

# CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the fiscal year ended  
June 30, 2002

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Prepared by:  
Finance Department

**CITY OF SURPRISE, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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October 31, 2002

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Surprise:

State law requires that all general-purpose local governments publish within 120 days (240 days with an extension) of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Surprise for the fiscal year ended June 30, 2002.

This report consists of management's representations concerning the finances of the City of Surprise. Responsibility for the accuracy, completeness, and fairness of this presentation, the data, and all disclosures is the responsibility of the City of Surprise. We believe that the data, as presented, is accurate in all material aspects, that it is presented in a manner that fairly sets forth the financial position and results of the operations of the City of Surprise as measured by the financial activity of its various funds, and that all disclosures necessary to understand the City's financial affairs to its fullest have been included. To provide a reasonable basis for making these representations management of the City of Surprise has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the operation of the City of Surprise's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City of Surprise's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Eide Bailly LLP, a firm of licensed certified public accountants, has audited the City of Surprise's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Surprise for the fiscal year ended June 30, 2002, 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. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Surprise's financial statements for the fiscal year ended June 30, 2002, 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 independent audit of the financial statements of the City of Surprise was related to a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Surprise's separately issued Single Audit Report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Surprise’s MD&A can be found immediately following the report of the independent auditors.

### **Profile of the City of Surprise**

Surprise, located just 25 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded in 1929 and incorporated in 1960. The name “Surprise” came from Surprise, Nebraska, hometown of the city’s founder, Homer C. Ludden. What was once a small farming village now encompasses more than 70 square miles, including urban and commercial developments, ranches and industrial parks. The once irrigated farmlands and orchards are now affordable real estate for people and industry that wish to live, work and play in a progressive city. Surprise strikes the perfect balance between the need of residential community and the growth of its business and industrial sections.

Over the past 40 years, Surprise has grown from 500 residents to a city of nearly 60,000 people in 2003. The Maricopa Association of Governments (MAG), estimates that our population will continue to grow to near 100,000 in the next 3 – 5 years. Not only is our population growing, our service area has expanded from 1.67 square miles in 1980 to our current incorporated area of 74 square miles with a planning area of 228 square miles. This growth is due in large part to what we are providing and building in our community.

The city offers a broad range of living styles, from small family subdivisions to a number of secluded ranches. Surprise also offers a number of retirement communities that address the needs and lifestyles of active adults. There are a number of recreation facilities including several beautiful golf courses. Beginning in 2003, the City of Surprise will become the Major League Baseball Spring Training home of the Texas Rangers and Kansas City Royals. Industrial growth zones have been carefully selected to operate competitively, but harmoniously, with the residential community.

*The city’s Mission and Value Statements are as follows:*

**Mission**

*The mission of the City of Surprise is to enhance the quality of life through the dedicated and efficient management of our resources.*

**We Value**

*Our Citizens*

*Honesty and Integrity*

*Community Pride and Sense of Commitment*

*Professionalism and Teamwork*

*Mutual Respect*

Surprise is a city that operates under the Council/Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City’s manager. The City’s manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four year staggered terms, with three then four 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, health and social services, as well as general administrative services. Sanitation, water, sewer and water recharge utility services are provided to many of the residents through the City's enterprise funds. The City provides street lighting for developing areas through several legally formed street lighting districts. The City provides and accounts for a legally separate fund volunteer firefighters pension fund as mandated by Arizona revised statute Title 9. As well as a non-profit corporation formed under Arizona revised statutes Title 10 designed to facilitate the acquisition and improvement of City property. These last three activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all three of these legally separate entities can be found in Note 1.A in the notes to the financial statements.

The annual budget serves as the foundation for the City of Surprise's financial planning and control. All departments within the City of Surprise are required to submit requests for appropriation to the budget manager before the end of February of the preceding fiscal year. The City's budget team, chief financial officer and city manager use these requests as the starting point for developing a proposed budget. The budget manager then presents this proposed budget to the council for review by the beginning of May. The City Council is then required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Surprise's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department between the major categories of services and supplies. While the city manager may authorize transfers from and within personnel and from operating capital to services or supplies within a department, all transfers between contingency dollars, between funds and between departments must be approved by the Council.

### **Factors Affecting Financial Condition**

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

**Local economy.** Despite the uncertain economic conditions of the nation and slower growth of the State's economy, the city's economy is doing relatively well. As a city on the fringe of a well-developed metropolitan area, our housing market continues to steam ahead at a slightly reduced pace from last year. Due to the rapid residential growth in the city, extensive retail and office development continues to follow the rooftops. It is this business development that will provide the city with a reliable, long term, source of revenue. Further information on the history of City revenues can be found in the Statistical section of this CAFR and in the MD&A of the financial statements.



**Long-term financial planning.** During the coming year we are faced with the challenge to accommodate growth while ensuring that the City develops as a place in which people want to live, work and play. Increases in population, tax base, development fees, commercial and retail activity and the City's economic development efforts continue to provide additional revenue to offset the costs related to both continuing and expanding services and facilities.

Because of the current economic uncertainty on the national level and local level, the City administration recognizes the need to assure reserves for future revenue shortfalls in case of economic downturns. Because a large portion of General Fund operating revenue comes from construction related activity that eventually may be constrained by the economy and availability of land the following policy guidelines have been devised to assist in assuring an adequate future fund balance:

1. The equivalent of two months in operating revenue will be designated as an economic stabilization amount set aside in all operating funds.
2. An allocation of construction related sales tax of 50% to subsidize general fund operations and of 50% to subsidize one-time expenditures and capital construction and acquisition.
3. Maintain a minimum debt service reserved fund balance equal to one year of debt service payments.

These amounts have not been programmed for expenditure and are only available for use within the confines of our expenditure limits. At least six million has been listed as Contingency in various funds, which means that it has not been allocated for any specific activity. If revenues are sufficient this Contingency can be used for unexpected emergencies and projects upon approval by council. In addition beginning fund balances (prior years' revenues in excess of expenditures) are only available to fund capital or other one-time projects.

During the next 12 months we will finalize facilities and infrastructure that have been planned, programmed and saved for over the past five years. Utilizing bond funds, state grants and local sources of revenue, the City of Surprise has spearheaded construction on a new downtown by developing 250 acres of city owned property. This new downtown, known as Surprise Center, includes a recreation complex, regional library, aquatics center, 37-acre park and a state of the art Cactus League Spring Training facility for the Texas Rangers and the Kansas City Royals.

**Cash management policies and practices.** State statutes permit us to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The City of Surprise primarily invests its idle funds in the State Treasurer's LGIP. The year-to-date yield on investments as of June 30, 2002 was 2.86%. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the managers of the investment pool may intend to hold to maturity.

**Risk management.** During 2002 the City increased its coverage from 10 million to 13 million to address the growth and related increase in exposure. As the City grows it will continue to increase its deductibles and effectively self-insure for smaller claims. In order to better manage our insurance coverage and claims a risk manager was hired. They will ensure that the City has adequate insurance coverage, appropriate deductibles, reasonable insurance rates, validate claims, file claims timely and provide for proper training in loss and accident prevention. They will also update and maintain the proper policies and procedures related to insurance and other risk related exposures. For further information regarding risk management please refer to Note 11 in the financial statements.

**Pensions.** The City has several venues available to employees to provide for them during retirement. The City participates in the Arizona Retirement System and the Arizona Public Safety Retirement System. Both these state agency plans are offered to state and local governments statewide and funded by employee wage deductions and matching City contributions. The rates for these contributions are determined by the respective retirement systems in order to ensure the proper amount of funding to meet the obligations to retired employees on a timely basis.

The City also must maintain a Pension and Relief fund for Volunteer Firefighters that was funded by the City as required under Title 9 of the Arizona revised statutes. However, the City no longer utilizes volunteer firefighters and there are no qualifying recipients for the funds contained in the plan.

The City has selected a third party administrator to facilitate employee participation in a deferred compensation plan in accordance with Internal Revenue Code Section 457.

For further information on these plans refer to Note 10.A.A.B.C. in the financial statement.

### **Awards and Acknowledgements**

The City of Surprise received the GFOA's Distinguished Budget Presentation Award for its annual budget document since July 1, 2001. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the finance department who assisted and contributed to the preparation of this report. We would also like to thank our auditor's for their guidance and aide through our GASB 34 implementation.

Respectfully submitted,

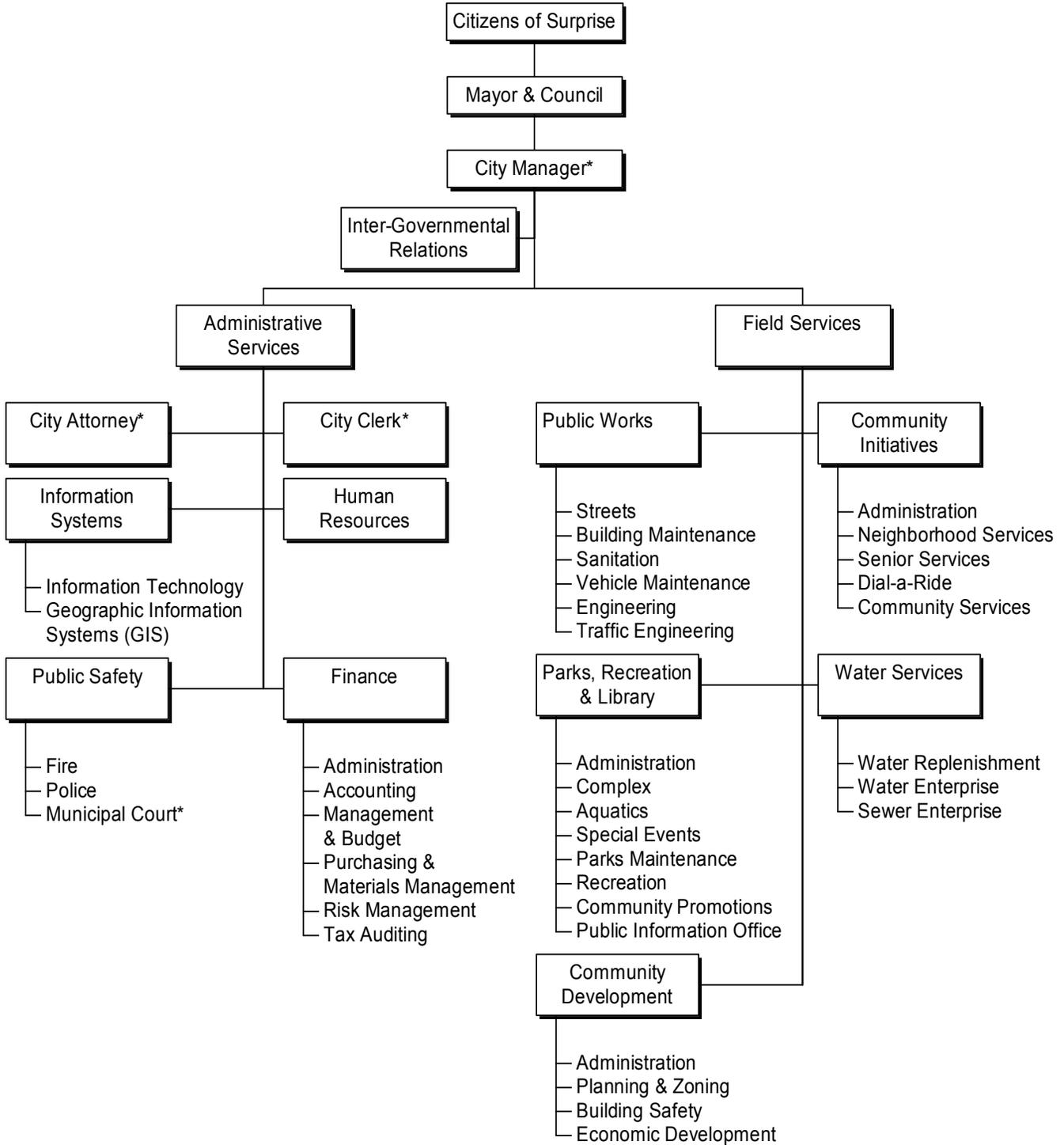


Bill Pupo  
Manager



Robert Nilles  
Chief Financial Officer

**CITY OF SURPRISE  
ORGANIZATIONAL CHART**



**CITY OF SURPRISE  
LIST OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2002**

**ELECTED OFFICIALS**

**MAYOR JOAN H. SHAFER**



Mayor Joan Shafer has set a record for “firsts” since 1990, when she was the first woman elected to the Surprise City Council. In 1994, she became the first woman mayor *and* the first elected mayor of the City of Surprise. After a string of two-year terms, she was re-elected in 1999 to a four-year term as mayor. Shafer is best known for her monthly, “The Mayor is In” forums in local grocery stores where she informally disseminates information and listens to the concerns of her constituents. It’s an idea copied by mayors nationally, even internationally.

Shafer’s vision for Surprise is “a City where diverse population come together in harmony and where services are sufficient to meet the needs.” Her immediate goal is to see the library and aquatic center completed, and to stay within the budget.

Shafer’s term expires in June of 2003. She is elected at-large.

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**THOMAS ALLEN**



Vice Mayor Thomas Allen, who represents the Palo Verde District (District 6), was appointed to the Surprise City Council in May 1999, and elected to his first four-year term in March 2001.

“The City of Surprise is where my growing family has decided to live,” Allen said. “I feel that the good work of the past will only continue with the efforts of people who have a vested interest in seeing Surprise grow successfully. I feel that I have a responsibility to apply my efforts to assisting in this growth.”

Allen said he is particularly interested in trying to attract industry to the City of Surprise. “I hope we can attract good, clean industry to our City. We want and need good jobs here.”

Allen’s term expires in June of 2005.

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**DONALD COX**



Don Cox, who represents the Acacia District (District 1), was elected to the Surprise City Council in 2001. Cox has been a community volunteer for all of his adult life, working with youth and adults. He is pleased to be able to use his experience to help the people of Surprise. Cox strongly supports voters’ rights and gathering their input on areas that affect their future. Truly representing the people is his goal.

Cox is very interested in preserving the rural aspects of Surprise because of his background, living for many years in rural areas in Minnesota and Alaska. He is also concerned about the population growing faster than the road system and bringing public transportation to residents. He supports city efforts in working to protect Luke Air Force Base.

Cox’s term expires in June of 2005.

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**CITY OF SURPRISE  
LIST OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2002**

**ELECTED OFFICIALS (CONTINUED)**

**JOHNNY MONTOYA**



Johnny Montoya, who represents the Mesquite District (District 3), was first elected to the Surprise City Council in 1991. He is currently serving his third term.

“Surprise is a growing City that takes pride in serving its residents,” Montoya said. “We are a growing city of families and retirees. We take pride in our diversity and gather great strength from it. “Surprise is a City with incredible opportunities for economic development. We offer a stable government, a can-do attitude and an eagerness to be the best we can be.”

Montoya’s term expires in June of 2003.

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**VICE MAYOR TUCKER SMITH**



Tucker Smith was elected to his first four-year term on the Surprise City Council in May 1999. He represents the Cottonwood District (District 2).

He envisions Surprise as a City filled with parks and trails, with a variety of recreational opportunities available to everyone. “I also see our city as a place for the arts where people come from all around to enjoy our museums and other cultural activities.”

Smith’s term expires in June of 2003.

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**ROY VILLANUEVA**



Roy Villanueva first joined the Surprise City Council in 1978. The veteran City Councilman, who represents the Mulberry District (District 4), has served five terms on the City Council, six years as mayor and three terms as vice mayor.

In his lengthy political career, Villanueva has served as a loaned executive for Valley of the Sun United Way, chairman of the Enterprise Zone, and chairman of the Community Development Block Grant program.

“Surprise is a community that embraces job opportunities, good education for our children and continuous redevelopment of the Original Townsite neighborhood.”

Villanueva’s term expires in June of 2003.

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**CITY OF SURPRISE  
LIST OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2002**

**ELECTED OFFICIALS (CONTINUED)**

**BOB VUKANOVICH**



A native of the Valley of the Sun, Bob Vukanovich is a first term councilman elected in March 2001, representing the Palm District (District 5).

Among his goals as councilman are to see Surprise's quality of life preserved in the face of rapid growth, and to ensure that City government remains responsive to residents' needs. "We represent the citizens. We work for them," he said. "I'm a firm believer in 'the buck stops here.'" Vukanovich envisions a Surprise where residents respect and embrace the City's various lifestyles – from resort retirement to family to rural agricultural – regardless of age or ethnic background. "I want Surprise to be a place citizens can be proud of."

Vukanovich's term expires in June of 2005.

*APPOINTED OFFICIALS*

Manager  
Clerk  
Attorney  
Magistrate

Bill Pupo  
Sherry Aguilar  
Dave Ward  
Paul Cragan

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate fund information of the **City of Surprise, Arizona**, (the City) as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Surprise, Arizona** management. Our responsibility is to express an opinion on these general-purpose 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 *Governmental 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of July 1, 2001.

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**, at June 30, 2002, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, certain errors contained in previously issued financial statements were discovered by management of the City of Surprise. Accordingly, the 2002 financial statements have been restated to correct the error.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2002, on our consideration of the **City of Surprise, Arizona's** internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 3-12, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The combining and individual fund schedules listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements and, in our opinion, is fairly presented, in a material respects, in relation to the basic financial statements taken as a whole.

*Eich Bailey LLP*

Phoenix, Arizona

October 4, 2002,

Except for Note 16,  
as to which the date is  
February 4, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

We (The City of Surprise) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2002. *The intended purpose of the Management 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 an easily readable 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. As this is our first MD&A we do not have comparative information for many parts of this analysis. When referring to prior year data in this analysis we will be drawing upon information from last years audited financial reports.

Please read this analysis in conjunction with our letter of transmittal.

### FINANCIAL HIGHLIGHTS

- ❖ **Our Governmental Type net assets** increased 29% from \$61.2 million to \$75.8 million a difference of \$14.6 million.
  - The increase in Governmental Activity Fixed Assets \$44.0 million offset the \$26.2 million from decreases in Current & Other Assets and increases in Liabilities.
  - The \$14.6 million excess of revenues (\$51.3 million) over expenditures (\$36.7 million), was due to strong inflows of General Revenues (\$38.6 Million) primarily Sales Tax (\$21.9 million).
  - Program Revenues were \$24 million less than Program Expenses.
  - A receivable from the Tourism Sports Authority \$26.6 million is offset by an identical increase in deferred revenue.
- ❖ **Business Type net assets** increased 26% from \$60.3 million to \$75.7 million a difference of \$15.4 million.
  - In September 2001 Water, Sewer, and Sanitation rates were increased, as part of a three-year rate increase program, to eliminate subsidies from the General Fund (see chart in letter of transmittal). These rate increases coupled with approximately a 20% population growth and the funding of two months of operating reserves resulted in a \$10.3 million dollar increase in current assets over liabilities.
  - Fixed assets (net) increased \$5.1 million dollars.
- ❖ **Governmental Activities Expenses** of \$36.7 million exceeded Program Revenues of \$12.7 million by \$24 million in fiscal year 2002.
  - We collect about 1/3 of what it costs to provide services directly from those who use them.
  - We rely upon General revenues, such as taxes, to subsidize the direct cost of providing service.
    - General revenues (\$38.6 million) exceeded program losses (\$24 million).
- ❖ **Business Type Expenses** were \$8.7 million while program revenues, including development fees, were \$21.2 million including charges for service, development fees and contributions.
  - The addition of General Revenues of \$2.9 million increases the change in net assets from \$12.5 million to \$15.4 million.

- Of our four Business type activities only the Sanitation Fund posted a decrease in net assets (\$3,708).
- ❖ **Component units** – The City includes three types of separate legal entities in its report – the City of Surprise Voluntary Firefighters Pension and Relief Fund, the Surprise Municipal Property Corporation, and Various Street Lighting Improvement Districts. Although legally separate, these “component units” are important because the City is financially accountable for them. A description of these three types of component units is available in Note 1 (one) on page 24. Separate Financial Statements are not available for these three entities.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 15) 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 17. 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 remaining 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 13. 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 Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City’s net assets and changes in them. You can think of the City’s net assets – the difference between assets and liabilities – as one way to measure the City’s financial health, or financial position. Over time, increases or decreases in the City’s net assets 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.

In the Statement of Net Assets and the Statement of Activities, we divided the City into two kinds of activities:

- ❖ **Governmental activities** – Most of the City’s basic services are reported here, including the police, fire, public works, parks & recreation departments, and general administration.
- ❖ **Business type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s water, water replenishment, 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 17. The fund financial statements begin on page 17, and 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. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- ❖ **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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation at the bottom of 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 Assets 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 we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's Risk Management Fund.

## The City as Trustee

The City is the trustee, or fiduciary, for its City of Surprise Voluntary Firefighters Pension and Relief Fund. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22-23. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. They City's responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE CITY AS A WHOLE

Our **combined net assets** increased by 25% from \$121.5 million to \$151.5 million a difference of \$30 million.

- ❖ 53% of total net assets (\$151.5 million) are invested in capital assets (\$86.8 million).
- ❖ A more in depth analysis of this table shows that current assets (\$120.7 million) exceed total liabilities (\$113.3 million) by \$7.4 million, suggesting that all debts of the City of Surprise could be satisfied without having to sell off capital assets

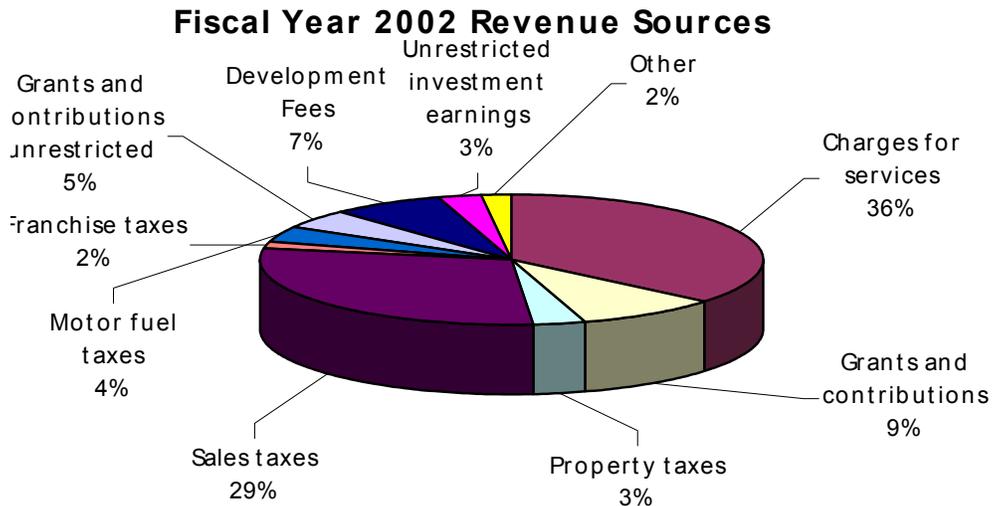
The following table reflects the condensed Statement of Net Assets as of June 30, 2002.

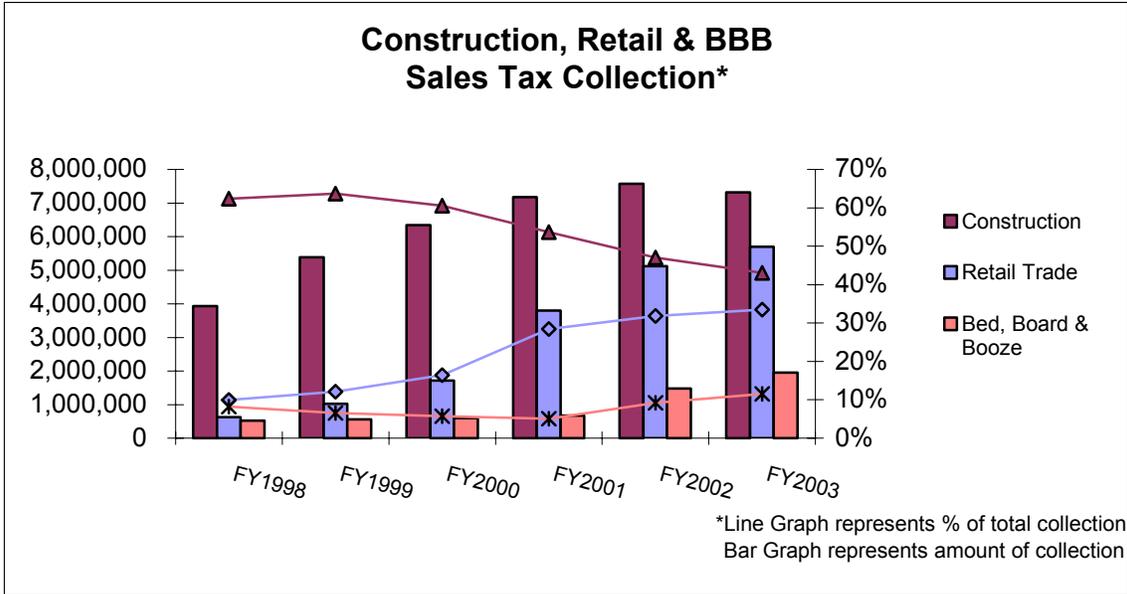
**Condensed Statement of Net Assets**  
(in millions)

	Governmental Activities 2002	Business- type Activities 2002	Total Primary Government 2002
<b>Current and other assets</b>	\$ 99.1	\$ 21.6	\$ 120.7
<b>Capital assets</b>	87.0	57.3	147.3
<b>Total assets</b>	<u>186.1</u>	<u>78.9</u>	<u>265.0</u>
<b>Other Liabilities</b>	46.2	3.1	49.3
<b>Long-term liabilities outstanding</b>	63.9	0.1	64.0
<b>Total liabilities</b>	<u>110.1</u>	<u>3.2</u>	<u>113.3</u>
<b>Net assets:</b>			
<b>Invested in capital assets, net of related debt</b>	21.3	57.3	78.6
<b>Restricted</b>	0.2		0.2
<b>Unrestricted</b>	54.4	18.4	72.8
<b>Total net assets</b>	<u>79.0</u>	<u>75.7</u>	<u>154.7</u>
<b>Total liabilities and net assets</b>	<u>\$186.1</u>	<u>\$ 78.9</u>	<u>\$ 265.0</u>

Revenues for fiscal year end June 30, 2002 totaled \$75.4 million.

- ❖ Our largest revenues in 2002 were charges for services (which included development fees) at 36% and sales tax 29% of total program revenues. The second graph shows that Construction sales tax accounts for almost 50% of all sales taxes followed by Retail taxes and Hotel-Restaurant-Bar (BBB) taxes.

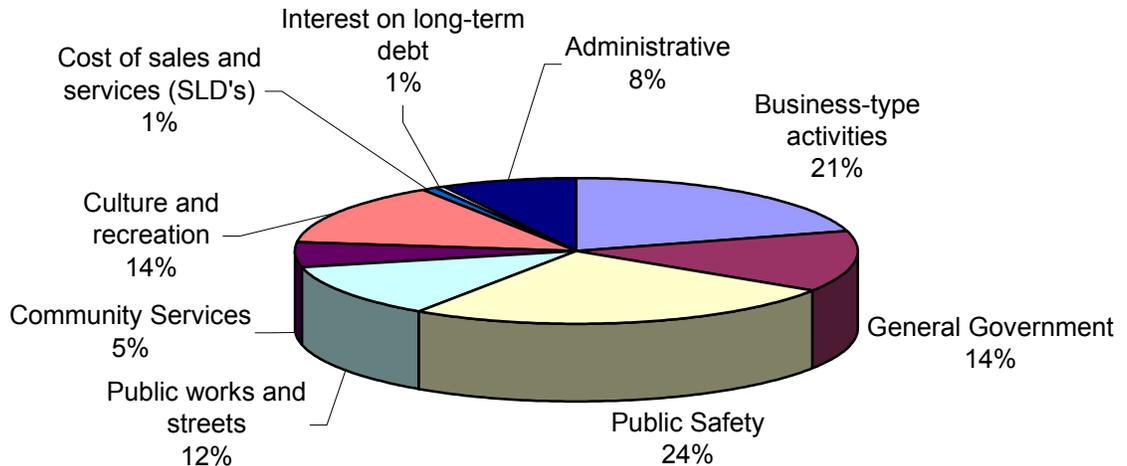




**Expenses** (excluding transfers & capital outlays) were \$42.2 million in 2002.

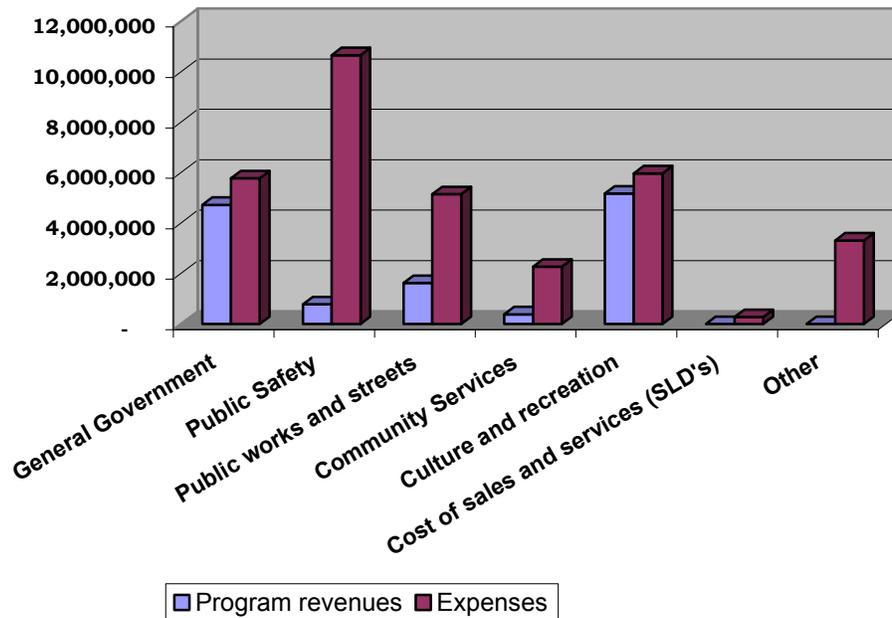
- ❖ Public Safety (Police, Fire, & Courts) accounted for approximately ¼ of program expenditures (\$10.7 million).
- ❖ Business Activities (Water, Sewer, Replenishment, & Sanitation) were second with 21% (\$8.7 million).
- ❖ Culture & Recreation (Parks & Recreation) was at 14% (\$6.0 million).
- ❖ General Government was next at 14% (\$5.8 million).
- ❖ Public Works & Streets rounds out the top five at 12% (\$5.1 million)
- ❖ All others make up 14% (\$6.0 million).

### Fiscal Year 2002 Functional Expenses



Changes in Net Assets			
(in millions)			
	Governmental Activities <u>2002</u>	Business-type Activities <u>2002</u>	Total Primary Government <u>2002</u>
<b>REVENUES</b>			
Program Revenues:			
Charges for service	\$ 12.3	\$ 14.8	\$ 27.1
Grants and contributions	0.4	6.4	6.8
General revenues:			
Property taxes	2.6	-	2.6
Sales taxes	21.9	-	21.9
Franchise taxes	1.3	-	1.3
Motor fuel taxes	2.9	-	2.9
Grants and contributions unrestricted	3.4	-	3.4
Development Fees	5.6	-	5.6
Unrestricted investment earnings	2.1	0.4	2.5
Other	1.4	-	1.4
<b>Total revenues</b>	<b><u>53.8</u></b>	<b><u>21.6</u></b>	<b><u>75.4</u></b>
<b>EXPENSES</b>			
Program activities:			
Governmental activities:			
General Government	5.6	-	5.6
Public Safety	10.7	-	10.7
Public works and streets	5.1	-	5.1
Community Services	2.3	-	2.3
Culture and recreation	6.0	-	6.0
Cost of sales and services (SLID's)	0.3	-	0.3
Interest on long-term debt	5.0	-	5.0
Administrative	1.7	-	1.7
Business-type activities:			
Water utility	-	1.8	1.8
Replenishment	-	0.1	0.1
Sewer	-	5.6	5.6
Sanitation utility	-	1.2	1.2
<b>Total expenses</b>	<b><u>36.7</u></b>	<b><u>8.7</u></b>	<b><u>45.4</u></b>
<b>Excess before transfers</b>	<b><u>17.1</u></b>	<b><u>12.9</u></b>	<b><u>30.0</u></b>
Transfers in (out)	(2.5)	2.5	-
<b>Increase in net assets</b>	<b><u>\$ 14.6</u></b>	<b><u>\$ 15.4</u></b>	<b><u>\$ 30.0</u></b>

## Governmental Program Revenues & Expenses



## THE CITY'S FUNDS

- ❖ None of our funds exceeded **budgeted expenditure authority**.
  - In January of 2002 the City Council approved a policy for budget transfers. The more material transfers approved during the year include:
    - Transfers from Contingency to
      - Information Technology Department for \$66,900 to purchase a Mapping Copier.
      - Highway User Revenue Fund (HURF) for \$300,000 to settle a lawsuit for the construction of roadways and infrastructure.
      - Community Development Department for \$40,500 for consulting.
      - The Municipal Court for \$90,700 for 2.5 additional employees.
        - \$22,200 was also transferred from JCEF to the court for this expenditure.
      - The City Clerk's Department for \$20,000 for redistricting.
    - Other transfers of note include
      - \$136,800 for the purchase of a street sweeper.
      - \$150,000 for Remodeling from General Fund to HURF.
      - \$55,000 for Remodeling from General Operations.
  - Funds identified as General and Major Special Revenue Funds all had higher Ending Net assets than were budgeted.
  - The only funds with negative Net assets are Component Unit - Street Light Improvement Districts (SLID's), which levy taxes, to pay for electricity, against the Secondary Assessed Valuation of their district.

## CAPITAL ASSET AND DEBT ADMINISTRATION

- ❖ The **capital assets of the governmental activities funds** increased by \$46.2 million (\$44.0 million net of annual depreciation).
  - We began the construction of a \$75 million government center known as Surprise Center, to be completed by December 2002. This facility includes:
    - \$49 million Spring Training Facility/Stadium for the Texas Rangers and Kansas City Royals,
    - \$4 million aquatics center,
    - \$2 million Recreation Center,
    - \$5 million 23,000 square foot library,
    - \$3 million 37 acre park with a 5 acre lake
    - \$12 million in furniture, fixtures, equipment, and infrastructure for the facilities listed above and the County Court Facility built in the government center.
- ❖ The **capital assets of the business-type activities funds** increased by \$6.4 million (\$5.1 million net of annual depreciation).
  - We began the construction of a \$25 million sewer plant expansion intended to increase daily treatment from the current 3.2 million gallons per day (mgd) to 7.2 mgd. This project should be partially operational by January 2003 and fully completed by December 2003.
  - There are water supply facilities being constructed by developers, which will be dedicated to the City upon completion, as they are the property of the Developer until dedicated to the City they are not shown as construction in progress.

<b>Capital Assets at Year -End (Net of Depreciation) (in millions)</b>			
	<b>General Government 2002</b>	<b>Business Type Activities 2002</b>	<b>Total Primary Government 2002</b>
<b>Land</b>	\$ 0.6	\$ 3.1	\$ 3.7
<b>Parks Land</b>	5.1		5.1
<b>Buildings &amp; Improvements</b>	9.9		9.9
<b>Improvements Other Than Land</b>	0.3		0.3
<b>Equipment &amp; Vehicles</b>	3.8	0.6	4.4
<b>Streets</b>	21.3		21.3
<b>Curb Gutter and Sidewalks</b>	17.7		17.7
<b>Traffic Signals</b>	0.8		0.8
<b>Storm Drains</b>	2.9		2.9
<b>Other Infrastructure</b>	-		-
<b>Sewer System</b>		41.6	41.6
<b>Water System</b>		7.8	7.8
<b>Construction in Progress</b>	24.4	4.1	28.5
<b>Total Capital Assets (Net)</b>	\$ 86.8	\$ 57.2	\$ 144.0

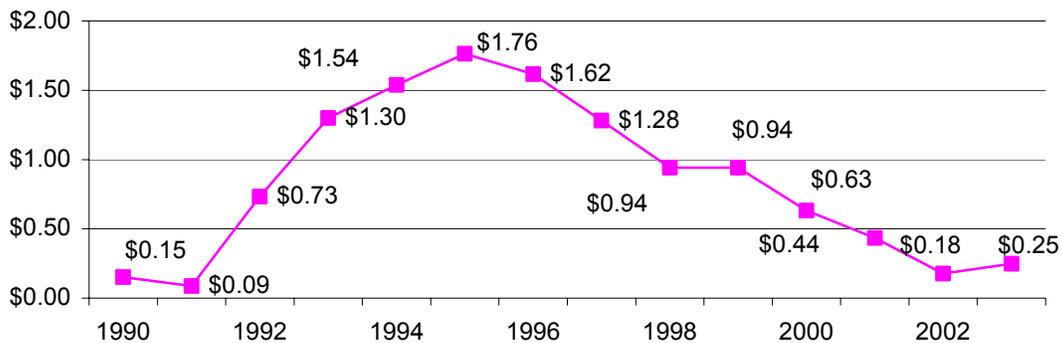
- ❖ **Long-term debt** decreased this year from \$68.5 million to less than \$66.7 million. Greater detail of outstanding Long-term debt can be found in Note 8 (eight) on page 32.
  - \$2.0 million in debt was retired during the year, reducing long-term debt
  - \$0.3 million in compensated employee absences was added to long-term debt.
  - The following chart identifies the City’s current secondary debt limits, the amounts authorized against that debt limit and the amount available for voter authorization. Note 8 (eight) on page 32 identifies what qualifies under the 6% & 20% debt limits.

<b>City of Surprise, AZ</b>			
<b>FY2002 Legal General Obligation Bond Capacity</b>			
		<b>6% Limitation</b>	<b>20% Limitation</b>
Secondary Assessed Valuation		\$229,662,570	\$229,662,570
Limitation	X	6%	20%
G.O. Bond Limit	=	<u>13,779,754</u>	<u>45,932,514</u>
Less Outstanding G.O. Debt	-	<u>0</u>	<u>5,470,796</u>
<b>Available Debt Capacity</b>	<b>=</b>	<b><u>\$13,779,754</u></b>	<b><u>\$40,461,718</u></b>

**ECONOMIC FACTORS, NEXT YEAR’S BUDGET, AND RATES**

- ❖ **Bond rating** – our current bond rating, established in March 2002, is A-/A.
- ❖ **Secondary Property Tax Rate** – The 2002-2003 rate increased by \$0.07 from last year to this year. The reason for the increase was due to a one-time reduction of the tax rate to eliminate excess cash accumulated in the Debt Service Fund. Those funds have been reduced and the tax rate was increased to a level necessary to cover this year’s debt service. The next graph shows that over the last two years the rate is down \$0.19 (2001 \$0.44 to 2003 \$0.25).

**City of Surprise, AZ**  
**Secondary Tax Rate**  
**1990 - 2003**



- ❖ **Spring Training** – March 1, 2003 will mark the first ever Spring Training Game held in the City of Surprise. We lured the Texas Rangers and Kansas City Royals to Surprise from Florida by agreeing to build a new state of the art two-team facility.
  - Approximately \$26 million in Tourism Sports Authority (TSA) grants is due and payable (deferred revenue & receivable) to the City of Surprise. These funds will be provided to us if the TSA is successful in defending itself against a lawsuit challenging its status filed with the State Supreme Court. This case has been successfully defended in both the lower court and Court of Appeals.
- ❖ **Completion and Operation of New Facilities** – The major construction taking place is nearing completion. When the facilities are complete our focus will switch from building to operating. The 2002-2003-budget year adds substantial increases to our operational costs. Revenues will increase significantly as well, but will not fully offset the cost to provide these quality of life and public health related facilities.
  - Operation of New Facilities – Approximate annual operating costs:
    - Surprise Center (Stadium/Library/Aquatics Center/Recreation Center/Park)- \$5.6 million
    - Treatment Plant - \$0.2 million (6-month limited operations)
    - Fire Station #3 - \$1.0 million
    - Senior Center - \$0.1 million

## **FINANCIAL CONTACT**

The financial report is designed to provide a general overview of the City of Surprise, Arizona'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 the following address: 12425 W. Bell Rd. Suite D-100, Surprise, Arizona 85374.

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2002**

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 63,538,743	\$ 18,287,797	\$ 81,826,540
Receivables, (net of allowances)			
Interest	120,090	-	120,090
Taxes and franchise fees	559,302	-	559,302
Accounts	563,813	2,639,324	3,203,137
Intergovernmental	26,648,332	-	26,648,332
Fines	2,256,446	-	2,256,446
Due from (to) other funds	2,649,437	(2,649,437)	-
Fixed assets, net	86,810,724	57,258,200	144,068,924
Notes receivable - noncurrent, net of discount	135,334	-	135,334
Other Assets	2,687,854	3,335,995	6,023,849
	<u>\$ 185,970,075</u>	<u>\$ 78,871,879</u>	<u>\$ 264,841,954</u>
Total assets			
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Due within one year			
Accounts payable	\$ 8,143,454	\$ 1,812,184	\$ 9,955,638
Accrued payroll and related taxes	299,561	18,605	318,166
Deposits	6,720	613,286	620,006
Accrued interest payable	1,566,014	-	1,566,014
Deferred revenues	33,600,095	429,506	34,029,601
Contracts payable	-	280,000	280,000
Other liabilities	47,621	-	47,621
Current portion of bonds payable	2,564,354	-	2,564,354
Compensated absences payable	859,875	63,454	923,329
Due in more than one year			
General obligation bonds payable	62,994,881	-	62,994,881
	<u>110,082,575</u>	<u>3,217,035</u>	<u>113,299,610</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	21,251,489	57,258,200	78,509,689
Restricted for:			
Debt service	189,929	-	189,929
Development fee fund	785,915	-	785,915
Set aside square mile	8,372	-	8,372
Notes receivable	135,334	-	135,334
Unrestricted	53,516,461	18,396,644	71,913,105
Total net assets	<u>75,887,500</u>	<u>75,654,844</u>	<u>151,542,344</u>
Total liabilities and net assets	<u>\$ 185,970,075</u>	<u>\$ 78,871,879</u>	<u>\$ 264,841,954</u>

See Notes to Financial Statements

**CITY OF SURPRISE, ARIZONA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2002**

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Total Governmental Fund Balances	\$ 56,898,371
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds	86,810,724
Current liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds	(1,566,014)
Other long-term assets are not available to pay for current-year expenditures and therefore are deferred in the funds.	135,335
Internal service funds used by the management to charge cost of insurance to individual fund	28,194
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(66,419,110)</u>
Net Assets of Governmental Activities	<u><u>\$ 75,887,500</u></u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Business-type	Total
					Activities	Activities	
Governmental Activities							
General government	\$ 5,641,126	\$ 4,725,121	\$ 3,000	\$ 750,212	\$ (162,793)	\$ -	\$ (162,793)
Public safety	10,638,974	762,521	-	1,033,110	(8,843,343)	-	(8,843,343)
Public works and streets	6,385,869	1,627,168	2,926,522	1,079,304	(752,875)	-	(752,875)
Community services	2,271,931	10,022	71,730	306,844	(1,883,335)	-	(1,883,335)
Culture and recreation	5,959,097	5,175,842	-	2,721,501	1,938,246	-	1,938,246
Cost of sales and services (SLD's)	277,592	-	-	-	(277,592)	-	(277,592)
Administrative	510,003	-	-	-	(510,003)	-	(510,003)
Interest	4,988,389	-	-	-	(4,988,389)	-	(4,988,389)
	<u>36,672,981</u>	<u>12,300,674</u>	<u>3,001,252</u>	<u>5,890,971</u>	<u>(15,480,084)</u>	<u>-</u>	<u>(15,480,084)</u>
Business Type Activities							
Water	1,782,272	4,190,250	-	1,212,468	-	3,620,446	3,620,446
Replenishment	104,292	1,586,721	-	-	-	1,482,429	1,482,429
Sewer	5,659,805	7,870,493	-	5,172,395	-	7,383,083	7,383,083
Sanitation	1,171,441	1,161,758	-	-	-	(9,683)	(9,683)
	<u>8,717,810</u>	<u>14,809,222</u>	<u>-</u>	<u>6,384,863</u>	<u>-</u>	<u>12,476,275</u>	<u>12,476,275</u>
Total Primary Government	<u>\$ 45,390,791</u>	<u>\$ 27,109,896</u>	<u>\$ 3,001,252</u>	<u>\$ 12,275,834</u>	<u>\$ (15,480,084)</u>	<u>\$ 12,476,275</u>	<u>\$ (3,003,809)</u>
General Revenues							
Property taxes					\$ 2,576,629	\$ -	\$ 2,576,629
Sales taxes					21,892,601	-	21,892,601
Franchise taxes					1,260,845	-	1,260,845
Grants and contributions not restricted to specific programs					3,397,899	40,961	3,438,860
Unrestricted investment earnings					2,102,205	385,771	2,487,976
Other					1,379,420	-	1,379,420
Transfers					(2,490,052)	2,490,052	-
Total General Revenues and Transfers					<u>30,119,547</u>	<u>2,916,784</u>	<u>33,036,331</u>
Increase (decrease) in net assets					14,639,463	15,393,059	30,032,522
Net Assets - beginning					61,248,037	60,261,785	121,509,822
Net Assets - ending					<u>\$ 75,887,500</u>	<u>\$ 75,654,844</u>	<u>\$ 151,542,344</u>

See Notes to Financial Statements

**CITY OF SURPRISE, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

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Net Change in Fund Balances - Total Governmental Funds	\$ (28,200,182)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	41,955,344
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due	(1,566,014)
Some revenue reported on the statement of activities, such as future payments received on receivables are not recorded as revenue in governmental funds	135,335
Internal service funds used by management to charge the cost of insurance to individual funds	28,194
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	259,508
Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets	2,027,278
	<u>\$ 14,639,463</u>

**CITY OF SURPRISE, ARIZONA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2002**

<b>ASSETS</b>	<b>General Fund</b>	<b>Municipal Property Corporation Fund</b>	<b>Highway User Fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,133,315	\$ 45,524,017	\$ 1,105,314
Investment in employee deferred compensation fund			
Receivables, (net of allowances)			
Interest	81,606	-	11,838
Taxes and franchise fees	387,508	-	171,794
Accounts	560,513	-	-
Intergovernmental	305,529	26,342,803	-
Fines	2,256,446	-	-
Due from other funds	3,056,171	-	-
Notes receivable - noncurrent, net of discount	-	-	-
Other Assets	-	-	-
<b>Total assets</b>	<b>\$ 19,781,088</b>	<b>\$ 71,866,820</b>	<b>\$ 1,288,946</b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 495,019	\$ 6,845,255	\$ 413,542
Accrued payroll and related taxes	284,126	-	13,984
Due to other funds	-	-	-
Deposits	6,720	-	-
Deferred revenues	2,255,292	31,342,803	2,000
Other liabilities	47,621	-	-
<b>Total liabilities</b>	<b>3,088,778</b>	<b>38,188,058</b>	<b>429,526</b>
 <b>FUND BALANCE</b>			
Fund Balances			
Reserved for other non-current assets	-	-	-
Unreserved, reported in:			
General fund	16,692,310	-	-
Special revenue funds	-	33,678,762	859,420
Debt service funds	-	-	-
Reserved special revenue funds	-	-	-
<b>Total fund balance</b>	<b>16,692,310</b>	<b>33,678,762</b>	<b>859,420</b>
<b>Total liabilities and fund balance</b>	<b>\$ 19,781,088</b>	<b>\$ 71,866,820</b>	<b>\$ 1,288,946</b>

See Notes to Financial Statements

<b>Public Safety Development Fee Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,040,192	\$ 2,708,360	\$ 63,511,198
13,024	13,622	120,090
-	-	559,302
-	2,251	562,764
-	-	26,648,332
-	-	2,256,446
-	-	3,056,171
-	135,334	135,334
<u>690,000</u>	<u>1,997,854</u>	<u>2,687,854</u>
<u>\$ 1,743,216</u>	<u>\$ 4,857,421</u>	<u>\$ 99,537,491</u>
\$ 20,918	\$ 368,320	\$ 8,143,054
-	1,451	299,561
-	406,734	406,734
-	-	6,720
-	135,335	33,735,430
-	-	47,621
<u>20,918</u>	<u>911,840</u>	<u>42,639,120</u>
690,000	1,985,000	2,675,000
-	-	16,692,310
1,032,298	976,365	36,546,845
-	189,929	189,929
-	794,287	794,287
<u>1,722,298</u>	<u>3,945,581</u>	<u>56,898,371</u>
<u>\$ 1,743,216</u>	<u>\$ 4,857,421</u>	<u>\$ 99,537,491</u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>General Fund</b>	<b>Municipal Property Corporation Fund</b>	<b>Highway User Fund</b>
<b>REVENUES</b>			
Taxes	\$ 18,452,781	\$ -	\$ 2,091,847
Licenses and permits	1,260,845	3,257,197	-
Intergovernmental	6,023,751	-	-
Charges for services	5,905,941	-	-
Fines	681,061	-	-
Rents	630,923	5,000,000	-
Donations	9,336	-	-
Development fees	-	-	-
Interest	646,094	1,306,512	47,085
Other	804,921	-	740,982
	<u>34,415,653</u>	<u>9,563,709</u>	<u>2,879,914</u>
Total revenues			
<b>EXPENDITURES</b>			
Current			
General government	6,832,096	-	-
Public safety	9,458,358	-	-
Public works and streets	1,876,550	-	1,827,699
Community services	2,255,586	-	18
Culture and recreation	2,096,214	453,246	-
Costs of sales and services (SLD's)	-	-	-
Administration	-	507,881	-
Capital outlay	2,803,810	38,139,320	1,677,565
Debt service			
Principal	224,703	1,275,000	-
Interest and fiscal charges	15,709	3,160,078	-
	<u>25,563,026</u>	<u>43,535,525</u>	<u>3,505,282</u>
Total expenditures			
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>8,852,627</u>	<u>(33,971,816)</u>	<u>(625,368)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(17,625,300)</u>	<u>13,206,848</u>	<u>350,000</u>
Total other financing sources (uses)	<u>(17,625,300)</u>	<u>13,206,848</u>	<u>350,000</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>			
	<u>(8,772,673)</u>	<u>(20,764,968)</u>	<u>(275,368)</u>
<b>FUND BALANCES, beginning of year</b>	<u>25,464,983</u>	<u>54,443,730</u>	<u>1,134,788</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 16,692,310</u>	<u>\$ 33,678,762</u>	<u>\$ 859,420</u>

See Notes to Financial Statements

<b>Public Safety Development Fee Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 1,188,563	\$ 21,733,191
-	-	4,518,042
-	41,697	6,065,448
1,012,819	6,558	6,925,318
-	-	681,061
-	-	5,630,923
-	-	9,336
-	4,551,017	4,551,017
43,501	84,382	2,127,574
-	14,683	1,560,586
<u>1,056,320</u>	<u>5,886,900</u>	<u>53,802,496</u>
-	167,825	6,999,921
729,443	-	10,187,801
-	1,327,508	5,031,757
-	-	2,255,604
-	2,090,112	4,639,572
-	277,592	277,592
-	2,122	510,003
761,595	778,433	44,160,723
-	527,575	2,027,278
-	246,588	3,422,375
<u>1,491,038</u>	<u>5,417,755</u>	<u>79,512,626</u>
<u>(434,718)</u>	<u>469,145</u>	<u>(25,710,130)</u>
<u>2,610,300</u>	<u>(1,031,900)</u>	<u>(2,490,052)</u>
<u>2,610,300</u>	<u>(1,031,900)</u>	<u>(2,490,052)</u>
<u>2,175,582</u>	<u>(562,755)</u>	<u>(28,200,182)</u>
<u>(453,284)</u>	<u>4,508,336</u>	<u>85,098,553</u>
<u>\$ 1,722,298</u>	<u>\$ 3,945,581</u>	<u>\$ 56,898,371</u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2002**

ASSETS	Business-type Activities			
	Water	Sewer	Sanitation	Replenishment
<b>ASSETS</b>				
Current				
Cash and cash equivalents	\$ 7,639,497	\$ 8,628,649	\$ 40,376	\$ 1,979,275
Receivables, (net of allowances)				
Accounts	905,789	1,114,560	415,247	203,728
	<u>8,545,286</u>	<u>9,743,209</u>	<u>455,623</u>	<u>2,183,003</u>
Long-term				
Fixed assets, net	8,325,884	48,338,381	550,304	43,631
Other Assets	1,010,995	2,325,000	-	-
	<u>9,336,879</u>	<u>50,663,381</u>	<u>550,304</u>	<u>43,631</u>
Total assets	<u>\$ 17,882,165</u>	<u>\$ 60,406,590</u>	<u>\$ 1,005,927</u>	<u>\$ 2,226,634</u>
<b>LIABILITIES</b>				
<b>LIABILITIES</b>				
Current				
Accounts payable	\$ 915,448	\$ 761,317	\$ 95,422	\$ 39,997
Accrued payroll and related taxes	2,187	11,359	4,452	607
Due to other funds	2,649,437	-	-	-
	<u>3,567,072</u>	<u>772,676</u>	<u>99,874</u>	<u>40,604</u>
Long-term				
Deposits	134,468	307,323	166,033	5,462
Deferred revenues	114,369	295,713	6,000	13,424
Compensated absences payable	6,653	41,001	14,309	1,491
Contracts payable	280,000	-	-	-
	<u>535,490</u>	<u>644,037</u>	<u>186,342</u>	<u>20,377</u>
Total liabilities	<u>4,102,562</u>	<u>1,416,713</u>	<u>286,216</u>	<u>60,981</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,325,884	48,338,381	550,304	43,631
Net Assets				
Unreserved	5,453,719	10,651,496	169,407	2,122,022
Total net assets	<u>13,779,603</u>	<u>58,989,877</u>	<u>719,711</u>	<u>2,165,653</u>
Total liabilities and net assets	<u>\$ 17,882,165</u>	<u>\$ 60,406,590</u>	<u>\$ 1,005,927</u>	<u>\$ 2,226,634</u>

See Notes to Financial Statements

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<u>Business-type Activities</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service</u>
\$ 18,287,797	27,545
2,639,324	1,049
<u>20,927,121</u>	<u>28,594</u>
57,258,200	-
3,335,995	-
<u>60,594,195</u>	<u>-</u>
<u>\$ 81,521,316</u>	<u>\$ 28,594</u>

\$ 1,812,184	400
18,605	-
2,649,437	-
<u>4,480,226</u>	<u>400</u>

613,286	-
429,506	-
63,454	-
280,000	-
<u>1,386,246</u>	<u>-</u>
<u>5,866,472</u>	<u>400</u>

57,258,200	-
18,396,644	28,194
<u>75,654,844</u>	<u>28,194</u>
<u>\$ 81,521,316</u>	<u>\$ 28,594</u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Business-type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Replenishment</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,216,562	\$ 7,885,186	\$ 1,161,714	\$ 1,586,721
<b>OPERATING EXPENSES</b>				
Cost of sales and services	1,635,633	4,498,499	1,076,718	104,292
Administration	-	-	-	-
Depreciation	146,639	1,161,306	94,723	-
Total operating expenses	1,782,272	5,659,805	1,171,441	104,292
Operating income (loss)	2,434,290	2,225,381	(9,727)	1,482,429
<b>NONOPERATING REVENUES</b>				
Donations	1,212,468	5,172,395	-	-
Interest revenue	26,199	309,599	6,019	43,954
Total nonoperating revenues (expenses)	1,238,667	5,481,994	6,019	43,954
Income (loss) before operating transfers	3,672,957	7,707,375	(3,708)	1,526,383
<b>TRANSFERS</b>				
Transfers	5,384,959	(2,894,907)	-	-
<b>CHANGE IN NET ASSETS</b>				
<b>INCREASE (DECREASE)</b>	9,057,916	4,812,468	(3,708)	1,526,383
<b>EQUITY TRANSFERS</b>	(639,270)	-	-	639,270
<b>NET ASSETS, JULY 1</b>	5,360,957	54,177,409	723,419	-
<b>NET ASSETS, JUNE 30</b>	\$ 13,779,603	\$ 58,989,877	\$ 719,711	\$ 2,165,653

See Notes to Financial Statements

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<b>Business-type Activities</b>	<b>Governmental Activities</b>
<b>Totals</b>	<b>Internal Service</b>
\$ 14,850,183	\$ 673,394
7,315,142	-
-	645,200
1,402,668	-
8,717,810	645,200
6,132,373	28,194
6,384,863	-
385,771	-
6,770,634	-
12,903,007	28,194
2,490,052	-
15,393,059	28,194
-	-
60,261,785	-
\$ 75,654,844	\$ 28,194

**CITY OF SURPRISE, ARIZONA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Business-type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Replenishment</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 3,734,630	\$ 7,499,960	\$ 986,157	\$ 1,403,370
Cash paid to suppliers	(1,079,740)	(4,017,672)	(1,053,739)	(63,688)
Cash paid for insurance	-	-	-	-
Net cash provided by (used in) operating activities	<u>2,654,890</u>	<u>3,482,288</u>	<u>(67,582)</u>	<u>1,339,682</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING TRANSACTIONS</b>				
Acquisitions, construction, and transfer of capital assets	<u>(4,538,332)</u>	<u>(6,142,695)</u>	<u>101,939</u>	<u>(43,631)</u>
Net cash provided by capital and related financing transactions	<u>(4,538,332)</u>	<u>(6,142,695)</u>	<u>101,939</u>	<u>(43,631)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash received from donations	1,214,712	5,237,533	-	-
Cash received from (paid to) other funds	8,034,396	(2,894,907)	-	-
Equity transfers between funds	<u>(639,270)</u>	<u>-</u>	<u>-</u>	<u>639,270</u>
Net cash provided by (used in) noncapital financing activities	<u>8,609,838</u>	<u>2,342,626</u>	<u>-</u>	<u>639,270</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash received from interest income	<u>32,704</u>	<u>374,205</u>	<u>6,019</u>	<u>43,954</u>
Net cash provided by investing activities	<u>32,704</u>	<u>374,205</u>	<u>6,019</u>	<u>43,954</u>
<b>NET CHANGE IN CASH</b>	<b>6,759,100</b>	<b>56,424</b>	<b>40,376</b>	<b>1,979,275</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>880,397</u>	<u>8,572,225</u>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 7,639,497</u>	<u>\$ 8,628,649</u>	<u>\$ 40,376</u>	<u>\$ 1,979,275</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	<u>\$ 2,434,290</u>	<u>\$ 2,225,381</u>	<u>\$ (9,727)</u>	<u>\$ 1,482,429</u>
Changes in operating assets and liabilities				
Depreciation expense	146,639	1,161,306	94,723	-
(Increase) decrease in				
Accounts receivable	(634,013)	(680,182)	(232,204)	(203,728)
Other assets	(1,201)	-	-	-
Increase (decrease) in				
Accounts payable	555,588	478,028	21,886	39,997
Accrued payroll and taxes	305	2,799	1,093	607
Utility deposits	48,855	95,293	52,956	5,462
Deferred revenues	102,055	185,012	1,344	13,424
Compensated absences payable	2,372	14,651	2,347	1,491
Total adjustments	<u>220,600</u>	<u>1,256,907</u>	<u>(57,855)</u>	<u>(142,747)</u>
Net cash provided by (used in) operating activities	<u>2,654,890</u>	<u>3,482,288</u>	<u>(67,582)</u>	<u>1,339,682</u>

See Notes to Financial Statements

<u>Business-type Activities</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service</u>
\$ 13,624,117	\$ 672,345
(6,214,839)	-
<u>-</u>	<u>(644,800)</u>
<u>7,409,278</u>	<u>27,545</u>
<u>(10,622,719)</u>	<u>-</u>
<u>(10,622,719)</u>	<u>-</u>
6,452,245	-
5,139,489	-
<u>-</u>	<u>-</u>
<u>11,591,734</u>	<u>-</u>
<u>456,882</u>	<u>-</u>
<u>456,882</u>	<u>-</u>
8,835,175	27,545
<u>9,452,622</u>	<u>-</u>
<u>\$ 18,287,797</u>	<u>\$ 27,545</u>
<u>\$ 6,132,373</u>	<u>\$ 28,194</u>
1,402,668	
(1,750,127)	(1,049)
(1,201)	-
1,095,499	400
4,804	-
202,566	-
301,835	-
20,861	-
<u>1,276,905</u>	<u>(649)</u>
<u>7,409,278</u>	<u>27,545</u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**PENSION TRUST FUND**  
**JUNE 30, 2002**

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	<b>Volunteer Firefighters Pension and Relief Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 80,941
Receivables	
Interest	477
	<hr/>
	\$ 81,418
	<hr/> <hr/>
<b>NET ASSETS</b>	
Net assets	\$ 81,418
	<hr/> <hr/>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2002**

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	<b>Volunteer Firefighters Pension and Relief Fund</b>
<b>ADDITIONS</b>	
Interest	\$ 2,861
Total revenues	<u>2,861</u>
<b>DEDUCTIONS</b>	
Miscellaneous	<u>-</u>
Net Income	2,861
<b>NET ASSETS, beginning of year</b>	<u>78,557</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 81,418</u></u>

**CITY OF SURPRISE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

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

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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.

**A. REPORTING ENTITY**

The City is located approximately 20 miles northwest of downtown Phoenix and was incorporated in 1964 under the provision of the Arizona Constitution. On March 21, 1995, the voters approved the Home Rule, an alternative expenditure limitation for budget years through June 30, 2002. The City is governed by an elected mayor, vice mayor, and a five 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 City of Surprise Voluntary Firefighters Pension and Relief Fund (Fund)* is administered by an appointed board as set forth by Title 9 of the Arizona Revised Statutes. The Fund provides retirement benefits to the City's firefighters, and is held by the City in a trustee capacity.

*The Surprise Municipal Property 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 Districts (SLD's)* are maintained by the City for developing areas, including Kingswood Park, Del Webb Sun City Grand, West Pointe Town Center, Continental at Kingswood Park, Mountain Vista Ranch I, II and III, Sun City Grand II and III, Bell West Ranch, Canyon Ridge, Ashton Ranch I and II, Legacy Park, Roseview and Countryside. The SLD assessment rates are approved by the City's council. The SLD's are reported in the special revenue fund.

For the fiscal year ended June 30, 2002, the City had no discretely presented component units.

**RELATED ORGANIZATIONS**

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

*(Continued)*

## NOTES TO FINANCIAL STATEMENTS

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### ***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 and account groups. 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. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds because they do not directly affect net expendable available financial resources.

#### ***Government-Wide Financial Statements***

The City has elected early implementation of GASB Statement 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 revenues are presented as 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 assets should be reported as restricted when constraints placed on net asset use are 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. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rule for the fund activity and are separately established for restricted and unrestricted activity. For both restricted and unrestricted funds that are available for expenditure, the decision for funding is transactional based with the departmental management system in place at the City.

*(Continued)*

## NOTES TO FINANCIAL STATEMENTS

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### ***Fund Financial Statements***

Fund financial statements report detailed information about the City. The focus of governmental enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is 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 the basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. 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 ***highway user fund*** accounts for revenue and expenditures that are legally restricted to expenditures for the construction, repairs, and maintenance of public works and streets.

The ***municipal property corporation fund*** accounts for revenue and expenditures that are legally restricted to expenditures for the construction of major capital facilities.

The ***public safety development fee fund*** accounts for revenue and expenditures that are legally restricted to expenditures for public safety activities.

### ***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. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The proprietary fund of the City includes the following fund type:

The ***water fund*** accounts for the provision of the water treatment and distribution to the residents and commercial users of the City.

The ***sewer fund*** accounts for sanitary sewer services provided to the residential and commercial users of the City.

The ***sanitation fund*** accounts for trash collection services provided to the residential and some commercial users of the City.

The ***replenishment fund*** accounts for future replenishment of water sources used in the water treatment and distribution to residents and commercial users of the City.

(Continued)

## NOTES TO FINANCIAL STATEMENTS

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In addition, the City reports the following fund types:

*Internal Service Fund* is accounted for in essentially the same manner as the proprietary funds, using the same measurement focal and basis of accounting. The fund accounts for financial activity of the City's internal insurance activity.

*Pension Trust Fund* (not included in government-wide statements) is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The fund accounts for the assets of the City's firefighter pension and trust.

### C. CASH AND CASH EQUIVALENTS

The City's cash and 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.

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 market.

### D. RECEIVABLES AND PAYABLES

Outstanding balances between funds are reported as "due from other funds" or "due to other funds." All accounts receivable are shown net of allowance for uncollectibles when applicable.

### E. INVENTORIES

Inventories consist of expendable supplies held for consumption and are recorded at the time of purchase as expenditures in the fund from which the purchases were made; and because the amounts on hand at June 30, 2002 are immaterial, they were not included in the statement of net assets.

### F. CAPITAL ASSETS

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The City capitalizes all purchases greater than \$10,000. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation bases for general capital assets are historical costs, or where historical costs is not available, estimated historical costs based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

Donated capital assets are capitalized at estimated fair market value on date donated.

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; building, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

(Continued)

## NOTES TO FINANCIAL STATEMENTS

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### G. COMPENSATED ABSENCES

Vested or accumulated vacation 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provision of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The City pays employees for unused sick leave annually, at which point the expenditure is recognized.

### H. FUND BALANCE

Reservations of fund balances represent amounts that are not appropriate or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

### I. PROPERTY TAXES

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.

The two-tiered system includes a primary levy (discussed above) and a secondary property tax for the purpose of retiring the principal and interest on bonded indebtedness. This levy is referred to as the "unlimited" levy. In other words, this property tax may be levied in an amount necessary by the City (Article IX, Section 19, Subsection 2, Paragraph A, Arizona State Constitution).

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 deferred 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.

### J. 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.

*(Continued)*

## NOTES TO FINANCIAL STATEMENTS

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### K. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses are accounted for as interfund transactions in the reimbursing fund and as reductions of expenditures/expenses in the funds that are reimbursed. For the purpose of the statement of activities, all interfund transfers between individual government funds have been eliminated.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

### L. CHANGE IN ACCOUNTING PRINCIPLES

The implementation of GASB #33, 34, 36, 37, and 38 are a change in accounting principle, which caused certain prior year net asset/fund balances to be restated. The City also reclassified certain funds during the fiscal year 2001 between governmental funds and proprietary funds. The net effect of these movements is shown as an adjustment to beginning net asset/fund balance.

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## NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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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) the present value of net minimum capital lease payments is not budgeted as a capital outlay expenditure and other financing source at the inception of the agreement, and (2) Grants Special Revenue funds and the Capital Projects fund adopt project-length budgets which normally extend beyond the fiscal year.

Prior to the third Monday in July, the City Administrator submits to the City Council a tentative budget for the fiscal year commencing on July 1. The tentative budget includes proposed expenditures and the means of financing them. The proposed budget sets the maximum limit. The tentative budget is published once a week for two weeks in a local newspaper. On or before the second Monday in August, the City Council amends and approves the budget by a simple majority.

The budget is adopted at the fund and department level, and expenditures may not exceed the department line items as adopted, unless an emergency exists. In such a case, transfers may be approved after final adoption by the Council at a public meeting. During the year, transfers were not approved as an emergency measure.

Encumbrance accounting, under which purchase orders, contract, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed as an extension of the formal budgetary control in the governmental funds. Encumbrances outstanding at year-end for goods or services that were not received before year-end are canceled.

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## NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the governmental-wide statement of activities:*

(Continued)

## NOTES TO FINANCIAL STATEMENTS

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The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlays	\$ 44,160,723
Depreciation	<u>(2,205,379)</u>
	<u>\$ 41,955,344</u>

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### NOTE 4 - CASH AND CASH EQUIVALENTS

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Cash and cash equivalents are made up of deposits in the bank, cash on hand, and cash invested in the Local Government Investment Pool (L.G.I.P.) managed by the Arizona State Treasurer in accordance with Arizona statutes. Total cash and cash equivalents were \$81,826,540 as of June 30, 2002.

**Deposits and Invested Deposits** - At year-end, the carrying amount of the City’s operating deposits were \$1,281,589 and the bank balance was \$284,477. The difference represents outstanding checks and deposits which are held in the checking account at the financial institutions trust department until checks are presented for payment. Of the bank balance, seven percent was covered by federal depository insurance and the remainder was covered by collateral held in the pledging financial institution’s trust department in the City’s name. The City has an additional \$31,918,875 deposited into bank accounts under the Municipal Property Corporation Fund.

**Cash Invested** - Funds of \$48,624,286 are held exclusive in the L.G.I.P. The City’s investment in the L.G.I.P. is stated at cost, which approximates market. In this Pool, the City’s monies are combined with those of the other investors in the Pool. As such, the City does not own specific securities within the Pool; they are, therefore, not categorized. The state does not provide specific market values to its participants. Interest earned from investments in the L.G.I.P. is allocated to all funds monthly.

**Cash on Hand** - This includes a petty cash fund and beginning cash for the registers kept at the City Hall, the courthouse, and the Parks and Recreation Department. Cash on hand at June 30, 2002 was \$1,790.

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### NOTE 5 – NOTES RECEIVABLE

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Notes receivable at June 30, 2002 represents a contribution from Northwest Regional Landfill, a private landfill developer, to the City’s recreational enhancement fund for the purpose of providing appropriate recreational areas and facilities. The note receivable is stated at the estimated present value of future receipts, using an 8% imputed interest rate. Under the terms of the contract, which requires annexation before releasing payments, the City does not expect to start receiving payments until the fiscal year ending June 30, 2003.

Future minimum payments to be received by the City under the terms of the note receivable are as follows:

(Continued)

**NOTES TO FINANCIAL STATEMENTS**

Year ending June 30,	Amount due to the City
2003	\$ 25,000
2004	25,000
2005	25,000
2006	25,000
2007	50,000
Thereafter	<u>50,000</u>
	200,000
Unamortized discount	<u>(64,666)</u>
Net present value	<u>\$ 135,334</u>

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2002, was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Not being depreciated:					
Land and land improvements	\$ 927,272	\$ 4,933,222	\$ -	\$ (158,741)	\$ 5,701,753
Construction in process	-	24,405,852	-	-	24,405,852
Other capital assets:					
Building and improvements	5,781,332	5,659,810	(32,521)	144,370	11,552,991
Equipment and vehicles	5,814,383	1,875,895	(1,046,745)	14,371	6,657,904
Infrastructure	38,819,098	7,285,944	-	-	46,105,042
	<u>51,342,085</u>	<u>44,160,723</u>	<u>(1,079,266)</u>	<u>-</u>	<u>94,423,542</u>
Accumulated depreciation					
Building and improvements	(1,140,726)	(202,997)	-	-	(1,343,723)
Equipment and vehicles	(2,044,811)	(764,912)	-	-	(2,809,723)
Infrastructure	(2,221,902)	(1,237,470)	-	-	(3,459,372)
	<u>(5,407,439)</u>	<u>(2,205,379)</u>	<u>-</u>	<u>-</u>	<u>(7,612,818)</u>
	<u>\$ 45,934,646</u>	<u>\$ 41,955,344</u>	<u>\$ (1,079,266)</u>	<u>\$ -</u>	<u>\$ 86,810,724</u>

Depreciation was charged by function as follows:

General government	\$ 295,339
Public safety	479,367
Public works and streets, includes depreciation for infrastructure	1,354,112
Community services	16,327
Culture and recreation	<u>60,234</u>
Total governmental activities depreciation expense	<u>\$ 2,205,379</u>

(Continued)

**NOTES TO FINANCIAL STATEMENTS**

	<b>Primary Government</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
<b>Business-type activities:</b>				
Not being depreciated:				
Land	\$ 3,087,151	\$ -	\$ -	\$ 3,087,151
Construction in progress	3,390,444	741,221	-	4,131,665
	<u>6,477,595</u>	<u>741,221</u>	<u>-</u>	<u>7,218,816</u>
Other capital assets:				
Plant and improvements	49,156,966	5,893,946	-	55,050,912
Vehicles and equipment	1,551,701	14,333	(252,650)	1,313,384
	<u>50,708,667</u>	<u>5,908,279</u>	<u>(252,650)</u>	<u>56,364,296</u>
	57,186,262	6,649,500	(252,650)	63,583,112
Accumulated depreciation				
Sewer	(4,191,984)	(1,161,306)	29,781	(5,323,509)
Sanitation	(587,302)	(94,723)	85,898	(596,127)
Water	(260,158)	(146,639)	1,521	(405,276)
	<u>(5,039,444)</u>	<u>(1,402,668)</u>	<u>117,200</u>	<u>(6,324,912)</u>
	<u>\$52,146,818</u>	<u>\$ 5,246,832</u>	<u>\$ (135,450)</u>	<u>\$57,258,200</u>

Depreciation was charged by function as follows:

Sewer	\$ 1,161,306
Sanitation	94,723
Water	<u>146,639</u>
	<u>\$ 1,402,668</u>

Effectively with these financial statements, the City has implemented the infrastructure reporting requirements of GASB Statement #34, including retroactive infrastructure, with the following exception: the City is currently working with other governmental entities to obtain appropriate records to value certain roads and buildings.

**NOTE 7 - WATER RIGHTS – MOUNTAIN VISTA**

Water rights reported in the water enterprise fund represent the intangible right to water usage in conjunction with the purchase of Mountain Vista. The land is not usable for any other purpose and therefore has no value to the City separate from the water rights. Water rights are to be amortized over a 40 year estimated useful life. As of June 30, 2002, the water rights had not been used; therefore, no amortization expense was incurred.

Contracts payable in the water enterprise fund represent \$280,000 due to the same developer for the purchase of the water rights. The contract payable is to be repaid as the City collects water development fees once the water well is in operation.

**NOTE 8 - LONG-TERM DEBT**

The following is a summary of long-term debt for the year ended:

*(Continued)*

## NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds					
4.5% 1994 Series A, \$1,500,000 issued	\$ 1,125,000	\$ -	\$ (70,000)	\$ 1,055,000	\$ 75,000
4.5% 1994 Series B, \$2,530,000 issued	1,900,000	-	(125,000)	1,775,000	130,000
	<u>3,025,000</u>	<u>-</u>	<u>(195,000)</u>	<u>2,830,000</u>	<u>205,000</u>
General municipal property corporation fund obligation					
Series 2000 Bonds, \$59,120,000 issued	59,120,000	-	(1,275,000)	57,845,000	1,850,000
Total governmental obligation bonds	<u>62,145,000</u>	<u>-</u>	<u>(1,470,000)</u>	<u>60,675,000</u>	<u>2,055,000</u>
Notes payable					
3.15% Loan-Wastewater Management Authority, \$4,765,955 issued	2,973,371	-	(332,575)	2,640,796	343,058
Capital leases					
5.20% Front-end loader	47,003	-	(22,861)	24,142	24,142
5.20% Police Vehicles	73,513	-	(35,912)	37,601	37,601
5.20% Fire engine	203,944	-	(99,391)	104,553	104,553
6.19% Street sweeper	11,229	-	(11,229)	-	-
6.30% Motorola dispatch	55,310	-	(55,310)	-	-
	<u>390,999</u>	<u>-</u>	<u>(224,703)</u>	<u>166,296</u>	<u>166,296</u>
Compensated absences	600,367	259,508	-	859,875	859,875
Developer payable	2,077,143	-	-	2,077,143	-
Total governmental activities debt	<u>68,186,880</u>	<u>259,508</u>	<u>(2,027,278)</u>	<u>66,419,110</u>	<u>3,424,229</u>
<b>Business-type activities:</b>					
Contracts payable	\$ 280,000	\$ -	\$ -	\$ 280,000	\$ 280,000

### Governmental Activities - Bonds & Loans

Year Ended December 31	Governmental Obligation		WWMA Loan		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 2,055,000	\$ 3,215,441	\$ 343,058	\$ 83,238	\$ 166,296	\$ 6,521
2004	2,165,000	3,115,478	353,871	72,425	-	-
2005	2,275,000	3,009,802	365,025	61,270	-	-
2006	2,410,000	2,895,977	376,531	49,765	-	-
2007	2,495,000	2,774,878	388,399	37,896	-	-
2008-2012	14,485,000	11,775,742	813,912	38,681	-	-
2013-2017	17,350,000	7,447,320	-	-	-	-
2018-2022	17,440,000	2,057,700	-	-	-	-
Total	<u>\$60,675,000</u>	<u>\$36,292,338</u>	<u>\$ 2,640,796</u>	<u>\$ 343,275</u>	<u>\$ 166,296</u>	<u>\$ 6,521</u>

(Continued)

## NOTES TO FINANCIAL STATEMENTS

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### *Municipal Property Corporation*

The City of Surprise Municipal Property Corporation (MPC) issued special limited obligations for the construction of major capital facilities. The bonds and interest are limited obligations of the MPC, payable from lease rental income.

### *Developer Payable*

Del Webb, a developer, incurred \$2,077,143 in costs for road development. In an agreement with the City, the first \$200,000 in sales tax received annually from the applicable parcels goes to the City. The second \$200,000 goes to the developer to be applied to interest and the \$2,077,143. Any monies received over \$400,000 are split equally between the City and the developer. In 2002, \$167,095 were paid to the developer and applied to interest accrued in 2002.

### *Legal Debt Limit*

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the secondary assessed valuation of the taxable property of the city for projects supplying the city with water, artificial light or sewers. The 2001 secondary assessed valuation of the City of Surprise is \$229,662,570. Accordingly, the legal limit for bonded indebtedness for the City is \$45,932,514 for the fiscal year ended June 30, 2002, leaving \$40,461,718, respectively of unused borrowing capacity.

### *Compensated Absences*

Compensated absences are liquidated by the general fund and do not have scheduled future debt service requirements beyond one year.

### *Capital Leases*

Leased equipment under capital leases in capital assets at June 30, 2002 had a book value of approximately \$750,900.

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## **NOTE 9 – MUNICIPAL PROPERTY CORPORATION FUND CONSTRUCTION COMMITMENT LIABILITY**

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As of June 30, 2002, the deferred revenue balance of \$31,342,803 in the Municipal Property Corporation Fund represents a commitment for the construction of a sports complex and other governmental buildings. Of the total deferred revenue balance, \$26,342,803 is due from the Tourism and Sports Authority under an intergovernmental agreement dated May 21, 2001 for their portion of the construction costs. The remaining \$5,000,000 consists of payments made by the City for use in future periods.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10 - RETIREMENT PLANS

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#### *Arizona State Retirement Plan*

##### **A. Plan Description:**

The Arizona State Retirement System (the System) is a cost-sharing multiple-employer defined benefit plan covering employees of Arizona school districts, the State and certain political subdivision. The System provides for retirement, disability, health insurance benefits, and death and survivor benefits. Benefits are paid from resources contributed by members and employers and from earnings on the invested funds. The Arizona Revised Statutes provide statutory authority for determining the employees' and employer contribution amounts as a percentage of covered payroll. The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arizona State Retirement System, 3300 North Central Avenue, Suite 1300, Phoenix, AZ 85012 or by calling (602) 240-2000.

##### **B. Funding Policy**

Under Arizona State Statutes, employee member contributions to the System were fixed at 2 percent of their compensation for the year ended June 30, 2002, with the contributions made by payroll deduction. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change to contribution rate from that actuarially determined rate. The total contributions made by the City for the years ended June 30, 2002, 2001, and 2000, were \$176,735, \$139,215, and \$116,515, respectively, equal to the required contributions for each year.

#### *Retirement Plan For Public Safety Employees*

##### **A. Plan Description**

The City contributes to an agent multiple-employer retirement plan, the Arizona Public Safety Personnel Retirement System (APSPRS), for public safety employees. The APSPRS functions as an investment and administrative agent for the City with respect to the retirement plan for policemen and firemen. The APSPRS provides retirement benefits as well as death and disability benefits. Both benefits and contributions are determined by State of Arizona statutes. The APSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri Avenue, Phoenix, AZ 85014 or by calling (602) 255-5575.

##### **B. Funding Policy**

Employee members are required to contribute 7.65% of their annual covered salary. The retirement plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. For the year ended June 30, 2002, the City contributed 9.55% and 9.80% of annual covered firefighter and police payroll to the plan, respectively.

*(Continued)*

**NOTES TO FINANCIAL STATEMENTS**

**C. Annual Pension Cost**

For 2001, the City’s annual pension cost of \$347,483 for ASPSPRS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the individual entry age normal cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually, (b) projected salary increases of 5.5% per year compounded annually attributable to inflation and (c) additional projected salary increases ranging from 1.0% to 4.0% per year, depending on age, attributable to seniority/merit. The actuarial value of APSPRS assets are determined on a smoothed market basis which spreads differences between actual and assumed investment return over a four-year period.

***Required Supplementary Information – Schedule of Employer Contributions***

Fiscal Year Ended June 30,	Annual Pension Cost		Percent Contributed	Net Pension Obligation
	Fire	Police		
1996	\$ 27,368	\$ 75,724	100.0%	\$ -
1997	35,905	89,385	100.0%	-
1998	46,869	108,020	100.0%	-
1999	93,000	84,376	100.0%	-
2000	120,353	95,652	100.0%	-
2001*	127,242	220,241	100.0%	-

*\*Actual recognized contribution dollar amount will be based on the required contribution rate and the actual pensionable payroll for the period.*

***Schedule of Funding Progress***

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1997	\$ 2,410,417	2,239,515	(170,902)	107.6%	1,267,395	(0.13)
1998	3,003,120	2,855,963	(147,157)	105.2%	2,067,826	(0.07)
1999	3,807,496	3,756,622	(50,874)	101.4%	2,416,085	(0.02)
2000	4,941,863	4,582,523	(359,340)	107.8%	2,934,962	-
2001	6,447,706	5,031,601	(1,416,105)	131.7%	4,077,707	-

(Continued)

**NOTES TO FINANCIAL STATEMENTS**

Five-Year Trend Information

Fiscal Year Ended June 30,	Annual Pension Cost		Percent Contributed	Net Pension Obligation
	Fire	Police		
1996	\$ 27,368	\$ 75,724	100.0%	\$ -
1997	35,905	89,385	100.0%	-
1998	46,869	108,020	100.0%	-
1999	93,000	84,376	100.0%	-
2000	120,353	95,652	100.0%	-
2001*	127,242	220,241	100.0%	-

***Volunteer Firefighters’ Pension and Relief Fund***

*Plan Description*

The Volunteer Firefighters’ Pension and Relief Fund is a discretionary defined benefit plan directly administered by the City. The fund was established to provide pension benefits for its qualified volunteer firefighters. The fund is authorized by Title 9, Chapter VIII, Article 3 of the Arizona Revised Statutes, and is administered by the Board of Trustees. No actuarial valuation of the fund’s position has been made, and no separate report is prepared. Assets of the fund are invested in the State Local Government Investment Pool.

*Pension Benefits*

Volunteer firefighters having served twenty-five years or more, or having reached sixty years of age and served twenty years or more, shall be paid a monthly pension not to exceed \$150 per month as determined by the Board of Trustees. Such pension, if paid, may be increased, decreased, or discontinued at the discretion of the Board of Trustees. If the fund resources are insufficient to pay fully the pensions authorized, the fund shall be prorated among those entitled thereto. The Board of Trustees may grant temporary relief and assistance from the fund to any qualified participant, or beneficiaries of such participant.

***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, or death of unforeseeable emergency. The City's fiduciary responsibility is that of exercising "due care" in selecting a third- party administrator. Federal legislation requires that Section 457 plan assets be held in trust for employees. This means that employee assets held in Section 457 plan assets be held in trust for employees. This means that employee assets held in Section 457 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 Fund is not included in the City's Financial Statements.

**NOTE 11 - RISK MANAGEMENT**

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

*(Continued)*

**NOTES TO FINANCIAL STATEMENTS**

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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 \$20 million per occurrence 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 are 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.

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**NOTE 12 - CONTINGENT LIABILITIES**

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The City was not involved in any pending or threatened litigation that could materially affect the City’s financial position and results of operations at June 30, 2002.

As of June 30, 2002, the City has approximately a \$26,000,000 intergovernmental receivable recorded in the Municipal Property Corporation Fund (MPC Fund). This receivable represents funds that were promised to the City of Surprise by a state governmental agency, but had not been received as of June 30, 2002. The funds are expected to be collected within the following year, and are currently offset by a liability recorded to the deferred revenue account as of June 30, 2002.

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.

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**NOTE 13 - INTERFUND ASSETS, LIABILITIES, AND TRANSFERS**

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	<u>Due to (from)</u>	<u>Transfers in (out)</u>
Governmental funds		
Major governmental funds		
General fund	\$ 3,056,171	\$ (17,625,300)
Municipal property corporation fund	-	13,206,848
Highway user fund	-	350,000
Public safety developmental fund	-	2,610,300
Other governmental funds	(406,734)	(1,031,900)
	<u>2,649,437</u>	<u>(2,490,052)</u>
Business-type funds		
Major business-type funds		
Water	(2,649,437)	5,384,959
Sewer	-	(2,894,907)
	<u>(2,649,437)</u>	<u>2,490,052</u>
Total	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**NOTES TO FINANCIAL STATEMENTS**

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Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and to (c) use unrestrictive revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**NOTE 14 – DEFICIT FUND NET ASSETS**

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***Governmental Funds Equity Deficits:***

***Transit Fund*** – Deficit fund equity balance of \$69,724 is the result of revenues inadequate to cover expenditures for the current year.

The following ***Special Revenue SLID Districts*** have deficit fund equity balances as of June 30, 2002 as a result of revenues inadequate to cover expenses. Future revenue collected is expected to fund the deficit fund equity balances.

	Deficit Fund Balance
Park Row SLID	\$ 4,532
Sun City Grand III SLID	3,667
Bell West Ranch SLD	6,602
Ashton Ranch SLID	6,565
Mountain Vista Ranch III SLD	7,074
Greenway Park SLD	4,588
Roseview SLD	31,630
Countryside SLD	18,846
NW Ranch #2	2,080
Bell West Ranch 1B	980
Ashton Ranch SLID Unit III	4,273
Ashton Ranch SLID Unit IV	2,518
Legacy Park GHI SLID	1,667

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**NOTE 15 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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There are certain street and lighting districts that reflect a deficit fund variance. This is due to the state-imposed limit on taxes within those districts.

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**NOTE 16 – SUBSEQUENT EVENTS**

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The previously issued audited financial statements of the City of Surprise, dated October 4, 2002 have been re-issued and dual dated as of February 4, 2003, to correct certain errors discovered by management during the current year. Certain reclassifications and footnote changes have been made to the previously issued City of Surprise financial statements as of and for the year ended June 30, 2002.

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**SUPPLEMENTAL SECTION**

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**CITY OF SURPRISE, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>General Fund</b>			<b>Variance with Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Plus Encumbrances</b>	
<b>REVENUES</b>				
Taxes	\$ 17,079,900	\$ 17,079,900	\$ 18,452,781	\$ 1,372,881
Licenses and permits	895,000	895,000	1,260,845	365,845
Intergovernmental	8,339,000	8,339,000	6,023,751	(2,315,249)
Charges for services	4,787,000	4,787,000	5,905,941	1,118,941
Fines	560,000	560,000	681,061	121,061
Rents	201,100	201,100	630,923	429,823
Donations	2,993,600	2,993,600	9,336	(2,984,264)
Interest	500,000	500,000	646,094	146,094
Other	150,000	150,000	804,921	654,921
Total revenues	<u>35,505,600</u>	<u>35,505,600</u>	<u>34,415,653</u>	<u>(1,089,947)</u>
<b>EXPENDITURES</b>				
Current				
General government	13,235,555	12,596,000	7,072,508	5,523,492
Public safety	12,088,300	12,165,600	9,458,358	2,707,242
Public works and streets	2,749,300	2,979,300	1,876,550	1,102,750
Community services	2,339,500	2,380,000	2,255,586	124,414
Culture and recreation	3,874,400	3,889,600	2,096,214	1,793,386
Capital outlay	-	-	2,803,810	(2,803,810)
Total expenditures	<u>34,287,055</u>	<u>34,010,500</u>	<u>25,563,026</u>	<u>8,447,474</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,218,545</u>	<u>1,495,100</u>	<u>8,852,627</u>	<u>7,357,527</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>(18,951,700)</u>	<u>(18,951,700)</u>	<u>(17,625,300)</u>	<u>1,326,400</u>
<b>REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(17,733,155)</u>	<u>(17,456,600)</u>	<u>(8,772,673)</u>	<u>8,683,927</u>
<b>FUND BALANCES, beginning of the year</b>	<u>25,464,983</u>	<u>25,464,983</u>	<u>25,464,983</u>	<u>-</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 7,731,828</u>	<u>\$ 8,008,383</u>	<u>\$ 16,692,310</u>	<u>\$ 8,683,927</u>

(Continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

	<b>Municipal Property Corporation Fund</b>			<b>Variance with Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Plus Encumbrances</b>	
<b>REVENUES</b>				
Licenses and permits	\$ -	\$ -	\$ 3,257,197	\$ 3,257,197
Intergovernmental	26,000,000	26,000,000	-	(26,000,000)
Rents	5,000,000	5,000,000	5,000,000	-
Interest	800,000	800,000	1,306,512	506,512
Other	10,490,000	10,490,000	-	(10,490,000)
Total revenues	<u>42,290,000</u>	<u>42,290,000</u>	<u>9,563,709</u>	<u>(32,726,291)</u>
<b>EXPENDITURES</b>				
Current				
General government	-	1,570,000	-	1,570,000
Culture and recreation	2,000,000	2,000,000	1,728,246	271,754
Administration	27,400,000	26,830,000	2,073,895	24,756,105
Capital outlay	<u>77,867,400</u>	<u>77,867,400</u>	<u>41,299,398</u>	<u>36,568,002</u>
Total expenditures	<u>107,267,400</u>	<u>108,267,400</u>	<u>45,101,539</u>	<u>63,165,861</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(64,977,400)</u>	<u>(65,977,400)</u>	<u>(35,537,830)</u>	<u>30,439,570</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>12,530,700</u>	<u>12,530,700</u>	<u>13,206,848</u>	<u>676,148</u>
<b>REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(52,446,700)</u>	<u>(53,446,700)</u>	<u>(22,330,982)</u>	<u>31,115,718</u>
<b>FUND BALANCES, beginning of the year</b>	<u>54,443,730</u>	<u>54,443,730</u>	<u>54,443,730</u>	<u>-</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 1,997,030</u>	<u>\$ 997,030</u>	<u>\$ 32,112,748</u>	<u>\$ 31,115,718</u>

(Continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

	<b>Highway User Fund</b>			<b>Variance with Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Plus Encumbrances</b>	
<b>REVENUES</b>				
Taxes	\$ 1,976,300	\$ 1,976,300	\$ 2,091,847	\$ 115,547
Intergovernmental	305,800	188,800	-	(188,800)
Charges for services	7,500	-	-	-
Interest	40,000	-	47,085	47,085
Other	-	-	740,982	740,982
Total revenues	<u>2,329,600</u>	<u>2,165,100</u>	<u>2,879,914</u>	<u>714,814</u>
<b>EXPENDITURES</b>				
Current				
Public works and streets	3,501,645	3,795,800	1,827,699	1,968,101
Community services	-	-	18	(18)
Culture and recreation	284,500	-	-	-
Capital outlay	-	-	1,677,565	(1,677,565)
Total expenditures	<u>3,786,145</u>	<u>3,795,800</u>	<u>3,505,282</u>	<u>290,518</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,456,545)</u>	<u>(1,630,700)</u>	<u>(625,368)</u>	<u>1,005,332</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>482,400</u>	<u>500,000</u>	<u>350,000</u>	<u>(150,000)</u>
<b>REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(974,145)</u>	<u>(1,130,700)</u>	<u>(275,368)</u>	<u>855,332</u>
<b>FUND BALANCES, beginning of the year</b>	<u>1,134,788</u>	<u>1,134,788</u>	<u>1,134,788</u>	<u>-</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 160,643</u>	<u>\$ 4,088</u>	<u>\$ 859,420</u>	<u>\$ 855,332</u>

(Continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

	<b>Public Safety Development Fee Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Plus Encumbrances</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>				
Charges for services	743,700	743,700	1,012,819	\$ 269,119
Interest	1,000	1,000	43,501	42,501
Total revenues	<u>744,700</u>	<u>744,700</u>	<u>1,056,320</u>	<u>311,620</u>
<b>EXPENDITURES</b>				
Current				
General government	10,000	10,000	-	10,000
Public safety	3,345,000	3,345,000	729,443	2,615,557
Capital outlay	-	-	761,595	(761,595)
Total expenditures	<u>3,355,000</u>	<u>3,355,000</u>	<u>1,491,038</u>	<u>1,863,962</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,610,300)</u>	<u>(2,610,300)</u>	<u>(434,718)</u>	<u>2,175,582</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>2,610,300</u>	<u>2,610,300</u>	<u>2,610,300</u>	<u>-</u>
<b>REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>-</u>	<u>-</u>	<u>2,175,582</u>	<u>2,175,582</u>
<b>FUND BALANCES, beginning of the year</b>	<u>(453,284)</u>	<u>(453,284)</u>	<u>(453,284)</u>	<u>-</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ (453,284)</u>	<u>\$ (453,284)</u>	<u>\$ 1,722,298</u>	<u>\$ 2,175,582</u>

(Continued)

**CITY OF SURPRISE, ARIZONA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2002**

<b>ASSETS</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,518,431	\$ 189,929	\$ 2,708,360
Receivables, (net of allowances)			
Interest	13,622	-	13,622
Accounts	2,251	-	2,251
Notes, net of discount	135,334	-	135,334
Other Assets	1,997,854	-	1,997,854
	<u>\$ 4,667,492</u>	<u>\$ 189,929</u>	<u>\$ 4,857,421</u>
Total assets			
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 368,320	\$ -	\$ 368,320
Accrued payroll and related taxes	1,451	-	1,451
Due to other funds	406,734	-	406,734
Deferred revenues	135,335	-	135,335
	<u>911,840</u>	<u>-</u>	<u>911,840</u>
Total liabilities			
<b>FUND BALANCE</b>			
Reserved for other non-current assets	1,985,000	-	1,985,000
Unreserved, reported in:			
Special revenue funds	976,365		976,365
Debt service funds	-	189,929	189,929
Reserved special revenue funds	794,287	-	794,287
Total fund balance	<u>3,755,652</u>	<u>189,929</u>	<u>3,945,581</u>
Total liabilities and fund balance	<u>\$ 4,667,492</u>	<u>\$ 189,929</u>	<u>\$ 4,857,421</u>

**CITY OF SURPRISE, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 762,207	\$ 426,356	\$ 1,188,563
Intergovernmental	41,697	-	41,697
Charges for services	6,558	-	6,558
Development fees	4,551,017	-	4,551,017
Interest	67,537	16,845	84,382
Other	14,683	-	14,683
	<u>5,443,699</u>	<u>443,201</u>	<u>5,886,900</u>
<b>EXPENDITURES</b>			
Current			
General government	167,825	-	167,825
Public works and streets	1,327,508	-	1,327,508
Culture and recreation	2,090,112	-	2,090,112
Costs of sales and services (SLD's)	277,592	-	277,592
Administration	2,122	-	2,122
Capital outlay	778,433	-	778,433
Debt service			
Principal	-	527,575	527,575
Interest and fiscal charges	-	246,588	246,588
	<u>4,643,592</u>	<u>774,163</u>	<u>5,417,755</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>800,107</u>	<u>(330,962)</u>	<u>469,145</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(1,031,900)</u>	<u>-</u>	<u>(1,031,900)</u>
Total other financing uses	<u>(1,031,900)</u>	<u>-</u>	<u>(1,031,900)</u>
<b>REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES</b>	<u>(231,793)</u>	<u>(330,962)</u>	<u>(562,755)</u>
<b>FUND BALANCES, beginning of year</b>	<u>3,987,445</u>	<u>520,891</u>	<u>4,508,336</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 3,755,652</u>	<u>\$ 189,929</u>	<u>\$ 3,945,581</u>

**CITY OF SURPRISE, ARIZONA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2002**

	<b>Library, Parks &amp; Recreational Enhancement</b>	<b>Transit Fund</b>	<b>Publicworks Expansion Development</b>	<b>10% Set Aside Square Mile</b>	<b>General Govt. Dev Fee Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 1,166,838	\$ 7,886	\$ 782,726
Receivables, net					
Interest	-		6,830	486	4,644
Accounts	-	-	-		-
Notes, net of discount	135,334	-	-	-	-
Other Assets	<u>1,985,000</u>	<u>-</u>	<u>3,253</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,120,334</u>	<u>\$ -</u>	<u>\$ 1,176,921</u>	<u>\$ 8,372</u>	<u>\$ 787,370</u>
<b>LIABILITIES</b>					
Accounts payable	212,445	\$ 1,495	\$ 150,262	\$ -	\$ 1,455
Accrued payroll and related taxes	-	1,451	-	-	-
Due to other funds	235,745	66,778	-	-	-
Deferred revenue	<u>135,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>583,525</u>	<u>69,724</u>	<u>150,262</u>	<u>-</u>	<u>1,455</u>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for other non-current assets	1,985,000	-	-	-	-
Unreserved					
Undesignated	(448,191)	(69,724)	1,026,659	-	-
Designated	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,372</u>	<u>785,915</u>
Total fund equity	<u>1,536,809</u>	<u>(69,724)</u>	<u>1,026,659</u>	<u>8,372</u>	<u>785,915</u>
Total liabilities and fund balances	<u>\$ 2,120,334</u>	<u>\$ -</u>	<u>\$ 1,176,921</u>	<u>\$ 8,372</u>	<u>\$ 787,370</u>

(Continued)

<u>Park Row SLID</u>	<u>Kingswood Park SLD</u>	<u>Del Webb Sun City Grand SLD</u>	<u>West Point Towne Center SLD</u>	<u>Continental Kingswood SLD</u>	<u>Mountain Vista Ranch SLD</u>	<u>Sun City Grand II SLD</u>	<u>Sun City Grand III SLD</u>
\$ -	\$ 89,638	\$ 23,085	\$ 113,638	\$ 41,542	\$ 35,259	\$ 209,491	\$ -
-	529	136	671	245	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 90,167</u>	<u>\$ 23,221</u>	<u>\$ 114,309</u>	<u>\$ 41,787</u>	<u>\$ 35,259</u>	<u>\$ 209,491</u>	<u>\$ -</u>
\$ 2,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
1,869	-	-	-	-	-	-	3,667
-	-	-	-	-	-	-	-
<u>4,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,667</u>
-	-	-	-	-	-	-	-
(4,532)	90,167	23,221	114,309	41,787	35,259	209,491	(3,667)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(4,532)</u>	<u>90,167</u>	<u>23,221</u>	<u>114,309</u>	<u>41,787</u>	<u>35,259</u>	<u>209,491</u>	<u>(3,667)</u>
<u>\$ -</u>	<u>\$ 90,167</u>	<u>\$ 23,221</u>	<u>\$ 114,309</u>	<u>\$ 41,787</u>	<u>\$ 35,259</u>	<u>\$ 209,491</u>	<u>\$ -</u>

**CITY OF SURPRISE, ARIZONA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2002**

	<b>Bell West Ranch SLD</b>	<b>Canyon Ridge West SLD</b>	<b>Ashton Ranch I SLD</b>	<b>Ashton Ranch II SLD</b>	<b>Mountain Vista Ranch II SLD</b>	<b>Mountain Vista Ranch III SLD</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 6,742	\$ 10,249.00	\$ -	\$ 18,446	\$ -
Receivables, net						
Interest	-	-	-	-	-	-
Accounts	-	-	-	2,251	-	-
Notes (net of discount)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 6,742</u>	<u>\$ 10,249</u>	<u>\$ 2,251</u>	<u>\$ 18,446</u>	<u>\$ -</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related taxes	-	-	-	-	-	-
Due to other funds	6,602	-	-	8,816	-	7,074
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>6,602</u>	<u>-</u>	<u>-</u>	<u>8,816</u>	<u>-</u>	<u>7,074</u>
<b>FUND EQUITY</b>						
Fund balances						
Reserved for other non-current assets	-	-	-	-	-	-
Unreserved						
Undesignated	(6,602)	6,742	10,249	(6,565)	18,446	(7,074)
Designated	-	-	-	-	-	-
Total fund equity	<u>(6,602)</u>	<u>6,742</u>	<u>10,249</u>	<u>(6,565)</u>	<u>18,446</u>	<u>(7,074)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 6,742</u>	<u>\$ 10,249</u>	<u>\$ 2,251</u>	<u>\$ 18,446</u>	<u>\$ -</u>

(Continued)

<u>Legacy Parc SLD</u>	<u>Greenway Parc SLD</u>	<u>Roseview SLD</u>	<u>Countryside SLD</u>	<u>NW Ranch #2</u>	<u>Bell West Ranch 1B</u>	<u>Ashton Ranch SLID Unit III</u>
\$ 12,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
81	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	9,601	-	-	-	-	-
<u>\$ 12,972</u>	<u>\$ 9,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	14,189	31,630	18,846	2,080	980	4,273
-	-	-	-	-	-	-
<u>-</u>	<u>14,189</u>	<u>31,630</u>	<u>18,846</u>	<u>2,080</u>	<u>980</u>	<u>4,273</u>
-	-	-	-	-	-	-
12,972	(4,588)	(31,630)	(18,846)	(2,080)	(980)	(4,273)
-	-	-	-	-	-	-
<u>12,972</u>	<u>(4,588)</u>	<u>(31,630)</u>	<u>(18,846)</u>	<u>(2,080)</u>	<u>(980)</u>	<u>(4,273)</u>
<u>\$ 12,972</u>	<u>\$ 9,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SURPRISE, ARIZONA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2002**

	<b>Ashton Ranch SLID Unit IV</b>	<b>Legacy Park GHI SLID</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 2,518,431
Receivables, net			
Interest	-	-	13,622
Accounts	-	-	2,251
Notes (net of discount)	-	-	135,334
Other assets	-	-	1,997,854
	<u>-</u>	<u>-</u>	<u>1,997,854</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,667,492</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 368,320
Accrued payroll and related taxes	-	-	1,451
Due to other funds	2,518	1,667	406,734
Deferred revenue	-	-	135,335
	<u>-</u>	<u>-</u>	<u>135,335</u>
Total liabilities	<u>2,518</u>	<u>1,667</u>	<u>911,840</u>
<b>FUND EQUITY</b>			
Fund balances			
Reserved for other non-current assets	-	-	1,985,000
Unreserved			
Undesignated	(2,518)	(1,667)	976,365
Designated	-	-	794,287
	<u>(2,518)</u>	<u>(1,667)</u>	<u>794,287</u>
Total fund equity	<u>(2,518)</u>	<u>(1,667)</u>	<u>3,755,652</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,667,492</u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Library, Parks &amp; Recreational Enhancement</u>	<u>Transit Fund</u>	<u>Publicworks Expansion Development</u>	<u>10% Set Aside Square Mile</u>	<u>General Govt. Dev Fee Fund</u>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental		41,697		-	-
Charges for services	-	6,558	-	-	-
Interest	4,866		33,657	3,294	17,983
Development fees	2,721,501		1,079,304		750,212
Other	-	-	-	-	-
Total revenues	<u>2,726,367</u>	<u>48,255</u>	<u>1,112,961</u>	<u>3,294</u>	<u>768,195</u>
<b>EXPENDITURES</b>					
Current					
General government	-	109,003	-	-	58,822
Public works and streets	-		863,796	39,693	-
Culture and recreation	2,090,112	-	-	-	-
Costs of sales of services (SLD's)	-	-	-	-	-
Administration	-	-	-	-	-
Capital outlay	<u>377,466</u>	<u>94,477</u>	<u>-</u>	<u>149,899</u>	<u>156,591</u>
Total expenditures	<u>2,467,578</u>	<u>203,480</u>	<u>863,796</u>	<u>189,592</u>	<u>215,413</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>258,789</u>	<u>(155,225)</u>	<u>249,165</u>	<u>(186,298)</u>	<u>552,782</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in (out)	<u>(1,087,700)</u>	<u>(8,700)</u>	<u>-</u>	<u>64,500</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,087,700)</u>	<u>(8,700)</u>	<u>-</u>	<u>64,500</u>	<u>-</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(828,911)</u>	<u>(163,925)</u>	<u>249,165</u>	<u>(121,798)</u>	<u>552,782</u>
<b>FUND BALANCES, beginning of year</b>	<u>2,365,720</u>	<u>94,201</u>	<u>777,494</u>	<u>130,170</u>	<u>233,133</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 1,536,809</u>	<u>\$ (69,724)</u>	<u>\$ 1,026,659</u>	<u>\$ 8,372</u>	<u>\$ 785,915</u>

(Continued)

<u>Park Row SLID</u>	<u>Kingswood Park SLD</u>	<u>Del Webb Sun City Grand SLD</u>	<u>West Point Towne Center SLD</u>	<u>Continental Kingswood SLD</u>	<u>Mountain Vista Ranch SLD</u>	<u>Sun City Grand II SLD</u>	<u>Sun City Grand III SLD</u>
\$ -	\$ 4,402	\$ 295,217	\$ 74,816	\$ 6,844	\$ 548	\$ 310,584	\$ 6,099
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,195	578	1,357	542	474	3,199	4
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5,597	295,795	76,173	7,386	1,022	313,783	6,103
-	-	-	-	-	-	-	-
4,532	10,304	367,714	36,118	5,351	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	6,433	159,893	10,193
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,532	10,304	367,714	36,118	5,351	6,433	159,893	10,193
(4,532)	(4,707)	(71,919)	40,055	2,035	(5,411)	153,890	(4,090)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(4,532)	(4,707)	(71,919)	40,055	2,035	(5,411)	153,890	(4,090)
-	94,874	95,140	74,254	39,752	40,670	55,601	423
<u>\$ (4,532)</u>	<u>\$ 90,167</u>	<u>\$ 23,221</u>	<u>\$ 114,309</u>	<u>\$ 41,787</u>	<u>\$ 35,259</u>	<u>\$ 209,491</u>	<u>\$ (3,667)</u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Bell West Ranch SLD</b>	<b>Canyon Ridge West SLD</b>	<b>Ashton Ranch I SLD</b>	<b>Ashton Ranch II SLD</b>	<b>Mountain Vista Ranch II SLD</b>
<b>REVENUES</b>					
Taxes	\$ 1,792	\$ 3,067	\$ 21,158	\$ -	\$ 8,760
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Interest	-	83	156	-	-
Development fees	-	-	-	-	-
Other	-	-	-	2,251	-
Total revenues	<u>1,792</u>	<u>3,150</u>	<u>21,314</u>	<u>2,251</u>	<u>8,760</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public works and streets	-	-	-	-	-
Water project (Fund 2)	-	-	-	-	-
Costs of sales of services (SLD's)	8,318	1,571	5,615	6,565	-
Administration	2,122	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>10,440</u>	<u>1,571</u>	<u>5,615</u>	<u>6,565</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(8,648)</u>	<u>1,579</u>	<u>15,699</u>	<u>(4,314)</u>	<u>8,760</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(8,648)</u>	<u>1,579</u>	<u>15,699</u>	<u>(4,314)</u>	<u>8,760</u>
<b>FUND BALANCES, beginning of year</b>	<u>2,046</u>	<u>5,163</u>	<u>(5,450)</u>	<u>(2,251)</u>	<u>9,686</u>
<b>FUND BALANCES, end of year</b>	<u>\$ (6,602)</u>	<u>\$ 6,742</u>	<u>\$ 10,249</u>	<u>\$ (6,565)</u>	<u>\$ 18,446</u>

(Continued)

<b>Mountain Vista Ranch III SLD</b>	<b>Legacy Parc SLD</b>	<b>Greenway Parc SLD</b>	<b>Roseview SLD</b>	<b>Countryside SLD</b>	<b>NW Ranch #2</b>	<b>Bell West Ranch 1B</b>	<b>Ashton Ranch SLID Unit III</b>
\$ 954	\$ 16,654	\$ 11,312	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	149	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,832	-	9,600	-	-	-	-	-
<u>3,786</u>	<u>16,803</u>	<u>20,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,028	2,797	15,900	24,102	16,659	2,080	980	4,273
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>8,028</u>	<u>2,797</u>	<u>15,900</u>	<u>24,102</u>	<u>16,659</u>	<u>2,080</u>	<u>980</u>	<u>4,273</u>
<u>(4,242)</u>	<u>14,006</u>	<u>5,012</u>	<u>(24,102)</u>	<u>(16,659)</u>	<u>(2,080)</u>	<u>(980)</u>	<u>(4,273)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(4,242)	14,006	5,012	(24,102)	(16,659)	(2,080)	(980)	(4,273)
(2,832)	(1,034)	(9,600)	(7,528)	(2,187)	-	-	-
<u>\$ (7,074)</u>	<u>\$ 12,972</u>	<u>\$ (4,588)</u>	<u>\$ (31,630)</u>	<u>\$ (18,846)</u>	<u>\$ (2,080)</u>	<u>\$ (980)</u>	<u>\$ (4,273)</u>

**CITY OF SURPRISE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Ashton Ranch SLID Unit IV</b>	<b>Legacy Park GHI SLID</b>	<b>Totals</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 762,207
Intergovernmental	-	-	41,697
Charges for services	-	-	6,558
Interest	-	-	67,537
Development fees			4,551,017
Other	-	-	14,683
Total revenues	<u>-</u>	<u>-</u>	<u>5,443,699</u>
<b>EXPENDITURES</b>			
Current			
General government	-	-	167,825
Public works and streets	-	-	1,327,508
Culture and recreation	-	-	2,090,112
Costs of sales of services (SLD's)	2,518	1,667	277,592
Administration	-	-	2,122
Capital outlay	-	-	778,433
Total expenditures	<u>2,518</u>	<u>1,667</u>	<u>4,643,592</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,518)</u>	<u>(1,667)</u>	<u>800,107</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers in (out)	-	-	(1,031,900)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,031,900)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(2,518)</u>	<u>(1,667)</u>	<u>(231,793)</u>
<b>FUND BALANCES, beginning of year</b>	<u>-</u>	<u>-</u>	<u>3,987,445</u>
<b>FUND BALANCES, end of year</b>	<u>\$ (2,518)</u>	<u>\$ (1,667)</u>	<u>\$ 3,755,652</u>

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**City of Surprise**  
**Government-wide Expenses by Function**  
**Last Six Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works and Streets</b>	<b>Community Services</b>	<b>Culture and Recreation</b>	<b>Cost of Sales and Services</b>	<b>Administrative</b>	<b>Interest</b>	<b>Water</b>	<b>Replenishment</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Total</b>
1996/97	\$ 1,586,995	\$ 2,156,627	\$ 1,550,661	\$ 473,607	\$ 736,622	\$ 15,063	\$ 28,200	\$ 405,840	\$ 51,450	\$ -	\$ 1,297,325	\$ 289,554	\$ 8,591,944
1997/98	2,416,141	3,570,003	2,042,990	619,493	1,199,841	248,328	22,326	322,782	981,564	-	659,109	272,881	12,355,459
1998/99	2,033,748	3,478,494	3,438,777	156,072	1,337,691	159,541	20,361	734,904	640,315	-	991,467	481,446	13,472,814
1999/00	6,219,296	5,262,491	5,325,395	1,339,271	1,677,460	431,550	1,120,788	387,413	1,136,521	10,000	1,393,103	645,457	24,948,743
2000/01	5,341,087	8,617,222	6,095,121	1,925,975	6,253,556	591,290	85,717	2,306,856	1,249,808	32,074	2,017,488	960,484	35,476,679
2001/02	5,641,126	10,638,974	6,385,869	2,271,931	5,959,097	277,592	510,003	4,988,389	1,782,272	104,292	5,659,805	1,171,441	45,390,791

<sup>1</sup>Restricted to last six fiscal years, this is the first year a CAFR was prepared and the information available on expenditures prior to this was not available in sufficient detail to utilize in the preparation of this schedule.

**City of Surprise  
Government Wide Revenues  
Last Six Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Taxes</b>	<b>Grants and Contributions Not Restricted to Specific Programs</b>	<b>Unrestricted Investment Earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
1996/97	\$ 3,764,415	\$ 651,804	\$ 2,750,033	\$ 5,491,692	\$ 1,598,720	\$ 458,793	\$ 961,438	\$ 15,676,895
1997/98	8,033,523	715,187	5,799,152	8,147,674	1,734,403	681,787	393,162	25,504,888
1998/99	7,664,019	1,089,718	4,954,062	11,034,560	2,034,199	1,256,548	330,398	28,363,504
1999/00	8,992,188	697,460	6,352,992	12,372,499	2,089,608	1,787,835	466,800	32,759,382
2000/01	14,194,713	671,386	11,523,869	17,252,888	2,330,568	5,539,740	310,662	51,823,828
2001/02	27,109,896	3,001,252	12,275,834	25,730,075	3,438,860	2,487,976	1,379,420	75,423,313

<sup>1</sup> Only six years of financial information exists is sufficient detail to aggregate in this format.

**City of Surprise**  
**General Governmental Expenditures by Function<sup>2</sup>**  
**Last Six Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works and Streets</b>	<b>Community Services</b>	<b>Culture and Recreation</b>	<b>Cost of Sales and Services</b>	<b>Administrative</b>	<b>Debt Service</b>	<b>Total</b>
1996/97	\$ 1,744,174	\$ 2,657,903	\$ 1,841,866	\$ 473,607	\$ 791,971	\$ 15,063	\$ 28,200	\$ 1,426,715	\$ 8,979,499
1997/98	2,501,228	4,148,482	2,240,259	619,493	1,208,159	248,328	22,326	1,201,533	12,189,809
1998/99	2,343,274	4,556,219	3,687,772	156,072	2,452,738	159,541	20,361	1,207,914	14,583,889
1999/00	6,184,242	5,244,899	5,330,203	1,339,271	1,634,867	431,550	1,120,788	874,973	22,160,792
2000/01	5,838,779	8,895,622	6,197,062	1,925,975	6,246,519	591,290	85,717	4,664,269	34,445,233
2001/02	6,999,921	10,187,801	5,031,757	2,255,604	4,639,572	277,592	510,003	5,449,653	35,351,903

<sup>1</sup>Restricted to last six fiscal years, this is the first year a CAFR was prepared and the information available on expenditures prior to this was not available in sufficient detail to utilize in the preparation of this schedule.

<sup>2</sup>Does not include Capital Outlay.

**City of Surprise  
General Government Revenues by Source  
Last Six Fiscal Years<sup>1,2</sup>**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter-governmental</b>	<b>Charges for Services</b>	<b>Fines</b>	<b>Rents</b>	<b>Donations</b>	<b>Development Fees</b>	<b>Investment Earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
1996/97	\$ 5,491,692	\$ 1,981,144	\$ 3,327,969	\$ 283,334	\$ 252,339	\$ 251,362	\$ 16,862	\$ 242,220	\$ 331,973	\$ 960,938	\$ 13,139,832
1997/98	8,147,674	3,776,847	3,179,802	334,849	248,515	357,947	10,756	507,360	545,668	296,310	17,405,730
1998/99	11,034,560	4,560,554	4,167,068	270,001	309,972	272,642	124,018	499,306	1,042,756	187,911	22,468,788
1999/00	12,372,499	5,345,864	3,554,763	187,012	403,310	461,878	16,318	685,424	1,387,719	445,753	24,860,541
2000/01	17,252,888	4,900,470	3,822,729	225,117	530,101	5,063,371	21,864	3,160,751	5,012,497	357,279	40,347,066
2001/02	21,733,191	4,518,042	6,065,448	6,925,318	681,061	5,630,923	9,336	4,551,017	2,127,574	1,560,586	53,802,496

<sup>1</sup> Only six years of financial information exists is sufficient detail to aggregate in this format.

<sup>2</sup> Includes general, MPC, highway user, public safety development, debt service and special revenue funds.

**City of Surprise  
General Government Tax Revenues by Source  
Last Six Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise &amp; Business Licenses</b>	<b>Auto Lieu</b>	<b>Street Lighting District Tax</b>	<b>Total</b>
1996/97	\$ 1,654,840	\$ 3,295,691	\$ 252,566	\$ 276,801	\$ 11,795	\$ 5,491,692
1997/98	1,454,176	6,044,297	342,561	306,457	-	8,147,490
1998/99	1,144,998	8,649,516	468,987	362,214	408,845	11,034,560
1999/00	1,235,099	9,530,907	761,629	398,930	445,935	12,372,499
2000/01	1,450,884	13,298,824	985,407	553,196	964,577	17,252,888
2001/02	1,588,285	17,198,508	1,174,630	1,009,779	761,988	21,733,191

<sup>1</sup> Only six years of financial information exists is sufficient detail to aggregate in this format.

**City of Surprise  
Property Tax Levies and Collections**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Total Tax Levy</b>
1996/97	1,016,647	923,966	90.9%	6,968	930,935	91.6%	85,712	8.4%
1997/98	1,013,125	937,128	92.5	18,776	955,904	94.4	57,221	5.6
1998/99	1,144,130	1,050,014	91.8	3,083	1,053,097	92.0	91,033	8.0
1999/00	1,250,000	1,238,869	99.1	-	1,238,869	99.1	11,131	0.9
2000/01	657,800	614,901	93.5	16,732	631,632	96.0	26,168	4.0
2001/02	1,394,900	1,371,554	98.3	-	1,371,554	98.3	23,346	1.7

<sup>1</sup>Limited all schedules to six years to be consistent with restrictions on revenue and expenditure schedules in this section.

**City of Surprise**  
**Assessed and Estimated Actual Value of Property**  
**Last Six Fiscal Years<sup>1,2</sup>**

<u>Year</u>	<u>Real Property</u>		<u>Exemptions</u>	<u>Total</u>		<u>Ratio of Total Assessed Value to Total Estimated Actual Value</u>
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Real Property</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	
1997	\$ 51,803,339	\$ 355,668,191	\$ 3,353,245	\$ 48,450,094	\$ 355,668,191	13.62%
1998	64,436,219	458,500,211	3,542,274	60,893,945	458,500,211	13.28
1999	92,039,533	672,327,949	5,030,081	87,009,452	672,327,949	12.94
2000	129,054,533	1,002,586,737	5,214,223	123,840,310	1,002,586,737	12.35
2001	181,991,654	1,507,408,770	5,897,004	176,094,650	1,507,408,770	11.68
2002	235,522,019	1,977,250,961	5,859,449	229,662,570	1,977,250,961	11.62

<sup>1</sup>Limited all schedules to six years to be consistent with restrictions on revenue and expenditure schedules in this section.

<sup>2</sup> Source: Maricopa County Assessor's Office

**City of Surprise  
Property Tax Rates  
Direct and Overlapping Governments  
Last Six Fiscal Years<sup>1</sup>**

Year	City of Surprise			Maricopa County				Dysart School District			Other	Total
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	County Library	Total County Millage	Operating Millage	Debt Service Millage	Total School District Millage		
1997	0.4089	1.2806	1.6895	1.1054	0.1575	0.0421	1.3050	5.9232	2.2044	8.1276	0.3425	11.4646
1998	0.4155	0.9413	1.3568	1.1265	0.1364	0.0421	1.3050	4.3921	1.5918	5.9839	0.3425	8.9882
1999	0.4155	0.9413	1.3568	1.1472	0.1312	0.0421	1.3205	4.1829	1.4064	5.5893	0.3270	8.5936
2000	0.411	0.6298	1.0408	1.1884	0.1085	0.0421	1.3390	4.5713	1.5735	6.1448	0.2858	8.8104
2001	0.6632	0.4400	1.1032	1.1641	0.1152	0.0421	1.3214	4.3012	1.2575	5.5587	0.2534	8.2367
2002	0.6632	0.1777	0.8409	1.1832	0.0876	0.0421	1.3129	4.0828	1.3021	5.3849	0.2319	7.7706

<sup>1</sup>Limited all schedules to six years to be consistent with restrictions on revenue and expenditure schedules in this section.

<sup>2</sup> Source: Maricopa County Assessor's Office

**City of Surprise  
Principal Taxpayers<sup>1</sup>  
June 30, 2002**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2001-02 Assessed Valuation</b>	<b>As % of City's Total Assessed Valuation</b>
Arizona Public Service Company	Gas & Electric Utility	\$ 8,226,445	3.49%
Del Webb Construction	Vacant Land	3,174,718	1.35%
Sun City Grand	Drive-In/Golf Course/Race Track	2,619,466	1.11%
Cox Communications	TV System	2,297,510	0.98%
Southwest Gas Corporation	Gas & Electric Utility	2,163,067	0.92%
Elliott Homes	Vacant Land	1,892,550	0.80%
Surprises Village Co. L.L.C.	Vacant Land	1,868,464	0.79%
Qwest U.S. West Communications, Inc.	TV System	1,729,138	0.73%
Target Corp.	Department Store	1,630,080	0.69%
Paseo Village Ltd. Partnership	Shopping Center	1,568,898	0.67%
Grand Village Deborado LLC	Shopping Center	1,549,625	0.66%
Wal Mart Stores	Shopping Center	1,509,567	0.64%
Arizona -American Water Co.	Water Utility	1,382,983	0.59%
Home Depot	Shopping Center	1,280,700	0.54%
Albertson's Stores	Shopping Center	1,114,787	0.47%
Windmill Inn	Hotel	1,045,045	0.44%
Alliance Residential Co.	Apartments	909,901	0.39%
Surprise Center Development	Vacant Land	835,023	0.35%
		<u>36,797,967</u>	<u>15.62%</u>

<sup>1</sup>Data obtained from the Maricopa County Treasurer's Office.

**City of Surprise**  
**Computation of Legal Debt Margin 6%<sup>1</sup>**  
**June 30, 2002**

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Assessed valuations:	
Secondary Assessed Value	\$ 229,662,570
Unrestricted-Legal debt margin	
Debt limitation-6 percent of total secondary assessed valuation	\$ 13,779,754
Debt applicable to limitation:	
Total Bonded Debt	\$ 63,315,796
Less: Water, Light, Sewer, Open Space and Park Bonds	57,845,000
Amount available for repayment of general obligation bonds	189,929
Total debt applicable to limitation	5,280,867
Unrestricted Legal debt margin	\$ 8,498,887

**Computation of Legal Debt Margin 20%<sup>1</sup>**  
**June 30, 2002**

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Assessed valuations:	
Secondary Assessed Value	\$ 229,662,570
Restricted-Legal debt margin	
Debt limitation-20 percent of total secondary assessed valuation	\$ 45,932,514
Debt applicable to limitation:	
Total Bonded Debt	\$ 63,315,796
Less: Debt covered under 6% limitation Water, Light, Sewer, Open Space and Park Bonds	63,125,867
Amount available for repayment of general obligation bonds	189,929
Total debt applicable to limitation	-
Restricted Legal debt margin	\$ 45,932,514

<sup>1</sup>See note 8 - Legal Debt Limit

**City of Surprise**  
**Ratio of Net General Obligation Bonded Debt**  
**To Assessed Value and Net General Obligation Bonded Debt per Capita**  
**Last Six Fiscal Years**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Secondary Assessed Value<sup>2</sup></b>	<b>Gross Bonded Debt<sup>3</sup></b>	<b>Less Debt Service Fund<sup>4</sup></b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
1996/97	16,405	\$ 48,450,094	\$ 7,925,106	\$ 324,640	\$ 7,600,466	15.69%	\$ 463
1997/98	18,685	60,893,945	7,466,355	432,586	7,033,769	11.55	376
1998/99	26,145	87,009,452	6,993,345	426,816	6,566,529	7.55	251
1999/00	30,848 <sup>6</sup>	123,840,310	6,505,784	468,715	6,037,069	4.87	196
2000/01	38,400	176,094,650	5,998,371	520,891	5,477,480	3.11	143
2001/02	45,125	229,662,570	5,470,796	189,929	5,280,867	2.30	117

<sup>1</sup>Unless otherwise noted, annual estimates provided by Arizona Department of Economic Security or Maricopa County

<sup>2</sup>From the Assessed and Estimated Actual Value of Property table in this section

<sup>3</sup>Amount does not include debt related to Water, Light, Sewer, Open Space and Park Bonds

<sup>4</sup>Amount available for repayment of general obligation bonds

<sup>5</sup>Limited all schedules to six years to be consistent with restrictions on revenue and expenditure schedules in this section.

<sup>6</sup>Per 2000 Census

**City of Surprise**  
**Ratio of Annual Debt Service Expenditures**  
**For General Obligation Bonded Debt<sup>1, 2,</sup>**  
**to Total General Governmental Expenditures**  
**Last Six Fiscal Years<sup>3</sup>**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total Governmental Expenditures</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>
1996/97	\$ 1,024,775	\$ 430,140	\$ 1,454,915	\$ 6,547,775	22.22%
1997/98	878,751	345,109	1,223,860	10,119,122	12.09
1998/99	473,010	303,622	1,228,275	10,624,683	11.56
1999/00	487,561	285,057	772,618	21,376,250	3.61
2000/01	507,413	267,113	774,526	28,909,970	2.68
2001/02	527,575	246,588	774,163	31,684,592	2.44

<sup>1</sup>General obligation bonds only.

<sup>2</sup>Excludes bond issuance and other costs

<sup>3</sup>Limited all schedules to six years to be consistent with restrictions on revenue and expenditure schedules in this section.

**City of Surprise**  
**Computation of Direct and Overlapping Bonded Debt**  
**General Obligation Bonds**  
**June 30, 2002**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding<sup>2</sup></u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct:			
City of Surprise <sup>1</sup>	5,280,867	100.00%	5,280,867
Overlapping:			
Maricopa County	39,515,000	0.94%	371,063
Maricopa Community College District	284,815,000	0.94%	2,674,540
Dysart School District	6,025,000	56.25%	3,389,210
Total	<u>\$ 335,635,867</u>		<u>\$ 11,715,680</u>

<sup>1</sup>Excluding the amount available for repayment in the debt service fund and MPC debt.

<sup>2</sup>Overlapping amounts provided by the Maricopa County Assessor's Office.

**City of Surprise  
Property Value, Construction and Bank Deposits  
Last Six Fiscal Years<sup>1</sup>**

<u>Year</u>	<u>Property Value<sup>2</sup></u>			<u>Commercial Construction</u>		<u>Residential Construction</u>	
	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>	<u>Commercial Permits Completed</u>	<u>Commercial Valuation</u>	<u>Residential Number of Units</u>	<u>Residential Valuation</u>
1997	\$ 179,607,529	\$ 176,060,662	\$ 355,668,191	23	\$5,627,655	981	\$69,871
1998	146,759,338	311,740,873	458,500,211	31	13,752,923	2,812	261,261
1999	293,383,163	378,944,786	672,327,949	30	17,387,674	3,070	298,611
2000	380,134,773	622,451,964	1,002,586,737	61	25,889,014	3,262	327,301
2001	513,908,896	993,499,874	1,507,408,770	86	25,187,420	3,215	323,241
2002	632,889,659	1,344,361,302	1,977,250,961	60 <sup>2</sup>	6,373,005 <sup>2</sup>	1,957 <sup>2</sup>	200,251

<sup>1</sup>Limited all schedules to six years to be consistent with restrictions on revenue and expenditure schedules in this section.

<sup>2</sup>Includes only the first six months of calendar year 2002

<sup>3</sup>Source: Maricopa County Treasurer's Office

<sup>4</sup>Source: Federal Deposit Insurance Corporation

**City of Surprise  
Miscellaneous Statistics  
June 30, 2002**

Date of Incorporation	1960
Form of Government	Council/Manager
Number of employees (excluding police and fire):	
Classified	233
Exempt	62
Area in square miles	75
 Name of Government facilities and services:	
Miles of streets	450
Number of street lights	435
Culture and Recreation:	
Community Centers	1
Parks	4
Swimming Pools	1
Fire Protection:	
Number of stations	3
Number of fire personnel and officers	54
Number of calls answered	4179
Number of inspections conducted	1413
Police Protection:	
Number of stations	2
Number of police personnel and officers	90
Number of patrol units	50
Number of law violations:	
Criminal traffic Caseload	1,582
Misdemeanor Caseload	1,177
Civil Traffic Caseload	6,381
Jury Trials	6
Orders of Protection & Injunction	300
 Sewerage System:	
Number of treatment plants	2
Number of service connections	17,293
Daily average treatment in gallons	3,000,000
Maximum daily capacity of treatment plant in gallons	3,200,000
Water systems:	
Number of service connections	5,116
Daily average consumption in gallons	1,100,000
Maximum daily capacity of plant in gallons	3,300,000

**City of Surprise  
Demographic Statistics  
Per 2000 Census**

Total Population	30,848
Per Capita Income	\$ 21,451
Median Household Income	\$ 44,156
Median Age	50
School Enrollment	5,356
Education Level	13.5