



CITY OF SURPRISE, ARIZONA  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



# CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the fiscal year ended  
June 30, 2011

Prepared by:  
Finance Department



**SURPRISE**  

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**ARIZONA**

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## INTRODUCTORY SECTION

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



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May 14, 2012

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

Dear Mayor, 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, 2011 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 found a number of prior period adjustments that have been made to more accurately present the financial position and the financial results of the City.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, has audited the City of Surprise's financial statements pursuant to A.R.S § 9-481. The audit is intended to provide reasonable assurance that the financial statements of the City of Surprise for the fiscal year ended June 30, 2011, 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.

A clean or unqualified audit opinion denotes that the financial statements are presented in conformity with GAAP. A qualified opinion adds a conditional "but for" statement to a clean opinion. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering a qualified opinion that the City of Surprise's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP, but for the unknown effect of transactions arising from developer agreements, development fee collection and disbursement, and contracts. The independent auditor's report is presented as the first component of the financial section of this report.

The City acknowledges the need to review development and intergovernmental agreements which the City has entered into as well as development fees collected and disbursed and concurs that this is necessary to determine any impact these may have had on the City's financial statements. The City has initiated a review going back to fiscal year 2000 of all developer agreements, development fee collection and disbursement, and contracts. After completing this review, it is the City's intention to prepare a CAFR for fiscal year 2012 that receives an unqualified opinion.

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. CliftonLarsonAllen LLP was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the 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 auditors' 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. Surprise has grown from 500 residents to a city of over 117,000 people, 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 improvement districts. The City provides and accounts for a legally separate volunteer firefighters' pension fund as mandated by Arizona Revised Statute, Title 9, as well as a non-profit corporation formed under Arizona Revised Statute, Title 10, designed to facilitate the acquisition and improvement of City property and a community facilities district designed to provide funding for the construction and acquisition of 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 capital improvement 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 decreased from 9.4% at June 2010 to 6.5% as of June 2011. This drop in the unemployment rate is promising however, the drop is partially attributable to those that have given up looking for work. Additionally, many of those that have found jobs are making less than they had previously.

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 increased a modest 1% in FY2011 from FY2010 after falling 6% from FY2009.

We expect a slow, yet steady, economic recovery, which will result in increased consumer spending, sales tax revenues, and new construction activity until 2015 when the economy returns to pre-recessionary levels.

Further information on the history of City revenues can be found in the MD&A, pages 15 through 28, and the statistical section that begins on page 133, of this financial report.

#### Long-Term Financial Planning

Surprise is faced with the "New Normal" defining today's economic climate 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.

#### Major Initiatives

The City's Council has formally adopted a set of comprehensive financial management policies in order to demonstrate the City's commitment to sound financial management practices. These policies have helped in preparing the City Manager's FY2013 Recommended Budget, as well as aiding the City staff in making financial decisions. The current policies will be reviewed by City Council on an annual basis and updated as needed. Those policies that are relevant to the CAFR have been detailed in the notes to the financial statements.

#### **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. This City is not applying for this award for the present year's CAFR due to the receipt of a qualified audit opinion, which normally renders a report ineligible.

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, prior period adjustments have been made to this report which resulted in its delayed completion. The work to complete this report would not have been possible without the dedicated services of the entire staff of the Finance Department under the leadership of Deputy Chief Financial Officer John Ralston, as well as other departments. This group of employees deserves special recognition for their efforts and accomplishments.

Respectfully submitted,



Scott McCarty, CPA  
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, 2010

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.



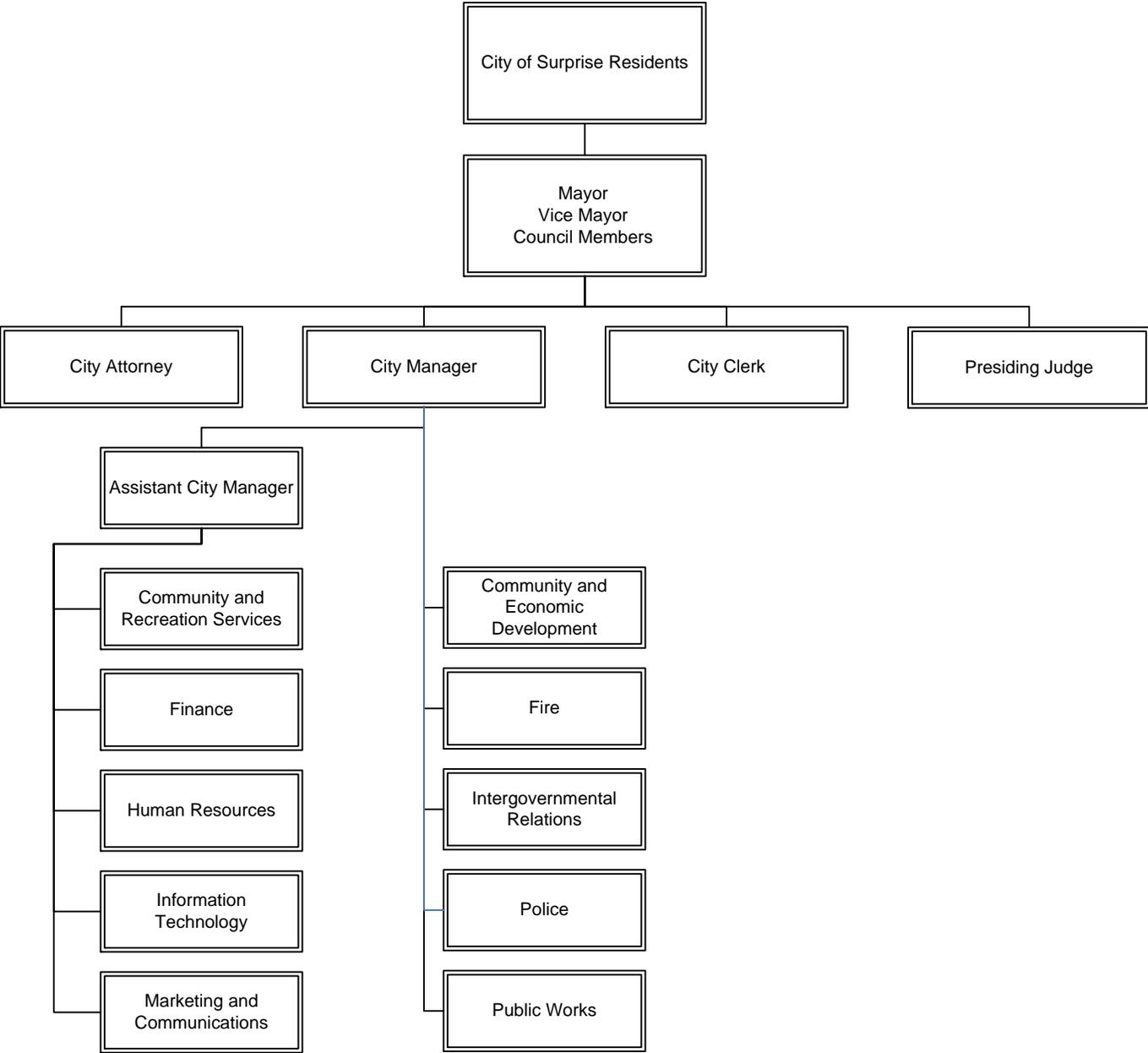
*Linda C. Dandison*

President

*Jeffrey R. Emer*

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 emphasizes jobs in the community, improving transportation systems, making government more accessible, enhancing educational opportunities for all, preserving our natural environment and making Surprise an innovative, compassionate community of neighbor helping neighbor.

During his term, Surprise has created new jobs and planted the seeds for a future of innovation. Gestamp Solar Steel and Rio Glass Solar are bringing hundreds of good jobs in sustainable industries in Surprise, solidifying our reputation as a Solar City, for which we were recognized by the Greater Phoenix Economic Council in 2009.

The city-sponsored AZTechCelerator is hosting innovative new businesses getting them the resources and back office support they need to grow dozens of jobs. The AZTechCelerator now features more than a dozen start up businesses and was recognized in 2010 with a “Best of the West” Award by Westmarc.

During Mayor Truitt’s tenure, Surprise has set new standards for open government with live internet streaming of City Council meetings and awards for online openness. Mayor Truitt introduced “workshop” City Council meetings where council members meet informally to publicly discuss ideas on issues such as transportation, economic development and the environment.

He initiated the Surprise “State of the City” speech; his first was an innovative live evening broadcast that garnered the Mayor and national “Telly” award for commentary.

Reinvigorated Boards and Commission members, along with hundreds of other empowered Surprise residents, helped create a new Surprise Strategic Plan, which Council approved in early 2011. The Plan focuses on Economic Development, Transportation, Education, Sustainability and Tourism.

Mayor Truitt acts on his belief partnerships enhance quality of life. A unique partnership with the city, Interfaith Community Care and Rio Salado Lifelong Learning Center 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 chair of the Maricopa Association of Governments Transportation Policy Committee and as a member of the Luke Air Force Base/West Valley Council.

Mayor Truitt and Surprise are celebrating many recent advances in transportation. In 2011, the expansion of Grand Avenue through Surprise was completed and expansion of the Loop 303 to a six lane freeway begun.

An active community member for many years, prior to his election Lyn chaired the Surprise Planning and Zoning Commission, 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). 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 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 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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**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 will be a valuable asset in the city's budgeting and planning processes. He will 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 eleven grandchildren and one great grandchild.

Alton's term expires in December 2011.

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**JIM BIUNDO** – [Jim.Biundo@surpriseaz.gov](mailto:Jim.Biundo@surpriseaz.gov)



City Council member Jim Biundo was appointed to District 1 (Acacia) on June 14, 2011 to fill a vacancy. District 1 encompasses the northwest portion of Surprise, including Sun City Grand, Happy Trails, and Arizona Traditions. He has been a resident of Surprise since 2003.

Jim served in the United States Marine Corps from 1954 to 1957. Following military service, he attended college in Colorado and received Bachelor of Arts and Master of Arts degrees in English, Speech, and Theatre and continued studies in a post-graduate doctoral graduate program.

Jim has had a career in education as a high school teacher, associate professor, and administrator at colleges in Colorado, Iowa, Arizona, and Missouri. During that time, he also pursued a parallel track in public service. He has served as a Councilmember at-large and has been on boards of directors of Brucemore, Inc., a National Trust for Historic Preservation property located in Cedar Rapids, Iowa.

Jim is the author of two books, several published poems, and over thirty published articles. He has made over forty presentations at regional, national, and international conferences. He retired in 2000 from Southeast Missouri State University where he served as Assistant to the President.

Jim and his wife Antoinette have three daughters: Terrilee Day in del Norte, Colorado; Kimberly Peets in Las Vegas, Nevada; and Tammy Gerstner in Lee's Summit, Missouri. They also have four grandchildren.

Biundo'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 was re-elected to the City Council from District 4 (Mulberry). Roy Villanueva brings more than 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 committed to progressive programs and services for City of Surprise residents. His goals:

- 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 more than 40 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). 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.

John is a certified teacher and for the last several years has been building the Peoria Unified School District's Career and Technical Education Sports Medicine program. He has been selected by his peers to be the program lead.

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 a community of connection and opportunity. 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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**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 1997, 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 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 partnered in raising 4 children, numerous foster children and is grandfather to 6, and great grandfather to a beautiful 3 month old girl.

Woodard's term expires in December 2013.

**APPOINTED OFFICIALS**

**City Manager**

**Chris Hillman**

**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 subsections. The first subsection 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).

### Financial Subsection’s

- Independent Auditor’s Report
- Management’s Discussion and Analysis
- Government Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements



## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the City Council of the  
City of 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 (City), as of and for the year ended June 30, 2011, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As more fully described in Note 1 to the financial statements, management has been unable to completely and accurately reflect in the financial statements, transactions arising from developer agreements, development fee collection and disbursement, and contracts on an accrual basis or a modified accrual basis in the appropriate funds. Accounting principles generally accepted in the United States of America require asset, liability, revenue and expenditure/expense transactions be recorded in the appropriate funds based on the supporting transactions. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenditures/expenses of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is not reasonably determinable.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, 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, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior period adjustments were recorded, as described in Note 15, to restate beginning fund balance and net asset amounts due to errors in the previously issued financial statements.

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

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 through 28, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 83, and budgetary comparison information on pages 84 through 90 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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's basic financial statements. The combining and individual nonmajor fund financial statements, supplemental information, introductory section and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental information 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 taken 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.



**CliftonLarsonAllen LLP**

Mesa, Arizona  
May 14, 2012



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

The Financial Section is divided into five subsections. The second subsection 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, 2011. 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** decreased 2% or \$9.2 million from \$463.4 million to \$454.2 million as opposed to an increase in net assets in the prior year of \$4.6 million. The decrease in the change in net assets from the prior year is attributable to a decrease in capital contributions of \$22.4 million resulting from fewer developments. The decrease in a revenue source was offset by a positive swing in net transfers of \$7.1 million from the prior year.
- ❖ **Business Type net assets** increased 4% from \$306.6 million to \$318.4 million, a difference of \$11.8 million. Despite an increase in net assets in the current year the increase was significantly less than the prior year increase of \$62.9 million. The decrease in the change in net assets from the prior year is attributable to a decrease in capital contributions of \$34.9 million resulting from fewer developments. Additionally, there was a negative swing in net transfers of \$7.1 million from the prior year. Expenses also increased from the prior year as a result of a \$3.0 million increase in losses for the disposal of capital assets and a \$1.2 million dollar increase in depreciation expense.
- ❖ **Governmental Activities Expenses** of \$108.6 million exceeded program revenues of \$37.5 million, a difference of \$71.1 million. The remaining \$71.1 million of expense represents the total burden each separate function places on the City, that is the total cost after deducting revenues charged or grants and contributions received specifically for these programs. This amount is covered by general governmental revenues net of transfers to the extent that they are available.
- ❖ **Business Type Expenses** were \$36.9 million, while program revenues totaled \$48.5 million, a positive difference of \$11.6 million. For the business type activities for the current year this surplus in program revenues will cover the shortfall in general revenues net of transfers.
- ❖ **Component units** – The City includes four separate legal entities in its report: the City of Surprise Volunteer 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 29 and 30-31) 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 34. 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 29. 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 use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

These two statements report the City's net 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, 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 34 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 Employee Healthcare Fund and 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 47-48.

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, 2011 and June 30, 2010.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>
<b>ASSETS</b>						
Current and other assets	\$ 42.8	\$ 41.5	\$ 71.2	\$ 64.8	\$ 114.0	\$ 106.3
Capital assets, net	460.1	472.6	315.8	311.9	775.9	784.5
Total assets	<u>502.9</u>	<u>514.1</u>	<u>387.0</u>	<u>376.7</u>	<u>889.9</u>	<u>890.8</u>
<b>LIABILITIES</b>						
Other liabilities	15.5	12.7	6.4	8.3	21.9	21.0
Long-term liabilities	33.2	38.0	62.2	61.8	95.4	99.8
Total liabilities	<u>48.7</u>	<u>50.7</u>	<u>68.6</u>	<u>70.1</u>	<u>117.3</u>	<u>120.8</u>
Net assets:						
Invested in capital assets, net of related debt	425.5	435.8	257.4	248.7	682.9	684.5
Restricted	27.4	27.5	6.6	13.8	34.0	41.3
Unrestricted	1.3	0.1	54.4	44.1	55.7	44.2
Total net assets	<u>\$ 454.2</u>	<u>\$ 463.4</u>	<u>\$ 318.4</u>	<u>\$ 306.6</u>	<u>\$ 772.6</u>	<u>\$ 770.0</u>

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

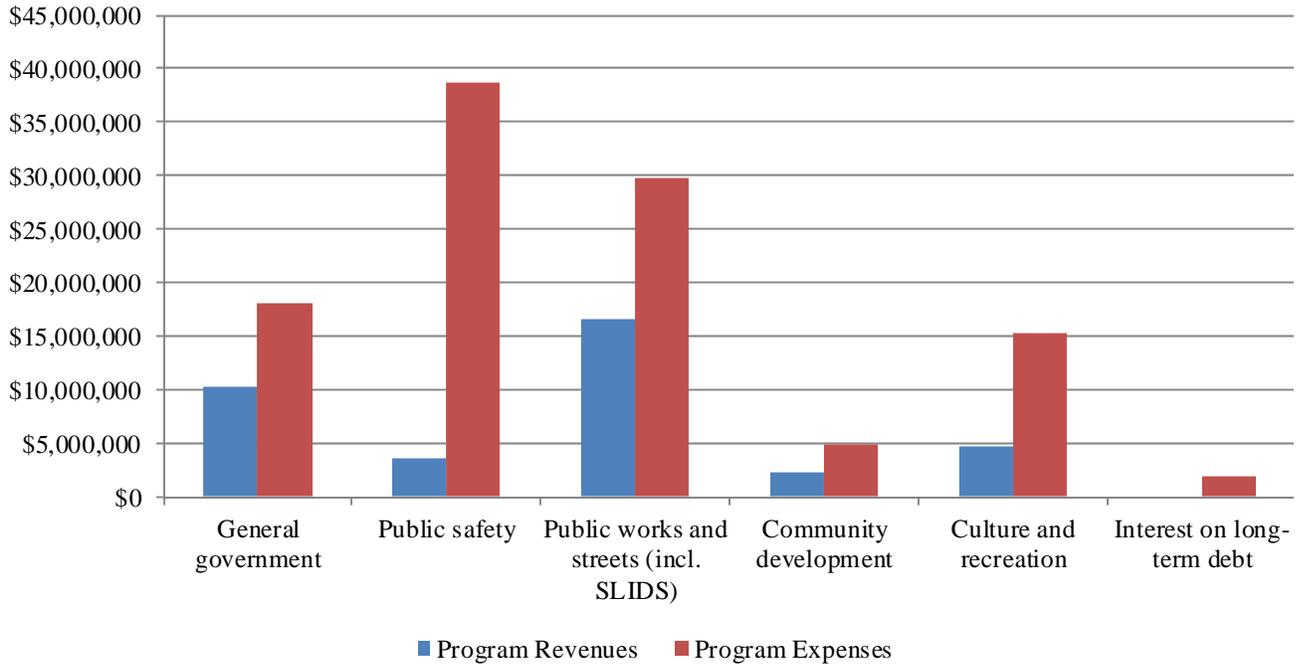
Net assets are a good indicator of a city's overall financial standing. For fiscal year 2011, the City had total combined net assets of \$772.6 million. This was an increase of \$2.6 million, or less than 1% over the prior year's net assets of \$770.0 million. Not all of the \$772.6 million is available for the City to use freely. The largest portion of the City's total net assets \$682.9 million, or 88% is invested in capital assets, net of related debt. Of the remaining net assets, \$34.0 million is restricted for various purposes and \$55.7 million is unrestricted.

**City of Surprise's Changes in Net Assets (in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 18.4	\$ 12.1	\$ 31.7	\$ 32.1	\$ 50.1	\$ 44.2
Operating grants and contributions	10.4	13.2	-	-	10.4	13.2
Capital grants and contributions	8.7	31.1	16.8	51.7	25.5	82.8
General revenues:						
Property taxes	7.0	6.8	-	-	7.0	6.8
Sales taxes	29.8	29.2	-	-	29.8	29.2
Franchise taxes	4.4	4.3	-	-	4.4	4.3
State shared revenues	18.8	21.2	-	-	18.8	21.2
Unrestricted investment earnings	0.5	0.4	0.6	0.4	1.1	0.8
Other	0.5	1.5	0.5	0.1	1.0	1.6
Total revenues	<u>98.5</u>	<u>119.8</u>	<u>49.6</u>	<u>84.3</u>	<u>148.1</u>	<u>204.1</u>
<b>EXPENSES</b>						
Program activities:						
Governmental activities:						
General government	18.1	22.0	-	-	18.1	22.0
Public safety	38.8	34.0	-	-	38.8	34.0
Public works and streets	29.7	28.4	-	-	29.7	28.4
Community development	4.9	6.2	-	-	4.9	6.2
Culture and recreation	15.2	16.4	-	-	15.2	16.4
Interest on long-term debt	1.9	2.0	-	-	1.9	2.0
Business-type activities:						
Water	-	-	11.2	9.2	11.2	9.2
Sewer	-	-	20.1	16.6	20.1	16.6
Sanitation	-	-	5.6	4.6	5.6	4.6
Total expenses	<u>108.6</u>	<u>109.0</u>	<u>36.9</u>	<u>30.4</u>	<u>145.5</u>	<u>139.4</u>
Excess before special items and transfers	(10.1)	10.8	12.7	53.9	2.6	64.7
Special item	-	-	-	2.8	-	2.8
Transfers in (out)	0.9	(6.2)	(0.9)	6.2	-	-
Increase in net assets	<u>(9.2)</u>	<u>4.6</u>	<u>11.8</u>	<u>62.9</u>	<u>2.6</u>	<u>67.5</u>
Net assets - beginning, as restated	<u>463.4</u>	<u>458.8</u>	<u>306.6</u>	<u>243.7</u>	<u>770.0</u>	<u>702.5</u>
Net assets - ending	<u>\$ 454.2</u>	<u>\$ 463.4</u>	<u>\$ 318.4</u>	<u>\$ 306.6</u>	<u>\$ 772.6</u>	<u>\$ 770.0</u>

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

### FY 2011 Governmental Program Revenues and Expenses

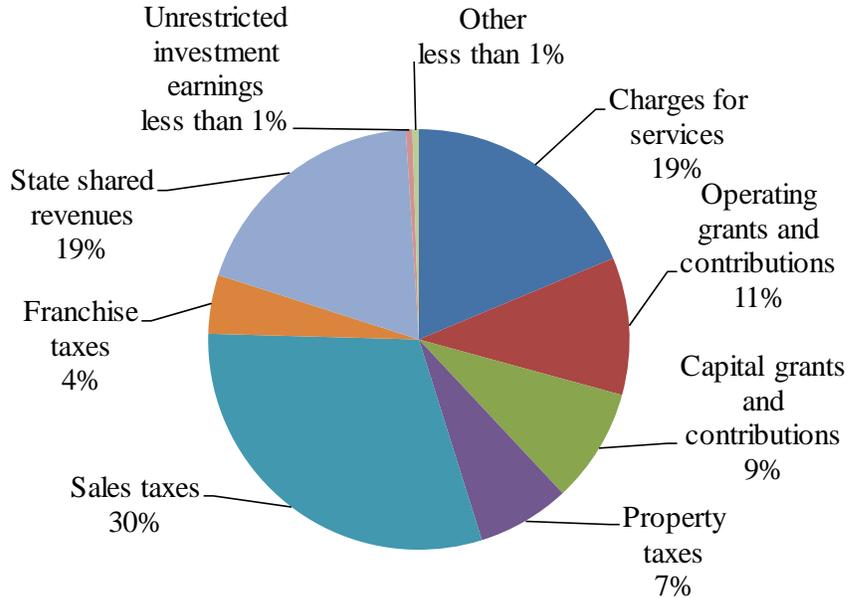


For fiscal year 2011, governmental program expenses exceeded program specific revenues by \$71.1 million. The remaining expenses were supported by general governmental revenues.

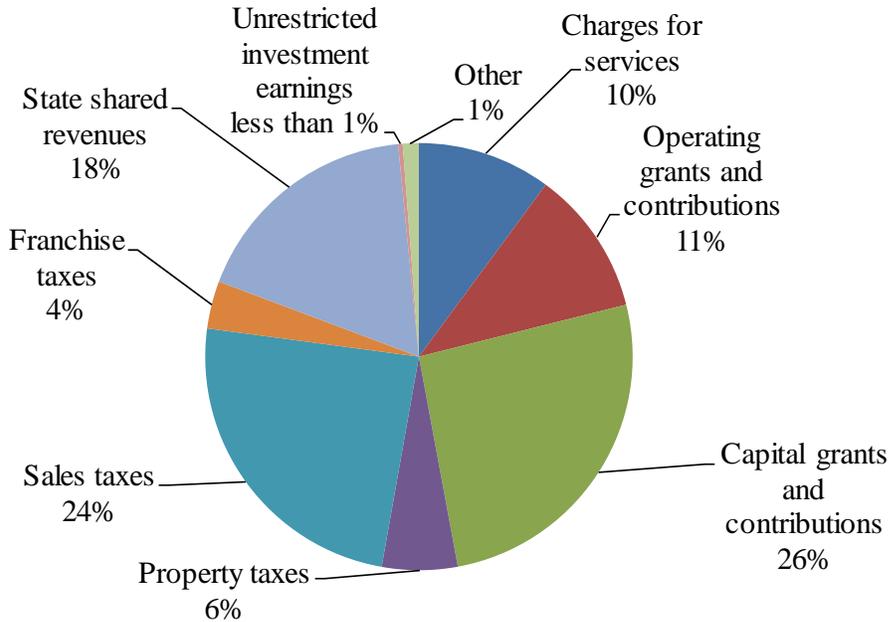
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for approximately 38% of total governmental revenues.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior services) are subsidized by general governmental revenues. The City does not intend to charge for the total cost of these services directly.
  - The City of Surprise maintains a full-time paramedic-trained Fire Department funded by General Government revenues.
  - Culture and Recreation often charges a fee for services it provides, but usually that fee does not cover the entire cost of the service.
- ❖ **Community Development** revenues come primarily from construction related activities.
- ❖ **SLIDs** are Street Light Improvement Districts that charge a fee/tax to pay for the electricity used by neighborhood streetlights. Revenues and expenses for SLIDs are included in the public works and streets program.

**Governmental Activities Revenues** for the fiscal year ended June 30, 2011 totaled \$98.5 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

**Fiscal Year 2011 Governmental Activities Revenues**

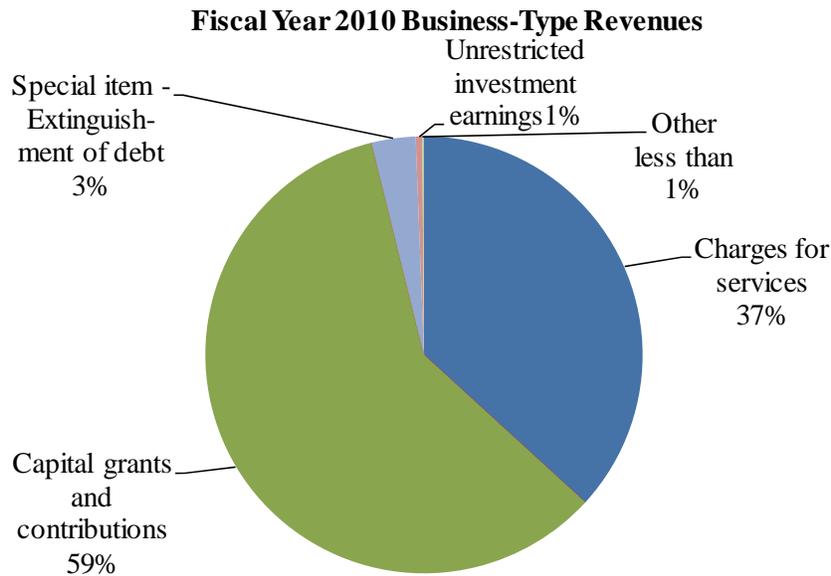
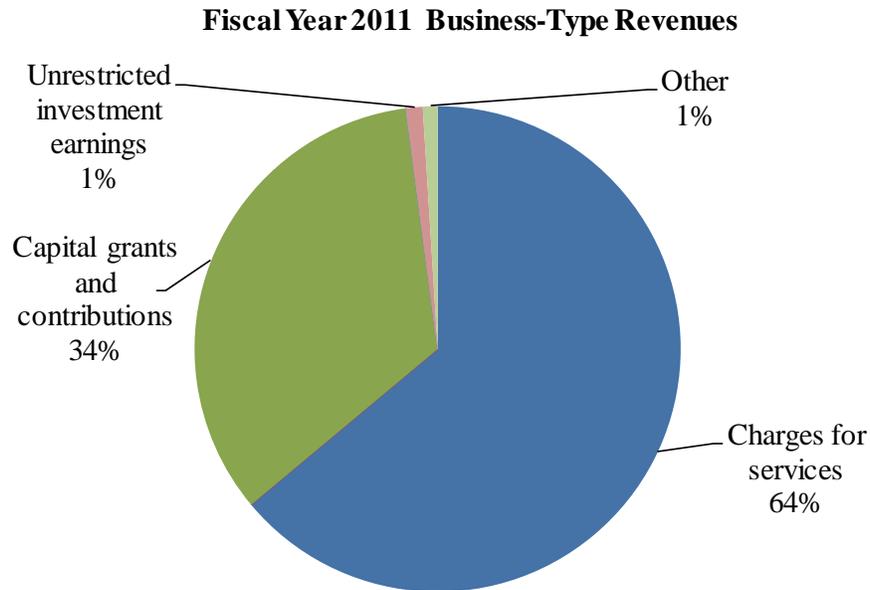


**Fiscal Year 2010 Governmental Activities Revenues**



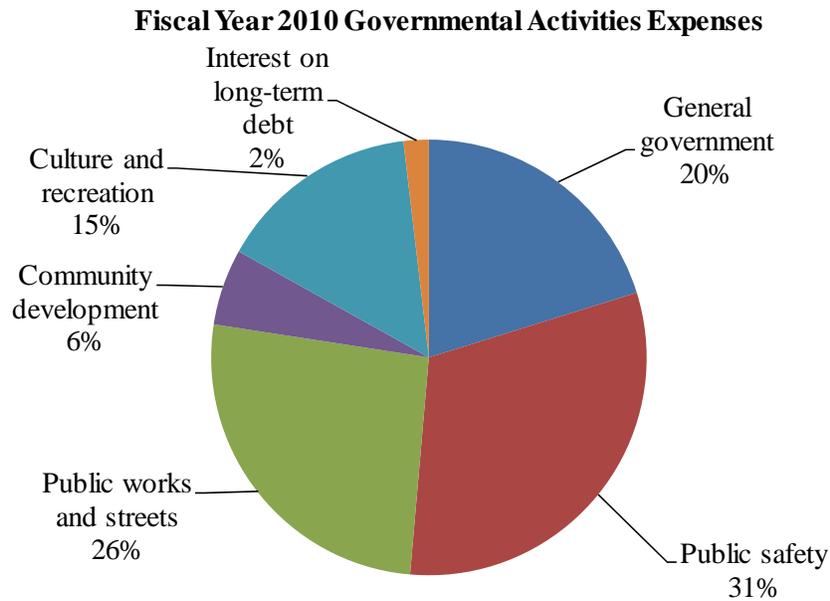
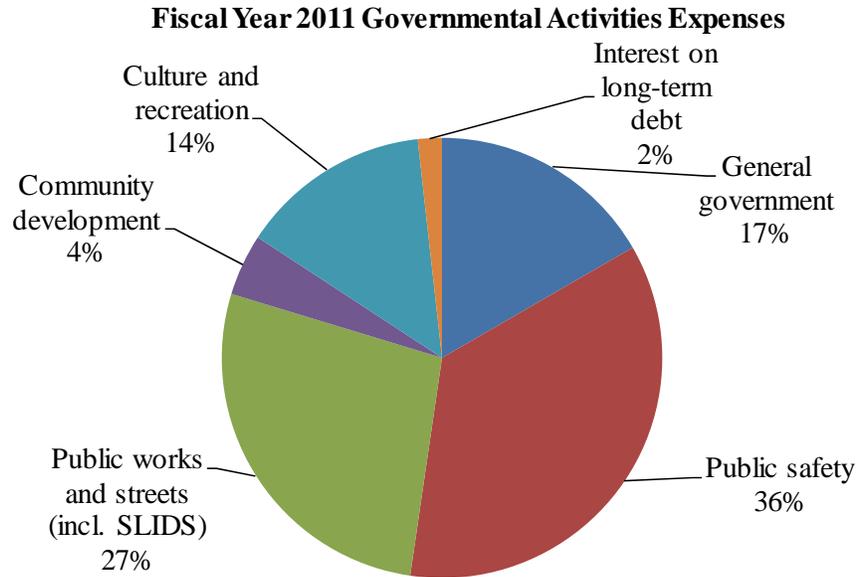
- ❖ The City’s largest revenue source is sales taxes at \$29.8 million. The largest revenue source for the prior year was capital grants and contributions followed closely by sales taxes. A large decrease of \$22.4 million in capital contributions is the primary reason for the change in the City’s largest revenue source.
- ❖ Total governmental activities revenues decreased \$21.3 million from the prior year as a result of a \$22.4 million decrease in capital contributions resulting from fewer developments. This was offset by a \$0.9 million increase in taxes collected.

**Business-Type Revenues** for the fiscal year ended June 30, 2011 totaled \$49.6 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.



- ❖ Total Business-Type Revenues decreased \$34.7 million from the prior fiscal year. The decrease was in large part due to a decrease in capital contributions totaling \$34.9 million resulting from fewer developments.

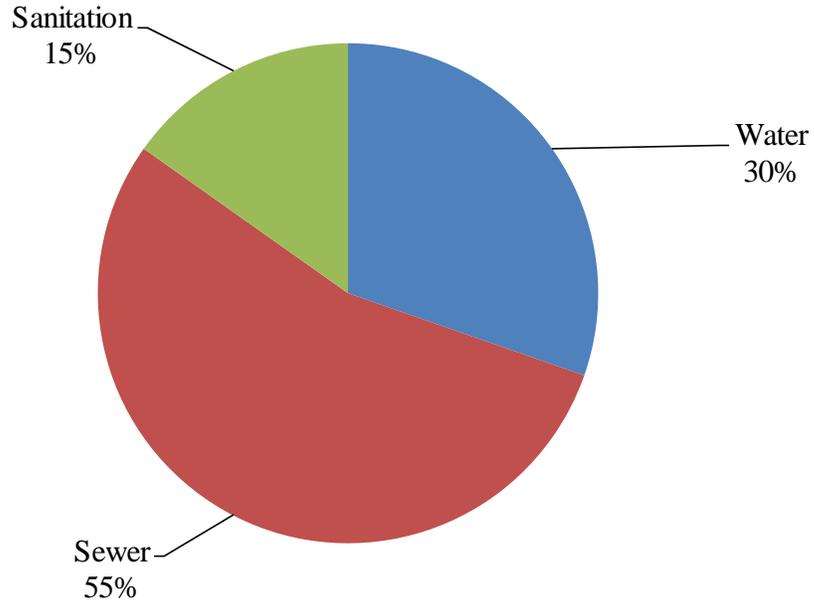
**Governmental Activities Expense** for the fiscal year ended June 30, 2011 totaled \$108.6 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



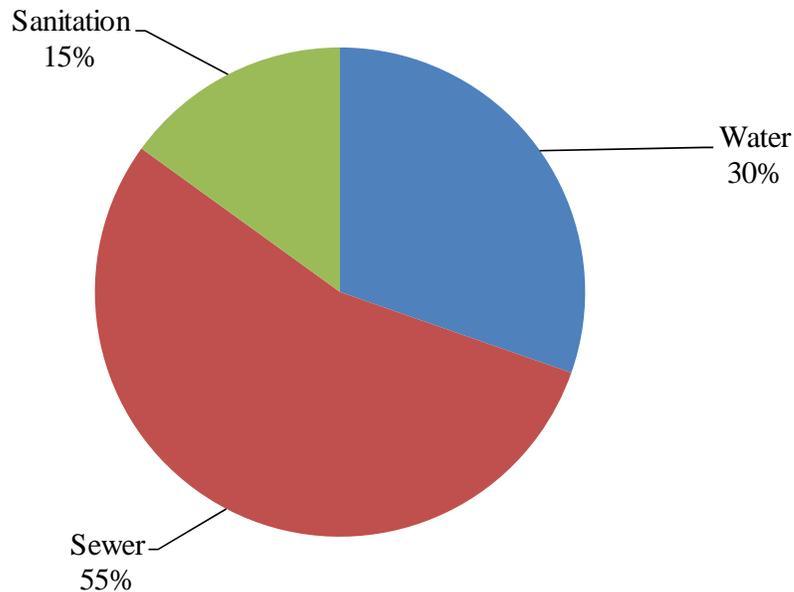
- ❖ Current year costs decreased slightly by \$0.4 million. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. It follows logically that public safety would comprise the largest portion of program expenditures at \$38.8 million, followed by public works and streets at \$29.7 million and general government at \$18.1 million.

**Business-Type Expense** for the fiscal year ended June 30, 2011 totaled \$36.9 million and are identified by function and fund in percentage format. The prior year percentages have also been provided for comparison.

### Fiscal Year 2011 Business-Type Expenses



### Fiscal Year 2010 Business-Type Expenses



- ❖ Business-Type expenses have increased \$6.5 million from the prior year. The primary reason for the increase was a change in the reporting of indirect costs which increased expenses \$3.7 million over the prior year. In the prior year these were reported as a transfer out whereas they are reported as an expense for the current year. Additionally, there was an increase in the loss on the disposal of assets from the prior year totaling \$3.0 million.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$1.0 million from \$27.2 million to \$28.2 million. Of the total ending fund balance, \$0.3 million has been classified as nonspendable and is not available to meet future funding needs because they are not in spendable form or they are legally or contractually required to be maintained intact. An additional \$27.3 million has been classified as restricted and consists of amounts restricted by external parties or as a result of the law. Of the remaining total, \$7.8 million has been committed to recognize a specific council determined purpose, these amounts may be used for another purpose given council's wishes. There is \$43.3 million of fund balance which has been assigned to a specific purpose at the direction of the chief financial officer; these amounts may be used for another purpose given the chief financial officer's direction. Finally, there is a negative unassigned fund balance of \$50.6 million. This negative unassigned fund balance is the result of several development fee funds that currently have deficit cash balances. Interfund loans were created to replenish the cash balances in these funds and the future receipt of development fees will be used to repay these interfund loans.
  - The General Fund balance decreased \$3.9 million. This was due primarily to a change in the presentation of funds related to vehicle replacement. In the previous year these funds were kept within the General Fund. For the current year these vehicle replacement funds were tracked in the General Capital Projects Fund. A transfer was made during the year to move \$5.1 million from the General Fund to the General Capital Projects Fund for vehicle replacement.
  - The General Capital Projects Fund balance increased \$6.6 million primarily due to a change in the presentation of funds related to vehicle replacement. See the previous discussion of the General Fund and the discussion under the Highway User Revenue Fund for more details.
  - The General Government Development Fee Fund contains \$43.7 million in advances from other funds which represents the amount to be reimbursed from future development fees to pay for the growth portion of capital improvements. For example, \$36.0 million in non-growth resources were borrowed from the General Capital Project Fund to cover the growth related cost of the City's \$65.0 million City Hall. As such, \$36.0 million in future development fees will be used to repay this interfund loan.
  - The Fire Development Fee Fund experienced a slight increase in fund balance of \$0.3 million as a result of development fee revenues exceeding expenditures for the current year. This fund also has a substantial interfund loan totaling \$7.1 million which will be repaid from future development fees.
  - The Highway User Revenue Fund balance decreased \$2.3 million from \$2.6 million to \$0.3 million. This was due primarily to a change in the presentation of funds related to vehicle replacement. In the previous year these funds were kept within the Highway User Revenue Fund. For the current year these vehicle replacement funds were tracked in the General Capital Projects Fund. A transfer was made during the year to move \$2.1 million from the Highway User Revenue Fund to the General Capital Projects Fund for vehicle replacement.
  - The Transportation Improvement Fund balance decreased \$0.3 million from \$2.0 million to \$1.7 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 \$78.0 million. Budget adjustments throughout the year decreased total budgeted expenditures \$5.9 million to reach the final budget of \$72.1 million. The majority of the decrease in budgeted expenditures was due to the moving of expenditures related to vehicle replacement from the General Fund to the General Capital Projects Fund.
- ❖ Actual General Fund expenditures totaling \$68.8 million were \$3.3 million less than budgeted. Of the variance in budgeted expenditures, approximately \$2.1 million is attributable to savings in salaries expense due to having unfilled positions. The remaining variance was the result of conservative spending by the City.

## CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>
Land and improvements	\$ 32.9	\$ 32.9	\$ 4.9	\$ 4.9	\$ 37.8	\$ 37.8
Parks	9.6	9.6	-	-	9.6	9.6
Water rights	-	-	4.9	4.0	4.9	4.0
Construction in progress	5.8	13.0	0.2	30.5	6.0	43.5
Buildings and improvements	159.8	162.6	301.2	267.6	461.0	430.2
Improvements other than building:	9.0	9.4	-	-	9.0	9.4
Equipment and vehicles	16.3	18.1	4.6	4.9	20.9	23.0
Infrastructure	226.7	227.0	-	-	226.7	226.9
Total capital assets, net	<u>\$ 460.1</u>	<u>\$ 472.6</u>	<u>\$ 315.8</u>	<u>\$ 311.9</u>	<u>\$ 775.9</u>	<u>\$ 784.5</u>

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

The capital assets of the Governmental Activities funds decreased by \$12.5 million from the prior fiscal year, net of depreciation (\$11.2 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2011 were the result of:
  - Current year depreciation expense of \$23.9 million.
  - Capital asset infrastructure donations made to the City. The assets donated consisted of streets.
    - Asante Phase 1 Units 1,3 & 4 - \$2.8 million.
    - Summit Business Park - \$1.3 million.
    - Desert Cove Commercial Park - \$0.9 million.
    - Prasada Lake Village - \$0.3 million.
  
- ❖ Governmental Activities construction in process includes:
  - \$1.6 million for the Traffic Management Center.
  - \$0.8 million for Bell Road Landscaping and Lighting.
  - \$0.7 million for City Hall Solar.
  - \$0.6 million for the widening of Union Hills Road.
  - \$0.3 million for Fiber Optics Peoria Avenue - Litchfield to Jackrabbit.
  - \$0.3 million for Paving Settlement West of 219<sup>th</sup> Avenue.
  - \$0.3 million for Jerry Street Drainage.
  - \$0.3 million for IT infrastructure and lighting.
  - \$0.3 million for El Mirage Road – Northern to Bell.
  - \$0.2 million for Fiber Optics Greenway Road - Grand to Cotton Lane.
  - \$0.2 million for Rioglass infrastructure.

The capital assets of the Business-Type Activities funds increased by \$3.9 million from the prior fiscal year, net of depreciation (\$13.0 million increase before depreciation).

- ❖ Changes to the Business-Type Activities capital assets for fiscal year 2011 were the result of:
  - Current year depreciation expense of \$9.1 million.
  - Capital asset infrastructure donations made to the City. The assets donated consisted of water and sewer utilities.
    - Mountain Vista Ranch Water Supply Facility - \$4.1 million.
    - Prasada Lake Village - \$2.8 million.
    - Asante Phase 1 Units 1, 3 & 4 - \$2.0 million.
    - Summit Business Park - \$0.7 million.
    - Desert Cove Commercial Park - \$0.4 million.
  
- ❖ Business-Type Activities construction in process - includes:
  - \$0.2 million for the construction of a recharge wells in SPA 1 at South Plant.
  
- ❖ For more detailed information on Capital Assets see Note 5 of this report.

Outstanding Debt at Year-End (in Millions)

	Governmental		Business-type Activities		Total	
	Activities					
	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>
Municipal property corporation bonds	\$ 24.3	\$ 26.4	\$ 61.2	\$ 62.1	\$ 85.5	\$ 88.5
Community facilities districts bonds	7.9	8.1	-	-	7.9	8.1
Contracts and developer payable	1.2	2.0	0.5	0.6	1.7	2.6
Notes payable	-	-	1.3	0.2	1.3	0.2
Total debt outstanding	<u>\$ 33.4</u>	<u>\$ 36.5</u>	<u>\$ 63.0</u>	<u>\$ 62.9</u>	<u>\$ 96.4</u>	<u>\$ 99.4</u>

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

- ❖ **Long-term debt** decreased this year from \$99.4 million to \$96.4 million as a result of \$3.3 million in current year principal payments.
- ❖ For more detailed information on long-term debt see Note 8 of this report.

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

- ❖ **Revenues are expected to increase slightly** – City sales tax is expected to increase 5%, or \$1.3 million as consumer spending continues to improve with the economy. State shared revenues are projected to increase by \$5.2 million, or 23% from the current year as a result of the new 2010 census population.
- ❖ **Next year's budget** – Total budgeted expenditures for the General Fund for fiscal year 2012 are \$72.3 million, a decrease of \$1.3 million over the current year's final budgeted expenditures. The decrease in the budget is the result of decreases in budgeted General Fund expenditures in the police and public works departments to more closely align with actual expenditures in these departments in fiscal year 2011.
- ❖ **Change in credit ratings** – The City has had their credit ratings adjusted by Standard & Poor's and Fitch and as a result the City's credit rating was downgraded for all but one of five ratings provided.

<u>Agency</u>	<u>Debt Issue</u>	<u>Previous Rating</u>	<u>Adjusted Rating</u>
Standard & Poor's	General Obligation	"AA" Stable Outlook	"A" Negative Outlook
Standard & Poor's	Series 2003 MPC	"AA" Stable Outlook	"AA" Stable Outlook
Fitch	General Obligation	"AA-" Stable Outlook	"A+" Negative Outlook
Fitch	Series 2003 MPC	"AA-" Stable Outlook	"A+" Negative Outlook
Fitch	Series 2007 MPC	"A-" Positive Outlook	"A-" Negative Outlook

## FINANCIAL CONTACT

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



## **FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

**City of Surprise, Arizona**

Statement of Net Assets

June 30, 2011

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 36,348,583	\$ 30,877,846	\$ 67,226,429
Receivables			
Accounts	392,570	6,390,633	6,783,203
Interest	185,935	-	185,935
Taxes and franchise fees	6,249,195	-	6,249,195
Grants	1,102,987	-	1,102,987
Intergovernmental	3,132,534	-	3,132,534
Internal balances	(15,489,361)	15,489,361	-
Other	518,401	357,133	875,534
Bond issuance cost, net of amortization	839,341	1,500,002	2,339,343
Other assets	85,147	10,101	95,248
Inventory	368,017	775,822	1,143,839
Restricted cash and investments	9,111,184	15,787,645	24,898,829
Capital assets, non-depreciable	48,361,727	10,015,726	58,377,453
Capital assets, depreciable	588,622,573	350,244,933	938,867,506
Accumulated depreciation	(176,904,823)	(44,396,077)	(221,300,900)
<b>Total assets</b>	<b>502,924,010</b>	<b>387,053,125</b>	<b>889,977,135</b>
<b>Liabilities</b>			
Accounts payable	4,347,364	1,597,354	5,944,718
Accrued payroll and related taxes	882,675	128,133	1,010,808
Deposits	266,380	491,384	757,764
Unearned revenues	1,270,684	923,642	2,194,326
Contracts payable, due in less than one year	96,294	104,503	200,797
Contracts payable, due in more than one year	1,097,138	389,644	1,486,782
Insurance claims payable	1,139,588	-	1,139,588
Other liabilities	40,823	-	40,823
Compensated absences payable, due in less than one year	1,838,610	251,833	2,090,443
Compensated absences payable, due in more than one year	2,340,049	320,515	2,660,564
Matured bond and loan interest payable	852,328	876,164	1,728,492
Matured bonds and loans payable	2,328,300	994,670	3,322,970
Bonds, loans and payables due in less than one year	2,449,900	1,044,329	3,494,229
Bonds, loans and payables due in more than one year	29,774,902	61,489,717	91,264,619
<b>Total liabilities</b>	<b>48,725,035</b>	<b>68,611,888</b>	<b>117,336,923</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	425,526,375	257,403,366	682,929,741
Restricted for:			
Sewer system repair and replacement	-	5,073,509	5,073,509
Public works	9,486,007	-	9,486,007
Parks	4,533,817	-	4,533,817
Library	4,251,467	-	4,251,467
Debt service	3,810,266	1,534,177	5,344,443
Transportation	2,667,972	-	2,667,972
Police	1,989,480	-	1,989,480
Court	461,406	-	461,406
Contractual obligations	129,117	-	129,117
Fire	68,685	-	68,685
Other	7,714	6,171	13,885
Unrestricted	1,266,669	54,424,014	55,690,683
<b>Total net assets</b>	<b>\$ 454,198,975</b>	<b>\$ 318,441,237</b>	<b>\$ 772,640,212</b>

See accompanying notes to the financial statements.

**City of Surprise, Arizona**  
Statement of Activities  
Fiscal Year Ended June 30, 2011

<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>
Governmental activities:				
General government	\$ 18,092,847	\$ 7,947,615	\$ 1,061,929	\$ 1,228,557
Public safety	38,760,889	1,522,658	1,282,050	738,597
Public works and streets	29,748,611	3,786,620	6,631,378	6,160,760
Community development	4,915,385	1,315,799	1,016,296	-
Culture and recreation	15,229,013	3,838,003	413,263	527,816
Interest on long-term debt	1,919,145	-	-	-
Total governmental activities	<u>108,665,890</u>	<u>18,410,695</u>	<u>10,404,916</u>	<u>8,655,730</u>
Business-type activities:				
Water	11,188,199	9,841,874	-	10,861,046
Sewer	20,090,934	15,303,709	-	6,017,608
Sanitation	5,603,983	6,598,929	-	-
Total business-type activities	<u>36,883,116</u>	<u>31,744,512</u>	<u>-</u>	<u>16,878,654</u>
Total primary government	<u>\$ 145,549,006</u>	<u>\$ 50,155,207</u>	<u>\$ 10,404,916</u>	<u>\$ 25,534,384</u>

General revenues:  
Property taxes  
Sales taxes  
Franchise taxes  
State shared revenues  
Unrestricted investment earnings  
Other  
Transfers in (out)  
Total general revenues and 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>
\$ (7,854,746)		\$ (7,854,746)
(35,217,584)		(35,217,584)
(13,169,853)		(13,169,853)
(2,583,290)		(2,583,290)
(10,449,931)		(10,449,931)
(1,919,145)		(1,919,145)
<u>(71,194,549)</u>		<u>(71,194,549)</u>
	\$ 9,514,721	9,514,721
	1,230,383	1,230,383
	994,946	994,946
	<u>11,740,050</u>	<u>11,740,050</u>
<u>(71,194,549)</u>	<u>11,740,050</u>	<u>(59,454,499)</u>
7,018,180	-	7,018,180
29,826,572	-	29,826,572
4,448,614	-	4,448,614
18,767,966	-	18,767,966
488,919	552,583	1,041,502
489,667	483,773	973,440
946,818	(946,818)	-
<u>61,986,736</u>	<u>89,538</u>	<u>62,076,274</u>
<u>(9,207,813)</u>	<u>11,829,588</u>	<u>2,621,775</u>
463,406,788	306,611,649	770,018,437
<u>\$ 454,198,975</u>	<u>\$ 318,441,237</u>	<u>\$ 772,640,212</u>

See accompanying notes to the financial statements.





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

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



**City of Surprise, Arizona**

Balance Sheet

Governmental Funds

June 30, 2011

Assets	<div style="display: flex; justify-content: space-around;"> <span>General Fund</span> <span>General Capital Projects Fund</span> <span>General Government Development Fee Fund</span> <span>Fire Development Fee Fund</span> </div>			
	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Fire Development Fee Fund
Cash and investments	\$ -	\$ 8,672,310	\$ -	\$ -
Receivables (net of allowances)				
Accounts	392,570	-	-	-
Interest	185,935	-	-	-
Taxes and franchise fees	5,811,104	-	-	-
Grants	5,000	101,488	-	-
Intergovernmental	1,831,307	-	-	-
Due from other funds	882,295	-	-	-
Other	268,146	-	-	-
Prepaid items and other assets	85,147	-	-	-
Inventory	242,273	-	-	-
Restricted cash and investments	362,282	-	70,734	156,923
Advances to other funds	-	39,454,852	-	-
<b>Total assets</b>	<b>\$ 10,066,059</b>	<b>\$ 48,228,650</b>	<b>\$ 70,734</b>	<b>\$ 156,923</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 2,200,196	\$ 257,611	\$ -	\$ -
Accrued payroll and related taxes	825,389	-	-	-
Due to other funds	-	-	-	-
Deposits	154,821	-	-	-
Deferred revenues	1,378,910	-	70,734	88,238
Contracts payable	-	-	-	-
Other liabilities	40,823	-	-	-
Matured bond interest payable	-	-	-	-
Matured bonds payable	-	-	-	-
Advances from other funds	3,435,648	-	43,708,467	7,142,268
<b>Total liabilities</b>	<b>8,035,787</b>	<b>257,611</b>	<b>43,779,201</b>	<b>7,230,506</b>
Fund balances:				
Nonspendable	327,420	-	-	-
Restricted	129,117	-	-	68,685
Committed	-	6,601,998	-	-
Assigned	1,334,202	41,369,041	-	-
Unassigned	239,533	-	(43,708,467)	(7,142,268)
<b>Total fund balances (deficits)</b>	<b>2,030,272</b>	<b>47,971,039</b>	<b>(43,708,467)</b>	<b>(7,073,583)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,066,059</b>	<b>\$ 48,228,650</b>	<b>\$ 70,734</b>	<b>\$ 156,923</b>

See accompanying notes to the financial statements.

<b>Highway User Revenue Fund</b>	<b>Transportation Improvement Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 1,432,447	\$ 23,276,430	\$ 33,381,187
-	-	-	392,570
-	-	-	185,935
5,368	298,143	134,580	6,249,195
-	-	996,499	1,102,987
1,059,096	234,459	7,672	3,132,534
-	-	-	882,295
33,062	20,000	77,202	398,410
-	-	-	85,147
125,744	-	-	368,017
83,173	587,252	7,830,211	9,090,575
-	-	-	39,454,852
<u>\$ 1,306,443</u>	<u>\$ 2,572,301</u>	<u>\$ 32,322,594</u>	<u>\$ 94,723,704</u>

\$ 455,543	\$ 678,735	\$ 705,465	\$ 4,297,550
50,962	-	3,222	879,573
372,341	-	509,954	882,295
-	111,559	-	266,380
83,173	66,809	930,587	2,618,451
-	10,466	85,828	96,294
-	-	-	40,823
-	-	852,328	852,328
-	-	2,328,300	2,328,300
-	-	-	54,286,383
<u>962,019</u>	<u>867,569</u>	<u>5,415,684</u>	<u>66,548,377</u>
-	-	-	327,420
-	418,419	26,663,966	27,280,187
-	949,451	215,630	7,767,079
344,424	336,862	27,314	43,411,843
-	-	-	(50,611,202)
<u>344,424</u>	<u>1,704,732</u>	<u>26,906,910</u>	<u>28,175,327</u>
<u>\$ 1,306,443</u>	<u>\$ 2,572,301</u>	<u>\$ 32,322,594</u>	<u>\$ 94,723,704</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, 2011

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**Fund balances - total governmental funds** **\$ 28,175,327**

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	\$ 636,984,300	
Less accumulated depreciation	<u>(176,904,823)</u>	
		460,079,477

Some revenues will not be available to pay for current-period expenditures  
and, therefore, are deferred in the funds. 1,347,767

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

Net assets (adjusted for interfund activity)	1,254,648	
Compensated absences	<u>3,014</u>	
		1,257,662

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

Bonds payable	(32,424,225)	
Contracts payable	(1,097,138)	
Issuance premium (to be amortized as interest expense)	(868,569)	
Refunding (to be amortized over the life of debt)	1,067,992	
Issuance cost (to be amortized over life of debt)	839,341	
Compensated absences payable	<u>(4,178,659)</u>	
		<u>\$ (36,661,258)</u>

**Net assets of governmental activities** **\$ 454,198,975**

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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, 2011

	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>General Government Development Fee Fund</b>	<b>Fire Development Fee Fund</b>
<b>Revenues:</b>				
Taxes	\$ 34,586,033	\$ -	\$ -	\$ -
Licenses and permits	4,490,664	-	-	-
Intergovernmental	19,280,457	-	-	-
Charges for services	5,598,852	-	-	-
Grants	23,934	1,013,038	-	-
Fines	1,341,403	-	-	-
Rents	611,019	-	-	-
Development fees	-	-	455,045	539,652
Interest	134,664	122,522	-	1,031
Donations	427,556	-	-	-
Indirect charges	3,660,700	-	-	-
Other	1,527,307	322,306	13,576	2,285
Total revenues	<u>71,682,589</u>	<u>1,457,866</u>	<u>468,621</u>	<u>542,968</u>
<b>Expenditures:</b>				
Current				
General government	11,656,112	-	13,861	13,861
Public safety	34,163,956	-	-	63
Public works and streets	6,338,896	-	345	-
Community development	4,179,218	-	-	-
Culture and recreation	12,282,468	-	-	-
Capital outlay	150,097	3,168,506	-	45,947
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	22,640	23,759	128,947	14,407
Total expenditures	<u>68,793,387</u>	<u>3,192,265</u>	<u>143,153</u>	<u>74,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,889,202</u>	<u>(1,734,399)</u>	<u>325,468</u>	<u>468,690</u>
Other financing sources (uses):				
Transfers in	970,130	8,376,733	-	-
Transfers out	(7,835,239)	-	(665,121)	(121,193)
Total other financing sources (uses)	<u>(6,865,109)</u>	<u>8,376,733</u>	<u>(665,121)</u>	<u>(121,193)</u>
Net change in fund balances	<u>(3,975,907)</u>	<u>6,642,334</u>	<u>(339,653)</u>	<u>347,497</u>
Fund balances (deficits), beginning, as restated	<u>5,905,185</u>	<u>41,328,705</u>	<u>(43,368,814)</u>	<u>(7,421,080)</u>
Increase in inventories	100,994	-	-	-
Fund balances (deficits), ending	<u>\$ 2,030,272</u>	<u>\$ 47,971,039</u>	<u>\$ (43,708,467)</u>	<u>\$ (7,073,583)</u>

See accompanying notes to the financial statements.

<b>Highway User Revenue Fund</b>	<b>Transportation Improvement Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 1,569,724	\$ 3,289,683	\$ 39,445,440
-	-	-	4,490,664
5,347,825	982,593	132,210	25,743,085
6,000	-	103,700	5,708,552
-	-	1,973,678	3,010,650
-	-	485,724	1,827,127
-	-	-	611,019
-	-	1,500,148	2,494,845
13,921	16,055	176,303	464,496
-	-	1,681	429,237
-	-	-	3,660,700
27,575	128,155	26,430	2,047,634
<u>5,395,321</u>	<u>2,696,527</u>	<u>7,689,557</u>	<u>89,933,449</u>
-	245,619	143,876	12,073,329
-	-	804,387	34,968,406
5,545,933	1,181,192	2,359,615	15,425,981
-	29,516	594,237	4,802,971
-	-	91,330	12,373,798
49,409	1,584,446	1,187,706	6,186,111
-	-	2,328,300	2,328,300
-	-	1,708,399	1,898,152
<u>5,595,342</u>	<u>3,040,773</u>	<u>9,217,850</u>	<u>90,057,048</u>
<u>(200,021)</u>	<u>(344,246)</u>	<u>(1,528,293)</u>	<u>(123,599)</u>
-	-	3,354,458	12,701,321
<u>(2,071,800)</u>	-	<u>(1,061,150)</u>	<u>(11,754,503)</u>
<u>(2,071,800)</u>	-	<u>2,293,308</u>	<u>946,818</u>
<u>(2,271,821)</u>	<u>(344,246)</u>	<u>765,015</u>	<u>823,219</u>
<u>2,594,676</u>	<u>2,048,978</u>	<u>26,141,895</u>	<u>27,229,545</u>
<u>21,569</u>	-	-	<u>122,563</u>
<u>\$ 344,424</u>	<u>\$ 1,704,732</u>	<u>\$ 26,906,910</u>	<u>\$ 28,175,327</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, 2011

<b>Net change in fund balances, total governmental funds</b>		<b>\$ 823,219</b>
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditures for capitalized assets	\$ 6,103,178	
Less current year depreciation	<u>(23,850,701)</u>	(17,747,523)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.</p>		
Capital contributions	6,160,760	
Losses on disposals of assets	<u>(893,271)</u>	5,267,489
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		587,495
<p>Internal service funds are used by management to charge the costs of employee healthcare and risk management. The net revenue of certain activities of the internal services funds is reported in the Statement of Activities.</p>		
Change in net assets for the internal service funds (adjusted for interfund activity)	(156,760)	
Change in compensated absences already included below	<u>(702)</u>	(157,462)
<p>Inventories are recorded using the purchases method in the governmental funds and an adjustment is made to record inventory using the consumption method for the Statement of Activities.</p>		
Change in inventory		122,563
<p>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. These items are current finance resources or uses to governmental funds 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.</p>		
Debt incurred	(10,466)	
Principal repaid	2,828,967	
Issuance cost	(53,677)	
Issuance premium	91,429	
Refunding	<u>(112,422)</u>	2,743,831
<p>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.</p>		
Increase in compensated absences		<u>(847,425)</u>
<b>Change in net assets of governmental activities, statement of activities</b>		<b><u><u>\$ (9,207,813)</u></u></b>

See accompanying notes to the financial statements.



**City of Surprise, Arizona**

Statement of Net Assets

Proprietary Funds

June 30, 2011

**Business-Type Activities - Enterprise Funds**

Assets	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Sanitation Fund
<b>Current assets</b>			
Cash and investments	\$ 9,425,328	\$ 12,769,457	\$ 8,683,061
Restricted cash and investments	262,801	15,232,090	292,754
Receivables (net of allowances)			
Accounts	2,352,936	2,825,410	1,212,287
Other	25,421	305,428	26,284
Other assets	7,257	2,632	212
Inventory	-	775,822	-
Total current assets	<u>12,073,743</u>	<u>31,910,839</u>	<u>10,214,598</u>
<b>Noncurrent assets</b>			
Advances to other funds	-	14,831,531	-
Bond issuance cost, net of amortization	22,603	1,477,399	-
Capital assets	100,180,065	255,623,564	4,457,030
Accumulated depreciation	(8,805,173)	(33,262,993)	(2,327,911)
Total noncurrent assets	<u>91,397,495</u>	<u>238,669,501</u>	<u>2,129,119</u>
<b>Total assets</b>	<u>103,471,238</u>	<u>270,580,340</u>	<u>12,343,717</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	655,775	634,444	307,135
Accrued payroll and related taxes	37,744	52,414	37,975
Deposits	86,089	254,791	150,504
Deferred revenues	-	781,392	142,250
Insurance claims payable	-	-	-
Compensated absences payable	85,522	115,602	50,709
Contracts payable	97,205	7,298	-
Matured bond and loan interest payable	13,798	862,366	-
Matured bonds and loans payable	62,970	931,700	-
Bonds, loans and payables due in less than one year	64,229	980,100	-
Total current liabilities	<u>1,103,332</u>	<u>4,620,107</u>	<u>688,573</u>
<b>Noncurrent liabilities:</b>			
Contracts payable	79,507	310,137	-
Compensated absences payable, due in more than one year	108,846	147,130	64,539
Bonds, loans and payables due in more than one year	1,260,531	60,229,186	-
Total noncurrent liabilities	<u>1,448,884</u>	<u>60,686,453</u>	<u>64,539</u>
<b>Total liabilities</b>	<u>2,552,216</u>	<u>65,306,560</u>	<u>753,112</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	89,987,162	165,287,085	2,129,119
Restricted			
Sewer system repair and replacement	-	5,073,509	-
Debt service	-	1,534,177	-
Other	-	6,171	-
Unrestricted	10,931,860	33,372,838	9,461,486
Total net assets	<u>\$ 100,919,022</u>	<u>\$ 205,273,780</u>	<u>\$ 11,590,605</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.			
Total net assets of the business-type activities			

See accompanying notes to the financial statements.

		<b>Governmental Activities</b>	
<b>Total Enterprise Funds</b>		<b>Internal Service Funds</b>	
\$	30,877,846	\$	2,988,005
	15,787,645		-
	6,390,633		-
	357,133		119,991
	10,101		-
	775,822		-
	<u>54,199,180</u>		<u>3,107,996</u>
	14,831,531		-
	1,500,002		-
	360,260,659		-
	(44,396,077)		-
	<u>332,196,115</u>		<u>-</u>
	<u>386,395,295</u>		<u>3,107,996</u>
	1,597,354		49,814
	128,133		3,102
	491,384		-
	923,642		-
	-		1,139,588
	251,833		1,326
	104,503		-
	876,164		-
	994,670		-
	1,044,329		-
	<u>6,412,012</u>		<u>1,193,830</u>
	389,644		-
	320,515		1,688
	<u>61,489,717</u>		<u>-</u>
	<u>62,199,876</u>		<u>1,688</u>
	<u>68,611,888</u>		<u>1,195,518</u>
	257,403,366		-
	5,073,509		-
	1,534,177		-
	6,171		-
	<u>53,766,184</u>		<u>1,912,478</u>
\$	<u>317,783,407</u>	\$	<u>1,912,478</u>
	657,830		
\$	<u>318,441,237</u>		

**City of Surprise, Arizona**

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Fiscal Year Ended June 30, 2011

	<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	\$ 9,841,874	\$ 15,303,709	\$ 6,598,929
Other	28,346	12,296	-
Total operating revenues	<u>9,870,220</u>	<u>15,316,005</u>	<u>6,598,929</u>
<b>Operating Expenses:</b>			
Cost of sales and services	6,941,174	6,650,984	4,307,798
Indirect costs	1,453,900	1,349,000	857,800
Depreciation	2,381,536	6,305,168	431,416
Total operating expenses	<u>10,776,610</u>	<u>14,305,152</u>	<u>5,597,014</u>
Operating income (loss)	<u>(906,390)</u>	<u>1,010,853</u>	<u>1,001,915</u>
<b>Non-Operating Revenues (Expenses):</b>			
Development fees	516,861	1,586,629	-
Extension fees	-	25,360	-
Developer reimbursement	(104,772)	(3,156)	-
Interest revenue	67,546	420,827	64,210
Gain\Loss on disposal of capital assets	(280,508)	(2,737,283)	-
Amortization of bond issuance costs	(1,256)	(83,275)	-
Interest and fiscal charges	(5,471)	(2,909,595)	-
Other	48,090	353,648	41,393
Total non-operating revenues (expenses)	<u>240,490</u>	<u>(3,346,845)</u>	<u>105,603</u>
Income (loss) before contributions and transfers	<u>(665,900)</u>	<u>(2,335,992)</u>	<u>1,107,518</u>
Capital contributions	10,344,185	4,405,619	-
Transfers out	(304,820)	(610,971)	(31,027)
Changes in net assets	<u>9,373,465</u>	<u>1,458,656</u>	<u>1,076,491</u>
Net assets, beginning, as restated	<u>91,545,557</u>	<u>203,815,124</u>	<u>10,514,114</u>
Net assets, ending	<u>\$ 100,919,022</u>	<u>\$ 205,273,780</u>	<u>\$ 11,590,605</u>

Adjustment to reflect consolidation of internal service funds related to the enterprise fund.

Total change in net assets of the business-type activities

See accompanying notes to the financial statements.

	<b>Governmental Activities</b>	
	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
\$ 31,744,512	\$ 8,717,548	-
40,642		
<u>31,785,154</u>	<u>8,717,548</u>	
17,899,956	8,989,287	
3,660,700	-	
9,118,120	-	
<u>30,678,776</u>	<u>8,989,287</u>	
1,106,378	(271,739)	
2,103,490	-	
25,360	-	
(107,928)	-	
552,583	24,423	
(3,017,791)	11,532	
(84,531)	-	
(2,915,066)	-	
443,131	-	
<u>(3,000,752)</u>	<u>35,955</u>	
<u>(1,894,374)</u>	<u>(235,784)</u>	
14,749,804	-	
(946,818)	-	
<u>11,908,612</u>	<u>(235,784)</u>	
<u>305,874,795</u>	<u>2,148,262</u>	
<u>\$ 317,783,407</u>	<u>\$ 1,912,478</u>	
(79,024)		
<u>\$ 11,829,588</u>		

**City of Surprise, Arizona**  
Statement of Cash Flows  
Proprietary Funds  
Fiscal Year Ended June 30, 2011

	Business-Type Activities			Business-Type Activities	Governmental Activities Internal
	Water Fund	Sewer Fund	Sanitation Fund	Total	Service Funds
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 9,797,432	\$ 18,092,584	\$ 6,595,558	\$ 34,485,574	\$ 8,735,047
Cash paid to suppliers	(6,822,333)	(6,134,438)	(3,087,871)	(16,044,642)	(7,597,987)
Cash paid to employees	(2,400,610)	(2,917,892)	(2,073,623)	(7,392,125)	(214,010)
Other operating cash receipts	28,346	12,296	-	40,642	-
Net cash provided by operating activities	602,835	9,052,550	1,434,064	11,089,449	923,050
<b>Cash flows from capital and related financing activities</b>					
Proceeds received from development fees	516,861	1,586,629	-	2,103,490	-
Proceeds received from extension fees	-	25,360	-	25,360	-
Principal and interest paid on bonds, loans and payables	1,142,012	(3,816,529)	-	(2,674,517)	-
Sale/acquisitions of capital assets	(1,041,824)	(503,709)	(4,335)	(1,549,868)	11,532
Net cash provided by (used in) capital and related financing activities	617,049	(2,708,249)	(4,335)	(2,095,535)	11,532
<b>Cash flows from noncapital financing activities</b>					
Cash received from other funds	-	(1,767,474)	-	(1,767,474)	-
Cash paid to other funds	1,462,654	(14,338,411)	(31,027)	(12,906,784)	-
Net cash provided by (used in) noncapital financing activities	1,462,654	(16,105,885)	(31,027)	(14,674,258)	-
<b>Cash flows from investing activities</b>					
Sales of investments	583,853	8,832,700	561,401	9,977,954	-
Purchases of investments	-	(4,077,062)	-	(4,077,062)	-
Cash received from interest income	69,880	423,623	64,353	557,856	24,423
Net cash provided by investing activities	653,733	5,179,261	625,754	6,458,748	24,423
Net change in cash	3,336,271	(4,582,323)	2,024,456	778,404	959,005
Cash, beginning of year, as restated	6,351,858	25,224,950	6,951,359	38,528,167	2,029,000
Cash, end of year	\$ 9,688,129	\$ 20,642,627	\$ 8,975,815	\$ 39,306,571	\$ 2,988,005
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>					
Operating income(loss)	\$ (906,390)	\$ 1,010,853	\$ 1,001,915	\$ 1,106,378	\$ (271,739)
Adjustments to reconcile operating income/loss to net cash provided by (used in) operating activities:					
Depreciation expense	2,381,536	6,305,168	431,416	9,118,120	-
(Increase) decrease in assets:					
Accounts receivable	(34,102)	(207,942)	16,072	(225,972)	-
Other receivables	(23,894)	3,045,969	(26,151)	2,995,924	17,499
Other assets	(7,257)	(2,632)	(212)	(10,101)	-
Inventory	-	(314,612)	-	(314,612)	-
Increase (decrease) in liabilities:					
Accounts payable	(769,026)	(751,402)	25,166	(1,495,262)	45,722
Accrued payroll and related taxes	(71,810)	(72,703)	(44,131)	(188,644)	(7,318)
Deposits	20,811	48,255	31,283	100,349	-
Deferred revenue	-	(94,777)	(24,359)	(119,136)	-
Insurance claims payable	-	-	-	-	1,139,588
Compensated absences payable	32,613	88,022	23,065	143,700	(702)
Other liabilities	(19,646)	(1,649)	-	(21,295)	-
Total adjustments	1,509,225	8,041,697	432,149	9,983,071	1,194,789
Net cash provided by operating activities	\$ 602,835	\$ 9,052,550	\$ 1,434,064	\$ 11,089,449	\$ 923,050
<b>Noncash capital activities</b>					
Capital asset contributions from developers	\$ 10,147,697	\$ 4,373,308	\$ -	\$ 14,521,005	\$ -
Total	\$ 10,147,697	\$ 4,373,308	\$ -	\$ 14,521,005	\$ -
<b>Reconciliation to Statement of Net Assets</b>					
Cash and investments	\$ 9,425,328	\$ 12,769,457	\$ 8,683,061	\$ 30,877,846	\$ 2,988,005
Restricted cash and investments	262,801	15,232,090	292,754	15,787,645	-
Total cash and investments	\$ 9,688,129	\$ 28,001,547	\$ 8,975,815	\$ 46,665,491	\$ 2,988,005
Less investments	-	(7,358,920)	-	(7,358,920)	-
Total cash	\$ 9,688,129	\$ 20,642,627	\$ 8,975,815	\$ 39,306,571	\$ 2,988,005

See accompanying notes to the financial statements.

**City of Surprise, Arizona**  
Statement of Fiduciary Net Assets  
Pension Trust Fund  
June 30, 2011

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	<b>Volunteer Firefighters Pension and Relief Fund</b>
<b>Assets</b>	
Cash and investments	\$ 99,720
Total assets	99,720
<b>Net Assets Held in Trust for Pension Benefits</b>	
Net Assets	\$ 99,720

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, 2011

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	<b>Volunteer Firefighters Pension and Relief Fund</b>
<b>Additions</b>	
Interest	\$ 786
Total additions	786
<b>Net Assets, beginning of year</b>	98,934
<b>Net Assets, end of year</b>	<u>\$ 99,720</u>

See accompanying notes to the financial statements.



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

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

## NOTES TO FINANCIAL STATEMENTS

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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.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering a qualified opinion that the City of Surprise's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP, but for the unknown effect of transactions arising from developer agreements, development fee collection and disbursement, and contracts. The City has initiated a review going back to fiscal year 2000 of all developer agreements, development fee collection and disbursement, and contracts. After completing this review it is the City's intention to prepare a CAFR for fiscal year 2012 that receives an unqualified opinion.

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement changed the previous reporting of Reserved and Unreserved fund balance to five new classifications, which are Nonspendable, Restricted, Committed, Assigned and Unassigned. This statement also added additional note disclosures for the new classifications and refined the definitions of the various governmental fund types. As a result of implementing GASB Statement No. 54, two previously non-major special revenue funds were combined with the General Fund in the current year. See Note 15 for further details.

#### 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. The corporation is included as a blended component unit as it benefits the City exclusively.

*Various Street Lighting Improvement Districts* (SLIDs) are maintained by the City for developing areas, and the City's council is the board for the SLIDs. The SLID property tax assessment rates are approved by the City's council. The SLIDs are reported in a special revenue fund. The SLIDs are included as blended component units as the council acts as the board for each of the districts.

## NOTES TO FINANCIAL STATEMENTS

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

*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.

Separate financial statements of the component units are not prepared.

For the fiscal year ended June 30, 2011, 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.

### ***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.

## NOTES TO FINANCIAL STATEMENTS

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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 separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

### ***Governmental Funds***

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

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

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

The ***general government development fee capital projects 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 special revenue 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 revenue special revenue 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 capital projects fund***\* accounts for revenues and expenditures that are legally restricted to expenditures of existing roadway corridor improvements and the related costs of the construction of new roadways.

\* These funds have not met the criterion which mandates that they be reported separately as a major fund. However, the City has chosen to present these funds as major funds.

## NOTES TO FINANCIAL STATEMENTS

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### ***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 Principle 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 major proprietary funds of the City include:

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

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

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

In addition, the City reports the following fund types:

***Internal service funds*** are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The funds account for transactions of the City's internal insurance activities.

***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. DEPOSITS AND INVESTMENTS**

Cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less, including amounts on deposit with the Local Government Investment Pool and invested with the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona.

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

### **D. RESTRICTED ASSETS**

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

## NOTES TO FINANCIAL STATEMENTS

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### **E. RECEIVABLES AND PAYABLES**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Net assets/fund balances resulting from advances to other funds are shown as nonspendable or restricted amounts.

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. For the governmental funds inventories are reported using the purchases method, expenditures are incurred as inventory is purchased and an adjustment is made at year end directly to inventory and fund balance. For the proprietary funds and government wide statements inventories are reported using the consumption method, inventory is recorded when it is purchased and expensed as it is used. 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.

### **G. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, traffic signals and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City’s policy defines capital assets as assets with an initial individual cost greater than \$10,000 and an estimated useful life of two or more years. Assets contributed (donated) to those funds are recorded at estimated fair market value on date of receipt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Significant outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciated capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### **H. COMPENSATED ABSENCES**

Vested or accumulated Paid Time Off (PTO) leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated PTO leave that is not expected to be liquidated with expendable available financial resources is reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated PTO leave in proprietary funds and the government-wide statements is recorded as an expense and liability of those funds as the benefits accrue to employees. The internal service funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities schedule. For the governmental activities, the General Fund, Highway User Revenue Fund, and certain non major funds including the Neighborhood Revitalization Fund, SPD Towing Fund, Employee Healthcare Fund and the Risk Management Fund have been used in prior years to liquidate the compensated absences liability.

## NOTES TO FINANCIAL STATEMENTS

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### 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 costs 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 sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### J. FUND BALANCE

The governmental fund financial statements present ending resources as fund balance. Fund balance is categorized to help signify its availability.

Fund balance classifications necessary to meet the City's financial reporting requirements are completed in accordance with applicable statements from the Governmental Accounting Standards Board. The hierarchy from least spendable to most spendable fund balance is: nonspendable, restricted, committed, assigned and unassigned. When funds are available from multiple classifications of fund balance to meet the City's obligations, it is the City's policy to charge the least spendable fund balance available.

Nonspendable and restricted fund balances are determined solely by the nature of the fund balance itself. Committed fund balance represents amounts that have been constrained to a specific use by the formal action of the City's highest level of decision-making authority, the City Council. A majority vote of the City Council is necessary to establish, modify or rescind a fund balance commitment. Amounts that have been constrained by the City's intent to be used for a specific purpose but that are neither restricted nor committed, are reported as assigned fund balance. The City Council has designated the authority to assign amounts to be used for specific purposes to the Chief Financial Officer (CFO). Approval of the CFO is necessary to establish, modify or rescind an assignment of fund balance.

### K. MINIMUM FUND BALANCE

The minimum fund balance is not intended to be spent. The purpose of the minimum fund balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances. If the necessity arises to draw down fund balance below the minimum requirements that have been set, a plan to replenish the minimum fund balance will be presented to Council for approval.

The City has formally adopted a minimum fund balance policy for the General Fund and the Highway User Revenue Fund. The minimum fund balance is updated annually by calculating an average of budgeted personnel, supplies and services expenditures over a two month period. There is no affect on the presentation of fund balance on the face of the financial statements.

The City is not currently in compliance with its minimum fund balance policy. The City's minimum fund balance for the current year was set at \$13.1 million. At the end of the year the City had \$0.6 million available to meet the policy requirement. It is the City's intention to be in compliance with their minimum fund balance policy by the end of fiscal year 2014. The City plans on achieving this goal through a combination of a cost reduction strategy and projected increases in revenues due to an improving economy.

## NOTES TO FINANCIAL STATEMENTS

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### L. NET ASSETS

The government-wide and proprietary fund financial statements present ending resources as net assets. Net assets are categorized to help signify their availability.

*Invested in capital assets, net of related debt* includes all capital assets of the City both depreciable and non depreciable net of accumulated depreciation and outstanding debt balances attributable to the acquisition, construction or improvement of these assets. Net assets in this category represent infrastructure of the City and are not available to meet the City's needs.

*Restricted net assets* consists of amounts that have external restrictions imposed upon them by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Net assets in this category represent amounts that are not available to meet the City's needs as they have been promised for other purposes.

*Unrestricted net assets* represent amounts that have not been restricted for any project or other purpose. These amounts are available to meet any needs of the City. While unrestricted net assets are technically available to be spent by the City it is important to remember that the City has established financial policies that would prevent this. There are certain self imposed criteria, such as maintaining a minimum operating fund balance that would further reduce the amount the City is willing to spend.

### M. MINIMUM NET ASSETS

Minimum net assets are not intended to be spent. The purpose of the minimum net asset balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances.

Within the Sanitation, Sewer and Water Funds, net assets are to be maintained at an amount equal to the average budgeted personnel, supplies and services expenses over a two month period.

The Risk Management Fund will maintain net assets at an amount that, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed annually to recommend appropriate funding levels, which will be approved by the City Council.

The Employee Healthcare Fund will maintain net assets at a level which, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed annually to recommend appropriate funding levels, which will be reviewed by the Loss Trust Fund Board and approved by the City Council.

The City is in compliance with its established minimum net assets policy.

### N. PROPERTY TAX

A primary tax levy is limited to an increase of two percent over the previous year's maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year (Section 42-301, Arizona Revised Statutes). The two percent increase is based on the City's "maximum allowable levy" for the prior year.

Property taxes are recognized as revenues in the year they are levied and collected, or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end, or collected in advance of the year-end for which they are levied, are reported as deferred revenues.

## NOTES TO FINANCIAL STATEMENTS

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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.

### O. 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.

### P. INTERFUND TRANSACTIONS

Interfund services provided or used are accounted for as revenues, expenditures or expenses. All other interfund transactions are reported as transfers.

### Q. 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

Expenditure appropriations are adopted at the fund level with the exception of the General Fund which has been set at the department level. There were no instances in the current year where actual expenditures exceeded the appropriated amount.

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## NOTE 3 – CASH AND INVESTMENTS

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

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City's deposits was \$45,463,546 and the bank balance was \$47,952,152. At year end, \$30,500,854 of the City's deposits was covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance of \$17,451,298 is fully collateralized. The collateral is held in the pledging banks trust department in the name of the pledging bank.

**NOTES TO FINANCIAL STATEMENTS**

A reconciliation of the bank balance to the City’s deposit balance as of June 30, 2011 follows:

Total per bank balance	\$ 47,952,152
<i>Reconciling items:</i>	
Uncleared electronic payments	(928,652)
Outstanding checks	(1,827,873)
Deposits in transit	259,869
Cash on hand	8,050
	<u>45,463,546</u>
Less:	
Fiduciary fund	(99,720)
Total City deposits	<u>\$ 45,363,826</u>

The City’s investments consisted of the following as of June 30, 2011:

Investment Type	Fair Value	Investment Maturities		
		Less than 1 year	1-2 years	2-3 years
U.S. Government Securities	\$ 3,084,489	\$ -	\$ -	\$ 3,084,489
Government Sponsored Entity Debt	35,112,054	-	12,167,601	22,944,453
Money Market Mutual Funds	8,036,400	8,036,400	-	-
Local Government Investment Pool	22,323	22,323	-	-
Cash on deposit with the County Attorney	506,166	506,166	-	-
	<u>\$ 46,761,432</u>	<u>\$ 8,564,889</u>	<u>\$ 12,167,601</u>	<u>\$ 26,028,942</u>

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

Total cash and investments for the City as of June 30, 2011, are as follows:

City's deposits	\$ 45,363,826
City's investments	46,761,432
Total	<u>\$ 92,125,258</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. The City’s investments in securities included \$35,112,054 of government sponsored entity debt. At June 30, 2011, these investments were rated as AAA by Standard and Poor’s and as Aaa by Moody’s.

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

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

**NOTES TO FINANCIAL STATEMENTS**

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**Cash Reconciliation to Financial Statements**

The following reconciliations are provided to reconcile cash to the government wide and fund financial statements.

<u>Government-wide Financial Statements</u>	
Total cash and investments	\$ 67,226,429
Total restricted cash and investments	24,898,829
Subtotal	\$ 92,125,258
Government-wide total cash and investments	\$ 92,125,258
plus: Fiduciary Fund cash and cash equivalents	99,720
Total	\$ 92,224,978
<u>Fund Financial Statements</u>	
<i>Governmental Funds</i>	
Cash and investments	\$ 33,360,578
Restricted cash and investments	9,111,184
	42,471,762
<i>Enterprise Funds</i>	
Cash and investments	30,877,846
Restricted cash and investments	15,787,645
	46,665,491
<i>Internal Service Fund</i>	
Cash and investments	2,988,005
<i>Fiduciary Fund</i>	
Cash and investments	99,720
	99,720
Total	\$ 92,224,978

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**NOTE 4 – ACCOUNTS RECEIVABLE AND DEFERRED REVENUE**

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Amounts due from other governments, as reported in the Statement of Net Assets include \$1,522,838 in state shared sales tax, \$308,469 in auto lieu tax, \$1,059,096 in highway user tax and \$242,131 from other sources.

An allowance for doubtful accounts has been recorded for certain receivables:

Governmental Activities:

<u>Fund</u>	<u>Account Description</u>	<u>Gross Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
General Fund	Accounts	\$ 8,350,927	\$ (7,958,357)	\$ 392,570
General Fund	Taxes and franchise fees	6,657,592	(776,488)	5,881,104

Business-Type Activities:

<u>Fund</u>	<u>Account Description</u>	<u>Gross Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Sewer Fund	Accounts	\$ 2,847,173	\$ (21,763)	\$ 2,825,410

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**NOTES TO FINANCIAL STATEMENTS**

Deferred revenue reported in the governmental funds for the year ended June 30, 2011 is as follows:

CAFR Fund Name	Deferred Revenues	
	Unearned	Unavailable
General Fund	\$ 47,375	\$ 1,331,535
General Government Development Fee Fund	70,734	-
Fire Development Fee Fund	88,238	-
Highway User Revenue Fund	83,173	-
Transportation Improvement Fund	66,809	-
Non-major Governmental Funds	914,355	16,232
	<u>\$ 1,270,684</u>	<u>\$ 1,347,767</u>

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011, was as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Not being depreciated:				
Land and land improvements	\$ 32,927,611	\$ -	\$ -	\$ 32,927,611
Parks	9,603,490	-	-	9,603,490
Construction in process	12,985,100	4,092,905	(11,247,379)	5,830,626
Total Not Being Depreciated	<u>55,516,201</u>	<u>4,092,905</u>	<u>(11,247,379)</u>	<u>48,361,727</u>
Other capital assets:				
Buildings and improvements	187,699,838	3,435,379	-	191,135,217
Improvements other than buildings	9,784,441	-	-	9,784,441
Equipment and vehicles	37,146,295	2,340,543	(292,003)	39,194,835
Infrastructure	335,651,029	12,857,051	-	348,508,080
Total Other Capital Assets	<u>570,281,603</u>	<u>18,632,973</u>	<u>(292,003)</u>	<u>588,622,573</u>
Total Assets before Depreciation	<u>625,797,804</u>	<u>22,725,878</u>	<u>(11,539,382)</u>	<u>636,984,300</u>
Accumulated depreciation:				
Building and improvements	(25,108,478)	(6,219,214)	-	(31,327,692)
Improvements other than buildings	(417,335)	(387,465)	-	(804,800)
Equipment and vehicles	(19,011,144)	(4,109,368)	184,171	(22,936,341)
Infrastructure	(108,701,336)	(13,134,654)	-	(121,835,990)
Total Accumulated Depreciation	<u>(153,238,293)</u>	<u>(23,850,701)</u>	<u>184,171</u>	<u>(176,904,823)</u>
Net Capital Assets - Governmental Activities	<u>\$ 472,559,511</u>	<u>\$ (1,124,823)</u>	<u>\$ (11,355,211)</u>	<u>\$ 460,079,477</u>

Depreciation was charged by function as follows:

General government	\$ 3,674,733
Public safety	3,489,543
Public works and streets, includes depreciation for infrastructure	13,931,070
Community development	20,203
Culture and recreation	2,735,152
Total governmental activities depreciation expense	<u>\$ 23,850,701</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	\$ 4,874,951	\$ 500	\$ -	\$ 4,875,451
Water Rights	4,034,817	912,573	-	4,947,390
Construction in progress	30,477,064	3,167,843	(33,452,022)	192,885
Total Not Being Depreciated	<u>39,386,832</u>	<u>4,080,916</u>	<u>(33,452,022)</u>	<u>10,015,726</u>
Other capital assets:				
Buildings and system	299,724,589	42,384,649	-	342,109,238
Vehicles and equipment	8,110,748	34,322	(9,375)	8,135,695
Total Other Capital Assets	<u>307,835,337</u>	<u>42,418,971</u>	<u>(9,375)</u>	<u>350,244,933</u>
 Total Assets before Depreciation	 <u>347,222,169</u>	 <u>46,499,887</u>	 <u>(33,461,397)</u>	 <u>360,260,659</u>
Accumulated depreciation:				
Buildings and system	(32,080,797)	(8,826,058)	-	(40,906,855)
Vehicles and equipment	(3,198,098)	(292,062)	938	(3,489,222)
Total Accumulated Depreciation	<u>(35,278,895)</u>	<u>(9,118,120)</u>	<u>938</u>	<u>(44,396,077)</u>
 Net Capital Assets - Business Activities	 <u>\$ 311,943,274</u>	 <u>\$ 37,381,767</u>	 <u>\$ (33,460,459)</u>	 <u>\$ 315,864,582</u>

Depreciation was charged by function as follows:

Water	\$ 2,381,536
Sewer	6,305,168
Sanitaton	<u>431,416</u>
 Total depreciation expense	 <u>\$ 9,118,120</u>

During the current fiscal year, the Water Fund and the Sewer Fund capitalized net interest costs of \$24,987 and \$56,288, respectively. Total interest expense in Water Fund and the Sewer Fund before capitalization was \$30,458 and \$2,965,883, respectively.

**NOTE 6 - DEVELOPER AGREEMENTS**

The City of Surprise has entered into agreements with developers for infrastructure related to commercial and residential development. The developers construct the infrastructure and convey the assets to the City. Based on the terms of the agreements, over a specified period of time, the City then pays the developers for the infrastructure with collections of impact fees, up to the maximum amount per the agreement. These agreements are not currently recognized until requirements are met to reimburse the developer. If the term of the agreement expires before the maximum amount has been repaid, the City has no further obligation to continue making payments under the agreement.

Development agreements related to water system infrastructure will be reimbursed using water system impact fees and water resource impact fee. Total water system infrastructure value conveyed is \$32,548,855. Depending on the terms of the specific agreement, this value is eligible for reimbursement between the next four to twenty two years. Once the agreement expires, water system and water resource impact fees are no longer eligible for developer payment. As of June 30, 2011, the amount the City has reimbursed is \$11,370,577, leaving a potential remaining balance of \$21,178,278.

## NOTES TO FINANCIAL STATEMENTS

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Development agreements related to wastewater system infrastructure will be reimbursed using wastewater system impact fees. Total wastewater system infrastructure value conveyed is \$451,521. Depending on the terms of the specific agreement, this value is eligible for reimbursement over the next eight years. Once the agreement expires, wastewater system impact fees are no longer eligible for developer payment. As of June 30, 2011, the amount the City has reimbursed is \$38,512 leaving a potential remaining balance of \$413,009.

Development agreements related to parks will be reimbursed using park impact fees. Total infrastructure value conveyed is \$4,500,000. This value is eligible for reimbursement over the next six years. Once the agreement expires, park impact fees are no longer eligible for developer payment. As of June 30, 2011, the amount the City has reimbursed is \$91,776, leaving a potential remaining balance of \$4,408,224.

Development agreements related to transportation will be reimbursed using a portion of sales tax collections. Total infrastructure value conveyed is \$4,729,189. Depending on the terms of the specific agreement, this value is eligible for reimbursement over the next seven to eight years. Once the agreements expire, sales tax collections are no longer eligible for developer payment. As of June 30, 2011, the amount the City has reimbursed is \$337,265, leaving a potential remaining balance of \$4,391,924.

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 7 – CONSTRUCTION COMMITMENTS

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City of Surprise has active construction projects as of June 30, 2011. At year end, the City commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Traffic Signal Master Computer	\$ 433,500	\$ 61,500
Fiber Optics-Greenway Road (Grand to Cotton Ln)	244,987	5,000
Paving Settlement West of 219th Avenue	261,331	4,134
Fiber Optics-Peoria Ave (Litchfield to Jackrabbit)	173,792	7,241
Bell Road Sidewalks East of Grand	81,370	93,293
Dove Valley Parkway 163rd-179th	52,649	96,552
SPA 1 Recharge Wells at South Plant	188,369	232,923
Disinfection Byproduct Reduction	12,297	138,809
Total	<u>\$ 1,448,295</u>	<u>\$ 639,452</u>

The Traffic Signal Master Computer, Fiber Optics – Greenway Road (Grand to Cotton Ln) and Fiber optics – Peoria Ave (Litchfield to Jackrabbit) are financed by the public works expansion development fee fund. The Paving Settlement West of 219<sup>th</sup> Avenue, Bell Road Sidewalks East of Grand and Dove Valley Parkway 163<sup>rd</sup> – 179<sup>th</sup> are financed by the general capital projects fund. The SPA 1 Recharge Wells at South Plant and the Disinfection Byproduct Reduction are financed by the sewer fund.

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 8 - LONG-TERM DEBT & OTHER PAYABLES**

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#### **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 issuance statement requires excise tax revenues to be maintained at 2.5 times the debt service requirement payable. The coverage ratio (revenues to debt service payable) is 12.3. Principal and interest payable next year and total excise tax revenues collected for the current year were \$4,824,476 and \$59,263,647, 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 have been met by the City. Principal and interest payable next year and system net revenues for the current year were \$2,397,688 and \$10,290,557, respectively. Of the total net revenues \$1,586,629 are impact fee revenues that have been specifically designated for debt service payments per the bond issuance statement. The remaining \$8,703,928 represents net revenues from wastewater operations during the year and is available to meet debt service payment obligations.

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.

#### **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 started in fiscal year 2011.

## NOTES TO FINANCIAL STATEMENTS

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Long-term debt as of June 30, 2011 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>\$ 24,489,225</u>
Total MPC Bonds Outstanding	<u>24,489,225</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.	1,200,000
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.	3,555,000
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>3,180,000</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>7,935,000</u>
Total Long-Term Debt payable Recorded in Governmental Activities	<u><u>\$ 32,424,225</u></u>

## NOTES TO FINANCIAL STATEMENTS

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

	Long-Term Debt Outstanding
<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 30.25 percentage of this issue pertains to business-type activities.	\$ 10,620,775
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 April 1, 2032; interest at 4.25 percent to 4.90 percent. Original issue amount \$50,675,000.	<u>50,675,000</u>
Total MPC Bonds Outstanding	<u>61,295,775</u>
<b>Water Infrastructure and Finance Authority Loan</b>	
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.	<u>1,324,760</u>
Total Water Infrastructure and Finance Authority Loans Outstanding	<u>1,324,760</u>
Total Bonds payable Recorded in Business-type Activities	<u>62,620,535</u>
Total Long-Term Bonds Payable	<u><u>\$ 95,044,760</u></u>

## NOTES TO FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2011:

	<b>Beginning Balance, as Restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
General municipal property corporation fund obligation					
Series 2003 Bonds, \$29,894,850 (\$42,860,000 issued)	\$ 26,637,525	\$ -	\$ (2,148,300)	\$ 24,489,225	\$ 2,259,900
	<u>26,637,525</u>	<u>-</u>	<u>(2,148,300)</u>	<u>24,489,225</u>	<u>2,259,900</u>
Deferred amounts					
For issuance premium 2003	959,998	-	(91,429)	868,569	-
On refunding 2003	(1,180,414)	-	112,422	(1,067,992)	-
	<u>(220,416)</u>	<u>-</u>	<u>20,993</u>	<u>(199,423)</u>	<u>-</u>
Community Facilities Districts					
Series 2006 Bonds, \$1,365,000 issued	1,235,000	-	(35,000)	1,200,000	35,000
Series 2007 Bonds, \$3,950,000 issued	3,640,000	-	(85,000)	3,555,000	90,000
Series 2008 Bonds, \$3,395,000 issued	3,240,000	-	(60,000)	3,180,000	65,000
	<u>8,115,000</u>	<u>-</u>	<u>(180,000)</u>	<u>7,935,000</u>	<u>190,000</u>
Total governmental obligation bonds	<u>34,532,109</u>	<u>-</u>	<u>(2,307,307)</u>	<u>32,224,802</u>	<u>2,449,900</u>
Compensated absences	3,331,234	3,764,102	(2,916,677)	4,178,659	1,838,610
Contracts and developer payable	1,961,984	10,466	(779,018)	1,193,432	96,294
Total governmental activities debt	<u>\$ 39,825,327</u>	<u>\$ 3,774,568</u>	<u>\$ (6,003,002)</u>	<u>\$ 37,596,893</u>	<u>\$ 4,384,804</u>
	<b>Beginning Balance, as Restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Business-Type activities:</b>					
General municipal property corporation fund obligation					
Series 2003 Bonds, \$12,965,150 (\$42,860,000 issued)	\$ 11,552,475	\$ -	\$ (931,700)	\$ 10,620,775	\$ 980,100
Series 2007 Bonds, \$50,675,000 issued	50,675,000	-	-	50,675,000	-
	<u>62,227,475</u>	<u>-</u>	<u>(931,700)</u>	<u>61,295,775</u>	<u>980,100</u>
Deferred amounts					
For issuance premium 2003	416,343	-	(39,652)	376,691	-
On refunding 2003	(511,936)	-	48,756	(463,180)	-
	<u>(95,593)</u>	<u>-</u>	<u>9,104</u>	<u>(86,489)</u>	<u>-</u>
Total governmental obligation bonds	<u>62,131,882</u>	<u>-</u>	<u>(922,596)</u>	<u>61,209,286</u>	<u>980,100</u>
Notes payable					
2.00% Loan-Water Infrastructure and Finance Authority, \$1,500,000 issued*	192,310	1,195,420	(62,970)	1,324,760	64,229
Compensated absences	428,648	572,599	(428,899)	572,348	251,833
Contracts and developer payable	628,674	98,331	(232,858)	494,147	104,503
Total business-type activities debt	<u>\$ 63,381,514</u>	<u>\$ 1,866,350</u>	<u>\$ (1,647,323)</u>	<u>\$ 63,600,541</u>	<u>\$ 1,400,665</u>

\* The beginning balance does not tie to the prior year's ending balance as only \$192,310 of the available \$1,500,000 had been spent as of June 30, 2010.

**NOTES TO FINANCIAL STATEMENTS**

The following is a summary of debt service requirements for the year ended June 30, 2011. 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		
2012	\$ 2,259,900	\$ 1,105,172	\$ 35,000	\$ 62,212	\$ 90,000	\$ 209,600	\$ 65,000	\$ 211,832	\$ 2,449,900	\$ 1,588,816		
2013	2,333,138	1,026,076	35,000	60,516	100,000	205,236	65,000	208,744	2,533,138	1,500,572		
2014	2,451,713	909,419	40,000	58,818	100,000	200,236	70,000	205,496	2,661,713	1,373,969		
2015	2,566,800	786,833	40,000	56,878	105,000	195,136	75,000	201,856	2,786,800	1,240,703		
2016	2,702,813	658,493	45,000	54,938	110,000	189,675	75,000	197,804	2,932,813	1,100,910		
2017-2021	12,174,861	1,299,915	255,000	238,560	645,000	849,084	465,000	914,802	13,539,861	3,302,361		
2022-2026	-	-	325,000	165,232	870,000	630,476	635,000	743,053	1,830,000	1,538,761		
2027-2031	-	-	425,000	70,228	1,160,000	334,888	885,000	489,650	2,470,000	894,766		
2032-2034	-	-	-	-	375,000	22,876	845,000	103,250	1,220,000	126,126		
Total	\$ 24,489,225	\$ 5,785,908	\$ 1,200,000	\$ 767,382	\$ 3,555,000	\$ 2,837,207	\$ 3,180,000	\$ 3,276,487	\$ 32,424,225	\$ 12,666,984		

Year Ended June 30	Business-Type Activities							
	2000 - 2003 MPC		2007 MPC		WIFA Loan*		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 980,100	\$ 479,304	\$ -	\$ 2,397,688	\$ 64,229	\$ 26,495	\$ 1,044,329	\$ 2,903,486
2013	1,011,864	445,000	-	2,397,688	65,514	25,211	1,077,378	2,867,899
2014	1,063,288	394,407	4,675,000	2,397,688	66,824	23,900	5,805,112	2,815,995
2015	1,113,200	341,243	-	2,199,000	68,161	22,564	1,181,361	2,562,807
2016	1,172,188	285,583	-	2,199,000	69,524	21,201	1,241,712	2,505,784
2017-2021	5,280,135	563,763	6,500,000	9,825,000	369,040	84,582	12,149,175	10,473,345
2022-2026	-	-	14,500,000	6,806,500	407,450	46,172	14,907,450	6,852,672
2027-2031	-	-	-	6,125,000	214,018	7,619	214,018	6,132,619
2032-2034	-	-	25,000,000	1,225,000	-	-	25,000,000	1,225,000
Total	\$ 10,620,775	\$ 2,509,300	\$ 50,675,000	\$ 35,572,563	\$ 1,324,760	\$ 257,744	\$ 62,620,535	\$ 38,339,607

\* Water Infrastructure and Finance Authority

**NOTES TO FINANCIAL STATEMENTS**

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**Contracts Payable**

*General Government Activities*

A balance of \$1,193,432 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 \$494,147 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, 2011:

General Obligation Bonds Subject to 20% Limitation		General Obligation Bonds Subject to 6% Limitation	
20% Constitutional Limit	\$ 225,808,214	6% Constitutional Limit	\$ 67,742,464
Less General Obligation 20% Bonds Outstanding	-	Less General Obligation 6% Bonds Outstanding	-
Available 20% Limitation Borrowing Capacity	\$ 225,808,214	Available 6% Limitation Borrowing Capacity	\$ 67,742,464

**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, 2011 was \$101,584.

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

Year Ending June 30:	
2012	\$ 37,405
2013	25,300
2014	2,068
Total minimum payments required	\$ 64,773

## NOTES TO FINANCIAL STATEMENTS

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### 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 \$5,108,325 (cost of \$7,132,569 less accumulated depreciation of \$2,024,244). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2011 were \$259,032.

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## NOTE 9 - 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**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, 2011, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent for retirement and 0.25 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 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium and 0.25 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>
2011	\$ 2,477,910	\$ 162,260	\$ 68,754
2010	2,487,834	196,879	119,321
2009	2,461,507	295,751	154,037

*Agent plans* – For the year ended June 30, 2011, 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 10.16 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.80 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 9.72 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.58 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 17.66 percent of the members’ annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.77 percent of covered payroll.

*Actuarial methods and assumptions* – The contribution requirements for the year ended June 30, 2011 were established by the June 30, 2009 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.

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 2011 contribution requirements, are as follows:

**NOTES TO FINANCIAL STATEMENTS**

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	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS; 5.00% for EORP
includes inflation at	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, 2011, and related information follows:

	PSPRS – Police		PSPRS – Fire		EORP	
	Pension	Health	Pension	Health	Pension	Health
		Insurance		Insurance		Insurance
Annual pension/ OPEB cost	\$1,179,782	\$ 79,114	\$ 949,349	\$ 51,976	\$ 36,311	\$ 9,181
Contributions made	1,179,782	79,114	949,349	51,976	36,311	9,181

**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	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
	30-Jun			
<b>PSPRS – Police</b>				
Pension	2011	\$1,179,782	100%	-0-
Health Insurance	2011	79,114	100%	-0-
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-
<b>PSPRS – Fire</b>				
Pension	2011	949,349	100%	-0-
Health Insurance	2011	51,976	100%	-0-
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-
<b>EORP</b>				
Pension	2011	36,311	100%	-0-
Health Insurance	2011	9,181	100%	-0-
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-

**NOTES TO FINANCIAL STATEMENTS**

**Funded Status** – The funded status of the plans as of the most recent valuation date, June 30, 2011, 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	Insurance	Pension	Insurance
Actuarial accrued liability (a)	\$23,822,110	\$838,416	\$21,611,279	\$570,118
Actuarial value of assets (b)	18,635,939	-0-	18,264,589	-0-
Unfunded actuarial accrued	5,186,171	838,416	3,346,690	570,118
Funded ratio (b) / (a)	78.20%	0.00%	84.50%	0.00%
Covered payroll (c)	8,796,527	8,796,527	8,001,344	8,001,344
Unfunded actuarial accrued	59.00%	9.53%	41.80%	7.13

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	5.00% - 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 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.

## NOTES TO FINANCIAL STATEMENTS

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### *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 10 - RISK MANAGEMENT

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### *Risk Management Fund*

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

The limit for basic coverage is \$2 million per occurrence, \$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 loss has not exceeded its coverage in any of the last three years, and the deductible portion has not been material to the City's financial position.

**NOTES TO FINANCIAL STATEMENTS**

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***Employee Healthcare Fund***

The City has established the Employee Healthcare Fund to account for the costs of claims incurred by the City through a self insurance program. The City is self insured for individual health claims up \$100,000. Commercial stop loss insurance is in place for claims in excess of the individual limit as well as aggregate insurance for claims in excess of 110% of the City’s total actuarially projected claims.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$717,000 of the total claims payable reported. The remaining \$422,588 is made up of outstanding claims at year end. The City’s loss has not exceeded its coverage over the last year. The City’s self insurance program was initiated during the current fiscal year. As such, only one year of data is presented.

As of June 30, 2011, unpaid claims were as follows:

	Employee Healthcare Fund
Unpaid claims - July 1, 2010	\$ -
Claims incurred	8,659,137
Payments made	(7,519,549)
Unpaid claims - June 30, 2011	<u>\$ 1,139,588</u>

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**NOTE 11 - CONTINGENT LIABILITIES**

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The City was not involved in any pending or threatened litigation that could materially affect the City’s financial position and results of operations at June 30, 2011.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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**NOTE 12 - INTERFUND BORROWING AND TRANSFERS**

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As of June 30, 2011, interfund balances were as follows:

**Due to/from other funds:**

Due from	Due to General Fund
Highway User Revenue Fund	\$ 372,341
Non-major Governmental Funds	509,954
Total	<u>\$ 882,295</u>

At year end, several funds had negative cash balances in the pooled cash account. Short-term negative cash balances were eliminated by interfund borrowing with other funds and are expected to be paid within one year.

**NOTES TO FINANCIAL STATEMENTS**

**Advances to/from other funds:**

Advances to	Advances from		
	General Capital Projects Fund	Sewer Fund	Total
General Fund	\$ 3,435,648	\$ -	\$ 3,435,648
General Government Development Fee Fund	36,019,204	7,689,263	43,708,467
Fire Development Fee Fund	-	7,142,268	7,142,268
Total	<u>\$ 39,454,852</u>	<u>\$ 14,831,531</u>	<u>\$ 54,286,383</u>

As of June 30, 2011, the City had several long-term loans outstanding related to expenditures for projects to be funded by impact fees. These loans will be repaid as impact fees are collected in future years.

**Interfund transfers:**

Transfers out	Transfers in			
	General Fund	General Capital Projects Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 6,304,933	\$ 1,530,306	\$ 7,835,239
General Government Development Fee Fund	-	-	665,121	665,121
Fire Development Fee Fund	-	-	121,193	121,193
Highway User Revenue Fund	-	2,071,800	-	2,071,800
Non-major Governmental Funds	23,312	-	1,037,838	1,061,150
Water Fund	304,820	-	-	304,820
Sewer Fund	610,971	-	-	610,971
Sanitation Fund	31,027	-	-	31,027
Total	<u>\$ 970,130</u>	<u>\$ 8,376,733</u>	<u>\$ 3,354,458</u>	<u>\$ 12,701,321</u>

Transfers between funds were used to (1) record franchise fees payments in lieu of taxes related to enterprise funds, (2) move balances in the General Fund and Highway User Revenue Fund related to Vehicle Replacement to the General Capital Projects Fund, (3) close out funds that will no longer be used, and (4) record other operational transfers during the year.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – FUND BALANCE CLASSIFICATION

Fund balance classifications:

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Fire Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total
Fund balances								
Nonspendable:								
Prepays	\$ 85,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,147
Inventory	242,273	-	-	-	125,744	-	-	368,017
Restricted:								
Public works	-	-	-	-	-	-	9,486,007	9,486,007
Parks and recreation	-	-	-	-	-	-	4,533,817	4,533,817
Library	-	-	-	-	-	-	4,251,467	4,251,467
Debt service	-	-	-	-	-	-	3,810,266	3,810,266
Transportation	-	-	-	-	-	418,419	2,123,809	2,542,228
Police	-	-	-	-	-	-	1,989,480	1,989,480
Court	-	-	-	-	-	-	461,406	461,406
Contractual obligations	129,117	-	-	-	-	-	-	129,117
Fire	-	-	-	68,685	-	-	-	68,685
Other	-	-	-	-	-	-	7,714	7,714
Committed:								
Vehicle replacement	-	6,601,998	-	-	-	-	-	6,601,998
Transportation	-	-	-	-	-	949,451	-	949,451
Tourism	-	-	-	-	-	-	215,630	215,630
Assigned:								
Development agreements	978,000	-	-	-	-	-	-	978,000
Parks and recreation	356,202	-	-	-	-	-	-	356,202
Transportation	-	-	-	-	218,680	336,862	-	555,542
Construction projects	-	41,369,041	-	-	-	-	-	41,369,041
Other	-	-	-	-	-	-	27,314	27,314
Unassigned:								
Unassigned or negative fund balance	239,533	-	(43,708,467)	(7,142,268)	-	-	-	(50,611,202)
<b>Total</b>	<b>\$ 2,030,272</b>	<b>\$ 47,971,039</b>	<b>\$ (43,708,467)</b>	<b>\$ (7,073,583)</b>	<b>\$ 344,424</b>	<b>\$ 1,704,732</b>	<b>\$ 26,906,910</b>	<b>\$ 28,175,327</b>

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 14 – DEFICIT FUND BALANCES**

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As of June 30, 2011, the following individual major and nonmajor governmental funds reported deficits in fund balances:

	<u>Deficit</u>
Major Funds:	
General Government Development Fee Fund	\$ 43,708,467
Fire Development Fee Fund	7,073,583
Nonmajor Proprietary Funds:	
Employee Healthcare Fund	\$ 42,782

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

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**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

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The July 1, 2010 fund balance/net assets for the General Fund, General Capital Projects Fund, General Government Development Fee Fund, Fire Development Fee Fund, Highway User Revenue Fund, Transportation Improvement Fund, Nonmajor Governmental Funds, Water Fund, Sewer Fund and Sanitation Fund do not agree to the prior year financial statements due to the correction of errors as well as changes in accounting presentation. In addition, the July 1, 2010 net assets for the governmental activities and business-type activities on the Statement of Activities do not agree to the prior year financial statements due to the correction of errors as well as changes in accounting presentation.

**NOTES TO FINANCIAL STATEMENTS**

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

	Governmental Funds							
	Governmental Activities	General						Non-major Governmental Funds
		General Fund	General Capital Projects Fund	Government Development Fee Fund	Fire Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	
Net assets/fund balance, June 30, 2010, as previously reported	\$ 469,922,098	\$ 15,220,010	\$ 36,330,351	\$ (39,334,954)	\$ (8,270,888)	\$ 2,490,501	\$ 2,028,978	\$ 24,921,191
Corrections of errors:								
Project expenditures not recorded correctly (A)	-	(99,850)	378,845	-	(278,995)	-	-	-
Intergovernmental agreement not recorded correctly (B)	(687,796)	(1,029,512)	-	-	-	-	-	341,716
Development agreements not recorded correctly (C)	602,940	34,806	-	52,694	65,678	-	20,000	78,893
Capital assets not recorded correctly (D)	(3,643,112)	-	-	-	-	-	-	-
Receivables and allowance for doubtful accounts not previously recorded (F)	(255,360)	(788,300)	-	-	-	-	-	-
Adjustment to 2000-03 debt allocation (G)	(2,238,734)	(11,406,645)	4,619,509	(4,086,554)	702,066	-	-	7,932,890
Inventory not previously recorded (H)	245,454	141,279	-	-	-	104,175	-	-
Revenues and expenditures not previously recorded (I)	(552,708)	196,315	-	-	(36,023)	-	-	23,854
Interfund loan not previously recorded (J)	-	2,610,300	-	-	397,082	-	-	(3,007,382)
Total adjustments due to correction of errors	(6,529,316)	(10,341,607)	4,998,354	(4,033,860)	849,808	104,175	20,000	5,369,971
Change in accounting principle:								
Implementation of GASB 54 (K)	-	1,026,782	-	-	-	-	-	(1,026,782)
Change in debt service payments (L)	14,006	-	-	-	-	-	-	(3,122,485)
Total adjustments due to change in accounting presentation	14,006	1,026,782	-	-	-	-	-	(4,149,267)
Total adjustments	(6,515,310)	(9,314,825)	4,998,354	(4,033,860)	849,808	104,175	20,000	1,220,704
Net assets/fund balance, July 1, 2010, as restated	\$ 463,406,788	\$ 5,905,185	\$ 41,328,705	\$ (43,368,814)	\$ (7,421,080)	\$ 2,594,676	\$ 2,048,978	\$ 26,141,895

**NOTES TO FINANCIAL STATEMENTS**

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

	Proprietary Funds			Sanitation Fund
	Business-Type Activities	Water Fund	Sewer Fund	
Net assets, June 30, 2010, as previously reported	\$ 305,138,003	\$ 94,693,072	\$ 200,161,486	\$ 10,283,445
Corrections of errors:				
Intergovernmental agreement not recorded correctly (B)	760,326	410,945	349,381	-
Development agreements not recorded correctly (C)	40,442	-	40,442	-
Capital assets not recorded correctly (D)	(4,138,448)	(4,138,448)	-	-
Utility billings not recorded correctly (E)	1,313,126	581,243	501,214	230,669
Adjustment to 2000-03 debt allocation (G)	2,238,734	-	2,238,734	-
Inventory not previously recorded (H)	461,210	-	461,210	-
Revenues and expenditures not previously recorded (I)	736,854	-	-	-
Total adjustments due to correction of errors	1,412,244	(3,146,260)	3,590,981	230,669
Change in accounting principle:				
Change in debt service payments (L)	61,402	(1,255)	62,657	-
Total adjustments due to change in accounting presentation	61,402	(1,255)	62,657	-
Total adjustments	1,473,646	(3,147,515)	3,653,638	230,669
Net assets, July 1, 2010, as restated	\$ 306,611,649	\$ 91,545,557	\$ 203,815,124	\$ 10,514,114

## NOTES TO FINANCIAL STATEMENTS

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

**A. RESTATE EXPENDITURES IN THE GENERAL FUND, GENERAL CAPITAL PROJECTS FUND AND THE FIRE DEVELOPMENT FEE FUND.**

The July 1, 2010 fund balances of the General Fund, General Capital Projects Fund and the Fire Development Fee Fund do not agree to the prior year financial statements due to corrections. During fiscal years 2003 through 2010, \$378,845 of expenditures were charged to the General Capital Projects Fund that should have been charged to the Fire Development Fee Fund. Additionally, \$99,850 of expenditures that were charged to the Fire Development Fee Fund should have been charged to the General Fund. In fiscal year 2011, the beginning fund balances of the General Capital Projects Fund increased by \$378,845 while beginning fund balance of the General Fund and the Fire Development Fee Fund decreased by \$99,850 and \$278,995, respectively.

**B. RESTATE EXPENDITURES/EXPENSES, REVENUES AND RECEIVABLES IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, GENERAL FUND, WATER FUND, SEWER FUND AND A NONMAJOR GOVERNMENTAL FUND.**

The July 1, 2010 net assets/fund balances of the governmental activities, business-type activities, General Fund, Water Fund, Sewer Fund and the Roads of Regional Significance SPA 2, 4 and 6 Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to corrections. During fiscal years 2005 through 2009, expenditures, revenues and receivables were not recorded pursuant to an intergovernmental agreement. In fiscal year 2011, the beginning fund balance/net assets of the governmental activities and the General Fund decreased by \$687,796, \$1,029,512, respectively, while beginning fund balance/net assets of the business-type activities, Water Fund, Sewer Fund and the Roads of Regional Significance SPA 2, 4 and 6 Fund (a nonmajor governmental fund) increased by \$760,326, \$410,945, \$349,381, and \$341,716, respectively.

**C. RESTATE EXPENDITURES/EXPENSES, REVENUES, ASSETS AND LIABILITIES IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, GENERAL FUND, GENERAL GOVERNMENT DEVELOPMENT FEE FUND, FIRE DEVELOPMENT FEE FUND, TRANSPORTATION IMPROVEMENT FUND, SEWER FUND, AND NONMAJOR GOVERNMENTAL FUNDS.**

The July 1, 2010 net assets/fund balances of the governmental activities, business-type activities, General Fund, General Government Development Fee Fund, Fire Development Fee Fund, Transportation Improvement Fund, Sewer Fund, Police Development Fee Fund (a nonmajor governmental fund) and the Public Works Development Fee Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to corrections. In fiscal year 2010, a liability was recorded at an incorrect amount. Additionally, revenue was recorded for a receivable which should have been deferred. In fiscal year 2011, the beginning net assets/fund balances of the governmental activities, business-type activities, General Fund, General Government Development Fee Fund, Fire Development Fee Fund, Transportation Improvement Fund, Sewer Fund, Police Development Fee Fund (a nonmajor governmental fund) and the Public Works Development Fee Fund (a nonmajor governmental fund) increased by \$602,940, \$40,442, \$34,806, \$52,694, \$65,678, \$20,000, \$40,442, \$47,482 and \$31,411 respectively.

**D. RESTATE EXPENDITURES/EXPENSE AND CAPITAL ASSETS IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES AND WATER FUND.**

The July 1, 2010 net assets of the governmental activities, business-type activities and Water Fund do not agree to the prior year financial statements due to corrections. In prior fiscal years, capital assets were not properly stated. The City reported assets that should not have been recorded by the City and did not capitalize expenditures for water rights as an intangible asset. In fiscal year 2011, the beginning net assets of the governmental activities, business-type activities and the Water Fund decreased by \$3,643,112, \$4,138,448 and \$4,138,448, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### **E. RESTATE REVENUES AND RECEIVABLES IN THE BUSINESS-TYPE ACTIVITIES, WATER FUND, SEWER FUND AND SANITATION FUND.**

The July 1, 2010 net assets of the business-type activities, Water Fund, Sewer Fund and Sanitation Fund do not agree to the prior year financial statements due to corrections. In prior fiscal years, services provided but unbilled were not accrued as of fiscal year end. In fiscal year 2011, the beginning net assets of the business-type activities, Water Fund, Sewer Fund and Sanitation Fund increased by \$1,313,126, \$581,243, \$501,214 and \$230,669, respectively.

### **F. RESTATE REVENUES, EXPENDITURES/EXPENSES AND RECEIVABLES IN THE GOVERNMENTAL ACTIVITIES AND GENERAL FUND.**

The July 1, 2010 net assets/fund balances of the governmental activities and the General Fund do not agree to the prior year financial statements due to corrections. In prior fiscal years, account receivables related to the city court and transaction privilege tax audit revenues were not properly recorded. Accounts receivables were not recorded for court fines, allowances for doubtful accounts for transaction privilege tax audit accounts receivables were not recorded and payments received within 60 days of year end were not recorded in the correct year. In fiscal year 2011, the beginning net assets/fund balances of the governmental activities and the General Fund decreased by \$255,360 and \$788,300, respectively.

### **G. RESTATE EXPENDITURES/EXPENSES IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, GENERAL FUND, GENERAL CAPITAL PROJECTS FUND, GENERAL GOVERNMENT DEVELOPMENT FEE FUND, FIRE DEVELOPMENT FEE FUND, NONMAJOR GOVERNMENTAL FUNDS AND SEWER FUND.**

The July 1, 2010 net assets/fund balances of the governmental activities, business type activities, General Fund, General Capital Projects Fund, General Government Development Fee Fund, Fire Development Fee Fund, Police Development Fee Fund (a nonmajor governmental fund), Parks and Recreation Development Fee Fund (a nonmajor governmental fund), and Sewer Fund do not agree to the prior year financial statements due to corrections. Corrections were made to reclassify MPC rental/lease expenditures/expenses resulting from the reclassification of projects and other expenditures to the appropriate funding sources. In fiscal year 2011, the beginning net assets/fund balances of the business type activities, General Capital Projects Fund, Fire Development Fee Fund, Police Development Fee Fund (a nonmajor governmental fund), Parks and Recreations Development Fee Fund (a nonmajor governmental fund) and the Sewer Fund increased by \$2,238,734, \$4,619,509, \$702,066, \$1,148,391, \$6,784,499 and \$2,238,734 respectively. The beginning net assets/fund balances of the governmental activities, General Fund and the General Government Development Fee Fund decreased by \$2,238,734, \$11,406,645, and \$4,086,554 respectively.

### **H. RESTATE EXPENDITURES/EXPENSES AND INVENTORY IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, GENERAL FUND, HIGHWAY USER REVENUE FUND AND SEWER FUND.**

The July 1, 2010 net assets/fund balances of the governmental activities, business-type activities, General Fund, Highway User Revenue Fund and the Sewer Fund do not agree to the prior year financial statements due to corrections. In previous years, inventory balances were not recorded due to the immaterial effect on the financial statements. In fiscal year 2011, the beginning net assets/fund balances of the governmental activities, business-type activities, General Fund, Highway User Revenue Fund and Sewer Fund increased by \$245,454, \$461,210, \$141,279, \$104,175 and \$461,210, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### **I. RESTATE EXPENDITURES, REVENUES AND CASH IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, GENERAL FUND, FIRE DEVELOPMENT FEE FUND AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2010 net assets/fund balances of the governmental activities, business-type activities, General Fund, Fire Development Fee Fund, SPD RICO Fund (a nonmajor governmental fund), SPD DEA Fund (a nonmajor governmental fund) and the Municipal Court Enhancement Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to corrections. In prior years, certain funding awarded to the City was not reconciled to agency reports. RICO funding was not recorded on the general ledger and court fees and DEA forfeiture funding activity on the general ledger was not reconciled to agency reports. Additionally, a look back adjustment was not completed for the internal service funds resulting in a misallocation of fund balance between the governmental and business-type activities. In fiscal year 2011, the beginning net assets/fund balances of the business-type activities, General Fund and the SPD RICO Fund (a nonmajor governmental fund) increased by \$736,854, \$196,315 and \$86,289, respectively while beginning net assets/fund balances of the governmental activities, Fire Development Fee Fund, SPD DEA Fund (a nonmajor governmental fund) and the Municipal Court Enhancement Fund (a nonmajor governmental fund) decreased by \$552,708, \$36,023, \$14,720 and \$47,715, respectively.

### **J. RESTATE REVENUES AND LIABILITIES IN THE GENERAL FUND, FIRE DEVELOPMENT FEE FUND AND A NONMAJOR GOVERNMENTAL FUND**

The July 1, 2010 fund balances of the General Fund, Fire Development Fee Fund and the Police Development Fee Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to corrections. In previous years, a loan of \$2,610,300 was not properly recorded between the General Fund, Fire Development Fee Fund and Police Development Fee Fund. In addition, development impact fees totaling \$850,072 were recorded in the Police Development Fee Fund that should have been recorded in the Fire Development Fee Fund. In fiscal year 2011, the beginning fund balances of the General Fund and Fire Development Fee Fund increased by \$2,610,300 and \$397,082, respectively, while the Police Development Fee Fund decreased by \$3,007,382.

### **K. RESTATE FUND BALANCE FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54 IN THE GENERAL FUND, TRANSIT FUND AND DONATIONS FUND**

The July 1, 2010 fund balances of the General Fund, Transit Fund and the Donations Fund do not agree to the prior year financial statements due to a change in accounting principle. The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the current fiscal year. The Transit Fund and Donations Fund did not meet the criteria of a special revenue fund and therefore have been combined with the General Fund for presentation in the CAFR. In fiscal year 2011, the beginning fund balance of the General Fund has increased \$1,026,782 while the beginning fund balances of the Transit Fund and Donations Fund decreased by \$469,436 and \$557,346, respectively.

### **L. RESTATE EXPENDITURES/EXPENSES AND LONG TERM DEBT IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, WATER FUND, SEWER FUND AND NONMAJOR GOVERNMENTAL FUNDS**

The July 1, 2010 net assets/fund balances of the governmental activities, business-type activities, Water Fund, Sewer Fund, 2000-03 Debt Service Fund (a nonmajor governmental fund), and Marley Park Community Facility District Fund (a nonmajor governmental fund) do not agree to the prior year financial statements due to a change in accounting principle. The City opted for a change in accounting principle to recognize the principal payments due early in the following fiscal year as an expenditure/expense in the year the financial resources were accumulated for that payment. In fiscal year 2011, the beginning net assets for the governmental activities, business-type activities and Sewer Fund increased by \$14,006, \$61,402 and \$62,657 respectively. Beginning fund balance/net assets of the 2000-03 Debt Service Fund (a nonmajor governmental fund), Marley Park Community Facility District Fund (a nonmajor governmental fund) and Water Fund decreased by \$2,697,487, \$424,998 and \$1,255, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 16 - SUBSEQUENT EVENTS

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On September 27, 2011, the City amended a development agreement in which reimbursements will become due upon certain terms of the agreement being satisfied. The City's potential reimbursement ranges from \$50 million to \$200 million plus interest ranging from 5.5% to 8% per annum compounded quarterly. The reimbursements are based on a percentage of eligible sales tax collections pursuant the agreement.



## **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	6/30/2011	\$18,635,939	\$23,822,110	\$(5,186,171)	78.23%	\$8,796,527	58.96%
Health Insurance	6/30/2011	-0-	838,416	(838,416)	0.00%	8,796,527	9.53%
Pension	6/30/2010	15,910,074	19,542,435	(3,632,361)	81.40%	8,941,868	40.60%
Health Insurance	6/30/2010	-0-	574,354	(574,354)	0.00%	8,941,868	6.40%
Pension	6/30/2009	13,990,305	18,638,516	(4,648,211)	75.10%	8,884,979	52.30%
Health Insurance	6/30/2009	-0-	506,239	(506,239)	0.00%	8,884,979	5.70%

**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	6/30/2011	\$18,264,589	\$21,611,279	\$(3,346,690)	84.51%	\$8,001,344	41.83%
Health Insurance	6/30/2011	-0-	570,118	(570,118)	0.00%	8,001,344	7.13%
Pension	6/30/2010	15,823,870	17,521,519	(1,697,649)	90.30%	7,785,993	21.80%
Health Insurance	6/30/2010	-0-	402,316	(402,316)	0.00%	7,785,993	5.20%
Pension	6/30/2009	13,508,688	15,871,583	(2,362,895)	85.10%	8,051,422	29.40%
Health Insurance	6/30/2009	-0-	339,440	(339,440)	0.00%	8,051,422	4.20%

**City of Surprise, Arizona**

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

General Fund

Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 35,074,400	\$ 35,038,000	\$ 34,586,033	\$ (451,967)
Licenses and permits	4,499,300	4,561,600	4,490,664	(70,936)
Intergovernmental	18,720,200	18,503,000	19,280,457	777,457
Charges for services	4,961,100	4,978,100	5,598,852	620,752
Grants	748,900	-	23,934	23,934
Fines	2,998,300	1,384,000	1,341,403	(42,597)
Rents	365,300	569,700	611,019	41,319
Interest	254,200	134,000	134,664	664
Donations	50,000	50,000	427,556	377,556
Indirect charges	3,660,700	3,660,700	3,660,700	-
Other	1,141,100	1,013,700	1,527,307	513,607
Total revenues	<u>72,473,500</u>	<u>69,892,800</u>	<u>71,682,589</u>	<u>1,789,789</u>
<b>Expenditures:</b>				
<b>GENERAL GOVERNMENT</b>				
City council	492,700	482,700	432,023	(50,677)
City manager	732,400	712,600	652,154	(60,446)
Intergovernmental relations	474,400	272,100	204,005	(68,095)
Legal	1,597,800	1,589,200	1,545,905	(43,295)
City clerk	433,500	428,900	405,799	(23,101)
Finance	3,285,900	2,893,000	2,892,741	(259)
Human resources	1,241,200	1,315,300	1,216,840	(98,460)
Information technology	3,993,300	3,915,600	3,522,028	(393,572)
Public information	851,800	840,600	783,821	(56,779)
General operations	-	8,200	796	(7,404)
Total general government	<u>13,103,000</u>	<u>12,458,200</u>	<u>11,656,112</u>	<u>(802,088)</u>
<b>PUBLIC SAFETY</b>				
Court	2,178,700	2,117,000	1,992,241	(124,759)
Police	19,776,400	19,159,800	18,469,050	(690,750)
Fire	14,192,200	14,208,700	13,702,665	(506,035)
Total public safety	<u>36,147,300</u>	<u>35,485,500</u>	<u>34,163,956</u>	<u>(1,321,544)</u>
<b>PUBLIC WORKS AND STREETS</b>				
Public works and streets	<u>10,929,200</u>	<u>6,768,000</u>	<u>6,338,896</u>	<u>(429,104)</u>
Total public works and streets	<u>10,929,200</u>	<u>6,768,000</u>	<u>6,338,896</u>	<u>(429,104)</u>
<b>COMMUNITY DEVELOPMENT</b>				
Community development	<u>3,621,700</u>	<u>4,251,400</u>	<u>4,179,218</u>	<u>(72,182)</u>
Total community service	<u>\$ 3,621,700</u>	<u>\$ 4,251,400</u>	<u>\$ 4,179,218</u>	<u>\$ (72,182)</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>				
Parks and recreation	\$ 12,956,300	\$ 12,842,200	\$ 12,282,468	\$ (559,732)
Total culture and recreation	12,956,300	12,842,200	12,282,468	(559,732)
<b>DEBT SERVICE</b>				
Interest and fiscal charges	-	22,700	22,640	(60)
Total debt service	-	22,700	22,640	(60)
<b>CAPITAL OUTLAY</b>	1,258,200	261,900	150,097	(111,803)
Total expenditures	78,015,700	72,089,900	68,793,387	(3,296,513)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,542,200)</u>	<u>(2,197,100)</u>	<u>2,889,202</u>	<u>5,086,302</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,991,300	2,175,400	970,130	(1,205,270)
Transfers out	<u>(2,953,900)</u>	<u>(9,914,700)</u>	<u>(7,835,239)</u>	<u>2,079,461</u>
Total other financing sources (uses)	<u>(962,600)</u>	<u>(7,739,300)</u>	<u>(6,865,109)</u>	<u>874,191</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (6,504,800)</u>	<u>\$ (9,936,400)</u>	<u>\$ (3,975,907)</u>	<u>\$ 5,960,493</u>

See accompanying notes to this schedule.

**City of Surprise, Arizona**

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

## General Government Development Fee Fund

Fiscal Year Ended June 30, 2011

	<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	\$ 348,200	\$ 348,200	\$ 455,045	\$ 106,845
Interest	1,800	1,800	-	(1,800)
Other	-	-	13,576	13,576
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>468,621</u>	<u>118,621</u>
<b>Expenditures:</b>				
Current:				
General government	12,500	13,900	13,861	(39)
Public works and streets	-	-	345	345
Capital outlay	425,000	423,600	-	(423,600)
Debt Service				
Interest and fiscal charges	-	129,000	128,947	(53)
Total expenditures	<u>437,500</u>	<u>566,500</u>	<u>143,153</u>	<u>(423,347)</u>
Excess of revenues over expenditures	<u>(87,500)</u>	<u>(216,500)</u>	<u>325,468</u>	<u>541,968</u>
Other financing sources (uses):				
Transfers out	-	(666,400)	(665,121)	1,279
Total other financing sources (uses)	<u>-</u>	<u>(666,400)</u>	<u>(665,121)</u>	<u>1,279</u>
Net change in fund balance	<u>\$ (87,500)</u>	<u>\$ (882,900)</u>	<u>\$ (339,653)</u>	<u>\$ 543,247</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, 2011

	<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	\$ 416,200	\$ 416,200	\$ 539,652	\$ 123,452
Interest	-	-	1,031	1,031
Other	-	-	2,285	2,285
Total revenues	<u>416,200</u>	<u>416,200</u>	<u>542,968</u>	<u>126,768</u>
<b>Expenditures:</b>				
Current:				
General government	19,600	19,600	13,861	(5,739)
Public safety	204,300	-	63	63
Capital outlay	-	46,000	45,947	(53)
Debt Service				
Interest and fiscal charges	-	14,500	14,407	(93)
Total expenditures	<u>223,900</u>	<u>80,100</u>	<u>74,278</u>	<u>(5,822)</u>
Excess of revenues over expenditures	<u>192,300</u>	<u>336,100</u>	<u>468,690</u>	<u>132,590</u>
Other financing sources (uses):				
Transfers out	-	(121,500)	(121,193)	(307)
Total other financing sources (uses)	<u>-</u>	<u>(121,500)</u>	<u>(121,193)</u>	<u>(307)</u>
Net change in fund balance	<u>\$ 192,300</u>	<u>\$ 214,600</u>	<u>\$ 347,497</u>	<u>\$ 132,283</u>

See accompanying notes to this schedule.

**City of Surprise, Arizona**

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

## Highway User Revenue Fund

Fiscal Year Ended June 30, 2011

	<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	\$ 5,194,300	\$ 5,194,300	\$ 5,347,825	\$ 153,525
Charges for services	-	-	6,000	6,000
Interest	5,300	17,700	13,921	(3,779)
Other	-	23,100	27,575	4,475
Total revenues	<u>5,199,600</u>	<u>5,235,100</u>	<u>5,395,321</u>	<u>160,221</u>
<b>Expenditures:</b>				
Current:				
Public works and streets	7,817,600	6,289,000	5,545,933	(743,067)
Capital outlay	272,000	-	49,409	49,409
Total expenditures	<u>8,089,600</u>	<u>6,289,000</u>	<u>5,595,342</u>	<u>(693,658)</u>
Excess of revenues over expenditures	<u>(2,890,000)</u>	<u>(1,053,900)</u>	<u>(200,021)</u>	<u>853,879</u>
Other financing sources (uses):				
Transfers in	839,400	839,400	-	(839,400)
Transfers out	-	(2,071,800)	(2,071,800)	-
Total other financing sources (uses)	<u>839,400</u>	<u>(1,232,400)</u>	<u>(2,071,800)</u>	<u>(839,400)</u>
Net change in fund balance	<u>\$ (2,050,600)</u>	<u>\$ (2,286,300)</u>	<u>\$ (2,271,821)</u>	<u>\$ 14,479</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, 2011

	<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	\$ 1,704,500	\$ 1,600,000	\$ 1,569,724	\$ (30,276)
Intergovernmental	2,942,000	740,800	982,593	241,793
Interest	39,300	39,300	16,055	(23,245)
Other	-	-	128,155	128,155
Total revenues	<u>4,685,800</u>	<u>2,380,100</u>	<u>2,696,527</u>	<u>316,427</u>
<b>Expenditures:</b>				
Current:				
General government	349,400	349,400	-	(349,400)
Public works and streets	255,200	178,900	1,181,192	1,002,292
Community development	-	-	275,135	275,135
Capital outlay	7,846,100	5,236,700	1,584,446	(3,652,254)
Total expenditures	<u>8,450,700</u>	<u>5,765,000</u>	<u>3,040,773</u>	<u>(2,724,227)</u>
Excess of revenues over expenditures	<u>(3,764,900)</u>	<u>(3,384,900)</u>	<u>(344,246)</u>	<u>3,040,654</u>
Net change in fund balance	<u>\$ (3,764,900)</u>	<u>\$ (3,384,900)</u>	<u>\$ (344,246)</u>	<u>\$ 3,040,654</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Grants	\$ 2,683,900	\$ 2,649,500	\$ 1,013,038	\$ (1,636,462)
Interest	37,300	37,300	122,522	85,222
Other	-	-	322,306	322,306
Total revenues	<u>2,721,200</u>	<u>2,686,800</u>	<u>1,457,866</u>	<u>(1,228,934)</u>
<b>Expenditures:</b>				
Current:				
General government	468,000	-	-	-
Public works and streets	826,600	781,700	-	(781,700)
Community development	-	765,000	-	(765,000)
Capital outlay	4,715,900	5,712,400	3,168,506	(2,543,894)
Debt Service				
Interest and fiscal charges	-	23,800	23,759	(41)
Total expenditures	<u>6,010,500</u>	<u>7,282,900</u>	<u>3,192,265</u>	<u>(4,090,635)</u>
Excess of revenues over expenditures	<u>(3,289,300)</u>	<u>(4,596,100)</u>	<u>(1,734,399)</u>	<u>2,861,701</u>
Other financing sources (uses):				
Transfers in	<u>1,250,000</u>	<u>8,376,800</u>	<u>8,376,733</u>	<u>(67)</u>
Total other financing sources (uses)	<u>1,250,000</u>	<u>8,376,800</u>	<u>8,376,733</u>	<u>(67)</u>
Net change in fund balance	<u>\$ (2,039,300)</u>	<u>\$ 3,780,700</u>	<u>\$ 6,642,334</u>	<u>\$ 2,861,634</u>

**City of Surprise, Arizona**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

<b>Assets</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total Non-major Governmental Funds</b>
Cash and investments	\$ 23,275,821	\$ -	\$ 23,275,821
Receivables (net of allowances)			
Taxes and franchise fees	134,580	-	134,580
Grants	996,499	-	996,499
Intergovernmental	7,672	-	7,672
Other	77,202	-	77,202
Restricted cash and investments	1,537,226	6,293,594	7,830,820
Total assets	<u>\$ 26,029,000</u>	<u>\$ 6,293,594</u>	<u>\$ 32,322,594</u>
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 705,465	\$ -	\$ 705,465
Accrued payroll and related taxes	3,222	-	3,222
Due to other funds	509,954	-	509,954
Deferred revenues	930,587	-	930,587
Contracts payable	85,828	-	85,828
Matured bond interest payable	246,034	606,294	852,328
Matured bonds payable	180,000	2,148,300	2,328,300
Total liabilities	<u>2,661,090</u>	<u>2,754,594</u>	<u>5,415,684</u>
Fund balances:			
Restricted	23,124,966	3,539,000	26,663,966
Committed	215,630	-	215,630
Assigned	27,314	-	27,314
Total fund balances	<u>23,367,910</u>	<u>3,539,000</u>	<u>26,906,910</u>
Total liabilities and fund balances	<u>\$ 26,029,000</u>	<u>\$ 6,293,594</u>	<u>\$ 32,322,594</u>

**City of Surprise, Arizona**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-major</u>
	<u>Funds</u>	<u>Funds</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
<b>Revenues:</b>			
Taxes	\$ 3,289,683	\$ -	\$ 3,289,683
Intergovernmental	132,210	-	132,210
Charges for services	103,700	-	103,700
Grants	1,973,678	-	1,973,678
Fines	485,724	-	485,724
Development fees	1,500,148	-	1,500,148
Interest	144,350	31,953	176,303
Donations	1,681	-	1,681
Other	26,430	-	26,430
Total revenues	<u>7,657,604</u>	<u>31,953</u>	<u>7,689,557</u>
<b>Expenditures:</b>			
Current			
General government	143,876	-	143,876
Public safety	804,387	-	804,387
Public works and streets	2,359,615	-	2,359,615
Community development	594,237	-	594,237
Culture and recreation	91,330	-	91,330
Capital outlay	1,187,706	-	1,187,706
Debt service			
Principal	180,000	2,148,300	2,328,300
Interest and fiscal charges	494,068	1,214,331	1,708,399
Total expenditures	<u>5,855,219</u>	<u>3,362,631</u>	<u>9,217,850</u>
Excess of revenues over expenditures	<u>1,802,385</u>	<u>(3,330,678)</u>	<u>(1,528,293)</u>
Other financing (uses):			
Transfers in	-	3,354,458	3,354,458
Transfers out	(1,037,838)	(23,312)	(1,061,150)
Total other financing (uses)	<u>(1,037,838)</u>	<u>3,331,146</u>	<u>2,293,308</u>
Net change in fund balances	<u>764,547</u>	<u>468</u>	<u>765,015</u>
Fund balances, beginning, as restated	<u>22,603,363</u>	<u>3,538,532</u>	<u>26,141,895</u>
Fund balances, ending	<u>\$ 23,367,910</u>	<u>\$ 3,539,000</u>	<u>\$ 26,906,910</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.
  - *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.
  - *Grants Fund* – This fund has been established to account for revenues and expenditures from the various grants received by the City.
  - *Library Development Fee 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 Community Facility District Fund* – 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.
  - *Neighborh. 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 and Recreation Development Fee Fund* – This fund was established to account for the inflow of parks and recreation development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on parks and recreation services caused by growth.
  - *Police Development Fee Fund* – This fund was established to account for the inflow of police development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on police services caused by growth.
  - *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.

## NONMAJOR SPECIAL REVENUE FUND DESCRIPTIONS

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- *Roads of Regional Significance SPA 2, 4 & 6 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
- *Roads of Regional Significance SPA 3 & 5 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
- *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.

**City of Surprise, Arizona**  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2011

<b>Assets</b>	<b>Employee Dep Scholarship Fund</b>	<b>Grants Fund</b>	<b>Library Development Fee Fund</b>	<b>Marley Park Community Facility District Fund</b>	<b>Municipal Court Enhancement Fund</b>
Cash and investments	\$ 13,916	\$ -	\$ 4,251,467	\$ 682,462	\$ 326,384
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	40,530	-
Grants	-	595,133	-	-	-
Intergovernmental	-	-	-	-	-
Other	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 13,916</b>	<b>\$ 595,133</b>	<b>\$ 4,251,467</b>	<b>\$ 722,992</b>	<b>\$ 326,384</b>
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 244,784	\$ -	\$ -	\$ 3,628
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	350,349	-	-	-
Deferred revenues	-	-	-	16,232	-
Contracts payable	-	-	-	-	-
Matured bond interest payable	-	-	-	246,034	-
Matured bonds payable	-	-	-	180,000	-
<b>Total liabilities</b>	<b>-</b>	<b>595,133</b>	<b>-</b>	<b>442,266</b>	<b>3,628</b>
<b>Fund balances:</b>					
Restricted	7,714	-	4,251,467	271,266	314,408
Committed	-	-	-	-	-
Assigned	6,202	-	-	9,460	8,348
<b>Total fund balances</b>	<b>13,916</b>	<b>-</b>	<b>4,251,467</b>	<b>280,726</b>	<b>322,756</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,916</b>	<b>\$ 595,133</b>	<b>\$ 4,251,467</b>	<b>\$ 722,992</b>	<b>\$ 326,384</b>

<u>Municipal Court FARE Fund</u>	<u>Municipal Court JCEF Fund</u>	<u>Municipal Court MFTG Fund</u>	<u>Neighborh. Revitaliz. Fund</u>	<u>Parks and Recreation Development Fee Fund</u>	<u>Police Development Fee Fund</u>	<u>Public Works Expansion Development Fee Fund</u>
\$ 9,332	\$ 75,728	\$ 54,589	\$ -	\$ 4,475,933	\$ 980,251	\$ 9,512,275
-	-	-	-	-	-	-
-	-	-	389,024	-	-	-
-	-	7,672	-	-	-	-
-	-	-	74	-	-	-
-	-	-	173,491	143,712	61,552	107,177
<u>\$ 9,332</u>	<u>\$ 75,728</u>	<u>\$ 62,261</u>	<u>\$ 562,589</u>	<u>\$ 4,619,645</u>	<u>\$ 1,041,803</u>	<u>\$ 9,619,452</u>

\$ -	\$ -	\$ -	\$ 227,101	\$ -	\$ -	\$ 26,268
-	207	-	2,392	-	-	-
-	-	-	159,605	-	-	-
-	-	-	173,491	-	61,552	107,177
-	-	-	-	85,828	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	207	-	562,589	85,828	61,552	133,445
9,216	75,521	62,261	-	4,533,817	980,251	9,486,007
-	-	-	-	-	-	-
116	-	-	-	-	-	-
<u>9,332</u>	<u>75,521</u>	<u>62,261</u>	<u>-</u>	<u>4,533,817</u>	<u>980,251</u>	<u>9,486,007</u>
<u>\$ 9,332</u>	<u>\$ 75,728</u>	<u>\$ 62,261</u>	<u>\$ 562,589</u>	<u>\$ 4,619,645</u>	<u>\$ 1,041,803</u>	<u>\$ 9,619,452</u>

Continued

**City of Surprise, Arizona**  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2011

<b>Assets</b>	<b>Roads of Regional Significance SPA 2, 4 and 6 Fund</b>	<b>Roads of Regional Significance SPA 3 and 5 Fund</b>	<b>SPD DEA Fund</b>	<b>SPD RICO Fund</b>	<b>SPD Towing Fund</b>
Cash and investments	\$ 2,077,360	\$ 19,167	\$ 218,276	\$ -	\$ 288,260
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	-	-
Grants	-	-	12,342	-	-
Intergovernmental	-	-	-	-	-
Other	27,282	-	-	-	-
Restricted cash and investments	-	-	-	506,166	-
<b>Total assets</b>	<b>\$ 2,104,642</b>	<b>\$ 19,167</b>	<b>\$ 230,618</b>	<b>\$ 506,166</b>	<b>\$ 288,260</b>
 <b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 12,390	\$ -	\$ 513
Accrued payroll and related taxes	-	-	-	-	623
Due to other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Contracts payable	-	-	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>12,390</b>	<b>-</b>	<b>1,136</b>
Fund balances:					
Restricted	2,104,642	19,167	218,228	506,166	284,835
Committed	-	-	-	-	-
Assigned	-	-	-	-	2,289
<b>Total fund balances</b>	<b>2,104,642</b>	<b>19,167</b>	<b>218,228</b>	<b>506,166</b>	<b>287,124</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,104,642</b>	<b>\$ 19,167</b>	<b>\$ 230,618</b>	<b>\$ 506,166</b>	<b>\$ 288,260</b>

<b>Street Lighting Districts Fund</b>	<b>Tourism Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 91,980	\$ 198,441	\$ 23,275,821
75,962	18,088	134,580
-	-	996,499
-	-	7,672
49,846	-	77,202
<u>545,128</u>	<u>-</u>	<u>1,537,226</u>
<u>\$ 762,916</u>	<u>\$ 216,529</u>	<u>\$ 26,029,000</u>

\$ 190,781	\$ -	\$ 705,465
-	-	3,222
-	-	509,954
572,135	-	930,587
-	-	85,828
-	-	246,034
-	-	<u>180,000</u>
<u>762,916</u>	<u>-</u>	<u>2,661,090</u>
-	-	23,124,966
-	215,630	215,630
-	899	<u>27,314</u>
<u>-</u>	<u>216,529</u>	<u>23,367,910</u>
<u>\$ 762,916</u>	<u>\$ 216,529</u>	<u>\$ 26,029,000</u>

Concluded

**City of Surprise, Arizona**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2011

	<b>Employee Dep Scholarship Fund</b>	<b>Grants Fund</b>	<b>Library Development Fee Fund</b>	<b>Marley Park Community Facility District Fund</b>	<b>Municipal Court Enhancement Fund</b>
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ 811,287	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Grants	-	1,009,017	-	-	-
Fines	-	-	-	-	107,300
Development fees	-	-	109,001	-	-
Interest	101	433	33,136	463	2,860
Donations	1,681	-	-	-	-
Other	112	-	-	-	-
Total revenues	<u>1,894</u>	<u>1,009,450</u>	<u>142,137</u>	<u>811,750</u>	<u>110,160</u>
<b>Expenditures:</b>					
Current:					
General government	3,000	-	13,861	71,460	-
Public safety	-	436,489	-	-	82,301
Public works and streets	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	50,000	-	-	-
Capital outlay	-	522,961	-	-	-
Debt service					
Principal	-	-	-	180,000	-
Interest and fiscal charges	-	-	-	494,068	-
Total expenditures	<u>3,000</u>	<u>1,009,450</u>	<u>13,861</u>	<u>745,528</u>	<u>82,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,106)</u>	<u>-</u>	<u>128,276</u>	<u>66,222</u>	<u>27,859</u>
Other financing (uses):					
Transfers out	-	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,106)</u>	<u>-</u>	<u>128,276</u>	<u>66,222</u>	<u>27,859</u>
Fund balances, beginning, as restated	<u>15,022</u>	<u>-</u>	<u>4,123,191</u>	<u>214,504</u>	<u>294,897</u>
Fund balances, ending	<u>\$ 13,916</u>	<u>\$ -</u>	<u>\$ 4,251,467</u>	<u>\$ 280,726</u>	<u>\$ 322,756</u>

<b>Municipal Court FARE Fund</b>	<b>Municipal Court JCEF Fund</b>	<b>Municipal Court MFTG Fund</b>	<b>Neighborh. Revitaliz. Fund</b>	<b>Parks and Recreation Development Fee Fund</b>	<b>Police Development Fee Fund</b>	<b>Public Works Expansion Development Fee Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,540	-	20,266	-	-	-	-
-	-	-	-	-	-	-
-	-	-	964,661	-	-	-
-	21,245	-	-	-	-	-
106	818	387	-	418,690	198,945	528,549
-	-	-	-	14,882	11,484	55,121
-	-	-	-	-	-	-
-	-	-	6,748	14,945	4,625	-
<u>6,646</u>	<u>22,063</u>	<u>20,653</u>	<u>971,409</u>	<u>448,517</u>	<u>215,054</u>	<u>583,670</u>
-	-	-	-	13,861	13,861	13,861
-	53,945	-	-	-	128	-
-	-	-	-	-	-	27,883
-	-	-	594,237	-	-	-
10,069	-	-	-	41,330	-	-
-	-	-	377,172	-	-	277,504
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>10,069</u>	<u>53,945</u>	<u>-</u>	<u>971,409</u>	<u>55,191</u>	<u>13,989</u>	<u>319,248</u>
<u>(3,423)</u>	<u>(31,882)</u>	<u>20,653</u>	<u>-</u>	<u>393,326</u>	<u>201,065</u>	<u>264,422</u>
-	-	-	-	(792,566)	(245,272)	-
-	-	-	-	(792,566)	(245,272)	-
<u>(3,423)</u>	<u>(31,882)</u>	<u>20,653</u>	<u>-</u>	<u>(399,240)</u>	<u>(44,207)</u>	<u>264,422</u>
<u>12,755</u>	<u>107,403</u>	<u>41,608</u>	<u>-</u>	<u>4,933,057</u>	<u>1,024,458</u>	<u>9,221,585</u>
<u>\$ 9,332</u>	<u>\$ 75,521</u>	<u>\$ 62,261</u>	<u>\$ -</u>	<u>\$ 4,533,817</u>	<u>\$ 980,251</u>	<u>\$ 9,486,007</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, 2011

	<b>Roads of Regional Significance SPA 2, 4 and 6 Fund</b>	<b>Roads of Regional Significance SPA 3 and 5 Fund</b>	<b>SPD DEA Fund</b>	<b>SPD RICO Fund</b>	<b>SPD Towing Fund</b>
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	105,404	-	-
Charges for services	-	-	-	-	103,700
Grants	-	-	-	-	-
Fines	-	-	-	357,179	-
Development fees	241,971	2,992	-	-	-
Interest	13,426	181	2,092	-	2,100
Donations	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>255,397</u>	<u>3,173</u>	<u>107,496</u>	<u>357,179</u>	<u>105,800</u>
<b>Expenditures:</b>					
Current:					
General government	6,986	6,986	-	-	-
Public safety	-	-	128,685	35,159	67,680
Public works and streets	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>6,986</u>	<u>6,986</u>	<u>128,685</u>	<u>35,159</u>	<u>67,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>248,411</u>	<u>(3,813)</u>	<u>(21,189)</u>	<u>322,020</u>	<u>38,120</u>
Other financing (uses):					
Transfers out	-	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>248,411</u>	<u>(3,813)</u>	<u>(21,189)</u>	<u>322,020</u>	<u>38,120</u>
Fund balances, beginning, as restated	<u>1,856,231</u>	<u>22,980</u>	<u>239,417</u>	<u>184,146</u>	<u>249,004</u>
Fund balances, ending	<u>\$ 2,104,642</u>	<u>\$ 19,167</u>	<u>\$ 218,228</u>	<u>\$ 506,166</u>	<u>\$ 287,124</u>

<b>Street Lighting Districts Fund</b>	<b>Tourism Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 2,325,791	\$ 152,605	\$ 3,289,683
-	-	132,210
-	-	103,700
-	-	1,973,678
-	-	485,724
-	-	1,500,148
5,941	819	144,350
-	-	1,681
-	-	26,430
<u>2,331,732</u>	<u>153,424</u>	<u>7,657,604</u>
-	-	143,876
-	-	804,387
2,331,732	-	2,359,615
-	-	594,237
-	-	91,330
-	-	1,187,706
-	-	180,000
-	-	494,068
<u>2,331,732</u>	<u>-</u>	<u>5,855,219</u>
-	153,424	1,802,385
-	-	(1,037,838)
-	-	(1,037,838)
-	153,424	764,547
-	63,105	22,603,363
<u>\$ -</u>	<u>\$ 216,529</u>	<u>\$ 23,367,910</u>

Concluded

**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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Interest	\$ 100	\$ 100	\$ 101	\$ 1
Donations	-	-	1,681	1,681
Other	-	-	112	112
Total revenues	<u>100</u>	<u>100</u>	<u>1,894</u>	<u>1,794</u>
<b>Expenditures:</b>				
Current:				
General government	<u>14,600</u>	<u>14,600</u>	<u>3,000</u>	<u>(11,600)</u>
Total expenditures	<u>14,600</u>	<u>14,600</u>	<u>3,000</u>	<u>(11,600)</u>
Excess of revenues over expenditures	<u>(14,500)</u>	<u>(14,500)</u>	<u>(1,106)</u>	<u>13,394</u>
Net change in fund balance	<u>\$ (14,500)</u>	<u>\$ (14,500)</u>	<u>\$ (1,106)</u>	<u>\$ 13,394</u>

**City of Surprise, Arizona**

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

Grants Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Grants	\$ 24,645,900	\$ 22,547,700	\$ 1,009,017	\$ (21,538,683)
Interest	-	-	433	433
Total revenues	<u>24,645,900</u>	<u>22,547,700</u>	<u>1,009,450</u>	<u>(21,538,250)</u>
<b>Expenditures:</b>				
Current:				
General government	24,645,900	32,670,000	-	(32,670,000)
Public safety	-	438,000	436,489	(1,511)
Public works and streets	-	6,500	-	(6,500)
Culture and recreation	-	50,000	50,000	-
Capital outlay	-	939,500	522,961	(416,539)
Total expenditures	<u>24,645,900</u>	<u>34,104,000</u>	<u>1,009,450</u>	<u>(33,094,550)</u>
Excess of revenues over expenditures	-	(11,556,300)	-	11,556,300
Net change in fund balance	<u>\$ -</u>	<u>\$ (11,556,300)</u>	<u>\$ -</u>	<u>\$ 11,556,300</u>

**City of Surprise, Arizona**

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

## Library Development Fee Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Development fees	\$ 46,800	\$ 46,800	\$ 109,001	\$ 62,201
Interest	82,400	82,400	33,136	(49,264)
Total revenues	<u>129,200</u>	<u>129,200</u>	<u>142,137</u>	<u>12,937</u>
<b>Expenditures:</b>				
Current:				
General government	12,500	12,500	13,861	1,361
Capital outlay	<u>4,234,600</u>	<u>4,234,600</u>	-	(4,234,600)
Total expenditures	<u>4,247,100</u>	<u>4,247,100</u>	<u>13,861</u>	<u>(4,233,239)</u>
Excess of revenues over expenditures	<u>(4,117,900)</u>	<u>(4,117,900)</u>	<u>128,276</u>	<u>4,246,176</u>
Net change in fund balance	<u>\$ (4,117,900)</u>	<u>\$ (4,117,900)</u>	<u>\$ 128,276</u>	<u>\$ 4,246,176</u>

**City of Surprise, Arizona**

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

## Marley Park Community Facility District Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 934,800	\$ 934,800	\$ 811,287	\$ (123,513)
Interest	1,000	1,000	463	(537)
Total revenues	<u>935,800</u>	<u>935,800</u>	<u>811,750</u>	<u>(124,050)</u>
<b>Expenditures:</b>				
Current:				
General government	85,000	85,000	71,460	(13,540)
Capital outlay	803,700	803,700	-	(803,700)
Debt Service				
Principal	175,000	175,000	180,000	5,000
Interest and fiscal charges	496,100	496,100	494,068	(2,032)
Total expenditures	<u>1,559,800</u>	<u>1,559,800</u>	<u>745,528</u>	<u>(814,272)</u>
Excess of revenues over expenditures	<u>(624,000)</u>	<u>(624,000)</u>	<u>66,222</u>	<u>690,222</u>
Net change in fund balance	<u>\$ (624,000)</u>	<u>\$ (624,000)</u>	<u>\$ 66,222</u>	<u>\$ 690,222</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Fines	\$ -	\$ -	\$ 107,300	\$ 107,300
Interest	-	-	2,860	2,860
Total revenues	-	-	110,160	110,160
<b>Expenditures:</b>				
Current:				
Public safety	100,000	100,000	82,301	(17,699)
Capital outlay	76,800	76,800	-	(76,800)
Total expenditures	176,800	176,800	82,301	(94,499)
Excess of revenues over expenditures	(176,800)	(176,800)	27,859	204,659
Net change in fund balance	\$ (176,800)	\$ (176,800)	\$ 27,859	\$ 204,659

**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, 2011

	<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	\$ -	\$ -	\$ 6,540	\$ 6,540
Interest	-	-	106	106
Total revenues	-	-	6,646	6,646
<b>Expenditures:</b>				
Capital outlay	-	10,100	10,069	(31)
Total expenditures	-	10,100	10,069	(31)
Excess of revenues over expenditures	-	(10,100)	(3,423)	6,677
Net change in fund balance	\$ -	\$ (10,100)	\$ (3,423)	\$ 6,677

**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, 2011

	<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	\$ -	\$ 37,000	\$ 21,245	\$ (15,755)
Interest	-	-	818	818
Total revenues	-	37,000	22,063	(14,937)
<b>Expenditures:</b>				
Current:				
Public safety	-	54,000	53,945	(55)
Total expenditures	-	54,000	53,945	(55)
Excess of revenues over expenditures	-	(17,000)	(31,882)	(14,882)
Net change in fund balance	\$ -	\$ (17,000)	\$ (31,882)	\$ (14,882)

**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, 2011

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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>				
Intergovernmental	\$ -	\$ -	\$ 20,266	\$ 20,266
Interest	-	-	387	387
Total revenues	-	-	20,653	20,653
Excess of revenues over expenditures	-	-	20,653	20,653
Net change in fund balance	\$ -	\$ -	\$ 20,653	\$ 20,653

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**City of Surprise, Arizona**

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

Neighborh. Revitaliz. Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Grants	\$ 4,091,100	\$ 3,529,100	\$ 964,661	\$ (2,564,439)
Other	-	-	6,748	6,748
Total revenues	<u>4,091,100</u>	<u>3,529,100</u>	<u>971,409</u>	<u>(2,557,691)</u>
<b>Expenditures:</b>				
Current:				
Community development	4,091,100	3,439,900	594,237	(2,845,663)
Capital outlay	-	-	377,172	377,172
Total expenditures	<u>4,091,100</u>	<u>3,439,900</u>	<u>971,409</u>	<u>(2,468,491)</u>
Excess of revenues over expenditures	-	89,200	-	(89,200)
Net change in fund balance	<u>\$ -</u>	<u>\$ 89,200</u>	<u>\$ -</u>	<u>\$ (89,200)</u>

**City of Surprise, Arizona**

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

Parks and Recreation Development Fee Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Development fees	\$ 240,800	\$ 240,800	\$ 418,690	\$ 177,890
Interest	24,100	24,100	14,882	(9,218)
Other	-	-	14,945	14,945
Total revenues	<u>264,900</u>	<u>264,900</u>	<u>448,517</u>	<u>183,617</u>
<b>Expenditures:</b>				
Current:				
General government	16,100	16,100	13,861	(2,239)
Culture and recreation	1,963,300	41,000	41,330	330
Capital outlay	18,200	18,200	-	(18,200)
Debt Service				
Interest and fiscal charges	-	15,800	-	(15,800)
Total expenditures	<u>1,997,600</u>	<u>91,100</u>	<u>55,191</u>	<u>(35,909)</u>
Excess of revenues over expenditures	<u>(1,732,700)</u>	<u>173,800</u>	<u>393,326</u>	<u>219,526</u>
Other financing sources (uses):				
Transfers out	-	(794,100)	(792,566)	1,534
Total other financing sources (uses)	<u>-</u>	<u>(794,100)</u>	<u>(792,566)</u>	<u>1,534</u>
Net change in fund balance	<u>\$ (1,732,700)</u>	<u>\$ (620,300)</u>	<u>\$ (399,240)</u>	<u>\$ 221,060</u>

**City of Surprise, Arizona**

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

## Police Development Fee Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Development fees	\$ 119,100	\$ 119,100	\$ 198,945	\$ 79,845
Interest	2,700	2,700	11,484	8,784
Other	-	-	4,625	4,625
Total revenues	<u>121,800</u>	<u>121,800</u>	<u>215,054</u>	<u>93,254</u>
<b>Expenditures:</b>				
Current:				
General government	12,500	12,500	13,861	1,361
Public safety	487,300	-	128	128
Capital outlay	87,700	87,700	-	(87,700)
Total expenditures	<u>587,500</u>	<u>100,200</u>	<u>13,989</u>	<u>(86,211)</u>
Excess of revenues over expenditures	<u>(465,700)</u>	<u>21,600</u>	<u>201,065</u>	<u>179,465</u>
Other financing sources (uses):				
Transfers out	-	(245,800)	(245,272)	528
Total other financing sources (uses)	<u>-</u>	<u>(245,800)</u>	<u>(245,272)</u>	<u>528</u>
Net change in fund balance	<u>\$ (465,700)</u>	<u>\$ (224,200)</u>	<u>\$ (44,207)</u>	<u>\$ 179,993</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Grants	\$ 700,000	\$ 700,000	\$ -	\$ (700,000)
Development fees	362,000	362,000	528,549	166,549
Interest	74,000	74,000	55,121	(18,879)
Total revenues	<u>1,136,000</u>	<u>1,136,000</u>	<u>583,670</u>	<u>(552,330)</u>
<b>Expenditures:</b>				
Current:				
General government	12,500	12,500	13,861	1,361
Public works and streets	180,500	150,400	27,883	(122,517)
Capital outlay	4,645,100	4,536,100	277,504	(4,258,596)
Total expenditures	<u>4,838,100</u>	<u>4,699,000</u>	<u>319,248</u>	<u>(4,379,752)</u>
Excess of revenues over expenditures	<u>(3,702,100)</u>	<u>(3,563,000)</u>	<u>264,422</u>	<u>3,827,422</u>
Net change in fund balance	<u>\$ (3,702,100)</u>	<u>\$ (3,563,000)</u>	<u>\$ 264,422</u>	<u>\$ 3,827,422</u>

**City of Surprise, Arizona**

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

## Roads of Regional Significance SPA 2, 4 and 6 Fund

Fiscal Year Ended June 30, 2011

	<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	\$ -	\$ -	\$ 241,971	\$ 241,971
Interest	29,000	29,000	13,426	(15,574)
Total revenues	<u>29,000</u>	<u>29,000</u>	<u>255,397</u>	<u>226,397</u>
<b>Expenditures:</b>				
Current:				
General government	6,300	6,300	6,986	686
Capital outlay	<u>1,473,900</u>	<u>1,473,900</u>	-	(1,473,900)
Total expenditures	<u>1,480,200</u>	<u>1,480,200</u>	<u>6,986</u>	<u>(1,473,214)</u>
Excess of revenues over expenditures	<u>(1,451,200)</u>	<u>(1,451,200)</u>	<u>248,411</u>	<u>1,699,611</u>
Net change in fund balance	<u>\$ (1,451,200)</u>	<u>\$ (1,451,200)</u>	<u>\$ 248,411</u>	<u>\$ 1,699,611</u>

**City of Surprise, Arizona**

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

## Roads of Regional Significance SPA 3 and 5 Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Development fees	\$ -	\$ -	\$ 2,992	\$ 2,992
Interest	600	600	181	(419)
Total revenues	<u>600</u>	<u>600</u>	<u>3,173</u>	<u>2,573</u>
<b>Expenditures:</b>				
Current:				
General government	6,300	6,300	6,986	686
Capital outlay	<u>24,400</u>	<u>24,400</u>	-	(24,400)
Total expenditures	<u>30,700</u>	<u>30,700</u>	<u>6,986</u>	<u>(23,714)</u>
Excess of revenues over expenditures	<u>(30,100)</u>	<u>(30,100)</u>	<u>(3,813)</u>	<u>26,287</u>
Net change in fund balance	<u>\$ (30,100)</u>	<u>\$ (30,100)</u>	<u>\$ (3,813)</u>	<u>\$ 26,287</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, 2011

	<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	\$ -	\$ 40,500	\$ 105,404	\$ 64,904
Interest	-	-	2,092	2,092
Total revenues	-	40,500	107,496	66,996
<b>Expenditures:</b>				
Current:				
Public safety	-	190,700	128,685	(62,015)
Total expenditures	-	190,700	128,685	(62,015)
Excess of revenues over expenditures	-	(150,200)	(21,189)	129,011
Net change in fund balance	\$ -	\$ (150,200)	\$ (21,189)	\$ 129,011

**City of Surprise, Arizona**

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

SPD RICO Fund

Fiscal Year Ended June 30, 2011

	<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	\$ -	\$ 357,200	\$ 357,179	\$ (21)
Total revenues	-	357,200	357,179	(21)
<b>Expenditures:</b>				
Current:				
Public safety	-	35,300	35,159	(141)
Total expenditures	-	35,300	35,159	(141)
Excess of revenues over expenditures	-	321,900	322,020	120
Net change in fund balance	\$ -	\$ 321,900	\$ 322,020	\$ 120

**City of Surprise, Arizona**

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

## SPD Towing Fund

Fiscal Year Ended June 30, 2011

	<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>				
Charges for services	\$ -	\$ 144,000	\$ 103,700	\$ (40,300)
Interest	-	-	2,100	2,100
Total revenues	-	144,000	105,800	(38,200)
<b>Expenditures:</b>				
Current:				
Public safety	-	144,000	67,680	(76,320)
Total expenditures	-	144,000	67,680	(76,320)
Excess of revenues over expenditures	-	-	38,120	38,120
Net change in fund balance	\$ -	\$ -	\$ 38,120	\$ 38,120

**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, 2011

	<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	\$ 2,906,500	\$ 2,906,500	\$ 2,325,791	\$ (580,709)
Intergovernmental	40,200	40,200	-	(40,200)
Interest	-	-	5,941	5,941
Total revenues	<u>2,946,700</u>	<u>2,946,700</u>	<u>2,331,732</u>	<u>(614,968)</u>
<b>Expenditures:</b>				
Current:				
Public works and streets	<u>2,822,500</u>	<u>2,822,500</u>	<u>2,331,732</u>	<u>(490,768)</u>
Total expenditures	<u>2,822,500</u>	<u>2,822,500</u>	<u>2,331,732</u>	<u>(490,768)</u>
Excess of revenues over expenditures	<u>124,200</u>	<u>124,200</u>	<u>-</u>	<u>(124,200)</u>
Net change in fund balance	<u>\$ 124,200</u>	<u>\$ 124,200</u>	<u>\$ -</u>	<u>\$ (124,200)</u>

**City of Surprise, Arizona**

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

Tourism Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 219,200	\$ 211,100	\$ 152,605	\$ (58,495)
Interest	-	-	819	819
Total revenues	<u>219,200</u>	<u>211,100</u>	<u>153,424</u>	<u>(57,676)</u>
<b>Expenditures:</b>				
Capital outlay	<u>132,200</u>	<u>132,200</u>	-	<u>(132,200)</u>
Total expenditures	<u>132,200</u>	<u>132,200</u>	-	<u>(132,200)</u>
Excess of revenues over expenditures	<u>87,000</u>	<u>78,900</u>	<u>153,424</u>	<u>74,524</u>
Other financing sources (uses):				
Transfers out	<u>87,000</u>	-	-	-
Total other financing sources (uses)	<u>87,000</u>	-	-	-
Net change in fund balance	<u>\$ 174,000</u>	<u>\$ 78,900</u>	<u>\$ 153,424</u>	<u>\$ 74,524</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 previously issued. This fund was eliminated in the current year and the balance was transferred to the General Fund.

**City of Surprise, Arizona**  
 Combining Balance Sheet  
 Nonmajor Debt Service Funds  
 June 30, 2011

	<u>2000-03 Debt Service Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
<b>Assets</b>			
Restricted cash and investments	\$ 6,293,594	\$ -	\$ 6,293,594
Total assets	<u>\$ 6,293,594</u>	<u>\$ -</u>	<u>\$ 6,293,594</u>
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Matured bond interest payable	\$ 606,294	\$ -	\$ 606,294
Matured bonds payable	<u>2,148,300</u>	<u>-</u>	<u>2,148,300</u>
Total liabilities	<u>2,754,594</u>	<u>-</u>	<u>2,754,594</u>
Fund balances:			
Restricted	<u>3,539,000</u>	<u>-</u>	<u>3,539,000</u>
Total fund balances	<u>3,539,000</u>	<u>-</u>	<u>3,539,000</u>
Total liabilities and fund balances	<u>\$ 6,293,594</u>	<u>\$ -</u>	<u>\$ 6,293,594</u>

**City of Surprise, Arizona**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

Fiscal Year Ended June 30, 2011

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	<b>2000-03 Debt Service Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Debt Service Funds</b>
<b>Revenues:</b>			
Interest	\$ 31,953	\$ -	\$ 31,953
Total revenues	<u>31,953</u>	<u>-</u>	<u>31,953</u>
<b>Expenditures:</b>			
Debt service			
Principal	2,148,300	-	2,148,300
Interest and fiscal charges	<u>1,214,331</u>	<u>-</u>	<u>1,214,331</u>
Total expenditures	<u>3,362,631</u>	<u>-</u>	<u>3,362,631</u>
Excess of revenues over expenditures	<u>(3,330,678)</u>	<u>-</u>	<u>(3,330,678)</u>
Other financing sources (uses):			
Transfers in	3,354,458	-	3,354,458
Transfers out	<u>-</u>	<u>(23,312)</u>	<u>(23,312)</u>
Total other financing sources (uses)	<u>3,354,458</u>	<u>(23,312)</u>	<u>3,331,146</u>
Net change in fund balances	<u>23,780</u>	<u>(23,312)</u>	<u>468</u>
Fund balances, beginning, as restated	<u>3,515,220</u>	<u>23,312</u>	<u>3,538,532</u>
Fund balances, ending	<u><u>\$ 3,539,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,539,000</u></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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ 31,953	\$ 31,953
Total revenues	-	-	31,953	31,953
<b>Expenditures:</b>				
Debt Service				
Principal	-	3,080,000	2,148,300	(931,700)
Interest and fiscal charges	-	1,738,500	1,214,331	(524,169)
Total expenditures	-	4,818,500	3,362,631	(1,455,869)
Excess of revenues over expenditures	-	(4,818,500)	(3,330,678)	1,487,822
Other financing sources (uses):				
Transfers in	-	4,818,500	3,354,458	(1,464,042)
Total other financing sources (uses)	-	4,818,500	3,354,458	(1,464,042)
Net change in fund balance	\$ -	\$ -	\$ 23,780	\$ 23,780

**City of Surprise, Arizona**

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

## Debt Service Fund

Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Total revenues	-	-	-	-
<b>Expenditures:</b>				
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Transfers out	-	(23,400)	(23,312)	(88)
Total other financing sources (uses)	-	(23,400)	(23,312)	(88)
Net change in fund balance	\$ -	\$ (23,400)	\$ (23,312)	\$ (88)

## NONMAJOR DEBT SERVICE FUND DESCRIPTIONS

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

**City of Surprise, Arizona**  
 Combining Statement of Net Assets  
 Internal Service Funds  
 June 30, 2011

	<b>Governmental Activities</b>		
	<b>Employee Healthcare Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b>Assets</b>			
Current assets			
Cash and investments	\$ 1,105,183	\$ 1,882,822	\$ 2,988,005
Receivables (net of allowances)			
Other	-	119,991	119,991
Total current assets	<u>1,105,183</u>	<u>2,002,813</u>	<u>3,107,996</u>
Total assets	<u>1,105,183</u>	<u>2,002,813</u>	<u>3,107,996</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	4,014	45,800	49,814
Accrued payroll and related taxes	1,349	1,753	3,102
Insurance claims payable	1,139,588	-	1,139,588
Compensated absences payable	1,326	-	1,326
Total current liabilities	<u>1,146,277</u>	<u>47,553</u>	<u>1,193,830</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	1,688	-	1,688
Total noncurrent liabilities	<u>1,688</u>	<u>-</u>	<u>1,688</u>
Total liabilities	<u>1,147,965</u>	<u>47,553</u>	<u>1,195,518</u>
<b>Net Assets</b>			
Unrestricted	<u>(42,782)</u>	<u>1,955,260</u>	<u>1,912,478</u>
Total net assets (deficits)	<u>\$ (42,782)</u>	<u>\$ 1,955,260</u>	<u>\$ 1,912,478</u>

**City of Surprise, Arizona**

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

Internal Service Funds

Fiscal Year Ended June 30, 2011

	<b>Governmental Activities</b>		
	<b>Employee Healthcare Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 7,560,290	\$ 1,157,258	\$ 8,717,548
Total operating revenues	<u>7,560,290</u>	<u>1,157,258</u>	<u>8,717,548</u>
<b>Operating Expenses:</b>			
Cost of sales and services	7,614,231	1,375,056	8,989,287
Total operating expenses	<u>7,614,231</u>	<u>1,375,056</u>	<u>8,989,287</u>
Operating loss	<u>(53,941)</u>	<u>(217,798)</u>	<u>(271,739)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest revenue	11,159	13,264	24,423
Gain on disposal of capital assets	-	11,532	11,532
Total non-operating revenues (expenses)	<u>11,159</u>	<u>24,796</u>	<u>35,955</u>
Changes in net assets	<u>(42,782)</u>	<u>(193,002)</u>	<u>(235,784)</u>
Net assets, beginning	<u>-</u>	<u>2,148,262</u>	<u>2,148,262</u>
Net assets (deficits), ending	<u>\$ (42,782)</u>	<u>1,955,260</u>	<u>\$ 1,912,478</u>

**City of Surprise, Arizona**  
Combining Statement of Cash Flows  
Internal Service Funds  
Fiscal Year Ended June 30, 2011

	<b>Governmental Activities</b>		
	<b>Employee Healthcare Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 7,560,290	\$ 1,174,757	\$ 8,735,047
Cash paid to suppliers	(6,402,568)	(1,195,419)	(7,597,987)
Cash paid to employees	(63,698)	(150,312)	(214,010)
Net cash provided by (used in) operating activities	<u>1,094,024</u>	<u>(170,974)</u>	<u>923,050</u>
<b>Cash flows from capital and related financing activities</b>			
Sale of capital assets	-	11,532	11,532
Net cash provided by capital and related financing activities	-	11,532	11,532
<b>Cash flows from investing activities</b>			
Cash received from interest income	11,159	13,264	24,423
Net cash provided by investing activities	<u>11,159</u>	<u>13,264</u>	<u>24,423</u>
Net change in cash	1,105,183	(146,178)	959,005
Cash, beginning of year	-	2,029,000	2,029,000
Cash, end of year	<u>\$ 1,105,183</u>	<u>\$ 1,882,822</u>	<u>\$ 2,988,005</u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>			
Operating loss	\$ (53,941)	\$ (217,798)	\$ (271,739)
Adjustments to reconcile operating income/loss to net cash provided by (used in) operating activities:			
(Increase) decrease in assets:			
Other receivables	-	17,499	17,499
Increase (decrease) in liabilities:			
Accounts payable	4,014	41,708	45,722
Accrued payroll and related taxes	1,349	(8,667)	(7,318)
Insurance claims payable	1,139,588	-	1,139,588
Compensated absences payable	3,014	(3,716)	(702)
Total adjustments	<u>1,147,965</u>	<u>46,824</u>	<u>1,194,789</u>
Net cash provided by (used in) operating activities	<u>\$ 1,094,024</u>	<u>\$ (170,974)</u>	<u>\$ 923,050</u>
<b>Reconciliation to Statement of Net Assets</b>			
Cash and investments	\$ 1,105,183	\$ 1,882,822	\$ 2,988,005
Total cash and investments	<u>\$ 1,105,183</u>	<u>\$ 1,882,822</u>	<u>\$ 2,988,005</u>





## STATISTICAL SECTION

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

### Contents:

#### Financial Trends:

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

#### Revenue Capacity:

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

#### Debt Capacity:

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

#### Demographic and Economic Information:

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

#### Operating Information:

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

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

City of Surprise, Arizona  
 Net Assets by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	\$ 425,526,375
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	27,403,931
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	1,266,669
Total governmental activities net assets	\$ 75,887,500	\$ 108,636,829	\$ 133,264,194	\$ 196,053,377	\$ 325,993,074	\$ 365,614,282	\$ 402,926,802	\$ 401,046,157	\$ 469,922,098	\$ 454,198,975
<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	\$ 257,403,366
Restricted*	-	-	-	-	-	-	-	-	13,841,284	6,613,857
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	54,424,014
Total business-type activities net assets	\$ 75,654,844	\$ 106,331,891	\$ 134,105,005	\$ 169,050,221	\$ 196,397,450	\$ 271,498,740	\$ 293,467,332	\$ 299,051,113	\$ 305,138,003	\$ 318,441,237
<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	\$ 682,929,741
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	34,019,788
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	55,690,683
Total primary government net assets	\$ 151,542,344	\$ 214,968,720	\$ 267,369,199	\$ 365,103,598	\$ 522,390,524	\$ 637,113,022	\$ 696,394,134	\$ 700,097,270	\$ 775,060,101	\$ 772,640,212

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

\* 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 Ten Fiscal Years  
 (accrual basis of accounting)

Fiscal Year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	\$ 18,092,847
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	38,760,889
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	29,748,611
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	4,915,385
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	15,229,013
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	1,919,145
Total governmental activities expenses	36,672,981	41,147,795	50,203,417	56,028,574	124,828,705	91,070,407	108,542,363	117,367,037	109,159,775	108,665,890
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	11,188,199
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	20,090,934
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	5,603,983
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	36,883,116
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	\$ 145,549,006
<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	\$ 7,947,615
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	1,522,658
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	3,786,620
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	1,315,799
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	3,838,003
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	10,404,916
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	8,655,730
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	37,471,341
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	9,841,874
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	15,303,709
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	6,598,929
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	16,878,654
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	48,623,166
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	\$ 86,094,507
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)	\$ (71,194,549)
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	11,740,050
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)	\$ (59,454,499)



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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,420
Restricted	-	-	-	-	-	-	-	-	-	129,117
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	1,334,202
Unassigned	-	-	-	-	-	-	-	-	-	239,533
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	\$ 2,030,272
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,744
Restricted	-	-	-	-	-	-	-	-	-	27,151,070
Committed	-	-	-	-	-	-	-	-	-	7,767,079
Assigned	-	-	-	-	-	-	-	-	-	41,951,897
Unassigned	-	-	-	-	-	-	-	-	-	(50,850,735)
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	\$ 26,145,055

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

Note: GASB 54 established new categories for reporting fund balance.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Taxes	\$ 21,753,191	\$ 25,270,676	\$ 27,126,908	\$ 41,459,268	\$ 53,696,072	\$ 52,439,926	\$ 46,715,559	\$ 40,645,112	\$ 38,940,670	\$ 39,445,440
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	4,490,664
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	25,743,085
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	5,708,552
Grants	-	119,309	468,774	1,232,108	1,938,848	1,707,016	1,881,543	1,314,944	2,855,614	3,010,650
Fines	681,061	778,307	689,721	1,076,701	1,515,169	1,222,791	1,348,307	1,862,634	1,930,944	1,827,127
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	611,019
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	2,494,845
Interest	2,127,574	(111,290)	715,156	2,468,787	4,215,995	7,138,672	3,894,950	403,629	391,530	464,496
Special assessments*	761,988	486,800	697,875	710,321	823,210	1,420,634	1,442,179	2,186,412	-	-
Donations	-	-	-	-	-	-	-	-	-	429,237
Indirect charges**	-	-	-	-	-	-	-	-	-	3,660,700
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	2,047,634
Total revenues	53,802,496	88,504,563	78,824,073	107,859,826	113,346,273	126,051,496	118,514,822	102,399,190	90,419,252	89,933,449
<b>Expenditures</b>										
Current										
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	12,073,329
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	34,968,406
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	15,425,981
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	4,802,971
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	12,373,798
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	6,186,111
Debt Service										
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	2,328,300
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	1,898,152
Other charges	-	-	647,024	-	-	1,747,390	256,445	231,221	-	-
Total expenditures	79,512,626	72,723,093	58,973,625	67,739,174	88,782,771	160,300,564	163,287,116	155,155,956	100,654,637	90,057,048
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)	(123,599)
<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)	946,818
From bonding	-	-	45,660,720	-	-	52,133,243	3,950,000	3,395,000	-	-
Payments to refunded bond escrow agent	-	-	(45,711,677)	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,490,052)	(17,459,444)	(100,957)	21,563	-	15,664,088	8,028,000	7,768,199	(6,167,991)	946,818
Net change in fund balances	\$ (28,200,182)	\$ (1,677,974)	\$ 19,749,491	\$ 40,142,215	\$ 24,563,502	\$ (18,584,980)	\$ (36,744,294)	\$ (44,988,567)	\$ (16,403,376)	\$ 823,219
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%	5.0%

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

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

\*\* Beginning in fiscal year 2011, indirect charges are shown as revenue rather than transfers in.

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

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

<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
2011	7,018,180	29,826,572	4,448,614	41,293,366

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

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

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

Description of Payers Business	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 3,870,561
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	11,258,630
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	4,558,281
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	3,910,930
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	2,824,605
Other	446,952	547,031	1,974,909	2,747,576	3,213,600	2,873,787	2,747,576	2,559,706	2,833,644	2,858,970
<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>\$ 29,141,587</b>	<b>\$ 29,281,977</b>

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2011, page 4, 12, and 16.

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

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

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

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

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

Fiscal Year	Real Property		Exemptions		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value Residential Property	Assessed Value Commercial Property	Real Property	Full Cash Value	Direct Tax Rate	Estimated Actual Taxable Full Cash Value	
2002 P	\$ 195,242,438	\$ 74,062,231	\$ (4,930,170)	\$ 264,374,499	\$ 0.6632	\$ 2,315,624,329	11.42%
2002 S	\$ 197,424,631	\$ 93,246,383	\$ (7,310,728)	\$ 229,662,570	\$ 0.1777	\$ 1,977,250,961	11.62%
2003 P	241,706,879	89,937,993	(7,579,426)	324,065,446	0.6632	2,863,204,670	11.32%
2003 S	254,689,650	107,470,956	(10,908,442)	351,252,164	0.2469	3,095,380,298	11.58%
2004 P	310,173,557	143,452,774	(14,430,182)	439,196,149	0.6936	3,848,072,997	11.41%
2004 S	315,724,458	185,674,681	(22,082,942)	479,316,197	0.2165	4,151,661,773	11.35%
2005 P	412,381,126	166,738,901	(20,680,753)	558,439,274	0.7501	4,985,269,701	11.20%
2005 S	428,009,039	197,570,134	(26,978,665)	598,600,508	0.1600	5,317,342,630	11.56%
2006 P	533,657,696	196,781,296	(32,647,265)	697,791,727	0.7277	6,334,258,210	11.02%
2006 S	428,009,039	197,570,134	(26,978,665)	746,315,549	0.1824	6,740,461,398	11.24%
2007 P	694,019,621	247,721,262	(46,868,662)	894,872,221	0.7229	8,200,671,779	10.91%
2007 S	941,366,143	331,586,677	(69,891,234)	1,203,061,586	0.1872	11,160,145,641	11.03%
2008 P	819,429,363	326,002,161	(70,878,667)	1,074,552,857	0.6593	9,933,288,785	10.82%
2008 S	1,080,135,505	508,970,816	(136,074,353)	1,453,031,968	0.1007	13,635,883,791	10.78%
2009 P	902,669,562	421,828,698	(96,442,274)	1,228,055,986	0.5939	11,327,541,715	10.84%
2009 S	935,770,645	586,634,924	(148,345,490)	1,374,060,079	0.0195	12,616,563,818	10.68%
2010 P	733,273,293	441,633,369	(109,721,336)	1,065,185,326	0.5661	9,764,355,064	10.91%
2010 S	738,039,896	527,866,735	(142,517,808)	1,123,388,823	-	10,309,334,830	10.84%
2011 P	653,462,350	390,032,243	(118,014,836)	925,479,757	0.6735	8,724,745,680	10.61%
2011 S	653,899,650	413,937,611	(137,942,758)	929,894,503	-	8,876,551,174	10.90%

Source: Maricopa County Assessor's Office 2011 State Abstract  
Direct Tax Rate is From the Maricopa County Finance Department's "2010 Tax Levy Book for the City of Surprise".

City of Surprise, Arizona  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Fiscal Year	Overlapping Rates										Total Direct & Overlapping Rates	
	City of Surprise					Dysart School District						
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Operating Tax Rate	Debt Service Tax Rate	Maricopa County Library	County Tax Rate	Total County Tax Rate	Operating Tax Rate	Debt Service Tax Rate		Total School District 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
2011	0.6735	-	0.6735	1.0508	-	0.0412	1.0920	2.9051	2.0919	4.9970	1.3405	8.1030

Source: Maricopa County Finance Department's "Maricopa County 2010 Tax Levy" report.

**City of Surprise, Arizona  
Principal Property Taxpayers  
June 30, 2011 and 2002**

Taxpayer	2011			2002		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Cox Communications Inc	\$ 20,413,958	1	2.18%			
Safeway Inc	8,575,688	2	0.92%			
Frys Food & Drug Of Az	3,545,398	3	0.38%			
Wal-Mart Stores Inc	3,170,544	4	0.34%	\$ 1,280,982	8	0.56%
Bashas	3,083,018	5	0.33%			
Kohls Department Stores Inc	3,015,762	6	0.32%			
Home Depot Usa Inc	2,849,292	7	0.30%			
Sun State Components Inc	2,444,548	8	0.26%			
Mcdonalds	2,441,170	9	0.26%			
Frys Food Stores Of Az	2,268,268	10	0.24%			
Trader Joes	2,153,668	11	0.23%			
Lowe's Hiw Inc	2,048,598	12	0.22%			
Ultra Star Cinemas	2,163,966	13	0.23%			
Albertsons Inc	2,002,236	14	0.21%			
Sands Chevrolet, Llc	2,098,388	15	0.22%			
Jp Morgan Chase Bank Na	1,911,526	16	0.20%			
Sams Club	1,666,190	17	0.18%			
Deere Credit Services	1,582,430	18	0.17%			
Sun City Grand Community Association Inc	1,929,100	19	0.21%			
Sun City West Surgical Center Llc	1,470,892	20	0.16%			
Hampton Inn & Suites	1,443,916	21	0.15%			
Residence Inn Surprise	1,200,000	22	0.13%			
Directv Inc	1,125,000	23	0.12%			
Walgreens Store	1,061,500	24	0.11%			
Holiday Inn Express	1,000,000	25	0.11%			
Arizona Public Service				6,772,900	2	2.95%
Southwest Gas Corporation				1,667,395	3	0.73%
AAWC: Aqua Fria Water Division				996,896	13	0.43%
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 HSNB 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**  
**Primary Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>			<b>Total Collections to Date</b>		
	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percentage of Levy</b>	<b>Tax Collections in Subsequent Years</b>	<b>Tax Collections</b>	<b>Percentage of Levy</b>
2002	\$ 1,381,640	\$ 1,371,554	99.3%	\$ 9,976	\$ 1,381,529	100.0%
2003	1,730,110	1,717,390	99.3%	12,696	1,730,086	100.0%
2004	2,271,936	2,237,380	98.5%	34,482	2,271,862	100.0%
2005	3,267,144	3,221,174	98.6%	45,487	3,266,661	100.0%
2006	4,010,736	3,957,218	98.7%	53,092	4,010,310	100.0%
2007	4,976,128	4,830,192	97.1%	145,159	4,975,351	100.0%
2008	5,849,653	5,745,663	98.2%	102,294	5,847,957	100.0%
2009	6,361,976	6,166,879	96.9%	192,270	6,359,149	100.0%
2010	6,749,824	6,599,191	97.8%	144,018	6,743,209	99.9%
2011	7,119,612	6,892,250	96.8%	-	6,892,250	96.8%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2011.

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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special (CFD) Assessment Bonds	Municipal Property Bonds	Water Infrastructure Financing Authority Loan	Municipal Property Corp. Bonds						
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	
2011	-	7,935,000	24,489,225	-	61,295,775	1,324,760	-	95,044,760	3.8%	809	

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

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</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%	-
2011	-	-	-	0.000%	-

**City of Surprise, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2011**

<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	\$ 587,930,000	2.33%	\$ 13,698,769
Dysart Unified School District No. 89	186,345,000	79.83%	148,759,214
Subtotal, overlapping debt			<u>162,457,983</u>
City of Surprise, Arizona direct general obligation debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 162,457,983</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 Ten Fiscal Years**

**Unrestricted**

	<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>	<b>2011</b>
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	\$ 67,742,464
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	\$ 67,742,464

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

	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
--	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

**Restricted**

	<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>	<b>2011</b>
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	\$ 225,808,214
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	\$ 225,808,214

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%	0.00%
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Source: Maricopa County Assessor's Office - 2010 Levy Limit Worksheet

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

<b>Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Median Household Income</b>	<b>Median Age</b>	<b>Unemployment Rate</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%
2011	117,517	2,471,437,008	57,114	36.8	6.5%

**Data Sources:**

Arizona Department of Commerce  
US Census Bureau

N/A: Information is not available

City of Surprise, Arizona  
Principal Employers  
June 30, 2011 and 2002

Employer	2011			2002		
	Employees	Rank	% of Total	Employees	Rank	% of Total
Dysart School District (Surprise Schools Only)	1,654	1	13.79%	219	6	1.29%
City of Surprise	867	2	7.23%	389	3	2.30%
Fry's Food Store	549	3	4.58%	165	8	0.98%
Wal-Mart	549	4	4.58%	740	2	4.37%
Maricopa County	202	5	0.0168			
Crescent Crown	200	6	1.67%			
Kohl's Department Store	237	7	1.98%			
Safeway Food Store	188	8	1.57%	130	10	0.77%
Home Depot	166	9	1.38%	160	9	0.95%
Sam's Club	134	10	1.12%			
APS/ Pinnacle West Corp				175	7	1.03%
Albertson's Food Store				250	5	1.48%
Del Webb Hospital				1,108	1	6.55%
Del Webb/Pulte				350	4	2.07%

Source: City of Surprise Economic Development Division & Maricopa Association of Governments.

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

<u>Function</u>	<u>Fiscal Year</u>									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	60	68	65	80	97	124	139	140	124	124
Public safety:										
Police:										
Officers	73	80	84	97	117	128	150	134	132	130
Civilians	11	12	13	13	14	15	20	53	56	58
Fire:										
Firefighters and officers	68	77	91	94	106	129	156	110	110	114
Civilians	2	3	3	4	6	9	10	15	9	8
Public works and streets:										
All others	50	52	55	63	78	89	105	113	100	96
Community development	31	33	37	43	49	51	48	43	40	36
Culture and recreation	32	76	85	94	103	112	124	117	95	97
Water	4	5	6	7	10	8	8	31	31	33
Sanitation	7	8	11	16	23	29	29	32	32	34
Sewer	11	14	17	20	26	30	34	39	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>	<b>768</b>

Source: From fiscal year 2011 Amended Budget, per the fiscal year 2012 Budget Book.

**City of Surprise, Arizona**  
**Operating Indicators by Function**  
**Last Ten 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>	<b>2011</b>
<b>Public safety:</b>										
<b>Police:</b>										
Calls- incidents responded to	41,600	52,700	58,800	60,450	69,000	84,863	88,321	97,423	96,768	40,779
Citations issued	N/A	N/A	9,119	11,080	12,117	8,347	11,732	13,728	12,455	8,233
Officers per 1,000 residents	1.2	1.3	1.2	1.1	1.1	1.2	1.2	1.2	1.2	0.5
<b>Fire:</b>										
Number of responses	4,179	5,086	6,628	7,416	8,668	9,120	10,281	10,523	10,998	11,620
Inspections	1,413	1,796	852	1,023	1,055	2,164	2,285	2,114	639	1,101
<b>Public works and streets:</b>										
Sq. ft. of buildings to maintain	213,034	287,034	320,700	340,700	375,000	378,900	535,717	567,245	830,271	830,431
Vehicles/equipment maintained per month	N/A	27	200	229	244	394	418	484	444	387
Number of street lights repaired	N/A	20	50	135	150	148	124	212	249	270
Street miles maintained	N/A	418	525	550	592	592	592	592	526	536
<b>Community development:</b>										
Building safety inspections performed	N/A	53,821	76,843	61,215	37,607	38,000	30,311	17,749	11,349	11,106
Annual new residential starts	3,435	3,263	5,304	7,704	6,866	1,759	774	373	291	206
<b>Culture and recreation:</b>										
Organized recreation program participants	14,798	29,430	34,700	41,700	29,000	27,760	132,795	186,139	170,336	176,569
Special events/open facility participants	45,558	116,109	146,200	150,300	144,000	157,800	249,599	259,731	242,759	261,327
<b>Water:</b>										
Water service connections	5,116	5,939	7,593	11,047	13,249	13,985	14,375	14,472	14,519	14,130
<b>Sewer:</b>										
Sewage treated (million gallons per day)	2.8	3.1	4.5	5.9	7.0	7.0	7.0	6.0	7.6	7.4
Sewer service connections	N/A	17,293	26,991	35,001	40,072	42,284	42,912	45,032	46,448	44,077
<b>Sanitation:</b>										
Refuse collected (tons/annually)	14,487	17,241	18,470	21,200	28,100	30,700	31,506	29,757	30,398	30,803
Number of routes	6	7	8	11	31	31	25	26	34	34
Total services	11,513	13,390	15,341	21,800	28,625	30,800	32,096	32,719	33,797	37,144

Sources: Various government departments

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

**Fiscal Year**

<b>Function</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>	<b>2011</b>
Public safety:										
Police:										
Stations	1	1	2	2	2	2	2	2	2	2
Patrol units	40	40	46	55	75	66	68	81	73	80
Fire:										
Fire stations	3	4	4	4	4	4	6	7	7	7
Fire engines and ladder trucks	4	4	4	6	7	7	9	10	11	11
Public works and streets:										
Street miles	450	540	630	586	593	593	593	592	592	536
Street lighting improvement districts	23	37	43	57	69	71	79	79	83	98
Traffic Signals	10	13	16	20	23	27	34	41	42	42
Bridges	1	1	1	1	1	1	9	12	15	15
Community development:										
Inspection vehicles	14	16	16	27	29	23	14	12	12	12
Culture and recreation:										
Parks acreage	15	277	277	278	284	284	367	383	393	393
Parks	4	5	5	6	7	9	12	12	12	12
Swimming pools	1	1	2	2	2	2	2	2	2	2
Softball fields	2	2	2	2	2	3	3	9	11	11
Baseball fields	-	15	15	15	15	17	17	21	21	21
Libraries	1	2	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	31.0
Sewer:										
Sewer treatment plants	2	2	1	1	1	1	1	1	1	2
Maximum daily treatment capacity	3.2	3.3	7.2	7.2	7.5	8.3	8.3	16.3	16.3	18.3
Sanitation:										
Collection trucks	8	9	11	17	22	22	25	26	26	26

Sources: Various government departments

## ACKNOWLEDGEMENTS

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:

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Chad McArdle, Special Project Manager  
Craig Dies, Senior Financial Analyst  
Estella Sanchez, Revenue and Utility Billing Manager  
Julie Ralls, Senior Financial Analyst  
Lindsey Duncan, Senior Financial Analyst  
Mary Truhler, Senior Financial Analyst  
Matthew Reams, Senior Financial Analyst  
Randal Hyatt, Senior Financial Analyst

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