

# Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2010

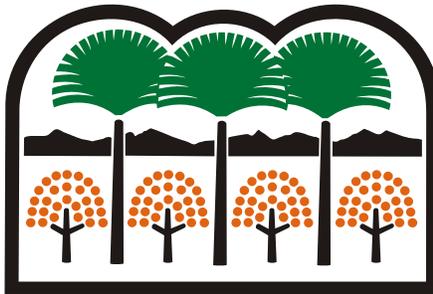


**City of Litchfield Park, Arizona**

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

City of Litchfield Park, Arizona



**City Council:**

Thomas L. Schoaf, Mayor  
Paul Faith, Vice Mayor  
Tim Blake  
Diane Landis  
Peter Mahoney  
John Romack  
Paul Stucky

**Administrative Staff:**

Darryl H. Crossman, City Manager  
Sonny Culbreth, Assistant City Manager

**Prepared By:**

Budget and Finance Department

Benjamin Ronquillo, Finance Director  
Carolyn Sellmeyer, HR Administrator  
Rosa Juarez, Accounting Clerk  
Kjersten Jimison, Administrative Assistant

**City of Litchfield Park, Arizona**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2010**

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# Introduction

**City of Litchfield Park, Arizona**  
**214 West Wigwam Boulevard**  
Litchfield Park, Arizona 85340

February 28, 2011

To the Honorable Mayor, City Council, and City Manager of the City of Litchfield Park:

State law requires that all general-purpose local governments publish within 120 days (240 days with an extension) of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that arrangement, we hereby issue the comprehensive annual financial report of the City of Litchfield Park for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Litchfield Park. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Litchfield Park has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Litchfield Park's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Litchfield Park's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Walker & Armstrong LLP, a firm of licensed certified public accountants, has audited the City of Litchfield Park's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Litchfield Park for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Litchfield Park's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management 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 Litchfield Park's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Litchfield Park, Arizona, is located approximately 18 miles west of downtown Phoenix, Arizona, and 22 miles west of Phoenix Sky Harbor International Airport. Litchfield Park has an estimated population of approximately 5,100 in 2010. It is a small community encompassing approximately four square miles situated on the western edge of the metropolitan Phoenix area. Although Litchfield Park is a small community, it offers an assortment of unique amenities including The Wigwam, a historic full service resort property boasting three championship golf courses and full service spa, a vibrant historical downtown district, several community parks, a community library, and a community recreation center & pool.

Litchfield Park is host to several distinctive and award winning festivals and events held throughout the year which include the Spring Art & Culinary Festival, Oktoberfest, Christmas in the Park, Winter Trout Derby, Fourth of July Celebration, Native American Arts Festival, and the Arts in the Park Concert Series.

The City of Litchfield Park has operated under the council-manager form of government since its incorporation in 1987. Policy-making 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 of the City Manager, City Clerk, City Attorney, and Magistrate. 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 government, 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 council members elected every two years. The mayor is elected to serve a four-year term. The mayor and council members are elected at large.

The City of Litchfield Park provides a full range of services, including law enforcement, streets and parks maintenance services, construction, planning and zoning services, community and recreation services, and general administrative services.

The annual budget serves as the foundation for the City of Litchfield Park's financial planning and control. All departments of the City of Litchfield Park are required to submit requests for appropriations to the City Manager on or before the first day in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review prior to April 30. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than July 31.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 19 as part of the basic financial statements for the governmental funds.

### **Factors Affecting Financial Condition**

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

**Local economy.** The City of Litchfield Park is experiencing the effects of a national and local economic recession, which was preceded by a severe drop in the national housing market in 2007. This economic decline has caused a marked reduction in many of the City's revenues including sales taxes, building permits, interest income, and state shared revenues. The City experienced significant reductions in revenues during this economic downturn; however, total revenues are expected to remain flat for fiscal year 2011. Construction activities are ongoing within the City, but at a greatly reduced pace. The most significant construction activity is planned primarily for The Wigwam, which is undergoing extensive remodeling during the 2011 fiscal year. Housing, construction, retail, and interest income are expected to remain flat while state shared revenues are expected to continue to contract over the next two to three fiscal years. The City's current fiscal year revenue projections continue to reflect these recent reductions in revenue.

Litchfield Park increased its sales tax rates by .8% (eight-tenths of a percent) for retail, use, and contracting taxes in 2008. This tax rate increase, coupled with sustained activity in its retail centers has helped to lessen the impact of the current recession, keeping the City fiscally healthy. With over one hundred and fifty (150) acres of undeveloped commercial property within its limits, Litchfield Park is economically well positioned to capitalize on future economic recovery, which is anticipated to spur new growth in the West Valley and Arizona.

**Long-term financial planning.** The City's revenue forecasts have been modified to reflect the impact of the economic recession. As previously stated, it is expected that the City will continue to experience reduced revenues into the near future; however, we believe the City is financially well positioned to capitalize on future economic recovery. The fiscally conservative practices followed by the City over the last several years have lessened the negative impact of the local and national recession on City services and operations. Because Litchfield Park does not assess a City property tax to pay for services and operational expenses, the City continues to proactively work toward bringing businesses to the undeveloped commercial areas within the City.

The City's service and operational needs have significantly increased over the last few years, and are expected to continue to increase in future years. The development of the City's remaining commercial areas will serve to strengthen its economic base and bring additional and ongoing revenues to apply toward the expanding operational needs of the City.

The City continued to work diligently during the 2010 fiscal year to implement its current Capital Improvement Plan. Several projects previously identified as important for the City were initiated and/or completed during the year including alleyway improvements, perimeter wall reconstruction, roadway repair and resurfacing, and continued work for a pedestrian crossing at Wigwam Boulevard and Litchfield Road.

**Cash management policies and practices.** Cash temporarily idle during the year was invested in the State Treasurers Local Government Investment Pool. An Investment Policy adopted in 1995 allows the Finance Officer and City Manager to invest temporarily idle cash in the State Treasurer's Investment Pool (LGIP) and other debt backed by the Federal Government. The policy restricts investments to a maximum of three years and places priority on the safety and liquidity of the funds. The City also has a Trust Agreement with Chase Bank of Arizona that provides collateral for all cash held by the Bank on behalf of the City in excess of the FDIC maximum. Due to current economic factors, the average yield on the City-invested cash was less than 1% for the fiscal year ended June 30, 2010.

**Risk management.** The City is responsible for the protection of the City's assets. Through regular Staff meetings and other training activities, the City emphasizes various risk management techniques and procedures to reduce and minimize the potential for loss. The City carries insurance with the Arizona Municipal Risk Retention Pool (AMRRP) for general liability, property, automobile, and public officials' errors and omissions insurance. The AMRRP, administered by Southwest Risk Services, is a non-profit corporation established in 1986 and authorized by the Arizona Legislature. Membership is open to all cities and towns in Arizona.

**Pension and other post employment benefits.** The City offers employees the opportunity to participate in the International City/County Management Association Retirement Corporation (ICMA-RC) deferred compensation plan. This is a tax-deferred plan established in accordance with IRS Code, Section 457. Employee participation in the plan is voluntary and as of the fiscal year ended June 30, 2010, there were fourteen (14) employees contributing to the Plan. The City has no equity in the Plan; all of the plan assets belong to the contributing employees.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Litchfield Park for its comprehensive annual financial report for the fiscal year ended June 30, 2009.

This was the tenth consecutive year that the City of Litchfield Park has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. That report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

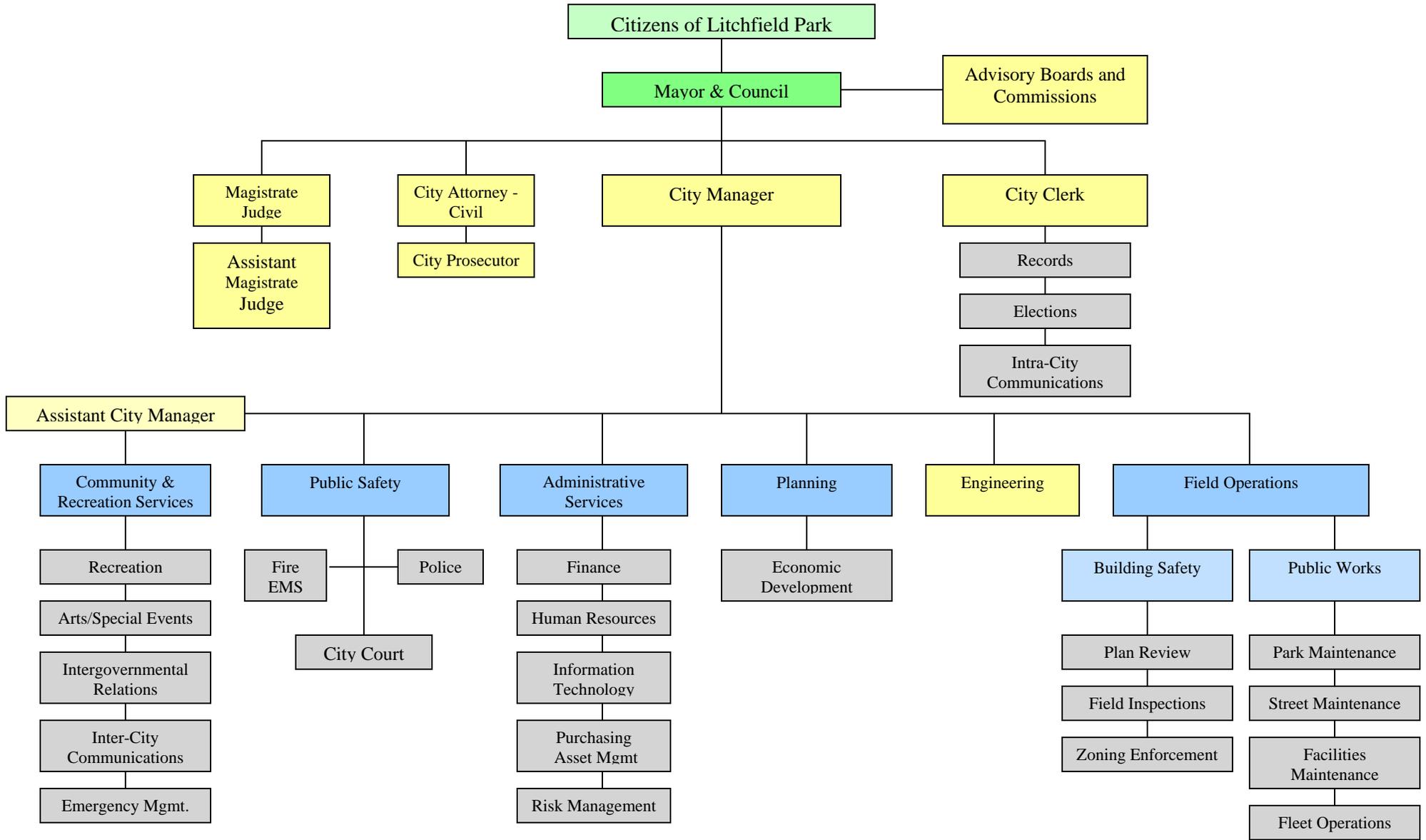
The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The preparation of the report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and their hard work in the compilation of the annual financial and audit schedules. In addition we would like to thank the City Manager, the respective Department Heads and their staff, and the City Council for their interest and support in planning and conducting the City's financial affairs.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B Ronquillo". The signature is written in a cursive style with a large initial "B" and a stylized "R".

Benjamin Ronquillo  
Finance Director

# City of Litchfield Park, Arizona Organization Chart



Elected  
 Appointed  
 Employee  
 Division  
 Department  
 Functions

**Elected & Appointed Officials  
City of Litchfield Park, AZ**

**City Council/Community Facilities District Board**

Thomas Schoaf, Mayor  
Paul Faith, Vice Mayor  
Tim Blake  
Diane Landis  
Peter Mahoney  
John Romack  
Paul Stucky

**Cityscape Commission/Tree Board**

JoAnn Dun, Chair  
Rich Crabb, Vice Chair  
Marry Dickson  
Robin Inskeep  
Colonel Hank Reed (Ret.)

**Design Review Board/Board of Adjustment**

David Ledyard, Chair BOA and Vice Chair DRB  
Susan Charnetsky, Chair DRB and Vice Chair BOA  
John Romack, City Council Representative  
Susan Van Duyn, P&Z Commission Representative  
Don Wooldridge

**IDA Board**

John Manobianco  
Robert Slagle  
John Wenzlau  
Leo Brennan  
Thomas L. Schoaf

**Planning & Zoning Commission**

David Ellis, Chair  
Richard Vasiloff, Vice Chair  
Diane Fox  
Jeff Gibbs  
Michael Kearns  
Woody Thomas  
Susan Van Duyn

**Recreation, Arts & Parks Commission**

Rocky Cocchiola, Chair  
Andrea Phillips, Vice Chair  
Kyle Addington  
James Handley, Jr.  
John Mullen  
David Schwake  
Lisa Wolfe

**Beautification Committee**

Robin Inskeep, Chair  
Jeff Raible, Vice Chair  
Kyle Addington  
Mary Dickson

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Litchfield Park  
Arizona

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

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



President

Executive Director

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**Independent Auditor's Report**

To the Honorable Mayor and City Council Members  
City of Litchfield Park, Arizona

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of City of Litchfield Park, Arizona as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Litchfield Park, Arizona's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of City of Litchfield Park, Arizona, as of June 30, 2010, and the respective changes in financial position and the cash flows, where applicable, thereof, and the budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, capital assets schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules, and capital assets schedules 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 and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to use Highway User Revenue Fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011, on our consideration of the City's internal control over financial reporting and on our test of certain provisions of laws, regulations, contracts or grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Walker & Armstrong LLP*

Phoenix, Arizona  
February 28, 2011

**City of Litchfield Park, Arizona**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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As management of the City of Litchfield Park (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

**Financial Highlights**

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$18,472,247 (*net assets*). Of this amount, \$3,672,973 (*unrestricted net assets*) may be used to meet the City's obligations to citizens and creditors.
- The City's total net assets increased by \$854,493.
- As of the close of the current fiscal year, the City of Litchfield Park's governmental funds reported combined ending fund balances of \$5,972,103, an increase of \$235,389 in comparison with the prior year. The entire ending fund balance is unreserved and therefore available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,570,139, or 89 percent of total general fund expenditures.
- The City of Litchfield Park's long-term debt decreased by \$180,000 (3 percent) during the current fiscal year resulting from the payment of bond principal for the Village at Litchfield Park Community Facilities District.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

## Management's Discussion and Analysis - Continued

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The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The City's governmental activities include general government, public safety, public works and streets. The City's business-type activities consist of community services and recreation.

The government-wide financial statements include not only the City itself, (known as the *primary government*), but also legally separate districts for which the City is financially accountable. Financial information for these component units are blended with financial information presented for the primary government.

The government-wide financial statements can be found on pages 13-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

## Management's Discussion and Analysis - Continued

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The City maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and, capital improvement fund, all of which are considered to be major funds. Data from non-major governmental funds are combined into a single aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of *combining financial statements* on pages 40-41 of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

Individual budgetary comparison statements are presented for those non-major capital projects and special revenue funds with legally adopted budgets. Such statements are reported on pages 45-51.

**Proprietary funds.** The City maintains one type of proprietary fund, consisting of three enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its community services, recreation operations and special events.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-39 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City assets exceeded liabilities by \$18,472,247 at the close of the most recent fiscal year.

The largest portion of the City's net assets (68 percent) reflects the City's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

## Management's Discussion and Analysis - Continued

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The next largest portion of the City's net assets (20 percent) represents unrestricted net assets, which may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities change in net assets increased from approximately \$803,000 in 2009 to approximately \$1,222,000 in 2010 which resulted primarily from a decrease in highway and streets and public works related expenditures.

Business-type activities net assets decreased by \$367,656 from 2009 primarily due to a decrease in transfers from the general fund.

The following table summarizes the statement of net assets at June 30, 2010 and 2009:

City of Litchfield Park's Net Assets

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 7,414,891	\$ 7,318,280	\$ (93,933)	\$ 244,554	\$ 7,320,958	\$ 7,562,834
Capital assets	17,793,002	16,971,416	172,989	197,807	17,965,991	17,169,223
Total assets	25,207,893	24,289,696	79,056	442,361	25,286,949	24,732,057
Long-term liabilities outstanding	5,183,953	5,638,032	-	-	5,183,953	5,638,032
Other liabilities	1,551,693	1,401,566	79,056	74,705	1,630,749	1,476,271
Total liabilities	6,735,646	7,039,598	79,056	74,705	6,814,702	7,114,303
Net assets:						
Invested in capital assets, net of related debt	12,448,002	11,012,304	172,989	197,807	12,620,991	11,210,111
Restricted for:						
Streets	597,119	597,119	-	-	597,119	597,119
Debt Service	1,581,164	1,566,720	-	-	1,581,164	1,566,720
Unrestricted	3,845,962	4,073,955	(172,989)	169,849	3,672,973	4,243,804
Total net assets	\$ 18,472,247	\$ 17,250,098	\$ -	\$ 367,656	\$ 18,472,247	\$ 17,617,754

At the end of the current fiscal year, the City is able to report a positive balance in governmental activities unrestricted net assets of \$3,845,962.

## Management's Discussion and Analysis - Continued

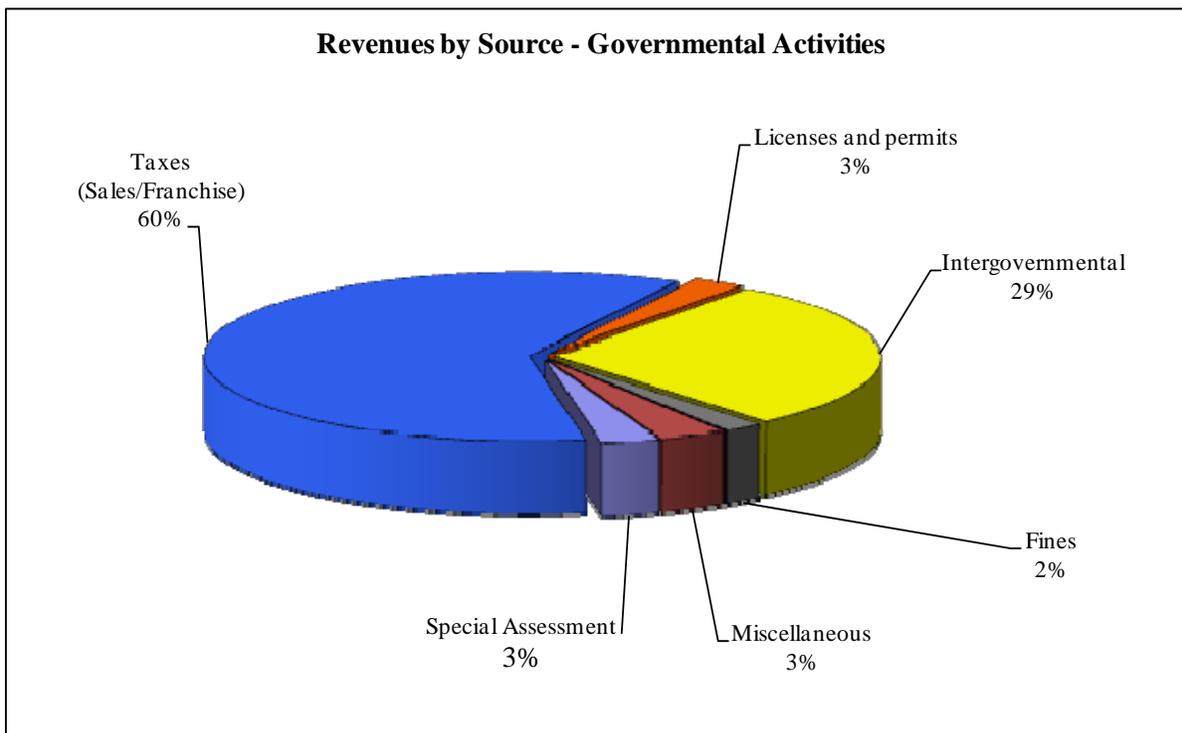
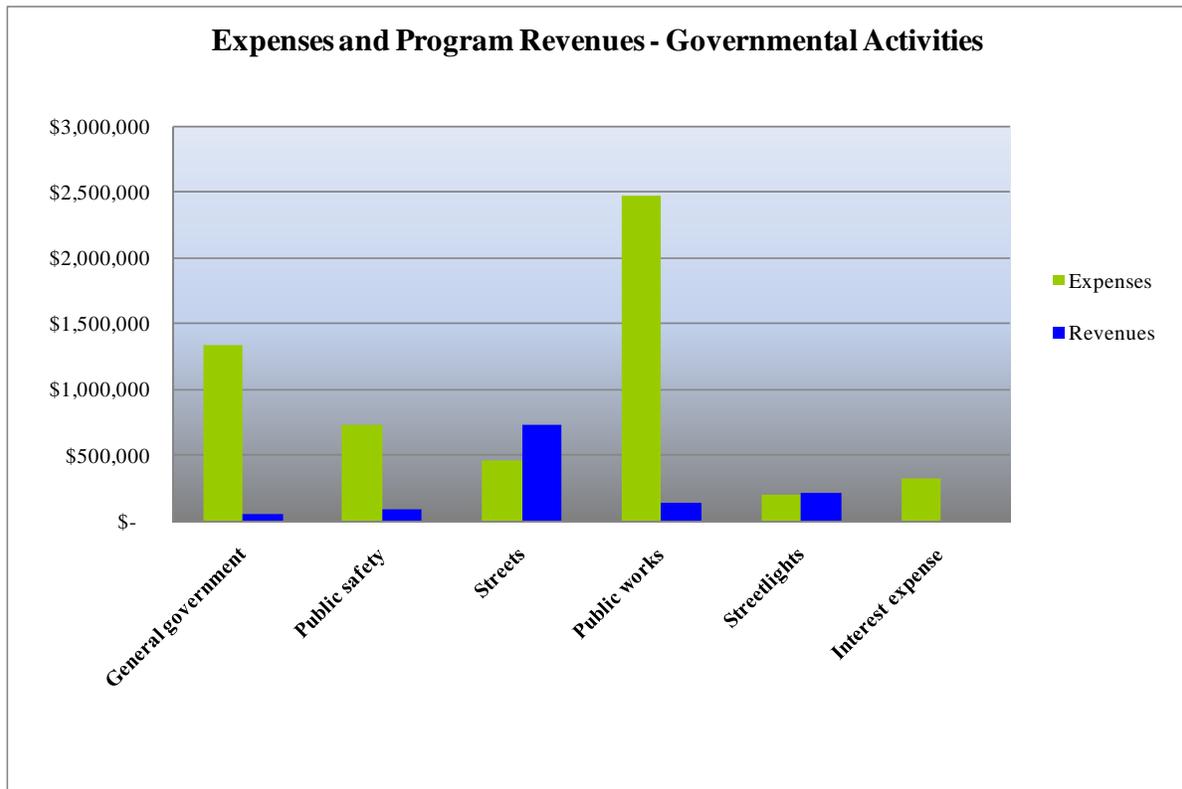
**Governmental activities.** Governmental activities increased the City's net assets by \$1,222,149. Key elements of this increase are summarized in the following schedule:

City of Litchfield Park's Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 498,228	\$ 516,212	\$ 491,466	\$ 501,163	\$ 989,694	\$ 1,017,375
Capital grants and contributions	734,945	293,295	301	-	735,246	293,295
General revenues:						
Taxes	3,791,850	3,852,348	-	-	3,791,850	3,852,348
Intergovernmental	1,069,298	1,202,192	-	-	1,069,298	1,202,192
Other	516,161	1,088,999	-	-	516,161	1,088,999
Total revenues	<u>6,610,482</u>	<u>6,953,046</u>	<u>491,767</u>	<u>501,163</u>	<u>7,102,249</u>	<u>7,454,209</u>
Expenses:						
General government	1,341,656	1,321,161	-	-	1,341,656	1,321,161
Public Safety	735,388	782,206	-	-	735,388	782,206
Public works	2,270,364	2,337,911	-	-	2,270,364	2,337,911
Streets	465,604	615,523	-	-	465,604	615,523
Streetlights	200,430	191,298	-	-	200,430	191,298
Interest on long-term debt	331,838	340,960	-	-	331,838	340,960
Community and Recreation Svcs	-	-	902,476	982,950	902,476	982,950
Total expenses	<u>5,345,280</u>	<u>5,589,059</u>	<u>902,476</u>	<u>982,950</u>	<u>6,247,756</u>	<u>6,572,009</u>
Change in net assets before transfers	1,265,202	1,363,987	(410,709)	(481,787)	854,493	882,200
Transfers	(43,053)	(560,948)	43,053	560,948	-	-
Change in net assets	<u>1,222,149</u>	<u>803,039</u>	<u>(367,656)</u>	<u>79,161</u>	<u>854,493</u>	<u>882,200</u>
Net assets - beginning	<u>17,250,098</u>	<u>16,447,059</u>	<u>367,656</u>	<u>288,495</u>	<u>17,617,754</u>	<u>16,735,554</u>
Net assets - ending	<u>\$ 18,472,247</u>	<u>\$ 17,250,098</u>	<u>\$ -</u>	<u>\$ 367,656</u>	<u>\$ 18,472,247</u>	<u>\$ 17,617,754</u>

Overall governmental activities revenues decreased by \$342,564 which resulted primarily from the \$1,000,000 real estate donation received in the prior year of which no similar revenue was received in the current year. However, the City reported an increase in capital grants and contributions revenue related to monies received from Maricopa County for a street related project. Governmental activities expenses decreased by \$243,779 based on cost cutting measures implemented by the City, particularly as it relates to public infrastructure.

The following graphs provide comparisons of the governmental activities direct program revenues with their expenses and a comparison of specific revenue types.

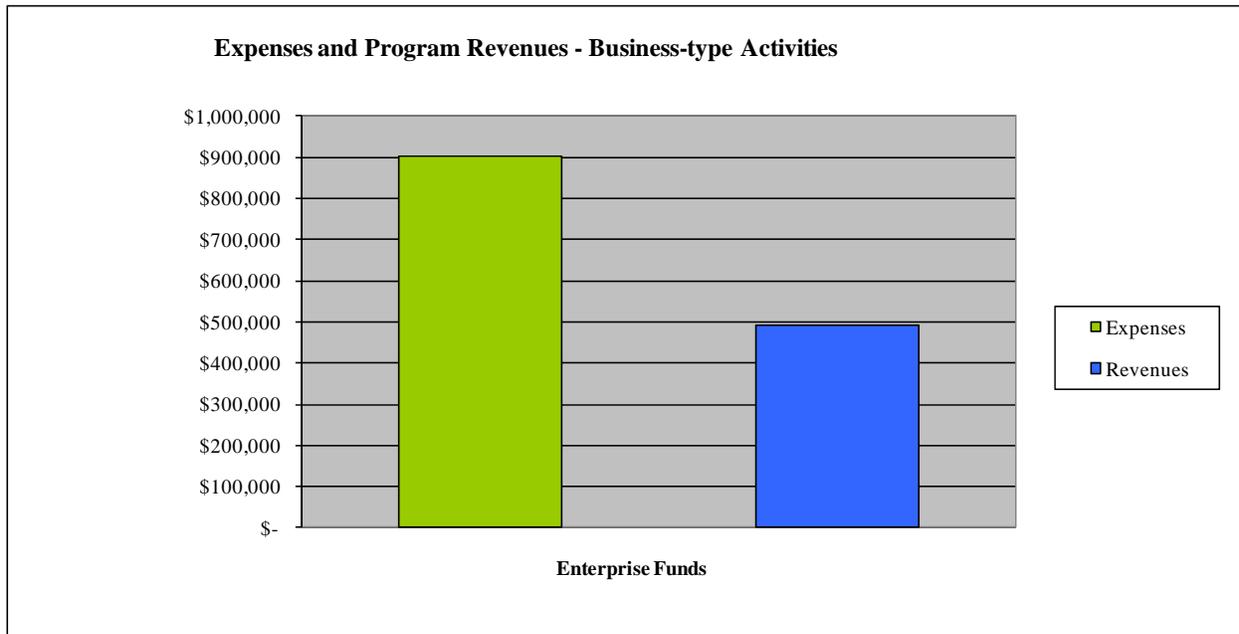
## Management's Discussion and Analysis - Continued



## Management's Discussion and Analysis - Continued

**Business-type activities.** Operating revenues of the enterprise funds decreased \$9,396 (2 percent) in fiscal year 2010. Operating expenses of the enterprise fund decreased by \$80,474 (8 percent) during the same period. The decrease in both operating revenues and operating expenses is due primarily to a reduction in community and recreation services programs. Community and recreation oriented programs (recreation, sports, senior, special event programs etc.) are often subsidized or offered for free to the community, which is by and large the case in many similar size and larger communities across the nation.

Following is a graph that provides a comparison of the business-type activities direct program revenues with expenditures.



The primary revenue source for community and recreation services is fees charged for services.

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net asset resources available for spending at the end of the fiscal year.

## Management's Discussion and Analysis - Continued

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As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,975,103, an increase of \$235,389 in comparison with the prior year. Unreserved fund balance total \$5,975,103, which is available for spending at the City's discretion. When fund balance is designated as *reserved* it indicates that it is not available for new spending because it has already been committed to restricted purposes.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,570,139, which is also the total fund balance.

As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 90 percent of total general fund expenditures. The fund balance of City's general fund increased by \$1,224,946 during the current fiscal year. The key factor in this increase is reduced general expenditures during the year because of budget reductions.

The debt service fund has a total fund balance of \$1,581,164, all of which is reserved for the payment of debt service for the Village at Litchfield Park Community Facilities District. The net increase in fund balance during the current year in the debt service fund was \$14,444.

The capital improvement fund incurred \$1,180,663 in expenditures for various street related infrastructure projects. The general fund did not make any transfers to the capital improvement fund during the year which resulted in a decrease in the fund balance of \$1,013,496.

Non-major fund revenues were consistent with the prior year while expenditures increased by \$93,108 primarily from an increase in expenditures, of the highway users revenue fund for street projects.

***Proprietary funds.*** The City's single proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the community and recreation services operation at the end of the year was \$0, which resulted from a decrease in transfers in from the general fund of \$517,895.

### **General Fund Budgetary Highlights**

During the year, revenues were below budgetary estimates, primarily due to a significant reduction in anticipated Federal grant revenue for street infrastructure projects. General fund expenditures were within the final approved expenditure budget limits, which eliminated the need to draw upon existing fund balance.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2010, amounts to \$17,965,991 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 5 percent.

## Management's Discussion and Analysis - Continued

Major capital asset events during the current fiscal year included the following:

- Addition of construction projects related to a grade separated crossing.
- Addition of infrastructure assets related to perimeter wall improvements and alleyway improvements.

### City of Litchfield Park's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,079,749	\$ 2,079,749	\$ 31,000	\$ 31,000	\$ 2,110,749	\$ 2,110,749
Construction in progress	824,206	726,950	-	-	824,206	726,950
Buildings	61,297	65,559	81,748	100,093	143,045	165,652
Leasehold improvements	-	-	49,350	52,784	49,350	52,784
Infrastructure	13,940,012	13,072,333	-	-	13,940,012	13,072,333
Land improvements	612,158	638,171	-	-	612,158	638,171
Machinery and equipment	80,899	98,228	10,891	13,930	91,790	112,158
Office equipment	40,193	54,133	-	-	40,193	54,133
Vehicles	154,488	236,293	-	-	154,488	236,293
Total	\$ 17,793,002	\$ 16,971,416	\$ 172,989	\$ 197,807	\$ 17,965,991	\$ 17,169,223

Additional information on the City's capital assets can be found in Note 6 on pages 32-34 of this report.

**Long-term liabilities.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,345,000. The full amount of this debt is comprised of special assessment debt related to the Village at Litchfield Park Community Facilities District and retired through special assessments (ad valorem taxes) on members of the District. There were no other significant changes in long-term liabilities during the year.

## Management's Discussion and Analysis - Continued

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Additional information on the City's long-term liabilities can be found in Note 8 on pages 35-36 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The City continues to have no general property tax rate. However, there are special districts in which residents are charged assessments.
- Over the last several fiscal years, the City has seen a significant reduction in new construction and development in both the commercial and residential zones. This reduction has resulted in current and forecasted reductions in one-time construction related revenues.
- Over the last several fiscal years, the City has seen a significant reduction in sales tax revenues due to the global recession. Also, this recession has resulted in moderate to significant reductions in state shared revenues.
- The City has built cash reserves over the last several fiscal years in anticipation of meeting the growing capital and operational needs of the City. The City has budgeted a portion of these reserves toward capital improvement projects in fiscal year 2011.
- The City continues to seek the expansion of its tax base through the development of its remaining vacant commercial parcels

These factors were considered in preparing the City's budget for the 2011 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Litchfield Park, 214 W. Wigwam Boulevard, Litchfield Park, AZ 85340.

**City of Litchfield Park, Arizona**  
**Statement of Net Assets**  
**June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,265,826	\$ 250	\$ 3,266,076
Investments	3,645,918	-	3,645,918
Receivables (net of allowance for uncollectibles):			
Accounts	64,364	17,889	82,253
Interest	14	-	14
Internal balances	112,072	(112,072)	-
Due from other governments	326,697	-	326,697
Capital assets, not being depreciated	2,903,955	31,000	2,934,955
Capital assets, being depreciated, net	<u>14,889,047</u>	<u>141,989</u>	<u>15,031,036</u>
Total assets	25,207,893	79,056	25,286,949
<b>Liabilities</b>			
Accounts payable	402,005	204	402,209
Accrued payroll and related liabilities	85,542	47,695	133,237
Interest payable	165,919	-	165,919
Unearned revenue	202,899	31,157	234,056
Due to other governments	396,423	-	396,423
Noncurrent liabilities:			
Due within one year	298,905	-	298,905
Due in more than one year	<u>5,183,953</u>	<u>-</u>	<u>5,183,953</u>
Total liabilities	<u>6,735,646</u>	<u>79,056</u>	<u>6,814,702</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	12,448,002	172,989	12,620,991
Restricted for:			
Streets	597,119	-	597,119
Debt service	1,581,164	-	1,581,164
Unrestricted	<u>3,845,962</u>	<u>(172,989)</u>	<u>3,672,973</u>
Total net assets	<u>\$ 18,472,247</u>	<u>\$ -</u>	<u>\$ 18,472,247</u>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Statement of Activities**  
**Year ended June 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 1,341,656	\$ 53,662	\$ -	\$ (1,287,994)	\$ -	\$ (1,287,994)
Public safety	735,388	95,125	-	(640,263)	-	(640,263)
Public works	2,270,364	139,516	-	(2,130,848)	-	(2,130,848)
Streets	465,604	-	734,945	269,341	-	269,341
Streetlights	200,430	209,925	-	9,495	-	9,495
Interest on long-term debt	331,838	-	-	(331,838)	-	(331,838)
Total governmental activities	5,345,280	498,228	734,945	(4,112,107)	-	(4,112,107)
<b>Business-type activities:</b>						
Community and recreation services	902,476	491,767	-	-	(410,709)	(410,709)
Total government	<u>\$ 6,247,756</u>	<u>\$ 989,995</u>	<u>\$ 734,945</u>	(4,112,107)	(410,709)	(4,522,816)
<b>General revenues:</b>						
Taxes						
Sales and use tax				3,075,611	-	3,075,611
Franchise tax				194,971	-	194,971
Property tax, levied for debt service				521,268	-	521,268
State shared tax revenue - unrestricted				1,069,298	-	1,069,298
Investment earnings				8,479	-	8,479
Donation of capital asset				324,000	-	324,000
Other income				183,682	-	183,682
<b>Transfers</b>				(43,053)	43,053	-
Total general revenues and transfers				<u>5,334,256</u>	<u>43,053</u>	<u>5,377,309</u>
Change in net assets				1,222,149	(367,656)	854,493
Net assets, July 1, 2009				<u>17,250,098</u>	<u>367,656</u>	<u>17,617,754</u>
Net assets, June 30, 2010				<u>\$ 18,472,247</u>	<u>\$ -</u>	<u>\$ 18,472,247</u>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<u>General</u>	<u>Debt Service-CFD</u>	<u>Capital Improvement</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash on hand and in bank	\$ 1,328,757	\$ -	\$ -	\$ -	\$ 1,328,757
Cash with fiscal agent	-	1,937,069	-	-	1,937,069
Investments	3,508,858	-	-	137,060	3,645,918
Accounts receivable	63,382	-	-	982	64,364
Accrued interest receivable	-	14	-	-	14
Due from other governments	302,955	-	-	23,742	326,697
Due from other funds	119,012	-	134,772	533,001	786,785
Total assets	<u>\$ 5,322,964</u>	<u>\$ 1,937,083</u>	<u>\$ 134,772</u>	<u>\$ 694,785</u>	<u>\$ 8,089,604</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 401,942	\$ -	\$ -	\$ 63	\$ 402,005
Accrued payroll and related benefits	85,542	-	-	-	85,542
Due to other governments	396,423	-	-	-	396,423
Current bonds payable	-	190,000	-	-	190,000
Interest payable	-	165,919	-	-	165,919
Unearned revenue	202,899	-	-	-	202,899
Due to other funds	666,019	-	-	8,694	674,713
Total liabilities	1,752,825	355,919	-	8,757	2,117,501
<b>Fund balances</b>					
Unreserved and undesignated					
General fund	3,570,139	-	-	-	3,570,139
Special revenue funds	-	-	-	686,028	686,028
Debt service fund	-	1,581,164	-	-	1,581,164
Capital projects fund	-	-	134,772	-	134,772
Total fund balances	<u>3,570,139</u>	<u>1,581,164</u>	<u>134,772</u>	<u>686,028</u>	<u>5,972,103</u>
Total liabilities and fund balances	<u>\$ 5,322,964</u>	<u>\$ 1,937,083</u>	<u>\$ 134,772</u>	<u>\$ 694,785</u>	<u>\$ 8,089,604</u>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Activities**  
**June 30, 2010**

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<b>Total fund balances</b>	<b>\$ 5,972,103</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$24,211,010 and the accumulated depreciation is \$6,418,008.	17,793,002
Compensated absences liability is not due and payable in the current period and therefore is not reported in the funds.	(137,858)
Long-term bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,155,000)</u>
<b>Net assets of governmental funds</b>	<b><u>\$ 18,472,247</u></b>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2010**

	<u>General</u>	<u>Debt Service-CFD</u>	<u>Capital Improvement</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 3,270,582	\$ 521,268	\$ -	\$ -	\$ 3,791,850
Special assessments	-	-	-	209,925	209,925
Licenses and permits	163,386	-	-	-	163,386
Intergovernmental	1,534,335	-	-	269,910	1,804,245
Fines	124,917	-	-	-	124,917
Investment earnings	7,602	561	-	316	8,479
Miscellaneous	169,229	14,453	-	-	183,682
Total revenues	5,270,051	536,282	-	480,151	6,286,484
<b>Expenditures</b>					
<i>Current</i>					
General government	1,272,862	-	-	-	1,272,862
Public safety	734,295	-	-	-	734,295
Public works	1,889,950	-	-	-	1,889,950
Streets	104,945	-	-	103,059	208,004
Streetlights	-	-	-	200,430	200,430
<i>Capital outlay</i>	-	-	1,180,663	-	1,180,663
<i>Debt service</i>					
Principal retirement	-	180,000	-	-	180,000
Interest and fiscal charges	-	341,838	-	-	341,838
Total expenditures	4,002,052	521,838	1,180,663	303,489	6,008,042
Excess (deficiency) of revenues over (under) expenditures	1,267,999	14,444	(1,180,663)	176,662	278,442
<b>Other financing sources (uses)</b>					
Transfers in	-	-	167,167	-	167,167
Transfers out	(43,053)	-	-	(167,167)	(210,220)
Total other financing sources (uses)	(43,053)	-	167,167	(167,167)	(43,053)
Net change in fund balances	1,224,946	14,444	(1,013,496)	9,495	235,389
Fund balances at July 1, 2009	2,345,193	1,566,720	1,148,268	676,533	5,736,714
<b>Fund balances at June 30, 2010</b>	<u>\$ 3,570,139</u>	<u>\$ 1,581,164</u>	<u>\$ 134,772</u>	<u>\$ 686,028</u>	<u>\$ 5,972,103</u>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year ended June 30, 2010**

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<b>Net change in fund balances - total governmental funds</b>		<b>\$ 235,389</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlays for capital assets	\$ 1,264,162	
Donated capital asset	324,000	
Loss on disposal of capital assets	(9,578)	
Depreciation expense	<u>(756,998)</u>	821,586
Principal maturation of bonds payable		190,000
<p>Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>		
Increase in compensated absences		<u>(24,826)</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ 1,222,149</u></b>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year ended June 30, 2010**

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>					
Taxes	\$ 3,312,000	\$ -	\$ 3,312,000	\$ 3,270,582	\$ (41,418)
Licenses and permits	126,000	-	126,000	163,386	37,386
Intergovernmental	1,456,893	-	1,456,893	1,534,336	77,443
Fines	90,000	-	90,000	124,917	34,917
Investment earnings	28,000	-	28,000	7,602	(20,398)
Miscellaneous	<u>1,678,900</u>	<u>-</u>	<u>1,678,900</u>	<u>169,228</u>	<u>(1,509,672)</u>
Total revenues	6,691,793	-	6,691,793	5,270,051	(1,421,742)
<b>Expenditures</b>					
City manager's office	233,083	1,000	234,083	230,811	3,272
City attorney	90,000	43,000	133,000	132,794	206
Mayor and city council	12,300	-	12,300	3,903	8,397
City clerk's office	439,237	-	439,237	363,433	75,804
Finance and human resources	404,195	-	404,195	382,877	21,318
Public works maintenance	2,088,345	-	2,088,345	1,787,901	300,444
Building safety and zoning enforcement	151,945	-	151,945	115,650	36,295
Planning services	166,783	-	166,783	129,580	37,203
Engineering services	144,000	-	144,000	130,385	13,615
Magistrate court	146,394	9,500	155,894	153,780	2,114
Public safety	<u>571,100</u>	<u>-</u>	<u>571,100</u>	<u>570,938</u>	<u>162</u>
Total expenditures	<u>4,447,382</u>	<u>53,500</u>	<u>4,500,882</u>	<u>4,002,052</u>	<u>498,830</u>
Excess (deficiency) of revenues over expenditures	2,244,411	(53,500)	2,190,911	1,267,999	(922,912)
<b>Other financing uses</b>					
Transfers out	<u>(2,665,773)</u>	<u>-</u>	<u>(2,665,773)</u>	<u>(43,053)</u>	<u>2,622,720</u>
<b>Net change in fund balance</b>	<u>\$ (421,362)</u>	<u>\$ (53,500)</u>	<u>\$ (474,862)</u>	<u>\$ 1,224,946</u>	<u>\$ 1,699,808</u>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<b>Business-Type Activities</b>		<b>Total</b>
	<b>Enterprise Funds</b>		
	<b>Recreation Services</b>	<b>Non-Major Funds</b>	
<b>Assets</b>			
<i>Current assets:</i>			
Cash on hand	\$ 250	\$ -	\$ 250
Accounts receivable	17,889	-	17,889
Due from other funds	-	6,940	6,940
Total current assets	<u>18,139</u>	<u>6,940</u>	<u>25,079</u>
<i>Noncurrent assets:</i>			
Capital assets, not being depreciated	31,000	-	31,000
Capital assets, being depreciated, net	<u>141,989</u>	<u>-</u>	<u>141,989</u>
Total noncurrent assets	<u>172,989</u>	<u>-</u>	<u>172,989</u>
Total assets	191,128	6,940	198,068
<b>Liabilities</b>			
<i>Current liabilities:</i>			
Accounts payable	204	-	204
Accrued payroll and related	40,755	6,940	47,695
Due to other funds	119,012	-	119,012
Deferred revenue	<u>31,157</u>	<u>-</u>	<u>31,157</u>
Total current liabilities	<u>191,128</u>	<u>6,940</u>	<u>198,068</u>
<b>Net assets</b>			
Invested in capital assets	172,989	-	172,989
Unrestricted	<u>(172,989)</u>	<u>-</u>	<u>(172,989)</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Recreation Services</b>	<b>Non-Major Funds</b>	<b>Total</b>
<b>Operating revenues</b>			
Current use charges	\$ 40,589	\$ 301	\$ 40,890
Special programs	<u>317,327</u>	<u>133,550</u>	<u>450,877</u>
Total operating revenues	357,916	133,851	491,767
<b>Operating expenses</b>			
Administrative	480,530	86,705	567,235
Operating	101,628	68	101,696
Special programs	73,621	135,106	208,727
Depreciation	<u>24,818</u>	<u>-</u>	<u>24,818</u>
Total operating expenses	<u>680,597</u>	<u>221,879</u>	<u>902,476</u>
Operating loss before transfers	(322,681)	(88,028)	(410,709)
<b>Transfers</b>			
Transfers in (out)	<u>59,493</u>	<u>(16,440)</u>	<u>43,053</u>
Net loss	(263,188)	(104,468)	(367,656)
Net assets, July 1, 2009	<u>263,188</u>	<u>104,468</u>	<u>367,656</u>
<b>Net assets, June 30, 2010</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	<b>Business-Type Activities -</b>		
	<b>Enterprise Funds</b>		
	<b>Recreation Services</b>	<b>Non-Major Funds</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received for services	\$ 359,580	\$ 133,851	\$ 493,431
Cash paid to suppliers	(202,100)	(135,174)	(337,274)
Cash paid to or on behalf of employees	(455,125)	(85,724)	(540,849)
Net cash used for operating activities	(297,645)	(87,047)	(384,692)
<b>Cash flows from noncapital financing activities:</b>			
Transfers in from the general fund	59,493	5,634	65,127
Transfers out to the general fund	-	(22,074)	(22,074)
Negative cash balance implicitly financed	238,152	103,487	341,639
Net cash provided by noncapital financing activities	297,645	87,047	384,692
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	250	-	250
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 250</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 250</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss	\$ (322,681)	\$ (88,028)	\$ (410,709)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	24,818	-	24,818
Increase in accounts receivable	(3,152)	-	(3,152)
Increase in accounts payable	17	-	17
Increase (decrease) in accrued payroll and employee benefits	(1,463)	981	(482)
Increase in deferred revenue	4,816	-	4,816
Net cash used for operating activities	<b><u>\$ (297,645)</u></b>	<b><u>\$ (87,047)</u></b>	<b><u>\$ (384,692)</u></b>

The accompanying notes are an integral part of these financial statements.

**City of Litchfield Park, Arizona**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of City of Litchfield Park, Arizona (the "City") conform to accounting principles generally accepted in the United States of America as applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies are described below.

For the year ended June 30, 2010, the City implemented the provisions of GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, and GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. GASB Statement No. 53 establishes standards for accounting and financial reporting, including note disclosure requirements, for derivative instruments. The implementation of these standards did not have a material effect on the City's financial statements.

The City was incorporated on August 3, 1987. The City operates under a Council-Manager form of government and provides the following services: law enforcement, streets, parks, planning and zoning, and general administrative services. In addition, the City owns and operates enterprise funds to provide community and recreation services to its citizens.

**A. Financial Reporting Entity**

The City's basic financial statements include the accounts of all operations for the City and its component unit. A component unit is a legally separate entity for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance part of the City's operations. Data from such units is combined with data from the primary government. A discretely presented component unit, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The blended component units discussed below have June 30 year-ends. The City has no discretely presented component units.

The Village at Litchfield Park Community Facilities District is a special district established for the construction of infrastructure for a housing development. Financing for the expenditures and the related debt service are discussed in greater detail in Note 8. The financial data for the District is included in the City's capital projects and debt service funds. Although the District is a legally separate entity from the City, officers of the City serve as the board of directors for the District. Separate financial statements of the component unit are not prepared.

In addition, Special Lighting Improvement Districts I, II and III are blended component units established to provide street lighting to neighborhoods within the District's boundaries. Separate financial statements of these component units are not prepared.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Leases, fees, taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

Under the terms of grant agreements, the City funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The City applies grant resources to such programs before using general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

### **Governmental Fund Types**

The City reports the following major governmental funds:

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. Within the general fund, for budgetary purposes, operations of the City are accounted for by various governmental activities such as general government, public health and welfare, public safety, economic development, education, public works and culture and recreation.

The *debt service fund – CFD* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Community Facilities District.

The *capital improvement fund* is used to account for major capital projects and is funded by transfers from the general fund.

### **Proprietary Fund Types**

The City reports the following major enterprise fund:

The *City of Litchfield Park Recreation Services Fund* accounts for the activity relating to the City's recreation services center and is funded by charges for services and transfers from the general fund.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

#### **Basis of Accounting**

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and service. Operating expenses of the City's enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities and Net Assets or Equity**

#### **1. Deposits and Investments**

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 from the date of acquisition.

***Concentration of credit risk*** - The City's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. The City places its cash with high credit worthy institutions. At times, such cash may be in excess of the FDIC insurance limit. The City routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

Investments are reported at fair value. Investment earnings are composed of interest, dividends and net change in the fair value of the applicable investment.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

#### **2. Receivables and Payables**

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

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

All trade receivables are shown net of an allowance for uncollectibles.

Federal and state grants and contracts are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. That portion of reimbursement in excess of expenditures is offset in an unearned revenue account.

#### **3. Inventory and Prepaid Items**

Inventories are stated at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **4. Capital Assets**

Capital assets, which include property and equipment, and infrastructure assets (e.g. roads, sidewalks and similar items) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

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

Property and equipment are depreciated using the straight line method over the following estimated useful lives:

#### **Governmental activities:**

Infrastructure	20 to 40 years
Land improvements	20 years
Buildings and improvements	5 to 30 years
Furniture and equipment	3 to 10 years
Vehicles	5 years

#### **Business-type activities:**

Land improvements	3 to 20 years
Buildings and improvements	7 to 20 years
Furniture and equipment	3 to 7 years

### **5. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Certain employees will be paid accumulated sick leave based on years of service and method of separation. Accordingly, a liability is recorded based on the probability of employees meeting the criterion. Employees are paid unused sick leave only if they retire. Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation and sick leave benefits are accrued as a liability in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignation and retirements.

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During 2010, the City paid for compensated absences as follows: 80 percent from the general fund and 20 percent from the enterprise fund.

### **6. Long-Term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net assets.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

#### **7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### **8. Estimates**

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 – Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds.

On or before the first day in March of each year, all City departments submit requests for appropriations to the City Manager so that a budget may be prepared. Before April 30, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than July 31.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments (e.g. administrative services, budget and finance, parks maintenance, building safety and zoning, and public safety) require the approval of City Council. The legal level of budgetary control at which expenditures may not legally exceed appropriations is the department level. The Council made no supplemental budgetary appropriations during the year.

### **Note 3 – Individual Fund Deficits**

Special Lighting Improvement Districts I and III had deficit fund balances totaling \$6,538 and \$2,043, respectively, resulting from cumulative expenditures in excess of revenues. The City anticipates these deficits to be eliminated in the subsequent year from the receipt of tax revenue.

## Notes to Financial Statements – Continued

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### **Note 4 – Cash, Bank Deposits and Investments**

#### ***Cash and Bank Deposits***

At June 30, 2010, the cash on hand was \$500. The carrying amount of the City's deposits was \$1,328,507 and the bank balance was \$1,583,297. The bank balance was covered by Federal Depository Insurance or securities held by the City's custodial bank in the City's name.

Cash on hand and bank deposits consist of the following as of June 30, 2010:

Cash on hand	\$	500
Unrestricted bank deposits		<u>1,328,507</u>
	\$	<u>1,329,007</u>

#### ***Investments***

Statutes authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, interest earning money market accounts, certificates of deposit and the State Treasurer's Local Government Investment pool. Resolutions of the City Council authorize the City to invest in obligations of the U.S. Government, its agencies, and instrumentalities, fully insured certificates of deposit, and the Local Government Investment Pool with the State of Arizona.

The City reports investments at fair value. Investment earnings are composed of interest, dividends, and net change in the fair value of the applicable investment.

***Credit Risk:*** The City's investment in the State of Arizona Local Government Investment Pools is limited to pools that invest only in U.S. government securities. At June 30, 2010, all investments of those pools had an average Standard and Poor's rating of AAA.

***Concentration of Credit Risk:*** At June 30, 2010, 35% of the City's total investments were in U.S. Treasury money market funds.

***Custodial Credit Risk:*** For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's total investments, \$1.9 million as reported in the debt service fund is collateralized with securities held by the counterparty not in the City's name. The City has no formal policy regarding custodial credit risk.

## Notes to Financial Statements – Continued

### **Note 4 – Cash, Bank Deposits and Investments – Continued**

The State Board of Deposit provides oversight for the state treasurer’s pools, and the Local Government Investment Pool Advisory Committee Provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

**Interest Rate Risk:** To manage its interest rate risk, the City’s policy is to limit its investments in debt securities to those that have original maturities of three years or less. As of June 30, 2010, all investments have a maturity of less than one year.

	<b>Fair Value</b>
U.S. Treasury Money Market Fund	\$ 1,937,069
State Treasurer’s Local Government Investment Pool	3,645,918
	<b>\$ 5,582,987</b>

***Reconciliation of the cash and investments reported in the government-wide statements to cash on hand and in bank and investments is as follows:***

Cash on hand and in bank	\$ 1,329,007
Cash with fiscal agent:	
U.S. Treasury Money Market Fund	1,937,069
State Treasurer’s Local Government Investment Pool	3,645,918
Total cash and investments	<b>\$ 6,911,994</b>

***Consisting of:***

Cash and cash equivalents	\$ 3,266,076
Investments	3,645,918
Total cash and investments	<b>\$ 6,911,994</b>

## Notes to Financial Statements – Continued

### **Note 5 - Due from Other Governments**

Amounts due from other governments at June 30, 2010 consist of the following:

	<b>Governmental Activities</b>
City sales tax	\$ 204,523
State sales tax	28,414
Vehicle license tax	14,358
Highway user fund	23,742
Other	55,660
	\$ 326,697

### **Note 6 - Capital Assets**

Governmental activities capital asset activity for the year ended June 30, 2010 was as follows:

	<b>Balance, June 30, 2009</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance, June 30, 2010</b>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,079,749	\$ -	\$ -	\$ 2,079,749
Construction in progress	726,950	321,987	224,731	824,206
Total capital assets, not being depreciated	2,806,699	321,987	224,731	2,903,955
<i>Capital assets, being depreciated:</i>				
Buildings	127,900	-	-	127,900
Building improvements	57,164	-	-	57,164
Infrastructure	17,697,328	1,466,707	-	19,164,035
Land improvements	757,924	-	-	757,924
Machinery and equipment	342,170	14,621	-	356,791
Office equipment	107,554	-	-	107,554
Vehicles	735,687	-	-	735,687
Total capital assets, being depreciated	19,825,727	1,481,328	-	21,307,055
<i>Less accumulated depreciation for:</i>				
Buildings	(62,341)	(4,262)	-	(66,603)
Leasehold improvements	(57,164)	-	-	(57,164)
Infrastructure	(4,624,995)	(599,028)	-	(5,224,023)
Land improvements	(119,753)	(26,013)	-	(145,766)
Machinery and equipment	(243,942)	(31,950)	-	(275,892)
Office equipment	(53,421)	(13,940)	-	(67,361)
Vehicles	(499,394)	(81,805)	-	(581,199)
Total accumulated depreciation	(5,661,010)	(756,998)	-	(6,418,008)
Total capital assets, being depreciated, net	14,164,717	724,330	-	14,889,047
Governmental activities capital assets, net	\$ 16,971,416	\$ 1,046,317	\$ 224,731	\$ 17,793,002

## Notes to Financial Statements – Continued

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### Note 6 - Capital Assets - Continued

Depreciation expense was charged to functions and programs of the City’s governmental activities, as follows:

General government	\$ 44,216
Highways and streets	257,599
Public works	<u>455,183</u>
Total depreciation expense-governmental activities	<u>\$ 756,998</u>

During 1988, approximately 24 acres of land were donated to the City. The grantor of ten acres of the donated land has stipulated in the quitclaim deed that the property shall be used and maintained solely for public park purposes for a period of 50 consecutive years commencing on May 4, 1988. If the property shall cease to be used for public park purposes at any time during the 50-year period, the grantor shall have the right to terminate the quitclaim deed and repossess the property.

In May 2009, the City Council adopted resolution No. 09-286 accepting a gift of approximately 21 acres known as the Homestead at Rancho La Loma, pursuant to an annexation and development agreement between the City and the Trustees of the Rancho La Loma Trust. In accordance with the agreement, the City must maintain the property in reasonable condition until the City develops the Homestead as a social, cultural and historical amenity.

**Notes to Financial Statements – Continued**

**Note 6 - Capital Assets - Continued**

Business-type activities changes in capital assets for the year ended June 30, 2010 were as follows:

	<u>Balance, June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2010</u>
<b>Proprietary fund activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Total capital assets, not being depreciated	31,000	-	-	31,000
<i>Capital assets, being depreciated:</i>				
Recreation center	457,169	-	-	457,169
Building improvements	86,544	-	-	86,544
Furniture and fixtures	31,923	-	-	31,923
Equipment	49,679	-	-	49,679
Total capital assets, being depreciated	<u>625,315</u>	<u>-</u>	<u>-</u>	<u>625,315</u>
<i>Less accumulated depreciation for:</i>				
Recreation center	(357,076)	(18,345)	-	(375,421)
Building improvements	(33,760)	(3,434)	-	(37,194)
Furniture and fixtures	(31,923)	-	-	(31,923)
Equipment	<u>(35,749)</u>	<u>(3,039)</u>	<u>-</u>	<u>(38,788)</u>
Total accumulated depreciation	<u>(458,508)</u>	<u>(24,818)</u>	<u>-</u>	<u>(483,326)</u>
Total capital assets, being depreciated, net	<u>166,807</u>	<u>(24,818)</u>	<u>-</u>	<u>141,989</u>
Proprietary fund activities capital assets, net	<u>\$ 197,807</u>	<u>\$ (24,818)</u>	<u>\$ -</u>	<u>\$ 172,989</u>

**Note 7 - Interfund Receivables and Payables**

The composition of the general fund due to other funds balances as of June 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital improvement fund	General fund	\$ 134,772
Non-major governmental funds	General fund	533,001
General Fund	Recreation center	119,012
Non-major enterprise funds	General fund	6,940
		<u>\$ 793,725</u>

Interfund balances result from the manner in which pooled cash is allocated to the various funds in the City's accounting system. All cash balances are reported in the general fund which results in corresponding receivables and payables in the other funds.

**Notes to Financial Statements – Continued**

**Note 7 - Interfund Receivables and Payables - Continued**

Interfund transfers:

	<b>Transfers In:</b>		
	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	
	<u>Capital Improvement Fund</u>	<u>Recreation Center</u>	<u>Total</u>
<b>Transfers Out:</b>			
General fund	\$ -	\$ 43,053	\$ 43,053
Non-major governmental funds	<u>167,167</u>	<u>-</u>	<u>167,167</u>
Total transfers out	<u>\$ 167,167</u>	<u>\$ 43,053</u>	<u>\$ 210,220</u>

In the governmental fund financial statements, total transfers out of \$210,220 are greater than total transfers in of \$167,167 because of transfers from the general fund to the enterprise funds to support operations. Transfers were also made to the capital improvements fund to provide for capital outlays.

**Note 8 - Long-Term Debt**

A summary of long-term debt activity for the year ended June 30, 2010 follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Accrued payroll and benefits (compensated absences)	\$ 113,032	\$ 137,858	\$ ( 113,032)	\$ 137,858	\$ 108,905
Community Facilities District general obligation bonds	<u>5,525,000</u>	<u>-</u>	<u>( 180,000)</u>	<u>5,345,000</u>	<u>190,000</u>
Total	<u>\$ 5,638,032</u>	<u>\$ 137,858</u>	<u>\$ ( 293,032)</u>	<u>\$ 5,482,858</u>	<u>\$ 298,905</u>

**Notes to Financial Statements – Continued**

**Note 8 - Long-Term Debt - Continued**

***Village at Litchfield Park Community Facilities District General Obligation Bonds***

The Community Facilities District general obligation bonds were issued by the Village at Litchfield Park Community Facilities District, which is a special purpose district, created specifically to construct public infrastructure in a specified land area. The bonds are secured by ad valorem taxes levied directly by the District and collected by Maricopa County, Arizona. District property owners are assessed taxes for all costs incurred that benefit the District. The City is not legally obligated for the debt service on the bonds.

The Village at Litchfield Park Community Facilities District term bonds are dated September 1, 2001 and have principal payable due in annual installments. The interest rate ranges from 5.5% to 6.375% and are due on July 15 and January 15 of every year until maturity. Annual principal and interest payments on the bonds are expected to require 100% of pledged revenues. The original issue amount was \$6,600,000 with an underwriter’s discount of \$165,000 resulting in net proceeds of \$6,435,000.

Debt service requirements until maturity for these bonds are as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2011	\$ 190,000	\$ 326,611
2012	200,000	315,886
2013	210,000	304,087
2014	225,000	291,038
2015	235,000	277,238
2016-2020	1,415,000	1,146,900
2021-2025	1,920,000	623,794
2026-2027	950,000	61,521
<b>Total</b>	<b>\$ 5,345,000</b>	<b>\$ 3,347,075</b>

**Note 9 – Major Revenue Sources**

The City has a concentration in revenue resulting from 57% of total revenues being generated from local sales, use, franchise and property taxes.

## Notes to Financial Statements – Continued

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### **Note 10 - 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; injuries to employees; and natural disasters for which the City participates in the Arizona Municipal Risk Retention Pool.

The Arizona Municipal Risk Retention Pool is a public entity risk pool established under Arizona State Statute Title 11 Section 952 and is currently composed of 57 member cities and towns. The pool provides member municipalities catastrophic loss coverage for risks related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The City is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, its loss ratio and loss control compliance requirements, and a deductible of \$5,000 for each occurrence. The City is also responsible for any payments in excess of the maximum coverage of \$10 million for each occurrence. If the pool were to become insolvent, the City would be assessed an additional contribution.

The City also carries commercial policies for worker's compensation and employee's medical benefits. Settled claims from the risks described herein have not exceeded commercial coverage in any of the past three fiscal years.

### **Note 11 – Commitments and Contingencies**

In July 2007, the City received in error a payment from the State of Arizona, Department of Revenue. In February 2009, the City received a letter from the State acknowledging the error and requesting reimbursement for \$828,854. The ultimate amount of the settlement was determined to be \$712,538, with amounts due in monthly installments of \$32,388 for 22 months ending in July 2011. As of June 30, 2010 the City had a remaining unpaid balance of \$388,657, which is reported as an amount due to other governments.

The City has renewed their contract with Maricopa County Sheriff's Office for public safety services. The renewed contract is for the period from July 1, 2010 through June 30, 2011 with the option to extend through June 30, 2012. Under the terms of the contract, the City paid \$530,547 to Maricopa County during the year ended June 30, 2010.

In July 2007, the City entered into an agreement with a developer whereby the City would lease to the developer certain property in exchange for an initial \$1.6 million payment to be amortized over 25 years. In exchange, the developer would have the right to construct on the property adjacent to the existing City Hall a mixed use (office and retail) building. Due to current economic conditions, the developer has not commenced construction nor has it paid the initial lease obligation, however, the agreement is still in effect.

**Notes to Financial Statements – Continued**

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**Note 12 - Arizona State Retirement System**

**Plan Description** - The City contributes to the Arizona State Retirement System. Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

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

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and, the City's contribution rates. For the year ended June 30, 2010, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.4% (9.0 % retirement and 0.4 % long-term disability) of the members' annual covered payroll.

The City was required by statute to contribute at the actuarially determined rate of 9.4% (8.0% for retirement, 1.0% for health insurance premium and 0.4% long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2010, 2009, and 2008 were \$165,743, \$167,250, and \$151,676 respectively, which were equal to the required contributions for the year. The City's contribution for the current and two preceding years, all of which were equal to the required contributions, were as follows:

	<u>Retirement Fund</u>	<u>Health Insurance Fund</u>	<u>L-T Disability Fund</u>
June 30, 2010	\$ 141,059	\$ 17,632	\$ 7,052
June 30, 2009	\$ 140,702	\$ 17,698	\$ 8,850
June 30, 2008	\$ 127,186	\$ 16,590	\$ 7,900

## Notes to Financial Statements – Continued

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### **Note 13 – International City/County Management Association Retirement Corporation (ICMA-RC)**

The City offers employees the opportunity to participate in the International City/County Management Association Retirement Corporation (ICMA-RC) Deferred Compensation Plan (“Plan”). This is a tax-deferred plan established in accordance with IRS Code, Section 457. Employee participation in the Plan is voluntary and as of the year ended June 30, 2010, there were fourteen employees contributing to the Plan. The City has no equity in the Plan; all of the plan assets belong to the contributing employees. Contributions to the Plan during fiscal year ended June 30, 2010 totaled \$60,871, of which \$6,000 was contributed by the City.

### **Note 14 – Intergovernmental Agreement**

On June 28, 2010, the City entered into an intergovernmental agreement with the City of Goodyear to provide municipal fire protection and emergency medical services to the City’s citizens. The agreement has an initial term of 25 years and may be renewed by mutual agreement for up to two successive terms of ten years unless terminated by either party pursuant to the termination provisions. Additionally, under the agreement the City will make quarterly payments to the City of Goodyear for 30% of the ongoing operating and personnel cost which has been mutually agreed upon for year one of the agreement to be \$394,261. These quarterly payments will begin in July 2010.

### **Note 15 – Related Party Transactions**

The City's Vice Mayor is the managing partner of a law firm that contracts prosecution services for the City's magistrate court. Pursuant to the contract, the services must be performed by a partner other than the Vice Mayor. The contract is ongoing and is cancelable without cause upon 30 days notice by either party. During the fiscal year ended June 30, 2010 the City paid a total of \$30,998 for these services.

# Supplemental Information

**City of Litchfield Park, Arizona**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2010**

	<b>Special Revenue Funds</b>					<b>Total</b>
	<b>Highway Users Revenue Fund</b>	<b>Local Trans- portation Assistance Fund I</b>	<b>Special Lighting Improvement District I</b>	<b>Special Lighting Improvement District II</b>	<b>Special Lighting Improvement District III</b>	
<b>Assets</b>						
Investments	\$ 89,311	\$ 47,749	\$ -	\$ -	\$ -	\$ 137,060
Accounts receivable	-	-	176	806	-	982
Due from other governments	23,742	-	-	-	-	23,742
Due from other funds	<u>216,367</u>	<u>219,950</u>	<u>-</u>	<u>96,684</u>	<u>-</u>	<u>533,001</u>
Total assets	<u>\$ 329,420</u>	<u>\$ 267,699</u>	<u>\$ 176</u>	<u>\$ 97,490</u>	<u>\$ -</u>	<u>\$ 694,785</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 63	\$ 63
Due to other funds	<u>-</u>	<u>-</u>	<u>6,714</u>	<u>-</u>	<u>1,980</u>	<u>8,694</u>
Total liabilities	-	-	6,714	-	2,043	8,757
<b>Fund balances:</b>						
Unreserved and undesignated	<u>329,420</u>	<u>267,699</u>	<u>(6,538)</u>	<u>97,490</u>	<u>(2,043)</u>	<u>686,028</u>
Total liabilities and fund balances	<u>\$ 329,420</u>	<u>\$ 267,699</u>	<u>\$ 176</u>	<u>\$ 97,490</u>	<u>\$ -</u>	<u>\$ 694,785</u>

**City of Litchfield Park, Arizona**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year ended June 30, 2010**

	<b>Special Revenue Funds</b>					<b>Total</b>
	<b>Highway Users Revenue Fund</b>	<b>Local Trans- portation Assistance Fund I</b>	<b>Special Lighting Improvement District I</b>	<b>Special Lighting Improvement District II</b>	<b>Special Lighting Improvement District III</b>	
<b>Revenues</b>						
Special assessments	\$ -	\$ -	\$ 31,227	\$ 151,407	\$ 27,291	\$ 209,925
Intergovernmental	257,612	12,298	-	-	-	269,910
Investment earnings	<u>201</u>	<u>115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316</u>
Total revenues	257,813	12,413	31,227	151,407	27,291	480,151
<b>Expenditures</b>						
Streets	103,059	-	-	-	-	103,059
Streetlights	<u>-</u>	<u>-</u>	<u>32,194</u>	<u>140,242</u>	<u>27,994</u>	<u>200,430</u>
Total expenditures	<u>103,059</u>	<u>-</u>	<u>32,194</u>	<u>140,242</u>	<u>27,994</u>	<u>303,489</u>
Excess (deficiency) of revenues over expenditures	154,754	12,413	(967)	11,165	(703)	176,662
<b>Other financing uses</b>						
Transfers out	<u>(154,754)</u>	<u>(12,413)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,167)</u>
Net change in fund balances	-	-	(967)	11,165	(703)	9,495
Fund balances (deficit), July 1, 2009	<u>329,420</u>	<u>267,699</u>	<u>(5,571)</u>	<u>86,325</u>	<u>(1,340)</u>	<u>676,533</u>
<b>Fund balances (deficit), June 30, 2010</b>	<b><u>\$ 329,420</u></b>	<b><u>\$ 267,699</u></b>	<b><u>\$ (6,538)</u></b>	<b><u>\$ 97,490</u></b>	<b><u>\$ (2,043)</u></b>	<b><u>\$ 686,028</u></b>

**City of Litchfield Park, Arizona**  
**Combining Statement of Net Assets**  
**Non-Major Proprietary Funds**  
**June 30, 2010**

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Community Services</u>	<u>Special Events</u>	
<b>Assets</b>			
Due from other funds	\$ 6,940	\$ -	\$ 6,940
Total assets	<u>6,940</u>	<u>-</u>	<u>6,940</u>
<b>Liabilities</b>			
Accrued payroll and related	<u>6,940</u>	<u>-</u>	<u>6,940</u>
Total liabilities	<u>6,940</u>	<u>-</u>	<u>6,940</u>
<b>Net assets</b>			
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Litchfield Park, Arizona**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**Non-Major Proprietary Funds**  
**Year ended June 30, 2010**

	<b>Enterprise Funds</b>		<b>Total Funds</b>
	<b>Community Services</b>	<b>Special Events</b>	
<b>Operating revenues</b>			
Current use charges	\$ 301	\$ -	\$ 301
Special programs	-	133,550	133,550
Total operating revenues	301	133,550	133,851
<b>Operating expenses</b>			
Administrative	41,024	45,681	86,705
Operating	-	68	68
Special programs	41,610	93,496	135,106
Total operating expenses	82,634	139,245	221,879
Loss before transfers	(82,333)	(5,695)	(88,028)
Transfers in (out)	(22,074)	5,634	(16,440)
Net loss	(104,407)	(61)	(104,468)
Net assets, July 1, 2009	104,407	61	104,468
<b>Net assets, June 30, 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Litchfield Park, Arizona**  
**Combining Statement of Cash Flows**  
**Non-Major Proprietary Funds**  
**Year ended June 30, 2010**

	<b>Business-Type Activities -</b>		
	<b>Enterprise Funds</b>		
	<b>Community Services</b>	<b>Special Events</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received for services	\$ 301	\$ 133,550	\$ 133,851
Cash paid to vendors	(41,610)	(93,564)	(135,174)
Cash paid to or on behalf of employees	(37,051)	(48,673)	(85,724)
Net cash used for operating activities	(78,360)	(8,687)	(87,047)
<b>Cash flows from noncapital financing activities:</b>			
Transfers in from the general fund	-	5,634	5,634
Transfers out to the general fund	(22,074)	-	(22,074)
Negative cash balance implicitly financed	100,434	3,053	103,487
Net cash provided by noncapital financing activities	78,360	8,687	87,047
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>			
Operating loss	\$ (82,333)	\$ (5,695)	\$ (88,028)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Increase (decrease) in accrued payroll and employee benefits	3,973	(2,992)	981
Net cash used for operating activities	(78,360)	(8,687)	(87,047)

**City of Litchfield Park, Arizona**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Debt Service - CFD Fund**  
**Year ended June 30, 2010**

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ 517,679	\$ 521,268	\$ 3,589
Investment earnings	19,626	561	(19,065)
Miscellaneous	<u>-</u>	<u>14,453</u>	<u>14,453</u>
Total revenues	537,305	536,282	(1,023)
<b>Expenditures</b>			
Debt service	516,788	521,838	(5,050)
Miscellaneous	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>536,788</u>	<u>521,838</u>	<u>14,950</u>
<b>Net change in fund balance</b>	<u>\$ 517</u>	<u>\$ 14,444</u>	<u>\$ 13,927</u>

**City of Litchfield Park, Arizona**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Capital Improvement Fund**  
**Year ended June 30, 2010**

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>	\$ -	\$ -	\$ -
Total revenues	-	-	-
<b>Expenditures</b>			
Capital outlay	<u>\$ 2,437,000</u>	<u>\$ 1,180,663</u>	<u>\$ (1,256,337)</u>
Deficiency of revenue over expenditures	(2,437,000)	(1,180,663)	1,256,337
<b>Other financing sources</b>			
Transfers in	<u>2,437,000</u>	<u>167,167</u>	<u>(2,269,833)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,013,496)</u>	<u>\$ (1,013,496)</u>

**City of Litchfield Park, Arizona**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Highway Users Revenue Fund**  
**Year ended June 30, 2010**

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Intergovernmental	\$ 273,000	\$ -	\$ 273,000	\$ 257,612	\$ (15,388)
Investment earnings	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>201</u>	<u>(799)</u>
Total revenues	274,000	-	274,000	257,813	(16,187)
<b>Expenditures</b>					
Streets	<u>93,500</u>	<u>8,500</u>	<u>102,000</u>	<u>103,059</u>	<u>(1,059)</u>
Excess of revenues over expenditures	180,500	(8,500)	172,000	154,754	(17,246)
<b>Other financing uses</b>					
Transfers out	<u>(180,500)</u>	<u>-</u>	<u>(180,500)</u>	<u>(154,754)</u>	<u>25,746</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (8,500)</u>	<u>\$ (8,500)</u>	<u>\$ -</u>	<u>\$ 8,500</u>

**City of Litchfield Park, Arizona**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Local Transportation Assistance Fund I**  
**Year ended June 30, 2010**

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 22,000	\$ 12,298	\$ (9,702)
Investment earnings	<u>300</u>	<u>115</u>	<u>(185)</u>
Total revenues	22,300	12,413	(9,887)
<b>Expenditures</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenditures	22,300	12,413	(9,887)
<b>Other financing uses</b>			
Transfers out	<u>(22,300)</u>	<u>(12,413)</u>	<u>9,887</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Litchfield Park, Arizona**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Special Lighting Improvement District I**  
**Year ended June 30, 2010**

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Special assessments	\$ 31,460	\$ 31,227	\$ (233)
Total revenues	31,460	31,227	(233)
<b>Expenditures</b>			
Streetlights	31,460	32,194	(734)
Net change in fund balance	\$ -	\$ (967)	\$ (967)

**City of Litchfield Park, Arizona**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Special Lighting Improvement District II**  
**Year ended June 30, 2010**

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Special assessments	\$ 152,534	\$ 151,407	\$ (1,127)
Total revenues	152,534	151,407	(1,127)
<b>Expenditures</b>			
Streetlights	<u>152,534</u>	<u>140,242</u>	<u>12,292</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,165</u>	<u>\$ 11,165</u>

**City of Litchfield Park, Arizona**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Special Lighting Improvement District III**  
**Year ended June 30, 2010**

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Special assessments	\$ 27,494	\$ 27,291	\$ (203)
Total revenues	27,494	27,291	(203)
<b>Expenditures</b>			
Streetlights	<u>27,494</u>	<u>27,994</u>	<u>(500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (703)</u>	<u>\$ (703)</u>

**City of Litchfield Park, Arizona**  
**Schedule of Capital Assets - By Function and Activity**  
**June 30, 2010**

Function and Activity	Vehicles	Machinery and Equipment	Office Equipment	Improvements			Construction in Progress and Infrastructure	Land	Total
				Land	Building Improve- ments	Buildings			
<b>General government</b>	\$ 94,140	\$ 6,831	\$ 107,554	\$ 757,924	\$ 57,164	\$ 127,900	\$ 147,765	\$ 1,079,749	\$ 2,379,027
<b>Public safety</b>	10,000	14,230	-	-	-	-	9,578	-	33,808
<b>Highways and streets</b>	-	-	-	-	-	-	16,831,774	-	16,831,774
<b>Public works:</b>									
Parks and right-of-way	631,547	315,904	-	-	-	-	2,999,124	-	3,946,575
<b>Culture and recreation</b>	-	19,826	-	-	-	-	-	1,000,000	1,019,826
Total capital assets	<u>\$ 735,687</u>	<u>\$ 356,791</u>	<u>\$ 107,554</u>	<u>\$ 757,924</u>	<u>\$ 57,164</u>	<u>\$ 127,900</u>	<u>\$ 19,988,241</u>	<u>\$ 2,079,749</u>	24,211,010
Less accumulated depreciation									(6,418,008)
Net capital assets									<u>\$ 17,793,002</u>

**City of Litchfield Park, Arizona**  
**Schedule of Changes in Capital Assets - By Function and Activity**  
**Year Ended June 30, 2010**

Function and Activity	Balance as of June 30, 2009	Additions	Deletions	Balance as of June 30, 2010
<b>General government</b>	\$ 2,379,027	\$ -	\$ -	\$ 2,379,027
<b>Public safety</b>	33,808	-	-	33,808
<b>Highways and streets</b>	15,267,811	1,788,694	224,731	16,831,774
<b>Public works</b>				
Parks and right-of-way	3,946,575		-	3,946,575
<b>Culture and recreation</b>	1,005,205	14,621	-	1,019,826
Total capital assets	<u>22,632,426</u>	<u>1,803,315</u>	<u>224,731</u>	<u>24,211,010</u>
Less accumulated depreciation	(5,661,010)	(756,998)	-	(6,418,008)
Net capital assets	<u>\$ 16,971,416</u>	<u>\$ 1,046,317</u>	<u>\$ 224,731</u>	<u>\$ 17,793,002</u>

**NOI + CQV I + QCI + S + S + Q + S**

## **City of Litchfield Park, Arizona Statistical Section Schedules**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **Financial Trends**

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

- Net Assets by Component
- Changes in Net Assets
- Fund Balances
- Changes in Fund Balances
- Tax Revenues by Source
- Intergovernmental Revenues By Source

### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, property, sales and use tax.

- Assessed and Estimated Value of Taxable Property
- Ratio of Assessed Value
- Property Tax Rates - Direct and Overlapping Governments

### **Debt Capacity**

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

- Overlapping Debt
- Ratio of Outstanding Debt by Type
- Computation of Legal Debt Margin
- Legal Debt Margin Information

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

- Demographic and Economic Statistics

### **Operating Information**

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

- Permits, Housing, Retail Sales
- Employment Statistics
- Capital Asset Statistics by Function
- Miscellaneous Data

**City of Litchfield Park, Arizona**  
**Net Assets by Component**  
**Last 7 Fiscal Years**  
**(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 3,230,994	\$ 3,938,548	\$ 3,961,689	\$ 7,773,210	\$ 10,515,026	\$ 11,012,304	\$ 12,448,002
Restricted	439,148	489,743	541,168	575,215	579,601	2,163,839	2,178,283
Unrestricted	7,073,464	8,127,644	10,356,133	7,839,074	5,235,127	4,073,955	3,845,962
Total governmental activities net assets	<u>\$ 10,743,606</u>	<u>\$ 12,555,935</u>	<u>\$ 14,858,990</u>	<u>\$ 16,187,499</u>	<u>\$ 16,329,754</u>	<u>\$ 17,250,098</u>	<u>\$ 18,472,247</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 266,022	\$ 302,301	\$ 271,195	\$ 240,796	\$ 211,632	\$ 197,807	\$ 172,989
Restricted	-	-	-	-	-	-	-
Unrestricted	(309,931)	(308,014)	(308,031)	(111,469)	65,611	169,849	(172,989)
Total business-type activities net assets	<u>\$ (43,909)</u>	<u>\$ (5,713)</u>	<u>\$ (36,836)</u>	<u>\$ 129,327</u>	<u>\$ 277,243</u>	<u>\$ 367,656</u>	<u>\$ -</u>
Primary government							
Invested in capital assets, net of related debt	\$ 3,497,016	\$ 4,240,849	\$ 4,232,884	\$ 8,014,006	\$ 10,726,658	\$ 11,210,111	\$ 12,620,991
Restricted	439,148	2,039,661	2,257,299	2,182,068	2,159,887	2,163,839	2,178,283
Unrestricted	6,763,533	6,269,712	8,331,971	6,120,212	3,849,009	4,243,804	3,672,973
Total primary government net assets	<u>\$ 10,699,697</u>	<u>\$ 12,550,222</u>	<u>\$ 14,822,154</u>	<u>\$ 16,316,286</u>	<u>\$ 16,735,554</u>	<u>\$ 17,617,754</u>	<u>\$ 18,472,247</u>

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2004. Prior financial statements have not been restated to provide this information.

Source: Statement of Net Assets  
City financial records and reports

**City of Litchfield Park, Arizona**  
**Changes in Net Assets**  
**Last 7 Fiscal Years**  
**(accrual basis of accounting)**

<b>Expenses</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Governmental activities:</b>							
General government	\$ 829,512	\$ 1,182,171	\$ 1,064,018	\$ 1,227,191	\$ 1,385,707	\$ 1,321,161	\$ 1,341,656
Public safety	312,313	330,045	478,941	613,069	793,398	782,206	735,388
Public works	1,269,411	1,051,943	1,875,581	2,224,797	2,183,719	2,337,911	2,270,364
Streets	198,685	9,128	221,765	564,312	852,841	615,523	465,604
Streetlights	-	-	-	150,420	152,073	191,298	200,430
Interest on long-term debt	397,888	379,388	370,387	358,100	384,727	340,960	331,838
<b>Total governmental activities expenses</b>	<b>\$ 3,007,809</b>	<b>\$ 2,952,675</b>	<b>\$ 4,010,692</b>	<b>\$ 5,137,889</b>	<b>\$ 5,752,465</b>	<b>\$ 5,589,059</b>	<b>\$ 5,345,280</b>
<b>Business-type activities:</b>							
Recreation center	\$ 673,576	\$ 721,307	\$ 832,495	\$ 1,013,464	\$ 1,096,341	\$ 982,950	\$ 902,476
<b>Total business-type activities expenses</b>	<b>673,576</b>	<b>721,307</b>	<b>832,495</b>	<b>1,013,464</b>	<b>1,096,341</b>	<b>982,950</b>	<b>902,476</b>
<b>Total primary government expenses</b>	<b>\$ 3,681,385</b>	<b>\$ 3,673,982</b>	<b>\$ 4,843,187</b>	<b>\$ 6,151,353</b>	<b>\$ 6,848,806</b>	<b>\$ 6,572,009</b>	<b>\$ 6,247,756</b>
<b>Program Revenues</b>							
<b>Governmental activities:</b>							
<b>Charges for services:</b>							
General government	\$ -	\$ 252,251	\$ 279,238	\$ 187,555	\$ 25,165	\$ 24,355	\$ 53,662
Public safety	34,790	59,969	181,032	120,111	176,155	150,687	95,125
Public works	423,938	675,399	557,316	361,557	244,560	115,130	139,516
Streetlights	-	-	-	145,492	201,673	226,040	209,925
Capital grants and contributions	596,396	791,434	941,450	350,467	613,791	293,295	734,945
<b>Total governmental activities program revenues</b>	<b>\$ 1,055,124</b>	<b>\$ 1,779,053</b>	<b>\$ 1,959,036</b>	<b>\$ 1,165,182</b>	<b>\$ 1,261,344</b>	<b>\$ 809,507</b>	<b>\$ 1,233,173</b>
<b>Business-type activities:</b>							
<b>Charges for services:</b>							
Community and recreation services	\$ 314,519	\$ 329,873	\$ 368,520	\$ 489,143	\$ 472,709	\$ 501,163	\$ 491,767
Capital grants and contributions	-	-	-	-	40,852	-	-
<b>Total business-type activities program revenues</b>	<b>314,519</b>	<b>329,873</b>	<b>368,520</b>	<b>489,143</b>	<b>513,561</b>	<b>501,163</b>	<b>491,767</b>
<b>Total primary government program revenues</b>	<b>\$ 1,369,643</b>	<b>\$ 2,108,926</b>	<b>\$ 2,327,556</b>	<b>\$ 1,654,325</b>	<b>\$ 1,774,905</b>	<b>\$ 1,310,670</b>	<b>\$ 1,724,940</b>
<b>Net (expense)/revenue</b>							
Governmental Activities	\$ (1,952,685)	\$ (1,173,622)	\$ (2,051,656)	\$ (4,118,199)	\$ (4,692,794)	\$ (5,005,592)	\$ (4,112,107)
Business-type activities	(359,057)	(391,434)	(463,975)	(524,321)	(582,780)	(481,787)	(410,709)
<b>Total primary government net expense</b>	<b>\$ (2,311,742)</b>	<b>\$ (1,565,056)</b>	<b>\$ (2,515,631)</b>	<b>\$ (4,642,520)</b>	<b>\$ (5,275,574)</b>	<b>\$ (5,487,379)</b>	<b>\$ (4,522,816)</b>
<b>General Revenues and Other Changes in Net Assets</b>							
<b>Governmental activities:</b>							
<b>Taxes</b>							
City sales tax	\$ 2,746,573	\$ 2,397,068	\$ 3,478,540	\$ 3,882,231	\$ 3,808,889	\$ 3,852,348	\$ 3,791,850
Shared revenues	1,107,605	866,312	990,230	1,476,541	1,235,867	1,202,192	1,069,298
Miscellaneous	33,554	29,222	41,400	134,320	103,911	1,059,574	507,682
Investment income	56,807	117,979	277,391	498,608	343,962	29,425	8,479
Transfers	(303,701)	(429,630)	(432,851)	(690,484)	(741,948)	(560,948)	(43,053)
<b>Total governmental activities</b>	<b>\$ 3,640,838</b>	<b>\$ 2,980,951</b>	<b>\$ 4,354,710</b>	<b>\$ 5,301,216</b>	<b>\$ 4,750,681</b>	<b>\$ 5,582,591</b>	<b>\$ 5,334,256</b>
<b>Business-type activities:</b>							
Transfers	\$ 303,701	\$ 429,630	\$ 432,851	\$ 690,484	\$ 741,948	\$ 560,948	\$ 43,053
<b>Total business-type activities</b>	<b>303,701</b>	<b>429,630</b>	<b>432,851</b>	<b>690,484</b>	<b>741,948</b>	<b>560,948</b>	<b>43,053</b>
<b>Total primary government</b>	<b>\$ 3,944,539</b>	<b>\$ 3,410,581</b>	<b>\$ 4,787,561</b>	<b>\$ 5,991,700</b>	<b>\$ 5,492,629</b>	<b>\$ 6,143,539</b>	<b>\$ 5,377,309</b>
<b>Change in Net Assets</b>							
Governmental activities	\$ 1,688,153	\$ 1,807,329	\$ 2,303,054	\$ 1,328,509	\$ 259,560	\$ 803,039	\$ 1,222,149
Business-type activities	(55,356)	38,196	(31,124)	166,163	159,168	79,161	(367,656)
<b>Total primary government</b>	<b>\$ 1,632,797</b>	<b>\$ 1,845,525</b>	<b>\$ 2,271,930</b>	<b>\$ 1,494,672</b>	<b>\$ 418,728</b>	<b>\$ 882,200</b>	<b>\$ 854,493</b>

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2004. Prior financial statements have not been restated to provide this information.

Source: Statement of Activities  
City financial records and reports

**City of Litchfield Park, Arizona**  
**Fund Balances of Governmental Funds**  
**Last 7 Fiscal Years**  
**(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund							
Reserved	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ -	\$ -
Unreserved	3,610,479	4,640,374	6,659,098	3,629,198	2,057,848	2,345,193	3,570,139
Total general fund	<u>\$ 3,910,479</u>	<u>\$ 4,940,374</u>	<u>\$ 6,959,098</u>	<u>\$ 3,629,198</u>	<u>\$ 2,057,848</u>	<u>\$ 2,345,193</u>	<u>\$ 3,570,139</u>
General fund as % of current year revenues <sup>1</sup>							
Reserved	7.10%	6.95%	5.27%	0.00%	0.00%	0.00%	0.00%
Unreserved	85.49%	107.45%	117.06%	60.33%	36.63%	47.56%	67.74%
Total general fund	92.59%	114.39%	123.55%	60.33%	36.63%	47.56%	67.74%
General fund as % of current year expenditures <sup>2</sup>							
Reserved	12.14%	13.76%	9.00%	0.00%	0.00%	0.00%	0.00%
Unreserved	146.08%	212.91%	199.88%	92.17%	48.12%	57.11%	89.21%
Total general fund	158.22%	226.67%	206.53%	92.17%	48.12%	57.11%	89.21%
All other governmental funds							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:							
Special revenue funds	450,332	500,927	552,352	581,471	635,457	676,533	686,028
Debt service	1,571,284	1,549,918	1,716,131	1,606,852	1,580,286	1,566,720	1,581,164
Capital projects funds	1,659,755	1,685,565	1,734,806	4,289,095	3,202,776	1,148,268	134,772
Total all other governmental funds	<u>\$ 3,681,371</u>	<u>\$ 3,736,410</u>	<u>\$ 4,003,289</u>	<u>\$ 6,477,418</u>	<u>\$ 5,418,519</u>	<u>\$ 3,391,521</u>	<u>\$ 2,401,964</u>

<sup>1</sup>Does not include other financing sources

<sup>2</sup>Does not include other financing uses

Note: The City's financial data is currently not available for fiscal years ending prior to June 30, 2004, so the City is not able to report a full ten years of historical information.

Source: Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds  
City financial records and reports

**City of Litchfield Park, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last 7 Fiscal Years**  
**(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>							
Taxes	\$ 2,964,786	\$ 2,832,938	\$ 3,750,840	\$ 3,882,231	\$ 3,808,887	\$ 3,852,348	\$ 3,791,850
Special assessments	-	-	-	145,492	201,673	226,040	209,925
Licenses and permits	205,725	470,591	557,316	387,867	269,725	139,485	163,386
Intergovernmental	1,107,605	1,186,595	1,282,988	1,476,541	1,741,337	1,495,487	1,804,245
Developer contributions	465,066	471,151	648,692	350,467	108,321	-	-
Fines	34,790	59,969	181,032	120,111	176,155	150,687	124,917
Investment earnings	56,807	117,979	277,391	498,608	343,963	29,425	8,479
Miscellaneous	164,884	29,222	41,400	146,059	106,156	59,574	183,682
Total revenues	<u>4,999,663</u>	<u>5,168,445</u>	<u>6,739,659</u>	<u>7,007,376</u>	<u>6,756,217</u>	<u>5,953,046</u>	<u>6,286,484</u>
<b>Expenditures</b>							
General government	712,148	849,792	1,025,663	1,185,622	1,332,758	1,274,152	1,272,862
Public safety	714,698	620,457	478,941	584,831	793,398	782,140	734,295
Public works	790,129	761,531	1,544,930	1,962,838	1,804,497	1,845,957	1,889,950
Streets	38,420	9,128	18,581	42,372	198,209	205,969	208,004
Streetlights	-	-	-	150,420	152,073	191,298	200,430
Capital outlay	4,537,689	893,585	539,066	2,673,931	3,752,043	2,311,273	1,180,663
Debt service							
Principal retirement	130,000	140,000	210,738	214,549	231,782	170,000	180,000
Interest and fiscal charges	397,888	379,388	370,387	358,100	379,758	350,962	341,838
Total expenditures	<u>7,320,972</u>	<u>3,653,881</u>	<u>4,188,306</u>	<u>7,172,663</u>	<u>8,644,518</u>	<u>7,131,751</u>	<u>6,008,042</u>
Excess of revenues over (under) expenditures	\$ (2,321,309)	\$ 1,514,564	\$ 2,551,353	\$ (165,287)	\$ (1,888,301)	\$ (1,178,705)	\$ 278,442
<b>Other financing sources (uses)</b>							
Proceeds from capital lease	-	-	167,100	-	-	-	-
Transfers in	1,005,804	945,855	306,393	5,000,000	2,500,000	262,811	167,167
Transfers out	<u>(1,309,505)</u>	<u>(1,375,485)</u>	<u>(739,244)</u>	<u>(5,690,484)</u>	<u>(3,241,948)</u>	<u>(823,759)</u>	<u>(210,220)</u>
Net change in fund balances	<u>\$ (2,625,010)</u>	<u>\$ 1,084,934</u>	<u>\$ 2,285,602</u>	<u>\$ (855,771)</u>	<u>\$ (2,630,249)</u>	<u>\$ (1,739,653)</u>	<u>\$ 235,389</u>
Debt service as a percentage of non-capital expenditures	19.0%	18.8%	15.9%	12.7%	12.5%	10.8%	10.8%

Note: The City's financial data is currently not available for fiscal years ending prior to June 30, 2004, so the City is not able to report a full ten years of historical information.

Source: Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds  
City financial records and reports

**City of Litchfield Park, Arizona**  
**Governmental Activities Tax Revenues By Source**  
**Last 7 Fiscal Years**  
**(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City sales taxes <sup>1</sup>	\$ 2,746,573	\$ 2,397,068	\$ 3,478,540	\$ 3,556,977	\$ 3,202,601	\$ 3,133,350	\$ 3,075,611
Franchise taxes	218,213	223,428	272,300	325,254	232,274	220,264	194,971
Community Facilities District	-	-	-	298,668	374,011	498,734	521,268
Total taxes	<u>\$ 2,964,786</u>	<u>\$ 2,620,496</u>	<u>\$ 3,750,840</u>	<u>\$ 4,180,899</u>	<u>\$ 3,808,886</u>	<u>\$ 3,852,348</u>	<u>\$ 3,791,850</u>

<sup>1</sup>The City's sales tax revenue is generated primarily from retail sales generated from a small number of businesses within its boundaries.

Note: The City's financial data is not currently available for fiscal years ending prior to June 30, 2004, so the City is not able to report a full ten years of historical information.

Source: Statement of Activities  
City financial records and reports

**City of Litchfield Park, Arizona**  
**Governmental Activities Intergovernmental Revenues By Source**  
**Last 7 Fiscal Years**  
**(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
State shared sales tax	\$ 317,893	\$ 347,363	\$ 408,099	\$ 430,374	\$ 416,141	\$ 360,262	\$ 332,289
Urban revenue sharing	343,445	350,244	398,905	514,089	637,226	676,822	584,612
HURF revenues	265,463	303,943	273,287	323,559	311,483	271,919	257,612
Auto in-lieu	154,352	163,108	183,226	188,060	182,500	165,108	152,400
LTAF revenues	26,452	21,937	19,471	20,459	30,281	21,376	12,298
Maricopa Association of Governments	-	-	-	-	163,707	-	465,035
Total intergovernmental revenue	<u>\$ 1,107,605</u>	<u>\$ 1,186,595</u>	<u>\$ 1,282,988</u>	<u>\$ 1,476,541</u>	<u>\$ 1,741,337</u>	<u>\$ 1,495,487</u>	<u>\$ 1,804,246</u>

Note: The City's financial data is not currently available for fiscal years ending prior to June 30, 2004, so the City is not able to report a full ten years of historical information.

Source: Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds  
City financial records

**City of Litchfield Park, Arizona**  
**Assessed and Estimated Value of Taxable Property**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Primary Assessed Value</b>	<b>Net Secondary Assessed Value</b>	<b>Estimated Full-Cash Value</b>	<b>Ratio of Net Secondary Assessed Value to Estimated Full-Cash Value</b>
2009-10	\$ 85,649,522	\$ 89,116,105	\$ 798,320,476	11.16%
2008-09	95,605,909	113,407,484	975,322,630	11.63%
2007-08	89,140,264	118,671,880	993,429,015	11.95%
2006-07	71,810,087	93,605,517	772,574,841	12.12%
2005-06	61,679,621	69,322,072	602,676,320	11.50%
2004-05	54,452,303	61,563,387	542,951,640	11.34%
2003-04	47,169,192	50,874,294	397,914,121	12.79%
2002-03	40,414,676	41,952,140	345,215,125	12.15%
2001-02	37,276,962	37,941,906	301,438,929	12.59%
2000-01	35,848,360	36,973,611	284,473,690	13.00%

Source: Maricopa County Financial Resources Management - Annual Tax Abstracts

Note: Property taxes are assessed annually for the Community Facility District and three special assessment districts. The amount levied each year is reported as revenue in the respective fund and annual collections approximate the levy.

**City of Litchfield Park, Arizona**  
**Ratio of Assessed Value**  
**City Compared to Maricopa County**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>City of Litchfield Park, Arizona</b>	<b>Maricopa County</b>	<b>Percent of Assessed Value to Maricopa County</b>
2009-10	\$ 85,649,522	\$ 46,797,410,485	0.18%
2008-09	95,605,909	49,679,450,143	0.19%
2007-08	89,140,264	44,881,602,698	0.20%
2006-07	71,810,087	38,930,267,550	0.18%
2005-06	61,679,621	33,807,465,267	0.18%
2004-05	54,452,303	31,010,284,705	0.18%
2003-04	47,169,192	28,070,870,413	0.17%
2002-03	40,414,676	25,447,850,971	0.16%
2001-02	37,276,962	22,955,864,882	0.16%
2000-01	35,848,360	21,355,326,477	0.17%

Source: Maricopa County Financial Resources Management - Annual Tax Abstracts

**City of Litchfield Park, Arizona**  
**Property Tax Rates - Direct and Overlapping Governments**  
**(Per \$100 of Assessed Value)**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>State of Arizona</u>	<u>Maricopa County</u>	<u>Community College</u>	<u>Litchfield Elementary School District #79</u>	<u>Agua Fria Union High School District #216</u>	<u>Total</u>
<u>2010</u>						
Primary	0	1.0508	0.7926	1.6167	1.6218	5.0819
Secondary	0	0	0.1802	1.2963	0.8310	2.3075
<u>2009</u>						
Primary	0	0.9909	0.7246	1.6153	2.0410	5.3718
Secondary	0	0	0.1598	1.0062	0.6539	1.8199
<u>2008</u>						
Primary	0	1.0327	0.7752	1.7569	1.8833	5.4481
Secondary	0	0	0.1634	0.7732	0.5248	1.4614
<u>2007</u>						
Primary	0	1.1046	0.8246	1.8211	1.6200	5.3703
Secondary	0	0	0.1514	0.9013	1.0121	2.0648
<u>2006</u>						
Primary	0	1.1794	0.8815	2.0284	2.2412	6.3305
Secondary	0	0.00	0.1831	1.7905	1.3463	3.3199
<u>2005</u>						
Primary	0	1.6329	0.8936	1.8870	2.2431	6.6566
Secondary	0	0.00	0.1379	1.4557	1.3572	2.9508
<u>2004</u>						
Primary	0	1.6825	0.941	2.3752	2.4243	7.423
Secondary	0	0.07	0.1375	1.8914	1.3745	3.4734
<u>2003</u>						
Primary	0	1.6997	0.9634	2.1339	2.8262	7.423
Secondary	0	0.08	0.1493	2.1374	1.3891	3.7558
<u>2002</u>						
Primary	0	1.6806	0.9583	2.6058	2.4659	7.7106
Secondary	0	0.5007	0.1524	2.2105	1.4117	4.2753
<u>2001</u>						
Primary	0	1.6764	0.9691	2.6218	2.6218	7.8891
Secondary	0	0.1152	0.1503	2.507	2.507	5.2795

Source: Maricopa County Financial Resources Management - Tax Rate Publication

**City of Litchfield Park, Arizona  
Overlapping Debt  
June 30, 2010**

<b>Overlapping Municipality</b>	<b>Secondary Assessed Valuation (thousands)</b>	<b>Gross Bonded Debt</b>	<b>Proportion Applicable to City of Litchfield Park</b>		
			<b>Percentage<sup>1</sup></b>	<b>Amount</b>	<b>Per Capita</b>
City of Litchfield Park	\$ 89,116,105	\$ 5,345,000	100%	\$ 5,345,000	\$ 1,043.54
Total direct and general bonded debt		<u>5,345,000</u>		<u>5,345,000</u>	
Maricopa County	49,662,543,618	145,035,000	0.18%	260,256	50.81
Maricopa County Community College District	49,662,543,618	601,930,000	0.18%	1,080,123	210.88
Agua Fria Union High School District #216	1,282,258,275	48,410,000	6.95%	3,364,463	656.87
Litchfield Elementary School District #79	782,205,291	<u>31,950,000</u>	11.39%	<u>3,640,041</u>	710.67
Total overlapping general bonded debt		<u>827,325,000</u>		<u>8,344,883</u>	
Total overlapping and direct general bonded debt		<u>\$ 832,670,000</u>		<u>\$ 13,689,883</u>	

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. This process recognizes that, when considering the City'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.

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Source: Maricopa County Financial Resources Management - Annual Tax Abstracts  
Arizona Department of Revenue - Bonded Indebtedness Reports  
<http://www.azdor.gov/ResearchStats/Bondedindebtedness.htm>

**City of Litchfield Park, Arizona**  
**Ratios of Outstanding Debt by Type**  
**2004-2010**

<b>Fiscal Year Ended June 30,</b>	<b>Governmental Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Percentage of Median Household Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Capital Lease Obligations</b>				
2010	\$ 5,345,000	\$ -	5,345,000	6.24%	1.49%	1,044
2009	5,525,000	-	5,525,000	5.78%	1.44%	1,079
2008	5,695,000	-	5,695,000	6.39%	1.40%	1,118
2007	5,720,000	56,813	5,776,813	8.04%	1.24%	1,143
2006	6,010,000	111,362	6,121,362	9.92%	1.17%	1,352
2005	6,155,000	-	6,155,000	11.30%	<sup>1</sup>	1,443
2004	6,295,000	-	6,295,000	13.35%	<sup>1</sup>	1,590

<sup>1</sup> Median household income information not available for these years.

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2004. Prior financial statements have not been restated to provide this information.

**City of Litchfield Park, Arizona  
Computation of Legal Debt Margin  
June 30, 2010**

**DEBT CAPACITY ANALYSIS**

The ability of the City to incur general obligation debt is governed by constitutional and statutory provisions of Arizona law. Under the provisions of the Arizona Constitution, as amended in 1980, outstanding general obligation bonded debt for combined water, sewer, lighting, parks, open space, and recreational purposes may not exceed 20% of the City's net secondary assessed valuation. All other general obligation bonded debt is limited to 6% of the secondary assessed valuation.

Based on the City's 2009-2010 secondary assessed valuation, the City had \$17,823,221 borrowing capacity in the 20% category and \$5,346,966 in the 6% category.

**City of Litchfield Park, Arizona  
General Obligation Bond Incurrence Capacity  
As of June 30, 2010**

**20% Limitation  
Water, Sewer, Lighting, Parks, Open Space  
and Recreational Purpose Bonds**

Secondary Assessed Valuation - 2009-2010	\$89,116,105
Allowable 20% Debt	17,823,221
20% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$17,823,221

**6% Limitation  
All Other  
General Obligation Bonds**

Secondary Assessed Valuation - 2009-2010	\$89,116,105
Allowable 6% Debt	5,346,966
6% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$5,346,966

Note: General obligation bonds of the community facilities district are not subject to or included in this computation since they are not bonds of the City of Litchfield Park.

**City of Litchfield Park, Arizona  
Legal Debt Margin Information  
Last 7 Fiscal Years**

	<b>Fiscal Year</b>						
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>20% Limitation</b>							
Debt Limit Equal to the 20% of Assessed Valuation	\$ 8,390,428	\$ 10,174,859	\$ 12,312,677	\$ 18,721,103	\$ 23,734,376	\$ 22,681,497	\$ 17,823,221
Net Debt Applicable to the 20% Limit	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 8,390,428</u>	<u>\$ 10,174,859</u>	<u>\$ 12,312,677</u>	<u>\$ 18,721,103</u>	<u>\$ 23,734,376</u>	<u>\$ 22,681,497</u>	<u>\$ 17,823,221</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0%	0%	0%	0%	0%	0%	0%
<b>6% Limitation</b>							
Debt Limit Equal to the 6% of Assessed Valuation	\$ 2,424,881	\$ 3,052,458	\$ 3,693,803	\$ 5,616,331	\$ 7,120,313	\$ 6,804,449	\$ 5,346,966
Net Debt Applicable to the 6% Limit	-	-	-	-	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 2,424,881</u>	<u>\$ 3,052,458</u>	<u>\$ 3,693,803</u>	<u>\$ 5,616,331</u>	<u>\$ 7,120,313</u>	<u>\$ 6,804,449</u>	<u>\$ 5,346,966</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0%	0%	0%	0%	0%	0%	0%

Note: The City's financial data is not currently available for fiscal years ending prior to June 30, 2004, so the City is not able to report a full ten years of historical information.

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

<b>Fiscal Year</b>	<b>City of Litchfield Park Population<sup>1</sup></b>	<b>City of Litchfield Park Growth<sup>1</sup></b>	<b>City of Litchfield Park Unemployment Rate</b>	<b>Maricopa County Population<sup>1</sup></b>	<b>Maricopa County % Growth<sup>1</sup></b>	<b>Maricopa County Unemployment Rate</b>	<b>Elementary and High School Enrollment</b>
2010	5,122	0.0%	8.0%	4,023,331	0.0%	8.8%	16,623
2009	5,122	0.6%	7.4%	4,023,331	0.9%	8.1%	16,286
2008	5,093	0.8%	4.1%	3,987,942	2.1%	3.5%	15,464
2007	5,055	11.6%	3.0%	3,907,492	3.8%	3.2%	14,238
2006	4,528	6.2%	3.2%	3,764,446	1.7%	3.8%	12,483
2005	4,265	7.7%	3.7%	3,700,516	6.5%	4.1%	11,285
2004	3,960	2.3%	4.0%	3,475,500	2.3%	3.9%	9,909
2003	3,870	0.7%	4.8%	3,396,875	3.1%	5.2%	8,320
2002	3,845	-2.9%	5.1%	3,296,250	3.3%	5.1%	7,050
2001	3,960	1.8%	3.8%	3,192,125	3.9%	3.9%	6,063

Income Figures

Median household income	\$	79,657
Per capita income	\$	37,793
Total personal income	\$	193,575,746
Below \$10,000 <sup>2</sup>		2.4%
Above \$75,000 <sup>2</sup>		56.6%

<sup>1</sup> 2010 update not available due to decennial census

<sup>2</sup> Last available data is from 2000 census

Source: Population and Unemployment information obtained at [www.workforce.az.gov](http://www.workforce.az.gov)  
 Enrollment data obtained at AZ Dept. of Education website  
 Median and per capita income figures obtained at [www.southwestvalleychamber.com](http://www.southwestvalleychamber.com). Information for the last 10 years is not available

**City of Litchfield Park, Arizona**  
**Building Permits, New Housing Units and Retail Sales**  
**Last Ten Years**

<u>Year</u>	<u>Value of Building Permits Issued</u>	<u>New Housing Units</u>	<u>Estimated Retail Sales</u>
2010	\$ 7,844,413	12	\$ 107,085,491
2009	5,802,597	12	105,939,313
2008	4,203,489	9	155,919,848
2007	24,735,028	63	188,433,515
2006	8,597,388	108	174,169,746
2005	58,209,102	178	124,902,987
2004	25,086,938	280	131,703,837
2003	8,582,006	32	88,831,685
2002	7,331,147	22	73,140,406
2001	6,993,490	20	75,762,417

Source: City departments and records

**City of Litchfield Park, Arizona  
Employment Statistics  
June 30, 2010**

**Principal employers:**

	2010		2009		2008		2007	
	Number of employees	Percent of Total						
The Wigwam Golf Resort & Spa	440	59.54%	440	59.54%	439	59.40%	452	61.16%
City of Litchfield Park (incl. seasonal)	71	9.61%	71	9.61%	94	12.72%	67	9.07%
Litchfield Elementary School	60	8.12%	60	8.12%	64	8.66%	64	8.66%
Total number of employees across all employers (Note 3)	739		739		739		739	

**Authorized Positions by Function and Department  
Last 7 Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010
<b>General government</b>							
City Manager	1	1	2	2	2	2	2
City Clerk	3	4	5	5	5	5	4
Budget and Finance	2	2	2	3	3	3	3
Human Resources	1	1	1	1	1	1	1
Building Safety and Code Enforcement	2	2	2	3	3	3	3
Planning Services	-	-	-	1	1	1	1
Court	2	2	2	3	3	3	3
Public Works	11	13	17	17	17	16	17
<b>Recreation and community services</b>							
Recreation Services	35	36	36	37	37	37	37
Total	<u>57</u>	<u>61</u>	<u>67</u>	<u>72</u>	<u>72</u>	<u>71</u>	<u>71</u>

Note 1: Certain statistical data as presented above is not currently available, so the City is not able to report a full ten years of historical information.

Note 2: The principal employers have remained the same since incorporation.

Note 3: The total number of employees for all employers is reported using a 2003 study. A more recent study is not available.

Source: City departments and records

**City of Litchfield Park, Arizona**  
**Capital Assets Statistics by Function - Unaudited**  
**June 30, 2010**

<u>Community and Recreation Services</u>		<u>Highways and Streets</u>	
Community recreation center	1	Miles of streets	23
Swimming pools	1	Miles of pathways	11
Parks	11		
Park acreage	40		
Tennis courts	2		
Basketball courts	2		
Baseball diamonds	2		
Ramadas	7		
Urban lakes	1		

Source: City departments and records (note - there were no changes from prior year and no information is currently available prior to 2009).

**City of Litchfield Park, Arizona**  
**Miscellaneous Statistics - Unaudited**  
**June 30, 2010**

**Date of Incorporation**

August 3, 1987

**Form of Government**

Council\Manager

<u>Population/Demographics<sup>1</sup></u>	
2010 estimated population	5,122
Male	47.9%
Female	52.1%
White	92.1%
Hispanic	5.5%
Black/African American	1.4%
American Indian/Alaskan Natives	0.4%
Asian	2.9%
Other	1.5%
Under 18 years	24%
Over 62 years	25%
<u>City employees as of June 30, 2010</u>	
Full-time	30
Part-time (incl. seasonal)	41
<u>Annexed area</u>	
Square miles	3.3
Miles of streets	23

<u>Public Safety</u>	
Police protection provided by Maricopa County Sheriffs Department:	
* Fire protection provided by Rural Metro:	
Number of fire stations	1
<u>Education</u>	
Litchfield Elementary School District:	
Number of elementary schools	12
Number of students	10,117
Agua Fria High School District:	
Number of high schools	4
Number of students	6,506
Estrella Mountain Community College	
Number of students	13,000
<u>Highways and Streets</u>	

\* Rural Metro Fire & Emergency Services to the City ended on June 30, 2010 and were replaced by City of Goodyear Fire & Emergency Services.

<sup>1</sup> Data is latest available; 2010 update not available due to decennial census

Source: City departments and records  
U.S. Census  
AZ Department of Education