

SURPRISE
ARIZONA

CITY OF SURPRISE, ARIZONA COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2016

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6102 FY 2016

CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2016

Prepared by:
Finance Department



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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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December 19, 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, 2016. 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, 2016, 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, 2016, 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 Uniform Grant Guidance. 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 Uniform Grant Guidance. 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 118,000 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 Clerk, and the Presiding Judge. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing department directors.

The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three elected alternately every two years. The Mayor is elected at large every four years, while the other Council members are elected by district.

The City of Surprise provides a full range of services, including police and fire protection, roadway maintenance and construction, recreational and cultural activities, as well as general administrative services. Sanitation, water, and sewer services are provided to many of the residents through the City's enterprise funds. The City provides street lighting for developing areas through legally formed street lighting districts. The City provides and accounts for a legally separate volunteer firefighters' pension fund as mandated by Arizona Revised Statute, Title 9, as well as a non-profit corporation formed under Arizona Revised Statute, Title 10, designed to facilitate the acquisition and improvement of City property, and a community facilities district designed to provide funding for the construction and acquisition of certain public infrastructure improvements. These last four activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all four of these legally separate entities can be found in Note 1 section A. (1.A) in the Notes to the Financial Statements.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The budget preparation and adoption process is described in greater detail in the Notes to the Financial Statements. The budget is prepared by fund and by department within the general fund. The budget may be amended during the fiscal year as follows: Department Directors may make transfers of appropriations within a department between the major categories of supplies and services and within the personnel category. The City Manager may authorize transfers from the personnel category and from operating capital to services or supplies within a department. The Council must approve all transfers from contingency dollars, between funds, between departments and between projects.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City of Surprise operates.

Local Economy

Forecasts show continued improvement in the economic outlook for the City of Surprise. Key indicators supporting the forecasts include growth in both residential population and commercial square footage that result in increased revenues for the City as well as low inflation rates that keep expenditure increases at a manageable level. Residential population growth in the City has exceeded the statewide average over the last five years and is expected to continue based on the availability of land within the City's planning area. This results in a greater number of consumers and a larger proportion of state shared revenues. The increase in commercial square footage allows for a greater capture of potential sales tax revenues from the increased consumer base. These have combined to result in an 11.2% increase in sales tax collections from the previous year. While state shared revenues increased by 2.3% over the previous year, the growth next fiscal year will be greater when the recent mid-decade census results in a greater proportion of those revenues for the City. In addition, the inflation rate has been held in check with the Phoenix-Mesa Consumer Price Index averaging 1.3% 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. The population and commercial square footage growth combined with low inflation rates 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 143, of this financial report.

Long-Term Financial Planning

With the fund balances exceeding reserve targets, the City now looks to increase investment in the maintenance of facilities, infrastructure, and equipment that allow for the continued delivery of high quality services to the residents of Surprise. The City will dedicate \$20 million in the upcoming fiscal year for this purpose. The City also focuses on maintaining an operating surplus, where ongoing revenues exceed ongoing expenses. This allows the City to offer services that can be sustained in future years. 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, 2015. 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.

Acknowledgements

I want to thank and recognize the staff of the Finance Department for their efforts in preparing this report. I would like to thank all City departments for their assistance throughout the past year. I also appreciate the guidance and support extended by the City Manager and the Mayor and City Council in planning and conducting the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,

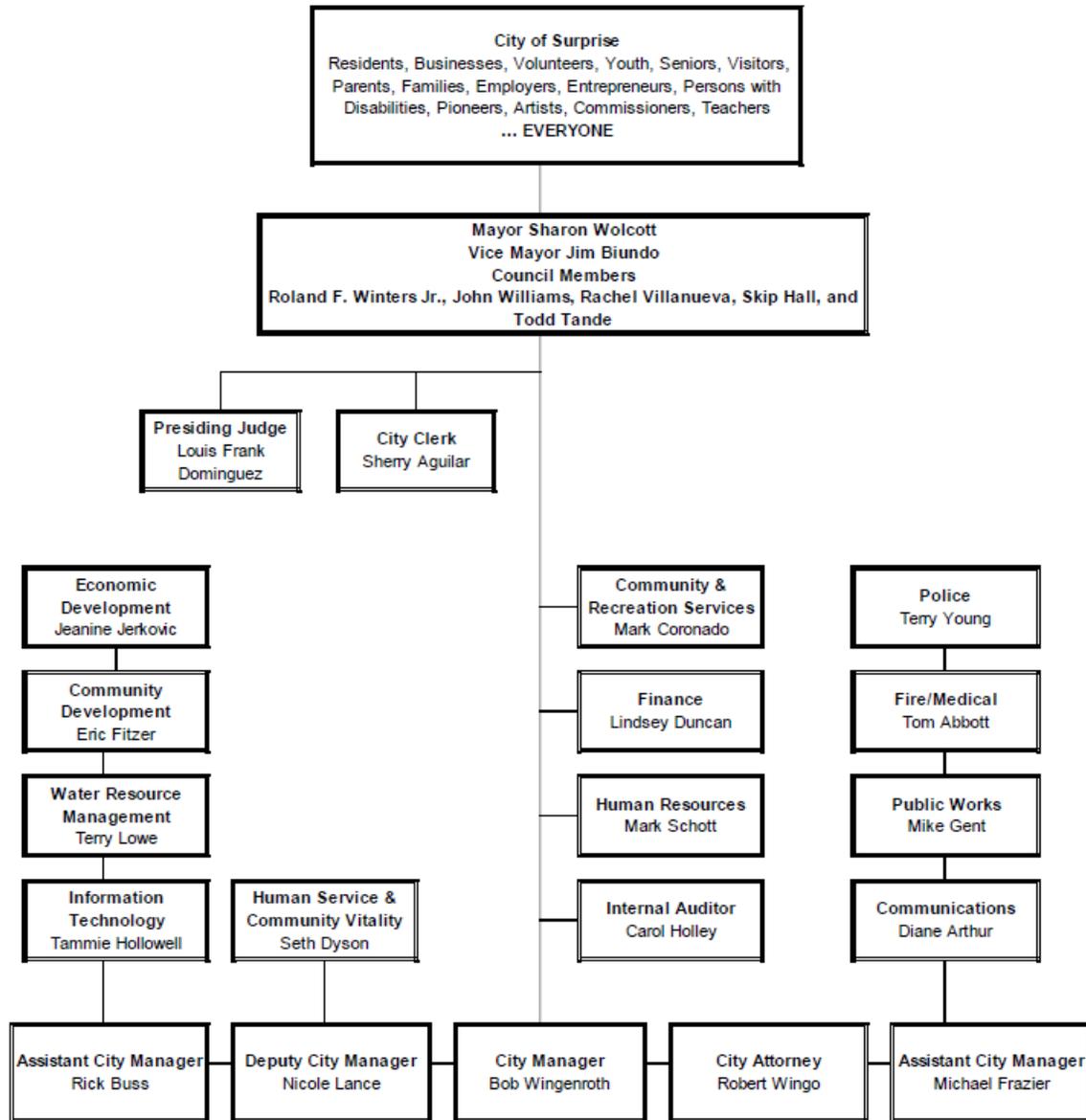


Lindsey Duncan
Chief Financial Officer



City of Surprise

CITYWIDE ORGANIZATION CHART





MAYOR AND CITY COUNCIL MEMBERS

MAYOR SHARON WOLCOTT – Mayor@surpriseaz.gov



Sharon Wolcott serves as the Mayor of the City of Surprise, a city of more than 127,000 residents. She was first elected as Mayor in November of 2011 and re-elected in August of 2016. Prior to her service as Mayor, Wolcott was a member of the Surprise City Council. Throughout her time as an elected leader in Surprise, Wolcott has been a champion for fiscal accountability and transparency in municipal government and setting a course for Surprise's long-term economic success.

Demanding Fiscal Responsibility and Accountability: Under Wolcott's leadership, Surprise has made a major turnaround to fiscal stability, adopting new financial policies, ordering sweeping reviews of financial records, and cutting budgets to address serious shortfalls without raising taxes.

Essential services were not affected and the City's bond ratings were re-established. The current FY2017 annual budget protects public safety by adding police officers, firefighters and other related personnel to meet the needs of our growing community and keeping response times low.

Attracting Jobs and Economic Opportunities: Since Wolcott has taken office, the City of Surprise has contributed nearly \$50 million in sales and use taxes to the state's economy. In all, more than 300 new businesses and more than 1,000 jobs were added. Wolcott worked with Luke Air Force base and the City of Phoenix to release our city center property from the deed restrictions that have hampered landowners from developing downtown. The AZ TechCelerator, the city's business incubator, has 16 client start-ups, two onsite service providers, a track record of over 200 jobs graduated, and the only Google corporate office presence in the State of Arizona. In addition, Mayor Wolcott fought hard to gain Federal approval of a Foreign Trade Zone, which is helping Surprise attract exciting new businesses such as IRIS USA, Rioglass Solar and Gestamp Solar Steel.

Supporting Quality Education: Wolcott recently announced the new West-MEC career and technical education campus to open in Surprise this year offering jobs and career training for students and adults. In addition, she spearheaded the implementation of the *Rachel's Challenge* anti-bullying initiative in local schools, and is active with the innovative Arizona Charter Academy. The Mayor encourages development of youth leadership initiatives to include involvement with the City Council and summer employment at the city. She is sharply focused on securing a four-year liberal arts university in Surprise.

Improving Transportation: Mayor Wolcott is a strong advocate for a broad transportation vision on the state and national level advocating for increased connectivity and multimodal options. She is a strong supporter of building the I-11 - a congressionally authorized freeway linking Phoenix and Las Vegas and recognizing its vast economic potential for the West Valley. She's also taken on a leadership role on efforts to redevelop Grand Avenue by involving regional leaders from all communities along its length.

Protecting Surprise's Quality of Life: As a regional leader, Mayor Wolcott stands up to advocate for the interests of Surprise at our nation's capital, the State Legislature, and among her colleagues around the Valley. She has led the way to improve transparency through regularly held community meetings, an increased and active web presence, and social media tools. Wolcott continues to support the arts to help fuel community and economic development. Most recently, she was instrumental in bringing ARTS HQ, a 2,500-square-foot art museum and performance space operated by the West Valley Arts Council to the Surprise Civic Center in July 2014. In 2016, she supported a council initiative to create a one-and-one-third percent arts funding mechanism on all future capital improvement projects built in Surprise.

Mayor Wolcott is active in many regional organizations representing Surprise. She serves on the Arizona League of Cities & Towns Executive Committee, Greater Phoenix Economic Council Board of Directors, I-11 Coalition Board of Directors, Maricopa Association of Governments- Regional Council; Economic Development Committee; and Transportation Committee, and Westmarc Executive Committee & Board of Directors.

Mayor Wolcott has more than 25 years of experience in three states as an elected official, serving at both the state and local levels. As a mother of two and a grandmother of three, she brings a well-balanced perspective to her passion for public service and for making Surprise a great place to live and work.



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.

'Councilmember Biundo's current term expires December 31, 2016.

ROLAND WINTERS – Roland.Winters@surpriseaz.gov



Roland F. Winters Jr. was elected in the newly-configured District 1 (Acacia) on August 27, 2013 and is serving a five-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 four children – two sons and two daughters. David lives in Muncie, Indiana; Donald lives in Wildwood, Florida; Nancy lives in Gilbert, Arizona; and Jennifer lives at home. Roland and Carroll have seven grandchildren.

Winters currently serves as chair of the Boards and Commissions Selection Committee and serves on the Internal Audit Committee. In addition, he serves on the Northwest Valley Connect Advisory Board.

Winters' goal for Surprise is to be a fully self-sustaining city where its residents can live, get educated, work and play.



JOHN WILLIAMS – John.Williams@surpriseaz.gov



John Williams has lived in Surprise for 16 years and is very proud to call Surprise home. A native to New York, John has Bachelor's degree in Athletic Training from Hofstra University, a Master's Degree in Health Administration from Towson University, and a Masters in Educational Leadership from Grand Canyon University. His professional career began in sports medicine, where he worked as an athletic trainer for the New York Islanders, Johns Hopkins University in Baltimore, and as Head Athletic Trainer and Strength and Conditioning Coach for the New Mexico Scorpions Hockey Club before moving to Surprise. He transitioned into education upon his arrival to Surprise and spent the last 13 years helping build the Peoria Unified School District's Career and Technical Education Sports Medicine Program. He now serves as an Assistant Principal with Dysart Unified School District.

John was elected to the City Council from District 3 (Mesquite) in November 2007. He was elected Vice Mayor by the City Council in 2012 and again in 2015. John has served on several municipal, regional and federal committees during his tenure on the Council and has partnered with several neighboring City Council Members and State legislators who share similar passions. He currently serves on the Committee on Community Outreach, Partnerships and Grants as well as the Performance Evaluation Leaders Subcommittee. Some of his previous committee engagements have included Impact Ed, an education stakeholders committee, and the critical Water Resource Planning Committee. John has been a part of the WESTMARC Education & Workforce Development Committee and has served on the National League of Cities Human Services Committee. John's leadership and passion also puts a strong emphasis on youth, veterans, community engagement, job creation, partnerships, education and developing a four-year university.

As a teacher, parent and husband, John brings a community perspective to his commitment to serve as the voice for all residents. "Surprise is not just a suburb of Phoenix or a bedroom community at the far reaching corners of the northwest valley. Surprise is a place that offers opportunities for families to live, grow and help build this great city. In District 3, our streets are new, our housing is new, our schools are new, and they all set a stage for limitless potential for this young and growing community. Melissa and I are so thankful for the opportunities Surprise has afforded us, and we look forward to being a part of this community for years to come."

John is an avid runner and trains at a local CrossFit gym in Surprise. He and Melissa have three children, Connor, Ashlyn and Matthew.

RACHEL VILLANUEVA – Rachel.Villanueva@surpriseaz.gov



The Surprise City Council unanimously voted to appoint Rachel Villanueva as the District 4 City Council member at its August 20, 2013 meeting. Villanueva fills the seat left vacant by the death of her husband, City Council member and former Mayor Roy Villanueva. She has been a Surprise resident for nearly 40 years. Rachel retired following a 30 year career with Honeywell.

Rachel has accomplished many things including conducting monthly open meetings for District 4 on the third Wednesday of each month and in creating the Fiestas Patrias at Gaines Park, a long-running festival recognizing Mexican Independence Day formerly held in the OTS and the Surprise Fiesta Grande.

She single-handedly initiated the first ever West Valley Council Mixer as a way to network with fellow West Valley Councilmembers and to learn what each is doing. This collaborative initiative has seen much success and continues today. In addition, she helped facilitate the attraction and agreement that is bringing the WESTMEC Campus to her District.

She serves as the chair of the Committee on Community Outreach, Partnerships and Grants and as a member on the Committee on Boards & Commissions. She previously served as the chair of the OTS Stakeholders Group, a member on the I Heart Grand Subcommittee, the Youth Master Plan City Council Working Group and the Performance Evaluation Leaders Subcommittee.



Amongst many of her passions, Councilwoman Villanueva is a strong supporter of local businesses, youth, education, public safety, resources for those less privileged and the AZ TechCelerator which is located in District 4.

Rachel served on the Dysart Unified School District Board of Directors for ten years.

In her free time, she enjoys spending time with her children and grandchildren.

VICE MAYOR SKIP HALL – Skip.Hall@surpriseaz.gov



Prior to serving in politics and serving three years on the Planning and Zoning Commission, Skip spent several decades working in various capacities in the Hospitality and Real Estate Industries. For three years, he was the Vice President of a new home builder and prior to that, he served as the Senior Vice President of a hospitality company based in Japan for ten years. Most of his professional career was spent opening and operating several restaurants and hotels along the west coast.

Councilman 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 him 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.

He also served as Vice Mayor in 2011 and again in 2014. He has been part of the united Council effort that helped pull Surprise back to fiscal health over the last several years, generating a budget surplus and placing the City's fiscal house in order. Councilman Hall also played a proactive supporting role with initiating a Surprise youth component and co-sponsors the Surprise Literacy Challenge annually.

His 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, increasing local veteran outreach and services and attracting new businesses to Surprise.

He has served on the Mayor's Business Roundtable Committee, the Form Based Code Sub-Committee, the Boards & Commissions Committee, WESTMARC's Water & Energy Committee and he chaired the Water Planning Sub-Committee. He currently serves as a member of the City's Audit Committee and the Committee on Boards & Commissions.

Councilman Hall is active with the City's Tourism Commission and in promoting the City to local, regional and national organizations. Furthermore, he is active with the Surprise Regional Chamber of Commerce and the AZ TechCelerator to promote business growth. He serves on the Valley Metro RPTA Board of Directors, MIKID Board of Directors, the Surprise Rotary Club and the Surprise Fraternal Order of Eagles. In addition, Councilman Hall is a member of the STEM Community of Practice with representatives of the Dysart Unified School District and the West Valley Veterans Success Project (VCP) Advisory Committee with several other State and local elected officials. He has also regularly volunteered his time with Radiant Church.

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.



TODD TANDE – Todd.Tande@surpriseaz.gov



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

Council Member Todd Tande also serves on the Board of Directors and as Sr. Executive Vice President, and co-founder of Education Connection Solutions, LLC., a management consulting firm with International clientele. Todd also is serving as Vice Chairman of Board of Directors for the Navajo Mission and School in Rock Point, Arizona. As part of his City Council duties, Todd currently serves as a member of the Maricopa Association of Governments (MAG) Human Services and Community Initiatives Committee. He received his Bachelor of Science degree in

Management and his MBA from California State Polytechnic University, Pomona, California.

Todd spent his early career in the private sector with many years in the theme park (Disney and Knott's) and Aerospace and Defense (Rockwell International, Hughes Aircraft, Raytheon) industries including in Project Management for the Global Positioning Satellite (GPS) Production Program and after some promotions, he directly supported top corporate management of a Fortune 27 company with financial analysis and SEC reporting including work on International Mergers and Acquisitions. Todd is also a licensed Realtor, in the Coldwell Banker Residential Brokerage Sun City Grand Surprise Office.

In addition to serving as a Surprise City Council Member, Todd has significant experience in public service in California and Indiana. He served in a Budget and Policy Management role in the County Executive Office for Orange County, California where he was hired to help resolve the County multi-billion-dollar bankruptcy. As part of the initial recovery efforts, Todd wrote the minute order (local law), unanimously adopted by the Board of Supervisors, to set up a Treasurer's Oversight Committee consisting of top financial experts from the private sector investment community. Todd also coordinated restructuring of major agency budgets, and prepared the recovery briefing charts with information presented to Wall Street and Sacramento during successful recovery efforts.

Todd later served as Chief Financial Officer for Indianapolis-Marion County DPS where his ideas and efforts led to many improvements and changes in federal and state policies. Todd then was asked to join the State of Indiana government as the Deputy Director serving in the Chief Operating Officer role for one of the largest State Agencies. He was tasked with achieving a successful operational and financial turnaround for the Indiana Department of Natural Resources, which included over 20 operating divisions and over 4,000 employees during peak seasons. Todd was then promoted and completed his Indiana public service in the State Capitol as Finance Director responsible for statewide finances at a time when the state achieved its first ever AAA credit rating.

Todd has served in many volunteer roles including as a Council Member and Treasurer of his churches in California and Arizona, as well as being chosen as a voting delegate to represent the church at organizational conferences. Todd also founded and led the local Surprise, Arizona C3G Group providing free services to job seekers.

Todd has served his political party in Arizona, Indiana, and California, in roles such as Precinct Committeeman, State Delegate, Candidate Volunteer Team Member, Campaign Manager, and as an advisor for newly elected candidates on their transition teams. Todd also has served as a volunteer Docent Leader and Chair of the Ways and Means Committee at the Nixon Presidential Library and Birthplace Museum in Yorba Linda, California. Todd is an Eagle Scout from historic Troop 99 in Yorba Linda California, and he also received the title of "Honored Citizen" for Orange County, California from the Board of Supervisors.

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

Robert Wingo

Presiding Judge

Louis Frank Dominguez



Government Finance Officers Association

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

Presented to

**City of Surprise
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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
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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, 2016, 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, 2016, 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.

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

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 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 December 19, 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 19, 2016



SURPRISE

ARIZONA



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, 2016. 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 net position decreased 1.9% or \$7.8 million from \$418.7 million to \$410.9 million. This decrease is a larger decrease than the prior year decrease of \$2.1 million. Increases in full-time equivalent employees, personnel costs, and one-time projects accounted for the decrease in net position.
- ❖ **Business Type net position.** The City's net position decreased by 0.5% or \$1.6 million from \$314.6 million to \$313.0 million, a smaller decrease than the prior year decrease of \$3.9 million. A 3.9% increase in water utility rates and an increase in capital grants and contributions from development, a bond refinancing in 2015 reduced interest expense and a decrease in developer reimbursements account for the change.
- ❖ **Governmental Activities expenses** of \$142.4 million exceeded program revenues of \$40.9 million, a difference of \$101.5 million. The remaining \$101.5 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 \$40.2 million, while program revenues totaled \$38.5 million, a difference of \$1.7 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 provide 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, 2016 and June 30, 2015.

City of Surprise's Net Position (in Millions)

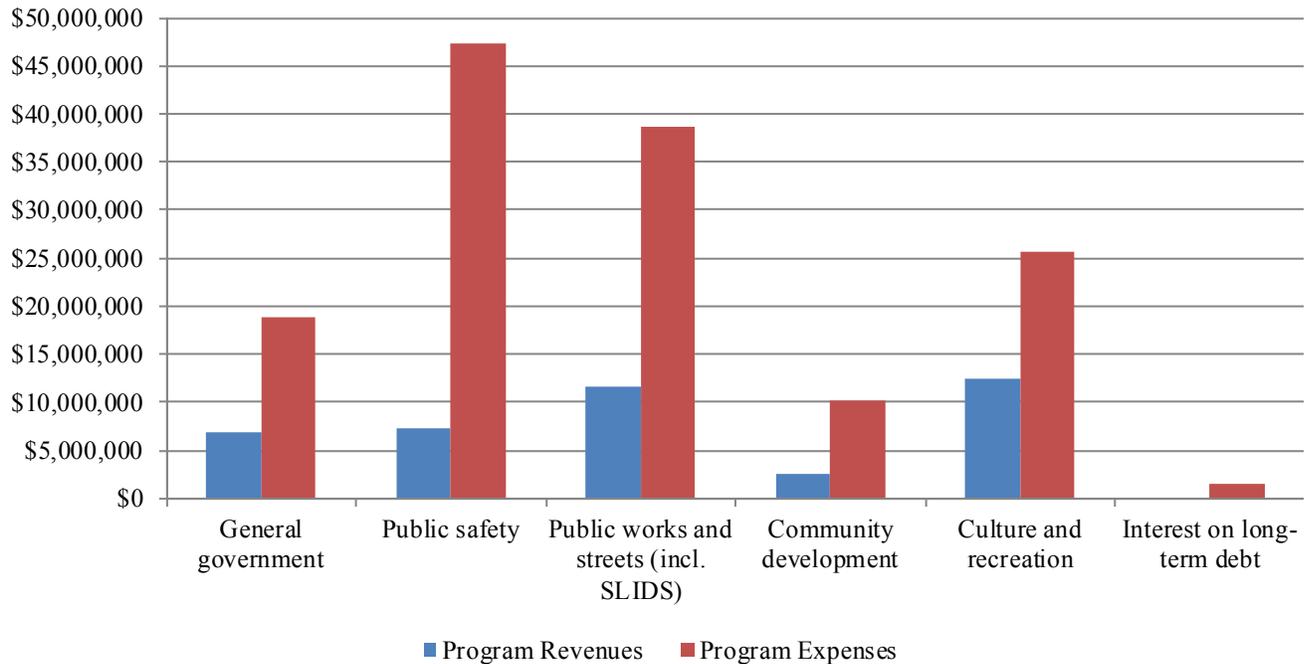
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS						
Current and other assets	\$ 80.4	\$ 97.3	\$ 65.4	\$ 69.1	\$ 145.8	\$ 166.4
Capital assets, net	443.4	431.7	308.3	305.5	751.7	737.2
Total assets	<u>523.8</u>	<u>529.0</u>	<u>373.7</u>	<u>374.6</u>	<u>897.5</u>	<u>903.6</u>
DEFERRED OUTFLOWS OF RESOURCES	22.9	12.8	1.9	1.1	24.8	13.9
LIABILITIES						
Other liabilities	79.8	65.5	16.1	12.0	95.9	77.5
Long-term liabilities	50.9	49.6	45.6	47.6	96.5	97.2
Total liabilities	<u>130.7</u>	<u>115.1</u>	<u>61.7</u>	<u>59.6</u>	<u>192.4</u>	<u>174.7</u>
DEFERRED INFLOWS OF RESOURCES	5.1	8.0	0.9	1.5	6.0	9.5
Net position:						
Net investment in capital assets	405.1	409.3	270.1	264.7	675.2	674.0
Restricted	22.7	27.9	13.0	5.4	35.7	33.3
Unrestricted	(16.9)	(18.5)	29.9	44.5	13.0	26.0
Total net position	<u>\$ 410.9</u>	<u>\$ 418.7</u>	<u>\$ 313.0</u>	<u>\$ 314.6</u>	<u>\$ 723.9</u>	<u>\$ 733.3</u>

Net position is a good indicator of a city's overall financial standing. For fiscal year 2016, the City had total combined net position of \$723.9 million. This was a decrease of \$9.4 million, or 1.3% over the prior year's net position of \$733.3 million and is attributed to increased personnel costs as a result of adding 22 additional full-time equivalent employees and one-time projects. Not all of the \$723.9 million is available for the City to use without restraint. The largest portion of the City's total net position \$675.2 million, or 93.3% represents the City's net investment in capital assets. Of the remaining net position, \$35.7 million is restricted for various purposes and \$13.0 million is unrestricted.

City of Surprises Changes in Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 18.1	\$ 16.1	\$ 35.4	\$ 35.7	\$ 53.5	\$ 51.8
Operating grants and contributions	11.2	9.9	-	-	11.2	9.9
Capital grants and contributions	11.6	11.6	3.1	0.1	14.7	11.7
General revenues:						
Property taxes	10.0	9.7	-	-	10.0	9.7
Sales taxes	46.8	42.1	-	-	46.8	42.1
Franchise taxes	5.1	5.2	-	-	5.1	5.2
State shared revenues	30.6	29.9	-	-	30.6	29.9
Unrestricted investment earnings	0.6	0.4	0.3	0.3	0.9	0.7
Other	0.4	1.1	-	-	0.4	1.1
Total revenues	<u>134.4</u>	<u>126.0</u>	<u>38.8</u>	<u>36.1</u>	<u>173.2</u>	<u>162.1</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	18.9	21.0	-	-	18.9	21.0
Public safety	47.3	44.4	-	-	47.3	44.4
Public works and streets	38.7	35.1	-	-	38.7	35.1
Community development	10.2	5.2	-	-	10.2	5.2
Culture and recreation	25.7	21.9	-	-	25.7	21.9
Interest on long-term debt	1.6	1.6	-	-	1.6	1.6
Business-type activities:						
Water	-	-	11.8	10.6	11.8	10.6
Sewer	-	-	20.4	20.4	20.4	20.4
Sanitation	-	-	8.0	7.9	8.0	7.9
Total expenses	<u>142.4</u>	<u>129.2</u>	<u>40.2</u>	<u>38.9</u>	<u>182.6</u>	<u>168.1</u>
Excess before transfers	(8.0)	(3.2)	(1.4)	(2.8)	(9.4)	(6.0)
Transfers in (out)	0.2	1.1	(0.2)	(1.1)	-	-
Increase/(Decrease) in net position	(7.8)	(2.1)	(1.6)	(3.9)	(9.4)	(6.0)
Net position - beginning	418.7	420.8	314.6	318.5	733.3	739.3
Net position - ending	<u>\$ 410.9</u>	<u>\$ 418.7</u>	<u>\$ 313.0</u>	<u>\$ 314.6</u>	<u>\$ 723.9</u>	<u>\$ 733.3</u>

FY 2016 Governmental Program Revenues and Expenses

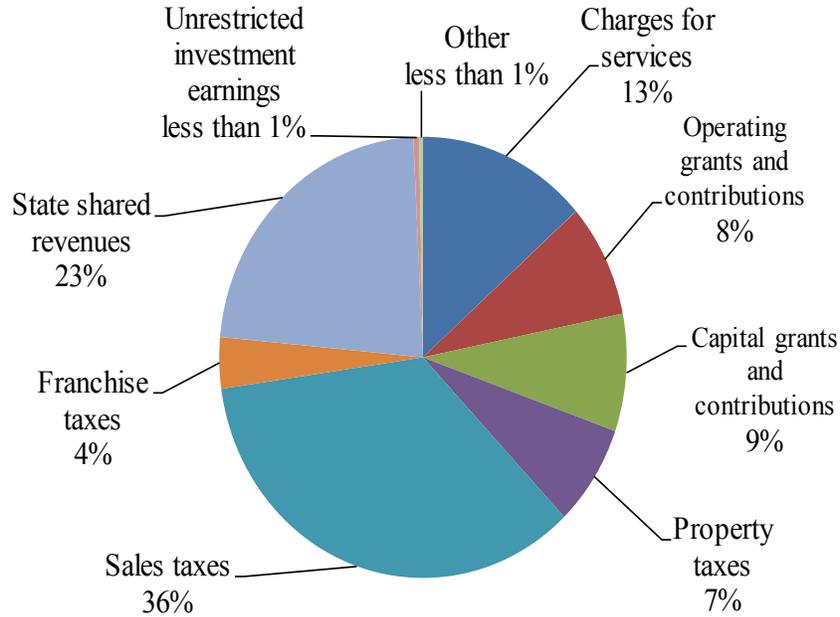


For fiscal year 2016, governmental program expenses exceeded program specific revenues by \$101.5 million. The remaining expenses were supported by general governmental revenues.

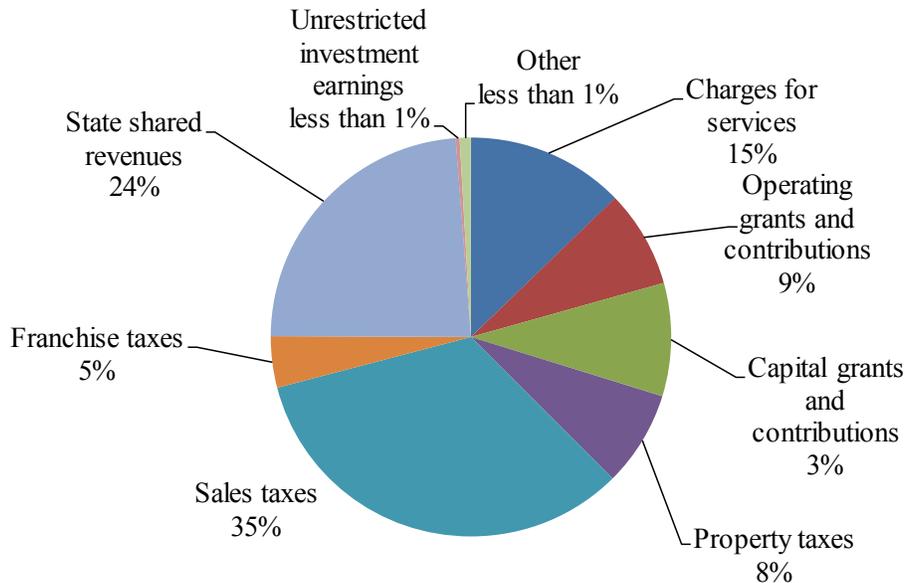
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 30% of total governmental revenues.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior 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, 2016 totaled \$134.4 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2016 Governmental Activities Revenues

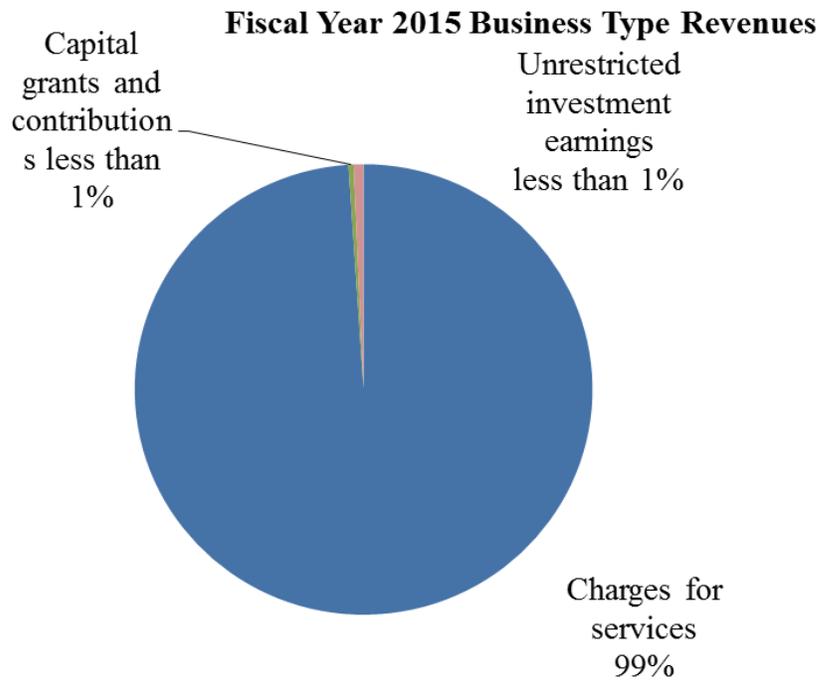
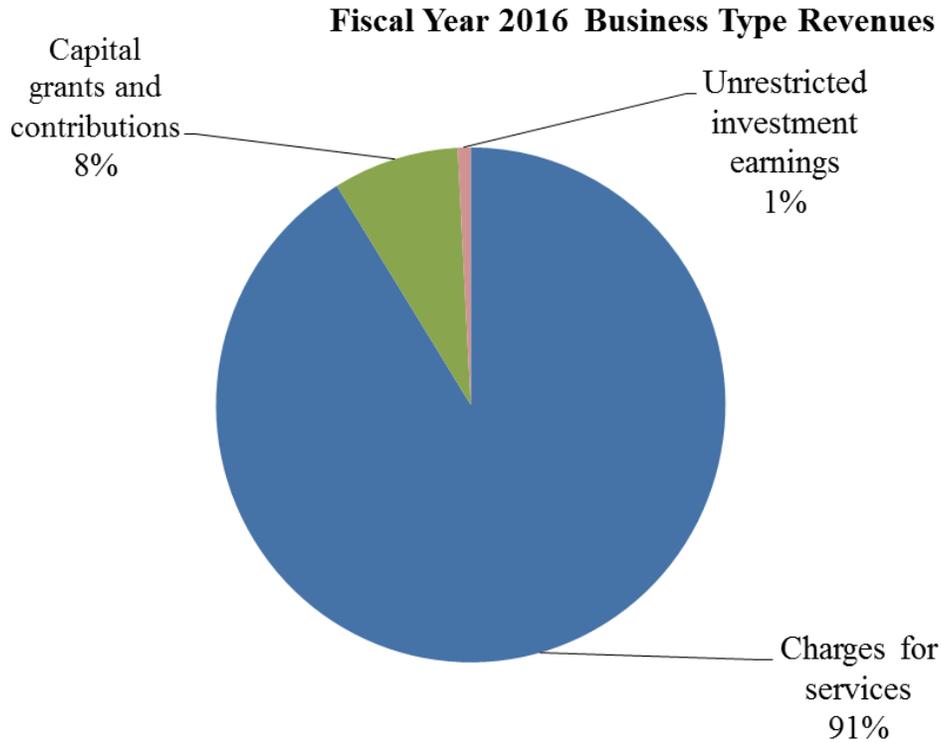


Fiscal Year 2015 Governmental Activities Revenues



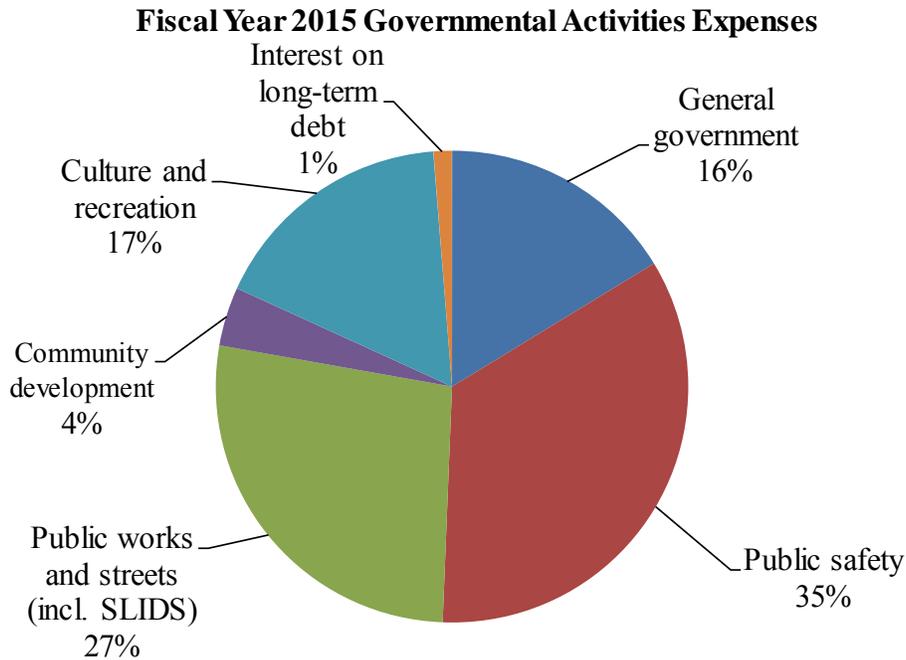
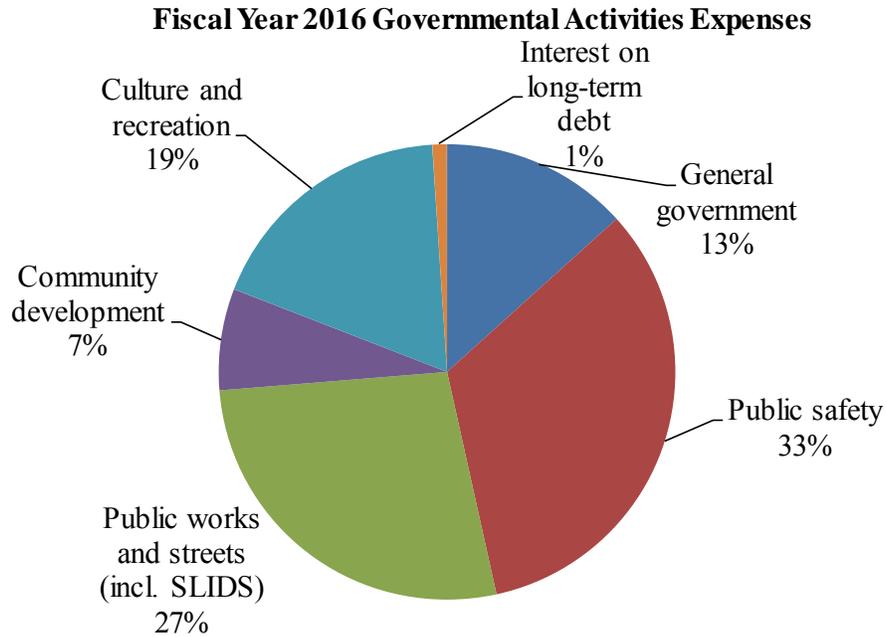
- ❖ The City’s largest revenue source is sales taxes at \$46.8 million. This is followed by state shared revenues totaling \$30.6 million.
- ❖ Total governmental activities revenues increased \$8.4 million from the prior year as a result of the following changes in revenue: sales taxes increased \$4.7 million and state shared revenues increased \$0.7 million due to an improving local economy. Charges for services increased \$2 million, operating grants and contributions increased \$1.3 million, and property taxes increased \$0.3 million from a 3.6% increase in property values.

Business Type Revenues for the fiscal year ended June 30, 2016 totaled \$38.8 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.



- ❖ Total Business Type Revenues increased \$2.7 million from the prior fiscal year. The increase is the result of a 3.9% increase in water utility rates and an increase in capital grants and contributions as a result of increased development activities within the City during the current year.

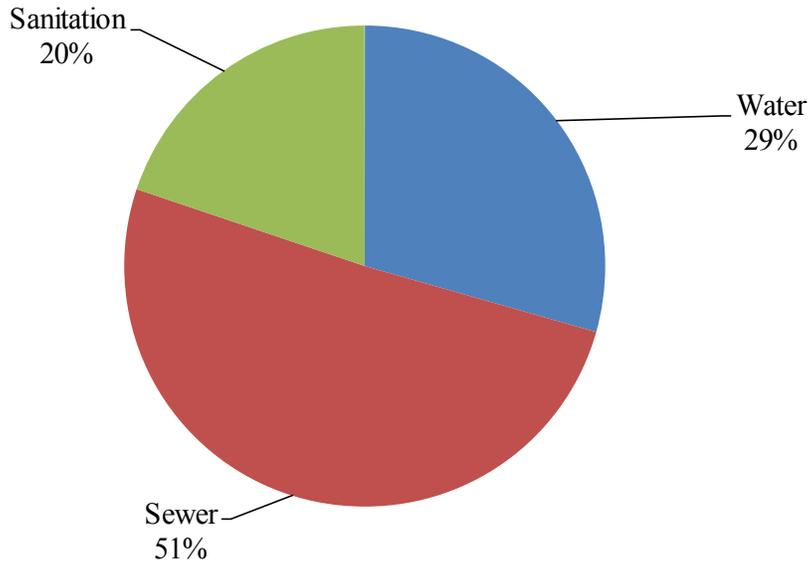
- ❖ **Governmental Activities Expenses** for the fiscal year ended June 30, 2016 totaled \$142.4 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



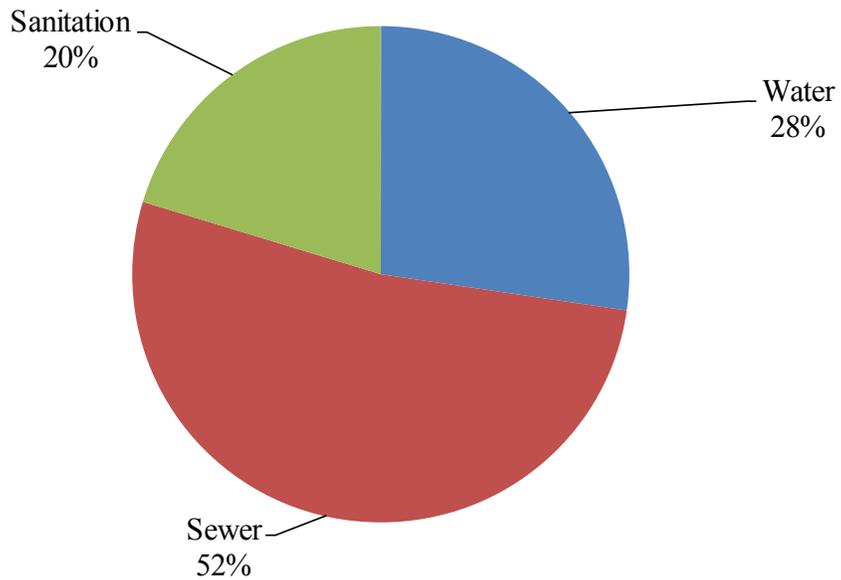
- ❖ Current year costs increased by \$13.2 million or 10.2%. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at \$47.3 million.

Business Type Expenses for the fiscal year ended June 30, 2016 totaled \$40.2 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2016 Business Type Expenses



Fiscal Year 2015 Business Type Expenses



- ❖ Business Type expenses increased by \$1.3 million or 3.3% from the prior year. Personnel increases account for the majority of the increase as a result of adding eight additional full-time equivalent employees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance decreased \$21.7 million from \$77.4 million to \$55.7 million. The decrease was primarily due to \$18.6 million in unspent bond proceeds from the prior year on the stadium improvements project. The remaining decrease was due to one-time projects in the General Capital Projects and the Highway User Revenue Funds. Of the total ending fund balance, \$1.7 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 \$23.1 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, \$40.2 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 \$1.0 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 the currently assigned positions if the chief financial officer deems it necessary. Finally, there is an unassigned fund balance of -\$10.3 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 \$3.0 million. This change was the result of increases in property taxes, sales taxes, state shared revenues, licenses and permits, intergovernmental revenues, charges for services, rents and interest income.
 - The General Capital Projects Fund balance decreased \$21.5 million. This change was due to spending \$18.6 million in unspent bond proceeds from the prior year on the stadium improvement project. The remaining \$2.9 million decrease is due to expenditures on other projects.
 - The General Government Development Fee Fund contains \$43.1 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 Highway User Revenue Fund balance decreased \$0.4 million from \$2.1 million to \$1.7 million due to increased expenditures related to capital projects and increases in inventories.
 - The Transportation Improvement fund balance increased \$0.4 million from \$3.4 million to \$3.8 million. This increase is the result of an increase in construction sales tax revenue as result of increased development in the City during the year.
 - The Non-major Governmental Funds fund balance decreased \$4.4 million. The decrease was due to transfers out of \$3.6 million from the debt service fund to return cash previously transferred to establish a supplement reserve fund from various funds of the City related to the 2003 bonds that were defeased in 2015. The remaining decrease of \$0.8 million is the result of increased expenditures for projects in the Parks and Recreation Development Fee Fund, Public Works Expansion Development Fee Fund and the 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 \$102.7 million. Budget adjustments throughout the year decreased total budgeted expenditures by \$2.5 million. Of that decrease, \$2.4 million resulted from the cancellation of a mid-decade census that was not needed due to a change in Arizona law.
- ❖ Actual General Fund expenditures totaling \$92.2 million were \$7.9 million less than budgeted. Of that variance, \$1.2 million of costs budgeted for Park and Recreation within the General Fund were assumed by the Spring Training Ticket Surcharge fund. An additional \$2.0 million of the variance is a result of unused contingency. The remaining variance was spread fairly evenly among all of the City's expenditures and was a 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	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 33.8	\$ 33.6	\$ 5.1	\$ 5.1	\$ 38.9	\$ 38.7
Parks	10.3	10.3	-	-	10.3	10.3
Water rights	-	-	8.6	7.9	8.6	7.9
Construction in progress	10.4	10.0	9.5	0.8	19.9	10.7
Buildings and improvements	146.7	135.5	277.6	286.2	424.3	421.8
Improvements other than buildings	19.2	12.7	1.3	0.8	20.5	13.5
Equipment and vehicles	16.4	11.1	6.4	4.7	22.8	15.8
Infrastructure	206.6	218.5	-	-	206.6	218.5
Total capital assets net	\$ 443.4	\$ 431.7	\$ 308.5	\$ 305.5	\$ 751.9	\$ 737.2

The capital assets of the Governmental Activities increased by \$11.7 million from the prior fiscal year, net of depreciation (\$37.7 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2016 were the result of:
 - Current year depreciation expense of \$26.0 million.
 - Capital asset donations made to the City. The assets donated consisted of streets infrastructure.
 - \$0.2 million – WINCO Foods
 - \$1.838 million – Marley Park Phase III
- ❖ Governmental Activities construction in process includes:
 - \$1.9 million – Greenway Rd Improvement
 - \$1.8 million – Bell Rd Sidewalks E of Grand
 - \$0.6 million – Dove Valley Pkway 163rd – 179th
 - \$0.3 million – 107th & Union Hills Drainage
 - \$0.3 million – Cactus Rd 175th to Cotton Ln
 - \$2.1 million – Replace Financial Software
 - \$0.6 million – Jomax 147th to 132nd Pave Dirt Rd
 - \$0.5 million– Median & ROW Landscaping
 - \$0.2 million – Elec Svc Upgr at Techcelerator
 - \$0.2 million – Jerry St and Rimrock Drainage
 - \$0.5 million – AZ Techcelerator Renovation
 - \$0.3 million – Fire Pumper Replacement

The capital assets of the Business Type Activities funds increased by \$3.0 million from the prior fiscal year, net of depreciation (\$14.0 million increase before depreciation).

- ❖ Changes to the Business Type Activities capital assets for fiscal year 2016 were the result of:
 - Current year depreciation expense of \$11.0 million.
 - Capital asset infrastructure donations made to the City. The assets donated consisted of water and sewer utilities.
 - \$0.9 million – Marley Park Phase III

- ❖ Business Type Activities construction in process - includes:
 - \$0.6 million – Greenway Rd Improvement
 - \$2.3 million – SPA1 Effluent Strg Reser Covers
 - \$0.2 million – Replace Financial Software
 - \$0.2 million – Dewatering Centrifuge
 - \$1.1 million – Litchfld E SD Cactus/Desert Cv
 - \$4.1 million – SPA1 WRF Conf & Training Center

- ❖ 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	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Pledged revenue obligations	\$ 31.7	\$ 34.2	\$ 5.9	\$ 6.5	\$ 37.6	\$ 40.7
Municipal property corporation bonds	-	-	37.6	39.4	37.6	39.4
Community facilities districts bonds	6.9	7.1	-	-	6.9	7.1
Contracts and developer payable	3.0	2.1	0.2	0.4	3.2	2.5
Total debt outstanding	<u>\$ 41.6</u>	<u>\$ 43.4</u>	<u>\$ 43.7</u>	<u>\$ 46.3</u>	<u>\$ 85.3</u>	<u>\$ 89.7</u>

- ❖ **Long-term debt**, including amounts due within one year, decreased \$4.4 million this year from \$89.7 million to \$85.3 million. The decrease was primarily the result of refinancing the former MPC Series 2003 Bonds.
- ❖ 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 4% or \$1.6 million as consumer spending continues to improve with the economy. State shared revenues are projected to increase 9%. Currently, the City of Surprise is the tenth most populated city in Arizona.
- ❖ **Personnel increase** – For the FY2017 budget, represented and non-represented public safety employees received a step increase ranging from 3% to 5%. All city employees on the general salary plan received a 2% merit increase. The FY2017 budget also includes the addition of 41.9 full-time equivalents (FTE) primarily to support public safety and the City's utility billing service. The increase in FTEs will be offset by an elimination of \$1.0 million council discretionary contingency, targeted personnel savings, and retaining the FY2016 primary property tax rate.
- ❖ **Next year's budget** – Total budgeted expenditures for the General Fund for fiscal year 2017 is \$113.7 million, an increase of \$11.9 million over the FY2016 adopted budget of \$100.2 million. The increase in the budget is primarily due to additional public safety personnel and transfers out for vehicle and asset replacement.

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.



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City of Surprise, Arizona
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 71,459,354	\$ 30,342,445	\$ 101,801,799
Receivables (net of allowances)			
Accounts	914,974	6,929,897	7,844,871
Taxes and franchise fees	9,239,542	-	9,239,542
Grants	1,010,282	-	1,010,282
Intergovernmental	1,501,261	-	1,501,261
Internal balances	(12,329,140)	12,329,140	-
Other	500,992	4,068	505,060
Prepaid items and other assets	338,956	124,471	463,427
Inventory	879,109	982,415	1,861,524
Restricted cash and investments	6,858,860	14,649,447	21,508,307
Capital assets, non-depreciable	54,614,761	23,260,581	77,875,342
Capital assets, depreciable	683,254,953	380,119,458	1,063,374,411
Accumulated depreciation	(294,424,301)	(94,901,986)	(389,326,287)
Total assets	<u>523,819,603</u>	<u>373,839,936</u>	<u>897,659,539</u>
Deferred Outflows of Resources			
Pension related	<u>22,884,246</u>	<u>1,909,864</u>	<u>24,794,110</u>
Liabilities			
Accounts payable	6,613,472	4,147,945	10,761,417
Accrued payroll and related taxes	2,524,167	272,820	2,796,987
Deposits	237,486	388,965	626,451
Unearned revenues	2,396,813	1,010,772	3,407,585
Contracts payable, due in less than one year	2,891,971	209,824	3,101,795
Contracts payable, due in more than one year	95,625	-	95,625
Claims payable	1,645,325	-	1,645,325
Other liabilities	109,837	-	109,837
Compensated absences payable, due in less than one year	2,521,247	339,135	2,860,382
Compensated absences payable, due in more than one year	3,481,720	468,330	3,950,050
Matured bond and loan interest payable	859,109	576,024	1,435,133
Matured bonds and loans payable	2,361,425	553,575	2,915,000
Bonds, loans and payables due in less than one year	2,468,738	2,441,263	4,910,001
Bonds, loans and payables due in more than one year	36,186,296	41,047,581	77,233,877
Net pension liability	66,284,151	10,320,778	76,604,929
Total liabilities	<u>130,677,382</u>	<u>61,777,012</u>	<u>192,454,394</u>
Deferred Inflows of Resources			
Pension related	5,068,426	871,577	5,940,003
Net Position			
Net investment in capital assets	405,111,110	270,081,565	675,192,675
Restricted for:			
Public works	8,365,482	-	8,365,482
Sewer system repair and replacement	-	5,419,848	5,419,848
Debt service	813	7,620,039	7,620,852
Parks	1,720,258	-	1,720,258
Library	4,572,083	-	4,572,083
Transportation	3,904,042	-	3,904,042
Police	2,548,165	-	2,548,165
Court	223,954	-	223,954
Fire	1,408,728	-	1,408,728
Unrestricted	(16,896,594)	29,979,759	13,083,165
Total net position	<u>\$ 410,958,041</u>	<u>\$ 313,101,211</u>	<u>\$ 724,059,252</u>

See accompanying Notes to Financial Statements.

City of Surprise, Arizona
Statement of Activities
Fiscal Year Ended June 30, 2016

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 18,906,430	\$ 5,041,335	\$ 177,396	\$ 1,556,855
Public safety	47,273,449	3,778,584	1,079,258	2,466,872
Public works and streets	38,670,796	853,321	8,403,973	2,433,481
Community development	10,235,430	2,552,293	27,248	-
Culture and recreation	25,690,406	5,894,021	1,490,464	5,101,201
Interest on long-term debt	1,472,910	-	-	-
Total governmental activities	<u>142,249,421</u>	<u>18,119,554</u>	<u>11,178,339</u>	<u>11,558,409</u>
Business-type activities:				
Water	11,823,538	12,195,621	-	1,090,133
Sewer	20,399,067	16,151,096	-	2,017,132
Sanitation	7,972,061	7,099,896	-	-
Total business-type activities	<u>40,194,666</u>	<u>35,446,613</u>	<u>-</u>	<u>3,107,265</u>
Total primary government	<u>\$ 182,444,087</u>	<u>\$ 53,566,167</u>	<u>\$ 11,178,339</u>	<u>\$ 14,665,674</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
Net position - ending

(Continued)

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

Governmental Activities	Business-Type Activities	Total
\$ (12,130,844)		\$ (12,130,844)
(39,948,735)		(39,948,735)
(26,980,021)		(26,980,021)
(7,655,889)		(7,655,889)
(13,204,720)		(13,204,720)
(1,472,910)		(1,472,910)
<u>(101,393,119)</u>		<u>(101,393,119)</u>
	\$ 1,462,216	1,462,216
	(2,230,839)	(2,230,839)
	(872,165)	(872,165)
	<u>(1,640,788)</u>	<u>(1,640,788)</u>
<u>(101,393,119)</u>	<u>(1,640,788)</u>	<u>(103,033,907)</u>
9,962,925	-	9,962,925
46,807,817	-	46,807,817
5,062,719	-	5,062,719
30,560,635	-	30,560,635
607,602	319,068	926,670
407,445	-	407,445
201,576	(201,576)	-
<u>93,610,719</u>	<u>117,492</u>	<u>93,728,211</u>
<u>(7,782,400)</u>	<u>(1,523,296)</u>	<u>(9,305,696)</u>
<u>418,740,441</u>	<u>314,624,507</u>	<u>733,364,948</u>
<u>\$ 410,958,041</u>	<u>\$ 313,101,211</u>	<u>\$ 724,059,252</u>

See accompanying Notes to Financial Statements.



SURPRISE

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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, 2016

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Highway User Revenue Fund
Assets				
Cash and investments	\$ 34,922,236	\$ 1,886,162	\$ 1,817	\$ 986,878
Receivables (net of allowances)				
Accounts	908,325	-	-	6,649
Taxes and franchise fees	8,522,991	377,956	-	-
Grants	-	77,901	-	-
Intergovernmental	153,000	-	-	1,348,261
Due from other funds	771,371	-	-	-
Other	361,296	-	-	-
Prepaid items and other assets	317,656	5,167	-	270
Inventory	531,173	-	-	347,936
Restricted cash and investments	2,001,248	320,731	-	2,000
Advances to other funds	438,681	36,019,204	-	-
Total assets	<u>\$ 48,927,977</u>	<u>\$ 38,687,121</u>	<u>\$ 1,817</u>	<u>\$ 2,691,994</u>
Liabilities				
Accounts payable	\$ 2,458,858	\$ 2,054,691	\$ -	\$ 847,852
Accrued payroll and related taxes	2,400,682	-	-	106,261
Due to other funds	-	-	-	-
Deposits	140,608	-	-	-
Unearned revenue	1,648,953	-	-	2,000
Contracts payable	2,676,040	-	-	-
Other liabilities	19,570	-	-	43,459
Matured bond interest payable	-	-	-	-
Matured bonds payable	-	-	-	-
Advances from other funds	-	-	43,067,484	-
Total liabilities	<u>9,344,711</u>	<u>2,054,691</u>	<u>43,067,484</u>	<u>999,572</u>
Deferred Inflows of Resources				
Unavailable revenue	367,239	-	-	-
Fund Balances (Deficits)				
Nonspendable	1,287,510	5,167	-	348,206
Restricted	-	320,731	-	1,344,216
Committed	-	36,240,450	-	-
Assigned	542,821	66,082	-	-
Unassigned	37,385,696	-	(43,065,667)	-
Total fund balances (deficits)	<u>39,216,027</u>	<u>36,632,430</u>	<u>(43,065,667)</u>	<u>1,692,422</u>
Total liabilities, deferred inflows and and fund balances	<u>\$ 48,927,977</u>	<u>\$ 38,687,121</u>	<u>\$ 1,817</u>	<u>\$ 2,691,994</u>

See accompanying Notes to Financial Statements.

Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 4,379,687	\$ 21,804,204	\$ 63,980,984
-	-	914,974
257,697	80,898	9,239,542
-	932,381	1,010,282
-	-	1,501,261
-	-	771,371
-	139,696	500,992
-	14,753	337,846
-	-	879,109
237,298	4,297,583	6,858,860
-	-	36,457,885
<u>\$ 4,874,682</u>	<u>\$ 27,269,515</u>	<u>\$ 122,453,106</u>
\$ 683,754	\$ 552,932	\$ 6,598,087
4,594	2,189	2,513,726
-	771,371	771,371
95,504	1,374	237,486
181,282	564,578	2,396,813
56,016	159,915	2,891,971
46,808	-	109,837
-	859,109	859,109
-	2,361,425	2,361,425
-	4,585,913	47,653,397
<u>1,067,958</u>	<u>9,858,806</u>	<u>66,393,222</u>
-	-	367,239
-	14,753	1,655,636
-	21,399,309	23,064,256
3,709,236	296,504	40,246,190
97,488	306,260	1,012,651
-	(4,606,117)	(10,286,088)
<u>3,806,724</u>	<u>17,410,709</u>	<u>55,692,645</u>
<u>\$ 4,874,682</u>	<u>\$ 27,269,515</u>	<u>\$ 122,453,106</u>

City of Surprise, ArizonaReconciliation of the Governmental Funds Balance Sheet Fund Balances
to the Statement of Net Position
Fiscal Year Ended June 30, 2016

Fund balances - total governmental funds		\$ 55,692,645
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 737,869,714	
Less accumulated depreciation	<u>(294,424,301)</u>	
		443,445,413
Some revenues will not be available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
		367,239
Internal Service Funds used by management to charge cost of employee healthcare and risk management to individual funds are included in the statement of net position.		
Net position (adjusted for interfund activity)	4,297,134	
Net pension liability, pension outflows and inflows	365,813	
Compensated absences	<u>11,754</u>	
		4,674,701
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions		22,884,246
Deferred inflows of resources related to pensions		(5,068,426)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(35,586,375)	
Contracts payable	(95,625)	
Issuance premium (to be amortized as interest expense)	(3,068,659)	
Net pension liability	(66,284,151)	
Compensated absences payable	<u>(6,002,967)</u>	
		<u>(111,037,777)</u>
Net position of governmental activities		<u>\$ 410,958,041</u>

See accompanying Notes to Financial Statements.



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City of Surprise, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2016

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Highway User Revenue Fund
Revenues:				
Taxes	\$ 46,029,715	\$ 3,761,883	\$ -	\$ -
Licenses and permits	5,121,719	-	-	-
Intergovernmental	31,120,886	-	-	7,648,348
Charges for services	10,171,699	-	-	12,000
Grants	-	928,406	-	-
Fines	1,031,468	-	-	-
Rents	630,514	-	-	-
Development fees	-	-	757,254	-
Interest	302,138	11,852	3,643	11,008
Donations	227,439	-	-	-
Indirect charges	4,884,443	-	-	-
Other	358,996	3,689	-	12,110
Total revenues	<u>99,879,017</u>	<u>4,705,830</u>	<u>760,897</u>	<u>7,683,466</u>
Expenditures:				
Current				
General government	16,171,124	-	-	-
Public safety	43,600,196	-	-	-
Public works and streets	6,742,779	-	-	7,986,477
Community development	9,694,429	-	-	-
Culture and recreation	16,002,124	-	-	-
Capital outlay	-	31,987,627	-	219,634
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>92,210,652</u>	<u>31,987,627</u>	<u>-</u>	<u>8,206,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,668,365</u>	<u>(27,281,797)</u>	<u>760,897</u>	<u>(522,645)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	121,521	186,000	-	-
Transfers in	2,814,121	5,593,600	723,215	-
Transfers out	(7,681,925)	-	(363,568)	-
Total other financing sources (uses)	<u>(4,746,283)</u>	<u>5,779,600</u>	<u>359,647</u>	<u>-</u>
Net change in fund balances	<u>2,922,082</u>	<u>(21,502,197)</u>	<u>1,120,544</u>	<u>(522,645)</u>
Fund Balances (deficits), beginning	36,216,740	58,134,627	(44,186,211)	2,057,744
Increase in inventories	77,205	-	-	157,323
Fund balances (deficits), ending	<u>\$ 39,216,027</u>	<u>\$ 36,632,430</u>	<u>\$ (43,065,667)</u>	<u>\$ 1,692,422</u>

See accompanying Notes to Financial Statements.

Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 3,417,193	\$ 3,700,112	\$ 56,908,903
-	-	5,121,719
-	440,454	39,209,688
-	1,179,754	11,363,453
133,328	1,998,886	3,060,620
-	183,510	1,214,978
-	-	630,514
-	2,539,828	3,297,082
36,517	242,444	607,602
-	877	228,316
-	-	4,884,443
-	17,404	392,199
<u>3,587,038</u>	<u>10,303,269</u>	<u>126,919,517</u>
-	135,059	16,306,183
-	833,350	44,433,546
2,361,135	3,402,076	20,492,467
289,682	96,335	10,080,446
-	2,414,215	18,416,339
489,458	3,814,333	36,511,052
-	2,361,425	2,361,425
-	1,749,568	1,749,568
-	19,762	19,762
<u>3,140,275</u>	<u>14,826,123</u>	<u>150,370,788</u>
<u>446,763</u>	<u>(4,522,854)</u>	<u>(23,451,271)</u>
-	29,300	336,821
-	4,686,080	13,817,016
-	(4,621,514)	(12,667,007)
-	93,866	1,486,830
<u>446,763</u>	<u>(4,428,988)</u>	<u>(21,964,441)</u>
3,359,961	21,839,697	77,422,558
-	-	234,528
<u>\$ 3,806,724</u>	<u>\$ 17,410,709</u>	<u>\$ 55,692,645</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, 2016**

Net change in fund balances, total governmental funds		\$ (21,964,441)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
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.		
Expenditures for capitalized assets	\$ 34,381,958	
Less current year depreciation	<u>(25,964,486)</u>	8,417,472
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
Capital contributions	7,496,504	
Disposals of assets	<u>(4,156,269)</u>	3,340,235
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		106,405
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.		
Change in net position for the internal service funds (adjusted for interfund activity)		
		271,659
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.		
Change in inventory		
		234,528
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.		
Pension contributions		7,623,644
Pension expense		<u>(8,400,638)</u>
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.		
Amortization of issuance premium	296,420	
Contracts payable	205,100	
Principal paid	<u>2,361,425</u>	2,862,945
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.		
Increase in compensated absences		
		<u>(274,209)</u>
Change in net position of governmental activities, statement of activities		<u>\$ (7,782,400)</u>

See accompanying Notes to Financial Statements.



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City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Sanitation Fund
Assets			
Cash and investments	\$ 9,175,916	\$ 13,690,737	\$ 7,475,792
Restricted cash and investments	93,956	14,350,035	205,456
Receivables (net of allowances)			
Accounts	2,603,869	3,013,117	1,312,911
Other	4,068	-	-
Other assets	117,646	6,825	-
Inventory	179,199	577,198	226,018
Total current assets	<u>12,174,654</u>	<u>31,637,912</u>	<u>9,220,177</u>
Noncurrent assets			
Advances to other funds	-	11,195,512	-
Capital assets	120,176,164	275,765,755	7,438,120
Accumulated depreciation	(22,866,507)	(68,676,954)	(3,358,525)
Total noncurrent assets	<u>97,309,657</u>	<u>218,284,313</u>	<u>4,079,595</u>
Total assets	<u>109,484,311</u>	<u>249,922,225</u>	<u>13,299,772</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	602,124	723,491	584,249
Total deferred outflows of resources	<u>602,124</u>	<u>723,491</u>	<u>584,249</u>
Liabilities			
Current liabilities:			
Accounts payable	877,534	2,640,237	630,174
Accrued payroll and related taxes	77,517	111,712	83,591
Deposits	86,666	188,560	113,739
Unearned revenues	-	919,055	91,717
Claims payable	-	-	-
Compensated absences payable	105,901	159,754	73,480
Contracts payable	7,290	202,534	-
Interest payable	-	576,024	-
Matured bonds and loans payable	-	553,575	-
Bonds, loans and payables due in less than one year	-	2,441,263	-
Total current liabilities	<u>1,154,908</u>	<u>7,792,714</u>	<u>992,701</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	146,244	220,613	101,473
Bonds, loans and payables due in more than one year	-	41,047,581	-
Net pension liability	3,253,841	3,909,694	3,157,243
Total noncurrent liabilities	<u>3,400,085</u>	<u>45,177,888</u>	<u>3,258,716</u>
Total liabilities	<u>4,554,993</u>	<u>52,970,602</u>	<u>4,251,417</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	274,783	330,169	266,625
Total deferred inflows of resources	<u>274,783</u>	<u>330,169</u>	<u>266,625</u>
Net Position			
Net investment in capital assets	97,309,657	168,692,313	4,079,595
Restricted			
Sewer system repair and replacement	-	5,419,848	-
Debt service	-	7,620,039	-
Unrestricted	7,947,002	15,612,745	5,286,384
Total net position	<u>\$ 105,256,659</u>	<u>\$ 197,344,945</u>	<u>\$ 9,365,979</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, 2016

		Governmental Activities	
Total Enterprise Funds		Internal Service Fund	
\$	30,342,445	\$	7,478,370
	14,649,447		-
	6,929,897		-
	4,068		-
	124,471		1,110
	982,415		-
	<u>53,032,743</u>		<u>7,479,480</u>
	11,195,512		-
	403,380,039		-
	(94,901,986)		-
	<u>319,673,565</u>		<u>-</u>
	<u>372,706,308</u>		<u>7,479,480</u>
	1,909,864		75,266
	<u>1,909,864</u>		<u>75,266</u>
	4,147,945		15,385
	272,820		10,441
	388,965		-
	1,010,772		-
	-		1,645,325
	339,135		4,937
	209,824		-
	576,024		-
	553,575		-
	2,441,263		-
	<u>9,940,323</u>		<u>1,676,088</u>
	468,330		6,817
	41,047,581		-
	<u>10,320,778</u>		<u>406,730</u>
	<u>51,836,689</u>		<u>413,547</u>
	<u>61,777,012</u>		<u>2,089,635</u>
	871,577		34,349
	<u>871,577</u>		<u>34,349</u>
	270,081,565		-
	5,419,848		-
	7,620,039		-
	<u>28,846,131</u>		<u>5,430,762</u>
\$	<u>311,967,583</u>	\$	<u>5,430,762</u>
	1,133,628		
\$	<u>313,101,211</u>		

City of Surprise, Arizona
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2016

	Business-Type Activities-Enterprise Funds		
	Water Fund	Sewer Fund	Sanitation Fund
Operating Revenues:			
Charges for services	\$ 12,137,187	\$ 16,107,464	\$ 7,095,469
Other	58,521	5,222	4,427
Total operating revenues	<u>12,195,708</u>	<u>16,112,686</u>	<u>7,099,896</u>
Operating Expenses:			
Cost of sales and services	7,543,605	9,304,037	5,277,202
Indirect costs	1,338,230	1,691,783	1,854,430
Depreciation	2,909,051	7,251,355	863,979
Total operating expenses	<u>11,790,886</u>	<u>18,247,175</u>	<u>7,995,611</u>
Operating income (loss)	<u>404,822</u>	<u>(2,134,489)</u>	<u>(895,715)</u>
Non-operating revenues (expenses)			
Development fees	486,207	1,597,179	-
Extension fees	-	38,410	-
Developer reimbursement	(32,652)	(400,505)	-
Interest revenue	103,870	148,940	66,258
Gain\ (Loss) on disposal of capital assets	(8,087)	38,724	23,550
Amortization on premium	-	78,152	-
Interest and fiscal charges	-	(1,973,747)	-
Intergovernmental	8,000	-	-
Total non-operating revenues (expenses)	<u>557,338</u>	<u>(472,847)</u>	<u>89,808</u>
Income (loss) before contributions and transfers	<u>962,160</u>	<u>(2,607,336)</u>	<u>(805,907)</u>
Capital contributions	603,926	419,953	948,433
Transfers out	<u>(390,975)</u>	<u>(724,626)</u>	<u>(34,408)</u>
Changes in net position	1,175,111	(2,912,009)	108,118
Net position, beginning	<u>104,081,548</u>	<u>200,256,954</u>	<u>9,257,861</u>
Net position, ending	<u>\$ 105,256,659</u>	<u>\$ 197,344,945</u>	<u>\$ 9,365,979</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, 2016

<u>Total Enterprise Funds</u>	<u>Governmental Activities</u> <u>Internal Service Fund</u>
\$ 35,340,120	\$ 12,397,024
68,170	-
<u>35,408,290</u>	<u>12,397,024</u>
22,124,844	12,129,333
4,884,443	-
11,024,385	-
<u>38,033,672</u>	<u>12,129,333</u>
<u>(2,625,382)</u>	<u>267,691</u>
2,083,386	-
38,410	-
(433,157)	-
319,068	104,217
54,187	-
78,152	-
(1,973,747)	-
8,000	-
<u>174,299</u>	<u>104,217</u>
<u>(2,451,083)</u>	<u>371,908</u>
1,972,312	-
<u>(1,150,009)</u>	<u>-</u>
(1,628,780)	371,908
<u>313,596,363</u>	<u>5,058,854</u>
<u>\$ 311,967,583</u>	<u>\$ 5,430,762</u>
105,484	
<u>\$ (1,523,296)</u>	

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2016

	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	\$ 11,877,107	\$ 16,757,312	\$ 7,169,313	\$ 35,803,732	\$ 12,397,822
Cash paid to suppliers	(6,517,054)	(5,529,831)	(4,348,953)	(16,395,838)	(11,932,641)
Cash paid to employees	(2,314,047)	(3,480,094)	(2,558,586)	(8,352,727)	(376,257)
Other operating cash receipts	58,521	5,222	4,427	68,170	-
Net cash provided by operating activities	3,104,527	7,752,609	266,201	11,123,337	88,924
Cash flows from capital and related financing activities					
Proceeds received from development fees	486,207	1,597,179	-	2,083,386	-
Proceeds received from extension fees	-	38,410	-	38,410	-
Principal and interest paid on bonds, loans and payables	-	(3,652,762)	-	(3,652,762)	-
Sale/acquisitions of capital assets	(6,211,616)	(4,974,302)	(1,431,131)	(12,617,049)	-
Net cash provided by (used in) capital and related financing activities	(5,725,409)	(6,991,475)	(1,431,131)	(14,148,015)	-
Cash flows from noncapital financing activities					
Cash received from other governments	8,000	-	-	8,000	-
Cash received from other funds	-	1,602,927	-	1,602,927	-
Cash paid to other funds	(390,975)	(724,626)	(34,408)	(1,150,009)	-
Net cash provided by (used in) noncapital and related financing activities	(382,975)	878,301	(34,408)	460,918	-
Cash flows from investing activities					
Sales of investments	-	5,445,750	-	5,445,750	-
Purchases of investments	-	(6,623,774)	-	(6,623,774)	-
Cash received from interest income	103,870	148,940	66,258	319,068	104,217
Net cash provided by (used in) investing activities	103,870	(1,029,084)	66,258	(858,956)	104,217
Net change in cash	(2,899,987)	610,351	(1,133,080)	(3,422,716)	193,141
Cash, beginning of year	12,169,859	20,485,045	8,814,328	41,469,232	7,285,229
Cash, end of year	\$ 9,269,872	\$ 21,095,396	\$ 7,681,248	\$ 38,046,516	\$ 7,478,370
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 404,822	\$ (2,134,489)	\$ (895,715)	\$ (2,625,382)	\$ 267,691
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation expense	2,909,051	7,251,355	863,979	11,024,385	-
(Increase) decrease in assets:					
Accounts receivable	(248,264)	225,635	91,073	68,444	798
Other receivables	(3,373)	-	-	(3,373)	-
Other assets	(5,186)	(6,825)	4,310	(7,701)	292
Inventory	(129,152)	40,342	(33,441)	(122,251)	-
Increase (Decrease) in Current Liabilities:					
Accounts payable	113,082	1,798,325	180,296	2,091,703	(304,264)
Accrued payroll and related taxes	34,158	17,365	24,796	76,319	3,074
Deposits	(8,443)	(35,116)	(20,416)	(63,975)	-
Unearned revenue	-	459,329	3,187	462,516	-
Compensated absences	20,571	23,462	144	44,177	5,235
Net pension liability	17,261	113,226	47,988	178,475	9,234
Claims payable	-	-	-	-	106,864
Total adjustments	2,699,705	9,887,098	1,161,916	13,748,719	(178,767)
Net cash provided by operating activities	\$ 3,104,527	\$ 7,752,609	\$ 266,201	\$ 11,123,337	\$ 88,924
Noncash capital activities					
Capital asset contributions from developers/governmental activities	\$ 603,926	\$ 419,953	\$ 948,433	\$ 1,972,312	\$ -
Reconciliation to Statement of Net Position					
Cash and investments	\$ 9,175,916	\$ 13,690,737	\$ 7,475,792	\$ 30,342,445	\$ 7,478,370
Restricted cash and investments	93,956	14,350,035	205,456	14,649,447	-
Total cash and investments	\$ 9,269,872	\$ 28,040,772	\$ 7,681,248	\$ 44,991,892	\$ 7,478,370
Less investments	-	(6,945,376)	-	(6,945,376)	-
Total cash	\$ 9,269,872	\$ 21,095,396	\$ 7,681,248	\$ 38,046,516	\$ 7,478,370

See accompanying Notes to Financial Statements.

City of Surprise, Arizona
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016

	Flexible Spending Account Agency Fund
Assets	
Cash and investments	\$ 126,271
Total assets	<u>126,271</u>
Liabilities	
Deposits held for others	<u>126,271</u>
Total liabilities	<u><u>\$ 126,271</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.

For the year ended June 30, 2016, the City implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 82, *Pension Issues*. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statements No. 73 and 82 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

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, 2016, the City had no discretely presented component units. Separately issued financial statements are not prepared for any of the component units.

NOTES TO FINANCIAL STATEMENTS

RELATED ORGANIZATIONS

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

EXCLUDED ORGANIZATIONS

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

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

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

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 ***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.

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 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.

Fund	Minimum Fund Balance
General Fund	\$17.6 million which is updated annually by calculating an average of budgeted personnel, supplies and services expenses over a two month period for that year's Council Adopted Budget for the General Fund and the Highway User's Revenue Fund.
General Capital Projects Fund	\$1 million
Transportation Improvement Fund	\$0.5 million
Tourism Fund	\$5,000
Spring Training Ticket Surcharge Fund	\$600,000

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 \$42,005,598 and the bank balance was \$42,907,069. At year end, \$5,367,654 of the City’s deposits was covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance of \$37,539,415 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, 2016 follows:

Total per bank balance	\$ 42,907,069
<i>Reconciling items:</i>	
Outstanding checks	(1,015,756)
Deposits in transit	107,110
	<u>41,998,423</u>
Less:	
Fiduciary fund	(126,271)
Total City deposits	<u>\$ 41,872,152</u>

The City’s investments consisted of the following as of June 30, 2016:

Investment Type	Fair Value	Investment Maturities		
		Less than 1 year	1-2 years	2-3 years
U.S. government securities	\$ 30,717,108	\$ 1,487,302	\$ 17,297,836	\$ 11,931,970
Government sponsored entity debt	48,025,813	3,310,900	26,350,175	18,364,738
Money market mutual funds	2,284,875	2,284,875	-	-
Local government investment pool	402,983	402,983	-	-
	<u>\$ 81,430,779</u>	<u>\$ 7,486,060</u>	<u>\$ 43,648,011</u>	<u>\$ 30,296,708</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, 2016, are as follows:

City's deposits	\$ 41,998,423
Cash on hand	7,175
City's investments	<u>81,430,779</u>
Total	<u>\$ 123,436,377</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 \$48,025,813 of government sponsored entity debt. At June 30, 2016, these investments were rated by Standard and Poor's 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.

Fair Value Measurements. The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

- Level I – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level II – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level III – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

NOTES TO FINANCIAL STATEMENTS

Investments are measured as follows:

	<u>6/30/2016</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Investments by fair value level				
U.S. government securities	\$ 30,717,108	\$ 30,717,108	\$ -	\$ -
Government sponsored entity debt	48,025,813	-	48,025,813	-
Total investments by fair value level	<u>78,742,921</u>	<u>\$ 30,717,108</u>	<u>\$ 48,025,813</u>	<u>\$ -</u>
Investments measured at fair value				
Local government investment pool	402,983			
Total investments measured at fair value	<u>79,145,904</u>			
Investments measured at amortized cost				
Money market funds	2,284,875			
Total investments:	<u>\$ 81,430,779</u>			

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	\$ 101,801,799
Total restricted cash and investments	21,508,307
Subtotal	<u>\$ 123,310,106</u>
Government-wide total cash and investments	\$ 123,310,106
plus: Fiduciary Fund cash and cash equivalents	126,271
Total	<u>\$ 123,436,377</u>

<u>Fund Financial Statements</u>	
<i>Governmental Funds</i>	
Cash and investments	\$ 63,980,984
Restricted cash and investments	6,858,860
	<u>70,839,844</u>
<i>Enterprise Funds</i>	
Cash and investments	30,342,445
Restricted cash and investments	14,649,447
	<u>44,991,892</u>
<i>Internal Service Funds</i>	
Cash and investments	<u>7,478,370</u>
<i>Fiduciary Funds</i>	
Cash and investments	126,271
Total	<u>\$ 123,436,377</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – ACCOUNTS RECEIVABLE

The amount due from other governments, as reported in the statement of net position includes \$1,348,261 in highway user tax, \$16,250 for animal control services, \$136,750 for police dispatch services.

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, 2016 are as follows:

CAFR Fund Name	Unearned	Unavailable
General Fund	\$ 1,648,953	\$ 367,239
Highway User Revenue Fund	2,000	-
Transportation Improvement Fund	181,282	-
Nonmajor Governmental Funds	564,578	-
	<u>\$ 2,396,813</u>	<u>\$ 367,239</u>

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land and land improvements	\$ 33,609,071	\$ 296,121	\$ (58,072)	\$ 33,847,120
Parks	10,256,905	-	-	10,256,905
Construction in process	10,039,959	6,389,712	(5,918,935)	10,510,736
Total not being depreciated	<u>53,905,935</u>	<u>6,685,833</u>	<u>(5,977,007)</u>	<u>54,614,761</u>
Other capital assets:				
Buildings and improvements	191,939,642	20,902,961	(5,722,033)	207,120,570
Improvements other than buildings	18,037,993	7,373,849	-	25,411,842
Equipment and vehicles	44,299,418	9,389,502	(4,520,175)	49,168,745
Infrastructure	398,050,472	3,503,324	-	401,553,796
Total other capital assets	<u>652,327,525</u>	<u>41,169,636</u>	<u>(10,242,208)</u>	<u>683,254,953</u>
Total assets before depreciation	<u>706,233,460</u>	<u>47,855,469</u>	<u>(16,219,215)</u>	<u>737,869,714</u>
Accumulated depreciation:				
Building and improvements	(56,425,631)	(6,552,952)	2,477,147	(60,501,436)
Improvements other than buildings	(5,388,257)	(812,217)	-	(6,200,474)
Equipment and vehicles	(33,157,059)	(3,226,576)	3,608,792	(32,774,843)
Infrastructure	(179,574,807)	(15,372,741)	-	(194,947,548)
Total accumulated depreciation	<u>(274,545,754)</u>	<u>(25,964,486)</u>	<u>6,085,939</u>	<u>(294,424,301)</u>
Net Capital Assets - Governmental Activities	<u>\$ 431,687,706</u>	<u>\$ 21,890,983</u>	<u>\$ (10,133,276)</u>	<u>\$ 443,445,413</u>

NOTES TO FINANCIAL STATEMENTS

Depreciation was charged by function as follows:

General government	\$ 1,677,433
Public safety	2,887,335
Public works and streets	17,943,338
Community development	22,889
Culture and recreation	<u>3,433,491</u>

Total governmental activities depreciation expense \$ 25,964,486

	<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	7,929,385	654,585	-	8,583,970
Construction in progress	770,229	8,998,143	(231,811)	9,536,561
Total not being depreciated	<u>13,839,664</u>	<u>9,652,728</u>	<u>(231,811)</u>	<u>23,260,581</u>
Other capital assets:				
Buildings and system	364,654,681	1,116,914	-	365,771,595
Improvements other than buildings	893,499	485,237	-	1,378,736
Vehicles and equipment	10,928,027	2,984,991	(943,891)	12,969,127
Total other capital assets	<u>376,476,207</u>	<u>4,587,142</u>	<u>(943,891)</u>	<u>380,119,458</u>
Total assets before depreciation	<u>390,315,871</u>	<u>14,239,870</u>	<u>(1,175,702)</u>	<u>403,380,039</u>
Accumulated depreciation:				
Buildings and system	(78,475,593)	(9,738,092)	-	(88,213,685)
Improvements other than buildings	(74,458)	(54,045)	-	(128,503)
Vehicles and equipment	(6,254,742)	(1,232,248)	927,192	(6,559,798)
Total accumulated depreciation	<u>(84,804,793)</u>	<u>(11,024,385)</u>	<u>927,192</u>	<u>(94,901,986)</u>
Net capital assets - business activities	<u>\$ 305,511,078</u>	<u>\$ 3,215,485</u>	<u>\$ (248,510)</u>	<u>\$ 308,478,053</u>

Depreciation was charged by function as follows:

Water	\$ 2,909,051
Sewer	7,251,355
Sanitation	<u>863,979</u>

Total business-type activities depreciation expense \$ 11,024,385

During the current fiscal year, the Sewer Fund capitalized net interest costs of \$125,620. Total interest expense in the Sewer Fund before capitalization was \$2,099,367.

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 seventeen years. Once an agreement expires, water system and water resource impact fees are no longer eligible for developer reimbursement. As of June 30, 2016, the City has reimbursed \$11,593,662, leaving a potential remaining balance of \$17,603,589.

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 four years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2016, the amount the City has reimbursed is \$77,020, leaving a potential remaining balance of \$13,925,575.

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, 2016. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next thirty four years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2016, the City has reimbursed \$686,006 to developers, leaving a potential remaining balance of \$64,917,298.

Development agreements related to park infrastructure will be reimbursed using park impact fees. Total park infrastructure value conveyed is \$4,777,882. Depending on the terms of the specific agreement, this value is eligible for reimbursement during the next four years. Once an agreement expires, park impact fees are no longer eligible for developer reimbursement. As of June 30, 2016, the City has reimbursed \$66,519, leaving a potential balance remaining of \$4,711,363.

Development agreements related to fire infrastructure will be reimbursed using fire development impact fees. The total net value reimbursable for fire infrastructure is \$496,663. Depending on the terms of the specific agreement, this value is eligible for reimbursement during the next four years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2016, the amount the City has reimbursed is \$302,916, leaving a potential remaining balance of \$193,747.

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, 2016. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Funding Source
Greenway Rd. Improvements	\$ 1,832,043	\$ 280,980	General Capital Fund
Greenway Rd. Improvements	375,097	382,573	Sewer Operations
Bell Rd Sidewalks E of Grant	1,759,312	5,069	General Capital Fund
Dove Valley Parkway 163rd-179th	638,933	1,258	General Capital Fund
Martin Acre Flood Control	150,000	44,300	General Capital Fund
Site and Security Improvements	58,679	223	Water Operations fund
107th & Union Hills Drainage	309,215	2,583,250	General Capital Fund
Peoria (Sarvils to Reems)	178,718	806	Transportation Improvement
City Hall Reclaim Connections	50,760	44,937	Water Operations fund
Cactus Rd 175th to Cotton Ln	93,206	29,486	General Capital Fund
Cactus Rd 175th to Cotton Ln	188,304	54,513	Transportation Improvement
SPA 1 Effluent Strg Reser Covers	2,283,930	68,350	WTR Resources Sys Dev Fee SPA1
Replace Financial Software	2,069,752	944,698	General Capital Fund
Replace Financial Software	72,018	120,537	Water Operations fund
Replace Financial Software	98,363	160,716	Sewer Operations
Replace Financial Software	72,018	120,537	Sanitation Operations Fund
Booster Station Bell Rd Lake	-	10,000	Highway User
Dewatering Centrifuge #1	216,495	322,003	Sewer SPA1 Dev Fee 2014 Law
Cactus S. Side Railroad Track/Litchfield	25,515	217,147	Water Operations fund
Cactus S. Side Railroad Track/Litchfield	94,256	745,786	Sewer Operations
Cactus S. Side Railroad Track/Litchfield	12,758	113,744	General Capital Fund
Jomax 147 to 132 Pave Dirt Rd	426,372	2,054	General Capital Fund
Median & ROW Landscaping	562,756	173,476	Highway User
City Entry Monuments	49,173	760	General Capital Fund
New Public Works Yard (North)	67,189	15,311	Sanitation Operations Fund
New Public Works Yard (North)	69,189	15,311	Public Works Dev Fee
SPA 1 WRF N Entry Gate and Wall	167,034	20,452	Sewer Operations
Litchfield E DS Cactus/Desert CV	1,107,655	26,057	Sewer Operations
Solar Biosolid Dryer	96,929	26,525	Sewer Operations
SPA Influent Ln Hydr Rehab	198,203	109,095	Sewer Operations
Greenway Road Lift Station Rehab	53,852	264,471	Sewer Operations
Elec Service Upgrade at Techcelerator	221,479	106,600	General Capital Fund
Jerry Street and Rimrock Drainage	124,424	62,229	General Capital Fund
Electric Panel Split	18,242	110,364	General
AZ Techcelerator Renovation	493,166	8,325	General
Reems Fiber Opt Waddell-Peoria	36,592	21,337	General Capital Fund
Reems Fiber Opt Waddell-Peoria	56,923	31,592	Public Works Dev Fee
Hydraulic Protection	124,393	9,741	Water Operations fund
SPA 1 WRF Conference and Training Ctr	1,843,580	472,349	Water Operations fund
SPA 1 WRF Conference and Training Ctr	1,888,471	1,207,641	Sewer Operations
Pumper 4029 Replacement	299,690	303,178	Vehicle Replacement Fund
Total	\$ 18,484,684	\$ 9,237,781	

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT & OTHER PAYABLES

MUNICIPAL PROPERTY CORPORATION BONDS

The City of Surprise Municipal Property Corporation (MPC) issued, for the purpose of constructing the South Wastewater Treatment Plant, the Wastewater Development Impact Fee and Utility Revenue Bonds, Series 2007, maturing in 2031, with an original issue amount of \$50,675,000 and a balance outstanding at June 30, 2016 of \$37,585,000. The Bonds 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, net of specified operating expenses. The wastewater development impact fees and utility revenue collections are recorded in the Sewer Fund. Required reserves for the MPC issuance have been met by the City. Principal and interest paid and system net revenues for the current year were \$3,638,325 and \$8,192,673 respectively. Next year's principal and interest payments will be \$3,637,668 and will constitute approximately 44% of the current year's system net revenues. Of the total system net revenues, \$1,597,179 are development impact fee revenues that have been specifically designated for debt service payments per the bond issuance statement. The remaining \$6,595,494 represents net revenues from wastewater operations during the year, and is available to meet debt service payment obligations.

PLEGGED REVENUE OBLIGATIONS

In 2015, the City of Surprise issued Pledged Revenue Obligations and Pledged Revenue Refunding Obligations secured by a pledge on excise tax revenues and state shared revenues. A portion of the issuance was for the purpose of refunding the former MPC Series 2003 Bonds, and the remainder was for the construction of stadium improvements.

The issuance requires excise tax and state shared revenues to be maintained at a minimum of 3.0 times the combined debt service requirement payable. The debt service coverage ratio at June 30, 2016 (revenues to debt service payable) is 21.7.

The Pledged Revenue Obligations, Series 2015, were issued in the amount of \$17,385,000, and have an outstanding principal balance at June 30, 2016 of \$16,530,000. Proceeds of these obligations are designated for the construction of stadium improvements. The obligations are payable solely from pledged revenues and are payable through 2030. Principal and interest payments and pledged revenues for the current year were \$1,584,509 and \$91,842,475, respectively. Next year's principal and interest payments of \$1,583,000 constitute approximately 1.7% of the current year pledged revenue.

The Pledged Revenue Refunding Obligations, Series 2015, were issued in the amount of \$19,280,000 and have an outstanding principal balance at June 30, 2016 of \$17,450,000. The proceeds of these obligations were used to refund (extinguish the debt) of the former MPC Series 2003 Bonds and pay costs of issuance. The refunding obligations are payable solely from pledged revenue and mature in 2024. Principal and interest payable and pledged revenues for the current year were \$2,653,860 and \$91,842,475, respectively. Next year's principal and interest payments totaling \$2,656,051 constitute approximately 2.9% of current year pledged revenue.

COMMUNITY FACILITIES DISTRICT BONDS

Community Facilities District (CFD) Bonds are special purpose government entity debt which the City Council may issue under Arizona law to (among other things) acquire and improve public infrastructure.

Subsequent to June 30, 2016, the Marley Park Community Facilities District advance refunded \$6,065,000 of its bonds outstanding and issued an additional \$5,300,000 in new general obligation bonds.

NOTES TO FINANCIAL STATEMENTS

Long-term debt as of June 30, 2016 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.	\$ 16,530,000
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>12,171,375</u>
Total Revenue Obligations	<u>28,701,375</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.	1,005,000
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.	3,050,000
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>2,830,000</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>6,885,000</u>
Total Long-Term Debt Payable Recorded in Governmental Activities	<u><u>\$ 35,586,375</u></u>

NOTES TO FINANCIAL STATEMENTS

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

Revenue Obligations

Long-Term Debt
Outstanding

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.

\$ 5,278,625

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 October 1, 2031; interest at 4.25 percent to 4.90 percent. Original issue amount \$50,675,000.

37,585,000

Total Bonds Payable Recorded in Business-type Activities

42,863,625

Total Long-Term Bonds Payable

\$ 78,450,000

NOTES TO FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2016:

	<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	\$ -	\$ (2,131,425)	\$ 28,701,375	\$ 2,223,738
For issuance premium 2015	3,365,079	-	(296,420)	3,068,659	-
Community Facilities Districts					
Series 2006 Bonds, \$1,365,000 issued	1,050,000	-	(45,000)	1,005,000	45,000
Series 2007 Bonds, \$3,950,000 issued	3,160,000	-	(110,000)	3,050,000	115,000
Series 2008 Bonds, \$3,395,000 issued	2,905,000	-	(75,000)	2,830,000	85,000
	<u>7,115,000</u>	<u>-</u>	<u>(230,000)</u>	<u>6,885,000</u>	<u>245,000</u>
Total governmental obligation bonds	<u>41,312,879</u>	<u>-</u>	<u>(2,361,425)</u>	<u>38,655,034</u>	<u>2,468,738</u>
Compensated absences	<u>5,728,758</u>	<u>4,422,590</u>	<u>(4,148,381)</u>	<u>6,002,967</u>	<u>2,521,247</u>
Contracts and developer payable	<u>2,081,974</u>	<u>2,750,026</u>	<u>(1,844,404)</u>	<u>2,987,596</u>	<u>2,891,971</u>
Total governmental activities debt	<u>\$ 49,123,611</u>	<u>\$ 7,172,616</u>	<u>\$ (8,354,210)</u>	<u>\$ 47,645,597</u>	<u>\$ 7,881,956</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	\$ -	\$ (553,575)	\$ 5,278,625	\$ 576,263
General municipal property corporation fund obligation Series 2007 Bonds, \$50,675,000 issued	39,365,000	-	(1,780,000)	37,585,000	1,865,000
For issuance premium 2015	703,371	-	(78,152)	625,219	-
Total business-type activities bonds	<u>45,900,571</u>	<u>-</u>	<u>(2,411,727)</u>	<u>43,488,844</u>	<u>2,441,263</u>
Compensated absences	<u>763,288</u>	<u>664,717</u>	<u>(620,540)</u>	<u>807,465</u>	<u>339,135</u>
Contracts and developer payable	<u>428,855</u>	<u>209,824</u>	<u>(428,855)</u>	<u>209,824</u>	<u>209,824</u>
Total business-type activities debt	<u>\$ 47,092,714</u>	<u>\$ 874,541</u>	<u>\$ (3,461,122)</u>	<u>\$ 44,506,133</u>	<u>\$ 2,990,222</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of debt service requirements for the year ended June 30, 2016. 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
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	2,549,037	884,050	55,000	42,356	145,000	154,534	105,000	171,226	2,854,037	1,252,166
2022-2026	11,000,950	2,468,040	325,000	165,231	870,000	630,477	635,000	743,053	12,830,950	4,006,801
2027-2031	5,760,000	569,800	425,000	70,228	1,160,000	334,888	885,000	489,650	8,230,000	1,464,566
2032-2033	-	-	-	-	375,000	22,876	845,000	103,250	1,220,000	126,126
Total	\$ 28,701,375	\$ 8,268,492	\$ 1,005,000	\$ 474,018	\$ 3,050,000	\$ 1,837,324	\$ 2,830,000	\$ 2,250,755	\$ 35,586,375	\$ 12,830,589

Year Ended June 30	Business-Type Activities					
	Refunding/Stadium Imp 2015		2007 MPC		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	660,962	142,250	2,240,000	1,387,855	2,900,962	1,530,105
2022-2026	2,184,050	221,959	10,915,000	5,365,728	13,099,050	5,587,687
2027-2031	-	-	13,350,000	2,452,940	13,350,000	2,452,940
2032-2033	-	-	3,080,000	75,460	3,080,000	75,460
Total	\$ 5,278,625	\$ 1,143,208	\$ 37,585,000	\$ 15,817,583	\$ 42,863,625	\$ 16,960,791

NOTES TO FINANCIAL STATEMENTS

Contracts Payable

General Government Activities

A balance of \$2,987,596 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 \$209,824 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, 2016:

<u>20% Limitation</u>		<u>6% Limitation</u>	
20% Constitutional Limit	\$ 206,381,949	6% Constitutional Limit	\$ 61,914,585
Less General Obligation 20% Bonds Outstanding	<u>-</u>	Less General Obligation 6% Bonds Outstanding	<u>-</u>
Available 20% Limitation Borrowing Capacity	<u>\$ 206,381,949</u>	Available 6% Limitation Borrowing Capacity	<u>\$ 61,914,585</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, 2016 was \$89,712.

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

Year Ending June 30:	
2017	\$ 38,248
2018	15,865
2019	<u>1,902</u>
Total minimum payments required	<u>\$ 56,015</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 \$3,860,674 (cost of \$7,070,069 less accumulated depreciation of \$3,209,395). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2016 were \$565,221.

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, 2016, 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	\$ 66,284,151	\$ 10,320,778	\$ 76,604,929
Deferred outflows of resources	22,884,246	1,909,864	24,794,110
Deferred inflows of resources	5,068,426	871,577	5,940,003
Pension expense	8,400,638	299,858	8,700,496

The City reported accrued payroll and employee benefits of \$165,305 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the City reported \$7,623,644 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 website 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 years, 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 percent 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, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 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 11.47 percent (10.85 percent for retirement, 0.50 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 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, 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, 2016, were \$3,569,994. 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:

<u>Year Ended June 30,</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2016	\$ 164,158	\$ 39,434
2015	178,990	36,405
2014	162,104	64,842

During the fiscal year ended June 30, 2016, the City paid for ASRS pension and OPEB contributions as follows: 72 percent from the General Fund, 25 percent from major funds, and 3 percent from other funds.

NOTES TO FINANCIAL STATEMENTS

Pension Liability – At June 30, 2016, the City reported a liability of \$50,841,272 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015.

The City’s reported liability at June 30, 2016, increased by \$7,861,105 from the City’s prior year liability of \$42,980,167 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 2015 contributions. The City’s proportion measured as of June 30, 2015, was 0.326400 percent, which was an increase of 0.035927 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, the City recognized pension expense for ASRS of \$4,872,310. At June 30, 2016, 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	\$ 1,387,348	\$ 2,664,134
Net difference between projected and actual earnings on pension plan investments	-	1,629,350
Changes in proportion and differences between City contributions and proportionate share of contributions	4,450,848	-
City contributions subsequent to the measurement date	3,569,994	-
Total	\$ 9,408,190	\$ 4,293,484

The \$3,569,994 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, 2017. 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:

Year Ended June 30,	Amount
2017	\$ 1,053,287
2018	119,516
2019	(804,277)
2020	1,176,186

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, 2014
Actuarial roll forward date	June 30, 2015
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, 2014 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	58%	6.79%
Fixed Income	25%	3.70%
Real Estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
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	\$ 66,619,441	\$ 50,841,272	\$ 40,028,056

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 website 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
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, 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 percent		
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. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. 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, 2016, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	26	8
Inactive employees entitled to but not yet receiving benefits	18	4
Active employees	121	108
Total	<u>165</u>	<u>120</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, 2016, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members - pension	11.65%	11.65%
City		
Pension	20.26%	15.58%
Health insurance premium benefit	0.47%	0.38%

In addition, statute required the City to contribute at the actuarially determined rate of 28.62 percent of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

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, 2016, were:

	PSPRS Police	PSPRS Fire
Pension		
Contributions made	\$ 2,301,028	\$ 1,716,087
Health insurance premium benefit		
Annual OPEB cost	52,449	40,464
Contributions made	52,449	40,464

During the fiscal year 2016, the City paid for PSPRS pension and OPEB contributions 100 percent from the General Fund.

Pension Liability – At June 30, 2016, the City reported the following net pension liabilities:

	Net Pension Liability
PSPRS Police	\$ 16,985,143
PSPRS Fire	7,502,484

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the City’s net pension liability as a result of the statutory adjustments is not known.

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, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
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, 2015, 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 Asset Class	Target	Long-Term
	Allocation	Expected Geometric Real Rate of Return
Short Term Investments	2%	0.75%
Absolute Return	5%	4.11%
Risk Parity	4%	5.13%
Fixed Income	7%	2.92%
Real Assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real Estate	10%	4.48%
Credit Opportunities	13%	7.08%
Non-U.S. Equity	14%	8.25%
U.S. Equity	16%	6.23%
Total	100%	

Pension Discount Rates – The discount rate used to measure the PSPRS total pension liabilities was 7.85 percent. 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	Plan Fiduciary	Net Pension
	Liability (Asset)	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2014	\$ 35,745,948	\$ 24,765,976	\$ 10,979,972
Changes for the Year:			
Service Cost	1,663,042	-	1,663,042
Interest on the Total Pension Liability	2,833,422	-	2,833,422
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	5,574,308	-	5,574,308
Contributions - Employer	-	1,729,946	(1,729,946)
Contributions - Employee	-	1,196,870	(1,196,870)
Net Investment Income	-	951,951	(951,951)
Benefit Payments, Including Refunds of Employee Contributions	(965,851)	(965,851)	-
Administrative Expenses	-	(23,613)	23,613
Other (Net Transfer)	-	210,447	(210,447)
Net Changes	9,104,921	3,099,750	6,005,171
Balances as of June 30, 2015	\$ 44,850,869	\$ 27,865,726	\$ 16,985,143

PSPRS - Fire	Total Pension	Plan Fiduciary	Net Pension
	Liability (Asset)	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2014	\$ 30,990,296	\$ 25,231,977	\$ 5,758,319
Changes for the Year:			
Service Cost	1,709,096	-	1,709,096
Interest on the Total Pension Liability	2,480,922	-	2,480,922
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	991,201	-	991,201
Contributions - Employer	-	1,394,750	(1,394,750)
Contributions - Employee	-	1,085,819	(1,085,819)
Net Investment Income	-	956,696	(956,696)
Benefit Payments, Including Refunds of Employee Contributions	(481,494)	(481,494)	-
Administrative Expenses	-	(23,732)	23,732
Other (Net Transfer)	-	23,521	(23,521)
Net Changes	4,699,725	2,955,560	1,744,165
Balances as of June 30, 2015	\$ 35,690,021	\$ 28,187,537	\$ 7,502,484

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 (6.85%) or 1 percentage point higher (8.85%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net Pension Liability	\$ 23,418,179	\$ 16,985,143	\$ 11,711,005
PSPRS Fire			
Rate	6.85%	7.85%	8.85%
Net Pension Liability	\$ 13,235,505	\$ 7,502,484	\$ 2,805,808

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, 2016, the City recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Police	\$ 2,328,394
PSPRS Fire	1,225,972

Pension Deferred Outflows/Inflows of Resources – At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,695,420	\$ -
Changes of assumptions or other inputs	1,803,860	-
Net difference between projected and actual earnings on pension plan investments	861,183	711,145
City contributions subsequent to the measurement date	2,301,028	-
Total	<u>\$ 10,661,491</u>	<u>\$ 711,145</u>
PSPRS - Firefighters	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 996,969	\$ -
Changes of assumptions or other inputs	869,274	-
Net difference between projected and actual earnings on pension plan investments	881,976	735,409
City contributions subsequent to the measurement date	1,716,087	-
Total	<u>\$ 4,464,306</u>	<u>\$ 735,409</u>

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, 2017. 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	Fire
2017	\$ 1,244,064	\$ 180,728
2018	1,244,064	180,728
2019	1,244,063	180,728
2020	1,481,111	425,865
2021	1,265,816	205,371
Thereafter	1,170,200	839,390

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014 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 plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements, are as follows:

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% - 8%
Wage growth	4.00%

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			
2016	\$ 52,449	100.00%	\$ -
2015	111,399	100.00	-
2014	76,356	100.00	-
PSPRS Fire			
2016	\$ 40,464	100.00%	\$ -
2015	80,317	100.00	-
2014	58,949	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, 2015 is as follows:

	PSPRS Police	PSPRS Fire
Actuarial value of assets (a)	\$ 914,353	\$ 710,185
Actuarial accrued liability (b)	1,196,404	897,623
Unfunded actuarial accrued liability (Funding excess) (b) - (a)	282,051	187,438
Funded ratio (a) / (b)	76.43%	79.12%
Annual covered payroll (c)	10,225,901	9,753,914
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	2.76%	1.92%

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:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% 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 website 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:

	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability		
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 percent		
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. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase’s effects on the plan.

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, 2016, 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, 2016, were \$36,535. 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>
2016	\$ -
2015	1,443
2014	(9,838)

During fiscal year 2016, the City paid for EORP pension contributions 100 percent from the General Fund.

Pension Liability - At June 30, 2016, 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	\$ 1,276,030
State’s proportionate share of the EORP net pension liability associated with the City	107,037
Total	<u>\$ 1,383,067</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City’s proportion of the net pension liability 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, 2015. The City’s proportion measured as of June 30, 2015 was 0.1632898 percent which is a decrease of .0612144 percent from its proportionate measured as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2016, the City recognized pension expense for EORP of \$273,820 and revenue of \$107,037 for the City’s proportionate share of the State’s appropriation to EORP. At June 30, 2016, 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	\$ 2,040	\$ 14,207
Changes of assumptions or other inputs	213,809	-
Net difference between projected and actual earnings on pension plan investments	7,739	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	185,758
City contributions subsequent to the measurement date	36,535	-
Total	\$ 260,123	\$ 199,965

The \$36,535 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, 2017. 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>	
2017	\$ 56,337
2018	(39,178)
2019	637
2020	5,827

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

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	4.86%
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, 2015, 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 Geometric Real Rate of Return
Short Term Investments	2%	0.75%
Absolute Return	5%	4.11%
Risk Parity	4%	5.13%
Fixed Income	7%	2.92%
Real Assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real Estate	10%	4.48%
Credit Opportunities	13%	7.08%
Non-U.S. Equity	14%	8.25%
U.S. Equity	16%	6.23%
Total	100%	

Discount Rate - At June 30, 2015, the discount rate used to measure the EORP total pension liability was 4.86 percent, which was a decrease of 0.81 from the discount rate used as of June 30, 2014. 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, 2028. A municipal bond rate of 3.8 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 25, 2015, was applied to periods of projected benefit payments after June 30, 2028.

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 4.86 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 (3.86 percent) or 1 percentage point higher (5.86 percent) than the current rate:

	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
	City's proportionate share of the net pension liability	\$ 1,485,460	\$ 1,276,030

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 \$635,000 of the total claims payable reported. The remaining \$591,062 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, 2016, unpaid claims were as follows:

	Employee Healthcare Fund	
	2015	2016
Beginning unpaid claims	\$ 1,024,401	\$ 1,538,461
Claims incurred and changes in estimates	7,704,843	7,897,628
Payments made	(7,190,783)	(8,210,027)
Ending unpaid claims	<u>\$ 1,538,461</u>	<u>\$ 1,226,062</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.

The City has entered into a settlement agreement of which the City is financially responsible for a drainage study and road improvements. The total cost to be incurred is currently unknown. The City is also financially responsible to reimburse future development impact fees, planning and zoning fees, and building permits charged by the City related directly to the development of the Property defined in the settlement agreement up to \$800,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INTERFUND BORROWING AND TRANSFERS

As of June 30, 2016, interfund balances were as follows:

Due to/from other funds:

Due from	Due to General Fund
Non-Major Governmental Funds	\$ 771,371

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 to	Advances from			Total
	General Fund	Projects Fund	Sewer Fund	
General Government Development Fee Fund	\$ 438,681	\$ 36,019,204	\$ 6,609,599	\$ 43,067,484
Non-Major Governmental Funds	-	-	4,585,913	4,585,913
Total	\$ 438,681	\$ 36,019,204	\$ 11,195,512	\$ 47,653,397

As of June 30, 2016, 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 out	Transfers in General				Total
	General Fund	General Capital Project Fund	Governmental Development Fee Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 5,593,600	\$ -	\$ 2,088,325	\$ 7,681,925
General Government Development Fee Fund	-	-	-	363,568	363,568
Non-Major Governmental Funds	1,664,112	-	723,215	2,234,187	4,621,514
Water Fund	390,975	-	-	-	390,975
Sewer Fund	724,626	-	-	-	724,626
Sanitation Fund	34,408	-	-	-	34,408
Total	\$ 2,814,121	\$ 5,593,600	\$ 723,215	\$ 4,686,080	\$ 13,817,016

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 (2) to support as needed replacement of vehicles and maintenance, construction or purchase of city assets and (3) move amounts for debt service payments. During the year ended June 30, 2016 the governmental activities transferred assets totaling \$948,433 to business-type activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – FUND BALANCE CLASSIFICATION

Fund balance classifications:

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	Non-Major Governmental Funds	Total
Fund balances							
Nonspendable:							
Prepays	\$ 317,656	\$ 5,167	\$ -	\$ 270	\$ -	\$ 14,753	\$ 337,846
Inventory	531,173	-	-	347,936	-	-	879,109
Advance to other funds	438,681	-	-	-	-	-	438,681
Total Nonspendable	1,287,510	5,167	-	348,206	-	14,753	1,655,636
Restricted:							
Public works	-	-	-	-	-	8,365,482	8,365,482
Parks and recreation	-	320,731	-	-	-	1,720,258	2,040,989
Library	-	-	-	-	-	4,572,083	4,572,083
Debt service	-	-	-	-	-	813	813
Transportation	-	-	-	1,344,216	-	2,559,826	3,904,042
Police	-	-	-	-	-	2,548,165	2,548,165
Court	-	-	-	-	-	223,954	223,954
Fire	-	-	-	-	-	1,408,728	1,408,728
Total Restricted	-	320,731	-	1,344,216	-	21,399,309	23,064,256
Committed:							
Construction projects	-	36,240,450	-	-	-	-	36,240,450
Transportation	-	-	-	-	3,709,236	-	3,709,236
Tourism	-	-	-	-	-	296,504	296,504
Total Committed	-	36,240,450	-	-	3,709,236	296,504	40,246,190
Assigned:							
Parks and recreation	487,390	-	-	-	-	49,883	537,273
Vehicle replacement	50,314	-	-	-	-	-	50,314
Capital	-	66,082	-	-	-	-	66,082
Transportation	-	-	-	-	97,488	38,225	135,713
Infrastructure	-	-	-	-	-	139,103	139,103
Public safety	-	-	-	-	-	25,773	25,773
Tourism	-	-	-	-	-	7,132	7,132
Library	-	-	-	-	-	40,274	40,274
Court	-	-	-	-	-	3,255	3,255
Other	5,117	-	-	-	-	2,615	7,732
Total Assigned	542,821	66,082	-	-	97,488	306,260	1,012,651
Unassigned:							
Unassigned or negative fund balance	37,385,696	-	(43,065,667)	-	-	(4,606,117)	(10,286,088)
Total	\$ 39,216,027	\$ 36,632,430	\$ (43,065,667)	\$ 1,692,422	\$ 3,806,724	\$ 17,410,709	\$ 55,692,645

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2016, the following individual governmental funds reported deficits in fund balances:

	<u>Deficit</u>
Major Funds:	
General Government Development Fee Fund	\$ 43,065,667
Non-Major Governmental Funds:	
Fire & EMS Development Fee Grandfathered Fund	4,591,364

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



REQUIRED SUPPLEMENTARY INFORMATION

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

Arizona State Retirement System

	Reporting Year (Measurement Date)	Reporting Year (Measurement Date)	Reporting Year (Measurement Date)
	2016 (2015)	2015 (2014)	2014 through 2007
City's Proportion of the Net Pension Liability	0.326400%	0.290473%	Information not available
City's Proportionate Share of the Net Pension Liability	\$ 50,841,272	\$ 42,980,167	
City's Covered Payroll	\$ 30,121,665	\$ 26,536,195	
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	168.79%	161.97%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.35%	69.49%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2016 (2015)	2015 (2014)	2014 through 2007
City's Proportion of the Net Pension Liability	0.163290%	0.224504%	Information not available
City's Proportionate Share of the Net Pension Liability	\$ 1,276,030	\$ 1,505,462	
State's Proportionate Share of the Net Pension Liability Associated with the City	107,037	136,820	
Total	\$ 1,383,067	\$ 1,642,282	
City's Covered Payroll	\$ 155,470	\$ 154,983	
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	820.76%	971.37%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.32%	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	Reporting Year	Reporting Year
	(Measurement Date)	(Measurement Date)	(Measurement Date)
	2016	2015	2014 through
	(2015)	(2014)	2007
Total Pension Liability			Information not available
Service Cost	\$ 1,663,042	\$ 1,565,018	
Interest on the Total Pension Liability	2,833,422	2,300,961	
Changes of Benefit Terms	-	241,790	
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	5,574,308	1,218,340	
Changes of Assumptions or Other Inputs	-	2,469,394	
Benefit Payments, Including Refunds of Employee Contributions	(965,851)	(1,157,301)	
Net Change in Total Pension Liability	9,104,921	6,638,202	
Total Pension Liability - Beginning	35,745,948	29,107,746	
Total Pension Liability - Ending (a)	44,850,869	35,745,948	
Plan Fiduciary Net Position			
Contributions - Employer	1,729,946	1,359,213	
Contributions - Employee	1,196,870	977,373	
Net Investment Income	951,951	2,898,873	
Benefit Payments, Including Refunds of Employee Contributions	(965,851)	(1,157,301)	
Administrative Expenses	(23,613)	(23,346)	
Other (Net Transfer)	210,447	174,908	
Net Change in Plan Fiduciary Net Position	3,099,750	4,229,720	
Plan Fiduciary Net Position - Beginning	24,765,976	20,536,256	
Plan Fiduciary Net Position - Ending (b)	27,865,726	24,765,976	
City's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 16,985,143	\$ 10,979,972	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.13%	69.28%	
Covered Payroll	\$ 10,682,880	\$ 8,730,979	
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	158.99%	125.76%	

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	Reporting Year	Reporting Year
	(Measurement Date)	(Measurement Date)	(Measurement Date)
	2016	2015	2014 through
	(2015)	(2014)	2007
			Information
			not available
Total Pension Liability			
Service Cost	\$ 1,709,096	\$ 1,635,304	
Interest on the Total Pension Liability	2,480,922	2,170,938	
Changes of Benefit Terms	-	25,204	
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	991,201	122,957	
Changes of Assumptions or Other Inputs	-	1,068,570	
Benefit Payments, Including Refunds of Employee Contributions	(481,494)	(1,740,565)	
Net Change in Total Pension Liability	4,699,725	3,282,408	
Total Pension Liability - Beginning	30,990,296	27,707,888	
Total Pension Liability - Ending (a)	35,690,021	30,990,296	
Plan Fiduciary Net Position			
Contributions - Employer	1,394,750	1,298,311	
Contributions - Employee	1,085,819	916,860	
Net Investment Income	956,696	2,997,787	
Benefit Payments, Including Refunds of Employee Contributions	(481,494)	(1,740,565)	
Administrative Expenses	(23,732)	(24,143)	
Other (Net Transfer)	23,521	-	
Net Change in Plan Fiduciary Net Position	2,955,560	3,448,250	
Plan Fiduciary Net Position - Beginning	25,231,977	21,783,727	
Plan Fiduciary Net Position - Ending (b)	28,187,537	25,231,977	
City's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 7,502,484	\$ 5,758,319	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.98%	81.42%	
Covered Payroll	\$ 9,802,389	\$ 8,942,409	
City's Net Pension Liability (Asset) as a Percentage of Covered-Payroll	76.54%	64.39%	

See accompanying notes to this schedule.

Required Supplementary Information
Schedule of City Pension Contributions

	Reporting Fiscal Year			2013 through 2007 Information not available
	2016	2015	2014	
Arizona State Retirement System				
Statutorily Required Contribution	\$ 3,569,994	\$ 3,259,073	\$ 2,801,701	
City's Contribution in Relation to the Statutorily Required Contribution	3,569,994	3,259,073	2,801,701	
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	
City's Covered Payroll	\$ 32,932,534	\$ 30,121,665	\$ 26,536,195	
City's Contributions as a Percentage of Covered- Payroll	10.84%	10.82%	10.56%	
Elected Officials Retirement Plan				
Statutorily Required Contribution	\$ 36,535	\$ 35,199	\$ 47,836	
City's Contribution in Relation to the Statutorily Required Contribution	36,535	35,199	47,836	
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	
City's Covered Payroll	\$ 155,470	\$ 155,470	\$ 154,983	
City's Contributions as a Percentage of Covered- Payroll	23.50%	22.64%	30.87%	

See accompanying notes to this schedule.

Required Supplementary Information
Schedule of City Pension Contributions (Continued)

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Actuarially Determined Contribution	\$ 2,301,028	\$ 1,753,988	\$ 1,359,213	Information not available
City's Contribution in Relation to the Actuarially Determined Contribution	2,301,028	1,753,988	1,359,213	
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	
City's Covered Payroll	\$ 11,159,388	\$ 10,682,880	\$ 8,730,979	
City's Contributions as a Percentage of Covered- Payroll	20.62%	16.42%	15.57%	

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Actuarially Determined Contribution	\$ 1,716,087	\$ 1,417,546	\$ 1,298,311	Information not available
City's Contribution in Relation to the Actuarially Determined Contribution	1,716,087	1,417,546	1,298,311	
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	
City's Covered Payroll	\$ 10,648,460	\$ 9,802,389	\$ 8,942,409	
City's Contributions as a Percentage of Covered- Payroll	16.12%	14.46%	14.52%	

See accompanying notes to this schedule.

Required Supplementary Information
Notes to Pension Schedules

NOTE 1 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2016, the City implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts in the pension plan schedules and related ratios for current and prior periods have been amended to reflect this change.

NOTE 2 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 2014 Actuarial Valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market 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 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%- 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth 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 3 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

Health Insurance Premium Benefit

<u>Actuarial Valuation Date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>Unfunded actuarial accrued liability (UAAL) (funding excess)</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>UAAL (funding excess) as a percentage of covered payroll</u>
PSPRS Police						
6/30/15	\$ 914,353	\$ 1,196,404	\$ 282,051	76.43%	\$ 10,225,901	2.76%
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
PSPRS Fire						
6/30/15	\$ 710,185	\$ 897,623	\$ 187,438	79.12%	\$ 9,753,914	1.92%
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

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 45,762,700	\$ 45,762,700	\$ 46,029,715	\$ 267,015
Licenses and permits	5,084,000	5,084,000	5,121,719	37,719
Intergovernmental	30,651,600	30,660,500	31,120,886	460,386
Charges for services	7,712,300	7,867,500	10,171,699	2,304,199
Grants	-	2,000	-	(2,000)
Fines	1,249,700	1,249,700	1,031,468	(218,232)
Rents	636,600	636,600	630,514	(6,086)
Interest	117,300	117,300	302,138	184,838
Donations	461,300	467,800	227,439	(240,361)
Indirect charges	4,983,700	4,884,443	4,884,443	-
Other	315,100	191,600	358,996	167,396
Total revenues	<u>96,974,300</u>	<u>96,924,143</u>	<u>99,879,017</u>	<u>2,954,874</u>
Expenditures:				
GENERAL GOVERNMENT				
City council	378,400	378,400	425,265	46,865
City manager	5,903,300	3,388,000	3,381,121	(6,879)
City attorney	2,034,600	2,182,200	2,007,029	(175,171)
City clerk	459,500	491,200	474,687	(16,513)
Finance	3,888,100	3,693,200	3,413,322	(279,878)
Human resources	2,158,000	2,158,000	2,024,356	(133,644)
Information technology	4,225,200	4,225,200	4,117,422	(107,778)
General operations	255,300	328,000	327,922	(78)
Total general government	<u>19,302,400</u>	<u>16,844,200</u>	<u>16,171,124</u>	<u>(673,076)</u>
PUBLIC SAFETY				
Court	1,983,400	1,983,400	1,902,916	(80,484)
Police	24,479,400	24,492,500	23,537,818	(954,682)
Fire	18,205,300	18,920,600	18,159,462	(761,138)
Total public safety	<u>44,668,100</u>	<u>45,396,500</u>	<u>43,600,196</u>	<u>(1,796,304)</u>
PUBLIC WORKS AND STREETS				
Public works and streets	7,055,800	7,103,400	6,742,779	(360,621)
Total public works and streets	<u>7,055,800</u>	<u>7,103,400</u>	<u>6,742,779</u>	<u>(360,621)</u>
COMMUNITY DEVELOPMENT				
Community development	10,480,100	10,728,900	9,694,429	(1,034,471)
Total community development	<u>\$ 10,480,100</u>	<u>\$ 10,728,900</u>	<u>\$ 9,694,429</u>	<u>\$ (1,034,471)</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
CULTURE AND RECREATION				
Parks and recreation	\$ 17,916,400	\$ 18,038,200	\$ 16,002,124	\$ (2,036,076)
Total culture and recreation	17,916,400	18,038,200	16,002,124	(2,036,076)
Contingency	3,280,300	2,042,900	-	(2,042,900)
Total Contingency	3,280,300	2,042,900	-	(2,042,900)
Total expenditures	102,703,100	100,154,100	92,210,652	(7,943,448)
Revenues over (under) expenditures	(5,728,800)	(3,229,957)	7,668,365	10,898,322
Other financing sources (uses)				
Proceeds from sale of assets	-	-	121,521	121,521
Transfers in	1,153,800	2,814,122	2,814,121	(1)
Transfers out	(6,881,300)	(505,889)	(7,681,925)	(7,176,036)
Total other financing sources (uses)	(5,727,500)	2,308,233	(4,746,283)	(7,054,516)
Net change in fund balance	\$ (11,456,300)	\$ (921,724)	\$ 2,922,082	\$ 3,843,806

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 514,400	\$ 514,400	\$ 757,254	\$ 242,854
Interest	-	-	3,643	3,643
Total revenues	<u>514,400</u>	<u>514,400</u>	<u>760,897</u>	<u>246,497</u>
Expenditures:				
Current:				
General government	25,000	25,000	-	(25,000)
Budget				
Contingency	<u>748,300</u>	<u>748,300</u>	<u>-</u>	<u>(748,300)</u>
Total expenditures	<u>773,300</u>	<u>773,300</u>	<u>-</u>	<u>(773,300)</u>
Revenues over (under) expenditures	<u>(258,900)</u>	<u>(258,900)</u>	<u>760,897</u>	<u>1,019,797</u>
Other financing sources (uses)				
Transfers in	-	-	723,215	723,215
Transfers out	<u>(369,900)</u>	<u>(363,568)</u>	<u>(363,568)</u>	<u>-</u>
Total other financing sources (uses)	<u>(369,900)</u>	<u>(363,568)</u>	<u>359,647</u>	<u>723,215</u>
Net change in fund balance	<u>\$ (628,800)</u>	<u>\$ (622,468)</u>	<u>\$ 1,120,544</u>	<u>\$ 1,743,012</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 7,377,200	\$ 7,377,200	\$ 7,648,348	\$ 271,148
Charges for services	13,000	13,000	12,000	(1,000)
Interest	-	-	11,008	11,008
Other	-	-	12,110	12,110
Total revenues	<u>7,390,200</u>	<u>7,390,200</u>	<u>7,683,466</u>	<u>293,266</u>
Expenditures:				
Current:				
Public works and streets	8,306,600	8,269,400	7,986,477	(282,923)
Capital outlay	272,500	318,000	219,634	(98,366)
Budget				
Contingency	<u>347,300</u>	<u>280,000</u>	<u>-</u>	<u>(280,000)</u>
Total expenditures	<u>8,926,400</u>	<u>8,867,400</u>	<u>8,206,111</u>	<u>(661,289)</u>
Revenues (under) expenditures	<u>(1,536,200)</u>	<u>(1,477,200)</u>	<u>(522,645)</u>	<u>954,555</u>
Net change in fund balance	<u>\$ (1,536,200)</u>	<u>\$ (1,477,200)</u>	<u>\$ (522,645)</u>	<u>\$ 954,555</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 1,921,000	\$ 1,921,000	\$ 3,417,193	\$ 1,496,193
Grants	-	-	133,328	133,328
Interest	-	-	36,517	36,517
Other	360,000	360,000	-	(360,000)
Total revenues	<u>2,281,000</u>	<u>2,281,000</u>	<u>3,587,038</u>	<u>1,306,038</u>
Expenditures:				
Current:				
Public works and streets	3,032,000	3,170,300	2,361,135	(809,165)
Community development	291,400	291,400	289,682	(1,718)
Capital outlay	1,057,500	1,125,200	489,458	(635,742)
Budget				
Contingency	293,100	73,100	-	(73,100)
Total expenditures	<u>4,674,000</u>	<u>4,660,000</u>	<u>3,140,275</u>	<u>(1,519,725)</u>
Revenues over (under) expenditures	<u>(2,393,000)</u>	<u>(2,379,000)</u>	<u>446,763</u>	<u>2,825,763</u>
Net change in fund balance	<u>\$ (2,393,000)</u>	<u>\$ (2,379,000)</u>	<u>\$ 446,763</u>	<u>\$ 2,825,763</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 1,567,500	\$ 1,567,500	\$ 3,761,883	\$ 2,194,383
Grants	1,359,200	1,359,200	928,406	(430,794)
Interest	34,100	34,100	11,852	(22,248)
Other	25,700	25,700	3,689	(22,011)
Total revenues	<u>2,986,500</u>	<u>2,986,500</u>	<u>4,705,830</u>	<u>1,719,330</u>
Expenditures:				
Capital outlay	36,757,900	39,250,200	31,987,627	(7,262,573)
Budget Contingency	4,800	-	-	-
Total expenditures	<u>36,762,700</u>	<u>39,250,200</u>	<u>31,987,627</u>	<u>(7,262,573)</u>
Revenues (under) expenditures	<u>(33,776,200)</u>	<u>(36,263,700)</u>	<u>(27,281,797)</u>	<u>8,981,903</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	186,000	186,000
Transfers in	5,347,000	5,593,600	5,593,600	-
Total other financing sources (uses)	<u>5,347,000</u>	<u>5,593,600</u>	<u>5,779,600</u>	<u>186,000</u>
Net change in fund balance	<u>\$ (28,429,200)</u>	<u>\$ (30,670,100)</u>	<u>\$ (21,502,197)</u>	<u>\$ 9,167,903</u>

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds	Debt Service Fund	Total Non-major Governmental Funds
Assets			
Cash and investments	\$ 21,804,204	\$ -	\$ 21,804,204
Receivables (net of allowances)			
Taxes and franchise fees	80,898	-	80,898
Grants	932,381	-	932,381
Other	139,696	-	139,696
Prepaid items and other assets	14,753	-	14,753
Restricted cash and investments	1,527,445	2,770,138	4,297,583
Total assets	<u>\$ 24,499,377</u>	<u>\$ 2,770,138</u>	<u>\$ 27,269,515</u>
Liabilities			
Accounts payable	\$ 552,932	\$ -	\$ 552,932
Accrued payroll and related taxes	2,189	-	2,189
Due to other funds	771,371	-	771,371
Deposits	1,374	-	1,374
Unearned revenues	564,578	-	564,578
Contracts payable	159,915	-	159,915
Matured bond interest payable	221,209	637,900	859,109
Matured bonds payable	230,000	2,131,425	2,361,425
Advances from other funds	4,585,913	-	4,585,913
Total liabilities	<u>7,089,481</u>	<u>2,769,325</u>	<u>9,858,806</u>
Fund Balances (Deficits)			
Nonspendable	14,753	-	14,753
Restricted	21,398,496	813	21,399,309
Committed	296,504	-	296,504
Assigned	306,260	-	306,260
Unassigned	(4,606,117)	-	(4,606,117)
Total fund balances	<u>17,409,896</u>	<u>813</u>	<u>17,410,709</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 24,499,377</u>	<u>\$ 2,770,138</u>	<u>\$ 27,269,515</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2016

	Special Revenue Funds	Debt Service Fund	Total Non-major Governmental Funds
Revenues:			
Taxes	\$ 3,700,112	\$ -	\$ 3,700,112
Intergovernmental	440,454	-	440,454
Charges for services	1,179,754	-	1,179,754
Grants	1,998,886	-	1,998,886
Fines	183,510	-	183,510
Development fees	2,539,828	-	2,539,828
Interest	210,596	31,848	242,444
Donations	877	-	877
Other	17,404	-	17,404
Total revenues	<u>10,271,421</u>	<u>31,848</u>	<u>10,303,269</u>
Expenditures:			
Current			
General government	135,059	-	135,059
Public safety	833,350	-	833,350
Public works and streets	3,402,076	-	3,402,076
Community development	96,335	-	96,335
Culture and recreation	2,414,215	-	2,414,215
Capital outlay	3,814,333	-	3,814,333
Debt service			
Principal	230,000	2,131,425	2,361,425
Interest and fiscal charges	445,417	1,304,151	1,749,568
Bond issuance costs	-	19,762	19,762
Total expenditures	<u>11,370,785</u>	<u>3,455,338</u>	<u>14,826,123</u>
(Deficiency) of revenues (under) expenditures	<u>(1,099,364)</u>	<u>(3,423,490)</u>	<u>(4,522,854)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	29,300	-	29,300
Transfers in	1,260,268	3,425,812	4,686,080
Transfers out	(973,918)	(3,647,596)	(4,621,514)
Total other financing sources (uses)	<u>315,650</u>	<u>(221,784)</u>	<u>93,866</u>
Net change in fund balances	<u>(783,714)</u>	<u>(3,645,274)</u>	<u>(4,428,988)</u>
Fund balances, beginning	<u>18,193,610</u>	<u>3,646,087</u>	<u>21,839,697</u>
Fund balances, ending	<u>\$ 17,409,896</u>	<u>\$ 813</u>	<u>\$ 17,410,709</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.
 - *Fire and EMS Development Fee 2014 Law Fund* – This fund was established to account for the inflow of Fire and EMS 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 Fire and EMS services caused by growth. This fund accounts for the development fees approved to be collected beginning August 1, 2014.
 - *Fire and EMS Development Fee Grandfathered Fund* – This fund was established to account for the inflow of Fire and EMS 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 Fire and EMS services caused by growth. This fund accounts for the development fees approved to be collected prior to August 1, 2014.
- ❖ 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, 2016

	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	\$ 40,183	\$ 402	\$ -	\$ -	\$ 4,612,357	\$ 554,931
Receivables (net of allowances)						
Taxes and franchise fees	-	-	-	-	-	6,896
Grants	-	-	540,590	-	-	-
Other	-	-	-	-	-	-
Prepaid items and other assets	-	-	14,753	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>\$ 40,183</u>	<u>\$ 402</u>	<u>\$ 555,343</u>	<u>\$ -</u>	<u>\$ 4,612,357</u>	<u>\$ 561,827</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 106,907	\$ -	\$ -	\$ -
Accrued payroll and related taxes	-	-	-	-	-	-
Due to other funds	-	-	447,944	-	-	-
Deposits	-	-	-	-	-	-
Unearned revenue	-	-	492	-	-	-
Contracts payable	-	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-	221,209
Matured bonds payable	-	-	-	-	-	230,000
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>555,343</u>	<u>-</u>	<u>-</u>	<u>451,209</u>
Nonspendable	-	-	14,753	-	-	-
Restricted	39,986	-	-	-	4,572,083	110,618
Committed	-	-	-	-	-	-
Assigned	197	402	-	-	40,274	-
Unassigned	-	-	(14,753)	-	-	-
Total fund balances	<u>40,183</u>	<u>402</u>	<u>-</u>	<u>-</u>	<u>4,612,357</u>	<u>110,618</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 40,183</u>	<u>\$ 402</u>	<u>\$ 555,343</u>	<u>\$ -</u>	<u>\$ 4,612,357</u>	<u>\$ 561,827</u>

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2016

<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>
\$ 165,647	\$ 21,196	\$ 17,112	\$ 32,570	\$ -	\$ 60,112	\$ 1,014,132
-	-	-	-	-	-	-
-	-	-	-	391,791	-	-
-	-	-	-	3,572	-	-
-	-	-	-	-	-	-
-	-	-	-	322,450	-	152,347
<u>\$ 165,647</u>	<u>\$ 21,196</u>	<u>\$ 17,112</u>	<u>\$ 32,570</u>	<u>\$ 717,813</u>	<u>\$ 60,112</u>	<u>\$ 1,166,479</u>
\$ 7,095	\$ -	\$ 32	\$ -	\$ 178,765	\$ -	\$ 8,180
-	-	2,189	-	-	-	-
-	-	-	-	-	6,541	-
-	-	-	-	-	-	-
-	-	-	-	539,048	-	-
-	-	-	-	-	-	152,347
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7,095</u>	<u>-</u>	<u>2,221</u>	<u>-</u>	<u>717,813</u>	<u>6,541</u>	<u>160,527</u>
-	-	-	-	-	-	-
157,084	20,595	14,162	32,113	-	43,742	975,237
-	-	-	-	-	-	-
1,468	601	729	457	-	9,829	30,715
-	-	-	-	-	-	-
<u>158,552</u>	<u>21,196</u>	<u>14,891</u>	<u>32,570</u>	<u>-</u>	<u>53,571</u>	<u>1,005,952</u>
<u>\$ 165,647</u>	<u>\$ 21,196</u>	<u>\$ 17,112</u>	<u>\$ 32,570</u>	<u>\$ 717,813</u>	<u>\$ 60,112</u>	<u>\$ 1,166,479</u>

Continued

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2016

	Police Development Fee Fund	Proposition 400 Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund	SB1398 Fines Fund
Assets						
Cash and investments	\$ 1,579,123	\$ 47,638	\$ 8,522,458	\$ 2,486,548	\$ 23,682	\$ 22,260
Receivables (net of allowances)						
Taxes and franchise fees	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Other	-	-	17,578	-	-	-
Prepaid items and other assets	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	\$ 1,579,123	\$ 47,638	\$ 8,540,036	\$ 2,486,548	\$ 23,682	\$ 22,260
Liabilities						
Accounts payable	\$ -	\$ -	\$ 35,451	\$ -	\$ -	\$ -
Accrued payroll and related taxes	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-	-
Matured bonds payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	-	-	35,451	-	-	-
Nonspendable	-	-	-	-	-	-
Restricted	1,561,801	46,043	8,365,482	2,450,459	23,338	21,799
Committed	-	-	-	-	-	-
Assigned	17,322	1,595	139,103	36,089	344	461
Unassigned	-	-	-	-	-	-
Total fund balances	1,579,123	47,638	8,504,585	2,486,548	23,682	22,260
Total liabilities, deferred inflows and fund balances	\$ 1,579,123	\$ 47,638	\$ 8,540,036	\$ 2,486,548	\$ 23,682	\$ 22,260

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2016

<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>Fire & EMS Development Fee 2014 Law Fund</u>	<u>Fire & EMS Development Fee Grandfathered Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 16,450	\$ -	\$ 236,197	\$ 481,454	\$ 187,145	\$ 271,762	\$ 1,408,728	\$ 2,117	\$ 21,804,204
-	-	-	-	41,927	32,075	-	-	80,898
-	-	-	-	-	-	-	-	932,381
-	-	-	118,546	-	-	-	-	139,696
-	-	-	-	-	-	-	-	14,753
-	1,052,648	-	-	-	-	-	-	1,527,445
<u>\$ 16,450</u>	<u>\$ 1,052,648</u>	<u>\$ 236,197</u>	<u>\$ 600,000</u>	<u>\$ 229,072</u>	<u>\$ 303,837</u>	<u>\$ 1,408,728</u>	<u>\$ 2,117</u>	<u>\$ 24,499,377</u>
\$ -	\$ 12,267	\$ -	\$ -	\$ 204,034	\$ 201	\$ -	\$ -	\$ 552,932
-	-	-	-	-	-	-	-	2,189
-	316,886	-	-	-	-	-	-	771,371
-	1,374	-	-	-	-	-	-	1,374
-	-	-	-	25,038	-	-	-	564,578
-	-	-	-	-	-	-	7,568	159,915
-	-	-	-	-	-	-	-	221,209
-	-	-	-	-	-	-	-	230,000
-	-	-	-	-	-	-	4,585,913	4,585,913
-	330,527	-	-	229,072	201	-	4,593,481	7,089,481
-	-	-	-	-	-	-	-	14,753
16,450	714,131	233,984	590,661	-	-	1,408,728	-	21,398,496
-	-	-	-	-	296,504	-	-	296,504
-	7,990	2,213	9,339	-	7,132	-	-	306,260
-	-	-	-	-	-	-	(4,591,364)	(4,606,117)
<u>16,450</u>	<u>722,121</u>	<u>236,197</u>	<u>600,000</u>	<u>-</u>	<u>303,636</u>	<u>1,408,728</u>	<u>(4,591,364)</u>	<u>17,409,896</u>
<u>\$ 16,450</u>	<u>\$ 1,052,648</u>	<u>\$ 236,197</u>	<u>\$ 600,000</u>	<u>\$ 229,072</u>	<u>\$ 303,837</u>	<u>\$ 1,408,728</u>	<u>\$ 2,117</u>	<u>\$ 24,499,377</u>

Concluded

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Special Revenue Funds

June 30, 2016

	163rd Ave Development Fee	Employee Dep Scholarship Fund	Grants Fund	LTAF II Fund	Library Development Fee Fund	Marley Park Community Facility District Fund
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 771,023
Intergovernmental	-	-	73,369	354,110	-	-
Charges for services	-	-	-	-	-	-
Grants	-	-	840,961	-	-	-
Fines	-	-	-	-	-	-
Development fees	36,478	-	-	-	-	-
Interest	197	5	-	-	40,274	-
Donations	-	877	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>36,675</u>	<u>882</u>	<u>914,330</u>	<u>354,110</u>	<u>40,274</u>	<u>771,023</u>
Expenditures:						
Current:						
General government	-	3,000	69,481	-	-	62,578
Public safety	-	-	335,106	-	-	-
Public works and streets	-	-	346,069	354,110	-	-
Community development	-	-	22,248	-	-	-
Culture and recreation	-	-	127,429	-	-	-
Capital outlay	-	-	14,000	-	-	-
Debt service						
Principal	-	-	-	-	-	230,000
Interest and fiscal charges	-	-	-	-	-	445,417
Total expenditures	<u>-</u>	<u>3,000</u>	<u>914,333</u>	<u>354,110</u>	<u>-</u>	<u>737,995</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,675</u>	<u>(2,118)</u>	<u>(3)</u>	<u>-</u>	<u>40,274</u>	<u>33,028</u>
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>36,675</u>	<u>(2,118)</u>	<u>(3)</u>	<u>-</u>	<u>40,274</u>	<u>33,028</u>
Fund balances, beginning	<u>3,508</u>	<u>2,520</u>	<u>3</u>	<u>-</u>	<u>4,572,083</u>	<u>77,590</u>
Fund balances, ending	<u>\$ 40,183</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,612,357</u>	<u>\$ 110,618</u>

City of Surprise, Arizona

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

Nonmajor Special Revenue Funds

June 30, 2016

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,405	-	9,570	-	-	-
-	-	-	-	-	33,750	-
-	-	-	-	1,157,925	-	-
66,125	-	18,473	-	-	-	-
-	-	-	-	-	-	321,619
1,467	182	322	253	-	9,709	11,225
-	-	-	-	-	-	-
-	-	196	-	3,726	-	13
<u>67,592</u>	<u>3,587</u>	<u>18,991</u>	<u>9,823</u>	<u>1,161,651</u>	<u>43,459</u>	<u>332,857</u>
-	-	-	-	-	-	-
78,020	-	63,276	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	66,519
-	-	-	-	664,949	-	81,514
-	-	-	-	496,702	50,000	1,952,871
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>78,020</u>	<u>-</u>	<u>63,276</u>	<u>-</u>	<u>1,161,651</u>	<u>50,000</u>	<u>2,100,904</u>
<u>(10,428)</u>	<u>3,587</u>	<u>(44,285)</u>	<u>9,823</u>	<u>-</u>	<u>(6,541)</u>	<u>(1,768,047)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	861,793
-	-	-	-	-	-	(433,233)
-	-	-	-	-	-	428,560
<u>(10,428)</u>	<u>3,587</u>	<u>(44,285)</u>	<u>9,823</u>	<u>-</u>	<u>(6,541)</u>	<u>(1,339,487)</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>
<u>\$ 158,552</u>	<u>\$ 21,196</u>	<u>\$ 14,891</u>	<u>\$ 32,570</u>	<u>\$ -</u>	<u>\$ 53,571</u>	<u>\$ 1,005,952</u>

Continued

City of Surprise, Arizona

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

Nonmajor Special Revenue Funds

June 30, 2016

	Police Development Fee Fund	Proposition 400 Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund	SB1398 Fines Fund
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Fines	-	-	-	-	-	15,411
Development fees	335,045	-	-	-	-	-
Interest	11,080	859	82,841	21,712	207	434
Donations	-	-	-	-	-	-
Other	4	-	-	-	-	-
Total revenues	<u>346,129</u>	<u>859</u>	<u>82,841</u>	<u>21,712</u>	<u>207</u>	<u>15,845</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	54,877
Public works and streets	-	150,596	69,491	-	-	-
Community development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	1,013,340	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>150,596</u>	<u>1,082,831</u>	<u>-</u>	<u>-</u>	<u>54,877</u>
Excess of revenues over expenditures	<u>346,129</u>	<u>(149,737)</u>	<u>(999,990)</u>	<u>21,712</u>	<u>207</u>	<u>(39,032)</u>
Other financing sources						
Proceeds from sale of capital assets	-	29,300	-	-	-	-
Transfers in	266,696	-	-	-	-	-
Transfers out	(134,071)	-	-	-	-	-
Total other financing	<u>132,625</u>	<u>29,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>478,754</u>	<u>(120,437)</u>	<u>(999,990)</u>	<u>21,712</u>	<u>207</u>	<u>(39,032)</u>
Fund balances, beginning	<u>1,100,369</u>	<u>168,075</u>	<u>9,504,575</u>	<u>2,464,836</u>	<u>23,475</u>	<u>61,292</u>
Fund balances, ending	<u>\$ 1,579,123</u>	<u>\$ 47,638</u>	<u>\$ 8,504,585</u>	<u>\$ 2,486,548</u>	<u>\$ 23,682</u>	<u>\$ 22,260</u>

City of Surprise, Arizona

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

Nonmajor Special Revenue Funds

June 30, 2016

SPD DEA Fund	SPD RICO Fund	SPD Towing Fund	Spring Training Ticket Surcharge Fund	Street Lighting Districts Fund	Tourism Fund	Fire & EMS Development Fee 2014 Law Fund	Fire & EMS Development Fee Grandfathered Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,479,502	\$ 449,587	\$ -	\$ -	\$ 3,700,112
-	-	-	-	-	-	-	-	440,454
-	-	91,950	1,054,054	-	-	-	-	1,179,754
-	-	-	-	-	-	-	-	1,998,886
-	83,501	-	-	-	-	-	-	183,510
-	-	-	-	-	-	977,269	869,417	2,539,828
-	4,916	-	7,687	2,308	4,238	6,339	4,341	210,596
-	-	-	-	-	-	-	-	877
-	13,465	-	-	-	-	-	-	17,404
-	101,882	91,950	1,061,741	2,481,810	453,825	983,608	873,758	10,271,421
-	-	-	-	-	-	-	-	135,059
-	218,521	83,550	-	-	-	-	-	833,350
-	-	-	-	2,481,810	-	-	-	3,402,076
-	-	-	-	-	-	-	7,568	96,335
-	-	-	1,237,680	-	302,643	-	-	2,414,215
-	287,420	-	-	-	-	-	-	3,814,333
-	-	-	-	-	-	-	-	230,000
-	-	-	-	-	-	-	-	445,417
-	505,941	83,550	1,237,680	2,481,810	302,643	-	7,568	11,370,785
-	(404,059)	8,400	(175,939)	-	151,182	983,608	866,190	(1,099,364)
-	-	-	-	-	-	-	-	29,300
-	-	-	-	-	-	-	131,779	1,260,268
-	-	-	-	-	(340,368)	-	(66,246)	(973,918)
-	-	-	-	-	(340,368)	-	65,533	315,650
-	(404,059)	8,400	(175,939)	-	(189,186)	983,608	931,723	(783,714)
16,450	1,126,180	227,797	775,939	-	492,822	425,120	(5,523,087)	18,193,610
\$ 16,450	\$ 722,121	\$ 236,197	\$ 600,000	\$ -	\$ 303,636	\$ 1,408,728	\$ (4,591,364)	\$ 17,409,896

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Development fees	\$ 17,800	\$ 17,800	\$ 36,478	\$ 18,678
Interest	-	-	197	197
Total revenues	<u>17,800</u>	<u>17,800</u>	<u>36,675</u>	<u>18,875</u>
Expenditures:				
Current:				
General government	12,500	12,500	-	(12,500)
Budget				
Contingency	1,400	1,400	-	(1,400)
Total expenditures	<u>13,900</u>	<u>13,900</u>	<u>-</u>	<u>(13,900)</u>
Revenues over expenditures	<u>3,900</u>	<u>3,900</u>	<u>36,675</u>	<u>32,775</u>
Net change in fund balance	<u>\$ 3,900</u>	<u>\$ 3,900</u>	<u>\$ 36,675</u>	<u>\$ 32,775</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 5	\$ 5
Donations	1,100	1,100	877	(223)
Total revenues	<u>1,100</u>	<u>1,100</u>	<u>882</u>	<u>(218)</u>
Expenditures:				
Current:				
General government	3,000	3,000	3,000	-
Budget				
Contingency	600	600	-	(600)
Total expenditures	<u>3,600</u>	<u>3,600</u>	<u>3,000</u>	<u>(600)</u>
Revenues (under) expenditures	<u>(2,500)</u>	<u>(2,500)</u>	<u>(2,118)</u>	<u>382</u>
Net change in fund balance	<u>\$ (2,500)</u>	<u>\$ (2,500)</u>	<u>\$ (2,118)</u>	<u>\$ 382</u>

City of Surprise, Arizona

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

Grants Fund

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 143,000	\$ 125,000	\$ 73,369	\$ (51,631)
Grants	9,005,900	8,450,700	840,961	(7,609,739)
Total revenues	<u>9,148,900</u>	<u>8,575,700</u>	<u>914,330</u>	<u>(7,661,370)</u>
Expenditures:				
Current:				
General government	78,000	120,100	69,481	(50,619)
Public safety	358,000	440,400	335,106	(105,294)
Public works and streets	371,500	410,400	346,069	(64,331)
Community development	-	22,300	22,248	(52)
Culture and recreation	50,000	142,500	127,429	(15,071)
Capital outlay	11,500	14,000	14,000	-
Budget				
Contingency	8,279,900	5,543,700	-	(5,543,700)
Total expenditures	<u>9,148,900</u>	<u>6,693,400</u>	<u>914,333</u>	<u>(5,779,067)</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,882,300</u>	<u>(3)</u>	<u>(1,882,303)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,882,300</u>	<u>\$ (3)</u>	<u>\$ (1,882,303)</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 350,000	\$ 354,200	\$ 354,110	\$ (90)
Total revenues	<u>350,000</u>	<u>354,200</u>	<u>354,110</u>	<u>(90)</u>
Expenditures:				
Public works and streets	350,000	354,200	354,110	(90)
Total expenditures	<u>350,000</u>	<u>354,200</u>	<u>354,110</u>	<u>(90)</u>
Revenues over expenditures	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Surprise, Arizona

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

Library Development Fee Fund

Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 40,274	\$ 40,274
Expenditures:				
Current:				
General government	25,000	25,000	-	(25,000)
Budget				
Contingency	4,520,400	4,520,400	-	(4,520,400)
Total expenditures	<u>4,545,400</u>	<u>4,545,400</u>	<u>-</u>	<u>(4,545,400)</u>
Revenues over (under) expenditures	<u>(4,545,400)</u>	<u>(4,545,400)</u>	<u>40,274</u>	<u>4,585,674</u>
Net change in fund balance	<u>\$ (4,545,400)</u>	<u>\$ (4,545,400)</u>	<u>\$ 40,274</u>	<u>\$ 4,585,674</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 731,200	\$ 731,200	\$ 771,023	\$ 39,823
Total revenues	<u>731,200</u>	<u>731,200</u>	<u>771,023</u>	<u>39,823</u>
Expenditures:				
Current:				
General government	102,700	99,700	62,578	(37,122)
Debt Service				
Principal	230,000	230,000	230,000	-
Interest and fiscal charges	442,500	445,500	445,417	(83)
Total expenditures	<u>775,200</u>	<u>775,200</u>	<u>737,995</u>	<u>(37,205)</u>
Revenues over (under) expenditures	<u>(44,000)</u>	<u>(44,000)</u>	<u>33,028</u>	<u>77,028</u>
Net change in fund balance	<u>\$ (44,000)</u>	<u>\$ (44,000)</u>	<u>\$ 33,028</u>	<u>\$ 77,028</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines	\$ 97,400	\$ 97,400	\$ 66,125	\$ (31,275)
Interest	-	-	1,467	1,467
Total revenues	<u>97,400</u>	<u>97,400</u>	<u>67,592</u>	<u>(29,808)</u>
Expenditures:				
Current:				
Public safety	85,000	85,000	78,020	(6,980)
Capital outlay	-	29,700	-	(29,700)
Budget Contingency	162,600	162,600	-	(162,600)
Total expenditures	<u>247,600</u>	<u>277,300</u>	<u>78,020</u>	<u>(199,280)</u>
Revenues (under) expenditures	<u>(150,200)</u>	<u>(179,900)</u>	<u>(10,428)</u>	<u>169,472</u>
Net change in fund balance	<u>\$ (150,200)</u>	<u>\$ (179,900)</u>	<u>\$ (10,428)</u>	<u>\$ 169,472</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 4,400	\$ 4,400	\$ 3,405	\$ (995)
Interest	200	200	182	(18)
Total revenues	<u>4,600</u>	<u>4,600</u>	<u>3,587</u>	<u>(1,013)</u>
Expenditures:				
Budget				
Contingency	<u>23,300</u>	<u>23,300</u>	-	(23,300)
Total expenditures	<u>23,300</u>	<u>23,300</u>	-	(23,300)
Revenues over (under) expenditures	<u>(18,700)</u>	<u>(18,700)</u>	<u>3,587</u>	<u>22,287</u>
Net change in fund balance	<u>\$ (18,700)</u>	<u>\$ (18,700)</u>	<u>\$ 3,587</u>	<u>\$ 22,287</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 23,700	\$ 23,700	\$ 18,473	\$ (5,227)
Interest	1,300	1,300	322	(978)
Other	-	-	196	196
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>18,991</u>	<u>(6,009)</u>
Expenditures:				
Current:				
Public safety	58,000	58,000	63,276	5,276
Budget Contingency	<u>25,700</u>	<u>25,700</u>	-	(25,700)
Total expenditures	<u>83,700</u>	<u>83,700</u>	<u>63,276</u>	<u>(20,424)</u>
Revenues (under) expenditures	<u>(58,700)</u>	<u>(58,700)</u>	<u>(44,285)</u>	<u>14,415</u>
Net change in fund balance	<u>\$ (58,700)</u>	<u>\$ (58,700)</u>	<u>\$ (44,285)</u>	<u>\$ 14,415</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 13,100	\$ 13,100	\$ 9,570	\$ (3,530)
Interest	400	400	253	(147)
Total revenues	<u>13,500</u>	<u>13,500</u>	<u>9,823</u>	<u>(3,677)</u>
Expenditures:				
Current:				
Public safety	13,100	13,100	-	(13,100)
Budget				
Contingency	<u>24,000</u>	<u>24,000</u>	-	(24,000)
Total expenditures	<u>37,100</u>	<u>37,100</u>	-	(37,100)
Revenues over (under) expenditures	<u>(23,600)</u>	<u>(23,600)</u>	<u>9,823</u>	<u>33,423</u>
Net change in fund balance	<u>\$ (23,600)</u>	<u>\$ (23,600)</u>	<u>\$ 9,823</u>	<u>\$ 33,423</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Grants	\$ 2,220,900	\$ 2,740,800	\$ 1,157,925	\$ (1,582,875)
Other	-	-	3,726	3,726
Total revenues	<u>2,220,900</u>	<u>2,740,800</u>	<u>1,161,651</u>	<u>(1,579,149)</u>
Expenditures:				
Current:				
Culture and recreation	2,220,900	2,740,800	664,949	(2,075,851)
Capital outlay	-	-	496,702	496,702
Total expenditures	<u>2,220,900</u>	<u>2,740,800</u>	<u>1,161,651</u>	<u>(1,579,149)</u>
Revenues over expenditures	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Surprise, Arizona

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

Net Premium Seating Fund

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ 25,000	\$ 25,000	\$ 33,750	\$ 8,750
Interest	-	-	9,709	9,709
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>43,459</u>	<u>18,459</u>
Expenditures:				
Current:				
Culture and recreation	50,000	-	-	-
Capital outlay	-	50,000	50,000	-
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Revenues (under) expenditures	<u>(25,000)</u>	<u>(25,000)</u>	<u>(6,541)</u>	<u>18,459</u>
Net change in fund balance	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ (6,541)</u>	<u>\$ 18,459</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 330,500	\$ 330,500	\$ 321,619	\$ (8,881)
Interest	-	-	11,225	11,225
Other	-	-	13	13
Total revenues	<u>330,500</u>	<u>330,500</u>	<u>332,857</u>	<u>2,357</u>
Expenditures:				
Current:				
General government	25,000	25,000	-	(25,000)
Community development	-	65,500	66,519	1,019
Culture and recreation	-	-	81,514	81,514
Capital outlay	2,135,100	2,040,500	1,952,871	(87,629)
Budget				
Contingency	<u>1,153,000</u>	<u>1,087,500</u>	<u>-</u>	<u>(1,087,500)</u>
Total expenditures	<u>3,313,100</u>	<u>3,218,500</u>	<u>2,100,904</u>	<u>(1,117,596)</u>
Revenues (under) expenditures	<u>(2,982,600)</u>	<u>(2,888,000)</u>	<u>(1,768,047)</u>	<u>1,119,953</u>
Other financing sources (uses)				
Transfers in	(103,100)	861,795	861,793	(2)
Transfers out	<u>(337,600)</u>	<u>(433,233)</u>	<u>(433,233)</u>	<u>-</u>
Total other financing sources (uses)	<u>(440,700)</u>	<u>428,562</u>	<u>428,560</u>	<u>(2)</u>
Net change in fund balance	<u>\$ (3,423,300)</u>	<u>\$ (2,459,438)</u>	<u>\$ (1,339,487)</u>	<u>\$ 1,119,951</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 217,600	\$ 217,600	\$ 335,045	\$ 117,445
Interest	-	-	11,080	11,080
Other	-	-	4	4
Total revenues	<u>217,600</u>	<u>217,600</u>	<u>346,129</u>	<u>128,529</u>
Expenditures:				
Current:				
General government	25,000	25,000	-	(25,000)
Budget				
Contingency	1,414,900	1,414,900	-	(1,414,900)
Total expenditures	<u>1,439,900</u>	<u>1,439,900</u>	<u>-</u>	<u>(1,439,900)</u>
Revenues over (under) expenditures	<u>(1,222,300)</u>	<u>(1,222,300)</u>	<u>346,129</u>	<u>1,568,429</u>
Other financing sources (uses)				
Transfers in	-	266,696	266,696	-
Transfers out	(136,400)	(134,071)	(134,071)	-
Total other financing sources (uses)	<u>(136,400)</u>	<u>132,625</u>	<u>132,625</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,358,700)</u>	<u>\$ (1,089,675)</u>	<u>\$ 478,754</u>	<u>\$ 1,568,429</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 859	\$ 859
Total revenues	-	-	859	859
Expenditures:				
Current:				
Public works and streets	155,200	155,200	150,596	(4,604)
Budget				
Contingency	12,100	12,100	-	(12,100)
Total expenditures	167,300	167,300	150,596	(16,704)
Revenues (under) expenditures	(167,300)	(167,300)	(149,737)	17,563
Other financing sources				
Proceeds from sale of capital assets	-	-	29,300	29,300
Net change in fund balance	\$ (167,300)	\$ (167,300)	\$ (120,437)	\$ 46,863

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 82,841	\$ 82,841
Total revenues	<u>-</u>	<u>-</u>	<u>82,841</u>	<u>82,841</u>
Expenditures:				
Current:				
General government	25,000	25,000	-	(25,000)
Public works and streets	4,431,600	4,387,900	69,491	(4,318,409)
Capital outlay	345,400	1,328,600	1,013,340	(315,260)
Budget				
Contingency	4,797,800	3,814,600	-	(3,814,600)
Total expenditures	<u>9,599,800</u>	<u>9,556,100</u>	<u>1,082,831</u>	<u>(8,473,269)</u>
Revenues (under) expenditures	<u>(9,599,800)</u>	<u>(9,556,100)</u>	<u>(999,990)</u>	<u>8,556,110</u>
Net change in fund balance	<u>\$ (9,599,800)</u>	<u>\$ (9,556,100)</u>	<u>\$ (999,990)</u>	<u>\$ 8,556,110</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 21,712	\$ 21,712
Total revenues	<u>-</u>	<u>-</u>	<u>21,712</u>	<u>21,712</u>
Expenditures:				
Budget				
Contingency	2,450,500	2,450,500	-	(2,450,500)
Total expenditures	<u>2,450,500</u>	<u>2,450,500</u>	<u>-</u>	<u>(2,450,500)</u>
Revenues over (under) expenditures	<u>(2,450,500)</u>	<u>(2,450,500)</u>	<u>21,712</u>	<u>2,472,212</u>
Net change in fund balance	<u>\$ (2,450,500)</u>	<u>\$ (2,450,500)</u>	<u>\$ 21,712</u>	<u>\$ 2,472,212</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 207	\$ 207
Total revenues	<u>-</u>	<u>-</u>	<u>207</u>	<u>207</u>
Expenditures:				
Current:				
General government	12,500	12,500	-	(12,500)
Budget				
Contingency	<u>10,800</u>	<u>10,800</u>	<u>-</u>	<u>(10,800)</u>
Total expenditures	<u>23,300</u>	<u>23,300</u>	<u>-</u>	<u>(23,300)</u>
Revenues over (under) expenditures	<u>(23,300)</u>	<u>(23,300)</u>	<u>207</u>	<u>23,507</u>
Net change in fund balance	<u>\$ (23,300)</u>	<u>\$ (23,300)</u>	<u>\$ 207</u>	<u>\$ 23,507</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 18,300	\$ 18,300	\$ 15,411	\$ (2,889)
Interest	-	-	434	434
Total revenues	<u>18,300</u>	<u>18,300</u>	<u>15,845</u>	<u>(2,455)</u>
Expenditures:				
Current:				
Public safety	42,800	54,900	54,877	(23)
Budget Contingency	<u>17,000</u>	<u>4,900</u>	-	<u>(4,900)</u>
Total expenditures	<u>59,800</u>	<u>59,800</u>	<u>54,877</u>	<u>(4,923)</u>
Revenues (under) expenditures	<u>(41,500)</u>	<u>(41,500)</u>	<u>(39,032)</u>	<u>2,468</u>
Net change in fund balance	<u>\$ (41,500)</u>	<u>\$ (41,500)</u>	<u>\$ (39,032)</u>	<u>\$ 2,468</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines	\$ 245,000	\$ 245,000	\$ 83,501	\$ (161,499)
Interest	-	-	4,916	4,916
Other	-	-	13,465	13,465
Total revenues	<u>245,000</u>	<u>245,000</u>	<u>101,882</u>	<u>(143,118)</u>
Expenditures:				
Current:				
Public safety	710,000	457,500	218,521	(238,979)
Capital outlay	-	252,500	287,420	34,920
Budget Contingency	<u>120,300</u>	<u>120,300</u>	-	<u>(120,300)</u>
Total expenditures	<u>830,300</u>	<u>830,300</u>	<u>505,941</u>	<u>(324,359)</u>
Revenues (under) expenditures	<u>(585,300)</u>	<u>(585,300)</u>	<u>(404,059)</u>	<u>181,241</u>
Net change in fund balance	<u>\$ (585,300)</u>	<u>\$ (585,300)</u>	<u>\$ (404,059)</u>	<u>\$ 181,241</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 105,000	\$ 105,000	\$ 91,950	\$ (13,050)
Total revenues	<u>105,000</u>	<u>105,000</u>	<u>91,950</u>	<u>(13,050)</u>
Expenditures:				
Current:				
Public safety	82,500	83,900	83,550	(350)
Budget				
Contingency	119,800	118,400	-	(118,400)
Total expenditures	<u>202,300</u>	<u>202,300</u>	<u>83,550</u>	<u>(118,750)</u>
Revenues over (under) expenditures	<u>(97,300)</u>	<u>(97,300)</u>	<u>8,400</u>	<u>105,700</u>
Net change in fund balance	<u>\$ (97,300)</u>	<u>\$ (97,300)</u>	<u>\$ 8,400</u>	<u>\$ 105,700</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 635,000	\$ 635,000	\$ 1,054,054	\$ 419,054
Interest income (loss)	-	-	7,687	7,687
Total revenues	<u>635,000</u>	<u>635,000</u>	<u>1,061,741</u>	<u>426,741</u>
Expenditures:				
Current:				
Culture and recreation	-	1,237,700	1,237,680	(20)
Total expenditures	<u>-</u>	<u>1,237,700</u>	<u>1,237,680</u>	<u>(20)</u>
Revenues over (under) expenditures	<u>635,000</u>	<u>(602,700)</u>	<u>(175,939)</u>	<u>426,761</u>
Other financing (uses)				
Transfers out	<u>(645,000)</u>	-	-	-
Net change in fund balance	<u>\$ (10,000)</u>	<u>\$ (602,700)</u>	<u>\$ (175,939)</u>	<u>\$ 426,761</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 2,416,600	\$ 2,416,600	\$ 2,479,502	\$ 62,902
Interest	-	-	2,308	2,308
Total revenues	<u>2,416,600</u>	<u>2,416,600</u>	<u>2,481,810</u>	<u>65,210</u>
Expenditures:				
Current:				
Public works and streets	<u>2,520,400</u>	<u>2,547,400</u>	<u>2,481,810</u>	<u>(65,590)</u>
Total expenditures	<u>2,520,400</u>	<u>2,547,400</u>	<u>2,481,810</u>	<u>(65,590)</u>
Revenues (under) expenditures	<u>(103,800)</u>	<u>(130,800)</u>	-	130,800
Net change in fund balance	<u>\$ (103,800)</u>	<u>\$ (130,800)</u>	<u>\$ -</u>	<u>\$ 130,800</u>

City of Surprise, Arizona

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

Tourism Fund

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 215,200	\$ 215,200	\$ 449,587	\$ 234,387
Interest	-	-	4,238	4,238
Total revenues	<u>215,200</u>	<u>215,200</u>	<u>453,825</u>	<u>238,625</u>
Expenditures:				
Current:				
Culture and recreation	345,100	289,300	302,643	13,343
Budget				
Contingency	469,600	469,600	-	(469,600)
Total expenditures	<u>814,700</u>	<u>758,900</u>	<u>302,643</u>	<u>(456,257)</u>
Revenues over (under) expenditures	<u>(599,500)</u>	<u>(543,700)</u>	<u>151,182</u>	<u>694,882</u>
Other financing (uses)				
Transfers out	-	(340,368)	(340,368)	-
Total other financing (uses)	<u>-</u>	<u>(340,368)</u>	<u>(340,368)</u>	<u>-</u>
Net change in fund balance	<u>\$ (599,500)</u>	<u>\$ (884,068)</u>	<u>\$ (189,186)</u>	<u>\$ 694,882</u>

City of Surprise, Arizona

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

Fire & EMS Development Fee 2014 Law Fund

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 662,400	\$ 662,400	\$ 977,269	\$ 314,869
Interest	-	-	6,339	6,339
Total revenues	<u>662,400</u>	<u>662,400</u>	<u>983,608</u>	<u>321,208</u>
Expenditures:				
Current:				
General government	12,500	12,500	-	(12,500)
Budget				
Contingency	<u>1,137,000</u>	<u>1,137,000</u>	-	<u>(1,137,000)</u>
Total expenditures	<u>1,149,500</u>	<u>1,149,500</u>	-	<u>(1,149,500)</u>
Revenues over (under) expenditures	<u>(487,100)</u>	<u>(487,100)</u>	<u>983,608</u>	<u>1,470,708</u>
Other financing sources (uses)				
Transfers out	<u>(8,100)</u>	-	-	-
Net change in fund balance	<u>\$ (495,200)</u>	<u>\$ (31,393)</u>	<u>\$ 983,608</u>	<u>\$ 1,015,001</u>

City of Surprise, Arizona

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

Fire & EMS Development Fee Grandfathered Fund

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ 589,800	\$ 589,800	\$ 869,417	\$ 279,617
Interest	-	-	4,341	4,341
Total revenues	<u>589,800</u>	<u>589,800</u>	<u>873,758</u>	<u>283,958</u>
Expenditures:				
Current:				
General government	12,500	21,200	-	(21,200)
Community development	-	-	7,568	7,568
Budget				
Contingency	1,159,700	1,151,000	-	(1,151,000)
Total expenditures	<u>1,172,200</u>	<u>1,172,200</u>	<u>7,568</u>	<u>(1,164,632)</u>
Revenues over (under) expenditures	<u>(582,400)</u>	<u>(582,400)</u>	<u>866,190</u>	<u>1,448,590</u>
Other financing sources (uses)				
Transfers in	-	131,776	131,779	3
Transfers out	(59,300)	(521,954)	(66,246)	455,708
Total other financing sources (uses)	<u>(59,300)</u>	<u>(390,178)</u>	<u>65,533</u>	<u>455,711</u>
Net change in fund balance	<u>\$ (641,700)</u>	<u>\$ (972,578)</u>	<u>\$ 931,723</u>	<u>\$ 1,904,301</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 31,848	\$ 31,848
Total revenues	<u>-</u>	<u>-</u>	<u>31,848</u>	<u>31,848</u>
Expenditures:				
Debt Service				
Principal	1,938,600	2,131,400	2,131,425	25
Interest and fiscal charges	1,255,100	1,304,300	1,304,151	(149)
Debt issuance costs	-	19,900	19,762	(138)
Total expenditures	<u>3,193,700</u>	<u>3,455,600</u>	<u>3,455,338</u>	<u>(262)</u>
Revenues (under) expenditures	<u>(3,193,700)</u>	<u>(3,455,600)</u>	<u>(3,423,490)</u>	<u>32,110</u>
Other financing sources (uses)				
Transfers in	3,193,700	3,425,812	3,425,812	-
Transfers out	-	(3,647,596)	(3,647,596)	-
Total other financing sources (uses)	<u>3,193,700</u>	<u>(221,784)</u>	<u>(221,784)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (3,677,384)</u>	<u>\$ (3,645,274)</u>	<u>\$ 32,110</u>

INTERNAL SERVICE FUND DESCRIPTIONS

- ❖ Internal service funds – These funds are used to track those transactions relating to the City’s internal insurance activities.
 - *Employee Healthcare Fund* – This fund was created to provide health insurance claims, plan administration, stop loss premiums, and fund reserves.
 - *Risk Management Fund* – This fund was created to provide general insurance coverage as well as risk management, loss control, and safety programs citywide.

City of Surprise, Arizona
Combining Statement of Net Position
Internal Service Funds
Fiscal Year Ended June 30, 2016

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Assets			
Current assets			
Cash and investments	\$ 5,200,375	\$ 2,277,995	\$ 7,478,370
Receivables (net of allowances)			
Other assets	1,110	-	1,110
Total current assets	<u>5,201,485</u>	<u>2,277,995</u>	<u>7,479,480</u>
Total assets	<u>5,201,485</u>	<u>2,277,995</u>	<u>7,479,480</u>
Deferred Outflows of Resources			
Pension related	21,639	53,627	75,266
Liabilities			
Current liabilities:			
Accounts payable	5,045	10,340	15,385
Accrued payroll and related taxes	3,140	7,301	10,441
Claims payable	1,226,062	419,263	1,645,325
Compensated absences payable	1,149	3,788	4,937
Total current liabilities	<u>1,235,396</u>	<u>440,692</u>	<u>1,676,088</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	1,586	5,231	6,817
Net pension liability	116,935	289,795	406,730
Total noncurrent liabilities	<u>118,521</u>	<u>295,026</u>	<u>413,547</u>
Total liabilities	1,353,917	735,718	2,089,635
Deferred Inflows of Resources			
Pension related	9,876	24,473	34,349
Net Position			
Unrestricted	<u>3,859,331</u>	<u>1,571,431</u>	<u>5,430,762</u>
Total net position	<u>\$ 3,859,331</u>	<u>\$ 1,571,431</u>	<u>\$ 5,430,762</u>

City of Surprise, Arizona

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

Internal Service Funds

Fiscal Year Ended June 30, 2016

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Operating Revenues:			
Charges for services	\$ 10,738,168	\$ 1,658,856	\$ 12,397,024
Operating Expenses:			
Cost of sales and services	10,071,961	2,057,372	12,129,333
Total operating expenses	<u>10,071,961</u>	<u>2,057,372</u>	<u>12,129,333</u>
Operating income (loss)	<u>666,207</u>	<u>(398,516)</u>	<u>267,691</u>
Non-operating revenues			
Interest revenue	83,754	20,463	104,217
Total non-operating revenues	<u>83,754</u>	<u>20,463</u>	<u>104,217</u>
Changes in net position	<u>749,961</u>	<u>(378,053)</u>	<u>371,908</u>
Net position, beginning	<u>3,109,370</u>	<u>1,949,484</u>	<u>5,058,854</u>
Net position, ending	<u>\$ 3,859,331</u>	<u>\$ 1,571,431</u>	<u>\$ 5,430,762</u>

City of Surprise, Arizona
 Combining Statement of Cash Flows
 Internal Service Funds
 Fiscal Year Ended June 30, 2016

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ 10,738,966	\$ 1,658,856	\$ 12,397,822
Cash paid to suppliers	(10,287,757)	(1,644,884)	(11,932,641)
Cash paid to employees	(99,826)	(276,431)	(376,257)
Net cash provided by (used in) operating activities	<u>351,383</u>	<u>(262,459)</u>	<u>88,924</u>
Cash flows from investing activities			
Cash received from interest income	<u>83,754</u>	<u>20,463</u>	<u>104,217</u>
Net cash provided by investing activities	<u>83,754</u>	<u>20,463</u>	<u>104,217</u>
Net change in cash	435,137	(241,996)	193,141
Cash, beginning of year	4,765,238	2,519,991	7,285,229
Cash, end of year	<u>\$ 5,200,375</u>	<u>\$ 2,277,995</u>	<u>\$ 7,478,370</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 666,207	\$ (398,516)	\$ 267,691
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
(Increase) in assets:			
Accounts receivable	798	-	798
Other assets	292	-	292
Increase (decrease) in liabilities:			
Accounts payable	(5,765)	(298,499)	(304,264)
Accrued payroll and related taxes	800	2,274	3,074
Net pension liability	3,136	6,098	9,234
Claims payable	(312,399)	419,263	106,864
Compensated absences payable	(1,686)	6,921	5,235
Total adjustments	<u>(314,824)</u>	<u>136,057</u>	<u>(178,767)</u>
Net cash provided by (used in) operating activities	<u>\$ 351,383</u>	<u>\$ (262,459)</u>	<u>\$ 88,924</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
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 18,906,430
Public safety	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	47,273,449
Public works & streets (including SLIDs)	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	38,670,796
Community development	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	10,235,430
Culture and recreation	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	25,690,406
Interest	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	1,472,910
Total governmental activities expenses	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	142,249,421
Business-type Activities:										
Water	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	11,823,538
Sewer	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	20,399,067
Sanitation	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	7,972,061
Replenishment	628,514	1,585,734	-	-	-	-	-	-	-	-
Total business-type activities	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	40,194,666
Total primary government expenses	\$ 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	\$ 182,444,087
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 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	\$ 5,041,335
Public safety	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	3,778,584
Public works & streets (including SLIDs)	4,165,635	4,017,706	3,004,313	328,230	3,786,620	3,238,179	792,288	499,338	507,198	853,321
Community development	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	2,552,293
Culture and recreation	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	5,894,021
Operating grants and contributions	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	11,178,339
Capital grants and contributions	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	11,558,409
Total governmental activities program revenues	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	40,856,302
Business-type activities:										
Charges for services:										
Water	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	12,195,621
Sewer	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	16,151,096
Sanitation	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	7,099,896
Replenishment	796,503	771,602	-	-	-	-	-	-	-	-
Capital grants and contributions	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	3,107,265
Total business-type activities program revenues	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	38,553,878
Total primary government program revenues	\$ 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	\$ 79,410,180
Net revenue/expense:										
Governmental activities	\$ (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)	\$ (101,393,119)
Business-type activities	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)	(1,640,788)
Total primary government net expense	\$ 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)	\$ (103,033,907)

General Revenues and Other Changes in Net Position

Governmental activities:											
Taxes											
Property taxes	\$ 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	\$ 9,962,925	
Sales taxes	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	46,807,817	
Franchise taxes	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	5,062,719	
State shared revenue	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	30,560,635	
Unrestricted investment earnings	7,218,793	3,959,328	422,965	414,492	488,919	304,846	164,984	329,637	400,260	607,602	
Other	1,824,746	1,437,163	3,545,306	1,425,472	489,667	297,016	562,787	482,776	1,146,649	407,445	
Transfers	(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	201,576	
Total governmental activities	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	93,610,719	
Business-type activities:											
Unrestricted investment earnings	4,053,513	2,344,100	365,454	423,050	552,583	331,127	150,350	296,183	253,407	319,068	
Other	-	-	-	110,149	483,773	-	-	-	-	-	
Special item - Extinguishment of debt	-	-	-	2,821,348	-	-	-	-	-	-	
Transfers	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)	(201,576)	
Total business-type activities	40,522,668	(1,733,900)	(4,007,745)	9,549,726	89,538	(637,021)	(918,172)	(850,998)	(878,738)	117,492	
Total primary government	\$ 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	\$ 93,728,211	
Change in Net Position											
Governmental activities	\$ 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)	\$ (7,782,400)	
Business-type activities	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)	(1,523,296)	
Prior period adjustments	21,653,107	(3,430,317)	(3,430,317)	-	-	-	-	-	-	-	
Total primary government	\$ 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)	\$ (9,305,696)	

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 327,420	\$ 637,513	\$ 626,565	\$ 821,009	\$ 1,313,505	\$ 1,287,510
Restricted	-	-	-	-	129,117	79,170	77,439	66,385	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	1,334,202	317,343	327,182	360,030	578,518	542,821
Unassigned	-	-	-	-	239,533	4,459,773	17,166,622	26,849,205	34,324,717	37,385,696
Reserved	-	56,667	4,048,909	2,692,681	-	-	-	-	-	-
Unreserved	31,570,113	31,766,001	17,105,789	12,527,329	-	-	-	-	-	-
Total general fund	\$ 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	\$ 39,216,027
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 125,744	\$ 106,844	\$ 134,673	\$ 206,294	\$ 195,374	\$ 368,126
Restricted	-	-	-	-	27,151,070	26,932,579	28,027,995	29,584,573	46,848,361	23,064,256
Committed	-	-	-	-	7,767,079	7,915,957	7,266,032	47,607,527	42,241,616	40,246,190
Assigned	-	-	-	-	41,951,897	42,460,372	44,505,144	1,173,198	1,209,403	469,830
Unassigned	-	-	-	-	(50,850,735)	(50,409,260)	(49,901,573)	(50,029,315)	(49,288,936)	(47,671,784)
Reserved	2,289,308	2,289,307	2,289,308	57,870,335	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	36,752,608	37,336,735	22,123,789	(37,216,769)	-	-	-	-	-	-
Capital projects funds	58,960,539	21,474,937	2,895,166	(8,724,406)	-	-	-	-	-	-
Debt service funds	651,086	555,713	27,832	6,236,019	-	-	-	-	-	-
Total all other governmental funds	\$ 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	\$ 16,476,618

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	\$ 56,908,903
Licenses and permits	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	5,121,719
Intergovernmental	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	39,209,688
Charges for services	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	11,363,453
Grants	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	3,060,620
Fines	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	1,214,978
Rents	5,224,704	7,844,593	7,789,822	4,000,944	611,019	580,820	584,972	606,679	549,400	630,514
Development fees	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	3,297,082
Interest	7,138,672	3,894,950	403,629	391,530	464,496	278,177	149,655	307,139	400,260	607,602
Special assessments*	1,420,634	1,442,179	2,186,412	-	-	-	-	-	-	-
Donations	-	-	-	-	429,237	257,372	344,589	148,062	245,671	228,316
Indirect charges**	-	-	-	-	3,660,700	3,660,700	3,660,700	4,682,772	4,682,772	4,884,443
Other	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	392,199
Total revenues	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	126,919,517
Expenditures										
Current										
General government	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	16,306,183
Public safety	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	44,433,546
Public works and streets (incl. SLIDS)	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	20,492,467
Community development	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	10,080,446
Culture and recreation	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	18,416,339
Capital outlay	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	36,511,052
Debt Service										
Principal	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	2,361,425
Interest	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	1,749,568
Other charges	1,747,390	256,445	231,221	-	-	-	-	-	389,873	19,762
Total expenditures	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	150,370,788
Excess of revenues over (under) expenses	(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	(23,451,271)
Other financing sources (uses)										
Proceeds from sale of capital assets	-	-	-	-	-	-	33,035	240,830	226,080	336,821
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	1,150,009
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	1,486,830
Net change in fund balances	\$ (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	\$ (21,964,441)
Debt service as a percentage of noncapital expenditures***	9.6%	9.6%	8.7%	4.7%	5.0%	4.6%	4.6%	4.2%	3.7%	3.5%

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
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
2016	9,962,925	46,807,817	5,062,719	61,833,461

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Description of Payers Business</u>										
Construction	\$ 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	\$ 8,429,076
Retail trade	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	18,608,256
Communications and utilities	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	5,609,855
Restaurant and bar	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	5,933,745
Real estate, rental and leasing	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	4,246,757
Other	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	4,109,905
Total	\$ 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	\$ 46,937,594

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2016.

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
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%
2016	P	659,032,840	359,978,533	(129,767,780)	889,243,593	0.7591	8,723,777,883	10.19%
2016	S	775,338,584	403,053,294	(146,482,133)	1,031,909,745	-	10,151,951,511	10.16%

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	
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
2016	0.7591	-	0.7591	1.4009	-	0.0556	1.4565	3.0640	2.9085	5.9725	1.7120	9.9001

Source: Maricopa County Finance Department's "Maricopa County 2016 Tax Levy" report.

City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2016 and 2007

Taxpayer	2016			2007		
	Primary Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Arizona Public Service Company	\$ 22,299,212	1	2.40%			
Southwest Gas Corporation (T&D)	5,510,783	2	0.59%			
Arizona Public Service Company (CWIP)	3,995,534	3	0.43%			
Epcor - Agua Fria Water Division	3,721,769	4	0.40%			
CCD Real Estate Holdings LLC	3,159,970	5	0.34%			
Surprise Industrial NCP LLC	2,739,288	6	0.29%			
Wal-Mart Stores Inc	2,626,731	7	0.28%			
MCI Communications Services Inc	2,547,137	8	0.27%			
G&I VII Stadium Village LLC	2,477,373	9	0.27%			
Harmony at Surprise LLC	2,312,146	10	0.25%			
Arizona Public Service Company				\$ 16,646,023	1	1.88%
Southwest Gas Corporation (T&D)				4,924,915	2	0.56%
Surprise Center Development LLC				4,469,902	3	0.50%
CHI Construction Company				3,678,656	4	0.41%
Courtland Homes Inc				3,213,770	5	0.36%
AWC: Agua Fria Water Division				3,044,494	6	0.34%
DTR8 LLC				2,923,258	7	0.33%
Surprise Towne Center Holdings LLC				2,891,031	8	0.33%
Surprise Marketplace Holdings LLC				2,674,571	9	0.30%
Sun City Grand Community Association Inc				2,480,914	10	0.28%
Total	<u>\$ 51,389,943</u>		5.52%	<u>\$ 46,947,534</u>		5.29%
Primary Assessed Valuation	928,896,805			887,027,221		

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
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%
2016	6,727,511	6,661,068	99.0%	32,698	6,693,766	99.5%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2016.

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

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	General (CFD) Obligation Bonds	Municipal Property Corp. Bonds	Pledged Revenue Obligations	Municipal Property Corp. Bonds	Infrastructure Financing Authority Loan	Pledged Revenue Obligations			
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	-	5,832,200	83,145,000	2.7%	658
2016	-	6,885,000	-	31,770,034	37,585,000	-	5,903,844	82,143,878	3.0%	640

* 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
2007	\$ 1,883,912	\$ 511,309	\$ 1,372,603	0.020%	13
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%	-
2016	-	-	-	0.000%	-

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
(accrual basis of accounting)

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Governmental Unit:</u>			
Debt repaid with property taxes :			
Maricopa County Community College District	\$ 534,225,000	2.57%	\$ 13,729,583
Maricopa County Special Health Care District	73,000,000	2.57%	1,876,100
Western Maricopa Education Center	71,220,000	6.95%	4,949,790
Dysart Unified School District No. 89	151,488,000	77.50%	117,403,200
Peoria Unified School District No. 11	236,250,000	0.38%	897,750
Nadaburg Unified School District No. 81	700,000	24.38%	170,660
Wickenburg Unified School District No. 9	2,803,000	1.88%	52,696
Marley Park Community Facilities District	7,320,000	100.00%	7,320,000
Subtotal, Overlapping Debt			<u>146,399,779</u>
City of Surprise, direct debt	71,545,000	100.00%	<u>71,545,000</u>
Total Direct and Overlapping General Obligations Bonded Debt			<u><u>\$ 217,944,779</u></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.

Proportion applicable to City of Surprise, Arizona is computed on the ratio of limited property valuation for fiscal year 2015/2016. Excludes various other non-property tax supported debt such as Public Finance Corporation lease revenue bonds, Stadium District revenue bonds, Stadium District loans, Housing Authority loans and capital leases.

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

Marley Park refunded \$6,065,000 of existing debt with \$11,365,000 of General Obligation bonds on 10/6/2016.

Includes: Excise Tax Revenue obligations and Wastewater Revenue bonds. The City defeased Wastewater Revenue Bonds in the amount of \$1,865,000 on 10/1/2016.

City of Surprise, Arizona
Legal Debt Margin Information Unrestricted and Restricted
Last Ten Fiscal Years

Unrestricted

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit 6%	\$ 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	\$ 61,914,585
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Unrestricted legal debt margin	\$ 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	\$ 61,914,585
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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit 20%	\$ 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	\$ 206,381,949
Total net debt applicable to limit	2,698,490	1,372,603	243,175	-	-	-	-	-	-	-
Restricted legal debt margin	\$ 146,207,367	\$ 237,475,914	\$ 291,203,697	\$ 270,658,907	\$ 225,808,214	\$ 187,346,001	\$ 170,936,735	\$ 164,329,540	\$ 180,944,209	\$ 206,381,949
Total net debt applicable to the 20% limit as a percentage of the 20% debt limit	1.81%	0.57%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Maricopa County Assessor's Office - 2015 Levy Limit Worksheet

City of Surprise, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
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%
2016	128,422	2,779,842,369	59,094	38.7	9.4%

Data Sources:

Arizona Department of Commerce
US Census Bureau

N/A: Information was not available.

City of Surprise, Arizona
Principal Employers
June 30, 2016 and Nine Years Prior

Employer	2016			2007		
	Employees	Rank	%of Total	Employees	Rank	%of Total
Dysart School District (Surprise Schools Only)	1,800	1	11.07%	1,056	1	11.06%
City of Surprise	1,020	2	6.27%	875	3	9.17%
Wal-Mart	770	3	4.74%	725	2	7.59%
Fry's Food Store	500	4	3.08%			
McDonalds	270	5	1.66%			
Maricopa County	210	6	1.29%			
Sun City Grand Community Association	200	7	1.23%			
Home Depot	190	8	1.17%	160	6	1.68%
Kohl's Department Store	170	9	1.05%			
Sam's Club	160	10	0.98%			
Del Webb/Pulte				360	4	3.77%
Surprise Charter Schools (3)				280	5	2.93%
APS				175	7	1.83%
Target				160	9	1.68%
Lowe's				150	10	1.57%

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
General government	124	139	140	124	124	123	123	123	136	142
Public safety:										
Police:										
Officers	128	150	134	132	130	132	133	134	130	139
Civilians	15	20	53	56	58	49	49	48	54	49
Fire:										
Firefighters and officers	129	156	110	110	114	112	112	111	113	113
Civilians	9	10	15	9	8	6	6	7	7	8
Public works and streets:										
All others	89	105	113	100	96	82	83	83	83	84
Community development	51	48	43	40	36	36	40	40	43	40
Culture and recreation	112	124	117	95	97	97	110	110	122	118
Human Services and Commun	-	-	-	-	-	-	-	-	-	9
Water	8	8	31	31	33	29	25	25	24	29
Sanitation	29	29	32	32	34	34	31	31	32	33
Sewer	30	34	39	39	39	36	36	36	37	39
Replenishment	3	5	-	-	-	-	-	-	-	-
Total	727	828	827	768	769	736	748	748	781	803

Source: Fiscal year 2016 Adopted Budget

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety:										
Police:										
Calls- incidents responded to	38,283	40,344	43,002	41,495	40,779	42,010	39,866	37,566	38,191	39,511
Citations issued	8,347	11,732	13,728	12,455	8,233	7,856	9,673	7,020	7,524	5,971
Auto theft rates per capita										
Crimes per capita										
Officers per 1,000 residents	1.2	1.2	1.2	1.2	1.5	1.1	1.1	1.1	1.1	1.0
Fire:										
Number of responses	9,120	10,281	10,523	10,998	11,620	12,313	13,649	14,004	15,750	16,896
Inspections	2,164	2,285	2,114	639	1,101	1,122	1,184	1,411	1,885	2,745
Public works and streets:										
Sq. ft. of buildings to maintain	378,900	535,717	567,245	830,271	830,431	830,431	830,271	830,271	830,271	855,774
Vehicles/equipment maintained per month	394	418	484	444	387	494	403	392	405	334
Number of street lights repaired	148	124	212	249	270	291	300	377	43	44
Street miles maintained	592	592	592	526	536	539	607	607	627	627
Community development:										
Building safety inspections performed	38,000	30,311	17,749	11,349	11,106	13,257	20,150	18,220	15,624	20,320
Annual new residential starts	1,759	774	373	291	206	395	554	385	417	486
Culture and recreation:										
Organized recreation program participants	27,760	132,795	186,139	170,336	176,569	185,232	191,648	192,300	178,186	160,535
Special events/open facility participants	157,800	249,599	259,731	242,759	261,327	256,674	269,823	278,980	321,214	307,475
Water:										
Water service connections	13,985	14,375	14,472	14,519	14,130	14,329	14,570	14,740	14,971	15,116
Sewer:										
Sewage treated (million gallons per day)	7.0	7.0	6.0	7.6	7.4	7.6	8.1	8.1	8.4	8.4
Sewer service connections	42,284	42,912	45,032	46,448	44,077	44,583	45,802	45,984	44,923	54,356
Sanitation:										
Refuse collected (tons/annually)	30,700	31,506	29,757	30,398	30,803	30,289	29,400	30,583	33,351	32,787
Number of routes	31	25	26	34	34	33	33	32	32	56
Total services	30,800	32,096	32,719	33,797	37,144	32,357	32,975	33,321	32,683	35,366

Sources: Various government departments

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety:										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	66	68	81	73	80	64	63	63	68	72
Fire:										
Fire stations	4	6	7	7	7	7	7	7	7	7
Fire engines and ladder trucks	7	9	10	11	11	11	11	12	12	12
Ambulances	-	-	-	-	-	-	0	0	0	1
Public works and streets:										
Street miles	593	593	592	592	536	539	607	607	627	627
Street lighting improvement districts	71	79	79	83	98	103	101	105	107	107
Traffic Signals	27	34	41	42	42	45	51	51	50	50
Bridges	1	9	12	15	15	19	19	19	19	19
Community development:										
Inspection vehicles	23	14	12	12	12	12	12	10	10	10
Culture and recreation:										
Parks acreage	284	367	383	393	393	393	393	393	393	393
Parks	9	12	12	12	12	12	12	12	12	12
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball fields	3	3	9	11	11	11	11	11	11	11
Baseball fields	17	17	21	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)	22.0	21.8	20.7	24.6	31.0	31.0	31	31	32	32
Sewer:										
Sewer treatment plants	1	1	1	1	2	2	2	2	2	2
Maximum daily treatment capacity	8.3	8.3	16.3	16.3	18.3	18.3	18.3	18.3	18.3	18.3
Sanitation:										
Collection trucks	22	25	26	26	26	26	26	26	26	27

Sources: Various government departments



SURPRISE
ARIZONA

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