	607	627
Street lighting improvement districts	69	71	79	79	83	98	103	101	105	107
Traffic Signals	23	27	34	41	42	42	45	51	51	50
Bridges	1	1	9	12	15	15	19	19	19	19
Community development:										
Inspection vehicles	29	23	14	12	12	12	12	12	10	10
Culture and recreation:										
Parks acreage	284	284	367	383	393	393	393	393	393	393
Parks	7	9	12	12	12	12	12	12	12	12
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball fields	2	3	3	9	11	11	11	11	11	11
Baseball fields	15	17	17	21	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)	20.2	22.0	21.8	20.7	24.6	31.0	31.0	31	31	32
Sewer:										
Sewer treatment plants	1	1	1	1	1	2	2	2	2	2
Maximum daily treatment capacity	7.5	8.3	8.3	16.3	16.3	18.3	18.3	18.3	18.3	18.3
Sanitation:										
Collection trucks	22	22	25	26	26	26	26	26	26	26

Sources: Various government departments



SURPRISE
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