



City of Surprise, Arizona  
Annual Expenditure Limitation Report  
For the Fiscal Year Ended June 30, 2015

## **INDEPENDENT ACCOUNTANTS' REPORT**

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of Surprise, Arizona, for the year ended June 30, 2015. 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*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 8, 2016

**City of Surprise, Arizona**  
**Annual Expenditure Limitation Report - Part I**  
**Year Ended June 30, 2015**

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1. Economic Estimates Commission expenditure limitation	\$ 919,730,229	
2. Voter-approved alternative expenditure limitation	-	
3. Enter applicable amount from Line 1 or Line 2		\$ 919,730,229
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	131,104,985	
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	131,104,985	
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>131,104,985</u>
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.		<u>\$ 788,625,244</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: *L. Duncan*

Name and Title: Lindsey Duncan, Chief Financial Officer

Telephone Number: 623-222-1800

Date: February 8, 2015

See accompanying Notes to the Annual Expenditure Limitation Report

**City of Surprise, Arizona**  
**Annual Expenditure Limitation Report - Part II**  
**Year Ended June 30, 2015**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 113,675,451	\$ 40,250,826	\$ 10,229,784	\$ 164,156,061
B. Less exclusions claimed:				
1. Bond proceeds	-	-	-	-
Debt service requirements on bonded indebtedness (see Note 2)	3,353,632	10,014,638	-	13,368,270
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)	1,628,480	-	-	1,628,480
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 5)	394,531	-	-	394,531
7. Quasi-external interfund transactions (see Note 6)	-	-	9,459,561	9,459,561
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 7)	8,200,234	-	-	8,200,234
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>\$ 13,576,877</u>	<u>\$ 10,014,638</u>	<u>\$ 9,459,561</u>	<u>\$ 33,051,076</u>
C. Amounts subject to the expenditure limitation (if an individual fund type amount is negative, reduce exclusions claimed to net to zero.)	<u>\$ 100,098,574</u>	<u>\$ 30,236,188</u>	<u>\$ 770,223</u>	<u>\$ 131,104,985</u>

See accompanying Notes to the Annual Expenditure Limitation Report

**City of Surprise, Arizona**  
**Annual Expenditure Limitation Report - Reconciliation**  
**Year Ended June 30, 2015**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 116,871,581	\$ 38,894,810	\$ 10,563,665	\$ 166,330,056
B. Subtractions				
1. Items not requiring use of working capital:				
Depreciation	-	10,692,334	-	10,692,334
Loss on disposal of capital assets	-	-	-	-
Bad debt expense	-	-	-	-
Pension expense	-	628,303	24,761	653,064
Claims incurred but not reported (see Note 9)	-	-	746,000	746,000
Landfill closure and postclosure care costs	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (see Note 8)	3,196,130	-	-	3,196,130
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>\$ 3,196,130</u>	<u>\$ 11,320,637</u>	<u>\$ 770,761</u>	<u>\$ 15,287,528</u>
C. Additions:				
1. Principal payments on long-term debt (see Note 2)	-	7,748,200	-	7,748,200
2. Acquisition of capital assets (see Note 9)	-	4,266,862	-	4,266,862
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years (see Note 10):	-	-	410,807	410,807
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years	-	-	-	-
4. Pension contributions	-	661,591	26,073	687,664
5. Total additions	<u>\$ -</u>	<u>\$ 12,676,653</u>	<u>\$ 436,880</u>	<u>\$ 13,113,533</u>
D. Amounts reported on Part II, Line A	<u><u>\$ 113,675,451</u></u>	<u><u>\$ 40,250,826</u></u>	<u><u>\$ 10,229,784</u></u>	<u><u>\$ 164,156,061</u></u>

See accompanying Notes to the Annual Expenditure Limitation Report

**City of Surprise**  
**Notes to the Annual Expenditure Limitation Report**  
**Year Ended June 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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.

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**NOTE 2 – DEBT SERVICE**

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

Governmental

	<i>Bonded Indebtedness</i>	
2003 Bond Issuance Principal	\$	2,566,800
2003 Bond Issuance Interest		786,832
	\$	<u>3,353,632</u>

Enterprise

	<i>Bonded Indebtedness</i>	
2003 Bond Issuance Principal	\$	1,113,200
2003 Bond Issuance Interest		341,243
2007 Bond Issuance Principal		6,635,000
2007 Bond Issuance Interest		1,925,195
	\$	<u>10,014,638</u>

**City of Surprise**  
**Notes to the Annual Expenditure Limitation Report**  
**Year Ended June 30, 2015**

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**NOTE 3 – GRANTS AND AID FROM FEDERAL GOVERNMENT**

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

Federal		
U.S. Department of Housing and Urban Development	\$	960,329
U.S. Department of Justice		103,095
U.S. Department of Transportation		449,002
U.S. Department of Homeland Security		56,526
U.S. Department of Management Agency		20,769
U.S. Department of Human Services		38,759
Total	\$	<u>1,628,480</u>

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**NOTE 4- PENSION PLANS**

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The subtraction of pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise and Internal Service Funds. The addition of pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise and Internal Service Funds. Pension expense and pension contributions for fiscal year 2015 consist of the following:

		Arizona State
		Retirement System
Pension expense		
Enterprise funds	\$	628,303
Internal Service Funds		24,761
Pension contributions		
Enterprise funds	\$	661,591
Internal Service Funds		26,073

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**NOTE 5 – AMOUNTS RECEIVED FROM THE STATE**

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

State		
Local Transportation Assistance Funds II	\$	352,337
Judicial Collection Enhancement Fee		42,194
Total	\$	<u>394,531</u>

**City of Surprise**  
**Notes to the Annual Expenditure Limitation Report**  
**Year Ended June 30, 2015**

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**NOTE 6 – QUASI-EXTERNAL INTERFUND TRANSACTIONS**

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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 \$7,859,561 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.

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**NOTE 7 – HIGHWAY USER REVENUES**

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Highway user revenues for the current fiscal year were \$7,292,171 which is \$7,229,740 more than the highway user revenues received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled \$8,200,234, which exceeded current revenues by \$970,494, reducing the carryforward balance to \$1,418,409.

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**NOTE 8 – SEPARATE LEGAL ENTITIES**

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The subtraction of \$3,178,130 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 \$2,435,140 are reported in the Governmental Funds as the Street Lighting Districts Funds with expenditures classified as public works and streets. Expenditures of \$742,990 are recorded in the Marley Park Community Facility District Fund as General Government \$66,122, Principal \$220,000 and Interest and fiscal charges \$456,868.

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**NOTE 9 – ACQUISITION OF CAPITAL ASSETS**

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

Enterprise		
Total capital asset additions	\$	4,396,584
less: capital contributions		<u>(129,722)</u>
Total acquisitions	\$	4,266,862

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**NOTE 10 – CLAIMS INCURRED BUT NOT REPORTED**

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There was \$746,000 of claims incurred but not reported at the end of the fiscal year. Of the prior years \$482,000 that was recorded as claims incurred but not reported; \$410,807 was paid during the current fiscal year.