



City of Surprise, Arizona
Annual Expenditure Limitation Report
For the Fiscal Year Ended June 30, 2012

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Annual Expenditure Limitation Report of the City of Surprise, Arizona for the year ended June 30, 2012. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Annual Expenditure Limitation Report of the City of Surprise, Arizona, for the year ended June 30, 2012, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

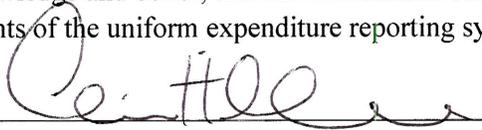
Phoenix, Arizona
June 5, 2013

City of Surprise, Arizona
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2012

1. Economic Estimates Commission expenditure limitation	\$ 862,669,780	
2. Voter-approved alternative expenditure limitation	-	
3. Enter applicable amount from Line 1 or Line 2		\$ 862,669,780
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	106,222,739	
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	106,222,739	
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>106,222,739</u>
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.		<u><u>\$ 756,447,041</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: Christopher Hillman, Interim Chief Financial Officer

Telephone Number: 623-222-1800

Date: June 5, 2013

See accompanying Notes to the Annual Expenditure Limitation Report.

City of Surprise, Arizona
Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2012

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 89,767,953	\$ 33,750,023	\$ 8,063,116	\$ 57,210	\$ 131,638,302
B. Less exclusions claimed:					
1. Bond proceeds	-	-	-	-	-
Debt service requirements on bonded indebtedness (see Note 2)	4,038,716	3,796,701	-	-	7,835,417
Proceeds from other long-term obligations	-	-	-	-	-
Debt service requirements on other long-term obligations (see Note 2)	-	1,351,034	-	-	1,351,034
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)	2,548,803	-	-	-	2,548,803
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)	382,578	-	-	-	382,578
7. Quasi-external interfund transactions (see Note 5)	-	-	7,563,089	-	7,563,089
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)	5,734,642	-	-	-	5,734,642
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>\$ 12,704,739</u>	<u>\$ 5,147,735</u>	<u>\$ 7,563,089</u>	<u>\$ -</u>	<u>\$ 25,415,563</u>
C. Amounts subject to the expenditure limitation (if an individual fund type amount is negative, reduce exclusions claimed to net to zero.)	<u>\$ 77,063,214</u>	<u>\$ 28,602,288</u>	<u>\$ 500,027</u>	<u>\$ 57,210</u>	<u>\$ 106,222,739</u>

See accompanying Notes to the Annual Expenditure Limitation Report.

City of Surprise, Arizona
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2012

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	\$ 92,906,791	\$ 36,164,902	\$ 8,306,647	\$ 57,210	\$ 137,435,550
B. Subtractions					
1. Items not requiring use of working capital:					
Depreciation	-	10,150,195	-	-	10,150,195
Loss on disposal of capital assets	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Claims incurred but not reported (see Note 9)	-	-	462,000	-	462,000
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (see Note 7)	3,138,838	-	-	-	3,138,838
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>\$ 3,138,838</u>	<u>\$ 10,150,195</u>	<u>\$ 462,000</u>	<u>\$ -</u>	<u>\$ 13,751,033</u>
C. Additions:					
1. Principal payments on long-term debt (see Note 2)	-	2,304,860	-	-	2,304,860
2. Acquisition of capital assets (see Note 8)	-	5,430,456	-	-	5,430,456
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years (see Note 9)	-	-	218,469	-	218,469
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>\$ 7,735,316</u>	<u>\$ 218,469</u>	<u>\$ -</u>	<u>\$ 7,953,785</u>
D. Amounts reported on Part II, Line A	<u>\$ 89,767,953</u>	<u>\$ 33,750,023</u>	<u>\$ 8,063,116</u>	<u>\$ 57,210</u>	<u>\$ 131,638,302</u>

See accompanying Notes to the Annual Expenditure Limitation Report.

City of Surprise
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2012

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 Assets 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	\$	2,259,900
2003 Bond Issuance Interest		1,105,171
Community Facilities District Bonds Principal		190,000
Community Facilities District Bonds Interest		483,645
	\$	4,038,716

Enterprise

Bonded Indebtedness

2003 Bond Issuance Principal	\$	980,100
2003 Bond Issuance Interest		469,089
2007 Bond Issuance Principal		-
2007 Bond Issuance Interest		2,347,512
	\$	3,796,701

Other Long-term Obligations

WIFA Loan Principal	\$	1,324,760
WIFA Loan Interest		26,274
	\$	1,351,034

City of Surprise
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2012

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	\$	654,373
Department of Energy		82,050
U.S. Department of the Interior		820,541
Environmental Protection Agency		84,614
U.S. Department of Justice		113,230
U.S. Department of Transportation		349,961
U.S. Department of Homeland Security		396,107
U.S. Department of Education		6,203
U.S. Department of Human Services		41,724
Total	\$	<u>2,548,803</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	\$	344,813
Municipal Fill the Gap		<u>37,765</u>
Total	\$	382,578

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 \$6,126,389 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 \$1,436,700 to provide risk management, loss control and safety programs citywide.

NOTE 6 – HIGHWAY USER REVENUES

Highway user revenues for the current fiscal year were \$5,906,800 which is \$5,844,369 more than the highway user revenues received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled \$5,734,642, leaving a carryover balance of \$109,727.

City of Surprise
Notes to the Annual Expenditure Limitation Report
Year Ended June 30, 2012

NOTE 7 – SEPARATE LEGAL ENTITIES

The subtraction of \$3,138,838 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 \$2,409,452 are reported in the Governmental Funds as the Street Lighting Districts Funds with expenditures classified as public works and streets. Expenditures of \$729,386 are recorded in the Marley Park Community Facility District Fund as General Government (\$54,741), Principal (\$190,000) and Interest and fiscal charges (\$484,645).

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	\$ 17,293,751
less construction in process deletions	(123,308)
less capital contributions	<u>(11,739,987)</u>
Total acquisitions	\$ 5,430,456

The loss was for amounts recorded as construction in process in prior years that should not have been included on the capital asset listing. These items were removed from the listing in the current year.

NOTE 9 – CLAIMS INCURRED BUT NOT REPORTED

There was \$462,000 of claims incurred but not reported at the end of the fiscal year. Of the prior years \$717,000 that was recorded as claims incurred but not reported; \$218,469 was paid during the current fiscal year.