



City of Surprise, Arizona
Annual Expenditure Limitation Report
For the Fiscal Year Ended June 30, 2013

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and the City Council
City of Surprise, Arizona, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Surprise, Arizona, for the year ended June 30, 2013. This report is the responsibility of the City of Surprise, Arizona's management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we consider necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the City of Surprise, Arizona, referred to above presents, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

CliftonLarsonAllen LLP

Phoenix, Arizona
January 29, 2014

City of Surprise, Arizona
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2013

1. Economic Estimates Commission expenditure limitation	\$ 888,445,581	
2. Voter-approved alternative expenditure limitation	-	
3. Enter applicable amount from Line 1 or Line 2		\$ 888,445,581
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	102,096,147	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, §20[2][a], Arizona Constitution)	-	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, §20[2][b], Arizona Constitution)	-	
7. Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, §20[2][c], Arizona Constitution)	-	
8. Subtotal	102,096,147	
9. Board-authorized excess expenditures for the previous fiscal year not declared by the Governor and not approved by the voters (Article IX, §20[2][b], Arizona Constitution)	-	
10. Total adjusted amount subject to the expenditure limitation		<u>102,096,147</u>
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.		<u><u>\$ 786,349,434</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Financial Officer: 

Name and Title: Bob Wingenroth, Chief Financial Officer

Telephone Number: 623-222-1800

Date: January 29, 2014

See accompanying Notes to the Annual Expenditure Limitation Report.

City of Surprise, Arizona
Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2013

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 88,209,938	\$ 28,273,811	\$ 9,841,863	\$ 22,732	\$ 126,348,344
B. Less exclusions claimed:					
1. Bond proceeds	-	-	-	-	-
Debt service requirements on bonded indebtedness (see Note 2)	4,033,708	3,694,345	-	-	7,728,053
Proceeds from other long-term obligations	-	-	-	-	-
Debt service requirements on other long-term obligations	-	-	-	-	-
2. Dividends, interest, and gains on the sale or redemption of investment securities	-	-	-	-	-
3. Trustee or custodian	-	-	-	-	-
4. Grants and aid from the federal government (see Note 3)	2,655,921	-	-	-	2,655,921
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	-	-	-	-	-
6. Amounts received from the State of Arizona (see Note 4)	389,644	-	-	-	389,644
7. Quasi-external interfund transactions (see Note 5)	-	-	8,148,541	-	8,148,541
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80 (see Note 6)	5,330,038	-	-	-	5,330,038
10. Contracts with other political subdivisions	-	-	-	-	-
11. Refunds, reimbursements, and other recoveries	-	-	-	-	-
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward	-	-	-	-	-
14. Total exclusions claimed	<u>\$ 12,409,311</u>	<u>\$ 3,694,345</u>	<u>\$ 8,148,541</u>	<u>\$ -</u>	<u>\$ 24,252,197</u>
C. Amounts subject to the expenditure limitation (if an individual fund type amount is negative, reduce exclusions claimed to net to zero.)	<u>\$ 75,800,627</u>	<u>\$ 24,579,466</u>	<u>\$ 1,693,322</u>	<u>\$ 22,732</u>	<u>\$ 102,096,147</u>

See accompanying Notes to the Annual Expenditure Limitation Report.

City of Surprise, Arizona
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2013

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 91,330,497	\$ 35,431,469	\$ 10,058,370	\$ 22,732	\$ 136,843,068
B. Subtractions					
1. Items not requiring use of working capital:					
Depreciation	-	10,398,463	-	-	10,398,463
Loss on disposal of capital assets	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Claims incurred but not reported (see Note 9)	-	-	508,000	-	508,000
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (see Note 7)	3,120,559	-	-	-	3,120,559
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-	-
4. Involuntary court judgments	-	-	-	-	-
5. Total subtractions	<u>\$ 3,120,559</u>	<u>\$ 10,398,463</u>	<u>\$ 508,000</u>	<u>\$ -</u>	<u>\$ 14,027,022</u>
C. Additions:					
1. Principal payments on long-term debt (see Note 2)	-	1,011,863	-	-	1,011,863
2. Acquisition of capital assets (see Note 8)	-	2,228,942	-	-	2,228,942
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years (see Note 9)	-	-	291,493	-	291,493
4. Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years	-	-	-	-	-
5. Total additions	<u>\$ -</u>	<u>\$ 3,240,805</u>	<u>\$ 291,493</u>	<u>\$ -</u>	<u>\$ 3,532,298</u>
D. Amounts reported on Part II, Line A	<u>\$ 88,209,938</u>	<u>\$ 28,273,811</u>	<u>\$ 9,841,863</u>	<u>\$ 22,732</u>	<u>\$ 126,348,344</u>

See accompanying Notes to the Annual Expenditure Limitation Report.

City of Surprise
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, which excludes expenditures, expenses or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures, expenses or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on PART II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds.

NOTE 2 – DEBT SERVICE

The exclusion claimed for debt service requirements in the Governmental and Enterprise Funds consists of principal retirement and interest expense.

Governmental

Bonded Indebtedness

2003 Bond Issuance Principal	\$ 2,333,138
2003 Bond Issuance Interest	1,026,075
Community Facilities District Bonds Principal	200,000
Community Facilities District Bonds Interest	474,495
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	\$ 4,033,708

Enterprise

Bonded Indebtedness

2003 Bond Issuance Principal	\$ 1,011,863
2003 Bond Issuance Interest	419,807
2007 Bond Issuance Principal	-
2007 Bond Issuance Interest	2,262,675
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	\$ 3,694,345

City of Surprise
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2013

NOTE 3 – GRANTS AND AID FROM FEDERAL GOVERNMENT

Expenditures of grants and aid from the Federal Government consist of the following:

Federal		
U.S. Department of Housing and Urban Development	\$	1,692,762
U.S. Department of the Interior		157,979
Environmental Protection Agency		38,029
U.S. Department of Justice		103,520
U.S. Department of Transportation		413,217
U.S. Department of Homeland Security		208,074
U.S. Department of Human Services		42,340
Total	\$	<u>2,655,921</u>

NOTE 4 – AMOUNTS RECEIVED FROM THE STATE

Expenditures of amounts received from the State consist of the following:

State		
Local Transportation Assistance Funds II	\$	345,576
Municipal Fill the Gap		31,000
Judicial Collection Enhancement Fee		9,568
Fees and Restitution Enforcement		3,500
Total	\$	<u>389,644</u>

NOTE 5 – QUASI-EXTERNAL INTERFUND TRANSACTIONS

There are certain transactions that are recorded between the City's funds as if the transaction was with an entity external to the City. The Employee Healthcare Fund charged other funds \$6,548,541 in order to meet the costs of providing health insurance claims coverage, plan administration, stop loss premiums and reserves. The Risk Management Fund charged other funds \$1,600,000 to provide risk management, loss control and safety programs citywide.

City of Surprise
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2013

NOTE 6 – HIGHWAY USER REVENUES

Highway user revenues for the current fiscal year were \$6,487,774 which is \$6,425,343 more than the highway user revenues received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled \$5,330,038, leaving a carryover balance of \$1,095,305.

NOTE 7 – SEPARATE LEGAL ENTITIES

The subtraction of \$3,120,559 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts within the city's reporting entity, which were not included in the Economic Estimates Commission base limit calculations. Expenditures of \$2,396,604 are reported in the Governmental Funds as the Street Lighting Districts Funds with expenditures classified as public works and streets. Expenditures of \$723,955 are recorded in the Marley Park Community Facility District Fund as General Government (\$46,460), Principal (\$200,000) and Interest and fiscal charges (\$477,495).

NOTE 8 – ACQUISITION OF CAPITAL ASSETS

The amount reported for the acquisition of capital assets within the enterprise funds was computed as follows:

Total capital asset additions	\$ 2,654,931
less capital contributions	<u>(425,989)</u>
Total acquisitions	\$ 2,228,942

NOTE 9 – CLAIMS INCURRED BUT NOT REPORTED

There was \$508,000 of claims incurred but not reported at the end of the fiscal year. Of the prior years \$462,000 that was recorded as claims incurred but not reported; \$291,493 was paid during the current fiscal year.