

City of Surprise, Arizona
**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

For the fiscal year ended
June 30, 2009



CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2009

Prepared by:
Finance Department



CITY OF SURPRISE, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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

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December 1, 2009

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

State law requires that all general-purpose local governments publish within 120 days (240 days with an extension) following the close of each fiscal year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. We hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Surprise for the fiscal year ended June 30, 2009 pursuant to that requirement.

This report consists of management's representations concerning the finances of the City of Surprise. Responsibility for the accuracy, completeness and fairness of this presentation, the data and all disclosures is the responsibility of the City of Surprise. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner that fairly sets forth the financial position and results of the operations of the City of Surprise as measured by the financial activity of its various funds, and that all disclosures necessary to understand the City's financial affairs to its fullest have been included.

City of Surprise management has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the operation of the City of Surprise's financial statements in conformity with GAAP. To provide a reasonable basis for making these representations, the City of Surprise's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement because the cost of internal controls should not outweigh the benefits. As management, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Eide Bailly, a firm of licensed certified public accountants, has audited the City of Surprise's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Surprise for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Surprise's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Surprise was related to a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Surprise's

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

Profile of the City of Surprise

Surprise, located just 45 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded in 1929 and incorporated in 1960. The name "Surprise" came from Surprise, Nebraska, hometown of the city's founder, Homer C. Ludden. What was once a small farming village now encompasses more than 88 square miles, including urban and commercial developments, ranches and industrial parks. The once irrigated farmlands and orchards are now affordable real estate for people and industry that wish to live, work and play in a progressive city. Surprise strikes the perfect balance between the needs of its residential community and the growth of its business and industrial sections.

Since incorporation in 1960, Surprise has grown from 500 residents to a city of over 108,000 people in 2009. Not only is our population growing, our service area has expanded from 1.67 square miles in 1980 to our current incorporated area which is part of a planning area of 309 square miles. This growth is due in large part to what we are providing and building in our community.

The city offers a broad range of living styles, from small family subdivisions to a number of secluded ranches. Surprise also offers a number of retirement communities that address the needs and lifestyles of active adults. There are a number of recreation facilities including several beautiful golf courses. In 2003, the City of Surprise became the Major League Baseball Spring Training home of the Texas Rangers and the Kansas City Royals. The City's Tennis and Racquet Facility hosts the Cancer Treatment Center of America Championships tournament. Industrial growth zones have been carefully selected to operate competitively, but harmoniously, with the residential community.

The Council's Strategic Plan for the City includes six goals:

Forge an Identity.
Commit to Financial Stability.
Grow with Intelligence, Creativity.
Achieve Educational Excellence.
Build Economic Engines.
Deliver Sensible Transportation.

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 governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Governing Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three elected alternately every two years. The Mayor is elected at large every four years, while the other Council members are elected by district.

The City of Surprise provides a full range of services, including police and fire protection, roadway maintenance and construction, recreational and cultural activities, health and social services, as well as

general administrative services. Sanitation, water, sewer and water recharge utility services are provided to many of the residents through the City's enterprise funds. The City provides street lighting for developing areas through legally formed street lighting districts. The City provides and accounts for a legally separate volunteer firefighters' pension fund as mandated by Arizona Revised 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 serves as the foundation for the City of Surprise's financial planning and control. All departments within the City of Surprise are required to submit requests for appropriation to the Budget Manager before the end of February of the preceding fiscal year. The City's budget team, Budget Manager, and City Manager use these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review in May. The Council is then required to hold public hearings on the proposed budget and to adopt the budget by the second Monday in August. The appropriated budget is prepared by fund and department. Department Heads may make transfers of appropriations within a department between the major categories of services and supplies and within the personnel category. While the City Manager may authorize transfers from the personnel category and from operating capital to services or supplies within a department, the Council must approve all transfers from contingency dollars, between funds, between departments and to and from projects.

Factors Affecting Financial Condition

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

Local economy. Construction is the City's primary source of revenue. By Surprise's standards, we are in a time of limited growth. For the fiscal year 2009, approximately 336 homes were permitted; by contrast in 2008, 863 homes and 1,788 home permits were issued in fiscal year 2007. This trend is expected to continue in fiscal year 2010, where we are expecting to issue 265 home permits. Still, as a city on the fringe of a well-developed metropolitan area, our population increase compared to national averages indicates above average growth. Due to the rapid residential growth in the City over the last twelve years, extensive retail and office development continued to follow the rooftops. This business development will provide the city with a reliable, long-term, source of revenue. Further information on the history of City revenues can be found in the in the MD&A , pages 6 through 13, and the statistical section that begins on page 78, of this financial statement.

Long-term financial planning. During the coming years, we are faced with the challenge of accommodating growth while ensuring that the City develops as a place in which people want to live, work and play. While much slower than in prior years, increases in population, tax base, commercial and retail activity and the City's economic development efforts continue to provide sufficient revenue to offset the costs related to providing services and maintaining facilities.

Because of the current economic uncertainty on the national level and local level, the city administration recognized the need to assure reserves for future revenue shortfalls in case of severe economic downturns. In past years, a large portion of General Fund operating revenue came from construction related activity

and has eventually been constrained by the economy. The following policy guidelines are in place to assist in assuring an adequate combined fund balance:

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

At least \$26.5 million in the budget has been listed as contingency in various funds, which means that it has not been allocated for any specific activity. If revenues are sufficient, Council can use this contingency for unexpected emergencies and projects. In addition, beginning fund balances (prior years' revenues in excess of expenditures) are only available to fund capital or other one-time projects.



- Public Safety/Municipal Court Facility located at 14250 W. Statler Plaza -

The City has constructed facilities and infrastructure that have been planned, programmed and saved for over the years. Utilizing bond funds, state grants and local sources of revenue, the City of Surprise has spearheaded construction on a new downtown by developing 250 acres of City-owned property.

This new downtown, known as Surprise Center, includes a recreation complex, regional library, aquatics center, 37-acre park, County Court complex, and a state-of-the-art Cactus League spring training facility for the Texas Rangers and the Kansas City Royals. During the past twelve months, the City's new City Hall was completed and is neighbored by the Public Safety/Municipal Court Facility and the Surprise Tennis and Racquet Complex.

Based on the current state of the economy, the City is contemplating a general obligation bond election to finance future expansions of streets, parks, other public facilities and economic development.



-New City Hall located at 15984 N. Civic Center Plaza

Major initiatives. State statutes permit municipalities to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). In past years, the City has invested its idle funds with an external investment management company as well as the State Treasurer's LGIP. During fiscal year 2009, the City made a shift to full faith and credit investments with the use of the Certificate of Deposit Account Registry Service (CDARS) program and other individual Certificates of Deposit (CDs), and LGIP Pool 7, all backed by the U.S. government. Year-to-date yield on investments as of June 30, 2009 was between .6471% to 1.4889%.

The current economic downturn has affected the City's overall revenues. Although cognizant of the declining availability of resources, the Council desired to minimize any impact on services. Realizing the demand for certain services had declined with the downturn, the City has undergone a small reorganization. To affect the plan, 53.3 positions were eliminated from the budget late in fiscal year 2009. In addition, as a cost savings measure, several employee benefits were eliminated or reduced. These changes resulted in no appreciable loss in services delivered to the community.

The State of Arizona has issued a moratorium on any increase to development impact fees for the next two years. This impacts the City's ability to change existing or add new development impact fees on new

construction. This is not expected to have a substantial unplanned impact on the City due to the fact that impact fees were already in place and there is an expected decrease in new construction.

Awards and Acknowledgements

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

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Finance Department and other departments who assisted and contributed to the preparation of this report.

Respectfully submitted,



Charles R. Oliver
City Manager



Robert Russell Weddigen, C.P.A.
Accounting Manager

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, 2008

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

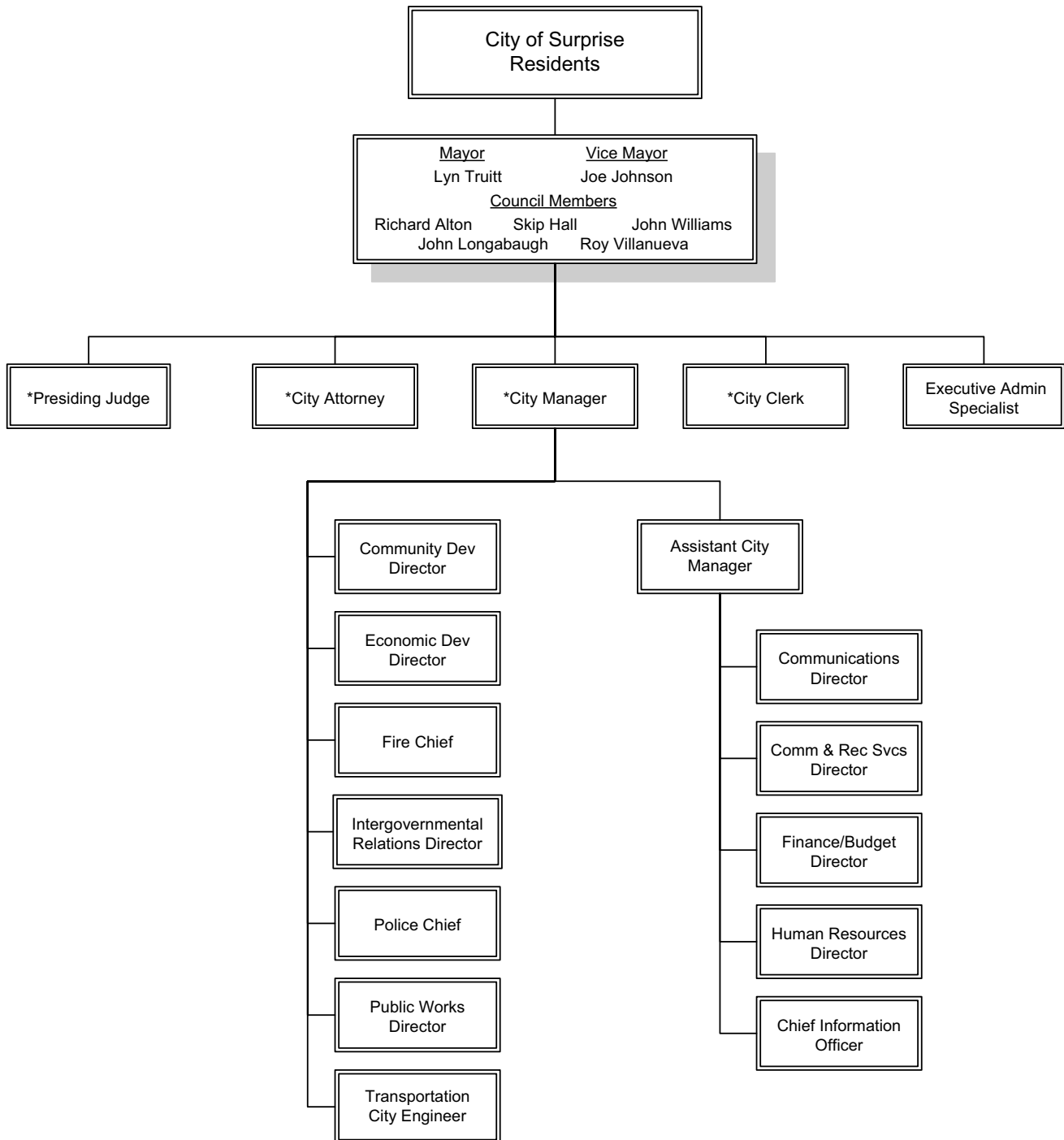


President

Executive Director

City of Surprise Organization Chart

June 30, 2009



COUNCIL MEMBERS

MAYOR - LYN TRUITT – Mayor@surpriseaz.com



Mayor Truitt moved to Surprise in 1997. He has two children and three grandchildren. His daughter-in-law, Nicole, is a music teacher in the Dysart Unified School District.

Truitt has been a self-employed businessman for the past 30 years. As national training consultant for a contract delivery systems company, he trained entrepreneurs in small business ownership, management, and operations. He is currently owner/broker of L.E. Truitt & Associates Real Estate Consulting and a Certified International Property Specialist.

Truitt is a graduate of Leadership West, Class IX and his commitment to effective and ethical leadership is demonstrated through participation in neighborhood and community initiatives, support for quality education, a willingness to volunteer and dedication to our City and residents.

Participation in neighborhood and community initiatives includes leadership on the Coyote Lakes HOA and work on various community initiatives. He was presented the Arizona Golden Rule Award for volunteerism by Secretary of State Jan Brewer. Truitt is active with the Salvation Army Board, organizes an annual drive for St. Mary's Westside Food Bank, and serves on the Board of the West Valley Art Museum.

His support for quality education includes service on committees that worked to pass school bond issues, membership on the Dysart Tax Credit Committee, Chair of the Dysart Wall of Unity Committee and the Community Advisory Team Board.

Truitt's passion for our community is evidenced by successful campaigns to reduce the restaurant tax in Surprise, improve Bell Road, and preserve areas around Luke Auxiliary Field 1. He served as Chair of the Surprise Planning & Zoning Commission prior to his election as Mayor.

As Mayor, he desires to serve as a catalyst to inspire, educate, and promote opportunities for all Surprise residents to grow, prosper, and create the best community possible.

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

ROY VILLANUEVA – Roy.Villanueva@surpriseaz.com



Roy Villanueva rejoins the Mayor and Council as the representative from the Mulberry District (4).

Villanueva brings a combined 25 years of experience as Surprise Mayor, Vice Mayor, and council member. During his many years of service, Villanueva 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, Villanueva 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 Pointe Towne Center, and bringing major league baseball and Surprise stadium to the community.

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

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

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

The Mulberry District encompasses the majority of the Original Townsite from Bell Road south to Greenway Road between Dysart Road and Jerry Street.

Villanueva's term expires in December 2011.

RICHARD ALTON – Richard.Alton@surpriseaz.com



Richard Alton represents the Cottonwood District (2).

Alton 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.

Alton 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 Mayor and Council regarding Council agenda items.

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

The Cottonwood District encompasses the majority of Sun City Grand, the northwest portion of Sun Village, Stonebrook, Summerfield, and Bell West Ranch.

Alton's term expires in December 2011.

SKIP HALL – Skip.Hall@surpriseaz.com



Skip Hall was elected in a March 2008 recall election to represent Palo Verde District(6).

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

Hall's goals for the city include additional east-west road crossings over the Agua 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. Hall is a Vietnam War Veteran and was awarded the Bronze Star for his outstanding service 1969-1970. He worked in the restaurant and lodging business for decades, opening restaurants in California, Oregon, and Washington and earning a certification in Hotel Administration. He was involved in multi-unit management for two lodging chains and achieved the Best Practice Award from American Express and the National Lodging Institute. He has worked with Junior Achievement, Veterans of Foreign Wars and is currently working with the U.S. Department of Education on testing programs for Arizona students. He has also taught community college courses on the hospitality business and restaurant and hotel management.

Hall and his wife Dale have been married for more than 36 years and have two daughters, a son, and five grandchildren.

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 Townsite.

Hall's term expires in December 2009.

VICE MAYOR JOE JOHNSON – Joe.Johnson@surpriseaz.com



Joe Johnson, a Surprise resident for seven years, represents the Palm District (5). Elected to the City Council in a September 2004 recall election.

Johnson, a small business owner, has lived in Arizona for 31 years. A New York native and graduate of Moon Valley High School, he attended Glendale Community College and Arizona State University where he majored in business, minored in mechanical drawing and played on the tennis team.

He has worked as a human resources manager for an agricultural chemical company and as a supervisor for a large air conditioning firm before starting his own business, Custom Air Design Inc. The father of a junior high and high school student, Johnson has been active in the Dysart Unified School District, serving on subcommittees and as a founding member and past president of Parents Plus, a parent/teacher organization at Willow Canyon High School.

Johnson said he wants Surprise to be a destination - a City where people can live, work and play. "Right now people are leaving here to go to work, to go to the mall...they're conducting their day outside of Surprise," he said. "I would like to see us doing everything here." As a result, his goals are to attract more family entertainment venues to Surprise, as well as high-end industrial employers such as Honeywell or Motorola. Transportation is one of Johnson's main concerns and, he said, public safety (police and fire departments) should keep pace with the City's growth. In his spare time, Johnson plays tennis and coaches the Willow Canyon Varsity Girls Tennis Team.

The Palm District encompasses the following residential areas: the northwest portion of the Original Townsite, the northern portion of West Point Towne Center, The Orchards and Kingswood Parke.

Johnson's term expires in December 2009.

JOHN WILLIAMS – John.Williams@surpriseaz.com



John Williams was elected to the City Council from District 3 (Mesquite) in November 2007.

As a teacher, parent, and husband, Williams brings a community perspective to his commitment to serve as a voice for all residents. He 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, Williams also holds a Masters in Health Science from Towson University in Maryland. His professional career began in Sports Medicine and transitioned into education when he and Melissa came to Surprise.

For the past 7 years, Williams has been working as a teacher, building the Career and Technical Education Sports Medicine program in the Peoria Unified School District. He has been selected by his peers to be the Program Lead for the past 2 years.

Williams and his wife have three children, Connor, Ashlyn, and Matthew. They 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 8 years after they took him into their home in 1999.

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

The Mesquite District includes Mountain Vista Ranch, Ashton Ranch, Surprise Farms, Northwest Ranch, Countryside, Cotton Gin, Mountain Gate, Rancho Gabriela, Legacy Parc, Sierra Montana, Roseview, Marley Park, T.A.S.H., the southern portion of West Point Towne Center, and the southwestern portion of the Original Townsite.

William's term expires in December 2011.

JOHN LONGABAUGH – John.Longabaugh@surpriseaz.com



John Longabaugh, a Surprise resident since 2003, represents the Acacia District (1) and was appointed to the City Council in June 2007 to fill a vacancy.

Longabaugh had a 33 year career at Santa Clara County in California, serving in human resources as the administrator of the county’s disabilities program before retiring.

He was appointed by the Surprise City Council to the newly formed Disability Advisory Commission in July 2005 until his recent appointment to the City Council. His proudest accomplishments during his tenure were the completion of Dream Catcher Park and the formation of the City’s Wheelchair Basketball Team.

He is the father of a son and a daughter and has three grandchildren. He enjoys traveling with his family including the Cavalier King Charles Spaniel.

He likes being stopped in his travels throughout the District to listen to his constituents; because he recognizes he was appointed, not elected to his Council position. His favorite quote is: “I expect to pass through this world but once. Any good, therefore that I can do or any kindness I can show to a fellow human, let me do it now. Let me not defer or neglect it for I shall not pass this way again.” Longabaugh tries to follow these words. The ultimate public service in a City is a Councilman – a true servant of the people he or she represents.

The Acacia District encompasses the northwest portion of Surprise, including the following residential areas: Sun City Grand, Happy Trails and Arizona Traditions.

Longabaugh’s term expires in December 2009.

APPOINTED OFFICIALS

Manager

Clerk

Attorney

Magistrate

Charles R. Oliver

Sherry Aguilar

Michael Bailey

George Logan



FINANCIAL SECTION – INDEPENDENT AUDITOR’S OPINION

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

FINANCIAL
SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Surprise, Arizona** as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Surprise, Arizona** management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Surprise, Arizona** at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the City applied an adjustment to revenues and deferred revenues to restate the 2008 financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2009 on our consideration of the **City of Surprise, Arizona's** internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparisons on pages 3 - 17 and 58 - 63, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Surprise, Arizona's** basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements 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.

Eide Bailly LLP

Phoenix, Arizona
November 25, 2009



FINANCIAL SECTION – MANAGEMENT DISCUSSION AND ANALYSIS

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

| | Page |
|------------------------------------|------|
| Management Discussion and Analysis | 3-17 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

We (The City of Surprise) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2009. *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 an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year.* This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation.

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

FINANCIAL HIGHLIGHTS

- ❖ Our **Governmental Type net assets** decreased slightly from \$402.9 million to \$401.1 million, a difference of \$1.8 million.
 - The decreases in Current and other assets of \$45.7 million were offset by increases in Governmental Activity Capital assets of \$44.7 million. While liabilities actually increased slightly by \$.8 million.
 - The \$111.3 million in revenues before transfers was due primarily to Capital Grants and Contributions (\$21.5 million) and tax revenues (\$44.7 million).
 - Transfers in of \$4.1 million decreased the change in net assets to negative \$1.9 million.
- ❖ **Business Type net assets** increased approximately 2% from \$293.5 million to \$299.0 million, a difference of \$5.5 million.
 - Total assets increased by approximately 3% (\$8.5 million). Capital assets (net) increased \$19.0 million while current assets decreased \$10.5 million. In Capital assets, Water experienced a majority of the increase, \$15.3 million.
 - Liabilities recorded a moderate \$3.0 million increase in various categories.
- ❖ **Governmental Activities Expenses** of \$117.3 million exceeded Program Revenues of \$42.2 million, a difference of \$75.1 million in Fiscal Year 2009.
 - Charges for Services (\$18.9 million) covered over 16% of expenses (\$117.3 million).
 - Total Grants and contributions (\$23.3 million) covered approximately 20% of Governmental Activities Expenses (\$117.3 million).
 - We rely upon General revenues (e.g. taxes), to cover operating expenses.
 - General revenues were \$69.1 million.
- ❖ **Business Type Expenses** were \$32.2 million, while program revenues, including development fees, transfers, and prior period adjustments were \$42.8 million, negative \$4.4 million, and a negative \$.5 million respectively, a difference of \$5.7 million.
 - The addition of Investment earnings (\$.4 million) increases the change in net assets from \$42.3 million to \$42.8 million.
 - For the sixth consecutive year, Water, Sewer and Sanitation activities reported increases in net assets.
- ❖ **Component units** – The City includes four types of separate legal entities in its report: the City of Surprise Voluntary Firefighters' Pension and Relief Fund, the Surprise Municipal Property Corporation (SMPC), Marley Park Community Facilities District (CFD), and Various Street Lighting Improvement Districts (SLID). Although legally separate, these “component units” are important because the City is accountable for

reporting on them. A description of these component units is available in Note 1. These four types of entities do not issue separate Financial Statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 18 and 19) 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 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 18. One of the most important questions asked about the City's finances is, "is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities provides information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and/or changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

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

- ❖ **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, public works, parks and recreation departments, and general administration.
- ❖ **Business type activities** – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City's water, water replenishment, sewer, and sanitation systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 20 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.

The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

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

The City as Trustee

The City is the trustee, or fiduciary, for its City of Surprise Voluntary Firefighters' Pension and Relief Fund. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 34-35.

We exclude these activities 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.

THE CITY AS A WHOLE

The following table reflects the condensed Statement of Net Assets as of June 30, 2008 and June 30, 2009.

City of Surprise's Net Assets (in Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|----------|--------------------------|----------|--------------------------|----------|
| | 2008* | 2009* | 2008* | 2009* | 2008 | 2009 |
| Current and other assets | \$ 123.2 | \$ 77.5 | \$ 68.5 | \$ 58.0 | \$ 191.7 | \$ 135.5 |
| Capital assets, net | 414.0 | 458.7 | 239.5 | 258.5 | 653.5 | 717.2 |
| Total assets | 537.2 | 536.2 | 308.0 | 316.5 | 845.2 | 852.7 |
| Liabilities: | | | | | | |
| Liabilities - except general obligations | 30.1 | 32.4 | 14.5 | 17.5 | 44.6 | 49.9 |
| Bonds Payable: Due within one year | 3.2 | 3.0 | - | - | 3.2 | 3.0 |
| Due within more than one year | 101.0 | 99.7 | - | - | 101.0 | 99.7 |
| Total liabilities | 134.3 | 135.1 | 14.5 | 17.5 | 148.8 | 152.6 |
| Net assets: | | | | | | |
| Invested in capital assets, net | | | | | | |
| of related debt | 309.9 | 356.0 | 238.4 | 256.0 | 548.3 | 612.0 |
| Restricted for: | | | | | | |
| Debt service | 0.2 | - | - | - | 0.2 | - |
| Marley Park Community Facilities District | 0.4 | 0.5 | - | - | 0.4 | 0.5 |
| Surprise Municipal Property Corporation | 18.1 | 8.8 | - | - | 18.1 | 8.8 |
| General government | 1.2 | 0.9 | - | - | 1.2 | 0.9 |
| Public works and streets (incl. SLIDs) | 23.1 | 13.6 | - | - | 23.1 | 13.6 |
| Culture and recreation | 2.2 | 4.7 | - | - | 2.2 | 4.7 |
| Unrestricted | 47.8 | 16.6 | 55.1 | 43.0 | 102.9 | 59.6 |
| Total net assets | \$ 402.9 | \$ 401.1 | \$ 293.5 | \$ 299.0 | \$ 696.4 | \$ 700.1 |

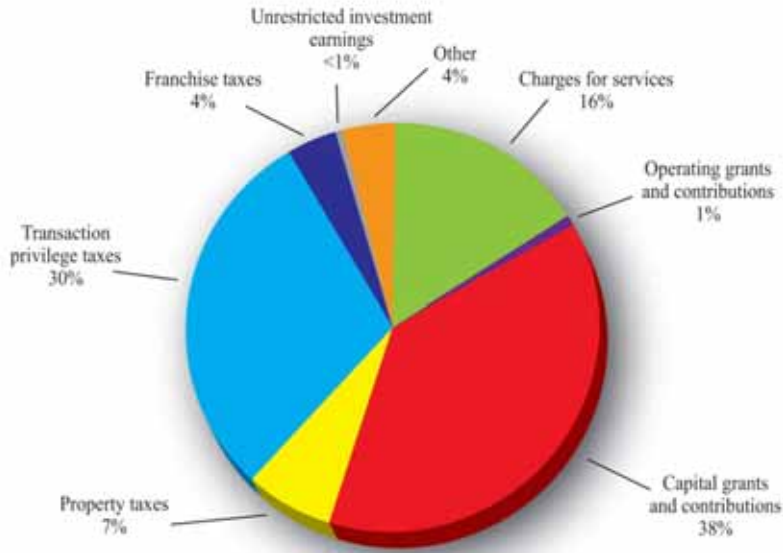
*Prior period adjustments see Note 13.

Our **combined net assets** increased from \$696.4 million to \$700.1 million, a difference of \$3.7 million.

- ❖ 84% of Total assets (\$852.7 million) are invested in Capital assets, net of related debt (\$717.2 million). Current and other assets (\$135.5 million) continued to decline (\$56.2 million) as a result of planned capital expenditures.
- ❖ A more in-depth analysis of this table shows that current and other assets (\$135.5 million) compare favorably to total liabilities (\$152.6 million), suggesting that most debts, even long term, of the City of Surprise could be satisfied without having to sell off capital assets.

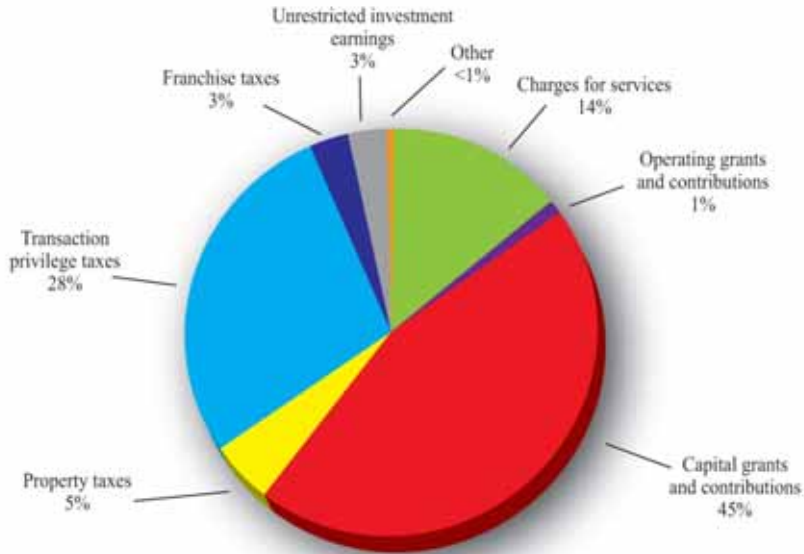
Governmental Activities Revenues for the fiscal year ended June 30, 2009 totaled \$111.3 million (excluding transfers in) and are identified by major revenue source in percentage format as follows:

Fiscal Year 2009 Governmental Activities Revenue Sources - \$111.3 Million



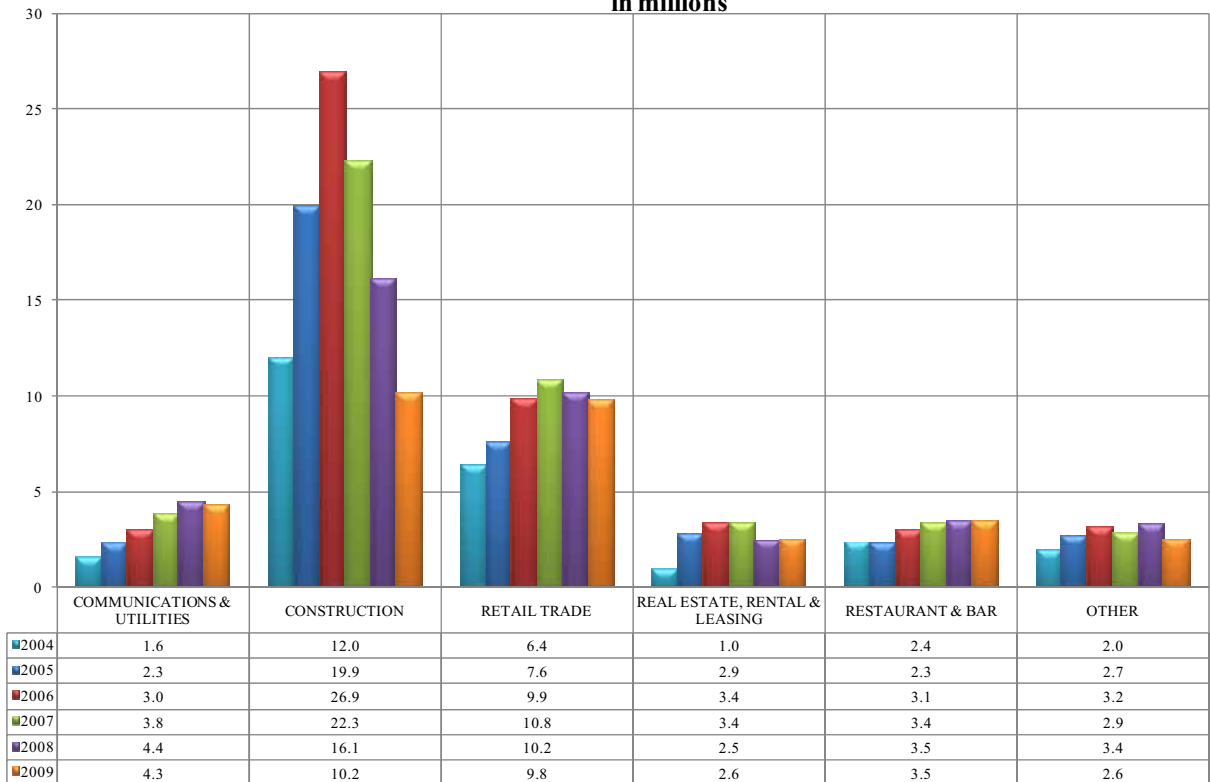
- ❖ The 2008 chart is provided for comparison purposes only.
 - Revenues for the fiscal year ended June 30, 2008 totaled \$142.3 million.

Fiscal Year 2008 Governmental Activities Revenue Sources - \$142.3 Million

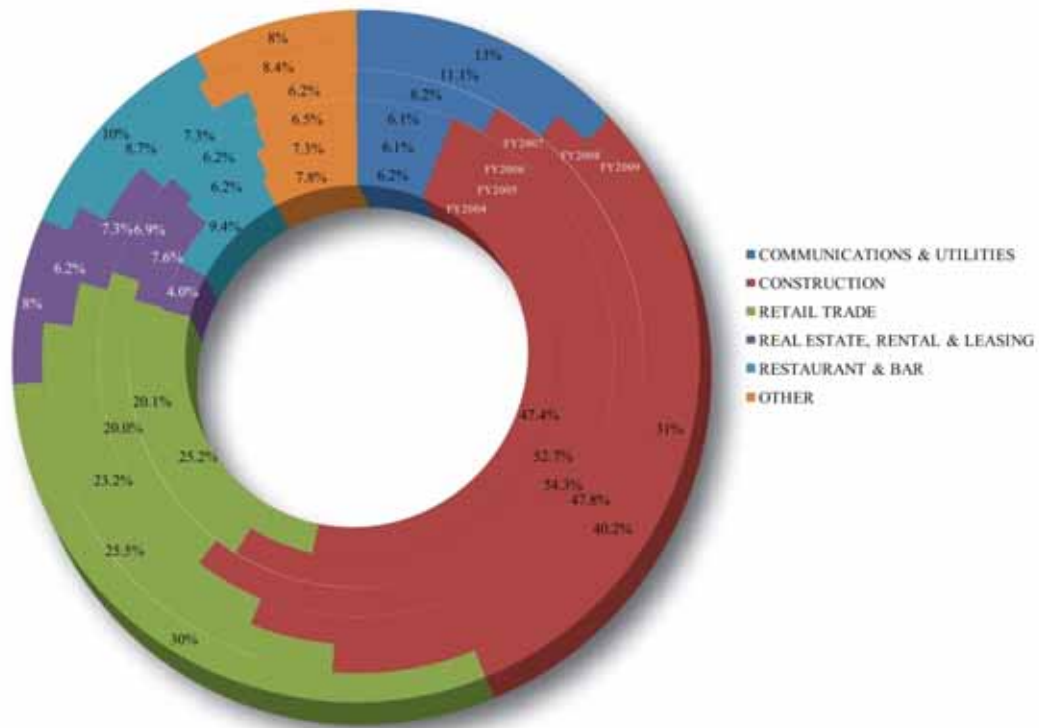


- ❖ Our largest revenue source continues to be Capital grants and contributions at 38% (which includes development impact fees) due to conveyance of developer built infrastructure.
- ❖ Last year, Capital grants and contributions accounted for 45% of total revenues.
- ❖ All other revenue sources remained consistent with past performance led by Transaction Privilege Taxes (sales taxes) at 30% of revenues and all other revenues combining for 32%.

***Transaction Privilege Tax Reported - by Major Business Type
in millions**



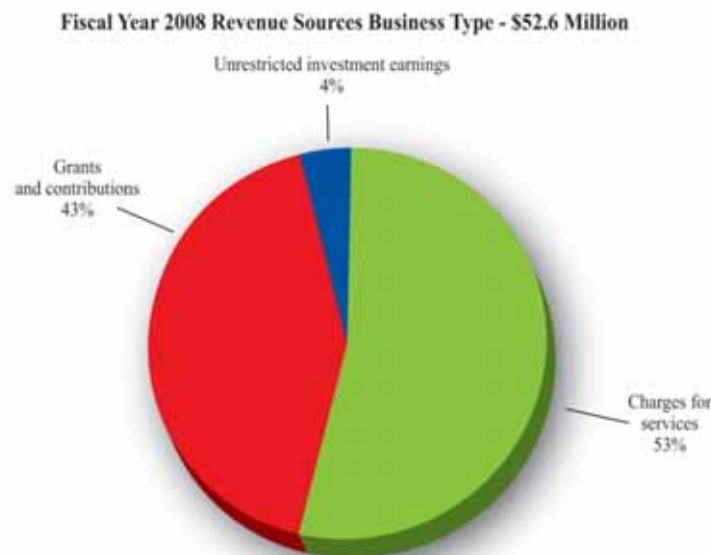
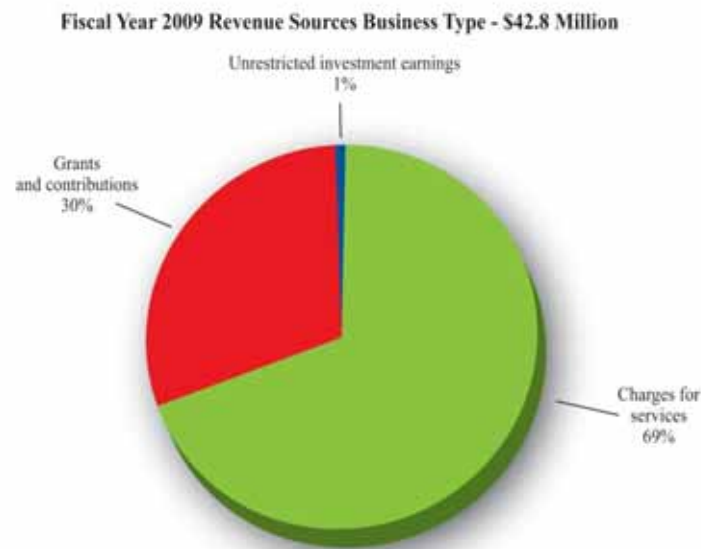
***Transaction Privilege Tax Reported by Major Business Type as a Percentage of Total**



*Based on data contained in Major Sources of Municipal Transaction Privilege Tax, page 84.

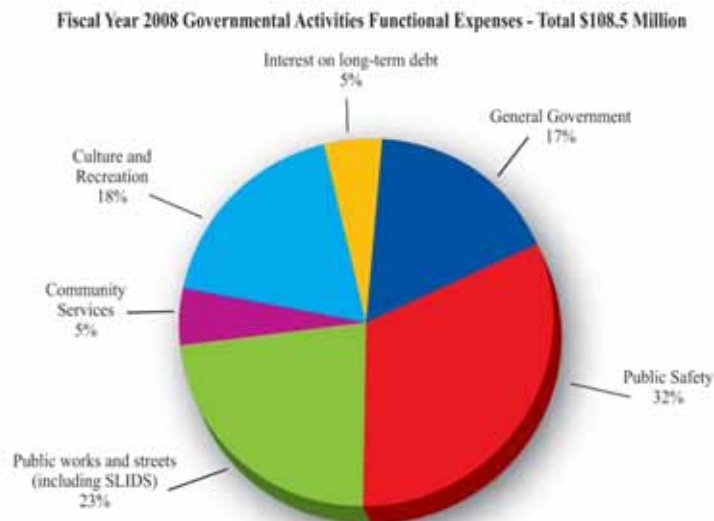
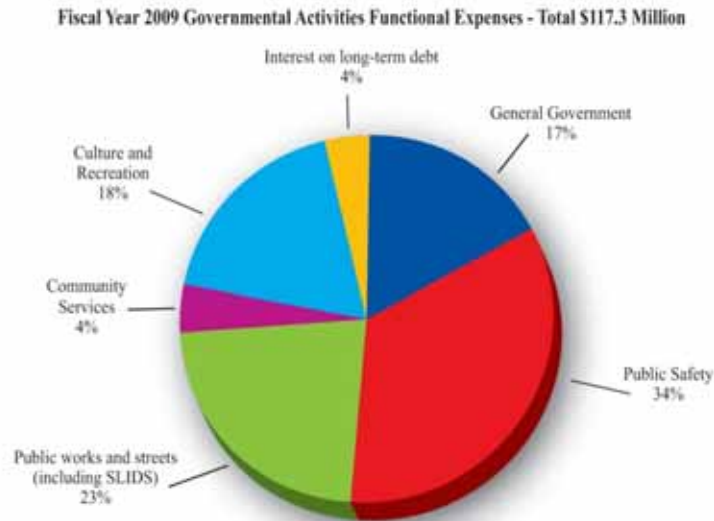
- ❖ The first graph on the previous page represents reported transaction privilege tax in dollars by each major category compared year to year from Fiscal Year 2004 to Fiscal Year 2009.
- ❖ The second graph shows that Construction transaction privilege tax accounts for about 31% of all transaction privilege tax collected in the City of Surprise followed by Retail taxes at about 30%.
- ❖ Combined, Construction and Retail Trade, subcategories represent over 61% of all transaction privilege tax revenue collected each year.
- ❖ Construction transaction privilege tax collections decreased in Fiscal Year 2009 due to the downturn in new home construction.

Business Type Revenues for the fiscal year ended June 30, 2009 totaled \$42.8 million (does not include prior period adjustments of \$.5 million) and are identified by major revenue source in percentage format as follows:



- ❖ The 2008 chart, on the previous page is provided for comparison purposes only.
 - Revenues for the fiscal year ended June 30, 2008 totaled \$52.6 million.
- ❖ Total Business Type Revenues decreased \$9.8 million from Fiscal Year 2008 to Fiscal Year 2009 not including prior period adjustments of \$.5 million (see Note 13). This decrease is related to a decrease in developer contributions (\$5.8 million), a decrease in Capital contributions (\$3.9 million), an increase in charges for services revenue (\$1.8 million) and a decrease in investment earnings (\$1.9 million).
- ❖ Charges for Services of \$29.5 million were \$1.8 million higher than last year and constitute 69% of all Business Type Revenue.
- ❖ By Business Type, operating revenues break down as follows: Water \$10.3 million; Sewer \$13.6 million; Sanitation \$5.6 million.

Governmental Activities Expense (excluding transfers and capital outlays) for the fiscal year ended June 30, 2008 totaled \$117.3 million and are identified by function in percentage format as follows:

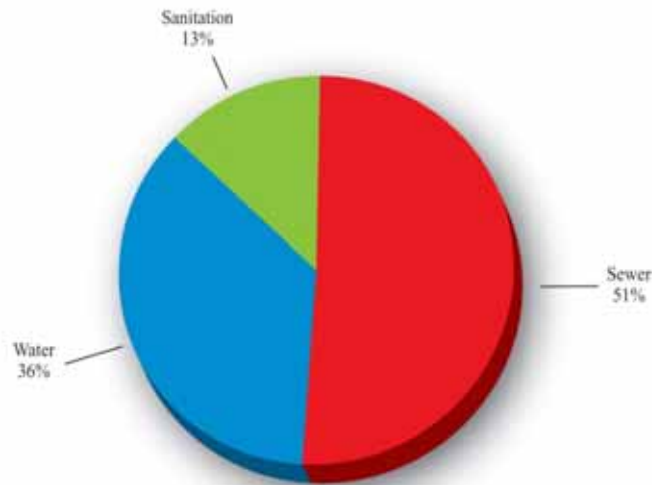


The 2008 chart on the previous page is provided for comparison purposes only.

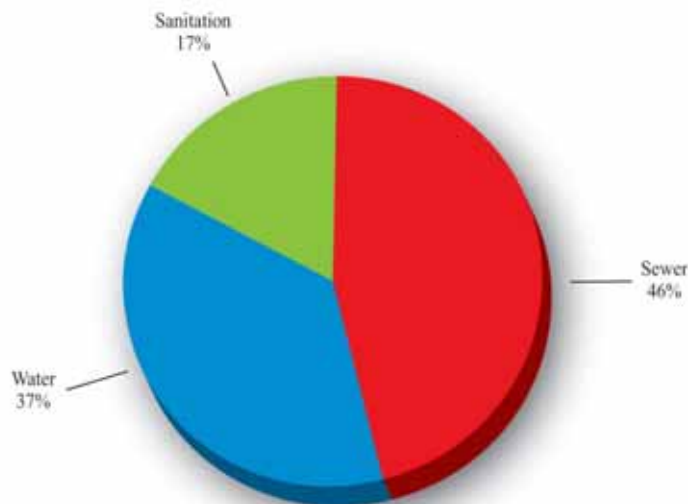
- ❖ Expenses (excluding transfers and capital outlays) were \$108.5 million in 2008.
- ❖ Public safety (Police, Fire, and Courts) was 34% of program expenditures (\$39.4 million in 2009 and \$35.0 million in 2008).
- ❖ Public works and streets was next and accounted for approximately 23% (\$26.6 million in 2009 and \$25.1 million in 2008)
- ❖ Culture and recreation was third with 18% (\$21.1 million in 2009 and \$20.0 million in 2008).
- ❖ General government was fourth with 17% (\$20.3 million in 2009 and \$18.2 million in 2008).
- ❖ All others make up 8% (\$9.9 million in 2009 and \$10.2 million in 2008).

Business Type Expense (excluding transfers and capital outlays) for the fiscal year ended June 30, 2009 totaled \$32.2 million and are identified by function and fund in percentage format as follows:

Fiscal Year 2009 Functional Expenses - Business Type - Total \$32.2 Million



Fiscal Year 2008 Functional Expenses - Business Type - Total \$23.7 Million



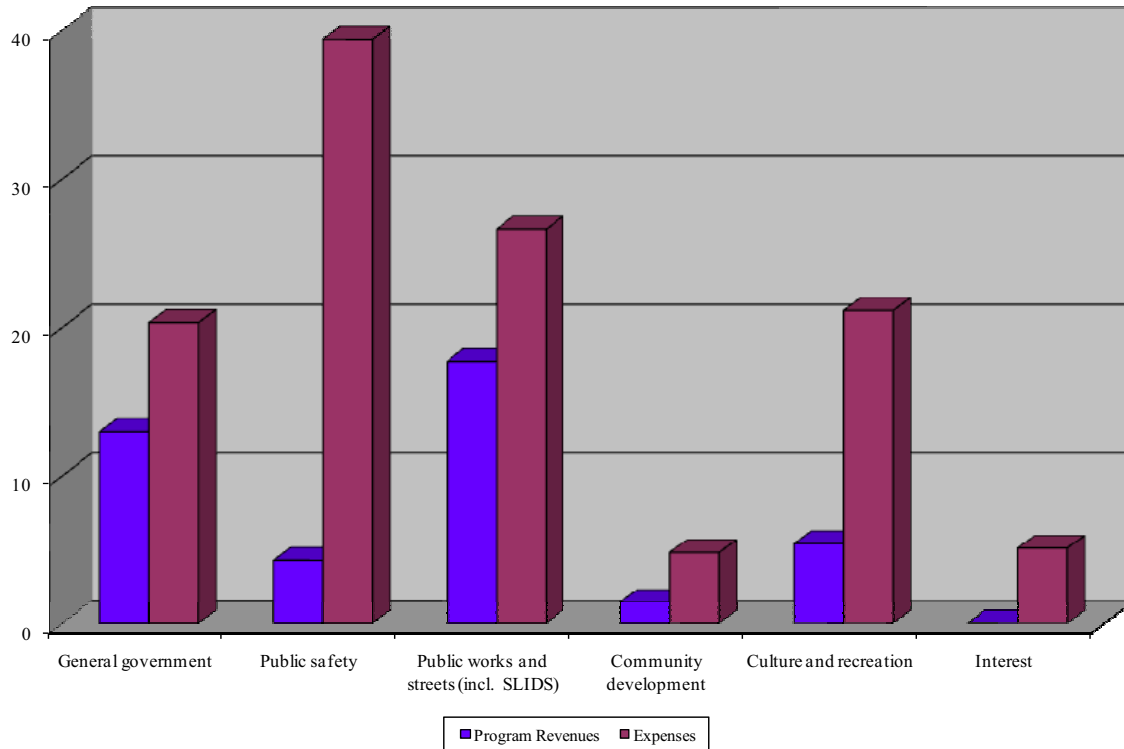
The 2008 chart, on the previous page is provided for comparison purposes only.

- ❖ Expenses (excluding Transfers) were \$23.7 million in 2008.
- ❖ In 2009 \$32.2 million was related to Cost of sales and services an increase of \$8.5 million over the previous year.
- ❖ Of the \$32.2 million, \$5.7 million was related to Depreciation, an increase of \$1.7 million over the previous year.
- ❖ By Business Type, expenses break down as follows: Water \$11.6 million; Sewer \$16.3 million; Sanitation \$4.3 million.

City of Surprises Changes in Net Assets (in Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|-----------------|--------------------------|---------------|--------------------------|---------------|
| | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for service | \$ 20.2 | \$ 18.9 | \$ 27.7 | \$ 29.5 | \$ 47.9 | \$ 48.4 |
| Operating grants and contributions | 2.3 | 1.8 | - | - | 2.3 | 1.8 |
| Capital grants and contributions | 43.0 | 21.5 | 22.5 | 12.8 | 65.5 | 34.3 |
| General revenues: | | | | | | |
| Property taxes | 7.4 | 7.4 | - | - | 7.4 | 7.4 |
| Transaction privilege taxes | 39.3 | 33.2 | - | - | 39.3 | 33.2 |
| Franchise taxes | 3.9 | 4.1 | - | - | 3.9 | 4.1 |
| Grants and contributions not restricted | 20.8 | 20.5 | - | - | 20.8 | 20.5 |
| Unrestricted investment earnings | 4.0 | 0.4 | 2.4 | 0.5 | 6.4 | 0.9 |
| Other | 1.4 | 3.5 | - | - | 1.4 | 3.5 |
| Total revenues | <u>142.3</u> | <u>111.3</u> | <u>52.6</u> | <u>42.8</u> | <u>194.9</u> | <u>154.1</u> |
| EXPENSES | | | | | | |
| Program activities: | | | | | | |
| Governmental activities: | | | | | | |
| General government | 18.2 | 20.3 | - | - | 18.2 | 20.3 |
| Public safety | 35.0 | 39.4 | - | - | 35.0 | 39.4 |
| Public works and streets (incl. SLIDS) | 25.1 | 26.6 | - | - | 25.1 | 26.6 |
| Community services | 5.2 | 4.8 | - | - | 5.2 | 4.8 |
| Culture and recreation | 20.0 | 21.1 | - | - | 20.0 | 21.1 |
| Interest on long-term debt | 5.0 | 5.1 | - | - | 5.0 | 5.1 |
| Business-type activities: | | | | | | |
| Water | - | - | 8.7 | 11.6 | 8.7 | 11.6 |
| Sewer | - | - | 11.0 | 16.3 | 11.0 | 16.3 |
| Sanitation | - | - | 4.0 | 4.3 | 4.0 | 4.3 |
| Total expenses | <u>108.5</u> | <u>117.3</u> | <u>23.7</u> | <u>32.2</u> | <u>132.2</u> | <u>149.5</u> |
| Excess before transfers | <u>33.8</u> | <u>(6.0)</u> | <u>28.9</u> | <u>10.6</u> | <u>62.7</u> | <u>4.6</u> |
| Transfers in (out) | 4.1 | 4.1 | (4.1) | (4.4) | - | (0.3) |
| Prior period adjustments | (0.6) | - | (2.8) | (0.5) | (3.4) | (0.5) |
| Increase in net assets | <u>\$ 37.3</u> | <u>\$ (1.9)</u> | <u>\$ 22.0</u> | <u>\$ 5.7</u> | <u>\$ 59.3</u> | <u>\$ 3.8</u> |

**FY 2009 Governmental Program Revenues & Expenses
(in Millions)**



- ❖ More than 40% of **General Government** revenues are from grants and contributions.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior services) are often subsidized or are free to the residents. They are not intended to directly cover the cost of the service.
 - 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.
- ❖ The State of Arizona mandates that a city have at least two funds, one is a General Fund and the other is a Highway User Revenue Fund (HURF).
 - The HURF fund was established for the sharing of gasoline and other vehicular taxes between the State and Cities and Counties.
 - The result is dedicated revenue used to pay for street maintenance (**Public Works and Streets**) costs.
- ❖ **Community Development** revenues come primarily from construction related activities.
 - Construction activity in Fiscal Year 2009 continued to decline.
- ❖ **SLIDs** are Street Light Improvement Districts that charge a fee/tax to pay for the electricity used by neighborhood streetlights.

THE CITY'S FUNDS

- ❖ **Major Governmental Funds** assets decreased from \$129.8 million to \$78.8 million, but assets exceeded liabilities (\$30.3 million) by \$48.5 million. The Governmental Funds expenses of \$155.2 million exceeded revenues of \$102.4 million by \$52.8 million.
 - The General fund balance decreased \$29.3 million from \$53.3 million in 2008 to \$24.0 million in 2009. This was due to continued planned large

amounts of Capital outlay, \$41.1 million in 2008 and in 2009 \$26.8 million and increases in operational costs from \$73.7 million to \$76.9 and a reduction in Transfers in(out) from \$2.7 million transfer out to a \$1.1 million transfer in. The increase in operational costs is mostly due to increased personnel costs, while the Capital outlay is due to the construction of the City Hall building.

- The Municipal Property Corporation fund balance decreased from \$18.1 million to \$8.7 million due to transfers out of \$9.5 million as well as a timing difference in the Rents collected and Debt payments made.
- The Highway User fund balance decreased from \$1.9 million to \$.6 million due to decrease in revenue from \$6.4 million in 2008 to \$5.5 million in 2009. This reflects the downturn in the economy affecting state shared revenues, county participation, and investment income.
- The Police Development Fee fund balance decreased from \$2.0 million to \$.2 million due to transfers out, that covered the cost of replacement equipment purchased by the General fund.
- The Fire Development Fee fund balance increased from a negative \$7.8 million in 2008 to a negative \$4.3 million in 2009 due largely to a transfer in of \$4.2 million. New facility construction outpaced collections of related Development fees (Capital outlay – \$4.5 and \$1.2 million while Development fees – \$1.5 and \$.8 million in 2008 and 2009 respectively. (In the beginning of 2007 the Fire Development fee fund had a positive \$4.8 million in fund balance.)
- The Transportation Improvement fund balance decreased from \$14.5 million to \$6.8 million. Mostly due to Capital outlay increasing from \$4.4 million to \$14.5 million. The tax revenues in this fund, are dedicated from a portion of the sales tax related to construction activity in the City, were \$4.4 million.

❖ **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 City as a whole was well within its **budgeted expenditure limitation**.
- The original General Fund budget for expenditures was \$171.3 million (plus \$2.6 million budgeted operating transfers). Budget adjustments totaling a negative \$.5 million were made decreasing the final budget to \$173.4 million Actual General Fund expenditures were \$103.7 million (plus \$1.1 million in operating transfers) leaving \$68.6 million in unused budget authority.
- Actual expenditures for Current – General Government were about 59% of budget due to statutory requirements to budget for all possible expenditures.
- Budget amendments are broken down below into two types of transfers. One type is between the General Fund and other funds, and the other type is from one location in the General Fund to another location within the General Fund.

- **Within the General Fund:**
 - \$0.5 million was transferred from various departments back to General Operations as adjustments to project budgets were made because they were completed in the prior year or deemed to not be needed.

CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets at Year-End
(Net of Depreciation)
(in millions)**

| | General Government | | Business-type Activities | | Total Primary Government | |
|----------------------------|---------------------------|--------------|---------------------------------|--------------|---------------------------------|--------------|
| | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> |
| Land | 40.8 | 41.4 | 4.1 | 4.6 | 44.9 | 46.0 |
| Buildings & Improvements | 119.5 | 174.5 | | | 119.5 | 174.5 |
| Equipment & Vehicles | 18.7 | 21.3 | 4.6 | 4.4 | 23.3 | 25.7 |
| Streets | 116.7 | 130.4 | | | 116.7 | 130.4 |
| Curb Gutter & Sidewalks | 49.5 | 53.7 | | | 49.5 | 53.7 |
| Traffic Signals | 5.6 | 8.5 | | | 5.6 | 8.5 |
| Storm Drains | 10.6 | 12.5 | | | 10.6 | 12.5 |
| Other Infrastructure | 0.3 | 0.4 | 1.2 | | 1.5 | 0.4 |
| Sewer System | | | 87.3 | 176.0 | 87.3 | 176.0 |
| Water System | | | 31.7 | 47.0 | 31.7 | 47.0 |
| Construction in Progress | <u>52.4</u> | <u>16.0</u> | <u>110.6</u> | <u>26.5</u> | <u>163.1</u> | <u>42.5</u> |
| Total Capital Assets (Net) | <u>414.1</u> | <u>458.7</u> | <u>239.5</u> | <u>258.5</u> | <u>653.6</u> | <u>717.2</u> |

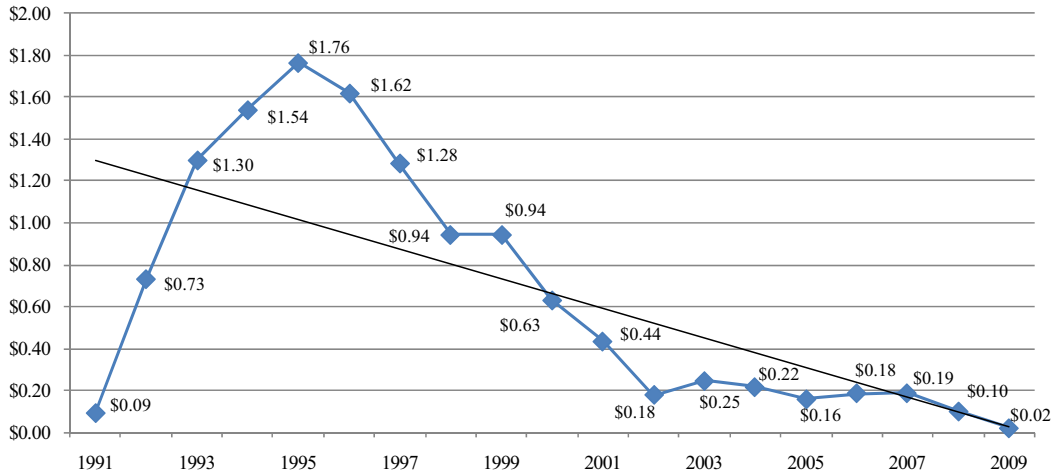
- **The capital assets of the Governmental Activities funds** increased by 44.6 million net of annual depreciation (\$64.9 million before depreciation). Governments with total revenues of \$10.0 million or more, but less than \$100.0 million are required to capitalize all previously constructed infrastructure assets for fiscal periods beginning after June 15, 2006. GASB Statement No. 34 requires the inclusion of general infrastructure assets, and that they are capitalized in the financial statements at their historical cost or estimated historical cost. Government's further are required to report depreciation for all capital assets, including general infrastructure assets.
- **Major additions to Governmental Capital Assets** for FY09 are as follows:
 - To comply with GASB 34, Infrastructure was reported and valued as follows:
 - \$21.8 million – streets
 - \$6.4 million – curb, gutter and sidewalks
 - \$2.2 million – storm drains
 - \$0.5 million – donated land
 - \$3.2 million – traffic signals
 - \$0.1 million – bridges

- City Hall Building was completed and booked at \$48.5 million.
 - Bell Road Improvements completed and booked at \$6.6 million.
 - Central Plant facility completed and booked at \$7.9 million.
 - Fire Station #7 completed and booked at \$4.1 million.
 - Fire Pumper for Fire Station #7 was purchased and booked at \$0.6 million.
 - Sign Shop completed and booked at \$0.8 million.
 - Paradise Acres road improvements completed and booked at \$1.0 million.
 - Litchfield Road improvements completed and booked at \$1.2 million.
 - Reems Road from Waddell to Cactus was completed and booked at \$2.9 million.
 - \$0.7 million was spent on Police vehicles and vehicle equipment.
 - Construction in Progress as of the end of FY09 included:
 - \$1.2 million Traffic Signal Master Computer project.
 - \$6.6 million Surprise Farms Park.
 - \$0.5 million Dysart Road & Grand Avenue project.
 - \$2.4 million Reems Rd (Cactus to Peoria).
- **The capital assets of the Business-type Activities funds** increased by \$19.0 million net of annual depreciation (\$24.7 million before depreciation).
- In November 2008, the City of Surprise opened the fourth expansion of the Special Planning Area (SPA) 1 Water Reclamation plant increasing the plant capacity from 7.2 million gallons per day (mgd) to 16.3 mgd. Completed and booked at \$86.0 million.
 - Non-potable sewer line from Litchfield to Bell completed and booked at \$1.6 million.
 - Ashton Ranch water storage facility phase 2 & 3 completed and booked at \$8.4 million.
 - Buildings and Equipment increased by \$9.1 million.
 - \$15.3 million in business type activities capital construction was started in the last 12 months. This amount was added to construction in progress this year.
 - Water Services is currently working with developers on the construction phase of the Water Reclamation Facility in Special Planning Area (SPA) 2. Additionally, the department has continued expansion of the city's reclaimed water line infrastructure and water storage facilities.
 - For more detailed information on Capital Assets see, Note 4 of this report.
- **Long-term debt** increased this year from \$102.1 million to \$102.7 million. Greater detail of outstanding Long-term debt can be found in Note five (5).
- \$3.4 million in bonds were issued this year for the Marley Park CFD.

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

- ❖ **Bond rating** – Since 2000, the City of Surprise General Obligation and Surprise Municipal Property Corporation bond rates have increased from BBB to AA-.

**City of Surprise, AZ
Secondary Tax Rate
1991-2009**



- ❖ **Secondary Property Tax Rate** – The Fiscal Year 2008 rate decreased from \$0.1007 to \$0.0195 for fiscal year 2009. In 2010 the secondary rate will decrease to zero. The above graph shows that since 1995 the rate has dropped precipitously from \$1.76 to \$0.0195.
- ❖ **Development Impact Fees** – The City adopted new impact fees effective July 1, 2007. However, the commercial and housing markets have declined rapidly and are at minimal levels. New home permits are expected to be about 22 per month in 2010 versus a realized 28 per month in 2009.
- ❖ **Revenues expected to decline** – City transaction privilege tax for all other sources (except construction) is expected to decrease 4% while state shared revenues are expected to decline by 11% in 2010.
- ❖ **Investment Income** – In fiscal year 2009, investment income was \$.8 million. Due to the state of the economy and a decrease in amounts available to invest, total investment income is expected to be low in fiscal year 2010.
- ❖ **Next year's budget** - due to the economic condition in the late 2009, the City began making reductions in certain planned expenditures in the Fiscal Year 2009 budget that carried over into 2010's budget. In addition, as revenues are slightly less than expected in the first quarter of 2010, additional changes have been made and others are being considered to further reduce expenditures.

FINANCIAL CONTACT

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





FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS

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

| Government-wide Financial Statements: | Page |
|---------------------------------------|------|
| Statement of Net Assets | 18 |
| Statement of Activities | 19 |

CITY OF SURPRISE, ARIZONA

STATEMENT OF NET ASSETS

JUNE 30, 2009

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 20,377,936 | \$ 29,368,721 | \$ 49,746,657 |
| Investments | 7,672,568 | 10,047,459 | 17,720,027 |
| Receivables (net of allowances) | | | |
| Accounts | - | 4,864,446 | 4,864,446 |
| Interest | 128,965 | 18,697 | 147,662 |
| Taxes and franchise fees | 6,875,292 | - | 6,875,292 |
| Grants | 503,204 | - | 503,204 |
| Intergovernmental | 1,357,646 | - | 1,357,646 |
| Internal balances | 8,706,262 | (8,706,262) | - |
| Capital asset held for resale | 8,500,000 | - | 8,500,000 |
| Other | 730,578 | - | 730,578 |
| Debt issuance cost, net of amortization | 2,500,145 | - | 2,500,145 |
| Other assets | 2,289,308 | 8,897,218 | 11,186,526 |
| Restricted cash and cash equivalents | 15,067,220 | 4,800,000 | 19,867,220 |
| Restricted investments | 2,750,232 | - | 2,750,232 |
| Capital assets, non-depreciable | 57,778,577 | 31,164,171 | 88,942,748 |
| Capital assets, depreciable | 532,126,801 | 253,628,166 | 785,754,967 |
| Accumulated depreciation | (131,205,292) | (26,255,288) | (157,460,580) |
| | <u>536,159,442</u> | <u>307,827,328</u> | <u>843,986,770</u> |
| Total assets | | | |
| LIABILITIES | | | |
| Accounts payable | 5,686,722 | 2,395,949 | 8,082,671 |
| Accrued payroll and related taxes | 2,662,687 | 314,314 | 2,977,001 |
| Deposits | 481,657 | 283,361 | 765,018 |
| Accrued interest payable | 1,891,769 | - | 1,891,769 |
| Unearned revenues | 15,160,578 | 2,749,599 | 17,910,177 |
| Contracts payable, due in less than one year | 409,010 | 677,111 | 1,086,121 |
| Contracts payable, due in more than one year | 1,515,211 | 1,853,195 | 3,368,406 |
| Other liabilities | 100,073 | 1,787 | 101,860 |
| Compensated absences payable, due in less than one year | 4,154,089 | - | 4,154,089 |
| Compensated absences payable, due in more than one year | 342,595 | 500,899 | 843,494 |
| Bonds, loans, and payables due in less than one year | 2,975,000 | - | 2,975,000 |
| Bonds, loans, and payables due in more than one year | 99,733,894 | - | 99,733,894 |
| | <u>135,113,285</u> | <u>8,776,215</u> | <u>143,889,500</u> |
| Total liabilities | | | |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt and depreciation | 355,991,192 | 256,006,743 | 611,997,935 |
| Restricted for | | | |
| Debt service | 27,832 | - | 27,832 |
| Marley Park Community Facilities District | 518,366 | - | 518,366 |
| Surprise Municipal Property Corporation | 8,731,816 | - | 8,731,816 |
| General government | 883,115 | - | 883,115 |
| Public works and streets (incl. SLIDS) | 13,622,744 | - | 13,622,744 |
| Culture and recreation | 4,720,234 | - | 4,720,234 |
| Unrestricted | 16,550,858 | 43,044,370 | 59,595,228 |
| Total net assets | <u>\$ 401,046,157</u> | <u>\$ 299,051,113</u> | <u>\$ 700,097,270</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| FUNCTIONS/PROGRAMS | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General government | \$ 20,248,301 | \$ 7,762,750 | \$ 13,496 | \$ 5,187,636 | \$ (7,284,419) | \$ - | \$ (7,284,419) | |
| Public safety | 39,409,554 | 3,132,368 | 251,449 | 1,206,275 | (34,819,462) | - | (34,819,462) | |
| Public works and streets (incl. SLIDS) | 26,621,704 | 3,004,313 | 258,169 | 14,392,314 | (8,966,908) | - | (8,966,908) | |
| Community development | 4,824,047 | 1,436,629 | - | - | (3,387,418) | - | (3,387,418) | |
| Culture and recreation | 21,138,623 | 3,539,257 | 1,251,863 | 766,131 | (15,581,372) | - | (15,581,372) | |
| Interest | 5,124,808 | - | - | - | (5,124,808) | - | (5,124,808) | |
| | <u>117,367,037</u> | <u>18,875,317</u> | <u>1,774,977</u> | <u>21,552,356</u> | <u>(75,164,387)</u> | <u>-</u> | <u>(75,164,387)</u> | |
| Business-type Activities | | | | | | | | |
| Water | 11,629,143 | 10,282,626 | - | 3,832,827 | - | 2,486,310 | 2,486,310 | |
| Sewer | 16,315,148 | 13,587,358 | - | 9,023,622 | - | 6,295,832 | 6,295,832 | |
| Sanitation | 4,269,858 | 5,627,829 | - | - | - | 1,357,971 | 1,357,971 | |
| | <u>32,214,149</u> | <u>29,497,813</u> | <u>-</u> | <u>12,856,449</u> | <u>-</u> | <u>10,140,113</u> | <u>10,140,113</u> | |
| Total primary government | <u>\$ 149,581,186</u> | <u>\$ 48,373,130</u> | <u>\$ 1,774,977</u> | <u>\$ 34,408,805</u> | <u>\$ (75,164,387)</u> | <u>\$ 10,140,113</u> | <u>\$ (65,024,275)</u> | |
| General Revenues | | | | | | | | |
| Property taxes | | | | | \$ 7,403,211 | \$ - | \$ 7,403,211 | |
| Sales taxes | | | | | 33,241,899 | - | 33,241,899 | |
| Franchise taxes | | | | | 4,073,771 | - | 4,073,771 | |
| Grants and contributions not restricted to specific programs | | | | | 20,546,483 | - | 20,546,483 | |
| Unrestricted investment earnings | | | | | 422,965 | 365,454 | 788,419 | |
| Other | | | | | 3,545,306 | - | 3,545,306 | |
| Transfers | | | | | 4,050,107 | (4,373,199) | (323,092) | |
| Total general revenues and transfers | | | | | <u>73,283,742</u> | <u>(4,007,745)</u> | <u>69,275,997</u> | |
| Increase (decrease) in net assets | | | | | <u>(1,880,645)</u> | <u>6,132,368</u> | <u>4,251,723</u> | |
| Net assets - beginning | | | | | 402,926,802 | 293,467,332 | 696,394,134 | |
| Prior period adjustments | | | | | - | (548,587) | (548,587) | |
| Net assets - ending | | | | | <u>\$ 401,046,157</u> | <u>\$ 299,051,113</u> | <u>\$ 700,097,270</u> | |

See Notes to Financial Statements



FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS

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

| Fund Financial Statements: | Page |
|---|-------|
| Balance Sheet – Governmental Funds | 20-21 |
| Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds | 23-24 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 25 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund by Department | 26-27 |
| Statement of Net Assets – Proprietary Funds | 28-29 |
| Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds | 30-31 |
| Combining Statement of Cash Flows – Proprietary Funds | 32-33 |
| Statement of Fiduciary Net Assets – Pension Trust Fund | 34 |
| Statement of Changes in Fiduciary Net Assets – Pension Trust Fund | 35 |



CITY OF SURPRISE, ARIZONA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

| ASSETS | General Fund | Municipal Property Corporation Fund | Highway User Fund | Police Development Fee Fund |
|---|-------------------------|--|----------------------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,424,209 | \$ - | \$ 544,853 | \$ 134,314 |
| Investments | 1,006,903 | 1,545,269 | 160,216 | 39,495 |
| Receivables (net of allowances) | | | | |
| Interest | 117,874 | - | 300 | - |
| Taxes and franchise fees | 6,565,372 | - | - | - |
| Grants | 503,204 | - | - | - |
| Intergovernmental | 879,133 | - | 478,513 | - |
| Due from other funds | 14,496,992 | - | - | - |
| Capital asset held for resale | 8,500,000 | - | - | - |
| Other | 643,531 | - | - | - |
| Prepaid items | - | - | - | 439,635 |
| Restricted cash and cash equivalents | - | 14,607,850 | - | - |
| Restricted investments | - | 2,750,232 | - | - |
| | <u>-\$ 36,137,218</u> | <u>\$ 18,903,351</u> | <u>\$ 1,183,882</u> | <u>\$ 613,444</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 4,440,421 | \$ 5,600 | \$ 339,756 | \$ 413,064 |
| Accrued payroll and related taxes | 2,466,471 | - | 158,617 | - |
| Due to other funds | - | - | - | - |
| Deposits | 481,657 | - | - | - |
| Deferred revenues | 4,589,326 | 10,165,935 | 83,173 | - |
| Other liabilities | 109,479 | - | 1,289 | - |
| | <u>12,087,354</u> | <u>10,171,535</u> | <u>582,835</u> | <u>413,064</u> |
| FUND BALANCE | | | | |
| Fund Balances | | | | |
| Reserved for: | | | | |
| Prepaid items | - | - | - | 439,635 |
| Asset held for resale, portion not deferred | 4,048,909 | - | - | - |
| Unreserved, reported in | | | | |
| General fund | 20,000,955 | - | - | - |
| Special revenue funds | - | 8,731,816 | 601,047 | (239,255) |
| Debt service funds | - | - | - | - |
| Total fund balance | <u>24,049,864</u> | <u>8,731,816</u> | <u>601,047</u> | <u>200,380</u> |
| | <u>\$ 36,137,218</u> | <u>\$ 18,903,351</u> | <u>\$ 1,183,882</u> | <u>\$ 613,444</u> |

See Notes to Financial Statements

| Fire Development Fee Fund | Transportation Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|--|---|---|
| \$ - | \$ 5,529,876 | \$ 9,205,890 | \$ 18,839,142 |
| - | 1,626,084 | 2,842,112 | 7,220,079 |
| - | 4,179 | 5,781 | 128,134 |
| - | 296,132 | 13,788 | 6,875,292 |
| - | - | - | 503,204 |
| - | - | - | 1,357,646 |
| - | - | - | 14,496,992 |
| - | - | - | 8,500,000 |
| - | - | 87,047 | 730,578 |
| - | - | 1,849,673 | 2,289,308 |
| - | - | 459,370 | 15,067,220 |
| - | - | - | 2,750,232 |
| <u>\$ -</u> | <u>\$ 7,456,271</u> | <u>\$ 14,463,661</u> | <u>\$ 78,757,827</u> |
| \$ 1,288 | \$ 88,384 | \$ 384,002 | \$ 5,672,515 |
| - | - | 27,580 | 2,652,668 |
| 4,099,868 | - | 1,690,862 | 5,790,730 |
| - | - | - | 481,657 |
| - | 322,144 | - | 15,160,578 |
| 162,402 | 235,716 | - | 508,886 |
| <u>4,263,558</u> | <u>646,244</u> | <u>2,102,444</u> | <u>30,267,034</u> |
| - | - | 1,849,673 | 2,289,308 |
| - | - | - | 4,048,909 |
| - | - | - | 20,000,955 |
| (4,263,558) | 6,810,027 | 10,483,712 | 22,123,789 |
| - | - | 27,832 | 27,832 |
| <u>(4,263,558)</u> | <u>6,810,027</u> | <u>12,361,217</u> | <u>48,490,793</u> |
| <u>\$ -</u> | <u>\$ 7,456,271</u> | <u>\$ 14,463,661</u> | <u>\$ 78,757,827</u> |

CITY OF SURPRISE, ARIZONA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

| | |
|--|-----------------------|
| Total governmental fund balances | \$ 48,490,793 |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in funds | 458,700,086 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds | 2,500,145 |
| Current liabilities, including accrued interest, are not due and payable in the current period, and therefore, are not reported in the funds | (1,891,769) |
| Internal service funds used by the management to charge cost of insurance to individual fund | 1,949,389 |
| Internal service funds compensated absences included in calculation of charge individual funds as well as in Long-term liabilities. | 18,302 |
| Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and therefore, are not reported in the funds | <u>(108,720,789)</u> |
| Net assets of governmental activities | <u>\$ 401,046,157</u> |



CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | General Fund | Municipal Property Corporation Fund | Highway User Fund | Police Development Fee Fund |
|---|-------------------------|--|----------------------------------|--|
| REVENUES | | | | |
| Taxes | \$ 35,232,913 | \$ - | \$ - | \$ - |
| Licenses and permits | 4,073,771 | - | - | - |
| Intergovernmental | 23,417,787 | - | 5,295,936 | - |
| Charges for services | 6,827,882 | - | 88,100 | - |
| Grants | 474,188 | - | - | - |
| Fines | 1,759,413 | - | - | - |
| Rents | 535,699 | 7,254,123 | - | - |
| Development fees | - | - | - | 395,950 |
| Interest | 138,654 | 51,486 | 12,880 | 7,768 |
| Other | 898,080 | - | 83,355 | - |
| Total revenues | <u>73,358,387</u> | <u>7,305,609</u> | <u>5,480,271</u> | <u>403,718</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 17,571,817 | - | - | - |
| Public safety | 33,870,451 | 149 | - | 477,100 |
| Public works and streets | 6,901,130 | - | 5,368,283 | - |
| Community development | 4,655,493 | - | - | - |
| Culture and recreation | 13,622,879 | - | 561,391 | - |
| Capital outlay | 26,809,365 | - | 4,227,437 | 531,041 |
| Debt service | | | | |
| Principal | 153,382 | 2,635,000 | - | - |
| Interest and fiscal charges | 85,110 | 4,521,838 | - | - |
| Debt issuance costs | - | - | - | - |
| Total expenditures | <u>103,669,627</u> | <u>7,156,987</u> | <u>10,157,111</u> | <u>1,008,141</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(30,311,240)</u> | <u>148,622</u> | <u>(4,676,840)</u> | <u>(604,423)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (out) | 1,063,499 | (9,469,000) | 3,373,200 | (1,200,500) |
| Bonds issued | - | - | - | - |
| Total other financing sources (uses) | <u>1,063,499</u> | <u>(9,469,000)</u> | <u>3,373,200</u> | <u>(1,200,500)</u> |
| NET CHANGE IN FUND BALANCE | <u>(29,247,741)</u> | <u>(9,320,378)</u> | <u>(1,303,640)</u> | <u>(1,804,923)</u> |
| FUND BALANCES (DEFICIT), beginning of year | <u>53,297,605</u> | <u>18,052,194</u> | <u>1,904,687</u> | <u>2,005,303</u> |
| FUND BALANCES (DEFICIT), end of year | <u>\$ 24,049,864</u> | <u>\$ 8,731,816</u> | <u>\$ 601,047</u> | <u>\$ 200,380</u> |

| <u>Fire Development Fee Fund</u> | <u>Transportation Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--|---|---|
| \$ - | \$ 4,358,905 | \$ 1,053,294 | \$ 40,645,112 |
| - | - | - | 4,073,771 |
| - | - | 516,088 | 29,229,811 |
| - | 2,575,725 | 2,206,558 | 11,698,265 |
| - | - | 840,756 | 1,314,944 |
| - | - | 103,221 | 1,862,634 |
| - | - | - | 7,789,822 |
| 787,923 | - | 2,746,113 | 3,929,986 |
| - | 52,068 | 140,773 | 403,629 |
| 3,695 | - | 466,086 | 1,451,216 |
| <u>791,618</u> | <u>6,986,698</u> | <u>8,072,889</u> | <u>102,399,190</u> |
| - | - | 198,432 | 17,770,249 |
| 254,072 | - | 167,961 | 34,769,733 |
| - | 254,776 | 2,307,252 | 14,831,441 |
| - | - | 51,683 | 4,707,176 |
| - | - | 3,926,068 | 18,110,338 |
| 1,179,238 | 14,452,870 | 9,172,042 | 56,371,993 |
| - | - | 588,270 | 3,376,652 |
| - | - | 380,205 | 4,987,153 |
| - | - | 231,221 | 231,221 |
| <u>1,433,310</u> | <u>14,707,646</u> | <u>17,023,134</u> | <u>155,155,956</u> |
| <u>(641,692)</u> | <u>(7,720,948)</u> | <u>(8,950,245)</u> | <u>(52,756,766)</u> |
| 4,162,200 | - | 6,443,800 | 4,373,199 |
| - | - | 3,395,000 | 3,395,000 |
| <u>4,162,200</u> | <u>-</u> | <u>9,838,800</u> | <u>7,768,199</u> |
| <u>3,520,508</u> | <u>(7,720,948)</u> | <u>888,555</u> | <u>(44,988,567)</u> |
| <u>(7,784,066)</u> | <u>14,530,975</u> | <u>11,472,662</u> | <u>93,479,360</u> |
| <u>\$ (4,263,558)</u> | <u>\$ 6,810,027</u> | <u>\$ 12,361,217</u> | <u>\$ 48,490,793</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
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ (44,988,567)

Governmental funds report capital outlays as expenditures.

do not record capital contributions as revenue,
and do not record depreciation expense.

However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation
expense, capital contributions as revenue and gains(losses) as other revenue.

In the current period, these amounts are:

| | | |
|--|---------------------|------------|
| Capital outlays | 56,371,993 | |
| Capital contributions - to governmental funds | 9,096,377 | |
| Gain (loss) on sale of capital assets | (78,615) | |
| Transfers of capital assets from proprietary funds | (323,092) | |
| Depreciation expense | <u>(20,445,186)</u> | 44,621,477 |

In the statement of activities, interest is accrued on outstanding bonds,
whereas in governmental funds, an interest expenditure is reported when due (137,655)

Internal service funds used by management to charge the cost of insurance to individual
funds 6,914

Some expenses reported in the statement of activities, such as compensated absences,
do not require the use of current financial resources, and therefore, are not
reported as expenditures in governmental funds. (1,448,989)

Issuance and repayment of long-term debt is a revenue and expenditure in the governmental
funds, but the issuance and repayment reduces long-term liabilities in the statement of
net assets. In the current period, these amounts are:

| | | |
|--|------------------|-----------------------|
| Proceeds from issuance refunding bonds | (3,395,000) | |
| Repayments on long-term debt | 3,376,652 | |
| Deferred charges on issuance costs (to be amortized over the life of the debt) | 240,862 | |
| Amortization of deferred charges issuance cost | (126,242) | |
| Amortization on issuance premiums (amortized over the life of the debt) | 131,081 | |
| Amortized charges on refunding (amortized over the life of the debt) | <u>(161,178)</u> | 66,175 |
| | | <u>\$ (1,880,645)</u> |

CITY OF SURPRISE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | General Fund | | |
|--------------------------------|----------------------------|-------------------------|-------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Taxes | \$ 38,602,500 | \$ 38,602,500 | \$ 35,232,913 |
| Licenses and permits | 4,226,300 | 4,226,300 | 4,073,771 |
| Intergovernmental | 25,163,500 | 25,163,500 | 23,417,787 |
| Charges for services | 9,202,600 | 9,202,600 | 6,827,882 |
| Grants | 17,408,400 | 17,408,400 | 474,188 |
| Fines | 1,237,500 | 1,237,500 | 1,759,413 |
| Rents | 280,400 | 280,400 | 535,699 |
| Interest | 530,100 | 530,100 | 138,654 |
| Other | 5,423,100 | 5,423,100 | 898,080 |
| Total revenues | <u>102,074,400</u> | <u>102,074,400</u> | <u>73,358,387</u> |
| EXPENDITURES | | | |
| GENERAL GOVERNMENT | | | |
| City council | 615,500 | 584,700 | 416,652 |
| City manager | 1,307,000 | 1,260,100 | 1,134,500 |
| Intergovernmental relations | 489,300 | 408,000 | 339,040 |
| Legal | 1,784,700 | 1,767,700 | 1,720,042 |
| City clerk | 724,600 | 574,600 | 572,450 |
| Finance | 2,443,500 | 2,252,400 | 2,049,556 |
| Human resources | 1,536,900 | 1,471,700 | 1,322,710 |
| Information technology | 4,817,800 | 4,552,400 | 4,386,186 |
| Management and budget | 1,605,100 | 1,487,300 | 1,444,189 |
| Public information | 1,143,900 | 1,102,400 | 968,034 |
| General operations | 30,116,500 | 27,153,341 | 3,218,458 |
| Total general government | <u>46,584,800</u> | <u>42,614,641</u> | <u>17,571,817</u> |
| PUBLIC SAFETY | | | |
| City court | 2,458,100 | 2,386,800 | 2,219,061 |
| Police | 19,085,400 | 18,522,800 | 17,748,639 |
| Fire | 15,057,600 | 14,650,659 | 13,902,751 |
| Total public safety | <u>36,601,100</u> | <u>35,560,259</u> | <u>33,870,451</u> |
| PUBLIC WORKS | | | |
| Engineering | 2,908,300 | 2,523,600 | 2,238,048 |
| Vehicle maintenance | 1,659,000 | 1,646,600 | 1,549,528 |
| Facilities management | 4,046,700 | 3,258,800 | 3,020,207 |
| Stormwater | 105,200 | 105,200 | 93,347 |
| Total public works and streets | <u>8,719,200</u> | <u>7,534,200</u> | <u>6,901,130</u> |
| COMMUNITY DEVELOPMENT | | | |
| Economic development | 853,200 | 874,400 | 703,990 |
| Community development | 4,879,600 | 4,250,900 | 3,951,503 |
| Total community service | <u>5,732,800</u> | <u>5,125,300</u> | <u>4,655,493</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | General Fund | | |
|---|----------------------------|-------------------------|----------------------|
| | Original Budget | Final Budget | Actual |
| CULTURE AND RECREATION | | | |
| Community initiatives | 1,440,100 | 1,259,900 | 1,259,482 |
| Parks and recreation | 13,180,400 | 12,760,600 | 12,363,397 |
| Total culture and recreation | <u>14,620,500</u> | <u>14,020,500</u> | <u>13,622,879</u> |
| DEBT SERVICE | | | |
| Principal | - | - | 153,382 |
| Interest | - | - | 85,110 |
| Total debt service | <u>-</u> | <u>-</u> | <u>238,492</u> |
| CAPITAL OUTLAY | <u>50,266,800</u> | <u>51,981,100</u> | <u>26,809,365</u> |
| Total expenditures | <u>162,525,200</u> | <u>156,836,000</u> | <u>103,669,627</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(60,450,800)</u> | <u>(54,761,600)</u> | <u>(30,311,240)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>(2,547,700)</u> | <u>(808,000)</u> | <u>1,063,499</u> |
| Total other financing sources | <u>(2,547,700)</u> | <u>(808,000)</u> | <u>1,063,499</u> |
| NET CHANGE IN FUND BALANCES | <u>(62,998,500)</u> | <u>(55,569,600)</u> | <u>(29,247,741)</u> |
| FUND BALANCES, beginning of the year | <u>53,297,605</u> | <u>53,297,605</u> | <u>53,297,605</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ (9,700,895)</u> | <u>\$ (2,271,995)</u> | <u>\$ 24,049,864</u> |



CITY OF SURPRISE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

| | Business-type Activities | | |
|---|---------------------------------|-----------------------|---------------------|
| | Water | Sewer | Sanitation |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 7,200,973 | \$ 19,699,145 | \$ 2,468,603 |
| Investments | 2,117,477 | 7,204,079 | 725,903 |
| Restricted cash and cash equivalents | - | 4,800,000 | - |
| Receivables (net of allowances) | | | |
| Accounts | 1,722,022 | 2,188,906 | 953,518 |
| Interest | 3,300 | 14,006 | 1,391 |
| Other assets | 930,863 | 7,956,462 | 9,893 |
| | <u>11,974,635</u> | <u>41,862,598</u> | <u>4,159,308</u> |
| Non-current assets | | | |
| Capital assets | 68,459,985 | 212,070,752 | 4,261,600 |
| Accumulated depreciation | (4,450,163) | (20,235,788) | (1,569,337) |
| | <u>64,009,822</u> | <u>191,834,964</u> | <u>2,692,263</u> |
| | | | |
| Total assets | <u>75,984,457</u> | <u>233,697,562</u> | <u>6,851,571</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 1,653,773 | 532,508 | 209,668 |
| Accrued payroll and related taxes | 102,916 | 123,486 | 87,912 |
| Deposits | 39,892 | 154,017 | 89,452 |
| Deferred revenues | 779,200 | 1,776,622 | 193,777 |
| Compensated absences payable | 173,639 | 229,220 | 98,040 |
| Due to other funds | - | 8,706,262 | - |
| Other liabilities | 297 | 1,304 | 186 |
| Contracts payable | 577,111 | 100,000 | - |
| | <u>3,326,828</u> | <u>11,623,419</u> | <u>679,035</u> |
| Non-current liabilities | | | |
| Contracts payable | 860,116 | 993,079 | - |
| | <u>860,116</u> | <u>993,079</u> | <u>-</u> |
| | | | |
| Total liabilities | <u>4,186,944</u> | <u>12,616,498</u> | <u>679,035</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 62,572,595 | 190,741,885 | 2,692,263 |
| Unrestricted | 9,224,918 | 30,339,179 | 3,480,273 |
| Total net assets | <u>\$ 71,797,513</u> | <u>\$ 221,081,064</u> | <u>\$ 6,172,536</u> |
| | | | |
| Total liabilities and net assets | <u>\$ 75,984,457</u> | <u>\$ 233,697,562</u> | <u>\$ 6,851,571</u> |

| <u>Business-type Activities</u> | <u>Governmental Activities</u> |
|-------------------------------------|------------------------------------|
| <u>Totals</u> | <u>Internal Service</u> |
| \$ 29,368,721 | \$ 1,538,794 |
| 10,047,459 | 452,489 |
| 4,800,000 | - |
| 4,864,446 | - |
| 18,697 | 831 |
| 8,897,218 | - |
| 57,996,541 | 1,992,114 |
| 284,792,337 | - |
| (26,255,288) | - |
| 258,537,049 | - |
| 316,533,590 | 1,992,114 |
| 2,395,949 | 14,207 |
| 314,314 | 10,019 |
| 283,361 | - |
| 2,749,599 | - |
| 500,899 | 18,302 |
| 8,706,262 | - |
| 1,787 | 197 |
| 677,111 | - |
| 15,629,282 | 42,725 |
| 1,853,195 | - |
| 1,853,195 | - |
| 17,482,477 | 42,725 |
| 256,006,743 | - |
| 43,044,370 | 1,949,389 |
| \$ 299,051,113 | \$ 1,949,389 |
| \$ 316,533,590 | \$ 1,992,114 |

CITY OF SURPRISE, ARIZONA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>Business-type Activities</u> | | |
|--|---------------------------------|-----------------------|---------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Sanitation</u> |
| OPERATING REVENUES | | | |
| Charges for services | \$ 10,282,626 | \$ 13,587,358 | \$ 5,627,829 |
| OPERATING EXPENSES | | | |
| Cost of sales and services | 10,355,373 | 12,333,606 | 3,856,410 |
| Depreciation | 1,273,770 | 3,981,542 | 413,448 |
| Total operating expenses | 11,629,143 | 16,315,148 | 4,269,858 |
| Operating income | (1,346,517) | (2,727,790) | 1,357,971 |
| NONOPERATING REVENUES | | | |
| Development fees | 844,041 | 4,485,379 | - |
| Extension fees | - | 11,065 | - |
| Interest revenue | 140,308 | 209,507 | 15,639 |
| Total nonoperating revenues | 984,349 | 4,705,951 | 15,639 |
| Income before transfers | (362,168) | 1,978,161 | 1,373,610 |
| CAPITAL CONTRIBUTIONS | | | |
| Capital contributions | 2,988,786 | 4,527,178 | - |
| TRANSFERS | | | |
| Transfers in (out) | (1,308,361) | (1,483,214) | (1,581,624) |
| CHANGE IN NET ASSETS | 1,318,257 | 5,022,125 | (208,014) |
| NET ASSETS, beginning of the year | 70,479,256 | 216,607,526 | 6,380,550 |
| PRIOR PERIOD ADJUSTMENTS | - | (548,587) | - |
| NET ASSETS, end of year | <u>\$ 71,797,513</u> | <u>\$ 221,081,064</u> | <u>\$ 6,172,536</u> |

| <u>Business-type Activities</u> | <u>Governmental Activities</u> |
|-------------------------------------|------------------------------------|
| <u>Totals</u> | <u>Internal Service</u> |
| \$ 29,497,813 | \$ 1,632,700 |
| 26,545,389 | 1,645,119 |
| <u>5,668,760</u> | <u>-</u> |
| 32,214,149 | 1,645,119 |
| <u>(2,716,336)</u> | <u>(12,419)</u> |
| 5,329,420 | - |
| 11,065 | - |
| <u>365,454</u> | <u>19,333</u> |
| 5,705,939 | 19,333 |
| <u>2,989,603</u> | <u>6,914</u> |
| 7,515,964 | - |
| <u>(4,373,199)</u> | <u>-</u> |
| 6,132,368 | 6,914 |
| 293,467,332 | 1,942,475 |
| <u>(548,587)</u> | <u>-</u> |
| <u>\$ 299,051,113</u> | <u>\$ 1,949,389</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>Business-type Activities</u> | | |
|---|---------------------------------|-----------------------------|----------------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Sanitation</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 10,471,401 | \$ 12,835,062 | \$ 5,520,803 |
| Cash paid to suppliers | (8,654,856) | (6,241,919) | (1,824,344) |
| Cash paid to employees | (1,508,104) | (2,817,323) | (1,958,192) |
| Cash paid for insurance | - | - | - |
| Net cash provided by (used in) operating activities | <u>308,441</u> | <u>3,775,820</u> | <u>1,738,267</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING TRANSACTIONS | | | |
| Proceeds received from development fees | 844,041 | 3,936,792 | - |
| Proceeds received from extension fees | - | 11,065 | - |
| Acquisitions, construction, and transfer of capital assets | <u>(11,683,924)</u> | <u>(7,034,097)</u> | <u>13,926</u> |
| Net cash provided by (used in) capital and related financing transactions | <u>(10,839,883)</u> | <u>(3,086,240)</u> | <u>13,926</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Cash paid to other funds | <u>(1,308,361)</u> | <u>-</u> | <u>(1,581,624)</u> |
| Net cash provided by (used in) noncapital financing activities | <u>(1,308,361)</u> | <u>-</u> | <u>(1,581,624)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net Purchase/Sales of Investments | 1,001,196 | 1,960,942 | (374,447) |
| Cash received from interest income | <u>147,551</u> | <u>229,334</u> | <u>17,871</u> |
| Net cash provided by investing activities | <u>1,148,747</u> | <u>2,190,276</u> | <u>(356,576)</u> |
| NET CHANGE IN CASH | (10,691,056) | 2,879,856 | (186,007) |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>17,892,029</u> | <u>21,619,289</u> | <u>2,654,610</u> |
| CASH AND CASH EQUIVALENTS, end of year (including restricted amounts in Sewer of \$4.8 million) | <u>\$ 7,200,973</u> | <u>\$ 24,499,145</u> | <u>\$ 2,468,603</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | |
| Operating income | <u>\$ (1,346,517)</u> | <u>\$ (2,727,790)</u> | <u>\$ 1,357,971</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 1,273,770 | 3,981,542 | 413,448 |
| (Increase) decrease in | | | |
| Accounts receivable | 143,987 | (145,360) | (86,813) |
| Other assets | 79,492 | (79,836) | (4,675) |
| Increase (decrease) in | | | |
| Accounts payable | (333,070) | (155,671) | 22,199 |
| Accrued payroll and taxes | 66,735 | 9,954 | 13,282 |
| Utility deposits | 4,554 | 46,706 | 26,376 |
| Deferred revenues | (39,258) | (573,806) | (41,914) |
| Compensated absences payable | 122,168 | 90,692 | 38,207 |
| Other Liabilities | <u>336,580</u> | <u>3,329,389</u> | <u>186</u> |
| Total adjustments | <u>1,654,958</u> | <u>6,503,610</u> | <u>380,296</u> |
| Net cash provided by (used in) operating activities | <u>\$ 308,441</u> | <u>\$ 3,775,820</u> | <u>\$ 1,738,267</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | | |
| Capital Asset Contributions from Developers | \$ 2,988,786 | \$ 4,527,178 | \$ - |

See Notes to Financial Statements

| Business-type Activities | Governmental Activities |
|-------------------------------------|------------------------------------|
| Totals | Internal Service |
| \$ 28,827,266 | \$ 1,632,700 |
| (16,721,119) | (472,504) |
| (6,283,619) | (217,107) |
| - | (958,228) |
| <u>5,822,528</u> | <u>(15,139)</u> |
| 4,780,833 | - |
| 11,065 | - |
| <u>(18,704,095)</u> | <u>-</u> |
| <u>(13,912,197)</u> | <u>-</u> |
| <u>(2,889,985)</u> | <u>-</u> |
| <u>(2,889,985)</u> | <u>-</u> |
| 2,587,691 | (47,467) |
| 394,756 | 20,061 |
| <u>2,982,447</u> | <u>(27,406)</u> |
| (7,997,207) | (42,545) |
| <u>42,165,928</u> | <u>1,581,339</u> |
| <u>\$ 34,168,721</u> | <u>\$ 1,538,794</u> |
| <u>\$ (2,716,336)</u> | <u>\$ (12,419)</u> |
| 5,668,760 | - |
| (88,186) | - |
| (5,019) | - |
| (466,542) | (12,460) |
| 89,971 | 1,925 |
| 77,636 | - |
| (654,978) | - |
| 251,067 | 7,815 |
| 3,666,155 | - |
| <u>8,538,864</u> | <u>(2,720)</u> |
| <u>\$ 5,822,528</u> | <u>\$ (15,139)</u> |
| \$ 7,515,964 | \$ - |

CITY OF SURPRISE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND
JUNE 30, 2009

| | Volunteer Firefighters Pension and Relief Fund |
|--|---|
| ASSETS | |
| Cash and cash equivalents | \$ 75,613 |
| Investments | 22,234 |
| Receivables | |
| Interest | <u>44</u> |
| Total assets | <u>97,891</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | |
| Net assets | <u>\$ 97,891</u> |

CITY OF SURPRISE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2009

| | Volunteer Firefighters Pension and Relief Fund |
|--------------------------------------|---|
| REVENUES | |
| Interest | \$ 789 |
| Total revenues | 789 |
| NET ASSETS, beginning of year | 97,102 |
| NET ASSETS, end of year | <u>\$ 97,891</u> |





FINANCIAL SECTION - NOTES TO THE FINANCIAL STATEMENTS

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

| Note: | Page |
|---|-------|
| 1 Summary of Significant Accounting Policies | 36-41 |
| 2 Compliance and Accountability | 41 |
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| 4 Capital Assets and Construction Commitments | 44-45 |
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| 10 Contingent Liabilities | 52 |
| 11 Interfund Assets, Liabilities, and Transfers | 53 |
| 12 Deficit Fund Net Assets | 54-55 |
| 13 Prior Period Adjustments | 56 |

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Surprise, Arizona (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

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 City of Surprise Voluntary Firefighters Pension and Relief Fund (Fund) is administered by an appointed board as set forth by Title 9 of the Arizona Revised Statutes. The Fund provides retirement benefits to the City's firefighters, and is held by the City in a trustee capacity.

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

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

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

For the fiscal year ended June 30, 2009, the City had no discretely presented component units.

RELATED ORGANIZATIONS

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

NOTES TO FINANCIAL STATEMENTS

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 statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

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

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

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

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

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available, except for the City's court fines for which revenues are recognized when fines are collected. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Governmental funds include the following:

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

The ***municipal property corporation fund*** accounts for revenue and expenditures that are legally restricted to expenditures for the construction of major capital facilities. The City Council acts as the governing board and the City staff performs all administrative and accounting functions for the corporation.

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

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

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

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

Proprietary Funds

All proprietary funds are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The proprietary fund of the City includes the following fund type:

Enterprise Funds:

The ***water fund*** accounts for the provision of the water treatment and distribution to some of the residents and commercial users of the City. During FY09, the ***replenishment fund***, which accounted for future replenishment of water sources, was combined with the water fund, and is therefore no longer reported separately.

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

NOTES TO FINANCIAL STATEMENTS

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

In addition, the City reports the following fund types:

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

Pension trust fund (not included in government-wide statements) is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The fund accounts for the assets of the City's firefighter pension and trust. The City Council acts as the governing board and the City staff performs all administrative and accounting functions for this fund.

C. CASH AND CASH EQUIVALENTS

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

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

D. RECEIVABLES AND PAYABLES

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

E. INVENTORIES AND PREPAID ITEMS

Inventories consist of expendable supplies held for consumption and are recorded at the time of purchase as expenditures in the fund from which the purchases were made; and because the amounts on hand at June 30, 2009 are immaterial, they were not included in the statement of net assets.

Certain payments to vendors reflect costs applicable to future accounting periods. Because the City's Prepaid items are immaterial, they are also recorded using the purchases method. At the time of purchase, they are recorded as expenditures in the fund from which the purchases were made, and therefore, are not included in the statement of net assets.

F. CAPITAL ASSETS

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

NOTES TO FINANCIAL STATEMENTS

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair value on date donated.

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

G. COMPENSATED ABSENCES

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated vacation leave in proprietary funds and the government-wide statements are recorded as an expense and liability of those funds as the benefits accrue to employees. The City pays employees for unused sick leave annually, at which point the expenditure is recognized.

H. FUND BALANCE

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

I. PROPERTY TAXES

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

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

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

The County levies real property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October, and becomes delinquent after the first business day in November. The second installment is due on the first day of March of the next year, and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and becomes delinquent 30 days thereafter.

J. GRANT REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

NOTES TO FINANCIAL STATEMENTS

K. INTERFUND TRANSACTIONS

Interfund services provided or used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses are accounted for as interfund transactions in the reimbursing fund and as reductions of expenditures/expenses in the funds that are reimbursed.

All other interfund transactions are reported as transfers.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds with the following exceptions: (1) the present value of net minimum capital lease payments is not budgeted as a capital outlay expenditure and other financing source at the inception of the agreement, and (2) Grants Special Revenue Funds and the Capital Projects Fund adopt project-length budgets which normally extend beyond the fiscal year.

Prior to the third Monday in July, the City Manager submits to the City Council a tentative budget for the fiscal year commencing on July 1. The tentative budget includes proposed expenditures and the means of financing them. The proposed budget sets the maximum limit. The tentative budget is published once a week for two weeks in a local newspaper.

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

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents are made up of deposits in the bank, invested deposits, cash on hand, cash invested in the Local Government Investment Pool (L.G.I.P.) managed by the Arizona State Treasurer in accordance with Arizona Statutes, and investments with the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona and other individual Certificates of Deposit (CD's). Cash equivalents were \$69,689,490 as of June 30, 2009, including the \$97,847 from the Volunteer Firefighters Pension Fund.

Cash on Hand - This includes a petty cash fund and beginning cash for the registers kept at City Hall, the Vehicle Maintenance Facility, the Courthouse, Police Department, and the Parks and Recreation Department. Cash on hand at June 30, 2009 was \$8,350.

Deposits and Invested Deposits - At year-end, the carrying amount of the City's operating deposits was \$41,151,060 and the bank balance was \$44,702,747; including the zero balance funding savings account. The difference represents deposits in transit and outstanding checks which are held in the checking account at the financial institutions trust department until checks are presented for payment. The City's Community Facility District (CFD) also has \$655,631 on deposit in a separate checking account used for pass-thru of bond proceeds, receipt of CFD property taxes, reimbursement of CFD construction costs, and debt service on the bonds. Deposits of \$2,048,791 are held in restricted escrow accounts at First American Trust for a joint venture sewer project. \$78,643 held at Wells Fargo in a restricted escrow account is considered a cash equivalent. The City has an additional \$3,795,226 with fiscal agent Zion's Bank, and \$5,917,501 with fiscal agent Wells Fargo Bank, both under the Municipal Property Corporation Fund.

Cash Invested - Investments of \$15,882,230 held in the LGIP, are also considered a cash equivalent. Of the total \$20,644,551 invested with the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona and other individual Certificates of Deposit (CD's), short term investments of \$152,058

NOTES TO FINANCIAL STATEMENTS

are considered to be cash equivalents, and the balance of \$20,492,493 is considered to be investments with a maturity date of greater than 90 days.

The City Council adopted an investment policy on August 26, 2004, as amended on May 24, 2007, related to the City’s investment practices. The policy, which is reviewed by the City Council, permits investments in obligations of the U.S. government agencies, corporations or instrumentalities, commercial paper of domestic corporations with A-1/P-1 or better ranking with Standard and Poor’s or Moody’s Investors Service, banker’s acceptances, negotiable certificates of deposit, repurchase agreements, the State of Arizona Local Government Investment Pool (LGIP), and U.S. corporate notes that exceed the City’s current General Obligation (G.O.) Bond rating.

The City’s investment in LGIP represents shares of the pool’s portfolio. The fair value of each share in the LGIP is one dollar. These shares are not identified with specific investments and are not subject to custodial credit risk. Neither the State Treasurer nor LGIP are registered with the Securities and Exchange Commission as investment companies. The State Board of Investment reviews the activity and performance of the pools monthly.

The City utilizes the following methods and assumptions to account for its investments:

1. Investments are recorded at fair value which is based on quoted market prices as of the date of valuation.
2. Investment income is allocated to various funds monthly based on the prior month’s ending cash balance.
3. Unrealized gain/loss resulting from the valuation is recognized and distributed to all funds with an investment balance, as investment revenue.

Arizona Revised Statutes and the City’s investment policy define the types of securities authorized as appropriate investments and the conditions for making investment transactions. The securities are reported at fair value on the Government – wide Statement of Net Assets.

As of June 30, 2009, the City had the following investments and deposits:

| INVESTMENT TYPE | <u>FAIR VALUE</u> | <u>WEIGHTED AVG MATURITY (YEARS)</u> |
|----------------------------------|----------------------|--|
| Certificates of Deposit | \$ 20,492,493 | 0.49 |
| Local Government Investment Pool | 15,882,230 | 0.28 |
| Total Investments | <u>\$ 36,374,723</u> | |
| Portfolio Weighted Average | | 0.40 |

Interest rate risk - is the risk that changes in market interest rates and will adversely affect the fair value of an investment. In accordance with its investment policy, the City seeks to mitigate interest rate risk by:

- Structuring the investment portfolio so that securities mature concurrent with the anticipated cash requirements for ongoing operations, thereby avoiding, as much as possible, the need to sell securities into an adverse market environment prior to maturity.
- Investing funds primarily in shorter-term securities or similar investment pools and limiting the average maturity of the portfolio in accordance with the needs of the City;
- Utilizing external research and advice regarding the current interest rate outlook and global economic condition to optimize portfolio duration strategy.

As of June 30, 2009, there were no investments considered highly sensitive to interest rate changes.

Credit Risk – is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The City’s investment policy limits investments in commercial paper to those of prime quality that is

NOTES TO FINANCIAL STATEMENTS

rated “P1” by Moody’s Investors Service or rated “A-1” or better by Standard and Poors. Corporate bonds, debentures and notes are limited to those doing business in the U.S. and that are rated “AA- or better by Moody’s and Standard and Poors rating service.

The LGIP pooled investments and Certificate of Deposit are not rated by a nationally recognized statistical rating organization.

There is no State statute or investment policy on ratings or credit quality for obligations issued by the U.S. government or its agencies or repurchase agreements. Although the U.S. Agency Securities listed in the tables are not backed by the full faith and credit of the federal government, investors generally treat agency securities as if they had negligible credit risk. Because of the importance of the agencies in promoting public policy, there is a widespread view that the federal government would prevent an agency from defaulting on its debt obligation.

Concentration of credit risk - is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment policy requires diversified investments to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer or class of securities.

At the time of purchase, a maximum of 5% of the market value of the portfolio may be invested in debt issued by any single entity. Debt issued and backed by the United States Treasury of Government Sponsored Entities (GSE’s) and the State of Arizona LGIP are exempt from this concentration criteria.

As of June 20, 2009, the City did not have any investments issued by any single entity that represent 5% or more of the total investments.

Custodial credit risk- deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s deposits and bank balances are normally covered by federal depository insurance (FDIC) for the first \$250,000 in each account and by collateral held in the pledging financial institution’s trust department in the City’s name for the remainder of the deposits. At year end, the first \$750,000 of the City’s operating deposits of \$44,702,747 in three separate bank accounts was covered by FDIC insurance. The remaining balance of \$43,952,747 was collateralized by the Wells Fargo Bank of California with pledged securities. The first \$250,000 in the City’s Community Facility District (CFD) checking account was covered by FDIC insurance, with the remaining balance of \$405,631 also collateralized by the Wells Fargo Bank of California with pledged securities. Of the \$2,048,791 in the two escrow accounts at First American Trust, \$500,000 was covered by FDIC insurance, and the remaining balance of \$1,548,791 was uncollateralized.

Custodial credit risk – investments is the risk that, in the event of the failure of the counter party (e.g., broker dealer, investment advisor) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City’s investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus payment (DVP) basis. Securities are held by a third party custodian and evidenced by monthly custodial reports. This safekeeping institution provides a copy of their most recent report on internal controls annually to the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009, was as follows:

| | Primary Government | | | | Ending Balance |
|--|-----------------------|----------------------|----------------------|---------------------|-----------------------|
| | Beginning Balance | Increases | Decreases | Transfers | |
| Governmental activities: | | | | | |
| Not being depreciated: | | | | | |
| Land and land improvements | \$ 40,754,528 | \$ 482,820 | \$ - | \$ 143,842 | \$ 41,381,190 |
| Construction in progress | 52,358,248 | 40,356,260 | - | (76,317,121) | 16,397,387 |
| Total Not Being Depreciated | <u>93,112,776</u> | <u>40,839,080</u> | <u>-</u> | <u>(76,173,279)</u> | <u>57,778,577</u> |
| Other capital assets: | | | | | |
| Buildings and improvements | 129,048,544 | 17,353 | - | 59,910,148 | 188,976,045 |
| Improvements other than buildings | 4,733,911 | - | - | - | 4,733,911 |
| Equipment and vehicles | 29,624,415 | 1,809,012 | (212,575) | 5,025,266 | 36,246,118 |
| Infrastructure | 268,453,028 | 22,802,926 | - | 10,914,773 | 302,170,727 |
| Total Other Capital Assets | <u>431,859,898</u> | <u>24,629,291</u> | <u>(212,575)</u> | <u>75,850,187</u> | <u>532,126,801</u> |
| Total Assets before Depreciation | <u>524,972,674</u> | <u>65,468,371</u> | <u>(212,575)</u> | <u>(323,092)</u> | <u>589,905,378</u> |
| Accumulated depreciation: | | | | | |
| Building and improvements | (13,885,072) | (5,262,028) | 569 | - | (19,146,531) |
| Improvements other than buildings | (377,775) | (174,218) | - | - | (551,993) |
| Equipment and vehicles | (10,946,632) | (4,137,349) | 133,391 | - | (14,950,590) |
| Infrastructure | (85,684,587) | (10,871,591) | - | - | (96,556,178) |
| Total Accumulated Depreciation | <u>(110,894,066)</u> | <u>(20,445,186)</u> | <u>133,960</u> | <u>-</u> | <u>(131,205,292)</u> |
| Net Capital Assets - Governmental Activities | <u>\$ 414,078,608</u> | <u>\$ 45,023,185</u> | <u>\$ (78,615)</u> | <u>\$ (323,092)</u> | <u>\$ 458,700,086</u> |
| Depreciation was charged by function as follows: | | | | | |
| General government | | | 2,080,236 | | |
| Public safety | | | 3,859,852 | | |
| Public works and streets, includes depreciation for infrastructure | | | 11,580,530 | | |
| Community services | | | 24,205 | | |
| Culture and recreation | | | 2,900,363 | | |
| Total governmental activities depreciation expense | | | <u>\$ 20,445,186</u> | | |

NOTES TO FINANCIAL STATEMENTS

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------|---------------------|---------------------|---------------------------|
| Business-type activities: | | | | | |
| Not being depreciated: | | | | | |
| Land | \$ 4,042,242 | \$ 9,360 | \$ - | \$ 582,039 | 4,633,641 |
| Construction in progress | 110,653,550 | 15,333,232 | - | (99,456,252) | 26,530,530 |
| Total not being depreciated | <u>114,695,792</u> | <u>15,342,592</u> | <u>-</u> | <u>(98,874,213)</u> | <u>31,164,171</u> |
| Other capital assets: | | | | | |
| Buildings and system | 137,846,661 | 8,611,491 | - | 100,363,512 | 246,821,664 |
| Improvements other than buildings | 1,205,063 | - | - | (1,205,063) | - |
| Vehicles and equipment | 6,327,483 | 459,670 | (19,507) | 38,856 | 6,806,502 |
| Total other capital assets | <u>145,379,207</u> | <u>9,071,161</u> | <u>(19,507)</u> | <u>99,197,305</u> | <u>253,628,166</u> |
| Total assets before depreciation | <u>260,074,999</u> | <u>24,413,753</u> | <u>(19,507)</u> | <u>323,092</u> | <u>284,792,337</u> |
| Accumulated depreciation: | | | | | |
| Buildings and system | (18,827,570) | (4,993,534) | - | (83,907) | (23,905,011) |
| Improvements other than buildings | (47,086) | (36,821) | - | 83,907 | - |
| Vehicles and equipment | (1,731,379) | (638,405) | 19,507 | - | (2,350,277) |
| Total accumulated depreciation | <u>(20,606,035)</u> | <u>(5,668,760)</u> | <u>19,507</u> | <u>-</u> | <u>(26,255,288)</u> |
| Net capital assets - business activities | <u>\$ 239,468,964</u> | <u>\$ 18,744,993</u> | <u>\$ -</u> | <u>\$ 323,092</u> | <u>\$ 258,537,049</u> |
| Depreciation was charged by function as follows: | | | | | |
| Water | | | \$ 1,222,088 | | |
| Replenishment | | | 50,583 | | |
| Sewer | | | 3,982,641 | | |
| Sanitation | | | 413,449 | | |
| Total Depreciation Expense | | | <u>\$ 5,668,761</u> | | |

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------|----------------------|-----------------------|---------------------------|--|
| Governmental activities: | | | | | |
| General municipal property corporation fund obligation | | | | | |
| Series 2000 Bonds, \$59,120,000 issued | \$ 5,070,000 | \$ - | \$ (2,470,000) | \$ 2,600,000 | \$ 2,600,000 |
| Series 2003 Bonds, \$42,860,000 issued | 41,450,000 | - | (165,000) | 41,285,000 | 170,000 |
| Series 2007 Bonds, \$50,675,000 issued | 50,675,000 | - | - | 50,675,000 | - |
| | <u>97,195,000</u> | <u>-</u> | <u>(2,635,000)</u> | <u>94,560,000</u> | <u>2,770,000</u> |
| Deferred amounts | | | | | |
| For issuance premium 2003 | 1,638,503 | - | (131,081) | 1,507,422 | - |
| On refunding 2003 | (2,014,706) | - | 161,178 | (1,853,528) | - |
| | <u>(376,203)</u> | <u>-</u> | <u>30,097</u> | <u>(346,106)</u> | <u>-</u> |
| Community facilities districts | | | | | |
| Series 2006 Bonds, \$1,365,000 issued | 1,325,000 | - | (30,000) | 1,295,000 | 30,000 |
| Series 2007 Bonds, \$3,950,000 issued | 3,950,000 | - | (145,000) | 3,805,000 | 80,000 |
| Series 2008 Bonds, \$3,395,000 issued | - | 3,395,000 | - | 3,395,000 | 95,000 |
| | <u>5,275,000</u> | <u>3,395,000</u> | <u>(175,000)</u> | <u>8,495,000</u> | <u>205,000</u> |
| Total governmental obligation bonds | <u>102,093,797</u> | <u>3,395,000</u> | <u>(2,779,903)</u> | <u>102,708,894</u> | <u>2,975,000</u> |
| Notes payable | | | | | |
| 3.15% Loan-Wastewater Management Authority, \$4,765,955 issued | 413,269 | - | (413,269) | - | - |
| Compensated absences | 3,039,880 | 4,154,089 | (2,697,285) | 4,496,684 | 4,154,089 |
| Contracts and developer payable | 1,668,594 | 3,229,485 | (2,973,858) | 1,924,221 | 409,010 |
| Total governmental activities debt | <u>\$ 107,215,540</u> | <u>\$ 10,778,574</u> | <u>\$ (8,864,315)</u> | <u>\$ 109,129,799</u> | <u>\$ 7,538,099</u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ 249,832 | \$ 610,919 | \$ (359,852) | \$ 500,899 | \$ 500,899 |
| Contracts payable | 5,430,397 | 1,193,679 | (4,093,770) | 2,530,306 | 677,111 |
| Total business-type activities debt | <u>\$ 5,680,229</u> | <u>\$ 1,804,598</u> | <u>\$ (4,453,622)</u> | <u>\$ 3,031,205</u> | <u>\$ 1,178,010</u> |

The following is a summary of long-term debt for the year ended June 30, 2009:

| Year Ended | <u>Governmental Activities - Bonds & Loans</u> | |
|------------|--|----------------------|
| | <u>Governmental Obligation</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| June 30 | | |
| 2010 | \$ 2,975,000 | \$ 4,867,332 |
| 2011 | 3,100,000 | 4,705,320 |
| 2012 | 3,260,000 | 4,547,021 |
| 2013 | 3,430,000 | 4,404,535 |
| 2014 | 8,220,000 | 4,254,660 |
| 2015-2019 | 27,085,000 | 16,795,057 |
| 2020-2024 | 25,135,000 | 10,337,751 |
| 2025-2029 | 2,060,000 | 7,366,751 |
| 2030-2034 | <u>27,790,000</u> | <u>4,158,342</u> |
| Total | <u>\$ 103,055,000</u> | <u>\$ 61,436,769</u> |

NOTES TO FINANCIAL STATEMENTS

Municipal Property Corporation

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

Contracts and Developer Payable

Del Webb, a developer, incurred \$2,077,143 in costs for road development. As of June 30, 2009, the remaining balance of these costs was \$1,515,212. In an agreement with the City, the first \$200,000 in sales tax received annually from the applicable parcels goes to the City. The second \$200,000 goes to the developer to be applied to interest and the \$2,077,143 balance. Any monies received over \$400,000 are split equally between the City and the developer. In 2009, \$238,492 was paid to the developer, with \$153,382 applied to principal and the remaining \$85,110 applied to accrued interest. Payments continue for twenty years, or until principal balance is paid, beginning with tax revenue collected in 2001 and remitted in 2002, with a final payment to be remitted in 2021 for taxes collected in 2020.

In addition to the \$1,515,212 still owed to developer, Del Webb, \$409,010 is owed to other developers for improvements made per development agreements used for various infrastructure items the City will own, and for amounts owed to contractors for on-going projects. The amounts owed are to the following contractors and developers, by entity owed and amounts: AR Mays for Bell Road landscaping and lighting, \$10,890; Markham Contractors for the Reems Road (Cactus to Peoria) project, \$235,716; and Greer Ranch for the fire station site improvements, \$162,403. Payments of \$281,607 towards the amounts owed to other developers are expected to be made in the next twelve months.

Legal Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the secondary assessed valuation of the taxable property of the city for projects supplying the city with water, artificial light or sewers. The 2009 secondary assessed valuation of the City is \$1,353,294,533. Accordingly, the legal limit for bonded indebtedness for the City is \$270,658,907 for the fiscal year ended June 30, 2009. Currently the net debt applicable to the limit is zero leaving \$270,658,907 of unused borrowing capacity.

Business-Type Activities – Contracts Payable

The balance of \$2,530,306 is owed based on improvements made by developers per development agreements for various infrastructure items the City will own, and for amounts owed to contractors for City projects. The amounts owed are to the following contractors and developers, by entity owed and amounts: Archer Western for the Roseview Water Supply Facility, \$77,111; Marley Park for Well #1, \$827,014; and for the Cactus Road water transmission line, \$6,636; Cortessa and Citrus Northern for a 15" sewer interceptor, \$657,080, over-sizing of a sewer line, \$265,036 and reimbursement of a hydro-vac sewer truck, \$170,963; Taylor/Morrison for arsenic treatment of water infrastructure, \$526,466. Some payments for these are contingent, based on number of permits issued and development fees collected. Payments of \$677,111 toward these amounts are expected to be made in the next twelve months.

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 costs for the fiscal year ended June 30, 2009 were \$227,218.

NOTES TO FINANCIAL STATEMENTS

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

| Year ending June 30 | Amount |
|------------------------|------------------|
| 2010 | \$61,174 |
| 2011 | 48,688 |
| 2012 | 16,480 |
| 2013 | 7,220 |
| Total | <u>\$133,562</u> |

Operating lease revenue

The City leases various City-owned properties and buildings under cancelable long-term lease agreements. The carrying value of leased assets is \$1,518,983 (cost of \$2,656,387 less accumulated depreciation of \$1,137,404). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2009 were \$68,880.

NOTE 6 – CONSTRUCTION COMMITMENTS

City of Surprise has active construction projects as of June 30, 2009. The projects include the new city hall building, park, street construction, Bell Road landscaping and lighting, A park and ride facility, the construction of an additional water reclamation facility, a water supply facility and reimbursements for development agreement obligations. At year end, the City commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining Commitment |
|---|-----------------------|-------------------------|
| City Hall | \$ 60,682,658 | \$ 2,239,000 |
| Surprise Farms Park | 6,580,921 | 399,100 |
| Residential Street Construction - public purpose | 14,452,527 | 6,107,400 |
| Bell Road Landscaping/Lighting | 172,296 | 1,047,500 |
| Park and Ride | 243,514 | 1,042,600 |
| Water Reclamation Facility | 85,975,755 | 819,100 |
| Roseview Water Supply Facility | 1,871,180 | 509,300 |
| Development Agreements - Water System Infrastructure | 6,062,735 | 1,360,117 |
| Development Agreements - Wastewater infrastructure | 732,071 | 922,116 |
| Development Agreements - Fire Station site improvements | 64,260 | 162,403 |
| | <u>\$ 176,837,917</u> | <u>\$ 14,608,636</u> |

Public purpose street construction and the park and ride facility is funded by highway user fund and general fund (transportation) revenue. Parks and recreation facilities are financed by park impact fees and the general fund. Public building construction and Bell Road landscaping/lighting are financed by the general fund. The commitment for the water reclamation facility is being financed by sewer impact fees and sewer revenue bonds sold through the Municipal Property Corporation. The water supply facility is funded by the water operations fund. Development agreement water system infrastructure is being financed by water system impact fees, development agreement wastewater infrastructure is being financed by sewer impact fees, and development agreement fire station site improvements are being financed by fire impact fees.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – MUNICIPAL PROPERTY CORPORATION FUND CONSTRUCTION COMMITMENT LIABILITY

Governmental funds report deferred revenue in connection to resources that have been received, but not yet earned. As of June 30, 2009, the deferred revenue balance of \$10,165,935 in the Municipal Property Corporation Fund represents payments made by the City for use in future periods, \$4,999,610 for 2003 bonds and \$5,166,325 for 2007 bonds.

NOTE 8 - RETIREMENT PLANS

Arizona State Retirement Plan

A. Plan Description

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

B. Funding Policy

Under Arizona State Statutes, employee member contributions to the System were fixed at 8.95% of their compensation for the year ended June 30, 2009, with the contributions made by payroll deduction. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change the contribution rate from that actuarially determined rate. The total contributions made by the City for the years ended June 30, 2009, 2008, and 2007, were, \$2,911,295, \$2,817,288, and \$2,260,864, respectively, equal to the required contributions for each year.

Retirement Plan For Public Safety Employees

A. Plan Description

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

B. Funding Policy

Employee members are required to contribute 7.65% of their annual covered salary. The retirement plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual

NOTES TO FINANCIAL STATEMENTS

covered payroll, are designed to accumulate sufficient assets to pay benefits when due. For the year ended June 30, 2009, the City contributed 13.33% and 12.30% of annual covered police and firefighter payroll to the plan, respectively.

C. Annual Pension Cost

For fiscal year 2008, the City’s annual pension cost of \$1,316,106 for APSPRS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the projected unit credit cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually, (b) projected salary increases of 5.0% per year compounded annually attributable to inflation and (c) additional projected salary increases .5% - 3.5% per year, depending on age, attributable to seniority/merit. The actuarial value of APSPRS assets are determined on a smoothed market basis which spreads differences between actual and assumed investment return over a four-year period. The amortization method is level percent open and the remaining amortization period is 20 years.

Three-Year Trend Information for APSPRS

| Fiscal Year Ended June 30, | Annual Pension Cost | | Percent Contributed | Net Pension Obligation |
|----------------------------|---------------------|------------|---------------------|------------------------|
| | Fire | Police | | |
| 2006 | \$ 339,656 | \$ 477,092 | 100.0% | - |
| 2007 | 396,697 | 450,556 | 100.0% | - |
| 2008 | 636,184 | 679,922 | 100.0% | - |

Elected Officials Retirement Plan

A. Plan Description

The City’s Mayor and Council members participate in the Elected Officials Retirement Plan (EORP), a multiple-employer defined benefit cost sharing pension plan. The Fund Manager of the Arizona Public Safety Personnel Retirement System (APSPR) is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain elected city officials. EORP provides retirement benefits as well as death and disability benefits. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 3010 E. Camelback Rd., Ste 200, Phoenix, Arizona, 85016, by calling (602) 255-5575, or on the internet at www.psprs.com.

B. Funding Policy

The EORP’s funding policy required by State Statutes provides for periodic employer contributions at actuarially determined rates and employee contributions of 7 percent of their annual covered salary. The employer rate for fiscal year 2008-2009 was 28.0 percent. The City’s contributions to EORP for the fiscal year ended June 30, 2008, was \$40,606, which equals the required contributions for the year. The City’s employees contributed \$10,296 for the same time period.

NOTES TO FINANCIAL STATEMENTS

Three-Year Trend Information for EORP

| Fiscal Year Ended June 30, | Annual Pension Cost | Percent | Net Pension |
|----------------------------|---------------------|-------------|-------------|
| | Elected Officials | Contributed | Obligation |
| * 2007 | | 100.0% | - |
| 2008 | 27,479 | 100.0% | - |
| 2009 | 40,606 | 100.0% | - |

* Contributions began in FY2007-2008

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - RISK MANAGEMENT

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

The limit for basic coverage is \$20 million per occurrence on a claim made basis. The AMRRP is structured such that member premiums are based on actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligation. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums 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.

NOTE 10 - CONTINGENT LIABILITIES

The City was not involved in any pending or threatened litigation that could materially affect the City's financial position and results of operations at June 30, 2009.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INTERFUND ASSETS, LIABILITIES, AND TRANSFERS

| <u>Transfers</u> | <u>Transfers in:</u> | | | | |
|-------------------------------------|---------------------------------|--------------------------|-----------------------------|---------------------|----------------------|
| | <u>Governmental Type Funds:</u> | | <u>Fire</u> | <u>Nonmajor</u> | <u>Total</u> |
| | <u>General Fund</u> | <u>Highway User Fund</u> | <u>Development Fee Fund</u> | <u>Governmental</u> | |
| Transfers out: | | | | | |
| Governmental Funds | | | | | |
| General Fund | \$ - | \$ 3,373,200 | \$ 4,162,200 | \$ - | \$ 7,535,400 |
| Police Development Fee Fund | 1,200,500 | | | | 1,200,500 |
| Municipal Property Corporation Fund | | | | 9,469,000 | 9,469,000 |
| Other governmental funds | 3,025,200 | | | | 3,025,200 |
| Enterprise-type funds | | | | | |
| Water | 1,308,361 | | | | 1,308,361 |
| Sewer | 1,483,214 | | | | 1,483,214 |
| Sanitation | 1,581,624 | | | | 1,581,624 |
| Total | <u>\$ 8,598,899</u> | <u>\$ 3,373,200</u> | <u>\$ 4,162,200</u> | <u>\$ 9,469,000</u> | <u>\$ 25,603,299</u> |

Due to/from other funds:

| <u>Receivable fund:</u> | <u>Payable Fund:</u> | <u>Amount</u> |
|-------------------------|---------------------------|----------------------|
| General | Fire Development Fee Fund | \$ 4,099,868 |
| | Nonmajor Governmental | 1,690,862 |
| | Sewer | 8,706,262 |
| | Total | <u>\$ 14,496,992</u> |

The above due to/due from other funds were short-term receivables or payables in the normal course of the City's operations and the above transfers resulted in the normal course of the City's operations.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – DEFICIT FUND NET ASSETS

The following is a detail of *Special Revenue SLID Districts* fund equity balances as of June 30, 2009 reported as non-major special revenue funds.

Special Revenue SLID Districts Fund Balances:

| | | |
|------------------------------|----|-----------|
| Kingswood Park | \$ | 41 |
| DW Sun City Grand | | (69,898) |
| Westpoint Towne Center | | (12,014) |
| Continental @ Kingswood | | (372) |
| Mountain Vista Ranch | | (5,424) |
| Sun City Grand II | | (141,100) |
| Sun City Grand III | | (9,123) |
| Bell West Ranch | | (4,918) |
| Canyon Ridge West | | (4,637) |
| Ashton Ranch Unit I | | (2,829) |
| Ashton Ranch Unit II | | (3,247) |
| Mountain Vista Ranch II | | 2,279 |
| Mountain Vista Ranch III | | (4,153) |
| Legacy Park | | (9,713) |
| Greenway Park | | (4,216) |
| Roseview | | (6,694) |
| Countryside | | (13,475) |
| Park Row | | (754) |
| Northwest Ranch #2 | | (9,621) |
| Bell West Ranch 1B | | (1,559) |
| Ashton Ranch Unit III | | (3,916) |
| Ashton Ranch Unit IV | | (3,030) |
| Legacy Park GHI | | (3,321) |
| Rancho Gabriela Phase I | | (6,397) |
| Northwest Ranch #1 | | (1,922) |
| Sun City Grand IV | | (41,082) |
| Rancho Gabriela 2,3, 4A-B | | (13,546) |
| Greenway Park II | | (3,372) |
| Greenway Park III | | (1,528) |
| Bell West Ranch 1A | | (2,903) |
| Tash/Western Meadows | | (2,871) |
| Roseview 5, 5A, 7&8 | | (4,460) |
| Orchards 1,2,3,4,5 | | (6,557) |
| Surprise Farms 1A | | (15,669) |
| Legacy Park Parcels E, F & J | | (2,417) |
| Sierra Montana 1A | | (21,253) |
| Bell West Ranch II | | (1,235) |
| Royal Ranch Unit I | | (7,012) |
| Surprise Farms 1B | | (12,820) |
| Desert Oasis #1 | | (914) |
| Sierra Montana Phase II | | 93,416 |
| Litchfield Manor | | (18,597) |
| Cotton Gin | | (4,420) |
| Summerfield at Litchfield | | (1,671) |

NOTES TO FINANCIAL STATEMENTS

Special Revenue SLID District Fund Balances (continued)

| | |
|---|--------------|
| Marley Park Ph 1, Parcels 1-4 | (5,716) |
| Greer Ranch South | 6,010 |
| Bell West Ranch Parcel 3 | 3,823 |
| Sierra Montana Parcel 12 | (985) |
| Sierra Verde Phase One | (2,704) |
| Surprise Farms II | (6,331) |
| Kenly Farms | 6,869 |
| Veramonte | (5,189) |
| Bell Point 1 | 11,209 |
| Rancho Gabriela Phase II Parcel 11 | 342 |
| Royal Ranch Unit II, Parcels 5, 6 & 9 | (18,732) |
| Sierra Verde Parcel 4 | 1,062 |
| Marley Park Ph 1, Parcels 7 & 8 | 10,907 |
| Surprise Farms Phase III | 18,373 |
| Greer Ranch Phase 1 | 27,664 |
| Royal Ranch Unit 2 Parcel 8 | 7,714 |
| Royal Ranch Unit 2 Parcel 7 | 22,163 |
| Greer Ranch Phase 2 | 2,825 |
| Marley Park Phase 2, Parcels 9, 11 & 12 | (12,520) |
| Sycamore Estates Parcel 13 | (4,865) |
| Sierra Montana Parcel 7 | 2,418 |
| Surprise Farms Phase 4, Parcels 1-6 | 14,678 |
| Desert Oasis Lancer Parcels 5A, 5B, & 14A | 1,443 |
| Sarah Ann Ranch | 45,183 |
| Rancho Gabriela Phase 3, Parcel 17 | 1,676 |
| City at Surprise Phase 1 | 7,052 |
| Marley Park Phase 1, Parcels 5 & 6 | 9,720 |
| Sierra Montana, Parcel 14 | (660) |
| Asante Phase 1 | (44,280) |
| Surprise Pointe | - |
| Johnson Tounhomes | (734) |
| Surprise Valley Station | - |
| Surprise Farms Phase 5 | - |
| | \$ (290,509) |

As a result of revenues inadequate to cover expenses some SLID districts have a deficit net asset. This is due to state imposed limit on taxes within those districts. Future revenue collected is expected to fund the deficit fund equity balances.

In addition to the Special Revenue SLID Districts fund equity balances listed above, the following funds also have deficit fund balances as of June 30, 2009.

Other Special Revenue Funds with deficit Fund Balances:

| | |
|---|----------------|
| Neighborhood Revitalization Fun | \$ (290,449) |
| General Government Development Fee Fund | (193,732) |
| Fire and EMS Development Fee Fund | (4,263,558) |
| | \$ (4,747,739) |

Adequate grant revenues are expected to be received in the Neighborhood Revitalization to fund the deficit fund equity balance. The deficit fund balances in the General Government Development Fee Fund and the Fire and EMS Development Fee Fund are expected to be funded with future development impact fees received from issued building permits in their respective funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 –PRIOR PERIOD ADJUSTMENTS

A. RESTATE REVENUE IN SPECIAL PLANNING AREA 3 SEWER FUND

The July 1, 2008, fund balance/net assets do not agree to the prior year financial statements due to a correction of \$548,587 in deferred revenue which has been increased by that amount. In FY08, developer contributions to fund the Special Planning Area (SPA3) Water Reclamation Facility in the Sewer Fund were recorded to the project revenue rather than deferred revenue. In FY09, the beginning balance of deferred revenue in liabilities increased by \$548,587.

| Effect of Prior Period Adjustments by Activity | |
|--|-----------------------------|
| Government-wide Statement of Net Assets | |
| Government-wide Statement of Activities | |
| | Business-type Activities |
| Fiscal year ended June 30, 2008 - Ending | \$ 271,498,740 |
| Prior Period Adjustment - Capital grants and contributions (A) | (548,587) |
| | <u>\$ 270,950,153</u> |

| Business-type Activities | |
|--|---------------------------|
| Proprietary Funds - Sewer | |
| Statement of Net Assets | |
| Statement of Revenues, Expenses and Changes in Net Assets | |
| | Total Sewer Net Assets |
| Fiscal year ended June 30, 2008 - Ending | \$ 201,002,021 |
| Prior Period Adjustment - Capital grants and contributions (A) | (548,587) |
| | <u>\$ 200,453,434</u> |

###





REQUIRED SUPPLEMENTAL INFORMATION

This portion of supplementary information contains statements, schedules, statistical data, or other information that the Governmental Accounting Standards Board (GASB) has determined to be necessary to supplement, although not required to be part of, the basic statements of the City.

| Required Supplementary Information: | Page |
|---|-------|
| Required Supplementary Information – Arizona Public Safety Personnel Retirement System (APSPRS): Schedule of Employer Contributions, Schedule of Funding Progress, and Eight-Year Trend Information | 57 |
| Required Supplementary Information – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 58 |
| Changes in Fund Balances – Budget and Actual – Major Special Revenue Funds | 59-63 |
| Combining Balance Sheet – Nonmajor Governmental Funds | 64 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds | 65 |
| Combining Balance Sheet – Nonmajor Special Revenue Funds | 66-67 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Special Revenue Funds | 68-69 |
| Supplemental Information – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service and Special Revenue Funds | 70-77 |

Required Supplemental Information:

APSPRS: Schedule of Employer Contributions, Schedule of Funding Progress, and Eight Year Trend Information

Required Supplementary Information – Schedule of Employer Contributions

| Year ended June 30, | Annual Required Contribution | | |
|---------------------|------------------------------|-----------|------------------------|
| | Fire Fighters | Police | Percent Contributed |
| 2001 | 198,361 | 220,241 | 100.0% |
| 2002 | 254,228 | 273,391 | 100.0% |
| 2003 | 279,843 | 260,897 | 100.0% |
| 2004 | 93,437 | 348,032 | 100.0% |
| 2005 | 242,684 | 360,477 | 100.0% |
| 2006 | 339,656 | 477,092 | 100.0% |
| 2007 | 396,697 | 450,556 | 100.0% |
| 2008 | 636,184 | 679,922 | 100.0% |
| 2009 * | 1,020,252 | 1,241,649 | |

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

| Actuarial Valuation Date June 30 | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|-------------------------------------|---|------------------------------------|--------------------------|---------------------------|---|
| 2001 | 6,447,706 | 5,031,601 | (1,416,105) | 128.1% | 4,077,707 | -35% |
| 2002 | 8,514,189 | 6,452,541 | (2,061,648) | 132.0% | 5,838,324 | -35% |
| 2003 | 10,993,504 | 8,423,619 | (2,569,885) | 130.5% | 6,569,599 | -39% |
| 2004 | 12,421,828 | 11,004,127 | (1,417,701) | 112.9% | 7,689,826 | -18% |
| 2005 | 14,473,431 | 15,959,998 | 1,486,567 | 90.7% | 8,808,048 | 17% |
| 2006 | 16,771,274 | 18,496,123 | 1,724,849 | 90.7% | 12,204,117 | 14% |
| 2007 | 18,593,343 | 25,841,960 | 7,248,617 | 72.0% | 14,971,142 | 48% |
| 2008 | 22,663,105 | 28,747,648 | 6,084,543 | 78.8% | 16,458,071 | 37% |

**Schedule of Funding Progress
Figure 1**

| Fiscal Year Ended June 30, | Annual Pension Cost | | Percent Contributed | Net Pension Obligation |
|----------------------------|---------------------|---------|------------------------|---------------------------|
| | Fire | Police | | |
| 2001 | 198,361 | 220,241 | 100.0% | - |
| 2002 | 254,228 | 273,391 | 100.0% | - |
| 2003 | 279,843 | 260,897 | 100.0% | - |
| 2004 | 93,437 | 348,032 | 100.0% | - |
| 2005 | 242,684 | 360,477 | 100.0% | - |
| 2006 | 339,656 | 477,092 | 100.0% | - |
| 2007 | 396,697 | 450,556 | 100.0% | - |
| 2008 | 636,184 | 679,922 | 100.0% | - |

**Eight-Year Trend Information
Figure 2**

CITY OF SURPRISE, ARIZONA**REQUIRED SUPPLEMENTAL INFORMATION****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)****GENERAL AND MAJOR SPECIAL REVENUE FUNDS****FOR THE YEAR ENDED JUNE 30, 2009**

| | General Fund | | |
|---|----------------------------|-------------------------|----------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Taxes | \$ 38,602,500 | \$ 38,602,500 | \$ 35,232,913 |
| Licenses and permits | 4,226,300 | 4,226,300 | 4,073,771 |
| Intergovernmental | 25,163,500 | 25,163,500 | 23,417,787 |
| Charges for services | 9,202,600 | 9,202,600 | 6,827,882 |
| Grants | 17,408,400 | 17,408,400 | 474,188 |
| Fines | 1,237,500 | 1,237,500 | 1,759,413 |
| Rents | 280,400 | 280,400 | 535,699 |
| Interest | 530,100 | 530,100 | 138,654 |
| Other | 5,423,100 | 5,423,100 | 898,080 |
| Total revenues | <u>102,074,400</u> | <u>102,074,400</u> | <u>73,358,387</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 46,584,800 | 42,614,641 | 17,571,817 |
| Public safety | 36,601,100 | 35,560,259 | 33,870,451 |
| Public works and streets | 8,719,200 | 7,534,200 | 6,901,130 |
| Community development | 5,732,800 | 5,125,300 | 4,655,493 |
| Culture and recreation | 14,620,500 | 14,020,500 | 13,622,879 |
| Capital Outlay | 50,266,800 | 51,981,100 | 26,809,365 |
| Debt Service | | | |
| Principal | - | - | 153,382 |
| Interest | - | - | 85,110 |
| Total expenditures | <u>162,525,200</u> | <u>156,836,000</u> | <u>103,669,627</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(60,450,800)</u> | <u>(54,761,600)</u> | <u>(30,311,240)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>(2,547,700)</u> | <u>(808,000)</u> | <u>1,063,499</u> |
| Total Other financing sources | <u>(2,547,700)</u> | <u>(808,000)</u> | <u>1,063,499</u> |
| NET CHANGE IN FUND BALANCES | <u>(62,998,500)</u> | <u>(55,569,600)</u> | <u>(29,247,741)</u> |
| FUND BALANCES, beginning of the year | <u>53,297,605</u> | <u>53,297,605</u> | <u>53,297,605</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ (9,700,895)</u> | <u>\$ (2,271,995)</u> | <u>\$ 24,049,864</u> |

CITY OF SURPRISE, ARIZONA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Municipal Property Corporation Fund | | |
|---|--|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Rents | \$ 7,148,200 | \$ 7,148,200 | \$ 7,254,123 |
| Interest | - | - | 51,486 |
| Total revenues | <u>7,148,200</u> | <u>7,148,200</u> | <u>7,305,609</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | - | - | 149 |
| Debt Service | | | |
| Principal | - | - | 2,635,000 |
| Interest and fiscal charges | <u>7,208,200</u> | <u>7,208,200</u> | <u>4,521,838</u> |
| Total expenditures | <u>7,208,200</u> | <u>7,208,200</u> | <u>7,156,987</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(60,000)</u> | <u>(60,000)</u> | <u>148,622</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>(9,469,000)</u> | <u>(9,469,000)</u> | <u>(9,469,000)</u> |
| Total other financing sources | <u>(9,469,000)</u> | <u>(9,469,000)</u> | <u>(9,469,000)</u> |
| NET CHANGE IN FUND BALANCES | <u>(60,000)</u> | <u>(60,000)</u> | <u>(9,320,378)</u> |
| FUND BALANCES, beginning of the year | <u>18,052,194</u> | <u>18,052,194</u> | <u>18,052,194</u> |
| FUND BALANCES, end of the year | <u>\$ 17,992,194</u> | <u>\$ 17,992,194</u> | <u>\$ 8,731,816</u> |

CITY OF SURPRISE, ARIZONA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Highway User Fund | | |
|---|----------------------------|-------------------------|--------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Intergovernmental | \$ 6,353,500 | 6,353,500 | \$ 5,295,936 |
| Charges for services | - | - | 88,100 |
| Interest | - | - | 12,880 |
| Other | - | - | 83,355 |
| Total revenues | <u>6,353,500</u> | <u>6,353,500</u> | <u>5,480,271</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public works and streets | 5,847,400 | 5,639,500 | 5,368,283 |
| Culture and recreation | 562,900 | 537,200 | 561,391 |
| Capital outlay | <u>4,520,000</u> | <u>4,520,000</u> | <u>4,227,437</u> |
| Total expenditures | <u>10,930,300</u> | <u>10,696,700</u> | <u>10,157,111</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(4,576,800)</u> | <u>(4,343,200)</u> | <u>(4,676,840)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>3,373,200</u> | <u>3,385,800</u> | <u>3,373,200</u> |
| NET CHANGE IN FUND BALANCES | <u>(1,203,600)</u> | <u>(957,400)</u> | <u>(1,303,640)</u> |
| FUND BALANCES, beginning of the year | <u>1,904,687</u> | <u>1,904,687</u> | <u>1,904,687</u> |
| FUND BALANCES, end of the year | <u>\$ 701,087</u> | <u>\$ 947,287</u> | <u>\$ 601,047</u> |

CITY OF SURPRISE, ARIZONA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Police Development Fee Fund | | |
|---|------------------------------------|-------------------------|--------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development fees | \$ 890,400 | \$ 890,400 | \$ 395,950 |
| Interest | - | - | 7,768 |
| Total revenues | <u>890,400</u> | <u>890,400</u> | <u>403,718</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | 477,100 | 477,100 | 477,100 |
| Capital outlay | 584,300 | 711,000 | 531,041 |
| Total expenditures | <u>1,073,900</u> | <u>1,200,600</u> | <u>1,008,141</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(183,500)</u> | <u>(310,200)</u> | <u>(604,423)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>(1,701,500)</u> | <u>(1,701,500)</u> | <u>(1,200,500)</u> |
| Total other financing sources | <u>(1,701,500)</u> | <u>(1,701,500)</u> | <u>(1,200,500)</u> |
| NET CHANGE IN FUND BALANCES | <u>(1,885,000)</u> | <u>(2,011,700)</u> | <u>(1,804,923)</u> |
| FUND BALANCES, beginning of the year | <u>2,005,303</u> | <u>2,005,303</u> | <u>2,005,303</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ 120,303</u> | <u>\$ (6,397)</u> | <u>\$ 200,380</u> |

CITY OF SURPRISE, ARIZONA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Fire Development Fee Fund | | |
|---|----------------------------------|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development fees | \$ 1,701,700 | \$ 1,701,700 | \$ 787,923 |
| | - | - | 3,695 |
| Total revenues | <u>1,701,700</u> | <u>1,701,700</u> | <u>791,618</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 12,500 | 12,500 | - |
| Public safety | 200,000 | 200,000 | 254,072 |
| Capital outlay | <u>1,644,700</u> | <u>1,644,700</u> | <u>1,179,238</u> |
| Total expenditures | <u>1,857,200</u> | <u>1,857,200</u> | <u>1,433,310</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(155,500)</u> | <u>(155,500)</u> | <u>(641,692)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>8,748,600</u> | <u>8,748,600</u> | <u>4,162,200</u> |
| Total other financing sources | <u>5,517,900</u> | <u>5,517,900</u> | <u>8,324,400</u> |
| NET CHANGE IN FUND BALANCES | <u>5,362,400</u> | <u>5,362,400</u> | <u>7,682,708</u> |
| FUND BALANCES (DEFICIT), beginning of the year | <u>(7,784,066)</u> | <u>(7,784,066)</u> | <u>(7,784,066)</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ (2,421,666)</u> | <u>\$ (2,421,666)</u> | <u>\$ (101,358)</u> |

CITY OF SURPRISE, ARIZONA

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)

GENERAL AND MAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

| | Transportation Improvement Fund | | |
|---|--|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Taxes | \$ 3,816,600 | \$ 3,816,600 | \$ 4,358,905 |
| Grants | 2,148,400 | 2,148,400 | - |
| Interest | - | - | 52,068 |
| Other | - | 838,000 | - |
| Total revenues | <u>5,965,000</u> | <u>6,803,000</u> | <u>6,986,698</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public works and streets | 536,100 | 562,700 | 254,776 |
| Capital Outlay | <u>21,933,800</u> | <u>21,509,300</u> | <u>14,452,870</u> |
| Total expenditures | <u>22,469,900</u> | <u>22,072,000</u> | <u>14,707,646</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(16,504,900)</u> | <u>(15,269,000)</u> | <u>(7,720,948)</u> |
| NET CHANGE IN FUND BALANCES | <u>(19,537,200)</u> | <u>(17,660,700)</u> | <u>(7,720,948)</u> |
| FUND BALANCES, beginning of the year | <u>14,530,975</u> | <u>14,530,975</u> | <u>14,530,975</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ (5,006,225)</u> | <u>\$ (3,129,725)</u> | <u>\$ 6,810,027</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

| ASSETS | Special Revenue Funds | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|--------------------------------------|----------------------------------|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 9,195,042 | \$ 10,848 | \$ 9,205,890 |
| Investments | 2,838,922 | 3,190 | 2,842,112 |
| Receivables (net of allowances) | | | |
| Interest | 5,775 | 6 | 5,781 |
| Taxes and franchise fees | - | 13,788 | 13,788 |
| Other | 87,047 | - | 87,047 |
| Prepaid items | 1,849,673 | - | 1,849,673 |
| Restricted cash and cash equivalents | 459,370 | - | 459,370 |
| Total assets | \$ 14,435,829 | \$ 27,832 | \$ 14,463,661 |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 384,002 | \$ - | \$ 384,002 |
| Accrued payroll and related taxes | 27,580 | - | 27,580 |
| Due to other funds | 1,690,862 | - | 1,690,862 |
| Total liabilities | 2,102,444 | - | 2,102,444 |
| FUND BALANCE | | | |
| Reserved for prepaid items | 1,849,673 | - | 1,849,673 |
| Unreserved, reported in | | | |
| Special revenue funds | 10,483,712 | - | 10,483,712 |
| Debt service funds | - | 27,832 | 27,832 |
| Total fund balance | 12,333,385 | 27,832 | 12,361,217 |
| Total liabilities and fund balance | \$ 14,435,829 | \$ 27,832 | \$ 14,463,661 |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Special Revenue Funds | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|--------------------------------------|----------------------------------|--|
| REVENUES | | | |
| Taxes | \$ 769,416 | \$ 283,878 | \$ 1,053,294 |
| Intergovernmental | 516,088 | - | 516,088 |
| Charges for services | 2,206,558 | - | 2,206,558 |
| Grants | 840,756 | - | 840,756 |
| Fines | 103,221 | - | 103,221 |
| Development fees | 2,746,113 | - | 2,746,113 |
| Interest | 138,552 | 2,221 | 140,773 |
| Other | 466,086 | - | 466,086 |
| | <u>7,786,790</u> | <u>286,099</u> | <u>8,072,889</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 198,432 | - | 198,432 |
| Public safety | 167,961 | - | 167,961 |
| Public works and streets | 2,307,252 | - | 2,307,252 |
| Culture and recreation | 3,926,068 | - | 3,926,068 |
| Capital outlay | 9,172,042 | - | 9,172,042 |
| Debt service | | | |
| Principal | 175,000 | 413,270 | 588,270 |
| Interest and fiscal charges | 365,113 | 15,092 | 380,205 |
| Debt issuance costs | 231,221 | - | 231,221 |
| | <u>16,594,772</u> | <u>428,362</u> | <u>17,023,134</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(8,807,982)</u> | <u>(142,263)</u> | <u>(8,950,245)</u> |
| OTHER FINANCING USES | | | |
| Interfund transfers in(out) | 6,443,800 | - | 6,443,800 |
| Bonds issued | 3,395,000 | - | 3,395,000 |
| | <u>9,838,800</u> | <u>-</u> | <u>9,838,800</u> |
| NET CHANGE IN FUND BALANCES | <u>1,030,818</u> | <u>(142,263)</u> | <u>888,555</u> |
| FUND BALANCES, beginning of year | <u>11,302,567</u> | <u>170,095</u> | <u>11,472,662</u> |
| FUND BALANCES, end of year | <u>\$ 12,333,385</u> | <u>\$ 27,832</u> | <u>\$ 12,361,217</u> |

CITY OF SURPRISE, ARIZONA

SUPPLEMENTAL INFORMATION
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

| | Transit Fund | Donations Fund | Neighborh. Revitaliz. Fund | Parks & Recreational Enhancement | Library Development Fund | General Govt. Dev Fee Fund | Employee Dep Scholarship |
|--------------------------------------|-------------------|-------------------|----------------------------------|--|--------------------------------|----------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 713,734 | \$ 606,278 | \$ 938 | \$ - | \$ 3,054,825 | \$ - | \$ 11,413 |
| Investments | 209,876 | 178,279 | 276 | - | 898,285 | - | 3,356 |
| Receivables, net | | | | | | | |
| Interest | 368 | 465 | - | - | 1,764 | - | 7 |
| Other | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | 1,849,673 | - | - | - |
| Restricted cash and cash equivalents | - | - | - | - | - | - | - |
| Total assets | <u>\$ 923,978</u> | <u>\$ 785,022</u> | <u>\$ 1,214</u> | <u>\$ 1,849,673</u> | <u>\$ 3,954,874</u> | <u>\$ -</u> | <u>\$ 14,776</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | 9,486 | 42,790 | 59,456 | 3,368 | 467 | 661 | - |
| Accrued payroll and related taxes | 23,847 | - | 3,733 | - | - | - | - |
| Due to other funds | - | - | 228,475 | 793,088 | - | 193,071 | - |
| Total liabilities | <u>33,333</u> | <u>42,790</u> | <u>291,664</u> | <u>796,456</u> | <u>467</u> | <u>193,732</u> | <u>-</u> |
| FUND BALANCE | | | | | | | |
| Fund balances | | | | | | | |
| Reserved for prepaid items | - | - | - | 1,849,673 | - | - | - |
| Unreserved | | | | | | | |
| Undesignated | <u>890,645</u> | <u>742,232</u> | <u>(290,450)</u> | <u>(796,456)</u> | <u>3,954,407</u> | <u>(193,732)</u> | <u>14,776</u> |
| Total fund balances | <u>890,645</u> | <u>742,232</u> | <u>(290,450)</u> | <u>1,053,217</u> | <u>3,954,407</u> | <u>(193,732)</u> | <u>14,776</u> |
| Total liabilities and fund balances | <u>\$ 923,978</u> | <u>\$ 785,022</u> | <u>\$ 1,214</u> | <u>\$ 1,849,673</u> | <u>\$ 3,954,874</u> | <u>\$ -</u> | <u>\$ 14,776</u> |

| Street Lighting Districts | Marley Park Comm. Fac. District | 10% Set Aside OTS | Municipal Court Enhancement | Public Works Expansion Development | Roads SPA 2, 4 & 6 | Roads SPA 3 & 5 | Totals |
|----------------------------------|--|--------------------------|------------------------------------|---|-------------------------------|----------------------------|----------------------|
| \$ 209,126 | \$ (58,800) | \$ 2,080 | \$ 247,050 | \$ 3,305,411 | \$ 1,087,159 | \$ 15,828 | \$ 9,195,042 |
| 61,495 | 117,789 | 612 | 72,646 | 971,970 | 319,684 | 4,654 | 2,838,922 |
| 109 | 7 | 368 | 143 | 1,907 | 628 | 9 | 5,775 |
| 87,047 | - | - | - | - | - | - | 87,047 |
| - | - | - | - | - | - | - | 1,849,673 |
| - | 459,370 | - | - | - | - | - | 459,370 |
| \$ 357,777 | \$ 518,366 | \$ 3,060 | \$ 319,839 | \$ 4,279,288 | \$ 1,407,471 | \$ 20,491 | \$ 14,435,829 |
| 172,058 | - | - | - | 95,716 | - | - | 384,002 |
| - | - | - | - | - | - | - | 27,580 |
| 476,228 | - | - | - | - | - | - | 1,690,862 |
| 648,286 | - | - | - | 95,716 | - | - | 2,102,444 |
| - | - | - | - | - | - | - | 1,849,673 |
| (290,509) | 518,366 | 3,060 | 319,839 | 4,183,572 | 1,407,471 | 20,491 | 10,483,712 |
| (290,509) | 518,366 | 3,060 | 319,839 | 4,183,572 | 1,407,471 | 20,491 | 12,333,385 |
| \$ 357,777 | \$ 518,366 | \$ 3,060 | \$ 319,839 | \$ 4,279,288 | \$ 1,407,471 | \$ 20,491 | \$ 14,435,829 |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Transit Fund | Donations Fund | Neighborh. Revitaliz. Fund | Parks & Recreational Enhancement | Library Development Fund | General Govt. Dev Fee Fund | Employee Dep Scholarship |
|---|-------------------|-------------------|----------------------------------|--|--------------------------------|----------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 443,564 | 72,524 | - | - | - | - | - |
| Charges for services | 19,544 | 600 | - | - | - | - | - |
| Grants | 303,926 | - | 498,946 | - | - | - | - |
| Fines | - | - | - | - | - | - | - |
| Development fees | - | - | - | 627,627 | 138,504 | 688,951 | - |
| Interest | 5,000 | 11,612 | - | 7 | 37,757 | 7,527 | 88 |
| Other | - | 365,587 | - | - | - | - | 2,907 |
| Total revenues | 772,034 | 450,323 | 498,946 | 627,634 | 176,261 | 696,478 | 2,995 |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| General government | - | - | - | - | - | 25,933 | 2,500 |
| Public safety | - | 132,273 | - | - | - | - | - |
| Public works and streets | - | - | - | - | - | - | - |
| Community development | - | - | 51,683 | - | - | - | - |
| Culture and recreation | 878,572 | 497,097 | 628,099 | 1,922,300 | - | - | - |
| Capital outlay | - | 16,792 | - | 4,928,127 | - | - | - |
| Debt service | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - |
| Debt issuance Costs | - | - | - | - | - | - | - |
| Total expenditures | 878,572 | 646,162 | 679,782 | 6,850,427 | - | 25,933 | 2,500 |
| REVENUES OVER (UNDER) EXPENDITURES | (106,538) | (195,839) | (180,836) | (6,222,793) | 176,261 | 670,545 | 495 |
| OTHER FINANCING SOURCES | | | | | | | |
| Interfund transfers in | - | (291,900) | - | 9,567,200 | - | (2,007,300) | - |
| Bonds issued | - | - | - | - | - | - | - |
| Total other financing sources | - | (291,900) | - | 9,567,200 | - | (2,007,300) | - |
| NET CHANGE IN FUND BALANCES | (106,538) | (487,739) | (180,836) | 3,344,407 | 176,261 | (1,336,755) | 495 |
| FUND BALANCES (DEFICIT), beginning of year | 997,183 | 1,229,971 | (109,614) | (2,291,190) | 3,778,146 | 1,143,023 | 14,281 |
| FUND BALANCES (DEFICIT), end of year | \$ 890,645 | \$ 742,232 | \$ (290,450) | \$ 1,053,217 | \$ 3,954,407 | \$ (193,732) | \$ 14,776 |

| Street Lighting Districts | Marley Park Comm. Fac. District | 10% Set Aside OTS | Municipal Court Enhancement | Public Works Expansion Development | Roads SPA 2, 4 & 6 | Roads SPA 3 & 5 | Totals |
|---------------------------|---------------------------------|-------------------|-----------------------------|------------------------------------|---------------------|------------------|----------------------|
| \$ - | \$ 769,416 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 769,416 |
| - | - | - | - | - | - | - | 516,088 |
| 2,186,414 | - | - | - | - | - | - | 2,206,558 |
| - | - | 37,884 | - | - | - | - | 840,756 |
| - | - | - | 103,221 | - | - | - | 103,221 |
| - | - | - | - | 926,136 | 359,499 | 5,396 | 2,746,113 |
| 1,810 | 174 | 6,890 | 1,375 | 55,944 | 10,229 | 139 | 138,552 |
| 91,532 | - | 6,060 | - | - | - | - | 466,086 |
| <u>2,279,756</u> | <u>769,590</u> | <u>50,834</u> | <u>104,596</u> | <u>982,080</u> | <u>369,728</u> | <u>5,535</u> | <u>7,786,790</u> |
| - | 139,820 | 30,179 | - | - | - | - | 198,432 |
| - | - | - | 35,688 | - | - | - | 167,961 |
| 2,014,695 | 50,000 | - | - | 242,557 | - | - | 2,307,252 |
| - | - | - | - | - | - | - | 51,683 |
| - | - | - | - | - | - | - | 3,926,068 |
| - | 2,378,233 | - | - | 1,848,890 | - | - | 9,172,042 |
| - | 175,000 | - | - | - | - | - | 175,000 |
| - | 365,113 | - | - | - | - | - | 365,113 |
| - | 231,221 | - | - | - | - | - | 231,221 |
| <u>2,014,695</u> | <u>3,339,387</u> | <u>30,179</u> | <u>35,688</u> | <u>2,091,447</u> | <u>-</u> | <u>-</u> | <u>16,594,772</u> |
| <u>265,061</u> | <u>(2,569,797)</u> | <u>20,655</u> | <u>68,908</u> | <u>(1,109,367)</u> | <u>369,728</u> | <u>5,535</u> | <u>(8,807,982)</u> |
| - | - | (824,200) | - | - | - | - | 6,443,800 |
| - | 3,395,000 | - | - | - | - | - | 3,395,000 |
| - | 3,395,000 | (824,200) | - | - | - | - | 9,838,800 |
| <u>265,061</u> | <u>825,203</u> | <u>(803,545)</u> | <u>68,908</u> | <u>(1,109,367)</u> | <u>369,728</u> | <u>5,535</u> | <u>1,030,818</u> |
| <u>(555,570)</u> | <u>(306,837)</u> | <u>806,605</u> | <u>250,931</u> | <u>5,292,939</u> | <u>1,037,743</u> | <u>14,956</u> | <u>11,302,567</u> |
| <u>\$ (290,509)</u> | <u>\$ 518,366</u> | <u>\$ 3,060</u> | <u>\$ 319,839</u> | <u>\$ 4,183,572</u> | <u>\$ 1,407,471</u> | <u>\$ 20,491</u> | <u>\$ 12,333,385</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Debt Service Fund | | |
|---|----------------------------|-------------------------|-------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Taxes | \$ 546,800 | \$ 546,800 | \$ 283,878 |
| Interest | - | - | 2,221 |
| Total revenues | <u>546,800</u> | <u>546,800</u> | <u>286,099</u> |
| EXPENDITURES | | | |
| Debt service | | | |
| Principal | 500,000 | 500,000 | 413,270 |
| Interest | 165,000 | 165,000 | 15,092 |
| Total expenditures | <u>665,000</u> | <u>665,000</u> | <u>428,362</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(118,200)</u> | <u>(118,200)</u> | <u>(142,263)</u> |
| NET CHANGE IN FUND BALANCES | <u>(118,200)</u> | <u>(118,200)</u> | <u>(142,263)</u> |
| FUND BALANCES, beginning of the year | <u>170,095</u> | <u>170,095</u> | <u>170,095</u> |
| FUND BALANCES, end of the year | <u>\$ 51,895</u> | <u>\$ 51,895</u> | <u>\$ 27,832</u> |
| | Transit Fund | | |
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Intergovernmental | \$ 450,500 | \$ 450,500 | \$ 443,564 |
| Charges for services | 18,000 | 18,000 | 19,544 |
| Grants | - | - | 303,926 |
| Interest | 2,600 | 2,600 | 5,000 |
| Total revenues | <u>471,100</u> | <u>471,100</u> | <u>772,034</u> |
| EXPENDITURES | | | |
| Current | | | |
| Culture and recreation | 970,800 | 921,300 | 878,572 |
| Total expenditures | <u>1,299,200</u> | <u>1,193,900</u> | <u>878,572</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(828,100)</u> | <u>(722,800)</u> | <u>(106,538)</u> |
| NET CHANGE IN FUND BALANCES | <u>(828,100)</u> | <u>(722,800)</u> | <u>(106,538)</u> |
| FUND BALANCES, beginning of the year | <u>997,183</u> | <u>997,183</u> | <u>997,183</u> |
| FUND BALANCES, end of the year | <u>\$ 169,083</u> | <u>\$ 274,383</u> | <u>\$ 890,645</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Donations Fund | | |
|---|-----------------------------------|-------------------------|---------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Intergovernmental | \$ - | \$ - | \$ 72,524 |
| Charges for services | - | - | 600 |
| Interest | - | - | 11,612 |
| Other | 600,000 | 600,000 | 365,587 |
| Total revenues | 600,000 | 600,000 | 450,323 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 646,800 | 646,800 | 132,273 |
| Public Safety | 200,000 | 180,000 | - |
| Community development | - | - | 497,097 |
| Culture and recreation | 669,400 | 377,500 | - |
| Capital Outlay | - | - | 16,792 |
| Total expenditures | 1,516,200 | 1,204,300 | 646,162 |
| REVENUES OVER (UNDER) | | | |
| EXPENDITURES | (916,200) | (604,300) | (195,839) |
| OTHER FINANCING SOURCES | | | |
| Transfers in (out) | - | (291,900) | (291,900) |
| NET CHANGE IN FUND | | | |
| BALANCES | (916,200) | (896,200) | (487,739) |
| FUND BALANCES, beginning of | | | |
| the year | 1,229,971 | 1,229,971 | 1,229,971 |
| FUND BALANCES, end of the year | \$ 313,771 | \$ 333,771 | \$ 742,232 |
| | Neighborh. Revitaliz. Fund | | |
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Grants | \$ 808,600 | \$ 808,600 | \$ 498,946 |
| Total revenues | 808,600 | 808,600 | 498,946 |
| EXPENDITURES | | | |
| Current | | | |
| Community development | - | 2,197,800 | 51,683 |
| Culture and recreation | 1,529,300 | 1,529,300 | 628,099 |
| Total expenditures | 1,529,300 | 3,727,100 | 679,782 |
| REVENUES OVER (UNDER) | | | |
| EXPENDITURES | (720,700) | (2,918,500) | (180,836) |
| NET CHANGE IN FUND | | | |
| BALANCES | (720,700) | (2,918,500) | (180,836) |
| FUND BALANCES, beginning of | | | |
| the year | (109,614) | (109,614) | (109,614) |
| FUND BALANCES (DEFICIT), end of the year | \$ (830,314) | \$ (3,028,114) | \$ (290,450) |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Parks & Recreational Enhancement | | |
|---|---|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development fee | \$ 1,505,500 | \$ 1,505,500 | \$ 627,627 |
| Interest | - | - | 7 |
| Total revenues | <u>1,505,500</u> | <u>1,505,500</u> | <u>627,634</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 12,500 | 12,500 | - |
| Culture and recreation | 1,922,300 | 1,922,300 | 1,922,300 |
| Capital Outlay | <u>5,599,500</u> | <u>5,779,500</u> | <u>4,928,127</u> |
| Total expenditures | <u>7,534,300</u> | <u>7,714,300</u> | <u>6,850,427</u> |
| REVENUES OVER EXPENDITURES | <u>(6,028,800)</u> | <u>(6,208,800)</u> | <u>(6,222,793)</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in (out) | <u>9,567,200</u> | <u>9,567,200</u> | <u>9,567,200</u> |
| NET CHANGE IN FUND BALANCES | <u>3,538,400</u> | <u>3,358,400</u> | <u>3,344,407</u> |
| FUND BALANCES, beginning of the year | <u>(2,291,190)</u> | <u>(2,291,190)</u> | <u>(2,291,190)</u> |
| FUND BALANCES, end of the year | <u>\$ 1,247,210</u> | <u>\$ 1,067,210</u> | <u>\$ 1,053,217</u> |

| | Library Development Fund | | |
|---|---------------------------------|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development fee | \$ 332,600 | \$ 332,600 | \$ 138,504 |
| Interest | - | - | 37,757 |
| Total revenues | <u>332,600</u> | <u>332,600</u> | <u>176,261</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 12,500 | 12,500 | - |
| Capital Outlay | <u>3,705,500</u> | <u>3,705,500</u> | <u>-</u> |
| Total expenditures | <u>3,718,000</u> | <u>3,718,000</u> | <u>-</u> |
| REVENUES OVER EXPENDITURES | <u>(3,385,400)</u> | <u>(3,385,400)</u> | <u>176,261</u> |
| NET CHANGE IN FUND BALANCES | <u>(3,385,400)</u> | <u>(3,385,400)</u> | <u>176,261</u> |
| FUND BALANCES, beginning of the year | <u>3,778,146</u> | <u>3,778,146</u> | <u>3,778,146</u> |
| FUND BALANCES, end of the year | <u>\$ 392,746</u> | <u>\$ 392,746</u> | <u>\$ 3,954,407</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | General Govt. Dev Fee Fund | | |
|---|--|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development fees | \$ 1,146,900 | \$ 1,146,900 | \$ 688,951 |
| Interest | - | - | 7,527 |
| Total revenues | <u>1,146,900</u> | <u>1,146,900</u> | <u>696,478</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | <u>12,200</u> | <u>12,200</u> | <u>25,933</u> |
| Total expenditures | <u>43,000</u> | <u>43,000</u> | <u>25,933</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>1,103,900</u> | <u>1,103,900</u> | <u>670,545</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in (out) | <u>(2,044,700)</u> | <u>(2,044,700)</u> | <u>(2,007,300)</u> |
| NET CHANGE IN FUND BALANCES | <u>(940,800)</u> | <u>(940,800)</u> | <u>(1,336,755)</u> |
| FUND BALANCES, beginning of the year | <u>1,143,023</u> | <u>1,143,023</u> | <u>1,143,023</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ 202,223</u> | <u>\$ 202,223</u> | <u>\$ (193,732)</u> |
| | Employee Dependent Scholarship Fund | | |
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Interest | \$ 1,200 | \$ 1,200 | \$ 88 |
| Other | - | - | 2,907 |
| Total revenues | <u>1,200</u> | <u>1,200</u> | <u>2,995</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | <u>13,100</u> | <u>13,100</u> | <u>2,500</u> |
| Total expenditures | <u>13,100</u> | <u>13,100</u> | <u>2,500</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(11,900)</u> | <u>(11,900)</u> | <u>495</u> |
| NET CHANGE IN FUND BALANCES | <u>(11,900)</u> | <u>(11,900)</u> | <u>495</u> |
| FUND BALANCES, beginning of the year | <u>14,281</u> | <u>14,281</u> | <u>14,281</u> |
| FUND BALANCES, end of the year | <u>\$ 2,381</u> | <u>\$ 2,381</u> | <u>\$ 14,776</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>Street Lighting District</u> | | |
|---|--|-------------------------|---------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
| REVENUES | | | |
| Charges for services | \$ 2,332,800 | \$ 2,332,800 | \$ 2,186,414 |
| Interest | - | - | 1,810 |
| Other | 19,500 | 19,500 | 91,532 |
| Total revenues | <u>2,352,300</u> | <u>2,352,300</u> | <u>2,279,756</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public works | 2,000,000 | 2,015,000 | 2,014,695 |
| Total expenditures | <u>2,000,000</u> | <u>2,015,000</u> | <u>2,014,695</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>352,300</u> | <u>337,300</u> | <u>265,061</u> |
| NET CHANGE IN FUND BALANCES | <u>352,300</u> | <u>337,300</u> | <u>265,061</u> |
| FUND BALANCES, beginning of the year | <u>(555,570)</u> | <u>(555,570)</u> | <u>(555,570)</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ (203,270)</u> | <u>\$ (218,270)</u> | <u>\$ (290,509)</u> |
| | | | |
| | <u>Marley Park Community Facilities District</u> | | |
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
| REVENUES | | | |
| Property Tax | \$ - | \$ - | \$ 769,416 |
| Interest | - | - | 174 |
| Total revenues | <u>-</u> | <u>-</u> | <u>769,590</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | 139,820 |
| Public works | - | - | 50,000 |
| Capital Outlay | 20,000,000 | 20,000,000 | 2,378,233 |
| Debt service | | | |
| Principal | - | - | 175,000 |
| Interest and fiscal charges | - | - | 365,113 |
| Debt issuance costs | - | - | 231,221 |
| Total expenditures | <u>20,000,000</u> | <u>20,000,000</u> | <u>3,339,387</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(20,000,000)</u> | <u>(20,000,000)</u> | <u>(2,569,797)</u> |
| OTHER FINANCING SOURCES | | | |
| Bonds issued | <u>20,225,700</u> | <u>20,225,700</u> | <u>3,395,000</u> |
| NET CHANGE IN FUND BALANCES | <u>225,700</u> | <u>225,700</u> | <u>825,203</u> |
| FUND BALANCES, beginning of the year | <u>(306,837)</u> | <u>(306,837)</u> | <u>(306,837)</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ (81,137)</u> | <u>\$ (81,137)</u> | <u>\$ 518,366</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | 10% Set Aside Square Mile | | |
|---|------------------------------------|-------------------------|-------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Grants | \$ - | \$ - | \$ 37,884 |
| Interest | - | - | 6,890 |
| Other | - | - | 6,060 |
| Total revenues | - | - | 50,834 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 42,800 | 30,200 | 30,179 |
| Community development | 140,000 | - | - |
| Total expenditures | 182,800 | 30,200 | 30,179 |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(182,800)</u> | <u>(30,200)</u> | <u>20,655</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in (out) | 635,600 | (824,200) | (824,200) |
| NET CHANGE IN FUND BALANCES | <u>452,800</u> | <u>(854,400)</u> | <u>(803,545)</u> |
| FUND BALANCES, beginning of the year | <u>806,605</u> | <u>806,605</u> | <u>806,605</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ 1,259,405</u> | <u>\$ (47,795)</u> | <u>\$ 3,060</u> |
| | Municipal Court Enhancement | | |
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Fines | \$ 40,000 | \$ 40,000 | \$ 103,221 |
| Interest | - | - | 1,375 |
| Total revenues | 40,000 | 40,000 | 104,596 |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | 40,000 | 40,000 | 35,688 |
| Capital Outlay | 118,600 | 118,600 | - |
| Total expenditures | 158,600 | 158,600 | 35,688 |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(118,600)</u> | <u>(118,600)</u> | <u>68,908</u> |
| NET CHANGE IN FUND BALANCES | <u>(118,600)</u> | <u>(118,600)</u> | <u>68,908</u> |
| FUND BALANCES, beginning of the year | <u>250,931</u> | <u>250,931</u> | <u>250,931</u> |
| FUND BALANCES, end of the year | <u>\$ 132,331</u> | <u>\$ 132,331</u> | <u>\$ 319,839</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Public Works Expansion Development | | |
|---|---|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development fees | \$ 1,668,800 | \$ 1,668,800 | \$ 926,136 |
| Interest | - | - | 55,944 |
| Total revenues | <u>1,668,800</u> | <u>1,668,800</u> | <u>982,080</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 12,500 | 12,500 | - |
| Public works | 293,600 | 293,600 | 242,557 |
| Capital outlay | <u>6,829,000</u> | <u>6,829,000</u> | <u>1,848,890</u> |
| Total expenditures | <u>7,135,100</u> | <u>7,135,100</u> | <u>2,091,447</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(5,466,300)</u> | <u>(5,466,300)</u> | <u>(1,109,367)</u> |
| NET CHANGE IN FUND BALANCES | <u>(5,466,300)</u> | <u>(5,466,300)</u> | <u>(1,109,367)</u> |
| FUND BALANCES, beginning of the year | <u>5,292,939</u> | <u>5,292,939</u> | <u>5,292,939</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ (173,361)</u> | <u>\$ (173,361)</u> | <u>\$ 4,183,572</u> |

| | Roads of Regional Significance SPA 2, 4 & 6 | | |
|---|--|-------------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development fees | \$ 959,600 | \$ 959,600 | \$ 359,499 |
| Interest | 48,000 | 48,000 | 10,229 |
| Total revenues | <u>1,007,600</u> | <u>1,007,600</u> | <u>369,728</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 6,300 | 6,300 | - |
| Capital outlay | <u>2,097,900</u> | <u>2,097,900</u> | - |
| Total expenditures | <u>2,104,200</u> | <u>2,104,200</u> | <u>-</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(1,096,600)</u> | <u>(1,096,600)</u> | <u>369,728</u> |
| NET CHANGE IN FUND BALANCES | <u>(1,096,600)</u> | <u>(1,096,600)</u> | <u>369,728</u> |
| FUND BALANCES, beginning of the year | <u>1,037,743</u> | <u>1,037,743</u> | <u>1,037,743</u> |
| FUND BALANCES (DEFICIT), end of the year | <u>\$ (58,857)</u> | <u>\$ (58,857)</u> | <u>\$ 1,407,471</u> |

CITY OF SURPRISE, ARIZONA
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Roads of Regional Significance SPA 3 & 5 | | |
|---|---|-------------------------|------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Development fees | \$ 1,043,000 | \$ 1,043,000 | \$ 5,396 |
| Interest | - | - | 139 |
| Total revenues | <u>1,043,000</u> | <u>1,043,000</u> | <u>5,535</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 6,300 | 6,300 | - |
| Public works | 36,700 | 36,700 | - |
| Capital outlay | <u>1,000,000</u> | <u>1,000,000</u> | <u>-</u> |
| Total expenditures | <u>1,043,000</u> | <u>1,043,000</u> | <u>-</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>-</u> | <u>5,535</u> |
| NET CHANGE IN FUND BALANCES | <u>-</u> | <u>-</u> | <u>5,535</u> |
| FUND BALANCES, beginning of the year | <u>14,956</u> | <u>14,956</u> | <u>14,956</u> |
| FUND BALANCES, end of the year | <u>\$ 14,956</u> | <u>\$ 14,956</u> | <u>\$ 20,491</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.

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|--|-------|
| Financial Trends: | 78-83 |
| 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: | 84-88 |
| 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: | 89-92 |
| 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: | 93-94 |
| These schedules of demographic and economic indicators help the reader understand the environment that the government's financial activities take place. | |
| Operating Information: | 95-97 |
| 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
Net Assets by Component
Last Eight¹ Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
| Governmental activities | | | | | | | | |
| 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 |
| Restricted | 1,119,550 | 127,420 | 3,484,897 | 56,071,995 | 62,577,192 | 43,359,822 | 45,172,071 | 28,504,107 |
| 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 |
| 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 |
| Business type activities | | | | | | | | |
| 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 |
| Restricted | - | - | - | - | - | - | - | - |
| 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 |
| 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 |
| Primary government | | | | | | | | |
| 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 |
| Restricted | 1,119,550 | 127,420 | 3,484,897 | 56,071,995 | 62,577,192 | 43,359,822 | 45,172,071 | 28,504,107 |
| 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 |
| 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 |

¹Only last eight fiscal years available for this schedule.

City of Surprise
Changes in Net Assets
Last Eight¹ Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2001/02</u> | <u>2002/03</u> | <u>2003/04</u> | <u>2004/05</u> | <u>2005/06</u> | <u>2006/07</u> | <u>2007/08</u> | <u>2008/09</u> |
| Expenses | | | | | | | | |
| 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 |
| 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 |
| Public works & streets (incl. 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 |
| 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 |
| 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 |
| 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 |
| Total governmental activities expenses | <u>36,672,981</u> | <u>41,147,795</u> | <u>50,203,417</u> | <u>56,028,574</u> | <u>124,828,705</u> | <u>91,070,407</u> | <u>108,542,363</u> | <u>117,367,037</u> |
| 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 |
| Sewer | 5,659,805 | 5,299,290 | 431,316 | 7,348,509 | 9,261,758 | 10,765,370 | 11,021,010 | 16,315,148 |
| 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 |
| Replenishment | 104,292 | 269,688 | 1,641,006 | 461,179 | 637,096 | 628,514 | 1,585,734 | - |
| Total business-type activities | <u>8,717,810</u> | <u>9,376,500</u> | <u>10,125,948</u> | <u>13,636,057</u> | <u>17,705,087</u> | <u>21,422,308</u> | <u>23,682,146</u> | <u>32,214,149</u> |
| Total primary government expenses | <u>\$ 45,390,791</u> | <u>\$ 50,524,295</u> | <u>\$ 60,329,365</u> | <u>\$ 69,664,631</u> | <u>\$ 142,533,792</u> | <u>\$ 112,492,715</u> | <u>\$ 132,224,509</u> | <u>\$ 149,581,186</u> |
| Program Revenues | | | | | | | | |
| 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 |
| Public safety | 762,521 | 809,559 | 741,975 | 1,181,405 | 1,998,261 | 1,719,969 | 2,409,665 | 3,132,368 |
| Public works & streets (incl. 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| Total governmental activities program revenues | <u>21,192,897</u> | <u>61,376,174</u> | <u>40,230,700</u> | <u>67,132,972</u> | <u>184,742,484</u> | <u>66,088,082</u> | <u>65,548,046</u> | <u>42,202,650</u> |

City of Surprise
Governmental Activities Tax Revenues by Source
Last Eight Fiscal Years¹
(accrual basis of accounting)

| Fiscal Year | Property Tax | Sales Tax | Franchise & Business Licenses | Total |
|--------------------|-------------------------|------------------|--|--------------|
| 2001/02 | \$2,576,629 | \$21,892,601 | \$1,260,845 | \$25,730,075 |
| 2002/03 | 2,945,714 | 18,649,326 | 1,469,246 | \$23,064,286 |
| 2003/04 | 3,039,352 | 24,087,555 | 1,844,692 | \$28,971,599 |
| 2004/05 | 4,019,951 | 37,433,674 | 2,283,688 | \$43,737,313 |
| 2005/06 | 5,078,661 | 48,617,437 | 2,990,582 | \$56,686,680 |
| 2006/07 | 6,728,647 | 45,707,048 | 3,602,776 | \$56,038,471 |
| 2007/08 | 7,379,236 | 39,336,323 | 3,907,778 | \$50,623,337 |
| 2008/09 | 7,403,211 | 33,241,899 | 4,073,771 | \$44,718,881 |

¹Only last eight fiscal years available for this schedule.

City of Surprise
Fund Balances of Governmental Funds
Last Eight Years¹
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
| General Fund | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 56,667 | \$ 4,048,909 |
| Unreserved | 16,692,310 | 25,055,910 | 38,526,585 | 56,760,611 | 74,818,915 | 90,530,653 | 53,240,938 | 20,000,955 |
| Total general fund | <u>\$ 16,692,310</u> | <u>\$ 25,055,910</u> | <u>\$ 38,526,585</u> | <u>\$ 56,760,611</u> | <u>\$ 74,818,915</u> | <u>\$ 90,530,653</u> | <u>\$ 53,297,605</u> | <u>\$ 24,049,864</u> |
| All other governmental funds | | | | | | | | |
| Reserved | \$ 3,469,287 | \$ 2,289,308 | \$ 5,643,105 | \$ 2,289,308 | \$ 2,289,309 | \$ 2,289,308 | \$ 2,289,307 | \$ 2,289,308 |
| 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 |
| Debt service funds | 189,929 | 127,420 | 131,100 | 133,352 | 458,821 | 651,086 | 555,713 | 27,832 |
| Total all other governmental funds | <u>\$ 40,206,061</u> | <u>\$ 30,174,298</u> | <u>\$ 36,453,114</u> | <u>\$ 58,361,303</u> | <u>\$ 64,866,501</u> | <u>\$ 39,693,002</u> | <u>\$ 40,181,755</u> | <u>\$ 24,440,929</u> |

¹ Only eight years presented to conform with other schedules.

City of Surprise
Changes in Fund Balances of Governmental Funds
Last Eight¹ Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | |
|---|------------------------|-----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|------------------------|
| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
| Revenues | | | | | | | | |
| Taxes | \$ 21,733,191 | \$ 25,270,676 | \$ 27,126,908 | \$ 41,459,268 | \$ 53,696,072 | \$ 52,439,926 | \$ 46,715,559 | \$ 40,645,112 |
| 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 |
| 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 |
| Charges for services | 6,925,318 | 9,567,747 | 14,716,657 | 17,597,356 | 13,543,581 | 11,232,480 | 9,640,483 | 11,698,265 |
| Grants | - | 119,309 | 468,774 | 1,232,108 | 1,938,848 | 1,707,016 | 1,881,543 | 1,314,944 |
| Fines | 681,061 | 778,307 | 689,721 | 1,076,701 | 1,515,169 | 1,222,791 | 1,348,307 | 1,862,634 |
| 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 |
| 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 |
| Interest | 2,127,574 | (111,290) | 715,156 | 2,468,787 | 4,215,995 | 7,138,672 | 3,894,950 | 403,629 |
| 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 |
| 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 |
| Expenditures | | | | | | | | |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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) |
| Other financing sources (uses) | | | | | | | | |
| Transfers in (out) | (2,490,052) | (17,459,444) | (50,000) | 21,563 | - | (36,469,155) | 4,078,000 | 4,373,199 |
| 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 |
| 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) |
| Debt service as a percentage of noncapital expenditures | 18.2% | 17.0% | 11.9% | 14.0% | 9.5% | 8.3% | 10.3% | 9.3% |

¹Only eight years presented to conform schedules.

City of Surprise
Major Sources of Municipal Transaction Privilege Tax*
Last 8 Fiscal Years

| Description of Payors Business** | Fiscal Year | | | | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| Other | 446,952 | 547,031 | 1,974,909 | 2,747,576 | 3,213,600 | 2,873,787 | 2,747,576 | 2,559,706 |
| | <u>16,090,217</u> | <u>18,625,530</u> | <u>25,303,448</u> | <u>37,819,927</u> | <u>49,583,522</u> | <u>46,575,052</u> | <u>37,819,927</u> | <u>32,936,640</u> |

*Reported on by Arizona Department of Revenue on the cash basis to the City. The City records transaction privilege tax on the modified accrual basis. Therefore there is a difference between the amounts on this schedule and transaction privilege tax reported on page 84.

** Based on self reported SIC codes by individual taxpayers.

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

City of Surprise
Assessed and Estimated Actual Value of Taxable Property
Last Eight Fiscal Years^{1,2}

| Fiscal Year | Real Property | | Exemptions | | Total | | Ratio of Total Assessed Value to Total Estimated Actual Value |
|-------------|----------------------|---------------------|---------------|------------------------|-----------------|--------------------------------|---|
| | Assessed Value | Commercial Property | Real Property | Taxable Assessed Value | Direct Tax Rate | Estimated Actual Taxable Value | |
| | Residential Property | Property | | | | | |
| 2001/02 | \$ 160,134,800 | \$ 75,387,219 | \$ 5,859,449 | \$ 229,662,570 | 0.9101 | \$ 1,977,250,961 | 11.62% |
| 2002/03 | 198,787,883 | 88,609,847 | 7,206,831 | 280,190,899 | 0.9101 | 2,419,215,265 | 11.58% |
| 2003/04 | 298,061,215 | 64,731,974 | 10,775,706 | 352,017,483 | 0.9101 | 3,100,683,511 | 11.35% |
| 2004/05 | 381,245,421 | 121,108,141 | 21,523,524 | 480,830,038 | 0.9101 | 4,159,527,322 | 11.56% |
| 2005/06 | 428,023,937 | 197,729,293 | 27,215,903 | 598,537,327 | 0.9101 | 5,324,335,938 | 11.24% |
| 2006/07 | 539,743,346 | 256,601,719 | 51,815,780 | 744,529,285 | 0.9101 | 6,750,201,089 | 11.03% |
| 2007/08 | 1,079,864,541 | 510,525,409 | 133,155,590 | 1,457,234,360 | 0.7600 | 13,645,111,961 | 10.68% |
| 2008/09 | 932,885,757 | 567,640,639 | 147,231,863 | 1,353,294,533 | 0.6134 | 12,479,985,619 | 10.84% |

¹Limited all schedules to eight years to be consistent with restrictions on revenue and expenditure schedules in this section.

² Source: Maricopa County Assessor's Office

City of Surprise
Property Tax Rates²
Direct and Overlapping Governments
Last Eight Calendar Years¹

| Year ³ | City of Surprise | | | Overlapping Rates | | | | | | | Total Direct & Overlapping Rates | |
|-------------------|-------------------|----------------------|--------------------|------------------------|----------------------|------------------------|----------------------|-------------------------------|--------|--------|----------------------------------|---------|
| | Maricopa County | | | Dysart School District | | | | Total School District Millage | | | | |
| | Operating Millage | Debt Service Millage | Total City Millage | Operating Millage | Debt Service Millage | County Library Millage | Total County Millage | | | | | |
| 2002 | 0.6632 | 0.2469 | 0.9101 | 1.2108 | 0.0800 | 0.0421 | 1.3329 | 4.0828 | 1.3021 | 5.3849 | 1.9511 | 9.5790 |
| 2003 | 0.6936 | 0.2165 | 0.9101 | 1.2108 | 0.0700 | 0.0521 | 1.3329 | 4.5856 | 1.3185 | 5.9041 | 1.8891 | 10.0362 |
| 2004 | 0.7501 | 0.1600 | 0.9101 | 1.2108 | 0.0000 | 0.0521 | 1.2629 | 5.0924 | 1.3014 | 6.3938 | 1.8320 | 10.3988 |
| 2005 | 0.7277 | 0.1824 | 0.9101 | 1.1971 | 0.0000 | 0.0521 | 1.2492 | 5.4627 | 1.6924 | 7.1551 | 1.9267 | 11.2411 |
| 2006 | 0.7229 | 0.1872 | 0.9101 | 1.1794 | 0.0000 | 0.0507 | 1.2301 | 5.1144 | 1.8378 | 6.9522 | 1.5145 | 10.6069 |
| 2007 | 0.6593 | 0.1007 | 0.76 | 1.1046 | 0.0000 | 0.0391 | 1.1437 | 4.4326 | 1.6402 | 6.0728 | 1.3281 | 9.3046 |
| 2008 | 0.5939 | 0.0195 | 0.6134 | 1.0327 | 0.0000 | 0.0353 | 1.0680 | 4.0525 | 1.5226 | 5.5751 | 1.2662 | 8.5227 |
| 2009 | 0.5661 | 0.0000 | 0.5661 | 0.9909 | 0.0000 | 0.0353 | 1.0262 | 3.0430 | 1.7251 | 4.7681 | 1.2182 | 7.5786 |

¹Limited all schedules to eight years to be consistent with restrictions on revenue and expenditure schedules in this section.

²Source: Maricopa County Assessor's Office

³Year 2002 is for 02/03, 2003 for 03/04, etc..

**City of Surprise
Principal Taxpayers¹
June 30, 2009**

| Taxpayer | 2008/2009 | | | 1999/2000 | | |
|--|----------------------------|------|---|----------------------------|------|---|
| | Taxable Assessed Valuation | Rank | As % of City's Total Assessed Valuation | Taxable Assessed Valuation | Rank | As % of City's Total Assessed Valuation |
| Arizona Public Service Company | 21,501,034 | 1 | 1.43% | 5,994,647 | 2 | 4.84% |
| Surprise Grand Vista JV I LLC | 17,808,305 | 2 | 1.19% | | | |
| LCD Asante LLC | 7,004,398 | 3 | 0.47% | | | |
| Asante LH LLC | 5,652,074 | 4 | 0.38% | | | |
| Suburban Land Reserve Inc | 5,651,885 | 5 | 0.38% | | | |
| BMV Happy Valley North Investment LLC | 5,354,025 | 6 | 0.36% | | | |
| Aawc: Agua Fria Water Division | 5,010,580 | 7 | 0.33% | 835,207 | 13 | 0.67% |
| Southwest Gas Corporation (T&D) | 4,821,955 | 8 | 0.32% | 1,303,144 | 6 | 1.05% |
| SHR Greer Ranch LLC | 4,562,000 | 9 | 0.30% | | | |
| Surprise Center Development LLC | 4,526,475 | 10 | 0.30% | | | |
| HE Capital Asante LLC | 3,942,000 | 11 | 0.26% | | | |
| Surprise Towne Center Holdings | 3,731,767 | 12 | 0.25% | | | |
| Surprise Marketplace Holdings | 3,574,244 | 13 | 0.24% | | | |
| Taylor Morrison Arizona INC | 3,530,560 | 14 | 0.24% | | | |
| Wal-Mart Stores Inc | 3,475,594 | 15 | 0.23% | | | |
| Harmony @ Surprise LLC | 3,403,304 | 16 | 0.23% | | | |
| GVSU Surprise Plaza LLC | 3,003,085 | 17 | 0.20% | | | |
| Buttrum Greenway Crossings LLC | 2,934,654 | 18 | 0.20% | | | |
| Donahue Schriber Realty Group LP/ETAL | 2,911,329 | 19 | 0.19% | | | |
| Roskamp/Sun Health Management Services LLP | 2,911,329 | 20 | 0.19% | | | |
| Bell Rd Towne Center L.L.C. | 2,860,018 | 21 | 0.19% | | | |
| Property Reserve Arizona LLC | 2,835,360 | 22 | 0.19% | | | |
| Smiths Food & Drug Centers Inc | 2,603,647 | 23 | 0.17% | | | |
| Target Corporation | 2,576,140 | 24 | 0.17% | | | |
| LDR-NWC Waddell & Litchfield LLC | 2,560,687 | 25 | 0.17% | | | |
| Del Webb Home Construction Inc | | | | 7,262,980 | 1 | 5.86% |
| Prucor LLC | | | | 1,928,942 | 3 | 1.56% |
| Crossroads Towne Center Investors L.L.C. | | | | 1,718,475 | 4 | 1.39% |
| U S West Communications Inc | | | | 1,479,482 | 5 | 1.19% |
| Myriad International Inc/Group Four Properties | | | | 965,863 | 7 | 0.78% |
| Trendwest Management Co | | | | 920,005 | 8 | 0.74% |
| Grand Village Deborado LLC | | | | 882,387 | 9 | 0.71% |
| Sun City Grand Community Association Inc | | | | 876,298 | 10 | 0.71% |
| Surprise Village North LLC | | | | 856,234 | 11 | 0.69% |
| Sprint Spectrum L P | | | | 835,727 | 12 | 0.67% |
| Costal American Corporation | | | | 777,008 | 14 | 0.63% |
| Albertsons Inc | | | | 748,930 | 15 | 0.60% |
| Fox Hill Run L P | | | | 655,418 | 16 | 0.53% |
| Fairway Farms LLC | | | | 626,638 | 17 | 0.51% |
| Kaufman and Broad Sales of Arizona Inc | | | | 618,182 | 18 | 0.50% |
| Partnership Q. Afford Hsng 2 | | | | 583,100 | 19 | 0.47% |
| Legacy Land Development LLC | | | | 571,417 | 20 | 0.46% |
| Del Webb Home Construction Incorporated | | | | 567,771 | 21 | 0.46% |
| Richmond American Homes of Arizona Inc | | | | 527,390 | 22 | 0.43% |
| Mountain View One L L C | | | | 523,577 | 23 | 0.42% |
| BMO Global Capital Solutions Inc | | | | 503,989 | 24 | 0.41% |
| Sun City/Grand Avenue LTD Ptrshp | | | | 501,811 | 25 | 0.41% |
| | <u>128,746,449</u> | | <u>8.59%</u> | <u>33,064,622</u> | | <u>26.70%</u> |

¹Data obtained from the Maricopa County Treasurer's Office.

*Comparison of sales tax payers is not possible as identities and financial information provided is confidential according to State law and City Code.

**City of Surprise
Primary Property Tax Levies and Collections¹**

| Fiscal Year | Total Tax Levy | | Collected within the Fiscal Year of the Levy | | Tax Collections in Subsequent Years | | Total Collections to Date | |
|-------------|----------------|-----------|--|--------------------|-------------------------------------|-----------------|---------------------------|--|
| | | | Current Tax Collections | Percentage of Levy | Tax Collections in Subsequent Years | Tax Collections | Percentage of Levy | |
| 2001/02 | \$ | 1,394,900 | \$ 1,371,554 | 98.3% | \$ 23,346 | \$ 1,394,900 | 100.0% | |
| 2002/03 | | 1,734,200 | 1,717,390 | 99.0 | 16,810 | 1,734,200 | 100.0 | |
| 2003/04 | | 2,251,700 | 2,237,772 | 99.4 | 13,049 | 2,250,821 | 100.0 | |
| 2004/05 | | 3,303,900 | 3,272,380 | 99.0 | 27,441 | 3,299,821 | 99.9 | |
| 2005/06 | | 4,063,300 | 3,957,218 | 97.4 | 81,684 | 4,038,902 | 99.4 | |
| 2006/07 | | 5,030,600 | 4,830,192 | 96.0 | 103,607 | 4,933,799 | 98.1 | |
| 2007/08 | | 5,848,170 | 5,745,663 | 98.2 | 61,323 | 5,806,986 | 99.3 | |
| 2008/09 | | 6,394,500 | 6,166,879 | 96.4 | - | 6,166,879 | 96.4 | |

¹Limited all schedules to eight years to be consistent with restrictions on revenue and expenditure schedules in this section.

City of Surprise
Ratios of Outstanding Debt by Type
Last Eight Fiscal Years^{1,2}

| Fiscal Year | Governmental Activities | | | | | | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|------------------|----------------------|--------------------------|------------------|----------------------|--------------------------|-------------------------------|------------|
| | Special (CFD) | | | Municipal | | | | | |
| | General Obligation Bonds | Assessment Bonds | Property Corp. Bonds | General Obligation Bonds | Assessment Bonds | Property Corp. Bonds | | | |
| 2001/02 | \$ 5,470,796 | \$ - | \$ 57,845,000 | \$ 63,315,796 | N/A | 1,649 | | | |
| 2002/03 | 4,922,738 | - | 55,995,000 | 60,917,738 | 6.0% | 1,174 | | | |
| 2003/04 | 4,353,867 | - | 56,785,000 | 61,138,867 | N/A | 1,178 | | | |
| 2004/05 | 3,763,842 | - | 53,800,000 | 57,563,842 | 3.0% | 896 | | | |
| 2005/06 | 3,157,311 | - | 51,465,000 | 54,622,311 | 2.4% | 619 | | | |
| 2006/07 | 1,883,912 | 1,365,000 | 99,730,000 | 102,978,912 | 4.1% | 1,068 | | | |
| 2007/08 | 413,270 | 5,275,000 | 97,195,000 | 102,883,270 | N/A | 1,048 | | | |
| 2008/09 | - | 8,495,000 | 94,560,000 | 103,055,000 | 3.9% | 948 | | | |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics on page 93 for personal income and population data.

² Limited to eight years to be consistent with other schedules.

N/A - Not available

City of Surprise
Ratios of General Bonded Debt Outstanding
Last Eight³ Fiscal Years

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value¹ of Property | Per Capita² |
|--------------------|---------------------------------|---|--------------|---|-------------------------------|
| | | | | | |
| 2001/02 | \$ 5,470,796 | \$ 189,929 | \$ 5,280,867 | 0.267% | 138 |
| 2002/03 | 4,922,738 | 127,420 | 4,795,318 | 0.198% | 106 |
| 2003/04 | 4,353,867 | 131,100 | 4,222,767 | 0.136% | 81 |
| 2004/05 | 3,763,842 | 133,352 | 3,630,490 | 0.087% | 57 |
| 2005/06 | 3,157,311 | 458,821 | 2,698,490 | 0.051% | 31 |
| 2006/07 | 1,883,912 | 511,309 | 1,372,603 | 0.020% | 14 |
| 2007/08 | 413,270 | 170,095 | 243,175 | 0.002% | 2 |
| 2008/09 | - | - | - | 0.000% | - |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 85 for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics on page 93.

³Limited to last eight fiscal years to be consistent with limitations in other schedules.

City of Surprise
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009

| <u>Governmental Unit:</u> | <u>General Obligation Bonded Debt Outstanding</u> | <u>Estimated Percentage Applicable¹</u> | <u>Estimated Share of Overlapping Debt</u> |
|---------------------------------------|---|--|--|
| Debt repaid with property taxes : | | | |
| Maricopa County Community College | 507,390,000 | 2.33% | 11,822,187 |
| Dysart Unified School District No. 89 | 150,360,000 | 79.83% | 120,032,388 |
| Subtotal, overlapping debt | | | <u>\$ 131,854,575</u> |
| City of Surprise, Arizona direct debt | | | <u>-</u> |
| Total direct and overlapping debt | | | <u>\$ 131,854,575</u> |

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

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.

¹The 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
Legal Debt Margin Information Unrestricted and Restricted
Last Eight¹ Fiscal Years

| | <u>Unrestricted</u> | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Fiscal Year | | | | | | | |
| | <u>2001/02</u> | <u>2002/03</u> | <u>2003/04</u> | <u>2004/05</u> | <u>2005/06</u> | <u>2006/07</u> | <u>2007/08</u> | <u>2008/09</u> |
| Debt limit 6% | \$ 13,779,754 | \$ 16,811,454 | \$ 21,121,049 | \$ 28,849,802 | \$ 35,912,240 | \$ 44,671,757 | \$ 87,434,062 | \$ 81,197,672 |
| Total net debt applicable to limit | - | - | - | - | - | - | - | - |
| Unrestricted legal debt margin | <u>\$ 13,779,754</u> | <u>\$ 16,811,454</u> | <u>\$ 21,121,049</u> | <u>\$ 28,849,802</u> | <u>\$ 35,912,240</u> | <u>\$ 44,671,757</u> | <u>\$ 87,434,062</u> | <u>\$ 81,197,672</u> |
| 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% |

| Unrestricted Legal Debt Margin Calculation for Fiscal Year 2009 | |
|---|------------------------|
| Assessed value | \$1,500,526,396 |
| Less: exempt real property | 147,231,863 |
| Total net assessed value | <u>\$1,353,294,533</u> |
| Debt limit (6% of total assessed value) | 81,197,672 |
| Debt applicable to limit: | |
| General obligation bonds | - |
| Total net debt applicable to limit | <u>-</u> |
| Legal debt margin | <u>\$ 81,197,672</u> |

| | <u>Restricted</u> | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Fiscal Year | | | | | | | |
| | <u>2001/02</u> | <u>2002/03</u> | <u>2003/04</u> | <u>2004/05</u> | <u>2005/06</u> | <u>2006/07</u> | <u>2007/08</u> | <u>2008/09</u> |
| Debt limit 20% | \$ 45,932,514 | \$ 56,038,180 | \$ 70,403,497 | \$ 96,166,008 | \$ 119,707,465 | \$ 148,905,857 | \$ 270,658,907 | \$ 270,658,907 |
| Total net debt applicable to limit | 5,280,867 | 4,795,318 | 4,222,767 | 3,630,490 | 2,698,490 | 1,372,603 | 243,175 | - |
| Restricted legal debt margin | <u>\$ 40,651,647</u> | <u>\$ 51,242,862</u> | <u>\$ 66,180,730</u> | <u>\$ 92,535,518</u> | <u>\$ 117,008,975</u> | <u>\$ 147,533,254</u> | <u>\$ 270,415,732</u> | <u>\$ 270,658,907</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 11.50% | 8.56% | 6.00% | 3.78% | 2.25% | 0.92% | 0.09% | 0.00% |

| Restricted Legal Debt Margin Calculation for Fiscal Year 2009 | |
|--|------------------------|
| Assessed value | \$1,500,526,396 |
| Less: exempt real property | 147,231,863 |
| Total assessed value | <u>\$1,353,294,533</u> |
| Debt limit (20% of total assessed value) | 270,658,907 |
| Debt applicable to limit: | |
| General obligation bonds | - |
| Less: Amount set aside for repayment of general obligation debt | - |
| Total net debt applicable to limit | <u>-</u> |
| Legal debt margin | <u>\$ 270,658,907</u> |

Note: Under state finance law, the City of Surprise's outstanding general obligation debt should not exceed a combined 26% of total assessed property value.
¹Only last eight fiscal years used to conform with limitations on other schedules.

**City of Surprise
Demographic and Economic Statistics
Selected Years**

| Year | Population^{1,2} | Personal Income³ | Median Household Income^{1,2} | Median Age^{1,2} | Unemployment Rate² |
|-------------|---------------------------------|------------------------------------|--|---------------------------------|--------------------------------------|
| 1995 * | 10,737 | \$ 112,666,068 | \$ 26,443 | 41.7 | N/A |
| 2000 * | 30,848 | 540,525,511 | 44,156 | 46.1 | 3.3% |
| 2001 | 38,400 | N/A | N/A | N/A | 4.2% |
| 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% |

Data Sources:

* U.S. Census Bureau

¹ Maricopa County and City of Surprise

² U.S. Department of Labor Bureau of Labor Statistics for Phoenix, Mesa, Scottsdale areas, and Arizona Dept. of Commerce

³ Calculation based on average household size 2.52 people, source: Sperlings Best Places

N/A - Not available at this time.

**City of Surprise
Principal Employers¹
As of December 31**

| Employer | 2008² | | | 2002³ | | |
|--|-------------------------|-------------|------------------|-------------------------|-------------|------------------|
| | Employees | Rank | %of Total | Employees | Rank | %of Total |
| Dysart School District (Surprise Schools Only) | 1,060 | 1 | 3.05% | 219 | 4 | 1.29% |
| City of Surprise ⁴ | 828 | 2 | 2.38% | 389 | 2 | 2.30% |
| Wal-Mart | 650 | 3 | 1.87% | 740 | 1 | 4.37% |
| Surprise Charter Schools | 258 | 4 | 0.74% | | | |
| Home Depot | 170 | 5 | 0.49% | 160 | 7 | 0.95% |
| APS/ Pinnacle West Corp | 160 | 6 | 0.46% | 175 | 5 | 1.03% |
| Fry's Food Store | 160 | 7 | 0.46% | 165 | 6 | 0.98% |
| Lowe's | 145 | 8 | 0.42% | 115 | 9 | 0.68% |
| Target | 145 | 9 | 0.42% | 110 | 10 | 0.65% |
| Kohl's Department Store | 125 | 10 | 0.36% | | | |
| Surprise Post Office | 110 | 11 | 0.32% | | | |
| Sun City Grand Community Association | 107 | 12 | 0.31% | | | |
| Foxworth-Galbraith - Truss Mfg. | 100 | 13 | 0.29% | 100 | 11 | 0.59% |
| Olive Garden | 100 | 14 | 0.29% | | | |
| Albertson's Food Store | | | | 250 | 3 | 1.48% |
| Safeway Food Store | | | | 130 | 8 | 0.77% |

¹Presented for years information was available.

² Estrella Mountain Community College Office of Planning and Institutional Effectiveness and phone surveys

³ City of Surprise Economic Development Division

⁴Average FTE's

City of Surprise
Full-time Equivalent City Government Employees by Function
Last Eight¹ Fiscal Years

| <u>Function</u> | Full-time Equivalent Employees For the Fiscal Year | | | | | | | |
|---------------------------|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2001-02</u> | <u>2002-03</u> | <u>2003-04</u> | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> |
| General government | 60 | 68 | 65 | 80 | 97 | 124 | 139 | 144 |
| Public Safety: | | | | | | | | |
| Police: | | | | | | | | |
| Officers | 73 | 80 | 84 | 97 | 117 | 128 | 150 | 148 |
| Civilians | 11 | 12 | 13 | 13 | 14 | 15 | 20 | 37 |
| Fire: | | | | | | | | |
| Firefighters and officers | 68 | 77 | 91 | 94 | 106 | 129 | 156 | 158 |
| Civilians | 2 | 3 | 3 | 4 | 6 | 9 | 10 | 20 |
| Public works and streets: | | | | | | | | |
| All others | 50 | 52 | 55 | 63 | 78 | 89 | 105 | 99 |
| Community development | 31 | 33 | 37 | 43 | 49 | 51 | 48 | 41 |
| Culture and recreation | 32 | 76 | 85 | 94 | 103 | 112 | 124 | 133 |
| Water | 4 | 5 | 6 | 7 | 10 | 8 | 8 | 22 |
| Sanitation | 7 | 8 | 11 | 16 | 23 | 29 | 29 | 32 |
| Sewer | 11 | 14 | 17 | 20 | 26 | 30 | 34 | 40 |
| Replenishment | 1 | 1 | 1 | 1 | 1 | 3 | 5 | 0 |
| Total | 350 | 429 | 468 | 532 | 630 | 727 | 828 | 874 |

¹Only last eight fiscal years used to conform with limitations on other schedules.

City of Surprise
Operating Indicators by Function
Last Eight Fiscal Years*

| <u>Function</u> | <u>Fiscal Year</u> | | | | | | | |
|---|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | <u>2001/02</u> | <u>2002/03</u> | <u>2003/04</u> | <u>2004/05</u> | <u>2005/06</u> | <u>2006/07</u> | <u>2007/08</u> | <u>2008/09</u> |
| Public Safety: | | | | | | | | |
| Police: | | | | | | | | |
| Calls- incidents responded to | 41,600 | 52,700 | 58,800 | 60,450 | 69,000 | 84,863 | 88,321 | 97,423 |
| Citations issued | N/A | N/A | 9,119 | 11,080 | 12,117 | 8,347 | 11,732 | 13,728 |
| Officers per 1000 residents | 1.2 | 1.3 | 1.2 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 |
| Fire: | | | | | | | | |
| Number of responses | 4,179 | 5,086 | 6,628 | 7,416 | 8,668 | 9,120 | 10,281 | 10,523 |
| Inspections | 1,413 | 1,796 | 852 | 1,023 | 1,055 | 2,164 | 2,285 | 2,114 |
| Public works and streets: | | | | | | | | |
| Sq. ft. Of buildings to maintain | 213,034 | 287,034 | 320,700 | 340,700 | 375,000 | 378,900 | 535,717 | 567,245 |
| Vehicles/equipment maintained per month | N/A | 27 | 200 | 229 | 244 | 394 | 418 | 484 |
| Number of street lights repaired | N/A | 20 | 50 | 135 | 150 | 148 | 124 | 212 |
| Street miles maintained | N/A | 418 | 525 | 550 | 592 | 592 | 592 | 592 |
| Community development: | | | | | | | | |
| Building Safety Inspections Performed | N/A | 53,821 | 76,843 | 61,215 | 37,607 | 38,000 | 30,311 | 17,749 |
| Culture and recreation: | | | | | | | | |
| Organized recreation program participants | 14,798 | 29,430 | 34,700 | 41,700 | 29,000 | 27,760 | 132,795 | 186,139 |
| Special events/open facility participants | 45,558 | 116,109 | 146,200 | 150,300 | 144,000 | 157,800 | 249,599 | 259,731 |
| Sewer: | | | | | | | | |
| Average daily sewage treatment (million gallons per day) | 2.8 | 3.1 | 4.5 | 5.9 | 7.0 | 7.0 | 7.0 | 6.0 |
| Sanitation: | | | | | | | | |
| Refuse collected (tons/annually) | 14,487 | 17,241 | 18,470 | 21,200 | 28,100 | 30,700 | 31,506 | 29,757 |
| Number of routes | 6 | 7 | 8 | 11 | 31 | 31 | 25 | 26 |
| Total services | 11,513 | 13,390 | 15,341 | 21,800 | 28,625 | 30,800 | 32,096 | 32,719 |

Sources: Various government departments

* Last eight years selected based on availability of data and to be consistent with other schedules.

N/A - Not available.

**City of Surprise
Capital Asset Statistics by Function
Last Eight* Years**

| Function | Fiscal Year | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2001/02</u> | <u>2002/03</u> | <u>2003/04</u> | <u>2004/05</u> | <u>2005/06</u> | <u>2006/07</u> | <u>2007/08</u> | <u>2008/09</u> |
| Public Safety: | | | | | | | | |
| Police: | | | | | | | | |
| Stations | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| Patrol Units | 40 | 40 | 46 | 55 | 75 | 66 | 68 | 81 |
| Fire Stations | 3 | 4 | 4 | 4 | 4 | 4 | 6 | 7 |
| Fire Engines and Ladder Trucks | 4 | 4 | 4 | 6 | 7 | 7 | 9 | 10 |
| Public works and streets: | | | | | | | | |
| Street miles | 450 | 540 | 630 | 586 | 593 | 593 | 593 | 592 |
| Street Lighting Improvement Districts | 23 | 37 | 43 | 57 | 69 | 71 | 79 | 79 |
| Traffic Signals | 10 | 13 | 16 | 20 | 23 | 27 | 34 | 41 |
| Bridges | 1 | 1 | 1 | 1 | 1 | 1 | 9 | 12 |
| Community development: | | | | | | | | |
| Inspection vehicles | 14 | 16 | 16 | 27 | 29 | 23 | 14 | 12 |
| Annual New Residential Starts | 3435 | 3263 | 5304 | 7704 | 6866 | 1759 | 774 | 373 |
| Culture and recreation: | | | | | | | | |
| Parks acreage | 15 | 277 | 277 | 278 | 284 | 284 | 367 | 383 |
| Parks | 4 | 5 | 5 | 6 | 7 | 9 | 12 | 12 |
| Swimming pools | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| Softball fields | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 9 |
| Baseball fields | 0 | 15 | 15 | 15 | 15 | 17 | 17 | 21 |
| Libraries | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water: | | | | | | | | |
| Water Service Connections | 5,116 | 5,939 | 7,593 | 11,047 | 13,249 | 13,985 | 14,375 | 14,472 |
| Well Production Maximum daily capacity (millions of gallons) | 3.3 mgd | 3.3 mgd | 5.8 mgd | 5.8 mgd | 20.2 mgd | 22.mgd | 21.8 mgd | 20.7 mgd |
| Sewer: | | | | | | | | |
| Sewer Treatment Plants - City owned | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sewer Treatment Plants - City managed | | | | | | 1 | 1 | 1 |
| Sewer Service Connections | N/A | 17,293 | 26,991 | 35,001 | 40,072 | 42,284 | 42,912 | 45,032 |
| City owned | | | | | | | | |
| Maximum daily treatment capacity | 3.2 mgd | 3.3 mgd | 7.2 mgd | 7.2 mgd | 7.5 mgd | 8.3 mgd | 8.3 mgd | 16.3 mgd |
| City managed | | | | | | | | |
| Maximum daily treatment capacity | | | | | | 0.4 mgd | 0.4 mgd | 0.4 mgd |
| Sanitation: | | | | | | | | |
| Collection trucks | 8 | 9 | 11 | 17 | 22 | 22 | 25 | 26 |

Sources: Various government departments

* Only eight years presented to conform to other schedules.