



City of Surprise, Arizona  
**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**  
for the fiscal year  
ended June 30, 2010



# CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the fiscal year ended  
June 30, 2010

Prepared by:  
Finance Department



**SURPRISE**  

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**ARIZONA**

**CITY OF SURPRISE, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

---

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	1
Certificate of Achievement for Excellence in Financial Reporting.....	5
Organizational Chart .....	6
Mayor and City Council Members .....	7
Appointed Officials .....	11
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Opinion.....	13
Management’s Discussion and Analysis (Required Supplementary Information) .....	15
<b><u>Basic Financial Statements:</u></b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets.....	31
Statement of Activities .....	32
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds.....	36
Reconciliation of the Governmental Funds Balance Sheet Fund Balances to the Statement of Net Assets.....	38
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	42
Statement of Net Assets – Proprietary Funds .....	44
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	46
Statement of Cash Flows – Proprietary Funds.....	48
Statement of Fiduciary Net Assets – Pension Trust Fund .....	49
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund .....	50
<b>Notes to Financial Statements:</b>	
1. Summary of Significant Accounting Policies.....	51
2. Compliance and Accountability .....	56
3. Cash and Investments .....	57
4. Capital Assets .....	58
5. Developer Agreements .....	59
6. Construction Commitments.....	60
7. Long-term Debt .....	61
8. Retirement Plans.....	66
9. Risk Management.....	70
10. Contingent Liabilities .....	71
11. Interfund Assets, Liabilities, and Transfers.....	71
12. Special Item.....	73
13. Deficit Fund Balances .....	73
14. Prior Period Adjustments.....	73
15. Subsequent Events.....	82

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b><u>Required Supplementary Information:</u></b>	
APSPRS: Schedule of Funding Progress.....	83
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	
- General Fund.....	84
- General Govt. Dev Fee Fund .....	86
- Fire Development Fee Fund.....	87
- Highway User Fund .....	88
- Transportation Improvement Fund .....	89
Note to Required Supplementary Information .....	90
<b><u>Combining and Individual Fund Financial Statements and Schedules:</u></b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget to Actual – General Capital Projects Fund.....	91
Combining Balance Sheet – Nonmajor Governmental Funds.....	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	
– Nonmajor Governmental Funds .....	93
Nonmajor Special Revenue Fund Descriptions.....	94
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
– Nonmajor Special Revenue Funds .....	100
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	
- Donations Fund.....	104
- Employee Dep Scholarship Fund.....	105
- Library Development Fund.....	106
- Marley Park Comm. Fac District .....	107
- Municipal Court Enhancement Fund .....	108
- Municipal Court FARE Fund.....	109
- Municipal Court JCEF Fund.....	110
- Municipal Court MFTG Fund.....	111
- Municipal Property Corporation Fund.....	112
- Neighborh. Revitaliz. Fund.....	113
- Parks & Recreation Development Fee Fund.....	114
- Police Development Fee Fund .....	115
- Public Works Expansion Development Fee Fund .....	116
- Roads SPA 2, 4 & 6 Fund.....	117
- Roads SPA 3 & 5 Fund.....	118
- SPD DEA Fund.....	119
- SPD RICO Fund .....	120
- SPD Towing Fund .....	121
- Street Lighting Districts Fund.....	122
- Tourism Fund.....	123
- Transit Fund.....	124
- Vehicle Replacement Fund.....	125

# TABLE OF CONTENTS

---

	<u>Page</u>
<b><u>Combining and Individual Fund Financial Statements and Schedules (Concluded):</u></b>	
Nonmajor Debt Service Fund Descriptions.....	126
Combining Balance Sheet – Nonmajor Debt Service Funds.....	127
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds .....	128
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – 2000-03 Debt Service Fund .....	129
– Debt Service Fund .....	130
 <b>STATISTICAL SECTION</b>	
Financial Trends	
Net Assets by Component .....	131
Changes in Net Assets .....	132
Fund Balances of Governmental Funds.....	134
Changes in Fund Balances of Governmental Funds.....	135
Governmental Activities Tax Revenues by Source .....	136
Revenue Capacity	
Major Sources of Municipal Sales Tax .....	137
Assessed and Estimated Actual Value of Taxable Property.....	138
Property Tax Rates- Direct and Overlapping Governments.....	139
Principal Property Taxpayers .....	140
Primary Property Tax Levies and Collections.....	141
Debt Capacity	
Ratios of Outstanding Debt by Type .....	142
Ratios of General Bonded Debt Outstanding .....	143
Direct and Overlapping Governmental Activities Debt .....	144
Legal Debt Margin Information Unrestricted and Restricted.....	145
Demographic and Economic Information	
Demographic and Economic Statistics .....	146
Principal Employers .....	147
Operating Information	
Full-time Equivalent City Government Employees by Function .....	148
Operating Indicators by Function.....	149
Capital Asset Statistics by Function .....	150
 <b><u>Acknowledgements</u></b> .....	 151



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**ARIZONA**



## INTRODUCTORY SECTION

The Introductory Section is the first of three essential components of the City's Comprehensive Annual Financial Report (CAFR). The second essential component is the Financial Section, and the third is the Statistical Section. The Introductory Section provides general information on the City's structure and personnel as well as information useful in assessing the City's economic condition, with the letter of transmittal as the key element to formally introduce the CAFR to the intended readers.



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March 16, 2011

The Honorable Lyn Truitt, Mayor  
Members of the City Council  
Citizens of the City of Surprise, Arizona

Dear Mayor Truitt, Members of the City Council, and Citizens of the City of Surprise, Arizona:

Arizona Revised Statutes (A.R.S.) § 41-1279.07 requires cities and towns to file financial statements prepared in conformity with generally accepted accounting principles (GAAP) after the close of each fiscal year. The Comprehensive Annual Financial Report (CAFR) of the City of Surprise for the fiscal year ended June 30, 2010 is submitted pursuant to this requirement.

Management assumes full responsibility for the completeness and reliability of all information presented in this report based on internal controls established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. In preparing this report, staff has undertaken an extensive review of financial transactions this fiscal year as well as prior years. As a result, a number of prior period adjustments have been made to more accurately present the financial position and the financial results of the City.

Eide Bailly LLP, a firm of licensed certified public accountants, has audited the City of Surprise's financial statements pursuant to A.R.S § 9-481. The audit is intended to provide reasonable assurance that the financial statements of the City of Surprise for the fiscal year ended June 30, 2010, 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, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Eide Bailly LLP was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Single Audit Act of 1996 and related OMB Circular A-133. The single audit report is issued separately from this CAFR. Copies are available upon request from the City's Finance Department.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **City Profile**

Surprise, located just 45 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded on May 17, 1938 by Flora Mae Statler who purchased and subdivided the original town site. The former small farming village now encompasses 107.5 square miles, including urban and commercial developments, ranches, industrial, and business parks. Over the past 49 years, Surprise has grown from 500 residents to a city of over 117,000 people in 2010, evolving from a small town government to a regional governmental entity.

Surprise is a city that operates under the Council/Manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the Mayor and six other members. The Council is responsible, among other things, for passing ordinances, appointing committees, adopting the budget, and appointing the City Manager, the City Attorney, the City Clerk, and the Presiding Judge.

The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing department directors.

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

The City of Surprise provides a full range of services, including police and fire protection, roadway maintenance and construction, recreational and cultural activities, 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 legally formed street lighting districts. The City provides and accounts for a legally separate volunteer firefighters' pension fund as mandated by Arizona Revised Statutes, 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 and a community facilities district designed to provide funding for the construction and acquisition of public infrastructure improvements. These last four activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all four of these legally separate entities can be found in Note 1 section A. (1.A) in the Notes to the Financial Statements.

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

### **Economic Condition and Outlook**

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

#### Local Economy

The unemployment rate for the Phoenix Metropolitan Area remained unchanged at 9% from June 2009 to June 2010. While overall unemployment remains the same, some industries experienced moderate job gains including healthcare, professional and business services, leisure and hospitality services, and natural resources and mining sectors.

The region is also marked by a continued inventory of vacant homes resulting from the downturn in the housing market and the consumer credit crises. Residential construction continues at a slow pace with some in-fill activity taking place in previously developed neighborhoods. The oversupply of vacant homes continues to be absorbed back into the real estate market.

The City's largest revenue source is sales tax generated from a variety of business categories including retail stores, communications/utilities, construction, restaurant/bar, real estate/rental and leasing, service related, art/entertainment, and hotel/motel. The City's local sales tax declined 12% in FY2010 from FY2009 after falling 16% from FY2008.

We expect a slow, yet steady, economic recovery, which will result in increased consumer spending and sales tax revenues. However, new construction activity and the real estate market, both residential and commercial, will remain at historically low levels. In the future, employment in the Phoenix Metropolitan area will continue to experience stress until the local housing market and credit markets stabilize and the national economy strengthens.

Further information on the history of City revenues can be found in the MD&A, pages 15 through 29, and the statistical section that begins on page 131, of this financial report.

### Long-Term Financial Planning

Surprise is faced with the “New Normal” defining today’s economic climate with shrinking revenues that challenge the City’s ability to deliver services effectively and efficiently. For the residents and the general public, the budget reveals the planned activities of the City for the next twelve months. The budget represents not only a detailed twelve-month plan, but also a framework for the future with five-year revenue projections and five-year planned capital projects.

Operational costs associated with the substantial amount of capital constructed by the City have been incurred over the last couple years. With each new completed project there are staffing, maintenance, supply, and other service costs that must be absorbed on an ongoing basis. The funding of these ongoing operational costs must be determined before a project is approved. By examining operational requirements early in the process, the City is assured that when a public building is completed, there is funding to open and operate the facility without negatively affecting other City services.

### Relevant Financial Policies

In past years, a large portion of General Fund operating revenue came from construction related activity and has eventually been constrained by the economy. The following guidelines are in place to assist in assuring an adequate combined fund balance:

1. The equivalent of two months of operating revenue has been designated as an economic stabilization amount set aside in all operating funds;
2. An allocation of 25% of construction related sales tax to general fund operations and of 75% percent to one-time expenditures and capital construction and acquisition;
3. Allocate 100% of collections from the 1.5% construction sales tax to transportation improvements; and,
4. Maintain a minimum reserved fund balance equal to one year of non-general obligation (G.O.) debt service payments.

During ongoing conversations with the Mayor and City Council regarding the FY 2012 budget, the City will be reviewing these and other financial policies and ask for City Council feedback. These policies are the roadmap to financial resiliency, will help to prepare the City Manager’s Recommended Budget, as well as aid the City Council in making the final decisions. At the time of the FY 2012 budget adoption, these policies will also be formally adopted and will be reviewed and update annually thereafter.

### Major Initiatives

The current economic downturn has affected the City’s overall revenues. Although cognizant of the declining availability of resources, the City Council desired to minimize any impact on services. Realizing the demand for certain services had declined with the downturn, the City has taken several steps to reduce staffing levels. Staffing levels were reduced by 7% from FY2009 to the FY2010 final budget. In addition, as a cost savings measure, several employee benefits were eliminated or reduced. These changes resulted in no appreciable loss in services delivered to the community.

To help strengthen the City’s accounting, financial management and financial reporting functions, a certified public accounting firm was hired to conduct a review of the City’s financial practices focusing on interfund transfers, capital project payment and sources of funds, change orders, and accounting and budgeting practices. The City accepted and addressed all the recommendations, such as segregation of duties, internal control improvements, and process improvements.

The City also engaged a consulting firm to perform an in-depth study of the Municipal Property Corporation (MPC) and development impact fee funds. Improvements resulting from the study include segregating the MPC funds to separately track and account for each bond issue, re-allocating debt service payment amounts for each fund benefitting from bond proceeds, and recording interfund loans where bond proceeds and development impact fee revenues were insufficient to pay for costs of new facilities.

Additionally, the finance department was restructured to better meet the needs of the organization including realignment of responsibilities. The restructuring included adding new positions, eliminating positions, position changes, and one transferred position. New positions included a Chief Financial

Officer, Deputy Chief Financial Officer, Internal Auditor, Grants Administrator, and Special Project Manager.

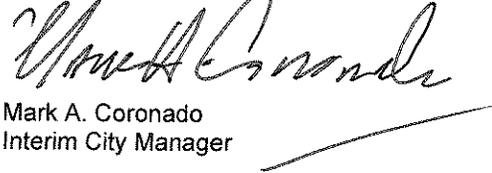
**Awards and Acknowledgements**

The City of Surprise has received the Government Finance Officers Association's (GFOA's) Certificate of Achievement for Excellence in Financial Reporting for its CAFR every year since July 1, 2002. The document must be easily readable, efficiently organized and compliant with GAAP and applicable legal requirements in order to qualify for the award.

The City of Surprise has received the GFOA's Distinguished Budget Presentation Award for its annual budget document every year since July 1, 2001. 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.

As referenced earlier, significant prior period adjustments have been made to this report which resulted in its delayed (March) completion. As such, the work to complete this report was very time consuming and would not have been possible without the dedicated services of the entire staff of the Finance Department and other departments, under the leadership of Deputy Chief Financial Officer John Ralston. This group of employees deserves special recognition for their efforts and accomplishments.

Respectfully submitted

  
Mark A. Coronado  
Interim City Manager

  
Scott McCarty  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Surprise Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

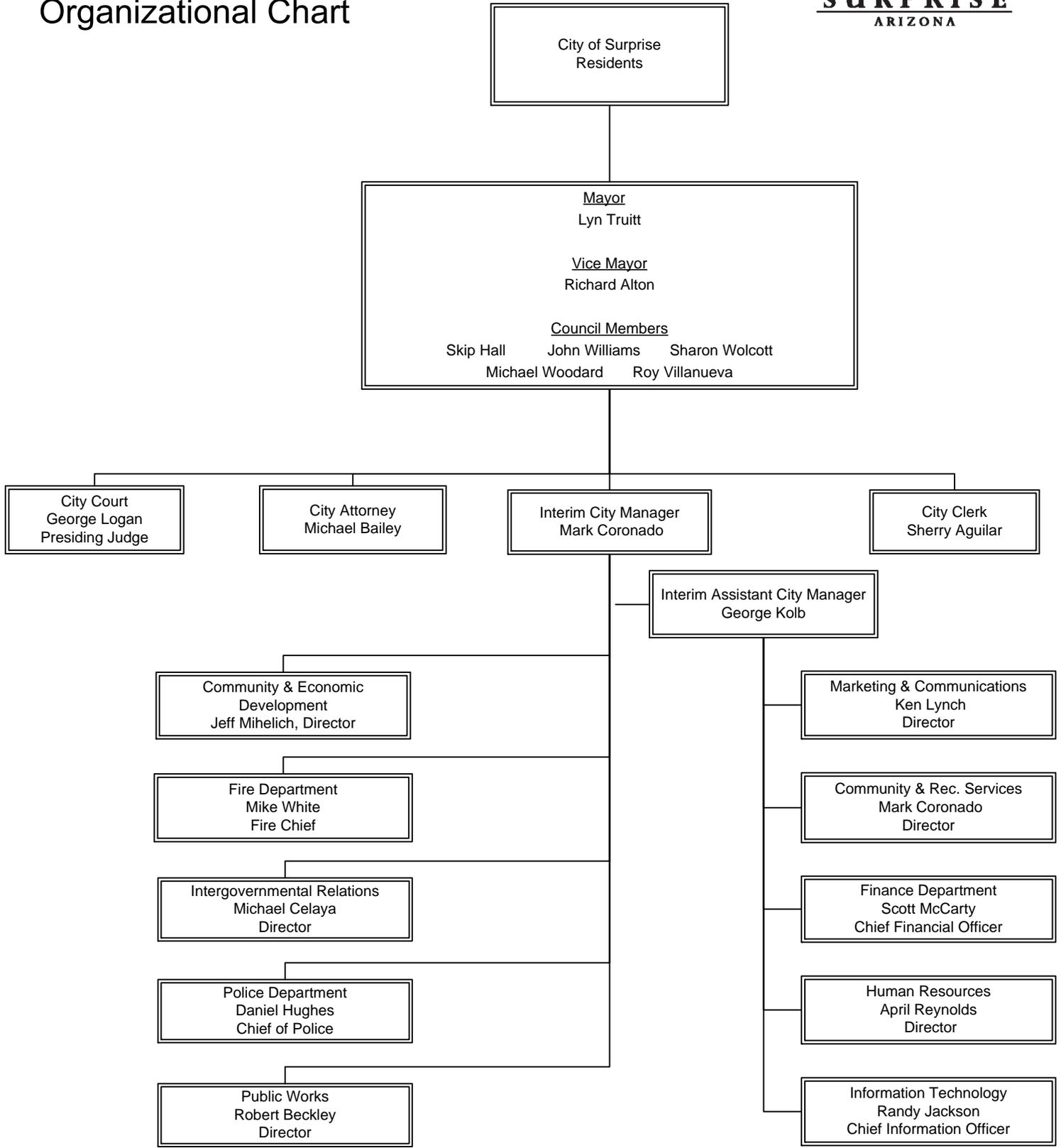
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# City of Surprise Organizational Chart



**MAYOR LYN TRUITT** – [Mayor@surpriseaz.gov](mailto:Mayor@surpriseaz.gov)



Lyn Truitt has been mayor of Surprise since January 1, 2008. He believes open government, jobs in cutting edge industries, educational opportunities, and integrated transportation form the foundation of a bright Surprise future. His belief in community spirit and partnerships inspire a vision of Surprise as a creative, innovative, compassionate place, drawing talented people and creative forces from across the nation and around the world.

During his term, Surprise has set new standards for opening government with the introduction of live internet streaming of city council meetings and an interactive online agenda where residents select an agenda item and immediately view the relevant portion of the meeting.

Mayor Truitt introduced monthly "workshop" public meetings where council members meet informally to discuss ideas and receive information from staff on issues such as transportation, economic development, and the environment. His innovative live evening broadcast of the first Surprise State of the City speech was a unique community outreach event that garnered the Mayor a national "Telly" award for commentary.

Mayor Truitt and the council have encouraged more citizen involvement by appointing unprecedented numbers of residents to city boards and commissions, including the Transportation Committee, the re-named Quality of Life Commission, a new Personnel Appeals Board, a new Board of Adjustment Committee, and an ad hoc Committee on Foreclosure, as well as an ad hoc Citizen Committee on General Obligation Bonds that produced a recommendation for a bond election in Surprise in November, 2009, plus creating a committee on Tourism to benefit Surprise.

Mayor Truitt acts on his belief that innovative community partnerships enhance quality of life. His leadership helped create a unique Surprise partnership with the city, Interfaith Community Care, and Rio Salado Lifelong Learning Center. The partnership unites educational opportunities for all ages with a multi-generational care center and a historic city park, creating an open, inviting environment where generations come together in the heart of Surprise. The partnership was nationally recognized in 2009 with a nomination for the National League of Cities "Municipal Excellence Award."

He is also deeply involved in regional issues, serving as a member of the Maricopa Association of Governments Regional Council and the Transportation Policy Committee.

Mayor Truitt has seen many important transportation developments since taking office: Grand Avenue will be expanded through Surprise beginning in the fall of 2009, expansion work on SR303 is underway, the reconstruction of Bell Road is scheduled to be finished this fiscal year, the city has purchased land for a Park and Ride facility, and Surprise is actively engaged in long range regional transportation planning that includes commuter rail service.

Innovative education partnerships such as the "Communiversy" at the new Surprise City Hall with Rio Salado College, and creative cutting edge job strategies such as the formation of the Arizona TechCelerator concept at the former Surprise City Hall campus are examples of the Mayor's leadership on these vital issues.

An active community member for many years, prior to his election Lyn chaired the Surprise Planning and Zoning Commission, and served as a volunteer at Saint Mary's Westside Food Bank and on several school committees. He continues to be a strong supporter of local educational excellence.

Lyn and his family moved to Surprise in 1997. He has two children and three grandchildren. Lyn is owner/broker of L.E. Truitt & Associates Real Estate Brokerage and a Certified International Property Specialist (CIPS). As a CIPS, Lyn has helped families relocate to the United States from 23 different countries; an experience he believes has broadened his perspective and given him insight into the dream of education and opportunity shared by people all over the world.

Truitt's term expires in December 2011. He is elected at-large.

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**VICE MAYOR RICHARD ALTON** – [Richard.Alton@surpriseaz.gov](mailto:Richard.Alton@surpriseaz.gov)



City Council member Richard Alton was elected to the City Council from District 2 (Cottonwood). The Cottonwood District encompasses the majority of Sun City Grand, the northwest portion of Sun Village, Stonebrook, Summerfield, and Bell West Ranch.

Richard is not new to city of Surprise committees and commissions. Since arriving in Surprise in 2003, he has served as a member of the Surprise Revitalization Committee, served on the ad hoc committee to analyze and recommend an auto mileage reimbursement method (Alton voted for the IRS standards), and most recently, he served as a Commissioner on the Surprise Planning and Zoning Commission.

His experience on these commissions has given him valuable insight into the complexities and importance of zoning decisions, planning strategies, and redeveloping needy areas. His professional experience in the banking industry gives him a unique understanding of the economic and business development aspects of proper planning, zoning, and revitalization.

Richard brings more than 35 years of banking experience to his post, which is a valuable asset in the city's budgeting and planning processes. He intends to address Surprise's urgent transportation needs, and make an impact in economic development strategies and networking. He is committed to enhancing the communications between citizens and the Council regarding Council agenda items.

He and his wife re-located to Surprise from the Seattle, Washington area. He has six children (all grown) and seven grandchildren.

Alton's term expires in December 2011.

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**SKIP HALL** – [Skip.Hall@surpriseaz.gov](mailto:Skip.Hall@surpriseaz.gov)



City Council member Skip Hall was elected to the City Council from District 6 (Palo Verde). The Palo Verde District includes Coyote Lakes, Canyon Ridge West, Rose Garden, Sunflower Resort, Sun Village, Fox Hill Run, and the eastern portion of the city's Original Town Site.

A resident of Surprise since 2003, Skip served on the Surprise Planning and Zoning Commission for three years and currently serves on the Sun Village Board of Directors as Treasurer.

Skip's goals for the city include additional east-west road crossings over the Aqua Fria River, working with other transportation partners to expand Grand Avenue, and attracting new businesses to Surprise.

He grew up in Idaho and received a business degree from Seattle University. Skip is a Vietnam War Veteran and was awarded the Bronze Star for his outstanding service 1969-1970.

Skip worked in the restaurant and lodging business for decades, opening restaurants in California, Oregon, and Washington and earning a certification in Hotel Administration. He was involved in multi-unit management for two lodging chains and achieved the Best Practice Award from American Express and the National Lodging Institute.

He has worked with Junior Achievement, Veterans of Foreign Wars, and is currently working with the U.S. Department of Education on testing programs for Arizona students. He has also taught community college courses on the hospitality business and restaurant and hotel management.

Skip has two daughters, one son, and five grandchildren.

Hall's term expires in December 2013.

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**ROY VILLANUEVA** – [Roy.Villanueva@surpriseaz.gov](mailto:Roy.Villanueva@surpriseaz.gov)

City Council member Roy Villanueva rejoins the city council for District 4 (Mulberry). Roy Villanueva brings a combined 25 years of experience as Surprise Mayor, Vice Mayor, and council member.

During his many years of service, Roy has initiated many important improvements in the area of housing rehabilitation, economic development, utilities, police services, fire services, and federal grants.

While serving as chair of the Community Development Block Grant Committee, Roy was instrumental in targeting these important federal dollars to improve housing, roads, streetlights, sidewalks, baseball fields, sewer systems, and other important neighborhood infrastructure around the city.

He was also instrumental in developing important Surprise economic milestones such as the West Point Towne Center, and bringing major league baseball and Surprise stadium to the community.

He is excited and ready to introduce progressive programs and services to all residents of Surprise. His goals for his current term:

- Work with all council members to respectfully represent our city and the residents of District 4.
- Improve Transportation.
- Continue to improve and promote businesses in the Original Town Site.
- Continue recreation programs for young people.
- Support public services such as the Fire and Police Departments.
- Explore more job opportunities for Surprise residents.

Roy has lived in Surprise for 32 years and has been married to Rachel for 39 years. His three grown children, all Dysart High School graduates, were raised in Surprise. He has one grandson.

Villanueva's term expires in December 2011.

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**JOHN WILLIAMS** – [John.Williams@surpriseaz.gov](mailto:John.Williams@surpriseaz.gov)



City Council member John Williams was elected to the City Council from District 3 (Mesquite). In November 2007. As a teacher, parent, and husband, John brings a community perspective to his commitment to serve as a voice for all residents. John has been in Education and Sports Medicine since he and his wife Melissa bought their home in Surprise in 2000.

A graduate of Hofstra University in New York, John also holds a Masters in Health Science from Towson University in Maryland. His professional career began in Sports Medicine and transitioned into education when he and Melissa came to Surprise.

For the past 7 years, he has been working as a teacher, building the Career and Technical Education Sports Medicine program in the Peoria Unified School District. He has been selected by his peers to be the Program Lead for the past two years.

John and Melissa have three children, Connor, Ashlyn, and Matthew. Melissa and John are animal lovers and have opened their home to numerous animals in need including Blaze, the three-legged cocker spaniel whose life was extended for eight years after they took him into their home in 1999.

"I want to give my kids, our kids, the opportunity to be part of the city that is defining vibrant southwest living. In 15 years, I hope my oldest, Connor, can attend the next great university right here in Surprise. I hope when he graduates he will have the option of building his own family here because we will have grown a sustainable economy that offers high quality jobs to our residents. These are my hopes and dreams. I believe working together, we can make them happen."

William's term expires in December 2011.

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**SHARON WOLCOTT** – [Sharon.Wolcott@surpriseaz.gov](mailto:Sharon.Wolcott@surpriseaz.gov)



City Council member Sharon Wolcott was elected to the City Council from District 1 (Acacia). District 1 encompasses the northwest portion of Surprise, including Sun City Grand, Happy Trails, and Arizona Traditions.

Sharon and her husband Jim discovered Surprise in 2003. Sharon received her B.A. in Communications and Education from Indiana University. She became active in community issues while living in Minnesota, and in 1991 was elected to the Newport, Minnesota, City Council, and later served as Deputy Mayor.

Sharon later represented District 57 in the Minnesota state House and Senate. Her legislative work ranged from oversight of a biennial budget of more than \$33 billion to policy decisions on energy, transportation, health, and education. Sharon found individual constituency work to be the most rewarding part of the job.

Sharon advocated successfully for a new Interstate bridge across the Mississippi River, a complex transportation issue that had plagued the region for over 40 years. This experience in building coalitions will help Sharon address the challenges facing Surprise.

In 2008, she was appointed to the Surprise Transportation Commission, serving as Vice Chair, and becoming a strong advocate for a comprehensive multi-modal transportation system.

Sharon will focus on quality of life issues such as traffic congestion, public transportation, land use, and air and water quality. She is excited about the future and the promise of Surprise, and is committed to working hard for District 1 and the entire city of Surprise.

Wolcott's term expires in December 2013.

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**MIKE WOODARD** – [Mike.Woodard@surpriseaz.gov](mailto:Mike.Woodard@surpriseaz.gov)



City Council member Mike Woodard was elected to City Council from District 5 (Palm). District 5 includes the northern half of West Point, Kingswood Parke, The Orchards, Sierra Verde, a portion of the Original Town Site, the Stadium Village complex, and the Civic Center/Recreational campuses.

Mike, a Surprise resident since 1998, is a retired widower and resident of West Point Towne Center. He has been an active citizen in the community since 2001 as co-founder of the group Citizen's for a Better Surprise, a member of the Planning & Zoning Commission, a Sundancer volunteer, an at-large member of the Citizen Bond Committee, and as a senior center volunteer driver. He also volunteers his time and efforts to West Valley Cancer Connections and the H.O.P.E. Team at Cancer Treatment Centers of America.

His involvement in the city combined with over 40 years of accounting and managerial experience in a broad range of industries will be valuable in the city's budgeting and planning processes. He is committed to bringing commuter rail and improving transportation corridors, major factors impacting the city's economic development strategies. Mike believes communication between the citizens and council is of paramount importance and will be a top personal endeavor for him.

Mike has helped raise four children, numerous foster children, and is grandfather to six.

Woodard's term expires in December 2013.

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**APPOINTED OFFICIALS**

**Interim City Manager**

**Mark Coronado**

**City Clerk**

**Sherry Aguilar**

**City Attorney**

**Michael Bailey**

**Presiding Judge**

**George Logan**





## **FINANCIAL SECTION – INDEPENDENT AUDITOR’S OPINION**

The Financial Section is divided into five sections. The first section is the Independent auditor’s report, which is the official written communication of the audit results provided by the independent auditors expressing their opinion on the City’s financial statements as to whether the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).



## INDEPENDENT AUDITOR'S REPORT

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The Honorable Mayor and Members of the City 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 remaining fund information of the **City of Surprise, Arizona** as of and for the year ended June 30, 2010, 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's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Surprise, Arizona** at June 30, 2010, 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 14 to the financial statements, the City applied adjustments to various funds to restate the 2009 financial statements. Governmental Activities net assets increased \$64,701,276; Business Type Activities net assets decreased \$54,905,637.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2011 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 agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15-29, the budgetary comparisons on pages 84-89 and the pension disclosures on page 83 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Surprise, Arizona's** basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Phoenix, Arizona  
March 16, 2011



## **FINANCIAL SECTION – MANAGEMENT DISCUSSION AND ANALYSIS**

The Financial Section is divided into five sections. The second section is the Management Discussion and Analysis. This component of required supplementary information is used to introduce the basic financial statements and provide an analytical overview of the City's financial activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Surprise (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2010. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing a summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. Amounts presented may reflect some minor differences due to rounding. This analysis is meant to be read in conjunction with the letter of transmittal.

### FINANCIAL HIGHLIGHTS

- ❖ **Governmental Type net assets** increased \$4.2 million from \$465.7 million to \$469.9 million. This increase in net assets is attributable to aggressive expenditure cuts in both personnel and discretionary spending.
- ❖ **Business Type net assets** increased approximately 25% from \$244.1 million to \$305.1 million, a difference of \$61.0 million. The increase was the result of increased funding resulting primarily from developer contributions of capital assets, the distribution of cash held in the General Fund in prior years for vehicle replacement costs, and an amendment for an intergovernmental agreement with the City of Glendale that reduced future liabilities. Additionally, current year reporting adjustments lead to transfers in of \$6.2 million as opposed to the prior year transfer out of \$4.1 million.
- ❖ **Governmental Activities Expenses** of \$109.2 million exceeded program revenues of \$56.2 million, a difference of \$53.0 million. The remaining \$53.0 million of expense represents the total burden each separate function places on the City, that is the total cost after deducting revenues charged or grants and contributions received specifically for these programs. This amount is covered by general governmental revenues.
- ❖ **Business Type Expenses** were \$31.0 million, while program revenues totaled \$82.4 million, a positive difference of \$51.4 million. Program revenues increased significantly from the prior year mainly due to capital contributions received in the current fiscal year which totaled \$51.7 million.
- ❖ **Component units** – The City includes four separate legal entities in its report: the City of Surprise Voluntary Firefighters' Pension and Relief Fund, the Surprise Municipal Property Corporation (SMPC), Marley Park Community Facilities District (CFD), and various Street Lighting Improvement Districts (SLID). Although legally separate, these "component units" are presented along with the City's financial statements (blended presentation). Blending component units is appropriate when they share a governing body with the primary government or when there is an exclusive benefit to the primary government. Each of the above mentioned component units, meets these requirements. A more detailed description of these component units is available in Note 1.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 31 and 32-33) 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 36. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The fiduciary statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 31. 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 provides 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/or 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.

The Statement of Net Assets and the Statement of Activities are divided into two kinds of activities:

- ❖ **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, public works, parks and recreation departments, and general administration.
- ❖ **Business type activities** – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City's water, 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 36 where the fund financial statements begin. These provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- ❖ **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. A description of the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is included in the reconciliations following the fund financial statements.
- ❖ **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net 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 reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, specifically the City's Risk Management Fund.
- ❖ **Fiduciary Funds** – The City is the trustee, or fiduciary, for its City of Surprise Volunteer 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 49-50.

These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Assets as of June 30, 2010 and June 30, 2009.

### City of Surprise's Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009*</u>
<b>ASSETS</b>						
Current and other assets	\$ 45.1	\$ 78.3	\$ 60.3	\$ 46.3	\$ 105.4	\$ 124.6
Capital assets, net	476.2	458.8	316.1	273.3	792.3	732.1
Total assets	<u>521.3</u>	<u>537.1</u>	<u>376.4</u>	<u>319.6</u>	<u>897.7</u>	<u>856.7</u>
<b>LIABILITIES</b>						
Other liabilities	9.0	25.9	5.7	10.4	14.7	36.3
Long-term liabilities	42.4	45.4	65.6	65.1	108.0	110.5
Total liabilities	<u>51.4</u>	<u>71.3</u>	<u>71.3</u>	<u>75.5</u>	<u>122.7</u>	<u>146.8</u>
Net assets:						
Invested in capital assets, net of related debt	437.1	419.9	250.9	209.4	688.0	629.3
Restricted	27.5	28.5	13.8	-	41.3	28.5
Unrestricted	5.3	17.4	40.4	34.7	45.7	52.1
Total net assets	<u>\$ 469.9</u>	<u>\$ 465.8</u>	<u>\$ 305.1</u>	<u>\$ 244.1</u>	<u>\$ 775.0</u>	<u>\$ 709.9</u>

\* Amounts presented have been changed to reflect the prior period adjustments made.

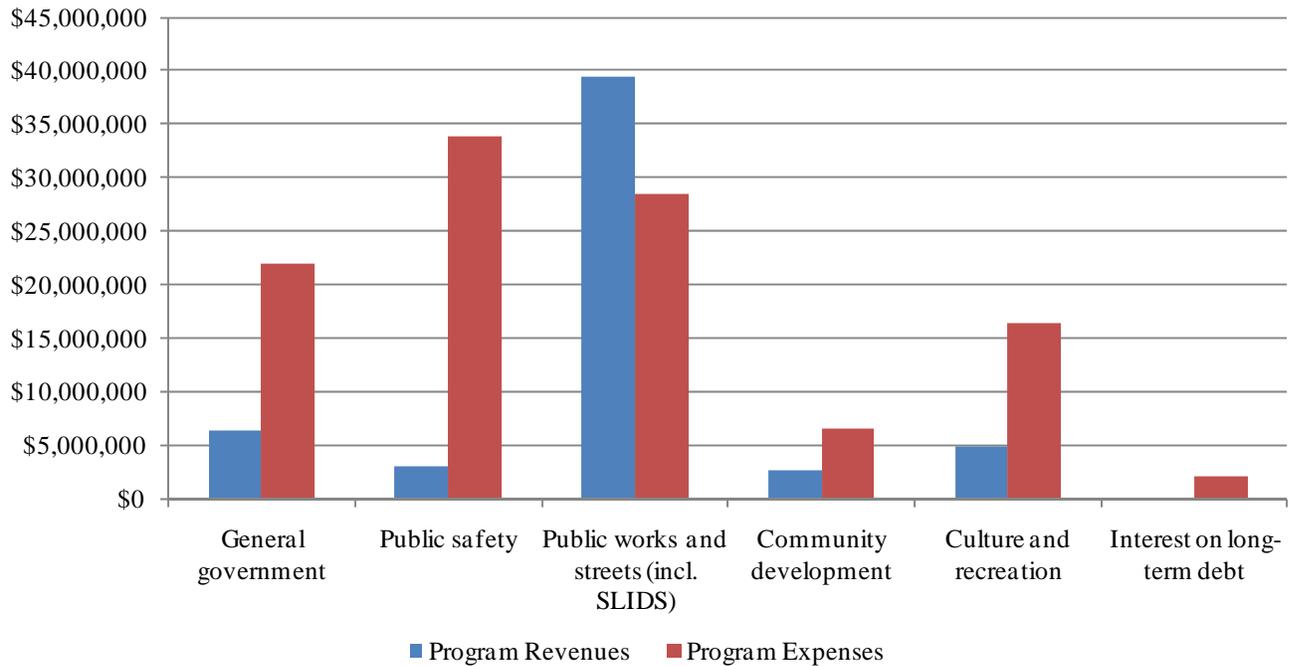
Net assets are a good indicator of a city's overall financial standing. For fiscal year 2010, the City had total combined net assets of \$775.0 million. This was an increase of \$65.1 million, or 9% over the prior year's net assets of \$709.9 million. Not all of the \$775.0 million is available for the City to use freely. The largest portion of the City's total net assets \$688.0 million, or 89% is invested in capital assets, net of related debt. Of the remaining net assets, \$41.3 million is restricted for various purposes and \$45.7 million is unrestricted.

**City of Surprises Changes in Net Assets (in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009*</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 11.9	\$ 18.5	\$ 30.8	\$ 30.3	\$ 42.7	\$ 48.8
Operating grants and contributions	13.2	1.8	-	-	13.2	1.8
Capital grants and contributions	31.1	21.6	51.8	12.8	82.9	34.4
General revenues:						
Property taxes	6.8	7.2	-	-	6.8	7.2
Sales taxes	29.2	33.2	-	-	29.2	33.2
Franchise taxes	4.3	4.3	-	-	4.3	4.3
State shared revenues	21.2	19.0	-	-	21.2	19.0
Unrestricted investment earnings	0.4	0.4	0.4	0.4	0.8	0.8
Other	1.4	3.5	-	-	1.4	3.5
Total revenues	<u>119.5</u>	<u>109.5</u>	<u>83.0</u>	<u>43.5</u>	<u>202.5</u>	<u>153.0</u>
<b>EXPENSES</b>						
Program activities:						
Governmental activities:						
General government	22.0	20.5	-	-	22.0	20.5
Public safety	33.9	39.4	-	-	33.9	39.4
Public works and streets (incl. SLIDS)	28.4	26.6	-	-	28.4	26.6
Community development	6.5	4.8	-	-	6.5	4.8
Culture and recreation	16.4	21.9	-	-	16.4	21.9
Interest on long-term debt	2.0	5.1	-	-	2.0	5.1
Business-type activities:						
Water	-	-	9.8	11.3	9.8	11.3
Sewer	-	-	16.7	16.0	16.7	16.0
Sanitation	-	-	4.6	4.3	4.6	4.3
Total expenses	<u>109.2</u>	<u>118.3</u>	<u>31.1</u>	<u>31.6</u>	<u>140.3</u>	<u>149.9</u>
Excess before special items and transfers	10.3	(8.8)	51.9	11.9	62.2	3.1
Special item	-	-	2.9	-	2.9	-
Transfers in (out)	(6.2)	4.1	6.2	(4.1)	-	-
Increase in net assets	4.1	(4.7)	61.0	7.8	65.1	3.1
Net assets - beginning, as restated	465.8	470.5	244.1	236.3	709.9	706.8
Net assets - ending	<u>\$ 469.9</u>	<u>\$ 465.8</u>	<u>\$ 305.1</u>	<u>\$ 244.1</u>	<u>\$ 775.0</u>	<u>\$ 709.9</u>

\* Amounts presented have been changed to reflect the prior period adjustments made.

## FY 2010 Governmental Program Revenues and Expenses

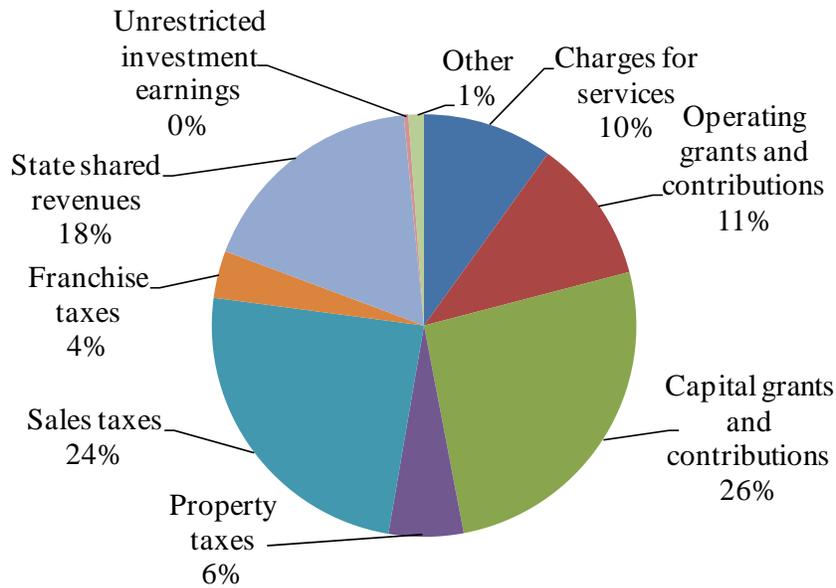


For fiscal year 2010, governmental program expenses exceeded program specific revenues by \$53.0 million. The remaining expenses were supported by general governmental revenues.

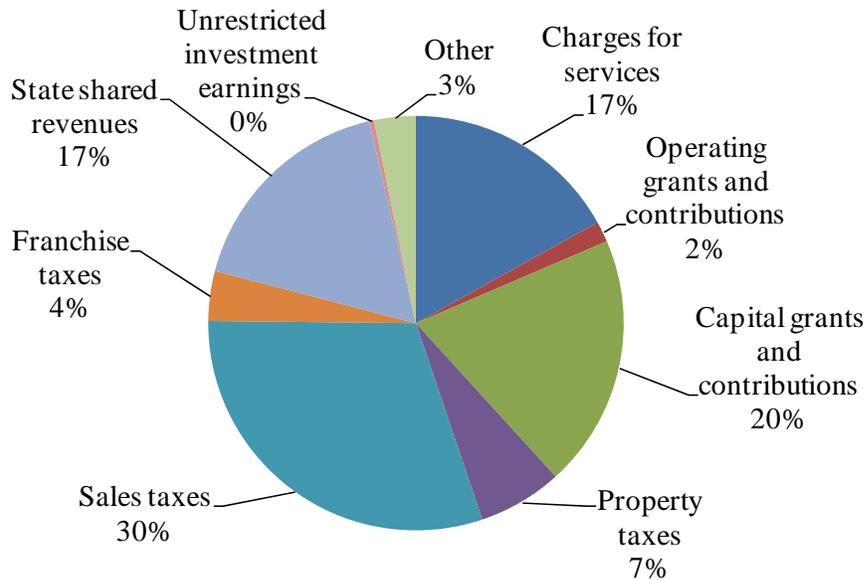
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for approximately 47% of total governmental revenues.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior services) are subsidized by general governmental revenues. The City does not intend to charge for the total cost of these services directly.
  - The City of Surprise maintains a full-time paramedic-trained Fire Department funded by General Government revenues.
  - Culture and Recreation often charges a fee for services it provides, but usually that fee does not cover the entire cost of the service.
- ❖ **Community Development** revenues come primarily from construction related activities.
  - Construction activity in Fiscal Year 2010 continued to decline.
- ❖ **SLIDs** are Street Light Improvement Districts that charge a fee/tax to pay for the electricity used by neighborhood streetlights.

**Governmental Activities Revenues** for the fiscal year ended June 30, 2010 totaled \$119.6 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

**Fiscal Year 2010 Governmental Activities Revenues**



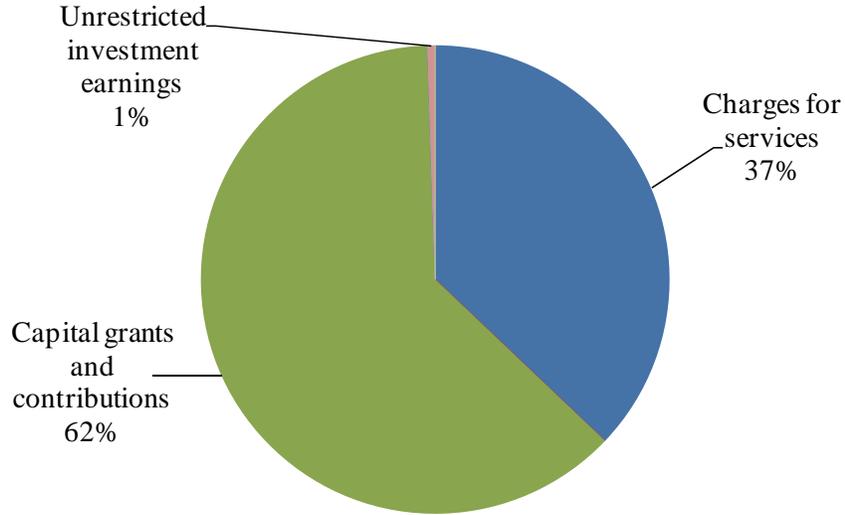
**Fiscal Year 2009 Governmental Activities Revenues**



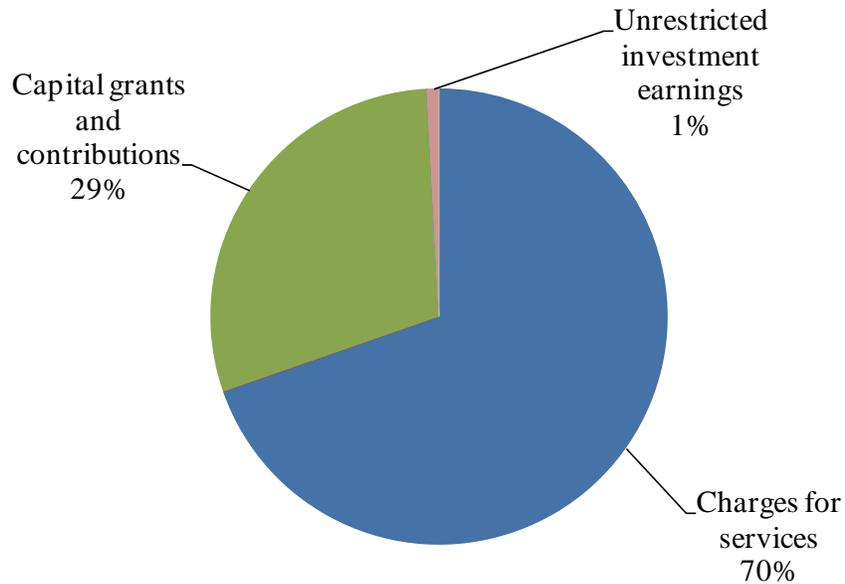
- ❖ The City’s largest revenue source is capital grants and contributions at \$31.1 million. This is primarily due to the contributions of developer built infrastructure.
- ❖ The decrease in charges for service of \$6.6 million is mainly the result of lower building permit activity and related fees due to the recessionary economy.

**Business Type Revenues** for the fiscal year ended June 30, 2010 totaled \$83.1 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

**Fiscal Year 2010 Business Type Revenues**

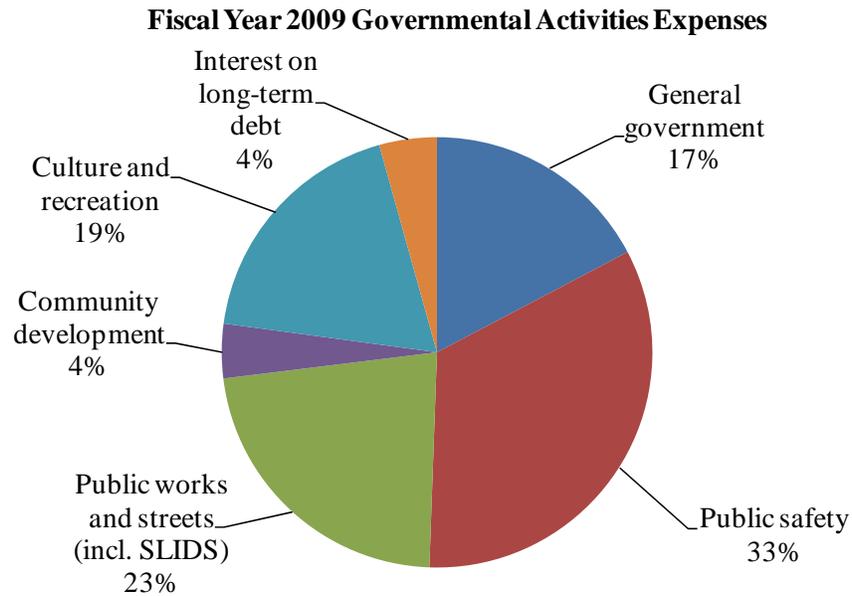
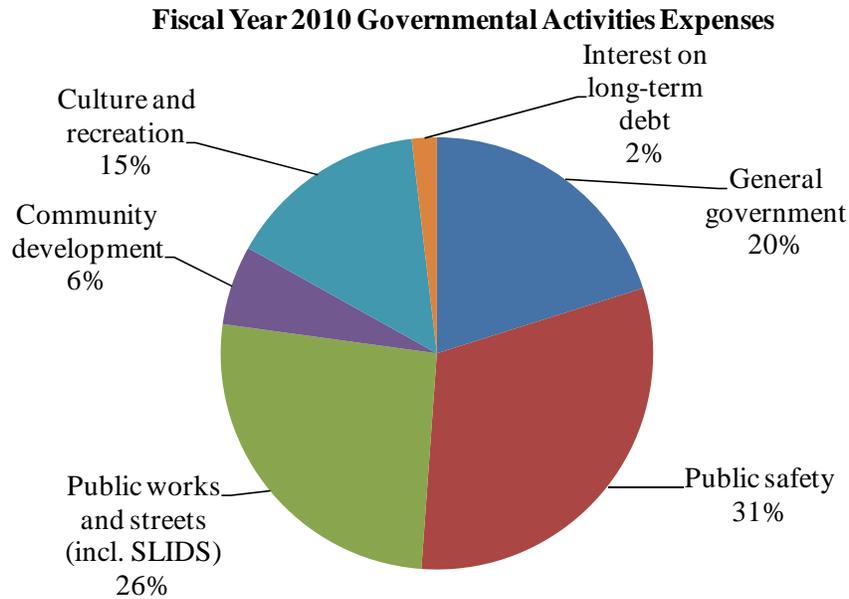


**Fiscal Year 2009 Business Type Revenues**



- ❖ Total Business Type Revenues increased \$42.4 million from fiscal year 2009 to fiscal year 2010. The increase was in large part due to the receipt of capital contributions totaling \$51.8 million, an increase of \$39.0 million over the prior year.

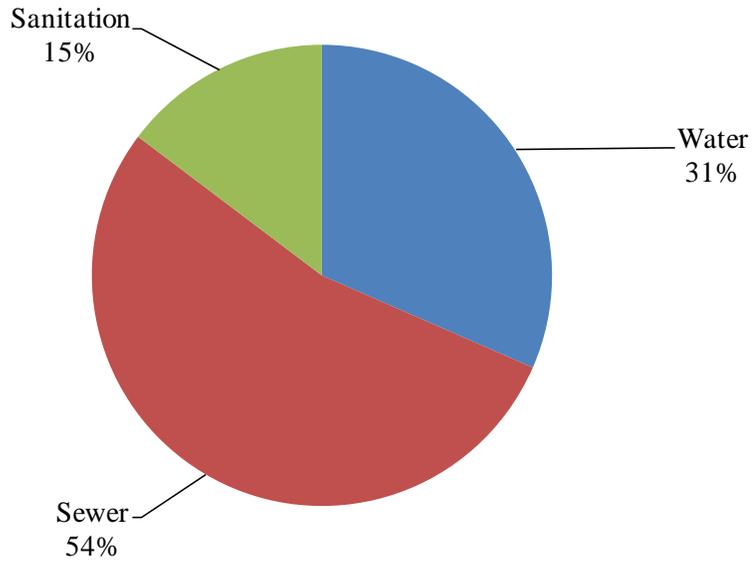
**Governmental Activities Expense** (excluding transfers and capital outlays) for the fiscal year ended June 30, 2010 totaled \$109.2 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



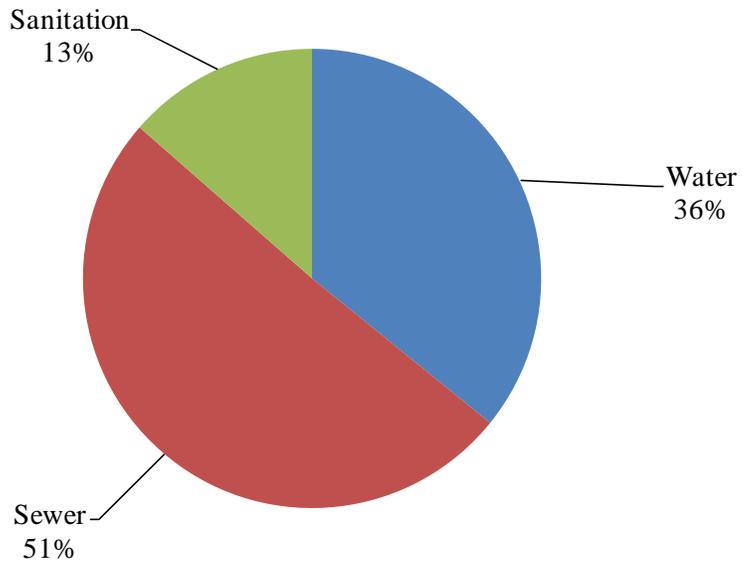
- ❖ Public safety comprised the largest portion of program expenditures at \$33.9 million. Current year costs were reduced by over \$5.5 million as a result of budget reductions and savings from vacant positions.
- ❖ Public works represents the second largest group of expenditures at \$28.4 million, a slight increase from the prior year.

**Business Type Expense** (excluding transfers and capital outlays) for the fiscal year ended June 30, 2010 totaled \$31.1 million and are identified by function and fund in percentage format. The prior year percentages have also been provided for comparison.

**Fiscal Year 2010 Business Type Expenses**



**Fiscal Year 2009 Business Type Expenses**



- ❖ Business Type expenses have remained consistent in total to the prior year. The largest portion of the expenses, sewer expenses totaling \$16.7 million, comprises 54% of the total.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance decreased \$16.4 million from \$49.8 million to \$33.4 million. Of the total ending fund balance, \$60.6 million has been reserved, meaning that it is not available to meet future funding needs other than that for which it was reserved. Of the total, \$60.5 million has been reserved to recognize the existence of long-term borrowing agreements among funds which will be paid back from future receipt of impact fees. These amounts will be repaid over several years and as such the fund balance associated with these advances will not be available for use in the short-term. Additionally, \$9.8 million of fund balance has been designated by management of the City for various future expenditures; however, these amounts may ultimately be used for other purposes at the discretion of the management. The Governmental Funds expenses of \$100.7 million exceeded revenues of \$90.4 million by \$10.2 million. The resulting decrease in fund balance was caused by the use of fund balance to construct various capital projects (e.g. roads) and balance the General Fund and Highway User Fund to mitigate further levels of service reductions.
  - The General Fund balance decreased \$42.4 million. This was due primarily to a change in the presentation of the General Fund in the CAFR. In prior years, the General Capital Projects Fund and the Vehicle Replacement Fund were combined with the General Fund in the CAFR. In an effort to improve the transparency of the financial statements the General Capital Projects Fund and the Vehicle Replacement Fund are now presented separately for fiscal year 2010. This change in presentation necessitated transfers from the General Fund to the General Capital Projects Fund and the Vehicle Replacement Fund of \$36.5 million and \$11.1 million, respectively. Additionally, the Vehicle Replacement balance has been allocated back to the contributing funds based on historical contributions, including \$5.1 million back to the General Fund. These balances are now presented as a designated fund balance in the respective funds that have vehicles.
  - The General Capital Projects Fund is presented as a separate fund for the first time this fiscal year. See the previous discussion of the General Fund for more details.
  - The General Government Development Fee Fund contains \$38.7 million in advances from other funds which represents the amount to be reimbursed from future impact fees to pay for the growth portion of capital improvements. For example, \$35 million in non-growth resources were borrowed from the General Capital Project Fund to cover the growth related cost of the City's new \$65 million City Hall. As such, \$35 million in future impact fees will be used to repay this interfund borrowing.
  - The Fire Development Fee Fund experienced a slight decrease in fund balance of \$57,740.
  - The Highway User fund balance increased from \$1.2 million to \$2.5 million due to a transfer in from the General Fund to meet the City's two month operating reserve requirement and to return amounts contributed to the Vehicle Replacement Fund which is no longer active.
  - The Transportation Improvement fund balance decreased \$4.8 million from \$6.8 million to \$2.0 million. This decrease is the result of the construction of numerous road projects.
- ❖ **Proprietary fund** financial statements provide similar information contained in the government-wide financial statements but in more detail. Their results are thoroughly discussed in the review of business type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

- ❖ The original General Fund budget for expenditures was \$75.9 million. Budget adjustments throughout the year decreased total budgeted expenditures \$1.0 million to reach the final budget of \$74.9 million. The majority of the decrease in budgeted expenditures was due to reductions in budgeted salaries due to layoffs and discretionary spending, in anticipation of lower than expected revenues. There were reductions in budgeted expenditures in October, December and January.
- ❖ Actual General Fund expenditures totaling \$70.8 million were \$4.2 million less than budgeted. Of the variance in budgeted expenditures, \$1.3 million is attributable to savings from vacant positions in the police and fire departments. The remainder of the surplus was due to the overestimation of operating costs for the new City Hall facility. The City moved their operations in June of 2009. With no prior history, the City's initial estimates for operating costs were higher than actual costs. Specifically, facilities maintenance was overstated by \$0.5 million and information technology operations were overstated by \$0.3 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at Year-End, Net of Depreciation (in Millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009*</u>
Land and improvements	\$ 32.9	\$ 31.6	\$ 4.9	\$ 4.6	\$ 37.8	\$ 36.2
Parks	9.8	9.8	-	-	9.8	9.8
Water rights	-	-	2.8	2.2	2.8	2.2
Construction in progress	13.8	16.4	30.5	26.7	44.2	43.1
Buildings and improvements	162.6	169.8	273.0	235.0	435.6	404.8
Improvements other than buildings	12.1	4.2	-	-	12.1	4.2
Equipment and vehicles	18.1	21.3	4.9	4.8	23.0	26.1
Infrastructure	226.9	205.6	-	-	226.9	205.6
Total capital assets net	<u>\$ 476.2</u>	<u>\$ 458.7</u>	<u>\$ 316.1</u>	<u>\$ 273.3</u>	<u>\$ 792.3</u>	<u>\$ 732.0</u>

\* Amounts presented have been changed to reflect the prior period adjustments made.

The capital assets of the Governmental Activities funds increased by \$17.5 million from the prior fiscal year, net of depreciation (\$40.0 million before depreciation).

- ❖ Changes to the Governmental Capital Assets for fiscal year 2010 were the result of:
  - Current year depreciation expense of \$23.1 million.
  - Capital asset infrastructure donations made to the City. The assets donated consisted of sidewalks, storm drains, streets and traffic signals.
    - Sarah Ann Ranch - \$9.5 million.
    - Desert Oasis - \$6.1 million.
    - Surprise Point - \$5.3 million.
    - Skyway Business Park - \$3.8 million.
    - Surprise Farms - \$3.0 million.
    - Cactus Plaza - \$0.6 million.
    - Sierra Mountain - \$0.5 million.
    - Crescent Crown Distribution - \$0.4 million.
    - Legacy Park - \$0.4 million.
  
- ❖ Governmental Activities construction in process includes:
  - \$1.8 million for the Park and Ride on Bell Road east of Grand Avenue.
  - \$1.7 million for street improvements at Dysart Road and Grand Avenue.
  - \$1.7 million for city hall construction costs.
  - \$1.6 million for intersection improvements at Dysart Road and Thunderbird Road.
  - \$0.7 million for street improvements at Bullard Avenue south of Bell Road.
  - \$0.5 million for the purchase of radio console additions.
  - \$0.4 million for Surprise Farms park development.
  - \$0.4 million for the widening of Union Hills Road.

The capital assets of the Business Type Activities funds increased by \$42.8 million from the prior fiscal year, net of depreciation (\$50.6 million before depreciation).

- ❖ Changes to the Business Type Activities capital assets for fiscal year 2010 were the result of:
  - Current year depreciation expense of \$7.9 million.
  - Capital asset infrastructure donations made to the City. The assets donated consisted of sewer and water lines.
    - Sarah Ann Ranch - \$3.8 million.
    - Desert Oasis - \$3.3 million.
    - Surprise Point - \$2.7 million.
    - Skyway Business Park - \$2.5 million.
    - Surprise Farms - \$0.9 million.
    - Prasada - \$0.7 million.
  
- ❖ Business Type Activities construction in process includes:
  - \$19.8 million for the construction of a wastewater treatment plant.
  
- ❖ For more detailed information on Capital Assets see Note 4 of this report.

Outstanding Debt at Year-End (in Millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009*</u>
	Municipal property corporation bonds	\$ 28.5	\$ 30.4	\$ 63.0	\$ 63.9	\$ 91.5
Community facilities districts bonds	8.3	8.5	-	-	8.3	8.5
Contracts and developer payable	2.3	2.4	0.6	0.7	2.9	3.2
Notes payable	-	-	1.5	-	1.5	-
<b>Total debt outstanding</b>	<b><u>\$ 39.1</u></b>	<b><u>\$ 41.3</u></b>	<b><u>\$ 65.1</u></b>	<b><u>\$ 64.6</u></b>	<b><u>\$ 104.2</u></b>	<b><u>\$ 105.9</u></b>

\* Amounts presented have been changed to reflect the prior period adjustments made.

- ❖ **Long-term debt** decreased this year from \$105.9 million to \$104.2 million as a result of:
  - \$3.0 million in current year principal payments.
  - The receipt of a \$1.5 million note payable to be used to fund water infrastructure costs.
- ❖ For more detailed information on long-term debt see Note 7 of this report.

## ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

- ❖ **Revenues are expected to remain consistent** – City sales tax for all other sources (except construction) is expected to increase 4%. Property taxes are also projected to increase 5%. Offsetting these increases in revenues, is the expected decline of state shared revenues by 10%. As a result of these changes, fiscal year revenues are projected to be about the same as the amount received in fiscal year 2010.
- ❖ **Change in construction sales tax allocation** – The City will change its method of allocating construction sales tax. In prior years, 25% of total revenues received were kept as operating revenues. The new policy was changed to use a dollar amount instead of a percentage. As a result, for next fiscal year, \$1.25 million of the construction sales tax collected will remain in the operating funds and any amount in excess will be used to fund the General Government Capital Improvement Plan.
- ❖ **Distribution of LTAF funds eliminated** – During the fiscal year 2010, the state legislature eliminated the distribution of lottery funds to Arizona cities and counties. These funds, local transportation assistance funds (LTAF), were \$320,700 annually and were used to subsidize the operation of the Dial-a-Ride program. With the loss of this funding source, additional general fund revenues will be directed to continue the operation of Dial-a-Ride services.
- ❖ **Next year's budget** – Total budgeted expenditures for the General Fund for fiscal year 2011 are \$75.9 million, an increase of \$1.0 million over the current year's final budgeted expenditures. The increase in the budget is the result of increases to maintain existing levels of service. These cost increases include computer software maintenance agreements, fire dispatching costs, healthcare premiums and retirement contributions.

## **FINANCIAL CONTACT**

The financial report is designed to provide a general overview of the City of Surprise's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Chief Financial Officer at: 16000 North Civic Center Plaza, Surprise, Arizona 85374.





## **FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS**

The Financial Section is divided into five sections. The third section is comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments, and are separated into three components. The first component is comprised of the government-wide financial statements. These financial statements incorporate all of the City's governmental and business-type activities. The business-type activities are financed in whole or in part by fees charged to external parties for goods or services. There are two basic government-wide financial statements: the statement of net assets and the statement of activities.

**City of Surprise, Arizona**

Statement of Net Assets

June 30, 2010

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 26,732,878	\$ 33,786,978	\$ 60,519,856
Receivables			
Accounts	9,223	4,779,005	4,788,228
Interest	149,167	5,275	154,442
Taxes and franchise fees	6,268,987	-	6,268,987
Grants	658,072	-	658,072
Intergovernmental	2,229,750	-	2,229,750
Notes	-	1,245,955	1,245,955
Internal balances	(1,104,091)	1,104,091	-
Other	1,263,345	3,353,057	4,616,402
Bond issuance cost, net of amortization	883,384	1,488,913	2,372,297
Other assets	27,804	25,115	52,919
Restricted cash and cash equivalents	7,943,769	14,590,897	22,534,666
Capital assets, non-depreciable	56,451,313	38,154,580	94,605,893
Capital assets, depreciable	573,431,603	313,274,020	886,705,623
Accumulated depreciation	<u>(153,680,293)</u>	<u>(35,346,878)</u>	<u>(189,027,171)</u>
<b>Total assets</b>	<u>521,264,911</u>	<u>376,461,008</u>	<u>897,725,919</u>
<b>Liabilities</b>			
Accounts payable	3,589,450	3,092,616	6,682,066
Accrued payroll and related taxes	2,475,012	316,777	2,791,789
Deposits	270,929	391,035	661,964
Accrued interest payable	911,668	884,488	1,796,156
Unearned revenues	1,308,411	1,042,778	2,351,189
Contracts payable, due in less than one year	374,645	379,181	753,826
Contracts payable, due in more than one year	1,938,209	249,493	2,187,702
Other liabilities	395,958	21,295	417,253
Compensated absences payable, due in less than one year	1,432,431	184,319	1,616,750
Compensated absences payable, due in more than one year	1,898,803	244,329	2,143,132
Bonds, loans and payables due in less than one year	2,215,188	946,548	3,161,736
Bonds, loans and payables due in more than one year	<u>34,532,109</u>	<u>63,570,146</u>	<u>98,102,255</u>
<b>Total liabilities</b>	<u>51,342,813</u>	<u>71,323,005</u>	<u>122,665,818</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	437,142,472	250,936,354	688,078,826
Restricted for:			
Debt service	23,312	-	23,312
Marley Park Community Facilities District	639,502	-	639,502
Surprise Municipal Property Corporation	6,184,423	13,841,284	20,025,707
Public works and streets (incl. SLIDS)	13,687,606	-	13,687,606
Public safety	2,835,967	-	2,835,967
Culture and recreation	4,123,191	-	4,123,191
Unrestricted	<u>5,285,625</u>	<u>40,360,365</u>	<u>45,645,990</u>
<b>Total net assets</b>	<u>\$ 469,922,098</u>	<u>\$ 305,138,003</u>	<u>\$ 775,060,101</u>

See accompanying notes to the financial statements.

**City of Surprise, Arizona**  
**Statement of Activities**  
**Fiscal Year Ended June 30, 2010**

<u>Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 21,961,410	\$ 5,630,748	\$ 26,456	\$ 647,858
Public safety	33,876,919	1,257,537	1,063,994	765,638
Public works and streets (incl. SLIDS)	28,392,783	328,230	10,006,587	29,022,532
Community development	6,484,414	868,305	1,731,881	-
Culture and recreation	16,399,646	3,783,816	328,808	706,580
Interest on long-term debt	2,044,603	-	-	-
Total governmental activities	<u>109,159,775</u>	<u>11,868,636</u>	<u>13,157,726</u>	<u>31,142,608</u>
<b>Business-type activities:</b>				
Water	9,792,043	9,711,411	-	22,914,206
Sewer	16,665,251	14,857,689	-	28,800,578
Sanitation	4,559,778	6,175,989	-	-
Total business-type activities	<u>31,017,072</u>	<u>30,745,089</u>	<u>-</u>	<u>51,714,784</u>
Total primary government	<u>\$ 140,176,847</u>	<u>\$ 42,613,725</u>	<u>\$ 13,157,726</u>	<u>\$ 82,857,392</u>

General revenues:  
Property taxes  
Sales taxes  
Franchise taxes  
State shared revenues  
Unrestricted investment earnings  
Other  
Special item - Extinguishment of debt  
Transfers in (out)  
Total general revenues & transfers  
Change in net assets  
Net assets - beginning, as restated  
Net assets - ending

(Continued)

<b>Net (Expense) Revenues and Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (15,656,348)		\$ (15,656,348)
(30,789,750)		(30,789,750)
10,964,566		10,964,566
(3,884,228)		(3,884,228)
(11,580,442)		(11,580,442)
(2,044,603)		(2,044,603)
<u>(52,990,805)</u>		<u>(52,990,805)</u>
	\$ 22,833,574	22,833,574
	26,993,016	26,993,016
	1,616,211	1,616,211
	<u>51,442,801</u>	<u>51,442,801</u>
<u>(52,990,805)</u>	<u>51,442,801</u>	<u>(1,548,004)</u>
6,831,553	-	6,831,553
29,144,497	-	29,144,497
4,309,896	-	4,309,896
21,234,739	-	21,234,739
414,492	423,050	837,542
1,425,472	110,149	1,535,621
-	2,821,348	2,821,348
(6,195,179)	6,195,179	-
<u>57,165,470</u>	<u>9,549,726</u>	<u>66,715,196</u>
<u>4,174,665</u>	<u>60,992,527</u>	<u>65,167,192</u>
<u>465,747,433</u>	<u>244,145,476</u>	<u>709,892,909</u>
<u>\$ 469,922,098</u>	<u>\$ 305,138,003</u>	<u>\$ 775,060,101</u>

See accompanying notes to the financial statements.





## **FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS**

The Financial Section is divided into five sections. The fourth section is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments, and are separated into three components. The second component is comprised of the fund financial statements. These financial statements are presented on the basis of funds, in contrast to the government-wide financial statements.



**City of Surprise, Arizona**

Balance Sheet

Governmental Funds

June 30, 2010

<b>Assets</b>	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>General Govt. Dev Fee Fund</b>	<b>Fire Development Fee Fund</b>
Cash and investments	\$ 6,985,257	\$ -	\$ -	\$ -
Receivables (net of allowances)				
Accounts	9,223	-	-	-
Interest	127,655	-	-	-
Taxes and franchise fees	6,259,532	-	-	-
Grants	273,876	9,552	-	-
Intergovernmental	1,365,093	-	-	-
Due from other funds	9,006,290	274,192	-	-
Other	560,968	-	-	-
Prepaid items and other assets	27,804	-	-	-
Restricted cash and cash equivalents	150,045	-	-	29,652
Advances to other funds	2,664,877	45,054,757	-	309,229
<b>Total assets</b>	<b>\$ 27,430,620</b>	<b>\$ 45,338,501</b>	<b>\$ -</b>	<b>\$ 338,881</b>
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,706,738	\$ 93,664	\$ -	\$ -
Accrued payroll and related taxes	2,302,167	-	-	-
Due to other funds	557,421	1,786,710	580,139	4,169,028
Deposits	140,631	-	-	-
Deferred revenues	331,173	-	70,734	88,238
Contracts payable	-	-	-	30,358
Other liabilities	380,587	-	-	-
Advances from other funds	6,791,893	7,127,776	38,684,081	4,322,145
<b>Total liabilities</b>	<b>12,210,610</b>	<b>9,008,150</b>	<b>39,334,954</b>	<b>8,609,769</b>
Fund balances:				
Reserved for:				
Prepaid items	27,804	-	-	-
Long term receivable	2,664,877	45,054,757	-	309,229
Unreserved, designated	5,572,001	-	-	-
Unreserved, undesignated				
General fund	6,955,328	-	-	-
Special revenue fund	-	-	(39,334,954)	(8,580,117)
Capital projects fund	-	(8,724,406)	-	-
Debt service fund	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>15,220,010</b>	<b>36,330,351</b>	<b>(39,334,954)</b>	<b>(8,270,888)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,430,620</b>	<b>\$ 45,338,501</b>	<b>\$ -</b>	<b>\$ 338,881</b>

See accompanying notes to the financial statements.

<b>Highway User Fund</b>	<b>Transportation Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,070,030	\$ 1,566,801	\$ 14,081,790	\$ 24,703,878
-	-	-	9,223
860	757	19,895	149,167
-	-	9,455	6,268,987
-	-	374,644	658,072
864,657	-	-	2,229,750
-	266,888	16,341	9,563,711
45,719	353,064	166,104	1,125,855
-	-	-	27,804
-	1,509,449	6,254,623	7,943,769
-	-	12,506,349	60,535,212
<u>\$ 2,981,266</u>	<u>\$ 3,696,959</u>	<u>\$ 33,429,201</u>	<u>\$ 113,215,428</u>

\$ 273,335	\$ 1,147,824	\$ 363,797	\$ 3,585,358
134,257	-	28,168	2,464,592
-	-	2,470,413	9,563,711
-	130,298	-	270,929
83,173	194,230	768,195	1,535,743
-	180,258	164,029	374,645
-	15,371	-	395,958
-	-	4,713,408	61,639,303
<u>490,765</u>	<u>1,667,981</u>	<u>8,508,010</u>	<u>79,830,239</u>

-	-	-	27,804
-	-	12,506,349	60,535,212
2,071,800	1,955,916	174,000	9,773,717
-	-	-	6,955,328
418,701	73,062	6,004,823	(41,418,485)
-	-	-	(8,724,406)
-	-	6,236,019	6,236,019
<u>2,490,501</u>	<u>2,028,978</u>	<u>24,921,191</u>	<u>33,385,189</u>
<u>\$ 2,981,266</u>	<u>\$ 3,696,959</u>	<u>\$ 33,429,201</u>	<u>\$ 113,215,428</u>

## City of Surprise, Arizona

Reconciliation of the Governmental Funds Balance Sheet Fund Balances  
to the Statement of Net Assets  
Fiscal Year Ended June 30, 2010

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**Fund balances - total governmental funds** **\$ 33,385,189**

Amounts reported for *governmental activities* in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 629,882,916	
Less accumulated depreciation	<u>(153,680,293)</u>	
		\$ 476,202,623

Some revenues will not be available to pay for current-period expenditures  
and, therefore, are deferred in the funds. \$ 227,332

Internal Service Funds used by management to charge cost of  
risk management to individual funds are included in  
the Statement of Net Assets.

Net assets	\$ 2,148,262	
Compensated absences	<u>3,716</u>	
		\$ 2,151,978

Long-term liabilities are not due and payable in the  
current period and, therefore, are not reported in  
the funds.

Bonds payable	\$ (36,967,713)	
Contracts payable	(1,938,209)	
Accrued interest payable	(911,668)	
Issuance premium (to be amortized as interest expense)	(959,998)	
Refunding (to be amortized over the life of debt)	1,180,414	
Issuance cost (to be amortized over life of debt)	883,384	
Compensated absences payable	<u>(3,331,234)</u>	
		<u>\$ (42,045,024)</u>

**Net assets of governmental activities** **\$ 469,922,098**

See accompanying notes to the financial statements.



**City of Surprise, Arizona**

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>General Govt. Dev Fee Fund</u>	<u>Fire Development Fee Fund</u>
<b>Revenues:</b>				
Taxes	\$ 33,952,530	\$ -	\$ -	\$ -
Licenses and permits	4,342,546	-	-	-
Intergovernmental	21,316,166	-	-	-
Charges for services	4,784,892	-	-	-
Grants	680,204	58,739	-	-
Fines	1,763,194	-	-	-
Rents	648,431	-	-	-
Development fees	-	-	235,747	259,683
Special assessments	-	-	-	-
Interest	184,372	-	1,227	-
Donations	-	-	-	-
Other	1,040,634	-	-	-
Total revenues	<u>68,712,969</u>	<u>58,739</u>	<u>236,974</u>	<u>259,683</u>
<b>Expenditures:</b>				
Current				
General government	17,550,772	-	-	-
Public safety	29,876,514	-	-	151,570
Public works and streets	5,658,426	-	665,225	-
Community development	3,839,045	-	-	-
Culture and recreation	12,319,929	-	-	-
Capital outlay	1,507,878	2,377,178	976,031	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	35,071	-	42,663
Total expenditures	<u>70,752,564</u>	<u>2,412,249</u>	<u>1,641,256</u>	<u>194,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,039,595)</u>	<u>(2,353,510)</u>	<u>(1,404,282)</u>	<u>65,450</u>
Other financing sources (uses):				
Proceeds from sale of assets	22,934	-	-	-
Transfers in	16,558,595	42,353,467	487,313	88,794
Transfers out	(56,950,332)	(3,669,606)	(1,163,388)	(211,984)
Total other financing sources (uses)	<u>(40,368,803)</u>	<u>38,683,861</u>	<u>(676,075)</u>	<u>(123,190)</u>
Net change in fund balances	<u>(42,408,398)</u>	<u>36,330,351</u>	<u>(2,080,357)</u>	<u>(57,740)</u>
Fund balances(deficits), beginning, as restated	57,628,408	-	(37,254,597)	(8,213,148)
Fund balances (deficits), ending	<u>\$ 15,220,010</u>	<u>\$ 36,330,351</u>	<u>\$ (39,334,954)</u>	<u>\$ (8,270,888)</u>

See accompanying notes to the financial statements.

<b>Highway User Fund</b>	<b>Transportation Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 1,794,618	\$ 1,067,060	\$ 36,814,208
-	-	-	4,342,546
4,984,457	2,062,374	622,889	28,985,886
12,000	-	166,590	4,963,482
15,857	150,000	1,950,814	2,855,614
-	-	167,751	1,930,945
-	-	3,352,513	4,000,944
-	-	1,225,850	1,721,280
-	-	2,126,462	2,126,462
21,126	44,783	140,022	391,530
-	-	284,096	284,096
92,040	-	869,585	2,002,259
<u>5,125,480</u>	<u>4,051,775</u>	<u>11,973,632</u>	<u>90,419,252</u>
-	5,003	194,722	17,750,497
-	-	433,210	30,461,294
5,770,569	278,552	3,200,394	15,573,166
-	290,264	2,317,909	6,447,218
-	-	1,073,141	13,393,070
474,906	6,283,793	1,299,202	12,918,988
-	-	2,137,075	2,137,075
-	-	1,895,595	1,973,329
<u>6,245,475</u>	<u>6,857,612</u>	<u>12,551,248</u>	<u>100,654,637</u>
<u>(1,119,995)</u>	<u>(2,805,837)</u>	<u>(577,616)</u>	<u>(10,235,385)</u>
4,254	-	-	27,188
2,396,559	-	24,709,717	86,594,445
-	(1,944,350)	(28,849,964)	(92,789,624)
<u>2,400,813</u>	<u>(1,944,350)</u>	<u>(4,140,247)</u>	<u>(6,167,991)</u>
<u>1,280,818</u>	<u>(4,750,187)</u>	<u>(4,717,863)</u>	<u>(16,403,376)</u>
<u>1,209,683</u>	<u>6,779,165</u>	<u>29,639,054</u>	<u>49,788,565</u>
<u>\$ 2,490,501</u>	<u>\$ 2,028,978</u>	<u>\$ 24,921,191</u>	<u>\$ 33,385,189</u>

**City of Surprise, Arizona**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
Fiscal Year Ended June 30, 2010

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Net change in fund balances, total governmental funds \$ (16,403,376)

Amounts reported for *governmental activities* in the Statement of Activities are:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	12,918,988	
Less current year depreciation	<u>(23,077,883)</u>	(10,158,895)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.

Capital contributions	28,798,597	
Losses on disposals of assets	<u>(1,162,675)</u>	27,635,922

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 26,645

Internal service funds are used by management to charge the costs of risk management. The net revenue of certain activities of the internal services funds is reported in the Statement of Activities.

Change in net assets for the internal service funds	197,419	
Change in compensated absences already included below	<u>(13,132)</u>	184,287

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest (50,281)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Also, the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term liabilities and debt related items.

Debt incurred	(210,615)	
Principal repaid	2,430,058	
Issuance cost	(53,677)	
Issuance premium	91,429	
Refunding	<u>(112,422)</u>	2,144,773

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.

Decrease in compensated absences		<u>795,590</u>
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Change in net assets of governmental activities, statement of activities \$ 4,174,665

See accompanying notes to the financial statements.



**City of Surprise, Arizona**

Statement of Net Assets

Proprietary Funds

June 30, 2010

**Business-Type Activities - Enterprise Funds**

<b>Assets</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Sanitation Fund</b>
<b>Current assets</b>			
Cash and investments	\$ 6,474,201	\$ 19,841,411	\$ 7,471,366
Restricted cash and investments	2,475	14,588,422	-
Receivables (net of allowances)			
Accounts	1,737,591	2,043,724	997,690
Interest	2,334	2,797	144
Other	1,527	3,351,397	133
Other assets	25,115	-	-
Total current assets	<u>8,243,243</u>	<u>39,827,751</u>	<u>8,469,333</u>
<b>Noncurrent assets</b>			
Advances to other funds	1,767,474	1,104,091	-
Notes receivable	1,245,955	-	-
Bond issuance cost, net of amortization	-	1,488,913	-
Capital assets	93,300,476	253,675,429	4,452,695
Accumulated depreciation	(6,491,620)	(26,958,763)	(1,896,495)
Total noncurrent assets	<u>89,822,285</u>	<u>229,309,670</u>	<u>2,556,200</u>
Total assets	<u>98,065,528</u>	<u>269,137,421</u>	<u>11,025,533</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	1,424,801	1,385,846	281,969
Accrued payroll and related taxes	109,554	125,117	82,106
Accrued interest payable	-	884,488	-
Deposits	65,278	206,536	119,221
Deferred revenues	-	876,169	166,609
Compensated absences payable	69,555	75,125	39,639
Other liabilities	19,646	1,649	-
Contracts payable	91,422	287,759	-
Bonds, loans and payables due in less than one year	61,735	884,813	-
Total current liabilities	<u>1,841,991</u>	<u>4,727,502</u>	<u>689,544</u>
<b>Noncurrent liabilities:</b>			
Advances from other funds	-	1,767,474	-
Contracts payable	-	249,493	-
Compensated absences payable, due in more than one year	92,200	99,585	52,544
Bonds, loans and payables due in more than one year	1,438,265	62,131,881	-
Total noncurrent liabilities	<u>1,530,465</u>	<u>64,248,433</u>	<u>52,544</u>
Total liabilities	<u>3,372,456</u>	<u>68,975,935</u>	<u>742,088</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	85,217,434	163,162,720	2,556,200
Restricted for Surprise Municipal Property Corporation	-	13,841,284	-
Unrestricted	9,475,638	23,157,482	7,727,245
Total net assets	<u>\$ 94,693,072</u>	<u>\$ 200,161,486</u>	<u>\$ 10,283,445</u>

See accompanying notes to the financial statements.

		<b>Governmental Activities</b>	
<b>Total Enterprise Funds</b>		<b>Internal Service Fund</b>	
\$	33,786,978	\$	2,029,000
	14,590,897		-
	4,779,005		-
	5,275		-
	3,353,057		137,490
	25,115		-
	<u>56,540,327</u>		<u>2,166,490</u>
	2,871,565		-
	1,245,955		-
	1,488,913		-
	351,428,600		-
	(35,346,878)		-
	<u>321,688,155</u>		<u>-</u>
	378,228,482		2,166,490
	3,092,616		4,092
	316,777		10,420
	884,488		-
	391,035		-
	1,042,778		-
	184,319		1,598
	21,295		-
	379,181		-
	946,548		-
	<u>7,259,037</u>		<u>16,110</u>
	1,767,474		-
	249,493		-
	244,329		2,118
	63,570,146		-
	<u>65,831,442</u>		<u>2,118</u>
	73,090,479		18,228
	250,936,354		-
	13,841,284		-
	40,360,365		2,148,262
\$	<u>305,138,003</u>	\$	<u>2,148,262</u>

**City of Surprise, Arizona**

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Fiscal Year Ended June 30, 2010

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Sanitation Fund</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 9,711,371	\$ 14,734,624	\$ 6,175,989
Other	1,245	108,904	-
Total operating revenues	<u>9,712,616</u>	<u>14,843,528</u>	<u>6,175,989</u>
<b>Operating Expenses:</b>			
Cost of sales and services	7,462,357	7,947,579	4,095,607
Depreciation	1,844,270	5,677,037	421,644
Total operating expenses	<u>9,306,627</u>	<u>13,624,616</u>	<u>4,517,251</u>
Operating income	<u>405,989</u>	<u>1,218,912</u>	<u>1,658,738</u>
<b>Non-Operating Revenues (Expenses):</b>			
Development fees	231,384	1,082,905	-
Extension fees	40	123,065	-
Developer reimbursement	(485,416)	(52,535)	-
Interest revenue	78,381	274,441	70,228
Loss on disposal of capital assets	-	-	(42,527)
Bond issuance costs	-	(74,170)	-
Interest and fiscal charges	-	(2,913,930)	-
Total non-operating revenues (expenses)	<u>(175,611)</u>	<u>(1,560,224)</u>	<u>27,701</u>
Income (loss) before contributions and transfers	<u>230,378</u>	<u>(341,312)</u>	<u>1,686,439</u>
Capital contributions	22,682,822	27,717,673	-
Special item - extinguishment of debt	-	2,821,348	-
Transfers in	91,600	8,739,387	3,045,700
Transfers out	<u>(1,493,873)</u>	<u>(3,564,885)</u>	<u>(622,750)</u>
Changes in net assets	<u>21,510,927</u>	<u>35,372,211</u>	<u>4,109,389</u>
Net assets, beginning, as restated	<u>73,182,145</u>	<u>164,789,275</u>	<u>6,174,056</u>
Net assets, ending	<u>\$ 94,693,072</u>	<u>200,161,486</u>	<u>\$ 10,283,445</u>

See accompanying notes to the financial statements.

	<b>Governmental Activities</b>	
	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
\$ 30,621,984	\$ 1,595,578	
110,149	307,986	
<u>30,732,133</u>	<u>1,903,564</u>	
19,505,543	1,728,210	
7,942,951	-	
<u>27,448,494</u>	<u>1,728,210</u>	
<u>3,283,639</u>	<u>175,354</u>	
1,314,289	-	
123,105	-	
(537,951)	-	
423,050	22,065	
(42,527)	-	
(74,170)	-	
<u>(2,913,930)</u>	<u>-</u>	
<u>(1,708,134)</u>	<u>22,065</u>	
<u>1,575,505</u>	<u>197,419</u>	
50,400,495	-	
2,821,348	-	
11,876,687	-	
<u>(5,681,508)</u>	<u>-</u>	
<u>60,992,527</u>	<u>197,419</u>	
<u>244,145,476</u>	<u>1,950,843</u>	
<u>\$ 305,138,003</u>	<u>\$ 2,148,262</u>	

**City of Surprise, Arizona**  
Statement of Cash Flows  
Proprietary Funds  
Fiscal Year Ended June 30, 2010

	Business-Type Activities			Business-Type Activities	Governmental Activities
	Water	Sewer	Sanitation	Total	Internal Service
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 10,530,742	\$ 16,983,103	\$ 6,144,311	\$ 33,658,156	\$ 1,903,564
Cash paid to suppliers	(5,412,158)	(4,326,328)	(2,041,055)	(11,779,541)	(552,677)
Cash paid to employees	(2,253,061)	(2,804,709)	(1,992,581)	(7,050,351)	(490,249)
Cash paid for insurance	-	-	-	-	(845,817)
Net cash provided by (used in) operating activities	2,865,523	9,852,066	2,110,675	14,828,264	14,821
<b>Cash flows from capital and related financing activities</b>					
Proceeds received from development fees	231,384	1,082,905	-	1,314,289	-
Proceeds received from extension fees	40	123,065	-	123,105	-
Proceeds received from bonds, loans and payables	1,500,000	-	-	1,500,000	-
Principal and interest paid on bonds, loans and payables	-	(3,767,117)	-	(3,767,117)	-
Acquisitions of capital assets	(5,122,827)	(5,968,013)	(328,240)	(11,419,080)	-
Net cash provided by (used in) noncapital and related financing activities	(3,391,403)	(8,529,160)	(328,240)	(12,248,803)	-
<b>Cash flows from noncapital and related financing activities</b>					
Cash received from other funds	91,600	1,116,110	3,045,700	4,253,410	-
Cash paid to other funds	(2,576,858)	(3,866,737)	(622,750)	(7,066,345)	-
Net cash provided by (used in) capital and related financing activities	(2,485,258)	(2,750,627)	2,422,950	(2,812,935)	-
<b>Cash flows from investing activities</b>					
Net purchase/sales of investments	1,777,477	(22,295,921)	(2,574,097)	(23,092,541)	452,489
Cash received from interest income	79,347	285,650	71,475	436,472	22,896
Net cash provided by (used in) investing activities	1,856,824	(22,010,271)	(2,502,622)	(22,656,069)	475,385
Net change in cash	(1,154,314)	(23,437,992)	1,702,763	(22,889,543)	490,206
Cash and cash equivalents, beginning of year, as restated	7,290,990	28,367,825	2,468,603	38,127,418	1,538,794
Cash and cash equivalents, end of year	\$ 6,136,676	\$ 4,929,833	\$ 4,171,366	\$ 15,237,875	\$ 2,029,000
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>					
Operating income/loss	\$ 405,989	\$ 1,218,912	\$ 1,658,738	\$ 3,283,639	\$ 175,354
Adjustments to reconcile operating income/loss to net cash provided by (used in) operating activities:					
Depreciation expense	1,844,270	5,677,037	421,644	7,942,951	-
(Increase) decrease in assets:					
Accounts receivable	(113,008)	145,182	(44,172)	(11,998)	-
Other receivables	-	-	-	-	(137,490)
Other assets	905,748	2,862,548	9,893	3,778,189	-
Increase (decrease) in liabilities:					
Accounts payable	(228,972)	853,338	72,301	696,667	(10,115)
Accrued payroll and related taxes	6,638	1,631	(5,806)	2,463	401
Deposits	25,386	52,519	29,769	107,674	-
Deferred revenue	-	(920,674)	(27,168)	(947,842)	-
Compensated absences payable	123	(38,772)	(4,338)	(42,987)	(13,132)
Other liabilities	19,349	345	(186)	19,508	(197)
Total adjustments	2,459,534	8,633,154	451,937	11,544,625	(160,533)
Net cash provided by (used in) operating activities	\$ 2,865,523	\$ 9,852,066	\$ 2,110,675	\$ 14,828,264	\$ 14,821
<b>Noncash capital and operating activities</b>					
Extinguishment of debt	\$ -	\$ 2,821,348	\$ -	\$ 2,821,348	\$ -
Capital asset contributions from developers	22,682,822	27,717,673	-	50,400,495	-
Total	\$ 22,682,822	\$ 30,539,021	\$ -	\$ 53,221,843	\$ -
<b>Reconciliation to Statement of Net Assets</b>					
Cash and cash equivalents, end of year	\$ 6,136,676	\$ 4,929,833	\$ 4,171,366	\$ 15,237,875	\$ 2,029,000
Investments	340,000	29,500,000	3,300,000	33,140,000	-
Total cash and investments	\$ 6,476,676	\$ 34,429,833	\$ 7,471,366	\$ 48,377,875	\$ 2,029,000

See accompanying notes to the financial statements.

**City of Surprise, Arizona**  
Statement of Fiduciary Net Assets  
Pension Trust Fund  
Fiscal Year Ended June 30, 2010

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	<b>Volunteer Firefighters Pension and Relief Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 98,934
Total assets	98,934
<b>Net Assets Held in Trust for Pension Benefits</b>	
Net Assets	\$ 98,934

See accompanying notes to the financial statements.

**City of Surprise, Arizona**  
Statement of Changes in Fiduciary Net Assets  
Pension Trust Fund  
Fiscal Year Ended June 30, 2010

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	<b>Volunteer Firefighters Pension and Relief Fund</b>
<b>Revenues</b>	
Interest	\$ 1,043
Total revenues	1,043
<b>Net Assets, beginning of year</b>	97,891
<b>Net Assets, end of year</b>	\$ 98,934

See accompanying notes to the financial statements.



## **FINANCIAL SECTION - NOTES TO THE FINANCIAL STATEMENTS**

The Financial Section is divided into five sections. The fifth section is also comprised of the Basic Financial Statements, which are the core of general-purpose external financial reporting for local governments, and are separated into three components. In addition to the government-wide and fund financial statements, the third component, the notes to the basic financial statements are an integral part of the those financial statements, and include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

## NOTES TO FINANCIAL STATEMENTS

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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 1960 under the provision of the Arizona Constitution. During 2003, the voters approved the Home Rule, an alternative expenditure limitation for budget years through June 30, 2007. City of Surprise voters approved an Alternative Expenditure Limitation (Permanent Base Adjustment) on November 7, 2006. The City is governed by an elected mayor, and a six member council, and offers the following services: public safety (police and fire), highways and streets, sanitation, water, sewer, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

#### COMPONENT UNITS

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. A primary government is considered financially accountable for another organization when it can impose its will or have a financial benefit or burden relationship. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The following entities are blended component units of the City:

*The Surprise Municipal Property Corporation* (Corporation) is an Arizona nonprofit corporation formed under the provision of Title 10 of the Arizona Revised Statutes. The Corporation was organized to acquire, construct, reconstruct, or improve buildings and other real and personal property suitable for leasing or sale to the City.

*Various Street Lighting Improvement Districts* (SLIDs) are maintained by the City for developing areas, and the City's council is the board for the SLIDs. The SLID assessment rates are approved by the City's council. The SLIDs are reported in a special revenue fund.

*Marley Park Community Facilities District* (CFD) is maintained by the City for a developing area. The CFD's board is the same as the City's council. CFD rates are approved by the City's council. The CFD is reported in a special revenue fund.

*Volunteer Firefighters' Pension and Trust Board of Trustees* administers the Volunteer Firefighters' Pension and Relief Fund, which was established to provide pension benefits for qualified volunteer firefighters. The City's council is the same as the Board of Trustees.

For the fiscal year ended June 30, 2010, 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.

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

The government-wide statements of activities present a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with the service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the receipts of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenue, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets are 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.

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activity. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a

## NOTES TO FINANCIAL STATEMENTS

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separate column. Non-major 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 this basis, revenues are recognized in the accounting period in which they become measurable and available, except for the City's court fines for which revenues are recognized when fines are collected. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end and on behalf of the government are also recognized as revenue. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds include the following:

The ***general fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***general capital projects fund*** accounts for revenues and expenditures relating to the acquisition of capital items.

The ***general government development fee fund*** accounts for revenues and expenditures associated with general government development impact fees assessed to fund infrastructure and other expenditures for growth-related general government projects.

The ***fire development fee fund*** accounts for revenues and expenditures associated with fire development impact fees assessed to fund infrastructure and other expenditures for growth-related fire service projects.

The ***highway user fund*** accounts for revenues and expenditures that are legally restricted to expenditures for transportation and the construction, repairs, and maintenance of public works and streets.

The ***transportation improvement fund*** accounts for revenues and expenditures that are legally restricted to expenditures of existing roadway corridor improvements and the related costs of the construction of new roadways.

### ***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 enterprise funds and the business-type activities in the government-wide statements 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 Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The proprietary funds of the City include the following fund type:

Enterprise Funds:

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

## NOTES TO FINANCIAL STATEMENTS

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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.

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 focus and basis of accounting. The fund accounts for transactions of the City's internal insurance activities.

*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 volunteer firefighter pension and trust. The City Council acts as the governing board and the City staff performs all administrative and accounting functions for this fund.

### 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 and invested with the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

### D. RESTRICTED ASSETS

Restricted cash and investments reported in the statements are comprised of restricted deposits for development and construction agreements and for outstanding debt amounts.

### E. RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available and are not expendable available financial resources.

All accounts receivable are shown net of allowance for un-collectibles when applicable.

### F. INVENTORIES AND PREPAID ITEMS

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, 2010 are immaterial, they were not included in the statement of net assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### G. 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 basis for general capital assets are historical costs, or where historical costs are 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 basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair 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: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### H. COMPENSATED ABSENCES

Vested or accumulated Paid Time Off (PTO) leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated PTO leave that is not expected to be liquidated with expendable available financial resources is reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated PTO leave in proprietary funds and the government-wide statements is recorded as an expense and liability of those funds as the benefits accrue to employees.

### I. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### J. FUND BALANCE

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

### K. 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.

## NOTES TO FINANCIAL STATEMENTS

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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 the amount necessary by the City to pay its debts. (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.

### L. 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.

### M. INTERFUND TRANSACTIONS

Interfund services provided or used 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.

All other interfund transactions are reported as transfers.

### N. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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## NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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### Excess of Expenditures over Appropriations

In the Fire Development Fee Fund, the interest and fiscal charges line item within the fund exceeded the amount budgeted by \$42,663. Expenditure appropriations are adopted at the fund level. For presentation purpose, we have elected to show any deficits at the line item level within the fund.

The Fire Development Fee Fund deficit was driven by an interest allocation entry that resulted in negative interest earnings. For financial statement presentation the negative interest was reclassified as interest expense. The City does not budget for negative interest earnings.

### Fund Balance Designations

Designations are created by administrative policy. Designations represent management’s intentions and may be changed in the future with the approval of management.

**NOTES TO FINANCIAL STATEMENTS**

	<u>General Fund</u>	<u>Highway User Fund</u>	<u>Transportation Improvement Fund</u>	<u>Transit Fund*</u>	<u>Total Governmental Funds</u>
Designated fund balance					
Vehicle replacement	\$ 5,080,100	\$ 2,071,800	\$ -	\$ 174,000	\$ 7,325,900
Development and construction commitments	441,901	-	1,955,916	-	2,397,817
Stadium reserve	50,000	-	-	-	50,000
Total	<u>\$ 5,572,001</u>	<u>\$ 2,071,800</u>	<u>\$ 1,955,916</u>	<u>\$ 174,000</u>	<u>\$ 9,773,717</u>

\* The Transit Fund is a non-major fund and is reported as part of other governmental funds on the financial statements.

**NOTE 3 – CASH AND INVESTMENTS**

A.R.S. authorize the City to invest public monies in the State Treasurer’s local government investment pools, the County Treasurer’s investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City’s investments.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure the City’s deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City’s deposits was \$55,681,979 and the bank balance was \$59,210,863. At year end, \$59,210,863 of the City’s deposits were guaranteed under the transaction account guarantee component of the Temporary Liquidity Guarantee Program.

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments.

At year end, the City’s investments consisted of the following.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3+ years</u>
Government Agencies	\$ 10,234,062	\$ -	\$ 6,053,437	\$ 4,180,625	\$ -
Certificates of Deposit	17,215,117	17,215,117	-	-	-
Local Government Investment Pool	22,298	22,298	-	-	-
	<u>\$ 27,471,477</u>	<u>\$ 17,237,415</u>	<u>\$ 6,053,437</u>	<u>\$ 4,180,625</u>	<u>\$ -</u>

*Interest Rate Risk.* The City’s formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Aside from State laws, the City’s formal investment policy does not further limit its investment choices. As of the fiscal year end, for investments in the State Treasurer’s investment Pool 5, 73% of the securities were rated AAA, A+, AGY or A1; all of the remaining securities were rated A- or better by Standard and Poor’s.

## NOTES TO FINANCIAL STATEMENTS

*Custodial Credit Risk – Investments.* The City’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however the City’s portion is not identified with specific investments and is not subject to custodial credit risk.

*Concentration of Credit Risk.* The City places no limit on the amount the City may invest in any one issuer.

### NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Not being depreciated:				
Land and land improvements	\$ 31,614,831	\$ 1,312,780	\$ -	\$ 32,927,611
Parks	9,766,359	-	-	9,766,359
Construction in process	16,397,386	10,318,949	(12,958,992)	13,757,343
Total Not Being Depreciated	<u>57,778,576</u>	<u>11,631,729</u>	<u>(12,958,992)</u>	<u>56,451,313</u>
Other capital assets:				
Buildings and improvements	188,976,046	89,670	(1,365,878)	187,699,838
Improvements other than buildings	4,733,911	8,200,530	-	12,934,441
Equipment and vehicles	36,258,600	1,274,347	(386,652)	37,146,295
Infrastructure	302,170,728	33,480,301	-	335,651,029
Total Other Capital Assets	<u>532,139,285</u>	<u>43,044,848</u>	<u>(1,752,530)</u>	<u>573,431,603</u>
 Total Assets before Depreciation	 <u>589,917,861</u>	 <u>54,676,577</u>	 <u>(14,711,522)</u>	 <u>629,882,916</u>
 Accumulated depreciation:				
Building and improvements	(19,146,531)	(6,187,596)	225,649	(25,108,478)
Improvements other than buildings	(551,993)	(307,342)	-	(859,335)
Equipment and vehicles	(14,963,850)	(4,411,500)	364,206	(19,011,144)
Infrastructure	(96,529,891)	(12,171,445)	-	(108,701,336)
 Total Accumulated Depreciation	 <u>(131,192,265)</u>	 <u>(23,077,883)</u>	 <u>589,855</u>	 <u>(153,680,293)</u>
 Net Capital Assets - Governmental Activities	 <u>\$ 458,725,596</u>	 <u>\$ 31,598,694</u>	 <u>\$ (14,121,667)</u>	 <u>\$ 476,202,623</u>
 Depreciation was charged by function as follows:				
General government			\$ 3,099,803	
Public safety			3,872,639	
Public works and streets, includes depreciation for infrastructure			13,002,140	
Community services			20,203	
Culture and recreation			3,083,098	
 Total governmental activities depreciation expense			 <u>\$ 23,077,883</u>	

**NOTES TO FINANCIAL STATEMENTS**

	<b>Beginning Balance, as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Not being depreciated:				
Land	\$ 4,633,641	\$ 241,310	\$ -	\$ 4,874,951
Water Rights	2,227,178	575,387	-	2,802,565
Construction in progress	26,694,835	23,838,392	(20,056,163)	30,477,064
Total not being depreciated	<u>33,555,654</u>	<u>24,655,089</u>	<u>(20,056,163)</u>	<u>38,154,580</u>
Other capital assets:				
Buildings and system	259,898,841	45,264,431	-	305,163,272
Vehicles and equipment	7,335,300	932,925	(157,477)	8,110,748
Total other capital assets	<u>267,234,141</u>	<u>46,197,356</u>	<u>(157,477)</u>	<u>313,274,020</u>
Total assets before depreciation	<u>300,789,795</u>	<u>70,852,445</u>	<u>(20,213,640)</u>	<u>351,428,600</u>
Accumulated depreciation:				
Buildings and system	(24,963,936)	(7,184,844)	-	(32,148,780)
Vehicles and equipment	(2,534,478)	(758,107)	94,487	(3,198,098)
Total accumulated depreciation	<u>(27,498,414)</u>	<u>(7,942,951)</u>	<u>94,487</u>	<u>(35,346,878)</u>
Net capital assets - business activities	<u>\$ 273,291,381</u>	<u>\$ 62,909,494</u>	<u>\$ (20,119,153)</u>	<u>\$ 316,081,722</u>
Depreciation was charged by function as follows:				
Water			\$ 1,844,270	
Sewer			5,677,037	
Sanitation			<u>421,644</u>	
Total Depreciation Expense			<u>\$ 7,942,951</u>	

During the current fiscal year, the Sewer Fund capitalized net interest costs of \$67,748. Total interest expense in this fund before capitalization was \$2,981,678.

**NOTE 5 - DEVELOPER AGREEMENTS**

The City of Surprise has entered into agreements with developers for infrastructure related to commercial and residential development. The developers constructed the infrastructure and conveyed the assets to the City. Based on the terms of the agreements, over a specified period of time, the City then pays the developers for the infrastructure with collections from developer impact fees, permit fees, water and wastewater fees, and/or sales tax revenues. These agreements are not currently recognized until requirements are met to reimburse the developer.

Development agreements related to water system infrastructure will be reimbursed using water system development fees and/or permit fees. Total water system infrastructure value conveyed is \$25,025,762. Depending on the terms of the specific agreement, this value is eligible for reimbursement between the next three to nine years. Once the agreement expires, water system development fees are no longer eligible for developer payment. As of June 30, 2010, the amount the City has reimbursed is \$9,930,582, leaving a potential remaining balance of \$15,095,180.

**NOTES TO FINANCIAL STATEMENTS**

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Development agreements related to fire station improvements will be reimbursed using fire and EMS development fees and/or permit fees. Total infrastructure value conveyed is \$226,663. This value is eligible for reimbursement over the next eight years. Once the agreement expires, fire and EMS development fees are no longer eligible for developer payment. As of June 30, 2010, the amount the City has reimbursed is \$64,260, leaving a potential remaining balance of \$162,403.

Development agreements related to transportation and various utilities will be reimbursed using a portion of sales tax collections and/or water and wastewater fees. Total infrastructure value conveyed is \$19,763,262. Depending on the terms of the specific agreement, this value is eligible for reimbursement over the next seven to sixteen years. Once the agreements expire, sales tax collections are no longer eligible for developer payment. As of June 30, 2010, the amount the City has reimbursed is \$1,065,787, leaving a potential remaining balance of \$18,697,475.

In addition, the City has entered into a number of developer agreements for infrastructure that has not yet been conveyed to the City, and the total cost is unknown.

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**NOTE 6 – CONSTRUCTION COMMITMENTS**

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City of Surprise has active construction projects as of June 30, 2010. The projects include Bell Road landscaping and lighting, a park and ride facility, improvements to the intersection of Dysart Road and Grand Avenue, the widening of Union Hills Drive, improvements to Bullard Avenue, a booster station, and a development agreement obligation. At year end, the City commitments with contractors and developers are as follows:

Project	Spent-to-Date	Remaining Commitment
Bell Road Landscaping/Lighting	\$ 300,786	\$ 688,900
Park & Ride Facility	2,051,989	2,795,100
Dysart Road Improvements @ Grand Avenue	2,154,034	513,300
Union Hills Drive Widening	505,739	148,700
Bullard Avenue (Bell Road to Paradise Lane)	865,834	308,800
Litchfield Booster Station	1,375,017	1,368,900
Development Agreements - Interceptor Oversizing	387,934	249,493
Total	<u>\$ 7,641,333</u>	<u>\$ 6,073,193</u>

The Bell Road landscaping and lighting project is financed by the general fund. The park and ride facility and street improvements to Dysart Road, Union Hills Drive, and Bullard Avenue are funded by the Transportation Fund, which is funded by a portion of the construction sales tax recorded in the General Fund. The Litchfield booster station is funded by water resource development impact fees. The development agreement for the interceptor over-sizing is funded by sewer development impact fees.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT & OTHER PAYABLES**

**MUNICIPAL PROPERTY CORPORATION BONDS**

The City of Surprise Municipal Property Corporation (MPC) issued special limited obligations for the construction of major capital facilities. The Excise Tax Revenue Refunding Bonds, Series 2003 are secured by a pledge of the City’s excise tax collections. The coverage ratio (revenues to debt service) is 12.0. Principal and interest paid for the current year and total excise tax revenues were \$4,806,470 and \$57,653,579, respectively.

The Wastewater Development Impact Fee and Utility Revenue Bonds, Series 2007 are secured by a pledge of the City’s wastewater development impact fee collections as well as a subordinate pledge of wastewater utility revenue collections. The wastewater development impact fees and utility revenue collections are tracked in the Sewer Fund. Required reserves per the bond statements for the MPC issuances previously discussed have been met by the City. The City is currently in non-compliance with the continuing disclosure requirements for the MPC bond issuances. Upon issuance of this CAFR, the City will again be in compliance with the disclosure requirements. The coverage ratio is 2.9. Debt payments for the current year and system net revenues were \$2,397,688 and \$6,895,949, respectively.

**COMMUNITY FACILITIES DISTRICT BONDS**

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

**WATER INFRASTRUCTURE AND FINANCE AUTHORITY LOAN**

Water Infrastructure and Finance Authority (WIFA) Loan was issued for the acquisition and construction of water system improvements. Debt service payments for the WIFA Loan start in fiscal year 2011.

Long-term debt as of June 30, 2010 is comprised of the following:

**Classified in Governmental Activities on the Government-wide Financial Statements:**

	<u>Long-Term Debt Outstanding</u>
<b>Municipal Property Corporation Bonds</b>	
2003, Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued December 1, 2003) due in annual installments of \$155,000 to \$4,640,000 through July 1, 2020; interest at 2 percent to 5 percent. Original issue amount \$42,860,000. A 69.75 percentage of this issue pertains to governmental activities.	<u>\$ 28,677,713</u>
Total MPC Bonds Outstanding	<u>28,677,713</u>
<b>Community Facilities Districts General Obligation Bonds</b>	
2006 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$30,000 to \$95,000 beginning July 15, 2007 through July 15, 2031; interest at 4.85 percent to 5.30 percent. Original issue amount \$1,365,000.	1,265,000
2007 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$80,000 to \$375,000 beginning July 15, 2008 through July 15, 2032; interest at 4.35 percent to 6.10 percent. Original issue amount \$3,950,000.	3,725,000
2008 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$60,000 to \$630,000 beginning July 15, 2009 through July 15, 2033; interest at 3.80 percent to 7.00 percent. Original issue amount \$3,395,000.	<u>3,300,000</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>8,290,000</u>
Total Long-Term Debt payable recorded in Governmental Activities	<u><u>\$ 36,967,713</u></u>

## NOTES TO FINANCIAL STATEMENTS

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

#### Municipal Property Corporation Bonds

2003, Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued December 1, 2003) due in annual installments of \$155,000 to \$4,640,000 through July 1, 2020; interest at 2 percent to 5 percent. Original issue amount \$42,860,000. A 30.25 percentage of this issue pertains to business-type activities.

Long-Term Debt  
Outstanding

\$ 12,437,287

2007, Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Utility Revenue Bonds (issued May 1, 2007) due in installments of \$4,675,000 to \$25,000,000 through July 1, 2032; interest at 4.25 percent to 4.90 percent. Original issue amount \$50,675,000.

50,675,000

Total MPC Bonds Outstanding

63,112,287

#### Water Infrastructure and Finance Authority Loan

2010 Water Infrastructure and Finance Authority loan (issued December 4, 2009) due in annual installments of \$61,735 to \$89,936 through July 1, 2029; interest at 2 percent. Original issue amount \$1,500,000.

1,500,000

Total Water Infrastructure and Finance Authority Loans Outstanding

1,500,000

Total Bonds payable recorded in Business-type Activities

64,612,287

Total Long-Term Bonds Payable

\$ 101,580,000

The following is a summary of long-term liabilities for the year ended June 30, 2010:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General municipal property corporation fund obligation					
Series 2000 Bonds, \$41,236,200 (\$59,120,000 issued)	\$ 1,813,500	\$ -	\$ (1,813,500)	\$ -	\$ -
Series 2003 Bonds, \$29,894,850 (\$42,860,000 issued)	28,796,288	-	(118,575)	28,677,713	2,040,188
	30,609,788	-	(1,932,075)	28,677,713	2,040,188
Deferred amounts					
For issuance premium 2003	1,051,427	-	(91,429)	959,998	-
On refunding 2003	(1,292,836)	-	112,422	(1,180,414)	-
	(241,409)	-	20,993	(220,416)	-
Community Facilities Districts					
Series 2006 Bonds, \$1,365,000 issued	1,295,000	-	(30,000)	1,265,000	30,000
Series 2007 Bonds, \$3,950,000 issued	3,805,000	-	(80,000)	3,725,000	85,000
Series 2008 Bonds, \$3,395,000 issued	3,395,000	-	(95,000)	3,300,000	60,000
	8,495,000	-	(205,000)	8,290,000	175,000
Total governmental obligation bonds	38,863,379	-	(2,116,082)	36,747,297	2,215,188
Compensated absences	4,126,824	2,279,694	(3,075,284)	3,331,234	1,432,431
Contracts and developer payable	2,431,212	210,615	(328,973)	2,312,854	374,645
Total governmental activities debt	\$ 45,421,415	\$ 2,490,309	\$ (5,520,339)	\$ 42,391,385	\$ 4,022,264

## NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance, as Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Business-type activities:</b>					
General municipal property corporation fund obligation					
Series 2000 Bonds, \$17,883,800 (\$59,120,000 issued)	\$ 786,500	\$ -	\$ (786,500)	\$ -	\$ -
Series 2003 Bonds, \$12,965,150 (\$42,860,000 issued)	12,488,712	-	(51,425)	12,437,287	884,813
Series 2007 Bonds, \$50,675,000 issued	<u>50,675,000</u>	<u>-</u>	<u>-</u>	<u>50,675,000</u>	<u>-</u>
	<u>63,950,212</u>	<u>-</u>	<u>(837,925)</u>	<u>63,112,287</u>	<u>884,813</u>
Deferred amounts					
For issuance premium 2003	455,995	-	(39,652)	416,343	-
On refunding 2003	<u>(560,692)</u>	<u>-</u>	<u>48,756</u>	<u>(511,936)</u>	<u>-</u>
	<u>(104,697)</u>	<u>-</u>	<u>9,104</u>	<u>(95,593)</u>	<u>-</u>
Total governmental obligation bonds	<u>63,845,515</u>	<u>-</u>	<u>(828,821)</u>	<u>63,016,694</u>	<u>884,813</u>
Notes payable					
2.00% Loan-Water Infrastructure and Finance Authority, \$1,500,000 issued	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>61,735</u>
Compensated absences	<u>471,995</u>	<u>324,373</u>	<u>(367,720)</u>	<u>428,648</u>	<u>184,319</u>
Contracts and developer payable	<u>742,883</u>	<u>209,402</u>	<u>(323,611)</u>	<u>628,674</u>	<u>379,181</u>
Total business-type activities debt	<u>\$ 65,060,393</u>	<u>\$ 2,033,775</u>	<u>\$ (1,520,152)</u>	<u>\$ 65,574,016</u>	<u>\$ 1,510,048</u>

**NOTES TO FINANCIAL STATEMENTS**

The following is a summary of debt service requirements for the year ended June 30, 2010. Deferred issuance costs and deferred amounts are not included:

Year Ended June 30	Governmental Activities									
	2000 - 2003 MPC		Marley Park CFD 2006		Marley Park CFD 2007		Marley Park CFD 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,040,188	\$ 1,263,592	\$ 30,000	\$ 64,638	\$ 85,000	\$ 215,572	\$ 60,000	\$ 215,822	\$ 2,215,188	\$ 1,759,623
2012	2,148,300	1,158,880	35,000	63,061	85,000	211,598	60,000	213,197	2,328,300	1,646,736
2013	2,259,900	1,065,624	35,000	61,364	90,000	207,418	65,000	210,288	2,449,900	1,544,694
2014	2,333,138	967,747	35,000	59,667	100,000	202,736	65,000	207,120	2,533,138	1,437,270
2015	2,451,713	848,126	40,000	57,848	100,000	197,686	70,000	203,676	2,661,713	1,307,335
2016-2020	14,208,075	2,285,074	230,000	256,973	580,000	870,021	410,000	953,446	15,428,075	4,365,514
2021-2025	3,236,400	66,751	295,000	189,023	775,000	702,925	560,000	801,538	4,866,400	1,760,237
2026-2030	-	-	380,000	101,462	1,030,000	432,717	775,000	574,878	2,185,000	1,109,057
2031-2034	-	-	185,000	9,939	880,000	65,574	1,235,000	287,059	2,300,000	362,572
Total	\$ 28,677,713	\$ 7,655,793	\$ 1,265,000	\$ 863,975	\$ 3,725,000	\$ 3,106,246	\$ 3,300,000	\$ 3,667,024	\$ 36,967,713	\$ 15,293,037

Year Ended June 30	Business-Type Activities							
	2000 - 2003 MPC		2007 MPC		WIFA Loan*		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 884,813	\$ 548,009	\$ -	\$ 2,397,688	\$ 61,735	\$ 32,799	\$ 946,548	\$ 2,978,496
2012	931,700	502,596	-	2,397,688	62,970	28,136	994,670	2,928,420
2013	980,100	462,152	-	2,397,688	64,229	26,864	1,044,329	2,886,703
2014	1,011,863	419,704	4,675,000	2,397,688	65,514	25,566	5,752,376	2,842,958
2015	1,063,288	367,825	-	2,199,000	66,824	24,243	1,130,112	2,591,068
2016-2020	6,161,924	991,018	6,500,000	10,117,500	354,710	100,418	13,016,634	11,208,936
2021-2025	1,403,600	28,949	14,500,000	7,488,000	391,629	63,131	16,295,229	7,580,080
2026-2030	-	-	-	6,125,000	432,390	21,962	432,390	6,146,962
2031-2033	-	-	25,000,000	2,450,000	-	-	25,000,000	2,450,000
Total	\$ 12,437,287	\$ 3,320,254	\$ 50,675,000	\$ 37,970,250	\$ 1,500,000	\$ 323,118	\$ 64,612,286	\$ 41,613,622

\* Water Infrastructure and Finance Authority

**NOTES TO FINANCIAL STATEMENTS**

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***Contracts Payable***

*General Government Activities*

A balance of \$2,312,854 is owed based on improvements made by developers per development agreements for various infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

*Business Type Activities*

A balance of \$628,674 is owed based on improvements made by developers per development agreements for various equipment and infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

***Legal Debt Limit***

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the net secondary assessed valuation of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities. Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent of the City's net secondary assessed valuation. The following summarizes the City of Surprise, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2010:

<u>General Obligation Bonds Subject to 20% Limitation</u>		<u>General Obligation Bonds Subject to 6% Limitation</u>	
20% Constitutional Limit	\$ 270,658,907	6% Constitutional Limit	\$ 81,197,672
Less General Obligation 20% Bonds Outstanding	<u>\$ -</u>	Less General Obligation 6% Bonds Outstanding	<u>\$ -</u>
Available 20% Limitation Borrowing Capacity	<u>\$ 270,658,907</u>	Available 6% Limitation Borrowing Capacity	<u>\$ 81,197,672</u>

***OPERATING LEASES***

The City leases copiers, trash compactors, and land under certain cancelable and non-cancelable operating leases expiring at various dates. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the city's Statement of Net Assets. Lease expense for the fiscal year ended June 30, 2010 was \$137,100.

## NOTES TO FINANCIAL STATEMENTS

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

Year Ending June 30:	
2011	\$ 56,633
2012	25,122
2013	16,281
2014	1,446
Total minimum payments required	<u>\$ 99,482</u>

### Operating lease revenue

The City leases various City-owned properties and buildings under cancelable long-term lease agreements. The carrying value of leased assets is \$5,347,400 (cost of \$7,132,569 less accumulated depreciation of \$1,785,169). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2010 were \$127,075.

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## NOTE 8 - RETIREMENT PLANS

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**Plan Descriptions** – The City contributes to the three plans described below. In addition, the City maintains a Volunteer Firefighters’ Pension and Relief Fund described later. The City no longer makes contributions to the Volunteer Firefighters’ Pension and Relief Fund.

Benefits for the plans described below are established by state statute and generally provide retirement, death, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree’s healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple-employer defined benefit health insurance premium plan; and a cost-sharing multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System (PSPRS)* administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Elected Officials Retirement Plan (EORP)* is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

**NOTES TO FINANCIAL STATEMENTS**

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Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

**ASRS**

3300 North Central Avenue  
 P.O. Box 33910  
 Phoenix, Arizona 85067-3910  
 (602) 240-2200 or (800) 621-3778

**PSPRS and EORP**

3010 East Camelback Road, Suite 200  
 Phoenix, Arizona 85016-4416  
 (602) 255-5575

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates for the ASRS, PSPRS, and EORP.

*Cost-sharing plans* – For the year ended June 30, 2010, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent for retirement and 0.40 percent for long-term disability) of the members’ annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.40 percent for long-term disability) of the members’ annual covered payroll.

The City’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2010	\$ 2,487,834	\$ 196,879	\$ 119,321
2009	2,461,507	295,751	154,037
2008	2,362,413	308,141	146,734

*Agent plans* – For the year ended June 30, 2010, active PSPRS police members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute 12.47 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.88 percent of covered payroll. Active PSPRS fire members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute 11.15 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.33 percent of covered payroll. Active EORP members were required by statute to contribute 7.00 percent of the members’ annual covered payroll; and the City was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 14.25 percent of the members’ annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.89 percent of covered payroll.

*Actuarial methods and assumptions* – The contribution requirements for the year ended June 30, 2010 were established by the June 30, 2008 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTES TO FINANCIAL STATEMENTS**

Projections of benefits are based on 1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2010 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases includes inflation at	5.50% - 8.50% for PSPRS; 5.00% for EORP 5.50% for PSPRS; 5.00% for EORP

**Annual Pension/OPEB Cost** – The City's pension/OPEB cost for the agent plans for the year ended June 30, 2010, and related information follows:

	PSPRS – Police		PSPRS – Fire		EORP	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$1,013,694	\$76,967	\$818,267	\$24,956	\$35,419	\$5,416
Contributions made	1,013,694	76,967	818,267	24,956	35,419	5,416

**Trend Information** – Annual pension and OPEB cost information for the current and two preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/OPEB Obligation
<b>PSPRS – Police</b>				
Pension	2010	\$1,013,694	100%	-0-
Health Insurance	2010	76,967	100%	-0-
Pension	2009	1,167,131	100%	-0-
Health Insurance	2009	74,518	100%	-0-
Pension	2008	629,468	100%	-0-
Health Insurance	2008	50,454	100%	-0-
<b>PSPRS – Fire</b>				
Pension	2010	818,267	100%	-0-
Health Insurance	2010	24,956	100%	-0-
Pension	2009	972,972	100%	-0-
Health Insurance	2009	47,280	100%	-0-
Pension	2008	601,483	100%	-0-
Health Insurance	2008	34,701	100%	-0-

**NOTES TO FINANCIAL STATEMENTS**

**EORP**

Pension	2010	35,419	100%	-0-
Health Insurance	2010	5,416	100%	-0-
Pension	2009	37,976	100%	-0-
Health Insurance	2009	2,630	100%	-0-
Pension	2008	25,232	100%	-0-
Health Insurance	2008	2,247	100%	-0-

**Funded Status** – The funded status of the plans as of the most recent valuation date, June 30, 2009, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the City, as a participating government, is not available.

	PSPRS – Police		PSPRS – Fire	
	Pension	Health Insurance	Pension	Health Insurance
Actuarial accrued liability (a)	\$19,542,432	\$574,354	\$17,521,519	\$402,316
Actuarial value of assets (b)	15,910,074	-0-	15,823,870	-0-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	3,632,361	574,354	1,697,649	402,316
Funded ratio (b) / (a)	81.4%	0.0%	90.3%	0.0%
Covered payroll (c)	\$8,941,868	\$8,941,868	\$7,785,993	\$7,785,993
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a) – (b)] / (c)	40.6%	6.4%	21.8%	5.2%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases includes inflation at	5.50% - 8.50% for PSPRS; 5.00% for EORP 5.50% for PSPRS; 5.00% for EORP

***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

## NOTES TO FINANCIAL STATEMENTS

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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. The City no longer utilizes volunteer firefighters, and there are no qualifying recipients for the funds contained in the plan.

### *Deferred Compensation Plans*

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency.

The City also offers a Post-Employment Health Plan (PEHP). The PEHP is a defined contribution plan designed to allow the City and employees to set aside money during the course of employment with the City, for the payment of qualified medical expenses incurred post employment. The Post-Employment Health Plan consists of two sub-accounts that can accept contributions. One account accepts fixed contributions, which has been suspended, and the other accepts earned and unused personal time off (vacation and sick leave). After voluntary termination of employment with the City, employees are provided with the option to be paid for all, or a portion of, earned and unused personal time off, or move earned and unused personal time off into their PEHP account.

The City's fiduciary responsibility for both plans is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 plan and post-employment health plan assets be held in trust for employees; therefore, employee assets held in Section 457 plan and post-employment plan assets are held in trust for employees. Employee assets held in Section 457 plans and post-employment health plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Agency Funds are not included in the City's Financial Statements.

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## **NOTE 9 - RISK MANAGEMENT**

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The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Thus, the City participates in the Arizona Municipal Risk Retention Pool (AMRRP), which provides a comprehensive municipal coverage program including property, general liability, public officials' liability, automobile liability and physical damage, bonds and crime. The basic coverage program is standard for all participants and deemed to be appropriate by the governing board of the AMRRP. Individual limits are determined by the Council and staff members.

The limit for basic coverage is \$2 million per occurrence, \$13 million under an umbrella policy and \$5 million under an excess policy for a total of \$20 million on a claim made basis. The AMRRP is structured such that member premiums are based on actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligation. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. The City can be assessed up to the amount of the current year's contribution. The City's obligation is to file claims timely. The AMRRP is responsible for investigating claims, settling claims and billing the City for any deductible portion. The City's

**NOTES TO FINANCIAL STATEMENTS**

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.

**NOTE 10 - CONTINGENT LIABILITIES**

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, 2010.

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.

**NOTE 11 - INTERFUND ASSETS, LIABILITIES, AND TRANSFERS**

At year end, interfund balances were as follows.

**Due to/from other funds:**

Due from	Due to				Total
	General Fund	General Capital Projects Fund	Transportation Improvement Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 274,192	\$ 266,888	\$ 16,341	\$ 557,421
General Capital Projects Fund	1,786,710	-	-	-	1,786,710
General Government Development Fee Fund	580,139	-	-	-	580,139
Fire Development Fee Fund	4,169,028	-	-	-	4,169,028
Non-Major Governmental Funds	2,470,413	-	-	-	2,470,413
<b>Total</b>	<b>\$ 9,006,290</b>	<b>\$ 274,192</b>	<b>\$ 266,888</b>	<b>\$ 16,341</b>	<b>\$ 9,563,711</b>

At year end, several funds had negative cash balances in the pooled cash account. Negative cash balances were reduced by interfund borrowing with other funds. In addition, other short-term interfund borrowing occurred related to current operations and the time lag between the dates that transactions are recorded in the accounting system. All due to/from other funds balances are expected to be paid within one year.

**Advances to/from other funds:**

Advances to	Advances from						Total
	General Fund	General Capital Projects Fund	Fire Development Fee Fund	Non-Major Governmental Funds	Water Fund	Sewer Fund	
General Fund	\$ -	\$ -	\$ 309,229	\$ 5,378,573	\$ -	\$ 1,104,091	\$ 6,791,893
General Capital Projects Fund	-	-	-	7,127,776	-	-	7,127,776
General Government Development Fee Fund	2,664,877	36,019,204	-	-	-	-	38,684,081
Fire Development Fee Fund	-	4,322,145	-	-	-	-	4,322,145
Non-Major Governmental Funds	-	4,713,408	-	-	-	-	4,713,408
Sewer Fund	-	-	-	-	1,767,474	-	1,767,474
<b>Total</b>	<b>\$ 2,664,877</b>	<b>\$ 45,054,757</b>	<b>\$ 309,229</b>	<b>\$ 12,506,349</b>	<b>\$ 1,767,474</b>	<b>\$ 1,104,091</b>	<b>\$ 63,406,777</b>

As of June 30, 2010, the City had several long-term loans outstanding related to projects funded by development impact fees. These loans will be repaid as development fees are collected in future years.

**NOTES TO FINANCIAL STATEMENTS**

**Interfund transfers:**

Transfers out	Transfers in												
	General		Government		Fire		Highway		Non-Major		Sanitation		
	General Fund	Capital Projects Fund	Development Fee Fund	Development Fee Fund	Development Fee Fund	Development Fee Fund	User Fund	User Fund	Governmental Funds	Water Fund	Sewer Fund	Sanitation Fund	Total
General Fund	\$ -	\$ 42,353,467	\$ -	\$ -	\$ -	\$ -	\$ 324,759	\$ -	\$ 14,272,106	\$ -	\$ -	\$ -	\$ 56,950,332
General Capital Projects Fund	3,669,606	-	-	-	-	-	-	-	-	-	-	-	3,669,606
General Government	-	-	-	-	-	-	-	-	-	-	-	-	-
Development Fee Fund	-	-	-	-	-	-	-	-	1,163,388	-	-	-	1,163,388
Fire Development Fee Fund	-	-	-	-	-	-	-	-	211,984	-	-	-	211,984
Transportation Improvement Fund	1,944,350	-	-	-	-	-	-	-	-	-	-	-	1,944,350
Non-Major Governmental Funds	6,285,553	-	-	487,313	-	88,794	2,071,800	-	8,039,817	91,600	8,739,387	3,045,700	28,849,964
Water Fund	1,493,873	-	-	-	-	-	-	-	-	-	-	-	1,493,873
Sewer Fund	2,542,463	-	-	-	-	-	-	-	1,022,422	-	-	-	3,564,885
Sanitation Fund	622,750	-	-	-	-	-	-	-	-	-	-	-	622,750
Total	\$ 16,558,595	\$ 42,353,467	\$ -	\$ 487,313	\$ 88,794	\$ 88,794	\$ 2,396,559	\$ 24,709,717	\$ 24,709,717	\$ 91,600	\$ 8,739,387	\$ 3,045,700	\$ 98,471,132

Transfers between funds were used to (1) record indirect costs related to enterprise funds, (2) move balances formerly included in the General Fund to separate funds for General Capital Projects and Vehicle Replacement, (3) move balances from the former Municipal Property Corporation (MPC) Fund to the individual capital projects and debt service funds for the separate MPC bond issues, (4) close out funds that will no longer be used, (5) record funding from the General Fund for budgetary authorizations of subsidies and matching funds for various programs and grants, and (6) record other operational transfers during the year.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12 – SPECIAL ITEM

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During the fiscal year, the City renegotiated the terms of an intergovernmental agreement that resulted in the write-off of debt in the amount of \$2,821,348. The City provides wastewater services within the wastewater service area of another municipality. Prior to the amendment, the intergovernmental agreement included a provision for remittance of all wastewater developer impact fees collected within the wastewater service area of the other party since the inception of the agreement to be paid at such time in the future that the other party would take over service. The terms of the agreement were renegotiated, and the provision to remit wastewater developer impact fees was removed. The City has recorded a special item to reflect the extinguishment of this debt.

### NOTE 13 – DEFICIT FUND BALANCES

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At year end, the following individual major and nonmajor governmental funds reported deficits in fund balances.

	<u>Deficit</u>
Major Funds:	
General Government Development Fee Fund	\$39,334,954
Fire Development Fee Fund	8,270,888
Nonmajor Governmental Funds:	
Parks & Recreation Development Fee Fund	1,851,442

The deficits arose because of operations during the year and prior years. The deficit fund balances are expected to be funded with future development impact fees received from issued building permits in the respective funds.

### NOTE 14 – PRIOR PERIOD ADJUSTMENTS

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The July 1, 2009 fund balance/net assets for the General Fund, the General Government Development Fee Fund, the Fire Development Fee Fund, the Highway User Fund, the Transportation Improvement Fund, the nonmajor governmental funds, the Water Fund, the Sewer Fund, the Sanitation Fund, and the Internal Service Fund do not agree to the prior year financial statements due to correction of errors. In addition, the July 1, 2009 net assets for the governmental activities and the business-type activities on the Statement of Activities do not agree to the prior year financial statements due to correction of errors.

The corrections to the governmental funds and the governmental activities are as follows.

**NOTES TO FINANCIAL STATEMENTS**

	Governmental Funds						
	Governmental Activities	General Fund	Government Development Fee Fund	Fire Development Fee Fund	Highway User Fund	Transportation Improvement Fund	Nonmajor Governmental Funds
Net assets/fund balance, June 30, 2009, as previously reported	\$ 401,046,157	\$ 24,049,864	\$ (193,732)	\$ (4,263,558)	\$ 601,047	\$ 6,810,027	\$ 21,487,145
Corrections of errors:							
Intergovernmental revenues not accrued (A)	270,031	107,059	-	-	-	-	162,972
State revenue distributions not accrued (B)	980,290	545,117	-	-	435,173	-	-
Contributions revenues not recorded correctly (C)	-	(700,000)	-	-	-	100,000	600,000
Fund closure not recorded (D)	-	3,060	-	-	-	-	(3,060)
Loans for development projects not recorded (E)	(847,020)	34,285,842	(37,042,825)	(4,089,433)	-	-	5,999,396
Prepaid rent/deferred revenue incorrect (F)	1,111,450	-	-	-	-	-	1,111,450
Liability for infrastructure construction not recorded (G)	(318,522)	-	-	-	-	-	(164,029)
Other receivables not recorded (H)	50,000	-	-	-	-	-	50,000
Sales tax incentive agreements not recorded correctly (I)	(130,862)	-	-	-	-	-	-
Special assessments not accrued (J)	290,509	-	-	-	-	(130,862)	-
Expenditures not recorded correctly (K)	-	(127,478)	-	-	-	-	290,509
Property tax revenues not recorded correctly (L)	-	(189,716)	-	-	-	-	127,478
Permit revenues not deferred (M)	(372,073)	(44,372)	(70,734)	(88,238)	-	-	(10,971)
Permit revenues not recorded correctly (N)	(40,442)	(287,707)	52,694	65,678	-	-	(168,729)
Contracts payable not recorded correctly (O)	162,403	-	-	162,403	-	-	128,893
Developer reimbursement liability not recorded (P)	(350,871)	-	-	-	-	-	-
Grant receivables not recorded (Q)	280,601	79,138	-	-	173,463	-	28,000
Dispatch contracts receivable not recorded correctly (R)	(130,551)	(130,551)	-	-	-	-	-
Taxi coupon revenue accruals not recorded correctly (S)	79,086	79,086	-	-	-	-	-
Treatment plant revenues not recorded correctly (T)	1,980	1,980	-	-	-	-	-
Wastewater revenues not recorded correctly (U)	(19,220)	(19,220)	-	-	-	-	-
Duplicate billing not recorded correctly (V)	(23,694)	(23,694)	-	-	-	-	-
Bonds payable incorrect (W)	63,950,212	-	-	-	-	-	-
Bond premium incorrect (X)	455,995	-	-	-	-	-	-
Unamortized refunding costs incorrect (Y)	(560,694)	-	-	-	-	-	-
Accrued interest incorrect (Z)	1,030,382	-	-	-	-	-	-
Deferred bond issuance costs incorrect (AA)	(1,563,083)	-	-	-	-	-	-
Compensated absences not recorded correctly (BB)	369,860	-	-	-	-	-	-
Accumulated depreciation not recorded correctly (CC)	25,509	-	-	-	-	-	-
Total adjustments	64,701,276	33,578,544	(37,060,865)	(3,949,590)	608,636	(30,862)	8,151,909
Net assets/fund balance, July 1, 2009, as restated	\$ 465,747,433	\$ 57,628,408	\$ (37,254,597)	\$ (8,213,148)	\$ 1,209,683	\$ 6,779,165	\$ 29,639,054

**NOTES TO FINANCIAL STATEMENTS**

The corrections to the proprietary funds and the business-type activities are as follows.

	Proprietary Funds				
	Business-type Activities	Water Fund	Sewer Fund	Sanitation Fund	Internal Service Fund
Net assets/fund balance, June 30, 2009, as previously reported	\$ 299,051,113	\$ 71,797,513	\$ 221,081,064	\$ 6,172,536	\$ 1,949,389
Corrections of errors:					
Loans for development projects not recorded (E)	847,020	684,489	162,531	-	-
Prepaid rent/deferred revenue incorrect (F)	(1,182,646)	-	(1,182,646)	-	-
Sales tax incentive agreements not recorded correctly (I)	(19,254)	(15,180)	(4,074)	-	-
Permit revenues not deferred (M)	(20,221)	-	(20,221)	-	-
Permit revenues not recorded correctly (N)	819,642	779,200	40,442	-	-
Contracts payable not recorded correctly (O)	674,990	17,910	657,080	-	-
Developer reimbursement liability not recorded (P)	(439,971)	(200,517)	(239,454)	-	-
Treatment plant revenues not recorded correctly (T)	(7,793)	90,017	(97,810)	-	-
Wastewater revenues not recorded correctly (U)	19,220	-	19,220	-	-
Bonds payable incorrect (W)	(63,950,212)	-	(63,950,212)	-	-
Bond premium incorrect (X)	(455,995)	-	(455,995)	-	-
Unamortized refunding costs incorrect (Y)	560,694	-	560,694	-	-
Accrued interest incorrect (Z)	(908,854)	-	(908,854)	-	-
Deferred bond issuance costs incorrect (AA)	1,563,083	-	1,563,083	-	-
Compensated absences not recorded correctly (BB)	28,905	12,007	15,378	1,520	1,454
Accumulated depreciation not recorded correctly (CC)	(12,158)	-	(12,158)	-	-
Contributed assets not recorded (DD)	5,744,251	2,128,713	3,615,538	-	-
Due to other governments not recorded (EE)	(3,656,749)	-	(3,656,749)	-	-
Construction in progress incorrect (FF)	(2,112,007)	(2,112,007)	-	-	-
Capitalized interest not recorded (GG)	7,602,418	-	7,602,418	-	-
Total adjustments	(54,905,637)	1,384,632	(56,291,789)	1,520	1,454
Net assets/fund balance, July 1, 2009, as restated	\$ 244,145,476	\$ 73,182,145	\$ 164,789,275	\$ 6,174,056	\$ 1,950,843

Explanations for each of the prior period adjustments are as follows.

**A. RESTATE INTERGOVERNMENTAL REVENUE IN THE GOVERNMENTAL ACTIVITIES, GENERAL FUND, AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2009, fund balances/net assets of the governmental activities and the General Fund and Neighborhood Revitalization Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to corrections of \$270,031, \$107,059, and \$162,972, respectively, of intergovernmental receivables. In fiscal year 2009, grant revenues were earned and should have been accrued. In fiscal year 2010, the beginning fund balances/net assets of the governmental activities and the General Fund and Neighborhood Revitalization Fund have been increased by \$270,031, \$107,059, and \$162,972, respectively.

**B. RESTATE STATE-DISTRIBUTED REVENUES IN THE GOVERNMENTAL ACTIVITIES, GENERAL FUND AND HIGHWAY USER FUND**

The July 1, 2009, fund balances/net assets of the governmental activities and the General Fund and Highway User Fund do not agree to the prior year financial statements due to corrections of \$980,290, \$545,117, and \$435,173, respectively, of intergovernmental receivables. In fiscal year 2009, State shared sales tax revenue for June 2009 was received in August but recorded as revenue for July 2009 in the General Fund. In addition, highway user revenue for June 2009 was received in August but recorded as revenue for July 2009 in the Highway User Fund. In fiscal year 2010, the beginning fund balances/net assets of the governmental activities and the General Fund and Highway User Fund have been increased by \$980,290, \$545,117, and \$435,173, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### **C. RESTATE CONTRIBUTION REVENUES IN THE GENERAL FUND, NONMAJOR GOVERNMENTAL FUNDS, AND TRANSPORTATION IMPROVEMENT FUND**

The July 1, 2009, fund balances of the General Fund, the Public Works Expansion Development Fee Fund (PWDF) (a nonmajor governmental fund), and the Transportation Improvement Fund do not agree to the prior year financial statements due to correction of contribution revenues. In fiscal year 2009, a contribution of \$600,000 was received by the City and recorded in the General Fund; however, the contribution was intended for the traffic management center project in the PWDF Fund. In addition, a contribution of \$100,000 was received by the City and recorded in the General Fund; however, the contribution was intended for the Union Hills widening project in the Transportation Improvement Fund. In fiscal year 2010, the beginning balance of the General Fund has been decreased by \$700,000, the PWDF Fund has been increased by \$600,000, and the Transportation Improvement Fund has been increased by \$100,000.

### **D. RESTATE BALANCES IN THE GENERAL FUND AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2009, fund balances of the General Fund and the 10% Set Aside OTS Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to a correction of \$3,060. In fiscal year 2009, a resolution was passed to suspend the 10% Set Aside OTS Fund and to transfer the balances to the General Fund. The cash balance was not transferred as the resolution directed. The balances have been corrected to reflect the transfer that should have been made in the prior year. In fiscal year 2010, the beginning balance of the General Fund has been increased by \$3,060, the 10% Set Aside OTS Fund has been decreased by \$3,060, and the fund activity has been suspended.

### **E. RESTATE PROJECTS AND OTHER EXPENDITURES IN THE GOVERNMENTAL ACTIVITIES, GENERAL FUND, GENERAL GOVERNMENT DEVELOPMENT FEE FUND, FIRE DEVELOPMENT FEE FUND, NONMAJOR GOVERNMENTAL FUNDS, WATER FUND, AND SEWER FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the General Fund, General Government Development Fee Fund, Fire Development Fee Fund, Public Works Expansion Development Fee Fund (a nonmajor governmental fund), Parks and Recreation Development Fee Fund (a nonmajor governmental fund), Police Development Fee Fund (a nonmajor governmental fund), Water Fund, and Sewer Fund do not agree to the prior year financial statements due to corrections to development projects. Corrections were made to establish interfund receivables and payables resulting from reclassification of projects and other expenditures to the appropriate funding sources. In fiscal year 2010, the beginning fund balances/net assets of the governmental activities have been decreased by \$847,020, the General Fund has been increased by \$34,285,842, the General Government Development Fee Fund has been decreased by \$37,042,825, the Fire Development Fee Fund has been decreased by \$4,089,433, the Public Works Expansion Development Fee Fund has been increased by \$4,341,560, the Parks and Recreation Development Fee Fund has been decreased by \$1,356,902 and the Police Development Fee Fund has been increased by \$3,014,738, the Water Fund has been increased by \$684,489, and the Sewer Fund has been increased by \$162,531.

### **F. RESTATE PREPAID RENT AND DEBT SERVICE RESERVE BALANCES IN THE GOVERNMENTAL ACTIVITIES, NONMAJOR GOVERNMENTAL FUNDS, AND SEWER FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the Municipal Property Corporation (MPC) Fund (a nonmajor governmental fund) and Sewer Fund do not agree to the prior year financial statements due to corrections to accounts related to MPC bonds. Adjustments were made to eliminate prepaid rent balances and correct debt service reserve balances. In fiscal year 2010, the beginning fund balance/net assets of the governmental activities have been increased by \$1,111,450, the MPC Fund has been increased by \$1,111,450 and the Sewer Fund has been decreased by \$1,182,646.

## NOTES TO FINANCIAL STATEMENTS

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### **G. RESTATE CONTRACTS PAYABLE BALANCE IN THE GOVERNMENTAL ACTIVITIES AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2009, fund balances/net assets of the governmental activities and the Parks and Recreation Development Fee Fund (a nonmajor governmental fund) and Public Works Expansion Development Fee Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to corrections of \$318,522, \$125,406, and \$38,623 respectively, in contracts payable. In fiscal year 2009, a developer agreement was entered into for Heritage Park, but the related liability for construction of certain infrastructure was not recorded in the Parks and Recreation Development Fee Fund. In addition, a developer agreement was entered into for the Dysart and Bell Median, but the related liability for construction of certain infrastructure was not recorded in the Public Works Expansion Development Fee Fund. In fiscal year 2010, the beginning fund balances/net assets of the governmental activities has been decreased by \$318,522, the Parks and Recreation Development Fee Fund has been decreased by \$125,406 and the Public Works Expansion Development Fee Fund has been decreased by \$38,623.

### **H. RESTATE OTHER RECEIVABLES BALANCE IN THE GOVERNMENTAL ACTIVITIES AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2009, fund balances/net assets of the governmental activities and the Public Works Expansion Development Fee Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to a correction of \$50,000 in other receivables. In fiscal year 2009, a developer agreement was entered into for Heritage Park, but the related receivable for reimbursement of certain infrastructure was not recorded in the Public Works Expansion Development Fee Fund. In fiscal year 2010, the beginning fund balances/net assets of both the governmental activities and the Public Works Expansion Development Fee Fund have been increased by \$50,000.

### **I. RESTATE EXPENDITURES/EXPENSES IN THE GOVERNMENTAL ACTIVITIES, TRANSPORTATION IMPROVEMENT FUND, WATER FUND, AND SEWER FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the Transportation Improvement Fund, Water Fund, and Sewer Fund do not agree to the prior year financial statements due to corrections of \$130,862, \$130,862, \$15,180, and \$4,074, respectively, in sales tax incentive agreements. In fiscal year 2009, payments were made to developers related to sales tax incentive agreements. These expenditures/expenses were paid in fiscal year 2010 and recorded in fiscal year 2010 but should have been recorded as expenditures/expenses in June 2009. In fiscal year 2010, the beginning fund balance/net assets of the governmental activities and the Transportation Improvement Fund, Water Fund, and Sewer Fund have been decreased by \$130,862, \$130,862, \$15,180, and \$4,074, respectively.

### **J. RESTATE REVENUES IN THE GOVERNMENTAL ACTIVITIES AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2009, fund balance/net assets of the governmental activities and the Street Lighting Districts Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to a correction of \$290,509 in special assessments receivable. In fiscal year 2009, revenues collected through the special assessments were less than the expenditures recorded. In accordance with GASB Statement No. 6, the excess of expenditures over revenues should have been reported as a receivable. In fiscal year 2010, the beginning fund balance/net assets of both the governmental activities and the Street Lighting Districts Fund have been increased by \$290,509.

## NOTES TO FINANCIAL STATEMENTS

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### **K. RESTATE EXPENDITURES IN THE GENERAL FUND AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2009, fund balances of the General Fund and Neighborhood Revitalization Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to a correction of \$127,478 in expenditures. In fiscal year 2009, the Neighborhood Revitalization Fund reported expenditures that should have been reported in the General Fund. In fiscal year 2010, the beginning fund balances of the General Fund have been decreased by \$127,478 and the Neighborhood Revitalization Fund has been increased by that amount to reflect the proper reporting of expenditures from fiscal year 2009.

### **L. RESTATE PROPERTY TAX REVENUES IN THE GENERAL FUND, AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2009, fund balances of General Fund and Debt Service Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to corrections of \$189,716 and \$10,971, respectively, in property taxes revenues. In fiscal year 2009, revenues for property taxes were not properly deferred. In fiscal year 2010, the beginning fund balances of the General Fund and Debt Service Fund have been decreased by \$189,716 and \$10,971, respectively.

### **M. RESTATE DEFERRED REVENUES IN THE GOVERNMENTAL ACTIVITIES, GENERAL FUND, GENERAL GOVERNMENT DEVELOPMENT FEE FUND, FIRE DEVELOPMENT FEE FUND, NONMAJOR GOVERNMENTAL FUNDS, AND SEWER FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the General Fund, General Government Development Fee Fund, Fire Development Fee Fund, Police Development Fee Fund (a nonmajor governmental fund), Public Works Expansion Development Fund (a nonmajor governmental fund), and Sewer Fund do not agree to the prior year financial statements due to corrections of \$372,073, \$44,372, \$70,734, \$88,238, \$61,552, \$107,177, and \$20,221, respectively, in deferred revenues. In fiscal year 2009, permit fee revenue was recorded as revenue, but the permits were not yet issued. Revenues have been reduced to reflect deferred revenue for the permit fees. In fiscal year 2010, the beginning fund balance/net assets of the governmental activities and the General Fund, General Government Development Fee Fund, Fire Development Fee Fund, Police Development Fee Fund, Public Works Expansion Development Fund, and Sewer Fund have been decreased by \$372,073, \$44,372, \$70,734, \$88,238, \$61,552, \$107,177, and \$20,221, respectively.

### **N. RESTATE PERMIT FEE REVENUES IN THE GOVERNMENTAL ACTIVITIES, GENERAL FUND, GENERAL GOVERNMENT DEVELOPMENT FEE FUND, FIRE DEVELOPMENT FEE FUND, NONMAJOR GOVERNMENTAL FUNDS, WATER FUND AND SEWER FUND**

The July 1, 2009, fund balance/net assets in the governmental activities and the General Fund, General Government Development Fee Fund, Fire Development Fee Fund, Police Development Fee Fund (a nonmajor governmental fund), Public Works Expansion Development Fund (a nonmajor governmental fund), and Sewer Fund do not agree to the prior year financial statements due to corrections of \$40,442, \$287,707, \$52,694, \$65,678, \$47,482, \$81,411, \$779,200 and \$40,442, respectively, in permit fee revenues. In fiscal year 2009, certain permit fee revenues were recorded in the General Fund; however, the revenues should have been recorded across the General Government Development Fee Fund, Fire Development Fee Fund, Police Development Fee Fund, Public Works Expansion Development Fund, Water Fund and Sewer Fund. In fiscal year 2010, the beginning fund balance/net assets of the governmental activities have been decreased by \$40,442, the General Fund have been decreased by \$287,707 and the General Government Development Fee Fund, Fire Development Fee Fund, Police Development Fee Fund, Public Works Expansion Development Fund, and Sewer Fund have been increased by \$52,694, \$65,678, \$47,482, \$81,411, \$779,200 and \$40,442, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### **O. RESTATE LIABILITY FOR DEVELOPMENT AGREEMENT IN THE GOVERNMENTAL ACTIVITIES, FIRE DEVELOPMENT FEE FUND, WATER FUND, AND SEWER FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the Fire Development Fee Fund, Water Fund, and Sewer Fund do not agree to the prior year financial statements due to a correction of \$162,403, \$162,403, \$17,910, and \$657,080, respectively, in contracts payable. In fiscal year 2009, a liability was recorded, but an actual liability did not exist. In fiscal year 2010, the beginning fund balance/net assets of the governmental activities has been increased by \$162,403, the Fire Development Fee Fund has been increased by \$162,403, the Water Fund has been increased by \$17,910, and the Sewer Fund has been increased by \$657,080.

### **P. RESTATE LIABILITY FOR A DEVELOPMENT AGREEMENT IN THE GOVERNMENTAL ACTIVITIES, WATER FUND, AND SEWER FUND**

The July 1, 2009, net assets of the governmental activities and the Water Fund and Sewer Fund do not agree to the prior year financial statements due to a correction of \$350,871, \$200,517 and \$239,454, respectively, in contracts payable. In fiscal year 2009, a liability should have been recorded to reflect developer reimbursements not yet paid during the fiscal year. In fiscal year 2010, the beginning net assets of the governmental activities and the Water Fund and Sewer Fund have been decreased by \$350,871, \$200,517 and \$239,454, respectively.

### **Q. RESTATE GRANT REVENUE IN THE GOVERNMENTAL ACTIVITIES, GENERAL FUND, HIGHWAY USER FUND, AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2009, fund balances/net assets of the governmental activities and the General Fund, Highway User Fund, and Public Works Development Fee Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to corrections of \$280,601, \$79,138, \$173,463, and \$28,000, respectively, in grant receivables. Grant revenue recorded in fiscal year 2010 was earned in the prior fiscal year. In fiscal year 2010, the beginning fund balances/net assets of the governmental activities and the General Fund, Highway User Fund, and Public Works Development Fee Fund have been increased by \$280,601, \$79,138, \$173,463, and \$28,000, respectively.

### **R. RESTATE DISPATCH CONTRACT REVENUES IN THE GOVERNMENTAL ACTIVITIES AND GENERAL FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the General Fund do not agree to the prior year financial statements due to a correction of \$130,551 in accounts receivable. In fiscal year 2009, dispatch contract revenue was recorded; however, the revenue should have been recorded in fiscal year 2010. In fiscal year 2010, the beginning fund balance/net assets of both the governmental activities and the General Fund have been decreased by \$130,551.

### **S. RESTATE TAXI COUPON PROGRAM REVENUES IN THE GOVERNMENTAL ACTIVITIES AND GENERAL FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the General Fund do not agree to the prior year financial statements due to a correction of \$79,086 in taxi coupon program accruals. In fiscal year 2009, taxi coupon program revenue received in fiscal year 2010 was recorded as revenue but was earned in the prior fiscal year. In fiscal year 2010, the beginning fund balance/net assets of both the governmental activities and the General Fund have been increased by \$79,086.

## NOTES TO FINANCIAL STATEMENTS

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### **T. RESTATE REVENUES FOR THE GOVERNMENTAL ACTIVITIES, GENERAL FUND, WATER FUND, AND SEWER FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the General Fund, Water Fund and Sewer Fund do not agree to the prior year financial statements due to corrections of \$1,980, \$1,980, \$90,017, and \$97,810, respectively, in revenues. In fiscal year 2009, revenue from usage at the south wastewater treatment plant was not properly recorded. In fiscal year 2010, the beginning fund balance/net assets of the governmental activities and the General Fund and Water Fund have been increased and the Sewer Fund has been decreased by \$1,980, \$1,980, \$90,017, and \$97,810, respectively.

### **U. RESTATE WASTEWATER REVENUE IN THE GOVERNMENTAL ACTIVITIES, GENERAL FUND, AND SEWER FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the General Fund and Sewer Fund do not agree to the prior year financial statements due to a correction of \$19,220 in wastewater revenues. In fiscal year 2009, revenues related to wastewater services were recorded in the General Fund and should have been recorded in the Sewer Fund. In fiscal year 2010, the beginning fund balance/net assets of the governmental activities and the General Fund have been decreased and the Sewer Fund has been increased by \$19,220.

### **V. RESTATE CONTRACT REVENUE IN THE GOVERNMENTAL ACTIVITIES AND GENERAL FUND**

The July 1, 2009, fund balance/net assets of the governmental activities and the General Fund do not agree to the prior year financial statements due to a correction of \$23,694 in contract revenue. In fiscal year 2009, a revenue billing on a contract was billed twice, resulting in overbilling and an overstatement of revenues. In fiscal year 2010, the beginning fund balance/net assets of both the governmental activities and the General Fund have been decreased by \$23,694.

### **W. RESTATE LIABILITIES FOR BOND ISSUANCES IN THE GOVERNMENTAL ACTIVITIES AND SEWER FUND**

The July 1, 2009, net assets of the governmental activities and the Sewer Fund do not agree to the prior year financial statements due to a correction of \$63,950,212 in bonds payable. Bonds were issued totaling \$93,535,000 and were recorded in the Municipal Property Corporation Fund. A portion of the 2000/03 issuance (30.25%) and 100% of the 2007 issuance, totaling \$63,950,212, should have been recorded in the Sewer Fund as they represent the amounts issued to finance the construction of Sewer Fund assets and the debt service is paid from Sewer Fund resources. In fiscal year 2010, the beginning net assets of the governmental activities have been increased by \$63,950,212 and the Sewer Fund have been decreased by \$63,950,212.

### **X. RESTATE PREMIUM FOR BOND ISSUANCES IN THE GOVERNMENTAL ACTIVITIES AND SEWER FUND**

The July 1, 2009, net assets of the governmental activities and the Sewer Fund do not agree to the prior year financial statements due to a correction of \$455,995 in bond premium payable. Unamortized bond premium payable of \$1,507,422 was recorded in the Municipal Property Corporation Fund. A portion (30.25%) should have been recorded in the Sewer Fund as it represents the portion of the bonds issued to finance the construction of Sewer Fund assets and the debt service is paid from Sewer Fund resources. In fiscal year 2010, the beginning net assets of the governmental activities have been increased by \$455,995 and the Sewer Fund have been decreased by \$455,995.

## NOTES TO FINANCIAL STATEMENTS

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### **Y. RESTATE REFUNDING AMORTIZATION FOR BOND ISSUANCES IN THE GOVERNMENTAL ACTIVITIES AND SEWER FUND**

The July 1, 2009, net assets of the governmental activities and the Sewer Fund do not agree to the prior year financial statements due to a correction of \$560,694 in deferred amounts related to the refunding of bonds. Unamortized amounts related to the refunding of bonds of \$1,853,528 were recorded in the Municipal Property Corporation Fund. A portion (30.25%) should have been recorded in the Sewer Fund as it represents the portion of the bonds issued to finance the construction of Sewer Fund assets and the debt service is paid from Sewer Fund resources. In fiscal year 2010, the beginning net assets of the governmental activities have been decreased by \$560,694 and the Sewer Fund have been increased by \$560,694.

### **Z. RESTATE ACCRUED INTEREST FOR BOND ISSUANCES IN THE GOVERNMENTAL ACTIVITIES AND SEWER FUND**

The July 1, 2009, net assets of the governmental activities and the Sewer Fund do not agree to the prior year financial statements due to corrections of \$1,030,382 and \$908,854, respectively, in accrued interest payable. A portion of the 2000/03 issuance (30.25%) and 100% of the 2007 issuance should have been recorded in the Sewer Fund as they represent the portion of the bonds issued to finance the construction of Sewer Fund assets and the debt service is paid from Sewer Fund resources. In fiscal year 2010, the beginning net assets of the governmental activities have been increased by \$1,030,382 and the Sewer Fund has been decreased by \$908,854.

### **AA. RESTATE DEFERRED BOND ISSUANCE COSTS IN THE GOVERNMENTAL ACTIVITIES AND SEWER FUND**

The July 1, 2009, net assets of the governmental activities and the Sewer Fund do not agree to the prior year financial statements due to a correction of \$1,563,083 in deferred bond issuance costs. A portion of the 2000/03 issuance (30.25%) and 100% of the 2007 issuance should have been recorded in the Sewer Fund as they represent the portion of the bonds issued to finance the construction of Sewer Fund assets and the debt service is paid from Sewer Fund resources. In fiscal year 2010, the beginning net assets of the governmental activities have been decreased and the Sewer Fund has been increased by \$1,563,083.

### **BB. RESTATE COMPENSATED ABSENCE EXPENSE IN THE GOVERNMENTAL ACTIVITIES, WATER FUND, SEWER FUND, SANITATION FUND, AND INTERNAL SERVICE FUND**

The July 1, 2009, net assets of the governmental activities and the Water Fund, Sewer Fund, Sanitation Fund, and Internal Service Fund do not agree to the prior year financial statements due to a correction of \$369,860, \$12,007, \$15,378, \$1,520, and \$1,454, respectively, in compensated absences. In prior fiscal years, certain expenses were included that should not have been part of the calculation. In fiscal year 2010, the beginning net assets of the governmental activities and the Water Fund, Sewer Fund, Sanitation Fund, and Internal Service Fund have been increased by \$369,860, \$12,007, \$15,378, \$1,520, and \$1,454, respectively.

### **CC. RESTATE ACCUMULATED DEPRECIATION IN THE GOVERNMENTAL ACTIVITIES AND SEWER FUND**

The July 1, 2009, net assets of the governmental activities and the Sewer Fund do not agree to the prior year financial statements due to corrections of \$25,509 and \$12,158, respectively, in accumulated depreciation. In fiscal year 2009, accumulated depreciation on capital assets and construction in progress were not properly stated. In fiscal year 2010, the beginning net assets of the governmental activities have been increased by \$25,509 and the Sewer Fund decreased by \$12,158.

## NOTES TO FINANCIAL STATEMENTS

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### **DD. RESTATE CAPITAL CONTRIBUTIONS IN THE WATER FUND AND SEWER FUND**

The July 1, 2009, net assets of the Water Fund and Sewer Fund do not agree to the prior year financial statements due to a correction of \$2,128,713 and \$3,615,538, respectively, in capital contributions. In fiscal year 2009, certain capital assets were donated and/or conveyed to the City and should have been recorded as capital contributions. In fiscal year 2010, the beginning net assets of the Water Fund have been increased by \$2,128,713 and the Sewer Fund has been increased by \$3,615,538.

### **EE. RECORD A LIABILITY FOR AN INTERGOVERNMENTAL AGREEMENT IN THE SEWER FUND**

The July 1, 2009, net assets of the Sewer Fund do not agree to the prior year financial statements due to a correction of \$3,656,749 for amounts due to other governments. In fiscal year 2009, a liability should have been recorded as a result of the terms of an intergovernmental agreement. In fiscal year 2010, the beginning net assets of the Sewer Fund have been decreased by \$3,656,749.

### **FF. RESTATE EXPENSES FOR CONSTRUCTION IN PROGRESS IN THE WATER FUND**

The July 1, 2009, net assets of the Water Fund do not agree to the prior year financial statements due to a correction of \$2,112,007 in capital assets. In fiscal year 2009, construction in progress was recorded; but a developer reimbursement expense should have been recorded instead. In fiscal year 2010, the beginning net assets of the Water Fund have been decreased by \$2,112,007.

### **GG. RESTATE CAPITAL ASSETS IN THE SEWER FUND**

The July 1, 2009, net assets of the Sewer Fund do not agree to the prior year financial statements due to a correction of \$7,602,418 in capital assets. In prior fiscal years, interest expenses incurred were not capitalized as part of construction in progress. In fiscal year 2010, the beginning net assets of the Sewer Fund have been increased by \$7,602,418.

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## **NOTE 15 - SUBSEQUENT EVENTS**

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In August 2009, the City filed a lawsuit against Wells Capital Management, Inc. and Wells Fargo Bank, N.A. for a loss on investments of \$2.1 million. The City alleged the financial institution improperly invested the City's money. Subsequent to year end, a settlement was reached and the City received \$1.5 million less \$0.4 million of legal expenses.



## **REQUIRED SUPPLEMENTAL INFORMATION**

**Required Supplemental Information:**  
**APSPRS: Schedule of Funding Progress**

**POLICE**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension 6/30/10	\$15,910,074	\$19,542,435	\$3,632,361	81.4%	\$8,941,868	40.6%
Health Insurance 6/30/10	-0-	574,354	574,354	0.0%	8,941,868	6.4%
Pension 6/30/09	13,990,305	18,638,516	4,648,211	75.1%	8,884,979	52.3%
Health Insurance 6/30/09	-0-	506,239	506,239	0.0%	8,884,979	5.7%
Pension 6/30/08	11,853,291	16,226,328	4,373,037	73.0%	8,706,843	50.2%
Health Insurance 6/30/08	-0-	453,913	453,913	0.0%	8,706,843	5.2%

**FIRE**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension 6/30/10	\$15,823,870	\$17,521,519	\$1,697,649	90.3%	\$7,785,993	21.8%
Health Insurance 6/30/10	-0-	402,316	402,316	0.0%	7,785,993	5.2%
Pension 6/30/09	13,508,688	15,871,583	2,362,895	85.1%	8,051,422	29.4%
Health Insurance 6/30/09	-0-	339,440	339,440	0.0%	8,051,422	4.2%
Pension 6/30/08	10,809,814	12,521,320	1,711,506	86.3%	7,751,228	22.1%
Health Insurance 6/30/08	-0-	260,332	260,332	0.0%	7,751,228	3.4%

**City of Surprise, Arizona**

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

General Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 32,694,400	\$ 33,963,500	\$ 33,952,530	\$ (10,970)
Licenses and permits	4,493,900	4,343,500	4,342,546	(954)
Intergovernmental	20,383,400	21,295,700	21,316,166	20,466
Charges for services	3,477,100	4,970,300	4,784,892	(185,408)
Grants	-	626,800	680,204	53,404
Fines	1,868,700	1,938,500	1,763,194	(175,306)
Rents	-	364,500	648,431	283,931
Interest	589,100	151,600	184,372	32,772
Other	3,265,500	1,310,200	1,040,634	(269,566)
Total revenues	<u>66,772,100</u>	<u>68,964,600</u>	<u>68,712,969</u>	<u>(251,631)</u>
<b>Expenditures:</b>				
<b>GENERAL GOVERNMENT</b>				
City council	549,900	547,800	398,142	(149,658)
City court	2,033,500	1,980,500	1,839,203	(141,297)
City manager	713,300	971,100	971,055	(45)
Intergovernmental relations	381,900	388,900	388,852	(48)
Legal	1,759,600	1,903,500	1,903,486	(14)
City clerk	729,100	675,600	652,350	(23,250)
Finance	2,386,600	2,300,000	2,220,814	(79,186)
Human resources	1,234,900	1,158,000	1,003,485	(154,515)
Information technology	4,228,600	4,047,000	3,725,494	(321,506)
Management and budget	513,200	509,700	495,253	(14,447)
Public information	1,063,000	1,001,500	926,770	(74,730)
General operations	2,492,700	3,260,600	3,025,868	(234,732)
Total general government	<u>18,086,300</u>	<u>18,744,200</u>	<u>17,550,772</u>	<u>(1,193,428)</u>
<b>PUBLIC SAFETY</b>				
Police	18,038,000	17,769,900	16,661,679	(1,108,221)
Fire	13,731,000	13,368,000	13,214,835	(153,165)
Total public safety	<u>31,769,000</u>	<u>31,137,900</u>	<u>29,876,514</u>	<u>(1,261,386)</u>
<b>PUBLIC WORKS AND STREETS</b>				
Engineering	1,266,999	1,192,000	1,087,240	(104,760)
Vehicle maintenance	1,571,419	1,478,400	1,442,756	(35,644)
Facilities management	3,756,782	3,534,400	3,034,280	(500,120)
Stormwater	95,300	94,200	94,150	(50)
Total public works and streets	<u>6,690,500</u>	<u>6,299,000</u>	<u>5,658,426</u>	<u>(640,574)</u>
<b>COMMUNITY DEVELOPMENT</b>				
Community development	5,727,200	3,991,400	3,839,045	(152,355)
Total community service	<u>\$ 5,727,200</u>	<u>\$ 3,991,400</u>	<u>\$ 3,839,045</u>	<u>\$ (152,355)</u>

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>CULTURE AND RECREATION</b>				
Community initiatives	\$ 3,669,600	\$ -	\$ -	\$ -
Parks and recreation	9,966,600	13,064,700	12,319,929	(744,771)
Total culture and recreation	13,636,200	13,064,700	12,319,929	(744,771)
<b>CAPITAL OUTLAY</b>	-	1,710,900	1,507,878	(203,022)
Total expenditures	75,909,200	74,948,100	70,752,564	(4,195,536)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(9,137,100)	(5,983,500)	(2,039,595)	3,943,905
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	22,934	22,934
Transfers in	3,057,500	12,939,400	16,558,595	3,619,195
Transfers out	-	(6,617,000)	(56,950,332)	(50,333,332)
Total other financing sources (uses)	3,057,500	6,322,400	(40,368,803)	(46,691,203)
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (6,079,600)</b>	<b>\$ 338,900</b>	<b>\$ (42,408,398)</b>	<b>\$ (42,747,298)</b>

See accompanying notes to this schedule.

**City of Surprise, Arizona**

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

General Govt. Dev Fee Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Development fees	\$ 480,400	\$ 281,200	\$ 235,747	\$ (45,453)
Interest	-	-	1,227	1,227
Total revenues	<u>480,400</u>	<u>281,200</u>	<u>236,974</u>	<u>(44,226)</u>
<b>Expenditures:</b>				
Current:				
Public works and streets	-	-	665,225	665,225
Capital outlay	-	976,100	976,031	(69)
Debt Service				
Principal	-	404,600	-	(404,600)
Interest and fiscal charges	-	260,700	-	(260,700)
Total expenditures	<u>-</u>	<u>1,641,400</u>	<u>1,641,256</u>	<u>(144)</u>
Excess of revenues over expenditures	<u>480,400</u>	<u>(1,360,200)</u>	<u>(1,404,282)</u>	<u>(44,082)</u>
Other financing uses:				
Transfers in	-	487,400	487,313	(87)
Transfers out	<u>(486,800)</u>	<u>(1,163,400)</u>	<u>(1,163,388)</u>	<u>12</u>
Total other financing uses	<u>(486,800)</u>	<u>(676,000)</u>	<u>(676,075)</u>	<u>(75)</u>
Net change in fund balance	<u>\$ (6,400)</u>	<u>\$ (2,036,200)</u>	<u>\$ (2,080,357)</u>	<u>\$ (44,157)</u>

See accompanying notes to this schedule.

**City of Surprise, Arizona**

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

## Fire Development Fee Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Development fees	\$ 557,400	\$ 309,200	\$ 259,683	\$ (49,517)
Total revenues	<u>557,400</u>	<u>309,200</u>	<u>259,683</u>	<u>(49,517)</u>
<b>Expenditures:</b>				
Current:				
Public safety	244,800	171,100	151,570	(19,530)
Debt Service				
Interest and fiscal charges	-	-	42,663	42,663
Total expenditures	<u>244,800</u>	<u>171,100</u>	<u>194,233</u>	<u>23,133</u>
Excess of revenues over expenditures	<u>312,600</u>	<u>138,100</u>	<u>65,450</u>	<u>(72,650)</u>
Other financing uses:				
Transfers in	3,854,300	88,800	88,794	(6)
Transfers out	-	(212,000)	(211,984)	16
Total other financing uses	<u>3,854,300</u>	<u>(123,200)</u>	<u>(123,190)</u>	<u>10</u>
Net change in fund balance	<u>\$ 4,166,900</u>	<u>\$ 14,900</u>	<u>\$ (57,740)</u>	<u>\$ (72,640)</u>

See accompanying notes to this schedule.

**City of Surprise, Arizona**

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

## Highway User Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 5,334,200	\$ 5,039,500	\$ 4,984,457	\$ (55,043)
Charges for services	-	-	12,000	12,000
Grants	-	-	15,857	15,857
Interest	23,000	-	21,126	21,126
Other	-	-	92,040	92,040
Total revenues	<u>5,357,200</u>	<u>5,039,500</u>	<u>5,125,480</u>	<u>85,980</u>
<b>Expenditures:</b>				
Current:				
Public works and streets	4,756,600	6,190,800	5,770,569	(420,231)
Community development	2,167,300	-	-	-
Capital outlay	-	463,900	474,906	11,006
Total expenditures	<u>6,923,900</u>	<u>6,654,700</u>	<u>6,245,475</u>	<u>(409,225)</u>
Excess of revenues over expenditures	<u>(1,566,700)</u>	<u>(1,615,200)</u>	<u>(1,119,995)</u>	<u>495,205</u>
Other financing uses:				
Proceeds from sale of assets	-	-	4,254	4,254
Transfers in	1,421,000	1,246,400	2,396,559	1,150,159
Total other financing uses	<u>1,421,000</u>	<u>1,246,400</u>	<u>2,400,813</u>	<u>1,154,413</u>
Net change in fund balance	<u>\$ (145,700)</u>	<u>\$ (368,800)</u>	<u>\$ 1,280,818</u>	<u>\$ 1,649,618</u>

See accompanying notes to this schedule.

**City of Surprise, Arizona**

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

Transportation Improvement Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,340,900	\$ 1,855,400	\$ 1,794,618	\$ (60,782)
Intergovernmental	-	-	2,062,374	2,062,374
Grants	-	2,933,400	150,000	(2,783,400)
Interest	-	-	44,783	44,783
Other	5,585,700	2,652,300	-	(2,652,300)
Total revenues	<u>7,926,600</u>	<u>7,441,100</u>	<u>4,051,775</u>	<u>(3,389,325)</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	5,003	5,003
Public works and streets	17,769,400	441,200	278,552	(162,648)
Community development	-	313,400	290,264	(23,136)
Capital outlay	-	12,793,200	6,283,793	(6,509,407)
Total expenditures	<u>17,769,400</u>	<u>13,547,800</u>	<u>6,857,612</u>	<u>(6,690,188)</u>
Excess of revenues over expenditures	<u>(9,842,800)</u>	<u>(6,106,700)</u>	<u>(2,805,837)</u>	<u>3,300,863</u>
Other financing uses:				
Transfers out	-	(4,363,800)	(1,944,350)	2,419,450
Total other financing uses	<u>-</u>	<u>(4,363,800)</u>	<u>(1,944,350)</u>	<u>2,419,450</u>
Net change in fund balance	<u>\$ (9,842,800)</u>	<u>\$ (10,470,500)</u>	<u>\$ (4,750,187)</u>	<u>\$ 5,720,313</u>

See accompanying notes to this schedule.

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

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### **NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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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) Capital Projects Funds adopt project-length budgets which normally extend beyond the fiscal year (2) Compensated absences are expended when paid, (3) Capital outlays within the enterprise funds are expended on a budget basis.

Prior to the third Monday in July, the City Manager submits to the City Council, and Council adopts a tentative budget for the fiscal year commencing on July 1. The tentative budget includes a schedule of the estimated expenditures and revenues. The proposed budget sets the maximum limit. The tentative budget is then published once a week for two consecutive weeks in a local newspaper. Finally, the City holds a public hearing on the budget and convenes a special meeting to adopt the final proposed budget on or before the 14<sup>th</sup> day before the tax levy is adopted.

The budget is adopted at the department level in the General Fund and at the fund level for all other funds. Expenditures may not exceed this limit, but transfers may be approved to address new issues, increased prices and changes in scope of existing projects. In such cases, transfers may be approved after final adoption by the Council at a public meeting.



**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**City of Surprise, Arizona**

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

General Capital Projects Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Grants	\$ 5,812,000	\$ 8,078,800	\$ 58,739	\$ (8,020,061)
Total revenues	5,812,000	8,078,800	58,739	(8,020,061)
<b>Expenditures:</b>				
Current:				
General government	5,694,200	12,104,500	-	(12,104,500)
Public safety	228,700	-	-	-
Public works and streets	13,169,100	466,100	-	(466,100)
Culture and recreation	283,000	-	-	-
Capital outlay	-	4,738,000	2,377,178	(2,360,822)
Debt Service				
Interest and fiscal charges	-	-	35,071	35,071
Total expenditures	19,375,000	17,308,600	2,412,249	(14,896,351)
Excess of revenues over expenditures	(13,563,000)	(9,229,800)	(2,353,510)	6,876,290
Other financing uses:				
Transfers in	5,480,100	8,939,400	42,353,467	33,414,067
Transfers out	(3,499,300)	(6,748,600)	(3,669,606)	3,078,994
Total other financing uses	1,980,800	2,190,800	38,683,861	36,493,061
Net change in fund balance	\$ (11,582,200)	\$ (7,039,000)	\$ 36,330,351	\$ 43,369,351

**City of Surprise, Arizona**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2010

<b>Assets</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total Governmental Funds</b>
Cash and investments	\$ 14,058,491	\$ 23,299	\$ 14,081,790
Receivables (net of allowances)			
Interest	19,882	13	19,895
Taxes and franchise fees	9,455	-	9,455
Grants	374,644	-	374,644
Due from other funds	16,341	-	16,341
Other	166,104	-	166,104
Restricted cash and cash equivalents	41,916	6,212,707	6,254,623
Advances to other funds	12,506,349	-	12,506,349
<b>Total assets</b>	<b>\$ 27,193,182</b>	<b>\$ 6,236,019</b>	<b>\$ 33,429,201</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 363,797	\$ -	\$ 363,797
Accrued payroll and related taxes	28,168	-	28,168
Due to other funds	2,470,413	-	2,470,413
Deferred revenues	768,195	-	768,195
Contracts payable	164,029	-	164,029
Advances from other funds	4,713,408	-	4,713,408
<b>Total liabilities</b>	<b>8,508,010</b>	<b>-</b>	<b>8,508,010</b>
Fund balances:			
Reserved for:			
Long-term receivable	12,506,349	-	12,506,349
Unreserved, designated			
Vehicle replacement	174,000	-	174,000
Unreserved, undesignated			
Special revenue fund	6,004,823	-	6,004,823
Debt service fund	-	6,236,019	6,236,019
<b>Total fund balances</b>	<b>18,685,172</b>	<b>6,236,019</b>	<b>24,921,191</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,193,182</b>	<b>\$ 6,236,019</b>	<b>\$ 33,429,201</b>

**City of Surprise, Arizona**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2010

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Taxes	\$ 1,060,829	\$ 6,231	\$ 1,067,060
Intergovernmental	622,889	-	622,889
Charges for services	166,590	-	166,590
Grants	1,950,814	-	1,950,814
Fines	167,751	-	167,751
Rents	-	3,352,513	3,352,513
Development fees	1,225,850	-	1,225,850
Special assessments	2,126,462	-	2,126,462
Interest	128,518	11,504	140,022
Donations	284,096	-	284,096
Other	869,585	-	869,585
Total revenues	<u>8,603,384</u>	<u>3,370,248</u>	<u>11,973,632</u>
<b>Expenditures:</b>			
Current			
General government	194,722	-	194,722
Public safety	433,210	-	433,210
Public works and streets	3,200,394	-	3,200,394
Community development	2,317,909	-	2,317,909
Culture and recreation	1,073,141	-	1,073,141
Capital outlay	1,299,202	-	1,299,202
Debt service	-	-	-
Principal	205,000	1,932,075	2,137,075
Interest and fiscal charges	523,072	1,372,523	1,895,595
Total expenditures	<u>9,246,650</u>	<u>3,304,598</u>	<u>12,551,248</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(643,266)</u>	<u>65,650</u>	<u>(577,616)</u>
Other financing sources (uses):			
Transfers in	16,098,505	8,611,212	24,709,717
Transfers out	(26,392,260)	(2,457,704)	(28,849,964)
Total other financing sources (uses)	<u>(10,293,755)</u>	<u>6,153,508</u>	<u>(4,140,247)</u>
Net change in fund balances	<u>(10,937,021)</u>	<u>6,219,158</u>	<u>(4,717,863)</u>
Fund balances, beginning, as restated	<u>29,622,193</u>	<u>16,861</u>	<u>29,639,054</u>
Fund balances, ending	<u>\$ 18,685,172</u>	<u>\$ 6,236,019</u>	<u>\$ 24,921,191</u>

## NONMAJOR SPECIAL REVENUE FUND DESCRIPTIONS

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- ❖ Special revenue funds – These funds account for specific non-capital revenues that are restricted in their allowable use.
  - *Donations Fund* – This fund is set up to monitor revenues and expenditures associated with donated funds. City policy restricts the use of these funds.
  - *Employee Dep Scholarship Fund* – Employee dependent scholarships awarded to the dependents of current City of Surprise employees. Donations and interest earnings fund these scholarships. City policy restricts the use of these funds.
  - *Library Development Fund* – This fund has been established to account for the inflow of library development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing, and furnishing of new items directly related to the increased demand on library services caused by growth.
  - *Marley Park Comm. Fac District* – This fund has been established to provide a location to process operating expenditures and for the collection of the related portion of the property taxes from properties located in the district. These proceeds are legally restricted to the payment of operations within the district.
  - *Municipal Court Enhancement Fund* – Established in FY2003 this fund tracks revenue associated with fines dedicated to Municipal Court technology improvements. City policy restricts the use of these funds.
  - *Municipal Court FARE Fund* – This fund is used to discretely track funds received by the City that are restricted to use on projects that enhance the fine collections process. FARE - Fines/fees and restitution enforcement.
  - *Municipal Court JCEF Fund* – This fund is used to discretely track funds received by the City that are restricted to use on technology improvements in the Municipal Court. JCEF - Judicial court enhancement fund.
  - *Municipal Court MFTG Fund* – This fund is used to discretely track funds received by the City that are restricted to use on projects that aid in the processing of criminal cases. MFTG - Municipal fill the gap.
  - *Municipal Property Corporation Fund* – This fund was established to account for projects funded through the proceeds of the Municipal Property Corporation (MPC) bond sales. Current year adjustments to the City's funds included the elimination of this fund by creating separate debt service funds for each bond issuance. Activity for this year is limited to transfers of fund balance necessary to establish the new funds.
  - *Neighborhood Revitaliz. Fund* – This fund is used to track all revenues and expenditures associated with the City's neighborhood revitalization program. This program is funded through a combination of federal, state, and local funds. City policy, grant agreements, and contractual obligations restrict the use of these funds.
  - *Parks & Recreation Development Fee Fund* – This fund was established to account for the inflow of parks and recreation development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on parks and recreation services caused by growth.
  - *Police Development Fee Fund* – This fund was established to account for the inflow of police development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on police services caused by growth.

## NONMAJOR SPECIAL REVENUE FUND DESCRIPTIONS

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- *Public Works Expansion Development Fee Fund* – This fund was established to account for the inflow of public works development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on public works caused by growth.
- *Roads SPA 2, 4 & 6 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
- *Roads SPA 3 & 5 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
- *SPD DEA Fund* - This fund is used to discretely track funds received from the participation on DEA task forces in the Greater Phoenix area. This use of these funds is limited to approval by the disbursing program manager and is generally related to purchase and maintenance of departmental equipment not included in the general budgets. SPD – Surprise Police Department. DEA – Drug Enforcement Activity.
- *SPD RICO Fund* – This fund is used to discretely track funds received from participation in the Maricopa County Attorney’s Office Anti-Racketeering Influenced and Corrupt Organizations (RICO) task force.
- *SPD Towing Fund* – This fund is used to track activity in the Police Department for vehicle impounds. The use of these funds is limited to administrative management of the vehicle impound program.
- *Street Lighting Districts Fund* – Eighty-four Street Light Improvement Districts (SLIDs) have been established by ordinance to provide a centralized location for the collection of taxes from properties located in the district. These proceeds are legally restricted to the payment of electriCity to operate the street lights within the district.
- *Tourism Fund* – This fund is used to track all revenues and expenditures associated with the City’s 2.52% bed tax. The funds are used to support tourism within the City. City policy and state statute restrict the use of these funds. This is a new fund for FY2010.
- *Transit Fund* – The transit fund tracks all revenues and expenditures associated with providing transit services within the City of Surprise. Included in this fund are federal transit dollars as well as City dedicated transportation funds. City policy and state law restrict the use of these funds.
- *Vehicle Replacement Fund* – This fund is used to track amounts that have been set aside for future vehicle replacement costs. In prior years this fund was combined with the General Fund for presentation. Current year adjustments to the City’s funds included the elimination of this fund by returning cash back to the contributing funds. Each contributing fund will track the money set aside for vehicle replacement costs through the use of a fund balance designation. Activity for this year is limited to transfers of fund balance necessary to track the cash returns.

**City of Surprise, Arizona**  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2010

<b>Assets</b>	<b>Donations Fund</b>	<b>Employee Dep Scholarship Fund</b>	<b>Library Development Fund</b>	<b>Marley Park Comm. Fac District</b>	<b>Municipal Court Enhancement Fund</b>
Cash and investments	\$ 583,047	\$ -	\$ 4,123,179	\$ 704,345	\$ 346,067
Receivables (net of allowances)					
Interest	419	17,776	12	-	173
Taxes and franchise fees	-	-	-	9,455	-
Grants	-	-	-	-	-
Due from other funds	-	-	-	-	-
Other	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ 583,466</b>	<b>\$ 17,776</b>	<b>\$ 4,123,191</b>	<b>\$ 713,800</b>	<b>\$ 346,240</b>
 <b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 26,120	\$ -	\$ -	\$ -	\$ 3,628
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	2,754	-	74,298	-
Deferred revenues	-	-	-	-	-
Contracts payable, due in less than one year	-	-	-	-	-
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>26,120</b>	<b>2,754</b>	<b>-</b>	<b>74,298</b>	<b>3,628</b>
Fund balances:					
Reserved for:					
Long term receivable	-	-	-	-	-
Unreserved, designated	-	-	-	-	-
Unreserved, undesignated	557,346	15,022	4,123,191	639,502	342,612
<b>Total fund balances (deficits)</b>	<b>557,346</b>	<b>15,022</b>	<b>4,123,191</b>	<b>639,502</b>	<b>342,612</b>
<b>Total liabilities and fund balances</b>	<b>\$ 583,466</b>	<b>\$ 17,776</b>	<b>\$ 4,123,191</b>	<b>\$ 713,800</b>	<b>\$ 346,240</b>

<b>Municipal Court FARE Fund</b>	<b>Municipal Court JCEF Fund</b>	<b>Municipal Court MFTG Fund</b>	<b>Municipal Property Corporation Fund</b>	<b>Neighborh. Revitaliz. Fund</b>	<b>Parks &amp; Recreation Development Fee Fund</b>	<b>Police Development Fee Fund</b>
\$ 12,755	\$ 107,403	\$ 41,608	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	374,644	-	-
-	-	-	-	-	-	-
-	-	-	-	-	41,916	-
-	-	-	-	-	4,464,681	3,444,936
<u>\$ 12,755</u>	<u>\$ 107,403</u>	<u>\$ 41,608</u>	<u>\$ -</u>	<u>\$ 374,644</u>	<u>\$ 4,506,597</u>	<u>\$ 3,444,936</u>

\$ -	\$ -	\$ -	\$ -	\$ 5,774	\$ 10,834	\$ -
-	-	-	-	6,147	-	-
-	-	-	-	337,553	1,508,391	547,417
-	-	-	-	25,170	-	61,552
-	-	-	-	-	125,406	-
-	-	-	-	-	4,713,408	-
-	-	-	-	374,644	6,358,039	608,969
-	-	-	-	-	4,464,681	3,444,936
-	-	-	-	-	-	-
12,755	107,403	41,608	-	-	(6,316,123)	(608,969)
<u>12,755</u>	<u>107,403</u>	<u>41,608</u>	<u>-</u>	<u>-</u>	<u>(1,851,442)</u>	<u>2,835,967</u>
<u>\$ 12,755</u>	<u>\$ 107,403</u>	<u>\$ 41,608</u>	<u>\$ -</u>	<u>\$ 374,644</u>	<u>\$ 4,506,597</u>	<u>\$ 3,444,936</u>

Continued

**City of Surprise, Arizona**  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2010

Assets	Public Works Expansion				
	Development Fee Fund	Roads SPA 2,4 & 6 Fund	Roads SPA 3 & 5 Fund	SPD DEA Fund	SPD RICO Fund
Cash and investments	\$ 4,778,858	\$ 1,514,515	\$ 22,965	\$ 254,137	\$ 97,857
Receivables (net of allowances)					
Interest	-	-	15	-	-
Taxes and franchise fees	-	-	-	-	-
Grants	-	-	-	-	-
Due from other funds	-	-	-	-	-
Other	40,000	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Advances to other funds	4,596,732	-	-	-	-
<b>Total assets</b>	<b>\$ 9,415,590</b>	<b>\$ 1,514,515</b>	<b>\$ 22,980</b>	<b>\$ 254,137</b>	<b>\$ 97,857</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 79,616	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenues	107,177	-	-	-	-
Contracts payable, due in less than one year	38,623	-	-	-	-
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>225,416</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:					
Reserved for:					
Long term receivable	4,596,732	-	-	-	-
Unreserved, designated	-	-	-	-	-
Unreserved, undesignated	4,593,442	1,514,515	22,980	254,137	97,857
<b>Total fund balances (deficits)</b>	<b>9,190,174</b>	<b>1,514,515</b>	<b>22,980</b>	<b>254,137</b>	<b>97,857</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,415,590</b>	<b>\$ 1,514,515</b>	<b>\$ 22,980</b>	<b>\$ 254,137</b>	<b>\$ 97,857</b>

<b>SPD Towing Fund</b>	<b>Street Lighting Districts Fund</b>	<b>Tourism Fund</b>	<b>Transit Fund</b>	<b>Vehicle Replacement Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 249,004	\$ 631,789	\$ 46,764	\$ 544,198	\$ -	\$ 14,058,491
-	1,216	-	271	-	19,882
-	-	-	-	-	9,455
-	-	-	-	-	374,644
-	-	16,341	-	-	16,341
-	126,104	-	-	-	166,104
-	-	-	-	-	41,916
-	-	-	-	-	12,506,349
<b>\$ 249,004</b>	<b>\$ 759,109</b>	<b>\$ 63,105</b>	<b>\$ 544,469</b>	<b>\$ -</b>	<b>\$ 27,193,182</b>
\$ -	\$ 184,813	\$ -	\$ 53,012	\$ -	\$ 363,797
-	-	-	22,021	-	28,168
-	-	-	-	-	2,470,413
-	574,296	-	-	-	768,195
-	-	-	-	-	164,029
-	-	-	-	-	4,713,408
-	759,109	-	75,033	-	8,508,010
-	-	-	-	-	12,506,349
-	-	-	174,000	-	174,000
249,004	-	63,105	295,436	-	6,004,823
249,004	-	63,105	469,436	-	18,685,172
<b>\$ 249,004</b>	<b>\$ 759,109</b>	<b>\$ 63,105</b>	<b>\$ 544,469</b>	<b>\$ -</b>	<b>\$ 27,193,182</b>

Concluded

**City of Surprise, Arizona**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2010

	<u>Donations Fund</u>	<u>Employee Dep Scholarship Fund</u>	<u>Library Development Fund</u>	<u>Marley Park Comm. Fac District</u>	<u>Municipal Court Enhancement Fund</u>
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ 913,554	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	75	-	-	-	-
Grants	-	-	-	-	-
Fines	-	-	-	-	139,406
Rents	-	-	-	-	-
Development fees	-	-	127,564	-	-
Special assessments	-	-	-	-	-
Interest	8,018	163	41,220	294	3,631
Donations	282,013	2,083	-	-	-
Other	-	-	-	-	-
Total revenues	<u>290,106</u>	<u>2,246</u>	<u>168,784</u>	<u>913,848</u>	<u>143,037</u>
<b>Expenditures:</b>					
Current:					
General government	-	2,000	-	80,344	77,378
Public safety	16,632	-	-	-	-
Public works and streets	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	269,542	-	-	-	-
Capital outlay	-	-	-	-	42,886
Debt service					
Principal	-	-	-	205,000	-
Interest and fiscal charges	-	-	-	507,368	-
Debt issuance costs	-	-	-	-	-
Total expenditures	<u>286,174</u>	<u>2,000</u>	<u>-</u>	<u>792,712</u>	<u>120,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,932</u>	<u>246</u>	<u>168,784</u>	<u>121,136</u>	<u>22,773</u>
Other financing sources:					
Proceeds from sale of asset	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(188,818)	-	-	-	-
Total other financing sources	<u>(188,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(184,886)</u>	<u>246</u>	<u>168,784</u>	<u>121,136</u>	<u>22,773</u>
Fund balances (deficits), beginning, as restated	<u>742,232</u>	<u>14,776</u>	<u>3,954,407</u>	<u>518,366</u>	<u>319,839</u>
Fund balances (deficits), ending	<u>\$ 557,346</u>	<u>\$ 15,022</u>	<u>\$ 4,123,191</u>	<u>\$ 639,502</u>	<u>\$ 342,612</u>

<b>Municipal Court FARE Fund</b>	<b>Municipal Court JCEF Fund</b>	<b>Municipal Court MFTG Fund</b>	<b>Municipal Property Corporation Fund</b>	<b>Neighborh. Revitaliz. Fund</b>	<b>Parks &amp; Recreation Development Fee Fund</b>	<b>Police Development Fee Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	198,754
9,792	-	14,581	-	1,755,927	-	-
-	28,345	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	573,541	112,634
-	-	-	-	-	-	-
10	82	31	-	2	-	-
-	-	-	-	-	-	-
-	-	-	-	565,363	-	150,000
<u>9,802</u>	<u>28,427</u>	<u>14,612</u>	<u>-</u>	<u>2,321,292</u>	<u>573,541</u>	<u>461,388</u>
-	35,000	-	-	-	-	-
-	-	-	-	-	-	245,188
-	-	-	-	-	-	-
-	-	-	-	2,317,909	-	-
-	-	-	-	120	803,479	-
-	-	-	-	-	380,811	327,720
-	-	-	-	-	-	-
-	-	-	-	5,472	5,983	4,249
-	-	-	-	-	-	-
<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>2,323,501</u>	<u>1,190,273</u>	<u>577,157</u>
<u>9,802</u>	<u>(6,573)</u>	<u>14,612</u>	<u>-</u>	<u>(2,209)</u>	<u>(616,732)</u>	<u>(115,769)</u>
-	-	-	-	-	-	-
2,953	113,976	26,996	3,379,907	2,209	580,688	179,703
-	-	-	(13,223,173)	-	(1,386,307)	(429,015)
<u>2,953</u>	<u>113,976</u>	<u>26,996</u>	<u>(9,843,266)</u>	<u>2,209</u>	<u>(805,619)</u>	<u>(249,312)</u>
<u>12,755</u>	<u>107,403</u>	<u>41,608</u>	<u>(9,843,266)</u>	<u>-</u>	<u>(1,422,351)</u>	<u>(365,081)</u>
-	-	-	9,843,266	-	(429,091)	3,201,048
<u>\$ 12,755</u>	<u>\$ 107,403</u>	<u>\$ 41,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,851,442)</u>	<u>\$ 2,835,967</u>

Continued

**City of Surprise, Arizona**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2010

	<b>Public Works Expansion</b>				
	<b>Development Fee Fund</b>	<b>Roads SPA 2,4 &amp; 6 Fund</b>	<b>Roads SPA 3 &amp; 5 Fund</b>	<b>SPD DEA Fund</b>	<b>SPD RICO Fund</b>
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	115,215	46,289
Charges for services	-	-	-	-	-
Grants	150,000	-	-	-	-
Fines	-	-	-	-	-
Development fees	318,452	91,440	2,219	-	-
Special assessments	-	-	-	-	-
Interest	45,275	15,604	270	193	74
Donations	-	-	-	-	-
Other	50,000	-	-	59,208	-
Total revenues	<u>563,727</u>	<u>107,044</u>	<u>2,489</u>	<u>174,616</u>	<u>46,363</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	107,059	-
Public works and streets	114,511	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	397,785	-	-	150,000	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>512,296</u>	<u>-</u>	<u>-</u>	<u>257,059</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,431</u>	<u>107,044</u>	<u>2,489</u>	<u>(82,443)</u>	<u>46,363</u>
Other financing sources:					
Transfers in	-	-	-	336,580	51,494
Transfers out	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,580</u>	<u>51,494</u>
Net change in fund balances	<u>51,431</u>	<u>107,044</u>	<u>2,489</u>	<u>254,137</u>	<u>97,857</u>
Fund balances (deficits), beginning, as restated	<u>9,138,743</u>	<u>1,407,471</u>	<u>20,491</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), ending	<u>\$ 9,190,174</u>	<u>\$ 1,514,515</u>	<u>\$ 22,980</u>	<u>\$ 254,137</u>	<u>\$ 97,857</u>

<b>SPD Towing Fund</b>	<b>Street Lighting Districts Fund</b>	<b>Tourism Fund</b>	<b>Transit Fund</b>	<b>Vehicle Replacement Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ 147,275	\$ -	\$ -	\$ 1,060,829
-	-	-	262,631	-	622,889
143,843	-	-	22,672	-	166,590
-	-	-	20,514	-	1,950,814
-	-	-	-	-	167,751
-	-	-	-	-	1,225,850
-	2,126,462	-	-	-	2,126,462
189	3,671	81	9,710	-	128,518
-	-	-	-	-	284,096
-	45,014	-	-	-	869,585
<u>144,032</u>	<u>2,175,147</u>	<u>147,356</u>	<u>315,527</u>	<u>-</u>	<u>8,603,384</u>
-	-	-	-	-	194,722
64,331	-	-	-	-	433,210
-	2,175,147	-	910,736	-	3,200,394
-	-	-	-	-	2,317,909
-	-	-	-	-	1,073,141
-	-	-	-	-	1,299,202
-	-	-	-	-	-
-	-	-	-	-	205,000
-	-	-	-	-	523,072
<u>64,331</u>	<u>2,175,147</u>	<u>-</u>	<u>910,736</u>	<u>-</u>	<u>9,246,650</u>
<u>79,701</u>	<u>-</u>	<u>147,356</u>	<u>(595,209)</u>	<u>-</u>	<u>(643,266)</u>
169,303	-	-	174,000	11,080,696	16,098,505
-	-	(84,251)	-	(11,080,696)	(26,392,260)
<u>169,303</u>	<u>-</u>	<u>(84,251)</u>	<u>174,000</u>	<u>-</u>	<u>(10,293,755)</u>
<u>249,004</u>	<u>-</u>	<u>63,105</u>	<u>(421,209)</u>	<u>-</u>	<u>(10,937,021)</u>
-	-	-	890,645	-	29,622,193
<u>\$ 249,004</u>	<u>\$ -</u>	<u>\$ 63,105</u>	<u>\$ 469,436</u>	<u>\$ -</u>	<u>\$ 18,685,172</u>

Concluded

**City of Surprise, Arizona**

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

## Donations Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 75	\$ 75
Interest	-	-	8,018	8,018
Donations	-	-	282,013	282,013
Total revenues	-	-	290,106	290,106
<b>Expenditures:</b>				
Current:				
Public safety	302,600	152,600	16,632	(135,968)
Culture and recreation	-	214,600	269,542	54,942
Total expenditures	302,600	367,200	286,174	(81,026)
Excess of revenues over expenditures	(302,600)	(367,200)	3,932	371,132
<b>Other financing uses:</b>				
Transfers out	-	-	(188,818)	(188,818)
Total other financing uses	-	-	(188,818)	(188,818)
Net change in fund balance	\$ (302,600)	\$ (367,200)	\$ (184,886)	\$ 182,314

**City of Surprise, Arizona**

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

Employee Dep Scholarship Fund

Fiscal Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Interest	\$ 1,200	\$ 1,200	\$ 163	\$ (1,037)
Donations	-	-	2,083	2,083
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>2,246</u>	<u>1,046</u>
<b>Expenditures:</b>				
Current:				
General government	<u>10,700</u>	<u>10,700</u>	<u>2,000</u>	<u>(8,700)</u>
Total expenditures	<u>10,700</u>	<u>10,700</u>	<u>2,000</u>	<u>(8,700)</u>
Excess of revenues over expenditures	<u>(9,500)</u>	<u>(9,500)</u>	<u>246</u>	<u>9,746</u>
Net change in fund balance	<u>\$ (9,500)</u>	<u>\$ (9,500)</u>	<u>\$ 246</u>	<u>\$ 9,746</u>

**City of Surprise, Arizona**

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

## Library Development Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Development fees	\$ 166,300	\$ 138,900	\$ 127,564	\$ (11,336)
Interest	-	24,600	41,220	16,620
Total revenues	<u>166,300</u>	<u>163,500</u>	<u>168,784</u>	<u>5,284</u>
<b>Expenditures:</b>				
Current:				
General government	251,400	-	-	-
Capital outlay	-	251,400	-	(251,400)
Total expenditures	<u>251,400</u>	<u>251,400</u>	<u>-</u>	<u>(251,400)</u>
Excess of revenues over expenditures	<u>(85,100)</u>	<u>(87,900)</u>	<u>168,784</u>	<u>256,684</u>
Other financing uses:				
Transfers out	<u>(3,854,300)</u>	<u>(3,854,300)</u>	<u>-</u>	<u>3,854,300</u>
Total other financing uses	<u>(3,854,300)</u>	<u>(3,854,300)</u>	<u>-</u>	<u>3,854,300</u>
Net change in fund balance	<u>\$ (3,939,400)</u>	<u>\$ (3,942,200)</u>	<u>\$ 168,784</u>	<u>\$ 4,110,984</u>

**City of Surprise, Arizona**

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

Marley Park Comm. Fac District

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 20,050,000	\$ 909,400	\$ 913,554	\$ 4,154
Interest	-	-	294	294
Total revenues	<u>20,050,000</u>	<u>909,400</u>	<u>913,848</u>	<u>4,448</u>
<b>Expenditures:</b>				
Current:				
General government	20,050,000	55,900	80,344	24,444
Debt Service				
Principal	-	205,000	205,000	-
Interest and fiscal charges	-	704,400	507,368	(197,032)
Total expenditures	<u>20,050,000</u>	<u>965,300</u>	<u>792,712</u>	<u>(172,588)</u>
Excess of revenues over expenditures	<u>-</u>	<u>(55,900)</u>	<u>121,136</u>	<u>177,036</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (55,900)</u>	<u>\$ 121,136</u>	<u>\$ 177,036</u>

**City of Surprise, Arizona**

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

## Municipal Court Enhancement Fund

Fiscal Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Fines	\$ 80,000	\$ 80,000	\$ 139,406	\$ 59,406
Interest	-	-	3,631	3,631
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>143,037</u>	<u>63,037</u>
<b>Expenditures:</b>				
Current:				
General government	43,000	150,000	77,378	(72,622)
Public safety	328,900	-	-	-
Capital outlay	-	221,900	42,886	(179,014)
Total expenditures	<u>371,900</u>	<u>371,900</u>	<u>120,264</u>	<u>(251,636)</u>
Excess of revenues over expenditures	<u>(291,900)</u>	<u>(291,900)</u>	<u>22,773</u>	<u>314,673</u>
Net change in fund balance	<u>\$ (291,900)</u>	<u>\$ (291,900)</u>	<u>\$ 22,773</u>	<u>\$ 314,673</u>

**City of Surprise, Arizona**

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

## Municipal Court FARE Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Grants	\$ -	\$ 9,800	\$ 9,792	\$ (8)
Interest	-	-	10	10
Total revenues	-	9,800	9,802	2
Excess of revenues over expenditures	-	9,800	9,802	2
Other financing uses:				
Transfers in	-	-	2,953	2,953
Total other financing uses	-	-	2,953	2,953
Net change in fund balance	\$ -	\$ 9,800	\$ 12,755	\$ 2,955

**City of Surprise, Arizona**

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

## Municipal Court JCEF Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Fines	\$ -	\$ 63,400	\$ 28,345	\$ (35,055)
Interest	-	-	82	82
Total revenues	-	63,400	28,427	(34,973)
<b>Expenditures:</b>				
Current:				
General government	-	37,000	35,000	(2,000)
Total expenditures	-	37,000	35,000	(2,000)
Excess of revenues over expenditures	-	26,400	(6,573)	(32,973)
Other financing uses:				
Transfers in	-	-	113,976	113,976
Total other financing uses	-	-	113,976	113,976
Net change in fund balance	\$ -	\$ 26,400	\$ 107,403	\$ 81,003

**City of Surprise, Arizona**

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

## Municipal Court MFTG Fund

Fiscal Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Grants	\$ -	\$ 14,600	\$ 14,581	\$ (19)
Interest	-	-	31	31
Total revenues	-	14,600	14,612	12
Excess of revenues over expenditures	-	14,600	14,612	12
Other financing uses:				
Transfers in	-	-	26,996	26,996
Total other financing uses	-	-	26,996	26,996
Net change in fund balance	\$ -	\$ 14,600	\$ 41,608	\$ 27,008

**City of Surprise, Arizona**

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

## Municipal Property Corporation Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Rents	\$ 6,686,600	\$ -	\$ -	\$ -
Total revenues	6,686,600	-	-	-
<b>Expenditures:</b>				
Current:				
General government	6,686,600	-	-	-
Total expenditures	6,686,600	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers in	-	3,380,000	3,379,907	(93)
Transfers out	-	(13,223,300)	(13,223,173)	127
Total other financing uses	-	(9,843,300)	(9,843,266)	34
Net change in fund balance	\$ -	\$ (9,843,300)	\$ (9,843,266)	\$ 34

**City of Surprise, Arizona**

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

Neighborh. Revitaliz. Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Grants	\$ 2,343,300	\$ 4,260,400	\$ 1,755,927	\$ (2,504,473)
Interest	-	-	2	2
Other	-	-	565,363	565,363
Total revenues	<u>2,343,300</u>	<u>4,260,400</u>	<u>2,321,292</u>	<u>(1,939,108)</u>
<b>Expenditures:</b>				
Current:				
Community development	1,385,400	5,291,700	2,317,909	(2,973,791)
Culture and recreation	2,197,800	-	120	120
Capital outlay	-	1,100	-	(1,100)
Debt Service				
Interest and fiscal charges	-	-	5,472	5,472
Total expenditures	<u>3,583,200</u>	<u>5,292,800</u>	<u>2,323,501</u>	<u>(2,969,299)</u>
Excess of revenues over expenditures	<u>(1,239,900)</u>	<u>(1,032,400)</u>	<u>(2,209)</u>	<u>1,030,191</u>
Other financing uses:				
Transfers in	-	-	2,209	2,209
Total other financing uses	<u>-</u>	<u>-</u>	<u>2,209</u>	<u>2,209</u>
Net change in fund balance	<u>\$ (1,239,900)</u>	<u>\$ (1,032,400)</u>	<u>\$ -</u>	<u>\$ 1,032,400</u>

**City of Surprise, Arizona**

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

## Parks &amp; Recreation Development Fee Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Development fees	\$ 567,800	\$ 554,900	\$ 573,541	\$ 18,641
Total revenues	567,800	554,900	573,541	18,641
<b>Expenditures:</b>				
Current:				
Culture and recreation	2,810,500	842,400	803,479	(38,921)
Capital outlay	-	399,100	380,811	(18,289)
Debt Service				
Interest and fiscal charges	-	-	5,983	5,983
Total expenditures	2,810,500	1,241,500	1,190,273	(51,227)
Excess of revenues over expenditures	(2,242,700)	(686,600)	(616,732)	69,868
<b>Other financing uses:</b>				
Transfers in	2,940,500	580,700	580,688	(12)
Transfers out	-	(1,386,400)	(1,386,307)	93
Total other financing uses	2,940,500	(805,700)	(805,619)	81
Net change in fund balance	\$ 697,800	\$ (1,492,300)	\$ (1,422,351)	\$ 69,949

**City of Surprise, Arizona**

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

## Police Development Fee Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 198,800	\$ 198,754	\$ (46)
Development fees	303,000	142,900	112,634	(30,266)
Other	348,800	150,000	150,000	-
Total revenues	<u>651,800</u>	<u>491,700</u>	<u>461,388</u>	<u>(30,312)</u>
<b>Expenditures:</b>				
Current:				
Public safety	1,496,600	245,100	245,188	88
Capital outlay	-	415,500	327,720	(87,780)
Debt Service				
Interest and fiscal charges	-	-	4,249	4,249
Total expenditures	<u>1,496,600</u>	<u>660,600</u>	<u>577,157</u>	<u>(83,443)</u>
Excess of revenues over expenditures	<u>(844,800)</u>	<u>(168,900)</u>	<u>(115,769)</u>	<u>53,131</u>
Other financing uses:				
Transfers in	558,800	179,800	179,703	(97)
Transfers out	-	(429,100)	(429,015)	85
Total other financing uses	<u>558,800</u>	<u>(249,300)</u>	<u>(249,312)</u>	<u>(12)</u>
Net change in fund balance	<u>\$ (286,000)</u>	<u>\$ (418,200)</u>	<u>\$ (365,081)</u>	<u>\$ 53,119</u>

**City of Surprise, Arizona**

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

## Public Works Expansion Development Fee Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Grants	\$ -	\$ -	\$ 150,000	\$ 150,000
Development fees	640,600	395,500	318,452	(77,048)
Interest	-	-	45,275	45,275
Other	-	-	50,000	50,000
Total revenues	<u>640,600</u>	<u>395,500</u>	<u>563,727</u>	<u>168,227</u>
<b>Expenditures:</b>				
Current:				
Public works and streets	3,474,600	95,900	114,511	18,611
Capital outlay	-	1,613,300	397,785	(1,215,515)
Total expenditures	<u>3,474,600</u>	<u>1,709,200</u>	<u>512,296</u>	<u>(1,196,904)</u>
Excess of revenues over expenditures	<u>(2,834,000)</u>	<u>(1,313,700)</u>	<u>51,431</u>	<u>1,365,131</u>
Other financing uses:				
Transfers out	<u>(2,418,300)</u>	<u>(3,459,500)</u>	-	3,459,500
Total other financing uses	<u>(2,418,300)</u>	<u>(3,459,500)</u>	-	3,459,500
Net change in fund balance	<u>\$ (5,252,300)</u>	<u>\$ (4,773,200)</u>	<u>\$ 51,431</u>	<u>\$ 4,824,631</u>

**City of Surprise, Arizona**

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

Roads SPA 2,4 &amp; 6 Fund

Fiscal Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Development fees	\$ 300,100	\$ 34,800	\$ 91,440	\$ 56,640
Interest	-	8,900	15,604	6,704
Total revenues	<u>300,100</u>	<u>43,700</u>	<u>107,044</u>	<u>63,344</u>
<b>Expenditures:</b>				
Current:				
Public works and streets	1,723,600	-	-	-
Capital outlay	-	1,723,600	-	(1,723,600)
Total expenditures	<u>1,723,600</u>	<u>1,723,600</u>	<u>-</u>	<u>(1,723,600)</u>
Excess of revenues over expenditures	<u>(1,423,500)</u>	<u>(1,679,900)</u>	<u>107,044</u>	<u>1,786,944</u>
Net change in fund balance	<u>\$ (1,423,500)</u>	<u>\$ (1,679,900)</u>	<u>\$ 107,044</u>	<u>\$ 1,786,944</u>

**City of Surprise, Arizona**

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

## Roads SPA 3 &amp; 5 Fund

Fiscal Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Development fees	\$ 221,400	\$ 9,500	\$ 2,219	\$ (7,281)
Interest	-	100	270	170
Total revenues	<u>221,400</u>	<u>9,600</u>	<u>2,489</u>	<u>(7,111)</u>
<b>Expenditures:</b>				
Current:				
Public works and streets	521,100	-	-	-
Capital outlay	-	521,100	-	(521,100)
Total expenditures	<u>521,100</u>	<u>521,100</u>	<u>-</u>	<u>(521,100)</u>
Excess of revenues over expenditures	<u>(299,700)</u>	<u>(511,500)</u>	<u>2,489</u>	<u>513,989</u>
Net change in fund balance	<u>\$ (299,700)</u>	<u>\$ (511,500)</u>	<u>\$ 2,489</u>	<u>\$ 513,989</u>

**City of Surprise, Arizona**

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

SPD DEA Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 115,300	\$ 115,215	\$ (85)
Interest	-	-	193	193
Other	-	59,300	59,208	(92)
Total revenues	-	174,600	174,616	16
<b>Expenditures:</b>				
Current:				
Public safety	-	107,300	107,059	(241)
Capital outlay	-	150,000	150,000	-
Total expenditures	-	257,300	257,059	(241)
Excess of revenues over expenditures	-	(82,700)	(82,443)	257
<b>Other financing uses:</b>				
Transfers in	-	-	336,580	336,580
Total other financing uses	-	-	336,580	336,580
Net change in fund balance	\$ -	\$ (82,700)	\$ 254,137	\$ 336,837

**City of Surprise, Arizona**

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

SPD RICO Fund

Fiscal Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 46,300	\$ 46,289	\$ (11)
Interest	-	-	74	74
Total revenues	-	46,300	46,363	63
Excess of revenues over expenditures	-	46,300	46,363	63
Other financing uses:				
Transfers in	-	-	51,494	51,494
Total other financing uses	-	-	51,494	51,494
Net change in fund balance	\$ -	\$ 46,300	\$ 97,857	\$ 51,557

**City of Surprise, Arizona**

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

## SPD Towing Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ 143,900	\$ 143,843	\$ (57)
Interest	-	-	189	189
Total revenues	-	143,900	144,032	132
<b>Expenditures:</b>				
Current:				
Public safety	-	68,200	64,331	(3,869)
Total expenditures	-	68,200	64,331	(3,869)
Excess of revenues over expenditures	-	75,700	79,701	4,001
Other financing uses:				
Transfers in	-	-	169,303	169,303
Total other financing uses	-	-	169,303	169,303
Net change in fund balance	\$ -	\$ 75,700	\$ 249,004	\$ 173,304

**City of Surprise, Arizona**

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

## Street Lighting Districts Fund

Fiscal Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Special assessments	\$ 3,998,800	\$ 3,998,800	\$ 2,126,462	\$ (1,872,338)
Interest	-	-	3,671	3,671
Other	-	-	45,014	45,014
Total revenues	<u>3,998,800</u>	<u>3,998,800</u>	<u>2,175,147</u>	<u>(1,823,653)</u>
<b>Expenditures:</b>				
Current:				
General government	2,628,500	-	-	-
Public works and streets	-	2,628,500	2,175,147	(453,353)
Total expenditures	<u>2,628,500</u>	<u>2,628,500</u>	<u>2,175,147</u>	<u>(453,353)</u>
Excess of revenues over expenditures	<u>1,370,300</u>	<u>1,370,300</u>	<u>-</u>	<u>(1,370,300)</u>
Net change in fund balance	<u>\$ 1,370,300</u>	<u>\$ 1,370,300</u>	<u>\$ -</u>	<u>\$ (1,370,300)</u>

**City of Surprise, Arizona**

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

Tourism Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ -	\$ 147,300	\$ 147,275	\$ (25)
Interest	-	-	81	81
Total revenues	-	147,300	147,356	56
Excess of revenues over expenditures	-	147,300	147,356	56
Other financing uses:				
Transfers out	-	-	(84,251)	(84,251)
Total other financing uses	-	-	(84,251)	(84,251)
Net change in fund balance	\$ -	\$ 147,300	\$ 63,105	\$ (84,195)

**City of Surprise, Arizona**

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

Transit Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 320,700	\$ 262,700	\$ 262,631	\$ (69)
Charges for services	20,000	22,000	22,672	672
Grants	-	-	20,514	20,514
Interest	4,000	-	9,710	9,710
Total revenues	<u>344,700</u>	<u>284,700</u>	<u>315,527</u>	<u>30,827</u>
<b>Expenditures:</b>				
Current:				
General government	183,700	-	-	-
Public works and streets	882,400	927,100	910,736	(16,364)
Capital outlay	-	135,700	-	(135,700)
Total expenditures	<u>1,066,100</u>	<u>1,062,800</u>	<u>910,736</u>	<u>(152,064)</u>
Excess of revenues over expenditures	<u>(721,400)</u>	<u>(778,100)</u>	<u>(595,209)</u>	<u>182,891</u>
Other financing uses:				
Transfers in	-	-	174,000	174,000
Total other financing uses	<u>-</u>	<u>-</u>	<u>174,000</u>	<u>174,000</u>
Net change in fund balance	<u>\$ (721,400)</u>	<u>\$ (778,100)</u>	<u>\$ (421,209)</u>	<u>\$ 356,891</u>

**City of Surprise, Arizona**

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

## Vehicle Replacement Fund

Fiscal Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures:</b>				
Current:				
Public works and streets	\$ 10,547,500	\$ -	\$ -	\$ -
Capital outlay	-	10,547,500	-	(10,547,500)
Total expenditures	<u>10,547,500</u>	<u>10,547,500</u>	<u>-</u>	<u>(10,547,500)</u>
Excess of revenues over expenditures	<u>(10,547,500)</u>	<u>(10,547,500)</u>	<u>-</u>	<u>10,547,500</u>
Other financing uses:				
Transfers in	873,000	873,000	11,080,696	10,207,696
Transfers out	-	-	(11,080,696)	(11,080,696)
Total other financing uses	<u>873,000</u>	<u>873,000</u>	<u>-</u>	<u>(873,000)</u>
Net change in fund balance	<u>\$ (9,674,500)</u>	<u>\$ (9,674,500)</u>	<u>\$ -</u>	<u>\$ 9,674,500</u>

## NONMAJOR DEBT SERVICE FUND DESCRIPTIONS

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- ❖ Debt service funds – These funds are used to track those activities relating to the issuance and repayment of General Obligation debt.
  - *2000-03 Debt Service Fund* – This fund was created to track the debt service payments for the 2000-03 Municipal Property Corporation (MPC) bond issuance.
  - *Debt Service Fund* – This fund was created to track the debt service payments for general obligation bonds.

**City of Surprise, Arizona**  
 Combining Balance Sheet  
 Nonmajor Debt Service Funds  
 June 30, 2010

	<u>2000-03 Debt Service Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
<b>Assets</b>			
Cash and investments	\$ -	\$ 23,299	\$ 23,299
Receivables (net of allowances)			
Interest	-	13	13
Restricted cash and investments	<u>6,212,707</u>	<u>-</u>	<u>6,212,707</u>
Total assets	<u>\$ 6,212,707</u>	<u>\$ 23,312</u>	<u>\$ 6,236,019</u>
<b>Fund Balances</b>			
Fund balances:			
Unreserved, undesignated	<u>6,212,707</u>	<u>23,312</u>	<u>6,236,019</u>
Total fund balances	<u>6,212,707</u>	<u>23,312</u>	<u>6,236,019</u>
Total liabilities and fund balances	<u>\$ 6,212,707</u>	<u>\$ 23,312</u>	<u>\$ 6,236,019</u>

**City of Surprise, Arizona**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

Fiscal Year Ended June 30, 2010

	<b>2000-03 Debt Service Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Debt Service Funds</b>
<b>Revenues:</b>			
Taxes	\$ -	\$ 6,231	\$ 6,231
Rents	3,352,513	-	3,352,513
Interest	11,284	220	11,504
Total revenues	<u>3,363,797</u>	<u>6,451</u>	<u>3,370,248</u>
<b>Expenditures:</b>			
Debt service			
Principal	1,932,075	-	1,932,075
Interest and fiscal charges	1,372,523	-	1,372,523
Total expenditures	<u>3,304,598</u>	<u>-</u>	<u>3,304,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,199</u>	<u>6,451</u>	<u>65,650</u>
Other financing sources:			
Transfers in	8,611,212	-	8,611,212
Transfers out	(2,457,704)	-	(2,457,704)
Total other financing sources	<u>6,153,508</u>	<u>-</u>	<u>6,153,508</u>
Net change in fund balances	<u>6,212,707</u>	<u>6,451</u>	<u>6,219,158</u>
Fund balances, beginning, as restated	<u>-</u>	<u>16,861</u>	<u>16,861</u>
Fund balances, ending	<u>\$ 6,212,707</u>	<u>\$ 23,312</u>	<u>\$ 6,236,019</u>

**City of Surprise, Arizona**

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

2000-03 Debt Service Fund

Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Rents	\$ -	\$ 4,806,500	\$ 3,352,513	\$ (1,453,987)
Interest	-	-	11,284	11,284
Total revenues	-	4,806,500	3,363,797	(1,442,703)
<b>Expenditures:</b>				
Debt Service				
Principal	-	2,770,000	1,932,075	(837,925)
Interest and fiscal charges	-	1,967,800	1,372,523	(595,277)
Total expenditures	-	4,737,800	3,304,598	(1,433,202)
Excess of revenues over expenditures	-	68,700	59,199	(9,501)
Other financing uses:				
Transfers in	-	12,345,900	8,611,212	(3,734,688)
Transfers out	-	(3,523,600)	(2,457,704)	1,065,896
Total other financing uses	-	8,822,300	6,153,508	(2,668,792)
Net change in fund balance	\$ -	\$ 8,891,000	\$ 6,212,707	\$ (2,678,293)

**City of Surprise, Arizona**

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

## Debt Service Fund

Fiscal Year Ended June 30, 2010

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	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 6,231	\$ 6,231
Interest	-	-	220	220
Total revenues	-	-	6,451	6,451
Excess of revenues over expenditures	-	-	6,451	6,451
Net change in fund balance	\$ -	\$ -	\$ 6,451	\$ 6,451

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## STATISTICAL SECTION

This section provides detailed information, for purposes of providing a context for comprehending the information presented in the financial statements, note disclosures and required supplementary information, and gaining a better understanding of the financial shape of the City of Surprise, Arizona.

### Contents:

#### Financial Trends:

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### Revenue Capacity:

These schedules contain information to help the reader assess the government's most significant local revenue sources, transaction privilege (sales) tax and property taxes.

#### Debt Capacity:

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

#### Demographic and Economic Information:

These schedules of demographic and economic indicators help the reader understand the environment that the government's financial activities take place.

#### Operating Information:

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Reports for the relevant year.

**City of Surprise, Arizona**  
**Net Assets by Component**  
**Last Nine Fiscal Years**  
(accural basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 21,251,489	\$ 55,744,878	\$ 68,998,321	\$ 82,385,302	\$ 187,462,971	\$ 235,593,851	\$ 309,902,948	\$ 355,991,192	\$ 437,142,472
Restricted	1,119,550	127,420	3,484,897	56,071,995	62,577,192	43,359,822	45,172,071	28,504,107	27,494,001
Unrestricted	53,516,461	52,764,531	60,780,976	57,596,080	75,952,911	86,660,609	47,851,783	16,550,858	5,285,625
<b>Total governmental activities net assets</b>	<b>\$ 75,887,500</b>	<b>\$ 108,636,829</b>	<b>\$ 133,264,194</b>	<b>\$ 196,053,377</b>	<b>\$ 325,993,074</b>	<b>\$ 365,614,282</b>	<b>\$ 402,926,802</b>	<b>\$ 401,046,157</b>	<b>\$ 469,922,098</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 57,258,200	\$ 80,646,084	\$ 87,647,382	\$ 98,222,769	\$ 127,958,364	204,428,757	\$ 238,368,447	\$ 256,006,743	\$ 250,936,354
Restricted*	-	-	-	-	-	-	-	-	13,841,284
Unrestricted	18,396,644	25,685,807	46,457,623	70,827,452	68,439,086	67,069,983	55,098,885	43,044,370	40,360,365
<b>Total business-type activities net assets</b>	<b>\$ 75,654,844</b>	<b>\$ 106,331,891</b>	<b>\$ 134,105,005</b>	<b>\$ 169,050,221</b>	<b>\$ 196,397,450</b>	<b>\$ 271,498,740</b>	<b>\$ 293,467,332</b>	<b>\$ 299,051,113</b>	<b>\$ 305,138,003</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 78,509,689	\$ 136,390,962	\$ 156,645,703	\$ 180,608,071	\$ 315,421,335	\$ 440,022,608	\$ 548,271,395	\$ 611,997,935	\$ 688,078,826
Restricted	1,119,550	127,420	3,484,897	56,071,995	62,577,192	43,359,822	45,172,071	28,504,107	41,335,285
Unrestricted	71,913,105	78,450,338	107,238,599	128,423,532	144,391,997	153,730,592	102,950,668	59,595,228	45,645,990
<b>Total primary government net assets</b>	<b>\$ 151,542,344</b>	<b>\$ 214,968,720</b>	<b>\$ 267,369,199</b>	<b>\$ 365,103,598</b>	<b>\$ 522,390,524</b>	<b>\$ 637,113,022</b>	<b>\$ 696,394,134</b>	<b>\$ 700,097,270</b>	<b>\$ 775,060,101</b>

Source: The source of this information is the City's financial records.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

\* Restricted amount for fiscal year 2010 is for sewer fund debt-related reserves. Beginning in fiscal year 2010, sewer fund debt was properly recorded in the sewer fund as a business-type activity, instead of a governmental activity as previously reported.

**City of Surprise, Arizona**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>									
Governmental Activities:									
General government	\$ 6,151,129	\$ 7,261,998	\$ 10,048,590	\$ 9,183,596	\$ 11,940,344	\$ 16,453,191	\$ 18,230,474	\$ 20,248,301	\$ 21,961,410
Public safety	10,638,974	12,421,571	16,091,306	18,142,250	22,468,552	27,987,949	34,962,539	39,409,554	33,876,919
Public works & streets (including SLIDs)	6,663,461	6,443,612	8,725,321	9,754,900	69,404,991	20,868,755	25,092,309	26,621,704	28,392,783
Community development	2,271,931	2,765,942	3,494,720	3,565,707	4,230,145	5,244,991	5,237,442	4,824,047	6,484,414
Culture and recreation	5,959,097	8,814,719	9,693,533	12,579,822	14,205,034	17,809,127	19,972,094	21,138,623	16,399,646
Interest	4,988,389	3,439,953	2,149,947	2,802,299	2,579,639	2,706,394	5,047,505	5,124,808	2,044,603
Total governmental activities expenses	36,672,981	41,147,795	50,203,417	56,028,417	124,828,574	91,070,407	108,542,363	117,367,037	109,159,775
Business-type Activities:									
Water	1,782,272	2,520,676	2,743,166	3,761,890	5,100,815	6,486,400	7,060,228	11,629,143	9,792,043
Sewer	5,659,805	5,299,290	431,316	7,348,509	9,261,758	10,765,370	11,021,010	16,315,148	16,665,251
Sanitation	1,171,441	1,286,846	5,310,460	2,064,479	2,705,418	3,542,024	4,015,174	4,269,858	4,559,778
Replenishment	104,292	269,688	1,641,006	461,179	637,096	628,514	1,585,734	-	-
Total business-type activities	8,717,810	9,376,500	10,125,948	13,636,057	17,705,087	21,422,308	23,682,146	32,214,149	31,017,072
Total primary government expenses	\$ 45,390,791	\$ 50,524,295	\$ 60,329,365	\$ 69,664,631	\$ 142,533,792	\$ 112,492,715	\$ 132,224,509	\$ 149,581,186	\$ 140,176,847
<b>Program Revenues</b>									
Governmental Activities:									
Charges for services:									
General government	\$ 4,725,121	\$ 133,663	\$ 5,076,871	\$ 4,938,746	\$ 4,970,335	\$ 4,981,861	\$ 7,468,412	\$ 7,762,750	\$ 5,630,748
Public safety	762,521	809,559	741,975	1,181,405	1,998,261	1,719,969	2,409,665	3,132,368	1,257,537
Public works & streets (including SLIDs)	1,627,168	2,445,654	1,002,286	2,729,991	3,294,580	4,165,635	4,017,706	3,004,313	328,230
Community development	10,022	6,501,088	10,698,217	13,613,078	8,715,983	5,527,926	3,441,463	1,436,629	868,305
Culture and recreation	5,175,842	6,938,081	2,309,967	2,637,300	2,447,816	2,474,416	2,903,069	3,539,257	3,783,816
Operating grants and contributions	3,001,252	472,278	1,393,209	1,549,862	2,269,888	2,414,175	2,268,074	1,774,977	13,157,726
Capital grants and contributions	5,890,971	44,075,851	19,008,175	40,482,590	161,045,621	44,804,100	43,039,657	21,552,356	31,142,608
Total governmental activities program revenues	21,192,897	61,376,174	40,230,700	67,132,972	184,742,484	66,088,082	65,548,046	42,202,650	56,168,970
Business-type activities:									
Charges for services:									
Water	4,190,250	2,402,258	3,087,993	3,878,556	7,091,232	7,737,813	8,683,732	10,282,626	9,711,411
Sewer	7,870,493	5,416,830	6,856,787	8,155,012	10,844,860	12,367,546	12,990,898	13,587,358	14,857,689
Sanitation	1,161,758	1,771,777	2,036,690	2,569,783	3,893,555	4,573,178	5,280,028	5,627,829	6,175,989
Replenishment	1,586,721	319,719	535,862	650,607	1,037,188	796,503	771,602	-	-
Capital grants and contributions	6,384,863	12,927,699	20,778,789	30,736,541	21,040,118	25,616,242	22,488,762	12,856,449	51,714,784
Total business-type activities program revenues	21,194,085	22,838,283	33,296,121	45,990,499	43,906,953	51,091,282	50,215,022	42,354,262	82,459,873
Total primary government program revenues	\$ 42,386,982	\$ 84,214,457	\$ 73,526,821	\$ 113,123,471	\$ 228,649,437	\$ 117,179,364	\$ 115,763,068	\$ 84,556,912	\$ 138,628,843
Net revenue/expense:									
Governmental activities	\$ (15,480,084)	\$ 20,228,379	\$ (9,972,717)	\$ 11,104,398	\$ 59,913,779	\$ (24,982,325)	\$ (42,994,317)	\$ (75,164,387)	\$ (52,990,805)
Business-type activities	12,476,275	13,461,783	23,170,173	32,354,442	26,201,866	29,668,974	26,532,876	10,140,113	51,442,801
Total primary government net expense	\$ (3,003,809)	\$ 33,690,162	\$ 13,197,456	\$ 43,458,840	\$ 86,115,645	\$ 4,686,649	\$ (16,461,441)	\$ (65,024,275)	\$ (1,548,004)

**General Revenues and Other Changes in Net Assets**

Governmental activities:

Taxes

Property taxes	\$ 2,576,629	\$ 2,945,714	\$ 3,039,352	\$ 4,019,951	\$ 5,078,661	\$ 6,728,647	\$ 7,379,236	\$ 7,403,211	\$ 6,831,553
Sales taxes	21,892,601	18,649,326	24,087,555	37,433,674	48,617,437	45,707,048	39,336,323	33,241,899	29,144,497
Franchise taxes	1,260,845	1,469,246	1,844,692	2,283,688	2,990,582	3,602,776	3,907,778	4,073,771	4,309,896
State shared revenue	3,397,899	5,919,754	5,605,862	6,084,821	7,437,667	19,247,219	20,808,942	20,546,483	21,234,739
Unrestricted investment earnings	2,102,205	(151,038)	718,264	2,480,100	4,253,352	7,218,793	3,959,328	422,965	414,492
Other	1,379,420	1,137,581	617,820	704,004	815,436	1,824,746	1,437,163	3,545,306	1,425,472
Transfers	(2,490,052)	(17,459,444)	(4,053,169)	(1,321,453)	832,783	(36,469,155)	4,078,000	4,050,107	(6,195,179)
Total governmental activities	30,119,547	12,511,139	31,860,376	51,684,785	70,025,918	47,860,074	80,906,770	73,283,742	57,165,470

Business-type activities:

Unrestricted investment earnings	385,771	(244,180)	549,771	1,269,321	1,978,146	4,053,513	2,344,100	365,454	423,050
Other	40,961	-	-	-	-	-	-	-	110,149
Special item - Extinguishment of debt	-	-	-	-	-	-	-	-	2,821,348
Transfers	2,490,052	17,459,444	4,053,169	1,321,453	(832,783)	36,469,155	(4,078,000)	(4,373,199)	6,195,179
Total business-type activities	2,916,784	17,215,264	4,602,940	2,590,774	1,145,363	40,522,668	(1,733,900)	(4,007,745)	9,549,726
Total primary government	\$ 33,036,331	\$ 29,726,403	\$ 36,463,316	\$ 54,275,559	\$ 71,171,281	\$ 88,382,742	\$ 79,172,870	\$ 69,275,997	\$ 66,715,196

**Change in Net Assets**

Governmental activities	\$ 14,639,463	\$ 32,739,518	\$ 21,887,659	\$ 62,789,183	\$ 129,939,697	\$ 22,877,749	\$ 37,912,453	\$ (1,880,645)	\$ 4,174,665
Business-type activities	15,393,059	30,677,047	27,773,113	34,945,216	27,347,229	70,191,642	24,798,976	6,132,368	60,992,527
Prior period adjustments	-	-	-	-	-	21,653,107	(3,430,317)	-	-
Total primary government	\$ 30,032,522	\$ 63,416,565	\$ 49,660,772	\$ 97,734,399	\$ 157,286,926	\$ 114,722,498	\$ 59,281,112	\$ 4,251,722	\$ 65,167,192

Source: The source of this information is the City's financial records.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

City of Surprise, Arizona  
Fund Balances of Governmental Funds  
Last Nine Years  
(modified accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,667	\$ 4,048,909	\$ 2,692,681
Unreserved	16,692,310	23,268,694	32,661,305	41,826,279	45,310,453	31,570,113	31,766,001	17,105,789	12,527,329
Total general fund	\$ 16,692,310	\$ 23,268,694	\$ 32,661,305	\$ 41,826,279	\$ 45,310,453	\$ 31,570,113	\$ 31,822,668	\$ 21,154,698	\$ 15,220,010
All other governmental funds									
Reserved	\$ 3,469,287	\$ 2,289,308	\$ 5,643,105	\$ 2,289,308	\$ 2,289,309	\$ 2,289,308	\$ 2,289,307	\$ 2,289,308	\$ 57,870,335
Unreserved, reported in:									
Special revenue funds	36,546,845	27,757,570	30,678,909	55,938,643	62,118,371	36,752,608	37,336,735	22,123,789	(37,216,769)
Capital projects funds	-	1,787,216	5,865,280	14,934,332	29,508,462	58,960,539	21,474,937	2,895,166	(8,724,406)
Debt service funds	189,929	127,420	131,100	133,352	458,821	651,086	555,713	27,832	6,236,019
Total all other governmental funds	\$ 40,206,061	\$ 31,961,514	\$ 42,318,394	\$ 73,295,635	\$ 94,374,963	\$ 98,653,541	\$ 61,656,692	\$ 27,336,095	\$ 18,165,179

Source: The source of this information is the City's financial records.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

**City of Surprise, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Nine Years**  
**(modified accrual basis of accounting)**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>									
Taxes	\$ 21,733,191	\$ 25,270,676	\$ 27,126,908	\$ 41,459,268	\$ 53,696,072	\$ 52,439,926	\$ 46,715,559	\$ 40,645,112	\$ 36,814,208
Licenses and permits	4,518,042	30,212,048	1,844,692	2,283,688	2,990,582	3,602,764	3,907,778	4,073,771	4,342,546
Intergovernmental	6,065,448	6,180,140	9,962,621	9,654,739	12,012,572	29,416,541	30,539,662	29,229,811	28,985,886
Charges for services	6,163,330	9,080,947	14,018,782	16,887,035	12,720,371	9,811,846	8,198,304	9,511,853	4,963,482
Grants	-	119,309	468,774	1,232,108	1,938,848	1,707,016	1,881,543	1,314,944	2,855,614
Fines	681,061	778,307	689,721	1,076,701	1,515,169	1,222,791	1,348,307	1,862,634	1,930,945
Rents	5,630,923	5,431,504	5,524,818	5,520,616	5,274,430	5,224,704	7,844,593	7,789,822	4,000,944
Development fees	4,551,017	8,369,809	15,421,946	24,690,132	16,021,064	10,565,562	8,910,391	3,929,986	1,721,280
Special assessments*	761,988	486,800	697,875	710,321	823,210	1,420,634	1,442,179	2,186,412	2,126,462
Interest	2,127,574	(111,290)	715,156	2,468,787	4,215,995	7,138,672	3,894,950	403,629	391,530
Other	1,569,922	2,686,313	2,352,780	1,876,431	2,137,960	3,501,040	3,831,556	1,451,216	2,286,355
<b>Total revenues</b>	<b>53,802,496</b>	<b>88,504,563</b>	<b>78,824,073</b>	<b>107,859,826</b>	<b>113,346,273</b>	<b>126,051,496</b>	<b>118,514,822</b>	<b>102,399,190</b>	<b>90,419,252</b>
<b>Expenditures</b>									
<b>Current</b>									
General government	7,509,924	7,116,791	9,051,514	8,944,454	11,764,388	15,612,055	17,221,315	17,770,249	17,750,497
Public safety	10,187,801	12,032,201	14,652,086	17,057,307	21,076,990	26,203,451	31,932,891	34,769,733	30,461,294
Public works and streets (incl. SLIDS)	5,309,349	5,333,461	6,506,475	7,527,300	9,294,252	12,655,253	15,145,796	14,831,441	15,573,166
Community development	2,255,604	2,726,882	3,241,710	3,501,454	4,176,022	4,906,263	5,179,121	4,707,176	6,447,218
Culture and recreation	4,639,572	8,577,218	7,328,847	10,644,800	12,137,290	15,537,728	17,326,488	18,110,338	13,393,070
Capital outlay	44,160,723	30,839,511	12,703,354	13,404,250	24,756,609	77,435,948	67,295,318	56,371,993	12,918,988
<b>Debt Service</b>									
Principal	2,027,278	2,613,138	2,673,823	3,645,047	2,941,531	3,683,399	4,123,668	3,376,652	2,137,075
Interest	3,422,375	3,483,891	2,168,792	3,014,562	2,635,689	2,519,077	4,806,074	4,987,153	1,973,329
Other charges	-	-	647,024	-	-	1,747,390	256,445	231,221	-
<b>Total expenditures</b>	<b>79,512,626</b>	<b>72,723,093</b>	<b>58,973,625</b>	<b>67,739,174</b>	<b>88,782,771</b>	<b>160,300,564</b>	<b>163,287,116</b>	<b>155,155,956</b>	<b>100,654,637</b>
Excess of revenues over (under) expenses	(25,710,130)	15,781,470	19,850,448	40,120,652	24,563,502	(34,249,068)	(44,772,294)	(52,756,766)	(10,235,385)
<b>Other financing sources (uses)</b>									
Transfers in (out)	(2,490,052)	(17,459,444)	(50,000)	21,563	-	(36,469,155)	4,078,000	4,373,199	(6,167,991)
From bonding	-	-	45,660,720	-	-	52,133,243	3,950,000	3,395,000	-
Payments to refunded bond escrow agent	-	-	(45,711,677)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(2,490,052)</b>	<b>(17,459,444)</b>	<b>(100,957)</b>	<b>21,563</b>	<b>-</b>	<b>15,664,088</b>	<b>8,028,000</b>	<b>7,768,199</b>	<b>(6,167,991)</b>
<b>Net change in fund balances</b>	<b>\$(28,200,182)</b>	<b>\$(1,677,974)</b>	<b>\$ 19,749,491</b>	<b>\$ 40,142,215</b>	<b>\$ 24,563,502</b>	<b>\$(18,584,980)</b>	<b>\$(36,744,294)</b>	<b>\$(44,988,567)</b>	<b>\$(16,403,376)</b>
Debt service as a percentage of noncapital expenditures**	15.4%	14.6%	11.9%	12.3%	8.7%	9.6%	9.6%	8.7%	4.7%

Source: The source of this information is the City's financial records.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

\* Beginning in fiscal year 2010, the revenue related to Street Light Improvement Districts are reflected in the special assessments category rather than charges for services as in previous years.

\*\* Beginning in fiscal year 2010, the debt related to the sewer fund was properly reported in the sewer fund, which decreases the percentage of debt reported for governmental funds.

**City of Surprise, Arizona**  
**Governmental Activities Tax Revenues by Source**  
**Last Nine Fiscal Years**  
(accrual basis of accounting)

<b>Fiscal Year</b>	<b>Primary Property Tax*</b>	<b>Sales Tax</b>	<b>Franchise &amp; Business Licenses</b>	<b>Total</b>
2002	\$ 1,388,285	\$ 21,892,601	\$ 1,260,845	\$ 24,541,731
2003	1,773,580	18,649,326	1,469,246	21,892,152
2004	2,263,863	24,087,555	1,844,692	28,196,110
2005	3,258,615	37,433,674	2,283,688	42,975,977
2006	4,008,424	48,617,437	2,990,582	55,616,443
2007	5,139,517	45,707,048	3,602,776	54,449,341
2008	5,759,123	39,336,323	3,907,778	49,003,224
2009	6,349,918	33,241,899	4,073,771	43,665,588
2010	6,831,553	29,144,497	4,309,896	40,285,946

Source: The source of this information is the City's financial records.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

\* Excludes tax assessments for Communities Facilities Districts, improvement districts, and secondary taxes for specific debt.

**City of Surprise, Arizona**  
**Major Sources of Municipal Sales Tax**  
**Last Nine Fiscal Years**

Description of Payers Business	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Construction	\$ 7,572,938	\$ 8,387,094	\$ 11,995,287	\$ 19,944,596	\$ 26,920,187	\$ 22,273,119	\$ 19,944,596	\$ 10,173,434	\$ 4,391,089
Retail trade	5,122,486	5,473,753	6,376,568	7,614,991	9,898,903	10,818,523	7,614,991	9,839,563	10,886,710
Communications and utilities	1,087,945	1,438,346	1,568,774	2,319,957	3,043,575	3,817,854	2,319,957	4,278,158	4,706,978
Restaurant and bar	1,264,908	2,036,162	2,369,481	2,329,386	3,079,599	3,399,278	2,329,386	3,509,150	3,704,296
Real estate, rental and leasing	594,988	743,144	1,018,429	2,863,422	3,427,657	3,392,492	2,863,422	2,576,629	2,618,870
Other	446,952	547,031	1,974,909	2,747,576	3,213,600	2,873,787	2,747,576	2,559,706	2,686,369
<b>Total</b>	<b>\$ 16,090,217</b>	<b>\$ 18,625,530</b>	<b>\$ 25,303,448</b>	<b>\$ 37,819,927</b>	<b>\$ 49,583,522</b>	<b>\$ 46,575,052</b>	<b>\$ 37,819,927</b>	<b>\$ 32,936,640</b>	<b>\$ 28,994,312</b>

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2010, page 4.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

The City records sales tax on the modified accrual basis. Therefore, there is a difference between the amounts on this schedule and sales tax reported on the previous page.

Beginning in January 2004, the Arizona Department of Revenue began using a new reporting software system for classifying business establishments call the North American Industry Classification System (NAICS). Under the new system, the category may be defined a little differently. In addition, more categories were established.

When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category.

State and local laws prohibit the disclosure of individual taxpayer information.

**City of Surprise, Arizona**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Nine Fiscal Years**

Fiscal Year	Real Property Assessed Value		Exemptions		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Residential Property	Commercial Property	Real Property	Taxable Assessed Value	Direct Tax Rate*	Estimated Actual Taxable Value	
2002	\$ 160,134,800	\$ 75,387,219	\$ 5,859,449	\$ 229,662,570	\$ 0.8409	\$ 1,977,250,961	11.62%
2003	198,787,883	88,609,847	7,206,831	280,190,899	0.9101	2,419,215,265	11.58%
2004	298,061,215	64,731,974	10,775,706	352,017,483	0.9101	3,100,683,511	11.35%
2005	381,245,421	121,108,141	21,523,524	480,830,038	0.9101	4,159,527,322	11.56%
2006	428,023,937	197,729,293	27,215,903	598,537,327	0.9101	5,324,335,938	11.24%
2007	539,743,346	256,601,719	51,815,780	744,529,285	0.9101	6,750,201,089	11.03%
2008	941,574,261	314,493,838	61,825,516	1,194,242,583	0.7600	11,075,464,347	10.78%
2009	1,079,864,541	510,525,409	133,155,590	1,457,234,360	0.6134	13,645,111,961	10.68%
2010	932,885,757	567,640,639	147,231,863	1,353,294,533	0.5661	12,479,985,619	10.84%

Source: Maricopa County Assessor's Office Data Request Report

Direct Tax Rate is From the Maricopa County Assessor's "2009 Tax Levy Worksheet for the City of Surprise", line D3.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

\* Previous year's primary and secondary tax rates from the Maricopa County Levy Report (ex - 2009 report for fiscal year 2010)

**City of Surprise, Arizona**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Nine Calendar Years**

Fiscal Year	City of Surprise					Overlapping Rates					Total Direct & Overlapping Rates	
	Maricopa County					Dysart School District						
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Operating Tax Rate	Debt Service Tax Rate	County Library	County Tax Rate	Total County Tax Rate	Operating Tax Rate	Debt Service Tax Rate		Total School District Tax Rate
2002	\$ 0.6632	\$ 0.1777	\$ 0.8409	\$ 1.1832	\$ 0.0876	\$ 0.0421	\$ 1.3129	\$ 3.7647	\$ 1.2575	\$ 5.0222	\$ 1.4817	\$ 8.6577
2003	0.6632	0.2469	0.9101	1.2108	0.0800	0.0421	1.3329	4.0828	1.3021	5.3849	1.9511	9.5790
2004	0.6936	0.2165	0.9101	1.2108	0.0700	0.0521	1.3329	4.5856	1.3185	5.9041	1.8891	10.0362
2005	0.7501	0.1600	0.9101	1.2108	-	0.0521	1.2629	5.0924	1.3014	6.3938	1.8320	10.3988
2006	0.7277	0.1824	0.9101	1.1971	-	0.0521	1.2492	5.4627	1.6924	7.1551	1.9267	11.2411
2007	0.7229	0.1872	0.9101	1.1794	-	0.0507	1.2301	5.1144	1.8378	6.9522	1.5145	10.6069
2008	0.6593	0.1007	0.7600	1.1046	-	0.0391	1.1437	4.4326	1.6402	6.0728	1.3281	9.3046
2009	0.5939	0.0195	0.6134	1.0327	-	0.0353	1.0680	4.0525	1.5226	5.5751	1.2662	8.5227
2010	0.5661	-	0.5661	0.9909	-	0.0353	1.0262	3.0430	1.7251	4.7681	1.2182	7.5786

Source: Maricopa County Finance Department's "Maricopa County 2009 Tax Levy" report.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

**City of Surprise, Arizona  
Principal Property Taxpayers  
June 30, 2010 and 2001**

Taxpayer	2010			2001		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Arizona Public Service Company	\$ 22,551,081	1	2.00%	\$ 6,772,900	2	2.95%
Southwest Gas Corporation (T&D)	6,293,350	2	0.56%	1,667,395	3	0.73%
Marley Park Phase II LLC	6,130,320	3	0.54%			
Surprise Holdings LLC	5,686,676	4	0.50%			
Ccd Real Estate Holdings LLC	5,627,047	5	0.50%			
Pccp Cs Ch Surprise LLC	3,994,453	6	0.35%			
Gvsw Surprise Plaza LLC	3,927,352	7	0.35%			
Transwestern Pipeline Company	3,886,508	8	0.34%			
Federal National Mortgage Association	3,753,910	9	0.33%			
Sands Surprise Real Estate Chevy LLC	3,624,812	10	0.32%			
Surprise Towne Center Holdings LLC	3,584,935	11	0.32%			
Wal-Mart Stores, Inc.	3,356,016	12	0.30%	1,280,982	8	0.56%
Surprise Marketplace Holdings LLC	3,291,591	13	0.29%			
AAWC: Agua Fria Water Division	3,049,208	14	0.27%	996,896	13	0.43%
Roskamp/Sun Health Management Services LLP	2,975,459	15	0.26%			
DCO Realty Surprise LLC	2,868,760	16	0.25%			
Property Reserve Arizona LLC	2,795,870	17	0.25%			
Investors Warranty Of America, Inc.	2,776,118	18	0.25%			
Donahue Schriber Realty Group LP/Etal	2,748,101	19	0.24%			
E & V Investments LLC	2,739,765	20	0.24%			
Surprise Grand Vista JV I LLC	2,650,035	21	0.23%			
Bell Road Towne Center LLC	2,637,180	22	0.23%			
Harmony @ Surprise LLC	2,600,000	23	0.23%			
Lowes H I W, Inc.	2,553,184	24	0.23%			
Litchfield Bell/Grand LLC	2,497,312	25	0.22%			
Del Webb Home Construction, Inc.				8,982,760	1	3.91%
Crossroads Towne Center Investors LLC				1,647,061	4	0.72%
Surprise Village North LLC				1,614,206	5	0.70%
U S West Communications, Inc.				1,581,740	6	0.69%
Bell Grande II LLC				1,311,600	7	0.57%
Sun City Grand Community Association, Inc.				1,231,337	9	0.54%
Grand Village Deborado LLC				1,165,320	10	0.51%
Elliott Homes, Inc.				1,090,527	11	0.47%
Sun City Grand Community Assoc., Inc.				1,030,770	12	0.45%
Home Depot USA, Inc.				952,324	14	0.41%
Trendwest Management Co.				943,080	15	0.41%
Prucor LLC				909,901	16	0.40%
Albertsons, Inc.				898,635	17	0.39%
Costal American Corporation				788,068	18	0.34%
Partnership Q.Afford HSNG 2				709,000	19	0.31%
Fox Hill Run LP				670,315	20	0.29%
Happy Trails Acquisition LP				610,022	21	0.27%
BMO Global Capital Solutions, Inc.				521,937	22	0.23%
Surprise Retirement Residence LLC				497,431	23	0.22%
Grand M-P LLC				488,999	24	0.21%
Sun City/Grand Avenue Ltd Ptnrshp				478,987	25	0.21%

Source: Maricopa County Assessor's Office, Data Request Report.



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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special (CFD) Assessment Bonds	Municipal Property Corp. Bonds	Municipal Corp. Bonds	Municipal Property Corp. Bonds	Financing Authority Loan	Infrastructure	Water			
2002	\$ 5,470,796	\$ -	\$ 57,845,000	\$ -	\$ -	-	-	-	\$ 63,315,796	N/A	\$ 1,649
2003	4,922,738	-	55,995,000	-	-	-	-	-	60,917,738	6.0%	1,174
2004	4,353,867	-	56,785,000	-	-	-	-	-	61,138,867	N/A	1,178
2005	3,763,842	-	53,800,000	-	-	-	-	-	57,563,842	3.0%	896
2006	3,157,311	-	51,465,000	-	-	-	-	-	54,622,311	2.4%	619
2007	1,883,912	1,365,000	99,730,000	-	-	-	-	-	102,978,912	4.1%	1,068
2008	413,270	5,275,000	97,195,000	-	-	-	-	-	102,883,270	N/A	1,048
2009	-	8,495,000	94,560,000	-	-	-	-	-	103,055,000	3.9%	948
2010*	-	8,290,000	28,677,713	63,112,287	-	-	-	1,500,000	101,580,000	4.3%	864

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

\* The amount for fiscal year 2010 is for sewer related municipal property corporation bonds. Beginning in fiscal year 2010, the municipal property corporation bonds were properly recorded in the sewer fund as a business-type activity instead of as a governmental activity as previously reported.

**City of Surprise, Arizona**  
**Ratios of General Bonded Debt Outstanding**  
**Last Nine Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt</b>		<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>		<b>Per Capita</b>
		<b>Service Fund</b>	<b>Property</b>		<b>Property</b>	<b>Per Capita</b>	
2002	\$ 5,470,796	\$ 189,929	\$ 5,280,867	0.267%	\$ 117		
2003	4,922,738	127,420	4,795,318	0.198%	92		
2004	4,353,867	131,100	4,222,767	0.136%	66		
2005	3,763,842	133,352	3,630,490	0.087%	41		
2006	3,157,311	458,821	2,698,490	0.051%	28		
2007	1,883,912	511,309	1,372,603	0.020%	14		
2008	413,270	170,095	243,175	0.002%	2		
2009	-	-	-	0.000%	-		
2010	-	-	-	0.000%	-		

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

**City of Surprise, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2010**

<u>Governmental Unit:</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes :			
Maricopa County Community College	\$ 653,040,000	2.33%	\$ 15,215,832
Dysart Unified School District No. 89	186,345,000	79.83%	148,759,214
Subtotal, overlapping debt			<u>163,975,046</u>
City of Surprise, Arizona direct general obligation debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 163,975,046</u>

Sources: Assessed value used to estimate applicable percentages provided by Maricopa County.

Debt data provided by the Arizona Department of Revenue - Arizona Report of Bonded Indebtedness.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Surprise. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

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

	<u>Unrestricted</u>								
	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit 6%	\$ 13,779,754	\$ 16,811,454	\$ 21,121,049	\$ 28,849,802	\$ 35,912,240	\$ 44,671,757	\$ 71,654,555	\$ 87,434,062	\$ 81,197,672
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-
Unrestricted legal debt margin	\$ 13,779,754	\$ 16,811,454	\$ 21,121,049	\$ 28,849,802	\$ 35,912,240	\$ 44,671,757	\$ 71,654,555	\$ 87,434,062	\$ 81,197,672

Total net debt applicable to the limit as a percentage of debt limit 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%

	<u>Restricted</u>								
	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit 20%	\$ 45,932,514	\$ 56,038,180	\$ 70,403,497	\$ 96,166,008	\$ 119,707,465	\$ 148,905,857	\$ 238,848,517	\$ 291,446,872	\$ 270,658,907
Total net debt applicable to limit	-	5,280,867	4,795,318	4,222,767	3,630,490	2,698,490	1,372,603	243,175	-
Restricted legal debt margin	\$ 45,932,514	\$ 50,757,313	\$ 65,608,179	\$ 91,943,241	\$ 116,076,975	\$ 146,207,367	\$ 237,475,914	\$ 291,203,697	\$ 270,658,907

Total net debt applicable to the 20% limit as a percentage of the 20% debt limit 0.00% 9.42% 6.81% 4.39% 3.03% 1.81% 0.57% 0.08% 0.00%

Source: Maricopa County Assessor's Office - 2009 Levy Limit Worksheet

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

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

<b>Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income<sup>2</sup></b>	<b>Median Household Income<sup>3</sup></b>	<b>Median Age<sup>3</sup></b>	<b>Unemployment Rate<sup>4</sup></b>
2002	45,125	N/A	N/A	N/A	5.7%
2003	51,885	\$ 1,008,545,571	\$ 48,984	45.3	5.3%
2004	64,210	N/A	N/A	N/A	4.4%
2005	88,265	1,889,921,774	53,958	35.4	4.1%
2006	96,425	2,303,409,583	60,198	36.0	4.5%
2007	98,140	2,500,467,000	64,206	35.7	4.8%
2008	104,895	N/A	N/A	N/A	6.0%
2009	108,761	2,643,237,573	61,244	40.2	8.3%
2010	117,517	2,367,906,098	61,208	35.4	9.4%

Data Sources:

<sup>1</sup> Arizona Department of Commerce

<sup>2</sup> Calculated by multiplying number of households by median income (US Census Bureau data).

<sup>3</sup> U.S Census Bureau

<sup>4</sup> U.S. Depart of Labor, Bureau of Labor Statistics

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

**City of Surprise, Arizona**  
**Principal Employers**  
**As of December 31**

<b>Employer</b>	<b>2009</b>			<b>2002</b>		
	<b>Employees</b>	<b>Rank</b>	<b>%of Total</b>	<b>Employees</b>	<b>Rank</b>	<b>%of Total</b>
Dysart School District (Surprise Schools Only)	2,300	1	6.30%	219	6	1.29%
City of Surprise	725	2	1.99%	389	3	2.30%
Wal-Mart	715	3	1.96%	740	2	4.37%
Fry's Food Store	445	4	1.22%	165	8	0.98%
Safeway Food Store	445	4	1.22%	130	10	0.77%
APS/ Pinnacle West Corp	275	6	0.75%	175	7	1.03%
Charter Schools	270	7	0.74%			
Albertson's Food Store	250	8	0.68%	250	5	1.48%
Kohl's Department Store	237	9	0.65%			
Crescent Crown	225	10	0.62%			
Target	160	11	0.44%	110	12	0.65%
Lowe's	160	12	0.44%	115	11	0.68%
Home Depot	160	13	0.44%	160	9	0.95%
Del Webb Hospital				1,108	1	6.55%
Del Webb/Pulte				350	4	2.07%
Foxworth - Galbraith - Truss Mfg.				100	13	0.59%

Source: City of Surprise Economic Development Division

**City of Surprise, Arizona**  
**Full-time Equivalent City Government Employees by Function**  
**Last Nine Fiscal Years**

<b>Function</b>	<b>Fiscal Year</b>								
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General government	60	68	65	80	97	124	139	140	124
Public safety:									
Police:									
Officers	73	80	84	97	117	128	150	134	132
Civilians	11	12	13	13	14	15	20	53	56
Fire:									
Firefighters and officers	68	77	91	94	106	129	156	110	110
Civilians	2	3	3	4	6	9	10	15	9
Public works and streets:									
All others	50	52	55	63	78	89	105	113	100
Community development	31	33	37	43	49	51	48	43	40
Culture and recreation	32	76	85	94	103	112	124	117	95
Water	4	5	6	7	10	8	8	31	31
Sanitation	7	8	11	16	23	29	29	32	32
Sewer	11	14	17	20	26	30	34	39	39
Replenishment	1	1	1	1	1	3	5	-	-
<b>Total</b>	<b>350</b>	<b>429</b>	<b>468</b>	<b>532</b>	<b>630</b>	<b>727</b>	<b>828</b>	<b>827</b>	<b>769</b>

Source: From fiscal year 2010 Amended Budget, per the fiscal year 2011 Budget Book.

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

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

<b>Function</b>	<b>Fiscal Year</b>								
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Public safety:									
Police:									
Calls- incidents responded to	41,600	52,700	58,800	60,450	69,000	84,863	88,321	97,423	96,768
Citations issued	N/A	N/A	9,119	11,080	12,117	8,347	11,732	13,728	12,455
Officers per 1,000 residents	1.2	1.3	1.2	1.1	1.1	1.2	1.2	1.2	1.2
Fire:									
Number of responses	4,179	5,086	6,628	7,416	8,668	9,120	10,281	10,523	10,998
Inspections	1,413	1,796	852	1,023	1,055	2,164	2,285	2,114	639
Public works and streets:									
Sq. ft. of buildings to maintain	213,034	287,034	320,700	340,700	375,000	378,900	535,717	567,245	830,271
Vehicles/equipment maintained per month	N/A	27	200	229	244	394	418	484	444
Number of street lights repaired	N/A	20	50	135	150	148	124	212	249
Street miles maintained	N/A	418	525	550	592	592	592	592	526
Community development:									
Building safety inspections performed	N/A	53,821	76,843	61,215	37,607	38,000	30,311	17,749	11,349
Annual new residential starts	3,435	3,263	5,304	7,704	6,866	1,759	774	373	291
Culture and recreation:									
Organized recreation program participants	14,798	29,430	34,700	41,700	29,000	27,760	132,795	186,139	170,336
Special events/open facility participants	45,558	116,109	146,200	150,300	144,000	157,800	249,599	259,731	242,759
Water:									
Water service connections	5,116	5,939	7,593	11,047	13,249	13,985	14,375	14,472	14,519
Sewer:									
Sewage treated (million gallons per day)	2.8	3.1	4.5	5.9	7.0	7.0	7.0	6.0	7.6
Sewer service connections	N/A	17,293	26,991	35,001	40,072	42,284	42,912	45,032	46,448
Sanitation:									
Refuse collected (tons/annually)	14,487	17,241	18,470	21,200	28,100	30,700	31,506	29,757	30,398
Number of routes	6	7	8	11	31	31	25	26	34
Total services	11,513	13,390	15,341	21,800	28,625	30,800	32,096	32,719	33,797

Sources: Various government departments

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

**City of Surprise, Arizona**  
**Capital Asset Statistics by Function**  
**Last Nine Years**

<u>Function</u>	<u>Fiscal Year</u>								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety:									
Police:									
Stations	1	1	2	2	2	2	2	2	2
Patrol units	40	40	46	55	75	66	68	81	73
Fire:									
Fire stations	3	4	4	4	4	4	6	7	7
Fire engines and ladder trucks	4	4	4	6	7	7	9	10	11
Public works and streets:									
Street miles	450	540	630	586	593	593	593	592	592
Street lighting improvement districts	23	37	43	57	69	71	79	79	83
Traffic Signals	10	13	16	20	23	27	34	41	42
Bridges	1	1	1	1	1	1	9	12	15
Community development:									
Inspection vehicles	14	16	16	27	29	23	14	12	12
Culture and recreation:									
Parks acreage	15	277	277	278	284	284	367	383	393
Parks	4	5	5	6	7	9	12	12	12
Swimming pools	1	1	2	2	2	2	2	2	2
Softball fields	2	2	2	2	2	3	3	9	11
Baseball fields	-	15	15	15	15	17	17	21	21
Libraries	1	2	2	2	2	2	2	2	2
Water:									
Well production maximum daily capacity (millions of gallons)	3.3	3.3	5.8	5.8	20.2	22.0	21.8	20.7	24.6
Sewer:									
Sewer treatment plants - City owned	2	2	1	1	1	1	1	1	1
Sewer treatment plants - City managed						1	1	1	1
City owned									
Maximum daily treatment capacity	3.2	3.3	7.2	7.2	7.5	8.3	8.3	16.3	16.3
City managed									
Maximum daily treatment capacity						0.4	0.4	0.4	0.4
Sanitation:									
Collection trucks	8	9	11	17	22	22	25	26	26

Sources: Various government departments

Note: The information presented here begins with fiscal year 2002, when the City implemented GASB Statement 34.

## ACKNOWLEDGMENTS

The City acknowledges the dedication and hard work of the following Finance Department staff who contributed significantly to the preparation of this Comprehensive Annual Financial Report:

Art Urquidez, Procurement and Payroll Manager  
Cathy Perritano, Senior Financial Analyst  
Chad McArdle, Special Project Manager  
Craig Dies, Senior Financial Analyst  
Estella Sanchez, Revenue and Utility Billing Manager  
Julie Ralls, Senior Financial Analyst  
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